PLAVA LAGUNA

YEAR 2024
ANNUAL REPORT

Poreč, April 2025

CONTENT

THE MANAGEMENT BOARD'S REPORT

Scope of reporting: In accordance with the Capital Market Act, the Company publishes audited financial statements at the level of Plava Laguna d.d. (hereinafter: the Company), and on a consolidated level (hereinafter: the Group) for the period from 1 January 2024 to 31 December 2024. The Group consists of the principal company Plava Laguna d.d. and its subsidiaries 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. Along with the audited financial statements, a Management Report and an audited Sustainability Report are published.

Sustainability report: The Group publishes an audited Sustainability Report for 2024 in accordance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), to meet the European Union regulatory requirements, enhance business transparency, and provide stakeholders with clear, comparable, and reliable informations on its environmental, social and governance issues.

Operational indicators: In 2024, Plava Laguna Group achieved a total of 5.4 million overnight stays, which is 0.8% less compared to the previous year, primarily due to the reduced demand in September caused by unfavorable weather conditions. Seasonal effects, including an earlier holiday schedule, negatively impacted demand in the leisure segment, while the group travel segment contributed positively, in accordance with the long-term strategy for the development of sports infrastructure. During the peak seasonal months, volume was at the same level as the previous year, with slightly lower demand from the German market in the hotel and apartment segment, which was compensated by growth in the Central European markets such as Hungary, Poland, and Slovenia. Individual guests accounted for the dominant share in the structure of sales channels, with 61% of total overnight stays in the built accommodation facilities. Hotel Croatia maintained a stable market share in the British market, a key demand segment for the subsidiary.

Financial indicators: The Group's business results for 2024 were achieved in line with planned projections, maintaining high profit margins, which, following the exceptional growth recorded in the previous year, represented a significant challenge.

In 2024, the Group's total business revenues amounted to 239.4 million Euros, presenting an increase of 10.8 million Euros or 4.7% compared to the previous year, primarily due to higher average accommodation prices across all segments. Especially noteworthy are campsites with the growth of 6.7% and Hotel Croatia which achieved a 12.3% increase, further validating capital investments. In 2023, the net impact of 4.3 million Euros was recorded (other gains/losses-net), stemming from the sale of Hotel Bonavia.

The Group's business expenditures amounted to 181.4 million Euros, representing an increase of 2.4 million Euros or 1.4% compared to the previous period. Excluding the nonrecurring, one-time items, lease costs associated with tourist land and depreciation costs, operating expenditures mark an increase of 6.0 million Euros or 4.7% compared to the same period in the previous year. Within the expense structure, the highest nominal growth is visible in employee costs, which rose by 6.5% or 3.5 million Euros, primarily due to higher gross wages and other employee benefits. Additionally, above-average cost increases, exceeding inflation levels, were observed in external services, including cleaning, animation, security etc.

In 2023, in accordance with the new Regulation on Land Lease for Tourism, the Company adjusted recorded obligations for the period from 2020 to 2022, based on pricing parameters defined by the Regulation. Differences amounting to 3.5 million Euros for the stated period and the total lease expense of 5 million Euros for 2023 were recorded in other operating expenses. In 2024, part of the land lease obligations was accounted for under IFRS 16, while the remaining portion was recognized as lease costs in the profit and loss statement, amounting to 2.8 million Euros, under other operating expenses. According to IFRS 16, the Company assessed the value of right-of-use assets and liabilities, recognizing depreciation costs of 1.3 million Euros and interest costs of 3.4 million Euros.

The Group achieved adjusted EBITDA (excluding nonrecurring, one-time items) of 92.8 million Euros and EBITDAR of 95.6 million Euros, reflecting growth of 6.1% or 5.5 million Euros. The EBITDA margin equals 40.6%.

MANAGEMENT BOARD'S REPORT *(continued)*

Review of the most significant Group financial indicators

in mil EUR	2024	2023	Index 2024/2023	Difference 2024 - 2023
Operating income	239.4	228.6	104.7	10.8
Operating income – after deduction for agency fees and one-time extraordinary positions	**228.7**	**217.2**	**105.3**	**11.5**
EBITDA[1]	93.5	82.1	114.0	11.5
Effect of one –time extraordinary positions	0.7	(3.07)		
EBITDA - after adjustment of one-time positions	**92.77**	**85.13**	**109.0**	**7.6**
Tourist land lease cost	(2.84)	(5.01)		
EBITDAR – after adjustments of one-time positions	95.60	90.14	106.1	5.5
EBITDA margin (%)	40.56	39.19		
Net debt[2]	18.2	32.9		

[1]EBITDA= operating profit + depreciation - other gains/(losses) - net

[2] Net debt = borrowings net of cash and cash equivalents

The impact of applying IFRS 16 on existing lease agreements and concessions is not included in the indicator.

The financial result is positive and amounts to 1.7 million Euros, influenced by returns on surplus liquidity investments of 4.5 million Euros and recorded gains from the sale of a financial instrument amounting to 1.9 million Euros. The increase in interest expenses is attributable to interest costs on fixed land lease fees under IFRS 16, amounting to 3.4 million Euros.

The Group's profit before tax amounted to 59.7 million Euros, marking an increase of 6.4% or 3.6 million Euros compared to the same period of the previous year.

Income tax, recorded in the amount of EUR 3.6 million, is largely the result of recognizing deferred tax assets by the Company Plava Laguna d.d.. In accordance with the Investment Incentive Act, the Company applied for and obtained the status of holder of incentive measures for an investment project for the period from 2022 to 2025. Based on investments realized by December 31, 2024, the Company became entitled to a tax incentive in the amount of EUR 7.3 million, of which EUR 7.0 million was utilized for the year 2024.

The Group’s net profit, according to audited data, amounted to 56.1 million Euros, representing a 19% increase or 8.9 million Euros compared to the same period of the previous year.

Assets and liabilities: As of 31 December 2024, the Group's total assets amounted to 539.3 million Euros. Loan liabilities were at 73.7 million Euros, while the Group possessed 91.8 million Euros in cash and cash equivalents. Capitalization of land lease obligations under IFRS 16, amounting to 70 million Euros, resulted in an increase in non-current intangible assets on the asset side and an increase in other long-term liabilities on the liabilities side.

Capital investments and Destination Development: Over the past few years, the Group has undertaken significant capital investments to modernize accommodation infrastructure within its portfolio, diversify guest offerings, optimize operational costs, and improve the efficiency of business processes. In 2024, capital investments amounting to nearly 41 million Euros were realized. Plava Laguna continuously invests in destination development, through activities such as the organization of prestigious sporting events, the ATP tournament "Plava Laguna Croatia Open Umag," held for the 34th consecutive year in 2024, and the triathlon race "Plava Laguna Ironman 70.3 Poreč, Istria – Croatia." At the end of 2024, Plava Laguna signed a new three-year contract for hosting the Ironman 70.3 race, ensuring the continuation of cooperation and enabling further development and promotion of sports tourism in the region.

MANAGEMENT BOARD'S REPORT *(continued)*

Awards and recognitions: Camping Stella Maris in Umag was named the best Croatian campsite for children and received the title "Best Croatian Campsite for Children" by the Dutch ACSI, Europe's leading camping specialist. In the "Naj kamp Adria" selection organized by the Slovenian portal Avtokampi.si, Camping Ulika in Poreč won first place in the naturist campsite category, while Camping Bijela Uvala took third place among large campsites in Istria. Camping Park Umag received an "honorable mention" from ACSI and was recognized by ADAC for the second year in a row as the most sought-after Croatian campsite on their platform, receiving the prestigious "Superplatz" award. The list of the most sought-after campsites on ADAC's portal Pincamp.de included Camping Park Umag, Camping Ulika, Camping Savudrija, and Camping Zelena Laguna.

Conclusion: In 2024, the Plava Laguna Group confirmed its business stability despite minor challenges in tourist demand and rising operating costs, achieving planned financial results and high profit margins. Significant capital investments in the modernization of accommodation infrastructure, energy efficiency, and destination development continued, ensuring long-term competitiveness and sustainability of the business model. Achievements in sports tourism, as well as recognitions for the quality of camping offerings, further position the Company as one of the key stakeholders in the development of tourism in Croatia.

ABOUT PLAVA LAGUNA

Founded nearly 70 years ago with headquarter in Poreč, Plava Laguna d.d. is one of the key players in Croatia's tourism sector. Plava Laguna's success is built on continuous enhancement of its offer and a strong commitment to its core values, ensuring financial stability and ongoing growth.

Strategic growth and development: Since 2000, Plava Laguna has maintained a stable ownership structure, initially under the company Sutivan Investments Anstalt, and since 2017 under its subsidiary, Adriatic Investment Group. One of the most significant transactions in Plava Laguna's history was the acquisition of Istraturist Umag d.d. in 2014, which was integrated into the company in 2018. As a result, Plava Laguna added a hospitality company with over 50 years of tradition to its portfolio. Its accommodation facilities, supported by long-term targeted investments, have become an essential destination for guests vacationing in Umag and the surrounding area.

Operational Footprint: In the destinations where it operates – Poreč and Umag and through its subsidiary in the Dubrovnik area (from September 2022) - Plava Laguna could daily host more than 44 thousand guests in its hotels, resorts and campsites, in approximately 17 thousand accommodation units and with an accommodation structure consisting of 20 hotels, 10 apartment complexes and 9 campsites. In addition, Plava Laguna manages two marinas with 360 moorings, as well as a range of catering, sports and other facilities that complete the basic offer of accommodation.

Subsidiaries: The Group consists of the parent company Plava Laguna d.d . and subsidiaries Istra D.M.C. d.o.o. Umag, Travel d.o.o. Poreč, Istraturist d.o.o. Umag and Hotel Croatia d.d. Cavtat. The latter was acquired on the basis of a share exchange agreement between associated companies in September 2022, and therefore joined Plava Laguna as a leading 5-star resort in the destination of Dubrovnik with rich accompanying facilities such as a congress, spa and wellness center. In August 2023, full ownership of Hotel Croatia was acquired.

The Company ISTRA DMC d.o.o. was founded in year 1990. Company's main activity is the organization of the ATP tournament in Umag, and the development and implementation of destination marketing projects. The ATP tournament is one of the most significant sports events that has been continuously held for the last past 34 years, with the exception of 2020 due to the COVID-19 pandemic.

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.

Strategic ambitions**:** The Plava Laguna Group, dedicated to enhancing the tourism sector and creating unforgettable experiences for its guests, continues to build growth on the principles of sustainable operations, respecting the local community, preserving the environment, and creating long-term value for all stakeholders.

ABOUT PLAVA LAGUNA *(continued)*

Historical development

Establishing the 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 J.S.C. 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 hotel 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.

2023
The transfer of shares from minority shareholders of Hotel Croatia d.d. was completed, making Plava Laguna the sole shareholder of the company. A purchase agreement for Hotel Bonavia in Rijeka was signed with the company Bonavia Rijeka d.o.o., which acquired ownership of the property. The latest addition to the energizer brand family, "Plava Laguna Sport," was introduced, focusing on sports infrastructure and sports offer.

ABOUT PLAVA LAGUNA *(continued)*

Brands

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.

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. 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.

ABOUT PLAVA LAGUNA *(continued)*

- **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.

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.

Hotel Croatia operates under the brand Adriatic Luxury Hotels (ALH), a prestigious brand of the Croatian hotel group that manages luxury hotels and villas in Dubrovnik.

ABOUT PLAVA LAGUNA *(continued)*

Corporate 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.

During 2024, the Management Board consisted of three members, with Mr. Dragan Pujas as president, and Mr. Damir Mendica and Ms. Danira Rančić as members. The Management Board's mandate lasts for three years. The current mandate started on 1 January 2024, and will last until 31 December 2026, based on the decision of the Company's Supervisory Board from 15 December 2023, which reappointed Mr. Dragan Pujas as president, and Mr. Damir Mendica and Ms. Danira Rančić as members of the Management Board. Each member of the Management Board is authorized to conduct business and represent the Company together with the President of the Management Board, while the President is authorized to conduct business and represent the Company with another member of the Management Board. The Management Board holds meetings as needed, usually several times a week.

▪ 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 2024, two members of the Supervisory Board were replaced. By the decision of the Workers' Council of Plava Laguna d.d. on 27 March 2024, the employee representative on the Supervisory Board, Ms. Marica Kurtek, was dismissed as of 31 March 2024. By the same decision, Mr. Veljko Šantek was appointed as the employee representative as of 1 April 2024, with a mandate lasting until 29 August 2025. At the regular General Assembly held on 9 July 2024, the resignation of Supervisory Board member Mr. Paul Marie Francois Jean Rene' Le Bault de La Moriniere was accepted, and Mr. Ignacio Andrés Pardo was elected as the new member of the Company's Supervisory Board on the same date. His mandate was determined to last for the remaining term of the existing members of the Supervisory Board, ending on 29 August 2025.

Therefore, the Supervisory Board during year 2024 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. Ignacio Andrés Pardo, Member of the Supervisory Board
mr. Neven Staver, Member of the Supervisory Board
mr. Christiaan Paul Dijk, Member of the Supervisory Board
mr. Veljko Šantek, Member of the Supervisory Board, workers' representative.

ABOUT PLAVA LAGUNA *(continued)*

In year 2024, 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 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.

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 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 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. On 9 July 2024, the Company held its regular General Assembly, with the following outcome:

- The Management Board's Report on the Company's situation in 2023 (both unconsolidated and consolidated) was accepted;
- The Supervisory Board's Report on the supervision of the Company's and Group's operations in 2023 was accepted;

ABOUT PLAVA LAGUNA *(continued)*

- Decisions were made regarding the determination and adoption of the Company's 2023 annual financial statements (both unconsolidated and consolidated); the use of the Company's profit earned in 2023, amounting to 44,431,275.35 Euros and the payment of regular dividends to the Company's shareholders, as well as and the payment of privileged fixed dividends to holders of the Company's preferred shares;
- Discharge was given to the members of the Management Board and Supervisory Board;
- The Report on the remuneration of Management Board and Supervisory Board members was approved;
- The Remuneration Policy for Management Board Members was approved;
- A decision was made to accept the resignation of Supervisory Board member, Mr. Paul Marie Francois Jean Rene' Le Bault de la Moriniere, and Mr. Ignacio Andrés Pardo was appointed as the new Supervisory Board member
- PricewaterhouseCoopers d.o.o., based in Zagreb, was appointed as the Company's auditor for 2024.

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.

The first ten shareholders of regular share PLAG-R-A on 31 December 2024 are;

No.	Owner/account holder/securities holder	No. of shares	Share (%)
1.	PRIVREDNA BANKA ZAGREB 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)	18,298	0.83
4.	BOGDANOVIĆ ZORAN (67789051313)	17,031	0.77
5.	OTP BANKA D.D. (52508873833)/ERSTE PLAVI OMF KATEGORIJE B (37688683890)	16,919	0.77
6.	ZAGREBAČKA BANKA D.D. (92963223473)/AZ PROFIT OTVORENI DOBROVOLJNI MIROVINSKI FOND (22134623145)	9,829	0.45
7.	INTERKAPITAL VRIJEDNOSNI PAPIRI D.O.O. (68481874507)	8,806	0.40
8.	OTP BANKA D.D. (52508873833)/ERSTE PLAVI OMF KATEGORIJE A (29597039090)	5,488	0.25
9.	OTP BANKA D.D. (52508873833)/ERSTE PLAVI EXPERT - DOBROVOLJNI MIROVINSKI FOND (21938195883)	4,888	0.22
10.	NOVAK MIRKO (47162075931)	4,170	0.19

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.

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 (%)
PRIVREDNA BANKA ZAGREB 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.

PLAVA LAGUNA OPERATIONS IN 2024

Important events – the Company

- The Company, in collaboration with social partners, signed an annex to the Collective Agreement, increasing the base salary by 5% for all employees whose salaries are determined under the collective agreement. This was accompanied by an increase in bonuses and incentives, with additional salary raises impacting more than 1,800 employees.

- Construction of the new Administrative Building of Plava Laguna in Poreč has begun, which will unite over 260 employees from shared central services under one roof. The completion of construction is planned for 2025.

- Capital investments have been primarily directed toward further development of the Istra Camping brand, and investments in the installation of photovoltaic panels on several properties in Poreč and Umag have continued, with the aim of optimizing the use of solar energy.

- New, visually attractive websites (plavalaguna.com and istracamping.com) have been created using the latest technologies to enhance the user experience. A new CRM system has been implemented, tailored to the specific needs of the hotel industry, with the aim of strengthening guest relationships, increasing sales, and improving overall guest satisfaction.

Business results

Review of the most significant Group operational indicators

	2024	2023	Index 2024/2023
Capacity – number of permanent beds[2]	43,891	44,569	98.5
Capacity – number of accommodation units[2]	16,628	16,976	98.0
Realized overnight stays	5,437,821	5,481,711	99.2
Number of sold accommodation units	2,058,530	2,085,420	98.7
RevPar[3] (in EUR)	11,724	11,081	105.8

[2] operational capacity is shown without Guest house Adriatic, which was not in commercial operation during 2024

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

Accommodation offering

The company Plava Laguna offers a wide range of accommodation facilities- in its direct portfolio it has 19 hotels, 10 apartment complexes, 9 campsites, and 2 marinas in the destinations of Poreč and Umag. The total accommodation capacity consisted of 43,363 primary beds, or 16,367 accommodation units. Campsites account for the largest share of accommodation capacities, with 54%, followed by hotels with 34%, and apartments with 15%.
Hotel Croatia, located in the Dubrovnik destination, offers 980 main beds, or 487 accommodation units, categorized with 5 stars.

PLAVA LAGUNA OPERATIONS IN 2024 *(continued)*

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

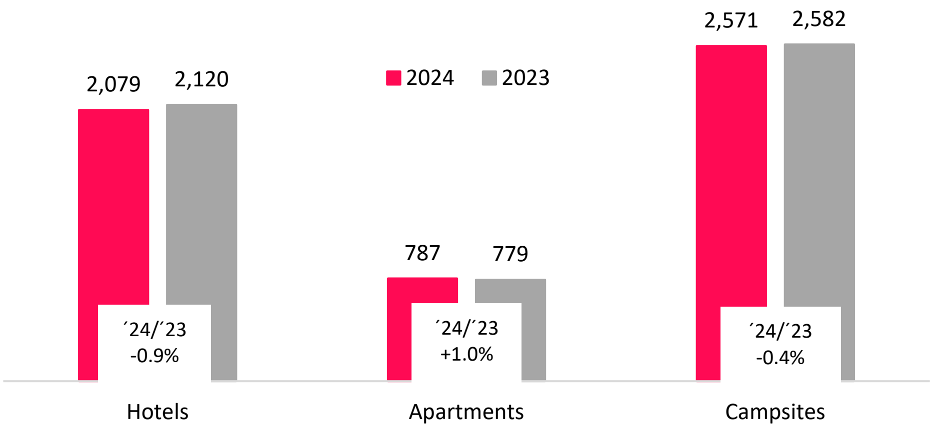
Descriptions	Destination Poreč	%	Destination Umag	%	Total	%
Hotels 4*	1,258	35.2	1,640	83.1	2,898	52.3
Hotels 3*	1,519	42.6	107	5.4	1,626	29.3
Hotels 2*	794	22.2	226	11.5	1,020	18.4
Total hotels	3,571	100.0	1,973	100.0	5,544	100.0
Apartments 4*	380	75.7	512	34.1	892	44.5
Apartments 3*	-	-	757	50.4	757	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*	4,199	93.2	4,033	93.5	8,232	93.3
Campsite 3*	305	6.8	282	6.5	587	6.7
Total campsite	4,504	100.0	4,315	100.0	8,819	100.0
Total	8,577		7,790		16,367	

Guest house Adriatic shown in hotels 2* in destination Umag

Overnight stays achieved per segments

In 2024, the Group Plava Laguna achieved 5.4 million overnight stays, representing a decrease of 0.8% or 44 thousand overnight stays compared to the previous year.

Overnight stays per types of accommodation (in 000)

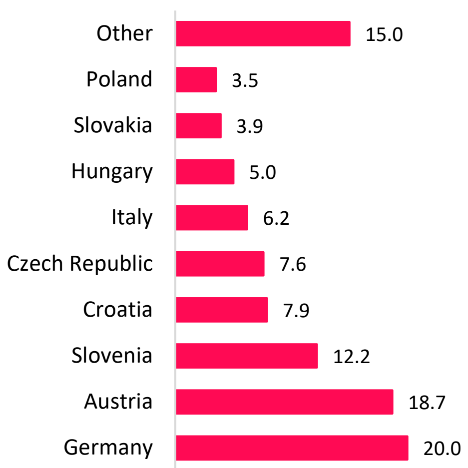


Overnight stays achieved per countries

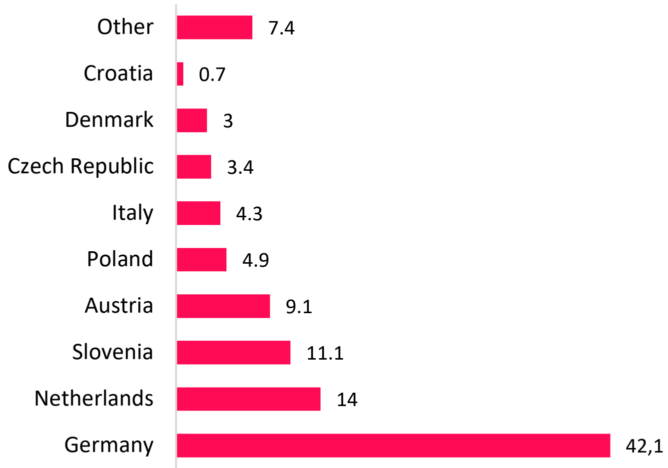
In built accommodation facilities, the leading positions have traditionally been held by the guests from Austria and Germany, who together account for over 38.7% share, followed by guests from Slovenia (12.2%) and Croatia (7.9%).

In camping, the most significant share in overnight stays is achieved by guests from Germany (42.1%), Netherlands (14%) and Slovenia (11.1%) and Austria (9.1%).

Emissive markets in 2024 – built objects (in %)



Emissive markets in 2024 – campsites (in %)

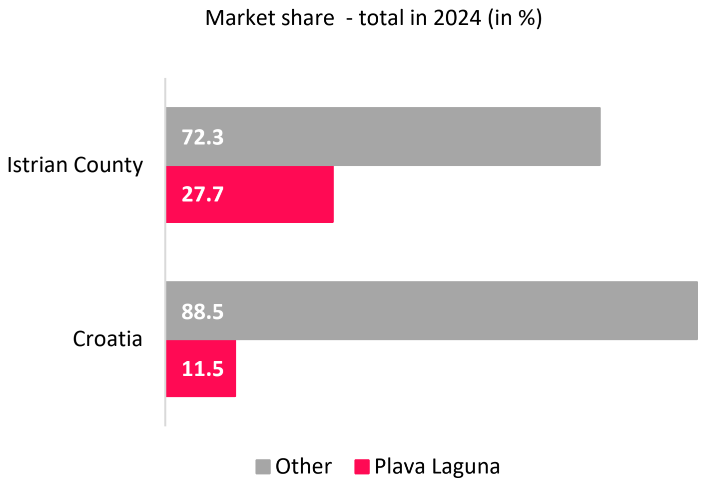


PLAVA LAGUNA OPERATIONS IN 2024 *(continued)*

In 2024, guests from the United Kingdom maintained their leading position at Hotel Croatia, accounting for 59.8% of total visitors, followed by guests from Ireland (10.9%) and the United States (3.5%).

Market share

In view of the total number of overnight stays in 2024, Plava Laguna has a market share of 18.8% at the level of the Istrian County (2023: 18.7%), while at the level of Croatia, it has a market share of 5.6% (2023:5.7%). When observing total overnight stays in hotels, apartments and campsites, Plava Laguna has a market share of 27.7% at the level of the Istrian County (2023:27.8%) and 11.5% at the level of Croatia (2023:11.6%).



Key performance indicators by segments

In the context of volume and financial performance of the Group Plava Laguna achieved in year 2024, below are the results obtained at the level of basic business segments – hotels and apartments, as well as campsites.

- Key operating indicators by segments – HOTELS AND APARTMENTS

	2024	2023	Index 2024/2023
Capacity – units	7,809	8,155	95.8
Realized overnight stays	2,866,357	2,899,407	98.9
Days of occupancy - units	153	149	102.8
RevPar [1] in EUR	19,273	17,922	107.5
EBITDA II [2] in 000 EUR	62,445	58,121	107.4
EBITDA II margin in %	36.9	35.4	104.3

PLAVA LAGUNA OPERATIONS IN 2024 *(continued)*

- Key operating indicators by segments – CAMPSITES

	2024	2023	Index 2024/2023
Capacity – units	8,819	8,821	100.0
Realized overnight stays	2,571,464	2,582,304	99.6
Days of occupancy - units	98	98	99.6
RevPar [1] in EUR	5,041	4,757	106.0
EBITDA II [2] in 000 EUR	29,029	25,981	111.7
EBITDA II margin in %	56.8	55.3	102.6

[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

Investments

The Plava Laguna Group has invested a remarkable capital budget over the past few years to enhance accommodation infrastructure within its portfolio, create additional amenities for guests, as well as optimize costs and improve the efficiency of business processes. For the business season in 2024, Plava Laguna implemented a capital budget amounting to nearly 33 million Euros.

Capital investments were primarily directed towards the further development of the Istra Camping brand, resulting in the following innovations that welcomed guests in the season 2024:

- At Camping Bijela Uvala the pool complex has been upgraded, the sunbathing area has been renovated with accompanying amenities for children, and the sanitary facilities have been completely reconstructed,
- At Camping Zelena Laguna, a new zone with 70 plots has been developed, and the sanitary facilities have been completely reconstructed,
- At Camping Ulika, camping plots have been renovated, and the coastal promenade has been redesigned,
- At Camping Park Umag, 26 mobile homes have been installed, and equipped according to contemporary standards.

During spring, the construction of Plava Laguna's new Administrative Building in Poreč began on an area exceeding 1.4 hectares. The construction of this new building is a symbol of development and a new chapter for Plava Laguna and its employees in shared services. Upon completion, planned for 2025, nearly 260 employees will be brought together under one roof.

Alongside infrastructure investments, the program for photovoltaic power plants and energy efficiency projects has continued, reaffirming Plava Laguna's long-term sustainable development strategy.

The Hotel Croatia branch successfully completed the first phase of the reconstruction of 133 accommodation units out of a total of 487, with a total investment value of 7.2 million Euros.

PLAVA LAGUNA OPERATIONS IN 2024 *(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.

- 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 2024 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 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.

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.

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.

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 on 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.

EXPECTED FUTURE DEVELOPMENT OF PLAVA LAGUNA

At Plava Laguna, development is planned with a long-term focus on sustainable business operations. Through strategic planning and efforts to successfully implement economic principles, development is directed to harmonize with the environment in which it operates.

In the segment of hotels and apartments, the renovation project for Hotel Coral is in progress. The hotel will reenter the market in the summer of 2025 under a new name—Hotel Pelegrin. A new, modern design and improved services will further strengthen its market position.

Simultaneously, intensive efforts are ongoing to prepare for the comprehensive reconstruction of the four-star Resort Savudrija. The new concept, primarily tailored for families, will be based on an all-inclusive offer.

Projects for the redesign and refurbishment of Hotel and Residence Garden Istra are in preparation, with special emphasis on the family segment, as well as a project for the thorough reconstruction of the Astra apartment complex (four stars). Modernized infrastructure, contemporary design, and enhanced services will enable the complex to meet the needs of new generations of guests.

In the camping segment, several significant projects are in progress, including the construction of a new pool complex with hospitality and recreational facilities at Camping Savudrija, the reconstruction of the hospitality and pool complex at Camping Bijela Uvala, and the renovation of a hospitality facility at Camping Zelena Laguna. Additionally, projects for the reconstruction of two sanitary facilities at Camping Bijela Uvala and Camping Zelena Laguna, as well as the design and replacement of mobile homes at Camping Park Umag, which encompasses an area with 93 accommodation units, are in their final stages. In the future, the focus will remain on enhancing service quality through investments in attractive communal facilities, sanitary facility renovations, and improvements to the accommodation offer of campsites.

The construction of the Company's new administrative building in Poreč is in its final stages, while at the same time, considerations continue regarding the optimal use of the existing administrative buildings in Poreč and Umag.

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

Environmental conservation and space preservation remain important priorities, with continuous investments in landscaping and beach development, as well as energy-efficient projects.

In the preparation of investment projects, the Company continues to make significant efforts to ensure the basic preconditions for their realization, including resolving issues related to the so-called tourist land and determining the boundaries of maritime property, which are critically important for accelerating the Company's development in line with market demands.

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.

Independent practitioner's limited assurance report on Plava laguna d.d.'s consolidated Sustainability Statement

To the Shareholders of Plava laguna d.d.

Limited assurance conclusion

We have conducted a limited assurance engagement on the consolidated sustainability statement of Plava laguna d.d. (the "Company"), included in the Sustainability Statement of the Management Board's report (the "consolidated Sustainability Statement"), as at 31 December 2024 and for the year then ended.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the consolidated Sustainability Statement is not prepared, in all material respects, in accordance with Articles 32 and 36 of the Accounting Act implementing Article 29(a) of EU Directive 2013/34/EU, including:

- compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Company to identify the information reported in the consolidated Sustainability Statement (the "Process") is in accordance with the description set out in note Management of impacts, risks and opportunities; and
- compliance of the disclosures in section Environmental information - Publications in accordance with Article 8 of the EU Taxonomy Regulation of the consolidated Sustainability Statement with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation").

Basis for conclusion

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance engagements other than audits or reviews of historical financial information* ("ISAE 3000 (Revised)"), issued by the International Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. Our responsibilities under this standard are further described in the Practitioner's responsibilities section of our report.

Our independence and quality management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibilities for the consolidated Sustainability Statement

Management of the Company is responsible for designing and implementing a process to identify the information reported in the consolidated Sustainability Statement in accordance with the ESRS and for disclosing this Process in note Management of impacts, risks and opportunities of the consolidated Sustainability Statement. This responsibility includes:

- understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- the identification of the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the Group's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- the assessment of the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- making assumptions that are reasonable in the circumstances.

Management of the Company is further responsible for the preparation of the consolidated Sustainability Statement, in accordance with Articles 32 and 36 of the Accounting Act implementing Article 29(a) of EU Directive 2013/34/EU, including:

- compliance with the ESRS;
- preparing the disclosures in section Environmental information - Publications in accordance with Article 8 of the EU Taxonomy Regulation of the consolidated Sustainability Statement, in compliance with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation");
- designing, implementing and maintaining such internal control that management determines is necessary to enable the preparation of the consolidated Sustainability Statement that is free from material misstatement, whether due to fraud or error; and
- the selection and application of appropriate sustainability reporting methods and making assumptions and estimates that are reasonable in the circumstances.

Those charged with governance are responsible for overseeing the Group's sustainability reporting process.

Inherent limitations in preparing the consolidated Sustainability Statement

In reporting forward-looking information in accordance with ESRS, management of the Company is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. Actual outcomes are likely to be different since anticipated events frequently do not occur as expected.

Practitioner's responsibilities

Our responsibility is to plan and perform the assurance engagement to obtain limited assurance about whether the consolidated Sustainability Statement is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the consolidated Sustainability Statement as a whole.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised) we exercise professional judgement and maintain professional scepticism throughout the engagement.

Our responsibilities in respect of the consolidated Sustainability Statement, in relation to the Process, include:

- Obtaining an understanding of the Process, but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process;
- Considering whether the information identified addresses the applicable disclosure requirements of the ESRS; and
- Designing and performing procedures to evaluate whether the Process is consistent with the Company's description of its Process set out in note Management of impacts, risks and opportunities.

Our other responsibilities in respect of the consolidated Sustainability Statement include:

- Identifying where material misstatements are likely to arise, whether due to fraud or error; and
- Designing and performing procedures responsive to where material misstatements are likely to arise in the consolidated Sustainability Statement. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the work performed

A limited assurance engagement involves performing procedures to obtain evidence about the consolidated Sustainability Statement. The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The nature, timing and extent of procedures selected depend on professional judgement, including the identification of disclosures where material misstatements are likely to arise in the consolidated Sustainability Statement, whether due to fraud or error.

In conducting our limited assurance engagement, with respect to the Process, we:

- Obtained an understanding of the Process by:
    - performing inquiries to understand the process of identifying the organisational boundaries, value chain and stakeholders and sources of the information used by management (e.g., stakeholder engagement and business plans);
    - assessing key assumptions made by management in determining scales and thresholds used in identifying material topics;
    - reviewing the Company's internal documentation of its Process.
- Evaluated whether the evidence obtained from our procedures with respect to the Process implemented by the Company was consistent with the description of the Process set out in note Management of impacts, risks and opportunities.

In conducting our limited assurance engagement, with respect to the consolidated Sustainability Statement, we:

- obtained an understanding of the Group's reporting processes relevant to the preparation of its consolidated Sustainability Statement by obtaining an understanding of the Group's control environment, processes and information system relevant to the preparation of the consolidated Sustainability Statement, but not for the purpose of providing a conclusion on the effectiveness of the Group's internal control;
- evaluated whether the information identified by the Process is included in the consolidated Sustainability Statement;
- evaluated whether the structure and the presentation of the consolidated Sustainability Statement is in accordance with the ESRS;
- performed inquires of relevant personnel and analytical procedures on selected information in the consolidated Sustainability Statement;
- performed substantive assurance procedures on selected information in the consolidated Sustainability Statement;
- where applicable, compared disclosures in the consolidated Sustainability Statement with the corresponding disclosures in the consolidated financial statements and the Management Board's report;
- evaluated the methods, assumptions and data for developing estimates and forward-looking information;
- reviewed the Company's internal policies disclosed in the consolidated Sustainability Statement;
- obtained an understanding of the Company's process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the consolidated Sustainability Statement.

Other matter

The comparative information included in the consolidated Sustainability Statement of the Company as at 31 December 2023 and for the year then ended was not subject to an assurance engagement. Our conclusion is not modified in respect of this matter.

The engagement partner on the limited assurance engagement resulting in this independent practitioner's limited assurance report is Slaven Kartelo.

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
28 April 2025

John Mathias Gasparac
President of the Management Board

Slaven Kartelo
Certified auditor

Original report is signed in Croatian language.

This version of our 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 our report takes precedence over this translation.

PLAVA LAGUNA

SUSTAINABILITY REPORT 2024

GENERAL INFORMATION

General disclosures (ESRS 2)

Basis for preparation

BP – 1 General basis for preparation of sustainability statements

Basis for preparation: In accordance with the Corporate Sustainability Reporting Directive (CSRD), which was transposed into national legislation in 2024, the Plava Laguna Group publishes a consolidated Sustainability Report for the period from 1st January 2024 to 31st December 2024. This ensures transparency and alignment with the European Sustainability Reporting Standards (ESRS). The Sustainability Report is prepared on a consolidated basis, meaning it is harmonized with the Group's financial statements for the same reporting period and provides information on Plava Laguna d.d. ("Company") and its subsidiaries ("Group").

Value chain: All stakeholders and key activities in upstream and downstream value chains have been considered, as well as the areas within the value chain where a significant likelihood of impacts, risks, and opportunities (IRO) related to sustainability factors has been identified. However, due to the complexity of data collection, the Group is utilizing a transitional provision in the first three years of reporting, in accordance with section "10.2. Transitional provision related to chapter 5 Value chain" and clause 133. This provision allows reporting on information regarding upstream and downstream value chain in a limited scope, based on data already available to companies and publicly accessible information. Consequently, the primary focus of reporting remains on the Group's own activities. Further details on the value chain are provided in section IRO – 1 Description of the processes to identify and assess material impacts, risks and opportunities.

