



 *Ilinija d.d.*

# Annual Unaudited Report For The Fiscal Year 2016

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Biograd na Moru, February 2017



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## I. INTRODUCTION BY GORAN RAŽNJEVIĆ, PRESIDENT OF THE MAN- AGEMENT BOARD, TO THE COMPANY'S SHAREHOLDERS



Dear shareholders,

the fiscal year 2016 is one of definitively most important years since the establishment of Ilirija as a modern tourism company from the perspective of actual business performance, defining a new direction in the development of the Company and its further development as a modern corporate company.

Out of important business events, the past fiscal year was marked by the successfully implemented (I) recapitalization for the second year in a row, whereby we have strengthened our capital and market position by developing in the direction of a modern corporate company. We are delighted that our domestic institutional investors have recognized us as a quality and healthy company that owing to its existing ownership structure, personnel, infrastructure, current operating results and development plans is able to develop as a modern tourism company that actively contributes to the development of the Croatian tourism and economy. Successful issue of new shares and the increase in the share capital or recapitalization resulted in collection of a part of funds to finance the further development of the Company or (II) the buying (acquisition) of the Commercial-shopping center

City Galleria in Zadar, which was successfully carried out in the month of December, while the other part was financed by long term investment bank loan. By buying (acquiring) the relevant property, one of the two largest shopping centers in the city of Zadar, situated in an attractive location near the center of the city, with a high occupancy of 97% of all capacities, the investment amounted to HRK 78,513,316.80. Ilirija is a company with a wide range of economic activities, where in addition to tourism and hospitality, as its core business, it partly enters the real-estate segment which will allow it to strengthen its market, capital and financial position by stabilizing the cash flow by inflows earning off-season, risk diversification, consolidation of costs and will also contribute to strengthening the economic activities evenly throughout the year. With this acquisition, we have created a company that has all the prerequisites for a successful, profitable and sustainable business that in addition with this one represents an added value to our entire offer and provides us with a number of additional possibilities in creating new services and products.

These events significantly contributed to the further corporate development of the company, especially

in the segment of transparency of the business operations since the entire process of issuing of new shares and increase in share capital as well as the course of buying and selling the Commercial-shopping center City Galleria in Zadar was timely and completely communicated to the investment as well as the general public at all times.

From the point of achieved business results it was again the best business year since the foundation of Ilirija as a modern tourism company in which we maintained continuous growth in key financial results thereby fulfilling the pre-requisites for a long-term, sustainable and responsible business and capital development of the company. To sum up, 2016 was the best year ever for the company, where these business results on the one hand certainly make us happy, because a continued growth in the period of sixteen years in a row is a proof that we as a tourism company are successfully positioned in the domestic and international tourist market, that we have a distinctive, competitive and sustainable product. This is certainly the result of continuous development, thinking and responsible and sustainable business policy, where being sustainable in the tourism industry, whose trends are constantly changing, means to

be different from all the others, to constantly strive for innovation and uniqueness. These are also the basic principles of our business philosophy. In the past fiscal year we further strengthened and reinforced our fundamental values and the results achieved are the proof of the correctness of our business decisions that ensure us a continued growth and development at the same time while taking into account the balance of interests of all participants in the business process.

Opting for high quality tourism and tourism of high standards, the year-round business, long-term and sustainable development as well as the development of new products and services, maintaining competitiveness and quality of the existing capacities we have ensured market recognition and competitiveness of our products and services, which is particularly reflected in the achieved physical and financial performance. In the year behind us, a total of 571,387 overnight stays were realized in our facilities. In the sector of hotel industry the rise of 1% of overnight stays was realized, and a slightly lower number of overnight stays was realized in the camping sector, while overnight stays in the nautical sector do not constitute the core business activity. A share of the

Company in the organized tourist overnight stays is particularly significant, with an exception of overnight stays in private accommodation and summer houses, where overnight stays in the facilities account for 66.59% of organized tourist turnover of the city of Biograd na Moru.

Even in 2016, in addition to the increase in share of overnight stays in the overall tourist economy of the city there was a continued growth, albeit symbolic, in operating and total revenues. Total revenues amount to HRK 129,019,007.31 and increased by 0.68% as a result of a slight increase in operating revenues by 0.15%, the financial income by 294.85% and revenues from domestic sales by 1%. In the present period at all levels of business operations, we paid a special attention to effective cost management, which resulted in a decrease in total expenses by 5% of which costs of raw materials and other materials significantly decreased by 9%, the costs of services by 17% while the extraordinary expenses decreased by 11%. The increase in total revenues as well as the decrease in total expenses resulted in a significant double-digit growth in profitability especially in operating profit achieved in the amount of HRK 45,720,992.03, which is a rise by 16% compared to the operating profit

of 2015. At the same time, profit amounting to HRK 31,240,796.00 was generated, which is higher by 22% compared to the same period of 2015, while EBITDA was realized in the amount of HRK 45,027,128.66, which is a rise by 19%. The growth of fundamental operating indicators of the Company, particularly profitability indicators is the result of improved management policy and control of operating expenses at all levels of the company, continuous and sustainable investment in increasing competitiveness, followed by the development of new products and improvement of the existing services.

The achievements in the capital market especially after the Company's shares were quoted in the Official Market of the Zagreb Stock Exchange Inc. in October 2015 show that the Croatian public investment, especially institutional investors, recognized us as a transparent and promising company whose share prices and turnover record a continuous growth which has contributed to an increase in the investment attractiveness and recognizability of shares in Croatian capital market as a quality, stable and sustainable securities. An average price per share was realized in the amount of HRK 1,149.32, which compared to the year 2015, when the average share price amount-

ed to HRK 891.77 constitutes an increase in the share price by 28.88%. The market capitalization amounted to HRK 392,795,172.00 which compared to the previous year when the market capitalization amounted to HRK 274,286,000.00 is a rise by 43.21% or by HRK 118,509,172.00.

Investments are certainly the foundation of the long-term development and growth, followed by the competitiveness and market viability of each company. As a company we strive for sustainable, balanced and continuous investment with an aim to ensure long-term business stability, market competitiveness, improvement and development of supply and services. In 2016, we invested HRK 105,808,897.76 focusing on sustainable investments as preconditions for the year-round business, therefore we observe our largest single investment in the year behind us which is the buying (acquisition) of the Commercial-shopping center City Galleria in Zadar, worth over 78 million, in the context of strengthening our economic activities throughout the year, growth of profitability of the company and intensive development of our portfolio. With this acquisition, we have further strengthened our economic activity and presence in Zadar, as a result of which we as the company further expand-

ed our business operations from our headquarters in Biograd to the administrative, economic and tourist center of our region, we have created a new value to the Company's shareholders by providing additional stability of our securities, strengthening the balance sheet position and the financial base of our business operations.

This fiscal year will be a highly important and intensive year for us since we have fulfilled all the prerequisites for the year 2017 to be a year of further development and growth, the year in which we as the company will consolidate our fundamental values starting from the intensive year-round business and investment in human resources, and ultimately the fiscal year in which we shall celebrate the sixty anniversary of founding Ilirija as a modern tourism company. In addition to the operating results achieved, I am particularly proud that we are today recognized and observed as a socially responsible company, not only by its owners and you shareholders, but also by all our employees and the local community, that binds us in the future to conduct responsible business operations, preserve jobs, achieve growth in revenues, improve services, increase the market share and expand into the new markets.

Dear shareholders, thank you for your support and confidence in our shared vision of creating a modern, recognizable and successful tourism company where we, together with co-workers and employees successfully completed this business year by far the best since the establishment of the company. Having surpassed its primary target of reaching 2015 results, successfully completed recapitalization and completed acquisition of the Commercial-shopping center in Zadar, we have showed the strength and ability and created a foundation to generate by far the best business results in the company's history in the year 2017.

Goran Ražnjević,  
President of the Management Board



## 2. OVERVIEW OF KEY PERFORMANCE INDICATORS IN 2016

in HRK	2016	2015	INDEX 2016/2015
<b>Financial indicators</b>			
Total revenues	129.019.007,31	128.146.512,63	101
Operating income	127.310.682,54	127.122.379,61	100
Hospitality	47.341.757,80	47.416.243,13	100
Nautics	43.920.966,32	45.291.162,61	97
Camping	27.314.392,98	26.696.623,82	102
Other revenues	8.733.565,44	7.718.350,05	113
Revenues from sales	124.588.174,29	125.275.837,54	99
EBITDA	45.027.128,66	37.767.176,96	119
EBITDA margin	35,37%	29,70%	119
Adjusted EBITDA	46.149.186,33	39.645.201,46	116
Adjusted EBITDA margin	36,25%	31,20%	116
EBIT	36.014.876,17	29.979.425,41	120
Adjusted EBIT	37.136.933,84	31.857.449,91	117
Profit	31.240.796,00	25.510.509,44	122
Profit margin	24,22%	19,91%	122
Net profit	30.676.046,46	21.533.371,50	142



in HRK	2016	2015	INDEX 2016/2015
<b>Balance sheet indicators</b>			
Net debt	112.429.903,01	69.658.644,72	161
Net debt / EBITDA	2,50	1,81	138
Net debt /Adjusted EBITDA	2,44	1,73	141
Interest coverage	8,11	7,90	103
Capital investments	105.808.897,76	14.115.337,00	750
ROE	11,13%	10,00%	111
ROA	7,43%	6,80%	109
Adjusted ROCE	9,57%	11,90%	80

in HRK	31/12/2016	31/12/2015	INDEX 2016/2015
<b>Indicators of the financial position</b>			
Value of assets	413.186.168,53	317.059.816,92	130
Capital	275.683.907,98	220.353.306,88	125
Total liabilities	137.502.260,55	96.706.510,04	142

in HRK	2016	2015	INDEX 2016/2015
<b>Achievements on the capital market</b>			
Market capitalization	392.795.172,00	274.286.000,00	143
EV	505.225.075,01	343.944.644,72	147
EV / EBITDA	11,22	9,11	123
EV / Adjusted EBITDA	10,95	8,60	127
P / E	11,78	12,70	93
EPS	110,6	84,5	131
DPS		18,00	0

Physical indicators	2016	2015	INDEX 2016/2015
<b>Hospitality</b>			
Number of accommodation units	443	443	100
Overnight stays of tourists	131.424	130.643	101
Occupancy days	145	143	101
Annual occupancy	39,72%	39,06%	102
<b>Nautics</b>			
Number of berths	805	805	100
Contracted vessels	714	732	98
Transit berth, overnight stay of vassels	12.463	11.793	106
Transit berth, inbound vessels	3.544	3.479	102
Port service-number of operations	3.772	3.950	95
Days of work	365	365	100
<b>Camping</b>			
Number of accommodation units	1.130	1.123	101
Days of work	193,00	191,00	101
Occupancy days	102,24	103,45	99
Mobile homes	103,75	105,25	99
Individuals	44,54	50,19	89
Fixed lease	193,00	191,00	101
Lump sum	193,00	190,96	101
Occupancy	52,98%	54,16%	98
Mobile homes	53,76%	55,10%	98
Individuals	23,08%	26,28%	88
Fixed lease	100,00%	100,00%	100
Lump sum	100,00%	99,98%	100
Overnight stays of tourists	258.110	260.579	99

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### 3. KEY INFORMATION FOR THE YEAR 2016

1. The past fiscal year in the Company was marked by two significant corporate events: (I) for the purpose of developing the Company in accordance with the decisions of the General Assembly of 24 October 2016 the recapitalization was successfully completed by increasing share capital from the amount of HRK 159,085,880.00 by the amount of HRK 15,892,000.00 to the amount of HRK 174,977,880.00 conducted by payment in cash by issuing 27,400 New ordinary shares, in the nominal amount of 580.00 HRK per share, issued for the amount of 1,255.00 HRK per New share. Company's share capital now amounts to HRK 174,977,880.00 and is divided into 301,686 ordinary shares each with a nominal amount of 580.00 HRK per share; (II) following the successfully completed recapitalization, in the month of December the Company successfully performed the acquisition (buying) the Commercial-shopping center City Galleria in Zadar, which was recognized by the Company's shareholders as an investment that will strengthen the market, capital and financial position of the company, reduce the seasonality of business and create a company with a wide range of economic activities.

2. In 2016, we realized and maintained a continuous growth in financial results of the business operations as well as a strong double-digit growth in profitabil-

ity indicators primarily in operating profit, profit and EBITDA as a result of growth in total revenues and thoughtful Company's expenditure management policy, especially in the more proper disposal and allocation of optimal operating expenditures which was one of the main targets of the business operations in 2016.

3. The operational results in all sectors of the company are as planned and expected.

In the hotel sector, the operating business results, that is, overnight stays increased by 1% while the nautical sector recorded a significant growth of physical turnover in the segment of transit berths, that is, inbound sailing and overnight stays of vessels in transit that increased by 2% and 6%, with a significant growth of revenues from transit berth by 5%. The number of berths on a contract basis is slightly lower compared to the previous year, which did not significantly affect the share of the berth on a contract basis in revenues of Marina Kornati, which makes for 67% of all revenues and a growth in the share of revenues was realized compared to 2015 when the revenues from the berth on a contract basis made for 65% of all revenues in the marina. Considering the significant investment activities with respect to reconstruction of Marina Kornati i.e. a complete new construction

substructure and superstructure of piers for mooring of vessels, a slight reduction in the number of vessels on an annual berth, given the huge handling procedures regarding the transfer of vessels to temporary alternative berths during the time of construction, is assessed as extremely favorable and successful. It is also even more worth mentioning the fact that we did not transfer the vessels to some other marinas, which at the beginning of its reconstruction seemed to be almost certain.

The camping sector, that is, the camp "Park Soline", given its distinct seasonality, records a slight decrease in physical operating results as a consequence of unfavorable schedule of holidays and bad weather in the month of June, which significantly affected the overall results of the camp in 2016, where despite the extremely good second and third quarters, and especially significant growth rates in the market segment of mobile homes, agency guests and lump sum it failed to compensate for the physical turnover of the pre-season especially in segment of individual guests. But the most important fact worth mentioning is that the symbolic fall of overnight stays of the camp did not affect its operating revenues, which grew by 3% compared to 2015, which we consider to be success.

4. Total revenues amount to HRK 129,019,007.31 and grew by 0.68% compared to the same period in 2015, when they amounted to HRK 128,146,512.63 as a result of slight growth in operating and financial revenues.

5. There has been a symbolic increase in operating revenues in 2016 by 0.15%, which amount to HRK 127,310,682.54 compared to the operating revenues generated in the same period in 2015, which amounted to HRK 127,122,379.61 of which the growth in operating revenues of the camping sector by 2% and other profit centers of the Company by 13.15% is particularly significant, which also include the revenues of the destination management company/DMC Ilirija Travel realized mainly in the pre-season and post-season. Revenues of the hotel sector remained at the level of revenues in 2015, while the revenues in the nautical sector decreased by 3% compared to the same period of the previous fiscal year, only by single position of the revenues generated from nautical events realized in the second quarter of 2015. Significant generation of operating revenues of the new profit center Commercial-shopping center City Galleria, which acquisition was successfully completed by the Company by means of the handover of the real estate in the second half of December, that is

on 19 December 2016, is expected in 2017, therefore almost all revenues generated in 2016 were generated from the tourism and hospitality sector of the Company.

6. Decrease in total expenses by 4.73% from the amount of HRK 102,636,003.19 as much as they amounted in the year 2015 to the amount of HRK 97,778,211.31 as a result of a continuous and efficient cost management policy at all levels of business operations, namely by reducing operating expenses by 6.93% and financial expenses by 11.37%.

7. Profit for the year 2016 amounts to HRK 31,240,796.00 and increased by 22.46% or HRK 5,730,286.56 compared to the same period of 2015 when it amounted to HRK 25,510,509.44. Operating profit, that is, profit earned from the business operations of the Company grew from HRK 39,453,311.90 as much as it amounted in the previous fiscal year, by 15.89% or by HRK 6,267,680.13 and amounts to HRK 45,720,992.03. Significant growth in profit and operating profit is the result of the decrease in total expenses especially in the segment of operating and extraordinary expenses and a growth of total and operating revenues.

8. Realized EBITDA amounts to HRK 45,027,128.66 and it grew by 19.22% or HRK 7,259,951.70 compared to the previous fiscal year, when it amounted to HRK 37,767,176.96 while EBITDA margin for the observed period amounts to 35.37% and rose by 19% compared to the same period of 2015 when it amounted to 29.70%.

9. EBIT was realized in the amount of HRK 36,014,876.17 and grew by 20% or HRK 6,035,450.76 compared to the year 2015 when it amounted to HRK 29,979,425.41.

10. Total liabilities of the Company as at 31 December 2016 amounted to HRK 137,502,260.55 and grew by HRK 40,795,750.51, that is, by 42.19% as a result of an increase in credit liabilities owed to the financial institutions, especially in the segment of financing the acquisition (buying) of the Commercial-shopping center City Galleria in Zadar, which was partly financed by the long-term investment loan of the commercial bank and partly through a capital increase.

We should emphasize that the Company's total liabilities increased by the item relating to the long-term financial leasing in the amount of HRK 7,659,150.89

due to a change in the method of financing of a part of long-term investments from operating into the financial leasing this year.

The increase in total liabilities of the Company in 2016 by HRK 40,795,750.51 compared to the year 2015 while simultaneously making investments in the amount of HRK 105,808,897.76, including financial leasing in the amount of HRK 7,659,150.89, that in 2015 had the character of operating lease, suggests that the increase in total liabilities of the Company amounts to 38.56% of total investments realized. Other investments were made partly through capital increase in the amount of HRK 34,387,000.00, by long-term investment loans in the amount of HRK 51,350,532.60 while the remaining part of the investment was realized from the Company's own funds in the amount of HRK 20,071,365.16.

11. In the observed accounting period, the value of the assets increased by 30.32% or by HRK 96,126,351.61 or from HRK 317,059,816.92 as it amounted in the year 2015 to a total of HRK 413,186,168.53. We should also emphasize that the value of assets increased by a change in the financing of one portion of the long-term investments by means of financial leasing in the amount of HRK 7,659,150.89 and acquisition of the Commercial-shopping center City Galleria in Zadar.

12. In the year 2016, the capital increased by 25.11% or by HRK 55,330,601.10, that is, from the amount of HRK 220,353,306.88 as much as it amounted in the year 2015 to the amount of HRK 275,683,907.98.

13. On 10 June 2016, the General Shareholders' Assembly passed a unanimous decision on profit utilization for the fiscal year 2015, based on which it was decided that a portion of the profit after tax in the amount of HRK 4,937,148.00 shall be appropriated for the distribution of dividends in the amount of HRK 18.00 per share which is an increase in the amount of dividend per share by 20% compared to the amount of the dividend of HRK 15.00 per share distributed to the Company's shareholders in 2015.

Also, at the above General Assembly meeting, the Decision on an increase in share capital from the Company's assets was unanimously adopted, based on which the share capital increased from the reinvested profits earned in 2015 by the amount of HRK 8,228,580,00.

According to the Decision No. Tt-16/3121-2 of 12th July 2016, the Commercial Court in Zadar entered the increase in share capital of the Company in the court registry, by which the share capital increas-

es from the amount of HRK 150,857,300.00 by the amount of HRK 8,228,580.00 to the total amount of HRK 159,085,880.00 from the Company's funds or from the reinvested profit disclosed in the adopted 2015 financial statements. Following the increase, the share capital was divided into 274,286 ordinary shares, each of nominal value of HRK 580.00.

14. The call for Extraordinary General Meeting convened on 24th October 2016 has been publicized to the Company's shareholders, by which the Management Board and Supervisory Board propose the adoption of the following decisions:

- Opening of the General Meeting and determining a number of present shareholders, their proxies; and determining the quorum
- Decision on a change to the core business activities of the Company – added activities;
- Decision on changes and amendments to the Company's Articles of Association;
- Report by the Management Board on the reasons for complete exclusion of pre-emptive right of the existing shareholders to subscription and pay-

ment of the new shares of the Company;

- Decisions on an increase in share capital by contributions in cash and the issue of shares and making amendments to the Articles of Association ("Decision on an increase in share capital"), namely, by issuing new ordinary shares by means of public offering by contributions in cash thereby excluding the pre-emptive rights of the existing shareholders to subscribe for new shares, except for the pre-emptive right of the shareholder - Allianz ZB d.o.o., the compulsory pension fund management company with the registered office in Zagreb, since the offering of New Shares will be given only to qualified investors that meet the requirements therefor according to Article 351.351, paragraph 1, section 1 of the Capital Market Act, whereas Allianz ZB d.o.o. meets the requirements indicated in the mentioned Article of the Act; and
- Decision on the listing of all Company's shares on the Official market of the Zagreb Stock Exchange Inc. for trading.

At the General Meeting held on 24 October, 2016, decisions identical in substance to the proposals contained in the Call for General Meeting, published

on 16 September, 2016 were unanimously adopted, except for the Decision under section 5 of the Agenda for which the shareholder Allianz ZB d.o.o., pension fund management company submitted a counterproposal, which was adopted at the meeting held and publicly published.

15. The document Information Memorandum of issue new shares of Ilirija d.d. for the purpose of developing the business operations was published, in which the Company informed the general public about the intention of conducting the procedure for recapitalization with the primary objective of raising funds for the acquisition of real estate Commercial-shopping center City Galleria in Zadar. The Information Memorandum, in addition to the foregoing, includes a detailed description of the investment proposition with a detailed description of target investment, the planned financing conditions, future consolidated and expected financial operating results, competitive advantages of the acquisition by the Company (the diversification of income and risks, the impact on profitability, stabilization of cash flow by inflows in off season, consolidation of expenses. The company will be created with a wide range of economic activities including hotel industry, boating, camping, destination management and partly real estate, year-

round business, etc.) with future investment plans of the Company.

16. The judgment rendered by the Higher Commercial Court of the Republic of Croatia as of 2016 affirmed the judgment rendered by the Commercial Court in Zadar, which designates the Company as the owner of the entire property with land plot no. 3232 of the cadastral municipality Biograd, on an area of 48,705 m<sup>2</sup>, which in the nature is "Tennis center Ilirija" with the surrounding land. In this way the dispute over the property of the "Tennis center Ilirija" has been completed to the benefit of the Company by rendering final and absolute judgment.

17. On 10 October, 2016, the Company issued Notice of the planned transaction on the capital market, thus informing the public that it intends to conduct the process of increasing the share capital by contributions, excluding the pre-emptive rights of the existing shareholders except for Allianz ZB d.o.o., and conduct public offerings to qualified investors up to a maximum of 27,400 new ordinary bearer shares of the Company, with the nominal amount of HRK 580.00, at a price ranging from HRK 1,250.00 -1,500.00 which is paid in cash. The Company intends to use the funds raised by the recapitalization for the acquisition of the

Commercial-shopping center City Galleria in Zadar.

Further to the above transaction of a share capital increase, on 17 October 2016, the Company held a management presentation at the Zagreb Stock Exchange to attract qualified investors. The management presentation was also published at the Zagreb Stock Exchange, The Croatian Financial Services Supervisory Agency HANFA and posted on the Company's website.

18. On 04 November 2016, the Company informed the public on the Success of issue of new shares and adoption of the text of the Articles of Association, Decisions by the Management Board and the consent by the Supervisory Board of 04 November 2016 or the consent by the Supervisory Board to the Decision made by the Management Board on success of the issue of New shares, and at the same time the Decision was taken on the adjustment of the Company's Articles of Association and adoption of consolidated text of the Articles of Association.

The Management Board did with the above mentioned consent by the Supervisory Board take the Decision on the success of issue of New shares which suggested that all Subscribers of the Accepted of-

fers that subscribed for a total of 27,400 New shares prior to the date of 04 November 2016, paid a total of HRK 34,387,000.00. It is established that the issue of New shares was successfully completed since the number of New shares subscribed and paid within the deadlines set for the subscription and payment exceeds the minimum number of 26,030 New shares.

19. At the meeting of the Supervisory Board held on 09 December 2016, the approval was given to the Management Board for concluding the Real Estate Sale Agreement, which in the nature is the Commercial-shopping center City Galleria in Zadar.

20. On 19 December 2016, the Company published a Notice of successfully completed and performed acquisition or buying of Commercial-shopping center City Galleria in Zadar, whereby on the specified date, the handover of the respective real estate was performed and the process of acquisition or buying of the Commercial shopping center City Galleria in Zadar was successfully completed.

21. The increase in the market capitalization by 43.21% or by HRK 118,509,172.00 from the amount of HRK 274,286,000.00 as it amounted in 2015 to the amount of HRK 392,795,172.00 as much as it amount-

ed in 2016.

22. The rise in the total turnover of the shares of the Company by 89.08% or HRK 4,025,735.56 from HRK 4,519,484.40 as much as it amounted in the year 2015 to the amount of HRK 8,545,219.96 realized in the year 2016.

23. The increase in the average share price by 28.88% from HRK 891.77 as much as it amounted in 2015, to HRK 1,149.32 in 2016, while at the same time in the observed period, the average daily turnover in the Company's shares rose by 241.79 %, that is, from the amount of HRK 48,079.62 to the amount of HRK 164,331.15 in 2016.

24. In the year 2016, the highest achieved share price amounted to HRK 1,400.05 per share, which compared to the year 2015 is a growth by 27.28 when the highest share price amounted to HRK 1.100,00.

25. The continuation of investments into accommodation facilities, improvement of services, offers and amenities in all sectors of the company, with a special emphasis on the acquisition or buying of the Commercial-shopping center City Galleria in Zadar, then the completion of the first phase of reconstruction

of the Nautical Tourism Marina Kornati and the beginning of the reconstruction of the second phase of superstructure and substructure of the central marina aquatorium, the completion of which is expected in early March 2017, that is, till the beginning of the new nautical season in accordance with the Investment Plan for 2017 and the final building permit, Class: UP/I-361-03/15-01/000111, Prot. No. 531-06-2-1-1467-15-0008, of 20 October 2015.

The Company has also invested in the purchase of new mobile homes for the camping sector, expansion of the hospitality facility capacities, while the hotel sector invested in development and refurbishment of shared public areas and accommodation units and other activities aimed at improving the accommodation facilities, products and services. In 2016, the value of investments amounted to HRK 105,808,897.76. The investments were partly financed from the Company's own funds, investment loans of the commercial bank, while a smaller portion was financed by leasing, namely on the basis of the conversion from operating into financial leasing.

26. The most important investment of the Company in 2016 is the acquisition or buying of Commercial-shopping center City Galleria in Zadar in the total

amount of HRK 78,513,316.80 partly financed through a capital increase and partly by long-term investment loan of the commercial bank according to the existing market-credit terms. Owing to this investment, the Company has become a company with a wide range of activities and fulfilled the preconditions for intensive year-round business that will contribute to the market, their capital and financial stability of the company.

27. The Ministry of Construction and Physical Planning has issued an operating permit, Class: UP/I-361-05/16-01/000022, Prot. No.: 531-06-2-2-609-16-0011 and operating permit Class: UP/I-361-05/16-01/000023, Prot. No. :531-06-2-2-609-16-011, the both as of 07th June 2016, which implies the successful finalization of the reconstruction of the first phase of the coastal part of the nautical tourism port „Marina Kornati“ that is, piers with all accompanied installations, both in the inland part and in the part of pontoon and with the entire pier equipment, according to the final and non-appealable building permit, Class: UP/I-361-03/15-01/000111, Protocol No.: 531-06-2-1-1467-15-0008, of 20 October 2015.

