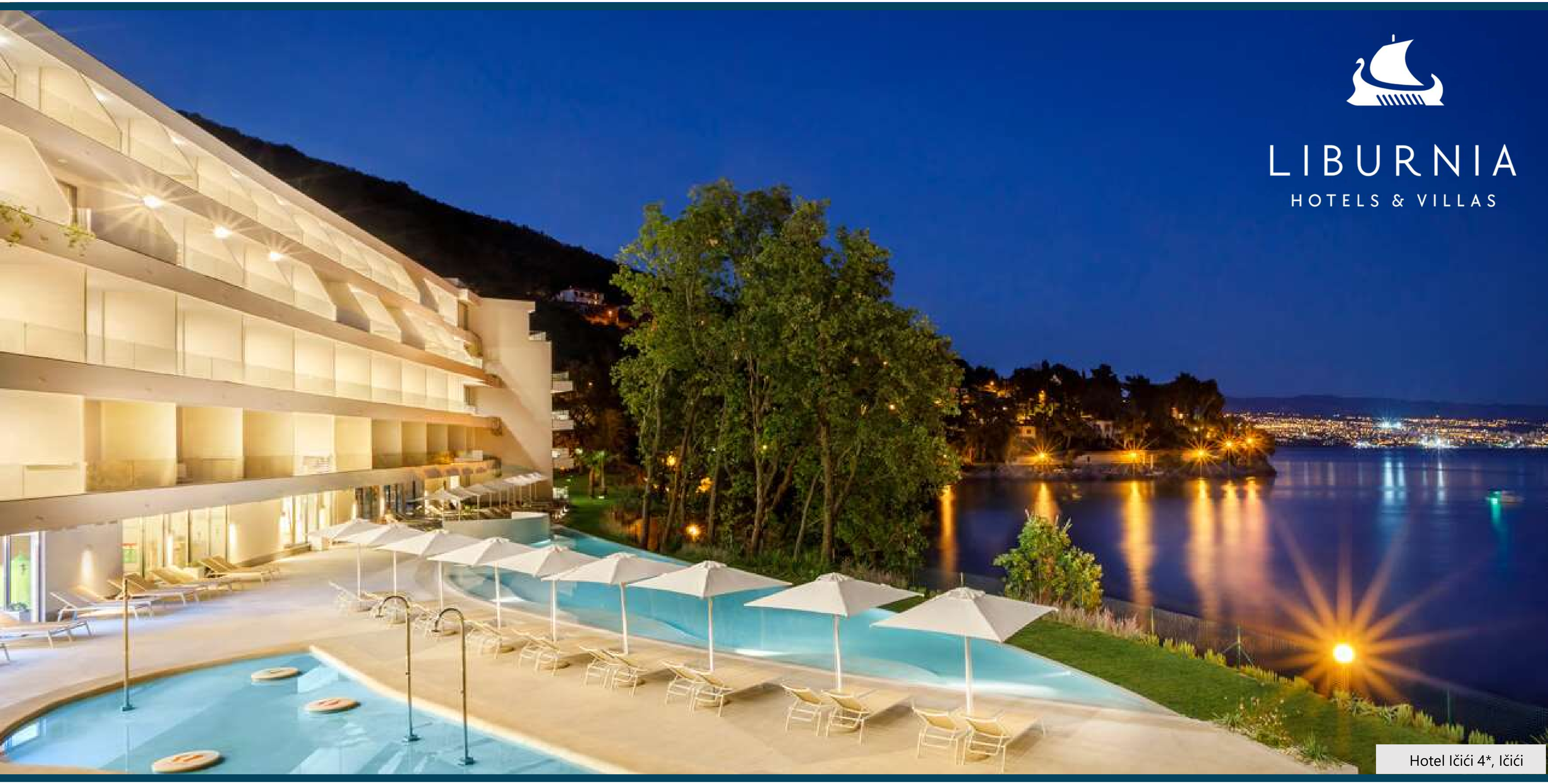


Hotel Ičići 4*, Ičići

ANNUAL REPORT 2022

LIBURNIA RIVIERA HOTELI d.d.

Opatija, March 2023

CONTENT

KEY MESSAGES

KEY FINANCIAL INDICATORS

(in HRK million)	2021	2022	'22/'21
Total revenues	249.3	384.1	54%
Operating revenues	248.5	380.5	53%
Sales revenues	216.0	361.3	67%
Board revenues	180.8	295.3	63%
Operating costs	216.6	282.6	30%
EBITDA	20.8	96.4	363%
Adjusted EBITDA	28.8	96.7	236%
Adjusted EBITDA margin	11.6%	25.4%	1,380bp
EBIT	-81.4	-5.4	93%
EBT	-87.3	-14.9	83%
	31/12/2021	31/12/2022	%
Net debt	350.2	318.3	-9%
Cash and cash equivalents	15.2	73.1	381%

KEY OPERATING INDICATORS

	2021	2022	22'/'21
Number of acc. units (operating)	2,007	2,126	6%
Annual occupancy (%)	27.1%	40.3%	1,323bp
Accommodation units sold	198,308	312,724	58%
Overnights	387,040	605,350	56%
Average daily rate (in HRK)	912	944	4%
RevPAR (in HRK)	90,068	138,881	54%

Note: Details and explanations of indicators can be found on page 10 in the chapter "Company results"

During 2022, Liburnia Riviera continued the evolution of its business model, largely focusing on growth, development and long-term sustainability. The successful strategic development was primarily based on i) the optimal positioning, segmentation and development of our tourism portfolio while prioritizing year-round operations, ii) defining and executing long-term business targets, iii) optimizing corporate management, culture and environment, iv) the improvement of the brand and price management systems while simultaneously focusing on the direct sales channel, v) the digital business transformation through IT infrastructure upgrades, and vi) the overall management of human resources. Hence, the mentioned evolution approach encompasses active usage of the current and the creation of new expertise for optimum development of the tourism portfolio, as well as superior management of the tourism properties to create added value for all the stakeholders at the Company (owners, creditors, the local community and destinations, business partners and employees).

The successful implementation of the uprated business model, along with the increase in tourist demand as a result of well-accepted promotion activities of our enhanced tourist offer on our major source markets, improved positioning and management of the tourist portfolio, and superior guest relations is evident in the strong business results achieved during 2022. Namely, the Company achieved a strong recovery of business operations, which ultimately resulted in the improvement of the EBITDA by HRK 76 million, reaching HRK 96 million.

Another recognition of a successful tourism portfolio positioning and development was the reward that Hotel Istria 3* received at this year's Days of Croatian Tourism. The unique "Active & Healthy" concept that makes Liburnia Hotels and Villas a trendsetter in the active holiday concept focusing on luscious Mediterranean landscapes, healthy food and wellness based on year-round operation was the reason Hotel Istria was awarded as the best 3-star Croatian hotel.

BUSINESS RESULTS OVERVIEW

During 2022, Liburnia's total revenues rose by 54% and totaled HRK 384 million versus 2021 comparable period. The HRK 135 million growth was mainly carried by sales revenues (HRK 361 million; +HRK 145 million) as a result of over 600 thousand overnights achieved (+56%), the 4% increase in the average daily rate and the 97% increase in the F&B outlet revenues. The significant soar in sales revenues, average daily rate and demand in tourism resulted also from the newly-defined strategic guidelines that included: i) optimization of the marketing and sales positioning of our tourism portfolio, ii) further upgrade of the activities and system of the daily rate management, iii) development of products, services and touristic offer as well as numerous value-added events for guests, and iv) focusing on the further development of the offering and upgrading the service quality in F&B outlets in order to prolong the tourist season and position Opatija as a year-long destination. However, other operating income decreased due to the one-off effect of the received government aids in 2021 totaling HRK 20 million.

Operating costs were HRK 283 million: despite the negative pressure, they showed controlled growth. The growth was mainly due to i) increased costs related to raw materials and goods as a result of a strong growth in business (+56% overnights) and reported inflationary pressures mainly related to food, expendables and energy sources because of the disrupted supply chains caused by the war in Ukraine and sanctions against Russia, and ii) increased staff costs whose share in the total operating expenses was successfully kept at a similar level vs. prior comparable period (2022: 30%; 2021: 29%) despite negative pressures. The increase in staff costs was mainly due to i) strong growth in business volumes and related increase in number of employees' working hours, ii) ensuring competitive salaries and other material and non-material work conditions, and iii) further strengthening of the management and operational team to transform the business model and make Liburnia Riviera an internationally competitive company on the hotel market in the middle term.

52% increase in operating revenues coupled with the active management of operating efficiency and related optimization of operating costs at all company levels resulted in the following: the Company's EBITDA grew by 363% and was HRK 96 million (+HRK 76 million vs. 2021, or +HRK 95 million if we exclude the one-off effect of the received state aid in 2021), despite the increased costs of energy sources, raw material and labor costs.

INVESTMENTS AND HUMAN RESOURCES

In 2022 the investments amounted to HRK 55.5 million and were aimed to quality and efficiency upgrades in services and guest safety, as well as to essential works for properties' operation during the 2022 and upcoming season. The investments included the arrangement of the Hotel Kvarner beach, the façade renovation at Villa Slatina, as well as refurbishment and openings of F&B outlets: Garden Bar at Marina Hotel and Sladobar at Kristal Hotel. Investments were also made into properties used as accommodation for seasonal workers at all operating destinations. Other investments were mainly focused on software solutions for digital transformation and business efficiency optimization (change in the accounting programs, implementation of modern business intelligence solutions and other related solutions) and projects aimed at increasing energy efficiency and Wi-Fi coverage. Simultaneously, the projects focused on growing and developing Liburnia Riviera's tourism portfolio are being prepared further. The current priority is maximizing the free cash flow and lowering the net debt/ EBITDA ratio toward levels achieved in the periods preceding the COVID-19 crisis.

To position Liburnia Riviera as a leader of year-long tourism on the Kvarner and ensure the necessary labor force to further upgrade service quality and guest satisfaction, the Company (in collaboration with trade unions) increased the material rights of workers and awards payments for seasonal and permanent workers starting from the second quarter of 2022. The said measures aim at valorizing the Company's key resources, i.e. its workers, since they secure long-term stability, quality and sustainability to the business. With its numerous activities on the labor market, the Company recruited a sufficient number of employees for the 2022 season and as at 31/12/2022, it employed 710 people, out of which 349 were permanent workers.

The company has been closely monitoring the course of the Russian-Ukrainian crisis and has been carrying out continuous assessments of all the possible negative influences on the business based on known facts, information and circumstances. Hence, it has been undertaking all the necessary steps to minimize the negative impacts on its business. Guests from the Russian and Ukrainian source market have been responsible for 1% of the total operating revenues achieved by the Company in 2022 (2021: 2%). Therefore, the war did not have a significant impact on sales revenues during 2022, as the absence of these source markets was compensated by arrivals from other source markets.

Given the growing global geopolitical tensions, the strategic focus of the Government of the Republic of Croatia on key resources and the encouragement of investments in tourism represents the crucial foundations for strengthening business sustainability, accelerating growth and increasing the competitiveness of the Croatian tourism sector in the coming period. Although the introduction of the EUR and Croatia's entry into the Schengen area as of 1.1.2023 (on top of the previous positive impact on Croatia's credit rating) represent an additional impulse for Croatia as a tourist destination, one of the key determinants of the Government of the Republic of Croatia in defining the framework of the economy in 2023 must continue to be based on limiting inflationary pressures on the rise in the prices of basic products and energy products. This will enable the tourism sector, together with the entire economy, to accelerate business empowerment and ensure multiplier effects of recovery on other industrial branches as well, while encouraging investments in key business resources (primarily workforce and investments).

Advent in Opatija

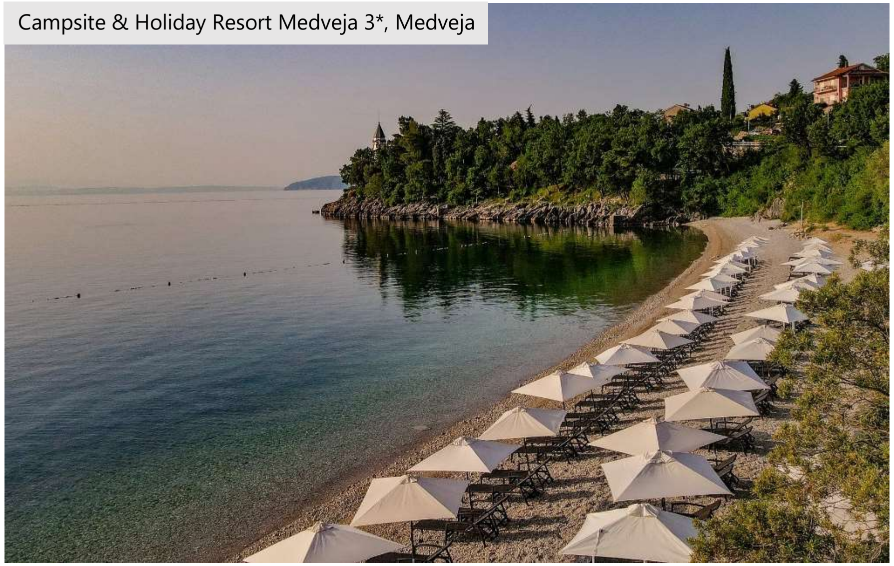
ABOUT LIBURNIA RIVIERA

Liburnia Riviera is one of the largest hospitality companies in the Republic of Croatia with revenues of almost HRK 400 million. Opatija, also known as the 'Pearl of the Adriatic' or 'Queen of Tourism', represents an exclusive Adriatic resort with a long history of tourism dating back to 1844, and Liburnia Riviera's tourism portfolio has been highly integrated into international tourist markets for more than 100 years. Liburnia Riviera has more than 2,100 keys in its operational tourism portfolio where in its 13 hotels, 2 villas, 2 apartment complexes and one camping resort it can host more than 4,700 guests per day. Catering for the perfect holiday and authentic experiences for them, there are over 1,000 high-season employees.

Adhering to the vision of positioning Opatija and surrounding municipalities as one of the best tourist destinations in the Mediterranean, destination Liburnia riviera needs a significant strategic shift in tourism development that will ultimately result in further improvements and upscaling of tourist products and experiences. As the largest hotelier on the Liburnia riviera, Company has launched internal reorganization measures, improving the business model, as well as renovating and repositioning hotels and other premises during last 3 years (2020-2022). However, due to the COVID-19 pandemic outbreak and its adverse impact on all industries, economic and tourist flows, including Liburnia's cash flow, the amount of planned investments decreased compared to the initial expectations and development plans. Nevertheless, the Company is focused on a strategy to stimulate growth and create new value, recognizing the started reorganization to be the first step in building a solid ground for sustainable investments in high value-added products, talents, innovative services and destinations, as well as international branding.

Cafe Strauss, Opatija

Campsite & Holiday Resort Medveja 3*, Medveja



SIGNIFICANT BUSINESS EVENTS

BUSINESS MANAGEMENT DURING THE COVID-19 PANDEMIC AND THE IMPACT OF THE RUSSIAN-UKRAINIAN CRISIS ON THE COMPANY'S BUSINESS

During 2022 the Company reported a significantly lower COVID-19 impact on its business. Due to the easing of previously imposed restrictions on movement and due to the increased desire of tourists to travel, Liburnia Riviera reported strong growth in demand in the observed period, thus resulting in a significant growth in sales numbers (overnights, rooms) and financial results (revenues, operating profit, average daily rate). Liburnia Riviera's great advantage is its partial natural protection from tourism disruptions due to the suitable geographical location of its destinations that can primarily be reached by guests travelling by car from our most important source markets (Germany, Austria, Hungary, Czech Republic, Slovenia, Italy, Serbia).

In its diversified portfolio, the Company still used the #WeCare sanitary program, despite the eased COVID-19 measures to secure a safe environment for guests, partners and employees. Also, to dynamically adapt to the impact of the pandemic and increase the demand for the Company's properties, the policy of active daily rates management was intensified, as well as the creation of packages with included additional services, which contributed to a significant increase in average daily rates.

Despite the positive development of the pandemic-related impacts, it is still too early to predict the booking pace in 2023, especially due to the strong “last minute“ trend in bookings, but also due to the simpler cancellation policy. Also, the end of the Russian-Ukrainian crisis end is currently hard to predict, as well as the final potential impacts on the Company's business.

Guests from the Russian and Ukrainian source markets were responsible for 1% of the Company's total revenues in 2022 (2021: 2%), therefore the war did not have a significant impact on sales results during 2022 since their absence was compensated with arrivals from other source markets. However, operating costs had a negative impact due to the cost increase of energy sources and other material costs and services. In order to rationalize operating costs, the Company continued its overall measures to decrease them, i.e. savings in energy sources costs, direct costs of food and beverages, maintenance costs as well as active negotiations with suppliers to have lower purchase prices and ensuring enough quantities for the season. Furthermore, the containment of the further growth of inflation by central banks (primarily the ECB) and the related increases in the rates of reference interest rates have a negative impact on the interest costs in loan arrangements with a variable interest rate. The Company has been closely monitoring the course of the Russian-Ukrainian crisis and has been carrying out continuous assessments of all the possible negative influences on the business based on known facts, information and circumstances. Hence, it has been undertaking all the necessary steps to minimize the negative impacts on its business.

It should be noted that in the reporting period there were no out-of-ordinary booking cancellations. It should also be noted that the current demand for the Company’s properties is going strong, as evidenced by the almost two times higher number of bookings at the end of February compared to the same period last year.

FURTHER STRENGTHENING OF MEDIUM-TERM LIQUIDITY

The Company contracted a long-term revolving loan with Istarska kreditna banka d.d. Umag for the total amount of EUR 5.3 million to finance working capital and ensure medium-term liquidity of the Company. Besides, by the end of September 2022, the Company concluded an annex to the loan agreement with Erste&Steiermärkische Bank (EUR 11.4 million as nominal amount, maturity date in 2025) where the linear amortization of the principal was replaced by a modified repayment plan, so the largest portion of the liability is repaid on the maturity date (soft bullet amortization). This served to additionally secure the flexible planning of the cash flow, while on the other hand it ensured the financing and management of a sufficient amount of working capital. The mentioned activities show that investors and financiers believe in Liburnia Riviera's further development and the further growth of Croatian tourism.

CHANGES IN THE SUPERVISORY BOARD

On 25 May 2022, Ms. Helena Masarić resigned from the Supervisory Board of Liburnia Riviera effective as of the date of resignation. According to the decision made by Nova Liburnija d.o.o , the Supervisory Board of the Company appointed Mr. Danijel Jerman to Ms. Masarić's position. Furthermore, at the beginning of June 2022, the Workers' Council decided to elect a new member to the Company's Supervisory Board (employee representative), and Mr. Rikardo Gregov was appointed to replace Mr. Domijan Mršić. Following these changes, the Supervisory Board consists of the following members: Mr. Johannes Böck, president, members: Mr. Davor Žic, Ms. Ana Odak, Mr. Thomas Mayer, Mr. Philip Göth, Mr. Alexander Zinell, Mr. Danijel Jerman and Mr. Rikardo Gregov (employee representative).

