



Ilirija d.d.

SUSTAINABILITY REPORT FOR THE YEAR 2021



ILIRIJA
65
YEARS

Biograd na Moru,
June 2022

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

1 Introduction by the president of the Management Board



Dear stakeholders,

We are pleased to announce that in 2021, the same as in the previous year of 2020, we achieved more than just our basic business goals, despite the impact of the global COVID-19 pandemic on the business conditions. Owing to those achievements, we preserved our stability and our current liquidity, our jobs, assets, business activities, but also the health and lives of our guests and employees as well as full employment and material rights resulting from work. In a period of difficult and uncertain business conditions, we managed to achieve our business goals while almost reaching the achievements from 2019, especially in terms of profitability, which is, of course, a significant achievement given the fact that business activities in the Company's key tourism sectors (hotel, camping and the destination management company) took place in a short peak season period.

With a total of HRK 134,831,127.96 in total generated revenue, a growth of 38% was achieved compared to the previous year, while simultaneously realising 80.35% of revenue from 2019 that amounted to HRK 167,797,556.86, its best business year in the area of the realisation of revenue to date. All sectors marked a recovery, i.e. growth of realised revenue compared to the previous year, and this is especially significant for the camping and hotel sectors the revenue of which was markedly lower in the previous year. It should especially be noted that the nautical

sector generated by far the best business results so far, making the achievements of the nautical sector all the more significant. From the aspect of the achieved operating profitability indicators recorded as operating profit, EBITDA and EBIT, these saw a strong recovery. An increase in realisation, both in terms of revenue and profitability, contributed to the increase of the financial position indicators, including the value of assets, capital and reserves. They increased not only compared to the previous year, but also to 2019.

The achieved business results that guarantee our Company's stability or its "life" are important to us, but the fact that our business model displayed exceptional resilience in the past two years, be it in terms of financial, commercial or operational resilience, is of even greater importance.

Our Company's stamina is based on responsible and sustainable business practices, valuing not only positive economic results, but also responsibility towards other stakeholder groups. To us, having a responsible and sustainable business system primarily means being a generator of economic value that does not only benefit the Company, but is also a driver of development and growth across the wider community, while integrating social and environmental issues into decision-making processes.



In 2021, despite the uncertainty that prevailed throughout the first half of the year, we continued with our sustainable and responsible business activities in the social and environmental segment. Apart from maintaining full employment and the material rights of all employees resulting from work, we hired new employees, increased the intensity of their trainings and continued with our corporate philanthropy activities specifically targeted at healthcare institutions, persons in need and culture as we continued stimulating the domestic economy in the procurement segment, i.e. through domestic suppliers with whom we cooperate, generating 96,55% of the total procurement turnover, and though our active role in business and professional associations. Moreover, in terms of environmental responsibility and despite the fact that the pandemic resulted in a lack of significant investments, we continued our responsible relationship towards the protection of the environment and nature, the implementation of international and local ecological standards, the preservation of biodiversity and responsible management of energy sources, placing the most emphasis on activities that preserved the lives and health of our guests and employees.

Dear stakeholders, despite the difficulties that the year brought about, we managed to maintain our long-term continuity of conducting business with a positive trend, accompanied by a strong economic recovery that made it possible to create added value and to act responsibly towards all stakeholder groups, both of which we regard as the Company's key corporate values and something we will continue to strive towards in the future.

Goran Ražnjević
President of the
Management Board

A handwritten signature in blue ink, appearing to read 'Goran Ražnjević', written over a white background.



2021 Sustainability Report

The 2021 Sustainability Report refers to the period from 1 January to 31 December 2021, and relies in part on the Annual Business Report for 2021, published in February 2021 in the Croatian and English language on the Company website, www.ilirijabiograd.com, as well as on the websites of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (HANFA).

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

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

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

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



Hotel sector



Nautical sector



Ilirija Travel



Camping



Real estate



2 | ABOUT ILIRIJA d.d.

2.1 Basic data



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

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

Republic of Croatia

Phone number: +385 23/383 165

Fax: +385 23/384 564

Web: www.ilirijabiograd.com

PIN: 05951496767

Company registration number: 3311953

IBAN: HR5824020061100097324

Swift: ESBCHR 22

Share capital amount: 229,146,480.00

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

Management Board: Goran Ražnjević, President

Supervisory Board: Goran Medić, President

2.2 Ilirija in Figures

Ilirija is a tourism company that has already been doing business on the Croatian tourism market for **64 years**, and its facilities are located in Biograd na Moru, Zadar, Sv. Filip i Jakov i Polača, while it does business in five segments of offer:



Hotel sector
922 beds,
443 rooms



Nautical sector
805 berths,
2.000 persons



Camping sector
1.208 pitches,
3.624 persons



**Destination management
company/DMC Ilirija Travel**
361 events
12.167 persons



Real-estate segment
The City Galleria Business and
Shopping centre
28.500m²

Business achievements in 2021, in the business environment defined by the COVID-19 pandemic:

Total revenue
HRK 134.831.127,96

+38%

Value of assets
HRK 494.903.044,10

+4%

Net profit
HRK 22.172.476,03

+1170%

Net debt
HRK 59.783.368,01

-35%

EBITDA
HRK 48.789.796,17

+129%

Earnings per share (EPS)
HRK 9,22

+1195%

Capital
HRK 370.244.993,55

+6%

Number of employees
268

+7%

2.3 Chronological overview of the historical development of Ilirija



1957

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



1969 - 1972

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



1976

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



1986

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

1988

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

1991 - 1992

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

1999

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

2002

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



1989

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

1993

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

2000 – 2021

An intensive investment cycle period when it comes to the construction, reconstruction, extension, renovation and adaptation of the Company's accommodation facilities and establishments, as well as the development of new products with the aim of creating a quality, recognizable and competitive tourism product and increasing the quality of the destination's offer. As at 31 December 2021, the Company invested HRK 641,831,797.12, which resulted in a significant increase in total revenue and a newly created value in the said period, namely in the amount of HRK 1,029,959,913.31.

2003

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





2005

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



2014

The "Nada" event yacht, a multi-functional floating congress centre with a length of 36 m and capacity for 180 people, was presented. As part of the business system of the company, the first Croatian 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 70% of the Marina's superstructures and substructures, i.e. piers, which further strengthened the market position of Marina Kornati among the three leading nautical tourism ports on the Adriatic.



2009

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

2015

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

2016

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

2018

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



2.4 External Initiatives and Membership in Associations

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



A member of 15 business and professional associations



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



A promoter of activities pertaining to corporate responsibility and sustainability



4 codes/charters/initiatives

Business associations:

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

Professional associations:

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

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

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

Charters, codes and initiatives implemented by the company:

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



PANELISTI:

- Ivana Gažić, Zagrebačka burza d.d., *predsjednica Uprave*
- Luka Babić, Croatia osiguranje d.d., *član Uprave*
- Eva Horvat, Raiffeisen društvo za upravljanje obveznim i dobrovoljnim mirovinskim fondovima d.d., *članica Uprave*
- Tomislav Tičić, Prosperus Invest d.o.o., *član Uprave*
- Goran Ražnjević, Ilirija d.d., *predsjednik Uprave*
- Ivan Miloš, CIAK Grupa, *član Uprave*
- Nikola Dujmović, Span d.d., *predsjednik Uprave*

Moderator: Tomislav Cerovec, *izvršni urednik na HRT-u*



2.5 Overview of Portfolios, Products and Services



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

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



Ražnjevića dvori
Polača

City Galleria
Zadar

Arsenal
Zadar

Villa Donat
Sv. Filip i Jakov

Villa
Primorje

Restoran "Marina Kornati" /
Restaurant "Marina Kornati"

Beach bar Donat
Sv. Filip i Jakov

Event brod Nada /
Event boat Nada

Marina
Kornati

Ilirija
Travel

Hotel
Kornati

Hotel
Ilirija

Hotel
Adriatic

Hotelska marina /
Hotel marina

Aquatic center /
Aquatic center

Tennis center Ilirija /
Tennis center Ilirija

Kamp "Park Soline" /
Camp "Park Soline"

Restoran "Park Soline" /
Restaurant "Park Soline"

Ilirija d.d.



4 hotels



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. All nearby beaches have been awarded a Blue Flag, which certifies the quality of the sea and the associated beaches.

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

The three-star **Adriatic Hotel** has a capacity of 100 rooms and 210 beds, a restaurant with a capacity for 230 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 the hotel is the Aquatic Centre, ideal for family fun and for various attractive summer sea activities. The Adriatic Hotel boasts a modern design inspired by the ancient medicinal herb lavender, which is characteristic for Mediterranean landscapes.

The **Villa Donat Hotel** is located in the picturesque town of Sv. Filip i Jakov, and it consists of a villa with 16 superbly and modernly furnished rooms. It is a four-star hotel, and it has a three-star annexe. Its total capacity includes 72 rooms and 144 beds, a restaurant with a capacity of 120 seats, a terrace for 50 and an aperitif bar for 20 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.



Nautical Sector



Pioneers of nautical tourism development in Croatia



Marina Kornati – a marina with a four-anchor rating



805 berths



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

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

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

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

In addition to its own service zone for repairs, vessel maintenance and dry docking, the marina offers a 24-hour navy-guard service, a parking lot with 500 parking spaces, as well as restaurant facilities. There are about 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 Ilirija-Kornati Hotel Port, located in the very heart of Biograd na Moru, in front of the Kornati and the Ilirija hotels, was constructed as the first nautical tourism port forty years ago. It has a total of 100 berths for the reception of vessels of up to 8.50 m, as well as additional facilities within the hotel resort.

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





Park Soline camp –
a four-star campsite



Surface area: 20,00 ha



Number of accommodation
units: 1208



Capacity for 3,624 persons

Camping

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

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

In addition to fully equipped pitches (standard mare and comfort pitches), the camp also offers pitches with the basic infrastructure (standard pitches), as well as 32 m² mobile home zones Dalmatia, Premium, Comfort Plus, Dalmatia 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.

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



Ilirija Travel



An innovative and comprehensive
tourism product



Development of a year-round
tourist offer



4 own facilities

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

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

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

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

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



Arsenal



Ražnjevića dvori A.D. 1307.



Villa Primorje



Event boat "Nada"

Real-estate segment - City Galleria



Surface area of more than
28,500 m²



6 floors



An outdoor city market



The only multiplex cinema in
the Zadar County

The City Galleria Business and Shopping Centre 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 underground garages and four retail floors). It is one of the two largest shopping centres in the City of Zadar and the wider Zadar region. In 2021, the net rentable area of the centre equalled 9,924.60 m² due to an increase in the net rentable area on the third floor and connecting this area with the existing business premises, while the remaining area is occupied by communications, installations 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.

Due to the good location of the building in a heavily residential area near the old town and the bus station and the fact that it is surrounded by some of the main city roads, the City Galleria Business and Shopping Centre is exceptionally easy to spot and access by a large number of local residents and foreign visitors. A large number of new housing and commercial projects, as well as new development and cultural projects of the local community have turned this whole city area into a new hub, which will have a positive effect on the number of visitors to the shopping centre.

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.

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



Hospitality



Capacity for 420 persons
The Captain's Club



Capacity for 280 persons
A Dalmatian tavern, a wine cellar



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



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

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




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

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

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



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





Facility with a capacity for 4,000 persons
Sports, hospitality and entertainment amenities



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



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



300 exhibitors
B2B with more than 450 contacts
3 Croatia Charter Expo– largest event of the
charter industry

Sports-recreational and entertainment amenities:

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

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

Events:

Biograd Boat Show - is the largest international autumn nautical fair in the Republic of Croatia and the largest nautical fair in South East Europe. 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 2021 the 23rd Biograd Boat Show, one of the few nautical fairs that was held, with more than 300 exhibitors and numerous world and Croatian premiers of vessels.

The Biograd B2B platform for business networking in the nautical sector enabled nautical companies to participate in the fair online if they were not able to do come to the fair, which resulted in more than 450 business contacts held on the platform.

The third edition of the Croatia Charter Expo has shown to be the most successful yet. The interest of foreign companies, agencies and charterers in this event is evidenced by the fact that there were participants from 15 different countries across Europe, and more than 200 international members attended the Boat Charter Agency Association international conference. More than 100 yacht charter companies, with 250 participants, have turned the Croatia Charter Expo into the world's largest face-to-face gathering of the charter industry in 2021.



Aquatic centre



Tennis centre "Ilirija"



Biograd Boat Show

Overview of the capacity of Ilirija d.d.



Hotels

443 rooms/922 beds



Camping

1208 plots/3624 persons



Nautical sector

805 berths



Real-estate

gross surface area of
28.500m²/
six floors



Catering facilities

4 facilities with a capacity of
1,120 persons



Congress facilities

total maximum capacity of
2,492 persons for all facilities



DMC Ilirija Travel

accommodation, catering
and multi-functional facilities
enable year-round business
(Arsenal, dispersed hotel Ra-
žnjevića Dvori, "Nada" event
boat and Villa Primorje)



Sports-recreational and entertainment facilities

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

Tourism sector



Overnight stays: 558.118



Hotel sector: 76.113



Camping sector : 236.878

2.6 Market, Customers and Suppliers

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



market and customers of
the tourism sector



market and customers, or tenants
of the real estate sector

In 2021, the Company recorded a total of 558,118 overnight stays at its three key tourism sectors, whereas the destination management company held 361 separate events for 12,167 persons. 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.



Nautical sector (charter): 245.127



DMC Ilirija Travel: 12.167 persons

Overview of 10 key hotel and camping markets

The Netherlands 4%

Germany 13%

Austria 5%

Other 7%

Poland 6%

Czech Republic 13%

Slovakia 3%

Hungary 3%

Slovenia 25%

Croatia 20%

Bosnia and Herzegovina 1%

Key markets:



Hotel sector:

There were two periods with pronouncedly different results in the hotel sector in the business year 2021. The first six months were marked by a series of restrictions as a result of the pandemic, whereas in the third quarter, the hotel sector operations experienced a revival with the introduction of COVID certificates, establishment of a network of PCR testing sites, easing of the travel restrictions and a significant rise of vaccination rates in our outbound markets.

The year was marked by a return to the continuity of growth, although recovery to the level of the pre-pandemic 2019 was slowed down due to the still present travel restrictions and the manner of conducting business operations. The lifting of travel bans resulted in an increase of demand and capacity occupancy. The sale of accommodation units increased by 40%, while the occupancy rate increased by 47%. However, despite this growth as compared to 2020, the sale of accommodation units as compared to 2019 decreased by 48%, while the occupancy rate of accommodation units decreased by 52%.

Along with an increase in turnover of all segments, the most significant changes in sales channels are linked to the decreased share of individual guests from the previous 44% in 2020 to 40% in 2021, with a continued lack of fixed lease, and a change in the increased share of groups to 20%. The second part of the increase refers to allotments, i.e. business operations related to returning agencies and tour operators. Despite caution and their operations being reduced to the peak season, their share now amounts to 40%.

In such conditions, just as in the previous year, domestic guests represented the most significant share in the hotel sector with 35.3%; however, this is a significant decrease from a share of 52% in 2020. Nonetheless, overnight stays for that group saw a growth of 63%. The Slovenian market saw a growth of 111%, thus remaining the second most significant market with a share of 14%, whereas as regards German guests, representing the third leading market, an increase of 234% was recorded, as well as a share of overnight stays of 11%. Thanks to a significant return of guests, the Austrian market is next (+250%), now at 8% of total turnover. The fifth market is the Slovak market, with a growth rate of 388% and a share of 7%.

Key channels:



Nautical sector:

The Company's nautical sector has been one of the most significant drivers of nautical development and events in Croatia since as far back as 1976, when Ilirija built the first nautical tourism port and made its first step into the charter tourism with the purchase of 40 sailboats. Its excellent geolocation, the proximity of stunning natural beauty in Krka, Paklenica, Velebit, Vransko Lake and Kornati National Parks, together with being technically and infrastructurally well-developed, have positioned Marina Kornati among the top three nautical tourism ports at the national level.

The nautical sector in which Marina Kornati operates, unlike the Company's other tourism sectors, is characterised by year-round business, which is reflected in the Marina's business results of 2021 despite the fact that its business activities were still performed in a limited scope.

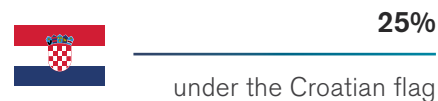
Key nautical market segments are the following:

(I) Contractual berths

Contractual berths are the most significant business segment in the nautical sector considering their direct share in the nautical sector's operating revenue, and thus also in the revenue of other marina services.

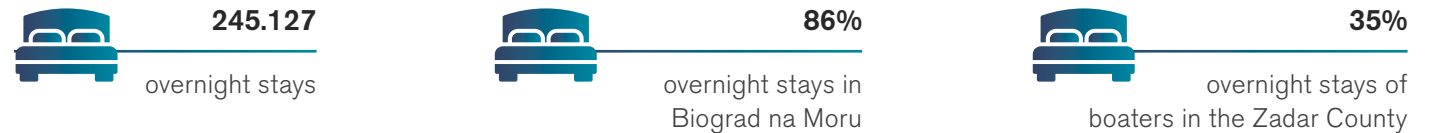


a) Individual contractual berth – vessels owned by individuals and used for private purposes are tied to the appropriate berth in the marina, for which an annual or seasonal berth use





b) Charter contractual berth – consists of charter vessels for which companies that rent vessels conclude a berth use contract. In 2021, 16 charter companies operated as part of the Marina Kornati, with a total of 305 vessels, making the Marina Kornati one of the leading charter bases in Croatia with multiple monotype fleets (Bavaria/Elan/Hanse).



(II) The transit market



According to the service it provides, the transit market is divided into the following: :

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 at 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. Unfortunately, due to the pandemic-related measures, regattas were cancelled and there just a few smaller ones were held, which is confirmed by the fact that 217 vessels which took part in a regatta sailed into the marina and resulted in an insignificant number of overnight stays.

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. 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.



300

registered exhibitors



300

vessels



More than 1600

charter vessels



More than 450

business contacts

Nautical Fair – Biograd Boat Show

Biograd Boat Show was one of the few larger nautical fairs held during the COVID-19 pandemic. The fair was held in the period of five days, from 20 to 24 October 2021, with implementation of and compliance with all epidemiological measures introduced by the authorities. In 2021, the fair, which celebrated its 23rd anniversary, was attended by more than 300 registered exhibitors, more than 100 owners, operators and charter agents at the Croatia Charter Expo from 15 countries, the congress part of the fair was held through the Croatian Chamber of Commerce's Nautical Days, and its business segment was significantly strengthened through the B2B platform through which over 450 meetings were held.

The organisation of the Show demonstrated the resilience of the nautical industry, additional optimism in challenging circumstances, and confirmed the Company's ability to maintain the continuity of its activities under difficult business conditions.



Key markets



Camping sector

The camping sector comprises the “Park Soline” as the largest and the only high-quality four-star campsite in Biograd na Moru, which accounts for 77 % of the total campsite accommodation capacities available at the destination and sets the highest standards of equipment and landscaping with regard to camping tourism.

The “Park Soline” campsite, with almost 60 years of tradition, spans across a surface area of 20.08 acres and includes 1,208 accommodation units.

Key channels of the camping sector:



In 2021, the most significant outbound markets at the level of all market segments were the following: Slovenia, Czechia, Croatia, Germany and Poland. The earlier opening of the market affected by the COVID-19 pandemic and exceptionally good booking figures in the high season, as well as the post-season, together led to an increase in the number of arrivals and overnight stays. The German, Slovenian and Croatian market were especially significant for the business generated from mobile homes and individual pitches. Germans are number one when it comes to the number of overnight stays on individual pitches, Slovenians are number one when it comes to the number of overnight stays in holiday homes, and Germans are number two when it comes to the number of overnight stays in holiday homes.

Intensified marketing activities and strategically planned investments in key sales channels certainly contributed to the performance levels nearing the 2019 results. In 2021, the sales and marketing activities were aimed at the most important print media (ADAC, DCC camping and Karavaning vodnik) and online advertising (website, Google AdWords campaigns).

The changes brought about by the pandemic significantly reflected on the guests from Croatia as well, who were more free to move within the country. When it comes to camping in general, which also implies the Park Soline campsite, the Croatian market relies mainly on lump sum guests, whose share recorded a 26.22% increase. An increase was also recorded in the mobile homes segment, namely by 65.58% compared to 2020. For this reason, the camp is included in the promotional activities organized within the framework of the Croatian Camping Association and the Top Camping Association, as well as in online Google AdWords campaigns and social media campaigns.



A complementary
and integrated product



361
events



12,167
guests

DMC – Ilirija Travel

With the lifting of travel bans, the management company, as a complementary and integrated tourism product combining all of the services and offer of the Company's tourism and hospitality sectors with the aim of developing year-round business and particularly strengthening tourism in the pre-season and post-season, achieved a significant recovery of its business operations after experiencing almost no demand in 2020.

During 2021, Ilirija Travel organised 361 events, a three-fold increase compared to previous years, and included the services of the widest range of offers for 12,167 persons, representing a 30% increase since some measures were retained even during 2021, which prevented the realisation of major or higher-attended events. Notwithstanding the strong revival of tourism, business operations still recorded significantly lower results compared to 2019.



Real-estate sector

The extraordinary global situation, which continued through to 2021, significantly affected the business activities of the City Galleria centre. The partial easing of epidemiological measures aimed at protecting the population included the relaxation of a part of the bans and restrictions imposed on the businesses of the centre's tenants. However, restrictions were introduced regarding the total number of visitors to the stores and the facility itself, which affected the centre's visitor traffic and the length of their visit.

Despite the mentioned negative indicators and restrictive epidemiological measures, a high occupancy rate of the business premises was maintained in 2021. This was recognised as one of the Company's key objectives directing significant activities regarding communication and negotiations with existing and new tenants. The occupancy of the centre on 31 December 2021 amounted to 99.77% of all capacities, with 37 active contracts with tenants with a diverse business structure – from smaller local craftsmen to international market leaders in their respective business categories, with surface areas ranging from 9.80 m² to 1.836 m². The commercial premises occupancy rate in Phase 1 for the same period was 69.49%. Taking into account the total net area of the commercial premises in Phases 1 and 2 of the facility, amounting to 10,158.13 m², the total occupancy rate amounted to 99.08%.

Revenue is generated from the following activities:



1 Lease of business premises



2 Common costs



3 Use of common areas



4 Garage parking spaces



5 Other operating revenues

Customers or tenants are divided into the following categories:



1 Local



2 National, and



3 International tenants

Categories of customers – tenants:

I Local tenants – we cooperate with numerous small traders in domestic products and craftsmen as well as local companies operating as part of our outdoor and indoor market. One of the City Galleria centre's most important business partners is the city company Tržnica Zadar d.o.o., which does business in the mornings on an area covering more than 800 m² of the centre's outdoor covered square on a daily basis.

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, since the very opening of the City Galleria centre to the public – the businesses, among other, include Sport&Moda d.o.o., Monile d.o.o., Ghetaldus Optika d.d., as well as Ghetaldus Polyclinic specializing in ophthalmic services, Posteljina.hr, Zagrebačka banka d.d., Katapult d.o.o. and Farmacia.

III International tenants – international retail chains are the largest tenants in the centre, whose total leased net area amounts to 48.91% of the total net rentable area of the centre. These include most famous European retail chains present on the domestic market and market leaders in their business activities, such as Müller trgovina Zagreb d.o.o., SPAR Hrvatska d.o.o., as well as a chain of fully digitized CineStar multiplex cinemas, the largest and leading cinema operator in the region.

International tenants in the centre also include PEPCO, CCC shoes&bags, Telemach Hrvatska d.o.o. and Kopitarna, a clothing and footwear store.



37

Tenants



99,77%

Leased surface area

Procurement organization is divided into procurement of:



food and beverages,



consumables



office supplies



technical material



services



energy sources



investments and investment maintenance

Suppliers

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

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

The Company's suppliers are also its business partners, with which it shares values and principles of doing business. The Company strives for strategic, long-term and high-quality mutual relations with suppliers, with whom through many years of cooperation we work on creating additional value for both companies by (1) knowledge sharing, (2) improving the business process of both parties and (3) creating a quality product or service for both companies. Out of the total of 775 suppliers with whom we cooperated in 2021, we have cooperated for more than 30 years with 20 of them. With some of them, we have cooperated for our very foundation, that is, for more than 64 years.





775

Suppliers



96.55%

Transactions with Croatian suppliers



3.45%

Transactions with international suppliers

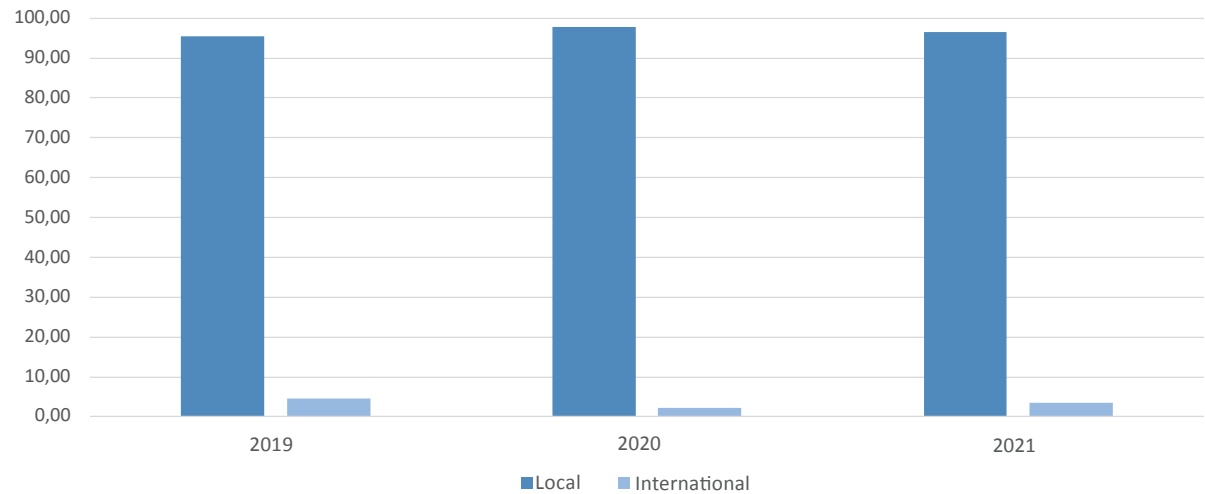
Procurement characteristics in 2021

Within the supply chain, we cooperate with producers, primary producers, distributors, wholesalers, contracted partners, brokers, consultants, small crafts and family owned farms. In 2021, there were no lawsuits against the Company brought by its suppliers.

In the business year, the Company carried out transactions with a total of 775 suppliers. Out of those suppliers, 30 have their registered office abroad, which equals 3.87% of the total number of suppliers, while 96.13% of the suppliers have their registered office in the Republic of Croatia. Foreign suppliers accounted for 3.45% of the total transactions, while domestic suppliers accounted for 96.55% of the total transactions.

The graph below shows that in 2021 the trend of a low share of foreign supplier turnover in the total realized turnover continued.

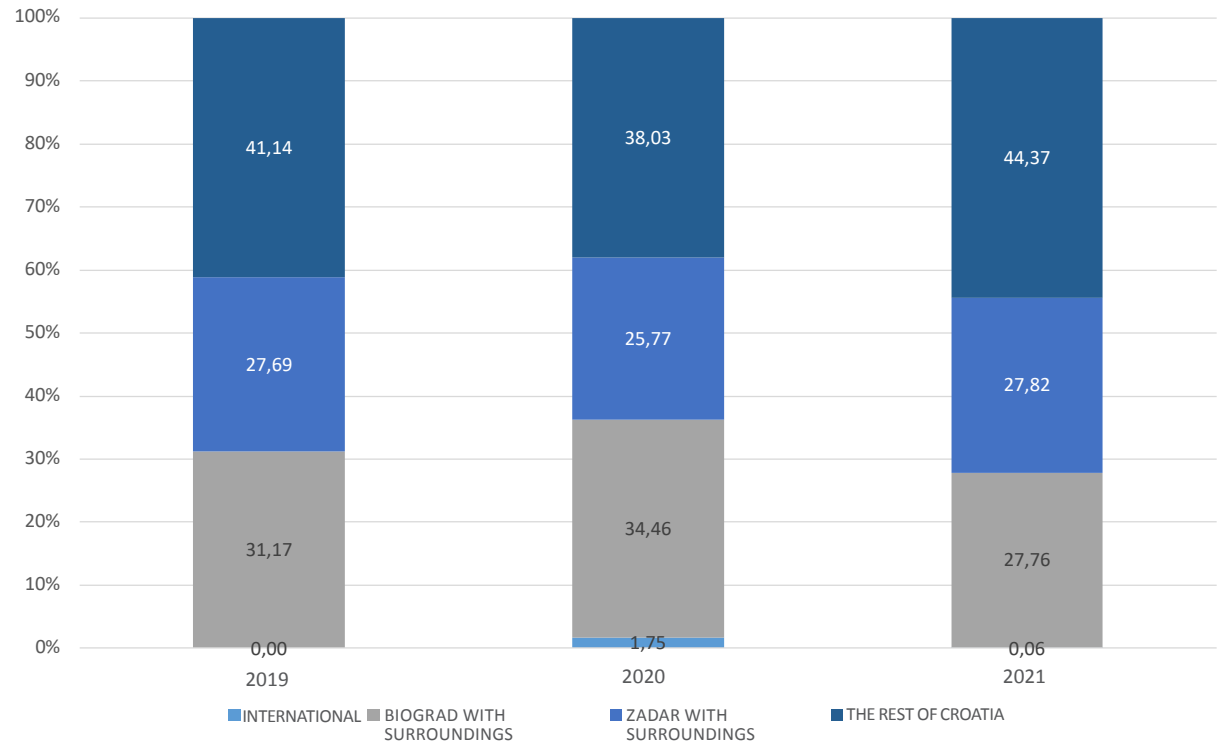
Overview of the % share in turnover of suppliers by registered office





The transactions pertaining to the procurement of food and beverages, consumables, office supplies and technical material accounted for 24.77% of the total transactions in 2021. Cooperation with foreign suppliers in the aforementioned procurement category accounted for only 0.06% of the transactions, local suppliers accounted for 55.58% of the transactions, and the remaining 44.37% of the transactions pertained to suppliers from other parts of Croatia.

