



# FINANCIAL STATEMENTS FOR THE PERIOD FROM 01/01/2016 TO 30/06/2016

Biograd na Moru, July 2016.



**ILIRIJA RESORT**  
HOTELS & VILLAS   
[www.ilirijabiograd.com](http://www.ilirijabiograd.com)

**marina Kornati**

**\*\*\*\***  
*camping park Soline*

 **ILIRIJA Travel**  
DMC&PCO • [WWW.ILIRIJA-TRAVEL.COM](http://WWW.ILIRIJA-TRAVEL.COM)

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## I. OVERVIEW OF KEY PERFORMANCE INDICATORS FOR THE PERIOD FROM 01/01 TO 30/06/2016

(in HRK)	2016	2015	Index 2016/2015
Total revenues	52.178.861,56	52.943.679,14	98,56
Revenues from sale	49.883.391,14	51.358.822,53	97,00
Operating profit	20.116.839,05	17.251.656,41	116,61
EBITDA	19.719.640,05	17.162.952,23	114,90
EBIT	15.606.649,41	13.427.842,13	116,00
Profit	13.650.968,51	11.104.131,04	122,94
Value of assets	334.544.532,45	320.804.505,88	104,00
Capital	225.089.988,45	185.222.056,71	122,00
Total liabilities	109.454.544,00	135.582.449,17	81,00
Market capitalization	301.717.342,86	199.508.800,00	151,00
Dividend	4.937.148,00	3.740.790,00	132,00

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## 2. KEY INFORMATION FOR THE PERIOD FROM 01/01 TO 30/06/2016

1. In the first six months of the year 2016, the operating results indicate a continued growth in profitability in the Company's business operations, where the policy of continuous management of costs and reduction of total expenses, especially in the segment of operating expenses resulted in a significant growth of the operating profit, profit and EBITDA, while maintaining the revenues at the level of the same period in 2015.

2. Physical results of the Company's business operations are as forecasted and expected for the second quarter of the fiscal year at the level of all of its sectors. The growth of the physical turnover has been realized the hospitality sector through the growth in the number of overnight stays by 2% and nautical services indicated by the increase in the number of inbound transit vessels by 14% and their overnight stays by 4%. Due to the pronounced seasonality of the business and as a consequence of exceptionally poor weather in June and unfavorable distribution of holidays the camping sector records the expected decline in physical turnover, namely by 3%, which is lower than the average decline of physical turnover at the level of the entire Croatian camping sector. The status of sales, booking and announcements for the third quarter of the financial year and off-season

suggest positive expectations at the level of all sectors of the company, especially in the camping sector, that realize the overnight stays mostly in the third quarter.

3. Total revenues for the second quarter of 2016 amount to HRK 52,178,861.66 and are lower by 1.44% or HRK 764,817.58 compared to the revenues generated in the same period in 2015 when they amounted to HRK 52,943,679.14 which is a result of lower generation of operating revenues, only in the segment of nautical sector as a part of the nautical events.

4. Operating revenues amount to HRK 52,089,904.10 and compared to the same period in 2015 they are lower by 1.17% or by HRK 617,621.25 when they amounted to HRK 52,707,525.45. The decrease in operating revenues is the result of lower revenue realization in the nautical sector by 4%, namely, by the one-off extraordinary revenue from nautical events realized in the second quarter of 2015.

5. Decrease in total expenses by 7.92% from the amount of HRK 41,839,548.10 as much as they amounted in the second quarter of 2015 to the amount of HRK 38,527,893.05 as a result of efficient cost management at all levels of business op-

erations, namely by reducing operating expenses by 9.82% and financial expenditures by 15.84%.

6. A significant increase in operating profit or profit from the business activities of the Company from HRK 17,251,656.41 as much as it amounted in the second quarter of 2015 to HRK 20,116,839.05 in 2016 by 16.61% or HRK 2,865,182.64 was followed by an increase in profit from HRK 11,104,131.04 as much as it amounted in the second quarter of 2015 to the amount of HRK 13,650,968.51, which is an increase by 22.94% or HRK 2,546,837.47, as a result of an increase in total revenues, especially in the segment of operating and financial revenues compared to the same period of 2015.

7. EBITDA realized in the second quarter of 2016 amounts to HRK 19,719,640.05 and is higher by 14.9% or HRK 2,556,687.82 compared to the same period of the previous fiscal year, while EBIT has been realized in the amount of HRK 15,606,649.41 and is higher by 16% or HRK 2,178,807.28 compared to the same period in 2015.

8. A significant decrease in the total liabilities of the Company by HRK 26,127,905.17 or 19% from HRK 135,582,449.17 as much as they amounted in the second quarter of 2015 to the amount of HRK 109,454,544.00 in the same period of 2016, as a result

of decreased loan liabilities owed to financial institutions.

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 7,629,819.06 due to a change in the method of financing of a part of long-term investments from operating into the financial leasing this year.

9. In the observed fiscal period, the value of assets increased by 4% or HRK 13,740,026.57, that is, from HRK 320,804,505.88 as much as it amounted in the second quarter of 2015 to a total of HRK 334,544,532.45 in 2016 and mainly through a change of financing long-term investments by means of financial leasing in the amount of HRK 7,629,819.06.

We should also emphasize that the value of assets increased by changing the financing of one portion of the long-term investments by means of financial leasing in the amount of HRK 7,629,819.06.

10. 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 of 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 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. The share capital of the Company increases from the amount of HRK 150,857,300.00 to the amount of HRK 159,085,880.00, in a way that the nominal amount for each of total 274,286 shares increases by HRK 30.00 in a way that after the increase, each share has a nominal amount of HRK 580.00.

11. In the first quarter of 2016, the equity grew by 22% or HRK 39,867,931.74 or the amount from HRK 185,222,056.71 as much as it amounted in the second quarter of the year 2015 to HRK 225,089,988.45 in the same period of the year 2016.

12. The growth in the market capitalization by 51.23% or HRK 102,208,542.86 from the amount of HRK 199,508,800.00 in the second quarter of 2015, to the amount of HRK 301,717,342.86 in the same period in 2016.



13. The growth in total share turnover by 472.83%, from HRK 897,486.14 as much as it amounted in the second quarter of 2015, to the amount of HRK 5,141,056.96 realized in the same period in 2016.

14. The growth in average price of shares by 34.05% from HRK 812.20 as much as it amounted in the second quarter of the year 2015 to HRK 1,088.75 in the same period of 2016, while at the same time in the observed period, the average daily Company's share turnover increased by 612.17%, that is, from the amount of HRK 19,510.57 to the amount HRK 138,947.49 as much as it amounted in the first six months of this fiscal year.

15. In the observed accounting period the highest achieved share price in the amount of HRK 1,150.00 per share compared to the same period in 2015 is a growth by 37% when the highest share price amounted to HRK 840.00.

16. The continuation of ongoing investments in the accommodation facilities, improvement of services, offer and amenities in all sectors of the company, of which we especially emphasize the finalization of the reconstruction of first phase of the nautical tourism port Marina Kornati, the purchase of new mobile homes for the camping sector, expansion of the capacities in the hospitality facilities and

restaurants. Regarding the hotel sector, we need to emphasize the refurbishment of the shared public areas and accommodation units and other activities aimed at improving the accommodation facilities, products and services in the total amount of HRK 17,806,647.27. Direct investments mainly financed by own funds are evaluated at HRK 9,315,414.66, while one portion was financed by leasing, based on conversion of the operating into financial leasing in the amount of HRK 8,491,232.61.

17. 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, docks with all accompanied installations, not only in the inland part, but also in the part of pontoon and with the entire dock 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 20th October 2015.

18. The devised publication Business model of corporate social responsibility from 2000 to 2015 showing 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 non-financial reporting institute as a significant contribution 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, operations and reporting by companies.

19. 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, pro-

essional 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 specialists 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 county of Zadar and gourmet travel.

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 DIN 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 stipulated the compliance with the Green Key criteria.





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### 3. GENERAL DETAILS

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 already 59 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 caffe bar, Aquatic Centar with the hospitality facility and event ship “Nada”, a floating convention center with multifunctional purposes, 36m in length and a capacity to accommodate 180 persons.

Its business is based on providing services by using its capacities (hotel, nautica, 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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## 4. 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.

**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 harbor 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 the nautical tourism development.

**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 and catering facility with bleachers with the capacity of 4,000 seats and a terrace of 1,000 m<sup>2</sup>, whereby it is a center for holding almost all sports, entertaining and dance events in the City Biograd na Moru.

**Year 1991** | By merger 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 Privatisation 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 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 in a short period, the Open Days grew into a boat event - Biograd Boat Show.

Since 2004 Biograd Boat Show is organized as the first autumn boat show in Croatia.

**1999 – 2016** | During this period, that is, by 30th June 2016, the Company has invested HRK 362,959,046.64 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 of the total revenues and newly created value in the mentioned period in the amount of HRK 587,178,878.88.

**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 of the Stock Exchange, since the quotation of public joint stock companies was cancelled.

**Year 2014** | The market was presented the event yacht "Nada" 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 company for mandatory pension fund management, 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 market of the Zagreb Stock Exchange which will contribute to even greater transparency and openness of the company to all of its stakeholders, particularly investors, both domestic and international capital markets.

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## 5. 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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## 6. COMPANY'S SUBSIDIARIES

The Company has two subsidiaries in 100% ownership:  
ILIRIJA GRAĐENJE d.o.o.  
ILIRIJA NAUTIKA d.o.o.  
(not active in business)

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## 7. AFFILIATED COMPANIES

Arsenal Holdings d.o.o., Perivoj Gospe od Zdravlja 1, Zadar, Company Tax Number - OIB: 59794687464, holds 178.629 shares in the Company, which accounts for 65.13% of the shares in the share capital of the Company, and the same number of votes in the Shareholders' Assembly.

The parent 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 4.36% shares in the share capital of the company Ilirija d.d.



## 8. OWNERSHIP STRUCTURE OF THE COMPANY AS AT 30/06/2016 AND TRADING IN THE COMPANY'S SHARES AT THE ZAGREB STOCK EXCHANGE

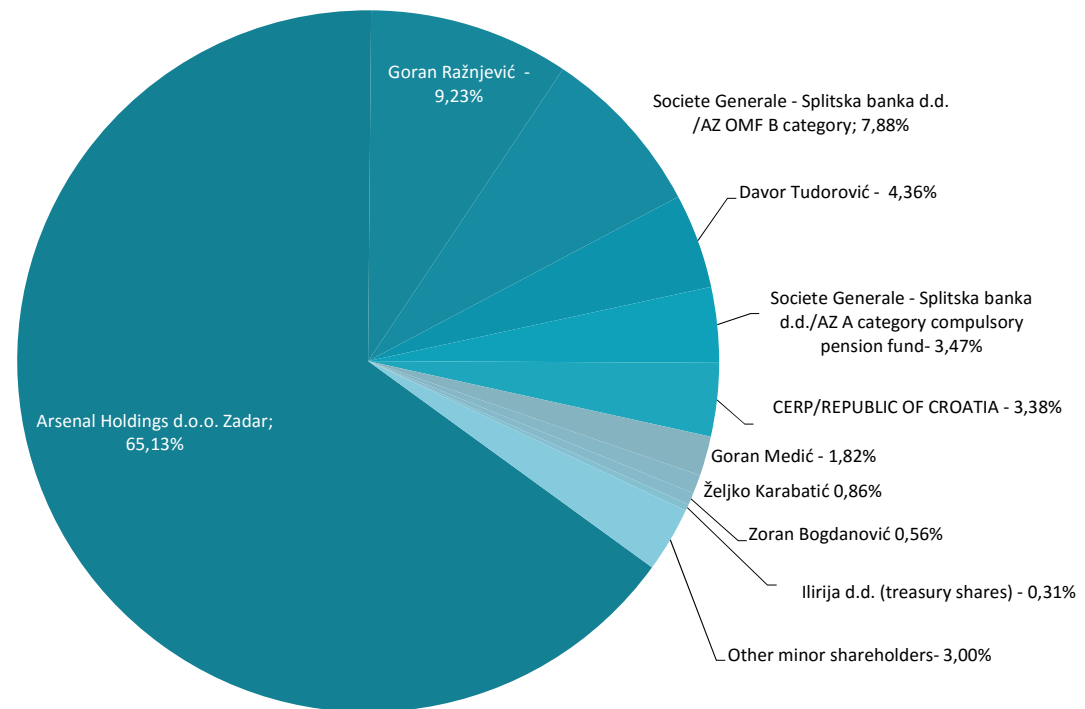
The share capital of the Company is HRK 150,857,300.00 and is divided in 274,286 ordinary shares with nominal value of HRK 550,00.

