

PLAVA LAGUNA

YEAR 2022  
ANNUAL REPORT

Poreč, June 2023







PLAVA LAGUNA

FOR THE YEAR 2022

**ANNUAL REPORT**



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## MANAGEMENT BOARD'S REPORT

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In accordance with the capital market Act, the company publishes audited financial statements on the level of Plava Laguna d.d. (hereinafter: Company) and on the consolidated level (hereinafter: Group) for the period from 1 January 2022 to 31 December 2022.

The Group consists of the parent company Plava Laguna d.d., subsidiaries Istra D.M.C. d.o.o. Umag, Travel d.o.o. Poreč and Istraturist j.d.o.o. Umag, and Hotel Croatia d.d. Cavtat based on the exchange of shares agreement concluded between associated companies on 2 September 2022. Plava Laguna exchanged and sold its ownership share of 32.48% in the company Jadranski luksuzni hoteli d.d. Dubrovnik in exchange for the acquisition of an additional ownership share of 65.50% in the company Hotel Croatia d.d. Cavtat. Thus, Plava Laguna's ownership share in the company in question increased to 97.98%. The difference between the transferred and acquired shares, measured at fair value, resulted in an additional cash payment by the Company's majority shareholder.

The consolidated financial statements for year 2022 include, besides parent company and its subsidiaries Istra D.M.C d.o.o. Umag, Travel d.o.o. Poreč, Istraturist j.d.o.o. Umag, also the subsidiary Hotel Croatia d.d. as of 1 September 2022.

For the purposes of this report, only financial data were consolidated, while the company Hotel Croatia d.d. was completely excluded from operational data and non-financial data respectively. In previous reporting periods, Plava Laguna, based on its ownership share of 32.48% in Jadranski luksuzni hoteli d.d. and Hotel Croatia d.d., classified as associates, carried out the consolidation based on the equity method i.e. recognition of the share in the profit or loss of the said companies.

For the first time, information on sustainability at Company level for year 2022 are published guided by the Global Reporting Initiative (GRI) standards as one of the internationally trusted frameworks for non-financial reporting.

In year 2022, Plava Laguna achieved significantly better business results compared to the previous year, as well as compared to the pre-pandemic year 2019. After two pandemic years, there comes to a full recovery of the tourism sector in 2022 due to the lifting of almost all restrictions related to COVID-19, while on the other hand, high inflation rates are reflected in a considerable increase in operating costs. The geopolitical situation related to the war in Ukraine did not have a major direct impact on operations, since the Russian and the Ukrainian markets are not key source markets for the Group.

Over the past few years, Plava Laguna invested an enviable capital budget in the improvement of the accommodation infrastructure, creation of extra facilities, as well as in raising the quality of guest services. In the same way, investments in new and better facilities continued in year 2022, with the aim to raise the level of quality and guest satisfaction in a total amount exceeding HRK 204 million.

The fact that the beaches under the Plava Laguna concession are also proud holders of the Blue flags in year 2022, the most recognised awards for the cleanliness of the seawater and beach, speaks on behalf of the investments in the beaches and seawater preservation. As many as 17 beaches managed by Plava Laguna in Poreč and Umag, as well as marina Parentium received this award, which is the result of a traditional commitment towards congruent investment policy that includes permanent care for the arrangement and improvement of the beaches.

Apart from the infrastructure and facilities, Plava Laguna invested in two major events during 2022 – Umag's ATP tennis tournament „Plava Laguna Croatia Open Umag“ and the inaugural event „Plava Laguna Ironman 70.3 Poreč, Istria – Croatia“ which grew into one of the biggest triathlons in Croatia and this part of Europe.

## MANAGEMENT BOARD'S REPORT *(continued)*

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Continuity of investments in Plava Laguna facilities got rewarded with a large number of international awards such as ADAC camping awards. Among the 50 most popular camping sites in Croatia decided by the visitors of the ADAC's website Pincamp.de are all of the Plava Laguna campsites. Camping Zelena Laguna, Stella Maris and Park Umag are holders of the Superplatz ADAC label. For Camping Park Umag and Camping Ulika, Plava Laguna received the awards in the Top 25 campsites category, awarded for the first time by the Dutch ASCI. Hotels Parentium and Park in Poreč and Camping Ulika in Poreč are also recipients of the Travelers' Choice Winners 2022 awards.

In year 2022, a record breaking number of overnight stays of 5.04 million was achieved which is 38% better or 1.38 million overnight stays more compared to the same period in 2021, while compared to 2019, it is 6% better or 290 thousand overnight stays more primarily due to an increase in the camping business of 16% or 343 thousand overnight stays. Observed by sales channels, the largest increase in overnight stays was achieved in the individual sales segment which accounts for 64% of total overnights ie. 60% in hotels and apartments. During 2022, a considerable recovery of the group segment was seen, which reached the level of 86% of the reference year 2019. Every noteworthy source market recorded increase in overnight stays compared to the previous year and compared to 2019.

In year 2022, the Group realised business revenues in the amount of HRK 1,409 million which is 40% or HRK 400 million more compared to the same period of the previous year. The significant increase in business revenues is the result of the increase in sales revenue by 47% or HRK 449 million due to the growth of business volume with an increase in the average price of accommodation, together with realised revenue of the subsidiary Hotel Croatia d.d. in the period September – December in the amount of HRK 34.2 million. In relation to year 2019, business revenues recorded growth of 20% or HRK 232 million generated by an increase in the volume within the camping segment and by higher average price of accommodation. Other business revenues realisation was lower compared to the same period of the previous year, given that the Group in the past year received income from subsidies within the framework of the government's program for job preservation in the amount of HRK 47.5 million. A comparison of the reporting periods, without the effect of income from subsidies and income from Hotel Croatia d.d., results with an increase in business revenues of HRK 414 million or 43% compared to the previous year, and HRK 198 million or 17% compared to 2019.

Operating expenses of the Group, excluding the depreciation and one-off costs, amount to HRK 858 million and compared to the previous year record growth of 44% or HRK 264 million which, on the one hand is generated by an increase in the volume of business and longer period of work of accommodation facilities, and on the other hand by strong impact of the increase in the inflation rates of almost all operating expenses, primarily the costs of food and beverage, energy, consumables, outsourcing and costs of labour due to the improvement of material rights.

On May 17, 2022, company Plava Laguna d.d. and Nova ljubljanska banka d.d. Ljubljana concluded a legal Settlement Agreement that specifies the way to resolve all mutual relations, including the disputes related to loans of the legal predecessor of the company Istraturist Umag d.d. and old foreign currency savings. Consequently, in the structure of expenses, the increase of other operating expenses by HRK 68 million is largely due to the one-off charge related to the Settlement Agreement and additional expenses in correlation with the increase of revenues.

The Group realised EBITDA operating profit adjusted for one-time items at the level of HRK 548 million and compared to the same period in 2021, recorded growth of 35% or HRK 141 million, of which EBITDA operating profit of Hotel Croatia d.d. amounted to HRK 6.7 million. The reported earnings on a comparable



## MANAGEMENT BOARD'S REPORT *(continued)*

level surpassed the realisation over the same period in 2019 by HRK 91,3 million or 20%. The EBITDA margin is 40.9% and indicates the continuity of maintaining a competitive level of efficiency.

Review of the most significant Group indicators

In HRK millions	2022	2021	2019	Index 2022/2021	Index 2022/2019
Operating income – after deduction for agency fees and one-time extraordinary positions	1,341	951	1,122	141.0	119.5
<b>EBITDA</b>	<b>497</b>	<b>400</b>	<b>451</b>	<b>124.5</b>	<b>110.4</b>
Effect of one –time extraordinary positions	(50.6)	(7.4)	0.6	-	-
<b>EBITDA – w/o one-time positions</b>	<b>548</b>	<b>407</b>	<b>450</b>	<b>134.6</b>	<b>121.8</b>
EBITDA margin (%)	40.9	42.8	40.1	95.5	101.9
Net debt <sup>1</sup>	(350)	(31)	235	-	-
Net debt <sup>1</sup> / EBITDA	-	-	0.52	-	-

<sup>1</sup>Net debt=borrowings net of cash and cash equivalents

Within the scope of financial revenues of the Company, gains from the exchange and sales of shares in Jadranski luksuzni hoteli d.d. were recorded, for the acquired shares in Hotel Croatia d.d., in the amount of HRK 311.3 million. In the consolidated financial statements, IFRS 3 requires assets acquired to be measured at their fair value and therefore, according to provisional data, revenue was recognised from reducing previously acquired ownership share of 32.48 % to the fair value of HRK 42.7 million. Income from associated companies is recognised in the amount of HRK 31.4 million and is based on the equity method calculated until the moment of the purchase and sale transaction or 31 August 2022.

Group's reported profit in financial year 2022 after tax amounted to HRK 500 million which is HRK 347 million more than what was realised in the same period of the previous year, as a result of the increase in operating results and the effect of the before mentioned share exchange transaction. The amount of utilised deferred tax assets based on tax losses and tax incentives was HRK 38.9 million. As at 31 December 2022 the Group's assets amount to HRK 3.9 billion or 16% more than on 31 December 2021. Bank borrowings amount to HRK 805 million and record a net increase of HRK 103 million compared to 31 December 2021, due to new borrowing by Plava Laguna d.d. Consolidated balance sheet on the reporting date also includes net assets of the subsidiary Hotel Croatia d.d. in accordance with IFRS 3 at fair value.

The Company holds 2,346 own shares acquired in the period between 1997 and 2002. There were no changes in the position of own shares during the reporting year. Furthermore, the Company does not have a buy-back programme to buy own shares nor an employee share ownership scheme.

As part of the report, key performance indicators are disclosed in line with the Commission Delegated Regulation (EU) 2020/852 (EU Taxonomy Regulation) and the Commission Delegated Regulation (EU) 2021/2139 which relate to the first two environmental objectives - climate change mitigation and climate change adaptation. After an analysis of taxonomy-aligned activities in year 2022, those activities were deemed to comply with the criteria for environmentally sustainable activities set out in Article 3 of the Regulation 2020/852 and the associated technical screening criteria included in the Regulation 2021/2139. Based on this analysis, KPIs were calculated as well as allocated parts of CapEx and OpEx to taxonomy-aligned activities, disclosed in appendices in line with the Commission Delegated Regulation (EU) 2021/2178.

## ABOUT PLAVA LAGUNA GROUP

GRI 2-1 Organizational details

Plava Laguna d.d. is a company backed by almost 60 years of successful operation and development, based on ecological principles and sustainable development, during which time it continuously occupied leadership position in the Croatian tourism, and by permanent enrichment of its overall offer and adjustment to the needs of ever more demanding tourist market achieves enviable physical and especially financial results. Consequently, the Company's vision is directed towards continuous improvement and raising of the quality of service, and maintaining a stable position on the tourist market.

The core business of Plava Laguna is hospitality and tourism and as a Company it operates in three destinations - Poreč, Umag and Rijeka.

Based on the decisions of the General Assembly of both companies Plava Laguna d.d. and Istraturist Umag d.d. on 11th of August 2017, the merger agreement of the Company Istraturist Umag d.d. with the Company Plava Laguna d.d. was entered in the Court Registry of the Commercial Court of Pazin, effective from the 1st of January, 2018 and thus, Plava Laguna added to its portfolio a hotel company with more than 50 years of tradition, whose accommodation facilities, with long-term targeted investments, became an inevitable destination for guests who spend their vacations in Umag and the surrounding area.

Upon the merger of the Company Istraturist Umag d.d., Plava Laguna d.d. is ranked as one of the largest company in the tourism sector of Croatia with the capacity to accommodate more than 43 thousand guests daily in more than 16 thousand accommodation units and a structure of 20 hotels, 10 apartment resorts and 9 campsites. In addition, Plava Laguna manages two marinas / ports of nautical tourism in which it has 360 berths and a number of restaurants and bars, sports and other facilities that are complementing the basic offer.

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The Company ISTRA DMC d.o.o. was founded in year 1990. Company's main activity is the organisation of the ATP tournament in Umag, and the development and implementation of destination marketing projects. The ATP tennis tournament is one of the most significant sports events continuously held for 32 years.

The company Laguna Invest d.o.o., founded in year 1993, changed its name into Travel d.o.o. on 23rd of February 2018 and its main activity is travel agency.

**Plava Laguna Group is one of the leading companies in the tourism sector of Croatia with extraordinary investment and operating potential for further development based on long-term foundations and sustainable business operations while maintaining the core values; tradition, stability, respect, responsibility and reality.**

## NAŠE VRIJEDNOSTI



Mudrost naše povijesti prednost je novih generacija. Naša snaga je u prijenosu znanja i iskustva, mi smo kompanija čiji se uspjeh temelji na kontinuitetu i zadržavanju dokazanih postupaka

TRADICIJA

Racionalno poslovno odlučivanje daje nam stabilnost i sigurnu budućnost, pažljivo planiramo i procesno pristupamo promjenama

STABILNOST

POŠTOVANJE

Povjerenje, iskrenost i korektnost u međuljudskim odnosima i poslovnoj suradnji, poštovanje mišljenja i prava svih radnika temelj je naše uspješne suradnje

REALNOST

Razmišljamo realno i prednost dajemo funkcionalnim, provjerenim rješenjima te stabilnom rastu

ODGOVORNOST

Prema kompaniji, gostima, zaposlenicima, poslovnim partnerima i našim dioničarima, živimo u skladu s prirodom i lokalnom zajednicom

## ABOUT PLAVA LAGUNA GROUP *(continued)*

### Historical development

#### 1957

On the Molindrio peninsula French club for nature lovers "Polynesia" established Plava Laguna – Camp hotel with capacity of 800 persons.

#### 1958 – 1966

First investment was building of bungalows on the site of today's hotel Galijot, and then the tourist resort Bellevue. A lot of attention was paid to the development of sport and such offer and therefore first sport centres and tennis courts were built.

#### 1966 – 1971

Very intense investment period in which most of the Plava Laguna's built accommodation facilities were built and foundations laid for Zelena laguna campsite.

#### 1971 – 1976

Upgrading of existing facilities continues, campsites Ulika and Bijela Uvala were built, beginning the construction of marina Červar Porat and marina Parentium, as well as many service facilities. Horizontal integration with smaller hotel and catering organizations in former municipality of Poreč was completed, as well as with the hotel and tourism company from Novigrad. Significant step in the development was the business expansion beyond the regional framework, which was accomplished through the construction of hotel Laguna in Zagreb. Overall activity was consolidated in a work organization for hospitality and tourism Lagunaturist.



## ABOUT PLAVA LAGUNA GROUP *(continued)*

### 1987

Bigger economic systems in Poreč are being joint in the SOUR Plava Laguna.

### 1990

Pursuant to the Company Law there was disassociation of SOUR and founding of new independent companies, one of which was Laguna Poreč, company for hospitality and tourism.

### 1992

On 3rd of September 1992 pursuant to the Decision of the Agency for Restructuring and Development and the decision of the Constituent Assembly, Laguna Poreč was transformed into a joint stock company.

### 1993

On the 26th of January 1993 Laguna Poreč was officially registered with the Commercial Court in Rijeka.

### 1996

Plava Laguna finally rounds up its legal constitution in February 1996 by the adjustment of Company's fundamental documents with the Companies Act and with the act of registration in the register of the Commercial Court in Rijeka as Plava Laguna, joint stock company for hospitality

and tourism, the company also returned to its historical name.

### 2001

Lukšić Group became the majority shareholder by acquisition of 80.34% interest in ordinary shares. During the same year, several acquisitions of corporations were made.

Plava Laguna d.d. acquired 89.40% shares in the company Hoteli Croatia d.d. Cavtat.

The ownership share in the company Adriatic d.d. Poreč was increased to 90.48% by an acquisition.

### 2002 - 2003

Adriatic d.d. Poreč was merged with Plava Laguna. With the recapitalization of Hoteli Croatia d.d. Cavtat the Company increases its ownership share in Hoteli Cavtat to a 92.28%.

### 2006

Reconstruction of hotel Albatros from 2-star into 4-star category „all inclusive“ type of offer.

### 2008

Reconstruction of hotel Molindrio (ex Galeb) from 2-star to 4-star quality category.

### 2012

Reconstruction of hotel Parentium into 4-star category hotel.

Hotel Parentium, 1969



Hotel Parentium after reconstruction



## ABOUT PLAVA LAGUNA GROUP *(continued)*

### 2013

Merger of Hotel Bonavia d.d. Rijeka on 1st of January 2013.

### 2014

On 1st of January 2014 company Hoteli 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 said company with a share of 32.48%. Acquisition of a majority stake in the company Istraturist Umag d.d.

### 2018

Istraturist Umag d.d. was merged to the company Plava Laguna d.d. on 1st of January 2018.

Thorough reconstruction of Park Resort was completed.

Reconstruction of campsite Stella Maris in Umag destination was completed.

New accommodation units Garden Suites & Rooms Sol Umag were built.



Tourist resort Špadići, 1969



Villas Park Plava Laguna in Park Resort, 2018

### 2019

The results are positioned at the level of the record breaking year 2018.

Completed reconstruction of the remaining 6 out of a total of 19 family villas Bellevue.

Intensive investments in expansion and renovation of existing staff accommodation continued in Poreč and Umag in order to ensure high-quality accommodation for employees.

### 2020

Business affected by the pandemic COVID-19, so all activities were focused primarily at preserving financial stability and jobs.

From short-term perspective, operational decisions were made in accordance with epidemiological trends. In cooperation with social partners, employees' material rights were regulated for the closed period and jobs remained preserved. Thanks to timely and adequate measures and activities, and having several worst-case scenarios for the situation caused by virus COVID-19, as well as by the recognition of the favorable and stable position of the Company and the Group, the assumption of a going concern was not questioned. Despite extraordinary circumstances, part of the planned capital investments were realised. Major investment was in the Camping Park Umag in the new swimming pool complex with F&B facility, and arranged zones for new mobile homes and glamping tents.

### 2021

First half of the year was strongly influenced by the pandemic, but in the second half, after the easing of epidemiological restrictions and the restart of the tourism sector, business took place at the levels close to those of 2019.

Investments in the renovation of additional 31 Istrian villas in Stella Maris resort completed. Zones were arranged and 22 new mobile homes with pools were set up in Camping Ulika.

Investment in the improvement of quality of staff accommodation continued.

## ABOUT PLAVA LAGUNA GROUP *(continued)*

### Brands

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

Following a merger of the company Istraturist d.d. Umag, one of the largest hospitality groups has been created in Croatia, operating under the brand name Plava Laguna ever since. With more than 60 years of successful operations and development, the Plava Laguna brand positioned itself as an affordable and stable brand for family holidays, creating unique and memorable experiences for its guests and offering them hospitality and accommodation typical of this region. The brand has been designed to provide the guests with a feeling of welcome and a unique authentic experience of staying in Istria and Croatia. The primary visual elements of the brand (logo, colour of the brand and fonts) have found their origin in Istrian and Croatian tradition, and strongly associate the company with its Croatian roots of which Plava Laguna is extremely proud.

Commercial (B2C) brands of Plava Laguna, present on the market within the corporate brand are **Plava Laguna Hotels & Apartments**, **Plava Laguna Resorts** and **Istra Camping by Plava Laguna** and they serve to communicate the messages and place Plava Laguna products and services on the market. In the B2B segment, Plava Laguna developed and continually strives to improve the brand called **Plava Laguna Partners**.

In synergy with corporate brands interact the so-called brand energisers like **Istria Experience by Plava Laguna**, **Umag Tennis Academy by Plava Laguna** and in addition, through licensed events **Plava Laguna Croatia Open Umag** and **Plava Laguna Ironman 70.3 Poreč, Istria, Croatia**.

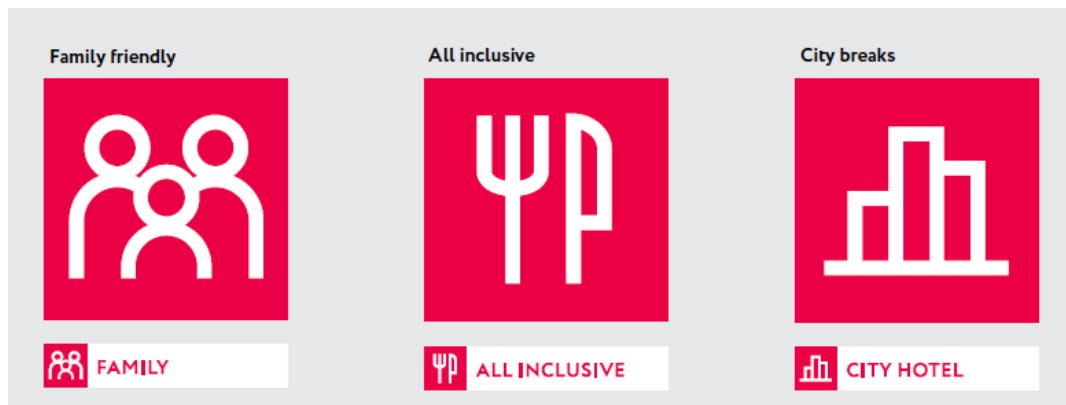
Plava Laguna brands



## ABOUT PLAVA LAGUNA GROUP *(continued)*

### Plava Laguna Hotels & Apartments

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



### Plava Laguna Resorts

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

### Istra Camping by Plava Laguna

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





# PLAVA LAGUNA BRAND PRODUCTS

## PLAVA LAGUNA

### Plava Laguna Resorts

#### POREČ:

Park Resort Plava Laguna  
Plava Resort Plava Laguna  
Zelena Resort Plava Laguna

Materada Area

#### UMAG:

Stella Maris Resort Plava Laguna

Kanegra Area  
Katoro Area  
Punta Area  
Savudrija Area

 ALL INCLUSIVE





 FAMILY

 CITY

### Plava Laguna Hotels & Apartments

#### POREČ:

Park Resort Plava Laguna   
\*\*\*\*



Hotel Park Plava Laguna   
Apartments Park Plava Laguna   
Garden Suites Park Plava Laguna   
Villas Park Plava Laguna 


Plava Resort Plava Laguna  
\*\*\*\*

Apartments Bellevue Plava Laguna  
Villas Bellevue Plava Laguna  
Apartments Galijot Plava Laguna  
Village Galijot Plava Laguna  
Villa Galijot Plava Laguna

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Hotel Mediteran Plava Laguna

Zelena Resort Plava Laguna  
\*\*\*\*

Hotel Parentium Plava Laguna   
Hotel Albatros Plava Laguna   
Hotel Molindrio Plava Laguna

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Hotel Zorna Plava Laguna   
Hotel Gran Vista Plava Laguna  
Hotel Istra Plava Laguna  
Hotel Plavi Plava Laguna

\*\*  
Hotel Delfin Plava Laguna  
Apartments Astra Plava Laguna

Materada Area  
\*\*\*

Hotel Materada Plava Laguna

#### UMAG:

Stella Maris Resort Plava Laguna   
\*\*\*\*




Apartments Amfora Plava Laguna   
Istrian Villas Plava Laguna

\*\*\*  
Apartments Stella Plava Laguna 

Kanegra Area  
\*\*

Apartments Kanegra Plava Laguna

Katoro Area  
\*\*\*\*\*  
Hotel Coral Plava Laguna

\*\*\*\*  
Hotel Garden Istra Plava Laguna   
Residence Garden Istra Plava Laguna   
Hotel Aurora Plava Laguna   
Apartments Katoro Plava Laguna

\*\*\*  
Apartments Polynesia Plava Laguna

Punta Area  
\*\*\*\*

Hotel Umag Plava Laguna  
Residence Umag Plava Laguna  
Garden Suites Umag Plava Laguna  
Hotel Sipar Plava Laguna

**GH**  
Guest house Adriatic

Savudrija Area  
\*\*\*

Apartments Savudrija Plava Laguna  
Rooms Savudrija Plava Laguna

#### RIJEKA:

\*\*\*\*  
Hotel Bonavia Plava Laguna 

### Istra Camping BY PLAVA LAGUNA

#### POREČ:

\*\*\*\*  
Camping Bijela Uvala  
Camping Zelena Laguna  
Camping Ulika 

\*\*\*  
Camping Puntica

#### UMAG:

\*\*\*\*  
Camping Kanegra   
Camping Park Umag  
Camping Savudrija  
Camping Stella Maris

Camping Finida

 NATURIST

 CLASSIC CAMPING

 GLAMPING

 MOBILE HOME

## ABOUT PLAVA LAGUNA GROUP *(continued)*

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### Corporate governance

GRI 2-9 Governance structure and composition

#### ▪ Management Board

GRI 2-10 Nomination and selection of the highest governance body

The rules governing the appointment and replacement of board members are contained in the Company's Statute, while the powers of the Management Board are determined by the Statute and the Companies Act. The Company is organised 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 authorised to conduct only with prior consent of the Supervisory Board. The Supervisory Board appoints and replaces members and President of the Management Board, and decides on the number of members in the Management Board.