Omission of information and exemptions: The option to omit information related to intellectual property, knowledge and expertise, or innovation outcomes has not been used, nor has the exemption to withhold disclosures on upcoming events or ongoing negotiations.

BP – 2 Disclosures in relation to specific circumstances

Reporting period: In determining the duration of impacts, risks, and opportunities, the timeframes defined in the section "Definition of short-term, medium-term, and long-term for reporting purposes" in ESRS 1 General Requirements have been applied. The short-term period corresponds to the financial reporting period (1 year), the medium-term period covers the timeframe from the end of the short-term reporting period to five years (1 to 5 years), and the long-term period extends beyond the completion of the medium-term timeframe (longer than 5 years).

Sources of estimates and uncertainty of outcomes: Due to the limited availability and quality of certain upstream and downstream value chain data, which would serve as a basis for calculating indirect greenhouse gas emissions (Scope 3 emissions), certain assumptions and estimates were used in accordance with the Greenhouse Gas Protocol. As a result, some deviations in the accuracy of calculations are possible. In future reporting periods, the Group will continue improving and establishing a system for data collection

GENERAL INFORMATION *(continued)*

from key stakeholders—including suppliers, business partners, local communities, and end users, in order to enhance the accuracy and comprehensiveness of value chain data.

Greenhouse gas emissions in Scope 3 for Category 1 Purchased goods and services and Ccategory 2 Capital goods were calculated based on the average data method and the cost-based method. Emissions for Category 3 Fuel- and energy- related activities were calculated using data on fuel and energy consumption, while emissions for Category 4 Upstream transportation and distribution were calculated using the cost-based method for transportation services. Emissions for Category 5 Waste generated in operations were calculated based on the type and quantity of waste and the disposal method. Emissions for Category 6 Business travel were estimated using a methodology based on business travel data and types of transportation used. Emissions for Category 7 Employee commuting were calculated based on the average distance travelled and modes of transportation used. Generally accepted emission factors from databases compatible with the GHG Protocol (such as DEFRA, the Croatian Emission Factor Database, the UK Emission Factor Database, and the French Emission Factor Database – Base Carbone model) were used, ensuring that the calculations do not introduce a high level of uncertainty. Further information on the applied methodology for Scope 3 greenhouse gas emission calculations can be found in section "Gross Scopes 1, 2, 3 and Total GHG emissions."

Apart from scope 3 GHG emissions indicators (eng. Greenhouse Gas emissions), the Group does not have value chain-related metrics.

Changes in the preparation or presentation of sustainability information: In the past two years, the Company has published sustainability information alongside financial statements, following the standards of the Global Reporting Initiative (GRI), one of the internationally recognized frameworks for non-financial reporting. As of 2024, in accordance with the Corporate Sustainability Reporting Directive (CSRD), the Group is reporting for the first time under the European Sustainability Reporting Standards (ESRS), ensuring transparency, improved data comparability, and compliance with European regulatory requirements. In the 2024 report, data from previous years is not presented because the previous reporting system under the Global Reporting Initiative (GRI) standards was not fully aligned with double materiality requirements and other ESRS obligations, preventing direct comparison.

The only changes in data presentation compared to the previous year relate to the presentation of capital expenditures and revenues associated with environmentally sustainable economic activities, in accordance with the Taxonomy Regulation (EU) 2020/852 and its related delegated acts. In the previous reporting period, the key performance indicator related to capital expenditures and the activity "7.6. Installation, maintenance, and repair of renewable energy technologies" was presented as a taxonomy-aligned economic activity. Due to the adjustment of the methodology and ensuring data comparability, in the current reporting period, the corresponding indicator (N-1) is presented as a taxonomy-eligible activity. Additionally, in the previous reporting period, the key performance indicator related to turnover and the activity "2.1. Hotels, resorts, camps, and similar accommodation" was presented as an eligible activity. For both key performance indicators, capital expenditures and revenue, adjusted denominators were used to align the data presentation methodology with the methodology in the current period. Information mandated by the Taxonomy Regulation can be found in the environmental section of the report (pages 48–54).

GENERAL INFORMATION *(continued)*

Disclosures arising from other regulations: Within the Sustainability Report, the Group publishes information on the share of revenue, capital expenditures, and operating expenses (key performance indicators) related to environmentally sustainable economic activities, in accordance with the Taxonomy Regulation (EU) 2020/852 and the supplementary delegated acts.

Incorporation by reference: The Sustainability Report includes information referenced from financial statements and notes to financial statements, which are published simultaneously.

Table: Incorporation by reference

Disclosure requirement	Reference to
Information in accordance with Article 8 of the Taxonomy Regulation	part of Note 6, 6a, 15,16,17 of the revised financial report of the Group
E1-3 – Actions and resources in relation to climate change policies	part of Note 15 of the revised financial report of the Group
E1-6- Gross Scopes 1, 2, 3 and Total GHG emissions	Note 6 of the revised financial report of the Group
E3-4- Water consumption	Note 6 of the revised financial report of the Group
S1-6- Characteristics of the Undertaking's Employees	Note 8 of the revised financial report of the Group

Transitional provisions: The option for transitional provisions is used for:

- disclosure of comparative information in accordance with section "Transitional provision on section 7.1. Presenting comparative information " in the ESRS 1 General Requirements standard,
- disclosure of requirements that are gradually introduced in accordance with section "Transitional provision: List of Disclosure Requirements that are phased-in " and Annex C in the ESRS 1 General Requirements standard, which also belong to topics assessed in the double materiality evaluation process as having material impacts, risks, and opportunities. The possibility of omission in the first year of reporting applies to the following requirements: ESRS 2 SBM-1 point 40, subpoints (b) and (c), SBM-3 point 48, subpoint (e), ESRS E1 – 9 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities, ESRS E3 – 5 Anticipated financial effects from water and marine resources-related impacts, risks and opportunities, ESRS E5 – 6 Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities, ESRS S1 – 7 Characteristics of non- employee workers in the undertaking's own workforce, ESRS S1 – 11 Social protection, and ESRS S1 – 13 Training and skills development.

GENERAL INFORMATION *(continued)*

Governance

GOV – 1 The role of administrative, management, and supervisory bodies

Corporate structure

The Company is organized according to a dualistic model, with its main governing bodies being the Management Board, the Supervisory Board, and the General Assembly.

- The Management Board

The Company's Management Board operates independently, but certain strategic matters require prior approval from the Supervisory Board. The Supervisory Board oversees the Company's operations, and its members are regularly informed by the Management Board about management and business activities. The Management Board consists of one female and two male members, representing a 33% share of women. All members of the Management Board hold executive positions in accordance with the law.

The current mandate of the president and members of the Management Board began on 1st January 2024, and will last until 31st December 2026.

As of 31st December 2024, the Management Board consisted of the following members:

Dragan Pujas has been the president of the Management Board of Plava Laguna since 1st October 2019. He graduated from the Faculty of Economics at the University of Rijeka in 2006, after which he completed a professional MBA program in tourism and destination management at Modul University in Vienna, which he attended from 2008 to 2010. He began his professional career in 2006, the same year he graduated, as a trainee at Plava Laguna. After completing the trainee program, he was employed in the Procurement Sector before moving to the Operations Sector. In 2010, he was appointed as an assistant director of the sector, and in 2015, he took over the position as director of the Operations Sector. In January 2018, he became a member of the Management Board of Plava Laguna, where, as a key member of the management team, he has contributed significantly to the company's success. On 1st October 2019, he assumed the role of president of the Management Board. Since 2022, Dragan Pujas has been a member of the Supervisory Board of Hotel Croatia d.d. .In his work, he continuously relies on the core values held by Plava Laguna: tradition, stability, respect, responsibility, and realism, values that remain central to his management approach.

Danira Rančić has been a member of the Management Board of Plava Laguna since January 2018. She graduated from the Faculty of Economics at the University of Rijeka in 1996 and began her traineeship at Plava Laguna the same year. She started her independent career in the Budget and Analysis Department of Plava Laguna, where she gained valuable knowledge and experience for her professional development. In 2004, she took over as director of the Economics and Finance Sector, a position she held until 2018, when she became a member of the Management Board responsible for finance, accounting, and controlling. Her role was crucial in the operational preparation for the merger of Istraturist Umag in 2014, leading up to its formal legal integration in 2018. Since 2022, she has been a member of the Supervisory Board of Hotel

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Croatia d.d. As a member of the Management Board, Danira Rančić actively participates in the strategic management and development of Plava Laguna.

Damir Mendica has been a member of the Management Board of Plava Laguna since 2018, overseeing investments and information technology. After completing his studies at the Faculty of Electrical Engineering and Computing (FER) at the University of Zagreb in 1996, he was employed at the Institute of Agriculture and Tourism in Poreč, where he soon became involved in IT projects for Plava Laguna. He fully transitioned to Plava Laguna in 1998 as a Project Manager, and since 2003, he has served as director of the Investments and Maintenance Sector. Throughout his career, he has played a key role in implementing significant projects, including major investments such as the Albatros, Molindrio, Parentium, and Park Resort hotels in Poreč, as well as Sipar in Umag. In a role as a member of the Management Board, he contributed to the integration of Istraturist into Plava Laguna, making the company one of Croatia's largest tourism enterprises. He actively participates in socially responsible initiatives, including donations to schools and healthcare institutions. His contribution to the development of Plava Laguna's tourism offer and business processes has significantly strengthened the company's market position. His dedication and vision continue to drive the growth and success of Plava Laguna.

- The Supervisory Board

The Company's Supervisory Board has seven male members. The selection of members is carried out in accordance with the Companies Act, the Statute, and the Rules of Procedure of the General Assembly. As long as this is determined by a special regulation, employees, through the Workers' Council, have the right to appoint one member. The employee representative, as a member of the Supervisory Board, participates equally in its work and represents only the company's employees. One member of the Supervisory Board is independent (14.2%), and all members are non-executive under the law.

As of 31st December 2024, the Supervisory Board consisted of the following members:

Davor Luksic Lederer, an economist, has been the president of the Supervisory Board since August 2011. In Croatia, he is a member of the supervisory boards of three other companies and a board member in 6. He is a member of the Audit Committee and the Remuneration Committee of the Company.

Patricio Tomas Balmaceda Tafra, an economist, has been the deputy chairman of the Supervisory Board since September 2002. In Croatia, he is a member of the supervisory boards of four other companies and a board member in one. He is a member of the Audit Committee and the Remuneration Committee of the Company.

Davor Domitrovic Grubisic, a lawyer, has been a member of the Supervisory Board since August 2011. In Croatia, he is a member of the supervisory boards of two other companies. He is a member of the Audit Committee and the Remuneration Committee of the Company.

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Ignacio Andrés Pardo, an engineer, has been a member of the Supervisory Board since July 2024. In Croatia, he is a member of the supervisory boards of three other companies.

Neven Staver, an economist, has been a member of the Supervisory Board since October 2019, having previously served as a member or president of the Company's Management Board for many years. In Croatia, he is a board member of another company.

Christiaan Paul Dijk, an economist, has been a member of the Supervisory Board since May 2023.

Veljko Šantek has been a member of the Supervisory Board as an employee representative since April 2024. He is a long-time employee of the Company and a member of the Workers' Council.

The rules for appointing members of the Management Board and members of the Supervisory Board do not contain any restrictions regarding diversity in terms of gender, age, education, profession, or similar criteria.

- The General Assembly

The General Assembly comprises all shareholders of the Company and performs tasks assigned to it by law and the Company's statute.

Roles in determining and assessing impacts, risks, and opportunities

During 2024, the Company established a project team to conduct the double materiality assessment process.

An internal project coordinator from the Accounting, Finance, and Controlling Sector was appointed, responsible for leading and monitoring the process, consolidating data, coordinating stakeholder engagement, familiarizing the team with regulatory requirements, and ensuring compliance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS).

The project team members, including sector directors and key department heads, held a series of consultations and meetings to identify, discuss, and assess actual and potential impacts, risks, and opportunities, as well as their significance for the Group.

Internal experts in environmental protection from the Operations Sector and investment experts from the Investment Sector were engaged for environmental topics. For workforce-related topics, internal experts from the Human Resources Sector and the Legal Affairs Department were involved. For matters related to guests and end users, internal experts in accommodation quality and operations from the Operations Sector, sales experts from the Sales Sector, and marketing experts from the Marketing Sector were engaged. For corporate governance topics, internal experts from the Legal Affairs Department, the Information Technology Sector, and the Procurement Sector were involved. Additionally, experts from the Business Development Sector and the Accounting, Finance, and Controlling Sector participated in the process. The

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Management Board actively participated in the double materiality assessment, ensuring strategic direction and monitoring.

The project coordinator acquired additional knowledge and attended specialized sustainability programs, while additional workshops were organized for project team members in collaboration with external experts to familiarize them with CSRD and ESRS requirements.

The Management Board possesses relevant expertise in sustainability matters and material impacts, risks, and opportunities, derived from long-standing experience and a thorough understanding of the industry in which the Group operates.

For specific areas where internal company expertise is currently insufficiently developed, external experts with proven experience in sustainability are engaged.

The Management Board and the Supervisory Board currently do not have formal procedures for managing identified material impacts, risks, and opportunities. A formal risk management and internal control system specifically related to sustainability reporting has not yet been established, but its implementation is planned for future reporting periods.

Role and expertise of the Management Board and the Supervisory Board in business conduct matters

The management and supervisory bodies of Plava Laguna play a key role in ensuring the effectiveness and consistent application of policies and procedures related to business conduct. The Management Board adopts fundamental documents, while the Supervisory Board grants prior approval where required by regulations, internal acts, or the Company's established processes.

Function and department heads are responsible for implementing policies at the operational level and providing support to employees in understanding and applying internal procedures and regulations.

The Company's management and supervisory bodies possess adequate expertise and experience in managing business conduct matters, including a thorough understanding of relevant regulations such as the General Data Protection Regulation (GDPR), the Conflict of Interest Prevention Act, and the Informant Protection Act, as well as practical experience in applying legal requirements and corporate ethics.

GOV – 2 Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

The Management Board actively participated in the double materiality assessment process. Upon completion of the process, the final results were presented again to the Management Board, which provided formal approval.
Monitoring of certain environmental and social indicators is carried out through regular reports and analyses, which are prepared primarily on a monthly basis and, if necessary, more frequently. These reports are then submitted to the managerial and executive structure for review.

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The establishment of a formal sustainability management framework is planned for future reporting periods, as no targets were set for identified material topics during 2024.

GOV – 3 Integration of sustainability-related performance in incentive schemes

The Company's Supervisory Board has adopted the Remuneration policy for the Management Board members, which takes into account corporate governance principles and balances the interests of the Company and sustainability. The fixed component reflects the requirements of the business strategy as well as the professional experience, competencies, and assigned responsibilities of the Management Board members. The variable component is based on the achievement of Company objectives while valuing each Management Board member's individual contributions through skills and engagement. The Remuneration Committee and the Supervisory Board ensure the adequate and continuous application of the Remuneration Policy.

The integration of sustainability-related results is planned for future reporting periods, as no targets were set for identified material topics during 2024. Additionally, the Remuneration Policy for the Management Board members does not currently include aspects related to climate change.

GOV – 4 Statement on due diligence

The following table presents the sections of the Group's Sustainability Report that contain information on the due diligence process.

Table. Due diligence report

Key elements of the due diligence process	Points in report
Embedding due diligence in governance, strategy and business model	GOV–2, GOV–3, SBM–3
Engaging with affected stakeholders in all key steps of the due diligence	GOV–2, SBM–2, IRO–1
Identifying and assessing adverse impacts	IRO–1, SBM–3
Taking actions to address those adverse impacts	E1 – 3, E3–2, E5–2, S1–4, S4–4
Tracking the effectiveness of these efforts and communicating	not established in the current reporting period

GOV – 5 Risk management and internal controls over sustainability reporting

A formal risk management and internal control system specifically related to sustainability reporting has not yet been established. However, risk management and data control activities in the area of sustainability are carried out through existing operational procedures and responsibilities within individual departments.

The monitoring of specific data and metrics related to environmental and social metrics is conducted through regular reports and analyses, primarily on a monthly basis, or more frequently when necessary, and

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subsequently submitted to the managerial and executive structure. Data is sourced from supplier invoices or internal tracking systems for environmental and social metrics. Department heads are responsible for the accuracy and quality of the submitted data, establishing a basic data control mechanism needed for sustainability reporting. Analysis of specific environmental impact categories, such as energy consumption and generated waste, as well as human impact assessments, including guest satisfaction, enables timely identification of significant deviations or anomalies compared to previous periods and relevant business indicators.

Risk management priorities are determined based on the significance of deviations, financial impact, and potential negative impacts on the environment and people.

Strategy

SBM – 1 Strategy, business model and value chain

Description of the product and the brand: With nearly 70 years of successful operations and continuous development, the Plava Laguna Group is one of the key stakeholders in Croatia's tourism sector. The company's business model is based on long-term strategic management of accommodation capacities within hotels, apartment resorts, and campsites, providing high-quality hospitality services and continuously enhancing its offerings, with a strong focus on financial stability and business sustainability.

The Plava Laguna brand is positioned as an accessible and reliable brand for family vacations, creating unique and unforgettable experiences for its guests while offering characteristic stays and hospitality. The brand was designed to provide guests with a welcoming atmosphere and an authentic local experience of staying in Istria and the Croatian region. Its primary visual elements are rooted in Istrian and Croatian traditions, strongly connecting the company to its Croatian heritage, which Plava Laguna takes great pride in.

Alongside the brand energiser Plava Laguna Partners, dedicated to communication with accommodation sales partners, the company has introduced Plava Laguna Sport, focused on sports infrastructure and offerings. This brand reinforces and further affirms the company's connection to sports tourism, which has been a vital foundation of its development since its inception. Plava Laguna Sport encompasses sports infrastructure, accommodation designed for athlete preparation and stay, as well as numerous sports events.

Hotel Croatia operates under the Adriatic Luxury Hotels (ALH) brand, a prestigious Croatian hotel group that manages luxury hotels and villas in Dubrovnik.

The Group recognizes the importance of environmental preservation as a fundamental premise of sustainable business and maintaining a strategic advantage. It aims to further enhance its current environmental protection activities to improve its operations with an additional emphasis on environmental sustainability. Its goal is to contribute to the fight against climate change, preserve valuable natural resources in its operating areas, and integrate principles of circular economy and sustainable waste management, ensuring a clean environment for the community, guests, and future generations.

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Since its inception, the Group has been actively involved in the local community, supporting numerous initiatives and projects. At the same time, it is aware of the importance of satisfied and motivated employees, providing a stable work environment and opportunities for personal and professional growth. Through additional investments in employees and continued contributions to the community, it creates an attractive destination with desirable jobs that guarantee exceptional service and ensure continuous guest satisfaction. In 2024, the Group employed an average of 2,342 employees, all of whom were engaged at locations within the Republic of Croatia.

The Group understands the importance of transparency and open communication with all stakeholders. Considering new legal requirements, as well as its desire to present its initiatives and progress to stakeholders, it is focused on transparent reporting. Business and process digitalization will contribute to this goal, improve operations, and enhance guest experiences, while the establishment of an effective risk this goal, improve operations, and enhance guest experiences, while the establishment of an effective risk management system will simultaneously increase resilience to business challenges and enable the identification of new growth and development opportunities.

Market description: The company has traditionally attracted guests from European markets, with visitors from Germany and Austria accounting for the majority of total overnight stays in solid structures, while guests from Germany and the Netherlands represent the majority of overnight stays in campsites. At Hotel Croatia, guests from Great Britain hold the leading position.

Sustainability goals: During 2024, the Group did not define sustainability-related goals, as this period marked the first implementation of the double materiality assessment process. Therefore, it plans to set goals in upcoming reporting periods to ensure alignment with European Sustainability Reporting Standards (ESRS).

Key resources and value chain: The Group's key resources, as a hotel and tourism company, include the brand, intellectual property, tangible and intangible assets, a qualified workforce, natural resources such as the environment and water, energy sources, equipment, information technology, food products, consumables, and other resources. The value chain encompasses stakeholders at a higher level—service and resource suppliers, regulatory and supervisory bodies, and local and regional government units, as well as stakeholders at a lower level - guests, municipal services, and the local community. More information on the value chain can be found in section IRO – 1: Description of the processes to identify and assess material impacts, risks and opportunities.

SBM – 2 Interests and views of stakeholders

The Group places particular emphasis on the principles of socially responsible business, which includes transparent and two-way communication with all stakeholders to raise awareness, better understand their needs, and achieve successful cooperation. A high-quality relationship with all stakeholders is one of the most important premises of corporate governance. To ensure relevant information about the level of social responsibility achieved, targeted communication channels tailored to each stakeholder group are used.

Table. Regular communication channels with stakeholders, the purpose of stakeholder engagement, and its impact on business strategy and business model

Stakeholders	Regular communication channels	The purpose of engagement	Impact on business strategy and business model
EMPLOYEES	• internal website - Intranet • Plava Laguna magazine and newsletter • The gala evening „Večer Lagune“ • 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 surveying (performance evaluations and employee satisfaction surveys) • information boards in communal areas	The purpose of engagement is the exchange of information and understanding of employees' needs to create a better work environment, foster motivation and productivity, provide opportunities for professional and personal growth, and cultivate a sense of trust and belonging.	Employee feedback on various work-related issues is essential. The feedback is analyzed to assess opportunities for improving working conditions and accommodations, such as investments, enhancements to material conditions, mental health programs, and similar initiatives.
GUESTS	• Plava Laguna web pages (plavalaguna.com and istracamping.com) • social networks Facebook, Instagram and TikTok • guest satisfaction surveys • customer service • loyalty programs • applications for guests	The purpose of engagement is to inform guests about products and services, ensure transparency and direct communication, understand their needs and preferences to improve offerings, personalize their experience, and build a relationship of trust.	The offer is adapted based on feedback, whether at a general or individual level for each guest. Marketing strategies are directed toward achieving the relevance of the offering and experience.
LOCAL COMMUNITY	• memberships in tourism associations • sponsorship and donation projects • promotion and organization of major sports events • collaborations with retirement associations, educational institutions, and others	By participating in bodies relevant to tourism activities, the destination is improved, and the needs of various groups in the local community are gathered and addressed through donations and other forms of cooperation. Ultimately, this helps build and maintain good relationships and the well-being of local stakeholders.	Incorporating the interests of the destination into business policy creation, directing funds for donations and sponsorships based on expressed needs, and bringing business activities closer to the community through socially responsible initiatives and community development projects.

Stakeholders	Regular communication channels	The purpose of engagement	Impact on business strategy and business model
SHAREHOLDERS	• annual regular and, when necessary, extraordinary shareholder meetings • financial reports • Plava Laguna corporate web pages (biz.plavalaguna.hr) • reports and announcements on the Zagreb Stock Exchange, HANFA, HINA, and in the media	The purpose of engagement is to maintain transparency in reporting and access to information, build trust in business operations, and enhance the company's value.	Fulfilling prescribed obligations is an integral part of the Company's policy.
UNIONS AND WORKERS' COUNCIL	• regular communication, consultation, and joint decision-making with Workers' Council members, as well as negotiations with union representatives present in Plava Laguna	The purpose of engagement is to exchange information and understand employees' needs to create a high-quality work environment while fostering constructive dialogue for the material and professional well-being of employees.	All elements that are formally or informally agreed upon are woven into the company's future steps and employer policies.
SUPPLIERS	• everyday communication and regular meetings • web page Plava Laguna (partners.plavalaguna.com)	The purpose of engagement is to create and enhance business relationships tailored to the needs of consumers and other stakeholders, improve business performance, maintain transparency, and contribute to sustainable development goals.	Feedback plays a crucial role in planning and making informed decisions.
MEDIA	• press conferences and press releases	The purpose of engagement is to ensure transparent and consistent communication with the public and to convey important information to the Company.	Regular updates and information exchange through various media channels.
LOCAL AND NATIONAL GOVERNMENT BODIES	• communication with local government bodies • participation in proposing regulations and decisions affecting tourism activities	The purpose of engagement is to understand and respect relevant regulations while collaborating with competent authorities to drive positive change.	Continuous adaptation to ensure compliance with regulations.

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Certain key stakeholders have been involved in the double materiality assessment process to examine their views on the level of effect Plava Laguna has on various positive and negative impacts on the environment and people. More about stakeholder involvement can be found in section IRO – 1 Description of the processes to identify and assess material impacts, risks and opportunities.

SBM – 3 Material impacts, risks, and opportunities and their interaction with strategy and business model

During 2024, the Group conducted a double materiality assessment process and identified its material negative and positive impacts, risks, and opportunities. In future reporting periods, targetswill be defined to ensure compliance with the European Sustainability Reporting Standards (ESRS). More information on each identified material impact, risk, and opportunity can be found in separate thematic chapters.

The table below presents the material impacts, risks, and opportunities identified in the double materiality assessment process.

Table. Overview of material impacts, risks, and opportunities of the Group

					Position in value chain			Time horizon		
Topic	**Sustainability matters and related IROs**	**I/R/O***	**Actual / Potential**	**Position in business model**	**Upstream**	**Own business**	**Downstream**	**Short-term**	**Mid-term**	**Long-term**
E1 Climate changes	**Climate change mitigation**									
	Greenhouse gas emissions from energy consumption	Negative impact	Actual	All business segments		•		•	•	
	Greenhouse gas emissions from activities in the value chain	Negative impact	Actual	Value chain	•		•	•	•	
	Climate change adaptation									
	Physical risks to assets and risks of changes in destination attractiveness related to the impacts of climate change	Risk	-	All business segments		•			•	•
	Increased destination attractiveness in certain periods due to the impacts of climate change	Opportunity	-	All business segments		•			•	•
	Energy									
	Transition risk from energy unavailability and high energy prices	Risk	-	All business segments	•			•	•	
E3 Water and marine resources	**Water**									
	Water consumption	Negative impact	Actual	All business segments		•		•	•	
E5 Resource use and circular economy	**Waste**									
	Waste generation	Negative impact	Actual	All business segments		•			•	•

					Position in value chain			Time horizon		
Topic	Sustainability matters and related IROs	I/R/O*	Actual / Potential	Position in business model	Upstream	Own business	Downstream	Short-term	Mid-term	Long-term
S1 Own workforce	**Working conditions – Working time**									
	Specific working hours	Negative impact	Actual	Operations		•			•	•
	Working conditions- Secure employment									
	Risk of workforce availability and workforce cost	Risk	-	All business segments		•				•
	Equal treatment and opportunities for all – Training and skills development									
	Ensuring professional and personal development	Opportunity	-	All business segments		•			•	•
	Other rights arising from employment – Adequate housing									
	Improvement of employee accommodation conditions	Opportunity	-	Operations		•				•
S4 Consumers and end - users	***Entity specific***									
	Improvement and adaptation of service to guests' needs	Opportunity	-	Operations		•		•	•	
G1 Business conduct	**Corporate culture**									
	Business management based on the principles of socially responsible business	Positive impact	Actual	All business segments		•			•	•
	Entity specific									
	Cyber attacks	Risk	-	Information technology		•		•		

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During the double materiality assessment process, the resilience of the Group's business model was considered within this reporting period. The aim was to identify, understand, and manage material risks and opportunities and determine how the Group can respond to them.

In this reporting period, the Group conducted a qualitative analysis of resilience to climate risks based on analyses of relevant publicly available official documents from local government units: the City of Poreč, the City of Umag, and the City of Dubrovnik. More information on resilience analysis can be found in the thematic section Climate Change, in subsections SBM – 3 and IRO – 1.

Management of impacts, risks, and opportunities

IRO – 1 Description of the processes to identify and assess material of procedures for identifying and assessing significant impacts, risks, and opportunities

The implementation of the double materiality assessment is an essential step toward achieving compliance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). It enables companies to recognize how they impact people and the environment throughout the value chain while also understanding how external factors, such as climate change, affect the company's financial flows. The combination of impact materiality and financial materiality is referred to as double materiality. Identifying all material impacts, risks, and opportunities (IRO) in the areas of environment, society, and governance provides insight into the starting points for shaping a sustainability strategy and determining the scope of sustainability reporting.

The Plava Laguna project team conducted the double materiality assessment process from May to October 2024. Directors and managers from all sectors of the organization participated in the implementation of the assessment process, including the Operations Sector, Accounting, Finance and Controlling Sector, Procurement Sector, Marketing Sector, Business Development Sector, Investment and Maintenance Sector, Human Resources Sector, Information Technology Sector, Sales Sector, and the Management Board's Office. The Management Board was also actively involved in the entire process.

The Plava Laguna project team executed the double materiality assessment by applying the principles defined and described in the section "Double materiality as the basis for sustainability disclosures" in the ESRS 1 General Requirements standard. A methodology for evaluation was developed to operationalize the set parameters and criteria and document the steps in the process:

1. **identifying areas of the value chain with a significant probability of impacts, risks, and opportunities**

The first step in the process was assessing the context in which the Group operates. All stakeholders and key activities at lower and higher levels of the value chain were considered, as well as areas of the value chain where there was a significant probability of real and potential impacts, risks, and opportunities (IRO) related to sustainability factors. It should be noted that the assessment of the value chain primarily focused on first-level stakeholders.

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UPSTREAM VALUE CHAIN

Stakeholders	Activities	Potential IRO*
• Resource suppliers • Service providers • Regulatory and supervisory authorities • Local and regional government units • Other organizations and interested stakeholders	• supply of resources and raw materials	✓
	• service provision	✓
	• business regulation and monitoring	✓
	• public services provision	-
	• other activities	-

*Impacts, risks, and opportunities defined in accordance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS)

DOWNSTREAM VALUE CHAIN

Stakeholders	Activities	Potential IRO*
• Guests	• guests' activities	✓
• Municipal services	• provision of municipal services	✓
• Local community	• cooperation through various projects	✓

*impacts, risks, and opportunities defined in accordance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS)

In addition to the upstream and downstream value chain, the focus of consideration was placed on areas of the company's own activities and assets where there is a significant probability of actual and potential impacts, risks, and opportunities.

OWN ACTIVITIES

Stakeholders	Primary activities	Supporting activities	Potential IRO*
• The Supervisory Board • The Management Board and the management • Employees	• providing accommodation services • providing other hospitality services • managing sports infrastructure, organization of sports events	• business operations management	✓
		• human resources management	✓
		• marketing	✓
		• investments and maintenance management	✓
		• purchase management	✓
		• public relations	✓
		• information technology management	✓
		• operations management	✓
		• legal affairs	✓
		• finance, accounting and controlling	-
		• project management and business development	-
		• sales of accommodation and services	-

*impacts, risks, and opportunities defined in accordance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS)

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2. assessment of occurrence frequency and priorities of individual impact, risk, and opportunity

The Plava Laguna project team conducted an initial assessment of the frequency of occurrence and priorities of individual sustainability factors based on its own knowledge and experience, analysis of internal documents and national strategic documents, legal regulation analysis, sector analysis, and other relevant sources.

Subsequently, an analysis was carried out on all identified sustainability factors published in the ESRS 1 General Requirements standard (AR 16). In addition to these, impacts, risks, and opportunities specific to the entity were identified. Regarding impacts on people and the environment, the Plava Laguna project team considered both positive and negative impacts associated with sustainability factors, which may be either actual or potential. For risks, it was assumed that they could negatively affect financial performance, while opportunities were presumed to have a positive impact on the Group's business success. All impacts, risks, and opportunities were assessed from the perspective of their origin (own activities and/or value chain) and their time horizon (short-term – the reporting period equivalent to the financial reporting period; medium-term – up to five years from the end of the short-term reporting period; and long-term – beyond 5 years).

A broader list of sustainability factors was composed, consisting of 11 positive impacts, 29 negative impacts, 35 risks, and 15 opportunities.

3. inclusion of stakeholders in the double materiality assessment process

A methodology was established for assessing the significance of stakeholders across the entire value chain. Stakeholders were divided into two groups: affected stakeholders and users of the sustainability statement, with some stakeholders classified into both groups. The Plava Laguna project team evaluated stakeholders based on (1) their impact on Plava Laguna's operations, (2) their vulnerability, i.e., the impact of Plava Laguna on stakeholders' well-being and health, and (3) their importance in gathering opinions on Plava Laguna's effects on sustainability factors.

The process resulted in the identification of 22 subcategories (out of nearly 60 recognized) of stakeholders involved in examining and determining significant impacts, including management and leadership, permanent and seasonal employees, guests, suppliers of energy and water, suppliers of food and beverages, construction contractors, designers, external service partners, employment mediation agencies, business banks and insurance companies, accommodation sales partners, and local government authorities.

Questionnaires were created containing questions related to the impacts of Plava Laguna's operations. Stakeholders rated positive and negative impacts associated with sustainability factors on a scale from 1 to 4 (1 – negligible impact, 2 – minor impact, 3 – moderate impact, 4 – significant impact), based on the project team's assessment of the importance of stakeholder feedback for evaluating impact significance. The questionnaires were sent to stakeholders' email addresses, and the survey was conducted in August 2024. A total of more than 1,400 responses were collected.

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4. defining the significant impacts, risks and opportunities

The Plava Laguna project team then established a methodology for evaluating the significance of each individual impact, risk, and opportunity.

Impacts

The impact assessment methodology is based on the guidelines of the ESRS 1 General Requirements standard. In the evaluation of impacts, ratings from 1 to 4 were used for the following parameters:

- scale – an assessment was made of how severe the negative impact is or how beneficial the positive impact is for people or the environment (1 – negligible impact, 2 – minor impact, 3 – moderate impact, 4 – significant impact),
- scope – an assessment was made of how widespread the negative or positive impacts are (1 – company-level impact, 2 – local impact, 3 – regional impact, 4 – global impact),
- irremediability – in the case of negative impacts, an assessment was made of whether and to what extent the impacts could be remedied, that is, whether the environment or affected individuals could return to their previous state (1 – fully reversible impact, 2 – largely reversible impact, 3 – partially reversible impact, 4 – irreversible impact)
- probability – assessed only in the case of potential impacts, while actual impacts were assigned a rating of 4 (1 – very low probability, 2 – low probability, 3 – moderate probability, 4 – high probability)

For sustainability factors related to the company's own workforce, a specific rating matrix from 1 to 4 was established for the scope parameter (1 – up to 5% of employees, 2 – from 5.01% to 20% of employees, 3 – from 20.01% to 50% of employees, 4 – from 50.01% to 100% of employees who were working as of 23rd July 2024).

The average value of the sum of scale, scope, and irreversibility was defined as the severity of the impact, which was then multiplied by probability to obtain the final impact score.

For potential negative impacts on human rights, the severity of the impact was given priority over probability. If the severity rating was higher than probability, then double severity was taken as the final score. Otherwise, the final score was defined as the product of impact severity and probability. This methodology for assessing potential negative impacts on human rights was applied to impacts identified under the ESRS S1 Own Workforce, ESRS S2 Workers in the Value Chain, ESRS S3 Affected Communities, and ESRS S4 Consumers and End Users standards.

Risks and opportunities

The impact assessment methodology is based on the guidelines of the ESRS 1 General Requirements standard. In the evaluation of risks and opportunities, ratings from 1 to 4 were used for the following parameters:

- scale of financial impact – estimated as the potential scale of financial consequences, i.e., expected revenue loss or cost increase in case of risk realization, or expected additional revenue or cost

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reduction in case of opportunity realization (1 – very low financial impact – up to 0.5%, 2 – low financial impact – from 0.51% to 2.5%, 3 – moderate financial impact – from 2.51% to 5%, 4 – high financial impact – over 5% of the Group's business revenues achieved in 2023),
- probability – assessed as the likelihood of the occurrence of a risk or opportunity (1 – very low probability, 2 – low probability, 3 – moderate probability, 4 – high probability).

