



 *Ilinija d.d.*

ANNUAL REPORT FOR THE YEAR 2020

Biograd na Moru, February 2021



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INTRODUCTION BY THE PRESIDENT OF THE MANAGEMENT BOARD



Goran Ražnjević, President of the Management Board

Dear shareholders,

In a year marked by a strong economic downturn due to the global health crisis caused by the COVID-19 pandemic, the travel, tourism and hospitality industry recorded a sharp decrease in tourism turnover, ranking it among the industries hit hardest by the pandemic, as well as among those sure to experience the slowest recovery.

The Company, whose core business is precisely hospitality and tourism, generating over 90% of its revenue in 2019, initiated the reorganisation and adjustment of its business processes to the new circumstances on 12 March 2020, the day the COVID-19 outbreak was declared a pandemic, in order to manage the crisis efficiently and mitigate its effects. All of the measures and activities (operational, financial and marketing and sales) that were implemented strengthened the Company's resilience and enabled it to achieve its main goals in an extraordinary business environment, including the protection and preservation of health and life of employees and guests; preservation of assets, i.e. facilities; job retention with regard to the existing Company employees and preservation of their financial situation; securing funds for regular salary payments to employees; fulfilment of obligations towards creditors, i.e. suppliers, payment of tax liabilities and contribu-

tions, as well as liabilities towards the bank; and the continuation of business operations and activities in the Company's sectors and facilities, where possible.

We would especially like to note that, due to the pandemic and the imposing of a number of measures and recommendations by competent authorities aimed at preventing its spread, which included a ban on movements of the population, ban on leaving the place of residence, ban on international and national traffic, ban on performing non-essential activities as well as performing activities in a limited scope, etc., the Company performed its activities (nautical, camping and real estate sectors) in a limited scope and capacity for the larger part of the business year. Other activities (hotel sector, the destination management company and associated catering facilities) were affected by a sharp business downturn as a result of the decisions made by competent authorities on banning the performance of business activities altogether or allowing them to be carried out in a considerably limited scope. For the larger part of the financial year, this decline was combined with a significant lack of demand, which had a negative impact on the overall business results of the mentioned sectors.

Amid the still ongoing global health crisis, the Company's primary focus was the preservation and

protection of health of its guests and employees through the strict implementation of epidemiological measures and recommendations set by the competent authorities, and continuous improvement of health and safety standards and protocols. This allowed for a smooth performance of business activities, unhindered by health and safety threats in any Company sector. We would especially like to note that the 22nd international nautical fair Biograd Boat Show was successfully held in October, as one of only a few nautical fairs held in 2020.

The achieved financial results and profitability and performance indicators ensured the Company's business and financial stability, business sustainability through the preservation of the Company's activities, facilities and assets, as well as job retention and retention of full employment, significantly mitigating the negative effects of the pandemic. The operating revenue amounted to HRK 97,640,558.48, i.e. 58.25% of the revenue generated in 2019, of which the nautical sector generated HRK 43,370,116.44, mostly as contractual berth revenue. Despite the global crisis heavily disrupting the tourism and hospitality industry, the nautical sector demonstrated strong resilience by maintaining key business segments on the same or a slightly lower level compared to the previous year. Despite the decision to completely ban or to limit its tenants' performance

of business activities, or the subsequent decision of limiting the number of visitors to the center, as well as other epidemiological measures, the real-estate sector generated 89% of the previous year's revenue, maintained its profitability and a high occupancy rate, thus significantly contributing to the Company's current liquidity as regards its year-round business.

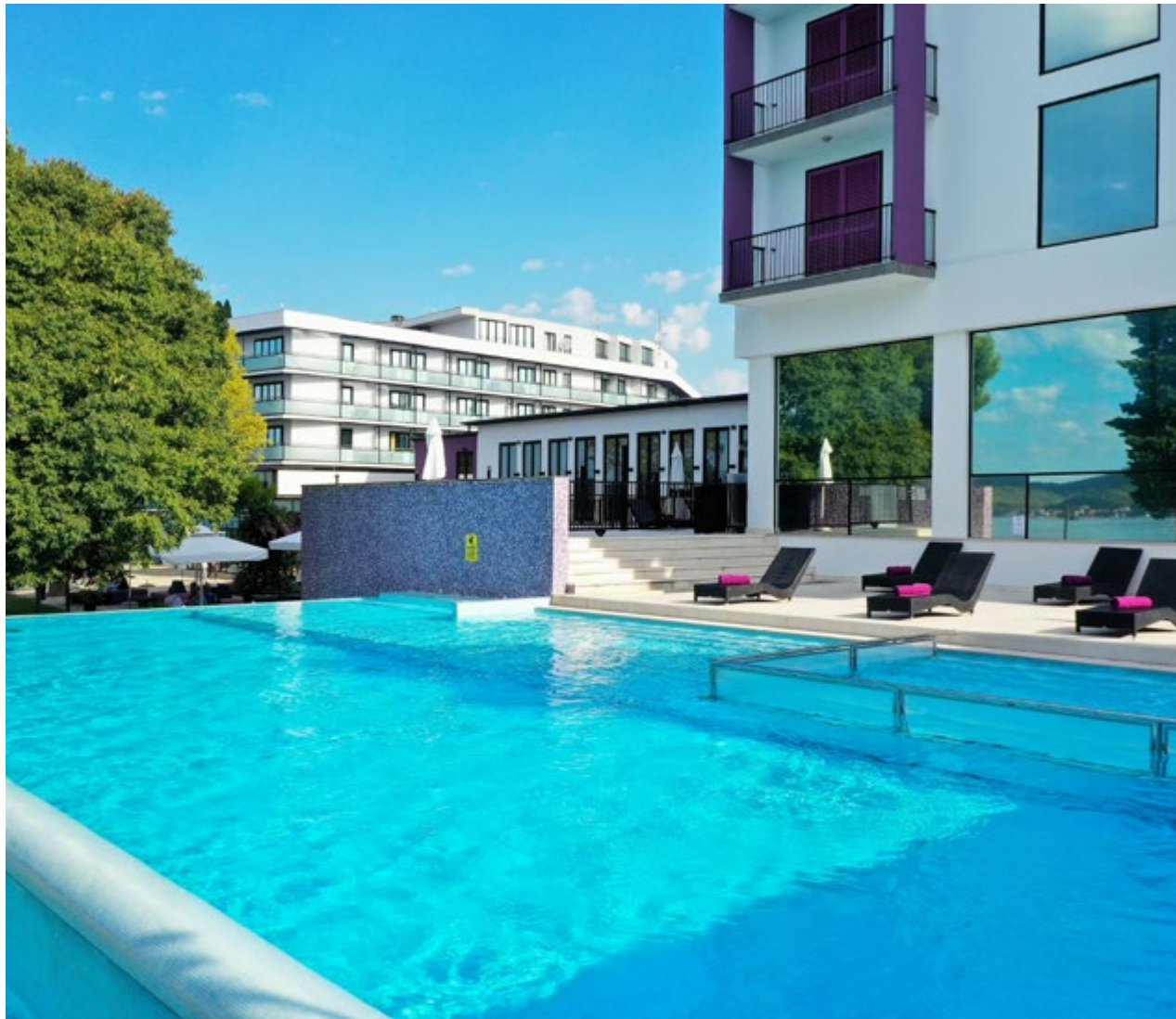
The Company's other tourism sectors – the camping sectors and the destination management company – generated revenue above 56% and 52% respectively of the revenue generated in 2019, whilst the hotel sector generated HRK 13,317,286.13, or 22% of the revenue realized in the previous year. Considering the nature of the services in these sectors and the overall circumstances surrounding the sectors' activities, the pronounced lack of demand, and business activities performed only during high season and on only a few outbound markets, the Company considers their results a success and the revenue they generated as best possible, given the circumstances.

As regards the key profitability indicators, operating profit was generated in the amount of HRK 21,197,695.74, profit in the amount of HRK 1,021,879.54 and EBITDA in the amount of HRK 21,294,901.08. By achieving these indicators, the Company continued to create value for its shareholders, despite

a challenging year, which contributed to the Company's additional stability and resilience to the effects of the pandemic, not just in 2020, but also in the next financial year. The profitability indicators were achieved despite a significantly lower physical and financial turnover, whilst retaining full employment and successfully completing the planned investments, further emphasizing the significance of these results. Moreover, despite the extraordinary business environment, the Company managed to reduce its total liabilities by HRK 9,897,186.42, without increasing its indebtedness.

The achieved level of facility development and four-star standard was maintained, along with retaining and preserving all key facilities within the sector, that is, the diversified tourism portfolio, which ensured the current and long-term stability of the Company's business system, market competitiveness and a more flexible response to market demands in the new circumstances.

We would especially like to note that despite the global pandemic, in October 2020, the Company considerably improved the quality and standard of the nautical sector when the Ministry of Tourism and Sport raised Marina Kornati's category from a two- to a four-anchor (star) rating. In this way, almost all tourism facilities of the Company in the hotel, cam-



ping and nautical sectors (except the Adriatic Hotel) were awarded a high four-star rating, thereby achieving one of the strategic and long-term goals of the Company.

Dear shareholders, amid the recent the biggest global health and economic crisis, which significantly disrupted the hospitality and tourism sector, the Company managed to achieve results that allowed it to maintain stability of its business system, liquidity and operating profitability. Furthermore, we managed to create added value for our shareholders, improve the quality and standards of the nautical and camping sectors, additionally increasing the real-estate sector's capacities. We have preserved the business operations and activities for the future, the total assets of the Company as well as retained full employment. Therefore, we are pleased with the achieved results that prove we are a Company capable of achieving favourable physical and financial results in extremely unfavourable circumstances, allowing it to maintain business stability and profitability.

Goran Ražnjević, President of
the Management Board

A handwritten signature in blue ink, appearing to read 'Goran Ražnjević', located at the bottom right of the page.

OVERVIEW OF KEY PERFORMANCE INDICATORS IN 2020

97,7MTOTAL
REVENUE (HRK)
-41,75%**97,6M**OPERATING
REVENUE (HRK)
-41,78%**96,7M**EXPENSES (HRK)
-29,13%**1M**PROFIT
(HRK)
-96,74%**21,2M**EBITDA (HRK)
-57,67%**476,7M**VALUE
OF ASSETS (HRK)
-1,77%**348M**CAPITAL
(HRK)
+0,37%**128,6M**TOTAL
LIABILITIES (HRK)
-7,15%**421,1M**MARKET
CAPITALIZATION
(HRK)
-7,08%

OVERVIEW OF KEY PERFORMANCE INDICATORS FOR THE YEAR 2020

in HRK	2020	2019	% of change 2020/2019
Financial indicators			
Total revenues	97.737.763,82	167.797.556,86	58,25
Operating revenues	97.640.558,48	167.711.919,32	58,22
<i>Hotel sector</i>	13.317.286,13	59.784.757,62	22,28
<i>Nautics</i>	43.370.116,44	48.610.539,64	89,22
<i>Camping</i>	19.609.983,95	35.305.818,53	55,54
<i>Ilirija Travel</i>	1.654.373,36	3.211.931,15	51,51
<i>Real-estate</i>	12.778.034,32	14.255.205,21	89,64
<i>Revenues from other profit centers</i>	6.910.764,28	6.543.667,17	105,61
Revenues from sales	90.004.256,80	165.072.177,40	54,52
EBITDA	21.294.901,08	50.310.254,21	42,33
EBITDA margin	21,81%	30,00%	72,70
Adjusted EBITDA	22.474.619,53	51.216.000,21	43,88
Adjusted EBITDA margin	23,02%	30,54%	75,37
EBIT	5.621.247,30	35.930.820,22	15,64
Adjusted EBIT	6.800.965,75	36.836.566,22	18,46
Profit	1.021.879,54	31.333.913,66	3,26
Profit margin	1,05%	18,68%	5,60

in HRK	31/12/2020	31/12/2019	% of change 2020/2019
Balance sheet indicators			
Net debt	91.503.592,44	100.725.614,10	90,84
Net debt / EBITDA	4,30	2,00	214,62
Net debt /Adjusted EBITDA	4,07	1,97	207,02
Interest coverage	0,22	6,92	3,18
Capital investments	13.850.731,79	24.249.604,35	57,12
ROE	0,29%	9,04%	3,21
ROA	0,21%	6,46%	3,25
Adjusted ROCE	1,47%	8,25%	17,82

in HRK	31/12/2020	31/12/2019	% of change 2020/2019
Indicators of the financial position			
Value of assets	476.670.047,64	485.278.090,92	98,23
Capital	348.072.517,52	346.783.374,38	100,37
Total liabilities	128.597.530,12	138.494.716,54	92,85

in HRK	2020	2019	% of change 2020./2019.
Achievements on the capital market			
Market capitalization*	421.105.386,24	453.204.776,64	92,92
EV	524.516.956,24	579.755.725,07	90,47
EV / EBITDA	24,63	11,52	213,74
EV / Adjusted EBITDA	23,34	11,32	206,17
P / E	41,07	15,26	269,13
EPS	0,42	13,0	3,22
DPS	0,00	3,50	0,00

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

Physical indicators	2020	2019	% of change 2020/2019
Hotel sector			
Number of accommodation units	443	443	100,00
Overnight stays of tourist	31.738	146.815	21,62
Occupancy days	33	165	20,00
Annual occupancy	8,94%	45,30%	19,74
Nautical sector			
Number of berths	805	805	100,00
Contracted vessels	717	740	96,89
Transit berth, overnight stay of vessels	9.799	11.227	87,28
Transit berth, inbound sail of vessels	1.585	3.418	46,37
Port service - number of operations	2.831	3.688	76,76
Days of work	365	365	100,00
Camping			
Number of accommodation units	1.208	1.220	99,02
Days od work	275	275	100,00
Occupancy days	116,72	149,72	77,96
<i>Mobile homes</i>	40,87	94,45	43,27
<i>Individuals</i>	13,14	45,36	28,97
<i>Fixed lease</i>	275,00	275,00	100,00
<i>Lump sum</i>	275,00	275,00	100,00
Occupancy	42,44%	54,44%	77,96
<i>Mobile homes</i>	14,86%	34,35%	43,26
<i>Individuals</i>	4,78%	16,49%	28,99
<i>Fixed lease</i>	100,00%	100,00%	100,00
<i>Lump sum</i>	100,00%	100,00%	100,00
Overnight stays of tourists	139.052	290.487	47,87

Physical indicators	2020	2019	% of change 2020/2019
Ilirija Travel			
Number of events	106	609	17,41
Number of persons (events)	9.658	54.749	17,64
Real-estate			
Number of lessees	36	37	97,30
Common contracts - number of active contracts	35	36	97,22
Common areas - number of active contracts	22	21	104,76
Advertising space - number of active contracts	8	8	100,00
Garage - number of parking space	410	410	100,00
Rented area (m ²)	9.924,60	9.897,60	100,27
Number of vehicles in the garage	599.329	763.982	78,45



KEY INFORMATION FOR 2020

1 The financial year was marked with a global pandemic, which was a major factor in the decline in economic activities, which in turn had a drastically negative effect on the travel, hospitality and tourism industries on a global scale due to the introduction of epidemiological measures. These measures included mandatory social distancing, bans on larger social gatherings, lockdowns with special emphasis on restrictions or bans on international and domestic travel, bans on performing activities in the hospitality and tourism sectors or their performance in a limited scope.

The consequences of the pandemic had an effect on all of the Company's business sectors, business process organisation and, in the end, its overall business results in 2020. From the moment the pandemic was declared, the Company started reorganising and adapting its business activities to manage the crisis efficiently and mitigate its effects for the Company as a whole. Considering the drastic decrease in tourism turnover due to the COVID-19 pandemic and the negative effects on the achieved results and the overall business activities of the whole tourism industry on a global scale, and thus also in the Republic of Croatia, the Company founded its resilience on three key areas: commercial, operational and financial resilience.

By implementing measures and activities at the commercial, operational and financial levels in order to increase the Company's resilience and minimise the effects of the pandemic, the Company achieved the following primary goals:

- (I) Protection and preservation of health and life of employees and guests,
- (II) Preservation of the business and financial stability of the Company,
- (III) Preservation of long-term business activities,
- (IV) Preservation of assets and capacities,
- (V) Preservation of jobs and full employment,
- (VI) performance of business activities in the Company's sectors and facilities, where possible
- (VII) Fulfilment of obligations towards creditors, including suppliers, banks, tax liabilities and contributions.

2 From the moment the pandemic was declared, the Company's business activities were either carried out in a limited scope (nautical, camping and real-estate sectors) or absent for most of the financial year (hotel sector, destination management company Ilirija Travel and catering facilities). The business activities of the Company's tourism sector – its core business which generates most of its revenue apart from the nautical sector – was restricted for the most part or focused on only a few European outbound markets, only the high season period with strong emphasis on last-minute bookings and flexible booking terms, with a complete absence of business activities in the post-season and simultaneous introduction of strict epidemiological measures in the final quarter of the financial year. Moreover, in the nautical and real-estate sectors, the Company succeeded in maintaining year-round business activities, even though the activities in the real-estate sector were

carried out in a limited scope for most of the year. The revenues from these activities – which amounted to 89% of those generated in 2019 – and the fact that both sectors preserved a high rate of profitability significantly contributed to the Company's business stability and sustainability.

The Company considers the achieved business results to be an extraordinary and important success – even though they were, as expected, poorer than in 2019 due to the aforementioned reasons, in particular the operating revenue, which amounted to 58.22% of the previous year's results, but with positive realization of all key indicators of the Company's operating profitability, that is, its operating profit in the amount HRK 21,197,695.74, that is, EBITDA in the amount of HRK 21,294,901.08 and profit in the amount of HRK 1,021,879.54. In this extraordinary business environment, the Company continued to create value for its shareholders. Furthermore, the Company considers it especially significant that it managed to reduce its total liabilities, retain full employment, successfully complete all investments that were planned and initiated in 2020 and improve the quality and standard of its nautical sector, which was awarded a four-anchor (star) rating in October.

The total revenue realized amounted to HRK 97,737,763.82 and equalled 58.25% of the revenue realized in 2019, when it amounted to HRK 167,797,556.86. This is due to a lack of operating revenue, or sales revenue, resulting from the

COVID-19 pandemic, which has a significant negative effect on the tourism turnover at the global and national level.

The operating revenue realized amounted to HRK 97,640,558.48 and equalled 58.22% of the result of the previous financial year, when it amounted to HRK 167,711,919.32, which is a consequence of a 45.48% decline in sales revenue in all Company sectors – in the domestic market, the sales decreased by 37%, accompanied by a 72% decrease in the foreign market.

Even though the operating revenue was lower in all sectors, the most significant decrease in revenue was recorded in the Company's tourism sectors, since they account for the largest share in the revenue realization. Due to the extraordinary business environment, in certain sectors such as the hotel sector and the destination management company, this revenue was generated in the first quarter of the financial year and during the high season, with a complete absence of the post-season. The camping sector is a tourism service with a pronounced seasonal character and, under much more difficult business conditions, this was additionally emphasized as more significant business activities were carried out only in the short period of high season, until mid-August, with no pre- or post-season. Business activities in the nautical sector were carried out in a limited scope until 27 May, but they returned to normal after this date. By contrast, since the pandemic was declared, the activities in the real-estate sector were carried out in

a limited scope, i.e. with smaller capacities, and in the final quarter only a limited number of visitors could enter the center.

Analysed by sectors, the nautical sector accounted for the largest share in the operating revenue realized with HRK 43,370,116.44, which is 89.22% of the revenue realized by the nautical sector in the previous year and 44.42% of the Company's operating revenue in 2020. Thus, the nautical sector's business results were outstanding and contributed to the stability of the business activities of the whole Company.

The camping sector generated a revenue in the amount of HRK 19,609,983.95, which is 55.54% of the revenue realized in 2019, and accounted for 20.08% of the operating revenue of the Company in 2020. The hotel sector generated an operating revenue of HRK 13,317,286.13 or 22.28% of the revenue realized in 2019, while the destination management company Ilirija Travel, an integrated product of all Company tourism sectors, generated a revenue of HRK 1,654,373.36 or 51.51% of the previous year's revenue. Considering the global health crisis – in which the main epidemiological measures are founded on social distancing – the operating revenue realized in the hotel sector and the destination management company recorded an expected decline due to the very nature of the services they provide. The real-estate sector realized a revenue of HRK 12,778,034.32 or 89.64% of the previous year's revenue. If one takes into account that a significant part of the te-

nants could not perform their business activities or could only perform it in a limited scope for most of the year, the sector's results are even more significant.

4 The total expenditure amounted to HRK 96,715,884.28, which is a 29.13% decrease in comparison to HRK 136,463,643.20 from the previous year, as a result of a reduction in operating expenses by 34.94% due to absence of business activities. The operating expenses amounted to HRK 76,442,862.74 due to a 54% reduction in the costs of raw materials and materials, 36% reduction in other costs, 28% reduction in the gross wage cost, and 25% reduction in the costs of services. Apart from the absence of business activities, another significant factor which contributed to the reduction of operating costs was one of the Company's key measures aimed at mitigating the negative effects of COVID-19, which had to do with rationalization of unnecessary costs. Moreover, the grant provided by the Job Retention Scheme of the Government of the Republic of Croatia in the amount of HRK 6,809,987.99 significantly contributed to the reduction in the gross wage cost, i.e. the total operating expenses, as well as to improving the current liquidity.

5 With respect to operating profitability, the Company realized the key profitability indicators (operating profit, profit, EBITDA and EBIT) – which were poorer, as expected considering the conditions for doing business – but the sole fact that the Company realized them in the financial year

which was by far the most challenging one for tourism and hospitality at the global level, with a 74% decrease in international arrivals, proves that the Company demonstrated resilience, sustainability and stability of its business activities, i.e. it managed to retain a positive level of profitability. Operating profit was realized in the amount of HRK 21,197,695.74, recording a 57.79% decrease, while the profit realized amounted to HRK 1,021,879.54. In the reporting period, EBITDA was realized in the amount of HRK 21,294,901.08, i.e. it was 57.67% lower than in 2019, when it amounted to HRK 50,310,254.21, while EBIT was realized in the amount of HRK 5,621,247.30.

6 The Company concluded an Annex to the Loan Agreement with the commercial bank Erste&Steiermärkische Bank d.d., postponing all due liabilities pertaining to the principal amount of long-term credit liabilities for a period of one year, and at the same time converted the existing short-term loan in the amount of EUR 600,000.00 due in summer of 2021 to a mid-term loan in the same amount with a repayment term of three years and a grace period of one year, which is significantly more favourable for maintaining the Company's current liquidity. In addition, it is important to mention that this did not increase the Company's credit liabilities, as they remained the same.

The Company arranged a deferral of payment of all monthly financial leasing instalments with the commercial bank Erste&Steiermärkische Bank d.d. for the period from 1 April 2020 to 31 March 2021.

7 Capital increased by 0.37% or HRK 1,289,143.14, i.e. from HRK 346,783,374.38 in 2019 to HRK 348,072,517.52, due to the generated operating profit, which we believe is an outstanding success for the Company.

8 The total liabilities amounted to HRK 128,597,530.12 and decreased by HRK 9,897,186.42 or 7.15%, which is a result of a reduction in current liabilities of the Company, in particular trade payables and settlement of loan interest liabilities.

9 The net debt, which includes both long- and short-term liabilities of the Company towards banks, minus cash in hand and deposits for the reporting period, amounted to HRK 91,503,592.44, which is a decrease of 9.16% or HRK 9,222,021.66 compared to 2019, indicating the liquidity and stability of cash flow of the Company.

10 The average share price was achieved in the amount of HRK 174.48 compared to HRK 187.78 in the previous financial year, when the average share price amounted to HRK 187.78, which represents a 7.08% decrease in the average price. Average turnover per transaction amounted to HRK 12,930.51, i.e. a 64.12% increase, while the average daily turnover amounted to HRK 25,180.47, indicating an increase of 62.05%.

11 The market capitalization amounted to HRK 421,105,386.24, constituting a decrease of 7.08% or 32,099,390.40 compared to 2019, which was to be expected.

cted considering the extraordinary conditions of doing business and the negative effects of the pandemic, which considerably affected hospitality and tourism, and thus also the Company.

12 The Company released 2,055 of its own shares, which represent 0.085% of the share capital, under the Share Transfer Agreement, concluded with the Company's employees in compliance with the Decision of the Company's Management Board on the allocation of treasury shares to the Company's employees free of charge as a reward for the business results achieved in 2019.

13 At the regular General Assembly of the Company held on 10/08/2020, the following decisions were adopted:

- the General Assembly took note of the following reports: the Management Board's Report on the Company's Business and Situation for 2019, the Management Board's Report on the Acquisition of Own Shares for 2019, the Supervisory Board's Report on Performed Supervision of Business Activities in 2019, the Auditor's Report on Performed Audit of the Company's Business, the Decision on the Establishment of the Company's Basic Annual Financial Statements for 2019,
- the Decision on the Allocation of Profit of Ilirija d.d. for the financial year 2019,
- the Decision on Granting Discharge to the Company's Management Board,

- the Decision on Granting Discharge to the Members of the Supervisory Board for the performed supervision of the Company's business in the previous period,
- the Decision on the Approval of the Remuneration Policy for Members of the Management Board, and
- the Decision on Appointment of the Company's Auditor for 2020.

14 At its session held on 15 June 2020, the Supervisory Board appointed Mr Goran Ražnjević for a new five-year term of office as the Chairman of the Management Board of the Company.

15 In this extraordinary business environment, the Company successfully completed its ongoing investments in accordance with the 2020 Investment Plan in the total amount of HRK 13,850,731.79, mainly realized in the camping and nautical sectors for the purpose of improving the quality and standards by enhancing the accommodation facilities, infrastructure, renovation and adaptation of all sanitary facilities at the campsite, as well as by adaptation of the bars, restaurants and business facilities, while the real-estate sector's capacities were increased by purchasing three business premises properties.

16 Despite the global pandemic, in October 2020, the Company considerably improved the quality and standard of

the nautical sector when the Ministry of Tourism and Sport raised Marina Kornati's category from a two- to a four-anchor (star) rating. In this way, almost all tourism facilities of the Company in the hotel, camping and nautical sectors (except the Adriatic Hotel) were awarded a high four-star rating, thereby achieving one of the strategic and long-term goals of the Company.

17 The 22nd international nautical fair Biograd Boat Show was successfully held from 21-25 October 2020 in the Marina Kornati, which was organized and hosted by the Company. In doing so, it complied with all epidemiological measures and recommendations of Zadar County Civil Protection Headquarters and Biograd na Moru Civil Protection Headquarters. More than 240 national and international exhibitors from all segments of the nautical industry and tourism participated in the fair. Two more events also took place: Croatia Charter Expo, an event in which around 30 representatives of charter companies with a fleet of 1600 vessels took part and the Nautical Days organized by the Croatian Chamber of Commerce.

REORGANIZATION OF COMPANY'S BUSINESS ACTIVITIES, PROCESSES AND OPERATIONS, AS WELL AS IMPLEMENTATION OF MEASURES AND ACTIVITIES AS A RESPONSE TO THE GLOBAL COVID-19 PANDEMIC

The travel, tourism and hospitality sectors are among the sectors most affected by the COVID-19 pandemic globally, as they are labour-intensive sectors which generate a great amount of business and other economic activities due to their direct and indirect impact on the national and global economy. Due to the very nature of the activities of these sectors, they will be among the last to recover after the end of the pandemic.

On 12 March 2020, the Company began adjusting its business processes to the new circumstances caused by the COVID-19 pandemic and implementing the new Organizational structure. In other words, the business reorganization and adjustment processes (organizational, staffing and operational-technical processes) were initiated in order to manage the crisis and mitigate its consequences, namely with the following priorities:

- I protection and preservation of health and life of the Company's employees and guests;
- II preservation of the Company's assets, i.e. facilities;
- III job retention of the Company's existing employees and of their financial situation;
- IV securing funds for regular salary payments to the Company's employees;
- V fulfilment of obligations towards Company's creditors, i.e. suppliers, payment of tax liabilities and contributions, as well as liabilities towards the bank;
- VI continuation of business operations and activities in

the Company's sectors and capacities, where possible.

In the period since the declaration of the pandemic, the Company has undertaken a number of activities and measures in order to adjust business operations to the new circumstances and, at the same time, mitigate the consequences of the COVID-19 pandemic on the Company:

I Protection and preservation of health and life of employees and guests

Even before the pandemic started, the Company established the Service for Occupational Safety and Health, Health Care and Environmental Protection and, thereby formed a professional and operational team headed by three educated and qualified persons (master of sanitary engineering, health and safety engineer, master and engineer of food engineering) from the domain of health control and safety, occupational safety and hygiene and health standards and procedures in operational processes, with special emphasis on the food and beverage and the household departments. Among others, the expert and operational team consists of leaders from different Company's departments (Communications, Operational Business and Business Processes, Legal Sources and Human Resources) with the aim of quick and efficient implementation and coordination of Company's and competent authorities' measures and decisions in view of the COVID-19 pandemic.

The Company's managers of health control and protection, occupational safety and the control of quality and standards of the food and beverage and the household departments are implementing and undertaking all necessary measures to protect the health and life of the guests and employees through implementation, as well as to control the implementation of recommendations issued by competent authorities. The already high standards of hygiene and cleanliness we have been applying so far have been further improved. In addition, we have taken the necessary measures to further improve all measures and procedures aimed at protecting the health and safety of our employees and guests.

II Preservation of the Company's assets, i.e. facilities and the four-star standard we have already achieved for future business activity, i.e. the retention and preservation of all key facilities within the sector, that is, our diversified tourism portfolio, which ensures the stability of Company's business system, market competitiveness and more flexible response to market demands in the new circumstances.

III Continuation of business operations and activities in the Company's sectors and facilities, where possible

We have fully implemented the epidemiological measures in all facilities, our offer is fully in compliance with them and we have taken all necessary measures to pro-

tect the health and safety of our employees and guests. The company was closely monitoring the situation and adjusted its business processes to measures and guidelines issued by the Croatian Institute of Public Health.

Following the improvement of the epidemiological situation and relaxing of the epidemiological measures, as well as lifting of the ban on temporary leaving the place of residence and permanent residence, i.e. following the cancellation of e-passes (11 May 2020) and in accordance with the phases of relaxation of the measures, which restricted economic activity, the Company started engaging in business activities in fields and sectors which were completely inactive due to the COVID-19 pandemic (hotel sector, hospitality, sports and recreational amenities and destination management of companies). Therefore, the Company started initiating business activities according to the following phases:

1) **Hotel sector** - no major business activity in 2020, only a smaller part – the hotel Ilirija was opened on 29/05/2020, while the Adriatic Hotel was opened in the period in the period from 1 to 31 August 2020, i.e. for a month. In the post-season, there was an absence of more significant business activities due to the deterioration of the health situation and implementation of strict epidemiological measures in the key outbound markets of the Company's hotel sector.

2) Facilities within **the destination management company (DMC) Ilirija Travel** - no major business activity in 2020, given that these are facilities intended mainly for the event organization, MICE and incentive industry, which, in organizational terms, implies gatherings of a larger number of people. The facilities within the DMC Ilirija Travel were given a new business function on 29 May 2020 and were active throughout the high season, with a complete lack of market demand in the post-season as a result of the decisions made by competent authorities on limiting the number of persons allowed in public and private gatherings and measures effectively banning the performance of hospitality activities.

3) **Restaurant facilities** in the nautical and camping sector were opened on 11 May 2020., while the restaurant facilities in the hotel sector and within the destination management company started operating on 29 May 2020, i.e. were active until the closure of facilities or the measure on banning the performance of activities coming into effect, not including the restaurant facility in the nautical sector performing its activities, or providing services only for the guests of Marina Kornati.

Other sectors of the Company in the observed period performed activities with an adjusted business volume:

4) **Marina Kornati**, continuation of regular business activities with an adjusted scope of business operation, which

contributed to significant business security and stability of the entire Company as regards year-round business.

5) **The "City Galleria" Business and Shopping Center** - continuation of regular business activities with an adjusted business volume, which ensures additional business security and stability for the Company.

6) **The Company's camping sector** performed its business activities with an adjusted business volume, basing business activities in the reporting period on the following market segments: lump sums, agencies with a fixed lease, own mobile homes and individuals, primarily from only a few outbound markets, same as the rest of the Croatian camping industry.

7) In addition, as the favourable epidemiological situation was maintained, the nautical fair "Biograd Boat Show 2020", organized and hosted by the Company, was successfully held in the period from 21 to 25 October 2020.

IV Job retention of existing employees and preservation of their financial situation, i.e. the retention of the Company's highly-qualified and professional employees who able to work at all levels for future business activity of the Company, after the pandemic ends. At the time of the declaration of the pandemic, on 12 March 2020, the Company had a total of 262 employees, of which 246

were actively working, while the rest were on maternity leave etc. The Company retained full employment, with 251 employees as at 31 December 2020, of which 234 are active and have an assigned job position.

V Securing funds for regular salary payments to the Company's employees

In order to ensure regular salary payments despite the considerably reduced volume of business activities (nautical sector, real estate, i.e. real estate and camping sector) or the complete suspension of business activities (hotel sector, destination management company Ilirija Travel and hospitality sector), the Company decided to adjust the amount of income, as well as the salary policy for employees at all levels in accordance with the new circumstances imposed by the COVID-19 pandemic, while maintaining the social and material rights of employees.

Therefore, net salary adjustments were made in the range from 15% to a maximum of 25%, with all salaries in the amount of HRK 5,000.00 net and less remaining the same. In other words, no salary amounts to less than HRK 4,750.00. The Company eased these measures by adjusting the receipt of salary by half, starting with 1 September 2020.

The Company is also a beneficiary of the package of business measures adopted by the Government of the Re-

public of Croatia aimed at job retention in business conditions affected by the COVID-19 pandemic for a period of four months (March, April, May, June, October, November and December 2020). The Company entered into an agreement with the Croatian Employment Service on the allocation of job retention grants in the sector affected by the coronavirus (COVID-19 epidemic). By doing so, the Company became a beneficiary of the package of business measures in the total amount of HRK 6,809,987.99 for the subject period (net salary and exemption from paying contributions). Despite the fact that in the period from mid-March to early May, due to the pandemic and the implementation of decisions, measures and recommendations of the Civil Protection Headquarters at national, regional and local levels, most of the employees were not actively working, the Company retained them and paid them their salary regularly.

VI The business plan for 2020 has been redefined with the aim of preservation of the Company's long-term economic viability and security, preservation of the Company's stable financial position, preservation of the Company's fixed assets and capital and preservation of the Company's business operations and activities.

VII Deferral of payments of all liabilities due in respect of the principal of the long-term loans for a one-year deferral period

Deferral of payments of all liabilities due in respect of the

principal of the long-term loans by the Company's commercial bank Erste & Steiermärkische Bank d.d., for the period from 1 April 2020 to 30 April 2021 is one of the primary goals in order to preserve the current liquidity and financial security of the Company.

The Company's request for refinancing of all liabilities deferred in respect of the principal of loans in the period from 1 April 2020 to 30 April 2021 and transferring to regular repayment scheme by loan instalments at the end of the Repayment Plan has been approved.

In June 2020 the Company and Erste & Steiermärkische Bank d.d. signed an Annex to the Loan Agreement deferring payments of all liabilities due in respect of the principal of the long-term loans with a one-year deferral period.

VIII The conversion of an existing short-term loan in the amount of EUR 600,000.00 with repayment maturity in the summer of 2020 into a medium-term loan of the same amount with a three-year repayment period and a one-year grace period

The Company was the beneficiary of a short-term loan in the amount of EUR 600,000.00, which it repaid in advance in full in agreement with Erste & Steiermärkische Bank d.d. from its own current funds in June 2020, two months ahead of schedule.

At the same time, the Company requested a loan from

Erste & Steiermärkische Bank d.d. for permanent working capital in the same amount, EUR 600,000.00, with a three-year repayment period and a one-year grace period.

By concluding a loan agreement on 3 June 2020 between the Company, as the borrower, and Erste & Steiermärkische Bank d.d., as the lender, a new loan sub-account in the amount of EUR 600,000.00 was fully realized.

With such a credit arrangement, the Company, in agreement with Erste & Steiermärkische Bank d.d., essentially converted the loan from a short-term to a medium-term loan, which is much more favourable in terms of preserving the current liquidity of the Company. In addition, such a credit transaction did not increase the Company's credit liabilities, as they remained the same.

IX Deferral of payment of all liabilities due in respect of the lease for a one-year deferral period

Deferral of payment of all liabilities due in respect of the principal of the financial lease by the Company's commercial bank Erste & Steiermärkische Bank d.d. for the period from 1 April 2020 to 31 March 2021.

Request for refinancing of all liabilities deferred in respect of the principal of the financial lease in the period from 1 April 2020 to 31 March 2021 and transferring to regular repayment scheme by lease instalments to the end of the

Repayment Plan.

Request for deferral of payment of all liabilities due in respect of the principal of the financial lease for one year was approved by Erste & Steiermärkische Bank d.d., and the agreements were signed in October.

X Increasing the short-term limit with the commercial bank in order to retain the current liquidity of the Company

Short-term limit secured for the first three, i.e. six months of the crisis management period with Erste & Steiermärkische Bank d.d. has been increased from the amount of EUR 1,000,000.00 to EUR 2,000,000.00.

XI The Company did not plan for dividend distribution in 2020

At the Company's General Assembly held on 10 August 2020, the decision on dividend distribution, which was regular and continuous until now, was not adopted, by which the shareholders contributed to the preservation of the Company's financial stability, i.e. its overall stability in 2020.

XII Maximum reduction, i.e. optimization of all operating costs to only necessary and indispensable costs

The Company adjusted, i.e. performed a maximum and

appropriate reduction, that is, optimization of all operating costs that are not necessary and indispensable for current operations, given the Company's significantly reduced business activity.

XIII Cooperation with suppliers

The Company has been duly settling its current trade payables, including liabilities incurred upon the declaration of COVID-19 pandemic.

XIV Monitoring and management of trade receivables

The Company actively monitored and managed trade receivables, at the same time taking into account the especially difficult collection-related circumstances and, where possible, the implementation of measures for the collection in multiple monthly instalments, and eventually the undertaking of measures for enforced collection.

XV Exemption from obligations in whole or in part in respect of parafiscal charges

The Company submitted requests to the competent authorities and institutions at the national, regional and local level for exemption from obligations and fees in respect of parafiscal charges in whole or in part due to the considerable decrease in business activities and generating income (membership fees, fees, contributions, utility

fees, subscriptions, etc.), especially fees that are not directly connected with the core business of the Company.

Due to the special circumstances caused by the global COVID-19 pandemic, by 30 June 2020 the Company submitted requests to local government units for exemption from paying utility fees and fees for water management in full or in reduced amount in accordance with the actual revenue in 2020.

The Company has also submitted a request for exemption from the payment of water protection fee according to the provisional statement for 2020 or the reduction of the amount of the given fee in accordance with the real quantities in 2020 which will be determined at the end of the year.

XVI Investments for the business year 2020

The Company has successfully completed all planned investments for the business year 2020 which were realized mainly in the camping, nautical and real estate sector for the purpose of improving the quality and standards of the existing service, i.e. of maintaining it at the four-star rating level at the "Park Soline" camp and raising it to the four-anchor level at the Marina Kornati and increasing the capacity of the City Galleria Business and Shopping Center.

The value of investments realized in 2020 amounts to

HRK 13,850,731.79 at the level of all sectors of the Company.

The Company is benefiting from incentives in the form of exemption from paying corporation tax for the period of 2018 - 2020. This means the Company was required to complete its investments, especially the ones pertaining to the "Park Soline" camp and Marina Kornati under the 2020 Investment Plan, which were primarily aimed at maintaining the camp at a 4-star rating level as well as raising the category of the marina from a two- to a four-anchor (star) rating.

XVII Principles of corporate social responsibility (CSR)

Preserving the CSR system and principles in the circumstances which disrupted the Company's business operations as much as possible and acceptable. Considering the extraordinary circumstances and the business environment in 2020 that especially endangered the economic goals of the Company, these goals are considered the priority by the Company in order to ensure its long-term financial stability and business viability.

XVIII Digitalization of the Company and virtual business

Following the first day of reorganization of business activities and business processes due to COVID-19 pandemic, the Company ensured rapid digital transformation of

most of the business processes. In other words, the Company established virtual business operations at the level of all sectors, especially the sales and marketing departments and corporate services department, with the aim of providing as many employees as possible with the possibility to work from home in order to protect their health and enable the smooth operation of the Company's key business processes during the global pandemic.

In conclusion:

By implementing the above mentioned measures and activities, pertaining to the period from the moment the pandemic was declared (12 March 2020) and to whole business year 2020, the Company has adjusted its business processes and activities to the new circumstances in order to: (I) maintain the long-term business stability of the Company, (II) ensure smooth operation of business processes in the sectors and profit centers in compliance with all health, epidemiological and sanitary measures and recommendations of the competent authorities, (III) preserve the Company's current liquidity, (IV) preserve the Company's assets and facilities, and (V) retain full employment and preserve the social and material rights of employees.

The Company based the resilience of its business system for the purpose of maintaining its main business goals on three key areas:

1 commercial resilience – based on the Company's ability to quickly and efficiently adapt to extraordinary market circumstances of doing business by adjusting its marketing and sales activities in all Company sectors.

2 operational resilience – based on the ability to adjust operational business processes to extraordinary circumstances whilst maintaining maximum service and amenity quality and minimising possible negative effects of the COVID-19 pandemic on operational processes.

3 financial resilience – based on the Company's ability to maintain financial stability of the business system by maintaining liquidity, assets and business activity through realisation of revenue ensuring the Company's business stability until the end of the pandemic.

The Company achieved this by using exclusively its own funds - both its business and current funds from its own cash flow - without any additional foreign or loan funds, except for funds which were allocated to it by the Government of the Republic of Croatia in form of job retention grants, which are offered as assistance to the Croatian economy in the context of the COVID-19 pandemic. In addition, we want to express our great satisfaction with our commercial bank Erste & Steiermärkische Bank d.d., which has been very understanding of the difficulties we are facing, and which helped the Company by approving all of our requests related to a one-year deferral of

repayment of all principals of loans and financial leases. We believe that the Company as a whole, by undertaking a series of above-mentioned actions and procedures at the level of all sectors and business segments relating to the organization of business activities and the activities of the Company, in a very successful way eliminated, i.e. neutralized all negative and unplanned risks to the Company, which emerged as a result of the unpredictable, extraordinary and unfavourable circumstances caused by the COVID-19 pandemic, which in 2020 caused an unprecedented economic crisis in the world, Europe and the Croatian economy, especially in tourism and hospitality sectors, which are the main activities of our Company.

1 ABOUT ILIRIJA D.D.

1.1 BASIC INFORMATION

ILIRIJA d.d. is a public joint stock company registered for hospitality and tourism with registered office in Biograd na Moru, Tina Ujevića 7, that has been active in the Croatian tourist market for over **64** years. The business operations of ILIRIJA d.d. is based on the principles of corporate social responsibility as an integral part its corporate values.

In its business operations, the Management Company applies the Code of Corporate Governance of the Zagreb Stock Exchange and HANFA. The data on the operations are public and transparent, and at all times available to all national, financial and other institutions, shareholders, banking institutions, funds, associations, business partners, institutional, individual and other investors in the regulated capital market in the Republic of Croatia. In its business operations, the Company covers all key segments of the Adriatic Mediterranean tourism offer that is: **hotel sector** (hotels: Ilirija****, Kornati****, Adriatic***, Villa Donat****/***), **nautical sector** (Marina Kornati and Hotel port Ilirija-Kornati), **camping** (campsite „Park Soline“****), **hospitality** (restaurant “Marina Kornati”, restaurant “Park Soline”, Beach bar “Donat”, “Lavender” lounge bar), **destination management company/DMC Ilirija Travel** (Arsenal in Zadar, Villa Primorje ****, diffuse hotel Ražnjevića dvori

AD 1307, event boat “Nada”), **sports-recreational and entertainment center** (Tennis center Ilirija with 20 tennis courts and Aquatic center with hospitality facilities), and since the month of December 2016, the Company’s portfolio includes the **Commercial-Shopping Center City Galleria** in Zadar with more than 28.500m² gross area in total six floors and total 9.924,60m² net rented floor area.

Its business is based on providing services by using its capacities (hotels, nautics, camping) at the same time providing additional amenities and services, thus creating a high-quality integrated and complementary tourism product in the domestic and international tourism market, presented under the brand Ilirija Travel. Destination management company was established as a result of the modern tourism demand, conditioned by the technological, social, market factors and trends of ever more demanding customer or market.

1.2 CHRONOLOGICAL OVERVIEW OF THE COMPANY'S DEVELOPMENT

Year 1957 | The Company was incorporated and domiciled in Biograd na Moru, where it operates today, although the beginnings of the company date back to 1934 when the first hotel called ILIRIJA in Biograd na Moru was built. These are also the first beginnings of organized tourism not only in Biograd but also in the entire Biograd Riviera, by which the Company becomes the pioneer and the leader of all tourism activities in the Biograd region.

Years 1969-1972 | The construction of new hotel facilities (Hotel Kornati**** and Hotel Adriatic***), the overall reconstruction and construction of hotels Ilirija**** and building an annex to the hotel Villa Donat ****/** in Sv. Filip and Jakov.

Year 1976 | Start of construction of the first nautical tourism port in Croatia, according to the first building permit in the Republic of Croatia for the construction of the first nautical port issued by the former Municipality of Biograd na Moru, number: UP/I-03-4-318/1977 as of 10th March 1977, Hotel port Ilirija-Kornati, situated in Biograd na Moru, with a total of 100 berths and the purchase the first charter fleet of 40 vessels, by which the Company became a pioneer of development of the nautical tourism.

Year 1986 | Extended nautical capacities of the Company by constructing the nautical tourism Port Marina Kornati, located in Biograd na Moru, with total port area (aquatorium) of 131.600 m² with a total capacity of 705 berths on land and sea. Today, Marina Kornati is among the Top 3 Croatian marinas according to the number of berths, technical equipment, quality of service, cleanliness and neatness.

Year 1988 | The construction of Tennis center, located in a pinewood Soline right next to the old town center Biograd na Moru (400m from the hotel, 150m from the main beach), on an area of 48.000 m² with 20 tennis courts (14 clay and 6 artificial grass tennis courts).

Year 1988 | The construction of Aquatic Center, that is, a beach facility as a part of a unique, technological and functional unit of the existing hotel capacities, that is basically an Olympic outdoor swimming pool with many additional amenities, as a supplement to the existing and basic hotel amenities. Built as a swimming, beach and sports, entertainment and hospitality facility with bleachers with the capacity of 4,000 seats and a terrace of 1.000 m², whereby it represents a center for holding almost all sports, entertaining and dance events in the City Biograd na Moru.

Year 1989 | Construction of an annex to the hotel Kornati**** and administrative building of the Company.

Year 1991-1992 | Completion of the remaining part of the port area, i.e. the capacities of the Port of Nautical Tourism Marina Kornati, by building docks in the southern and western aquatorium.

Year 1993 | The Croatian Privatization Fund, makes a decision on the transformation of HTP Ilirija into a joint stock company.

Year 1999 | The Company was privatized and is in major ownership of the company Arsenal Holdings d.o.o. from Zadar, which is in major ownership of Mr. Davor Tudorović.

Year 1999 | The Company starts boat show organized as Spring Open Days, mainly intended for companies that operate in the marina, as the first such event in North Dalmatia. Wishing for Biograd na Moru, to be top nautical event, at which all sectors of the boating and charter business will be presented in a short period, the Open Days grew into a boat event - Biograd Boat Show. Since 2004 Biograd Boat Show has been organized as the first autumn boat show in Croatia.

Years 1999 – 2020 | During this period, that is, by 31/12/2020, the Company has invested HRK 630,987,481.99 in construction, reconstruction, extension, building annexes, renovation and adaptation of accommodation facilities and establishments of the Company in order to enhance the quality, improve the overall service and standards in all sectors of the Company, develop new products, improve and increase the categorization of the accommodation facilities and nautical capacities, expand hospitality facilities with an aim to create a high-quality, recognizable and competitive tourism product and enhance the quality of the offer of the destination itself, which resulted in a growth in total revenues and newly created value in the mentioned period in the amount of HRK 951,405,525.45.

Year 2002 | The National Audit Office carried out the audit of transformation and privatization of ILIRIJA d.d. and issued an unqualified opinion on the transformation and privatization in full, with an emphasis that the process was carried out in accordance with the legislation and that no irregularities were determined that would affect the legal implementation of the process of transformation and privatization.

Year 2003 | The Company's shares were listed on the Zagreb Stock Exchange in the quotation of public joint stock companies.

Year 2005 | As part of the Company's business system, the multimedia center Arsenal in Zadar, built in the 17th century at the time of the Venetian Republic, following the completion of the revitalization and renewal according to the concept of "indoor town square," began conducting business activities.

Year 2009 | The Company's shares are listed on the Regular market of the Zagreb Stock Exchange, since the quotation of public joint stock companies was cancelled.

Year 2014 | The market was presented the event ship "Nada" a floating convention center with multifunctional purposes 36m in length and a capacity to accommodate 180 persons.