In year 2022, the Management Board consisted of three members, of whom Mr. Dragan Pujas appointed as president, while Mr. Damir Mendica and Ms. Danira Rančić were appointed as members. The mandate of the Management Board lasts three years, and the current mandate of the Management Board expires on 31 December 2023. Each member of the Management Board is authorised to conduct the affairs and represent the Company jointly with the President of the Management Board, while the President of the Management Board is authorised to conduct the affairs and represent the Company jointly with another member of the Management Board. The Management Board holds sessions according to business needs, several times a week as a rule.

#### ▪ Supervisory Board

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

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

In year 2022, member of the Supervisory Board, Mr. Joseph Ignace Bulnes resigned from his duties in the Supervisory Board and therefore, at the Extraordinary General Assembly held on 29 April 2022, Mr. Paul Marie Francois Jean Rene' Le Bault de La Moriniere was elected as the new member of the Supervisory

## ABOUT PLAVA LAGUNA GROUP *(continued)*

Board as of 29 April 2022. His mandate is determined for the remainder of the term of office of the existing members of the Supervisory Board namely until 29 August 2025.

Therefore, the Supervisory Board during year 2022 and upon the election of the before mentioned member, operated in the following convocation:

Mr. Davor Luksic Lederer, President of the Supervisory Board

Mr. Patricio Tomas Balmaceda Tafra, Deputy President of the Supervisory Board

Mr. Davor Domitrovic Grubisic, Member of the Supervisory Board

Mr. Paul Marie Francois Jean Rene' Le Bault de La Moriniere, Member of the Supervisory Board

Mr. Neven Staver, Member of the Supervisory Board

Mr. Duncan Graham Bramwell, Member of the Supervisory Board

Ms. Marica Kurtek, Member of the Supervisory Board, workers' representative.

In year 2022, 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 authorised to monitor financial reporting procedures, the effectiveness of the internal control, internal audit and risk management systems, oversee the implementation of statutory audit of consolidated annual financial reports and report to the Supervisory Board on the results of the statutory audit, monitor the independence of independent auditors or audit companies performing audits, give recommendations to the Supervisory Board regarding the selection of independent auditors or audit companies, and other tasks to support the Company's accounting and to establish good and quality internal control in the Company.

**Remuneration Committee** acts in accordance with the Corporate Governance Code of Zagreb Stock Exchange d.d. and Croatian Financial Services Supervisory Agency (HANFA), Remuneration policy for members of the Management Board of 20 July 2020 as well as other applicable regulations, as an advisory body authorised 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 equivalent in HRK per session.

GRI 2-19 Remuneration policies

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

## ABOUT PLAVA LAGUNA GROUP *(continued)*

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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 valorisation 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 harmonisation of variable remuneration between the members of the Management Board, and non-participation of the member of the Management Board in decisions on their own remuneration.

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

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

### ▪ **General Assembly**

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

In year 2022, the Company convened as follows:

- the Extraordinary General Assembly on April 29th, at which a new member of the Supervisory Board was elected, Mr. Paul Marie Francois Jean Rene' Le Bault de La Moriniere (after the resignation of the previous member Mr. Joseph Ignace Bulnes) and
- the Ordinary General Assembly on August 19th, at which the Management Board's Report on the state of the Company in 2021 was accepted (non-consolidated and consolidated); the Report of the Supervisory Board on the conducted supervision regarding the Company and the Group affairs in year 2021 was accepted; decisions were adopted on the establishment and adoption of annual financial statements of the Company for year 2021 (non-consolidated and consolidated); on the use of Company's profit realised in financial year 2021 in the amount of HRK 145,122.671.77 and on the payment of dividends to the Company's shareholders, as well as on the payment of preferred fixed dividend to the holders of preference shares; on the release of members of the Management Board and the Supervisory Board; the Remuneration Report was approved, and KPMG Croatia d.o.o./Llc. Zagreb was appointed as the auditor of the Company for year 2022.

## ABOUT PLAVA LAGUNA GROUP *(continued)*

All decisions were adopted unanimously and made public in accordance with the provisions of the Companies Act, Capital Market Act and the Rules of the Zagreb Stock Exchange d.d.

### Conflict of Interest Management Policy

GRI 2-15 Conflicts of interest

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

Members of the Management Board and of the Supervisory Board and employees of Plava Laguna must not:

- use their position to favour any private interests, including favouring of members of their immediate and extended family, acquaintances or family acquaintances,
- without prior written consent of the Supervisory Board, provide services or have financial interests in other companies that are or could become a supplier, client or competitor to the Company, as well as work or cooperate with other companies in the performance of jobs or activities that may be in conflict of interest with the Company,
- without prior written consent of the Supervisory Board, be a member of the Management Board or the Supervisory Board in another company which is competing on the same market as the Company.

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

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

During 2022, there were no recorded cases of conflict of interest.

### Code of Conduct

GRI 2-23 Policy commitments

As a Company backed by over 60 years of successful operation and development, based on ecological principles and sustainability, it requires from its employees to respect company's business principles and all the behaviours that arise from them and which primarily benefit the Company and its stakeholders.

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

#### RESPECT FOR CHILDREN'S RIGHTS

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

GRI 205-3 Confirmed incidents of corruption and actions taken

#### ANTI-CORRUPTION POLICY

The Company promotes zero tolerance for corruption. Possible corruptive behaviour represents a serious violation of the employment contract regulations. Every important business process where corruption is possible is especially monitored. During 2022, there were no recorded cases of corruption conflicts.

## ABOUT PLAVA LAGUNA GROUP *(continued)*

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### RESPECT FOR HUMAN RIGHTS

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

### ECOLOGY AND SUSTAINABLE DEVELOPMENT

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

### SOCIALLY RESPONSIBLE BUSINESS OPERATIONS AND COOPERATION WITH LOCAL COMMUNITY

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

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

### **Statement on the implementation of the corporate governance code**

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

## ABOUT PLAVA LAGUNA GROUP *(continued)*

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](http://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 at 31 December 2022 are included in this Annual Report.

The share capital of the Company amounted to HRK 1,444,530,057.18 and was divided into 2,197,772 ordinary shares with no-par value and 420,000 preference shares with par value of HRK 250.00. In the period from January 1, 2022 to December 31, 2022, the Company has not acquired or disposed of its own shares. As at 31 December 2022, the Company held 2,346 treasury shares, representing 0.099% of the Company's share capital.

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

The first ten shareholders of the Company on 31<sup>st</sup> of December 2022 are;

No.	Owner/account holder/securities holder	No. of shares	Share (%)
1.	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)	20,024	0.91
4.	BOGDANOVIĆ ZORAN (67789051313)	17,031	0.77
5.	OTP BANKA d.d. (52508873833)/ERSTE PLAVI OMF KATEGORIJE B (37688683890)	16,874	0.77
6.	ZAGREBAČKA BANKA d.d. (92963223473)/AZ PROFIT OTVORENI DOBROVOLJNI MIROVINSKI FOND (22134623145)	9,829	0.45
7.	RAIFFEISENBANK AUSTRIA d.d. (53056966535)	9,140	0.42
8.	OTP BANKA d.d. (52508873833)/ERSTE PLAVI EXPERT - DOBROVOLJNI MIROVINSKI FOND (21938195883)	5,904	0.27
9.	ERSTE & STEIERMARKISCHE BANK d.d.(23057039320)/PBZ CO OMF - KATEGORIJA A (94002620905)	5,785	0.26
10.	OTP BANKA d.d. (52508873833)/ERSTE PLAVI OMF KATEGORIJE A (29597039090)	5,701	0.26

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.

## ABOUT PLAVA LAGUNA GROUP *(continued)*

Each ordinary share entitles the holder to one vote at the General Assembly.

PLAVA LAGUNA d.d./Preferred share PLAG-P-A

In year 2002, the Company issued preference shares which do not give the right to vote at the General Assembly except under the terms prescribed by the Companies Act. All preference shares are owned by a sole shareholder.

Owner/account holder/securities holder	No. of shares	Share (%)
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 authorisation by the General Assembly. Currently, the Management Board has no authorisation for acquiring treasury shares.

Amendments to the Company's Statute are regulated in a manner prescribed by the law which is contained in the Statute.

### Personal data protection

GRI 418-1 Substantiated complaints concerning breaches of customer privacy

The Company especially values the privacy of its employees, guests, partners as well as all stakeholders in general. Their personal data have been protected for many years and special attention has been paid to the same during year 2017 when the Company began with the preparations for the implementation of the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation or GDPR). The same entered into force on 25 May 2018 and the Group, as a whole, implemented the adjustments to personal data protection in order to comply with the provisions of the General Regulation and the Law on Implementation of General Data Protection Regulation. When processing personal data, the Company respects and applies all the principles laid down in the General Regulation. Upon the entry into force of the General Regulation, the Company harmonised the legal documentation i.e. adopted rules and procedures deemed necessary given the segment of the industry within which the company operates. Accordingly, a personal data protection team headed by an appointed personal data protection officer was established, together with an appointed person responsible for information security. Using a special document and training, employees were informed about the entry into force of the General Regulation and the rights and obligations arising from it. Technical measures were taken for a more efficient personal data protection within which the possibility to delete data whenever needed. Special attention was given to the protection of personal data of employees and guests. Personal data are systematised in accordance with the General Regulation and procedures for the exercise of the right of the respondents are envisaged (access to personal data, their correction or deletion and the exercise of the right to object). Privacy policies are updated on all websites hosted by companies controlled by the Company, and companies concluded contracts with the providers of data processing to regulate personal data processing.

The Company and the Group carry out implemented policies and procedures, and continue to invest their efforts in the improvement of the personal data protection system.

During 2022, there were no recorded cases of privacy and personal data protection violations.



## ABOUT PLAVA LAGUNA GROUP *(continued)*

### Membership in associations

GRI 2-28 Membership associations

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

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

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

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

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

## COMPANY AND GROUP OPERATIONS IN 2022

### Important events

- 5 million overnight stays achieved for the first time in history of the Company.
- From the beginning of the year, all Sol and Melia brand facilities in destination Umag have repositioned under the Plava Laguna brand. Thus, from year 2022, all built facilities operate under the Plava Laguna brand and campsites under the Istra Camping brand.
- Plava Laguna exchanged and sold its ownership share of 32.48% in company Jadranski luksuzni hoteli d.d. in exchange for acquiring an additional ownership share of 65.50% in Hotel Croatia d.d. With this acquisition, the ownership share of Plava Laguna in Hotel Croatia d.d. increased to 97.98% while, at the same time Plava Laguna completely exited from the ownership structure of the company Jadranski luksuzni hoteli d.d.
- On May 17, 2022, Plava Laguna d.d. and Nova ljubljanska banka d.d. Ljubljana entered into a Settlement Agreement to establish the way to resolve all mutual relations, including court cases related to the loans of the legal predecessor of the company Istraturist d.d. Umag and the old foreign currency savings.
- At the beginning of July 2022, Plava Laguna d.d. and Privredna banka Zagreb d.d. concluded the Agreement on a long-term foreign currency loan by which the Company's existing loan commitments with Privredna banka d.d. were refinanced with more favourable terms and conditions concerning lower interest rate and extended repayment period.
- Investments completed in Istrian villas, Residence Hotel Garden Istra, the Punta Pool built between hotel Sipar and Umag, and investments in camping continued.
- The first „Plava Laguna Ironman 70.3 Poreč, Istria – Croatia“ was held as the largest triathlon race in Croatia and this part of Europe.



## COMPANY AND GROUP OPERATIONS IN 2022 *(continued)*

### Financial performance

The consolidated financial statements for 2022 include, besides parent company and its subsidiaries Istra D.M.C d.o.o. Umag, Travel d.o.o. Poreč and Istraturist j.d.o.o. Umag, also the subsidiary Hotel Croatia d.d. starting from September 1, 2022.

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

During previous reporting periods, Plava Laguna, based on its ownership share of 32.48% in companies Jadranski luksuzni hoteli d.d. and Hotel Croatia d.d., classified as associates, carried out the consolidation based on the equity method ie. recognition of the share in the profit or loss of the said companies.

### Review of the most significant Company indicators

	2022	2021	2019	Index 2022/2021	Index 2022/2019
Capacity – number of permanent beds	43,505	43,415	43,517	100.2	100.0
Capacity – number of accommodation units	16,461	16,431	16,465	100.2	100.0
Realized overnight stays	5,044,040	3,663,846	4,754,378	137.7	106.1
Number of sold accommodation units	1,897,248	1,358,874	1,812,101	139.6	104.7
RevPar (in HRK) <sup>1</sup>	68,381	47,261	58,329	144.7	117.2

### Review of the most significant Group indicators

In HRK millions	2022	2021	2019	Index 2022/2021	Index 2022/2019
Operating income – after deduction for agency fees and one-time extraordinary positions	1,341	951	1,122	141.0	119.5
<b>EBITDA</b>	<b>497</b>	<b>400</b>	<b>451</b>	<b>124.5</b>	<b>110.4</b>
Effect of one –time extraordinary positions	(50.6)	(7.4)	0.6	-	-
<b>EBITDA – w/o one-time positions</b>	<b>548</b>	<b>407</b>	<b>450</b>	<b>134.6</b>	<b>121.8</b>
EBITDA margin (%)	40.9	42.8	40.1	95.5	101.9
Net debt <sup>1</sup>	(350)	(31)	235	-	-
Net debt <sup>1</sup> / EBITDA	-	-	0.52	-	-

<sup>1</sup>Net debt=borrowings net of cash and cash equivalents

## COMPANY AND GROUP OPERATIONS IN 2022 *(continued)*

### Accommodation offering

Company Plava Laguna offers a wide range of accommodation – its portfolio includes 20 hotels, 10 apartment resorts, 9 campsites and 2 marinas in destinations Poreč, Umag and Rijeka. Total accommodation capacity is 43,505 basic beds or 16,461 accommodation units, and as much as 75% of accommodation capacity falls into 4-star and 5-star category. The largest share in accommodation capacity belongs to campsites of 53%, followed by hotels 35% and apartments 12%.

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

Descriptions	Destination Poreč		Destination Umag		Total	%
		%		%		
Hotels 5*	-	-	250	12.7	250	4.4
Hotels 4*	1,378	37.3	1,390	70.5	2,768	48.9
Hotels 3*	1,519	41.2	107	5.4	1,626	28.7
Hotels 2*	794	21.5	226	11.5	1,020	18.0
<b>Total hotels</b>	<b>3,691</b>	<b>100.0</b>	<b>1,973</b>	<b>100.0</b>	<b>5,664</b>	<b>100.0</b>
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
<b>Total apartments</b>	<b>502</b>	<b>100.0</b>	<b>1,502</b>	<b>100.0</b>	<b>2,004</b>	<b>100.0</b>
Campsite 4*	4,201	93.2	4,287	100.0	8,488	96.5
Campsite 3*	305	6.8	-	-	305	3.5
<b>Total campsite</b>	<b>4,506</b>	<b>100.0</b>	<b>4,287</b>	<b>100.0</b>	<b>8,793</b>	<b>100.0</b>
<b>Total</b>	<b>8,699</b>		<b>7,762</b>		<b>16,461</b>	

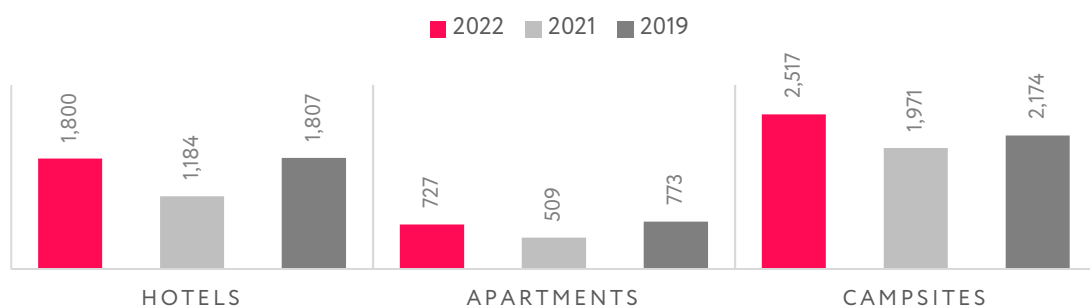
Destination Rijeka Bonavia 4\* (120 accommodation units) shown in destination Poreč

Guest house Adriatic shown in hotels 2\* in destination Umag

### Overnight stays achieved per segments and countries

In year 2022, a record breaking number of overnight stays of 5.04 million was achieved which is 37.7% better or 1.38 million overnight stays more compared to the same period in 2021, while compared to 2019, it is 6.1% better or 290 thousand overnight stays more primarily due to an increase in the camping business of 15.8% or 343 thousand overnight stays.

Overnight stays per types of accommodation (in 000)



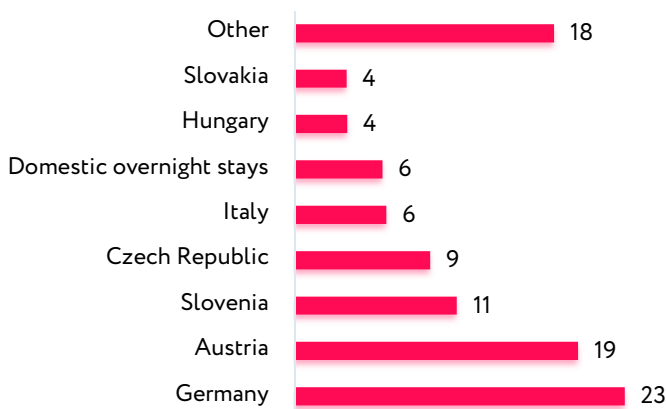
## COMPANY AND GROUP OPERATIONS IN 2022 *(continued)*

Every noteworthy source market recorded increase in overnight stays compared to the previous year and compared to 2019.

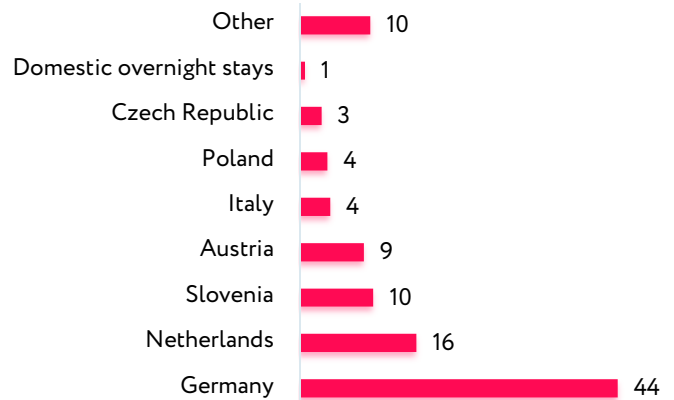
In built facilities, the leading place is traditionally occupied by guests from Austria and Germany, who together make up a share of over 40%, followed by guests from Slovenia with a share of 11% and from the Czech Republic with a share of 9%.

In camping, the most significant share in overnight stays is achieved by guests from Germany with a share of 44%, Netherlands with a share of 16%, and Slovenia and Austria with almost the same shares of 10%.

Emissive markets in 2022 – built objects (in %)



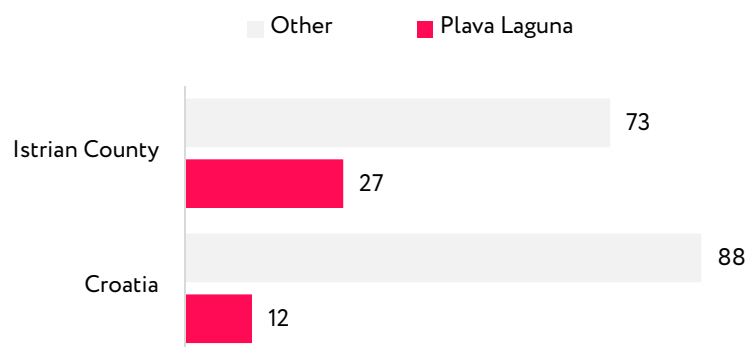
Emissive markets in 2022 – campsites (in %)



### Market share

In view of the total number of overnight stays in 2022, Plava Laguna has a market share of 18% at the level of the Istrian County, while at the level of Croatia, it has a market share of 5.6%. When observing total overnight stays in hotels, apartments and campsites, Plava Laguna has a market share of 27% at the level of the Istrian County and 12% at the level of Croatia.

Market share - total in 2022 (in %)



## COMPANY AND GROUP OPERATIONS IN 2022 *(continued)*

### Key performance indicators by segments

In the context of volume and financial performance achieved in year 2022, below are the results obtained at the level of basic business segments – hotels and apartments, as well as campsites, with a note that data for Hotel Croatia d.d. are excluded from the data presented.

#### ▪ Key operating indicators by segments – HOTELS AND APARTMENTS

	2022	2021	2019	Index 2022/2021	Index 2022/2019
Capacity – numb. of permanent beds	17,126	17,126	17,126	100.0	100.0
Realized overnight stays	2,527,114	1,693,107	2,580,490	149.3	97.9
Days of occupancy	137	90	141	152.5	97.1
RevPar <sup>1</sup> in HRK	110,932	72,659	97,174	152.7	114.2
EBITDA II <sup>2</sup> in 000 HRK	353,717	247,212	305,410	143.1	115.8
EBITDA II margin in %	37.4	38.1	36.5	98.1	102.3

#### ▪ Key operating indicators by segments – CAMPSITES

	2022	2021	2019	Index 2022/2021	Index 2022/2019
Capacity – numb. of permanent beds	26,379	26,289	26,391	100.3	100.0
Realized overnight stays	2,516,926	1,970,739	2,173,888	127.7	115.8
Days of occupancy	96	76	83	125.9	116.1
RevPar <sup>1</sup> in HRK	31,274	25,037	24,468	124.9	127.8
EBITDA II <sup>2</sup> in 000 HRK	182,317	152,690	139,625	119.4	130.6
EBITDA II margin in %	58.5	60.3	57.0	97.1	102.7

Notes:

<sup>1</sup> board revenue per accommodation unit in HRK after provisions and provisions OTI

<sup>2</sup> after the allocation of EBITDA from The Head office and supporting activities

## COMPANY AND GROUP OPERATIONS IN 2022 *(continued)*

### Investments

Over the past few years, Plava Laguna invested an enviable capital budget in the improvement of the accommodation infrastructure in its portfolio, creation of extra facilities for guests, as well as in the rationalisation of costs and improving the efficiency levels of business processes.

For the benefit of the 2022 season, the capital expenditure surpassed the amount of HRK 204 million.

In destination Umag, family type offering in hotels Sipar and Umag has been improved with the construction of the new Punta Pool complex. The investment provided the guests with additional entertainment in the form of three pools, spray park, children's playground, cinema and open-air stage. In the Residence of Hotel Garden Istria, accommodation facilities and common areas have been renovated, and additional 80 Istrian villas in Stella Maris Resort also welcomed guests with new interior design decoration, high-tech equipment and sophisticated furniture, which completed the second phase of the villa renovation.

Punta Pool complex



Plava Laguna also invested in further development of the brand Istra Camping. In campsites, investments have been done in sanitary areas, children's playgrounds and sports courts. Among major investments in campsites, the investments in Camping Park Umag, Camping Ulika and Camping Bijela uvala can be singled out. In Camping Park Umag, investments aimed at the new beach Canova and the arrangement of the new zone for mobile homes. In Camping Ulika, investments went into the rearrangement of the old winter depot area and turning it into a new zone with 30 mobile homes, together with landscaping and infrastructural improvement of the zone. In Camping Bijela uvala, investments aimed at the reconstruction of sanitary areas and in additional facilities to ensure higher quality of stay in the campsite.

A program for setting up photovoltaic power plants on hotels has been initiated, in order to optimise the use of solar energy and thus enable conditions for green business development and energy efficiency.

Long-term investment policy of continuous improvements of staff accommodation also continued.