28. Ministry of Construction and Physical Planning issued an amendment to the building permit on 29



November 2016, which became final on 15 January 2017, Class: UP/I-361-03/16-01/000210, Prot. No. 531-06-2-1-1467-16-0007, which was issued for the reconstruction of building for commercial purposes Nautical Port Marina Kornati, in Biograd na Moru, the reconstruction of the coastal area, which amended the building permit as of 2015, Class: UP/I-361-03/15-01/000111, Protocol No.: 531-06-2-1-1467-15-0008 as of 20 October 2015, pursuant to which the building permit was issued for the reconstruction of the coastal area, that is replacement of the piers B1 to B7 with pontoons, the construction of a floating pier A1 parallel to the breakwater pier, replacement of the piers C1 to C4 with pontoons C1 to C3, the construction of piers D1 and D2, the construction of the pool of the travel lift along the pier A and the construction of the ship washing area, the construction of a floating pier C0 parallel to the coast in accordance with the amendments to the Physical Planning Documents of the city of Biograd na Moru.

29. The Company is the organizer and host of the jubilee eighteenth Biograd Boat Show, which took place from 20th to 23rd October 2016 in Marina Kornati, at which further innovations in the nautical industry were presented, such as the Charter Info Center, that due to huge interest shown by the charter compa-

nies has been renamed to Biograd Charter Show with congress room in Hall B, with an agreement concluded with over 300 exhibitors, that participated with more than 300 vessels, 45 Croatian, European and international premieres of vessels were presented, while during the show, 5 regatta events were organized, which were attended by over 600 sailors on 100 vessels. The eighteenth Boat Show placed a special emphasis on further development of its "business to business" character as over 2,000 business visits were recorded at the boat show in 2015.

30. The publication Business model of corporate social responsibility from 2000 to 2015 has been devised, which shows an overview of the activities in the area of corporate social responsibility of the Company in the last fifteen years in the six basic areas: economic sustainability, incorporation of CSR and SD into business strategy, protection of nature and environment, responsible policies and practices in the working environment, responsible policies and practices of environmental management, corporate social responsibility in market relations and socially responsible community relations.

In this way, the Company has introduced an institute of non-financial reporting as a significant contribu-

tion to strengthening the Company's responsibility according to the corporate social responsibility concept, whereby the company's corporate values are further strengthened by enhancing its transparency, in accordance with the views and recommendations of the European Commission, especially in the area of corporate behavior, business operations and reporting by the companies.

31. In the year 2016, not a single incident or compromise of safety, including the occupational safety and protection, health and environmental safety of guests and employees has been recorded, especially considering the fact that 6,000 visitors a day were staying in the facilities of the Company in high season.

32. Certificates and standards:  
Certificates:

Ilirija Travel Certificate is the winner of the DMK for business operations of the destination management company awarded by UNPAH or the Croatian Association of Independent Travel Agents. The Certificate confirms responsible attitude towards suppliers, human resource capacity to provide all necessary information on the destination and all products of the

destination.

In June 2016, Croatian Association of Travel Agents (UHPA) granted to Ilirija Travel the status of certified specialist for fulfilling all the requirements for specialization, for the period from 2016 to 2018 for the following areas: Professional Congress Organizer, destination management company for the tourism county of Zadar and wine and food tourism.

Standards:

In May, The Ministry of Tourism conducted a process of re-categorization of the camp „Park Soline“ and after passing the Decision on temporary performance of activities, Class: UP/I-335-05/15-02/6 Prot. No.: 529-03-16-6 of 20th June 2016, it was found that the camp “Park Soline“ meets the requirements prescribed for the category of the camp, which is marked with four stars.

Introduction and implementation of HALAL quality in the hospitality facilities of the Company.

In June, the re-certification of the quality management system according to the standard HRN EN ISO 9001 was successfully carried out at the level of the

entire Company and all of its sectors (hotel industry, camping, nautics and hospitality and restaurants).

In June, the camp “Park Soline“ was subject to the inspection by the international inspectorate for the implementation of criteria and standards of the Green Key, which established the compliance with the criteria and standards of this ecological certificate.

In Marina Kornati, the international environmental program regarding the environmental protection, sea and coastal area has been renewed, by which the marina was again awarded the Blue Flag, holding it continuously since 2004.

33. Prizes and rewards:

Destination management company/DMK Ilirija Travel was given the annual award by the Tourist Board of Zadar County for contributing to the development of the programs of special interest and creating experiences, activities in the creation and development of additional supply and the contribution of destination branding in 2016.

Arsenal was given a special award “Smiling sun“, which has been awarded by the City of Zadar for fourteen years in a row, in cooperation with Chamber of Commerce and Crafts, the Tourist Board of the City of Zadar and Zadar County and Association of Craftsmen Zadar, which is used to award the most successful businesses and individuals in the realization of tourist season. Arsenal won the award for outstanding contribution to the successful tourist season in the city of Zadar in 2016.

The camp “Park Soline“ is the winner of the “Best Camp Adria“, awarded by the Slovenian camping web portal [www.avtokampi.si](http://www.avtokampi.si), for third place in the category of Best large camp of Dalmatia. The award is especially significant because it is awarded by the guests themselves who stayed in Croatian camps that evaluate the following elements: pitch, decoration, sanitary facilities, sports and other amenities, value for money.

Marina Kornati is the winner of the award for third place in the category of Large marina in the action “XX. Tourist Flower - Quality for Croatia 2016“.

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## 4. GENERAL INFORMATION

ILIRIJA d.d. is a public joint stock company registered for hospitality and tourism with registered office in Biograd na Moru, Tina Ujevića 7, that has been active in the Croatian tourist market for over 60 years. The business operations of Ilirija d.d. is based on the principles of corporate social responsibility as an integral part its corporate values. In its business operations, the Management Company applies the Code of Corporate Governance of the Zagreb Stock Exchange and HANFA. The data on the operations are public and transparent, and at all times available to all national, financial and other institutions, shareholders, banking institutions, funds, associations, business partners, institutional, individual and other investors in the regulated capital market in the Republic of Croatia.

In its business operations, the Company covers all key segments of the Adriatic Mediterranean tourism supply that is: hotel industry (hotels: Ilirija\*\*\*\*, Kornati\*\*\*\*, Adriatic\*\*\*, Villa Donat\*\*\*\*/\*\*\*, Villa Primorje\*\*\*\*, diffuse hotel Ražnjevića Dvori AD 1307\*\*\*\*), nautical sector (Marina Kornati and Hotel port Ilirija-Kornati), camping (camp „Park Soline“\*\*\*\*), hospitality (restaurant “Marina Kornati” restaurant “Park Soline”, Beach bar “Donat”, “Lavender” lounge

bar), destination management company/DMC Ilirija Travel, Arsenal in Zadar, Tennis center Ilirija with 20 tennis courts and coffee bar, Aquatic center with the hospitality facility, event boat “Nada”, a floating convention center with multifunctional purposes, 36m in length and a capacity to accommodate 180 persons, and since the month of December 2016, the Company's portfolio includes the Commercial-shopping center City Galleria in Zadar acquired by acquisition (buying) with more than 28.500m<sup>2</sup> gross area in total six floors and total 9.639m<sup>2</sup> net rented floor area.

Its business is based on providing services by using its capacities (hotels, nautics, camping) at the same time providing additional amenities and services, thus creating a high-quality integrated and complementary tourism product in the domestic and international tourism market, presented under the brand Ilirija Travel. Destination management company was established as a result of the modern tourism demand, conditioned by the technological, social, market factors and trends of ever more demanding customer or market.

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## 5. CHRONOLOGICAL OVERVIEW OF THE COMPANY DEVELOPMENT

**Year 1957** | The Company was incorporated and domiciled in Biograd na Moru, where it operates today, although the beginnings of the company date back to 1936 when the first hotel called ILIRIJA in Biograd na Moru was built. These are also the first beginnings of organized tourism not only in Biograd but also in the entire Biograd Riviera, by which the Company becomes the pioneer and the leader of all tourism activities in the Biograd region.

**Years 1969-1972** | The construction of new hotel facilities (Hotel Kornati \*\*\*\* and Hotel Adriatic \*\*\*), the overall reconstruction and construction of hotels Ilirija\*\*\*\*\* and building an annex to the hotel Villa Donat \*\*\*\* / \*\*\* in Sv. Filip and Jakov.

**Year 1976** | Start of construction of the first nautical tourism port in Croatia, according to the first building permit in the Republic of Croatia for the construction of the first nautical port issued by the former Municipality of Biograd na Moru, number: UP/I-03-4-318/1977 as of 10th March 1977, Hotel port Ilirija-Kornati, situated in Biograd na Moru, with a total of 100 berths and the purchase the first charter fleet of 40 vessels, by which the Company became a pioneer of development of the nautical tourism.

**Year 1986** | Extended nautical capacities of the Company by constructing the nautical tourism Port Marina Kornati, located in Biograd na Moru, with total port area (aquatorium) of 131.600 m<sup>2</sup> with a total capacity of 705 berths on land and sea. Today, Marina Kornati is among the Top 3 Croatian marinas according to the number of berths, technical equipment, quality of service, cleanliness and neatness.

**Year 1988** | The construction of Tennis center, located in a pinewood Soline right next to the old town center Biograd na Moru (400m from the hotel, 150m from the main beach), on an area of 48.000 m<sup>2</sup> with 20 tennis courts (14 clay and 6 color-set tennis courts).

**Year 1988** | The construction of Aquatic Center, that is, a beach facility as a part of a unique, technological and functional unit of the existing hotel capacities, that is basically an Olympic outdoor swimming pool with many additional amenities, as a supplement to the existing and basic hotel amenities. Built as a swimming, beach and sports, entertainment and hospitality facility with bleachers with the capacity of 4,000 seats and a terrace of

1.000 m<sup>2</sup>, whereby it represents a center for holding almost all sports, entertaining and dance events in the City Biograd na Moru.

**Year 1991** | By merger of the campsite "Soline", located in Biograd na Moru, later renamed into the camp "Park Soline", by which the Company in its operations in addition to hotel management and nautics also included camping as the third segment of its tourism offer.

**Year 1993** | The Croatian Privatization Fund, makes a decision on the transformation of HTP Ilirija into a joint stock company.

**Year 1999** | The Company was privatized and is in major ownership of the company Arsenal Holdings d.o.o. from Zadar, which is in major ownership of Mr. Davor Tudorović.

**Year 1999** | The Company starts boat show organized as Spring Open Days, mainly intended for companies that operate in the marina, as the first such event in North Dalmatia. Wishing for Biograd na Moru, to be top nautical event, at which all sectors of the boating and charter business will be presented in a short period, the Open Days grew into a boat event - Biograd Boat Show. Since 2004 Biograd Boat Show has been organized as the first autumn boat show in Croatia.

**Years 1999 – 2016** | During this period, that is, by 31st December 2016, the Company has invested HRK 450,961,296.58 in construction, reconstruction, extension, building annexes, renovation and adaptation of accommodation facilities and establishments of the Company in order to enhance the quality, improve the overall service and standards in all sectors of the Company, develop new products, improve and increase the categorization of the accommodation facilities and nautical capacities, expand hospitality facilities with an aim to create a high-quality, recognizable and competitive tourism product and enhance the quality of the offer of the destination itself, which resulted in a significant growth in total revenues and newly created value in the mentioned period in the amount of HRK 628,722,303.82.

**Year 2002** | The National Audit Office carried out the audit of transformation and privatization of ILIRIJA d.d. and

issued an unqualified opinion on the transformation and privatization in full, with an emphasis that the process was carried out in accordance with the legislation and that no irregularities were determined that would affect the legal implementation of the process of transformation and privatization.

**Year 2003** | The Company's shares were listed on the Zagreb Stock Exchange in the quotation of public joint stock companies.

**Year 2005** | As part of the Company's business system, the multimedia center Arsenal in Zadar, built in the 17th century at the time of the Venetian Republic, following the completion of the revitalization and renewal according to the concept of "indoor town square," began conducting business activities.

**Year 2009** | The Company's shares are listed on the Regular Zagreb Stock Exchange, since the quotation of public joint stock companies was cancelled.

**Year 2014** | The market was presented the event yacht "Nada" a floating convention center with multifunctional purposes 36m in length and a capacity to accommodate 180 persons.

**Year 2014** | As a part of the Company's business system, the first Croatian diffuse hotel Ražnjevića dvori AD 1307 was opened.

**Year 2015** | Renovated Villa Primorje\*\*\*\*, built in the second half of the 19th century, luxuriously decorated and equipped in line with the latest standards for facilities of its kind and category, has its own restaurant that offers the possibility of organizing a number of events.

**Year 2015** | Recapitalization of the company by Allianz ZB d.o.o., the compulsory pension fund management company, with headquarters in Zagreb, which has acquired 10% equity share in the ownership of the company.

**Year 2015** | The company's shares are transferred from the Regular to the Official market of Zagreb Stock Exchange which will contribute to even greater transparency and openness of the company to all of its stakeholders.

**Year 2016** | The second recapitalization of the Company was successfully carried out in the month of November through which the share capital was increased by contributions in cash and by issuing New ordinary shares of the Company through public offering. The main purpose of the recapitalization is to raise funds for the acquisition of the Commercial-shopping center City Galleria in Zadar.

**Year 2016** | On 19 December 2016, having acquired the Commercial-shopping center City Galleria in Zadar, the Company successfully completed and carried out the process of acquisition or buying of the real property which created a company with a wide range of economic activities, where in addition to tourism and hospitality industry consisting of hotel industry, nautics, camping and destination management as core business activities, the Company partly enters the real estate segment having acquired the modern commercial-shopping center.



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## 6. COMPANY'S BODIES

### 2.1 COMPANY MANAGEMENT BOARD

Goran Ražnjević, President of the Management Board represents the company solely and independently

### 2.2 SUPERVISORY BOARD

Goran Medić, President of the Supervisory Board

David Anthony Tudorović, Deputy President of the Supervisory Board

Davor Tudorović, Member of the Supervisory Board

Siniša Petrović, Member of the Supervisory Board

Darko Prebežac, Member of the Supervisory Board

### 2.3 SHAREHOLDERS' ASSEMBLY



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## 7. COMPANY'S SUBSIDIARIES

The Company has two subsidiaries in 100% ownership:

ILIRIJA GRAĐENJE d.o.o.

ILIRIJA NAUTIKA d.o.o.

(are not active in business)

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## 8. AFFILIATED COMPANIES

Arsenal Holdings d.o.o., Perivoj Gospe od Zdravlja 1, Zadar, Company Tax Number - OIB: 59794687464, owner, holds 178,629 shares in the Company, which accounts for 59.21% of the shares in the share capital of the Company, and the same number of votes in the Shareholders' Assembly.

The controlling company Arsenal Holdings d.o.o. is registered with the Commercial Court in Zadar, Company Reg. No. MBS: 060014554; share capital HRK 21,027,500.00 paid in whole.

The major owner of the company Arsenal Holdings d.o.o. is Mr. Davor Tudorović with 75.25% shares in its share capital, who also holds 11,968 shares of Ilirija d.d. which accounts for 3.97% of the shares in its share capital.

## 9. OWNERSHIP STRUCTURE OF THE COMPANY AS AT 31/12/2016 AND TRADING IN THE COMPANY'S SHARES AT THE ZAGREB STOCK EXCHANGE

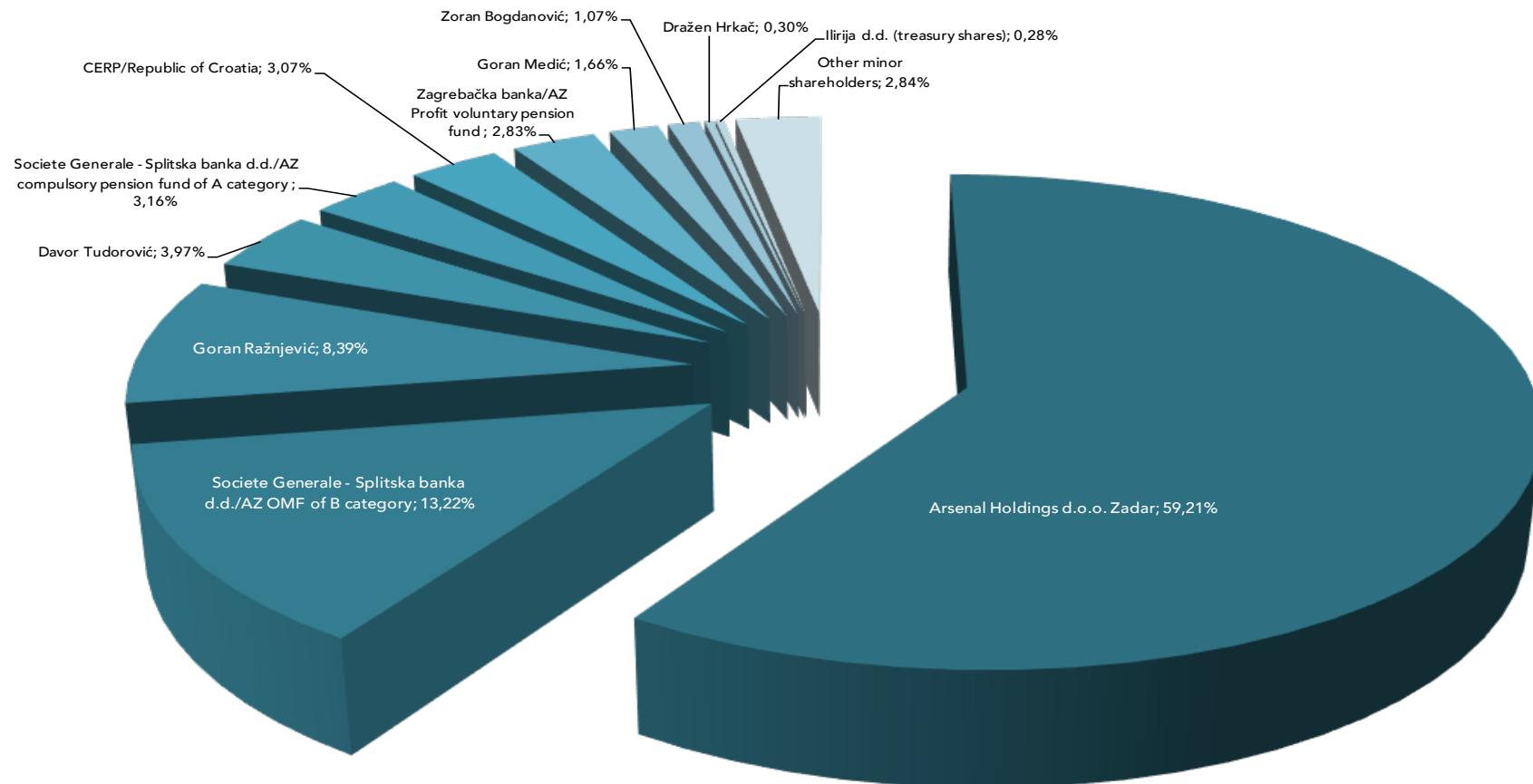
The share capital of the Company is HRK 174,977,880.00 and is divided in 301,686 ordinary shares with nominal value of HRK 580,00.

In 2016, there occurred a significant change in the ownership structure as a result of the successfully conducted recapitalization in November, and an overview of the major shareholders of the Company as at 31/12/2016 is given below.

Overview of the major shareholders of the Company as at 31/12/2016:

Owners - shareholders	Number of shares	Share in %
Arsenal Holdings d.o.o. Zadar	178.629	59,21
Societe Generale - Splitska banka d.d. /AZ OMF of B category	39.892	13,22
Goran Ražnjević	25.317	8,39
Davor Tudorović	11.968	3,97
Societe Generale - Splitska banka d.d./AZ compulsory pension fund of A category	9.529	3,16
CERP/Republic of Croatia	9.275	3,07
Zagrebačka banka/AZ Profit voluntary pension fund	8.525	2,83
Goran Medić	5.000	1,66
Zoran Bogdanović	3.227	1,07
Dražen Hrkač	891	0,30
Ilirija d.d. (treasury shares)	859	0,28
Other minor shareholders	8.574	2,84
<b>TOTAL</b>	<b>301.686</b>	<b>100,00</b>

## Ownership structure of the company as at 31/12/2016



## TRADING IN SHARES OF THE COMPANY ON THE CROATIAN CAPITAL MARKET FROM 01ST JANUARY UNTIL 31ST DECEMBER 2016

(Amounts in HRK)	I-XII 2016	I-XII 2015	% Changes
Total turnover	8.545.219,96	4.519.484,40	89,08%
Average share price	1.149,32	891,77	28,88%
Average turnover per transaction	71.210,17	22.597,42	215,13%
Average daily turnover	164.331,15	48.079,62	241,79%
Last share price	1.302,00	1.000,00	30,20%
Market capitalization	392.795.172,00	274.286.000,00	43,21%

In the fiscal year 2016, the Company's achievements in the capital market have been far the best so far with a retained and continued high growth in all key indicators in all quarters of the fiscal year in addition to good business achievements throughout the year 2016, the successful capital increase and the buying (acquisition) of the Commercial-shopping center City Galleria in Zadar that influenced and significantly contributed to the increase of the investment attractiveness and recognition of the Company's shares in the Croatian capital market as quality, stable and sustainable securities which increased interest in buying the Company's shares. For this reason, a total of 7,435 shares were traded in, which compared to the previous fiscal year, when a total of 5,068 shares were traded in, is a growth of physical turnover in shares by 46.70%. In the observed period, a total turnover in the amount of HRK 8,545,219.96 was realized compared to the previous fiscal year when a turnover was realized in the amount of HRK 4,519,484.40, which constitutes an increase by 89.08%. An average price of one share was realized in the amount of HRK 1,149.32, which compared to the year 2015, when the average share price amounted to HRK 891.77, constitutes an increase by 28.88%.

The highest single price per share was achieved in the amount of HRK 1,400.05 per share compared to the year 2015, when the highest share price amounted to HRK 1.100,00 which is an increase by 27.28%. Also, when com-

paring the Company's share price realized in early 2016, when it amounted to HRK 1,000.00 per share, a growth in the share price was realized by 30.20% with the latest price of the share in the amount of HRK 1,302.00.

Comparing the last share price in 2016, which amounted to HRK 1,302.00, compared to the last achieved share price earned in 2015 in the amount of HRK 1,000.00, it recorded a rise by 30.20%. The market capitalization of the Company amounted to HRK 392,795,172.00 which compared to the previous fiscal year when the market capitalization amounted to HRK 274,286,000.00 is a rise by 43.21% or by HRK 118,509,172.00.

In the reporting period, the Company acquired 135 treasury shares and on 31/12/2016 it holds 859 treasury shares, which make for 0.28% of the share in the share capital and the same percentage of votes in the Shareholders' Assembly.

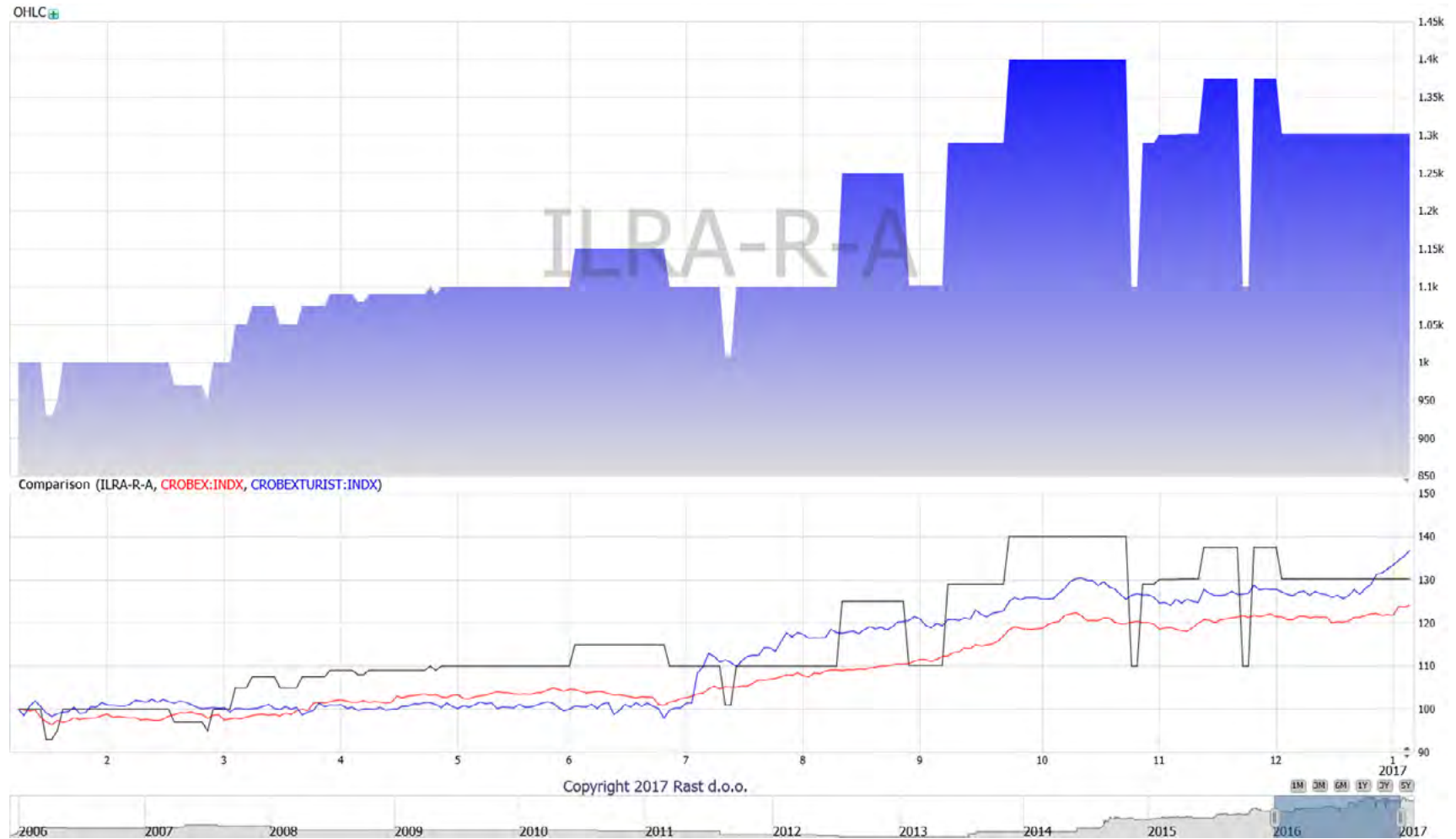
#### The movement of the share price designated as IL-RA-R-A and comparison with CROBEX and CROBEX-TURIST indices

The trading at the Zagreb Stock Exchange in 2016 resulted in an increase in the Company's share price by 30.20%. This is a rise higher than the CROBEX index, which in the same period rose by 18.06% and than the CROBEXtulist index which rose by 27.86% made up from the most liquid tourist shares.

