



 *Ilinija d.d.*

# Financial statements for the period from 01/01 to 31/03/2017

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Biograd na Moru, May 2017



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## I OVERVIEW OF KEY PERFORMANCE INDICATORS FOR THE PERIOD FROM 01/01/ - 31/03/2017

in HRK	I-III 2017	I-III 2016	INDEX 2017/2016
<b>Financial indicators</b>			
Total revenues	20.665.791,94	18.296.166,37	112,95
Operating revenues	20.642.372,56	18.265.476,75	113,01
Revenues from sales	20.565.717,15	17.560.709,76	117,11
Operating profit	6.324.455,84	5.508.789,68	114,81
EBITDA	6.347.875,22	5.539.479,30	114,59
EBIT	3.796.663,45	3.482.983,98	109,01
Profit	2.675.635,79	2.634.532,94	101,56
Value of assets	419.808.278,53	317.842.611,69	132,08
Capital	278.359.543,77	219.010.700,88	127,10
Total liabilities	141.448.734,76	98.831.910,81	143,12
Market capitalization	399.733.950,00	298.971.740,00	133,70



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## 2 KEY INFORMATION FOR THE PERIOD FROM 01/01 - 31/03/2017

1 In the first three months of 2017, a continuous growth in financial results and profitability indicators (operating profit, profit, EBITDA and EBIT) have been achieved and retained as a result of a growth in total and operating revenues, which is extremely important for the Company, since most of the tourism turnover in the Croatian tourism is realized in the second and third quarter of the fiscal year, therefore the operating results in the first quarter of the current fiscal year are the indicator for the rest of the fiscal year, especially taking into account the announcements and the position of booking from the major tourist markets.

We particularly point out that compared to the same period in 2016, the financial statements for the first quarter 2017 also included the operating indicators of the Commercial-shopping center City Galleria acquired in the second half of December 2016, therefore the financial statements for the first quarter of 2017 should take into account the relevant purchase or acquisition.

2 Total revenues amount to HRK 20,665,791.94 and grew by 12.95% compared to the same period in 2016, when amounted to HRK 18,296,166.37, as a result of growth in operating revenues and revenues

from sales.

3 Operating revenues for the observed period amounts to HRK 20,642,372.56, which means that it grew by 13.01% compared to the operating revenues realized in the same period of 2016, which amounted to HRK 18,265,476,75. The growth of the operating revenues of the camping sector by 9%, the revenues of the destination management company/DMC Ilirija Travel, especially profit center Arsenal, as the most significant segment of offer of Ilirija Travel, and operating revenues from the real estate segment, i.e. the new profit center of the Commercial-shopping Center City Galleria is particularly important.

4 Revenues from sales amount to HRK 20,565,717.15 compared to the same period of 2016, when it amounted to HRK 17,560,709.76, which grew by 17.11% as a result of a rise in domestic market revenues by 22%.

5 Total expenses amount to HRK 17,990,156.15 and rose by 14.87% compared to the same period in 2016 as a result of growth in operating and financial expenses by 12.24% or 32.13%, and amortization by 24.06%.

6 An increase in operating profit or profit from Company's business activities from HRK 5,508,789.68 as it amounted in the first quarter of 2016 by 14.81% or HRK 815,666.16 and it amounts to HRK 6,324,455.84. Also, an increase in operating profit was followed by the increase in profit by 1.56%, which for the observed period amounts to HRK 2,675,635.79 as a result of significant growth in total revenues, despite the increase in total expenses of the Company.

7 EBITDA achieved in the first quarter of 2017 amounts to HRK 6,347,875.22 and is higher by 14.59%, while in the same period EBIT was realized in the amount of HRK 3,796,663.45 with a growth of 9.01%.

8 Total liabilities of the Company as at 31 March 2017 amounted to HRK 141,448,734.76 and grew by HRK 42,616,823.95, that is, by 43.12% as a result of an increase in credit liabilities owed to the financial institutions, especially in the segment of financing the acquisition (buying) of the Commercial-shopping center City Galleria in Zadar, which was partly financed by the long-term investment loan of the commercial bank and partly through a capital increase.

9 In the observed period, the value of the assets increased by 32.08% or by HRK 101,965,666.84 or from

HRK 317,842,611.69 as it amounted in the same period in 2016, to a total of HRK 419,808,278.53. We should also emphasize that the value of the assets increased by a change in the financing one portion of the long-term investments by means of financial leasing in the amount of HRK 5,389,246.22 and acquisition (buying) of the Commercial-shopping center City Galleria in Zadar.

10 In the first quarter of 2017, the capital grew by 27.10% or by HRK 59,348,842.89 or from the amount of HRK 219,010,700.88 as much as it amounted in the same period of the year 2016 to the amount of HRK 278,359,543.77.

