PLAVA LAGUNA

YEAR 2023
ANNUAL REPORT

Poreč, June 2024

PLAVA LAGUNA

FOR THE YEAR 2023

ANNUAL REPORT

CONTENT

MANAGEMENT BOARD'S REPORT

Throughout 2022, Plava Laguna d.d. maintained a 32.48% ownership stake in Jadranski luksuzni hoteli d.d. and Hotel Croatia d.d., treating them as associated companies. We applied the equity method for financial consolidation until 1 September 2022. Following the acquisition of a 97.98% majority stake in Hotel Croatia d.d. through share exchange and purchase agreements, it was fully consolidated starting in September. On 29 August 2023, we completed the acquisition of the remaining minority shares in Hotel Croatia d.d., achieving sole ownership. Additionally, we divested Hotel Bonavia on 28 December 2023, as per the sale agreement with Bonavia Rijeka d.o.o.

For the second consecutive year, we published a sustainability report in alignment with the Global Reporting Initiative (GRI) standards, emphasizing our commitment to non-financial reporting excellence.

For the purpose of this report only financial data was consolidated while operational or non-financial indicators were fully excluded for the company Hotel Croatia d.d.

The year 2023 witnessed significant regulatory and economic shifts. The adoption of the Euro and Croatia's accession to the Schengen Area greatly enhanced our operational environment by streamlining travel processes and boosting the tourism sector, benefiting our predominantly European customer base: Germany, Austria, Slovenia, Netherlands, Czech Republic and Italy.

Simultaneously, the business year 2023 proved to be challenging in many ways, characterized by continued high inflationary pressures along with general rise in prices of energy -generating products, especially during the first part of the year, including all other categories of goods and services as well as labor costs. Despite facing high inflation and escalating costs in energy and labor, we effectively managed expenses through stringent cost control measures and energy-efficient investments. Our proactive financial strategies led to a capital expenditure of nearly €30 million, primarily aimed at enhancing the Istra Camping brand and adding 69 Istrian villas at Stella Maris.

Furthermore, the revenue side is managed through pre-defined procedures and technological solutions that enable monitoring the market trends and flexible management of the market demand accordingly, as well as the sales capacities across sales channels and ultimately sales prices levels.

We proudly hosted the 33rd Plava Laguna Croatia Open Umag and the second annual Plava Laguna Ironman 70.3 Poreč, Istra. Our commitment to sports and community was further enhanced through the launch of the Plava Laguna Sport brand.

Our dedication to excellence was acknowledged through various awards, including the ADAC Superplatz 2023 for two of our campsites, and multiple accolades from the Croatian Camping Association, ACSI, and TripAdvisor.

Camping Park Umag and Camping Stella Maris, were awarded the ADAC Superplatz 2023 recognition. Camping Park Umag has maintained its position as the top-ranked Croatian campsite for two consecutive years. Additionally, Camping Bijela uvala and Camping Ulika won the second place in the "Best Camp Adria" competition in the categories of "Istria Large Campsites" and "FKK Campsites." Furthermore, a total of six campsites received the "Croatia's Best Campsites 2023" award from the Croatian Camping Association. In addition to these achievements, Dutch camping specialist ACSI awarded recognition to Camping Park Umag, Camping Bijela Uvala, and Camping Ulika in their "Top 25 Campsites" category. TripAdvisor, one of the world's largest travel portals, honored Camping Ulika and Hotel Materada with the Travellers' Choice

MANAGEMENT BOARD'S REPORT *(continued)*

Winners 2023 award. Moreover, Service.LAB agency - known for being one of the strongest mystery shopping agencies in Croatia - awarded Plava Laguna with the Service.LAB Excellence Awards in the category of "Children's Facilities," while Hotel Parentium received recognition for "Value for Money" and "Best Breakfast" in the 4-star property categories.

On February 17, 2024, regulations concerning the leasing of tourist land on which hotels, tourist resorts, and campsites have been constructed came into effect.

This land has not been assessed or included in the share capital of the commercial company. The regulation regarding hotels and tourist resorts prescribes a range of lease fees for such land, while the regulation concerning campsites specifies a fixed lease fee. Both regulations further detail the method and deadlines for fee payments, other orientation criteria for determining and calculating the lease fee, as well as other mandatory elements of lease agreements. The Law on Unassessed Construction Land came into effect on 2 May 2020. However, until February 2024, no regulation had been introduced to regulate the amount of lease fee. Therefore, the company recorded the cost of concession/lease for tourist land between 2020 and 2022 based on parameters that were valid before the new Law on Unassessed Construction Land came into effect. Once the regulation came into effect, in accordance with the Article 11 of the regulation, the Company assessed a difference in lease costs for tourist land from 2020 to 2022 amounting to €3.5 million as a cost from previous years and an amount of €5 million as the amount of lease fee for 2023. According to the regulation, the maximum annual amount of the lease fee cannot exceed 4% of the turnover which a hotel, a tourist resort or a campsite achieved in the previous year, and this criterion is to be proven by the commercial company.

The year 2023 was marked by significant financial growth, and strengthened market positioning, setting a positive trajectory for Plava Laguna's future endeavors.

Group recorded an increase in physical and financial indicators compared to 2022.

Our focused marketing strategies in key European markets resulted in a 7.8% increase in overnight stays and a 24.6% rise in business revenues. Despite global economic pressures, we maintained robust growth in profitability, with a notable increase in EBITDA by 19.2%.

During the observed period, the Group achieved 5.48 million overnight stays, which is an increase of 7.8% or 394 thousand overnight stays more, compared to the same period last year. When compared on a comparable basis with the previous year, excluding Hotel Croatia d.d., a subsidiary company, there were 5.3 million overnight stays, which represents a growth of 5% or 254 thousand overnight stays. The subsidiary company Hotel Croatia d.d. achieved 184 thousand overnight stays in 2023. Considering the sales channel structure, the group segment recorded a significant increase, contributing 64% to the total growth of overnight stays in hotels and apartments. In terms of source markets and a national structure of all accommodation capacities, guests from Germany were the most numerous with a share of 31.5%, followed by Austria and Slovenia.

In 2023, the Group achieved business revenues in the amount of 233 million Euros, which is an increase of 24.6% or 46 million Euros compared to the same period in the previous year. The comparison of the reporting periods, excluding the subsidiary company Hotel Croatia d.d., and excluding the effects of selling Hotel Bonavia and one-off effects related to loyalty programs, shows an increase in business revenues in the amount of 15.8% or 28.8 million Euros. The increase in business revenues was generated by a better

MANAGEMENT BOARD'S REPORT *(continued)*

capacity utilization, especially during the pre-season months, along with an increase in average accommodation price across all products. The subsidiary company Hotel Croatia d.d. achieved business revenues in the amount of 18.9 million Euros.

The Group's operating expenses amount to 179 million Euros, showing an increase of 25.5% or 29.1 million Euros compared to the previous year, excluding one-time positions and depreciation costs. When compared on a comparable basis with the previous year, upon exclusion of one-off items, depreciation costs and operating expenses of the subsidiary company Hotel Croatia d.d., there was an increase in operating expenses of 17.8% or 19.7 million Euros. The increase in operating expenses was primarily driven by inflationary pressures on food prices, consumable supplies, energy costs, labor costs, and external services, as well as an increase in the lease price of tourist land on one side, and an increase in business volume on the other side.

The group achieved an adjusted EBITDA operating profit of 86.7 million Euros, what represents a growth of 19.2% or 14.0 million Euros compared to the previous year. The subsidiary company Hotel Croatia d.d. achieved an EBITDA operating profit of 5.8 million Euros. When viewed on a comparable basis, adjusted for one-time positions and excluding the impact of the subsidiary company Hotel Croatia d.d.., as well as the estimated increase in tourist land lease in 2023, the EBITDA operating profit recorded an increase of 16.7% or 12 million Euros compared to the previous year.

Review of the most significant Group indicators

in mil EUR	2023	2022	Index 2023/2022
Operating income – after deduction for agency fees and one-time extraordinary positions	219.7	178.1	123.3
EBITDA	**86.4**	**66.0**	**130.9**
Effect of one –time extraordinary positions	(0.29)	(6.71)	-
EBITDA – w/o one-time positions	**86.7**	**72.7**	**119.2**
EBITDA margin (%)	39.5	40.8	96.7
Net debt	32.90	46.06	-

The financial activity result is positive and amounts to 2.1 million Euros, which is significantly lower compared to the previous year when it amounted to 40.9 million Euros. The decrease in net financial activity result is solely due to the absence of financial income in the amount of 42.1 million Euros, which was realized in the previous year based on transactions of share exchange between Jadranski luksuzni hoteli d.d. and Hotel Croatia d.d. After excluding the one- off financial income, the financial activity result in 2023 is higher compared to the same period of the previous year by 3.4 million Euros due to an interest income from deposits.

The Group achieved a net profit of 47.6 million Euros, which is lower by 19.1 million Euros compared to the previous year, solely due to the impact of financial income realized in 2022 based on the share exchange transaction between Jadranski luksuzni hoteli d.d. and Hotel Croatia d.d. in the amount of 42.1 million Euros.

As of 31 December 2023, out total asset value amounted to 476.5 million Euros, with loan liabilities totalling 85.6 million Euros. Conversely, cash reserves amounted to 115.6 million Euros, ensuring strong financial stability and capacity for future investments.

ABOUT PLAVA LAGUNA

GRI 2-1 Organizational details

Founded over 65 years ago and headquartered in Poreč, Plava Laguna d.d. stands as a key player in the hospitality and tourism industry. Our company´s success is built on consistent product improvements and a strong commitment to core values, ensuring financial stability and ongoing growth.

Since 2000, Plava Laguna has enjoyed a stable ownership structure, initially under Sutivan Investments Anstalt and later under its subsidiary, Adriatic Investment Group, in 2017. A significant development was the acquisition of Istraturist Umag d.d. in 2014, a well-established hotel company merged into operations in 2018. This addition to Plava Laguna's portfolio meant bringing a hotel company with over 50 years of tradition, whose accommodation facilities, through dedicated investments over the years, have become an essential destination for guests spending their holidays in Umag and its surroundings.

In 2023, Plava Laguna operated across key Croatian destinations including Poreč, Umag, and Rijeka (until 28 December 2023), and in the Dubrovnik area through a subsidiary since September 2022. Plava Laguna accommodated over 44,000 guests daily across its network of 21 hotels, 10 apartment complexes, and 9 campsites, comprising approximately 17,000 units. Additionally, the facilities include two marinas with 360 moorings, alongside a variety of catering, sports, and other recreational services.

The group includes Plava Laguna d.d. and several subsidiaries such as Istra D.M.C. d.o.o. Umag, Travel d.o.o. Poreč, Istraturist j.d.o.o. Umag, and Hotel Croatia d.d. Cavtat. Notably, Hotel Croatia became part of group in September 2022, enhancing offerings in Dubrovnik and therefore joined Plava Laguna as a leading 5-star resort with rich accompanying facilities such as a congress, spa and wellness center. In August 2023, Plava Laguna achieved full ownership of Hotel Croatia, reinforcing its position in the market.

The ATP tennis tournament in Umag, organized by our subsidiary ISTRA DMC d.o.o. since 1990, is one of our main sporting events, consistently held for the past 33 years, excluding 2020 due to COVID- 19.

Company Laguna Invest d.o.o. was founded in 1993. In February 2018, it changed its name to Travel d.o.o. and performed the activity of a travel agency.

Company Istraturist j.d.o.o. does not perform any business activity.

On 29 September 2023, an agreement on the purchase and sale of Hotel Bonavia in Rijeka was concluded with the company Bonavia Rijeka d.o.o. in the total amount of 8.1 million Euros. The transaction was concluded on 28 December 2023, and the ownership of the hotel, as well as the employment contracts of all employees who work in the hotel, was transferred to the company Bonavia Rijeka d.o.o.

Plava Laguna Group is one of the leading companies in the tourism sector of Croatia with extraordinary investment and operating potential and embedded sustainability within its operations. We are committed to improving the hospitality sector, maintaining the core values; tradition, stability, respect, responsibility and reality, and ensuring a prosperous future for all stakeholders.

OUR VALUE

TRADITION

Wisdom from our history is an advantage for new generations. Our strength is in the transfer of knowlegde and experience, we are a company whose success is based on the continuity and preservation of proven procedures.

STABILITY

Rational business decision-making gives us stability and a safe future, we are planning carefully and have a process approach to change management

RESPECT

Trust, honesty and fair play in human relations and business cooperation, respecting opinions and rights of all employees is the foundation of our successful cooperation

RESPONSIBILITY

Responsible to the company, guests, employees, business partners and our shareholders, we live in harmony with nature and local community

REALITY

We think rationally and give priority to functional and proven solutions and stable growth.

ABOUT PLAVA LAGUNA *(continued)*

Historical development

Establishment of companies

Plava Laguna

1957

Camp Hotel was founded on the peninsula Molindrio – on behalf of French club of nature lovers with the capacity for 800 persons.

ex Istraturist Umag

1963

The company Istraturist was founded by separation from the company "Istra -Auto-Turist" Umag. It had an accommodation capacity of 196 units.

A period of intensive investments and development of the sports offer

Plava Laguna

1958 – 1994

By 1985, most of the accommodation facilities were built, including the marinas Červar Porat and Parentium, as well as a-la-carte facilities. Great attention was paid to the development of sports and sports offers, so it resulted in building the first sports and tennis courts. Individual reconstructions and development of facilities followed in the period after 1995.

ex Istraturist Umag

1964 – 1990

Most of the accommodation facilities were built, and in 1990, a tennis center with 60 modern tennis courts was constructed in the Stella Maris resort. The international tennis tournament ATP Croatia Open was organized for the first time, and Umag has become a prestigious tennis destination in Croatia.

Conversions into joint stock companies

Plava Laguna

1992 – 2003

Plava Laguna was transformed into a joint-stock company in 1992, with its legal establishment completed in 1996. In the year 2000, Sutivan Investments Anstalt became the majority owner by acquiring 80.34% of the shares. During this period, acquisitions of individual capital companies were also carried out. For instance, 89.40% of the shares of Hotel Croatia d.d. Cavtat were acquired, and through additional capitalization, the ownership share was increased to 92.28%. Furthermore, the company Adriatic d.d. Poreč was merged with Plava Laguna.

ex Istraturist Umag

1993 – 1998

Istraturist Umag was transformed into a joint-stock company in 1993, and its legal establishment completed in 1994. In 1996, Zagrebačka banka d.d. became the majority owner by acquiring a 42.7% of the shares. Management and financial restructuring of the Company was implemented, and well as a capital increase during 1998, which increased the ownership share of Zagrebačka banka to 71.8%.

Period of significant reconstructions

Plava Laguna

2005 – 2012

The period of fundamental reconstructions of hotels Albatros, Molindrio (previously Galeb) and Parentium, as well as the increase of the service level from 2* to 4*.

ex Istraturist Umag

1999 – 2013

The period of fundamental reconstructions of resorts Stella Maris and Polynesia, hotels Garden Istra, Aurora and Umag as well as the increase of the service level in all campsites to 4* and to 5* in hotel Coral. Tennis Academy was founded in 2013.

ABOUT PLAVA LAGUNA *(continued)*

Integrated operations of companies

2013 – 2014

Merger of Hotel Bonavia d.d., Rijeka. Company Hotel Croatia d.d. Cavtat was merged to the company Jadranski luksuzni hoteli d.d. which resulted in Plava Laguna d.d. becoming the largest single shareholder in the mentioned company with a share of 32.48%. In 2014, the acquisition of the majority package of shares of the company Istraturist Umag d.d. was carried out, and the ownership share of 93.04% was acquired.

2018 – 2019

Istraturist Umag d.d. was merged to the company Plava Laguna d.d. on 1 January 2018. A thorough reconstruction of the Park Resort in Poreč was completed, after which the entire service was upgraded to 4*. The reconstruction of Camping Stella Maris campsite was carried out and new accommodation units Garden Suites & Rooms were built in the destination Umag. Investments in the expansion and arrangement of existing facilities for staff accommodation in Poreč and Umag were intensified in order to ensure high-quality accommodation for employees.

2020 – 2021

Business operations were marked by the COVID-19 pandemic. Despite the extraordinary circumstances, the principle of unrestricted business was not questioned, and a portion of capital investments was executed.

2022

All Sol and Melia brand facilities in destination Umag have repositioned under the Plava Laguna brand.

There was an exchange and sale of the ownership stake in the company Jadranski luksuzni hoteli d.d., amounting to 32.48%, in exchange for the acquisition of an additional ownership share of 65.50% in the company Hotel Croatia d.d. whereby the ownership stake in the company Hotel Croatia d.d. increased to 97.98%. An Agreement on Settlement was concluded with Nova Ljubljanska banka d.d. Ljubljana, establishing the resolution mode for all mutual relations.

The first „Plava Laguna Ironman 70.3 Poreč, Istria – Croatia" was held as the largest triathlon race in Croatia and this part of Europe.

Plava Laguna Ironman 70.3 Poreč, Istria – Croatia

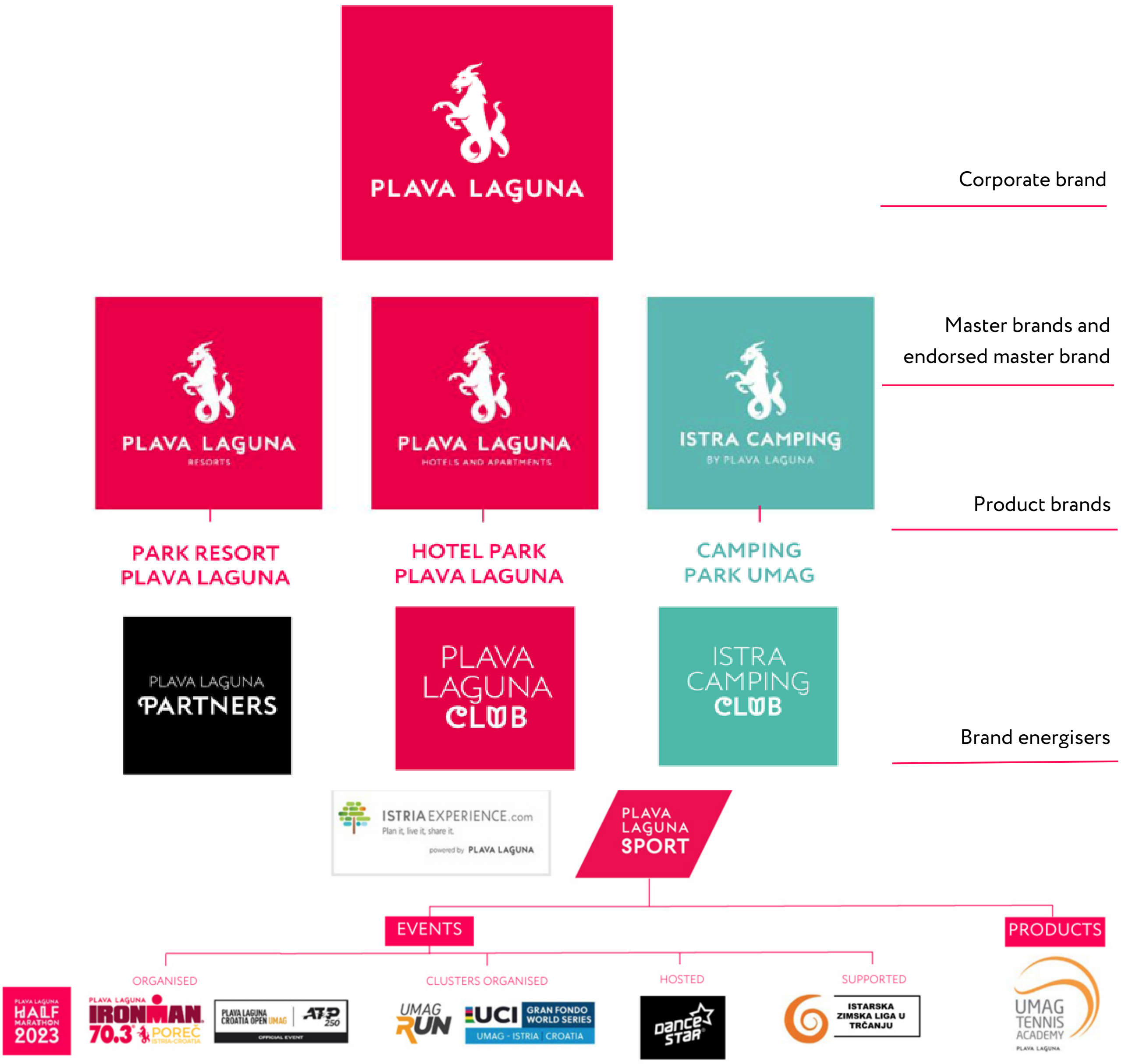
ABOUT PLAVA LAGUNA *(continued)*

Brands

GRI 2-6 Activities, value chain and other business relationships

Following a merger of the company Istraturist d.d. Umag, one of the largest hospitality groups has been created in Croatia, operating under the brand name Plava Laguna ever since. With more than 65 years of successful operations and development, the Plava Laguna brand positioned itself as an affordable and stable brand for family holidays, creating unique and memorable experiences for its guests and offering them hospitality and accommodation typical of this region. The brand has been designed to provide the guests with a feeling of welcome and a unique authentic experience of staying in Istria and Croatia. The primary visual elements of the brand - logo, color of the brand and fonts - have found their origin in Istrian and Croatian tradition, and strongly associate the company with its Croatian roots of which Plava Laguna is extremely proud.

Plava Laguna brand architecture

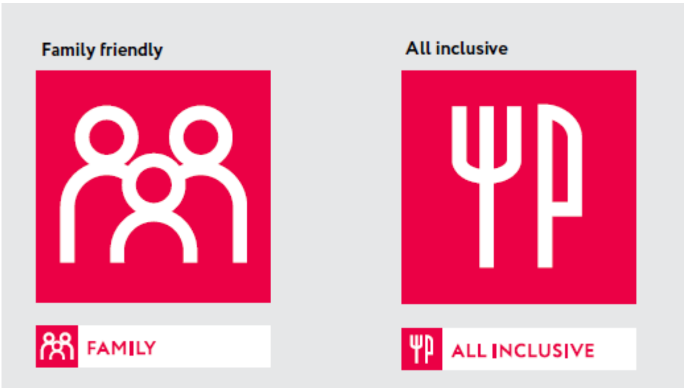


ABOUT PLAVA LAGUNA *(continued)*

Within the corporate brand, there are commercial brands of Plava Laguna which operate and present themselves in the market, communicating and launching the core products and services of Plava Laguna:

- Plava Laguna Hotels & Apartments

Plava Laguna offers a wide range of accommodation in hotels, apartments and villas from 2 to 5 star category. The focus of the brand offerings are the following products Family friendly and All inclusive which bring together carefully designed services with the aim of satisfying the specific needs of the above mentioned market niches.



- Plava Laguna Resorts

Product development through listening in to the needs of the modern guest is directed towards creating unique locations - vacation playgrounds – embodied in holiday resorts ie. Plava Laguna Resorts. Stella Maris Resort, Plava Resort, Zelena Resort and Park Resort represent the backbone of the brand Plava Laguna Resorts, and future investments will be directed towards the development and planning of additional Resorts in destinations Poreč and Umag.

- Istra Camping by Plava Laguna

Brand Istra Camping is dedicated to the camping products and offerings and their development, and includes a total of 9 campsites in the 3 and 4 star categories. It shares visual elements of fonts and a characteristic logo with the brand Plava Laguna Hotels & Apartments. The brand offers products such as Naturist, Mobile home, Glamping and Classic camping.

ABOUT PLAVA LAGUNA *(continued)*

Along with the corporate brand and the three aforementioned master brands, further affirmation of products and services of Plava Laguna is being achieved through brand energizers:

- **Plava Laguna Partners**

Plava Laguna has developed and continuously improves brand energizer Plava Laguna Partners, aimed primarily at communication with partners in sales of accommodation capacities.

- **Plava Laguna Sport**

The newest member of the energizer brand family - Plava Laguna Sport - presented in October 2023, is dedicated to sports infrastructure and sports offer. Under the scope of the brand, the company's connection with sports tourism, which has been an important backbone of the company's development since its establishment, continues and is additionally affirmed. Plava Laguna Sport includes, in addition to sports infrastructure and offers designed for the preparations and stay of athletes, numerous sports events - from school national competitions to the European and world championships.

ABOUT PLAVA LAGUNA *(continued)*

Corporate governance

GRI 2-9 Governance structure and composition

GRI 2-10 Nomination and selection of the highest governance

▪ Management Board

The rules on the appointment and recall of the members of the Management Board are outlined in the Company's Statute, while the authorities of the Management Board are determined by the Companies Act, Statute and the employment contracts of the Members and the President of the Management Board. The Company is organized according to the dualistic model. The Management Board of the Company conducts the affairs independently and for certain tasks specified by the Statute (such as founding of companies in the country and abroad, sale and purchase of shares, sale of real estate with value surpassing 1% of the value of share capital, purchase and mortgage on real estate with value surpassing 1% of the value of share capital, guarantee for the amount surpassing 2% of the value of share capital, borrowings and issuance of securities worth over 2% value of the share capital and other decisions as made by the Supervisory Board), it is authorized to conduct only with prior consent of the Supervisory Board. The Supervisory Board appoints and replaces members and President of the Management Board and decides on the number of members in the Management Board.

In year 2023, the Management Board consisted of three members, of whom Mr. Dragan Pujas was appointed as the President, while Mr. Damir Mendica and Ms. Danira Rančić were appointed as the Board Members. Management Board mandate is determined for the period of three years, and it expired on 31 December 2023. Given the mentioned, on 15 December 2023 the Company's Supervisory Board rendered a decision to appoint Mr. Dragan Pujas as the President of the Management Board and Mr. Damir Mendica and Mrs. Danira Rančić as the Management Board Members, whose mandate begins on 1 January 2024 and lasts until 31 December 2026 (included). Each member of the Management Board is authorized to conduct the affairs and represent the Company jointly with the President of the Management Board, while the President of the Management Board is authorized to conduct the affairs and represent the Company jointly with another member of the Management Board. The Management Board holds sessions according to business needs, several times a week as a rule.

▪ Supervisory Board

The Supervisory Board oversees the conduct of business affairs in the Company. Members of the Supervisory Board are regularly informed by the Management Board on the Company's management and operations, at least once a month, in order to be able to effectively fulfil their supervisory roles. The Report of the Supervisory Board on completed supervision of business conduct in the Company is part of the Annual Report of the Company submitted at the General Assembly of shareholders.

In accordance with the Statute, the Supervisory Board can have between three and seven members, with the exact number determined by the decision of the General Assembly, and members among themselves elect the president and the deputy. The election of members is carried out in accordance with the Companies Act, Statute and Rules of Procedure of the General Assembly, and all the while it is determined by a special regulation, employees, through the Workers' Council, have the right to appoint one member. The mandate of the members of the Supervisory Board lasts four years. The Supervisory Board acts in sessions that take place once a month as a rule, where members discuss and decide on all matters within their competence as prescribed by the Companies Act and Company's Statute.