LIBURNIA RIVIERA GENERAL ASSEMBLY

The following points were adopted at the General Assembly held on 11 August 2022:

• Approval of the 2021 Management and Supervisory Board Remuneration Report with the Report Audit
• The Company's achieved loss for 2021 totaling HRK 91,693,318 was allocated to the losses carried forward;
• Discharge was given to the members of the Management Board for the management of the Company's affairs in 2021 and to the members of the Supervisory Board for the supervision of the management of the Company's affairs in the year 2021;
• The appointed Liburnia Riviera's auditor in 2022 was Grant Thornton revizija d.o.o. from Zagreb
• Change in the provision of article 16 in the Statute giving right to Gitone Adriatic d.o.o. to name one Supervisory Board member if it consists of 9 members

INTRODUCING "LIRI" THE MASCOT

The development of Liburnia Riviera's offering is based on the improvement of a diverse range of services and products focused on families with children. To enrich children-focused products and services and enhance visibility, a mascot was designed and presented – LIRI, a mystical being that has the attributes of different animals (fox, bear, dog and cat) whose appearance appeals to both children and parents. With the introduction of LIRI, new entertainment concepts were designed and implemented by the animation team: LIRI parties, LIRI disco and LIRI playground, while the sale of plush toys and other merchandise began, resulting in great feedback from guests.


"LIRI" the mascot

HOTEL ISTRA 3* AWARD

At in October held Days of Croatian Tourism, the Istra 3* hotel was declared the best Croatian hotel in the three-star category. This is a great recognition of the profession for the unique year-round 'Active & Healthy' concept, in which the emphasis is placed on a healthy and active lifestyle with various sports activities (yoga programs, breathing exercises, walks and hiking) and thus an adapted offer of food and drinks (detox breakfast, herbal teas, local products). The award received certainly provides an additional incentive to continue creating new year-round products and enriching the tourist offer.

Hotel Istra 3*, Opatija

EVENTS AFTER THE BALANCE SHEET DATE

CHANGES IN THE SUPERVISORY BOARD

At the beginning of 2023, the Company's shareholder, the company GITONE Adriatic d.o.o. appointed Mr. Ante Barić as the ninth member of the Company's Supervisory Board. From Jan 3rd, 2023, the Supervisory Board is composed of Mr. Johannes Böck, the president, and its members: Mr. Davor Žic, Mrs. Ana Odak, Mr. Thomas Mayer, Mr. Philip Göth, Mr. Alexander Zinell, Mr. Danijel Jerman, Mr. Ante Barić and Mr. Rikardo Gregov (employee representative).

COMPANY RESULTS

KEY FINANCIAL INDICATORS [1]

(in HRK million)	2021	2022	'22/'21
Total revenues	249.3	384.1	54%
Operating revenues	248.5	380.5	53%
Sales revenues	216.0	361.3	67%
Board revenues[2]	180.8	295.3	63%
Operating costs[3]	216.6	282.6	30%
EBITDA[4]	20.8	96.4	363%
Adjusted EBITDA[5]	28.8	96.7	236%
Adjusted EBITDA margin	11.6%	25.4%	1,386bp
EBIT	-81.4	-5.4	93%
EBT	-87.3	-14.9	83%
	31/12/2021	31/12/2022	%
Net debt[6]	350.2	318.3	-9%
Cash and cash equivalents	15.2	73.1	381%

KEY OPERATING INDICATORS

	2021	2022	22'/'21
Number of acc. units (operating)	2,007	2,126	6%
Annual occupancy (%)[7]	27.1%	40.3%	1,323 bp
Accommodation units sold	198,308	312,724	58%
Overnights	387,040	605,350	56%
Average daily rate (in HRK)	912	944	4%
RevPAR (in HRK)[6]	78,527	119,267	52%

[1] Classified according to Annual Financial Statement standard (GFI POD-RDG) EBIT and EBITDA are recorded on the basis of operating income.
[2] In compliance with the classification under the USALI international standard for reporting in hotel industry (Uniform System of Accounts for the Lodging Industry) board revenues include accommodation revenues and board food and beverage revenues.
[3] Operating costs calculated according to the formula operating expenses - depreciation - value adjustment – provisions.

REVENUES

During 2022 total revenues went up by 54% (+HRK 134.8 million) and were HRK 384.1 million. They were driven by:

a) **sales revenues**, up by 67% (+HRK 145.3 million) and totaling HRK 361.3 million, mainly consisting of board revenues (+HRK 114.5 million; +63%). In the first quarter of 2022, board revenues grew strongly due to a significant increase in overnights (+41,526; 1,342%) and a 20% increase in the average daily rate reaching HRK 697 vs. last year's comparable period. Such a strong demand for Liburnia Riviera's portfolio was driven by: the active management of the strategic guideline to position Opatija as a year-long destination, the prolongation of the tourist season (Ambasador, Bellevue and Istra were the hotels that remained open throughout the first quarter) and the recovery of business and tourism-related activities unlike previous year's comparable period (marked by limited mobility to reduce the number of COVID-19 infections). The second quarter was marked by further demand along with a rise in the average daily rate (+15%), resulting in increased board revenues (+HRK 45.2 million, +172%), primarily in the individual, allotment and group marketing segments. In the third quarter, board revenues grew by substantial +HRK 34.3 million (+26%), while the average daily rate reached almost HRK 1,200. The growth trend continued during the fourth quarter, during which board revenues increased by 80% (+18.5 million kuna) compared to the same period last year due to a strong

[4] EBITDA (earnings before interest, taxes, depreciation and amortization) is calculated according to the formula: operating income - operating expenses + depreciation + value adjustments.
[5] Adjusted EBITDA was calculated according to the formula: EBITDA - extraordinary income + extraordinary expenses result (2022: HRK 12.0 million of extraordinary income and HRK 12.4 million of extraordinary expenses; 2021: HRK 7.2 million of extraordinary income and HRK 15.2 million of extraordinary expenditure)
[6] Net debt: long-term and short-term liabilities to banks and other financial institutions + other liabilities in accordance with IFRS 16 (leases) - cash and cash equivalents.
[7] Annual occupancy and RevPar calculated based on the number of operating accommodation units.

increase in the number of overnight stays (+73%) and an increase in the average daily rate by 4% primarily in the individual marketing segment. During the New Year holidays, 10 hotels were operating with excellent demand and occupancy thanks to a variety of events organized for guests (advent houses with a rich offer of food and drinks, concerts, SPA treatments...). The Company's newly defined strategic guidelines were a strong contributing factor to the achieved recored top-line results, as they were aimd at: i) the optimal marketing and sales positioning of the tourism portfolio, ii) the improvement of daily rate management system activities, and iii) the further development of product and service, as well as numerous added-value events for guests (such as the introduction of the LIRI mascot enriching the offering for the youngest guests, the Romantic Getaway for Valentine's Day, Active&Healthy at Istra hotel, the national Eurovision song contest - Dora, various concerts and events such as RetrOpatija, Sensual Summer Days, Chocolate Festival and others). The rise in sales revenues was also driven by the F&B outlet segment (+HRK 22.2 million, +97%) due to offer upgrades and improved F&B outlet quality, such as the newly renovated Imperial premium cafe that was opened by the end of last year;

b) **other operating income** was HRK 19.3 million, showing a 41% decrease vs. 2021 comparable period. The decrease was due to the fact that the government aid to preserve jobs (HRK 4,000 per employee) and related tax and contribution exemptions were not used in 2022, while during 2021 the use of such measures resulted in HRK 19.7 million in income. Other operating income achieved in 2022 is mostly made up by rental income and income made from canceling long-term provisions;

c) the achieved **financial income** totaling HRK 3.6 million (+HRK 0.8 million in the 2021 comparable period) is mainly based on the quarterly statement of exchange rate differences, primarily on the Company's long-term debt in relation to the annual reporting in the previously observed period.

OPERATING EXPENSES

(in HRK million)	2021	2022	22'/21'
Total operating expenses	329.9	385.9	17%
Material costs	98.5	138.0	40%
Staff costs	95.8	115.6	21%
Depreciation and amortization	100.4	97.5	-3%
Provisions and value adjustments	12.9	5.8	-55%
Other operating expenses	22.3	28.9	30%

Total operating expenses during 2022 were HRK 385.9 million, up by 17% (+HRK 56.0 million). They consisted of:

a) **material costs** representing 36% (30% in 2021). They grew by 40% (+HRK 39.5 million) and reached HRK 138.0 million mainly due to increased direct costs of raw materials driven by strong growth in business (+56% overnights) vs. previous comparable period and reported inflationary pressures;

b) the share of **staff costs** within total operating expenses grew (30%) vs. last comparable period (29% in 2021). The 21% growth (+HRK 19.9 million) to HRK 115.6 million was due to: i) a strong growth in business and employees' working hours and ii) the further development of the management and operational teams aimed at transforming the business model of Liburnia Riviera to make it more competitive on the international hotel market in the medium term;

c) **amortization** represented 25% of total operating expenses (30% in 2021). It fell by 3% (-HRK 2.9 million) to HRK 97.5 million because there were no large investment cycles carried out in 2020 and most of 2021 to maintain and manage liquidity rationally;
d) **provisions and value adjustments** were HRK 5.8 million, they grew by HRK 7.2 million vs. previous comparable period. Provisions and value adjustments in 2022 relate to: i) an increase in disputes related provisions in the amount of HRK 1.6 million and ii) a write-off of long-term tangible assets in the amount of HRK 4.2 million;
e) **other operating expenses** represented 7% of total expenses (7% in 2021). They grew by HRK 6.6 million and reached HRK 28.9 million.

EBITDA

Operating revenues increase by 53% to HRK 380.5 million (2021: HRK 248.5 million) and the active management of operating efficiency and related optimization of operating costs at all Company levels resulted in 363% EBITDA growth (+HRK 75.5 million compared to 2021). 2022 EBITDA grew to HRK 96.4 million despite the increased costs of energy sources, input raw material and goods costs, as well as staff costs. When comparing reporting periods, if we exclude the one-off influence of the received state aid for preserving jobs in 2021, EBITDA grew by HRK 95.2 million.

FINANCIAL RESULT

The financial result was -HRK 9.5 million (-HRK 5.9 million in 2021). The main reason for the HRK 3.6 million lower financial performance vs. previous comparable period was due to the following: i) an HRK 0.3 million net negative effect of exchange rate difference (primarily on debt) due to the depreciation of HRK towards EUR, ii) an HRK 4.7 million increase in expenses based on interest and fees due to the withdrawal of long-term credit lines in order to strengthen the Company's liquidity position and the increase in reference interest rates in credit arrangements with a variable interest rate and iii) decrease of other financial expenses by HRK 1.7 million.

GROSS PROFIT / (LOSS)

Loss before tax was decreased by HRK 72.0 million to HRK 14.9 million (-HRK 87.3 million in 2021) as a result of the tourism industry recovery and strongly improved business operations as earlier described.

ASSETS AND LIABILITIES

(in HRK million)	31/12/2021	31/12/2022	2022/2021
Fixed assets	906.3	869.7	-4%
Current assets	43.7	108.0	+147%
Prepaid expenses and accrued income	0.6	0.5	-19%
TOTAL ASSETS	950.6	978.1	+3%
Capital and reserves	517.0	512.9	-1%
Provisions	21.4	14.1	-34%
Long-term liabilities	297.1	324.8	+9%
Short term liabilities	112.3	119.5	+6%
Accruals and deferred income	2.8	6.9	+150%
TOTAL LIABILITIES	950.6	978.1	+3%

As of 31 December 2022, the total value of the Company's assets was HRK 978.1 million, up by 3% vs. 31 December 2021. Fixed assets were HRK 869.7 million, decreasing by HRK 36.6 million mostly because of the following: i) calculated amortization totaling HRK 97.5 million, ii) investments in maintaining and improving the quality of tourism products and services totaling HRK 55.0 million and iii) increase in deferred tax assets by HRK 10.7 million based on the recognition of tax losses from previous periods .

Total current assets grew by HRK 64.3 million and totaled HRK 108.0 million mainly due to a stronger cash position (HRK 73.1 million, +HRK 57.9 million vs. 31/12/2021), and higher inventory (+HRK 1.5 million) and receivables balances (+HRK 4.8 million). The higher balance of inventories and receivables is the result of a higher number of open hotels (2022: 10 hotels, 2021: 7 hotels) during the New Year holidays; receivables were paid to a greater extent during January 2023.

Total capital and reserves were HRK 512.9 million and they decreased by 1% due to a HRK 4.2 million loss during 2022.

Total long-term liabilities grew from HRK 297.1 million to HRK 324.8 million due to: i) the withdrawal of long-term credit lines to boost the Company's liquidity and ensure enough working capital and ii) change in the repayment plan for a loan agreed with Erste&Steiermärkische Bank d.d. in the nominal amount of EUR 11.4 million where the linear amortization of the principal was replaced by the modified repayment plan where most of the loan is repaid on its maturity date (soft bullet amortization).

Total short-term liabilities amount to HRK 119.5 million and are higher by 6% (+HRK 7.2 million) compared to 31 December 2021. The increase in short-term liabilities was primarily influenced by an increase in liabilities for advances (+HRK 4.4 million) and an increase in liabilities for taxes, contributions and similar payments (+HRK 2.2 million) due to a higher liability based on value added tax.

Accruals and deferred income grew by HRK 4.1 million due to calculated costs related to invoices from suppliers in 2022.

RISKS IN THE COMPANY'S BUSINESS

The tourism industry has been changing rapidly over recent years. This is a result of changes in travel patterns, the emergence of low-cost airlines and various online agencies, new technologies and changes in booking trends, as well as in the very expectations of guests. Considering that the tourism industry represents a business of global proportions, it is very closely linked to the real and financial economy, macroeconomic and geopolitical aspects, and environmental sustainability, Company assesses the probability of the occurrence of a particular risk at the macro and micro level for each segment of the business and its potential consequences, or impact on the business processes and system of Liburnia Riviera.

The aim of risk management is to further encourage the creation of sustainable value and to assure Company's many stakeholders. The risk management process consists of the following steps: a) identification of potential risks in the business, b) analysis and assessment of the occurrence of identified risks, c) defining activities and responsibilities for effective risk management, d) supervision and monitoring of measures taken to eliminate and/or reduce the occurrence of risk events, and e) exchange of information on risk management results.

The Company, like most companies in the tourism sector, is exposed to a number of risks in daily business that can be divided into the following categories:

1) FINANCIAL RISKS

Financial risks include currency, interest rate, credit, price and liquidity risk. Since the Company operates internationally, it is exposed to currency risk, which mainly arises from changes in the nominal exchange rate of EUR/HRK. The majority of the proceeds from sales abroad are generated in EUR, the currency in which all long-term credit debt is denominated, so the Company is for the most part naturally protected from currency risk. However, a certain part of liabilities (primarily obligations to suppliers and obligations to employees) are expressed in HRK, which is why the Company actively manages currency risk through financial instruments available on the financial market in accordance with the current state and future assessment of the Company's foreign exchange position, expectations of the movement of the value of the EUR/HRK currency pair, as well as other cross-currency relationships between the world currencies. The introduction of the euro as the official currency in the Republic of Croatia from January 1, 2023. significantly affects the Company's exposure to currency risk, i.e. the Company will no longer be exposed to the greatest extent.

Furthermore, part of the debt with banks contracted at variable interest rates partially exposes the Company to the risk of changing interest outflows at cash flow, while credit risk arises from money, term deposits and trade receivables. Credit risk is minimized by arranging deals with customers who have an appropriate credit history, arranging prepayments or payments through security deposits and credit cards for individual customers. The Company also acquires insurance instruments for receivables (bills of exchange, promissory notes and guarantees) thus allaying the risks of non-performing of its claims for the services provided. The Company continuously monitors tour operators and travel agencies with which it does regular business, while actively checking their financial competencies, and in the end, it implements forced collection by activating insurance measures to collect its receivables.

The Company is not an active participant in the capital markets in terms of trading with equity and debt securities, therefore it is not significantly exposed to price risk.

Sound liquidity risk management ensures that the Company ensures day-to-day control and provision of sufficient amounts of free cash through operating cash flows and adequate amounts of currently agreed and future credit lines to meet its obligations. Credit lines for 2022 are contracted with reputable financial institutions, while in general credit repayments are aligned with the period of significant cash inflows from operational activities. The Company monitors the level of available funds through daily cash and debt reports. Long-term cash flow forecasts, as well as annual (monthly) forecasts, are based on the set budget. After meeting the needs of working capital management the surplus is deposited in the treasury. From there the funds are invested in interest-bearing current accounts, time deposits, money market deposit accounts and marketable securities. Only instruments with suitable maturities and sufficient liquidity are selected, according to the forecast needs for liquid funds.

2) BUSINESS RISKS

The Company is exposed to business risks related to competitiveness and business stability. Since the Company owns real estate, this business model requires intensive capital engagement to maintain high-quality products and services. Capital intensive investment projects in increasing the quality of services and products may exceed budget expectations, construction does not have to be completed on time, in the meantime, changes to urban planning regulations, other laws and fiscal policy may take effect and may lead to the opening of litigations with suppliers and contractors or inconsistent quality of work. These risks may adversely affect the Company's cost increase, as well as weaker cash flow and lower revenues.

Given that in conditions of a stable market, excluding the impact of the pandemic, more than 90% of the Company's guests are guests from abroad, the stability of macroeconomic indicators in their domicile countries is very important, where the exchange rate and price of goods and services that directly affect the purchasing power of guests play a significant role. The extreme seasonality of Croatian tourism as an industry poses a significant risk and impact on business results, as it leads to insufficient use of available tourist capacities and resources. Therefore, the Company at all levels of management strives to develop the tourist offer, using its comparative advantages and expertise while pondering strategically about the development of the tourist product.

Without high-quality human resources management, the development of the Company is not possible, and the expansion of the labor market in recent years has identified risks related to deficit positions, the development of new knowledge and specific skills. The Company's ability to provide support to its business may be impaired if the Company is unable to hire, train and retain the sufficient number of workers necessary for the realization of its business strategy and sustainable growth and development, especially during the high season from June to September. Therefore, the Company continuously engages in a dialogue with social partners and ensures a high level of workers' rights, starting with wage competitiveness, motivation and reward systems, untie career development, health care programs and numerous training programs.

3) OTHER RISKS

The Company is exposed to operational risk, i.e., direct and indirect losses arising from the Company's flawed internal and external processes. An incorrect assessment of a development opportunity may affect the Company's ability to deliver business growth and long-term value for shareholders. Given the complexity of the organization, systematic work is being done on the analysis of data that actively monitors the Company's business actions, thus providing timely work frame for valid business decisions.

The Company is aware of the risk of exposure to cyber-attacks which may result in significant disruptions to operations and financial losses due to declining revenues, costs of repairing damage from attacks, and significant fines in the event of data security breaches, as well as the reliability of IT business solutions. Hence, the Company continuously works on its further development with a focus on data protection projects, improvement of existing and development and implementation of new, modern business systems.