Year 2014 | As a part of the Company's business system, the first Croatian diffuse hotel Ražnjevića dvori AD 1307 was opened. **Year 2015** | Renovated Villa Primorje****, built in the second half of the 19th century, luxuriously decorated and equipped in line with the latest standards for facilities of its kind and category, has its own restaurant that offers the possibility of organizing a number of events.

Year 2015 | Recapitalization of the Company by Allianz ZB d.o.o., the compulsory pension fund management company, with headquarters in Zagreb, which has acquired 10% equity share in the ownership of the company.

Year 2015 | The Company's shares are transferred from the Regular to the Official market of Zagreb Stock Exchange which will contribute to even greater transparency and openness of the company to all of its stakeholders.

Year 2016 | The second recapitalization of the Company was successfully carried out in the month of November through which the share capital was increased by contributions in cash and by issuing New ordinary shares of the Company through public offering. The main purpose of the recapitalization is to raise funds for the acquisition of the Commercial-Shopping Center City Galleria in Zadar.

Year 2016 | On 19 December 2016, having acquired the Commercial-Shopping Center City Galleria in Zadar, the Company successfully completed and carried out the process of acquisition or buying of the real property which created a company with a wide range of economic activities, where in addition to tourism and hospitality sector consisting of hotel sector, nautics, camping and destination management as core business activities, the Company partly enters the real estate segment having acquired the modern Commercial-shopping center.

Years 2015 - 2017 | The investment cycle in Marina Kornati has been mainly completed by improving the quality of the accommodation of vessels by modernizing nearly seventy percent of the superstructure and the substructure of the marina or piers, allowing thus the accommodation for a larger category of vessels, better exploitation of the marina aquatorium, further enrichment and modernization of the offer by implementing the best existing technical solutions which contributes to further strengthening of the market position of Marina Kornati among the three leading ports of nautical tourism at the Adriatic Sea.

Year 2018 | The construction of the indoor swimming pool of useful surface area of approximately 500m² along with accompanying facilities, thus complementing the existing tourism offer of the hotel Ilirija Resort in the destination of Biograd na Moru.

1.3 COMPANY'S BODIES

1.3.1 COMPANY MANAGEMENT BOARD

Goran Ražnjević, President of the Management Board represents the Company solely and independently

1.3.2 SUPERVISORY BOARD

Goran Medić, President of the Supervisory Board

David Anthony Tudorović, Deputy President of the Supervisory Board

Davor Tudorović, Member of the Supervisory Board

Siniša Petrović, Member of the Supervisory Board

Darko Prebežac, Member of the Supervisory Board

1.3.3 SHAREHOLDERS' ASSEMBLY



1.4 AFFILIATED COMPANIES

Arsenal Holdings d.o.o., Perivoj Gospe od Zdravlja 1, Zadar, Company Tax Number - OIB: 59794687464, holds 1,429.032 shares in the Company, which accounts for 59.21% of the shares in the share capital of the Company and the same number of votes in the Shareholders' Assembly.

The controlling company Arsenal Holdings d.o.o. is registered with the Commercial Court in Zadar, Company Reg. No. MBS: 060014554; share capital HRK 21,027,500.00 paid in whole.

Mr. Davor Tudorović is the major owner of the company Arsenal Holdings d.o.o. with 75.25% shares in its share capital, who also holds 95,744 shares of Ilirija d.d. which accounts for 3.97% of the shares in its equity capital.



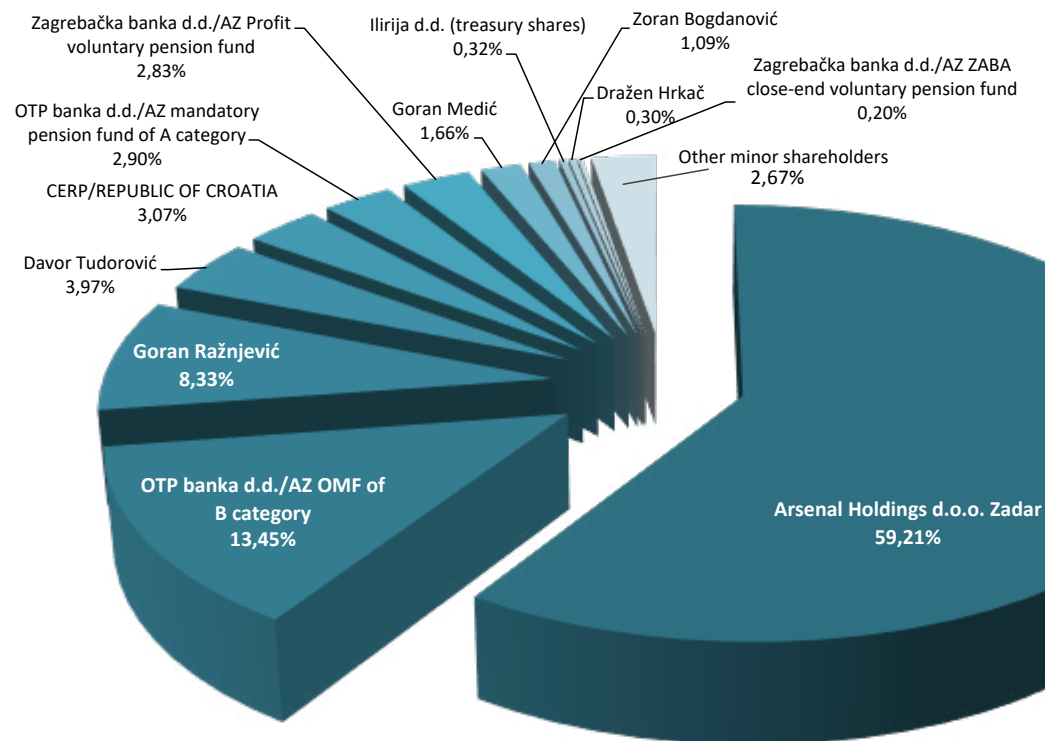
1.5 OWNERSHIP STRUCTURE OF THE COMPANY AND TRADING IN THE COMPANY'S SHARES AT THE ZAGREB STOCK EXCHANGE

The share capital of the Company amounts to HRK 229,146,480.00, and it is divided into 2,413,488 no-par-value ordinary shares.

As at 31 December 2020, there were no significant changes in the ownership structure, while an overview of the major shareholders of the Company as at 31 December 2020 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
CERP/REPUBLIC OF CROATIA	74,200	3.07
OTP banka d.d./AZ mandatory pension fund of A category	69,898	2.90
Zagrebačka banka d.d./AZ Profit voluntary pension fund	68,200	2.83
Goran Medić	40,000	1.66
Zoran Bogdanović	26,216	1.09
Ilirija d.d. (treasury shares)	7,833	0.32
Dražen Hrkač	7,224	0.30
Zagrebačka banka d.d./AZ ZABA close-end voluntary pension fund	4,904	0.20
Other minor shareholders	64,512	2.67
TOTAL	2,413,488	100

OWNERSHIP STRUCTURE OF THE COMPANY AS AT 31/12/2020



TRADING IN COMPANY'S SHARES ON THE CROATIAN CAPITAL MARKET IN 2020:

(amounts in HRK)	2020	2019	% of change
Total turnover	478.429,00	559.386,00	-14,47%
Average share price	174,48	187,78	-7,08%
Average turnover per transaction	12.930,51	7.878,68	64,12%
Average daily turnover	25.180,47	15.538,50	62,05%
Last share price	130,00	200,00	-35,00%
Market capitalization*	313.753.440,00	482.697.600,00	-35,00%
Market capitalization**	421.105.386,24	453.204.776,64	-7,08%
Number of shares:	2.413.488	2.413.488	

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

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

On the capital market, 2,742 shares were traded, generating a turnover of HRK 478,429.00. Such a decrease was expected considering the business conditions caused by the COVID-19 pandemic, which had a particularly negative effect on companies whose core activity is hospitality and tourism. Almost the entire turnover, i.e. 96.85%, was effected in the first half of 2020. In the second half of 2020, 116 ILRA shares were traded, generating a turnover of HRK 15,050.00. A significant decrease in the turnover of the ILRA share in the second half of 2020, compared to the first half of the year, can be attributed to market uncertainty caused by the second wave of the COVID-19 pandemic. In 2020, two thirds of the total turnover of shares at the Zagreb Stock Exchange were effected in the first half of the year, confirming the assessment of the negative impact of the coronavirus crisis on the turnover of shares on the capital market.

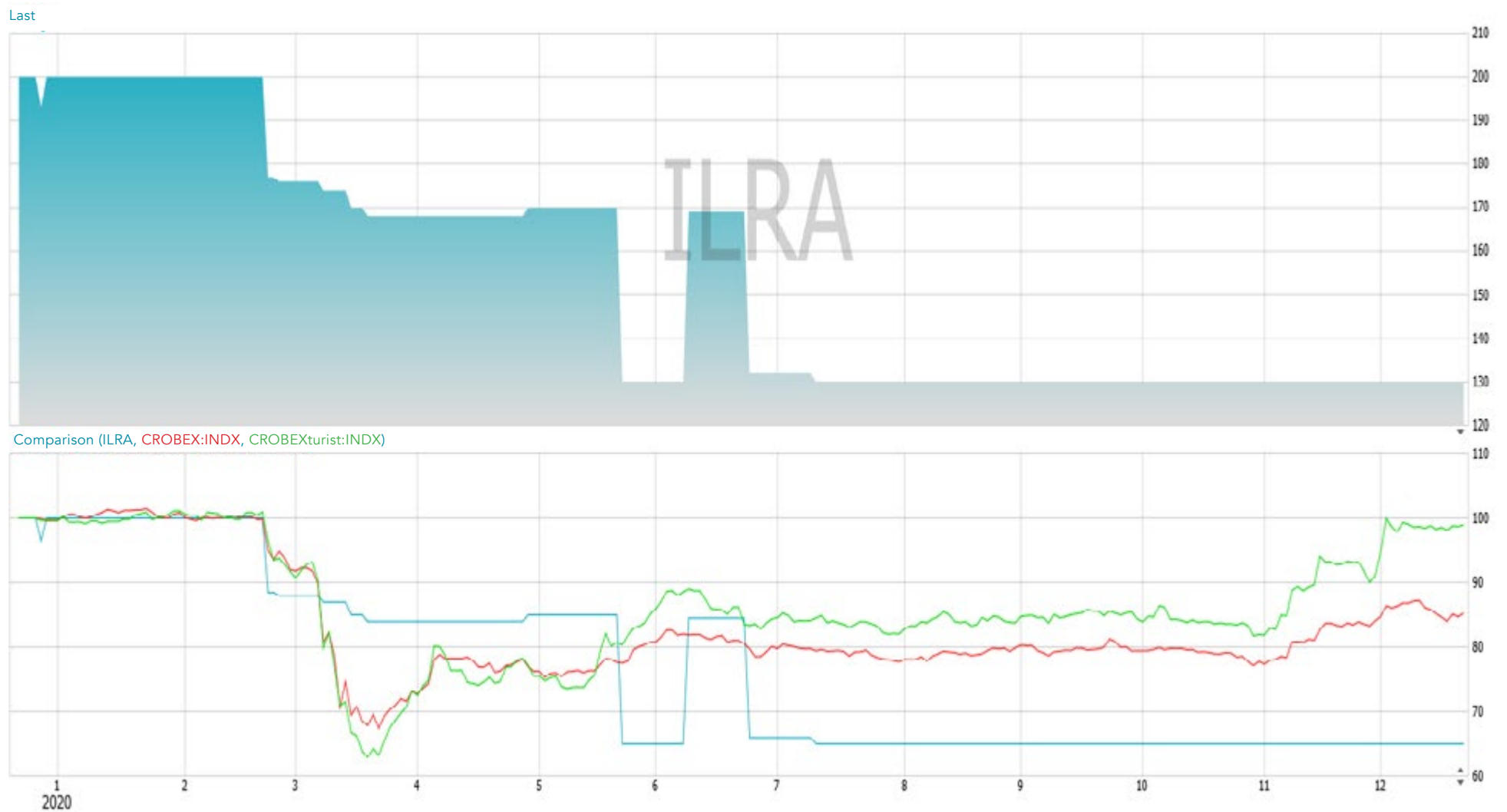
In 2020, the highest share price amounted to HRK 200.00, while the average share price amounted to HRK 174.48, which is a 7.08% decrease compared to the previous financial year when it amounted to HRK 187.78. The average turnover per transaction was achieved in the amount of HRK 12,930.51, representing a 64.12% increase, and the average daily turnover was achieved in the amount of HRK 25,180.47, representing a 62.05% increase compared to the previous business year.

Since a total of 2,742 shares were traded, amounting to 0.11% of issued shares of the Company as the issuer, the ILRA share can be regarded as a low-liquidity share. The last share price amounted to HRK 130.00, which is a 35% decrease compared to the last share price in 2019, which amounted to HRK 200.00. The amount of market capitalization of the Company calculated by applying the methodology of the last achieved share price was proportionally reduced. Considering the low liquidity of the Company's share, it is more relevant to express the amount of market capitalization calculated on the basis of an average share price. Based on this method, market capitalization of the Company in 2020 amounted to HRK 421,105,386.24, constituting a 7.08% decrease.

The Company released 2,055 of its own shares, which represent 0.085% of the share capital, under the Share Transfer Agreement, concluded with the Company's employees in compliance with the Decision of the Company's Management Board on the allocation of treasury shares to the Company's employees free of charge as a reward for the business results achieved in 2019. Following the disposal, the Company has a total of 7,833 own shares, constituting 0.325% of the share capital.



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



1.6 COMPANY BUSINESS MODEL

The Company has been present on the domestic and international tourism market for over six decades and since 2016 when it acquired the Commercial-Shopping Center City Galleria, it became the Company with a wide range of activities, the portfolio of which is composed of 5 sectors:

- **Hotel sector** – 4 hotels, 443 rooms, 922 beds
- **Nautics** – 805 berths, 2,000 persons
- **Camping** – 1,208 pitches, 3,624 persons
- **Destination management company/DMC Ilirija Travel** – through which in 2020 were organized 106 special events for 9.658 persons
- **Real-estate segment** – Commercial-shopping center City Galleria in Zadar, one of the two largest shopping centers in the Zadar region

ILIRIJA d.d. is one of the few tourism companies in the Republic of Croatia with such a diverse offer that includes all the segments of the Adriatic or Mediterranean tourism offer in its portfolio (hotel sector, nautics and camping) additionally strengthened by the destination management company Ilirija Travel and the real estate sector. Besides such a diverse portfolio, is worth noting that the Company manages all business

processes (management and operations) within the sector or facility.

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 the new ones, which is also the foundation of the Company's business and development policy. The presence on the market for more than 6 decades and the related knowledge and experience, enable the Company to maximize its economic, financial, market and human resources potential **through the development of a complementary and integrated product through the destination management company. The Company strives for one of its strategic goals – year-round business operations of its sectors**, with an emphasis on the hotel sector and camping, through a good extension of the high season to the shoulder season and creating added value for both the Company and the destination, or the wider community. Through the destination management company, the Company contributes to the development and recognizability of the destination by organizing the events and by offering contents and programs in their own organization and their own facilities and capacities.

1.7 BRANDS OF THE COMPANY



1.8 STANDARDS AND CERTIFICATES

The Ministry of Tourism and Sport carried out the procedure of recategorisation of the Marina Kornati Nautical Tourism Port in which it established that Marina Kornati meets the requirements prescribed

for the four-anchor category. Subsequently, the Marina Kornati Nautical Tourism Port received the four-anchor category rating.





2 CORPORATE STRATEGY AND GOVERNANCE

2.1 VISION, MISSION AND FUNDAMENTAL VALUES

The vision is to permanently secure position among the 3 leading tourism companies in the region of the North Dalmatia and among the 15 leading tourism companies in the Republic of Croatia in the key segments of the Croatian tourism offer (hotel sector, nautics and camping), be and stay the leader of the tourism and economic development of our region and destinations such as Biograd na Moru, Zadar and Sv. Filip i Jakov thereby developing the whole year's business by offering the complementary and selective forms of tourism offer in the destinations where we conduct business.

According to the foregoing, the mission is: increasing the assets and achieving the financial results of the business operations, which will ensure long-term business and financial stability, establish an optimal level of quality and competitiveness in business at the level of the overall Croatian tourist offer, with continuous investment in human resources and ensuring optimal employment level, ensuring and complying with sustainable development principle which is manifested in recognizing and satisfying the needs of tourists, protecting and restoring natural and cultural heritage and preserving the environment, i.e. creating a responsible and sustainable tourism offer.

Fundamental values:

Respect and integrity – equal treatment of all of our stakeholders is the fundamental value of our company's business.

Quality – a top-quality product, professional service and individual approach to clients are the basis of the relation to the guest which is at the heart of the company's service.

Innovation – to be the initiator and creator of new products and services, contributing to the future development of Company, destination and Croatian tourism.

Sustainability and responsibility – in business, investment, relationship with its employees, business partners, clients (guests), local, regional and regional community, shareholders and day-to-day operations by integrating the economic, social aspects and environmental protection aspects into decision-making processes and corporate strategy of the Company. Harmonization of these aspects is the foundation of success and sustainable development of the Company.

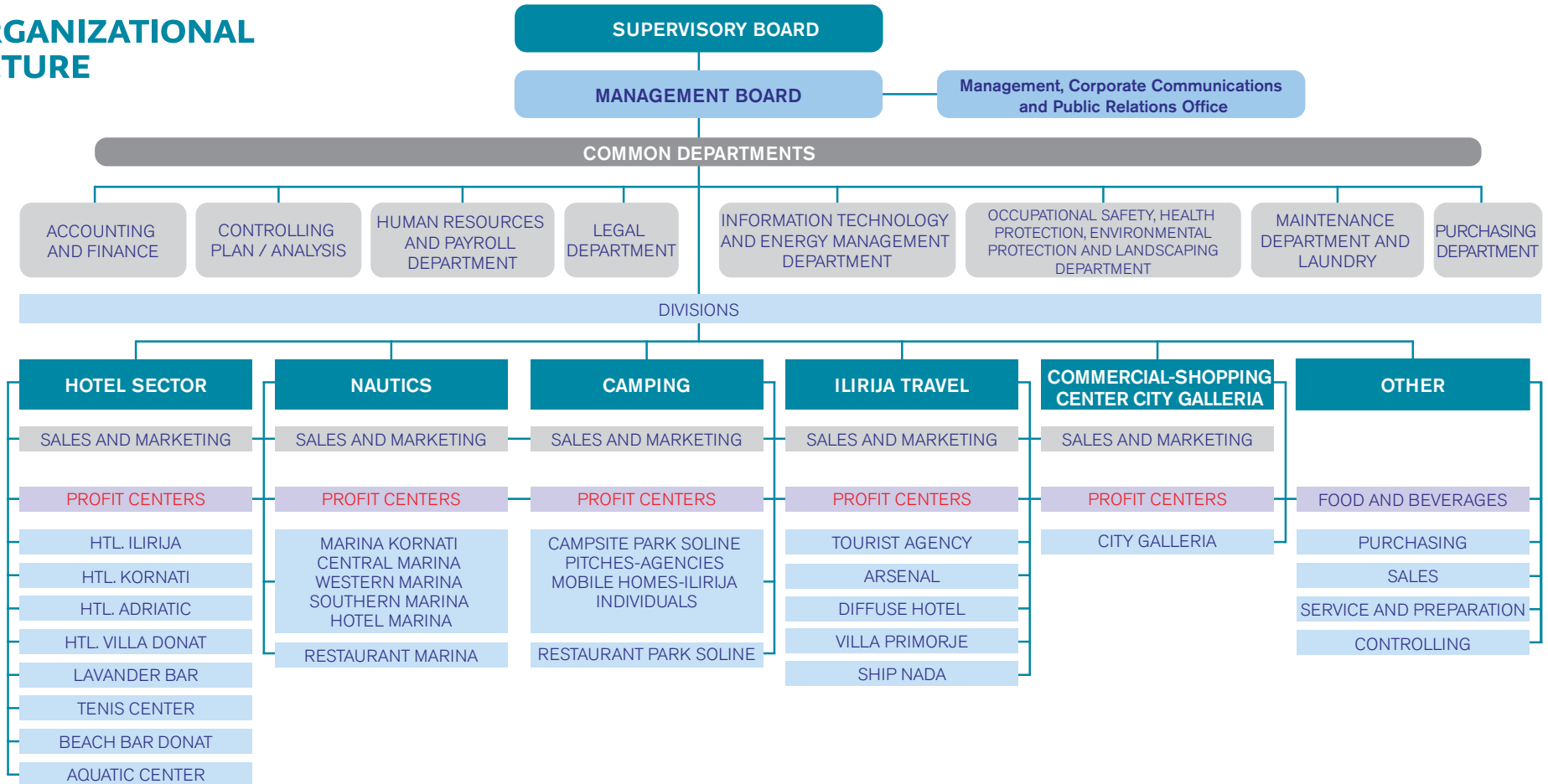
Transparency – in business and communication with all stakeholders of the company while com

plying with the principles of timely and accurate information provision as a prerequisite for further strengthening the Company's market position and its further growth.

Corporate social responsibility - In its operations, the Company applies the principles of corporate social responsibility, taking into account the responsibilities towards all key groups of its stakeholders (guests, employees, shareholders, the state, local community, financial institutions and suppliers), where it creates added value for all stakeholder groups through the achieved business results. This business concept also implies the conservation of the natural and environmental resources managed by the Company.



2.2 ORGANIZATIONAL STRUCTURE



3 STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE CODE

Ilirija d.d. 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. In its operations, the Company applies the Corporate Governance Code jointly adopted by Zagreb Stock Exchange and HANFA, which is available on their websites.

Each year, the Company completes and publishes the annual questionnaire prescribed by the Code, in which, when applicable and in line with the “act or explain” mechanism, it specifies the reasons for possible deviations from the Code. Pursuant to the regulations, the annual questionnaire is published on the website of Zagreb Stock Exchange (www.zse.hr) and the Company (www.ilirijabiograd.com).

The Company also applies the Code of Business Ethics of the Croatian Chamber of Commerce, doing business in accordance with the principles of responsibility, ethics, transparency and respect of good business practices towards all stakeholders in its business process.

The Company has worked-out a system of internal controls at all levels, the aim of which is to ensure operational functioning and security of business processes within the Company, satisfaction with the service quality and stand-

ards as well as implementation and application of legal regulations, all of which contributes to timely publication within legally prescribed time limits of financial reports that provide objective data on the Company's financial position and business results. The main characteristics of risk exposure and management are covered by the chapter “Risks and Risk Management”.

The Management Board of the Company is composed of one member appointed by the Supervisory Board for a five-year term. Pursuant the Company's Supervisory Board decision 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 Company's Articles of Association and legal regulations.

The Company 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 the Company's Articles of Association. The composition of the Supervisory

Board is outlined in the chapter "The Company's Bodies". The Supervisory Board appoints the Audit Committee, which supervises the existence and functioning of internal controls, risk management and financial reporting, as well as independence of external auditors. Significant decisions adopted by the Supervisory Board in 2020 are indicated in the chapter "Significant Events".

The General Assembly is a body of the Company within the framework of which shareholders exercise their shareholder rights and it is composed of all holders (owners) of the Company's securities. Since there is a time limit related to the exercise of voting rights at the General Assembly, the shareholders are required to apply for participation no later than 6 (six) days prior to the General Assembly meeting pursuant to the law and the Company's Articles of Association. Pursuant to the Company's Articles of Association, the shareholders' voting rights are not limited to a specific percentage or number of votes. Every share grants one voting right at the General Assembly. In the Company, there are no securities with special control rights, nor are there any limitations on voting rights.

As at 31 December 2020, the Company had a total of 186 shareholders, who held a total of 2,413,488 shares. In 2020, one General Assembly was held, and its decisions were published and are available on the website of the company (www.ilirijabiograd.com), the Zagreb Stock Exchange (www.zse.hr), HANFA and the officially appointed

mechanism for the central storage of regulated information – SRPI (www.hanfa.hr), as well as the Croatian News Agency (www.hina.hr), and they were submitted to the Register of the Commercial Court, namely in accordance with legal regulations. All decision of the General Assembly are listed in the chapter "Significant Events".

Jasmina Kulaš Stojanov, Head of CEO's Office, Corporate Communications and Public Relations, is also the Commissioner for Employee Dignity Protection and is responsible for receiving and handling of employee complaints.

The Company is allowed to acquire own shares based on the authorisation of the General Assembly of 24 May 2019. In 2020, the Company acquired 200 own shares, and held 7,833 own shares as at 31 December 2020, which constituted 0.3246% of the share capital. The Company's significant shareholders are indicated in the chapter "Ownership Structure of the Company and Overview of Trading in Company's Shares at Zagreb Stock Exchange"

An overview of the Company's ten major shareholders is available on a daily basis on the website of the Central Depository and Clearing Company Inc. (CDCC) www.skdd.hr.

The Company is a signatory of the Croatian Diversity Charter, which forms part of a broader regional project implemented by the Croatian Business Council for Sustainable Development (HR BCSD) on the territory of the

Republic of Croatia with the support of the European Commission. The President of the Company's Management Board is one of the five promoters of the Croatian Diversity Charter in Croatia. The aim of the Croatian Diversity Charter is to promote and encourage diversity, non-discrimination, inclusiveness and equal opportunities in the workplace.

In 2020, the Company joined the Alliance for Gender Equality, established jointly by the Council for Sustainable Development (HR BCSD) and the Embassy of the Kingdom of Spain.

Of the total number of employees as at 31 December 2020, women make up 55% of all employees. In the Company's senior management consisting of the Management Board, sector managers and heads of corporate services, there are 13 persons with special authorizations, 69% of whom are women.

4 COMPANY'S MANAGEMENT REPORT FOR 2020

4.1 BUSINESS EXPECTATIONS IN 2021

In 2021, the world continues to face with a global health crisis caused by the COVID-19 pandemic, which since its declaration by the World Health Organisation on 12 March 2020, has caused the most serious global health crisis in the last several decades, accompanied by a severe impact on economic activities.

Among the most severely affected sectors at the global level are certainly the travel industry, hospitality, tourism and related economic activities, all of which form an integral part of the Company's core business. All of the above affected the Company as well, given that it performs its core activity in the hotel sector, camping sector, nautical sector, a number of smaller hospitality facilities, the destination management sector and a shopping center.

In light of the discovery and approval of the vaccine at the level of the European Union and key outbound markets of Croatian tourism, which started in the second half of December 2020, and the expected vaccination coverage of a significant portion of the European Union's population, the Company is expecting a slight recovery of tourist demand in

2021 and more significant business activities in high season, in particular when it comes to traditional European tourism markets, in which the Republic of Croatia is a destination reachable by car.

Despite the discovery of the vaccine and the vaccination procedures that have been initiated, the Company is planning its business activities with due care and responsibility, considering that the recovery depends on a series of factors that the Company cannot control. If the epidemiological situation as recorded at the beginning of February 2021 persists, the business year 2021 will continue to be affected by the pandemic. In addition, the Company takes into account the fact that in the first months of 2021, the Republic of Croatia is recording a less favourable epidemiological situation compared to the one recorded in high season of 2020, as well as a slow response to the pandemic, especially in the European countries that are also the key outbound markets of Croatian tourism, against the backdrop of continued tightening of epidemiological measures, including primarily lockdown measures, restrictions of gatherings, measures of partial or complete ban on domestic and international travels, slowdown of business processes and operational business, with intensive implementation of safety health and epidemiological standards.

All of the above-mentioned will significantly impact the realisation of tourism revenue at the global and national level, and consequently at the level of the Company. As a result, in the circumstances of the COVID-19 pandemic, the Company bases its business development and expectations in 2021 on the principles of corporate responsibility and sustainable business, its primary goal being to preserve and take care of the life and health of guests and employees, ensure long-term business and financial stability of the Company, its assets and capital, as well as to continually preserve business activities and core business performance, as the Company has been doing since the pandemic was declared on 12 March 2020.

The business circumstances and conditions at the beginning of the current business year are characterised by an exacerbated epidemiological and public health situation in the key outbound markets. The current sales and booking status accompanied by a significant lack of demand in specific sectors of the Company's business, has resulted in operational inactivity of relevant facilities (hotel sector), a ban on performing activities in the hospitality sector and projections of more significant business activities during high season.

In view of the aforementioned and provided that the circumstances will not change significantly in the future, the Company is expecting that the financial performance indicators and profitability indicators in the business year 2021 will be at the same level as in 2020 .

The Company's achievements in 2021 depend on business activity possibilities of the Company in 2021 in the circumstances of the global COVID-19 pandemic.

I Hotel sector

The Company is not expecting an increase in business activities in the hotel sector in 2021 compared to the achievements realised in 2020, especially in the first and second quarters of the business year, except in case of a larger vaccination coverage of the population at the national and EU levels.

II Camping

As for the camping sector, the Company is expecting more significant business activities in 2021 compared to 2020 at the level of all market segments of the camping sector (individuals, mobile homes, fixed lease and lump sums), starting from the second quarter of the business year.

III Nautical sector

In the nautical sector, the Company is expecting the

regular nautical activity to be continued with the same scope of business operation as in 2020, i.e. continued provision of vessel accommodation services for approximately 720 vessels at contractual berth, including individual and charter vessels, which generates more than three quarters of business revenues of the nautical sector within the framework of vessel accommodation services, i.e. of the Marina Kornati. In addition, the Company is expecting other business activities in the nautical sector to continue throughout the business year, with the exception of the hospitality segment considering the current epidemiological measures.

IV Real-estate sector – City Galleria Business and Shopping Center

In the real-estate sector, we are expecting our business activity to continue with an adjusted scope of business operation due to current epidemiological measures, which will consequently result in the same level of business achievements as in 2020.

V Destination management company / DMC Ilirija Travel

Considering the nature of business activities of the destination management company / DMC Ilirija Travel, most of which entail gatherings of a large number of persons, and taking into account the current epidemiological circumstances, i.e. the ban on larger

social gatherings and the ban on performing hospitality activities, which has resulted in a complete lack of demand for services and products realised through this segment of the offer, the Company is not expecting any significant business achievements in this sector.

4.2 INFORMATION ON ACQUISITION OF OWN SHARES

In the reporting period, the Company also acquired 200 own shares, which have been acquired based on the authorisation of the General Assembly dated 24 May 2019 and subject to the terms and conditions defined by the latter. As at 31 December 2020, the Company holds 7,833 own shares, constituting 0.32% of the share capital.

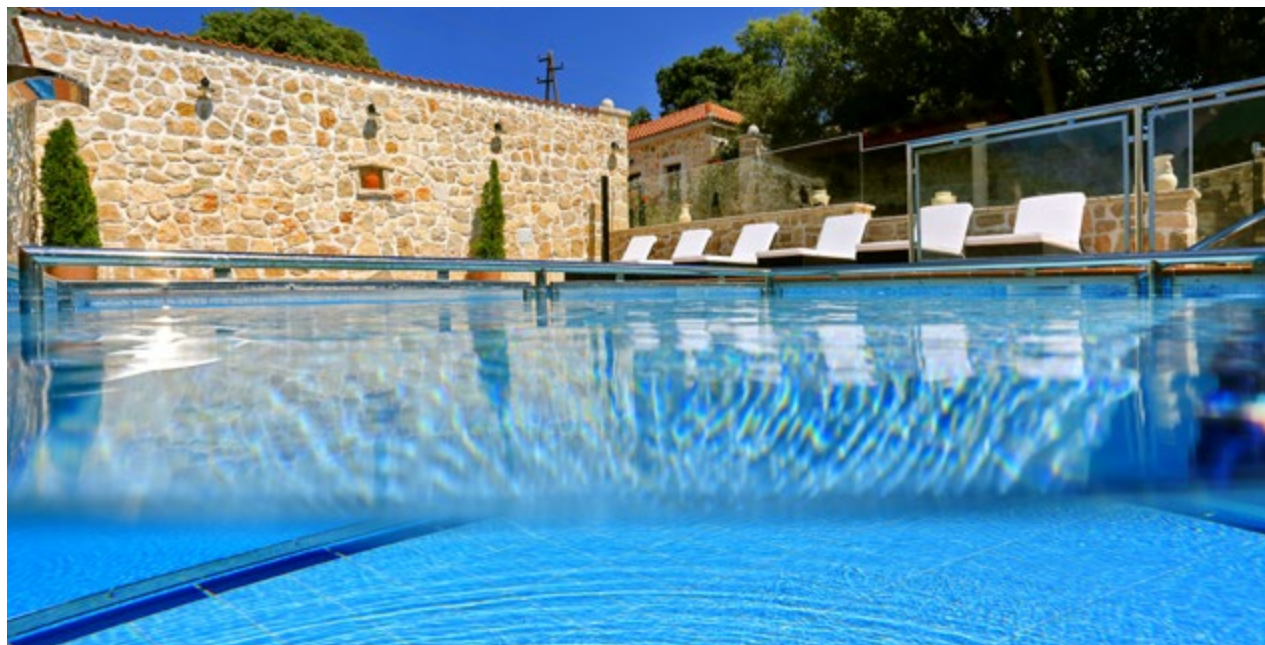
4.3 SUBSIDIARIES

Ilirija d.d. owns 100% of its two subsidiary companies:

ILIRIJA GRAĐENJE d.o.o. with registered office in Biograd na moru, the registered objects of the company being the performance of construction works, ILIRIJA NAUTIKA d.o.o. with registered office in Biograd na moru, the registered objects of the company being tourism, nautical and hospitality activities (currently commercially inactive).

4.4 FINANCIAL INSTRUMENTS

Financial instruments reported in the balance sheet include money and bank account balances, receivables, account payables, leases and loans. The specific applied recognition methods are disclosed in individual explanations of accounting policies for each item in the notes to the Company's financial statements.



4.5 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 the business processes and system as a whole.

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

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

The Company, as most entrepreneurs in the tourism sector, is exposed to currency, price, credit and liquidity risks, environmental risks, the risk of the tourism industry, the risk of macroeconomic developments and the risk of changes in tax and other regulations.

Even though most of its revenues are realised in the domestic market, the Company is exposed to currency risk. The prices of accommodation services are linked to foreign currencies, predominantly to the euro, the value fluctuations of which may significantly 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 euros.

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 management implies maintaining a sufficient amount of money in order to settle the Company's liabilities. One of the primary Company 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.

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.

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

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), the Company submitted to the Republic of Croatia a request for a concession on tourism land for the "Park Soline" Camp in Biograd na Moru for a period of 50 years. Due to unclear provisions of the Act, no decision has been rendered to date regarding the Company's request. According to the information available to the Company, no concession contract for tourism land plots in campsites has been concluded in the Republic of Croatia since the Act has come into force (01/01/2011). Until the issue of concession for tourism land in campsites is resolved, the Company timely pays its debts arising from using the said land in the campsite.

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 possibility to submit an application for leasing construction tourist land for a period of 50 years, which the Company will certainly do, i.e. it will submit an appropriate application within the prescribed time period. 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 camp-sites that were evaluated and entered into the value of social capital in the transformation and privatization process, while the Republic of Croatia shall become the owner of buildings and land in camp-sites that were not evaluated and entered into the value of social capital in the transformation and privatization process (so called Parts of camp-sites 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 13 January 1999 and in accordance with Article 22 of the Act on Maritime Domain and Seaports (hereinafter: ZPDML) on 17 October 2017 the Company submitted to the Government of the Republic of Croatia, through the competent Ministry of the Sea, Transport and Infrastructure of the Republic of Croatia, a request for modification and amendment of the Decision on Concession and the Concession Agreement, that is, for extending the term of the concession by a period of 50 years, i.e. until the year 2049 (extension of the concession term if new investments are economically feasible for it), primarily considering the same or similar cases from the recent Croatian practice where, according to the request for extension of the concession term submitted by other companies engaging in na-

utical tourism and which compete with Ilirija d.d., the concession term was extended to them in marinas by a period of 50 years.

Climate change, which has a significant impact on the tourism industry globally, also poses a potential risk to the company in terms of significantly increasing the incidence of extreme weather conditions (storms, hurricanes, etc.), as well as strengthening their intensity and unpredictability, and can cause extraordinary and unpredictable damage and threats for its business. The Company pays maximum attention to overcoming such sudden and extreme climate and weather conditions by ensuring preventive, technical and spatial, as well as functional and organizational elimination of sudden and accidental risks of any nature to the highest degree possible.

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

the risks posed to the Company. In the business year 2020, the world faced an unpredictable, serious and extremely dynamic risk related to the epidemiological situation, i.e. the global COVID-19 pandemic, which has had an extremely negative impact on business entities in almost all industries, albeit the most severely affected ones are certainly the travel industry, tourism and hospitality, all of which form an integral part of the Company's core business. COVID-19 risk is also the biggest and most serious risk that the Company has faced so far, which it has successfully mitigated by implementing a series of measures and activities described in the chapter Reorganisation of Business Activities, Processes and Operations and Implementation of Measures and Activities as a Response to the Global Covid-19 Pandemic.

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

(i) the unresolved issue of ownership since the moment of conversion, that is, property-legal, physical planning-urban and economic use and utilization of the construction tourism land in campsites and around hotels,

(ii) inadequately resolved or unresolved issue of conversion on the maritime domain, i.e. of acquired rights, legitimate investments and legitimate expectations in the maritime domain, having in mind, in particular, the contracted permanent right to utilization of the maritime domain, while companies which completed the conversion process, as is the case with our Company, carry out economic activity on the maritime domain,

(iii) The VAT rate on services in tourism and hotel industry is much higher than in competitive countries, which consequently makes Croatian tourism less competitive, hinders and slows down further investments both in the construction of new accommodation facilities and in improvement of the existing services and standards, affects new employment and salaries in tourism and hospitality, (iv) bureaucracy, administrative barriers, frequent changes to regulations,

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

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

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



4.6 SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

Even though pursuant to the Accounting Act, it is not obligated to draft a non-financial report, for the purpose of providing a complete overview of its activities and business transparency, the Company normally draws up a separate non-financial report, i.e. Annual Report on Corporate Social Responsibility, in which it provides key information, data and indicators (both qualitative and quantitative) as well as a description of economic, social and environmental aspects of the Company's activities as the three key corporate social responsibility areas.

The chapter Sustainable development and Corporate Social Responsibility of the Annual Report for 2020, provides an overview of basic activities in the area of corporate social responsibility performed in 2020.

Considering the fact that business operations were performed in the context of the global COVID-19 pandemic, which was significantly reflected in the activities in the area of corporate social responsibility, faced with such extraordinary circumstances, the Company sought to act as a socially responsible business entity as much as possible.

In 2020 during the global COVID-19 pandemic, one of the fundamental Company goals and priorities is to preserve and protect the life and health of its employees and guests. Therefore, the competent Company departments have been implementing

all necessary measures to protect the life and health of its employees and guests since mid-February. On the day the World Health Organization declared the global COVID-19 pandemic, the Company started reorganising and adapting its business activities to manage the crisis and mitigate its effects. Even before the pandemic started, the Company established the Service for Occupational Safety and Health, Health Care and Environmental Protection and, thereby formed a professional and operational team headed by three educated and qualified persons (master of sanitary engineering, health and safety engineer, master and engineer of food engineering) from the domain of health control and safety, occupational safety and hygiene and health standards and procedures in operational processes, with special emphasis on the food and beverage and the household departments. Among others, the expert and operational team consists of leaders from different Company's departments (Communications, Operational Business and Business Processes, Legal Sources and Human Resources) with the aim of quick and efficient implementation and coordination of Company's and competent authorities' measures and decisions in view of the COVID-19 pandemic. The Company's managers of health control and protection, occupational safety and the control of quality and standards of the food and beverage and the household departments are implementing and undertaking all necessary measu-

res to protect the health and life of the guests and employees through implementation, as well as the control of the implementation of recommendations issued by competent authorities.

One of the main Company priorities in these exceptional circumstances is to preserve the jobs and financial status of its existing employees, i.e. to retain its able-bodied, highly-qualified and professional employees at all levels. Consequently, despite the pandemic, the Company retained full employment, with 251 employees as at 31 December 2020, of which 234 are actively performing their duties.

The Company continued maintaining its corporate philanthropy policy by coming together with other companies in the Zadar County and donating medical equipment to the Gastroenterology Department of the Zadar General Hospital. Furthermore, since the declaration of the pandemic, the Company has donated to the Zadar General Hospital the amount of HRK 99,900.00, earmarked for procurement of protective equipment, whereas the amount of HRK 19,808.00 has been donated for the same purpose to the Zadar Police Administration.

Furthermore, the Company participated in the humanitarian aid project of the Government of the Republic of Croatia organised in order to provide

assistance to the earthquake-affected areas, and in cooperation with the Ministry of Tourism and Sport and the Association of Employers in Croatian Hospitality, made available to victims from the earthquake-affected areas of the Sisak-Moslavina County, accommodation in mobile homes at the Park Soline camp-site and the Villa Donat hotel; also, the Company delivered to the said area six fully equipped and adapted mobile homes worth a total of HRK 790,000.00.

Ilirija d.d., the Zadar Branch of Matica hrvatska Center, Polača Municipality and University of Zadar organised an interdisciplinary scientific conference The Past and Present of the Polača Region, which brought together scientists from different fields. The most important result of this project and its legacy for future generations is certainly the conference proceeding The Past and Present of the Polača Region, the publication of which was significantly contributed to by the Company as one of the publishers. The publication includes 24 high-quality, professional scientific works and is a permanent written memorial of the past of the Polača Region, protecting the history, language, customs and traditions of that area from oblivion.

At the beginning of March, the Company joined the Alliance for Gender Equality, which aims to:

- (i) achieve an equal level of representation, i.e. gender balance at all levels and positions;
- (ii) promote equal opportunities (employment, training and promotion) for both women and men; and
- (iii) enable provision of equal pay for jobs of equal value.



5 BUSINESS CAPACITIES OF THE COMPANY AND ADDITIONAL FACILITIES

Portfolio of ILIRIJA d.d. is composed of four hotels and villas, Marina Kornati with Hotel port Ilirija-Kornati, campsite "Park Soline," destination management company Ilirija Travel with its own capacities (Arsenal in Zadar, „Nada“ event boat, agrotourism and Villa Primorje), Commercial–shopping center City Galleria, Tennis Center, Aquatic Center and hospitality facilities.





5.1 HOTEL SECTOR

Hotel sector capacity consists of 443 accommodation units (hotel rooms and apartments) with a total of 922 beds located in Biograd na Moru (Ilirija****, Kornati****, Adriatic***) and Sv. Filip i Jakov (hotel Villa Donat***/****), mainly classified as four star hotels.

Hotel accommodation is located in Ilirija Resort Hotels & Vilas in Biograd and Sv. Filip i Jakov. The hotels are located along the coast, not far from the own center and beach that is awarded the Blue Flag, which are owing to the ideal location and infrastructure, intended for leisure and congress tourism. In addition to modern and technically equipped conference halls and meeting rooms intended for conferences, seminars, presentations, workshops and meetings, there is a number of supporting amenities such as Wellness & beauty center Salvia, Olympic pool, outdoor and indoor swimming pools, fitness center, a la carte restaurants and coffee bars.

As part of Ilirija Resort there is a conference center that consists of 8 halls with a total capacity to accommodate 30 to 250 persons, and there is also a magnificent garden with terraces ideal for

banquets, receptions and entertainment, outdoor swimming pools, beach and from May 2018, an indoor swimming pool.

ILIRIJA RESORT – HOTEL & VILLAS

Hotel Ilirija the largest hotel in Ilirija Resort classified as a four-star hotel, with a capacity of 165 rooms and 338 beds, and includes a restaurant with 200 seats, a terrace with 70 and aperitif bar with 50 seats. It is located the along the coast, close to the old town, surrounded by magnificent nature, sea and pinewood, as well as many amenities.

Hotel Kornati classified as a four star hotel, with the capacity of 106 rooms and 230 beds, a restaurant with the capacity for 230 persons, a terrace for 50 persons and a bar for 40 persons, by its design and atmosphere is linked to and associated with the most beautiful Croatian national park – Kornati. Kornati Hotel is a unique for its connection with the Nautical tourism port Hotel port Ilirija - Kornati, which is located in the very center of Biograd with a beach right next to the hotel.

Hotel Adriatic classified as a three star hotel, with the capacity of 100 rooms and 210 beds, with a restaurant with the capacity for 230 persons, a terrace for 300 persons and a bar with the capacity for 110 persons. It is located in a pine forest, almost on the beach, and there is Aquatic center next to it, which is ideal for family fun and for a range of attractive summer sea activities.

Villa Donat is located in Sv. Filip i Jakov and consists of Villa with 16 superb and modern rooms, classified as a four star hotel, and the annex which is classified as a three star hotel. The total capacity is 72 rooms and 144 beds, a restaurant with 120 seats, a terrace for 50 persons, aperitif bar for 20 persons and outdoor swimming pool. The hotel is located near the main beach and the town center which reminds of the rich history of this region.





5.2 NAUTICS

Nautical sector the Company began to develop in 1976 when it concluded the Contract on purchase of 40 ELAN vessels from Slovenia or 1977 when the Company began with the construction of the first nautical marina in Croatia (Hotel port Kornati) with 100 berths and organization of the first own charter fleet in the Adriatic sea with more than 40 vessels for the needs of sailors. Therefore Ilirija d.d. deserves to be considered to be a pioneer of nautical tourism at the Adriatic sea. Today, the nautical sector of the Company consists of Marina Kornati and Hotel port Kornati, in which the Company has 805 berths on sea and land, which in one day can accept up to 2000 sailors, and by the number of berths, modern technical equipment, quality of service, cleanliness and neatness (Blue Flag) the Marina Kornati is one of the three leading Croatian marinas which annually attracts over 60,000 sailors.

In 2020 the Ministry of Tourism and Sport carried out the procedure of recategorisation of the Marina Kornati Nautical Tourism Port in which it established that Marina Kornati meets the requirements prescribed for the four-anchor category. Subsequently, the Marina Kornati Nautical Tourism Port received the four-anchor category rating.

Marina Kornati is the winner of numerous awards, where we wish to emphasize the Special Award in the "XVI Tourism Flower - Quality for Croatia 2012" action, organized by the Croatian Chamber of Com-

merce and the Croatian Radio and Television, which is an award for the best marina in the category of over 450 berths. In 2013, in the "XVII Tourism Flower - Quality for Croatia 2013" action, it received an award in the competition of the largest marinas, while in the same action in 2014 and 2015 it ranked second in the "Best big marina" category and in 2016 it ranked third in the same category. In 2017, it received an award for the third place in the category of Large marina in the addition to "XXI Tourism Flower - Quality for Croatia". In 2018, Marina Kornati was awarded with two prizes: (I) a special prize from The Nautical Patrol of the Jutarnji List for the greatest progress in the tourism season 2018 and for an exceptional contribution to the development of Croatian nautical tourism and (II) in the "XXII Tourism Flower - Quality for Croatia" action, it was ranked third in the Large marina category.

In 2019, the Company was awarded the recognition "XXIII. Tourist Flower - Quality for Croatia", organized by the Croatian Chamber of Commerce and the Croatian Radio and Television for the 2nd place in the category Large Marina and Nautical patrol of the Jutarnji List awarded special recognition and gratitude to Marina Kornati for its outstanding contribution to the organization and success of the nautical patrol.

Ilirija d.d. is the organizer of the leading boat show in Croatia „BIOGRAD BOAT SHOW“ which has been continuously held in Marina Kornati for 22 years in a row.

RECEPCIJA

DOBRO DOŠLI
WELCOME
BENVENUTI
WILLKOMMEN

ERSTE
BANKOMAT



5.3 CAMPSITE "PARK SOLINE"

The four-star "Park Soline" Campsite is located in Biograd na Moru within the boundaries of the populated area, but as a separate town-planning and urban and economic entity in the southeastern part of the town of Biograd na Moru, right by the main beach in the coastal length of approx. 1.5 km where the beach of 450 meters is positioned right in front of the campsite itself.

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

In addition to the enriched restaurant offer, the newly built promenade that stretches along the entire campsite and the beach leading to the Biograd city center, the "Park Soline" Campsite is the right choice for a family vacation. In addition to entertainment for children and evening entertainment, active holiday with attractive sports, you can relax walking along

the long walking trails and recreational routes in a healthy environment, and the campsite is an excellent choice for all nature lovers.

The "Park Soline" Campsite is the largest and the only high quality four-star campsite in Biograd na Moru, which accounts for 77% of the total campsite accommodation capacities and sets the highest standards of equipment and landscape architecture in the destination. Since this campsite is the most valuable part of the camping offer in Biograd na Moru, it directly influences the image of this destination and its positioning on the domestic and foreign tourism market.

The value of investments made so far in the campsite "Park Soline" from the year 2000 till the end of 2020 amounted to approximately HRK 209,000,000.00 and owing to these investments, the number of overnight stays rose from 4,556 in 1996 to 139,052 overnight stays in 2020.



5.4 ILIRIJA TRAVEL

Ilirija Travel – destination management company:

owing to the development of new services and facilities, a high-quality, integrated and complementary tourism product has been created in response to the needs of the modern tourism demand, conditioned by technological, social, market factors and trends of ever more demanding markets.

Among the most important backbones of the offering and implementation of these special programs and products there is the business operation in own additional facilities such as:

Event ship „Nada“ a multifunctional yacht, sized 36m and a capacity to accommodate 180 persons, with a complete restaurant, kitchen and bar which provides an excellent hospitality service during the voyage. Conferences, seminars, special events, unique business meetings, gala receptions and banquets, unique weddings, exclusive day and night cruises, incentive events are all activities organized in the event ship “Nada” which adapts to the individual requirements of the clients.