The Company's share is relatively new at the Official Stock Exchange (listed in October 2015), but soon it was recognized by institutional investors and the general investment public as a quality share. This resulted in a rise in yields of its holders, higher than the average yield of shares listed at Stock Exchange of tourist companies, particularly companies from different industrial branches whose shares are integral components of CROBEX.

In 2016, the Company issued new 27,400 ordinary bearer shares that paid above their nominal value. In addition to a growth of exchange rate of the share on the Stock Exchange, the market capitalization of the Company increased during 2016 by 43.21% (from HRK 274,286,000.00 to HRK 392,795,172.00). Technical analysis of shares ILRA-R-A shows the trend of further growth of share exchange rate.

The movement of the share price ILRA-R-A and comparison with CROBEX and CROBEXTURIST indices





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## 10. CAPACITIES OF THE COMPANY

Portfolio of ILIRIJA d.d. consists of six hotels and villas, marina Kornati with Hotel port Ilirija-Kornati, camp "Park Soline," Arsenal in Zadar, Tennis center Ilirija, Aquatic center and hospitality facilities. The added value to the "heart" of our offer is granted by the event boat "Nada", a convention center with multifunctional purposes and event yacht with 180 seats, a complete restaurant, kitchen and a bar which provides an excellent hospitality service during the voyage.

Hotel sector capacity consists of 449 accommodation units (hotel rooms and apartments) with a total of 929 beds located in Biograd na Moru (Ilirija\*\*\*\*, Kornati\*\*\*\*, Adriatic\*\*\*, Villa Primorje\*\*\*\*), Sv. Filip i Jakov (hotel Villa Donat\*\*\*/\*), and Polača (diffuse hotel Ražnjevića dvori AD 1307\*\*\*\*), mainly classified as four star hotels.

Hotel accommodation is located in Ilirija Resort Hotels & Vilas in Biograd and Sv. Filip i Jakov. The hotels are located along the coast, not far from the town center and beach that is awarded the Blue Flag, which are owing to the ideal location and infrastructure, intended for leisure and congress tourism. In addition to modern and technically equipped con-

ference halls and meeting rooms intended for conferences, seminars, presentations, workshops and meetings, there is a number of supporting amenities such as Wellness & beauty center Salvie, Olympic and outdoor swimming pool, a fitness center, a la carte restaurants and coffee bars.

As part of Ilirija Resort there is a conference center that consists of 8 halls with a total capacity to accommodate 30 to 250 persons, and there is also a magnificent garden with terraces ideal for banquets, receptions and entertainment, outdoor swimming pools and beach.





## ILIRIJA RESORT HOTELS & VILLAS

**HOTEL ILIRIJA** the largest hotel in Ilirija Resort classified as a four-star hotel, with a capacity of 165 rooms and 337 beds, and includes a restaurant with 200 seats, a terrace with 70 and aperitif bar with 50 seats. It is located along the coast, close to the old town, surrounded by magnificent nature, sea and pinewood, as well as many amenities.

**HOTEL KORNATI** classified as a four star hotel, with the capacity of 106 rooms and 216 beds, a restaurant with the capacity for 220 persons, a terrace for 50 persons and a bar for 40 persons, by its design and atmosphere is linked to and associated with the most beautiful Croatian national park – Kornati. Kornati Hotel is a unique for its connection with the Nautical tourism port Hotel port Ilirija - Kornati, which is located in the very center of Biograd with a beach right next to the hotel.

**HOTEL ADRIATIC** classified as a three-star hotel, with the capacity of 100 rooms and 210 beds, with a restaurant with the capacity for 230 persons, a terrace for 300 persons and a bar with the capacity for 110 persons. It is located in a pine forest, almost on the beach, and there is Family Aquatic Center next to it, which is ideal for family fun and for a range of attractive summer sea activities.

**HOTEL VILLA DONAT** is located in Sv. Filip i Jakov and consists of Villa with 16 superb and modern rooms, classified as a four star hotel, and the annex which is classified as a three star hotel. The total capacity is 72 rooms and 144 beds, a restaurant with 120 seats, a terrace for 50 persons and aperitif bar for 20 persons. The hotel is located near the main beach and the town center which reminds of the rich history of this region.

In 2015, the market was presented with **VILLA PRIMORJE**, built in the second half of the 19th century, is a typical traditional Dalmatian stone nobleman's house with the outbuildings. Newly renovated, luxuriously decorated and equipped in line with the latest standards for facilities of its kind and category, it has its own restaurant that offers the possibility of organizing a number of events and the Mediterranean garden with a promenade.

## MARINA KORNATI

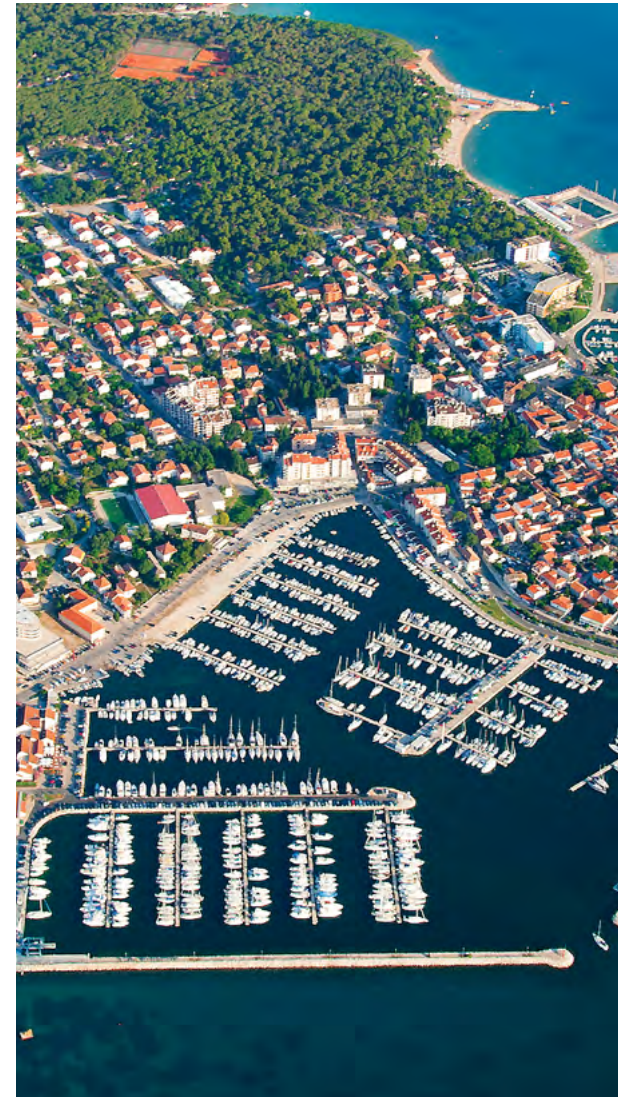
Nautical sector began to develop in 1976 with the construction of the first nautical marina in Croatia (Hotel port Kornati) with 100 berths and the procurement and organization of the first own charter fleet in the Adriatic sea with more than 40 vessels for the needs of boaters, therefore Ilirija d.d. deserves to be considered to be a pioneer of nautical tourism at the Adriatic sea.

Today, the nautical sector of the Company consists of Kornati marina and Hotel port Kornati, in which the Company has 805 berths on sea and land, which in one day can accept up to 2000 sailors, but by the number of berths, modern technical equipment, quality of service, cleanliness and neatness (Blue Flag) the Kornati marina is one of the three leading Croatian marinas which annually attracts over 60,000 sailors.

**MARINA KORNATI** is the winner of numerous awards, where we wish to emphasize the Special Award in the "XVI. Tourism Flower - Quality for Croatia 2012" action, organized by the Croatian

Chamber of Commerce and the Croatian Radio and Television, which is an award for the best marina in the category of over 450 berths. In 2013, in the "XVII. Tourism Flower - Quality for Croatia 2013" action, it received an award in the competition of the largest marinas, while in the same action in 2014 and 2015 it ranked second in the "Best big marina" category and in 2016 it ranked third in the same category.

**ILIRIJA D.D.** is the organizer of the leading boat show in Croatia „BIOGRAD BOAT SHOW" which has been continuously held in Marina Kornati for 18 years in a row.

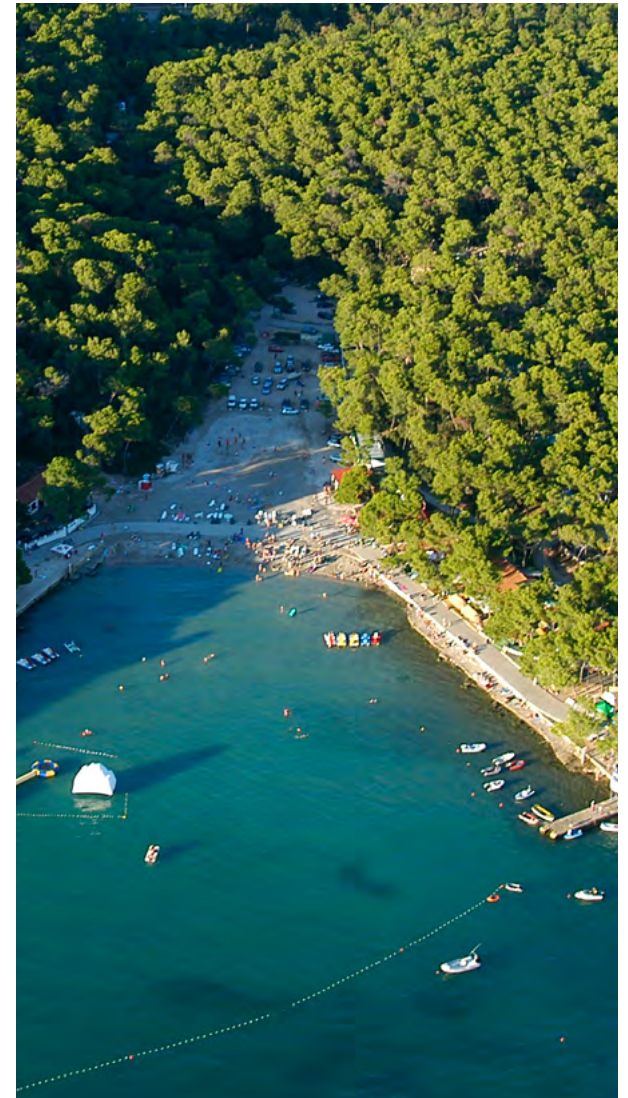


## CAMP PARK SOLINE

**CAMP PARK SOLINE**, classified as a four-star camping, also located in Biograd na Moru covers an area of 20.00 Ha, contains 1,130 accommodation units with a total capacity to accommodate up to 3,390 persons. In addition to the enriched restaurant offer, newly built promenade that stretches along the entire camp and the beach leading to the Biograd town center, the camp "Park Soline" is the right choice for a family vacation. In addition to entertainment for children and evening entertainment, active holiday with attractive sports, you can relax walking along the long walking trails and recreational routes in a healthy environment, and the camp is an excellent choice for all nature lovers. The value of investments made so far in the camp "Park Soline" since the year 2000 amounted to approximately HRK 155,000,000.00 and owing to these investments, the number of overnight stays rose from 4,556 in 1996 to 260,579 overnight stays in 2015.

### SPORTS FACILITIES:

"*Tenis centar Ilirija*", located in a pinewood Soline near the old city center, covers an area of 48.000 m<sup>2</sup>, consists of 20 tennis courts and multipurpose courts (14 clay and 6 color set tennis courts) with night lighting, restaurant and changing rooms as well as related facilities.



## ILIRIJA TRAVEL

**ILIRIJA TRAVEL** – destination management company: Owing to the development of new services and facilities, a high-quality, integrated and complementary tourism product has been created in response to the needs of the modern tourism demand, conditioned by technological, social, market factors and trends of ever more demanding markets. Among the most important backbones of the offering and implementation of these special programs and products there is the business operation in own additional facilities such as:

### EVENT SHIP “NADA”

a multifunctional yacht, sized 35m and a capacity to accommodate 180 persons, with a complete restaurant, kitchen and bar which provides an excellent hospitality service during the voyage. Conferences, seminars, special events, unique business meetings, gala receptions and banquets, unique weddings, exclusive day and night cruises, incentive events are all activities organized in the Nada Event Ship which adapts to the individual requirements of the clients.

### ARSENAL

which is a world heritage site, a multimedia center located in Zadar, built in the 17th century, which was renovated in 2005 as an indoor town square or as the center of public, cultural and entertainment life in the region in which over 100 public and private events are organized on an annual level.

### DIFFUSE HOTEL RAŽNJEVIĆA DVORI AD 1307

multi-functional facility, located in the settlement of Polača named after the municipality in this settlement, in the heart of Ravni Kotari, which lies halfway between Biograd na Moru and Benkovac and is the first facility of such a category in the Republic of Croatia. This tourist complex has originated from the rural estate tradition, is an example of innovative tourism product conceived as a blend of tradition and contemporary trends.

*Offers of trips, special offers according to the requirements of clients, sports programs, MICE etc.*



## HOSPITALITY

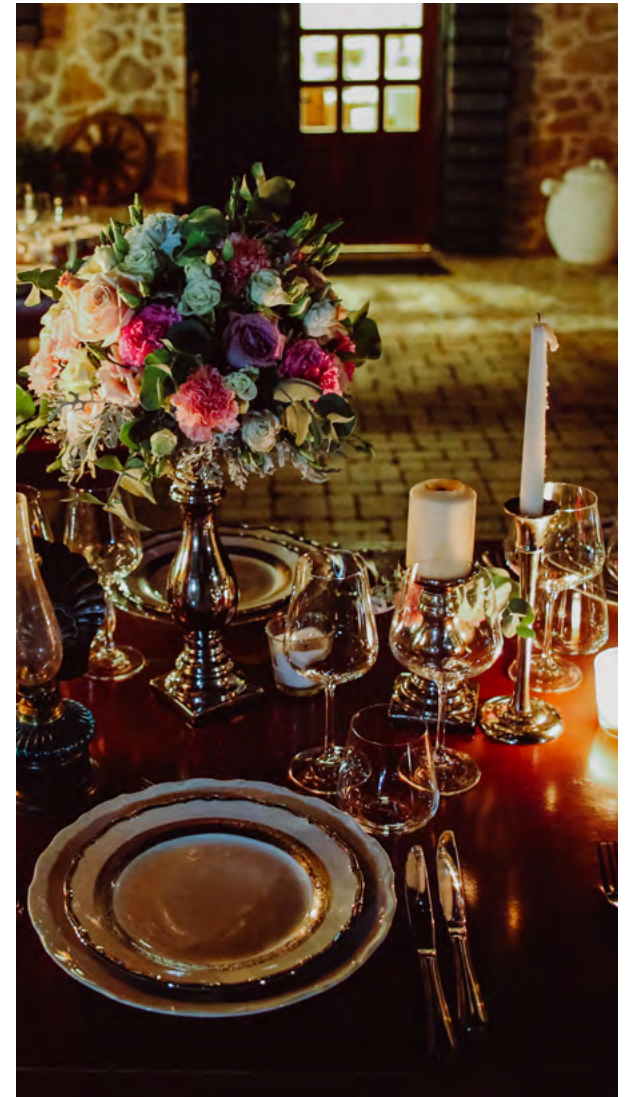
Restaurant "Marina Kornati", located in Marina Kornati, having the capacity for over 350 persons, which together with the recently refurbished Captain's Club having the capacity to accommodate 70 persons, or with the overall capacity for 420 persons meets the requirements of boaters for holding various and numerous events in Marina Kornati. Besides hospitality services, Captain's Club also provides services for a number of presentations on nautical products, and is an ideal venue for holding small conferences and events. In 2015, a total of 50 events were organized in Marina Kornati attended by over 12,830 persons.

Restaurant „Park Soline“ is located in "Park Soline"\*\*\*\*, close to the sea, ten minutes walk from the center of Biograd na Moru with an offer of food based on Mediterranean cuisine. The restaurant with a capacity to accommodate 280 people offers the possibility of organizing various events - family celebrations, banquets and receptions as well as meetings. The restaurant includes a Dalmatian tavern with a fireplace, coffee bar and taps of wine decorated as a wine cellar, which offers the possibility of buy-

ing and tasting top quality red and white wines produced from the native Croatian species.

Beach bar "Donat" is located in the building-magazine located in a protected cultural and historical complex of village Sv. Filip i Jakov settlement, which is also entered in the Register of Croatian cultural monuments of the Republic of Croatia. Today, it is classified as a beach hospitality facility or beach bar/cocktail bar with capacity to accommodate 140 persons.

Lavender lounge bar, located inside of Adriatic hotel, next to the beach, known for its Mediterranean design, fully designed for people to relax, with a beautiful view of the Pašman Channel, a place that offers the possibility of organizing a number of events of different character (MICE, weddings, banquets, cocktail bar, night club, etc.).



## REAL-ESTATE

### COMMERCIAL-SHOPPING CENTER CITY GALLERIA

is located near the old city center of Zadar, one of the two largest shopping centers in Zadar and wider Zadar region, was completed and opened to the public in October 2008 with a total area of more than 28,500 m<sup>2</sup> spread over six floors.

The gross area of the Commercial-shopping center City Galleria consists of associated underground garages with total area of 10,972 m<sup>2</sup>, 10,679.80 m<sup>2</sup> of net leasable area (of which 9,639.30 m<sup>2</sup> relates to the surface area of premises in the Center, and 1,040.50 m<sup>2</sup> to the surface area of the respective terraces of premises), and ancillary rooms and corridors. Current occupancy of Center is 97% of its capacities.

There are following facilities in the Center itself: an underground car garage with over 400 parking spaces on two floors, opened and closed market, supermarket, specialized food and beverage shop, fashion clothing, footwear and sporting equipment shops, children's shops, restaurants, wellness and beauty

center and 6 multiplex movie theaters.

The offer of the Commercial-shopping center City Galleria is conceptually divided by floors, so the ground floor of the center is conceived as a space with a mixed offering of food and services; the first floor is designed as a fashion floor with the supply of clothing, footwear, fashion accessories stores and perfumery/drug store; the second floor is created as a floor for fun and recreation with an offer of restaurants, entertainment and sports services; while the third floor of the Centre is intended for providing services offering a variety of beauty and spa services.

The unique features of the Commercial-shopping center City Galleria have been also recognized at the international level when in 2010 at the award ceremony 'International Property Award', the most prestigious international competition in the real estate business, the Commercial-shopping center City Galleria Zadar received the prestigious five-star award in the category of "Best Retail Development".

The Commercial-shopping center City Galleria distinguishes from the rest of the market because of: very attractive location within the city's pedestrian

zone that provides great visibility of the building, accommodation of the town marketplace with accompanying food facilities in the Centre and offers the first and only multiplex cinema in the city of Zadar.







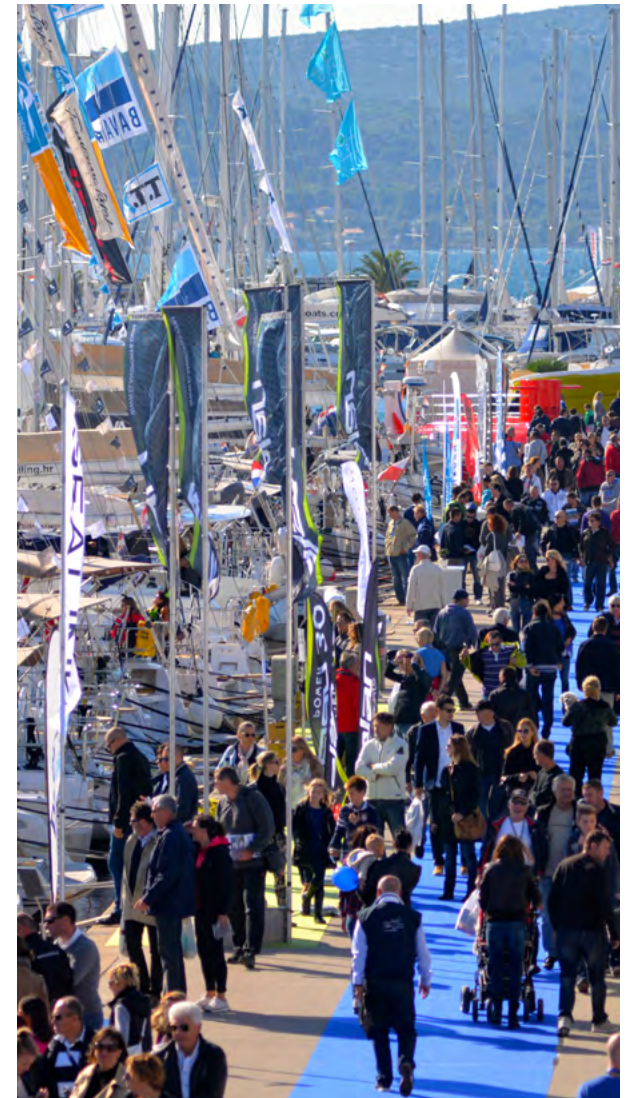
**EVENTS:** Biograd Boat Show, the largest international autumn boat show in the Republic of Croatia and the largest boat show in South East Europe among the shows which takes place on the water, brings together all the key representatives of the nautical industry and tourism. At the beginning, that is, in the year 1999 the boat show was organized as Spring Open Days, mainly intended for companies that operate in the marina, as the first such event in North Dalmatia. Wishing for Biograd na Moru, to win the top boat event considering its status of the city as a cradle of nautical tourism, at which all sectors of the boating and charter business will be presented, the Open Days grew into Biograd Boat Show. Since 2004, the event has been organized as a autumn boat show which has contributed to an improved boat offer and extension of the tourism season.

Biograd Boat Show was admitted to the International Federation of Boat Show Organisers-IFBSO at the 50th meeting of the Federation that took place in Istanbul, Turkey, in June 2014, and in 2015 it became its gold member. The shows of former members of the Federation were mainly organized in the major world centers, and the fact that the Biograd Boat Show is organized in the city of only 5,000 residents makes this

success even greater, which is a great recognition not only to the Company as the boat show organizer, but also the Croatian boating industry and tourism.

Today the leading international autumn boat show has grown into the major Croatian boat event. From its early beginnings the boat show brings together all representatives of the boating industry and tourism, government institutions, umbrella organizations in tourism and boating as well as professional associations. Owing to this partnership with all relevant subjects, and now long-term exhibitors and partners, we have been developing Biograd Boat Show by listening to their needs, keeping up with trends in the boating and show industry while implementing our own vision of its development creating a high quality, distinctive, and above all, sustainable economic and tourism product, which since its beginnings further enriches the Croatian tourism supply, especially its post-season.

In 2016 the show which celebrated eighteen years of its existence, was attended by over 300 registered exhibitors that participated with 300 vessels, while the number of visitors surpassed the figure of 15,000 with over 2000 realized business visits.



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## 11. PHYSICAL OPERATING RESULTS OF THE COMPANY IN THE YEAR 2016

The realized physical operating results in the year 2016 are within the expected and planned at all sectors of the company. The facilities of the Company realized 571,387 overnight stays, of which only the facilities in Biograd na Moru realized 556,214 overnight stays.

A share of the Company in the organized tourist overnight stays is particularly significant, with an exception of overnight stays realized in private accommodation and summer houses, where overnight stays in the Company's facilities account for 66.59% of organized tourist turnover of the city of Biograd na Moru, except for the overnight stays in the destination of Sv. Filip i Jakov.

In the hotel sector, the forecasted physical operating results or overnight stays grew by 1% compared to the year 2015. In the year behind us, there is a significant change in the market structure of guests and a significant growth of the individual and allotment segment was realized as a result of thoughtful acquisitions and marketing campaigns tailored for target markets and special interest groups, especially the crucial ones in the shoulder season. By continuous investment in accommodation facilities, the development of new products and services and additional complementary and integrated supply realized through destination management company/DMC Ilirija Travel, the growth of physical operating results from the third quarter of 2016 was continued and retained.

In the nautical sector of which physical operating parameters are fundamental, the berth contract and vessels in transit – inbound sailing and overnight stays that mostly affect the realization of other physical parameters of the business especially in terms of generating revenues (the activities of port service, crane operation, parking, hospitality), are as expected and forecasted compared to the year 2015 especially when we take into account the lack of ECC regatta. The number of concluded contract-based vessels is slightly lower than what it was in the previous fiscal year solely because of significant investment procedures with respect to the reconstruction of piers which partly affected the acceptance of vessels, specifically contract-based vessels, considering a slight reduction in the number of berths and great handling procedures in the transfer of the vessel in the marina as a direct result of its reconstruction.

Despite a low number of vessels based on the contract berth, the revenue earned by the nautical sector is as planned and expected, although it is lower compared to operating revenues in 2015 due to the expected decrease in revenues from nautical events and the lack of a single nautical event that took place in May 2015. In the segment of vessels on transit berth, the number of inbound vessels and overnight stays of vessels in transit rose by 2% or 6% compared to the year 2015 which affected the revenue item of transit berth which is higher by 5% and the revenue item of port services and parking of vehicles where each rose by 1% compared to the previous financial year.

Regarding the camping sector of the Company, due to high seasonality of the entire Croatian camping tourism and dependence on weather conditions, which in the month of June were highly negative and in addition to an unfavorable schedule of holidays, the physical turnover or overnight stays that are slightly lower or decreased by 1% compared to the year in 2015, but which has not affected the total revenues of the camp which increased by 3%.



## HOTEL SECTOR

The hotel sector recorded some 36,691 guests that stayed in 2016, which with an average stay of 3.58 days, realized a total of 131,424 overnight stays, 1% more than in the same period in 2015.

In the structure of realized overnight stays among the top five source markets, there is (1) the Croatian market with a share of 15.6% of overnight stays, which rose by 12.5%, followed by (2) the Slovenian market with a share of 14.9% which fell in comparison with the last year share of 15.83%, (3) the German market fell by 8.80% to 12.6% of overnight stays, (4.) the Austrian market also fell by 6.70% with a share of 9.5% and (5) the stable Slovakian market with a share of 7.5% overnight stays.

A notable growth, except for the Croatian market, has been recorded by the markets which systematically invested in the target stakeholders: Finland and the Great Britain, where each realizes a share of 1.7% in total overnight stays, the French market which increased its share by 21.5%, the Swedish market increased its share by 20%, the Hungarian market increased its share by 19%, and the growth has been recorded in the source markets such as Bosnia and

Herzegovina, Poland, Belgium and Ukraine, due to a significant extent reveal Biograd na Moru as a tourist destination.

According to market segments, the hotel sector has recorded a rise in the share of allotments by 9.4%, a rise in the share of individuals by 8%, a decline in the share of the group segment by 8.8% and a decline in fixed lease by 3.8% which is a good trend of a change in the market structure.

In the observed period, the capacity utilization and days of hotel occupancy slightly increase, due to better occupancy of a part of the shoulder season and especially the very peak season, which with the growth by 1% in average price of overnight stays contributes to achieving equal value in revenues compared to the year 2015, and provides a stable trend of maintaining the existing market position.