CORPORATE GOVERNANCE

The Company continuously, to the greatest extent possible, develops and operates, in accordance with the good practice of corporate governance prescribed by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange d.d. Business strategy, policy, key acts and business practices have established governance standards, aimed at contributing to transparent and efficient business.

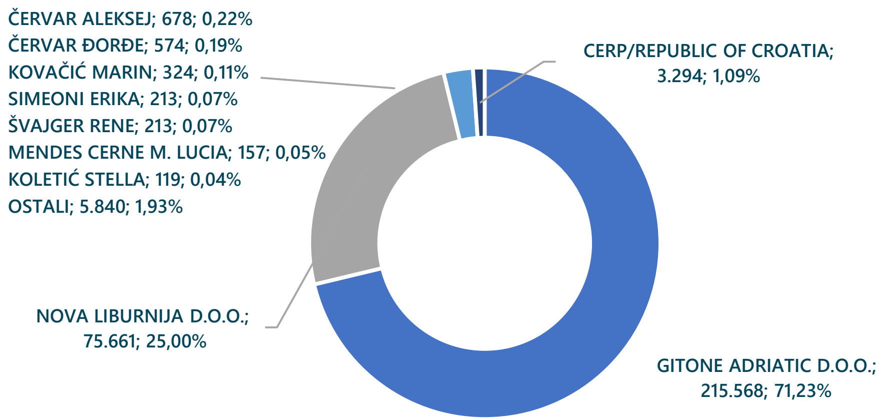
During 2022 for the most part, the Company has followed and applied the recommendations set out in the Code, disclosing all information as foreseen by the positive regulations and information beneficial for the interest of the Company's shareholders.

In accordance with the requirements of the Code, and in accordance with the provisions of the Companies Act, the Supervisory Board conducts internal supervision of the Company by regular inspections of presented reports. Members of the Supervisory Board are regularly provided with detailed information on the management and operations of the Company. At the meetings of the Supervisory Board, all matters within the competence of that body prescribed by the Companies Act and the Statute of the Company are discussed and decided. In addition, the Supervisory Board performs internal control and oversight through the Audit Committee, which provides expert support to the Supervisory Board and the Management Board in the effective performance of corporate governance, risk management, financial reporting and control obligations of the Company. Since 2021, the Strategic Development, Investment and Construction Committee, and the Procurement Committee have also been active within the Supervisory Board, with the purpose to accelerate internal processes of apt decision making in cooperation with the Company's management, with the aim of implementing further planned investments in the shortest possible time frame.

Management ensures that the Company keeps business and other books and business documentation, draws up bookkeeping documents, realistically assesses assets and liabilities, compiles financial and other reports in accordance with accounting regulations and standards and applicable laws and regulations.

The Company does not have a formal diversity policy in place regarding gender, age, education or profession in executive, managerial and supervisory bodies. Executive/managerial roles in the Company are appointed depending on the needs of specific business activities, requiring certain knowledge, professional qualification, and the capacity of potential role holder, without taking into account diversity with regards to gender or age. The Company also requires certain knowledge, education and capacity of potential job holders in these bodies in management and supervisory boards, and in accordance with the criteria and decisions of the Supervisory Board and the Assembly of the Company.

Overview of the largest shareholders of the Company on December 31, 2022:



In accordance with the Statute of the Company, shareholders' right to vote is not limited to a certain percentage or number of votes, nor are there time restrictions for exercising of voting rights. Each ordinary share carries one vote at the General Assembly.

The Company's rights and obligations arising from the acquisition of its own shares are exercised in accordance with the provisions of Companies Act (ZTD). On the day of 31 December 2022, the Company holds 4 of its own shares, and in the first nine months of 2022 the Company did not acquire its own shares.

Members of the Company's Management and Supervisory Board are not direct or indirect holders of the Company's shares in terms of the Companies Act (ZTD), and thus do not represent significant holders of the Company's shares in terms of the Companies Act (ZTD) and the Corporate Governance Code, thereby ensuring their independence as provided by the applicable legislation. The Management Board of the Company shall be appointed and revoked by the Supervisory Board.

Since November 1, 2021, the Management Board of the Company consisted of the Management Board President Mr. Karl Eckerstorfer and the Management Board Member Mr. Dušan Mandič. During the first nine months of 2022, there were no changes in the composition of the Company's Management Board.

The Authority of members of the Management Board is fully aligned with the provisions of the Companies Act (ZTD) and is regulated in more detail by the provisions of the Statute.

Company's Assembly appoints and revokes the Supervisory Board, in accordance with the Statute of the Company and the Companies Act (ZTD), and on the day of 31 December 2022 is composed of the following members:

- Johannes Böck, President,
- Alexander Paul Zinell, Deputy President,
- Philip Göth, member,
- Thomas Mayer, member,
- Davor Žic, member,
- Danijel Jerman, member,
- Rikardo Gregov, member,
- Ana Odak, member.

On May 25, 2022, Mrs. Helene Masarić resigned from the Supervisory Board of Liburnia Riviere effective as of the date of resignation. Supervisory Board of the Company, by decision of Nova Liburnija d.o.o., appointed Mr. Danijel Jerman as a replacement for Mrs. Masarić. Also, at the beginning of June 2022, the Workers' Council decided to elect a new member to the Company's Supervisory Board (employee representative), and Mr. Rikardo Gregov was appointed to replace Mr. Domijan Mršić. Following the aforementioned changes, the Supervisory Board operates as follows: Mr. Johannes Böck, president, members: Mr. Davor Žic, Mrs. Ana Odak, Mr. Thomas Mayer, Mr. Philip Göth, Mr. Alexander Zinell, Mr. Danijel Jerman and Mr. Rikardo Gregov (employee representative).

As a rule, the Management Board and the Supervisory Board work in meetings, by decision-making without holding meetings, by correspondence, all in accordance with the provisions of positive regulations. The General Assembly is convened, operates and has the authority in accordance with the provisions of the ZTD as well as the provisions of the Statute of the Company, and the invitation and proposals of decisions, as well as the decisions taken, are made public in accordance with the provisions of the Companies Act (ZTD), the Capital Market Act and the Rules of the Zagreb Stock Exchange d.d. The rules on the appointment and revocation of members of the Management Board and members of the Supervisory Board are defined by the Statute, and in accordance with the provisions of the Companies Act (ZTD). The appointment rules do not contain any restrictions on diversity with regards to gender, age, education, profession and similar limitations.

The Supervisory Board, for the purpose of performing its function more efficiently as well as the tasks prescribed by the provisions of the Law on Audit and the Code of Corporate Governance, includes:

Audit Committee: Mr. Johannes Böck, President, Mr. Philip Göth and Mr. Domijan Mršić, members,

Strategic Development, Investments and Constructions Committee: Mr. Johannes Böck, President and Mr. Domijan Mršić and Mrs. Ana Odak, members,

Procurement Committee: Mr. Johannes Böck, President and Mr. Domijan Mršić and Mrs. Ana Odak, members.

Due to the change of employee representative in the Supervisory Board of the Company, Mr. Domijan Mršić ceases to be a member of the above-mentioned boards. His replacement will be appointed in the coming period.

NON-FINANCIAL REPORT

Pursuant to article 21.a (Official Gazette 78/15, 134/15, 120/16, 116/18, 42/20, 47/20, 114/22) of the Accounting Act, the Company publishes a non-financial report for the business year 2022.

Following the characteristics of the tourism activity performed by the Company, where, in addition to the social component and human resources, one of the most important resources is the environment, the Company pays special attention to the principles of socially responsible business operations. The Company's comprehensive approach to corporate social responsibility, in relation to key shareholders with whom the company maintains continuous communication, is part of the Company's strategy in which sustainable destination development and support to the local community, as well as environmental protection, employee and guest satisfaction are part of regular business. Therewith the Company sustainably develops the local community by enriching the tourist offer by expanding the tourist infrastructure and supporting cultural, gastronomic, educational and entertainment programs, projects and initiatives that improve the attractiveness and competitiveness of the destination and contribute to the prolongation of the tourist season and, thus, preserving its cultural identity and the value of the local community.

Ecology and sustainable development

Environmental responsibility is one of the biggest challenges of the future, actively monitored by the Company and in which it directs a large part of its resources in order to maintain a high level of competitiveness and sustainability. Tourism intensively applies environmentally responsible concepts as environmental protection contributes to economic growth, employment and increased competitiveness as well as comparative advantages. The entire business of the Company is based on ecologically sustainable systems and the Company pays special attention to the preservation and protection of the environment. The Company has a contract for measuring the emission of pollutants into the air from stationary sources and has an ISO 50001:2018 energy certificate. The strategic goal of the Company is to continuously improve the quality of services, including continuous improvement and increase of energy efficiency (electricity, heating oil, gas, water) and procurement of energy-efficient products and services.

Water conservation, as one of the most important natural resources, and its rational use in the Company's business is achieved by controlling and optimizing water consumption, as well as informing guests about the importance of conscious water use. In order to increase energy savings, the Company uses energy-saving devices and high-energy efficiency equipment. The selection of non-hazardous from hazardous waste, at the place of its generation, increases the amount of secondary raw materials that can be recycled and reduces the amount of waste that is permanently disposed of in landfills. Waste disposal is performed by companies authorized for the disposal of certain types of waste and acting in accordance with the principles of environmental protection.

The Company also regularly disposes of organic waste (e.g. food leftovers from the kitchen) in an environmentally and legally prescribed manner, which favours the development of bacteria.

Employment and ensuring workers' rights

The Company achieves the highest employment in the high tourist season, i.e., in the period from June to September. As of 31 August 2022, the Company employed 985 employees, of which 317 for an indefinite period of time and 668 for a definite period of time. The Company reaches its lowest employment outside the tourist season, in February. As of 28 February 2022, the Company employed 531 employees, of which 332 for an indefinite period of time and 199 for a definite period of time. During 2022, average employment increased compared to 2021 due to the recovery of tourist and business activities, especially in the high season due to strong demand for tourist accommodation in the Republic of Croatia and consequently increased need for seasonal employment.

Investment and comprehensive care of human resources are one of the primary business objectives of the Company, which ensures employee satisfaction with material working and accommodation conditions, and consequently a high level of quality service to guests. In addition to its commitment to complying with all legal requirements and internal health and safety standards of its employees, contractual partners and guests, providing additional benefits to employees (e.g., hot meals for all employees), talent management and career development, the Company continuously invests in accommodation facilities for its seasonal workers at locations from Opatija to Medveja.

The formal legal relations with employees are regulated by sources that regulate employment relations and respect the provisions of the Labour Act, the Collective Agreement for Hotel and Catering Business, the Collective Agreement concluded by the Company with trade union branches operating in the Company, which include the Istria, Kvarner and Dalmatia Trade Union and the Trade Union for tourism and services of Croatia, as well as employment contracts of each individual worker. Negotiations with the Trade Unions are renewed every year and are conducted in good faith, so there is a continuous agreement on the rights of workers and the obligations of the employer, as well as the obligations of workers to the employer. The Workers' Council was established in the Company in accordance with the provisions of the Labour Act. Communication with the Workers' Council and the representatives of the Trade Union takes place directly in all situations prescribed by the sources of labour law. The employer informs the representatives of workers and trade unions about the situation in the Company, business results and other issues that are important for workers.

Respecting human rights

In accordance with the provisions of the Labour Act, the Company fulfils its obligations based on the protection of the dignity, life, health and privacy of employees as well as the protection of personal data. When recruiting and promoting, the Company provides candidates with equal opportunities and treatment. Attention is also paid to guests and all guests are approached equally regardless of nation, religion, skin colour or gender. Direct or indirect discrimination against a job applicant and the person employed, on the basis of race or ethnicity or colour, gender, language, religion, national or social origin, property status, education, social status, marital or family status, age, health status, disability, genetic inheritance, expression or sexual orientation is not permitted.

The Company protects the dignity of employees during the performance of work by ensuring working conditions in which they will not be exposed to harassment by superiors, associates or persons with whom the employee regularly comes into contact in the performance of their duties.

The Company organizes work in a way that ensures the health and life of workers, as well as protective clothing and footwear in accordance with regulations on safety at work.

Anti-corruption policy

The Company applies high ethical standards in its business, implements a policy of zero tolerance towards corruption and promotes the same in relations with partners. High business standards are set forbidding to accept or give bribes in order to gain an advantage for oneself or the Company.

Personal data protection

The Company values the protection of the privacy of employees, guests and partners. Their personal data are protected, and special attention was paid to the harmonization of personal data protection procedures with the provisions of the General Regulation and the Act on the Implementation of the General Regulation on Data Protection. Rules and procedures have been adopted, and in the implementation of the solution based on the provisions of the General Regulation, increased attention has been paid to the collection of personal data of website visitors and guests at the receptions of facilities. Technical measures have been taken to more effectively protect personal data. Personal data are systematized in accordance with the General Regulation and internal regulations, and procedures for access to personal data are provided. The Company carries out the implemented policies and procedures and continuously improves the data protection system of data processed.

STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT BOARD FOR COMPILING THE ISSUER'S REPORTS

Opatija, March 2nd, 2023

The Management Board is required to prepare financial statements for each financial year that present fairly, in all material respects, the financial position of the Company and its performance and cash flows, in accordance with International Financial Reporting Standards adopted by the European Union and is responsible for keeping appropriate accounting records to prepare these financial statements at any time. The Management Board has the general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Management is responsible for selecting appropriate accounting policies that are in line with applicable accounting standards and should be applied consistently thereafter; make reasonable and prudent judgments and estimates, prepare financial statements based on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Management Board is also responsible for the preparation and content of management reports, statements on the application of the Code of corporate governance and non-financial report, in accordance with the Croatian Accounting Act. The management report, report of the corporate governance code and non-financial report for the period from 1.1.2022 to 31.12.2022 were approved for issuance by the Management Board.

Pursuant to Articles 462 to 471of the Capital Market Act (Official Gazette 65/18), the Management Board issues this statement:

The audited unconsolidated financial statements of Liburnia Riviera Hoteli d.d. have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Croatian Accounting Act.

The audited unconsolidated financial statements for the period from 1 January to 31 December 2022 give a true and fair view of the Company's assets and liabilities, financial position, profit or loss.

The management report, together with the audited financial statements for the stated period, contains an objective presentation of the development and results of operations and position of the Company with a description of the most significant risks and uncertainties to which the Company is exposed.

Mr. Karl Eckerstorfer,

Management Board President

LIBURNIA RIVIERA HOTELI
DIONIČKO DRUŠTVO
OPATIJA 13

Mr. Dušan Mandič,

Management Board Member

ISSUER'S GENERAL DATA

Reporting period: **1.1.2022** to **31.12.2022**

Year: **2022**

Annual financial statements

Registration number (MB):	**03166619**	Issuer's home Member State code:	**HR**
Entity's registration number (MBS):	**040008080**		
Personal identification number (OIB):	**15573308024**	LEI:	**74780000COJHFR9WBI35**
Institution code:	**1121**		
Name of the issuer:	**LIBURNIA RIVIERA HOTELI d.d. OPATIJA**		
Postcode and town:	**51410**		**OPATIJA**
Street and house number:	**MARŠALA TITA 198**		
E-mail address:	liburnia@liburnia.hr		
Web address:	www.liburnia.hr		
Number of employees (end of the reporting period):	**710**		
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:	**Laković Alen** (only name and surname of the contact person)		
Telephone:	**+ 385 (0)51 710-347**		
E-mail address:			
Audit firm:	Grant Thornton revizija d.o.o. Zagreb (name of the audit firm)		
Certified auditor:	Dalibor Briški (name and surname)		

BALANCE SHEET
balance as at 31.12.2022

in HRK

Submitter: LIBURNIA RIVIERA HOTELI d.d. OPATIJA			
Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	**001**		
B) FIXED ASSETS (ADP 003+010+020+031+036)	**002**	906.289.511	869.717.106
I INTANGIBLE ASSETS (ADP 004 to 009)	**003**	19.101.960	19.403.094
1 Research and development	**004**	501.975	1.226.294
2 Concessions, patents, licences, trademarks, software and other rights	**005**	9.218.145	7.798.157
3 Goodwill	**006**	0	0
4 Advances for the purchase of intangible assets	**007**	0	0
5 Intangible assets in preparation	**008**	0	1.861.687
6 Other intangible assets	**009**	9.381.840	8.516.956
II TANGIBLE ASSETS (ADP 011 to 019)	**010**	853.865.609	806.259.800
1 Land	**011**	122.286.155	122.444.608
2 Buildings	**012**	547.135.981	520.179.550
3 Plant and equipment	**013**	23.255.373	22.732.216
4 Tools, working inventory and transportation assets	**014**	113.269.312	96.267.377
5 Biological assets	**015**	0	0
6 Advances for the purchase of tangible assets	**016**	22.208.256	19.010.217
7 Tangible assets in preparation	**017**	21.824.422	21.739.722
8 Other tangible assets	**018**	3.886.110	3.886.110
9 Investment property	**019**	0	0
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	**020**	24.310.192	24.322.640
1 Investments in holdings (shares) of undertakings within the group	**021**	24.310.192	24.322.640
2 Investments in other securities of undertakings within the group	**022**		
3 Loans, deposits, etc. to undertakings within the group	**023**		
4. Investments in holdings (shares) of companies linked by virtue of participating interests	**024**		
5 Investment in other securities of companies linked by virtue of participating interests	**025**		
6 Loans, deposits etc. to companies linked by virtue of participating interests	**026**		
7 Investments in securities	**027**		
8 Loans, deposits, etc. given	**028**		
9 Other investments accounted for using the equity method	**029**		
10 Other fixed financial assets	**030**		
IV RECEIVABLES (ADP 032 to 035)	**031**	0	0
1 Receivables from undertakings within the group	**032**		
2 Receivables from companies linked by virtue of participating interests	**033**		
3 Customer receivables	**034**		
4 Other receivables	**035**		
V DEFERRED TAX ASSETS	**036**	9.011.750	19.731.572
C) CURRENT ASSETS (ADP 038+046+053+063)	**037**	43.715.916	107.961.828
I INVENTORIES (ADP 039 to 045)	**038**	4.079.833	5.555.744
1 Raw materials and consumables	**039**	2.885.896	4.913.568
2 Work in progress	**040**	0	0
3 Finished goods	**041**	0	0
4 Merchandise	**042**	101.643	336.978
5 Advances for inventories	**043**	1.092.294	305.198
6 Fixed assets held for sale	**044**	0	0
7 Biological assets	**045**	0	0
II RECEIVABLES (ADP 047 to 052)	**046**	24.425.819	29.266.422
1 Receivables from undertakings within the group	**047**	0	0
2 Receivables from companies linked by virtue of participating interests	**048**	13.662.122	14.314.791
3 Customer receivables	**049**	6.751.014	13.265.653
4 Receivables from employees and members of the undertaking	**050**	53.276	155.965
5 Receivables from government and other institutions	**051**	3.926.853	1.289.266
6 Other receivables	**052**	32.554	240.747
III CURRENT FINANCIAL ASSETS (ADP 054 to 062)	**053**	0	4.800
1 Investments in holdings (shares) of undertakings within the group	**054**		
2 Investments in other securities of undertakings within the group	**055**		
3 Loans, deposits, etc. to undertakings within the group	**056**		
4 Investments in holdings (shares) of companies linked by virtue of participating interests	**057**		
5 Investment in other securities of companies linked by virtue of participating interests	**058**		
6 Loans, deposits etc. to companies linked by virtue of participating interests	**059**		
7 Investments in securities	**060**		