Setting thresholds for materiality

When determining the final materiality rating of sustainability factors, both impact significance and financial significance ratings were taken into account as follows:

- The impact ratings assigned by the Plava Laguna project team and those given by surveyed stakeholders were weighted so that the project team's rating accounted for 60% of the impact score, while stakeholders' ratings made up 40%. The 60:40 ratio was adopted based on standards representing best practices in similar calculations. As a result, an aggregated impact score was obtained, reflecting both the evaluations of the Plava Laguna project team and the stakeholders.
- The financial materiality rating was derived from the risk and opportunity assessment process conducted by the Plava Laguna project team.
- The relationship was established between (1) the impact ratings assigned by the Plava Laguna project team, (2) the aggregated impact rating of Plava Laguna and stakeholders, and (3) the financial materiality rating.
- The final rating was determined by selecting the highest rating among the three mentioned assessments.

The threshold for materiality was set at a score of 9, meaning all impacts, risks, and opportunities rated 9 or higher were considered material.

The double materiality assessment process resulted in the identification of five material negative actual impacts, one material positive actual impact, four material risks, and four material opportunities. A summary of material impacts, risks, and opportunities is provided in the table under section "SBM – 3 Material Impacts, Risks, and Opportunities and Their Interaction with Strategy and Business Model," with more detailed information available in separate topical standards.

The results of the double materiality assessment were approved by the Management Board and will be subject to evaluation and gradual integration into strategic decisions in future reporting periods. Control and reporting procedures, as well as the integration of risk management systems, will be established in upcoming reporting periods.

Description of the processes to identify and assess material impacts, risks and opportunities related to climate change

The Group conducted a process to identify and assess impacts, risks, and opportunities related to climate change, which included the following:

GENERAL INFORMATION *(continued)*

- **identification of actual and potential negative impacts on climate changes**

The Plava Laguna project team executed the identification and assessment process for actual and potential negative impacts associated with climate change. During the process, two actual negative impacts were identified in the area of climate change mitigation and one actual negative impact in the field of energy. The negative impacts on climate change mitigation were assessed as material actual impacts resulting from greenhouse gas emissions linked to the Group's own activities at all locations and activities at both lower and upper levels of the value chain.

During 2024, the Group began monitoring and calculating greenhouse gas emissions in accordance with the Greenhouse Gas Protocol, covering scopes 1, 2, and 3:

- scope 1 and 2: including all Group locations and all known sources of emissions,
- scope 3: it includes significant emission Categories, while Categories assessed as non-significant sources have been excluded. In future reporting periods, the remaining Categories within Scope 3 that were not covered in 2024 will be evaluated and incorporated into the calculation if their impact is deemed relevant.

Data for emissions calculation is primarily collected from invoices and internal systems, based on actual energy consumption for Scope 1 and Scope 2, and estimates for Scope 3. Emission factors are sourced from relevant references.

More information on resilience analysis is available in the thematic section related to climate change.

Description of the processes to identify and assess material impacts, risks and opportunities related to water and marine resources

Based on sector analysis, as well as internal knowledge and experience, the Plava Laguna project team conducted an assessment of impacts, risks, and opportunities related to water and marine resources.

The analysis covered internal activities, all facilities, and assets, with an emphasis on the core business—accommodation services.

During the process, three negative impacts, two risks, and two opportunities related to water and marine resources were identified.

Based on the materiality assessment, one negative impact related to water resources was classified as material and actual - water consumption. While certain aspects of impacts, risks, and opportunities related to marine resources were recognized, none were identified as material under the established materiality criteria.

The assessment was further validated through stakeholder engagement, where respondents in the survey confirmed the Group's negative impact on water consumption, emphasizing the importance of this issue from the perspective of affected stakeholders.

GENERAL INFORMATION *(continued)*

To determine whether the Group operates in areas with significant water shortages, an analysis of locations in Umag, Poreč, and Dubrovnik was conducted using the "Water Risk Atlas"[1] tool, which identified these areas as low to medium risk for water availability for business operations.

Description of the processes to identify and assess material impacts, risks and opportunities related to resource use and circular economy

Guided by sector analysis, along with internal expertise and experience, the Plava Laguna project team conducted a process to identify and assess actual and potential impacts, risks, and opportunities associated with the circular economy.

The analysis covered internal activities, all facilities, and assets, with a focus on the core business - accommodation services.

During the process, four negative impacts, two risks, and one opportunity related to the circular economy were identified. Based on the materiality assessment, one negative impact associated with waste was classified as material and actual - waste generation.

The assessment was further validated through engagement with affected communities, where survey respondents confirmed the Group's negative impact on waste generation, highlighting the importance of this issue from the perspective of impacted stakeholders.

Description of the processes to identify and assess material impacts, risks and opportunities related to business conduct

The process of determining material impacts, risks, and opportunities related to business conduct is based on an analysis of Plava Laguna's core activity, which is the provision of accommodation and other hospitality services.

Certain characteristics specific to the tourism sector arise from this core activity, such as intensive interaction with a large number of guests and employees, a high degree of business digitalization, and the exceptional importance of reputation. As a result, particular attention is given to issues of information security, compliance with data protection regulations, prevention of corrupt activities, respect for human rights in interactions with employees, guests, and suppliers, and the effective implementation of internal procedures and policies.
The conclusions on the importance of a material positive impact related to business management based on ethical principles, core values, and adopted policies and procedures, as well as the risk of cyber attacks, are primarily based on the experience and knowledge of internal experts.

Description of the processes to identify and assess material impacts, risks and opportunities related to pollution, biodiversity and ecosystems

[1] The Water Risk Atlas (WRI Aqueduct Water Risk Atlas) is an interactive tool developed by the World Resources Institute (WRI). This tool provides a detailed overview of the state and risks associated with water resources worldwide.

GENERAL INFORMATION *(continued)*

As part of the double materiality assessment process, the Plava Laguna project team evaluated actual and potential impacts, risks, opportunities, and dependencies associated with topics E2 - Pollution and E4 - Biodiversity and Ecosystems, relying on internal expertise, experience, and sector analysis. The analysis covered internal activities, all facilities, and assets, with a focus on the core business - accommodation services.

The Company conducted a survey of key and affected stakeholders regarding their perceived level of impact by Plava Laguna on relevant sustainability factors, including those related to pollution, biodiversity, and ecosystems.

Some key stakeholders were involved in the double materiality assessment process to examine their views on Plava Laguna's level of influence on specific positive and negative environmental and human impacts.

Although certain aspects related to these topics were recognized, none were identified as material according to the established materiality criteria.

IRO – 2 Disclosure requirements in ESRS covered by undertaking's sustainability statement

The data points and material information published by the Group were determined through an established methodology that led to the identification of material impacts, risks, and opportunities. The methodology is described in the section "IRO 1 - Description of the processes to identify and assess material impacts, risks and opportunities " and aligns with the principles and criteria outlined in section "3.2. Material matters and materiality of information" of the ESRS 1 General Requirements standard.

The publication of materal information and data in this report is based on an assessment of their relevance to the addressed topic and the importance of the information for report users. Information required for disclosure, including quantitative and qualitative data, as well as entity-specific details, was published when the double materiality assessment process determined their relevance from one or more of the following aspects:

- due to its importance in understanding the issue being presented or explained; and/or
- due to their value in the context of making informed decisions by users, including primary users of general-purpose financial statements and stakeholders primarily interested in information about the Group's actual and potential impacts on people and the environment.

The list of all disclosure requirements, including page numbers indicating where the related disclosures appear in the sustainability report, is presented as a table of contents at the end of the report.

Additionally, a table is provided with all data derived from other EU regulations listed in Annex B, " List of datapoints in cross-cutting and topical standards that derive from other EU legislation," in the ESRS 2 General Disclosures standard, along with references to where they can be found in the report. The table also includes requirements that Plava Laguna team project has assessed as not material or not applicable to its business model. In accordance with section 35 of "Material matters and materiality of information" in the ESRS 1 General Requirements standard, these requirements are marked as "not material" or "not applicable." The table is attached at the end of the report.

ENVIRONMENTAL INFORMATION - Information in accordance with Article 8 of the Taxonomy Regulation

The Group publishes key performance indicators following Delegated Regulation 2020/852 (EU Taxonomy Regulation) and the accompanying delegated acts:

- Delegated Act 2021/2139 establishes the list of economic activities that make a significant contribution to the first two environmental objectives – (1) climate change mitigation and (2) climate change adaptation while ensuring that they do not cause significant harm to other environmental objectives;
- Delegated Act 2021/2178 outlines the specifications for the content and presentation of information that companies must report regarding environmentally sustainable activities, including the key performance indicators that need to be disclosed and their calculation methodology;
- Delegated Act 2023/2486 defines the technical criteria by which certain economic activities qualify as 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) prevention and control of pollution, and (6) protection and restoration of biodiversity and ecosystems, while ensuring they do not cause significant harm to other environmental objectives. New activities have been introduced that are considered eligible, as they contribute to environmental objectives.

In accordance with Delegated Regulation 2020/852, economic activities qualify as taxonomy-eligible if they are described in the aforementioned Delegated acts and are taxonomy-aligned provided they significantly contribute to one or more environmental objectives, do not cause significant harm to any other environmental objectives, and are conducted in compliance with minimum safeguards regarding human rights and consumer rights, anti-corruption and anti-bribery measures, taxation, and fair market competition.

Activities not described in Delegated Acts 2021/2139 and 2023/2486 are not considered taxonomy-eligible activities.

In accordance with Delegated Regulation 2021/2178 (Regulation on the Disclosure of Information), the following section presents information on key performance indicators – the share of revenue, capital expenditures, and operational expenditures – that the Group, as a non-financial company, discloses for the year 2024.

The process of evaluating activities according to the EU taxonomy

The process of evaluating activities according to the EU taxonomy includes all components of the Group. The project team of Plava Laguna conducted a detailed analysis of eligible economic activities defined by EU Delegated Acts 2021/2139 and 2023/2486. Based on the defined descriptions of activities, corresponding NACE codes, and additional sources from the European Commission, activities relevant to the Group's business operations were identified. As a result of the analysis, eleven activities were assessed as eligible for the Group in the reporting year.

In the next step, an analysis of compliance criteria was carried out for each identified activity. The analysis revealed insufficient documentation required to demonstrate the alignment of eligible activities with the

ENVIRONMENTAL INFORMATION - Information in accordance with Article 8 of the Taxonomy Regulation *(continued)*

criteria for significant contribution and the criteria for avoiding substantial harm to environmental objectives.

Compared to the previous period, this also led to changes in the methodology. In the previous reporting period, the key performance indicator related to capital expenditures and the activity "7.6. Installation, maintenance, and repair of renewable energy technologies" was presented as a taxonomy-aligned economic activity. Due to methodological adjustments and ensuring data comparability, in the current reporting period (N-1), this indicator is presented as a taxonomy-eligible activity. Additionally, in the previous reporting period, the key performance indicator related to revenue and the activity "2.1. Hotels, resorts, camps, and similar accommodation" was presented as an eligible activity. For both key performance indicators, capital expenditures and revenue, adjusted denominators were used to align the data presentation methodology with the methodology in the current period. Apart from these, activities that were rated as eligible for the Group in 2024, were potentially eligible even in the previous reporting period, however, due to the lack of resources and the complexity of the request, they were not disclosed.

According to the new methodology in the reporting year 2024, only the acceptability of economic activities was recognized through the analysis, without assessing their alignment.

Each identified eligible economic activity related to revenue, CapEx, and OpEx is linked to a single, clearly defined environmental objective to avoid double counting in the report. Calculations of related indicators are based on actual data derived from invoices, temporary and completed project situations, and cost estimates.

The only changes in data presentation compared to the previous year relate to the presentation of capital expenditures associated with environmentally sustainable economic activities, in accordance with Taxonomy Regulation (EU) 2020/852 and the relevant delegated acts.

Turnover

The Group's core business is hospitality and tourism, with a significant share of turnover generated from accommodation services. According to Delegated Regulation 2023/2486, published in the Official Journal of the European Union in November 2023, the accommodation activity "2.1. Hotels, resorts, campsites, and similar accommodation" (NACE codes I55.10, I55.20, and I55.30) is listed as a taxonomy-eligible activity, as it can significantly contribute to the protection and restoration of biodiversity and ecosystems (the sixth environmental objective).

Among other activities that generate turnover, the eligible activity "7.7. Purchase and ownership of buildings" (NACE code L68) has been identified, as the Group generates rental income. This activity can significantly contribute to climate change mitigation (the first environmental objective).

The numerator of the key financial indicator reports an amount of 216,998.9 thousand Euros, while the denominator reports an amount of 239,403.6 thousand Euros, resulting in a share of 90.6% taxonomy eligible activities. The reported operating revenues are included in Note 6 and Note 6a of the financial audit report at the consolidated level under the items "Turnover from the sale of services" and "Other operating income".

ENVIRONMENTAL INFORMATION - Information in accordance with Article 8 of the Taxonomy Regulation *(continued)*

Capital expenditures

The largest share of eligible capital expenditures relates to the activity "7.1. Construction of new buildings" (NACE codes F41.1, F41.2, F43), which represents the first phase of the construction of a new administrative building in Poreč. In 2024, investments amounting to 4,383.4 thousand Euros were recorded.

In addition to this investment, in 2024, the Group also carried out capital investments related to the following eligible activities:

- the activity "7.6. Installation, maintenance, and repair of renewable energy technologies" (NACE codes F42, F43, M71, C16, C17, C22, C23, C25, C27, C28) amounted to 2,447.0 thousand Euros, which includes the continuation of the project for installing photovoltaic power plants on the roofs of buildings owned by the Company,
- the activity "7.3. Installation, maintenance, and repair of energy efficiency equipment" (NACE codes F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22, C33.12) amounted to 1,828.5 thousand Euros and includes the replacement of façades and carpentry with energy-efficient solutions, the installation of heat pumps, and LED lighting,
- the activity "6.5. Transport by motorcycles, passenger cars, and light commercial vehicles" (NACE codes H49.32, H49.39, N77.11) amounted to 63.1 thousand Euros and relates to the purchase of company passenger cars and electric vehicles for luggage transport,
- the activity "7.4. Installation of electric vehicle charging stations" (NACE codes F42, F43, M71, C16, C17, C22, C23, C25, C27, C28) amounted to 38.4 thousand Euros.
- the activity "6.13. Infrastructure for personal mobility, bicycle logistics" (NACE codes F42.11, F42.12, F42.13, F43.21, M71.12, M71.20) amounted to 11.9 thousand Euros.
- the activity "7.5. Installation of instruments and devices for measuring and regulating energy efficiency" (NACE codes F42, F43, M71, C16, C17, C22, C23, C25, C27, C28) amounted to 7.2 thousand Euros and relates to the installation of sensor devices.

The numerator of the key financial indicator reports an amount of 8,779.5 thousand Euros, while the denominator reports an amount of 117,017.0 thousand Euros, resulting in a share of 7.5% taxonomy-eligible activities. The reported capital expenditures are included in Note 15, Note 16, and Note 17 of the financial audit report at the consolidated level under the items "Increase in tangible assets," "Increase in intangible assets," and "Right-of-use assets."

Operative expenditures

The Group incurs operating expenses related to investment and ongoing maintenance, as well as services and repairs, to ensure the continuous and efficient functioning of assets and equipment.

For the reporting year 2024, it has been determined that a portion of operating expenses stems from activities that can significantly contribute to the goal of climate change mitigation (the first environmental objective) and the protection and restoration of biodiversity and ecosystems (the sixth environmental objective).

ENVIRONMENTAL INFORMATION - Information in accordance with Article 8 of the Taxonomy Regulation *(continued)*

In 2024, the Group carried out operating expenses associated with the following eligible activities:

- the activity "2.1. Hotels, resorts, campsites, and similar accommodation" (NACE codes I55.10, I55.20, I55.30) amounted to 734.3 thousand Euros and relates to part of the investment maintenance of accommodation units,
- the activity "7.6. Installation, maintenance, and repair of renewable energy technologies" (NACE codes F42, F43, M71, C16, C17, C22, C23, C25, C27, C28) amounted to 297.8 thousand Euros and pertains to the ongoing maintenance of renewable energy technologies, such as heat exchangers and heat recovery systems,
- the activity "7.3. Installation, maintenance, and repair of energy efficiency equipment" (NACE codes F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22, C33.12) amounted to 273.6 thousand Euros and pertains to the ongoing maintenance and servicing of air conditioning and cooling systems and equipment,
- the activity "6.6. Road freight transport services" (NACE codes H49.4.1, H53.10, H53.20, N77.12) amounted to 180.6 thousand Euros and pertains to the ongoing maintenance of freight vehicles,
- the activity "6.5. Transport by motorcycles, passenger cars, and light commercial vehicles" (NACE codes H49.32, H49.39, N77.11) amounted to 114.1 thousand Euros and pertains to the ongoing maintenance of company vehicles,
- the activity "7.5. Installation, maintenance, and repair of instruments and devices for measuring, regulating, and controlling building energy efficiency" (NACE codes F42, F43, M71, C16, C17, C22, C23, C25, C27, C28) amounted to 9.7 thousand Euros and pertains to the ongoing maintenance of intelligent room systems,
- The activity "9.3. Professional services related to building energy efficiency" (NACE code M74.90) amounted to 6.9 thousand EUR and pertains to the energy certification of buildings owned by the Company.

The numerator of the key financial indicator presents a total of 1,617.0 thousand Euros, while the denominator presents 5,009.9 thousand Euros, resulting in a share of 32.3 percent taxonomy-eligible activities. The reported operating expenses are included in Note 7 of the financial audit report at the consolidated level under the item "Maintenance services." These expenses include costs related to ongoing and investment maintenance of facilities, systems, and equipment, as well as external services related to energy efficiency.

Minimal safeguards

The Company consistently complies with all legal regulations related to human rights, taxation, anti-competitive behavior, and corruption. However, current processes are not fully aligned with minimal safeguards as defined by the EU taxonomy. The main reason is the lack of a clear process for collecting supplier data following the OECD Guidelines for Multinational Enterprises.

Nonetheless, the Company has conducted an internal analysis of its processes and ensures compliance with the UN Principles on Children's Rights, while requiring its partners to do the same.

Key performance indicators in Delegated Regulation 2021/2178 (Regulation on Disclosure of Information) are presented below.

ENVIRONMENTAL INFORMATION - Information in accordance with Article 8 of the Taxonomy Regulation - TURNOVER

Economic Activities	Code	Turnover	Proportion of Turnover	Substantial contribution criteria: Climate Change Mitigation	Substantial contribution criteria: Climate Change Adaptation	Substantial contribution criteria: Water	Substantial contribution criteria: Pollution	Substantial contribution criteria: Circular Economy	Substantial contribution criteria: Biodiversity	Do not significant harm (DNSH) criteria: Climate Change Mitigation	Do not significant harm (DNSH) criteria: Climate Change Adaptation	Do not significant harm (DNSH) criteria: Water	Do not significant harm (DNSH) criteria: Pollution	Do not significant harm (DNSH) criteria: Circular Economy	Do not significant harm (DNSH) criteria: Biodiversity	Minimum safeguards	Proportion of Taxonomy aligned (A.1.) or -eligible (A.2.) turnover, year N-1	Category enabling activity	Category transitional activity
		in 000 EUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)	-	0	0	0	0	0	0	0	0	N	N	N	N	N	N	N	0		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Hotels, resorts, campsites, and similar accommodation	BIO 2.1.	210,284.8	87.8%	N/EL	N/EL	N/EL	N/EL	N/EL	EL								88.8%		
Purchase and ownership of buildings	CCM 7.7.	6,714.1	2.8%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		216,999.0	90.6%	2.8 %	0 %	0 %	0 %	0 %	87.8 %								-		
TOTAL (A.1+A.2)		**216,999.0**	**90.6%**	2.8%	0%	0%	0%	0%	87.8%								88.8%		
B TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		22,405.0	9.4%																
TOTAL (A + B)		**239,404.0**	**100 %**																

ENVIRONMENTAL INFORMATION - Information in accordance with Article 8 of the Taxonomy Regulation – CAPITAL EXPENDITURES

				Substantial contribution criteria						Do not significant harm (DNSH) criteria									
Economic Activities	Code	CapEx	Proportion of CapEx	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy aligned (A.1.) or -eligible (A.2.) CapEx, year N-1	Category enabling activity	Category transitional activity
		in 000 EUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	-	0	0	0	0	0	0	0	0	N	N	N	N	N	N	N	0		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Infrastructure for personal mobility, bicycle logistics	CCM 6.13.	11.9	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Construction of new buildings	CCM 7.1.	4,383.4	3.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Installation, maintenance, and repair of energy efficiency equipment	CCM 7.3.	1,828.5	1.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Installation of electric vehicle charging stations	CCM 7.4.	38.4	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Installation of instruments and devices for measuring and regulating energy efficiency	CCM 7.5.	7.2	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Installation, maintenance, and repair of renewable energy technologies	CCM 7.6.	2,447.1	2.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								5.2%		
Transport by motorcycles, passenger cars, and light commercial vehicles	CCM 6.5.	63.1	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		8,779.5	7.5%	7.5 %	0 %	0 %	0 %	0 %	0 %								-		
TOTAL (A.1. + A.2.)		**8,779.5**	**7.5%**	7.5%	0%	0%	0%	0%	0%								5.2%		
B TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		108,237.5	92,5%																
TOTAL (A + B)		117,017.0	100 %																

ENVIRONMENTAL INFORMATION - Information in accordance with Article 8 of the Taxonomy Regulation – OPERATIVE EXPENDITURES

Economic Activities	Code	OpEx	Proportion of OpEx	Substantial contribution criteria: Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Do not significant harm (DNSH) criteria: Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy aligned (A.1) or -eligible	Category enabling activity	Category transitional activity
		in 000 EUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	-	0	0	0	0	0	0	0	0	N	N	N	N	N	N	N	0		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Hotels, resorts, campsites, and similar accomodat.	BIO 2.1.	734.3	14.7%	N/EL	N/EL	N/EL	N/EL	N/EL	EL								-		
Transport by motorcycles, passenger cars, and light commercial vehicles	CCM 6.5.	114.1	2.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Road freight transport services	CCM 6.6.	180.6	3.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Installation, maintenance, and repair of energy efficiency equipment	CCM 7.3.	273.6	5.5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Installation, maintenance, and repair of inst, and devices for measuring, regulating, and controlling building energy efficiency	CCM 7.5.	9.7	0.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Installation, maintenance, and repair of renewable energy technologies	CCM 7.6.	297.8	5.9%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
Professional services related to building en. eff.	CCM 9.3.	6.9	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								-		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,617.0	32.3%	17.6 %	0 %	0 %	0 %	0 %	14.7 %								-		
TOTAL (A.1. + A.2.)		**1,617.0**	**32.3%**	17.6%	0%	0%	0%	0%	14.7%								-		
B TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		3,392.9	67.7%																
TOTAL (A + B)		**5,009.9**	**100 %**																

ENVIRONMENTAL INFORMATION – Climate change (E1)

Climate change (E1)

Strategy

E1-1 Transition plan for climate change mitigation

The transition plan for climate change mitigation has not been developed yet. Its creation is planned for future reporting periods, with a gradual establishment of key prerequisites. During the transitional phase, activities are focused on analyzing and understanding sources of greenhouse gas emissions, setting up a system for monitoring and reporting emissions, tracking regulatory requirements, and continuation of the implementation of sustainable operational practices. Through the development of transition plan, the Group will define time-bound targets and actions for their operational implementation. This will actively contribute to achieving the European climate neutrality goals by 2050. The transition plan will be integrated into the strategic and financial business framework and shall serve as a tool for managing climate risks and achieving decarbonization objectives.

ESRS 2 SBM-3 Material impacts, risks, and opportunities and their interaction with strategy and business model

- **Greenhouse gas emissions from energy consumption (direct and indirect sources)**

The Group acknowledges its negative impact on the increase of greenhouse gases, primarily through direct emissions linked to its own activities across all locations, as well as indirect emissions generated within the supply chain. In 2024, the Group initiated measurements of Scope 1 and Scope 2 emissions across all its locations, along with Scope 3 emissions, in accordance with the standards of the Greenhouse Gas Protocol.

- **Physical risks to assets and risks of changes in destination appeal due to climate change impacts**

Under the influence of climate change, Europe and the world are experiencing increasingly extreme weather conditions, such as frequent and intense heatwaves, floods, droughts, and storms. These extreme weather events pose risks to human health and also cause significant economic damage.

Climate change directly affects the hotel and hospitality sector in which the Group operates. The consequences can also present throughout the supply chain, particularly in segments dependent on the availability of food, water, energy, and other raw materials, which are increasingly exposed to disruption risks due to extreme weather events and changes in market conditions. Extreme weather events can cause damage to assets, but also necessitate infrastructure investments for climate adaptation. The year 2022 will be remembered for severe droughts and water shortages, which led to restrictions in the Istria County at the peak of the tourist season. During this time, the Company made additional efforts to protect its horticultural assets to the greatest extent possible while complying with all prescribed water-saving measures. Neither 2023, nor 2024, was spared from extreme weather conditions. Numerous weather and climate records were broken worldwide, and multiple natural disasters occurred, resulting in material damage and fallen trees affecting the Company.

Changes in weather patterns, such as more frequent rainy periods, prolonged heatwaves, or unpredictable weather phenomena, can negatively impact the attractiveness of a destination, particularly in the camping segment, which is highly sensitive to weather conditions.

ENVIRONMENTAL INFORMATION – Climate change (E1) *(continued)*

- **Increased desirability of a destination in certain periods due to the impacts of climate change**

On the other hand, certain effects of climate change, such as rising temperatures, may lead to more favorable conditions in the pre-season (spring) and post-season (autumn), consequently helping to mitigate the broader issue of seasonality in Croatian tourism. Sports tourism, which mostly takes place during the pre-season and post-season, has been a key pillar of the Company's development since its inception until today. These impacts of climate change present an opportunity to achieve positive business results. The Company manages a diverse range of sports infrastructure and services designed for athlete training and stays, and it also organizes numerous sports events.

- **Transition risk due to energy scarcity and high prices**

Climate change, along with economic, political, and technical factors, acts as a catalyst for increased volatility in energy prices and availability, which can lead to business challenges and rising costs. The Group seeks to mitigate the potential further increase in energy prices and dependence on energy distributors through capital investments in energy efficiency and renewable energy sources.

During the double materiality assessment process, two material negative impacts, two risks, and one opportunity related to climate change were identified:

				Position in value chain			Time horizon		
Sustainability matters and related impacts, risks, and opportunities (IROs)	I/R/O*	Actual / Potential	Position in business model	Upstream	Own operation	Downstream	Short-term	Mid-term	Long-term
Climate change mitigation									
Greenhouse gas emissions from energy consumption	Negative impact	Actual	All business segments		•		•	•	
Greenhouse gas emissions from activities in the value chain	Negative impact	Actual	Value chain	•		•	•	•	
Climate change adaptation									
Physical risks to assets and risks of changes in destination appeal due to climate change impact	Risk	-	All business segments		•			•	•
Increased desirability of a destination in certain periods due to the impact of climate change	Opportunity	-	All business segments		•			•	•
Energy									
Transition risk due to energy scarcity and high prices	Risk	Actual	All business segments	•			•	•	

*Impacts, risks, and opportunities defined in accordance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS)

ENVIRONMENTAL INFORMATION – Climate change (E1) *(continued)*

Resilience of strategy and business model concerning climate change

Analyses of climate change impacts, based on publicly available official documents from local government units in the areas where the Group operates, indicate several key physical climate risks that could negatively affect the Group's overall assets:

- **rising average temperatures and increased frequency of heatwaves**, leading to higher cooling and energy consumption costs, additional strains and potential difficulties in the operation of the power system, as well as health risks for employees and guests,
- **extended periods of drought**, reducing the availability of drinking water, causing pressure and supply issues, which can cause damage to horticultural assets and, ultimately, increased costs for irrigating green areas,
- **extreme weather conditions such as storms, strong winds, heavy rainfall, and floods**, which can cause damage to building infrastructure, leading to increased restoration costs, disruptions in energy supply, and safety risks for employees and guests,
- **rising sea level**, which presents a long-term threat to properties located in close proximity to the coastline.

Although the Group continuously implements a range of actions that contribute to the mitigation of negative impacts of climate change—including investments in renewable energy sources and energy-efficient equipment, optimization of water resource consumption, application of environmental protection actions, systematic monitoring of infrastructure facilities at all locations, cooperation with public institutions in emergency intervention planning, and conducting fire drills—a comprehensive analysis of climate risk impacts on assets has not yet been carried out, nor has a detailed assessment of overall asset resilience to climate risks. The implementation of these analyses is planned for future reporting periods, in line with the further development of the climate risk management system.

Managing impacts, risks, and opportunities

ESRS 2 IRO-1 Description of processes to identify and assess material climate-related impacts, risks and opportunities

As part of the process of assessing risks related to climate change, the Group has conducted an identification of physical risks associated with climate change within its own operations and at higher and lower levels of the value chain.

- **identifying physical risks related to climate change in own operations and across upstream and downstream value chains.**

ENVIRONMENTAL INFORMATION – Climate change (E1) *(continued)*

During 2024, the Plava Laguna project team conducted an analysis of physical climate risks for the locations of its properties, based on publicly available official documents from local government units: The City of Poreč[2], the City of Umag [3] and the City of Dubrovnik[4].

All three cities are signatories of the Covenant of Mayors, a global initiative launched in 2008 by the European Commission, bringing together local energy and climate stakeholders with the goal of reducing greenhouse gas emissions and increasing energy efficiency. Under the integrated Climate and Energy Agreement, signatories commit to developing a Sustainable Energy and Climate Action Plan (SECAP), a key document defining activities they intend to undertake in the areas of energy efficiency, renewable energy use, and climate change adaptation, all aimed at achieving a minimum 40% reduction in CO_2 emissions by 2030 within local government units. Within the SECAP framework, local government units commit to preparing a baseline emissions inventory to track climate change mitigation activities, publishing actions to mitigate climate change effects and actions for climate change adaptation, as well as conducting an analysis of climate risks along with assessing the vulnerability of specific sectors to climate change impacts.

In future reporting periods, an analysis of physical climate risks affecting the Group's assets shall be carried out.

[2] *Procjena ranjivosti i rizika sektora od posebnog značaja za Grad Poreč – Parenzo, 2018. g.; Strategija prilagodbe klimatskim promjenama Grada Poreča – Parenzo do 2030. godine, 2018. g.;* (Assessment of vulnerability and risks for key sectors in the City of Poreč – Parenzo, 2018; Strategy for Climat
e Change Adaptation of the City of Poreč – Parenzo until 2030, 2018.;)

[3] *Akcijski plan održivog energetskog razvitka i prilagodbe klimatskim promjenama Grada Umaga – Umago (SECAP), 2022.g* (Sustainable Energy and Climate Action Plan (SECAP) of the City of Umag – Umago, 2022)

[4] *Akcijski plan energetski održivog razvitka i prilagodbe klimatskim promjenama Grada Dubrovnika (SECAP), 2024.g. (*Sustainable Energy and Climate Action Plan (SECAP) of the City of Dubrovnik, 2024)

Table. List of physical climate change risks in areas where the group's properties are located

Type of risks	Destination	Level of risk	Scenario and probability of risk occurrence	Consequences
Heat waves	The City of Poreč	moderate	An event with a minimum of 5 consecutive days where the maximum daily temperature is greater than or equal to 31.4°C. The expected changes in the average maximum daily air temperature indicate a warming trend in the current climate and the climate in the period from 2061 to 2090. During winter, temperature increases are projected to range from 1.2°C to 3.2°C under the RCP4.5 scenario and from 2.4°C to 4.9°C under the RCP8.5 scenario. Meanwhile, temperature increases in the summer are expected to reach a range of 2°C to 3.9°C under RCP4.5 and between 3.5°C and between 3.5°C and 6.3°C under RCP8.5. The probability of occurrence for this type of event is estimated to be between 5 to 9 times in 10 years.	risk to the health of guests and employees, reduced availability of drinking water, increased energy costs, additional burdens, and possible difficulties in the operation of the power system
	The City of Umag	moderate	An event with the worst possible consequences, with a maximum daily air temperature above 37.1°C lasting at least four days. The probability of occurrence is once a year or more frequently.	
	The City of Dubrovnik	moderate to high	The increase in the number of hot days, from an average of 15 to 25 days during the reference climate period (1971–2000), is projected to be 8–12 additional days under the RCP4.5 scenario and 12–16 additional days under the RCP8.5 scenario in the period 2011–2040. This trend is expected to continue during 2041–2070, with an increase of 16–20 additional days under RCP4.5 and 20–25 days under RCP8.5 in the City of Dubrovnik. The risk assessment is based on demographic indicators (significant aging of the population) and climate indicators (the area is classified as experiencing extreme heat conditions according to the State Hydrometeorological Institute).	
Drought	The City of Poreč	low	An event with dry periods lasting 7 days or more. An analysis of daily precipitation in the Poreč area from 1986 to 2015, based on data from the State Hydrometeorological Institute, indicates an average duration of dry periods of 6.5 days. The assessment was made based on the projected trend of declining precipitation amounts and projected temperature increase in the RCP4.5 and RCP8.5 scenarios. The probability of occurrence is estimated to be 10 to 24 times in 10 years.	difficulties in water pressure and supply, as well as damage to horticulture
	The City of Umag	moderate	An event with the worst possible consequences, assuming a prolonged drought affecting the entire Istria County. The probability of occurrence is 1 event every 2 to 20 years.	
	The City of Dubrovnik	moderate	In the period from 2011 to 2040, the number of dry periods in the wider Dubrovnik area is expected to increase by one day under both the RCP4.5 and RCP8.5 scenarios. Regarding the period up to 2070, the number of dry periods could increase by 1 to 2 events in 10 years for both scenarios.	
Fires	The City of Poreč	-	-	damage to infrastructure and horticulture, business interruption, risk to the safety of guests and employees, and restoration costs
	The City of Umag	high	An event with the worst possible consequences, considering the scenario of an open-type fire. The probability of occurrence is one event every 2 to 20 years.	
	The City of Dubrovnik	High	The City of Dubrovnik is exposed to a high risk of wildfires, especially during the summer season, which is characterized by high temperatures and prolonged dry periods. Forest areas cover approximately 55% of the total territorial surface. The assessment of fire vulnerability and risk for Dubrovnik is based on an analysis of land structure, vegetation typology, level of firefighting system preparedness and spatial distribution of fire zones.	