In 2023, at the Extraordinary General Assembly meeting, held on 4 May 2023, a member of the Supervisory Board, Mr. Duncan Graham Bramwell, was recalled, and on the same day Mr. Christiaan Paul Dijk was elected as a new member of the Supervisory Board of the Company. Their mandate has been established for the

ABOUT PLAVA LAGUNA *(continued)*

remaining length of the mandate of the existing members of the Supervisory Board, ending on 29 August 2025.

Therefore, the Supervisory Board during year 2023 and upon the election of the previously mentioned member, operated in the following convocation:

mr. Davor Luksic Lederer, President of the Supervisory Board
mr. Patricio Tomas Balmaceda Tafra, Deputy President of the Supervisory Board
mr. Davor Domitrovic Grubisic, Member of the Supervisory Board
mr. Paul Marie Francois Jean Rene' Le Bault de La Moriniere, Member of the Supervisory Board
mr. Neven Staver, Member of the Supervisory Board
mr. Christiaan Paul Dijk, Member of the Supervisory Board
ms. Marica Kurtek, Member of the Supervisory Board, workers' representative.

In year 2023, the Supervisory Board of the Company performed the tasks within the competence of the Appointment Committee on its own.

With the aim to improve corporate governance and transparency, the Supervisory Board established two committees – the Audit Committee and the Remuneration Committee.

Audit Committee acts in accordance with the Audit Act, Regulation (EU) No. 537/2014, Corporate Governance Code of Zagreb Stock Exchange d.d. and Croatian Financial Services Supervisory Agency (HANFA) as well as other applicable regulations, as an advisory body authorized to monitor financial reporting procedures, the effectiveness of the internal control, internal audit and risk management systems, oversee the implementation of statutory audit of consolidated annual financial reports and report to the Supervisory Board on the results of the statutory audit, monitor the independence of independent auditors or audit companies performing audits, give recommendations to the Supervisory Board regarding the selection of independent auditors or audit companies, and other tasks to support the Company's accounting and to establish good and quality internal control in the Company.

Remuneration Committee acts in accordance with the Corporate Governance Code of Zagreb Stock Exchange d.d. and Croatian Financial Services Supervisory Agency (HANFA), Remuneration policy for members of the Management Board of 20 July 2020 as well as other applicable regulations, as an advisory body authorized to make recommendations to the Supervisory Board concerning the remuneration policy for members of the Management Board and for members of the Supervisory Board, to make annual recommendations concerning remuneration to be received by the members of the Management Board based on the assessment of Company's performance and results and their personal results, to oversee the amount and structure of remunerations for upper management and employees as a whole, and to oversee the preparation of the report on remunerations.

The remuneration to the members of the Supervisory Board for participation in the sessions of the Supervisory Board is determined by the Decision of the Extraordinary General Assembly No. 01/01/2019/3, Reg.No. 01-04-2019-6 of 31 October 2019, in the amount of EUR 2,000.00 net per session and the mentioned has been confirmed by the decision of the General Assembly held on 30 August 2023.

GRI 2-19 Remuneration policies

The Supervisory Board of the Company adopted the Remuneration policy for the members of the Management Board, approved by the General Assembly. With this policy, the corporate governance principles are being respected with the aim to balance the long-term interests of the Company and its sustainability. Remuneration includes fixed and variable parts. The fixed part of remuneration reflects

ABOUT PLAVA LAGUNA *(continued)*

business strategy requirements on the one hand, and professional experience, expertise, and assigned responsibilities of the members of the Management Board on the other hand (salary of the Management Board's member and other benefits defined by contracts concluded between the member of the Management Board and the Company) while the variable part is based on the achievement of Company goals, with valorization of individual contribution of each member of the Management Board, through their skills and engagement (annual bonus). As a rule, the Company cannot request to be refunded for the paid variable remuneration except in the event of occurrence of circumstances prescribed by law or other applicable regulation. The appropriate and continuous application of the Remuneration policy is carried out by the Remuneration Committee and the Supervisory Board.
The Supervisory Board ensures measures are taken to prevent conflicts of interest from occurring and the same include mutual harmonization of variable remuneration between the members of the Management Board, and non-participation of the member of the Management Board in decisions on their own remuneration.

The Management Board and the Supervisory Board of the Company have prepared the annual remuneration report with all the payments and obligations related to remuneration in the last financial year, and the same was approved at the ordinary General Assembly of shareholders.

The rules on the appointment of the members of the Management Board and members of the Supervisory Board do not contain any restrictions in relation to diversity with regard to gender, age, education, profession and similar.

▪ General Assembly

The General Assembly is convened, acts and has powers as set out by the provisions of the Companies Act and the Statute of the Company. The call to the General Assembly and the proposed decisions, as well as the decisions adopted are made public in accordance with the provisions of the Companies Act, Capital Market Act and Rules of the Zagreb Stock Exchange d.d.

During the year 2023, the Company held:

- The Extraordinary General Assembly on the 23rd of March, to adopt a Decision on the use of retained earnings in the amount of 53,079,593.54 Euros and the payment of regular dividends to the shareholders of the Company, as well as the payment of preferred fixed dividends to the holders of preferred shares of the Company;
- The Extraordinary General Assembly on the 4th of May, to render a decision to recall the former member of the Supervisory Board, Mr. Duncan Graham Bramwell , and to elect a new member of the Supervisory Board, Mr. Chistiaan Paul Dijk by the same decision
- The Ordinary General Assembly on the 30th of August, during which the Management Board Report on the Company's situation in 2022 (unconsolidated and consolidated) was presented and adopted; the Supervisory Board report on the performed supervision of the Company's and Group's business affairs in 2022 was adopted; decisions were rendered on the determination and adoption of the Company's annual financial statements for 2022 (unconsolidated and consolidated); the utilization of the Company's profit earned in the business year 2022 in the amount of 470,714,847.71 Croatian Kuna or 62,474,596.55 Euros, applying a fixed conversion rate of 1.00 EUR = 7.53450 Croatian Kuna and the payment of regular dividends to the shareholders of the Company, as well as the payment of preferred fixed dividends to the holders of preferred shares of the Company; resolutions were passed to grant clearance to the members of the Management Board and the Supervisory Board of the Company; the Report on the Remuneration of the members of the Management Board and the Supervisory Board was

ABOUT PLAVA LAGUNA *(continued)*

adopted; a decision on the amount of compensation for the members of the Supervisory Board of the Company was rendered; a decision was rendered regarding the adjustment of the Company's share capital, amendments to the Company's Statute were made, and finally, KPMG Croatia d.o.o. Zagreb was appointed as the auditor of the Company for the year 2023.

All decisions adopted are made public in accordance with the provisions of the Companies Act, Capital Market Act and Rules of the Zagreb Stock Exchange d.d. Holders of preferred shares also voted on decisions related to the adjustment on the Company's share capital.

Conflict of Interest Management Policy

GRI 2-15 Conflicts of interest

The Company adopted and implemented the Conflict-of-Interest Management Policy with the aim to better regulate and improve the Company's corporate governance system. The Policy in question affects all Management Board members and all Supervisory Board members (and all of their committees) as well as all employees of the Company.

The members of the Management Board and the members of the Supervisory Board as well as the employees of Plava Laguna are not allowed to:

- be neither in any financial, ownership, nor any other relationship with suppliers, customers, or other business partners that could negatively affect their independence in making decisions that they are obligated to make on behalf and for the benefit of the Company;
- use their position to favor any private interest, which includes favoring members of their immediate or extended family, acquaintances, or acquaintances of the family.

Additionally, the Members of the Management Board and the Members of the Supervisory Board are not allowed to:

- be members of the Management Board or Supervisory Board in another company that competes in the market with the Company and hold significant stakes in those companies.

For the purposes of recording and preventing potential conflicts of interest, the Company keeps a Register of conflicts of interest which contains information that the managers and employees are obliged to submit to the Company, which are or could be relevant to identify the existence of potential conflict of interest.

The Policy was adopted by the Management Board of the Company with the prior consent of the Supervisory Board.

During 2023, there were no recorded cases of conflict of interest.

Code of Conduct

GRI 2-23 Policy commitments

As a Company backed by over 65 years of successful operation and development, based on ecological principles and sustainability, it requires from its employees to respect company's business principles and all the behaviors that arise from them and which primarily benefit the Company and its stakeholders.

These principles are identified in the Company's Code of Conduct, as follows;

RESPECT FOR CHILDREN'S RIGHTS

According to its basic principle, the Company does not employ children and does not support the use of child labour. The Company encourages the development of educational and internship programs for young people within their formal education, respects the UN's Children's Rights and Business Principles and asks its partners to do the same.

ABOUT PLAVA LAGUNA *(continued)*

GRI 205-3 Confirmed incidents of corruption and actions taken

ANTI-CORRUPTION POLICY

The Company promotes zero tolerance for corruption. Possible corruptive behavior represents a serious violation of the employment contract regulations. Every important business process where corruption is possible is especially monitored. During 2023, there were no recorded cases of corruption conflicts.

RESPECT FOR HUMAN RIGHTS

The Company guarantees its employees equality and the implementation of the basic conventions of the International Labour Organisation. The Company does not discriminate candidates in the processes of hiring and promotion in any way. Considering it is engaged in hotel business activities, special attention is given to guest relations. Through trainings on communication with guests, the Company emphasizes equal approach to all guests regardless of their nationality, religion, gender or other characteristics. The same is valued in employee relations and the topic of respect for diversity is also addressed in onboarding lectures.

ECOLOGY AND SUSTAINABLE DEVELOPMENT

Environmental issues and environmental responsibility are among the most pressing challenges of the future. As an activity that is simultaneously based on the quality of the environment and also affecting it intensely, tourism will be much more inclined to apply environmentally responsible „green" concepts at the level of individual service providers and the entire destinations.

SOCIALLY RESPONSIBLE BUSINESS OPERATIONS AND COOPERATION WITH LOCAL COMMUNITY

The Company continually invests in the community in which it operates. Donations are directed to encourage excellence (education), humanitarian project, development of sport for children and young people in the community, cultural projects and care for the environment. In its daily activities, the Company is guided by the cooperation with local communities in which it operates, their tourist boards, public institutions, sports clubs, associations and healthcare system.

The Code of Conduct is applied both through the external relations (transparency in reporting, respecting confidentiality of information, avoidance of any situation that could lead to conflict of interest, compliance with legal provisions, clear marketing and advertising and access to information, etc.), and through internal relations (protection of workplace from discrimination and harassment, health protection and occupational safety, appropriate use of electronic communication and information technology, etc.). The Code of Conduct was adopted by the Management Board of the Company with prior consent from the Supervisory Board.

Statement on the implementation of the corporate governance code

In accordance with the provisions of Article 272p of the Companies Act and Article 22 of the Accounting Act, the Management Board of the Company declares that they voluntarily apply the Corporate Governance Code (hereinafter: the Code) which was jointly prepared by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange in year 2019, and is in continual process of aligning its acts and procedures with the same to the extent applicable. Pursuant to valid regulations, the Compliance questionnaire for the period covered by the annual financial statements is submitted upon the consent from the Supervisory Board and made public in the manner prescribed by the ZSE Rules, while the Questionnaire on practices of corporate governance for the same period, also with the consent from the Company's Supervisory Board, is submitted to HANFA. The questionnaires reflect the situation and practices of corporate governance in the Company accompanied by explanations of certain divergences

ABOUT PLAVA LAGUNA *(continued)*

from the recommendations contained in the Code, and are available on both the ZSE website and Company's corporate website. The Company shall submit and publish both questionnaires in a timely manner. The Management Board and the Supervisory Board make permanent efforts aimed at establishing an adequate and transparent corporate governance system and pay due attention to the efficiency of the system of responsibilities and to the risk management.

The Company publishes quarterly, semi-annual and annual financial statements also on its own website biz.plavalaguna.hr, and all documentation regarding the convocation of the General Assembly is available to the public on the said media.

The Company applies the Rules on selecting and applying appropriate accounting policies which regulate the application of procedures and techniques in the presentation of Company's assets, liabilities, principal, income, expense and financial results in core financial statements. The description of main characteristics of risk management and information on shareholders as of 31 December 2023 are included in this Annual Report.

Based on the decision of the Ordinary General Assembly from 30th August 2023, and due to the introduction of Euro as the official currency in the Republic of Croatia, the Company's share capital has been recalculated and adjusted in accordance with legal regulations, amounting to 191,646,191.00 Euros. It is divided into 2,197,772 ordinary shares with no nominal value, and 420,000 preferred shares with a nominal value of 33.00 Euros. During the period from 1st January 2023 to 31 December 2023, the Company did not acquire or dispose of its own shares.

As at 31 December 2023, the Company held 2,346 treasury shares, representing 0.099% of the Company's share capital.

PLAVA LAGUNA d.d. /Regular share PLAG-R-A

The first ten shareholders of the Company on 31 December 2023 are;

No.	Owner/account holder/securities holder	No. of shares	Share (%)
1.	PBZ D.D. (02535697732)/ADRIATIC INVESTMENT GROUP (05210076578)	1,851,352	84.24
2.	OTP BANKA D.D. (52508873833)/AZ OMF KATEGORIJE B (59318506371)	93,793	4.27
3.	ERSTE & STEIERMARKISCHE BANK D.D. (23057039320)/PBZ CO OMF - KATEGORIJA B (99318944138)	19,049	0.87
4.	BOGDANOVIĆ ZORAN (67789051313)	17,031	0.77
5.	OTP D.D. (52508873833)/ERSTE PLAVI OMF KAT. B (37688683890)	16,919	0.77
6.	ZAGREBAČKA BANKA D.D. (92963223473)/AZ PROFIT OTVORENI DOB. MIR. FOND (22134623145)	9,829	0.45
7.	INTERKAPITAL VRIJEDNOSNI PAPIRI D.O.O. (68481874507)	9,140	0.42
8.	OTP BANKA D.D. (52508873833)/ERSTE PLAVI OMF KAT. A (29597039090)	5,906	0.27
9.	OTP D.D. (52508873833)/ERSTE PLAVI EXPERT DOB. MIR. FOND (21938195883)	5,904	0.27
10.	ERSTE & STEIERMARKISCHE BANK D.D. (23057039320)/PBZ CO OMF - KATEGORIJA A (94002620905)	4,563	0.21

ABOUT PLAVA LAGUNA *(continued)*

The Company, listed on the Regular listing of the Zagreb Stock Exchange, is committed to the highest standards of corporate governance and transparency, and promotes an open dialogue with the investor community. The voting right of the Company's shareholder is not limited to a certain percentage or number of votes nor are there time constraints for the exercise of voting rights, except in accordance with the Companies Act in the sense of applying for participation at the General Assembly.

PLAVA LAGUNA d.d. /Preferred share PLAG-P-A
In year 2002, the Company issued preference shares which do not give the right to vote at the General Assembly except under the terms prescribed by the Companies Act. All preference shares are owned by a sole shareholder.

Owner/account holder/securities holder	No. of shares	Share (%)
PBZ D.D. (02535697732)/ADRIATIC INVESTMENT GROUP (05210076578)	420,000	100.0

The Company may acquire treasury shares pursuant to Article 233 of the Companies Act, based on the authorization by the General Assembly. Currently, the Management Board has no authorization for acquiring treasury shares. Amendments to the Company's Statute are regulated in a manner prescribed by the law which is contained in the Statute.

Personal data protection

GRI 418- 1 Substantiated complaints concerning breaches of customer privacy

The Company especially values the privacy of its employees, guests, partners as well as all stakeholders in general. Their personal data have been protected for many years and special attention has been paid to the same during year 2017 when the Company began with the preparations for the implementation of the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation or GDPR). The same entered into force on 25 May 2018 and the Group, as a whole, implemented the adjustments to personal data protection in order to comply with the provisions of the General Regulation and the Law on Implementation of General Data Protection Regulation. When processing personal data, the Company respects and applies all the principles laid down in the General Regulation. Upon the entry into force of the General Regulation, the Company harmonized the legal documentation i.e. adopted rules and procedures deemed necessary given the segment of the industry within which the company operates. Accordingly, a personal data protection team headed by an appointed personal data protection officer was established, together with an appointed person responsible for information security. Using a special document and training, employees were informed about the entry into force of the General Regulation and the rights and obligations arising from it. Technical measures were taken for a more efficient personal data protection within which the possibility to delete data whenever needed. Special attention was given to the protection of personal data of employees and guests. Personal data are systematized in accordance with the General Regulation and procedures for the exercise of the right of the respondents are envisaged (access to personal data, their correction or deletion and the exercise of the right to object). Privacy policies are updated on all websites hosted by companies controlled by the Company, and companies concluded contracts with the providers of data processing to regulate personal data processing. The Company and the Group carry out implemented policies and procedures and continue to invest their efforts in the improvement of the personal data protection system.
During 2023, there were no recorded cases of privacy and personal data protection violations.

ABOUT PLAVA LAGUNA *(continued)*

Information security policy

In line with the protection of personal data and its handling, the Company has also adopted an Information Security Policy, which establishes the basic principles of information security and rules of operation for all employees of the Company, affiliated companies, and third parties working with the Company's information system, part of that system, or accessing the Company's data and information in any other way.

This is an all-encompassing document that establishes the framework for managing information security and serves as the foundation for successfully managing risks related to data and information security with the aim of preserving the stability, security, and continuity of business operations, as well as protecting information assets.

The fundamental objectives of the information security management system are to protect guest information, guest habits, and services provided to guests, as well as to protect the confidentiality, integrity, and availability of business information. Regular education sessions related to information security are available to all employees, considering business needs and possibilities.

Membership in associations

GRI 2-28 Membership associations

Plava Laguna actively contributes to the promotion of common interests and the exchange of know-how and experience, with the aim of developing the field of industry within which it operates, through memberships in the following professional associations;

- Croatian Chamber of Economy – CCE (HGK),
- Croatian Employers' Association – CEA (HUP),
- Croatian Tourism Association – CTA (HUT),
- Association of Employers in Croatian Hospitality – AECH (UPUHH),
- Croatian Camping Union – CCU (KUH),
- International naturist federation - INF-FNI,
- Association of Croatian Travel Agencies – UHPA,
- Croatian Olympic Committee – HOO,
- Croatian Psychological Chamber – HPK,
- Croatia Sommelier Club,
- Croatian Association for Automatic Identification, Electronic Data Interchange and Management of Business Processes - GS1 Croatia.

Plava Laguna actively participated during 2023 in the process of improving the existing and creating new tourist products, promoting tourist destinations, developing awareness about the importance of the economic, social and other effects of tourism, through its representatives in the assemblies and/or tourism councils of the following tourist boards:

- Poreč Tourist Board,
- Umag Tourist Board,
- Rijeka Tourist Board,
- Funtana Tourist Board,
- Buje Tourist Board,
- Brtonigla Tourist Board.

With their knowledge and experience, they also participate in the work of the Istrian County Tourist Board and the Croatian National Tourist Board, as representatives of lower level tourist boards.

PLAVA LAGUNA OPERATIONS IN 2023

Important events

- A record-breaking 5.3 million overnight stays were achieved at the Company level.
- On 29 August 2023, the shares of minority shareholders of Hotel Croatia d.d. were transferred, therefore Plava Laguna became the sole shareholder of Hotel Croatia d.d.
- On 29 September 2023, a sale and purchase agreement for Hotel Bonavia in Rijeka was concluded with Bonavia Rijeka d.o.o. for a total amount of 8.1 million Euros. The transaction was completed on 28 December 2023, and Bonavia Rijeka d.o.o. acquired ownership of the property. According to the Labor Law, employment contracts of the workers performing their duties at the hotel were also transferred, ensuring continuity of their rights in the employment relationship.
- In April 2023, the Company, in collaboration with its social partners, signed an annex to the Collective Agreement, which increased the basic salary for all workers covered by the collective agreement by 7.5%, along with additional agreed-upon material benefits.
- In October 2023, the latest member of the energizer brand family was introduced – Plava Laguna Sport, dedicated to sports infrastructure and sport offers.
- The realized capital investments are largely directed towards further development of the Istra Camping brand, with the completion of the third phase of refurbishment of additional 69 Istrian villas at Stella Maris Resort. The uncovered Aqua Chill Out complex has been renovated, and the terrace of Buffet Marea has been arranged with additional F&B content. The program for installing photovoltaic power plants has been continued.
- On 17 February 2024, regulations concerning the lease arrangement for tourist land on which hotels, tourist resorts, and campsites are built, and which have not been assessed and included in the share capital of the company, came into effect. In accordance with Article 11 of the Regulation, which defines the lease price per square meter during the transitional period from the day the Law enters into force until the day the Regulation enters into force, the Company assessed the difference in the cost of leasing tourist land for the period from 2020 to 2022, amounting to 3.5 million Euros, as a cost of previous years, and the lease amount of 5 million Euros for 2023.

PLAVA LAGUNA OPERATIONS IN 2023 *(continued)*

Financial performance

For the purposes of this report, only financial information has been consolidated, while Hotel Croatia d.d. has been completely excluded from operational or non-financial information.

Review of the most significant Group indicators

in mil EUR	2023	2022	Index 2023/2022
Operating income – after deduction for agency fees and one-time extraordinary positions	219.7	178.1	123.3
EBITDA	**86.4**	**66.0**	**130.9**
Effect of one –time extraordinary positions	(0.29)	(6.71)	-
EBITDA – w/o one-time positions	**86.7**	**72.7**	**119.2**
EBITDA margin (%)	39.5	40.8	96.7
Net debt	32.90	49.06	-

Review of the most significant Company indicators

	2023	2022	Index 2023/2022
Capacity – number of permanent beds	43,589	43,505	100.2
Capacity – number of accommodation units	16,489	16,461	100.2
Realized overnight stays	5,297,735	5,044,040	105.0
Number of sold accommodation units	1,992,221	1,897,248	105.0
RevPar (in EUR)[1]	10,528	9,106	115.6

[1] board revenue per accommodation unit in EUR after provisions and provisions OTI

PLAVA LAGUNA OPERATIONS IN 2023 *(continued)*

Accommodation offering

The company Plava Laguna offers a wide range of accommodation facilities- in its direct portfolio during the year 2023, it had 20 hotels, 10 apartment complexes, 9 campsites, and 2 marinas in the destinations of Poreč, Umag, and Rijeka. The total accommodation capacity consisted of 43,589 primary beds, or 16,489 accommodation units, with as much as 75% of the accommodation capacity categorized with 4 and 5 stars. Campsites accounted for the largest share of accommodation capacity at 53%, followed by hotels at 34% and apartments at 12%.

Qualitative structure of accommodation capacities by destination on the basis of accommodation units

Descriptions	Destination Poreč	%	Destination Umag	%	Total	%
Hotels 5*	-	-	250	12.7	250	4.4
Hotels 4*	1,378	37.3	1,390	70.5	2,768	48.9
Hotels 3*	1,519	41.2	107	5.4	1,626	28.7
Hotels 2*	794	21.5	226	11.5	1,020	18.0
Total hotels	**3,691**	**100.0**	**1,973**	**100.0**	**5,664**	**100.0**
Apartments 4*	380	75.7	512	34.1	892	44.5
Apartments 3*	-	-	757	50.4	757	37.8
Apartments 2*	122	24.3	233	15.5	355	17.7
Total apartments	**502**	**100.0**	**1,502**	**100.0**	**2,004**	**100.0**
Campsite 4*	4,201	93.2	4,315	100.0	8,516	96.5
Campsite 3*	305	6.8	-	-	305	3.5
Total campsite	**4,506**	**100.0**	**4,315**	**100.0**	**8,821**	**100.0**
Total	8,699		7,790		16,489	

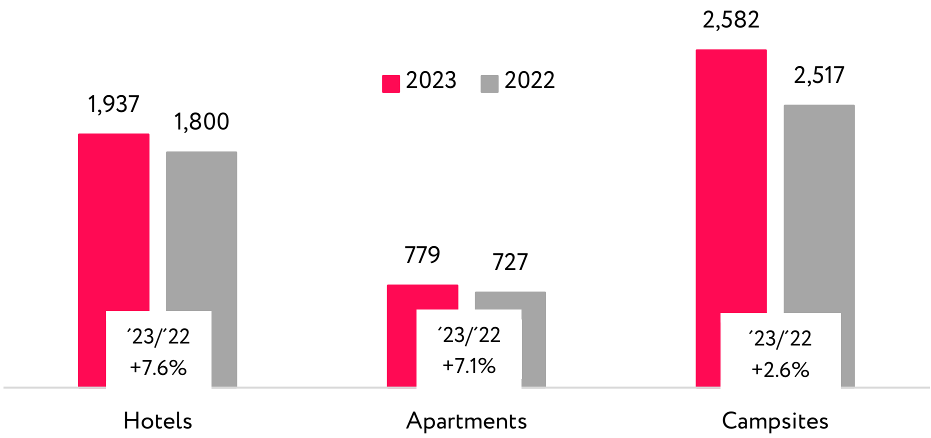
Destination Rijeka Bonavia 4* (120 accommodation units) shown in destination Poreč

Guest house Adriatic shown in hotels 2* in destination Umag

Overnight stays achieved per segments and countries

In 2023, the company Plava Laguna achieved a record-breaking 5.3 million overnight stays, representing a growth of 5% or 254 thousand overnight stays compared to the previous year.

Overnight stays per types of accommodation (in 000)

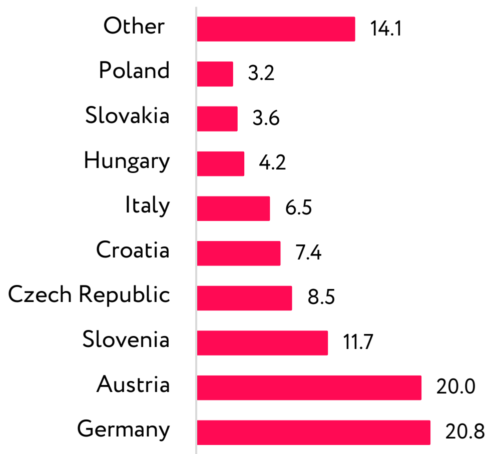


PLAVA LAGUNA OPERATIONS IN 2023 *(continued)*

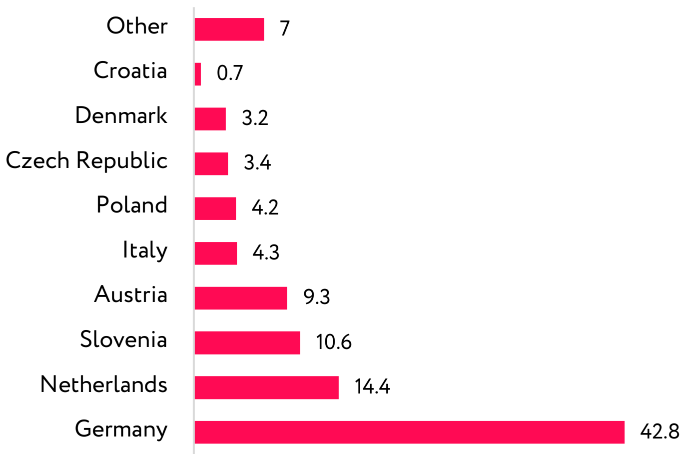
In built accommodation facilities, the leading positions have traditionally been held by the guests from Austria and Germany, who together account for over 40% share, followed by guests from Slovenia with a share of 11.7% and the Czech Republic with a share of 8.5%.