During the period from 01/01 to 30/06/2016 there occurred no significant change in the ownership structure, and an overview given in the below text shows the ten major shareholders of the Company as at 30th June 2016.

Overview of the ten major shareholders of the Company as at 30/06/2016:

Owners- Shareholders	Number of shares	Share in %
Arsenal Holdings d.o.o. Zadar	178.629	65,13
Goran Ražnjević	25.317	9,23
Societe Generale - Splitska banka d.d./AZ OMF B category	21.600	7,88
Davor Tudorović	11.968	4,36
Societe Generale - Splitska banka d.d./AZ A category compulsory pension fund	9.529	3,47
CERP/Republic of Croatia	9.275	3,38
Goran Medić	5.000	1,82
Željko Karabatić	2.372	0,86
Zoran Bogdanović	1.529	0,56
Ilirija d.d. (treasury shares)	859	0,31
Other minor shareholders	8.208	3,00
<b>TOTAL</b>	<b>274.286</b>	<b>100,00</b>

## Ownership structure of the Company as at 30th June 2016



## TRADING IN SHARES OF THE COMPANY ON THE CROATIAN CAPITAL MARKET IN THE YEAR 01/01 - 30/06/2016:

(amounts in HRK)	I-VI 2016.	I-VI 2015	% change
Total turnover	5.141.056,96	897.486,14	472,83%
Average share price	1.088,75	812,2	34,05%
Average turnover per transaction	59.779,73	10.813,09	452,85%
Average daily turnover	138.947,49	19.510,57	612,17%
Last share price	1.100,01	800,00	37,50%
Market capitalization	301.717.342,86	199.508.800,00	51,23%

In the period from 01/01 to 30/06/2016 a total of 4,722 shares of the Company was traded in, which compared to the same period in the previous fiscal year, when a total of 1,105 shares was traded in, represents a growth of physical share turnover by 327.33%. In the first six months a total turnover in the amount of HRK 5,141,056.96 was realized compared to the same period in 2015, when a turnover was realized in the amount of HRK 897,486.14, which is an increase by 472.83%. An average price per share in the amount of HRK 1,088.75 was realized, which compared to the same period in 2015, when the average share price amounted to HRK 812.20, is an increase by 34.05%.

The highest single price per share was achieved in the amount of HRK 1,150.00 per share compared to the same period in 2015, when the highest share price amounted to HRK 840.00 which is an increase by 36.90%.

Comparing the most recent share price in the observed period in 2016, which amounted to HRK 1,100.01, it achieved an increase by 38% compared to last share price realized in the same period in 2015, which amounted to HRK 800.00. The market capitalization of the Company amounted to HRK 301,717,342.86 which compared to the comparative period in 2015, when the market capitalization amounted to HRK 199,508,800.00, is an increase



by 51.23% or HRK 102,208,542.86.

In the reporting period, the Company acquired 135 treasury shares and on 30/06/2016 it holds 859 treasury shares, which make for 0.31% of the share in the share capital and the same percentage of votes in the Shareholders' Assembly.

The first half of the year 2016 is marked by the reduced scope of regular trading in the shares in the Zagreb Stock Exchange, listed on the regulated market, compared to the same period last year. In the first semi-annual period in 2015 the turnover in all shares was realized in the amount of HRK 1,004,775,265, whereas in the first half of the year 2016 the turnover was realized in the amount of HRK 763,936,417, that is, it decreased by 24%. In this way the period of low levels of regular turnover in shares on the Stock Exchange continues, which is 10 times lower than what it was in the record year 2007. The growth in turnover was achieved in the segment of block transactions (HRK 760,620,964 compared to HRK 257,329,503 in 2015).

The value of CROBEX index as at 30th June 2016 decreased compared to the value as at 1st January 2016 by 0.8%, while the index CROBEXTURIST decreased by 3.2%. In the same period, the share price ILRA-R-A increased by 10% (from the amount of HRK 1,000.00 to HRK 1,100.01). In this way, we can see the continuation of the 2015 trend, indicating a rise

in the exchange rate of the share ILRA-R-A more than the movement of the average exchange rate of the shares of the companies in the same industry, indicated through the index CROBEXTURIST, and more than CROBEX index which in the first half of 2016 recorded a decline.

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









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## 9. COMPANY'S CAPACITIES

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 Polači (diffuse hotel Ražnjevića dvori\*\*\*\*), 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 conference halls and meeting rooms intended for conferences, seminars, presentations, workshops and meetings, there are 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 the Ilirija Resort classified as a four star hotel, with a capacity of 165 rooms and 337 beds, which includes a restaurant with 200 seats, terrace with 70 seats and aperitif bar with 50 seats. Located by the sea, close to the old town, is surrounded by the beautiful nature, sea and pinewood and numerous amenities as well.

**HOTEL KORNATI** classified as a four star hotel, with the capacity of 106 rooms and 216 beds, a restaurant with 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 three star hotel, with capacity of 100 rooms and 210 beds, a restaurant with capacity for 230 persons, a terrace for 300 people and a bar with a capacity for 110 people. Located in a pinewood, almost right on the beach with Aquatic center right next to it, hotel is ideal for family entertainment and for a range of attractive sea summer activities.

**HOTEL VILLA DONAT** located in St. Filip i Jakov is classified as a three star hotel or Villa with 16 superb and modern rooms, classified as a four star hotel, while the annex is classified as a three star hotel. The total has a total capacity of 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 farm building. 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 marina in Croatia (Hotel port Ilirija-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 Ilirija-Kornati, in which the Company has 805 berths on sea and land, which in one day can accept up to 2,000 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 more than 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.

**ILIRIJA D.D.** is the organizer of the leading boat show in Croatia "BIOGRAD BOAT SHOW" which has been continually held in Marina Kornati for 17 years in a row.

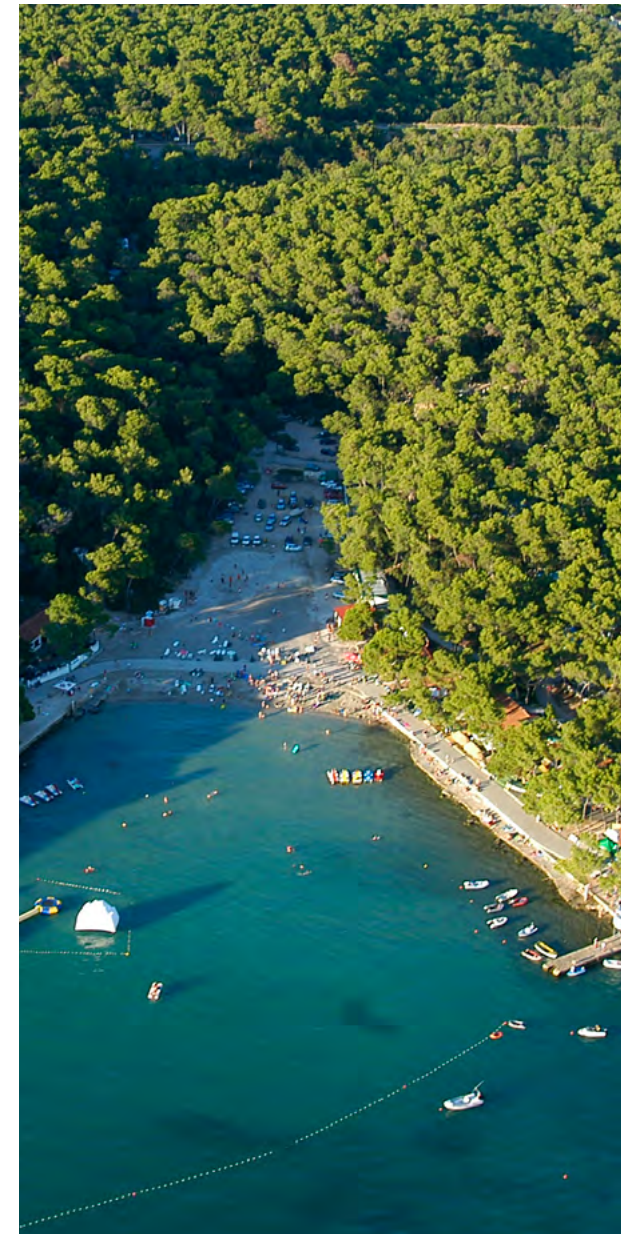


## KAMP PARK SOLINE

**KAMP 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:

*"Tennis center 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 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 BOAT „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 Event boat Nada which adapts to the requirements of an individual customer.

## 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 I 307**

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:

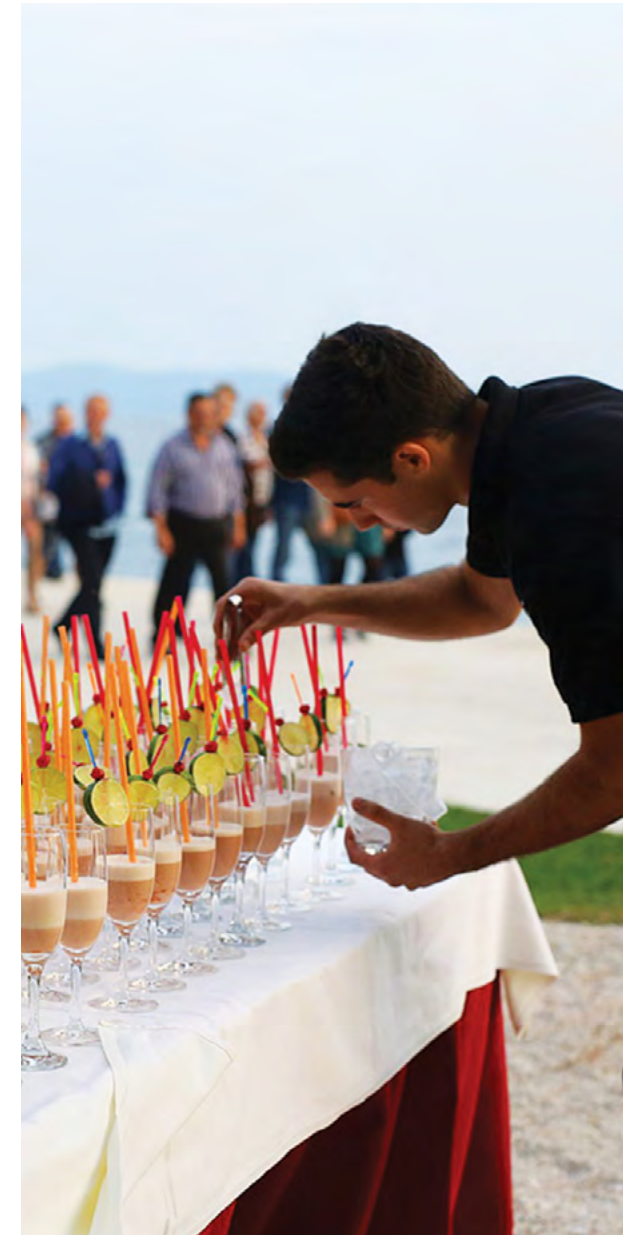
Restaurant *"Marina Kornati"*, located in Marina Kornati, having the capacity for over 350 persons, which together with the recently refurbished Captain's Club having the capacity to accommodate 70 persons, or with the overall capacity for 420 persons meets the requirements of boaters for holding various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

ern with a fireplace, coffee bar and taps of wine decorated as a wine cellar, which offers the possibility of buying and tasting top quality red and white wines produced from 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, which is now classified as a beach catering 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.).









