



Annual Report on Corporate Social Responsibility for the year 2019

Biograd na Moru, December 2020





Annual Report on Corporate Social Responsibility for 2019

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I Statement by the President of the Management Board

I Statement by the President of the Management Board



Dear stakeholders,

I am pleased to present the fifth non-financial report of Ilirija d.d., for the business year 2019, which has been the Company's most successful year to date in terms of the achieved operating results and development standards, as well as the performed CSR activities.

The Company's goal in 2019 was to achieve balance and long-term sustainability of the justified and realistic interests of all stakeholder groups, as well as balance of the Company's development and growth, while taking into account the realistic and justified expectations of our key stakeholders, which we consider successfully met, especially considering the challenging business circumstances.

By redirecting a part of the added value realised through revenue towards our key stakeholder groups, and especially towards our employees through a continued, aware and targeted policy aimed at improving their financial situation, as well as towards our guests, by constantly improving the quality and

standard of our existing services and developing new ones, we have ensured the growth of our business and the stability of the financial year. This has to a smaller extent been reflected in the other business performance indicators, particularly the profitability indicators, compared to the year before.

The circumstances of the financial year, parts of which have been more than challenging, or even demanding, in particular regarding sales with an emphasis on the significant share of last minute sales, as well as due to the lack of qualified seasonal employees, give us the right to consider the achieved results to be successful, particularly regarding the realisation of total or opera-



In 2019, we continued creating added value as expected and planned for all our key stakeholder groups, with a special emphasis on our guests, who are the key customers for our services and products, as well as on our employees and shareholders.

ting revenues, in which part the Company has continued an adequate and targeted process of continued growth.

The total revenue amounted to HRK 167,797,556.86, with a growth rate of 4.19% compared to 2018, as a result of an increase in operating revenue and sales revenue on the domestic and international market. In the Company's key tourism sectors (hotel, camping and nautical sector), revenue has, despite the circumstances of the financial year, increased at a rate of 5% in each of these sectors, whereas the destination management Company Ilirija Travel recorded a revenue increase by over 16%. The real estate sector has also seen a revenue increase by 1%. In respect of total and operating revenue, this has by far been the best financial year at Company level as well as at the level of each of its sectors, with a continued increase in revenue.

The nautical sector has in all of its business units, i.e. Marina Kornati (vessel accommodation), the nautical fair (Biograd Boat Show) and catering unit (the restaurant "Marina Kornati"), achieved the best operating results by far and a record-breaking financial year. The operating results have mostly been generated by the results achieved in the vessel accommodation unit, i.e. in Marina Kornati. 250,999 charter overnight stays were realised, which is

a 16.88% increase compared to the previous financial year and represents 34% of all charter overnight stays in Zadar County, and 83% of all charter overnight stays in Biograd na Moru.

The hotel sector has achieved the best operating results by far in terms of generated revenue and a slight increase in the number of overnight stays, which has led to an increase in operating revenue in the whole sector by 5% and a revenue increase per room, while maintaining the number of occupancy days at the same level as in the previous year, whereas the camping sector, i.e. Park Soline camp has, with an expected stagnation in



The financial year 2019 has, in terms of the generated operating revenue, by far been the best the Company has had in all of its sectors, enabling Ilirija to continue its growth and development process from the aspect of revenue generation. The achieved results confirmed that Ilirija, as a Company with a wide range of economic activities, continues to conduct a successful, profitable and responsible business.

operating business indicators (arrivals/overnight stays) recorded a revenue increase at a 5% rate.

As for the destination management Company Ilirija Travel, services were provided to 54,749 persons through the organization of 609 separate events and a revenue

increase by 16%, i.e. 21% when including the revenue generated in the other profit centres compared to 2018. Regarding the Company's real estate sector, the capacity occupancy of the City Galleria business and shopping centre of 99.77% led to a recorded operating revenue in the amount of HRK 14.255.205,21, representing an increase by 1%.

Regarding our corporate social responsibility activities, we particularly point out our relationship with our employees, who are the promoters of our values and carry the entire business process, and are proud of the fact that 99% of our employees come from our local community, i.e. from the towns and municipalities of Zadar County. At Company level, we have succeeded in achieving the regular performance of our activities and operations without any workforce from abroad, i.e. without foreign employees, which we see as a responsibility towards the community in which we do business.

As for human resources development, we hired nine trainees, namely young and highly educated persons from different professions, with the aim of getting them acquainted with and educated on all aspects of our activity through a job rotation system. Furthermore, it is important to note the activities of the Company pertaining to the education of employees, aimed at improving their competences, raising their existing level of training and qualification, continuous familiarization with new global trends and achievements, and raising their personal competencies, as well as the quality and high standard of the Company's

services, its competitiveness and sustainability.

In 2019, we have continued our policy of improving our employees' financial situation. Consequently, there was a 10% increase in the funds allocated for gross salary costs compared to the year before, while other costs and fees related to employment increased by 13%, which is all a part of the Company's aware and targeted policy regarding its relationship with its employees.

It is of particular importance to us that, in spite of a demanding and uncertain financial year regarding sales as well as employment, we have taken a significant step forward in terms of growth and increased volume of our year-round business, but also in terms of further activities regarding the development of new products and services in the pre-season and post-season period. We are also proud of the fact that through our business, we contribute to the development of the tourist offer of destinations, namely through our carefully designed offer and facilities aiming to develop a year-round tourist offer through the organization of 609 events for 54,749 people.

A significant contribution of Ilirija was maintained through the system of corporate philanthropy in the amount of HRK 662,238,81.

Environmental protection activities have been focused on improving environmental measures and standards through the construction of a new recycling yard. Accordingly, the management of all of the Company's locations has also been improved through a further technological upgrade of the waste management process.

Dear shareholders, in 2019 we have successfully achieved our business goals, together with an adequate rate of profitability, without increasing the total indebtedness of the Company, simultaneously investing more than HRK 24 million in the facilities and ensuring HRK 8.4 million for dividends to be paid out to the shareholders. A continued growth of our business at the level of all sectors has been maintained, with business performance indicators being naturally lower considering the circumstances of the financial year. Furthermore, balance and sustainability of the business system between our key stakeholders have been achieved, and our pre-season and post-season business activities have increased considerably due to responsible and sustainable investment.

We have continued strengthening our competitiveness in the tourism and hospitality industry by balancing our operations and the further development of the Company's strategic goal – year-round business in our tourism sectors with continued business growth and further enhancing our recognisability and competitiveness on the domestic and international tourism market.

Goran Ražnjević
President of the Management Board



Annual Report on Corporate Social Responsibility for the year 2019

The Annual Report on Corporate Social Responsibility for the year 2019 refers to the period from 1 January to 31 December 2019, and relies in part on the Annual Business Report for 2019, published in April 2019 in the Croatian and English language on the Company website, www.ilirjabiograd.com, as well as on the websites of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (HANFA).

This report is the fifth non-financial report of Ilirija d.d. and represents the Company's continued strategic commitment to report on all of its business aspects (financial and operating results), as well as all the other activities of the Company in a transparent manner, in order to provide a comprehensive understanding of its operations.

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

Contact person:
Jasmina Kulaš Stojanov, Expert Team Coordinator,
Tina Ujevića 7, 23210 Biograd na Moru.



Hotel sector



Nautical sector



Ilirija Travel



Camping



Real estate



II About Ilirija

II About Ilirija

1 Basic Data



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

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

Phone number: +385 23/383 165

Fax: +385 23/384 564

Web: www.ilirijabiograd.com

PIN: 05951496767

Company registration number: 3311953

IBAN: HR5824020061100097324

Swift: ESBCHR 22

Share capital amount: 229,146,480.00

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

Management Board: Goran Ražnjević, President

Supervisory Board: Goran Medić, President

2 Ilirija in figures

Ilirija is a **tourism Company** that has already been doing business on the Croatian tourism market for **62** years, and its facilities are located in the following locations: **Biograd na Moru, Zadar, Sv. Filip i Jakov and Polača**.

It presents its business to the market through the following **5 segments** of the offer:



(I) **Hotel sector** (4 hotels) – 922 beds, 443 rooms



(II) **Nautical sector** – 805 berths, 2,000 persons,



(III) **Camping** – 1,220 pitches, 3,660 persons,



(IV) **Destination management Company / DMC Ilirija Travel** - a complementary and integrated product through which we develop our year-round business. In 2019, through the system of the destination management Company Ilirija Travel, **609** special events were organized for more than **54,749** guests,



(V) **Real estate segment** – the City Galleria business and shopping centre in Zadar is one of the two largest shopping centres in the Zadar region, with a total gross surface area of more than 28,500 m².



In high season, **more than 6,000** guests stay in the Ilirija facilities every day.

It is a leading employer in the Biograd region, employing **279** employees, and over **466** employees during the season, while also providing about **1,000** people with business collaboration in our facilities.

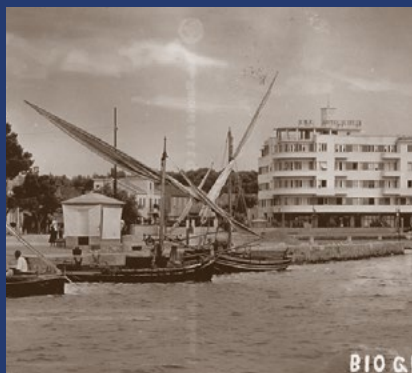
Twice awarded the recognition for corporate social responsibility – **CSR Index**, namely in **2011** and **2012**, and also the **first tourism company** in the Republic of Croatia to be recognised for its corporate social responsibility.

Based on the key business indicators, the business achievements from 2019 are the best since the foundation of the Company:

Total revenue HRK 167.797.556,86	+4,19%	Operating revenue HRK 167.711.919,32	+5,16%
Profit HRK 31.333.913,66	-15,39%	EBITDA HRK 50.310.254,21	-7,20%
Value of assets HRK 485.278.090,92	+4,95%	Capital HRK 346.783.374,38	+6,90%
Dividend paid out HRK 8.417.962,00	+16,58%	Average share price HRK 187,78	+3,18%
Number of employees (31/12) 279	+13,41%	Overnight stays 688.301	+3,92%



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 destination.



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 (14 ground and 6 colour-set tennis courts).

1991

Merger of the "Soline" camp-site located in Biograd na Moru, later renamed the "Park Soline" camp, with which the Company included camping as the third segment of its tourist offer.

1999

Ilirija d.d. was privatized and is now majority-owned by Arsenal Holdings d.o.o. from Zadar. 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.



1989

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



1991 - 1992

Completion of the fitting-out 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.

1993

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

1999 – 2019

An intensive investment cycle period when it comes to the construction, reconstruction, extension, upgrading, renovation and adaptation of the Company's accommodation facilities and establishments, as well as the development of new products with the aim of creating a quality, recognizable and competitive tourism product and increasing the quality of the destination's offer. By 31 December 2019, the Company invested HRK 617,136,750.20, which resulted in a significant increase in total revenues and a newly created value in the said period, namely in the amount of HRK 899,659,355.36.

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 boat, 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 dispersed 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 seventy percent 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

Listing of shares on 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. With the purchase (acquisition) of the City Galleria business and shopping centre in Zadar, a company with a wide range of economic activities was created.

2018

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



4 Values, Principles, Standards and Norms of Behaviour

Ilirija d.d. operates in accordance with good corporate governance principles and practices, providing a high level of transparency of all business information to all government, financial and other institutions, associations, partners and citizens. The Company applies the Corporate Governance Code of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency in its operations. The Company 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. Ilirija presents its observations on corporate governance in detail in the Questionnaire on Corporate Governance Code published on the Company website www.ilirijabiograd.com, which is submitted to the Zagreb Stock Exchange, HANFA and the Officially appointed mechanism for the central storage of regulated information. The corporate strategy of Ilirija d.d. is based on the fundamental principles of corporate social responsibility, 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.

Fundamental values



Respect and integrity – equality of treatment and attitude towards all our stakeholders constitute the basic values of our Company. Long-standing mutual trust, respect and legitimate operations are the key to Ilirija d.d.'s success.



Quality – we are continuously improving the quality of our services. 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 driver, creator and initiator of new products and services, contributing to the future development of the Company, 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. Responsible business creates new value for shareholders while considering sustainable development, taking care of employees and supporting the community. 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 the strengthening of the market position of the Company and its further growth.

5 The Company's vision and mission

Vision is to permanently remain among the **3** leading tourism companies in North Dalmatia and among the 15 leading tourism companies in the Republic of Croatia in key segments of the Croatian tourist offer (hotel sector, nautical sector and camping). Be a leader in the field of holiday tourism and a partner for tourist destinations in creating authentic experiences. 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.

The Company's **mission** is to ensure, in the long term, the optimum level of quality and competitiveness in doing business at the level of the overall Croatian tourist offer, through increasing its assets and achieving financial results that will ensure long-term business and financial stability, along with constant **investment in human resources and ensuring the optimal level of employment, as well as guaranteeing 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**. By building our own product (brand), we aim to stay recognisable as a Company with high-quality content and services on the Croatian and European tourism markets, as well as to provide top-notch services in the field of experience tourism.

6 External Initiatives and membership in associations

The Company is a member of 14 business and professional associations through which, with its active participation, it articulates the interests of the tourism industry, especially when it comes to the regulations significantly influencing the development of the tourist offer and the development of tourism as an industry, including the Act on Unassessed Land, the Maritime Domain Act, the Physical Planning Act, the Concessions Act, etc., which are of great importance for the tourism industry in the Republic of Croatia, its further sustainable and long-term development, and the development of a competitive and recognizable tourist offer. Also, Ilirija d.d. carries out a significant part of public policy-making activities by means of direct comments and suggestions to the relevant bodies, and we make significant efforts especially when it comes to promoting socially responsible business and sustainable development in the tourism sector.

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



4 business associations



10 professional associations



3 codes and charters

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 of Zadar County
- Croatian Employers' Association (CEA)
- Croatian Business Council for Sustainable Development (HR BCSD)
- Croatian Association of Managers and Entrepreneurs (HUM-CROMA)

Professional associations:

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

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

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

Charters, codes and initiatives implemented by the Company:

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

7 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, “Nada” event boat, Vila 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.



 *Ilirija d.d.*



4 hotels



Two destinations
Biograd na Moru i Sv. Filip i Jakov



443 rooms



922 beds

Hotel sector

The hotel sector of the Company is operated under the brand ILIRIJA RESORT, and it consists of four hotels with a total capacity of **922 beds and 443 rooms**:

The **Ilirija Hotel** is the largest four-star hotel of the Ilirija Resort, with a capacity of 165 rooms and 338 beds, equipped with a 200-seat restaurant, a terrace with 70 seats and an aperitif bar with 50 seats. 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. The quality of the sea and the hotels along the beaches is also demonstrated by the Blue Flag, which has been awarded to all of the beaches nearby.

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-Kornati. Hotel Kornati is unique thanks to its connection with the hotel marina, which is located in the centre of Biograd, and there is also a beach right next to the hotel.

The three-star **Adriatic Hotel** has a capacity of 100 rooms and 210 beds, a restaurant with a capacity for 230 people, a terrace with a capacity for 300 people and a bar with a capacity for 110 people. It is located in a pine forest, almost on the beach, and right next to it there is the Aquatic Centre, ideal for family fun and for various attractive summer sea activities. The modern design of the Adriatic Hotel has been inspired by a typical Mediterranean plant – the lavender.

The **Villa Donat Hotel** is located in the 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 people, and as of 2017, it has 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.



192-TG

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BG 5317



Pioneers of nautical tourism
development in Croatia



Among the top 3 marinas



805 berths



Up to 2,000 boaters
a day



More than 60,000
boaters a year

Nautical sector

Having recognised the exceptional potential of Biograd na Moru as a nautical town, located in close proximity to the Kornati archipelago, in 1974 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.

With a total sea surface area (waters) of 91,912 m² and a land surface area of 39,688 m², the **Marina Kornati** is certainly one of the largest nautical ports in Croatia and the only true driver of nautical tourism in the Biograd Riviera. 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 with a slipway and a travel lift, the marina offers a 24-hour navy-guard service, a guarded parking with 500 parking spaces, as well as restaurant facilities. There are about thirty external companies operating within the marina, which, within the framework of business cooperation, offer servicing and supply the boaters with the necessary equipment.

The Marina Kornati waters host over 30 domestic and international regattas of all classes, as well as over 30 flotillas a year. They are attended by up to 10,000 yachtsmen from around the world, and the marina is therefore also the regatta centre of North Dalmatia.

The **Ilirija-Kornati Hotel Port**, which was constructed as the first nautical tourism port forty years ago, is located in the very centre of Biograd na Moru, in front of the Kornati and the Ilirija hotels, and it disposes of 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 21 years, as the leading Croatian nautical fair organised by Ilirija d.d.



Marina Kornati - regatta center



Holder of international
certificates



More than 30 external
companies with more
than 150 employees

Thanks to investments made in recent years regarding modern technical equipment, servicing and ecosystems, with a particular focus on the fitting-out of the ship-cleaning facility, building a technological water purifier, as well as building an eco-warehouse, it can be stated that Marina Kornati has not only fulfilled the highest international environmental standards, but also that environmental protection is one of its main priorities, which has for sixteen years also been demonstrated by the Blue Flag, a symbol of high standards in the protection of the sea and coast.


The significance for the town's overall economic development is also evident from the fact that more than 150 persons are employed at the Marina and the companies performing nautical activities therein.







20,00 Ha area



1,220 accommodation units



3,660 persons



Horticultural landscaping to the level of the arboretum

Camping

The four-star **Park Soline camp**, also located in Biograd na Moru, covers a surface area of 20.00 ha and contains 1,220 accommodation units with a total capacity of up to 3,660 persons. 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 32 m² mobile home zones Shelbox-Tavolara, Premium, Comfort Plus, Tavolara Plus and Comfort Family 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 facilities. Particular attention is paid to horticultural landscaping of the camp-park up to the level of an arboretum, constituting a unique example of horticultural landscaping of a camp in Croatia as a top tourist product combining a quality tourist offer and care for the environment.

“Park Soline” camp is an ideal choice for a family holiday, with its rich restaurant offer, a newly built promenade along the entire camp and a beach leading to the centre of Biograd na Moru. In addition to evening entertainment, as well as an attractive sports offer guaranteeing active holidays, you can relax on long promenades and recreational trails in a healthy environment, which makes the camp a great choice for all nature lovers.

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 integrated and complementary
tourism product



Development of year-round
tourist offer



4 own facilities



609 events
54,749 persons

The Ilirija Travel destination management company constitutes an integrated and complementary tourism product created in response to the contemporary tourist demand, and driven by technological, social and market factors and trends of an increasingly demanding market. Among the most important cornerstones when it comes to the offer and implementation of these special programmes and products are business operations conducted in our own additional facilities such as the following:

Arsenal is a zero-category monument, a multimedia center located in Zadar, built in the 17th century, revitalized in 2005 as an indoor city square, ie as the center of public, cultural and entertainment life in the region. Average per year over 100 public and private events are organized. Today it is a place of intertwining history, modern design and urban culture of life. This unique product of Mediterranean culture revitalized into a functional blend of cultural, catering and event offerings, successfully nurtures the role of a meeting place for people of different interests begun several hundred years ago.

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 occupying the traditional rural structure, 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. This congress centre with its special offer has been recognised by a number of distinguished partner agencies as well as institutions and companies from Croatia, as a service available in all parts of the Croatian Adriatic.



Arsenal



Ražnjevića dvori A.D. 1307.



Villa Primorje



Event boat "Nada"

Real-estate segment - City Galleria



One of the two largest shopping centers in Zadar County



Area larger than 28,500 m² on 6 floors



Open city market



The only multiplex cinema in 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 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 floors and four floors with commercial and retail spaces). In 2019, the net rentable area of the centre amounted to 9,897.60 m², whereas the rest of the surface is reserved for communications, technical facilities and common areas. The centre's underground garage, with a total surface area of 10,863.50 m² and 410 designated parking spaces, is available to all of the centre's tenants and visitors 24/7, with employees on call and a video surveillance system. The great location of the City Galleria business and shopping centre in a heavily residential area close to the old town of Zadar, with lots of new housing projects and more than 250 individual housing units which are currently being built, makes it exceptionally easy to spot and very accessible to a large number of local residents, within a radius of 5 minutes walk.

The centre's offer of stores and services consists of a large number of various facilities, including an open and an indoor market, specialised food and beverage stores, a supermarket, clothing, footwear and sportswear boutiques, service and repair activities, sports facilities, catering facilities, and the city's first and only multiplex cinema with 6 auditoriums. The offer is conceptually divided into floors, with the underground garage open for all customers at levels -2 and -1, shopping and service facilities on the ground floor and the first floor, sports and entertainment facilities on the second floor, and office spaces on the third floor.

Due to its unique design and the large variety of its facilities, City Galleria has become a place where the daily lives of locals are played out, and where most everyday needs can be met.

Unique features of the City Galleria business and shopping centre were recognized on the international level as well, more precisely at the 2010 International Property Award, the world's most prestigious competition in the real estate business, on which occasion the City Galleria business and shopping centre Zadar received the prestigious five-star award in the Best Retail Development category.





420 people, Captain's Club,
92 events with 9,021 people



280 persons, Dalmatian tavern,
Wine cellar



280 persons



140 persons, Building
entered in the register of
cultural goods

Hospitality

The restaurant “Marina Kornati” is located in the eponymous marina, just a few walking minutes away from the centre of Biograd. The restaurant’s terrace offers a view of Biograd, surrounded by the deep blue Adriatic. The new dining hall is marked by a large aquarium and a traditional Dalmatian tavern (“konoba”) with a fireplace, known as “komin”. The food offer is based on Mediterranean cuisine, specialising in seafood, but is also adapted to the taste of guests from all over the world. 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. In addition to restaurant services, the Captain’s Club also provides services for numerous presentations of nautical products and serves as an ideal place for organization of smaller conferences and events.





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 bed bar, a night club etc.

The **Donat beach bar** is located in the unique building-magazine 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 **congress facilities** of Ilirija d.d. are intended for clients who seek an authentic ambience that at the same time reflects the history, culture and tradition of the town, destination and region, and offers a complete event organization service (logistical, technical, restaurant, etc.) for 2,492 persons. They are distributed throughout all sectors of the Company and cover areas such as congress facilities of the Ilirija Resort and the Captain Club in the Marina Kornati. Furthermore, for clients who would like to have a special and unforgettable experience, we offer the organization of MICE events on the "Nada" event boat, a floating congress centre, as well as in the first Croatian diffuse hotel Ražnjevića Dvori AD 1307, or in the historical ambience of Arsenal, a zero-category cultural monument built in the 17th century under the rule of the Venetian Republic and 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. The provision of such service packages puts Ilirija Resort among the leading Croatian congress destinations.

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





Sports, entertainment and restaurant facility with a capacity for 4,000 persons



20 tennis courts



Among the 36 leading world nautical fairs
Croatia Charter Expo launched

BBS in numbers

400 registered exhibitors
350 vessels,
18.500 visitors,
600 business meetings

Sports-recreational and entertainment amenities:

The **Aquatic Centre** is located on the main town beach, which proudly displays the Blue Flag, and was built as a sports, entertainment and restaurant facility with an outdoor Olympic swimming pool. **With its stands with 4,000 seats and its 1,000 m² terrace, it is the centre where almost all sports, entertainment and music events are held in the destination.** 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. The Aquatic Centre is also ideal for other events, such as weddings, team-buildings, banquets, MICE events and others.

The **“Ilirija” tennis centre** 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.

Manifestations:

Biograd Boat Show - The largest boat show not just in Croatia, but also in Southeast Europe. Each year the show attracts visitors and exhibitors from the neighbouring countries and beyond, including many foreign boat owners in Croatia, but also thousands of participants in the multiple regattas held in Biograd throughout the year. In October 2019 the 21st Biograd Boat Show was held, marked by the participation of more than 400 exhibitors displaying more than 350 vessels, 18,500 visitors and 2,000 business visits, thus transforming from a national fair into the largest seaside fair for the countries of Central Europe. The fair is accompanied by lectures and seminars about topics from the business world, education, society, sport and recreation. The Biograd Boat Show is a golden member of IFBSO, the International Federation of Boat Show Organisers. In 2019, the Biograd Boat Show presented its new service, **the Croatia Charter Expo, which is a two-day nautical networking event aimed at connecting Croatian charter companies with charter agents from all over the world.** In the same year, more than 120 charter companies and agents came together and more than 600 business meetings have been held, which contributes to furthering the recognisability and competitiveness of Croatian charter tourism.

Overview of the capacity of Ilirija d.d.



Hotels

443 rooms/922 beds



Camping

1220 plots/3660 persons



Nautical sector

805 berths



Real-estate

gross surface area of
28.500m²



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 enterta- inment facilities

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



Aquatic centre



Tennis centre "Ilirija"



Biograd Boat Show



688,301 realized overnight stays



146,815 realized overnight stays



290,487 realized overnight stays



250,999 realized overnight stays



DMC Ilirija Travel
609 events
54,749 persons participating

8 Overview of the Market, Customers and Suppliers

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

- the market and customers of the tourism sector (hotel sector, nautical sector, camping and destination management company DMC Ilirija Travel)
- market and customers or tenants of the real estate sector.

In 2019, the Company achieved a total of **688,301** overnight stays at the level of its three key sectors, whereas the destination management Company held 609 individual events for a total of 54,749 people. 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 the top ten markets of the hotel and camping sector in 2019



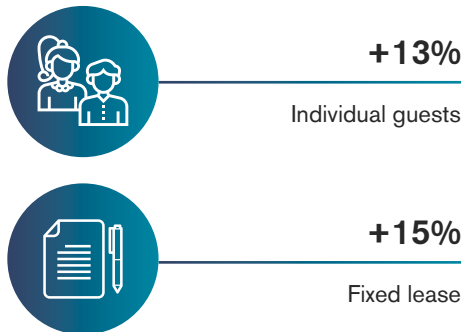
Market and customer analysis by sector

Hotel sector:

The hotel sector capacities consist of 443 accommodation units (hotel rooms and apartments), with a total of 922 beds located in Biograd na Moru and Sv. Filip i Jakov.

Regarding the market segments, the most distinct changes relate to a 13% increase in the number of individual guests and a 15% increase in fixed leases, as well as a 3% increase in sales to groups with a decrease in allotments by 6,5%. The group segment was focused on business groups, resulting in an increase in average occupancy with the added effect of service placement. Here a significant 50% revenue increase was recorded for the destination management company Ilirija Travel based on additional services and an added value offer.

Characteristics of the hotel sector



In 2019, 46,296 guests stayed in the hotel sector of the Ilirija Resort who accounted for 146,815 overnight stays, i.e. 1% more compared to 2018. Regarding the realised overnight stays, the most distinct change is connected to a significant 25% increase in overnight stays of domestic guests, due to which the Croatian market achieved a 19.31% share in the total number of overnight stays. Along with a significant increase in overnight stays from the domestic market, the hotel sector's results are also due to a successful pre-season full of congresses, seminars and team-building activities of groups from Croatian companies and agencies. The German market, as a key outbo-und market, remained at approximately the same numbers as in the year before, recording a slight 1% decrease and a share of 14%, whereas the number of Slovenian guests increased by 12%, bringing them to a 10.6% share in the hotel sector's total number of overnight stays. The Swedish market is also one of the key markets, with a significant number of guests s in the pre-season and post-season period, whereas the Dutch market has recorded an increase by 8%, the Hungarian market by 5%, and the Belgian market by 3% in overnight stays.

Key markets:



Nautical sector:

The Company's nautical sector, Marina Kornati and Ilirija-Kornati Hotel Port, has been a driver of nautical tourism development in Croatia for 43 years. This is thanks to Marina Kornati, which has, since being built, primarily owing to its capacities, location in the immediate vicinity of the best known nautical destinations, technical and infrastructural equipment and achieved standards of service, become one of the three leading nautical tourism ports on the national level. The Company's nautical sector, compared to other tourism sectors, is characterised by year-round business activities, which is also reflected by the business results for 2019.

Key nautical market segments are the following:

(I) The individual contractual market – consists of users/owners of vessels who enter into annual or seasonal berth use contracts.



413

individual vessels



33%

under the
Croatian flag

(II) The charter market - consists of charter companies that rent vessels. In 2019, 15 charter companies operated as part of the Marina Kornati, with a total of 327 vessels, making the Marina Kornati one of the leading charter bases in Croatia with multiple monotype fleets (Bavaria/Elan).



250.999

overnight stays



83%

boaters' overnight stays
in Biograd na Moru



34%

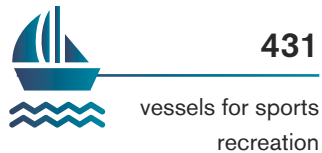
boaters' overnight
stays in Zadar County

(III) **The transit market** is divided into:

a) the transit servicing market - it refers to users with vessels that sail into or arrive at the marina by land for the purpose of servicing their vessels and for other technical services provided by the Marina Kornati or its partners (servicing companies) doing business within the marina.



b) the sports/regatta market – consists of the vessels participating in different nautical events (regattas, flotillas, etc.), which as a rule sail into the marina with prior announcement, usually with an organizer or club/association acting on their behalf. In addition to the berthing service, the participants also use the services of the restaurant “Marina Kornati” or some of the facilities or other services of the Company.



c) the holiday - recreational market - consists of users/owners who come into the marina with or without prior announcement. They are divided into users of private vessels and users of charter vessels. The users of charter vessels who stay for a day usually sail into the marina unannounced, namely at the beginning or end of their trip, i.e. before they return to nearby base marinas. As for vessel flags, vessels under the Croatian flag account for 58% of the transit market, followed by vessels under the German flag (14.4%), those under the Austrian flag (8.27%) and those under the Italian flag (7%). In accordance with the Foreigners Act (OG 74/13), the Ministry of the Interior no longer needs to report EU nationals, and we therefore do not have data on overnight stays except for non-European countries, which account to a negligible number of overnight stays.



400

contracted exhibitors



350

vessels



18.500

visitors

over

2000

business visits



Nautical Fair – Biograd Boat Show

As the organizer of the show, owing to its long-standing business tradition, knowledge and experience, Ilirija positioned Biograd Boat Show as one of 36 most important world nautical fairs; that is, as the leading nautical fair in Central Europe and the largest nautical fair in Croatian, making Biograd na Moru the centre of nautical tourism on the Croatian Adriatic coast.

With its continual growth and development, the fair has evolved into a nautical industry congress attended by all representatives of the real sector of the nautical industry and tourism, business and professional associations, as well as government institutions.

A new service, Croatia Charter Expo, which is a two-day nautical business networking event, was presented at the fair. The Expo is aimed at bringing together Croatian charter companies and charter agents around the globe. It was attended by more than 120 charter companies and agents, and more than 600 business meetings were held on Biograd B2B – a new software platform.



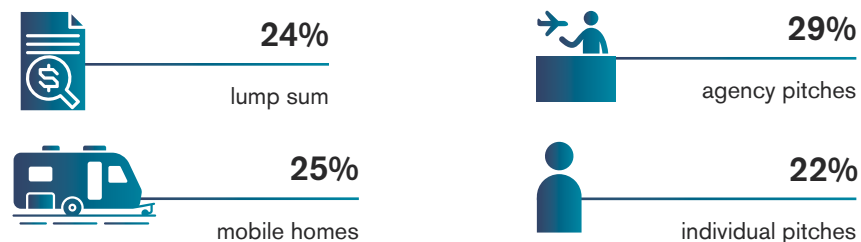
 **41.507**
guest arrivals

 **290.487**
overnight stays

Camping

The Company's camping sector includes the four-star "Park Soline" camp, located in Biograd na Moru. The camp has an almost 60-year business tradition, covers the area of 20.0 acres and includes 1,220 accommodation units with a total capacity for up to 3,660 persons.