8 Loans, deposits, etc. given	061		
9 Other financial assets	062		
IV CASH AT BANK AND IN HAND	063	15.210.264	73.134.862
D) PREPAID EXPENSES AND ACCRUED INCOME	064	572.024	465.503
E) TOTAL ASSETS (ADP 001+002+037+064)	065	950.577.451	978.144.437
OFF-BALANCE SHEET ITEMS	066	251.939	53.480
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	067	517.032.099	512.863.095
I INITIAL (SUBSCRIBED) CAPITAL	068	696.074.300	696.074.300
II CAPITAL RESERVES	069	0	0
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	46.513.848	46.513.848
1 Legal reserves	071	45.018.765	45.018.765
2 Reserves for treasury shares	072	9.200	9.200
3 Treasury shares and holdings (deductible item)	073	-9.200	-9.200
4 Statutory reserves	074	0	0
5 Other reserves	075	1.495.083	1.495.083
IV REVALUATION RESERVES	076	0	0
V FAIR VALUE RESERVES AND OTHER (ADP 078 to 082)	077	0	0
1 Financial assets at fair value through other comprehensive income (i.e. available for sale)	078		
2 Cash flow hedge - effective portion	079		
3 Hedge of a net investment in a foreign operation - effective portion	080		
4 Other fair value reserves	081		
5 Exchange differences arising from the translation of foreign operations (consolidation)	082		
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 084-085)	083	-133.862.731	-225.556.049
1 Retained profit	084	0	0
2 Loss brought forward	085	133.862.731	225.556.049
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 087-088)	086	-91.693.318	-4.169.004
1 Profit for the business year	087	0	
2 Loss for the business year	088	91.693.318	4.169.004
VIII MINORITY (NON-CONTROLLING) INTEREST	089	0	0
B) PROVISIONS (ADP 091 to 096)	090	21.397.957	14.084.764
1 Provisions for pensions, termination benefits and similar obligations	091	2.033.432	1.823.066
2 Provisions for tax liabilities	092	0	0
3 Provisions for ongoing legal cases	093	19.364.525	12.261.698
4 Provisions for renewal of natural resources	094	0	0
5 Provisions for warranty obligations	095	0	0
6 Other provisions	096	0	0
C) LONG-TERM LIABILITIES (ADP 098 to 108)	097	297.130.786	324.839.159
1 Liabilities to undertakings within the group	098	0	0
2 Liabilities for loans, deposits, etc. of undertakings within the group	099	0	0
3 Liabilities to companies linked by virtue of participating interests	100	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	101	0	0
5 Liabilities for loans, deposits etc.	102	0	0
6 Liabilities to banks and other financial institutions	103	287.539.871	316.464.310
7 Liabilities for advance payments	104	0	0
8 Liabilities to suppliers	105	0	0
9 Liabilities for securities	106	0	0
10 Other long-term liabilities	107	9.590.915	8.374.849
11 Deferred tax liability	108	0	0
D) SHORT-TERM LIABILITIES (ADP 110 to 123)	109	112.263.765	119.470.524
1 Liabilities to undertakings within the group	110	433.630	1.549.537
2 Liabilities for loans, deposits, etc. of undertakings within the group	111	0	0
3 Liabilities to companies linked by virtue of participating interests	112	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	113	0	0
5 Liabilities for loans, deposits etc.	114	0	0
6 Liabilities to banks and other financial institutions	115	67.016.623	65.354.793
7 Liabilities for advance payments	116	6.560.349	10.912.928
8 Liabilities to suppliers	117	15.274.634	13.676.794
9 Liabilities for securities	118	0	0
10 Liabilities to employees	119	15.473.863	17.316.520
11 Taxes, contributions and similar liabilities	120	3.678.408	5.915.796
12 Liabilities arising from the share in the result	121	0	0
13 Liabilities arising from fixed assets held for sale	122	0	0
14 Other short-term liabilities	123	3.826.258	4.744.156
E) ACCRUALS AND DEFERRED INCOME	124	2.752.844	6.886.895
F) TOTAL – LIABILITIES (ADP 067+090+097+109+124)	125	950.577.451	978.144.437
G) OFF-BALANCE SHEET ITEMS	126	251.939	53.480

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2022. to 31.12.2022.

in HRK

Submitter: LIBURNIA RIVIERA HOTELI d.d.

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
I OPERATING INCOME (AOP 002 do 006)	001	248.511.285	380.502.733
1 Income from sales with undertakings within the group	002	1.062.642	502.768
2 Income from sales (outside group)	003	214.986.404	360.775.240
3 Income from the use of own products, goods and services	004		
4 Other operating income with undertakings within the group	005	540	133.428
5 Other operating income (outside the group)	006	32.461.699	19.091.297
II OPERATING EXPENSES (AOP 08+009+013+017+018+019+022+029)	007	329.927.086	385.893.224
1 Changes in inventories of work in progress and finished goods	008		
2 Material costs (AOP 010 do 011)	009	98.521.446	138.042.441
a) Costs of raw material	010	41.024.528	67.979.620
b) Costs of goods sold	011	0	9.576
c) Other external costs	012	57.496.918	70.053.245
3 Staff costs (AOP 014 do 016)	013	95.758.270	115.630.585
a) Net salaries and wages	014	66.688.726	78.422.865
b) Tax and contributions from salaries expenses	015	17.783.644	24.151.740
c) Contributions on salaries	016	11.285.900	13.055.980
4 Depreciation	017	100.430.911	97.548.519
5 Other expenses	018		0
6 Value adjustments (AOP 020+021)	019	1.793.208	4.194.107
a) fixed assets other than financial assets	020	1.793.208	3.940.766
b) current assets other than financial assets	021	0	253.341
7 Provisions (AOP 023 do 028)	022	11.152.159	1.597.846
a) Provisions for pensions, termination benefits and similar obligations	023		
b) Provisions for tax liabilities	024		
c) Provisions for ongoing legal cases	025	11.152.159	1.597.846
d) Provisions for renewal of natural resources	026		
e) Provisions for warranty obligations	027		
f) Other provisions	028		
8 Other operating expenses	029	22.271.092	28.879.726
III FINANCIAL INCOME (AOP 031 do 040)	030	834.696	3.551.790
1 Income from investments in holdings (shares) of undertakings within the group	031		
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	032		
3 Income from other long-term financial investment and loans granted to undertakings within the group	033		
4 Other interest income from operations with undertakings within the group	034	187.217	355.328
5 Exchange rate differences and other financial income from operations with undertakings within the group	035		
6 Income from other long-term financial investments and loans	036		
7 Other interest income	037	552	3.803
8 Exchange rate differences and other financial income	038	646.927	3.192.659
9 Unrealised gains (income) from financial assets	039		
10 Other financial income	040		
IV FINANCIAL EXPENDITURE (AOP 042 do 048)	041	6.723.610	13.050.125
1 Interest expenses and similar expenses with undertakings within the group	042		
2 Exchange rate differences and other expenses from operations with undertakings within the group	043		
3 Interest expenses and similar expenses	044	4.844.887	9.564.951
4 Exchange rate differences and other expenses	045	140.225	3.409.173
5 Unrealised losses (expenses) from financial assets	046		
6 Value adjustments of financial assets (net)	047		
7 Other financial expenses	048	1.738.498	76.001
V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	049		
VI SHARE IN PROFIT FROM JOINT VENTURES	050		
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	051		
VIII SHARE IN LOSS OF JOINT VENTURES	052		
IX TOTAL INCOME (AOP 001+030+049 +050)	053	249.345.981	384.054.523
X TOTAL EXPENDITURE (AOP 007+041+051 + 052)	054	336.650.696	398.943.349

XI PRE-TAX PROFIT OR LOSS (AOP 053-054)	**055**	-87.304.715	-14.888.826
1 Pre-tax profit (AOP 053-054)	**056**	0	0
2 Pre-tax loss (AOP 054-053)	**057**	-87.304.715	-14.888.826
XII INCOME TAX	**058**	4. 388.603	-10.719.822
XIII PROFIT OR LOSS FOR THE PERIOD (AOP 055-059)	**059**	-91.693.318	-4.169.004
1 Profit for the period (AOP 055-059)	**060**	0	0
2 Loss for the period (AOP 059-055)	**061**	-91.693.318	-4.169.004
DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)			
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (AOP 063-064)	**062**	0	0
1 Pre-tax profit from discontinued operations	**063**		
2 Pre-tax loss on discontinued operations	**064**		
XV INCOME TAX OF DISCONTINUED OPERATIONS	**065**		
1 Discontinued operations profit for the period (AOP 062-065)	**066**		
2 Discontinued operations loss for the period (AOP 065-062)	**067**		
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)			
XVI PRE-TAX PROFIT OR LOSS (AOP 055+062)	**068**		
1 Pre-tax profit (AOP 068)	**069**		
2 Pre-tax loss (AOP 068)	**070**		
XVII INCOME TAX (AOP 058+065)	**071**		
XVIII PROFIT OR LOSS FOR THE PERIOD (AOP 068-071)	**072**		
1 Profit for the period (AOP 068-071)	**073**		
2 Loss for the period (AOP 071-068)	**074**		
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 (AOP 076+077)	**075**	0	0
1 Attributable to owners of the parent	**076**		
2 Attributable to minority (non-controlling) interest	**077**		
STATEMENT OF OTHER COMPRHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I PROFIT OR LOSS FOR THE PERIOD	**078**	-91.693.318	-4.169.004
II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX (AOP 80 + 87)	**079**	0	0
III Items that will not be reclassified to profit or loss (AOP 081 do 085)	**080**	0	0
1 Changes in revaluation reserves of fixed tangible and intangible assets	**081**		
2 Gains or losses from subsequent measurement of equity instruments at fair value through other comprehensive income	**082**		
3 Fair value changes of financial liabilities at fair value through statement of profit or loss, attributable to changes in their credit risk	**083**		
4 Actuarial gains/losses on the defined benefit obligation	**084**		
5 Other items that will not be reclassified	**085**		
6 Income tax relating to items that will not be reclassified	**086**		
IV Items that may be reclassified to profit or loss (AOP 088 do 095)	**087**	0	0
1 Exchange rate differences from translation of foreign operations	**088**		
2 Gains or losses from subsequent measurement of debt securities at fair value through other comprehensive income	**089**		
3 Profit or loss arising from effective cash flow hedging	**090**		
4 Profit or loss arising from effective hedge of a net investment in a foreign operation	**091**		
5 Share in other comprehensive income/loss of companies linked by virtue of participating interests	**092**		
6 Changes in fair value of the time value of option	**093**		
7 Changes in fair value of forward elements of forward contracts	**094**		
8 Other items that may be reclassified to profit or loss	**095**		
9 Income tax relating to items that may be reclassified to profit or loss	**096**		
V NET OTHER COMPREHENSIVE INCOME OR LOSS (AOP 080+087 - 086 - 096)	**097**	0	0
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (AOP 078+097)	**098**	-91.693.318	-4.169.004
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 (AOP 100+101)	**099**	0	0
1 Attributable to owners of the parent	**100**		
2 Attributable to minority (non-controlling) interest	**101**		

STATEMENT OF CASH FLOWS - indirect method
for the period 01.01.2022 to 31.12.2022

in HRK

Submitter: LIBURNIA RIVIERA HOTELI d.d. OPATIJA			
Item	**ADP code**	**Same period of the previous year**	**Current period**
1	**2**	**3**	**4**
Cash flow from operating activities			
1 Pre-tax profit	**001**	-87.304.715	-14.888.826
2 Adjustments (ADP 003 to 010):	**002**	116.783.677	104.172.124
a) Depreciation	**003**	100.430.911	97.548.519
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	**004**	1.729.459	3.940.766
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	**005**	-184.760	-253.340
d) Interest and dividend income	**006**	-187.769	-351.525
e) Interest expenses	**007**	4.844.887	9.564.951
f) Provisions	**008**	8.920.964	-7.313.193
g) Exchange rate differences (unrealised)	**009**	-431.413	471.223
h) Other adjustments for non-cash transactions and unrealised gains and losses	**010**	1.661.398	564.723
I Cash flow increase or decrease before changes in working capital (ADP 001+002)	**011**	29.478.962	89.283.298
3 Changes in the working capital (ADP 013 to 016)	**012**	7.019.215	6.803.852
a) Increase or decrease in short-term liabilities	**013**	13.204.031	13.018.644
b) Increase or decrease in short-term receivables	**014**	-5.344.621	-4.738.881
c) Increase or decrease in inventories	**015**	-840.195	-1.475.911
d) Other increase or decrease in working capital	**016**		
II Cash from operations (ADP 011+012)	**017**	36.498.177	96.087.150
4 Interest paid	**018**	-3.500.527	-8.234.552
5 Income tax paid	**019**	0	
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	**020**	32.997.650	87.852.598
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	**021**	63.749	1.286.631
2 Cash receipts from sales of financial instruments	**022**		
3 Interest received	**023**	552	3.803
4 Dividends received	**024**		
5 Cash receipts from repayment of loans and deposits	**025**		
6 Other cash receipts from investment activities	**026**		
III Total cash receipts from investment activities (ADP 021 to 026)	**027**	64.301	1.290.434
1 Cash payments for the purchase of fixed tangible and intangible assets	**028**	-81.822.558	-55.477.663
2 Cash payments for the acquisition of financial instruments	**029**		
3 Cash payments for loans and deposits for the period	**030**		
4 Acquisition of a subsidiary, net of cash acquired	**031**		
5 Other cash payments from investment activities	**032**	-27.372.666	
IV Total cash payments from investment activities (ADP 028 to 032)	**033**	-109.195.224	-55.477.663
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	**034**	-109.130.923	-54.187.229
Cash flow from financing activities			
1 Cash receipts from the increase in initial (subscribed) capital	**035**		
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	**036**		
3 Cash receipts from credit principals, loans and other borrowings	**037**	106.442.878	118.907.950
4 Other cash receipts from financing activities	**038**		
V Total cash receipts from financing activities (ADP 035 to 038)	**039**	106.442.878	118.907.950
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	**040**	-25.472.327	-93.416.650
2 Cash payments for dividends	**041**	0	
3 Cash payments for finance lease	**042**	-1.688.683	-1.232.071
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	**043**	0	
5 Other cash payments from financing activities	**044**	0	
VI Total cash payments from financing activities (ADP 040 to 044)	**045**	-27.161.010	-94.648.721
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	**046**	79.281.868	24.259.229
1 Unrealised exchange rate differences in respect of cash and cash equivalents	**047**		
D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020+034+046+047)	**048**	3.148.595	57.924.598
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**049**	12.061.669	15.210.264
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)	**050**	15.210.264	73.134.862

STATEMENT OF CHANGES IN EQUITY

for the period from 1.1.2022 to 31.12.2022

in HRK

Item	ADP code	Attributable to owners of the parent																Minority (non-controlling) interest	Total capital and reserves
		Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets through other comprehensive income (available for sale)	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Other fair value reserves	Exchange rate differences from translation of foreign operations	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18 (3 do 6 - 7 + 8 do 17)	19	20 (18+19)
Previous period																			
1 Balance on the first day of the previous business year	01	696.074.300		45.018.765				1.511.403							-134.280.781		608.323.687		608.323.687
2 Changes in accounting policies	02	0	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		0
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	04	696.074.300	0	45.018.765	0	0	0	1.511.403	0	0	0	0	0	0	-134.280.781	0	608.323.687	0	608.323.687
5 Profit/loss of the period	05	0	0	0	0	0	0	0	0	0	0	0			0	-91.693.318	-91.693.318		-91.693.318
6 Exchange rate differences from translation of foreign operations	06	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
8 Gains or losses from subsequent measurement of financial assets at fair value through other comprehensive income (available for sale)	08	0	0	0	0	0	0	0	0		0	0					0		0
9 Gains or losses on efficient cash flow hedging	09	0	0	0	0	0	0	0	0	0		0					0		0
10 Gains or losses 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
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	11	0	0	0	0	0	0								418.050		418.050		418.050
12 Actuarial gains/losses on defined benefit plans	12	0	0	0	0	0	0										0		0
13 Other changes in equity unrelated to owners	13				9.200	9.200	0	-16.320									-16.320		-16.320
14 Tax on transactions recognised directly in equity	14	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
16 Decrease in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	16																0		0
17 Decrease in initial (subscribed) capital arising from the reinvestment of profit	17																0		0
18 Redemption of treasury shares/holdings	18																0		0
19 Payments from members/shareholders	19																0		0
20 Payment of share in profit/dividend	20																0		0
21 Other distributions and payments to members/shareholders	21																0		0
22 Transfer to reserves according to the annual schedule	22																0		0
23 Increase in reserves arising from the pre-bankruptcy settlement procedure	23																0		0
24 Balance on the last day of the previous business year reporting period (ADP 04 to 23)	24	696.074.300	0	45.018.765	9.200	9.200	0	1.495.083	0	0	0	0	0	0	-133.862.731	-91.693.318	517.032.099	0	517.032.099
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)	25	0	0	0	9.200	9.200	0	-16.320	0	0	0	0	0	0	418.050	0	401.730	0	401.730
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+25)	26	0	0	0	9.200	9.200	0	-16.320	0	0	0	0	0	0	418.050	-91.693.318	-91.291.588	0	-91.291.588
III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 23)	27	0	0	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	28	696.074.300	0	45.018.765	9.200	9.200	0	1.495.083	0	0	0	0	0	0	-225.556.049	0	517.032.099		517.032.099
2 Changes in accounting policies	29	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
3 Correction of errors	30	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) (AOP 28 to 30)	31	696.074.300	0	45.018.765	9.200	9.200	0	1.495.083	0	0	0	0	0	0	-225.556.049	0	517.032.099	0	517.032.099
5 Profit/loss of the period	32	0	0	0	0	0	0	0	0	0	0	0			0	-4.169.004	-4.169.004		-4.169.004
6 Exchange rate differences from translation of foreign operations	33	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	34	0	0	0	0	0	0	0		0	0	0					0		0
8 Gains or losses from subsequent measurement of financial assets at fair value through other comprehensive income (available for sale)	35	0	0	0	0	0	0	0	0		0	0					0		0
9 Gains or losses on efficient cash flow hedging	36	0	0	0	0	0	0	0	0	0		0					0		0
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	37	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 interest	38	0	0	0	0	0	0										0		0
12 Actuarial gains/losses on defined remuneration plans	39	0	0	0	0	0	0										0		0
13 Other changes in equity unrelated to owners	40																0		0
14 Tax on transactions recognised directly in equity	41	0	0	0	0	0	0										0		0
15 Decrease in initial (subscribed) capital (other than arising from the pre-bankruptcy settlement procedure or from the reinvestment of profit)	42																0		0
16 Decrease in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43																0		0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	44																0		0
18 Redemption of treasury shares/holdings	45																0		0
19 Payments from members/shareholders	46																0		0
20 Payment of share in profit/dividend	47																0		0
21 Other distributions and payments to members/shareholders	48																0		0
22 Carryforward per annual plan	49																0		0
23 Increase in reserves arising from the pre-bankruptcy settlement procedure	50																0		0
24 Balance on the last day of the current business year reporting period (ADP 31 to 50)	51	696.074.300	0	45.018.765	9.200	9.200	0	1.495.083	0	0	0	0	0	0	-225.556.049	-4.169.004	512.863.095	0	512.863.095
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 33 to 41)	52	0	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 32 do 52)	53	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-4.169.004	-4.169.004	0	-4.169.004
III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 42 to 50)	54	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

NOTES TO ANNUAL FINANCIAL STATEMENTS - GFI

Name of the issuer: LIBURNIA RIVIERA HOTELI d.d.

