Hotel Admiral 4*, Opatija

ANNUAL REPORT 2021

LIBURNIA RIVIERA HOTELI d.d.

Opatija, April 2022

CONTENT

KEY MESSAGES

KEY FINANCIAL INDICATORS

(In HRK million)	2020	2021	2021/ 2020
Total revenues	110.9	249.3	125%
Operating revenues	110.7	248.5	125%
Sales revenues	73.1	216.0	195%
Board revenues	59.1	180.8	206%
Operating costs	134.1	216.6	61%
EBITDA	-31.7	20.8	n/a
Adjusted EBITDA	-23.7	36.5	n/a
EBIT	-164.3	-81.4	50%
EBT	-172.1	-87.3	49%
	31/12/2020	31/12/2021	2021/2020
Net debt	265.2	350.2	32%
Cash and cash equivalents	12.1	15.2	26%

KEY OPERATING INDICATORS

	2020	2021	2021/ 2020
Number of acc. units (operating)	1,212	1,828	51%
Annual occupancy (%)	16.7%	29.7%	1.300bp
Accommodation units sold	73,991	198,308	168%
Overnights	143,718	387,040	169%
Average daily rate (in HRK)	798	912	14%
RevPAR (in HRK)	48,735	98,888	103%

Note: Details and explanations of indicators can be found on page 9 in the chapter "Company results"

During 2021, Liburnia Riviera Hotels d.d. (hereinafter Liburnia Riviera or the Company) recorded a recovery in tourism and business activities compared to 2020, especially during the high season due to strong demand for tourist accommodation in the Republic of Croatia. Despite the absence of a large portion of the pre-season business due to extraordinary movement restrictions and travel limitations, operating revenues increased by HRK 137.8 million (+125%) to HRK 248.5 million as a result of: i) successful business operations, marketing and sales activities adjustments to the COVID-19 pandemic impact, ii) gradual mitigation of the COVID-19 impact on tourist and economic flows, iii) increased population vaccination on key tourism markets and in the Republic of Croatia which resulted in strong demand for Company's tourist capacities since June 2021, and iv) gradual recovery of the Group and M.I.C.E segment during the last quarter of 2021.

The achieved results further indicate a faster than initially expected recovery, as well as the resilience of Croatian tourism, particularly in the northern Adriatic regions where Liburnia Riviera operates. Namely, the diverse hotel portfolio of Liburnia Riviera and the convenient geographical location for automobile guests (Croatians, Germans, Austrians, Hungarians, Czechs, Slovenians, Italians, Serbs) represent Liburnia Riviera's natural hedging from travel disruptions caused by the COVID-19 virus pandemic.

By the end of June 2021, Liburnia Riviera had opened most of its tourist capacities, with a total of 387,040 realized overnight stays (+169%; 2020: 143,718) during 2021. Despite the negative impact of the COVID-19 pandemic and the absence of a large portion of the 2021 pre-season business, Liburnia Riviera achieved adjusted EBITDA (adjusted for litigation and severance provisions) in the amount of HRK 36.5 million (2020: HRK -23.7 million). HRK 60.2 million better EBITDA is achieved as a result of: i) increase of operating income due to strong demand for tourist capacities mainly during peak season, ii) a significant increase in the average daily price (+14% compared to 2020 and +25% compared to 2019) driven through the optimization of sales channels and marketing activities, as well as through improvement of revenue management policies, and iii) further optimization and rationalization of operating costs.

Liburnia Riviera carefully monitors positive developments related to the impact of COVID-19 pandemic on market fluctuations and dynamically analyses and implements necessary changes in its operations. Among them are preventive measures and action plans aimed at protection of health of guests and employees, as well as at maintaining business continuity while preserving jobs. Positive trend of business normalization of the Company during 2021 was further supported by the proactive approach and sound liquidity management, while ensuring uninterrupted business operations.

Liburnia Riviera's long-term liquidity position has been further strengthened during 2021 through i) arranging a moratorium on the repayment of credit obligations until 30 June 2021, ii) refinancing most of the existing loan obligations to Erste&Steiermärkische Bank d.d. and iii) arranging a new EUR 11.5 million long-term credit line with Sberbank d.d. This additionally supports the Company's financial stability and cash flow strength for the repositioning of the tourism portfolio and safeguarding working capital levels to successfully execute comprehensive activities for the expected business normalization.

Through a timely mitigate and control the adverse effects caused by the COVID-19 pandemic, an adjusted business plan was introduced in all business segments, including investments. In the first half of 2021, investments were reduced to the necessary works aimed at improving the quality of services and safety of guests and preparing facilities for the upcoming season (Hotel Ambassador, Hotel Excelsior, Villa Slatina). Works related to Hotel Kvarner reconstruction continued at a slower pace, while the works in the new premium café Imperial were finalized by the end of 2021.

Strong recovery of tourist flows in the peak season opened room for Liburnia Riviera to conduct several assets acquisitions at geostrategic locations in destinations where it operates to further consolidate and develop tourism products and services. In December 2021, Hotel Laurus (ex. Villa Kapetanović) joined Liburnia Riviera's portfolio. It is an ideal choice for guests looking for a peaceful and intimate vacation due to its location above the picturesque town of Volosko and well-known restaurant and wellness centre. Moreover, the remaining 50% part of currently non-operational Hotel Miramar in Lovran were purchased, as well as asset nearby Hotel Palace-Bellevue in Opatija. Hence, 2021 investments and asset acquisitions amount to HRK 64.5 million in total.

In parallel, preparation of projects for further growth and development of Liburnia Riviera's tourism portfolio continues, with the current priority being maximization of free cash flow and reduction of net debt/EBITDA ratio towards pre-COVID levels. Namely, Croatia in 2022 has the opportunity to further consolidate the position of a safe and desirable Mediterranean destination, as well as to continue with a strong recovery dynamic.

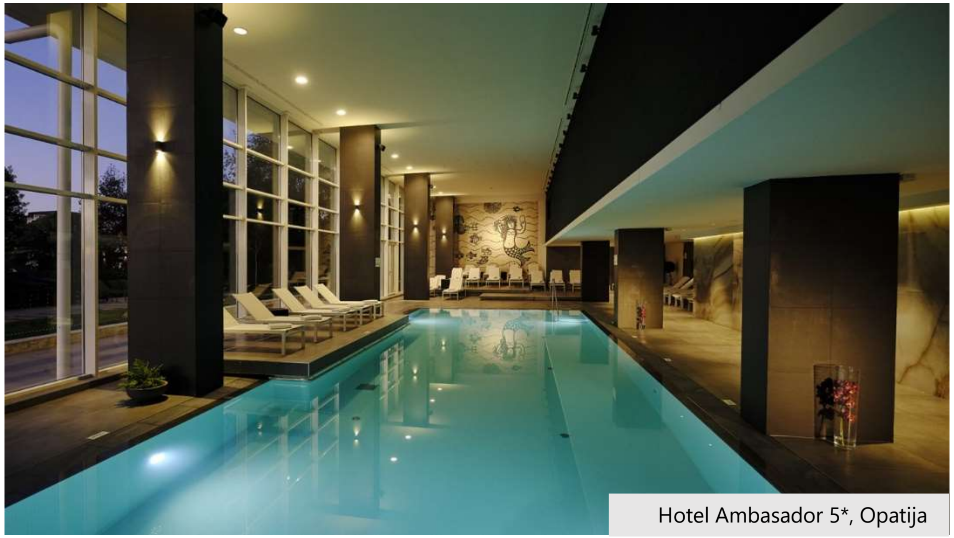
Given the resilience of the tourism industry in Croatia, especially the locations where Liburnia Riviera has its own tourist capacities, the strategic focus of the Government of the Republic of Croatia on key resources and the promotion of investments in tourism, are fundamental grounds for acceleration of business normalization, expediting the growth of Croatia's total GDP and increasing the competitiveness of the Croatian tourism sector in the coming period. One of the key determinants of the Government in defining the framework of the Croatian economy in 2022 must be based on limiting inflationary pressures on rising prices of essential products and energy. This will enable the tourism sector, together with the whole economy, to accelerate the normalization of business and ensure multiplier effects of recovery on other industries while encouraging investment in key business resources (primarily human resources and investment).

Liburnia Riviera, as a company with strong positive net asset value and simultaneous ownership and management of valuable hotel and tourist facilities together with contracted credit lines and refinancing of credit obligations during 2021, has created the necessary preconditions for expected normalization of the business during 2022 and 2023, and further sustainable growth and development of the company.

ABOUT LIBURNIA RIVIERA

Liburnia Riviera is one of the largest hospitality companies in the Republic of Croatia with revenues of over HRK 300 million in pre-COVID-19 market conditions. Opatija, also known as the 'Old Lady', 'Pearl of the Adriatic' or 'Queen of Tourism', represents an exclusive Adriatic resort with a long history of tourism dating back to 1844, and Liburnia Riviera's tourism portfolio has been highly integrated into international tourist markets for more than 100 years. Liburnia Riviera has about 2,300 keys in its tourism portfolio where in its 14 hotels, 3 villas, 2 apartment complexes and one camping resort it can host more than 4,700 guests per day. Catering for the perfect holiday and authentic experiences for them, there is almost 1,000 high-season employees.

Adhering to the vision of positioning of the Opatija Riviera as one of the best tourist destinations in the Mediterranean, the Opatija Riviera needs a significant strategic shift in tourism development that will ultimately result in further improvements and upscaling of tourist products and experiences. As the largest hotelier on the Opatija Riviera, Liburnia Riviera has launched internal reorganization measures, improving the business model, as well as renovating and reconstructing hotels and other premises in 2020 and 2021. However, due to the COVID-19 pandemic outbreak and its adverse impact on all industries, economic and tourist flows, including Liburnia's cash flow, the amount of planned investments decreased compared to the initial expectations and development plans. Nevertheless, the Company is focused on a strategy to stimulate growth and create new value, recognizing the started reorganization to be the first step in building a solid ground for sustainable investments in high value-added products, talents, innovative services and destinations, as well as international branding.



Hotel Ambasador 5*, Opatija

Hotel Ičići 4*, Ičići

SIGNIFICANT BUSINESS EVENTS

IMPACT OF COVID-19 ON THE COMPANY'S BUSINESS

Considering the continued adverse impact of COVID-19 unpredictable spread and resulting issues for the Company's business, actions and events related to the pandemic are explained in more detail in the chapter "Business management during the COVID-19 pandemic", to follow.

LIBURNIA RIVIERA GENERAL ASSEMBLY

General Assembly was held on 9th August 2021, with the following admissions:

- the Remuneration Report of Management and Supervisory Board Members for 2020 is approved together with the auditor's report of its inspection;
- the Company's realized loss for 2020 in the total amount of HRK 161,386,839 is distributed in such a way that part of HRK 27,105,058 is recovered from the Company's retained earnings, and the difference in the amount of HRK 134,280,781 is recorded as a transferred loss;
- discharge is given to the Board members responsible for managing the Company's business and to the members of the Supervisory Board for the supervision of the management of the Company's affairs in 2020;
- Auditor Grant Thornton revizija d.o.o. from Zagreb is appointed to carry out the audit of Liburnia Riviere in 2021;
- Mr. Johannes Böck and Mrs. Ana Odak were elected as new members of the Supervisory Board, following received resignations of Mr. Klaus Riederer, by then President and Mr. Branimir Žarković, by then member of the Supervisory Board.

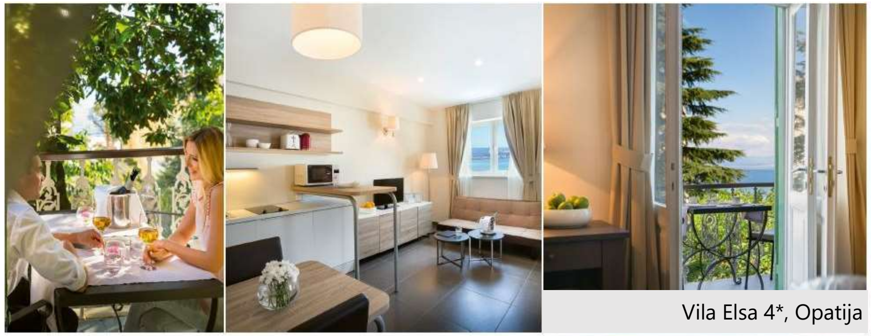
STRENGTHENING MEDIUM-TERM LIQUIDITY

At the end of July 2021, the Company contracted refinancing of the most of its existing loan obligations with the Company's largest lender, Erste&Steiermärkische Bank d.d., amounting to EUR 25 million which, by extending repayment periods, strengthened the future liquidity position in accordance with the sound management of the Company's long-term sustainability in the COVID-19 pandemic.

In September 2021, the Company entered into a loan agreement with Sberbank d.d. in the amount of EUR 11.5 million for a period of 6 years for the purpose of financing the working capital and ensuring the company's medium-term liquidity. These legal activities are a confirmation of trust of investors and financiers in the further development of Liburnia Riviera, as well as in the rapid recovery and further development of Croatian tourism.

BUSINESS SHARE PURCHASE AGREEMENT

Gitone Kvarner d.o.o. from Zagreb and Liburnia Riviera Hotels d.d. entered into a contract for the purchase of business shares in the amount of EUR 3.7 million, which gave Liburnia Riviera 100% shares of Aeris, company based in Opatija, for the purpose of consolidating and developing of future tourist products in geostrategic positions in Opatija.



Vila Elsa 4*, Opatija

EVENTS AFTER THE BALANCE SHEET DATE

FURTHER STRENGTHENING OF MEDIUM-TERM LIQUIDITY

At the beginning of March 2022, the Company concluded a long-term revolving loan agreement with Istarska kreditna banka d.d. Umag in the total amount of EUR 5,330 thousand for the purpose of financing working capital and ensuring the medium-term liquidity of the Company.

THE IMPACT OF THE RUSSIAN-UKRAINIAN CRISIS ON THE COMPANY'S BUSINESS

The Russian-Ukrainian crisis currently has no significant impact on the Company's business. Guests from the Russian and Ukrainian emitting markets generated less than 2% of the Company's total operating revenues in 2021 and it is expected that their possible absence could be compensated from other emitting markets, although in the current circumstances of uncertainty it is not possible to predict all potential impacts on Company's business, nor the impact of all relevant macroeconomic and political factors. Namely, in 2022 inflationary pressures increased due to disruptions in supply chains and Russian-Ukrainian conflict, as well as imposed economic sanctions. Aiming at operating costs rationalization, the Company continued with comprehensive measures which include savings in energy costs, direct food and beverage costs, maintenance costs, as well as active negotiations with suppliers to reduce prices and ensure sufficient quantities for the season. The Company emphasizes that it closely monitors the course of the Russian-Ukrainian crisis and continuously assesses possible negative impacts on business, noting that these conclusions are based on facts, knowledge, and circumstances currently available, as well as assessments regarding the current situation in Ukraine

BUSINESS MANAGEMENT DURING THE COVID-19 PANDEMIC

Market remained uncertain in the first half of 2021, as countries across Europe experienced a resurgence of COVID-19 patients, resulting in movement restrictions of various degrees, aimed at reducing the number of COVID-19 infections, and ultimately undermining the travel demand until May 2021. During June, governments across Europe began easing restrictions on movements. That had a positive impact on the number of reservations and a strong increase in demand in Croatia, so most of Liburnia Riviera facilities (79% capacity) were open for the summer season.