The revenue per room sold for the hotel sector in 2016 amounts to EUR 90.05, or HRK 677.81, which includes the accommodation and food services, since 98% of the hotel activity refers to the half board, which is characteristic for leisure hotels of Ilirija d.d., and other leisure hotels along the Croatian part of the Adriatic Sea. Taking into account other revenues

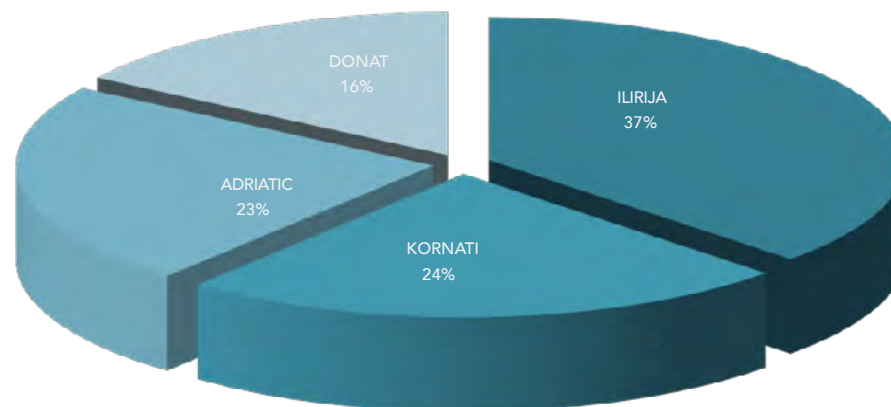
earned in the hotel industry segment or business establishments as a part of the hotel industry segment, of which revenues are a direct consequence of hotel operations, which account for 10% in relation to direct revenues generated by the hotel, this indirect revenue per room sold will grow to EUR 98.59, that is, HRK 742.13.



Hotel sector capacities

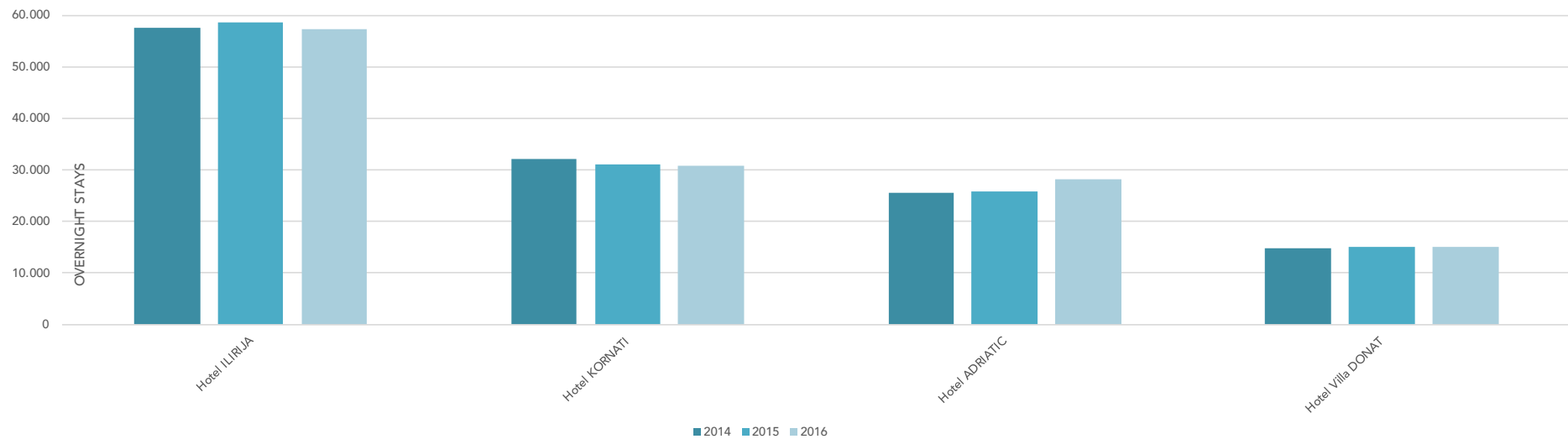
ILIRIJA D.D.	NUMBER OF ROOMS				NUMBER OF BEDS			
	2014	2015	2016	INDEX 16/15	2014	2015	2016	INDEX 16/15
Hotel ILIRIJA	165	165	165	1,00	337	337	337	1,00
Hotel KORNATI	106	106	106	1,00	216	216	216	1,00
Hotel ADRIATIC	100	100	100	1,00	210	210	210	1,00
Hotel Villa DONAT	72	72	72	1,00	144	144	144	1,00
<b>TOTAL</b>	<b>443</b>	<b>443</b>	<b>443</b>	<b>1,00</b>	<b>907</b>	<b>907</b>	<b>907</b>	<b>1,00</b>

% Share of individual hotel (number of beds)

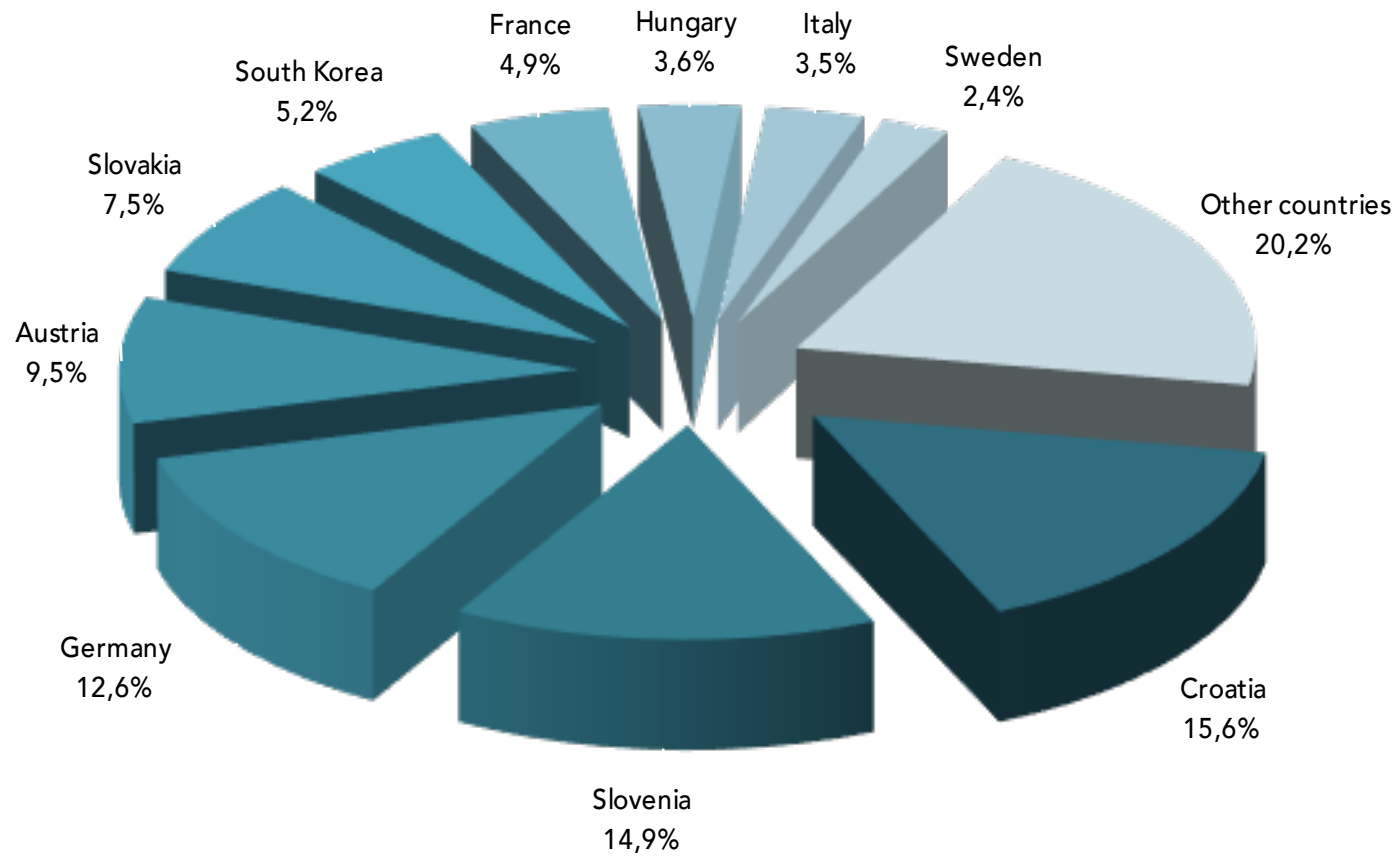


Overview and comparison of realized arrivals and overnight stays from 01/01/2016 to 31/12/2016 with the years 2014 and 2015

PROFIT CENTER	HOTEL INDUSTRY							
	ARRIVALS			INDEX	OVERNIGHT STAYS			INDEX
	2014	2015	2016	16 / 15	2014	2015	2016	16 / 15
Hotel ILIRIJA	19.376	21.074	18.057	86	57.596	58.575	57.310	98
Hotel KORNATI	10.289	9.299	9.667	104	32.195	31.047	30.891	99
Hotel ADRIATIC	5.125	5.929	6.204	105	25.446	25.906	28.050	108
Hotel Villa DONAT	3.242	3.025	2.763	91	14.938	15.115	15.173	100
TOTAL	38.032	39.327	36.691	93	130.175	130.643	131.424	101



Graph of the realized overnight stays by source markets for the period from 01/01/to 31/12/2016



## Occupancy rate for the period from 01/01/2016 to 31/12/2016 and the comparison with the year 2015

## Percentage share

MONTH	ILIRIJA					KORNATI					ADRIATIC					DONAT					GRANDTOTAL				
	Total rooms	2015	%	2016	%	Total rooms	2015	%	2016	%	Total rooms	2015	%	2016	%	Total rooms	2015	%	2016	%	Total rooms	2015	%	2016	%
JANUARY (I)	5.115	0	0,00%	127	2,48%	3.286	681	20,72%	673	20,48%	3.100	0	0,00%	0	0,00%	2.232	0	0,00%	0	0,00%	13.733	681	4,96%	800	5,83%
FEBRUARY (II)	4.620	0	0,00%	0	0,00%	2.968	301	10,14%	404	13,61%	2.800	0	0,00%	0	0,00%	2.016	0	0,00%	0	0,00%	12.404	301	2,43%	404	3,26%
MARCH (III)	5.115	852	16,66%	968	18,92%	3.286	382	11,63%	189	5,75%	3.100	0	0,00%	0	0,00%	2.232	0	0,00%	0	0,00%	13.733	1.234	8,99%	1.157	8,42%
APRIL (IV)	4.950	2.285	46,16%	2.314	46,75%	3.180	440	13,84%	247	7,77%	3.000	251	8,37%	235	7,83%	2.160	0	0,00%	0	0,00%	13.290	2.976	22,39%	2.796	21,04%
MAY (V)	5.115	3.701	72,36%	3.452	67,49%	3.286	1.534	46,68%	1.573	47,87%	3.100	578	18,65%	1.204	38,84%	2.232	123	5,51%	162	7,26%	13.733	5.936	43,22%	6.391	46,54%
JUNE (VI)	4.950	3.323	67,13%	3.413	68,95%	3.180	2.186	68,74%	2.158	67,86%	3.000	1.952	65,07%	2.243	74,77%	2.160	1.500	69,44%	1.080	50,00%	13.290	8.961	67,43%	8.894	66,92%
JULY (VII)	5.115	4.556	89,07%	4.574	89,42%	3.286	2.931	89,20%	2.959	90,05%	3.100	2.724	87,87%	2.848	91,87%	2.232	1.940	86,92%	2.120	94,98%	13.733	12.151	88,48%	12.501	91,03%
AUGUST (VIII)	5.115	4.665	91,20%	4.829	94,41%	3.286	2.914	88,68%	3.121	94,98%	3.100	2.975	95,97%	2.999	96,74%	2.232	2.008	89,96%	2.122	95,07%	13.733	12.562	91,47%	13.071	95,18%
SEPTEMBER (IX)	4.950	4.041	81,64%	3.998	80,77%	3.180	2.707	85,13%	2.598	81,70%	3.000	2.218	73,93%	2.302	76,73%	2.160	833	38,56%	874	40,46%	13.290	9.799	73,73%	9.772	73,53%
OCTOBER (X)	5.115	3.621	70,79%	2.754	53,84%	3.286	1.116	33,96%	1.448	44,07%	3.100	1.562	50,39%	1.370	44,19%	2.232	332	14,87%	178	7,97%	13.733	6.631	48,29%	5.750	41,87%
NOVEMBER (XI)	4.950	1.093	22,08%	982	19,84%	3.180	0	0,00%	231	7,26%	3.000	0	0,00%	0	0,00%	2.160	0	0,00%	0	0,00%	13.290	1.093	8,22%	1.213	9,13%
DECEMBER (XII)	5.115	644	12,59%	886	17,32%	3.286	189	5,75%	304	9,25%	3.100	0	0,00%	282	9,10%	2.232	0	0,00%	12	0,54%	13.733	833	6,07%	1.484	10,81%
<b>TOTAL</b>	<b>60.225</b>	<b>28.781</b>	<b>47,79%</b>	<b>28.297</b>	<b>46,99%</b>	<b>38.690</b>	<b>15.381</b>	<b>39,75%</b>	<b>15.905</b>	<b>41,11%</b>	<b>36.500</b>	<b>12.260</b>	<b>33,59%</b>	<b>13.483</b>	<b>36,94%</b>	<b>26.280</b>	<b>6.736</b>	<b>25,63%</b>	<b>6.548</b>	<b>24,92%</b>	<b>161.695</b>	<b>63.158</b>	<b>39,06%</b>	<b>64.233</b>	<b>39,72%</b>



## Occupancy rate for the period from 01/01/2016 to 31/12/2016 and the comparison with the year 2015

## Occupancy days

MONTH	ILIRIJA					KORNATI					ADRIATIC					DONAT					GRANDTOTAL				
	Total rooms	2015	Days	2016	Days	Total rooms	2015	Days	2016	Days	Total rooms	2015	Days	2016	Days	Total rooms	2015	Days	2016	Days	Total rooms	2015	Days	2016	Days
JANUARY (I)	5.115	0	0	127	1	3.286	681	6	673	6	3.100	0	0	0	0	2.232	0	0	0	0	13.733	681	2	800	2
FEBRUARY (II)	4.620	0	0	0	0	2.968	301	3	404	4	2.800	0	0	0	0	2.016	0	0	0	0	12.404	301	1	404	1
MARCH (III)	5.115	852	5	968	6	3.286	382	4	189	2	3.100	0	0	0	0	2.232	0	0	0	0	13.733	1.234	3	1.157	3
APRIL (IV)	4.950	2.285	14	2.314	14	3.180	440	4	247	2	3.000	251	2	235	2	2.160	0	0	0	0	13.290	2.976	7	2.796	6
MAY (V)	5.115	3.701	22	3.452	21	3.286	1.534	14	1.573	15	3.100	578	6	1.204	12	2.232	123	2	162	2	13.733	5.936	13	6.391	14
JUNE (VI)	4.950	3.323	20	3.413	21	3.180	2.186	21	2.158	20	3.000	1.952	19	2.243	22	2.160	1.500	21	1.080	15	13.290	8.961	20	8.894	20
JULY (VII)	5.115	4.556	28	4.574	28	3.286	2.931	28	2.959	28	3.100	2.724	26	2.848	28	2.232	1.940	27	2.120	29	13.733	12.151	27	12.501	28
AUGUST (VIII)	5.115	4.665	28	4.829	29	3.286	2.914	27	3.121	29	3.100	2.975	28	2.999	30	2.232	2.008	28	2.122	29	13.733	12.562	28	13.071	30
SEPTEMBER (IX)	4.950	4.041	24	3.998	24	3.180	2.707	26	2.598	25	3.000	2.218	21	2.302	23	2.160	833	12	874	12	13.290	9.799	22	9.772	22
OCTOBER (X)	5.115	3.621	22	2.754	17	3.286	1.116	11	1.448	14	3.100	1.562	15	1.370	14	2.232	332	5	178	2	13.733	6.631	15	5.750	13
NOVEMBER (XI)	4.950	1.093	7	982	6	3.180	0	0	231	2	3.000	0	0	0	0	2.160	0	0	0	0	13.290	1.093	2	1.213	3
DECEMBER (XII)	5.115	644	4	886	5	3.286	189	2	304	3	3.100	0		282	3	2.232	0	0	12	0	13.733	833	2	1.484	3
TOTAL	60.225	28.781	174	28.297	171	38.690	15.381	145	15.905	150	36.500	12.260	123	13.483	135	26.280	6.736	94	6.548	91	161.695	63.158	143	64.233	145

## Monthly comparison of revenues/overnight stays of Ilirija hotels from 01/01/2016 to 31/12/2016 and comparison to the year 2015

MONTH	GENERATED REVENUES			OVERNIGHT STAYS			AVERAGE PRICE IN HRK		AVERAGE PRICE IN €		
	2015	2016	INDEX	2015	2016	INDEX	2015	2016	2015	2016	INDEX
JANUARY	504.665,66	458.980,79	0,91	1.159	1.442	1,24	435,43	318,29	56,59	41,57	0,73
FEBRUARY	123.508,47	334.933,36	2,71	493	701	0,00	0,00	0,00	0,00	0,00	0,00
MARCH	494.898,88	642.780,24	1,30	2.184	2.274	1,04	226,60	282,67	29,64	37,57	1,27
APRIL	1.423.601,41	1.480.970,56	1,04	5.127	4.660	0,91	277,67	317,80	36,58	42,50	1,16
MAY	2.987.906,32	3.118.310,35	1,04	10.474	11.226	1,07	285,27	277,78	37,63	37,10	0,99
JUNE	6.485.413,33	6.116.049,51	0,94	18.231	18.207	1,00	355,74	335,92	46,93	44,71	0,95
JULY	9.366.733,66	9.516.985,48	1,02	30.361	30.336	1,00	308,51	313,72	40,64	41,96	1,03
AUGUST	10.573.838,57	10.950.751,87	1,04	30.022	30.663	1,02	352,20	357,13	46,63	47,77	1,02
SEPTEMBER	6.973.430,48	6.454.164,22	0,93	18.171	18.352	1,01	383,77	351,69	50,19	46,84	0,93
OCTOBER	3.260.914,46	2.737.654,91	0,84	10.838	9.074	0,84	300,88	301,70	39,59	40,25	1,02
NOVEMBER	463.418,09	545.483,36	1,18	2.011	1.764	0,00	230,44	309,23	30,20	41,06	1,36
DECEMBER	768.552,30	1.180.512,13	1,54	1.572	2.725	0,00	488,90	433,22	64,03	57,32	0,90
TOTAL	43.426.881,63	43.537.576,78	1,00	130.643	131.424	1,01	332,41	331,28	43,63	44,01	1,01

Revenues per sold room - 2016: 677,81 HRK 90,05 €

Revenues per sold room - 2015: 687,59 HRK 90,24 €

Lavender	2015	2016	INDEX
31/12	1.120.588,98	1.016.581,44	0,91

Aquatic Center	2015	2016	INDEX
31/12	2.599.501,79	2.516.385,93	0,97

Tennis Center	2015	2016	INDEX
31/12	269.271,03	271.213,65	1,01

Beach bar	2015	2016	INDEX
31/12	428.130,98	327.665,09	0,77

TOTAL:	2015	2016	INDEX
31/12	47.844.374,41	47.669.422,89	1,00

Revenues per sold room - 2016: 742,13 HRK 98,59 €

Revenues per sold room - 2015.: 757,53 HRK 99,42 €



## ILIRIJA TRAVEL - COMPLEMENTARY PRODUCT

In the reporting period in 2016, through the system and organization of the destination management company/DMC Ilirija Travel, including the other profit centers of the Company, we recorded over 388 individual events; special programs, incentives, conferences, congresses, weddings, banquets and similar events, with a total number of over 46,874 guests, mostly in the shoulder season, which is crucial to expanding the season of the Company by offering complementary forms of tourism and special interest tourism, that generated HRK 9,422,823,19 in revenues, which is by 1.2% higher than in the year 2015, which is a result of the new product activity of Ilirija Travel as the integrated product of the Company. The difference in revenues shown in Overview of revenues generated by sectors, was recorded in the hotel industry, camping and nautical sector.

Revenues by activities:

- Revenues from hotel services amount to HRK 43,537,576.78 and remained at the same level compared to the year 2015 and make up for 34% of the total operating revenues of the Company.
- Other revenues from hotel sector including Beach bar Donat, which is a part of the business unit hotel Villa Donat, Sv. Filip i Jakov, were generated in the amount of HRK 4,131,846.11 and are lower by 6% than in the same period in 2015 and account for 3.2% of the total operating revenues of the Company.

In total, the revenues of the hotel sector in 2016 amount to HRK 47,669,422.89 and remained at the same level as in 2015.

## NAUTICS

In the nautical sector the overnight stays are not the core business of the marina, but are indicated for informative purposes, while the core nautical activities in terms of generating revenues are: (1.) the berth contract for vessels in the marina, (2) transit number of inbound vessels from other ports (3) repair services, (4) lifting services, (5) parking and (6) hospitality.

In the year 2016, 714 berth contracts were concluded, of which 448 contracts for individual vessels, that make for 63% of total vessels in Marina Kornati, and 266 chartered vessels that make for 37% of the total number of vessels were also contracted. Compared with the year 2015, there was 2% lower number of contracted berths as a result of the conclusion of a large number of contracts for a shorter period of time mainly concluded with local customers, an increase in the capacity of nautical tourism ports at the Adriatic sea, especially in the nautical ports of Central Dalmatia, which are direct competitors to the Company, and significant investment procedures in terms of reconstruction of the piers, which partly affected the acceptance of contract-based berths.

In the segment of transit berths, the company recor-

ded 3,544 of transit vessels, having a berth in other marinas, which is an increase by 2% compared to the year 2015 when 3,479 vessels sailed into the port, which realized 12,463 vessel overnight stays or which is a rise by 6%, while 11,793 overnight stays were realized in the year 2015. The rise in the physical turnover in the transit (vessels sailing in and their overnight stays) resulted in a change of the trend among guests who instead of seasonal berth decided to hire multi-day transit berth, which was reflected on the rise in revenues from transit berth that rose by 5% compared to the previous fiscal year.

3,772 port repair and lifting operations were performed, which compared to the year 2015 is a decrease by 5% as a result of poor weather conditions in the first quarter of the year, later start of the charter season and opening of a new crane in the immediate vicinity of the marina with services of lifting, lowering and servicing the vessels up to 9 meters. Despite the reduction in the number of services performed in the segment of repair and crane, this was not reflected in the revenues of the port activities, where the revenue increased by 1% compared to the last year due to the changed structure of the vessels, that is, servicing of a larger number of longer vessels and increased number of transit vessels and their overnight stays.

In the last two years, a part of substructure and superstructure of dilapidated piers in the southern aquatorium and northern aquatorium was reconstructed, while the reconstruction of the remaining piers in the northern aquatorium is in progress, which are replaced with new top quality floating concrete pontoons. The width of piers and the distances between them are carefully selected in order to accept new and larger vessels. Complete infrastructure, access to the piers, electricity and drinking water supply, and firefighting equipment has been replaced by the new one.

In the observed period, 37 racing events were attended by 894 vessels of which 588 vessels from Marina Kornati, while it was attended by 306 vessels from other marinas that during the racing events used transit berth in the Marina. The racing events were attended by 12,520 sailors considering the fact that in 2016 a very important racing event ECC regatta lasting for 7 days was not held, which was attended by about 350 people at about 50 vessels was significantly reflected on total revenues of the nautical sector compared to the year 2015.

From 23 to 26 October 2016, Biograd Boat Show which was the eighteenth boat show in row was held, which much earlier started selling and booking the exhibition space, where the price rose by 6%, with

300 exhibitors contracted and with more than 300 vessels, 45 Croatian, European and the world's premier vessels and technical nautical achievements. Biograd Boat Show is among the 35 leading international boat shows, and every year it is visited by more than fifteen thousand people making it the largest boat show in our environment, which is a consequence of its gradual and sustainable growth.

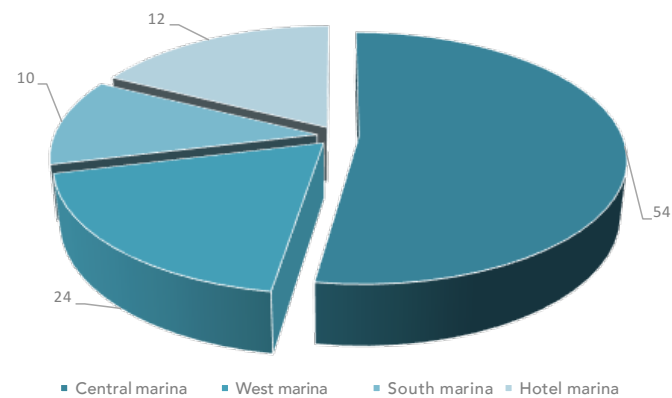
Aiming to continuously improve the business process and improve the competence of employees, improve the quality of services and guest satisfaction, during 2016, the Company intensively worked on improving the services in the business areas of food and beverage, marketing and sales.