11 An increase in market capitalization by 33.70% or HRK 100,762,210.00 from the amount of HRK 298,971,740.00, as much as it amounted in the first quarter of 2016, to the amount of HRK 399,733,950.00 as much as it amounts in the same period of the year 2017.

12 The increase in the average share price by 29.06% from HRK 1,029.24, as much as it amounted in the first quarter of 2016, to HRK 1,328.33 in the same period of 2017, while at the same time the average turnover per transaction increased by 20.95%, that is,

from the amount of HRK 13,741.24 to the amount of HRK 16,619.54 in the same period of 2017.

13 In the first quarter of 2017, the highest achieved share price amounted to HRK 1,395.00 per share, which compared to the same period in 2016 constitutes a growth by 26.82% when the highest share price amounted to HRK 1.100,00 per share.

14 In the first quarter of 2017, the Company continued with intensive investments in making preparations for the tourist season, i.e. in accommodation capacities, improvement of services, offer and amenities in all of its sectors with an aim to raise the quality of service and strengthen competitiveness, of which especially considering the importance for the Company, we wish to point out the completion of the reconstruction of the second phase of the Port of nautical tourism Marina Kornati in accordance with the final building permit Class: UP/I-361-03/15-01/000111, Prot. No.: 531-06-2-1-1467-15-0008, as of 20/10/2015.

The Company has also invested in the purchase of new mobile homes for the camping sector, expansion of the hospitality facility capacities, while the hotel sector invested in the construction of additional facilities or outdoor swimming pools, development and

refurbishment of shared public areas and accommodation units, refurbishment of four-star hotel external facades and hotel openings and other activities aimed at improving the accommodation facilities, products and services.

15 Prizes and rewards:

In February, Associazione Campeggiatori turistici d' Italia (A.C. I. Italia), one of the largest associations of camps from Italy, which has over 30,000 members, awarded a special prize to camping "Park Soline" for outstanding quality and cooperation.



### 3 GENERAL INFORMATION

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

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

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

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



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## 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.

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

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

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

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

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

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

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

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

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

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

**Years 1999 – 2017** | During this period, that is, by 31st March 2017, the Company has invested HRK 462,330,004.03 in construction, reconstruction, extension, building annexes, renovation and adaptation of accommodation facilities and establishments of the Company in order to enhance the quality, improve the overall service and standards in all sectors of the Company, develop new products, improve and increase the categorization of the accommodation facilities and nautical capacities, expand hospitality facilities with an aim to create a high-quality, recognizable and competitive tourism product and enhance the quality of the offer of the destination itself, which resulted in a significant growth in total revenues and newly created value in the mentioned period in the amount of HRK 641,201,491.93.

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

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

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

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

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

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

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

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





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## 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 SUBSIDIARIES

Ilirija d.d, has two subsidiaries in 100% ownership:

ILIRIJA GRAĐENJE d.o.o.

ILIRIJA NAUTIKA d.o.o.

(are not active in business)

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## 7 AFFILIATED COMPANIES

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

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

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



## 8 OWNERSHIP STRUCTURE OF THE COMPANY AS AT 31/03/2017 AND TRADING IN THE COMPANY'S SHARES AT THE ZAGREB STOCK EXCHANGE