Type of risk	Destination	Level of risk	Scenario and the probability of risk occurrence	Consequences
Storms	The City of Poreč	low	-	damage to infrastructure and horticulture, business interruption, risk to the safety of guests and employees, and restoration costs
	The City of Umag	moderate	An event with the worst possible consequences, assuming the occurrence of a stormy wind accompanied by thunder and hail. The probability of occurrence is one event every 2 to 20 years.	
	The City of Dubrovnik	-	-	
Heavy precipitation	The City of Poreč	low	An event with daily precipitation lasting 3 consecutive days or more. An analysis of daily precipitation for the 1986–2015 period, based on data from the State Hydrometeorological Institute, has showm a significant increase in the number of days with precipitation annually, confirming an upward trend. The probability of occurrence is estimated to be more than 25 times in 10 years.	damage to infrastructure and horticulture
	The City of Umag	-	-	
	The City of Dubrovnik	moderate	On an annual basis, until 2040, a very small increase in the average annual precipitation of up to 5% is projected for both scenarios in the wider Dubrovnik area, which will not significantly impact the total annual amount. During the period 2041–2070, the average annual precipitation is expected to increase by 5–10% under the RCP4.5 and RCP8.5 scenarios. A sensitivity and risk analysis has been conducted regarding prolonged periods of heavy rainfall and their potential impact on tourism and heritage in the City of Dubrovnik.	
Floods	The City of Poreč	moderate	-	damage to infrastructure and horticulture, business interruption, risk to the safety of guests and employees, and restoration costs.
	The City of Umag	high	An event with the worst possible consequences related to water overflow from the Umaški stream and flooding caused by the sea. The probability of occurrence is one event every 2 to 20 years.	
	The City of Dubrovnik	moderate	The assessment of flood vulnerability and risk for the City of Dubrovnik is based on an analysis of the condition of the water supply and sewage infrastructure, as well as hydrometeorological conditions.	
Sea level rise	The City of Poreč	low	The expected sea level rise in Croatia by 2050 is projected to be 0.19 m under the RCP4.5 scenario and 0.31 m under the RCP8.5 scenario. By 2100, the expected rise is projected to reach 0.49 m under RCP4.5 and 1.08 m under RCP8.5. If these projections materialize, the most vulnerable areas will be in the narrow coastal zone with an altitude of up to two meters above sea level.	at risk property
	The City of Umag	-		
	The City of Dubrovnik	moderate		

ENVIRONMENTAL INFORMATION – Climate change (E1) *(continued)*

- **identifying transition risks and opportunities related to climate change**

The Plava Laguna project team conducted a process to identify transition risks and opportunities for all its locations, following the classification of climate-related transition events published in the document "Recommendations of the Task Force on Climate-related Financial Disclosures" (TCFD). The analysis highlighted two material transition risks that could impact the Group's business operations: increased raw material costs (the risk of energy availability and price increases) and changes in guest behaviour (shifts in the desirability of destinations during specific periods).

E1-2 Policies related to climate change mitigation and adaptation

In 2024, the Group did not adopt separate policies related to climate change mitigation and adaptation, as this period marked the first implementation of the double materiality assessment process. This process resulted in the identification of material negative impacts associated with climate change mitigation, as well as major risks and opportunities related to climate change adaptation. Based on these results, appropriate policies will be defined in the upcoming reporting periods to ensure compliance with European Sustainability Reporting Standards (ESRS). The foundation for climate change mitigation and adaptation policies will be the transition plan, which will be developed in future reporting periods, with the aim of defining the dynamics and goals of emission reduction.

E1-3 Actions and resources in relation to climate change policies

Recognizing the importance of investments in energy efficiency and renewable energy sources as key elements in the fight against climate change, in 2024 the Group continued with initiatives and investments that contribute to energy and financial savings, as well as the promotion of efficient and rational energy consumption. Funding for these investments was planned in advance through the capital budget, in line with defined investment cycles and the Group's strategic development priorities.

Between 2021 and 2024, the Company carried out activities aimed at increasing the use of renewable energy sources, specifically by installing photovoltaic power plants on various own properties in the Poreč and Umag destinations. During this period, total capital investments in photovoltaic systems exceeded 5 million euros, with 2.45 million euros realized in 2024 (classified as economic activity 7.6 within Capex and included in Note 15 of the revised financial report). From 2021 to 2024, photovoltaic plants were installed at eleven locations in Poreč and seven locations in Umag. The plan includes continuing the expansion and installation of photovoltaic power plants on other properties owned by the company, including Hotel Croatia. Using self-produced energy from renewable sources has multiple positive implications, such as reducing dependence on energy distributors and fossil fuels, thereby mitigating the risk of potential future energy price increases, as well as reducing negative impacts on climate change stemming from direct greenhouse gas emissions.

ENVIRONMENTAL INFORMATION – Climate change (E1) *(continued)*

Furthermore, among the major capital investments contributing to climate change mitigation and energy efficiency, the Company carried out the following in 2024:

- in the central laundry facility in Umag, the steam energy distribution system was reconstructed, including system upgrades and the introduction of automation to maximize energy recovery within the process. This investment contributes to reducing energy losses and improving energy efficiency, directly lowering primary energy consumption. The implemented actions resulted in annual energy savings of 643 MWh compared to the previous system operation. The investment is valued at 156.9 thousand Euros and is classified as economic activity 7.3 within Capex and included in Note 15 of the revised financial report.
- at Hotel Parentium in Poreč, the central domestic hot water preparation system was reconstructed, transitioning to a flow-through system and installing high-temperature booster heat pumps. The system is equipped with the necessary automation and measurement devices for monitoring and controlling the process. This investment has completely eliminated the need for a fossil fuel boiler, resulting in direct positive impact on the reduction of Scope 1 greenhouse gas emissions. The investment is classified as economic activity 7.3 within Capex and included in Note 15 of the revised financial report.
- at Hotel Garden Istra and Hotel Aurora in Umag , as well as at Camping Bijela Uvala campsite in Poreč, the modernization of substations for hot water preparation was carried out by introducing highly efficient systems – heat pumps. Additionally, system automation and a process monitoring system were implemented to enhance energy efficiency. The investment is classified as economic activity 7.3 within Capex and included in Note 15 of the revised financial report.
- at Hotel Garden Istra in Umag, an electric vehicle charging station was installed, increasing the attractiveness of the facility for environmentally conscious guests and enabling the use of electric vehicles during their stay. This indirectly contributes to the reduction of greenhouse gas emissions within Scope 3. The investment is classified as economic activity 7.5 within Capex and included in Note 15 of the revised financial report.

At Hotel Croatia, among the major capital investments contributing to climate change mitigation and energy efficiency, the following were implemented in 2024:

- the replacement of lighting with low-energy LED lighting in 133 accommodation units was carried out. The investment is valued at 300.4 thousand Euros and is classified as economic activity 7.3 within Capex and included in Note 15 of the revised financial report.
- the installation of new energy-efficient ceiling units for heating and cooling in 133 accommodation units was carried out. The investment is valued at 100.9 thousand Euros and is classified as economic activity 7.3 within Capex and included in Note 15 of the revised financial report.

Monitoring and rationalization of energy consumption across all locations are of great importance, ultimately reflecting on the Group's operational results. Regular tracking and analysis of energy consumption are conducted through monthly assessments, and more frequently if needed, in all profit and administrative units of the Company. The data used in these analyses is sourced from monthly invoices and the internal system for monitoring energy stock levels. The analyses are made available to all directors of profit units, profit centers, individual sectors, and the Management Board.

ENVIRONMENTAL INFORMATION – Climate change (E1) *(continued)*

Despite the continuous implementation of actions contributing to climate change mitigation and energy efficiency across all Group entities, a formal action plan to reduce identified material negative impacts and risks, as well as to leverage identified opportunities, has not yet been established.

Additionally, the actions currently being implemented are not explicitly aimed at achieving greenhouse gas emission reduction targets, but rather focus primarily on increasing energy efficiency and modernizing infrastructure. While a positive impact on emission reduction is expected, it is currently not possible to precisely quantify the level of greenhouse gas emission reductions resulting from these investments.

In 2024, the Group did not introduce actions or an action plan for managing climate change adaptation, as this period marked the first implementation of the double materiality assessment process. The Group has invested efforts in actions related to climate change mitigation. In upcoming reporting periods, a plan for actions and resources related to climate change adaptation will be defined to ensure compliance with European Sustainability Reporting Standards (ESRS), establish concrete decarbonization targets, and monitor their achievement.

Metrics and targets

E1-4 Targets related to climate change mitigation and adaptation

During 2024, the Group did not define targets related to energy, climate change mitigation, and adaptation, as this period marked the first implementation of the double materiality assessment process. Additionally, in 2024, the Group began establishing systematic monitoring and calculation of scope 1, 2, and 3 greenhouse gas emissions representing the first step in managing emissions in accordance with regulatory requirements.

E1 – 5 Energy consumption and mix

The table below presents the total amount of energy consumed in the Group's operations, expressed in MWh. Additionally, the table shows the amount of energy produced within the Company from renewable sources.

Table. Energy consumption and mix in 2024 in MWh

in MWh	Group total
Total fossil energy consumption (MWh)	**76,471.01**
Share of fossil sources in total energy consumption (%)	83.68
Consumption from nuclear sources (MWh)	**3,223.64**
Share of consumption from nuclear sources in total energy consumption (%)	3.53
Consumption of purchased or acquired electricity, heating energy, steam, and cooling from renewable sources (MWh)	8,754.60
The consumption of self-generated non-fuel renewable energy(MWh)	2,932.97
Total renewable energy consumption (MWh)	**11,687.57**
Share of renewable sources in total energy consumption (%)	12.79
Total energy consumption (MWh) of the Group	**91,382.21**

Production of energy from renewable sources (MWh)	2,932.97

ENVIRONMENTAL INFORMATION – Climate change (E1) *(continued)*

Methodology and contextual information on energy sources

The main energy sources within the Group include electricity, natural gas, liquefied natural gas, extra-light fuel oil, and vehicle fuels. Data on energy consumption is obtained from supplier invoices for individual energy sources and internal systems for monitoring energy stock levels, covering all Group's locations. Regarding energy consumption, the same scope is used as for greenhouse gas emissions reporting for Scope 1 and 2.

Energy production from renewable sources is achieved through the Group's own photovoltaic power plants, installed at a total of eleven locations in Poreč and seven locations in Umag. The energy generated is used exclusively for internal needs. The amount of produced energy corresponds to consumption, and records are maintained based on data from a software system for monitoring the operation of photovoltaic power plants.

Data related to energy sources has not been validated by an external entity that is not the assurance provider.

The Group's operations are not conducted in high climate impact sectors.

E1 – 6 Gross Scope 1, 2 and 3 and Total GHG emissions	2024	2023	2024	% N / N-1	2025	2030	2050	Annual % target / Base year
Scope 1 GHG emissions								
Gross Scope 1 GHG emissions (tCO_2eq)	8,885.79	-	8,885.79	-	-	-	-	-
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	-	-	-	-	-	-	-	-
Scope 2 GHG emissions								
Gross location-based Scope 2 GHG emissions (tCO2eq)	8,043.74	-	8,043.74	-	-	-	-	-
Gross market-based Scope 2 GHG emissions (tCO2eq)	30,368.13	-	30,368.13	-	-	-	-	-
Significant Scope 3 GHG emissions (tCO_2eq)								
Total Gross indirect (Scope 3) GHG emissions (tCO2eq)	56,545.53	-	56,545.53	-	-	-	-	-
1 Purchased goods and services	43,443.04	-	43,443.04	-	-	-	-	-
Optional sub-category: Cloud computing and data centre services	-	-	-	-	-	-	-	-
2 Capital goods	6,813.84	-	6,813.84	-	-	-	-	-
3 Fuel and energy-related activities (not included in Scope 1 and 2)	2,980.26	-	2,980.26	-	-	-	-	-
4 Upstream transportation and distribution	142.64	-	142.64	-	-	-	-	-
5 Waste generated in operations	1,893.84	-	1,893.84	-	-	-	-	-
6 Business travels	9.13	-	9.13	-	-	-	-	-
7 Employee commuting	1,262.78	-	1,262.78	-	-	-	-	-
8 Upstream leased assets	-	-	-	-	-	-	-	-
9 Downstream transportation	-	-	-	-	-	-	-	-
10 Processing of sold products	-	-	-	-	-	-	-	-
11 Use of sold products	-	-	-	-	-	-	-	-
12 End-of-life treatment of sold products	-	-	-	-	-	-	-	-
13 Downstream leased assets	-	-	-	-	-	-	-	-
14 Franchises	-	-	-	-	-	-	-	-
15 Investments	-	-	-	-	-	-	-	-
Total GHG emissions								
Total GHG emissions (location-based) (tCO_2eq)	73,475.05	-	73,475.05	-	-	-	-	-
Total GHG emissions (market-based) (tCO_2eq)	95,799.44	-	95,799.44	-	-	-	-	-

ENVIRONMENTAL INFORMATION – Climate change (E1) *(continued)*

GHG intensity based on net revenue

Table: GHG intensity based on net revenue

	Comparative	2024	% N / N-1
Total GHG emissions (location-based) per net revenue (tCO2eq/1.000 EUR)	-	0.306	-
Total GHG emissions (market-based) per net revenue (tCO2eq/1.000 EUR)	-	0.400	-

The Group's total net revenue amounts to 239,404 thousand Euros (Note 6 of the audited financial report). Total greenhouse gas emissions (location-based) amount to 73,475.05 tons of CO2 equivalent. Greenhouse gas emissions per net revenue (location-based) are 0.306 tons of CO2 equivalent per 1,000 Euros. Total greenhouse gas emissions (market-based) amount to 95,799.44 tons of CO2 equivalent. Greenhouse gas emissions per net revenue (market-based) equal 0.400 tons of CO2 equivalent per 1,000 Euros.

Methodology and contextual information on the calculation of gross emissions from Scope 1, 2, and 3

Table E1 – 6 Gross emissions of greenhouse gases from Scope 1, 2, and 3, as well as total greenhouse gas emissions, presents the emission values of greenhouse gases for the Group from Scope 1, 2, and 3 for the year 2024, which also serves as the baseline year for the calculation.

Greenhouse gas emissions from Scope 1 and Scope 2 have been calculated based on the provisions of the ESRS method of the Greenhouse Gas Protocol, the 2004 version (The GHG Protocol Corporate Accounting and Reporting Standard [1]), and the technical guidelines from 2015 (GHG Protocol Scope 2 Guidance [2]), using the available information within the Group.

Methodology for calculating Scope 1

Direct Scope 1 emissions have been calculated using methodologies and emission factors corresponding to each source as follows:

- **stationary combustion (liquid and gaseous fuels):** Greenhouse gas (GHG) emissions from the combustion of liquid and gaseous fuels have been calculated using emission factors from the Croatian database of emission/removal factors for the carbon footprint calculation of organizations, version 2.0 [3], which aligns with the reference document "2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, Volume: Energy" [4]. The amount of fuel consumed is multiplied by the emission factor specific to the fuel type to determine emissions. This approach accounts for direct CO_2, CH_4, and N_2O emissions from fuel use. Emissions of each greenhouse gas are converted to equivalent CO_2 emissions using the global warming potential from the Intergovernmental Panel on Climate Change (IPCC) - AR6 report [5].
- **fugitive emissions (refrigerants):** Emissions from the fugitive release of greenhouse gases have been calculated based on data on the replenishment of working substances in refrigeration systems and air

ENVIRONMENTAL INFORMATION – Climate change (E1) *(continued)*

conditioning units, using the global warming potential (Global Warming Potential - GWP) taken from the IPCC AR6 report [5]. The amount of released working substances is multiplied by the GWP of each substance to reflect their relative impact on climate change.

- **mobile combustion (vehicles):** Greenhouse gas emissions from mobile combustion sources, such as vehicles owned or financially controlled by the Group, have been calculated using emission factors from the Croatian database of emission/removal factors for the carbon footprint calculation of organizations, version 2.0 [3]. The total amount of fuel consumed is multiplied by the relevant emission factor to determine emissions of CO_2, CH_4, and N_2O resulting from fuel combustion. Emissions of each greenhouse gas are converted to equivalent CO_2 emissions using the global warming potential from the IPCC AR6 report [5].

Data on fuel consumption in stationary and mobile energy sources have been collected in natural units (e.g., cubic meters for natural gas, liters for diesel fuel), which are multiplied by the lower heating value, and, if necessary, by density. The lower heating value has been taken from Energy in Croatia [6], and the density from the document „CDP Technical Note: Conversion of fuel data to MWh, 2024" [7].

Methodology for calculating Scope 2

Scope 2 emissions are calculated based on the total amount of electricity supplied to the Group's facilities under its financial control. Electricity consumption data is multiplied by the relevant location-based emission factors (sourced from the Croatian database of emission/removal factors for the carbon footprint calculation of organizations, version 2.0 [3]) and market-based emission factors (sourced from AIB [8]).

Location-based method: This method uses average national emission factors for electricity based on the geographic location of consumption, reflecting the specifics of Croatia's grid energy mix.

Market-based method: This method applies market-specific emission factors to reflect the quantities of energy sourced from renewable sources or special contracts, ensuring that emissions account for the type of purchased electricity.

Overview of the methodology for calculating individual Scope 3 categories

Individual categories within Scope 3 are calculated by selecting applicable methodologies from the Greenhouse Gas Protocol Standard, which defines the requirements for companies preparing greenhouse gas emissions calculations and corresponding reports across their value chain—from suppliers to customers. These calculations adhere to the 2011 version (GHG Protocol Corporate Value Chain (Scope 3) Standard, Supplement to the GHG Protocol Corporate Accounting and Reporting Standard [9]) and the 2013 technical guidelines (Technical Guidance for Calculating Scope 3 Emissions, Supplement to the Corporate Value Chain (Scope 3) Accounting & Reporting Standard [10]), based on available information. When defining the reporting boundaries, it was concluded that the following categories do not require calculation due to the specific nature of the Group's operations, which are further explained in the details below. These categories are 8. Upstream leased assets, 9. Downstream transportation , 10. Processing of sold products, 11. Use of sold products, 12. End-of-life treatment of sold products, 13. Downstream leased assets, 14. Franchises, and 15. Investments.

ENVIRONMENTAL INFORMATION – Climate change (E1) *(continued)*

1. Purchased goods and services: calculated based on the average and cost-based data methods.
2. Capital goods: calculated based on the average and cost-based data methods.
3. Fuel- and energy-related activities (not included in Scope 1 or 2): calculated based on fuel and energy consumption data.
4. Upstream transportation and distribution: calculated based on the cost-based method for transportation services.
5. Waste generated in business operations: calculated based on the method that considers the type and quantity of waste and the waste disposal method.
6. Business travel: calculated based on the method that considers information on business trips and the types of transportation used (private vehicle and airplane)
7. Employee commuting: calculated based on the method that considers the average distance travelled and types of transportation used.
8. Leased assets upstream in the value chain: not applicable, the Group does not lease assets.
9. Downstream transportation: not applicable, the Group does not produce products that would be marketed with the help of a third party.
10. Processing of sold products: not applicable, as the Group does not produce semi-finished products that are processed by third parties.
11. Use of sold products: not applicable, as the Group does not have final physical products.
12. End-of-life treatment of sold products: not applicable, as the Group does not have final physical products.
13. Downstream leased assets : not applicable, as emissions from rented assets are calculated within Scope 1 and Scope 2.
14. Franchises: not applicable, as the Group does not own any franchises.
15. Investments: not applicable, as the Group does not have investments in other companies.

Following the calculation of total greenhouse gas emissions within Scope 3 and based on a comparison of results obtained across individual Categories, it was determined that the most significant Categories for the Group are Category 1 (Purchased goods and services), Category 2 (Capital goods), and Category 3 (Fuel and energy-related activities). Category 1 generated 43,443.0 tCO_2e, accounting for 76.8% of total Scope 3 emissions. Emissions from Category 2 amounted to 6,813.8 tCO_2e (12.1%), while Category 3 contributed 2,980.3 tCO_2e (5.3%) to total Scope 3 emissions. For the significant Scope 3 Categories (Categories 1 and 2), primary data from suppliers was not utilized, while for Category 3, primary data based was based on measurement (for example, natural gas or electricity consumption).

Detailed methodology for calculating Category 1 – Purchased goods and services

The emissions calculation for the Purchased goods and services category follows a methodology based on collected data in natural units (kilograms, litres, and cubic meters) for purchased food, beverages, water, and office paper, and a cost-based approach (EUR) for external services, along with certain food items, goods, materials, and office supplies. External service costs were consolidated into two groups, higher-tier service equipment requiring fuel or energy for operation, leading to relatively high emissions, and lower-tier service equipment (so-called intellectual services) associated with relatively low emissions. Data on purchased goods and services was separately collected for Plava Laguna (including the Company and Istra D.M.C) and Hotel Croatia in Cavtat.

ENVIRONMENTAL INFORMATION – Climate change (E1) *(continued)*

To calculate greenhouse gas emissions, relevant emission factors for purchased goods and services were used from the French ADEME emission factor database, integrated into the Bilan Carbone model [11], or published in Base_Carbone_V23.4.excel [12]. By utilizing primary data on purchased goods and services, along with generic (secondary) emission factors, greenhouse gas emissions for this Category were estimated.

Assumptions used in the calculation: Due to the extensive dataset on purchased food, beverages, goods, and materials, as well as the representation of data in monetary terms (EUR) and various natural units (kg, litres, pieces, packs, grams, pairs, meters, m^2, m^3, etc.), it was necessary to convert data presented in units such as pieces into kilograms by estimating the average weight of a single product. If this was not feasible, cost-based data (EUR) was grouped, and average monetary emission factors for the product group were used (gCO_2e/EUR).

Detailed methodology for calculating Category 2 – Capital goods

The emissions calculation for Capital goods follows a methodology based on collected data in natural units (kilograms and pieces) for purchased furniture, machinery, vehicles, major household appliances, food preparation appliances and tools, televisions, laptops, PCs, monitors, printers, and photocopiers, and a cost-based approach (EUR) for certain IT and other equipment. In the Group's accounting system, these capital goods are classified as long-term assets. Data on the procurement of capital goods was separately collected for Plava Laguna (including the Company and Istra D.M.C) and Hotel Croatia in Cavtat. To calculate greenhouse gas emissions, relevant emission factors for capital goods from the Bilan Carbone model [11] and Base_Carbone_V23.4.excel [12] were used. By utilizing primary data on purchased capital goods and generic (secondary) emission factors, greenhouse gas (GHG) emissions for this Category were estimated.

Assumptions used in the calculation: No assumptions were made for this calculation.

Detailed methodology for calculating Category 3 – Fuel and energy-related Activities (not included in Scope 1 or Scope 2)

The calculation of emissions for the Category Fuel and energy related Activities (not included in Scope 1 or 2), follows the methodological guidelines defined by the GHG Protocol. The calculation incorporates data on fuel consumption from stationary and mobile combustion sources (Scope 1) and electricity consumption (Scope 2), but applies emission factors for the upstream flow of fuel or energy. The calculation uses average national emission factors and the UK emission factors (DEFRA [13]) for propane gas, since there is no emission factor for propane gas in the Croatian database. Data on activity is primary, while emission factors are secondary.

Assumptions used in the calculation: No assumptions were made for this calculation.

The greenhouse gas emission calculations for Plava Laguna Group have not been verified by an external body accredited for the validation of carbon footprint calculations and reports.

ENVIRONMENTAL INFORMATION – Water and marine resources (E3)

Water and marine resources (E3)

Strategy

ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

Water presents an indispensable natural resource, especially in the hospitality industry, where it is closely connected to the core business and crucial for the smooth functioning of the overall business process. The Group covers its water needs almost completely through the local water supply infrastructure. Only a small portion of the water used for irrigating horticultural areas is sourced from drilled wells, located at the Stella Maris Resort in Umag. Considering the company's size and the scope of operations, the Group can cause negative impacts by exerting pressure on local systems. Therefore, exploring options to reduce water consumption, adopting more efficient technologies, and utilizing alternative water sources is highly recommended to ensure the long-term sustainability of the shared natural resources.

During the double materiality assessment, one material negative impact related to water resources was identified:

				Position in value chain			Time horizon		
Sustainability matters and related impacts, risks, and opportunities (IROs)	I/R/O*	Actual / Potential	Position in business model	Upstream	Own operation	Downstream	Short-term	Mid-term	Long-term
Water consumption									
Water consumption throughout the entire business process	Negative impact	Actual	All business segments		•		•	•	

*Impacts, risks and opportunities defined in accordance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS)

Management of impacts, risks and opportunities

E3-1 Policies related to water and marine resources

During 2024, the Group did not adopt separate policies for managing water resources, as the double materiality assessment was conducted during this period for the first time. The mentioned assesment resulted in identifying a material negative impact on water resources. Based on these findings, the appropriate water resource management policies shall be defined in the upcoming reporting periods to ensure compliance with the European Sustainability Reporting Standards (ESRS).

ENVIRONMENTAL INFORMATION – Water and marine resources (E3)

(continued)

E3-2 Actions and resources related to water and marine resources

Continuous monitoring and rationalization of water consumption at all locations are of great importance, as they ultimately affect the operational results of the Group.

Regular monitoring and analysis of water consumption are conducted through monthly and weekly reports and, when necessary, more frequently for all profit and administrative units of the Company. The data used in the analyses are sourced from monthly invoices and the water consumption monitoring system. The analyses are made available to all directors of profit units and centers, as well as directors of specific sectors and the Management Board.

At the beginning of 2012, the first phase of integrating a remote water consumption monitoring system into the profit and administrative units of the Company was implemented. During the year 2024, more than 70% of water meters have been connected to devices that register and store water consumption data hourly, 24 hours a day. The data are transmitted via mobile telecommunication signals to computers, enabling simple data processing and presentation. Every deviation in consumption is documented, and actions are ultimately taken to address the causes of identified deviations in consumption. This approach enables the detection of potential water losses or damages in the water supply infrastructure. At Hotel Croatia, daily manual records of water consumption are kept, in order to identify deviations in a timely manner and promptly respond to reduce the potential losses.

During 2015, at Camping Park Umag in the destination Umag, the membrane bioreactor wastewater treatment system (MBR) was expanded, allowing recycled water to be used for irrigation of green areas and flushing toilets. In cases where recycled water is insufficient to cover total needs, the remaining amount is sourced from the local water supply infrastructure.
Across all its destinations, the Group continuously strives to raise guest awareness about the importance of responsible and conscientious water use through informational materials within its facilities.

Despite a range of actions consistently implemented across the Group's components to rationalize water consumption and conserve water resources, a formal action plan to reduce the material negative impact of water consumption has not yet been established. The development of such a plan is planned for future reporting periods.

Metrics and targets

E3-3 Targets related to water and marine resources

During 2024, the Group did not establish targets for water resource management, as this period marked the first implementation of the double materiality assessment process. In the upcoming reporting periods, targets related to water resources will be defined to ensure compliance with the European Sustainability Reporting Standards (ESRS).

ENVIRONMENTAL INFORMATION – Water and marine resources (E3)

(continued)

E3-4 Water consumption

The following table indicates the total amount of water consumed in the Group's operations, expressed in cubic meters.

Table. Water consumption in 2024 in m^3

in m^3	2024
Local water supply infrastructure	1,608,718
Drilled wells	8,173
Total for the Group	**1,616,891**

Indicator. Intensity of water consumption in 2024

(total water consumption in m3/ million EUR net revenue)

6,753.93

The information on the water consumption from the local water supply infrastructure was taken from billing invoices, while water consumption from drilled wells was obtained from the remote water consumption monitoring system. The data are based on direct measurements. Water consumption is monitored in its original units – m3. The data has not been validated by an external body other than the assurance provider. For the calculation of water consumption intensity, the information on the Group's total net income was sourced from Note 6 of the Group's audited financial statement (2024: 239,404 thousand Euros).

ENVIRONMENTAL INFORMATION – Resource use and circular economy (E5)

Resource use and circular economy (E5)

Strategy

ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

In the daily operations of the Group, significant amounts of various types of waste are generated, which can generate additional pressure on the local waste management infrastructure and ultimately have a negative impact on people and the environment. One of the Group's strategic goals is to manage waste in a way that reduces the overall amount of waste—both at a higher level of the value chain, by selecting food product packaging and packaging for cosmetic products and cleaning products in larger volumes, and at a lower level of the value chain, by sorting waste at its source. This directly reduces the amount of waste that is permanently disposed.

During the double materiality assessment, one material negative impact related to waste was identified:

				Position in value chain			Time horizon		
Sustainability matters and related impacts, risks, and opportunities (IROs)	I/R/O*	Actual / Potential	Position in business model	Upstream	Own operation	Downstream	Short-term	Mid-term	Long-term
Waste									
Generation of waste throughout the entire business process	Negative impact	Actual	All business segments		•			•	•

*impacts, risks and opportunities defined in accordance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS)

Management of impacts, risks and opportunities

E5-1 Policies related to resource use and circular economy

During 2024, the Group did not adopt separate policies related to resource use and the circular economy, as this period marked the first implementation of the double materiality assessment process. This process resulted in the identification of a material negative impact associated with waste generation. Based on the findings, appropriate waste management policies will be established in the upcoming reporting periods to ensure compliance with the European Sustainability Reporting Standards (ESRS).

ENVIRONMENTAL INFORMATION – Resource use and circular economy (E5) *(continued)*

E5-2 Actions and resources related to resource use and circular economy

Waste management is performed in all Group destinations through companies authorized to dispose of the specific types of waste under environmental protection principles. Waste is separately sorted in each profit unit of the Group and handed over for disposal. The quantity of waste is monitored using accompanying records in compliance with existing regulations. A software system has been implemented to enable the environmental protection team to systematically track waste flows across all profit units of the Company.

Specific waste categories are regularly monitored and analyzed through monthly reports within all profit units of the Company. Data used for analysis is sourced from monthly invoices or the waste tracking system. At the end of the year, comprehensive analyses of waste by type and by profit unit are prepared and shared with directors of the profit units, profit centers, and the Operations Sector director.

Market trends are continuously monitored, and new technologies that could contribute to the final goal, reducing landfill waste, are being evaluated.

The Group encourages all its entities to reduce waste quantities through waste selection, promoting paperless operations, removing printers from offices by introducing shared printers in buildings, adopting environmentally friendly materials (replacing single-use plastics), and educating on reducing organic waste.

During 2024, the Group continued an earlier initiative to transition from small-volume hotel toiletries to larger-volume containers made from recycled materials, with the goal of reducing the amount of packaging waste. This 2024 initiative encompassed all hotels, four-star apartments, 121 mobile homes in the campsite Camping Park Umag, and all mobile homes in the campsite Camping Ulika.
Additionally, during 2024, the application of biodegradable utensils and packaging started at Hotel Parentium, Hotel Coral, Park Resort, and Istrian Villas.

Both projects are planned to continue in the future, in order to reduce the packaging waste at the Company's locations.

At Hotel Croatia, single-use plastic was eliminated, and small-volume hotel toiletries were replaced with larger dispensers made from recycled materials. Biodegradable utensils are also used wherever possible.

Despite numerous ongoing actions across all parts of the Group aimed at waste reduction and sorting, a formal action plan to minimize material negative impacts associated with waste generation has not yet been established. The creation of such a plan is planned for future reporting periods.

ENVIRONMENTAL INFORMATION – Resource use and circular economy (E5) *(continued)*

Metrics and targets

E5-3 Targets related to resource use and circular economy

During 2024, the Group did not define targets related to resource use and the circular economy, considering that it was the first time the double materiality assessment was conducted. In future reporting periods, targets for resource use and the circular economy will be established to ensure compliance with the European Sustainability Reporting Standards (ESRS).

E5-5 Resource outflows

The table below presents the total amount of waste generated by the Group's operations, expressed in kilograms.

Table. Generated waste in 2024 in kilograms

in kilograms	Non-hazardous waste	Hazardous waste	Total for the Group
Generated amount of waste in total	**7,345,047**	**49,629**	**7,394,676**
Total amount of waste – diverted from disposal	**3,506,103**	**47,424**	**3,553,527**
Preparation for reuse	0	0	**0**
Recycling	3,503,793	47,424	**3,551,217**
Other recovery operations	2,310	0	**2,310**
Total amount of waste - directed to disposal	**3,838,944**	**2,205**	**3,841,149**
Percentage of non-recycled waste (%)			**51.9**

The total amount of non-recycled waste is equal to the total amount of waste directed towards disposal.

Data on the quantities of waste generated in 2024 is based on a combination of actual measurements and estimates.

Actual data refers to the quantities of waste recorded in accompanying sheets and invoices received from authorized external partners for waste collection. Information on waste disposal methods has also been obtained from authorized external partners for waste collection.

Estimates apply to mixed municipal waste, in which case, the quantities in invoices are expressed in the original unit - litres. For reporting purposes, data in litres has been derived from financial records and converted into kilograms using conversion factors provided by external partners.

ENVIRONMENTAL INFORMATION – Resource use and circular economy (E5) *(continued)*

Due to insufficient information from authorized external partners responsible for collecting waste directed towards disposal, the Group currently does not have data on the type of processing, including incineration, landfill disposal, and other procedures.

The data has not been validated by an external entity, which is not the assurance provider.

In its business operations, the Group generates waste of different categories, divided into hazardous and non-hazardous waste groups:

- **Hazardous waste** involves smaller quantities of materials but requires special management due to its specific characteristics. Significant types of hazardous waste include IT waste, heat exchange devices, discarded light bulbs, chemicals and construction waste containing asbestos. The majority of hazardous waste is handed over for recycling. The Group does not generate radioactive waste in its operations.

- **Non-hazardous waste** is far more prevalent in terms of quantity. The most common categories include mixed municipal waste, organic waste from kitchens and cafeterias, organic waste from parks and gardens, as well as packaging made of paper, plastic, glass, wood, and metal, bulk waste, and fat and oil composites. A significant portion of non-hazardous waste is also handed over for recycling.

SOCIAL INFORMATION – The own workforce (S1)

The own workforce (S1)

Strategy

ESRS 2 SBM- 2 Interests and views of stakeholders

The own workforce represents a key group of affected stakeholders for every business entity, as their well-being, engagement, and competencies directly influence operational efficiency, service quality, and the long-term sustainability of business operations. Considering the Group's core business, which is based on providing accommodation services, the significance of its own workforce is highly emphasized. The Group views its employees as one of its most valuable resources, and therefore, commitment to creating a professional and stimulating work environment is one of its fundamental goals.

During 2024, the Company's own employees were involved in the double materiality assessment process to examine their perspectives on the level of Plava Laguna's impact on various positive and negative impacts on the environment and people, including the respect for human rights. Of the total number of responses received, 30% came from the company's own employees. The feedback collected from the company's employees was taken into account by Plava Laguna's project team when evaluating the materiality of impacts, risks, and opportunities.

More information on daily communication channels with employees, the purpose of stakeholder engagement, and the importance of feedback can be found in the chapter ESRS 2 SBM 2 – Stakeholder Interests and Perspectives.

ESRS 2 SBM-3 Material impacts, risks, and opportunities and their interaction with strategy and business model

- **Negative impact due to specific working hours**

Despite its continuous commitment to creating a favourable working environment, the Company is aware of certain negative impacts arising from the specific nature of business operations in the tourism sector. The negative impact primarily relates to the specific working hours, which result from the inherent characteristics of the Company's activities.

Negative impact affects a portion of the Company's employees who work in operational business segments—facilities where services are provided to guests, primarily in hotels, tourist resorts, campsites, and organizational units responsible for auxiliary activities (such as horticulture, laundry services, sports, and other areas). The same working-hour arrangements also affect employees of external service providers working for the Company, as well as other workforce arrangements, such as students. An exception are employees in so-called shared services. The negative impact of specific working hours is negligible for individuals with special characteristics, such as minors or persons with special needs, due to the legal provisions that grant specific rights to such groups.

SOCIAL INFORMATION – The own workforce (S1) *(continued)*

Specific working hours can be observed in the context of work schedule dynamics and the distribution of working time:

- **the dynamics of working hours**

The Company's accommodation services in hotels, tourist resorts, and campsites are provided in a destination traditionally focused on the holiday segment for families with children as the primary market niche. This focus extends to the organization and partnership in various sporting events, aiming to strengthen both physical volume and financial indicators during the pre-season and post-season. In such business model, determined primarily by climatic and geographical factors, achieving year-round operations across all aspects of the offering is not a realistic scenario. As a result, only partial mitigation of the negative aspects of specific work schedule dynamics can be achieved, especially during seasonal months when employees work beyond the full-time hours defined by the Labour Act.

- **work schedule arrangement**

Another aspect of the specific nature of working hours in the industry stems from the very characteristics of the service, which is provided throughout the entire duration of guests' stays in the Company's accommodation facilities and the destination itself. As a result, the work schedule is not evenly distributed.

Due to previously explained factors, work in certain periods of the year is organized through redistributed working hours, which also require night shifts, split shifts, shift work, as well as work on holidays and Sundays. Possible negative impacts include health-related issues, potential impacts on mental well-being such as stress and burnout, disruption of work-life balance, and reduced productivity.