In camping, the most significant share in overnight stays is achieved by guests from Germany with a share of 42.8%, Netherlands with a share of 14.4%, and Slovenia and Austria with almost the same shares of 10%.

Emissive markets in 2023– built objects (in %)



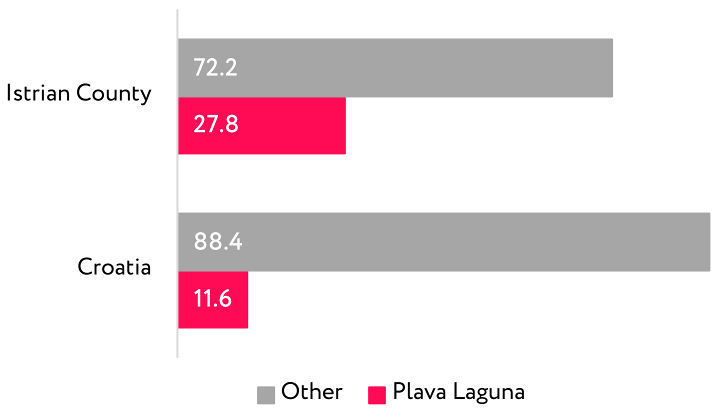
Emissive markets in 2023– campsites (in %)



Market share

In view of the total number of overnight stays in 2023, Plava Laguna has a market share of 18.7% at the level of the Istrian County (2022: 18.1%), while at the level of Croatia, it has a market share of 5.7% (2022:5.6%). When observing total overnight stays in hotels, apartments and campsites, Plava Laguna has a market share of 27.8% at the level of the Istrian County (2022:27.1%) and 11.6% at the level of Croatia (2022:11.5%).

Market share - total in 2023 (in %)



PLAVA LAGUNA OPERATIONS IN 2023 *(continued)*

Key performance indicators by segments

In the context of volume and financial performance achieved in year 2023, below are the results obtained at the level of basic business segments – hotels and apartments, as well as campsites, with a note that data for Hotel Croatia d.d. are excluded from the data presented.

Key operating indicators by segments – HOTELS AND APARTMENTS

	2023	2022	Index 2023/2022
Capacity – units	7,668	7,668	100.0
Realized overnight stays	2,715,431	2,527,114	107.4
Days of occupancy - units	147	137	107.3
RevPar [1] in EUR	17,167	14,773	116.2
EBITDA II [2] in 000 EUR	51,829	47,288	109.6
EBITDA II margin in %	35.5	37.5	94.7

Key operating indicators by segments – CAMPSITES

	2023	2022	Index 2023/2022
Capacity – units	8,821	8,793	100.3
Realized overnight stays	2,582,304	2,516,926	102.6
Days of occupancy - units	98	96	102.1
RevPar [1] in EUR	4,757	4,165	114.2
EBITDA II [2] in 000 EUR	25,981	24,279	107.0
EBITDA II margin in %	55.3	58.5	94.4

[1] board revenue per accommodation unit in EUR after provisions and provisions OTI

[2] after the allocation of EBITDA from The Head office and supporting activities

The main factor contributing to the decrease in EBITDA margin in 2023 in both segments was the increase in lease costs for tourist land due to the rise in lease prices per square meter according to regulations that came into effect on 17 February 2024. These regulations govern the lease price of tourist land on which hotels, tourist resorts and campsites are built, and which have not been assessed and included in the company's share capital. The total calculated cost of leasing tourist land amounts to 5 million Euros for the year 2023 (2022: 2 million Euros).

PLAVA LAGUNA OPERATIONS IN 2023 *(continued)*

Investments

Over the past few years, Plava Laguna has invested a considerable capital budget in upgrading accommodation infrastructure within its portfolio, creating additional amenities for guests, as well as rationalizing costs and increasing the level of efficiency in business processes. For the 2023 business season, a realized capital budget amounted to almost 30 million Euros.

Capital investments have been realized, largely directed towards further development of the Istra Camping brand. In Camping Bijela Uvala and Camping Zelena, reconstruction of sanitary facilities has been carried out, while additional plots have been arranged in Camping Park Umag and Camping Bijela Uvala. A new animation -recreational zone has been redesigned in Camping Bijela Uvala, located in the central part of the camp, providing guests with a completely new large children's playground, stage, animation hall, auditorium, as well as various stands with a central square.

Sanitary areas in camps Camping Bijela Uvala and Camping Zelena Laguna

At Stella Maris Resort, the third phase of refurbishment has been completed, consisting of an additional 69 Istrian villas ready to welcome guests with a new interior design, high-tech equipment, and sophisticated furniture, along with the renovation of the uncovered pool complex Aqua Chill out. Guests, especially those of Hotel Sipar and Hotel Umag, also have access to the newly refurbished Buffet Marea terrace with additional F&B offerings.

Aqua Chill out, Stella Maris Resort

The program of installing photovoltaic power plants on hotels has been continued to optimize the use of solar energy, thus achieving greener operations and energy efficiency.

PLAVA LAGUNA OPERATIONS IN 2023 *(continued)*

Awards and recognitions

Organization	Award/recognition	Awarded campsites and objects
ADAC	ADAC Superplatz 2023	Camping Park Umag – as the best ranked Croatian campsites for the second year in a row. Camping Stella Maris Camping Savudrija – on the list „Top 25 campsites“.
Avtokampi	Naj kamp 2023 Adria	Camping Bijela Uvala – 2. place in the category „Istra large campsites“. Camping Ulika – 2. place in the category „FKK campsites“.
Camping Union	2023 Croatia's Best Campsite	Camping Stella Maris Camping Park Umag Camping Savudrija Camping Ulika Camping Zelena Laguna Camping Bijela Uvala
ACSI	ACSI Awards 2023	In the Top 25 campsites category, the following campsites received recognition: Camping Park Umag Camping Bijela Uvala Camping Ulika
TripAdvisor	Travelers' Choice 2023 Best of the Best	Camping Ulika Hotel Materada
Service.LAB Excellence Awards	SERVICE.LAB EXCELLENCE AWARDS 2023	Plava Laguna in the category „Best content for children˝ Hotel Parentium in the category objects 4* „Value for money“ and „Best breakfast“

PLAVA LAGUNA OPERATIONS IN 2023 *(continued)*

Business risks

The Company's as well as the Group's operations and their results are subject to a number of factors and financial risks that could adversely affect the business and cause difficulties in meeting financial obligations but are also subject to other risks and uncertainties that could affect business processes. The Company's position in relation to financial risks is constantly assessed, in order to define timely measures to mitigate the risks to acceptable levels. The control of the Company and the Group over the risks such as global risks and risk of frequent changes in laws and regulations is limited, but the company actively seeks to identify risks at the earliest opportunity in order to take steps to minimize these exposures.

- **Currency risk**

As of 1st January 2023, with the introduction of the EURO as the official payment currency in the Republic of Croatia, currency risk has been eliminated.

- **Equity price risk**

In its portfolio, the Company owns certain equity securities listed in the Zagreb Stock Exchange and is exposed to the price change risk concerning equity securities classified as financial assets measured according to the fair value through other comprehensive income. Possible change in the price would not significantly affect the financial statements of the Company.

- **Credit risk**

The Company and the Group as a whole actively control credit risk ie. the risk concerning collection of receivables and other financial assets with adequate sales and cash management policies. Collection of receivables is monitored through weekly reports on individual balances. In the segment of property management and rent, the contracted amount is secured by collateral payments. Free cash funds are placed in the form of fixed-term deposits in stable banks in Croatia and in highly liquid, high-quality instruments in the money market, thereby limiting exposure to credit risk towards individual financial institutions.

- **Liquidity risk**

Liquidity risk management implies projecting cash flow with the possibility to meet all our obligations, including regular business cycle, repayment of loan liabilities and capital investments. The before mentioned assumes ensuring finding external sources of funding on time, that would be adapted to the purpose with their terms and conditions, guided by the principle of responsible entrepreneurship and care about the preservation of financial stability.

- **Interest rate risk**

All borrowings of the Company as of 31 December 2023 are agreed with fixed interest rate, therefore, from this point of view there is no exposure to the risk of fluctuations in interest rates.

- **Inflationary risk and goods and energy price risks**

The risk of inflation and the increase in energy and commodity prices was particularly emphasized during 2022, when Croatia witnessed a record average annual inflation rate of 10.8%, according to the Croatian Bureau of Statistics. According to the same Bureau, there was a slowdown in inflation in 2023, with the average rate standing at 8.0% for the entire year. The rise in energy and food prices significantly affects the growth of operating costs for both the Company and the Group, both directly and through the increase of salaries.

PLAVA LAGUNA OPERATIONS IN 2023 *(continued)*

In order to mitigate the negative impact of inflation on the business results of the Company and the Group, continuous measures are being implemented to control and optimize costs wherever possible. Potential further increases in energy prices are sought to be mitigated through capital investments in energy efficiency and renewable energy sources. Therefore, the Company continued its activities of installing photovoltaic power plants initiated during 2021 and 2022 throughout 2023. Over the three-year period, investments totaling more than 2.6 million Euros have been realized in these endeavors.

In addition, the Company also manages the revenue side through predefined procedures and technological solutions that enable monitoring of market trends and, accordingly, flexible management of demand, sales capacities through sales channels, and ultimately the level of sales prices.

- **Global risks**

Global risks arise from events over which the Company and the Group have no control, such as, climate change, pandemic, natural disasters – pollution of the sea and air, but also deterioration of the sea and air quality due to inadequate waste and wastewater collection, civil unrest and wars, economic slowdown and global financial crisis that have negative effects on the purchasing power of guests, but also increase safety risks during travel.

With climate change, Europe and the world are facing increasingly extreme weather conditions like frequent and intense heat waves, flooding, droughts and storms. Extreme weather conditions pose a risk to human health but also generate considerable economic damage. The year 2022 will be remembered for severe droughts and water shortages, leading to restrictions being imposed in the Istrian County during the peak of the tourist season, during which Plava Laguna made additional efforts to protect its horticultural assets while adhering to all prescribed measures for drinking water conservation. The year 2023 also did not escape weather extremes. Numerous weather and climate records were broken worldwide, and there were numerous weather-related disasters, during which Plava Laguna suffered damages such as material losses and fallen trees.

The impact of the pandemic on global macroeconomic trends is reflected in the recent example of the pandemic caused by the coronavirus. The global crisis triggered by the coronavirus pandemic caused a rapid decline in overall economic activity, with specific pressure on the travel, hospitality, and tourism industries due to travel restrictions aimed at preventing the spread of infection. The health risk to which the industry was exposed also represents the most serious risk that the Company and the Group have faced to date.

The Group and the Company are monitoring the circumstances related to the current geopolitical situation and conflicts between Ukraine and Russia, as well as Israel and Palestine. According to available information, neither of these situations is expected to significantly impact the operations of the Group and the Company.

- **Regulatory risk**

Regulatory risk refers to frequent changes and/or lack of regulation of laws that are of material importance for the Company's and the Group's business operations, therefore, making it one of the most demanding segments of control. Regulatory risks are efficiently controlled by continuous monitoring and harmonization or compliance with the laws and regulations, and active participation in associations of interest during consultations regarding legislative changes.

SUSTAINABILITY REPORT IN 2023

Approach to materiality

GRI 2-3 Reporting period

The Sustainability Report contains information on business operations relating to the Plava Laguna company for the reporting period from January 1 to December 31, 2023, and information is published for the first time in accordance with the Global Reporting Initiative (GRI) standards as one of the internationally trusted frameworks for non-financial reporting. The Report has been prepared in Croatian and English, published and available on Plava Laguna's corporate website (biz.plavalaguna.hr).

GRI 2-2 Entities included in the organization's

During the preparation of the sustainability report, a series of internal workshops have been held where employees and management became familiar with the legislative framework and requirements that have to be met in relation to the report. The working group for reporting on sustainability carried out the procedure to identify material topics relating to the broad sustainability themes; environmental, social and governance, aligning with the UN's global goals to which Plava Laguna can contribute the most, and the procedure of identifying key and secondary stakeholders. The reporting years 2022 and 2023 represent baseline years in which the process of defining material topics for sustainability reporting is just beginning. The aim is to establish foundations and understand the facts for defining a sustainability strategy and specific goals, which has been recognized as a priority to be addressed in the future reporting period. The implementation of dialogue on material topics with a broader range of stakeholders is planned for the future reporting period.

GRI 3-2 List of material topics

The working group for reporting identified material themes on which Plava Laguna can have the greatest impact and which provide the outline for the reporting years 2022 and 2023, aligned with UN's global goals for sustainable development. Defined material topics and UN global goals were reviewed and approved by the Company's Management.

ESG components	Material topics	UN's Global Goals
ENVIRONMENT	Energy efficiency Protection and sustainable use of water Waste management Protection of biodiversity	6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY
SOCIAL	Safe and stable working conditions Employee training and skills Digital innovation and guest satisfaction Community and cooperation	3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH
GOVERNMENT	Transparency with stakeholders Risk management Transparency and business ethics Protection of privacy for all stakeholders	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

SUSTAINABILITY REPORT IN 2023 *(continued)*

GRI 2-29 Approach to stakeholder

Plava Laguna gives special attention to the principles of socially responsible business, including transparency and two-way communication with all interest groups, in order to raise awareness and better understand their needs, and ultimately achieve successful cooperation. Good quality relationships with all of the interest groups is one of the most important premises of the corporate governance of Plava Laguna. In order to provide relevant information about the achieved level of social responsibility, Plava Laguna uses purposeful means of communication adapted to each interest group.

Means of communication with key stakeholders

EMPLOYEES	▪ internal web - Intranet ▪ Plava Laguna magazine i newsletter ▪ Laguna's Evening ▪ employee gatherings ▪ social networks (Facebook group „I ja radim u Plavoj Laguni“, Facebook page „Posao u Plavoj Laguni“, YouTube channel „Posao u Plavoj Laguni“, Instagram page „plavalaguna_posao“) ▪ business LinkedIn profile „Plava Laguna“ ▪ internal questionnaire (achievements and satisfaction of employees) ▪ regular meetings ▪ notice boards in staff areas
GUESTS	▪ Plava Laguna's website (plavalaguna.com i istracamping.com) ▪ social networks Facebook, Instagram and TikTok ▪ guest satisfaction survey ▪ customer service ▪ loyalty programmes ▪ applications for guests
LOCAL COMMUNITY	▪ tourist boards membership ▪ sponsorship and donations ▪ promotion and organization of important sports events ▪ cooperation with pensioners' associations, educational institutions etc.
SHAREHOLDERS	▪ annual Ordinary general assembly and Extraordinary general assembly of shareholders when necessary ▪ financial statements ▪ Plava Laguna's corporate website (biz.plavalaguna.hr) ▪ reports and published material at the Zagreb SE, HANFA and HINA websites

Means of communication with secondary stakeholders

UNION AND WORKERS' COUNCIL	▪ regular communication, consultation and collaborative decision making with the members of the Workers' Council and negotiation with representatives of the unions operating in Plava Laguna
SUPPLIERS	▪ daily communication and regular meetings ▪ Plava Laguna's website (partners.plavalaguna.com)
MEDIA	▪ press conferences and press releases
LOCAL/ STATE AUTHORITY	▪ communication with local self-government units ▪ involvement in proposing legal regulation and decisions

SUSTAINABILITY REPORT IN 2023 *(continued)*

Employees

Considering business activities carried out by Plava Laguna, relations with employees are of the highest importance. One of the main goals is to take care of employees through ensuring that employee rights are respected, as well as providing professional and personal education and trainings, health protection and occupational safety and competitive material benefits compared to the rest of the industry. Companies within the Group, as employers, provide equal working conditions for all categories of employees, regardless of the duration of employment. In view of Plava Laguna's direction in terms of human resources and employment policies, where forms of lasting cooperation affect the stability of the work environment and the quality of service, the share of contracts for permanent or longer-term cooperation ie. indefinite employment contracts and temporary employment contracts for continuous seasonal activity is continually increasing each year. Plava Laguna will continue to pay special attention to ensuring the stability of the working environment through offers of indefinite and permanent cooperation contracts.

In year 2023, Plava Laguna employed an average of 2,143 employees (according to paid working hours including students), of whom 1,047 in one of the forms of permanent employment. At the very peak of the tourist season, Plava Laguna employed over 3 thousand employees.

Plava Laguna continuously invests in raising the quality of staff accommodation and other staff facilities for employees who come for work from other parts of Croatia, the region and beyond, and has over the past few years invested considerable funds in building new and upgrading the existing staff accommodation facilities. In the period from 2018 to 2023, more than 10.7 million Euros were invested in improving the quality of the accommodation for employees.

Plava Laguna encourages employee excellence through numerous material and non-material benefits, and various personal and professional programs of education and training.

From job application to „onboarding“

The path to employment with Plava Laguna begins with the application for a job. Vacancies are published on corporate website, Facebook page „Posao u Plavoj Laguni“ (Jobs at Plava Laguna) and Instagram page „plavalaguna_posao“. Vacancies for head office and administration are also published on LinkedIn and the Croatian Employment Agency website.

The „onboarding“or orientation is organized for small groups of people so that new employees could get acquainted with the destination and the company but also introduced to their specific work processes. A new onboarding video was created in 2023, and this video is being sent to all new employees as an introduction to their job. In this way, new employees familiarize themselves with the destinations they are coming to, work processes, mental health programs, and other useful information they need in the first days of their stay in a new setting. The onboarding video will be used from the 2024 season onwards.

Besides attracting new employees, Plava Laguna designed its „employer branding“strategy aiming at retaining current employees and promoting Plava Laguna as successful employer. Employer branding message is, in its campaigns, directed towards the labour markets in Croatia, Bosnia and Herzegovina, Serbia, Montenegro and North Macedonia. „Employer branding“ includes cooperation with educational institutions in the community, Croatia, countries in the region, regular visibility in the media and through campaigns and via social networks.

SUSTAINABILITY REPORT IN 2023 *(continued)*

Employee rights

Companies within the Group guarantee their employees gender equality and the implementation of fundamental conventions of the International Labor Organization. Work conditions and social dialogue are ensured in accordance with the positive regulation of the Republic of Croatia and above all, by the corporate culture that traditionally promotes respect and credibility as core values. The Companies respect and promote employee rights to information and consultation and make the information easily accessible through different means of communication.

- **Workers' Council**

GRI 402-1 Minimum notice periods regarding operational changes

A Workers' Council has been established in Plava Laguna in accordance with the provisions of the Labor Law. The Workers' Council protects and promotes the interests of employees by informing, consulting, co-deciding or negotiating with the employer on issues important to the employee's position.

Employer secures all preconditions for the elections and work of the workers' council. Communication with the Workers' Council is direct and undisturbed not only in all situations prescribed by the Labor law but also in consultations taking place whenever deemed necessary by either party. The employer's obligation to inform is carried out periodically, at least once every three months, and the content refers to informing employees' representatives and trade unions about the situation in the Company, sales progress, business results and other topics that are important for employees, with a high degree of achieved mutual respect and cooperation. Besides the obligation to inform, the Company also respects the obligations of consulting and co-deciding with the Workers' Council when prescribed and advising in all situations deemed necessary and purposeful.

- **Workers' representative in the Supervisory Board**

In accordance with a special law, employees have the right to participate in the work of the Supervisory Board through their representative. Workers' representative, as member of the Supervisory Board, participates at an equal level.

GRI 2-30 Collective bargaining

- **Collective bargaining and freedom of association**

Legal relations with employees are regulated by sources of different hierarchies that regulate labour relations, so that the provisions of the labor Law are respected as well as provisions of the Collective Agreement of the hospitality industry, the Collective Agreement of Plava Laguna d.d. and the employment contract of every individual employee, always respecting the principle of applying the most favorable law for the employee. The Collective Agreement of Plava Laguna is a special source of rights for employees that the Company concluded with the branch offices of the Union of Istria, Kvarner and Dalmatia, and the Tourism and Service Trade Union of Croatia, which defines rights and obligations of both parties, the employer and employees.

SUSTAINABILITY REPORT IN 2023 *(continued)*

Respect of human rights

GRI 406-1 Incidents of discrimination and corrective actions taken

In accordance with the provisions of applicable regulations governing employment relations, companies within the Group, as employers, are fulfilling their obligations regarding the protection of dignity, life, health and privacy of employees, and personal data protection.

In recruitment and job promotion, male and female candidates are provided with equal opportunities and treatment regardless of nation, religion, skin color, gender and other characteristics. The same values are fostered in employee relations, and the topic of respect for diversity is also included in lectures during onboarding.

In accordance with applicable regulations, it is prohibited to discriminate, directly or indirectly, the persons seeking employment and persons employed, based on race or ethnic origin or skin color, gender, language, religion, political or other beliefs, nationality and social provenance, economic situation, political party membership or non-membership, union membership or non-membership, education, social status, marital of family status, age, health condition, disability, genetic heritage, gender identity, expression or sexual orientation.

The employer Plava Laguna, upon consultations with the workers' council, appointed a person authorized to receive and address complaints related to the protection of dignity of employees. The actions taken upon receiving the complaint related to the protection of dignity of employees, as well as the information thus obtained are confidential. Internal reporting of irregularities is regulated by respecting the same procedures and a trusted person was appointed in line with the same. Related decision and data are published on the intranet.

In 2023, there were no reported cases of discrimination.

Employee satisfaction survey and performance evaluation

The opinion of employees is respected, and in 2023 Plava Laguna has conducted a satisfaction survey among employees who were employed in the company for the first time. Nearly 500 new employees participated in the survey, which is a response of about 65%. Employees expressed themselves as mostly satisfied with a score of 2.96 on a scale from 1 to 4.

relationship with superiors and coworkers as well receiving clear instructions for work are the best rated factors in the survey conducted in 2023

GRI 404-3 Employees who received regular performance and career development reviews

Individual performance evaluations are also regularly conducted and, in year 2023, 2,367 employees from operations at Plava Laguna were given feedback about their engagement at work through praise of what was good and challenges that would have to be worked on. Categories of evaluation included relationship with colleagues, guest approach, work knowledge, flexibility and availability, professionalism and discipline at work, independence and interest in work as well as overall impression.

SUSTAINABILITY REPORT IN 2023 *(continued)*

GRI 401-2 Benefits provided to full-time

Employee benefits

During the year 2023, Plava Laguna paid out the incentives for excellent business results and rewards to employees that amounted up to 2,300 Euros. Given the increase of the basic salary for 7.5%, as well as the increase of the rewards and incentives, employees' earnings have increased by more than 12.7%.

Financial benefits

- Seasonal incentives
- Occasional prizes (Christmas and Easter)
- Annual achievement bonus for the management
- Gift for a child
- Gift in kind
- Holiday allowance
- Rewards for the employees of the season
- Rewards for years-of-service in the maximum non-taxable amount
- Extra pay (holiday, Sundays, shift work, night work...)
- Severance pay for retirement
- Paid membership in unions/pensioners' clubs
- Compensation for daily commute
- Solidarity aid

Non-financial benefits

- Annual health check-up for part of employees
- Favorable terms and conditions in banking partners
- Paid participation fees for sports events for employees and family members
- Paid days off
- Meal at the expense of the employer
- Food and accommodation for employees outside their place of residence
- Tickets and discounts for various entertainment

As every year, in 2023, the best employees of the season, distinguished as the most successful in terms of their relationship towards work and their colleagues, were given special rewards.

Stability and improvement of material rights for employees remain to be the goals in the future depending on the achievement of business goals, which in turn are always the result of joint efforts of the management and the employees of the companies within the Group, and the adaptation to new situations.

SUSTAINABILITY REPORT IN 2023 *(continued)*

Health and safety at work

Safe and healthy working environment is a prerequisite for the efficient and undisturbed business activities to take place and represents one of the priorities of Plava Laguna. Inefficient management of the occupational health and safety system can have serious consequences, not only financial, legal and material ones but also consequences for the safety, health and life of employees. Besides Plava Laguna employees, all mentioned principles also apply to employees of the partners who participate in the operations.

GRI 403-4 Worker participation, consultation and communication on occupational health and safety

- **Participation, consultation and communication on health and safety in the workplace**

Occupational health and safety (OHS) is regulated by legal provisions, internal acts and collective agreement. Regular monitoring of best practices and industry standards is enabled through professionals specialized in occupational health and safety. The workers' council, the occupational health and safety committee, commissioners for occupational safety, employees and union's associations all participate and have special authorizations to engage in the occupational health and safety activities.

Based on the decision of the Management Board, the Occupational Health and Safety Committee acts as the employer's advisory body for the OHS activities, plans and supervises the application of relevant rules and encourages the continuous improvement of the OHS. The OHS Committee consists of a member of the Management Board in charge of the occupational health and safety activities or his delegate, an OHS expert, an OHS commissioner or coordinator and a specialist in occupational medicine. Mandate of the members of the OHS Committee lasts four years.

GRI 403-2 Hazard identification, risk assessment, and incident investigation

- **The Risk assessment report**

Special attention is given to the risk assessment enabling the identification of all hazards, risks and strains that can cause harm to employees and have unwanted consequences on their health and safety. The Risk assessment report is the basis for managing the occupational health and safety and therefore, the most important document in the field of the occupational health and safety. Every property in the Plava Laguna portfolio has a detailed document identifying the assessed risks for every workplace and control measures necessary to eliminate the risk of these hazards.

GRI 403-5 Worker training on occupational health and safety

- **OHS Training**

Upon the employment, training in the field of the occupational health and safety is carried out, and aligned with job position, additional professional training is also carried out in cooperation with authorized companies, such as work at height safety training, forklift operator training, first aid, transportation of hazardous material and alike. Appropriate training is also provided for authorized officers of the employer, heads of departments and managers as well as OHS commissioners.

SUSTAINABILITY REPORT IN 2023 *(continued)*

GRI 403-9 Work-related

- **Work-related injuries and diseases**

By complying with regulations and principles of the occupational health and safety protection as well as by continuous education and training of the management and employees about risks, the exposure of employees to hazards, risks and strains is reduced, and the occurrence of work-related injuries is aimed to be kept at the minimum possible level.

In year 2023, 54 work-related injuries were reported of which 7 classified as serious injuries, 43 as minor injuries and 4 traffic accidents. There were no lethal accidents in the reporting period as consequences of work-related injuries and no work-related cases of disease. Three inspection controls were carried out without addressing any failures.