Share of overnight stays by market segment



Key market segments of the camping sector are the following:

- (I) **Lump sum guests** – it refers to the guests who set up trailers or a mobile home for a certain period of time.
- (II) **Agencies** – agencies with a fixed lease of a certain number of pitches where they place their own mobile homes or tents.
- (III) **Mobile homes** - as a market segment, they include mobile homes owned by Ilirija.
- (IV) **Individual pitches** - they pertain to guests who come with their own trailers, campers or tents and stay on 80-100 m² pitches with electricity, water and drainage.

The most significant outbound markets at the level of all market segments were the following: (I) Slovenia, (II) Czech Republic, (III) Germany, (IV), Croatia, (V) The Netherlands.

In 2019, the sales and marketing activities were aimed at the combination of most important fairs (in Germany: Stuttgart, München), most important print media (ADAC and DCC Camping and Caravanning Guide, Avto dom magazine, Kamping i karavaning vodnik), online advertising (website, Google AdWords campaigns).



609

events



54.579

persons



+16%

revenue increase

DMC Ilirija Travel:

Ilirija Travel operates as a destination management company by developing new services and contents through a complementary tourism product which integrates all components of the Company, meets the needs of the contemporary tourism demand, as well as includes products and value-added programmes based on creating experiences and catering to a number of special interests.

A cornerstone of offering and implementing these special programmes and products is placing business operations in our own additional facilities:

- I Arsenal in Zadar,**
- II “Nada” event boat,**
- III dispersed heritage hotel and agrotourism complex Ražnjevića Dvori AD 1307,**
- IV Villa Primorje,**
- V along with vehicles and boats, excursion offer, as well as ports and event facilities within the Company.**

The main purpose of the said programmes is the activation of pre-season and post-season tourism amenities, as well as of eventful stays, i.e. stays including a partial use of the basic facilities of the Company and partial use of separate products outside its facilities.

The largest increase in revenue from the event was recorded by “Nada” event boat, by providing services for other companies in the area of other Croatian counties as well (Istria, Primorje-Gorski Kotar, Split-Dalmatia, Šibenik-Knin), and Company hotel facilities, which far exceeded the record-breaking 2017. Using additional facilities and capacities of the Company resulted in generating business in the accommodation facilities, as these additionally motivated guests to visit, especially in the form of a sales channel aimed at groups.



Real-estate sector – City Galleria Business and Shopping Centre

The real estate sector refers to the City Galleria business and shopping centre in Zadar, one of the two largest shopping centres in the wider Zadar region, which became a part of the Company's business system with the acquisition completed in December 2016.

Customers or tenants are divided into the following categories



I Local tenants - considering the central position of the Centre near the old centre of the city of Zadar, the interest in cooperation of local businesses is extremely high. Local tenants include numerous small traders in domestic products and craftsmen, local companies operating as part of our outdoor and indoor market. The indoor market is dominated by smaller local tenants and family farms, attracting many local and foreign visitors looking to buy fresh food. The company Tržnica Zadar d.o.o. does business in the mornings on an area covering more than 800 m² of the centre's outdoor covered square on a daily basis in the open market where local vendors offer seasonal fresh fruits and vegetables, flowers, honey, natural products and other indigenous products. Along with the central city market, the market within the City Galleria Centre is the second largest city market, with more than 35 local vendors and with the greatest interest in leasing new sales areas and possible expansion of the offer.

II National tenants - numerous local companies offering various types of products and services do business in the Centre, and we would like to note that the Company has been successfully cooperating with a large number of these businesses for more than ten years now, since the very opening of the City Galleria to the public. Among them, we would like to highlight Sport&Moda d.o.o., a regional chain of sportswear and footwear stores representing world-renowned international fashion brands; there is also the company Monile d.o.o. with the renowned local men's clothing chain Galileo. There is Ghetaldus Optika d.d. as well, the largest domestic optics chain, in addition to which the Ghetaldus Polyclinic specializing in ophthalmic services also does business in the Centre; furthermore, there is Posteljina.hr, a local household textile chain; and, finally, there is Farmacia, a chain of specialized stores. As



3 International tenants

for the gastronomic offer, we would like to highlight the Leggiero bar, a renowned Croatian chain present in more than 10 cities all over Croatia. One of the newer tenants is the company Wulf sport d.d. with its ShoeBeDo concept of a sports lifestyle offer, as well as Gyms4You – a famous local chain of fitness clubs created based on the European concept of being open 24/7.

III International tenants - international chain stores represent the largest tenants, covering 50.27% of the total net rentable area of the Centre. Among them, we would like to mention the best known European chain stores present on the Croatian market, which are market leaders in their respective niche. Müller trgovina Zagreb d.o.o., one of the largest European drug stores, perfumeries, stationery stores and toy and multimedia departments, operates on more than 1,800 m² of commercial premises in the Centre; there is also the company SPAR Croatia d.o.o., which has a network of 116 stores in 36 towns of the Republic of Croatia and whose SPAR store operates on more than 1,500 m² in the Centre ground floor. Moreover, there is a PEPCO store, a part of a European discount store chain offering clothing for the whole family, as well as household products; and CCC shoes&bags – a bag and shoe store for the whole family. Finally, there is a chain of fully digitalized Cinestar multiplex cinemas, the leading cinema operator in the region owned by the company Blitz-Cinestar d.o.o., which provides a unique service of the only multiplex in the entire Zadar County.

We generate revenue with the following activities:



1 Lease of business premises



2 Common costs



3 Use of common areas



4 Garage parking spaces



5 Other operating revenues

Overview of key customers by sectors:

Hotel sector



Nautical sector



Camping



Real - estate



Procurement organization is divided into procurement of:



food and beverages,



consumables



office supplies



technical material



services



energy sources



investments and investment maintenance

Procurement practices – Suppliers

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

As a Company, we strive for strategic, long-term and high-quality mutual relations with suppliers, with whom through many years of cooperation we work on creating added value for both companies by **(I) knowledge sharing, (II) improving the business process of both parties and (III) creating a quality product or service for both companies and (IV) building partnerships with our suppliers**, thereby fulfilling the primary purpose of procurement, i.e. timely delivery of products and services of the agreed quality and quantity, as well as a competitive price, and creating added value for both parties in the business process.

Out of the total of 985 suppliers with whom we cooperated in 2019, we have cooperated for more than 30 years with 15 of them. With some of them, we have cooperated for our very foundation, that is, for more than 62 years.

All suppliers with which the Company cooperates 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 2019 food and beverage procurement was organized for the third consecutive year through the **Publication of a call for tenders** from both existing and potential suppliers. The call was followed by an analysis of call results and the selection of key suppliers.



Selection criteria for food and beverage suppliers:



registered activity,



storage, packaging, transport and handling of food/beverages in a way that preserves their health safety,



in addition to food, they shall deliver all the required documentation (delivery note, health safety certificate for the shipment), and for the food of animal origin shipped by a means of transport in domestic traffic, they shall submit the HVI 1-3 form or a certification by an authorized veterinarian on the delivery note,



control system,



application, compliance, and implementation of the HACCP system.

Procurement for all other procurement segments, as in previous years, was organized by collecting bids directly from several different suppliers for the same type of service or goods. The bids were then analysed and the selection of suppliers was carried out, which was followed by entering into a contract and order sending. Upon the realization of what was contracted, the goods/service and the overall business relationship with the individual supplier were verified. All potential issues and deficiencies in the goods and the business relationship itself are resolved via a direct channel of communication between the Procurement Service employees and the supplier's employees. Procurement department employees report to the procurement manager, who reports to the Management Board.

With our key suppliers, we strive towards establishing long-term partnerships and cooperation based on mutual trust, fulfilment of the defined contractual obligations and high market standards, as well as towards mutually aligned liabilities and obligation to meet the said delivery deadlines. In accordance with the market conditions and our own business strategy, the Company plans business activities related to the procurement of products and services with our key suppliers, as well as their storage and delivery. We also share knowledge (know-how) with our service suppliers for the purpose of improving our business processes, products and services.







In order to avoid possible adverse impacts of unpredictable market changes, we strive to have multiple suppliers (at least two) in each procurement area, thus mitigating possible risks and ensuring smooth business, while also achieving a more specific price, quality and delivery deadline ratio.

Supplier evaluation

In order to assess the options and minimize the risk of the procurement process, the supplier evaluation and analysis process was initiated in 2019. Supplier analysis examined the ability and business of suppliers to ensure supply security and rationality. The aim of supplier evaluation is to ensure a certain number of suppliers who will ensure at optimal costs continuous meeting of the needs for products in terms of reliability pertaining to quantity and quality, delivery frequency, flexibility in new business situations, payment terms and methods, and business stability.

In the process of supplier evaluation in 2019, six criteria were considered and through them the top fifteen suppliers in the food and beverage segment were evaluated.

Evaluation criteria are the following:

-  price
-  product quality
-  financial capacity of the supplier
-  distribution (security and frequency)
-  certificates
-  payment terms and conditions

The evaluation of individual suppliers' bids refers to the evaluation of complete bids, i.e. besides the price, payment deadlines, delivery deadlines, the assortment range, quantitative and qualitative characteristics of the assortment of goods/services, and the possession of the HACCP certificate by suppliers of food and beverages are also evaluated, and apart from that, the supplier's business stability is also taken into account as a selection criterion.



985

Suppliers



95,34%

Turnover with Croatian suppliers



4,66%

Turnover with international suppliers

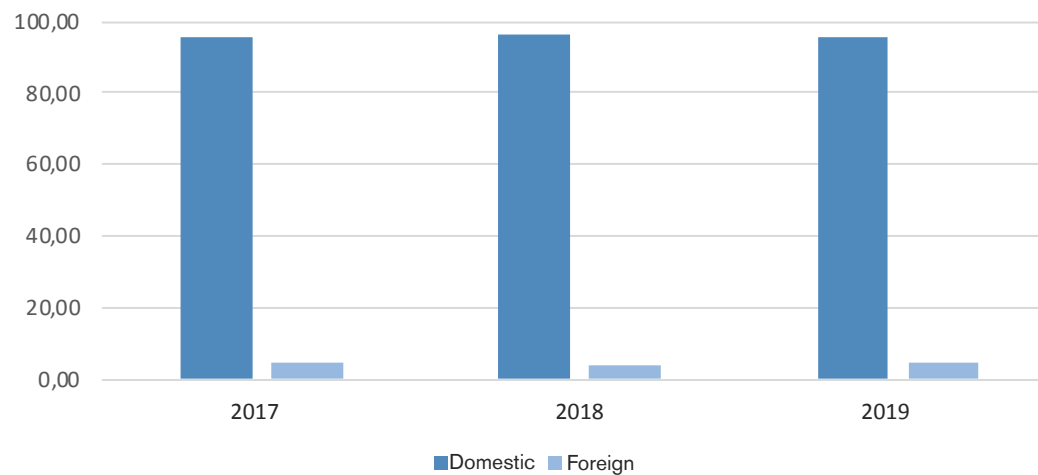
Procurement characteristics in 2019

Within our supply chain, we cooperate with producers, primary producers, distributors, wholesalers, contracted partners, brokers, consultants, small crafts and family owned farms. In 2019, there were no lawsuits by our suppliers.

A high standard of quality of goods and services for our Company can in large part be found locally (in the town of Biograd na Moru, where the Company's registered office is located, and the municipalities in its immediate vicinity) and regionally (The City of Zadar and other towns and municipalities in Zadar County). While the local suppliers already account for a large share of the turnover, in our business activities, we always try to maintain and increase this share and thus increase our economic contribution to the local community.

In 2019, the Company Ilirija d.d. generated its turnover with a total of **985 suppliers, 68 of which were international and accounted for 6.90% of the total number of suppliers, i.e. 93.10% of the Company's suppliers had their registered office in the Republic of Croatia.**

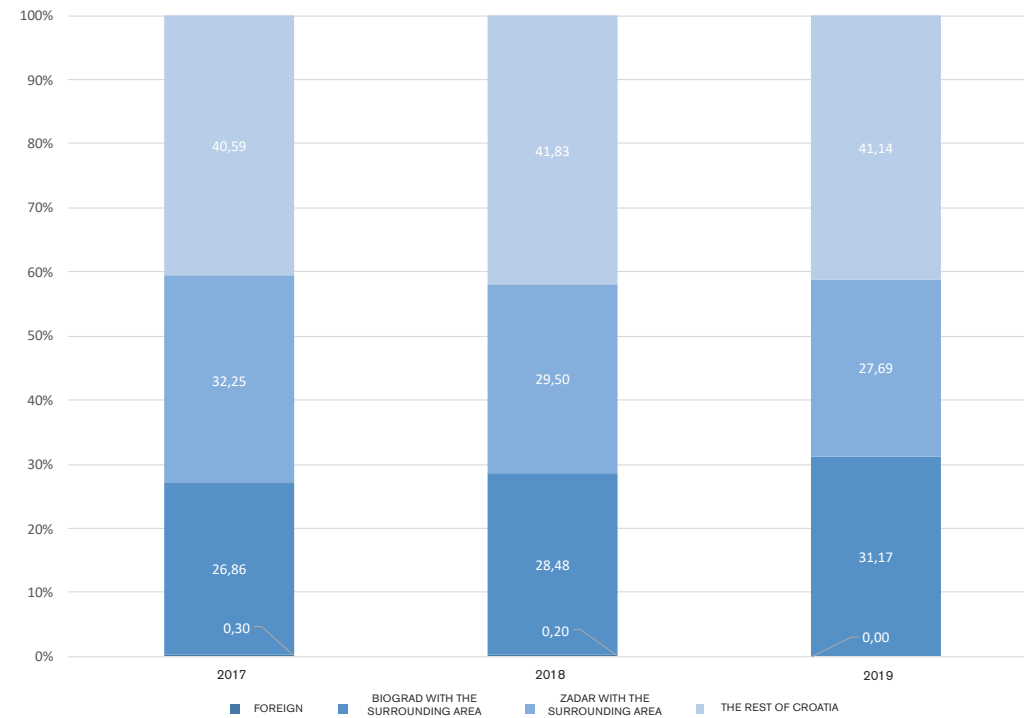
Overview of turnover of suppliers by registered office:





If we look at the turnover pertaining to the procurement of **food and beverages, consumables, office supplies and technical material, which accounts for 29.23% of the total turnover, and there was no cooperation with foreign suppliers**, who previously accounted for a small share in the total turnover of the mentioned categories of procurement.

Overview of turnover of suppliers of food and beverages, technical and office supplies by registered office:



9 Significant events

The Company acquired 1,334 own shares, and thus now holds 9,590 own shares, constituting 0.40% of the share capital.

The document entitled "ILIRIJA d.d. – The Driving Force of the Economy and the Local Community: Economic and Social Aspects of Business" was published, which, by providing an overview of the business achievements of Ilirija d.d. from 1999 until October 2018, shows the Company's contribution to the economies of the local, regional and national communities, as well as to social development of the community by means of its corporate philanthropy activities.

At the session held on 5 April 2019, the Supervisory Board approved the Management Boards' Annual Report on the Company's Business and Situation for 2018, Management Board's Report on the Acquisition of Own Shares in 2018, Audit Report on the Company's Business for 2018 and the Supervisory Board's Report on the Performed Supervision of Business Activities in 2018. The Supervisory Board established the basic annual financial statements for 2018 (Financial performance and financial position statements, Cash Flow Statement), a proposal for the decision on the allocation of profit and dividend distribution, a proposal for the decision on the appointment of the auditor for 2019, a proposal for the decision to authorise the Company Management Board to acquire own shares and a proposal for an invitation for the convocation of the General Assembly, including the agenda.

At its session, the Supervisory Board suggested that the realized profit for the financial year 2018, in the amount of HRK 29,795,129.95 after tax, is to be allocated as follows:

- HRK 19,177,167.95 into the retained profit,
- HRK 2,200,000.00 into legal reserves, and
- HRK 8,417,962.00 for dividend distribution.

The dividend per share amounts to HRK 3.50.

At the regular General Assembly held on 24 May 2019, the following decisions were adopted, with the same contents as proposals contained in the Invitation to the General Assembly,



- 1 The following reports were taken note of:
 - the Management Board's Report on the Company's Business and Situation for 2018,
 - the Management Board's Report on the Acquisition of Own Shares for 2018,
 - the Supervisory Board's Report on Performed Supervision of Business Activities in 2018,
 - the Auditor's Report on the Performed Audit of the Business in 2018,
 - Decision on the Establishment of the Company's Basic Annual Financial Statements for 2018,
- 2 The Decision on the Allocation of Profit of Ilirija d.d. for the financial year 2018, based on which the profit realized in the financial year 2018, amounting to HRK 29,795,129.95 after tax, shall be allocated as follows:
 - HRK 19,177,167.95 into the retained profit,
 - HRK 2,200,000.00 into legal reserves, and
 - HRK 8,417,962.00 for dividend distribution.
- 3 The Decision on Dividend Distribution, based on which a dividend in the total amount of HRK 8,417,962.00 was distributed to shareholders. The dividend will be paid from the profits generated in 2018, with a dividend per share amounting to HRK 3.50.
- 4 The Decision on Discharge of the Management Board, by which the General Assembly approves the work of the Management Board in managing the business for 2018,
- 5 The Decision on Discharge of the Members of the Supervisory Board for the performed supervision of the Company's business in 2018.
- 6 The Decision to Authorise the Company Management Board to Acquire Own Shares on an organised securities market in the period of 5 years from the date of adoption of this decision, without further special consent of the General Assembly.
- 7 The Decision on the Appointment of the Auditor for 2019, by virtue of which the authorized auditing company Revicon d.o.o., Zadar, Ruđera Bošković 4, PIN: 31008688672

At its meeting held on 8 November 2019, the Supervisory Board approved the Company's Business Report for the period from 1 January 2019 to 30 September 2019, as well as the Investment Plan by Profit Centres.

10 Awarded Acknowledgements, Standards and Certificates

Awards and acknowledgements:

“23rd Tourism Flower – Quality for Croatia” competition, organized by the Croatian Chamber of Commerce and Croatian Radiotelevision, the Marina Kornati ranked 2nd in the Large Marina category.

The “Park Soline” Camp won the long-standing award of Zadar County Tourist Board for implementing principles of sustainable development and corporate social responsibility in its business and operative processes. This award is an explicit acknowledgement of all of the activities the camp has carried out so far in the area of environmental protection, as well as in other areas of corporate social responsibility, not just in the camping sector, but in the whole Company.

The Jutarnji List Nautical Patrol granted an acknowledgement to Ilirija d.d. for Marina Kornati, for its exceptional contribution to the organisation and success of the nautical patrol.



Standards and Certificates:



The Croatian Commission of the Foundation for Environmental Education and the Commission for the Blue Flag and related programmes awarded Ilirija d.d. an acknowledgement to the Marina Kornati (which has been a proud Blue Flag site for 16 years) for 16 years of continuous loyalty to the international Blue Flag Programme for beaches and marinas in the Republic of Croatia for the Port of Nautical Tourism Marina Kornati, which has been the holder of the Blue Flag for 16 years.



In June, the four-star Ilirija Hotel was successfully recertified for the “Sustainable hotels by UPUHH” certificate. In 2014, the hotel became the holder of the basic certificate, while following the recertification, it became the holder of the advanced certificate. As part of this project, the hotel met the sustainability criteria in its operations in the nine defined and monitored areas (sustainability management, procurement, sales, marketing and public relations, environment, energy management, food and beverage, household and programmes), thereby joining the hotels that attend to the sustainable development of Croatian tourism.



Recertification of the ISO 9001:2015 quality management system was carried out in September, and a supervisory audit of the ISO 14001:2015 environmental management system was also performed.

In December, the “Park Soline” Camp won the international award Green Key, an eco-label awarded only to accommodation facilities that reduce their negative effects on the environment by optimizing energy consumption, waste sorting and educating their staff and guests on all aspects of environmental protection and sustainable development. The certificate is awarded by the “Foundation for Environmental Education” (FEE) for the period of one year and is a confirmation to the tourist facility that the impact of an overnight stay is minimized in terms of an environmental impact.

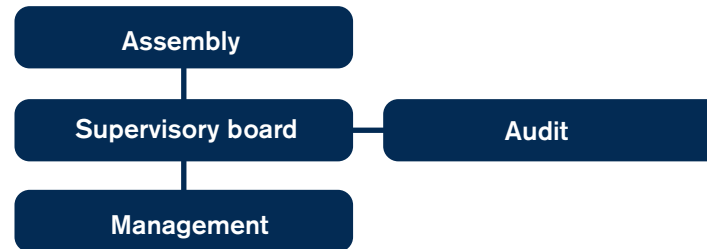


The Company is the holder of the AAA Certificate of Excellence, an internationally recognized mark of economic quality and excellence of an economic operator, awarded by Bisnode prudential Company in 2019, 2018, 2017, 2016 and 2015 for meeting the highest class of creditworthiness criteria or meeting European standards of quality, financial stability and business performance for companies.

The Company published its Annual Report on Corporate Social Responsibility for 2018 as its fourth non-financial statement, in accordance with the leading standards for non-financial reporting – GRI Standards.

11 Corporate Governance

As a public limited company, Ilirija has a clearly defined dualistic management structure in accordance with the corporate governance practices and legal regulations of the Republic of Croatia, with clearly separated powers and the responsibilities of the following governing bodies of the Company:



The **General Assembly** consists of all shareholders (owners) of the Company's securities. As at 31 December 2019, the Company had a total of 188 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 Articles of Association of Ilirija d.d. 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.

In 2019, one General Assembly was held, and its decisions were published and are available on the website of the Company (www.ilirijabiograd.com), the Zagreb Stock Exchange (www.zse.hr), HANFA and the officially appointed mechanism for the central storage of regulated information – SRPI, 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 **Supervisory Board** is appointed for the term of four years and comprises five members. The Supervisory Board can adopt decisions if at least half of the appointed members participate in the decision-making process. It is responsible for supervision of the business management of the Company, submits the Report on Performed Supervision of the Company's Business Activities to the General Assembly, adopts financial statements, and gives its prior approval to the Company's Management Board for certain actions, legal transactions and decision-making in accordance with the Company's Articles of Association. Sessions of the Supervisory Board are convened by the Chairman of the Supervisory Board in accordance with the Company's Articles of Association and the Companies Act. The Supervisory Board appoints the Audit Committee, which supervises the existence and functioning of internal controls, risk management and financial reporting, as well as independence of external auditors.

In accordance with the Company's Articles of Association, sessions are to be convened at least once in a six months. In 2019, six Supervisory Board sessions were held. At the regular general assembly of the Company held on 24 May 2019, discharge was given to the Supervisory Board for the supervision of the Company's business in 2018.



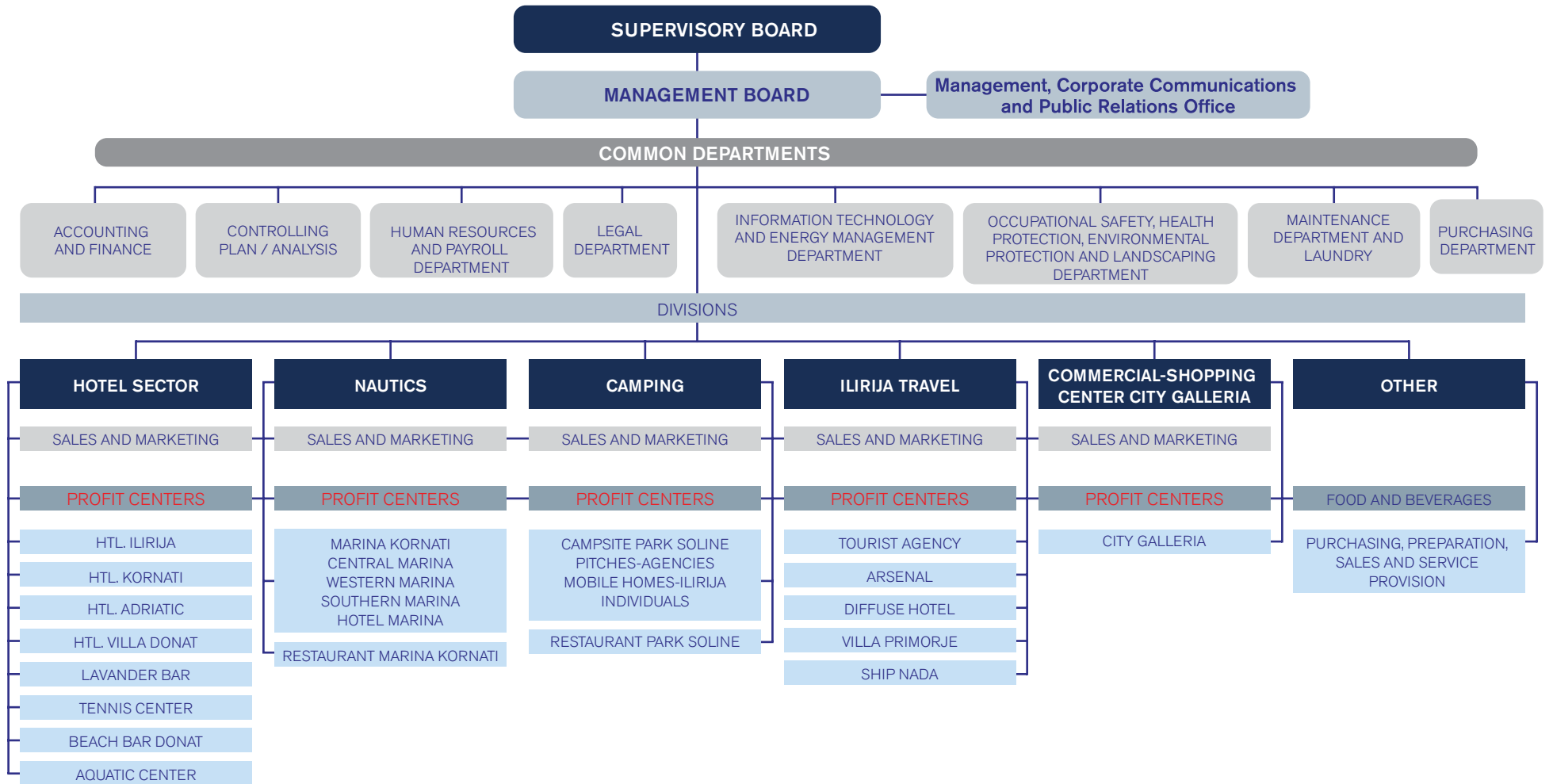
Supervisory Board	Function	Term of office	Commission
Goran Medić	Chairman	June 2017 - June 2021	Audit Committee
David Anthony Tudorović	Deputy Chairman	December 2017 - July 2021	Audit Committee
Davor Tudorović	Member of the Audit Committee	December 2017 - July 2021	
Siniša Petrović	Member of the Audit Committee	December 2017 - July 2021	
Darko Prebežac	Member of the Audit Committee	December 2017 - July 2021	Audit Committee

The Management Board has one member, who is appointed for a term of five years. The rights and duties of the Management Board are set out in the Company's Articles of Association, as well as in the Companies Act.

Goran Ražnjević is the sole member of the Management Board, and he has been representing the Company individually and independently since 2000, namely for his fourth consecutive term.

There are no committees for decision-making regarding economic, environmental and social impacts within the Company, but the said tasks are performed by the Management Board in cooperation with the Company's management according to the business practice. Top management consists of 12 persons vested with special powers and responsibilities, a blend of youth and experience.

Organizational structure



Data on the share of Ilirija d.d.:**Quotation:** Official market, Zagreb Stock Exchange**Date of listing:** 26/10/2015***Type of security:** Ordinary share**Designation:** ILRA-R-A**Number of issued shares:** 2.413.488, with no par value**Depository:** Central Depository and Clearing Company

**Since 2003, the company's shares have been listed on the Zagreb Stock Exchange, on the Listing of Public Limited Companies, and since then, they have been part of the regulated capital market of the Republic of Croatia. From 2009 to 2015, the shares were listed on the Regular market of the Zagreb Stock Exchange.*

Shareholders and the capital market

The share capital of the Company amounts to HRK 229,146,480.00, and it is divided into 2,413,488 no-par-value ordinary shares. As at 31 December 2019, there were no significant changes in the ownership structure.

Arsenal Holdings d.o.o., Perivoj Gospe od zdravlja 1, Zadar, PIN: 59794687464, owns 1,429,032 shares of the Company, accounting for 59.21% share in the Company's share capital, as well as for the same proportion of votes in the Company's Assembly. The parent Company Arsenal Holdings d.o.o. is registered with the Commercial Court in Zadar, Company's court registration number (MBS): 060014554, and its share capital amounting to HRK 21,027,500.00 was paid in full.

The majority owner of Arsenal Holdings d.o.o. is Mr Davor Tudorović with a 75.25% share in its share capital, who also holds 95,744 shares of Ilirija d.d. accounting for 3.97% of its share capital.

An overview of the major shareholders of the Company as at 31 December 2019

Owners - shareholders	Number of shares	Share in %
Arsenal Holdings d.o.o. Zadar	1.429.032	59,21
OTP bank d.d./AZ OMF of B category	322.431	13,36
Goran Ražnjević	201.120	8,33
Davor Tudorović	95.744	3,97
CERP/REPUBLIC OF CROATIA	74.200	3,07
OTP bank 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
Ilirija d.d. (treasury shares)	9.590	0,40
Dražen Hrkač	7.224	0,30
Zagrebačka banka d.d./AZ ZABA close-end voluntary pension fund	4.904	0,20
Other minor shareholders	64.929	2,69
TOTAL	2.413.488	100



Trading in Company shares on the Zagreb Stock Exchange

(amount in HRK)*	2019	2018	% of change
Total turnover	559.386,00	765.134,00	-26,89%
Average share price	187,78	182,00	3,18%
Average turnover per transaction	7.878,68	9.564,18	-17,62%
Average daily turnover	15.538,50	16.633,35	-6,58%
Last share price	200,00	176,00	13,64%
Market capitalization	482.697.600,00	424.773.888,00	13,64%
Number of shares	2.413.488	2.413,488	

**Data on share transactions in the observed period, prior to the corporate share-division action (until 25 January 2018) are, for the sake of comparability, reported as if the division of shares took place on 1 January 2018.*

In 2019, a total of 2,979 shares were traded, resulting in a turnover of HRK 559,386.00. In 2019, the CROBEX index recorded a 15.36% increase, while the sector index CROBEXTURIST recorded a 2.31% decrease. In the same period, the ILRA share price increased by 13.64% (from HRK 176.00 to HRK 200.00 per share).

The average share price was achieved in the amount of HRK 187.78, representing an increase of 3.18% compared to HRK 182.00 in the previous business year. Average turnover per transaction amounts to HRK 7,878.68, with average daily turnover amounting to HRK 15,538.50.

The largest share price equalled HRK 206.00 per share. In the same period last year, the largest share price equalled HRK 200.00 per share, which amounts to an increase of 3%. In 2019, the Company acquired 1,334 own shares, and held 9,590 own shares as at 31 December 2019, which constituted 0.40% of the share capital.

The movement of the share price designated as ILRA and comparison with CROBEX and CROBEXTURIST indices



12 Key Impacts, Risks 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 as a whole.

In order to achieve the defined business objectives, whether in the short, medium or long term, the Company has defined its risks and opportunities in accordance with the mission and vision, and taking into account the external and internal circumstances in which the organization operates, as well as the expectations and interests of its stakeholders.

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

- I. Identification of potential risks;
- II. Assessment of the likelihood of occurrence of the Company's risk;
- III. Assigning responsibilities and taking actions in order to eliminate and/or reduce risks;
- IV. Monitoring and reassessment of risks in order to avoid their negative impacts, exchange of information on the activities undertaken and the results of actions between the business process managers and the Management Board through the lines of communication established by the prescribed procedures.