During July and August, there was a noticeable increase in the number of overnight stays with high levels of occupancy of open capacities (July: 72%; August: 83%) with a significant increase in average daily prices in July and in August.

In the post-season, i. e. during the fourth quarter of 2021, stricter epidemiological measures were reintroduced in the Republic of Croatia in order to reduce the sharp infected person' number increase. Nevertheless, in the same period, Liburnia Riviera recorded an increase in arrivals and overnight stays compared to 2020 with an increase in the average daily price. These results indicate the start of recovery and normalization of Liburnia Riviera's business and assure the resilience of Croatian tourism.

The Company continues to continuously monitor situation related to the adverse impact of the COVID-19 pandemic on market dynamics and analytically assesses necessary changes in its operations. At present, the Company still applies preventive measures to protect the health of guests and employees. In addition, in cooperation with the city of Opatija and the Teaching Institute for Public Health (NZZJZ), a public testing centre for guests and employees has been set up, and employees have access to self-testing kits on Company premises. Benefits of employee vaccination are continuously and actively promoted in agreement with the epidemiological service, complemented by the observance of "Stay safe" standards defined by the Croatian Tourist Board and the NZZJZ.

IMPROVEMENTS OF TOURIST PRODUCTS AND SERVICES

Focusing on the increase of quality of services and safety of guests and employees, the Company continuously implements comprehensive set of activities. These include implementation of crisis procedures while providing general information on COVID-19 spread, and measures to prevent the occurrence and control of spread of respiratory viruses. In addition, precautionary activities comprise of restriction of the number of seatings in restaurants in accordance with the prescribed measures, mandatory wearing of masks for all employees in contact with guests, the possibility of testing for guests and delivering results, mandatory temperature check for employees, as well as continuous disinfection of all public spaces and accommodation units, including additional disinfection measures after the departure of a guest.

Incrementally adapting to the impact of the pandemic, and to increase the demand for the Company’s tourist capacities, policy of active management and adjustment to daily prices of tourist facilities has been intensified, as well as the creation of packages with additional services included, which has certainly contributed to the realization of a significant increase in average daily prices in high season. In the present circumstances of uncertainty related to the further development of the pandemic and the freedom of movement of people, the final effect of the entry of new reservations in 2022 cannot be definitely predicted, especially given the pronounced trend of "last-minute" bookings, but also the simplified cancellation policy. At the end of April 2022, Liburnia Riviera recorded more than double reservations in the books compared to the same period last year.

MEASURES TO SUPPORT AND HELP THE ECONOMY

The competent state and local authorities have adopted packages of support measures and assistance to the economy to mitigate the consequences of the specific circumstances caused by the COVID-19 pandemic, in order to overcome short-term liquidity challenges and ensure the preservation of jobs. The Company has undertaken a comprehensive scope of actions to minimize negative impact on its own business, including, inter alia, the use of support to preserve jobs (HRK 4,000 per employee for salaries during the first seven months of 2021) and exemption from tax liabilities and contribution obligations, which relieved the cost of employees during 2021 by a total of HRK 16.3 million.

LIQUIDITY PROTECTION

Aiming to secure liquidity and solvency, the Company continued its financial savings measures throughout 2021, mainly in the part of direct and operating costs due to reduced business volumes while ensuring the smooth business continuation. Cash outflow plans continued to be adapted to crisis management measures and included a high level of savings in direct and operational costs due to reduced volume of operations and minimization of otherwise fixed costs by dynamically opening tourist facilities while rationally using the workforce. Rationalization of operating costs included savings in energy costs, direct costs of food and beverages, costs of maintenance of systems and processes through negotiations with suppliers for lower prices, as well as minimizing employee costs through active resources management according to the needs. During May and June, with the opening of tourist facilities due to the strong entry of new reservations, Company actively hired additional seasonal workers, thereby increasing the number of employees to 742 in the peak season.

With the support of social partners and Government measures, the Company preserved all jobs without laying off and reducing working conditions to sustain business continuity. In addition, in cooperation with the unions, rewards were agreed and paid for permanent and seasonal workers depending on the months of their work.

In 2020, moratoriums on the repayment of credit obligations were successfully agreed until 30 June 2021 in accordance with the applicable measures. Thus, in agreement with commercial banks, the repayment of the principal in the total amount of HRK 89.2 million was deferred. At the end of July, greater portion of the existing loan obligations to the Company's largest lender, Erste&Steiermärkische Bank d.d. was refinanced in the amount of EUR 25 million, which strengthened the medium-term cash position by extending repayment periods. Activities by sound management of long-term business sustainability continued in September 2021, when a long-term loan agreement with Sberbank d.d. was signed in the amount of EUR 11.5 million for a period of 6 years.

Destination "Opatija Riviera"

COMPANY RESULTS

(In HRK million)	2020	2021	2021/2020
Total revenues	110.9	249.3	125%
Operating revenues	110.7	248.5	125%
Sales revenue	73.1	216.0	195%
Board revenues[1]	59.1	180.8	206%
Operating costs[2]	134.1	216.6	61%
EBITDA[3]	-31.7	20.8	n/a
Adjusted EBITDA[4]	-23.7	36.5	n/a
EBIT	-164.3	-81.4	50%
EBT	-172.1	-87.3	49%
	31.12.2020	31.12.2021	2021/2020
Net debt[5]	265.2	350.2	32%
Cash and cash equivalents	12.1	15.2	26%

KEY OPERATING INDICATORS

	2020	2021	2021/2020
Number of acc. units (operating)	1,212	1,828	51%
Annual occupancy (%)[6]	16.7%	29.7%	1.300bp
Accommodation units sold	73,991	198,308	168%
Overnights	143,718	387,040	169%
Average daily rate (in HRK)	798	912	14%
RevPAR[7] (in HRK)	48,735	98,888	103%

[1] In compliance with the classification under the USALI international standard for reporting in hotel industry (Uniform System of Accounts for the Lodging Industry) board revenues includes accommodation revenues and board food and beverage revenues.
[2] Operating costs calculated according to the formula operating expenses - depreciation - value adjustment – provisions.
[3] EBITDA (earnings before interest, taxes, depreciation and amortization) is calculated according to the formula: operating income - operating expenses + depreciation + value adjustments.

4 Adjusted EBITDA includes adjustments for the result of extraordinary operations and one-off items: i) extraordinary net expenses for long-term provisions (2020: HRK 7.9 million, 2021: HRK 8.9 million) and expenses for severance provisions (2021: HRK 6.7 million).
[5] Net debt: long-term and short-term liabilities to banks and other financial institutions + other liabilities in accordance with IFRS 16 (leases) - cash and cash equivalents.
[6] Annual occupancy and RevPar calculated based on the number of operating accommodation units.

REVENUES

In 2021, total revenues amounted to HRK 249.3 million, which represents an increase of 125% compared to the same period last year.

The increase in total revenues in the amount of HRK 138,4 million was influenced by:

a) a significant increase in sales revenues in the amount of 195% (HRK +142.9 million) to the level of HRK 216.0 million, consisting primarily of board revenues in the amount of HRK 180.8 million (+206%; HRK +121.7 million). Despite extraordinary restrictions on movement, including restrictions on gatherings, partial restrictions on the operation of catering establishments and shops, and restrictions on border crossings and travel border controls which consequently created a gap in the greater part of pre-season during the first half of 2021, there was an 81% increase in board revenues (HRK +16.9 million).

In high season, we have witnessed a strong demand for tourist capacities in Croatia due to the great desire of tourists to travel after a long period of restrictions and bans on crossing state borders and related quarantines. Consequently, Liburnia Riviera recorded an 242% increase in board revenues in the third quarter of 2021 (HRK +84.8 million), primarily in the individual marketing segment thanks to a diverse tourism portfolio and convenient geographical location for automobile guests (Croatians, Germans, Austrians, Hungarians, Czechs, Slovenians, Italians, Serbs). This represents Liburnia Riviera's natural hedge from market disruptions caused by COVID-19 pandemic.

During the post-season (October - December) a 625% increase in board revenues (HRK +20.1 million) was recorded primarily in the individual marketing segment due to the organization of many interesting events and experiences for guests such as the Chocolate Festival in Opatija, Active & Healthy offer in Hotel Istria, as well as the New Year's program during which a total of 7 hotels were opened. An increase in board revenues was also recorded in the Group and M.I.C.E segments, which are characterized by a gradual recovery, after their sharp decline in 2020. With a significant sales increase of accommodation units (+168%) to the level of 198,308 units, strong support to the increase of sales revenues comes from a 14% increase in the average daily price during 2021 versus 2020. During July and August there was a noticeable increase in the number of overnight stays coupled with high levels of open capacity occupancy (July: 72%; August: 83%) and significant increases in average daily prices in July and August. It is significant to note that the average daily price achieved during the third quarter was 25% higher than in the comparative period of 2020 and 19% higher than in the comparative period of 2019, respectively.

b) realized other operating revenues in the amount of HRK 32.5 million, which represents a decrease of 13% compared to the same period in 2020. The decrease is a result of a shorter period of support measures usage, which includes Government's support for job preservation (HRK 4,000 per employee) and exemption from related contributions and tax liabilities (7 months in 2021, compared to 10 months in 2020). This part affected other operating revenues with HRK 16.3 million (HRK 26.9 million in 2020), while the rest is mainly due to the rent income, revenues from re-invoicing and long-term litigation provisions cancellation.

c) realized financial revenue in the amount of HRK 0.8 million (HRK +0.6 million compared to the same period in 2020) primarily due to the realized positive exchange rate differences on long-term loans due to the appreciation of the domestic currency against the euro on annual level.

OPERATING EXPENSES

(In HRK million)	2020	2021	2021/ 2020
Total operating expenses	275.0	329.9	20%
Material costs	52.8	98.5	87%
Staff costs	58.1	95.8	65%
Depreciation and amortization	109.8	100.4	-8%
Provisions and value adjustments	31.1	12.9	-58%
Other operating expenses	23.2	22.3	-4%

Total operating expenses amounted to HRK 329.9 million with an increase of 20% (HRK +54.9 million). The structure of total operating expenses consists of:

a) **material costs** with a share of 30% (19% in 2020). The 87% growth (HRK +45.7 million) to the level of HRK 98.5 million is primarily due to an increase in direct costs of raw materials and materials due to increased volume of operations and the inflationary pressures in the second half of 2021;
b) **staff costs** with an increase in the share of total operating expenses (29%) compared to the previous comparative period (21% in 2020). The reasons for the 65% increase (HRK +37.7 million) to the amount of HRK 95.8 million are found in a) the increase in business volumes and the associated increase in the number of hours worked, b) new employment that was necessary to ensure the quality of service in higher category tourist facilities, c) further strengthening of the key management team, aiming to transform the business model in order to make Liburnia Riviera an internationally competitive tourism company in the hotel business in the medium term and d) provisions for future severance payments in the amount of HRK 6.7 million in order to improve the organizational structure that supports the next phase of the company's growth and sustainable business development;
c) **depreciation** with a share of 30% (40% in 2020). Its 8% decline (HRK -9.4 million) to the level of HRK 100.4 million is a result of the absence of stronger investment cycles during 2020 and 2021 in order to preserve and prudently manage liquidity due to the COVID-19 pandemic;
d) **provisions and value adjustments** with a share of 4% (11% in 2020) recorded a decrease of 58% (HRK -18.2 million) compared to the same period last year to the amount of HRK 12.9 million due to much lower long-term and short-term tangible assets write-off (2020: HRK 22.9 million). Provisions and value adjustments in 2021 relate to: i) increase in provisions for litigations in the total amount of HRK 11.2 million and ii) write-off of long-term tangible assets in the amount of HRK 1.7 million.
e) **other operating expenses** with a share of 7% (8% in 2020). The 4% decline (HRK -0.9 million) to HRK 22.3 million is primarily due to decreased utility expenses.

EBITDA

Despite still pronounced impact of the COVID-19 pandemic and lack of the larger portion of pre-season business, Liburnia Riviera achieved positive EBITDA in the amount of HRK 36.5 million (2020: HRK -23.7 million) adjusted for litigations and severance provisions (2021: HRK 15.7 milion, 2020: HRK 7,9 milion).

The rise of HRK 60.2 million is due to: i) an increase in operating income due to strong demand for tourist capacities mainly during peak season, ii) a significant increase in the average daily price (+14% compared to 2020 and +25% compared to 2019) due to the optimization of sales channels and marketing activities and improvement of the revenue management policies, and iii) further optimization and rationalization of operating costs.

FINANCIAL RESULT

Financial result amounts to HRK -5.9 million (HRK -7.8 million in 2020). The main reasons for HRK 1.9 million of better financial performance compared to the previous comparative period are primarily found in the lack of last year's depreciation of the domestic currency against the euro on an annual basis and the consequent lack of negative exchange rate differences on long-term debt.

PROFIT/(LOSS)

Pre-tax loss in 2021 amounts to HRK -87.3 million (HRK -172.1 million in 2020), representing an improvement of 49% as a result of stronger business operations. The after-tax loss amounts to HRK 91.7 million and is lower by HRK 69.7 million.

ASSETS AND LIABILITIES

As of 31 December 2021, the total value of the Group's assets amounted to HRK 950.6 million, up by 2,1% compared to 31 December 2020. Fixed assets amounted to HRK 906.3 million and are lower by HRK 1.5 million mainly as a result of: i) accrued depreciation in the amount of HRK 100.4 million, and ii) performed low investment cycle necessary to maintain the existing quality of products and services, as well as asset acquisitions and financial assets purchase to consolidate assets nearby existing facilities and to further develop tourism products and services in the total amount of HRK 98.0 million.

Total current assets increased by HRK 20.4 million to the amount of HRK 43.7 million as a result of a stronger cash position (HRK 15.2 million; HRK +3.1 million compared to 31 December 2020) and a higher balance of receivables (HRK +16.5 million). The rise in short-term receivables primarily refers to: i) increase in trade receivables due to the opening of 7 hotels during the New Year holidays, which were mostly collected during January 2022, and ii) increase in intra-group receivables taken over with the Aeris company acquisition (details in chapter: "Significant Business Events").