Arsenal is a heritage site and multimedia center located in Zadar, built in the 17th century, which was renovated in 2005 as an indoor town square or as the center of public, cultural and entertainment life in the

region in which over 100 public and private events are organized on an annual level.

Diffuse Hotel Ražnjevića dvori AD 1307 multi-functional facility, located in the settlement of Polača named after the municipality in this settlement, in the heart of Ravni Kotari, which lies halfway between Biograd na Moru and Benkovac and is the first facility of such a category in the Republic of Croatia. This tourist complex has originated from the rural estate tradition, is an example of innovative tourism product conceived as a blend of tradition and contemporary trends.

Villa Primorje, built in the second half of the 19th century, is a typical traditional Dalmatian stone nobleman’s house with the outbuildings. Newly renovated, luxuriously decorated and equipped in line with the latest standards for facilities of its kind and category, it has its own restaurant that offers the possibility of organizing a number of events, the Mediterranean garden with a promenade and, from the tourist season 2017, an outdoor swimming pool. Offers of trips, special offers according to the requirements of clients, sports programs, MICE etc.



5.5 HOSPITALITY

Restaurant „Marina Kornati“ is located in Marina Kornati, having the capacity for over 350 persons, which together with the recently refurbished Captain's Club having the capacity to accommodate 70 persons, or with the overall capacity for 420 persons meets the requirements of boaters for holding various and numerous events in Marina Kornati. Besides hospitality services, Captain's Club also provides services for a number of presentations on nautical products, and is an ideal venue for holding small conferences and events.

Restaurant „Park Soline“ is located in campsite "Park Soline"****, close to the sea, ten minutes of walk from the center of Biograd na Moru with an offer of food based on Mediterranean cuisine. The restaurant with a capacity to accommodate 280 people offers the possibility of organizing various events - family celebrations, banquets and receptions as well as meetings. The restaurant includes a Dalmatian tavern with a fireplace, coffee bar and taps of wine decorated as a wine cellar, which offers the possibility of buying and tasting top quality red and white wines produced from the native Croatian species.

Beach bar "Donat" is located in the building-ma-

gazine located in a protected cultural and historical complex of village Sv. Filip i Jakov settlement, which is also entered in the Register of Croatian cultural monuments of the Republic of Croatia. Today, it is classified as a beach hospitality facility or beach bar/cocktail bar with capacity to accommodate 140 persons.

Lavender lounge bar, located inside of Adriatic hotel, next to the beach, known for its Mediterranean design, fully designed for people to relax, with a beautiful view of the Pašman Channel, a place that offers the possibility of organizing a number of events of different character (MICE, weddings, banquets, cocktail bar, night club, etc.).



5.6 ADDITIONAL FACILITIES

Event: Biograd Boat Show, the largest international autumn boat show in the Republic of Croatia and the largest boat show in South East Europe among the shows, which takes place on the water and brings together all the key representatives of the nautical industry and tourism. At the beginning, that is, in the year 1999 the boat show was organized as Spring Open Days, mainly intended for companies that operate in the marina, as the first such event in North Dalmatia. Wishing for Biograd na Moru, to win the top nautical event considering its status of the city as a cradle of nautical tourism, at which all sectors of the nautical and charter business will be presented, the Open Days grew into Biograd Boat Show. Since 2004, the event has been organized as an autumn boat show which has contributed to an improved boat offer and extension of the tourism season. Biograd Boat Show was admitted to the International Federation of Boat Show Organisers-IFBSO at the 50th meeting of the Federation that took place in Istanbul, Turkey, in June 2014, and in 2015 it became its gold member. The shows of former members of the Federation were mainly organized in the major world centers, and the fact that the Biograd Boat Show is organized in the city of only 5,000 residents makes this success even greater, which is a great recognition not only to the Company as the boat show organizer, but also the Croatian nautical industry and tourism.

Today the leading international autumn nautical show has grown into the major Croatian nautical event and in the last three years it has grown into the nautical industry congress in the Republic of Croatia. From its early beginnings the boat show brings together all representatives of the nautical industry and tourism, government institutions, major organizations in tourism and nautics as well as professional associations. Owing to this partnership with all relevant subjects, and now longterm exhibitors and partners, we have been developing Biograd Boat Show by listening to their needs, keeping up with trends in the nautical and trade fair industry while implementing our own vision of its development creating a high quality, distinctive, and above all, sustainable economic and tourism product, which since its beginnings further enriches the Croatian tourism supply, especially its post-season.

The 2020 Show marking its 22nd anniversary gathered more than 240 exhibitors, as well as about 60 owners, operators, and charter agents which hold over 1600 charter vessels, as well as all interested in making business contacts, with over 300 of them held through the B2B platform.

Sports facilities:

“Tenis centar Ilirija”, located in a pinewood Soline near the old city center, covers an area of 48.000 m², consists of 20 tennis courts and multipurpose courts (14 clay and 6 artificial grass tennis courts) with night lighting, restaurant and changing rooms as well as related facilities.





5.7 CITY GALLERIA BUSINESS AND SHOPPING CENTER

Business and shopping center City Galleria is located near the old town center of Zadar, one of the two largest shopping centers in the city and the wider Zadar region, completed and opened to the public in October 2008 with a total gross surface of more than 28,500 m² spread over a total of six floors (two garage and four sale areas). The gross area of the center consists of the belonging underground garage with total area of 10,863 m² followed by 9,924.60m² of net lettable surface area and ancillary rooms and corridors. The occupancy of the center was 97.57% of all of its capacities as at 31/12/2020.

The following facilities are found in the Center: an underground car garage with over 400 parking spaces on the two floors, indoor and outdoor market, supermarket, specialized food and beverage shops, fashion clothing, footwear and sporting equipment shops, children's shops, cafés and 6 multiplex movie theaters. The offer is conceptually divided into floors, so the ground floor of the center is envisioned as a space with a mixed offering of food and services; the first floor is designed as a fashion floor with the supply of clothing, footwear, fashion accessories stores and perfumery/drug store; the second floor of the Center is created as a floor for fun and recrea-

tion with an offer of cafés, entertainment, cosmetic and sports services; while the third floor is intended for the lease of office premises.

The unique features of the Commercial-shopping center City Galleria have been recognized at the international level when in 2010 at the award ceremony 'International Property Award', the most prestigious international competition in the real estate business, the Commercial shopping center City Galleria Zadar received the prestigious five-star award in the category of "Best Retail Development". The unique features of the Commercial-shopping center City Galleria, which distinguish it from the rest of the market offer can be summarized in a few features, such as; very attractive location within the city's pedestrian zone that provides great visibility of the building; accommodation of the town marketplace with accompanying food facilities in the Center; and offer of the first and only multiplex cinema in the city of Zadar.

6 KEY OPERATING PERFORMANCE INDICATORS OF THE COMPANY

The global COVID-19 pandemic, declared by the World Health Organisation in the first quarter of the financial year, has had a considerable negative impact on the travel industry, tourism, the hospitality industry, and associated activities on a global scale. The declaration of the pandemic was followed by the introduction of epidemiological measures, which resulted in a number of restrictions regarding larger social gatherings, domestic and international travel, and movements of the population, whether through a complete ban or, in the best case scenario, through travel measures (testing, quarantine), the ban on certain activities, and implementing strict epidemiological measures in non-prohibited business activities. This especially affected businesses whose core activity is hospitality and tourism and, consequently, on the Company and its accomplishments in operational and financial performance.

Since the declaration of the pandemic, business operations of the Company in the hotel sector, camping sector, and the destination management company were focused exclusively on peak season (period between mid-July and mid-August), with a complete lack of demand in the fourth quarter of the financial year, i.e. post-season, with a strong emphasis on last minute bookings, additional flexibility of the Company in booking cancellations, and stimulating demand through additional commercial benefits, which resulted in a significant decline in business activities and overall performance for the said sectors.

Since the pandemic was declared, the nautical sector, specifically the vessel accommodation services, i.e. Marina Kornati, operated to a limited extent up to the end of May, while during the rest of the financial year the sector carried out its regular activities. Nautical tourism is one of the safest forms of tourist offer, in view of the possibility of maintaining physical distance and facilitating the implementation epidemiological measures, which allowed successful performance of the core activity in the context of the pandemic and, ultimately, the achievement of physical and financial results, which support the stability and business sustainability of the nautical sector. With 717 contracted vessels, the physical results in the sector's most significant segment, the contractual berth, were 3% lower than the previous financial year, whereas the revenue, notwithstanding the lower number of contracted vessels, was at the same level as in 2019, the best year for the nautical sector. During the reporting period, Marina Kornati generated HRK 41,475,612 in revenue, including the revenue from the nautical fair and events, which is 7% less than in the previous year, or 4% if only the revenue generated by Marina Kornati in the segment of vessel accommodation and associated services is taken into account. The most significant consequences of the pandemic in Marina Kornati concern the transit berth and parking, which are 30% and 38% lower, respectively, as a direct consequence of the pandemic due to a lack of guests resulting from travel restrictions. In other service segments, such as port service, despite lower operational

results, the generated financial results amounted to HRK 2,740,561, making them slightly lower than in 2019, while business cooperation revenue increased by 1%. Marina Kornati, with its developed year-round activity and in the context of the global pandemic, when business activities were restricted in certain periods of the business year, has achieved significant results and retained the key market segment, individual and charter vessels at contractual berth, at the level of financial results from 2019, which ensured market and financial stability of the overall nautical sector.

The "Park Soline" campsite achieved satisfactory results, both physical and financial, in view of the generally seasonal nature of camping tourism in Croatia, the significant business activities that only started in the second quarter of the financial year, in a year marked by the pandemic and with initial booking cancellations, the introduction of epidemiological measures and restrictions regarding travel, with significant business activities only in peak season. Business activities of the "Park Soline" campsite in the accommodation segment were focused on only a few outbound markets, while some of the Company's key camping markets, such as the Dutch and the Slovenian markets, have started introducing stricter measures regarding travel and movement of the population as early as high season (from late July to mid-August), after which similar measures were introduced in other outbound markets. Despite the extremely short period of signifi-

cant business activity, the "Park Soline" campsite achieved satisfactory results, where HRK 18,001,154.46 or 56% of last year's revenue was generated with 139,052 overnight stays or 48% of overnight stays recorded in 2019.

The results of the hotel sector up to the pandemic were at the level planned in the 2020 Business Plan. Following the declaration of the pandemic, the entire hotel sector of the Company (hotels, hospitality, and sports-recreational facilities) have not been active for the better part of the year, that is, in the period starting from the beginning of the pandemic to 28 May 2020 and in the final quarter of the financial year, due to the implementation of strict epidemiological measures, which included the ban on larger social gatherings, strict social distancing measures, the ban on hospitality activities, and travel restrictions. Along with a drastic lack of demand for hotel accommodation and its focus exclusively on high season (July and August), the measures have had a significant impact on the performance of the hotel sector, whose facilities, due to the foregoing, carried out their activities in a limited scope and with a limited capacity. Along with one other hotel, the largest Company hotel, Ilirija****, was active during high season, unsurprisingly with significantly lower performance; specifically, there were 31,738 overnight stays generating HRK 13,317,286.13 of revenue, which represents 22% of the results from 2019.

The performance of the destination management company Ilirija Travel was mostly generated in the first quarter of the financial year, while in the rest of the year, due to the nature of its services, which are based on larger social gatherings, following the pandemic, its business activities were prohibited or could only be carried out under significant restrictions, which had an impact on the strong decline of demand, the transfer of already confirmed events to the following financial year or their cancellation, and finally the overall performance of the sector.

Business activities in the real estate sector were carried out in a limited scope, since due to the pandemic most of the tenants were prohibited from carrying out their activities, while the tenants who were permitted to carry out their activities could only perform them in a limited scope. It was only in the second half of August that all tenants were able to carry out their business activities by implementing epidemiological measures. In the final quarter of the financial year, the worsening of the epidemiological situation in November resulted in the ban on activities for a number of tenants (hospitality facilities and sports-recreation facilities), which greatly affected the performance of the Business and Shopping Center, which generated HRK 12,778,034.32 or 90% of last year's revenue and maintained its business stability and the quality of offer and amenities, as well as full capacity occupancy.

6.1 HOTEL SECTOR

In 2020, the hotel sector recorded 7,515 arrivals, or only 16% of the results in the previous year, and 31,738 overnight stays, with a 78% decline. Following a significant and continuous increase in physical and financial performance indicators, throughout the period starting with the privatisation of the Company, and especially during the exceptional 2017 and 2018, and the challenging 2019, the Company hotel sector, as well as the overall Croatian and global tourism, was affected by the COVID-19 pandemic with an extremely negative impact, especially in the hotel segment of tourism. After the declaration of the pandemic, the hotel capacities of the Company were closed in the period between 16 March and 28 May, followed by an extremely slow recovery with reduced numbers.

Due to the foregoing, out of four hotels, only the Ilirija Hotel was open, and during a very short peak season, between 1 August and 31 August, the Adriatic was also open. After Croatia had been declared a "red zone", and the ban or significant restrictions of the possibility for travelling to Croatia, the end of the season was significantly reduced by late August, while the post-season was largely lacking. The Kornati Hotel operated in the beginning of the year, during January and February, and its occupancy mainly included guests celebrating the New Year, i.e. in December after the closing of the Ilirija Hotel and before the complete closing of the Kornati Hotel. The Company

hotel sector performance mostly came down to the shortened peak season. After ten years of continuous growth, this caused a discontinuity for the Company and led to a drastic decline of business activities in the hotel sector.

The Company's pricing policy, i.e. the limited lowering of prices, which the Company chose estimating that a more drastic price reduction would lead to greater occupancy and at the same time require a greater increase in costs. This led to a significant decline of all measurable hotel sector parameters. As far as hotel occupancy is concerned, the average occupancy of 165 days from 2019 was reduced to 33 days.

The hotel sector revenue was reduced from HRK 55,822,975.50 in 2019 to HRK 11,645,751.94 or 21% of revenue generated in the previous year. This is the result of the previous situation with the pandemic, a drastic decrease in turnover, and a drop in prices. From HRK 380.23 in 2019, the average price was reduced to HRK 366.93, or from EUR 51.27 to EUR 48.73. The revenue per room thus increased to EUR 106.98, compared to EUR 102.76 in the previous year, which is the result of specific circumstances of the season, during which business operations were mostly reduced to the peak season, when, along with the inevitable discounts, the prices are commonly greater than during year-round operation. Also, leases were



missing from sales channels, group sales were drastically reduced, and the greater part of work came down to individual arrivals, which, along with the discounts, led to a greater average price. By adding the revenue from the hospitality and other services, associated with the hotel sector, which were carried out by the Aquatic center, the Tennis center, and the hospitality facilities, revenue per room was EUR 122.33, compared to EUR 110.25 in 2019, that is, it increased by 11%.

There were significant changes in the guest structure, even though the most represented markets remained similar. The Croatian market is still the leader, but with a significant increase to 51.9% of total turnover. The Slovenian market with its share of 15.8% surpassed the formerly second German market, now with an 8% share. Austria remained the fourth market with 5.5%, as did the Slovakian market with a 3.6% share. There was a significant change in the markets of France, South Korea, Sweden, Hungary, The Netherlands, and Belgium, since now Hungary and the Czech Republic were followed by Belgium and Bosnia and Herzegovina, and only then came France. There was a decrease in all recorded markets, and the most distinct change is linked to the increase in the domestic guests share from 19.31% to now over 50%.

The German market, as the key foreign market, was re-

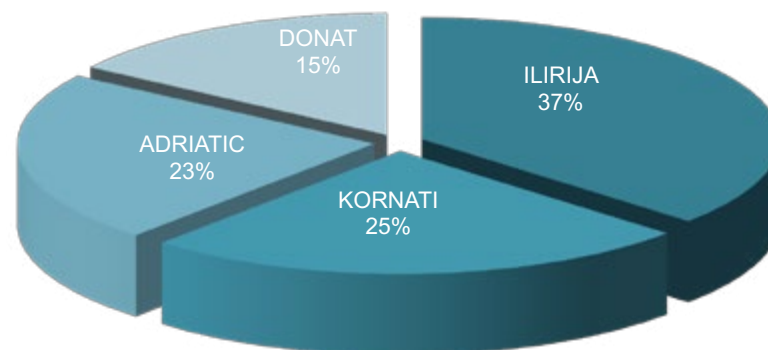
placed by the Slovenian market, while the performance of the more remote European markets was greatly reduced due to a significant decline in airline connections, and the long haul markets (South Korea, China, etc.) were completely absent. In a financial year marked with the global pandemic, business operations were based on reaching out to guests in the closest outbound markets, wishing to experience the peak season "sun-and-sea holiday". The multi-annual effort and the risk dispersion achievements by establishing the Company's presence in an increasing number of markets, with an emphasis on activities for markets which are not exclusively linked to peak season, with which the Company continues to work in order to prolong it, was replaced with activities for only a few of the closest European markets for which Croatia is a destination reachable by car.

Along with a decrease in turnover of all segments, the most significant changes in sales channels are linked to the increased share of individual guests from the previous 18.2 to 43.6%, and a complete lack of fixed leases. A drastic decline in the group segment from 40.4% to only 17.6% was the result of virtually non-existent business travel, conferences, seminars, team building, and the previously reinforced combination of business and holiday stays with which the Company managed to significantly prolong the season throughout the year.

Hotel sector capacities

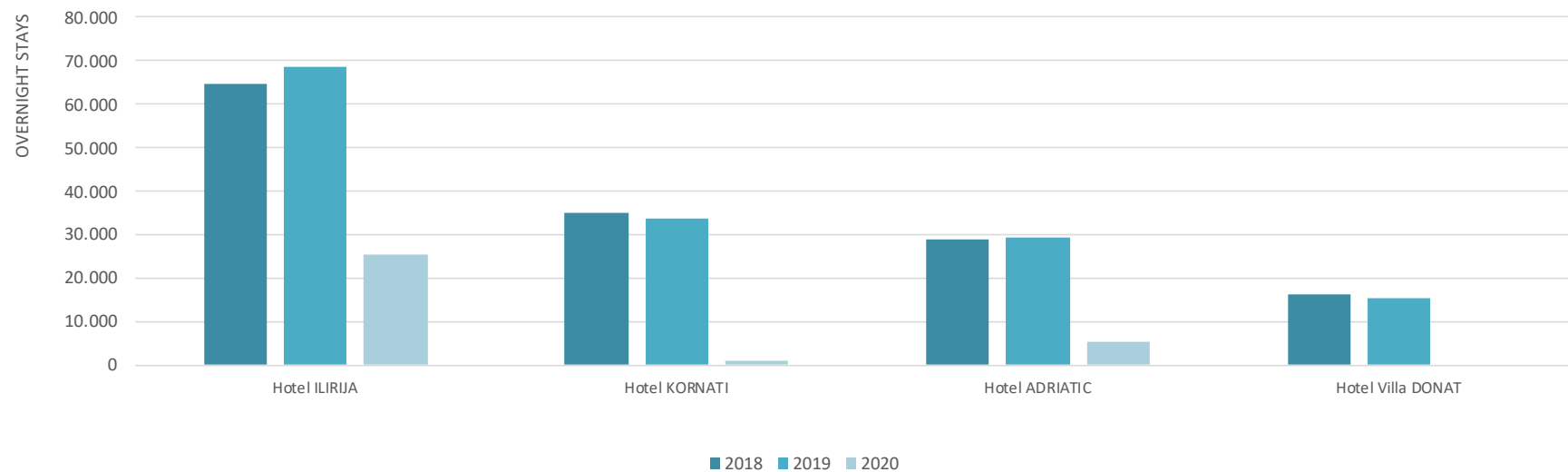
ILIRIJA D.D.	NUMBER OF ROOMS				NUMBER OF BEDS			
	2018	2019	2020	INDEX 20/19	2018	2019	2020	INDEX 20/19
ILIRIJA	165	165	165	1,00	337	338	338	1,00
KORNATI	106	106	106	1,00	216	230	230	1,00
ADRIATIC	100	100	100	1,00	210	210	210	1,00
DONAT	72	72	72	1,00	144	144	144	1,00
TOTAL	443	443	443	1,00	907	922	922	1,00

% Share of indiv. hotel (number of beds)

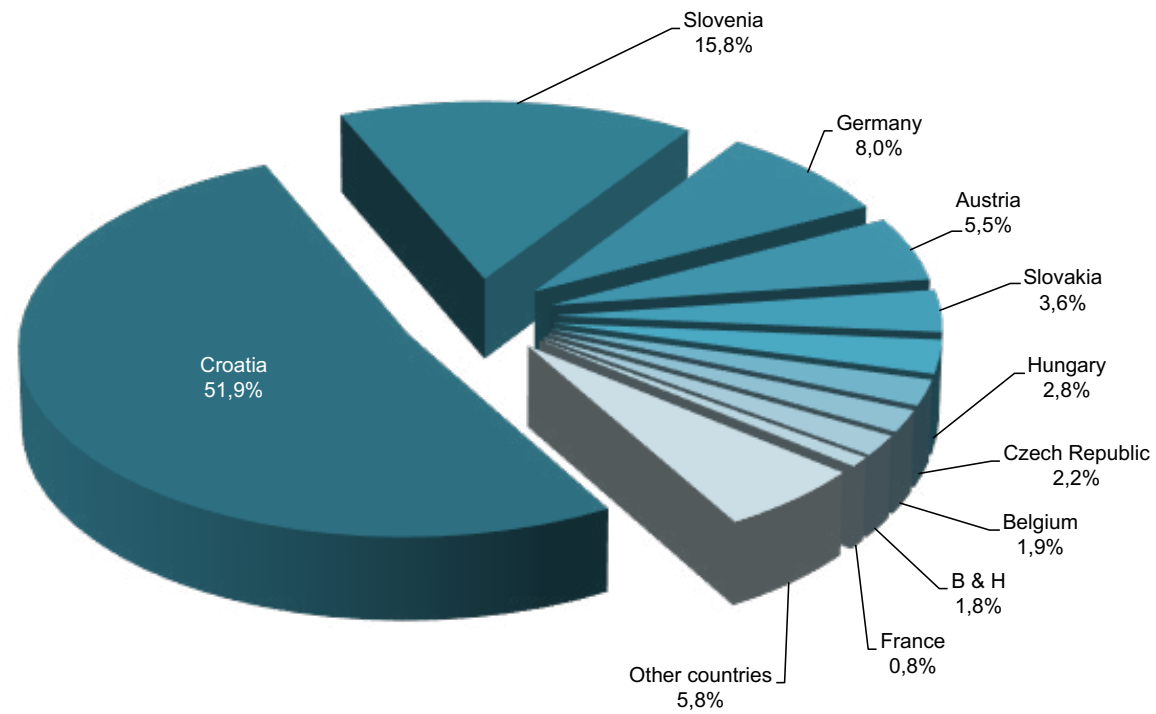


Overview and comparison of realised arrivals and overnight stays in 2020 with 2018 and 2019

PROFIT CENTER	HOTEL SECTOR							
	ARRIVALS			INDEX	OVERNIGHT STAYS			INDEX
	2018.	2019.	2020.	2020./2019.	2018.	2019.	2020.	2020./2019.
Hotel ILIRIJA	23.315	25.573	6.075	24	64.583	68.706	25.554	37
Hotel KORNATI	12.180	10.784	451	4	34.997	33.551	784	2
Hotel ADRIATIC	7.163	6.979	989	14	29.044	29.307	5.400	18
Hotel Villa DONAT	3.725	2.960	0	0	16.121	15.251	0	0
TOTAL	46.383	46.296	7.515	16	144.745	146.815	31.738	22



Graph of the realized overnight stays by source markets for the year 2020



Capacity occupancy in 2020 and a comparison with 2019

Percentage share

MONTH	ILIRIJA					KORNATI					ADRIATIC					DONAT					GRANDTOTAL				
	Total rooms	2019	%	2020	%	Total rooms	2019	%	2020	%	Total rooms	2019	%	2020	%	Total rooms	2019	%	2020	%	Total rooms	2019	%	2020	%
JANUARY (I)	5.115	1.050	20,53%	574	11,22%	3.286	165	5,02%	189	5,75%	3.100	156	5,03%	80	2,58%	2.232	0	0,00%	0	0,00%	13.733	1.371	9,98%	843	6,14%
FEBRUARY (II)	4.620	473	10,24%	620	13,42%	2.968	0	0,00%	211	7,11%	2.800	0	0,00%	0	0,00%	2.016	0	0,00%	0	0,00%	12.404	473	3,81%	831	6,70%
MARCH (III)	5.115	1.716	33,55%	278	5,43%	3.286	0	0,00%	0	0,00%	3.100	0	0,00%	0	0,00%	2.232	0	0,00%	0	0,00%	13.733	1.716	12,50%	278	2,02%
APRIL (IV)	4.950	3.193	64,51%	0	0,00%	3.180	994	31,26%	0	0,00%	3.000	276	9,20%	0	0,00%	2.160	0	0,00%	0	0,00%	13.290	4.463	33,58%	0	0,00%
MAY (V)	5.115	3.779	73,88%	12	0,23%	3.286	2.066	62,87%	0	0,00%	3.100	1.592	51,35%	0	0,00%	2.232	312	13,98%	0	0,00%	13.733	7.749	56,43%	12	0,09%
JUNE (VI)	4.950	4.094	82,71%	1.187	23,98%	3.180	2.589	81,42%	0	0,00%	3.000	2.478	82,60%	0	0,00%	2.160	1.265	58,56%	0	0,00%	13.290	10.426	78,45%	1.187	8,93%
JULY (VII)	5.115	4.538	88,72%	3.120	61,00%	3.286	2.831	86,15%	0	0,00%	3.100	2.858	92,19%	0	0,00%	2.232	1.960	87,81%	0	0,00%	13.733	12.187	88,74%	3.120	22,72%
AUGUST (VIII)	5.115	4.721	92,30%	3.653	71,42%	3.286	3.106	94,52%	0	0,00%	3.100	2.970	95,81%	2.076	66,97%	2.232	2.132	95,52%	0	0,00%	13.733	12.929	94,15%	5.729	41,72%
SEPTEMBER (IX)	4.950	4.403	88,95%	838	16,93%	3.180	2.525	79,40%	0	0,00%	3.000	2.580	86,00%	0	0,00%	2.160	1.413	65,42%	0	0,00%	13.290	10.921	82,17%	838	6,31%
OCTOBER (X)	5.115	3.858	75,43%	1.079	21,09%	3.286	1.961	59,68%	0	0,00%	3.100	1.297	41,84%	0	0,00%	2.232	288	12,90%	0	0,00%	13.733	7.404	53,91%	1.079	7,86%
NOVEMBER (XI)	4.950	1.665	33,64%	436	8,81%	3.180	123	3,87%	0	0,00%	3.000	0	0,00%	0	0,00%	2.160	0	0,00%	0	0,00%	13.290	1.788	13,45%	436	3,28%
DECEMBER (XII)	5.115	1.246	24,36%	31	0,61%	3.286	309	9,40%	73	2,22%	3.100	263	8,48%	0	0,00%	2.232	0	0,00%	0	0,00%	13.733	1.818	13,24%	104	0,76%
TOTAL	60.225	34.736	57,68%	11.828	19,64%	38.690	16.669	43,08%	473	1,22%	36.500	14.470	39,64%	2.156	5,91%	26.280	7.370	28,04%	0	0,00%	161.695	73.245	45,30%	14.457	8,94%

Capacity occupancy in 2020 and a comparison with 2019

Occupancy days

MONTH	ILIRIJA					KORNATI					ADRIATIC					DONAT					GRANDTOTAL				
	Total rooms	2019	days	2020	days	Total rooms	2019	days	2020	days	Total rooms	2019	days	2020	days	Total rooms	2019	days	2020	days	Total rooms	2019	days	2020	days
JANUARY (I)	5.115	1.050	6	574	3	3.286	165	2	189	2	3.100	156	2	80	1	2.232	0	0	0	0	13.733	1.371	3	843	2
FEBRUARY (II)	4.620	473	3	620	4	2.968	0	0	211	2	2.800	0	0	0	0	2.016	0	0	0	0	12.404	473	1	831	2
MARCH (III)	5.115	1.716	10	278	2	3.286	0	0	0	0	3.100	0	0	0	0	2.232	0	0	0	0	13.733	1.716	4	278	1
APRIL (IV)	4.950	3.193	19	0	0	3.180	994	9	0	0	3.000	276	3	0	0	2.160	0	0	0	0	13.290	4.463	10	0	0
MAY (V)	5.115	3.779	23	12	0	3.286	2.066	19	0	0	3.100	1.592	16	0	0	2.232	312	4	0	0	13.733	7.749	17	12	0
JUNE (VI)	4.950	4.094	25	1.187	7	3.180	2.589	24	0	0	3.000	2.478	25	0	0	2.160	1.265	18	0	0	13.290	10.426	24	1.187	3
JULY (VII)	5.115	4.538	28	3.120	19	3.286	2.831	27	0	0	3.100	2.858	29	0	0	2.232	1.960	27	0	0	13.733	12.187	28	3.120	7
AUGUST (VIII)	5.115	4.721	29	3.653	22	3.286	3.106	29	0	0	3.100	2.970	30	2.076	21	2.232	2.132	30	0	0	13.733	12.929	29	5.729	13
SEPTEMBER (IX)	4.950	4.403	27	838	5	3.180	2.525	24	0	0	3.000	2.580	26	0	0	2.160	1.413	20	0	0	13.290	10.921	25	838	2
OCTOBER (X)	5.115	3.858	23	1.079	7	3.286	1.961	19	0	0	3.100	1.297	13	0	0	2.232	288	4	0	0	13.733	7.404	17	1.079	2
NOVEMBER (XI)	4.950	1.665	10	436	3	3.180	123	1	0	0	3.000	0	0	0	0	2.160	0	0	0	0	13.290	1.788	4	436	1
DECEMBER (XII)	5.115	1.249	8	31	0	3.286	314	3	73	1	3.100	264	3	0	0	2.232	0	0	0	0	13.733	1.827	4	104	0
TOTAL	60.225	34.739	211	11.828	72	38.690	16.674	157	473	4	36.500	14.471	145	2.156	22	26.280	7.370	102	0	0	161.695	73.254	165	14.457	33

Monthly comparison of revenue/overnight stays of the Ilirija Resort Hotels in 2020 and a comparison with 2019

MONTH	GENERATED REVENUES			OVERNIGHT STAYS			AVER.PRICE IN HRK		AVER.PRICE IN €		
	2019	2020	INDEX	2019	2020	INDEX	2019	2020	2019	2020	INDEX
JANUARY	1.406.055,11	777.544,20	0,55	2.322	1.437	0,62	605,54	541,09	81,58	72,73	0,89
FEBRUARY	351.380,76	388.042,39	1,10	869	1.484	1,71	404,35	261,48	54,45	35,11	0,64
MARCH	963.108,71	199.027,83	0,21	3.084	503	0,16	312,29	395,68	42,06	52,42	1,25
APRIL	2.216.611,41	0,00	0,00	8.369	0	0,00	264,86	#DIV/0!	35,73	#DIV/0!	#DIV/0!
MAY	4.619.475,38	41.829,77	0,01	13.173	21	0,00	350,68	1.991,89	47,27	263,20	5,57
JUNE	7.728.383,78	806.424,91	0,10	20.192	2.377	0,12	382,74	339,26	51,77	44,84	0,87
JULY	11.236.894,24	3.078.461,88	0,27	29.848	7.609	0,25	376,47	404,58	51,06	53,71	1,05
AUGUST	13.389.920,46	5.722.058,28	0,43	31.415	14.124	0,45	426,23	405,13	57,63	54,03	0,94
SEPTEMBER	7.560.643,75	763.847,92	0,10	18.795	1.518	0,08	402,27	503,19	54,34	67,10	1,23
OCTOBER	3.914.412,58	593.383,96	0,15	12.200	1.679	0,14	320,85	353,42	43,05	46,70	1,08
NOVEMBER	866.306,40	-796.387,07	-0,92	3.358	798	0,00	257,98	-997,98	34,69	-132,02	-3,81
DECEMBER	1.569.782,92	71.517,87	0,03	3.190	188	0,00	492,09	380,41	66,15	50,47	0,76
TOTAL	55.822.975,50	11.645.751,94	0,21	146.815	31.738	0,22	380,23	366,93	51,27	48,73	0,95
31/12	55.822.975,50	11.645.751,94	0,21	146.815	31.738	0,22	380,23	366,93	51,37	48,73	0,95

Revenues per sold room 31/12/2020	805,54kn	106,98 €
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Revenues per sold room 31/12/2019	762,14 HRK	102,76 €
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Selected profit centers within the hotel sector

Lavender	2019		
31/12	2020	INDEX	
1.049.685,47			
31/12	1.049.685,47	434.563,91	0,41

Aquatic center	2019		
31/12	2020	INDEX	
2.397.917,11			
31/12	2.397.917,11	823.522,69	0,34

Tennis center	2019		
31/12	2020	INDEX	
514.179,54			
31/12	514.179,54	365.097,94	0,71

Beach bar Donat	2019		
31/12	2020	INDEX	
107.430,44			
31/12	107.430,44	48.350,25	0,45

Hotel sector total

TOTAL	2019		
31/12	2020	INDEX	
59.892.188,06			
31/12	59.892.188,06	13.317.286,13	0,22

Revenues per sold room - 2020:	921,17 kn	122,33 €
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Revenues per sold room- 2019:	817,70 kn	110,25 €
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REVENUES BY ACTIVITIES

Revenues from hotel services amount amounted to HRK 11,645,751.94, which is a 79% decrease as compared to the previous year.

Other revenue of the hotel sector, including the Donat beach bar, which belongs to the Villa Donat Hotel in Sv. Filip i Jakov amounted to HRK 1,671,534.19, and it is 59% lower than in 2019.

The total revenue of the hotel sector amounted to HRK 13,317,286.13 and it is 78% lower than in 2019, and, unlike last year's 35% of the Company revenue, it makes up 13.61% of the Company revenue.



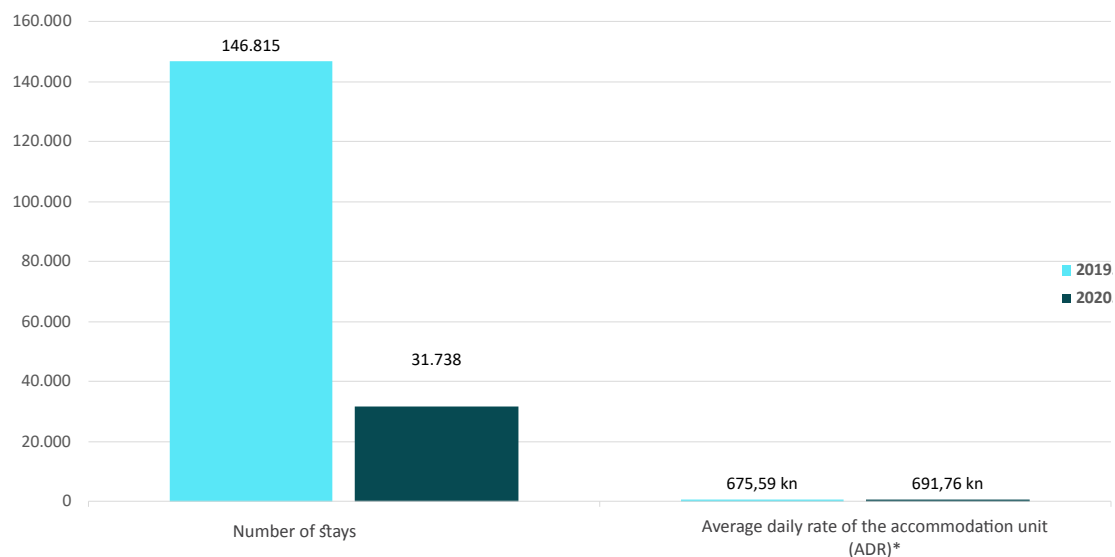
Summary of key operating market indicators for hotel sector of Ilirija d.d.

After a decade of continuous growth, in the year of the global crisis, both a health crisis and consequently an economic crisis, with the greatest impact on the travel industry and tourism by far, the Company hotel sector experienced a discontinuity of growth and development, which had a significant impact on the attained market indicators of occupancy, and consequently on financial performance.

Compared to the previous financial year, there was a drastic decline in the scope of physical demand, including the lockdown or the ban on business operations, restrictions of business operations, and the ban on arrivals from a large number of countries. This resulted in a significant decrease in capacity occupancy from 45.30% in 2019 to only 8.94% in 2020. The average prices decreased by 5%, but the revenue per

room increased by 11%, due to different sales channels, i.e. the domination of individual customers, reducing business operations to July and August only, and only one 4* hotel being open.

Number of overnight stays and average daily rate of the accommodation unit (ADR) in the hotels of Ilirija d.d. in 2020 and 2019



* 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)

Key market indicators of the hotel sector of Ilirija d.d.

	2020	2019	2020/ 2019
HOTELS IN BIOGRAD			
Accommodation capacities:			
Number of hotels	3	3	0,00%
Number of accommodation units	371	371	0,00%
Number of beds	778	778	0,00%
Physical turnover:			
Number of overnight stays	31.738	131.564	-75,88%
Number of accommodation units sold	14.457	65.884	-78,06%
The occupancy of accommodation units based on a total number of days in a period (%)	10,65%	48,65%	-78,12%
Occupancy rate of the accommodation units on an open days basis (%)	30,35%	71,97%	-57,82%
Financial results:			
Average daily rate of the accommodation unit (ADR) *	691,76 kn	683,63 kn	1,19%
Revenue per accommodation unit (RevPAR) on a total number of days basis in period **	73,65 kn	332,61 kn	-77,86%
Revenue per accommodation unit (RevPAR) on an open days basis **	209,97 kn	492,00 kn	-57,32%
HOTEL IN SV. FILIP I JAKOV			
Accommodation capacities:			
Number of hotels	1	1	0,00%
Number of accommodation units	72	72	0,00%
Number of beds	144	144	0,00%
Physical turnover:			
Number of overnight stays	0	15.251	-100,00%
Number of accommodation units sold	0	7.370	-100,00%
The occupancy of accommodation units based on a total number of days in a period (%)	0,00%	28,04%	-100,00%
Occupancy rate of the accommodation units on an open days basis (%)	#DIV/0!	73,12%	#DIV/0!
Financial results:			
Average daily rate of the accommodation unit (ADR) *	#DIV/0!	603,73 kn	#DIV/0!
Revenue per accommodation unit (RevPAR) on a total number of days basis in period **	#DIV/0!	169,31 kn	#DIV/0!
Revenue per accommodation unit (RevPAR) on an open days basis **	#DIV/0!	441,42 kn	#DIV/0!
HOTELS - TOTAL ILIRIJA d.d.			
Accommodation capacities:			
Number of hotels	4	4	0,00%
Number of accommodation units	443	443	0,00%
Number of beds	922	922	0,00%
Physical turnover:			
Number of overnight stays	31.738	146.815	-78,38%
Number of accommodation units sold	14.457	73.254	-80,26%
The occupancy of accommodation units based on a total number of days in a period (%)	8,92%	45,30%	-80,32%
Occupancy rate of the accommodation units on an open days basis (%)	30,35%	72,08%	-57,89%
Financial results:			
Average daily rate of the accommodation unit (ADR) *	691,76 kn	675,59 kn	2,39%
Revenue per accommodation unit (RevPAR) on a total number of days basis in period **	61,68 kn	306,07 kn	-79,85%
Revenue per accommodation unit (RevPAR) on an open days basis **	209,97 kn	486,98 kn	-56,88%

Notes:

Hotels in Biograd include the hotels Ilirija, Adriatic and Kornati, while the hotel in Sv. Filip Jakov is the hotel Villa Donat. *

* 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).

6.2 NAUTICS – MARINA KORNATI

In view of the situation virtually throughout 2020, the performance of the vessel accommodation segment of the Company nautical sector, i.e. Marina Kornati, was more than satisfactory, and the vessel accommodation segment of the nautical sector demonstrated significant stability, flexibility, and resilience, which reflected on the overall business of the Company.

Despite its lower operating results, Marina Kornati generated a revenue of HRK 39,046,817 in 2020, or 96% of the revenue generated in the previous year, when it generated HRK 40,880,637.

In 2020, 717 berth use contracts were concluded, which is 97% compared to 2019, when 740 contracts were concluded. Of the total number of berth use contracts, 406 contracts referred to individual vessels, which is approximately 2% less compared to 2019, and 311 contracts for charter vessels, which is approximately 5% less compared to the same period in 2019. Due to the lockdown and a number of global restrictions concerning international and domestic travel, i.e. the general movement of the population, in view of the year-round nature of business in the nautical sector, the Company directed its best efforts towards arranging and contracting vessels for individual guests, so the 3% decrease of the physical turnover from contractual berth in 2020 did not reflect on the contractual berth revenue. The contractual berth revenue amounted to HRK

29,990,268 and they are at the same level as in 2019, the best year for the nautical sector thus far. Out of the total revenue generated by the Marina, the contracted berth with accessories accounted for almost 77%, which is also the main reason for a more than satisfactory performance of the nautical sector in 2020.

The consequences of the pandemic most strongly reflected on transit berth services pertaining to the arrival of vessels in transit, which, with 1,585 arrivals compared to 3,418 in 2019, equalled 46% of physical turnover generated in the same period of the previous financial year. Vessels in transit generated 13% less overnight stays, which can be seen as successful, since vessel overnight stays did not followed negative indicators, unlike vessel arrivals.

Transit berth revenue was HRK 1,975,212 compared to 2019, when it was HRK 2,820,560 or 70% of the revenue. Comparing the revenue with physical indicators of vessel arrival and overnight stay, it is clear that the transit berth revenue refers to vessels which transferred on 31 March 2020 from the status of contractual vessels to the status of vessels in transit, where prolonged stay was greatly due to the ban, i.e. epidemiological measures, which hindered and prevented vessel owners from accessing their vessels after the expiry of the berth use contract, ending with 31 March 2020.

In 2020, there were 2,831 port service operations, whi-

ch include vessel lifting, lowering, and washing, which is 23% less compared to 2019, due to a lack of vessels in transit. The port service generated HRK 2,740,561 in revenue, or 99% of the revenue generated in 2019, with a negligible decline due to the fact that in the first semester, when the port service activities are usually most intense, there was a lack of port service activities.

The parking revenue could not be impacted and it recorded the greatest decline, amounting to HRK 1,374,862, which is 38% less compared to the previous year, mainly due to the lack of charter guests. At the same time, business cooperation revenue of the Company generated a mild growth, amounting to HRK 2,464,335 in 2020.

The Nautical Fair – Biograd Boat Show, held from period 21 to 25 October 2020, is one of the rare larger nautical fairs that took place during the COVID-19 pandemic. The organisation of the Biograd Boat Show, the largest nautical fair in Central Europe, allowed the continuity of this event, which is extremely important for Croatian nautics and overall tourism. The Show was held in compliance with all epidemiological measures for one day longer, i.e. five days in total. Since the primary goal of the Company was to protect the health of all visitors and exhibitors, in order to comply with international and national health and safety criteria, the Company carefully monitored the situation and

prepared for hosting the Show with all measures of public safety, i.e. the safety of exhibitors and visitors, in place. As the gold member of the International Federation of Boat Show Organisers (IFBSO), the Company cooperated with other IFBSO members and the competent authorities in the Republic of Croatia, primarily with the Zadar County Civil Protection Headquarters, the Biograd na Moru Civil Protection Headquarters, and the Zadar Institute for Public Health, regarding the implementation of epidemiological measures and safety recommendations in the organisation of the Show. The organisation of the Show demonstrated the resilience of the nautical industry, additional optimism in challenging business circumstances, and confirmed the Company's ability to maintain the continuity of its activities under difficult business conditions. Over 240 exhibitors participated in the Show, as well as about 60 owners, operators, and charter agents which hold over 1600 charter vessels, as well as all interested in making business contacts, with over 300 of them held through the B2B platform.

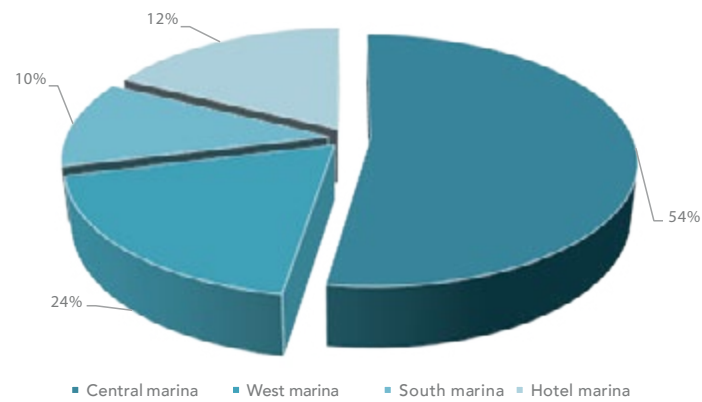
Since regattas are categorised as sports competitions and events in which a larger number of yachtspersons, participates, they were postponed or cancelled, like most events that otherwise take place in the Marina Kornati.