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



2.7 Acknowledgements, Standards and Certificates

Recognitions

Ilirija d.d. and Marina Kornati have been recognised by the Jutarnji list Nautical Patrol for their organisation and maximum contribution to the development of Croatian nautical tourism during the COVID-19 pandemic.

Continued investment in raising accommodation quality and services in campsite “Park Soline” has also been recognised by the German auto club ADAC. ADAC awarded the Campsite with a 4-star rating and TIPP for 2022, a special recommendation by ADAC for accommodation. The TIPP title is awarded to high-quality campsites with a rating of at least 4 stars.

The “Park Soline” campsite has been rated as one of the top five campsites in Croatia by the reputable German magazine Wohnmobil Tourguide.

The Croatian Association for Tourism and Rural Development handed out the Sunflower of Croatian Rural Tourism Awards to the best in rural tourism across Croatia, and the Golden Charter in the category of “Traditional (Rural) Households” was presented to the scattered hotel Ražnjevića dvori.



Standards and Certificates

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

The Company implemented an integrated environmental and quality management system under the ISO 9001:2015 (quality management) and ISO 14001:2015 (environmental management) standards, by which it focuses on the continued improvement of processes connected to the service quality and standards enhancement, the enhancement of operational and management processes, at the same time connected to the environmental management system. By implementing the integrated Environmental and Quality Policy, through the integration of ISO standards, the Company confirms its main focus on long-term business stability based on responsible and sustainable business operations. During 2021, regular control audits of the quality management system and the recertification of the environmental management system were performed.

The recertification procedure was conducted for the HACCP Codex Alimentarius system, which confirmed that the Company, in all its sectors providing food and beverage services, carries out a high degree of control during the process of production and distribution of food products.



2.8 Significant events

The Supervisory Board, at its session held on 26 February 2021, adopted the Annual Report and the Annual Financial Statements of the Company for 2020, as well as the proposal of the decision on the use of profit, the report of the Supervisory Board on the performed supervision of the Company's operations for the business year 2020, the report of the Management Board on the acquisition of own shares in 2020 and the report on the receipts of the members of the Supervisory Board and the Management Board in the previous year. In addition, the Supervisory Board agrees with the proposal of the Management Board that the profit realised in 2020 in the total amount of HRK 1,021,879.54 is allocated to retained earnings, adopted the proposal of a decision to elect a member of the Supervisory Board due to the expiration of his term proposing to re-elect the current President of the Supervisory Board, Mr Goran Medić from Zadar, Ive Senjanina 12C, PIN: 54770742757 as a member of the Supervisory Board for a term of four years commencing on 21 June 2021 and set up the Invitation to the General Assembly.

The Regular General Assembly of the Company was held on 30 April 2021, during which all decisions were adopted with the same contents as proposals contained in the Invitation to the General Assembly, while the agenda was as follows:

- The General Assembly took note of the Annual Report for 2020, comprised of Annual Financial Statements, for 2020 (non-consolidated); that is, of the statement of financial position (balance sheet), income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes to the financial statements. The General Assembly took note of the Statement on the Application of Corporate Governance Code, Company Management Report / Management Board Annual Report on the Company's Situation, Statements by the Company Representation, Company's Auditor Report for 2020, Report of the Supervisory Board on the Performed Supervision of the Company's Operations for 2020, and Management Board's Report on the Acquisition of Own Shares for 2020.

In addition, the following decisions were adopted at the General Assembly:

- Decision on the Allocation of Profit of Ilirija d.d. for the business year 2020, based on which the profit realized in the financial year 2020, amounting to HRK 1,021,879.54 after tax, shall be allocated as follows:
- Decision on Granting Discharge to the Company's Management Board,
- Decision on Granting Discharge to the Members of the Supervisory Board for the performed supervision of the Company's business,



- Decision to Elect a Member of the Supervisory Board with which Mr Goran Medić from Zadar, Ive Senjanina 12c, PIN: 54770742757 was re-elected as a member of the Company's Supervisory Board. The term of the Supervisory Board member starts on 21 June 2021 and the member may be re-elected, and
- Decision on the endorsement of the receipts report

In April, the Ministry of Tourism and Sports conducted a regular process of recategorising the Park Soline campsite, during which it was established that the Park Soline campsite fully meets the requirements as prescribed by the Ordinance for the Four-Star Camp Category, thus all facilities of the Company, except for the Hotel Adriatic, have been categorised under the high-quality accommodation category.


At the meeting held on 27 May 2021, the Supervisory Board gave its consent to the Management Board for the conclusion of the Loan Agreement for Permanent Working Capital and the Short-term Limit Agreement with Erste&Steiermarkische Bank d.d.

At the extraordinary General Assembly held on 24 September 2021, the following decisions were adopted:

- New members of the Supervisory Board, i.e. the four existing members of the Supervisory Board, were elected for a new term (Davor Tudorović, David Anthony Tudorović, Prof. Darko Prebežac, PhD and Prof. Siniša Petrović, PhD), whose term started on 18 December 2021.
- The Decision on the remuneration of Supervisory Board members was adopted.
- The certified auditing company UHY Rudan d.o.o. from Zagreb was awarded the audit work for 2021.

President of the Board Mr Goran Ražnjević participated as a panellist at the Round Table on the possibilities of financing the economy through the capital market and alternative investment funds and the role of institutional investors in developing the economy, which was organised by the Croatian Chamber of Commerce (HGK) and the Croatian Financial Services Supervisory Agency (HANFA).

On 20 December 2021, the founding meeting of the Supervisory Board. The Supervisory Board consists of Davor Tudorović, David Anthony Tudorović, prof.dr.sc. Siniša Petrović and prof.dr.sc. Darko Prebežac. Goran Medić was appointed as the Chairman of the Supervisory Board, and David Anthony Tudorović as the Deputy Chairman of the Supervisory Board.



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

3.1 Business Model Description

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

- Hotel sector – 4 hotels , 443 rooms,922 beds
- Nautical sector – 805 berths, 2,000 persons
- Camping sector – 1,208 pitches, 3,624 persons
- Destination management company/DMC Ilirija Travel – through which 361 special events for 12,167 persons were organized in 2021
- The real estate sector – City Galleria Business and Shopping Centre in Zadar, one of the two largest shopping centres in the wider Zadar region

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

3.2 Company Business Model and Sustainability



Having tourism activities as the Company's primary activities has significant economic impacts on the society, both at the local and the national level. However, tourism is a highly complex industry that includes numerous shareholders and requires considerable amounts of resources. As such, and depending on the mode of tourism service management, tourism can have the opposite impacts. If tourism services and facilities are managed responsibly and sustainably, tourism has a positive role in the social, cultural, economic and environmental development of the destination and, as such, represents a significant opportunity for the local community.

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

By applying the principle of corporate sustainability and responsibility through the achieved business results, the Company aims to create added value for all stakeholder groups. In 2021, due to challenging business conditions resulting from the COVID-19 pandemic, the Company placed its focus on creating added value towards its employees by retaining full employment, the existing employee's jobs and their financial situation. The concept of corporate sustainability and responsibility also implies preserving natural and environmental resources.

Business model from the perspective of corporate sustainability and responsibility:

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



3.3 Sustainable Business Strategy

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

The sustainable business strategy consists of four main areas:



Corporate responsibility and sustainability



Social community



Responsible and ethical management



Environmental protection

Corporate responsibility and sustainability

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

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

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



Corporate responsibility and sustainability is described in the following documents:

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

Social community

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

The social responsibility strategy is based on the following determinants:

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



Cooperation with the social community is described in the following documents

- **Annual Reports on Corporate Social Responsibility**

Responsible and ethical management

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

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

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



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

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

Environmental protection

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

The Integrated Environmental and Quality Policy

- continuously meeting the needs and expectations of the customers/guests
- continuous concern for people's safety
- continuous commitment to environmental protection, including pollution prevention and sustainable use of natural resources
- continuous compliance with relevant legislation and other binding requirements
- continuous improvement of processes and services and the overall quality and environmental management system to increase the efficiency of quality and environmental management
- continuously improving the knowledge and motivation of employees
- continuous value creation – preservation of ilirija d.d.



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

- **Integrated Environmental and Quality Policy**
- **Internal manuals by sectors**
- **Internal work instructions for the disposal of all types of waste**
- **Domestic and international ecological standards**

3.4 Vision, mission and Fundamental Values

Vision - to permanently secure a position among the 3 leading tourism companies in Northern Dalmatia and among the 15 leading tourism companies in the Republic of Croatia in key segments of the Croatian tourist offer (hotel, nautical, camping), to be and to remain the carrier of tourist and economic development of our region and of the destinations of Biograd na Moru, Zadar and Sv. Filip i Jakov, along with the development of year-round business through complementary and selective tourist offer forms.

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

Fundamental values:



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



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



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



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



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

3.5 Contribution to Achieving the UN Sustainable Development Goals

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



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



Ilirija was among the first ones to recognise the importance of using green energy (energy from renewable resources) and of the transition to environmentally friendlier energy sources (natural and liquefied gas).



The Company believes that economic development and growth are fundamental prerequisites for corporate sustainability and responsibility. Even in extraordinary circumstances, the Company ensured operating stability and profitability, which in turn enabled the retention of full employment and the achieved level of material rights of employees, new employment, continuous trainings and the creation of a stimulating and motivating work environment. One of the fundamental goals of the Company promote and adhere to the principle of sustainable development, which is reflected in recognizing and meeting the needs of tourists, protecting and restoring natural and cultural heritage and preserving the environment, i.e. creating a responsible and sustainable tourism offer by developing year-round business.



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



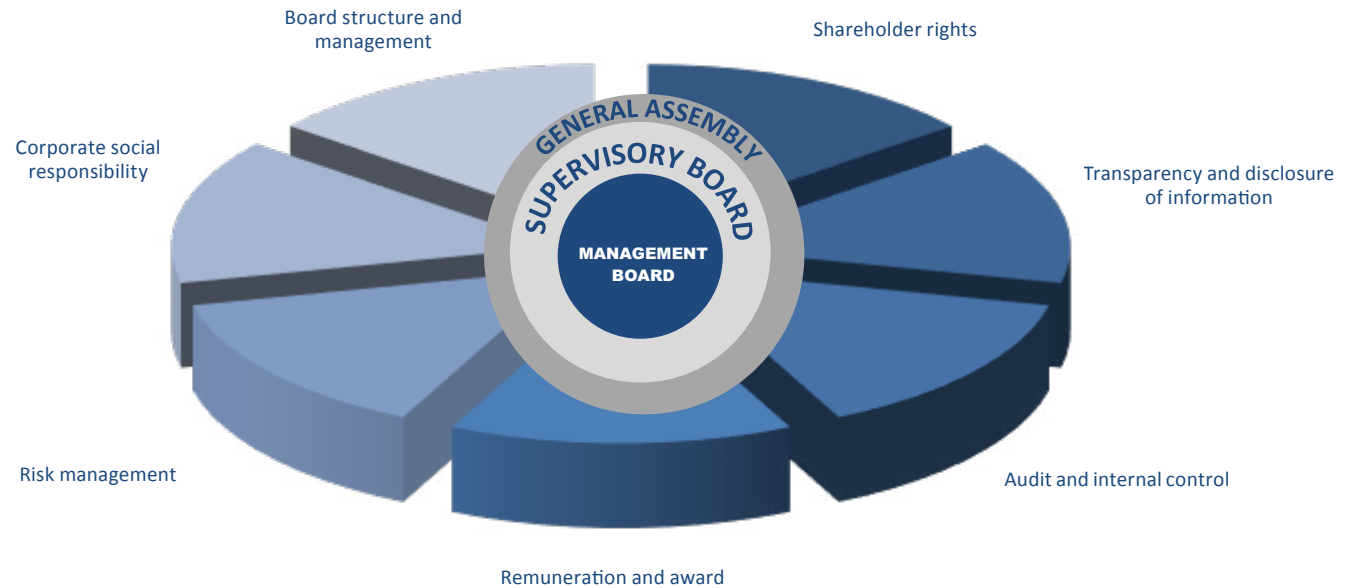
The foundations of the Company's operations are the principles of sustainable and responsible development with a strong emphasis on environmental protection (soil, water, air, waste...). The Protection of the Environment and Horticulture department was established as part of the Safety Service, and the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

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

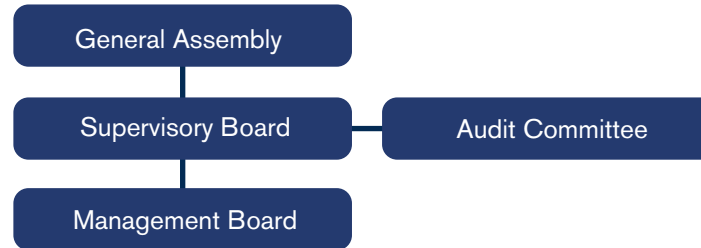
3.6 Corporate Governance and Organisational Structure

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

Corporate Governance is based on seven pillars:



Management structure



General Assembly

The General Assembly consists of all shareholders (owners) of the Company's securities. As at 31 December 2021, the Company had a total of 284 shareholders, who held a total of 2,413,488 shares. The shareholders exercise their rights at the General Assembly. All shareholders of the Company entered in the book of shares, who report their intention to participate in the General Assembly to the Company in person or by proxy shall have the right to participate. Whenever they intend to do so by proxy, they shall submit a written power of attorney no later than six days prior to the holding of the General Assembly. In accordance with the provisions of the Company's Articles of Association and the Companies Act, the General Assembly adopts decisions on the following matters: appointment and dismissal of the Supervisory Board and the Management Board, increase or decrease in the share capital, decisions on the allocation of profit, decisions on dividend distribution, decisions completely or partially excluding the priority right of shareholders for the subscription of new shares, withdrawal or listing of shares from a regulated market, amendments to the Articles of Association, appointment of auditors, decisions on activity change and other matters defined by the law. Significant decisions adopted by the General Assembly in 2021 are indicated in the chapter "Significant Events".

Supervisory Board

The Supervisory Board has five members, who are appointed for a term of four years. The Supervisory Board is responsible for supervising the management of the Company's business activities and appointment of the Management Board members; in addition, it decides on all other matters falling within its scope of competence pursuant to the legal regulations and its Articles of Association. The Supervisory Board has appointed the Audit Committee, which supervises the existence and functioning of internal controls, risk management and financial reporting, as well as independence of external auditors. Significant decisions adopted by the Supervisory Board in 2021 are indicated in the chapter "Significant Events".

At its meeting held on 30 April 2021, the General Assembly adopted a decision on the appointment of the members of the Ilirija d.d. Supervisory Board. It was decided to re-appoint the existing member of the Supervisory Board, Mr Goran Medić from Zadar, Ive Senjanina 12c, PIN: 54770742757, whose term starts on 21 June 2021 with the possibility of re-appointment. Moreover, at the extraordinary meeting of the General Assembly held on 24 September, members of the Supervisory Board, i.e. the four existing members of the Supervisory Board, were elected for a new term (Davor Tudorović, David Anthony Tudorović, Prof. Darko Prebežac, PhD and Prof. Siniša Petrović, PhD), whose term started on 18 December 2021.

On 20 December 2021, the founding meeting of the Supervisory Board. Goran Medić was appointed as the Chairman of the Supervisory Board, and David Anthony Tudorović as the Deputy Chairman of the Supervisory Board.

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

Management Board

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

Ownership structure and achievements on the capital market

The share capital amounts to HRK 229,146,480.00, and it is divided into 2,413,488 no-par-value ordinary shares. As at 31 December 2021, there were no significant changes in the ownership structure, while an overview of the major shareholders of the Company as at 31 December 2021 is provided below.

Owners - shareholders	Number of shares	Share in %
Arsenal Holdings d.o.o. Zadar	1,429.032	59,21
OTP banka d.d./AZ OMF of B category	324.605	13,45
Goran Ražnjević	201.120	8,33
Davor Tudorović	95.744	3,97
OTP banka d.d./AZ mandatory pension fund of A category	69.898	2,90
Zagrebačka banka d.d./AZ Profit voluntary pension fund	68.200	2,83
Goran Medić	40.000	1,66
CERP/Republic of Croatia	33.403	1,38
Zoran Bogdanović	26.216	1,09
OTP banka d.d./Erste plavi expert - voluntary pension fund	9.526	0,39
OTP banka d.d./Erste plavi OMF of A category	8.631	0,36
Ilirija d.d. (treasury shares)	7.833	0,32
Other minor shareholders	99.280	4,11
TOTAL	2.413.488	100,00

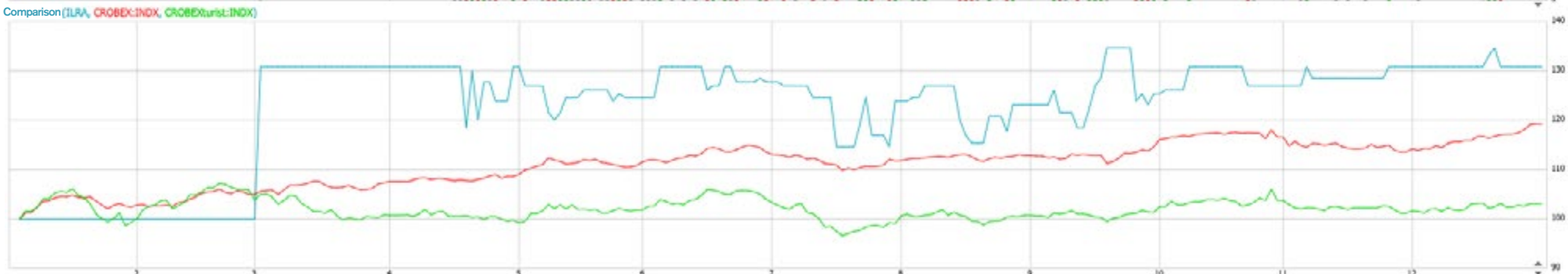
Capital market realisation

(amounts in HRK)	2021	2020	% of change
Total turnover	4.845.205,00	478.429,00	912,73%
Average share price	168,02	174,48	-3,70%
Average turnover per transaction	22.747,44	12.930,51	75,92%
Average daily turnover	57.002,41	25.180,47	126,38%
Last share price	170,00	130,00	30,77%
Market capitalization*	410.292.960,00	313.753.440,00	30,77%
Market capitalization**	405.514.253,76	421.105.386,24	-3,70%
Number of shares:	2.413.488	2.413.488	
<i>*indicated by the methodology of calculation according to the last share price multiplied with number of shares</i>			
<i>**indicated by the methodology of calculation according to the average share price multiplied with number of shares</i>			

In 2021, the turnover of the ILRA share increased significantly compared to the previous business year. In the reporting period, a total of 28,837 shares were traded, with a total turnover of HRK 4,845,205.00, which was a 912.73% higher turnover compared to 2020, when it amounted to HRK 478,429.00. The increase in trading volume, transaction number and total turnover is partly due to the recovery of the capital market, but also due to the decision of the Republic of Croatia as the shareholder, whose shares are managed by the Centre for Restructuring and Sale, based on which decision the amount of IRLA shares in its portfolio were reduced by transferring them to physical persons free of charge, i.e. to Croatian veterans of the War of Independence and family members of fallen and missing Croatian veterans of the said war, and with the Decision on placing IRLA shares on the list of shares to be transferred to previous owners of seized assets, which has led to an increase in the turnover of the ILRA share on the capital market.

The last share price amounted to HRK 170.00, which is a 30.77% increase compared to the last share price in 2020, which amounted to HRK 130.00. As a result, market capitalization grew as a product of the last share price and the number of shares, and for the reporting period it amounted to HRK 410,292,960.00, while the market capitalization expressed by the methodology of multiplying the average price and the number of share amounted to HRK 405,514,253.76 and is 3.70% lower due to a decrease in the average share price.

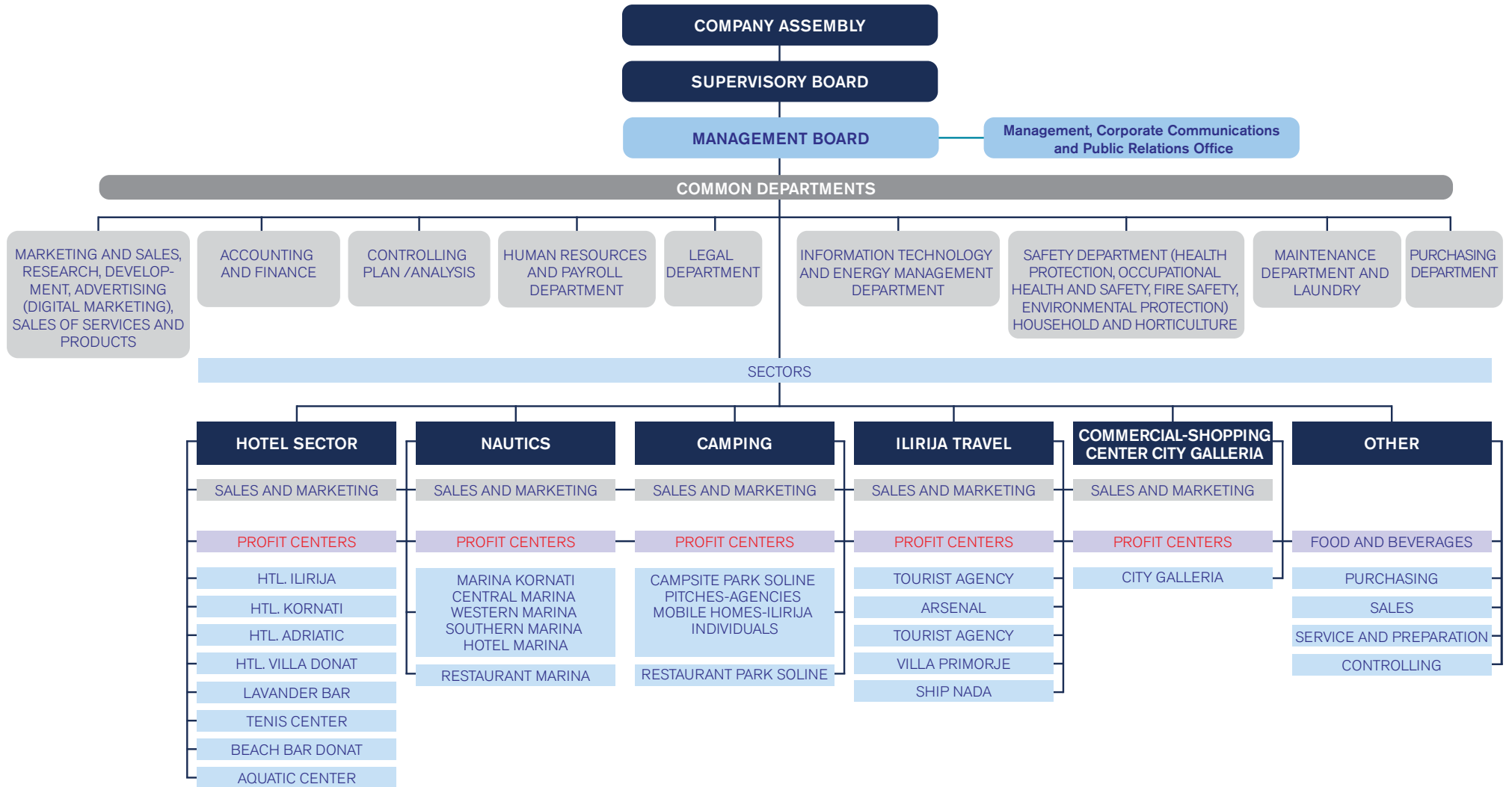
In the same period, the ILRA share price increased by 0.59%, i.e. from HRK 130.00, at the beginning of the year, to HRK 170.00 per share as at 31 December 2021. This growth is higher than the growth of the CORBEX index (19.55%) and the CROBEXtulist sector index (3.25%) in 2021.



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Organizational structure



Types of risks



Financial risks



Regulatory risks



Environmental and health risks



Other risks



Risk in activities

3.7 Risks and Risk Management

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

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



Financial risks

Currency risk – the prices of accommodation services are linked to foreign currencies, predominantly to the Euro, the value fluctuations of which may affect business results. Exposure to the currency risk is also the result of borrowing based on loans, the agreed amounts of which are denominated in Euro.

Credit risk – the repayment obligation regarding loans taken out with a currency clause, which the Company uses in proportion to its business load, depends on the movements of the exchange rate of the Kuna against the Euro. Negative aspects of exchange rate fluctuations with respect to loans are compensated by the fact that a significant portion of the Company's revenues are realised in the same currency (EUR). Indebtedness of the Company with the commercial bank is mainly subject to fixed interest rates, so taking this into consideration, 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. Financial assets that may potentially expose the Company to credit risk are cash and trade receivables. Trade receivables pertaining to certain customers may entail credit risk, depending on the level of turnover realised with certain customers and the general state of liquidity in the country. Trade receivables are reported with reference to real values. The Company actively monitors and manages trade receivables, at the same time taking especially into account the difficult collection-related circumstances caused by the COVID-19 pandemic; where possible, it applies the measures of collection in instalments; and, if necessary, eventually undertakes measures of enforced collection, including by activating security instruments for the purpose of collection of its claims. An adjustment of the value of trade receivables is indicated when there is objective evidence that the Company will not be able to collect all of its claims in accordance with the agreed terms. Apart from the aforementioned, the Company has no exposure to any other significant credit risk.

Liquidity – implies maintaining a sufficient amount of money in order to settle the Company's liabilities. One of its primary goals in the significantly changed business environment and in the absence of the hospitality and tourism industry activities caused by the global COVID-19 pandemic is to maintain its current liquidity for the duration of the global pandemic. The Company is, therefore, undertaking activities to diversify its existing and secure new financing sources to overcome this period, it is trying to minimize and optimize all of its operating costs, and is actively cooperating with all significant creditors by settling the liabilities they had at the moment of the declaration of the global pandemic.

Price risk – 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.



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 under Art. 48 and 49 of the Constitution of the Republic of Croatia.

Pursuant to the Act on Tourism and Other Construction Land Not Evaluated in the Transformation and Privatization Process (hereinafter: the Act), adopted in July 2010, the Company submitted to the Republic of Croatia, within the legally prescribed deadline, i.e. In January 2011, a request for a concession on tourism land for the "Park Soline" Camp in Biograd na Moru for a period of 50 years. Due to unclear provisions of the Act, no decision has been rendered 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 its repealing (May 2020). 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.

In the meantime, in May 2020 the new Act on non-evaluated construction land was adopted, and thus the Act on tourist and other construction land not evaluated in the transformation and privatization process ceased to have effect. The new Act provides for the right of tourism companies to submit an application for leasing construction tourist land for a period of 50 years. In March 2021 the Company submitted the appropriate application for leasing construction land of the camp site for a period of 50 years to the competent authority of the Republic of Croatia, that is, to the Ministry of Physical Planning, Construction and State Assets. Under the provisions of the Act on non-evaluated construction land, a company shall become the owner of buildings, land under buildings and land in the campsite that were evaluated and entered into the value of social capital in the conversion and privatization process, while the Republic of Croatia shall become the owner of buildings and land in the campsite that were not evaluated and entered into the value of social capital in the conversion and privatization process (so called Parts of the campsite owned by the Republic of Croatia).

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 January 13, 1999 and in accordance with Article 22 of the Act on Maritime Domain and Seaports (hereinafter: AMDSP) 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 Ilirija d.d., the concession term was extended to them in marinas by a period of 50 years. The mentioned request is yet to be decided on.

In February 2015, a request was submitted for an extension of the concession term to the County of Zadar for the Ilirija-Kornati hotel port, to 30 years, while a request for an extension of the concession was also previously submitted for the open swimming pool in Biograd na Moru. The request has not yet been decided on, and the Company duly settles the concession fee in the agreed amount.

Environmental and health risks

Hospitality and tourism, as core business activities, are still, until the publication of the 2021 Sustainability Report, not covered by the Taxonomy Regulation because these are low-carbon activities or activities that are not significant environmental pollutants.

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 organisational elimination of sudden and accidental risks of this nature to the highest degree possible with the aim of providing maximum protection of the lives and health of the guests and employees as well as of the assets and activity. It also carries out significant activities to keep the ecosystem stable and clean, to reduce the consumption of natural resources and energy (use of renewable and cleaner energy sources).



Accordingly, in terms of safety and security, including environmental and health issues, the Company bases the system on:

- 1) monitoring all applicable legal regulations and ordinances and alignment with them,
- 2) the development and adoption of own policies including the Environmental and Quality Policy, Ordinance on Occupational Safety and Fire Protection as well as the development of internal procedures
- 3) development of annual plans and activities for each of these areas,
- 4) implementation of domestic and international standards, and
- 5) continuous key stakeholder trainings.

A detailed description of and approach to environmental management as well as Company activities in this area are described in the chapter Corporate Environmental Responsibility.