Total share capital and reserves decreased by 15.0% to the amount of HRK 517.0 million as a result of the realized loss in 2021.

Total long-term liabilities grew from HRK 184.0 million to HRK 297.1 million due to refinancing most of the existing loan obligations towards Erste&Steiermärkische Bank d.d. and the withdrawal of long-term credit lines in order to strengthen the Company's liquidity position.

Total short-term liabilities amounted to HRK 112.3 million, down by 10.1% (HRK -12.6 million) compared to 31 December 2020. The decline is largely due to refinancing most of the credit exposure towards Erste&Steiermärkische Bank d.d. On the other hand, the increase in short-term liabilities to employees (HRK +11.0 million compared to 31.12.2020) is influenced by: i) higher number of working hours in December due to higher business volumes, ii) increase in the balance of accrued redistribution of working hours and annual leaves in the amount of HRK 2.7 million, and iii) provisions for future severance payments in the amount of HRK 6.7 million due to the business reorganization in order to increase operational efficiency, develop a stimulating corporate culture and climate and improve the organizational structure that supports the next phase of company growth and sustainable business development.

RISKS IN THE COMPANY'S BUSINESS

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

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

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

1) FINANCIAL RISKS

Financial risks include currency, interest rate, credit, price and liquidity risk. Since the Company operates internationally, it is exposed to currency risk, which mainly arises from changes in the nominal exchange rate of EUR/HRK. Majority of the proceeds from sales abroad are generated in EUR, the currency in which all long-term credit debt is denominated, so the Company is for the most part naturally protected from currency risk. However, a certain part of liabilities (primarily obligations to suppliers and obligations to employees) are expressed in HRK, which is why the Company actively manages currency risk through financial instruments available on the financial market, in accordance with the current state and future assessment of the Company's foreign exchange position, expectations of the movement of the value of the EUR/HRK currency pair, as well as other cross-currency relationships between the world currencies.

Furthermore, part of the debt with banks contracted at variable interest rates partially exposes the Company to the risk of changing interest outflows at cash flow, while credit risk arises from money, term deposits and trade receivables. Credit risk is minimized by arranging deals with customers who have an appropriate credit history, arranging prepayments or payments through security deposits and credit cards for individual customers. The Company also acquires insurance instruments for receivables (bills of exchange, promissory notes and guarantees) thus allaying the risks of non-performing of its claims for the services provided. In view of the negative consequences of COVID-19 on the Company's customers, mainly tour operators and travel agencies, the Company continuously monitors the adverse impact on related parties, while actively checking their financial competencies, and in the end, it implements forced collection by activating insurance measures to collect its receivables.

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

Sound liquidity risk management ensures that the Company ensures day-to-day control and provision of sufficient amounts of free cash through operating cash flows and adequate amounts of currently agreed and future credit lines to meet its obligations. Credit lines for 2021 are contracted with reputable financial institutions, while in general credit repayments are aligned with the period of significant cash inflows from operational activities. The Company monitors the level of available sources of funds daily through reports on the balance of funds and liabilities. The COVID-19 pandemic, as an external stressor on the Company's business, has created strong pressures on operating cash flow. In accordance with sound management of the now increased liquidity risk, escalation plans for minimizing operating and fixed costs, preserving liquidity, solvency of companies and maintaining business continuity have been developed and activated. Also, together with applications for measures to support and assist the economy and the tourism sector, including deferring the payment of overdue principal on long-term loans in accordance with the given possibility of a moratorium on the repayment of credit obligations, a refinancing of part of the existing credit exposure and the provision of a new liquidity credit line was carried out (more details in the chapter 'Business management during the COVID-19 pandemic').

2) BUSINESS RISKS

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

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

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

3) OTHER RISKS

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

Quality human resources management is the basis of future sustainable development of the Company, and hence the opening and expansion of the labour market highlights risks related to deficient positions, development of new knowledge and specific skills. Proactive monitoring and identifying global tourism trends helps Liburnia Riveira to define the need for new knowledge and skills, as well as respond to challenges in the environment. Therefore, in dialogue with the social partners, the Company seeks to ensure a high level of workers' rights in terms of wage competitiveness, motivation and reward systems, as well as career development, health care and cooperation with educational institutions throughout Croatia.

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

Hotel Istra 3*, Opatija

CORPORATE GOVERNANCE

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

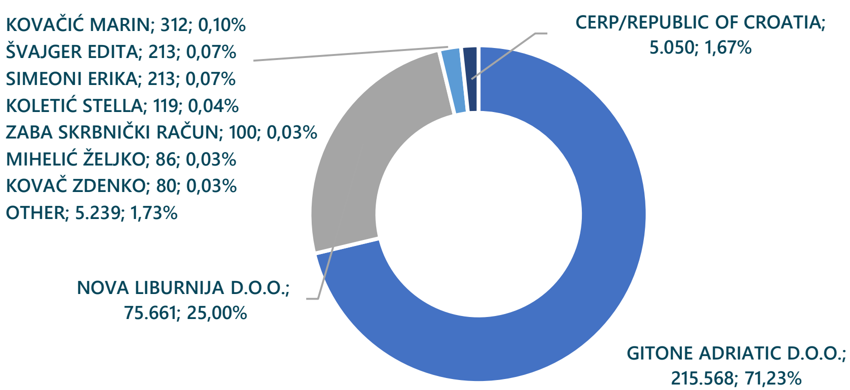
During 2021 for the most part, the Company has followed and applied the recommendations set out in the Code, disclosing all information as foreseen by the positive regulations and information beneficial for the interest of the Company's shareholders.

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

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

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

Overview of the largest shareholders of the Company on December 31, 2021:



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

The Company's rights and obligations arising from the acquisition of its own shares are exercised in accordance with the provisions of Companies Act (ZTD). On the day of 31 December 2021, the Company holds 4 of its own shares, and in 2021 the Company did not acquire its own shares.

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

The Management Board of the Company shall be appointed and revoked by the Supervisory Board.

Until 4 March 2021, President of the Management Board of the Company was Mr. Agron Berisha, who resigned during the first quarter of 2021, and board member was Mr. Johannes Böck. On 5 March 2021, the Supervisory Board appointed Mr. Vladimir Bosnjak as the new President of the Management Board, and on 14 July 2021, Mr. Karl Eckerstorfer was appointed as the third Board Member of the Company. In August 2021, Mr. Johannes Böck resigned as a member of the Management Board and from that day until the end of October 2021 the Company acts with two-member Board: Mr. Vladimir Bosnjak as the President of the Board, and Mr. Karl Eckerstorfer as a member of the Management Board. From 1.11.2021. due to the resignation of Mr. Bošnjak, the former President of the Management Board, Company continues to be managed by Mr. Eckerstorfer, in the position of President of the Management Board with the newly appointed member of the Management Board, Mr. Dušan Mandič.

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

Company's Assembly appoints and revokes the Supervisory Board, in accordance with the Statute of the Company and the Companies Act (ZTD), and on the day of 31 December 2021 is composed of the following members:

- Johannes Böck, President,
- Alexander Paul Zinell, Deputy President,
- Philip Göth, member,
- Thomas Mayer, member,
- Davor Žic, member,
- Helena Masarić, member,
- Domijan Mršić, member,
- Ana Odak, member.

By shareholders' decision of Nova Liburnia d.o.o. on 23 June 2021, Mr. Davor Žic was appointed as a member of Supervisory Board of the Company, instead of Ms. Andreja Rudančić. At the General Assembly of the Company held on 9 August 2021, Ms. Ana Odak and Mr. Johannes Böck were elected as Supervisory Board members, with Mr. Johannes Böck being elected as President during the first subsequent Supervisory Board meeting, since Company received the resignation of Mr. Klaus Riederer, by then President, and by Mr. Branimir Žarković, by than member of the Supervisory Board. On December 30, 2021, the company received the resignation of Mrs. Barbara Mesić, now former member of the Supervisory Board.

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

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

Audit Committee: Mr. Branimir Žarković, President (until resignation), Mr. Philip Göth and Mr. Domijan Mršić, members, Mr. Johannes Böck, President from 22 April 2022,

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

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

NON-FINANCIAL REPORT

Pursuant to article 21.a (Official Gazette 78/15, 134/15, 120/16, 116/18, 42/20, 47/20) of the Accounting Act, the Company publishes a non-financial report for the business year 2021.

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

Ecology and sustainable development

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

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

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

Destination ‘Opatija Riviera’

Employment and ensuring workers' rights

The Company achieves the highest employment in the high tourist season, i.e., in the period from June to September. As of 31 August 2021, the Company employed 742 employees, of which 316 for an indefinite period of time and 426 for a definite period of time. The Company reaches its lowest employment outside the tourist season, in February. As of 28 February 2021, the Company employed 401 employees, of which 302 for an indefinite period of time and 99 for a definite period of time. During 2021, average employment increased compared to 2020 due to the recovery of tourist and business activities, especially in the high season due to strong demand for tourist accommodation in the Republic of Croatia and consequently increased need for seasonal employment.

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

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

Respecting human rights

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

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

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

Anti-corruption policy

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

Personal data protection

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

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

Opatija, April 21st, 2022

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

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

The Management Board is also responsible for the preparation and content of management reports, statements on the application of the Code of corporate governance and non-financial report, in accordance with the Croatian Accounting Act. Management report, report of the corporate governance code and non-financial report for the period from 01.01.2021. to 31.12.2021. were approved for issuance by the Management Board.

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

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

The audited unconsolidated financial statements for the period from 1 January to 31 December 2021 give a true and fair view of the Company's assets and liabilities, financial position, profit or loss.

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

Mr. Karl Eckerstorfer,
Management Board President

LIBURNIA RIVIERA HOTELI
DIONIČKO DRUŠTVO
OPATIJA 13

Mr. Dušan Mandič,
Management Board Member

ISSUER'S GENERAL DATA

Reporting period:	**1.1.2021**	to	**31.12.2021**
Year:	**2021**		

Annual financial statements

Registration number (MB):	**03166619**	Issuer's home Member State code:	**HR**
Entity's registration number (MBS):	**040008080**		
Personal identification number (OIB):	**15573308024**	LEI:	**74780000COJHFR9WBI35**
Institution code:	**1121**		
Name of the issuer:	**LIBURNIA RIVIERA HOTELI d.d. OPATIJA**		
Postcode and town:	**51410**		**OPATIJA**
Street and house number:	**MARŠALA TITA 198**		
E-mail address:	liburnia@liburnia.hr		
Web address:	www.liburnia.hr		
Number of employees (end of the reporting	**645**		
Consolidated report:	**KN**	(KN-not consolidated/KD-consolidated)	
Audited:	**RD**	(RN-not audited/RD-audited)	

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

Bookkeeping firm:		(Yes/No)	(name of the bookkeeping firm)
Contact person:	**Kristina Lovrić** (only name and surname of the contact person)		
Telephone:	**+ 385 (0)51 710-347**		
E-mail address:	kristina.lovric@liburnia.hr		
Audit firm:	Grant Thornton revizija d.o.o. Zagreb (name of the audit firm)		
Certified auditor:	Dalibor Briški (name and surname)		

BALANCE SHEET
balance as of 31.12.2021.

in HRK

Submitter: LIBURNIA RIVIERA HOTELI d.d.			
Item	**ADP code**	**Last day of the preceding business year**	**At the reporting date of the current period**
1	**2**	**3**	**4**
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	**001**		
B) FIXED ASSETS (ADP 003+010+020+031+036)	**002**	907.833.655	906.289.511
I INTANGIBLE ASSETS (ADP 004 to 009)	**003**	15.748.150	19.101.960
1 Research and development	**004**	445.970	501.975
2 Concessions, patents, licences, trademarks, software and other rights	**005**	11.778.261	9.218.145
3 Goodwill	**006**		
4 Advance payments for purchase of intangible assets	**007**		
5 Intangible assets in preparation	**008**		
6 Other intangible assets	**009**	3.523.919	9.381.840
II TANGIBLE ASSETS (ADP 011 to 019)	**010**	870.968.717	853.865.609
1 Land	**011**	113.159.833	122.286.155
2 Buildings	**012**	578.790.808	547.135.981
3 Plant and equipment	**013**	25.600.306	23.255.373
4 Tools, working inventory and transportation assets	**014**	133.078.457	113.269.312
5 Biological assets	**015**		
6 Advance payments for purchase of tangible assets	**016**	2.515.293	22.208.256
7 Tangible assets in preparation	**017**	14.318.728	21.824.422
8 Other tangible assets	**018**	3.505.292	3.886.110
9 Investment property	**019**		
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	**020**	7.716.435	24.310.192
1 Investments in holdings (shares) of undertakings within the group	**021**	7.716.435	24.310.192
2 Investments in other securities of undertakings within the group	**022**		
3 Loans, deposits, etc. to undertakings within the group	**023**		
4 Investments in holdings (shares) of companies linked by virtue of participating interest	**024**		
5 Investment in other securities of companies linked by virtue of participating interest	**025**		
6 Loans, deposits etc. given to companies linked by virtue of participating interest	**026**		
7 Investments in securities	**027**		
8 Loans, deposits, etc. given	**028**		
9 Other investments accounted for using the equity method	**029**		
10 Other fixed financial assets	**030**		
IV RECEIVABLES (ADP 032 to 035)	**031**	0	0
1 Receivables from undertakings within the group	**032**		
2 Receivables from companies linked by virtue of participating interests	**033**		
3 Customer receivables	**034**		
4 Other receivables	**035**		
V. Deferred tax assets	**036**	13.400.353	9.011.750
C) CURRENT ASSETS (ADP 038+046+053+063)	**037**	23.265.016	43.715.916
I INVENTORIES (ADP 039 to 045)	**038**	3.239.639	4.079.833
1 Raw materials	**039**	1.789.582	2.885.896
2 Work in progress	**040**		
3 Finished goods	**041**		
4 Merchandise	**042**	151.454	101.643
5 Advance payments for inventories	**043**	1.298.603	1.092.294
6 Fixed assets held for sale	**044**		
7 Biological assets	**045**		
II RECEIVABLES (ADP 047 to 052)	**046**	7.947.388	24.425.819
1 Receivables from undertakings within the group	**047**		
2 Receivables from companies linked by virtue of participating interest	**048**	2.068.695	13.662.122
3 Customer receivables	**049**	1.482.169	6.751.014
4 Receivables from employees and members of the undertaking	**050**	32.877	53.276
5 Receivables from government and other institutions	**051**	4.363.647	3.926.853
6 Other receivables	**052**		32.554
III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	**053**	16.320	0
1 Investments in holdings (shares) of undertakings within the group	**054**		
2 Investments in other securities of undertakings within the group	**055**		
3 Loans, deposits, etc. to undertakings within the group	**056**		
4 Investments in holdings (shares) of companies linked by virtue of participating interest	**057**		
5 Investment in other securities of companies linked by virtue of participating interest	**058**		
6 Loans, deposits etc. given to companies linked by virtue of participating interest	**059**		