Part of CapEx funds has been directed to landscaping, as an important resource of Plava Laguna. Thus, investments in landscaping and beach renovation in year 2022 amounted to more than HRK 9.3 million.

## COMPANY AND GROUP OPERATIONS IN 2022 *(continued)*

### Awards and recognitions

#### ▪ F&B Award

À la carte restaurant Kamov hotel Bonavia designated Rijeka's business gastronomic port - The Rijeka Gastronomic Ports project is implemented in cooperation with the Rijeka Tourist Board and company Abisal - Gastronomaut which profiled the registered restaurants by category, among others ports of local ingredients, fishing, vegan, romantic, business. In the application, it was pointed out that in addition to gastronomic delicacies, hotel Bonavia offers elegant ambiance, numerous other possibilities and high-level professionalism and quality of services.



#### ▪ Camping Awards

Plava Laguna campsites given ADAC Superplatz award - ADAC Superplatz is the highest award for quality that ADAC traditionally gives to the best European campsites. ADAC is the largest German and European automobile club with more than 18 million members. As many as three Plava Laguna campsites received this quality distinction award in year 2022 – Camping Stella Maris, Camping Park Umag and Camping Zelena Laguna.



**ASCI Awards for Plava Laguna camping** - For campsites Park Umag and Ulika, Plava Laguna won the recognitions in the Top 25 campsites, awarded for the very first time in 2022 by the Dutch ASCI – Europe's leading campsite specialist that has been providing the trusted green camp site guides for campers since 1965. Fans of this type of vacation from all over Europe rate their favourites in eight categories.

**Camping Union Awards** - At the finale of the 16th Congress of Croatian Camping, awards were given to the best campsites in year 2022 by the Croatian Camping Union. Camping Park Umag, Zelena Laguna, Bijela Uvala, Stella Maris, Ulika and Savudrija are winners of the award Croatia's Best Campsite.



**Najkamp Adria award for Camping Ulika in 2022** - Camping website Avtokampi.si organises the Naj kamp Adria contest every year in which campers vote for the best campsites in Slovenia and Croatia.

#### ▪ Recognitions for hotels

**Travelers' Choice Winners 2022 Awards for Camping Ulika and hotels Parentium and Park** - This is a recognition given by one of the world's largest travel guidance platforms – TripAdvisor. The winners of the awards for the very best accommodations, attractions and restaurants are determined based on the continuity and quality of traveller reviews and ratings which are then ranked among the top 10% of listings on Tripadvisor.





## COMPANY AND GROUP OPERATIONS IN 2022 *(continued)*

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### 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 minimise these exposures.

#### ▪ Currency risk

With the adoption of EUR as the official currency in Croatia from January 1, 2023, the exposure to the risk of foreign currency rate fluctuations is eliminated. This risk used to arise from the Company's core business activities, considering the sales of accommodation conducted in foreign markets, sales policy is defined in EUR currency (rates, inflow), while, on the other hand, cash outflows have been agreed and done in local currency, from the short-term perspective. Therefore, the ratio between foreign currency and local currency rates could have had a great impact on business and cash flows, and cause significant deviations from planned goals and figures. As at 31 December 2022 the Company's loans were denominated in EUR and HRK but credit liabilities in HRK accounted for only 6.5% of total debt, thus, having no impact on the currency risk balance.

#### ▪ 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. Available funds are placed as deposits in high quality banks in Croatia which limits the exposure to credit risk with respect to individual financial institution.

#### ▪ Liquidity risk

Liquidity risk management implies projecting cash flow with the possibility to meet all of 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.

## COMPANY AND GROUP OPERATIONS IN 2022 *(continued)*

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- **Interest rate risk**

All borrowings of the Company as at 31 December 2022 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**

Risks of inflation and goods and energy price increase has been particularly evident during 2022. According to the Croatian Bureau of Statistics (DZS), a record average annual inflation rate of 10.8% has been recorded in Croatia during 2022. The causes of inflation are numerous, primarily the sudden rise in energy prices on the world market that followed after a significant price drop in the first stages of the crisis due to the coronavirus pandemic, and the spike in food prices that occurred due to the increase in the prices of food raw materials on the world market caused by bad weather conditions (droughts, floods, frost). Another important factor is the strong growth in demand for many goods due to the re-opening of the economy after exiting lockdowns which led to disruptions in supply chains and consequently to an increase in prices of transportation (ship freight) as well as certain raw materials and components in production. This ultimately led to an increase in the producer prices of numerous products and services. Besides, geopolitical movements related to the war in Ukraine have had additional negative effects in the form of discontinuation of gas supply and increase in the price of energy and food products. This increase has considerable impact on the Company's and Group's operating expenses. On the other hand, the inflation can have negative impact on the purchasing power of foreign and domestic guests. In accordance with all of the above, a proactive implementation of measures such as cost control and fixed cost optimisation have taken place wherever possible during year 2022, and efforts have been invested in finding affordable substitutes when purchasing food items while maintaining the quality of the offered assortment.

- **Global risks**

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

With climate change, Europe and the world are facing increasingly extreme weather conditions like frequent and intense heat waves, flooding, droughts and storms. Extreme weather conditions pose a risk to human health but also generate considerable economic damage. During 2022, Croatia and also a large number of EU member states faced an unprecedented drought and shortage of drinking water, which led to the introduction of restrictive measures in the Istrian County, with the aim to save water. Restrictions have been introduced at the very peak of the tourist season and Plava Laguna invested additional efforts to protect its horticultural assets as much as possible, while complying with all prescribed measures to save drinking water.

The impact of the pandemic on global macroeconomic trends is reflected in the actual example of the pandemic caused by the coronavirus. Global crisis caused by the said pandemic also caused a decline in the activity of the economic system as a whole, in a very short period of time. The tourism industry found itself

## COMPANY AND GROUP OPERATIONS IN 2022 *(continued)*

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under special pressure due to lockdowns to prevent spreading of the infection. In the circumstances that arose in 2020, Plava Laguna promptly created several business projection scenarios, and undertook measures and activities to protect its financial position. In view of previous exceptional KPIs and given the measures within the Government's program to help the economy, as well as moratorium in the sphere of the banking sector, the liquidity risk was reduced to a minimum and the going concern was not threatened. Although all epidemiological measures were lifted in 2022, Plava Laguna continues to monitor all circumstances related to the pandemic and continually assesses its impact on future operations.

The Group and the Company continually follow also the circumstances related to the actual geopolitical situation of the war in Ukraine. According to available information, the situation in Ukraine and Russia should not have a significant impact on the Group's and the Company's operations, given the activity and small exposure to Russian and Ukrainian markets, making only 4% of the Group's and Company's turnover, and the loss of mentioned markets could be compensated on other emissive markets.

- **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. With tax regulations, the Company and the Group are exposed to potential risk of changes in regulations governing concessions on maritime property, while the regulations relating to tourist land concession fees are still undefined (the adoption of the Regulation that would enable the operational implementation of the Non-Appraised Construction Land Act is awaited). Regulatory risks are efficiently controlled by continuous monitoring and harmonisation or compliance with the laws and regulations, and active participation in associations of interest during consultations regarding legislative changes.

## SUSTAINABILITY REPORT 2022

### Approach to materiality

GRI 2-3 Reporting period




The Sustainability Report contains information on business operations relating to the Plava Laguna company for the reporting period from January 1 to December 31, 2022, and information is published for the first time in accordance with the Global Reporting Initiative (GRI) standards as one of the internationally trusted frameworks for non-financial reporting. The Report has been prepared in Croatian and English, published and available on Plava Laguna's corporate website (biz.plavalaguna.hr).

GRI 2-2 Entities included in the organization's sustainability reporting

During the preparation of the sustainability report, a series of internal workshops have been held where employees and management became familiar with the legislative framework and requirements that have to be met in relation to the report. The working group for reporting on sustainability carried out the procedure to identify material topics relating to the broad sustainability themes; environmental, social and governance, aligning with the UN's global goals to which Plava Laguna can contribute the most, and the procedure of identifying key and secondary stakeholders. The reporting year 2022 represents the base year for defining material topics with the aim of reporting on sustainability, in order to lay the foundations and assess facts for defining the sustainability strategy and the actual goals which is recognised as priority for the future reporting period. Dialogue on material topics with a wider circle of stakeholders is planned for the following reporting period.

GRI 3-2 List of material topics

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

ESG components	Material topics	UN's Global Goals
ENVIRONMENT	Energy efficiency Protection and sustainable use of water Waste management Protection of biodiversity	
SOCIAL	Safe and stable working conditions Employee training and skills Digital innovation and guest satisfaction Community and cooperation	
GOVERNMENT	Transparency with stakeholders Risk management Transparency and business ethics Protection of privacy for all stakeholders	

## SUSTAINABILITY REPORT 2022 *(continued)*

GRI 2-29 Approach to stakeholder engagement

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

Means of communication with **key** stakeholders

EMPLOYEES	<ul style="list-style-type: none"> <li>▪ internal web - Intranet</li> <li>▪ Plava Laguna magazine</li> <li>▪ newsletter</li> <li>▪ Laguna's Evening</li> <li>▪ employee gatherings</li> <li>▪ social networks (Facebook group „I ja radim u Plavoj Laguni“, Facebook page „Posao u Plavoj Laguni“, YouTube channel „Posao u Plavoj Laguni“)</li> <li>▪ business LinkedIn profile „Plava Laguna“</li> <li>▪ internal questionnaire (achievements and satisfaction of employees)</li> <li>▪ regular meetings</li> <li>▪ notice boards in staff areas</li> </ul>
GUESTS	<ul style="list-style-type: none"> <li>▪ Plava Laguna's website (plavalaguna.com)</li> <li>▪ social networks Facebook and Instagram</li> <li>▪ guest satisfaction survey</li> <li>▪ customer service</li> <li>▪ loyalty programmes</li> <li>▪ applications for guests</li> </ul>
LOCAL COMMUNITY	<ul style="list-style-type: none"> <li>▪ tourist boards membership</li> <li>▪ sponsorship and donations</li> <li>▪ promotion and organisation of important sports events</li> <li>▪ cooperation with pensioners' associations, educational institutions etc.</li> </ul>
SHAREHOLDERS	<ul style="list-style-type: none"> <li>▪ annual Ordinary general assembly and Extraordinary general assembly of shareholders when necessary</li> <li>▪ financial statements</li> <li>▪ Plava Laguna's corporate website (biz.plavalaguna.hr)</li> <li>▪ reports and published material at the Zagreb SE and HANFA websites</li> </ul>

Means of communication with **secondary** stakeholders

UNION AND WORKERS' COUNCIL	<ul style="list-style-type: none"> <li>▪ regular communication, consultations and negotiations with members of the Workers' Council and union representatives active in Plava Laguna</li> </ul>
SUPPLIERS	<ul style="list-style-type: none"> <li>▪ daily communication and regular meetings</li> <li>▪ Plava Laguna's website (partners.plavalaguna.com)</li> </ul>
MEDIA	<ul style="list-style-type: none"> <li>▪ press conferences and press releases</li> </ul>
LOCAL/STATE AUTHORITY	<ul style="list-style-type: none"> <li>▪ communication with local self-government units</li> <li>▪ involvement in proposing legal regulation and decisions</li> </ul>

## SUSTAINABILITY REPORT 2022 *(continued)*

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### Employees

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

In year 2022, Plava Laguna employed an average of 2,032 employees (according to paid working hours including students), of whom 1,003 in one of the forms of permanent employment. At the very peak of the tourist season, Plava Laguna employed over 3 thousand employees.

Plava Laguna continuously invests in raising the quality of staff accommodation and other staff facilities for employees who come for work from other parts of Croatia, the region and beyond, and has over the past few years invested considerable funds in building new and upgrading the existing staff accommodation facilities. In the period from 2018 to 2022, more than HRK 77 million were invested in improving the quality of the accommodation for employees.

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

### From job application to „onboarding“

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

The „onboarding“ or orientation is organised for small groups of people so that new employees could get acquainted with the destination and the company but also introduced to their specific work processes. In 2022, video material for this onboarding process was introduced, in order to make new employees feel welcomed in the company, but also to get them know what is expected from them more easily.

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

## SUSTAINABILITY REPORT 2022 *(continued)*

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### Employee rights

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

- **Workers' Council**

GRI 402-1 Minimum notice periods regarding operational changes

The Workers' Council is established in Plava Laguna in line with the provisions of the Labour Law. Worker's council protects and promotes the interests of employees by consulting, co-deciding or negotiating with the employer on issues important to employees and their position. Employer secures all preconditions for the elections and work of the workers' council. Communication with the workers' council is direct and undisturbed not only in all situations prescribed by the Labour law but also in consultations taking place whenever deemed necessary by either party. The employer's reporting obligation is carried out monthly as a rule, and includes familiarisation of the workers' and union's representative with the situation in the Company, course of selling, financial performance and other issues important for employees, with high degree of mutual respect and cooperation achieved. Besides the obligation to inform, the Company also respects the obligations of consulting and co-deciding with the workers' council when prescribed and advising in all situations deemed necessary and purposeful.

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

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

- **Collective bargaining and freedom of association**

GRI 2-30 Collective bargaining agreements

Legal relations with employees are regulated by sources of different hierarchies that regulate labour relations, so that the provisions of the Labour Law are respected as well as provisions of the Collective Agreement of the hospitality industry, the Collective Agreement of Plava Laguna d.d. and the employment contract of every individual employee, always respecting the principle of applying the most favourable law for the employee. The Collective Agreement of Plava Laguna is a special source of rights for employees that the Company concluded with the branch offices of the Union of Istria, Kvarner and Dalmatia, and the Tourism and Service Trade Union of Croatia, which defines rights and obligations of both parties, the employer and employees. Its scope of application has been extended to other companies within the Group. Negotiations are conducted every year in good faith, in a positive and constructive atmosphere and, as a rule, agreements are reached between the employer and unions regarding the rights of employees and obligations of the employer, as well as obligations of employees with regards to the employer. Three unions are active with the employer – Union of Istria, Kvarner and Dalmatia, Tourism and Service Trade Union of Croatia and Autonomous service trade union of Croatia. Joining the union is free will and their members

## SUSTAINABILITY REPORT 2022 *(continued)*

are in no way discriminated in correlation with the workers who are not members of the unions or do not participate in the unions' activities.

### Respect of human rights

GRI 406-1 Incidents of discrimination and corrective actions taken

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

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

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

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

In 2022, there were no reported cases of discrimination.

### Employee satisfaction survey and performance evaluation

The opinion of every employee is taken into consideration and during 2022, an employee satisfaction survey was conducted in the Plava Laguna company. Nearly 1,700 employees from the operations took part in the survey which is a response of over 65%. Overall, employees were mostly satisfied with a rating of 2.86 on a scale from 1 to 4.

**relationship with superiors and colleagues and organization of department work are the best rated factors in the survey conducted in 2022**

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

Individual performance evaluations are also regularly conducted and, in year 2022, 2,410 employees from operations at Plava Laguna were given feedback about their engagement at work through praise of what was good and challenges that would have to be worked on. Categories of evaluation included relationship with



## SUSTAINABILITY REPORT 2022 *(continued)*

colleagues, guest approach, work knowledge, flexibility and availability, professionalism and discipline at work, independence and interest in work as well as overall impression.

### Employee benefits

GRI 401-2 Benefits provided to full-time

In year 2022, employees of Plava Laguna were paid over HRK 13 thousand each in non-taxable additional bonuses and incentives for excellent business results.

Financial	Non-financial
Seasonal incentives in the amount of HRK 6,250	Annual health check-up for part of employees
Christmas bonus of HRK 4,000	Favourable terms and conditions in banking partners
Gift in kind of HRK 600	Paid participation fees for sports events for employees and family members
Gift for a child of HRK 1,000	Paid days off
Holiday allowance of HRK 70 gross l per day	Meal at the expense of the employer
Annual achievement bonus for the management	Food and accommodation for employees outside their place of residence
Rewards for the employees of the season	Tickets and discounts for various entertainment
Rewards for years-of-service in the maximum non-taxable amount	
Extra pay (holiday, Sundays, shift work, night work...)	
Paid membership in unions/pensioners' clubs	
Compensation for daily commute	

As every year, in 2022, the best employees of the season, distinguished as the most successful in terms of their relationship towards work and their colleagues, were given special rewards. Stability and improvement of material rights for employees remain to be the goals in the future depending on the achievement of business goals, which in turn are always the result of joint efforts of the management and the employees of the companies within the Group, and the adaptation to new situations.

### Health and safety at work

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

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

#### ■ Participation, consultation and communication on health and safety in the workplace

Occupational health and safety (OHS) is regulated by legal provisions, internal acts and collective agreement. Regular monitoring of best practices and industry standards is enabled through professionals

## SUSTAINABILITY REPORT 2022 *(continued)*

specialised in occupational health and safety. The workers' council, the occupational health and safety committee, commissioners for occupational safety, employees and union's associations all participate and have special authorisations to engage in the occupational health and safety activities. Employees elect their representatives ie. commissioners for occupational safety and they in turn elect their coordinator. Consultations and communication with the OHS commissioners on issues related to health and safety in the workplace is conducted in line with the Occupational Health and Safety Act. The commissioner's task is to protect the interests of employees in the field of OHS and to monitor the application of rules, measures, procedures and activities of occupational safety. Communication on the protection of health and safety of employees is conducted at regular meetings of the OHS committee. The number of commissioners, their elections and mandates are determined in accordance with the provisions of the Labour Law which regulate workers' councils issues, taking into account the representation of all parts of the work processes. Based on the decision of the Management Board, the Occupational Health and Safety Committee acts as the employer's advisory body for the OHS activities, plans and supervises the application of relevant rules and encourages the continuous improvement of the OHS. The OHS Committee consists of a member of the Management Board in charge of the occupational health and safety activities or his delegate, an OHS expert, an OHS commissioner or coordinator and a specialist in occupational medicine. Mandate of the members of the OHS Committee lasts four years.

- **The Risk assessment report**

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

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

- **OHS Training**

GRI 403-5 Worker training on occupational health and safety

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

- **Work-related injuries and diseases**

GRI 403-9 Work-related injuries

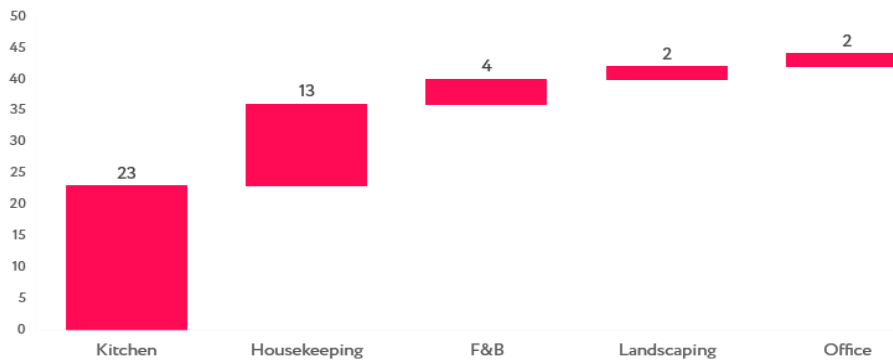
By complying with regulations and principles of the occupational health and safety protection as well as by continuous education and training of the management and employees about risks, the exposure of employees to hazards, risks and strains is reduced and the occurrence of work-related injuries is aimed to be kept at the minimum possible level. In year 2022, 44 work-related injuries were reported of which 3 classified as serious injuries, 38 as minor injuries and 3 traffic accidents. There were no lethal accidents in the reporting period as

**12%**  
injury rate at  
work  
(number of  
reported injuries  
per million hours  
worked)

## SUSTAINABILITY REPORT 2022 *(continued)*

consequences of work-related injuries and no work-related cases of disease. 4 inspection controls were carried out without addressing any failures.

Injuries at work by workplace in 2022



### Promotion of physical and mental health

GRI 403-6 Promotion of worker health

Modern busy and stressful life rhythm is not easy to follow and a large number of people has become aware of the importance of their mental and physical health for living healthy and happy lives, and for being functional and productive at work. Regardless of the scientific evidence that an active way of life has a positive effect on our health, both physical and mental, and that due to a sedentary lifestyle, people today are less and less active and are more frequently exposed to various diseases. This is precisely the reason why Plava Laguna decided to motivate its employees and their family members to participate in different sports activities, and in year 2022, allowed them to apply for and enter all sports events within the portfolio, in order to encourage their efforts in healthy living. Therefore, Plava Laguna employees have had the opportunity to participate in the Istrian winter league (running), Plava Laguna Half-marathon (running) and Plava Laguna Ironman 70.3 (triathlon).

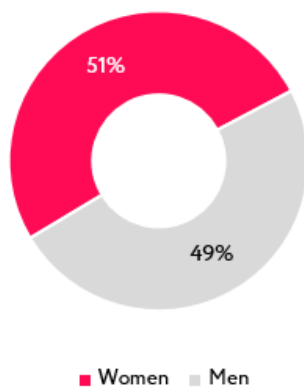
A job in tourism industry brings numerous benefits: new knowledge and skills, getting to know new people as well as rich experience. However, this job can also be demanding and result in feelings of pressure and work-related stress. The exposure to intense and long-term stress in certain situations may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

## SUSTAINABILITY REPORT 2022 *(continued)*

### Professional and personal development training

Plava Laguna organised a series of education and training for employees at all levels in 2022, with the aim to improve their mental health, motivation, success and development, work performance and quality of service provided to guests in their facilities.

Share of educations by gender in 2022



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

18,560

hours of  
education in  
in 2022

9

hours of education  
on average per  
employee in 2022

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

#### ▪ Education for Management

**Education for management** on the topic of leadership and leadership styles in conditions of frequent changes and different team dynamics in the tourism industry included over 200 managers working in hotels, campsites and tourist resorts of Plava Laguna.

In workshops organised with partners specialised in education and training of managers, changes that occurred in hotel industry over the past few years were discussed, the process of managing change from the psychological point of view was introduced (the Four rooms of change), participants were made aware of when and how resistance to change happens and ways for the employees to help themselves and others to keep up with changes in the workplace. Also, experiences and insights from the previous season were shared, detected needs for change and planned the activities for the preparation of the next season.

Participation in education was very high with as many as 97% of managers in every cycle. Based on their feedback, it can be concluded that participants were exceptionally satisfied with the education as a whole and highly rated its usefulness and quality. The participants liked the most the interactive mode and the possibility to share their experiences among colleagues as well as relevance of topics that they can apply in their daily work routines as managers.

Considering the great interest of managers for this type of education, the plan is to organise a new cycle in 2023 on the topic of „How to manage the team during the onboarding process of new hires”.

## SUSTAINABILITY REPORT 2022 *(continued)*

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### ▪ Education for hotel operations

In 2022, **education from the development program for employees in hotel operations** was organised for those recognised by their superiors for having potential to further develop their careers within Plava Laguna. Workshops included 94 employees from all departments in hotel operations.

The program was organised through workshops and online webinars with focus on strengthening motivation, communication skills and other professional competencies as well as the psychological wellbeing of key employees in departments such as reception, housekeeping, food and beverage, technical and other.

Aimed at even better recognition and leading of employees, education from the development program is also planned in year 2023. The focus will be on strengthening communication competencies of key employees of departments within their teams, for the purposes of having better and more efficient teams, but also spreading the positive influence of highly competitive and highly motivated employees on other employees of the department.

Education related to **foreign languages** for employees of the reception department and food and beverage department in hotels and tourist resorts of Plava Laguna has been organised for many years and thus, in 2022, German and Italian language courses were held, in order to improve the communication between the staff and guests as much as possible. Participants were divided into groups for beginner and advanced language levels, depending on prior knowledge, and the courses were held in cooperation with the partner specialised in teaching foreign languages.

**Academy for chefs and waiters** in Plava Laguna is a program designed to further develop professional competencies of beginner chefs and waiters, and employees of the same profession with more advanced knowledge and skills. In 2022, culinary academy was organised for 98 participants, divided into the module for beginners and the advanced module depending on the competence level. The theoretical part included lectures on HACCP system in hotels, while the practical part of the program was held in cooperation with mentors (head chefs and F&B specialists) in Plava Laguna facilities, which was of great value for the participants. The main goal of the program was to enhance culinary competencies of beginner chefs in line with the basic program (introduction to kitchen operations, basic culinary tasks) and chefs who already worked in the Plava Laguna system through the more advanced program (à la carte and buffet).