Marina Kornati capacities

	Length of piers / m	Number of berths	Dry berth	Total number of berths
Central marina	923	365	70	435
West marina	262	190	0	190
South marina	180	80	0	80
Hotel marina	450	100	0	100
TOTAL	1.815	735	70	805

% Share of individual marina (number of berths)



Cumulative overview of physical turnover of Marina Kornati in 2020 and a comparison with 2019

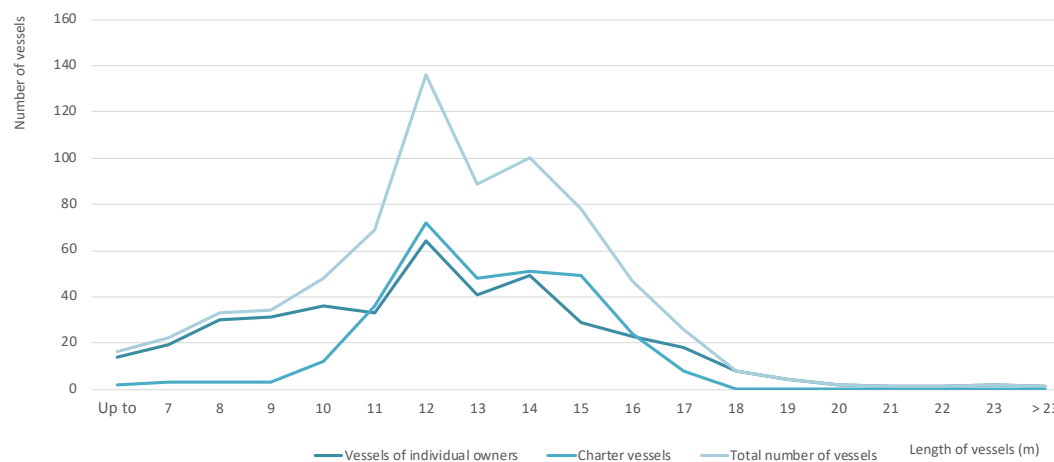
		2020 by month											
Name of position	Measurement unit	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
Contract-based berth -individual	Contracted vessel	101	274	303	343	351	379	393	396	398	399	399	406
Contract-based berth -charter	Contracted vessel		10	21	271	290	309	309	310	311	311	311	311
TOTAL Contract-based berth	Contracted vessel	101	284	324	614	641	688	702	706	709	710	710	717
Transit berth-sailing in port	Sailing in port	5	17	31	52	80	268	733	1.318	1.504	1.578	1.581	1.585
Transit berth-overnight stay of vessels	Boat / day	150	444	797	1.607	2.694	3.990	5.979	7.933	8.823	9.268	9.518	9.799
Transit berth-overnight stay of vessel crew	Overnight stay of a person												
Port service	Operation	180	387	568	687	965	1.450	1.823	2.176	2.377	2.547	2.755	2.831

		2019 by month											
Name of position	Measurement unit	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
Contract-based berth -individual	Contracted vessel	99	248	303	353	374	384	396	400	402	403	413	413
Contract-based berth -charter	Contracted vessel	0	2	81	291	315	326	327	327	327	327	327	327
TOTAL Contract-based berth	Contracted vessel	99	250	384	644	689	710	723	727	729	730	740	740
Transit berth-sailing in port	Sailing in port	1	9	30	143	526	1.058	1.823	2.709	3.230	3.403	3.415	3.418
Transit berth-overnight stay of vessels	Boat / day	132	320	563	1.364	2.301	3.472	5.775	8.773	10.223	10.937	11.123	11.227
Transit berth-overnight stay of vessel crew	Overnight stay of a person												
Port service	Operation	118	402	673	1.070	1.485	1.945	2.358	2.888	3.144	3.303	3.551	3.688

Vessels at contractual berth in 2020 and a comparison with 2019

Purpose	Type of berth	Position of berth	01/01-31/12	% Total	01/01-31/12	% Total	Index
			2020	Vessels	2019	Vessels	
VESSEL OF INDIVIDUAL OWNERS	Annual berth in the sea	Central aquatorium	294	41	287	39	102
		South aquatorium	43	6	45	6	96
		Western aquatorium	10	1	1	0	1000
	Annual berth on the land	Hotel port	36	5	34	5	106
		Marina land	6	1	4	1	150
	Seasonal berth in the sea	Marina aquatorium	13	2	30	4	43
		Hotel port	4	1	12	2	33
	Total individual vessels:			406	57	413	56
CHARTER VESSELS	Annual berth in the sea	Central aquatorium	118	16	103	14	115
		South aquatorium	0	0	0	0	#DIV/0!
		Western aquatorium	189	26	224	30	84
		Hotel port	4	1	0	0	#DIV/0!
	Total charter vessels:			311	43	327	44
Total vessels 2020:			717	100	740	100	97

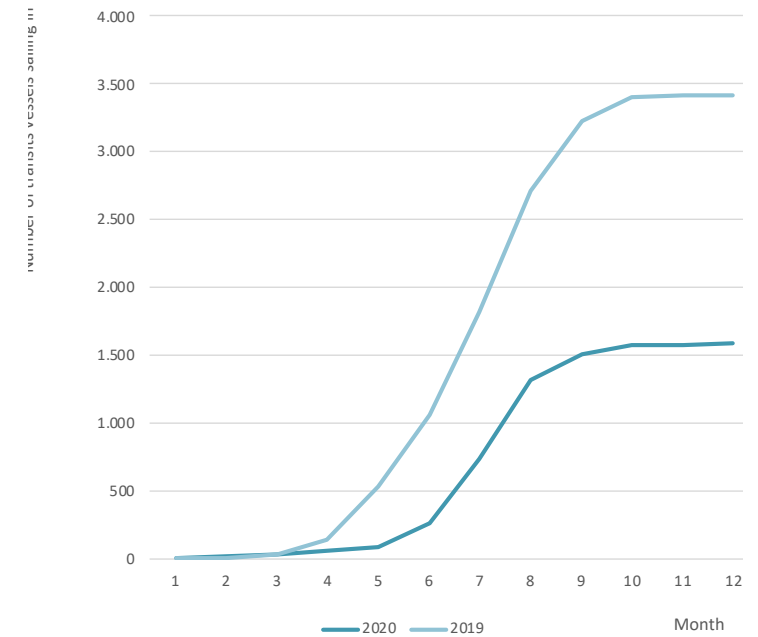
Vessels on berth contract in 2020



Transit berth – inbound vessels sailing in in 2020 and a comparison with 2019

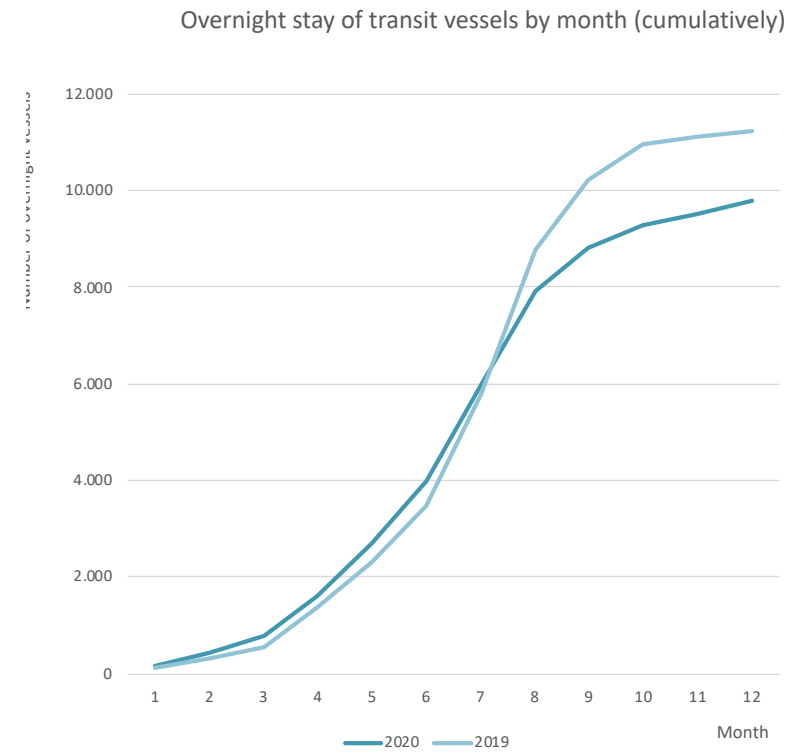
2020	Individually monthly			Cumulatively monthly		
	2020	2019	INDEX	2020	2019	INDEX
Month	2020/2019			2020/2019		
1.	5	1	500	5	1	500
2.	12	8	150	17	9	189
3.	14	21	67	31	30	103
4.	21	113	19	52	143	36
5.	28	383	7	80	526	15
6.	188	532	35	268	1.058	25
7.	465	765	61	733	1.823	40
8.	585	886	66	1.318	2.709	49
9.	186	521	36	1.504	3.230	47
10.	74	173	43	1.578	3.403	46
11.	3	12	25	1.581	3.415	46
12.	4	3	133	1.585	3.418	46
Total 2020	1.585					
Total 2019		3.418				
Index 2020/2019			46			

Sailing in of transit vessels by months (cumulatively)



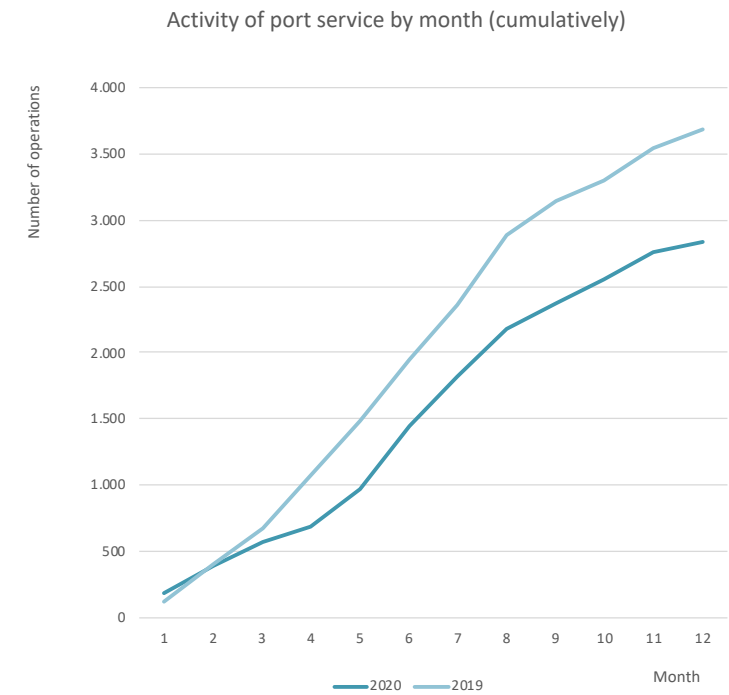
Transit berth – overnight stays in 2020 and a comparison with 2019

2020	Individually monthly			Cumulatively monthly		
	2020	2019	INDEX	2020	2019	INDEX
Month	2020/2019			2020/2019		
1.	150	132	114	150	132	114
2.	294	188	156	444	320	139
3.	353	243	145	797	563	142
4.	810	801	101	1.607	1.364	118
5.	1.087	937	116	2.694	2.301	117
6.	1.296	1.171	111	3.990	3.472	115
7.	1.989	2.303	86	5.979	5.775	104
8.	1.954	2.998	65	7.933	8.773	90
9.	890	1.450	61	8.823	10.223	86
10.	445	714	62	9.268	10.937	85
11.	250	186	134	9.518	11.123	86
12.	281	104	270	9.799	11.227	87
Total 2020	9.799					
Total 2019		11.227				
Index 2020/2019			87			



Activities of the port repair services in 2020 and a comparison with 2019

2020	Individually monthly			Cumulatively monthly		
	2020	2019	INDEX	2020	2019	INDEX
Month	2020/2019			2020/2019		
1.	180	118	153	180	118	153
2.	207	284	73	387	402	96
3.	181	271	67	568	673	84
4.	119	397	30	687	1.070	64
5.	278	415	67	965	1.485	65
6.	485	460	105	1.450	1.945	75
7.	373	413	90	1.823	2.358	77
8.	353	530	67	2.176	2.888	75
9.	201	256	79	2.377	3.144	76
10.	170	159	107	2.547	3.303	77
11.	208	248	84	2.755	3.551	78
12.	76	137	55	2.831	3.688	77
Total 2020	2.831					
Total 2019	3.688					
Index 2020/2019	77					



Marina Kornati revenue, individually by month in 2020 and a comparison with 2019

REVENUES OF MARINA KORNATI 2020 SEPARATE BY MONTHS																
Revenue positions		Months 2020												2020	2019	Index
		1	2	3	4	5	6	7	8	9	10	11	12	CUMULAT.	TOTAL	2020/2019
I	Daily berths	32.900	46.712	75.157	95.259	229.069	284.733	412.056	450.733	216.386	99.848	9.201	23.158	1.975.212	2.820.560	70
II	Contracted berth with accessories	4.052.194	6.716.752	1.213.953	6.446.857	1.743.239	1.527.498	8.108.963	-228.858	264.105	154.664	90.983	-100.082	29.990.268	30.107.719	100
III	Port service	447.000	222.908	222.515	42.506	275.600	464.839	287.141	226.264	135.959	93.119	201.896	120.814	2.740.561	2.767.731	99
IV	Vehicle parking	1.029	6.456	3.136	192	10.108	200.751	380.301	439.966	214.347	104.312	13.448	816	1.374.862	2.232.293	62
V	Other services	10.772	47.371	4.058	788	10.878	105.502	138.624	98.728	40.775	19.713	9.161	15.210	501.580	502.377	100
VI	Business cooperation	0	0	0	0	1.102.707	72.216	1.245.809	46.856			-10.789	7.536	2.464.335	2.450.017	101
VII	Boat fair and events	2.277	17.060	0	0	0	-1.336	179.123	21.242	615.258	1.226.966	141.001	227.204	2.428.795	3.877.991	63
	TOTAL:	4.546.172	7.057.259	1.518.819	6.585.602	3.371.601	2.654.203	10.752.017	1.054.931	1.486.830	1.698.622	454.901	294.656	41.475.612	44.758.688	93

REVENUES OF MARINA KORNATI 2019 SEPARATE BY MONTHS																
Revenue positions		Months 2019												2019	2018	Index
		1	2	3	4	5	6	7	8	9	10	11	12	CUMULAT.	TOTAL	2019/2018
I	Daily berths	1.649	32.993	58.793	173.766	253.713	407.784	632.061	640.748	371.107	189.705	29.672	28.570	2.820.560	2.486.833	113
II	Contracted berth with accessories	3.601.219	5.969.253	3.932.524	6.304.731	1.352.030	642.848	7.828.376	204.248	83.521	99.770	87.138	2.059	30.107.719	28.826.907	104
III	Port service	117.641	280.502	328.496	376.837	451.647	360.644	215.958	271.114	106.556	82.669	97.940	77.726	2.767.731	2.976.178	93
IV	Vehicle parking	1.452	2.352	18.968	117.644	231.024	422.790	385.121	487.805	402.096	137.324	23.076	2.640	2.232.293	2.027.215	110
V	Other services	1.141	17.349	-22.713	26.029	34.922	153.011	35.155	74.525	74.369	31.126	65.879	11.585	502.377	615.979	82
VI	Business cooperation	0	7.410	0	1.198.675	23.800	3.713	1.188.874	27.545	0				2.450.017	2.309.657	106
VII	Boat fair and events	4.044	0	8.415		24.605	70.916	250.216	218.241	1.399.639	1.976.586	-74.670		3.877.991	3.222.510	120
	TOTAL:	3.727.146	6.309.859	4.324.483	8.197.682	2.371.742	2.061.705	10.535.761	1.924.226	2.437.288	2.517.181	229.035	122.580	44.758.688	42.465.279	105

Marina Kornati revenue, cumulatively by month in 2020 and a comparison with 2019

REVENUES OF MARINA KORNATI 2020 CUMULATIVELY BY MONTHS														
Revenue positions		Months 2020												% of total revenues
		1	2	3	4	5	6	7	8	9	10	11	12	
I	Daily berths	32.900	79.612	154.769	250.028	479.097	763.830	1.175.886	1.626.619	1.843.005	1.942.853	1.952.054	1.975.212	5
II	Contracted berth with accessories	4.052.194	10.768.946	11.982.899	18.429.756	20.172.995	21.700.493	29.809.456	29.580.598	29.844.703	29.999.367	30.090.350	29.990.268	72
III	Port service	447.000	669.908	892.423	934.929	1.210.529	1.675.368	1.962.509	2.188.773	2.324.732	2.417.851	2.619.747	2.740.561	7
IV	Vehicle parking	1.029	7.485	10.621	10.813	20.921	221.672	601.973	1.041.939	1.256.286	1.360.598	1.374.046	1.374.862	3
V	Other services	10.772	58.143	62.201	62.989	73.867	179.369	317.993	416.721	457.496	477.209	486.370	501.580	1
VI	Business cooperation	0	0	0	0	1.102.707	1.174.923	2.420.732	2.467.588	2.467.588	2.467.588	2.456.799	2.464.335	6
VII	Boat fair and events	2.277	19.337	19.337	19.337	19.337	18.001	197.124	218.366	833.624	2.060.590	2.201.591	2.428.795	6
TOTAL:		4.546.172	11.608.432	13.127.250	19.712.853	23.084.453	25.738.656	36.485.672	37.540.603	39.027.433	40.726.055	41.180.956	41.475.612	100

REVENUES OF MARINA KORNATI 2019 CUMULATIVELY BY MONTHS														
Revenue positions		Months 2019												% of total revenues
		1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	
I	Daily berths	1.649	34.642	93.435	267.201	520.913	928.697	1.560.757	2.201.505	2.572.612	2762318	2791990	2820560	6
II	Contracted berth with accessories	3.601.219	9.570.472	13.502.996	19.807.727	21.159.757	21.802.605	29.630.982	29.835.230	29.918.751	30018521	30105660	30107719	67
III	Port service	117.641	398.143	726.639	1.103.476	1.555.123	1.915.767	2.131.726	2.402.839	2.509.396	2592065	2690005	2767731	6
IV	Vehicle parking	1.452	3.804	22.772	140.416	370.441	794.230	1.179.352	1.667.157	2.069.253	2206577	2229653	2232293	5
V	Other services	1.141	18.490	-4.223	21.806	56.728	209.739	244.894	319.418	393.788	424913	490792	502377	1
VI	Business cooperation	0	7.410	7.410	1.206.085	1.229.885	1.233.598	2.422.472	2.450.017	2.450.017	2450017	2450017	2450017	5
VII	Boat fair and events	4.044	4.044	12.459	12.459	37.064	107.980	358.195	576.436	1.976.075	3952662	3877991	3877991	9
TOTAL:		3.727.146	10.037.005	14.361.488	22.559.170	24.930.912	26.992.617	37.528.378	39.452.604	41.889.892	44.407.074	44.636.108	44.758.688	100

Summary of key market indicators of Marina Kornati performance

The Company considers the results of Marina Kornati performance in 2020, both physical and financial, as compared to the previous year, to be successful, despite the global COVID-19 pandemic and extraordinary circumstances in which business operations were carried out.

Even though the capacity of Marina Kornati has not changed and, as in previous years, the total number of berths with the hotel marina is 805, the physical turnover has recorded a decrease in all items, namely, 3% decrease for the contractual berth, 54% decrease for vessel in transit arrival, 13% decrease for vessel in transit overnight stays, 23% decrease in the number of service operations, while the number of business cooperation contracts is only slightly lower. Performance of Marina Kornati was mostly supported by the revenue from contractual berths, even though in physical indicators, i.e. number of vessels, it was lower by 3%, in the revenue side it generated the same level of revenue as in 2019, i.e. in the amount of HRK 29,990,268 compared to 2019, when the revenue was HRK 30,107,719, accounting for a 76.8% share in total revenue of Marina Kornati.



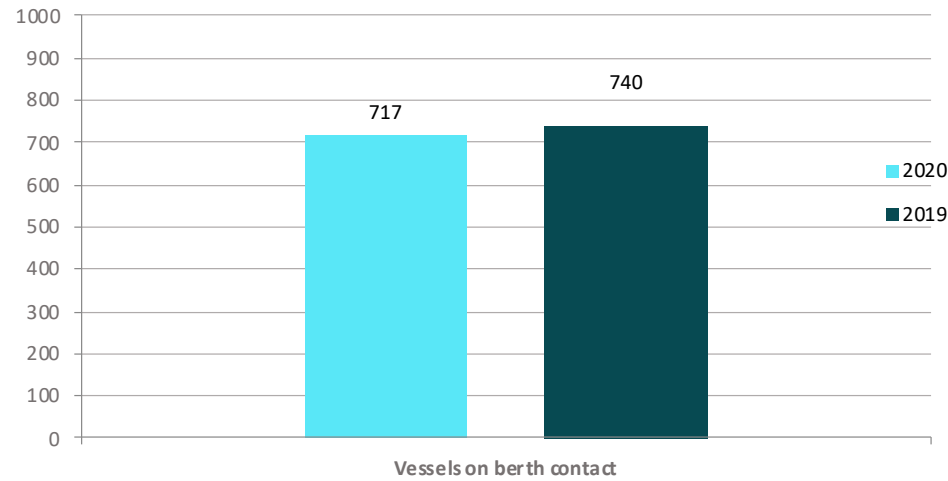
Key market indicators of Marina Kornati

	2020	2019	2020/2019
Capacity (number of berths): *			
Central marina	435	435	0,00%
Western marina	190	190	0,00%
Southern marina	80	80	0,00%
Hotel marina	100	100	0,00%
Total number of berths	805	805	0,00%
Physical turnover:			
Vessels on berth contact	717	740	-3,11%
Number of overnight stays (vessels having transit berth)	9.799	11.227	-12,72%
Number of service operations executed	2.831	3.688	-23,24%
Number of parking places	500	500	0,00%
Number of business cooperation agreements	49	50	-2,00%
Financial results:			
Total operating revenue of the marina	39.046.817 kn	40.880.637 kn	-4,49%
Berth contract:			
Revenue from berth contracts	29.990.268 kn	30.107.719 kn	-0,39%
Aver. revenue per berth contract	41.827 kn	40.686 kn	2,81%
Share in the total operating revenue of the marina	76,8%	73,6%	4,29%
Transit berth:			
Revenue from the transit berth	1.975.212 kn	2.820.560 kn	-29,97%
Aver. revenue per overnight stay (transit berth)	202 kn	251 kn	-19,77%
Share in the total operating revenue of the marina	5,1%	6,9%	-26,68%
Servicing:			
Revenue from servicing	2.740.561 kn	2.767.731 kn	-0,98%
Aver. revenue per serv. operation	968 kn	750 kn	28,99%
Share in the total operating revenue of the marina	7,0%	6,8%	3,67%
Parking:			
Revenue from parking	1.374.862 kn	2.232.293 kn	-38,41%
Aver. revenue per parking space	2.750 kn	4.465 kn	-38,41%
Share in the total operating revenue of the marina	3,5%	5,5%	-35,52%
Business cooperation:			
Revenue from business cooperation	2.464.335 kn	2.450.017 kn	0,58%
Aver. revenue from business cooperation	50.293 kn	49.000 kn	2,64%
Share in the total operating revenue of the marina	6,3%	6,0%	5,31%

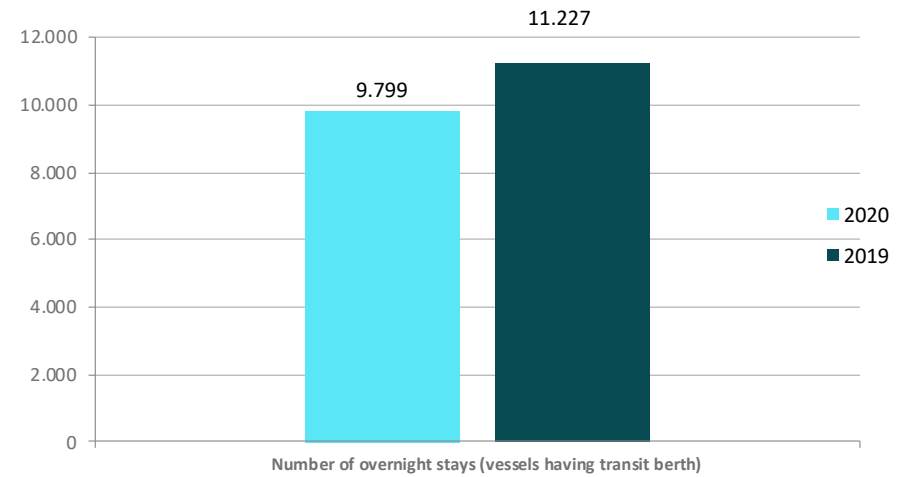
Notes:

* Number of berths refers to physically available number of berths in the marina.

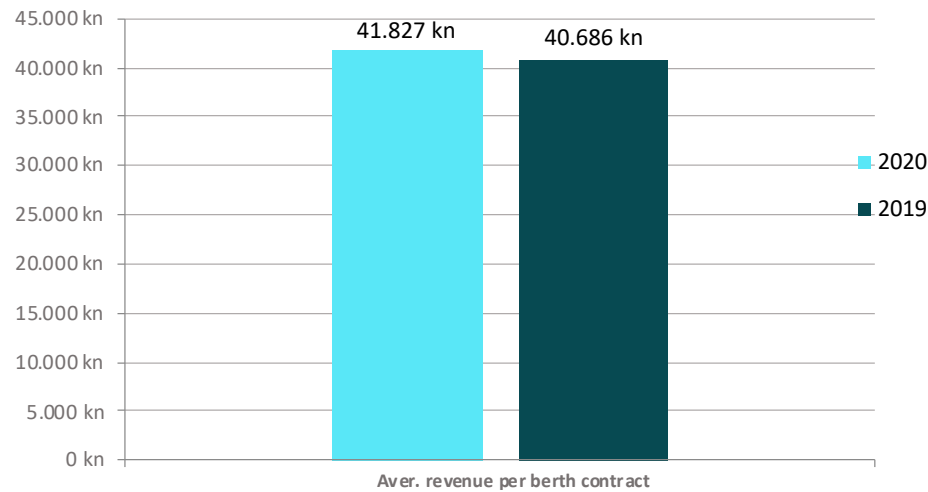
No. of vessels per berth contract in the Marina Kornati in 2020 and 2019



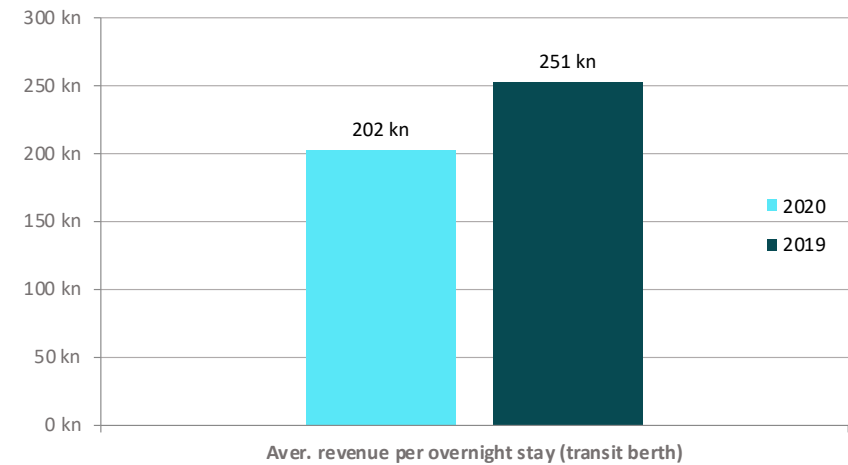
No. of overnight stay of transit vessels in Marina Kornati in 2020 and 2019



Average revenues earned per berth contract in Marina Kornati in 2020 and 2019



Average revenue earned per overnight stay of transit vessel in Marina Kornati in 2020 and 2019





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6.3 CAMPING – “PARK SOLINE” CAMPSITE

Until the beginning of March, business activities of the camping sector were conducted within the framework planned for 2020, but the declaration of the pandemic strongly affected planned and achieved business results in regards to both physical and financial indicators. In the twelve months of 2020, the camping sector had 19,915 arrivals, which represents 47.98% compared to the same period in the previous year.

In line with the above, a decreased number of arrivals also resulted in a decrease in the number of overnight stays, namely by 52.13% compared to the same period in 2019. 91% of the total number of overnight stays were realized in June, July and August, i.e. after European countries began to open their borders and allow free movement.

All four business segments of the camp (lump sum payment, individual stays, allotment and mobile homes) recorded the following indicators regarding arrivals and overnight stays compared to the previous year: the market segment referring to the allotment recorded 37.43% in overnight stays and 39.08% in arrivals; the market segment referring to lump sum payment realised 71.59% in arrivals and 73.21% in overnight stays compared to the previous year; the market segment referring to individual stays realised 30.93% in arrivals and 30.84% in overnight stays; whi-

le mobile homes as a segment realise 51.82% in arrivals and 50.68% in overnight stays compared to the reference period in 2019.

A decrease in the number of overnight stays was recorded for guests from the Czech Republic, Austria and Germany as regards the fixed lease and individual guests because these countries were leaders in those market segments in 2019. Slightly better results were achieved in the segment of mobile homes and lump sum, in which guests from Slovenia and Croatia accounted for the largest share in total overnight stays.

Revenue generated in 2020 amounts to HRK 18,001,154.46, which represents 56% of the revenue generated in the same period in 2019. Mobile homes recorded 47% of revenue generated in 2019, agencies (fixed lease) generated 68%, while individual stays generated 30%, and lump sum payments 103% compared to revenue generated in the previous year, while revenue from other services was at the level of 45% of revenue generated in 2019.

Average number of days of stay has decreased in total and by segments. The total average number of days of stay at the campsite in 2019 was 7.00 days, while in the same period in 2020 that number decreased to 6.98 days.

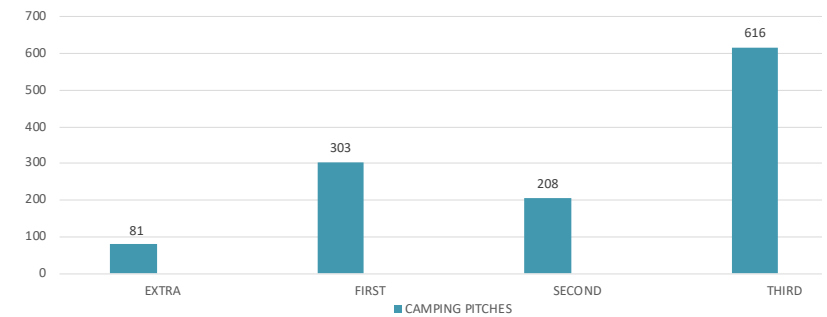
In the structure of realized overnight stays, among the five leading outbound markets is (I) the Slovenian market with a 34% share of overnight stays, (II) the Czech market with a 19% share, (III) the Croatian market with 20% of overnight stays, (IV) the German market with 10% of overnight stays and (V) the Polish market with 6% of overnight stays.

In the business segment of mobile homes, the largest share of overnight stays is recorded by guests from the Slovenian market (48.55%), Croatian market (16.77%) and German market (12.36%). In the business segment of camping units, the largest share of overnight stays is recorded by guests from the German market (25.68%), Slovenian market (23.68%) and Croatian market (12.63 %).



Capacities of the Campsite „Park Soline“

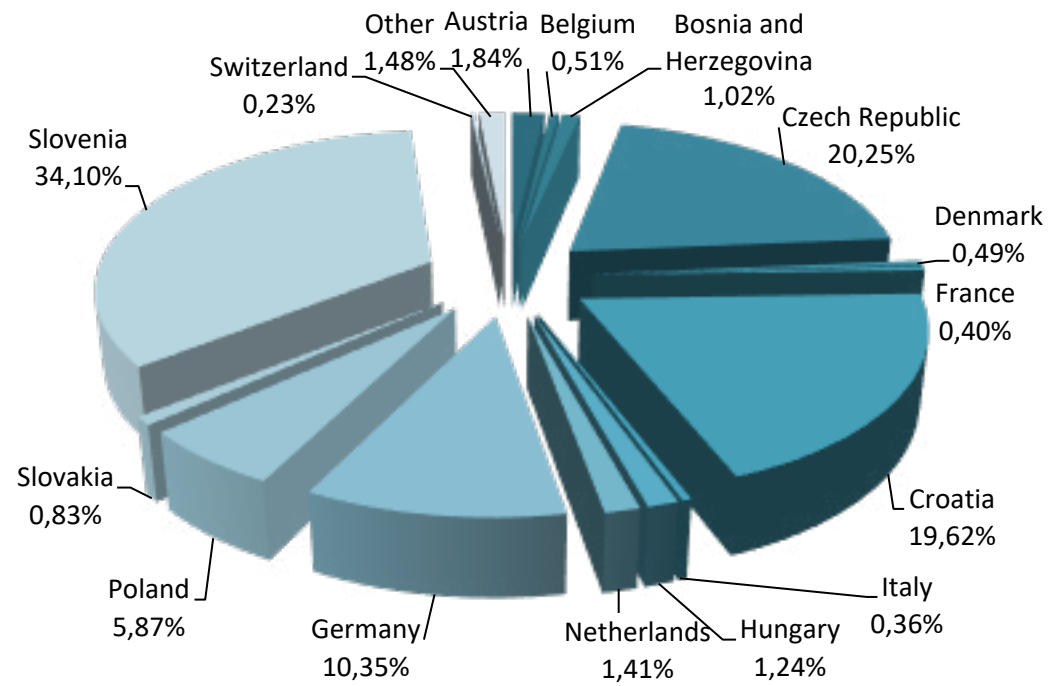
		2016	2017	2018	2019	2020
I	EXTRA ZONE					
	CAMPING PITCHES	81	81	81	81	81
	CAMPING PLOTS	0	0	0	0	0
	TOTAL	81	81	81	81	81
II	FIRST ZONE					
	CAMPING PITCHES	326	326	303	303	303
	CAMPING PLOTS	0	0	0	0	0
	TOTAL	326	326	303	303	303
III	SECOND ZONE					
	CAMPING PITCHES	182	182	198	198	208
	CAMPING PLOTS	0	0	0	0	0
	TOTAL	182	182	198	198	208
IV	THIRD ZONE					
	CAMPING PITCHES	347	347	638	638	616
	CAMPING PLOTS	194	194	0	0	0
	TOTAL	541	541	638	638	616
Σ	GRANDTOTAL					
	CAMPING PITCHES	936	936	1220	1220	1208
	CAMPING PLOTS	194	194	0	0	0
	GRANDTOTAL	1130	1130	1220	1220	1208



Arrivals and overnight stays by outbound market and average days of stay in 2020 and a comparison with 2019

Country	2020		2019		INDEX 2020/2019		AVERAGE DAYS OF STAY	
	Arrivals	Overnight stays	Arrivals	Overnight stays	Arrivals	Overnight stays	2020	2019
Austria	410	2.555	1.997	12.363	20,53	20,67	6,23	6,19
Belgium	83	706	334	2.427	24,85	29,09	8,51	7,27
Bosnia and Herzegovina	236	1.419	617	2.924	38,25	48,53	6,01	4,74
Czech Republic	3.752	28.152	7.274	56.268	51,58	50,03	7,50	7,74
Denmark	85	678	445	3.602	19,10	18,82	7,98	8,09
France	77	563	832	5.759	9,25	9,78	7,31	6,92
Croatia	4.337	27.281	4.331	28.422	100,14	95,99	6,29	6,56
Italy	64	498	1.168	7.305	5,48	6,82	7,78	6,25
Hungary	313	1.724	1.559	10.146	20,08	16,99	5,51	6,51
Netherlands	208	1.967	1.863	16.232	11,16	12,12	9,46	8,71
Germany	1.729	14.399	5.373	40.361	32,18	35,68	8,33	7,51
Poland	1.205	8.168	2.251	16.284	53,53	50,16	6,78	7,23
Slovakia	193	1.150	896	5.750	21,54	20,00	5,96	6,42
Slovenia	6.807	47.416	10.805	72.971	63,00	64,98	6,97	6,75
Switzerland	52	322	364	1.872	14,29	17,20	6,19	5,14
Other	364	2.054	1.398	7.801	26,04	26,33	5,64	5,58
TOTAL	19.915	139.052	41.507	290.487	47,98	47,87	6,98	7,00

Overnight stays by outbound market in 2020



Arrivals, overnight stays, and plot numbers by market segment in 2020 and a comparison with 2019

MARKET SEGMENT	2020			2019			INDEX 2020/2019			AVERAGE DAYS OF STAY	
	Arrivals	Overnight stays	Pitch	Arrivals	Overnight stays	Pitch	Arrivals	Overnight stays	Pitch	2020	2019
Allotment	4.196	31.762	234	10.736	84.853	270	39,08	37,43	86,67	7,57	7,90
Lump sum	7.189	51.238	220	10.042	69.989	242	71,59	73,21	90,91	7,13	6,97
Individuals	3.276	19.733	529	10.590	63.976	508	30,93	30,84	104,13	6,02	6,04
Mobile homes	5.254	36.319	225	10.139	71.669	200	51,82	50,68	112,50	6,91	7,07
TOTAL:	19.915	139.052	1.208	41.507	290.487	1.220	47,98	47,87	99,02	6,98	7,00

Overview of overnight stays by outbound market and by market segment in 2020 and a comparison with 2019

	MOBILE HOMES			AGENCIES			LUMP SUM			INDIVIDUALS			TOTAL		
	2019	2020	Index	2019	2020	Index	2019	2020	Index	2019	2020	Index	2019	2020	Index
Austria	3.740	669	17,89	1.668	138	8,27	2.441	636	26,05	4.514	1.112	24,63	12.363	2.555	20,67
Belgium	695	281	40,43	666	183	27,48	124	103	83,06	942	139	14,76	2.427	706	29,09
B&H	716	392	54,75	353	155	43,91	1.530	728	47,58	325	144	44,31	2.924	1.419	48,53
The Czech Republic	2.838	1.553	54,72	46.775	22.352	47,79	3.782	2.513	66,45	2.873	1.734	60,36	56.268	28.152	50,03
Denmark	1.310	161	12,29	781	116	14,85	166	49	29,52	1.345	352	26,17	3.602	678	18,82
France	686	144	20,99	3.880	356	9,18	108	28	25,93	1.085	35	3,23	5.759	563	9,78
Croatia	5.741	6.092	106,11	2.465	1.479	60,00	16.446	17.214	104,67	3.770	2.493	66,13	28.422	27.278	95,97
Italy	2.206	214	9,70	1.017	21	2,06	631	62	9,83	3.451	201	5,82	7.305	498	6,82
Hungary	3.513	815	23,20	3.889	202	5,19	1.115	501	44,93	1.629	206	12,65	10.146	1.724	16,99
Netherlands	5.532	485	8,77	2.779	365	13,13	433	100	23,09	7.488	1.017	13,58	16.232	1.967	12,12
Germany	13.551	4.669	34,46	5.649	1.507	26,68	4.125	3.155	76,48	17.036	5.068	29,75	40.361	14.399	35,68
Poland	6.481	2.179	33,62	4.019	998	24,83	2.854	3.070	107,57	2.930	1.921	65,56	16.284	8.168	50,16
Slovakia	1.898	116	6,11	932	76	8,15	1.807	569	31,49	1.113	389	34,95	5.750	1.150	20,00
Slovenia	19.986	17.635	88,24	9.087	3.613	39,76	31.908	21.497	67,37	11.990	4.674	38,98	72.971	47.419	64,98
Switzerland	411	102	24,82	158	16	10,13	332	188	56,63	971	16	1,65	1.872	322	17,20
Others	2.365	812	34,33	735	185	25,17	2.187	825	37,72	2.514	232	9,23	7.801	2.054	26,33
TOTAL	71.669	36.319	50,68	84.853	31.762	37,43	69.989	51.238	73,21	63.976	19.733	30,84	290.487	139.052	47,87

Illustration showing the cumulative results of daily and monthly occupancy of campsite accommodation units for the period from 1 March 2020 to 30 November 2020.

MONTH	MARCH				APRIL				MAY			
	SEGMENT	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %
MOBILE HOMES ILIRIJA	6.975	58	0,83%	0,26	6.750	0	0,00%	0,00	6.975	86	1,23%	0,38
AGENCIES	7.254	7.254	100,00%	31,00	7.020	7.020	100,00%	30,00	7.254	7.254	100,00%	31,00
LUMP SUM	6.820	6.820	100,00%	31,00	6.600	6.600	100,00%	30,00	6.820	6.820	100,00%	31,00
INDIVIDUALS PITCHES STANDARD MARE - CAMPING PLACE STANDARD III ZONE	10.819	7	0,06%	0,02	10.470	0	0,00%	0,00	10.819	51	0,47%	0,15
INDIVIDUALS CAMPING PLACE STANDARD IV ZONE	5.580	0	0,00%	0,00	5.400	0	0,00%	0,00	5.580	0	0,00%	0,00
INDIVIDUALS TOTAL	16.399	7	0,04%	0,01	15.870	0	0,00%	0,00	16.399	51	0,31%	0,10
TOTAL	37.448	14.139	37,38%	11,59	36.240	13.620	37,58%	11,27	37.448	14.211	37,95%	11,76

MONTH	JUNE				JULY				AUGUST			
	SEGMENT	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %
MOBILE HOMES ILIRIJA	6.750	2.075	30,74%	9,22	6.975	2.360	33,84%	10,49	6.975	4.186	60,01%	18,60
AGENCIES	7.020	7.020	100,00%	30,00	7.254	7.254	100,00%	31,00	7.254	7.254	100,00%	31,00
LUMP SUM	6.600	6.600	100,00%	30,00	6.820	6.820	100,00%	31,00	6.820	6.820	100,00%	31,00
INDIVIDUALS PITCHES STANDARD MARE - CAMPING PLACE STANDARD III ZONE	10.470	1.183	11,30%	3,39	10.819	2.688	24,85%	7,70	10.819	2.196	20,30%	6,29
INDIVIDUALS CAMPING PLACE STANDARD IV ZONE	5.400	0	0,00%	0,00	5.580	11	0,20%	0,06	5.580	324	5,81%	1,80
INDIVIDUALS TOTAL	15.870	1.183	7,45%	2,24	16.399	2.699	16,46%	5,10	16.399	2.520	15,37%	4,76
TOTAL	36.240	16.878	46,57%	13,97	37.448	19.133	51,09%	15,84	37.448	20.780	55,49%	17,20

MONTH	SEPTEMBER				OCTOBER				NOVEMBER			
SEGMENT	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY
MOBILE HOMES ILIRIJA	6.750	376	5,57%	1,67	6.975	53	0,76%	0,24	6.750	1	0,01%	0,00
AGENCIES	7.020	7.020	100,00%	30,00	7.254	7.254	100,00%	31,00	7.020	7.020	100,00%	30,00
LUMP SUM	6.600	6.600	100,00%	30,00	6.820	6.820	100,00%	31,00	6.600	6.600	100,00%	30,00
INDIVIDUALS PITCHES STANDARD MARE - CAMPING PLACE STANDARD III ZONE	10.470	351	3,35%	1,01	10.819	87	0,80%	0,25	10.470	55	0,53%	0,16
INDIVIDUALS CAMPING PLACE STANDARD IV ZONE	5.400	0	0,00%	0,00	5.580	0	0,00%	0,00	5.400	0	0,00%	0,00
INDIVIDUALS TOTAL	15.870	351	2,21%	0,66	16.399	87	0,53%	0,16	15.870	55	0,00%	0,10
TOTAL	36.240	14.347	39,59%	11,88	37.448	14.214	37,96%	11,77	36.240	13.676	37,59%	11,32

MONTH	TOTAL 2020					TOTAL 2019					INDEX 2020/2019				
SEGMENT	NUMBER OF ACCOMODATING UNITS	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY	NUMBER OF ACCOMODATING UNITS	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY	NUMBER OF ACCOMODATING UNITS	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY
MOBILE HOMES ILIRIJA	225	61.875	9.195	14,86%	40,87	200	55.000	18.890	34,35%	94,45	112,5	113	49	43,26%	43,27
AGENCIES	234	64.350	64.350	100,00%	275,00	270	74.250	74.250	100,00%	275,00	86,67	87	87	100,00%	100,00
LUMP SUM	220	60.500	60.500	100,00%	275,00	242	66.458	66.458	100,00%	275,00	90,91	91	91	100,00%	100,00
INDIVIDUALS PITCHES STANDARD MARE - CAMPING PLACE STANDARD III ZONE	349	95.975	6.618	6,90%	18,96	354	97.350	21.323	21,90%	60,23	98,59	99	31	31,49%	31,48
INDIVIDUALS CAMPING PLACE STANDARD IV ZONE	180	49.500	335	0,68%	1,86	154	42.442	1.735	4,09%	11,24	116,88	117	19	16,55%	16,56
INDIVIDUALS TOTAL	529	145.475	6.953	4,78%	13,14	508	139.792	23.058	16,49%	45,36	104,13	104	30	28,98%	28,98
TOTAL	1208	332.200	140.998	42,44%	116,72	1220	335.500	182.656	54,44%	149,72	99,02	99	77	77,96%	77,96

Campsite revenue in 2020 and a comparison with 2019

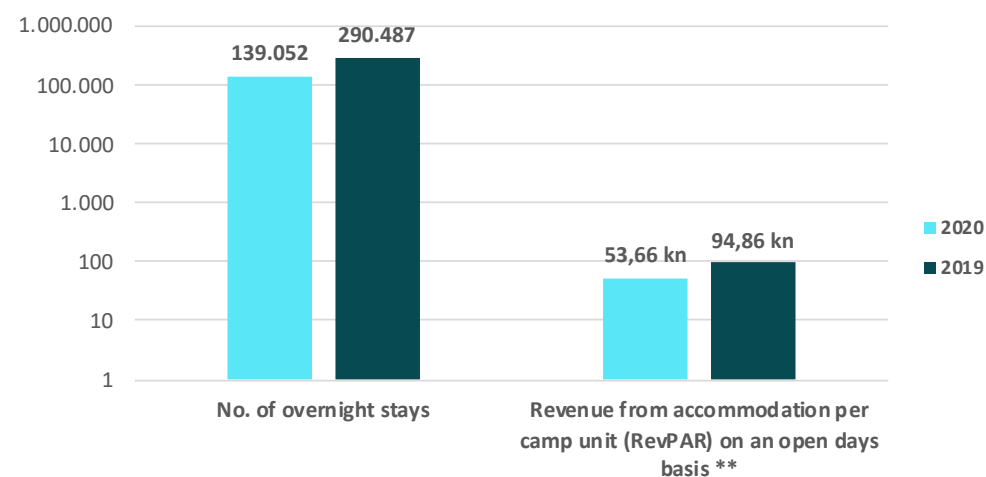
SEGMENT		2019					2020			INDEX	
		REALIZED IN 2019			REALIZED TILL 31/12/2019		REALIZED TILL 31/12/2020			2020/2019	
		NUMBER OF PITCHES	OVER-NIGHT STAYS	REVENUES	REALIZED OVERNIGHT STAYS	REVENUES	NUMBER OF PITCHES	REALIZED OVERNIGHT STAYS	REALIZED REVENUE	OVERNIGHT STAYS	REVENUES
1.	MOBILE HOMES ILIRIJA	200	71.669	13.080.977,08 kn	71.669	13.080.977,08 kn	225	36.319	6.115.016,97 kn	51	47
2.	AGENCIES	270	84.853	4.961.578,20 kn	84.853	4.961.578,20 kn	234	31.762	3.398.117,90 kn	37	68
3.	INDIVIDUALS	508	63.976	6.409.705,47 kn	63.976	6.409.705,47 kn	529	19.733	1.893.510,85 kn	31	30
4.	LUMP SUM	242	69.989	5.534.344,91 kn	69.989	5.534.344,91 kn	220	51.238	5.673.901,43 kn	73	103
5.	OTHER SERVICES	-	-	2.049.767,64 kn	-	2.049.767,64 kn	0	0	920.607,31 kn	#DIV/0!	45
TOTAL:		1220	290.487	32.036.373,30 kn	290.487	32.036.373,30 kn	1208	139.052	18.001.154,46 kn	48	56

Summary of key market indicators of camping

In 2020, the Company camping sector, composed of the "Park Soline" campsite and the "Park Soline" restaurant, generated a significant decline compared to the previous year, both according to physical and financial indicators, which was to be expected considering the specific nature of business operations in 2020. Compared to the same period in the previous year, the "Park Soline" campsite recorded a lower number of guest arrivals and overnight stays, which resulted in the 22.25% decrease in capacity occupancy, a 27.44% decrease in the average price, and a 43.44% decrease in accommodation revenue per campsite unit, based on campsite unit occupancy on the basis of available days.

This decrease of key market indicators is a result of an extremely challenging season due to already known restrictions, limitations, and uncertainty caused by the pandemic, but at the same time also of the readiness to face these challenges, and very fast and adjusted sales and marketing activities, as well as of the pricing policy for all market segments of the "Park Soline" campsite, which helped minimise the decrease.

Number of overnight stays and revenue from accommodation per camp unit in the campsite Park Soline in 2020 and 2019



Note:

** RevPAR – Revenue from accommodation per camp unit is the revenue from accommodation divided by a number of available camp units in a given period.

Key market indicators of the "Park Soline" campsite

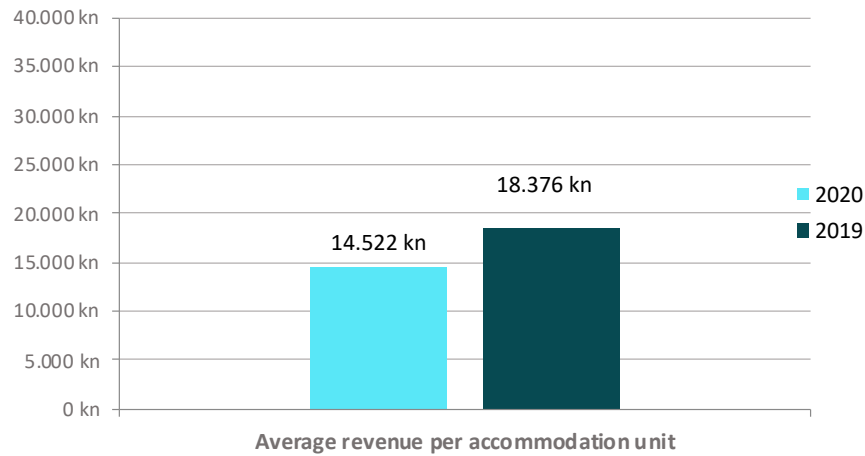
	2020	2019	2020/2019
Accommodation capacities:			
Number of camping units	1.208	1.220	-0,98%
Number of guests	3.624	3.660	-0,98%
Physical turnover:			
No. of overnight stays	139.052	290.487	-52,13%
No. of sold camp units	140.998	182.656	-22,81%
Annual occupancy rate of the camp units (%)	31,89%	41,02%	-22,25%
Occupancy rate of the units on an open days basis (%)	42,44%	54,44%	-22,04%
Financial results:			
TOTAL OPERATING REVENUE	18.001.154 kn	32.036.373 kn	-43,81%
Fixed lease (agencies):			
Revenue - fixed lease	3.398.118 kn	4.961.578 kn	-31,51%
Average revenue per accommodation unit	14.522 kn	18.376 kn	-20,97%
Share in the total operating campsite revenue	18,9%	15,5%	21,89%
Number of units	234	270	-13,33%
Lump sum:			
Revenue - Lump sum	5.673.901 kn	5.534.345 kn	2,52%
Average revenue per accommodation unit	25.790 kn	22.869 kn	12,77%
Share in the total operating campsite revenue	31,5%	17,3%	82,46%
Number of units	220	242	-9,09%
Individuals:			
Revenue - Individuals	1.893.511 kn	6.409.705 kn	-70,46%
Average revenue per accommodation unit	3.579 kn	12.618 kn	-71,63%
Share in the total operating campsite revenue	10,5%	20,0%	-47,43%
Number of units	529	508	4,13%
Mobile homes:			
Revenue - Mobile homes	6.115.017 kn	13.080.977 kn	-53,25%
Average revenue per mobile homes	27.178 kn	65.405 kn	-58,45%
Share in the total operating campsite revenue	34,0%	40,8%	-16,80%
Number of mobile homes	225	200	12,50%
Extra services:			
Revenue -extra services	920.607 kn	2.049.768 kn	-55,09%
Average revenue per accommodation unit	762 kn	1.680 kn	-54,64%
Share in the total operating campsite revenue	5,1%	6,4%	-20,07%
Total number of units	1208	1220	-0,98%
Financial results:			
Average daily rate of the camp unit (ADR)*	126,42 kn	174,24 kn	-27,44%
Revenue from accommodation per camp unit (RevPAR) on a basis of 365 days **	40,32 kn	71,47 kn	-43,59%
Revenue from accommodation per camp unit (RevPAR) on an open days basis **	53,66 kn	94,86 kn	-43,44%

Notes:

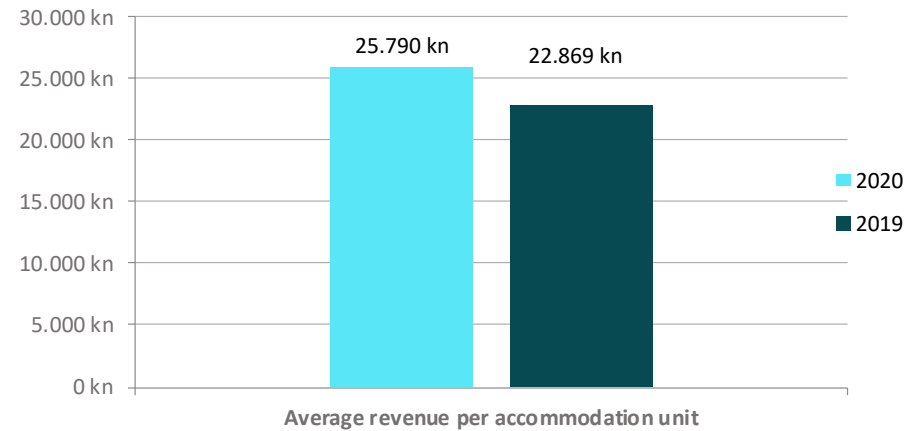
* ADR - Average daily rate of a camp unit is calculated on the basis of the revenue from accommodation in the campsite and the number of camp units sold.