14.1%

injury rate at work

(number of reported injuries per million hours worked)

GRI 403-6 Promotion of worker health

Promotion of physical and mental health

Modern busy and stressful life rhythm is not easy to follow, and a large number of people has become aware of the importance of their mental and physical health for living healthy and happy lives, and for being functional and productive at work. Regardless of the scientific evidence that an active way of life has a positive effect on our health, both physical and mental, and that due to a sedentary lifestyle, people today are less and less active and are more frequently exposed to various diseases. This is precisely the reason why Plava Laguna decided to motivate its employees and their family members to participate in different sports activities, and in year 2023, allowed them to apply for and enter all sports events within the portfolio, in order to encourage their efforts in healthy living. Therefore, Plava Laguna employees have had the opportunity to participate in the Istrian winter league (running), Plava Laguna Half-marathon (running) and Plava Laguna Ironman 70.3 (triathlon).

A job in tourism industry brings numerous benefits: new knowledge and skills, getting to know new people as well as rich experience. However, this job can also be demanding and result in feelings of pressure and work-related stress. The exposure to intense and long-term stress in certain situations may lead to difficulties in performing daily duties. Plava Laguna recognized the importance of mental health of its employees, and as part of the mental health promotion project, new employees are introduced to psychological processes of adaptation and advises them on how to successfully go through challenging situations. Employees are acquainted with the available assistance and those who need it the most are instructed to seek individual counselling and professional support in cooperation with a local professional institution and association, and for psychological counselling they can contact the psychological centre by phone and/or email. In cooperation with the Istrian team for psychological crisis interventions operating under the local professional institution, Plava Laguna employees are ensured professional support even in circumstances of unfortunate events.

SUSTAINABILITY REPORT IN 2023 *(continued)*

Professional and personal development training

Plava Laguna organized a series of education and training for employees at all levels in 2023, with the aim to improve their mental health, motivation, success and development, work performance and quality of service provided to guests in their facilities.

GRI 404-1 Average hours of training per year per employee

During 2023, 19,420 hours of general and statutory education were realized, which is 4.6% more than the previous year (2022: 18,560 hours of education). On average, 11 hours of training were realized per employee (in 2022: 9 hours on average per employee), where the share of women who participated in training was 54% (2022: 51%), and 46% of men (2022:49%).

GRI 404-2 Programs for upgrading employee skills and transition assistance programs

- **Management training**

Management trainings in hotel operations on the topic of leadership and leadership styles has been held for many years. During 2023, almost 90% of all managers in Plava Laguna facilities participated in the trainings, and the goal of the trainings is to empower management in the field of mental health, with an emphasis on leadership techniques in conditions of frequent changes and increased dynamics in the tourism industry in order to maintain the well-being of the entire team.

During 2023, trainings were also conducted for employees in management positions in joint services on the topic of improving intersectoral communication and cooperation.

- **Hotel operations staff trainings**

During the year 2023, a series of trainings within the development program was held for distinguished employees of various hotel operations departments, who were recognized by their superiors as potential for further career development, with the specific aim of their retainment and further professional development in Plava Laguna. The workshops were organized internally and in cooperation with external partners, and included 200 employees from all departments in hotel operations. The focus was on building stress-management and time-management skills, increasing motivation, enhancing communication skills and other professional competencies as well as the psychological well-being of key employees in departments such as reception, housekeeping, food and beverage, technical and other departments.

With the aim to improving employees' communication skills, foreign language courses have been held for many years. Therefore, seasonal employees had the opportunity to learn or improve their knowledge of the German language during the pre-season period, which is the domicile language of guests from one of the largest Plava Laguna's source markets.

Food and beverage academy for chefs and waiters is a program designed with the aim of further enhancement of the professional competences of both novice chefs and waiters, as well as employees of those professions with more advanced skills. In 2023, a culinary academy was held for 101 participants of the program, divided into beginner or more advanced modules depending on the level of competence.

Employees from different food and beverage departments, restaurants, kitchens and bars, also had the opportunity for additional education such as courses for sommeliers and baristas.

SUSTAINABILITY REPORT IN 2023 *(continued)*

Promotion of tourist occupations and cooperation with educational institutions

Plava Laguna continuously carries out activities for the promotion of tourism professions through educational visits, projects of apprenticeships and through student scholarships.

During 2023, educational visits were organized for students from eight vocational school institutions from continental Croatia and Bosnia and Herzegovina. More than 300 students from hospitality and vocational fields had the opportunity to learn about the business and infrastructure of Plava Laguna, as well as employment and scholarship possibilities.

During 2023, more than 100 pupils and students from local and continental secondary, vocational and higher education institutions participated in apprenticeship projects. Through professional practice, pupils and students are enabled to complete theoretical professional knowledge with practical skills and acquire the competencies necessary to perform tasks for the profession that they have selected.

In cooperation with the Ministry of Tourism and Sports, through the program of promoting the education of personnel in hospitality and tourism, Plava Laguna awards scholarships to students of tourism and hospitality professions, and thus invests in young educated personnel with the aim of strengthening their knowledge and skills as well as preparing them for the labor market. In 2023, Plava Laguna awarded scholarships to 21 student of tourism and hospitality vocational schools from continental Croatia, as well as students from local hospitality schools.

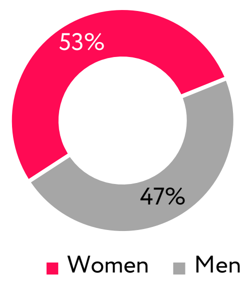
Laguna employees in numbers in 2023

GRI 2-7 Employees

Structure of employees in relation to type of contract and gender

	women	men	total*	%
permanent employees	500	449	949	44.3
permanent seasonal empl.	41	57	98	4.6
seasonal employees	580	475	1,055	49.2
total	**1,121**	**981**	**2,102**	**98.1**
students and pupils	23	18	41	1.9
total	**1,144**	**999**	**2,143**	**100.0**

* average number of employees in 2023 based on paid hours

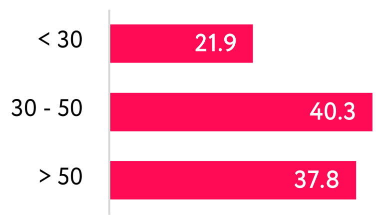


On 26 July 2023 Plava Laguna employed a total of 3,059 employees in the destinations of Poreč, Umag and Rijeka.

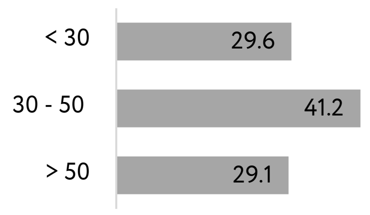
Structure of employees in relation to age group

	women	men	total	%
younger than 30	251	296	547	25.5
30 - 50	461	412	873	40.7
older than 50	432	291	723	33.8
total	**1,144**	**999**	**2,143**	**100.0**

Age structure of employees (woman) (%)



Age structure of employees (men) (%)



GRI 405-1 Diversity of governance bodies and employees

The composition of management bodies and the structure of employees

	number of employees	% per gender			
		women	%	men	%
Management Board	3	1	33.3	2	66.6
Management in operations	50	15	30.0	35	70.0
Management in joint services	47	27	57.4	20	42.6
total	100	43	43.0	57	57.0
all employees	2,143	1,144	53.4	999	46.6

GRI 401-3 Parental leave

Persons with disabilities

Women	14
Men	7
total	21

Parental leaves

Women	18
Men	8
total	26

SUSTAINABILITY REPORT IN 2023 *(continued)*

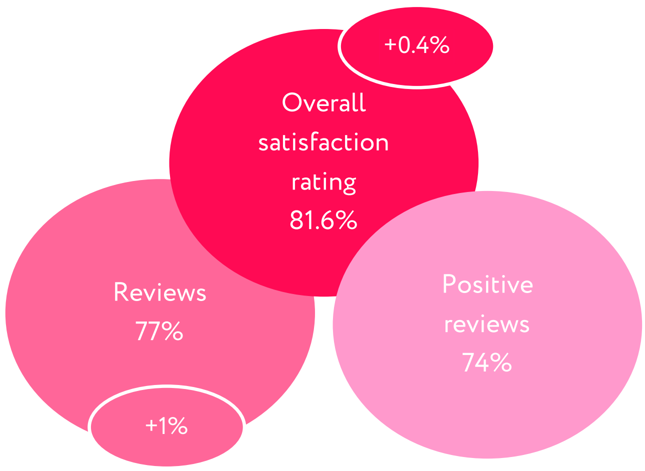
Guests

Guests, along with employees and local community, are one of the key groups of stakeholders for Plava Laguna and therefore, their needs are constantly under observation, with the aim to improve and upgrade the services that would meet and even exceed their expectations. Plava Laguna carries out numerous activities to systematically maintain and measure quality and ultimately, create a competitive quality system.
Plava Laguna manages two loyalty programs; Plava Laguna Club and Istra Camping Club. The goals of the loyalty programs are to encourage bookings through own sales channels, have guests return to destinations and provide guests with tailor-made holiday experiences as well as to recognize their needs at all points of contact.

Guest satisfaction reviews

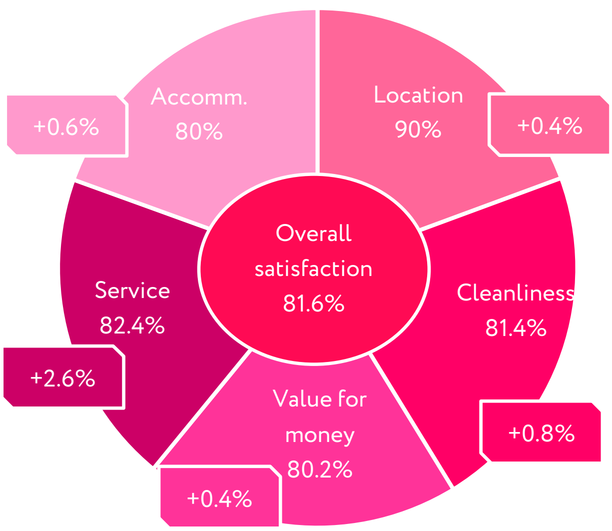
During 2023, more than 46 thousand guest reviews were collected by Revinate, online reputation tool used by the whole Company. Mentioned tool enables monitoring and processing of all online guest reviews, customized guest surveys and social media presence. Online reviews showed an overall guest satisfaction rating in 2023 of 81.6%, which is 0.4% more than in 2022, while 74% of reviews are positive. According to reviews, 77% of guests would recommend hotels, resorts and campsites, which is 1% more than the previous year.

Guest satisfaction ratings in 2023 according to reviews



The highest-rated category with 90% is location, followed by service with 82.4%, which is also the category that achieved the highest growth compared to surveys conducted in 2022, which is an indicator that guests recognize Plava Laguna's commitment to improving its service offering.

Top rated categories in 2023 by reviews



SUSTAINABILITY REPORT IN 2023 *(continued)*

Digital innovations

In order to achieve service quality excellence, and at the same time being guided by business sustainability as one of the priorities, digitalisation of business processes continues in the facilities of Plava Laguna. The positive feedback from guests so far, as well as market trends are an indication that this direction should be followed, that is, expand and further develop the functionality of the applied technological solutions. In relation to that, paperless and contactless strategies are at work.

Paperless strategy implies digitalisation of all informational material previously presented to guests in printed form. After check-in at the accommodation, by using Plava Laguna mGuest application, guests can access all those information at any time, directly by phone, in the form of an „e-concierge“. Informational material that remains in printed form in the accommodational unit is the material that needs to be given special emphasis in order to highlight the importance of sustainable stay such as for example, a notice for saving water and energy when it comes to changing towels during stay. Besides accommodation units, this strategy also includes points of sale where food and beverage are served in the facilities of the Company, in a manner that, as a rule, all pricelists are available in digital form by scanning QR codes.

The intention and future direction of the **contactless strategy** is surely manifested in increased quality and overall impression of guests during their stay. Through the introduced technological solutions such as applications Plava Laguna mGuest, PRE check-in and SELF check in/out, guests are provided with a more accessible, faster and carefree process before arriving to their destination and during their stay in the facility.

SUSTAINABILITY REPORT IN 2023 *(continued)*

Local community

Plava Laguna is a socially responsible company that through its activities enriches the destinations in which it operates. Also, it is actively involved in the work of the local community and donates to people who need it most. Community projects aimed at the development of the healthcare system, children's education, improvement of the quality of life in the community as well as the development of active lifestyle for youngest fellow citizens are continually supported by the Company.

- **Donations for accommodation of those in need**

In 2023, Plava Laguna continued a cooperation with the SOS Children's village Ladimirevci during which it offered the children from SOS families together with their SOS moms to stay in the accommodation of the tourist resort Polynesia. Based on the same principle and in cooperation with the Istrian County, Plava Laguna hosted twenty-six Ukrainian children and their companions in the resort Polynesia. Thus, the refugee children were provided with 10 days in the resort where they could enjoy the childhood delights and a holiday in Umag. The visit of children from Ukraine to Umag was organized on the initiative of the Embassy of the Republic of Ukraine in Croatia, and in cooperation with the Association for the Support and Encouragement of Unity "Croatia helps".

- **Donation of equipment**

Plava Laguna donated to the Special Hospital for Orthopedics and Rehabilitation „Martin Horvat" Rovinj – Rovigno 550 pieces of equipment in good condition that can be used in the kitchen so that hospital patients could have better service ie. improved functionality of the hospital's kitchen. According to the same principle, Plava Laguna also donated preserved small inventory as well as table cloths and bed linen to the Home for the Elderly and Infirm "St. Polikarp". In total, more than 700 pieces of preserved equipment were donated to the Home.

- **Cooperation with schools**

Plava Laguna supports secondary schools in the destinations where it operates, primarily from Istria, where it donated funds or other resources for the organization of graduation parties. In 2023, Plava Laguna donated equipment for chemistry, mathematics and computer science cabinets to the Italian and Croatian elementary schools in Umag.

- **Cooperation with pensioners**

Plava Laguna covers membership fees for its former employees in the Trade Union of Pensioners of Croatia and the Pensioners' Club Galija. The goal is to provide its former employees with a better quality of life in the third age. Gatherings at the end of the year – dinner parties were organized to celebrate the end of 2023 and the beginning of 2024 for pensioners in Poreč and Umag. For former employees in Umag, the continuation of the Work Program as in the pre-pandemic years was ensured, during which the retired employees of Plava Laguna had the opportunity to tour the investments in Stella Maris Resort, on Punta, as well as watch the match together during the Plava Laguna Croatia Open Umag.

SUSTAINABILITY REPORT IN 2023 *(continued)*

Sponsorships and donations to sports

The development of accommodation and sports infrastructure in Plava Laguna has always gone hand in hand. Tennis academies, numerous football, tennis and other fields in both destinations are places where investments are constantly being made.

In 2023, the second Plava Laguna Ironman 70.3 race was held in Poreč, Istria – Croatia, which was sold out three months before the start. Excellent results, outstanding cooperation with the local community, from which as many as 420 volunteers arrived, provide hope for an even bigger, but also more demanding event that will take place in 2024.

The ATP Umag tennis tournament is an important event recognizable all over the world, promoting Umag as a sports destination and a city of sports. This year, the tournament took place for the 33rd time and achieved the highest stadium occupancy in history, even 10% more than in 2022. And the word about the ATP tournament and Plava Laguna was once again spread around the world, since many as 4.4 million viewers watched the broadcasts via television and streaming.

Plava Laguna is a sponsor, patron and partner in many other sports events. It sponsors the Istrian Winter League where recreational runners compete and promote healthy lifestyle, which is particularly important during winter months.

For years, Plava Laguna has been participating in the activities of sports clubs in local communities by encouraging their work with young athletes in particular.

Plava Laguna is also a gold sponsor of the Croatian Olympic Committee which means that it will be presented in the „Croatian House" at the Olympic Games 2024 in Paris.

SUSTAINABILITY REPORT IN 2023 *(continued)*

Environment

The sustainability of a destination is an increasingly important factor in its competitiveness and according to that, Plava Laguna continually educates and communicates messages of the importance of ecology to employees, guests and other stakeholders. Company policy is based on principles of sustainable and responsible development with special emphasis on environmental protection. Conscientious management of natural resources is one of the core values of Plava Laguna. Energy efficiency, rationalisation of water consumption, optimal waste management and preservation of biological diversity are of strategic importance for Plava Laguna.

Plava Laguna is aware that its business operations and core activity affect the environment and consequently strives to reduce negative impact on environment to the least possible level in all of its business processes and operations. Accordingly, a decision was made to adopt the Environmental and Energy Policy in 2019, which guides the Company to;

- regularly monitor legal regulations of the Republic of Croatia and other binding acts, as well as international legal requirements through the requests of partners,
- rationally use the resources and monitors energy consumption,
- take care of produced waste – recycling,
- introduce ecologically acceptable materials,
- service the machinery and equipment with the aim to prevent water, air and soil pollution, and protect health of employees and guests,
- monitor processes that might have an adverse effect on the environment and to replace them as needed,
- monitor the efficiency of the environmental protection management system,
- educate and motivate employees to take care of the environment during their activities and to be responsible,
- foster being open and have dialogues with the employees and the public, respond to their concern about possible hazards and the effects on environment,
- involve guests in the activities related to environmental protection and by taking special care of the impact on younger generations,
- advocate for the preservation of material and non-material cultural heritage,
- encourage both business partners and suppliers to accept these principles.

Plava Laguna is aware of the importance of measuring and management of greenhouse gas emissions as their high concentration is directly connected with global warming and other climate disturbances. In the previous period, Plava Laguna started with the examination of the sources of greenhouse gases in the business process and with consideration of the methods for calculating emissions in Area 1 and Area 2, moreover, it is planned to start reporting on them in the future reporting period.

SUSTAINABILITY REPORT IN 2023 *(continued)*

Energy and energy efficiency

Plava Laguna's primary sources of energy are electricity, natural gas, liquefied gas (LPG), fuel oil and fuel for vehicles, and the share of energy obtained from its own renewable energy sources, such as its own photovoltaic power plants, is also increasing. Energy consumption is regularly monitored and analyzed on a monthly basis and/or more often as needed, with the aim of optimizing energy saving. In order to achieve energy efficiency or efficient use of energy, Plava Laguna continuously directs part of its capital funds into investments in innovative technology and renewable energy sources.
Consequently, in the previous period, considerable funds were invested in:

- the installation of photovoltaic power plants on several facilities,
- charging stations for electric vehicles,
- the purchase of plug-in hybrid company cars,
- the replacement of ordinary lighting with LED lighting,
- the installation of high-efficiency systems such as heat pumps and other.

The effects are expected to be seen in the coming period.

Aware of the importance of investing in energy efficiency and renewable energy sources as the main elements in the fight against climate change, Plava Laguna continued to invest in projects and take initiatives in 2023 to ensure financial savings and efficient and rational energy consumption. Thus, among other things, the activities of installing photovoltaic power plants that were started during the previous two years were intensively continued, so during 2023, capital investments in photovoltaic power plants in the value of almost 1.5 million Euros were realized. Compared to the previous year, in 2023, 4.4% less energy was used per occupied accommodation unit.

Overview of energy consumption and energy intensity in 2023

GRI 302-1 Energy consumption within the organization

GRI 302-3 Energy intensity

Energy source	kWh	kWh/ per night	kWh/ occupied AU
Electricity	50,301,528	9.49	25.25
Natural gas	18,059,961	3.41	9.07
Fuel oil	10,280,274	1.94	5.16
Liquefied gas	3,617,946	0.68	1.82
Fuels for vehicles	1,711,317	0.32	0.86
Energy produced in our own photovoltaic power plants	1,562,527	0.29	0.78
TOTAL ENERGY	**85,533,554**	**16.15**	**42.93**
	MJ	**MJ/per night**	**MJ/ occupied AU**
TOTAL ENERGY	**307,920,793**	**58.12**	**154.56**

SUSTAINABILITY REPORT IN 2023 *(continued)*

Sustainable use and protection of water

Water is an irreplaceable natural resource which is why monitoring and rationalization of water use play an important role in Plava Laguna. All of Plava Laguna's consumed water is supplied by local water infrastructure and a small quantity used for landscape irrigation purposes is drawn from drilled wells. Purification machinery is used at some locations for purification of wastewater, and in Camping Park Umag, a Membrane BioReactor (MBR) for wastewater treatment has been installed from which the recycled water is used for irrigation of green areas and flushing toilets. Kitchen wastewater discharge is passing through grease traps before entering the public drainage system. Wastewater is sampled and analyzed in accordance with the requirements of water permits.

Regular control and analysis of water consumption is carried out through monthly and weekly reports, and when needed, even more frequent. Centralized water surveillance system has been established where for each water meter location we receive information about water consumption and document any deviations which enables us to analyze and take measures to eliminate the causes of observed deviations in consumption. In this way, it is possible to detect potential loss of water or damage in the water infrastructure.

Furthermore, Plava Laguna advocates for the rational use of water by installing sanitary equipment with low water usage such as, aerators or dispersers and pressure valves for public showers on the beaches, using practical irrigation systems and informing guests about the importance of conscious use and conservation of water, and within its business processes strives to maximize the use of cleaning agents with a high degree of biodegradability.

Overview of water consumption in 2023

GRI 303-5 Water consumption

Water consumption	m^3
Public water supply	1,482,033
Drilled wells*	1,302
TOTAL WATER CONSUMPTION	**1,483,335**

* Water consumption from drilled wells was estimated.

0.28 m^3

water used per night in 2023

SUSTAINABILITY REPORT IN 2023 *(continued)*

GRI 306-2 Management of significant waste related impacts

Waste management

Separation of hazardous from non-hazardous waste or selection of waste at the place of its generation increases the amount of secondary raw material that can be recycled and reduces the amount of waste to be permanently disposed of in the landfill. Disposal of waste is carried out by companies authorized to dispose of certain types of waste and that act in accordance with the principles of environmental protection. Waste is separated in each profit unit and given for disposal and the amount of waste is monitored through waste sheets in accordance with current regulations.

Following the Environmental Policy, Plava Laguna encourages all its facilities to reduce the amount of waste in the following ways;

- waste selection,
- promoting paperless business activities,
- removing printers from offices and placing shared printer in common areas,
- introducing environmentally friendly material (replacement for disposable plastic),
- education on reducing biowaste.

With the aim of reducing the amount of packaging waste, during the year 2023, the premium facilities of the Company began the project of switching from small-volume hotel cosmetics to cosmetics in larger-volume packaging obtained from a recycled material.

Overwiew of waste generated in 2023

GRI 306-3 Waste generated

SELECTED NON-HAZARDOUS WASTE	in t	share %
Biowaste	879.4	38.8
Grease traps	453.2	20.0
Paper and cardboard	267.0	11.8
Solid rubbish	271.2	11.8
Plastic	178.1	7.9
Glass	159.3	7.0
Metal	7.1	0.3
Waste cooking oil	6.6	0.3
Wood	2.7	0.1
Textile	2.5	0.1
Other	43.7	1.9
TOTAL	**2,270.7**	**100.0**

SELECTED HAZARDOUS WASTE	in t	share %
Electronic and electrical waste	16.9	57.0
Refrigeration devices	11.1	37.7
Other	1.6	5.3
TOTAL	**29.5**	**100.0**

TOTAL SELECTED WASTE (in tons)	2,300.2

MIXED MUNICIAL WASTE (in hl)	45,800.5

SUSTAINABILITY REPORT IN 2023 *(continued)*

Protection of biodiversity

Plava Laguna recognizes the importance of preserving natural resources and the environment, as the basic premise of sustainable business and of keeping a competitive advantage, and strives to maximize the perception of the impact on biological diversity in conducting its business activities. The richness of biological diversity in areas in which Plava Laguna operates arises from the preservation of many different habitats of plant and animal life, preservation of the sea and coastal areas and certain protected parts of nature. The Landscaping team of Plava Laguna, which employs up to even 150 employees at the peak of the of the tourist season, systematically cares for plants and greenery and the landscaping of an area of 430 hectares. Over 180 different species of trees, shrubs and perennials are grown, more than a third of which are autochthonous species. The total cost of landscaping in 2023 amounted to 4,46 million Euros.

The areas where business activities of Plava Laguna are carried out also involve habitats for many wild animals usually found in the Mediterranean, among which the most represented are seagulls, wild pigeons, wild boars, rabbits, roe deers, squirrels and other. In some areas, certain animal species are found in large numbers, like in Umag, near hotel Coral, in the Squirrel park which makes it a real attraction for guests, and in the habitat for squirrels in the Resort Galijot in Plava Resort.

The preservation of the quality of seawater is achieved by regular maintenance of beaches managed by Plava Laguna, and the quality of seawater is monitored through regular seawater analyses from conducted from May until October. Plava Laguna is the first tourist company in the area of the City of Poreč that recognized the importance of preserving the sea and the coastal area, and that years ago in 1999, received the first recognition in the form of the international Blue flag label for the ecological program of protection of environment, sea and coastline whose primary goal is sustainable management of the sea and coastal zone. During 2023, more than two thirds of beaches managed by Plava Laguna have had the Blue flag or precisely 17 beaches and one marina. As part of the environmental protection program, Plava Laguna regularly informs the users of its beaches about the quality of the seawater, promotes the ecology and educates on ecology, offers information about local ecosystems and about the rules of behavior on beaches in line with the environmental protection.

GRI 304-1 Operational sites owned, leased,managed in, or adjacent to protected areas

The protected dinosaur fossil site „Ladin Gaj" with an area of 400 sq.m. is found in the Camping Park Umag. In accordance with the Nature Protection Act, it is prohibited to destroy protected fossils and carry out procedures and actions that may lead to damage to the fossils and their sites. Works in the campsite are in accordance with the legal provisions that govern the preservation of such protected sites, and no construction work is carried out without first obtaining an opinion from the competent public institution „Natura Histrica", which manages these protected parts of nature.

EXPECTED FUTURE DEVELOPMENT OF PLAVA LAGUNA

In Plava Laguna, development is planned on a long-term basis that goes hand in hand with sustainable business solutions. The aim is to think strategically and decide on development guidelines by considering the space or area of work and as always, successfully implement the economic principles.

In the hotels and apartments segment, the preparation of the project for the complete reconstruction of the Resort Savudrija is in the final stage, while the project of redesigning and arranging the hotel Coral within the existing dimensions is in the preparation stages. Development projects for the future strategic positioning of accommodation capacities in the area of today's Lotoses in Zelena Resort - Hotel Plavi, Hotel Istra, Hotel Zorna and Hotel Gran Vista, as well as Apartments Astra, which will be in accordance with contemporary and expected requirements of target demand, are also ongoing.

In the camping segment, continuous efforts are being made to improve service quality by setting up new zones for mobile homes, adding attractive communal facilities, and renovating sanitary facilities. In the preparatory phase, plans are underway for a significant investment in further development, among which stands out the project for the complete reconstruction of Camping Savudrija.

The construction of a new company headquarters in the location of Poreč is in the final stage of preparation. In the upcoming period, existing locations of administrative buildings in Poreč and Umag will be assessed from the perspective of potential development.

As part of the overall Company's Development Strategy, the process of strategic positioning of other properties owned by Plava Laguna begins, aiming to define an investment plan for the Company's long-term assets.

An important component in all company products is carefully preserved and nurtured environment. The mentioned determination was translated into a developmental policy which has for many years already been directing parts of funds into landscaping and renovation and organization of beaches.