## SUSTAINABILITY REPORT 2022 *(continued)*

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### ▪ Other education and training

In year 2022, employees of Plava Laguna have had the opportunity to participate in additional education and training the company organised in cooperation with partners. One of them was an online education **UPUHH Hotel Academy**, organised by the Association of Employers in Croatian Hospitality. These online educations covered numerous themes and interested employees could have accessed them in agreement with their superiors. Some of the topics were upsell and cross-sell in hotel industry, human resources management, sustainability and similar topics intended for the management but also up-selling for chefs and waiters accessed by chefs and waiters in the development program.

### Promotion of tourist occupations and cooperation with educational institutions

Within the scope of regular activities of the Human Resources Sector of Plava Laguna and of the Office of the Management Board are the activities of promoting tourist occupations or profession. In 2022, a series of company presentations were held in Croatia, Bosnia and Herzegovina and Serbia about what it is like to work in hotel operations. Besides presentations, Plava Laguna is in cooperation with secondary schools ie. senior years and organises study trips to Poreč and Umag. Study trips were organised for eight schools from Croatia and Bosnia and Herzegovina in year 2022.

Company presentations are also organised in local secondary schools. In 2022, presentations were held in Buje, Poreč and 11 vocational secondary schools in Central Croatia.

In 2022, in cooperation with the Ministry of Tourism and Sports, 3 scholarships for chefs were awarded to students of vocational secondary schools, and another 21 scholarships for young chefs, pastry chefs, waiters and receptionists are planned to be awarded in 2023.

Plava Laguna also hosted Poreč Elementary school students in the Park Resort who were introduced to hotel operations through the „Who is Who in the Hotel” project. Presentation in the Park Resort was also held for the students of the Tourism and Hospitality Secondary School Anton Štifanić Poreč.

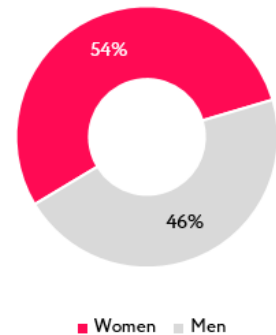
## Laguna employees in numbers in 2022

### Structure of employees in relation to type of contract and gender

	women	men	total*	%
permanent employees	486	430	916	45.1
permanent seasonal empl.	39	48	87	4.3
seasonal employees	539	432	972	47.8
<b>total</b>	<b>1,065</b>	<b>910</b>	<b>1,975</b>	<b>97.2</b>
students and pupils	33	24	57	2.8
<b>total</b>	<b>1,098</b>	<b>934</b>	<b>2,032</b>	<b>100.0</b>

\* average number of employees in 2022 based on paid hours

GRI 2-7 Employees

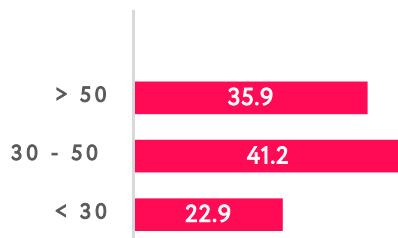


On July 28th 2022 Plava Laguna employed a total of 3,033 employees in the destinations of Poreč, Umag and Rijeka.

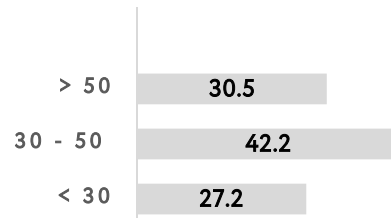
### Structure of employees in relation to age group

	women	men	total	%
younger than 30	251	254	505	24.8
30 - 50	453	395	848	41.8
older than 50	394	285	679	33.4
<b>total</b>	<b>1,098</b>	<b>934</b>	<b>2,032</b>	<b>100.0</b>

Age structure of employees (women) (%)



Age structure of employees (men) (%)



GRI 405-1 Diversity of governance bodies and employees

### The composition of management bodies and the structure of employees

	number of employees	gender		age		
		woman	men	younger than 30	30 - 50	older than 50
management	100	45	55	1	72	27
other	2,032	1,098	934	505	848	679

GRI 401-3 Parental leave

#### Persons with disabilities

Women	12
Men	6
<b>total</b>	<b>18</b>

#### Parental leaves

Women	27
Men	4
<b>total</b>	<b>31</b>

## SUSTAINABILITY REPORT 2022 *(continued)*

### Guests

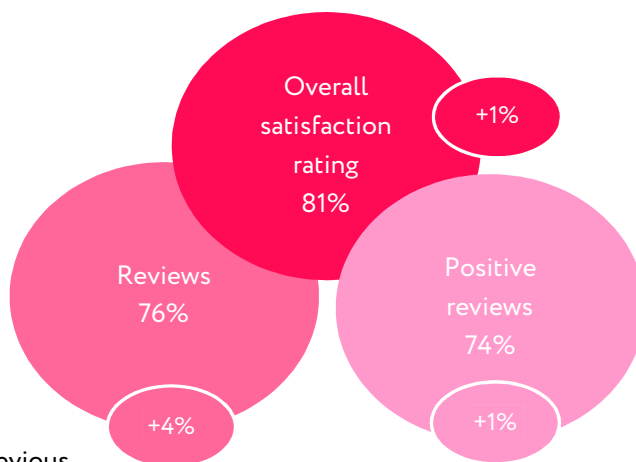
Guests, along with employees and local community, are one of the key groups of stakeholders for Plava Laguna and therefore, their needs are constantly under observation, with the aim to improve and upgrade the services that would meet and even exceed their expectations. Plava Laguna carries out numerous activities to systematically maintain and measure quality and ultimately, create a competitive quality system.

Plava Laguna manages two loyalty programs; Plava Laguna Club and Istra Camping Club. The goals of the loyalty programs are to encourage bookings through own sales channels, have guests return to destinations and provide guests with tailor-made holiday experiences as well as to recognise their needs at all points of contact.

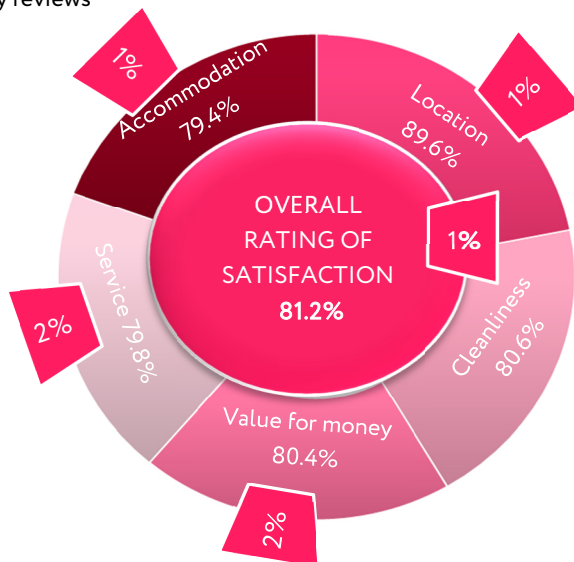
#### Guest satisfaction reviews

Guest satisfaction ratings in 2022 according to reviews

During 2022, more than 45 thousand guest reviews were collected by Revinate, online reputation tool used by the whole Company. Mentioned tool enables monitoring and processing of all online guest reviews, customized guest surveys and social media presence. Online reviews showed an overall guest satisfaction score of 81% in year 2022, while 74% had positive reviews (1% more compared to 2021). According to the reviews, 76% of guests would recommend the hotels, resorts and campsites (4% more compared to the previous year). The best rated category is location with 90%, followed by cleanliness with 81%. The biggest increase in guest satisfaction in year 2022 compared to 2021 is shown in categories value for money and offered services which is an indication that guests recognise the commitment of Plava Laguna to improving its service offering.



Top rated categories in 2022 by reviews





## SUSTAINABILITY REPORT 2022 *(continued)*

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### Digital innovations

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

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

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

## SUSTAINABILITY REPORT 2022 *(continued)*

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### Local community

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

#### ▪ **Donations for accommodation of those in need**

In 2022, Plava Laguna started a cooperation with the SOS Children's village Ladimirevci during which it offered the children from SOS families together with their SOS moms to stay in the accommodation of the tourist resort Polynesia. Plava Laguna offered a corresponding arrangement in Polynesia also to the beneficiaries of the Istrian Association „Our Dream Their Smile“ and provided free accommodation to children from socially disadvantaged families, as part of the „Sea of Love“ humanitarian campaign. This practice will continue in the years that follow.

#### ▪ **Donation of kitchen equipment**

Plava Laguna donated to the Special Hospital for Orthopedics and Rehabilitation „Martin Horvat“ Rovinj – Rovigno 400 pieces of equipment in good condition that can be used in the kitchen so that hospital patients could have better service ie. improved functionality of the hospital's kitchen.

#### ▪ **Cooperation with schools**

Plava Laguna supports secondary schools in destinations in which it operates, primarily Istria and Rijeka, where it donated funds or other resources for the organisation of graduation parties. In 2022, Plava Laguna also donated the Italian and Croatian elementary schools in Umag with the SMART equipment, while in Poreč, it equipped the sensory park of the Elementary school Poreč. In 2022, cooperation with local elementary schools and the Tourism and Hospitality Secondary School Anton Štifanić Poreč resulted with the student visits to Park Resort in Poreč where they had the opportunity to get acquainted with the tourist profession.

#### ▪ **Cooperation with pensioners**

Plava Laguna covers membership fees for its former employees in the Trade Union of Pensioners of Croatia and the Pensioners' Club Galija. The goal is to provide its former employees with a better quality of life in the third age. Gatherings at the end of the year – dinner parties were organised to celebrate the end of 2022 and the beginning of 2023 for pensioners in Poreč and Umag.

## SUSTAINABILITY REPORT 2022 *(continued)*

### Sponsorships and donations to sports

The development of accommodation and sports infrastructure in Plava Laguna has always gone hand in hand. Tennis academies, numerous football, tennis and other fields in both destinations are places where investments are constantly being made. In 2022, Plava Laguna organised for the first time, the Ironman 70.3 race with which it associated itself with the Ironman brand and thus, contributed to the visibility of Poreč as a sports destination.

The ATP Umag tennis tournament is an important event recognisable all over the world, promoting Umag as a sports destination and a city of sports. The importance of the tournament where two players ranked in the top 10 played and reached the finals in 2022, provides added value to its promotion.

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

It is one of the sponsors of the Active Croatia project, in which experts from different fields participate in a way that citizens are offered comprehensive plans for living healthy and active lives, by combining knowledge from kinesiology, medicine, nutrition and psychology. One of the public health actions was also held in Umag.

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

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



## SUSTAINABILITY REPORT 2022 *(continued)*

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### Environment

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

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

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

In 2022, Plava Laguna also launched an Eco campaign to reduce electricity consumption, reduce paper consumption and encourage recycling of paper, plastic and metal. Workshops „Reduce food waste, cook for your guests“ were held in certain facilities, so that kitchen staff could be familiarised with the principles of food management and planning, rules for proper food storage and estimating realistic amounts of food, all with the aim of reducing biowaste.

Plava Laguna is aware of the importance of measuring and management of greenhouse gas emissions as their high concentration is directly connected with global warming and other climate disturbances. During 2022, Plava Laguna started to review the sources of GHG emissions in its business activities and methodologies for emissions calculations across Scope 1 and Scope 2, and plans to report on them starting from year 2023. A well set out base for the calculation of GHG emissions is key to defining a carbon footprint reduction strategy.

## SUSTAINABILITY REPORT 2022 *(continued)*

### Energy and energy efficiency

Plava Laguna's primary sources of energy are electricity, natural gas, liquefied gas (LPG), fuel oil and fuel for vehicles. Energy consumption is regularly monitored and analysed on a monthly basis and/or more often as needed, with the aim of optimising energy saving. In order to achieve energy efficiency or efficient use of energy, Plava Laguna continuously directs part of its capital funds into investments in innovative technology and renewable energy sources.

Consequently, in the previous period, considerable funds were invested in:

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

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

In 2022, Plava Laguna launched an Eco campaign among its employees with the aim of reducing electricity consumption.

Aware of the importance of investing in energy efficiency and renewable energy sources as the main components of the fight against climate change, in 2023, Plava Laguna will continue to invest in projects and take initiatives to ensure savings from the financial aspect and efficient and rational energy consumption. Among other, it is thus, continuing with the installation of photovoltaic power plants that started during 2021 and 2022 with the investments worth HRK 7.9 million, while an investment of HRK 26 million is planned for 2023.

GRI 302-1 Energy consumption within the organization

Overview of energy consumption and energy intensity in 2022

GRI 302-3 Energy intensity

Energy source	kWh	kWh/ per night	kWh/ occupied AU
Electricity	50,723,545	10.06	26.74
Natural gas	22,354,077	4.43	11.78
Fuel oil	6,706,301	1.33	3.53
Liquefied gas	3,691,060	0.73	1.95
Fuels for vehicles	1,545,771	0.31	0.81
Energy produced in our own photovoltaic power plants	208,420	0.04	0.11
<b>TOTAL ENERGY</b>	<b>85,229,175</b>	<b>16.90</b>	<b>44.92</b>

	MJ	MJ/per night	MJ/ occupied AU
<b>TOTAL ENERGY</b>	<b>306,825,029</b>	<b>60.83</b>	<b>161.72</b>

## SUSTAINABILITY REPORT 2022 *(continued)*

### Sustainable use and protection of water

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

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

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

Overview of water consumption in 2022

GRI 303-5 Water consumption

Water consumption	m <sup>3</sup>
Public water supply	1,332,224
Drilled wells*	12,701
Delivered technological water and water from the purifier used during restrictive measures	3,170
<b>TOTAL WATER CONSUMPTION</b>	<b>1,348,095</b>

**0.27 m<sup>3</sup>**  
water used per night  
in 2022

\* Water consumption from drilled wells was estimated

In 2022, at the very peak of the tourist season, properties of Plava Laguna were affected by regional water reduction of first degree due to drought and shortage of drinking water. In order to protect its horticultural assets, Plava Laguna used purified technological water from drilled wells, its own biological purifier and a public purifier.

## SUSTAINABILITY REPORT 2022 *(continued)*

### Waste management

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

GRI 306-2 Management of significant waste related impacts

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

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

Overview of waste generated in 2022

GRI 306-3 Waste generated

SELECTED NON-HAZARDOUS WASTE	in kg
Biowaste	866,385
Grease traps	334,500
Paper and cardboard	315,820
Solid rubbish	300,289
Plastic	242,110
Glass	229,903
Metal	25,326
Waste cooking oil	6,080
Wood	3,280
Textile	2,400
Other	16,431
<b>TOTAL</b>	<b>2,342,524</b>
SELECTED HAZARDOUS WASTE	
Electronic and electrical waste	15,875
Refrigeration devices	8,715
Paints, varnishes and resins	530
Fluo tubes and bulbs	406
Batteries	180
<b>TOTAL</b>	<b>25,706</b>
<b>MIXED MUNICIPAL WASTE *</b>	<b>2,937,095</b>
* the amount of MKO was estimated	
<b>TOTAL WASTE GENERATED</b>	<b>5,305,325</b>

**45 %**  
share of separated  
waste handed over to  
authorized collectors in  
2022

**1.05 kg**  
generated waste per  
night in 2022

## SUSTAINABILITY REPORT 2022 *(continued)*

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### Protection of biodiversity

Healthy and attractive environments, with abundance and diversity of ecosystems, are among the basic resources of tourism. The dependence of tourism on natural resources has also been proved by the TOMAS 2019 survey - Attitudes and expenditures of tourists in Croatia, according to which for 86% of tourists who come to Croatia for holidays on the Adriatic, the most important motivations for arrival are the sea (82%) and nature (56%). On the other side, tourism generates negative effects on natural environment because the space and the amounts of drinking water, clean air, fertile soil and biodiversity are limited natural resources. Negative trends could not only reduce the quality of life and cause damage to the natural balance of the ecosystem, but also threaten the foundations of the functioning of the economy, including tourism as an important branch. The impact of tourism on natural environments is also related to the aspect of economic and social sustainability. Pressures on marine ecosystems and consequently, lower levels of biodiversity affect the economic development but also the society. The loss of biodiversity and decline of ecosystems may have direct impact on human health and also affect the sources of income. Plava Laguna recognises the importance of preserving natural resources and the environment, as the basic premise of sustainable business and of keeping a competitive advantage, and strives to maximise the perception of the impact on biological diversity in conducting its business activities. The richness of biological diversity in areas in which Plava Laguna operates arises from the preservation of many different habitats of plant and animal life, preservation of the sea and coastal areas and certain protected parts of nature. The Landscaping team of Plava Laguna, which employs up to even **150 employees** at the peak of the of the tourist season, systematically cares for plants and greenery and the landscaping of an area of **430 hectares**. Over **180 different species** of trees, shrubs and perennials are grown, more than a third of which are autochthonous species. The total cost of landscaping in 2022 amounted to **HRK 28.6 million**. The areas where business activities of Plava Laguna are carried out also involve habitats for many wild animals usually found in the Mediterranean, among which the most represented are seagulls, wild pigeons, wild boars, rabbits, roe deers, squirrels and other. In some areas, certain animal species are found in large numbers, like in Umag, near hotel Coral, in the Squirrel park which makes it a real attraction for guests, and in the habitat for squirrels in the tourist village Galijot in Plava Resort. The preservation of the quality of seawater is achieved by regular maintenance of beaches managed by Plava Laguna, and the quality of seawater is monitored through regular seawater analyses from conducted from May until October. Plava Laguna is the first tourist company in the area of the City of Poreč that recognised the importance of preserving the sea and the coastal area, and that years ago in 1999, received the first recognition in the form of the international Blue flag label for the ecological program of protection of environment, sea and coastline whose primary goal is sustainable management of the sea and coastal zone. During 2022, more than two thirds of beaches managed by Plava Laguna have had the Blue flag or precisely 17 beaches and one marina. As part of the environmental protection program, Plava Laguna regularly informs the users of its beaches about the quality of the seawater, promotes the ecology and educates on ecology, offers information about local ecosystems and about the rules of behaviour on beaches in line with the environmental protection.

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

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



## EXPECTED FUTURE DEVELOPMENT OF THE COMPANY

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

In the camping segment, medium-term plans for further development are in sight, including camping Savudrija and the development of camping Poreč in terms of new mobile home zones, attractive common areas and the reconstruction of sanitary areas. The plan is to reconstruct the existing campsite Savudrija with the intention of further valorisation of its attractive location. In addition to the arrangement and equipping the camping plots with infrastructure, the investment includes the construction of a modern swimming pool complex with associated F&B facilities, and the arrangement of one part of the campsite to accommodate premium mobile homes.

In the segment of hotels and apartments, the development of the project for tourist village Savudrija is in its final stage, and a more detailed elaboration of the conceptual design for the tourist village Galijot is also ahead of us, where the factor of location and of the natural environment in which the village is set, makes it an important factor and a starting point for defining and positioning the entire product towards the luxury segment of demand.

Furthermore, it is necessary to come up with the conceptual designs for company's assets, primarily for Zelena laguna, that will be aligned with modern and expected requirements of the targeted markets and in accordance with the existing Master plan.

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

Efforts are continuously being invested in the improvement of sales related technology, starting with the communication with guests through CRM systems (customer relationship management) and the related strategy to using modern tools in direct sales channels. In 2022, Plava Laguna started planning a project to implement a new CRM software, in order to modernise guest relations and enhance the optimisation of processes, including practices aligned with GDPR. The work has also begun on the development of new sales web pages that will use modern technologies, all with the aim of enabling better customer experience and more efficient management of sales processes and data.

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

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

# PLAVA LAGUNA D.D., POREČ

## STATEMENT OF THE MANAGEMENT BOARD'S RESPONSIBILITIES

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


Based upon performed enquiries, the Management Board has a reasonable expectation that the Group ("Company") has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

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

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

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group ("Company") and must also; ensure that the financial statements comply with the Croatian Accounting Law. The Management Board is also responsible for safeguarding the assets of the Group ("Company") and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management is also responsible for the preparation and content of the Management Report and the Statement on the implementation of corporate governance code, as required by the Croatian Accounting Act and for the preparation and publication of financial statements in electronic form in accordance with the ESEF Regulation. The Management Report and the Statement on the Application of the Corporate Governance Code, the electronic financial statement in accordance with the ESEF Regulation and the accompanying financial statements together constitute the Annual Report of the Group (Company) and were approved and signed by the Management Board on 27 April 2023 for submission to the Supervisory Board.

  
Dragan Pujas  
President of Management Board

  
Damir Mendica  
Member of Management Board

  
Danira Rančić  
Member of Management Board





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

### **Report on the Audit of the Separate and Consolidated Financial Statements**

#### ***Opinion***

We have audited the separate financial statements of Plava Laguna d.d. ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the separate and consolidated statements of financial position of the Company and the Group respectively as at 31 December 2022, and their respective separate and consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information (further referred to as "the financial statements").

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

#### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key Audit Matters***

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



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

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

#### Key Audit Matters (continued)

##### Carrying amounts of tourism properties

The carrying amount of property, plant and equipment of the Group as at 31 December 2022: HRK 2,648,480 thousand (31 December 2021: HRK 2,265,264 thousand) and of the Company: HRK 2,257,109 thousand (31 December 2021: HRK 2,265,154 thousand). Refer to Notes 3.5 of *Accounting policies*, Note 5(a) of *Critical accounting estimates*, and Note 15 on *Property, plant and equipment*.

##### Key audit matter

As at 31 December 2022, the carrying amount of property, plant and equipment represented approximately 67% of the Group's total assets (Company: 60%). These assets, carried at cost less accumulated depreciation and any accumulated impairment losses, consist primarily of tourism properties and related assets.

Tourism properties are subject to annual review to assess whether or not they may be impaired. Management considers each hotel and camp to be a separate cash generating unit ("CGU"). As part of the impairment review, the Group and the Company analyse actual results of their individual CGUs to determine whether or not there are any impairment indicators in respect of the properties. If and when such indicators are identified, an estimate is made of the recoverable amount of the CGU and an impairment loss recognized, if necessary.

Management's assessment relies on significant judgments and assumptions about the tourism sector outlook including those pertaining to: discount rates, growth rates, occupancy rates, terminal value and revenue per available room.

Due to the above factors and complexities, as well as to the magnitude of the amounts involved, carrying amounts of tourism properties was determined by us to be associated with a significant risk of material misstatement. As such it required our increased attention in the audit and was considered by us to be a key audit matter.

##### How our audit addressed the matter

Our audit procedures in this area, included, among others:

- Evaluating design and implementation of the Group's and the Company's selected key controls within the process of accounting for tourism properties, including the controls over the identification of impairment indications and validation of impairment test outcomes;
- Inspecting the financial information used by the Management Board in its assessment of impairment indications for tourism properties. As part of the procedure, we challenged the key assumptions applied, such as the allocation of the corporate assets and costs to CGUs, and also tested the reliability of the financial information;
- Inspecting minutes of the Management Board's and Supervisory Board's meetings for any indications of financial difficulties / changes in operational plans, with potential adverse effects on the recoverable amounts of tourism properties. We also made corroborating inquiries of the Management Board, where relevant;
- Evaluating the Company's and the Group's judgments regarding identification of indications of impairment. This included, but was not limited to, comparing the CGU's actual performance to expected industry KPI's;
- Evaluating the appropriateness of the Company's and Group's impairment model against the requirements of the relevant financial reporting standards. As part of the above, we identified the relevant methods, assumptions and sources of data, and assessed whether such methods, assumptions, data and their application are appropriate in the context of the said requirements;



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

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

#### Key Audit Matters (continued)

##### Carrying amounts of tourism properties (continued)

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



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

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

#### ***Other Information***

Management is responsible for the other information. The other information comprises the Management Report and Corporate Governance Statement included in the Annual Report of the Company and the Group, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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

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

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

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

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



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

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

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

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

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

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

#### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and/or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.