- **risk related to workforce availability and cost**

Due to global trends affecting labour availability, particularly in labour-intensive industries, the Company assesses a potential risk of challenging business conditions caused by workforce shortages. In such scenarios, the supply of tourism-related job opportunities may not adequately meet demand, which could lead to rising labour costs following a trend that exceeds expected movements of key indicators, resulting in further negative outcomes.

Given the Company's business model, which relies on seasonal employment, this risk is somewhat heightened.

- **ensuring professional and personal development as an opportunity**

The Company implements a standardized structure for educational programs at all levels, recognizing the fundamental need of its employees for professional development and personal growth. These training programs include the Company's own employees as well as those within the broader value chain.

- **improving employee accommodation conditions as an opportunity**

Due to the predominantly seasonal nature of business activities, employees are mostly hired during the tourist season. The demand for labour exceeds the capacities of the local and even national labour market. Therefore, the Company needs to employ non-local workers who require adequate accommodation. This situation is recognized as an opportunity, as the Company possesses and manages a material number of accommodation facilities within destinations, in close proximity to its commercial properties. Improving the quality of its own accommodation facilities in accordance with modern standards—ensuring they meet employees' needs during their stay and work in the destination—represents a strategic opportunity to

SOCIAL INFORMATION – The own workforce (S1) *(continued)*

enhance the attractiveness of Plava Laguna as an employer and contribute to the long-term sustainability of business operations.

In the process of assessing dual materiality, one material negative impact, one risk, and two opportunities related to the Company's workforce have been identified:

				Position in value chain			Time horizon		
Sustainability matters and related impacts, risks, and opportunities (IROs)	I/R/O*	Actual / Potential	Position in business model	Upstream	Own operation	Downstream	Short-term	Mid-term	Long-term
Working conditions- Working time									
Specific working hours	Negative impact	Actual	Operations		•			•	•
Working conditions – Secure employment									
Risk related to availability and the cost of workforce	Risk	-	All business segments		•				•
Equal treatment and opportunities for all – Training and skills development									
Ensuring professional and personal development	Opportunity	-	All business segments		•			•	•
Other work-related rights – Adequate housing									
Improving employee accommodation conditions	Opportunity	-	Operations		•				•

*impacts, risks, and opportunities defined in accordance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS)

Impacts, risks and opportunities management

S1 - 1 Policies related to own workforce

During 2024, the Group did not adopt separate policies focused on managing risks related to labor availability and costs, nor policies addressing opportunities for ensuring employees' professional and personal development or improving their accommodation conditions. This was due to the fact that, during this period, the process of assessing dual materiality was conducted for the first time. Based on the results obtained, appropriate policies will be defined in upcoming reporting periods to ensure compliance with the European Sustainability Reporting Standards (ESRS).

SOCIAL INFORMATION – The own workforce (S1) *(continued)*

Despite the absence of formally adopted policies for managing material risks and opportunities, the Company continuously implements a range of processes, activities, and practices as an integral part of the responsibilities of the Human Resources sector, as well as other business functions connected to the identified key risks and opportunities.

The identified material negative impact has been regulated through an internal act, specifically the Collective Agreement.

- **Mitigating the negative impact associated with specific working hours**

Various aspects of employee eights, including work schedule regulations, are governed by Internal acts, primarily the Collective Agreement.

The Company has entered into a Collective Agreement with the local branches of the Union of Istria, Kvarner, and Dalmatia as well as the Union of Tourism and Services of Croatia. This agreement defines the rights and obligations of both the employer and employees.

Along with other legal sources, the Collective Agreement regulates aspects such as employment contracts, leave and vacation policies, employee protection, wages and other financial benefits, inventions, termination of employment, and special provisions related to labour unions. Particular emphasis is placed on the regulation of working hours, recognizing its unique characteristics within the tourism industry.

Regarding particularly vulnerable groups, the Company fully complies with applicable laws and further defines additional rights within the Collective Agreement. According to this agreement, specific groups of employees cannot be assigned overtime work, including employees working reduced hours due to hazardous work conditions, pregnant employees, parents of children under three years old, single parents of children under six years old, minor employees and employees working part-time). Additionally, minors are prohibited from working within redistributed work schedules. Pregnant employees, parents of children under three years old, single parents with children under six, and part-time employees may work within redistributed work schedules only if they provide a written statement consenting to such arrangements. Minors are entitled to at least five weeks of annual vacation, while certain groups may receive extended vacation periods depending on various factors. Mothers of children under one year old have the right to a breastfeeding break.

All segments of the Company, including the Management Board, are responsible for implementing the Collective Agreement. Employees can access the agreement via the internal company website, through supervisors at business facilities, the Workers' Council, and relevant labour unions.

The Collective Agreement is relevant for those covered by employment contracts, as some employees have agreements with special rights and obligations.

SOCIAL INFORMATION – The own workforce (S1) *(continued)*

The Company has not adopted a dedicated policy for human rights protection, however, through its Code of Ethics, it guarantees its employees respect for human rights, equality, and the implementation of fundamental International Labour Organization conventions. The Company does not discriminate against candidates during hiring or career advancement, and efforts are made to promote equal access for all. Human rights compliance is ensured through the application of current legal regulations and is considered a crucial aspect in all areas of work.

More information on human rights obligations and the alignment of policies with internationally recognized instruments can be found in Chapter G1 – 1, which addresses business conduct policies and corporate culture within governance disclosures.

S1 – 2 Processes for engaging with own workers and workers' representatives about impacts

The Company respects and actively promotes employees' right to information and consultation. The Company ensures that employees have easy access to all relevant information through various communication channels. The primary channels facilitating transparent and two-way dialogue with employees include communication via the Workers' Council and unions, as well as employee surveys. These channels help ensure that employees' perspectives are taken into consideration promptly, when making decisions and carrying out activities that impact them.

- **The Worker's Council and union representatives**

The Workers' Council in the Company was established in accordance with the provisions of the Labour Act. The Workers' Council protects and promotes employee interests through information sharing, consultations, mutual decision-making, and negotiations with the employer on matters important to employee positions. The employer ensures all necessary conditions for the election and operation of the Workers' Council.

Communication with the Workers' Council and union representatives is conducted directly and smoothly, not only in all situations prescribed by labour law sources but also through consultations whenever either party deems it necessary. The employer's obligation to inform employees is carried out periodically, at least once every three months, covering updates on Company status, sales performance, financial results, and other employee-relevant matters, fostering mutual respect and cooperation. In addition to its obligation to inform employees, the Company also upholds its consultation and mutual decision-making responsibilities with the Workers' Council when required and engages in consultations as necessary.

Within the Company, union representatives perform according to their roles and authority as outlined in the Labour Act and the Collective Agreement.

Several Company's functions directly collaborate with the Workers' Council, including top levels of management and the Management Board, depending on situational needs. The main business segments responsible for this cooperation include the Management Board, Executive Office, and the Human Resources Sector, in order to ensure the active role of organized bodies or employee representatives.

SOCIAL INFORMATION – The own workforce (S1) *(continued)*

- **Employees' representative at the Supervisory Board**

Employees have the right to participate in the Supervisory Board through a representative under a specific law.

- **Employee satisfaction survey**

Listening to employee needs and collecting opinions, attitudes, and perceptions about various workplace aspects such as work conditions, interpersonal relation, employee engagement and satisfaction are assessed through direct communication and the annual employee satisfaction survey. This process helps identify key areas for improvement, recognize potential negative impacts and risks, and encourage positive changes that enhance productivity, engagement, and overall employee satisfaction. The Human Resources Sector is responsible for conducting surveys and evaluating feedback. Currently, surveys do not include targeted questions for specific employee groups, meaning previous surveys have not been systematically designed for distinct demographic analysis. However, future surveys are expected to be updated to incorporate this segmentation and refined question structures.

S1 – 3 Processes to remediate negative impacts and channels for own workers to raise concerns

The Company has established channels for expressing concerns related to:

- **Violation of the provisions of the Code of Conduct (Ethical Code)**

If an employee has information regarding actions or behaviours that do not comply with the Code of Conduct, or suspects such violations, they are required to report the matter to the Legal Affairs Department. Failure to report suspected violations is also considered a breach of the Code of Conduct. Reports can be submitted in writing or verbally. The Legal Affairs Department is responsible for investigating the allegations, ensuring confidentiality and privacy protection while also safeguarding the Company's operations. In cases of Code of Conduct violations, disciplinary proceedings may be initiated, and depending on the circumstances, actions may include termination of employment.

- **Resolving complaints related to employee dignity protection**

The Company, in consultation with the Workers' Council, has appointed a person authorized to receive and resolve complaints related to employee dignity protection. The entire complaint resolution process, including all gathered information, is considered strictly confidential and conducted in compliance with special legislation governing workplace dignity protection.

- **Reporting actions or omissions that are unlawful**

The Internal Reporting Policy governs the internal reporting of irregularities. Any actions or omissions that are unlawful and relate to the scope of application and regulations specified in a special law, or that contradict the purpose or objective of these regulations, may be reported to the designated confidential person or their deputy. The decision and relevant details are published on the internal company website. Further information about the Reporting Policy can be found in Chapter G1 – 1, which covers business conduct policies and corporate culture.

SOCIAL INFORMATION – The own workforce (S1) *(continued)*

- **All other communications from employees to the employer**

In all cases, except for direct reporting to a confidential person, all employee communications with the employer are processed, whether received via the Company's publicly available email addresses, postal address, the Workers' Council, or through oral or written channels.

Email addresses are publicly available on the company's website. Through onboarding channels, all new employees receive education on how to approach the employer regarding any issues they may encounter during work or while staying at destinations. Furthermore, through the Workers' Council, which conducts its activities via its members, employees can raise their questions, which the Workers' Council either resolves independently or forwards to the employer, either in regular meetings or outside of them.

The Company actively conducts periodic surveys and publishes certain important information through informational panels in common areas or via managers.

Given all the established channels for expressing concerns, as well as the continuous activities aimed at informing employees about these mechanisms, the company considers that employees are adequately informed about the available structures for expressing concerns.

S1 – 4 Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

The Company's current business model, as well as future development projects based on high-quality products, indicate the need to plan activities that will mitigate risks and negative impacts while realizing opportunities in the area of workforce management.

- **Taking actions to mitigate material negative impacts resulting from specific working hours**

This impact is systemic, meaning it cannot be entirely avoided due to the nature of the Company's business activities. For this reason, actions to mitigate the negative consequences of such working hours have already been integrated into laws and key internal documents of the Company, such as the Collective Agreement, through which social dialogue with employee representatives regulates all employee material rights as well as the Company's obligations regarding working hours and rest periods.

The Collective Agreement regulates redistributed working hours, which involve working hours exceeding full-time schedules, including the duration, employer obligations, and restrictions. Additionally, provisions are established concerning mandatory daily and weekly rest periods, their dynamics, and minimum duration.

Regarding specific working hours and its negative impact, employees receive financial compensation, considering that their working hours, allocated according to industry standards, result in increased wages. For work on Sundays and holidays, as well as for double shifts, shift work, and night work, additional compensation is agreed upon through increased hourly wages, at least at the level defined by law or the sectoral Collective Agreement, or the internal Collective Agreement. The Company considers that this legal remedy, to a certain extent, mitigates the negative impact and achieves its intended purpose.

SOCIAL INFORMATION – The own workforce (S1) *(continued)*

During the period from May to September 2024, 77% of the Company's employees worked under redistributed working hours.

The negative impact resulting from specific working hours is further managed with the aim of reducing negative effects to the lowest possible level through the following activities:

- by organizing shifts and weekly rest periods at least one week in advance;
- by raising awareness of the importance of mental health through the creation of an information platform for employees, covering topics from adaptation processes and recognition of potentially risky behaviours to professional support and assistance through individual counselling;
- by conducting regular medical check-ups for employees whose work primarily takes place at night;
- by encouraging and enabling the use of a weekly rest period lasting one calendar day, which is combined with the daily rest period.

Given that the negative impact of specific working hours is characteristic of the entire tourism industry, the Company does not plan any special future actions that would deviate from its existing workforce management policies. These activities rely on applicable labour law sources, particularly the Collective Agreement, which is the result of negotiations between social partners.

- **Taking actions to mitigate the risks associated with workforce availability and costs**

One of the Company's strategic goals is to maintain the stability of the work environment, which is continuously pursued by increasing the share of contracts for permanent cooperation, specifically indefinite-term employment contracts.

During 2024, the internal selection processes for offering indefinite-term contracts resulted in 114 new contracts within the Company.

Among other actions, the Company strives to ensure workforce availability by timely initiating the hiring process for the next annual cycle, sending employment offers at the end of the current season, and establishing a system of continuous communication.

The rate of returning seasonal workers in the Company during 2024 was 55%. Experience has demonstrated the positive impacts of timely workforce recruitment processes and the increased share of permanent cooperation agreements, prompting further actions in the same direction. Additionally, employee material rights are continuously improved, forming the core of the Company's workforce policy. The planned outcomes of these actions are prompt workforce allocation, overcoming administrative obstacles and delays, and the increase of service quality.

- **Taking** actions **to seize material opportunities arising from the provision of professional and personal development**

During 2024, the Company continued investing in employee education and professional development at all levels, aiming to strengthen mental health, motivation, performance, work efficiency, and service quality improvement.

In hotel operations departments, targeted training sessions were conducted to develop career potential, enhance communication and language skills, and improve the management of challenging situations. Particular emphasis was placed on the development of professional skills for chefs, waiters, receptionists,

SOCIAL INFORMATION – The own workforce (S1) *(continued)*

and sales personnel, including programs such as culinary and waiter academies, as well as training in sales techniques and complaint management. To support cultural integration, a pilot project for learning the Croatian language was launched for agency workers from Eastern countries. Additionally, long-standing training programs in German and Italian were continued following market needs.

The Company continuously promotes inclusivity and, during 2024, implemented a welcome and initial orientation project for new employees, including agency workers, to facilitate adaptation and integration into the work environment.

Management participated in programs focused on leadership skill development and stress management. Training sessions were also conducted for specialists within business functions, emphasizing techniques for successful team communication to enhance motivation and efficiency.

Alongside these general training programs, legally mandated training sessions were carried out, tailored to the specific requirements of individual positions to minimize associated risks.

Furthermore, individual professional development programs were implemented in specialized areas, organized externally or through digital platforms.

Through internal systems, the Company systematically monitors the number of training hours conducted within all professional development programs.

- **Taking actions to seize material opportunities arising from the improvement of employee accommodation conditions.**

Employee accommodation is available not only to the Company's own employees but also to workers within the value chain (employees of partners with whom the Company has service agreements, such as animation services, security services, and external cleaning services), making this opportunity even more material.

During the peak of the 2024 tourist season, 59.7% of all employees, including students, were accommodates in the Company's accommodation facilities, meaning the Company did not need to rely on other accommodation options for its workforce, available on the market.

The Company continually invests in improving the quality of employee accommodation, which is a standardized component of the capital budget when preparing and adopting annual plans.

An analysis of existing facilities was conducted, assessing technical deterioration, heating/cooling systems, and occupancy rates per accommodation unit (optimal vs. achieved). A process was initiated to evaluate the condition of locations and prioritize projects while considering restrictions arising from spatial planning documentation, issues related to tourism land, and the insufficient definition of employee accommodation. This approach enables effective planning and ultimately leads to improved accommodation quality, increased available space per employee, and expanded capacity in line with changes in workforce structure.

Action plan for managing material impacts, risks, and opportunities

Despite the fact that various actions aimed at the Company's workforce are continuously implemented across all its units, a formal action plan at the group level for reducing material negative impacts and risks

SOCIAL INFORMATION – The own workforce (S1) *(continued)*

and leveraging key opportunities related to the workforce has not yet been established. The development of such plan is scheduled for future reporting periods.

Monitoring the effectiveness of actions
The effectiveness of all actions undertaken by the company in addressing recognized material impacts, risks, and opportunities is monitored through employee satisfaction surveys, which are conducted regularly. The results are analysed and used as inputs in developing further plans within this business segment.

The Workers' Council consists of Company's employees who regularly receive feedback from their colleagues. This feedback is generally conveyed informally to the Company as an employer, along with suggestions for potential improvements aimed at increasing employee satisfaction.

Responsibilities for monitoring actions
The policy development process primarily involves the Management Board and the Human Resources Sector, followed by the Operations Sector with all profit centres, and ultimately other business segments.

Metrics and targets

S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

During 2024, the Group did not define target for managing material negative impacts related to specific working hours, opportunities linked to professional and personal development, improvements in employee accommodation conditions, or key risks associated with labour availability and costs. This was due to the fact that, during the reporting period, the process of assessing double materiality was conducted for the first time in accordance with the European Sustainability Reporting Standards (ESRS).

In future reporting periods, target and procedures for monitoring the effectiveness of policies and actions related to the company's workforce will be defined to ensure compliance with the European Sustainability Reporting Standards (ESRS).

S1-6 Characteristics of the undertaking's employees

Below are the data related to the average number of the Group's own employees in 2024, categorized by contract type and gender.

Table: Average number of employees by contract type and gender.

	Women	Men	Other	Group total
Number of employees	1,257	1,085	0	**2,342**
Number of permanent employees	577	494	0	**1,071**
Number of temporary employees	680	591	0	**1,271**
Number of employees with an unspecified number of hours	22	20	0	**42**

SOCIAL INFORMATION – The own workforce (S1) *(continued)*

Methodology and contextual information on the average number of employees by contract type and gender

During 2024, the Group employed an average of 2,342 workers (Note 8 of the audited financial report), excluding students and apprentices. Of these, 1,071 were employed under some form of permanent cooperation, while 1,271 had seasonal contracts. The calculation of the average number of employees is based on paid working hours throughout the reporting period. **Permanent employees** are defined as employees with indefinite-term employment contracts. The number of permanent employees is determined by summing the total number of employees with indefinite contracts across all locations of the Group. **Temporary employees** are defined as workers who hold seasonal or permanent seasonal status. the number of temporary employees is calculated by summing the total number of seasonal and permanent seasonal employees across all Group's locations. **Employees with an unspecified number of working hours** are defined as workers who do not have a contractual guarantee of a minimum or set number of working hours. According to the available interpretation, this category refers to students and apprentices, and the count is determined by summing up students and apprentices employed by the Company and at Hotel Croatia. The number of employees in this category is not included in the total number of employees. Employee data has been collected from internal Human Resources Sector's systems.

Below are data related to the fluctuation of the Group's own employees in 2024.

Table. Fluctuation of employees

	Group total
Total number of individuals who have left Group's entities during the reporting period	**594**
Employee fluctuation rate in the reporting period	**19,6%**

Methodology and contextual information on employee fluctuation

During the reporting period, 594 employees left the Group, corresponding to a fluctuation rate of 19.6%. Employee fluctuation is defined as the total number of permanent and temporary employees who left the Group's entities during the reporting period, most commonly due to resignation or retirement. The employee fluctuation rate is expressed as a percentage, representing the proportion of employees who left the Group relative to the total workforce on the reference date. it is calculated as the ratio of the total number of permanent and temporary employees who left the group to the number of employees recorded on 23rd July 2024 (3,036), when the highest number of employees was present across all group entities throughout the year. Data on employees who left the Group, as well as the total number of employees on the reference date, were collected from internal Human Resources Sector's systems.

Employee-related data have not been confirmed by an external body that is not a guarantee provider.

S1-17 Incidents, complaints and severe human rights impacts

During 2024, there were no workplace incidents, complaints, or serious impacts related to human rights within the Company.

SOCIAL INFORMATION – Consumers and end users (S4)

Consumers and end users (S4)

Strategy

ESRS 2 SBM- 2 Interests and views of stakeholders

End users, or guests, represent one of the key affected stakeholder groups for the Group, and therefore continuous efforts are made to identify their needs with the goal of improving and enhancing services that will meet their expectations and align with modern industry trends.

Given that the Group operates in the hospitality sector, special attention is devoted to guest relations. During 2024, the Company's guests were included in the double materiality assessment process to examine their views on the level of intensity Plava Laguna has on various positive and negative impacts on the environment and people, including human rights compliance. Out of the total number of responses received, as much as 69 percent came from guests. The feedback collected from the Company's guests was considered by Plava Laguna's project team when assessing the significance of impacts, risks, and opportunities.

More information about daily communication channels with guests, the purpose of stakeholder engagement, and the importance of feedback can be found in chapter ESRS 2 SBM 2 – Interests and views of stakeholders.

ESRS 2 SBM-3 Material impacts, risks, and opportunities and their interaction with strategy and business model

Improvement and adaptation of services through continuous listening to guest needs, monitoring satisfaction with provided services, and investing in the digitalization of business processes are key steps in achieving one of the company's priorities—creating positive guest experiences.

Paying attention to guest feedback primarily enables faster identification and resolution of issues while further shaping the company's development through the adoption of new solutions, the creation of new services, and technological advancements.

Investing in the digitalization of business processes in the area of guest service delivery allows for process automation, resulting in faster and more precise task execution. Through service customization to individual guest needs and the application of technology, guest satisfaction and loyalty increase, which in turn enhances the company's competitiveness.

All of the above represents an opportunity to promote the company and the destination as a desirable tourist location, as well as to strengthen Plava Laguna's positive market reputation.

SOCIAL INFORMATION – Consumers and end users (S4) *(continued)*

In the process of assessing double materiality, one material opportunity related to guests has been identified, which also represents an entity specific topic:

				Position in value chain			Time horizon		
Sustainability matters and related impacts, risks, and opportunities (IROs)	I/R/O*	Actual / Potential	Position in business model	Upstream	Own operation	Downstream	Short-term	Mid-term	Long-term
Entity specific									
Improvement and adaptation of guest services to guests' needs	Opportunity	-	Operations		•		•	•	

*impacts, risks, and opportunities defined in accordance with the Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS)

Managing impacts, risks and opportunities

S4 – 1 Policies for consumers and end-users

To manage the identified material opportunity, the company applies a systematic approach to service and business process improvement, defined through an internal procedure—the Quality Program while investments in digitalization are based on a strategy focused on innovation, efficiency, and enhancing the guest experience.

Quality Program

The Quality program, made available to all stakeholders responsible for implementation through an internal document-sharing platform, represents a structured approach to improving services and business processes, aiming to meet or exceed guest expectations. The program outlines procedures, methods, and goals for monitoring guest satisfaction levels, as well as the roles of profit center directors, profit unit directors, and the Director of the Operations Sector, who are responsible for executing all defined procedures. Online reputation management involves continuous monitoring, reporting, and responding to guest feedback regarding service satisfaction. Reputation reports are distributed weekly and monthly to all profit unit and profit center directors, sector directors, and the Management Board, with detailed insights into overall ratings and rating segments. Additionally, internal surveys are systematically used to track rating trends and guest comments.

More information on human rights commitments and policy alignment with internationally recognized instruments can be found in Chapter G1 – 1, which covers business conduct policies and corporate culture within governance-related disclosures.

SOCIAL INFORMATION – Consumers and end users (S4) *(continued)*

S4 – 2 Processes for engaging with consumers and end users regarding impacts

Communication with guests through newsletters sent before their arrival serves as an effective tool for enhancing the stay experience. These newsletters provide useful information about the property's services, special offers, and events scheduled during their visit. Additionally, they include recommendations on local attractions, restaurants, and activities, fostering a sense of welcome while increasing guest engagement. This enables guests to plan their stay in advance and make the most of the available amenities. The responsibility for guest communication via newsletters is in the domain of the Marketing Sector.

Interaction with guests during their stay at the company's properties takes place through personal contact and is managed by each profit unit's management. If direct interaction is not possible, the Plava Laguna / Istra Camping mGuest application provides quick access to feedback on basic and additional services offered during the stay. This contributes to a personalized approach to service delivery for end users.

Guest satisfaction surveys, sent to guests who have already departed, serve as an additional tool for monitoring guest satisfaction. The purpose of the survey analysis is to evaluate the extent to which guest expectations have been met. Head of the Accommodation and Quality Department is responsible for survey data processing.

S4 – 3 Processes to remediate negative impacts and channels for consumers and end-users to raise concerns

The Company has established channels through which guests can raise their concerns, though guest awareness of these channels has not yet been analytically assessed.

Guests of the property have the right to express dissatisfaction or report irregularities, whether related to internal services or those provided by external providers, through the official complaint submission channel, which includes an email address publicly available to all guests.

Upon receiving a complaint, the Head of the Accommodation and Quality Department forwards it to the director of the profit unit, who then assumes responsibility for communication. In accordance with applicable consumer protection regulations and in compliance with the principles of personal data protection outlined in the General Data Protection Regulation (GDPR) and the Law on the Implementation of the General Regulation, appropriate measures are taken to ensure timely responses to received complaints and their review within legally prescribed deadlines.

The standardization of the complaint resolution process aims to minimize the number of complaints in the future and ensure swift problem resolution so that guests leave the property with a positive experience. A prompt response helps maintain high service standards and ensures a pleasant stay, thereby increasing trust in service quality.

SOCIAL INFORMATION – Consumers and end users (S4) *(continued)*

S4 – 4 Taking action on material impacts on consumers and end- users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions

During 2024, a series of investment projects in the digitalization of business processes were carried out, aimed at improving and adapting to the needs of the Company's guests. The following projects stand out:

- the implementation of new websites (plavalaguna.com and istracamping.com), based on innovative content management technology, enabling faster and more intuitive access to relevant information for guests;
- a complete integration of the websites with the booking platform has been carried out, ensuring security and simplicity in the booking process, further enhancing the user experience;
- a new Customer Relationship Management (CRM) system has been implemented to enhance guest interaction and achieve a high level of personalized service. The system enables the creation of comprehensive guest profiles through integration with various internal and external systems, providing insight into their preferences and needs.

Guest feedback, together with key market trends, clearly indicates the necessity of further digitalization of business operations as a crucial measure the Company has committed to, in terms of improving and adapting provided services to guest needs. In line with this, the company is making significant investments in advanced technological solutions that not only optimize the user experience but also contribute to business sustainability.

In the upcoming period, activities are planned for the further development and strengthening of the platform where all additional services offered to guests are available, the development of new communication channels with guests during their stay, and a particular focus is placed on paperless and contactless strategies, which enable more efficient, environmentally responsible, and secure processes.

Despite the fact that all components of the Company continuously implement various measures aimed at improving and adapting to guest needs, a formal action plan for leveraging the material opportunity related to consumers and end users has not yet been established. The development of such a plan is scheduled for future reporting periods

Management of impacts, risks and opportunities

S4 – 5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

During 2024, the Group did not define targets for managing the identified opportunity related to the improvement and adaptation of services to guest needs, as this was the first time the double materiality assessment process was conducted. In the upcoming reporting periods, targets related to managing this material opportunity will be defined to ensure compliance with the European Sustainability Reporting Standards (ESRS).

SOCIAL INFORMATION – Consumers and end users (S4) *(continued)*

Entity specific – Metrics

Guest ratings are used to monitor the effectiveness of the opportunity on consumers and end users, namely the Company's guests. With a total of 41,355 published reviews, online guest ratings for 2024 stand out with a high level of satisfaction, reaching 81.40%, confirming the exceptional quality of provided services and a positive stay experience.

The results used for indicator calculations were collected through online platforms, and the data gathered through this method is based on quantitative ratings. Methodological limitations include the subjectivity of ratings, as they are based on personal perceptions and experiences of participants. Due to the lack of full standardization across platforms, variations in data collection and analysis methods may occur, limiting comparability. The assumption behind this metric is that ratings are provided independently, meaning that each rating does not influence another, and the data is collected in a way that allows for comparison between different users and time periods.

The measurement of indicators has not been validated by an external body that is not a assurance provider.

MANAGERIAL INFORMATION – Business conduct (G1)

Business conduct (G1)

Strategy

ESRS 2 SBM-3 Material impacts, risks, and opportunities and their Interaction with strategy and business model

- **Corporate culture**

Business management based on the principles of socially responsible business practices enables the maintenance of high service quality standards, the development of long-term relationships with guests, business partners, and the local community, directly contributing to the achievement of strategic goals and strengthening Plava Laguna's market position.

The consistent application of the Code of Conduct, the Conflict of Interest Management Policy, personal data protection measures, and the internal system for reporting irregularities fosters business transparency, reinforces integrity, and builds stakeholder trust. The impact of these measures is reflected in the absence of recorded cases of corruption, conflicts of interest, or breaches of personal data protection during 2024.

Ethical business management facilitates the timely identification and mitigation of business risks, reducing potential reputational, legal, and financial consequences while positively influencing relationships with key stakeholders and the local community. At the same time, this approach supports the development of a responsible corporate culture in which employees are encouraged to uphold high ethical standards, recognize the importance of ethical conduct, and contribute to the creation of new business opportunities.

- **Cyber attacks**

Cyber attacks present a material operational and reputational risk for Plava Laguna, especially in the context of increasing business digitalization and reliance on information technologies across all operational segments. Potential cyber incidents could negatively impact the confidentiality, integrity, and availability of key business information, as well as the data of guests, employees, and partners.

Such events may result in:

- **financial damage** due to business interruptions, high IT system recovery costs, and potential regulatory penalties,
- **reputational damage** due to the loss of trust from guests, employees, and partners, which could reduce the Company's long-term competitiveness.
- **legal consequences** including potential lawsuits due to the compromise of personal data or breaches of contractual obligations toward guests and business partners.

The management of this risk is integrated into the Company's business strategy through the systematic implementation of the Information Security Policy, the establishment of a security operations system for information security, the appointment of an information security officer, and regular employee training.

MANAGERIAL INFORMATION – Business conduct (G1) *(continued)*

These measures enable the early identification of threats and the continuous strengthening of both the resilience of the IT system and employee awareness.

By actively managing this risk, the Company consistently protects its business processes while simultaneously creating opportunities to further strengthen the trust of guests, partners, and the community through a secure and reliable digital business environment.

In the double materiality assesment process, one material positive impact and one material risk have been identified, both related to business conduct. The risk also represents an entity specific matter:

				Position in value chain			Time horizon		
Sustainability matters and related impacts, risks, and opportunities (IROs)	I/R/O*	Actual / Potential	Position in business model	Upstream	Own operation	Downstream	Short-term	Mid-term	Long-term
Corporate culture									
Business management based on the principles of socially responsible business practices	Positive impact	Actual	All business segments		•			•	•
Subject specific									
Cyber attacks	Risk	-	Information technologies		•		•		

*impacts, risks, and opportunities defined in accordance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS)

Management of impacts, risks and opportunities

G1 – 1 Business conduct policies and corporate culture

Core values

Plava Laguna Group is one of the key stakeholders in Croatia's tourism sector, possessing exceptional investment and workforce potential for further development. Its foundation is built on long-term principles and sustainable business practices while preserving core values that were established as guiding principles long ago. These values have been promoted and nurtured for decades, across generations:

- **tradition**

The wisdom of history is an advantage for new generations. Strength lies in the transfer of knowledge and experience. Plava Laguna is a company whose success is built on continuity and the preservation of proven practices.

- **stability**

MANAGERIAL INFORMATION – Business conduct (G1) *(continued)*

Rational business decision-making provides stability and a secure future. Changes are carefully planned and approached through structured processes.

- **respect**

Trust, honesty, and fairness in interpersonal relationships and business cooperation, along with respect for the opinions and rights of all employees, form the foundation of successful collaboration.

- **responsibility**

In addition to its responsibility toward guests, employees, business partners, and shareholders, Plava Laguna operates in harmony with nature and the local community.

- **reality**

Plava Laguna bases its approach on reality, focusing on stable growth and the implementation of proven, functional solutions.

The core values have been shaped over more than six decades of business operations and development, relying on sustainable principles and environmental responsibility, and they remain relevant today. Their consistent implementation has ensured the company's authenticity from its inception to the present. These values are embedded in the hiring process, management development, and decision-making, with implementation supported through various presentations, training sessions, and internal communication channels.

The integration of core values into daily business operations enables the maintenance of high-quality standards, the establishment of long-term relationships with guests and partners, and ensures continuous growth and development within the dynamic tourism sector:

- **maintaining high quality standards**

The combination of tradition and stability enables Plava Laguna to consistently deliver outstanding service. Drawing on decades of experience, the company continuously enhances its offerings, ensuring that every aspect of the guest experience meets the highest standards. This commitment to quality results in positive guest experiences and encourages their return.

- **the establishment of long-term relationships with guests, partners, and the local community**

Respect and responsibility are fundamental in building trust with guests, employees, business partners, and the local community. The company fosters open communication and transparency with all stakeholders, leading to guest loyalty, stable business relationships, and strong recognition within the local community. This approach enables a deeper understanding of market needs and the adaptation of offerings to meet various business segments effectively.

- **continuous growth and development**

Realism as a fundamental value enables the company to objectively assess market trends and growth opportunities. A pragmatic approach to business facilitates strategic decision-making that leads to sustainable development and innovation.
The integration of these values into the business model not only ensures a competitive advantage but also strengthens the company's reputation as a reliable and responsible organization that continuously strives for excellence in the tourism sector. Since these values have long been the foundation of the Company and the Group's operations, no specific evaluation mechanisms have been established.

MANAGERIAL INFORMATION – Business conduct (G1) *(continued)*

Code of Conduct

The Company obliges its stakeholders to adhere to business principles and the behaviours derived from them, prioritizing the well-being of the Company and its stakeholders. The Code of Conduct (Message to Employees, Shareholders, and Business Partners), commonly referred to as the "Ethical Code," defines the standards of professional and ethical behaviour required from every participant operating within the Company's system.

These principles are established in the Company's Code of Conduct as follows:

- **respect for children's rights**

In line with its fundamental principles, the Company does not employ children and does not support the use of child labour. The Company promotes the creation of educational and internship programs for young people as part of formal education, adheres to the UN Principles on Children's Rights and Business, and expects its partners to do the same.

- **anti-corruption measures**

The Company promotes zero tolerance for corruption. Any corrupt behaviour constitutes a serious breach of work obligations. All key business processes where corruption risks may arise are subject to enhanced oversight. In 2024, no cases of corruption were recorded.

- **respect for human rights**

The Company guarantees equality for its employees and ensures the implementation of fundamental International Labour Organization conventions. It does not discriminate against candidates in hiring or promotion processes in any way. Given its involvement in the hotel industry, special attention is dedicated to guest relations.

Through guest communication training, the importance of equal treatment for all guests, regardless of nationality, religion, gender, or other characteristics, is emphasized. The same values are upheld in employee relations, with diversity and inclusion being a key focus during onboarding sessions.

- **ecology and sustainable development**

Environmental issues and ecological responsibility are among the most pressing challenges for the future. As an industry that both relies on environmental quality and significantly impacts it, tourism will increasingly adopt environmentally responsible, "green" concepts at both the service provider level and across entire destinations.

By integrating sustainability into operational strategies, companies can reduce their environmental footprint while maintaining high-quality services. This approach not only meets growing global expectations but also ensures long-term competitiveness and resilience in an evolving market.

- **corporate social responsibility and local community engagement**

The Company continuously invests in the community in which it operates. Donations are directed toward fostering excellence (education), humanitarian projects, the development of sports for children and young people, cultural initiatives, and environmental care. In its daily operations, the Company prioritizes collaboration with local communities, including their tourism boards, public institutions, sports clubs, associations, and the healthcare system.

MANAGERIAL INFORMATION – Business conduct (G1) *(continued)*

Code of Conduct is applied in both external and internal relations. Externally, it ensures transparent reporting, confidentiality of data and information, avoidance of conflicts of interest, bribery, or corruption, adherence to legal regulations, and clear advertising and access to information. Internally, it safeguards professional workplaces against discrimination and harassment, promotes health and safety in work environments, and ensures the responsible use of electronic communication and information technology.