** 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).

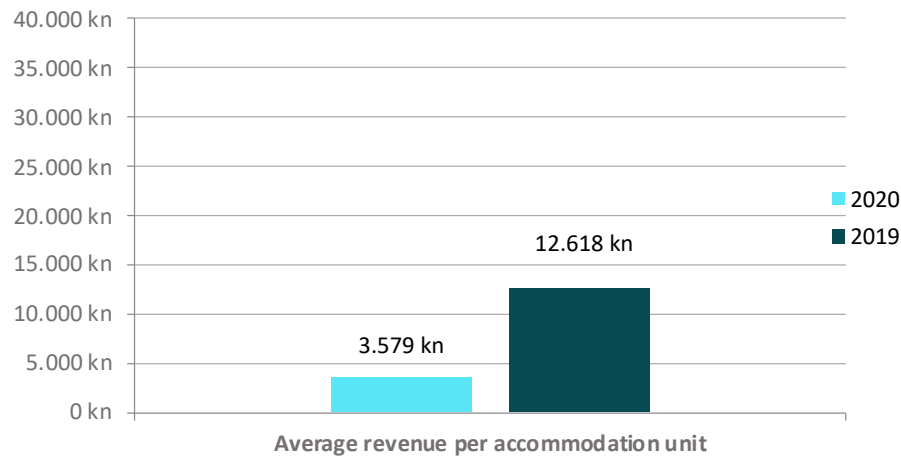
Average revenue per fixed lease unit in the campsite Park Soline in 2020 and 2019



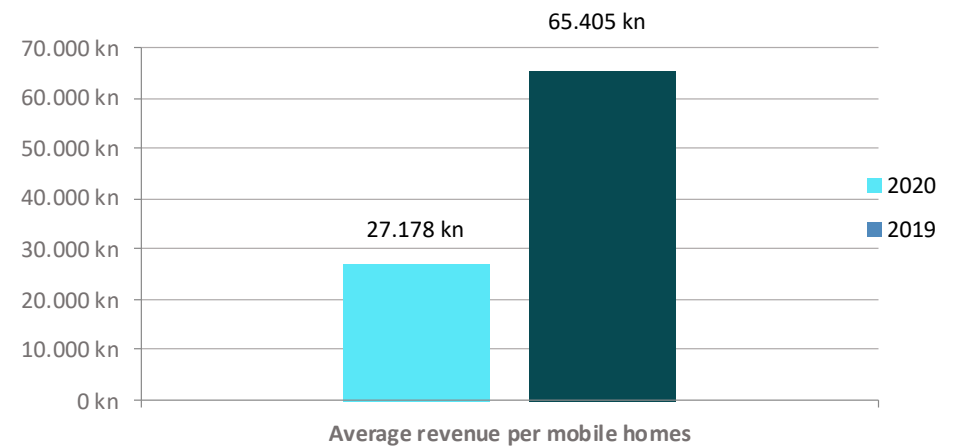
Average revenue per lump sum unit in the campsite Park Soline in 2020 and 2019



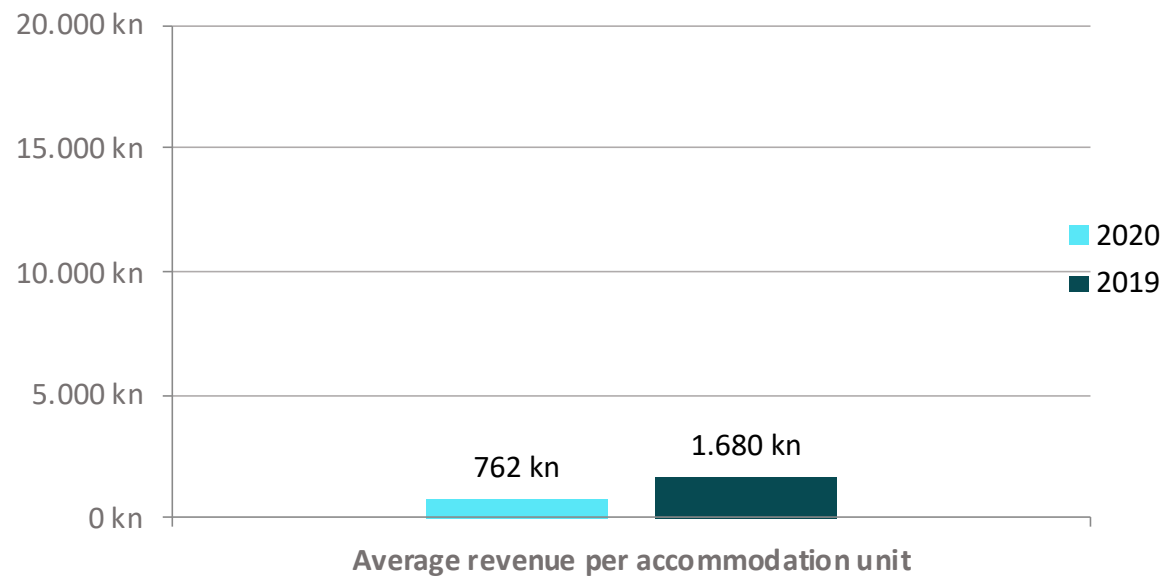
Average revenue per individuals unit in the campsite Park Soline in 2020 and 2019



Average revenue per mobile homes in the campsite Park Soline in 2020 and 2019



Average revenue per extra services in the campsite Park Soline in 2020 and 2019



6.4 CITY GALLERIA BUSINESS AND SHOPPING CENTER

City Galleria Business and Shopping Center is located in a heavily residential area in the immediate center of Zadar, just a ten-minute walk from the old town. Due to the good location of the building near the main bus station and the fact it is surrounded by some of the main city roads, City Galleria Business and Shopping Center is exceptionally easy to spot and access by a large number of local residents and foreign visitors. Apart from the new housing, business, and commercial projects, as well as developmental and cultural projects of the local community, which have recently been completed or are currently in development, this entire urban area is expanding into a new central zone, with a number of new facilities concentrated in the area, ultimately having a significant positive impact on the number of visitors to the center.

The total gross area of the building is more than 28,500 m², spread over a total of six floors including two floors for an underground garage and four floors with commercial and retail space. The gross surface area of the Center consists of an underground garage with an area of 10,863.50 m², business premises with a total net rentable area of 9,924.60 m², increased by the usable net surface area on the Center's third floor and adding it to the existing business premises, communication, technical facilities, and common areas. The Center's offer consists of a large number

of various facilities with a wide range of goods and services, which are available to the visitors every day.

The financial year 2020 was marked by the declaration of a global coronavirus pandemic in March 2020. In March 2020, the lessees operating on the total of 57.4% of the net rentable center area were unable to operate, while other lessees were able to operate in a very limited scope and with reduced working hours. As at 11 May 2020 most of the lessees were allowed to once again resume their activities, first in a limited scope, and later in full, in compliance with anti-epidemic and hygienic measures. On 20 August 2020, the Cinestar multiplex on the second floor of the Center continued its business operations in compliance with the recommendations of cinema operator authorities, thereby finally allowing the performance of business activities to all Center tenants.

Worsening of the epidemiological situation at the beginning of autumn and the arrival of the so-called "second wave" of the epidemic reintroduced the restrictions in the mobility of citizens and the ban on certain activities which were once again prohibited, under the Decision of the Croatian Civil Protection Headquarters of 27 November 2020. In accordance with the Decision, all hospitality facilities in the Center, as well as the Gyms4You gym have temporarily been closed. The subsequent Decision on introducing specific work organisation for trade carried out

in stores and shopping centers of 10 December 2020, introduced the restriction of the number of visitors in shopping centers, resulting in an additional decline in the number of visitors, as well as a drastic reduction of the duration of the visitors' stay in shopping centers.

Disruptions in business operations caused by the global coronavirus pandemic have greatly affected all tenants of the City Galleria Business and Shopping Center. As a responsible business entity, the Company supported the tenants, that were unable to carry out their activities or that had a significantly reduced scope of business operations due to decisions of the competent authorities, in dealing with the situation caused by the pandemic through additional regulation of the collection of rent, taking into consideration the impact of the pandemic on business operations of the tenants, which ultimately helped maintain the existing lease agreements.

Despite the listed negative indicators, the City Galleria business premises maintained a high occupancy rate in 2020. As at 31 December 2020, the occupancy of the center amounted to 97.57% of all capacities, that is, 36 commercial lease agreements were active, with a surface area range from 9,80 m² to 1.836 m². Following the expiry of the existing commercial lease agreements, a continuation of cooperation was



agreed, and 4 new agreements were concluded with the tenants: Farmacia – specijalizirana prodavaonica d.o.o., Katapult d.o.o. distributor for Timberland, Viktor Zadar d.o.o., and Zdrava navika j.d.o.o. After the tenant Shooster left the Center, a lease agreement was concluded with the company Servus d.o.o. for the business premises G1 with 241.5 m² at the -1 level of the Center, which should begin its business operations in April 2021 with a store of its Optika Anda chain. Following the expiry of the existing agreement with the company Adidas Croatia d.o.o., a new agreement was concluded with the company Ferivi Co d.o.o. for the business premises B10 B11 with 185 m² at the first floor of the Center, which will take over the business operations in the existing monobrand Adidas store in January 2021. The ground floor of the Center also saw the exchange of tenants for the premises A13 with 54.10 m², where, following the departure of the Shoe-BeDo store, the company Kopitarna Zagreb d.o.o. began its business operations. A total of 13 contracts for the use of common areas of the Center were extended, continuing cooperation with the existing users, and two new contracts were concluded for the use of the area on the outdoor square of the Center with local producers Roca d.o.o. and Eko mlikarija d.o.o., which additionally expanded the culinary offer.

Business revenue of the City Galleria center, generated in 2020 through lease of commercial premises,

common costs, use of common parts of the center, lease of advertising space and garage revenues amount to HRK 12,679,525.37, while in 2019 they amounted to HRK 14,161,104.78, which accounts for 89.54%. Revenue from the lease of advertising space and the use of common areas recorded an increase, the category of revenue from commercial premises lease recorded a decrease of 11.86%, revenue from common costs recorded a decrease of 4.35%, and the largest decrease by 31.09% was recorded in the category of garage revenue. Other business revenue, relating to insurance claims, amount to HRK 98,508.95 in 2020.

In the above mentioned period 64,85% of business revenue, i.e. HRK 8,286,526.90, was generated from office space leases. The average lease per square metre of office space amounted to EUR 9.26, or around 69.74 HRK/m², for the period in question. In addition to the commercial premises lease, the business revenue generated from calculating common costs to the lessees amounted to HRK 3,062,371.06, representing 23,97% of total revenue; revenue from leasing and the commercial use of common center areas amounts to HRK 685,339.95, i.e. 5,36%; revenue from collection of single parking fees and leasing of parking spaces amounts to HRK 607,158.31, i.e. 4,75%; and, as a smallest share, revenue from leasing advertising space on the Business and Shopping Center façade amounts to HRK 38,129.15, representing 0,30% of the total generated revenue.

The occupancy of the public underground garage of the center decreased by 21.55% in 2020 and amounted to 599,329 vehicles, while in 2019 it amounted to 763,982 vehicles. Revenue generated from the garage of the City Galleria Business and Shopping Center in the amount of HRK 607,158.31 was mostly generated from single parking fees collected from visitors to the garage accounting for 81.43% of that revenue. The lockdown in the first half of 2020, as well as subsequent restrictions of movement and the total number of visitors in stores and shopping centers, along with ban on operation for hospitality facilities, have all resulted in a significant decline in the number of visitors coming to the City Galleria center.

Business revenue of the City Galleria business and shopping center in Zadar in 2020 and a comparison with 2019

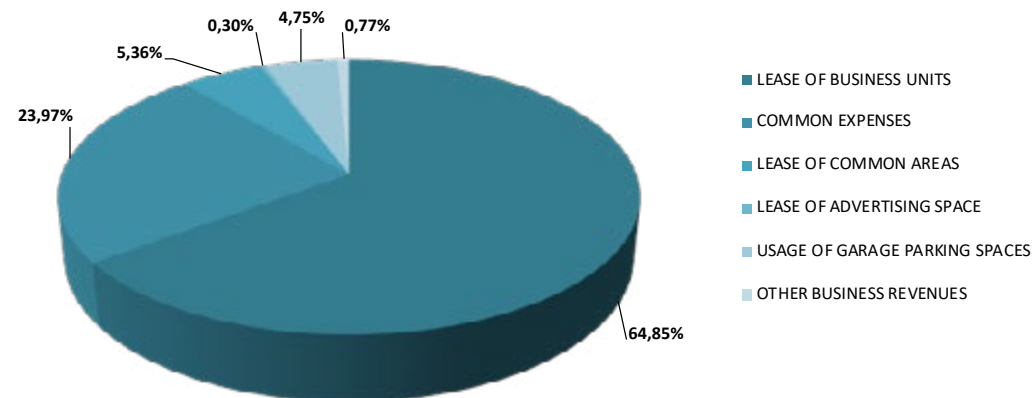
DESIGNATION	DESCRIPTION	NUMBER OF ACTIVE CONTRACTS	SURFACE AREA (m ²)	REVENUES 2020	%	REVENUES 2019	%	INDEX 2020/2019
1.	LEASE OF BUSINESS UNITS	36	9.924,60	8.286.526,90 kn	64,85%	9.401.885,85 kn	65,95%	88
2.	COMMON EXPENSES	35	7.200,53	3.062.371,06 kn	23,97%	3.201.496,63 kn	22,46%	96
3.	LEASE OF COMMON AREAS	22	1.028,50	685.339,95 kn	5,36%	639.869,40 kn	4,49%	107
4.	LEASE OF ADVERTISING SPACE	8	121,18	38.129,15 kn	0,30%	36.804,80 kn	0,26%	104
5.	USAGE OF GARAGE PARKING SPACES	410***	10.863,50	607.158,31 kn	4,75%	881.048,10 kn	6,18%	69
REVENUES:				12.679.525,37 kn	99,23%	14.161.104,78 kn	99,34%	90
6.	OTHER BUSINESS REVENUES			98.508,95 kn	0,77%	94.100,43 kn	0,66%	105
TOTAL REVENUES				12.778.034,32 kn	100,00%	14.255.205,21 kn	100,00%	90

* total net leasable surface area

** total net leasable area for calculation of common expenses

*** number of parking spaces in the garage

OPERATING REVENUES OVERVIEW FOR 2020

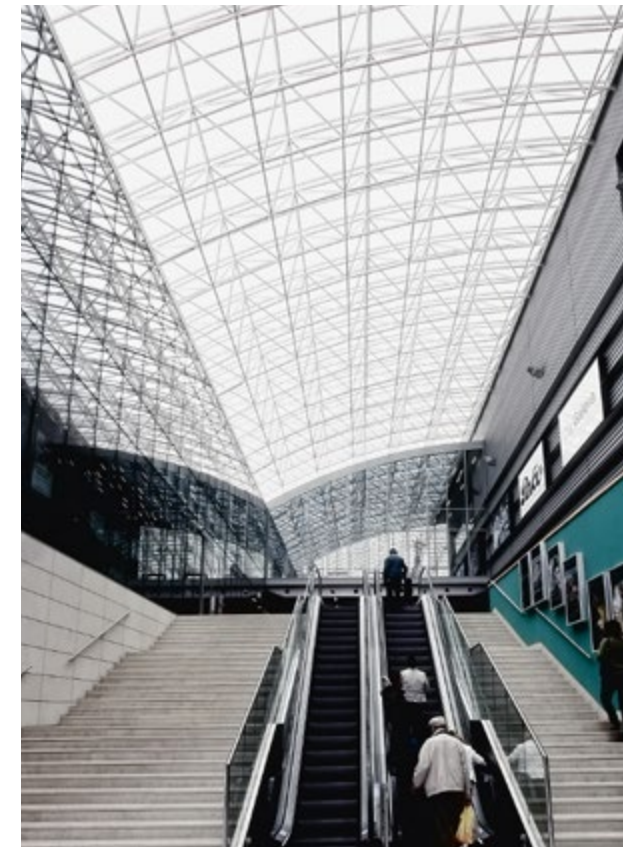


Summary of the key operating results of the Commercial-Shopping Center City Galleria

As at 31 December 2020, a total of 36 commercial lease agreements were active, i.e. the occupancy rate was 97.57%, which, in the given circumstances of the current year and all challenges brought by it, represents a significant achievement in the continuity of maintaining business cooperation with the tenants of the Center. Most of the revenue of the City Galleria Business and Shopping Center comes from commercial leasing. The average lease per square metre of active business premises in 2020 was HRK 836.88/m², or HRK 69.74/m² per month. Other revenue was based on calculating common costs (calculated for the area of 7,200.53 m²), leasing and commercial use of common areas of the Business and Shopping Center (1,028.50 m² in total), collection of single parking fees and leasing of parking spaces in the underground garage of the Center (total area of 10,863.50 m²), and, in the smallest share, leasing advertising space on the façade of the Center (total area of 121.18 m²). The total revenue generated in 2020 shows a 10.36%

decrease compared to the same period in the previous year, due to ban on gathering and movement, and the temporary ban on operation for a number of business entities, as well as the expected reduction of the consumer basket.

The public underground garage of the Center has a total of 410 parking spaces, and its occupancy in 2020 shows a 21.55% decrease, with 599,329 vehicles, while in 2019 it had 763,982 vehicles. The garage revenue from single parking fees; monthly, weekly, and daily tickets; annual subscriptions and leased parking spaces in 2020 amounted to a total of HRK 607,158.31, and an average garage revenue per parking space amounted to HRK 1,480.87. In 2019, the average revenue per parking space was HRK 2,148.90, and according to this indicator, the current year saw a 31.09% decrease in revenue.



Key market indicators of the real estate sector - City Galleria

PERIOD	2020	2019.	2020/2019
Commercial capacities:			
Premises - floor area (m ²)	9.924,60	9.897,60	0,27%
Shared costs - floor area (m ²)	7.200,53	7.173,53	0,38%
Common areas - floor area (m ²)	1.028,50	1.018,80	0,95%
Advertising space - floor area (m ²)	121,18	129,18	-6,19%
Garage - floor area (m ²)	10.863,50	10.863,50	0,00%
Commercial turnover:			
Premises - number of active contracts	36	37	-2,70%
Shared costs - number of active contracts	35	36	-2,78%
Common areas - number of active contracts	22	21	4,76%
Advertising space - number of active contracts	8	8	0,00%
Garage - number of parking spaces	410	410	0,00%
Garage - turnover of vehicles	599.329	763.982	-21,55%
Financial results:			
Average monthly rent earned per m ² of premises (AMR)*	69,74 kn	79,34 kn	-12,10%
Average rent earned per m ² of premises for the period	836,88 kn	952,08 kn	-12,10%
Average revenue from the garage per parking space for the period**	1.480,87 kn	2.148,90 kn	-31,09%

Notes:

* 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.

6.5 ILIRIJA TRAVEL

Ilirija Travel, as a destination management company developing new services and amenities as a complementary tourist product by integrating all components of the Company and destination links, with a special emphasis on pre-season and post-season programmes, after expanding its offer and value-added service placement, and a record revenue generated in the previous year, experienced a discontinuity in 2020, as did the most of the travel agencies in Croatia and abroad.

In 2020, 106 events were organised through the DMC agency, which is an 83% decrease compared to 609 events in 2019. The services covered 9,658 people, with an 82.5% decrease compared to 54,749 people in the previous year. Individual events and excursions primarily intended for guests in the Ilirija facilities were significantly reduced due to a considerably lower number of guests and a short season. Measures issued by the competent authorities for the purpose of suppressing the epidemic have prevented regular activities in the Ilirija facilities linked to social and family events, both for the local community and the institutions, and the domestic and foreign clients. Value-added programmes combining business and holiday stay, or the business groups themselves (conference, congress programmes, etc.) have completely been absent. The engagement of capacities and the agency offer for foreign, mostly business clients, in



Arsenal, the dispersed hotel and agrotourism complex Ražnjevića Dvori, the restaurant in Marina Kornat, and especially the event boat Nada, carried out mostly in pre-season and post-season, have also been reduced to a minimum.

All of this has been expressed in the total revenue of HRK 2,032,556.02, which is 18.4% compared to the revenue of HRK 11,037,358.48 in 2019. For the significant part of this period, group events, business group arrivals, seminars, conferences, and other events have either been prohibited or extremely limited. The situation also reflected in the decreased number of usual excursions, as well as the reduced time spent in areas with additional facilities for relaxation and entertainment. Since the largest part of an already considerably lower number of guests arrived with private cars, they mostly used the additional facilities and organised their visits by themselves. A large number of domestic, European, and international companies which have partnered with us in the organisation of regional gatherings, events, presentations, regattas, and prize trips for their customers or employees, have also been absent. This has had a negative impact on well-established facilities and amenities, the agrotourism complex, and especially on the Nada event boat, which carried business groups across the Adriatic in the previous year (from Brijuni, Rovinj, Opatija, Krk, to Hvar, Split, etc.), and had virtually no en-

agements this year. Under such circumstances, the regattas, which the Biograd Riviera centred in Marina Kornati had the most in the country, as well as congress events, were also cancelled.

The Company remains dedicated to pursuing year-round tourism, and in that sense, creating special facilities and value-added programmes, and a more intense use of all capacities through the Ilirija Travel DMC agency, which we will continue to develop after the discontinuity caused by the pandemic.



Realized business events in 2020

Period	Realized in 2020			Realized in 2019	Index 2020/2019
	Number of events	Number of people	Revenue		
January	6	2.447	447.108,99 kn	6.688,00 kn	6.685
February	10	3.280	635.118,12 kn	427.558,55 kn	149
March	4	1.349	78.699,48 kn	488.936,34 kn	16
April	0	0	0,00 kn	1.025.690,53 kn	0
May	1	68	23.617,44 kn	1.636.129,45 kn	1
June	6	391	166.316,90 kn	1.255.856,73 kn	13
July	10	100	94.320,85 kn	647.275,29 kn	15
August	28	952	336.265,19 kn	607.552,88 kn	55
September	33	652	149.728,31 kn	2.128.492,38 kn	7
October	8	419	101.380,74 kn	1.027.287,78 kn	10
November	0	0	0,00 kn	413.569,95 kn	0
December	0	0	0,00 kn	1.372.320,60 kn	0
Total	106	9.658	2.032.556,02 kn	11.037.358,48 kn	18

ARSENAL

Arsenal, a Croatian cultural heritage monument built in the 17th century under the rule of the Venetian Republic next to the port and the city walls (a UNESCO world heritage site) in the old Zadar city center, holds a special significance for the visibility of the Company and business operations of Ilirija Travel. In 2005, the Company turned the refurbished and opened Arsenal, a venue for organising special events in an area of 1,800 m², into a center for social gatherings and events in Zadar, and something of an indoor town square. Its revitalisation turned it into a must-see cultural, entertainment, MICE, and event center in Zadar and the region for gala dinners, weddings, banquets, concerts, shows, festivals, fairs, conferences, theatre plays, lectures, book promotions, themed evenings, art exhibitions and other exhibitions, video projections, and other similar events.

In 2019, 99 events were organised with 32,501 people participating and generated HRK 5,985,487.20 in revenue. In 2020, there was an extreme decrease in the number of organised events, visitors, and revenue. Consequently, only 18 events were organised, or 20% compared to the previous year, resulting from the ban of operation or, at the time of permitted operations, a significant restriction of the number of participants per event. The events covered 6,961 participants, or 21.8% compared to the previous year. The revenue was HRK 1,256,728.71 with a 78.4% decrease.

The events were held in January and February and, with a significantly lower participation and in compliance with the measures restricting social gatherings, in August and September, while for the better part of the year, the venue was closed.

MICE events and virtually all fairs (such as the traditional Wedding Festival, the Tuna, Wine & Sushi Festival, the Wine Festival, the Scholarships Fair, the Job Fair, etc.), workshops, concerts, plays, lectures, presentations, ceremonies organised by public institutions of the city and the region, were not organised.



Realized business events in 2020

Period	Realized in 2020			Realized in 2019	Index 2020/2019
	Number of events	Number of people	Revenue		
January	4	2.250	379.578,84 kn	30.492,83 kn	1.245
February	5	2.884	493.053,96 kn	408.835,31 kn	121
March	3	1.219	134.066,06 kn	537.432,89 kn	25
April	0	0	-9.024,00 kn	661.732,99 kn	-1
May	0	0	-15.278,73 kn	814.520,49 kn	-2
June	0	0	-6.064,00 kn	291.978,20 kn	-2
July	0	0	0,00 kn	95.133,57 kn	0
August	5	528	213.384,08 kn	253.595,09 kn	84
September	1	80	67.012,50 kn	552.936,83 kn	12
October	0	0	0,00 kn	636.716,47 kn	0
November	0	0	0,00 kn	591.381,35 kn	0
December	0	0	0,00 kn	1.110.731,18 kn	0
Total	18	6.961	1.256.728,71 kn	5.985.487,20 kn	21

7 FINANCIAL OPERATING RESULTS OF THE COMPANY

7.1 FINANCIAL OPERATING RESULTS OF THE COMPANY BY SECTORS

7.1.1 HOTEL SECTOR

Notes:

The hotel industry in Biograd includes the hotels Ilirija, Adriatic and Kornati, Lavender bar and Aquatic center and entertainment and sports center, while the hotel industry in Sv. Filip Jakov refers to the hotel Villa Donat.

* TRRevPAR (total annual revenue per accommodation unit) denotes the total operating revenue of the hotel industry 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.

	2020	2019	2020/2019
HOTEL SECTOR - BIOGRAD			
Operating revenues	13.265.590,64 kn	54.894.923,16 kn	-75,83%
Revenues from board services	10.000.761,78 kn	45.040.247,93 kn	-77,80%
TRRevPAR *	35.756,31 kn	147.964,75 kn	-75,83%
Operating costs **	15.200.170,45 kn	35.871.643,10 kn	-57,63%
Gross operating profit (GOP) ***	-1.934.579,81 kn	19.023.280,06 kn	-110,17%
GOP per accommodation unit	-5.214,50 kn	51.275,69 kn	-110,17%
GOP margin****	-14,6%	34,7%	-142,08%
Capital investments	835.514,40 kn	3.835.373,22 kn	-78,22%
HOTEL SECTOR - SV. FILIP I JAKOV			
Operating revenues	51.695,49 kn	4.889.834,46 kn	-98,94%
Revenues from board services	0,00 kn	4.449.478,60 kn	-100,00%
TRRevPAR *	717,99 kn	67.914,37 kn	-98,94%
Operating costs **	699.036,34 kn	3.826.827,45 kn	-81,73%
Gross operating profit (GOP) ***	-647.340,85 kn	1.063.007,01 kn	-160,90%
GOP per accommodation unit	-8.990,85 kn	14.763,99 kn	-160,90%
GOP margin****	-1252,2%	21,7%	-5860,21%
Capital investments	200.154,63 kn	1.146.282,66 kn	-82,54%
HOTEL SECTOR - TOTAL ILIRIJA d.d.			
Operating revenues	13.317.286,13 kn	59.784.757,62 kn	-77,72%
Revenues from board services	10.000.761,78 kn	49.489.726,53 kn	-79,79%
TRRevPAR *	30.061,59 kn	134.954,31 kn	-77,72%
Operating costs **	15.899.206,79 kn	39.698.470,55 kn	-59,95%
Gross operating profit (GOP) ***	-2.581.920,66 kn	20.086.287,07 kn	-112,85%
GOP per accommodation unit	-5.828,26 kn	45.341,51 kn	-112,85%
GOP margin****	-19,4%	33,6%	-157,71%
Capital investments	1.035.669,03 kn	4.981.655,88 kn	-79,21%

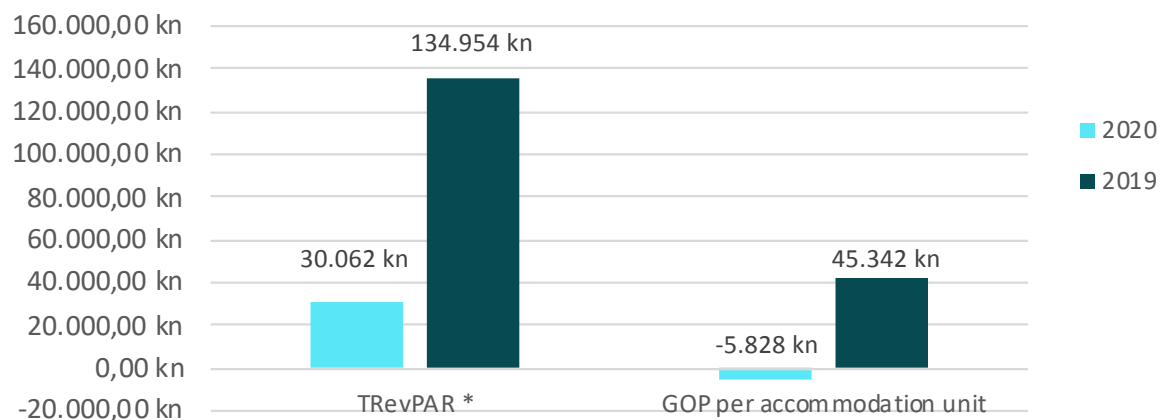
The Company generated revenue in the amount of HRK 13,317,286.13, which is a 77.72% decrease compared to the previous year. Operating costs of the hotel sector decreased by 59.95% in comparison to the previous year. The decrease in the operating costs of the hotel sector was primarily caused by a significant decrease in the volume of business activities due to the pandemic and the related organisational rationalization. In the observed period, the hotel sector did not realize a gross operating profit (GOP), but incurred a loss; the GOP dropped by 87% and the GOP per accommodation unit was negative, i.e. it amounted to HRK -2,581,920.66 (HRK -5,828.26 per accommodation unit), which was expected considering the business conditions and a drastic lack of demand for hotel accommodation.

In 2020, HRK 1,035,669.03 was invested in the competitiveness of hotel sector products, in line with the business conditions, primarily in maintaining the existing level of quality of services and facilities, or safety. Investments were also made in additional adaptation of the accommodation units, primarily in increasing the level of security of Company assets, employees and guests in the accommodation facilities and common areas. With respect to additional facilities, the hotel beach, wellness center and other facilities offered by the company were adapted in line with the new circumstances.

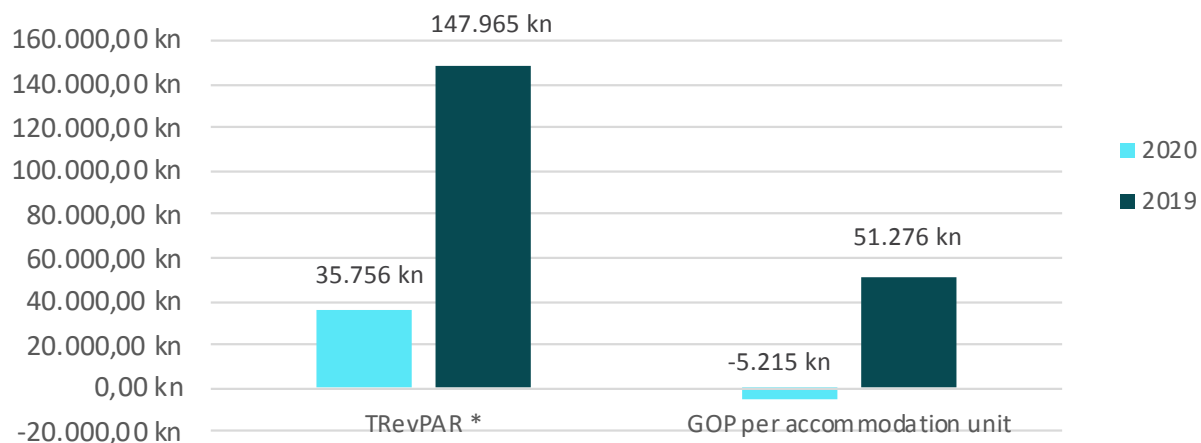
Notes:

* TRevPAR denotes the total operating revenue of the hotel industry divided by a number of physical accommodation units. 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).

Total revenue per accommodation unit (TrevPAR) and GOP per accommodation unit in the hotels Ilirija d.d. in 2020 and in 2019



Total revenue per accommodation unit (TrevPAR) and GOP per accommodation unit in the hotels in Biograd in 2020 and in 2019



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HOTEL SECTOR (AFTER THE ALLOCATION OF COMMON REVENUES AND COMMON COSTS)

Items	Annual cumulative achievements in 2018	Annual cumulative achievements in 2019	Annual cumulative achievements in 2020	Index 2020/2019
TOTAL NET REVENUE (operating)	57.275.346,85	59.860.840,19	13.256.999,74	22,15
Total direct costs	7.766.312,41	8.270.516,67	1.930.276,03	23,34
Total salary and labor costs	14.564.860,19	15.974.876,13	7.684.586,99	48,10
Total other department costs	5.269.410,05	5.772.018,11	972.801,61	16,85
TOTAL CONTRIBUTION	29.674.764,20	29.843.429,28	2.669.335,11	8,94
Total costs to GOP	40.880.331,82	43.323.544,66	20.563.260,89	47,46
GOP	16.395.015,03	16.537.295,53	-7.306.261,15	-44,18
Grandtotal net revenues	58.023.786,51	60.079.902,56	15.770.075,50	26,25
Grandtotal costs	48.206.802,73	51.627.670,62	27.929.735,64	54,10
PROFIT BEFORE TAXATION	9.816.983,78	8.452.231,94	-12.159.660,14	-143,86
Corporate income tax	0,00	0,00	0,00	#DIV/0!
NET PROFIT	9.816.983,78	8.452.231,94	-12.159.660,14	-143,86
EBITDA	16.273.311,36	15.314.698,27	-6.664.552,91	-43,52
EBIT	12.261.733,87	10.983.397,51	-11.100.588,41	-101,07

7.1 FINANCIAL OPERATING RESULTS OF THE COMPANY BY SECTORS

7.1.2 NAUTICS

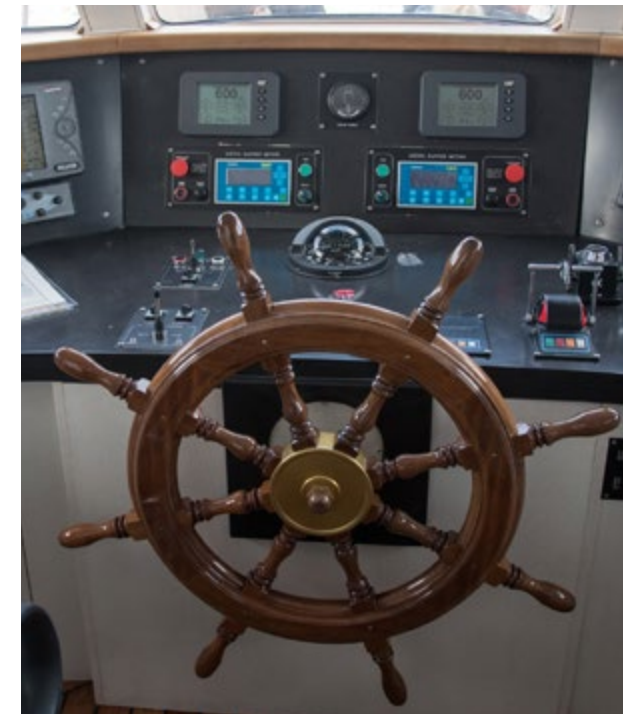
The Company's nautical sector is comprised of three interconnected profit centers, which provide services that complement each other. The Marina Kornati profit center provides vessel accommodation and servicing services; the "Marina Kornati" restaurant, another profit center, provides hospitality services, while the nautical fair profit center organizes and hosts the Biograd Boat Show event. In 2020, the nautical sector generated revenue in the amount of HRK 43,370,116.

The revenue was generated in the nautical sector's profit centers:

- Marina Kornati – HRK 39,046,817
- "Marina Kornati" restaurant – HRK 1,894,504
- Nautical fair – HRK 2,428,795

The revenue of the nautical sector in the accommodation of vessels, i.e. Marina Kornati, amounted to HRK 39,046,817, which is a 4.49% decrease in comparison to 2019. The generation of this revenue contributed to the stability of the nautical sector as a whole since it comprises 90% of the revenue of the whole nautical sector. The revenue from hospitality services was significantly lower than the previous year due to the implementation of epidemiological measures, which included a ban on the performance of hospitality activities, which in turn resulted in a 50.82% decrease in the revenue. At the same time, the nautical

fair revenue was expected to be lower than planned considering that the fair – in large part due to the restrictions regarding international travel (introduced in some European countries as early as mid-August) – mostly focused on national exhibitors and the fact that there was a good possibility that it would not take place at all due to the worsening epidemiological situation in Europe in early September, which added more uncertainty to the situation and was in turn reflected in the achieved operating results.



Key financial indicators of the nautics

	2020	2019	2020/2019
NAUTICS TOTAL			
Operating revenues	43.370.116 kn	48.610.540 kn	-10,78%
Operating revenue per berth	53.876 kn	60.386 kn	-10,78%
Operating costs *	17.799.242 kn	21.369.247 kn	-16,71%
GOP **	25.570.874 kn	27.241.293 kn	-6,13%
GOP per berth	31.765 kn	33.840 kn	-6,13%
GOP margin ***	59,0%	56,0%	5,21%
Capital investments	1.417.954 kn	1.441.883 kn	-1,66%
MARINA KORNATI			
Operating revenues	39.046.817 kn	40.880.637 kn	-4,49%
Operating revenue per berth	48.505 kn	50.783 kn	-4,49%
Operating costs *	12.657.020 kn	13.592.673 kn	-6,88%
GOP **	26.389.797 kn	27.287.964 kn	-3,29%
GOP per berth	32.782 kn	33.898 kn	-3,29%
GOP margin ***	67,6%	66,8%	1,25%
RESTAURANT OF MARINA KORNATI			
Operating revenues	1.894.504 kn	3.851.911 kn	-50,82%
Operating costs *	2.862.732 kn	4.473.074 kn	-36,00%
GOP **	-968.229 kn	-621.163 kn	55,87%
GOP margin ***	-51,1%	-16,1%	216,92%
BOAT SHOW			
Operating revenues	2.428.795 kn	3.877.991 kn	-37,37%
Operating costs *	2.279.489 kn	3.303.500 kn	-31,00%
GOP **	149.306 kn	574.492 kn	-74,01%
GOP margin ***	6,1%	14,8%	-58,50%

Notes:

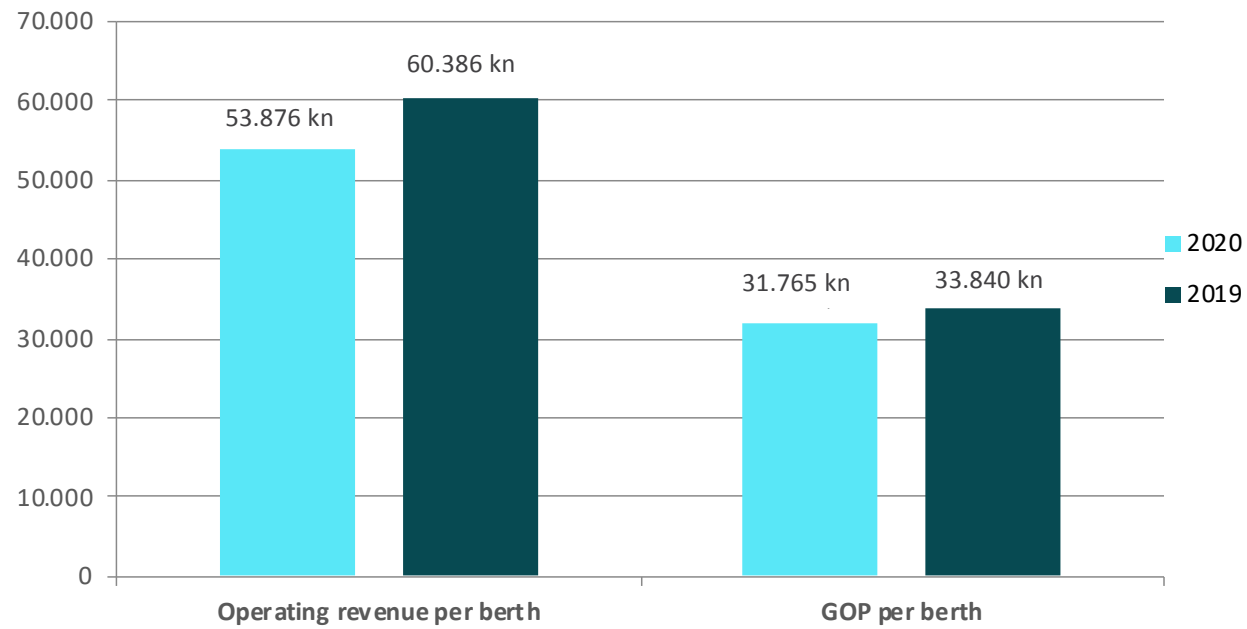
The Nautics of Ilirija d.d. consists of three business units Marina Kornati, Boat Show and restaurant of "Marina Kornati".

* 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.

** GOP (Gross Operating Profit) 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.

Total operating revenue and GOP per berth of Nautics of Ilirija d.d. in 2020 and 2019 (in HRK)



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NAUTICS (AFTER THE ALLOCATION OF COMMON REVENUES AND COMMON COSTS)

Items	Annual cumulative achievements in 2018	Annual cumulative achievements in 2019	Annual cumulative achievements in 2020	Index 2020/2019
TOTAL NET REVENUE (operating)	46.134.529,55	48.502.768,05	43.344.675,76	89,37
Total direct costs	1.570.419,82	1.689.665,35	915.156,80	54,16
Total salary and labor costs	5.046.685,27	5.467.229,89	4.535.168,25	82,95
Total other department costs	2.301.009,75	2.002.673,41	1.594.837,97	79,64
TOTAL CONTRIBUTION	37.216.414,71	39.343.199,40	36.299.512,74	92,26
Total costs to GOP	22.528.153,98	23.184.669,37	20.949.006,24	90,36
GOP	23.606.375,57	25.318.098,68	22.395.669,52	88,46
Grandtotal net revenues	46.853.643,50	48.798.314,14	45.822.905,81	93,90
Grandtotal costs	29.938.804,80	31.571.169,28	28.156.121,53	89,18
PROFIT BEFORE TAXATION	16.914.838,70	17.227.144,86	17.666.784,28	102,55
Corporate income tax	0,00	0,00	0,00	#DIV/0!
NET PROFIT	16.914.838,70	17.227.144,86	17.666.784,28	102,55
EBITDA	21.958.855,53	22.514.677,57	21.488.241,98	95,44
EBIT	19.474.323,17	19.882.339,99	18.814.826,58	94,63

7.1 FINANCIAL OPERATING RESULTS OF THE COMPANY BY SECTORS

7.1.3 CAMPING

Notes:

The campsite includes the accommodation and restaurant in the Park Soline Campsite.

* 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.

*** GOP (Gross Operating Profit) 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.

	2020	2019	2020/2019
CAMPING TOTAL			
Operating revenue	19.609.983,95 kn	35.305.818,53 kn	-44,46%
TRevPAR *	16.233,43 kn	28.939,20 kn	-43,91%
Operating costs**	12.399.882,65 kn	18.534.768,73 kn	-33,10%
GOP ***	7.210.101,30 kn	16.771.049,80 kn	-57,01%
GOP per accommodation unit	5.968,63 kn	13.746,76 kn	-56,58%
GOP margin ****	36,8%	47,5%	-22,60%
Capital investments	8.528.791,84 kn	14.745.262,56 kn	-42,16%
CAMPSITE PARK SOLINE			
Operating revenue	18.001.154,46 kn	32.036.373,30 kn	-43,81%
TRevPAR *	14.901,62 kn	26.259,32 kn	-43,25%
Operating costs**	10.246.286,39 kn	14.952.932,18 kn	-31,48%
GOP ***	7.754.868,07 kn	17.083.441,12 kn	-54,61%
GOP per accommodation unit	6.419,59 kn	14.002,82 kn	-54,16%
GOP margin ****	43,1%	53,3%	-19,21%
RESTAURANT OF THE PARK SOLINE CAMPSITE			
Operating revenue	1.608.829,49 kn	3.269.445,23 kn	-50,79%
Operating costs**	2.153.596,26 kn	3.581.836,55 kn	-39,87%
GOP ***	-544.766,77 kn	-312.391,32 kn	74,39%
GOP margin ****	-33,9%	-9,6%	254,39%

In 2020, the Company's camping sector generated revenue in the amount of HRK 19,609,983.95, which is a 44.46% decrease compared to the previous year. The revenue was generated in the following profit centers:

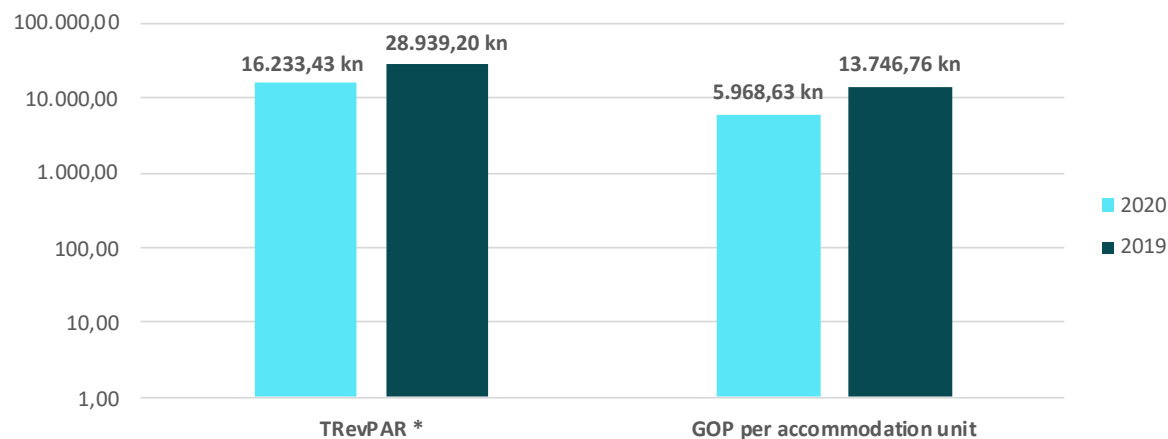
- "Park Soline" campsite HRK 18,001,154.46
- Restaurant "Park Soline" HRK 1,608,829.49

Revenue decreased in the case of individual guests, mobile homes and fixed leases, while the lump sum market segment realized a 3% revenue growth. Moreover, the ban on performing hospitality activities and fewer guests in the campsite also influenced the restaurant operating results and led to a 50.79% decrease in the restaurant revenue.

The operating costs of the campsite as a whole decreased by 33.10%, as a result of the state of the global and European tourism markets, which resulted not only in fewer seasonal employees and the consequential decrease in labour costs, but also a decrease in all other related costs.

In 2020, capital investments in the amount of HRK 8,528,791.84 were made into improving competitiveness and the quality of services; thus, the camping sector persisted in its continual efforts to improve its services and facilities, in particular with respect to the accommodation services, despite the extraordinary services.

TrevPAR and GOP of the camping per camp unit of the Park Soline Campsite in 2020. and 2019



Notes:

* TRevPAR denotes the total operating revenue of the campsite divided by a number of physical camp units.

GOP denotes a gross operating profit of the camping 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).