7 Investments in securities	060	16.320	
8 Loans, deposits, etc. given	061		
9 Other financial assets	062		
IV CASH AT BANK AND IN HAND	063	12.061.669	15.210.264
D) PREPAID EXPENSES AND ACCRUED INCOME	064	501.318	572.024
E) TOTAL ASSETS (ADP 001+002+037+064)	065	931.599.989	950.577.451
OFF-BALANCE SHEET ITEMS	066		251.939
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+083+086+089)	067	608.323.687	517.032.099
I. INITIAL (SUBSCRIBED) CAPITAL	068	696.074.300	696.074.300
II CAPITAL RESERVES	069		
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	46.530.168	46.513.848
1 Legal reserves	071	45.018.765	45.018.765
2 Reserves for treasury shares	072		9.200
3 Treasury shares and holdings (deductible item)	073		-9.200
4 Statutory reserves	074		
5 Other reserves	075	1.511.403	1.495.083
IV REVALUATION RESERVES	076		
V FAIR VALUE RESERVES AND OTHER (ADP 078 to 082)	077	0	0
1 Financial assets at fair value through other comprehensive income (i.e. available for sale)	078		
2 Cash flow hedge - effective portion	079		
3 Hedge of a net investment in a foreign operation - effective portion	080		
4 Other fair value reserves	081		
5 Exchange differences arising from the translation of foreign operations (consolidation)	082		
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 084-085)	083	27.105.058	-133.862.731
1 Retained profit	084	27.105.058	
2 Loss brought forward	085		133.862.731
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 087-088)	086	-161.385.839	-91.693.318
1 Profit for the business year	087		
2 Loss for the business year	088	161.385.839	91.693.318
VIII MINORITY (NON-CONTROLLING) INTEREST	089		
B) PROVISIONS (ADP 091 to 096)	090	12.476.993	21.397.957
1 Provisions for pensions, termination benefits and similar obligations	091	2.315.167	2.033.432
2 Provisions for tax liabilities	092		
3 Provisions for ongoing legal cases	093	10.161.826	19.364.525
4 Provisions for renewal of natural resources	094		
5 Provisions for warranty obligations	095		
6 Other provisions	096		
C) LONG-TERM LIABILITIES (ADP 098 to 108)	097	183.974.058	297.130.786
1 Liabilities towards undertakings within the group	098		
2 Liabilities for loans, deposits, etc. to companies within the group	099		
3 Liabilities towards companies linked by virtue of participating interest	100		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	101		
5 Liabilities for loans, deposits etc.	102		
6 Liabilities towards banks and other financial institutions	103	180.232.700	287.539.871
7 Liabilities for advance payments	104		
8 Liabilities towards suppliers	105		
9 Liabilities for securities	106		
10 Other long-term liabilities	107	3.741.358	9.590.915
11 Deferred tax liability	108		
D) SHORT-TERM LIABILITIES (ADP 110 to 123)	109	124.838.089	112.263.765
1 Liabilities towards undertakings within the group	110		433.630
2 Liabilities for loans, deposits, etc. to companies within the group	111		
3 Liabilities towards companies linked by virtue of participating interest	112		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	113		
5 Liabilities for loans, deposits etc.	114		
6 Liabilities towards banks and other financial institutions	115	92.440.295	67.016.623
7 Liabilities for advance payments	116	4.646.613	6.560.349
8 Liabilities towards suppliers	117	16.353.124	15.274.634
9 Liabilities for securities	118		
10 Liabilities towards employees	119	4.496.563	15.473.863
11 Taxes, contributions and similar liabilities	120	556.564	3.678.408
12 Liabilities arising from the share in the result	121		
13 Liabilities arising from fixed assets held for sale	122		
14 Other short-term liabilities	123	6.344.930	3.826.258
E) ACCRUALS AND DEFERRED INCOME	124	1.987.162	2.752.844
F) TOTAL – LIABILITIES (ADP 067+090+097+109+124)	125	931.599.989	950.577.451
G) OFF-BALANCE SHEET ITEMS	126		251.939

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2021. to 31.12.2021.

in HRK

Submitter: LIBURNIA RIVIERA HOTELI d.d.			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
I OPERATING INCOME (AOP 002 do 006)	001	110.651.804	248.511.285
1 Income from sales with undertakings within the group	002		1.062.642
2 Income from sales (outside group)	003	73.148.256	214.986.404
3 Income from the use of own products, goods and services	004		
4 Other operating income with undertakings within the group	005		540
5 Other operating income (outside the group)	006	37.503.548	32.461.699
II OPERATING EXPENSES (AOP 08+009+013+017+018+019+022+029)	007	274.970.725	329.927.086
1 Changes in inventories of work in progress and finished goods	008		
2 Material costs (AOP 010 do 011)	009	52.790.301	98.521.446
a) Costs of raw material	010	17.422.809	41.024.528
b) Costs of goods sold	011	12.979	0
c) Other external costs	012	35.354.513	57.496.918
3 Staff costs (AOP 014 do 016)	013	58.126.188	95.758.270
a) Net salaries and wages	014	38.565.544	66.688.726
b) Tax and contributions from salaries expenses	015	12.455.373	17.783.644
c) Contributions on salaries	016	7.105.271	11.285.900
4 Depreciation	017	109.751.506	100.430.911
5 Other expenses	018		
6 Value adjustments (AOP 020+021)	019	22.916.579	1.793.208
a) fixed assets other than financial assets	020	22.228.346	1.793.208
b) current assets other than financial assets	021	688.233	
7 Provisions (AOP 023 do 028)	022	8.166.238	11.152.159
a) Provisions for pensions, termination benefits and similar obligations	023		
b) Provisions for tax liabilities	024		
c) Provisions for ongoing legal cases	025	8.166.238	11.152.159
d) Provisions for renewal of natural resources	026		
e) Provisions for warranty obligations	027		
f) Other provisions	028		
8 Other operating expenses	029	23.219.913	22.271.092
III FINANCIAL INCOME (AOP 031 do 040)	030	262.574	834.696
1 Income from investments in holdings (shares) of undertakings within the group	031		
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	032		
3 Income from other long-term financial investment and loans granted to undertakings within the group	033		
4 Other interest income from operations with undertakings within the group	034		187.217
5 Exchange rate differences and other financial income from operations with undertakings within the group	035		
6 Income from other long-term financial investments and loans	036		
7 Other interest income	037	2.289	552
8 Exchange rate differences and other financial income	038	260.285	646.927
9 Unrealised gains (income) from financial assets	039		
10 Other financial income	040		
IV FINANCIAL EXPENDITURE (AOP 042 do 048)	041	8.078.650	6.723.610
1 Interest expenses and similar expenses with undertakings within the group	042		
2 Exchange rate differences and other expenses from operations with undertakings within the group	043		
3 Interest expenses and similar expenses	044	2.992.758	4.844.887
4 Exchange rate differences and other expenses	045	1.624.263	140.225
5 Unrealised losses (expenses) from financial assets	046		
6 Value adjustments of financial assets (net)	047		
7 Other financial expenses	048	3.461.629	1.738.498
V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	049		
VI SHARE IN PROFIT FROM JOINT VENTURES	050		
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	051		
VIII SHARE IN LOSS OF JOINT VENTURES	052		
IX TOTAL INCOME (AOP 001+030+049 +050)	053	110.914.378	249.345.981
X TOTAL EXPENDITURE (AOP 007+041+051 + 052)	054	283.049.375	336.650.696

XI PRE-TAX PROFIT OR LOSS (AOP 053-054)	**055**	-172.134.997	-87.304.715
1 Pre-tax profit (AOP 053-054)	**056**	0	0
2 Pre-tax loss (AOP 054-053)	**057**	-172.134.997	-87.304.715
XII INCOME TAX	**058**	-10.749.158	4.388.603
XIII PROFIT OR LOSS FOR THE PERIOD (AOP 055-059)	**059**	-161.385.839	-91.693.318
1 Profit for the period (AOP 055-059)	**060**	0	0
2 Loss for the period (AOP 059-055)	**061**	-161.385.839	-91.693.318
DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)			
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (AOP 063-064)	**062**	0	0
1 Pre-tax profit from discontinued operations	**063**		
2 Pre-tax loss on discontinued operations	**064**		
XV INCOME TAX OF DISCONTINUED OPERATIONS	**065**		
1 Discontinued operations profit for the period (AOP 062-065)	**066**		
2 Discontinued operations loss for the period (AOP 065-062)	**067**		
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)			
XVI PRE-TAX PROFIT OR LOSS (AOP 055+062)	**068**		
1 Pre-tax profit (AOP 068)	**069**		
2 Pre-tax loss (AOP 068)	**070**		
XVII INCOME TAX (AOP 058+065)	**071**		
XVIII PROFIT OR LOSS FOR THE PERIOD (AOP 068-071)	**072**		
1 Profit for the period (AOP 068-071)	**073**		
2 Loss for the period (AOP 071-068)	**074**		
APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)			
XIX PROFIT OR LOSS FOR THE PERIOD (AOP 076+077)	**075**	0	0
1 Attributable to owners of the parent	**076**		
2 Attributable to minority (non-controlling) interest	**077**		
STATEMENT OF OTHER COMPRHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I PROFIT OR LOSS FOR THE PERIOD	**078**	-161.385.839	-91.693.318
II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX (AOP 80 + 87)	**079**	0	0
III Items that will not be reclassified to profit or loss (AOP 081 do 085)	**080**	0	0
1 Changes in revaluation reserves of fixed tangible and intangible assets	**081**		
2 Gains or losses from subsequent measurement of equity instruments at fair value through other comprehensive income	**082**		
3 Fair value changes of financial liabilities at fair value through statement of profit or loss, attributable to changes in their credit risk	**083**		
4 Actuarial gains/losses on the defined benefit obligation	**084**		
5 Other items that will not be reclassified	**085**		
6 Income tax relating to items that will not be reclassified	**086**		
IV Items that may be reclassified to profit or loss (AOP 088 do 095)	**087**	0	0
1 Exchange rate differences from translation of foreign operations	**088**		
2 Gains or losses from subsequent measurement of debt securities at fair value through other comprehensive income	**089**		
3 Profit or loss arising from effective cash flow hedging	**090**		
4 Profit or loss arising from effective hedge of a net investment in a foreign operation	**091**		
5 Share in other comprehensive income/loss of companies linked by virtue of participating interests	**092**		
6 Changes in fair value of the time value of option	**093**		
7 Changes in fair value of forward elements of forward contracts	**094**		
8 Other items that may be reclassified to profit or loss	**095**		
9 Income tax relating to items that may be reclassified to profit or loss	**096**		
V NET OTHER COMPREHENSIVE INCOME OR LOSS (AOP 080+087 - 086 - 096)	**097**	0	0
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (AOP 078+097)	**098**	-161.385.839	-91.693.318
APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)			
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (AOP 100+101)	**099**	0	0
1 Attributable to owners of the parent	**100**		
2 Attributable to minority (non-controlling) interest	**101**		

STATEMENT OF CASH FLOWS - indirect method
for the period 01.01.2021. to 31.12.2021.

in HRK

Submitter: LIBURNIA RIVIERA HOTELI d.d.			
Item	**ADP code**	**Same period of the previous year**	**Current period**
1	**2**	**3**	**4**
Cash flow from operating activities			
1 Pre-tax profit	**001**	-172.134.997	-87.304.715
2 Adjustments (ADP 003 to 010):	**002**	146.923.930	116.783.677
a) Depreciation	**003**	109.751.506	100.430.911
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	**004**	22.916.579	1.729.459
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	**005**	-184.631	-184.760
d) Interest and dividend income	**006**	-2.289	-187.769
e) Interest expenses	**007**	2.992.758	4.844.887
f) Provisions	**008**	7.917.307	8.920.964
g) Exchange rate differences (unrealised)	**009**	1.460.575	-431.413
h) Other adjustments for non-cash transactions and unrealised gains and losses	**010**	2.072.125	1.661.398
I Cash flow increase or decrease before changes in the working capital (ADP 001+002)	**011**	-25.211.067	29.478.962
3 Changes in the working capital (ADP 013 to 016)	**012**	310.644	7.019.215
a) Increase or decrease in short-term liabilities	**013**	-116.430	13.204.031
b) Increase or decrease in short-term receivables	**014**	17.322	-5.344.621
c) Increase or decrease in inventories	**015**	409.752	-840.195
d) Other increase or decrease in the working capital	**016**		
II Cash from operations (ADP 011+012)	**017**	-24.900.423	36.498.177
4 Interest paid	**018**	-2.952.386	-3.500.527
5 Income tax paid	**019**	704.481	0
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	**020**	-27.148.327	32.997.650
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	**021**	185.931	63.749
2 Cash receipts from sales of financial instruments	**022**		
3 Interest received	**023**	2.289	552
4 Dividends received	**024**		
5 Cash receipts from repayment of loans and deposits	**025**		
6 Other cash receipts from investment activities	**026**		
III Total cash receipts from investment activities (ADP 021 to 026)	**027**	188.220	64.301
1 Cash payments for the purchase of fixed tangible and intangible assets	**028**	-46.553.956	-81.822.558
2 Cash payments for the acquisition of financial instruments	**029**		
3 Cash payments for loans and deposits for the period	**030**		
4 Acquisition of a subsidiary, net of cash acquired	**031**		
5 Other cash payments from investment activities	**032**	-9.302.452	-27.372.666
IV Total cash payments from investment activities (ADP 028 to 032)	**033**	-55.856.408	-109.195.224
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	**034**	-55.668.188	-109.130.923
Cash flow from financing activities			
1 Cash receipts from the increase of initial (subscribed) capital	**035**		
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	**036**		
3 Cash receipts from credit principals, loans and other borrowings	**037**	69.592.341	106.442.878
4 Other cash receipts from financing activities	**038**		
V Total cash receipts from financing activities (ADP 035 to 038)	**039**	69.592.341	106.442.878
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	**040**	0	-25.472.327
2 Dividends paid	**041**		0
3 Cash payments for finance lease	**042**	-658.267	-1.688.683
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	**043**		0
5 Other cash payments from financing activities	**044**		0
VI Total cash payments from financing activities (ADP 040 to 044)	**045**	-658.267	-27.161.010
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	**046**	68.934.074	79.281.868
1 Unrealised exchange rate differences in cash and cash equivalents	**047**		
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)	**048**	-13.882.441	3.148.595
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**049**	25.944.110	12.061.669
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049)	**050**	12.061.669	15.210.264