Personal identification number (OIB): 1557308024

Reporting period: from 01.01.2022. to 31.12.2022.

Notes to the financial statements are to be drawn up in accordance with the International Financial Reporting Standards (hereinafter: IFRS) in such a way that they:

a) present information about the basis for the preparation of the financial statements and the specific accounting policies used in accordance with the International Accounting Standard 1 (IAS 1),

b) disclose any information required by IFRSs that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity,

c) provide additional information that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity, but is relevant for understanding any of them.

(d) in the notes to the financial statements, in addition to the information stated above, information in respect of the following matters shall be disclosed:

1. issuer's name, registered office (address), legal form, country of establishment, entity's registration number and, if applicable, the indication whether the issuer is undergoing liquidation, bankruptcy proceedings, shortened termination proceedings or extraordinary administration

2. adopted accounting policies

3. the total amount of any financial commitments, guarantees or contingencies that are not included in the balance sheet, and an indication of the nature and form of any valuable security which has been provided; any commitments concerning pensions of the issuer within the group or company linked by virtue of participating interest shall be disclosed separately

4. the amount of advances and credits granted to the members of the administrative, managerial and supervisory bodies, with indications of the interest rates, main conditions and any amounts repaid, written-off or revoked, as well as commitments entered into on their behalf by way of guarantees of any kind, with an indication of the total for each category

5. the amount and nature of individual items of income or expenditure which are of exceptional size or incidence

6. amounts owed by the issuer and falling due after more than five years, as well as the total debts of the issuer covered by valuable security furnished by the issuer, specifying the type and form of security

7. average number of employees during the financial year

8. where, in accordance with the regulations, the issuer capitalised on the cost of salaries in part or in full, information on the amount of the total cost of employees during the year broken down into the amount directly debiting the costs of the period and the amount capitalised on the value of the assets during the period, showing separately the total amount of net salaries and the amount of taxes, contributions from salaries and contributions on salaries

9. the amount of the emoluments granted in respect of the financial year to the members of the administrative, managerial and supervisory bodies by reason of their responsibilities, and any commitments

arising or entered into in respect of retirement pensions for former members of those bodies, with an indication of the total for each category

10. the average number of persons employed during the financial year, broken down by categories and, if they are not disclosed separately in the profit and loss account, the staff costs relating to the financial year, broken down between net salaries and wages, tax costs and contributions from salaries, contributions on salaries and other salary costs, excluding cost allowances

11. where a provision for deferred tax is recognised in the balance sheet, the deferred tax balances at the end of the financial year, and the movement in those balances during the financial year

12. the name and registered office of each of the companies in which the issuer, either itself or through a person acting in their own name but on the issuer's behalf, holds a participating interest, showing the proportion of the capital held, the amount of capital and reserves, and the profit or loss for the latest financial year of the company concerned for which financial statements have been adopted; the information concerning capital and reserves and the profit or loss may be omitted where the company concerned does not publish its balance sheet and is not controlled by another company

13. the number and the nominal value or, in the absence of a nominal value, the accounting par value of the shares subscribed during the financial year within the limits of the authorised capital

14. where there is more than one class of shares, the number and the nominal value or, in the absence of a nominal value, the accounting value for each class

15. the existence of any participation certificates, convertible debentures, warrants, options or similar securities or rights, with an indication of their number and the rights they confer

16. the name, registered office and legal form of each of the companies of which the issuer is a member having unlimited liability

17. the name and registered office of the company which draws up the consolidated financial statements of the largest group of companies of which the issuer forms part as a controlled group member

18. the name and registered office of the company which draws up the consolidated financial statements of the smallest group of companies of which the issuer forms part as a controlled group member and which is also included in the group of companies referred to in point 17.

19. the place where copies of the consolidated financial statements referred to in points 17 and 18 may be obtained, provided that they are available

20. the proposed appropriation of profit or treatment of loss, or where applicable, the appropriation of the profit or treatment of the loss

21. the nature and business purpose of the company's arrangements that are not included in the balance sheet and the financial impact on the company of those arrangements, provided that the risks or benefits arising from such arrangements are material and in so far as the disclosure of such risks or benefits is necessary for the purposes of assessing the financial position of the company

22. the nature and the financial effect of material events arising after the balance sheet date which are not reflected in the profit and loss account or balance sheet

23. the net income broken down by categories of activity and into geographical markets, in so far as those categories and markets differ substantially from one another, taking account of the manner in which the sale of products and the provision of services are organised.

24. the total fees for the financial year charged by each statutory auditor or audit firm for the statutory audit of the annual financial statements, i.e. annual consolidated financial statements, the total fees charged for other assurance services, the total fees charged for tax advisory services and the total fees charged for other non-audit services, total research and development expenditure as the basis for granting state aid.

Detailed information on financial statements are available in PDF document „Annual report 2022" which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

Detailed information on the preparation of financial statements and certain accounting policies are available in PDF document „Annual report 2022" which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

LIBURNIA RIVIERA HOTELI d.d., OPATIJA

INDEPENDENT AUDITORS' REPORT AND

FINANCIAL STATEMENTS

31 December 2022

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, which give a true and fair view of the state of affairs and results of Liburnia Riviera Hoteli d.d. (″the Company″) for that period.

After making enquiries, the Management Board has a reasonable expectation that the Company has 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 consolidated and separate 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;
- The financial statements are prepared on the going concern basis.

The Management Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company, and must also ensure that the financial statements comply with the Croatian Accounting Law. 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.

Signed by the Management Board on 2 March 2023:

Karl Eckerstorfer

Management Board President

Dušan Mandič

Management Board Member

INDEPENDENT AUDITORS’ REPORT

TO THE SHAREHOLDERS OF LIBURNIA RIVIERA HOTELI D.D., Opatija

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LIBURNIA RIVIERA HOTELI d.d. („the Company“), which comprise the statement of financial position of the Company as at 31 December 2022, the statement of comprehensive income, the cash flow statement, the statement of changes in equity of the Company for the year then ended, and notes, comprising significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2022, of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (“EU IFRS”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent from the Company in accordance with the international Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), as well as in accordance with the ethical requirements that are relevant for our audit of financial statements in the Republic of Croatia, 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. 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.

Key Audit Matters (continued)

Key audit matter	*How our audit addressed the matter*
Impairment and useful life of tourist facilities As of 31 December 2022, the carrying amount of the Company's *property, plant and equipment* amounted to HRK 806,260 thousand (2021: HRK 853,866 thousand). See Note 2.3. within *Accounting policies*; Note 4(a) within *Key accounting matters* and Note 14.1 *Property, plant and equipment* within the financial statements. As of 31 December 2022, the carrying amount of property, plant and equipment represented 82% of the Company's total assets. These assets, carried at cost less accumulated depreciation and any accumulated impairment losses, consist primarily of tourism properties and related assets, and are subject to annual analysis to determine whether there are indicators of possible impairment. As described in Note 14.1 of the financial statements, in the current year, the Company identified impairment indicators relating to certain underperforming tourism properties. As a result, as of 31 December 2022 the Company tested the above tourism properties for impairment and determined the assets recoverable amount based on an estimate of their fair value less costs to sell. The test did not indicate any impairment loss of those properties as of 31 December 2022.	Our audit procedures in this area included, among others: - Evaluating the Company's accounting policy for identification of impairment, measurement and recognition of any impairment losses and determination of remaining useful lives in respect of tourism properties against the requirements of the relevant financial reporting standards; - Assessing the Company's judgments regarding the identification of impairment indicators for tourism properties by analyzing the financial performance of the respective properties against the expected levels of performance; - For the underperforming assets, challenging the key assumptions used in determining their recoverable amounts by comparing the carrying values of these assets with quoted prices for assets identified as comparable or considering Company's recent sales of similar assets;

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LIBURNIA RIVIERA HOTELI D.D., OPATIJA

Key Audit Matters (continued)

Key audit matter	*How our audit addressed the matter*
Determination of the recoverable amount requires making significant assumptions and judgments, in particular those relating to the comparability of properties. Also, as discussed in Note 4(a), significant management judgement is required to determine whether the estimated useful life of tourism properties requires revision considering their national heritage status. The Company has assessed the remaining useful lives for tourism properties based on the detailed analysis performed for each property, by applying inputs from the Company's technical experts as well as the analysis provided by an external appraiser engaged by the Company. Due to the above factors, the assessment of impairment for tourism properties as well as determination of remaining useful life were determined by us to be associated with a significant risk of material misstatement. As such, it required our increased attention in the audit and was considered by us to be a key audit matter.	Challenging the key assumptions used in determining the remaining useful lives of the tourism properties by: - Inquiring the Company's technical experts, its finance team members as well as management; - Evaluating the professional experience and objectivity of the external appraiser; - Assessing the consistency of assumptions used in other related estimates, including the estimate of recoverable amount of tourism property; - Assessing the appropriateness and completeness of related disclosures in the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LIBURNIA RIVIERA HOTELI D.D., OPATIJA

Other Information

Management is responsible for the other information. The other information comprises the Management Report, the Non-financial Statement, and the Corporate Governance Statement included in the Annual Report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information.

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 significantly inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Regarding the Management Report, the Non-Financial Statement and the Corporate Governance Statement, we also performed the procedures prescribed by the Accounting Act. These procedures include checking whether the Management Report has been prepared in accordance with Article 21 of the Accounting Act, whether the Non-Financial Statement has been prepared in accordance with Article 21a of the Accounting Act, and whether the Statement on the Corporate Governance Statement contains information from Article 22 of the Act on Accounting.

Based on the performed procedures, to the extent that we are able to assess, we report that:

1. The information in the attached Management Report and Statement on the Corporate Governance Statement is harmonized, in all significant respects, with the attached financial statements;

2. The attached Management Report was prepared in accordance with Article 21 of the Accounting Act;

3. The attached Non-Financial Statement was prepared in accordance with Article 21.a of the Accounting Act; and

4. The attached Corporate Governance Statement includes the information defined in Article 22 of the Accounting Act.

Based on the knowledge and understanding of the Company's operations and its environment acquired within the framework of the audit of financial statements, we are obliged to report if we have established that there are significant misrepresentations in the attached Management Report, Non-Financial Report and Corporate Governance Statement. In this sense, we have nothing to report.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LIBURNIA RIVIERA HOTELI D.D., OPATIJA

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

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

In preparing the annual financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, if applicable, issues related to going concern and using the going concern basis of accounting, unless the Management either intends to liquidate the Company or 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 International Standards on Auditing, 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 controls.

- 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 controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LIBURNIA RIVIERA HOTELI D.D., OPATIJA

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 auditors' 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 auditors' 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 controls 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 communicate with them about any relationships and other matters that may reasonably be thought to affect our independence, as well as, where applicable, on actions taken to address threats to independence, and 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 auditors' 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 Requirements

1. As of 11 August 2022, we were appointed by decision of the General Assembly of the company LIBURNIA RIVIERA HOTELI d.d., on proposal of the Audit committee, and on proposal of the Supervisory Board of the company LIBURNIA RIVIERA HOTELI d.d. to audit the financial statements for 2022.

2. As of the date of this report our total uninterrupted engagement of statutory audit of the Company from the audit of the annual financial statements of the Company for 2020, amounts in total 3 years.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LIBURNIA RIVIERA HOTELI D.D., OPATIJA (continued)

Report on Other Legal Requirements (continued)

3. In the audit of the Company's financial statements for 2022, we determined the materiality for the financial statements as a whole in the amount of HRK 5,000,000, which represents approximately 5% of EBITDA, because due to the high amount of depreciation and financing costs, this is a key indicator for the Company's activity.

4. Our audit opinion is consistent with the additional report for the Company's Audit committee prepared in accordance with the provisions of article 11 of the Directive (EU) no. 537/2014.

5. During the period between the starting date of the Company's audited annual financial statements for 2022 and the date of this report, we did neither provide prohibited non-audit services to the Company and / or its parent company within the EU, nor did we in the financial year before that period provide services for designing and implementing internal control procedures or risk management related to the preparation and / or control of financial information or the design and implementation of technological systems for financial information, and we have maintained our independence from the Company in performing the audit.

Report based on the requirements of Delegated Regulation (EU) 2018/15 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format

Auditor's assurance report on compliance of the financial statements, prepared pursuant to the provisions of article 462, paragraph 5 of the Capital Market Act (Official Gazette, no. 65/18, 17/20, 83/21, and 151/22) by applying the requirements of the Delegated Regulation (EU) 2018/815 determining a single electronic reporting format for issuers (ESEF Regulation).

We performed our engagement with expressing reasonable assurance on whether the financial statements prepared for public disclosure purposes based on article 462, paragraph 5 of the Capital Market Act, included in the accompanying lrh-2022-12-31-hr electronic file are prepared, in all material aspects, in accordance with the requirements of the ESEF Regulation.

Responsibilities of Management and Those Charged with Governance

The Company's Management is responsible for the preparation and content of financial statements in accordance with the ESEF Regulation.

The Company's Management is further responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material non-compliance, whether due to fraud or error, with the reporting requirements of the ESEF Regulation.

Management is also responsible for:

- Publishing the financial statements included in the annual report in the valid XHTML format, and
- The selection and use of XBRL tags in compliance with the requirements of the ESEF Regulation.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LIBURNIA RIVIERA HOTELI D.D., OPATIJA (continued

Report based on the requirements of the Delegated Regulation (EU) 2018/15 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (continued)

Those charged with governance are responsible for overseeing the preparation of annual financial statements in ESEF format as part of the financial reporting process.

Responsibilities of the Auditor

Our responsibility is to express a conclusion, based on obtained audit evidence, about whether the financial statements are free from material non-compliance with the requirements of the ESEF Regulation. We performed our engagement with expressing reasonable assurance in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information.

Performed procedures

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high degree of assurance, but it does not guarantee that the scope of testing will reveal any significant non-compliance with the ESEF Regulation.

As part of the selected procedures, we performed the following activities:

- We have read the requirements of the ESEF Regulation,
- We have obtained an understanding of internal controls relevant to the application of the requirements of the ESEF Regulation,
- We have identified and assessed the risks of material non-compliance with the ESEF Regulation, whether due to fraud or error; and
- Based on this, we have designed and performed procedures responsive to estimated risks, and to obtain a reasonable assurance for expressing our conclusion.

The objective of our procedures was to assess whether:

- The financial statements included in the consolidated financial statements have been prepared in the valid XBRL format,
- Data, included in the consolidated financial statements as required by the ESEF Regulation, are tagged and whether all tags meet the following requirements:
    - Use of the XBRL tagging language,
    - Use of the basic taxonomy elements stated in the ESEF Regulation with the closest accounting meaning, unless an additional taxonomy element was created in accordance with Appendix IV. of the ESEF Regulations,
    - Tags comply with the common tagging rules as required by the ESEF Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LIBURNIA RIVIERA HOTELI D.D., OPATIJA (continued)

Report based on the requirements of the Delegated Regulation (EU) 2018/15 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (continued)

Conclusion

Based on the procedures performed and evidence obtained, in our opinion, the financial statements presented in the ESEF format, contained in the above-mentioned attached electronic file, pursuant to the provisions of Article 462, Paragraph 5 of the Act on Market Capital, prepared for disclosure to the public, comply in all significant aspects with the requirements from the Articles 3, 4, and 6 of the ESEF Regulation for the year ended 31 December 2022.

In addition to this conclusion, as well as the opinion contained in this independent auditor's report for the accompanying financial statements and the annual report for the year ended 31 December 2022, we do not express any opinion on the information contained in those disclosures or on the other information contained in the aforementioned file.

The engagement partner on the audit resulting in this independent auditors' report is Ivica Bašić.