The following environmental risks were identified within the Company: **hurricane-force winds, rising sea levels or tidal waves, environmental pollution (air, water, coast and soil), fuel leakage into the environment and fires as a result of either extreme weather conditions or human factors.**

Health risks include epidemics of infectious and easily transmitted diseases. With the outbreak of the global COVID-19 pandemic with extremely negative impacts on the businesses in almost all industries, those most affected being the travel, tourism and hospitality industries, which also comprise the Company's core business, the risk of COVID-19 is both the most serious and the biggest risk the company has faced so far. In the year of pandemic, the Health Control followed the recommendations and measures of the Institute of Public Health and decisions of the Civil Protection Headquarters and implemented these into its operational processes in order to create a safe destination for the guests and a safe working environment for the employees. Moreover, in addition to aligning business processes with applicable legal regulations, the Company bases its management system on standards, including the ISO 9001:2015 quality management system, the Company – Friend of Health certificate, while the HACCP system has been implemented in all hospitality facilities.

Business risks

Business risks include risks related to the tourism industry or other key obstacles or limitations in the development of Croatian tourism in general, and thus of tourism companies, including Ilirija. With regard to the forgoing, we present an overview of the key obstacles, that is, of the risks and restrictions with regards to development of and investments in Croatian tourism:

- (I) The unresolved issue of ownership since the moment of conversion, that is, property-legal, physical planning-urban and economic use and utilization of the construction tourism land in campsites and around hotels,
- (II) inadequately resolved or unresolved issue of conversion on the maritime domain, i.e. 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, to the provisions of Article 49 of the Constitution
- (III) VAT rate on services in tourism and hotel industry is much higher than in competitive countries, which consequently makes Croatian tourism less competitive, hinders and slows down further investments both in the construction of new accommodation facilities and in improvement of the existing services and standards, affects new employment and salaries in tourism and hospitality,
- (IV) insurmountable obstacles regarding existing bureaucracy, administrative barriers, frequent changes of regulations,
- (V) complex and time-consuming procedure of issuing spatial plans and issuing building and operating permits, permits,
- (VI) inadequate management of the area by regional or local self-government,
- (VII) cancellation of previously acquired rights in urban and spatial plans through conversion of use primarily of construction and tourism land for other non-commercial and non-economic purposes,
- (VIII) fiscal and parafiscal benefits unsuitable to seasonal business activities with frequent changes in fiscal regulations.

Other risks

Other risks include geopolitical risks as a result of security and political changes and instabilities as well as economic and financial crises at the regional or global level that the Company closely monitors and will counteract their potential negative effects by adapting its business processes and activities to the new circumstances, with the goal of increasing the resilience of its business system by adapting and strengthening its commercial, operational and financial resilience.



3.8 Dialog with Stakeholders

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



The business year 2021, and especially its first half, continued under significantly changed circumstances due to the COVID-19 pandemic, as was partially reflected in the communication with the Company's stakeholders, as special focus was put on communication being digital/electronic:

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








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

Communication with guests/customers takes place through






2 Employees – considering that employees are the key to the success of every business system and the overall business process, the Company focused on retaining its able-bodied, highly-qualified and expert employees at all levels in the conditions of the global pandemic in 2021. In such persistently difficult circumstances, the Company retained full employment despite the significantly limited scope of its business activities and had 268 employees as at 31 December 2021, and it retained its employees also after the high season ended.

Communication with employees was done in compliance with epidemiological measures, by means of:

				
daily, weekly and monthly meetings held if necessary at the level of operating business activities, with compliance with epidemiological measures,	meetings of the Board and Management,	email notifications, and	notifications via message board i	social media

3 Shareholders (owners) or holders of capital exercise their rights through the General Assembly. As at 31 December 2021 the Company had a total of 284 shareholders, holding a total of 2,413,488 shares, which, compared to the previous year when it had 186 shareholders, marked considerable growth due to a decision of the Republic of Croatia as the shareholder, whose shares are managed by the Centre for Restructuring and Sale (CERP), on reducing the amount of IRLA shares in its portfolio and transferring them to physical persons free of charge, i.e. to Croatian veterans of the War of Independence and family members of fallen and missing Croatian veterans of said war and the Decision on placing IRLA shares on the list of shares to be transferred to previous owners of seized assets.

The Company maintains regular communication with its shareholders through:

				
The General Assembly – in 2021 two meeting of the General Assembly were held,	financial statements (quarterly, semi-annual and annual),	corporate notices,	company websites and	Annual Corporate Social Responsibility Report for 2020

4 and 6 The state and the local community – the Company, as the leading economic entity at the local level, as well as one of the three leading companies in the region and 15 leading tourism companies in the Republic of Croatia, creates new values; that is, products and services, creates new jobs and employs locals and thus contributes to active development of tourism as one of the key industries in the Republic of Croatia, in accordance with the legal regulations and codes of conduct.

In 2021, communication with the national and local community took place through:



membership in business and professional associations, tourist board systems at the local, regional and national level,



corporate philanthropy,



participation in legislative initiatives, independently and through business and professional associations,



participation in conferences and lectures (online),



publications and communications, and the



Annual Corporate Social Responsibility Report for 2020

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



775

suppliers



96,55%

turnover with Croatian suppliers

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



knowledge sharing



improving the business process of both parties, and



creating a quality product or service for both parties.

In 2021, communication with suppliers took place through:



regular communication (oral and written, with focus on online communication),



contracts,



mutual visits, and



the exchange of knowledge

7 Bank – in 2021, the Company continued its continual process of improving its reporting system, with an emphasis on transparency, comprehensiveness, completeness and timeliness of disclosure of all key financial and operational performance indicators, as well as corporate notifications and actions, with special focus on informing key stakeholders on the effect of the COVID-19 pandemic on the Company's business activities.



Timely publication of full, transparent and complete financial statements,



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



The cooperation is based on mutual trust

The Company's stakeholders include a commercial bank and a leasing company as financial institutions, with which it 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. This continued in 2021, when it allowed the Company to preserve and improve its current liquidity by postponing leasing and long-term loan liabilities due and to convert its loans in the first half of the year.

Material topics

To prepare the Sustainability Report for 2021, the Company used data from the last conducted identification of material topics, taking into consideration the fact that the communication with shareholders demonstrated that there had been no significant change in material topics defined in 2018.

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

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

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

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

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

Economic topics:

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

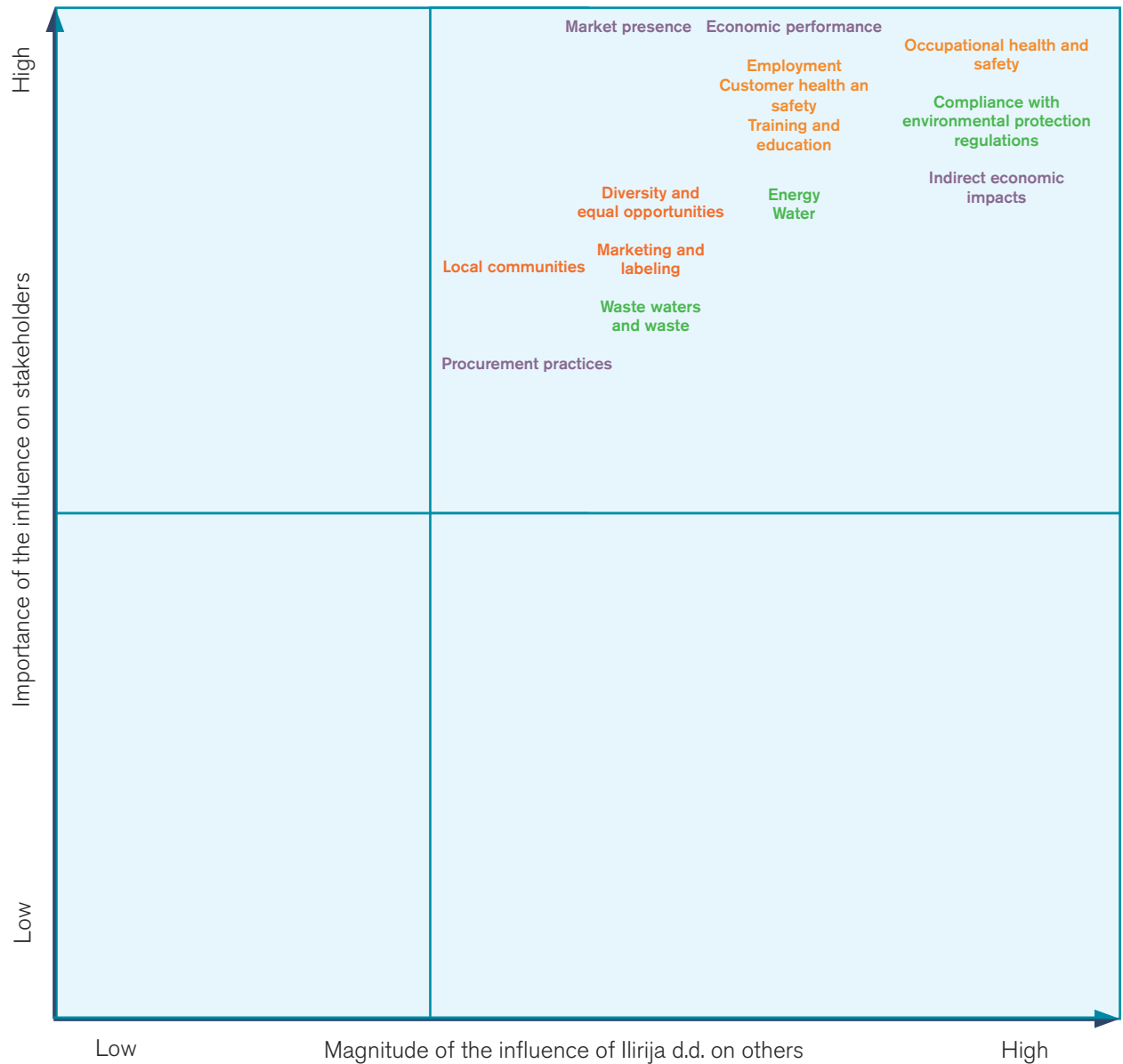
Environmental topics:

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

Social Topics

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

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



An aerial photograph of a coastal town with red-tiled roofs and a marina, situated on a peninsula. The town is surrounded by lush green trees. In the foreground, there is a sandy beach with colorful umbrellas and a small swimming area. The water is a deep blue, and several small, forested islands are scattered throughout the bay. In the background, there are rolling hills and mountains under a clear blue sky.

4 | OPERATING RESULTS IN 2021

4.1 Management of the Economic Aspect of Business

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

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



4.2 Operating Results in 2021

The data related to the chapter Operating Results in 2021 were taken from the Annual Report for 2021 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 25 February 2022. Ilirija d.d. is not required to draw up consolidated financial statements.

The first half of the year was uncertain and unpredictable for the entire tourism sector, with business activities being heavily influenced by the pandemic. However, despite these circumstances, the company successfully met its key business objectives in these extraordinary, i.e. very challenging conditions during the second consecutive business year marked by the global COVID-19 pandemic, thanks to highly intense tourism activity in the second half of the year.

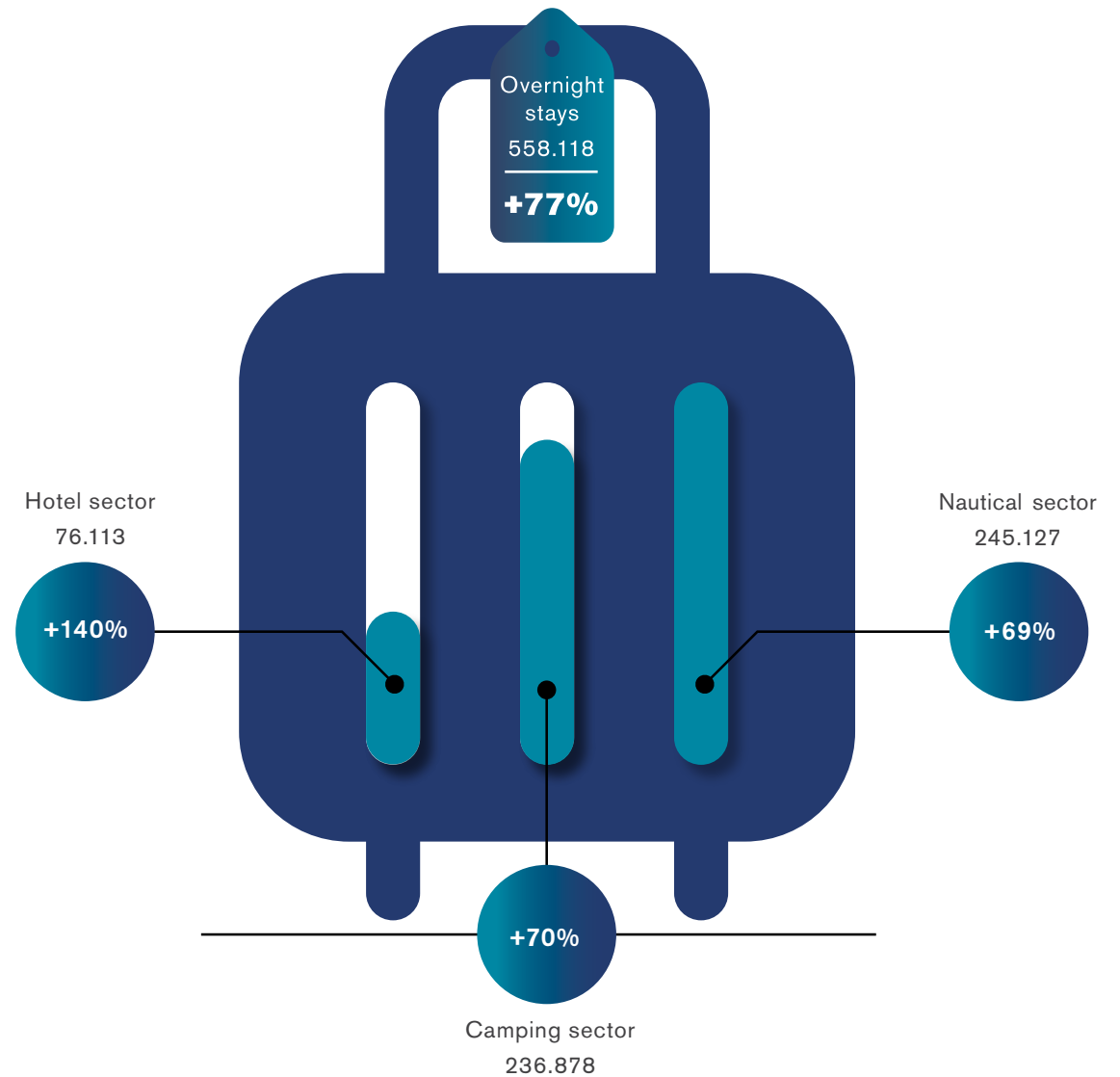
Having normalised the business activities (that were at the pre-pandemic level) in the third quarter, the company achieved market recovery as shown by the achieved business results that are close to those achieved in 2019, especially in the area of profitability, while the financial position indicators recorded growth.

The Company found the achieved business results (physical, financial and profitability indicators) exceptionally successful, considering the circumstances of the business year. They were also a display of exceptional resilience, flexibility and liquidity that greatly contributed to the Company's stability and the achievement of key objectives in the business conditions affected by the pandemic.

1. The business year is still greatly affected by the pandemic
2. Primary objective, protection and preservation of health and life of employees and guests
3. preservation of long-term business activities, assets, capacities and full employment
4. considerable growth in business activities in all sectors
5. Achieving a high level of resilience (commercial, financial and operational)
6. Business results come close to the achievements from the company's best business year, i.e. 2019

Physical operating results

In the Company's tourism sectors, with an exception of the nautical sector, business activities were mostly carried out in the third quarter of the business year due to the improvement of the epidemiological situation and the relaxation of measures and travel restrictions. As a result, the largest proportion of the turnover, physical and financial, was realized in the hotel and camping sectors and the destination management company in the period from mid-July to the end of September. Further to the above, the Company considers the achieved business results to be extremely successful. We would especially like to point out the achievements in the nautical sector, i.e. in the operations of Marina Kornati, which has achieved by far the best financial results since the beginning of its business activities, including the period before the pandemic.



Overview of key physical indicators of business activities in 2021

Physical indicators	2021	2020	2019	INDEX 2021/2020	INDEX 2021/2019
Hotel sector					
Number of accommodation units	443	443	443	100,00	100,00
Overnight stays of tourist	76.113	31.738	146.815	239,82	51,84
Occupancy days	80	33	165	242,42	48,48
Annual occupancy	21,98%	8,94%	45,30%	245,86	48,52
Nautical sector					
Number of berths	805	805	805	100,00	100,00
Contracted vessels	719	717	740	100,28	97,16
Transit berth, overnight stay of vessels	10.219	9.799	11.227	104,29	91,02
Transit berth, inbound sail of vessels	2.667	1.585	3.418	168,26	78,03
Port service - number of operations	3.554	2.831	3.688	125,54	96,37
Days of work	365	365	365	100,00	100,00
Camping					
Number of accommodation units	1.208	1.208	1.220	100,00	99,02
Days of work	198	275	275	72,00	72,00
Occupancy days	98,36	116,72	149,72	84,27	65,70
<i>Mobile homes</i>	77,57	40,87	94,45	189,80	82,13
<i>Individuals</i>	31,94	13,14	45,36	243,07	70,41
<i>Fixed lease</i>	198,00	275,00	275,00	72,00	72,00
<i>Lump sum</i>	198,00	275,00	275,00	72,00	72,00
Occupancy	49,73%	42,44%	54,44%	117,18	91,35
<i>Mobile homes</i>	39,18%	14,86%	34,35%	263,66	114,06
<i>Individuals</i>	16,13%	4,76%	16,49%	338,87	97,82
<i>Fixed lease</i>	100,00%	100,00%	100,00%	100,00	100,00
<i>Lump sum</i>	100,00%	100,00%	100,00%	100,00	100,00
Overnight stays of tourists	236.878	139.052	290.487	170,35	81,55

Overview of key physical indicators of business activities in 2021 (continued)

Physical indicators	2021	2020	2019	INDEX 2021/2020	INDEX 2021/2019
Ilirija Travel					
Number of events	361	106	609	340,57	59,28
Number of persons (events)	12.167	9.658	54.749	125,98	22,22
Real Estate					
Number of lessees	37	36	37	102,78	100,00
Common contracts	36	35	36	102,86	100,00
Common areas	26	22	21	118,18	123,81
Advertising space	8	8	8	100,00	100,00
<i>Garage - number of parking space</i>	410	410	410	100,00	100,00
Rented area (m2)	9.924,60	9.924,60	9.897,60	100,00	100,27
Number of vehicles in the garage	669.197	599.329	763.982	111,66	87,59

Hotel sector

After a drastic decline in business activities in the previous business year, in 2021, the hotel sector recorded a recovery. The achieved operating results are a direct consequence of the global pandemic, which significantly affected tourism and hospitality, especially the hotel sector. The business year 2021 in the hotel sector was marked by two periods with significantly different effects on business. The first six months saw a partial liberalisation of measures, but also a continuation of negative consequences of the COVID-19 pandemic, as well as a series of restrictions in outbound markets. Within the third quarter, the hotel sector operations experienced a revival with the introduction of COVID certificates, establishment of a network of PCR testing sites, easing of the travel restrictions and a significant rise of vaccination rates in our outbound markets.

In 2021, the hotel sector recorded 17,875 guest arrivals, or 138% more than in 2020, when it recorded 7,515 arrivals. In comparison with 2019, this number corresponds to 39% of arrivals recorded that year. The 76,113 overnight stays recorded represent an increase of 140% in comparison to the 31,738 overnight stays recorded in the previous year, whereas in comparison to 2019, this number corresponds to 52% of overnight stays recorded that year, which was the best business year of the hotel sector so far. Along with an increase in turnover in all segments, the most significant changes in sales channels are linked to the decreased share of individual guests from the previous 43.6% in 2020 to 39.7% in 2021 (only 18.2% was recorded in 2019), with the continuation of a complete lack of fixed-lease. The groups increased their market share from 17.6% in the previous year to the 20.4% generated, while the allotment, i.e. business activities with agencies and tour operators with a share of 39.9%, was reduced to the main season.

The total hotel sector revenue amounted to HRK 31,002,857.24, representing a 133% increase compared to the previous year's revenue, i.e. 52% of the revenue generated in 2019. The revenue per room in 2021 thus amounted to EUR 115.94, which represents a decrease of 5.8% compared to the EUR 122.33 of revenue per room realised in the previous year, and at the same time an increase of 4.93% compared to the pre-pandemic 2019, all of this being a direct consequence of the season's character.



76.113 + 140%
Overnight stays



HRK 31.002.857,24 + 133%
Revenue



HRK 69.983,88 + 33%
TRevPAR



Key market and financial indicators of hotel sector

	2019	2020	2021	2021/2019	2021/2020
HOTEL SECTOR - MARKET INDICATORS					
Average daily rate of the accommodation unit (ADR) *	675,59 kn	691,76 kn	709,52 kn	5,02%	2,57%
Revenue per accommodation unit (RevPAR) on a total number of days basis in period **	306,07 kn	61,68 kn	155,95 kn	-49,05%	152,83%
Revenue per accommodation unit (RevPAR) on an open days basis **	486,98 kn	209,97 kn	382,71 kn	-21,41%	82,27%
HOTEL SECTOR - FINANCIAL INDICATORS					
Operating revenues	59.784.757,62 kn	13.317.286,13 kn	31.002.857,24 kn	-48,14%	132,80%
Revenues from board services	49.489.726,53 kn	10.000.761,78 kn	25.215.545,42 kn	-49,05%	152,14%
TRevPAR ***	134.954,31 kn	30.061,59 kn	69.983,88 kn	-48,14%	132,80%
Operating costs ****	39.698.470,55 kn	15.899.206,79 kn	23.668.148,57 kn	-40,38%	48,86%
Gross operating profit (GOP) *****	20.086.287,07 kn	-2.581.920,66 kn	7.334.708,67 kn	-63,48%	-384,08%
GOP per accommodation unit	45.341,51 kn	-5.828,26 kn	16.556,90 kn	-63,48%	-384,08%
GOP margin*****	33,60%	-19,4%	23,7%	-29,59%	-222,03%
Capital investments	4.981.655,88	1.035.669,03	670.593,23	-86,54%	-35,25%

Notes:

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

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

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

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

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

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

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

Nautical sector

Despite the challenging business conditions for most of the business year, the nautical sector generated by far the best results since its establishment and the beginning of business activities. The physical and financial results and profitability indicators of the nautical sector were largely generated by the results achieved in the vessel accommodation segment, i.e. Marina Kornati.

The 2021 financial results of the nautical sector are the best since the beginning of business operations, of which the revenue increased by 13% or HRK 5,815,611.00 compared to 2020, while compared to 2019 it increased by 1% or HRK 575,188.00. The most significant revenue of the nautical sector was generated in the vessel accommodation segment, i.e. the Marina Kornati profit centre. Marina Kornati generated a total of HRK 42,234,732.00 in revenue, while in 2019 the total generated revenue amounted to HRK 40,880,697.00, representing a 3% decrease, and 2020 saw a total of HRK 39,046,817.00 in generated revenue, or 8% less. The increase in revenue in the Marina Kornati business unit is responsible for the best business result so far in the nautical sector.

Gross operating profit of the entire nautical sector was generated in the amount of HRK 29,253,065, representing a 14% increase compared to the previous year, i.e. 7.39% compared to 2019, resulting in the increase of the GOP margin, which for the reporting period amounted to 59.5%.

In terms of the physical operating results, compared to the pre-pandemic period, i.e. in 2019, except for the item contracted berth – individual, achieved at the level of the 2019 results, physical indicators achieved in 2021 with regard to all other items are lower compared to the pre-pandemic period, specifically the contracted berth – charter by 7 %, transit berth – vessel arrival by 22%, transit berth – vessel overnight stays by 9% while the port service is lower by 4%. All aforementioned physical items of Marina Kornati's business generated growth compared to 2020.





Key market and financial indicators of nautical sector

	2019	2020	2021	2021/2019	2021/2020
MARKET INDICATORS (MARINA KORNATI)					
Berth contract:					
Revenue from berth contracts	30.107.719,00 kn	29.990.268,00 kn	31.350.024,00 kn	4,13%	4,53%
Aver. revenue from berth contracts	40.686 kn	41.827 kn	43.602 kn	7,17%	4,24%
Transit berth:					
Revenue from transit berth	2.820.560,00 kn	1.975.212,00 kn	2.508.845,00 kn	-11,05%	27,02%
<i>Aver. revenue per overnight stay (transit berth)</i>	251 kn	202 kn	246 kn	-2,28%	21,80%
Servicing:					
Revenue from servicing	2.767.731,00 kn	2.740.561,00 kn	3.062.774,00 kn	10,66%	11,76%
Aver. revenue per service operation	750 kn	968 kn	862 kn	14,83%	-10,98%
Parking:					
Revenue from parking	2.232.293,00 kn	1.374.862,00 kn	2.270.939,00 kn	1,73%	65,18%
Aver. revenue per parking place	4.465 kn	2.750 kn	4.542 kn	1,73%	65,18%
Business cooperation:					
Revenue from business cooperation	2.450.017,00 kn	2.464.335,00 kn	2.483.908,00 kn	1,38%	0,79%
Aver. revenue from business cooperation	49.000 kn	50.293 kn	48.704 kn	-0,60%	-3,16%
FINANCIAL INDICATORS - TOTAL NAUTICS					
Operating revenues	48.610.539,00 kn	43.370.116,00 kn	49.185.727,00 kn	1,18%	13,41%
Operating revenues per berth	60.386 kn	53.876 kn	61.100 kn	1,18%	13,41%
Operating costs*	21.369.247 kn	17.799.241 kn	19.932.662 kn	-6,72%	11,99%
Gross Operating Profit (GOP) **	27.241.292 kn	25.570.875 kn	29.253.065 kn	7,39%	14,40%
GOP per berth	33.840 kn	31.765 kn	36.339 kn	6,53%	14,40%
GOP margin ***	56,0%	59,0%	59,5%	6,13%	0,87%
Capital investments	1.441.883 kn	1.417.954	539.476 kn	-62,59%	-61,95%

Notes:

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

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

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

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

Camping sector

The guest accommodation segment of the camping sector, i.e. the "Park Soline" campsite, recorded 34,586 arrivals and 236,878 overnight stays in a very short and intense period of business activities, i.e. the period between April and the end of September 2021, most of which was generated during peak season. This represents 83%, or 82% of the results from 2019. At the same time, in comparison to the previous year, arrivals increased by 74% and overnight stays by 70%. An increase in overnight stays was realised in all key market segments of the camp, with special emphasis on the strong increase recorded in the individual guests (+ 151%) and mobile homes segments (+ 83%).

An increase in capacity occupancy by 17.06% was also recorded, as well as a 99.17% increase in the average price and a 133.35% increase in accommodation revenue per campsite unit, based on campsite unit occupancy on the basis of days of availability. The Company considers the achievements of the camping sector, i.e. the "Park Soline" campsite, to be exceptionally successful given the circumstances of the business year, i.e. the absence of a pre-season as well as the later start of the peak season and its much earlier end.

The gross operating profit (GOP) of the camping sector in the amount of HRK 18,093,985.58 is by far the best ever, i.e. it is 8% higher compared to 2019, and 151% higher compared to 2020.

 **HRK 33.399.299,81**
+70%

Camping sector revenue

 **HRK 30.131.572,28**
+ 67%

„Park Soline“ campsite

 **HRK 3.267.727,53**
+103%

Restaurant „Park Soline“



Key market and financial indicators of camping

	2019	2020	2021	2021/2019	2021/2020
MARKET INDICATORS - CAMPSITE "PARK SOLINE"					
Average daily rate of the camp unit (ADR)*	174,24 kn	126,42 kn	251,79 kn	44,51%	99,17%
Revenue from accommodation per camp unit (RevPAR) on a basis of 365 days **	71,47 kn	40,32 kn	67,92 kn	-4,97%	68,47%
Revenue from accommodation per camp unit (RevPAR) on an open days basis **	94,86 kn	53,66 kn	125,21 kn	31,99%	133,35%
FINANCIAL INDICATORS - TOTAL CAMPING					
Operating revenue	35.305.818,53 kn	19.609.983,95 kn	33.399.299,81 kn	-5,40%	70,32%
TRevPAR ***	28.939,20 kn	16.233,43 kn	27.648,43 kn	-4,46%	70,32%
Operating costs ****	18.534.768,73 kn	12.399.882,65 kn	15.305.314,23 kn	-17,42%	23,43%
Gross Operating Profit (GOP) *****	16.771.049,80 kn	7.210.101,30 kn	18.093.985,58 kn	7,89%	150,95%
GOP per accommodation unit	13.746,76 kn	5.968,63 kn	14.978,46 kn	8,96%	150,95%
GOP margin *****	47,5%	36,8%	54,2%	14,05%	47,34%
Capital investments	14.745.262,56 kn	8.528.791,84 kn	5.577.407,96 kn	-62,17%	-34,60%

Notes:

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

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

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

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

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

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

Ilirija Travel



Revenue growth 101%



Event growth 241%

The destination management company Ilirija Travel, the operations of which are based on the development of the offer through the organisation of various types of events and programmes, is recording a positive trend even though the nature of its services consists of different types of events which build on gathering a large number of persons. In the reporting period, 361 events were organised, which gathered 12,167 persons and generated a revenue of HRK 4,085,506.22 which was partly realised in profit centres of other sectors.

In comparison to the previous year, significant increase was achieved as regards all indicators, indicating a slight recovery of the sector. However, considering the nature of services within the sector, the complete absence of a pre-season and the imposed epidemiological measures resulted in inability to achieve significant recovery and business results similar to those recorded before the pandemic, meaning also that the results achieved were significantly lower in comparison to the period before the pandemic, i.e. 2019.