**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 fairs which takes place on the water and brings together all the key representatives of the boating 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 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 autumn 2004 Biograd Boat Show has been organized as an autumn fair, which has contributed to the improvement of nautical offer and extension of the tourist 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 fairs 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 fair organizer, but also the Croatian boating industry and tourism.

Today the leading international autumn boat show has become major Croatian boat event. From its early beginnings the fair 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 stakeholders, and now long-term exhibitors and partners, we have developed Biograd Boat Show by listening to their needs, keeping up with trends in the boating and fair 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 2015 the fair was attended by over 307 registered exhibitors that participated with 300 vessels, while

the number of visitors surpassed 15,000 with over 2000 realized business visits.





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## 10. OPERATING RESULTS

### PHYSICAL OPERATING RESULTS

The forecasted and the expected physical operating results realized in the early period of pre-season (April-May), especially in the nautical and hospitality sector as a result of a combination of target marketing campaigns, competitive and sustainable pricing policy and additional complementary offer through the destination management company Iliria Travel, continued to be achieved in June as well. In the observed period, the camping sector, as well as the rest of the camping sector in the country records a decline in a number of overnight stays as a consequence of its pronounced seasonality and as a consequence of being greatly affected by weather conditions, which were highly negative in June, accompanied by an inappropriate distribution of holidays and an early Easter.

In the first six months of the year 2016, by making continuous investments especially high investments in the nautical sector and in part of providing the services regarding the reception of vessels and the entire supporting infrastructure, improvement of the quality of the accommodation in the hotel sector and camping sector (mobile homes), regardless of the decline in physical turnover in the camping sector in the first six months of this year, the current state of booking and sales for the third and fourth quarter of the year 2016 show a satisfactory occupancy rate and the realization of the physical turnover which was realized in 2015, which was a record year for the Company as a whole, as well as the realization of the forecasted physical turnover in 2016.

## HOSPITALITY SECTOR

In the hospitality sector, in the first six months of the year 2016, some 14,181 guests stayed in the hotels, which is 6% less than in 2015, with an average stay of 2.72 days, with a total of 38,510 overnight stays realized, which is 2% more than in the same period of the year 2015. In the first six months of 2016, longer stay of guests was recorded, which with a lower number of arrivals resulted in an increase in the number of overnight stays and hotel occupancy days.

In the first half of the year, the Ilirija hotel is the leader in the proportion of overnight stays with 50%, followed by Kornati hotel with 25% and Adriatic hotel with 18% and Villa Donat with 6%. Adriatic hotel and Kornati hotel are traditionally equally occupied in this period as in 2015, while in the Adriatic hotel we record a significant growth in occupancy rate in comparison to the year 2015 due to the increase in the proportion of congress segment, as well as allotments with longer stays. Hotel Villa Donat records a decreased occupancy during this period because the hotel traditionally begins with the work later than other hotels, and in 2015 it was opened earlier for

the extraordinary one-year event "Vespa World Days" which took place in the region.

In the structure of overnight stays, the five top source markets represented are (1) the German market with a share of 14.56% overnight stays, (2) the Croatian market with a share of 11.82 % overnight stays, (3) the Austrian market with a share of 10.92% overnight stays (4) the South Korean market with a share of 10.91% overnight stays and (5) the Slovenian market with a share of 8.74% overnight stays. Out of the major markets, which record an increase are: Germany 5%, South Korea 15%, France 29%, those which record higher volume in the group segment are in particular the Scandinavian countries, Finland 140% and Sweden 58%, that in 2014 had a significant share in the pre-season overnight stays, which almost completely lacked in 2015 and due to the continuous effort made in the contracting process they reoccurred in 2016 by establishing new air links of the Scandinavian regions with the Zadar region.

The hospitality sector revenues increased by 3% compared to the same period of the year 2015 of which the revenue generated only from the hotel business

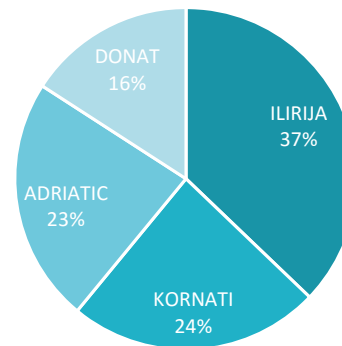
increased by 1%, while individual extra-board facilities record a more significant growth due to the increase in share of business events related to the hotel accommodation and accompanying hospitality and catering services.

The total revenue per room sold for the first six months in the hospitality sector in 2016 equals the revenue generated in the last year and amounts to EUR 78.77, or HRK 594.47, 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 along the Croatian region of the Adriatic sea. Taking into account other revenues earned in the hospitality segment or business establishments as a part of the hospitality 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 amounts to EUR 84.62, that is, HRK 638.59 which is an increase by 1.2% compared to the same period in the year 2015.

## Hotel sector capacities

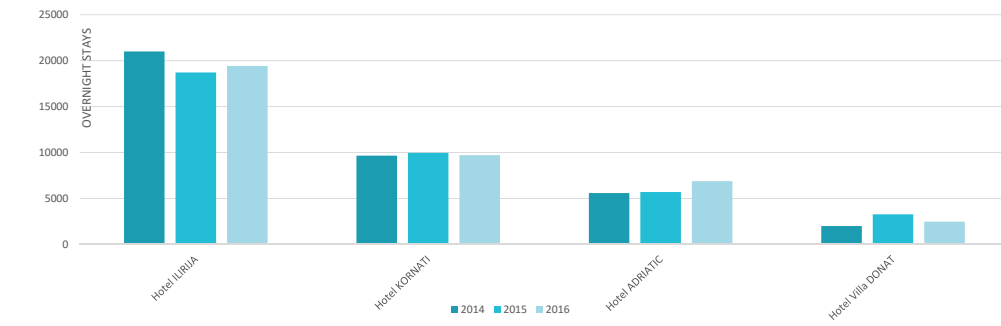
	NUMBER OF ROOMS				NUMBER OF BEDS			
	2014	2015	2016	INDEX 16/15	2014	2015	2016	INDEX 16/15
Hotel ILIRIJA	165	165	165	1,00	337	337	337	1,00
Hotel KORNATI	106	106	106	1,00	216	216	216	1,00
Hotel ADRIATIC	100	100	100	1,00	210	210	210	1,00
Hotel Villa DONAT	72	72	72	1,00	144	144	144	1,00
TOTAL	443	443	443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

% Share of individual hotel (number of beds)

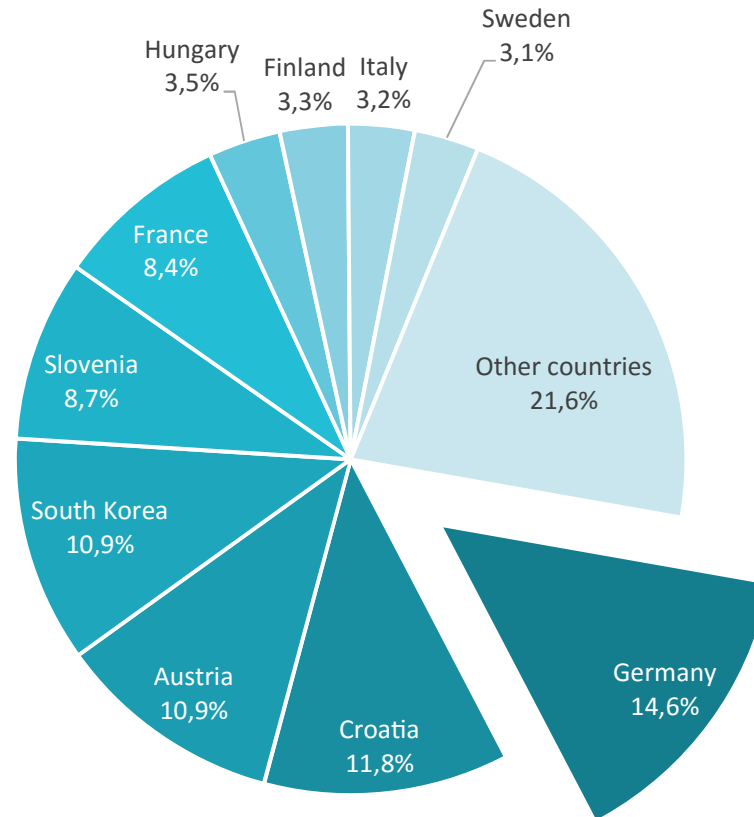


Arrivals and overnight stays in the period from 01/01/2016 to 30/06/2016 and the comparison with the same period in 2014 and 2015

HOTEL INDUSTRY								
PROFIT CENTER	ARRIVALS			INDEX	OVERNIGHT STAYS			INDEX
	2014	2015	2016	16 / 15	2014	2015	2016	16 / 15
Hotel ILIRIJA	8.995	8.207	7.191	88	20.996	18.717	19.420	104
Hotel KORNATI	4.186	4.368	4.439	102	9.670	9.970	9.721	98
Hotel ADRIATIC	1.468	1.823	1.962	108	5.593	5.704	6.890	121
Hotel Villa DONAT	646	659	589	89	2.014	3.279	2.479	76
<b>TOTAL</b>	<b>15.295</b>	<b>15.057</b>	<b>14.181</b>	<b>94</b>	<b>38.273</b>	<b>37.670</b>	<b>38.510</b>	<b>102</b>



## Overnight stays - Emissive markets





## Capacity occupancy rate for the period from 01/01/2016 to 30/06/2016 and the comparison with the same period in 2015

## Percentage share

MONTH	ILIRIJA					KORNATI					ADRIATIC					DONAT					GRANDTOTAL				
	Total rooms	2014	%	2015	%	Total rooms	2014	%	2015	%	Total rooms	2014	%	2015	%	Total rooms	2014	dani	2015	%	Total rooms	2014	%	2015	%
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%
TOTAL	29.865	10.161	34,02%	10.274	34%	19.186	5.524	28,79%	5.244	27,33%	18.100	2.781	15%	3.682	20,34%	13.032	1.623	12%	1.242	10%	80.183	20.089	25,05%	20.442	25,49%

## Capacity occupancy rate for the period from 01/01/2016 to 30/06/2016 and the comparison with the same period in 2015

## Occupancy days

MONTH	ILIRIJA					KORNATI					ADRIATIC					DONAT					GRANDTOTAL				
	Total rooms	2014	days	2015	days	Total rooms	2014	days	2015	days	Total rooms	2014	days	2015	days	Total rooms	2014	days	2015	days	Total rooms	2014	days	2015	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
TOTAL	29.865	10.161	62	10.274	62	19.186	5.524	52	5.244	49	18.100	2.781	28	3.682	37	13.032	1.623	23	1.242	17	80.183	20.089	45	20.442	46

## Monthly comparison of revenues/overnight stays for the period from 01/01/2016 to 30/06/2016 and the comparison with the same period in 2015