(I) Financial risks:

- The Company, as most entrepreneurs in the tourism sector, is exposed to currency, price, credit and liquidity risks, environmental risks, the risk of the tourism industry, the risk of macroeconomic developments and the risk of changes in tax and other regulations.
- Given that most of the Company's cash inflows are denominated in Euro, as are most credit obligations, the Company is mostly hedged for foreign currency risk.
- Indebtedness of the Company with the commercial bank is mainly subject to fixed interest rates, so taking this into con-



sideration, the Company is not exposed to interest rates based on that, but only due to exceptional circumstances and disturbance in the operations which are not attributable to the Company.

- For the purpose of reducing credit risk, the Company strives to reduce its credit liabilities to an adequate, i.e. optimum level in order for them to be lower than its own source of funds. Most of the Company's prices are expressed in Euro, and the Company recovers most of its claims in the said currency, thus hedging the price risk.

(II) Regulatory risks:

- 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 tourist land, in which domain the Company has made significant long-term investments crucial for its business, while not all rights guaranteed by the Constitution from the field of vested rights before, during and after conversion, the protection of legal capital investments and legitimate expectations regarding legal investments have been fully realized.

- Pursuant to the Act on Tourism and Other Construction Land Not Evaluated in the Transformation and Privatization Process (hereinafter: the Act), the Company submitted to the Republic of Croatia a request for a concession on tourism land for the "Park Soline" Camp in Biograd na Moru for a period of 50 years. Due to unclear provisions of the Act, no decision has been rendered to date regarding the Company's request. According to the information available to the Company, no concession contract for tourism land plots in campsites has been concluded in the Republic of Croatia since the Act has come into force (1 January 2011). Until the issue of concession for tourism land in campsites is resolved, the Company timely pays its debts arising from using the said land in the campsite.

- The Company is a concessionaire of the Kornati nautical tourism port in Biograd na Moru (hereinafter: Marina Kornati) for a period of 32 years, counting from 13 January 1999 and in accordance with Article 22 of the Act on Maritime Domain and Seaports (hereinafter: ZPDML) on 17 October 2017 the Company submitted to the Government of the Republic of Croatia, through the competent Ministry of the Sea, Transport and Infrastructure of the Republic of Croatia, a request 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, according to the request for extension of the concession term submitted by other companies engaging in nautical tourism and which compete with Ilijia d.d., the concession term was extended to them in marinas by a period of 50 years. As a matter of fact, the Company had built a marina by engaging its own resources before the concession was issued, and during the period

Precautinary approach

Striving to minimize possible environmental risks, the company applies the precautionary principle, namely by avoiding all actions that have or could have negative environmental impacts on the company, as well as on the local and regional community in which the company does business and on the society as a whole until the impact of the of said actions or technologies on the environment and the society as a whole is discovered. In addition to adhering to all applicable environmental regulations of the Republic of Croatia, the company has implemented additional international environmental standards (ISO 14001, Blue Flag, Green Key, Sustainable Hotel, Ecocamping) and adopted its own Environmental Policy.

from 1 January 2000 to 31 December 2013, the Company invested a total amount of: HRK 41,365,161.00 in the marina and in the last investment cycle it offered to make an investment in the further amount of HRK 45,144,206.00 in the maritime-construction part, inland part and in the environmental protection, i.e. in the port understructure and port superstructure in the Marina Kornati out of which HRK 18,505,822.26 has already been invested on the basis of obtained building permits and an additional amount of HRK 26,638,383.38 would be invested after the extension of the concession term is issued. To date, the decision on the Company's request for the extension of the concession term in the Marina Kornati by a total of 50 years has not been issued yet.

(III) Environmental risks:

- 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. 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, epidemics of infectious and easily transmitted infectious diseases, accidental pollution of the coastal and marine aquarium, which are beyond the Company's control, but may potentially jeopardize the Company's business safety, are the circumstances which the Company attends to insofar as it can actively contribute to as low impact on the Company's long-term business viability as possible, being aware of the fact that the Company's impact here is reduced to measures which cannot be of key importance to the elimination of all the risks posed to the Company.

(IV) Business risks:

- The Company's business depends on the willingness of tourists to travel and spend their holidays outside their country or place of residence. For this reason, economic and political security and stability, primarily at the regional level, that is, in the immediate surroundings of the Company, as well as on the main outbound markets for Croatian tourism, are an important factor for potential tourists when it comes to deciding on the place where they spend their holidays, and as such can have a great impact on the tourist season in the Republic of Croatia.
- In addition to the listed and described potential and possible risks in the Company's business operations, we believe that it is of the utmost importance to give a systematic review of other key obstacles or restrictions in the development of Croatian tourism in general, and thus of tourism companies and Ilirija d.d. as one of them. Overview of key obstacles or restrictions in development 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. of acquired rights, legitimate investments and legitimate expectations in the maritime domain, having in mind, in particular, the contracted permanent right to utilization of the maritime domain, while companies which completed the conversion process, as is the case with our Company, carry out economic activity on the maritime domain,
- (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) 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, and
- (VII) fiscal and parafiscal benefits unsuitable to seasonal business activities with frequent changes in fiscal regulations.

Opportunities that the Company recognizes as possibilities for further growth and development:

1

Croatia is globally recognized as a desirable and safe tourist destination,

2

differentiated offer of the Company (hotel, nautical sector, camping, DMC Ilirija Travel, hospitality, real estate),

3

financial stability of the Company,

4

sustainable and continuous investments,

5

location of facilities within the destination (on the very coast or in its immediate surroundings, close to the city centre),

6

further development of the offer and amenities that enable year-round business through the destination management system,

7

development of special interest tourism and complex tourism products

8

years of experience and business tradition in the hospitality and tourism business,

9

preserved and pristine nature and environment, and

10

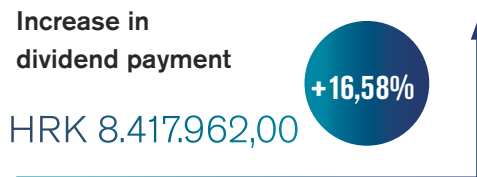
corporate social responsibility.

13 Stakeholders

Manner of communication with key stakeholders:



The accomplished key objectives in relations with shareholders:



1 Shareholders (owners) or holders of capital exercise their rights through the General Assembly.

The Company maintains regular communication with its shareholders through:

- General Assembly – in 2019, one regular General Assembly was held,
- financial statements (quarterly and annual),
- corporate notices,
- Company website,
- Annual report on corporate social responsibility for the year 2018, published in December 2019.

In the business year 2019, the Company accomplished the following key objectives:

- the operating results achieved in 2019 are by far the best since the Company was founded, especially in terms of realising operating revenue,
- growth in performance indicators in all key tourism sectors of the Company (hotel sector, nautical sector, camping) and in the real-estate sector,
- steady development and growth of the Company continued through an increase in the value of its assets, as well as the capital,
- An intensive investment cycle with a focus on enhancing competitiveness and market recognisability by improving the level, quality and standard of the existing service and developing new products and services.
- Accomplishing the Company's strategic objective by developing year-round business through the system of the destination management Company Ilirija Travel,
- the average share price amounted to HRK 187.78, and it increased by 3.18%,
- market capitalization amounted to HRK 482,697,600.00, constituting an 13.64% increase relative to the previous financial year,
- regular annual dividend distribution. In 2019, an amount of HRK 8,417,962.00 was paid out, namely 16.58% more than in the previous year.



127.408 persons



688.301 overnight stays



609 events



**54.749 persons
participating on
events**

2 Customers/guests – represent the centrepiece of our service. We maintain regular and continuous communication with our customers, regardless of whether they are travel agencies, business partners or individual guests, with the aim of ensuring end user satisfaction with the service provided. Feedback from our customers and their experience regarding the service provided is exceptionally important to us regardless of whether it is channelled or obtained through direct communication during their stay in our facilities, through visits by representatives of key travel agencies and business partners, through communication over social media, etc., with feedback serving the purpose of improving the service, offer and amenities, i.e. the overall quality of the customer experience.

Communication with guests/customers takes place through:



regular annual visits by representatives of travel agencies and business partners,



fairs, acquisitions, business to business workshops, road-show visits with key customers, anketne upitnike o zadovoljstvu uslugom,



questionnaires on customer satisfaction,



regular communication with key customers (both electronic and oral),



newsletters



Company website, and social media.

We rely on the principle that 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.

We monitor customer satisfaction through:

- print and online surveys, by means of which guests evaluate individual segments of the offer and contents,
- monitoring feedback from guests and business partners by means of comments, compliments, complaints and suggestions sent directly to sales and marketing departments and through social media, and
- direct communication with guests during their stay in our facilities. We respond to all comments received from our guests, including complaints, namely within 24 hours at the latest, whereas with respect to the key tourism sectors (hotel sector, nautical sector



and camping), customer satisfaction analyses are carried out in order to increase guest satisfaction and improve existing services and standards, as well as develop new products. Given the specific nature of our business and the diversity of the offer of the Company's tourism sectors, there is no unified guest satisfaction analysis, but each sector analyses customer satisfaction with the services provided individually.

In the hotel sector, the guest satisfaction analysis is based on the analysis of guest reviews on online platforms, with the minimum rating amounting to 70 and the maximum to 82 percent of the total rating, i.e. with an average individual value of 73-81%. In terms of quality of the services provided, there has been conflicting feedback consisting of both praises and complaints with regard to the same facilities, which may be due to different preferences and experiences within the facilities. Through rating segmentation, a slightly lower perception of value for money relative to the other service parameters is evident.

In the camping sector, the Company monitors guest satisfaction through print and online surveys, where guests rate camp services in the following categories: (I) reception desk and technical staff; (II) camp contents; (III) restaurant; (IV) additional facilities and (V) price/quality ratio. We also use surveys to find out to which age groups are guests belong and how they found out about our camp. The said parameters are analysed based on the rating criterion ranging from excellent to poor. It was established in the course of survey analysis that the reception and technical staff services were rated as very good, the reception staff's friendliness as excellent, and camp tidiness and cleanliness as very good. The service, variety and quality of restaurant meals in the camp, as well as staff friendliness, were rated as very good.

In the nautical sector, results of a survey of the Jutarnji list Nautical Patrol in 32 marinas along the entire Adriatic coast, were taken as a relevant analysis of guest satisfaction with marina services. The survey covers seven areas:

- (I) staff friendliness,
- (II) marina tidiness and cleanliness,
- (III) neatness and functionality of the restroom area,
- (IV) restaurant services,
- (V) sports and recreation,
- (VI) entertainment facilities, and
- (VII) comfort.

The Marina Kornati received the highest rating for the friendliness and expertise of its staff, while in the categories "marina tidiness and cleanliness" and "neatness and functionality of the restroom area", it is above the average compared to other marinas.

279

employees as at
31/12/2019



367

employees
based on hours
worked

Cost increase
gross salary



**No labour disputes from
privatization until 31/12/2019**



**Business and professional
associations**



**Corporate philanthropy
system (sponsorships and
donations)**



**Destination management
development – contributions
to the development of the
destination**



3 Employees – considering that employees are the key to the success of every business system and the performers of the entire business process, the Company has focused primarily on: (I) management, (II) planning and (III) personnel development, enabling employees to pursue their personal and professional development. Employee education programmes were held through the Academy of Business Excellence – ILIRIJA EDUKA in the marketing and sales, and food and beverages, department.

In 2019, the Company continued with its policy of improving the employees' financial situation. Consequently, there was a 10% increase in the funds allocated for gross salary costs relative to 2018, i.e. by 20% compared to 2017, while other costs and fees related to employment increased by 13%. In spite of the considerable difficulties encountered in finding adequate and professional seasonal personnel for the tourist season of 2019, the Company succeeded in achieving regular performance of its activities and operations by hiring only local employees, i.e. without any foreign employees.

Communication with employees took place through:

- regular daily, weekly and monthly meetings as well as meetings organized as needed at the operational level of business,
- monthly meetings of the Board and Management,
- the annual gathering,
- email notifications,
- notifications on the notice board, and
- social media.

4-5 The State and the local community – Ilirija's business system with its own growth and development contributes to the development of the community at the local, regional and national level, as well as tourism as one of the key branches of economy. By creating new values or products and services, creating new jobs and employing the locals, it contributes to active development of tourism as one of the key industries in the Republic of Croatia, all this in accordance with the legal regulations and codes of conduct.

It is an active member of tourist boards at the national, regional and local level, within the framework of which it encourages, initiates, organizes or actively supports a number of projects important for the development of the tourism offer of the destination. Through the corporate philanthropy system, it responds to individual needs and supports projects of wider interest to the community.

**Timely publishing of full,
transparent and complete
financial statements**



In 2019, communication with the national and local community took place through:

- memberships in business and professional associations, as well as tourist board systems at the local, regional and national level,
- corporate philanthropy,
- participation in legislative initiatives, both independently and through business and professional associations,
- participation in conferences and lectures,
- publications and communications, and
- Annual Report on Corporate Social Responsibility for the year 2018

6 Financial institutions – In 2019, Ilirija continued with the continuous process of improving the reporting system with an emphasis on transparency, comprehensiveness, completeness and timeliness of publication of all key financial and operational business indicators, as well as corporate notifications and actions. Ilirija as a Company is listed on the capital market, i.e. the official market of the Zagreb Stock Exchange bases its communication with its stakeholders, and especially shareholders and financial institutions, on timely, transparent, complete and true presentation of the Company's business and its activities. The Company's stakeholders, including the commercial bank and the leasing Company with which Ilirija 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.

**Mutual trust and
cooperation**



7 Suppliers – Significant stakeholders of the company who contribute to the Company's operations with their services and products, that is, they affect the overall quality of service and the creation of added value, and consequently increase an experience for our end user - the guest.

Relations with suppliers are based on almost daily communication at the level of all key Company services, with the aim of mutual improvement and enhancement of the quality of work processes, exchange of knowledge and experiences, monitoring the standards of the tourist industry, involving more suppliers from the local community and maintaining strategic relationships with key suppliers.

In 2019, communication with suppliers took place through:

- regular communication (oral and written),
- contracts,
- mutual visits, and
- the exchange of knowledge.



III Economic Topics

1 Management of the Economic Aspect of Business

Economic sustainability for Ilirija as a business community is a fundamental pillar of corporate social responsibility, influencing the achievement of the planned operating results, and through their realization, influencing other activities of the company as well, with the limits of influence referring primarily to the local and regional level or to places where we do business as well as to 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.

In 2019, the process of reporting system improvement was continued, which enabled timely and quality monitoring and analysis of the achieved operating results, as well as the preparation of quality forecasts and business plans throughout the financial year, especially when it comes to the reporting on the achieved operating results, which created the basis for a more efficient and rational management of the entire business process, as well as improved and accelerated the overall reporting process at all levels, especially in the operational part of the company's business.

2 Operating results in 2019

The data related to the chapter Economic Topics were taken from the Annual Business Report for 2019 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 29 April 2020. Ilirija d.d. is not required to draw up consolidated financial statements.

In 2019, the Company's business operations maintained their continuous growth, especially considering the generation of income at all sector levels, with a decrease in its business performance indicators, as expected, due to the circumstances of the business year (challenging and difficult sales in the Company's tourist sector, delayed booking and sales of last-minute bookings with a lack of qualified seasonal employees). Balance and sustainability of the business system between the key stakeholders have been achieved, and our pre-season and post-season business activities have increased considerably due to responsible and sustainable investment. Continuous growth of business operations was ensured with additional enhancement of market recognisability and competitiveness on the domestic and international tourism markets.

Basic characteristics of the business year 2019:

1

an increase in operating revenues was generated at all levels of the Company's sectors,

2

the best operating and financial operating results so far were achieved in the key tourism sectors (hotel sector, nautical sector and DMC Ilirija Travel),

3

we would especially like to note the best or record business year for the nautical sector, which generated an income larger than the one planned in the Business Plan at the end of the third quarter of 2019,

4

development of year-round business in tourism sectors by implementing business activities in the pre-season and post-season through the system of the DMC Ilirija Travel,

5

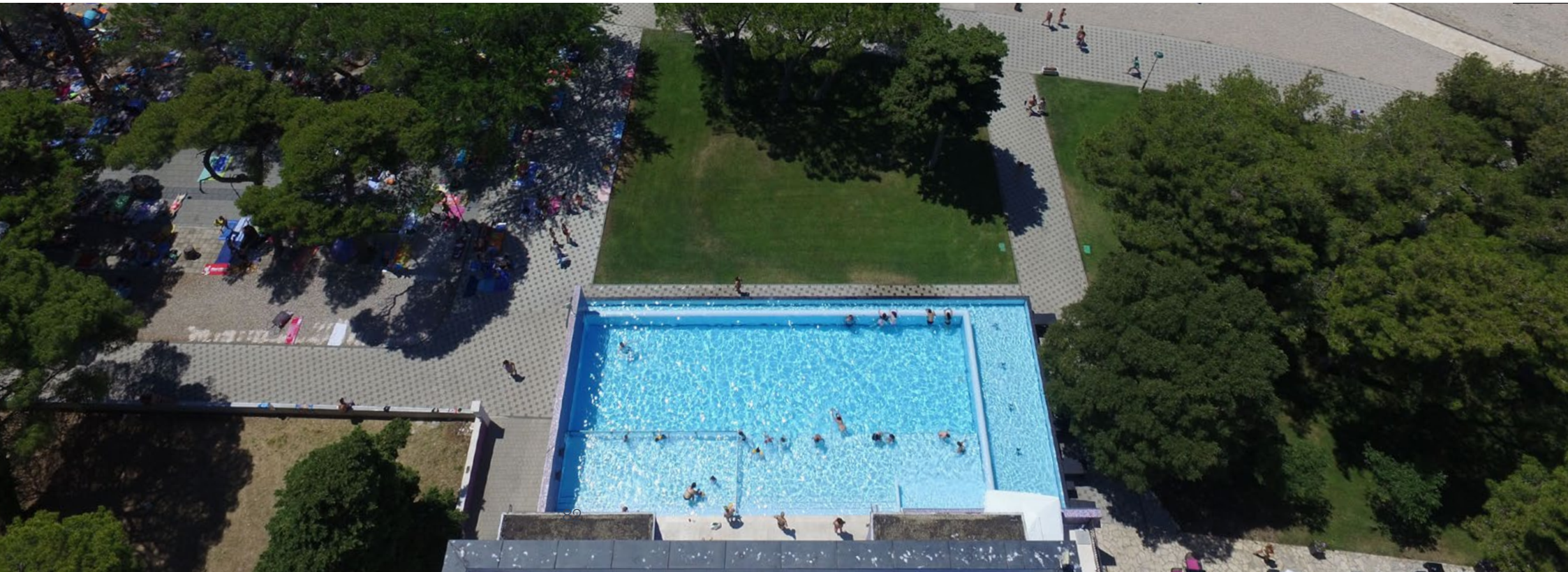
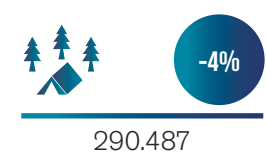
targeted and continuous policy for human resources management with respect to the improvement of the employees' financial situation, hiring only domestic or local employees, personnel development and longer employment of seasonal employees, and

6

continuation of investments in the development of new offers and further enhancement of the quality of the amenities and services.

Physical Operating Results in 2019

In certain periods (high season), the business year was challenging and difficult for the Company's tourism sector, especially with respect to sales in the hotel and camping sectors. The nautical sector, despite the aforementioned circumstances characteristic of the whole tourism industry at the national level, achieved the best physical and financial operating results by far, that is, it had a record business year. Moreover, significant progress was achieved with respect to year-round business; in the pre-season and post-season, the Company organized 609 separate events (+9%) for 54,749 persons via the destination management company Ilirija Travel.



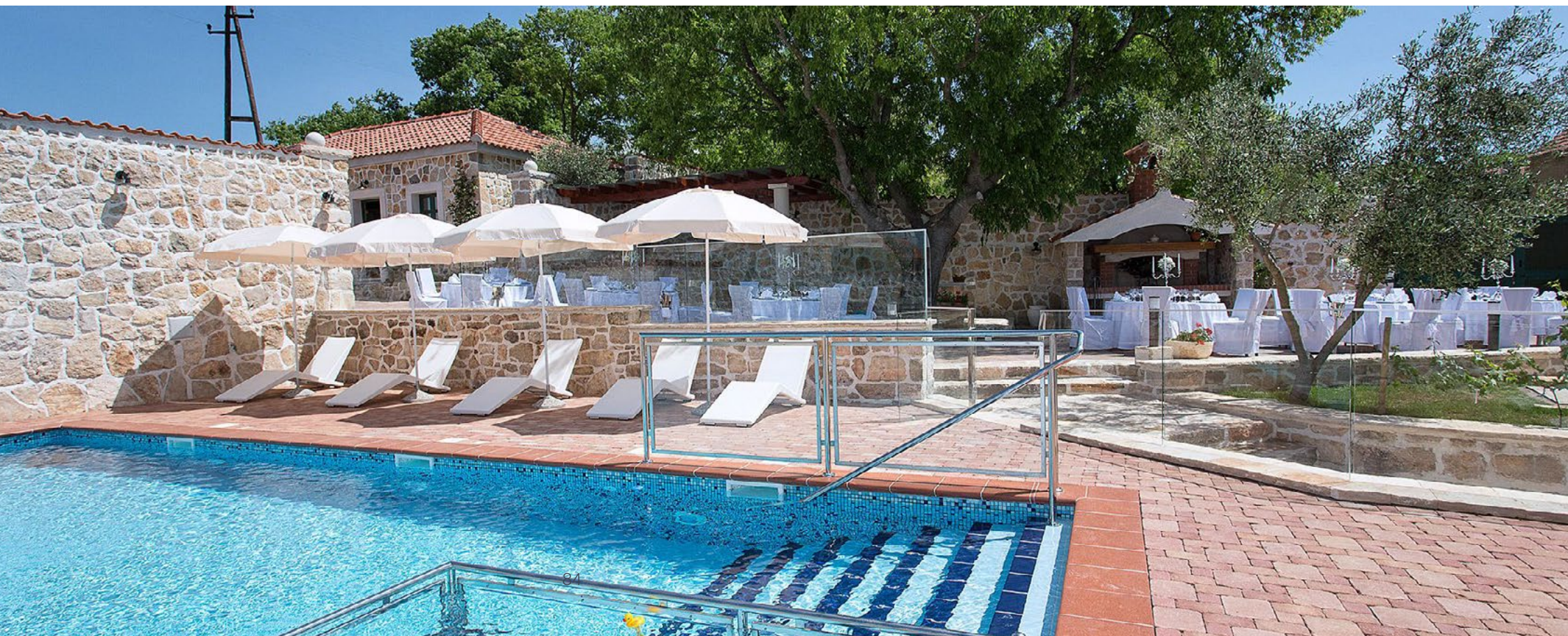
Overview of key performance indicators in 2019

Physical indicators	2019	2018	Index 2019/2018
Hotel sector			
Number of accommodation units	443	443	100,00
Tourist overnight stays	146.815	144.745	101,43
Occupancy days	165	165	100,00
Annual occupancy	45,30%	45,12%	100,40
Nautical sector			
Number of berths	805	805	100,00
Contracted vessels	740	741	99,87
Transit berth, vessel overnight stays	11.227	10.639	105,53
Transit berth, vessel arrival	3.418	3.263	104,75
Port service – number of operations	3.688	3.682	100,16
Days of work	365	365	100,00
Camping sector			
Number of accommodation units	1.220	1.220	100,00
Days of work	275	224	122,77
Occupancy days	149,72	125,15	119,63
Mobile homes	94,45	104,44	90,43
Individuals	45,36	48,81	92,93
Fixed lease	275,00	224,00	122,77
Lump sum	275,00	224,00	122,77
Occupancy	54,44%	55,87%	97,44
Mobile homes	34,35%	46,63%	73,67
Individuals	16,49%	21,79%	75,68
Fixed lease	100,00%	100,00%	100,00
Lump sum	100,00%	100,00%	100,00
Tourist overnight stays	290.487	302.845	95,92

* Camping "Park Soline" was open for 275 days in 2019, while in 2018 it was open for 224 days. Given the above as well as the fact that we calculate 100% occupancy or sales in market segments, lump sum and fixed lease, the same resulted in a derived increase in the day of occupancy compared to 2018

Overview of key performance indicators in 2019

Physical indicators	2019	2018	Index 2019/2018
Ilirija Travel			
Number of events	609	561	108,56
Number of persons (events)	54.749	58.023	94,36
Real estate			
Number of tenants	37	36	102,78
Common costs	36	34	105,88
Use of common areas	21	24	87,50
Lease of advertising space	8	8	100,00
Garage parking spaces	410	410	100,00
Rented area (m ²)	9.897,60	9.897,60	100,00
Number of vehicles in the garage	763.982	667.753	114,41

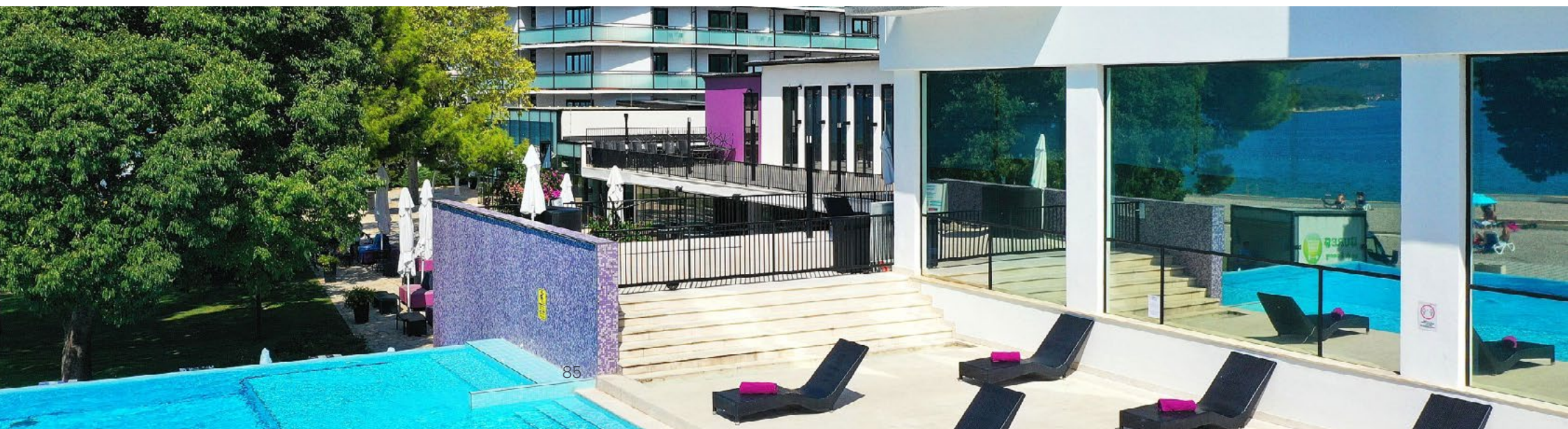




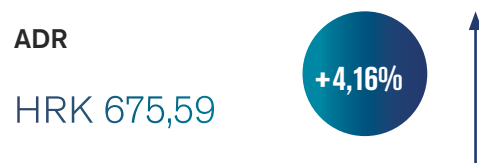
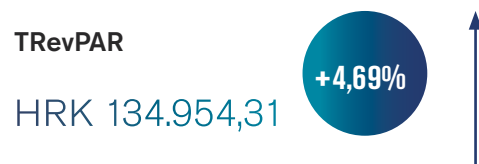
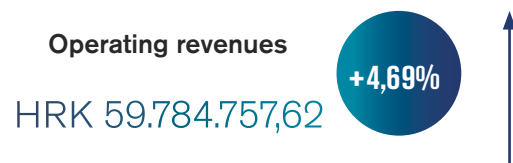
Despite a challenging and difficult season, the **hotel sector** recorded by far the best key physical and financial operating results ever. It recorded 146,815 overnight stays, or 1% more, while the arrivals remained at the level recorded in 2018, with 165 occupancy days and the capacity occupancy of 45.30%. With this physical turnover, a 5% higher financial result was achieved, i.e. the operating revenue amounted to HRK 55,822,975.50, while in 2018 it amounted to HRK 52,991,935.5. This is the result of a 1% increase in overnight stays and a 4% price increase. The average price of an overnight stay was increased from HRK 366.11 to HRK 380.23, that is, from EUR 49.38 to EUR 51.27. In doing this, the sold room income increased to EUR 102.75, as compared to the last year's EUR 97.98.

Regarding the sales channels, the most distinct changes relate to a 13% increase in the number of individual guests and a 15% increase in fixed leases, as well as a slighter 3% increase in sales to groups with a decrease in allotments by 6,5%. The group segment was focused on business groups, resulting in an increase in average occupancy with the added effect of service placement. The aforementioned was recorded in a significant 50% revenue increase for the destination management company Ilirija Travel based on additional services and an added value offer.

There were no significant changes in the structure of realized overnight stays, with the following top five source markets: (I) the Croatian market with a share of 19%, (II) the German market with a share of 14%, (III-IV) the Austrian and Slovenian markets with a share of 10% hare, and the Slovak market with a share of 6% in total overnight stays. The most distinct change is evident in a significant 25% increase in overnight stays of domestic guests, due to which the Croatian market achieved a 19.31% share in the total number of overnight stays. Along with a significant increase in overnight stays from the domestic market, the hotel sector's results are also due to a successful pre-season full of congresses, seminars and team-building activities of groups from Croatian companies and agencies.



Key and market and financial indicators of the hotel sector



ILIRIJA HOTELS (Ilirija Hotel, Kornati Hotel, Adriatic Hotel and Villa Donat)	2019	2018	Index 2019/2018
Average daily rate per accommodation unit (ADR)*	HRK 675,59	HRK 648,59	4,16%
Board services revenues per accommodation unit (RevPAR) on the 365-day basis **	HRK 306,07	HRK 292,61	4,60%
Board services revenues per accommodation unit (RevPAR) on the basis of days of availability **	HRK 486,98	HRK 498,43	-2,30%
HOTEL SECTOR – TOTAL (ILIRIJA d.d.)			
Operating revenues	HRK 59.784.757,62	HRK 57.104.655,63	4,69%
Boarding income	HRK 49.489.726,53	HRK 47.314.357,08	4,60%
TRevPAR ***	HRK 134.954,31	HRK 128.904,41	4,69%
Operating costs ****	HRK 39.698.470,55	HRK 36.841.201,16	7,76%
GOP *****	HRK 20.086.287,07	HRK 20.263.454,47	-0,87%
GOP per accommodation unit	HRK 45.341,51	HRK 45.741,43	-0,87%
GOP margin *****	33,6%	35,5%	-5,32%
Capital investments	HRK 4.981.655,88	HRK 14.448.259,16	-65,52%

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

* ADR – the average price per accommodation unit is calculated based on board services revenues (revenues from accommodation and food and drink under board services).

** RevPAR – board services revenues per accommodation unit include board services revenues (revenues from accommodation and food and drink under board services) divided by the number of available accommodation units in a given period (365 days; number of days of availability).

*** TRevPAR (total annual revenues per accommodation unit) means the total operating revenues of the hotel sector divided by the number of physical accommodation units.

**** The operating costs include the costs of raw materials and materials, costs of services, gross salaries and other operating costs, but they do not include depreciation, financial expenses and extraordinary expenses.

***** GOP indicates gross operating profit from the hotel sector before the allocation of common service costs, and it is calculated as follows: operating revenues - operating expenses (before allocation, excluding depreciation and fixed costs).

***** The GOP margin is calculated by relating the GOP amount before the allocation of common service costs and operating revenues.