Business events realised in 2021 and a comparison with 2019 and 2020

	Number of events in 2019"	Number of events in 2020	Number of events in 2021"	Number of guests in 2019"	Number of guests in 2020	Number of guests in 2021"	Total REVENUE in 2019	Total REVENUE in 2020	Total REVENUE in 2021	INDEX 2021/2019	INDEX 2021/2020
							1	2	3		
TOTAL	609	106	361	54.749	9.658	12.167	11.037.358,47 kn	2.032.556,02 kn	4.085.506,22 kn	37	201



City Galleria Business and Shopping Centre

Disruptions in business operations caused by the global coronavirus pandemic in 2021 greatly affected all tenants of the centre. Despite the listed negative indicators and limiting epidemiological measures, the Company's responsible business practices and the additional regulation of the collection of rent from particular tenants, taking into consideration the impact of the pandemic on their business operations, the business premises retained a high occupancy rate. As at 31 December 2021, the occupancy of the centre amounted to 99.77% of all capacities, that is, 37 commercial lease agreements were active, with a surface area ranging from 9,80 m² to 1.836 m², which achieved the key objective of maintaining the existing lease agreements.

The real estate sector generated a revenue of HRK 13,076,060.86, representing an increase of 2% compared to the previous year, when HRK 12,778,034.32 were generated, while at the same time it corresponded to 92% of revenue generated in 2019. The increase in revenue can partly be attributed to maintaining a high occupancy rate within the Centre in combination with a considerably larger number of visits, with the increase in question largely consisting of revenue from leasing parking spaces in the garage, which increased by 36%.



99,77%

Occupancy rate



HRK 13.076.060,86
+ 2%

Operating revenues



HRK 2.098.477,86
+439%

Capital investments



a banka

SPAR

Lagabacka banka

Müller

CCC

SPAR

GIMs & YOU
2. KAT

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

	2019	2020	2021	2021/2019	2021/2020
MARKET INDICATORS					
Average monthly rent earned per m ² of premises (AMR)*	79,36 kn	69,74 kn	68,38 kn	-14%	-2%
Average rent earned per m ² of premises for the period	952,08 kn	836,88 kn	820,56 kn	-14%	-2%
Average revenue from the garage per parking space for the period**	2.148,90 kn	1.480,87 kn	2.017,62 kn	-6%	36%
COMMERCIAL TURNOVER:					
Premises - number of active contracts	37	36	37	0%	3%
Shared costs - number of active contracts	36	35	36	0%	3%
Common areas - number of active contracts	21	22	26	24%	18%
Advertising space - number of active contracts	8	8	8	0%	0%
Garage - number of parking spaces	410	410	410	0%	0%
Garage - turnover of vehicles	763.982	599.329	669.197	-12%	12%
FINANCIAL INDICATORS					
Operating revenues	14.255.205,21 kn	12.778.034,32 kn	13.076.060,86 kn	-8,27%	2,33%
Operating costs***	6.068.418,99 kn	5.433.616,27 kn	6.024.943,01 kn	-0,72%	10,88%
Gross Operating Profit (GOP) ****	8.186.786,22 kn	7.344.418,05 kn	7.051.117,85 kn	-13,87%	-3,99%
GOP margin *****	57,4%	57,5%	53,9%	-6,11%	-6,18%
Capital investments	407.143,91 kn	389.176,69 kn	2.098.477,86 kn	415,41%	439,21%

Napomene:

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

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

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

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

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

Financial operating results

All key items of the 2021 operating results, the financial operations results, the profitability and financial position indicators all generated significant growth in comparison to the previous year.

With a total of HRK 134,831,127.96 in total generated revenue, the Company saw a growth of 38% compared to the previous year, while simultaneously generating 80.35% of revenue from 2019 that amounted to HRK 167,797,556.86, its best business year in the area of the realisation of revenue to date. It should especially be noted that the nautical sector generated by far the best business results so far, making the achievements of the nautical sector all the more significant.

From the aspect of operating profitability indicators, the company saw their strong recovery. The profit before tax generated amounted to HRK 26,359,486.03 and was 1,580% higher compared to the previous year, while 84% of the revenue generated in 2019 or the pre-pandemic period was realised. Furthermore, EBITDA was realised in the amount of HRK 48,789,796.17, marking a 129% growth. or HRK 27,494,895.09 compared to 2020, while being at 97% of the results from 2019. A strong increase in the profitability indicators, especially in the EBITDA area and its realisation were almost at the 2019 level, representing the Company's strong recovery and resilience due to the increase and positive realisation of profitability indicators in all sectors, except for the destination management company. In the nautical and camping sectors all profitability indicators saw growth, even compared to 2019, which mostly influenced the Company's realised profitability, along with rational cost management.

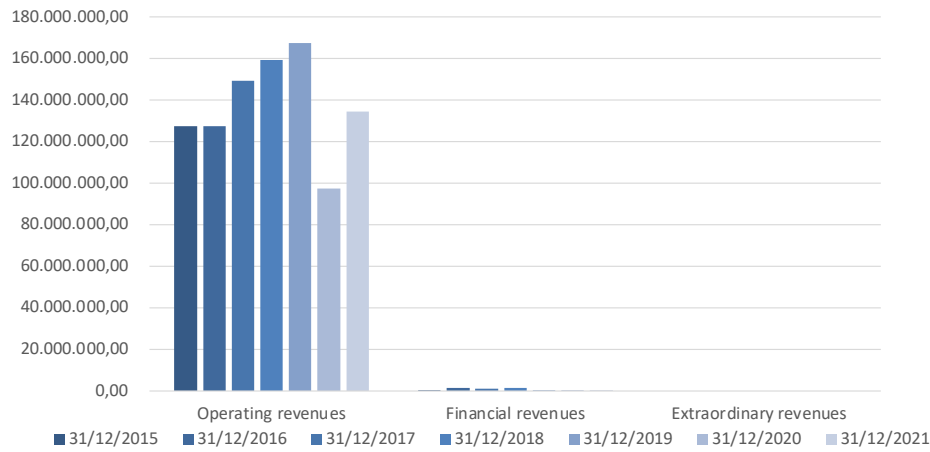
The growth of realisation, both in the area of revenue and profitability, contributed to the growth of financial position indicators including the value of assets and capital and reserves, which grew not only compared to the previous year, but also 2019.

The operating results achieved in 2021 are a result of:

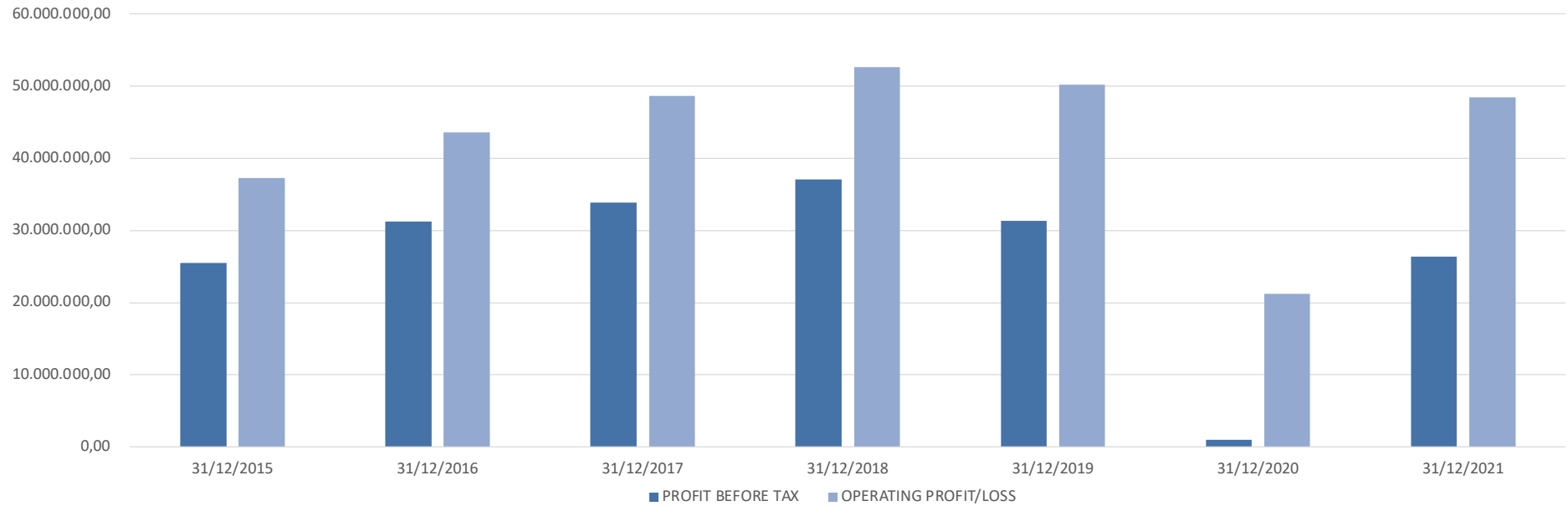
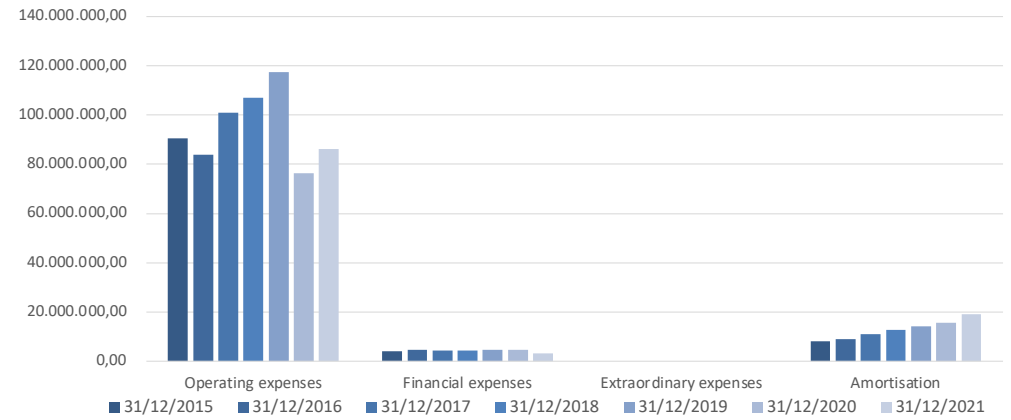
- 1) the improved epidemiological situation
- 2) adaptation of business processes to extraordinary business conditions together with the implementation of health and safety protocols
- 3) diversified portfolio, which enables the stability of the business sector, faster recovery and flexibility of the offer
- 4) recovery of tourist demand at the level of all sectors

DESCRIPTION	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	Index 2021/2020
Operating revenues	127.662.219,39	127.591.140,20	149.515.545,23	159.490.115,09	167.711.919,32	97.640.558,48	134.470.753,01	137,72
Financial revenues	484.269,24	1.427.867,11	961.132,18	1.558.764,96	85.637,54	97.205,34	360.374,95	370,74
Extraordinary revenues	0,00	0,00	0,00	0,00	0,00	0,00	0,00	#DIV/0!
TOTAL REVENUES	128.146.488,63	129.019.007,31	150.476.677,41	161.048.880,05	167.797.556,86	97.737.763,82	134.831.127,96	137,95
Operating expenses	90.379.281,57	83.991.877,85	100.879.406,31	106.832.625,88	117.487.302,65	76.442.862,74	86.041.331,79	112,56
Financial expenses	4.030.686,50	4.774.080,17	4.564.585,65	4.384.189,54	4.596.906,56	4.599.367,76	3.362.161,27	73,10
Extraordinary expenses	0,00	0,00	0,00	0,00	0,00	0,00	0,00	#DIV/0!
Amortisation	8.225.981,02	9.012.252,49	11.146.900,91	12.796.897,41	14.379.433,99	15.673.653,78	19.068.148,87	121,66
TOTAL EXPENSES	102.635.949,09	97.778.210,51	116.590.892,87	124.013.712,83	136.463.643,20	96.715.884,28	108.471.641,93	112,15
PROFIT BEFORE TAX	25.510.539,54	31.240.796,80	33.885.784,54	37.035.167,22	31.333.913,66	1.021.879,54	26.359.486,03	2.579,51
NET PROFIT	21.533.370,50	30.676.046,46	27.755.384,38	37.035.167,22	31.333.913,66	1.021.879,54	22.172.476,03	2.169,77
OPERATING PROFIT/ LOSS	37.282.937,82	43.599.262,35	48.636.138,92	52.657.489,21	50.224.616,67	21.197.695,74	48.429.421,22	228,47
EBITDA	37.767.207,06	45.027.129,46	49.597.271,10	54.216.254,17	50.310.254,21	21.294.901,08	48.789.796,17	229,11

REVENUES 2015 - 2021



EXPENSES 2015 - 2021



Revenue by activities:



The revenue from the hotel sector amounted to HRK 31,002,857.24, representing an increase of 133%, or HRK 17,685,571.11 compared to 2020, as a result of a significant increase in demand for hotel accommodation, especially during the third quarter of the financial year with strong growth of realisation on the foreign market, earlier opening of hotel facilities compared to the previous year and the continuation of business activities in the post especially that was absent in the previous year.



The revenue of the nautical sector amounted to HRK 49,185,727.37, representing an increase of 13%, or HRK 5,815,610.93 compared to the previous year, resulting from revenue growth in all profit centres of the nautical sector, i.e. Marina Kornati by 8%, or HRK 3,187,914.21, "Marina Kornati" restaurant by 85%, or HRK 1,607,212.17, and the nautical fair, that recorded an increase in revenue of 42%, or HRK 1,020,484.55. The nautical sector achieved the best revenue since the beginning of its business activities, with an increase of 1.18%, or HRK 575,117.73 compared to 2019, its best year to date.



The revenue of the camping sector amounted to HRK 33,399,299.81, and was 70% higher due to a considerable growth in revenue at the level of the entire sector, i.e. a growth in revenue of the "Park Soline" campsite, that recorded an increase in revenue of 67%, or HRK 12,130,417.82 and the "Park Soline" restaurant with a growth of 103%, or HRK 1,658,898.04. The most significant part of the revenue realised by the camping sector was the revenue generated by its accommodation segment, i.e. "Park Soline", totalling HRK 30,131,572.28, while also constituting 90% of the revenue generated by the entire sector. It was achieved through an increase in revenue of the campsite's key market segments (individuals, holiday homes and lump sum guests).



The revenue of the real-estate sector, i.e. the City Galleria Business and Shopping Centre amounted to HRK 13,076,060.86, representing an increase of 2% compared to 2020, the growth of which was achieved through the increase in parking revenue and revenue from the lease of new commercial premises in Phase 1 and revenue from common costs.



Revenue from other activities, i.e. sectors and profit centres, including Ilirija Travel and hospitality, was realised in the amount of HRK 2,644,118.47 and was 60% higher compared to 2020 due to the recovery of the event industry and other activities of the destination management company.

Moreover, on account of the job retention grant by the Government of the Republic of Croatia, the Company, as at 31 December 2021, received a grant in the amount of HRK 4,951,862.82, while other revenue amounted to HRK 210,826.44.

GRAND TOTAL: Operating revenue per activity amounted to HRK 134,470,753.01, and has increased by 38% compared to the same period of 2020.

REPORTING SYSTEM ACCORDING TO USALI STANDARDS
01/01/2021-31/12/2021
ILIRIJA D.D. TOTAL (AFTER THE ALLOCATION OF COMMON REVENUES AND COMMON COSTS)

Items	Annual cumulative achievements in 2019	Annual cumulative achievements in 2020	Annual cumulative achievements in 2021	Index 2021/2020
TOTAL NET REVENUE (operating)	162.572.725,53	86.807.046,13	125.338.999,56	144,39
Total direct costs	13.074.369,96	3.816.626,71	7.299.076,14	191,24
Total salary and labor costs	29.948.241,60	17.948.185,79	21.969.507,92	122,41
Total other department costs	14.261.204,73	4.974.907,46	5.508.109,96	110,72
TOTAL CONTRIBUTION	105.288.909,24	60.067.326,17	90.562.305,54	150,77
Total costs to GOP	103.939.195,48	67.299.371,85	76.693.778,89	113,96
GOP	58.633.530,05	19.507.674,28	48.645.220,67	249,36
Grandtotal net revenues	167.797.556,86	97.737.763,82	134.831.127,96	137,95
Grandtotal costs	136.463.643,20	96.715.884,28	108.471.641,93	112,15
PROFIT BEFORE TAXATION	31.333.913,66	1.021.879,54	26.359.486,03	2.579,51
Corporate income tax	0,00	0,00	4.187.010,09	#DIV/0!
NET PROFIT	31.333.913,66	1.021.879,54	22.172.475,94	2.169,77
EBITDA	50.310.254,21	21.294.901,08	48.789.796,17	229,11
EBIT	35.930.820,22	5.621.247,30	29.721.647,30	528,74

CUMULATIVE COMPARATIVE OVERVIEW

of fundamental operating results, as well as asset, capital and liability indicators of the Company as on 31/12/2021, and for the 2011 - 2021 period

YEAR	TOTAL LIABILITIES	CAPITAL	VALUE OF ASSETS	NET DEBT	REVENUES	OPERATING PROFIT	EBITDA	PROFITE BEFORE TAX	ANNUAL DIVIDEND
1	2	3	4	5	6	7	8	9	10
31/12/2021	124.658.050,55	370.244.993,55	494.903.044,10	59.783.368,01	134.831.127,96	48.429.421,22	48.789.796,17	26.359.486,03	0,00
31/12/2020	128.597.530,12	348.072.517,52	476.670.047,64	91.544.355,64	97.737.763,82	21.197.695,74	21.294.901,08	1.021.879,54	0,00
31/12/2019	138.494.716,54	346.783.374,38	485.278.090,92	101.317.234,91	167.797.556,86	50.224.616,67	50.310.254,21	31.333.913,66	8.417.962,00
31/12/2018	138.016.497,87	324.375.413,08	462.391.910,95	110.868.989,15	161.048.880,05	52.657.489,21	54.216.254,17	37.035.167,22	7.221.240,00
31/12/2017	131.841.078,15	294.216.184,59	426.057.262,74	112.168.069,97	150.476.677,41	48.636.138,92	49.597.271,10	33.885.784,54	6.016.540,00
31/12/2016	137.502.260,55	275.683.907,98	413.186.168,53	114.260.471,80	129.019.007,31	43.599.262,35	45.027.129,46	31.240.796,80	4.937.148,00
31/12/2015	96.706.510,04	220.353.306,88	317.059.816,92	63.269.733,01	128.146.488,63	37.282.937,82	37.767.207,06	25.510.539,54	3.740.790,00
31/12/2014	133.053.616,64	177.858.715,67	310.912.332,31	102.282.661,43	122.873.752,12	32.955.338,23	33.211.137,28	20.385.115,12	3.740.790,00
31/12/2013	131.195.062,79	166.861.394,25	298.056.457,04	111.756.504,06	117.320.406,69	35.656.918,81	32.847.699,25	20.129.183,90	3.740.790,00
31/12/2012	136.546.285,85	151.895.416,40	288.441.702,25	114.575.807,74	111.134.832,70	33.826.442,35	31.157.639,71	18.255.129,12	3.740.790,00
31/12/2011	139.927.300,98	140.262.242,54	280.189.543,52	119.441.914,24	103.735.228,95	30.013.975,99	28.030.097,35	13.249.683,38	3.740.790,00

Key financial performance indicators

In the difficult business conditions that continued in 2021 as well, especially in the first half of the business year, the Company achieved business results which ensured stability, resilience and sustainability of operations with poorer values of performance indicators, which the Company finds exceptionally successful considering the conditions in which it conducted its business operations.

Indicator	2020	2021	Index 2021/2020	
Financial stability, liquidity and indebtedness				
Self-financing rate	73,02%	74,81%	1,025	Share of equity capital in total fund sources (i.e. in total liabilities & stockholders' equity).
The degree of indebtedness	26,98%	24,79%	0,919	Share of debt in total fund sources (i.e. in total liabilities & stockholders' equity).
Financial stability coefficient	0,99	0,95	0,962	Fixed assets to long-term sources ratio (shareholders' capital and reserves increased by long-term liabilities).
Accelerated liquidity coefficient	1,17	1,84	1,563	Ratio of current assets reduced by the stocks and short-term liabilities.
Current liquidity coefficient	1,22	1,87	1,532	Current assets to short-term liabilities ratio.
Activity indicators				
Ratio of total assets turnover	0,21	0,27	1,329	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	3,52	2,55	0,724	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	1,01	1,24	1,230	Total revenue and total expenses ratio.
Profitability	1,05%	16,44%	15,728	Net profit/loss and total revenue ratio.
Return on assets	0,21%	4,48%	20,898	Annual rate of return on invested assets indicates the profit/loss and total asset ratio.
Share of EBITDA in total revenue	21,79%	36,19%	1,661	Earnings before interests, taxes, depreciation and amortization to total revenue ratio.
Share of EBIT in total revenue	5,75%	22,04%	3,833	Earnings before interests and taxes to total revenue ratio.

**COMPOSITION AND INDICATORS
OF RESOURCES AND SOURCES OF FINANCING IN THE BALANCE SHEET AS AT 31 DECEMBER 2021
AND THE PRESENCE OF OPERATING REVENUE IN THE SOURCES OF FINANCING AS AT 31 DECEMBER 2021**

Indicator	Year 2020	Year 2021	Index 2021/2020
Share of fixed assets in the assets	94,17	89,31	94,84
Share of current assets in the assets	5,83	10,69	183,36
Share of capital in reserves and in liabilities	73,02	75,66	103,62
Share of long-term commitments in the liabilities	22,21	19,08	85,91
Share of short-term commitments in the liabilities	4,40	5,71	129,77
Share of operating revenue in sources of financing			
Share of operating revenue in equity and reserves	28,05	36,32	129,48
Share of operating revenue in long-term commitments	92,25	142,40	154,36
Share of operating revenue in total commitments	75,93	109,59	144,33
Share of operating revenue in liabilities	20,48	27,17	132,67

Directly generated and distributed economic value

Although the global pandemic greatly affected the Company's business in 2021, the market recovery in the third quarter of the business year, primarily in the company's tourism sectors, strongly influenced the growth of the directly created economic value. The directly created economic value in the amount of HRK 134,831,127.96 increased by 37.95% as a result of a strong recovery of business activities in the hotel and camping sectors and the destination management company as well as their return to the pre-pandemic levels. At the same time, the recovery of the business activities stimulated the growth of the distributed economic value the growth of which was generated through an increase in the operating expenditure, salaries and benefits for employees and investments in the community (corporate philanthropy). In line with the above, the retained economic value increased significantly due to a strong growth of the directly created economic value, and it amounted to HRK 46,410,907.56.

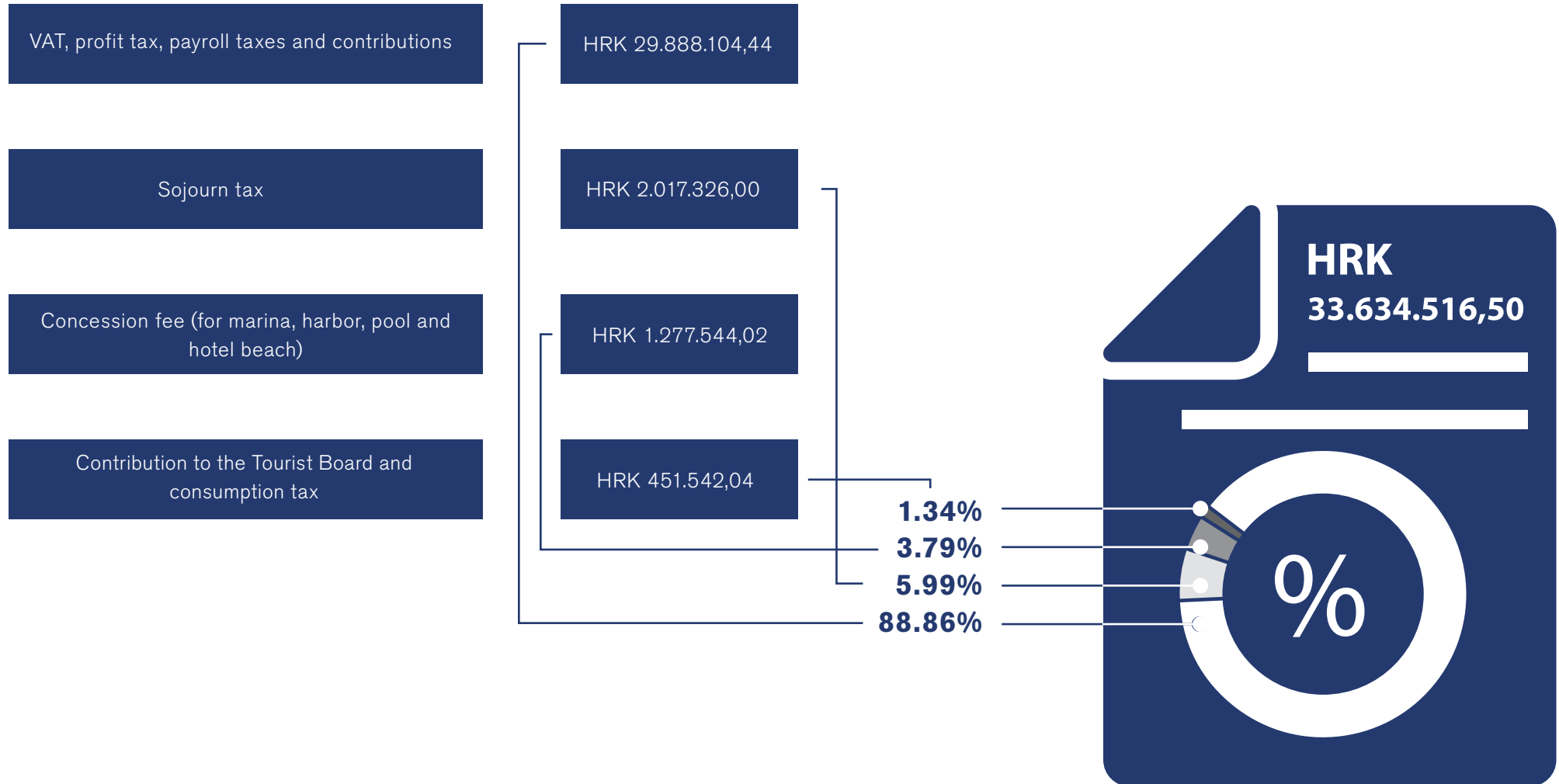
Description	2018	2019	2020	2021	Index 2021/2020
Directly generated economic value	161.048.880,05	167.797.556,86	97.737.763,82	134.831.127,96	137,95
Revenues from sales	159.490.115,09	167.711.919,32	97.640.558,48	134.470.753,01	137,72
Other revenues	1.558.764,96	85.637,54	97.205,34	360.374,95	370,74
Distributed economic value	124.382.181,44	131.769.473,18	78.860.939,55	88.420.220,40	112,12
Operating costs	67.755.034,47	74.579.735,50	44.588.981,21	50.544.296,35	113,36
Employee salaries and benefits	38.700.915,13	42.380.521,92	31.301.623,90	34.873.994,57	111,41
Payment to capital providers	7.211.240,00	8.417.962,00	0,00	0,00	0,00
Payments to the government	10.338.315,56	5.864.208,53	2.418.076,81	2.378.888,61	98,38
Investments in the community	376.676,28	527.045,23	552.257,63	623.040,87	112,82
Retained economic value	36.666.698,61	36.028.083,68	18.876.824,27	46.410.907,56	245,86

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

In 2021 the Company was exempt from corporate income tax payment pursuant to the Investment Promotion Act.

Contribution to the state through taxes and public levies

Based on the economic success of its business, Ilirija d.d. significantly contributes to the state through taxes and public levies. In 2021, the Company paid a total of HRK 33,634,516.50 in taxes and public levies:



4.3 Publications Under the Taxonomy Regulation

Disclosure specifications with key performance indicators

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

In order to calculate the above-mentioned indicators, the numerator and denominator were determined by recording, controlling and monitoring accounting and financial indicators for 2021, under the same accounting criteria implemented by the Ilirija d.d. Accounting and Finance Department.

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

The key indicator relating to the revenue is calculated as a ratio of net revenue generated from taxonomically acceptable activities (the numerator) to the total revenue (the denominator). This revenue corresponds to the revenue approved in accordance with the International Accounting Standard (IAS) 1, paragraph 82(a), adopted by Commission Regulation (EC) No 1126/2008. The name of this key indicator is shown in Note 19 "Segment Information" of the 2021 Annual Report.

The total revenue of Ilirija d.d. for 2021 amounted to HRK 134,831,127.96, while the total revenue in the amount of HRK 128,875,678.13 indicated in the table below decreased by the revenue from the grant provided by the Job Retention Scheme of the Government of the Republic of Croatia and the compensation, subsidy and grant revenue.

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

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

In order to calculate the CapEx numerator, first the activities which meet acceptable taxonomic criteria need to be identified. The taxonomically acceptable activity “Purchase and ownership of buildings” is calculated for one area of the company only, since this is the only activity found on the list of taxonomically acceptable activities. Currently there is no technical verification criteria for the Company’s main activity “Hotels, camps and similar accommodation”, which makes the activity taxonomically unacceptable. All investments in the amount of HRK 8,753,787.27 that refer to investments in the hotel, camping, nautical sector and other facilities are included for the tourism activity, and are shown in Note 7 “Property, plant and equipment”. For the taxonomically acceptable activity “Acquisition and ownership of buildings”, capital investments amount to HRK 2,090,527.86 and refer to investments in the “City Galleria” Business and Shopping Centre, and are shown in Note 8 “Investment property” of the 2021 Annual Report.