MONTH	ILIRIJA d.d. - HOTEL INDUSTRY - GRANDTOTAL														
	GENERATED REVENUES			PLANNED REVENUES		OVERNIGHT STAYS			PLANNED OVERNIGHT STAYS		AVER. PRICE IN HRK		AVER. PRICE IN €		
	2015	2016	INDEX	2016	INDEX	2015	2016	INDEX	2016	INDEX	2015	2016	2015	2016	INDEX
JANUARY	504.665,66	458.980,79	0,91	306.930,00	1,50	1.159	1.442	1,24	713	2,02	435,43	318,29	56,59	41,57	0,73
FEBRUARY	123.508,47	334.933,36	2,71	194.982,00	0,00	493	701	0,00	572	1,23	0,00	0,00	0,00	0,00	0,00
MARCH	494.898,88	642.780,24	1,30	622.565,00	1,03	2.184	2.274	1,04	2.392	0,95	226,60	282,67	29,64	37,57	1,27
APRIL	1.423.601,41	1.480.970,56	1,04	1.437.792,00	1,03	5.127	4.660	0,91	5.257	0,89	277,67	317,80	36,58	42,50	1,16
MAY	2.987.906,32	3.118.310,35	1,04	3.291.677,00	0,95	10.474	11.226	1,07	11.961	0,94	285,27	277,78	37,63	37,10	0,99
JUNE	6.485.413,33	6.116.130,92	0,94	6.130.987,00	1,00	18.231	18.207	1,00	17.768	1,02	355,74	335,92	46,93	44,71	0,95
JULY	9.366.733,66	0,00	0,00	10.478.994,00	0,00	30.361	0	0,00	30.170	0,00	308,51	#DIV/0!	40,64	#DIV/0!	#DIV/0!
AUGUST	10.573.838,57	0,00	0,00	11.991.886,00	0,00	30.022	0	0,00	30.527	0,00	352,20	#DIV/0!	46,63	#DIV/0!	#DIV/0!
SEPTEMBER	6.973.430,48	0,00	0,00	5.864.715,00	0,00	18.171	0	0,00	18.902	0,00	383,77	#DIV/0!	50,19	#DIV/0!	#DIV/0!
OCTOBER	3.260.914,46	0,00	0,00	2.966.853,00	0,00	10.838	0	0,00	11.551	0,00	300,88	0,00	39,59	0,00	0,00
NOVEMBER	463.418,09	0,00	0,00	312.890,00	0,00	2.011	0	0,00	2.003	0,00	230,44	0,00	30,20	0,00	0,00
DECEMBER	768.552,30	0,00	0,00	766.012,00	0,00	1.572	0	0,00	360	0,00	488,90	0,00	64,03	0,00	0,00
<b>TOTAL</b>	<b>43.426.881,63</b>	<b>12.152.106,22</b>	<b>0,28</b>	<b>44.366.283,00</b>	<b>0,27</b>	<b>130.643</b>	<b>38.510</b>	<b>0,29</b>	<b>132.176</b>	<b>0,29</b>	<b>332,41</b>	<b>315,56</b>	<b>43,63</b>	<b>41,81</b>	<b>0,96</b>
30.06.2016.	12.019.994,07	12.152.106,22	1,01	11.984.933,00	1,01	37.668	38.510	1,02	38.663	1,00	319,10	315,56	42,09	42,15	1,00

Revenues per sold room 2016. 594,47 kn 78,77 €

Revenues per sold room 2015. 598,34 kn 78,53 €

Lavander 1.120.588,98 191.248,60 0,17 1.227.285,00 0,16

30.06.2016. 247.478,68 191.248,60 0,77

Bazen 2.599.501,79 545.628,66 0,21 2.932.604,00 0,19

30.06.2016. 241.286,98 545.628,66 2,26

Tenis centar 269.271,03 126.683,62 0,47 329.664,00 0,38

30.06.2016. 145.362,69 126.683,62 0,87

Beach bar 428.130,98 38.360,83 0,09 431.318,00 0,09

30.06.2016. 20.647,94 38.360,83 1,86

**TOTAL: 47.844.374,41 13.054.027,93 0,27 49.287.154,00 0,26**

**30.06.2016. 12.674.770,36 13.054.027,93 1,03**

Revenues per sold room - 2015: 630,93 kn 82,80 € Index

Revenues per sold room - 2016: 638,59 kn 84,62 € 1,022



## ILIRIJA TRAVEL – COMPLEMENTARY PRODUCT

In the reporting period from 01/01 to 30/06/2016, through the system and organization of the destination management company (DMK) Ilirija Travel, including the other profit centers of Ilirija d.d., we recorded the realization of over 86 individual events; special programs, conferences, congresses, weddings, banquets and similar events, with a total number of over 18,316 guests, that generated HRK 3,305,167.43 in revenues, which is a result of the new product activity of Ilirija Travel as the integrated product of the Company.



## 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 contractual berth 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 first six months of the year 2016, some 684 contracts on the use of berths were concluded, of which 423 contracts for individual vessels, which make up for 62% of total vessels in Marina Kornati, which is a growth of vessels on a contractual basis by 1% of the total number of vessels compared to the same period in 2015, while at the same time 256 charter boats that make up for 38% of the total number of vessels were contracted. Compared with the same period of 2015, there is a lower number of contracted contractual berths as a result of the conclusion of a large number of contracts for a shorter period of time mainly concluded with local customers and we also recorded 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. This did not affect the revenues from the contractual berth which, compared to the same period in 2015 increased by 2% as a result of a change in the structure of vessels or an increase in the number of larger vessels.

In the segment of transit berths, we recorded 1,088 of inbound vessels sailing into the port, having a berth in other marinas, which is an increase by 14% compared to the year 2015 when during the same period some 954 vessels sailed into the port, which realized 4,014 vessel overnight stays or which is an increase by 4%, while 3,867 overnight stays were realized in the same period in 2015. The increase in the physical turnover of vessels in transit is the result of a change of trend among sailors who instead of choosing a seasonal berth chose a multi-day transit berth.

1,981 port repair and platform operations were performed, which compared to the same period in 2015 is a decrease by 6% as a result of poor weather conditions in the first quarter of the current 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 me-

ters. 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 3% compared to the same period last year due to the changed structure of the vessels, that is, servicing a larger number of longer vessels.

In the observed period, some 18 regatta racing events took place, where 695 vessels participated with a total of 8,234 sailors, which remained at the same level as in 2015, whereas in comparison to the previous year, the far most important regatta racing event judging by its financial parameters of business operations (revenues and profits) will not take place, which is Engineering Challenge Cup (ECC) in duration of seven days, which would be attended by about 350 persons, with 55 vessels where each team represents one of the world's engineering companies. This regatta racing event as a complex tourism product where the Company, as an organizer of the whole event, organizes numerous services and facilities for customers (reservation of charter boats, reservation of transit berths in the marinas, gala dinners, evening entertainment, entrance fees for national

parks, hotel accommodation, transfers, referee team in collaboration with the Yacht Club Biograd and complete service and logistics), where the winner decides on the venue, generated a revenue of HRK 1,667,964.93 in 2015, which will not be generated in the total revenues of the nautical sector (in revenues from berth and food and beverage services) for the first six months of 2016.

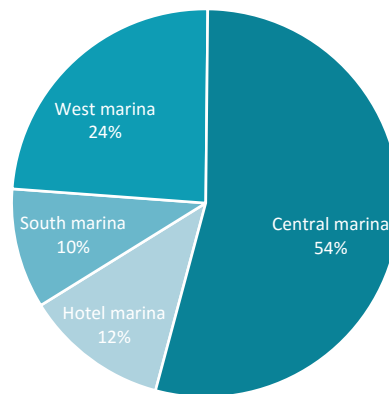
The eighteenth Biograd Boat Show will take place from 23rd to 26th October 2016, which due to much earlier start of the sale and reservation of the exhibition space, with a rise in prices by 6%, with 320 expected exhibitors will exceed the results achieved in 2015. The jubilee eighteenth organization of the largest vessel fair in Croatia and the leading Central European nautical vessel fair organized on the water introduces additional novelties as result of monitoring and leading the trends in nautical tourism and industry, especially in the part of the growing charter offer, where Biograd Charter Show has become Charter Info Centre due to the huge interest by charter companies with the congress room in Hall B at which 30 yacht charter companies participated in the previous fiscal year, with over 1,400 vessels on offer, as well as service providers such as skipper agency, booking systems and nautical media.



## Marina Kornati capacities

	Length of piers/m	Number of berths	Dry berth	Total number of berths
Central marina	923	365	70	435
Western marina	262	190	0	190
Southern 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 berths



Cumulative overview of physical turnover of Marina Kornati during the period from 01/01/2016 to 30/06/2016 and comparison with the same period in 2015

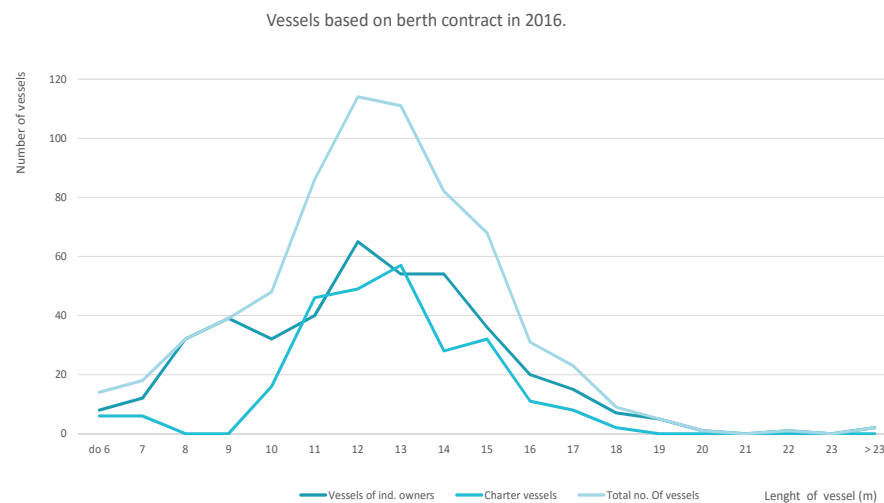
Physical turnover positions		Months 2015											
Name of position	Measurement unit	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
Contracted berth- individual	Contracted vessel	126	293	340	381	401	424	0	0	0	0	0	0
Contracted berth-charter	Contracted vessel	0	2	14	258	265	268	0	0	0	0	0	0
<b>TOTAL Contracted 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>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Tranzit berth-sailing in port	Sailing in port	6	16	60	172	528	954	0	0	0	0	0	0
Tranzit berth-overnight stay of vessel	Boat/day	152	388	878	1.645	2.745	3.867	0	0	0	0	0	0
Tranzit berth-overnight stay of vessel crew	Overnight stay of a person												
Port servis	Operation	135	403	798	1.225	1.677	2.108	0	0	0	0	0	0

Physical turnover positions		Months 2016											
Name of position	Measurement unit	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
Contracted berth- individual	Contracted vessel	118	283	352	373	406	423	0	0	0	0	0	0
Contracted berth-charter	Contracted vessel	2	3	19	245	255	261	0	0	0	0	0	0
<b>TOTAL Contracted berth-</b>	<b>Contracted vessel</b>	<b>120</b>	<b>286</b>	<b>371</b>	<b>618</b>	<b>661</b>	<b>684</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Tranzit berth-sailing in port	Sailing in port	5	13	42	171	578	1088	0	0	0	0	0	0
Tranzit berth-overnight stay of vessel	Boat/day	200	418	805	1.560	2.722	4.014	0	0	0	0	0	0
Tranzit berth-overnight stay of vessel crew	Overnight stay of a person												
Port servis	Operation	95	300	605	1.033	1.503	1.981	0	0	0	0	0	0

Vessels with berth contract in period from 01/01/2016 to 30/06/2016 and comparison with the same period in 2015