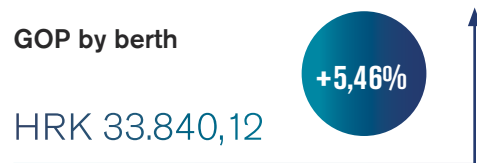
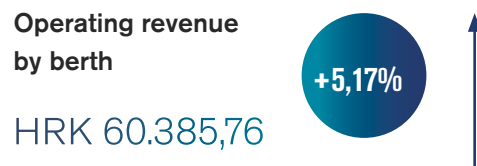
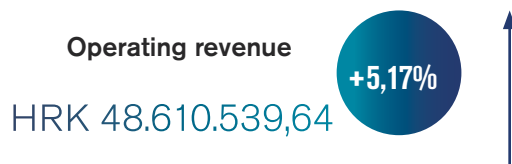
The **nautical sector** is comprised of three business units (Marina Kornati, “Marina Kornati” nautical fair and restaurant). Due to good organization of business processes, good planning and adapting to the nautical market needs, continuous growth and development of the nautical sector were also recorded in the business year 2019, or rather, it was a record business year.

The nautical sector recorded a 3–20% increase of operating revenues in all of its business units, that is, the nautical sector operating revenues increased by 4% with respect to vessel accommodation services (Marina Kornati) and generated HRK 40,880,637.12. The revenue of the nautical fair business unit (Biograd Boat Show) increased by 20.4% and generated HRK 3,877,991.31, while the catering services generated a revenue of HRK 3,851,911.21, with a 3% increase. The sector as a whole generated a revenue of HRK 48,610,539.64, which represents a 5% increase as compared to the previous year.

In the by far most important segment of the nautical sector, Marina Kornati, which generates 88% of the total sector revenues, the best operating and financial results to this day are a consequence of constant reorganization of the port and the servicing part of the marina, leading to maximum utilisation of berths, price policy or price increase for vessel accommodation services, as well as of optimization of vessel accommodation and an increase in the number of larger vessels at contractual berth.



Key market and financial indicators for the nautical sector



NAUTICAL SECTOR *	2019	2018	Index 2019/2018
Operating revenues	HRK 48.610.539,64	HRK 46.219.397,68	5,17%
Operating revenues per berth	HRK 60.385,76	HRK 57.415,40	5,17%
Operating costs *	HRK 21.369.246,63	HRK 20.387.353,51	4,82%
GOP **	HRK 27.241.293,01	HRK 25.832.044,17	5,46%
GOP per berth	HRK 33.840,12	HRK 32.089,50	5,46%
GOP margin ***	56,0%	55,9%	0,27%
Capital investments	HRK 1.441.883,06	HRK 3.323.681,04	-56,62%

* The operating costs include the costs of raw materials and materials, costs of services, gross salaries and other operating costs, but they do not include depreciation, financial expenses and extraordinary expenses.

** GOP indicates gross operating profit from camping / the camp / the restaurant before the allocation of common service costs, and it is calculated as follows: operating revenues - operating expenses (before allocation, excluding depreciation and fixed costs).

*** The GOP margin is calculated by relating the GOP amount before the allocation of common service costs and operating revenue.

There are three business units in the nautical sector: Marina Kornati, Nautical Fair (Biograd Boat Show) and the restaurant "Marina Kornati".





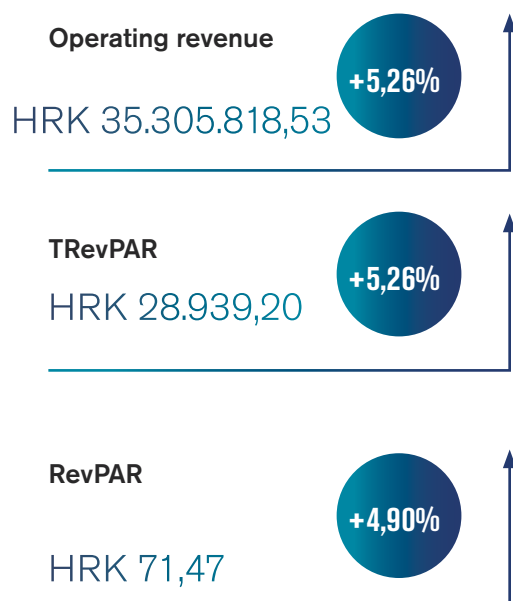
For the **camping sector** at the national level, and consequentially also for the Company's camping sector, 2019 was an extremely challenging business year due to unfavourable booking forecasts at the beginning of the year, opening of tourism markets in the eastern Mediterranean, weather conditions, or rainy May, guests from key outbound markets of camping tourism and a decreased turnover in July with many last-minute bookings.

The camping sector, comprising the "Park Soline" camp and restaurant of the same name, generated an operating revenue of HRK 35,305,818.53 in 2019, which is a 5.26% increase compared to the previous year. This is due to an increase in the revenue from lump sum guests (a 25% growth rate), as well as an increase in the revenue from private mobile homes (a 15% growth rate), while at the same time, restaurant revenue increased by 8.43%. An increase in the revenue despite a decrease in the operating results has to do with investments in new mobile homes, quality of the camp facilities, services and amenities, increase in the number of leased lump sum pitches for mobile homes and price optimization.

In the structure of realized overnight stays, among the five leading outbound markets is (I) the Slovenian market with a 25% share of overnight stays, (II) the Czech market with a 19% share, (III) the German market with 14% of overnight stays, (IV) the Croatian market with 10% of overnight stays and (V) the Dutch market with 6% of overnight stays.



Key market and financial indicators for camping



"PARK SOLINE" CAMP – MARKET INDICATORS	2019	2018	2019/2018
Average daily rate per camp unit (ADR) *	HRK 174,24	HRK 198,72	-12,32%
Accommodation revenue per camp unit (RevPAR) on the 365-day basis **	HRK 71,47	HRK 68,14	4,90%
Accommodation revenue per camp unit (RevPAR) on the basis of days of availability **	HRK 94,86	HRK 111,03	-14,56%
CAMPING (TOTAL) – FINANCIAL INDICATORS			
Operating revenues	HRK 35.305.818,53	HRK 33.542.041,42	5,26%
TRevPAR ***	HRK 28.939,20	HRK 27.493,48	5,26%
Operating costs ****	HRK 18.534.768,73	HRK 15.970.871,05	16,05%
GOP *****	HRK 16.771.049,80	HRK 17.571.170,37	-4,55%
GOP per accommodation unit	HRK 13.746,76	HRK 14.402,60	-4,55%
GOP margin *****	47,5%	52,4%	-9,32%
Capital investments	HRK 14.745.262,56	HRK 16.035.642,84	-8,05%

* ADR – the average price per camp unit is calculated based on the revenues from camp accommodation and the number of camp units sold.

** RevPAR – accommodation revenue per camp unit is the accommodation revenue divided by the number of camp units available in a given period (365 days; number of days of availability).

*** TRevPAR – total revenue per camp unit means the total business camping (i.e. camp) revenue divided by the number of physical camp units.

**** The operating costs include the costs of raw materials and materials, costs of services, gross salaries and other operating costs, but they do not include depreciation, financial expenses and extraordinary expenses.

*****GOP (Gross Operating Profit) indicates gross operating profit from camping / the camp / the restaurant before the allocation of common service costs, and it is calculated as follows: operating revenues - operating expenses (before allocation, excluding depreciation and fixed costs).

*** The GOP margin is calculated by relating GOP from camping / the camp / the restaurant before the allocation of common service costs and operating revenue.



The **destination management company/DMC Ilirija Travel** represents an integrated and complementary tourism product of all services and amenities in the Company's tourism and catering sector aimed at the development of year-round business, which meets the needs of the contemporary tourism demand and includes products and value-added programs based on creating experiences and catering to a number of special interests. The main purpose of the said programmes is the activation of pre-season and post-season tourism amenities, as well as of eventful stays, i.e. stays including a partial use of the basic facilities of the Company and partial use of separate products outside its facilities.

Number of events

609

+9%

Operating revenue

HRK 11.037.358,48

+21%

Among the most important cornerstones when it comes to the offer and implementation of these special programs and products via the DMC Ilirija Travel are business operations conducted in our own additional facilities such as Arsenal in Zadar, the "Nada" event boat, dispersed hotel Ražnjevića Dvori, Vila Primorje, along with vehicles and boats, excursion offer, sports and event facilities within the Company. All of these segments recorded an increase in their revenue in 2019. The largest increase in revenue from the event was recorded by the "Nada" event boat, by providing services for other companies in the area of other Croatian counties as well (Istria, Primorje-Gorski Kotar, Split-Dalmatia, Šibenik-Knin), and Company hotel facilities.

In 2019, services were provided to 54,749 persons via 609 events, ranging from simple individual events, excursions, to special programs, incentives, events, conferences, congresses, weddings, excursions, regattas, etc., which events were mostly organized in the pre-season and post-season. Thus, the number of events increased by 9%, while the number of persons decreased by 6% as compared to 2018 (561 events, 58,023 persons). As a result of organizing new value-added events, this year's revenue amounted to HRK 11,037,358.48, which is an increase of 16%, or 21% if the revenues realized in other profit centres are taken into account, as compared to last year.



Realized events in 2019

Period	Realized in 2019			Realized in 2018	Index 2019/2018
	Number of events	Number of people	Revenue		
January	1	80	HRK 6.688,00	HRK 914,50	731
February	10	3.659	HRK 427.558,55	HRK 876.828,17	49
March	16	5.446	HRK 488.936,34	HRK 411.921,46	119
April	33	4.785	HRK 1.025.690,53	HRK 630.022,53	163
May	79	7.813	HRK 1.636.129,45	HRK 1.131.813,84	145
June	84	3.547	HRK 1.255.856,73	HRK 827.980,14	152
July	92	2.318	HRK 647.275,29	HRK 864.684,76	75
August	99	2.937	HRK 607.552,88	HRK 722.650,46	84
September	95	6.434	HRK 2.128.492,38	HRK 879.535,89	242
October	29	5.041	HRK 1.027.287,78	HRK 932.444,92	110
November	7	2.902	HRK 413.569,95	HRK 621.708,04	67
December	64	9.787	HRK 1.372.320,60	HRK 1.204.600,04	114
TOTAL	609	54.749	HRK 11.037.358,48	HRK 9.105.104,75	121



Real-estate sector - City Galleria Business and Shopping Centre resumed its continuous growth of business in 2019 as a result of an increase in key market indicators in the said period. The Centre's gross surface area comprises an underground garage with an area of 10,863.50 m², commercial premises with a total net rentable area of 9,897.60 m², increased by the commercial activation of the third floor of the Centre, communication, technical and common areas. As at 31 December 2019, the commercial occupancy of the Centre equalled 99.77% of all capacities, with 37 active lease agreements concluded with local, national and international tenants for business premises varying in size from 9.8 m² to 1.836 m².

The total operating revenues amounted to HRK 14,255,205.21, mostly generated from leasing business premises, but also from calculating common costs to the lessees, leasing and the commercial use of common Centre areas, leasing of parking spaces and advertising space. In the abovementioned period 65,95% of business revenue, i.e. HRK 9,401,885.85, was generated from office space leases. The average monthly rent per meter square of commercial premises equalled HRK 952.08 per annum, or HRK 79.34 per month.

The Company implements an active policy of finding new tenants, especially those who are not yet present in Zadar County to make the Centre's offer more competitive, while it also cooperates with the existing Centre tenants on increasing the volume of business and enhancing service quality.



Key market and financial indicators for the year 2019

Operating revenues

HRK 14.255.205,21

+1%



99,77%

Capacity occupancy

Garage:
vehicles per annum

763.982

+14,41%

Average annual
garage revenue per
parking space

HRK 2.148,90

+17%

KEY MARKET INDICATORS OF THE CITY GALLERIA	2019	2018	Index 2019/2018
FINANCIAL PERFORMANCE:			
Average monthly rent per m ² of commercial premises (AMR) *	HRK 79,34	HRK 81,30	-2,41%
Average yearly rent per m ² of commercial premises (AMR) *	HRK 952,08	HRK 975,60	-2,41%
Average annual garage revenue per parking space **	HRK 2.148,90	HRK 1.835,06	17,10%
TURNOVER			
Commercial premises – number of active contracts	37	36	2,78%
Common costs – number of active contracts	36	34	5,88%
Common centre areas – number of active contracts	21	24	-12,50%
Advertising space – number of active contracts	8	8	0,00%
Garage – number of parking spaces	410	410	0,00%
Garage – vehicles per annum	763.982	667.753	14,41%
KEY FINANCIAL INDICATORS OF THE CITY GALLERIA			
Operating revenues	HRK 14.255.205,21	HRK 14.167.392,27	0,62%
Operating costs ***	HRK 6.068.418,99	HRK 6.006.657,57	1,03%
GOP ****	HRK 8.186.786,22	HRK 8.160.734,70	0,32%
GOP margin *****	57,4%	57,6%	-0,30%
Capital investments	HRK 407.143,91	HRK 451.734,04	-9,87%

* AMR – Average Monthly Rent – the average monthly price per m² of commercial premises is calculated based on the revenues from the rent of commercial premises and the net available surface area of active premises.

** Average garage revenue per parking space is the annual garage revenue divided by the number of available parking spaces in a given period (365 days; number of days of availability).

*** The operating costs include the costs of raw materials and materials, costs of services, gross salaries and other operating costs, but they do not include depreciation, financial expenses and extraordinary expenses.

**** GOP (Gross Operating Profit) indicates gross operating profit from the real estate sector before the allocation of common service costs, and it is calculated as follows: operating revenues - operating expenses (before allocation, excluding depreciation and fixed costs).

***** The GOP margin is calculated by relating the GOP from the real estate sector before the allocation of common service costs and operating revenue.

Financial Operating Results in 2019

The financial year 2019 has, in terms of the generated operating revenue, by far been the best in all of the sectors, ensuring continued growth from the aspect of revenue generation. The total revenue amounted to HRK 167,797,556.86, with a growth rate of 4.19% compared to 2018, as a result of an increase in operating revenue and sales revenue. Operating revenue amounts to HRK 167,711,919.32 and, compared to the previous business year, it increased by 5.16% due to improved realisation on domestic and foreign markets.

The Company, as a responsible business entity, in this challenging business year directed the increase in operating revenues, or the newly created value towards creating added value for its key stakeholder groups (customers/guests, employees and shareholders) via:

1

development of new products and services, i.e. development of year-round business and, consequentially, increasing sales and marketing activities,

2

improvement of the financial situation of our employees, employment of local qualified personnel, and

3

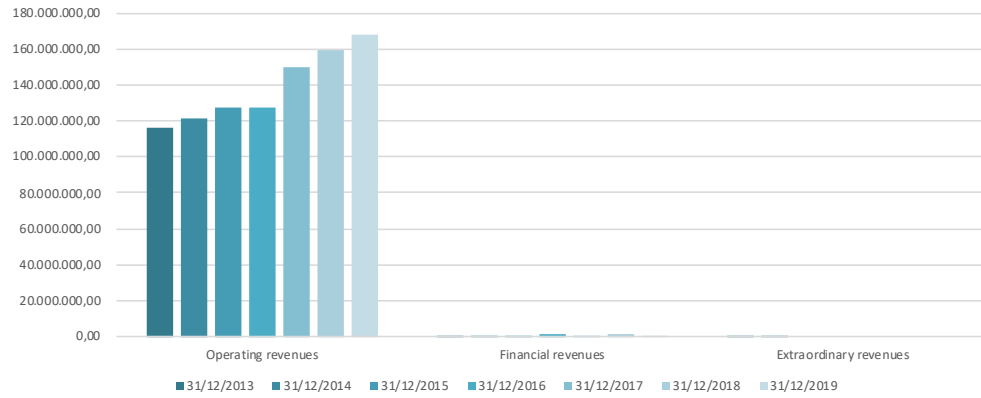
continuous dividend payment to our shareholders.

Pursuant to the above, in comparison to 2018, the key operating profitability indicators (operating profit, EBITDA, EBIT and profit) decreased due to an increase in operating expenses, where, in absolute terms, the largest increase in expenses was generated by the gross wages costs and other employment-related costs. With the increase in operating revenues, the Company generated a newly-created value, which it then consciously and intentionally reallocated to gross wages costs and other employment-related costs or charges in an uncertain and challenging business year from the aspect of the sales and availability of quality domestic (local) work force, which, as expected, in turn lead to the operating results shown by profitability indicators.

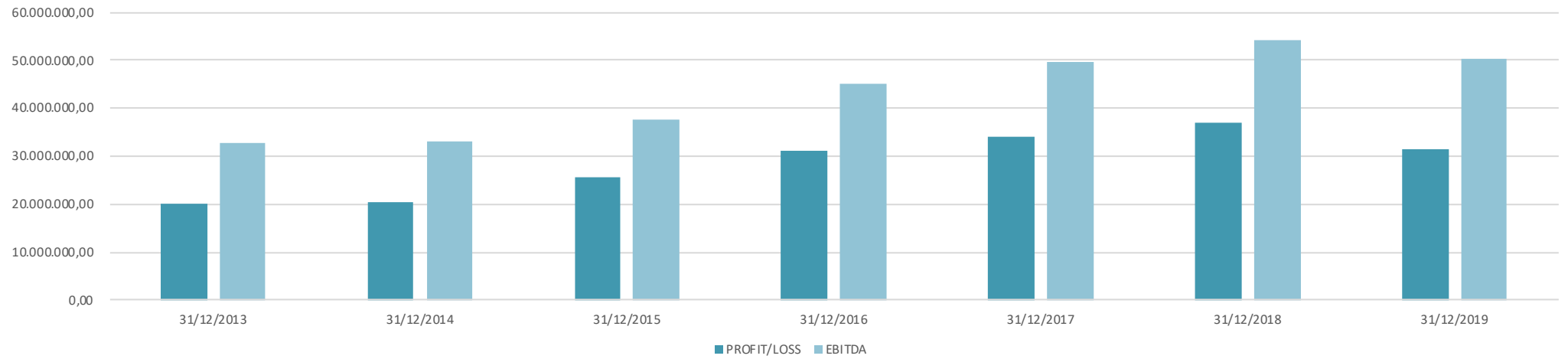
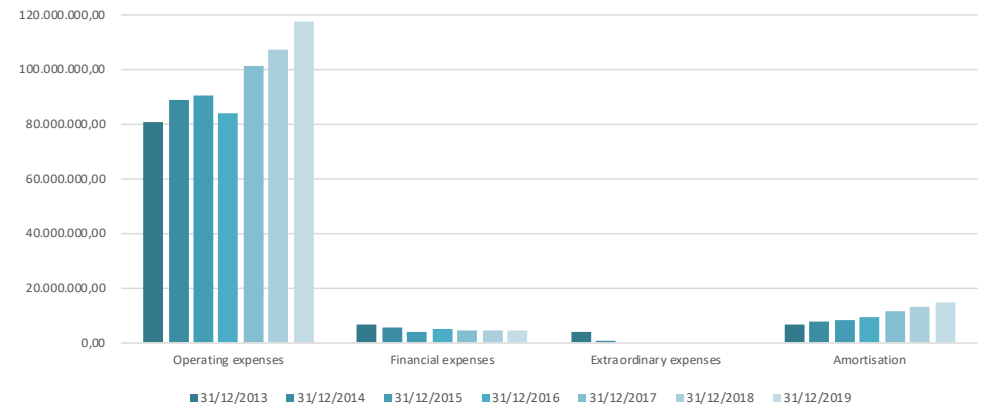
Overview of financial operating results in 2019 and comparison to those in same period from 2013 to 2018

DESCRIPTION	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019	Index 2019/2018
Operating revenues	116.431.304,58	121.792.647,35	127.662.219,39	127.591.140,20	149.515.545,23	159.490.115,09	167.711.919,32	105,16
Financial revenues	272.620,92	136.259,45	484.269,24	1.427.867,11	961.132,18	1.558.764,96	85.637,54	5,49
Extraordinary revenues	616.481,19	944.845,32	0,00	0,00	0,00	0,00	0,00	#DIV/0!
TOTAL REVENUES	117.320.406,69	122.873.752,12	128.146.488,63	129.019.007,31	150.476.677,41	161.048.880,05	167.797.556,86	104,19
Operating expenses	80.774.385,77	88.837.309,12	90.379.281,57	83.991.877,85	100.879.406,31	106.832.625,88	117.487.302,65	109,97
Financial expenses	6.333.307,89	5.355.803,37	4.030.686,50	4.774.080,17	4.564.585,65	4.384.189,54	4.596.906,56	104,85
Extraordinary expenses	3.698.321,67	825.305,72	0,00	0,00	0,00	0,00	0,00	#DIV/0!
Amortisation	6.385.207,46	7.470.218,79	8.225.981,02	9.012.252,49	11.146.900,91	12.796.897,41	14.379.433,99	112,37
TOTAL EXPENSES	97.191.222,79	102.488.637,00	102.635.949,09	97.778.210,51	116.590.892,87	124.013.712,83	136.463.643,20	110,04
PROFIT/ LOSS	20.129.183,90	20.385.115,12	25.510.539,54	31.240.796,80	33.885.784,54	37.035.167,22	31.333.913,66	84,61
OPERATING PROFIT/ LOSS	35.656.918,81	32.955.338,23	37.282.937,82	43.599.262,35	48.636.138,92	52.657.489,21	50.224.616,67	95,38
EBITDA	32.847.699,25	33.211.137,28	37.767.207,06	45.027.129,46	49.597.271,10	54.216.254,17	50.310.254,21	92,80

REVENUES 2013-2019



EXPENSES 2013-2019



FINANCIAL OPERATIONS
reporting system according to USALI standards
01/01/2019-31/12/2019

ILIRIJA d.d. total (after the allocation of common revenues and common costs)

Items	Annual cumulative achievements in 2017	Annual cumulative achievements in 2018	Annual cumulative achievements in 2019	Index 2019/2018
TOTAL NET REVENUE (operating)	146.515.367,92	154.730.525,93	162.572.725,53	105,07
Total direct costs	11.961.883,77	12.125.059,28	13.074.369,96	107,83
Total salary and labor costs	24.297.162,99	26.803.096,21	29.948.241,60	111,73
Total other department costs	10.881.499,85	11.971.394,44	14.261.204,73	119,13
TOTAL CONTRIBUTION	99.374.821,31	103.830.976,00	105.288.909,24	101,40
Total costs to GOP	88.724.947,11	95.914.637,37	103.939.195,48	108,37
GOP	57.790.420,81	58.815.888,56	58.633.530,05	99,69
Grandtotal net revenues	150.476.677,41	161.048.880,05	167.797.556,86	104,19
Grandtotal costs	116.590.892,87	124.013.712,83	136.463.643,20	110,04
PROFIT BEFORE TAXATION	33.885.784,54	37.035.167,22	31.333.913,66	84,61
Corporate income tax	6.099.441,22	0,00	0,00	#DIV/0!
NET PROFIT	27.786.343,32	37.035.167,22	31.333.913,66	84,61
EBITDA	49.597.271,10	54.216.254,17	50.310.254,21	92,80
EBIT	38.450.370,19	41.419.356,76	35.930.820,22	86,75

Revenues by activities:



Hotel sector revenues amount to HRK 59,784,752.62 and is 5% higher relative to the previous financial year. Its is the result of the following: (I) increase in the key physical operating results, or overnight stays, and achievement of by far the best operating results to date, (II) increase in the revenues generated on the domestic market by 7%, (III) increase in revenue per room with the occupancy days staying at the previous year's level, which we consider a success taking into account the challenging and difficult business year.



Revenues from the nautical sector amounted to HRK 48,610,539.64 and were 5.17% higher, namely as a result of revenue growth in all business units in the nautical sector with achievement of by far the best operating results to date with an increase of the profitability indicator, which makes these the best operating results of the nautical sector so far. The 4% revenue growth pertaining to the vessel accommodation service was a result of (I) an increase in revenues from contractual and daily berths, which, in absolute terms, contributed most to the growth in the nautical sector revenues as they accounted for 70.40% or HRK 1,614,538.89 in the total increase in nautical sector revenues, (II) an increase in the nautical fair revenues by 20.34% and (III) an increase in catering revenues by 3%.



Revenues from the camping sector amounted to HRK 35,305,818.53, which is a 5.26% increase as compared to the previous year. There was an increase in the revenue from lump sum guests (a 25% growth rate), as well as an increase in revenue from private mobile homes (a 5% growth rate), while at the same time, restaurant revenue increased by 8.43%.



Revenues from the real-estate sector, or the City Galleria business and shopping centre, amounted to HRK 14,255,205.21 and recorded a 1% increase despite the absence of items of extraordinary revenues realized in the same period last year.



Other revenues or revenues from other sectors and profit centres, including Ilirija Travel or Arsenal, the "Nada" event boat, agritourism, Villa Primorje and restaurants/bars, amounted to HRK 9,755,538.32, recording a 15.36% increase, which is due to an increase in the revenues generated from the destination management company Ilirija Travel, or organization of 609 individual events in the pre-season and post-season, in particular in the Arsenal facilities and the "Nada" event boat, and is also due to the development of products and services contributing to the development of year-round business.



TOTAL: Operating revenue per activity amounts to HRK 167,711,919.32, and it dropped by 5.16% compared to 2019.

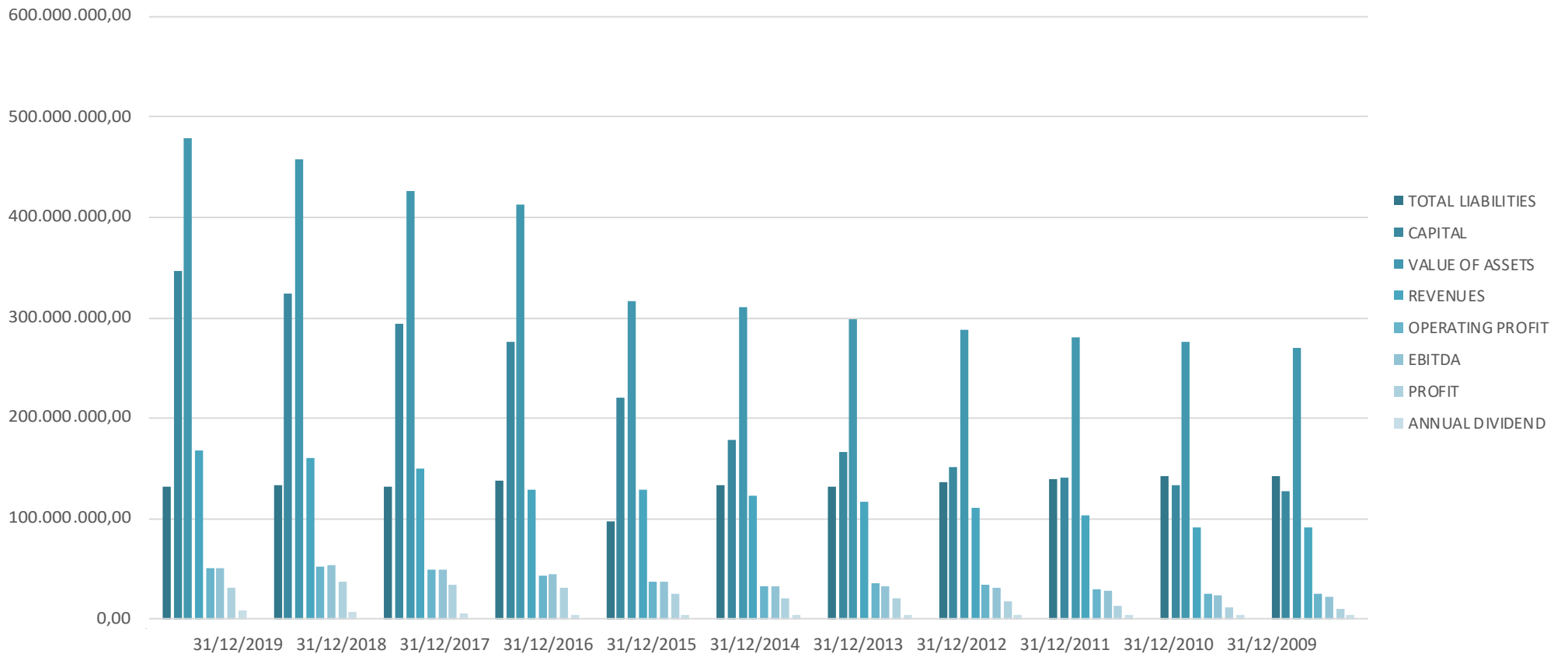
Apart from the continuous increase in operating revenues, the Company's asset and equity indicators also recorded continuous growth, which we consider a remarkable success, taking into account the circumstances of tourism companies' business operations at the national level. The asset value amounted to HRK 485,278,090.92 and increased by HRK 22,886,179.97, or 4.95%, as compared to the previous business year, when it amounted to HRK 462,391,910.95. Capital increased by 6.91% or HRK 22,407,961.30, i.e. from HRK 324,375,413.08 in 2019 to HRK 346,783,374.38. The Company sustained its policy of continuous dividend payments. In 2019, HRK 8.4 million was paid out to the shareholders for dividends, which represents an increase of 16.58% over the previous year.

CUMULATIVE COMPARATIVE OVERVIEW

of fundamental operating results, as well as asset, capital and liability indicators of the company as on 31/12/2019, and for the 2009 – 2019 period

YEAR	TOTAL LIABILITIES	CAPITAL	VALUE OF ASSETS	REVENUES	OPERATING PROFIT	EBITDA	PROFIT	ANNUAL DIVIDEND
1	2	3	4	5	6	7	8	9
31/12/2019	138.494.716,54	346.783.374,38	485.278.090,92	167.797.556,86	50.224.616,67	50.310.254,21	31.333.913,66	8.417.962,00
31/12/2018	138.016.497,87	324.375.413,08	462.391.910,95	161.048.880,05	52.657.489,21	54.216.254,17	37.035.167,22	7.221.240,00
31/12/2017	131.841.078,15	294.216.184,59	426.057.262,74	150.476.677,41	48.636.138,92	49.597.271,10	33.885.784,54	6.016.540,00
31/12/2016	137.502.260,55	275.683.907,98	413.186.168,53	129.019.007,31	43.599.262,35	45.027.129,46	31.240.796,80	4.937.148,00
31/12/2015	96.706.510,04	220.353.306,88	317.059.816,92	128.146.488,63	37.282.937,82	37.767.207,06	25.510.539,54	3.740.790,00
31/12/2014	133.053.616,64	177.858.715,67	310.912.332,31	122.873.752,12	32.955.338,23	33.211.137,28	20.385.115,12	3.740.790,00
31/12/2013	131.195.062,79	166.861.394,25	298.056.457,04	117.320.406,69	35.656.918,81	32.847.699,25	20.129.183,90	3.740.790,00
31/12/2012	136.546.285,85	151.895.416,40	288.441.702,25	111.134.832,70	33.826.442,35	31.157.639,71	18.255.129,12	3.740.790,00
31/12/2011	139.927.300,98	140.262.242,54	280.189.543,52	103.735.228,95	30.013.975,99	28.030.097,35	13.249.683,38	3.740.790,00
31/12/2010	142.308.155,23	133.202.459,64	275.510.614,87	91.364.944,55	25.112.703,16	24.378.316,58	11.512.758,85	3.740.790,00
31/12/2009	141.990.022,14	127.844.800,85	269.834.822,99	90.832.774,16	25.001.384,39	21.827.113,57	10.818.589,83	3.740.790,00

Graph of fundamental operating results and indicators on the position of assets, capital and liabilities of the Company as at 31/12/2019 and also for the same period from 2009 to 2019



Financial performance indicators in 2019 and 2018

In 2019, the Company's business operations were successful and stable, even though its business performance indicators are at a somewhat lower level than they were in 2018 due to more difficult business conditions. The Company's own sources of financing amounted to 71.46% of the total sources of financing (equity and reserves) as compared to 70.15% in 2018, while other sources of financing amounted to 28.54% as at 31 December 2019, as compared to last business year, when they amounted to 29.85%.