The total CapEx includes all investments in tangible and intangible assets in all sectors of the company in the amount of HRK 10,844,315.13.



Economic activities	Code	Absolute CapEx	Proportion of CapEx	Substantial contribution criteria						Does Not Significantly Harm						Minimum safeguards	Taxonomy-aligned proportion of CapEx year N (%)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems		
A. TAXONOMY-ELIGIBLE ACTIVITIES (A.1 + A.2)																	
A.1 Environmentally sustainable activities (Taxonomy-aligned)		/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
CapEx of environmentally sustainable activities (Taxonomy-aligned) A.1		/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
7.7 Acquisition and ownership of buildings		2.090.527,86 HRK	19,28%	/	/	/	/	/	/	/	/	/	/	/	/	/	/
CapEx of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) A.2		/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
Total (A.1 + A.2)		2.090.527,86 HRK	19,28%	/	/	/	/	/	/	/	/	/	/	/	/	/	/
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																	
CapEx of Taxonomy-non-eligible activities (B)				/	/	/	/	/	/	/	/	/	/	/	/	/	/
Hotels and similar accommodation		8.753.787,27 HRK	80,72%														
TOTAL (A + B)		10.844.315,13 HRK	100%	/	/	/	/	/	/	/	/	/	/	/	/	/	/

CAPEX

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

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

The numerator of the OpEx consists of the operating expenditure of taxonomically acceptable activities in the total of HRK 4,077,324.58, or 7.83% in comparison to the Company's total operating expenditure.

The numerator of the OpEx consists of the operating expenditure of taxonomically unacceptable activities in the total of HRK 48,012,405.52, or 92.17% in comparison to the company's total operating expenditure.

The total OpEx is the sum of all operating expenditure in accordance with IFRS standards, as indicated in the 2021 Annual report in Notes 21, 22 and 24. The above is calculated by the sum of the Company's total operating expenditure reduced by the salaries and salary expenditure and Note 23 from the financial report. The OpEx numerator represents the total OpEx, i.e. all operating expenditure (raw material, material and energy expenses, service expenses and other operating expenditure).



Economic activities	Code	Absolute OpEx	Proportion of OpEx	Substantial contribution criteria						Does Not Significantly Harm						Minimum safeguards	Taxonomy aligned proportion of OpEx, year N
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems		
A. TAXONOMY - ELIGIBLE ACTIVITIES (A.1 + A.2)																	
A.1 Environmentally sustainable activities (Taxonomy-aligned)		/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
OpEx of environmentally sustainable activities (Taxonomy-aligned) A.1.		/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
7.7 Acquisition and ownership of buildings		4.077.324,58 HRK	7,83%	/	/	/	/	/	/	/	/	/	/	/	/	/	/
OpEx of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) A.2		/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
Total (A.1 + A.2)		4.077.324,58 HRK	7,83%	/	/	/	/	/	/	/	/	/	/	/	/	/	/
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																	
OpEx of Taxonomy-non-eligible activities (B)				/	/	/	/	/	/	/	/	/	/	/	/	/	/
Hotels and similar accommodation		48.012.405,52 HRK	92,17%														
TOTAL (A + B)		52.089.730,10 HRK	100%	/	/	/	/	/	/	/	/	/	/	/	/	/	/

OPEX



5 | CORPORATE ENVIRONMENTAL RESPONSIBILITY

5.1 Environmental Management

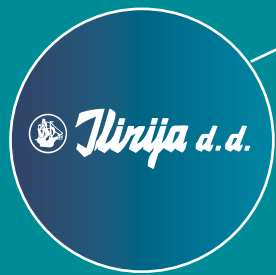
The Company bases its business policy on management in line with the principles of sustainable and responsible development, with particular focus on environmental protection, as the environment is the fundamental resource of the tourism industry and the foundation of sustainable and responsible tourism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

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

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



Environmental Management



Management Board –
Sustainable and responsible
tourism

Department for the Protection of
the Environment and Landscaping

Education

International standards and
certificates

Quality and environmental policy

Legal regulations



Objectives and activities related to environmental protection (waste, waste water, air, chemicals, energy sources) in 2021:

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

5.2 Environmental Standards Met and Certifications Obtained

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

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



An integrated environmental and quality management system has been implemented under the ISO 9001:2015 (quality management) and ISO 14001:2015 (environmental management) standards, by which it focuses on the continued improvement of processes connected to the service quality and standards enhancement, the enhancement of operational and management processes, at the same time connected to the environmental management system. By implementing the integrated Environmental and Quality Policy, through the integration of ISO standards, the Company confirms its main focus on long-term business stability based on responsible and sustainable business operations. During 2021, regular control audits of the quality management system and the recertification of the environmental management system were performed.



Green Key is a certification programme for accommodation units designed to raise awareness among owners, staff and clients regarding the need for environmental protection and the need to promote sustainable development. It is awarded to accommodation facilities, which decrease adverse impacts on the environment through the optimisation of the use of energy sources, waste management, educating the guests and staff on the most significant aspects of sustainable development and environmental protection. Ilirija's "Park Soline" campsite was awarded this international certificate in 2013, when it was one of only two campsites in Croatia that had met all the criteria for this eco-label, and eight years later, i.e. in 2021, the commitment of the "Park Soline" camp to sustainable development was confirmed with its recertification



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



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



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



The "Park Soline" campsite 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.

5.3 Education

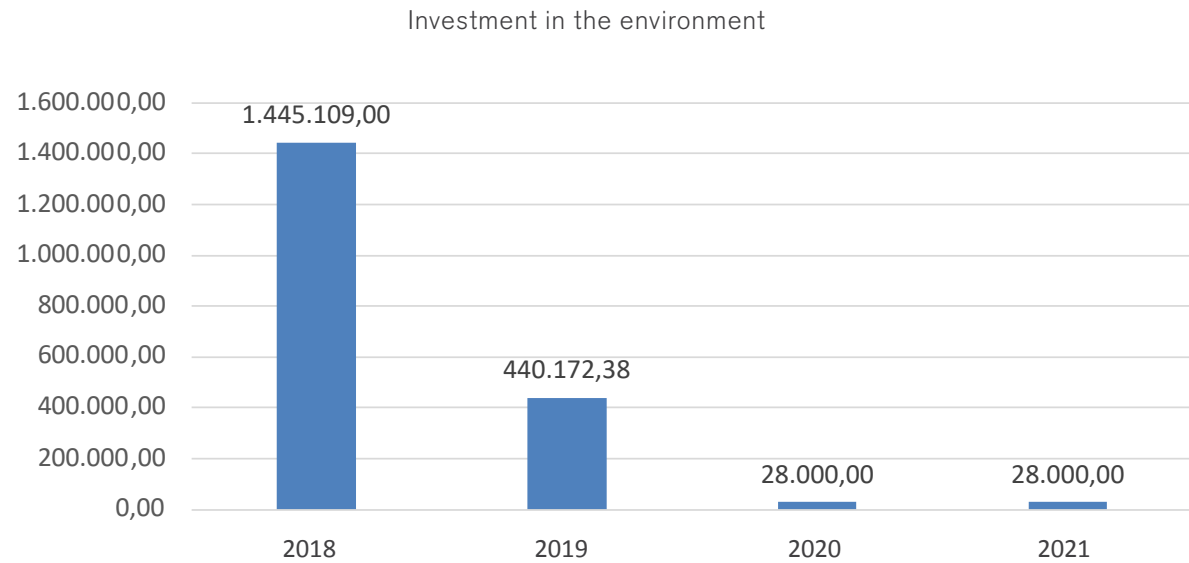
Considering that the better part of the business year, especially its first half, was still significantly influenced by the pandemic, the company did not conduct any significant educational activities, except for internal educations designed for individual operational departments. In the second part of the business year, we would like to single out the fieldwork undergone by students of the second and third year of the Catering study programme at the Karlovac University of Applied Sciences, held within the course Socially Responsible Business in Hospitality, Business of Hospitality Companies and Tourism and the Environment. Students visited all tourism sectors of the Company, and had a lecture on the Company's activities with a special focus on sustainable and responsible business. In addition, for the third year in a row, in cooperation with the Secondary Medical School "Ante Kuzmanić" from Zadar, environmental educational activities were carried out on the topic of "Mammals of the Adriatic Sea".



5.4 Investment in the Environment



No significant investments were made in the environment in 2021 due to the considerable impact of the pandemic on the business, i.e. on the investment planning. As a result, the company, similarly to the previous year, focused its environmental investments on educations and the implementation of eco-certificates.



Energy management



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



setting annual goals for optimal energy use



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



use of energy from renewable sources



energy efficiency when purchasing new devices, and



education of employees and guests

5.5 Energy

In 2021, the Company used the following energy sources

1.

electricity

2.

fuel oil

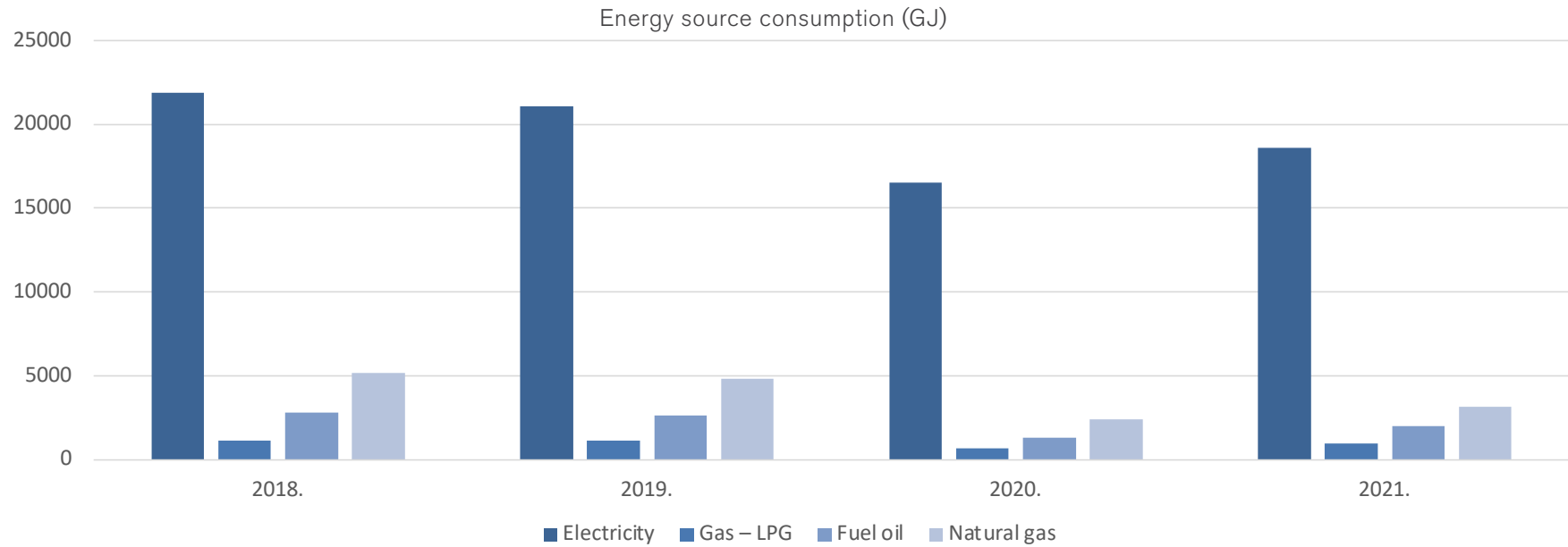
3.

gas
(LPG and natural gas)

Energy is a material topic due to its effect on economic, environmental and social impacts of the Company. On-site maintenance services also take care of installed, large and small energy/resource consumers. Internal preventive inspections are regularly carried out, as well as external inspections by a maintenance service provider. When choosing new devices, i.e. electrical consumers attention is paid to their energy efficiency class, all for the purpose of improved energy efficiency. Among other, the existing lighting fixtures are being gradually replaced with LED bulbs, and water-saving aerators have been installed on all faucets. Through environmental messages placed in accommodation facilities, we bring our environmental mission closer to our guests.

Total energy consumption within the organization, expressed in GJ

Energy source (GJ)	2018	2019	2020	2021
Electricity	21.892	21.085	16.546	18.581
Gas – LPG	1.118	1.127	694	961
Fuel oil	2.807	2.650	1.290	1.990
Natural gas	5.156	4.833	2.420	3.167
Total	30.974	29.696	20.950	24.699



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

Energy source	2018	2019	2020	2021
Electricity (kWh)	6.081.210	5.857.078	4.596.106	5.161.145
Gas – LPG (kg)	24.847	25.040	15.415	21.348
Fuel oil (l)	80.175	75.698	36.845	56.845
Natural gas (kwh)	1.432.343	1.342.585	672.310	879.711

Electricity consumption by sectors expressed in GJ

	2018	2019	2020	2021
Total electricity consumption by sector (GJ)				
Hotel sector	8.338	8.329	4.311	5.455
Camping sector	2.691	1.789	3.107	2.598
Nautical sector	2.907	2.870	2.246	2.822
Other	7.957	8.097	6.882	7.706
Total	21.892	21.085	16.546	18.581

Total energy consumption at the Company level for all energy sources increased compared to the previous year 2020 due to the fact that despite the global pandemic, the business activities during the peak season (July, August) and the first part of the post-season (September) were at the pre-pandemic levels.

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.

	2018			2019			2020			2021		
	GJ	Number of overnight stays	"Energy intensity"	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity
Total electricity consumption by sector												
Hotel sector	8.338	144.745	0,057	8.329	146.885	0,057	4.311	31.738	0,136	5.455	76.113	0,071
Camping sector	2.691	302.845	0,009	1.789	290.326	0,006	3.107	139.052	0,022	2.598	236.878	0,010
Total (hotel and camping sectors)	11.029	447.590	0,025	10.118	437.211	0,023	7.418	170.790	0,043	8.053	312.991	0,026

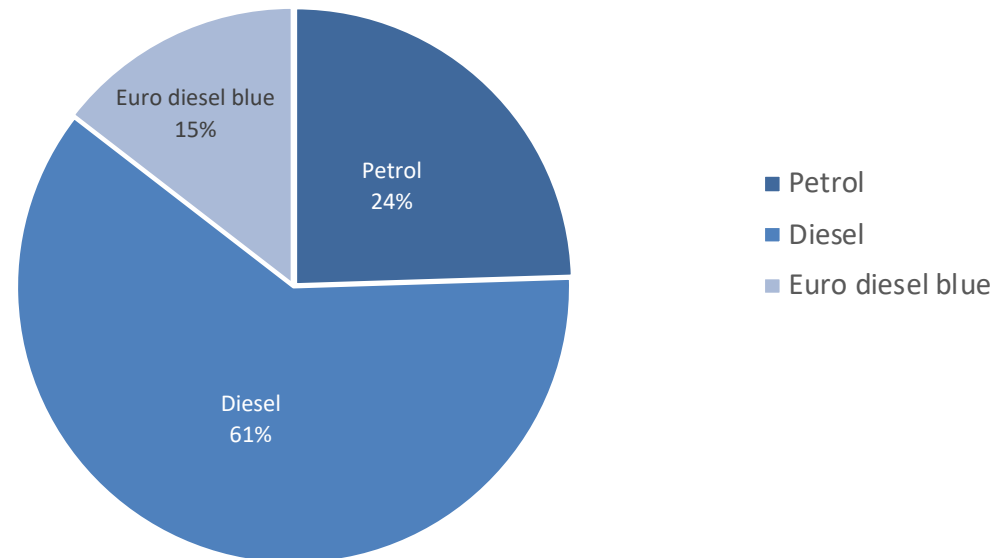
	2018			2019			2020			2021		
	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity
Total 64 electricity consumption by sector												
Nautical sector	2.907	805	3,61	2.870	805	3,56	2.246	805	2,79	2.822	805	3,5

Energy consumption outside the organization

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

Vehicle fuels (l)	2018	2019	2020	2021
Passenger cars	59.092	55.391	52.749	47.656
Work vehicles and machines	51.532	49.914	32.267	32.380
Boat "Nada"	15.237	24.225	4.216	14.364
Other vessels	9.941	11.968	4.517	4.421
Total	135.802	141.498	93.749	98.821

Fuel consumption ratio in 2021



Total natural gas consumption by sector

Year	2018	2019	2020	2021
Total natural gas consumption by sector (GJ)				
Hotel sector	5.156	4833	2420	3.167
Camping sector	0	0	0	0
Nautical sector	0	0	0	0
Other	0	0	0	0
Total	5.156	4.833	2.420	3.167

Ratio of natural gas consumed per night in the hotel sector

	2018			2019			2020			2021		
	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity
Total gas consumption by sector												
Hotel sector	5.156	144.745	0,036	4.833	146.885	0,030	2.420	31.738	0,080	3.167	76.113	0,050

Gas (LPG) consumption by business sector in the 2018-2021 period

Year	2018	2019	2020	2021
Total gas (LPG) consumption by sector (GJ)				
Hotel sector	296	147	0	0
Camping sector	657	766	565	799
Nautical sector	148	197	121	150
Other	16	15	6	11
Total	1118	1126	693	960

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

	2018			2019			2020			2021		
	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity
Total LPG consumption by sector												
Hotel sector	296	144.745	0,002	147	146.885	0,001	0	31.738	0	0	76.113	0
Camping sector	657	302.845	0,002	766	290.326	0,003	565	139.052	0,004	799	236.878	0,003
Total (hotel and camping sectors)	953	447.590	0,002	914	437.211	0,002	565	170.790	0,003	799	312.991	0,003

Gas consumption ratio (LPG) per berth in nautical sector

Total LPG consumption by sector	2018			2019			2020			2021		
	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity
Nautical sector	148	805	0,180	198	805	0,240	122	805	0,150	150	805	0,180



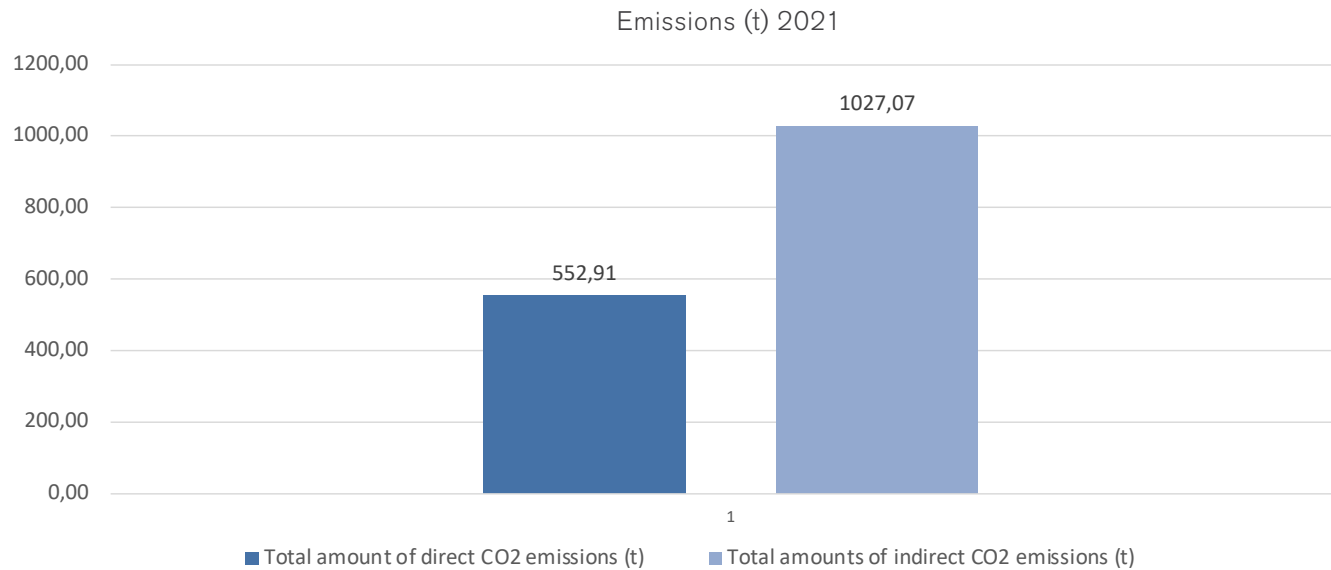
CO₂ emissions

Of all gases emitted into the environment, the most attention is paid to carbon dioxide, which in high concentrations causes a greenhouse effect and thus adversely affects the nature. The amount of CO₂ emitted in 2021 totalled 552.91 t for direct emissions, and 1027 t for indirect emissions.

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

The Company strives to reduce the direct emission of greenhouse gases during the combustion of fuel oil in boiler rooms, natural gas and LPG. We achieve this by reducing the consumption of hot water and indirect emissions resulting from the use of electricity.

Air conditioners and refrigerators contain refrigerants having the potential to damage the ozone layer. In order to avoid undesirable damage to the ozone layer and gas leaks, we regularly keep log books of the service of such devices.



Water management approach



daily and monthly control of each facility and the entire Company



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



controlled discharge of waste waters



regular technical maintenance and inspection of water supply installations



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

5.6 Water

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

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



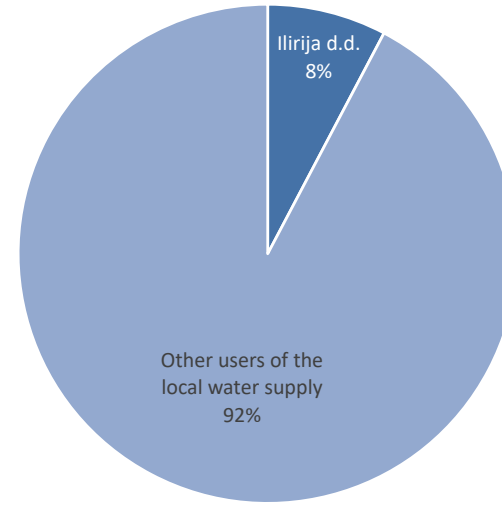
Overview of water consumption by sector

Total water consumption (m ³)	2018	2019	2020	2021
Hotel sector	76.179	60.454	27.604	50.992
Camping sector	50.253	70.201	33.579	44.437
Nautical sector	30.857	32.716	29.914	32.723
Other	18.321	17.068	13.440	14.800
Total	175.610	180.439	104.537	142.952

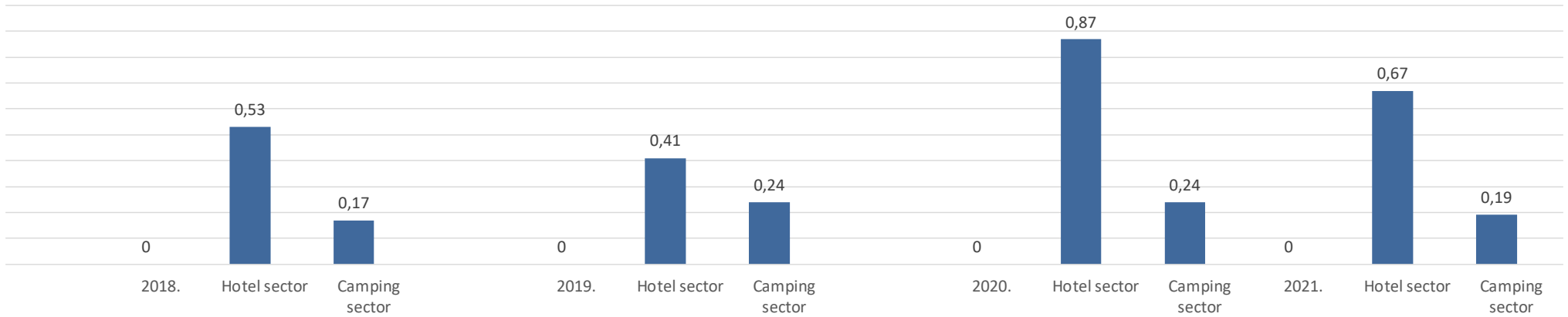


Water consumption increased compared to 2020 due to a significant increase in the volume of business activities during the peak season compared to the previous year, which was characterised by a low level of activity in the key tourism sectors of the Company or its complete absence for the better part of 2020.

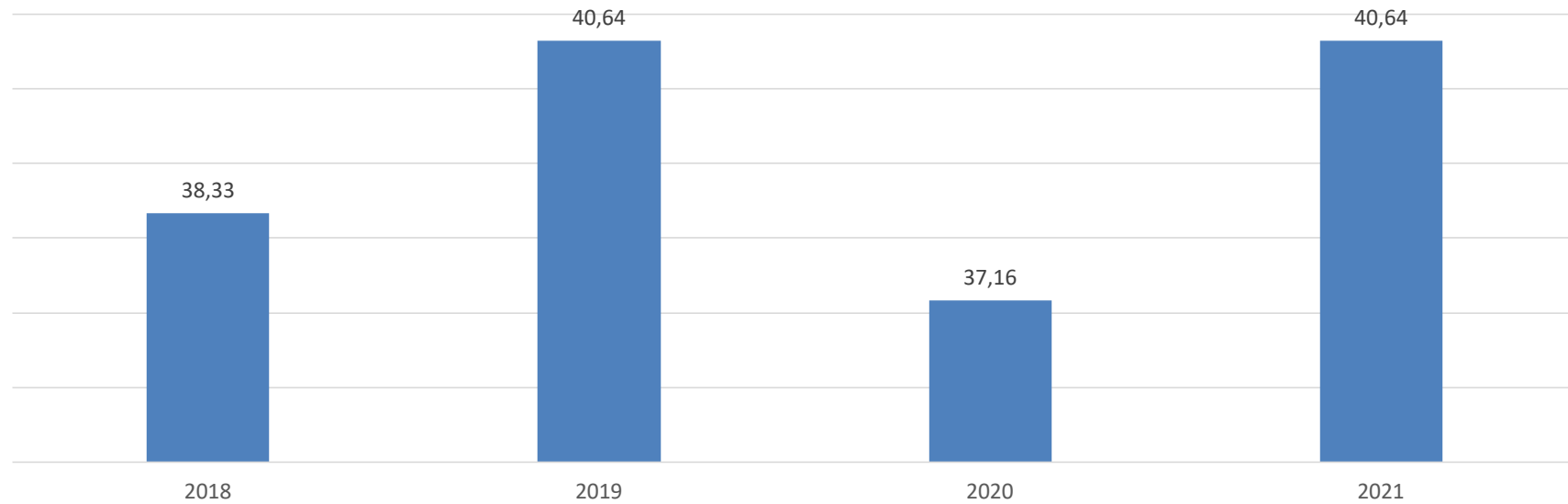
The share of delivered quantities of water to Ilirija d.d. in relation to other consumers in 2021



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



Water consumption (m³) per berth in the nautical sector



Total amount of ground-water (m ³) abstracted from the S-1 wellbore in the Park Soline camp	2018	2019	2020	2021
	3319	8055	5456	5134

5.7 Effluents and Waste

Before they are released into the city's sewage, all waste waters from our facilities are submitted to a certain type of pre-processing, i.e. purification. This is as far as the impact of the company's waste waters on the environment goes.

Industrial waste waters generated at the ship-cleaning facility in the Marina Kornati go through a physical-chemical purifier prior to being discharged. This purifier is regularly maintained, and the quality of discharged water is checked through an approved laboratory in accordance with the water rights permit. When the purifier is 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 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.

Restaurant facilities in our hotels, campsite 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.

Over the last four years, 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 campsite is one of the rare campsites in Croatia to discharge all its waste waters through manholes into the public drainage system, which goes to the city's final treatment plant.

Waste

Amounts of waste produced in the period from 2018 to 2021, by type of waste

Types of waste	2018	2019	2020	2021
Hazardous waste (t/year)	33,82	28,49	30,73	30,79
Non-hazardous waste (t/year)	108,28	414,45	37,61	56,47
Mixed municipal waste (t/year)	515,60	303,70	286,42	420,00
Total (t/year)	657,70	746,64	354,76	507,26

In 2021, significantly more waste was generated compared to 2020 due to significant growth in the business activities and the investment cycle. Which significantly affected the growth of mixed municipal waste and non-hazardous waste.

Non-hazardous waste



Paper and cardboard
(22,22t)



Plastic packaging (2.5t)



Glass (1.22t)



Metal (0.72t)



Bulk waste (0.86t)



Edible oils and fats (4.95t)



Biodegradable waste (24t)

Hazardous waste



Waste printing toners containing hazardous substances (0.16t)



Fluorescent tubes and other mercury-containing waste (0.7t)



Other engine, machine and lubricating oils (15.90t)



Sludges from oil/water separators (3.32t)



Oily water from oil/ water separators (5.9t)



Packaging material that contains residues of or is contaminated by hazardous substances (2.08t)



Absorbents, filter materials, wiping cloths and protective clothing contaminated by hazardous substances (1.07t)



Oil filters (2.3t)



Compliance with legal requirements



Own Environmental Quality and Protection Policy



Implementation of national and international standards related to environment protection



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



Renewed water rights permits for the campsite and the marina

5.8 Compliance with Environmental Protection Regulations

By following and adhering to environmental legislation and to our internal Environmental and Quality Policy, the Company reaffirms its fundamental commitment and aspiration to make sustainable progress.

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

Company employees systematically keep track of changes in legislation and update their own internal documents accordingly.

During 2021, there were no warnings, i.e. fines or sanctions issued by the competent authorities in relation to any non-compliances with the law, i.e. regulations relating to the environment. In addition, in the same year, two inspections were carried for the purpose of extending the water rights permits for the "Park Soline" campsite and Marina Kornati, which were successfully renewed.