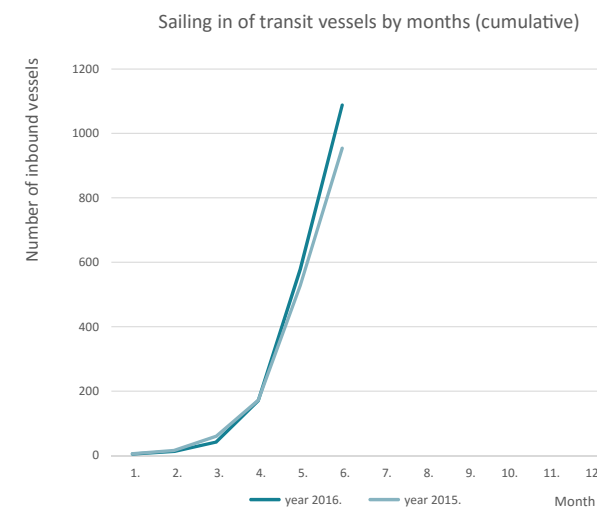
Purpose	Type of berth	Position of berth	Total	% total	Total	% total	Index
			2016	vessels	2015	vessels	
Vessel of individual owners	Annual berth in sea	Central aquatorium	295	43	316	41	93
		South aquatorium	59	9	76	10	78
		Western aquatorium	3	0	5	1	60
		Hotel harbor	37	5	36	5	103
	Annual berth on land	marina land	4	1	6	1	67
	Sesonal berth in sea	Marina aquatorium	14	2	15	2	93
		Hotel harbor	11	2	15	2	73
	<b>Total</b>	<b>423</b>	<b>62</b>	<b>469</b>	<b>61</b>	<b>90</b>	
CHARTER vessels	Annual berth in sea	Central aquatorium	59	9	61	8	97
		South aquatorium	0	0	9	1	0
		Western aquatorium	190	28	225	29	84
		Hotel harbor	12	2	9	1	133
	<b>Total</b>	<b>261</b>	<b>38</b>	<b>304</b>	<b>39</b>	<b>86</b>	
	<b>Total vessels 2016.</b>	<b>684</b>	<b>100</b>	<b>773</b>	<b>100</b>	<b>88</b>	





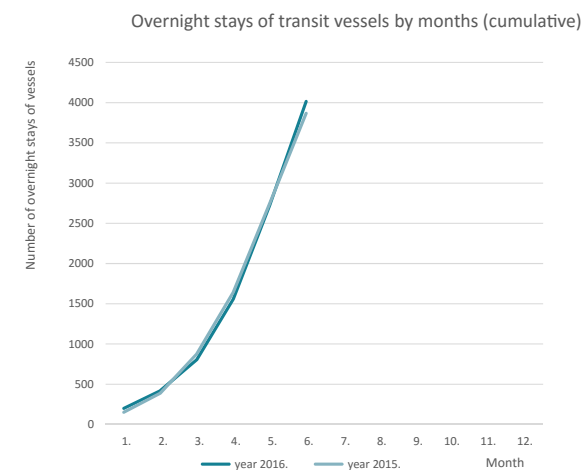
Transit berth – inbound vessels in the period from 01/01/2016 to 30/06/2016 and comparison with the same period in 2015

2016. Months	Individually by months			Cumulative by months		
	2016	2015	INDEX	2016	2015	INDEX
	2016/15			2016/15		
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.	0	0	0	0	0	0
8.	0	0	0	0	0	0
9.	0	0	0	0	0	0
10.	0	0	0	0	0	0
11.	0	0	0	0	0	0
12.	0	0	0	0	0	0
Total 2016	1.088					
Total 2015		954				
Index 2016/15	114					



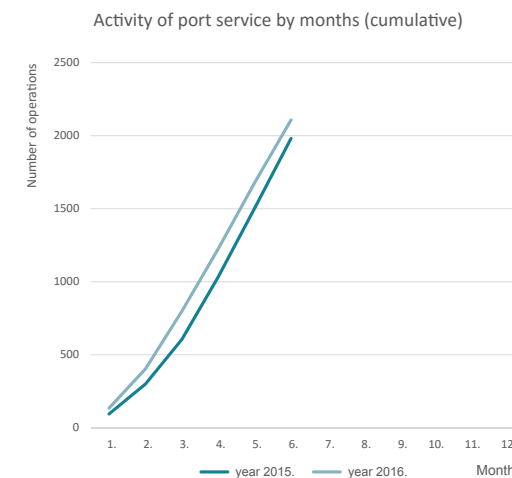
Transit berth–overnight stay of vessels in the period from 01/01/2016 to 30/06/2016 and comparison with the same period in 2015

2016	Individually by months			Cumulative by months		
	2016	2015	INDEX	2016	2015	INDEX
Months	2016/15			2016/15		
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.	0	0	0	0	0	0
8.	0	0	0	0	0	0
9.	0	0	0	0	0	0
10.	0	0	0	0	0	0
11.	0	0	0	0	0	0
12.	0	0	0	0	0	0
Total 2016	4.014					
Total 2015		3.867				
Index 2016/15			104			



Port service operations in the period from 01/01/2016 to 30/06/2016 and comparison with the same period in 2015

2016	Individually by months			Cumulative by months		
	2016	2015	INDEX	2016	2015	INDEX
Months	2016/15			2016/15		
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.	0	0	0	0	0	0
8.	0	0	0	0	0	0
9.	0	0	0	0	0	0
10.	0	0	0	0	0	0
11.	0	0	0	0	0	0
12.	0	0	0	0	0	0
<b>Total 2016</b>	<b>1.981</b>					
<b>Total 2015</b>	<b>2.108</b>					
<b>Index 2016/15</b>	<b>94</b>					





## Revenues of Marina Kornati in the period from 01/01/2016 to 30/06/2016 separately by months and comparison with the same period in 2015

REVENUES OF MARINA KORNATI 2016 SEPARATE BY MONTHS																
Revenue positions		Months 2016												2016	2015	Index
		1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	cumulat.	total	2015./14.
I	Daily berths	72.419	52.067	80.927	135.568	280.823	372.261	0	0	0	0	0	0	994.065	963.980	103
II	Contracted berth with accessories	4.388.719	5.622.733	2.455.402	4.067.008	2.811.079	785.893	0	0	0	0	0	0	20.130.834	19.794.711	102
III	Port service	117.793	231.835	311.397	454.035	411.645	421.480	0	0	0	0	0	0	1.948.185	1.896.962	103
IV	Vehicle parking lot	1.472	4.833	22.264	112.397	210.145	231.944	0	0	0	0	0	0	583.055	591.121	99
V	Other services	4.352	58.839	23.155	71.151	64.593	50.823	0	0	0	0	0	0	272.913	299.888	91
VI	Business cooperation	0	0	0	1.082.859	4.500	1.313	0	0	0	0	0	0	1.088.672	1.104.045	99
VII	Boat fair and events	0	0	0	0	0	0	0	0	0	0	0	0	0	1.481.292	0
<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>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25.017.725</b>	<b>26.132.000</b>	<b>96</b>

REVENUES OF MARINA KORNATI 2015 SEPARATE BY MONTHS																
Revenue positions		Months 2015												2015	2014	Index
		1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	cumulat.	total	2015./14.
I	Daily berths	34.901	45.351	88.723	167.703	314.909	312.393							963.980	2.581.969	37
II	Contracted berth with accessories	4.337.435	5.849.005	1.552.678	4.069.631	3.202.264	783.699							19.794.711	28.262.692	70
III	Port service	210.179	275.204	386.386	386.775	403.737	234.682							1.896.962	2.732.561	69
IV	Vehicle parking lot	2.424	8.136	22.023	100.866	222.990	234.682							591.121	2.050.998	29
V	Other services	4.610	55.500	45.657	30.577	61.135	102.410							299.888	539.100	56
VI	Business cooperation	0	11.836	0	1.055.064	18.235	18.910							1.104.045	2.246.836	49
VII	Boat fair and events	0	9.130	5.840	0	1.462.572	3.750							1.481.292	1.990.201	74
<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>1.690.526</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26.132.000</b>	<b>40.404.356</b>	<b>65</b>



## CAMPING

In the first six months of 2016, some 8,280 arrivals were recorded in the camping sector, which is a fall by 10.8% compared to the same period last year as a result of unfavorable holiday distribution compared to the last year, and no taking place of the World Vespa Days, which event was organized last year and which eventually resulted in the reduction in the number of overnight stays by 3% compared with the same period in 2015. Although agencies and individuals record a decrease in overnight stays, a number of overnight stays with lump sum tax paying landlords by 1,16% and the number of nights in the segment of mobile homes rose by 7.44%, which resulted in a minimal reduction in the number of overnight stays by 3%.

Also, at the Croatian level, the camping sector records 7% fall in the number of overnight stays in the camping sector in the first six months, so that the camp Park Soline with -3% in overnight stays remains below the average fall of the entire sector.

Despite the fall in the number of overnight stays in the camping sector, that did not affect the revenues where the contracted and realized revenues amount to HRK 9,674,347.58, which is an increase by 2% compared to the same period last year, with the rise in revenues from the agencies by 5% as a re-

sult of an increase in the number of leased camping pitches and lump sum tax paying landlords with a rise in contracted revenues by 10%, which is a result of a higher number of leased lump sum pitches for mobile homes compared to the last year. Revenues from mobile homes and individuals are lower compared to those generated in the last year, primarily due to organizing the World Vespa Days in Biograd in the second quarter of 2015, that is, higher individual booking at those times, which meant lower agency commission and higher direct revenue. In addition, in the first six months last year, a greater number of overnight stays was realized in the month of June which meant a higher number of overnight stays at a higher price, while in 2016 higher booking was made in the month of May which means a higher number of overnight stays at a lower price.

An increase in the number of overnight stays compared to the number of arrivals has resulted in a higher average number of days of stay that in the year 2015 in the first six months was 5.55 days, while in the same period in 2016 it is 6.01 days. The highest increase in days of stay was recorded in far the most important market segments, that is, mobile homes from 5.03 to 6.07 days in the observed period and individuals from 4.78 to 5.12 days of stay for the first six months in 2016.

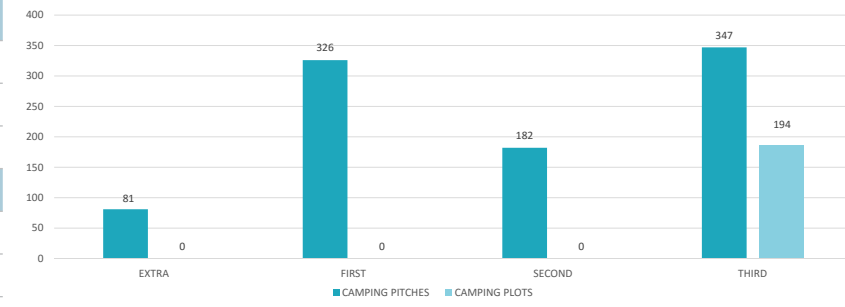
In the structure of realized overnight stays, the top five source markets are (1) the Czech market with a share of 27% overnight stays, (2) the Slovenian market with a share of 25% overnight stays, (3) the German market with a share of 14% overnight stays, (4) the Dutch market with a share of 4% overnight stays and (5) the Croatian market with a share of 7% overnight stays. In the business segment of mobile homes, the largest increase was recorded by the guests from the Polish market (57.57%), the German market (36.93%) and the Dutch market (28.98%) compared to the year 2015. In the business segments of camping units, the highest increase is recorded by the guests from the Czech market (38.36%) and the Danish market (6.62%).

At the same time, the agencies with a share of 37% dominate in the structure according to market segments, where the share of the Agency's guests increased by 1%, and the guests in mobile homes with a share of 24% overnight stays, that compared to the same period last year increased by 7.44 % as a result of targeting the more lucrative Western European source markets by their marketing and sales activities, whose guests seek a greater quality of the camping accommodation, which is a good indicator for the rest of the season.