Grant Thornton revizija d.o.o.
Ulica grada Vukovara 284
10000 Zagreb
Croatia

Zagreb, 9 March 2023

Grant Thornton revizija d.o.o.
HR - 10000 Zagreb

Director
Dalibor Briški

Certified Auditor
Ivica Bašić

(in thousands of HRK)	**Note**	**2022**	**2021**
Revenue	6.1	361.278	216.049
Other income	6.2	19.216	32.398
Cost of materials and services	7	(138.042)	(98.521)
Staff costs	8	(115.631)	(95.758)
Depreciation and amortization	14.1,14.2,14.3	(97.550)	(100.431)
Other operating expenses	9	(34.418)	(35.216)
Impairment loss on trade receivables	16	(253)	-
Other gains - net	10	9	64
Operating profit / (loss)		(5.391)	(81.416)
Finance income	11	3.552	835
Finance costs	11	(13.050)	(6.724)
Net finance costs	11	(9.498)	(5.889)
Profit / (loss) before tax		(14.889)	(87.305)
Income tax expense	12	10.720	(4.389)
Profit / (loss) for the year		(4.169)	(91.693)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		(4.169)	(91.693)
Earnings/(loss) per share (in HRK) - basic and diluted	13	(14)	(303)

	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	14.1	806.260	853.866
Intangible assets	14.2	10.886	9.720
Right of use assets	14.3	8.517	9.382
Financial assets	15	24.322	24.310
Deferred tax assets	12	19.732	9.012
		869.717	906.290
Current assets			
Inventories		5.556	4.080
Loans granted	25	13.257	13.257
Trade, other receivables and financial assets	16	16.479	11.741
Cash and cash equivalents	17	73.135	15.210
		108.427	44.288
Total assets		**978.144**	**950.577**
EQUITY			
Share capital	18	696.074	696.074
Treasury shares	18	(9)	(9)
Treasury shares reserves	18	9	9
Legal reserves	18	45.019	45.019
Capital reserves	18	1.495	1.495
Loss carryforward		(229.725)	(225.556)
		512.863	517.032
LIABILITIES			
Non-current liabilities			
Borrowings	19	316.464	287.540
Provisions for other liabilities and expenses	20	14.085	21.398
Lease liabilities	21	8.375	9.591
		338.924	318.529
Current liabilities			
Trade and other payables	22	59.711	46.693
Borrowings	19	65.355	67.017
Lease liabilities	21	1.291	1.307
		126.357	115.017
Total liabilities		**465.281**	**433.545**
Total liabilities and equity		**978.144**	**950.577**

(in thousands of HRK)	**Note**	**Share capital**	**Treasury shares**	**Legal reserves**	**Capital reserves**	**Other reserves**	**Carried forward loss**	**Total**
Balance as of 1 January 2021		**696,074**	**-**	**45,019**	**1,508**	**3**	**(134,281)**	**608,323**
Loss for the year		-	-	-	-	-	(91,693)	(91,693)
Total comprehensive loss		-	-	-	-	-	-	-
Share in profits participating interests		-	-	-	-	-	418	418
Treasury shares		-	(9)	-	(13)	6	-	(16)
Balance as of 31 December 2021	**18**	**696,074**	**(9)**	**45,019**	**1,495**	**9**	**(225,556)**	**517,032**
Balance as of 1 January 2022		**696,074**	**(9)**	**45,019**	**1,495**	**9**	**(225,556)**	**517,032**
Loss for the year		-	-	-	-	-	(4,169)	(4,169)
Total comprehensive loss		-	-	-	-	-	-	-
Share in profits participating interests		-	-	-	-	-	-	-
Treasury shares		-	-	-	-	-	-	-
Balance as of 31 December 2022	**18**	**696,074**	**(9)**	**45,019**	**1,495**	**9**	**(229,725)**	**512,863**

(in thousands of HRK)	Note	2022	2021
Cash flow generated from operating activities			
Cash from operations	23	97,366	36,499
Income tax paid/returned		-	-
Interest paid		(8,237)	(3,501)
Net cash generated from operating activities		**89,129**	**32,998**
Cash flow from investing activities			
Purchase of property, plant and equipment	14.1	(51,216)	(81,555)
Purchase of intangible assets	14.2	(4,260)	(269)
Investments in financial assets	15	-	(27,372)
Proceeds from disposal of property, plant and equipment	10	9	64
Interest received		4	1
Net cash used in investing activities		**(55,463)**	**(109,131)**
Cash flow from financing activities			
Borrowings received	19	118,908	106,443
Repayments of borrowings	19	(93,417)	(25,472)
Receipts from leases		-	-
Repayments of the right of use liabilities	21	(1,232)	(1,689)
Net cash from financing activities		**24,259**	**79,282**
Net increase/ (decrease) in cash and cash equivalents		**57,925**	**3,148**
Cash and cash equivalents at beginning of the year		15,210	12,062
Cash and cash equivalents at end of year	17	73,135	15,210

NOTE 1 – GENERAL INFORMATION

LIBURNIA RIVIERA HOTELI d.d. (hereinafter: the Company or LRH) with its registered office in Opatija, Maršala Tita 198, Croatia was established as a result of the transformation of the socially-owned company Liburnia Riviera Hoteli to a public limited company on 1 January 1993, when the transformation was registered at the Commercial District Court in Rijeka. The Company's principal activities are accommodation and hospitality services, travel agency and tour operator services.

As of 31 December 2022 the Company's shares were listed on the Zagreb Stock Exchange.

The Company is included in the consolidated financial statements of the company Gitone Beteiligungsverwaltung GmbH, based in Austria, 1030 Vienna, Am Modenapark 13/9, registered under number FN 353197 h.

The financial statements for the year ended 31 December 2022 were approved for issuance on 2 March 2023.

Management Board and Supervisory Board

The Company's Management Board is nominated and revoked by the Supervisory Board and consists of two members of the Management Board of the Company.

As of 31 December 2022, Management Board of the Company consists of two Board members, the Management Board President Mr. Karl Eckerstorfer and Management Board Member Mr. Dušan Mandič.

During 2022, there were no changes in the Management Board.

The powers of the members of the Management Board are entirely harmonized with the regulations of the CA and are regulated in more detail in the Articles of Association.

The Supervisory Board of the Company is nominated and revoked by the General Assembly of the Company in accordance with the Company's Articles of Association and the CA and it is composed of the following members as of 31 December 2022:

- Johannes Böck, president,
- Alexander Paul Zinell, deputy president,
- Philip Göth, member,
- Thomas Mayer, member,
- Davor Žic, member,
- Danijel Jerman, member,
- Rikardo Gregov, member,
- Ana Odak, member.

With the beginning of the mandate from June 1, 2022, to the Supervisory Board of the Company instead of Mrs. Helene Masarić, by decision of Nova Liburnija d.o.o. Mr. Danijel Jerman was appointed, all considering that the Company received the resignation of the previous member of the Supervisory Board of Liburnia Riviere, Mrs. Masarić with effect from the date of submission (May 25, 2022). Also, the Workers' Council made a decision on the election of a new member to the Company's Supervisory Board (employee representative) starting on May 1, 2022, in such a way that Mr. Rikardo Gregov was appointed to replace Mr. Domijan Mršić. From January 1, 2023, by the decision of the company GITONE Adriatic, Mr. Ante Barić becomes the ninth member of the Supervisory Board.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS"). The financial statements have been prepared under the historical cost convention except where otherwise disclosed. These financial statements have been prepared under the assumption that the Company will be able to continue as a going concern.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires the Management Board to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

2.2 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in thousands of Croatian kuna (HRK), which is the Company's functional currency and presentation currency until December 31, 2022.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions and assets and liabilities denominated in foreign currencies are translated into the functional currency at the middle exchange rate of the Croatian National Bank valid on the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income within "Finance income/costs". Foreign exchange gains and losses relating to borrowings and cash and cash equivalents are recorded in the statement of comprehensive income within "Finance income/costs", as well as, all other foreign exchange losses and gains.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Property, plant and equipment

Property, plant and equipment are included in the statement of financial position at historical cost less accumulated depreciation and provision for impairment, where required. Historical cost includes the cost that is directly attributable to the acquisition of assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. The cost of replacement of larger items of property, plant and equipment is capitalized, and the carrying amount of the replaced part is derecognized.

Land, artwork and assets under construction are not depreciated. Depreciation of other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings (hotels)*	12-25 years
Equipment	4-15 years

* Average remaining useful life is defined based on the rest of the weighted average useful life of individual building components.

Depreciation is calculated for each asset until the asset is fully depreciated or to its residual values if significant. The assets' useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable am.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the statement of comprehensive income within "Other gains/(losses) – net".

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.1 Impairment of non-financial assets

The Company determines indicators for impairment of property, plant and equipment by applying the method of multiplying the net carrying value and operating profit of the segment, in the way that the net carrying value of certain asset or its segment (identified as cash-generating unit) is put in a relationship with realized operating profit of the asset or segment.

In case that, for certain assets or segments (cash-generating unit) multiplier of net carrying value and segment's operating profit exceeds set values, its recoverable amount is determined as greater of its value in use and its fair value less costs to sell, whichever is high.

Determining impairment indicators, together with assessing future cash flows and determining fair value of assets (or group of assets) requires significant judgment from management when recognizing and estimating impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values.

Calculation of fair value less costs to sell is based on the method of market approach which uses prices and other relevant information from market transactions for the same or comparable (similar) assets, the same or comparable liabilities or group of assets or liabilities, for example, certain business segment.

Given the significant recovery of the COVID-19 pandemic on the business of the Company in 2022, previous absence of partial operating profit or overall business in certain cash-generating units during 2021, the Company assessed that there are potential indicators of impairment. By performing impairment tests in 2021 and 2022, the Company has proven that non-current tangible and intangible assets do not have to be impaired, in accordance with the determined values in use and for a part of facilities according to the fair value reduced for cost of sale.

2.4 Intangible assets

Intangible assets comprising investments in technical documentation and the value of computer software licenses are stated at cost. These costs are amortized over their estimated useful lives of 5 years. Assets under construction are not amortized.

2.5 Investments in subsidiaries and associates

Subsidiaries

Subsidiaries are those entities in which the Company has, directly or indirectly, more than half of the voting power or has the power to govern the financial and operating policies. The Company has subsidiaries that are valued at cost less any impairment.

Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights or otherwise has significant influence over the operations. Interests in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of investments in subsidiaries and associates

The net carrying amount of investments in associates is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in the statement of comprehensive income.

2.6 Financial assets

2.6.1 Classification

Trade and other receivables and loans granted that were classified as loans and receivables under IAS 39 are now classified at amortized cost under IFRS 9.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. The unwinding of discounts in future periods is recognized as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

2.6.2. Measurement and recognition

Regular purchases and sales of investments are recognized on trade date – the date on which the Company commits to purchase or sell the asset. Trade and other receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method.

Fail values of investments listed on stock exchange are based on current supply prices. If the market for certain financial asset is not active (as for unlisted securities), the Company determines fair value using valuation techniques that take into account recent transactions under usual trading conditions and comparison with other similar instruments, taking full use of market information and relaying minimally on information specific to business subject.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial assets (continued)

2.6.3. Impairment of non-derivative financial assets

Financial instruments

The new impairment model according to IFRS 9 applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Company recognizes loss allowances for ECLs on financial assets measured at amortized cost.

The Company measures loss allowances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

On each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being significantly past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganization

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial assets (continued)

2.6.3. Impairment of non-derivative financial assets (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the asset.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 360 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

2.7 Inventories

Inventories of food, beverages and trade goods are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less impairment.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on accounts with banks and similar institutions and cash on hand, deposits held at call with banks and other short-term highly liquid instruments with original maturities of three months or less.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019 with the exception of small value and up to one-year contracts.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Leases (continued)

i. As a lessee (continued)

- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in separate line items in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

At the inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators, such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Leases (continued)

ii. As a lessor (continued)

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other revenue’.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during the current reporting period that resulted in a finance lease classification.

2.11 Share capital

Ordinary shares are classified as equity. Gains directly attributable to the issue of new shares are shown in equity as a deduction, net of transactions costs and income tax.

2.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.13 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates. Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity. In that case the tax is recognized directly in equity. The current income tax charge is calculated at a rate of 18% according to Croatian laws and regulations. The Management Board periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and consider establishing provisions, where appropriate, on the basis of amounts expected to be paid to the Tax Administration.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred Tax assets and liabilities are determined using tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.15 Employee benefits

(a) Pension obligations and post-employment benefits

In the normal course of business through salary deductions, the Company makes payments to mandatory pension funds on behalf of its employees as required by law. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Company does not have any other pension scheme and consequently, has no other obligations in respect of employee pensions except for amounts payable to each employee once retired. In addition, the Company is not obliged to provide any other post-employment benefits.

(b) Termination benefits e

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits falling due more than 12 months after the reporting sheet date are discounted to their present value.

(c) Short-term employee bene

The Company recognizes a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. In addition, the Company recognizes liabilities for accumulated compensated absences based on unused vacation days at the reporting date, as well as labor hours realized from the reorganization of working hours not utilized up to the reporting date.

(d) Long-term employee benefits

The Company recognizes a provision for jubilee awards and termination benefits where contractually obliged or where there is a past practice that has created a constructive obligation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions for future operating losses are not recognized.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in hotels and apartments, campsites and restaurants of the Company. Revenue is presented net of agency fees and value-added tax.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entities and specific criteria have been met for each of the Company's activities as described be. The Company sells hotel and tourism services. These services are provided based on fixed-price contracts. Revenues from hotel and tourism services are recognized over time when the services are provided. The Company offers to its customers food and beverages in hotel rooms as well as in hotel restaurants. Revenues are recognized when services are provided at the point of time. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

2.18 Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year.

2.19 Value added tax

The Tax Administration requires the settlement of VAT on a net basis. VAT related to sales and purchases is recognized and disclosed in the statement of financial position on a net basis. Where receivables have been impaired for the purpose of adjustment, impairment loss is recorded for the gross amount of the debtor, including VAT.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision-maker is the Company's Management Board which is in charge of managing hotel and tourist facilities and contents.

2.21 New and amended standards and interpretations

The adopted accounting policies are in accordance with the accounting policies of the previous financial year, except for the changes listed below, which are the result of amendments to the International Financial Reporting Standards (IFRS) adopted by the Company of 1 October 2021.

• Amendments to IFRS 16 Leases and Concessions necessary due to the COVID-19 pandemic, issued on 31 March 2021 (effective date for annual periods beginning on or after 1 April 2021).

The adoption of the above standard and interpretation did not have a significant impact on the Company's financial statements.

2.21.1 Standards issued but not yet effective and not early adopted and are not applied by the Company

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2, issued on 27 August 2020 (effective date for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 4 Insurance contracts - postponement of IFRS 9, issued on 25 June 2020 (effective date for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, all issued on 14 May 2020 (effective date for annual periods beginning on or after 1 January 2022).
- Amendments 2018-2020 Annual Improvements, all issued on May 14, 2020 (effective date for annual periods beginning on or after January 1, 2022).
- IFRS 17 Insurance Contracts, issued on 18 May 2017; includes amendments to IFRS 17 issued on 25 June 2020, (effective date for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates issued on February 12, 2021 (effective date for annual periods beginning on or after January 1, 2023).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Statement of Practice 2: Disclosure of Accounting Policies, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 New and amended standards and interpretations (continued)

- Amendments to IAS 12 Age Tax: Deferred Tax on Assets and Liabilities Arising from a Single Transaction, issued on 7 May 2021 (effective date for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 Insurance Contracts: First-time Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).

The Company does not expect that the adoption of the mentioned standards and interpretations will have a significant impact on the Company's financial statements

2.21.2 Standards that have been issued but not yet adopted in the EU

- Amendments to IAS 1 Presentation of financial statements, Classification of liabilities as short-term or long-term, issued on 23 January 2020 and amended on 15 July 2020
- Amendments to IFRS 16 Leases: Sale and leaseback obligations (issued on 22 September 2022)

The Company does not expect that the adoption of the mentioned standards and interpretations will have a significant impact on the Company's financial statements.

2.22 Determination of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to fair value measurement, which assumes the overall responsibility of the Management Board and finance department in relation to the monitoring of all significant fair value measurements, consultation with external experts, and the responsibility to report, with respect to the above, to those charged with corporate governance.

Fair values are measured using information collected from third parties, in which case the Board and the finance department assess whether the evidence collected from third parties supports the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy where such valuations should be classified.

Fair values are categorized into different level in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in level 1, that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – input variables for assets or liabilities that are not based on observable market data (unobservable inputs).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Determination of fair values (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more significant inputs are not based on observable market data, the fair value estimate is included in level 3.

2.23. Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and that any conditions attached to the grants have been fulfilled. According to the International Accounting Standard 20 – Government grants („IAS 20“), the manner in which a grant is received does not affect the accounting method to be adopted with regard to the grant. Thus, a grant is accounted for in the same manner whether it is received in cash or as a reduction of a liability to the government. Due to the circumstances caused by the COVID-19 pandemic, the Republic of Croatia has adopted a package of measures to preserve jobs in industries that are strongly affected by the pandemic, including government grants in the form of payment and/or liability reduction. The Company was a recipient of certain government grants within the abovementioned package of COVID-19 measures in significant amounts during 2021, while in December 2022 it used grants provided to mitigate the consequences of rising energy prices. Hence, an accounting policy concerning the presentment of government grants has been adopted in accordance with IAS 20. The Company has selected to present the grants related to income as income in the periods in which the entity recognizes the related costs, the coverage of which the grant is intended, as an expense. This approach is consistently applied to all similar government grants.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's daily activities expose them to a variety of financial risks, especially: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Company does not have a written risk management program, but overall risk management with respect to these risks is carried out by the Company's Management Board.

The accounting policies for financial instruments have been applied to the line items below:

(in thousands of HRK)	31 December 2022	31 December 2021
Financial assets at amortized cost		
Trade receivables	14,324	7,156
Other receivables and current financial assets	2,155	4,585
Loans granted	13,257	13,257
Cash and cash equivalents	73,135	15,210
	102,871	**40,208**
Financial liabilities at amortized cost		
Trade and other payables	15,227	15,708
Borrowings	381,819	354,557
Lease liabilities	9,666	10,898
	406,712	**381,163**

(a) Market risk

(i) Currency risk

The Company operates internationally and is exposed to currency risk arising mainly from changes in the nominal EUR/HRK exchange rate. Currency risk arises from future commercial transactions and recognized assets and liabilities.

The majority of the proceeds from sales abroad are generated in EUR, the currency in which all long-term credit debt is denominated, so the Company is for the most part naturally protected from currency risk. However, until 31 December 2022, a certain part of liabilities (primarily obligations to suppliers and obligations to employees) were expressed in HRK, which is why the Company actively managed currency risk through financial instruments available on the financial market, in accordance with the current state and future assessment of the Company's foreign exchange position, expectations of the movement of the value of the EUR/HRK currency pair, as well as other cross-currency relationships between the world currencies.

The introduction of the euro as the official currency in the Republic of Croatia from 1 January 2023. significantly affects the Company's exposure to currency risk, i.e. the Company, to the greatest extent, will no longer be exposed to it.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

	2022				2021			
(in thousands of HRK)	**EUR**	**HRK**	**Other**	**Total**	**EUR**	**HRK**	**Other**	**Total**
Financial assets								
Trade receivables	2,625	11,699	-	14,324	1,416	5,741	-	7,156
Loans granted	-	13,257	-	13,257	-	13,257	-	13,257
Cash and cash equivalents	28,777	44,358	-	73,135	3,196	11,958	56	15,210
	31402	**69,314**	**-**	**100,716**	**4,612**	**30,956**	**56**	**35,623**
Financial liabilities								
Trade and other payables	1,950	13,275	2	15,227	2,229	13,479	-	15,708
Borrowings	381,819	-	-	381,819	354,557	-	-	354,557
Lease liabilities	776	8,890	-	9,666	1,186	9,712	-	10,898
	384,545	**22,165**	**2**	**406,712**	**357,972**	**23,192**	**-**	**381,163**
Net exposure	**(353,143)**	**47,149**	**(2)**	**(305,996)**	**(353,360)**	**7,764**	**56**	**(345,540)**

As of 31 December 2022, if the euro had weakened/strengthened by 1% against the kuna, with all other variables held constant, the Company's net loss for the year would have been HRK 2,896 thousand higher/lower (2021: HRK 2,898 thousand higher/lower), mainly as a result of foreign exchange gains / losses on the translation of EUR denominated borrowings and foreign cash funds in EUR. EUR foreign exchange rate as of 31 December 2021 was HRK 7.534500 per 1 EUR (2021: 7.517174).

(ii) Interest rate risk

The Company has interest-bearing short-term cash deposits, which are contracted at variable rates and expose the Company to the risk of changes in interest rates. This risk is not material given low-interest rates. The interest rate on funds held in giro and foreign currency accounts was up to a maximum of 0.02% (2021: 0.2%)

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. As of 31 December 2022, the borrowings contracted at variable interest rates amount to HRK 265,324 thousand (2021: HRK 266,834 thousand). The Company has no objectives or policies with respect to interest rate risk management.

As of 31 December 2022, if interest rates on borrowings with variable interest rates had been 0.5% lower/higher, with all other variables held constant, the Company's net loss for the year would have been HRK 1,088 thousand higher/lower (2021: HRK 1,094 thousand).