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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### **Report on Other Legal and Regulatory Requirements**

We were appointed by those charged with governance on 19 August 2022 to audit the financial statements of the Company and the Group for the year ended 31 December 2022. Our total uninterrupted period of engagement is four years, covering the years ending in period from 31 December 2019 to 31 December 2022.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 25 April 2023;
- we have not provided any prohibited non-audit services (NASs) referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit;

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





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

### **Report on Other Legal and Regulatory Requirements (continued)**

#### **Report on Compliance with the ESEF Regulation**

In accordance with the requirements of Article 462 paragraph 5 of Capital Market Act, we are required to express a conclusion on compliance of the consolidated and separate financial statements of the Group and the Company as at and for the year ended 31 December 2022, as included in the attached electronic file "Plava-Laguna-22-12-31-hr.zip", with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

#### ***Responsibilities of Management and Those Charged with Governance***

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

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

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

#### ***Auditors' Responsibilities***

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



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

### Report on Other Legal and Regulatory Requirements (continued)

### Report on Compliance with the ESEF Regulation (continued)

#### *Work performed*

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

In respect of the subject matter, we have performed the following procedures:

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

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

#### **Conclusion**

In our opinion, based on the procedures performed and evidence obtained, the consolidated and separate financial statements of the Group and the Company as at and for the year ended 31 December 2022 presented in ESEF format and contained in the aforementioned attached electronic file, have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

Our conclusion does not represent an opinion on the true and fair view of the financial statements as this is included in our Report on the Audit of the Financial Statements.

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

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

27 April 2023

Joško Džida  
Director, Croatian Certified Auditor

# PLAVA LAGUNA D.D.

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Group		Company	
		2022	2021	2022	2021
		HRK'000	HRK'000	HRK'000	HRK'000
Sale of services	6	1,404,650	956,032	1,347,373	943,354
Other income	6a	4,122	52,396	3,572	52,269
Cost of materials and services	7	(437,819)	(300,950)	(415,043)	(293,452)
Staff costs	8	(327,552)	(230,898)	(313,566)	(229,389)
Depreciation and amortisation		(225,771)	(219,206)	(217,974)	(219,097)
Other operating expenses	9	(145,648)	(77,121)	(132,976)	(75,733)
Other gains/(losses) - net	10	(311)	184	(311)	184
<b>Operating profit</b>		<b>271,671</b>	<b>180,437</b>	<b>271,075</b>	<b>178,136</b>
Finance income	11	321,555	3,602	323,961	3,284
Finance costs	11	(13,599)	(14,423)	(13,657)	(14,581)
Finance income/(costs) - net		<b>307,956</b>	<b>(10,821)</b>	<b>310,304</b>	<b>(11,297)</b>
Share in associate	18	31,364	5,263	-	-
<b>Profit before tax</b>		<b>610,991</b>	<b>174,879</b>	<b>581,379</b>	<b>166,839</b>
Income tax	12	(111,014)	(22,199)	(110,663)	(21,717)
<b>Profit for the year</b>		<b>499,977</b>	<b>152,680</b>	<b>470,716</b>	<b>145,122</b>
<b>Other comprehensive income/(loss)</b>					
Change in the value of financial assets measured at fair value through other comprehensive income, net of tax					
		2,516	2,494	2,516	2,494
Actuarial gain/(loss), net of tax					
		(116)	104	(116)	104
<b>Total comprehensive income for the year</b>		<b>502,377</b>	<b>155,278</b>	<b>473,116</b>	<b>147,720</b>
<b>Profit attributable to:</b>					
Owners of the Company		499,992	152,680		
Non-controlling interest		(15)	-		
		<b>499,977</b>	<b>152,680</b>		
<b>Total comprehensive income</b>					
Owners of the Company		<b>502,392</b>	<b>155,278</b>		
Non-controlling interest		(15)	-		
		<b>502,377</b>	<b>155,278</b>		
Basic and diluted earnings per share (in HRK):	13	<b>191.13</b>	<b>58.34</b>		

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

# PLAVA LAGUNA D.D.

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	Group		Company	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
		HRK'000	HRK'000	HRK'000	HRK'000
<b>ASSETS</b>					
Property, plant and equipment	15	2,648,480	2,265,264	2,257,109	2,265,154
Investment property	15a	24,757	27,072	24,757	27,072
Intangible assets	16	16,358	16,206	16,286	16,174
Right-of-use assets	17	21,589	24,286	21,589	24,286
Investments in subsidiaries and associate	18	-	226,870	344,959	190,845
Financial assets	19	18,089	15,077	17,885	15,077
Deferred tax assets	20	5,081	41,868	1,582	41,868
Loans receivable	21	754	3,179	754	3,136
<b>Non-current assets</b>		<b>2,735,108</b>	<b>2,619,822</b>	<b>2,684,921</b>	<b>2,583,612</b>
Inventories		8,098	4,289	7,009	4,243
Trade and other receivables	22	26,460	22,711	22,175	21,955
Income tax receivable		62	50	-	-
Loans receivable	21	2,004	3,900	2,004	3,879
Bank deposits		1,076,257	97,723	1,017,158	97,723
Cash and cash equivalents	23	78,266	635,672	57,578	620,877
<b>Current assets</b>		<b>1,191,147</b>	<b>764,345</b>	<b>1,105,924</b>	<b>748,677</b>
<b>Total assets</b>		<b>3,926,255</b>	<b>3,384,167</b>	<b>3,790,845</b>	<b>3,332,289</b>
<b>EQUITY</b>					
Share capital	24	1,444,530	1,444,530	1,444,530	1,444,530
Capital reserves		693	693	693	693
Treasury shares		(1,430)	(1,430)	(1,430)	(1,430)
Reserves	25	130,519	128,119	130,519	128,119
Retained earnings		1,125,603	846,196	1,042,279	792,148
Non-controlling interest		8,422	-	-	-
<b>Total equity</b>		<b>2,708,337</b>	<b>2,418,108</b>	<b>2,616,591</b>	<b>2,364,060</b>
<b>LIABILITIES</b>					
Borrowings	26	641,939	539,569	641,939	539,569
Provisions	28	15,432	12,706	14,658	12,706
Deferred tax liabilities	20	41,849	10,115	10,265	10,115
Lease liabilities	17	19,597	22,210	19,597	22,210
<b>Non-current liabilities</b>		<b>718,817</b>	<b>584,600</b>	<b>686,459</b>	<b>584,600</b>
Borrowings	26	163,034	162,482	163,034	165,835
Trade and other payables	27	257,857	215,248	246,876	214,488
Deferred income		3,778	-	3,778	-
Lease liabilities	17	2,484	2,516	2,484	2,516
Income tax payable		70,927	423	70,755	-
Provisions	28	1,021	790	868	790
<b>Current liabilities</b>		<b>499,101</b>	<b>381,459</b>	<b>487,795</b>	<b>383,629</b>
<b>Total liabilities</b>		<b>1,217,918</b>	<b>966,059</b>	<b>1,174,254</b>	<b>968,229</b>
<b>Total equity and liabilities</b>		<b>3,926,255</b>	<b>3,384,167</b>	<b>3,790,845</b>	<b>3,332,289</b>

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

# PLAVA LAGUNA D.D.

## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

Group	Share capital	Capital reserves	Treasury shares	Reserves	Retained earnings	Non-controlling interest	Total
<i>(in thousands of HRK)</i>							
At 1 January 2021	1,444,530	693	(1,430)	125,521	693,621	-	2,262,935
Profit for the year	-	-	-	-	152,680	-	152,680
Other comprehensive loss	-	-	-	2,598	-	-	2,598
<b>Total comprehensive loss for 2021</b>	-	-	-	<b>2,598</b>	<b>152,680</b>	-	<b>155,278</b>
Dividends	-	-	-	-	(105)	-	(105)
<b>Total transactions with owners of the Company</b>	-	-	-	-	<b>(105)</b>	-	<b>(105)</b>
<b>At 31 December 2021</b>	<b>1,444,530</b>	<b>693</b>	<b>(1,430)</b>	<b>128,119</b>	<b>846,196</b>	-	<b>2,418,108</b>
At 1 January 2022	1,444,530	693	(1,430)	128,119	846,196	-	2,418,108
Profit for the year	-	-	-	-	499,992	(15)	499,977
Other comprehensive income	-	-	-	2,400	-	-	2,400
<b>Total comprehensive income for 2022</b>	-	-	-	<b>2,400</b>	<b>499,992</b>	<b>(15)</b>	<b>502,377</b>
Business combination	-	-	-	-	-	8,626	8,626
Dividends	-	-	-	-	(220,585)	(189)	(220,774)
<b>Total transactions with owners of the Company</b>	-	-	-	-	<b>(220,585)</b>	<b>8,437</b>	<b>(212,148)</b>
<b>At 31 December 2022</b>	<b>1,444,530</b>	<b>693</b>	<b>(1,430)</b>	<b>130,519</b>	<b>1,125,603</b>	<b>8,422</b>	<b>2,708,337</b>

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

## PLAVA LAGUNA D.D.

### STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

Company <i>(in thousands of HRK)</i>	Share capital	Capital reserves	Treasury shares	Reserves	Retained earnings	Total
At 1 January 2021	1,444,530	693	(1,430)	125,521	647,131	2,216,445
Profit for the year	-	-	-	-	145,122	145,122
Other comprehensive loss	-	-	-	2,598	-	2,598
<b>Total comprehensive loss for 2021</b>	-	-	-	<b>2,598</b>	<b>145,122</b>	<b>147,720</b>
Dividends	-	-	-	-	(105)	(105)
<b>Total transactions with owners of the Company</b>	-	-	-	-	<b>(105)</b>	<b>(105)</b>
<b>At 31 December 2021</b>	<b>1,444,530</b>	<b>693</b>	<b>(1,430)</b>	<b>128,119</b>	<b>792,148</b>	<b>2,364,060</b>
At 1 January 2022	1,444,530	693	(1,430)	128,119	792,148	2,364,060
Profit for the year	-	-	-	-	470,716	470,716
Other comprehensive income	-	-	-	2,400	-	2,400
<b>Total comprehensive income for 2022</b>	-	-	-	<b>2,400</b>	<b>470,716</b>	<b>473,116</b>
Dividends	-	-	-	-	(220,585)	(220,585)
<b>Total transactions with owners of the Company</b>	-	-	-	-	<b>(220,585)</b>	<b>(220,585)</b>
<b>At 31 December 2022</b>	<b>1,444,530</b>	<b>693</b>	<b>(1,430)</b>	<b>130,519</b>	<b>1,042,279</b>	<b>2,616,591</b>

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

**PLAVA LAGUNA D.D.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	Group		Company	
		2022 HRK'000	2021. HRK'000	2022 HRK'000	2021. HRK'000
<b>Profit before tax</b>		<b>610,991</b>	<b>174,879</b>	<b>581,379</b>	<b>166,839</b>
<b>Adjustments for:</b>					
Depreciation and amortisation	15,16,17	225,771	219,206	217,974	219,097
Provision for impairments of loans given	21	(251)	(1,300)	(251)	(1,300)
Provision for impairments of receivables - net	22	(728)	(2,143)	(728)	(2,113)
Property, plant and equipment write off	15,16	3	254	3	253
Dividend income	11	(528)	(574)	(9,720)	(574)
Gain on disposal of property, plant and equipment		311	(184)	311	(184)
Finance income and costs		10,185	11,396	10,733	11,871
Gain from financial assets		(317,619)	-	(311,350)	-
Share of profit of associate	18	(31,364)	(5,263)	-	-
		<b>496,771</b>	<b>396,271</b>	<b>488,351</b>	<b>393,889</b>
<b>Changes in working capital:</b>					
Trade and other receivables		20,698	8,785	845	8,975
Inventories		(1,676)	(575)	(2,766)	(581)
Trade and other payables		18,891	51,489	31,168	50,341
Provisions		1,962	1,669	1,888	1,669
<b>Cash flows from operating activities</b>		<b>536,646</b>	<b>457,639</b>	<b>519,486</b>	<b>454,293</b>
Interest paid		(13,827)	(27,335)	(13,898)	(27,504)
Income tax (paid)/received		(599)	291	-	-
<b>Net cash from operating activities</b>		<b>522,220</b>	<b>430,595</b>	<b>505,588</b>	<b>426,789</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment, and intangible assets		(204,294)	(82,476)	(204,181)	(82,475)
Proceeds from sale of tangible assets		205	184	129	184
Dividend received	18	528	574	9,720	574
(Increase)/decrease in deposits		(976,813)	(97,921)	(917,714)	(97,921)
Receipts from loans receivable		4,572	6,360	4,508	6,360
Cash received from sale of financial asset		286	-	302	-
Acquisition of subsidiary, cash acquired	31	54,329	-	-	-
Interest received		1,948	131	1,919	130
<b>Net cash from investing activities</b>		<b>(1,119,239)</b>	<b>(173,148)</b>	<b>(1,105,317)</b>	<b>(173,148)</b>
<b>Cash flows from financing activities</b>					
Proceeds from loans and borrowings		278,586	5	278,586	5
Repayment of borrowings		(172,755)	(114,522)	(176,106)	(117,281)
Dividend paid		(63,612)	-	(63,423)	-
Payment of lease liabilities		(2,679)	(2,439)	(2,679)	(2,438)
<b>Net cash from financing activities</b>		<b>39,540</b>	<b>(116,956)</b>	<b>36,378</b>	<b>(119,714)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(557,479)</b>	<b>140,491</b>	<b>(563,351)</b>	<b>133,927</b>
Cash and cash equivalents at the beginning of the year		635,672	496,495	620,877	488,259
Effects of movement in exchange rates on cash held		73	(1,314)	52	(1,309)
<b>Cash and cash equivalents at the end of the year</b>	23	<b>78,266</b>	<b>635,672</b>	<b>57,578</b>	<b>620,877</b>

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

# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1 – GENERAL INFORMATION

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

- Travel d.o.o. with an ownership interest of 100% (31 December 2021: 100%)
- Istraturist j.d.o.o. with an ownership interest of 100% (31 December 2021: 100%)
- ISTRA DMC d.o.o. with an ownership interest of 100% (31 December 2021: 100%)
- Hotel Croatia d.d. with an ownership interest of 97.98 % (31 December 2021: 32.48%).

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

As of 31 December 2022 the Group has no associates (2021: Jadranski luksuzni hoteli d.d. and Hotel Croatia d.d. with a shareholding of 32.48% each).

The majority owner of the Company on 31 December 2022 and 2021 is the Adriatic Investment Group headquartered in the Grand Duchy of Luxembourg, wholly owned by Sutivan Investments Anstalt, Liechtenstein.

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

As at 31 December 2022 and 2021, the shares of the parent company were listed on the regular joint stock company listing on the Zagreb Stock Exchange.

### Management Board and Supervisory Board

#### Management Board

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

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

#### Supervisory Board

Davor Lukšić Lederer	President, from June 2012
Patricio Tomas Balmaceda Tafra	Vice President, from October 2006
Davor Domitrović Grubišić	Member, from September 2011
Joseph Ignace Bulnes	Member, until April 2022
Neven Staver	Member, from October 2019
Duncan Graham Bramwell	Member, from October 2019
Marica Kurtek	Member, from November 2019
Paul Marie Francois Jean Rene' Le Bault de La Moriniere	Member, from April 2022



# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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### NOTE 2 – BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

These financial statements were approved by the Management Board on 27 April 2023.

#### 2.2 Basis of preparation

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

#### 2.3 Functional and presentation currency

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

#### 2.4 Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 5.

#### 2.5 Going concern

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

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**3.1 Consolidation**

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

*a) Business Combinations*

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

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

*Goodwill*

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

**3.1 Consolidation (continued)**

*a) Business Combinations (continued)*

*Goodwill (continued)*

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

*b) Subsidiaries*

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

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

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

*d) Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements and are initially recognised at cost. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition. In the Company's separate financial statements investments in associates are accounted at cost less impairment.

The Group's share of associates' post-acquisition gains or losses is recognised in the statement of profit or loss and its share of their post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise any further losses, unless it has incurred obligations or made payments on behalf of the associate. Dividends received from associates are treated as a decrease of investment in associate in the Group's consolidated statement of financial position and as a dividend income in the Company's separate statement of profit or loss.

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

**3.1 Consolidation (continued)**

*a) Associates (continued)*

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

*b) Acquisition of entities under common control*

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that ultimately controls the Group are accounted for using the following principles:

- the assets and liabilities acquired are recognised at the carrying amounts recognised previously in the consolidated financial statements of the controlling shareholder of the Group,
- the difference between the consideration paid and the carrying value of transferred assets and liabilities is recognised in Group equity,
- the components of equity of the acquired entities are added to the same components within Group equity (except any issued capital of the acquired entities which is recognised as part of share premium),
- any cash paid for the acquisition is recognised directly in equity.

*c) Non-controlling interest*

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets.

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

*d) Transactions eliminated during consolidation*

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

**3.2 Investments in subsidiaries (Company)**

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

# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.3 Segment reporting

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

#### 3.4 Foreign currencies

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income within "Finance income/costs"-net.

The exchange rate of kuna against the EUR as at 31 December 2022 was HRK 7.53450 (31 December 2021: HRK 7.517174).

#### 3.5 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of comprehensive income within line item 'other gains – net'.

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

**3.6 Intangible assets**

*(a) Software*

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

**3.7 Financial instruments**

***Non-derivative financial instruments***

*a) Recognition and initial measurement*

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

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

*b) Classification and subsequent measurement*

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

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

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

All financial assets not classified as measured at amortised cost as described above are measured through other comprehensive income.

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

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

**3.7 Financial instruments (continued)**

***Non-derivative financial instruments (continued)***

*b) Classification and subsequent measurement (continued)*

*Financial liabilities – Classification, subsequent measurement and gains or losses*

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

*c) Derecognition*

*Financial assets*

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

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

*Financial liabilities*

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

*d) Netting*

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

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

**3.7 Financial instruments (continued)**

***Non-derivative financial instruments (continued)***

*c) Netting (continued)*

*Effective interest method*

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

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

***Impairment***

***Non-derivative financial assets***

*Financial instruments and contract assets*

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

*Financial instruments and contract assets (continued)*

Loss allowances are measured on either of the following:

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

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group (Company) considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group (Company’s) historical experience and informed credit assessment and including forward-looking information.

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



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

**3.7 Financial instruments (continued)**

***Impairment (continued)***

***Non-derivative financial instruments (continued)***

*Measurement of ECLs*

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

*Credit-impaired financial assets*

At each reporting date, the Group (Company) assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

*Presentation of allowance for ECL in the statement of financial position*

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

***Non - financial assets***

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

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

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

**3.7 Financial instruments (continued)**

***Impairment (continued)***

***Non - financial assets (continued)***

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

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

**3.8 Inventories**

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

**3.9 Cash and cash equivalents**

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

**3.10 Trade, deposit and loan receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Deposits are amounts held with banks with original maturities over three months. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade, deposit and loan receivables are subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.11 Leases**

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

**i. As a lessee**

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

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

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group (Company) is reasonably certain to exercise, lease payments in an optional renewal period if the Group (Company) is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group (Company) is reasonably certain not to terminate early.

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

**3.11 Leases (continued)**

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group (Company) presents right-of-use assets that do not meet the definition of investment property in separate line items in the statement of financial position.

***Short-term leases and leases of low-value assets***

The Group (Company) has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group (Company) recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**ii. As a lessor**

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

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

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

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

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

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

# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 3.11 Leases *(continued)*

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

##### ii. As a lessor *(continued)*

The Group (Company) recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

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

#### 3.12 Share capital

Ordinary and preference shares are classified as equity. Preference shares bear a fixed dividend of HRK 0.25 per share per annum (2021: HRK 0.25), in addition to ordinary dividends in the amount equal to the dividend paid on each ordinary share. Where the Group (Company) purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Group (Company's) equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable transaction costs, is included in equity attributable to the Group (Company's) equity holders.

#### 3.13 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised and amortised over the period of the facility to which it relates.

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

#### 3.14 Trade payables

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

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

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

**3.15 Provisions**

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

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

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

**3.16 Income tax**

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

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

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

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

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

**3.17 Employee benefits**

*(a) Pension obligations and post-employment benefits*

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

*(b) Termination benefits*

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

*(c) Short-term employee benefits*

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

*(d) Long-term employee benefits*

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

**3.18 Revenue recognition**

*(a) Tourist services*

Tourist services include overnight stays, consumption of food and beverages, use of wellness and other services during guest accommodation. The Group (Company) provides tourist services based on fixed-term contracts prices at which the agreed price lists are an integral part of each contract. Price lists include the quantities and types of accommodation units and other services and are defined by the period to which service relates. All discounts calculated on the price list represent a decrease in the selling price. Revenues from fixed-price contracts for tourism services are recognized in the period in which the services are provided in proportion to the total contracted service, given that customers receive the service and the benefits of using the service evenly over the period of use of the service, that is, the duration of the contract (over the time).

The average period of service is a few days and the total revenue recognition is limited to the period when the accommodation units are open to receive guests during the tourist season, and all within one calendar year. The amount of revenue to be recognized is determined on a real basis occupancy of accommodation units and consumption of other services used by guests and agreed prices at the time of use. The Group (Company) provides food and beverages in hotel rooms as well as in hotel restaurants which are recognised as revenues when provided, at the point of time.

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

**3.18 Revenue recognition (continued)**

*(b) Rental services*

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

*(c) Interest income*

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

*(d) Dividend income*

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

**3.19 Dividend distribution**

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

**3.20 Earnings per share**

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

**3.21 Value added tax**

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

**3.22 Government grants**

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

**3.23 Investment property**

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

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

**3.24 Standards issued but not yet effective**

Several new accounting standards and interpretations have been issued that are not required to be applied for the period ending 31 December 2022 and have not been previously adopted by the Company and are not expected to have a material impact on the Company's financial statements.



# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 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

	Loans and receivables HRK'000	Financial assets at fair value through other comprehensive income HRK'000	Total HRK'000
<b>31 Dec 2022</b>			
Investments in shares of domestic companies	-	18,089	18,089
Trade and other receivables	26,460	-	26,460
Deposits with banks and loans given	1,079,015	-	1,079,015
Cash and cash equivalents	78,266	-	78,266
<b>Total</b>	<b>1,183,741</b>	<b>18,089</b>	<b>1,201,830</b>
	Loans and receivables HRK'000	Financial assets at fair value through profit and loss HRK'000	Total 000'kn
<b>31 Dec 2021</b>			
Investments in shares of domestic companies	-	15,077	15,077
Trade and other receivables	22,711	-	22,711
Deposits with banks and loans given	104,802	-	104,802
Cash and cash equivalents	635,672	-	635,672
<b>Total</b>	<b>763,185</b>	<b>15,077</b>	<b>778,262</b>

# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

#### 4.1 Financial risk factors (continued)

##### Company

##### - Assets

	Financial assets at amortised cost HRK'000	Financial assets at fair value through other comprehensive income HRK'000	Total HRK'000
<b>31 Dec 2022</b>			
Investments in shares of domestic companies	-	17,885	17,885
Trade and other receivables	22,175	-	22,175
Deposits with banks and loans given	1,019,916	-	1,019,916
Cash and cash equivalents	57,578	-	57,578
<b>Total</b>	<b>1,099,669</b>	<b>17,885</b>	<b>1,117,554</b>

	Financial assets at amortised cost HRK'000	Financial assets at fair value through other comprehensive income HRK'000	Total HRK'000
<b>31 Dec 2021</b>			
Investments in shares of domestic companies	-	15,077	15,077
Trade and other receivables	21,955	-	21,955
Deposits with banks and loans given	104,738	-	104,738
Cash and cash equivalents	620,877	-	620,877
<b>Total</b>	<b>747,570</b>	<b>15,077</b>	<b>762,647</b>

##### - Liabilities-at amortised cost

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Borrowings	804,973	702,051	804,973	705,404
Trade and other payables	257,857	215,248	246,876	214,488
<b>Total</b>	<b>1,062,830</b>	<b>917,299</b>	<b>1,051,849</b>	<b>919,892</b>

# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

#### 4.1 Financial risk factors (continued)

##### (a) Market risk

##### (i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Most of the sales proceeds, long-term debt and term deposits are denominated in EUR. Therefore, movements in exchange rates between the Euro and Croatian kuna may have an impact on the results of future operations and future cash flow.