## Capacities of the Camp Park Soline

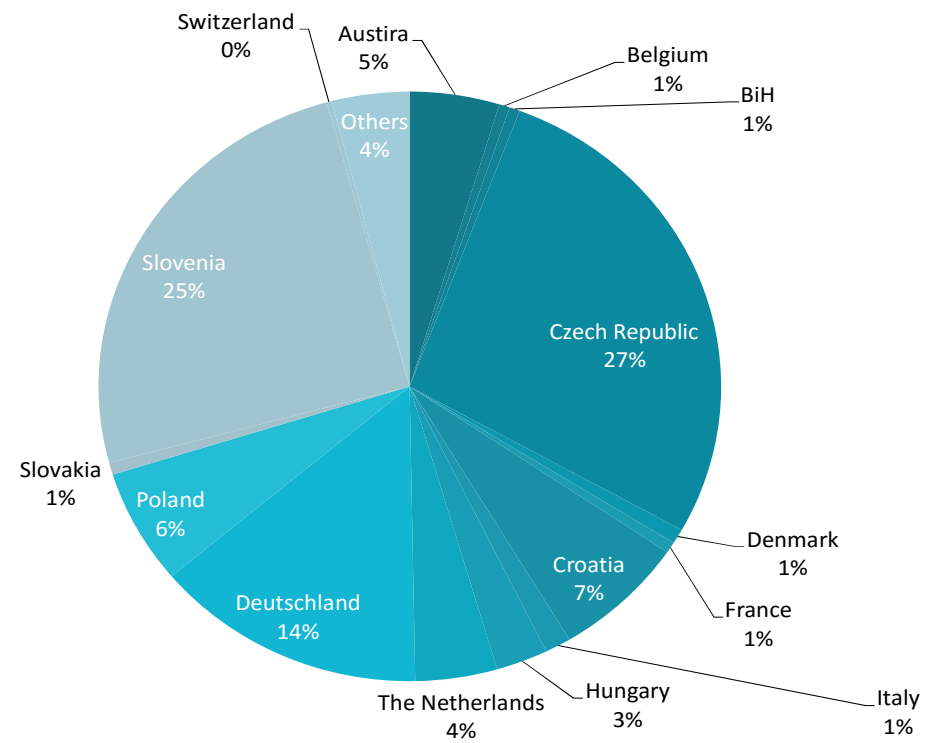
		2012	2013	2014	2015	2016
	<b>EXTRA ZONE</b>					
I.	CAMPING PITCHES	80	80	80	81	81
	CAMPING PLOTS	0	0	0	0	0
	<b>TOTAL</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>81</b>	<b>81</b>
	<b>FIRST ZONE</b>					
II.	CAMPING PITCHES	327	336	345	326	326
	CAMPING PLOTS	0	0	0	0	0
	<b>TOTAL</b>	<b>327</b>	<b>336</b>	<b>345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



## Arrivals and overnight stays by source markets and average days of stays during the period from 01/01/2016 to 30/06/2016 and comparison with the same period in 2015

COUNTRY	2016		2015		INDEX 16/15		AVERAGE STAY ( DAYS )	
	Arrivals	Overnight stays	Arrivals	Overnight stays	Arrivals	Overnight stays	2016	2015
Austria	412	2.316	514	2.938	80,16	78,83	5,62	5,72
Belgium	48	269	111	602	43,24	44,68	5,60	5,42
B&H	89	272	52	163	171,15	166,87	3,06	3,13
Czech Rep	2.009	13.597	1.837	12.537	109,36	108,45	6,77	6,82
Denmark	76	404	106	499	71,70	80,96	5,32	4,71
France	83	304	101	512	82,18	59,38	3,66	5,07
Croatia	528	3.439	651	3.439	81,11	100,00	6,51	5,28
Italy	106	665	419	1.508	25,30	44,10	6,27	3,60
Hungary	284	1.342	343	1.526	82,80	87,94	4,73	4,45
Netherlands	351	2.119	378	2.203	92,86	96,19	6,04	5,83
Germany	1.070	7.043	1.315	7.871	81,37	89,48	6,58	5,99
Poland	488	3.129	334	1.886	146,11	165,91	6,41	5,65
Slovakia	56	330	46	282	121,74	117,02	5,89	6,13
Slovenia	2.382	12.361	2.713	13.838	87,80	89,33	5,19	5,10
Switzerland	48	134	92	379	52,17	35,36	2,79	4,12
Other	250	2.010	271	1.317	92,25	152,62	8,04	4,86
<b>TOTAL</b>	<b>8.280</b>	<b>49.734</b>	<b>9.283</b>	<b>51.500</b>	<b>89,20</b>	<b>96,57</b>	<b>6,01</b>	<b>5,55</b>

## Overnight stays by source markets during the period from 01/01/2016 to 30/06/2016





## Cumulative overview of daily and monthly occupancy of accommodation units of the camp during the period from 22/04 to 30/06/2016

MONTH	APRIL				MAY				JUNE				TOTAL				
	MAXIMUM POSSIBLE PITCHES DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY	MAXIMUM POSSIBLE PITCHES DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY	MAXIMUM POSSIBLE PITCHES DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY	NUMBER OF ACCOMMODATING UNITS	MAXIMUM POSSIBLE PITCHES DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY
MOBILE ILIRIJA	1.215	207	17,04%	1,53	4.185	992	23,70%	7,35	4.050	2.008	49,58%	14,87	135	9.450	3.207	33,94%	23,76
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	213	14.910	14.910	100,00%	70,00
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	172	12.120	12.120	100,00%	70,00
INDIVIDUALS EXTRA, I, II and III ZONE	3.816	130	3,41%	0,31	13.144	970	7,38%	2,29	12.720	3.431	26,85%	8,05	426	29.680	4.531	15,27%	10,69
INDIVIDUALS IV ZONE	1.746	0	0,00%	0,00	5.704	0	0,00%	0,00	5.520	67	1,21%	0,36	184	12.970	67	0,52%	0,36
INDIVIDUALS TOTAL	5.562	130	2,37%	0,21	18.848	970	5,14%	1,59	18.240	3.498	19,11%	5,73	610	42.650	4.598	10,78%	7,55
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	1130	79.130	34.835	44,02%	30,82

## Revenues of the camp Park Soline during the period from 01/01/2016 to 30/06/2016 and comparison with the same period in 2015

		2015					2016						INDEX			
		GENERATED IN 2015			CONTRACTED PRIOR TO 30/6/2015		PLAN FOR 2016			GENERATED PRIOR TO 30/06/2016			2016/2015		PLAN REALIZATION	
SEGMENT		NO. OF PITCHES	OVERNIGHT STAYS	REVENUES	REALIZED OVERNIGHT STAYS	REVENUES	NO. OF PITCHES	OVERNIGHT STAYS	REVENUES	NO. OF PITCHES	REALIZED OVERNIGHT STAYS	CONTRACTED REVENUE	OVERNIGHT STAYS	REVENUES	OVERNIGHT STAYS	REVENUES
1.	MOBILE ILIRIJA	125	50.786	7.909.517,00 kn	10.993	1.211.649,36 kn	135	53.485	8.659.849,00 kn	135	11.811	1.016.928,73 kn	107	84	22	12
2.	AGENCIES	204	77.043	3.768.292,00 kn	18.298	3.776.767,71 kn	212	78.900	3.932.340,00 kn	213	18.280	3.951.539,64 kn	100	105	23	100
3.	INDIVIDUALS	621	94.869	7.685.787,00 kn	13.621	709.212,89 kn	606	97.880	8.133.000,00 kn	610	10.952	511.382,00 kn	80	72	11	6
4.	LUMP SUM	173	37.881	3.113.307,00 kn	8.588	2.816.351,95 kn	170	36.360	2.887.251,00 kn	172	8.691	3.098.104,87 kn	101	110	24	107
5.	OTHER SERVICES	-	-	1.492.338,00 kn	-	997.552,14 kn	-	-	1.460.130,00 kn	0	0	1.096.392,34 kn	#DIV/0!	110	#DIV/0!	75
<b>TOTAL:</b>			<b>260.579</b>	<b>23.969.241,00 kn</b>	<b>51.500</b>	<b>9.511.534,05 kn</b>	<b>1123</b>	<b>266.625</b>	<b>25.072.570,00 kn</b>	<b>1130</b>	<b>49.734</b>	<b>9.674.347,58 kn</b>	<b>97</b>	<b>102</b>	<b>19</b>	<b>39</b>

## FINANCIAL OPERATING RESULTS OF THE COMPANY

Overview of financial operating results during the period from 01/01/2016 to 30/06/2016 and comparison with the same period from 2010 to 2016

Description	30.06.2010.	30.06.2011.	30.06.2012.	30.06.2013.	30.06.2014.	30.06.2015.	30.06.2016.	Index 16/15
Operating revenues	36.884.959,68	40.732.863,50	45.197.378,61	48.429.440,48	51.595.070,54	52.707.525,45	52.089.904,10	98,83
Financial revenue	42.707,17	66.810,15	64.316,74	180.683,05	51.457,30	48.367,93	59.307,67	122,62
Extraordinary revenues	446.409,19	178.650,93	181.542,01	38.325,32	344.066,81	187.785,76	29.649,79	15,79
<b>TOTAL REVENUES</b>	<b>37.374.076,04</b>	<b>40.978.324,58</b>	<b>45.443.237,36</b>	<b>48.648.448,85</b>	<b>51.990.594,65</b>	<b>52.943.679,14</b>	<b>52.178.861,56</b>	<b>98,56</b>
Operating expenses	26.363.747,89	27.220.671,00	30.310.988,79	32.672.232,34	35.328.010,53	35.455.869,04	31.973.065,05	90,18
Financial expenditures	2.721.485,22	3.307.253,29	3.242.563,15	2.519.206,48	2.879.690,51	2.323.711,09	1.955.680,90	84,16
Extraordinary expenses	464.420,04	520.255,43	579.780,09	812.285,43	491.533,09	324.857,87	486.156,46	149,65
Amortization	2.730.587,72	2.915.391,36	2.942.897,41	3.119.755,76	3.192.603,30	3.735.110,10	4.112.990,64	110,12
<b>TOTAL EXPENSES</b>	<b>32.280.240,87</b>	<b>33.963.571,08</b>	<b>37.076.229,44</b>	<b>39.123.480,01</b>	<b>41.891.837,43</b>	<b>41.839.548,10</b>	<b>38.527.893,05</b>	<b>92,08</b>
<b>PROFIT/LOSS</b>	<b>5.093.835,17</b>	<b>7.014.753,50</b>	<b>8.367.007,92</b>	<b>9.524.968,84</b>	<b>10.098.757,22</b>	<b>11.104.131,04</b>	<b>13.650.968,51</b>	<b>122,94</b>
<b>OPERATING PROFIT/ LOSS</b>	<b>10.521.211,79</b>	<b>13.512.192,50</b>	<b>14.886.389,82</b>	<b>15.757.208,14</b>	<b>16.267.060,01</b>	<b>17.251.656,41</b>	<b>20.116.839,05</b>	<b>116,61</b>
<b>EBITDA</b>	<b>10.545.908,11</b>	<b>13.237.398,15</b>	<b>14.552.468,48</b>	<b>15.163.931,08</b>	<b>16.171.051,03</b>	<b>17.162.952,23</b>	<b>19.719.640,05</b>	<b>114,90</b>

**I.**

Total revenues generated in the second quarter of 2016 amount to HRK 52,178,861.10, which is a decrease by 1.44% compared to the same period in 2015 as a result of reduced income from the business operations.

Total revenues generated in the observed period amount to HRK 52,089,904.10, which is a decrease by 1.17% compared to the same period in 2015 as a result of the decrease in revenue in the nautical sector the Company which in comparison to the previous fiscal year are reduced by an extraordinary item of revenues from nautical events in the segment of providing accommodation (berth), food and beverage services.

Total revenues from sales in the second quarter of 2016 amount to HRK 49,883,391.14, which are lower by 3% compared to the same period in 2015 as a result of reduced revenue generation of the Company on the domestic market by 1% and foreign market by 9%. The revenues from sales make up for 96% of the total and operating revenues.

**2.**

Total operating expenses in the indicated period amount to HRK 38,527,893.05 and are lower by 7.92 in comparison with the same period in 2015.

Total operating expenses generated in the second quarter of the year 2016 amount to HRK 31,973,065.05 and are lower by 9,82% compared to the same period in 2015, while the financial expenditures amount to HRK 1,955,680.90 and are lower by 15.84% in comparison with the same period in 2015.