Indicator	2018	2019	Index 2019/2018	
Financial stability, liquidity and indebtedness				
Self-financing rate	70,15%	71,46%	1,019	Share of equity capital in total fund sources (i.e. in total liabilities & stockholders' equity).
The degree of indebtedness	29,85%	28,54%	0,956	Share of debt in total fund sources (i.e. in total liabilities & stockholders' equity).
Financial stability coefficient	1,03	1,01	0,986	Fixed assets to long-term sources ratio (shareholders' capital and reserves increased by long-term liabilities).
Accelerated liquidity coefficient	0,59	0,80	1,361	Ratio of current assets reduced by the stocks and short-term liabilities.
Current liquidity coefficient	0,66	0,85	1,290	Current assets to short-term liabilities ratio.
Activity indicators				
Ratio of total assets turnover	0,35	0,35	0,993	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	7,07	4,93	0,698	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	1,30	1,23	0,947	Total revenue and total expenses ratio.
Profitability	23,00%	18,67%	0,812	Net profit/loss and total revenue ratio.
Return on assets	8,01%	6,46%	0,806	Annual rate of return on invested assets indicates the profit/loss and total asset ratio.
Share of EBITDA in total revenue	33,66%	29,98%	0,891	Earnings before interests, taxes, depreciation and amortization to total revenue ratio.
Share of EBIT in total revenue	25,72%	21,41%	0,833	Earnings before interests and taxes to total revenue ratio.

Composition of resources and sources of financing in the balance sheet as at 31 December 2019

The Company's balance sheet at the end of the reporting period showed a stable and stronger financial position reflected in the further increase in the assets, decrease in the long-term liabilities and an enhanced ability to self-finance. In 2019, 96.19% of the cash inflow was provided by business operations, while only 3.31% of the inflow was provided by banks. The aforementioned indicators are also some of the most important business indicators for 2019, especially when analysing the total long-term and sustainable economic and financial stability of the Company.

At the same time, as per these standard financial indicators, the Company has achieved a high and sustainable level of financial stability measured by the relationship of the composition of resources and the sources of financing.

Indicator	Year 2018	Year 2019	Index 2019/2018
Share of fixed assets in the assets	95,07	92,99	97,81
Share of current assets in the assets	4,93	7,01	142,19
Share of capital in reserves and in liabilities	70,15	71,46	101,87
Share of long-term commitments in the liabilities	22,35	20,28	90,74
Share of short-term commitments in the liabilities	7,07	7,88	111,46
Share of operating revenue in equity and reserves	49,17	48,36	98,35
Share of operating revenue in long-term commitments	154,30	170,46	110,47
Share of operating revenue in total commitments	115,56	121,10	104,79
Share of operating revenue in liabilities	34,49	34,56	100,20

The company realized HRK 167,797,556.86 of directly generated economic value, generated through an increase in the sales revenues, which ultimately resulted in its increase by 4.19%, or by **HRK 6,748,676.81**. In the same period, the distributed economic value, realized in the amount of HRK 131,769,473.18, increased at the rate of 5.93%, which value reflects the Company's fundamental objective in 2019 – achieving balance and long-term sustainability of interests of all of the Company's key stakeholder groups.

Description	2016	2017	2018	2019	Index 2019/2018
Directly generated economic value	129.019.007,31	150.476.677,41	161.048.880,05	167.797.556,86	104,19
Revenues from sales	127.591.140,20	149.515.545,23	159.490.115,09	167.711.919,32	105,16
Other revenues	1.427.867,11	961.132,18	1.558.764,96	85.637,54	5,49
Distributed economic value	89.493.785,39	113.026.346,47	124.392.181,44	131.769.473,18	105,93
Operating costs	53.240.286,75	64.756.352,99	67.755.034,47	74.579.735,50	110,07
Employee salaries and benefits	30.545.745,80	35.357.395,00	38.700.915,13	42.380.521,92	109,51
Payment to capital providers	4.937.148,00	6.016.540,00	7.211.240,00	8.417.962,00	116,73
Payments to the government	564.749,54	6.646.839,96	10.338.315,56	5.864.208,53	56,72
Investments in the community	205.855,30	249.218,52	376.676,28	527.045,23	139,92
Retained economic value	39.525.221,92	37.450.330,94	36.656.698,61	36.028.083,68	98,29

3 Indirect impacts of the Company and the community

In 2019, indirect economic impacts of the Company were evident in several areas:

1

- in the human resources policy, which is based on employment of the population from the local and regional community, i.e. from the town of Biograd na Moru, the surrounding municipalities and other settlements in the Zadar County. Of the total number of employees as at 31 December 2019, 41% were from the town of Biograd na Moru, and 58% from elsewhere in the Zadar County. In total, 99% of employees were from the wider Zadar region, i.e. the Zadar County, while the remaining 1% were from elsewhere in the Republic of Croatia. It is important to point out that the financial year 2019 was particularly challenging for Croatian tourism in terms of employment, i.e. a lack of seasonal employees. Thus, if we consider that all employees were from the local or regional community and there were no foreign employees, the contribution made by the Company becomes even more significant.

2

- with regard to our relation with suppliers, we collaborated with 985, and as much as 93.10% of them are from the Republic of Croatia, generating 95.34% of our total turnover and thus stimulating the national economy, with a special emphasis on stimulating the economy of the local community.

3

- development of the destination by developing amenities, programmes and offers within the scope of the destination management company Ilirija Travel, aiming at ensuring year-round business in the Company's tourism sectors and consequently developing the offer of the destination, with a special emphasis on pre-season and post-season offers.

4

- Through the system of the DMC Ilirija Travel alone, the Company organised 609 individual events, mostly in the pre-season and the post-season, thus providing services for 54,749 persons. Through the development of a year-round tourist offer, the Company promotes the development of sustainable and responsible tourism that will not be exclusively linked to the high season (June-August). This will in turn relieve the high season, reduce the impact on the infrastructure of the destination and contribute to the preservation of natural resources. Thus, the Company contributes to a balanced development of the offer available at the destination, as well as its recognizability and profiling from a "sun-and-sea" destination which in a short period of time generates significant physical turnover, i.e. number of guests, into a destination with year-round tourist offer of various amenities.

5

- as the largest business system in the area of the country where its registered office is located and as one of the three largest tourism companies in the wider Zadar region, as well as in the destination where most of our tourist facilities for the provision of accommodation services are located, by developing our own offer of amenities, and with realized arrivals

6

and overnight stays, we directly stimulate and generate the development of the tourist offer of the town, we contribute to the recognisability and competitiveness of the destination, and we generate increased tourist consumption pertaining to other economic entities, especially in the town of Biograd na Moru, but also in other destinations where we do business.

- investing in the improvement of services and standards in institutions of great importance to the wider community, with a special emphasis on health care institutions, such as the Zadar General Hospital, namely through a contribution pertaining to the procurement of devices for the Neurosurgery Department, the improvement of services in general medicine practices both in Biograd na Moru and in the municipality of Pakoštane, and equipping of the Maruškica kindergarten in the municipality of Škabrnja.

Community

The relationship with the community, including the local community (locations in which the Company does business), the regional community (i.e. the wider Zadar region or the Zadar County) and the national community (i.e. the entire country) is a material topic for the Company, as both its business activities, constituting the basis for its social activities, and its overall activities simultaneously contribute not only to the development of the Company, but also to the development of the entire community through:

1

- its contribution to the development of the economy through the socio-economic impacts of business, including:
 - an active policy of employing the local population,
 - activities aimed at destination positioning and recognizability,
 - the Company's fiscal contributions through fiscal and parafiscal levies such as taxes and contributions, public utility charges and similar charges, as well as rents and concessions, residence taxes and other contributions to associations.

2

- a contribution to the development, recognizability and promotion of the tourist offer of the destination and Croatian tourism. In the key tourist destinations of the Company, i.e. Biograd na Moru and Sv. Filip i Jakov, the Company provides and is the owner of over 2/3 of the organised tourist offer and high category facilities. As for the nautical sector, 83% of all charter overnight stays in Biograd na Moru and 34% of all charter overnight stays in the Zadar County were realised in the Marina Kornati. As for the camping sector, 81% of all camping overnight stays in Biograd na Moru and 13% of such stays in the county were realised in the "Park Soline" camp. Moreover, 52% of all overnight stays in hotel accommodation in the destination of Biograd na Moru and 10% of all such stays in the Zadar County were realized in the Company's hotel sector.

In 2019 alone, the Company presented all segments of its offer and the offer of the destination, i.e. its hotel sector, nautical

3

sector, camping sector and the destination management company Ilijia Travel, namely by participating in 36 fairs (both general and specialized), workshops, congresses, study trips, etc. on key tourist outbound markets, either independently or in collaboration with the Croatian National Tourist Board, the Zadar County Tourist Board and the Zadar County.

- development of year-round business within the system of the destination management company, through which we organised 609 events at the destination level, with a total of 54,749 persons participating, mostly in the pre-season and the post-season; the Company thus extended the business activities of its tourism sectors, and consequently those of destinations as well, namely with the aim of developing a year-round tourist offer,

4

- development of events organised by us, which directly contribute to the development of destinations, of which we would like to highlight the following:

- organisation of the Biograd Boat Show international nautical fair,
- organisation of the Bike & Wine – Ravni Kotari Tour in cooperation with local tourist boards,
- event organisation at Arsenal in Zadar, with a special emphasis on entertainment and cultural programmes (performances, ballet performances, exhibitions, stand-ups, concerts, manifestations),
- event organisation at the Aquatic Centre in Biograd na Moru, with a focus on entertainment, cultural and sporting events.

5

- participation in the work of expert and professional associations from the tourism and hospitality field:

a) participation in the work of local and regional tourist boards (the Assembly of the Zadar County Tourist Board, the Assembly of the Tourist Board of the City of Zadar, the Assembly and Tourist Council of the Biograd na Moru Tourist Board, and the Tourist Council of the Tourist Board of the Municipality of Sv. Filip i Jakov),

b) participation in the work of professional associations from the field of hospitality and tourism, i.e. in their annual gatherings, congresses and meetings (Croatian Camping Union, Association of Employers in Croatian Hospitality, Croatian Chamber of Commerce – Association of Marinas, Association of Employers – Nautical Sector),

c) participation in sessions, congresses and seminars of the Croatian tourism industry such as in the Days of Croatian Tourism, the Croatian Camping Congress, and particularly in the Nautical Days by the Croatian Chamber of Commerce, taking place during the Biograd Boat Show nautical fair, with the Company as a collaborator and co-organiser,

6

- through its corporate philanthropy activities, the Company supports activities of wider significance to the community, to which it has contributed with the amount of HRK 547,040.84 not including its non-financial contributions such as the provision of services (accommodation, restaurant services, transfers, making premises available, employee contributions, etc.),

7

- supporting the activities of other organisations, associations, tourist boards, local and regional self-government units, sports clubs, etc., of wider significance to the community, especially by contributing to the development of the destination with events such as the Tuna, Wine & Sushi Festival, the Škraping Pašman International Trekking Race, the Wedding Festival, the Pleši Zadre Dance Festival, the Wine Festival, Electronic Media Days, etc.),

8

- environmental protection and preservation of natural resources through continuous investments in the improvement of existing technological solutions related to environmental protection, education on environmental protection, promotion of activities, provision of information and notifications to our end users regarding the importance of environmental protection, and implementation of national and international standards and certificates related to environmental protection.





Corporate philanthropy

Relying on the principle of our responsibility, namely as a responsible economic entity at the local and regional level (in the town of Biograd na Moru and the Zadar County), the Company makes additional contributions to the community through its corporate philanthropy system, i.e. donations and sponsorships.

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 2019, the Company supported activities, projects and individual requests through the corporate philanthropy system, namely in the following areas:



(I) culture



(II) humanitarian programme



(III) science-education



(IV) health

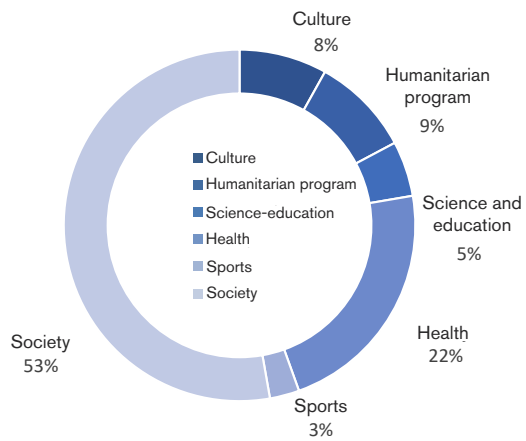


(V) sports

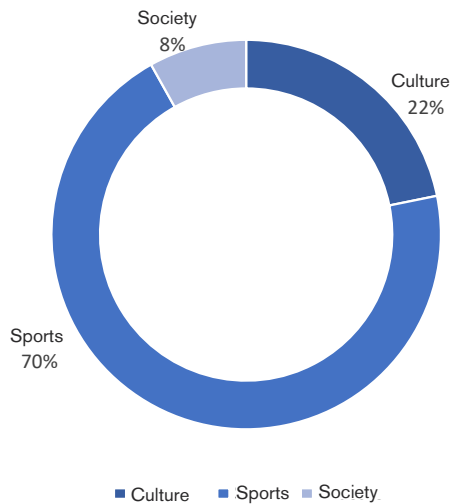


(VI) society

Overview of donations by area



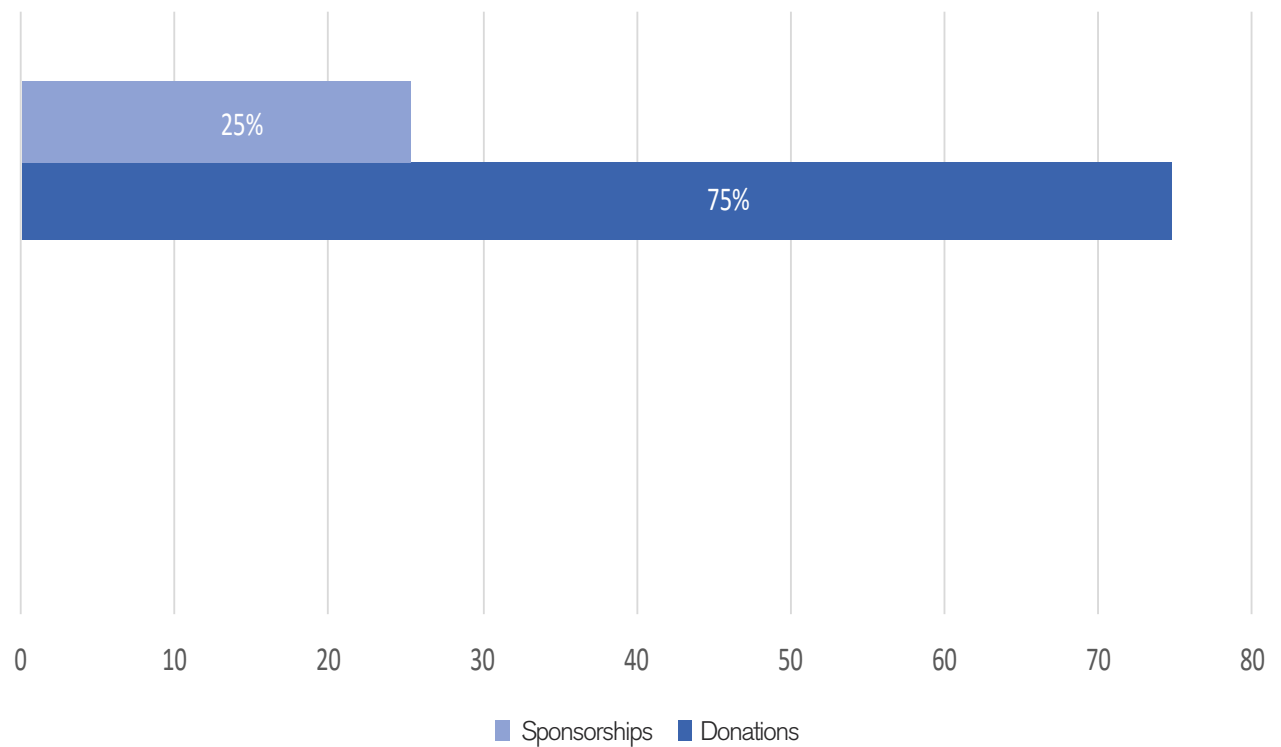
Overview of sponsorships by area



In addition to cash donations, there is a significant share of donations pertaining to services arising from our business activities, such as accommodation provision (hotels, the camp, the marina), making our premises available (conference rooms, restaurants), food and beverage-related services and transfer services. In the reporting period, within its corporate philanthropy system, Ilirija's donations and sponsorships amounted to HRK 547,040.84 granted in cash, while the value of the services provided amounted to HRK 115,197.97, with a total amounting to HRK 662,238.81*.

**This figure differs from the figure indicated in the table "Directly generated and distributed value", namely in the item "Investments in the community", which includes only donations and sponsorships provided in cash in the net amount.*

The ratio of donations to sponsorships in 2019



Corporate Philanthropy in 2019



61 donations



29 sponsorship activities



90 supported activities and projects

Σ Total value:
HRK 662,238.81

Corporate philanthropy 2015-2019



415 projects
Σ total value
HRK 2,473,505.79

In the 2015-2019 period, within the corporate philanthropy system contributions were made in the total value of HRK 2,473,505.79, of which donation activities were supported with the amount of HRK 1,537,413.21. Furthermore, the Company sponsored projects and activities with the amount of HRK 936,092.58.





Boxing club Bandits



Ritam association



Institute of Public Health Zadar



Knights of Vrana



In 2019, the Company provided support to a number of associations, institutions, regional and local self-governments, sports clubs, cultural and educational institutions, natural persons, etc., either through financial support or the support pertaining to activities and projects of wider significance and interest to the community. In the said period, we would like to highlight our support to and cooperation with associations, clubs and educational institutions:

- UNICEF
- Humanitarian Association "Put", Zadar
- Zadar Autism Association
- Cancer League
- Antonio Jurjević Association
- Vrana Knights
- Zadar Puppet Theatre
- Zadar Rotary Club
- Split Rotary Club
- Biograd na Moru Secondary School
- Biograd na Moru Elementary School
- Sv. Filip i Jakov Elementary School
- "Frane Petrić" Gymnasium, Zadar
- "Marušnica" Kindergarten
- Matica Hrvatska Zadar
- St. Roch Cultural-Artistic Society
- Nevijana Cultural-Artistic Society
- Gradina Cultural-Artistic Society

The Company provided support to the humanitarian action of the Zadar Cancer League by donating funds for the procurement of neuronavigation devices for the Zadar General Hospital, Surgery Service, which allowed more demanding neurosurgical procedures to be performed. In 2019, the Company supported the procurement of equipment and the raising of the quality of equipment of general medicine practices in the town of Biograd na Moru and the municipality of Sv. Filip i Jakov. In doing so, the Company wished to contribute to the improvement of the quality of health services, care and standards in its region. In the City Galleria business and shopping centre, the Company has been cooperating with the Institute of Public Health in Zadar for years, namely through a successful action commemorating the World Cancer Day, a project funded by the European Union within which the following three national programmes are presented: National Breast Cancer Early Detection Programme, National Colon Cancer Early Detection Programme and National Cervical Cancer Early Detection Programme.

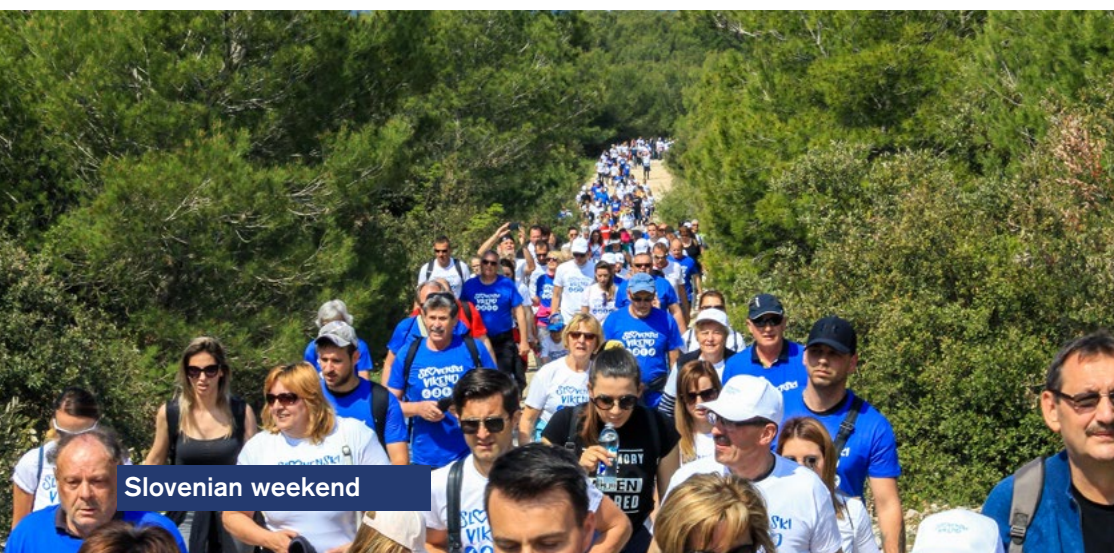


In addition, the Company provides significant support for cultural activities, including not only cultural events but also a number of associations, institutions and cultural-artistic societies. We would like to highlight the support provided for the restoration of the church of St. Michael on the island of Pašman, the support provided for the organisation of the International Dance Festival in Zadar, the Zadar Dance Ensemble and the Monoplay Contemporary Dance Festival, as well as the support provided for the activities of the Zadar Puppet Theatre and a number of cultural-artistic societies such as the Nevijana, Gradina and St. Roch cultural-artistic societies, the Festival of Dalmatian klapa choirs Na vr'sela in Sv. Filip i Jakov, and the support provided to the Verses and Notes Association for the organisation of their Spiritual Music Festival, the support provided for the activities of the Biograd Art Gallery for the purpose of enriching the cultural-artistic offer of the town of Biograd na Moru, and finally the support provided to Matica Hrvatska – Zadar Branch, namely for their publishing activities, with a special emphasis on scientific books dealing with history, culture, customs and languages of the towns in the Zadar County. We are especially proud of the support we provide to the organisation of Sinjska alka, a traditional equestrian tournament that was included in UNESCO's Representative List of the Intangible Cultural Heritage of Humanity in 2010, making us, therefore, active contributors to the preservation and promotion of Croatian cultural heritage. Moreover, we have been long-time supporters in the organisation of the Days of the Knights of Vrana, an international historical event that brings the ancient history of the Biograd hinterland to life.

In addition to supporting a number of cultural activities, a significant contribution has been made to projects promoting activities for children. Several significant projects in that regard have been the cooperation with the local "Ritam" Association, involving school and preschool children from all parts of the Zadar County, the cooperation with the "Gesta" Dance Association and the spring concert of the "Libretiči" children's choir, as well as the puppet show "Ugly Duckling" in collaboration with the "Dragon" Theatre. The City Galleria business and shopping centre has been home to the successful back-to-school project for a number of years, within which we cooperate with a number of local sports societies and associations in order to promote sports and physical activity among children. In 2019, we supported several associations which presented their activities and work program, conducted demonstration exercises, and raised public awareness of the possibilities of enrolling school and preschool children and other benefits of enrolling in group sports activities. The following associations were presented within the project: the "Casper" Chess Club, the "Bandits" Boxing Club and the "Donat" Taekwondo Club. We provided support to the Municipality of Sv. Filip i Jakov regarding additional layout arrangements made to a children's playground, as well as to numerous educational institutions, with some significant project being the provision of equipment to the kitchen of the kindergarten "Maruškica" in Škabrnja, participation in the procurement of IT equipment for the Elementary School of Biograd na Moru, publication of the children's picture book "Two Little Mice" authored by the pupils of the Elementary School of Sv. Filip i Jakov and supporting the sports clubs from Biograd na Moru that work with children – the "Mini sunce" Handball Club, the "Biograd" Women's Handball Club, the "Dupin" Swimming Club, the "Podlanica" Sports and Fishing Association and the Croatian Football Club "Primorac".

We supported a number of sports activities, events and clubs, such as the Zadar Christmas Run 2019 – a sports and leisure charity run organised by the Zadar Running School, an international tournament organised by the “Polača” Kickboxing Club, as well as a handball tournament for children organised by the “Mini Sunce” Handball Club.

Furthermore, we supported a number of events and activities organised by other institutions, associations and units of local and regional communities aiming to promote their destinations, improve the tourism offer and content and extend the tourism season, such as the international trekking race Škraping Pašman, the Zadar County International Flower Festival, which is held in our Villa Donat hotel, Slovenian Weekend, Gastro Biograd, Biograd Night, Tuna, Wine&Sushi Festival, Wine Festival, “Mirko Miočić” Memorial Tournament, Wedding Festival, etc.



Slovenian weekend



Škraping



Wedding festival



Tuna, sushi & wine festival



Among the 36 leading nautical fairs in the world

BBS

BBS – Croatian Nautical Industry and Tourism Congress



The largest international nautical fair in Croatia



Biograd B2B – Business Networking Platform



Croatia Charter Expo – enhances Croatia's competitiveness as a leading charter destination

4 Contribution to the development and recognisability of destinations

We hold events organised by our Company and others with a special aim of contributing to the development of a particular destination and its recognizability:

1 Biograd Boat Show – the leading international autumn nautical fair in Croatia contributes to the development and recognisability of the Croatian nautical industry and tourism; its launch significantly contributed to the extension of the high tourist season in Biograd na Moru until the end of November. It has since evolved into of the 36 most important nautical fairs in the world and the leading international nautical fair held at sea in Central Europe and the largest in Croatia.

Leading professional and business associations have acknowledged the Biograd Boat Show as a central point of contact of all segments of the Croatian nautical industry and tourism. As a result, it developed into a conference of the Croatian nautical industry and tourism, a fact that has been established by its organisation of the Days of Croatian Nautics of the Croatian Chamber of Economy, consisting of a congress and professional programme related to the nautical industry and tourism.

A new development presented at the 21st Biograd Boat Show is the new B2B event entitled Croatia Charter Expo, with an aim of connecting Croatian charter companies with charter agents from around the world. As the pioneer and leader of the development of Croatian nautical tourism, the Company is using the Croatia Charter Expo to enhance Croatia's charter segment and the country's recognizability and competitiveness as a leading charter destination by presenting and networking charter tourism – the strongest and most competitive part of Croatia's global tourism offer, thus contributing to the further development, recognizability and competitiveness of the sector.



BBS



2 Bike&Wine - Ravni kotari tour – an event connecting unforgettable landscapes, the rural heritage of the Zadar County and the most famous wineries in the area in a 25-kilometre-long tour through the Ravni Kotari region, initiated and organised mainly by Ilirija in cooperation with the local Tourist Board. This themed bike tour introduces its participants to the local values of the area, as well as to its traditions, history and gastronomy.

3 Aquatic centre – offering diverse music, sports and entertainment activities, it plays a significant role in the development of the tourism offer of Biograd na Moru. Day and evening entertainment programmes take place in the Centre on a daily basis, namely Dalmatian parties during which you can feel the lifestyle of the area and hear Dalmatian music, as well as concerts by famous Croatian musicians. Sports activities such as the swimming marathon, swimming lessons held by expert coaches on a daily basis for the purpose of providing the little ones with the opportunity to gain new knowledge and experiences, as well as water polo matches contributing to the development of another form of tourism in the destination, namely sports tourism, also take place in the Aquatic Centre. The Aquatic Centre is also home to events organised by the local associations, such as the Summer Carnival or the Biograd Summer Games.



Aquatic centre



Bike&wine tour





Zero-category monument

**Event centre of the region:
2005 - 2019**



1.937 events



398.501 participants

2019



99 events

4 The **Arsenal** in Zadar, dating back to the 17th century, when it was built as a military warehouse. It was expanded and upgraded in 1752. We would like to highlight our contribution to the community through the revitalization of this zero-category monument in Zadar, with an area of 1,800 m², being one of only seven preserved facilities of this kind, and remodelled as an “indoor city plaza” in 2005. Its revitalisation created a perfect combination of business and culture tourism, thus providing added value not only for the Company's tourist offer, but also for the destination as a whole, as it is the only revitalized historical building in the area functioning as a cultural, entertainment and MICE centre of the region.

Arsenal is a place providing unique conditions for concerts, presentations, receptions, conferences, private parties, exhibitions and commercial events recognized by local and international tour operators, as well as by MICE and event agencies. Throughout the year, various cultural events, concerts, book presentations, themed evenings, MICE events, weddings, banquets, performances and similar contents are organised there.

During 2019, a total of 99 events attended by 32,501 people took place in Arsenal, which was achieved through the organisation of major concerts, significant public programmes with a larger and complex offer, stronger sales activities in the segment of MICE events, cultural events and planned improvement of the quality and efficiency of catering services.





Arsenal events



MICE



Musical events



Culture



A Year of Cultural Events

For the purpose of preserving, supporting and reviving the cultural scene, the Company has supported, as well as initiated and organised, artistic and cultural events for many years, especially the ones oriented towards preserving tradition and heritage. The fundamental values upon which cultural development is built and encouraged include cultural heritage and infrastructure enabling cultural creation. These elements constitute the programme of Ilirija's corporate social responsibility, and the preservation and promotion of national and local cultural content has been the Company's long-standing practice.

During 2019, the Company dedicated special efforts to the creation of cultural programmes and content within its destination-oriented activities of programme, offer and content development, with a particular emphasis on the Arsenal facility in Zadar, which is a regular venue for concerts, exhibitions and various cultural events where all visitors have the opportunity to experience a special blend of history and art.

An especially significant event that was held at the Arsenal was one of the most famous and most performed ballet performances in the world – **the Nutcracker**. For the purposes of this Christmas fairy tale, Arsenal was made into a theatre imbued with the spirit and magic of Christmas, and one of the most beautiful and the most performed classical ballets in the world, the Nutcracker, was performed by the Ukrainian Classical Ballet troupe, featuring soloists from the Ukraine – holders of numerous ballet awards and recognitions. The event was acknowledged and supported by the Tourist Board of the City of Zadar, which contributed to the further development of the tourism offer of the Zadar Advent event. In an effort to make the Arsenal a central place of connecting the community with art and a place where art and music integrate into the life of the city and its people, top ballet performers and Ukrainian soloists were joined by young ballet dancers from the “Blagoje Bersa” Music School in Zadar. Through this event, Ilirija provided the music school students with a unique opportunity to learn from the world's top ballet artists and actively participate in the most performed ballet in the world.

In the year that marked the 70th anniversary of its artistic activities, the **Lado Ensemble**, a national professional folklore ensemble founded in 1949 with the aim of researching, collecting, artistically interpreting and performing the most beautiful examples of the rich Croatian music and dance tradition, performed a two-hour programme on the stage of the Arsenal and the Aquatic Centre consisting of 16 dance and music numbers and folklore customs developed through many centuries by the Croatian diaspora. During its 70 years of existence, the Lado Ensemble, enthusiastically welcomed by both the audience and professional critics, has regularly ranked among the world's best folklore groups. Moreover, the Lado Ensemble introduced the visitors of the Ilirija Resort to Croatian folk art through workshops organised in collaboration with the National Geographic Croatia. In addition to ballet, Arsenal's cultural programme was diversified with theatre performances, stand-up performances, the Jazz&Wine Festival and numerous concerts.



IV Environmental Topics

1 Environmental Management

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. minimizing 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. In Ilirija, environmental protection implies a rational management of all natural resources and a systemic pursuit to decrease adverse impacts of our operations on the environment, natural resources and cultural heritage. Therefore, a Head of Environmental Protection 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.

The facilities have been certified in accordance with the requirements of the ISO 14001 international standard, which includes environment and quality management policy, as well as other international and national standards and certifications in the area of environmental protection. The issue of environmental protection is seen as a complex activity, whose processes demand a careful preparation, control, professional choice of technology, as well as a series of short- and long-term activities. All impacts on the environment are sought to be quantified via material performance indicators.

Since we are committed to sustainable development, the legal regulations in this area are constantly followed within the company, ensuring timely adjustments and response to new requirements. In addition to adhering to legal requirements, we strive to stay up to date by following the criteria of environmental standards that we implement, even though they do not constitute a legal requirement.