STATEMENT OF CHANGES IN EQUITY

for the period from 1.1.2021 to 31.12.2021

in HRK

Item	ADP code	Attributable to owners of the parent																Minority (non-controlling) interest	Total capital and reserves
		Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets through other comprehensive income (available for sale)	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Other fair value reserves	Exchange rate differences from translation of foreign operations	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18 (3 do 6 - 7 + 8 do 17)	19	20 (18+19)
Previous period																			
1 Balance on the first day of the previous business year	01	696.074.300	0	45.018.765	0	0	0	1.511.403	0	0					27.105.058		769.709.526		769.709.526
2 Changes in accounting policies	02																0		0
3 Correction of errors	03																0		0
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	04	696.074.300	0	45.018.765	0	0	0	1.511.403	0	0	0	0	0	0	27.105.058	0	769.709.526	0	769.709.526
5 Profit/loss of the period	05	0	0	0	0	0	0	0	0	0	0	0			0	-161.385.839	-161.385.839		-161.385.839
6 Exchange rate differences from translation of foreign operations	06	0	0	0	0	0	0		0	0	0	0			0	0	0		0
7 Changes in revaluation reserves of fixed tangible and intangible assets	07	0	0	0	0	0	0	0		0	0	0					0		0
8 Gains or losses from subsequent measurement of financial assets at fair value through other comprehensive income (available for sale)	08	0	0	0	0	0	0	0	0		0	0					0		0
9 Gains or losses on efficient cash flow hedging	09	0	0	0	0	0	0	0	0	0		0					0		0
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	10	0	0	0	0	0	0	0	0	0	0						0		0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	11	0	0	0	0	0	0										0		0
12 Actuarial gains/losses on defined benefit plans	12	0	0	0	0	0	0										0		0
13 Other changes in equity unrelated to owners	13																0		0
14 Tax on transactions recognised directly in equity	14	0	0	0	0	0	0										0		0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15																0		0
16 Decrease in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	16																0		0
17 Decrease in initial (subscribed) capital arising from the reinvestment of profit	17																0		0
18 Redemption of treasury shares/holdings	18																0		0
19 Payments from members/shareholders	19																0		0
20 Payment of share in profit/dividend	20																0		0
21 Other distributions and payments to members/shareholders	21																0		0
22 Transfer to reserves according to the annual schedule	22																0		0
23 Increase in reserves arising from the pre-bankruptcy settlement procedure	23																0		0
24 Balance on the last day of the previous business year reporting period (ADP 04 to 23)	24	696.074.300	0	45.018.765	0	0	0	1.511.403	0	0	0	0	0	0	27.105.058	-161.385.839	608.323.687	0	608.323.687
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																			
I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)	25	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+25)	26	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-161.385.839	-161.385.839	0	-161.385.839
III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 23)	27	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Current period																			
1 Balance on the first day of the current business year	28	696.074.300		45.018.765				1.511.403							-134.280.781		608.323.687		608.323.687
2 Changes in accounting policies	29																0		0
3 Correction of errors	30																0		0
4 Balance on the first day of the current business year (restated) (AOP 28 to 30)	31	696.074.300	0	45.018.765	0	0	0	1.511.403	0	0	0	0	0	0	-134.280.781	0	608.323.687	0	608.323.687
5 Profit/loss of the period	32	0	0	0	0	0	0	0	0	0	0	0			0	-91.693.318	-91.693.318		-91.693.318
6 Exchange rate differences from translation of foreign operations	33	0	0	0	0	0	0		0	0	0	0			0	0	0		0
7 Changes in revaluation reserves of fixed tangible and intangible assets	34	0	0	0	0	0	0	0		0	0	0					0		0
8 Gains or losses from subsequent measurement of financial assets at fair value through other comprehensive income (available for sale)	35	0	0	0	0	0	0	0	0		0	0					0		0
9 Gains or losses on efficient cash flow hedging	36	0	0	0	0	0	0	0	0	0		0					0		0
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	37	0	0	0	0	0	0	0	0	0	0						0		0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	38	0	0	0	0	0	0								418.050		418.050		418.050
12 Actuarial gains/losses on defined remuneration plans	39	0	0	0	0	0	0										0		0
13 Other changes in equity unrelated to owners	40				9.200	9.200		-16.320									-16.320		-16.320
14 Tax on transactions recognised directly in equity	41	0	0	0	0	0	0										0		0
15 Decrease in initial (subscribed) capital (other than arising from the pre-bankruptcy settlement procedure or from the reinvestment of profit)	42																0		0
16 Decrease in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43																0		0
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	44																0		0
18 Redemption of treasury shares/holdings	45																0		0
19 Payments from members/shareholders	46																0		0
20 Payment of share in profit/dividend	47																0		0
21 Other distributions and payments to members/shareholders	48																0		0
22 Carryforward per annual plan	49																0		0
23 Increase in reserves arising from the pre-bankruptcy settlement procedure	50																0		0
24 Balance on the last day of the current business year reporting period (ADP 31 to 50)	51	696.074.300	0	45.018.765	9.200	9.200	0	1.495.083	0	0	0	0	0	0	-133.862.731	-91.693.318	517.032.099	0	517.032.099
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																			
I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 33 to 41)	52	0	0	0	9.200	9.200	0	-16.320	0	0	0	0	0	0	418.050	0	401.730	0	401.730
II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 32 do 52)	53	0	0	0	9.200	9.200	0	-16.320	0	0	0	0	0	0	418.050	-91.693.318	-91.291.588	0	-91.291.588
III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 42 to 50)	54	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

NOTES TO ANNUAL FINANCIAL STATEMENTS - GFI

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

Personal identification number (OIB): 1557308024

Reporting period: from 01.01.2021. to 31.12.2021.

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

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

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

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

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

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

2. adopted accounting policies

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

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

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

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

7. average number of employees during the financial year

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

9. the amount of the emoluments granted in respect of the financial year to the members of the administrative, managerial and supervisory bodies by reason of their responsibilities, and any commitments arising or entered into in respect of retirement pensions for former members of those bodies, with an indication of the total for each category

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Detailed information on financial statements are available in PDF document „Annual report 2021" which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

Detailed information on the preparation of financial statements and certain accounting policies are available in PDF document „Annual report 2021" which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

LIBURNIA RIVIERA d.d., OPATIJA

INDEPENDENT AUDITORS' REPORT AND

FINANCIAL STATEMENTS

31 December 2021

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

In preparing consolidated and separate financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed;
- the financial statements are prepared on the going concern basis.

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

Signed by the Management Board on 21 April 2022:

Karl Eckerstorfer
Management Board President

Dušan Mandič
Management Board Member

LIBURNIA RIVIERA HOTELI
DIONIČKO DRUŠTVO
OPATIJA 13

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LIBURNIA RIVIERA HOTELI d.d. („the Company"), which comprise the statement of financial position of the Company as of 31 December 2021, and the statements of comprehensive income, cash flows and changes in equity of the Company for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. 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 in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Emphasis of Matter

We draw attention to Note 4 (f) to the financial statements describing the impact of the COVID-19 pandemic on the Company's business operations and on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include identified most significant risks of material misstatement due to error or fraud with the greatest impact on our audit strategy, the schedule of the resources available to us and the time consumed by the engaged audit team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Grant Thornton

INDEPENDENT AUDITORS' REPORT

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

Key Audit Matters (continued)

Key audit matter	*How our audit addressed the matter*
Impairment and useful life of tourist facilities As of 31 December 2021, the carrying amount of the Company's *property, plant and equipment* amounted to HRK 853,866 thousand (2020: HRK 870,968 thousand). See Note 2.3. within Accounting policies; Note 4(a) within *Key accounting matters* and Note 14.1 *Property, plant and equipment* within the financial statements. As of 31 December 2021, the carrying amount of property, plant and equipment represented approximately 90% of the Company's total assets. These assets, carried at cost less accumulated depreciation and any accumulated impairment losses, consist primarily of tourism properties and related assets, and are subject to annual analysis to determine whether there are indicators of possible impairment. As described in Note 14.1 of the financial statements, in the current year, the Company identified impairment indicators relating to certain underperforming tourism properties. As a result, as of 31 December 2021 the Company tested the above tourism properties for impairment and determined the assets recoverable amount based on an estimate of their fair value less costs to sell. The test did not indicate any impairment loss of those properties as of 31 December 2021.	Our audit procedures in this area included, among others: - Evaluating the Company's accounting policy for identification of impairment, measurement and recognition of any impairment losses and determination of remaining useful lives in respect of tourism properties against the requirements of the relevant financial reporting standards; - Assessing the Company's judgments regarding identification of impairment indicators for tourism properties by analyzing the financial performance of the respective properties against the expected levels of performance; - For the underperforming assets, challenging the key assumptions used in determining their recoverable amounts by comparing the carrying values of these assets with quoted prices for assets identified by as comparable or considering Company's recent sales of similar assets;

INDEPENDENT AUDITORS' REPORT

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

Key Audit Matters (continued)

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

Grant Thornton

INDEPENDENT AUDITORS' REPORT

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

Other Information in the Annual Report

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, 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 under *Report on Other Legal Requirements*, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT

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

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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT

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

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

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, related safeguards.

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

Report on Other Legal Requirements

Report based on the requirements of the Directive (EU) no. 537/2014

1. As of 9 August 2021 we were appointed by decision of the General Assembly of the company LIBURNIA RIVIERA HOTELI d.d., on proposal of the Audit committee, and on proposal of the Supervisory Board of the company LIBURNIA RIVIERA HOTELI d.d. to audit the financial statements for 2021.

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

3. Apart from the matters we have identified in our independent auditor's report as key audit issues within the section Independent Auditor's Report on the annual financial statements, we have nothing to report with regard to point (c) of article 10 of the Directive (EU) no. 537/2014.

4. During our statutory audit of the Company's annual financial statements for 2021, we are able to identify irregularities, including fraud, and in performing our audit engagement. to determine whether the Company has complied with laws and regulations that are generally recognized to have a direct impact on determining significant amounts and disclosures in their financial statements, as well as other laws and regulations that do not have a direct impact on determining significant amounts and disclosures in their annual financial statements, but compliance with which may be critical to the Company's operational aspects, its ability to continue as a going concern or avoid significant penalties.

INDEPENDENT AUDITORS' REPORT

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

Report on Other Legal Requirements (continued)

Report based on the requirements of the Directive (EU) no. 537/2014 (continued)

Unless we identify, or become aware of, non-compliance with any of the aforementioned laws or regulations that is apparently insignificant, in our judgment of its content and its impact, financially or otherwise, to the Company, its shareholders and the general public, we are required to inform the Company and request examination of that matter and take appropriate measures to address the irregularities and to prevent the recurrence of those irregularities in the future. If the Company, as of the date of the audited balance sheet, does not correct the irregularities that resulted in misstatements in the audited annual financial statements that are cumulatively equal to or greater than the materiality of the financial statements as a whole, we are required to modify our opinion in the independent auditor's report.

In the audit of the annual financial statements of the Company for 2021, we determined the materiality for the financial statements as a whole in the amount of HRK 4.7 million, calculated in accordance with our methodology and generally accepted standards.

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

6. During the period between the starting date of the Company's audited annual financial statements for 2021 and the date of this report, we did neither provide prohibited non-audit services to the Company and / or its parent company within the EU, nor did we in the financial year before that period provide services for designing and implementing internal control procedures or risk management related to the preparation and / or control of financial information or the design and implementation of technological systems for financial information, and we have maintained our independence from the Company in performing the audit.

Report based on the requirements of the Accounting Act

1. In our opinion, based on the audit procedures performed, the information in the Annual Management Report and Statement of implementation of the Corporate Governance Code of the Company for 2021 are reconciled, in all material aspects, with the accompanying financial statements of the Company for 2021.

2. In our opinion, based on the audit procedures performed, the accompanying Annual Management Report of the Company for 2021 was prepared in accordance with article 21 of the Accounting Act.

INDEPENDENT AUDITORS' REPORT

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

Report on Other Legal Requirements (continued)

Report based on the requirements of the Accounting Act (continued)

3. Based on our knowledge and understanding of the Company´s nature of business and its environment gained during our audit, we could not detect any significant misstatements disclosed in the Annual Management Report of the Company.

4. In our opinion, based on the work performed during the audit, the Statement of implementation of the Corporate Governance Code, included in the Company's Annual Management Report for 2021, is in accordance with the requirements set out in article 22 of the Accounting Act.

5. The Statement of implementation of the Corporate Governance Code, included in the Company's Annual Management Report for 2021, contains those information required by article 22 of the Accounting Act.

Report based on the requirements of the ESEF Regulation

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

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

Responsibilities of Management and Those Charged with Governance

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

Management is also responsible for:

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

INDEPENDENT AUDITORS' REPORT

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

Report based on the requirements of the ESEF Regulation (continued)

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

Responsibilities of the Auditor

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

Performed procedures

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

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

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

The objective of our procedures was to assess as to whether:

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

INDEPENDENT AUDITORS' REPORT

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

Report based on the requirements of the ESEF Regulation (continued)

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

Conclusion

Based on the procedures performed and evidence obtained, in our opinion, the financial statements presented in the ESEF format and prepared for public disclosure purposes as required by the provisions of article 462, paragraph 5 of the Act on Market Capital comply, in all material aspects, with the requirements of the ESEF Regulation for the year ended 31 December 2021. Our conclusion is not an opinion on the true and fair presentation of the financial statements in electronic form. Furthermore, we do not express assurance on the other information disclosed with documents in the ESEF format.

The engagement partner on the audit resulting in this independent auditors' report is mr.sc. Dalibor Briški.