## Marina Kornati capacities

	Length of piers / m	Number of berths	Dry berth	Total number of berths
Central marina	923	365	70	435
West marina	262	190	0	190
South marina	180	80	0	80
Hotel marina	450	100	0	100
<b>TOTAL</b>	<b>1.815</b>	<b>735</b>	<b>70</b>	<b>805</b>

### % Share of individual marina (number of berths)



## Cumulative overview of physical turnover of Marina Kornati during the period from 01/01/2016-31/12/2016 and comparison with the year 2015

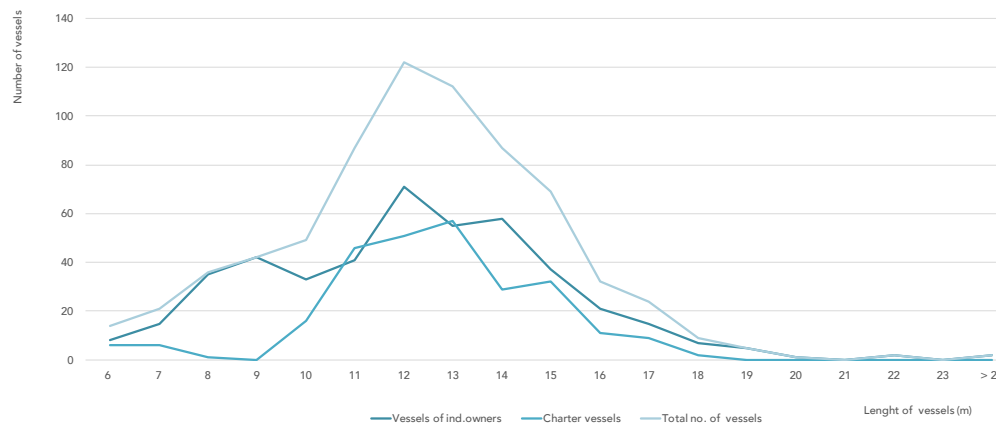
Physical turnover items		2015 CUMULATIVE BY MONTHS											
Name of position	Measurment unit	1	2	3	4	5	6	7	8	9	10	11	12
Contract-based berth - individual	Contracted vessel	126	293	340	381	401	424	434	441	445	447	459	459
Contract-based berth - charter	Contracted vessel	0	2	14	258	265	268	271	272	272	272	273	273
<b>TOTAL Contract- based berth</b>	<b>Contracted vessel</b>	<b>126</b>	<b>295</b>	<b>354</b>	<b>639</b>	<b>666</b>	<b>692</b>	<b>705</b>	<b>713</b>	<b>717</b>	<b>719</b>	<b>732</b>	<b>732</b>
Transit berth-sailing in port	Sailing in port	6	16	60	172	528	954	1.722	2.671	3.213	3.445	3.474	3.479
Transit berth-overnight stay of vessel	Boat/day	152	388	878	1.645	2.745	3.867	6.199	9.390	10.629	11.316	11.573	11.793
Transit berth-overnight stay of vessel crew	Overnight stay of a person												
Port service	Operation	135	403	798	1.225	1.677	2.108	2.575	3.130	3.426	3.584	3.804	3.950

Physical turnover items		2016 CUMULATIVE BY MONTHS											
Name of position	Measurment unit	1	2	3	4	5	6	7	8	9	10	11	12
Contract-based berth - individual	Contracted vessel	118	283	352	373	406	423	434	437	440	446	447	448
Contract-based berth - charter	Contracted vessel	2	3	19	245	25	261	263	265	265	266	266	266
<b>TOTAL Contract-based berth</b>	<b>Contracted vessel</b>	<b>120</b>	<b>286</b>	<b>371</b>	<b>618</b>	<b>431</b>	<b>684</b>	<b>697</b>	<b>702</b>	<b>705</b>	<b>712</b>	<b>713</b>	<b>714</b>
Transit berth-sailing in port	Sailing in port	5	13	42	171	578	1.088	1.747	2.811	3.308	3.526	3.537	3.544
Transit berth-overnight stay of vessel	Boat/day	200	418	805	1.560	272	4.014	6.638	9.977	11.264	12.020	12.243	12.463
Transit berth-overnight stay of vessel crew	Overnight stay of a person												
Port service	Operation	95	300	605	1.033	1.503	1.981	2.436	2.926	3.226	3.375	3.605	3.772

Vessels on berth contract in the the period from 01/01/2016-31/12/2016 and comparison with the year 2015

Purpose	Type of berth	Position of berth	01/01-31/12	% Total	01/01-31/12	% Total	Index
			2016	Vessels	2015	Vessels	
Vessels of individual owners	Annual berth in the sea	Central aquatorium	312	44	316	43	99
		South aquatorium	60	8	64	9	94
		Western aquatorium	4	1	3	1	133
	Annual berth on the land	Hotel port	38	5	37	5	103
		Marina land	8	1	6	1	133
	Sesonal berth in the sea	Marina aquatorium	15	2	18	2	83
		Hotel port	11	2	15	2	73
Total individual vessels:			448	63	459	63	98
Charter vessels	Annual berth in the sea	Central aquatorium	62	9	57	8	109
		South aquatorium	0	0	9	1	0
		Western aquatorium	192	27	198	27	97
		Hotel port	12	1	9	1	133
	Total charter vessels:			266	37	273	37
Total vessels in 2016:			714	100	732	100	98

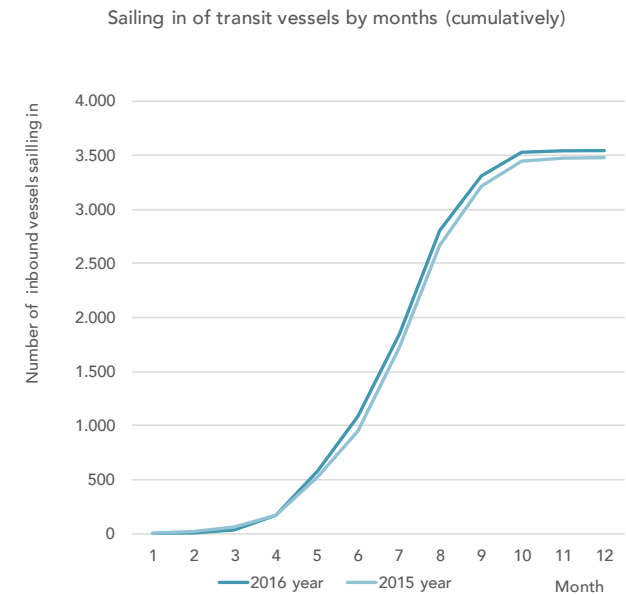
Vessels on berth contract in 2016





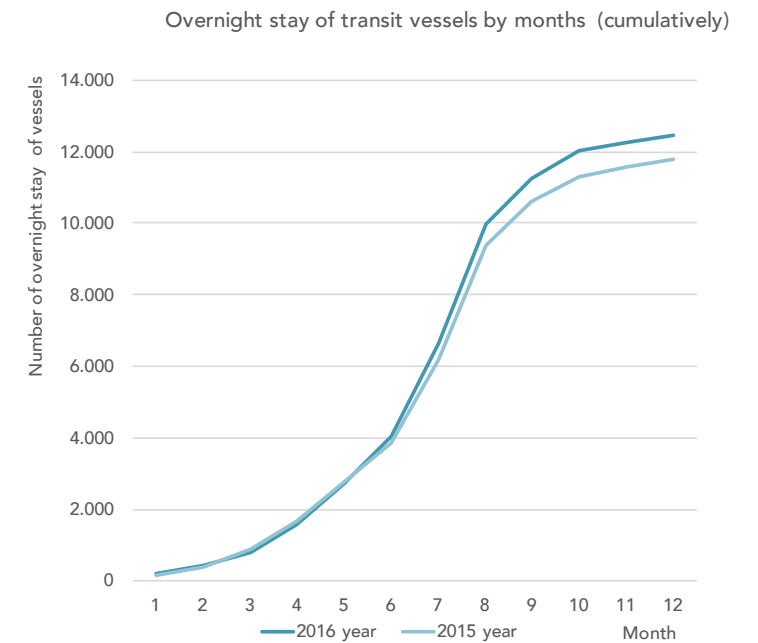
Transit berth – inbound vessels in the period from 01/01/2016-31/12/2016 and comparison with the year 2015

2016	Individually monthly			Cumulatively monthly		
	2016	2015	INDEX	2016	2015	INDEX
Month	2016/2015			2016/2015		
1	5	6	83	5	6	83
2	8	10	80	13	16	81
3	29	44	66	42	60	70
4	129	112	115	171	172	99
5	407	356	114	578	528	109
6	510	426	120	1.088	954	114
7	759	768	99	1.847	1.722	107
8	964	949	102	2.811	2.671	105
9	497	542	92	3.308	3.213	103
10	218	232	94	3.526	3.445	102
11	11	29	38	3.537	3.474	102
12	7	5	140	3.544	3.479	102
<b>Total 2016</b>	<b>3.544</b>					
<b>Total 2015</b>	<b>3.479</b>					
<b>Index 2016/2015</b>	<b>102</b>					



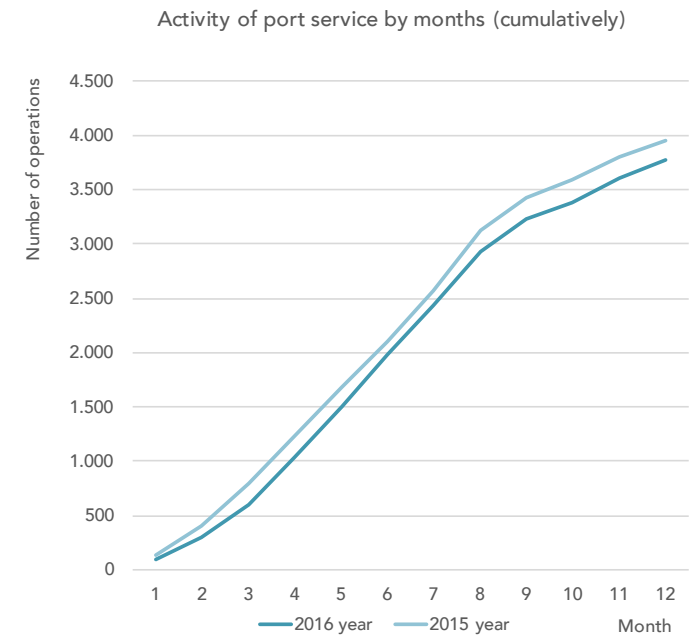
Transit berth – overnight stays of vessels in the period from 01/01/2016-31/12/2016 and comparison with the year 2015

2016	Individually monthly			Cumulatively monthly		
	2016	2015	INDEX	2016	2015	INDEX
Month	2016/2015			2016/2015		
1	200	152	132	200	152	132
2	218	236	92	418	388	108
3	387	490	79	805	878	92
4	755	767	98	1.560	1.645	95
5	1.162	1.100	106	2.722	2.745	99
6	1.292	1.122	115	4.014	3.867	104
7	2.624	2.332	113	6.638	6.199	107
8	3.339	3.191	105	9.977	9.390	106
9	1.287	1.239	104	11.264	10.629	106
10	756	687	110	12.020	11.316	106
11	223	257	87	12.243	11.573	106
12	220	220	100	12.463	11.793	106
<b>Total 2016</b>	<b>12.463</b>					
<b>Total 2015</b>		<b>11.793</b>				
<b>Index 2016/2015</b>			<b>106</b>			



Activities of port repair services in the period from 01/01/2016-31/12/2016 and comparison with the year 2015

2016	Individually monthly			Cumulatively monthly		
	2016	2015	INDEX	2016	2015	INDEX
Month	2016/2015			2016/2015		
1	95	135	70	95	135	70
2	205	268	76	300	403	74
3	305	395	77	605	798	76
4	428	427	100	1.033	1.225	84
5	470	452	104	1.503	1.677	90
6	478	431	111	1.981	2.108	94
7	455	467	97	2.436	2.575	95
8	490	555	88	2.926	3.130	93
9	300	296	101	3.226	3.426	94
10	149	158	94	3.375	3.584	94
11	230	220	105	3.605	3.804	95
12	167	146	114	3.772	3.950	95
<b>Total 2016</b>	<b>3.772</b>					
<b>Total 2015</b>		<b>3.950</b>				
<b>Index 2016/2015</b>			<b>95</b>			



## Revenues generated by Marina Kornati in the period from 01/01/2016-31/12/2016 individually by months and comparison with the year 2015

REVENUES OF MARINA KORNATI 2016 SEPARATE BY MONTHS																
Revenue positions		Months 2016												2016 Cumulat.	2015 Total	Index 2016/15
		1	2	3	4	5	6	7	8	9	10	11	12			
I	Daily berth	72.419	52.067	80.927	135.568	280.823	372.261	545.825	702.859	319.954	156.862	53.684	30.304	2.803.553	2.665.557	105
II	Contracted berth with accessories	4.388.719	5.622.733	2.455.402	4.067.008	2.811.079	785.893	5.532.139	200.350	168.655	100.963	58.146	96.256	26.287.343	26.533.781	99
III	Port service	117.793	231.835	311.397	454.035	411.645	421.480	233.743	232.857	140.108	80.724	182.820	203.584	3.022.021	2.996.758	101
IV	Vehicle parking	1.472	4.833	22.264	112.397	210.145	231.944	389.820	381.406	374.903	165.724	22.984	3.488	1.921.380	1.908.116	101
V	Other services	4.352	58.839	23.155	71.151	64.593	50.823	119.985	115.658	68.930	8.768	15.485	19.135	620.874	720.509	86
VI	Business cooperation	-	-	-	1.082.859	4.500	1.313	1.050.944	-	-5778	-	15.421	-	2.149.259	2.129.243	101
VII	Boat fair and events	-	-	-	-	-	-	34.119	173.458	933.639	1.143.223	7.288	-	2.291.727	3.560.645	64
<b>TOTAL</b>		<b>4.584.755</b>	<b>5.970.308</b>	<b>2.893.145</b>	<b>5.923.018</b>	<b>3.782.785</b>	<b>1.863.714</b>	<b>7.906.575</b>	<b>1.806.588</b>	<b>2.000.411</b>	<b>1.656.264</b>	<b>355.828</b>	<b>352.767</b>	<b>39.096.158</b>	<b>40.514.610</b>	<b>96</b>

REVENUES OF MARINA KORNATI 2015 SEPARATE BY MONTHS																
Revenue positions		Months 2015												2015. Cumulat.	2014. Total	Index 2016/15
		1	2	3	4	5	6	7	8	9	10	11	12			
I	Daily berth	34.901	45.351	88.723	167.703	314.909	312.393	468.109	666.507	304.390	177.342	30.273	54.956	2.665.557	2.581.969	103
II	Contracted berth with accessories	4.337.435	5.849.005	1.552.678	4.069.631	3.202.264	783.699	6.026.428	162.595	138.367	92.364	261.798	57.518	26.533.781	28.262.692	94
III	Port service	210.179	275.204	386.386	386.775	403.737	299.670	246.378	235.036	141.662	109.010	164.521	138.201	2.996.758	2.732.561	110
IV	Vehicle parking	2.424	8.136	22.023	100.866	222.990	234.682	340.555	458.824	342.808	151.599	18.973	4.236	1.908.116	2.050.998	93
V	Other services	4.610	55.500	45.657	30.577	61.135	102.410	97.501	157.230	100.730	40.757	24.845	-442	720.509	539.100	134
VI	Business cooperation	-	11.836	-	1.055.064	18.235	18.910	1.072.626	-47428	-	-	-	-	2.129.243	2.246.836	95
VII	Boat fair and events	-	9.130	5.840	-	1.462.572	3.750	31.642	177.775	114.531	1.513.761	241.644	-	3.560.645	1.990.201	179
<b>TOTAL:</b>		<b>4.589.548</b>	<b>6.254.161</b>	<b>2.101.307</b>	<b>5.810.616</b>	<b>5.685.842</b>	<b>1.755.514</b>	<b>8.283.239</b>	<b>1.810.539</b>	<b>1.142.488</b>	<b>2.084.833</b>	<b>742.054</b>	<b>254.469</b>	<b>40.514.610</b>	<b>40.404.356</b>	<b>100</b>

## Revenues generated by Marina Kornati in the period from 01/01/2016-31/12/2016 cumulatively by months and comparison with the year 2015

REVENUES OF MARINA KORNATI 2016 CUMULATIVE BY MONTHS														
Revenue positions		Months 2016												% Of total revenues
		1	2	3	4	5	6	7	8	9	10	11	12	
I	Daily berth	72.419	124.487	205.413	340.981	621.804	994.065	1.539.890	2.242.749	2.562.703	2.719.565	2.773.249	2.803.553	7,2
II	Contracted berth with accessories	4.388.719	10.011.452	12.466.854	16.533.862	19.344.941	20.130.834	25.662.973	25.863.323	26.031.978	26.132.941	26.191.087	26.287.343	67,2
III	Port service	117.793	349.628	661.025	1.115.060	1.526.705	1.948.185	2.181.928	2.414.785	2.554.893	2.635.617	2.818.437	3.022.021	7,7
IV	Vehicle parking	1.472	6.305	28.569	140.966	351.111	583.055	972.875	1.354.281	1.729.184	1.894.908	1.917.892	1.921.380	4,9
V	Other services	4.352	63.191	86.346	157.497	222.090	272.913	392.898	508.556	577.486	586.254	601.739	620.874	1,6
VI	Business cooperation	-	0	0	1.082.859	1.087.359	1.088.672	2.139.616	2.139.616	2.133.838	2.133.838	2.149.259	2.149.259	5,5
VII	Boat fair and events	-	0	0	0	0	0	34.119	207.577	1.141.216	2.284.439	2.291.727	2.291.727	5,9
<b>TOTAL:</b>		<b>4.584.755</b>	<b>10.555.063</b>	<b>13.448.208</b>	<b>19.371.226</b>	<b>23.154.011</b>	<b>25.017.725</b>	<b>32.924.300</b>	<b>34.730.888</b>	<b>36.731.299</b>	<b>38.387.563</b>	<b>38.743.391</b>	<b>39.096.158</b>	<b>100,0</b>

REVENUES OF MARINA KORNATI 2015 CUMULATIVE BY MONTHS														
Revenue positions		Months 2015												% Of total revenues
		1	2	3	4	5	6	7	8	9	10	11	12	
I	Daily berth	34.901	80.252	168.975	336.678	651.587	963.980	1.432.089	2.098.596	2.402.986	2.580.328	2.610.601	2.665.557	6,6
II	Contracted berth with accessories	4.337.435	10.186.439	11.739.117	15.808.748	19.011.012	19.794.711	25.821.139	25.983.734	26.122.101	26.214.465	26.476.263	26.533.781	65,5
III	Port service	210.179	485.383	871.768	1.258.543	1.662.280	1.961.950	2.208.328	2.443.364	2.585.026	2.694.036	2.858.557	2.996.758	7,4
IV	Vehicle parking	2.424	10.560	32.583	133.449	356.439	591.121	931.676	1.390.500	1.733.308	1.884.907	1.903.880	1.908.116	4,7
V	Other services	4.610	60.110	105.766	136.343	197.478	299.888	397.389	554.619	655.349	696.106	720.951	720.509	1,8
VI	Business cooperation	-	11.836	11.836	1.066.900	1.085.135	1.104.045	2.176.671	2.129.243	2.129.243	2.129.243	2.129.243	2.129.243	5,3
VII	Boat fair and events	-	9.130	14.970	14.970	1.477.542	1.481.292	1.512.934	1.690.709	1.805.240	3.319.001	3.560.645	3.560.645	8,8
<b>TOTAL:</b>		<b>4.589.548</b>	<b>10.843.709</b>	<b>12.945.016</b>	<b>18.755.632</b>	<b>24.441.474</b>	<b>26.196.988</b>	<b>34.480.227</b>	<b>36.290.766</b>	<b>37.433.254</b>	<b>39.518.087</b>	<b>40.260.141</b>	<b>40.514.610</b>	<b>100,0</b>

## CAMPING

In the year 2016, the camping sector realized 33,119 arrivals, which compared to the last fiscal year is a slightly decreased number of arrivals by 0.98%, as a result of unfavorable schedule of holidays and exceptionally bad weather in June, which greatly impact the realization of physical turnover in the camping sector in the Republic of Croatia, and as a result of non-organizing the Vespa World Days organized in June 2015, which also resulted in the decrease in the number of overnight stays by 0.95%.

For these reasons, the decline is recorded in the segment of individual guests, while at the same time the number of overnight stays in case of the Agency's guests rose by 6%, and the number of overnight stays with lump sum by 7% and the number of overnight stays in the segment of mobile homes rose by 8%, which resulted in a slight reduction in the number of overnight stays by only 0.95%.

The slight decline in the physical turnover did not affect the position of revenues where the contracted revenues amount to HRK 24,828,679.66, which is a rise by 3% compared to the same period last year, with the rise in revenues from the agencies by 5% as a

result of an increase in the number of leased camping pitches. Revenues from mobile homes rose by 13% as a result of excellent booking thereof, while the revenues from individual guests declined as compared to the last year's figures mainly owing to holding the Vespa World Days in Biograd na Moru in the second quarter of 2015, that is, higher individual booking at those times, which meant lower agency commission and higher direct income and partly due to a lower number of overnight stays in the high season compared to the last year.

The shift of holidays on the Dutch market has led to overlapping in demand from the German market, and at the same time non-holding of the Vespa World Days, influenced the minimal decrease in the number of arrivals and overnight stays by 0.95%.

The index of the number of overnight stays equals the index of the number of arrivals, so the average number of days in the camp remained at last year's level of 7.79 days. Average days of stay vary by segments within the overall results, but the most important is certainly the extension of the average days of stay in the segment of mobile homes from 7.85 days to 7.93 days. In addition to the segment of mobile homes, an increase is recorded in the segment of guests staying with lump sum tax paying landlords

where an increase is recorded from 8.19 days to 8.33 days. In the segment of individual and allotment guests, a minimal decline from 7.15 days to 7.03 days and from 8.49 days to 8.34 days has been recorded. A totally equal average number of days of stay from 7.79 days is an indicator of guest satisfaction with the service provided which is why the length of stay remains unchanged.

In the structure of realized overnight stays, the top five source markets are (1) the Slovenian market with a share of 23% overnight stays, (2) the Czech market with a share of 19% overnight stays, (3) the German market with a share of 16% overnight stays, (4) the Dutch market with a share of 10% overnight stays and (5) the Croatian and Polish market with a share of 6% overnight stays.

In the business segment of mobile homes, the largest increase was recorded by the guests from the Hungarian market (33.71%), the Polish market (27.23%), the Czech market (21.84%), the German market (9.24%), Austrian market (8.72%) and Slovenian market (8.40%) compared to the year 2015. In the business segments of camping units, the highest increase is recorded by the guests from the Slovak market (14.92%), the Czech market (8.07%), the French market (4.70%) and the Danish market (1.24%).

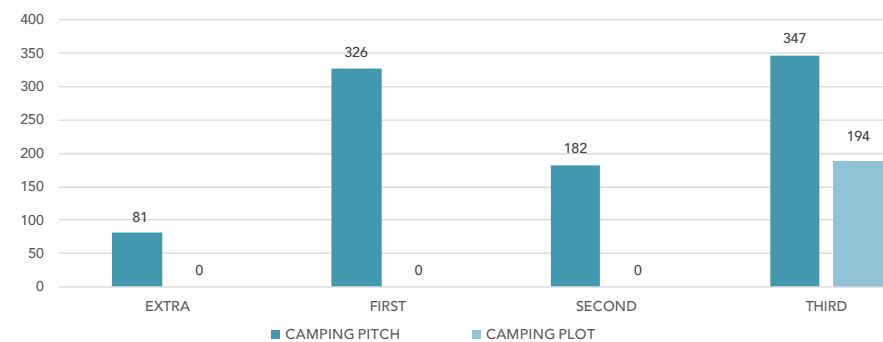
At the same time, the structure of overnight stays according to market segments is dominated by individuals with a share of 32%, and agencies with a share of 31%, followed by the guests in mobile homes with a share of 21% of overnight stays, which compared to the same period last year increased by 1% and finally guests staying with lump sum tax paying landlords with a share in the total overnight stays of 16% and with an increase by 2% compared to the same period in the year 2015.

To conclude, despite an overall reduction in the number of overnight stays by 0.95%, price optimization, marketing activities and strategically planned investments in key sales channels resulted in an increased position of revenues, that is, increased revenues by 3% compared to the same period in the year 2015 in accordance with the Sales and Budget Plan for 2016.



## Capacities of the Camp „Park Soline“

		2012	2013	2014	2015	2016
I	EXTRA ZONE					
	CAMPING PITCH	80	80	80	81	81
	CAMPING PLOT	0	0	0	0	0
	TOTAL	80	80	80	81	81
II	FIRST ZONE					
	CAMPING PITCH	327	336	345	326	326
	CAMPING PLOT	0	0	0	0	0
	TOTAL	327	336	345	326	326
III	SECOND ZONE					
	CAMPING PITCH	157	168	168	182	182
	CAMPING PLOT	0	0	0	0	0
	TOTAL	157	168	168	182	182
IV	THIRD ZONE					
	CAMPING PITCH	161	342	342	347	347
	CAMPING PLOT	263	130	188	187	194
	TOTAL	424	472	530	534	541
Σ	GRANDTOTAL					
	CAMPING PITCH	725	926	935	936	936
	CAMPING PLOT	263	130	188	187	194
	TOTAL	988	1056	1123	1123	1130

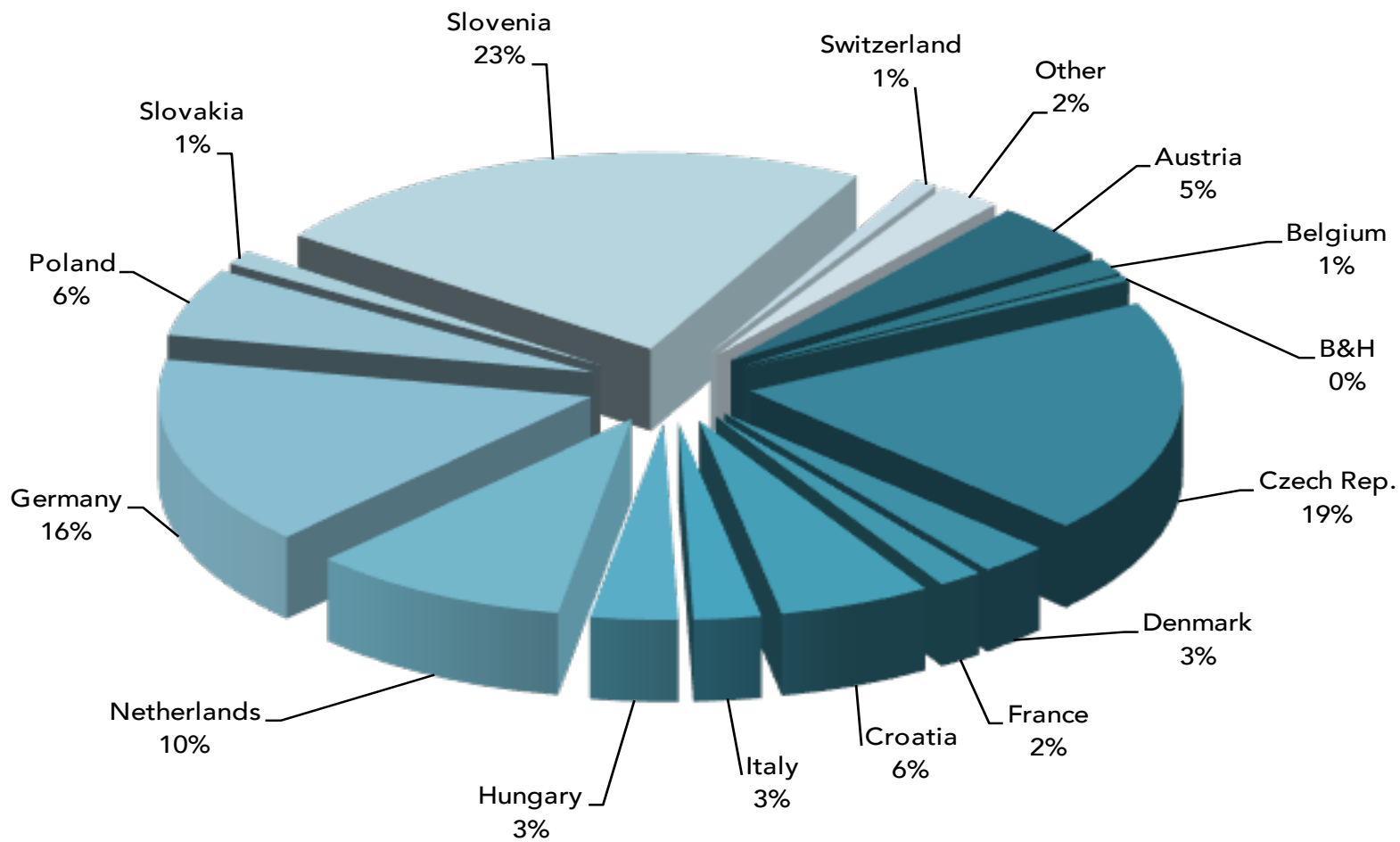




Arrivals and overnight stays by source markets and average days of stays in the period from 01/01/2016-31/12/2016 and comparison with the year 2015