Environmental protection management:



A special department for the Protection of the Environment and Horticulture has been established



International standards and certifications have been implemented



Investments in environmental protection



Education



Attention to horticultural landscaping and design of the facilities

Environmental standards met and certifications obtained:

ISO 14001 is the most widely used international standard for environmental management. With the aid of ISO 14001, implemented and certified in 2014, Ilirija focuses on maintaining and constantly improving the processes related to the environment. By establishing our environmental management system, we guarantee that all environmental management issues related to the Company business activities are under constant supervision, and we minimize any potentially negative impacts of our business activities.

Since 2018, all management systems in accordance with the ISO 14001 and ISO 9001 have been integrated into a single quality and environment management system. Recertification of the ISO 9001:2015 quality management system was carried out in 2019, and a supervisory audit of the ISO 14001:2015 environmental management system was also performed.

The **Green Key** is a programme aimed at the certification of accommodation capacity, which decreases 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 was awarded this international certificate in 2013, when it was one of only two camps in Croatia that had met all the criteria for this eco-label, and seven years later, i.e. in 2019, the commitment of the "Park Soline" camp to sustainable development was confirmed with its recertification.

Following a successful audit in September 2015, the "Park Soline" camp was awarded the international **"Ecocamping"** certificate. With our membership in the Ecocamping Network, consisting of more than 240 camps from seven European countries, we continue to commit ourselves 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.

The **Blue Flag** is an international ecological program for the protection of the sea and coastal environment, whose primary objective is sustainable control and management of the sea and the coastline. Today, the Blue Flag is the most recognized model of environmental education and pu-



Green Key



blic communication in the world when it comes to the protection of the sea and the coastal zone, and especially when it comes to the protection of the most stressed coastal areas, namely beaches and marinas. Marina Kornati, controlled by Ilirija d.d., has maintained its Blue Flag ever since 2004,

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 to the parks' pristine nature.

Renewal, i.e. recertification pertaining to the "Sustainable Hotel by UPUHH" certificate for the Company's largest hotel – Ilirija****. Until then, said hotel was the holder of the basic certificate, while following the recertification, it became the holder of the advanced certificate;

2 Education

Education on environmental protection is definitely one of the most significant part of the company's policy and practice, and it includes:

- (I) employees,
- (II) guests, and
- (III) members of our community.

I) education activities aimed at the employees are carried out individually or in groups, and they cover all key aspects of environmental protection, sustainability, and their contribution to environmental protection in operational processes. Moreover, through their work employees learn how to properly handle chemicals, preserve energy and resources, and adequately separate waste. If necessary, employees are also sent to attend external courses, seminars or more complex trainings on specific topics of environmental protection.

II) education activities are aimed at guests, as well. Through children's workshops, our youngest guests were involved and educated on various environmental topics. In collaboration with educators for children, we commemorate ecologically significant dates and teach the little ones about concepts important for environmental protection and nature preservation by developing their ecological awareness.

III) education activities which include members of the community have been carried out through several projects and workshops, including an educational project called "Microplastics in the sea", aimed at the students of the "Ante

Kuzmanić" healthcare high school in Zadar. Students partook in a day-long workshop, participated in lectures, watched educational videos, and created posters, which helped them learn about the impact of microplastics on pollution of the sea and the coastline, as well as its wide social and ecological effects on a global level.

The celebration of the 24th International Bat Night was traditionally organized in the "Park Soline" camp, in cooperation with the Vrana Lake Nature Park, with children of different ages participating in a series of educational and interactive workshops and lectures through which they became familiar with the only flying mammals, their species and habitats, namely through interactive bat-themed workshops and games, an interactive lecture, a game of raffle, and bat disco.

Educational activities for children were organised in cooperation with National Geographic Croatia, which covered topics in the area of environmental protection, including a workshop on the preservation of the environment, natural and cultural heritage as a fundamental value in sustainable tourism development.



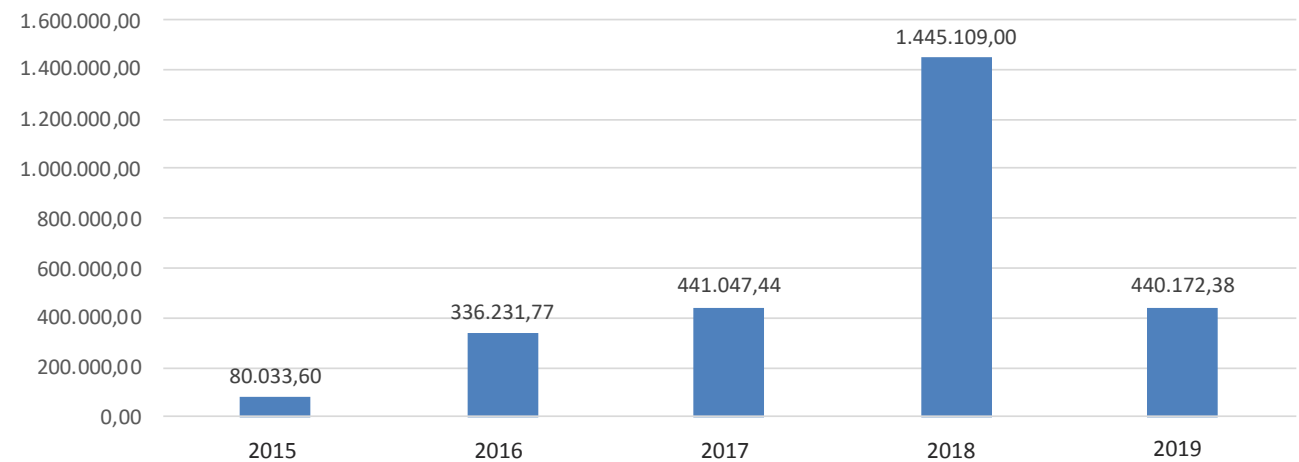


3 Investment in the Environment

The most significant investment in the area of environmental protection was aimed at updating and enhancing environmental protection through waste management, which was ensured by constructing a new open waste facility with an area of around 150m². Accordingly, the management of generated waste has been improved at all locations of the Company through the acquisition of new waste containers and six new press containers, which will speed up waste management in arranged waste yards, as well as significantly reduce waste volumes and collection costs.

Investments in the environment (HRK)

Year	2015	2016	2017	2018	2019
Environmental certifications, technical improvements and waste management	80.033,60	336.231,77	441.047,44	1.445.109,00	440.172,38



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 natural gas as the main energy source



use of energy from renewable sources



energy efficiency when purchasing new devices



education of employees and guests

4 Energy

Energy is a material topic due to its effect on economic, environmental and social impacts of the company, limited exclusively to its facilities. Electricity, fuel oil, fuel oil and natural gas (LPG and natural gas) are used as energy sources.

So as to reduce adverse impacts in the community in which we operate, we plan our investments, implement new technological solution and track our energy consumption on a daily and monthly basis. Maintenance services make daily visits to measuring points (meters) of the aforementioned energy sources and keep an internal record thereof. This enables very quick responses in case of excessive or unusual consumption on the daily level. On-site maintenance services also take care of installed, large and small energy/resource consumers. Internal preventive inspections are regularly carried out, as well as external inspections by a maintenance service provider. For the purpose of better energy efficiency, when choosing new devices or appliances, one should take into account their energy efficiency class.

Taking into account the consumption within the environmental management system, annual plans regarding the decrease or rationalisation of energy sources / resources, which are the basis for planning the investments or activities which will contribute to achieving set goals, and whose realisation is evaluated at the end of the year. The company still has no certified or standardised energy management system or any standard operating procedures in the area.

Energy source consumption

Total energy consumption within the organization, expressed in GJ

Energy source (GJ)	2015	2016	2017	2018	2019
Electricity	13720.16	13462.67	20638.24	21892.36	21085,49
Gas – LPG	1491.4	1718.46	1171.35	1118.12	1126,7
Fuel oil	6722.41	7096.64	6507.11	2807.25	2650,49
Natural gas	0	0	1152.95	5156.43	4833,31
Total	21933.97	22277.77	29469.65	30974.16	29695,99



Energy consumption within the organisation has reduced by 4% when compared with the data from 2018

Reasons behind the reduction of energy consumption in 2019:



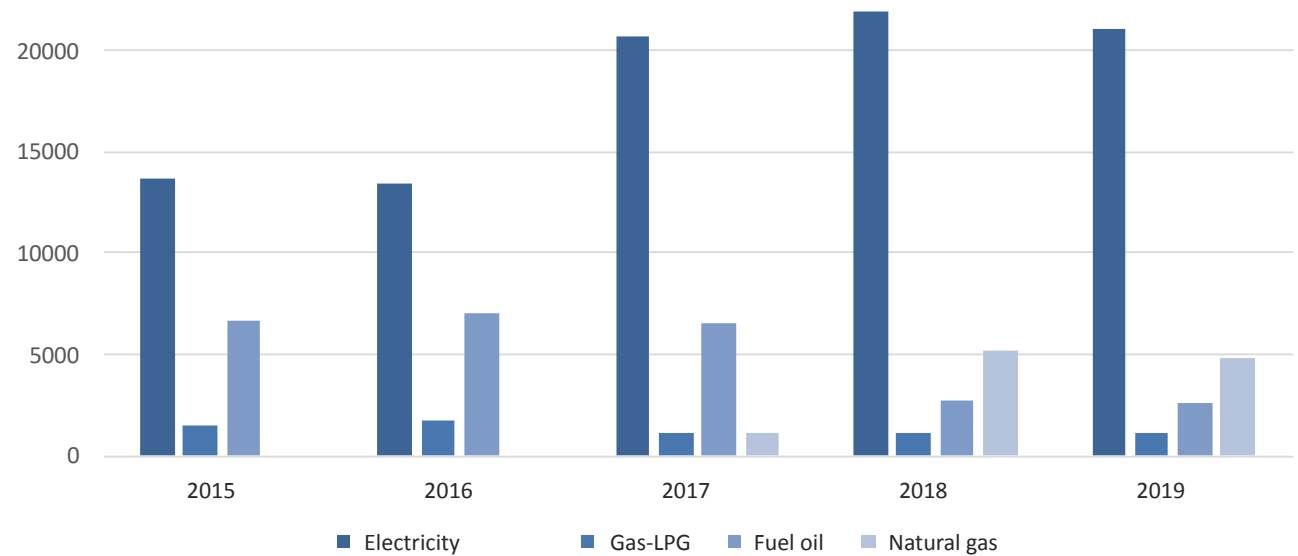
Systemic management and control



Transition to energy sources which are more environment-friendly



Procurement of more energy-efficient machines



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

Energy source	2015	2016	2017	2018	2019
Electricity (kWh)	3811154	3736007	5732843	6081210	5857078
Gas – LPG (kg)	33142	38188	26030.08	24847	25040
Fuel oil (l)	191992	202680	185843	80175	75698
Natural gas (kwh)	0	0	320265	1432343	1342585

Electricity

When compared with the previous year, the consumption of electricity decreased by 4% due to a decreased consumption throughout all key tourism sectors, while the reduction in electricity was mostly generated in the camping sector.

As a company dedicated to corporate social responsibility, Ilirija is a part of the ZelEn project. ZelEn refers to energy generated exclusively from renewable sources, which is attested by a ZelEn certificate for green energy issued by HEP.

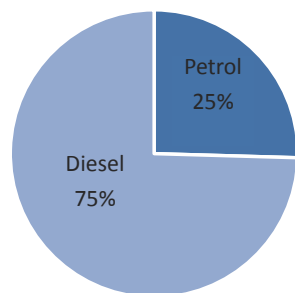
Year	2015	2016	2017	2018	2019
Total electricity consumption by sector	GJ	GJ	GJ	GJ	GJ
Hotel sector	7352,59	7387,71	7805,8	8 338,13	8328,93
Camping	2328,58	2217,07	2681,11	2 690,99	1789,22
Nautical sector	2848,92	2779,2	2945,22	2 906,59	2870,05
Other	1190,07	1078,69	7206,11	7 956,64	8097,29
Total	21933.97	22277.77	29469.65	30974.16	21085,49

Energy consumption outside the organization

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

Vehicle fuels (l)	2015	2016	2017	2018	2019
Passenger cars	115416	77929	78460	59092	55391
Work vehicles and machines	43157	40051	47647	51532	49914
Boat "Nada"	20804	14215	29552	15237	24225
Other vessels	19222	10707	11858	9941	11968
Total	198599	142902	167517	135802	141498

Fuel consumption ratio in 2019



■ Petrol ■ Diesel

Energy consumption within the organisation increased only in the case of fuel consumption of the Nada event boat, which operates through the destination management company Ilirija Travel, and achieved its best business results in 2019, i.e. the biggest increase in profit, through providing services to other companies and in other counties of Croatia (Istria, Primorje-Gorski Kotar, Split-Dalmatia, Šibenik-Knin counties). This was significantly reflected in fuel consumption at the company level.

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.

Ratio of consumed electricity (GJ) to total overnight stays in the hotel and camping sectors

Year	2015			2016			2017			2018			2019		
	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity
Hotel sector	7.352,59	130.643	0,056	7387,71	131.424	0,056	7.805,8	138.788	0,056	8.331,00	144.745	0,057	8328,93	146885	0,057
Camping sector	2.328,58	260.579	0,009	2217,07	258.110	0,008	2.681,11	283.069	0,009	2.691,00	302.845	0,009	1789,22	290326	0,006
Total (hotel and camping sectors)	9.681,17	391.222	0,025	9.604,78	389.534	0,025	10.486,91	421.857	0,025	11.022,00	447.590	0,066	10118,15	437211	0,063

Ratio of consumed electricity (GJ) to the number of berths in the nautical sector

Year	2015			2016			2017			2018			2019		
	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity
Nautical sector	2.848,92	805	3,539	2.779,2	805	3,452	2.945,22	805	3,658	2.906,59	805	3,61	197,9	805	0,24

Gas (LPG) consumption by business sector in the 2015-2019 period

Year	2015	2016	2017	2018	2019
Total gas (LPG) consumption by sector	kg	kg	kg	kg	kg
Hotel sector	15147	18109	9380	6580	3270
Camping sector	11810	12629	13113	14608	17031
Nautical sector	5525	6950	3056	3289	4399
Other	660	500	481.08	370	340
TOTAL	33142	38188	26030.08	24847	25040

Ratio of natural gas consumed per night in the hotel sector

Year	2019		
Total electricity consumption by sector	kWh	Number of overnight stays	Energy intensity
Hotel sector	1342585	146885	9,1



Water management approach:



daily and monthly control at the level of each facility and the entire company,



use of water from the wellbore for the irrigation of horticultural areas in the camp,



the discharge of the generated waste waters is controlled, as confirmed by valid water rights permits



regular technical maintenance and inspection of water supply installations, and



education of employees and guests

5 Water

Thanks to its sustainable business operation, and through the operational activities of its departments, as well as through systemic investments, Ilirija d.d. 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 company's environmental and economic performance. All of our facilities are supplied with drinking water from the local water supply, which also shows that we act 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, which has been legalised and has a valid water rights permit, i.e. a permit which defines the quantity of water to be pumped on an annual basis. The amount of pumped water always respects the permitted levels, and it is key for maintaining hundreds of native plant species which contribute to the unique feel of the park. The records and regular report regarding the quantities of water pumped from the well are submitted to competent institutions in the form of a log book, four times a year. During the summer season, we test certain parameters (e.g. chlorides) of the water that is pumped at our expense, thereby indirectly monitoring the effect of pumping on the quality of water used to water the plants. This allows us to adapt to a kind of natural cycle of water, which is of vital importance to us. In accordance with the results, we regulate daily quantities of water abstracted from the wellbore through the reduction of pump working hours.

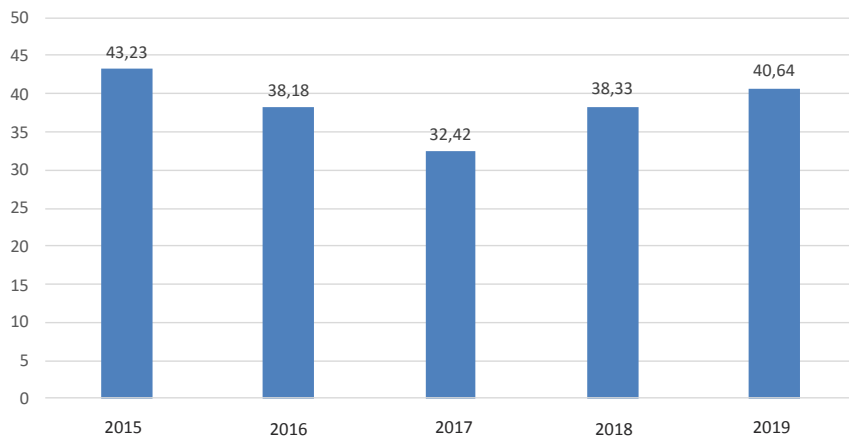
In accordance with legal regulations, water rights permits are obtained and regularly renewed for those locations that require them due to the nature of business and the quality of waste waters. During 2017, camps and three hotels have been exempted from renewing their water rights permits, as they have been granted a more permanent solution based on which the said locations no longer require permits, and their waste waters are no longer tested before being discharged to the public drainage system. This led to reduced expenses for testing and served as a validation of all the efforts put into the careful monitoring and improvement of waste water quality throughout the years.

Maintenance services perform preventive controls of internal water supply installations and actively participate in the activities aimed at reducing the consumption of drinking water. This is why, in order to reduce the consumption of drinking water in the "Park Soline" camp, maintenance staff installed water-saving aerators on all taps and showers in all communal bathroom facilities (800 taps/showers in total in the entire camp). Water-saving aerators are caps that help reduce water consumption by mixing the jet of water on a tap/shower with air, without compromising the quality of water or the convenience of its usage. An additional 790 water-saving aerators have so far been installed in hotel rooms. The company's environmental protection manager is in charge of deciding on new quantities or aerators to be replaced or installed in accordance with the requirements of the maintenance and housekeeping departments, incorporated in the environment management systems. The consumption of water is monitored by measuring or reading the consumed amounts of water directly, on water meters, with internal records being kept. The consumption of water per units purchased is recorded in tables on the basis of the suppliers' certified invoices on a monthly basis, which enables comparisons with the same periods of previous years.

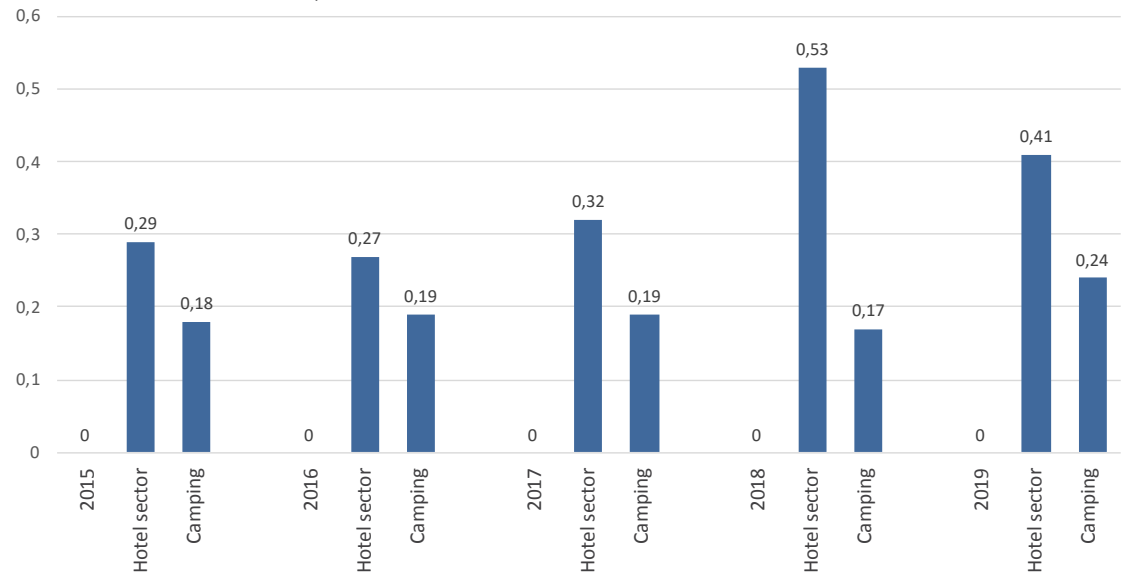
Overview of water consumption by sector

Total water consumption (m³)	2015	2016	2017	2018	2019
Hotel sector	38298	36099	44521	76179	60454
Camping sector	45805	47951	54364	50253	70201
Nautical sector	34808	30740	26101	30857	32716
Other	6908	8255	16795	18321	17068
Total	125819	123045	141781	175610	180439

Water consumption(m³) to the number of berths in nautical sector



Ratio of drinking water consumption to the number of overnight stays in the hotel and camping sectors in the 2015-2019 period



Within the camping sector, i.e. in the "Park Soline" camp, water from our own wellbore is used for the irrigation of horticultural areas. Its consumption has increased in 2019 as a result of significant development in the area of horticulture and arrangement of the camp area. For the purpose of enriching the existing environment, additional afforestation, park design and introduction of new species, all in accordance with the Mediterranean principles of landscaping, over five hundred shrubs and trees were planted and distributed in all its zones, in the last quarter of 2019 alone, and the camp is now beginning to take on the appearance of a landscaped park.

Year	2015	2016	2017	2018	2019
Total amount of groundwater (m ³) abstracted from the S-1 wellbore in the Park Soline camp	9729	4641	7468	3319	8055



Waste management



regular revision of the waste production list



documents regarding the accumulation and flow of produced waste



waste disposal via authorised entities



cooperation with local municipal services companies



recording certified accompanying sheets

6 Waste Waters and Waste

Waste waters

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 being used, the maintenance department checks and measures the amounts of chemicals used on a daily basis. An external repairer also comes and inspects it at least once a year. In accordance with their recommendations, the worn-out parts are regularly replaced, and existing ones are replaced with better, newer, or more efficient parts. So far, and thus also in the reporting period, there have been no reports or complaints about any accidental discharge or about the discharging of waste waters of unacceptable composition or quality into the sea. In fact, the Marina Kornati has been proudly displaying the internationally recognized Blue Flag for the fifteenth consecutive year.

Restaurant facilities 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 authorized external companies before being discharged into the public sewage system. Moreover, parking areas of our facilities are also equipped with separators. Authorised companies are in charge of their cleaning. The waste generated in the separators during any pre-treatment (sludge or oily waters) is disposed of by authorized companies, which is recorded by the Environmental Protection Service.

All waste waters from the company's facilities were tested by an authorized laboratory whenever required by the water rights permit, and the limit values of the tested quality indicators or water quality did not exceed the maximum permitted quantities at any point.

The discharged waste waters are not recycled or returned in any way to the system for reuse. The destination of all waste waters produced at the company's facilities is the public drainage system, except for the waters generated at the ship-cleaning facility at the Marina Kornati.

Despite its size and requirements, the Park Soline camp is one of the rare camps in Croatia to discharge all its waste waters through manholes into the public drainage system, which goes to the city's final treatment plant.

Amounts of waste produced in the period from 2015 to 2019, by type of waste

Year	2015	2016	2017	2018	2019
Hazardous waste (t/year)	38,6	27,47	29,928	33,822	28,491
Non-hazardous waste (t/year)	65,431	50,225	149,801	108,276	414,451
Mixed municipal waste (t/year)	427,55	453,75	503,4	515,6	303,7
Total (t/year)	531,581	531,45	683,13	657,70	746,64

Overview of hazardous and non-hazardous types of waste for 2019 at the company level, handed over to authorized collectors. The quantities were weighed or estimated.

Hazardous waste / Quantity in tonnes - total 28,491 t



Waste printing toners containing hazardous substances (0,18t)



Fluorescent tubes and other mercury-containing waste (0,061t)



Other engine, machine and lubricating oils (19,74t)



Sludges from oil/water separators (0,21t)



Oily water from oil/water separators (2t)



Packaging material that contains residues of or is contaminated by hazardous substances (2,41t)



Absorbents, filter materials, wiping cloths and protective clothing contaminated by hazardous substances (1,433t)



Oil filters (2,457t)

Non-hazardous waste / Quantity in tonnes - total 414,451 t



Paper/cardboard (32,27t)



Plastic (plastic packaging material) (3,17t)



Metal (metal packaging material) (0,5t)



Glass (glass packaging material) (2,07t)



Mixtures of concrete, bricks, tiles and ceramics (65t)



Soil and stones (234,2t)



Bulk waste (24t)



Grease and oil mixtures from oil/water separators containing only edible oil and fats (15,5t)



Edible oils and fats (3,925t)



Biodegradable waste (33,816t)

7 Compliance with Environmental Regulations

The company monitors and respects legal regulations in the area of environment, as well as its internal Environment and Quality Protection Policy, thus attesting to its dedication and objectives not only in relation to respecting regulations in the area of environmental protection, but also when it comes to the protection of the environment as the fundamental resource of tourism companies. We are continuously adapting existing and new processes to minimum statutory requirements, as well as to standards set up by the company throughout the year, exceeding those legal frameworks.

Regular inspections confirm our compliance with legal acts, while external audits of our national and international eco-labels or standards serve as tools to improve our environmental focus and confirm that our work is above the prescribed requirements.

During 2019, there were no fines or sanctions issued by the competent authorities in relation to any non-compliances with the law, i.e. regulations relating to the environment. Furthermore, in the reporting period, there were no complaints from suppliers, guests or citizens regarding environmental protection.



Compliance with legal requirements



Internal Environment and Quality Protection Policy



Implementation of national and international standards related to environment protection



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

8 Horticultural Landscaping and Design Consistent with the Mediterranean Surroundings



44,554 seedlings planted in 2015-2019



11,635 seedlings planted in 2019



Further horticultural design of the camp

The company pays special attention to horticultural design and landscaping in all destinations in which it does business and at the level of all sectors, with a special emphasis on the camping sector and the "Park Soline" camp. In 2019, 11,635 seedlings were planted, including seasonal seedlings which are rotated twice a year, while in the period from 2015 to 2019, a total of 46,554 seedlings were planted at the level of the company.

The company carries out the most significant horticultural landscaping and design activities in the camp, enriching its surroundings with Mediterranean plants so as to preserve the existing landscapes. 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*), lavender (*Lavandula officinalis*), 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. All of the planted varieties contribute to the unique design and atmosphere of the park, especially given that significant efforts are being put towards turning it into a unique arboretum.

In the "Park Soline", with the aim of enriching the existing environment, ensuring additional afforestation, landscaping and introducing new species, in the last quarter of 2019 alone over 500 bushes and trees were planted throughout its grounds, further acknowledging the company's dedication to designing the camp grounds as a camping park

Total number of seedlings planted by sector of Ilirija d.d	2015	2016	2017	2018	2019
Hotel sector	5254	3776	4359	11761	7793
Camping sector	931	808	582	2274	2570
Nautical sector	473	1598	871	2232	1272
Total	6658	6182	5812	16267	11635



V Social Topics

As for human resources and employment management, we base our practices on:

1

employee management, planning, development and motivation,

2

continuous education

3

active inclusion of employees in development of new products and services

4

financial situation improvement

5

timely hiring of seasonal employees

6

job creation through the development of year-round business

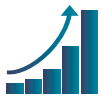
1 Employment

Employees are among the key stakeholders of any company, and especially of a tourist company, as they perform the entire business process, provide services to end customers and take part in the creation and development of new products and services, thus significantly influencing the development of new services, products and amenities, as well as the Company's competitiveness; i.e., with their engagement, they influence the Company's bottom line. For this reason, employment is a material topic for Ilirija. With respect to employment, Ilirija affects the local and regional communities by providing jobs to residents of the area, as most of Ilirija's employees come from the surrounding towns. The limits of influence within the company extend to all employees within the sectors and services or profit centres, while outside the company, the limits of influence are limited to the local or regional level of the area of operation. The local level refers to the town of Biograd na Moru, as well as to surrounding towns and municipalities, while the regional level covers the area of the Zadar County.

In human resources and employment management, activities of the Company Management Board, of the Human Resources and Payroll Service and of Sector Managers are coordinated. They plan the necessary personnel at the operational level, i.e. they plan the optimal number of permanent and seasonal employees by profit centres, by sectors and at the level of the entire system for the next financial year.



Year-round employment



48% growth in the number of employees since 2015



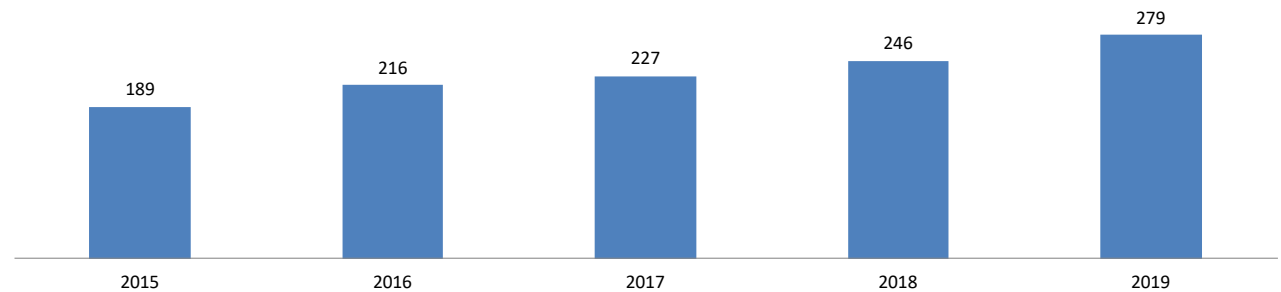
1000 employees in the facilities of Ilirija

As for human resources development, we would like to emphasize the fact that in 2019 the Company hired nine trainees, namely young and highly educated persons from different professions, with the aim of getting them acquainted with and educated on all aspects of the tourism and hospitality industry through a job rotation system.

Employment in 2019

In 2019, Ilirija had a total of 466 employees, of whom 230 entered into an employment relationship with the company. As at 31 December 2019, there were 279 employees, which is 14.81% more than on the same day of 2018, when the Company had 243 employees. In the last five years, Ilirija has recorded an increase in the number of its employees. In 2015, the number of employees increased by 48%, which also proves the Company's continual commitment to providing year-round employment, which is mostly a consequence of development of the offer and amenities that enable year-round business.

Number of employees at the end of the 2015-2019 period



Moreover, it is important to mention that the Company's business partners (charter companies, servicing companies, tenants, etc.) also do business in its facilities within the profit centres of Marina Kornati and Commercial-shopping Centre City Galleria. Consequently, Ilirija provides jobs for over 1,000 people in its facilities.

Considering that Croatian tourism is characterized by pronounced seasonality, employees turnover is also very high, with significant seasonal employment. In 2019, the hiring of seasonal employees at the national level, particularly in tourism, was characterized by difficulties, especially with respect to hiring domestic skilled and qualified personnel. This was one of the key challenges, which ultimately greatly affected both human resources planning and, at the same time, the financial performance indicators.

In accordance with the above, in 2019, the Company paid special attention to human resources planning, monitoring labour market trends and employee turnover, with pronounced continual, intentional and targeted policy of improving our employee's financial situation. Moreover, the Company also intentionally did not hire any employees from outside the country, but only employed domestic, mostly local, qualified employees, which resulted in increased labour costs and longer employment due to year-round business activities.