5.9 Horticultural and Spatial Design

The Company pays special attention to horticultural design and landscaping in all facilities in which it does business, with a special emphasis on the camping sector and the "Park Soline" campsite. Since 2004, works on cleaning and thinning the existing, impassable and neglected parts of the campsite were initiated in the "Park Soline" campsite. Garrigue prevailed, consisting of: Aleppo pine (*Pinus halepensis*) 60%, holm oak (*Quercus ilex*) 30%, and oak (*Quercus*) 10% with low undergrowth: turpentine tree, *Phillyrea*, *Inula*, spiny spurge, laurestine, etc. The works were continuously monitored by Hrvatske šume d.o.o., and everything was performed in agreement with them, especially in the professional segment of forest conservation. Horticultural works have been performed in order to rehabilitate, i.e. restore and protect the vegetation cover to the greatest possible extent.

In order to further improve the existing plantings and the structural composition of dendrological plants in the "Park Soline" campsite, a completely new planting material was planted. We enrich the campsite with Mediterranean plants with the aim of preserving the existing landscape. This includes trees planted in every free space, various species of Mediterranean bushes, smaller perennial plants, climbing plants, ground covering plants, hedges (green fences) etc. The area is dominated by oleander (*Nerium oleander*), pittosporum (*Pittosporum tobira*), laurel (*Laurus nobilis*), trumpet vine (*Campsis radicans*), rosemary (*Rosmarinus officinalis*), European nettle tree (*Celtis australis*), lime trees (*Tilia*), mimosas (*Acacia dealbata*), cypresses (*Cupressus sempervirens*), black locust trees (*Robinia pseudoacacia*), magnolias (*Magnolia grandiflora*), and many other species.

This approach to landscaping, improving and creating a campsite-park, with a lot of effort invested and a desire to develop it to the level of a unique arboretum, is unique among Croatian camps. From 2004 until today, exceptional attention has been paid to the rehabilitation, i.e. pruning and clearing of dry branches on pine trees on the entire surface of the campsite, which was performed by companies trained for such rehabilitation interventions, on approx. over 3000 existing pines.

In 2021, we strived for further horticultural landscaping of the existing green areas at the level of all sectors of the company, minimal use of biocidal products and controlled water consumption.



10,600 seedlings planted
in 2021

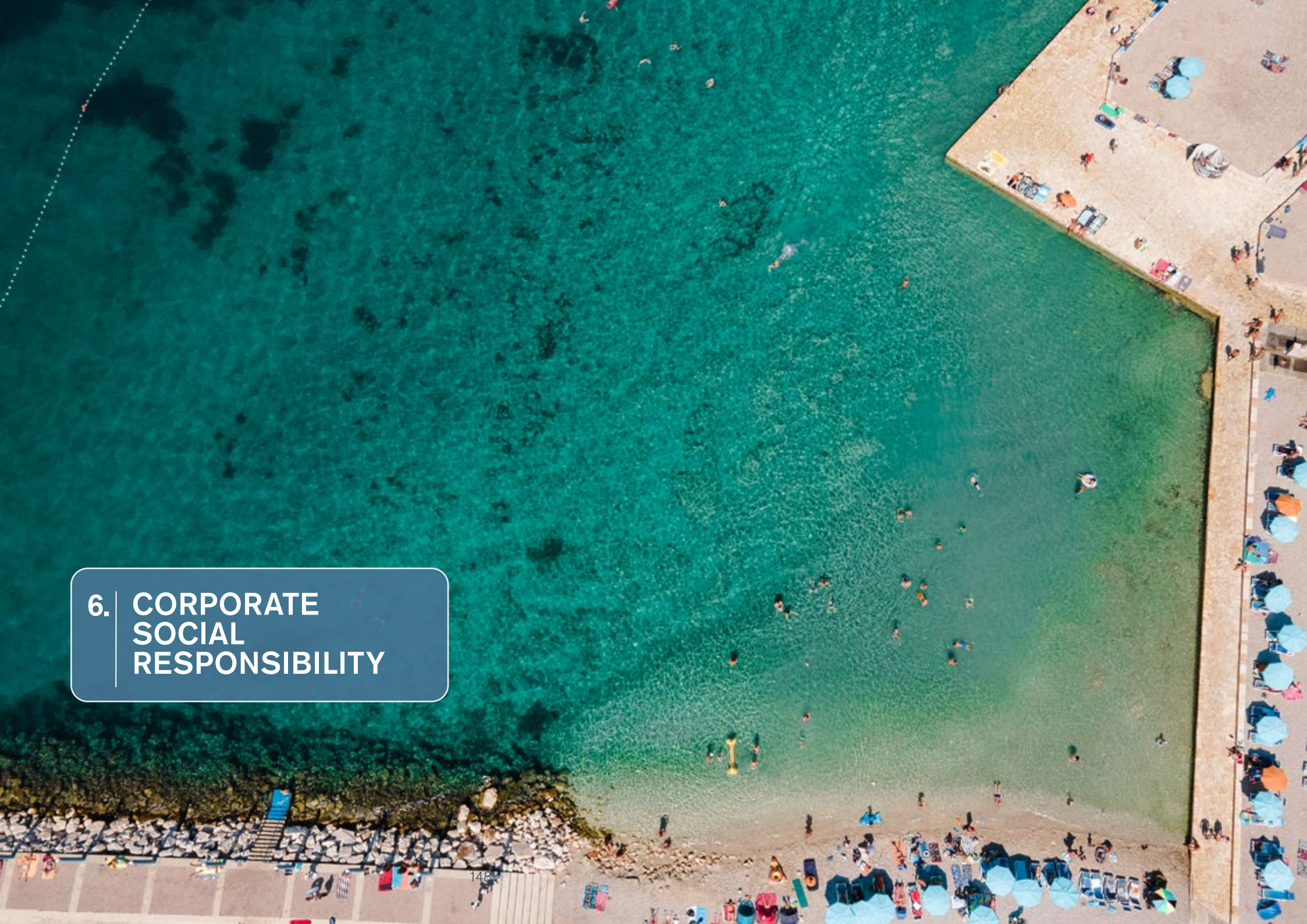


Landscaping the campsite-park
at the level of a campsite-park



Space improvement using
Mediterranean plants

Total number of planted seedlings by sectors of Ilirijad.d.	2018	2019	2020	2021
Hotel sector	11.761	7.793	6.914	7.300
Camping sector	2.274	2.570	1.430	2.200
Nautical sector	2.232	1.272	705	1.100
Total	16.267	11.635	9.049	10.600



6. CORPORATE SOCIAL RESPONSIBILITY

6.1 Employment

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

1

Protection and preservation of health and life of employees

2

Retention of full employment

3

Preservation of the achieved level of material rights

4

Continuous education

5

Active inclusion of employees in development of new products and services

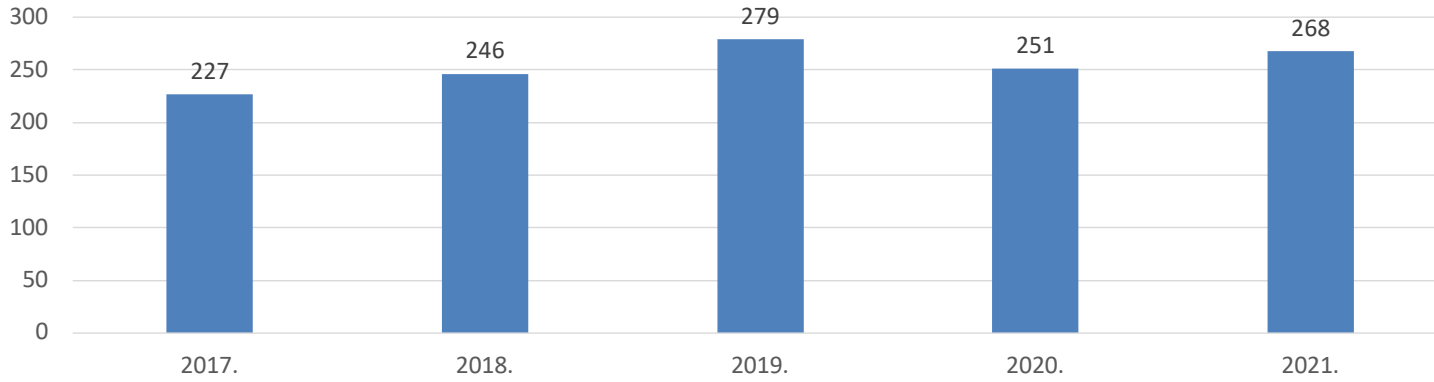
As a company aware of the significance of human capital as one of the key resources in modern business, Ilirija d.d. pays considerable attention to the development and management of human resources in its business strategy and operational activities, something that has become particularly noticeable in these challenging operating conditions marked by the global COVID-19 pandemic. With regard to the personnel policy, in 2021, as in the previous year, the Company's primary goal was to preserve the jobs of the existing employees as well as their financial standing deriving from employment, i.e. to retain working-age, highly qualified and professional employees at all levels for future business operations following the end of the pandemic, in which it succeeded by maintaining full employment and improving the financial standing of its employees.

During the five-year period presented here, Ilirija experienced a continuous growth of the number of employees, except in 2020, i.e. during the pandemic, when, as expected, the number of employees decreased compared to the previous pre-pandemic year. In 2021, the Company again recorded an increase of 7% in the number of employees compared to the previous year, as a result of its proactive policy in the area of personnel management through job preservation, improving the financial standing of employees and hiring new employees.

Overview of employees by month for 2021

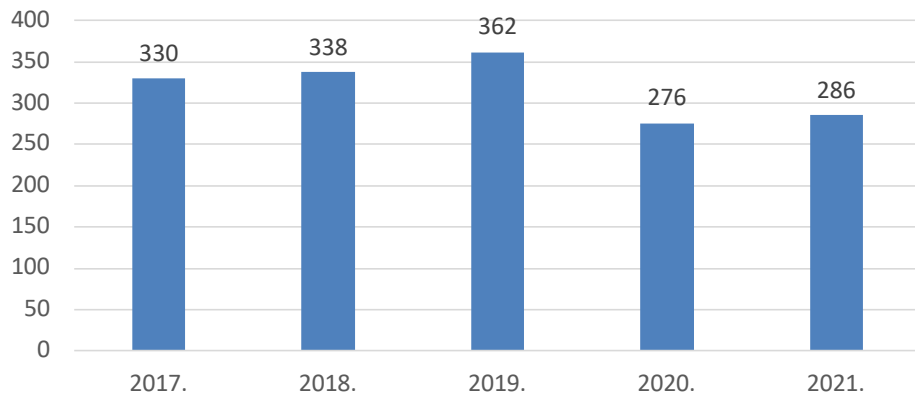
Number	PROFIT CENTER/ORGANIZATIONAL UNIT	NUMBER OF EMPLOYEES IN 2021											
		01/01	28/02	31/03	30/04	31/05	30/06	31/07	31/08	30/09	31/10	30/11	31/12
	*PROFIT CENTERS												
1	ADRIATIC HOTEL	1	4	2	1	0	32	28	25	16	10	6	6
2	ILIRIJA HOTEL	10	13	26	26	36	43	41	41	40	40	40	40
3	KORNATI HOTEL	22	14	12	12	12	12	13	13	11	10	10	10
4	VILLA DONAT HOTEL	0	0	0	0	0	0	0	0	0	0	0	0
5	LAVENDER	1	1	4	4	5	8	8	8	6	6	4	4
6	MARINA KORNATI	53	54	52	51	50	53	53	52	51	51	51	51
7	RESTAURANT "MARINA KORNATI"	14	12	12	14	13	14	16	13	14	14	18	18
8	AQATIC CENTER	1	1	2	2	4	14	14	12	5	2	2	2
9	TOURIST AGENCY	3	3	3	3	3	4	3	4	3	3	3	3
10	"PARK SOLINE" CAMP	13	13	14	14	14	27	35	35	19	19	19	16
11	RESTAURANT "PARK SOLINE"	1	5	8	11	14	22	24	14	14	8	8	8
12	ARSENAL	3	3	2	1	1	1	2	2	2	1	1	1
13	TENNIS CENTER "ILIRIJA"	4	4	3	3	3	3	3	3	3	3	3	2
14	BEACH BAR DONAT	0	0	0	0	0	0	0	0	0	0	0	0
	*ORGANIZATIONAL UNITS												
15	COMMON SERVICES	32	32	31	32	30	32	34	34	34	34	34	34
16	MAINTENANCE SERVICE	7	7	7	8	8	8	7	5	7	7	8	8
17	LAUNDRY	6	6	6	5	6	10	12	11	10	9	8	8
18	HORTICULTURE	12	11	11	12	13	11	11	12	12	13	13	13
19	EVENT SHIP NADA	2	2	2	2	2	2	2	2	2	2	2	2
20	WELLNESSS	5	5	5	5	5	6	6	6	5	5	5	5
21	NAUTICAL FAIR	2	2	2	2	2	2	2	2	2	2	2	2
22	CITY GALLERIA	17	17	17	17	17	17	17	17	17	17	17	17
	TOTAL	225	226	237	241	255	338	349	328	290	272	271	268

Number of employees at the end of the reporting period 2017 – 2021

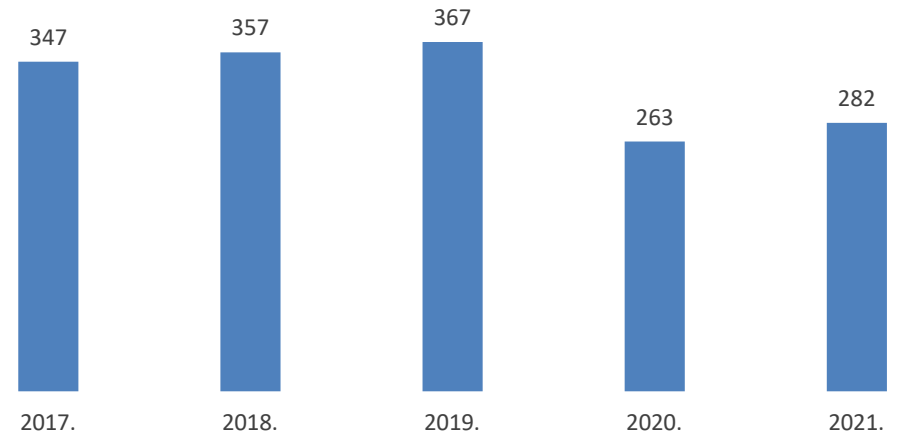


The same occurred with the average number of employees and the average number of employees based on hours paid, which experienced a continuous growth at the rate of 7% and 4%, with the exception of 2020.

Average number of employees during the year in 2017-2021 period

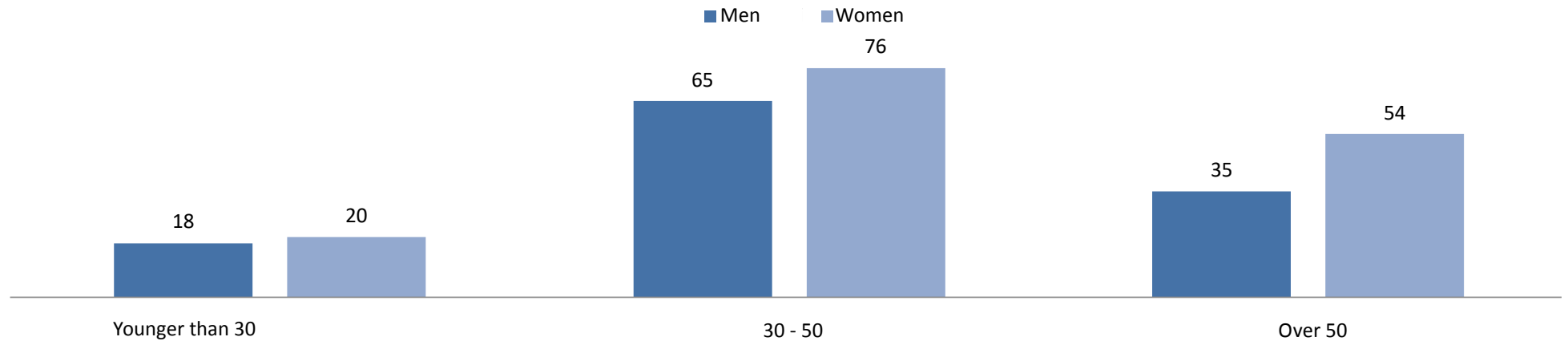


Average number of employees on basis of worked hours in the 2017-2021 period

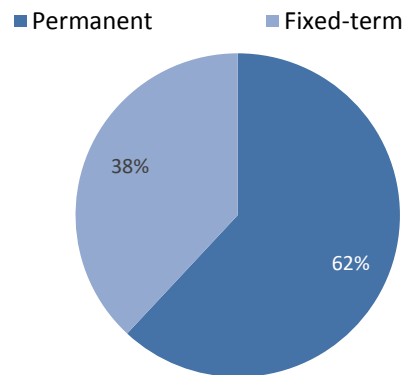


As at 31 December 2021, out of the total number of 268 employees, 56% were women and 44% men. Out of the total number of employees, 62% have permanent employment contracts and 38% temporary employment contracts. There is a significant number of temporary employees due to the seasonal nature of business when there is increased demand for labour. More than half of the employees, i.e. 52% of them, belong to the 30-50 age group.

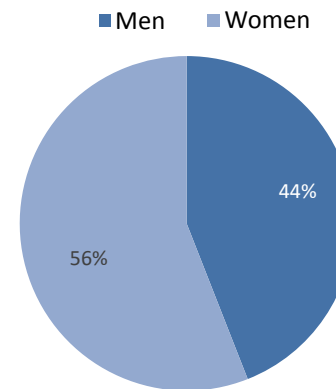
Employees by gender and age group on on 31/12/2021



Employees type of employment contract on 31/12/2021

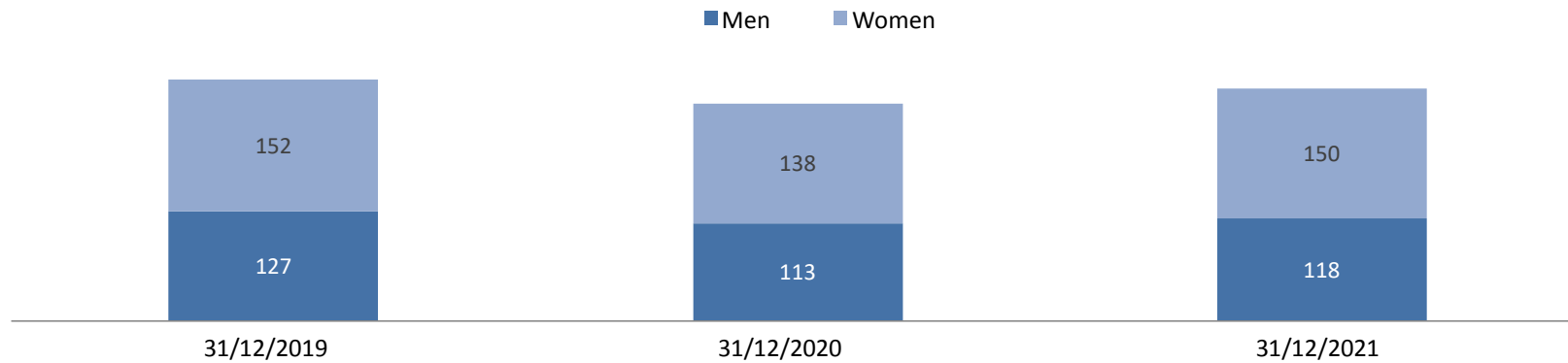


Employees by gender on 31/12/2021

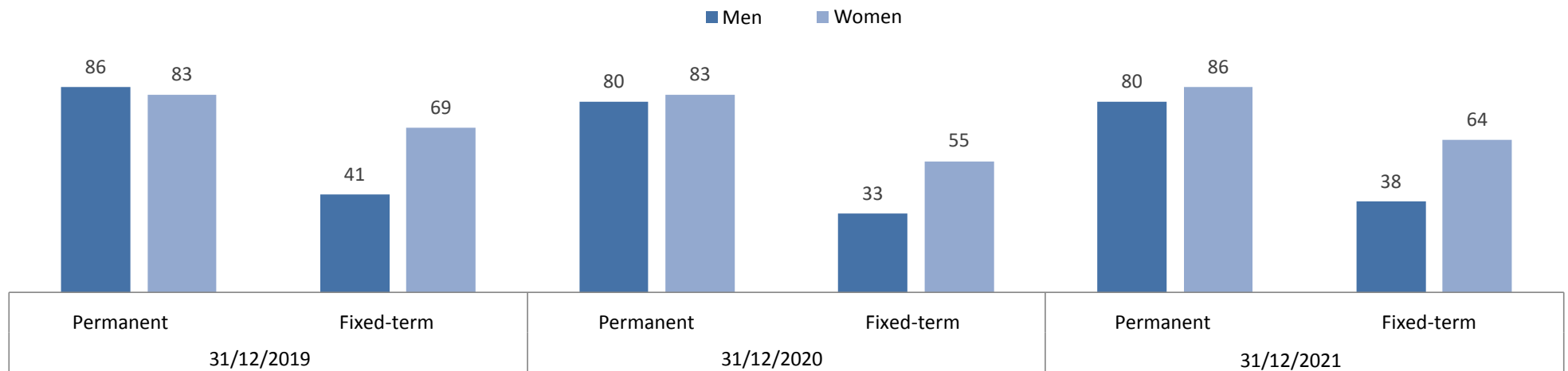


A comparative overview of employees by gender at the end of the reporting period for the period from 2019 to 2021 shows that in the last three years women accounted for 54% share in the total number of employees (2019) while in 2021 this share grew to 56 %.

Employees by gender at the end of the reporting period from 2019 to 2021

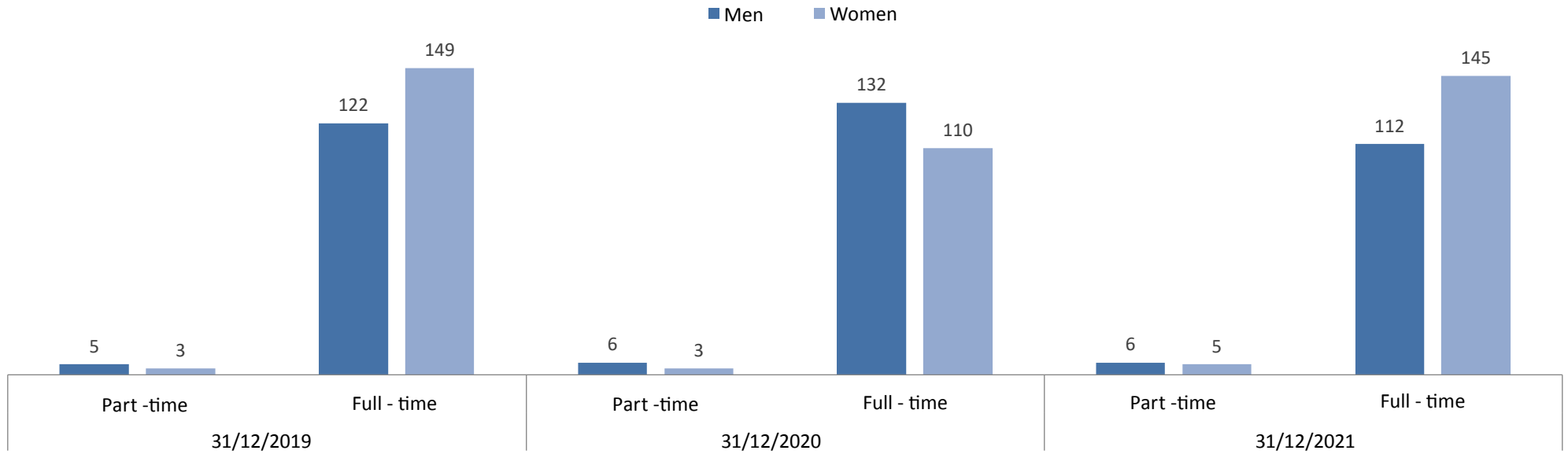


Employees by gender and employment contracts as at 31 December 2019, 2020 and 2021

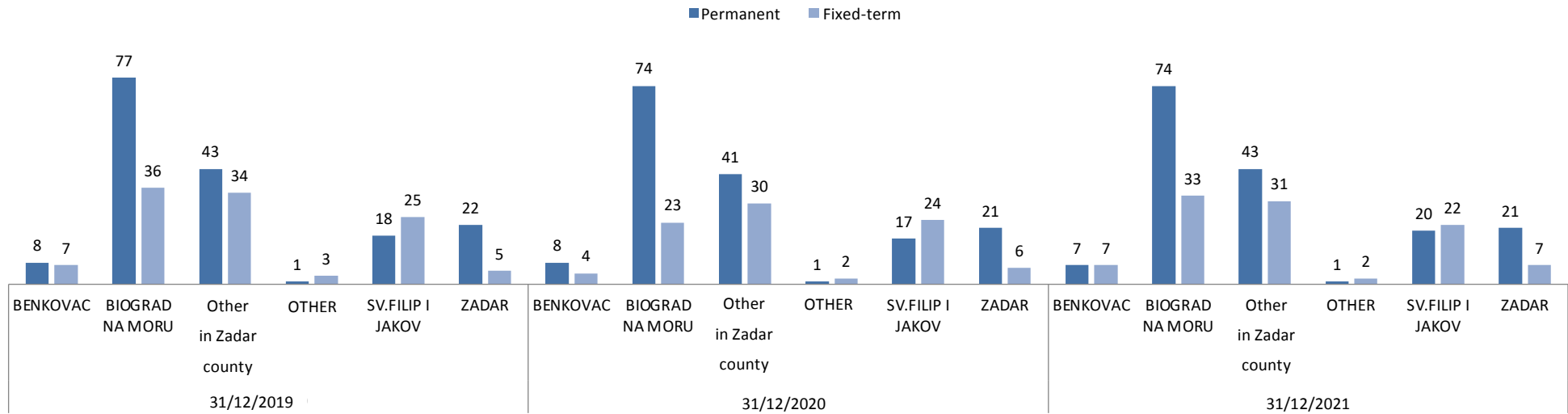


As at 31 December 2021, out of 268 employees, 257 were employed full-time and 11 part-time, of which 6 were men and 5 were women.

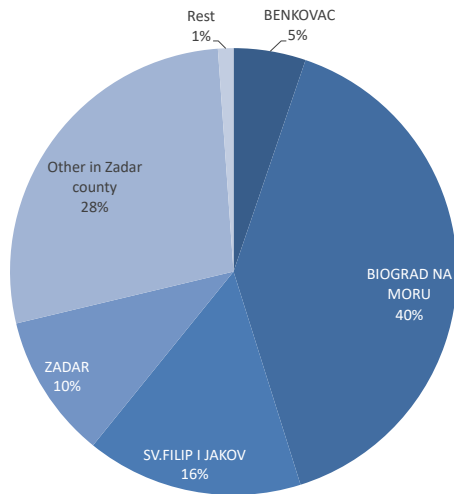
Employees by gender and working hours at the end of the reporting period



Employees by employment contracts and permanent residence at the end of the reporting period in 2019, 2020 and 2021



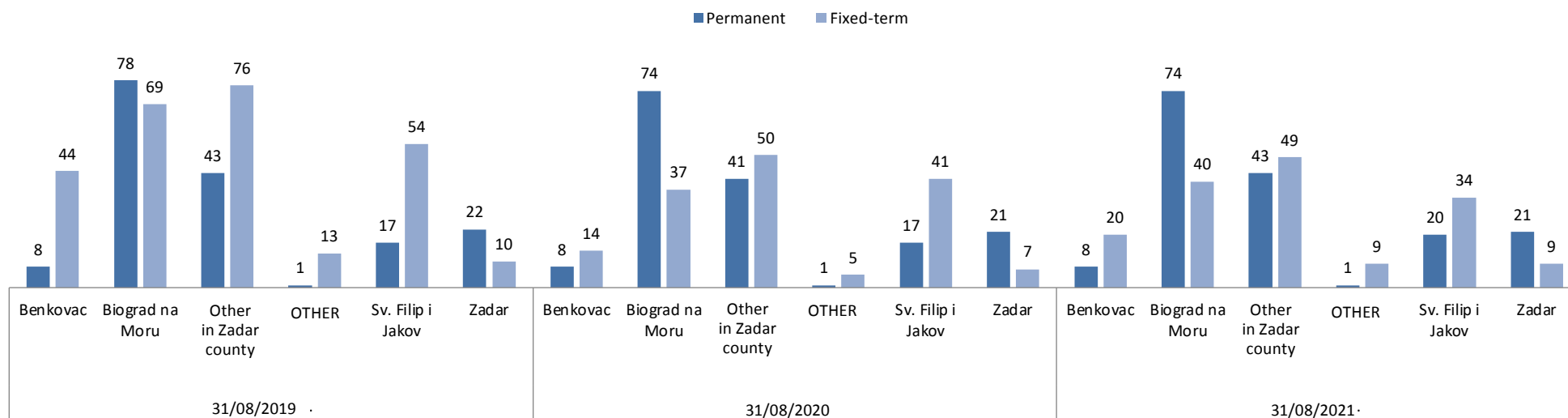
Employees by place of permanent residence as at 31 December 2021



The Company recruits most of its employees in its immediate area, thus as at 31 December 2021, the largest number of employees came from in Biograd na Moru (40%), followed by other municipalities of the Zadar County (28%), Sv. Filip i Jakov (16%), Zadar (10%), Benkovac (5%) and 1% others. 107 employees come from Biograd na Moru, of which 74 (70%) have permanent employment contracts and 33 (30%) temporary employment contracts.

During the peak season, due to the increased demand for labour, if we observe the number of employees according to their permanent residence and employment contracts as at 31 August 2021, the number of employees from all the above mentioned cities and municipalities increased, mostly from other municipalities of the Zadar County, Benkovac and Sv. Filip i Jakov, and despite the significant seasonal growth in the number of employees they still come from the cities and municipalities of the Zadar County.