Market	2016		2015		INDEX 16/15		AVERAGE DAYS OF STAY	
	Arrivals	Overnight stays	Arrivals	Overnight stays	Arrivals	Overnight stays	2016	2015
Austria	1.677	11.964	1.897	12.865	88,40	93,00	7,13	6,78
Belgium	464	3.626	562	4.505	82,56	80,49	7,81	8,02
B&H	274	1.248	207	912	132,37	136,84	4,55	4,41
Czech Rep.	6.394	50.013	5.579	44.104	114,61	113,40	7,82	7,91
Denmark	730	6.687	700	6.524	104,29	102,50	9,16	9,32
France	609	4.263	692	5.223	88,01	81,62	7,00	7,55
Croatia	1.618	14.668	1.706	15.170	94,84	96,69	9,07	8,89
Italy	1.129	6.494	1.568	9.313	72,00	69,73	5,75	5,94
Hungary	1.351	8.436	1.304	7.980	103,60	105,71	6,24	6,12
Netherlands	2.557	24.956	2.558	25.497	99,96	97,88	9,76	9,97
Germany	4.798	40.367	5.137	43.554	93,40	92,68	8,41	8,48
Poland	1.785	14.443	1.509	12.520	118,29	115,36	8,09	8,30
Slovakia	474	3.059	507	3.999	93,49	76,49	6,45	7,89
Slovenia	7.973	59.608	8.300	61.773	96,06	96,50	7,48	7,44
Switzerland	331	2.190	311	1.420	106,43	154,23	6,62	4,57
Other	955	6.088	909	5.220	105,06	116,63	6,37	5,74
<b>TOTAL</b>	<b>33.119</b>	<b>258.110</b>	<b>33.446</b>	<b>260.579</b>	<b>99,02</b>	<b>99,05</b>	<b>7,79</b>	<b>7,79</b>

Overnight stays by source markets in the period from 01/01/2016 to 31/12/2016



## Cumulative overview of daily, monthly and annual occupancy of accommodation units of the camp in the period from 22/04 to 31/10/2016

MONTH	APRIL				MAY				JUNE				JULY			
	SEGMENT	MAXIMUM POSSIBLE PITCHES DAYS	PITCHES DAYS	OCCUPANCY IN %	OCCUPANCY DAYS	MAXIMUM POSSIBLE PITCHES DAYS	PITCHES DAYS	OCCUPANCY IN %	OCCUPANCY DAYS	MAXIMUM POSSIBLE PITCHES DAYS	PITCHES DAYS	OCCUPANCY IN %	OCCUPANCY DAYS	MAXIMUM POSSIBLE PITCHES DAYS	PITCHES DAYS	OCCUPANCY IN %
MOBILE HOMES ILIRIJA	1.215	207	17,04%	1,53	4.185	992	23,70%	7,35	4.050	2.008	49,58%	14,87	4.185	4.067	97,18%	30,13
AGENCIES	1.917	1.917	100,00%	9,00	6.603	6.603	100,00%	31,00	6.390	6.390	100,00%	30,00	6.603	6.603	100,00%	31,00
LUMP SUM	1.566	1.566	100,00%	9,00	5.394	5.394	100,00%	31,00	5.160	5.160	100,00%	30,00	5.332	5.332	100,00%	31,00
INDIVIDUALS COMFORT-CAMP PLACE STANDARD III ZONE	3.816	130	3,41%	0,31	13.144	970	7,38%	2,29	12.720	3.431	26,85%	8,05	13.206	7.634	57,81%	17,92
INDIVIDUALS CAMP PLACE STANDARD IV ZONE	1.746	0	0,00%	0,00	5.704	0	0,00%	0,00	5.520	67	1,21%	0,36	5.704	1.867	32,73%	10,15
INDIVIDUALS TOTAL	5.562	130	2,37%	0,21	18.848	970	5,14%	1,59	18.240	3.498	19,11%	5,73	18.910	9.501	50,24%	15,58
TOTAL	10.260	3.820	37,23%	3,35	35.030	13.959	39,85%	12,35	33.840	17.056	50,31%	15,09	35.030	25.503	72,80%	22,57

MONTH	AUGUST				SEPTEMBER				OCTOBER				TOTAL				
	SEGMENT	MAXIMUM POSSIBLE PITCHES DAYS	PITCHES DAYS	OCCUPANCY IN %	OCCUPANCY DAYS	MAXIMUM POSSIBLE PITCHES DAYS	PITCHES DAYS	OCCUPANCY IN %	OCCUPANCY DAYS	MAXIMUM POSSIBLE PITCHES DAYS	PITCHES DAYS	OCCUPANCY IN %	OCCUPANCY DAYS	NUMBER OF ACCOMMODATION UNITS	MAXIMUM POSSIBLE PITCHES DAYS	PITCHES DAYS	OCCUPANCY IN %
MOBILE HOMES ILIRIJA	4.185	4.061	97,04%	30,08	4.050	2.669	65,90%	19,77	4.185	2	0,05%	0,01	135	26.055	14.006	53,76%	103,75
AGENCIES	6.603	6.603	100,00%	31,00	6.390	6.390	100,00%	30,00	6.603	6.603	100,00%	31,00	213	41.109	41.109	100,00%	193,00
LUMP SUM	5.332	5.332	100,00%	31,00	5.160	5.160	100,00%	30,00	5.332	5.332	100,00%	31,00	172	33.276	33.276	100,00%	193,00
INDIVIDUALS COMFORT-CAMP PLACE STANDARD III ZONE	13.206	7.635	57,81%	17,92	12.780	2.623	20,52%	6,10	13.206	26	0,20%	0,06	426	82.078	22.449	27,35%	52,79
INDIVIDUALS CAMP PLACE STANDARD IV ZONE	5.704	2.669	46,79%	14,51	5.520	108	1,96%	0,59	5.704	0	0,00%	0,00	184	35.602	4.711	13,23%	25,54
INDIVIDUALS TOTAL	18.910	10.304	54,49%	16,89	18.300	2.731	14,92%	4,44	18.910	26	0,14%	0,04	610	117.680	27.160	23,08%	44,54
TOTAL	35.030	26.300	75,08%	23,27	33.900	16.950	50,00%	14,98	35.030	11.963	34,15%	10,59	1130	218.120	115.551	52,98%	102,24

## Revenues of the camp in the period from 01/01/2016 to 31/12/2016 and comparison with the year 2015

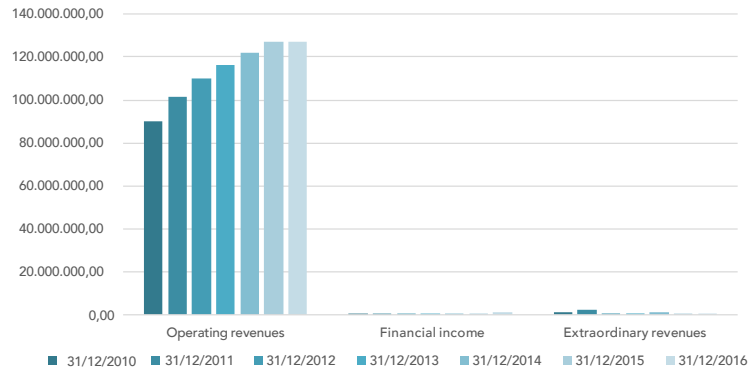
SEGMENT		2015					2016			INDEX	
		REALIZED 2015			CONTRACTED TILL 31/12/2015		CONTRACTED TILL 31/12/2016			2016/2015	
		NUMBER OF PITCHES	OVERNIGHT STAYS	REVENUE	REALIZED OVERNIGHT STAYS	REVENUE	NUMBER OF PITCHES	REALIZED OVERNIGHT STAYS	CONTRACTED REVENUE	OVERNIGHT STAYS	REVENUE
1	MOBILE HOMES	125	50.786	7.909.517,00 kn	50.786	7.909.517,25 kn	135	54.712	8.931.726,76 kn	108	113
2	AGENCIES	204	77.043	3.768.292,00 kn	77.043	3.768.292,41 kn	213	81.467	3.965.195,24 kn	106	105
3	INDIVIDUALS	621	94.869	7.773.254,23 kn	94.869	7.773.254,23 kn	610	81.529	7.207.024,83 kn	86	93
4	LUMP SUM	173	37.881	3.113.307,00 kn	37.881	3.113.307,00 kn	172	40.402	3.063.851,42 kn	107	98
5	OTHER SERVICES	-	-	1.649.956,19 kn	-	1.649.956,19 kn	0	0	1.660.881,41 kn	#DIV/0!	101
<b>TOTAL:</b>		<b>1123</b>	<b>260.579</b>	<b>24.214.326,42 kn</b>	<b>260.579</b>	<b>24.214.327,08 kn</b>	<b>1130</b>	<b>258.110</b>	<b>24.828.679,66 kn</b>	<b>99</b>	<b>103</b>

## I 2. FINANCIAL OPERATING RESULTS OF THE COMPANY IN THE YEAR 2016

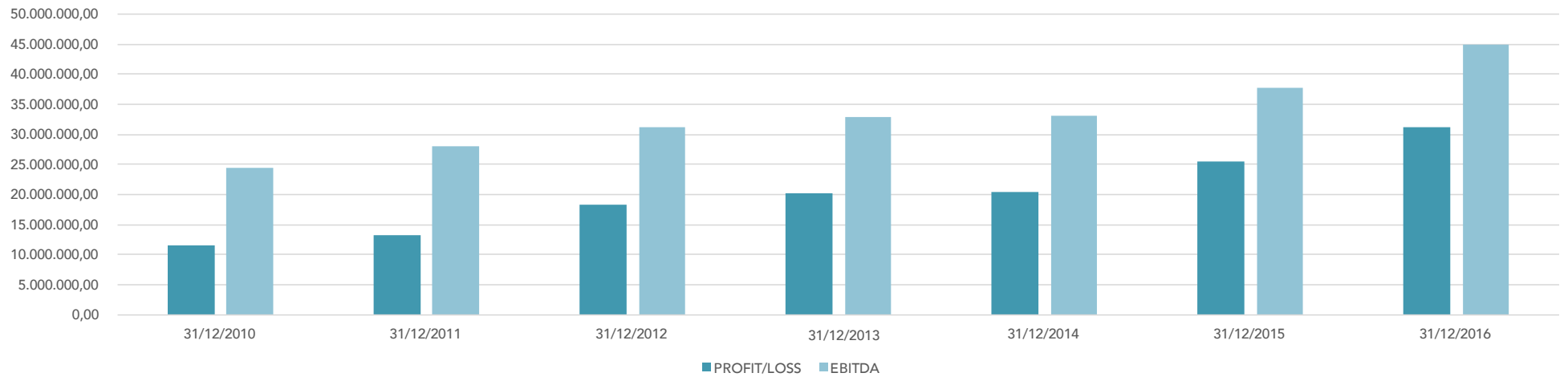
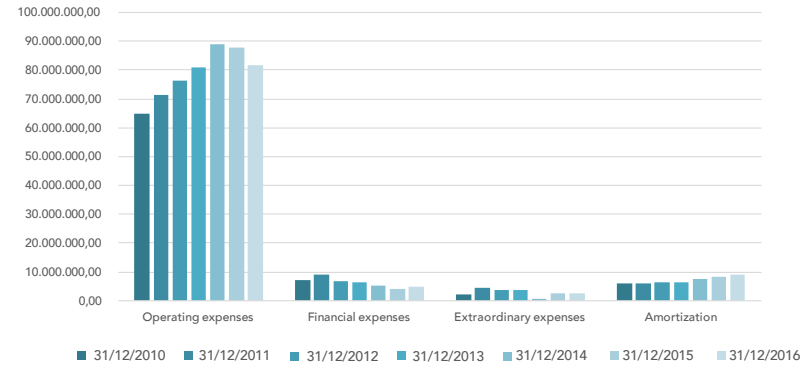
Overview of financial operating results during the period from 01/01/2016 to 31/12/2016 and comparison with the same period from 2010 to 2016

Description	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016	INDEX 16/15
Operating revenues	89.851.286,86	101.315.471,31	110.113.121,89	116.431.304,58	121.792.647,35	127.122.379,61	127.310.682,54	100,15
Financial income	140.059,61	264.065,69	220.374,90	272.620,92	136.259,45	484.269,24	1.427.867,11	294,85
Extraordinary revenues	1.373.598,08	2.155.691,95	801.335,91	616.481,19	944.845,32	539.863,78	280.457,66	51,95
<b>TOTAL REVENUES</b>	<b>91.364.944,55</b>	<b>103.735.228,95</b>	<b>111.134.832,70</b>	<b>117.320.406,69</b>	<b>122.873.752,12</b>	<b>128.146.512,63</b>	<b>129.019.007,31</b>	<b>100,68</b>
Operating expenses	64.738.583,70	71.301.495,32	76.286.679,54	80.774.385,77	88.837.309,12	87.669.067,71	81.589.690,51	93,07
Financial expenses	7.034.774,08	8.894.619,15	6.662.995,79	6.333.307,89	5.355.803,37	4.030.686,50	4.774.080,17	118,44
Extraordinary expenses	2.248.044,27	4.403.636,28	3.690.513,45	3.698.321,67	825.305,72	2.710.267,96	2.402.188,14	88,63
Amortization	5.830.783,65	5.885.794,82	6.239.514,80	6.385.207,46	7.470.218,79	8.225.981,02	9.012.252,49	109,56
<b>TOTAL EXPENSES</b>	<b>79.852.185,70</b>	<b>90.485.545,57</b>	<b>92.879.703,58</b>	<b>97.191.222,79</b>	<b>102.488.637,00</b>	<b>102.636.003,19</b>	<b>97.778.211,31</b>	<b>95,27</b>
<b>PROFIT/LOSS</b>	<b>11.512.758,85</b>	<b>13.249.683,38</b>	<b>18.255.129,12</b>	<b>20.129.183,90</b>	<b>20.385.115,12</b>	<b>25.510.509,44</b>	<b>31.240.796,00</b>	<b>122,46</b>
<b>OPERATING PROFIT/LOSS</b>	<b>25.112.703,16</b>	<b>30.013.975,99</b>	<b>33.826.442,35</b>	<b>35.656.918,81</b>	<b>32.955.338,23</b>	<b>39.453.311,90</b>	<b>45.720.992,03</b>	<b>115,89</b>
<b>EBITDA</b>	<b>24.378.316,58</b>	<b>28.030.097,35</b>	<b>31.157.639,71</b>	<b>32.847.699,25</b>	<b>33.211.137,28</b>	<b>37.767.176,96</b>	<b>45.027.128,66</b>	<b>119,22</b>

REVENUES FROM 2010 TO 2016



EXPENSES FROM 2010 TO 2016



## I.

In 2016, total revenues amounted to HRK 129,019,007.31 and increased by 0.68% compared to the year 2015 as a result of a slight increase in operating and financial income.

Operating revenues in the observed period are realized in the amount to HRK 127,310,682.54 that resulted in the slight increase by 0.15%, compared to the previous fiscal year, as a result of an increase in the revenues in the camping sector by 2% and other profit centers that include destination management company/DMC Ilirija Travel by 13,15%.

Total revenues realized from sales in the year 2016 amount to HRK 124,588,174.29, and they are slightly lower that is, they are lower by 0.55% compared to the year 2015 as a result of reduced revenues generated on the foreign markets by 3%. The revenues from sales make up for 96.57% of the total and 97.86% of the operating revenues.

## 2.

Total operating expenses in the mentioned period amount to HRK 81,589,690.51 and compared to the year 2015 they are lower by 6.93%.

Total expenses generated in 2016 amount to HRK 97,778,211.31 and are lower by 4.73% or HRK 4,857,791.88 compared to the year 2015 as a result of lower costs of raw materials and other material costs by 9%, the cost of services by 17%, other expenses by 9% and reduction of extraordinary expenses by 11%.

## 3.

The operating profit or the profit from business operations of the Company rose by 16% compared to the year 2015 and amounts to HRK 45,720,992.03.

EBITDA or Earnings before interest, taxes, depreciation and amortization was realized in the amount of

HRK 45,027,128.66 and rose by 19% compared to the year 2015.

EBIT - or Earnings before interest and tax was realized in the amount of HRK 36,014,876.17 and rose by HRK 20% compared to the year 2015.

PROFIT before tax amounts to HRK 31,240,796.00 and is higher by 22% compared to the year 2015.

Operating profit, EBITDA, EBIT and profit before tax realized in the year 2016 are far the best so far, compared with the same periods of the previous fiscal years in their absolute amount, which are the result of the increase in total revenues and rationalization and reduction of operating expenses and increase in operating efficiency of the Company as a whole.

## Financial report of the Company as at 31/12/2016 with comparison with the years 2014 and 2015

REVENUES	2014	2015	INDEX 2015/2014	2016	INDEX 2016/2015
Revenues on the local market	84.675.322,34	89.485.635,86	106	90.015.540,20	101
Revenues on the foreign market	34.312.895,38	35.790.201,68	104	34.572.634,09	97
Other revenues	2.804.429,63	1.846.542,07	66	2.722.508,25	147
<b>OPERATING REVENUES</b>	<b>121.792.647,35</b>	<b>127.122.379,61</b>	<b>104</b>	<b>127.310.682,54</b>	<b>100</b>
FINANCIAL INCOME	136.259,45	484.269,24	355	1.427.867,11	295
EXTRAORDINARY REVENUES	944.845,32	539.863,78	57	280.457,66	52
<b>TOTAL REVENUES</b>	<b>122.873.752,12</b>	<b>128.146.512,63</b>	<b>104</b>	<b>129.019.007,31</b>	<b>101</b>
EXPENSES					
Raw material and material costs	20.227.454,80	20.106.891,81	99	18.339.619,89	91
Costs of services	16.922.695,44	17.867.521,54	106	14.790.955,74	83
Gross salaries	32.942.681,21	29.763.374,67	90	30.295.745,80	102
Other expenses	18.744.477,67	19.931.279,69	106	18.163.369,08	91
<b>TOTAL OPERATING EXPENSES</b>	<b>88.837.309,12</b>	<b>87.669.067,71</b>	<b>99</b>	<b>81.589.690,51</b>	<b>93</b>
AMORTIZATION	7.470.218,79	8.225.981,02	110	9.012.252,49	110
FINANCIAL EXPENSES	5.355.803,37	4.030.686,50	75	4.774.080,17	118
EXTRAORDINARY EXPENSES	825.305,72	2.710.267,96	328	2.402.188,14	89
<b>TOTAL EXPENSES</b>	<b>102.488.637,00</b>	<b>102.636.003,19</b>	<b>100</b>	<b>97.778.211,31</b>	<b>95</b>
<b>PROFIT / LOSS</b>	<b>20.385.115,12</b>	<b>25.510.509,44</b>	<b>125</b>	<b>31.240.796,00</b>	<b>122</b>
<b>OPERATING PROFIT / LOSS</b>	<b>32.955.338,23</b>	<b>39.453.311,90</b>	<b>120</b>	<b>45.720.992,03</b>	<b>116</b>
<b>EBITDA</b>	<b>33.211.137,28</b>	<b>37.767.176,96</b>	<b>114</b>	<b>45.027.128,66</b>	<b>119</b>



## REVENUES BY ACTIVITIES:

*Revenues from hotel services* amount to HRK 47,341,757.80 and remained at the same level in comparison with the previous fiscal year.

*Revenues from nautical services* amount to HRK 43,920,966.32 and fell by 3% in comparison with the year 2015, that is, they are reduced by the extraordinary income from organization of the nautical events.

*Revenues from camping* amount to HRK 27,314,392.98 and rose by 2% in comparison with the year 2015.

*The revenues from other activities*, that is profit centers, including Ilirija Travel, hospitality, Arsenal and event boat „Nada“ and Commercial-shopping center City Galleria were generated in the amount of

HRK 8,733,565.44 and rose by 13.15% compared to the year 2015.

**GRAND-TOTAL:** Operating revenues by activities amount to HRK 127,310,682.54 and slightly rose by 0.15% in comparison with the year 2015.





## FUNDAMENTAL FINANCIAL INDICATORS OF THE COMPANY'S POSITION AS AT 31/12/2016

As tabular Overview of fundamental indicators of the Company was given back from 2016 to 2009 (seven years) the described indicators in absolute figures and growth rates are listed and realized

### I.

The value of the Company's assets as at 31st December 2016 amounts to HRK 413,186,168.53 and rose by HRK 96,126,351.61 or 30.32% compared to year 2015 when it was evaluated at HRK 317,059,816.92, and the increase of which is partly the result of the buying (acquisition) of the Commercial-shopping center City Galleria and a change in the balance sheet position of leasing, which changed from the operating leasing to financial leasing, by which all the equipment financed through leasing was brought into the Company's assets. The value of assets of the Company since 2009, when it amounted to HRK 269,834,822.99, grew by HRK 143,351,345.54 or by 53.13%.

### 2.

Total liabilities of the Company as at 31/12/2016 amount to 137,502,260.55 and increased by HRK

40,795,750.51 that is, by 42.19% compared to 2015 when they amounted to HRK 96,706,510.04 of which growth is the result of long-term liabilities of the Company to financial institutions due to acquisition (buying) of the Commercial-shopping center City Galleria, which is partly financed by the long-term investment loan.

At the same time, the transformation and refinancing of long-term loans of the Company was conducted. The long-term loans of Erste & Steiermärkische Bank Vienna have been fully repaid and replaced by new long-term loans with repayment period of 15 years with more favorable interest rate. All this was the basic prerequisite for further improvement of the financial position of the Company and its further development. Total liabilities of the Company as at 31/12/2016 decreased by HRK 4,487,761.59 or by HRK 3.16%, that is, compared to the total liabilities in 2009 when they amounted to HRK 141,990,022.14.

### 3.

Capital and reserves of the Company as at 31st December 2016 amount to HRK 275,683,907.98 and rose by HRK 55,330,601.10 that is by 25.11% compared to the year 2015 when they amounted to HRK 220,353,306.88. Comparing the capital and reserves of the Company achieved in 2016, it increased by HRK 147,839,107.13, that is, by 115.64% compared to the year 2009 when it amounted to HRK 127,844,800.85.

### 4.

In 2016, total revenues amounted to HRK 129,019,007.31 and increased by HRK 872,494.68 or 0.68% compared to the year 2015 when they amounted to HRK 128,146,512.63 as a result of a slight increase in operating and financial revenues. The total revenues of the Company compared to the year 2009, when they amounted to HRK 90,832,774.16, grew by HRK 38,186,233.15 or by 42.04%.

### 5.

The operating profit of the Company in the amount of HRK 45,720,992.03 is higher by HRK 6,267,680.13 or by 16% compared to the year 2015 when it amounted HRK 39,453,311.90 as a consequence of a slight increase in operating revenues and decrease in total expenses. Comparing the operating profit generated in 2016, compared to the operating profit generated in 2009, when it amounted to HRK 25,001,384.39, it grew by HRK 20,719,607.64 or by 82.87%.

### 6.

EBITDA was realized in the amount of HRK 45,027,128.66 and is higher by HRK 7,259,951.70, that is by 19% compared to the year 2015 when it amounted to HRK 37,767,176.96. Compared to the year 2009 when EBITDA amounted to HRK 21,827,113.57, till 31/12/2016, it amounts to HRK 45,027,128.66 and increased by HRK 23,200,015.09 or by 106.29%.

### 7.

The Company's profit for the year 2016 amounts to HRK 31,240,796.00 and is higher by HRK 5,730,286.56, that is, by 22% compared to the year 2015 when it amounted HRK 25,510,509.44 as a consequence of a slight rise in total revenues and decline in total expenses at the level of the Company. Comparing the Company's profit generated in 2016, compared to the profit generated in 2009, when it amounted to HRK 10,818,589.00, it grew by HRK 20,422,206.17 or by 188.77%.

### 8.

The amount of HRK 4,937,148.00 or 18.00 HRK per share was distributed to the Company's shareholders, which is a rise by HRK 1,196,358.00 or 31.98% compared to the year 2015, when the dividend was distributed to the shareholders in the total amount of HRK 3,740,790.00 or 15.00 HRK per share.

During the period from 2009 till 31/12/2016 a total amount of HRK 31,122,678.00 was disbursed to the Company's shareholders.

## CUMULATIVE COMPARATIVE OVERVIEW

of fundamental indicators on the position of assets, capital, liabilities and operating results  
of the Company as at 31/12/2016 for the period from 2009 to 2016

YEAR	TOTAL LIABILITIES	CAPITAL	VALUE OF ASSETS	REVENUES	OPERATING PROFIT	EBITDA	PROFIT	ANNUAL DIVIDENDS
1	2	3	4	5	6	7	8	9
31/12/2016	137.502.260,55	275.683.907,98	413.186.168,53	129.019.007,31	45.720.992,03	45.027.128,66	31.240.796,00	4.937.148,00
31/12/2015	96.706.510,04	220.353.306,88	317.059.816,92	128.146.512,63	39.453.311,90	37.767.176,96	25.510.509,44	3.740.790,00
31/12/2014	133.053.616,64	177.858.715,67	310.912.332,31	122.873.752,12	32.955.338,23	33.211.137,28	20.385.115,12	3.740.790,00
31/12/2013	131.195.062,79	166.861.394,25	298.056.457,04	117.320.406,69	35.656.918,81	32.847.699,25	20.129.183,90	3.740.790,00
31/12/2012	136.546.285,85	151.895.416,40	288.441.702,25	111.134.832,70	33.826.442,35	31.157.639,71	18.255.129,12	3.740.790,00
31/12/2011	139.927.300,98	140.262.242,54	280.189.543,52	103.735.228,95	30.013.975,99	28.030.097,35	13.249.683,38	3.740.790,00
31/12/2010	142.308.155,23	133.202.459,64	275.510.614,87	91.364.944,55	25.112.703,16	24.378.316,58	11.512.758,85	3.740.790,00
31/12/2009	141.990.022,14	127.844.800,85	269.834.822,99	90.832.774,16	25.001.384,39	21.827.113,57	10.818.589,83	3.740.790,00

## Long-term credit liabilities of the Company as at 31/12/2016

I LONG-TERM LIABILITIES (1 + 2 + 3)		HRK 100.355.634,22
1 LONG-TERM LOAN OF ERSTE & STEIERMAERKISCHE BANK D.D.		HRK 51.897.494,12
AGREEMENT: 5114430497 (EUR 7.491.008,67)		
2 LONG-TERM LOAN OF ERSTE & STEIRMAERKISCHE BANK D.D. - FROM THE FUNDS OF HBOR		HRK 6.134.532,60
AGREEMENT: 5114305381 (EUR 1.680.000,00)		
3 LONG-TERM LOAN OF ERSTE & STEIRMAERKISCHE BANK D.D. - FROM THE FUNDS OF HBOR		HRK 42.323.607,50
AGREEMENT: 5114670197 (EUR 6.000.000,00)		
II LOAN TERMS (1 + 2 + 3)		
1	FOR THE LOAN UNDER NUMBER 1 THE LOAN WILL BE REPAID IN 60 EQUAL QUARTER INSTALLMENTS IN THE AMOUNT OF EUR 124.850,14 COMMENCING AS OF 01/10/ 2016 TILL 01/07/2031 INTEREST: EURIBOR + 3,85 %	
2	FOR THE LOAN UNDER NUMBER 2 THE REPAYMENT WILL BE MADE IN 60 QUARTER INSTALLMENTS. THE FIRST INSTALLMENT FALLS DUE ON 30/06/2018 AND THE LAST INSTALLMENT ON 31/03/2033. IN EQUAL INSTALLMENTS IN THE AMOUNT OF EUR 28,000.00. INTEREST: 3%, IS COMPUTED AND COLLECTED ON A QUARTERLY BASIS.	
3	FOR THE LOAN UNDER NUMBER 3, THE REPAYMENT WILL BE MADE IN 180 MONTHLY INSTALLMENTS. THE FIRST INSTALLMENT FALLS DUE ON 01/02/2017 AND THE LAST INSTALLMENT ON 01/01/2032. IN EQUAL INSTALLMENTS IN THE AMOUNT OF EUR 33,333.33. INTEREST: EURIBOR + 3,25 %	

## OPERATING AND OTHER EXPENSES

Operating expenses in the year 2016 amount to HRK 81,589,690.51, and fell by 6.93% compared to the same period of the previous fiscal year. The decrease in these expenses is the result of better, more efficient and more rational management in Company's total expenses, where the largest savings have been particularly realized in the segment of costs of services that are lower by 17% or by HRK 3,076,565.80, the costs of raw materials and material which are lower by 9% or by HRK 1,767,271.92 and other operating expenses which are lower by 9% or HRK 1,767.910,61 compared to the same period in 2015, while the cost of gross salaries rose by 2%.