Overview of employees by month in 2019

Number	PROFIT CENTRE / ORGANIZATIONAL UNIT	NUMBER OF EMPLOYEES IN 2019											
		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 CENTRES												
1.	ADRIATIC HOTEL	37	7	1	32	33	38	36	36	23	4	2	26
2.	ILIRIJA HOTEL	50	37	48	47	47	52	55	54	58	51	42	49
3.	KORNATI HOTEL	35	2	24	31	31	36	41	37	37	24	6	30
4.	VILLA DONAT HOTEL	0	0	0	9	21	23	29	29	20	3	1	0
5.	LAVENDER	1	0	0	3	4	8	9	8	6	2	0	0
6.	MARINA KORNATI	46	45	48	53	55	55	56	55	55	53	52	52
7.	RESTAURANT MARINA KORNATI	3	14	14	17	16	16	15	16	19	18	16	8
8.	AQUATIC CENTRE	1	0	0	6	2	18	26	18	8	2	0	0
9.	TOURIST AGENCY	3	2	3	3	5	6	9	8	5	3	3	3
10.	PARK SOLINE CAMP	16	20	19	30	32	34	46	39	31	27	22	18
11.	RESTAURANT PARK SOLINE	1	0	0	13	14	20	28	23	8	6	2	0
12.	ARSENAL	9	12	13	9	13	8	5	5	7	8	15	2
13.	TENNIS CENTRE	0	2	3	5	5	5	5	5	5	5	4	3
14.	BIFFE BEACH	0	0	0	0	0	0	3	1	0	0	0	0
	*ORGANIZATIONAL UNITS												
15.	COMMON SERVICES	31	33	31	32	33	33	33	33	33	36	36	35
16.	MAINTENANCE SERVICE	7	8	8	8	8	7	7	9	9	9	9	8
17.	LAUNDRY ROOM	8	5	5	12	14	15	16	16	16	10	6	6
18.	HORICULTURE	10	16	12	12	13	12	10	9	11	11	16	14
19.	BOAT "NADA"	0	1	1	4	7	2	6	2	3	2	2	1
20.	WELLNESS	6	5	5	5	5	9	9	9	7	6	5	5
21.	NAUTICAL FAIR	2	2	2	2	2	3	3	3	3	3	2	2
22.	CITY GALLERIA	16	16	16	18	18	19	19	19	18	18	18	17
	TOTAL	282	227	253	351	378	419	466	434	382	301	259	279

Number of employees as at 31/12/2019

279



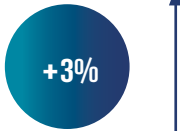
Average number of employees in 2019

362



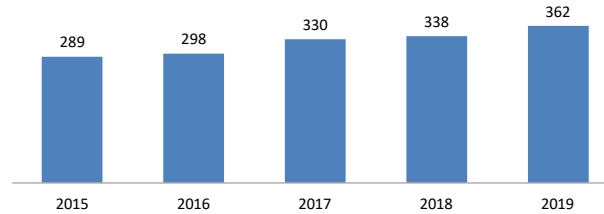
Average number of employees on the basis of hours worked

367

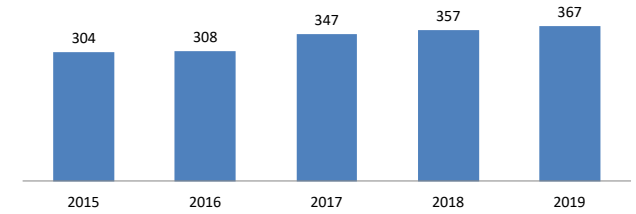


In 2019, the growth of the average number of employees continued, as well as of the number of employees on the basis of hours worked. In 2019, the average number of employees was 362, which is 7% more than in the previous period, and the average number of employees on the basis of hours worked was 367, 3% more than in 2018.

Average number of employees during the year in the 2014-2019 period



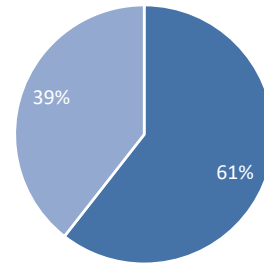
Average number of employees on the basis of paid hours in the 2014-2019 period



* The number of employees based on hours worked on a monthly basis is obtained by dividing the total paid hours worked in one month by the planned hours for that month. By dividing the cumulative number of employees based on the hours worked per month by the total number of months, we obtain the average number of employees based on the hours worked annually.

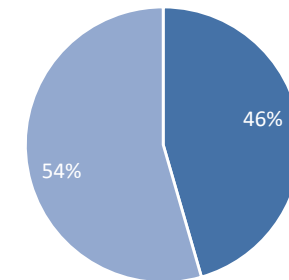
As at 31 December 2019, the Company had 279 employees; 169, or 61%, of them were permanent employees and 110, or 39%, of them had a fixed-term contract. Of the total number of employees, 54% were men and 46% were women.

Employees by the type of employment contract as on 31/12/2019



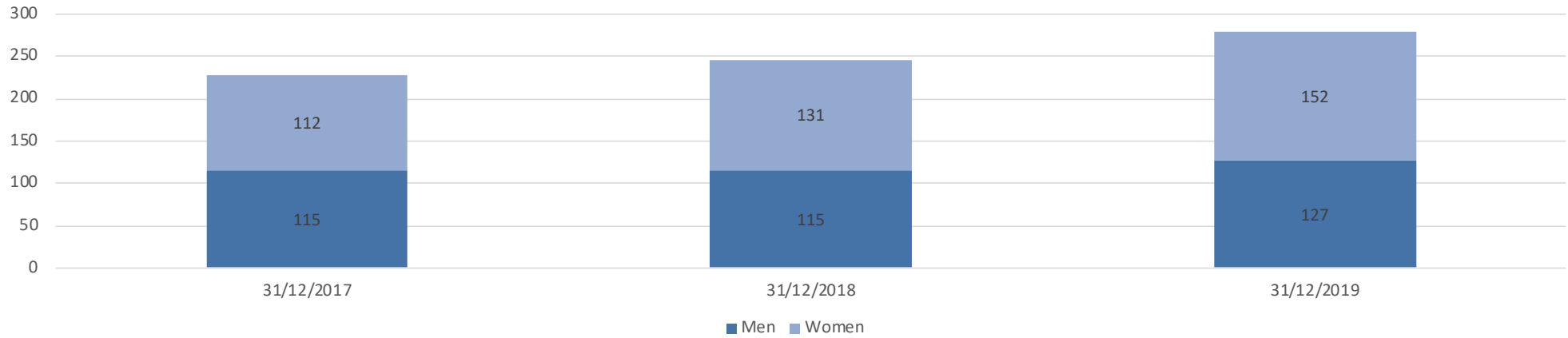
■ Fixed-term employment ■ Permanent employment

Employees by gender on 31/12/2019

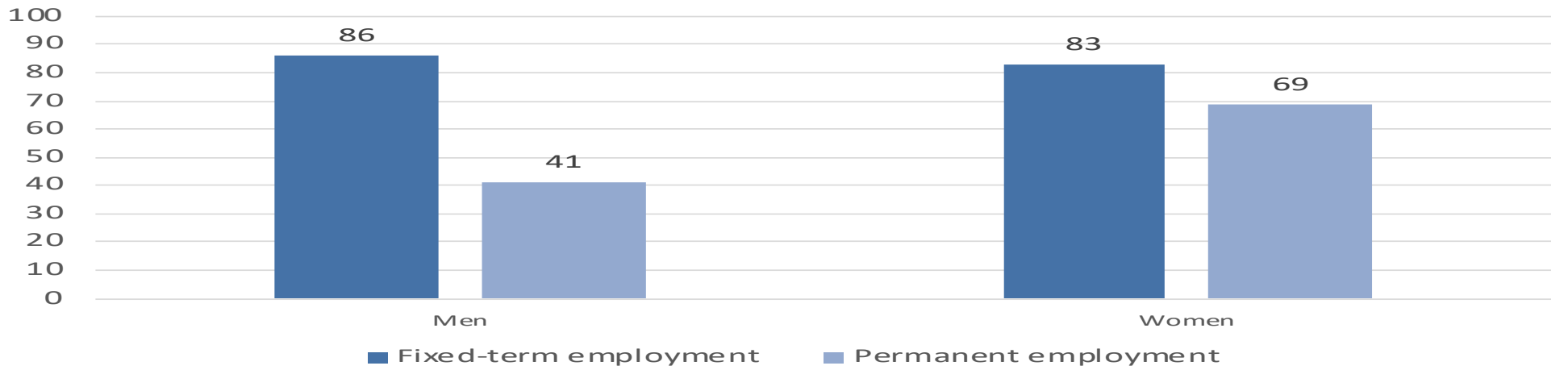


■ Men ■ Women

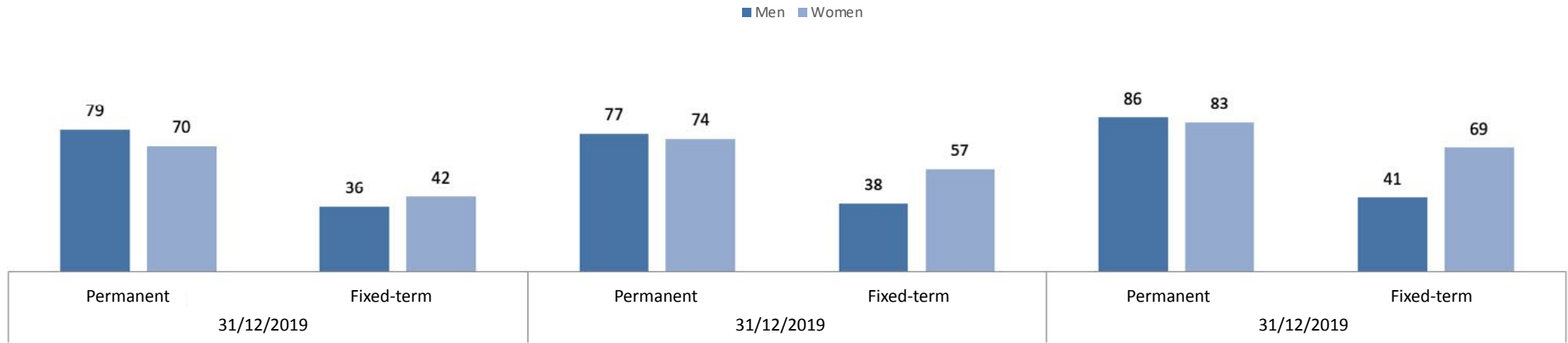
Employees by gender as on 31/12/2017, 31/12/2018 and 31/12/2019



Employees by gender and the type of contract as on 31/12/2019

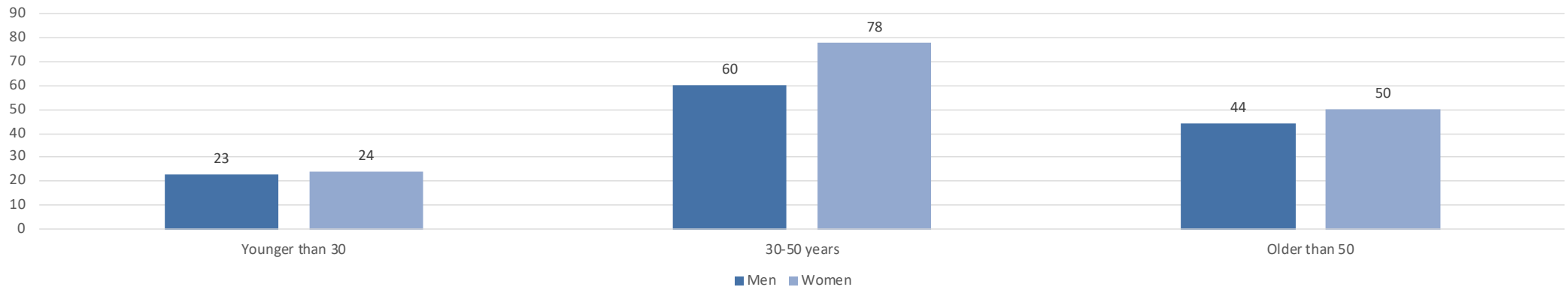


Employees by type of employment contract and gender as on 31/08/2017, 31/08/2018, 31/08/2019



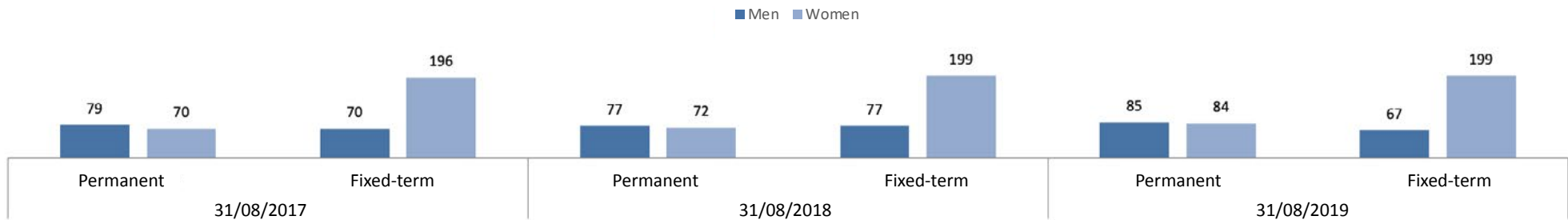
If we look at the age structure of employees as at 31 December 2019, employees between 30 and 50 years of age prevail (there were 138 employees from the said age group, namely 60 women and 78 men). There were 47 employees in the below 30 age group, and 94 employees were over 50 years old.

Employees by gender and age group as on 31/12/2019

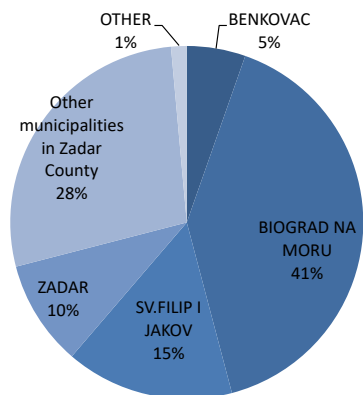


Considering the seasonal nature of the Company's business, in high season, i.e. as at 31 August, we recorded an increase in the number of fixed-term employees, and especially the number of women, as there was an increased demand for positions in house-keeping and kitchens, which are predominantly applied for by women. From 2017 to 2019, the number of employees in high season has continually increased. In high season of 2017, the Company had 415 employees. In 2018, it had 425 employees, and in 2019, it had 435 employees, which is a 2% increase.

Employees by type of employment contract and gender as on 31/08/2017, 31/08/2018, 31/08/2019

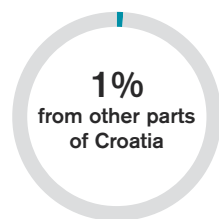
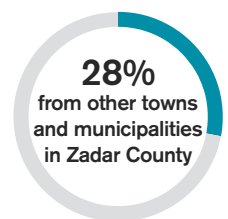
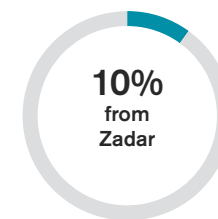
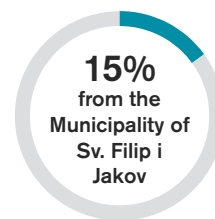
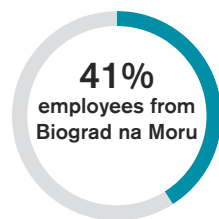
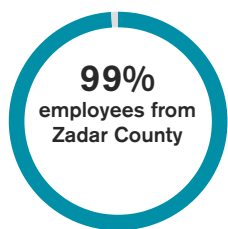
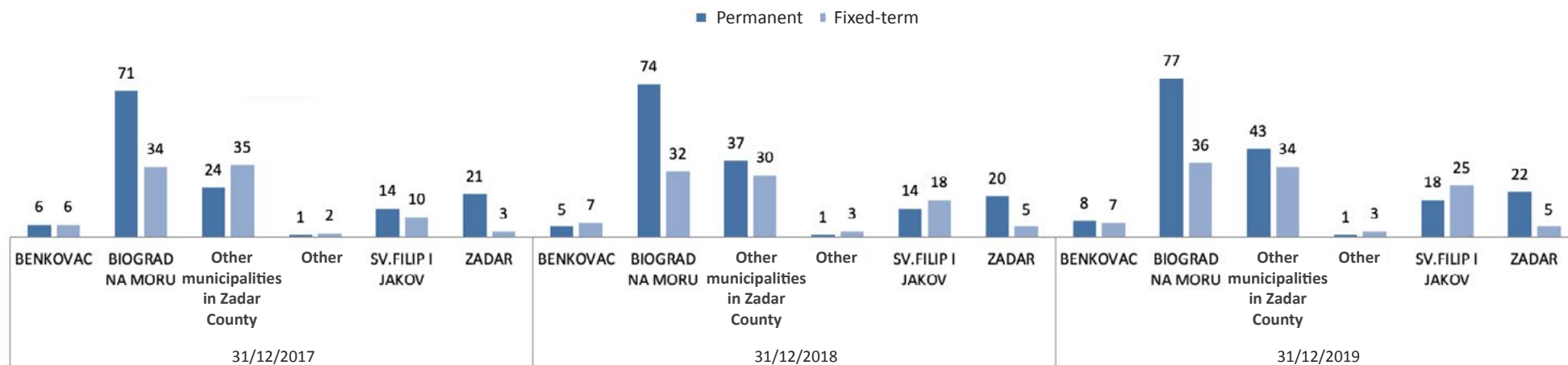


Employees by place of resident on 31/12/2019

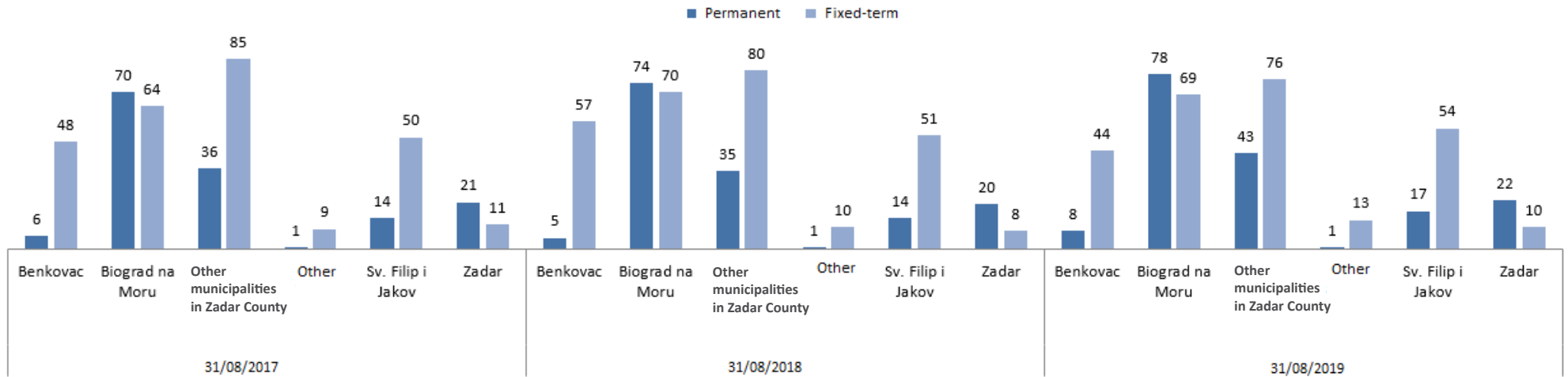


If we look at the employees from the aspect of their place of residence, most of the employees were locals. I.e. they were from the town of Biograd na Moru and neighbouring municipalities. Thus, as at 31 December 2019, 113, or 41%, of all employees came from Biograd na Moru, while only 1% of the employees came from elsewhere in Croatia. In the period from 2017 to 2019, in high season, most of Ilirija's employees still came from its immediate surroundings, which is the Company's fundamental objective for 2019 with respect to human resources management. In spite of the considerable difficulties encountered in finding adequate and professional seasonal personnel for the tourist season of 2019, the Company succeeded in achieving regular performance of its activities and operations without any workforce from abroad, i.e. without any foreign employees.

Status of employees at the end of the reporting period by place of residence and type of employment contract from 2017 to 2019



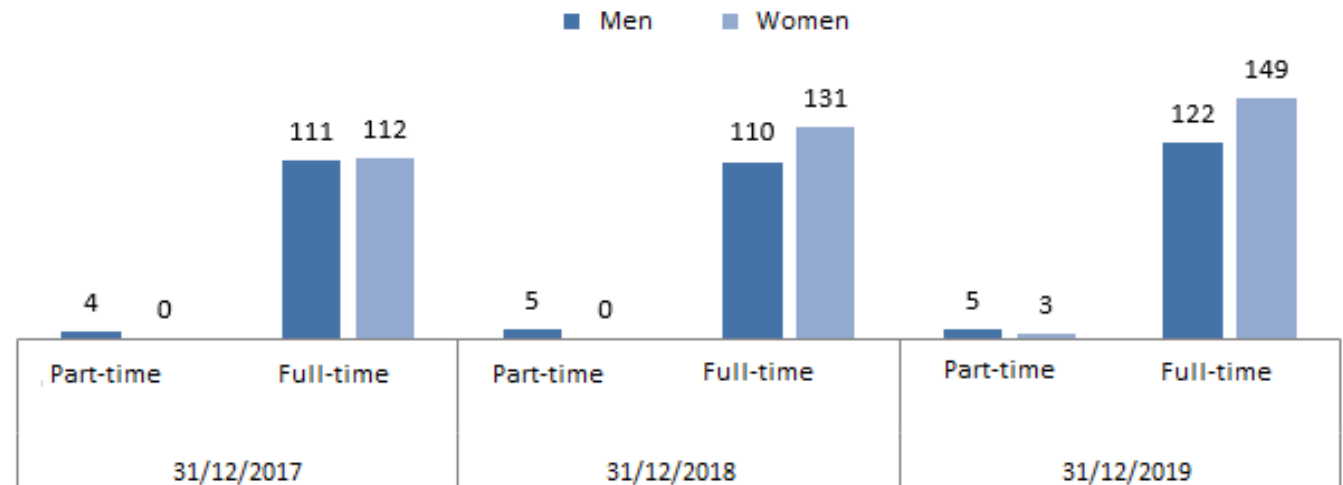
Employees as on 31/08/2017, 31/08/2018 and 31/08/2019 by type of contract and place of permanent residence

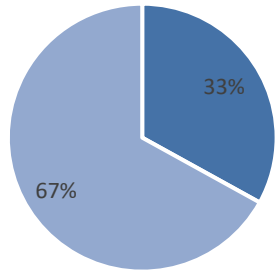


Full-time and part-time

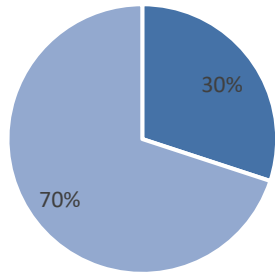
As at 31 December 2019, the Company had 271 full-time employees, while 8 employees worked part-time. Of those 8 employees, 5 were men and 3 were women.

Employees at the end of the reporting period by gender and working hours in the 2017 - 2019 period

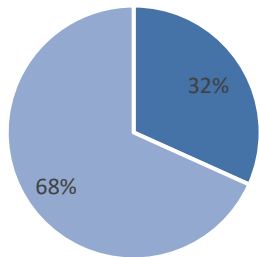




■ New employees 2017 ■ Seasonal employees 2017



■ New employees 2018 ■ Seasonal employees 2018



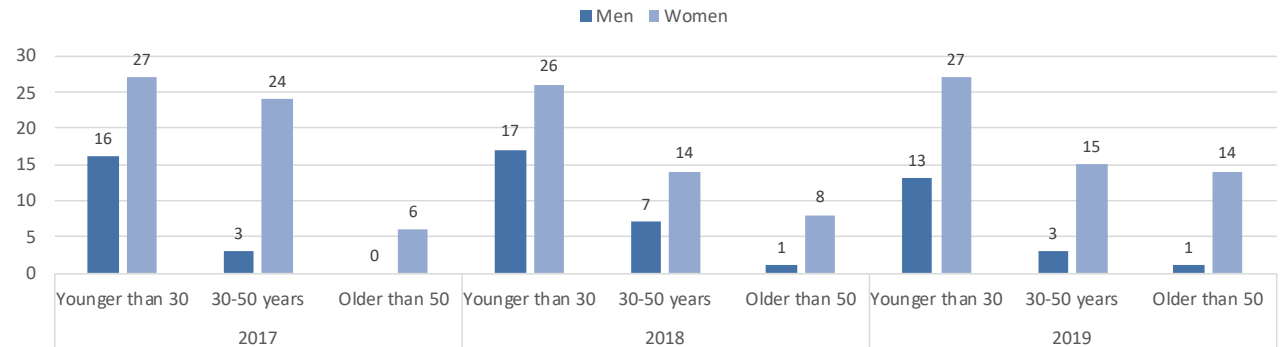
■ New employees 2019 ■ Seasonal employees 2019

New employees

In 2019, the Company hired a total of 230 employees, 157 of which were seasonal employees previously employed by Ilirija and 73 of which were new employees working for the Company for the first time. Every year, Ilirija continually employs a significantly larger number of seasonal employees already employed by the Company, which is a result of continuous efforts to improve the financial situation and seasonal employees, their development and training, as well as of development of year-round business, which ensures longer employment and seasonal employees who continually return to work for us.

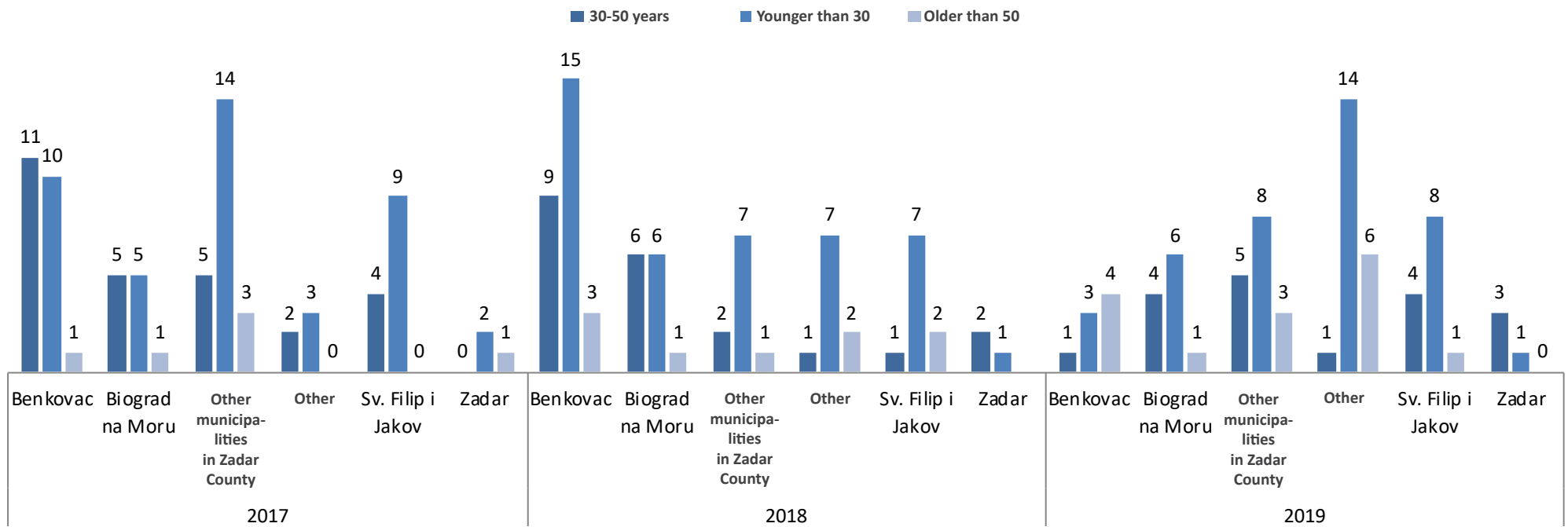
When we take a look at our new employees as regards their sex and age groups, we continually record a larger number of newly employed women under the age of 30.

New employees by age group and gender from 2017 to 2019

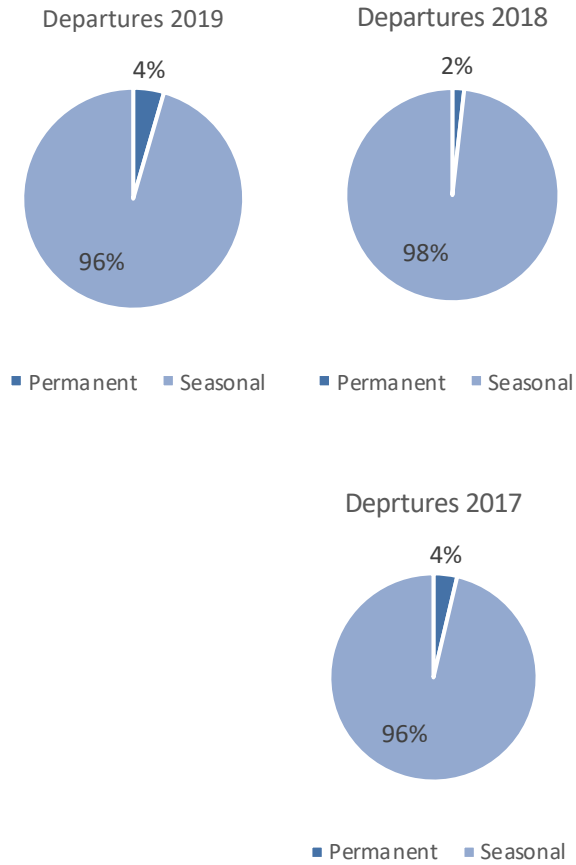


In the period from 2017 to 2019, it is clear that the share of new employees by place of residence changed in 2019 when compared to the previous periods. In the reporting period, most of the new employees were from elsewhere in Croatia, while in the previous years, most of the employees came from the town of Benkovac, which further demonstrates the difficulties in finding seasonal employees.

New employees by age group and gender from 2017 to 2019



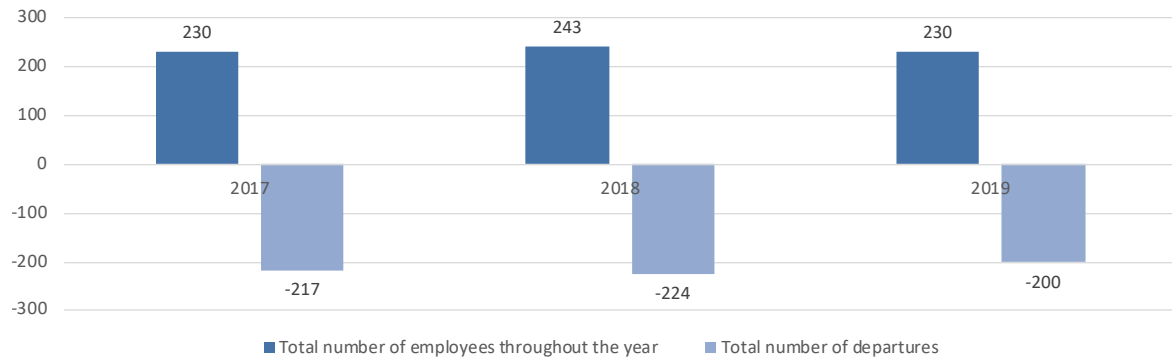
Employee departures by type of employment contract



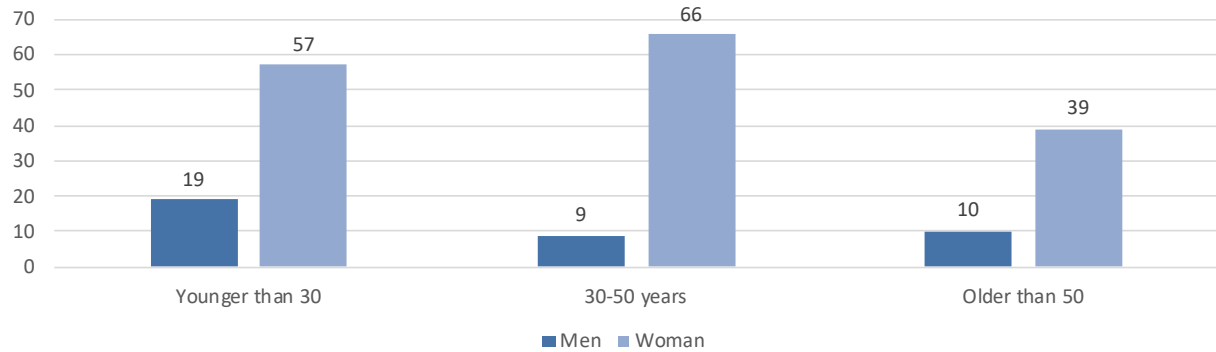
Employee turnover

Employee turnover is most reflected in the termination of employment contracts. In 2019, of a total of 200 employee departures, only 9, or 4%, of them terminated permanent employment.