(iii) Price risk

The Company is not an active participant in the capital markets in terms of trading with equity and debt securities, therefore it is not exposed to price risk.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The maximum exposure of the Company to credit risk as of the reporting date:

(in thousands of HRK)	31 December 2022	31 December 2021
Loans and receivables		
Trade receivables	14,324	7,156
Loans granted	13,257	13,257
Cash and cash equivalents	73,135	15,210
Total	**100,716**	**35,623**

The credit quality of the Company's exposure is as follows:

(in thousands of HRK)	Trade receivables	Cash and cash equivalents	Loans granted	Total
2022				
Neither past due nor impaired	10,273	73,135	13,257	**96,665**
Past due but not impaired	4,051	-	-	**4,051**
Past due and impaired	3,829	-	-	**3,829**
Impairment	(3,829)	-	-	**(3,829)**
	14,324	73,135	13,257	**100,715**

(in thousands of HRK)	Trade receivables	Cash and cash equivalents	Loans granted	Total
2021				
Neither past due nor impaired	4,484	15,210	13,257	**32,951**
Past due but not impaired	2,672	-	-	**2,672**
Past due and impaired	3,748	-	-	**3,748**
Impairment	(3,748)	-	-	**(3,748)**
	7,156	15,210	13,257	**35,623**

The Company deposits its cash at banks with the following credit ratings by Standard & Poor's:

(in thousands of HRK)	31 December 2022	31 December 2021
Cash at bank		
A+	23,088	1,636
BBB+	26,667	-
BBB	3,867	1,166
Other or without rating	19,513	12,409
	73,135	**15,210**

The Company has policies that limit the amount of credit exposure to any financial institution.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

Credit risk is minimized by arranging deals with customers who have an appropriate credit history, arranging prepayments or payments through security deposits and credit cards for individual customers. The Company also acquires insurance instruments for receivables (bills of exchange, promissory notes and guarantees) thus allaying the risks of non-performing of its claims for the services provided.

The Management Board monitors the collectability of receivables through weekly reports on individual balances of receivables. Trade receivables are impaired when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of all trade and other receivables has been impaired to their recoverable amount.

The Company's trade and other receivables are mainly secured by collaterals. The majority of impaired trade receivables are subject to legal proceedings. The outcome of the proceedings related to disputed receivables and the extent to which they will be collected cannot be anticipated with certainty.

Receivables past due but not impaired as of the reporting date have the following maturities:

(in thousands of HRK)	**31 December 2022**	**31 December 2021**
Up to one month	1,017	264
One to two months	541	353
Two to three months	389	395
Over three months	2,104	1,660
	4,051	**2,672**

(c) Liquidity risk

Sound liquidity risk management ensures that the Company maintains day-to-day control and provision of sufficient amounts of free cash through operating cash flows and adequate amounts of currently agreed and future credit lines to meet its obligations. Credit lines for 2022 are contracted with reputable financial institutions, while, in general, credit repayments are aligned with the period of significant cash inflows from operational activities. The Company monitors the level of available sources of funds daily through reports on the balance of funds and liabilities.

On the basis of the established budget, cash flow for the following year is prepared by month, as well as a long-term cash flow plan. The surplus of funds above the amount required for working capital management is deposited to the Company's treasury. From there, the funds are invested in interest-bearing current accounts, time deposits, money market deposit accounts and marketable securities. Only instruments with suitable maturities and sufficient liquidity are selected, according to the forecast needs for liquid funds.

The table below analyzes the Company's financial assets into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

as of 31 December 2022 (in thousands of HRK)	**Carrying amount**	**Contractual cash flows**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-interest bearing assets						
Other receivables and non-current financial assets	2,155	2,155	2,155	-	-	-
Trade receivables	14,324	14,324	14,324	-	-	-
	16,479	16,479	16,479	-	-	-
Interest bearing assets						
Loans granted	13,257	13,257	13,257	-	-	-
Cash and cash equivalents	73,135	73,135	73,135	-	-	-
	86,392	86,392	86,392			
	102,871	**102,871**	**102,871**	**-**	**-**	**-**

as of 31 December 2021 (in thousands of HRK)	**Carrying amount**	**Contractual cash flows**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-interest bearing assets						
Other receivables	4,585	4,585	4,585	-	-	-
Trade receivables	7,156	7,156	7,156	-	-	-
	11,741	11,741	11,741	-	-	-
Interest bearing assets						
Loans granted	13,257	13,257	13,257	-	-	-
Cash and cash equivalents	15,210	15,210	15,210	-	-	-
	28,467	28,467	28,467			
	40,208	**40,208**	**40,208**	**-**	**-**	**-**

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period on the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

as at 31 December 2022 (in thousands of HRK)	**Carrying amount**	**Contractual cash flows**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-interest bearing liabilities						
Other liabilities	44,485	44,485	44,485	-	-	-
Interest liabilities	3,327	3,327	3,327	-	-	-
Trade payables	15,227	15,227	15,227	-	-	-
	63,039	63,039	63,039	-	-	-
Interest bearing liabilities						
Loan liabilities	381,819	381,819	65,354	84,138	162,214	70,113
Lease liabilities	9,666	9,666	1,292	1,231	2,054	5,089
	391,485	391,485	66,646	85,369	164,268	75,202
	454,524	**454,524**	**129,685**	**85,369**	**164,268**	**75,202**

as at 31 December 2021 (in thousands of HRK)	**Carrying amount**	**Contractual cash flows**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-interest bearing liabilities						
Other liabilities	30,985	30,985	30,985	-	-	-
Interest liabilities	2,027	2,027	2,027	-	-	-
Trade payables	15,708	15,708	15,708	-	-	-
	48,720	48,720	48,720	-	-	-
Interest bearing liabilities						
Loan liabilities	354,557	354,557	67,017	64,238	124,785	98,518
Lease liabilities	10,898	10,898	1,307	1,262	2,818	5,511
	365,455	365,455	68,323	65,500	127,603	104,029
	414,175	**414,175**	**117,043**	**65,500**	**127,603**	**104,029**

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the owner and to maintain an optimal capital structure to reduce the cost of capital. In accordance with the Companies Act, the Company is committed to maintaining the level of capital above HRK 200 thousand as required for public limited companies.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

Fair value represents the amount at which an asset could be exchanged, or a liability settled between knowledgeable and willing parties acting in their best interest.

The carrying amounts of current trade and other receivables and trade payables approximate their fair value. The carrying amount of borrowings approximates their fair value due to market interest rates on borrowings.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under existing circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated useful life and impairment of property, plant and equipment

By using a certain asset, the Company uses the economic benefits contained in this asset, which diminish more intensely with economic and technological aging. Consequently, in the process of determining the useful life of an asset, in addition to assessing the expected physical utilization, it is necessary to consider the changes in demand on the tourist market, which will cause a faster economic obsolescence as well as a more intense development of new technologies. Current business operations in the hotel industry impose the need for more frequent investments, and this circumstance contributes to the fact that the useful life of an asset is decreasing.

The useful lives of property, plant and equipment will be periodically revised to reflect any changes in circumstances since the previous assessment. The Company regularly analyzes whether the existing depreciation rates maintain the estimated useful life of the asset. The Company regularly assess the useful lives of properties for new properties and significant reconstructions. Taking into consideration current capacity utilization, an estimation of property usage in the upcoming period, and based on experience with similar hotels and market practice, useful life of building components for newly built hotels was estimated at 25 years. At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The Company determines the impairment indicators by using the gross operating profit multiplier and segment carrying net book values, which are determined by comparing the property segment carrying values with the gross operating profit, where no impairment exists if the recoverable amount is equal to or greater than the carrying amount. The recoverable amount is determined as the higher amount of fair asset value less costs of disposal and its value in use.

To determine recoverable amount, the Company use both internal and external valuations. Management also considers occupancy rates, revenue per available room, etc. Determination of fair value less the costs of disposal is based on the market approach, which uses prices and other relevant information generated by market transactions involving similar assets.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES (continued)

(b) Land ownership and legal disputes

Problems with respect to land ownership disputes are common for tourism entities in the Republic of Croatia. Their resolution is expected in accordance with and pursuant to the provisions of the Act on Tourist and Other Construction Land Not Evaluated in the Transformation and Privatization Process, which entered into force on 1 August 2010 and which mandated companies to submit the relevant requirements under this Act within six months from the date of its entry into force (up to 1 February 2011). On 28 January 2011, regulations were issued elaborating in more detail the manner of complying with the above Act. On 31 January 2011, the Company submitted the relevant requirements to the relevant authorities in respect of the property on which the above-mentioned law can be applied. With the Act on Unappraised Land („the ZNGZ“) entering into force on 2 May 2020, the procedures for obtaining a concession initiated under the provisions of the ZOTZ have been suspended and further assessment of the court and administrative proceedings related to unappraised land can be predicted only after resolving property relations and determining the actual owners of tourist land, according to the provisions of the ZNGZ. It is not expected that the outcome of the mentioned disputes will have a significant effect on the financial statements or the performance of the Company.

(c) Lawsuits

Provisions for lawsuits and proceedings are stated based on the Management Board's assessment of potential losses as well as the probability of resolving these disputes in a period shorter than / longer than one year, after consulting a lawyer. Based on existing knowledge, it is reasonably possible that the outcome of litigation will differ from the estimated potential losses. On 31 December 2022, the Company has reported provisions for several disputes in the total amount of HRK 12,262 thousand.

(d) Deferred tax assets

Deferred tax assets include the amount of HRK 19,732 thousand, which is stated on the basis of transferred tax losses and other temporary tax differences. For amounts stated on the basis of transferred tax losses, the Company has a period of 5 years to use these incentives, while the realization of deferred tax assets arising from other temporary tax differences is not limited in time, and therefore uncertainty about the use of this part is very small. The company recorded losses in 2020 and 2021 as a result of the lack of operating profit caused by the COVID-19 pandemic. In 2022, a strong recovery of business activities was achieved, with a significantly smaller loss recorded.

In assessing the recoverability of disclosed deferred tax assets, the Company has considered the following factors for their recognition:

- The COVID-19 pandemic is considered a pandemic non-recurrent event that should not cause long-term disruption once the pandemic has passed,
- Uncertainty about the implementation of the current business plan,
- Potential impact of long-term recovery, i.e. a longer period to return to previous results,
- Potential impact of increased input costs.

Under these assumptions, the Company concludes that the deferred tax assets will be recoverable using estimated future taxable income based on the approved business plans and budget for the Company. Taking into account the historical financial results of the Company, it is expected that the Company will partially use the transferred tax losses in the next few years, i.e. before their expiration.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES (continued)

(e) Going concern

The financial statements have been prepared on the going concern basis.

Since the beginning of COVID-19, the company has followed the development of the situation with exceptional attention and focused all its resources on taking preventive measures to protect the health of guests and employees, activating comprehensive crisis management procedures and maintaining business continuity while preserving jobs. The Company has also prudently taken comprehensive austerity measures during 2021 aimed primarily at reducing costs, preserving liquidity and solvency while ensuring uninterrupted business continuity, thus ensuring the normalization and strong recovery of business during the observed year. Due to the lower impact of the COVID-19 pandemic during 2022, the activities of business adaptation to extraordinary conditions also decreased, with the focus being transferred to the strategic optimization of the Company's business model, which, together with the increased demand for the tourism portfolio, resulted in a strong recovery of business and related business results. The comprehensive package of measures and activities is explained in more detail in the section of the Management Report, Business Management during the COVID-19 pandemic.

By adjusting the business to the future development of the situation and planning additional measures of operational efficiency, the Management Board believes that it will succeed in preserving the liquidity and solvency of the Company in the coming period. Namely, the Management Board considered liquidity projections for the short and medium-term and based on these analyzes, the Management Board believes that the preparation of the financial statements under the going concern assumption is still appropriate.

NOTE 5 – SEGMENT INFORMATION

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Company's Management, the chief operating decision-maker, which is responsible for allocating resources to the reportable segments and assessing its performance.

The Company records its operating revenue and costs by the type of services rendered in two basic segments: hotels & apartments and other business segments. Other business segments include campsite services, marina services, rental services, central kitchen services and other similar services as well as central sector services.

The segment information for the year ended 31 December 2022 is as follows:

(in thousands of HRK)	**Hotels and apartments**	**Other**	**Unallocated**	**Total**
Sales revenues	346,464	14,814	-	361,278
GOP	101,871	4,075	-	105,946
Procurement of real estate, plants, equipment and intangible assets	52,478	1,491	-	53,969
Book value of real estate, plant, equipment and intangible assets	739,573	77,573	-	817,146
Acquisition of other long-term assets	-	-	1,508	1,508
Book value of other long-term assets	-	-	52,571	52,571
Depreciation	91,338	5,325	887	97,550
Current assets	-	-	108,427	108,427
Total liabilities	-	-	465,281	465,281

The segment information for the year ended 31 December 2021 is as follows:

(in thousands of HRK)	**Hotels and apartments**	**Other**	**Unallocated**	**Total**
Sales revenues	206,446	9,603	-	216,049
GOP	18,516	3,053	(3,539)	18,030
Procurement of real estate, plants, equipment and intangible assets	48,333	6,378	-	54,711
Book value of real estate, plant, equipment and intangible assets	787,456	76,130	-	863,586
Acquisition of other long-term assets	-	-	27,364	27,364
Book value of other long-term assets	-	-	42,704	42,704
Depreciation	96,552	3,085	794	100,431
Current assets	-	-	44,288	44,288
Total liabilities	-	-	433,545	433,545

NOTE 6.1 – REVENUE

Revenue streams

The Company generates revenue primarily from the accommodation services, food and beverages sales and provision of ancillary hotel services to its customers. The Company's sales revenues can be classified according to the customers' origin:

(in thousands of HRK)	2022	2021
Domestic sales	50,865	34,679
Foreign sales	310,413	181,370
	361,278	**216,049**

Foreign sales	**2022**	**%**	**2021**	**%**
Austria	90,645	29.2	41,571	22.9
Germany	68,153	22.0	50,236	27.7
Slovenia	28,975	9.3	12,249	6.8
Hungary	21,953	7.1	6,250	3.4
Italy	12,788	4.1	1,992	1.1
Czech	7,701	2.5	2,352	1.3
Ukraine	3,073	1.0	3,384	1.9
Other EU members*	42,806	13.8	41,477	22.9
Other*	34,319	11.1	21,860	12.1
	310,413	**100**	**181,370**	**100**

* None of the customers' share in sales exceeds 10%.

NOTE 6.1 – REVENUE (continued)

The Company's sales revenues are classified according to the sales channel and type of service:

(in thousands of HRK)	2022	2021
Revenue from hotel services		
Individual guests	174,452	116,631
Groups	33,016	11,962
Allotment	64,240	36,402
MICE	22,014	14,940
	293,722	**179,935**
Revenue from other services		
Food and beverages - other than hotel guests	45,170	22,982
Revenue from services rendered to hotel guests	11,979	7,142
Other revenue	10,407	5,990
	67,556	**36,114**
Total sales revenue	**361,278**	**216,049**

NOTE 6.2 – OTHER INCOME

(in thousands of HRK)	2022	2021
Write-off of liabilities	679	1,586
Revenues from insurance companies compensation of damages	1,729	132
Recharged costs to lessees and others	468	1,092
Collection of receivables previously written-off	24	185
Income from reversal of provision	8,911	3,112
Rental income	5,427	5,431
Income from aids and supports	68	19,374
Other income	1,910	1,486
	19,216	**32,398**

NOTE 7 – COST OF MATERIALS AND SERVICES

(in thousands of HRK)	**2022**	**2021**
Food, beverages and other supplies	45,738	27,878
Energy and water used	22,270	13,147
	68.008	**41,025**
Tourist agency services	16,792	11,585
Maintenance	10,684	10,235
Advertising and promotion	3,445	2,739
Laundry services	7,879	5,466
Utilities	9,999	6,605
Rent	3,871	1,874
Entertainment of guests	2,015	1,317
Other expenses	15,349	17,677
	70,034	**57,497**
	138,042	**98,521**

NOTE 8 – STAFF COSTS

(in thousands of HRK)	**2022**	**2021**
Gross salaries and wages	83,623	67,050
Contributions on salaries	12,551	10,102
Other staff costs /i/	19,457	18,607
	115,631	**95,758**
Number of employees at year end	710	645

/i/ Other staff costs comprise termination benefits, compensations for transportation costs, remunerations for temporary services, jubilee and special awards, etc.

NOTE 9 – OTHER OPERATING EXPENSES

(in thousands of HRK)	**2022**	**2021**
Professional services	5,128	5,543
Utility and similar fees	7,321	5,389
Write-off of property, plant and equipment and intangible assets	3,941	1,793
Insurance	1,638	1,961
Provisions for legal disputes (note 20)	1,598	11,152
Bank charges and membership fee	850	618
Travel and entertainment	1,283	962
Other expenses	12,659	7,798
	34,418	**35,216**

NOTE 10 – OTHER GAINS – NET

(in thousands of HRK)	**2022**	**2021**
Net gains on sale of property, plant and equipment	9	64
	9	**64**

NOTE 11 – NET FINANCE COSTS

(in thousands of HRK)	**2022**	**2021**
Finance income		
Interest income from financial assets at amortized cost	359	188
Net foreign exchange gains	3,193	647
	3,552	**835**
Finance costs		
Interest expense	(9,565)	(4,845)
Net foreign exchange losses	(3,409)	(140)
Other finance costs	(76)	(1,739)
	(13,050)	**(6,724)**
Net finance costs	**(9,498)**	**(5,889)**

NOTE 12 – INCOME TAX

(in thousands of HRK)	2022	2021
Current tax expense		
Current year	-	-
Deferred tax (income)/expenses		
Origination and reversal of temporary differences	(15)	2,612
Recognition of tax losses	(10,705)	1,777
Recognition of previously unrecognized temporary differences	-	-
	(10,720)	4,389
Tax (income)/expense	**(10,720)**	**4,389**

(in thousands of HRK)	2022	2021
Profit/(loss) before tax	(14,889)	(87,305)
Tax rate of 18%	(2,680)	(15,715)
The effect of non-deductible revenues/expenses	3,326	21,665
Net effect of recognition/release of tax losses	(11,366)	(1,561)
Tax (income)/expense	(10,720)	4,389
Effective tax rate	-	-

The corporate income tax before taxation differs from the theoretical amount that would arise using the tax rate of 18%. The reconciliation of the tax expense of the Company per the statement of comprehensive income and taxation at the statutory rate is presented in detail in the table above.

In accordance with local regulations, the Tax Administration may at any time inspect the Company's books and records within three years following the year in which the tax liability is reported and may impose additional tax assessments and penalties. The Company's Management Board is not aware of any circumstances, which may give rise to a potential material liability in this respect.