Efforts are continuously being invested in the improvement of sales related technology, starting with the communication with guests through CRM systems (customer relationship management) and the related strategy to using modern tools in direct sales channels. Following the year 2022, in 2023, Plava Laguna initiated the development of new sales websites and the implementation of a new CRM system to expand and improve guest relations, all with the aim of aligning with market demands and further operations optimization.

With the aim of defining a strategic approach to sustainable development, there are plans in the upcoming period to develop a Sustainability Strategy. This strategy will serve as a starting point for meeting regulatory requirements at both national and European levels.

In the upcoming period, the Company plans to intensify its activities on the development and the implementation of the energy efficient projects as well as projects in the sphere of renewable energy sources.

In addition to the above, opportunities for growth and qualitative changes in the structure of accommodation through external growth ie. acquisitions will still be evaluated.

THE EU TAXONOMY

Within the report, key indicators are also published in accordance with the Delegated Regulation 2020/852 (The EU Taxonomy Regulation), the Delegated Regulation 2021/2139, and the Delegated Regulation 2023/2486.

According to the Delegated Regulation 2020/852 and the Delegated Regulation 2021/2139, for the first time in 2022, non-financial companies were required to conduct an analysis of the eligibility and alignment of economic activities that significantly contribute to the first two environmental objectives - (1) climate change mitigation and (2) climate change adaptation.

The Delegated Regulation 2023/2486, published in the Official Journal of the European Union in November 2023, represents an upgrade to the Taxonomy Regulation by defining technical criteria according to which certain economic activities qualify as those significantly contributing to the remaining 4 environmental objectives: (3) sustainable use and protection of water and marine resources; (4) transition to a circular economy; (5) pollution prevention and control; and (6) protection and restoration of biodiversity and ecosystems. New activities have been introduced that are considered eligible activities or activities contributing to environmental objectives, including the provision of accommodation services (NACE codes I55.10, I55.20, and I55.30) – 2.1. *Hotels, resorts, campsites and similar accommodation*. For the year 2023, non-financial companies are obliged to conduct an analysis of the eligibility of new activities, while the analysis of their compliance with technical criteria is prescribed for financial periods from 2024 onwards.

In accordance with the Delegated Regulation 2021/2178 (Regulation on disclosure of information), the following are key performance indicators – revenue share, operating, and capital expenses – which the Plava Laguna Group, as a non-financial company, discloses for the year 2023.

ECONOMIC ACTIVITY

The core activity of the Plava Laguna Group is hospitality and tourism, with a significant portion of revenue generated from accommodation services. According to the Delegated Regulation 2023/2486 published in the Official Journal of the European Union in November 2023, the accommodation services sector (NACE codes I55.10, I55.20, and I55.30) are listed among the taxonomy-eligible activities as a sector significantly contributing to the protection and restoration of biodiversity and ecosystems (sixth environmental objective).

REVENUES

A significant portion of the Group's revenue is generated from accommodation services, and revenues from accommodation are recognized as a key performance indicator, with their share in total revenue presented in the 2023 report. An eligibility analysis was conducted for the year 2023, while a compliance analysis with technical criteria will be conducted in the upcoming period. The revenue from accommodation is disclosed in Note 6 accompanying the financial statements under the item Revenue from tourism services.

CAPITAL EXPENSES

In the 2022 report, the Group conducted an analysis of taxonomy-eligible economic activities for which compliance with the criteria for environmentally sustainable activities from Article 3 of the Delegated Regulation 2020/852 and associated technical verification criteria described in the Delegated Regulation 2021/2139 was determined. For the reporting year 2022, only technical verification criteria were published

THE EU TAXONOMY *(continued)*

and adopted based on which it was determined whether the activity contributes to the first 2 environmental objectives: climate change mitigation and/or climate change adaptation. Based on the analysis of activities, the proportion of capital expenses resulting from taxonomy-eligible and taxonomy-aligned activities was calculated, relating to activity 7.6: Installation, maintenance and repair of renewable energy technologies. Specifically, during 2022, the Plava Laguna Group invested 1,045,235.26 Euros in the installation of photovoltaic plants on the roofs of its properties, an activity significantly contributing to the first environmental objective – climate change mitigation.

Similarly, in the 2023 report, the Plava Laguna Group presents the proportion of capital expenses resulting from taxonomy-eligible and taxonomy-aligned activities, related to activity 7.6: Installation, maintenance, and repair of renewable energy technologies, as activities to install photovoltaic plants on the roofs of properties owned by Plava Laguna continued in 2023. Investments in photovoltaic plants amounting to 1,499,534.27 Euros were realized in 2023. The total capital expenses are disclosed in Note 15 accompanying the financial statements under the item *Increase in material assets* and in Note 16 accompanying the financial statements under the item *Increase in intangible assets*.

OPERATING EXPENSES

In its business operations, the Plava Laguna Group incurs operating expenses related to investment and regular maintenance, as well as services and repairs aimed at ensuring the continuous and efficient functioning of assets and equipment. However, at this moment, the Plava Laguna Group is unable to identify taxonomy-eligible and taxonomy-aligned activities that result in operating expenses, and all expenses are addressed as operating expenses from taxonomy non-eligible activities. An analysis of eligibility and alignment with technical criteria will be conducted in the upcoming period. The total operating expenses disclosed are part of the Maintenance Services item contained in Note 7 alongside the financial reports for Materials and Services Costs, encompassing the costs of investment and regular maintenance at the Group level.

MINIMUM SAFEGUARDS

In its operations, Plava Laguna adheres to the UN's Children's Rights Principles and urges its partners to do the same. Plava Laguna guarantees its employees the implementation of fundamental conventions of the International Labor Organization. The Management Board of the Plava Laguna Company, with the prior approval of the Supervisory Board, has adopted a Code of Conduct that establishes the fundamental principles of business: respect for children's rights, anti-corruption efforts, respect for human rights, ecology and sustainable development, and socially responsible business practices and cooperation with the local community. The Code of Conduct is applied both in external relations (through transparent reporting, respect for data and information confidentiality, avoidance of any situations that could lead to conflicts of interest, compliance with all applicable laws, clear advertising, and access to information, etc.) and in internal relations (by protecting professional workplaces from discrimination and harassment, ensuring health and safety in the work environment, proper use of electronic communication and information technology, etc.). More details about the Code of Conduct itself are found in the "Corporate Governance" chapter, and the Code of Conduct and Conflict of Interest Management Policy are available on the Company's official website.

Key performance indicators are presented as follows in accordance with the Delegated Regulation 2021/2178 (Regulation on the publication of information).

THE EU TAXONOMY *(continued)*

Turnover

Turnover from products or services in connection with the economic activities related to the taxonomy 2023

				SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (Do not Significant Harm)										
Economic Activities (1)	Codes (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water & Marine Resources (7)	Circular Economy (8)	Pollution (9)	Biodiversity and Ecosystem (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water & Marine Resources (13)	Circular Economy (14)	Pollution (15)	Biodiversity and Ecosystem (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of turnover Year N (18)	Taxonomy aligned proportion of turnover Year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		in 000 EUR	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	T
A. TAXONOMY- ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy -aligned)																				
A.1. Environmentally sustainable activities (Taxonomy -aligned)	-	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2. Eligible but not environmentally sustainable activities (not Taxonomy -aligned)																				
Turnover of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy aligned activities) (A.2.)	NACE I 55.10/30	221,822	97.4%	-	-	-	-	-	-	-	-	-	-	-	-	Yes	-	-	-	-
TOTAL (A.1. + A.2.)	**-**	221,822	**97.4%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. TAXONOMY -NON - ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non eligible activities (B)	-	5,999	2.6%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (A + B)	-	**227,821**	**100.0%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

THE EU TAXONOMY *(continued)*

Capital expenditures

Capital expenditures for products or services in connection with the economic activities related to the taxonomy 2023

				SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (Do not Significant Harm)										
Economic Activities (1)	Codes (2)	Absolute capital expenditures (3)	Proportion of capital expenditures (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water & Marine Resources (7)	Circular Economy (8)	Pollution (9)	Biodiversity and Ecosystem (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water & Marine Resources (13)	Circular Economy (14)	Pollution (15)	Biodiversity and Ecosystem (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of capital expenditures Year N (18)	Taxonomy aligned proportion of capital expenditures Year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		in 000 EUR	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	T
A. TAXONOMY- ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy -aligned)																				
7.6.Installation, maintenance and repair of renewable energy technologies	-	1,500	5.3%	5.3%	-	-	-	-	-	Yes	Yes	-	-	-	-	Yes	5.3%	3.8%	E	-
Capital expenditures of environmentally sustainable activities (Taxonomy aligned) (A.1.)	-	1,500	5.3%	5.3%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2. Eligible but not environmentally sustainable activities (not Taxonomy -aligned)																				
Capital expenditures of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy aligned activities) (A.2.)		0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (A.1. + A.2.)		**1,500**	**5.3%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. TAXONOMY -NON - ELIGIBLE ACTIVITIES																				
Capital expenditures of Taxonomy-non eligible activities (B)1		26,702	94.7%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (A + B)		**28,202**	**100.0%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

THE EU TAXONOMY *(continued)*

Operational expenditures

Operational expenditures for products or services in connection with the economic activities related to the taxonomy 2023

				SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (Do not Significant Harm)										
Economic Activities (1)	Codes (2)	Operating expenditures(3)	Proportion of operating expenditures (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water & Marine Resources (7)	Circular Economy (8)	Pollution (9)	Biodiversity and Ecosystem (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water & Marine Resources (13)	Circular Economy (14)	Pollution (15)	Biodiversity and Ecosystem (16)	Minimum Safeguards (17)	Taxonomy aligned proportion of operating expenditures Year N (18)	Taxonomy aligned proportion of operating expenditures Year N-1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		in 000 EUR	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	T
A. TAXONOMY- ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy -aligned)																				
A.1. Environmentally sustainable activities (Taxonomy -aligned)	-	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2. Eligible but not environmentally sustainable activities (not Taxonomy -aligned)																				
Operating expenditures of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy aligned activities) (A.2.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (A.1. + A.2.)	-	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. TAXONOMY -NON - ELIGIBLE ACTIVITIES																				
Operating expenditures of Taxonomy-non eligible activities (B)	-	4,835	100.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (A + B)	-	**4,835**	**100.0%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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PLAVA LAGUNA D.D., POREČ

STATEMENT OF THE MANAGEMENT BOARD'S RESPONSIBILITIES

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 as adopted by the European Union ("EU IFRS") which give a true and fair view of the state of affairs and results of Group (Company) for that period.

Based upon performed enquiries, the Management Board has a reasonable expectation that the Group ("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 those financial statements, the responsibilities of the Management Board include ensuring that:

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

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group (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 Group (Company) and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management is also responsible for the preparation and content of the Management Report and the Statement on the implementation of corporate governance code, as required by the Croatian Accounting Act and for the preparation and publication of financial statements in electronic form in accordance with the ESEF Regulation. The Management Report and the Statement on the Application of the Corporate Governance Code, the electronic financial statement in accordance with the ESEF Regulation and the accompanying financial statements together constitute the Annual Report of the Group (Company) and were approved and signed by the Management Board on 26 April 2024 for submission to the Supervisory Board.

Dragan Pujas
President of Management Board

Damir Mendica
Member of Management Board

PLAVA LAGUNA d.d.
Poreč
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Danira Rančić
Member of Management Board

Independent Auditors' Report to the shareholders of Plava Laguna d.d.

Report on the Audit of the Separate and Consolidated Financial Statements

Opinion

We have audited the separate financial statements of Plava Laguna d.d. ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the separate and consolidated statements of financial position of the Company and the Group respectively as at 31 December 2023, and their respective separate and consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising material accounting policies and other explanatory information (further referred to as "the financial statements").

In our opinion, the accompanying financial statements give a true and fair view of the unconsolidated financial position of the Company and the consolidated financial position of the Group as at 31 December 2023 and of their respective unconsolidated and consolidated financial performance and 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. 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 of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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.

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Independent Auditors' Report to the shareholders of Plava Laguna d.d. *(continued)*

Report on the Audit of the Separate and Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Carrying amounts of tourism properties

The carrying amount of property, plant and equipment of the Group as at 31 December 2023: EUR 343,143 thousand *(31 December 2022: EUR 351,514 thousand)* and of the Company: EUR 294,066 thousand *(31 December 2022: EUR 299,570 thousand)*. Refer to Notes 3.5 of *Accounting policies*, Note 5(a) of *Critical accounting estimates*, and Note 15 on *Property, plant and equipment*.

Key audit matter	How our audit addressed the matter
As at 31 December 2023, the carrying amount of property, plant and equipment represented approximately 72% of the Group's total assets (Company: 64%). These assets, carried at cost less accumulated depreciation and any accumulated impairment losses, consist primarily of tourism properties and related assets. Tourism properties are subject to annual review to assess whether or not they may be impaired. Management considers each hotel and camp to be a separate cash generating unit ("CGU"). As part of the impairment review, the Group and the Company analyse actual results of their individual CGUs to determine whether or not there are any impairment indicators in respect of the properties. If and when such indicators are identified, an estimate is made of the recoverable amount of the CGU and an impairment loss recognized, if necessary. The management's assessment relies on significant judgments and assumptions about the tourism sector outlook including those pertaining to: discount rates, growth rates, occupancy rates, terminal value and revenue per available room. Due to the above factors and complexities, as well as to the magnitude of the amounts involved, carrying amounts of tourism properties was 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.	Our audit procedures in this area, included, among others: • Evaluating design and implementation of the Group's and the Company's selected key controls within the process of accounting for tourism properties, including the controls over the identification of impairment indications and validation of impairment test outcomes; • Inspecting the financial information used by the Management Board in its assessment of impairment indications for tourism properties. As part of the procedure, we challenged the key assumptions applied, such as the allocation of the corporate assets and costs to CGUs, and also tested the reliability of the financial information; • Inspecting minutes of the Management Board's and Supervisory Board's meetings for any indications of financial difficulties / changes in operational plans, with potential adverse effects on the recoverable amounts of tourism properties. We also made corroborating inquiries of the Management Board, where relevant; • Evaluating the Company's and the Group's judgments regarding identification of indications of impairment. This included, but was not limited to, comparing the CGU's actual performance to expected industry KPI's; • Evaluating the appropriateness of the Company's and Group's impairment model against the requirements of the relevant financial reporting standards. As part of the above, we identified the relevant methods, assumptions and sources of data, and assessed whether such methods, assumptions, data and their application are appropriate in the context of the said requirements;

Report on the Audit of the Separate and Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Carrying amounts of tourism properties (continued)

	• When relevant, challenging the key assumptions and judgements applied in the valuation models. This included: ○ Challenging occupancy rates, revenue per available room and market growth assumptions by reference to external hotel industry reports, and publicly available data for the peer entities in surrounding areas operating similar hotels; ○ Challenging the capitalisation and discount rates used by reference to rates prevailing in the hotel industry in Croatia; ○ Where applicable, independently assessing the prices realised from the observable market transaction for similar assets by reference to comparable hotel transactions in Croatia; • Where relevant, performing a sensitivity analysis of the impairment model to changes in the key assumptions, such as the forecast growth, discount and occupancy rates, to assess range of possible alternative outcomes and identify impairment bias in the impairment conclusions; • Testing the accuracy and completeness of the annual depreciation expense by recalculating depreciation expense; • Assessing the adequacy of the Group's and the Company's disclosures in respect of the accounting for tourism properties against the relevant requirements of the financial reporting standard.

Independent Auditors' Report to the shareholders of Plava Laguna d.d. *(continued)*

Report on the Audit of the Separate and Consolidated Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the Management Report and Corporate Governance Statement included in the Annual Report of the Company and the Group, 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 and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether:

- the Management Report has been prepared in accordance with the requirements of Articles 21 and 24 of the Accounting Act,
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures above, in our opinion:

- the information given in the Management Report and Corporate Governance Statement for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared, in all material respects, in accordance with the requirements of Articles 21 and 24 of the Accounting Act, respectively;
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report and Corporate Governance Statement. We have nothing to report in this respect.

Independent Auditors' Report to the shareholders of Plava Laguna d.d. *(continued)*

Report on the Audit of the Separate and Consolidated Financial Statements (continued)

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

Those charged with governance are responsible for overseeing the Company's and the Group'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 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 and the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and/or the Group'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 and/or the Group to cease to continue as a going concern.

Independent Auditors' Report to the shareholders of Plava Laguna d.d. *(continued)*

Report on the Audit of the Separate and Consolidated Financial Statements (continued)

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

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 and Regulatory Requirements

We were appointed by those charged with governance on 29 June 2023 to audit the financial statements of the Company and the Group for the year ended 31 December 2023. Our total uninterrupted period of engagement is five years, covering the years ending in period from 31 December 2019 to 31 December 2023.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 25 April 2024;
- for the period to which our statutory audit relates, we have not provided any non-audit services (NASs), hence we have not provided any prohibited non-audit services referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit;

The engagement partner on the audit resulting in this independent auditors' report is Joško Džida.

Independent Auditors' Report to the shareholders of Plava Laguna d.d. *(continued)*

Report on Other Legal and Regulatory Requirements (continued)

Report on Compliance with the ESEF Regulation

In accordance with the requirements of Article 462 paragraph 5 of the Capital Market Act, we are required to express an opinion on compliance of the consolidated and separate financial statements of the Group and the Company as at and for the year ended 31 December 2023, as included in the attached electronic file Plava-Laguna-2023-12-31-hr.zip", with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 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 (the "RTS on ESEF").

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation of the consolidated and separate financial statements in a digital format that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the consolidated and separate financial statements in the applicable xHTML format and their publication;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- ensuring consistency between digitised information and the consolidated and separate financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

Those charged with governance are responsible for overseeing the Group's and the Company's ESEF reporting, as a part of the financial reporting process.

Auditors' Responsibilities

Our responsibility is to express an opinion on whether the consolidated and separate financial statements comply, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

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Independent Auditors' Report to the shareholders of Plava Laguna d.d. *(continued)*

Report on Other Legal and Regulatory Requirements (continued)

Report on Compliance with the ESEF Regulation (continued)

Auditors' Responsibilities (continued)

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Reasonable assurance is a high degree of assurance. However, it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with the RTS on ESEF.

Our procedures included, among other things:

- obtaining an understanding of the tagging process;
- evaluating the design and implementation of relevant controls over the tagging process;
- tracing the tagged data to the consolidated and separate financial statements of the Group and Company presented in human-readable format;
- evaluating the completeness of the Group's and the Company's tagging of the consolidated and separate financial statements;
- evaluating the appropriateness of the use of iXBRL elements selected from the ESEF taxonomy used and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements; and
- evaluating the appropriateness of the format of the consolidated and separate financial statements.

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

Opinion

In our opinion, based on the procedures performed and evidence obtained, the consolidated and separate financial statements of the Group and the Company as at and for the year ended 31 December 2023, presented in ESEF format and contained in the aforementioned attached electronic file, have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Our opinion does not represent an opinion on the true and fair view of the financial statements as this is included in our Report on the Audit of the Financial Statements. Furthermore, we do not express any form of assurance with respect to the documents accompanying the annual report included in the attached electronic file.

KPMG Croatia d.o.o. za reviziju
Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

KPMG Croatia d.o.o. za reviziju Eurotower, 17. kat Ivana Lučića 2a, 10000 Zagreb

26 April 2024

Joško Džida
Director, Croatian Certified Auditor

This version of the audit report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the annual report takes precedence over this translation

PLAVA LAGUNA D.D.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

		Group		Company	
	Notes	2023	2022	2023	2022
		EUR'000	EUR'000	EUR'000	EUR'000
Sale of services	*6*	227,821	186,429	205,834	178,827
Other income	*6a*	783	547	657	474
Cost of materials and services	*7*	(69,352)	(58,108)	(63,433)	(55,086)
Staff costs	*8*	(54,192)	(43,474)	(48,838)	(41,618)
Depreciation and amortisation		(32,410)	(29,965)	(29,452)	(28,930)
Other operating expenses	*9*	(23,002)	(19,331)	(18,472)	(17,649)
Other gains((losses) - net	*10*	4,373	(41)	4,372	(41)
Operating profit		**54,021**	**36,057**	**50,668**	**35,977**
Finance income	*11*	3,860	42,678	3,747	42,998
Finance costs	*11*	(1,736)	(1,805)	(1,706)	(1,813)
Finance income/(costs) - net		**2,124**	**40,873**	**2,041**	**41,185**
Share in associate	*18*	-	4,163	-	-
Profit before tax		**56,145**	**81,093**	**52,709**	**77,162**
Income tax	*12*	(8,962)	(14,734)	(8,278)	(14,688)
Profit for the year		**47,183**	**66,359**	**44,431**	**62,474**
Other comprehensive income/(loss)					
Change in the value of financial assets measured at fair value through other comprehensive income, net of tax		372	334	372	334
Actuarial gain/(loss), net of tax		51	(15)	51	(15)
Total comprehensive income for the year		**47,606**	**66,678**	**44,854**	**62,793**
Profit attributable to:					
Owners of the Company		47,125	66,361		
Non-controlling interest		58	(2)		
		47,183	**66,359**		
Total comprehensive income					
Owners of the Company		**47,548**	**66,680**		
Non-controlling interest		**58**	**(2)**		
		47,606	**66,678**		
Basic and diluted earnings per share (in EUR):	*13*	**18.01**	**25.37**		

The accompanying notes from an integral part of these financial statements.

PLAVA LAGUNA D.D.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	Group 31 December 2023	Group 31 December 2022	Company 31 December 2023	Company 31 December 2022
		EUR'000	EUR'000	EUR'000	EUR'000
ASSETS					
Property, plant and equipment	*15*	343,143	351,514	294,066	299,570
Investment property	*15a*	3,581	3,286	3,581	3,286
Intangible assets	*16*	2,144	2,171	2,139	2,162
Right-of-use assets	*17*	2,555	2,865	2,555	2,865
Investments in subsidiaries	*18*	-	-	47,007	45,784
Financial assets	*19a*	2,876	2,401	2,828	2,374
Deferred tax assets	*20*	844	674	821	210
Loans receivable	*21*	7	100	7	100
Non-current assets		**355,150**	**363,011**	**353,004**	**356,351**
Inventories		1,012	1,075	846	930
Trade and other receivables	*22*	4,627	3,512	4,014	2,943
Income tax receivable		23	8	-	-
Loans receivable	*21*	77	266	77	266
Bank deposits	*4.1*	57,588	142,844	48,124	135,000
Financial assets	*19b*	56,691	-	50,169	-
Cash and cash equivalents	*23*	1,308	10,388	609	7,642
Current assets		**121,326**	**158,093**	**103,839**	**146,781**
Total assets		**476,476**	**521,104**	**456,843**	**503,132**
EQUITY					
Share capital	*24*	191,646	191,722	191,646	191,722
Capital reserves		92	92	92	92
Treasury shares		(190)	(190)	(190)	(190)
Reserves	*25*	17,822	17,323	17,822	17,323
Retained earnings		114,112	149,393	100,406	138,334
Non-controlling interests		-	1,118	-	-
Total equity		**323,482**	**359,458**	**309,776**	**347,281**
LIABILITIES					
Borrowings	*26*	66,929	85,200	66,929	85,200
Provisions	*28*	2,028	2,048	1,915	1,945
Deferred tax liabilities	*20*	5,421	5,554	1,391	1,362
Lease liabilities	*17*	2,293	2,601	2,293	2,601
Non-current liabilities		**76,671**	**95,403**	**72,528**	**91,108**
Borrowings	*26*	18,707	21,638	18,707	21,638
Trade and other payables	*27*	46,741	34,224	45,337	32,768
Deferred income		5,261	501	5,261	501
Lease liabilities	*17*	328	330	328	330
Income tax payable		5,146	9,414	4,791	9,391
Provisions	*28*	140	136	115	115
Current liabilities		**76,323**	**66,243**	**74,539**	**64,743**
Total liabilities		**152,994**	**161,646**	**147,067**	**155,851**
Total equity and liabilities		**476,476**	**521,104**	**456,843**	**503,132**

The accompanying notes from an integral part of these financial statements.

PLAVA LAGUNA D.D.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

Group

(in thousands of EUR)	**Share capital**	**Capital reserves**	**Treasury shares**	**Reserves**	**Retained earnings**	**Non-controlling interests**	**Total**
At 1 January 2022	**191,722**	**92**	**(190)**	**17,004**	**112,309**	-	**320,937**
Profit for the year	-	-	-	-	**66,361**	(2)	**66,359**
Other comprehensive income	-	-	-	319	-	-	**319**
Total comprehensive income for 2022	-	-	-	**319**	**66,361**	**(2)**	**66,678**
Acquisition effect	-	-	-	-	-	1,145	**1,145**
Dividends	-	-	-	-	(29,277)	(25)	**(29,302)**
Total transactions with owners of the Company	-	-	-	-	**(29,277)**	**1,120**	**(28,157)**
At 31 December 2022	**191,722**	**92**	**(190)**	**17,323**	**149,393**	**1,118**	**359,458**
Profit for the year	-	-	-	-	47,125	58	**47,183**
Other comprehensive income	-	-	-	423	-	-	**423**
Total comprehensive income for 2023	-	-	-	**423**	**47,125**	**58**	**47,606**
Decrease of share capital (Note 24)	(76)	-	-	76	-	-	-
Acquisition of NCI (Note 18)	-	-	-	-	(47)	(1,176)	**(1,223)**
Dividends	-	-	-	-	(82,359)	-	**(82,359)**
Total transactions with owners of the Company	**(76)**	-	-	**76**	**(82,406)**	**(1,176)**	**(83,582)**
At 31 December 2023	**191,646**	**92**	**(190)**	**17,822**	**114,112**	-	**323,482**

PLAVA LAGUNA D.D.

STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

Company

(in thousands of EUR)	**Share capital**	**Capital reserves**	**Treasury shares**	**Reserves**	**Retained earnings**	**Total**
At 1 January 2022	191,722	92	(190)	17,004	105,137	**313,765**
Profit for the year	-	-	-	-	62,474	**62,474**
Other comprehensive income	-	-	-	319	-	**319**
Total comprehensive gain for 2022	**-**	**-**	**-**	**319**	**62,474**	**62,793**
Dividends	-	-	-	-	(29,277)	(29,277)
Total transactions with owners of the Company	**-**	**-**	**-**	**-**	**(29,277)**	**(29,277)**
At 31 December 2022	**191,722**	**92**	**(190)**	**17,323**	**138,334**	**347,281**
Profit for the year	-	-	-	-	44,431	44,431
Other comprehensive income	-	-	-	423	-	423
Total comprehensive income for 2023	**-**	**-**	**-**	**423**	**44,431**	**44,854**
Decrease in share capital (Note 24)	(76)	-	-	76	-	**-**
Dividends	-	-	-	-	(82,359)	(82,359)
Total transactions with owners of the Company	**(76)**	**-**	**-**	**76**	**(82,359)**	**(82,359)**
At 31 December 2023	**191,646**	**92**	**(190)**	**17,822**	**100,406**	**309,776**

PLAVA LAGUNA D.D.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

		Group		Company	
		2023	2022.	2023	2022.
	Note	EUR'000	EUR'000	EUR'000	EUR'000
Profit before tax		**56,145**	**81,093**	**52,709**	**77,162**
Adjustments for:					
Depreciation and amortisation	*15,16,17*	32,410	29,965	29,452	28,930
Provision for impairments of loans given	*21*	(30)	(33)	(30)	(33)
Provision for impairments of receivables - net	*22*	131	(97)	118	(97)
Property, plant and equipment write off	*15,16*	554	-	36	-
Dividend income	*11*	(108)	(70)	(328)	(1,290)
Gain on disposal of property, plant and equipment		(4,419)	41	(4,419)	41
Finance income and costs		(2,016)	1,352	(1,713)	1,425
Gain from financial assets		-	(42,155)	-	(41,323)
Share of profit of associate	*18*	-	(4,163)	-	-
		82,667	**65,933**	**75,825**	**64,815**
Changes in working capital:					
Trade and other receivables		(1,223)	2,747	(1,166)	112
Inventories		63	(222)	84	(367)
Trade and other payables		16,469	2,507	16,730	4,137
Provisions		46	260	32	251
Cash flows from operating activities		**98,022**	**71,225**	**91,505**	**68,948**
Interest paid		(1,696)	(1,835)	(1,696)	(1,845)
Income tax paid		(13,641)	(80)	(13,553)	-
Net cash from operating activities		**82,685**	**69,310**	**76,256**	**67,103**
Cash flows from investing activities					
Acquisition of property, plant and equipment, and intangible assets		(27,609)	(27,114)	(27,149)	(27,099)
Proceeds from sale of tangible assets		8,100	27	8,100	17
Dividend received	*11*	108	70	328	1,290
Increase of financial assets	*19b*	(56,691)	-	(50,169)	-
(Increase)/decrease in deposits		85,256	(129,645)	86,863	(121,802)
Receipts from loans receivable		312	607	312	598
Cash received from sale of financial asset		-	38	-	40
Acquisition of NCI	*18*	(1,223)	-	(1,223)	-
Acquisition of subsidiary, cash acquired		-	7,211	-	-
Interest received		3,728	259	3,395	255
Net cash from investing activities		**11,981**	**(148,547)**	**20,457**	**(146,701)**
Cash flows from financing activities					
Proceeds from loans and borrowings		-	36,975	-	36,975
Repayment of borrowings		(21,377)	(22,929)	(21,377)	(23,373)
Dividend paid		(82,030)	(8,443)	(82,030)	(8,418)
Payment of lease liabilities		(339)	(356)	(339)	(356)
Net cash from financing activities		**(103,746)**	**5,247**	**(103,746)**	**4,828**
Net (decrease)/increase in cash and cash equivalents		**(9,080)**	**(73,990)**	**(7,033)**	**(74,770)**
Cash and cash equivalents at the beginning of the year		10,388	84,368	7,642	82,405
Effects of movement in exchange rates on cash held		-	10	-	7
Cash and cash equivalents at the end of the year	23	**1,308**	**10,388**	**609**	**7,642**

NOTE 1 – GENERAL INFORMATION

Plava Laguna Group, Poreč comprises the company Plava Laguna d.d., Poreč, a joint stock company for hospitality and tourism (parent company) and its subsidiaries (the Group):

- Travel d.o.o. with an ownership interest of 100% (31 December 2022: 100%)
- Istraturist j.d.o.o. with an ownership interest of 100% (31 December 2022: 100%)
- ISTRA DMC d.o.o. with an ownership interest of 100% (31 December 2022: 100%)
- Hotel Croatia d.d. with an ownership interest of 100 % (31 December 2022: 97.98%).

The parent and its subsidiaries are registered at the Pazin Commercial Court except Hotel Croatia d.d. which is registered in Dubrovnik Commercial court.

The majority owner of the Company on 31 December 2023 and 2022 is the Adriatic Investment Group headquartered in the Grand Duchy of Luxembourg, wholly owned by Sutivan Investments Anstalt, Liechtenstein.

The registered office of the Plava laguna Group (Company) is in Poreč, Rade Končara 12, Croatia.

As at 31 December 2023 and 2022, the shares of the parent company were listed on the regular joint stock company listing on the Zagreb Stock Exchange.

Management Board and Supervisory Board

Management Board

Dragan Pujas	President, from October 2019
Damir Mendica	Member, from January 2018
Danira Rančić	Member, from January 2018

The Company is represented independently and entirely by the President and members of the Management Board.

Supervisory Board

Davor Lukšić Lederer	President, from August 2011
Patricio Tomas Balmaceda Tafra	Vice President, from September 2002
Davor Domitrović Grubišić	Member, from August 2011
Neven Staver	Member, from October 2019
Duncan Graham Bramwell	Member, from October 2019 to May 2023
Marica Kurtek	Member, from November 2019
Paul Marie Francois Jean Rene' Le Bault de La Moriniere	Member, from April 2022
Christiaan Paul Dijk	Member, from May 2023

NOTE 2 – BASIS OF PREPARATION

2.1. Statement of compliance

The Company's and Group's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

These financial statements were approved by the Management Board on 26 April 2024.

2.2 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI). These financial statements have been prepared for the purposes of the Group and Company.

2.3 Functional and presentation currency

The Company's and Group's financial statements are prepared in the euros ("EUR"), which is also the functional and reporting currency, rounded to the nearest thousand.

The Government of Republic in Croatia adopted the Decision on the Announcement of introduction of the Euro as the official currency in the Republic of Croatia (published in Official Gazette No 85/22). With the aforementioned decision, the euro became the official monetary unit and legal tender in the Republic of Croatia on 1 January 2023. The fixed conversion rate is set at HRK 7.53450 for one Euro. The introduction of Euro as the official currency in the Republic of Croatia represents a change in the Bank's functional currency. The comparative amounts for the year 2022 were therefore converted into euro using the official conversion rate of 7.5345.

Although the change in the presentation currency in the financial statements represents a change in the accounting policy requiring retroactive application, the Company has not published the third balance sheet in the financial statements for the year ended 31 December 2023 in accordance with International Accounting Standard 8 (IAS) *Accounting policies, changes in accounting estimates and errors*, since it has determined that the change in the presentation currency does not have a significant impact on the Company's financial statements.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 5.

NOTE 2 – BASIS OF PREPARATION (*continued*)

2.5 Going concern

The financial statements have been prepared under the assumption that the Company will continue to operate as a going concern. Management believes that the use of the going concern assumption in preparation of financial statements is appropriate.

NOTE 3 – SUMMARY OF MATERIAL 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.

3.1 Consolidation

Consolidated financial statements include the financial statements of the Company and companies controlled by the Company and its subsidiaries (together "the Group") together with the Group's shares in associates.

a) Business Combinations

The Group applies IFRS 3 "Business Combinations" for accounting for business combinations, and the accounting policies applied to these acquisitions are described below. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group controls an investee when it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes in one or more of the elements of control. This includes circumstances in which protective rights held by the Group (for example, those resulting from lending activity) become substantive and lead to the Group having power over an investee.

Goodwill

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus,
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities.

When this total is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. These amounts are regularly recognised in profit or loss.

Acquisition-related costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

NOTE 3 – SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

3.1 Consolidation *(continued)*

a) Business Combinations (continued)

Goodwill (continued)

Goodwill arising on the acquisition of a subsidiary is recognized as an intangible asset. Separate goodwill is tested annually for impairment or whenever there are any impairment provisions and are recognized at cost less accumulated impairment losses. Goodwill impairment losses are not eliminated. Goodwill is allocated to cash-generating units for impairment testing purposes. Allocation is carried out on those cash-generating units that are expected to benefit from the business combination in which goodwill is generated.

b) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

d) Non-controlling interest

Changes in the Group's interest in a subsidiary that do not result in a change of control are accounted for as transactions with equity holders in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss statement. The adjustments to non-controlling interests are based on the proportionate amount of the net assets of the subsidiary.

e) Transactions eliminated during consolidation

Intragroup balances and transactions, and unrealised revenues and expenses (excluding gains or losses on exchange rate differences) arising from intra-group transactions are eliminated when preparing consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only on the condition that there is no evidence of impairment.

3.2 Investments in subsidiaries (Company)

Subsidiaries are all entities (including special purpose entities) over which the Company has control over the financial and operating policies, generally involving more than half of the voting rights. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Company controls another entity. Investments in subsidiaries are initially recognized at cost and subsequently at cost less impairment losses. Testing of investments in subsidiaries for impairment is performed on an annual basis.

NOTE 3 – SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

3.3 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 Group's Management Board, in charge of managing hotel and tourist facilities and contents.

3.4 Foreign currencies

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 recognised in the statement of comprehensive income within "Finance income/costs"-net.

3.5 Property, plant and equipment

Property, plant and equipment is included in the balance sheet at historical cost less accumulated depreciation and 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group (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 capitalised, and the carrying amount of the replaced part is derecognised.

Land and assets under construction are not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost over their estimate useful lives as follows:

Buildings	10 – 25 years
Plant and equipment	3 – 10 years
Other assets	4 – 10 years

Depreciation is calculated for each asset until the asset is fully depreciated.

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 amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of comprehensive income within line item 'other gains – net'.

NOTE 3 – SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

3.6 Intangible assets

Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of up to 4 years.

3.7 Financial instruments

Non-derivative financial instruments

a) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group (Company) becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the IFRS 15 transaction price.

b) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investments; fair value through other comprehensive income (FVOCI) – equity instrument; or fair value through profit or loss. Financial assets are not reclassified subsequent to their initial recognition unless the Group (Company) changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or at fair value through profit or loss as described above are measured though other comprehensive income.

Financial assets at FVTPL which include investments in financial funds are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit and loss. Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit and loss.

NOTE 3 – SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

3.7 Financial instruments *(continued)*

Non-derivative financial instruments (continued)

b) Classification and subsequent measurement (continued)

Financial liabilities – Classification, subsequent measurement and gains or losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

c) Derecognition

Financial assets

The Group (Company) derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group (Company) neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group (Company) enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group (Company) derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group (Company) also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

d) Netting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group (Company) currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

NOTE 3 – SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

3.7 Financial instruments *(continued)*

Non-derivative financial instruments (continued)

d) Netting (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts, including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss.

Impairment

Non-derivative financial assets

Financial instruments and contract assets

The Group (Company) recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost.

Financial instruments and contract assets (continued)

Loss allowances are measured on either of the following:

- 12-month ECLs: these are ECLs that result from possible default events within 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instruments

Loss allowance for the Group (Company's) financial assets measured at amortised cost are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group (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 Group (Company's) historical experience and informed credit assessment and including forward-looking information.

The Group (Company) assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group (Company) considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group (Company) in full, without recourse by the Group (Company) to actions such as realising security (if any is held).The maximum period considered when estimating ECLs is the maximum contractual period over which the Group (Company) is exposed to credit risk.

NOTE 3 – SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

3.7 Financial instruments *(continued)*

Impairment (continued)

Non-derivative financial instruments (continued)

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 Group (Company) expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group (Company) assesses whether financial assets carried at amortised 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.

Events that indicate that financial assets are credit-impaired includes the following:

- It is probable that the borrower will enter bankruptcy or any other type of reorganisation or restructuring;
- specific financial difficulty of the borrower.

Presentation of allowance for ECL in the statement of financial position

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

Non - financial assets

At each reporting date, the Group (Company) reviews the carrying amounts of its non-financial assets (except inventories and deferred tax assets) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group (Company) estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, Group’s (Company’s) assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use. The estimated future cash flows are discounted to their present value using the after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTE 3 – SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

3.7 Financial instruments *(continued)*

Impairment (continued)

Non - financial assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.8 Inventories

Inventories of raw materials and spare parts are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated sales price in the ordinary course of business, less applicable variable costs to sell. Small inventory and tools are fully written off when put into use.

3.9 Cash and cash equivalents

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

3.10 Trade, deposit and loan receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Deposits are amounts held with banks with original maturities over three months. 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, deposit and loan receivables are subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

NOTE 3 – SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

3.11 Leases

At inception of a contract, the Group (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 Group (Company) uses the definition of a lease in IFRS 16.

i. As a lessee

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

The Group (Company) recognises 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 Group (Company) by the end of the lease term or the cost of the right-of-use asset reflects that the Group (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 Group (Company's) incremental borrowing rate. Generally, the Group (Company) uses its incremental borrowing rate as the discount rate.

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

NOTE 3 – SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

3.11 Leases *(continued)*

The lease liability is measured at amortised 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 Group (Company's) estimate of the amount expected to be payable under a residual value guarantee, if the Group (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 Group (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 Group (Company) has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group (Company) recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

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

When the Group (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 Group (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 Group (Company) considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group (Company) is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease 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 Group (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 Group (Company) applies IFRS 15 to allocate the consideration in the contract.
The Group (Company) applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group (Company) further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

NOTE 3 – SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

3.11 Leases *(continued)*

Short-term leases and leases of low-value assets (continued)

ii. As a lessor (continued)

The Group (Company) recognises 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 Group (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 current reporting period that resulted in a finance lease classification.

3.12 Share capital

Ordinary and preference shares are classified as equity. Preference shares bear a fixed dividend of EUR 0.03 per share per annum (2022: EUR 0.03), in addition to ordinary dividends in the amount equal to the dividend paid on each ordinary share. Where the Group (Company) purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Group (Company's) equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable transaction costs, is included in equity attributable to the Group (Company's) equity holders.

3.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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 recognised 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 capitalised amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities, unless the Group (Company) has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTE 3 – SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

3.15 Provisions

Provisions are recognised when the Group (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 can be reliably estimated. Provisions for future operating losses are not recognised.

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 recognised 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 passage of time is recognised as interest expense.

3.16 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences associated with investments in subsidiaries and jointly controlled entities when the situation is unlikely to change in the near future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets represents the amount of income tax recoverable through future deductions from taxable profits and is expressed in the statement of financial position. Deferred tax assets are recognized to the extent of tax benefit that is probable to be achieved. While determining future taxable profits and the amount of tax benefits that are likely to be generated in the future, Management of the Group (Company) makes judgments and applies estimations based on taxable profits from previous years and expectations of future income that are believed to be reasonable under the existing circumstances.

NOTE 3 – SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

3.17 Employee benefits

(a) Pension obligations and post-employment benefits
In the normal course of business through salary deductions, the Group (Company) makes payments to mandatory pension funds on behalf of its employees as required by law and represent defined contribution scheme. All contributions made to the mandatory pension funds are recorded as salary expense when incurred. The Group (Company) does not have any other pension scheme and consequently, has no other obligations in respect of employee pensions. In addition, the Group (Company) is not obliged to provide any other post-employment benefits.

(b) Termination benefits
Termination benefits are payable when employment is terminated by the Group (Company) before the normal retirement date. The Group (Company) recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal. Termination benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

(c) Short-term employee benefits
The Group (Company) recognises a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. In addition, the Group (Company) recognises a liability for accumulated compensated absences based on unused vacation days and hours for redistribution at the balance sheet date.

(d) Long-term employee benefits
The Group (Company) recognises a provision for jubilee awards where contractually obliged or where there is a past practice that has created a constructive obligation.

3.18 Revenue recognition

(a) Tourist services
Tourist services include overnight stays, consumption of food and beverages, use of wellness and other services during guest accommodation. The Group (Company) provides tourist services based on fixed-term contracts prices at which the agreed price lists are an integral part of each contract. Price lists include the quantities and types of accommodation units and other services and are defined by the period to which service relates. All discounts calculated on the price list represent a decrease in the selling price. Furthermore, the Company awards loyalty points to customers. Part of the realized revenue from tourist services is allocated to loyalty points (deferred revenues) that are realized at the time of utilization of the awarded points. Points awarded are measured at fair value at the time of issue and based on an assessment of the usability of the points awarded.

Revenues from fixed-price contracts for tourism services are recognized in the period in which the services are provided in proportion to the total contracted service, given that customers receive the service and the benefits of using the service evenly over the period of use of the service, that is, the duration of the contract (over the time). The average period of service is a few days and the total revenue recognition is limited to the period when the accommodation units are open to receive guests during the tourist season, and all within one calendar year. The amount of revenue to be recognized is determined on a real basis occupancy of accommodation units and consumption of other services used by guests and agreed prices at the time of use. The Group (Company) provides food and beverages in hotel rooms as well as in hotel restaurants which are recognised as revenues when provided, at the point of time.

NOTE 3 – SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

3.18 Revenue recognition *(continued)*

(b) Rental services

Revenue from rental services is generally recognised in the period the services are provided, using a straight-line basis over the contracts terms with lessees.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group (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 the discount in future periods is recognised as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

3.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's General Assembly of Shareholders.

3.20 Earnings per share

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

3.21 Value added tax

The Tax Administration requires the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the balance sheet on a net basis. Where receivables have been impaired, impairment loss is recorded for the gross amount of the debtor, including VAT.

3.22 Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs.

3.23 Investment property

Investment property is included in the balance sheet at historical cost less accumulated depreciation and impairment, where required. Historical cost includes the cost that is directly attributable to the acquisition of assets.

Depreciation of buildings is calculated using the straight-line method to allocate their cost over their estimate useful lives over period of 10 to 25 years.

3.24 Standards issued but not yet effective

Several new accounting standards and interpretations have been issued that are not required to be applied for the period ending 31 December 2023 and have not been previously adopted by the Company and are not expected to have a material impact on the Company's financial statements.

NOTE 4 – FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's (Company's) activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. Overall risk management in respect of these risks is carried out by the Group's (Company's) Management Board.

The accounting policies are applied to financial instruments as follows:

Group
Assets

31 December 2023	Loans and receivables EUR'000	Financial assets at fair value through other comprehensive income EUR'000	Financial assets at FVTPL EUR'000	Total EUR'000
Investments in shares of domestic companies	-	2,876	-	2,876
Trade and other receivables	4,627	-	-	4,627
Deposits with banks and loans given	57,672	-	-	57,672
Investments in the investment fund	-	-	56,691	56,691
Cash and cash equivalents	1,308	-	-	1,308
Total	**63,607**	**2,876**	**56,691**	**123,174**

31 Dec 2022	Loans and receivables EUR'000	Financial assets at fair value through other comprehensive income EUR'000	Total 000'eur
Investments in shares of domestic companies	-	2,401	2,401
Trade and other receivables	3,512	-	3,512
Deposits with banks and loans given	143,210	-	143,210
Cash and cash equivalents	10,388	-	10,388
Total	**157,110**	**2,401**	**159,511**

NOTE 4 – FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

Company

Assets

31 December 2023	Financial assets at amortised cost EUR'000	Financial assets at fair value through other comprehensive income EUR'000	Financial assets at FVTPL EUR'000	Total EUR'000
Investments in shares of domestic companies	-	2,828	-	2,828
Trade and other receivables	4,014	-	-	4,014
Deposits with banks and loans given	48,208	-	-	48,208
Investments in the investment fund	-	-	50,169	50,169
Cash and cash equivalents	609	-	-	609
Total	**52,831**	**2,828**	**50,169**	**105,828**

31 Dec 2022	Financial assets at amortised cost EUR'000	Financial assets at fair value through other comprehensive income EUR'000	Total EUR'000
Investments in shares of domestic companies	-	2,374	2,374
Trade and other receivables	2,943	-	2,943
Deposits with banks and loans given	135,366	-	135,366
Cash and cash equivalents	7,642	-	7,642
Total	**145,951**	**2,374**	**148,325**

Liabilities-at amortised cost

	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Borrowings	85,636	106,838	85,636	106,838
Trade and other payables	46,741	34,224	45,337	32,768
Total	**132,377**	**141,062**	**130,973**	**139,606**

NOTE 4 – FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Most of the sales proceeds, long-term debt and term deposits are denominated in EUR. On 1 January 2023, the Republic of Croatia introduced the euro as the official currency and legal tender. This eliminates currency risks in relation to transactions of the Group and the Company denominated in euros. Other currencies refer to the US dollar and british pounds.

As at 31 December 2023 and 2022, the currency structure of the Group's (Company's) financial instruments within the scope of IFRS 9 is as follows:

Group

31 Dec 2023	**EUR**	**Other**	**Total**
Financial assets			
Trade and other receivables	4,614	13	4,627
Deposits with banks and loans given	56,084	1,588	57,672
Available-for-sale financial assets	2,876	-	2,876
Investments in the investment fund	56,691	-	56,691
Cash and cash equivalents	1,222	86	1,308
Total	**121,487**	**1,687**	**123,174**
Financial liabilities-at amortised cost			
Borrowings	85,636	-	85,636
Trade and other payables	46,740	1	46,741
Total	**132,376**	**1**	**132,377**
Net exposure	**(10,889)**	**1,686**	**(9,203)**

31 Dec 2022	EUR	HRK	CHF	Other	Total
Financial assets					
Trade and other receivables	1,335	2,174	-	3	3,512
Deposits with banks and loans given	142,750	366	-	94	143,210
Available-for-sale financial assets	-	2,401	-	-	2,401
Cash and cash equivalents	4,200	5,422	172	594	10,388
Total	**148,285**	**10,363**	**172**	**691**	**159,511**
Financial liabilities-at amortised cost					
Borrowings	99,826	7,012	-	-	106,838
Trade and other payables	5,788	28,424	-	12	34,224
Total	**105,614**	**35,436**	**-**	**12**	**141,062**
Net exposure	**42,671**	**(25,073)**	**172**	**679**	**18,449**

NOTE 4 – FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(i) Foreign exchange risk *(continued)*

Company

31 Dec 2023	EUR	Other	Total
Financial assets			
Trade and other receivables	4,010	4	4,014
Deposits with banks and loans given	47,584	624	48,208
Available-for-sale financial assets	2,828	-	2,828
Investments in the investment fund	50,169	-	50,169
Cash and cash equivalents	537	72	609
Total	**105,128**	**700**	**105,828**
Financial liabilities-at amortised cost			
Borrowings	85,636	-	85,636
Trade and other payables	45,336	1	45,337
Total	**130,972**	**1**	**130,973**
Net exposure	**(25,844)**	**699**	**(25,145)**

31 Dec 2022	EUR	HRK	Other	Total
Financial assets				
Trade and other receivables	874	2,065	4	2,943
Deposits with banks and loans given	135,000	366	-	135,366
Available-for-sale financial assets	-	2,374	-	2,374
Cash and cash equivalents	3,027	3,894	721	7,642
Total	**138,901**	**8,699**	**725**	**148,325**
Financial liabilities-at amortised cost				
Borrowings	99,826	7,012	-	106,838
Trade and other payables	3,656	29,099	13	32,768
Total	**103,482**	**36,111**	**13**	**139,606**
Net exposure	**35,419**	**(27,412)**	**712**	**8,719**

NOTE 4 – FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(ii) Price risk

The Group's (Company's) trading equity securities portfolio, which is presented in the balance sheet at fair value, exposes the Group (Company) to price risk. Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, regardless of whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded on the market. The Group (Company) is not significantly exposed to price risk, since it only has a limited number of listed equity investments.

(iii) *Cash flow and fair value interest rate risk*

As the Group (Company) has interest-bearing assets, the Group's (Company's) income and operating cash flows are dependent on changes in market interest rates.

The Group's (Company's) debts are contracted at a fixed interest rate, therefore it reduces Group's (Company's) exposure to interest rate risks.

b) Credit risk

The Group (Company) has no significant concentrations of credit risk. The Group (Company) has policies in place to ensure that sales are made mostly to customers paying in advance (leases), in cash or using major credit cards (individual customers, i.e. natural persons), and to customers with an appropriate credit history (mostly travel agencies).

Allowances for impairment of trade and other receivables have been made on the basis of credit risk assessment. The Management Board monitors the collectability of receivables through weekly reports on individual balances of receivables. The amount of all trade and other receivables has been written down to their recoverable amount. Credit risk related to loan receivables is reduced to a minimum. The Group (Company) has policies that limit the amount of credit risk exposure to any financial institution.

NOTE 4 – FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

b) Credit risk (continued)

Cash transactions are carried out through high quality Croatian banks. The Group (Company) has only short-term highly liquid instruments with maturity periods of three months or less.

The maximum exposure to credit risk at the reporting date arises from financial assets classified as loans and receivables as follows:

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Trade receivables	1,601	1,491	1,267	1,131
Receivables from the lessee	419	596	365	596
Other receivables	2,607	1,424	2,382	1,216
Deposits and loans given	57,672	143,210	48,208	135,366
Investments in the investment fund	56,691	-	50,169	-
Cash and cash equivalents	1,308	10,388	609	7,642
Total	**120,298**	**157,109**	**103,000**	**145,951**

The credit quality of financial assets:

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Neither past due nor impaired	119,442	156,496	102,481	145,663
Past due but not impaired	856	613	519	288
Impaired	1,222	1,130	858	783
Impairment	(1,222)	(1,130)	(858)	(783)
Total	**120,298**	**157,109**	**103,000**	**145,951**

NOTE 4 – FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

b) Credit risk (continued)

Financial institutions comprise domestic banks without a credit rating. However, their foreign parent banks have high ratings in range from A to BBB+ (2022: A to BBB+) (Standard & Poor`s).

Neither past due nor impaired financial assets are as follows:

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Cash and cash equivalents	1,308	10,388	609	7,642
Trade and other receivables	3,771	2,898	3,495	2,655
Deposits and loans given	57,672	143,210	48,208	135,366
Shares in investment fund	56,691	-	50,169	-
Total	**119,442**	**156,496**	**102,481**	**145,663**

Past due but not impaired receivables relate to trade receivables. The ageing analysis of these receivables is as follows:

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Up to 1 month	248	121	153	59
1 to 2 month	62	106	32	59
2 to 3 month	68	91	47	58
Over 3 months up to 1 year	478	295	287	112
Total	**856**	**613**	**519**	**288**

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet all obligations. The Management Board regularly monitors available cash resources.

The Management Board monitors inflow and outflow daily on the basis of monthly cash flow projections. The Group (Company) settles all of their liabilities at maturity.

The table below analyses the Group's (Company's) financial liabilities into at the balance sheet by the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Since the maturity of most borrowings is agreed to no later than 2029, actual future payments may vary from those presented.

NOTE 4 – FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

Group

31 Dec 2023	Up to 1 year EUR'000	1-2 years EUR'000	2-5 years EUR'000	Over 5 years EUR'000	Total EUR'000
Borrowings	18,707	17,711	39,843	9,375	85,636
Trade and other payables	46,741	-	-	-	46,741
Total liabilities	**65,448**	**17,711**	**39,843**	**9,375**	**132,377**
31 Dec 2022					
Borrowings	21,638	18,271	48,179	18,750	106,838
Trade and other payables	34,224	-	-	-	34,224
Total liabilities	**55,862**	**18,271**	**48,179**	**18,750**	**141,062**

Company

	Up to 1 year EUR'000	**1-2 years** EUR'000	**2-5 years** EUR'000	**Over 5 years** EUR'000	**Total** EUR'000
31 Dec 2023					
Borrowings	18,707	17,711	39,843	9,375	85,636
Trade and other payables	45,337	-	-	-	45,337
Total liabilities	**64,044**	**17,711**	**39,843**	**9,375**	**130,973**
31 Dec 2022					
Borrowings	21,638	18,271	48,179	18,750	106,838
Trade and other payables	32,768	-	-	-	32,768
Total liabilities	**54,406**	**18,271**	**48,179**	**18,750**	**139,606**

4.2 Capital risk management

The Group's (Company's) objectives when managing capital are to safeguard the Group's (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.