Employee departures and hirings from 2017 to 2019



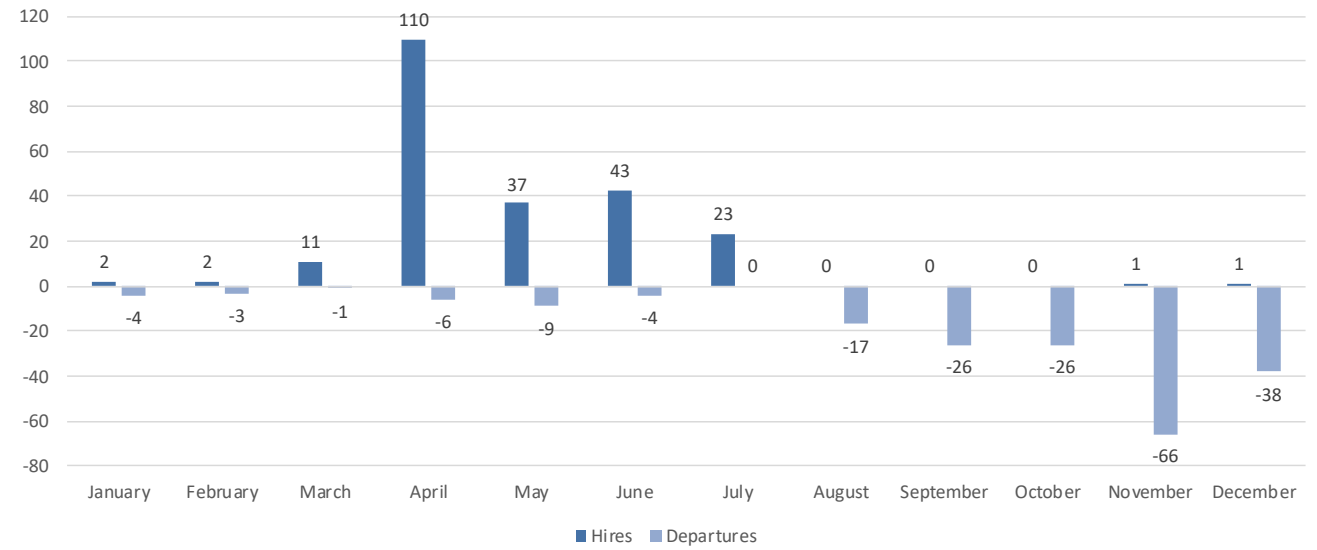
Employee departures in 2019 by gender and age group



Looking at gender, as more women were employed throughout the year, we also recorded a higher number of departures of female employees.

Considering the seasonal nature of the Company's business activities, the highest number of new hires was recorded in the pre-season, i.e. in April, the highest number of departures was recorded in November.

Number of employees hirings and departures in 2019 by month



Parental leave

All Ilirija's employees are entitled to use parental leave. However, in 2019, only women exercised this right. A total of 19 women exercised their right to parental leave. Of three women who were supposed to return to work in 2019, two returned. Thus, the rate of return to work in 2019 equalled 67%. What is more, one employee stayed employed with the company for at least twelve months after using maternity leave.

Year	Total number of employees throughout 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		
2017	175	269	0	13	0	3	33%	50%
2018	188	278	0	14	0	2	100%	67%
2019	160	306	0	19	0	2	67%	50%

2 Diversity and Equal Opportunities

Ilirija is a signatory to the Croatian Diversity Charter, organized by the Croatian Business Council for Sustainable Development and the European Commission as part of a regional project. By signing it, it undertook to implement a diversity and non-discrimination policy within the Company, as well as to promote the principle of diversity. Goran Ražnjević, President of the Management Board, is also one of the promoters of the Croatian Diversity Charter in the Republic of Croatia.

The Company's diversity policy is based on the following values:



equal opportunities in the workplace for all our employees



diversity of knowledge and experience



equal pay



preservation of the personal and business integrity and dignity of our employees

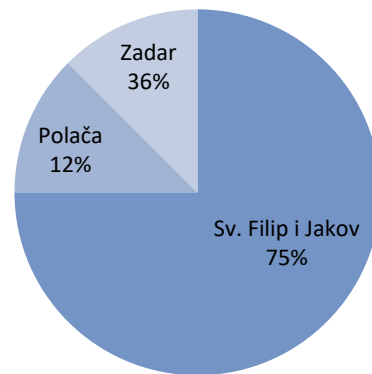


zero tolerance for any form of discrimination

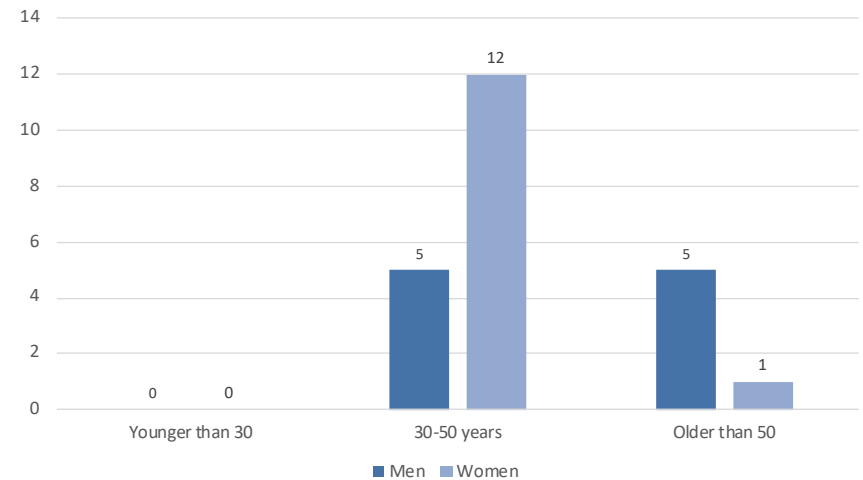
With these values, the Company wants to create a motivating and stimulating business system that ensures professional development and continuous education of employees, while taking care of their social needs by respecting their personal and professional diversities.

As at 31 December 2019, general management employees made up 8% of the total number of the company's employees. As far as gender is concerned, 57% are women, while when it comes to age, 74% are employees between 30 and 50 years of age. All general management employees come from Zadar County, and mostly from Zadar, 36% of them.

General management employees by place of residence

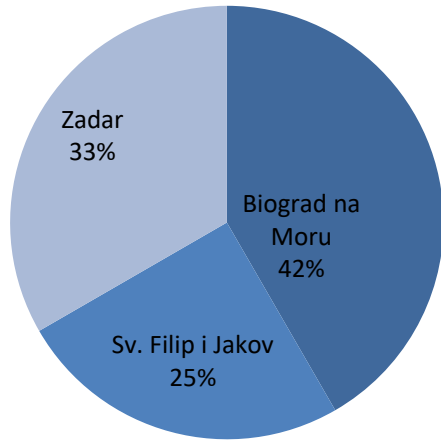


General management employees by gender and age group

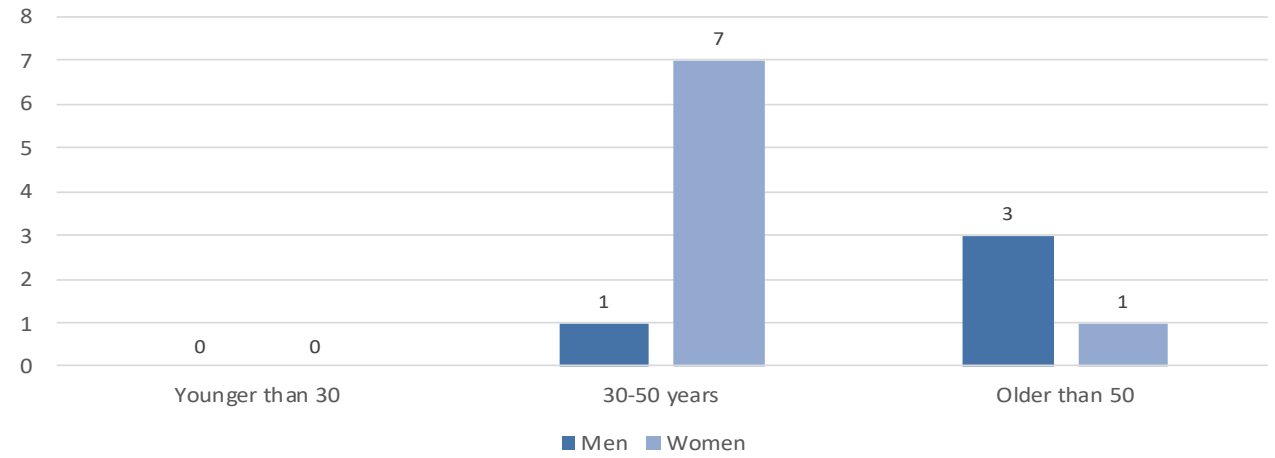


In the Company's senior management consisting of the Management Board, sector managers and heads of corporate services, there are 12 persons with special authorizations, 58% of whom are women. All of them come from the local and regional community, i.e. from the town of Biograd na Moru and other towns and municipalities of the Zadar County. In terms of the age structure, 75% of senior management is comprised of employees in the age group between 30 and 50.

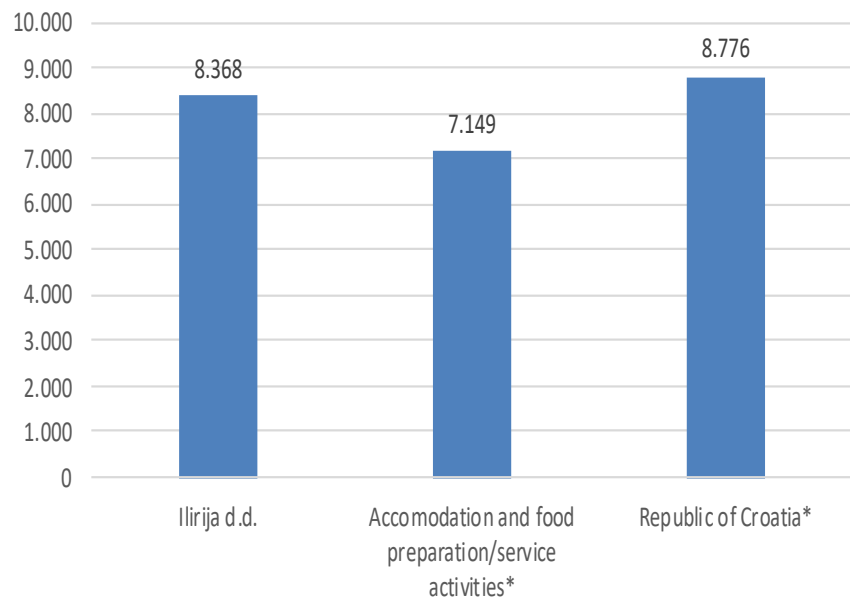
Senior management employees
by place of residence



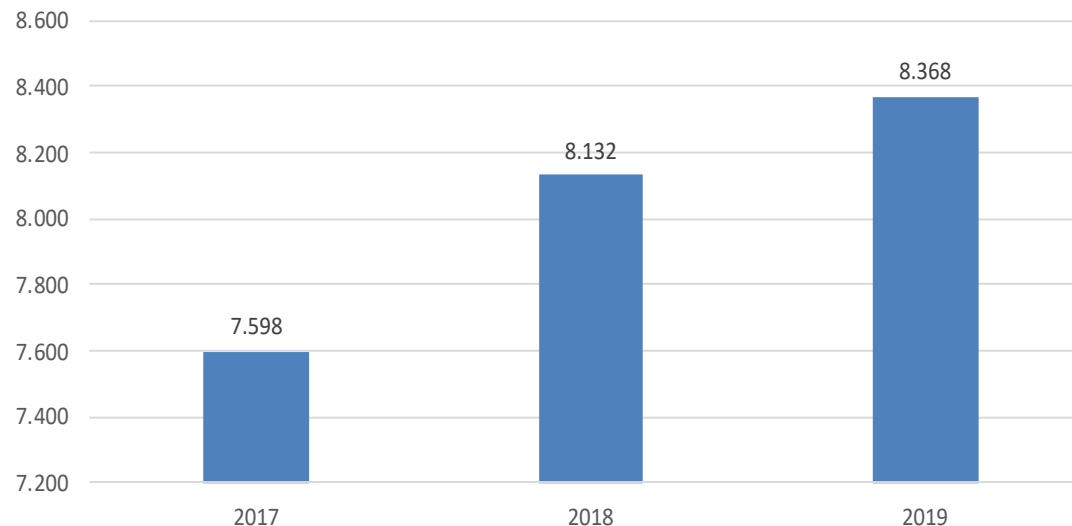
Senior management employees by
gender and age group



Average gross salary



Average gross salary in the 2017-2019 period



* Data of the Croatian Bureau of Statistics

The employees' average gross salary for 2019 amounted to HRK 8,368, constituting an increase in the amount of 3% relative to the previous financial year, as well as an increase of 10% relative to 2017. Relative to the average gross salary for accommodation and food preparation/service activities in the Republic of Croatia in 2019, which amounted to HRK 7,149, Ilirija's average gross salary was 17% above average. As for its relationship with employees, i.e. performers of the business process, in 2019 the Company continued with its policy of improving the employees' financial situation. Consequently, there was a 10% increase in the funds allocated for gross salary costs relative to 2018, while other costs and fees related to employment increased by 13%.

There is no difference in salary of our employees for the same job based on gender, age, religious or any other belief or diversity form.



A warm meal for fixed-term



Assistance for a newborn



Gifts for children



152 children under the age of 15

In accordance with the Labour Act and the Decision of the competent Ministry of Labour and Pension System, the Collective Agreement for the Hotel and Catering Business (OG 36/2018) concluded on 27 March 2018 applies to the company Ilirija d.d.

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

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



Ilirija's Christmas Magic



Employee education



Team-building road trips



Annual employee gathering

Basic objectives of training and education:



improving existing skills and developing new skills



greater employee motivation and satisfaction



developing the necessary personnel



raising the quality of services



increasing guest satisfaction

3 Training and education

Training and education of employees is a material topic, considering that it is one of the basic principles of human resources management.

This material topic applies to all segments of the company, as well as to its cooperation with external authorized training companies (regarding education programs approved in accordance with the law), and with companies and higher education institutions providing education programs for actors in the hospitality and tourism industry.

Training and education are planned and approved on an annual basis by the Company's Management Board and in coordination with the Human Resources and Payroll Service and sector managers for the key business segments (food and beverages, sales and marketing, corporate services), with the plan defining the field or topics of training, employees, the period, the theoretical part along with practice if necessary, as well as the presentation and implementation of new knowledge, skills and standards.

Furthermore, depending on the needs of the sectors, the sector manager and the head of health care, occupational health and environmental protection can also propose additional education programs for individual departments within the sectors, such as 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. Employees who took part in any form of training are required to submit a certificate, attestation or record of completed training and education to the Human Resources and Payroll Service.

In 2019, a total of 9,348 hours of training (professional and development training) were held, including the education programmes prescribed by the Fire Protection Act, as well as the Act on the Protection of the Population from Infectious Diseases and the Health Education Act.

A total of 306 employees took part in education programmes, namely 133 men and 173 women, with the average number of training hours per employee being 31 hours.



increasing the company's competitiveness

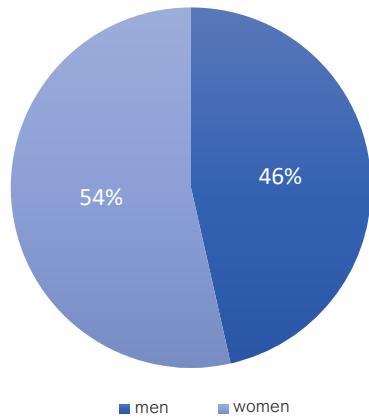


safe environment for guests



safe work environment

Percentage of education hours by gender



Number of employees who underwent training and the number of training hours for the period 2017 – 2019

	2017	2018	2019
Hours of education	10.968	8.532	9.348
Employees	341	294	306
Men	143	126	133
Woman	198	168	173
Average hour per employee	32	29	31

If we do not include the education programs prescribed by the law, the average number of training hours per employee amounted to 39 hours, that is, a total of 6,933 hours was spent on training. The education included 176 employees, 81 of whom were men, with 3,324 hours of training and 95 of whom were women, with 3,609 hours of training, while the ratios are illustrated by the graph.



4 Occupational Health and Safety

Occupational Health and Safety Management System

Since the employees are among the key stakeholders, and also perform the entire business process, their occupational health and safety is another material topic for the Company. Occupational health and safety provided through working conditions, adequate equipment and continuous education reduces the number and frequency of occupational injuries and increases productivity and employee satisfaction.

The Safety Service, in charge of occupational health and safety and also covering customer safety, is divided into occupational health and safety, fire protection and health control. The heads of these segments report to the Company's Management Board.

The employee commissioner for occupational safety activities and the Occupational Safety Committee jointly perform monitoring activities and consultations on occupational health and safety protection programs. The Occupational Safety Committee consists of five members ; President of the Company Management Board – Chairman of the Committee, Occupational Safety and Fire Protection Manager, Occupational Safety Expert, Health Control Manager, Occupational Safety Inspector and Occupational Medicine Specialist. In 2019, the Occupational Safety Committee convened twice, at the beginning and at the end of the tourist season.

The Health Control Manager coordinates the so-called DDD measures (for disinfection, disinsection and deratization), meets the daily work obligations pertaining to the sanitary program, performs supervision through unannounced internal inspections, cooperates with the state inspection during their supervision checks, analyses the reports and record of state inspection, controls the integrity of the system for the drinking water, swimming pool, HACCP system, etc.

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. They examine the safety of the work environment, of technological procedures and of working conditions by: drafting regulations, instructions and procedures, safety and security measures; monitoring and supervising their implementation and effectiveness; developing a program of measures to improve working conditions; organizing and conducting education programs with the aim of training employees to work in a safe manner; testing their knowledge and skills in occupational safety, organizing, identifying and implementing fire safety programs, monitoring the implementation of appropriate fire fighting measures, analysing the causes of injuries, occupational diseases and other work-related diseases; drawing up a list with deadlines for periodic health check-ups, taking into account the positions,

harm, dangers and psychological/physical requirements; cooperation with the Human Resources and Payroll Service in seeking suitable positions for the transfer of employees at the request of occupational medicine doctors or the Invalidity Committee.

The Company Occupational Health and Safety Management System is based on:

- 1 monitoring all applicable legislative requirements and ordinances in that field and alignment with them.,
- 2 the management system is based on standards, including the ISO 9001:2015 quality management system, the Company – Friend of Health certificate, as well as the HACCP and the HALAL certificate.
- 3 risk assessment as the foundation for occupational health and safety management since legal provisions cannot fully cover all types of work nor predict everything that could happen and, consequentially, prevent occurrence of incidents. Risk assessment enables the identification of possible events that could cause unintended consequences. It enables the assessment of possible conditions and finding adequate solutions, which ensure the safety and protection of the health of workers, while also being a legal obligation pursuant to the Occupational Safety and Health Act and the Labour By-Laws.

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

1
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▪ Legal regulations:

Catering Activity Act (OG 85/15, 121/16, 99/18, 25/19), Act Amending the Catering Activity Act (OG 28/19), Sanitary Inspection Act (OG 27/99, 113 / 08, 88/10), Act on General Use Items (OG 85/06, 75/09, 43/10), Act on the Protection against Non-ionizing Radiation (OG 91/10, 114/18), Food Act (OG 46/07), Chemicals Act (OG 150/05), Nature Protection Act (OG 70/05), Construction Act (OG 175/03) Noise Protection Act (OG 20/03), Poison Act (OG 27/99), Occupational Safety Act (OG 71/14, 118/14, 94/18), Fire Protection Act (OG 92/10), Labour Act (OG 93/14) and Labour Inspectorate Act (OG 19/14).

2
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▪ Ordinances:

Ordinance on Special Conditions for the Production and Marketing of General Use Items (OG 82/10), Ordinance on the Conditions for the Preparation and Sale of Groceries Outdoors (OG 46/94), Ordinance on the Protection against Electromagnetic Fields (OG 146/14, 31/19), Ordinance on Basic Requirements for Optical Radiation Devices and the Conditions and Measures of Optical Radiation Protection (OG 204/03, 91/07), Ordinance on the Classification, Minimum Conditions and Categorization of Camp Facilities from the Group "Camps and Other Types of Accommodation Facilities"

(Official Gazette 75/08, 45/09), Ordinance on the Classification, Categorization and Special Standards of Facilities from the Group "Hotels" (OG 88/07, 58/08, 62/09), Ordinance on the Classification and Minimum Conditions of Facilities from the Group "Restaurants", "Bars", "Catering Facilities" and "Simple Service Facilities" (OG 82/07, 82/09, 69/13), Ordinance on the Content and Manner of Certification of Compliance of the Main Project with the Sanitary-Technical Construction Conditions and Types of Buildings Subject to Sanitary Control (OG 93/99), Ordinance on the Buildings Subject to Sanitary Control and the Manner of Carrying out Sanitary Control During Their Construction (OG 48/00, 42/08), Ordinance on the Sanitary-Technical and Hygienic Conditions for Swimming Pool Bathing Areas and on the Health Safety of Swimming Pool Water (OG 107/12, 88/14), Ordinance on Food Hygiene (OG 99/07), Regulation Amending the Food Act (OG 85/06), Regulation Amending the Sanitary Inspection Act (OG 82/07), Ordinance on Food Additives (OG 173/04), Ordinance on Food Monitoring for the Purpose of Determining the Levels of Nutrients, Contaminants, Additives, and Other Ingredients and Substances (OG 135/04), Ordinance on General Declaration or Labelling of Food (OG 114/04), 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), Ordinance on Microbiological Standards for Groceries (OG 46/94), Guide to Microbiological Criteria for Food, March 2011, Ordinance on Occupational Safety Regarding the Use of Work Equipment (OG 18/17), Ordinance on the Testing of the Working Environment (OG 16/16), Ordinance on the Inspection and Testing of Work Equipment (OG 16/16), Ordinance on Safety Signs (OG 91/15, 102/15).

Moreover, in addition to aligning business processes with applicable legal regulations, the Company bases its management system on additional standards, including the ISO 9001:2015 quality management system, the Company – Friend of Health certificate, as well as the HACCP and the HALAL certificate.

Hazard Identification, Risk Assessment, and Incident Investigation

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,
 - establishing measures for the removal or reduction of dangers, harm and strain,
- establishing the plan of measures for the removal or reduction of danger, harm and strain levels, which shall include deadlines.



On a yearly basis, the Occupational Safety and Fire Protection Manager and the Health Protection Manager develop annual plans for staff check-ups, education programs and facility inspections. One of the legal obligations pertaining to occupational safety and health is "to have an assessment of the risks pertaining to occupational safety and health, including those faced by groups of employees exposed to special risks" and to decide on the protective measures to be taken.

By taking preventive measures, the goal was to reduce the likelihood of accidents at work or the occurrence of occupational diseases.

There are two types of preventative measures we took in 2019:

- **engineering or technical measures** through our collaboration with external service providers – aimed at dealing directly with the risk source in order to eliminate, reduce or replace that risk, and
- **internal organizational or administrative measures** – aimed at changing behaviours and attitudes, as well as promoting a positive safety culture.

Preventive measures were complemented by protective and mitigation measures through:

- **group measures** – designed to limit or isolate risks, for instance by applying physical barriers, organizational or administrative measures in order to reduce the duration of exposure (job rotation, work scheduling, safety signs), and
- **individual measures** – any appropriate personal protective equipment (PPE) designed to protect employees.

Occupational Health Services

As a responsible business entity, the Company aims to ensure the maximum safety and health of our employees in their workplace. In order to comply with this obligation, all necessary measures were taken such as assessment of risks to employee health and safety, health and safety protection training, involving employees in health and safety discussions, keeping records of accidents at work and, after analysing them, taking corrective actions if necessary.

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, examinations

are carried out to assess the employees' working abilities against the demands of jobs with special working conditions.

For all employees of the Food and Beverages Department as well as other departments subject to mandatory sanitary inspections, the inspections are performed by the Public Health Institute that is accredited to perform them. Inspections are performed outside the workplace and within working hours.

An overview of sanitary/hygienic examinations

Type of sanitary/hygienic examination for employees at the Zadar Institute of Public Health	2015	2016	2017	2018	2019
Annual check-up	127	135	156	193	199
Semi-annual check-up	65	62	58	58	0
Annual check-up for healthcare professionals	1	1	1	1	1
New sanitary booklet	45	43	50	4	81
Staff employed in the hygiene protocol	5	6	5	5	6
Check-up for students	0	0	0	1	3
Total	243	247	270	262	290

Occupational medicine check-ups

Occupational medicine check-ups	2016	2017	2018	2019
Nautical sector	32	8	21	7
Camping sector	7	3	8	4
Laundry room	12	3	6	3
Tehnickal service	6	2	4	3
Horticulture	6	2	5	3
Total	63	18	34	20

In the hotel sector, there are no employees exposed to increased occupational dangers, so data for the said sector are not even given.



Occupational health and safety training for employees at the workplace

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, 38 employees attended the Health Education course. Staff from the House-Keeping and Food and Beverages Department have received additional in-house education on the most common chronic diseases, risk factors at work, the possibilities of preventing chronic non-communicable diseases, the need for early detection of diseases, and the importance of adopting healthy lifestyle habits to prevent diseases.

In 2019, as part of the process of implementation and certification of the HALAL standard, an education program was conducted on HALAL quality, namely pertaining to the provision of accommodation and food and beverage-related services and involving 17 employees, on the basis of the PK-01-02 Quality Manual, Point 6.2, and the RP-06-02 HALAL Quality Certification Procedure, Points 5.5.3 and 5.5.9 of the HALAL Quality Certification Centre. An education programme was conducted in order for employees of the food and beverages departments to acquire the knowledge of HACCP system internal auditors.

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.

Training for safe work practices

Year	2016	2017	2018	2019
Training for safe work practices	57	76	65	32

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

Fire drills

Year	2016	2017	2018	2019
Number of fire fighting drills	4	4	4	4



In May 2019, the “Park Soline” camp conducted a civil protection drill called “Evacuation of tourists from the ‘Park Soline’ camp”, which was organized by Ilirija d.d. and the City of Biograd na Moru. The main objective of this drill was to check the capabilities and rehearse the cooperation of all operations forces and participants in the civil protection system, coordination between the Civil Protection Headquarters of the City of Biograd na Moru and coordinators in the field with operations forces and participants in the civil protection system in the field and to check the calling system.

By simulating a potential storm in the camp, we checked the preparedness of all protection and rescue participants in the evacuation, rescue and firefighting activities and the provision of emergency medical assistance, while we simultaneously tried to raise awareness among tourists and locals about activities and procedures to be applied in the event of an accident. The simulation was carried out by the employees of Ilirija d.d., City of Biograd na Moru, General Purpose Unit of Biograd na Moru and Zadar Civil Protection Service.

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, and the inspections are performed by a registered fire fighting servicing department.

In 2019, we recorded an increase in the number of fire extinguisher inspections due to continual improvement of fire safety.

Number of fire extinguisher inspections

Year	2016	2017	2018	2019
Number of fire extinguisher inspections	252	304	312	314

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

	2017				2018				2019			
	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	1	0	16	0	1	0	20	0	3	0	120	0
Women	3	0	43	0	3	0	28	0	3	0	38	0
Total	4	0	59	0	4	0	48	0	6	0	158	0

Injury rate parameters

Parameter	2016	2017	2018	2019
IR (injury rate)	1,38	1,76	1,12	1,89
ODR (occupational disease rate)	0	0	0	0
LDR (lost daily rate)	0,07	0,09	0,06	0,09
AR (absentee rate in case of fatalities)	0	0	0	0



Promotion of employee health

In 2018, Ilirija was awarded the acknowledgement "Company – Friend of Health" for the introduction of special labels in the work environment, as well as enabling its employees to adopt healthy lifestyle habits, promoting and encouraging health in the workplace and expressing concern for employee health, while the programme was continued in 2019 as well. "Company – Friend of Health" is a project within the national "Living Healthy" Program, which was launched by the Ministry of Health and the Croatian Institute of Public Health with the aim of encouraging business entities to promote health improvement activities at the workplace.

The Company centres its business on its employees as the key to its success; therefore, constant care for employees, which, in addition to our concern for material rights, includes care for their working conditions, occupational safety and health, constitutes a long-term commitment of the company and a policy pertaining to the field of human resources management. Ilirija's commitment to continuous improvement of the health and safety of employees, both permanent and seasonal, namely more than 466 of them during the high season, by providing safe working conditions, adequate equipment and constant education, reduces the number and frequency of occupational injuries and increases the productivity and satisfaction of our employees.

By participating in the said project, we have made an additional contribution, namely to:

- (I) creating a healthy work environment,
- (II) providing education, and
- (III) informing our employees about what each of them can personally do on a daily basis for their health.

The implementation of the "Company – Friend Health" module was done at the level of the entire company, and also includes the assessment of the company's work environment in nine areas:

- 1) **proper diet,**
- 2) **health safety of food,**
- 3) **promotion of physical activity,**
- 4) **mental health in the workplace,**
- 5) **smoking ban,**
- 6) **chronic disease prevention,**
- 7) **prohibition of alcohol consumption,**
- 8) **gambling and betting, and**
- 9) **environment and health.**

The standards and certifications obtained additionally bear testimony to our concern for the health of employees and guests:

- HACCP
- integrated the environmental and quality management systems ISO 9001: 2015 and ISO 14001:2015
- Blue flag
- Green Key
- Ecocamping
- Sustainable hotel
- ZelEn Certificate
- Green mark – Sign of excellence
- Halal Certificate
- Company – Friend of Health

Apart from the satisfaction with the service it provides, the Company also considers the care of health and safety of our guests, who are 24/7 in our facilities, extremely important and makes it a priority. Consequently, this is a material topic covering all Company facilities.

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

- it implemented and certified the HACCP 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 a methodology of cleaner production,
- it implements complete measures for the destruction of micro-organisms and pest control in accordance with legal regulations cooperation with authorized third parties,
- it tests the quality of sea waters,
- it tests pool water for physical, chemical and microbiological parameters, and
- it informs and educates people on the importance of preserving natural resources (preservation and protection of water, energy, waste disposal, etc.),
- 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,,
- it selects products that are environmentally friendly or have minimal environmental impact.





5 Marketing and labelling

Product and service labelling

Proper labelling and informing customers about the food and beverages they consume is a material topic for the Company, considering that the health safety of food is an extremely important segment of the Company's business.

The Ordinance on Consumer Information about Non-Prepacked Food (OG 144/14) provides for mandatory information on the presence of substances or products that may cause allergies or intolerances. EU legislation lists 14 specific allergens used in the preparation of food (including beverages) that are present in the finished product. These are: milk, eggs, gluten, soy, mustard, celery, sesame, peanuts, nuts, lupin or lupini beans, fish, shellfish, crabs and sulphites.

We inform our guests of the presence of allergens in the food served on the buffet table in hotels or during banquets by displaying allergen pictogrammes as part of the dish name, 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 HALAL or HACCP system auditors.

In 2019, 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. When preparing food, we aim to keep the waste to a minimum. The generated waste is sorted into appropriate separate containers for each waste group: mixed municipal waste, cardboard packaging, plastic, glass, metal, biowaste, heat-treated food and waste edible oil. By doing so, we promote responsible waste management and aim to have the lowest possible impact on the environment.



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