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

Zagreb, 25 April 2022

Director
Dalibor Briški

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

Certified Auditor
Ivica Bašić

(in thousands of HRK)	**Note**	**2021**	**2020**
Revenue	6.1	216,049	73,148
Other income	6.2	32,398	37,319
Cost of materials and services	7	(98,521)	(52,789)
Staff costs	8	(95,758)	(58,126)
Depreciation and amortization	14.1,14.2,14.3	(100,431)	(109,751)
Other operating expenses	9	(35,216)	(53,616)
Impairment loss on trade receivables	16	-	(688)
Other gains - net	10	64	185
Operating profit / (loss)		(81,416)	(164,318)
Finance income	11	835	262
Finance costs	11	(6,724)	(8,079)
Net finance costs	11	(5,889)	(7,817)
Profit / (loss) before tax		(87,305)	(172,135)
Income tax expense	12	(4,389)	10,749
Profit / (loss) for the year		**(91,693)**	**(161,386)**
Other comprehensive income		**-**	**-**
Total comprehensive income / (loss) for the year		**(91,693)**	**(161,386)**
Earnings/(loss) per share (in HRK) - basic and diluted	13	(303)	(533)

(in thousands of HRK)	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	14.1	853,866	870,968
Intangible assets	14.2	9,720	12,225
Right of use assets	14.3	9,382	3,523
Financial assets	15	24,310	7,716
Deferred tax assets	12	9,012	13,400
		906,290	907,832
Current assets			
Inventories		4,080	3,241
Loans granted	25	13,257	2,069
Trade and other receivables	16	11,741	6,396
Cash and cash equivalents	17	15,210	12,062
		44,288	23,768
Total assets		**950,577**	**931,600**
EQUITY			
Share capital	18	696,074	696,074
Treasury shares	18	(9)	-
Treasury shares reserves	18	9	-
Legal reserves	18	45,019	45,019
Capital reserves	18	1,495	1,511
Loss carryforward		(225,556)	(134,281)
		517,032	608,323
LIABILITIES			
Non-current liabilities			
Borrowings	19	287,540	180,234
Provisions for other liabilities and expenses	20	21,398	12,477
Lease liabilities	21	9,591	3,741
		318,529	196,452
Current liabilities			
Trade and other payables	22	46,694	33,489
Borrowings	19	67,017	92,440
Lease liabilities	21	1,307	896
		115,017	126,825
Total liabilities		**433,545**	**323,277**
Total liabilities and equity		**950,577**	**931,600**

(in thousands of HRK)	**Note**	**Share capital**	**Treasury shares**	**Legal reserves**	**Capital reserves**	**Other reserves**	**Retained earnings**	**Total**
Balance as of 1 January 2020		696,074	-	45,019	1,508	3	27,105	769,709
Profit for the year		-	-	-	-	-	(161,386)	(161,386)
Total comprehensive loss		-	-	-	-	-	(161,386)	(161,386)
Balance as of 31 December 2020	**18**	**696,074**	**-**	**45,019**	**1,508**	**3**	**(134,281)**	**608,323**
Balance as pf 1 January 2021		**696,074**	**-**	**45,019**	**1,508**	**3**	**(134,281)**	**608,323**
Loss for the year		-	-	-	-	-	(91,693)	(91,693)
Total comprehensive loss		-	-	-	-	-	-	-
Share in profits participating interests		-	-	-	-	-	418	418
Treasury shares		-	(9)	-	(13)	6	-	(16)
Balance as of 31 December 2021	**18**	**696,074**	**(9)**	**45,019**	**1,495**	**9**	**(225,556)**	**517,032**

The accompanying notes form a part of these financial statements.

(in thousands of HRK)	Note	2021	2020
Cash flow generated from operating activities			
Cash from operations	23	36,500	(24,933)
Income tax paid/returned		-	705
Interest paid		(3,501)	(3,463)
Net cash generated from operating activities		**32,999**	**(27,691)**
Cash flow from investing activities			
Purchase of property, plant and equipment	14.1	(81,555)	(35,414)
Purchase of intangible assets	14.2	(269)	(13,233)
Investments in financial assets	15	(27,372)	(9,285)
Proceeds from disposal of property, plant and equipment	10	64	185
Interest received		1	2
Net cash used in investing activities		**(109,131)**	**(57,745)**
Cash flow from financing activities			
Borrowings received	19	106,443	73,235
Repayments of borrowings	19	(25,472)	(1,141)
Receipts from leases		-	1,518
Repayments of the right of use liabilities	21	(1,689)	(1,057)
Net cash from financing activities		**79,282**	**71,555**
Net increase/ (decrease) in cash and cash equivalents		**3,148**	**(13,881)**
Cash and cash equivalents at beginning of the year		12,062	25,943
Cash and cash equivalents at end of year	17	15,210	12,062

NOTE 1 – GENERAL INFORMATION

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

As of 31 December 2021 the Company's shares were listed on the Zagreb Stock Exchange.

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

The financial statements for the year ended 31 December 2021 were approved for issuance on 21 April 2022.

Management Board and Supervisory Board

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

As of 31 December 2021, Management Board of the Company consists of two Board members, the Management Board President Mr. Karl Eckerstorfer and Management Board Member Mr. Dušan Mandič. Until March 4th 2021, President of the Management Board of the Company was Mr. Agron Berisha, who resigned during the first quarter of 2021, and Board Member was Mr. Johannes Böck. On 5 March 2021, the Supervisory Board appointed Mr. Vladimir Bosnjak as the new President of the Management Board, and on July 14th 2021, Mr. Karl Eckerstorfer was appointed as the third Board Member of the Company. In August 2021, Mr. Johannes Böck resigned as a Member of the Management Board and from that day until the end of October 2021 the Company acts with two-member Board: Mr. Vladimir Bošnjak as the President of the Board, and Mr. Karl Eckerstorfer as a Member of the Management Board. From November 1st,2021 due to the resignation of Mr. Bošnjak, the former President of the Management Board, Cthe ompany continues to be managed by Mr. Eckerstorfer, in the position of President of the Management Board with the newly appointed Member of the Management Board, Mr. Dušan Mandič.

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

The Supervisory Board of the Company is nominated and revoked by the General Assembly of the Company in accordance with the Company's Articles of Association and the CA and it is composed of the following members as of 31 December 2021:

- Johannes Böck, president,
- Alexander Paul Zinell, deputy president,
- Philip Göth, member,
- Thomas Mayer, member,
- Davor Žic, member,
- Helena Masarić, member,
- Domijan Mršić, member,
- Ana Odak, member.

NOTE 1 – GENERAL INFORMATION (continued)

By shareholders' decision of Nova Liburnia d.o.o. on 23 June 2021, Mr. Davor Žic was appointed as a member of the Supervisory Board of the Company, instead of Ms. Andreja Rudančić. At the General Assembly of the Company held on August 9th, 2021, Ms. Ana Odak and Mr. Johannes Böck were elected as Supervisory Board members, with Mr. Johannes Böck being elected as President during the first subsequent Supervisory Board meeting, since Company received the resignation of Mr. Klaus Riederer, by then President, and by Mr. Branimir Žarković, by then member of the Supervisory Board. On December 30, 2021, the company received the resignation of Mrs. Barbara Mesić, now former member of the Supervisory Board.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2.2 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Property, plant and equipment

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

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

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

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

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

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

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

2.3.1 Impairment of non-financial assets

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.1 Impairment of non-financial assets (continued)

Given the significant impact of the COVID-19 pandemic on the business of the Company in 2020 and significantly milder impact in 2021, connected with the absence of operating profit or overall business in certain cash-generating units, the Company assessed that there are potential indicators of impairment. By performing impairment tests in 2020 and 2021, the Company has proven that non-current tangible and intangible assets do not have to be impaired, in accordance with the determined values in use and for a part of facilities according to the fair value reduced for cost of sale.

2.4 Intangible assets

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

2.5 Investments in subsidiaries and associates

Subsidiaries

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

Associates

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

Impairment of investments in subsidiaries and associates

The net carrying amount of investments in associates is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in the statement of comprehensive income.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Financial assets

2.6.1 Classification

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

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

2.6.2. Measurement and recognition

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

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

2.6.3. Impairment of non-derivative financial assets

Financial instruments

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

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

The Company measures loss allowances at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

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

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

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6.3. Impairment of non-derivative financial assets (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 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 Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or being significantly past due;

- it is probable that the borrower will enter bankruptcy or other financial reorganization

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

2.7 Inventories

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

2.8 Trade receivables

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

2.9 Cash and cash equivalents

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Leases

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

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

i. As a lessee

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

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

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

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

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

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

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Leases (continued)

i. As a lessee (continued)

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

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

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

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

Short-term leases and leases of low-value assets

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

ii. As a lessor

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

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

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

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the 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 Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Leases (continued)

ii. As a lessor (continued)

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

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

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

2.11 Share capital

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

2.12 Trade payables

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

2.13 Borrowings

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Current and deferred income tax

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

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

2.15 Employee benefits

(a) Pension obligations and post-employment benefits

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

(b) Termination benefits e

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

(c) Short-term employee bene

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

(d) Long-term employee benefits

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Provisions

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

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

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

2.17 Revenue recognition

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

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

2.18 Earnings per share

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

2.19 Value added tax

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Segment reporting

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

2.21 New and amended standards and interpretations

2.21.1 It is expected that the following amended standards and interpretations should not have a significant influence on the financial reports of the Company:

• IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

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

a) IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments were initially effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the COVID-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow-scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need to be applied retrospectively in accordance with IAS 8, while early adoption is permitted.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 New and amended standards and interpretations (continued)

a) IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)(continued)

The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU. These amendments should not have a significant influence on the financial reports of the Company.

b) IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.

c) IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendments)

The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for the issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. These amendments should not have a significant influence on the financial reports of the Company.

d) IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgments to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgments about accounting policy disclosures. The Amendments have not yet been endorsed by the EU.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 New and amended standards and interpretations (continued)

e) IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU.

2.22 Determination of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to fair value measurement which assumes the overall responsibility of the Management Board and finance department in relation to the monitoring of all significant fair value measurements, consultation with external experts and the responsibility to report, with respect 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 categorized into different level in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23. Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and any conditions attached to them have been fulfilled. According to the International Accounting Standard 20 – Government grants („IAS 20“), the manner in which a grant is received does not affect the accounting method to be adopted in regard to the grant. Thus a grant is accounted for in the same manner whether it is received in cash or as a reduction of a liability to the government. Due to the circumstances caused by the COVID-19 pandemic, the Republic of Croatia has adopted a package of measures to preserve jobs in industries that are strongly affected by the pandemic, including government grants in the form of payment and/or liability reduction.

The Company is a recipient of certain government grants within the abovementioned package of measures in significant amounts. Hence, an accounting policy concerning the presentment of government grants has been adopted in accordance with IAS 20. The Company has selected to present the grants related to income as income in the periods in which the entity recognizes the related costs, the coverage of which the grant is intended, as an expense. This approach is consistently applied to all similar government grants.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(in thousands of HRK)	**31 December 2021**	**31 December 2020**
Financial assets at amortized cost		
Trade receivables	7,156	1,482
Other receivables	4,585	4,914
Loans granted	13,257	2,069
Cash and cash equivalents	15,210	12,062
	40,208	**20,527**
Financial liabilities at amortized cost		
Trade and other payables	15,708	16,354
Borrowings	354,557	272,674
Lease liabilities	10,898	4,637
	381,163	**293,665**

(a) Market risk

(i) Currency risk

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

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

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

	2021				2020			
(in thousands of HRK)	**EUR**	**HRK**	**Other**	**Total**	**EUR**	**HRK**	**Other**	**Total**
Financial assets								
Trade receivables	1,416	5,741	-	7,156	557	925	-	1,482
Loans granted	-	13,257	-	13,257	-	2,069	-	2,069
Cash and cash equivalents	3,196	11,958	56	15,210	289	11,754	19	12,062
	4,612	**30,956**	**56**	**35,623**	**846**	**14,748**	**19**	**15,613**
Financial liabilities								
Trade and other payables	2,229	13,479	-	15,708	1,668	14,685	-	16,353
Borrowings	354,557	-	-	354,557	173,433	99,240	-	272,673
Lease liabilities	1,186	9,712	-	10,898	1,249	3,388	-	4,637
	357,972	**23,192**	**-**	**381,163**	**176,350**	**117,313**	**-**	**293,663**
Net exposure	**(353,360)**	**7,764**	**56**	**(345,540)**	**(175,504)**	**(102,565)**	**19**	**(278,050)**

As of 31 December 2021, if the euro had weakened/strengthened by 1% against the kuna, with all other variables held constant, the Company's gross/net profit (loss) for the year would have been HRK 3,534/2,898 thousand higher/lower (2020: HRK 1,755/1,439 thousand higher/lower), mainly as a result of foreign exchange gains /losses on translation of EUR denominated borrowings and foreign cash funds in EUR. EUR foreign exchange rate as of 31 December 2021 was HRK 7.517174 per 1 EUR (2020: 7.536898).

(ii) Interest rate risk

The Company has interest-bearing short-term cash deposits which are contracted at variable rates and expose the Company to the risk of changes in interest rates. This risk is not material given low-interest rates. The interest rate on funds held on giro and foreign currency accounts was up to a maximum of 0.02% (2020: 0.001%)

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. As of 31 December 2021, the borrowings contracted at variable interest rates amount to HRK 266,834 thousand (2020: HRK 202,230 thousand). The Company has no objectives or policies with respect to interest rate risk management.

As of 31 December 2021, if interest rates on borrowings with variable interest rates had been 0.5% lower/higher (2020: 0.5% lower/higher), with all other variables held constant, the Company's gross/net profit (loss) for the year would have been HRK 1,334/1,094 thousand higher/lower (2020: HRK 1,011/829 thousand).

(iii) Price risk

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

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

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

(in thousands of HRK)	31 December 2021	31 December 2020
Loans and receivables		
Trade receivables	7,156	1,482
Loans granted	13,257	2,069
Cash and cash equivalents	15,210	12,062
Total	**35,623**	**15,613**

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

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

(in thousands of HRK)	Trade receivables	Cash and cash equivalents	Loans granted	Total
2020				
Neither past due nor impaired	438	12,062	2,069	**14,569**
Past due but not impaired	1,044	-	-	**1,044**
Past due and impaired	3,777	-	-	**3,777**
Impairment	(3,777)	-	-	**(3,777)**
	1,482	12,062	2,069	**15,613**

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

(in thousands of HRK)	31 December 2021	31 December 2020
Cash at bank		
A+	1,636	-
BBB+	-	11,355
BBB	1,166	-
BBB-	-	408
Other or without rating	12,409	299
	15,210	**12,062**

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

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

Credit risk is minimized by arranging deals with customers who have an appropriate credit history, arranging prepayments or payments through security deposits and credit cards for individual customers. The Company also acquires insurance instruments for receivables (bills of exchange, promissory notes and guarantees) thus allaying the risks of non-performing of its claims for the services provided. In view of the negative consequences of COVID-19 on the Company's customers, mainly tour operators and travel agencies, the Company continuously monitors the adverse impact on related parties, while actively checking their financial competencies, and in the end, it implements forced collection by activating insurance measures to collect its receivables.

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

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

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

(in thousands of HRK)	**31 December 2021**	**31 December 2020**
Up to one month	264	312
One to two months	353	144
Two to three months	395	51
Over three months	1,660	537
	2,672	**1,044**

(c) Liquidity risk

Sound liquidity risk management ensures that the Company ensures day-to-day control and provision of sufficient amounts of free cash through operating cash flows and adequate amounts of currently agreed and future credit lines to meet its obligations. Credit lines for 2021 are contracted with reputable financial institutions, while in general credit repayments are aligned with the period of significant cash inflows from operational activities. The Company monitors the level of available sources of funds daily through reports on the balance of funds and liabilities.