As at 31 December 2022 and 2021, the currency structure of the Group's (Company's) financial instruments within the scope of IFRS 9 is as follows:

##### Group (in HRK '000)

<b>31 Dec 2022</b>	<b>EUR</b>	<b>HRK</b>	<b>CHF</b>	<b>Other</b>	<b>Total</b>
<b>Financial assets</b>					
Trade and other receivables	10,057	16,379	-	24	26,460
Deposits with banks and loans given	1,075,551	2,758	-	706	1,079,015
Available-for-sale financial assets	-	18,089	-	-	18,089
Cash and cash equivalents	31,641	40,852	1,299	4,474	78,266
<b>Total</b>	<b>1,117,249</b>	<b>78,077</b>	<b>1,299</b>	<b>5,204</b>	<b>1,201,830</b>
<b>Financial liabilities-at amortised cost</b>					
Borrowings	752,137	52,836	-	-	804,973
Trade and other payables	43,606	214,160	-	91	257,857
<b>Total</b>	<b>795,743</b>	<b>266,996</b>	<b>-</b>	<b>91</b>	<b>1,062,830</b>
<b>Net exposure</b>	<b>321,506</b>	<b>(188,919)</b>	<b>1,299</b>	<b>5,113</b>	<b>139,000</b>
<b>31 Dec 2021</b>	<b>EUR</b>	<b>HRK</b>	<b>CHF</b>	<b>Other</b>	<b>Total</b>
<b>Financial assets</b>					
Trade and other receivables	8,092	14,568	-	51	22,711
Deposits with banks and loans given	98,924	5,878	-	-	104,802
Available-for-sale financial assets	-	15,077	-	-	15,077
Cash and cash equivalents	500,918	125,511	983	8,260	635,672
<b>Total</b>	<b>607,934</b>	<b>161,034</b>	<b>983</b>	<b>8,311</b>	<b>778,262</b>
<b>Financial liabilities-at amortised cost</b>					
Borrowings	702,051	-	-	-	702,051
Trade and other payables	18,981	195,699	-	568	215,248
<b>Total</b>	<b>721,032</b>	<b>195,699</b>	<b>-</b>	<b>568</b>	<b>917,299</b>
<b>Net exposure</b>	<b>(113,098)</b>	<b>(34,665)</b>	<b>983</b>	<b>7,743</b>	<b>(139,037)</b>

# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

#### 4.1 Financial risk factors (continued)

##### (a) Market risk (continued)

##### (i) Foreign exchange risk (continued)

Company (in HRK '000)

31 December 2022	EUR	HRK	Other	Total
<b>Financial assets</b>				
Trade and other receivables	6,589	15,562	24	22,175
Deposits with banks and loans given	1,017,158	2,758	-	1,019,916
Available-for-sale financial assets	-	17,885	-	17,885
Cash and cash equivalents	22,805	29,340	5,433	57,578
<b>Total</b>	<b>1,046,552</b>	<b>65,545</b>	<b>5,457</b>	<b>1,117,554</b>
<b>Financial liabilities-at amortised cost</b>				
Borrowings	752,137	52,836	-	804,973
Trade and other payables	27,543	219,243	90	246,876
<b>Total</b>	<b>779,680</b>	<b>272,079</b>	<b>90</b>	<b>1,051,849</b>
<b>Net exposure</b>	<b>266,872</b>	<b>(206,534)</b>	<b>5,367</b>	<b>65,705</b>
<b>31 December 2021</b>	<b>EUR</b>	<b>HRK</b>	<b>Other</b>	<b>Total</b>
<b>Financial assets</b>				
Trade and other receivables	8,004	13,901	50	21,955
Deposits with banks and loans given	98,924	5,814	-	104,738
Available-for-sale financial assets	-	15,077	-	15,077
Cash and cash equivalents	498,852	117,798	4,227	620,877
<b>Total</b>	<b>605,780</b>	<b>152,590</b>	<b>4,277</b>	<b>762,647</b>
<b>Financial liabilities-at amortised cost</b>				
Borrowings	702,052	3,352	-	705,404
Trade and other payables	18,947	194,984	557	214,488
<b>Total</b>	<b>720,999</b>	<b>198,336</b>	<b>557</b>	<b>919,892</b>
<b>Net exposure</b>	<b>(115,219)</b>	<b>(45,746)</b>	<b>3,720</b>	<b>(157,245)</b>

On 1 January 2023, the Republic of Croatia introduced the euro as the official currency. The fixed conversion rate is set at HRK 7.53450 for one euro. This ends the currency risks in relation to the Group's and Company's transactions denominated in euros.

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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#### NOTE 4 – FINANCIAL RISK MANAGEMENT *(continued)*

##### 4.1 Financial risk factors *(continued)*

###### *(a) Market risk (continued)*

###### *(ii) Price risk*

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

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

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

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

###### *b) Credit risk*

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

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

# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 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	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Trade receivables	11,236	3,378	8,520	3,007
Receivables from the lessee	4,494	7,427	4,494	7,419
Other receivables	10,730	11,906	9,161	11,529
Deposits and loans given	1,079,015	104,802	1,019,916	104,738
Cash and cash equivalents	78,266	635,672	57,578	620,877
<b>Total</b>	<b>1,183,741</b>	<b>763,185</b>	<b>1,099,669</b>	<b>747,570</b>

The credit quality of financial assets:

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Neither past due nor impaired	1,100,855	125,911	1,039,924	125,581
Past due but not impaired	4,620	1,602	2,167	1,112
Impaired	8,517	10,212	5,897	7,629
Impairment	(8,517)	(10,212)	(5,897)	(7,629)
<b>Total</b>	<b>1,105,475</b>	<b>127,513</b>	<b>1,042,091</b>	<b>126,693</b>

# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### NOTE 4 – FINANCIAL RISK MANAGEMENT *(continued)*

#### 4.1 Financial risk factors *(continued)*

##### *b) Credit risk (continued)*

Financial institutions comprise domestic banks without a credit rating. However, their foreign parent banks have high ratings in range from A to BBB+ (2021: A, A-, BBB, BBB+) (Standard & Poor`s).

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

	Group		Company	
	2022	2021	2022	2021
	HRK'000	HRK'000	HRK'000	HRK'000
Up to 1 month	910	379	442	121
1 to 2 month	798	144	445	86
2 to 3 month	685	185	435	290
Over 3 months up to 1 year	2,226	894	845	615
<b>Total</b>	<b>4,619</b>	<b>1,602</b>	<b>2,167</b>	<b>1,112</b>

##### *(c) Liquidity risk*

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

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

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

# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)

#### 4.1 Financial risk factors (continued)

##### (c) Liquidity risk (continued)

Group

	Up to 1 year HRK'000	1-2 years HRK'000	2-5 years HRK'000	Over 5 years HRK'000	Total HRK'000
<b>31 December 2022</b>					
Borrowings	163,034	137,662	363,005	141,272	804,973
Trade and other payables	257,857	-	-	-	257,857
<b>Total liabilities</b>	<b>420,891</b>	<b>137,662</b>	<b>363,005</b>	<b>141,272</b>	<b>1,062,830</b>
<b>31 Dec 2021</b>					
Borrowings	162,482	159,949	379,620	-	702,051
Trade and other payables	215,248	-	-	-	215,248
<b>Total liabilities</b>	<b>377,730</b>	<b>159,949</b>	<b>379,620</b>	<b>-</b>	<b>917,299</b>

Company

	Up to 1 year HRK'000	1-2 years HRK'000	2-5 years HRK'000	Over 5 years HRK'000	Total HRK'000
<b>31 December 2022</b>					
Borrowings	163,034	137,662	363,005	141,272	804,973
Trade and other payables	246,876	-	-	-	246,876
<b>Total liabilities</b>	<b>409,910</b>	<b>137,662</b>	<b>363,005</b>	<b>141,272</b>	<b>1,051,849</b>
<b>31 Dec 2021</b>					
Borrowings	165,835	159,949	379,620	-	705,404
Trade and other payables	214,488	-	-	-	214,488
<b>Total liabilities</b>	<b>380,323</b>	<b>159,949</b>	<b>379,620</b>	<b>-</b>	<b>919,892</b>

#### 4.2 Capital risk management

The Group's (Company's) objectives when managing capital are to safeguard the Group's (Company's) ability to continue as a going concern in order to provide returns for the owner and to maintain an optimal capital structure to reduce the cost of capital.

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



**NOTE 4 – FINANCIAL RISK MANAGEMENT (continued)**

**4.3 Fair value estimation**

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

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

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

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

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

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

If one or more significant inputs are not based on observable market data, the fair value estimate is included in level 3.

As at 31 December 2022, assets carried at fair value in the amount of HRK 18,089 thousand (2021: HRK 15,077 thousand) were allocated into level 1.

During 2022 there were no transfers within levels.

**NOTE 5 – CRITICAL ACCOUNTING ESTIMATES**

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

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

Based on historical information, and in line with the technical department, the remaining useful life of buildings was assessed by Management Board to be 10-25 years. The useful lives of equipment and other assets have also been assessed.

The useful lives of property, plant and equipment will periodically be revised to reflect any changes in circumstances since the previous estimate. Changes in estimate, if any, will be reflected prospectively in a revised depreciation charge over the remaining, revised useful life.

*(b) Goodwill*

Separate goodwill is tested annually for impairment or whenever there are any impairment provisions and are recognized at cost less accumulated impairment losses. Goodwill impairment losses are not eliminated.

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

CGU relates to the properties that were previously operated by company Istraturist d.d. Properties are located in Istria, Umag. Based on future cash flow analysis, there are no goodwill impairments identified.

Key assumptions used in the estimation of the recoverable amount were the discount rate of 9% and the growth rate of 2%. Capital expenditure used has been calculated based on the projections for period up to 2035.

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

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, future salary increases and the mortality or fluctuation rates. Due to the long-term nature of those plans, these estimates contain an element of uncertainty. Key assumptions were discount rate of 1.8% and fluctuation rate for jubilee awards of 3% for males and 2.5% for females.

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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#### NOTE 5 – CRITICAL ACCOUNTING ESTIMATES *(continued)*

##### *(d) Deferred tax assets recognition*

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

For investments in the Group's (Company's) properties up to 31 December 2022 the Company has achieved investment tax credit incentives which were fully utilised up to that date (2021: unused tax credit of HRK 27,021 thousand).

##### *(e) Concession fees for tourist land*

The concession on tourist land used by the Company was regulated until 2020 by the Act on the Tourist and Other Construction Land Not Appraised During the Transition and Privatisation Process (hereinafter: ZTZ) enacted back in 2010 and the payment of concession fees were regulated by two statutes adopted on the basis of the same Act:

- Statute on the manner, procedure and conditions for evaluating the value and sale of tourist land owned by a local authorities and the manner, procedure and conditions for obtaining a concession on the remaining tourist land owned by the local government, and
- Statute on the procedure, manner and conditions for obtaining a concession on tourist land in camps co-owned by the Republic of Croatia.

The new Act on the un-appraised construction land (hereinafter: ZNGZ) was passed in April 2020, which by its Article 50, puts the ZTZ and all Statutes that were adopted on the basis of the same Act, out of force, including their latest amendments. ZNGZ entered into force on May 2, 2020, and as of that date, there is no regulation in force that regulates the obligation to pay a concession for tourist land. As of the same date, the Company no longer has the status of a concessionaire but of a lessee and the new regulations should have been adopted within 2 months (until July 2, 2020) to regulate rent payments, however, no regulations have been adopted by the date of this note.

Due to the lack of regulations, the fee was calculated in accordance with the previously determined fee, in accordance with the old law. Due to the fact that the new legal resolutions have not yet produced adequate legal effects in practice and, on the other hand, the fact that there were expectations of changes in legislation which will regulate further obligations, the Company did not recognize these leases in accordance with IFRS 16 *Leases*.

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### NOTE 6 – SEGMENT INFORMATION

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

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

The segment information provided to the Company's Management Board for the year ended 31 December 2022 is as follows:

	Hotels & apartments	Campsites	Total business segments	Other business segments	Total
HRK'000					
Total sales	1,088,462	331,997	1,420,459	40,887	1,461,346
<b>Profit before tax</b>	<b>193,587</b>	<b>130,537</b>	<b>324,124</b>	<b>255,503</b>	<b>579,627</b>
Depreciation and amortisation (Note 15 and 16)	(167,978)	(50,023)	(218,001)	(7,770)	(225,771)
Income tax	-	-	-	-	(111,014)
Share in profit in the associate	-	-	-	-	31,364
<b>Total assets</b>	<b>1,802,247</b>	<b>481,972</b>	<b>2,284,219</b>	<b>85,202</b>	<b>2,369,421</b>
<b>Investment in associate</b>	-	-	-	-	-
<b>Total liabilities</b>	<b>21,618</b>	<b>1,774</b>	<b>23,392</b>	<b>388</b>	<b>23,780</b>

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

	Hotels & apartments	Campsites	Total business segments	Other business segments	Total
HRK'000					
Total sales	739,943	278,397	1,018,340	27,113	1,045,453
<b>Profit before tax</b>	<b>86,848</b>	<b>84,072</b>	<b>170,920</b>	<b>(1,304)</b>	<b>169,616</b>
Depreciation and amortisation (Note 15 and 16)	(160,013)	(51,256)	(211,269)	(7,937)	(219,206)
Income tax	-	-	-	-	(22,199)
Share in profit in the associate	-	-	-	-	5,263
<b>Total assets</b>	<b>1,584,953</b>	<b>493,240</b>	<b>2,078,193</b>	<b>88,757</b>	<b>2,166,950</b>
<b>Investment in associate</b>	-	-	-	-	<b>226,870</b>
<b>Total liabilities</b>	<b>14,272</b>	<b>7,050</b>	<b>21,322</b>	<b>464</b>	<b>21,786</b>

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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#### NOTE 6 – SEGMENT INFORMATION *(continued)*

##### Reconciliation of profit before tax is as follows:

	<b>2022</b>	2021
	HRK'000	HRK'000
Total sales of business segment	1,420,459	1,018,340
Total sales of other segment	40,887	27,113
Inter-segment revenue	(52,574)	(37,025)
	<u>          </u>	<u>          </u>
<b>Revenue from external customers</b>	<b>1,408,772</b>	<b>1,008,428</b>
Profit/(loss) before tax for business segment	324,124	170,920
Profit/(loss) before tax for other segment	255,503	(1,304)
Share in profit/(loss) in the associate	31,364	5,263
	<u>          </u>	<u>          </u>
<b>Profit before tax</b>	<b>610,991</b>	<b>174,879</b>

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

	<b>2022</b>		2021	
	Assets	Liabilities	Assets	Liabilities
	HRK'000	HRK'000	HRK'000	HRK'000
Business segment assets/liabilities	2,284,219	23,392	2,078,193	21,322
Other segment assets/liabilities	85,202	388	88,757	464
Unallocated:	1,556,834	1,194,138	1,217,217	944,273
Available-for-sale financial assets	18,089	-	15,077	-
Loans and deposits given	1,079,015	-	104,802	-
Cash and cash equivalents	78,266	-	635,672	-
Share in associate	-	-	226,870	-
Deferred tax assets	5,081	-	41,868	-
Provisions	-	16,453	-	13,496
Borrowings	-	827,054	-	726,777
Deferred tax liability	-	41,849	-	10,115
Other assets/liabilities	376,383	308,782	192,928	193,885
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total</b>	<b>3,926,255</b>	<b>1,217,918</b>	<b>3,384,167</b>	<b>966,059</b>

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

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### NOTE 6 – SEGMENT INFORMATION (continued)

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Accommodation revenue	1,209,477	827,434	1,187,224	828,505
F&B revenue a la carte	62,574	35,788	55,135	36,291
Other revenue from services	89,713	56,661	63,147	42,465
Rental income	42,077	35,020	41,209	35,110
Other revenue	809	1,129	658	983
<b>Total</b>	<b>1,404,650</b>	<b>956,032</b>	<b>1,347,373</b>	<b>943,354</b>

#### NOTE 6a – OTHER OPERATING INCOME

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Collection of insurance claims	1,531	1,502	1,429	1,488
Government subsidy - COVID 19	-	47,536	-	47,427
Other income	2,591	3,358	2,143	3,354
<b>Total</b>	<b>4,122</b>	<b>52,396</b>	<b>3,572</b>	<b>52,269</b>

The Group (Company) have received government subsidy for preservation of jobs in 2021.

# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 7 – COST OF MATERIALS AND SERVICES

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
<b>Raw materials and supplies</b>				
Energy and water used	94,245	62,598	92,735	62,544
Raw materials and supplies used	123,902	63,985	119,948	63,932
Small inventories	11,697	7,836	11,651	7,835
	<u>229,844</u>	<u>134,419</u>	<u>224,334</u>	<u>134,311</u>
<b>Services</b>				
Maintenance services	36,160	28,931	34,711	28,483
Commission agency	60,921	50,719	59,842	49,841
Laundry and cleaning services	21,154	14,948	20,572	14,804
Security services for assets and individuals	13,783	10,661	12,966	10,208
Utility services	15,303	11,435	14,818	11,435
Advertising and promotion	15,351	12,760	12,666	11,468
Franchise cost	-	6,771	-	6,771
Entertainment and animation	14,530	8,932	14,411	8,857
Transportation and telecommunication	5,174	3,514	4,201	3,162
Student employment agency services	6,981	6,000	6,484	5,797
Rent	4,526	2,409	1,382	922
ATP tennis tournament services	4,792	1,881	-	-
Other services	9,300	7,570	8,656	7,393
	<u>207,975</u>	<u>166,531</u>	<u>190,709</u>	<u>159,141</u>
<b>Total</b>	<u><u>437,819</u></u>	<u><u>300,950</u></u>	<u><u>415,043</u></u>	<u><u>293,452</u></u>

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### NOTE 8 – STAFF COSTS

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Wages and salaries – net	170,215	125,086	162,858	124,613
Contributions to pension funds	44,940	34,340	44,777	34,204
Health insurance contribution	36,027	27,104	35,892	26,993
Other contributions and taxes on salaries	20,175	13,619	18,539	13,546
Other employee costs	56,195	30,749	51,500	30,033
<b>Total</b>	<b>327,552</b>	<b>230,898</b>	<b>313,566</b>	<b>229,389</b>
<b>Number of employees as at 31 December</b>	<b>1,654</b>	<b>1,156</b>	<b>1,442</b>	<b>1,152</b>

In 2022, a total of HRK 48,522 thousand (2021: HRK 24,445 thousand) was paid into the pension insurance system – Group (2022 Company: HRK 43,540 thousand (2021: 24,333 thousand)).

#### NOTE 9 – OTHER OPERATING EXPENSES

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Utility and similar charges, taxes and contributions	40,845	32,425	39,791	32,208
Impairment of trade and other receivables	653	1,121	635	1,117
Professional services	17,744	11,557	11,128	8,714
Insurance premiums	4,746	4,596	4,542	4,493
Bank charges and membership fees	7,825	4,675	6,711	4,620
Travel and entertainment	1,162	625	758	367
Increase in provisions for legal disputes	1,923	2,135	1,923	2,135
Settlement of legal dispute	29 54,296	-	54,296	-
Other	16,454	19,987	13,192	22,079
<b>Total</b>	<b>145,648</b>	<b>77,121</b>	<b>132,976</b>	<b>75,733</b>

Professional services for 2022 include HRK 94 thousand that relate to the consulting services (2021: HRK 26 thousand) in the procurement process provided by the auditor.



## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### NOTE 10 – OTHER GAINS/(LOSSES) – NET

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Net gains/(losses) from sale of property, plant and equipment	(311)	184	(311)	184
<b>Other gains/losses – net</b>	<b>(311)</b>	<b>184</b>	<b>(311)</b>	<b>184</b>

#### NOTE 11 – FINANCE INCOME AND COSTS

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
<b>Finance income</b>				
Dividend income - affiliated companies	-	-	9,192	-
Dividend income - not affiliated companies	528	574	528	574
Interest income from cash deposits	1,948	131	1,919	131
Net foreign exchange gains	1,122	2,624	660	2,306
Gain from fair value of associate in business combination	42,669	-	-	-
Gain from the sale of associate	274,918	-	311,318	-
Other finance income	370	273	344	273
<b>Total finance income</b>	<b>321,555</b>	<b>3,602</b>	<b>323,961</b>	<b>3,284</b>
<b>Finance cost</b>				
Interest expense	13,599	14,423	13,657	14,581
<b>Total finance expense</b>	<b>13,599</b>	<b>14,423</b>	<b>13,657</b>	<b>14,581</b>
<b>Net finance (costs)/income</b>	<b>307,956</b>	<b>(10,821)</b>	<b>310,304</b>	<b>(11,297)</b>

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### 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	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Current income tax	63,533	482	62,774	-
Deferred tax expense/ (income)	39,500	21,717	39,908	21,717
Additional income tax*	7,981	-	7,981	-
<b>Income tax</b>	<b>111,014</b>	<b>22,199</b>	<b>110,663</b>	<b>21,717</b>

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
<b>Profit before tax</b>	<b>610,991</b>	<b>174,879</b>	<b>581,379</b>	<b>166,839</b>
Income tax at rate of 18%	109,978	31,478	104,648	30,031
Effect of non-taxable income	(7,546)	(10,851)	(2,428)	(9,882)
Effect of non-deductible expenses	708	2,030	569	1,938
Tax loss utilised	-	(88)	-	-
Tax incentive	(107)	(370)	(107)	(370)
Additional income tax	7,981	-	7,981	-
<b>Income tax expense</b>	<b>111,014</b>	<b>22,199</b>	<b>110,663</b>	<b>21,717</b>
<i>Effective tax rate</i>	<i>18.17%</i>	<i>12.69%</i>	<i>19.03%</i>	<i>13.02%</i>

The Company on the basis of the Investment Incentive Act, applied investment projects for the period from 2017 to 2022 in order to acquire the status of holder of incentive measures. In 2022, the Company has generated additional tax incentives of HRK 107 thousand and fully utilised all tax incentives (2021: unused tax incentive amounted to HRK 27,021 thousand).

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

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

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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#### NOTE 13 – EARNINGS PER SHARE

##### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares (ordinary and preference) in issue during the year excluding ordinary and preference shares purchased by the Company and held as treasury shares (Note 24). Total number of ordinary shares both during 2022 and 2021 was 2,197,772 and number of treasury shares for both years was 2,346 therefore weighted average number of ordinary shares though both periods was 2,195,426 shares. Number of preference shares issued and weighted average number of preference shares though both periods was 420,000 shares.

##### Diluted earnings per share

Diluted earnings per share for 2022 and 2021 are equal to basic earnings per share, since the Group did not have any convertible instruments or share options outstanding during either years.

<b>2022</b>	<b>Ordinary and Preference shares</b>
Total number of shares issued	<b>2,617,772</b>
	—————
<i>In HRK'000</i>	
Profit for the year attributable to equity holders	499,992
Fixed dividend to preference shares	(105)
<b>Profit for the year attributable to equity holders</b>	<b>499,887</b>
Weighted average number of shares in issue excluding treasury shares	2,615,426
<b>Basic and diluted earnings per share (in HRK)</b>	<b>191.13</b>
	—————
<b>2021</b>	<b>Ordinary and Preference shares</b>
Total number of shares issued	<b>2,617,772</b>
	—————
<i>In HRK'000</i>	
<b>Profit for the year attributable to equity holders</b>	<b>152,680</b>
Fixed dividend to preference shares	(105)
<b>Profit for the year attributable to equity holders</b>	<b>152,575</b>
Weighted average number of shares in issue excluding treasury shares	2,615,426
<b>Basic and diluted profit per share (in HRK)</b>	<b>58.34</b>

#### NOTE 14 – DIVIDEND PER SHARE

Dividends will be accounted for after being approved by the Annual General Assembly. Unpaid dividends in respect of 2005 through 2022 of HRK 7,086 thousand are disclosed as dividends payable in “trade and other payables” (2021: HRK 6,899 thousand).

# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

#### Group

*(in thousands of HRK)*

	Land and buildings	Plant and equipment	Other assets	Assets under construction	Total
<b>Year ended 31 December 2021</b>					
Opening net book amount	2,235,180	90,036	49,615	8,496	2,383,327
Additions	-	-	-	95,148	95,148
Transfer	63,365	18,012	3,556	(84,933)	-
Write off	(14)	(212)	(28)	-	(254)
Transfers to investment property	(1,396)	-	-	-	(1,396)
Depreciation	(171,905)	(30,320)	(9,336)	-	(211,561)
<b>Closing net book amount At 31 December 2021</b>	<b>2,125,230</b>	<b>77,516</b>	<b>43,807</b>	<b>18,711</b>	<b>2,265,264</b>
Cost	4,932,886	597,783	134,953	18,711	5,684,333
Accumulated depreciation and impairment	(2,807,656)	(520,267)	(91,146)	-	(3,419,069)
<b>Net book amount</b>	<b>2,125,230</b>	<b>77,516</b>	<b>43,807</b>	<b>18,711</b>	<b>2,265,264</b>
<b>Year ended 31 December 2022</b>					
Opening net book amount	2,125,230	77,516	43,807	18,711	2,265,264
Additions	-	-	-	204,033	204,033
Transfer	138,250	44,858	8,714	(191,822)	-
Sales	(48)	(27)	-	-	(75)
Write off	(299)	(145)	-	-	(444)
Transfers from other classes of PPE	(519)	-	-	-	(519)
Business combinations (Note 31)	388,759	9,442	741	47	398,988
Depreciation	(180,248)	(29,212)	(9,307)	-	(218,767)
<b>Closing net book amount At 31 December 2022</b>	<b>2,471,124</b>	<b>102,432</b>	<b>43,955</b>	<b>30,969</b>	<b>2,648,480</b>
Cost	5,644,892	684,544	144,644	30,969	6,505,049
Accumulated depreciation and impairment	(3,173,768)	(582,112)	(100,689)	-	(3,856,569)
<b>Net book amount</b>	<b>2,471,124</b>	<b>102,432</b>	<b>43,955</b>	<b>30,969</b>	<b>2,648,480</b>

# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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

Company <i>(in thousands of HRK)</i>	Land and buildings	Plant and equipment	Other assets	Assets under construction	Total
<b>Year ended 31 December 2021</b>					
Opening net book amount	2,235,127	89,902	49,615	8,496	2,383,140
Additions	-	-	-	95,146	95,146
Transfers	63,365	18,010	3,557	(84,932)	-
Write off	(13)	(212)	(28)	-	(253)
Transfers from/(to) other classes of PPE	(1,396)	-	-	-	(1,396)
Depreciation	(171,894)	(30,253)	(9,336)	-	(211,483)
<b>Closing net book amount At 31 December 2021</b>	<b>2,125,189</b>	<b>77,447</b>	<b>43,808</b>	<b>18,711</b>	<b>2,265,154</b>
Cost	4,932,779	595,956	134,953	18,711	5,682,399
Accumulated depreciation and impairment	(2,807,590)	(518,509)	(91,146)	-	(3,417,245)
<b>Net book amount</b>	<b>2,125,189</b>	<b>77,447</b>	<b>43,807</b>	<b>18,711</b>	<b>2,265,154</b>
<b>Year ended 31 December 2021</b>					
Opening net book amount	2,125,189	77,447	43,808	18,710	2,265,154
Additions	-	-	-	203,908	203,908
Transfer	138,250	44,830	8,714	(191,795)	(0)
Write off	(299)	(145)	-	-	(444)
Transfers from other classes of PPE	(519)	-	-	-	(519)
Depreciation	(173,261)	(28,427)	(9,302)	-	(210,990)
<b>Closing net book amount At 31 December 2022</b>	<b>2,089,360</b>	<b>93,706</b>	<b>43,220</b>	<b>30,823</b>	<b>2,257,109</b>
Cost	5,069,879	623,157	143,608	30,824	5,867,469
Accumulated depreciation and impairment	(2,980,520)	(529,451)	(100,388)	-	(3,610,359)
<b>Net book amount</b>	<b>2,089,359</b>	<b>93,706</b>	<b>43,220</b>	<b>30,824</b>	<b>2,257,109</b>

As at 31 December 2022 the net carrying value of land and buildings pledged by the Group as collateral for repayment of long-term borrowings amounted to HRK 605,123 thousand (2021: HRK 958,977 thousand). Assets under construction relate to investments into tourism properties.

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### NOTE 15a – INVESTMENT PROPERTY

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

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Cost	126,652	113,436	126,652	113,436
Transfer from property, plant and equipment	578	13,216	578	13,216
Accumulated depreciation, 1 January	(99,580)	(84,871)	(99,580)	(84,871)
Transfer accumulated depreciation from property, plant and equipment	(59)	(11,820)	(59)	(11,820)
Depreciation expense	(2,834)	(2,889)	(2,834)	(2,889)
<b>Net book amount</b>	<b>24,757</b>	<b>27,072</b>	<b>24,757</b>	<b>27,072</b>

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

As 31 December 2022, according to Managements estimate, the estimated fair value of the investment property was HRK 209,139 thousand (2021: HRK 208,658 thousand).

During 2022, the Group realised rental income from the stated property in the amount of HRK 17,626 thousand (2021: HRK 15,674 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	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Up to 1 year	19,399	16,694	19,399	16,694
From 2 to 5 years	86,345	71,474	86,345	71,474
<b>Total</b>	<b>105,744</b>	<b>88,168</b>	<b>105,744</b>	<b>88,168</b>

# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### NOTE 16 – INTANGIBLE ASSETS

#### Group

*(in thousands of HRK)*

	Software	Goodwill	Asset under construction	Total
<b>At 1 January 2021</b>				
Purchase value	28,481	12,480	-	40,961
Accumulated amortisation	(24,542)	-	-	(24,542)
<b>Net book value</b>	<b>3,939</b>	<b>12,480</b>	<b>-</b>	<b>16,419</b>
<b>For year ended 31 December 2021</b>				
Opening net book amount	3,939	12,480	-	16,419
Additions	-	-	1,954	1,954
Transfers	1,954	-	(1,954)	-
Amortisation	(2,167)	-	-	(2,167)
<b>Closing net book amount</b>	<b>3,726</b>	<b>12,480</b>	<b>-</b>	<b>16,206</b>
<b>At 31 December 2021</b>				
Purchase value	28,034	12,480	-	40,514
Accumulated amortisation	(24,308)	-	-	(24,308)
<b>Net book amount</b>	<b>3,726</b>	<b>12,480</b>	<b>-</b>	<b>16,206</b>
<b>For year ended 31 December 2022</b>				
Opening net book amount	3,726	12,480	-	16,206
Business combinations	63	-	-	63
Additions	-	-	1,705	1,705
Transfers	1,705	-	(1,705)	-
Amortisation	(1,616)	-	-	(1,616)
<b>Closing net book amount</b>	<b>3,878</b>	<b>12,480</b>	<b>-</b>	<b>16,358</b>
<b>At 31 December 2022</b>				
Purchase value	36,773	12,480	-	49,253
Accumulated amortisation	(32,895)	-	-	(32,895)
<b>Net book value</b>	<b>3,878</b>	<b>12,480</b>	<b>-</b>	<b>16,358</b>

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### NOTE 16 – INTANGIBLE ASSETS (continued)

##### Company

<i>(in thousands of HRK)</i>	Software	Goodwill	Asset being prepared	Total
<b>At 1 January 2021</b>				
Cost	28,210	12,480	-	40,690
Accumulated amortisation	(24,335)	-	-	(24,335)
<b>Net book value</b>	<b>3,875</b>	<b>12,480</b>	-	<b>16,355</b>
<b>For year ended 31 December 2021</b>				
Opening net book amount	3,875	12,480	-	16,355
Additions	-	-	1,954	1,954
Transfers	1,954	-	(1,954)	-
Amortisation	(2,135)	-	-	(2,135)
<b>Closing net book amount At 31 December 2021</b>	<b>3,694</b>	<b>12,480</b>	-	<b>16,174</b>
Cost	27,764	12,480	-	40,244
Accumulated amortisation	(24,070)	-	-	(24,070)
<b>Net book amount</b>	<b>3,694</b>	<b>12,480</b>	-	<b>16,174</b>
<b>For year ended 31 December 2022</b>				
Opening net book amount	3,694	12,480	-	16,174
Additions	-	-	1,706	1,706
Transfers	1,706	-	(1,706)	-
Amortisation	(1,594)	-	-	(1,594)
<b>Closing net book amount At 31 December 2022</b>	<b>3,806</b>	<b>12,480</b>	-	<b>16,286</b>
Cost	29,358	12,480	-	41,838
Accumulated amortisation	(25,552)	-	-	(25,552)
<b>Net book value</b>	<b>3,806</b>	<b>12,480</b>	-	<b>16,286</b>

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

CGU relates to the properties that were previously operated by company Istraturist d.d. Properties are located in Istria, Umag. Based on future cash flow analysis, there are no goodwill impairments identified. Key assumptions used in the estimation of the recoverable amount were the discount rate of 9% and the growth rate of 2%. Capital expenditure has been determined in accordance with Group's future plans.



## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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#### NOTE 17 – RIGHT-OF-USE ASSETS

The Company and Group have applied IFRS 16 *Leases* using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Company leases business premises and associated land, and maritime domain in front of the hotels and in campsites.

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

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

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

<i>(in thousands of HRK)</i>	Maritime domain	Business premises	Other	Total
<b>Year ended 31 December 2022</b>				
Opening net carrying amount	19,574	4,383	329	24,286
Decrease	-	(143)	-	(143)
Depreciation	(1,687)	(867)	-	(2,554)
Closing net carrying amount	<u>17,887</u>	<u>3,373</u>	<u>329</u>	<u>21,589</u>
<i>(in thousands of HRK)</i>				<b>31 December 2022</b>
Lease liabilities				
Current portion				2,484
Non-current portion				19,597
				<u>22,081</u>

The maturity of long-term borrowings is as follows:

	<b>Group and Company</b>
	<b>2022</b>
	<b>HRK'000</b>
From 1 to 2 years	2,452
From 2 to 5 years	8,261
Over 5 years	8,884
<b>Total</b>	<u><b>19,597</b></u>

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### NOTE 17 – RIGHT-OF-USE ASSETS (continued)

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

(in thousands of HRK)

<b>Depreciation of asset with right of use</b>	
Maritime domain	1,687
Business premises	867
	<u>2,554</u>
Interest expense (included in financial expenses)	<u>429</u>

In 2022, a total of HRK 3,109 thousand of interest and principal for leases was repaid (2021: HRK 2,910 thousand).

#### NOTE 18 – INVESTMENTS IN SUBSIDIARIES AND ASSOCIATE

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Subsidiaries	-	-	344,959	113
Associates	-	226,870	-	190,732
<b>Total</b>	<u>-</u>	<u>226,870</u>	<u>344,959</u>	<u>190,845</u>

	2022	2021
	HRK'000	HRK'000
Opening balance	113	113
Acquisition of shares in associate	344,846	-
<b>Closing balance</b>	<u>344,959</u>	<u>113</u>

	Country	Ownership %	
		31.12.2022.	31.12.2021.
<b>Subsidiaries</b>			
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., Umag	Croatia	100.00	100.00
Hotel Croatia d.d., Cavtat	Croatia	97.98	32.48
<b>Associates</b>			
Jadranski luksuzni hoteli d.d., Dubrovnik	Croatia	-	32.48

Jadranski luksuzni hoteli d.d. is tourism company operating hotels in Dubrovnik, Croatia. Investment in the associated company Hotel Croatia d.d. was created after the demerger of the company Jadranski luksuzni hoteli d.d. As presented in the note 31 on Business combinations, in 2022 the Group acquired a majority stake in the associated company Hotel Croatia and sold all shares of the associated company Jadranski luksuzni hoteli, and as of 31 December 2022 has no associates.

# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 18 – INVESTMENTS IN SUBSIDIARIES AND ASSOCIATE (continued)

Changes in investments in associate is as follows:

	HRK '000	HRK '000
	31.12.2022.	31.12.2021.
At the beginning of the year	226,870	221,607
Share of profit in associates	31,364	5,263
Disposal of associate	(162,126)	-
Acquisition of additional shares with obtaining control	(96,108)	-
	<u>          </u>	<u>          </u>
<b>At the end of the year</b>	<b>-</b>	<b>226,870</b>
	<u>          </u>	<u>          </u>

The financial information for non-listed associates is as follows:

	Jadranski luksuzni hoteli d.d.	Hotel Croatia d.d.	Jadranski luksuzni hoteli d.d.	Hotel Croatia d.d.
	<b>2022.</b> <b>HRK'000</b>	<b>2022.</b> <b>HRK'000</b>	<b>2021.</b> <b>HRK'000</b>	<b>2021.</b> <b>HRK'000</b>
<b>Percentage of ownership interest</b>	<b>0.00%</b>	<b>0.00%</b>	<b>32.48%</b>	<b>32.48%</b>
	-	-	-	-
Non-current assets	-	-	755,620	239,466
Current assets	-	-	111,831	30,173
Non-current liabilities	-	-	327,797	831
Current liabilities	-	-	140,919	5,079
<b>Net assets</b>	-	-	<b>398,735</b>	<b>263,729</b>
	-	-	-	-
Group's share of net assets (32.48%)	-	-	129,504	85,659
Goodwill	-	-	7,042	4,665
Carrying amount of interest in associate	-	-	<b>136,546</b>	<b>90,324</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<b>up to</b> <b>2.9.2022.</b> <b>HRK'000</b>	<b>up to</b> <b>2.9.2022.</b> <b>HRK'000</b>	<b>2021.</b> <b>HRK'000</b>	<b>2021.</b> <b>HRK'000</b>
Revenue	305,583	89,885	306,445	17,658
Profit/(loss) for the year	78,756	17,808	19,834	(3,630)
Other comprehensive income	-	-	(9)	(15)
Total comprehensive income	78,756	17,808	19,825	(3,645)
Total comprehensive income (32.48%)	25,580	5,784	6,442	(1,179)

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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#### NOTE 19 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Investments in banks	15,922	12,736	15,718	12,736
Investments in companies /i/	2,167	2,341	2,167	2,341
<b>Total</b>	<b>18,089</b>	<b>15,077</b>	<b>17,885</b>	<b>15,077</b>

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

	2022	2021	2022	2021
	HRK'000	HRK'000	HRK'000	HRK'000
Opening balance	15,077	12,035	15,077	12,035
Business combinations	206	-	-	-
Sale	(254)	-	(254)	-
Revaluation gains	3,060	3,042	3,062	3,042
<b>Closing balance</b>	<b>18,089</b>	<b>15,077</b>	<b>17,885</b>	<b>15,077</b>

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

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### NOTE 20 – DEFERRED TAX ASSETS AND LIABILITIES

Group	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
<i>(in thousands of HRK)</i>						
Property, plant and equipment	-	-	(40,573)	(9,392)	(40,573)	(9,392)
Financial assets measured at fair value through OCI	-	-	(1,276)	(723)	(1,276)	(723)
Tax losses	209	298	-	-	209	298
Income tax credit	-	27,021	-	-	-	27,021
Tax losses	3,337	11,850	-	-	3,337	11,850
Payables	-	1,376	-	-	-	1,376
Jubilee awards and termination benefits	1,535	1,323	-	-	1,535	1,323
<b>Total</b>	<b>5,081</b>	<b>41,868</b>	<b>(41,849)</b>	<b>(10,115)</b>	<b>(36,768)</b>	<b>31,753</b>

Movements in deferred tax assets and liabilities:

Group	1 Jan 2021	Recognised in profit and loss account	Recognised in OCI	31 Dec 2021	Recognised in profit and loss account	Recognised in OCI	Business combinations	31 Dec 2022
<i>(in thousands of HRK)</i>								
Property, plant and equipment	(9,795)	403	-	(9,392)	811	-	(31,992)	(40,573)
Financial assets measured at fair value through OCI	(175)	-	(548)	(723)	-	(553)	-	(1,276)
Provisions	345	-	-	-	-	-	-	-
Receivables	1,081	-	-	298	-	-	-	209
Income tax credit	26,651	370	-	27,021	(27,021)	-	-	-
Tax losses	33,196	(21,346)	-	11,850	(11,863)	-	3,350	3,337
Payables	-	-	-	-	-	-	-	-
Jubilee awards and termination benefits	1,361	(16)	(22)	1,323	38	25	149	1,535
<b>Total</b>	<b>54,040</b>	<b>(21,717)</b>	<b>(570)</b>	<b>31,753</b>	<b>(39,500)</b>	<b>(528)</b>	<b>(28,493)</b>	<b>(36,768)</b>

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Company	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
<i>(in thousands of HRK)</i>						
Property, plant and equipment	-	-	(8,989)	(9,392)	(8,989)	(9,392)
Financial assets measured at fair value through OCI	-	-	(1,276)	(723)	(1,276)	(723)
Receivables	209	298	-	-	209	298
Income tax credit	-	27,021	-	-	-	27,021
Tax losses	-	11,850	-	-	-	11,850
Payables	-	1,376	-	-	-	1,376
Jubilee awards and termination benefits	1,373	1,323	-	-	1,373	1,323
<b>Total</b>	<b>1,582</b>	<b>41,868</b>	<b>(10,265)</b>	<b>(10,115)</b>	<b>(8,683)</b>	<b>31,753</b>

Company	1 Jan 2021	Recognised in profit and loss account	Recognised in OCI	31 Dec 2021	Recognised in profit and loss account	Recognised in OCI	31 Dec 2022
<i>(in thousands of HRK)</i>							
Property, plant and equipment	(9,795)	403	-	(9,392)	403	-	(8,989)
Financial assets measured at fair value through OCI	(175)	-	(548)	(723)	-	(553)	(1,276)
Provisions	345	-	-	-	-	-	-
Receivables	1,081	-	-	298	-	-	209
Income tax credit	26,651	370	-	27,021	(27,021)	-	-
Tax losses	33,196	(21,346)	-	11,850	(11,850)	-	-
Payables	-	-	-	-	-	-	-
Jubilee awards and termination benefits	1,361	(16)	(22)	1,323	25	25	1,373
<b>Total</b>	<b>54,040</b>	<b>(21,717)</b>	<b>(570)</b>	<b>31,753</b>	<b>(39,908)</b>	<b>(528)</b>	<b>(8,683)</b>

# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 21 – LOAN RECEIVABLES

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
<b>Long term:</b>				
Loan receivables	906	3,716	906	3,673
Impairment of loan receivables	(152)	(537)	(152)	(537)
	<u>754</u>	<u>3,179</u>	<u>754</u>	<u>3,136</u>
<b>Short term:</b>				
Loan receivables	2,667	4,429	2,667	4,408
Impairment of loan receivables	(663)	(529)	(663)	(529)
	<u>2,004</u>	<u>3,900</u>	<u>2,004</u>	<u>3,879</u>
<b>Total loan receivables</b>	<u><b>2,758</b></u>	<u><b>7,079</b></u>	<u><b>2,758</b></u>	<u><b>7,015</b></u>

Maturity of non-current loan receivables is as follows:

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
From 1 to 2 years	701	2,230	701	2,188
From 2 to 5 years	53	949	53	948
Over 5 years	-	-	-	-
<b>Total</b>	<u><b>754</b></u>	<u><b>3,179</b></u>	<u><b>754</b></u>	<u><b>3,136</b></u>

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### NOTE 22 – TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Domestic trade receivables	7,042	5,194	5,859	5,584
Foreign trade receivables	8,462	6,875	3,598	3,581
Due from brokers - agencies	1,955	67	1,955	67
Impairment of trade receivables	(8,302)	(9,137)	(5,066)	(6,554)
Trade receivables - net	<b>9,157</b>	<b>2,999</b>	<b>6,346</b>	<b>2,678</b>
Accrued income not yet invoiced	4,047	7,076	4,058	7,076
Total financial assets	<b>13,204</b>	<b>10,075</b>	<b>10,404</b>	<b>9,754</b>
Due from state institutions	928	1,113	832	713
VAT prepayments	5,017	6,025	4,229	5,990
Advances from suppliers	5,379	1,086	5,035	1,086
Other current receivables	1,948	4,421	1,691	4,421
Impairment of other receivables	(16)	(9)	(16)	(9)
<b>Total</b>	<b>26,460</b>	<b>22,711</b>	<b>22,175</b>	<b>21,955</b>

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

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
At 1 January	9,137	11,593	6,554	8,925
New impairments, net	635	1,042	635	1,042
Write-off	(732)	(313)	(760)	(258)
Recovery of previously written-off receivables	(1,363)	(3,185)	(1,363)	(3,155)
Business combinations	625	-	-	-
<b>At 31 December</b>	<b>8,302</b>	<b>9,137</b>	<b>5,066</b>	<b>6,554</b>

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

As at 31 December 2022 the Group (Company) had loss allowance for ECL in the amount of HRK 42 thousand (31 December 2021: HRK 90 thousand).



## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### NOTE 23 – CASH AND CASH EQUIVALENTS

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Giro and current accounts	42,489	136,253	29,442	117,657
Foreign currency accounts	35,706	499,312	28,065	503,116
Cash in hand	71	107	71	104
	<b>78,266</b>	<b>635,672</b>	<b>57,578</b>	<b>620,877</b>

#### NOTE 24 – EQUITY

The equity ownership structure as at 31 December 2022 and 2021 was as follows:

Shareholder	Holding in share capital %	Total number of shares	Total amount (HRK)
<b>Ownership of ordinary shares:</b>			
Adriatic Investment Group, Luxembourg	84.24	1,851,352	1,128,388,955
Treasury shares	0.11	2,346	1,429,874
Other legal entities and natural persons	15.65	344,074	209,711,228
	<b>100</b>	<b>2,197,772</b>	<b>1,339,530,057</b>
<b>Ownership of preference shares:</b>			
Adriatic Investment Group, Luxembourg	100	420,000	105,000,000
	<b>100</b>	<b>420,000</b>	<b>105,000,000</b>
<b>Total</b>			<b>1,444,530,057</b>

All shares are fully paid. In 2022, the Company has declared dividend of HRK 220,585 thousand. Part of the dividend of HRK 157,162 thousand was offset with receivables for sold shares from parent company.

In addition to regular dividends issued and paid on ordinary shares, preference shares are entitled to a fixed annual dividend of HRK 0.25 per share and are not entitled to vote. Fixed annual dividend is declared and paid out simultaneously with the dividend on regular shares.

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

#### NOTE 25 – RESERVES

		Group		Company	
		2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Legal reserves	i/	53,021	53,021	53,021	53,021
Other reserves	ii/	77,498	75,098	77,498	75,098
<b>Total</b>		<b>130,519</b>	<b>128,119</b>	<b>130,519</b>	<b>128,119</b>

Changes in reserves:

	Group		Company	
	2022. 000'kn	2021. 000'kn	2022. 000'kn	2021. 000'kn
<b>Legal reserves</b>				
Opening balance	53,021	53,021	53,021	53,021
Transfer from retained earnings	-	-	-	-
<b>Closing balance</b>	<b>53,021</b>	53,021	<b>53,021</b>	53,021
<b>Other reserves</b>				
Opening balance	75,098	72,500	75,098	72,500
Remeasurement of defined benefit liability	(116)	104	(116)	104
Fair value of financial assets through comprehensive income	2,516	2,494	2,516	2,494
<b>Closing balance</b>	<b>77,498</b>	<b>75,098</b>	<b>77,498</b>	<b>75,098</b>

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

ii/ As at 31 December 2022 and 31 December 2021, the legal reserves amounted to HRK 53,021 thousand or 3.67% of the share capital, while the share of legal reserves together with the capital reserves that are not distributable to the amount of HRK 29,572 thousand, which are formed by the denomination of the value of shares in 2001 (from HRK 1,860 to HRK 1,800 per share before denomination), representing a share of 5.72% (2021: 5.72%) of the Company's share capital. Merger reserves were created by merging company Istraturist d.d. on 1 January 2018.

# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 25 – RESERVES (continued)

Other reserves:

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Capital reserves	29,572	29,572	29,572	29,572
Merger reserves	38,554	38,554	38,554	38,554
Reserves for own shares	737	737	737	737
Reserves-fair value of financial assets	9,044	6,529	9,044	6,529
Actuarial gains/(losses)	(409)	(294)	(409)	(294)
<b>Total</b>	<b>77,498</b>	<b>75,098</b>	<b>77,498</b>	<b>75,098</b>

### NOTE 26 – BORROWINGS

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
<b>Long-term loans</b>				
Bank borrowings	641,939	539,569	641,939	539,569
	<b>641,939</b>	<b>539,569</b>	<b>641,939</b>	<b>539,569</b>
<b>Short-term loans</b>				
Current portion of bank borrowings	161,067	159,949	161,067	159,949
Borrowings from subsidiaries	-	-	-	3,352
Accrued interest and fees	1,967	2,533	1,967	2,534
	<b>163,034</b>	<b>162,482</b>	<b>163,034</b>	<b>165,835</b>
<b>Total borrowings</b>	<b>804,973</b>	<b>702,051</b>	<b>804,973</b>	<b>705,404</b>

#### Bank borrowings

Long-term bank borrowings are denominated in EUR at fixed interest rates of 1.6% per annum. The loans are repayable in annual instalments where one loan matures in 2023 and remaining loans in years 2025, 2027 and 2029. Bank borrowings are secured by a mortgage over land and buildings (note 15). Bank loan contracts contain a loan covenant.

# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 26 – BORROWINGS (continued)

The maturity of long-term borrowings is as follows:

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
From 1 to 2 years	137,662	159,949	137,662	159,949
From 2 to 5 years	363,005	379,620	363,005	379,620
Over 5 years	141,272	-	141,272	-
<b>Total</b>	<b>641,939</b>	<b>539,569</b>	<b>641,939</b>	<b>539,569</b>

The movements in debt during 2022 are presented in the table below:

	Group HRK'000	Company HRK'000
<b>As at 1 January 2022</b>	<b>726,777</b>	<b>730,130</b>
Increase of lease liability - MSFI 16	(143)	(143)
Cash inflow	278,586	278,586
Cash outflows and offsets	(172,755)	(176,106)
Lease payment	(2,679)	(2,679)
Interest paid	(13,827)	(13,898)
Interest expense	13,599	13,657
Deferred income -interest	(3,778)	(3,778)
Net foreign exchange difference	1,274	1,285
<b>As at 31 December 2022</b>	<b>827,054</b>	<b>827,054</b>

The movements in debt during 2021 are presented in the table below:

	Group HRK'000	Company HRK'000
<b>As at 1 January 2021</b>	<b>858,633</b>	<b>864,745</b>
Increase of lease liability - IFRS 16	516	516
Cash outflows and offsets	(114,522)	(117,281)
Lease payment	(2,439)	(2,439)
Interest paid	(27,335)	(27,504)
Interest expense	14,423	14,581
Net foreign exchange difference	(2,499)	(2,489)
<b>As at 31 December 2021</b>	<b>726,777</b>	<b>730,130</b>

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### NOTE 27 – TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	HRK'000	HRK'000	HRK'000	HRK'000
Trade payables	46,396	56,787	43,524	56,495
Due to related parties (Note 30)	-	-	-	102
Dividends payable (Note 14)	7,086	6,899	6,785	6,899
Accrued costs not yet invoiced	11,684	9,611	8,632	9,547
Concession payable	93,598	78,601	93,598	78,601
	<b>158,764</b>	<b>151,898</b>	<b>152,539</b>	<b>151,644</b>
Net salaries payable	34,706	23,846	32,430	23,793
Taxes and contributions payable	21,437	18,655	20,426	18,611
Advances payable	23,752	16,984	22,333	16,580
Other current liabilities	19,198	3,865	19,148	3,860
<b>Total</b>	<b>257,857</b>	<b>215,248</b>	<b>246,876</b>	<b>214,488</b>

i/ Tourist land provisions and obligations in accordance with the provisions of the Act on the Tourist and Other Construction Land Not Appraised During the Transition and Privatisation Process (the 'Act'), the Company submitted requests to the Republic of Croatia and local municipalities for the approval of tourist land concessions for a term of 50 years (the maximum term allowed) in relation to land areas in campsites and tourist resorts in Croatia. Since the adoption of the Act in 2010, as far as the Company is aware, no concession agreement has been signed into with respect to tourist land in campsites/tourist resorts in the Republic of Croatia due to ambiguities in the wording of the Act and other related regulations. The status of the Company's tourist land concession requests is similar to the status of concession requests submitted by other companies in the Republic of Croatia. In practice, companies that have applied for a concession have been paying the concession fee according to the received invoices based on the Regulations in the amount of 50% of the concession fee.

On 2 May 2020 a new law related to this matter (The Law on Unrated Construction Land) entered into force, pursuant to which the Company became a lessee of the land for which a concession application was submitted. In addition, it is necessary to issue regulations to regulate the amount and method of rent payment, for which a period of 2 months has been set from the entry into force of the law, which have not been adopted by the date of this note.

The fee was further calculated according to the previous principle i.e. per old law and the Company considers that the recorded liabilities are sufficient. Concession expense for Group and the Company for 2022 of HRK 14,996 thousand (2021: HRK 14,177 thousand) have been included in *Other operating expenses*.

# PLAVA LAGUNA D.D.

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### NOTE 28 – PROVISIONS

<i>Group</i>	Legal claims	Provision for jubilee awards and termination benefits restated	Total
	HRK'000	HRK'000	HRK'000
<b>Balance at 1 January 2022</b>	6,149	7,347	13,496
Increase in provisions	1,923	1,084	3,007
Decrease through other comprehensive income	-	142	142
Utilized during the year	(176)	(869)	(1,045)
Business combination	64	789	853
<b>Balance at 31 December 2022</b>	<b>7,960</b>	<b>8,493</b>	<b>16,453</b>
<b>Non-current</b>	<b>7,896</b>	<b>7,536</b>	<b>15,432</b>
<b>Current</b>	<b>64</b>	<b>957</b>	<b>1,021</b>

<i>Company</i>	Legal claims	Provision for jubilee awards and termination benefits restated	Total
	HRK'000	HRK'000	HRK'000
<b>Balance at 1 January 2022</b>	6,149	7,347	13,496
Increase in provisions	1,923	1,010	2,933
Unused provisions released	-	-	-
Decrease through other comprehensive income	-	142	142
Utilized during the year	(176)	(869)	(1,045)
<b>Balance at 31 December 2022</b>	<b>7,896</b>	<b>7,630</b>	<b>15,526</b>
<b>Non-current</b>	<b>7,896</b>	<b>6,762</b>	<b>14,658</b>
<b>Current</b>	<b>-</b>	<b>868</b>	<b>868</b>

#### *Jubilee awards and regular retirement benefits*

According to the current benefits, there is an obligation to pay jubilee awards and retirement to employees. The employees are entitled to a regular retirement benefit of HRK 10 thousand. No other post-retirement benefits are provided. Jubilee awards are paid out according to the passage of certain continuous service.

The cost of defined benefits is determined using actuarial estimates. Actuarial estimates involve assumptions about discount rates, mortality rates or fluctuation rates. Due to the long-term nature of those plans, these estimates contain an element of uncertainty. Key assumptions were a discount rate of 1.8% and fluctuation rate of 3% for males and 2.5% for females.

#### *Legal claims*

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

## **PLAVA LAGUNA D.D.**

### **NOTES TO THE FINANCIAL STATEMENTS *(continued)***

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#### **NOTE 29 – CONTINGENT LIABILITIES**

##### **Litigation with NLB**

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

##### **Provisions for legal claims**

Provisions for legal claims of HRK 7,960 thousand (2021: HRK 6,149 thousand) have been estimated on each reporting date taking into account probability of future cash out flow and taking into account the risk and uncertainties surrounding the obligation. The Group (Company) consults with its legal advisors in relation to probability of outflows to settle such obligations and assess the Group's (Company's) position in such claims.

##### **Capital commitments**

Future commitments contracted for investments in tourist facilities, for which provisions were not made, as at 31 December 2022 amounted to HRK 101 million (31 December 2021: HRK 113 million).

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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#### NOTE 30 – RELATED PARTY TRANSACTIONS

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

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

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

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

	<b>2022</b>	2021.
	<b>HRK’000</b>	HRK’000
Trade and other receivables	638	928
Sales revenue	169,360	98,920
Trade and other payables	3,053	3,890
Borrowings	-	3,352
Other expenses	3,891	2,508
Financial income	9,337	-
Financial expenses	68	226
	<hr/>	<hr/>

#### Transactions with the majority shareholder of the parent company:

During 2022, based on the General assembly decision where total dividend amounted to HRK 220,585 thousand, dividends declared to the majority shareholder amounted to HRK 191,580 thousand (2021: payment in the amount of HRK 105 thousand gross).

Also, the transaction with the majority shareholder was realized in the amount of HRK 13 thousand, mainly based on the provided accommodation service (2021: HRK 1 thousand).

During 2022, the Company Plava Laguna d.d. received dividend from the subsidiary of HRK 9,192 thousand (2021: no dividend received).

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

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

	<b>2022</b>	2021.
	<b>HRK’000</b>	HRK’000
Trade and other receivables	9	1
Sales revenue	166	95



## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS *(continued)*

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#### NOTE 30 – RELATED PARTY TRANSACTIONS *(continued)*

##### Group key management and Supervisory Board compensation

	Group		Company	
	2022 HRK'000	2021. HRK'000	2022 HRK'000	2021. HRK'000
Net salaries	11,519	7,310	11,519	7,310
Pension insurance contributions	3,084	2,027	3,084	2,027
Health insurance contributions	2,928	1,768	2,928	1,768
Other costs (contribution and taxes)	3,145	1,496	3,145	1,496
	<hr/>	<hr/>	<hr/>	<hr/>
	20,676	12,601	20,676	12,601
Supervisory Board compensation	1,977	1,788	1,977	1,788
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>22,653</b>	<b>14,389</b>	<b>22,653</b>	<b>14,389</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Key management comprises 23 employees (2021: 23 employees). The Supervisory Board comprises 7 members (2021: 7 members).

## PLAVA LAGUNA D.D.

### NOTES TO THE FINANCIAL STATEMENTS (continued)

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#### NOTE 31 – BUSINESS COMBINATIONS

On 2 September 2022, Plava laguna acquired an additional share of 65.50% in the company Hotel Croatia d.d. and thus became the majority owner with a total share of 97.98%. Additional shares were paid by share exchange of the part of the shares of the associated company Jadranski luksuzni hoteli d.d. Since it previously had a 32.48% share in a Hotel Croatia that was classified as an associate and its value until the date of acquisition was presented using the equity method in the consolidated financial statements. Hotel Croatia d.d. owns and operates a hotel in Cavtat.

Additional shares in the subsidiary company Hotel Croatia were paid with the shares of the associated company Jadranski luksuzni hoteli d.d. Fair value gain from valuation of pre-existing share amounted to HRK 42,699 thousand. If the business combination occurred on 1 January 2022, combined revenue would amount to HRK 1,498,687 thousand and net profit to HRK 514,080 thousand. Revenue of Hotel Croatia since acquisition included in consolidated financial statements amounted to HRK 34,202 thousand and net profit to HRK 1,106 thousand.

<b>Consideration transferred</b>		<b>HRK'000</b>
Shares in associate Jadranski luksuzni hoteli d.d. at fair value (5,164,753 shares)		279,863

<b>Identifiable assets and liabilities assumed</b>	Note	2 September 2022 HRK'000
Property, plant and equipment	15	398,988
Intangible assets	16	63
Financial assets	19	206
Deferred tax assets	20	3,499
Inventories		2,133
Trade and other receivables		23,384
Cash and cash equivalents		54,329
Provisions	28	(853)
Trade and other payables		(22,491)
Deferred tax liabilities	20	(31,992)
<b>Total net assets</b>		<b>427,266</b>

Fair value of property, plant and equipment has been determined by discounted cash flow method.

<b>Goodwill</b>		2 September 2022
Consideration transferred		279,863
NCI, based on the proportional interest in the recognised amounts of the assets and liabilities of Hotel Croatia		8,626
Fair value of pre-existing interest in Hotel Croatia (32,48%)		138,777
Fair value of identifiable net assets		(427,266)
Goodwill		-

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**NOTE 32 – SUBSEQUENT EVENTS**

The Government of the Republic of Croatia adopted the Decision on the announcement of the introduction of the euro as the official currency in the Republic of Croatia (published in "Official Gazette" No. 85/22). With the aforementioned decision, the euro becomes the official monetary unit and legal currency in the Republic of Croatia on 1 January 2023. The fixed conversion rate is set at HRK 7.53450 for one euro. The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency that will be calculated prospectively and does not represent an adjusting subsequent event.

## APPENDIX

## Turnover

## Turnover from products or services in connection with the economic activities related to the taxonomy 2022

Economic Activities (1)	Codes (2)	Absolute turnover (3) in 000 HRK	Proportion of turnover (4) %	SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (Do not Significant Harm)							Minimum Safeguards (17) Yes/No	Taxonomy aligned proportion of turnover Year N (18) %	Taxonomy aligned proportion of turnover Year N-1 (19) %	Category (enabling activity) (20) E	Category (transitional activity) (21) T		
				Mitigation (5) %	Climate Change Adaptation (6) %	Climate Change Resources (7) %	Water & Marine Resources (8) %	Circular Economy (9) %	Pollution (9) %	Ecosystem (10) %	Mitigation (11) Yes/No	Climate Change Adaptation (12) Yes/No	Climate Change Resources (13) Yes/No	Water & Marine Resources (14) Yes/No	Circular Economy (14) Yes/No	Pollution (15) Yes/No						Ecosystem (16) Yes/No	Biodiversity and (16) Yes/No
<b>A. TAXONOMY- ELIGIBLE ACTIVITIES</b>																							
A.1. Environmentally sustainable activities (Taxonomy -aligned)																							
Turnover of environmentally sustainable activities (Taxonomy aligned) (A.1.)	-	0		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
A.2. Eligible but not environmentally sustainable activities (not Taxonomy -aligned)																							
Turnover of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy aligned activities) (A.2.)		0																					
<b>TOTAL (A.1. + A.2.)</b>		<b>0</b>																					
<b>B. TAXONOMY -NON - ELIGIBLE ACTIVITIES</b>																							
Turnover of Taxonomy-non eligible activities (B) <sup>1</sup>		1,404,650	100%																				
<b>TOTAL (A + B)</b>		<b>1,404,650</b>																					

<sup>1</sup> Sales revenue is not considered to arise from EU Taxonomy eligible activities. Reported revenue represents the Group's Sales revenue which can be referenced in Note 6 within the financial statements.

## APPENDIX

## CAPEX

## Capital expenditures for products or services in connection with the economic activities related to the taxonomy 2022

Economic Activities (1)	Codes (2)	Absolute capital expenditures (3) in 000 HRK	Proportion of capital expenditures (4) %	SUBSTANTIAL CONTRIBUTION CRITERIA							DNSH CRITERIA (Do not Significant Harm)							Taxonomy aligned proportion of capital expenditures Year N (18) %	Taxonomy aligned proportion of capital expenditures Year N-1 (19) %	Category (enabling activity) (20) E	Category (transitional activity) (21) T
				Climate Change Mitigation (5) %	Climate Change Adaptation (6) %	Climate Change Resources (7) %	Water & Marine Resources (8) %	Circular Economy (9) %	Pollution (10) %	Ecosystem and Biodiversity (11) %	Climate Change Mitigation (11) Yes/No	Climate Change Adaptation (12) Yes/No	Climate Change Resources (13) Yes/No	Water & Marine Resources (14) Yes/No	Pollution (15) Yes/No	Ecosystem and Biodiversity (16) Yes/No	Minimum Safeguards (17) Yes/No				
<b>A. TAXONOMY- ELIGIBLE ACTIVITIES</b>																					
<b>A.1. Environmentally sustainable activities (Taxonomy -aligned)</b>																					
7.6.Installation, maintenance and repair of renewable energy technologies		7,875	3.8%	0	-	-	-	-	-	-	Yes	Yes	n/a <sup>1</sup>	n/a	n/a	n/a	Yes	3.8%	-	E	-
Capital expenditures of environmentally sustainable activities (Taxonomy aligned) (A.1.)	-	7,875	3.8%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>A.2. Eligible but not environmentally sustainable activities (not Taxonomy -aligned)</b>																					
Taxonomy eligible but not environmentally sustainable activities (not Taxonomy)		0																			
<b>TOTAL (A.1. + A.2.)</b>		<b>7,875</b>																			
<b>B. TAXONOMY -NON - ELIGIBLE ACTIVITIES</b>																					
Capital expenditures of Taxonomy-non eligible activities (B) <sup>1</sup>		197,766	96.2%																		
<b>TOTAL (A + B)</b>		<b>205,641</b>																			

Notes:

<sup>1</sup> n.a. - non applicable<sup>2</sup> During 2022, the Group installed photovoltaic power plants on several of its properties. Such an investment is considered to arise from EU Taxonomy eligible activities, given that it significantly contributes to the mitigation of climate change, while not harming other environmental goals. Reported total capital expenditure is referenced in Note 15 within financial statements in item Increase of tangible assets and in Note 16 item Increase of non-tangible assets.

APPENDIX

OPEX

Operating expenditures for products or services in connection with the economic activities related to the taxonomy 2022

Economic Activities (1)	Codes (2)	Absolute operating expenditures (3) in 000 HRK	Proportion of operating expenditures (4) %	SUBSTANTIAL CONTRIBUTION CRITERIA							DNSH CRITERIA (Do not Significant Harm)							Taxonomy aligned proportion of operating expenditures Year N (18) %	Taxonomy aligned proportion of operating expenditures Year N-1 (19) %	Category (enabling activity) (20) U	Category (transitional activity) (21) T			
				Mitigation (5)	Climate Change Adaptation (6)	Climate Change Resources (7)	Water & Marine (8)	Circular Economy (9)	Pollution (9)	Ecosystem (10)	Biodiversity and (11)	Mitigation (11)	Climate Change Adaptation (12)	Climate Change Resources (13)	Water & Marine (14)	Circular Economy (14)	Pollution (15)					Ecosystem (16)	Biodiversity and (17)	Minimum Safeguards (17)
				%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No					Yes/No	Yes/No	
<b>A. TAXONOMY- ELIGIBLE ACTIVITIES</b>																								
A.1. Environmentally sustainable activities (Taxonomy -aligned)																								
Operating expenditures of environmentally sustainable activities (Taxonomy aligned) (A.1.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
A.2. Eligible but not environmentally sustainable activities (not Taxonomy -aligned)																								
Operating expenditures of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy aligned activities) (A.2.)		0																						
<b>TOTAL (A.1. + A.2.)</b>		<b>0</b>																						
<b>B. TAXONOMY -NON - ELIGIBLE ACTIVITIES</b>																								
Operating expenditures of Taxonomy-non eligible activities (B) <sup>1</sup>		28,894	100%																					
<b>TOTAL (A + B)</b>		<b>28,894</b>																						

<sup>1</sup>Operating expenses are not considered to arise from EU Taxonomy eligible activities. Reported operating expenses are a part of Maintenance expenses referenced in Note 7 within the financial statements in item Maintenance material and services, and include the investment and regular maintenance expenses at the Group level.

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## SUPERVISORY BOARD REPORT

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Pursuant to Art. 300c of the Companies Act and Art. 34 of the Statute of PLAVA LAGUNA joint stock company for hospitality and tourism, the Company's Supervisory Board, at the meeting held on May 4, 2023 adopts the following

**SUPERVISORY BOARD REPORT  
ON SUPERVISION OVER THE MANAGEMENT OF THE COMPANY'S AND GROUP'S  
OPERATIONS, ON THE RESULTS FOLLOWING THE REVIEW OF THE FINANCIAL  
STATEMENTS, THE REPORT ON THE SITUATION IN THE COMPANY AND THE PROPOSED  
DECISION ON THE USE OF PROFIT OF THE COMPANY AND THE GROUP  
FOR YEAR 2022**

In the course of the fiscal year 2022, the Company's Supervisory Board continuously supervised the management of the Company's affairs, pursuant to the authorizations determined by the provisions of the Companies Act and the Statute, and held 13 meetings, out of which 11 meetings were attended by all members.

During year 2022, Supervisory Board functioned in the following composition:

Davor Luksic Lederer, President of the Supervisory Board

Patricio Tomas Balmaceda Tafra, Vice president of the Supervisory Board

Davor Domitrović, Member of the Supervisory Board

Joseph Ignace Bulnes, Member of the Supervisory Board, until February 2022

Paul Marie Francois Jean Rene' Le Bault de La Moriniere, Member of the Supervisory Board, since April 2022

Neven Staver, Member of the Supervisory Board

Duncan Graham Bramwell, Member of the Supervisory Board

Marica Kurtek, Member of the Supervisory Board, employees' representative.

Particular informing of certain members of the Supervisory Board were held during the year as needed due to additional issues that needed to be discussed.

The Supervisory Board has two committees, the Audit Committee and the Remuneration Committee. The tasks of the nomination committee are performed directly by the Supervisory Board.

The Audit Committee was established in 2014 and is composed of three members, president Mr. Davor Luksic Lederer and members Mr. Patricio Tomas Balmaceda Tafra and Mr. Davor Domitrović. The Audit Committee meets at least once a year with the participation of all members and performs the prescribed tasks within its scope.

The Remuneration Committee was established in 2020 and is composed of the president Mr. Davor Luksic Lederer and members Mr. Patricio Tomas Balmaceda Tafra and Mr. Davor Domitrović. The Remuneration Committee meets at least once a year with the participation of all members and performs the prescribed tasks within its scope.

Pursuant to Article 300b paragraph 1 and 2 of the Companies Act, the Management Board of the Company submitted to the Supervisory Board the annual financial statements, the report on the situation in the Company, as well as the proposed decision on the use of profit gained in 2022.

Pursuant to its authorities under Article 300c paragraph 2 of the Companies Act, in a dedicated meeting held out of session on 25 April 2023 and in the presence of the representatives of the auditing company KPMG Croatia d.o.o. Zagreb, the Supervisory Board reviewed the submitted financial statements for 2022



## SUPERVISORY BOARD REPORT *(continued)*

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

The reviews carried out undoubtedly show that in 2022 the Company's Management Board, according to its statutory obligations, informed the Supervisory Board in writing and orally of the operational policy and of the other principal issues related to future management of the business operations, especially changes in business policy and processes during the year due to adjustments to new situation, then of the profitability of operations and profitability of the use of private equity, of the course of business operations, revenues and expenses and the situation in the Company, and in particular of the operations affecting the profitability and liquidity, as well as of other matters that the Supervisory Board considered important.

The Supervisory Board evaluates the operations of the Company and the work of the Management Board in cooperation with the Supervisory Board as successful, bearing in mind all measures taken in accordance with changes in circumstances that occurred during the year, and assumes that that the cooperation between the Supervisory Board and the Management Board has continuously been very correct and efficient, and business success is a result of open communication at all times and of mutual support. Furthermore, the Supervisory Board evaluates its effectiveness during 2022 as successful, and the composition and profiles of the members of the Supervisory Board and the committees, their knowledge and experience as satisfactory.

The results of our review as well as the opinion of the authorized auditor on the reality and objectivity of data shown in the financial statements for 2022 demonstrate that the Company acts in accordance with positive legal regulations, the Company's general acts and decisions of the General Assembly.

The Supervisory Board established, after the review of financial statements for 2022 which the Management Board is accountable for, that they are drafted in accordance with the provisions of the Accountancy Act and other pertinent laws and regulations, and they realistically reflect the situation in the company books and correctly reveal the assets and operational state of the Company.

The Supervisory Board supports the Management Board's proposal on the use of profit gained in 2022 for the payment of dividend for preferred and ordinary shares, and deems that the proposal is aligned with the positive legal regulations and business policy of the Company, and the same is submitted to the General Assembly for adoption.

The Supervisory Board fully supports the auditing report which also confirms that the Company's financial statements for the year that ended on 31 December 2022, in all aspects fairly and accurately depict the non-consolidated financial position of the Company and the consolidated financial position of the Group as of 31 December 2022, and their non-consolidated and consolidated financial performance and cash flows for the year that then ended, in accordance with the International Financial Reporting Standards adopted by the European Union, and that reports presented in ESEF format have been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

The Supervisory Board expresses its absolute approval of the submitted financial statements for year 2022 and of the Management Board's report on the situation in the Company, and leaves their affirming i.e. adoption to the Company's General Assembly.

PRESIDENT  
Davor Luksic Lederer

## REPORT OF THE AUDITING COMMITTEE

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

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

In accordance with the Companies Act, auditor of the Company was appointed on the General Assembly's meeting held on 19th of August 2022, and on 28th of September 2022 an agreement was concluded concerning performance of audit and issuance of unconsolidated and consolidated financial statements.

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

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

Members of the Auditing Committee met on several occasions, during the year 2022 and until the issuance of the report in the first half of 2023, with the representatives of the authorized auditor and the responsible executors with the aim to discuss about the planned process of conducting the audit, the applied accounting policies, the recording of important business events, the effects of applying new accounting standards, important announcements and procedures regarding business combinations and other observations of the auditor.

In accordance with the requirements of auditing standards, the auditors submitted a Report to the Supervisory Board and the Audit Committee on 25th April 2023 which, as defined by the regulations, includes The Independent Auditor's Report, key audit issues and conclusion on issuing an unmodified opinion.

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

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

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

THE AUDITING COMMITTEE