The Group (Company) consider the optimal capital structure in the context of required debt/EBITDA covenant, to ensure the ability of the Company to continue as a going concern. The Company and the Group are not subject to the external requirements of other covenants (debt / equity).

NOTE 4 – FINANCIAL RISK MANAGEMENT *(continued)*

4.3 Fair value estimation

A number of the Group's (Company's) accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group (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 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 support 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 categorised 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).

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 maximise 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.

Assets carried at fair value were as follows:

	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Level 1	59,567	2,401	52,997	2,374
Total	**59,567**	**2,401**	**52,997**	**2,374**

During 2023 there were no transfers within levels.

NOTE 5 – CRITICAL ACCOUNTING ESTIMATES

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

By using a certain asset, the Group (Company) use the economic benefits contained in this asset, which diminish more intensely with economic and technological ageing. Consequently, in the process of determining the useful life of an asset, in addition to assessing the expected physical utilisation, 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.

Based on historical information, and in line with the technical department, the remaining useful life of buildings was assessed by Management Board to be 10-25 years. The useful lives of equipment and other assets have also been assessed. The useful lives of property, plant and equipment will periodically be revised to reflect any changes in circumstances since the previous estimate. Changes in estimate, if any, will be reflected prospectively in a revised depreciation charge over the remaining, revised useful life.

(b) Goodwill

Separate goodwill is tested annually for impairment or whenever there are any impairment provisions and are recognized at cost less accumulated impairment losses. Goodwill impairment losses are not eliminated. Goodwill is allocated to cash-generating units for impairment testing purposes. Allocation is carried out on those cash-generating units ("CGU") that are expected to benefit from the business combination in which goodwill is generated.

CGU relates to the properties that were previously operated by company Istraturist d.d. Properties are located in Istria, Umag. Based on future cash flow analysis, there are no goodwill impairments identified. Key assumptions used in the estimation of the recoverable amount were the discount rate of 8.48% and the growth rate of 1.5%. Capital expenditure used has been calculated based on the projections for period up to 2035.

(c) Actuarial estimates used in determining obligations for employee benefits

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, future salary increases and the mortality or fluctuation rates. Due to the long-term nature of those plans, these estimates contain an element of uncertainty. Key assumptions were discount rate of 2.25% and fluctuation rate for jubilee awards of 3.7% for males and 3.6% for females.

(d) Deferred tax assets recognition

The deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimation based on previous years taxable profits and expectations of future income that are believed to be reasonable under the existing circumstances.

NOTE 5 – CRITICAL ACCOUNTING ESTIMATES (continued)

(e) Concession fees for tourist land

In accordance with the provisions of the Law on Tourist and other construction land unassessed in the process of transformation and privatization ("ZOTZ"), which entered into force on 1 August 2010, a concession fee was calculated for the use of tourist land of 4.13 million m2 for the Company and the Group.

With the entry into force of the Law on Unassessed Construction Land ("ZNGZ") on May 2, 2020, the ZOTZ ceased to be valid. ZNGZ stipulates the obligation to determine and form real estate units on the estimated parts of the camp, hotels, tourist resorts and other construction land within the stipulated deadlines as the subject of ownership rights of the Company and the Group, as well as real estate on unassessed parts of the camp, hotels, tourist resorts and other construction land as the subject of the ownership rights of the Republic of Croatia i.e. local self-government unit. For parts of land owned by the Republic of Croatia, or local self-government units, the Company and the Group will conclude lease agreements for a period of the 50 years. From the entry into force of the ZNGZ until the date of conclusion of the lease agreement, the rent will be paid according to the area of tourist land for which the concession fee is calculated on the basis of the ZOTZ, in the amount of 50% compensation until the final resolution of property and legal relations. The unit amount of rent and the method and deadlines for payment shall be prescribed by the Government by decrees. By the end of 2022, regulations had not been adopted and the Company and the Group assessed the cost of land lease and recorded the concession obligation.

On 8 February 2024, the Government of the Republic of Croatia adopted two regulations governing tourist land: (1) the Regulation on the manner of determining the unit amount of rent for the tourist land on which the hotel and tourist resort was built, the method of calculating rent and other fees and the mandatory content of the lease agreement and (2) the Regulation on determining the initial amount of the unit rental price for tourist land in the camp, method of calculating rent and other fees and mandatory content lease agreement (hereinafter referred to as the Regulations). After the Adoption of the new Regulations, the Company and the Group have revised the area of tourist land and estimates that in the future the Group and the Company will use 3.6 million m².

After the adoption of the Regulations, the Company and the Group in 2023 recorded the amount of the cost of rent by new areas and new prices in accordance with the provisions of the Regulations and corrected the previously stated obligation for concessions towards new areas for the period from May 2020 to December 31, 2023.

The total effect of the calculation of concessions under the newly adopted Regulations recorded in 2023 is presented in Note 9 *Other operating expenses*.

The estimated annual rent amount for tourist land under the new law (ZNGZ) for 2024 is EUR 6.6 million for the Company and the Group which includes fixed and variable payments, which are limited to 4% of the income of a hotel, resort or camp site per year. Given that the Regulations entered into force in February 2024, the Company and the Group estimate that the largest part of the rent calculated at a fixed price will be capitalised in accordance with the provisions of IFRS 16.

Assuming a starting unit price of EUR 2.0/m2 for campsites and EUR 3.0/m² for hotels and resorts, discount rate of 5.14%, with revised areas that will be subject to lease, the Company and the Group have made an estimate of the value of the right of use assets and lease liabilities (based on estimated fixed payments) in accordance with IFRS 16 in the amount of EUR 57,144 thousand.

NOTE 6 – SEGMENT INFORMATION

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

The Group (Company) records its operations according to the types of services rendered by distinguishing three main reporting segments: hotels and apartments, campsites and other business segments. Other business segments comprise tourist agency services, marina services, rental services, organisation of sports and recreation services (ATP tournament) and other similar services.

The segment information provided to the Company's Management Board for the year ended 31 December 2023 is as follows:

2023 EUR'000	Hotels & apartments	Campsites	Total business segments	Other business segments	Total
Total sales	185,329	50,019	**235,348**	6,363	241,711
Profit before tax	36,938	18,680	**55,618**	527	**56,145**
Depreciation and amortisation (Note 15 and 16)	(24,549)	(6,845)	**(31,394)**	(1,016)	(32,410)
Income tax	-	-	**-**	-	(8,962)
Total assets	**246,726**	**66,626**	**313,352**	**11,221**	**324,573**
Total liabilities	**3,013**	**895**	**3,908**	**134**	**4,042**

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

2022 EUR'000	Hotels & apartments	Campsites	Total business segments	Other business segments	Total
Total sales	144,464	44,064	**188,528**	5,427	193,955
Profit before tax	25,693	17,325	**43,018**	33,912	76,930
Depreciation and amortisation (Note 15 and 16)	(22,295)	(6,639)	**(28,934)**	(1,031)	(29,965)
Income tax	-	-	**-**	-	(14,734)
Share in the associate	**-**	-	**-**	**-**	4,163
Total assets	**239,199**	**63,969**	**303,168**	**11,308**	**314,476**
Investment in associate	**-**	**-**	**-**	**-**	**-**
Total liabilities	**2,869**	**235**	**3,104**	**52**	**3,156**

NOTE 6 – SEGMENT INFORMATION *(continued)*

Reconciliation of profit before tax is as follows:

	2023 EUR'000	2022 EUR'000
Total sales of business segment	235,348	188,528
Total sales of other segment	6,363	5,427
Inter-segment revenue	(8,734)	(6,978)
Revenue from external customers	**232,977**	**186,977**
Profit before tax for business segment	55,618	43,018
Profit before tax for other segment	527	33,912
Share in profit in the associate	-	4,163
Profit before tax	**56,145**	**81,093**

The reconciliation of segment assets and liabilities with the Group's assets and liabilities is as follows:

	2023		2022	
	Assets EUR'000	Liabilities EUR'000	Assets EUR'000	Liabilities EUR'000
Business segment assets/liabilities	313,352	3,908	303,168	3,104
Other segment assets/liabilities	11,221	134	11,308	52
Unallocated:	151,903	148,952	206,628	158,489
Financial assets	59,567	-	2,401	-
Loans and deposits given	57,672	-	143,210	-
Cash and cash equivalents	1,308	-	10,388	-
Deferred tax assets	844	-	674	-
Provisions	-	2,168	-	2,184
Borrowings	-	88,257	-	109,769
Deferred tax liability	-	5,421	-	5,554
Other assets/liabilities	32,512	53,106	49,955	40,983
Total	**476,476**	**152,994**	**521,104**	**161,646**

Other unallocated assets relate to assets under construction, right of use of assets, trade receivables and advances to suppliers. Other unallocated liabilities relate advances from customers, liabilities to employees and unallocated trade payables.

NOTE 6 – SEGMENT INFORMATION *(continued)*

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Accommodation revenue	198,266	160,525	183,511	157,572
F&B revenue a la carte	11,145	8,305	8,440	7,318
Other revenue from services	12,411	11,907	8,066	8,381
Rental income	5,795	5,585	5,631	5,469
Other revenue	204	107	186	87
Total	**227,821**	**186,429**	**205,834**	**178,827**

NOTE 6a – OTHER OPERATING INCOME

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Collection of insurance claims	359	203	357	190
Other income	424	344	300	284
Total	**783**	**547**	**657**	**474**

NOTE 7 – COST OF MATERIALS AND SERVICES

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Raw materials and supplies				
Energy and water used	14,698	12,508	13,892	12,308
Raw materials and supplies used	20,810	16,445	18,745	15,920
Small inventories	1,745	1,552	1,574	1,546
Total	**37,253**	**30,505**	**34,211**	**29,774**
Services				
Maintenance services	5,904	4,799	5,520	4,607
Commission agency	9,219	8,086	9,219	7,942
Laundry and cleaning services	3,469	2,808	3,223	2,730
Security services for assets and individuals	2,149	1,829	1,988	1,721
Utility services	2,839	2,031	2,765	1,967
Advertising and promotion	1,877	2,037	1,585	1,681
Entertainment and animation	2,296	1,928	2,203	1,913
Transportation and telecommunication	897	687	613	558
Student employment agency services	868	927	696	861
Rent	525	601	198	183
ATP tennis tournament services	687	636	-	-
Other services	1,369	1,234	1,212	1,149
Total	**32,099**	**27,603**	**29,222**	**25,312**
Total	**69,352**	**58,108**	**63,433**	**55,086**

NOTE 8 – STAFF COSTS

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Wages and salaries – net	27,687	22,591	24,995	21,615
Contributions to pension funds	7,674	5,965	6,922	5,943
Health insurance contribution	6,206	4,782	5,589	4,764
Other contributions and taxes on salaries	3,760	2,678	3,455	2,461
Other employee costs	8,865	7,458	7,877	6,835
Total	**54,192**	**43,474**	**48,838**	**41,618**
Number of employees as at 31 December	**1,700**	**1,654**	**1,529**	**1,442**

In 2023, a total of EUR 7,506 thousand (2022: EUR 6,444 thousand) was paid into the pension insurance system – Group (2023 Company: EUR 6,747 thousand (2022: EUR 5,779 thousand).

NOTE 9 – OTHER OPERATING EXPENSES

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Tourist land concession	8,499	1,990	8,499	1,990
Utility and similar charges, taxes and contributions	4,024	4,024	3,431	3,687
Impairment of trade and other receivables	445	87	431	84
Professional services	4,422	2,355	1,770	1,477
Insurance premiums	717	630	658	603
Bank charges and membership fees	1,467	1,039	950	891
Travel and entertainment	258	154	163	101
Increase in provisions for legal disputes	47	255	47	255
Settlement of legal dispute	-	7,206	-	7,206
Other	3,123	2,184	2,267	1,751
Total	**23,002**	**19,331**	**18,472**	**17,649**

As explained in Note 5 e), in 2023, the Group and the Company demonstrated the cost of the concession in accordance with the Regulations that entered into force on 17 February 2024.

Professional services in 2022 include EUR 12 thousand of consulting services related to the procurement process provided by the auditor (allowed non-audit services), while in 2023 there were no such services. Auditors' fees for the audit of the Group's financial statements for 2023 amounted to EUR 91 thousand (2022: EUR 95 thousand).

NOTE 10 – OTHER GAINS/(LOSSES) – NET

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Net gains/(losses) from sale of property, plant and equipment	4,373	(41)	4,372	(41)
Other gains/losses – net	**4,373**	**(41)**	**4,372**	**(41)**

NOTE 11 – FINANCE INCOME AND COSTS

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Finance income				
Dividend income - affiliated companies	-	-	225	1,220
Dividend income - not affiliated companies	108	70	103	70
Interest income from cash deposits and loans	3,557	259	3,224	255
Net foreign exchange gains from finance activities	-	149	-	88
Fair value gain from associate in business combination	-	5,663	-	-
Gain from the sale of associate	-	36,488	-	41,319
Other finance income	195	49	195	46
Total finance income	**3,860**	**42,678**	**3,747**	**42,998**
Finance expense				
Interest expense	1,645	1,805	1,645	1,813
Other finance expense	91	-	61	-
Total finance expense	**1,736**	**1,805**	**1,706**	**1,813**
Net finance income	**2,124**	**40,873**	**2,041**	**41,185**

NOTE 12 – INCOME TAX

The tax on the Group's (Company's) profit before tax differs from the theoretical amount that would arise using the tax rate of 18% as follows:

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Current income tax	9,358	8,432	8,953	8,332
Deferred tax expense/ (income)	(396)	5,243	(675)	5,297
Additional income tax	-	1,059	-	1,059
Income tax	**8,962**	**14,734**	**8,278**	**14,688**

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Profit before tax	**56,145**	**81,093**	**52,709**	**77,162**
Income tax at rate of 18%	10,106	14,597	9,488	13,889
Effect of non-taxable income	(65)	(1,002)	(96)	(322)
Effect of non-deductible expenses	99	94	64	76
Tax incentive	(1,178)	(14)	(1,178)	(14)
Effect of additional income tax *	-	1,059	-	1,059
Income tax expense	**8,962**	**14,734**	**8,278**	**14,688**
Effective tax rate	15.96%	18.17%	15.71%	19.04%

The Company on the basis of the Investment Incentive Act, applied investment projects for the period from 2017 to 2022 in order to acquire the status of holder of incentive measures. In 2023, the Company utilised the remaining tax incentive in the amount of 1,178 thousand euros.

*Relates to the windfall tax levied on all Croatian companies subject to corporate tax with reported revenue of over HRK 300 million in 2022. The profit higher than 20% of the average taxable profits generated in the four fiscal years 2018-21 has been taxed at a rate of 33%.

In accordance with local regulations, the Tax Authority may at any time inspect the Group companies' books and records within 3 years subsequent to the year in which the tax liability is reported, and may impose additional tax assessments and penalties.

NOTE 13 – EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares (ordinary and preference) in issue during the year excluding ordinary and preference shares purchased by the Company and held as treasury shares (Note 24). Total number of ordinary shares both during 2023 and 2022 was 2,197,772 and number of treasury shares for both years was 2,346 therefore weighted average number of ordinary shares through both periods was 2,195,426 shares. Number of preference shares issued and weighted average number of preference shares though both periods was 420,000 shares.

Diluted earnings per share

Diluted earnings per share for 2023 and 2022 are equal to basic earnings per share, since the Group did not have any convertible instruments or share options outstanding during either years.

2023	**Ordinary and Preference shares**
Total number of shares issued	***2,617,772***
In EUR'000	
Profit for the year attributable to equity holders	47,125
Fixed dividend to preference shares	(13)
Total earnings for the year attributable to equity holders	**47,112**
Weighted average number of shares in issue excluding treasury shares	2,615,426
Basic and diluted earnings per share (in EUR)	**18.01**

2022	**Ordinary and Preference shares**
Total number of shares issued	**2,617,772**
In EUR'000	
Profit for the year attributable to equity holders	66,361
Fixed dividend to preference shares	(14)
Profit for the year attributable to equity holders	**66,347**
Total earnings for the year attributable to equity holders	
Weighted average number of shares in issue excluding treasury shares	2,615,426
Basic and diluted earnings/(loss) per share (in EUR)	**25.37**

NOTE 14 – DIVIDEND PER SHARE

Dividends will be accounted for after being approved by the Annual General Assembly. Unpaid dividends for Group in respect of 2005 through 2023 of EUR 1,271 thousand are disclosed as dividends payable in "trade and other payables" (2022: EUR 940 thousand). (Company: EUR 1,230 thousand and 2022: EUR 901 thousand).

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

Group

(in thousands of EUR)	Land and buildings	Plant and equipment	Other assets	Assets under construction	Total
Year ended 31 December 2022					
Opening net book amount	282,067	10,289	5,814	2,483	300,653
Additions	-	-	-	27,080	27,080
Transfer	18,349	5,953	1,157	(25,459)	-
Sales	(6)	(4)	-	-	(10)
Write off	(40)	(19)	-	-	(59)
Transfers to investment property	(69)	-	-	-	(69)
Business combinations	51,597	1,253	98	6	52,954
Depreciation	(23,923)	(3,877)	(1,235)	-	(29,035)
Closing net book amount	**327,975**	**13,595**	**5,834**	**4,110**	**351,514**
At 31 December 2022					
Cost	749,206	90,854	19,198	4,110	863,368
Accumulated depreciation	(421,231)	(77,259)	(13,364)	-	(511,854)
Net book amount	**327,975**	**13,595**	**5,834**	**4,110**	**351,514**
Year ended 31 December 2023					
Opening net book amount	327,975	13,595	5,834	4,110	351,514
Additions	-	-	-	28,011	28,011
Transfer	16,144	4,525	941	(21,610)	-
Sales	(3,959)	(130)	(108)	-	(4,197)
Write off	(9)	(30)	-	-	(39)
Transfers from other classes of PPE	(674)	-	-	-	(674)
Depreciation	(25,852)	(4,339)	(1,281)	-	(31,472)
Closing net book amount	**313,625**	**13,621**	**5,386**	**10,511**	**343,143**
At 31 December 2023					
Cost	751,101	91,216	20,030	10,511	872,858
Accumulated depreciation	(437,476)	(77,595)	(14,644)	-	(529,715)
Net book amount	**313,625**	**13,621**	**5,386**	**10,511**	**343,143**

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

(in thousands of EUR)	Land and buildings	Plant and equipment	Other assets	Assets under construction	Total
Year ended 31 December 2022					
Opening net book amount	282,061	10,279	5,815	2,483	300,638
Additions	-	-	-	27,064	27,064
Transfers	18,349	5,950	1,157	(25,456)	-
Write off	(40)	(19)	-	-	(59)
Transfers from/(to) other classes of PPE	(69)	-	-	-	(69)
Depreciation	(22,996)	(3,773)	(1,235)	-	(28,004)
Closing net book amount	**277,305**	**12,437**	**5,737**	**4,091**	**299,570**
At 31 December 2022					
Cost	672,888	82,707	19,061	4,091	778,747
Accumulated depreciation and impairment	(395,583)	(70,270)	(13,324)	-	(479,177)
Net book amount	**277,305**	**12,437**	**5,737**	**4,091**	**299,570**
Year ended 31 December 2023					
Opening net book amount	277,305	12,437	5,737	4,091	299,570
Additions	-	-	-	27,408	27,408
Transfer	16,098	4,269	941	(21,308)	-
Sales	(3,477)	(99)	(103)	-	(3,679)
Write off	(8)	(30)	-	-	(38)
Transfers from other classes of PPE	(674)	-	-	-	(674)
Depreciation	(23,202)	(4,039)	(1,280)	-	(28,521)
Closing net book amount	**266,042**	**12,538**	**5,295**	**10,191**	**294,066**
At 31 December 2023					
Cost	675,899	83,349	19,897	10,191	789,336
Accumulated depreciation and impairment	(409,857)	(70,811)	(14,602)	-	(495,270)
Net book amount	**266,042**	**12,538**	**5,295**	**10,191**	**294,066**

As at 31 December 2023 the net carrying value of land and buildings pledged by the Group as collateral for repayment of long-term borrowings amounted to EUR 94,856 thousand (2022: EUR 80,314 thousand). Assets under construction relate to investments into tourism properties.

NOTE 15a – INVESTMENT PROPERTY

The carrying value of property, plant and equipment of the Group, classified according to IAS 40 *Investment property* as investment property, leased out under operating leases is as follows:

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Cost	16,887	16,810	16,887	16,810
Transfer from property, plant and equipment	683	77	683	77
Accumulated depreciation, 1 January	(13,601)	(13,217)	(13,601)	(13,217)
Transfer accumulated depreciation from property, plant and equipment	(9)	(8)	(9)	(8)
Depreciation expense	(379)	(376)	(379)	(376)
Net book amount	**3,581**	**3,286**	**3,581**	**3,286**

Operating leases relate to leases of business premises and hospitality facilities.

As 31 December 2023, according to Managements estimate, the estimated fair value of the investment property was EUR 33,834 thousand (2022: EUR 27,758 thousand).

During 2023, the Group realised rental income from the stated property in the amount of EUR 2,406 thousand (2022: EUR 2,339 thousand). During the year, there were no direct operating expenses arising from the utilisation of these assets except for the depreciation charge.

The future minimum lease payments receivable in accordance with the contracts as at 31 December are as follows:

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Up to 1 year	2,817	2,575	2,817	2,575
From 2 to 5 years	11,842	11,460	11,842	11,460
Total	**14,659**	**14,035**	**14,659**	**14,035**

NOTE 16 – INTANGIBLE ASSETS

Group

(in thousands of EUR)	Software	Goodwill	Asset being prepared	Total
At 1 January 2022				
Purchase value	3,721	1,656	-	5,377
Accumulated amortisation	(3,226)	-	-	(3,226)
Net book value	**495**	**1,656**	**-**	**2,151**
For year ended 31 December 2022				
Opening net book amount	495	1,656	-	2,151
Business combinations	8	-	-	8
Additions	-	-	226	226
Transfers	226	-	(226)	-
Amortisation	(214)	-	-	(214)
Closing net book amount	**515**	**1,656**	**-**	**2,171**
At 31 December 2022				
Purchase value	4,881	1,656	-	6,537
Accumulated amortisation	(4,366)	-	-	(4,366)
Net book amount	**515**	**1,656**	**-**	**2,171**
For year ended 31 December 2023				
Opening net book amount	515	1,656	-	2,171
Additions	-	-	191	191
Transfers	191	-	(191)	-
Amortisation	(218)	-	-	(218)
Closing net book amount	**488**	**1,656**	**-**	**2,144**
At 31 December 2023				
Purchase value	4,099	1,656	-	5,755
Accumulated amortisation	(3,611)	-	-	(3,611)
Net book value	**488**	**1,656**	**-**	**2,144**

NOTE 16 – INTANGIBLE ASSETS *(continued)*

Company

(in thousands of EUR)	Software	Goodwill	Asset being prepared	Total
At 1 January 2022				
Cost	3,687	1,656	-	5,343
Accumulated amortisation	(3,195)	-	-	(3,195)
Net book value	**492**	**1,656**	**-**	**2,148**
For year ended 31 December 2022				
Opening net book amount	492	1,656	-	2,148
Additions	-	-	226	226
Transfers	226	-	(226)	-
Amortisation	(212)	-	-	(212)
Closing net book amount	**506**	**1,656**	**-**	**2,162**
At 31 December 2022				
Cost	3,897	1,656	-	5,553
Accumulated amortisation	(3,391)	-	-	(3,391)
Net book amount	**506**	**1,656**	**-**	**2,162**
For year ended 31 December 2023				
Opening net book amount	506	1,656	-	2,162
Additions	-	-	189	189
Transfers	189	-	(189)	-
Amortisation	(212)	-	-	(212)
Closing net book amount	**483**	**1,656**	**-**	**2,139**
At 31 December 2023				
Cost	4,062	1,656	-	5,718
Accumulated amortisation	(3,579)	-	-	(3,579)
Net book value	**483**	**1,656**	**-**	**2,139**

Goodwill is allocated to cash-generating units for impairment testing purposes. Allocation is carried out on those cash-generating units ("CGU") that are expected to benefit from the business combination in which goodwill is generated.

CGU relates to the properties that were previously operated by company Istraturist d.d. Properties are located in Istria, Umag. Based on future cash flow analysis, there are no goodwill impairments identified. Key assumptions used in the estimation of the recoverable amount were the discount rate of 8.48% and the growth rate of 1.5%. Capital expenditure has been determined in accordance with Group's future plans.

NOTE 17 – RIGHT-OF-USE ASSETS

The Group (Company) leases business premises and associated land, and maritime domain in front of the hotels and in campsites.

The variable part of the concession on the maritime domain that is not recognised as the Assets with the right of use is calculated as a percentage of the income generated on the maritime domain.

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

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

(in thousands of EUR)	Maritime domain	Business premises	Other	Total
Year ended 31 December 2023				
Opening net carrying amount	2,375	447	43	2,865
Additions	-	25	5	30
Depreciation	(224)	(116)	-	(340)
Closing net carrying amount	2,151	356	48	2,555

(in thousands of EUR)	31.pro.23
Lease liabilities	
Current portion	328
Non-current portion	2,293
	2,621

The maturity of long-term borrowings is as follows:

	Group and Company 2023 EUR'000
From 1 to 2 years	332
From 2 to 5 years	1,032
Over 5 years	929
Total	**2,293**

Statement of comprehensive income shows the amounts for leases as follows:

(in thousands of EUR)	
Depreciation of asset with right of use	
Maritime domain	224
Business premises	116
	340
Interest expense (included in financial expenses)	52

In 2022, a total of EUR 386 thousand of interest and principal for leases was repaid (2022: EUR 413 thousand).

NOTE 18 – INVESTMENTS IN SUBSIDIARIES AND ASSOCIATE

	Company	
	2023	2022
	EUR'000	EUR'000
Subsidiaries	47,007	45,784
Total	**47,007**	**45,784**

	Country	Ownership %	
Subsidiaries		31.12.2023.	31.12.2022.
Travel d.o.o., Poreč	Croatia	100.00	100.00
Istra DMC d.o.o., Umag	Croatia	100.00	100.00
Istraturist j.d.o.o.	Croatia	100.00	100.00
Hotel Croatia d.d.	Croatia	100.00	97.98

Changes in investments in subsidiaries are as follows:

	2023	2022
	EUR'000	EUR'000
Opening balance	45,784	15
Acquisition of NCI	1,223	45,769
Closing balance	**47,007**	**45,784**

Investment in the company Hotel Croatia d.d. was created after the demerger of the company Jadranski luksuzni hoteli d.d. In June 2023, the General Assembly decided on the transfer of shares of minority shareholders to the main shareholder, Plava Laguna d.d.