The COVID-19 pandemic, as an external stressor on the Company's business, has created strong pressures on operating cash flow. In accordance with sound management of the now increased liquidity risk, escalation plans for minimizing operating and fixed costs, preserving liquidity, the solvency of companies and maintaining business continuity have been developed and activated. Also, together with applications for measures to support and assist the economy and the tourism sector, including deferring the payment of overdue principal on long-term loans in accordance with the given possibility of a moratorium on the repayment of credit obligations, a refinancing of part of the existing credit exposure and the provision of a new liquidity credit line was carried out.

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

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

as of 31 December 2020 (in thousands of HRK)	**Carrying amount**	**Contractual cash flows**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-interest bearing assets						
Other receivables	4,914	4,914	4,914	-	-	-
Trade receivables	1,482	1,482	1,482	-	-	-
	6,396	6,396	6,396	-	-	-
Interest bearing assets						
Loans granted	2,069	2,069	2,069			
Cash and cash equivalents	12,062	12,062	12,062	-	-	-
	14,131	14,131	12,062			
	20,527	**20,527**	**20,527**	**-**	**-**	**-**

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

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

as at 31 December 2020 (in thousands of HRK)	**Carrying amount**	**Contractual cash flows**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Non-interest bearing liabilities						
Other liabilities	17,135	17,135	17,135	-	-	-
Interest liabilities	682	682	682	-	-	-
Trade payables	16,354	16,354	16,354	-	-	-
	34,171	34,171	34,171	-	-	-
Interest bearing liabilities						
Loan liabilities	272,674	272,674	92,440	75,554	104,679	-
Lease liabilities	4,637	4,637	898	756	2,277	706
	277,311	277,311	93,338	76,310	106,956	706
	311,482	**311,482**	**127,509**	**76,310**	**106,956**	**706**

3.2 Capital risk management

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

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

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

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

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

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

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

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

The useful lives of property, plant and equipment will periodically be revised to reflect any changes in circumstances since the previous assessment. An analysis in prior periods performed determined that the existing depreciation rates do not reflect the estimated useful life of these assets in the accounting records.

The Company regularly assess the useful lives of properties for new properties and significant reconstructions. Taking into consideration current capacity utilization, estimation of property usage in the upcoming period, and based on experience with similar hotels and market practice, useful life of building components for newly build hotels was estimated at 25 years.

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES (continued)

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

The Company determines the impairment indicators by using the gross operating profit multiplier and segment carrying net book values, which are determined by comparing the property segment carrying values with the gross operating profit, where no impairment exists if the recoverable amount is equal to or greater than the carrying amount. The recoverable amount is determined as the higher amount of fair asset value less costs of disposal and its value in use. To determine recoverable amount, the Company use both internal and external valuations. Management also considers occupancy rates, revenue per available room, etc. Determination of fair value less the costs of disposal is based on the market approach, which uses prices and other relevant information generated by market transactions involving similar assets.

(b) Land ownership and legal disputes

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

It is not expected that the outcome of mentioned disputes will have a significant effect on the financial statements or the performance of the Company.

(c) Lawsuits

Provisions for lawsuits and proceedings are stated based on the Management Board's assessment of potential losses as well as the probability of resolving these disputes in a period shorter than / longer than one year, after consulting a lawyer. Based on existing knowledge, it is reasonably possible that the outcome of litigation will differ from the estimated potential losses.

(d) Deferred tax assets

Deferred tax assets include the amount of HRK 9,012 thousand which is stated on the basis of transferred tax losses and other temporary tax differences. For amounts stated on the basis of transferred tax losses, the Company has a period of 5 years to use these incentives, while the realization of deferred tax assets arising from other temporary tax differences is not limited in time and therefore uncertainty about the use of this part is very small. The company recorded losses in 2020 and 2021 as a result of the difficulties caused by the COVID-19 pandemic.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES (continued)

(d) Deferred tax assets (continued)

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

- The COVID-19 pandemic is considered a pandemic non-recurrent event that should not cause long-term disruption once the pandemic has passed
- Uncertainty about the implementation of current business plan
- Potential losses in the initial period until the travel restrictions are lifted
- Potential impact of long-term recovery, i.e. a longer period to return to previous results.

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

(e) Going concern

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

The COVID-19 pandemic has disrupted economic and tourist flows in 2020, wherefore extraordinary measures around the world have been taken to mitigate the spread of the virus, primarily by imposing restrictions on movement, including restrictions on gatherings, partial restrictions on hospitality facilities and shops, as well as restrictions on border crossings and road border controls. Extraordinary measures are negatively affecting a number of economic sectors, especially tourism and hospitality by reducing the demand for international and domestic travel, confirming that the COVID-19 pandemic represents an uncertain operational and financial disruption to the global economy and tourism flows. Since the beginning of COVID-19, the company has followed the development of the situation with exceptional attention and focused all its resources on taking preventive measures to protect the health of guests and employees, activating comprehensive crisis management procedures and maintaining business continuity while preserving jobs. The Company has also during 2021 prudently taken comprehensive austerity measures aimed primarily at reducing costs, preserving liquidity and solvency while ensuring uninterrupted business continuity thus ensuring the normalization and strong recovery of business during the observed year. The comprehensive package of measures and activities is explained in more detail in the section of the Management Report, Business Management during the COVID-19 pandemic.

By adjusting the business to the future development of the situation and planning additional measures of operational efficiency, the Management Board believes that it will succeed in preserving the liquidity and solvency of the Company in the coming period. Namely, the Management Board considered liquidity projections for the short and medium-term under the conservative assumption of recovery to the level from 2019 to 2023. Based on these analyzes, the Management Board believes that the preparation of the financial statements under the going concern assumption is still appropriate.

NOTE 5 – SEGMENT INFORMATION

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Company's Management, the chief operating decision-maker, which is responsible for allocating resources to the reportable segments and assessing its performance.
The Company records its operating revenue and costs by the type of services rendered in two basic segments: hotels & apartments and other business segments. Other business segments include campsite services, tourist agency services, rental services, central kitchen services and other similar services as well as central sector services.
The segment information for the year ended 31 December 2021 is as follows:

(in thousands of HRK)	**Hotels and apartments**	**Other**	**Total**
Sales revenues	206,446	9,603	216,049
GOP	18,516	3,053	21,569
Procurement of properties	38,976	6,001	44,977
Procurement of equipment	7,538	655	8,193
Procurement of intangible assets	61	-	61
Book value of properties	645,982	71,529	717,511
Book value of equipment	121,704	4,166	125,870
Book value of intangible assets	5,823	435	6,258
Depreciation	96,552	3,085	99,637

The segment information for the year ended 31 December 2020 is as follows:

(in thousands of HRK)	**Hotels and apartments**	**Other**	**Total**
Sales revenues	67,862	5,286	73,148
GOP	(43,421)	2,608	(40,813)
Procurement of properties	14,052	12,494	26,546
Procurement of equipment	13,332	2,657	15,989
Procurement of intangible assets	8,206	619	8,825
Book value of properties	619,758	68,619	688,377
Book value of equipment	149,011	5,097	154,108
Book value of intangible assets	7,420	562	7,982
Depreciation	105,392	3,578	108,970

NOTE 5 – SEGMENT INFORMATION (continued)

Overview of unallocated assets and liabilities of the Company in total:

(in thousands of HRK)	2021	2020
GOP	(3,539)	-
Other long term assets	42,704	24,639
Short term assets	44,288	23,768
Total liabilities	433,545	323,277

NOTE 6.1 – REVENUE

Revenue streams

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

(in thousands of HRK)	2021	2020
Domestic sales	34,679	26,954
Foreign sales	181,370	46,194
	216,049	**73,148**

Foreign sales	2021	%	2020	%
Germany	50,236	27.7	11,875	25.7
Austria	41,571	22.9	6,578	14.2
Hungary	13,298	7.3	3,727	8.1
Slovenia	12,249	6.8	5,907	12.8
Italy	6,250	3.4	1,950	4.2
Ukraine	5,855	3.2	1,561	3.4
Czech	5,652	3.1	2,400	5.2
Other EU members*	24,903	13.8	6,809	14.7
Other*	21,356	11.8	5,387	11.7
	181,370	**100**	**46,194**	**100**

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

NOTE 6.1 – REVENUE (continued)

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

(in thousands of HRK)	**2021**	**2020**
Revenue from hotel services		
Individual guests	116,631	44,625
Groups	11,962	5,064
Allotment	36,402	7,063
MICE	14,940	1,248
	179,935	**58,000**
Revenue from other services		
Food and beverages - other than hotel guests	22,982	8,321
Revenue from services rendered to hotel guests	7,142	2,752
Other revenue	5,990	4,075
	36,114	**15,148**
Total sales revenue	**216,049**	**73,148**

NOTE 6.2 – OTHER INCOME

(in thousands of HRK)	**2021**	**2020**
Write-off of liabilities	1,586	1,012
Revenues from insurance companies compensation of damages	132	-
Recharged costs to lessees and others	1,092	404
Collection of receivables previously written-off	185	710
Income from reversal of provision	3,112	2,021
Rental income	5,431	5,885
Income from aids and supports	19,374	26,943
Other income	1,486	344
	32,398	**37,319**

NOTE 7 – COST OF MATERIALS AND SERVICES

(in thousands of HRK)	**2021**	**2020**
Food, beverages and other supplies	27,878	9,911
Energy and water used	13,147	7,524
	41,025	**17,435**
Tourist agency services	11,585	4,867
Maintenance	10,235	5,639
Advertising and promotion	2,739	926
Laundry services	5,466	2,477
Utilities	6,605	1,958
Rent	1,874	1,606
Entertainment of guests	1,317	304
Other expenses	17,677	17,577
	57,497	**35,354**
	98,521	**52,789**

NOTE 8 – STAFF COSTS

(in thousands of HRK)	**2021**	**2020**
Gross salaries and wages	67,050	45,852
Contributions on salaries	10,102	7,105
Other staff costs /i/	18,607	5,169
	95,758	**58,126**
Number of employees at year end	645	465

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

NOTE 9 – OTHER OPERATING EXPENSES

(in thousands of HRK)	2021	2020
Professional services	5,543	5,144
Utility and similar fees	5,389	6,619
Write-off of property, plant and equipment and intangible assets	1,793	22,228
Insurance	1,961	1,972
Provisions for legal disputes (note 20)	11,152	8,167
Bank charges and membership fee	618	367
Travel and entertainment	962	1,640
Other expenses	7,798	7,479
	35,216	**53,616**

NOTE 10 – OTHER GAINS – NET

(in thousands of HRK)	2021	2020
Net gains on sale of property, plant and equipment	64	185
	64	**185**

NOTE 11 – NET FINANCE COSTS

(in thousands of HRK)	2021	2020
Finance income		
Interest income from financial assets at amortized cost	188	2
Net foreign exchange gains	647	260
	835	**262**
Finance costs		
Interest expense	(4,845)	(2,993)
Net foreign exchange losses	(140)	(1,624)
Other finance costs	(1,739)	(3,462)
	(6,724)	**(8,079)**
Net finance costs	**(5,889)**	**(7,817)**

NOTE 12 – INCOME TAX

(in thousands of HRK)	2021	2020
Current tax expense		
Current year	-	-
Deferred tax (income)/expenses		
Origination and reversal of temporary differences	2,612	(10,749)
Recognition of tax losses	1,777	-
Recognition of previously unrecognized temporary differences	-	-
	4,389	(10,749)
Tax (income)/expense	**4,389**	**(10,749)**

(in thousands of HRK)	2021	2020
Profit/(loss) before tax	(87,305)	(172,136)
Tax rate of 18%	(15,715)	(30,984)
The effect of non-deductible revenues/expenses	20,104	20,235
Tax (income)/expense	4,389	(10,749)
Effective tax rate	-	-

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

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

NOTE 12 – INCOME TAX (continued)

Deferred tax assets and liabilities

As of 31 December 2021, deferred tax assets amount to HRK 9,012 thousand *(2020: HRK 13,400 thousand).*

	Assets at 31 December		**Liabilities at 31 December**		**Net at 31 December**	
(in thousands of HRK)	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Provisions for other liabilities and expenses	366	417	-	-	366	417
Property, plant and equipment	2,764	5,324	-	-	2,764	5,324
Tax losses recognized	5,882	7,659	-	-	5,882	7,659
	9,012	**13,400**	**-**	**-**	**9,012**	**13,400**

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

(in thousands of HRK)	**31 December 2020**	Recognized in profit or loss	**31 December 2021**
Provisions for other liabilities and expenses	417	(51)	366
Property, plant and equipment	5,324	(2,560)	2,764
Tax losses recognized	7,659	(1,777)	5,882
	13,400	**(4,388)**	**9,012**

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

Basic earnings/(loss) per share

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

(in thousands of HRK)	**2021**	**2020**
Profit/(loss) for the year (in thousands of HRK)	(91,693)	(161,386)
Weighted average number of shares (basic and diluted)	302,637	302,637
Earnings/(loss) per share (basic and diluted) (in HRK)	(303)	(533)

Diluted earnings/(loss) per share

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

NOTE 14.1 – PROPERTY, PLANT AND EQUIPMENT

(in thousands of HRK)	**Land**	**Buildings**	**Equipment**	**Assets under constr.**	**Artwork**	**Total**
As of 1 January 2020						
Cost	100,878	1,692,458	377,255	35,671	3,505	2,209,767
Accumulated depreciation	-	(1,036,405)	(206,067)	-	-	(1,242,472)
Net carrying amount	**100,878**	**656,053**	**171,188**	**35,671**	**3,505**	**967,295**
Year ended 31 December 2020						
Opening net carrying amount	100,878	656,053	171,188	35,671	3,505	967,295
Additions	12,282	666	16,499	13,115	-	42,562
Disposals and write-offs	-	(17,383)	(4,706)	(9,369)	-	(31,456)
Depreciation	-	(73,069)	(34,364)	-	-	(107,433)
Transfer	-	12,523	10,060	(22,583)	-	-
Closing net carrying amount	**113,160**	**578,790**	**158,679**	**16,834**	**3,505**	**870,968**
As of 31 December 2020						
Cost	113,160	1,688,263	399,110	16,834	3,505	2,220,872
Accumulated depreciation	-	(1,109,473)	(240,431)	-	-	(1,349,904)
Net carrying amount	**113,160**	**578,790**	**158,679**	**16,834**	**3,505**	**870,968**
As of 1 January 2021						
Cost	113,160	1,688,263	399,110	16,834	3,505	2,220,872
Accumulated depreciation	-	(1,109,473)	(240,431)	-	-	(1,349,904)
Net carrying amount	**113,160**	**578,790**	**158,679**	**16,834**	**3,505**	**870,968**
Year ended 31 December 2021						
Opening net carrying amount	113,160	578,790	158,679	16,834	3,505	870,968
Additions	9,225	24,187	8,732	40,147	11	82,302
Disposals and write-offs	(99)	(34)	(1,759)	(165)	-	(2,056)
Depreciation	-	(67,153)	(29,711)	-	-	(96,864)
Transfer	-	11,344	1,439	(12,783)	-	-
Reclassification	-	-	(855)	-	370	(485)
Closing net carrying amount	**122,286**	**547,136**	**136,525**	**44,033**	**3,886**	**853,866**
As of 31 December 2021						
Cost	122,286	1,695,211	382,078	44,033	3,886	2,247,494
Accumulated depreciation	-	(1,148,075)	(245,553)	-	-	(1,393,628)
Net carrying amount	**122,286**	**547,136**	**136,525**	**44,033**	**3,886**	**853,866**

NOTE 14.1 – PROPERTY, PLANT AND EQUIPMENT (continued)

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

The land surface included in the Company's records as of 31 December 2021 comprised 202,330 m^2 (2020: 199,211 m^2) and together with the respective buildings has a net carrying value of HRK 669,422 thousand (2020: HRK 691,950 thousand).