**3.**

The operating profit or the profit from operations of the Company rose by 16.61% compared to the year 2015 and amounts to HRK 20,116,839.05.

EBITDA or Earnings before interest, taxes, depreciation and amortization was realized in the amount of HRK 19,719,640.05, and rose by HRK 14.90% compared to the same period in the year 2015.

EBIT or Earnings before interest and taxes was realized in the amount of HRK 15,606,649.41, and rose by HRK 14.90% compared to the same period in the

year 2015.

PROFIT before tax amounts to HRK 13,650,968.51 and rose by 22.94% compared to the same period in 2015.

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





## Financial statements of the Company as at 30/06/2016 and comparison with the same period in 2014 and 2015

REVENUES	2014	2015	INDEX 15/14	2016	INDEX 16/15
Revenues on the local market	40.237.940,56	41.164.780,24	102	40.644.881,64	99
Revenues on the foreign market	9.597.206,40	10.194.042,29	106	9.238.509,50	91
Other revenues	1.759.923,58	1.348.702,92	77	2.206.512,96	164
<b>OPERATING REVENUES</b>	<b>51.595.070,54</b>	<b>52.707.525,45</b>	<b>102</b>	<b>52.089.904,10</b>	<b>99</b>
FINANCIAL REVENUES	51.457,30	48.367,93	94	59.307,67	123
EXTRAORDINARY REVENUES	344.066,81	187.785,76	55	29.649,79	16
<b>TOTAL REVENUES</b>	<b>51.990.594,65</b>	<b>52.943.679,14</b>	<b>102</b>	<b>52.178.861,56</b>	<b>99</b>
EXPENSES					
Raw material and material costs	7.176.770,51	7.189.207,17	100	6.369.692,28	89
Costs of services	7.351.295,09	7.807.376,77	106	6.043.903,90	77
Gross salaries	14.211.154,41	13.193.868,60	93	13.273.429,89	101
Other expenses	6.588.790,52	7.265.416,50	110	6.286.038,98	87
<b>TOTAL EXPENSES</b>	<b>35.328.010,53</b>	<b>35.455.869,04</b>	<b>100</b>	<b>31.973.065,05</b>	<b>90</b>
AMORTIZATION	3.192.603,30	3.735.110,10	117	4.112.990,64	110
FINANCIAL EXPENDITURES	2.879.690,51	2.323.711,09	81	1.955.680,90	84
EXTRAORDINARY EXPENSES	491.533,09	324.857,87	66	486.156,46	150
<b>TOTAL EXPENSES</b>	<b>41.891.837,43</b>	<b>41.839.548,10</b>	<b>100</b>	<b>38.527.893,05</b>	<b>92</b>
<b>PROFIT / LOSS</b>	<b>10.098.757,22</b>	<b>11.104.131,04</b>	<b>110</b>	<b>13.650.968,51</b>	<b>123</b>
<b>OPERATING PROFIT / LOSS</b>	<b>16.267.060,01</b>	<b>17.251.656,41</b>	<b>106</b>	<b>20.116.839,05</b>	<b>117</b>
<b>EBITDA</b>	<b>16.171.051,03</b>	<b>17.162.952,23</b>	<b>106</b>	<b>19.719.640,05</b>	<b>115</b>

## REVENUES BY ACTIVITIES:

Revenues from hotel services amount to HRK 13,015,585.59 and rose by 3% in comparison with the same period in 2015.

Revenues from nautical services amount to HRK 27,279,933.30 and fell by 4% in comparison with the same period in 2015, that is, are reduced by the ex-

traordinary income from organization of the nautical events.

Revenues from camping amount to HRK 8,851,435.79 and rose by 1% in comparison with the same period in 2015.

The revenues from other activities, that is, from Ilir-

ija Travel, hospitality, Arsenal i event boat „Nada“ were generated in the amount of HRK 2,942,949.42 and rose by 1% compared to the same period in the year 2015.

**GRANDTOTAL:** Operating revenues by activities amount to HRK 52,089,904.10 and fell by 1.17% in comparison with the same period in 2015.





## FUNDAMENTAL FINANCIAL INDICATORS OF THE COMPANY'S POSITION AS AT 30/06/2016

### 1.

The value of the Company's assets as at 30th June 2016 amounted to HRK 334,544,532.45 and rose by HRK 13,740,026.57 or 4% compared to the same period of 2015, and as a result of 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 is entered into the Company's assets.

### 2.

Total liabilities of the Company as at 30th June 2016 amounted to HRK 109,454,544.00 and fell by HRK 26,127,905.17 that is by 19% compared to the same period in the year 2015 when they amounted to HRK 135,582,449.17.

### 3.

Capital and reserves of the Company as at 30th June 2016 amounted to HRK 225,089,988.45 and rose by HRK 39,867,931.74 that is by 22% compared to the same period in 2015 when they amounted to HRK 185,222,056.71.

OVERVIEW of fundamental cumulative and comparable indicators of the Company, or the position of liabilities, capital, value of assets and other operating indicators of the Company as of 30/06/2016 and for the period from 2009 to 2016

YEAR	TOTAL LIABILITIES	CAPITAL	VALUE OF ASSETS	REVENUE	OPERATING PROFIT	PROFIT	ANNUAL DIVIDEND
1	2	3	4	5	6	7	8
30.06.2016.	109.454.544,00	225.089.988,45	334.544.532,45	52.178.861,56	20.116.839,05	13.650.968,51	4.937.148,00
30.06.2015.	135.582.449,17	185.222.056,71	320.804.505,88	52.943.679,14	17.251.656,41	11.104.131,04	3.740.790,00
30.06.2014.	140.571.098,89	171.392.497,49	311.963.596,38	51.990.594,65	16.267.060,01	10.098.757,22	3.740.790,00
30.06.2013.	143.828.125,16	156.257.179,19	300.085.304,35	48.648.448,85	15.757.208,14	9.524.968,84	3.740.790,00
30.06.2012.	147.859.329,10	145.748.085,20	293.607.414,30	45.443.237,36	14.886.389,82	8.367.007,92	3.740.790,00
30.06.2011.	152.283.384,61	133.915.880,37	286.199.264,98	40.978.324,58	13.512.192,50	7.014.753,50	3.740.790,00
30.06.2010.	148.461.246,65	130.251.021,88	278.712.268,53	37.374.076,04	10.521.211,79	5.093.835,17	3.740.790,00
30.06.2009.	155.578.992,38	120.999.768,02	276.578.760,40	37.894.248,83	11.372.666,20	6.435.605,56	3.740.790,00



## OPERATING AND OTHER EXPENSES

Operating expenses in the second quarter of the year 2016 amount to HRK 31,973,065.05, and fell by 9.82% compared to the same period of the previous fiscal year. The decrease in these costs is the result of better and more rational operating cost management, especially in the segment of costs of services that fell by 23%, the costs of raw materials and material reduced by 11% and other operating costs reduced by 13% compared to the same period in 2015.

## FINANCIAL EXPENSES

Financial expenses for the second quarter of 2016 amount to HRK 1,955,680.90 and fell by 15.84% compared to the same period of 2015, when they amounted to HRK 2,323,711.09. Reduced financial expenses are the result of gradual reduction of total indebtedness of the Company and lower volume of short-term financing of the Company by foreign funding sources and they constitute regular financial expenses, that is, the interests on long-term and short-term financial debts.

## EXTRAORDINARY EXPENSES

Extraordinary expenses in the second quarter of 2016 amount to HRK 486,156 and are higher by 49.65% compared to the same period of 2015, when they amounted to HRK 324,857.87 and relate to the expenses from previous years.

## LIQUIDITY

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

## SHARE SPLIT

During the period from 01 January to 30th June 2016, there was no share split.

## EARNING PER SHARE

In the second quarter of 2016, it amounts to HRK 49.93 gross.

## MERGERS AND ACQUISITIONS

There have been no mergers and acquisitions.

## 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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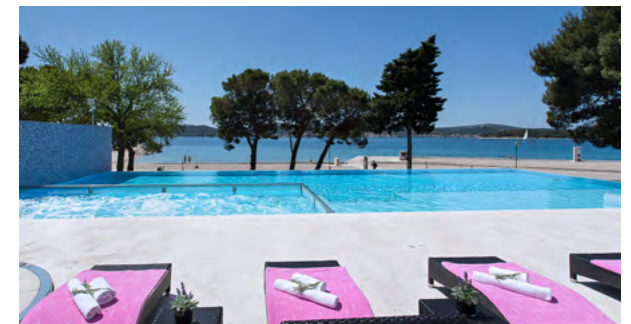
## 11. INVESTMENTS

In 2016, the Company continued to make investments in the supply, improvement of services, supply 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.

In accordance with the 2016 Annual Investment Plan in the first six months of 2016, a total of HRK 17,806,647.82 was invested. 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.

The most valuable investment of the Company in the first six months of 2016 was completed in February and refers to the finalization of the first phase of reconstruction of the coastal part of the nautical tourism port "Marina Kornati", that is, the reconstruction

of docks in the central and southern marina aquatorium, in the total amount of HRK 10,142,622.15, of which HRK 5,197,274.72 was invested in 2015, since the reconstruction started in November that year, while the investment in 2016 amounted to HRK 4,945,347.43, which enables the accommodation for a higher category of vessels and better utilization of the marina aquatorium. The second phase of reconstruction of the Marina Kornati or the reconstruction of the remaining docks in the central aquatorium will be performed in the autumn of 2016, where the finalization is planned by the end of February 2017, according to the 2016 Investment Plan and building permit.



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## 12. BUSINESS EXPECTATIONS AND DEVELOPMENT PLAN OF THE COMPANY IN THE YEAR 2016

In the fiscal year 2016, we at least expect to achieve or to repeat the operating results achieved in 2015, when the generation of operating and total revenues as well as the achievement of physical results is concerned.

When it comes to the achievement of other Company's operating results, according to the Company's Business Plan, we expect a rise in operating results, namely, in the operating profit, EBITDA, EBIT and profit up to 10% compared to the year 2015 as a result of further and more efficient Company's operations management in terms of rationalization of operating expenses, that is, operating and total expenses of the Company in the year 2016. The results of the Company achieved in the first six months of the year 2016 are the best indicator of soundness of such a business objective in the year 2016.

Considering the operating results, both physical and financial ones in the first six months of 2016, and considering the fact that most of the tourism turnover is realized in the third quarter of the fiscal year, we expect an increase in operating revenues at the level

of all sectors of the Company, an increase in physical turnover, especially in the camping sector and maintaining the achieved level of profitability.

A significant growth and market positioning particularly in the segment of innovative and complementary tourism supply that we present to the market through DMK Ilirija Travel intended to the emerging experience and special interest tourism market, which is important for achieving better business results in the shoulder season, since the marketing and acquisition activities are greatly focussed on this supply segment.

In addition, will shall continue with the investment cycle in the nautical sector where by the end of the fiscal year we shall start with the reconstruction of the second phase of the coastal area of Marina Korinati, where the marina would be further extended and modernized through the implementation of the best available technical solutions, which is one of the three largest marinas in the Croatian part of the Adriatic coast, to be followed by modernization of other



services, particularly in the area accepting vessels.

Besides the nautical sector, the investment cycle will also encompass the hospitality 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 hospitality sector, the Company will invest in raising the quality of accommodation facilities, shared areas and additional amenities.

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 skills, in particular, in the area of sales and marketing and the department of food and beverages and controlling.

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, soil) and waste management and take further actions focussed on the implementation of HALAL standards in the Company's hospitality facilities and restaurants.



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### 13. 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 trends 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 commercial and critical 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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## 14. SIGNIFICANT EVENTS

After the end of the fiscal year as at 31st March 2016, the Company has 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 0.3% share 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.