Employees by permanent residence and employment contracts as at 31 August 2019, 2020 and 2021



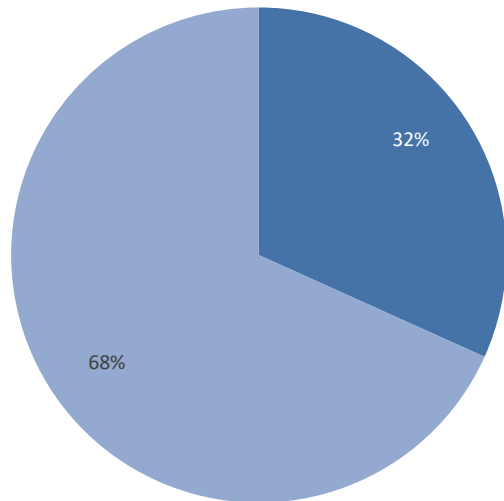
Employment - new employees

In 2021, 111 employees were hired, of which 70%, i.e. 63% were previously employed by the Company but who were deregistered after the end of the season. In this way, the Company creates a category of permanent seasonal workers, while 37% are new employees who were employed by Ilirija for the first time.

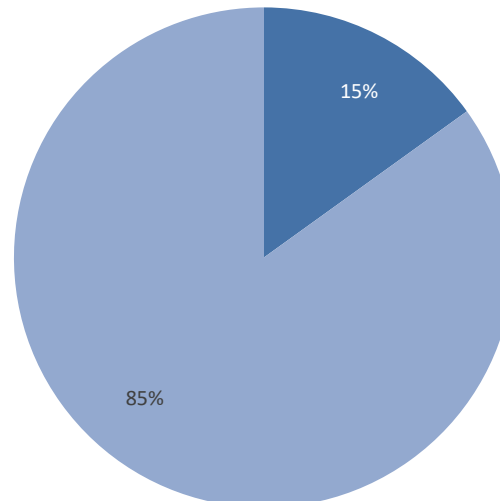
Every year, following the end of the tourist season, the Company seeks to retain a certain number of long-term seasonal workers, thus developing a pool of quality workforce and achieving additional stability in human resource planning and managing. The increase in the share of new employees in 2021 compared to 2020 is the result of a significant recovery of the peak tourist season, which during the key period, i.e. July-September, experienced a volume of business activities equal to the levels achieved during the pre-pandemic times.

The ratio between new employees and long-term seasonal workers in 2019, 2020 and 2021

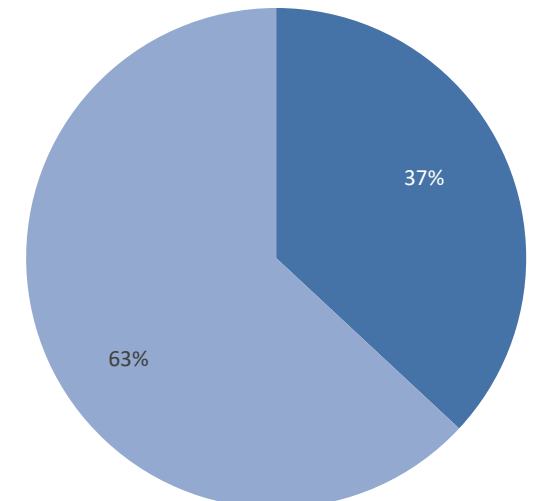
■ New employees 2019 ■ Seasonal employees 2019



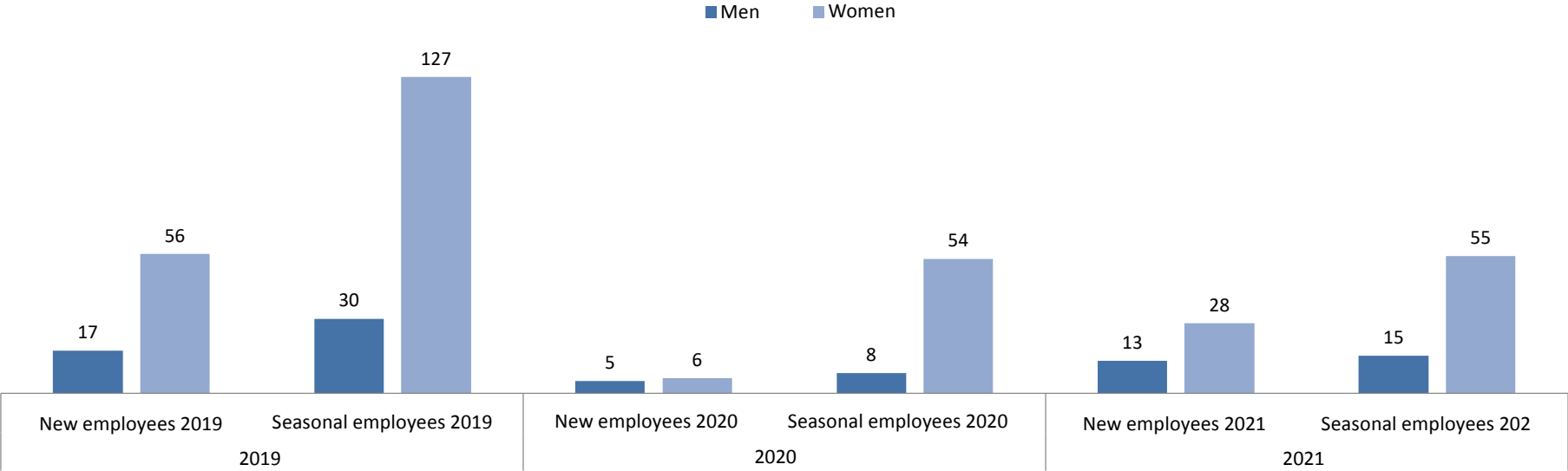
■ New employees 2020 ■ Seasonal employees 2020



■ New employees 2021 ■ Seasonal employees 2021

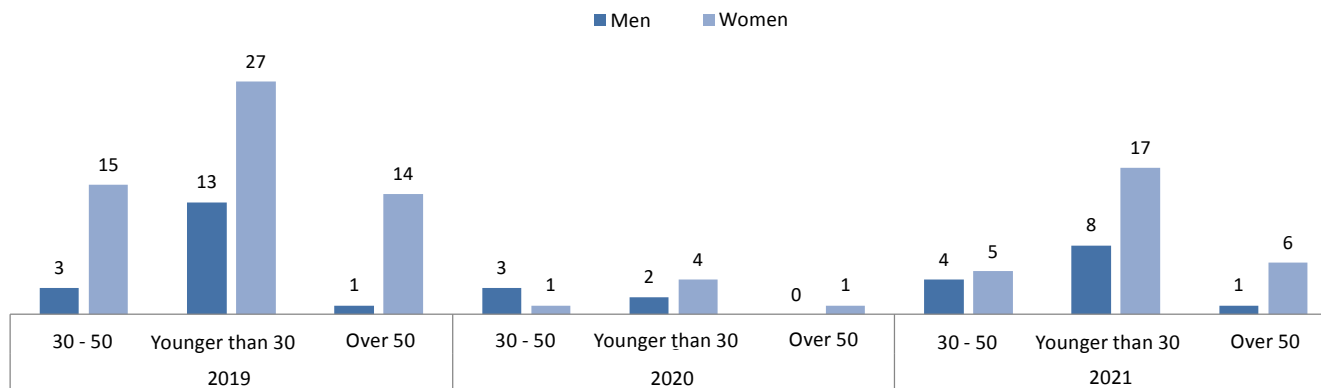


The ratio between new employees and long-term seasonal workers in 2019, 2020 and 2021



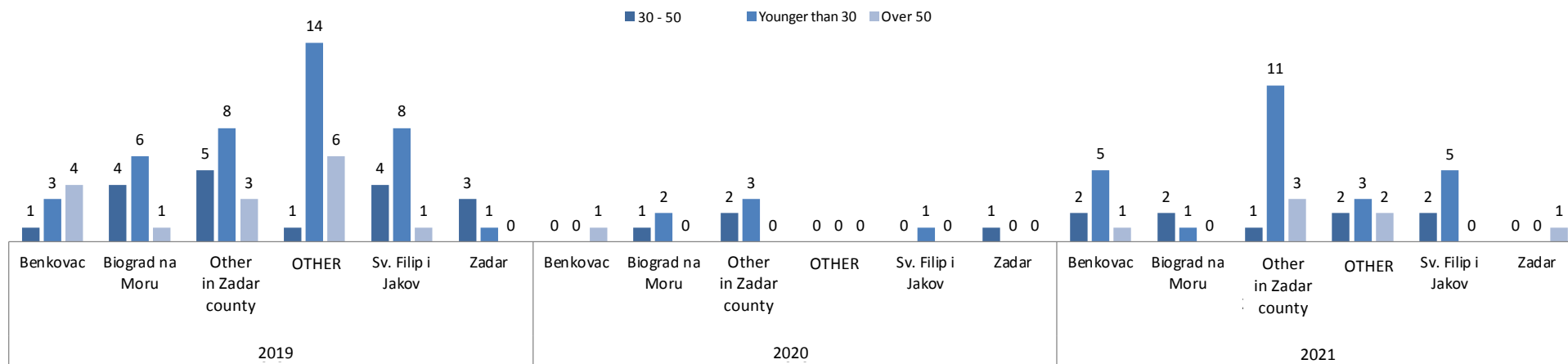
Looking at gender and age groups, in the observed period from 2019 to 2021, the greatest number of women up to 30 years of age were employed, due to the increased need to fill jobs during the tourist season within the House-keeping Department (maids and cleaners) for which mostly only women apply.

New employees by gender in certain age group in the period from 2019 to 2021



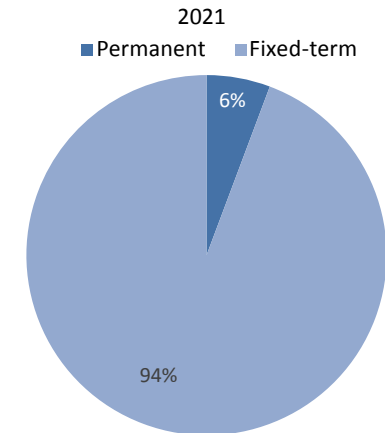
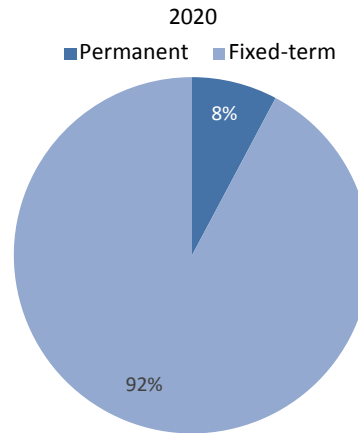
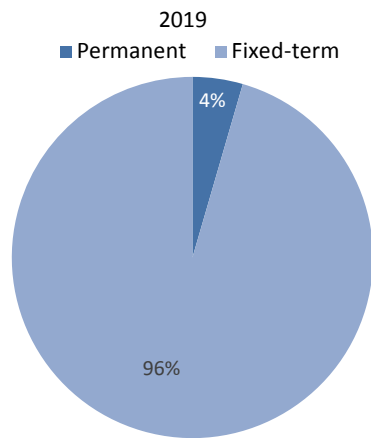
According to permanent residence and age groups, most new employees belong to the age group of up to 30 and most come from other municipalities within the Zadar County.

Overview of new employees by permanent residence and age group from 2019 to 2021

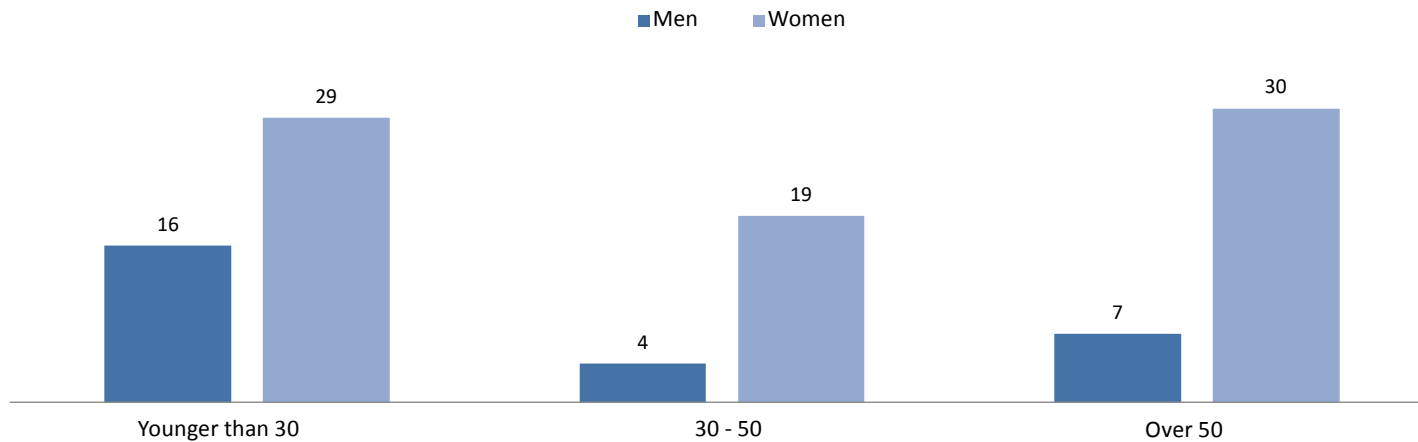


Employee turnover

In 2021, 94% of the departures from the work place were realised by termination of temporary contracts and the remaining 6% by termination of permanent contracts. These are mainly the departures of seasonal workers and, in a smaller number of cases, retirements or voluntary withdrawals.

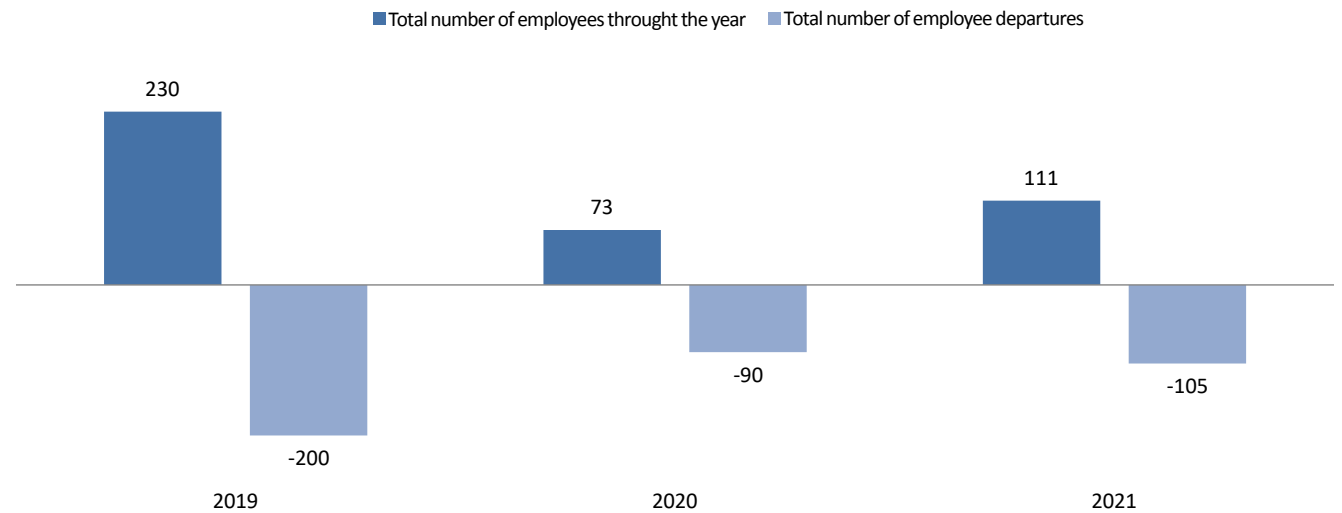


Employee departures in 2021 by gender and age group

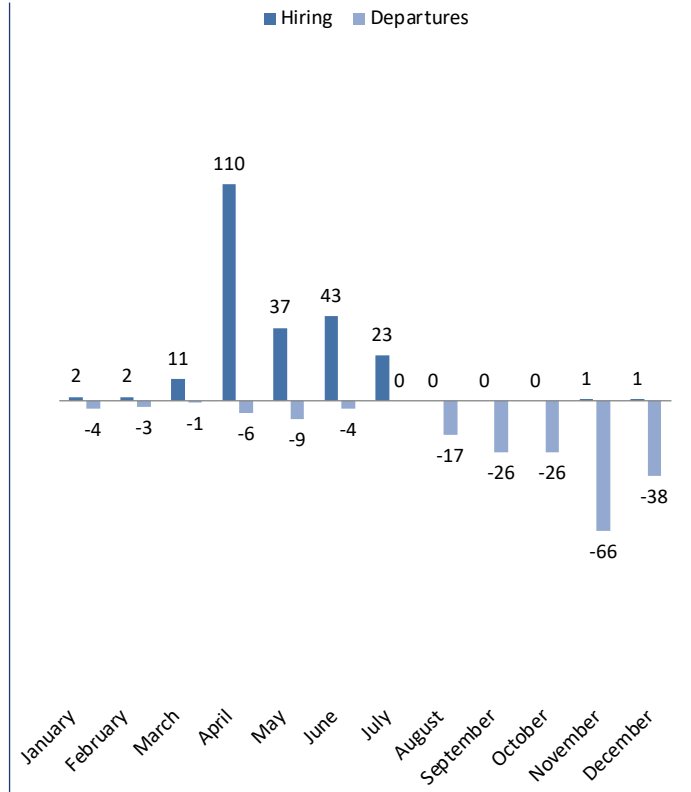
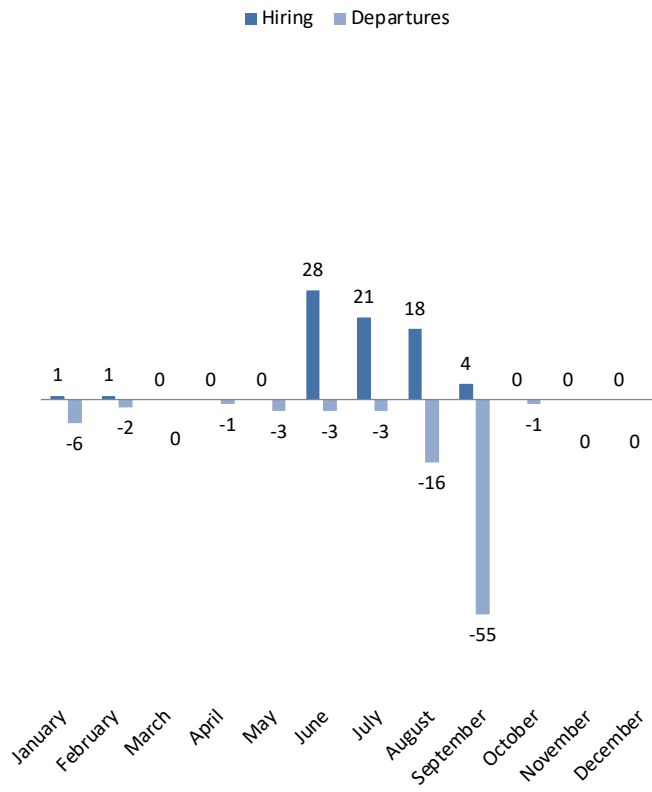
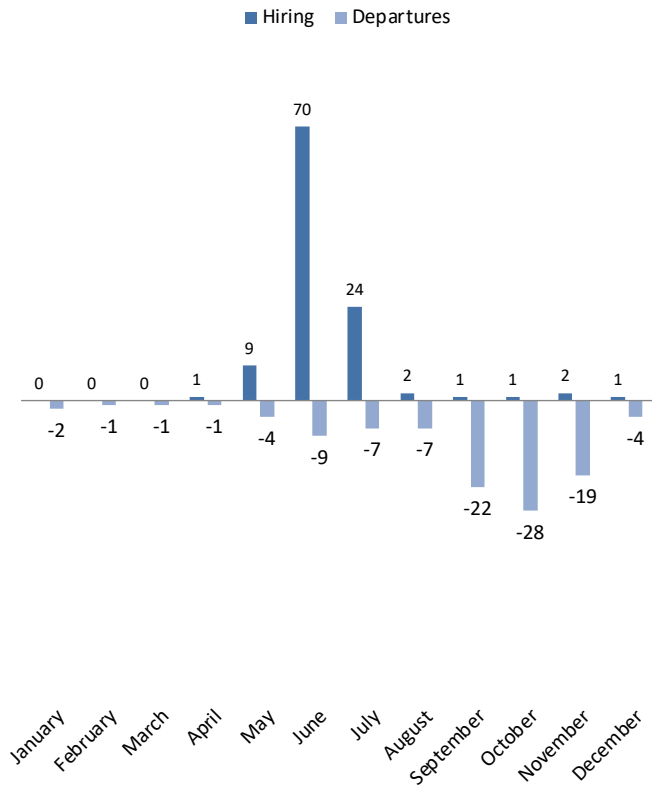


When observing the arrivals and departures of employees by months in 2021, it is evident that most arrivals were recorded in June, at the beginning of the peak tourist season, the same as in the previous year, but later than in the pre-pandemic 2019 when the highest number of arrivals was recorded earlier, in April. The highest number of departures in 2021 was recorded in October, later than in 2019 when the highest number of departures was recorded in September, which points to the extension of the tourist season, but earlier than in 2019, when the highest number of departures was recorded in November.

Employee departures and arrivals from 2019 to 2021



Employee arrivals and departures by months in 2021, 2020 and 2019



Maternity and parental leave

In 2021, 13 employees exercised their right to maternity and/or parental leave. Out of the 4 employees who were to return to work in 2021 following the expiration of their parental leave, 3 of them returned, thus the return rate equals 75%. All employees who returned from parental leave in 2020 were still employed by the Company in 2021, 12 months after the parental leave, thus the retention rate amounts to 100%.

Maternity and parental leave

Year	Total number of employees through the year		Employees who exercised their right to parental leave		Total number of employees who returned to work after parental leave		Rate of return to work	Rate of stay
	Men	Women	Men	Women	Men	Women		
2019	160	306	0	19	0	2	67%	50%
2020	113	138	0	14	0	2	100%	100%
2021	118	150	0	13	0	3	75%	100%

Fundamental principles of diversity policy



Equal opportunities in the workplace for all employees



Zero tolerance for any form of discrimination



Motivating and stimulating business environment



Diversity of knowledge and experience



Equal pay for equal work

6.2 Diversity and Equal Opportunities

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

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

The general management consists of the Management Board, heads of sectors, heads of corporate services and heads of profit centres and departments within the profit centres. As at 31 December 2021, out of 268 employees, 21 employees are involved in general management, which accounts for a share of 7% in the total number of employees. Of these, 62% are women and 38% men, while 71% belong to the 30-50 age group and 29% to the 50+ age group. Looking at the level of education, 67% have a university education degree, 19% have a high school degree and 14% have a post-secondary education. All come from the Zadar County, the largest number of them from Zadar, followed by Sv. Filip i Jakov and Biograd na Moru.



Croatian Diversity Charter



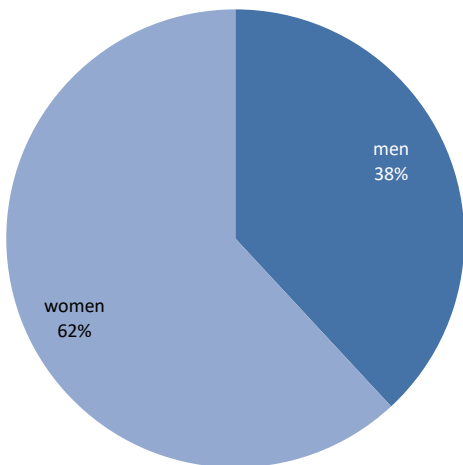
Gender Equality Federation



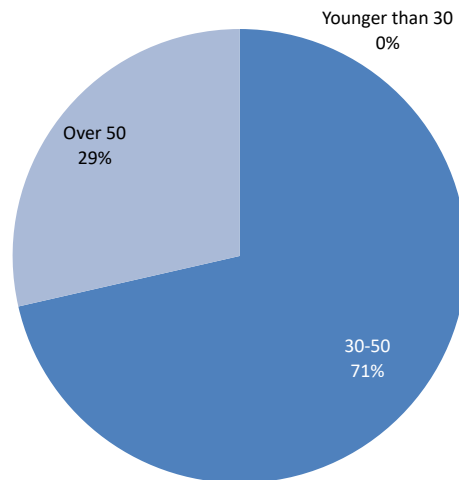
President of the Management Board – a promoter of diversity

General management employees by gender, age group and education level

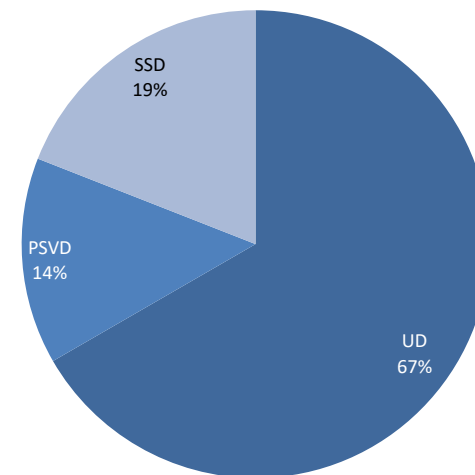
General management employees by gender



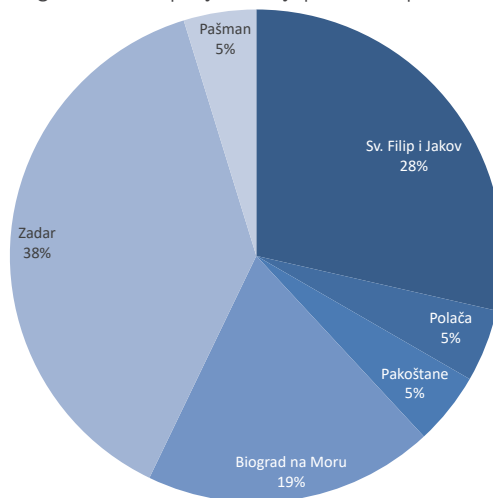
General management employees by age group



General management employees by education level



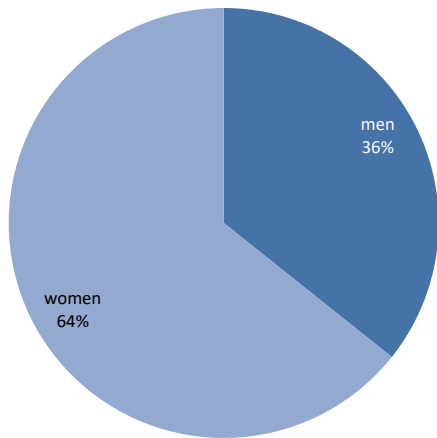
General management employees by place of permanent residence



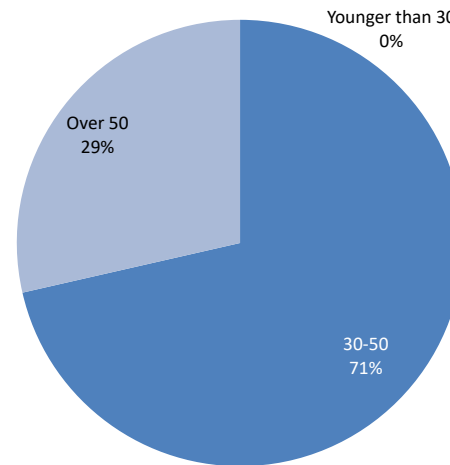
In the Company's senior management consisting of the Management Board, sector managers and heads of corporate services, there are 14 persons with special authorizations. The structure is similar to that of the general management: most of them are women (64%), most of them belong to the 30-50 age group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

Senior management employees by gender, age group and education level

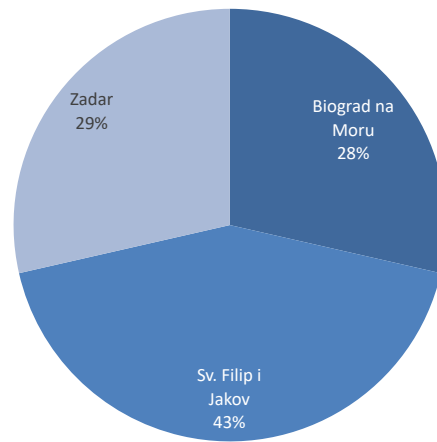
Senior management employees by gender



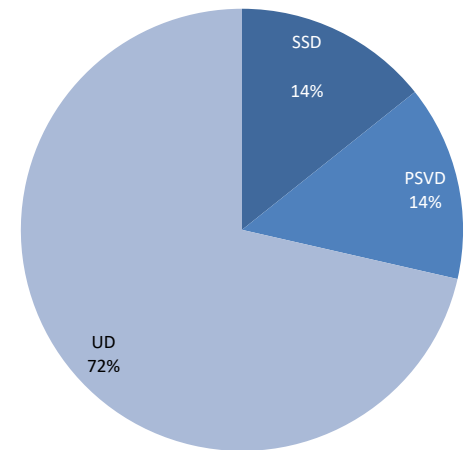
Senior management employees by age group



Senior management employees by permanent residence



Senior management employees by education level



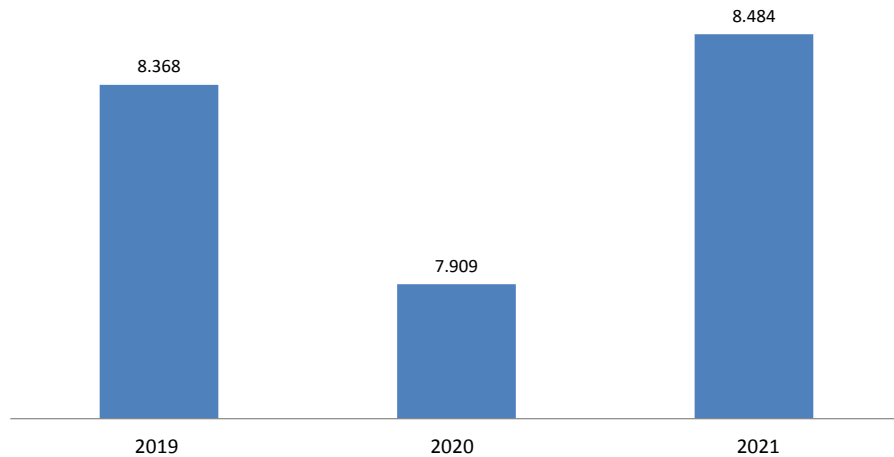
Material and other rights of employees

Ilirija d.d. implements non-discriminatory policies and accordingly there are no differences in the salaries of employees by gender, age, religion, political opinion, national or social origin and any other belief or diversity for the same job.