Of the total land surface, a surface of 6,441 m^2 with a value of HRK 4,394 thousand is not legally owned by the Company, while 195,889 m^2 is legally owned by the Company and with the buildings has a carrying value of HRK 664,560 thousand.

Assets under construction relate to construction works on the reconstruction of the hotel Kvarner, arranging and equipping a premium café in the hotel Imperial and smaller projects in other tourist facilities of the Company.

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

(in thousands of HRK)	**2021**	**2020**
Cost	9,202	9,202
Accumulated depreciation as at 1 January	(5,381)	(5,070)
Net carrying amount	**3,821**	**4,132**

The operating lease relates to the lease of hospitality facilities and stores. During 2021, the Company realized rental income in the amount of HRK 5,431 thousand *(2020: HRK 5,885 thousand*).
The aggregate lease payments receivable for operating leases are as follows:

(in thousands of HRK)	**2021**	**2020**
Up to 1 year	2,516	5,083
Between 2 and 5 years	8,308	449
	10,824	**5,532**

Lease agreements have been concluded either for a time period from 1 to 7 years or for an indefinite period of time, respectively (mainly for an indefinite period of time) and are renewable at the end of the lease period at market prices, i.e. after tendering the most favorable bidders are chosen.

NOTE 14.2 – INTANGIBLE ASSETS

(in thousands of HRK)	**Concessions, patents, licenses, software and rights**	**Other intangible assets**	**Assets in preparation**	**Total**
As of 1 January 2020				
Cost	5,533	6,187	-	11,720
Accumulated amortization	(5,217)	(5,974)	-	(11,191)
Net carrying amount	316	213	-	529
Year ended 31 December 2020				
Opening net carrying amount	316	213	-	529
Additions	12,890	190	152	13,232
Disposals and write-offs	-	(109)	-	-
Amortization	(1,427)	152	(152)	(1,536)
Closing net carrying amount	**11,779**	**446**	**-**	**12,225**
As of 31 December 2020				
Cost	18,423	6,529	-	24,952
Accumulated amortization	(6,645)	(6,083)	-	(12,727)
Net carrying amount	**11,778**	**446**	**-**	**12,225**
As of 1 January 2021				
Cost	18,423	6,529	-	24,952
Accumulated amortization	(6,645)	(6,083)	-	(12,727)
Net carrying amount	**11,778**	**446**	**-**	**12,225**
Year ended 31 December 2021				
Opening net carrying amount	11,778	446	-	12,225
Additions	100	169	-	269
Amortization	(2,660)	(113)	-	(2,774)
Closing net carrying amount	**9,218**	**502**	**-**	**9,720**
As of 31 December 2021				
Cost	18,523	6,698	-	25,221
Accumulated amortization	(9,305)	(6,196)	-	(15,501)
Net carrying amount	**9,218**	**502**	**-**	**9,720**

NOTE 14.3 – RIGHT OF USE OF ASSETS

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

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

(in thousands of HRK)	Concessions	Vehicles	Total
Year ended 31 December 2021			
Opening net carrying amount	3,319	205	3,524
Additions	6,295	358	6,653
Depreciation	(589)	(206)	(795)
Closing net carrying amount	**9,025**	**356**	**9,382**

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

(in thousands of HRK)	2021
Depreciation of assets with right of use	
Concessions	589
Vehicles	206
	795
Interest expense (included in financial expenses)	**58**

NOTE 15 – FINANCIAL ASSETS

(in thousands of HRK)	31 December 2021	31 December 2020
Investments in Aeris d.o.o.	16,185	-
Investments in IKA 21 d.o.o.	7,216	7,216
Investments in Remisens d.o.o.	909	500
	24,310	**7,716**

The Company owns 100% of total shares in Aeris d.o.o.
The Company owns 100% of total shares in IKA 21 d.o.o.
The Company owns 33% of total shares in Remisens d.o.o. (2020: 33%); the increase of HRK 409 thousand arises from the share in the profit of the company.

NOTE 16 – TRADE AND OTHER RECEIVABLES

(in thousands of HRK)	**31 December 2021**	**31 December 2020**
Domestic receivables	4,594	2,262
Foreign receivables	3,477	2,786
Non-invoiced receivables /i/	2,833	211
Allowance for impairment of trade receivables	(3,748)	(3,777)
Trade receivables - net	**7,156**	**1,482**
Receivables from the state and other receivable	4,585	4,914
	11,741	**6,396**

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

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

(in thousands of HRK)	**31 December 2021**	**31 December 2020**
At 1 January	3,777	3,579
Increase	1	314
Collection	(30)	(116)
Write-off	-	-
At 31 December	**3,748**	**3,777**

NOTE 17 – CASH AND CASH EQUIVALENTS

(in thousands of HRK)	**31 December 2021**	**31 December 2020**
Deposits up to 90 days	-	30
Foreign currency accounts	3,252	308
Cash on hand	744	75
Giro accounts	11,215	11,649
	15,210	**12,062**

Interest rates on cash and cash equivalents amounted to a maximum of 0.02% (2020: up to 0.001%).

NOTE 18 – CAPITAL AND RESERVES

Share capital

As at 31 December 2021, the Company's share capital amounted to HRK 696,074 thousand (2020: HRK 696,074 thousand) and comprises 302,641 ordinary shares with a nominal value of HRK 2,300 per share (2020: HRK 2,300 per share). Ordinary shares have equal voting rights and rights to receive dividend. The Company's share capital has been fully paid in cash.

The ownership structure as of 31 December 2021 was as follows:

	Number of shares	**HRK**	**%**
Gitone Adriatic d.o.o.	215,568	495,806	71.23
Nova Liburnija d.o.o., Opatija	75,661	174,020	25.00
CERP	5,050	11,615	1.67
Small shareholders	6,358	14,623	2.10
Treasury shares	4	9	0.001
Total	**302,641**	**696,074**	**100.00**

Legal reserves

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

Capital reserves

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

Reserves for treasury shares

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

NOTE 19 – BORROWINGS

(in thousands of HRK)	**31 December 2021**	**31 December 2020**
Bank borrowings	354,557	272,674
Less: non-current portion	(287,540)	(180,234)
Current portion	**67,017**	**92,440**

Bank borrowings are secured by a mortgage over land and a building (note 14). Of the total amount of current borrowings, HRK 2,027 thousand relates to interest payable (*2020: HRK 682 thousand*). Bank loan contract contains a loan covenant.

NOTE 19 – BORROWINGS (continued)

Maturities of long-term borrowings are as follow:

(in thousands of HRK)	**31 December 2021**	**31 December 2020**
Bank borrowings		
Between 1 and 5 years	189,023	180,234
Over 5 years	98,517	-
	287,540	**180,234**

(in thousands of HRK)	**2021**	**2020**
Bank borrowings		
At 1 January	**272,674**	**201,580**
Borrowings received	106,443	69,592
Repayments of borrowings	(25,472)	-
Net foreign exchange gains	(431)	1,461
Net increase (decrease) in interest payable	1,344	41
At 31 December	**354,557**	**272,674**

NOTE 20 – PROVISIONS FOR OTHER LIABILITIES AND EXPENSES

(in thousands of HRK)	**Termination benefits and jubilee awards**	**Legal disputes**	**Total**
As of 1 January 2021	**2,315**	**10,162**	**12,477**
Increase	-	11,152	11,152
Paid during the year	-	(1,650)	(1,650)
Released during the year	(282)	(300)	(581)
As of 31 December 2021	**2,033**	**19,365**	**21,398**
Current portion	**-**	-	**-**
Non-current portion	**2,033**	**19,365**	**21,398**

NOTE 21 – LEASE LIABILITIES

The maturity of operate leases is as follows:

(in thousands of HRK)	**2021**	**2020**
Lease liabilities		
At 1 January	**4,637**	**4,176**
Receipts	7,950	1,518
Repayment	(1,689)	(1,057)
At 31 December	**10,898**	**4,637**
Lease liabilities		
Current portion	1,307	896
Non-current portion	9,591	3,741
	10,898	**4,637**

NOTE 22 – TRADE AND OTHER PAYABLES

(in thousands of HRK)	**31 December 2021**	**31 December 2020**
Domestic trade payables	13,475	14,683
Foreign trade payables	2,234	1,671
Total trade payables	15,708	16,354
Due to employees / i /	15,474	4,495
Taxes and contributions payable	3,680	555
Advances payable	6,560	4,647
Other liabilities	5,271	7,438
	46,694	**33,489**

/ i / Liabilities to employees include provisions for severance in the amount of HRK 6,786 thousand (2020: HRK 16 thousand).

NOTE 23 – CASH GENERATED FROM OPERATIONS

Reconciliation of profit and cash generated from operations:

(in thousands of HRK)	**2021**	**2020**
Profit/(loss) for the year	(91,693)	(161,386)
Adjustments for:		
Depreciation and amortization	100,431	109,751
Write-off of property, plant and equipment	1,793	24,310
Net gains on sale of property, plant and equipment	(64)	(185)
Allowance for impairment of trade receivables - net (note 16)	(185)	1,398
Net finance costs	5,889	7,817
Increase in provisions-net	8,921	7,917
Income tax	4,389	(10,748)
Changes in working capital:		
- trade and other receivables	(5,345)	2,053
- inventories	(840)	407
- trade and other payables	13,204	(6,267)
Cash generated from operations	**36,500**	**(24,933)**

NOTE 24 – CONTINGENCIES AND COMMITMENTS

Legal disputes

The Company is involved in a number of legal disputes arising from the ordinary course of business. In the financial statements for the year ended 31 December 2021 provisions for legal disputes have been made for which the Company anticipates outflow of economic benefits in the amount of HRK 19,365 thousand *(2020: HRK 10,162* thousand*),* as set out in note 20.

Land ownership

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

Capital and loan commitments

As of 31 December 2021, capital commitments with respect to investments in tourist facilities amount to HRK 3,355 thousand *(2020: HRK 15,111 thousand).*

NOTE 25 – RELATED PARTY TRANSACTIONS

Parties are considered to be related if one of the parties has the power to exercise control over the other party or under common control or if it has significant influence over the other party in making financial or operational decisions. As of 31 December 2021, the Company has one majority shareholder Gitone Adriatic d.o.o. with 71.23% shares and shareholder Nova Liburnija d.o.o with 25% shares (note 18).

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

(in thousands of HRK)	**2021**	**2020**
Sales revenues:		
Subsidiaries	-	-
Other parties associated with the group, owners or persons in supervision	499	27
	499	**27**
Other revenues:		
Participating interest	24	-
Subsidiaries	-	-
Other parties associated with the group, owners or persons in supervision	441	-
	465	-
Financial revenues:		
Subsidiaries	187	-
	187	**-**
Costs of materials and services:		
Other parties associated with the group, owners or persons in supervision	7,860	4,835
	7,860	**4,835**
Other operating expenses:		
Participating interest	-	70
Subsidiaries	-	-
Other parties associated with the group, owners or persons in supervision	3,937	4,793
	3,937	**4,863**

NOTE 25 – RELATED PARTY TRANSACTIONS (continued)

Trade and other payables:		
Participating interest	-	22
Subsidiaries	-	-
Other parties associated with the group, owners or persons in supervision	2,770	1,072
	2,770	**1,094**

Trade and other payables:		
Receivables for advances given - Other parties associated with the group, owners or persons in supervision	17,304	-
Receivables for loans granted to subsidiaries	13,257	2,069
Trade receivables - subsidiaries	188	
Trade receivables - Other parties associated with the group, owners or persons in supervision	1,548	19
	32,297	**2,088**

Compensations to members of the Management board and the Supervisory board

The Management Board comprises two members as of 31 December 2021 *(31 December 2020: two members).* Changes in Management Board structure are described in Note 1 General data.

(in thousands of HRK)	**2021**	**2020**
Management board compensation		
Net salaries	1,437	1,614
Pension contributions	211	216
Health insurance contribution	268	401
Other costs	477	733
	2,393	**2,964**

(in thousands of HRK)	**2021**	**2020**
Supervisory board compensation	455	486

NOTE 26 – EVENTS AFTER THE REPORTING DATE

At the beginning of March 2022, the Company concluded a long-term revolving loan agreement with Istarska kreditna banka d.d. Umag in the total amount of EUR 5,330 thousand for the purpose of financing working capital and ensuring the medium-term liquidity of the Company.

The Russian-Ukrainian crisis currently has no significant impact on the Company's business. Guests from the Russian and Ukrainian emitting markets generated less than 2% of the Company's total operating revenues in 2021 and it is expected that their possible absence could be compensated from other emitting markets, although in the current circumstances of uncertainty it is not possible to predict all potential impacts on Company’s business, nor the impact of all relevant macroeconomic and political factors. Namely, in 2022 inflationary pressures increased due to disruptions in supply chains and Russian-Ukrainian conflict, as well as imposed economic sanctions. Aiming at operating costs rationalization, the Company continued with comprehensive measures which include savings in energy costs, direct food and beverage costs, maintenance costs, as well as active negotiations with suppliers to reduce prices and ensure sufficient quantities for the season. The Company emphasizes that it closely monitors the course of the Russian-Ukrainian crisis and continuously assesses possible negative impacts on business, noting that these conclusions are based on facts, knowledge, and circumstances currently available, as well as, assessments regarding the current situation in Ukraine.