Changes in investments in associate is as follows:

	2022
	EUR'000
At the beginning of the year	30,111
Share of profit/(loss) in associates	4,163
Disposal of associate	(21,518)
Acquisition of additional shares with obtaining control	(12,756)
At the end of the year	**-**

NOTE 19 – FINANCIAL ASSETS

a) Financial assets measured at fair value through other comprehensive income

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Investments in banks	2,544	2,113	2,496	2,086
Investments in companies	332	288	332	288
Total	**2,876**	**2,401**	**2,828**	**2,374**

/i/ Investments represent less than 1% ownership interest in the shareholders' equity of these companies.

	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Opening balance	2,401	2,001	2,374	2,001
Business combinations	-	27	-	-
Sale	-	(33)	-	(33)
Change in fair value	475	406	454	406
Closing balance	**2,876**	**2,401**	**2,828**	**2,374**

Available-for-sale investments are as follows:

	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Equity securities				
-Listed	2,876	2,401	2,828	2,374
Total	**2,876**	**2,401**	**2,828**	**2,374**

Investments in securities are stated at fair value using quoted prices on the domestic capital market.

b) Financial assets measured at fair value through income statement:

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Investments in investment funds	56,691	-	50,169	-
Total	**56,691**	**-**	**50,169**	**-**

NOTE 20 – DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Net	
Group	**2023**	2022	2023	2022	2023	2022
(in thousands of EUR)						
Property, plant and equipment	-	-	(5,170)	(5,385)	(5,170)	(5,385)
Financial assets	-	-	(251)	(169)	(251)	(169)
Receivables	23	28	-	-	23	28
Tax losses	-	443	-	-	-	443
Payables	630	-	-	-	630	-
Jubilee awards and termination benefits	191	203	-	-	191	203
Total	844	674	(5,421)	(5,554)	(4,577)	(4,880)

Movements in deferred tax assets and liabilities:

Group	1 Jan 2022	Business combinations	Recognised in profit and loss account	Recognised in OCI	31 Dec 2022	Recognised in profit and loss account	Recognised in OCI	31 Dec 2023
(in thousands of EUR)								
Property, plant and equipment	(1,247)	(4,246)	108	-	(5,385)	215	-	(5,170)
Financial assets	(96)	-	-	(73)	(169)	-	(82)	(251)
Receivables	40	-	(12)	-	28	(5)	-	23
Income tax credit	3,586	-	(3,586)	-	-	-	-	-
Tax losses	1,573	445	(1,575)	-	443	(443)	-	-
Payables	183	-	(183)	-	-	630	-	630
Jubilee awards and termination benefits	175	20	5	3	203	(1)	(11)	191
Total	**4,214**	**(3,781)**	**(5,243)**	**(70)**	**(4,880)**	**396**	**(93)**	**(4,577)**

NOTE 20 – DEFERRED TAX ASSETS AND LIABILITIES (*continued*)

Company	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
(in thousands of EUR)						
Property, plant and equipment	-	-	(1,140)	(1,193)	(1,140)	(1,193)
Financial assets	-	-	(251)	(169)	(251)	(169)
Receivables	23	28	-	-	23	28
Payables	630	-	-	-	630	-
Jubilee awards and termination benefits	168	182	-	-	168	182
Total	821	210	(1,391)	(1,362)	(570)	(1,152)

Company	1 Jan 2022	Recognised in profit and loss account	Recognised in OCI	31 Dec 2022	Recognised in profit and loss account	Recognised in OCI	31 Dec 2023
(in thousands of EUR)							
Property, plant and equipment	(1,247)	54	-	(1,193)	53	-	(1,140)
Financial assets	(96)	-	(73)	(169)	-	(82)	(251)
Receivables	40	(12)	-	28	(5)	-	23
Income tax credit	3,586	(3,586)	-	-	-	-	-
Tax losses	1,573	(1,573)	-	-	-	-	-
Payables	183	(183)	-	-	630	-	630
Jubilee awards and termination benefits	176	3	3	182	(3)	(11)	168
Total	**4,215**	**(5,297)**	**(70)**	**(1,152)**	**675**	**(93)**	**(570)**

NOTE 21 – LOAN RECEIVABLES

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Long term:				
Loan receivables	7	120	7	120
Impairment of loan receivables	-	(20)	-	(20)
	7	**100**	**7**	**100**
Short term:				
Loan receivables	155	354	155	354
Impairment of loan receivables	(78)	(88)	(78)	(88)
	77	**266**	**77**	**266**
Total loan receivables	**84**	**366**	**84**	**366**

Maturity of non-current loan receivables is as follows:

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
From 1 to 2 years	7	93	7	93
From 2 to 5 years	-	7	-	7
Over 5 years	-	-	-	-
Total	**7**	**100**	**7**	**100**

NOTE 22 – TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Domestic trade receivables	1,367	935	1,172	778
Foreign trade receivables	914	1,123	338	478
Due from brokers - agencies	-	259	-	259
Impairment of trade receivables	(908)	(1,102)	(465)	(672)
Trade receivables - net	**1,373**	**1,215**	**1,045**	**843**
Accrued income not yet invoiced	816	537	816	539
Total	**2,189**	**1,752**	**1,861**	**1,382**
Due from state institutions	111	123	71	110
VAT prepayments	605	666	458	561
Advances from suppliers	573	714	541	668
Other current receivables	1,463	259	1,397	224
Impairment of other receivables	(314)	(2)	(314)	(2)
Total	**4,627**	**3,512**	**4,014**	**2,943**

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

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January	1,104	1,215	674	872
New impairments, net	433	84	420	84
Write-off	(13)	(97)	(13)	(101)
Recovery of previously written-off receivables	(302)	(181)	(302)	(181)
Business combinations	-	83	-	-
At 31 December	**1,222**	**1,104**	**779**	**674**

Most of the receivables from customers for which there is a write-off, and where cost of legal proceedings is justified are debited, or have begun the billing process or the settlement agreement (after the balance sheet date). The outcome of the claim-related procedure cannot be foreseen with certainty, nor can it be predicted to what extent it will be charged.

As at 31 December 2023 the Group (Company) had loss allowance for ECL in the amount of EUR 13 thousand (31 December 2022: EUR 6 thousand).

NOTE 23 – CASH AND CASH EQUIVALENTS

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Giro and current accounts	1,213	5,639	528	3,908
Foreign currency accounts	84	4,739	71	3,725
Cash in hand	11	10	10	9
	1,308	**10,388**	**609**	**7,642**

NOTE 24 – EQUITY

The equity ownership structure as at 31 December 2023 and 2022 was as follows:

Shareholder	Holding in share capital %	Total number of shares	Total amount (EUR)
Ownership of ordinary shares:			
Adriatic Investment Group, Luxembourg	84.24	1,851,352	149,762,951
Treasury shares	0.11	2,346	189,777
Other legal entities and natural persons	15.65	344,074	27,833,463
	100.00	**2,197,772**	**177,786,191**
Ownership of preference shares:			
Adriatic Investment Group, Luxembourg	100.00	420,000	13,860,000
	100.00	**420,000**	**13,860,000**
Total			**191,646,191**

All shares are fully paid. In 2023, the Company has declared dividend of EUR 82,359 thousand (2022: EUR 29,277 thousand; part of the dividend of EUR 20,859 thousand was offset with receivables for sold shares from parent company). In August 2023, the Company converted ordinary and preferred shares from Croatian kuna into euros and the total capital now amounts to EUR 191,646 thousand and the difference of EUR 76 thousand due to rounding was transferred to the Company's reserves.

In addition to regular dividends issued and paid on ordinary shares, preference shares are entitled to a fixed annual dividend of EUR 0.03 per share and are not entitled to vote. Fixed annual dividend is declared and paid out simultaneously with the dividend on regular shares.

NOTE 25 – RESERVES

		Group		Company	
		2023	2022	2023	2022
		EUR'000	EUR'000	EUR'000	EUR'000
Legal reserves	i/	7,037	7,037	7,037	7,037
Other reserves	ii/	10,785	10,286	10,785	10,286
Total		**17,822**	**17,323**	**17,822**	**17,323**

Other reserves

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Capital reserves	4,001	3,925	4,001	3,925
Merger reserves	5,117	5,117	5,117	5,117
Reserves for own shares	98	98	98	98
Reserves-fair value of financial assets	1,573	1,200	1,573	1,200
Actuarial gains/(losses)	(4)	(54)	(4)	(54)
Total	**10,785**	**10,286**	**10,785**	**10,286**

Changes in reserves:

	Group		Company	
	2023	2022	2023	2022
Legal reserves	EUR'000	EUR'000	EUR'000	EUR'000
Opening balance	7,037	7,037	7,037	7,037
Transfer from retained earnings	-	-	-	-
Closing balance	**7,037**	**7,037**	**7,037**	**7,037**
Other reserves				
Opening balance	10,286	9,967	10,286	9,967
Remeasurement of defined benefit liability	51	(15)	51	(15)
Fair value of financial assets through comprehensive income	372	334	372	334
Share capital decrease	76	-	76	-
Closing balance	**10,785**	**10,286**	**10,785**	**10,286**

i/ Legal reserves are formed in accordance with Croatian regulations stipulating that the Company is obliged to enter into the legal reserve twentieth part (5%) of the year's profit until the reserves together with the capital reserves reach the five percent (5%) of the Company's registered capital. This reserve is non-distributable.

ii/ As at 31 December 2023 and 31 December 2022, the legal reserves amounted to EUR 7,037 thousand or 3.67% of the share capital, while the share of legal reserves together with the capital reserves that are not distributable to the amount of EUR 4,001 thousand, which are formed by the denomination of the value of shares in 2001 (from EUR 247 to EUR 239 per share before denomination), representing a share of 5.76% (2022: 5.72%) of the Company's share capital. Merger reserves were created by merging company Istraturist d.d. on 1 January 2018.

NOTE 26 – BORROWINGS

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Long-term loans				
Bank borrowings	66,929	85,200	66,929	85,200
	66,929	**85,200**	**66,929**	**85,200**
Short-term loans				
Current portion of bank borrowings	18,490	21,377	18,490	21,377
Accrued interest and fees	217	261	217	261
	18,707	**21,638**	**18,707**	**21,638**
Total borrowings	**85,636**	**106,838**	**85,636**	**106,838**

Bank borrowings

Long-term bank borrowings are denominated in EUR at fixed interest rates of 1.3% -1.6% per annum. The loans are repayable in annual instalments where one loan matures in 2025 and remaining loans in years 2027 and 2029. Bank borrowings are secured by a mortgage over land and buildings (note 15). Bank loan contracts contain a loan covenant.

The maturity of long-term borrowings is as follows:

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
From 1 to 2 years	17,711	18,271	17,711	18,271
From 2 to 5 years	39,843	48,179	39,843	48,179
Over 5 years	9,375	18,750	9,375	18,750
Total	**66,929**	**85,200**	**66,929**	**85,200**

NOTE 26 – BORROWINGS *(continued)*

The net debt as at 31 December is presented in the table below:

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Cash and cash equivalents	1,308	10,388	609	7,642
Bank deposits and Loans receivable	57,665	143,110	48,201	135,266
Listed shares	2,876	2,401	2,828	2,374
Shares in the investment fund	56,691	-	50,169	-
Borrowings maturing within a period of 1 year	(18,707)	(21,638)	(18,707)	(21,638)
Borrowings maturing after a period of 1 year	(66,929)	(85,200)	(66,929)	(85,200)
Net debt	**32,904**	**49,061**	**16,171**	**38,444**
Cash and liquid assets	118,540	155,899	101,807	145,282
Liabilities at fixed interest rate	(85,636)	(106,838)	(85,636)	(106,838)
Net debt	**32,904**	**49,061**	**16,171**	**38,444**

The movements in debt during 2023 (including leases) are presented in the table below:

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
As at 1 January	**109,769**	**96,460**	**109,769**	**96,905**
Increase of lease liability - MSFI 16	30	(19)	30	(19)
Cash inflow	-	36,975	-	36,975
Cash outflows and offsets	(21,717)	(23,284)	(21,717)	(23,729)
Interest paid	(1,696)	(1,835)	(1,696)	(1,845)
Interest expense	1,645	1,805	1,645	1,813
Deferred income -interest	226	(501)	226	(501)
Net foreign exchange difference	-	168	-	170
As at 31 December	**88,257**	**109,769**	**88,257**	**109,769**

NOTE 27 – TRADE AND OTHER PAYABLES

	Group		Company	
	2023	2022	2023	2022
	EUR'000	EUR'000	EUR'000	EUR'000
Trade payables	8,607	6,158	7,950	5,777
Due to related parties (Note 30)	-	-	23	-
Dividends payable (Note 14)	1,271	940	1,230	901
Accrued costs not yet invoiced	1,108	1,551	1,015	1,146
Concession payable (note 5 e))	20,921	12,423	20,921	12,423
	31,907	**21,072**	**31,139**	**20,247**
Net salaries payable	5,808	4,606	5,533	4,304
Taxes and contributions payable	3,515	2,845	3,368	2,711
Advances payable	4,311	3,152	4,119	2,964
Other current liabilities	1,200	2,549	1,178	2,542
Total	**46,741**	**34,224**	**45,337**	**32,768**

NOTE 28 – PROVISIONS

Group	Legal claims	Provision for jubilee awards and termination benefits	Total
	EUR'000	EUR'000	EUR'000
Balance at 1 January 2023	**1,057**	**1,127**	**2,184**
Increase in provisions	47	112	159
Decrease through other comprehensive income	-	(62)	(62)
Utilized during the year	-	(113)	(113)
Balance at 31 December 2023	**1,104**	**1,064**	**2,168**
Non-current	1,095	933	**2,028**
Current	9	131	**140**

Company	Legal claims	Provision for jubilee awards and termination benefits restated	Total
	EUR'000	EUR'000	EUR'000
Balance at 1 January 2023	**1,048**	**1,012**	**2,060**
Increase in provisions	47	83	130
Decrease through other comprehensive income	-	(62)	(62)
Utilized during the year	-	(98)	(98)
Balance at 31 December 2023	**1,095**	**935**	**2,030**
Non-current	1,095	820	**1,915**
Current	-	115	**115**

Jubilee awards and regular retirement benefits

According to the current benefits, there is an obligation to pay jubilee awards and retirement to employees. The employees are entitled to a regular retirement benefit of EUR 1,400. No other post-retirement benefits are provided. Jubilee awards are paid out according to the passage of certain continuous service.

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, mortality rates or fluctuation rates. Due to the long-term nature of those plans, these estimates contain an element of uncertainty. Key assumptions were a discount rate of 2.25% and fluctuation rate of 3.7% for males and 3.6% for females.

Legal claims

The amounts comprise provisions in respect of certain legal claims brought against the Group (Company).

NOTE 29 – CONTINGENT LIABILITIES

Litigation with NLB

In May 2022, the Company signed a settlement with Nova Ljubljanska banka d.d., with whom they had several long-term court disputes in the previous periods. According to the settlement, the Company paid the amount of EUR 5 million, while the second instalment in the amount of EUR 2 million was due by December 31, 2023. With the conclusion of the settlement, all mutual legal proceedings and claims were terminated.

Provisions for legal claims

Provisions for legal claims have been estimated on each reporting date taking into account probability of future cash out flow and taking into account the risk and uncertainties surrounding the obligation. The Group (Company) consults with its legal advisors in relation to probability of outflows to settle such obligations and assess the Group's (Company's) position in such claims.

Capital commitments

Future commitments contracted for investments in tourist facilities for Group, for which provisions were not made, as at 31 December 2023 amounted to EUR 19.3 million (31 December 2022: EUR 13.4 million).

NOTE 30 – RELATED PARTY TRANSACTIONS

The Group (Company) considers that it is directly related to its owner and their subsidiaries, their affiliated and associated companies and other companies under the control of the Vallum Foundation, Vaduz, Liechtenstein, then members of the Supervisory Board, Management Board members, close family members of the Management Board, jointly controlled companies, companies under significant influence of key management and their immediate families, according to the definition stated in International Accounting Standard 24 "*Disclosure of Related Parties*" (IAS 24).

The ultimate control company is the Vallum Foundation, registered in Vaduz, Liechtenstein.

In the ordinary course of business, the Group (Company) enters into transactions with related parties. Related parties are subsidiaries, the majority owner, ultimate owner and companies under the common control of the ultimate owner.

The Company's transactions with related companies within the Group are as follows:

	2023 EUR'000	2022 EUR'000
Trade and other receivables	188	85
Sales revenue	995	22,478
Trade and other payables	188	405
Other expenses	995	516
Financial income	225	1,239
Financial expenses	-	9

Transactions with the majority shareholder of the parent company:

During 2023, based on the General assembly decision where total dividend amounted to EUR 82,359 thousand, dividends declared to the majority shareholder amounted to EUR 71,527 thousand (2022: payment in the amount of EUR 25,427 thousand gross).

In 2023 there were no transactions with the majority shareholder (2022: EUR 2 thousand, mainly based on the provided accommodation service).

In 2023 the Company has concluded with other related party purchase contract for the art in the total amount of EUR 77.5 thousand.

During 2023, to the Company Plava Laguna d.d. received dividends from the subsidiary of EUR 225 thousand (2022: EUR 1,220 thousand).

At the balance sheet date there are no receivables and liabilities to the parent company.

Transactions with related companies outside the Plava laguna Group are as follows:

	2023 EUR'000	2022. EUR'000
Trade and other receivables	-	1
Sales revenue	28	22
Other expenses	2	-

NOTE 30 – RELATED PARTY TRANSACTIONS (continued)

Group key management and Supervisory Board compensation

	Group		Company	
	2023	2022.	2023	2022.
	EUR'000	EUR'000	EUR'000	EUR'000
Net salaries	1,514	1,529	1,514	1,529
Pension insurance contributions	402	409	402	409
Health insurance contributions	383	389	383	389
Other costs (contribution and taxes)	406	417	406	417
	2,705	2,744	2,705	2,744
Supervisory Board compensation	252	262	252	262
Total	**2,957**	**3,006**	**2,957**	**3,006**

Key management comprises 23 employees (2022: 23 employees). The Supervisory Board comprises 7 members (2022: 7 members).

NOTE 31 – SUBSEQUENT EVENTS

On 17 February 17, the regulation on the arrangement of leases on tourist land on which hotels, tourist resorts and camps were built came into force, and which was not assessed and entered into the share capital of the company. The resolution that regulates hotels and tourist resorts prescribes the range of rent amounts on tourist land, while the resolution regulating camps prescribes a fixed amount of rent, and both regulations further regulate the manner and deadlines for paying rent, other orientation criteria for determining and calculating rent and other mandatory contents of the lease agreement as explained in note 5(e).

SUPERVISORY BOARD REPORT

Pursuant to Art. 300c of the Companies Act and Art. 34 of the Statute of PLAVA LAGUNA joint stock company for hospitality and tourism, the Company's Supervisory Board, at the meeting held on June 6, 2024 adopts the following

SUPERVISORY BOARD REPORT ON SUPERVISION OVER THE MANAGEMENT OF THE COMPANY'S AND GROUP'S OPERATIONS, ON THE RESULTS FOLLOWING THE REVIEW OF THE FINANCIAL STATEMENTS, THE REPORT ON THE SITUATION IN THE COMPANY AND THE PROPOSED DECISION ON THE USE OF PROFIT OF THE COMPANY AND THE GROUP FOR YEAR 2023

In the course of the fiscal year 2023, the Company's Supervisory Board continuously supervised the management of the Company's affairs, pursuant to the authorizations determined by the provisions of the Companies Act and the Statute, with the aim of ensuring transparency, integrity and compliance with applicable laws and regulations.

Composition of the Supervisory Board

During 2023, the Supervisory Board was composed of seven members, as follows:
Davor Luksic Lederer, President of the Supervisory Board
Patricio Tomas Balmaceda Tafra, Vice president of the Supervisory Board
Davor Domitrović, Member of the Supervisory Board
Paul Marie Francois Jean Rene' Le Bault de La Moriniere, Member of the Supervisory Board,
Neven Staver, Member of the Supervisory Board
Duncan Graham Bramwell, Member of the Supervisory Board until May 4, 2023
Christiaan Paul Dijk, Member of the Supervisory Board since May 4, 2023
Marica Kurtek, Member of the Supervisory Board, employees' representative.

Supervisory Board meetings

During 2023, the Supervisory Board held 12 meetings, out of which 11 meetings were attended by all members. Particular informing of certain members of the Supervisory Board were held during the year as needed due to additional issues that needed to be discussed.

Supervisory Board Committees

The Supervisory Board has two committees, the Audit Committee and the Remuneration Committee. The tasks of the nomination committee are performed directly by the Supervisory Board.
The Audit Committee was established in 2014 and is composed of three members, president Mr. Davor Luksic Lederer and members Mr. Patricio Tomas Balmaceda Tafra and Mr. Davor Domitrović. The Audit Committee meets at least once a year with the participation of all members and performs the prescribed tasks within its scope.
The Remuneration Committee was established in 2020 and is composed of the president Mr. Davor Luksic Lederer and members Mr. Patricio Tomas Balmaceda Tafra and Mr. Davor Domitrović. The Remuneration Committee meets at least once a year with the participation of all members and performs the prescribed tasks within its scope.

Supervision of business management and examination of annual financial statements and reports on the state of the Company

Pursuant to Article 300b paragraph 1 and 2 of the Companies Act, the Management Board of the Company submitted to the Supervisory Board the annual financial statements, the report on the situation in the Company, as well as the proposed decision on the use of profit gained in 2023. Pursuant to its authorities under Article 300c paragraph 2 of the Companies Act, in a session held on 25 April 2024 and in the presence of the representatives of the auditing company KPMG Croatia d.o.o. Zagreb, the Supervisory Board

SUPERVISORY BOARD REPORT *(continued)*

reviewed the submitted financial statements for 2023 for the Company and the Group, the report on the situation in the Company as well as the proposed decision on the use of profit. The Supervisory Board submits this report on the results of these reviews to the Management Board and Company's General Assembly for further action.

The reviews carried out undoubtedly show that in 2023 the Company's Management Board, according to its statutory obligations, informed the Supervisory Board in writing and orally of the operational policy and of the other principal issues related to future management of the business operations, especially changes in business policy and processes during the year due to adjustments to new situation, then of the profitability of operations and profitability of the use of private equity, of the course of business operations, revenues and expenses and the situation in the Company, and in particular of the operations affecting the profitability and liquidity, as well as of other matters that the Supervisory Board considered important.

The Supervisory Board evaluates the operations of the Company and the work of the Management Board in cooperation with the Supervisory Board as successful, bearing in mind all measures taken in accordance with changes in circumstances that occurred during the year, and assumes that that the cooperation between the Supervisory Board and the Management Board has continuously been very correct and efficient, and business success is a result of open communication at all times and of mutual support. Furthermore, the Supervisory Board evaluates its effectiveness during 2023 as successful, and the composition and profiles of the members of the Supervisory Board and the committees, their knowledge and experience as satisfactory.

The results of our review as well as the opinion of the authorized auditor on the reality and objectivity of data shown in the financial statements for 2023 demonstrate that the Company acts in accordance with positive legal regulations, the Company's general acts and decisions of the General Assembly.

The Supervisory Board established, after the review of financial statements for 2023, which the Management Board is accountable for, that they are drafted in accordance with the provisions of the Accountancy Act and other pertinent laws and regulations, and they realistically reflect the situation in the company books and correctly reveal the assets and operational state of the Company.

Proposed use of profit

The Supervisory Board supports the Management Board's proposal on the use of profit gained in 2023 for the payment of dividend for preferred and ordinary shares, and deems that the proposal is aligned with the positive legal regulations and business policy of the Company, and the same is submitted to the General Assembly for adoption.

Auditor's report

The Supervisory Board fully supports the auditing report which also confirms that the Company's financial statements for the year that ended on 31 December 2023, in all aspects fairly and accurately depict the non-consolidated financial position of the Company and the consolidated financial position of the Group as of 31 December 2023, and their non-consolidated and consolidated financial performance and cash flows for the year that then ended, in accordance with the International Financial Reporting Standards adopted by the European Union, and that reports presented in ESEF format have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

The Supervisory Board expresses its absolute approval of the submitted financial statements for year 2023 and of the Management Board's report on the situation in the Company, and leaves their affirming i.e. adoption to the Company's General Assembly.

PRESIDENT
Davor Luksic Lederer

REPORT OF THE AUDITING COMMITEE

The Auditing Committee of the Company drafted this report in line with the provisions set forth below:

- Plava Laguna d.d. Poreč in accordance with the positive legislation of the Republic of Croatia has the obligation at the end of the business year to make an uncons. and cons. financial reports,
- The Company's General Assembly appointed the company KPMG Croatia d.o.o. Zagreb as the auditor of its annual financial statements,
- The Supervisory Board of the Company appointed the Auditing Committee pursuant to the Audit Act.

In accordance with the Companies Act, auditor of the Company was appointed on the General Assembly's meeting held on 30 August 2023, and on 29 September 2023 an agreement was concluded concerning performance of audit and issuance of unconsolidated and consolidated financial statements.

Audit of the Company was completed in two parts, as follows:

- preliminary proceedings (examination of the internal control system and work on temporary balance sheets),
- final audit (control of data reported in ledgers and financial statements).

Members of the Auditing Committee met on several occasions, during the year 2023 and until the issuance of the report in the first half of 2024, with the representatives of the authorized auditor and the responsible executors with the aim to discuss about the planned process of conducting the audit, the applied accounting policies, the recording of important business events, the effects of applying new accounting standards, important announcements and procedures regarding business combinations and other observations of the auditor.

In accordance with the requirements of auditing standards, the auditors submitted a Report to the Supervisory Board and the Audit Committee on 26 April 2024 which, as defined by the regulations, includes The Independent Auditor´s Report, key audit issues, Report on Compliance with the ESEF Regulation and conclusion on issuing an unmodified opinion.

In accordance with the discussions with the auditing company and with the employees in charge of preparation of the financial statement, the Auditing Committee determined the following:

- the Company and the auditors were consistent in the interpretation of international accounting standards as well as local regulations and requirements governing the preparation of financial statements,
- in terms of the effectiveness of internal control system and risk management, there were no irregularities with material consequences observed,
- there were no circumstances that would lead to questioning the independence of the auditor,
- regarding the key auditing issues related to estimates of useful life of real estate, machinery and equipment and impairment indicators, auditors' estimates are in line with the estimates of the Manag. Board, and that is that there are no circumstances indicating impairment of assets value,
- no events and conditions have been identified that could affect the Company´s ability to continue as a going concern.

Accordingly, the Auditing Committee assumes that the financial statements are eligible for the adoption of appropriate decisions based on the same.

THE AUDITING COMMITEE