The business ethics of the Company and Group are based on balancing the interests of employees and guests. Through systematic feedback collection, transparent processes, and continuous education, the Company ensures that the needs of all stakeholders are integrated into business strategies. This approach strengthens trust among employees and guests while contributing to sustainable development and the Company's reputation as a responsible and ethical business entity. Human rights covered by the Code of Conduct are guided by the UN Guiding Principles on Business and Human Rights and the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work. However, they are not explicitly aligned with these principles or the OECD Guidelines for Multinational Enterprises. The Company aims to align its policies with these documents in future reporting periods.

The Code of Conduct was adopted by the Company's Management Board with prior approval from the Supervisory Board. All employees are required to familiarize themselves with its contents and apply it in their daily work. Managers must support employees in understanding, clarifying, and implementing the Code of Conduct, and all Company executives, led by management, are responsible for its enforcement.

Violations of the Code of Conduct may result in disciplinary actions, which, depending on the circumstances, can include termination of employment.

If there is any information or suspicion of actions violating the Code of Conduct, employees are obligated to report them to the Legal Affairs Department. Failure to report a violation is also considered a breach of the Code. Reports may be submitted in writing or orally, with guarantees of data confidentiality and privacy protection, ensuring that the business is not harmed.

The Company encourages employees to express concerns about the implementation of ethical standards and protects the confidentiality of complainants while prohibiting any sanctions against individuals who raise concerns about compliance. If an employee reaches out to their superior or another responsible Company representative, the manager must ensure that the inquiry process proceeds.

The Code of Conduct is published on the Company’s corporate website and is available to everyone free of charge. Furthermore, promoting the Code of Conduct and other Company policies is a contractual obligation of management.

Conflict of Interest Management Policy

The Company has adopted and implements the Conflict of Interest Management Policy to enhance corporate governance and ensure the integrity of business operations. This policy applies to all members of the Management Board, members of the Supervisory Board (including all its committees), and all employees of the Company.

MANAGERIAL INFORMATION – Business conduct (G1) *(continued)*

Members of the Management Board, Supervisory Board, and employees of the Company must not:

- have any financial, ownership, or other connections with suppliers, customers, or business partners that could compromise their independence in making decisions on behalf of and for the benefit of the Company;
- use their position to favour any private interest, including granting preferential treatment to family members, acquaintances, or associates of family members.

Additionally, members of the Management Board and Supervisory Board must not:

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

Potential or actual conflict of interest must be reported, depending on the circumstances, to the Supervisory Board, Management Board, Office of the Management Board, superior manager, or a confidential person, in accordance with the Regulations for Reporting Irregularities. The policy outlines specific procedures and measures for managing conflicts of interest, including recusal from decision-making, requirement for prior approval, prohibition on trading Company shares, job reassignment, maintaining a register of conflict of interest, as well as educational initiatives.

To identify and prevent potential conflicts of interest, the Company maintains a Conflict of Interest Register, where notifications and data submitted by senior personnel and employees are recorded to assess the significance of any possible conflicts.

This policy was adopted by the Management Board with prior approval from the Supervisory Board. It is published on the Company's corporate website and accessible to everyone free of charge. Moreover, promoting this policy, along with other corporate policies, is a contractual obligation of management. All Company executives, led by the Management Board, are responsible for its enforcement.

During 2024, no cases of conflicts of interest were recorded.

Internal reporting of irregularities

Respecting the prescribed procedure of consulting the Works Council, the Procedure for Internal Reporting of Irregularities and the Procedure for the Appointment of a Confidential Person and their Deputy regulate the internal reporting of irregularities and, in accordance with the prescribed process, a confidential person and their deputy have been appointed. This decision and its details, along with the Procedure, are published on the Company's internal website.

The Procedure defines the process of internal reporting of irregularities within the Company as an employer, the rights of individuals involved in the reporting process, the obligations of the Company as an employer regarding the report, and the procedure for appointing the confidential person. Any actions or omissions that are unlawful and relate to the scope and regulations specified in a particular law, or contradict the purpose or objectives of those regulations, may be reported to the confidential person or their deputy.

MANAGERIAL INFORMATION – Business conduct (G1) *(continued)*

It is prohibited to obstruct or attempt to obstruct the reporting of irregularities, as well as to initiate malicious actions against the informant, associated persons, confidential persons, or their deputies. The prohibition of reporting irregularities has no legal effect. Retaliation, attempted retaliation, or threats of retaliation against the informant, associated persons, confidential persons, or their deputies due to reporting or public disclosure of irregularities are strictly prohibited, with specific provisions outlining what constitutes retaliation. Informants are not held liable for disclosing information in accordance with specific laws, and they bear no responsibility for acquiring or accessing reported or publicly disclosed information unless such acquisition or access constitutes a separate criminal offense.

An informant on irregularities has a right to:
1. identity protection and confidentiality
2. judicial protection
3.compensation for damages
4. primary free legal aid in accordance with the law, with possible approval of the secondary free legal aid
5. emotional support
6. other protection provided in procedures prescribed by a special law
Certain rights also apply to related persons, the confidential person, and their deputy.

Conditions for the protection of informants are provided, regardless of whether the report comes from an identified individual or an anonymous source.

The process of reporting irregularities is thoroughly regulated (the method of receiving report, its content, the handling of reports by the confidential person, the employer's obligations toward the confidential person, the recording of reports), including the process of submitting a report, actions taken by the confidential person and the employer, procedures in cases where a report is received by an unauthorized party, communication with the informant along with deadlines, and measures taken depending on the nature of the irregularity.

This policy was adopted by the Company's Management Board. It is published on the Company's internal website and available to all employees in the web system free of charge. All Company managers, led by the Management Board, are responsible for its implementation.

In addition to direct reporting to the confidential person, any employee communication with the employer is processed, whether submitted via the Company's publicly available email addresses, postal address, the Works Council, or through oral or written communication. Reports can be submitted in any of these ways without restrictions.

Apart from the procedures for monitoring whistleblowers' reports in accordance with applicable law implementing Directive (EU) 2019/1937, and procedures outlined in the Code of Conduct for reporting suspected violations of its provisions, the Company does not have additional mechanisms for prompt, independent, and objective investigations into business conduct incidents, including cases of corruption and bribery.

MANAGERIAL INFORMATION – Business conduct (G1) *(continued)*

The procedure for managing and handling prescribed information

The procedure for managing and handling prescribed information formalizes the approach to processing and publishing such information. As an issuer whose shares are listed for trading on the regulated market of the Zagreb Stock Exchange, the Company is required to prepare, submit, and disclose prescribed information in accordance with applicable regulations. The objective is to establish a structured process that ensures effective management and handling of prescribed information while complying with regulatory requirements and preventing market abuse.

All employees of the Company, as well as other individuals performing tasks for the Company, who have access to prescribed information due to the nature of their work, their function, or other reasons, must adhere to relevant regulations in all dealings related to such information. Responsibilities are assigned to business segments within the Company regarding the publication of prescribed information, along with procedures for coordinating disclosures.

Financial reports are published within the deadlines and in the format prescribed by applicable regulations.

Special attention is given to the publication of privileged information in accordance with legal requirements, assessing whether specific Company-related information qualifies as privileged. This evaluation considers the particular circumstances of each case before determining whether disclosure is mandatory or may be deferred.

A regularly updated list of informed persons is compiled and submitted to the relevant authority within the required format and deadlines. Individuals included in the list are notified of their inclusion, and access is restricted to authorized personnel.

Executive transactions, as defined by regulatory provisions, are governed by established procedures, including notifications regarding rights and obligations, reporting of transactions, and subsequent disclosure steps.

All prescribed information requiring public disclosure is published through various channels, including media outlets, submission to the Croatian Financial Services Supervisory Agency (HANFA), entry into the official register of prescribed information, submission to the Zagreb Stock Exchange, and publication on the corporate website. Individuals involved in preparing prescribed information, those who regularly or occasionally access such data in the course of their duties, as well as anyone who comes into contact with this information, are obligated to maintain confidentiality until public disclosure is made:

- respect the confidentiality of the received information,
- communicating such information exclusively to individuals involved in the preparation of prescribed information and/or those who require it for the performance of their duties within the Company, ensuring that these individuals maintain the confidentiality of the information.

A violation of the provisions of the Procedure and/or applicable regulations constitutes a particularly serious breach of employment obligations.

The responsibility for implementing the procedure lies with the Office of the Management Board, the Finance, Accounting and Controlling Sector, the Management Board, and the Supervisory Board, depending

MANAGERIAL INFORMATION – Business conduct (G1) *(continued)*

on the type of information. The Company's policies formalize the process of publishing prescribed information, and responsible managers are informed of these procedures.

Training on business conduct
The Company does not have a specific policy on business conduct training, however, all policies are published in a manner accessible to employees, who are required to adhere to them. Employees are encouraged to apply and comply with regulations. As part of the onboarding process for new hires, the Company provides an introduction to the rules that must be followed in the workplace. Professional departments are available to assist employees with any questions regarding the application of policies and procedures within the Company.

Measures and resources related to corporate culture
During 2024, the Group did not implement measures for managing corporate culture, as it was the first year in which the double materiality assessment process was conducted. A formal action plan for corporate culture management has not yet been established. In the upcoming reporting periods, a plan will be defined for measures and resources related to corporate culture to ensure alignment with the European Sustainability Reporting Standards (ESRS).

Core values related to corporate culture
In 2024, the Group did not define targets for corporate culture management, as the double materiality assessment process was conducted for the first time during this period. In the upcoming reporting periods, targets related to corporate culture will be established to ensure compliance with the European Sustainability Reporting Standards (ESRS).

Cyber attacks *– entity specific*

Information Security Policy
The Company has adopted an Information Security Policy, a key document that establishes a framework for managing information security. This policy serves as the foundation for effective risk management related to data and information security, ensuring business stability, security, continuity, and the protection of information assets. The policy outlines fundamental principles of information security and operational rules for all Company employees, affiliated entities, and third parties working with or accessing the Company's information system or data in any manner. The document is available to all stakeholders on the Company's internal pages. Additionally, during the mandatory information security training for employees, the policy is introduced along with a link to the document. The responsibility for policy implementation lies with the Company's Management Board.

The primary objectives of the information security management system include the protection of guest-related information, their preferences, and the services provided to them, as well as safeguarding the confidentiality, integrity, and availability of business information.

MANAGERIAL INFORMATION – Business conduct (G1) *(continued)*

To mitigate cybersecurity risks, the Company implements certain measures and activities:

- at the beginning of 2020, the Company established a Security Operations Center (SOC) at the organizational level. The SOC is a centralized team responsible for monitoring, detecting, analysing, and responding to security threats within the company's IT systems. Its primary objective is the swift identification and neutralization of cyber threats to safeguard the organization's data and infrastructure.
- at the beginning of 2020, a Chief Information Security Officer (CISO) was appointed at the organizational level. This role is responsible for overseeing the strategy, management, and protection of information security within the Company. The primary function of the CISO is to ensure the security of data, systems, and networks against cyber threats while maintaining compliance with regulations and security standards.
- employee training on information security has been conducted since late 2020, covering all employees who use the Company's information system. The Chief Information Security Officer creates and distributes newsletters to all employees on cybersecurity topics to raise awareness of risks and potential threats in the digital environment. Additionally, phishing campaigns are carried out, simulated attacks designed to test employees' resilience to this type of cyber threat. In such attacks, a malicious actor attempts to deceive a user into revealing sensitive information, such as passwords and system access credentials. These campaigns help organizations identify security weaknesses and strengthen defences against real cyber threats.

Despite the Company's ongoing implementation of measures aimed at protecting against cyber attacks, a formal action plan for reducing material cybersecurity risks has not yet been established. The development of such a plan is scheduled for future reporting periods.

Entity specific – Metrics
During 2024, there were no incidents with a material impact on business operations that resulted in the complete loss of any IT service, data loss or extraction, financial damage, or reputational harm.

The measurement of indicators was not validated by an external body that is not an assurance provider.

Entity specific – Targets
During 2024, the Group did not define targetsfor managing cyber attacks, as it was the first period in which the double materiality assessment process was conducted. In the upcoming reporting periods, targets related to cyber attacks will be established to ensure compliance with the European Sustainability Reporting Standards (ESRS).

APPENDIX - IRO – 2 Disclosure requirements in ESRS covered by undertaking's sustainability statement

Disclosure Requirement		Data Point Description	EU Regulation	Page
ESRS 2 GOV-1	21(d)	Board's gender diversity	SFDR/BRR	28
ESRS GOV-1	21(e)	Percentage of bord members who are independent	BRR	28
ESRS 2 GOV-4	30	Statement on due diligence	SFDR	32
ESRS 2 SBM-1	40(d) i	Involvement in activities related to fossil fuel activities	SFDR/P3/BRR	not applied
ESRS 2 SBM-1	40(d) ii	Involvement in activities related to chemical production	SFDR/BRR	not applied
ESRS 2 SBM-1	40(d) iii	Involvement in activities related to controversial weapons	SFDR/BRR	not applied
ESRS 2 SBM-1	40(d) iv	Involvement in activities related to cultivation and production of tobacco	BRR	not applied
ESRS E1-1	14	Transition plan to reach climate neutrality by 2050	EUCL	55
ESRS E1-1	16(g)	Undertakings excluded from Paris-aligned Benchmarks	P3/BRR	not applied
ESRS E1-4	34	GHG emission reduction targets	SFDR/P3/BRR	not established
ESRS E1-5	38	Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	SFDR	not applied
ESRS E1-5	37	Energy consumption and mix	SFDR	63
ESRS E1-5	40-43	Energy intensity associated with activities in high climate impact sectors	SFDR	not applied
ESRS E1-6	44	Gross Scope 1, 2, 3 and Total GHG emissions	SFDR/P3/BRR	65
ESRS E1-6	53-56	Gross GHG emissions intensity	SFDR/P3/BRR	not applied
ESRS E1-7	56	GHG removals and carbon credits	EUCL	not applied
ESRS E1-9	66	Exposure of the benchmark portfolio to climate-related physical risks	BRR	not applied
ESRS E1-9	66(a)	Disaggregation of monetary amounts by acute and chronic physical risk	P3	not applied
ESRS E1-9	66(c)	Location of significant assets at material physical risk	P3	not applied
ESRS E1-9	67(c)	Breakdown of the carrying value of its real estate assets by energy-efficiency classes	P3	not applied
ESRS E1-9	69	Degree of exposure of the portfolio to climate- related opportunities	BRR	not applied
ESRS E2-4	28	Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil,	SFDR	not material
ESRS E3-1	9	Water and marine resources	SFDR	70
ESRS E3-1	13	Dedicated policy	SFDR	70
ESRS E3-1	14	Sustainable oceans and seas	SFDR	not material
ESRS E3-4	28(c)	Total water recycled and reused	SFDR	not established
ESRS E3-4	29	Total water consumption in m 3 per net revenue on own operations	SFDR	72
ESRS 2 IRO1-E4	16(a) i	Biodiversity sensitive areas	SFDR	not material
ESRS 2 IRO1-E4	16(b)	Land impacts	SFDR	not material
ESRS 2 IRO1-E4	16(c)	Threatened species	SFDR	not material

APPENDIX - IRO – 2 Disclosure requirements in ESRS covered by undertaking's sustainability statement *(continued)*

Disclosure Requirement		Data Point Description	EU Regulation	Page
ESRS E4-2	24(b)	Sustainable land / agriculture practices or policies	SFDR	not material
ESRS E4-2	24(c)	Sustainable oceans/seas practices or policies	SFDR	not material
ESRS E4-2	24(d)	Policies to address deforestation	SFDR	not material
ESRS E5-5	37(d)	Non-recycled waste	SFDR	75
ESRS E5-5	39	Hazardous waste and radioactive waste	SFDR	75
ESRS 2 SBM-3 -S1	14(f)	Risk of incidents of forced labour	SFDR	not material
ESRS 2 SBM-3-S1	14(g)	Risk of incidents of child labour	SFDR	not material
ESRS S1-1	20	Human rights policy commitments	SFDR	not established
ESRS S1-1	21	Sustainability due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8	BRR	not established
ESRS S1-1	22	Processes and measures for preventing trafficking in human beings	SFDR	not material
ESRS S1-1	23	Workplace accident prevention policy or management system	SFDR	not material
ESRS S1-3	32(c)	Grievance/complaints handling mechanisms	SFDR	82
ESRS S1-14	88(b), (c)	Number of fatalities and number and rate of work-related accidents	SFDR/BRR	not material
ESRS S1-14	88(e)	Number of days lost to injuries, accidents, fatalities or illness	SFDR	not material
ESRS S1-16	97(a)	Unadjusted gender pay gap	SFDR/BRR	not material
ESRS S1-16	97(b)	Excessive CEO pay ratio	SFDR	not material
ESRS S1-17	103(a)	Incidents of discrimination	SFDR	not material
ESRS S1-17	104(a)	Non-respect of UNGPs on Business and Human Rights and OECD Guidelines	SFDR/BRR	87
ESRS 2 SBM3-S2	11(b)	Significant risk of child labour or forced labour in the value chain	SFDR	not material
ESRS S2-1	17	Human rights policy commitments	SFDR	not established
ESRS S2-1	18	Policies related to value chain workers	SFDR	not material
ESRS S2-1	19	Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines	SFDR/BRR	not material
ESRS S2-1	19	Sustainability due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8	BRR	not established
ESRS S2-4	36	Human rights issues and incidents connected to its upstream and downstream value chain	SFDR	not material
ESRS S3-1	16	Human rights policy commitments	SFDR	not established
ESRS S3-1	17	Non-respect of UNGPs on Business and Human Rights, ILO principles or OECD guidelines	SFDR/BRR	not material
ESRS S3-4	36	Human rights issues and incidents	SFDR	not material
ESRS S4-1	16	Policies related to consumers and end-users	SFDR	89
ESRS S4-1	17	Non-respect of UNGPs on Business and Human Rights and OECD guidelines	SFDR/BRR	89
ESRS S4-4	35	Human rights issues and incidents	SFDR	91
ESRS G1-1	10(b)	United Nations Convention against Corruption	SFDR	not material

APPENDIX - IRO – 2 Disclosure requirements in ESRS covered by undertaking's sustainability statement *(continued)*

Disclosure Requirement		Data Point Description	EU Regulation	Page
ESRS G1-1	10(d)	Protection of whistleblowers	SFDR	98
ESRS G1-4	24(a)	Fines for violation of anti-corruption and anti-bribery laws	SFDR/BRR	not material
ESRS G1-4	24(b)	Standards of anti-corruption and anti-bribery	SFDR	not material

SFDR eng. Sustainable Finance Disclosures Regulation
BRR eng. Climate Benchmark Standards Regulation
P3 EBA eng. Pillar 3 disclosure requirements
EUCL eng. EU Climate Law

APPENDIX - IRO – 2 Disclosure requirements in ESRS covered by undertaking's sustainability statement *(continued)*

ESRS standard	ESRS description	Disclosure Requirement	Page
ESRS 2	General disclosure	BP – 1 – General basis for preparation of the sustainability statements	25
		BP – 2 – Disclosures in specific circumstances	25-27
		GOV – 1 – The role of the administrative, management and supervisory bodies	28-31
		GOV – 2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	31
		GOV – 3 – Integration of sustainability-related performance in incentive schemes	32
		GOV – 4 – Statement on sustainability due diligence	32
		GOV – 5 – Risk management and internal controls over sustainability reporting	32-33
		SBM – 1 – Market position, strategy, business model(s) and value chain	33-34
		SBM – 2 – Interests and views of stakeholders	34-36,77,88
		SBM – 3 – Material impacts, risks and opportunities and their interaction with strategy and business model(s)	37-40, 55,70,73, 77,88,93
		IRO – 1 – Description of the processes to identify and assess material impacts, risks and opportunities	40,45,46,57
		IRO – 2 – Disclosure Requirements in ESRS covered by the undertaking's sustainability statements	47,103
ESRS E1	Climate change	GOV – 3 – Integration of sustainability-related performance in incentive schemes	32
		E1 – 1 – Transition plan for climate change mitigation	55
		ESRS 2 SBM – 3 – Material impacts, risks and opportunities and their interaction with strategy and business model(s)	55-57
		ESRS 2 IRO – 1 – Description of the processes to identify and assess material climate-related impacts, risks and opportunities	44,57-61
		E1 – 2 – Policies adapted to manage climate change mitigation and adaptation	61
		E1 – 3 – Actions and resources in relation to climate change policies	61-63
		E1 – 4 – Tracking effectiveness of policies and actions related to climate change mitigation and adaptation through targets	63
		E1 – 5 – Energy consumption and mix	63-64
		E1 – 6 – Gross Scopes 1, 2, 3 and Total GHG emissions	65-69
		E1 – 9 – Potential financial effects from material physical and transition risks and potential climate-related opportunities	exemption
ESRS E3	Water and marine resources	ESRS 2 SBM – 3 – Material impacts, risks and opportunities and their interaction with strategy and business model(s)	70
		ESRS 2 IRO – 1 – Description of the processes to identify and assess material climate-related impacts, risks and opportunities	45
		E3 – 1 – Policies adopted to manage material sustainability matters	70
		E3 – 2 – Actions and resources related to water and marine resources policies	71
		E3 – 3 – Tracking effectiveness of policies and actions related to water and marine resources through targets	71

APPENDIX - IRO – 2 Disclosure requirements in ESRS covered by undertaking's sustainability statement *(continued)*

ESRS standard	ESRS description	Disclosure Requirement	Page
ESRS E3	Water and marine resources	E3 – 4 – Water consumption	72
		E3 – 5 – Potential financial effects from water and marine resources-related impacts, risks and opportunities	exemption
ESRS E5	Resource use and circular economy	ESRS 2 SBM – 3 – Material impacts, risks and opportunities and their interaction with strategy and business model	73
		ESRS 2 IRO – 1 – Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities	46
		E5 – 1 – Policies adopted to manage material sustainability matters	73
		E5 – 2 – Actions and resources in relation to resource use and circular economy	74
		E5 – 3 – Tracking effectiveness of policies and actions related resource use and circular economy through targets	75
		E5 – 5 – Resource outflows	75-76
		E5 – 6 – Potential financial effects from resource use and circular economy-related impacts, risks and opportunities	exemption
ESRS S1	Own workforce	ESRS 2 SBM – 2 – Interests and views of stakeholders	77
		ESRS 2 SBM – 3 – Material impacts, risks and opportunities and their interaction with strategy and business model	77-79
		S1 – 1 – Policies related to own workforce	79-80
		S1 – 2 – Processes for engaging with own workers and workers' representatives about impacts	81
		S1 – 3 – Processes to remediate negative impacts and channels for own workers to raise concerns	82
		S1 – 4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	83-86
		S1 – 5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	86
		S1 – 6 – Characteristics of the undertaking's employees	86
		S1 – 7 – Characteristics of non-employee workers in the undertaking's own workforce	exemption
		S1 – 11 – Social protection	exemption
		S1 – 13 – Training and skills development indicators	exemption
		S1 – 17 – Incidents, complaints and severe human rights impacts and incidents	87
ESRS S4	Consumers and end users	ESRS 2 SBM – 2 – Interests and views of stakeholders	88
		ESRS 2 SBM – 3 – Material impacts, risks and opportunities and their interaction with strategy and business model	88
		S4 – 1 – Policies related to consumers and end-users	89
		S4– 2 – Processes for engaging with consumers and end-users about impacts	90
		S4 – 3 – Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	90

APPENDIX - IRO – 2 Disclosure requirements in ESRS covered by undertaking's sustainability statement *(continued)*

ESRS standard	ESRS description	Disclosure Requirement	Page
ESRS S4	Consumers and end users	S4 – 4 – Taking action on material impacts on consumers and end users, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	91
		S1 – 5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	97
ESRS G1	Business conduct	ESRS 2 GOV – 1 – The role of the administrative, supervisory and management bodies	31
		ESRS 2 IRO – 1 – Description of the processes to identify and assess material impacts, risks and opportunities	46
		G1 – 1 – Corporate culture and business conduct policies	94-95

APPENDIX *(continued)*

Sources for calculating greenhouse gas emissions from scopes 1, 2 and 3:

1. World Resources Institute & World Business Council for Sustainable Development. (2004). *GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition).* USA.
2. World Resources Institute. (2015). *Scope 2 Guidance: An Amendment to the GHG Protocol Corporate Standard.* USA.
3. Ministry of Environmental Protection and Green Transition. (2024). *Croatian Emission Factor Database (Updated 2024).* Available at: https://mzozt.gov.hr/o-ministarstvu-1065/djelokrug/uprava-za-klimatsku-tranziciju-1879/ugljicni-otisak/8960
4. Intergovernmental Panel on Climate Change (IPCC). (2019). *2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, Volume: Energy.* WMO & UNEP, Hayama, Japan.
5. Intergovernmental Panel on Climate Change (IPCC). (2023). *Summary for Policymakers.* In *Climate Change 2023: Synthesis Report,* Contribution of Working Groups I, II & III to the Sixth Assessment Report (AR6). Switzerland.
6. Ministry of Economy. (2024). *Energy in Croatia, 2023.* Hrvoje Požar Energy Institute.
7. CDP. (2024). *Technical Note: Conversion of Fuel Data to MWh.*
8. Association of Issuing Bodies (AIB). (2023). *European Residual Mixes: Results of the Calculation for the Calendar Year 2023.*
9. World Resources Institute & World Business Council for Sustainable Development. (2011). *GHG Protocol Corporate Value Chain (Scope 3) Standard: Supplement to the GHG Protocol Corporate Accounting and Reporting Standard.* USA.
10. World Resources Institute & World Business Council for Sustainable Development. (2013). *Technical Guidance for Calculating Scope 3 Emissions: Supplement to the Corporate Value Chain (Scope 3) Accounting & Reporting Standard.* USA.
11. ADEME. (n.d.). *French Emission Factor Database: Bilan Carbone Model - Emission Factors.* Available at: https://www.climfoot-project.eu/en/bilan-carbone%C2%AE-clim%E2%80%99foot-tool
12. ADEME. (n.d.). *French Emission Factor Database: Base_Carbone_V23.4.excel.* Available at: https://www.data.gouv.fr/fr/datasets/base-carbone-complete-de-lademe-en-francais-v17-0/
13. Department for Environment, Food & Rural Affairs (DEFRA). (2024). *UK Emission Factor Database (Updated 2024).* Available at: https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2024

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 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 2024 are included in this Annual Report.

The Company's share capital amounts to 191,646,191.00 Euros and is divided into 2,197,772 ordinary shares without nominal value and 420,000 preferred shares with a nominal value of 33.00 Euros. During the period from 1 January 2024 to 31 December 2024, the Company did not acquire or dispose of its own shares.

As at 31 December 2024, the Company held 2,346 treasury shares, representing 0.099% of the Company's share capital.

Independent Auditor's Report

To the Shareholders of Plava laguna d.d.

Report on the audit of the separate and consolidated financial statements

Our opinion

In our opinion, the separate and consolidated financial statements present fairly, in all material respects, the separate and consolidated financial position of Plava laguna (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2024, and the Company's and the Group's separate and consolidated financial performance and separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 24 April 2025.

What we have audited

The Company's separate and the Group's consolidated financial statements comprise:

- the separate and consolidated statements of comprehensive income for the year ended 31 December 2024;
- the separate and consolidated statements of financial position as at 31 December 2024;
- the separate and consolidated statements of changes in equity for the year then ended;
- the separate and consolidated statements of cash flows for the year then ended; and
- the notes to the separate and consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate and consolidated financial statements section of our report.

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

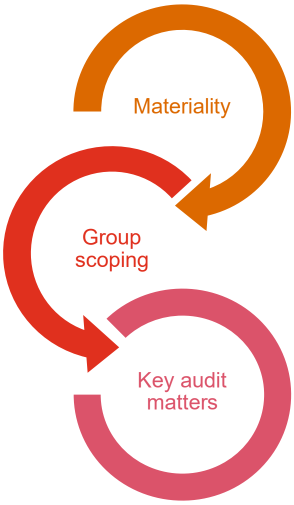
Independence

We are independent of the Company and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014, and furthermore, we have not provided any non-audit services to the Company and the Group in the period from 1 January 2024 to 31 December 2024.

Our audit approach

Overview



- Overall Company materiality: EUR 4.8 million, which represents 8% of profit before tax.
- Overall Group materiality: EUR 4.8 million, which represents 8% of profit before tax.

- We conducted audit work at three reporting units in Croatia.
- The Group engagement team visited the following locations – Poreč and Cavtat, Croatia.
- Our audit scope addressed 100% of the Group's revenues and 100% of the Group's absolute value of underlying profit before tax.

- Recoverable amount of property, plant and equipment

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate and consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate and consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate and consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the separate and consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the separate and consolidated financial statements as a whole.

Overall Group and Company materiality	The Company: EUR 4.8 million The Group: EUR 4.8 million
How we determined it	The Company: 8% of profit before tax The Group: 8% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax for the period as the benchmark because it is the benchmark against which the performance of the Company and the Group is commonly measured by users and shareholders, and it is a generally acceptable benchmark. We choose 8%, which is consistent with the quantitative materiality thresholds used for profit-oriented companies.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Recoverable amount of property, plant and equipment *See Note 3 (Material accounting policy information), Note 5 (Critical accounting estimates) and Note 15 (Property, plant and equipment).* As at 31 December 2024, the Company and the Group recorded property, plant and equipment at historical cost less accumulated depreciation and impairment with a carrying value of EUR 299.7 million and EUR 352.9 million, respectively. Management assesses annually whether there are any indicators of asset impairment. Management considers each hotel, tourist resort, campsite, apartment and marina to be a separate cash generating unit ("CGU"). As part of the impairment review, the Company and the Group analyse actual results of their individual CGUs to determine whether there are any impairment indicators in respect of the properties. When such indicators are identified, an estimate is made of the recoverable amount of the CGU and an impairment loss is recognized, if necessary. We focused on this area due to possible significant effects on the separate and consolidated financial statements if the impairment indicators are not identified on time.	We have obtained an understanding of the accounting policies related to the measurement of property, plant, and equipment. In order to assess whether the impairment indicators exist, we have performed the following procedures: • We have reviewed management process and reports used by the Management in the impairment trigger assessment. • We have reviewed the internal reports of both the Company and the Group, which provide an overview of the realized earnings before interest, tax, depreciation, and amortization (EBITDA) for each CGU. For each CGU, we compared the EBITDA generated in 2024 with the budget for 2024 and the EBITDA realized in 2023. • We have performed test of details on a sample basis to verify that revenues and expenses are appropriately allocated to each CGU. • We reconciled EBITDA of each CGU with total EBITDA of the Company and the Group. • We considered external factors that could have affected indicators of impairment of property, plant and equipment, such as the results of the tourist season and announcements for the next season by the Central Bureau of Statistics, the Croatian National Tourist Board, and the Ministry of Tourism. We reviewed the relevant disclosures in the separate and consolidated financial statements.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Reporting on other information

Management is responsible for the other information. The other information comprises the Management Board's report (including Sustainability statement) and Corporate Governance Statement included in the Annual Report but does not include the separate and consolidated financial statements and our auditor's report thereon.

Our opinion on the separate and consolidated financial statements does not cover the other information.

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

With respect to the Management Board's report (excluding Sustainability statement on which the separate assurance report on sustainability reporting is issued by us on 25 April 2025) and Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia. Those procedures include considering whether the Management Board's report is prepared in accordance with the requirements of Articles 22 and 24 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in Article 25 of the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Board's report and the Corporate Governance Statement for the financial year for which the separate and consolidated financial statements are prepared is consistent, in all material respects, with the separate and consolidated financial statements;
- the Management Board's report (excluding Sustainability statement on which the separate assurance report on sustainability reporting is issued by us on 25 April 2025) has been prepared in accordance with the requirements of Articles 22 and 24 of the Accounting Act;
- the Corporate Governance Statement includes the information specified in Article 25 of the Accounting Act.

In addition, in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Board's report (excluding Sustainability statement on which the separate assurance report on sustainability reporting is issued by us on 25 April 2025) and Corporate Governance Statement that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the separate and consolidated financial statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated 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 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 Group's the financial reporting process.

Auditor’s responsibilities for the audit of the separate and consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s and the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s and 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 independent auditor’s report to the related disclosures in the separate and consolidated 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 independent auditor’s report. However, future events or conditions may cause the Company’s and the Group’s to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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 control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our independent auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were appointed as auditors of the Company and the Group on 9 July 2024 by the shareholder resolution. The separate and consolidated financial statements of the Company and the Group were audited by us for the first time.

Report on compliance of the format of the separate and consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF") Regulation

We have been engaged based on our agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the separate and consolidated financial statements included in the attached electronic file „plavalaguna-2024-12-31-0-hr.zip“, (hereinafter: the financial statements) of the Company and the Group for the year ended 31 December 2024 (the "Presentation of the Financial Statements").

Description of subject matter and applicable criteria

The Presentation of the Financial Statements has been prepared by the management of the Company to comply with the requirements of Article 462 paragraph 5 of the Capital Market Act (Official Gazette, No. 65/18, 17/20 and 83/21) (the "Capital Market Act") and with 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 "ESEF Regulation"). Those regulations require that:

- the financial statements included in the separate and consolidated Annual Report, have been prepared in the XHTML format;
- the data included in the separate and consolidated financial statements required by the ESEF Regulation and Capital Market Act have been marked up and all the markups meet the following requirements:
  - the XBRL markup language has been used,
  - the core taxonomy elements listed in the ESEF Regulation with the closest accounting meaning have been used, unless an extension taxonomy element was created in accordance with Annex IV of the ESEF Regulation,
  - the markups comply with the common rules on markups under the ESEF Regulation.

The requirements described above determine the basis for application of the Presentation of the Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the management and those charged with governance

The Company's management is responsible for the Presentation of the Financial Statements in accordance with the ESEF Regulation and the Capital Market Act. In addition, the Company's management is responsible for maintaining an internal control system that reasonably ensures the preparation of the Presentation of the Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation and the Capital Market Act, whether due to fraud or error.

Those charged with governance are responsible for overseeing the process of preparing the Presentation of the Financial Statements in the ESEF format as part of the financial reporting process.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion, based on the audit evidence obtained, whether the Presentation of the Financial Statements complies, in all material respects, with the requirements of the ESEF Regulation and the Capital Market Act. We conducted a reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Financial Statements is prepared, in all material respects, in accordance with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000 (R) will always detect a material misstatement (significant non-compliance with the requirements).

Procedures performed

The nature, timing and extent of the procedures selected are matters for the professional judgment of the auditor.

As part of the selected procedures, we performed in particular the following procedures:

- read the requirements of the ESEF Regulation and the Capital Market Act;
- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Financial Statements, including the preparation of the XHTML format and marking up the separate and consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the separate and consolidated financial statements using the XBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Conclusion

In our opinion, based on the procedures performed and evidence obtained, the Presentation of the Financial Statements for the year ended 31 December 2024 included in the above stated attached electronic file complies, in all material respects, with the ESEF Regulation and the Capital Market Act.

Our conclusion is not an opinion on the true and fair presentation of the financial statements presented in electronic format. In addition, we do not express any form of assurance on the other information disclosed in the documents in the ESEF format.

The certified auditor engaged as partner on the audit resulting in this independent auditor's report is Marija Mihaljević.

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
28 April 2025

John Mathias Gasparac	Marija Mihaljević
President of the Management Board	Certified auditor

Original report is signed in Croatian language

This version of our 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 our report takes precedence over this translation.

STATEMENT OF THE MANAGEMENT BOARD'S RESPONSIBILITES

Pursuant to the Croatian Accounting Act, 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 financial position and operating results of the 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 the 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 followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group (Company) and must also ensure that the financial statements comply with the Croatian Accounting Act. 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 Board is also responsible for the preparation and content of the Management Report and the Corporate Governance Statement, 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 Corporate Governance Statement, 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 28 April 2025 for submission to the Supervisory Board.