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CAMPING (AFTER THE ALLOCATION OF COMMON REVENUES AND COMMON COSTS)

Items	Annual cumulative achievements in 2018	Annual cumulative achievements in 2019	Annual cumulative achievements in 2020	Index 2020/2019
TOTAL NET REVENUE (operating)	33.526.002,42	35.297.744,43	19.600.015,77	55,53
Total direct costs	1.117.763,39	1.209.698,37	605.637,78	50,07
Total salary and labor costs	2.947.110,10	3.255.513,92	2.425.803,22	74,51
Total other department costs	2.155.890,09	2.647.969,16	918.052,94	34,67
TOTAL CONTRIBUTION	27.305.238,84	28.184.562,98	15.650.521,83	55,53
Total costs to GOP	17.931.662,10	19.904.048,07	15.142.912,95	76,08
GOP	15.594.340,32	15.393.696,36	4.457.102,82	28,95
Grandtotal net revenues	33.995.009,30	35.439.900,30	21.361.976,36	60,28
Grandtotal costs	24.838.936,86	28.573.274,31	23.564.527,79	82,47
PROFIT BEFORE TAXATION	9.156.072,45	6.866.625,98	-2.202.551,43	-32,08
Corporate income tax	0,00	0,00	0,00	#DIV/0!
NET PROFIT	9.156.072,45	6.866.625,98	-2.202.551,43	-32,08
EBITDA	14.804.542,22	13.394.851,45	4.293.935,40	32,06
EBIT	11.359.801,74	9.154.051,51	-947.034,14	-10,35

7.1 FINANCIAL OPERATING RESULTS OF THE COMPANY BY SECTORS

7.1.4 CITY GALLERIA BUSINESS AND SHOPPING CENTER

	2020	2019	2020/2019
Operating revenues	12.778.034,32 kn	14.255.205,21 kn	-10,36%
Operating costs*	5.433.616,27 kn	6.068.418,99 kn	-10,46%
GOP **	7.344.418,05 kn	8.186.786,22 kn	-10,29%
GOP margin ***	57,5%	57,4%	0,08%
Capital investments	389.176,69 kn	407.143,91 kn	-4,41%

Notes:

* 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 (Gross Operating Profit) 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.

The operating revenue of the City Galleria Business and Shopping Center generated through the lease of commercial premises, common costs, the use of common areas of the center, the lease of advertising space and revenue from garage amount to HRK 12,679,525.37. When we include other operating revenue in the amount of HRK 98,508.95, total operating revenue of the Center amount to HRK 12,778,034.32. The total operating revenue recorded a 10.36% decrease due to disturbances in the operations caused by the global coronavirus pandemic, which significantly affected all tenants in the City Galleria Business and Shopping Center.

The operating costs, which do not include depreciation, financial expenses and extraordinary costs, amounted to HRK 5,433,616.27 in 2020. The operating costs recorded a decrease at a rate of 10.46% compared to 2019, with the largest share of cost reduction being attributable to advertisement and promotion costs, as well as insurance premiums.

The gross operating profit for the period equalled HRK 7,344,418.05 before the allocation of common service costs, which represents a 57.5% margin.

FINANCIAL OPERATIONSreporting system according to **USALI** standards

01/01/2020.-31/12/2020.

CITY GALLERIA (AFTER THE ALLOCATION OF COMMON REVENUES AND COMMON COSTS)

Items	Annual cumulative achievements in 2018	Annual cumulative achievements in 2019	Annual cumulative achievements in 2020	Index 2020/2019
TOTAL NET REVENUE (operating)	9.919.550,03	9.895.341,36	9.018.299,42	91,14
Total direct costs	0,00	0,00	0,00	#DIV/0!
Total salary and labor costs	1.735.050,27	2.121.685,32	1.917.119,72	90,36
Total other department costs	381.640,60	355.086,47	220.847,95	62,20
TOTAL CONTRIBUTION	7.802.859,16	7.418.569,57	6.880.331,75	92,74
Total costs to GOP	6.181.824,10	6.217.802,76	5.764.661,83	92,71
GOP	3.737.725,93	3.677.538,60	3.253.637,59	88,47
Grandtotal net revenues	14.257.985,85	14.282.021,56	13.128.432,80	91,92
Grandtotal costs	9.463.390,13	9.810.294,56	8.837.862,50	90,09
PROFIT BEFORE TAXATION	4.794.595,72	4.471.727,00	4.290.570,31	95,95
Corporate income tax	0,00	0,00	0,00	#DIV/0!
NET PROFIT	4.794.595,72	4.471.727,00	4.290.570,31	95,95
EBITDA	7.607.308,60	7.511.555,86	6.761.184,87	90,01
EBIT	6.354.893,93	6.189.864,64	5.424.715,60	87,64

7 FINANCIAL OPERATING RESULTS OF THE COMPANY

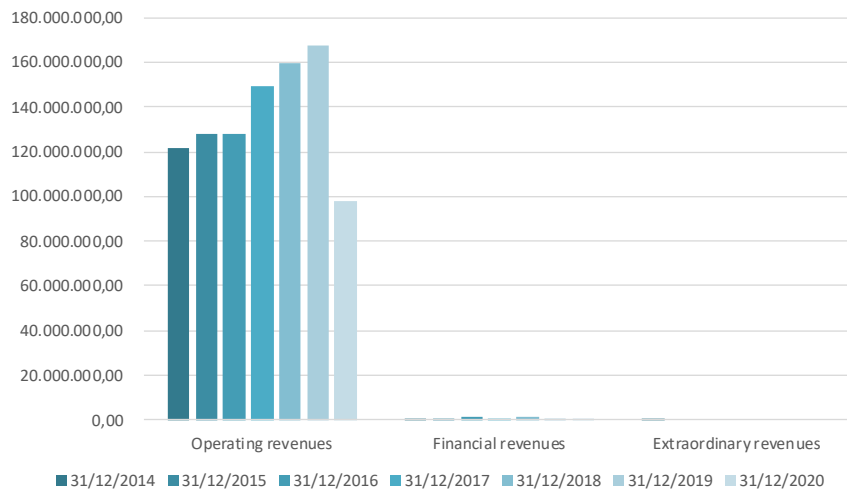
7.2 FINANCIAL OPERATING RESULTS AT COMPANY LEVEL

7.2.1 FINANCIAL PERFORMANCE OF THE COMPANY

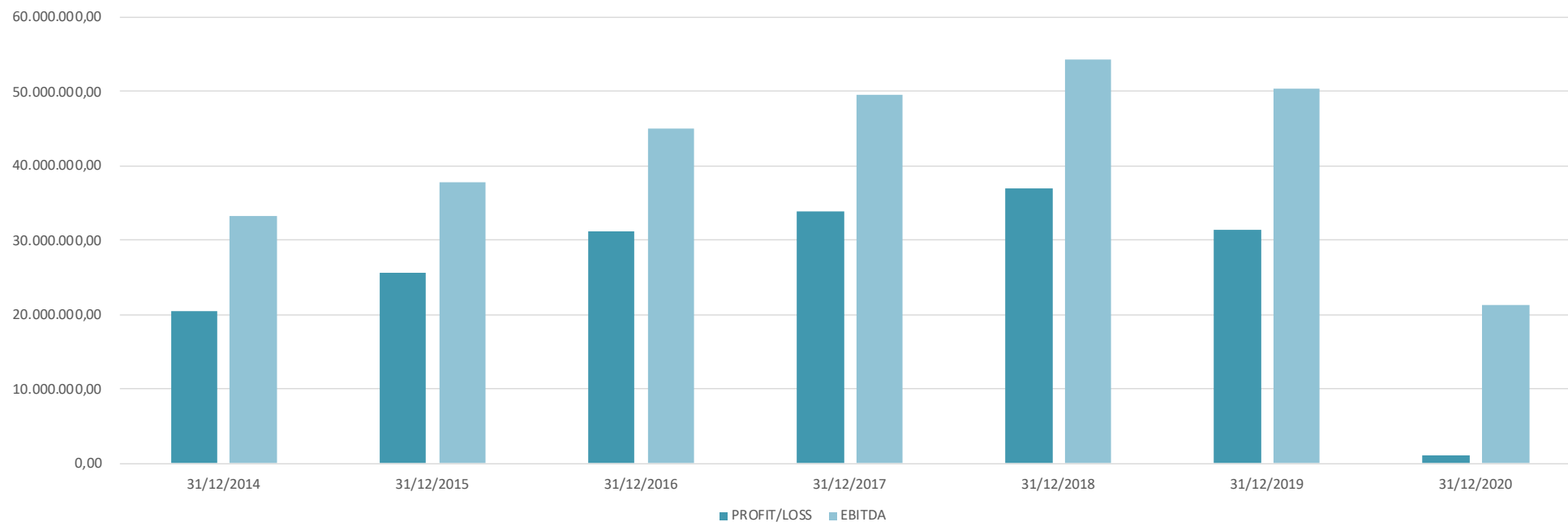
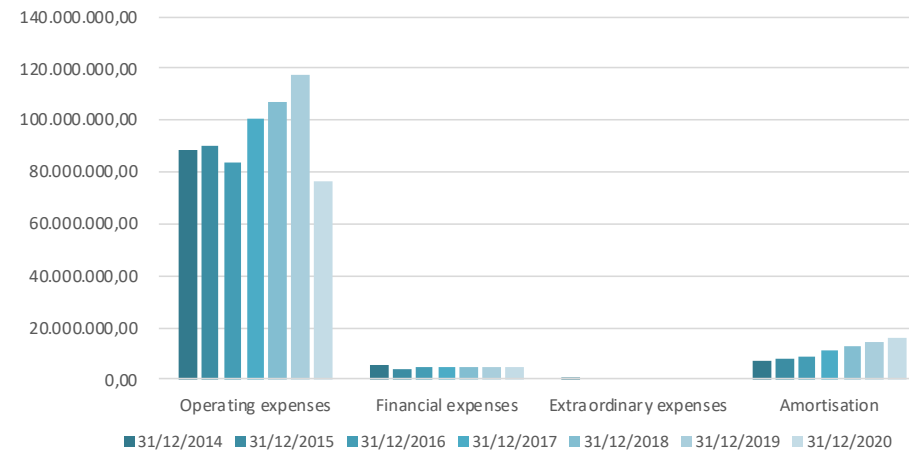
Overview of the financial operating results for 2020 and comparison with the period 2014 - 2019

DESCRIPTION	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	Index 20/19
Operating revenues	121.792.647,35	127.662.219,39	127.591.140,20	149.515.545,23	159.490.115,09	167.711.919,32	97.640.558,48	58,22
Financial revenues	136.259,45	484.269,24	1.427.867,11	961.132,18	1.558.764,96	85.637,54	97.205,34	113,51
Extraordinary revenues	944.845,32	0,00	0,00	0,00	0,00	0,00	0,00	#DIV/0!
TOTAL REVENUES	122.873.752,12	128.146.488,63	129.019.007,31	150.476.677,41	161.048.880,05	167.797.556,86	97.737.763,82	58,25
Operating expenses	88.837.309,12	90.379.281,57	83.991.877,85	100.879.406,31	106.832.625,88	117.487.302,65	76.442.862,74	65,06
Financial expenses	5.355.803,37	4.030.686,50	4.774.080,17	4.564.585,65	4.384.189,54	4.596.906,56	4.599.367,76	100,05
Extraordinary expenses	825.305,72	0,00	0,00	0,00	0,00	0,00	0,00	#DIV/0!
Amortisation	7.470.218,79	8.225.981,02	9.012.252,49	11.146.900,91	12.796.897,41	14.379.433,99	15.673.653,78	109,00
TOTAL EXPENSES	102.488.637,00	102.635.949,09	97.778.210,51	116.590.892,87	124.013.712,83	136.463.643,20	96.715.884,28	70,87
PROFIT/LOSS	20.385.115,12	25.510.539,54	31.240.796,80	33.885.784,54	37.035.167,22	31.333.913,66	1.021.879,54	3,26
OPERATING PROFIT/LOSS	32.955.338,23	37.282.937,82	43.599.262,35	48.636.138,92	52.657.489,21	50.224.616,67	21.197.695,74	42,21
EBITDA	33.211.137,28	37.767.207,06	45.027.129,46	49.597.271,10	54.216.254,17	50.310.254,21	21.294.901,08	42,33

REVENUES 2014-2020



EXPENSES 2014-2020



1

The total revenue amounted to HRK 97,737,763.82 or 58.25% of the revenue realized in 2019, which was a consequence of a drop in operating revenue or sales revenue in all Company sectors due to the COVID-19 pandemic.

The operating revenue for 2020 amounted to HRK 97,640,558.48, or 58.22% of the revenue realized in the previous business year, which was a consequence of a significant decrease in foreign and domestic market activities.

Sales revenue amounted to HRK 90,004,256.80 and were 45.48% lower compared to the previous business year, when they amounted to HRK 165,072,177.40, which was a result of a significant decrease in foreign and domestic market activities of 72% and 37%, respectively, mostly due to a lack of demand in the hotel sector and destination management company Ilirija Travel. Revenue from sales represents 92.20% of operating revenue and 92.10% of total revenue.

2

Total expenses are HRK 96,715,884.28 and, compared to 2019, they show a 29.13% decrease due to an 34.94% decrease in operating expenses.

The operating expenses in the period observed amounted to HRK 76,442,862.74 and were 34.94% or HRK

41,044,439.91 lower than in 2019 due to a 25% reduction in the costs of services, 36% reduction in other costs, 28% reduction in the gross wage cost, and 54% reduction in the costs of raw materials and materials due to reduced business activities and operating cost rationalization.

3

The operating profit, or the profit from Company business activities, equalled 42.21% of the profit realized in the previous business year and amounted to HRK 21,197,695.74, while the Company's profit for the reporting period amounted to HRK 1,021,879.54.

EBITDA, i.e. earnings before depreciation, interest and taxes, has been generated in the amount HRK 21,294,901.08, and shows a 57.67% decrease compared to the previous year.

EBIT, i.e. earnings before financing expenses, has been generated in the amount HRK 5,621,247.30, and shows a 84.36% drop.

Despite a limited scope of business activities in some sectors (nautical sector, camping sector and real estate sector) and a complete absence of business activities for the larger part of the year in certain sectors (hotel sector and destination management company

Ilirija Travel) caused by either a ban on performance of activities or a drastic lack of demand, the Company still realized the key profitability indicators, that is, a profit from business activities. Especially considering the extraordinary conditions for doing business, which had a particularly negative effect on the travel, hospitality and tourism industries and related economic activities on a global scale and resulted in a decrease in the realized operating revenue, the Company considers that realized profit is an extraordinary and important success. It should be noted that this result is even more significant if one takes into account the fact that the hotel sector, which always accounted for the largest share in the Company's operating profit until 2020, and the sector of the destination management company Ilirija Travel, with respect to the development of year-round business (pre-season and post-season), realized a significant part of its results in the first quarter of the business year, before the announcement of the pandemic, and during the high season (July-August), with almost no business activities in these sectors in post-season. Despite the pandemic and the significantly reduced business activities, the Company still retained full employment. As a result, the gross wage costs, accounting for 40% of the operating expenses, but lower due to reduced business activities, materially affected the realized level of profitability, which was a conscious decision made by the Company.

REVENUES BY ACTIVITIES:

Hotel sector revenue amounted to HRK 13,317,286.13 and equalled 22% of the hotel sector revenue realized in 2019. The revenue generated is a result of a drastic lack of demand, both at a global and national level, for hotel accommodation services due to the COVID-19 pandemic and difficulties with and/or a complete ban on domestic and international travel or leaving the place of residence, ban on performing business activities in the first and second quarter of the year in accordance with the decisions of the competent authorities, generation of more significant revenue exclusively in the period before the pandemic and the high season, with a lack of demand in post-season. All of the above resulted in a significant decrease in tourism turnover, and then also other performance indicators in the hotel sector.

The revenue from the nautical sector amounted to HRK 43,370,116.44 and equalled 89% of the revenue realized in the previous year. The Company considers this to be an outstanding result. In the global pandemic and extraordinary circumstances of doing business, the nautical sector revenue contributed to the stability and business sustainability of the whole Company considering that the nautical sector

revenue accounted for 44.42% of the Company's operating revenue in 2020. The stability of the nautical sector revenue is primarily a consequence of the results realized in the most important market segment – the contractual berth. Despite the poorer values of the physical performance indicators, the operating revenue it generated was at the level of 2019. Moreover, in other service segments (port service, other services and business cooperation), the revenue realized was at the level of 2019 or slightly higher, which additionally contributed to the nautical sector results.

The camping sector revenue amounted to HRK 19,609,983.95 and equalled 56% of the revenue realized in 2019. The extremely seasonal character of Croatian camping tourism was especially conspicuous in the extraordinary business conditions of 2020. More significant business activities in the Company's camping sector were carried out in an extremely short period between mid-June and mid-August, i.e., the sales activities were focused only on the high season and a few outbound markets, with a complete absence of the post-season. This additionally limited the sales activities, especially with respect to individuals, who realized 30%

of the previous year's revenue, and mobile homes, that realized 47% of the previous year's revenue, while the lump sum market segment recorded a 3% increase in operating revenue and thereby contributed to the camping sector's stability.

The revenue from the real estate sector, i.e. the City Galleria Business and Shopping Center amounted to HRK 12,778,034.32 or 90% of the results realized in 2019, which was a direct consequence of the COVID-19 pandemic and the related decisions of the competent authorities which did not allow some of the tenants to perform their business activities or allowed them to perform them to a limited extent for the larger part of the business year, in addition to a prescribed maximum number of visitors to shopping centers, which was materially reflected in the number of visitors to the center and the realized operating revenue. Furthermore, it is particularly significant that, despite the extraordinary circumstances of doing business, which prevented the tenants operating on a total of 57.4% of the center surface area from doing business, the Company still managed to keep a full occupancy rate by establishing being proactive and communicating with the tenants.

The revenue from the destination management company Ilirija Travel, which represents an integrated and complementary product of the Company, amounted to HRK 1,654,373.36 and equals 52% of the revenue realized in 2019. This is a consequence of absence of any business activities in the whole sector considering the nature of the services and facilities offered, which are primarily based on events, gatherings of larger numbers of people (banquets, concerts, weddings, regatta events, etc.), which were either prohibited or limited to a certain number of people by epidemiological measures.

Other aspects: the Company, on account of the job retention grant by the Government of the Republic of Croatia, in the period from March to December received a grant in the amount of HRK 6,809,987.99, and with other revenues, it is total amount of HRK 6,910,764.28.

GRAND TOTAL: The operating revenue per activity amounted to HRK 97,640,558.48 and equalled 58.22% of the revenue realized in 2019.



Financial report of the Company as at 31/12/2020 and a comparison with 2019 and 2018

REVENUES	2018	2019	INDEX 19/18	2020	INDEX 20/19
Revenue on the domestic market	121.382.130,52	125.815.700,92	104	78.966.727,49	63
Revenues on foreign market	37.017.115,81	39.673.309,28	107	11.289.689,95	28
Other operating revenues	1.090.868,76	2.222.909,12	204	7.384.141,04	332
OPERATING REVENUES	159.490.115,09	167.711.919,32	105	97.640.558,48	58
FINANCIAL REVENUES	1.558.764,96	85.637,54	5	97.205,34	114
EXTRAORDINARY REVENUES	0,00	0,00	#DIV/0!	0,00	#DIV/0!
TOTAL REVENUES	161.048.880,05	167.797.556,86	104	97.737.763,82	58
EXPENSES					
Raw material and material costs	23.269.427,09	24.356.172,13	105	11.096.340,53	46
Costs of services	19.133.296,83	21.654.174,87	113	16.261.978,97	75
Gross pays	38.668.915,13	42.362.521,92	110	30.451.269,02	72
Other expenses	25.760.986,83	29.114.433,73	113	18.633.274,22	64
TOTAL EXPENSES	106.832.625,88	117.487.302,65	110	76.442.862,74	65
AMORTISATION	12.796.897,41	14.379.433,99	112	15.673.653,78	109
FINANCIAL EXPENSES	4.384.189,54	4.596.906,56	105	4.599.367,76	100
EXTRAORDINARY EXPENSES	0,00	0,00	#DIV/0!	0,00	#DIV/0!
TOTAL EXPENSES	124.013.712,83	136.463.643,20	110	96.715.884,28	71
PROFIT/LOSS	37.035.167,22	31.333.913,66	85	1.021.879,54	3
OPERATING PROFIT/LOSS	52.657.489,21	50.224.616,67	95	21.197.695,74	42
EBITDA	54.216.254,17	50.310.254,21	93	21.294.901,08	42

FINANCIAL OPERATIONSreporting system according to **USALI** standards

01/01/2020.-31/12/2020.

ILIRIJA d.d. (AFTER THE ALLOCATION OF COMMON REVENUES AND COMMON COSTS)

Items	Annual cumulative achievements in 2018	Annual cumulative achievements in 2019	Annual cumulative achievements in 2020	Index 2020/2019
TOTAL NET REVENUE (operating)	154.730.525,93	162.572.725,53	86.807.046,13	53,40
Total direct costs	12.125.059,28	13.074.369,96	3.816.626,71	29,19
Total salary and labor costs	26.803.096,21	29.948.241,60	17.948.185,79	59,93
Total other department costs	11.971.394,44	14.261.204,73	4.974.907,46	34,88
TOTAL CONTRIBUTION	103.830.976,00	105.288.909,24	60.067.326,17	57,05
Total costs to GOP	95.914.637,37	103.939.195,48	67.299.371,85	64,75
GOP	58.815.888,56	58.633.530,05	19.507.674,28	33,27
Grandtotal net revenues	161.048.880,05	167.797.556,86	97.737.763,82	58,25
Grandtotal costs	124.013.712,83	136.463.643,20	96.715.884,28	70,87
PROFIT BEFORE TAXATION	37.035.167,22	31.333.913,66	1.021.879,54	3,26
Corporate income tax	0,00	0,00	0,00	#DIV/0!
NET PROFIT	37.035.167,22	31.333.913,66	1.021.879,54	3,26
EBITDA	54.216.254,17	50.310.254,21	21.294.901,08	42,33
EBIT	41.419.356,76	35.930.820,22	5.621.247,30	15,64

STATEMENT OF PROFIT OR LOSS			
for the period 01/01 to 31/12/2020			
Item	ADP code	Same period of the previous year	Current period
		2019	2020
1	2	3	4
I OPERATING INCOME (ADP 126 to 130)	125	167.711.919	97.640.559
1 Income from sales with undertakings within the group	126	63.548	75.356
2 Income from sales (outside group)	127	165.425.462	89.928.901
3 Income from the use of own products, goods and services	128	935.844	32.978
4 Other operating income with undertakings within the group	129	0	0
5 Other operating income (outside the group)	130	1.287.065	7.603.324
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	131.866.736	92.116.518
1 Changes in inventories of work in progress and finished goods	132	0	0
2 Material costs (ADP 134 to 136)	133	46.010.347	27.358.320
a) Costs of raw material	134	24.356.172	11.096.341
b) Costs of goods sold	135	0	0
c) Other external costs	136	21.654.175	16.261.979
3 Staff costs (ADP 138 to 140)	137	42.362.522	30.451.269
a) Net salaries and wages	138	25.510.353	18.609.339
b) Tax and contributions from salaries expenses	139	10.836.002	7.514.665
c) Contributions on salaries	140	6.016.167	4.327.265
4 Depreciation	141	14.379.434	15.673.654
5 Other expenses	142	27.974.740	17.266.743
6 Value adjustments (ADP 144+145)	143	0	0
a) fixed assets other than financial assets	144	0	0
b) current assets other than financial assets	145	0	0
7 Provisions (ADP 147 to 152)	146	0	0
a) Provisions for pensions, termination benefits and similar obligations	147	0	0
b) Provisions for tax liabilities	148	0	0
c) Provisions for ongoing legal cases	149	0	0
d) Provisions for renewal of natural resources	150	0	0
e) Provisions for warranty obligations	151	0	0
f) Other provisions	152	0	0
8 Other operating expenses	153	1.139.693	1.366.532
III FINANCIAL INCOME (ADP 155 to 164)	154	85.638	97.205
1 Income from investments in holdings (shares) of undertakings within the group	155	0	0
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	156	0	0
3 Income from other long-term financial investment and loans granted to undertakings within the group	157	0	0
4 Other interest income from operations with undertakings within the group	158	0	0
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	0	0
6 Income from other long-term financial investments and loans	160	0	0
7 Other interest income	161	0	58.979
8 Exchange rate differences and other financial income	162	85.638	38.226
9 Unrealised gains (income) from financial assets	163	0	0
10 Other financial income	164	0	0
IV FINANCIAL EXPENDITURE (ADP 166 to 172)	165	4.596.907	4.599.367
1 Interest expenses and similar expenses with undertakings within the group	166	0	0
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	0	0
3 Interest expenses and similar expenses	168	4.011.172	3.297.973
4 Exchange rate differences and other expenses	169	585.735	1.286.382
5 Unrealised losses (expenses) from financial assets	170	0	0
6 Value adjustments of financial assets (net)	171	0	0
7 Other financial expenses	172	0	15.012
V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	173	0	0
VI SHARE IN PROFIT FROM JOINT VENTURES	174	0	0
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	175	0	0

VIII SHARE IN LOSS OF JOINT VENTURES	176	0	0
IX TOTAL INCOME (ADP 125+154+173 + 174)	177	167.797.557	97.737.764
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	178	136.463.643	96.715.885
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	179	31.333.914	1.021.879
1 Pre-tax profit (ADP 177-178)	180	31.333.914	1.021.879
2 Pre-tax loss (ADP 178-177)	181	0	0
XII INCOME TAX	182	0	0
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	31.333.914	1.021.879
1 Profit for the period (ADP 179-182)	184	31.333.914	1.021.879
2 Loss for the period (ADP 182-179)	185	0	0
DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)			
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	186	0	0
1 Pre-tax profit from discontinued operations	187	0	0
2 Pre-tax loss on discontinued operations	188	0	0
XV INCOME TAX OF DISCONTINUED OPERATIONS	189	0	0
1 Discontinued operations profit for the period (ADP 186-189)	190	0	0
2 Discontinued operations loss for the period (ADP 189-186)	191	0	0
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)			
XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)	192	0	0
1 Pre-tax profit (ADP 192)	193	0	0
2 Pre-tax loss (ADP 192)	194	0	0
XVII INCOME TAX (ADP 182+189)	195	0	0
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196	0	0
1 Profit for the period (ADP 192-195)	197	0	0
2 Loss for the period (ADP 195-192)	198	0	0
APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)			
XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199	0	0
1 Attributable to owners of the parent	200	0	0
2 Attributable to minority (non-controlling) interest	201	0	0
STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I PROFIT OR LOSS FOR THE PERIOD	202	31.333.914	1.021.879
II OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (ADP 204 to 211)	203	0	0
1 Exchange rate differences from translation of foreign operations	204	0	0
2 Changes in revaluation reserves of fixed tangible and intangible assets	205	0	0
3 Profit or loss arising from re-evaluation of financial assets available for sale	206	0	0
4 Profit or loss arising from effective cash flow hedging	207	0	0
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208	0	0
6 Share in other comprehensive income/loss of companies linked by virtue of participating interest	209	0	0
7 Actuarial gains/losses on defined remuneration plans	210	0	0
8 Other changes in equity unrelated to owners	211	0	0
III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	212	0	0
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	213	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	214	31.333.914	1.021.879
APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)			
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)	215	0	0
1 Attributable to owners of the parent	216	0	0
2 Attributable to minority (non-controlling) interest	217	0	0

7.2 FINANCIAL OPERATING RESULTS AT COMPANY LEVEL

7.2.2 FINANCIAL POSITION OF THE COMPANY

BALANCE SHEET- balance as at 31/12/2020

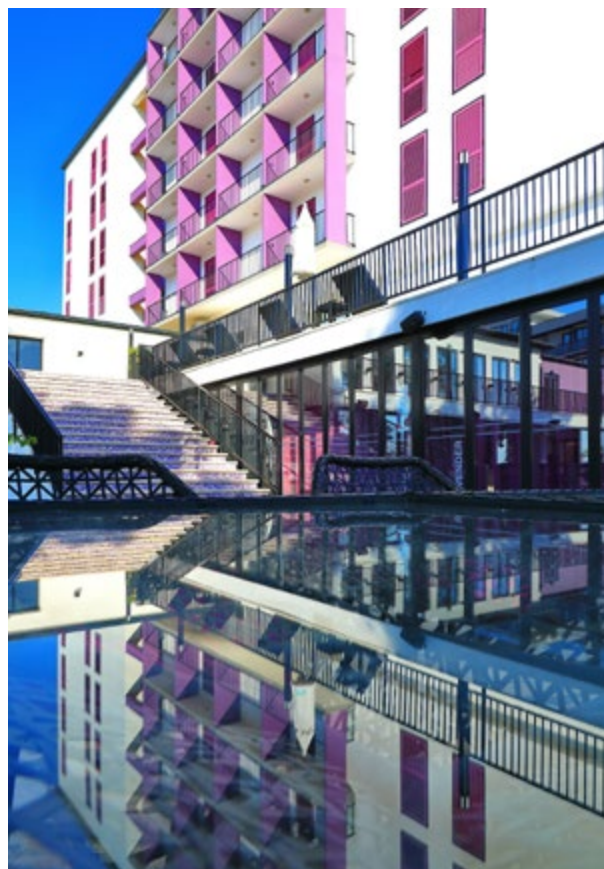
Submitter: ILIRIJA d.d. BIOGRAD NA MORU

Item	ADP code	Last day of the preceding business year 31/12/2019	At the reporting date of the current period 31/12/2020
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (ADP 003+010+020+031+036)	002	451.237.022	448.901.984
I INTANGIBLE ASSETS (ADP 004 to 009)	003	491.093	91.017
1 Research and development	004	0	0
2 Concessions, patents, licences, trademarks, software and other rights	005	0	0
3 Goodwill	006	0	0
4 Advance payments for purchase of intangible assets	007	0	0
5 Intangible assets in preparation	008	491.093	91.017
6 Other intangible assets	009	0	0
II TANGIBLE ASSETS (ADP 011 to 019)	010	450.707.235	448.772.808
1 Land	011	43.295.283	43.295.283
2 Buildings	012	260.792.927	261.075.724
3 Plant and equipment	013	66.366.411	65.673.584
4 Tools, working inventory and transportation assets	014	0	0
5 Biological assets	015	0	0
6 Advance payments for purchase of tangible assets	016	1.042.209	321.986
7 Tangible assets in preparation	017	2.540.833	478.987
8 Other tangible assets	018	0	0
9 Investment property	019	76.669.572	77.927.244
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	020	38.694	38.159
1 Investments in holdings (shares) of undertakings within the group	021	38.694	38.159
2 Investments in other securities of undertakings within the group	022	0	0
3 Loans, deposits, etc. to undertakings within the group	023	0	0
4 Investments in holdings (shares) of companies linked by virtue of participating interest	024	0	0
5 Investment in other securities of companies linked by virtue of participating interest	025	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	026	0	0
7 Investments in securities	027	0	0
8 Loans, deposits, etc. given	028	0	0
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	0	0
IV RECEIVABLES (ADP 032 to 035)	031	0	0
1 Receivables from undertakings within the group	032	0	0
2 Receivables from companies linked by virtue of participating interests	033	0	0
3 Customer receivables	034	0	0
4 Other receivables	035	0	0
V. Deferred tax assets	036	0	0
C) CURRENT ASSETS (ADP 038+046+053+063)	037	34.041.069	27.768.064

I INVENTORIES (ADP 039 to 045)	038	1.767.333	1.059.513
1 Raw materials	039	1.767.333	1.059.513
2 Work in progress	040	0	0
3 Finished goods	041	0	0
4 Merchandise	042	0	0
5 Advance payments for inventories	043	0	0
6 Fixed assets held for sale	044	0	0
7 Biological assets	045	0	0
II RECEIVABLES (ADP 047 to 052)	046	15.740.381	3.284.530
1 Receivables from undertakings within the group	047	0	0
2 Receivables from companies linked by virtue of participating interest	048	0	0
3 Customer receivables	049	6.538.208	2.781.284
4 Receivables from employees and members of the undertaking	050	934.008	0
5 Receivables from government and other institutions	051	8.087.553	322.994
6 Other receivables	052	180.612	180.252
III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	053	1.293.052	67.291
1 Investments in holdings (shares) of undertakings within the group	054	0	0
2 Investments in other securities of undertakings within the group	055	0	0
3 Loans, deposits, etc. to undertakings within the group	056	0	0
4 Investments in holdings (shares) of companies linked by virtue of participating interest	057	0	0
5 Investment in other securities of companies linked by virtue of participating interest	058	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interest	059	0	0
7 Investments in securities	060	0	0
8 Loans, deposits, etc. given	061	1.293.052	67.291
9 Other financial assets	062	0	0
IV CASH AT BANK AND IN HAND	063	15.240.303	23.356.730
D) PREPAID EXPENSES AND ACCRUED INCOME	064	0	0
E) TOTAL ASSETS (ADP 001+002+037+064)	065	485.278.091	476.670.048
OFF-BALANCE SHEET ITEMS	066	0	0
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	067	346.783.375	348.072.518
I. INITIAL (SUBSCRIBED) CAPITAL	068	229.146.480	229.146.480
II CAPITAL RESERVES	069	2.932.389	2.932.389
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	27.737.949	37.405.213
1 Legal reserves	071	14.677.986	24.077.986
2 Reserves for treasury shares	072	6.975.716	6.975.716
3 Treasury shares and holdings (deductible item)	073	-1.438.432	-1.171.168
4 Statutory reserves	074	0	0
5 Other reserves	075	7.522.679	7.522.679
IV REVALUATION RESERVES	076	0	0
V FAIR VALUE RESERVES (ADP 078 to 080)	077	0	0
1 Fair value of financial assets available for sale	078	0	0
2 Cash flow hedge - effective portion	079	0	0
3 Hedge of a net investment in a foreign operation - effective portion	080	0	0
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	081	55.632.643	77.566.557
1 Retained profit	082	55.632.643	77.566.557
2 Loss brought forward	083	0	0

VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084	31.333.914	1.021.879
1 Profit for the business year	085	31.333.914	1.021.879
2 Loss for the business year	086	0	0
VIII MINORITY (NON-CONTROLLING) INTEREST	087	0	0
B) PROVISIONS (ADP 089 to 094)	088	0	0
1 Provisions for pensions, termination benefits and similar obligations	089	0	0
2 Provisions for tax liabilities	090	0	0
3 Provisions for ongoing legal cases	091	0	0
4 Provisions for renewal of natural resources	092	0	0
5 Provisions for warranty obligations	093	0	0
6 Other provisions	094	0	0
C) LONG-TERM LIABILITIES (ADP 096 to 106)	095	98.390.585	105.848.809
1 Liabilities towards undertakings within the group	096	0	0
2 Liabilities for loans, deposits, etc. to companies within the group	097	0	0
3 Liabilities towards companies linked by virtue of participating interest	098	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	099	0	0
5 Liabilities for loans, deposits etc.	100	0	0
6 Liabilities towards banks and other financial institutions	101	98.390.585	105.848.809
7 Liabilities for advance payments	102	0	0
8 Liabilities towards suppliers	103	0	0
9 Liabilities for securities	104	0	0
10 Other long-term liabilities	105	0	0
11 Deferred tax liability	106	0	0
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	107	38.250.098	20.986.782
1 Liabilities towards undertakings within the group	108	0	0
2 Liabilities for loans, deposits, etc. to companies within the group	109	0	0
3 Liabilities towards companies linked by virtue of participating interest	110	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	111	0	0
5 Liabilities for loans, deposits etc.	112	0	0
6 Liabilities towards banks and other financial institutions	113	18.874.300	9.078.805
7 Liabilities for advance payments	114	0	192.879
8 Liabilities towards suppliers	115	14.968.333	7.609.349
9 Liabilities for securities	116	0	0
10 Liabilities towards employees	117	2.566.738	1.482.594
11 Taxes, contributions and similar liabilities	118	679.607	1.462.035
12 Liabilities arising from the share in the result	119	0	0
13 Liabilities arising from fixed assets held for sale	120	0	0
14 Other short-term liabilities	121	1.161.120	1.161.120
E) ACCRUALS AND DEFERRED INCOME	122	1.854.033	1.761.939
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	123	485.278.091	476.670.048
G) OFF-BALANCE SHEET ITEMS	124	0	0

7.2.2 FINANCIAL POSITION OF THE COMPANY



KEY FINANCIAL

INDICATORS OF THE STATUS OF THE COMPANY AS AT 31/12/2020

Since the table providing an overview of the Company's key indicators covers the period of 2010–2020 (eleven years), the realized described indicators are also listed in absolute amounts and growth rates.

1

The value of the Company assets as at 31 December 2020 amounts to HRK 476,670,047.64, dropping by HRK 8,608,043.28 or 1.77% compared to 2019, when it amounted to HRK 485,278,090.92. The value of the Company assets increased from HRK 275,510,614.87 in 2010 by HRK 201,159,432.77 or 73.01%.

2

Company's total liabilities amounted to HRK 128,597,530.12, decreasing by HRK 9,897,186.42 or 7.15% compared to 2019, when they amounted to HRK 138,494,716.54, which is a result of decrease of current liabilities, in particular trade payables, and settlement of loan interest liabilities for 2020 before their maturity.

Total liabilities of the Company as at 31 December 2020 are lower by HRK 13,710,625.11 or 9.63% compared to total liabilities of the Company as at 31 Decem-

ber 2010 when they amounted to HRK 142,308,155.23.

3

The Company's equity and reserves as at 31 December 2020 amounted to HRK 348,072,517.52, which is a HRK 1,289,143.14 increase compared to 2019, when they amounted to HRK 346,783,374.38. This increase is due to the generated operating profit.

Comparing equity and reserves of the Company as at 31 December 2020, they increased by HRK 214,870,057.88 or 161.31% compared to the same period in 2010 when they amounted to HRK 133,202,459.64.

4

The Company's total revenue amounted to HRK 97,737,763.82, decreasing by HRK 70,059,793.04 or 41.75% relative to 2019, when it amounted to HRK 167,797,556.86. The lower revenue was a result of a decrease in the realized operating revenue, or sales

revenue, across all sectors, in particular the significant decrease in the revenue realized by the hotel sector. The Company's total revenue, compared to the same period in 2010 when it amounted to HRK 91,364,944.55, increased by HRK 6,372,819.27 or 6.98%.

5

The Company realized an operating profit in the amount of HRK 21,197,695.74, which is HRK 29,026,920.93 or 57.79% less than in 2019, when it amounted to HRK 50,224,616.67, as a result of significantly decreased realization of operating revenue.

Comparing the operating profit generated in the reporting period of 2020 to the operating profit in 2010 when it amounted to HRK 25,112,703.16, a 15.59% decrease was recorded.

6

EBITDA was realized in the amount of HRK 21,294,901.08, recording a drop of 57.67% or HRK 29,015,353.13 compared to the same period in 2019 when it amounted to HRK 50,310,254.21.

The realized EBITDA in the reporting period has decreased by HRK 3,083,415.50 or 12.65% compared to

2010 when it amounted to HRK 24,378,316.58.

7

The Company's profit in the reporting period amounts to HRK 1,021,879.54, decreasing by HRK 30,312,034.12 or 96.74% compared to 2019, when it amounted to HRK 31,333,913.66. Despite the extraordinary circumstances of doing business and great uncertainty as to performing business activities considering the unpredictable nature of the global pandemic and the fact that the Company's business activity was among those most affected by the pandemic, taking into account that it retained full employment and successfully completed the initiated investment cycle, the Company considers the realized operating profit, even though it was significantly lower compared to the previous business year, to be a success.

Profit realized in 2020, compared to the profit generated in 2010 that amounted to HRK 11,512,758.85, has decreased by HRK 10,490,879.31 or 91.12%.

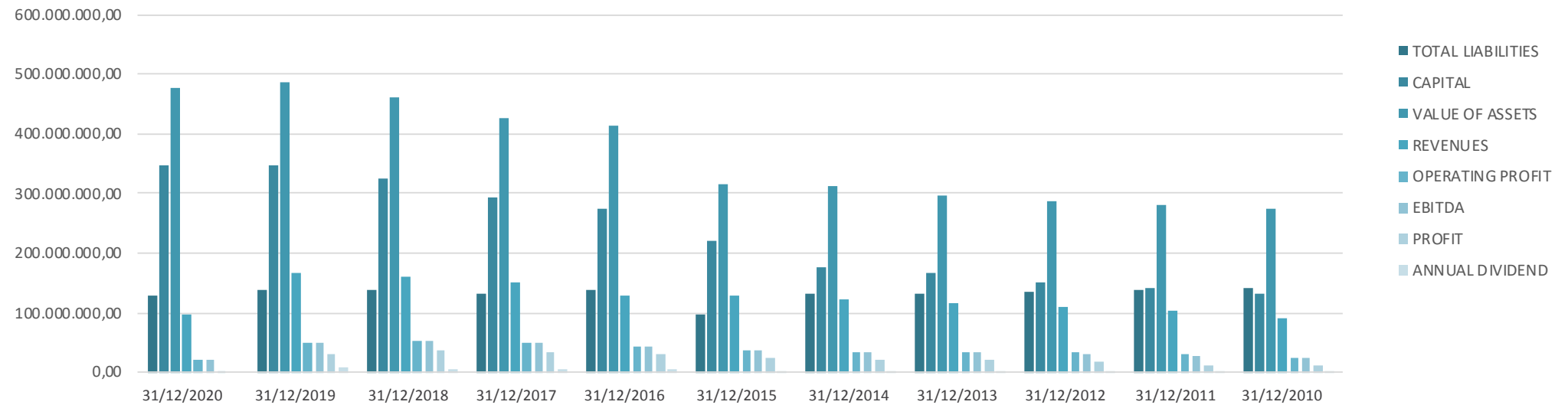


CUMULATIVE COMPARATIVE OVERVIEW

of fundamental operating results, as well as asset, capital and liability indicators of the Company as at 31/12/2020,
and for the same period of 2010-2020

YEAR	TOTAL LIABILITIES	CAPITAL	VALUE OF ASSETS	REVENUES	OPERATING PROFIT	EBITDA	PROFIT	ANNUAL DIVIDEND
1	2	3	4	5	6	7	8	9
31/12/2020	128.597.530,12	348.072.517,52	476.670.047,64	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	167.797.556,86	50.224.616,67	50.310.254,21	31.333.913,66	8.417.962,00
31/12/2018	138.016.497,87	324.375.413,08	462.391.910,95	161.048.880,05	52.657.489,21	54.216.254,17	37.035.167,22	7.221.240,00
31/12/2017	131.841.078,15	294.216.184,59	426.057.262,74	150.476.677,41	48.636.138,92	49.597.271,10	33.885.784,54	6.016.540,00
31/12/2016	137.502.260,55	275.683.907,98	413.186.168,53	129.019.007,31	43.599.262,35	45.027.129,46	31.240.796,80	4.937.148,00
31/12/2015	96.706.510,04	220.353.306,88	317.059.816,92	128.146.488,63	37.282.937,82	37.767.207,06	25.510.539,54	3.740.790,00
31/12/2014	133.053.616,64	177.858.715,67	310.912.332,31	122.873.752,12	32.955.338,23	33.211.137,28	20.385.115,12	3.740.790,00
31/12/2013	131.195.062,79	166.861.394,25	298.056.457,04	117.320.406,69	35.656.918,81	32.847.699,25	20.129.183,90	3.740.790,00
31/12/2012	136.546.285,85	151.895.416,40	288.441.702,25	111.134.832,70	33.826.442,35	31.157.639,71	18.255.129,12	3.740.790,00
31/12/2011	139.927.300,98	140.262.242,54	280.189.543,52	103.735.228,95	30.013.975,99	28.030.097,35	13.249.683,38	3.740.790,00
31/12/2010	142.308.155,23	133.202.459,64	275.510.614,87	91.364.944,55	25.112.703,16	24.378.316,58	11.512.758,85	3.740.790,00

A graph of basic performance, as well as Company asset, capital and liability indicators as at 31 December 2020, and for the period 2010-2020



Financial performance indicators in 2020 and 2019

In these extraordinary business conditions of 2020, the Company realized business results which ensured stability, resilience and sustainability of its business activities, with poorer values of performance indicators, which is to be expected considering the circumstances of the business year.

Indicator	2019	2020	Index 2020/2019	
Financial stability, liquidity and indebtedness				
Self-financing rate	71,46%	73,02%	1,022	Share of equity capital in total fund sources (i.e. in total liabilities & stockholders' equity).
The degree of indebtedness	28,54%	26,98%	0,945	Share of debt in total fund sources (i.e. in total liabilities & stockholders' equity).
Financial stability coefficient	1,01	0,99	0,976	Fixed assets to long-term sources ratio (shareholders' capital and reserves increased by long-term liabilities).
Accelerated liquidity coefficient	0,80	1,17	1,459	Ratio of current assets reduced by the stocks and short-term liabilities.
Current liquidity coefficient	0,85	1,22	1,438	Current assets to short-term liabilities ratio.
Activity indicators				
Ratio of total assets turnover	0,35	0,21	0,593	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	4,93	3,52	0,714	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	1,23	1,01	0,822	Total revenue and total expenses ratio.
Profitability	18,67%	1,05%	0,056	Net profit/loss and total revenue ratio.
Return on assets	6,46%	0,21%	0,033	Annual rate of return on invested assets indicates the profit/loss and total asset ratio.
Share of EBITDA in total revenue	29,98%	21,79%	0,727	Earnings before interests, taxes, depreciation and amortization to total revenue ratio.
Share of EBIT in total revenue	21,41%	5,75%	0,269	Earnings before interests and taxes to total revenue ratio.

Structure of resources and source of resources in the balance sheet as at 31/12/2020

Indicator	2019	2020	Index 2020/2019
Share of fixed assets in the assets	92,99	94,17	101,27
Share of current assets in the assets	7,01	5,83	83,17
Share of capital in reserves and in liabilities	71,46	73,02	102,18
Share of long-term commitments in the liabilities	20,28	22,21	109,52
Share of short-term commitments in the liabilities	7,88	4,40	55,84
Share of operating revenue			
Share of operating revenue in equity and reserves	48,36	28,05	58,00
Share of operating revenue in long-term commitments	170,46	92,25	54,12
Share of operating revenue in total commitments	121,10	75,93	62,70
Share of operating revenue in liabilities	34,56	20,48	59,26

Long-term loan liabilities as at 31/12/2020

	31.12.2020.	31.12.2019.	Index 2020./2019.
I LONG - TERM LIABILITIES (1+2+3+4)	89.636.221,04 kn	83.101.427,18 kn	107,86
1.Long term loan of ERSTE & STEIERMAERKISCHE BANK d.d. Agreement: 511766121 (5.743.106,66 EUR)	41.403.243,56 kn	39.927.233,79 kn	103,70
2.Long term loan of ERSTE & STEIERMAERKISCHE BANK d.d. From HBOR-a Agreement:5114305381 (1.483.554,08 EUR)	10.548.486,50 kn	10.201.722,22 kn	103,40
3.Long term loan of ERSTE & STEIERMAERKISCHE BANK d.d. Agreement: 517663485 (4.733.333,46 EUR)	33.916.042,13 kn	32.972.471,17 kn	102,86
4.Long term loan of ERSTE & STEIERMAERKISCHE BANK d.d. Agreement: 5117936292 (600.000,00 EUR)	3.768.448,85 kn		#DIV/0!
II LOAN TERMS (1 + 2 +3+4)			
1. For the loan under number 1 loan will be repaid in 46 equal quarter installments by the amount of 124.850,14 EUR commencing as of 01.07.2021. do 01.10.2032. Interest: fixed by 2,6%			
2. For the loan under number 2 repayment will be made in 53 quarter installments. The first installment falls due 30/06/2021, and the last 30/06/2034 in equal installments by the amount of 27.991,59 EUR. Interest: variable 3%			
3. For the loan under number 3 repayment will be made in 142 monthly installments. The first installment falls due 01/06/2021, and the last on 01/03/2033 in equal installments by the amount of 33.333,33 EUR. Interest: fixed by 2,60%			
4. For the loan under number 4 repayment will be made in 36 monthly installments. The first installment falls due 01/07/2021, and the last on 01/06/2024 in equal installments by the amount 16.666,62 EUR. Interest: fixed by 2,6%			
Financial long-term leasing	16.212.587,89 kn	15.289.157,60 kn	106,04
TOTAL LONG-TERM LIABILITIELS	105.848.808,93 kn	98.390.584,78 kn	107,58

OPERATING AND OTHER COSTS

The operating costs for 2020 amounted to HRK 76,442,862.74 or 34.94% less compared to the previous business year as a consequence of reduced business activities due to the pandemic business conditions and rationalization of all operating costs.

FINANCIAL EXPENSES

The financial expenses for 2020 amounted to HRK 4,599,367.76 and were HRK 2,461.20 or 0.05% higher than in 2019 due to an increase in the costs caused by increased foreign exchange losses related to long-term loans.

LIQUIDITY

One of the primary Company 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.

Also, the Company concluded an Annex to the Loan Agreement with the commercial bank Erste&Steiermarkische Bank d.d., postponing all outstanding liabilities for long-term loans for a period of one year, and at the same time converted the existing short-term loan in the amount of EUR 600,000.00 due in summer of 2021 to a mid-term loan in the same amount with a repayment term of three years and a grace period of one year, which is significantly better for maintaining the Company's current liquidity. The credit obligations of the Company have not increased.

The Company arranged a deferral of payment of all monthly financial leasing instalments with the commercial bank Erste&Steiermarkische Bank d.d. for the period from 1 April 2020 to 31 March 2021.

SHARE DISTRIBUTION

There was no share distribution in the reporting period.