## FINANCIAL EXPENSES

Financial expenses for the year 2016 amount to HRK 4,774,080.17, which rose by 18.44% compared to the year 2015 when they amounted to HRK 4,030,686.50.

The growth in financial expenses is the result of the growth in the total indebtedness of the Company in the last quarter of 2016, or financing the Company by foreign sources of funding and they actually represent the ordinary expenditures, that is, interests on long-term and short-term financial liabilities and exchange rate losses.

## EXTRAORDINARY EXPENSES

Extraordinary expenses in 2016 amount to HRK 2,402,188.14 and they declined by 11.37% compared to the year 2015 when they amounted to HRK 2,710,267.96 and relate to expenses from previous years, write-off of receivables and severance pays.

## LIQUIDITY

It is assessed as satisfactory for current and due accrued liabilities of the Company for the reporting period.

## SHARE SPLIT

During the period from 01 January to 31st December 2016, there was no share split.

## EARNING PER SHARE

In the year 2016, the earning per share amounts to HRK 110.55.

## UNCERTAINTY OF COLLECTING REVENUES AND POTENTIAL FUTURE COSTS

There are no such risks that may substantially affect the financial position and financial operating results of the Company and can therefore be regarded as negligible.

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### 13. INVESTMENTS IN THE YEAR 2016 AND ACQUISITION OF COMMERCIAL-SHOPPING CENTER CITY GALLERIA IN ZADAR

In 2016, the Company continued to make investments in the offer, improvement of services, offer and amenities at the level of the whole Company, tailoring its offer to the requirements, demands and wishes of its clients, thereby ensuring a competitive market position and high-quality and recognizable tourism product. As a company we strive for sustainable, balanced and continuous investment to ensure long-term business stability, market competitiveness, improvement and development of supply and services in which we in 2016 invested HRK 105,808,897.76 of which HRK 78,513,316.80 was invested in acquisition (buying) of the Commercial-shopping center City Galleria in Zadar, while HRK 27,295,580.96 was invested in in other Company's facilities.

In December 2016, the Company successfully completed the process of buying or acquisition of the Commercial-shopping center City Galleria in Zadar, which is one of the two largest shopping centers in Zadar, located in the immediate vicinity from the old city center with 10.000 m<sup>2</sup> of quality leasable area and occupancy of 97%, which is the investment in the amount of HRK 78,513,316.80 which is in line with our business policy of year-round business and ensures long-term and sustainable development of

the Company as a public company. Having acquired City Galleria, we have created a company with a wide range of activities which in addition to the tourism and hospitality, consisting of hotel industry, nautics, camping and destination management company/DMC Ilirija Travel as our core business, also partly expanded to the real estate. This acquisition will enable the strengthening of market and capital position, increasing the overall value of the Company, strengthening the financial position through the stabilization of cash flow by inflows earned in off-season, risk diversification and consolidation of the costs which will certainly contribute to the strengthening of economic activities throughout the entire fiscal year and growth in profitability of the Company.

Owing to this investment, we have further strengthened our economic activity in Zadar, where in addition to the City Galleria there is Arsenal as a part of our company that operates, which is a multifunctional space on an area of 1800 m<sup>2</sup>, which is a cultural and entertainment center, by which we as a company have expanded from our headquarters in Biograd na Moru and further strengthened our economic presence in Zadar, as an economic and administrative center of North Dalmatia. Therefore, the acquisition

or buying of City Galleria as a modern Commercial-shopping center in the center of Zadar, the natural and commercial and administrative center, is the natural direction of the vision of long-term development of the Company by which we have fulfilled the preconditions for the development of new products and services.

In addition to the acquisition or buying of the Commercial-shopping center, in the year 2016, the Company significantly invested in the nautical sector and reconstruction of superstructure and substructure of piers in the port of nautical tourism "Marina Kornati". In this period, i.e. by the end of February 2016, the reconstruction of the first phase of the coastal part of the Port of Nautical Tourism "Marina Kornati" was completed, that is, the reconstruction of piers in the central and southern aquatorium of the marina, whereas in the month of November 2016 the second phase of reconstruction of the remaining piers in the central aquatorium started. The total amount of the investment in the Port of nautical tourism "Marina Kornati" in 2016 amounted to HRK 10,737,567.98 which allowed the accommodation of a larger category of vessels and better utilization of the aquatorium of the marina.

The second phase of reconstruction of the Port of nautical tourism "Marina Kornati" is to be completed in early March 2017, that is, prior to the start of the boating season, according to the 2017 Investment Plan and the building permit.

Regarding the camping sector, the investment was made in purchasing and equipping new mobile homes, landscaping of the camp up to the level of the arboretum and its further infrastructural development, while at the same time the Company continued to invest in the shared amenities and additional refurbishment of the accommodation units in the hotel sector.





## 14. NON-OPERATING ASSETS

An additional impact on the value of the shares of the Company is exerted by non-operating assets owned by the company, which has been neither used for performing the core business activities of the company, nor does the company realize the economic benefit from the relevant assets.

The most important non-operating assets owned by the Company refers to unutilized land (total area of 10-12 hectares) at highly attractive locations:

**Land plot, Sv. Filip i Jakov:** The Company owns approximately 2.5 hectares of the building land plot in Sv. Filip i Jakov, of which a smaller portion thereof is utilized (Villa Donat), while approximately 20.000 m<sup>2</sup> of the land plot remain unused. According to the conceptual design, the Company is planning to build eight detached villas with apartments on the undeveloped part of the land plot and the Company is also planning to extend the existing accommodation and supporting facilities. With respect the planned project, the Municipality has adopted the Detailed development plan for the area intended for hospitality and tourism (T1-hotel) and for mixed-use purposes.

**Land plot, Villa Primorje:** The Company is the owner

of approximately 2.5 hectares of land in the vicinity of the Villa Primorje Hotel, of which only a small part of the land plot is utilized (about 10% of the total surface area). In addition to previous physical planning of the area, the undeveloped part of the land plot may be used for building settlements with traditional Dalmatian type villas. The unused land is in direct contact with the building land plot.

**Land plot, Tennis center:** The Company owns approximately 4.9 hectares of the land plot in Biograd na Moru within the boundaries of the Forest Park Soline that is used only to a smaller part (Tennis center Soline built on about 25% of the total surface area) from which the company does not earn any financial income. In addition to the prior resolution of the physical planning documentation on the relevant land plot, there is a possibility of building a modern multifunctional hotel-health and tourist and recreation center.

**Land plot, Polača:** The Company is the owner of approximately 2.5 hectares of the land plot in the settlement of Polača, that is situated along the state road that connects Biograd to the nearby highway (is of regional significance). The land plot is equipped

with basic utility infrastructure on which the company Ilirija d.d. is planning to build a dry marina that would be functionally linked to the existing nautical facilities owned by Ilirija d.d.

In addition to the above indicated land plots owned by the Company, additional non-operating assets relate to tourist land in Biograd na Moru (the surface area of about 10 hectares), on which the existing tourist capacities of the company may be extended by exercising the concession right.



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## 15. BUSINESS EXPECTATIONS AND DEVELOPMENT PLAN OF THE COMPANY IN THE YEAR 2017

Judging by all previous indicators, this business year has met all the prerequisites to continue to be the year of continuity or another successful year for the Company in which we shall ensure the further growth and development of the Company in the area of physical, financial results and profitability indicators considering:

(I) **acquisition (buying) of the Commercial-shopping center City Galleria in Zadar**, whose positive impact on the growth in operating revenues, profitability indicators and EBITDA is expected in 2017, taking into account the fact that the acquisition of the Commercial-shopping center was completed in the second half of December 2016;

(II) **announcement from the market, the position of sales and booking for all sectors in 2017** and we are still an interesting and attractive destination, if the safety situation in Europe and our closer environment continues to be at a satisfactory level, we expect growth in arrivals and overnight stays in all sectors;

(III) **the further development and enhancement of innovative and complementary offer of the Company through the destination management com-**

**pany/DMC Ilirija Travel** by which we integrate all the complementary activities related to tourism of special interests and experiences and the development of selective forms of tourism, not only in the company, but also in our region which is extremely important for the extension of the season as well as for the strengthening and reinforcement of the economic activities of the Company in the shoulder season and better income generation in the parts of the year which are less attractive. In accordance with the strategic orientation of the Company towards long-term development of those segments of the offer, which will contribute to the real extension of business activities throughout the whole year, we expect the further realization of positive business trends through the destination management company Ilirija Travel in the year 2017.

(IV) **the continuous and sustainable investment for the preparation of the 2017 season** in existing capacities, followed by the construction of additional facilities and investment in raising competitiveness, improving the quality and standards of our services; and

**(V) further cost rationalization and cost management at every level of the Company.**

Further to foregoing, in accordance with the Company's Business Plan for the year 2017 the Company expects a growth in operating revenues to HRK 145,000,000.00 at the level of the entire Company and growth in key profitability indicators in particular of EBITDA to HRK 50,000,000.00 by which the Company would be ranked in the top of the profitability in the tourism sector.

As it has been so far, the further development of the Company will be based on long-term, responsible and sustainable development by maintaining the competitiveness and quality of the existing capacities, service, content and offer, continuous investment and reconstruction, adaptation, building an annex and reconstruction of the existing capacities and construction of new facilities in accordance with the latest trends in the tourism industry. As a result, the Company will in 2017 continue with the investment cycle, in particular in the nautical sector and in the Port of nautical tourism "Marina Kornati" where in November 2016, the second phase of reconstruction of the coastal area of Marina Kornati started,

with completion is envisaged to be in early March 2017. In addition to the reconstruction of piers, the investments will be made in additional marina services in the nautical sector, especially, in the port repair and service, modernization of the travel lift services, improvement of the washing zone and further improvement and better coverage of the marina by the Internet network.

Besides the nautical sector, the investment cycle of the preparation of the facilities for the tourism season 2017 will also encompass the hotel and camping sector in order to improve and raise the quality of the accommodation facilities, improve service quality and standards, perform landscaping, increase hospitality and restaurant capacities, while regarding the hotel sector, the Company will invest in raising the quality of accommodation facilities, shared areas and additional amenities as well as the construction of outdoor swimming pools in hotel Villa Donat\*\*\*\*/\*\* in Sv. Filip i Jakov and Villa Primorje in Bograd na Moru.

The Company will continue to invest in the training of our employees by organizing a wide range of workshops to improve their personal and professional ski-

lls, in particular, in the area of sales and marketing, the department of food and beverages and controlling. The Company started the Academy of Business Excellence - ILIRIJA EDUKA with an aim to continuously improve the business processes, improve employee competencies, improve the service quality, guest satisfaction and revenue. The active personnel policy through continuous education and training of personnel at all levels, further recruitment of required personnel and adequate wage policy will ensure the safety in the business process, improve the service quality and standard.

The Company will perform significant activities to adapt to and implement the standards, procedures and regulations in all aspects of environmental protection (protection of the sea, coast, water, air and soil) and waste management and take further actions focused on the implementation of HALAL standards in the Company's hospitality facilities and restaurants. There will be no business development without long-term stability and balance of the interests of all participants in the business process of the company starting from the shareholders, the state, employees, customers, suppliers, local community and the safety observed through the protection and conservation

of nature and environment, life and health of guests and employees.

Therefore, as the company we shall according to our policy continue to actively contribute to the accomplishment of the business objectives adopted by its shareholders in 2017. Besides, we shall strive to achieve sustainable and responsible development and growth, compliance and enforcement of all laws and regulations of public authorities, fulfill the obligations to our employees, customers and suppliers, contributes to the development of the local community. The long-term business development will be based on the principles of corporate social responsibility as an integral part of our corporate values.



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## 16. OPERATIONAL RISKS OF THE COMPANY

The Company is, after all, as the most businesses in the tourism sector, exposed to foreign exchange risk, interest rate risk, price risk, credit risk and liquidity risk, environmental risk, risk of tourism as the branch of economy, the risk of macroeconomic movements and risk of changes in tax and other regulations.

Since most of the monetary fund inflows of the Company are quoted in EUR, as well as the most of the loans, the Company is to the highest degree hedged against the foreign exchange risk owing to this circumstance.

Indebtedness of the Company with the commercial bank is mainly subject to variable interest rates, so taking this into consideration, the Company is partially exposed to interest rates, but only due to exceptional circumstance and disturbance in the operations which are not attributable to the Company.

In order to reduce the credit risk, the Company strives to reduce the total loan debts to an appropriate level that would be inferior to their own funding source.

The Company has most of its prices quoted in EUR and collects the majority of claims in the same currency, thereby being hedged against the price risk.

The Company is exposed to changes in tax and other regulations in the legal system of the Republic of Croatia. This, in particular applies to legislation in the field of maritime domain and the tourist land plots on which the Company has significant and crucial commercial long-term investments and all the constitutionally guaranteed rights have not been exercised in the field of protection of capital investment.

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## 17. SIGNIFICANT EVENTS IN THE YEAR 2016

In 2016, the Company acquired 135 treasury shares designated as ILRA-R-A in the regulated capital market of Zagreb Stock Exchange. Following the above acquisition, the Company owns 859 treasury shares which make up for 0.28% shares in the share capital and the same percentage of votes at the General Shareholders' Assembly.

The Company's Supervisory Board did at its session on 22nd April 2016 adopt the Annual report prepared by the Management Board on the operations and position of the Company for the year 2015, the Audit Report on the Company's operations for 2015 and the Supervisory Board's Report on performed supervision of business operations in 2015. At its session, the Supervisory Board established the fundamental Annual Financial Statements for the year 2015 (Financial Operations Report, Financial Position Report and Cash Flow Statement), the draft decision on utilization of profit, distribution of dividends and an increase in share capital of the Company, the draft Decision on changes and amendments to the Articles of Association of the Company, the draft decision on the appointment of the auditor of the Company for the year 2016 and the draft call with the agenda for convening the General Shareholders' Assembly. Also, the Supervisory Board suggested the appropriation of the profit generated in the fiscal year 2015, after taxation in the amount of HRK 21,533,370.50 in the way as follows: (i) HRK 1,867,642.50 in statutory reserves, (ii) HRK 6.500 000.00 in retained earnings, (iii) HRK 4,937,148.00 for the distribution of dividends in the amount of 18 HRK per share and (iv) HRK 8,228,580.00 for an increase in share capital from the reinvested profit.

At the Supervisory Board's meeting held on 31st May 2016, the Management Board was given a consent to conclude a long-term loan with Erste & Steiermärkische Bank d.d. Rijeka, with the purpose to refinance the Company's existing financial (loan) liabilities.

The Ordinary Shareholders' Assembly was held on 10th June 2016 at which the following decisions were unanimously adopted:

- Decision on the utilization of the profit of Ilirija d.d. for the fiscal year 2015, according to which the divi-



dend in the amount of HRK 18.00 per share shall be paid to the Company's shareholders.

- Decision on giving remuneration to the Company's Management Board, Decision on giving remuneration to the Company's Supervisory Board;
- Decision on appointment of auditor for the year 2016,
- Decision on a change to the core business activities of ILIRIJA d.d. – added activities;
- Decision on changes and amendments to the Articles of Association of the company Ilirija d.d., and
- The Decision on an increase in share capital from the Company's assets, based on which the share capital increases from the reinvested profits earned in 2015 by the amount of HRK 8,228,580.00. The share capital of the Company increases from the amount of HRK 150,857,300.00 by the amount of HRK 8,228,580.00 (reinvested profit) to the amount of HRK 159,085,880.00, in a way that for each of the totally existing 274,286 shares the nominal amount increases by HRK 30.00 in a way that after the increase each share has a nominal amount of HRK 580,00. The call for Extraordinary General Meeting convened on 24th October 2016 has been publicized to the Company's shareholders, by which the Management Board and Supervisory Board propose the adoption of the following decisions:

- Decision on a change to the core business activities of the Company – added activities;
- Decision on changes and amendments to the Company's Articles of Association;
- Decisions on an increase in share capital by contributions in cash and the issue of shares and making amendments to the Articles of Association ("Decision on an increase in share capital"), namely, by issuing new ordinary shares by means of public offering by contributions in cash thereby excluding the pre-emptive rights of the existing shareholders to subscribe for new shares, except for the pre-emptive right of the shareholder - Allianz ZB d.o.o., the compulsory pension fund management company with the registered office in Zagreb, since





the offering of New Shares will be given only to qualified investors that meet the requirements therefor according to Article 351.351, paragraph 1, section 1 of the Capital Market Act, whereas Allianz ZB d.o.o. meets the requirements indicated in the mentioned Article of the Act; and

- Decision on the listing of all Company's shares on the Official market of the Zagreb Stock Exchange plc. for trading.

The Company issued a document Information Memorandum of issue new shares of Ilirija d.d. for the purpose of developing the business operations, in which the Company informed the general public about the intention of conducting the procedure for recapitalization with the primary objective of raising funds for the acquisition of real estate Commercial-shopping center City Galleria in Zadar with an intention and a objective to:

- strengthen the market position of the Company by ensuring a long-term and sustainable business and capital development;
- create a company with a wide range of activities, especially the activities characterized by continuous year-round business that is to be achieved by the acquisition of the Commercial shopping center City Galleria considering the fact that the Company partially enters the real estate segment;
- strengthen the financial position by the stabilization of cash inflows in off-season, risk diversification and synergistic effects at the level of costs; and
- strengthen the total value of the Company through an increase in profitability indicators or positioning of the Company in the top of profitability in the sector.



On 10 October, 2016, the Company issued Notice of the planned transaction on the capital market, thus informing the public that it intends to conduct the process of increasing the share capital by contributions, excluding the pre-emptive rights of the existing shareholders except for Allianz ZB d.o.o., and conduct public offerings to qualified investors up to a maximum of 27,400 new ordinary bearer shares of the Company, with the nominal amount of HRK 580.00, at a price ranging from HRK 1,250.00 -1,500.00 which is paid in cash. The Company intends to use the funds raised by the recapitalization for the acquisition of the Commercial-shopping center City Galleria in Zadar.

Further to the above transaction of a share capital increase, on 17 October 2016, the Company held a management presentation at the Zagreb Stock Exchange to attract qualified investors.

At the Supervisory Board meeting held on 19 October 2016, the Report on the Company's business Report and Investment Plan by profit centers was accepted.

At the Company's General Meeting held on 24 October, 2016, decisions identical in substance to the proposals contained in the Call for General Meeting, published on 16 September, 2016 were unanimously adopted, except for the Decision under section 5 of the Agenda for which the shareholder Allianz ZB d.o.o., pension fund management company submitted a counterproposal, which was adopted at the meeting held and publicly published:

- Opening of the General Meeting and determining a number of present shareholders, their proxies; and determining the quorum;
- Decision on a change to the core business activities of the Company – added activities



- Decision on changes and amendments to the Company's Articles of Association
- Report by the Management Board on the reasons for complete exclusion of pre-emptive right of the existing shareholders to subscription and payment of the New shares of the Company
- Decision on an increase in share capital by contributions in cash and issue of shares and changes made to the Articles of Association („Decision on an increase in share capital), namely by issuing new ordinary shares by public offering by contributions in cash thereby excluding the pre-emptive right of the existing shareholders while subscribing for new shares, except for the pre-emptive right of the shareholder – company Allianz ZB d.o.o., compulsory pension fund management company with registered office in Zagreb, since the offering of New Shares will be exclusively given to qualified investors that fulfill requirements therefor according to Article 351, paragraph 1, section 1 of the Capital Market Act, whereas Allianz ZB d.o.o. meets the requirements indicated in the mentioned Article of the Act; and
- Decision on the listing of the Company's New shares on the Official market of the Zagreb Stock Exchange plc. for trading.

After the Company's Shareholders' Assembly was held on 24 October 2016, the Decision on an increase in share capital was taken, shares were issued and Company's Articles of Association were amended, the Company published and adopted the following documents, that is, decisions for the purpose of conducting the process of recapitalization:

- Public call to qualified investors for subscription for New ordinary shares of the company Ilirija d.d.



- Subscription form for subscribing for New shares of the company Ilirija d.d.
- The final price for New shares of Ilirija d.d., the Decision of the Management Board and consent by the Supervisory Board of 31 October 2016 on the basis of which the final amount is determined for which the Company's New shares are issued in the amount of HRK 1,255.00 per share. The Final Price for the New Shares of the Company is a uniform price for all shares that are subject to public offering.
- The final number of the New Shares, the exact amount of an increase in share capital and a call to subscribers to pay, the Decision by the Management Board and Consent by the Supervisory Board of 03 November 2016 based on which the Company takes the Decision on a final number of New Shares that will be issued, whereby it is determined that 27,400 New Shares will be issued („Final number of New Shares), while the share capital will increase by issuing 27,400 New bearer shares, with a single nominal amount of HRK 580.00 each. The share capital will increase from the amount of HRK 159,085,880.00 by the amount of HRK 15,892,000.00 to the amount of HRK 174,977,880.00 which is divided into 301,686 bearer ordinary shares, with a single nominal amount of HRK 580.00 each. It was also determined that 27,400 New shares of the Company were subscribed at the price equal or higher than the Final price.

According to this Decision, the Management Board immediately called all the Subscribers for New shares to pay for the Final price for each share within one day from the date of the call based on the Subscription Form for Qualified Investors and Subscription Form for the existing shareholder.

- The success of issue of New shares and adoption of the consolidated text of the Articles of Association, Decision by the Management Board and Consent by the Supervisory Board of 4 November 2016 according to the decision of the Shareholders' General Assembly of 24 October 2016 and prior consent by the Supervisory Board, the Management Board adopted the Decision on success of issue of New shares since it was established



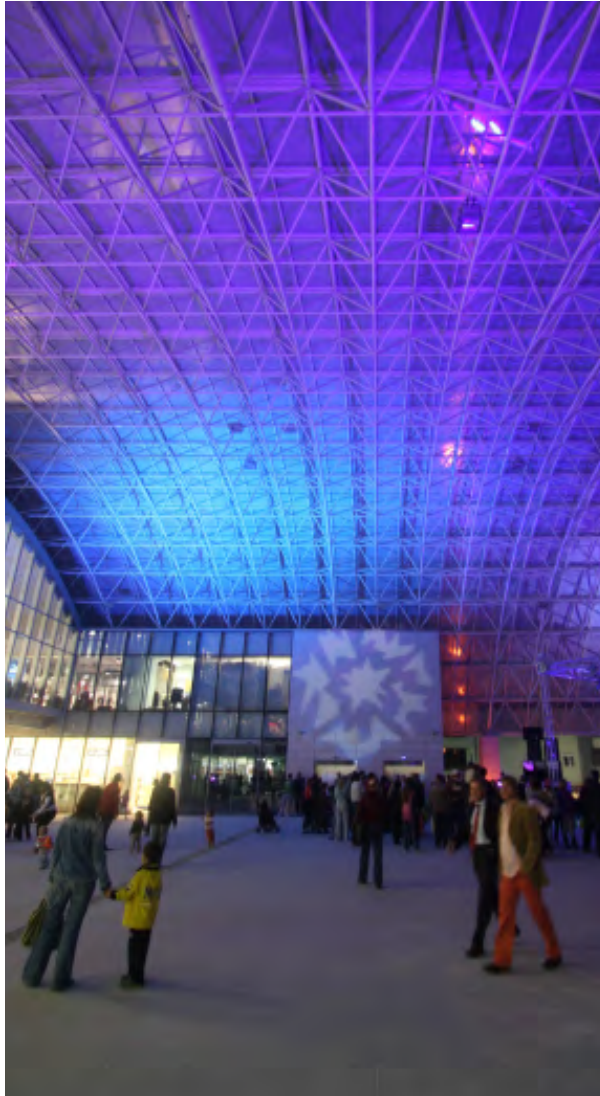
that the number of the New shares subscribed and paid within the deadlines set for subscription and payment exceeded the minimum number of 26,030 New shares, or that all subscribers of Accepted offers totally subscribed for 27,400 New shares and paid the total amount of HRK 34,387,000.00.

- Notice of entry of an increase in share capital by which the Company notified that the Commercial Court in Zadar passed the Decision Tt-16/4873-2 on an entry into the court registry of a change to the core business activities, increase in share capital by issuing new shares and subscription of the change to the provisions of the Company's Articles of Association.
- Notice of changes to percentage of voting rights by which the shareholder Allianz ZB d.o.o., compulsory pension fund management company, Grškovićeve 31, Zagreb, Tax No. OIB: 5834724129, for AZ compulsory pension fund category A and AZ notifies the compulsory pension fund category B about crossing the threshold of 15% of voting rights in the Company whose share after the increase in share capital amounts to 16.38% of the voting rights in the Company.

Allianz ZB d.o.o., voluntary pension fund management company, based in Zagreb, acquired 8,525 ordinary shares of the Company for the fund AZ PROFIT, Tax No. OIB: 22134623145, and following the increase in share capital, their share amounts to 2.83% in voting rights of the Company.

Allianz ZB d.o.o., voluntary pension fund management company, based in Zagreb, acquired 613 ordinary shares of the Company for the fund AZ ZABA, Company No. OIB: 11641097984, and following the increase in share capital, their share amounts to 0.20% in voting rights of the Company.

- Notice of changes to voting shares and new total number of voting Shares



- Notice of held meeting of the Company's Supervisory Board, on 06 December 2016 it gave consent to the Management Board of the Company to conclude the Agreement of Investment Loan intended for financing the acquisition of the Commercial-shopping center City Galleria in Zadar.
- Notice of held meeting of the Supervisory Board of the Company, on 09 December 2016, at which the consent was given to the Management Board to conclude the Real Estate Sale Agreement, which in the nature is the Commercial-shopping center City Galleria in Zadar.
- Notice of successfully completed and performed acquisition or buying of the Commercial-shopping center City Galleria in Zadar by which on 19 December 2016, that is, by means of the handover of the respective real estate, the final process of acquisition or buying of the Commercial-shopping center City Galleria in Zadar was successfully completed.

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## 18. SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

In the year 2016, we continued our policy of responsible and sustainable business by retaining the standards achieved so far in the form of renewal of the existing certificates in the field of environmental protection and health safety with a special focus on supporting a number of projects in collaboration with the public and educational institutions, aimed at promoting the activities in the area of environmental protection and nature mostly intended for children and the youth.