Dragan Pujas
President of the Management Board

Damir Mendica
Member of the Management Board

Danira Rančić
Member of the Management Board

PLAVA LAGUNA d.d.
Poreč
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PLAVA LAGUNA D.D., POREČ

SEPARATE AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

		Group		Company	
	Note	**2024**	2023	**2024**	2023
		EUR'000	EUR'000	EUR'000	EUR'000
Revenue	*6*	238,884	227,821	214,129	205,834
Other operating income		520	783	390	657
Cost of materials and services	*7*	(70,321)	(69,352)	(64,064)	(63,433)
Staff costs	*8*	(57,710)	(54,192)	(51,812)	(48,838)
Depreciation and amortisation		(33,729)	(32,410)	(30,575)	(29,452)
Other operating expenses	*9*	(17,707)	(22,557)	(13,024)	(18,041)
Provisions for impairment of trade and other receivables		(158)	(445)	(156)	(431)
Other gains/(losses) – net	*10*	(1,780)	4,373	(1,140)	4,372
Operating profit		**57,999**	**54,021**	**53,748**	**50,668**
Finance income	*11*	6,651	3,860	10,957	3,747
Finance costs	*11*	(4,929)	(1,736)	(4,765)	(1,706)
Finance income/(costs) – net		**1,722**	**2,124**	**6,192**	**2,041**
Profit before tax		**59,721**	**56,145**	**59,940**	**52,709**
Income tax	*12*	(3,579)	(8,962)	(2,691)	(8,278)
Profit for the year		**56,142**	**47,183**	**57,249**	**44,431**
Other comprehensive income/(loss):					
Change in value of financial assets measured at fair value through other comprehensive income, net of tax		44	372	44	372
Actuarial gains/(losses), net of tax		30	51	30	51
Total comprehensive income for the year		**56,216**	**47,606**	**57,323**	**44,854**
Profit attributable to:					
Equity holders of the Company		56,142	47,125		
Non-controlling interest		-	58		
		56,142	**47,183**		
Total comprehensive income attributable to:		-	-		
Equity holders of the Company		**56,216**	**47,548**		
Non-controlling interest		**-**	**58**		
		56,216	**47,606**		
Basic and diluted earnings per share (in EUR):	*13*	**21.46**	**18.01**		

PLAVA LAGUNA D.D., POREČ

SEPARATE AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Note	Group 31 December 2024 EUR'000	Group 31 December 2023 EUR'000	Company 31 December 2024 EUR'000	Company 31 December 2023 EUR'000
ASSETS					
Property, plant and equipment	*15*	352,932	343,143	299,654	294,066
Investment property	*15a*	4,465	3,581	4,465	3,581
Intangible assets	*16*	2,611	2,144	2,610	2,139
Right-of-use assets	*17*	71,646	2,555	71,646	2,555
Investments in subsidiaries	*18*	-	-	47,007	47,007
Financial assets at fair value through other comprehensive income	*19a*	470	2,876	385	2,828
Deferred tax assets	*20*	1,104	844	1,082	821
Loans granted	*21*	-	7	-	7
Non-current assets		**433,228**	**355,150**	**426,849**	**353,004**
Inventories		1,137	1,012	943	846
Trade and other receivables	*22*	7,129	4,627	4,398	4,014
Income tax receivable		6,379	23	6,372	-
Loans granted	*21*	11	77	11	77
Bank deposits	*4.1*	31,784	57,588	22,705	48,124
Financial assets at fair value through profit or loss	*19b*	58,899	56,691	52,123	50,169
Cash and cash equivalents	*23*	699	1,308	157	609
Current assets		**106,038**	**121,326**	**86,709**	**103,839**
Total assets		**539,266**	**476,476**	**513,558**	**456,843**
EQUITY					
Share capital	*24*	191,646	191,646	191,646	191,646
Capital reserves		92	92	92	92
Treasury shares		(190)	(190)	(190)	(190)
Reserves	*25*	16,523	17,822	16,523	17,822
Retained earnings		131,010	114,112	118,411	100,406
Total equity		**339,081**	**323,482**	**326,482**	**309,776**
LIABILITIES					
Borrowings	*26*	55,012	66,929	49,394	66,929
Provisions	*28*	2,001	2,028	1,892	1,915
Deferred tax liability	*20*	4,962	5,421	1,095	1,391
Lease liabilities	*17*	71,772	2,293	71,772	2,293
Deferred income	*29*	2,593	3,293	2,593	3,293
Non-current liabilities		**136,340**	**79,964**	**126,746**	**75,821**
Borrowings	*26*	18,665	18,707	17,862	18,707
Trade and other payables	*27*	40,896	46,741	38,972	45,337
Deferred income		2,560	1,968	2,560	1,968
Lease liabilities	*17*	825	328	825	328
Income tax liability	*29*	761	5,146	-	4,791
Provisions	*28*	138	140	111	115
Current liabilities		**63,845**	**73,030**	**60,330**	**71,246**
Total liabilities		**200,185**	**152,994**	**187,076**	**147,067**
Total equity and liabilities		**539,266**	**476,476**	**513,558**	**456,843**

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

Group

(in thousands of EUR)	**Share capital**	**Capital reserves**	**Treasury shares**	**Reserves**	**Retained earnings**	**Non-controlling interest**	**Total**
Balance at 1 January 2023	**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 in share capital	(76)	-	-	76	-	-	**-**
Acquisition of non-controlling interest	-	-	-	-	(47)	(1,176)	**(1,223)**
Dividend paid	-	-	-	-	(82,359)	-	**(82,359)**
Total transactions with Company owners	**(76)**	**-**	**-**	**76**	**(82,406)**	**(1,176)**	**(83,582)**
At 31 December 2023	**191,646**	**92**	**(190)**	**17,822**	**114,112**	**-**	**323,482**
Profit for the year	-	-	-	-	56,142	-	**56,142**
Other comprehensive income	-	-	-	74	-	-	**74**
	-						
Total comprehensive income for 2024	**-**	**-**	**-**	**74**	**56,142**	**-**	**56,216**
Recognised in profit or loss	-	-	-	(1,373)	-	-	(1,373)
Dividend paid	-	-	-	-	(39,244)	-	**(39,244)**
Total transactions with Company owners	**-**	**-**	**-**	**(1,373)**	**(39,244)**	**-**	**(40,617)**
	-						
At 31 December 2024	**191,646**	**92**	**(190)**	**16,523**	**131,010**	**-**	**339,081**

Company

(in thousands of EUR)	**Share capital**	**Capital reserves**	**Treasury shares**	**Reserves**	**Retained earnings**	**Total**
Balance at 1 January 2023	**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	(76)	-	-	76	-	**-**
Dividend paid	-	-	-	-	(82,359)	**(82,359)**
Total transactions with Company owners	**(76)**	**-**	**-**	**76**	**(82,359)**	**(82,359)**
At 31 December 2023	**191,646**	**92**	**(190)**	**17,822**	**100,406**	**309,776**
Profit for the year	-	-	-	-	57,249	**57,249**
Other comprehensive income	-	-	-	74	-	**74**
Total comprehensive income for 2024	**-**	**-**	**-**	**74**	**57,249**	**57,323**
Recognised in profit or loss	-	-	-	(1,373)	-	**(1,373)**
Dividend paid	-	-	-	-	(39,244)	**(39,244)**
Total transactions with Company owners	**-**	**-**	**-**	**(1,373)**	**(39,244)**	**(40,617)**
At 31 December 2024	**191,646**	**92**	**(190)**	**16,523**	**118,411**	**326,482**

SEPARATE AND CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

		Group		Company	
		2024	2023	**2024**	2023
	Note	EUR'000	EUR'000	EUR'000	EUR'000
Profit before tax		**59,721**	**56,145**	**59,940**	**52,709**
Adjustments for:					
Depreciation and amortisation	*15, 16, 17*	33,729	32,410	30,575	29,452
Expected credit losses on loans granted	*21*	(19)	(30)	(19)	(30)
Expected credit losses on receivables - net	*22*	64	131	72	118
Write-off of tangible assets	*15, 16*	1,848	554	1,180	36
Dividend income	*11*	(124)	(108)	(5,120)	(328)
Gains on sale of property, plant and equipment		(40)	(4,419)	(40)	(4,419)
Finance income and interest expense		2,525	(2,016)	2,797	(1,713)
Gains on sale of shares		(1,915)	-	(1,915)	-
Gains from financial assets		(2,208)	-	(1,954)	-
		93,581	**82,667**	**85,516**	**75,825**
Changes in working capital:					
Trade and other receivables		(2,438)	(1,223)	(334)	(1,166)
Inventories		(125)	63	(97)	84
Trade and other payables		(11,232)	16,469	(11,399)	16,730
Provisions		14	46	10	32
Cash flows from operating activities		**79,800**	**98,022**	**73,696**	**91,505**
Interest paid		(1,430)	(1,644)	(1,266)	(1,644)
Interest paid- leases MSF1 16		(2,315)	(52)	(2,315)	(52)
Income tax paid		(14,809)	(13,641)	(14,174)	(13,553)
Net cash from operating activities		**61,246**	**82,685**	**55,940**	**76,256**
Cash flows from investing activities					
Purchase of tangible and intangible assets		(40,724)	(27,609)	(33,062)	(27,149)
Proceeds from sale of tangible assets		40	8,100	40	8,100
Dividend received	*18*	124	108	5,120	328
Increase in financial assets		-	(56,691)	-	(50,169)
(Increase)/decrease in deposits		25,804	85,256	25,419	86,863
Proceeds from loans receivables		92	312	92	312
Proceeds from sale of financial assets		2,733	-	2,733	-
Acquisition of non-controlling interest		-	(1,223)	-	(1,223)
Interest received		2,101	3,728	1,712	3,395
Net cash from investing activities		**(9,830)**	**11,981**	**2,054**	**20,457**
Cash flows from financing activities					
Proceeds from loans and borrowings		7,224	-	-	-
Repayment of borrowings	26	(19,293)	(21,377)	(18,490)	(21,377)
Dividends paid	26	(39,244)	(82,030)	(39,244)	(82,030)
Payments of lease liabilities		(712)	(339)	(712)	(339)
Net cash from financing activities		**(52,025)**	**(103,746)**	**(58,446)**	**(103,746)**
Net (decrease)/increase in cash and cash equivalents		**(609)**	**(9,080)**	**(452)**	**(7,033)**
Cash and cash equivalents at beginning of year		1,308	10,388	609	7,642
Cash and cash equivalents at end of year	23	**699**	**1,308**	**157**	**609**

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

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. wholly owned (31 December 2023: 100%)
- Istraturist j.d.o.o. wholly owned (31 December 2023: 100%)
- ISTRA DMC d.o.o. wholly owned (31 December 2023: 100%)
- Hotel Croatia d.d. wholly owned (31 December 2023: 100%).

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

As at 31 December 2024 and 2023, the Company's majority owner is the Adriatic Investment Group, with its registered office in the Grand Duchy of Luxembourg, which is wholly owned by Sutivan Investments Anstalt, Liechtenstein. The ultimate parent of the Company is the Vallum Foundation.

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

As at 31 December 2024 and 2023, 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, since October 2019
Damir Mendica	Member, since January 2018
Danira Rančić	Member, since January 2018

The President and the members of the Management Board represent the Company independently and fully.

Supervisory Board

Davor Lukšić Lederer	President, since August 2011
Patricio Tomas Balmaceda Tafra	Vice President, since September 2002
Davor Domitrovic Grubisic	Member, since August 2011
Neven Staver	Member, since October 2019
Christiaan Paul Dijk	Member, since May 2023
Ignacio Andrés Pardo	Member, since July 2024
Veljko Šantek	Member, since April 2024

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").

2.2 Basis of measurement

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which are measured at fair value. These financial statements have been prepared for the purposes of the Group and Company.

2.3 Functional and presentation currency

These financial statements have been prepared in euros (EUR), which is the Company's functional currency, rounded to the nearest thousand.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the Management Board to make judgements, 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 judgements about the values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and related assumptions are subject to continuous evaluation. Revisions to accounting estimates are recognised 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.

NOTE 2 – BASIS OF PREPARATION *(continued)*

2.5 Going concern

The financial statements have been prepared on a going concern basis. Management believes that the use of the going concern assumption in the preparation of the financial statements is appropriate.

NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION

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 years presented, unless otherwise stated.

3.1 Consolidation

The 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.

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.

Goodwill on the acquisition of a subsidiary is included in intangible assets. Separately recognised goodwill is tested annually for impairment, or whenever there are indications of impairment, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.1 Consolidation (continued)

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

The Group applies an accounting policy under which transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions with owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share in the 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 interests

Changes in the Group's interest in a subsidiary that do not result in a loss 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. Adjustments to non-controlling interests are based on the proportionate amount of the net assets of the subsidiary.

e) Transactions eliminated on consolidation

Intra-group balances and transactions, and unrealised income and expenses (excluding gains or losses on foreign exchange differences) arising from intra-group transactions, are eliminated when preparing consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent 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 the power to govern the financial and operating policies, generally accompanying a shareholding of more than one 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. Investments in subsidiaries are tested annually for impairment.

NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION *(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, which is 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 at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation 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.
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 estimated 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 'other gains – net'.

NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.6 Intangible assets

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 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 business model.

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

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset 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 or loss. Financial assets at amortised costs are subsequently measured at amortised cost using the effective interest method. The amortised cost is decreased by impairment losses. Interest income, foreign exchange differences and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION *(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 and 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 differences 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.

Financial liabilities

The Group (Company) derecognises a financial liability when its contractual obligations are discharged, cancelled or have expired. 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 recognised in profit or loss.

d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position if, and only if, 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 – MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.7 Financial instruments *(continued)*

Non-derivative financial instruments (continued)

d) Offsetting (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.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated at FVTPL.

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 60 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 – MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.7 Financial instruments *(continued)*

Impairment (continued)

Non-derivative financial instrument (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; or
- significant financial difficulties of the borrower.

Non-financial assets

At each balance sheet date, the Group (Company) reviews the carrying amounts of non-financial assets (excluding 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 assets is estimated 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, the 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.

The 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 a post-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 – MATERIAL ACCOUNTING POLICY INFORMATION *(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. Impairment losses are recognised immediately as an expense.

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 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, finished goods and spare parts are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method.

3.9 Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks with original maturities of three months or less.

NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.10 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 a 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 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 its relative standalone price.

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 similar property and equipment.

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 lease terms and type of the leased asset.

NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.10 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's (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, including IT equipment. 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 its relative standalone price.

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 of 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.

The Group (Company) recognizes received lease payments as operating lease income on a straight-line basis over the lease term as an integral part of 'other income'.

NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.10 Leases *(continued)*

3.11 Share capital

Ordinary and preference shares are classified as equity. Preference shares bear a fixed dividend of EUR 0.03 per share per annum (2023: 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's (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's (Company's) equity holders.

3.12 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.

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.

3.13 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 payables 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 – MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.14 Provisions

Provisions relate to provisions for legal claims and provisions for jubilee awards and termination benefits.

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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount 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.

3.15 Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss to the extent that it relates to items recognised directly to 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 the tax rates enacted at the reporting date, and any adjustments 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 by the reporting date. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets represents the amount of income tax recoverable through future deductions from taxable profits and are recorded in the statement of financial position. Deferred tax assets are recorded to the extent that the realisation of the related tax benefit is probable. While determining future taxable profits and the amount of tax benefits that are probable in the future, the Management Board the Group (Company) makes judgements and applies estimates based on taxable profits from previous years and expectations of future income that are believed to be reasonable under the existing circumstances.

NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.16 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. All contributions made to the mandatory pension funds are recorded as a 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 the 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 (the 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.

3.17 Recognition of revenue from contracts with customers

Tourist services include overnight stays, food and beverages consumption, use of wellness services and other services while accommodating guests. 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 realised revenue from tourist services is allocated to loyalty points and recognised as deferred income. This income is recognised as revenue upon the redemption of the awarded points. Points awarded are measured at fair value at the time of issuance, based on an assessment of the expected redemption rate.

Revenue from fixed-price contracts for tourism services are recognised in the period when the services are provided, in proportion to the total contracted service, as customers simultaneously receive and consume the benefits of the services throughout the duration of the contract (over time). The average service period spans a few days, and revenue recognition is limited to the period during which accommodation units are open to guests within the tourist season, all within the same calendar year. The amount of revenue to be recognised is determined based on the actual occupancy of accommodation units, the consumption of additional services by guests, and the agreed prices at the time the services are rendered. The Group (Company) recognises revenue from the provision of food and beverages in hotel rooms and restaurants at the point in time when the service is rendered.

NOTE 3 – MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.18 Revenue recognition - interest

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 inflow 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.

3.19 Revenue recognition - dividend

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

3.20 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.

3.21 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.

3.22 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, an impairment loss is recorded for the gross amount of the debtor, including VAT.

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

3.25 Standards, interpretations and amendments to issued standards that are not yet effective

The following amended standards became effective from 1 January 2024, they have been endorsed by the EU, but did not have a material impact on the Company and the Group:

- Amendment to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024).

New standards and interpretations not yet adopted

- Amendments to IAS 21 Lack of Exchangeability (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025). The Company does not expect a significant impact of the amendments on its financial statements.

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2025 or later, which have not been endorsed by the EU and which the Company and Group have not early adopted:

- Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026).
- Annual Improvements to IFRS Accounting Standards (issued in July 2024 and effective from 1 January 2026).
- Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7 (issued on 18 December 2024 and effective from 1 January 2026).
- IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027). The Company is currently assessing the impact on its financial statements.
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027).
- IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company’s and Group’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 2024	Financial assets at amortised cost EUR'000	Financial assets at fair value through comprehensive income EUR'000	Financial assets at fair value through profit or loss EUR'000	Total EUR'000
Investments in shares of domestic companies	-	470	-	470
Trade and other receivables	2,321	-	-	2,321
Deposits and loans granted	31,795	-	-	31,795
Investments in investment fund	-	-	58,899	58,899
Cash and cash equivalents	699	-	-	699
Total	**34,815**	**470**	**58,899**	**94,184**

31 December 2023	Financial assets at amortised cost EUR'000	Financial assets at fair value through comprehensive income EUR'000	Financial assets at fair value through profit or loss EUR'000	Total EUR'000
Investments in shares of domestic companies	-	2,876	-	2,876
Trade and other receivables	2,189	-	-	2,189
Deposits and loans granted	57,672	-	-	57,672
Investments in investment fund	-	-	56,691	56,691
Cash and cash equivalents	1,308	-	-	1,308
Total	**61,169**	**2,876**	**56,691**	**120,736**

NOTE 4 – FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors (*continued*)

Company

Assets

31 December 2024	Financial assets at amortised cost EUR'000	Financial assets at fair value through comprehensive income EUR'000	Financial assets at fair value through profit or loss EUR'000	Total EUR'000
Investments in shares of domestic companies	-	385	-	385
Trade and other receivables	2,112	-	-	2,112
Deposits and loans granted	22,716	-	-	22,716
Investments in investment fund	-	-	52,123	52,123
Cash and cash equivalents	157	-	-	157
Total	**24,985**	**385**	**52,123**	**77,493**

31 December 2023	Financial assets at amortised cost EUR'000	Financial assets at fair value through comprehensive income EUR'000	Financial assets at fair value through profit or loss EUR'000	Total EUR'000
Investments in shares of domestic companies	-	2,828	-	2,828
Trade and other receivables	1,861	-	-	1,861
Deposits and loans granted	48,208	-	-	48,208
Investments in investment fund	-	-	50,169	50,169
Cash and cash equivalents	609	-	-	609
Total	**50,678**	**2,828**	**50,169**	**103,675**

Liabilities	Group		Company	
	2024 EUR'000	2023 EUR'000	2024 EUR'000	2023 EUR'000
Borrowings	73,677	85,636	67,256	85,636
Trade and other payables	24,402	31,907	23,299	31,139
Total	**98,079**	**117,543**	**90,555**	**116,775**

NOTE 4 – FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(a) Market risk

(i) Foreign exchange risk

Currency risk arises from future commercial transactions and recognized assets and liabilities denominated in foreign currencies. The Group and the Company are not significantly exposed to currency risk since the majority of sales revenue, long-term debt, and fixed-term deposits are denominated in euros. On 1 January 2023, the Republic of Croatia introduced the euro as the official currency and legal tender. This eliminates the exposure to currency risk in respect of transactions of the Group and the Company that are denominated in euros. Other currencies refer to the US dollar and the British pound.

As at 31 December 2024 and 2023, the currency structure of the Group's (Company's) financial instruments within the scope of IAS 9 is as follows:

Group

31 December 2024	EUR	Other	Total
Financial assets			
Trade and other receivables	2,320	1	2,321
Loans granted and deposits	30,186	1,609	31,795
Financial assets through other comprehensive income	470		470
Investments in investment fund	58,899	-	58,899
Cash and cash equivalents	660	39	699
Total	**92,535**	**1,649**	**94,184**
Financial liabilities - at amortised cost			
Borrowings	73,677	-	73,677
Trade and other payables	24,402	-	24,402
Total	**98,079**	**-**	**98,079**
Net exposure	**(5,544)**	**1,649**	**(3,895)**

31 December 2023	EUR	Other	Total
Financial assets			
Trade and other receivables	2,176	13	2,189
Loans granted and deposits	56,084	1,588	57,672
Financial assets at fair value through other comprehensive income	2,876	-	2,876
Investments in investment fund	56,691	-	56,691
Cash and cash equivalents	1,222	86	1,308
Total	**119,049**	**1,687**	**120,736**
Financial liabilities - at amortised cost			
Borrowings	85,636	-	85,636
Trade and other payables	31,906	1	31,907
Total	**117,542**	**1**	**117,543**
Net exposure	**1,507**	**1,686**	**3,193**

NOTE 4 – FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Company

31 December 2024	EUR	Other	Total
Financial assets			
Trade and other receivables	2,111	1	2,112
Loans granted and deposits	21,921	795	22,716
Financial assets through other comprehensive income	385	-	385
Investments in investment fund	52,123		52,123
Cash and cash equivalents	129	28	157
Total	**76,669**	**824**	**77,493**
Financial liabilities - at amortised cost			
Borrowings	67,256	-	67,256
Trade and other payables	23,299	-	23,299
Total	**90,555**	**-**	**90,555**
Net exposure	**(13,886)**	**824**	**(13,062)**

31 December 2023	EUR	Other	Total
Financial assets			
Trade and other receivables	1,857	4	1,861
Loans granted and deposits	47,584	624	48,208
Financial assets through other comprehensive income	2,828	-	2,828
Investments in investment fund	50,169		50,169
Cash and cash equivalents	537	72	609
Total	**102,975**	**700**	**103,675**
Financial liabilities - at amortised cost			
Borrowings	85,636	-	85,636
Trade and other payables	31,138	1	31,139
Total	**116,774**	**1**	**116,775**
Net exposure	**(13,799)**	**699**	**(13,100)**

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*

Most of the Group's (Company's) financial assets are non-interest-bearing. The Group (Company) is exposed to cash flow interest rate risk on bank deposits that are arranged with a variable interest rate. The interest rate risk is not significant as the maturity terms of these deposits are short-term. Deposits carried interest rates ranging from 2.85% to 3.86% in 2024 and 2023.

The Group's (Company's) debts are contracted at a fixed interest rate, which reduces the Group's (Company's) exposure to cash flow interest rate risks. The fair value interest rate risk of these borrowings is not considered significant since the loans are contracted at market interest rates.

(b) Credit risk

On the balance sheet date, the Group (Company) is primarily exposed to credit risk through deposits with banks. The financial institutions involved are domestic banks that do not have credit ratings; however, their parent banks abroad have high ratings ranging from A to BBB+ (2023: A to BBB+) according to Standard & Poor's. Cash transactions are conducted through high-quality Croatian banks. The Group (Company) holds only short-term highly liquid instruments with maturity terms of up to three months or shorter.

The Group (Company) is exposed to credit risk through dealings with customers. The Group (Company) has established policies to ensure that sales are mainly conducted with customers who pay in advance (rentals), in cash, or through major credit cards (individual customers, i.e., private persons), as well as clients with an appropriate credit history (mainly agencies). Expected credit losses on receivables from customers and other receivables are based on the assessment of credit risk. Management monitors the collectability of receivables through weekly reports on individual receivable balances. The value of all customer and other receivables is reduced to their recoverable amount. Credit risk related to loan receivables is minimized. The Group (Company) applies policies that limit the exposure to credit risk with 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	
	2024 EUR'000	2023 EUR'000	2024 EUR'000	2023 EUR'000
Trade receivables	475	1,215	270	941
Receivables from the lessee	1,400	158	1,394	104
Other receivables	446	816	448	816
Deposits and loans granted	31,795	57,672	22,716	48,208
Cash and cash equivalents	699	1,308	157	609
Total	**34,815**	**61,169**	**24,985**	**50,678**

The credit quality of financial assets:

Company

(in thousands of EUR)	**Not past due**	**1-90 days past due**	**91-180 days past due**	**More than 180 days past due**	**Total**
2023					
Expected credit losses (%)	-13.5%	-2.5%	-20.5%	-69.3%	-30.8%
Carrying amount	562	280	166	502	1,510
Expected credit losses	-76	-7	-34	-348	-465
Trade receivables – net	**486**	**273**	**132**	**154**	**1,045**
2024					
Expected credit losses (%)	-0.5%	-11.7%	-66.8%	-98.8%	-28.8%
Carrying amount	1,308	334	187	492	2,321
Expected credit losses	-7	-39	-125	-486	-657
Trade receivables – net	**1,301**	**295**	**62**	**6**	**1,664**

NOTE 4 – FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(b) Credit risk (continued)

Group

(in thousands of EUR)	**Not past due**	**1-90 days past due**	**91-180 days past due**	**More than 180 days past due**	**Total**
2023					
Expected credit losses (%)	-11.8%	-5.1%	-13.7%	-81.6%	-39.8%
Carrying amount	645	430	256	950	2,281
Expected credit losses	(76)	(22)	(35)	(775)	(908)
Trade receivables – net	**569**	**408**	**221**	**175**	**1,373**
2024					
Expected credit losses (%)	-0.5%	-9.7%	-51.4%	-97.7%	-29.2%
Carrying amount	1,361	431	243	612	2,647
Expected credit losses	(7)	(42)	(125)	(598)	(772)
Trade receivables – net	**1,354**	**389**	**118**	**14**	**1,875**

Movements of ECLs

(in thousands of EUR)	**Group**	**Company**
1 January 2023	1,102	672
Increase	106	92
Decrease	(300)	(299)
31 December 2023	**908**	**465**
1 January 2024		
Increase	310	308
Decrease	(446)	(116)
31 December 2024	**772**	**657**

NOTE 4 – FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(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 monitors available cash resources based on reports on the balance of cash and liabilities on a daily basis.

The Management Board daily monitors inflow and outflow on the basis of monthly cash flow projections. The Group (Company) settles all of its it liabilities at maturity. The Company invests excess liquidity in investment funds that have a low risk profile.

The table below analyses the Group’s (Company’s) financial liabilities 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 December 2024	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	19,721	17,073	37,600	2,538	76,932
Lease liabilities	4,451	4,365	12,746	172,666	194,228
Trade and other payables	24,402	-	-	-	24,402
Total liabilities	**48,574**	**21,438**	**50,346**	**175,204**	**295,562**
31 December 2023					
Borrowings	19,799	18,726	41,320	9,622	89,467
Lease liabilities	468	548	1,208	1,255	3,479
Trade and other payables	31,907	-	-	-	31,907
Total liabilities	**52,174**	**19,274**	**42,528**	**10,877**	**124,853**

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 December 2024					
Borrowings	18,726	16,103	34,839	-	69,668
Lease liabilities	4,451	4,365	12,746	172,666	194,228
Trade and other payables	23,299	-	-	-	23,299
Total liabilities	**46,476**	**20,468**	**47,585**	**172,666**	**287,195**
31 December 2023					
Borrowings	19,799	18,726	41,320	9,622	89,467
Lease liabilities	468	548	1,208	1,255	3,479
Trade and other payables	31,139	-	-	-	31,139
Total liabilities	**51,406**	**19,274**	**42,528**	**10,877**	**124,085**

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 Company and the Group monitor capital in line with legal regulations which require a minimum paid up capital of EUR 25 thousand for joint-stock companies.

The Group (Company) evaluates its optimal capital structure in relation to the required debt/EBITDA covenant to ensure its ability 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

Several 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 monitoring all significant fair value measurements, consulting external experts and the responsibility to report, with respect to the above, to those charged with corporate governance.

Fair values are measured using information collected from third parties in which case the Management Board and the Finance Department assess whether the evidence from third parties supports the conclusion that such fair 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 levels in the fair value hierarchy based on the inputs used in 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 – Inputs 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 reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group 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 of the significant inputs is 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	
	2024 EUR’000	2023 EUR’000	2024 EUR’000	2023 EUR’000
Level 2	59,369	59,567	52,508	52,997
Total	**59,369**	**59,567**	**52,508**	**52,997**

During 2024 and 2023, there were no transfers within levels.

NOTE 5 – CRITICAL ACCOUNTING ESTIMATES

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

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.

Guided by these historical facts and in line with the technical department, management agreed on a remaining useful life of buildings of 10 - 25 years. The useful lives of equipment and other assets have also been reassessed. 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.

Had the useful life of property, plant and equipment been 5% longer, with all other variables held constant, the net profit for the year would be EUR 1,275 thousand higher for the Group, or EUR 1,183 thousand higher for the Company, while the net carrying amount of property, plant and equipment would have increased by EUR 1,555 thousand for the Group, or EUR 1,443 thousand for the Company.
Had the useful life of property, plant and equipment been 5% shorter, with all other variables held constant, the net profit for the year would be EUR 1,275 thousand lower for the Group, or EUR 1,183 thousand lower for the Company, while the net carrying amount of property, plant and equipment would have decreased by EUR 1,555 thousand for the Group, or EUR 1,443 thousand for the Company.

(b) Goodwill

Separately recognised goodwill is tested annually for impairment, or whenever there are indications of impairment, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units ("CGU") that are expected to benefit from the business combination in which the goodwill arose.

The CGU relates to the properties previously operated by Istraturist d.d. The properties are located in Istria, Umag. Based on future cash flow analysis, no goodwill impairment has been 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 the period up to 2035. If the key assumptions were to change by 1 percentage point, this would not result in an impairment of goodwill.

(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 a discount rate of 3% and fluctuation rate for jubilee awards of 3.9% for males and 4% for females.

(d) Recognition of deferred tax assets

Deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the statement of financial position. Deferred tax assets are recorded to the extent that the 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, the Management Board makes judgements and applies estimates based on previous years' taxable profits and expectations of future income that are believed to be reasonable under the existing circumstances. In accordance with the Investment Promotion Act, the Company has submitted an application to obtain the status of aid beneficiary for an investment project covering the period from 2022 to 2025. Based on investments made up to 31 December 2024, the Company acquired the right to a tax incentive in the amount of EUR 7.3 million, of which EUR 7.0 million was utilized to reduce the corporate income tax liability for the year 2024.

(e) Concession fees for tourist land

In accordance with the provisions of the Act on Tourist and other construction land unassessed in the process of transformation and privatisation ("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 Act on Unassessed Construction Land ("ZNGZ") on 2 May 2020, the ZOTZ ceased to be in effect. The ZNGZ prescribes the obligation to determine and establish real estate units within the prescribed deadlines for assessed parts of the campsite, hotels, tourist resorts and other construction land, as property owned by the Company and the Group, as well as for unassessed parts of such land, which are to be registered as property of the Republic of Croatia or the respective 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 conclusion of the lease agreement, rent shall be paid based on the area of tourist land for which the concession fee was calculated under the ZOTZ, in the amount of 50% of the compensation, until the final resolution of property and legal matters. The unit amount of rent, as well as the method and deadlines for payment, shall be determined by government regulations.

On 8 February 2024, the Government of the Republic of Croatia adopted two regulations governing tourist land: (1) the Regulation on the method of determining the unit amount of rent for tourist land on which a hotel or tourist resort has been built, including the method for calculating rent and other fees, as well as the mandatory content of the lease agreement; and (2) the Regulation on determining the initial unit amount of rent for tourist land within the campsite, including the method for calculating rent and other fees, and the mandatory content of the lease agreement (hereinafter: the Regulations). Following the adoption of the new Regulations, the Company and the Group have reassessed the area of tourist land and estimate that they will utilise 3.6 million m^2.

After the adoption of the Regulations, the Company and the Group recorded the cost of rent for new areas and prices in 2023 in accordance with the provisions of the Regulations. They also adjusted the previously recognized liability for concessions for the period from May 2020 to December 31, 2023. The total effect of the rent calculations under the newly adopted Regulations recorded in 2023 is presented in Note 9, Other Operating Expenses.

NOTE 5 – CRITICAL ACCOUNTING ESTIMATES *(continued)*

(e) Concession fees for tourist land (continued)

The calculated annual rent for tourist land in 2024, in accordance with the provisions of the ZNGZ and the Regulations, and following the adoption of the unit rent amount by the representative body of the local self-government unit, totals EUR 6,562 thousand for the Company and the Group. This amount includes both fixed payments and variable rent, which is capped at 4% of the annual revenue of the hotel, tourist resort, or campsite. Variable payments for 2024, amounting to EUR 2,840 thousand, were recognised in profit or loss as lease expenses (Note 9). Fixed payments of EUR 3,722 thousand were accounted for in accordance with IFRS 16, applying a discount rate of 5.14%, and the value of right-of-use assets and liabilities was recognised at EUR 70,065 thousand.

If the discount rate were to increase by 1 pp, with all other variables held constant, the net profit for the year would have been lower by EUR 190 thousand, and the carrying amount of right-of-use assets would decrease by EUR 9.5 million.

If the discount rate were to decrease by 1 pp, with all other variables held constant, the net profit for the year would have been higher by EUR 255 thousand, and the carrying amount of right-of-use assets would increase by EUR 12 million.

(f) Recoverable amount of property, plant and equipment

The Group and the Company assess the carrying amounts of non-financial assets at least annually to determine whether there are any indications of impairment. If any such indications exist, the assets' recoverable amount is estimated. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). In 2024 and 2023, there were no impairment indicators.

(g) Assessment of the effects of global events on the Group's and the Company's operations

Global risks stem from events beyond the control of the Group and the Company, including pandemics, natural disasters (e.g. marine and air pollution, degradation of water and air quality due to improper waste and wastewater disposal), civil unrest and armed conflicts, economic slowdowns, and global financial crises. These factors may lead to reduced consumer purchasing power and heightened travel-related security risks.

The Group and the Company monitor developments related to the ongoing geopolitical situation and armed conflicts, including those between Ukraine and Russia, and Israel and Palestine. Based on currently available information, neither of these situations is expected to have a material impact on the operations of the Group and the Company.