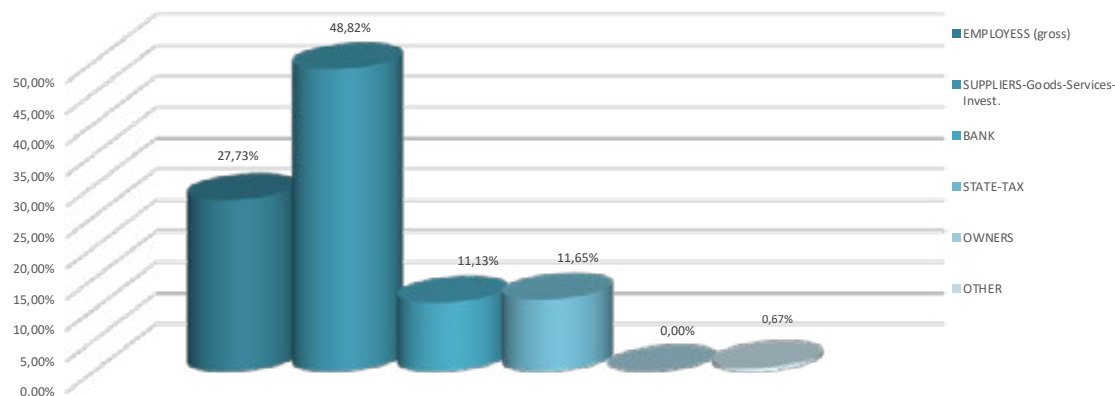
EARNINGS PER SHARE

Earnings per share for 2020 amounted to HRK 0.42.

7.2. FINANCIAL RESULTS AT COMPANY LEVEL:

7.2.3. COMPANY CASH FLOW

Cash flow for the period 01/01-31/12/2020



INFLOW OF FUNDS (HRK)	12/2019	12/2020	Structure
OPERATING ACTIVITIES	195.497.313,09	112.614.033,81	83,83%
BANK	6.719.676,40	7.143.546,79	5,32%
OTHER	1.033.260,84	14.580.892,72	10,85%
TOTAL	203.250.250,33	134.338.473,32	100,00%

OUTFLOW OF FUNDS (HRK)	12/2019	12/2020	Structure
EMPLOYESS (gross)	52.002.705,82	34.382.526,75	27,73%
SUPPLIERS-Goods-Services-Invest.	88.071.938,84	60.523.883,33	48,82%
BANK	22.530.322,16	13.799.103,62	11,13%
STATE-TAX	26.127.961,43	14.441.459,59	11,65%
OWNERS	8.402.797,05	2.968,00	0,00%
OTHER	1.008.789,89	828.246,01	0,67%
TOTAL	198.144.515,19	123.978.187,30	100,00%

*Note:

Other flows include:

I Corporate income tax overpayment in the amount of HRK 6,957,217.64.

II Support from the Job Retention Scheme of the Government of the Republic of Croatia in the amount of HRK 6,809,987.99

III Other flows in the amount of HRK 813,687.09

8 ADDITIONAL INFORMATION

8.1 INVESTMENTS IN 2020

The Company invested HRK 13,850,731.79 realized mainly in the camping, nautical and real estate sector for the purpose of improving the overall quality and standards of existing services, i.e. for maintaining the four-star rating level at the "Park Soline" campsite and raising the rating for the Marina Kornati to the four-anchor level and increasing the capacity of the City Galleria Business and Shopping Center. Taking into account the circumstances caused by the COVID-19 pandemic and the fact that the Company is benefiting from incentives in the form of exemption from paying corporation tax for the period 2018-2020, the Company successfully completed all ongoing investments in capacities and facilities in all sectors.

Investments in the camping sector were focused on modernizing the campsite accommodation capacities and upgrading its equipment and design, renovation and adaptation of all sanitary facilities, improving its infrastructure, installation of optical network and improvement of the Wi-Fi signal, paving roads, construction of paths and parking lots within the campsite, and its further horticultural landscaping.

In the nautical sector, the Company's aim was to raise the category of Marina Kornati from a two- to a four-anchor rating, which was accomplished in October when Marina Kornati was put into a new category.

The investments made in 2020 were related to the improvement of the service quality and standards in Marina Kornati with special emphasis on common, business and hospitality facilities within the marina, landscaping of the C pier crossing bridge in the southern waters of the marina, adaptation of sanitary facilities and further horticultural landscaping of the marina environment.

By concluding real property sale and purchase agreements in December 2020, the Company bought three business premises properties in the commercial building in the Shopping Center in Zadar; in particular, business premises in a commercial building with a total surface area of 142.13 m². In December 2020, the Company was entered as the owner of the mentioned real properties in the land registers of the Municipal Court in Zadar. At the moment of conclusion of the Real Property Sale and Purchase Agreements, the business premises were leased out pursuant to valid lease agreements; thus, on the day of conclusion of the Sale and Purchase Agreements, all of the rights and obligations arising from the aforementioned Lease Agreements, including also rent collection, were transferred to Ilirija d.d.

8.2 NON-PERFORMING ASSETS

An additional impact on the value of Company shares comes from non-performing assets, which are owned by the Company, but they are neither used for core activities of the Company, nor do they provide economic benefits to the Company.

The most important non-performing assets owned by the Company are unused land plots (10–12 acres in total) at highly attractive locations:

Land plot, Sv. Filip i Jakov: The Company owns a building site of approximately 2.5 acres in Sv. Filip i Jakov, of which only a smaller portion is used (Villa Donat), while approximately 20,000 m² of the site is unused. According to the preliminary design, the Company plans to build 8 detached villas with apartments at the unused portion of the land plot, and expand the existing accommodation and service facilities. The Municipality of Sv. Filip i Jakov adopted a Detailed Plan for the Development of a Mixed Hospitality and Tourism Zone (TI-hotel).

Land plot, Villa Primorje: The Company owns approximately 2.5 acres of land near the Villa Primorje Hotel, of which only a smaller portion is used (approximately 10% of the total surface area). Apart from the existing physical plan, there is a possibility of building a settlement of traditional Dalmatian villas at the unused portion of the plot. The unused part of the

plot is in direct contact with a building site.

Land plot, 'Ilirija' Tennis Center: The Company owns approximately 4.9 acres of land in Biograd na Moru within the borders of the Soline Park, where only a smaller portion is used (Ilirija Tennis Center at approximately 25% of the total surface area), which does not generate any income for the Company. Apart from completing the planning documentation for the plot, there is a possibility of building a modern multifunctional medical and tourist hotel recreation center.

Land plot, Polača: The Company owns a building site of approximately 2.5 acres in Polača, located along the state road, which connects Biograd with the local motorway (regional importance). The site is equipped with basic communal infrastructure and Ilirija d.d. plans to use it to build a dry marina, which would be functionally connected with the existing nautical capacities owned by Ilirija d.d.

8.3 SIGNIFICANT EVENTS

The Company concluded a Memorandum of Understanding on the principles of accession to the reporting program on the study of listed medium and small enterprises of Southeast Europe with the Zagreb Stock Exchange. Consequently, the Company will participate in a two-year program of the Zagreb Stock Exchange and the European Bank for Reconstruction and Development, which aims to increase public availability of investment research reporting for listed SMEs, as well as to provide additional unexplored information on the said companies.

At the meeting held on 04/03/2020, the Company's Supervisory Board gave its consent to the Management Board for the conclusion of Annex 2 to the Loan Agreement concluded with Erste&Steiermarkische Bank d.d. pertaining to the reduction of the existing interest rate.

On 13 March 2020, the Company released the Information on the impact of COVID-19 on business.

The Company released 2,055 of its own shares, which represent 0.085% of the share capital, under the Share Transfer Agreement, concluded with the Company's employees in compliance with the Decision of the Company's Management Board on the allocation of treasury shares to the Company's employees free of charge as a reward for the business results achieved in 2019. Prior to disposing of the shares, the Company had 9,888 own shares, constituting 0.409% of the share capital, while,

following the disposal, it has a total of 7,833 own shares, constituting 0.325% of the Company's share capital.

In the reporting period, the Company also acquired 298 own shares as a result of corporate actions, as well as the acquisition and disposal of shares, while as at 30/06/2020 the Company held 7,833 own shares, constituting 0.32% of the share capital.

At the meeting held on 28/04/2020, the Company's Supervisory Board accepted the Management Board's Annual Report on the Company's Business and Situation for 2019, the Report on the Acquisition of Own Shares in 2019, the Audit Report on the Company's Business for 2019, and the Report of the Supervisory Board on Performed Supervision of Business Activities in 2019. In addition, annual financial statements for 2019 (Cash Flows, Financial Management and Condition Report), the proposal for the Decision on Profit Allocation, the proposal for the Decision on the Appointment of the Company's Auditor for 2020 and the Policy on the Admission of Members of the Management Board were established. The Supervisory Board suggested that the realized profit for the financial year 2019, in the amount of HRK 31,333,914.00 after tax, is to be allocated as follows:

- HRK 9,400,000.00 into legal reserves, and
- HRK 21,933,914.00 into the retained profit.

At the meeting held on 15/06/2020, the Supervisory Board adopted the decision on the appointment of Mr. Goran Ražnjević as the only member of the Management Board for a new term in the duration of 5 years, namely from 18/06/2020 to 18/06/2025.

At the meeting held on 25/06/2020, the Supervisory Board gave its consent to the Management Board for the conclusion of Annexes to Long-Term Loan Agreements concluded with Erste&Steiermarkische Bank d.d., as well as for the conclusion of a Loan Agreement for Permanent Working Assets with Erste&Steiermarkische Bank d.d. The Regular General Assembly of the Company was held on 10/08/2020, 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 Management Board's Report on the Company's Business and Situation for 2019,
- the Management Board's Report on the Acquisition of Own Shares for 2019,
- the Supervisory Board's Report on Performed Supervision of Business Activities in 2019,
- the Auditor's Report on the Performed Audit of the Company's Business,
- taking note of the Decision on the Establishment of

the Company's Basic Annual Financial Statements for 2019,

- the Decision on the Allocation of Profit of Ilirija d.d. for the financial year 2019
- granting discharge to the Company's Management Board,
- granting discharge to the Members of the Supervisory Board for the performed supervision of the Company's business in the previous period,
- adoption of the Decision on the Approval of the Policy on the Admission of Members of the Management Board, and
- appointment of the Company's auditor for 2020.

The Ministry of Tourism and Sport carried out the procedure of recategorisation of the Marina Kornati Nautical Tourism Port in which it established that Marina Kornati meets the requirements prescribed for the four-anchor category. Subsequently, the Marina Kornati Nautical Tourism Port received the four-anchor category rating.

In October, the Company signed agreements on deferral of payment of all monthly financial leasing instalments with the commercial bank Erste&Steiermarkische Bank d.d. until 31 March 2021.



8.4 OTHER

LEGAL MATTERS

The sentence of the High Commercial Court of the Republic of Croatia from 2016 upheld the sentence of the Commercial Court in Zadar, identifying Ilirija d.d. as the owner of the entire real estate property on Cadastral Plot 3232, in the Cadastral Municipality of Biograd, with a surface area of 48,705 m², namely the "Ilirija Tennis Center" with the surrounding land. Thus, the dispute regarding the ownership right over the "Ilirija Tennis Center" was finally disposed of in favour of the Company.

By the Decision of the Constitutional Court of the Republic of Croatia No. U-III-4392/16 of 5 July 2017, the Constitutional Complaint of the Company was adopted, and the sentence of the Supreme Court of the Republic of Croatia was set aside. The sentence set aside rejected the review of Ilirija d.d. in the case pertaining to the compensation of damages against the town of Biograd na Moru, for the purpose of conversion of the real estate "Primorje" from a construction area into the so-called "Area with landscape features", and the case was referred back to the Supreme Court of the Republic of Croatia.

The sentence of the County Court in Zadar, No. 6 Gž-

751/16-2 of 13 June 2017 reversed the sentence of the Municipal Court in Zadar, Permanent Service in Biograd na Moru, of January 2016, and rejected the claim of the town of Biograd na Moru as unfounded. By said claim, the town of Biograd na Moru requested that the Forest Land Lease Agreement concluded between Ilirija d.d. and Hrvatske šume d.o.o. Zagreb, Forest Administration, Split Branch, be declared null and void. Thus, the dispute was finally disposed of in favour of Ilirija d.d., and given the fact that the land in question is tourist land not assessed in the process of conversion and privatization, Ilirija d.d. has already, within the legal deadline, submitted a request to the Government of the Republic of Croatia through the Ministry of Tourism of the Republic of Croatia, for a concession on the co-owned part of the Republic of Croatia, for the use of the "Park Soline" Campsite for 50 years. 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 possibility to submit an application for leasing construction tourist land for a period of 50 years, which the Company will certainly do, i.e. it will submit an appropriate application within the prescribed time period.

As for the disputes in which the Company participates, both actively or passively, we estimate that such disputes cannot significantly disrupt the Company's business, nor can they cause significant financial expenses for the Company or negatively affect the Company's current and future financial results.

BUSINESS MONITORING AND REPORTING ON A DAILY, WEEKLY AND MONTHLY BASIS

At the level of all sectors and the Company as a whole, a business monitoring system for all business segments was established, namely for monitoring on a daily, weekly and monthly basis in accordance with the applicable Croatian and world reporting standards for the tourism industry. This enabled timely and quality monitoring of achieved operating results as well as the development of quality forecasts and business plans throughout the business year, which created the foundations for a more efficient and rational management of the entire business process, as well as improved and accelerated the overall reporting process at all levels, and especially in the operational part of the Company's business.

MERGERS AND ACQUISITIONS

There were no mergers and acquisitions.



8.5 NOTES

The Company has all the permits required for the performance of its activities, such as the decisions on categorization and on meeting the minimum technical work requirements, as well as water rights permits, etc.

Goran Ražnjević,
President of the Management Board

ILIRIJA dioničko društvo
za ugostiteljstvo i turizam
Biograd na Moru



9 FINANCIAL REPORT FOR THE YEAR 2020

9.1. REPRESENTATION LETTER

ILIRIJA d.d.
BIOGRAD NA MORU

Biograd na Moru, 11/02/2021

Statement made by the persons responsible for the preparation of the financial statements for the period from 01/01/2020–31/12/2020

According to Article 403-410 of the Capital Market Act, we declare that:

Financial statements of Ilirija d.d., Biograd na Moru, Tina Ujevića 7, Tax No. OIB: 05951496767, for the period January - December of 2020 have been prepared in accordance with International Financial Reporting Standards and Croatian Accounting Act.

The financial statements give a true and fair view of the financial position of the Company as at 31/12/2020, operating results and cash flows of the Company in accordance with International Financial Reporting Standards.

The Management's Report gives a true overview of operating results and position of the Company as at 31/12/2020

Accounting Manager::
Zorka Strpić



ILIRIJA dioničko društvo
za ugostiteljstvo i turizam
Biograd na Moru

Management Board:
Goran Ražnjević



9.2 FINANCIAL REPORT FOR THE YEAR 2020

Annex 1

ISSUER'S GENERAL DATA

Reporting period: 01/01/2020 to 31/12/2020
 Year: 2020
 Quarter:

Annual financial statements

Registration number (MB): 03311953 Issuer's home Member State code:

Entity's registration number (MBS): 060032302

Personal identification number (OIB): 05951496767 LEI: 74780000VOGH8Q3K5K76

Institution code: 1271

Name of the issuer: ILIRIJA d.d. BIOGRAD NA MORU

Postcode and town: 23210 BIOGRAD NA MORU

Street and house number: TINA UJEVIĆA 7

E-mail address: ilirija@zd.t-com.hr

Web address: www.ilirijabiograd.com

Number of employees (end of the reporting period): 251

Consolidated report: KN (KN-not consolidated/KD-consolidated)

Audited: RD (RN-not audited/RD-audited)

Names of subsidiaries (according to IFRS): Registered office: MB:

Bookkeeping firm: (Yes/No) (name of the bookkeeping firm)

Contact person: STRPIĆ ZORKA (only name and surname of the contact person)

Telephone: 023/383178

E-mail address: zorkas@ilirijabiograd.com

Audit firm: REVICON d.o.o. ZADAR (name of the audit firm)

Certified auditor: MARTINA MUSTAĆ (name and surname)

BALANCE SHEET			
balance as at 31/12/2020 in HRK			in HRK
Submitter: ILIRIJA d.d. BIOGRAD NA MORU			
Item	ADP code	Last day of the preceding business year 31/12/2019	At the reporting date of the current period 31.12.2020.
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (ADP 003+010+020+031+036)	002	451.237.022	448.901.984
I INTANGIBLE ASSETS (ADP 004 to 009)	003	491.093	91.017
1 Research and development	004	0	0
2 Concessions, patents, licences, trademarks, software and other rights	005	0	0
3 Goodwill	006	0	0
4 Advances for the purchase of intangible assets	007	0	0
5 Intangible assets in preparation	008	491.093	91.017
6 Other intangible assets	009	0	0
II TANGIBLE ASSETS (ADP 011 to 019)	010	450.707.235	448.772.808
1 Land	011	43.295.283	43.295.283
2 Buildings	012	260.792.927	261.075.724
3 Plant and equipment	013	66.366.411	65.673.584
4 Tools, working inventory and transportation assets	014	0	0
5 Biological assets	015	0	0
6 Advances for the purchase of tangible assets	016	1.042.209	321.986
7 Tangible assets in preparation	017	2.540.833	478.987
8 Other tangible assets	018	0	0
9 Investment property	019	76.669.572	77.927.244
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	020	38.694	38.159
1 Investments in holdings (shares) of undertakings within the group	021	38.694	38.159
2 Investments in other securities of undertakings within the group	022	0	0
3 Loans, deposits, etc. to undertakings within the group	023	0	0
4. Investments in holdings (shares) of companies linked by virtue of participating interests	024	0	0
5 Investment in other securities of companies linked by virtue of participating interests	025	0	0
6 Loans, deposits etc. given to companies linked by virtue of participating interests	026	0	0
7 Investments in securities	027	0	0
8 Loans, deposits, etc. given	028	0	0
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	0	0
IV RECEIVABLES (ADP 032 to 035)	031	0	0
1 Receivables from undertakings within the group	032	0	0
2 Receivables from companies linked by virtue of participating interests	033	0	0
3 Customer receivables	034	0	0
4 Other receivables	035	0	0
V DEFERRED TAX ASSETS	036	0	0
C) CURRENT ASSETS (ADP 038+046+053+063)	037	34.041.069	27.768.064
I INVENTORIES (ADP 039 to 045)	038	1.767.333	1.059.513
1 Raw materials and consumables	039	1.767.333	1.059.513
2 Work in progress	040	0	0
3 Finished goods	041	0	0
4 Merchandise	042	0	0
5 Advances for inventories	043	0	0
6 Fixed assets held for sale	044	0	0
7 Biological assets	045	0	0

II RECEIVABLES (ADP 047 to 052)	046	15.740.381	3.284.530
1 Receivables from undertakings within the group	047	0	0
2 Receivables from companies linked by virtue of participating interests	048	0	0
3 Customer receivables	049	6.538.208	2.781.284
4 Receivables from employees and members of the undertaking	050	934.008	0
5 Receivables from government and other institutions	051	8.087.553	322.994
6 Other receivables	052	180.612	180.252
III CURRENT FINANCIAL ASSETS (ADP 054 to 062)	053	1.293.052	67.291
1 Investments in holdings (shares) of undertakings within the group	054	0	0
2 Investments in other securities of undertakings within the group	055	0	0
3 Loans, deposits, etc. to undertakings within the group	056	0	0
4 Investments in holdings (shares) of companies linked by virtue of participating interests	057	0	0
5 Investment in other securities of companies linked by virtue of participating interests	058	0	0
6 Loans, deposits etc. to companies linked by virtue of participating interests	059	0	0
7 Investments in securities	060	0	0
8 Loans, deposits, etc. given	061	1.293.052	67.291
9 Other financial assets	062	0	0
IV CASH AT BANK AND IN HAND	063	15.240.303	23.356.730
D) PREPAID EXPENSES AND ACCRUED INCOME	064	0	0
E) TOTAL ASSETS (ADP 001+002+037+064)	065	485.278.091	476.670.048
OFF-BALANCE SHEET ITEMS	066	0	0
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	067	346.783.375	348.072.518
I INITIAL (SUBSCRIBED) CAPITAL	068	229.146.480	229.146.480
II CAPITAL RESERVES	069	2.932.389	2.932.389
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	27.737.949	37.405.213
1 Legal reserves	071	14.677.986	24.077.986
2 Reserves for treasury shares	072	6.975.716	6.975.716
3 Treasury shares and holdings (deductible item)	073	-1.438.432	-1.171.168
4 Statutory reserves	074	0	0
5 Other reserves	075	7.522.679	7.522.679
IV REVALUATION RESERVES	076	0	0
V FAIR VALUE RESERVES (ADP 078 to 080)	077	0	0
1 Fair value of financial assets available for sale	078	0	0
2 Cash flow hedge - effective portion	079	0	0
3 Hedge of a net investment in a foreign operation - effective portion	080	0	0
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	081	55.632.643	77.566.557
1 Retained profit	082	55.632.643	77.566.557
2 Loss brought forward	083	0	0
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084	31.333.914	1.021.879
1 Profit for the business year	085	31.333.914	1.021.879
2 Loss for the business year	086	0	0
VIII MINORITY (NON-CONTROLLING) INTEREST	087	0	0
B) PROVISIONS (ADP 089 to 094)	088	0	0
1 Provisions for pensions, termination benefits and similar obligations	089	0	0
2 Provisions for tax liabilities	090	0	0
3 Provisions for ongoing legal cases	091	0	0
4 Provisions for renewal of natural resources	092	0	0
5 Provisions for warranty obligations	093	0	0
6 Other provisions	094	0	0
C) LONG-TERM LIABILITIES (ADP 096 to 106)	095	98.390.585	105.848.809
1 Liabilities to undertakings within the group	096	0	0

2 Liabilities for loans, deposits, etc. of undertakings within the group	097	0	0
3 Liabilities to companies linked by virtue of participating interests	098	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	099	0	0
5 Liabilities for loans, deposits etc.	100	0	0
6 Liabilities to banks and other financial institutions	101	98.390.585	105.848.809
7 Liabilities for advance payments	102	0	0
8 Liabilities to suppliers	103	0	0
9 Liabilities for securities	104	0	0
10 Other long-term liabilities	105	0	0
11 Deferred tax liability	106	0	0
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	107	38.250.098	20.986.782
1 Liabilities to undertakings within the group	108	0	0
2 Liabilities for loans, deposits, etc. of undertakings within the group	109	0	0
3 Liabilities to companies linked by virtue of participating interests	110	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	111	0	0
5 Liabilities for loans, deposits etc.	112	0	0
6 Liabilities to banks and other financial institutions	113	18.874.300	9.078.805
7 Liabilities for advance payments	114	0	192.879
8 Liabilities to suppliers	115	14.968.333	7.609.349
9 Liabilities for securities	116	0	0
10 Liabilities to employees	117	2.566.738	1.482.594
11 Taxes, contributions and similar liabilities	118	679.607	1.462.035
12 Liabilities arising from the share in the result	119	0	0
13 Liabilities arising from fixed assets held for sale	120	0	0
14 Other short-term liabilities	121	1.161.120	1.161.120
E) ACCRUALS AND DEFERRED INCOME	122	1.854.033	1.761.939
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	123	485.278.091	476.670.048
G) OFF-BALANCE SHEET ITEMS	124	0	0

STATEMENT OF PROFIT OR LOSS			
for the period 01/01 to 31/12/2020			
Item	ADP code	Same period of the previous year	Current period
		2019	2020
1	2	3	4
I OPERATING INCOME (ADP 126 to 130)	125	167.711.919	97.640.559
1 Income from sales with undertakings within the group	126	63.548	75.356
2 Income from sales (outside group)	127	165.425.462	89.928.901
3 Income from the use of own products, goods and services	128	935.844	32.978
4 Other operating income with undertakings within the group	129	0	0
5 Other operating income (outside the group)	130	1.287.065	7.603.324
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	131.866.736	92.116.518
1 Changes in inventories of work in progress and finished goods	132	0	0
2 Material costs (ADP 134 to 136)	133	46.010.347	27.358.320
a) Costs of raw material	134	24.356.172	11.096.341
b) Costs of goods sold	135	0	0
c) Other external costs	136	21.654.175	16.261.979
3 Staff costs (ADP 138 to 140)	137	42.362.522	30.451.269
a) Net salaries and wages	138	25.510.353	18.609.339
b) Tax and contributions from salaries expenses	139	10.836.002	7.514.665
c) Contributions on salaries	140	6.016.167	4.327.265
4 Depreciation	141	14.379.434	15.673.654
5 Other expenses	142	27.974.740	17.266.743
6 Value adjustments (ADP 144+145)	143	0	0
a) fixed assets other than financial assets	144	0	0
b) current assets other than financial assets	145	0	0
7 Provisions (ADP 147 to 152)	146	0	0
a) Provisions for pensions, termination benefits and similar obligations	147	0	0
b) Provisions for tax liabilities	148	0	0
c) Provisions for ongoing legal cases	149	0	0
d) Provisions for renewal of natural resources	150	0	0
e) Provisions for warranty obligations	151	0	0
f) Other provisions	152	0	0
8 Other operating expenses	153	1.139.693	1.366.532
III FINANCIAL INCOME (ADP 155 to 164)	154	85.638	97.205
1 Income from investments in holdings (shares) of undertakings within the group	155	0	0
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	156	0	0
3 Income from other long-term financial investment and loans granted to undertakings within the group	157	0	0
4 Other interest income from operations with undertakings within the group	158	0	0
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	0	0
6 Income from other long-term financial investments and loans	160	0	0
7 Other interest income	161	0	58.979
8 Exchange rate differences and other financial income	162	85.638	38.226
9 Unrealised gains (income) from financial assets	163	0	0
10 Other financial income	164	0	0
IV FINANCIAL EXPENDITURE (ADP 166 to 172)	165	4.596.907	4.599.367
1 Interest expenses and similar expenses with undertakings within the group	166	0	0
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	0	0
3 Interest expenses and similar expenses	168	4.011.172	3.297.973
4 Exchange rate differences and other expenses	169	585.735	1.286.382
5 Unrealised losses (expenses) from financial assets	170	0	0
6 Value adjustments of financial assets (net)	171	0	0
7 Other financial expenses	172	0	15.012
V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	173	0	0
VI SHARE IN PROFIT FROM JOINT VENTURES	174	0	0
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	175	0	0

VIII SHARE IN LOSS OF JOINT VENTURES	176	0	0
IX TOTAL INCOME (ADP 125+154+173 + 174)	177	167.797.557	97.737.764
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	178	136.463.643	96.715.885
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	179	31.333.914	1.021.879
1 Pre-tax profit (ADP 177-178)	180	31.333.914	1.021.879
2 Pre-tax loss (ADP 178-177)	181	0	0
XII INCOME TAX	182	0	0
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	31.333.914	1.021.879
1 Profit for the period (ADP 179-182)	184	31.333.914	1.021.879
2 Loss for the period (ADP 182-179)	185	0	0
DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)			
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	186	0	0
1 Pre-tax profit from discontinued operations	187	0	0
2 Pre-tax loss on discontinued operations	188	0	0
XV INCOME TAX OF DISCONTINUED OPERATIONS	189	0	0
1 Discontinued operations profit for the period (ADP 186-189)	190	0	0
2 Discontinued operations loss for the period (ADP 189-186)	191	0	0
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)			
XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)	192	0	0
1 Pre-tax profit (ADP 192)	193	0	0
2 Pre-tax loss (ADP 192)	194	0	0
XVII INCOME TAX (ADP 182+189)	195	0	0
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196	0	0
1 Profit for the period (ADP 192-195)	197	0	0
2 Loss for the period (ADP 195-192)	198	0	0
APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)			
XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199	0	0
1 Attributable to owners of the parent	200	0	0
2 Attributable to minority (non-controlling) interest	201	0	0
STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I PROFIT OR LOSS FOR THE PERIOD	202	31.333.914	1.021.879
II OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (ADP 204 to 211)	203	0	0
1 Exchange rate differences from translation of foreign operations	204	0	0
2 Changes in revaluation reserves of fixed tangible and intangible assets	205	0	0
3 Profit or loss arising from re-evaluation of financial assets available for sale	206	0	0
4 Profit or loss arising from effective cash flow hedging	207	0	0
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208	0	0
6 Share in other comprehensive income/loss of companies linked by virtue of participating interest	209	0	0
7 Actuarial gains/losses on defined remuneration plans	210	0	0
8 Other changes in equity unrelated to owners	211	0	0
III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	212	0	0
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	213	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	214	31.333.914	1.021.879
APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)			
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)	215	0	0
1 Attributable to owners of the parent	216	0	0
2 Attributable to minority (non-controlling) interest	217	0	0

STATEMENT OF CASH FLOWS - indirect method			
for the period 01/01/2020 to 31/12/2020			
			in HRK
Submitter: ILIRIJA d.d. BIOGRAD NA MORU			
Item	ADP code	Same period of the previous year 2019	Current period 2020.
1	2	3	4
Cash flow from operating activities			
1 Pre-tax profit	001	31.333.914	1.021.879
2 Adjustments (ADP 003 to 010):	002	14.379.434	16.221.597
a) Depreciation	003	14.379.434	15.673.654
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	0	547.943
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	0	0
d) Interest and dividend income	006	0	0
e) Interest expenses	007	0	0
f) Provisions	008	0	0
g) Exchange rate differences (unrealised)	009	0	0
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	0	0
I Cash flow increase or decrease before changes in working capital (ADP 001+002)	011	45.713.348	17.243.476
3 Changes in the working capital (ADP 013 to 016)	012	8.413.263	4.685.993
a) Increase or decrease in short-term liabilities	013	5.539.010	-7.467.821
b) Increase or decrease in short-term receivables	014	2.701.461	12.455.851
c) Increase or decrease in inventories	015	-537.854	-707.820
d) Other increase or decrease in working capital	016	710.646	405.783
II Cash from operations (ADP 011+012)	017	54.126.611	21.929.469
4 Interest paid	018	-3.376.914	-3.225.799
5 Income tax paid	019	2.223.903	6.957.218
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	52.973.600	25.660.888
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	021	0	0
2 Cash receipts from sales of financial instruments	022	0	0
3 Interest received	023	0	59
4 Dividends received	024	0	0
5 Cash receipts from repayment of loans and deposits	025	0	0
6 Other cash receipts from investment activities	026	0	0
III Total cash receipts from investment activities (ADP 021 to 026)	027	0	59
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-11.328.353	-14.581.297
2 Cash payments for the acquisition of financial instruments	029	0	0
3 Cash payments for loans and deposits for the period	030	0	0
4 Acquisition of a subsidiary, net of cash acquired	031	0	0
5 Other cash payments from investment activities	032	0	0
IV Total cash payments from investment activities (ADP 028 to 032)	033	-11.328.353	-14.581.297
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	034	-11.328.353	-14.581.238
Cash flow from financing activities			
1 Cash receipts from the increase in initial (subscribed) capital	035	0	0
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036	0	0
3 Cash receipts from credit principals, loans and other borrowings	037	0	7.458.224
4 Other cash receipts from financing activities	038	0	0
V Total cash receipts from financing activities (ADP 035 to 038)	039	0	7.458.224
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-13.752.492	-8.295.998
2 Cash payments for dividends	041	-8.402.797	-2.968
3 Cash payments for finance lease	042	-7.134.419	-2.082.481
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043	-289.803	-40.000

5 Other cash payments from financing activities	044	-2.123.903	0
VI Total cash payments from financing activities (ADP 040 to 044)	045	-31.703.414	-10.421.447
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	046	-31.703.414	-2.963.223
1 Unrealised exchange rate differences in respect of cash and cash equivalents	047	0	0
D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020+034+046+047)	048	9.941.833	8.116.427
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	049	5.298.470	15.240.303
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)	050	15.240.303	23.356.730

STATEMENT OF CASH FLOWS - Direct method			
for the period 01/01/2020 to 31/12/2020			
in HRK			
Submitter: ILIRIJA d.d. BIOGRAD NA MORU			
Item	ADP code	Same period of the previous year 2019	Current period 2020.
1	2	3	4
Cash flow from operating activities			
1 Cash receipts from customers	001	0	0
2 Cash receipts from royalties, fees, commissions and other revenue	002	0	0
3 Cash receipts from insurance premiums	003	0	0
4 Cash receipts from tax refund	004	0	0
5 Cash payments to suppliers	005	0	0
6 Cash payments to employees	006	0	0
7 Cash payments for insurance premiums	007	0	0
8 Other cash receipts and payments	008	0	0
I Cash from operations (ADP 001 to 008)	009	0	0
9 Interest paid	010	0	0
10 Income tax paid	011	0	0
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 009 to 011)	012	0	0
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	013	0	0
2 Cash receipts from sales of financial instruments	014	0	0
3 Interest received	015	0	0
4 Dividends received	016	0	0
5 Cash receipts from repayment of loans and deposits	017	0	0
6 Other cash receipts from investment activities	018	0	0
II Total cash receipts from investment activities (ADP 013 to 018)	019	0	0
1 Cash payments for the purchase of fixed tangible and intangible assets	020	0	0
2 Cash payments for the acquisition of financial instruments	021	0	0
3 Cash payments for loans and deposits	022	0	0
4 Acquisition of a subsidiary, net of cash acquired	023	0	0
5 Other cash payments from investment activities	024	0	0
III Total cash payments from investment activities (ADP 020 to 024)	025	0	0
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 019 + 025)	026	0	0
Cash flow from financing activities			
Cash receipts from the increase of initial (subscribed) capital	027	0	0
2 Cash receipts from issue of equity financial instruments and debt financial instruments	028	0	0
3 Cash receipts from credit principals, loans and other borrowings	029	0	0
4 Other cash receipts from financing activities	030	0	0
IV Total cash receipts from financing activities (ADP 027 to 030)	031	0	0
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	032	0	0
2 Cash payments for dividends	033	0	0
3 Cash payments for finance lease	034	0	0
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	035	0	0
5 Other cash payments from financing activities	036	0	0
V Total cash payments from financing activities (ADP 032 to 036)	037	0	0
C) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 031 + 037)	038	0	0
1 Unrealised exchange rate differences in cash and cash equivalents	039	0	0
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 012+026+038+039)	040	0	0
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	041	0	0
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 040+041)	042	0	0

STATEMENT OF CHANGES IN EQUITY

		for the period from 01/01/2020 to 31/12/2020																	in HRK	
Item	ADP code	Initial	Capital reserves	Legal reserves	Reserves for	Treasury shares	Statutory	Attributable to owners of the parent						Cash flow	Hedge of a net	Retained profit	Profit/loss for	Total	Minority	Total capital
		(subscribed) capital			treasury shares	and holdings (deductible item)	reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	hedge - effective portion	investment in a foreign operation - effective portion	/ loss brought forward	the business year	attributable to owners of the parent	(non-controlling) interest	and reserves			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)			
Previous period																				
1 Balance on the first day of the previous business year	01	229,146,480	2,932,389	12,477,986	6,975,716	1,081,205	0	7,522,679	0	0	0	0	29,366,201	37,035,167	324,375,413	0	324,375,413			
2 Changes in accounting policies	02	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
3 Correction of errors	03	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	04	229,146,480	2,932,389	12,477,986	6,975,716	1,081,205	0	7,522,679	0	0	0	0	29,366,201	37,035,167	324,375,413	0	324,375,413			
5 Profit/loss of the period	05	0	0	0	0	0	0	0	0	0	0	0	0	31,333,914	31,333,914	0	31,333,914			
6 Exchange rate differences from translation of foreign operations	06	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
7 Changes in revaluation reserves of fixed tangible and intangible assets	07	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
8 Profit or loss arising from subsequent measurement of financial assets available for sale	08	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
9 Profit or loss arising from effective cash flow hedge	09	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
11 Share in other comprehensive income/loss of companies linked by virtue of participating interests	11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
12 Actuarial gains/losses on the defined benefit obligation	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
13 Other changes in equity unrelated to owners	13	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
14 Tax on transactions recognised directly in equity	14	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
16 Increase in initial (subscribed) capital arising from the reinvestment of profit	16	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
17 Increase in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
18 Redemption of treasury shares/holdings	18	0	0	0	0	357,227	0	0	0	0	0	0	0	0	-357,227	0	-357,227			
19 Payment of share in profit/dividend	19	0	0	0	0	0	0	0	0	0	0	0	0	-8,417,962	-8,417,962	0	-8,417,962			
20 Other distribution to owners	20	0	0	0	0	0	0	0	0	0	0	0	26,266,442	-26,417,205	-150,763	0	-150,763			
21 Transfer to reserves according to the annual schedule	21	0	0	2,200,000	0	0	0	0	0	0	0	0	0	-2,200,000	0	0	0			
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
23 Balance on the last day of the previous business year reporting period (04 to 22)	23	229,146,480	2,932,389	14,677,986	6,975,716	1,438,432	0	7,522,679	0	0	0	0	55,632,643	31,333,914	346,783,375	0	346,783,375			
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																				
I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)	24	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25	0	0	0	0	0	0	0	0	0	0	0	0	31,333,914	31,333,914	0	31,333,914			

III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)	26	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Current period																		
1 Balance on the first day of the current business year	27	229,146,480	2,932,389	14,677,986	6,975,716	1438,432	0	7,522,679	0	0	0	0	0	55,632,643	31,333,914	346,783,375	0	346,783,375
2 Changes in accounting policies	28	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3 Correction of errors	29	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4 Balance on the first day of the current business year (restated) (ADP 27 to 29)	30	229,146,480	2,932,389	14,677,986	6,975,716	1438,432	0	7,522,679	0	0	0	0	0	55,632,643	31,333,914	346,783,375	0	346,783,375
5 Profit/loss of the period	31	0	0	0	0	0	0	0	0	0	0	0	0	0	1,021,879	1,021,879	0	1,021,879
6 Exchange rate differences from translation of foreign operations	32	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7 Changes in revaluation reserves of fixed tangible and intangible assets	33	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8 Profit or loss arising from subsequent measurement of financial assets available for sale	34	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9 Profit or loss arising from effective cash flow hedge	35	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	36	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interests	37	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12 Actuarial gains/losses on the defined benefit obligation	38	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	39	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14 Tax on transactions recognised directly in equity	40	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	41	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16 Increase in initial (subscribed) capital arising from the reinvestment of profit	42	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17 Increase in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	44	0	0	0	0	40,000	0	0	0	0	0	0	0	0	0	-40,000	0	-40,000
19 Payment of share in profit/dividend	45	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20 Other distribution to owners	46	0	0	0	0	-307,264	0	0	0	0	0	0	0	21,933,914	-21,933,914	307,264	0	307,264
21 Transfer to reserves according to the annual schedule	47	0	0	9,400,000	0	0	0	0	0	0	0	0	0	0	-9,400,000	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23 Balance on the last day of the current business year reporting period (ADP 30 to 48)	49	229,146,480	2,932,389	24,077,986	6,975,716	1,171,168	0	7,522,679	0	0	0	0	0	77,566,557	1,021,879	348,072,518	0	348,072,518
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																		
I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	50	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31+50)	51	0	0	0	0	0	0	0	0	0	0	0	0	0	1,021,879	1,021,879	0	1,021,879
III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)	52	0	0	9,400,000	0	-267,264	0	0	0	0	0	0	0	21,933,914	-31,333,914	267,264	0	267,264

NOTES TO THE FINANCIAL STATEMENTS - AFS

Name of the issuer: ILIRIJA d.d.

PIN:05951496767

Reporting period: 01/01/2020 – 31/12/2020

Balance item adjustment:

The receivables under item ADP 046 in the amount of HRK 3,284 thousand and item ADP 053 in the amount of HRK 67 thousand are indicated in Note 8 – Receivables and advances in the amount of HRK 3,351 thousand

Treasury shares and shares under item ADP 073 are a deductible item in the amount of HRK 1,172 thousand indicated in Note 12 – Reserves

Income statement adjustments

Revenue is indicated in item ADP 125 in the amount of HRK 97,641 thousand and include Revenue by segments indicated in Note 16 in the amount of HRK 90,005 thousand and Other revenue indicated in Note 17 in the amount of HRK 7,636 thousand

Other operating expenses indicated in item ADP 153 in the amount of HRK 1,367 thousand have remained the same with regard to employee cost that is expressed in a different manner due to the form of the AFI-ENT form, and which refer to other employee remuneration such as travel expenses, severance pays and other remuneration.

The average number of employees during the period was 278

Note: In 2020 there were no changes to the accounting policies compared to 2019

The data indicated in the QFS-ENT have remained the same compared to the AFS-ENT as at 31 December 2020

All other information is indicated in the notes to the financial statements forming an integral part of the Revised Annual Statement in pdf format.

9.3 NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

"Ilirija" d.d., Biograd na Moru (Company), OIB: 05951496767 performs its business activities in the Republic of Croatia. The objects of the Company are hospitality and tourism, trade and maritime affairs. The Company is registered with the Commercial Court in Zadar with a share capital of HRK 229,146,480.00. The Company's headquarters are located in Biograd na Moru, Tina Ujevića 7, Croatia. The Company is a member of Arsenal Holdings d.o.o. Group, Zadar.

As at 31 December 2020, the Company's shares are listed on the Official Market of the Zagreb Stock Exchange. The ownership structure of the Company is presented in Note 11.

The President of the Company Management Board is Mr Goran Ražnjević.

The members of the Supervisory Board are: Mr Goran Medić (Chairman), Mr David Anthony Tudorović (Deputy Chairman), Mr Davor Tudorović, Mr Darko Prebežac and Mr Siniša Petrović (members). The members of the Audit Committee are: Mr David Anthony Tudorović (Chairman), Mr Goran Medić and Mr Darko Prebežac.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of presentation

The financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, under the historical cost convention. The financial statements are denominated in Croatian kuna (HRK). As at 31 December 2020 the exchange rate of HRK 1.00 was EUR 7.54 (31 December 2019: EUR 7.44).

(b) Adoption of new and amended International Financial Reporting Standards (IFRSs)

Amendments to IFRSs effective in the current year

In the current year the Company has applied several new and amended IFRSs as published by the International Accounting Standards Board (IASB) which are effective for annual periods beginning on or after 1 January 2020:

- IAS 1 and IAS 8: Definition of Material (amendments), effective for annual periods beginning on or after 1 January 2020.
- ISFR 3: Business Combinations (amendments), effective for annual periods beginning on or after 1 January 2020.

Management has rated the amendments and improvements and does not expect their significant impact on the financial reporting of the Company.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended IFRSs issued, but not yet effective

Published:

- new IFRS 17: Insurance Contracts, effective for annual periods beginning on or after 1 January 2021
- Annual Improvements for 2018–2020 Cycle representing the amendments to IFRSs are effective beginning after 1 January 2022 and include:
 - IFRS 1 "First-time Adoption of International Financial Reporting Standards" (amendments)
 - IFRS 9 "Financial Instruments" (amendments)
 - IFRS 16 "Leases" (amendments)
 - IAS 41 "Agriculture" (amendments)

The Management Board anticipates that the above standard shall be applied in the financial statements of the Company for the period from which it is effective, and that its adoption shall not have a material impact on the Company's financial statements for the period of application.

(c) Non-consolidated financial statements

The financial statements of the Company are prepared on a non-consolidated basis.

The Company is the sole (100%) owner of two companies (see Note 6) which are not consolidated in the financial statements of the Company because they have not started with their activities.

(d) Segment reporting

A business segment is reported in accordance with internal reporting to the executive decision-maker. The executive decision-maker, who is responsible for allocating resources and assessing performance of the business segments, is the Company's Management Board.

(e) Revenue recognition

Revenue earned from the sale of services is recorded at the date of invoicing, which is after the point of delivery.

(f) Costs of sale

Cost of services rendered (goods sold) includes all purchase cost and cost of rendering services incurred in relation to the invoiced service or goods.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**(g) Selling, general and administrative expenses**

Selling, general and administrative expenses comprise all expenses of joint and general affair.

(h) Repairs and maintenance

The maintenance costs are charged to expenses in the period in which they are incurred.

Increasing the capacity or quality of a service or product, that is, increasing or enhancing the scope and content of a product or service through repairs and maintenance leads to an increased service standard or longer useful life of a property, plant or equipment, whereby the repairs and maintenance are recorded as an increase in the value of the property, plant or equipment.

The remaining repairs costs which do not fall under the above-mentioned or are not incurred for the mentioned purpose but are in nature intended for maintaining the property, plant or equipment, are charged to expenses in the period in which they are incurred.

Classifying repairs costs by character and purpose is carried out by the Company's competent services managing the said business processes, including the Company's accounting and finance department.

(i) Income tax

The Company is subject to taxation according to the laws and regulations of the Republic of Croatia. Income tax is assessed on the tax basis, which is determined as the difference between income and expenses, increased and decreased by items provided by tax regulations.

(j) Foreign currencies

Foreign currency transactions are presented in Croatian kuna using the middle exchange rate of the Croatian National Bank in effect on the transaction date. Monetary items resulting from transactions in foreign currencies are converted to the reporting currency at the middle exchange rate rulings of the Croatian National Bank prevailing on the date of settlement or at the balance sheet date. Exchange rate differences are recognized as financial income or financial expenses for the period.

(k) Property, plant and equipment

Property, plant and equipment have been recorded at the estimated purchase cost, i.e. purchase cost less accumulated depreciation. Purchase cost includes all costs directly attributable to bringing the asset to its working condition for its intended use. Items and equipment are registered as non-current assets if their estimated life is greater than one year.

Tangible assets that are retired or otherwise disposed of are eliminated from the balance sheet together with the corresponding value adjustments (if any). Gains and losses on such disposals or retirements are included in the income statement for the year. Depreciation is charged to the income statement on a straight-line basis so as to depreciate the cost or value of buildings and equipment over their estimated useful lives, as follows:

	2020	2019
Buildings	55.55 years of age	55.55 years of age
Equipment for tourism and hotel industry	10-40 years of age	10-40 years of age
Other equipment	7-15 years of age	7-15 years of age

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

The land is included in the estimated amounts and is not depreciated since it is considered to have an indefinite useful life. Depreciation of assets in course of construction commences when they are put in use.

(l) Investment property

Investment property comprises land and building that are held for long-term rental yields or capital appreciation or both. They are considered non-current assets and are measured at the cost of acquiring less depreciation. The cost includes purchase cost and all costs directly attributable to purchase.

Depreciation is charged to the income statement on a straight-line basis so as to depreciate the cost or valuation of investment property over its estimated useful life of 55.55 years.

Land is not depreciated since it is considered to have an indefinite useful life.

(m) Investments

A subsidiary is an entity under the control of another entity, known as the parent company. The parent company does not need to present consolidated financial statements if, and only if the parent company itself is a subsidiary wholly or partly owned by another entity and its other owners, including those with no voting rights, have been informed that the parent company shall not present consolidated financial statements and they do not object. Subsidiaries are listed in Note 6.

(n) Inventories

The inventories are stated at the lower of cost and net realizable value. The cost of inventories includes all purchase costs incurred in bringing the inventories to their present location and the current state. When inventories are sold, the carrying value of these inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-off of inventories to net realizable value and all losses of inventories are recognized as an expense in the period of the write-off, i.e. the occurrence of deficit. The amount of any reversal of any write-off of inventories as a result of an increase in net realizable value is recognized as a decrease in the amount of inventories recognized as an expense in the period in which they occur. The cost is calculated on the average cost price basis. Small inventories are 100% expensed when put in use.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**(o) Receivables and prepayments**

Receivables represent the right to collect determined amounts from customers or other debtors with regard to the Company's business. Receivables are reported in the total amount less the value adjustment or in amounts that are expected to be collected. An adjustment of the value of trade receivables is performed when there is objective evidence that the Company will not be able to collect all of its claims in accordance with the agreed terms.

The amount of the value adjustment is determined as the difference between the carrying amount and recoverable amount of receivables, and is determined based on the assessment of the Company's Management Board. The amounts of the receivables value adjustments are recognized in the income statement. Trade receivables include all receivables from sale of goods and provision of services, as well as prepayments, dues from state institutions and other short term receivables.

(p) Cash

For the purposes of cash flow statements, cash consists of cash in hand and balances with banks.

(r) Treasury shares

Treasury shares of the Company held at the balance sheet are treated as a deduction from the Company's equity. The gains and losses on sales of treasury shares are charged to the capital reserves.

(t) Financial instruments and risk management

Financial instruments reported in the balance sheet include money and bank account balances, receivables, account payables, leases and loans. The specific applied recognition methods are disclosed in individual explanations of accounting policies for each item.

Credit risk

Financial assets that may potentially expose the Company to credit risk are cash and trade receivables. Trade receivables pertaining to certain customers may entail credit risk, depending on the level of turnover realised with certain customers and the general state of liquidity in the country. Trade receivables are reported with reference to real values. The Company actively monitors and manages trade receivables, at the same time taking especially into account the difficult 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity risk

Prudent liquidity management implies maintaining a sufficient amount of money in order to settle the Company's liabilities. The Finance Department monitors the level of liquidity on a regular basis. One of the primary Company 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. The Company concluded an Annex to the Loan Agreement with the commercial bank Erste&Steiermarkische Bank d.d., postponing all outstanding liabilities for long-term loans for a period of one year, and at the same time converted the existing short-term loan in the amount of EUR 600,000.00 due in summer of 2021 to a mid-term loan in the same amount with a repayment term of three years and a grace period of one year, which is significantly better for maintaining the Company's current liquidity. The credit obligations of the Company have not increased. The Company arranged deferral of payment of all monthly financial leasing instalments with the commercial bank Erste&Steiermarkische Bank d.d. for the period from 1 April 2020 to 31 March 2021.

Currency risk

Even though most of its revenues are realised in the domestic market, the Company is exposed to currency risk. The prices of accommodation services are linked to foreign currencies, predominantly to the euro, the value fluctuations of which may significantly 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 euros. 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 the largest portion of the Company's revenues are realised in the same currency (EUR).