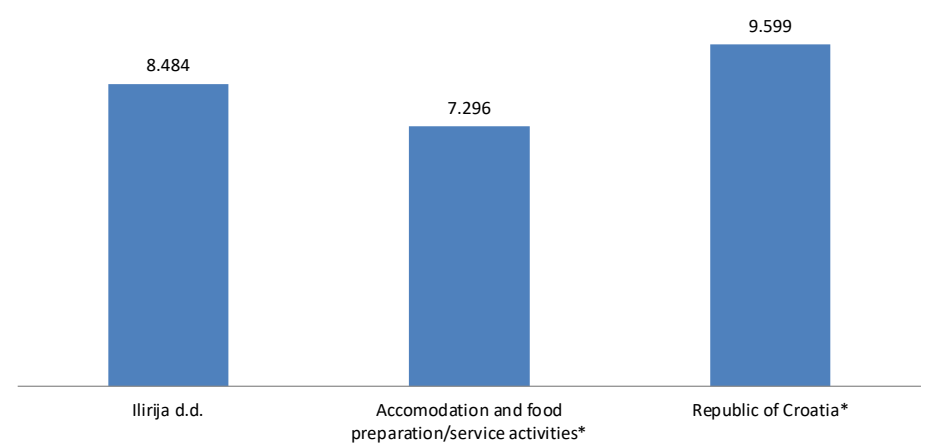
The average gross salary in 2021 amounted to HRK 8,484.00, which is 7% more than in the previous year, 2020, and 1% more than in the pre-pandemic year, 2019. Also, the average gross salary paid for 2021 in Ilirija d.d. is 16% higher than the average gross salary paid for the same period in the industry of accommodation services and food preparation and service in the Republic of Croatia.

The average gross salary paid by Ilirija in the period from 2019 to 2021 and in comparison with the average salary in its industry and at the level of the Republic of Croatia

The average gross salary in period from 2019 to 2021



The average gross salary





One-off financial assistance



A warm meal for HRK 1



Assistance for a new-born



Gifts for children



Education

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

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



6.3 Training and Education

At Ilirija, we pay special attention to the training, education and development of our employees. Investments in human resource development is one of the principles of human resource management within the company, which results in their motivation and satisfaction, and raises their personal competencies. This essential topic refers to all facilities within the company in cooperation with external authorised training companies, which provide training for the hospitality and tourism business. The main goal of the Company is to provide and retain professional, capable and motivated employees who create new values and achieve personal and professional satisfaction.

Through training and education of our employees we strive to:

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

Training and education are planned and approved annually by the Company's Management Board and in coordination with the Human Resources and Payroll Department and sector managers in key business segments (food and beverage, sales and marketing, corporate services) while sector managers and health care, occupational safety and environmental protection managers, depending on the needs of the sector, propose additional educational programmes for individual departments within the sector, such as technical services, house-keeping, 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.

With regard to the coronavirus pandemic, it affected the training and education programmes, i.e. the way they take place. External trainings were mostly organised in a hybrid, i.e. online form, while in-house trainings were organised "live" in the period after the easing of the epidemiological measures.

In 2021, 122 employees underwent the education programme, of which 47 were men and 75 women, i.e. the average number of training hours per employee totals 27 hours, which, compared to the previous year represents an increase in training and education hours and grows closer to the pre-pandemic period.

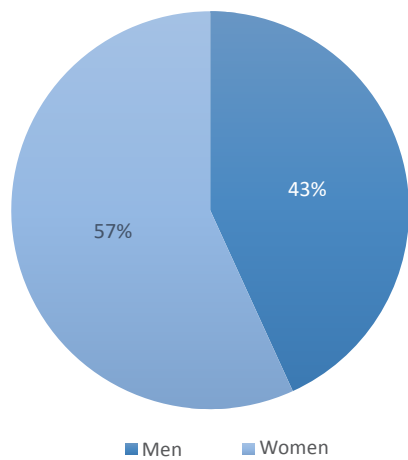
Number of employees at trainings and hours of training for the period between 2018-2021

	2018	2019	2020	2021
Number of training hours	8.532	9.348	2.112	3294
Number of employees	294	306	96	122
Number of men	126	133	35	47
Number of women	168	173	61	75
Average number of hours per employee	29	31	22	27

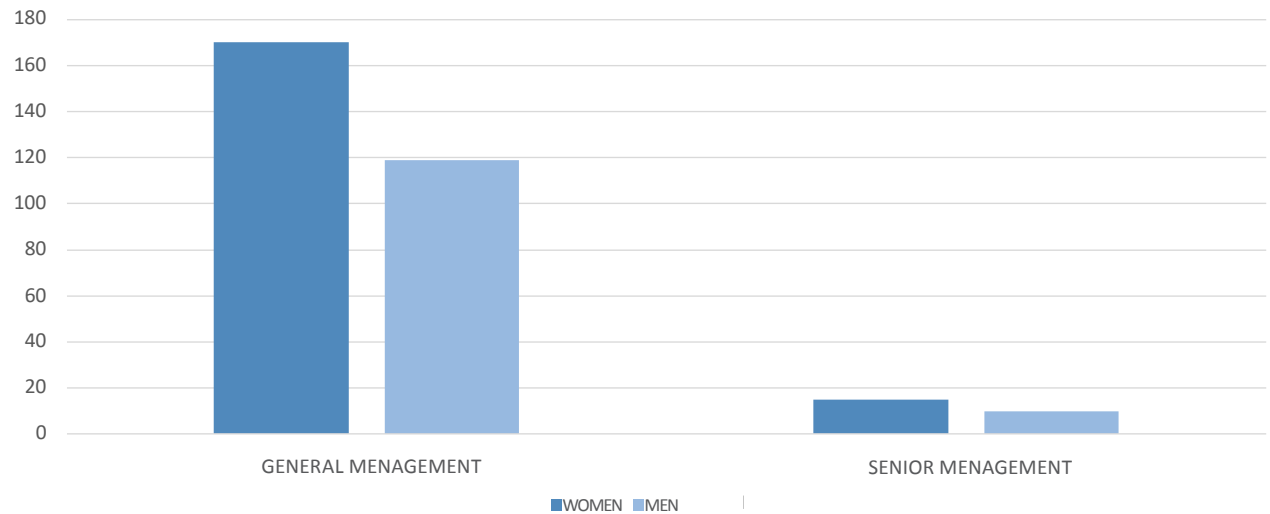
If we do not include the education programmes prescribed by the law, the average number of training hours per employee amounted to 26 hours, that is, a total of 1144 hours was spent on training. The education included 44 employees, 19 of whom were men, with 494 hours of training and 25 of whom were women, with 650 hours of training, while the ratios are illustrated by the graph below.

General management employees, consisting of heads of departments and heads of department units, had 289 hours of training organised, and the average number of hours of training per employee in the category of general management totals 17 hours, while senior management employees spent 5 hours on average on education.

Education hours by gender in 2021



Education hours of general and senior management in 2021





In 2021, ILIRIJA EDUKA trainings were undergone by 35 employees from:

- the food and beverages field, through the process of educating staff and the middle management through practical and theoretical workshops, and
- the marketing and sales department, namely when it comes to new marketing and sales trends, and
-

Employees or their managers are required to bring a certificate of successful completion of the education programme or, if no certificate is issued, inform the Human Resources and Payroll Service of the fact that they completed the programme, while for the education programmes required by the law, the managers shall monitor the application of knowledge and the successful completion of training.



6.4 Occupational Health and Safety

Occupational Health and Safety Management System



Occupational Health and Safety



Health Control



Occupational Health and Safety



Fire Protection

The Company Safety Service is divided into health control, occupational health and safety, fire protection and environmental protection in order to provide maximum safety for its guests and employees, ensure the conditions for providing high quality services and complying with the principle of sustainability as the foundation for long-term stable development and growth of the Company. Accordingly, in terms of safety and security, the Company bases the system on:

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

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. This enables the Company to take care of health and safety of its employees and guests and provide continuous trainings. Considering that the employees perform the entire business process, protecting their life and health, i.e. their overall occupational health and safety is important for the Company, especially in view of occupational health and safety activities due to the global COVID-19 pandemic.

Health Control

The Health Control Manager coordinates the so-called DDD measures (for disinfection, disinsection and deratization), meets the daily work obligations pertaining to the sanitary programme, 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. In the year of pandemic, the Health Control followed the recommendations and measures of the Institute of Public Health and decisions of the Civil Protection Headquarters and implemented these into its operational processes in order to create a safe destination for the guests and a safe working environment for the employees. Moreover, in addition to aligning business processes with applicable legal regulations, the Company bases its safety management system on standards, including the ISO 9001:2015 quality management system, the Company – Friend of Health certificate and by implementing the certifying the HACCP system.

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

1 Legal regulations:

Catering Activity Act (OG 85/15, 121/16, 99/18, 25/19, 98/19, 32/20, 42/20, 126/21), Act on General Use Items (OG 85/06, 75/09, 43/10), Act on the Protection against Non-Ionizing Radiation (OG 91/10, 114/18), Food Act (OG 46/07), Nature Protection Act (OG 70/05), Construction Act (OG 175/03) Noise Protection Act (OG 20/03), Poison Act (OG 27/99), Occupational Safety Act (OG 71/14, 118/14, 94/18), Fire Protection Act (OG 92/10), Labour Act (OG 93/14), Labour Inspectorate Act (OG 19/14), Catering Activity Act (OG 85/15, 121/16, 99/18, 25/19, 98/19, 32/20, 42/20), State Inspectorate Act (OG 115/18, 117/21), Act on General Use Items (OG 39/13, 47/14, 114/18), Food Act (OG 81/13, NN 14/14, 115/18), Chemicals Act (OG 18/13, 115/18, 37/20), Nature Protection Act (OG 80/13, NN 15/18, NN 14/19, 127/19), Act on the Protection of the Population from Infectious Diseases (OG 79/07, 113/08, 43/09, 130/17, 114/18, 47/20, 134/20 and 143/21).

2 Ordinances:

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

(3) Decisions, recommendations and measures of the competent authorities at the national, regional and local levels (Croatian Institute of Public Health and the Civil Protection Headquarters) aimed at preventing the spread of COVID-19.

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

Health control activities and goals in 2021:



Monitoring, implementation and control of COVID measures, recommendations and standards

Implementation and compliance with general measures for the prevention of the transmission of infections, implementation of the internal Protocol of Health, Hygiene and Safety Standards reinforced with the implementation of measures defined by the Stay Safe in Croatia national safety label, regular education of employees with regard to hygiene measures and procedures, informing the guests on internal protocols (website, social media, notices within the facilities, etc.), digitalisation of individual services, increased safety protocols in handling, preparation and serving of food, and adaptation of capacities to prescribed epidemiological measures.



Food safety and safety of general use items

In 2021, HACCP system was implemented in all hospitality facilities, in compliance with the Codex Alimentarius standard. Regular inspections of hospitality facilities by auditing all processes, analysing potential hazards, identification of control points and critical control points in operation, employee hygiene inspection, implementation of DDD measures, water safety inspections and continuous education of employees. In 2021, the Sanitary Inspection of the State Inspectorate has carried out five supervisory inspections in food establishments together with the inspection of the implementation of COVID measures in all accommodation facilities. All inspections confirmed that the facilities operated in compliance with the law.



Hygiene of accommodation and sanitary facilities

Conducting regular controls or inspections of accommodation facilities and sanitary facilities, keeping records thereof, and continuous staff training in house-keeping departments.

4.

Pool water safety

Daily control of water quality parameters (chlorine concentration and pH value), keeping a record of swimming pool maintenance and hygiene inspections, sanitation procedures implemented in accordance with Swimming Pool and Engine Room Cleaning Plan, regular sampling of pool water by a licensed laboratory, regular hyperchlorination of pool water in order to maintain its safety, employee education on handling chemicals and monitoring their consumption.

5.

Spa hygiene

Daily control of water quality parameters (chlorine concentration and pH value), keeping a record of swimming pool maintenance and hygiene inspections, sanitation procedures implemented in accordance with Swimming Pool and Engine Room Cleaning Plan, regular sampling of pool water by a licensed laboratory, regular hyperchlorination of pool water in order to maintain its safety, employee education on handling chemicals and monitoring their consumption.

6.

Implementation and compliance with national and international standards

HACCP, Safe stay in Croatia, ISO 9001:2015



Health in the workplace

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

- assessing the risks to health and safety;
- ensuring that each employee is properly trained in terms of health and safety protection;
- encouraging communication with employees;
- occupational injury record-keeping;
- taking corrective actions, if necessary.

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

- collecting data at the workplace;
- analysing and evaluating the collected data, which includes:
 - identification of hazards, harm and strain;
 - assessment of hazards, harm and strain;
 - identification of measures for the elimination or reduction of hazards, harm and strain;
 - a plan of measures for the elimination or reduction of the level of hazards, harm and strain, which must include time frames.

Apart from the health protection measures implemented due to the COVID-19 pandemic, the Company also implemented its annual plan and programme of specific employee health care measures at the level of primary health care. Following the established methodology, examinations are carried out to assess the employees' working abilities against the demands of jobs with special working conditions.

Sanitary/hygienic examinations by type from 2018 to 2021, carried out at the Zadar Institute of Public Health

Overview of sanitary and hygienic inspections	2018	2019	2020	2021
Annual review	193	199	80	122
Semi-annual review	58	0	0	0
Annual review of health professionals	1	1	0	0
New sanitary card	4	81	17	45
Staff employed in the hygiene protocol	5	6	5	3
Student review	1	3	0	0
Total	262	290	102	170

Occupational medicine check-ups

Occupational medicine check-ups	2018	2019	2020	2021
Nautics	21	7	12	15
Camping	8	4	4	4
Laundry	6	3	2	4
Technical service	4	3	2	2
Horticulture	5	3	3	3
Total	34	20	23	28

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 and guests:

- the HACCAP system was implemented in order 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;
- information is provided by labelling food allergens;
- evacuation and rescue plans are prominently displayed in all facilities;
- a methodology of cleaner production has been implemented;
- complete measures for the destruction of micro-organisms and pest control have been implemented in accordance with relevant legislation and in cooperation with licensed external companies;
- sea waters are tested for quality
- pool water is tested for physical, chemical and microbiological parameters; and
- information has been provided and trainings have been held on the importance of preservation of natural resources (preservation and protection of water, energy, waste disposal, etc.);
- DDD measures have been implemented;
- a safe working practice for the use of chemicals has been introduced;
- certified fairtrade and sustainable suppliers are selected when purchasing linen;
- the practice of avoiding individual packaging of food and beverage products, as well as of laundry detergent has been introduced;
- the Company selects products that are environmentally friendly or have minimal environmental impact.

Occupational Health and Safety

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

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

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

Legal regulations:

Labour Act (Official Gazette, No 93/14, 127/17, 98/19)

Compulsory Health Insurance Act (Official Gazette, No 80/13, 15/18, 26/21),

Noise Protection Act (Official Gazette, No 30/09, 22/13, 153/13, 41/16, 114/18, 14/21).

Pension Insurance Act (Official Gazette, No 157/13, 151/14, 33/15, 93/15, 120/16, 18/18, 62/18, 115/18, 102/19, 84/21).

Act on the List of Occupational Illnesses (Official Gazette, No 162/98 and 107/07),

Act on Compulsory Health Inspection of Workers Occupationally Exposed to Asbestos (Official Gazette, No 79/07, 139/10, 111/18),

Health Protection Act (Official Gazette, No 100/18, 125/19, 133/20, 147/20, 136/21),

Act on Vocational Rehabilitation and Employment of People with Disabilities (Official Gazette, No 157/13, 152/14, 39/18, 32/20),

Fire Protection Act (Official Gazette, No 92/2010),

Ordinances:

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

Internal ordinances:

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

Decisions, recommendations and measures of the competent authorities at the national, regional and local levels (Croatian Institute of Public Health and the Civil Protection Headquarters) aimed at preventing the spread of COVID-19 in the part concerning occupational health and safety.

1.
2.
3.
4.

Occupational health and safety activities and goals in 2021



Occupational Safety Committee education and activities

Employee education, informing and counselling, record-keeping, documenting and notifying, non-smoker protection and prohibition of alcohol consumption and consumption of other addictive substances, all in accordance with relevant legislation.

Employees have received first aid training, and the Company provided resources and equipment.

Activities of the Occupational Safety Committee, which, for the purpose of improving occupational health and safety in 2021, planned and supervised the implementation of rules with regard to occupational health and safety, organised the performance of occupational health and safety tasks, informed and trained employees on occupational health and safety, implemented the prevention of occupational risks and their effects on employee health and safety.



Occupational injury record-keeping

Keeping records of employees who suffered an injury or illness in the workplace. During the 2021 financial year, five minor injuries were reported in the overall reporting period.



Health in the workplace

Employees exposed to an increased risk of occupational hazards have regularly been referred to occupational health check-ups.

4.

Implementation and control of epidemiological measures

Monitoring, implementation and control of measures and recommendations from the competent Civil Protection Authority in view of occupational health and safety. The Ilirija d.d. Occupational Safety and Fire Protection Manager is also a member of the Biograd na Moru Civil Protection Authority.

5.

Employee check-ups

In order to ensure health supervision suitable to hazards, harm and strain during work, for the preservation of employee health, the Company provided the employees with occupational healthcare services in accordance with relevant legislation at the licensed medical institution competent for occupational healthcare (Zadar County Medical Centre).

6.

Safe work practices

Employee training activities for safe work practices in accordance with the training programme based on previous risk assessment, which covers all hazards, harm and strain identified in the risk assessment and the methods for their elimination.

7.

Implementation of occupational health and safety measures

Implementation of occupational health and safety measures in order to improve working conditions, prevent occupational injuries and illnesses, other work-related illnesses and the protection of the working environment, which include the following technical and organisational measures: testing of machines and devices used for work with increased risk of occupational hazards, electrical installations, lightning protection – lightning rods, microclimate and lighting in accordance with regulations governing respective areas, fire extinguisher inspections, fire hydrant network inspections, inspections of fire alarm and extinguishing systems, as well as fire fighting equipment in fire hydrant cabinets; control of instructions for safe work practices and hazard signage, and implementation of internal supervision of compliance with occupational health and safety rules.

8.

Practice drills

Practice evacuation and rescue drills when implementing fire protection and employee rescue measures, which must be carried out biannually in accordance with relevant legislation, while each year the Company organises practice evacuation and rescue drills.



Fire protection activities and goals in 2021

In order to protect people's lives and property, the Company takes measures and actions for eliminating causes of fire, prevention of occurrence and spreading of fire, fire detection and extinguishing, identifying causes of fire, as well as providing assistance with eliminating fire damage.

The following occupational health and safety activities have been performed in 2021:



Equipment procurement and serviceability

Procurement of required fire protection equipment and a sufficient number of fire extinguishers. In 2021, 387 fire extinguishers have been installed in all facilities. There were no fire-fighting interventions reported during the reporting period.

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



Supervisory activities

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



Activities in fire protection programmes

The Company is actively engaged in the realisation of the Activity Programme for the Implementation of Special Fire Protection Measures in 2021, in so far as it complies with the guidelines issued by the County Chief Fire Officer and the Biograd Public Fire Brigade.

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

Employee training on workplace safety (internal training) is carried out by Occupational Safety and Fire Protection Manager in cooperation with external licensed companies.

Within the scope of occupational health and safety and fire protection activities, employees received training for safe work practices and participated in fire safety drills.

Training for safe work practices

Year	2018	2019	2020	2021
Training for safe work practices	65	32	0	20

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

Fire drills

Year	2018	2019	2020	2021
Number of fire fighting drills	4	4	4	4

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

Number of fire extinguisher inspections

Year	2018	2019	2020	2021
Number of fire extinguisher inspections	312	314	382	387

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

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

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

Occupational injury rate parameters

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

6.5 Indirect Impacts of the Company and the Community

In 2021, indirect impacts of the Company were evident in several areas:

1.

In view of human resources management in 2021, the Company retained full employment, that is, it preserved the jobs of its existing employees at all levels and their financial situation, while also retaining its employees after the high season ended, whereby at the end of the reporting period it employed 7% more employees. Of the total number of employees as at 31 December 2021, 40% were from the town of Biograd na Moru, and 59% 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.

2.

As part of our procurement procedure we cooperate with 775 suppliers, of which 96.13% are from the Republic of Croatia, generating 96.55% of our total turnover and thus stimulating the national economy, with a special emphasis on stimulating the economy of the local community.

3.

As the largest business system in the area of its registered office as one of the three largest tourism companies in the wider Zadar region, as well as in the destination where most of the Company's tourism facilities for the provision of accommodation services are located, by developing our own offer of amenities and increasing the level of their quality, the Company directly increases the quality of the destination's tourism offer.

4.

As part of its corporate philanthropy system, the Company dedicated special efforts to providing assistance to the healthcare system in the local community, providing assistance to those in need, to the activities of numerous associations, clubs and institutions in the field of culture, sports, science and education, health etc. In 2021 we would like to highlight the investments into the improvement of services and standards in institutions of great importance to the wider community. With regard to the pandemic, the Company put special focus on health institutions in Biograd na Moru, that is the Special Orthopaedic Hospital Biograd na Moru, with its donations enabling the procurement of medical equipment for the hospital.

5.

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 its overall activities simultaneously contribute not only to the development of the company, but also to the development of the entire community through:

- its contribution to the development of the economy through the socio-economic impacts of business,
- 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.

6.

Active participation in the activity of expert and professional associations, congresses and seminars:

- 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 and meetings (Croatian Camping Union, Association of Employers in Croatian Hospitality, Croatian Chamber of Commerce – Association of Marinas, Croatian Tourism Association),
- 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 Ilirija as a collaborator and co-organizer,
- d) participation in the work of other business associations, such as the Croatian Business Council for Sustainable Development, the round table of the Croatian Chamber of Commerce (HGK) and Croatian Financial Services Supervisory Agency (HANFA) on alternative sources of financing.

7.

Environmental protection and preservation of natural resources, 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

As a responsible business entity, the Company also makes contributions to the wider community through its corporate philanthropy system, i.e. donations and sponsorships, with a special emphasis on focusing the philanthropic activities mainly on the area of its regional community (Zadar County).

Corporate philanthropy is carried out in three ways:

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

In 2021, the Company supported activities, projects and individual requests through the corporate philanthropy system, namely in the following areas:



(I) culture



(II) humanitarian programme



(III) science - education



(IV) health



(V) sports



(VI) society

Corporate Philanthropy in 2021



46 donations



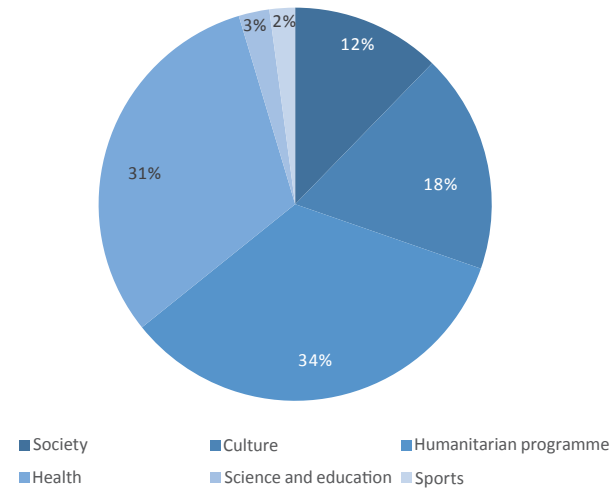
16 sponsorship activities



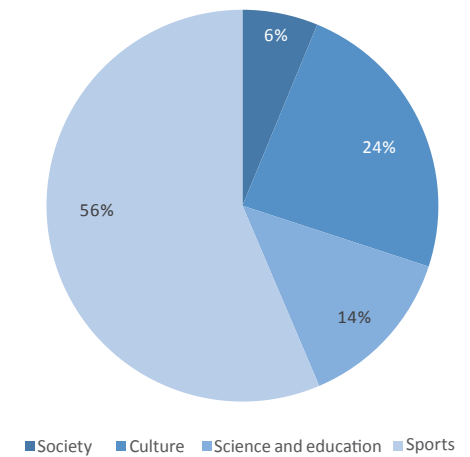
62 supported activities and projects
 Σ HRK 626.125,87

Within its corporate philanthropy system, Ilirija's donations and sponsorships amounted to HRK 626,125.87 as part of a total of 62 donation and sponsorship projects.

Overview of donations by area



Overview of sponsorships by area

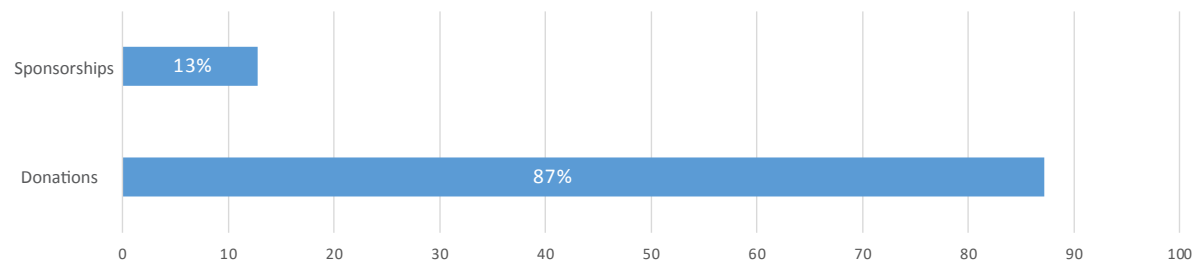


Corporate Philanthropy in the 2015-2021 period:



505 activities
 Σ HRK 4.533.987,60

Ratio of donations to sponsorships in 2021



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

The measures and recommendations of the competent authorities aimed at preventing the spread of COVID-19 also significantly affected numerous activities in 2021 which the Company had initiated, held and supported before the pandemic outbreak. As much as possible, we have continued our cooperation with the local community, as well as arts and sports associations from the Zadar County oriented towards cooperation with school and preschool children, local cultural institutions and other potential partners mainly in the City Galleria Business and Shopping Centre with the surroundings in which it does business.

Among the activities, which took place in accordance with all the decisions adopted by the competent authorities on the necessary epidemiological measures, we would like to note the following ones:

- Commemorating World Diabetes Day with the Association “Cukrići”, with the assistance of the teachers and students from the High School for Hotel Management, Tourism and Hosting Services, the “Ante Kuzmanić” Medical School and the “Stanko Ožanić” School of Agriculture, Food Sciences and Veterinary Medicine, with the aim of educating the public on the importance of early detection of type I and II diabetes, daily recreation and healthy eating habits.
- Continued cooperation with the “Stanko Ožanić” School of Agriculture, Food Sciences and Veterinary Medicine Zadar on their humanitarian projects, thereby representing the students' products to the visitors of the centre.
- Cooperation with the humanitarian organisation “Voli Život”, which takes care of severely ill and socially vulnerable children across Croatia by means of financial donations for purchase of aids, help with payment of medications and surgery abroad and in the country.
- Cooperation with the Centre for Education, Counselling and Humanitarian Action “Krugovi” in the organisation of humanitarian activities aimed at collecting donations for people suffering from malignant diseases in Zadar.
- Continuation of the long-term partnership with the humanitarian organisation UNICEF on the implementation of the “Childhood Guardians” programme in the City Galleria Centre.
- Hosting of the humanitarian campaign “Bees for Bees” organised by the third-grade students of the hotel and tourism technician course at the Plitvička Jezera High School for the Association of Parents of Children with Developmental Disabilities “Pčelice” from Gospić.
- Sales and exhibition campaign of the Privlaka Elementary School cooperative held during the Advent.
- Support for the sports-humanitarian Christmas run “Zadar Christmas Run 2021” with the associations Zadar Running School and Triathlon Club Zadar.
- Organisation of Advent celebrations in the City Galleria Centre with a suitable entertainment programme for children at the open square of the centre, which included a puppet show and greeting Santa Claus, as well as Christmas gift-giving for the youngest children.



6.6 Marketing and labelling

Proper labelling and informing customers about the food and beverages they consume is a material topic for the Company, considering that the health and safety of food is an extremely important segment of the Company's business. The Ordinance on Consumer Information about Non-Prepacked Food (OG 144/14) provides for mandatory information on the presence of substances or products that may cause allergies or intolerances. EU legislation lists 14 specific allergens used in the preparation of food (including beverages) that are present in the finished product. We inform our guests of the presence of allergens in the food served on the buffet table in hotels or during banquets by clearly displaying allergen pictograms, 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 2021, 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.



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