Since the tourism industry largely depends on preserved natural resources, while planning the business processes, the Company has established an excellent quality and environmental protection management system by establishing the Safety Department in charge of health care, environmental protection and safety for all employees and guests. In the hospitality sector, the Company implemented and certified HACCP system according to the standard Codex Alimentarius, which in 2012/2013/2014/2015/2016 was renewed in all facilities, confirming thus maintaining high standards in serving food. The Company has also implemented and certified the Quality management system ISO 9001, whose successful re-certification took place in June and Environmental manage-

ment system 14001, whereas the implementation of the HALAL standard is underway.

The Company has drafted the publication Business model of Corporate Social Responsibility for the period from 2000 to 2015 presenting an overview of the Company's activities in the field of corporate social responsibility through six basic areas in accordance with the methodology INDEX CSR (focus on economic sustainability, incorporation of CSR and SD into the business strategy, responsible policies and practices of environmental management, corporate social responsibility in market relations and socially responsible community relations) which, as such, is the first report of the company on Corporate Social Responsibility.

The first non-financial report of the Company's business operations, with independent external verification by Ms. Mirjana Matešić, Principal of the Croatian Business Council for Sustainable Development, the leading association for corporate social responsibility in Croatia, as such constitutes an integral part of corporate culture, strategy and policy of the Company, particularly in terms of transparency of the business operations. As a public and socially responsible company, we are particularly dedicated to integrating

economic, social and environmental aspects in the decision-making process and in addition, this report, which will be only the first in a continuing edition of non-financial reporting, was used by the Company to present policy, objectives and achievements in the area of sustainable development and corporate social responsibility to all its stakeholders in a public and transparent manner by the areas as follows:

#### Economic viability

The fundamental values of the company include the understanding that corporate social responsibility of the company is impossible without profitability and without the expected and optimal profit, which ensures further growth and development, investments and an appropriate dividend to be distributed to owners of capital or shareholders. In this way we confirm the inevitable, socially responsible economic sense of the business venture-development and progress and thus the company contributes to the local, regional and national economy at the same time.

#### Incorporation of the corporate social responsibility into the company's business strategy

Every company is an integral part of established economic and multiple social relations. Integrity, compli-

ance with the legislative framework and understanding of the economic environment is the starting point of the business operations, where active participation in professional associations and institutions helps us as the company to influence the improvement of the competitive framework of business. Understanding the fact that the environment is the basic resource for tourism, the top management of the Company actively participates in the initiatives of improving the competitive framework of business by making suggestions for designing the legal solution related to the key regulations governing the business operations of tourism companies in the area (the solutions related to the maritime domain and the so-called tourist land).

#### Responsibility towards employees

Understanding that a man is the key to success in tourism, we ensure the right to personal and professional development for all of its employees, thus improving the quality of the service and satisfaction of our guests. We implement the policy of gender equality in all business segments, which is reflected in recruiting 50% of women that hold the positions in key management team of the company.

As a major employer in the region and Croatia, we

employ 180 permanent and over 220 seasonal employees, including other companies engaged for business cooperation that perform nautical activities in Marina Kornati, the Company provides jobs for over 800 employees in a season.

The company has not had any labor dispute throughout the period from privatization to date. Being aware of the fact that the quality of tourism services and guest satisfaction is attributable to people, we have paid special attention to careful delegation of employees to positions that best suit their skills at which they can best contribute to the success and development of the company by their knowledge, skills and enthusiasm. Management and staff are continuously provided with training in the areas of operations, marketing and sales as well as monitoring of modern trends according to international experience of best practices in hospitality and tourism.

#### Responsible environmental management policies and practices

An integral part of corporate social responsibility which is particularly evident in the tourism industry, and thus in Ilirija, is based on complying with the principle of sustainable development where economic growth does not threaten the existing natural



re-sources, cultural, historical and natural heritage and such a type of responsible tourism where the current and future economic, social and environmental requirements of all participants in the business process are in equilibrium, which ensures long-term viability of businesses, tourism industry as well as the future of the generations to come.

Having its business based on these principles, Ilirija d.d. pays special attention to the environmental protection where it strives to minimize the impact of its business processes on the environment, always attempting to do more than to merely comply with the binding legislation. Therefore, the Company particularly emphasizes the following achievements:

1. Since 2004, Marina Kornati has been the holder of the Blue Flag, which is an international symbol of environmental, sea and coastal protection;
2. The camp „Park Soline“ is the holder of the international eco label for accommodation facilities “Green Key” and Ecocamping certificate;
3. The implementation of the environmental management system ISO 14001 at the level of the entire company is an upgrade of the quality management system ISO 9001 already implemented and certified, in which way the Company minimizes all environmental management issues related to its

activities and any potentially negative impacts of its operations.

4. It is among the first companies in Croatia that use the so-called green energy or energy generated from renewable energy sources;
5. In addition to guest satisfaction with the service, one of our most important priorities is their safety and health. This is the reason why we have ensured the health-related safety of services in the hospitality industry by implementing and certifying the HACCP system.
6. The Hotel Ilirija has been awarded the basic certificate „Sustainable Hotel“ as a part of the “Green business in the hotel industry”;
7. The Ilirija d.d. facilities are in possession of water permit for the discharge of sanitary water and wastewater into the public sewage system;
8. Water consumption at water meters is controlled on a daily basis, whereas faucet aerators are installed in the camp “Park Soline”, as part of the Sustainability drop project at all shared toilet facilities and in mobile homes thereby reducing the total amount of water consumed.
9. Selection/separation of waste (hazardous and non-hazardous) on a daily basis with continuous measures aimed at reduction and improvement of

the separation of new types of waste;

#### Corporate social responsibility in market relations

Corporate social responsibility in market relationships include relationships with suppliers, consumers, customers, shareholders and the competition and is based on the principles of transparency of operations and communication, promptness in fulfilling mutual obligations, mutual respect and appreciation, implementation and application of the principles of the Corporate Governance Code in running the company, transparency in relations with the investment public, systematic measuring and monitoring the satisfaction of customers or guests who always come first to us as a tourism company.

#### Corporate social responsibility in relations with the community

We actively and responsibly participate, contribute and help solve the problems that society is facing, particularly the community in which we operate through the socially responsible corporate philanthropy project. By providing the support, the company supports the work of various associations and organizations, sports clubs and educational and healthcare institutions. In the last 5 years through

donations and sponsorships, Ilirija d.d. has allocated over 3.1 million HRK for the development of society and the local community as well.

During 2016 the Company has continued with a series of educational activities in the field of environmental protection, especially in promotion of the importance of conservation of and care for the environment among their employees, guests and the local community in partnership with the Public Institution Nature Park Vrana Lake, particularly including the following:

The workshop "Cook, sort, responsibly dispose" where the workshop was aimed to show to high school students in Biograd na Moru, majoring in hospitality and waiter jobs, what they as students and later as a future tourism professionals can do to preserve nature - through practical examples of the separation of organic waste and its importance for the preservation of the environment.

Exhibition of photographs of the Public Institution Nature Park Vrana Lake, that took place in the restaurant Marina Kornati from 01/01/ to 16/08/, was aimed to raise the marina guests' awareness of the need to

protect nature and environment, especially protected areas where the natural values of this protected area were presented through the exhibition of photographs and of the need for further conservation and protection.

The celebration of the 20th International Bat Night was organized in Ilirija camp "Park Soline" which through a series of educational, interactive workshops and lectures was attended by over 30 children of different ages where they became familiar and informed about the only flying mammals, their habitats and species.

Also, the Company renewed international environmental certificates Green Key and Blue Flag. In the camp "Park Soline" in addition of the local inspection, the international inspection of the criteria for Green key was carried out by the Foundation for Environmental Protection (FEE) Green Key Program. The renewal of the certificate Green Key confirmed the right to use eco-label that is awarded only to accommodation facilities that reduce their negative effects on the environment through the optimization of energy consumption, waste sorting and education of their staff and guests.

In Marina Kornati, the international environmental program regarding the environmental, sea and coastal area protection has been renewed, by which the marina was again awarded the Blue Flag, which has been continuously owned by it since 2004. Also, the Blue Flag Project Day was implemented in Marina Kornati.



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## 19. HUMAN RESOURCES IN THE YEAR 2016

The Company is a specific tourism company even regarding the attitude towards the management of human resources at all levels. As a Croatian company, both in the ownership structure as well as the structure of personnel, almost all of our either permanent or seasonal employees, including the management of the company, come from Biograd na Moru and surrounding municipalities and cities in which immediate environment we find enough skilled, high-quality and experienced personnel with many years of experience in tourism and hospitality industry. Developing and investing primarily in personnel from our environment, we create so much needed security and flexibility in the business process, which in the last year is more than undermined in the Croatian tourism. In addition to the permanent 200 employees during the tourist season, we employ more than 220 additional employees or a total of over 420 employees at the level of the entire Company. By engaging other companies on the basis of business cooperation that perform the boating activities in Marina Kornati profit center and lessees in the Commercial-shopping center City Galleria in the Company's facilities, we provide jobs for over 1,000 employees. Upon completion of the tourist season 2016, we re-

tained over 30 employees, by which we on the one hand primarily provided safety and smooth running of the business process, and on the other hand retained the quality and standard of our service. We try to further motivate the employees by applying adequate wage policy, no matter whether seasonal or permanent employees are in question, particularly appreciating hard work, dedication and work of every employee. In 2016, the average gross wage expense compared to the previous year grew by 2% and we shall retain such a business policy regarding the personnel management even in 2017. In 2016, the average net salary in the Company was at the level of the average net salary in the Croatian economy, which is above the average salary in the Croatian tourism.

### The Academy of Business Excellence

#### - ILIRIJA EDUKA

One of our permanent goals in managing personnel is the satisfaction and motivation of our employees, which is in addition to adequate wage policy or financial income, ensured by working in the environment by which we as the company encourage their professional development and provide training workshops to them. In late 2016, we launched the

Academy of Business Excellence - ILIRIJA EDUKA aimed at improving employees' competencies, improving the service quality, guest satisfaction, revenue growth and maintaining competitiveness that is carried out in three key areas of the Company:

- development of food and beverage standards and the implementation thereof in the facilities of Ilirija d.d. through the process of education and training of staff and middle management,
- benchmarking of the development of product and best practice experience in the area of marketing and sale, and
- workshops aimed at further improvement of implementation of management reporting system.



## 20. OTHER

### LEGAL ISSUES

The judgment rendered by the Higher Commercial Court of the Republic of Croatia as of 2016 affirmed the judgment rendered by the Commercial Court in Zadar, which designates Ilirija d.d. as the owner of the entire property with land plot 3232 cadastral municipality Biograd, with an area of 48,705 m<sup>2</sup>, which in the nature is "Tennis Center Ilirija" with the surrounding land. In this way the dispute over the property of the "Tennis center Ilirija" has been completed to the benefit of the Company by rendering final and absolute judgment.

With respect to disputes in which the Company participates either as a plaintiff or a defendant, we estimate that these disputes can neither significantly cause a disturbance in the Company's operations nor can they cause significant financial expenses for the Company nor negatively affect the current and future financial results of the Company.

### CHANGED ACCOUNTING POLICY

There have been no changes in the accounting policies.

### MERGERS AND TAKEOVERS

There have been no mergers and takeovers.

### MONITORING AND REPORTING ON BUSINESS OPERATIONS

In 2016, the system of monitoring the business operations has been established by all of its segments at the level of all sectors and the Company as a whole on a daily, weekly and monthly basis in accordance with the applicable Croatian and international reporting standards in the tourism industry. This has enabled timely and high-quality monitoring of the achieved operating results and the production of high-quality forecasts and business plans throughout the fiscal year, creating thus the foundations for a more efficient and rational management of the entire business process and improving and speeding up the entire process of reporting at all levels, particularly in the operational part of the Company's business operations.

Goran Ražnjević,  
President of the Management Board

**ILIRIJA** dioničko društvo  
za ugostiteljstvo i turizam  
Biograd na Moru



Reporting period: 01.01. – 31.12.2016.

Quarterly financial report TFI-POD

Tax number (MB):	03311953		
Company registration number (MBS):	060032302		
Personal identification number (OIB):	05951496767		
Issuing company:	ILIRIJA d.d.		
Postal code and place:	23210	BIOGRAD NA MORU	
Street and house number:	TINA UJEVIĆA 7		
E-mail address:	ilirija@zd.t-com.hr		
Internet address:	www.ilirijabiograd.com		
Municipality/city code and name	22	BIOGRAD NA MORU	
County code and name	13	ZADARSKA	Number of employees: 216 (period end)
Consolidated report:	NO		NKD code: 55100

Companies of the consolidation subject (according to IFRS):

Seat:

MB:

Bookkeeping service:

Contact person:

STRPIĆ ZORKA  
(only surname and name)

Telephone:

023/383178

Fax:

023/384564

E-mail address:

zorkas@ilirijabiograd.com

Family name and name:

RAŽNJEVIĆ GORAN  
(person authorized to represent the company)

Documents disclosed:

1. Financial statements (Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity and notes to financial statements);
2. Management Interim Report,
3. Declaration of the persons responsible for preparing the issuer's statements.

L.S.

**ILIRIJA** dioničko društvo  
za ugostiteljstvo i turizam  
Biograd na Moru

(signature of the person authorized to represent the company)



## Balance Sheet - as of 31/12/2016

Company: ILIRIJA d.d. BIOGRAD NA MORU

Position	AOP	Previous period	Current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001		
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	300.424.757	397.116.220
I. INTANGIBLE ASSETS (004 to 009)	003	471.783	376.657
1. Expenditure for development	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005		
3. Goodwill	006		
4. Advances for purchase of intangible assets	007		
5. Intangible assets in progress	008		
6. Other intangible assets	009	471.783	376.657
II. PROPERTY, PLANT AND EQUIPMENT (011 to 019)	010	299.912.974	396.699.563
1. Land	011	42.340.227	42.340.227
2. Buildings	012	224.502.143	233.671.972
3. Plant and equipment	013	32.154.204	39.598.712
4. Tools, working inventory and transportation assets	014		
5. Biological assets	015		
6. Advances for purchase of tangible assets	016	488.422	1.391.522
7. Tangible assets in progress	017	427.978	1.183.813
8. Other tangible assets	018		
9. Investment in real-estate	019		78.513.317
III. NON-CURRENT FINANCIAL ASSETS (021 to 028)	020	40.000	40.000
1. Share in related parties	021	40.000	40.000
2. Loans to related parties	022		
3. Participating interests (shares)	023		
4. Loans to companies with participating interest	024		
5. Investments in securities	025		
6. Loans, deposits, etc.	026		
7. Other non-current financial assets	027		
8. Equity-accounted investments	028		
IV. RECEIVABLES (030 to 032)	029	0	0
1. Receivables from related parties	030		
2. Receivables arising from sales on credit	031		
3. Other receivables	032		
V. DEFERRED TAX ASSET	033		
C) CURRENT ASSETS (035+043+050+058)	034	14.726.911	16.069.949
I. INVENTORIES (036 to 042)	035	2.160.647	2.118.362
1. Raw materials and supplies	036	2.160.647	2.118.362
2. Production in progress	037		
3. Finished products	038		
4. Merchandise	039		
5. Advances for inventories	040		
6. Long term assets held for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	7.775.000	9.072.148
1. Receivables from related parties	044		
2. Receivables from end-customers	045	6.513.026	7.024.032

## Balance Sheet - as of 31/12/2016

Company: ILIRIJA d.d. BIOGRAD NA MORU

3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	800.776	781.536
5. Receivables from government and other institutions	048	377.162	1.169.662
6. Other receivables	049	84.036	96.918
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	4.453.388	2.538.817
1. Share in related parties	051		
2. Loans to related parties	052		
3. Participating interests (shares)	053		
4. Loans to companies with participating interest	054		
5. Investments in securities	055		
6. Loans, deposits, etc.	056	4.453.388	2.538.817
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	337.876	2.340.622
D) PREPAYMENTS AND ACCRUED INCOME	059		
E) TOTAL ASSETS (001+002+034+059)	060	315.151.668	413.186.169
F) OFF BALANCE SHEET ITEMS	061		
EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	216.376.168	275.683.908
I. SUBSCRIBED SHARE CAPITAL	063	150.857.300	174.977.880
II. CAPITAL RESERVES	064	8.921.539	26.723.874
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	21.693.815	23.435.965
1. Legal reserves	066	7.610.343	9.477.986
2. Reserve for own shares	067	6.975.716	6.975.716
3. Treasury shares and shares (deductible items)	068	414.924	540.417
4. Statutory reserves	069		
5. Other reserves	070	7.522.680	7.522.680
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	13.370.143	19.870.143
1. Retained earnings	073	13.370.143	19.870.143
2. Loss carried forward	074		
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	21.533.371	30.676.046
1. Net profit for the period	076	21.533.371	30.676.046
2. Net loss for the period	077		
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 to 082)	079	0	0
1. Provisions for pensions, severance pay and similar liabilities	080		
2. Provisions for tax liabilities	081		
3. Other provisions	082		
C) NON-CURRENT LIABILITIES (084 to 092)	083	59.934.774	103.615.865
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	59.934.774	103.615.865
4. Liabilities for advances	087		
5. Trade payables	088		
6. Commitments on securities	089		
7. Liabilities to companies with participating interest	090		
8. Other non-current liabilities	091		



## Balance Sheet - as of 31/12/2016

Company: ILIRIJA d.d. BIOGRAD NA MORU

9. Deferred tax liabilities	092		
D) CURRENT LIABILITIES (094 to 105)	093	36.392.050	31.944.262
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits, etc.	095		
3. Liabilities to banks and other financial institutions	096	3.803.426	13.693.479
4. Liabilities for advances	097		
5. Trade payables	098	15.882.936	12.465.718
6. Commitments on securities	099	8.600.000	1.200.000
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	1.131.821	1.216.150
9. Taxes, contributions and similar liabilities	102	6.105.430	1.315.225
10. Liabilities arising from share in the result	103		
11. Liabilities arising from non-current assets held for sale	104		
12. Other current liabilities	105	868.437	2.053.690
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	2.448.676	1.942.134
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	315.151.668	413.186.169
G) OFF BALANCE SHEET ITEMS	108		
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109		
2. Attributable to minority interest	110		

ADDITION TO BALANCE SHEET (only for consolidated financial statements)

## Income statement - period 01/01/2016 to 31/12/2016

Obveznik: ILIRIJA d.d. BIOGRAD NA MORU

Naziv pozicije	AOP	Previous period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112 to 113)	111	127.122.380	11.085.202	127.310.683	11.007.467
1. Sales revenues	112	125.275.838	10.782.147	124.588.174	10.857.356
2. Other operating revenues	113	1.846.542	303.055	2.722.509	150.111
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	95.895.048	21.511.961	90.601.944	20.550.501
1. Change in inventories of work in progress	115				
2. Material expenses (117 to 119)	116	37.974.413	7.878.082	33.130.577	7.130.163
a) Costs of raw materials	117	20.106.892	3.905.182	18.339.620	3.450.301
b) Cost of goods sold	118				
c) Other material expenses	119	17.867.521	3.972.900	14.790.957	3.679.862
3. Employee benefits expenses (121 to 123)	120	29.763.375	6.743.374	30.295.746	6.934.446
a) Net salaries	121	17.872.540	4.047.379	18.248.779	4.203.637
b) Tax and contributions from salary expenses	122	7.511.127	1.694.650	7.599.831	1.712.124
c) Contributions on salary	123	4.379.708	1.001.345	4.447.136	1.018.685
4. Depreciation and amortisation	124	8.225.981	2.056.492	9.012.252	2.253.063
5. Other expenses	125	19.931.279	4.834.013	18.163.369	4.232.829
6. Write down of assets (127+128)	126	0	0	0	0
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128				
7. Provisions	129				
8. Other operating costs	130				
III. FINANCIAL INCOME (132 to 136)	131	484.269	298.660	1.427.867	51.659
1. Interest, foreign exchange differences, dividends and similar income from related parties	132				
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	484.269	298.660	1.427.867	51.659
3. Income from investments in associates and joint ventures	134				
4. Unrealised gains (income) from financial assets	135				
5. Other financial income	136				
IV. FINANCIAL EXPENSES (138 to 141)	137	4.030.686	806.609	4.774.080	2.098.728
1. Interest, foreign exchange differences, dividends and similar income from related parties	138				
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	4.030.686	806.609	4.774.080	2.098.728
3. Unrealised losses (expenses) from financial assets	140				
4. Other financial expenses	141				
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142				
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143				
VII. EXTRAORDINARY - OTHER INCOME	144	539.864	133.339	280.458	242.641
VIII. EXTRAORDINARY - OTHER EXPENSES	145	2.710.268	2.423.762	2.402.188	1.590.135
IX. TOTAL INCOME (111+131+142+144)	146	128.146.513	11.517.201	129.019.008	11.301.767
X. TOTAL EXPENSES (114+137+143+145)	147	102.636.002	24.742.332	97.778.212	24.239.364
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	25.510.511	-13.225.131	31.240.796	-12.937.597
1. Profit before taxes (146-147)	149	25.510.511	0	31.240.796	0
2. Loss before taxes (147-146)	150	0	13.225.131	0	12.937.597
XII. TAXATION	151	3.977.139		564.750	
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	21.533.372	-13.225.131	30.676.046	-12.937.597

## Income statement - period 01/01/2016 to 31/12/2016

Obveznik: ILIRIJA d.d. BIOGRAD NA MORU

1. Profit for the period (149-151)	153	21.533.372	0	30.676.046	0
2. Loss for the period (151-148)	154	0	13.225.131	0	12.937.597
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	155				
2. Attributable to minority interest	156				
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157				
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 to 165)	158	0	0	0	0
1. Exchange differences from international settlement	159				
2. Changes in revaluation reserves of long-term tangible and intangible assets	160				
3. Profit or loss from re-evaluation of financial assets held for sale	161				
4. Profit or loss from cash flow hedging	162				
5. Profit or loss from hedging of foreign investments	163				
6. Share of other comprehensive income/loss from associated companies	164				
7. Actuarial gains/losses from defined benefit plans	165				
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 - 166)	167	0	0	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	0	0	0	0
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	169				
2. Attributable to minority interest	170				

## CASH FLOW STATEMENT - indirect method

period 01/01/2016 to 31/12/2016

Company: ILIRIJA d.d. BIOGRAD NA MORU

Position	AOP	Previous period	Current period
1	2	3	4
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	25.510.509	31.240.796
2. Depreciation and amortisation	002	8.225.981	9.012.250
3. Increase of current liabilities	003	2.431.752	
4. Decrease of current receivables	004		
5. Decrease of inventories	005	115.293	42.285
6. Other cash flow increases	006		
I. Total increase of cash flow from operating activities	007	36.283.535	40.295.331
1. Decrease of current liabilities	008		5.012.538
2. Increase of current receivables	009	561.105	1.297.148
3. Increase of inventories	010		
4. Other cash flow decreases	011		506.542
II. Total decrease of cash flow from operating activities	012	561.105	6.816.228
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	013	35.722.430	33.479.103
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	0	0
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Proceeds from sale of non-current assets	015		
2. Proceeds from sale of non-current financial assets	016		
3. Interest received	017		
4. Dividend received	018		
5. Other proceeds from investing activities	019		1.914.571
III. Total cash inflows from investing activities	020	0	1.914.571
1. Purchase of non-current assets	021	13.698.955	105.703.713
2. Purchase of non-current financial assets	022		
3. Other cash outflows from investing activities	023		
IV. Total cash outflows from investing activities	024	13.698.955	105.703.713
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	13.698.955	103.789.142
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Proceeds from issue of equity securities and debt securities	027	21.787.500	34.387.000
2. Proceeds from loans and borrowings	028		108.211.960
3. Other proceeds from financing activities	029		
V. Total cash inflows from financing activities	030	21.787.500	142.598.960
1. Repayment of loans and bonds	031	38.778.859	62.031.649
2. Dividends paid	032	3.740.790	4.937.148
3. Repayment of finance lease	033		2.499.220
4. Purchase of treasury shares	034	30.000	125.493
5. Other cash outflows from financing activities	035	1.032.628	692.665
VI. Total cash outflows from financing activities	036	43.582.277	70.286.175
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	037	0	72.312.785

## CASH FLOW STATEMENT - indirect method

period 01/01/2016 to 31/12/2016

Company: ILIRIJA d.d. BIOGRAD NA MORU

C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	21.794.777	0
Total increases of cash flows	039	228.698	2.002.746
Total decreases of cash flows	040	0	0
Cash and cash equivalents at the beginning of period	041	109.178	337.876
Increase of cash and cash equivalents	042	228.698	
Decrease of cash and cash equivalents	043		
Cash and cash equivalents at the end of period	044	337.876	2.340.622

## STATEMENT OF CHANGES IN EQUITY period 01/01/2016 to 31/12/2016

Position	AOP	Previous period	Current period
1	2	3	4
1. Subscribed share capital	001	150.857.300	174.977.880
2. Capital reserves	002	8.921.539	26.723.874
3. Reserves from profit	003	21.693.815	23.435.965
4. Retained earnings or loss carried forward	004	13.370.143	19.870.143
5. Net profit or loss for the period	005	21.533.371	30.676.046
6. Revaluation of tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of available for sale assets	008		
9. Other revaluation	009		
10. Total equity and reserves (AOP 001 to 009)	010	216.376.168	275.683.908
11. Foreign exchange differences from foreign investments	011		
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Change of accounting policies	014		
15. Correction of significant mistakes pf prior period	015		
16. Other changes	016	38.517.453	59.307.740
17. Total increase or decrease of equity (AOP 011 to 016)	017	38.517.453	59.307.740
17 a. Attributable to majority owners	018		
17 b. Attributable to minority interest	019		

ILIRIJA d.d.  
Biograd na Moru, 21/02/2017

Statement made by the persons responsible for the preparation of the financial statements for the period from 01/01/2016 – 31/12/2016

According to Article 403-410 of the Capital Market Act, we declare that:

Financial statements of Ilirija d.d. Biograd na Moru, Tina Ujevića 7, Tax No. OIB: 05951496767 for the period from January to December 2016 have been prepared in accordance with International Financial Reporting Standards and Croatian Accounting Act.

The financial statements give a true and fair view of the financial position of the Company as at 31/12/2016, operating results and cash flows of the Company in accordance with International Financial Reporting Standards.

The Management's Report gives a true overview of operating results and position of the Company as at 31/12/2016.

Accounting Manager:  
Zorka Strpić

Management Board:  
Goran Ražnjević



**ILIRIJA** dioničko društvo  
za ugostiteljstvo i turizam  
Biograd na Moru





Ražnjevića Dvori

City Galleria

Arsenal Zadar

Vila Donat

Vila Primorje

Event Ship Nada

Marina Kornati

Restaurant Marina Kornati

Ilirija Travel

Hotel Kornati

Hotel Ilirija

Hotel Adriatic

Hotel Marina

Aquatic Center

Tennis Center

Restaurant Park Soline

Camp "Park Soline"

ILIRIJA D.D.

TINA UJEVIĆA 7, BIOGRAD NA MORU, REPUBLIC OF CROATIA

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