Interest rate risk

Due to the fact that the Company uses the borrowings with both fixed and, to a lesser extent, variable interest rate, it is subject to minimal risk of variable interest rates.

Fair value

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

Regulatory risk

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 protection of capital investments referred to in Art. 48 and 49 of the Constitution of the Republic of Croatia), of which the Company informs the regulatory and investment public multiple times in its regular annual and quarterly business and financial reports.

NOTE 3 – INTANGIBLE ASSETS

<i>(in HRK thousand)</i>	Investments in borrowed assets – buildings	Investments in borrowed assets Pašman	Total
Year ended 31/12/2019			
Opening net book amount	184	186	370
Additions	335	-	335
Depreciation charge	(214)	-	(214)
Closing net book amount	305	186	491
Balance as at 31 December 2019			
Cost	2,141	186	2,327
Accumulated value adjustments	(1,836)	-	(1,836)
Net book value	305	186	491
Year ended 31/12/2020			
Opening net book amount	305	186	491
Additions	-	(186)	(186)
Depreciation charge	(214)	-	(214)
Closing net book amount	91	-	91
Balance as at 31 December 2020			
Cost	2,141	-	2,141
Accumulated value adjustments	(2,050)	-	(2,050)
Net book value	91	-	91

The investments were made in the catering facility "Arsenal", in which the Company carries out its activities under the Business Cooperation Agreement concluded with the Parent Company, Arsenal Holdings d.o.o., Zadar.

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

<i>(In HRK thousand)</i>	Land	Investments in facilities	Equipment	Buildings under construction	Total
Year ended 31/12/2019					
At beginning of the year	43,295	257,065	59,649	1,490	361,499
Additions	-	784	12,736	12,171	25,691
Transfer from assets under construction	-	9,241	837	(10,078)	-
Reductions – sale, disposal	-	-	(202)	-	(202)
Depreciation charge	-	(6,297)	(6,653)	-	(12,950)
Closing net book amount	43,295	260,793	66,367	3,583	374,038
Balance as at 31 December 2019					
Cost	43,295	337,611	105,620	3,583	490,109
Accumulated value adjustments	-	(76,818)	(39,253)	-	(116,071)
Net book value	43,295	260,793	66,367	3,583	374,038
Year ended 31/12/2020					
At beginning of the year	43,295	260,793	66,367	3,583	374,038
Additions	-	559	4,695	6,153	11,407
Transfer from assets under construction	-	6,287	2,622	(8,909)	-
Reductions - disposal	-	-	(336)	(26)	(362)
Depreciation charge	-	(6,564)	(7,674)	-	(14,238)
Closing net book amount	43,295	261,075	65,674	801	370,845
Balance as at 31 December 2020					
Cost	43,295	344,457	111,294	801	499,847
Accumulated value adjustments	-	(83,382)	(45,620)	-	(129,002)
Net book value	43,295	261,075	65,674	801	370,845

In the process of the Company's transformation, the estimated value of the Company's capital includes the estimated value of the property for which the property rights have not been resolved. The shares of equal value are mainly reserved by the Croatian Privatization Fund (Agency for State Property Management / CERP). For a part of the shares reservation was eliminated, so the number of reserved shares remaining is 3,123 which, after the 1:8 corporate share split activity from 2018, gives the total number of reserved shares of 24,984 (see Note 11).

The buildings of Marina Kornati, Kornati hotel port and swimming pool are located at the maritime domain. Their usage is regulated by the approved concessions. Under the Concession Agreement of the Kornati maritime domain-port of nautical tourism, the use is, for the moment, regulated for a period of 32 years, or until 2031.

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT (continued)

In accordance with the Act on Maritime Domain and Seaports, 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 with regard to the Kornati marina in Biograd na Moru for modification and amendment to 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. To date, no decision has been made on the Company's request.

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.

As at 31 December 2020 the total investment in the "Park Soline" campsite, as reported at cost, was in the amount of HRK 116,766 thousand. Of the mentioned total investment amount, HRK 58 thousand was invested in land, HRK 77,220 thousand in infrastructure and the construction and reconstruction of seven modernly equipped and furnished sanitary facilities and investment in the construction of buildings housing the camp management offices, the sales and marketing department of the camp and reception, whereas 39,488 thousand was invested in equipment, mostly the holiday mobile homes. As at 31 December 2020 a total amount of HRK 2,229 thousand was invested in the "Park Soline" campsite restaurant, of which HRK 1,436 thousand in the building and HRK 793 thousand in equipment. The auto camp is spread over 200,800 m² of land, which the Company, on the basis of the Decision of the former Assembly of the Municipality of Biograd na Moru and the Contract on granting permanent use of building land, concluded with the Assembly of the Municipality of Biograd na Moru, received for permanent use for the performance of registered tourism activities. Given the above-mentioned permanent right of use, the Company has in accordance with acquired rights from the transformation and privatization process and legitimate expectations, made capital investments on the tourism land which is not estimated in the process of transformation.

The above-mentioned land, except a land plot of 779 m², is not included in the estimated value of the Croatian Privatization Fund and is not included in the Company's share capital in the process of transformation and privatization. This confirms one of the most important outstanding issues of the procedure of transformation and privatization of enterprises in our country, and that is arranging the real owner of the construction land, which in the transformation and privatization procedure has not been estimated in the value of the capital of legal entities. According to the Ministry of Justice 22 million m² of land is not evaluated in camps, and the total surface area not entered in the share capital during transformation and privatization amounts to 100 million m².

Pursuant to the Act on Tourism and Other Land Not Evaluated in the Transformation and Privatization Process (hereinafter: the Act on Tourism Land) has submitted to the Republic of Croatia a timely request for a concession on tourism land not evaluated in the transformation and privatization process for a period of 50 years (longest permitted period), based on a properly conducted transformation process and the

rights from the transformation process over Soline campsite consequently belong to the Company. As a result of the ambiguity in the provisions of the Act on Tourism Land and related regulations, 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 its adoption (2010).

According to the above-mentioned legal basis, Park Soline campsite has been issued a decision on a four-star classification.

The new Act on Non-Evaluated Construction Land which entered into force on 2 May 2020 (hereinafter: Act on Non-Evaluated Construction Land) provides that buildings and land in the campsite which are estimated in the value of the capital, are owned by the company, whereas campsite land not estimated in the value of the capital, according to the Act on Non-Evaluated Construction Land, is owned by the Republic of Croatia. Furthermore, under the new Act on Non-Evaluated Construction Land, co-ownership determined in accordance with the Act on Tourism Land would be dissolved so that the company becomes the owner of the campsite buildings and land estimated in the value of the capital in the transformation process and entered in the Company's share capital during the privatization process, as well as land area under the buildings with its attached evaluated land (Art. 15), whereas the Republic of Croatia becomes the owner of the campsite buildings and land not estimated in the value of the capital in the transformation process and not entered in the Company's share capital during the privatization process. The Company shall, within a legal deadline of 12 months of the entry into force of the Act on Non-Evaluated Construction Land (i.e. until 2 May 2021), submit a request to the competent ministry and initiate the land lease procedure for the "Park Soline" campsite for a period of 50 years.

In the meantime the Company has also regulated performing its registered tourism activity on the stated land by lease agreements concluded with Hrvatske šume and the town of Biograd na Moru.

A part of the buildings of Ilirija d.d. (Hotel Adriatic, Hotel Ilirija and Tennis Centre) with purchase value of HRK 131,482 thousand and its land of a purchase value of HRK 24,901 thousand are subjects to lien in favour of the commercial bank for approved loans (see Note 13).

The Company is in the process of removing the lien on the Tennis Centre properties in view of the Company's loan amount and the sufficient value of the remaining properties subject to lien in favour of the bank.

In 2020, the commercial bank also performed the regular assessment of the value of Adriatic, Ilirija and Kornati hotels as guarantee for the loans. The value of Adriatic, Ilirija and Kornati hotels is estimated at an amount of EUR 25,436 thousand or HRK 192,540 thousand at the exchange rate on 19 October 2020.

In 2019, the commercial bank also performed the regular assessment of the value of the "City Galleria" Business and Shopping Centre owned by the Company as guarantee for the loans for the acquisition of "City Galleria". The value is estimated at an amount of EUR 16,360 thousand or HRK 121,570 thousand at the exchange rate as at 8 April 2019.

The commercial bank estimated a total value of the buildings and land subject to lien in favour of the bank for approved loans (Hotel Adriatic, Hotel Ilirija, Hotel Kornati and City Galleria) in the amount of HRK 314,110 thousand, whereas the total value of the Company's medium and long-term loans amounted to HRK 89,636 thousand as at 31 December 2020, representing a loan share of 28,54% of the Company's total assets evaluated by the commercial bank serving as lien in favour of the bank for approved loans.

NOTE 5 – Investment property

<i>(in HRK thousand)</i>	Land	Buildings facilities	Total
Year ended 31/12/2019			
Opening net book amount	12,648	65,041	77,689
Additions	-	195	195
Depreciation charge	-	(1,215)	(1,215)
Closing net book amount	12,648	64,021	76,669
Balance as at 31 December 2019			
Cost	12,648	67,658	80,306
Accumulated value adjustments	-	(3,637)	(3,637)
Net book value	12,648	64,021	76,669
Year ended 31/12/2020			
Opening net book amount	12,648	64,021	76,669
Additions	-	2,479	2,479
Depreciation charge	-	(1,221)	(1,221)
Closing net book amount	12,648	65,279	77,927
Balance as at 31 December 2020			
Cost	12,648	70,137	82,785
Accumulated value adjustments	-	(4,858)	(4,858)
Net book value	12,648	65,279	77,927

Investment property includes the land and the building of the "City Galleria" Business and Shopping Centre in Zadar. All buildings together with the associated land are subject to lien as collateral for repayment of a loan (see note 13).

During the year, the Company had rental income from investment properties in the amount of HRK 12,778 thousand, while operating expenses related to investment properties amounted to HRK 7,753 thousand.

NOTE 6 – INVESTMENTS IN SUBSIDIARIES

<i>(in HRK thousand)</i>	2020	2019
Ilirija Građenje d.o.o., Biograd n/m	19	19
Ilirija Nautika d.o.o., Biograd n/m	20	20
	39	39

The aforementioned companies have not yet started with their business activities.

Investments and the respective participation are as follows:

Company name	Type activity	Seat	Percentage of participation 2020	of participation 2019
Subsidiaries				
Ilirija Građenje d.o.o., Biograd n/m	construction, property	Croatia	100.00%	100.00%
Ilirija Nautika d.o.o., Biograd n/m	marinas	Croatia	100.00%	100.00%

NOTE 7 – INVENTORIES

<i>(in HRK thousand)</i>	2020	2019
Raw material and materials	933	1,268
Small inventory and spare parts	127	499
	1,060	1,767

NOTE 8 - RECEIVABLES AND ADVANCES

<i>(in HRK thousand)</i>	2020	2019
Domestic trade receivables	2,539	5,607
Domestic trade receivables - related parties, A. H.	121	29
Foreign trade receivables	121	902
Suspect and contested trade receivables	2,734	-
Advance receivables	51	465
Co-owners receivables – related parties	16	356
VAT receivables	323	1,072
Corporate income tax receivables	-	6,957
Receivables due from employees	-	209
Other receivables	180	239
	<u>6,085</u>	<u>15,836</u>
Trade receivables value adjustment	(2,734)	-
	3,351	15,836

During the year, the value of trade receivables for which collection is uncertain in the amount of HRK 2,734 thousand was adjusted.

NOTE 9 - SHORT-TERM FINANCIAL ASSETS

<i>(in HRK thousand)</i>	2020	2019
Loans to co-owners – related parties	-	494
Loans to employees	-	704
	<u>-</u>	<u>1,198</u>

NOTE 10 – CASH

<i>(in HRK thousand)</i>	2020	2019
Gyro accounts	15,624	15,188
Foreign currency accounts	7,715	-
Cash in hand	18	52
	<u>23,357</u>	<u>15,240</u>

NOTE 11 – SHARE CAPITAL AND TREASURY SHARES

<i>(in HRK thousand)</i>	Ordinary shares	Reserved shares	Total	Treasury shares	Share capital less the treasury shares
Balance as at 31 December 2019	222,102	7,045	229,147	(1,439)	227,708
Balance as at 31 December 2020	226,775	2,372	229,147	(1,171)	227,976

The share capital of the Company as at 31 December 2020 amounts to HRK 229,146,480.00, and it is divided into 2,413,488 no-par-value ordinary shares.

As at 31 December 2020, the balance of treasury shares amounted to 7,833 shares (2019: 9,688) at investment cost of HRK 1,171 thousand (2019: HRK 1,439 thousand). During the year, the company acquired 200 (2019 : 1432) of treasury shares, and released 2,055 treasury shares in accordance with the Management Board decision to award treasury shares to employees as in December 2019.

In the process of transformation of the Company, by the decision of the Croatian Privatization Fund, 27,270 shares have been reserved at DEM 2,727,000 due to the unresolved property rights on certain properties. Since in the meantime a part of the properties was sold and for a part the ownership issue was resolved, the Croatian Privatization Fund resolutions cancelled the provision of 13,755 shares and 4,710 shares, while in August 2020, the provision for additional 49,216 shares was cancelled by the decision of CERP, whereby the amount of the reserved shares was reduced to 3,123 (2019: 9,275) shares, i.e. 24,294 (2019: 74,200) shares after the 2018 corporate share split in the ratio of 1:8. On 31 December 2020, there were 24,984 reserved shares, or 1.0351% (2019: 3.0744%) (see note 4).

The capital ownership structure of Ilirija d.d., Biograd is as follows (in %):

	31 December 2020	31 December 2019
Arsenal Holdings d.o.o., Zadar	59.21	59.21
Ilirija d.d., Biograd na moru (treasury shares)	0.32	0.40
AZ mandatory pension fund	16.34	16.26
AZ voluntary pension fund	3.04	3.04
Centre for restructuring and sale (CERP)	3.13	3.13
Other shareholders	17.96	17.96
	100.00	100.00

NOTE 12 – RESERVES

<i>(in HRK thousand)</i>	2020	2019
Legal reserves	24,078	14,678
Reserves for treasury shares	6,976	6,976
Other reserves	7,523	7,523
	38,577	29,177

Legal reserves are formed from the realized profit up to 5% of the Company's share capital, in accordance with the Companies Act. Legal reserves are not distributable.

Changes in legal reserves in 2020 are as follows:

<i>(in HRK thousand)</i>	2020
1 January	14,678
Transfer from profit	9,400
31 December	24,078

NOTE 13 – BORROWINGS

On 12 March 2020 the Company initiated the adjustment of business processes in the new circumstances of the COVID - 19 pandemic and in accordance with the new organizational structure of the Company. Accordingly, payments of all due liabilities for the principals of long-term and short-term loans were deferred for one year, i.e. until 30 April 2021, and payments of all due liabilities on the basis of leasing were also deferred for a period of one year, i.e. until 31 March 2021.

<i>(in HRK thousand)</i>	Approved principal	Interest rate	2020	2019
Short-term				
Erste&Steiermarkische Bank d.d., Rijeka	EUR 270,000.00	2.60 %	-	503
Erste&Steiermarkische Bank d.d., Rijeka	EUR 600,000.00	2.40 %	-	3,506
Erste&Steiermarkische Bank d.d., Rijeka	HRK 2,500,000.00	2.70 %	-	2,435
			-	6,444
Plus: current due amounts of long-term borrowings and leasing			9,076	11,723
			9,076	18,167
Mid-term and long-term				
Erste&Steiermarkische Bank d.d., Rijeka	EUR 1,680,000.00	3%	11,181	11,042
Erste&Steiermarkische Bank d.d., Rijeka	EUR 7,491,008.67	2.60%	43,285	43,673
Erste&Steiermarkische Bank d.d., Rijeka	EUR 6,000,000.00	2.60%	35,675	35,972
Erste&Steiermarkische Bank d.d., Rijeka	EUR 600,000.00	2.60 %	4,522	-
S - Leasing d.o.o., Zagreb	EUR 2,667,802		20,262	19,427
			114,925	110,114
Minus: current due amounts of long-term borrowings and leasing			(9,076)	(11,723)
			105,849	98,391
			114,925	116,558

Short-term borrowings

The Company was the beneficiary of a short-term loan in the amount of EUR 600,000.00, which it repaid in advance in full in agreement with Erste & Steiermarkische Bank d.d. from its own current funds on 3 July 2020, two months ahead of schedule.

Short-term loan liabilities relate to two loans from Erste & Steiermarkische bank d.d.:

- framework revolving loan under the transaction account of Erste & Steiermarkische bank d.d until 13 December 2021, up to HRK 2,500,000.00
- revolving loan approved on 4 December 2020, in the amount of EUR 270,000.00, for financing working capital, at a fixed interest rate of 2.60% p.a. The repayment date

is 3 December 2021. As at 31 December 2020, the Company did not use the loan, so there are no financial or loan liabilities.

Mid-term and long-term borrowings

The Company's request for refinancing of all liabilities deferred in respect of the principal of loans in the period from 1 April 2020 to 30 April 2021 and transferring to regular repayment scheme by loan instalments at the end of the Repayment Plan has been approved. In June 2020 the Company and Erste & Steiermärkische Bank d.d. signed an Annex to the Loan Agreement deferring payments of all liabilities due in respect of the principal of the long-term loans with a one-year deferral period.

The commercial bank Erste & Steiermärkische Bank d.d. approved the Company's request for deferral of payment of all monthly instalments of financial leasing for the period from 1 April 2020 - 31 March 2021.

Mid-term and long-term loan liabilities relate to four loans from Erste & Steiermärkische bank d.d.:

- mid-term loan for financing permanent working capital approved on 3 June 2020, in the amount of EUR 600,000.00, at a fixed interest rate of 2.60% p.a. The loan shall be repaid in 36 monthly instalments in the amount of EUR 16,666.67 per instalment. Repayment date is 1 June 2024 with a one-year grace period.

- loan approved on 26 February 2016, in the amount of EUR 1,680,000.00, as an investment loan from the loan support program for the tourism sector in cooperation with the Croatian Bank for Reconstruction and Development, for the reconstruction of the Kornati marina in Biograd na Moru. The loan is to be repaid in 60 quarterly instalments in the amount of EUR 27,991.59, the last instalment being due on 30 June 2034. Loan balance as of 31 December 2020 amounts to EUR 1,484 thousand or HRK 11,181 thousand.

- loan approved on 25 May 2016, in the amount of EUR 7,491,008.67, to refinance the existing long-term loan. The loan is to be repaid in 60 quarterly instalments in the amount of EUR 124,850.14, the last instalment being due on 01 October 2032. Loan balance as of 31 December 2020 amounts to EUR 5,743 thousand or HRK 43,285 thousand.

- loan approved on 29 November 2016, in the amount of EUR 6,000,000.00, for the purchase of the City Gallery shopping centre building in Zadar. The loan is to be repaid in 180 quarterly instalments in the amount of EUR 33,333.33, the last instalment being due on 1 March 2033. Loan balance as of 31 December 2020 amounts to EUR 4,733 thousand or HRK 35,675 thousand.

Loan repayment is secured with financial instruments, and by registering a lien - mortgage on property of the Company (the building of the "City Galleria" Business and Shopping Centre with the associated land) in favour of the commercial bank (see Notes 4 and 5).

The liability to S-leasing d.o.o., Zagreb relates to the liabilities under forty financial leasing contracts to purchase equipment, which are to be repaid in equal monthly annuities. Interest rates are fixed for all contracts, namely, 3.15% for thirty-eight contracts, and 2.90% for two contracts. Liabilities under these financial leasing contracts are due from 2021 to 2027.

The repayment schedule for long-term borrowings for the next five years is as follows:

(in HRK thousand)

2021	9,076
2022	13,785
2023	13,109
2024	12,021
2025	10,119
after 2026	56,815
	114,925

NOTE 14 - TRADE AND OTHER PAYABLES

<i>(in HRK thousand)</i>	2020	2019
Trade payables	7,606	14,965
Trade payables - Group, Arsenal Holdings, TCZ	3	3
Payables under received advances	192	151
Provisions per initiated legal proceedings	1,161	1,161
Residence tax	1	19
Fee for the use of maritime domain	102	164
Interest payables	2	556
Dividend payables	12	15
Employee payables	1,483	1,808
Taxes and contributions from/on salaries	959	1,184
Other payables - co-owners, related party	176	-
Other payables	213	57
	11,910	20,083

NOTE 15 – DEFFERED INCOME

<i>(in HRK thousand)</i>	2020	2019
Advances from individual guests	612	764
Advances from agencies	1,150	1,090
	1,762	1,854

NOTE 16 – SEGMENT INFORMATION

For the primary reporting format the business segments are determined based on risks and rates of return of the Company, which is primarily influenced by the differences in services which they offer to the market. Secondary information are reports according to geographical segments. Business segments are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services to different markets. They are recorded based on the information that is internally prepared for the Management Board, which is also the chief operating decision-maker.

The portfolio of ILIRIJA d.d. consists of the Adriatic, Ilirija and Kornati hotels and Villa Donat, Marina Kornati with the Ilirija-Kornati Hotel Port, the "Park Soline" Camp, destination management company Ilirija Travel with its own capacities (Arsenal in Zadar, the "Nada" event boat, agritourism and Villa Primorje), City Galleria Business and Shopping Centre, Tennis Centre, Aquatic Centre and hospitality facilities.

The Company's management activities are divided into the hotel segment (sector), the nautical segment, the camping segment, Ilirija travel and the City Galleria.

The hotel business segment includes the operations of the Adriatic Ilirija and Kornati hotels and Villa Donat, Lavander Bar, Aquatic Centre, Tennis Centre and Biffe Beach.

The nautical business segment includes the operations of the Kornati Marina, the Ilirija-Kornati Hotel Port, the Marina Kornati restaurant and the "Biograd Boat Show" nautical fair.

The camping business segment includes the operations of the camp the "Park Soline" Camp and the "Park Soline" restaurant.

The Ilirija travel business segment includes the operations of the Tourist Agency, the "Nada" event boat, agritourism, Villa Primorje and Arsenal.

The City Galleria business segment includes rental services in the business and shopping centre.

Business segments

The following tables present revenue and profit and certain assets and liabilities of the Company per business segments, i.e. sectors:

NOTE 16 – SEGMENT INFORMATION (continued)

For the year ended on 31 December 2020 (in HRK thousand)	Hotel sector	Nautical sector	Camping	Ilirija travel	City Galleria	Total
Revenue	12,928	43,302	19,445	1,587	12,668	89,930
Lease income – Group, Arsenal Holdings	60				15	75
Total revenue	12,988	43,302	19,445	1,587	12,683	90,005
Result						
Segment result	-11,135	18,781	-971	-6,572	5,421	5,524
Net financial expenses	-1,025	-1,113	-1,231	-2	-1,131	-4,502
Profit before tax	-12,160	17,668	-2,202	-6,574	4,290	1,022
Profit tax expense	-	-	-	-		
Net profit of the year	-12,160	17,668	-2,202	-6,574	4,290	1,022
As at 31 December 2020						
Assets and liabilities						
Segment assets	163,406	91,394	99,338	32,296	82,586	469,020
Unallocated assets						7,650
Total assets						476,670
Segment liabilities	2,691	17,835	18,026	1,380	37,397	77,329
Unallocated liabilities						51,268
Total liabilities						128,597
Other segment data						
Capital investments:						
Real estate, plants and equipment	564	1,494	8,528	152	307	11,045
Intangible assets		362				362
Investment into real estate					2,479	2,479
Real estate, plants and equipment amortisation	4,705	2,671	5,160	1,112		13,648
Unallocated amortisation						590
Total real estate, plants and equipment amortisation						14,238
Amortisation of intangible assets				214		214
Amortisation of investment into real estate					1,221	1,221

The total assets of the Company and capital investments in assets are in the Republic of Croatia.

NOTE 16 – SEGMENT INFORMATION (continued)

For the year ended on 31 December 2019 (in HRK thousand)	Hotel sector	Nautical sector	Camping	Ilirija travel	City Galleria	Total
Revenue	58,750	48,421	34,633	9,015	14,164	164,983
Lease income – Group, Arsenal Holdings	89					89
Total revenue	58,839	48,421	34,633	9,015	14,164	165,072
Result						
Segment result	9,345	18,244	7,982	-5,682	5,956	35,845
Net financial expenses	-891	-1,017	-1,116	-2	-1,485	-4,511
Profit before tax	8,454	17,227	6,866	-5,684	4,471	31,334
Profit tax expense						
Net profit of the year	8,454	17,227	6,866	-5,684	4,471	31,334
As at 31 December 2019						
Assets and liabilities						
Segment assets	175,564	91,389	97,833	35,146	78,173	478,105
Unallocated assets						7,173
Total assets						485,278
Segment liabilities	8,444	19,216	19,071	1,230	37,101	85,062
Unallocated liabilities						53,433
Total liabilities						138,495
Other segment data						
Capital investments						
Real estate, plants and equipment	5,374	1,494	18,745	78		25,691
Intangible assets			335			335
Investment into real estate					195	195
Real estate, plants and equipment amortisation	4,481	2,620	4,239	1,057		12,397
Unallocated amortisation						553
Total real estate, plants and equipment amortisation						12,950
Amortisation of intangible assets				214		214
Amortisation of investment into real estate					1,215	1,215

The total assets of the Company and capital investments in assets are in the Republic of Croatia.

NOTE 16 – SEGMENT INFORMATION (continued)**Revenue – per geographical area**

Sales revenues may also differ according to the geographical affiliation of customers.

<i>(in HRK thousand)</i>	2020	2019
Domestic sales revenue	78,640	121,139
Domestic sales revenue - Group, Arsenal Holdings	75	89
Revenues from sales abroad	11,290	39,673
	90,005	160,901

Domestic sales revenues also include foreign trade receivables in domestic agency arrangements.

NOTE 17 - OTHER OPERATING REVENUES

<i>(in HRK thousand)</i>	2020	2019
Aid for preservation of employment	6,810	-
Revenue from previous years	-	169
Exchange office commission fee	87	174
Insurance damages collected	267	235
Revenue from joint financing	252	417
Revenue from using own services	-	936
Other revenues	220	709
	7,636	2,640

NOTE 18 - COST OF RAW MATERIAL, MATERIALS AND ENERGY

<i>(in HRK thousand)</i>	2020	2019
Raw materials and materials consumed	6,229	17,008
Energy	4,149	5,558
Small inventory	718	1,790
	11,096	24,356

NOTE 19 - COST OF SERVICES

<i>(in HRK thousand)</i>	2020	2019
Transport, telephone, postal fees	1,103	1,812
Repairs and maintenance	4,686	5,046
Cost of fairs	242	318
Leases	1,431	2,476
Rents - Group, Arsenal Holdings, TC	1,584	1,584
Rents - related party, natural person	197	197
Promotion costs	2,176	3,359
Promotion costs - Group, Arsenal Holdings	4	4
Municipal utility services	2,721	4,505
Utility and water fees	1,968	2,227
Other services	150	150
	16,262	21,678

NOTE 20 - STAFF COSTS

<i>(in HRK thousand)</i>	2020	2019
Net salaries	18,609	25,510
Taxes and contributions from/on salaries	11,842	16,852
Key management award	-	1,826
Taxes and contributions from/on key management award	-	895
Other regulatory disbursements	1,367	2,341
	31,818	47,424

At the end of the year the number of staff employed by the Company was 233 (2019: 283). This is the number of employees based on actual working hours (whole number) at the end of the tax period.

Gross salaries and compensation of key management in 2020 amounted to HRK 2,535 thousand (2019: HRK 2,325 thousand).

NOTE 21 - OTHER OPERATING EXPENSES

<i>(in HRK thousand)</i>	2020	2019
Travel expenses	743	1,269
Commission fees	598	1,938
Supervisory Board - related parties	682	452
Agency fees	1,454	1,751
Service contract (net)	861	2,930
Service contract (net) - related parties	402	97
Intellectual services (lawyer, notary and other)	164	204
Entertainment programme organisation	358	2,564
Security services	1,430	1,359
Entertainment expenses	568	685
Insurance premiums	855	951
Memberships, taxes and contributions	908	1,439
Bank and payment transaction charges	199	361
Concessions	1,283	1,632
Donations, sponsorships	552	527
Deficits	336	202
Subsequently identified expenses from previous years	1,536	146
Write-off of uncollected trade receivables for which legal proceedings or forced collection are initiated	2,734	76
Other	1,605	1,276
	17,268	19,859

NOTE 22 - NET FINANCIAL EXPENSES

<i>(in HRK thousand)</i>	2020	2019
Financial revenues		
Foreign exchange gains	38	86
Interest income	59	
Total financial revenue	97	86
Financial expenses		
Foreign exchange losses	(1,286)	(586)
Interest expenses	(3,298)	(4,011)
Other financial expenses	(15)	-
Total financial expenses	(4,599)	(4,597)
Net financial expenses	(4,502)	(4,511)

NOTE 23 - CORPORATE INCOME TAX

Corporate income tax is calculated in accordance with Croatian legislation. Tax rate on taxable income is 18% (2019: a 18% As at 31 December 2020, there was no corporate income tax liability as the Company uses benefits under the Investment Promotion Act (2019: no tax liability, Company uses benefits pursuant to the Investment Promotion Act).

Adjustment of the Company's effective tax expense per income statement with statement of comprehensive income and taxation at the statutory rate is detailed in the table below:

<i>(in HRK thousand)</i>	31 December 2020	31 December 2019
Profit before tax	1,022	31,334
Tax calculated at a rate of 18%	184	5,640
Tax effect of net expenses non-deductible for tax purposes	1,284	265
Tax effect of net income not subject to tax	(1,226)	-
Tax liability	242	5,905
Benefit under the Investment Promotion Act	(242)	(5,905)
Final tax liability	-	-

NOTE 24 - EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares (Note 11).

	2020	2019
Net profit attributable to shareholders <i>(in HRK thousand)</i>	1,022	31,334
Weighted average number of issued ordinary shares	2,405,326	2,404,847
Basic earnings per share <i>(in HRK)</i>	0.42	13.03

NOTE 25 - CASH GENERATED FROM OPERATIONS

Adjustment of profit with cash generated from operations as follows:

<i>(in HRK thousand)</i>	2020	2019
Profit for the current year	1,022	31,334
Adjustment for:		
Depreciation of intangible assets (Note 3)	214	214
Depreciation of tangible assets (Note 4)	14,238	12,950
Depreciation of investment property (Note 5)	1,221	1,215
Value of sold and disposed tangible assets not written off (Note 3)	186	-
Sold and disposed intangible assets (Note 4)	362	202
Distribution of treasury shares (Note 11)	308	-
Changes in working capital:		
- trade receivables	3,757	(837)
- other receivables	8,728	(1,553)
- inventories	707	538
- trade payables	(7,359)	907
- employee payables	(325)	121
- other payables	(489)	(1,002)
- deferred income	(92)	(88)
Cash inflow generated from operations	22,478	44,001

NOTE 26 - RELATED PARTY TRANSACTIONS

The Company majority owner is Arsenal Holdings d.o.o., Zadar, which owns 59.21% share in the Company. Transactions with related parties, in addition to the aforementioned, include transactions with Trgovinski centar Zadar d.o.o., which is a member of the "Arsenal Holdings" group and which is owned by the same owner as well as the co-owners of the Company - natural persons and the Management Board and key management. Related party transactions, in the normal course of its operations, include purchase and sale of goods under market conditions, as well as services, loans and gross salaries of key management and supervisory board compensation.

Year-end balances resulting from related party transactions that are included in the balance sheet are as follows:

<i>(in HRK thousand)</i>	2020	2019
Domestic trade receivables (Note 8)	121	29
Other receivables from co-owners (Note 8)	16	356
Receivables for loans to co-owners (Note 9)	-	494
Trade payables (Note 14)	3	3

During the year the Company had the following related party transactions which are reflected in the income statement:

<i>(in HRK thousand)</i>	2020	2019
Service revenues (Note 16)	75	89
Rents (Note 19)	1,781	1,757
Promotion (Note 19)	4	4
Gross salaries of key management (Note 20)	2,535	2,325
Service contract (net) (Note 21)	402	97
Supervisory Board (Note 21)	682	452

NOTE 27 – CONTINGENT LIABILITIES

The Company is a party to several legal proceedings, but the Management Board does not expect losses that would significantly impact property, ownership status and operations of the Company.

Upon order of the Company, a bank guarantee was issued in favour of Hrvatske šume d.o.o., Zagreb, for the amount of HRK 500 thousand with a validity period until 15 July 2024, as well as a bank guarantee in favour of the Ministry of Sea, Transport and Infrastructure of the Republic of Croatia, in the amount of HRK 451,442.06 with a validity period until 15 October 2021.

Management Board:

Goran Ražnjević

9.4 DECISION ON CREATING THE ANNUAL FINANCIAL STATEMENTS



Tel: Centrala ++385 23 383 165; Fax: ++385 23 384 564; Prodaja: ++385 23 383 556; sales@ilirijabiograd.com;
www.ilirijabiograd.com

MANAGEMENT BOARD

Number: 18/2021

In Biograd na Moru, 8 February 2021

Pursuant to Articles 250a, 300a and 300b of the Companies Act ("Official Gazette" No 152/11 – consolidated text, 111/12, 68/13, 110/15 and 40/19), Articles 462 and 463 of the Capital Market Act, the Management Board of ILIRIJA d.d. Biograd na moru, Tina Ujevića 7, Biograd na Moru, PIN: 05951496767 (hereinafter: the Company) on 8 February 2021 adopted the following

DECISION ON CREATING THE ANNUAL FINANCIAL STATEMENTS AND DRAFT DECISION ON UTILIZATION OF PROFIT

- I. The Company's Management Board hereby creates the Annual Financial Statements of the Company for 2020 (non-consolidated) consisting of the following:
 - 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.
- II. The 2020 Annual Financial Statements of the Company were reviewed by the selected audit company Revicon d.o.o., Ruđera Boškovića 4, Zadar (hereinafter: the Auditor) and the Auditor's Report forms an integral part of the 2020 Annual Financial Statements of the Company.
- III. The Company's Management Board hereby creates the 2020 Annual Statement of the Company (non-consolidated) consisting of the following:
 1. 2020 Annual Financial Statements of the Company (non-consolidated);
 2. Statement on the Application of Corporate Governance Code
 3. Management Report / Management Board Annual Report on the Company's Situation;
 4. Statements by the Company Representation;
 5. Company's auditor report for 2020
- IV. The Company Management Board hereby creates the draft decision on utilization of Company profit for 2020 in the total amount of: HRK 1,021,879.54 allocating the total amount of profit to the retained profit.

ILIRIJA d.d. za ugostiteljstvo i turizam, Tina Ujevića 7, Biograd n/M, Trgovačkisud u Zadru, MBS: 060032302, Matični broj: 3311953,
OIB: 05951496767; račun: ERSTE & STEIERMARKISCHE BANK d.d. – RIJEKA IBAN: HR5824020061100097324.

Temeljni kapital: 229.146.480,00kn, uplaćen u cjelosti. Broj izdanih dionica: 2.413.488, bez nominalnog iznosa.

Uprava: G. Ražnjević, Predsjednik Nadzornog odbora: G. Medić

- V. This Decision, along with the 2020 Annual Financial Statement of the Company (non-consolidated), shall be referred to the Supervisory Board of the Company for consideration, i.e. approval.
- VI. The Company Management Board shall convene the General Assembly of the Company following the approval of the 2020 Annual Financial Statements of the Company and adoption of related corresponding decisions by its Supervisory Board.

ILIRIJA d.d.

Management Board: Goran Ražnjević



9.5 DECISION ON APPROVING THE ANNUAL FINANCIAL STATEMENTS



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www.ilirijabiograd.com

SUPERVISORY BOARD

Number: 19/2021

In Biograd na Moru, 26 February 2021

Pursuant to Articles 300c and 300d of the Companies Act ("Official Gazette" No 152/11 – consolidated text, 111/12, 68/13, 110/15 and 40/19) and the Management Board Decision No 18/2021 of 8 February 2021, the Supervisory Board of ILIRIJA d.d., at its session held on 26 February 2021, adopted the following:

DECISION ON APPROVING THE ANNUAL FINANCIAL STATEMENTS AND THE DRAFT DECISION ON UTILIZATION OF PROFIT

- I The Company Supervisory Board hereby approves the 2020 Annual Statement of the Company (non-consolidated) consisting of the following:
- 1) 2020 Annual Financial Statements of the Company (non-consolidated) – 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
 - 2) Statement on the Application of Corporate Governance Code
 - 3) Management Report / Management Board Annual Report on the Company's Situation;
 - 4) Statements by the Company Representation;
 - 5) Company's auditor report for 2020
- II Following the approval by the 2020 Annual Statement of the Company (non-consolidated) by its Supervisory Board, the 2020 Annual Financial Statements of the Company are deemed created by the Company Management Board and Supervisory Board.
- III The Company Supervisory Board agrees with the proposal of the Company Management Board that the General Assembly of the Company adopt the decision on utilization of profit, according to which the Company's profit generated in 2020 in the total amount of: HRK 1,021,879.54 is allocated into retained profit.

President of the Supervisory Board
Goran Medić

9.6 MANAGEMENT'S RESPONSIBILITY STATEMENT

Pursuant to the Croatian Accounting Law, ("Official Gazette" 78/15, 134/15, 120/16, 116/18, 42/70 and 47/20), the Management Board is responsible for ensuring that financial statements are prepared for each financial year which give a true and fair view of the state of affairs as well as its results and cash flows of the Company for the period in accordance with International Financial Reporting Standards (IFRS) as published by the Committee for the International Accounting Standards.

After making enquiries, the Management Board has a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bank and must also ensure that the financial statements comply with the Croatian Accounting Law ("Official Gazette" 78/15, 134/15, 120/16, 116/18, 42/20 i 47/20). The Management Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management Board:

Goran Ražnjević, director

Ilirija d.d., Biograd na Moru

16 February 2021

ILIRIJA dioničko društvo
za ugostiteljstvo i turizam
Biograd na Moru



9.7 INDEPENDENT AUDITOR'S REPORT



REVIZIJA I POSLOVNE USLUGE
ZADAR, Ruđera Boškovića 4

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF "ILIRIJA" d.d., BIOGRAD NA MORU

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of shareholder company Ilirija (the Company), which comprise the statement of financial position (balance sheet) as at 31 December 2020, and the statement of comprehensive income and income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a *true and fair view* of the financial position of the Company as at 31 December 2020, and (*of*) its financial performance and its cash flows for the year then ended in accordance with Accounting Law and International Financial Reporting Standards (IFRSs) as established by the European Commission and published in the Official Journal of the European Union.

Basis for Opinion

We conducted our audit in accordance with Accounting Law, Act on Auditing and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the recognized most significant risks of material misstatement due to error or fraud with the greatest impact on our audit strategy, the disposition of our available resources and the time spent by the engaging audit team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investments in land that is not included in the Company's share capital in the process of transformation and privatization

The Company has made investments and based on the existing acquired, legal and contractual rights performs registered tourist activity on land which in the process of transformation and privatization is not estimated in the value of capital, and the conditions of its use are defined by the Law on Tourist and Other Construction Land not estimated in the transformation and privatization (OG 92/10). With bringing of this Act, at the beginning of 2011, the Company submitted a request to the Republic of Croatia for the award of a concession, for a period of 50 years, on land in the campsite where it carries out business activities.

On 2 May 2020, the new Law on Unrated Construction Land (OG 50/2020) entered into force, which regulates the issue of construction land that was publicly owned and on which the publicly-owned enterprise had the right to use, manage, dispose of, and which it is not partially or fully estimated in the value of the capital in the process of publicly-owned enterprise transformation. Pursuant to the said Act, the Company intends to submit a request to the competent Ministry within the legal deadline and initiate a procedure for the lease of land in the campsite for a period of 50 years. The campsite covers an area of 200,800 m², and the total investments in the campsite facilities, as at 31 December 2020, amount to HRK 78,714 thousand.

To date, no Concession/Lease Agreement has been concluded. The Company's disclosures regarding these issues are in Note 4.

Emphasis of matter

Without qualifying our opinion we draw attention to Note 1 - General information, to the financial statements. The same includes management announcements about the impact of the COVID 19 pandemic on the Company's operations and related uncertainties.

Other Information in Management report

Management is responsible for the other information. The other information comprises the information included in the Management report, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, except to the extent provided in the part of our independent auditor's report, entitled *Report on Other Legal and Regulatory Requirements*, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work undertaken, we conclude that there is a material misstatement of this other information, we are required to report that fact. In that sense, we have added a section on Other matters within the section titled the „Report on Other Legal and Regulatory Requirements."

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report based on the Regulation (EU) No. 537/2014

1. On August 10, 2020, we were appointed by the General Assembly of the Company based on the proposal of the Supervisory Board to perform audit of the annual financial statements for 2020.

2. On the date of this report our uninterrupted engagement in performing the Company's statutory audit of the Company's annual financial statements for the year 2003, up to the Company's annual financial statements for 2020, in total 17 years.

3. Except for the matters we have included in our Independent Auditor's report as Key Audit Matters under subtitle Report on the Audit of the Financial Statements, we have nothing to report in relation to point (c) of Article 10 of Regulation (EU) No. 537/2014.

4. By our statutory audit of the Company's annual financial statements for the year 2020, we are able to detect irregularities, including fraud under Section 225, *Responding to Non-Compliance with law and regulations* of the IESBA Code, which requires from us when performing audit engagement to see if the Company complied with the laws and regulations which are generally recognized to have a direct impact on the determination of material amounts and disclosures in their annual financial statements, as well as other laws and regulations that do not have a direct impact on the determination of material amounts and disclosures in its annual financial statements but the compliance which may be of key importance to operational aspects of the Company's business, its ability to continue as going concern or to avoid significant penalties.

Except where we encounter or know about, non-compliance of any of the aforementioned laws or regulations that is apparently insignificant, in our judgment of its content and its influence, financially or otherwise, for the Company, all those interested in, we are obliged to inform the Company and ask to investigate this case and take appropriate measures to resolve the irregularities and to prevent the occurrence of these irregularities in the future. If the Company does not correct any irregularities arising on the basis of which incorrect disclosures in the audited annual financial statements that are cumulatively equal to or greater than the amount of materiality for the financial statements as a whole we are required to modify our opinion in an independent auditor's report.

In the audit of the Company's annual financial statements for 2020, we determined the materiality for the financial statements as a whole in the amount of HRK 4,000 thousand, which represents approximately 4% of total revenue, while the materiality for implementation is defined in the amount of HRK 3,200 thousand or 3.27% of total Company's revenue. In the calculation of materiality, we considered the total revenue, total assets and equity of the Company as a basis, but in the conditions of new circumstances caused by the pandemic, which particularly affected the core business of the Company, it was determined as stated.

5. Our audit opinion is consistent with the additional report issued to the Audit Committee of the Company in accordance with the provisions of Article 11 of Regulation (EU) No. 537/2014.

6. During the period between the beginning of the period of the audited annual financial statements of the Company for the year 2020 and the issuing of the audit report, we have not provided to the Company and its controlled undertakings and/or its parent company within the EU prohibited non-audit services and we have not in the year before the above mentioned the periods provided the services of designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems for, and in the performance of the audit, we have maintained independence in relation to the Company.

7. There are no non-audit services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings.

Report based on the requirements of the Accounting Act

1. In our opinion, based on the work performed during the audit, the information in the attached Management Report of Ilirija d.d. for 2020, are in accordance with the attached annual financial statements of the Company for 2020;

2. In our opinion, based on the work performed during the audit, the Management Report of Ilirija d.d. for 2020, is compiled in accordance with the Accounting Law.

3. Based on the knowledge and understanding of the Company's operations and its environment acquired during the audit, we have not established that there are significant misstatements in the attached Management Report of Ilirija d.d. for 2020.

4. According to our opinion, based on the work that we performed during the audit, Corporate Governance Statement which is included in the Annual report for the year 2020, is in accordance with the requirements specified in Article 22 points 3 and 4 of the Accounting Act.

5. Corporate Governance Statement which is included in the Annual report for the year 2020 include the information referred to in Article 22, paragraph 1, items 2, 5, 6 and 7 of the Accounting Act.

The engagement partner on the audit resulting in this independent auditor's report is Martina Mustać.

REVICON d.o.o.
Certified auditors
Ruđera Boškovića 4, Zadar, Hrvatska

Zadar, 16 February 2021

Signed for and on behalf of Revicon d.o.o.:



Ervin Colić
Director



Martina Mustać
Certified auditor

ILIRIJA d.d., BIOGRAD NA MORU
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

<i>(In HRK thousands)</i>	Notes	31 December 2020	31 December 2019
ASSETS			
Long term assets			
Intangible assets	3	91	491
Property, plant and equipment	4	370,845	374,038
Investment property	5	77,927	76,669
Investment in subsidiaries	6	39	39
Total long term assets		448,902	451,237
Current assets			
Inventories	7	1,060	1,767
Receivables and prepayments	8	3,351	15,836
Short-term financial investments	9	-	1,198
Cash	10	23,357	15,240
Total current assets		27,768	34,041
Total assets		476,670	485,278
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	229,147	229,147
Treasury shares	11	(1,171)	(1,439)
Capital reserves		2,932	2,932
Reserves	12	38,577	29,177
Retained profit		77,566	55,632
Net comprehensive profit for the period		1,022	31,334
Total equity		348,073	346,783
Long term liabilities			
Borrowings	13	105,849	98,391
Total long term liabilities		105,849	98,391
Current liabilities			
Trade and other payables	14	11,910	20,083
Borrowings	13	9,076	18,167
Deferred income	15	1,762	1,854
Total current liabilities		22,748	40,104
Total liabilities		128,597	138,495
Total equity and liabilities		476,670	485,278

These financial statements were approved by the Managing Board of the Company on 8 February 2021.

Director

Goran Ražnjević

ILIRIJA d.d., BIOGRAD NA MORU
STATEMENT OF COMPREHENSIVE INCOME AND INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

<i>(In HRK thousands)</i>	Notes	31 December 2020	31 December 2019
Sales	16	90,005	160,901
Other operating revenues	17	7,636	2,640
Total operating revenue		97,641	163,541
Cost of raw material and energy	18	(11,096)	(24,356)
Cost of services	19	(16,262)	(21,678)
Staff costs	20	(31,818)	(47,424)
Amortization	3	(214)	(214)
Depreciation	4	(14,238)	(12,950)
Depreciation of investment property	5	(1,221)	(1,215)
Other operating expenses	21	(17,268)	(19,859)
Total operating expenses		(92,117)	(127,696)
Profit from operations		5,524	35,845
Net financial expenses	22	(4,502)	(4,511)
Profit before taxation		1,022	31,334
Income tax	23	-	-
Net profit for the current year		1,022	31,334
Other comprehensive profit		-	-
Total comprehensive profit for the period		1,022	31,334
Earnings per share – basic (in HRK)	24	0,42	13,03

ILIRIJA d.d., BIOGRAD NA MORU
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

<i>(In HRK thousands)</i>	Share capital	Treasury shares	Capital reserves	Reserves	Retained profit	Total shareholders equity
Balance at 1 January 2019						
As previously reported	229,147	(1,081)	2,932	26,977	59,161	317,136
Effects of correcting the prior period error - IAS 8	-	-	-	-	7,089	7,089
As restated 1 January 2019	229,147	(1,081)	2,932	26,977	66,250	324,225
Purchase of treasury shares	-	(358)	-	-	-	(358)
Transfer to reserves	-	-	-	2,200	(2,200)	-
Dividend paid	-	-	-	-	(8,418)	(8,418)
Net comprehensive profit for the period	-	-	-	-	31,334	31,334
Balance at 31 December 2019	229,147	(1,439)	2,932	29,177	86,966	346,783
Balance at 1 January 2020	229,147	(1,439)	2,932	29,177	86,966	346,783
Giving of treasury shares	-	308	-	-	-	308
Purchase of treasury shares	-	(40)	-	-	-	(40)
Transfer to reserves	-	-	-	9,400	(9,400)	-
Net comprehensive profit for the period	-	-	-	-	1,022	1,022
Balance at 31 December 2020	229,147	(1,171)	2,932	38,577	78,588	348,073

Ordinary shares, treasury shares and reserves are presented in detail in Notes 11 and 12.

ILIRIJA d.d., BIOGRAD NA MORU
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

<i>(In HRK thousands)</i>	31 December 2020	31 December 2019
Operating activities		
Cash inflow generated from operations (Note 25)	22,478	44,001
Investing activities		
Purchase of intangible assets	-	(335)
Purchase of tangible assets	(11,407)	(25,691)
Purchase of investment property	(2,479)	(195)
Decrease in short-term investments	1,198	640
Net cash outflow from investing activities	(12,688)	(25,581)
Financing activities		
Purchase of treasury shares	(40)	(358)
Dividend paid	-	(8,418)
Increase/(decrease) in long-term borrowings	7,458	(4,972)
Increase/(decrease) in short-term borrowings	(9,091)	5,363
Net cash outflow from financing activities	(1,673)	(8,385)
Net increase in cash	8,117	10,035
Movement in cash		
At beginning of year	15,240	5,205
At end of year (Note 10)	23,357	15,240
Increase in cash	8,117	10,035



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