NOTE 12 – INCOME TAX (continued)

Deferred tax assets and liabilities

As of 31 December 2022, deferred tax assets amount to HRK 19,732 thousand *(2021: HRK 9,012 thousand).*

	Assets at 31 December		**Liabilities at 31 December**		**Net at 31 December**	
(in thousands of HRK)	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Provisions for other liabilities and expenses	328	366	-	-	328	366
Property, plant and equipment	2,816	2,764	-	-	2,816	2,764
Tax losses recognized	16,588	5,882	-	-	16,588	5,882
	19,732	**9,012**	**-**	**-**	**19,732**	**9,012**

The movement in deferred tax assets and liabilities during the year relates to the temporary differences as follows:

(in thousands of HRK)	**31 December 2021**	Recognized in profit or loss	**31 December 2022**
Provisions for other liabilities and expenses	366	(38)	328
Property, plant and equipment	2,764	52	2,816
Tax losses recognized	5,882	10,706	16,588
	9,012	**10,720**	**19,732**

NOTE 13 – EARNINGS/(LOSS) PER SHARE (basic and diluted)

Basic earnings/(loss) per share

Basic earnings/(loss) per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

(in thousands of HRK)	**2022**	**2021**
Profit/(loss) for the year (in thousands of HRK)	(4,169)	(91,693)
Weighted average number of shares (basic and diluted)	302,637	302,637
Earnings/(loss) per share (basic and diluted) (in HRK)	(14)	(303)

Diluted earnings/(loss) per share

Diluted earnings/(loss) per share are equal to basic earnings per share, since the Company did not have any convertible instruments nor share options outstanding.

NOTE 14.1 – PROPERTY, PLANT AND EQUIPMENT

(in thousands of HRK)	**Land**	**Buildings**	**Equipment**	**Assets under constr.**	**Artwork**	**Total**
As of 1 January 2021						
Cost	113,160	1,688,263	399,110	16,834	3,505	2,220,872
Accumulated depreciation	-	(1,109,473)	(240,431)	-	-	(1,349,904)
Net carrying amount	**113,160**	**578,790**	**158,679**	**16,834**	**3,505**	**870,968**
Year ended 31 December 2021						
Opening net carrying amount	113,160	578,790	158,679	16,834	3,505	870,968
Additions	9,225	24,187	8,732	40,147	11	82,302
Disposals and write-offs	(99)	(34)	(1,759)	(165)	-	(2,056)
Depreciation	-	(67,153)	(29,711)	-	-	(96,864)
Reclassification	-	11,344	1,439	(12,783)	-	-
Transfer	-	-	(855)	-	370	(485)
Closing net carrying amount	**122,286**	**547,136**	**136,525**	**44,033**	**3,886**	**853,866**
As of 31 December 2021						
Cost	122,286	1,695,211	382,078	44,033	3,886	2,247,494
Accumulated depreciation	-	(1,148,075)	(245,553)	-	-	(1,393,628)
Net carrying amount	**122,286**	**547,136**	**136,525**	**44,033**	**3,886**	**853,866**
As of 1 January 2022						
Cost	122,286	1,695,211	382,078	44,033	3,886	2,247,494
Accumulated depreciation	-	(1,148,075)	(245,553)	-	-	(1,393,628)
Net carrying amount	**122,286**	**547,136**	**136,525**	**44,033**	**3,886**	**853,866**
Year ended 31 December 2022						
Opening net carrying amount	**122,286**	**547,136**	**136,525**	**44,033**	**3,886**	**853,866**
Additions	158	25,723	14,067	21,440	-	61,389
Disposals and write-offs	-	(2)	(2,324)	(2,929)	-	(5,255)
Depreciation	-	(63,916)	(29,651)	-	-	(93,568)
Transfer	-	11,239	383	(11,622)	-	-
Reclassification	-	-	-	(10,172)	-	(10,172)
Closing net carrying amount	**122,444**	**520,180**	**119,000**	**40,750**	**3,886**	**806,260**
As of 31 December 2022						
Cost	122,444	1,732,171	394,204	40,750	3,886	2,293,455
Accumulated depreciation	-	(1,211,991)	(275,204)	-	-	(1,487,195)
Net carrying amount	**122,444**	**520,180**	**119,000**	**40,750**	**3,886**	**806,260**

NOTE 14.1 – PROPERTY, PLANT AND EQUIPMENT (continued)

As of 31 December 2022, land and buildings in the amount of HRK 236,027 thousand (2021: HRK 242,370 thousand) have been pledged as collateral for the repayment of borrowings (note 19).

The land surface included in the Company's records as of 31 December 2022 comprised 202,330 m^2 (2021: 202,330 m^2) and, together with the respective buildings, it has a net carrying value of HRK 642,626 thousand (2021: HRK 699,422 thousand).

Of the total land surface, a surface of 6,441 m^2 with a value of HRK 4,394 thousand is not legally owned by the Company, while 195,889 m^2 is legally owned by the Company and with the buildings, it has a carrying value of HRK 638,230 thousand.

Assets under construction relate to construction works on the reconstruction of the hotel Kvarner, arranging Ambasador beach, works on the villas Danica and Slatina, as well as project documentation and works in the Company's other tourist facilities..

The carrying value of property, plant and equipment of the Company leased out is as follows:

(in thousands of HRK)	**2022**	**2021**
Cost	9,202	9,202
Accumulated depreciation as at 1 January	(5,693)	(5,381)
Net carrying amount	**3,509**	**3,821**

The operating lease relates to the lease of hospitality facilities and stores. During 2022, the Company realized rental income in the amount of HRK 5,427 thousand *(2021: HRK 5,431 thousand*).
The aggregate lease payments receivable for operating leases are as follows:

(in thousands of HRK)	**2022**	**2021**
Up to 1 year	4,506	2,516
Between 2 and 5 years	17,372	8,308
	21,878	**10,824**

Lease agreements have been concluded either for a time period from 1 to 6 years or for an indefinite period of time, respectively (mainly for an indefinite period of time) and are renewable at the end of the lease period at market prices, i.e. after tendering the most favorable bidders are chosen.

NOTE 14.2 – INTANGIBLE ASSETS

(in thousands of HRK)	**Concessions, patents, licenses, software and rights**	**Other intangible assets**	**Assets in preparation**	**Total**
As of 1 January 2021				
Cost	17,795	6,333	-	24,128
Accumulated amortization	(6,017)	(5,887)	-	(11,904)
Net carrying amount	**11,778**	**446**	**-**	**12,224**
Year ended 31 December 2021				
Opening net carrying amount	11,778	446	-	12,224
Additions	100	169	-	269
Amortization	(2,660)	(113)	-	(2,773)
Closing net carrying amount	**9,218**	**502**	**-**	**9,720**
As of 31 December 2021				
Cost	18,523	6,698	-	25,221
Accumulated amortization	(9,305)	(6,196)	-	(15,501)
Net carrying amount	**9,218**	**502**	**-**	**9,720**
As of 1 January 2022				
Cost	18,523	6,698	-	25,221
Accumulated amortization	(9,305)	(6,196)	-	(15,501)
Net carrying amount	**9,218**	**502**	**-**	**9,720**
Year ended 31 December 2022				
Opening net carrying amount	9,218	502	-	9,720
Additions	240	1,010	2,359	3,610
Amortization	(2,809)	(286)	-	(3,095)
	1,148	-	(1,148)	-
	-	-	651	651
Closing net carrying amount	**7,798**	**1,226**	**1,862**	**10,886**
As of 31 December 2022				
Cost	19,254	7,509	1,862	28,625
Accumulated amortization	(11,456)	(6,283)	-	(17,739)
Net carrying amount	**7,798**	**1,126**	**1,862**	**10,886**

NOTE 14.3 – RIGHT OF USE OF ASSETS

Below is an overview of lease-related information where the Company is a lessee.

The statement of financial position shows the amounts for leases as follows:

(in thousands of HRK)	**Concessions**	**Vehicles**	**Total**
Year ended 31 December 2022			
Opening net carrying amount	9,025	357	9,382
Additions	-	22	22
Depreciation	(742)	(145)	(887)
Closing net carrying amount	**8,283**	**234**	**8,517**

The statement of comprehensive income presents the amounts for leases as follows:

(in thousands of HRK)	**2022**
Depreciation of assets with right of use	
Concessions	742
Vehicles	145
	887
Interest expense (included in financial expenses)	**107**

NOTE 15 – FINANCIAL ASSETS

(in thousands of HRK)	**31 December 2022**	**31 December 2021**
Investments in Aeris d.o.o.	16,185	16,185
Investments in IKA 21 d.o.o.	7,216	7,216
Investments in Remisens d.o.o.	922	909
	24,322	**24,310**

The Company owns 100% of total shares in Aeris d.o.o.

The Company owns 100% of total shares in IKA 21 d.o.o.

The Company owns 33,33% of total shares in Remisens d.o.o. (2021: 33,33%); the increase of HRK 12 thousand arises from the share in the profit of the company.

NOTE 16 – TRADE AND OTHER RECEIVABLES

(in thousands of HRK)	**31 December 2022**	**31 December 2021**
Domestic receivables	6,496	4,594
Foreign receivables	4,915	3,477
Non-invoiced receivables /i/	6,742	2,833
Allowance for impairment of trade receivables	(3,829)	(3,748)
Trade receivables - net	**14,324**	**7,156**
Receivables from the state and other receivables	2,156	4,585
	16,480	**11,741**

/i/ Non-invoiced receivables relate to receivables from guests staying at the hotel as of 31 December.

Movements in the impairment of trade and other receivables are as follows:

(in thousands of HRK)	**31 December 2022**	**31 December 2021**
At 1 January	3,748	3,777
Increase	359	1
Collection	(25)	(30)
Write-off	(253)	-
At 31 December	**3,829**	**3,748**

NOTE 17 – CASH AND CASH EQUIVALENTS

(in thousands of HRK)	**31 December 2022**	**31 December 2021**
Foreign currency accounts	28,777	3,252
Cash on hand	934	744
Giro accounts	43,424	11,215
	73,135	**15,210**

Interest rates on cash and cash equivalents amounted to a maximum of 0.02% (2021: up to 0.02%).

NOTE 18 – CAPITAL AND RESERVES

Share capital

As at 31 December 2022, the Company's share capital amounted to HRK 696,074 thousand (2021: HRK 696,074 thousand) and comprises 302,641 ordinary shares with a nominal value of HRK 2,300 per share (2021: HRK 2,300 per share). Ordinary shares have equal voting rights and rights to receive dividend. The Company's share capital has been fully paid in cash.

The ownership structure as of 31 December 2022 was as follows:

	Number of shares	**HRK**	**%**
Gitone Adriatic d.o.o.	215,568	495,806	71.23
Nova Liburnija d.o.o., Opatija	75,661	174,020	25.00
CERP	3,294	7,576	1.09
Small shareholders	8,114	18,662	2.68
Treasury shares	4	9	0.001
Total	**302,641**	**696,074**	**100.00**

Legal reserves

Under Croatian regulations, the legal reserve must be built up to a minimum of 5% of the profit for the year until total reserves together with the capital reserves reach 5% of the Company's share capital. Legal reserves are not distributable. Legal reserves include HRK 43,278 thousand from reduction of share capital in 2014.

Capital reserves

Capital reserves were created from the reduction of share capital in 2014.

Reserves for treasury shares

Reserves for treasury shares amount to HRK 9 thousand since the Company holds 4 treasury shares.

NOTE 19 – BORROWINGS

(in thousands of HRK)	**31 December 2022**	**31 December 2021**
Bank borrowings	381,819	354,557
Less: non-current portion	(316,464)	(287,540)
Current portion	**65,355**	**67,017**

Bank borrowings are secured by a mortgage over land and a building (note 14). Of the total amount of current borrowings, HRK 3,327 thousand relates to interest payable (*2021: HRK 2,027 thousand*). Bank loan contract contains a loan covenant.

NOTE 19 – BORROWINGS (continued)

Maturities of long-term borrowings are as follow:

(in thousands of HRK)	31 December 2022	31 December 2021
Bank borrowings		
Between 1 and 5 years	246,352	189,023
Over 5 years	70,112	98,517
	316,464	**287,540**

(in thousands of HRK)	**2022**	**2021**
Bank borrowings		
At 1 January	**354,557**	**272,674**
Borrowings received	118,908	106,443
Repayments of borrowings	(93,417)	(25,472)
Net foreign exchange gains	471	(431)
Net increase (decrease) in interest payable	1,300	1,344
At 31 December	**381,819**	**354,557**

NOTE 20 – PROVISIONS FOR OTHER LIABILITIES AND EXPENSES

(in thousands of HRK)	Termination benefits and jubilee awards	Legal disputes	Total
As of 1 January 2022	**2,033**	**19,365**	**21,398**
Increase	-	1,597	1,597
Paid during the year	-	(6,882)	(6,882)
Released during the year	(210)	(1,818)	(2,028)
As of 31 December 2022	**1,823**	**12,262**	**14,085**
Current portion	**-**	-	**-**
Non-current portion	**1,823**	**12,262**	**14,085**

NOTE 21 – LEASE LIABILITIES

The maturity of operate leases is as follows:

(in thousands of HRK)	2022	2021
Lease liabilities		
At 1 January	**10,898**	**4,637**
Receipts	22	7,950
Repayment	(1,254)	(1,689)
At 31 December	**9,666**	**10,898**
Lease liabilities		
Current portion	1,291	1,307
Non-current portion	8,375	9,591
	9,666	**10,898**

NOTE 22 – TRADE AND OTHER PAYABLES

(in thousands of HRK)	31 December 2022	31 December 2021
Domestic trade payables	13,236	13,475
Foreign trade payables	1,991	2,234
Total trade payables	15,227	15,708
Due to employees / i /	17,317	15,474
Taxes and contributions payable	5,915	3,680
Advances payable	10,913	6,560
Other liabilities	10,339	5,271
	59,711	**46,693**

/ i / Liabilities to employees include provisions for severance in the amount of HRK 2,159 thousand (2021: HRK 6,786 thousand).

NOTE 23 – CASH GENERATED FROM OPERATIONS

Reconciliation of profit and cash generated from operations:

(in thousands of HRK)	**2022**	**2021**
Profit/(loss) for the year	(4,196)	(91,693)
Adjustments for:		
Depreciation and amortization	97,549	100,431
Write-off of property, plant and equipment	5,225	1,793
Net gains on sale of property, plant and equipment	(9)	(64)
Allowance for impairment of trade receivables - net (note 16)	(253)	(185)
Net finance costs	9,498	5,889
Increase in provisions-net	(7,313)	8,921
Income tax	(10,720)	4,389
Unrealized exchange differences	471	(431)
Changes in working capital:		
- trade and other receivables	(4,486)	(5,345)
- inventories	(1,476)	(840)
- trade and other payables	13,019	13,633
Cash generated from operations	**97,336**	**36, 499**

NOTE 24 – CONTINGENCIES AND COMMITMENTS

Legal disputes

The Company is involved in a number of legal disputes arising from the ordinary course of business. In the financial statements for the year ended 31 December 2022 provisions for legal disputes have been made for which the Company anticipates outflow of economic benefits in the amount of HRK 12,262 thousand *(2021: HRK 19,365* thousand*),* as set out in note 20.

Land ownership

Pursuant to the Agreement on the resolution of legal ownership rights and the transfer of 25% + 1 shares concluded on 14 June 2007 with the Croatian Privatization Fund, Zagreb (CPF) and the City of Opatija (which concluded the Agreement in its own name and for the account of the Municipalities of Lovran, M. Draga and Matulji), the Company acquired the ownership right over the properties entered into the Company's share capital based on the Decision of CPF dated 5 July 1995, the Conclusion of CPF dated 30 April 1998, the Conclusion of CPF dated 10 June 1998 and the Conclusion of CPF dated 27 February 1998. In line with the stated Agreement, legal documentation has been issued for most of the properties subject to the Agreement, except for the cases where the land plot division process is still ongoing, since they have been entered into the Company's share capital as part of the cadastral plot, and not as the entire cadastral plot. It is not expected that the outcome of mentioned disputes will have a significant effect on the financial statements or the performance of the Company.

Capital and loan commitments

As of 31 December 2022, capital commitments with respect to investments in tourist facilities amount to HRK 18,863 thousand *(2021: HRK 3,355 thousand).*

NOTE 25 – RELATED PARTY TRANSACTIONS

Parties are considered to be related if one of the parties has the power to exercise control over the other party or under common control or if it has significant influence over the other party in making financial or operational decisions. As of 31 December 2022, the Company has one majority shareholder Gitone Adriatic d.o.o. with 71.23% shares and shareholder Nova Liburnija d.o.o with 25% shares (note 18).

Related party transactions at the year-end are as follows:

(in thousands of HRK)	**2022**	**2021**
Sales revenues:		
Subsidiaries	-	-
Other parties associated with the group, owners or persons in supervision	503	499
	503	**499**
Other revenues:		
Participating interest	-	24
Subsidiaries	-	-
Other parties associated with the group, owners or persons in supervision	133	441
	133	**465**
Financial revenues:		
Subsidiaries	355	187
	355	**187**
Costs of materials and services:		
Other parties associated with the group, owners or persons in supervision	9,686	7,860
	9,686	**7,860**
Other operating expenses:		
Participating interest	-	-
Subsidiaries	-	-
Other parties associated with the group, owners or persons in supervision	5,682	3,937
	5,682	**3,937**

NOTE 25 – RELATED PARTY TRANSACTIONS (continued)

(in thousands of HRK)	2022	2021
Trade and other payables:		
Participating interest	-	-
Subsidiaries	-	-
Other parties associated with the group, owners or persons in supervision	3,191	2,770
	3,191	**2,770**

Trade and other payables:		
Receivables for advances given - Other parties associated with the group, owners or persons in supervision	17,329	17,304
Receivables for loans granted to subsidiaries	13,257	13,257
Trade receivables - subsidiaries	543	188
Trade receivables - Other parties associated with the group, owners or persons in supervision	499	1,548
	31,628	**32,297**

Compensations to members of the Management board and the Supervisory board

The Management Board comprises two members as of 31 December 2022 *(31 December 2021: two members).* During 2022, there were no changes in the Company's Management Board.

(in thousands of HRK)	2022	2021
Management board compensation		
Net salaries	5179	1,437
Pension contributions	266	211
Health insurance contribution	519	268
Other costs	1,632	477
	7,596	**2,393**

In 2022, the company reported bonus provisions to the Management Board members in the amount of HRK 4,246 thousand o/w: HRK 2,939 thousand in Net salaries, HRK 86 thousand in Pension contribution, HRK 283 thousand, HRK 938 thousand in Other cost (2021: HRK 0 thousand).

(in thousands of HRK)	2022	2021
Supervisory board compensation	407	455

NOTE 26 – EVENTS AFTER THE REPORTING DATE

At the beginning of 2023, the Company's shareholder, the company GITONE Adriatic d.o.o. appointed Mr. Ante Barić as the ninth member of the Company's Supervisory Board. From Jan 3rd, 2023, the Supervisory Board is composed of Mr. Johannes Böck, the president, and its members: Mr. Davor Žic, Mrs. Ana Odak, Mr. Thomas Mayer, Mr. Philip Göth, Mr. Alexander Zinell, Mr. Danijel Jerman, Mr. Ante Barić and Mr. Rikardo Gregov (employee representative).

Apart from the above, there were no other events after the reporting date.