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 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 for the year ended 31 December 2024 is as follows:

2024

EUR'000	Hotels & apartments	Campsites	**Total business segments**	Other business segments	**Total**
Total revenue	186,209	54,591	240,800	7,321	248,121
Operating expenses	(124,911)	(26,002)	(150,913)	(5,480)	(156,393)
Profit/(loss) before tax	**36,341**	**22,441**	**58,782**	**939**	**59,721**
Depreciation and amortisation (Note 15 and 16)	(25,119)	(7,587)	(32,706)	(1,023)	(33,729)
Income tax	-	-	-	-	(3,579)
Total assets	**242,210**	**71,640**	**313,850**	**10,442**	**324,292**
Capital expenditure	**28,271**	**16,454**	**44,725**	**280**	**45,005**
Total liabilities	**4,285**	**1,517**	**5,802**	**104**	**5,906**

The segment information for the year ended 31 December 2023 is as follows:

2023

EUR'000	Hotels & apartments	Campsites	**Total business segments**	Other business segments	**Total**
Total revenue	185,329	50,019	235,348	6,363	241,711
Operating expenses	(125,512)	(24,915)	(150,427)	(4,853)	(155,280)
Profit before tax	**36,938**	**18,680**	**55,618**	**527**	**56,145**
Depreciation and amortisation (Note 14 and 15)	(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**
Capital expenditure	17,050	10,570	27,620	605	**28,225**
Total liabilities	**3,013**	**895**	3,908	**134**	**4,042**

NOTE 6 – SEGMENT INFORMATION *(continued)*

Reconciliation of profit before tax is as follows:

	2024 EUR'000	2023 EUR'000
Total revenue by business segment	240,800	235,348
Total revenue by other business segment	7,321	6,363
Inter-segment revenue	(8,718)	(8,734)
Revenue from external customers	**239,403**	**232,977**
Profit/(loss) before tax by business segment	58,782	55,618
Profit/(loss) before tax by other segment	939	527
Profit/(loss) before tax	**59,721**	**56,145**

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

	2024		2023	
	Assets EUR'000	Liabilities EUR'000	Assets EUR'000	Liabilities EUR'000
Business segment assets/liabilities	313,850	5,802	313,352	3,908
Other segment assets/liabilities	10,442	104	11,221	134
Unallocated:	215,602	194,907	151,903	148,952
Available-for-sale financial assets	59,369	-	59,567	-
Loans granted and deposits	31,795	-	57,672	-
Cash and cash equivalents	699	-	1,308	-
Deferred tax assets	1,104	-	844	-
Provisions	-	2,139	-	2,168
Borrowings	-	73,677	-	88,257
Deferred tax liability	-	4,962	-	5,421
Lease liabilities		72,567		2,621
Other assets/liabilities	122,007	40,904	32,512	50,485
Total	**539,266**	**200,185**	**476,476**	**152,994**

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

NOTE 6 – SEGMENT INFORMATION *(continued)*

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Accommodation revenue	204,336	198,266	187,607	183,511
Food and beverages revenue - a la carte	11,467	11,145	8,452	8,440
Other services revenue	14,726	12,411	9,908	8,066
Revenue from contracts with customers	**230,529**	**221,822**	**205,967**	**200,017**
Rental income	7,836	5,795	7,651	5,631
Other income	519	204	511	186
Total revenue	**238,884**	**227,821**	**214,129**	**205,834**

NOTE 7 – COST OF MATERIALS AND SERVICES

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Raw materials and supplies				
Energy and water used	14,875	14,698	13,996	13,892
Raw materials and supplies used	20,416	20,810	18,176	18,745
Small inventories	1,693	1,745	1,484	1,574
Total	**36,984**	**37,253**	**33,656**	**34,211**
External services				
Maintenance services	6,160	5,904	5,825	5,520
Agency commissions	8,536	9,219	8,536	9,219
Laundry and cleaning services	4,145	3,469	3,887	3,223
Security services for assets and individuals	2,541	2,149	2,359	1,988
Utility services	2,980	2,839	2,897	2,765
Advertising and promotion	1,948	1,877	1,678	1,585
Entertainment and animation	2,474	2,296	2,355	2,203
Transportation and telecommunication	828	897	603	613
Student employment agency services	819	868	653	696
Rent	528	525	192	198
ATP tennis tournament services	784	687	-	-
Other services	1,594	1,369	1,423	1,212
Total	**33,337**	**32,099**	**30,408**	**29,222**
Total	**70,321**	**69,352**	**64,064**	**63,433**

NOTE 8 – STAFF COSTS

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Net salaries	29,663	27,687	26,671	24,995
Pension insurance contributions	7,800	7,674	6,982	6,922
Health insurance contributions	6,577	6,206	5,893	5,589
Other contributions and taxes on salaries	4,092	3,760	3,761	3,455
Other staff costs	9,578	8,865	8,505	7,877
Total	**57,710**	**54,192**	**51,812**	**48,838**
Number of employees as at 31 December	1,601	1,700	1,440	1,529

In 2024, a total of EUR 7,792 thousand (2023: EUR 7,506 thousand) was paid into the pension insurance system at the Group level and EUR 6,996 thousand at the Company level (2023: EUR 6,747 thousand).

NOTE 9 – OTHER OPERATING EXPENSES

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Tourist land concession /i/	2,840	8,499	2,840	8,499
Utility and similar charges, taxes and contributions	4,548	4,024	4,199	3,687
Intellectual services /ii/	5,036	4,422	1,890	1,770
Insurance premiums	721	717	654	658
Bank charges and membership fees	1,593	1,467	1,023	950
Travel and entertainment	313	258	193	163
Increase in provisions for legal claims	15	47	15	47
Other	2,641	3,123	2,210	2,267
Total	**17,707**	**22,557**	**13,024**	**18,041**

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

/ii/ Within intellectual services, fees paid to auditors for the audit of the Group's financial statements for 2024 amounted to EUR 90 thousand (2023: EUR 91 thousand), while fees for other permitted audit-related services, including the remuneration report and sustainability report, amounted to EUR 10 thousand.

NOTE 10 – OTHER GAINS/(LOSSES) - NET

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Net gains/(losses) on sale of property, plant and equipment	(1,780)	4,373	(1,140)	4,372
Other gains/(losses) – net	**(1,780)**	**4,373**	**(1,140)**	**4,372**

NOTE 11 – FINANCE INCOME AND COSTS

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Finance income				
Dividend income - related parties	-	-	5,000	225
Dividend income - unrelated parties	124	108	120	103
Interest income on cash deposits and loans	2,277	3,557	1,888	3,224
Net foreign exchange gains from financing activities	90	-	43	-
Gains on sale of shares	1,915	-	1,915	-
Other finance income	2,245	195	1,991	195
Total finance income	**6,651**	**3,860**	**10,957**	**3,747**
Finance costs				
Interest expense	1,435	1,593	1,271	1,593
Interest expense - Leases (IFRS 16)	3,478	52	3,478	52
Other finance costs	16	91	16	61
Total finance costs	**4,929**	**1,736**	**4,765**	**1,706**
Net finance income	**1,722**	**2,124**	**6,192**	**2,041**

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	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Current income tax expense	4,314	9,358	3,263	8,953
Deferred tax expense/(income)	(735)	(396)	(572)	(675)
Income tax	**3,579**	**8,962**	**2,691**	**8,278**

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Profit before tax	**59,721**	**56,145**	**59,940**	**52,709**
Income tax at 18%	10,750	10,106	10,789	9,488
Effect of non-taxable income	(138)	(65)	(1,028)	(96)
Effect of non-deductible expenses	288	99	251	64
Effect of tax incentive	(7,321)	(1,178)	(7,321)	(1,178)
Income tax expense	**3,579**	**8,962**	**2,691**	**8,278**
Effective tax rate	5.99%	15.96%	4.49%	15.71%

The Company Plava Laguna d.d., based on the Investment Incentive Act, submitted an application and obtained the status of holder of incentive measures for an investment project for the period from 2022 to 2025. Based on investments realized by December 31, 2024, the Company became entitled to a tax incentive in the amount of EUR 7.3 million, of which EUR 7.0 million was used to reduce the corporate income tax liability for the year 2024.

The utilised amount of incentives reported in 2023, totalling EUR 1,178 thousand, relates to investment projects carried out during the period from 2017 to 2022.

In accordance with local regulations, the Tax Administration may at any time inspect the Group's books and records within 3 years following 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). The total number of ordinary shares both during 2024 and 2023 was 2,197,772 and the number of treasury shares for both years was 2,346. Hence, the weighted average number of ordinary shares through both periods was 2,195,426 shares. The number of preference shares issued and the weighted average number of preference shares though both periods was 420,000 shares.

Diluted earnings per share

Diluted earnings per share for 2024 and 2023 are equal to basic earnings per share, since the Group did not have any convertible instruments or share options outstanding during either years.

2024	**Ordinary and preference shares**
Total number of shares issued	2,617,772
EUR'000	
Profit for the year attributable to equity holders	56,142
Fixed dividend for preference shares	(13)
Profit for the year attributable to equity holders	**56,129**
Weighted average number of shares in issue excluding treasury shares	2,615,426
Basic and diluted earnings per share (EUR)	**21.46**

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

NOTE 14 – DIVIDEND PER SHARE

Dividends will be accounted for after being approved by the Annual General Assembly. Unpaid dividends for the Group in respect of 2005 through 2023 of EUR 1,375 thousand are disclosed as dividends payable in "trade and other payables" (2023: EUR 1,271 thousand) (Company in 2024: EUR 1,334 thousand and 2023: EUR 1,230 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 2023					
Opening net book amount	327,975	13,595	5,834	4,110	351,514
Additions	-	-	-	28,011	28,011
Transfers	16,144	4,525	941	(21,610)	-
Disposals	(3,959)	(130)	(108)	-	(4,197)
Write-offs	(9)	(30)	-	-	(39)
Transfer to investment property	(674)	-	-	-	(674)
Depreciation charge	(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**
Year ended 31 December 2024					
Opening net book amount	313,625	13,621	5,386	10,511	343,143
Additions	-	-	-	44,270	44,270
Transfers	22,595	5,499	2,170	(30,264)	-
Disposals	-	(30)	(7)	-	(37)
Write-off	(1,748)	(48)	(15)	-	(1,811)
Transfer to investment property	(1,209)	-	-	-	(1,209)
Depreciation charge	(25,541)	(4,494)	(1,389)	-	(31,424)
Closing net book amount	**307,722**	**14,548**	**6,145**	**24,517**	**352,932**
At 31 December 2024					
Cost	766,032	92,045	22,178	24,517	904,772
Accumulated depreciation	(458,310)	(77,497)	(16,033)	-	(551,840)
Net book amount	**307,722**	**14,548**	**6,145**	**24,517**	**352,932**

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 2023					
Opening net book amount	277,305	12,437	5,737	4,091	299,570
Additions	-	-	-	27,408	27,408
Transfers	16,098	4,269	941	(21,308)	-
Disposals	(3,477)	(99)	(103)	-	(3,679)
Write-offs	(8)	(30)	-	-	(38)
Transfer from/(to) investment property	(674)	-	-	-	(674)
Depreciation charge	(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**
Year ended 31 December 2024					
Opening net book amount	266,042	12,538	5,295	10,191	294,066
Additions	-	-	-	36,251	36,251
Transfers	20,082	2,813	2,170	(25,065)	-
Disposals	-	(1)	-	-	(1)
Write-offs	(1,134)	(30)	(15)	-	(1,179)
Transfer to investment property	(1,209)	-	-	-	(1,209)
Depreciation charge	(22,874)	(4,013)	(1,387)	-	(28,274)
Closing net book amount	**260,907**	**11,307**	**6,063**	**21,377**	**299,654**
At 31 December 2024					
Cost	690,381	82,646	22,052	21,377	816,456
Accumulated depreciation	(429,474)	(71,339)	(15,989)	-	(516,802)
Net book amount	**260,907**	**11,307**	**6,063**	**21,377**	**299,654**

As at 31 December 2024, the net carrying amount of land and buildings pledged by the Group as collateral for the repayment of long-term borrowings amounted to EUR 91,560 thousand (2023: EUR 94,856 thousand). Assets under construction relate to investments into tourism properties.

NOTE 15a – INVESTMENT PROPERTY

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

(in thousands of EUR)	Group	Company
At 1 January 2023		
Cost	16,871	16,871
Accumulated depreciation	(13,585)	(13,585)
Net book amount	**3,286**	**3,286**
Year ended 31 December 2023		
Opening net book amount	**3,286**	**3,286**
Transfer from property, plant and equipment	683	683
Transfer of accumulated depreciation from property, plant and equipment	(9)	(9)
Depreciation charge for the year	(379)	(379)
Closing net book amount	**3,581**	**3,581**
At 31 December 2023		
Cost	17,554	17,554
Accumulated depreciation	(13,973)	(13,973)
Net book amount	**3,581**	**3,581**
Year ended 31 December 2024		
Opening net book amount	3,581	**3,581**
Additions	1,209	1,209
Depreciation charge for the year	(325)	(325)
Closing net book amount	**4,465**	**4,465**
At 31 December 2024		
Cost	18,144	18,144
Accumulated depreciation	(13,679)	(13,679)
Net book amount	**4,465**	**4,465**

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

At 31 December 2024, according to management's estimate, the estimated fair value of investment property was EUR 33,624 thousand (2022: EUR 33,834 thousand).

During 2024, the Group realised rental income from the stated property in the amount of EUR 3,844 thousand (2023: EUR 2,406 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	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Up to 1 year	3,969	2,817	3,969	2,817
From 2 to 5 years	16,907	11,842	16,907	11,842
Total	**20,876**	**14,659**	**20,876**	**14,659**

NOTE 16 – INTANGIBLE ASSETS

Group

(in thousands of EUR)	**Software**	**Goodwill**	**Assets under construction**	**Total**
At 1 January 2023				
Cost	4,881	1,656	-	6,537
Accumulated amortisation	(4,366)	-	-	(4,366)
Net book amount	**515**	**1,656**	**-**	**2,171**
Year ended 31 December 2023				
Opening net book amount	515	1,656	-	2,171
Additions	-	-	191	191
Transfers	191	-	(191)	-
Amortisation charge	(218)	-	-	(218)
Net book amount	**488**	**1,656**	**-**	**2,144**
At 31 December 2023				
Cost	5,045	1,656	-	6,701
Accumulated amortisation	(4,557)	-	-	(4,557)
Net book amount	**488**	**1,656**	**-**	**2,144**
Year ended 31 December 2024				
Opening net book amount	488	1,656	-	2,144
Additions	-	-	734	734
Transfers	734	-	(734)	-
Amortisation charge	(267)	-	-	(267)
Net book amount	**955**	**1,656**	**-**	**2,611**
At 31 December 2024				
Cost	5,742	1,656	-	7,398
Accumulated amortisation	(4,787)	-	-	(4,787)
Net book amount	**955**	**1,656**	**-**	**2,611**

NOTE 16 – INTANGIBLE ASSETS *(continued)*

Company

(in thousands of EUR)	**Software**	**Goodwill**	**Assets under construction**	**Total**
At 1 January 2023				
Cost	3,897	1,656	-	5,553
Accumulated amortisation	(3,391)	-	-	(3,391)
Net book amount	**506**	**1,656**	**-**	**2,162**
Year ended 31 December 2023				
Opening net book amount	506	1,656	-	2,162
Additions	-	-	189	189
Transfers	189	-	(189)	-
Amortisation charge	(212)	-	-	(212)
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 amount	**483**	**1,656**	**-**	**2,139**
Year ended 31 December 2024				
Opening net book amount	483	1,656	-	2,139
Additions	-	-	734	734
Transfers	734	-	(734)	-
Amortisation charge	(263)	-	-	(263)
Net book amount	**954**	**1,656**	**-**	**2,610**
At 31 December 2024				
Cost	4,756	1,656	-	6,412
Accumulated amortisation	(3,802)	-	-	(3,802)
Net book amount	**954**	**1,656**	**-**	**2,610**

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units ("CGU") that are expected to benefit from the business combination in which the goodwill arose.

The CGU relates to the properties previously operated by Istraturist d.d. The properties are located in Istria, Umag. Based on future cash flow analysis, no goodwill impairment has been identified.

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 right-of-use assets 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 presents the amounts for leases as follows:

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

(in thousands of EUR)	Maritime domain	Business premises	Tourist land	Other	Total
Year ended 31 December 2024					
Opening net book amount	2,151	356	-	48	2,555
Additions	106	633	70,065	-	70,804
Depreciation charge	(235)	(208)	(1,269)	-	(1,713)
Closing net book amount	2,022	780	68,796	48	71,646

(in thousands of EUR)	**31 December 2024**	**31 December 2023**
Lease liabilities		
Current portion	825	328
Non-current portion	71,772	2,293
	72,597	**2,621**

The non-current portion is as follows:

(in thousands of EUR)	Group and Company 2024	Group and Company 2023
From 1 to 2 years	766	332
From 2 to 5 years	1,428	1,032
Over 5 years	69,578	929
Total	**71,772**	**2,293**

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

(in thousands of EUR)	Group and Company 2024	Group and Company 2023
Depreciation of right-of-use assets		
Maritime domain	235	224
Business premises	208	116
Tourist land	1,269	-
	1,713	340
Interest expense (included in finance costs)	3,478	52

In 2024, a total of EUR 3,027 thousand of interest and principal for leases was repaid (2023: EUR 391 thousand).

Transactions related to tourist land:

(in thousands of EUR)	*Note*	Right of use assets	Lease liabilities	Recognized in income statements	Repayments	Liabilities for concession/lease of tourist land
1 January 2024	*27*	**-**	**-**	**-**		**(20,921)**
Increase	*17*	70,065	(70,065)	-	-	
Depreciation	*17*	(1,269)	-	1,269	-	-
Concession of tourist land - Note 9	*9*	-	-	2,840	(2,304)	(536)
Interest expense - Note 11	*11*	-	(3,428)	3,428	-	-
Principal repayment	*26*	-	294	-	(294)	-
Interest repayment		-	2,264	-	(2,264)	-
Reclassification		-	1,164	-	-	(1,164)
Repayment of liabilities for concession/lease of tourist land for transitional period		-	-	-	(11,562)	11,562
31 December 2024		**68,796**	**(69,771)**	**7,537**	**(16,424)**	**(11,059)**

/i/ Relates to the transitional period (note 9 and note 5e)

The calculated annual rent amount for tourist land for the year 2024, applying the provisions of the ZNGZ and Regulations and following the determination of the unit rent amount by the representative body of the local self-government unit, amounts to 6,562 thousand euros for the Company and the Group. This includes fixed payments and variable rent payments, which are capped at 4% of the revenue from the hotel, tourist resort, or campsite annually (see note 5e).

NOTE 18 – INVESTMENTS IN SUBSIDIARIES

	Company	
	2024	2023
	EUR'000	EUR'000
Subsidiaries	47,007	47,007
Total	**47,007**	**47,007**

Subsidiaries	Country	Ownership % 31 December 2024	Ownership % 31 December 2023
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	100.00

Changes in investments in subsidiaries are as follows:

	2024	2023
	EUR'000	EUR'000
Opening balance	47,007	45,784
Acquisition of non-controlling interest	-	1,223
Closing balance	**47,007**	**47,007**

The investment in Hotel Croatia d.d. was established following the demerger of 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.

NOTE 19 – FINANCIAL ASSETS

a) Financial assets at fair value through other comprehensive income

	Group		Company	
	2024 EUR'000	2023 EUR'000	2024 EUR'000	2023 EUR'000
Investments in banks	85	2,544	-	2,496
Investments in companies	385	332	385	332
Total	**470**	**2,876**	**385**	**2,828**

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

	2024 EUR'000	2023 EUR'000	2024 EUR'000	2023 EUR'000
Opening balance	2,876	2,401	2,828	2,374
Sale	(2,945)	-	(2,945)	-
Change in fair value	539	475	502	454
Closing balance	**470**	**2,876**	**385**	**2,828**

Financial assets at fair value through other comprehensive income includes the following:

	2024 EUR'000	2023 EUR'000	2024 EUR'000	2023 EUR'000
Equity securities				
- listed	470	2,876	385	2,828
Total	**470**	**2,876**	**385**	**2,828**

Investments in securities are recognised at fair value, based on quoted prices on the domestic capital market.

b) Financial assets at fair value through profit or loss

	Group		Company	
	2024 EUR'000	2023 EUR'000	2024 EUR'000	2023 EUR'000
Investments in investment funds	58,899	56,691	52,123	50,169
Total	**58,899**	**56,691**	**52,123**	**50,169**

NOTE 20 – DEFERRED TAX ASSETS AND LIABILITIES

Group	Assets		Liabilities		Net	
	2024	2023	2024	2023	2024	2023
(in thousands of EUR)						
Property, plant and equipment	-	-	(4,954)	(5,170)	(4,954)	(5,170)
Financial assets	-	-	(8)	(251)	(8)	(251)
Receivables	15	23	-	-	15	23
Tax incentives	321	-	-	-	321	-
Liabilities	585	630	-	-	585	630
Jubilee awards and termination benefits	183	191	-	-	183	191
Total	1,104	844	(4,962)	(5,421)	(3,858)	(4,577)

As of December 31, 2024, deferred tax assets arising from lease contract liabilities and deferred tax liabilities from right-of-use assets amount to 12,846 thousand euros for the Company and the Group (2023: 460 thousand euros). Since these deferred assets and liabilities are presented net in the financial statements, this has no impact on the Company's and Group's financial statements.

Movements in deferred tax assets and liabilities:

Group	1 January 2023	Recognised in profit or loss	Recognised in OCI	31 December 2023	Recognised in profit or loss	Recognised in OCI	31 December 2024
(in thousands of EUR)							
Property, plant and equipment	(5,385)	215	-	(5,170)	216	-	(4,954)
Financial assets	(169)	-	(82)	(251)	252	(9)	(8)
Receivables	28	(5)	-	23	(8)	-	15
Tax incentives	-		-		321		321
Tax losses	443	(443)	-	-	-	-	-
Liabilities	-	630	-	630	(45)	-	585
Jubilee awards and termination benefits	203	(1)	(11)	191	(1)	(7)	183
Total	**(4,880)**	**396**	**(93)**	**(4,577)**	**735**	**(16)**	**(3,858)**

NOTE 20 – DEFERRED TAX ASSETS AND LIABILITIES (continued)

	Assets		Liabilities		Net	
Company	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
(in thousands of EUR)						
Property, plant and equipment	-	-	(1,087)	(1,140)	(1,087)	(1,140)
Financial assets	-	-	(8)	(251)	(8)	(251)
Receivables	15	23	-	-	15	23
Tax incentives	321	-	-	-	321	-
Liabilities	585	630	-	-	585	630
Jubilee awards and termination benefits	161	168	-	-	161	168
Total	1,082	821	(1,095)	(1,391)	(13)	(570)

Company	**1 January 2023**	**Recognised in profit or loss**	**Recognised in OCI**	**31 December 2023**	**Recognised in profit or loss**	**Recognised in OCI**	**31 December 2024**
(in thousands of EUR)							
Property, plant and equipment	(1,193)	53	-	(1,140)	53	-	(1,087)
Financial assets	(169)	-	(82)	(251)	252	(9)	(8)
Receivables	28	(5)	-	23	(8)	-	15
Tax incentives	-	-	-	-	321	-	321
Liabilities	-	630	-	630	(45)	-	585
Jubilee awards and termination benefits	182	(3)	(11)	168	(1)	(6)	161
Total	**(1,152)**	**675**	**(93)**	**(570)**	**572**	**(15)**	**(13)**

The Company will realize deferred tax assets from tax incentives in 2025.

NOTE 21 – LOANS RECEIVABLES

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Long-term:				
Loans granted	-	7	-	7
	-	**7**	**-**	**7**
Short-term:				
Loans granted	70	155	70	155
Impairment of loans granted	(59)	(78)	(59)	(78)
	11	**77**	**11**	**77**
Total loans granted	**11**	**84**	**11**	**84**

The maturity of long-term loans granted is as follows:

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
From 1 to 2 years	-	7	-	7
Total	**-**	**7**	**-**	**7**

NOTE 22 – TRADE AND OTHER RECEIVABLES

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Domestic trade receivables	2,149	1,367	2,009	1,172
Foreign trade receivables	498	914	312	338
Expected credit losses	(772)	(908)	(657)	(465)
Trade receivables – net	**1,875**	**1,373**	**1,664**	**1,045**
Accrued income not yet invoiced	446	816	448	816
Total	**2,321**	**2,189**	**2,112**	**1,861**
Due from state institutions	84	111	59	71
VAT prepayments	1,057	605	907	458
Advances to suppliers	2,879	573	599	541
Prepaid expenses	671	913	671	913
Other current receivables	289	550	222	484
Impairment of other receivables	(172)	(314)	(172)	(314)
Total	**7,129**	**4,627**	**4,398**	**4,014**

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

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January	1,222	1,104	779	674
New impairments, net	314	433	312	420
Write-off	(342)	(13)	(22)	(13)
Collected receivables previously written off	(250)	(302)	(240)	(302)
At 31 December	**944**	**1,222**	**829**	**779**

Most impaired trade receivables, where the cost of legal proceedings is justified, have been subject to a legal claim, have entered the billing process or are in the process of being settled through an agreement (after the balance sheet date). Both the outcome of the claims related to disputed receivables or the extent to which they will be collected cannot be anticipated with certainty.

NOTE 23 – CASH AND CASH EQUIVALENTS

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Giro account	686	1,297	146	599
Cash on hand	13	11	11	10
	699	**1,308**	**157**	**609**

NOTE 24 – EQUITY

The equity ownership structure as 31 December 2024 and 2023 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 2024, the Company declared dividend in the amount of EUR 39,244 thousand (2023: EUR 82,359 thousand). In August 2023, the Company converted ordinary and preferred shares to euros after which the total capital amounted 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 ordinary dividends, declared and paid on ordinary shares, preference shares carry a right to a fixed annual preferred dividend of EUR 0.03 per share and are non-voting. The fixed annual dividend is declared and paid simultaneously with the dividend on ordinary shares.

NOTE 25 – RESERVES

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Legal reserves /i/	7,037	7,037	7,037	7,037
Other reserves /ii/	9,486	10,785	9,486	10,785
Total	**16,523**	**17,822**	**16,523**	**17,822**

Other reserves

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Capital reserves	4,001	4,001	4,001	4,001
Merger reserves	5,117	5,117	5,117	5,117
Reserves for treasury shares	98	98	98	98
Reserves - fair value of financial assets	244	1,573	244	1,573
Actuarial gains/(losses)	26	(4)	26	(4)
Total	**9,486**	**10,785**	**9,486**	**10,785**

Changes in reserves:

	Group		Company	
	2024	2023	2024	2023
Legal reserves	EUR'000	EUR'000	EUR'000	EUR'000
Opening balance	7,037	7,037	7,037	7,037
Closing balance	**7,037**	**7,037**	**7,037**	**7,037**
Other reserves				
Opening balance	10,785	10,286	10,785	10,286
Remeasurement of defined benefit liability	30	51	30	51
Fair value of financial assets through comprehensive income	44	372	44	372
Transfer to profit or loss	(1,373)	-	(1,373)	-
Share capital decrease	-	76	-	76
Closing balance	**9,486**	**10,785**	**9,486**	**10,785**

i/ Under Croatian regulations, the legal reserve must be built up to reach the twentieth part (5%) of the profit for the year until total reserves together with the capital reserves reach five percent (5%) of the Company's share capital. This reserve is not distributable.

ii/ As at 31 December 2024 and 31 December 2023, legal reserves amounted to EUR 7,037 thousand or 3.67% of the share capital, while legal reserves together with capital reserves that are not distributable amount to EUR 4,001 thousand and were formed by denominating the share value in 2001 (from EUR 247 to EUR 239 per share before distribution) form a share of 5.76% (2023: 5.76%) in the Company's share capital. Merger reserves were created by merging Istraturist d.d. on 1 January 2018.

NOTE 26 – BORROWINGS

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Long-term:				
Bank borrowings	55,012	66,929	49,394	66,929
	55,012	**66,929**	**49,394**	**66,929**
Short-term:				
Current portion of bank borrowings	18,514	18,490	17,711	18,490
Accrued interest and fees	151	217	151	217
	18,665	**18,707**	**17,862**	**18,707**
Total borrowings	**73,677**	**85,636**	**67,256**	**85,636**

Bank borrowings

Long-term bank borrowings are denominated in EUR at interest rates of 1.3% - 1.6% per annum. They are repayable in equal annual instalments with one loan maturing in 2025, while the remaining ones mature in 2027 and 2029. The loans are secured by a mortgage over land and buildings (Note 15). Loan agreements include a requirement to maintain the following financial covenants: the debt service coverage ratio (DSCR) and the net financial debt to EBITDA ratio. The Company has complied with the above financial covenants.

In 2024, the Company entered into a long-term loan agreement amounting to EUR 14,000 thousand, with disbursement commencing in early 2025. The subsidiary company Hotel Croatia d.d. has entered into a long-term loan with a maturity date in 2032, with a fixed interest rate of 3.09%.

The maturity of long-term borrowings is as follows:

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
From 1 to 2 years	16,178	17,711	15,375	17,711
From 2 to 5 years	36,428	39,843	34,019	39,843
Over 5 years	2,406	9,375	-	9,375
Total	**55,012**	**66,929**	**49,394**	**66,929**

NOTE 26 – BORROWINGS (continued)

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

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Cash and cash equivalents	699	1,308	157	609
Bank deposits and loans granted	31,795	57,665	22,716	48,201
Listed shares	470	2,876	385	2,828
Investments in investment fund	58,899	56,691	52,123	50,169
Borrowings maturing within 1 year	(18,665)	(18,707)	(17,862)	(18,707)
Borrowings maturing after 1 year	(55,012)	(66,929)	(49,394)	(66,929)
Lease liabilities	(72,597)	(2,621)	(72,597)	(2,621)
Net debt	**(54,411)**	**30,283**	**(64,472)**	**13,550**
Cash and liquid assets	91,863	118,540	75,381	101,807
Borrowings - at fixed interest rate	(73,677)	(85,636)	(67,256)	(85,636)
Lease liabilities	(72,597)	(2,621)	(72,597)	(2,621)
Net debt	**(54,411)**	**30,283**	**(64,472)**	**13,550**

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

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
At 1 January 2024	**88,257**	**109,769**	**88,257**	**109,769**
Increase in lease liabilities - IFRS 16	70,688	30	70,688	30
Proceeds from borrowings	7,224	-	-	-
Repayments of borrowings and offsets	(19,293)	(21,382)	(18,490)	(21,382)
Repayment of leases - principal	(712)	(335)	(712)	(335)
Interest paid on loans	(1,430)	(1,644)	(1,266)	(1,644)
Interest paid on leases - IFRS 16	(2,315)	(52)	(2,315)	(52)
Accrued interest	1,435	1,593	1,271	1,593
Accrued interest on leases - IFRS 16	3,478	52	3,478	52
Reclassification to obligation under concessions	(1,164)	-	(1,164)	-
Deferred income - interest	106	226	106	226
At 31 December 2024	**146,274**	**88,257**	**139,853**	**88,257**

NOTE 27 – TRADE AND OTHER PAYABLES

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Trade payables	11,049	8,607	10,183	7,950
Due to related parties (Note 30)	-	-	20	23
Dividends payable (Note 14)	1,375	1,271	1,334	1,230
Accrued costs not yet invoiced	919	1,108	703	1,015
Liabilities for concession/lease of tourist land – accrued but not invoiced	11,059	20,921	11,059	20,921
Financial liabilities	**24,402**	**31,907**	**23,299**	**31,139**
Net salaries payable	5,791	5,808	5,433	5,533
Taxes and contributions payable	3,445	3,515	3,271	3,368
Advances payable	5,755	4,311	5,481	4,119
Other current liabilities	1,503	1,200	1,488	1,178
Non-financial liabilities	**16,494**	**14,834**	**15,673**	**14,198**
Total	**40,896**	**46,741**	**38,972**	**45,337**

NOTE 28 – PROVISIONS

Group	Legal claims	Provisions for jubilee awards and termination benefits	Total
	EUR’000	EUR’000	EUR’000
At 1 January 2023	**1,057**	**1,127**	**2,184**
Increase in provisions	47	112	159
Decrease through other comprehensive income	-	(62)	(62)
Used during the year	-	(113)	(113)
At 31 December 2023	**1,104**	**1,064**	**2,168**
Non-current	1,095	933	**2,028**
Current	9	131	**140**
At 1 January 2024	1,104	1,064	2,168
Increase in provisions	17	110	127
Decrease through other comprehensive income	-	(43)	(43)
Used during the year	-	(113)	(113)
At 31 December 2024	**1,121**	**1,018**	**2,139**
Non-current	1,110	891	**2,001**
Current	11	127	**138**

Company	Legal claims	Provisions for jubilee awards and termination benefits	Total
	EUR’000	EUR’000	EUR’000
At 1 January 2023	**1,048**	**1,012**	**2,060**
Increase in provisions	47	83	130
Decrease through other comprehensive income	-	(62)	(62)
Used during the year	-	(98)	(98)
At 31 December 2023	**1,095**	**935**	**2,030**
Non-current	1,095	820	**1,915**
Current	-	115	**115**
At 1 January 2024	1,095	935	2,030
Increase in provisions	15	103	118
Decrease through other comprehensive income	-	(37)	(37)
Used during the year	-	(108)	(108)
At 31 December 2024	**1,110**	**893**	**2,003**
Non-current	1,110	782	**1,892**
Current	-	111	**111**

Jubilee awards and termination (pension) benefits

In accordance with the collective agreement, the Company is obligated to pay jubilee awards and termination benefits to employees. The employees are entitled to a regular pension benefit of EUR 1,400. No other post-retirement benefits are provided. Jubilee awards are paid based on the length of continuous employment with the Company.

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 3.00% and a fluctuation rate of 3.9% for males and 4.0% for females.

Legal claims

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

NOTE 29 – DEFERRED INCOME

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Up to 1 year	2,560	1,968	2,560	1,968
From 2 to 5 years	2,593	3,248	2,593	3,248
Over 5 years	-	45	-	45
Total	**5,153**	**5,261**	**5,153**	**5,261**

NOTE 30 – CONTINGENCIES AND COMMITMENTS

Provisions for legal claims

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

Capital commitments

Future commitments for investments in tourist facilities contracted by the Group, for which no provisions have been made, amounted to EUR 73.4 million as of 31 December 2024 (31 December 2023: EUR 19.3 million).

NOTE 31 – RELATED PARTY TRANSACTIONS

The Group (Company) considers that its related parties include its owner and their subsidiaries, its subsidiaries and associates, other companies controlled by the Vallum Foundation, Vaduz, Liechtenstein, members of the Supervisory Board, Management Board members, close family members of the Management Board, jointly controlled companies, and companies under significant influence of key management and their immediate families, in accordance with the definition provided in International Accounting Standard 24 *"Disclosure of Related Parties"* (IAS 24).

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

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

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

	2024	2023
	EUR'000	EUR'000
Trade and other receivables	62	188
Revenue	1,248	995
Trade and other payables	62	188
Operating expenses	1,248	995
Finance income	5,000	225

Transactions with the majority shareholder of the parent company:

During 2024, based on the decision of the Company's General Assembly regarding the payment of a total dividend amounting to EUR 39,244 thousand, a dividend of EUR 34,083 thousand was paid to the majority shareholder in gross amount (2023: EUR 71,527 thousand in gross amount).

In 2024, there were no transactions with the majority shareholder (2023: no transactions).

In 2023, a contract for the sale of works of art was concluded with another related party for a total amount of EUR 77.5 thousand.

During 2024, the Plava laguna d.d. received a dividend from a subsidiary in the amount of EUR 5,000 thousand (2023: EUR 225 thousand).

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

The Company's transactions with related parties outside the Group are as follows:

	2024	2023
	EUR'000	EUR'000
Trade and other receivables	9	14
Trade payables	194	349
Revenue	54	67
Other costs	2,025	1,799

NOTE 31 – RELATED PARTY TRANSACTIONS *(continued)*

Group key management and Supervisory Board compensation

	Group		Company	
	2024	2023	2024	2023
	EUR'000	EUR'000	EUR'000	EUR'000
Net salaries	1,638	1,514	1,638	1,514
Pension insurance contributions	433	402	433	402
Health insurance contributions	415	383	415	383
Other costs (contribution and taxes)	444	406	444	406
	2,930	2,705	2,930	2,705
Reward to the Supervisory Board	235	252	235	252
Total	**3,165**	**2,957**	**3,165**	**2,957**

Key management comprises 22 employees (2023: 23 employees). The Supervisory Board has 7 members (2023: 7 members).

NOTE 32 – EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the balance sheet date that require disclosure in the financial statements.