Ordinary General Meeting was held on 10 June 2016 at which a unanimous decision was passed on the utilization of the profit of Ilirija d.d. for the fiscal year 2015, according to which the dividend in the amount of HRK 18.00 per share shall be distributed to the Company's shareholders. In addition to the Decision on utilization of the profit for 2015, the following decisions were unanimously adopted: Decision on granting remuneration to the Management Board, Decision on granting remuneration to the Supervisory Board, Decision on appointment of auditors for the year 2016, Decision on a change to the core business operations of ILIRIJA d.d. - Adding business activity and the Decision on changes and amendments to the Articles of Association of the company Ilirija d.d.; Also, at the above General 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. 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 total 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.



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## 15. SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

In the last fifteen years, the Company has gone through the process of consolidation, recorded improved business results and increased the value of the Company, while it has never neglected the balance of the interests of all stakeholders, that is, its own employees, owners, guests, suppliers, and the local communities, thereby preserving the basic resources that are crucial in tourism: nature, environment and space. While growing from a private to a public company, the Company preserved the continuity of commitment to integrating economic and social aspects as well as aspects of preserving the environmental protection into the decision-making processes. This is the way how it cherishes and protects its fundamental values, its identity and vision of responsibility - to be an economically successful company leader that takes care of the people as the key to success, delivering exceptional experiences to its guests and creating additional value for its shareholders, taking care of the environment and local community.

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 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, of which successful recertification was held in June, and the Environmental management 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 on the Company's operations, with an independent external verification by Ms. Mirjana Matešić, Principal of the Croatian Business Council for Sustainable Development, the leading association for corporate social responsibility in the Republic of Croatia, is 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 especially committed to integrating economic, social and environmental aspects into the decision-making process and besides, this report, which will be only the first in a continuing edition of non-financial reports, the Company has in a public and transparent manner presented to all its stakeholders the policies, objectives and achievements in the area of sustainable development and corporate social responsibility by the areas as follows:

#### Economic viability

The fundamental values of the company include the understanding that corporate social responsibili-

ty 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, compliance 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 solutions 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 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 attributed 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 resources, 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.

Basing its business 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 en-

tire 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“- Održivi 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 improve-

ment 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.

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## 16. OTHER

### LEGAL ISSUES

Some attempts were made to bring the ownership of the Tennis center into question during the process of updating the land registries of the Cadastral Municipality Biograd according to the administrative decision.

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.

### MONITORING AND REPORTING ON BUSINESS OPERATIONS ON A DAILY, WEEKLY AND MONTHLY BASIS

In 2016, the system of monitoring the business opera-

tions 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.

### MERGERS AND ACQUISITIONS

There have been no mergers and acquisitions.

### UNCERTAINTY OF COLLECTING REVENUES OR POTENTIAL FUTURE COSTS

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

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## 17. NOTES

There are no particularly significant events that could substantially affect the Company's smooth operations, and further achievement of forecasted business results.

The Company owns all the proper permits to carry out the business activities, such as the decision on the classification, meeting minimum technical requirements for the operation, water management licenses, etc.

Goran Ražnjević, president of the management board

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







## Balance Sheet - as of 30/06/2016

Company: ILIRIJA d.d.

Position	AOP	Previous period	Current period
1	1	2	3
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001		
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	297.694.854	314.174.173
I. INTANGIBLE ASSETS (004 to 009)	003	377.131	521.187
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	377.131	521.187
II. PROPERTY, PLANT AND EQUIPMENT (011 to 019)	010	297.277.723	313.612.986
1. Land	011	42.127.627	42.340.227
2. Buildings	012	207.496.496	222.033.656
3. Plant and equipment	013	30.042.372	39.122.311
4. Tools, working inventory and transportation assets	014		
5. Biological assets	015		
6. Advances for purchase of tangible assets	016	373.489	449.570
7. Tangible assets in progress	017	17.237.739	9.667.222
8. Other tangible assets	018		
9. Investment in real-estate	019		
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	20.424.628	20.247.910
I. INVENTORIES (036 to 042)	035	2.786.074	2.245.231
1. Raw materials and supplies	036	2.786.074	2.245.231
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	13.024.033	15.432.200
1. Receivables from related parties	044		
2. Receivables from end-customers	045	11.269.815	14.499.557

## Balance Sheet - as of 30/06/2016

Company: ILIRIJA d.d.

3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	704.062	416.881
5. Receivables from government and other institutions	048	601.084	515.762
6. Other receivables	049	449.072	
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	4.526.301	2.399.511
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	4.526.301	2.399.511
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	88.220	170.968
D) PREPAYMENTS AND ACCRUED INCOME	059	2.616.234	122.449
E) TOTAL ASSETS (001+002+034+059)	060	320.735.716	334.544.532
F) OFF BALANCE SHEET ITEMS	061		
EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	185.222.056	225.089.988
I. SUBSCRIBED SHARE CAPITAL	063	137.162.300	150.857.300
II. CAPITAL RESERVES	064	829.039	8.921.539
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	21.723.814	23.561.457
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	384.924	414.924
4. Statutory reserves	069		
5. Other reserves	070	7.522.679	7.522.679
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	14.402.772	28.098.723
1. Retained earnings	073	14.402.772	28.098.723
2. Loss carried forward	074		
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	11.104.131	13.650.969
1. Net profit for the period	076	11.104.131	13.650.969
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	82.019.638	68.200.158
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	82.019.638	68.200.158
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 30/06/2016

Company: ILIRIJA d.d.

9. Deferred tax liabilities	092		
D) CURRENT LIABILITIES (094 to 105)	093	45.252.614	33.601.395
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits, etc.	095		
3. Liabilities to banks and other financial institutions	096	16.572.757	6.116.777
4. Liabilities for advances	097		
5. Trade payables	098	21.721.004	14.756.586
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	1.852.087	1.910.701
9. Taxes, contributions and similar liabilities	102	3.645.452	5.871.560
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	1.461.314	4.945.771
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	8.241.408	7.652.991
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	320.735.716	334.544.532
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		

## Income statement - period 01/01/2016 to 30/06/2016

Company: ILIRIJA d.d.

Position	AOP	Previous period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112 to 113)	111	52.707.525	34.993.124	52.089.903	33.211.198
1. Sales revenues	112	51.358.823	34.957.951	49.883.391	32.365.866
2. Other operating revenues	113	1.348.702	35.173	2.206.512	845.332
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	38.417.018	23.747.768	36.086.056	21.398.966
1. Change in inventories of work in progress	115				
2. Material expenses (117 to 119)	116	14.996.585	10.065.534	12.413.596	7.803.033
a) Costs of raw materials	117	7.189.207	5.477.157	6.369.692	4.696.505
b) Cost of goods sold	118				
c) Other material expenses	119	7.807.378	4.588.377	6.043.904	3.106.528
3. Employee benefits expenses (121 to 123)	120	13.193.868	7.615.181	13.273.430	7.910.884
a) Net salaries	121	7.860.151	4.605.602	7.924.533	4.778.455
b) Tax and contributions from salary expenses	122	3.397.415	1.891.992	3.400.919	1.971.446
c) Contributions on salary	123	1.936.302	1.117.587	1.947.978	1.160.983
4. Depreciation and amortisation	124	3.735.110	1.867.555	4.112.991	2.056.495
5. Other expenses	125	6.491.455	4.199.498	6.286.039	3.628.554
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	48.368	27.328	59.308	28.307
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	48.368	27.328	59.308	28.307
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	2.323.711	836.357	1.955.681	1.107.195
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	2.323.711	836.357	1.955.681	1.107.195
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	187.786	168.451	29.651	636.923
VIII. EXTRAORDINARY - OTHER EXPENSES	145	1.098.819	938.023	486.156	316.228
IX. TOTAL INCOME (111+131+142+144)	146	52.943.679	35.188.903	52.178.862	33.876.428
X. TOTAL EXPENSES (114+137+143+145)	147	41.839.548	25.522.148	38.527.893	22.822.389
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	11.104.131	9.666.755	13.650.969	11.054.039
1. Profit before taxes (146-147)	149	11.104.131	9.666.755	13.650.969	11.054.039
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151				



## Income statement - period 01/01/2016 to 30/06/2016

Company: ILIRIJA d.d.

XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	11.104.131	9.666.755	13.650.969	11.054.039
1. Profit for the period (149-151)	153	11.104.131	9.666.755	13.650.969	11.054.039
2. Loss for the period (151-148)	154	0	0	0	0
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 (01/01/2016 to 30/06/2016)

Company: ILIRIJA d.d.

Position	AOP	Previous period	Current period
1	2	3	4
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	11.104.131	13.650.969
2. Depreciation and amortisation	002	542.507	377.880
3. Increase of current liabilities	003		
4. Decrease of current receivables	004		
5. Decrease of inventories	005		540.843
6. Other cash flow increases	006		
I. Total increase of cash flow from operating activities	007	11.646.638	14.569.692
1. Decrease of current liabilities	008		9.707.051
2. Increase of current receivables	009	3.223.973	2.408.167
3. Increase of inventories	010	478.677	
4. Other cash flow decreases	011		
II. Total decrease of cash flow from operating activities	012	3.702.650	12.115.218
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	013	7.943.988	2.454.474
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		
III. Total cash inflows from investing activities	020	0	0
1. Purchase of non-current assets	021		
2. Purchase of non-current financial assets	022		
3. Other cash outflows from investing activities	023	5.418.135	9.239.243
IV. Total cash outflows from investing activities	024	5.418.135	9.239.243
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	5.418.135	9.239.243
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Proceeds from issue of equity securities and debt securities	027		
2. Proceeds from loans and borrowings	028		
3. Other proceeds from financing activities	029		10.883.188
V. Total cash inflows from financing activities	030	0	10.883.188
1. Repayment of loans and bonds	031		
2. Dividends paid	032		
3. Repayment of finance lease	033		
4. Purchase of treasury shares	034		
5. Other cash outflows from financing activities	035	2.546.811	4.265.327
VI. Total cash outflows from financing activities	036	2.546.811	4.265.327
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	037	0	6.617.861
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	2.546.811	0
Total increases of cash flows	039	0	0
Total decreases of cash flows	040	20.958	166.908
Cash and cash equivalents at the beginning of period	041	109.178	337.876
Increase of cash and cash equivalents	042		

## CASH FLOW STATEMENT: indirected method (01/01/2016 to 30/06/2016)

Company: ILIRIJA d.d.

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Decrease of cash and cash equivalents	043		
Cash and cash equivalents at the end of period	044	88.220	170.968

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## STATEMENT OF CHANGES IN EQUITY period 01/01/2016 to 30/06/2016

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	137.162.300	150.857.300
2. Capital reserves	002	829.039	8.921.539
3. Reserves from profit	003	21.723.814	23.561.457
4. Retained earnings or loss carried forward	004	14.402.772	28.098.723
5. Net profit or loss for the period	005	11.104.131	13.650.969
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	185.222.056	225.089.988
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 of prior period	015		
16. Other changes	016		
17. Total increase or decrease of equity (AOP 011 to 016)	017	11.104.131	13.650.969
17 a. Attributable to majority owners	018		
17 b. Attributable to minority interest	019		

ILIRIJA d.d.  
BIOGRAD NA MORU  
Biograd n/m 22./07/2016.

Statement made by the persons responsible for preparation of financial statements  
for the period from 01 January 2016 to 30 June 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 June 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 30/06/2016, operating results and cash flows of the Company in accordance with International Financial Reporting Standards.

The Management's Report gives a true presentation of operating results and position of the Company as at 30/06/2016.

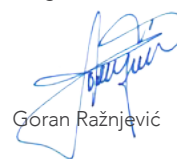
Accounting Manager:



Zorka Strpić

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

Management Board:



Goran Ražnjević





Ražnjevića Dvori

Arsenal Zadar

Vila Donat

Vila Primorje

Event Ship Nada

Marina Kornati

Restoran Marina Kornati

Ilirija Travel

Hotel Kornati

Hotel Ilirija

Hotel Adriatic

Hotel Marina

Aquatic Center

Tenis Centar

Restoran Park Soline

Camping park Soline