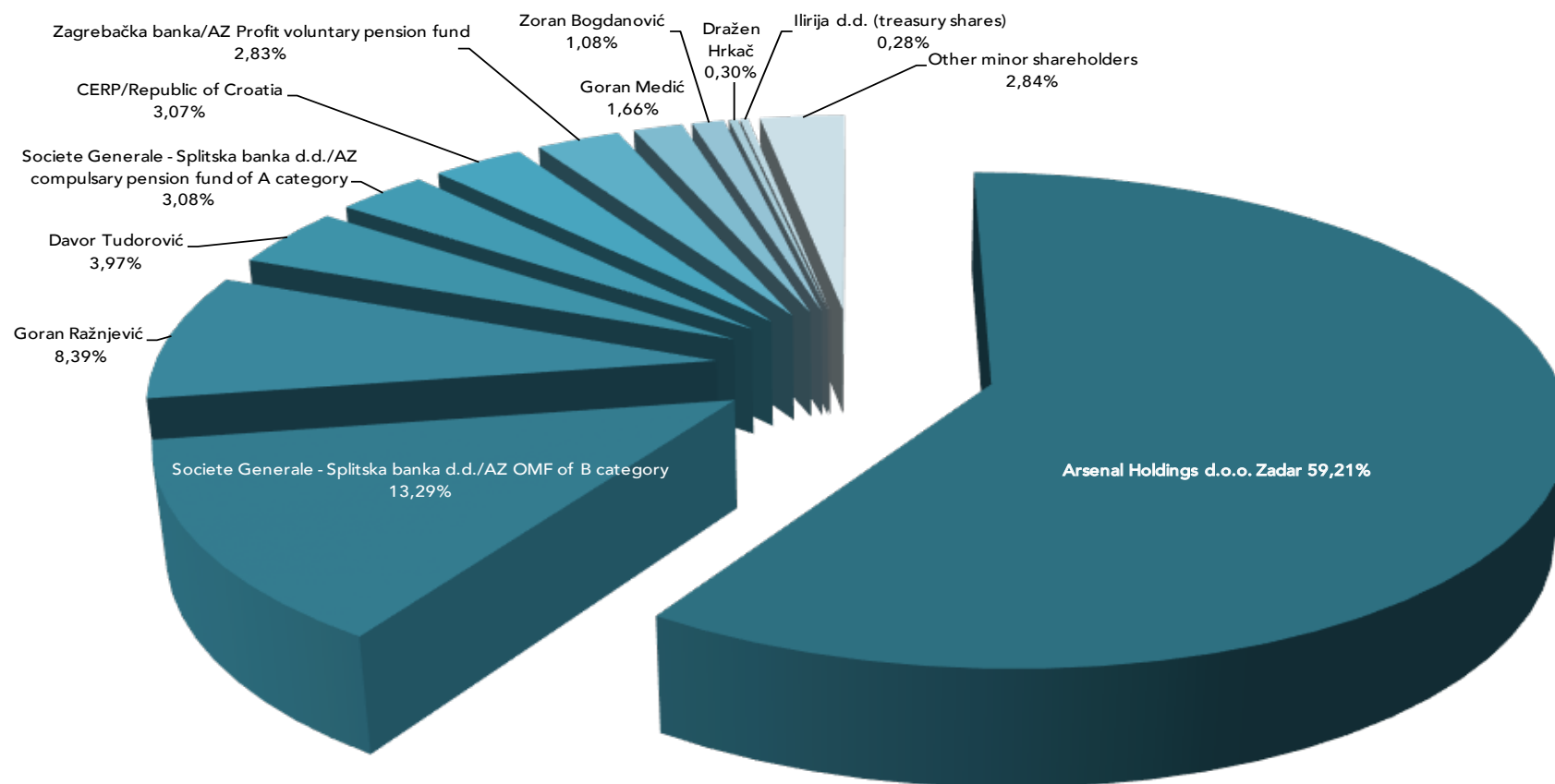
The share capital of the Company is HRK 174,977,880.00 and is divided in 301,686 ordinary shares with nominal value of HRK 580.00.

In the first quarter of 2017, there occurred no significant change in the ownership structure, and an overview of the major shareholders as at 31st March 2017 is given in the below text.

Overview of the major shareholders of the Company as at 31/03/2017:

Owners - shareholders	Number of shares	Share in %
Arsenal Holdings d.o.o. Zadar	178.629	59,21
Societe Generale - Splitska banka d.d. /AZ OMF of B category	40.085	13,29
Goran Ražnjević	25.317	8,39
Davor Tudorović	11.968	3,97
Societe Generale - Splitska banka d.d./AZ compulsory pension fund of A category	9.303	3,08
CERP/Republic of Croatia	9.275	3,07
Zagrebačka banka/AZ Profit voluntary pension fund	8.525	2,83
Goran Medić	5.000	1,66
Zoran Bogdanović	3.267	1,08
Dražen Hrkač	891	0,30
Ilirija d.d. (treasury shares)	859	0,28
Other minor shareholders	8.567	2,84
<b>TOTAL</b>	<b>301.686</b>	<b>100,00</b>

## Ownership structure of the Company as at 31/03/2017





**TRADING IN SHARES OF THE  
COMPANY ON THE CROA-  
TIAN CAPITAL MARKET IN  
THE PERIOD FROM 01/01 -  
31/03/2017**

Amounts in HRK	I-III 2017	I-III 2016	% Changes
Total turnover	714.640,03	783.250,52	-8,76%
Average share price	1.328,33	1.029,24	29,06%
Average turnover per transaction	16.619,54	13.741,24	20,95%
Average daily turnover	31.071,31	31.330,02	-0,83%
Last share price	1.325,00	1.090,00	21,56%
Market capitalization	399.733.950,00	298.971.740,00	33,70%

In the first quarter of 2017, a total 538 shares were traded in, whose total turnover amounted to HRK 714,640.03. An average share price in the amount of HRK 1,328.33 was realized, which compared to the same period in 2016, when the average share price amounted to HRK 1.029,24, constitutes an increase by 29.06%.

The highest single share price was achieved in the amount of HRK 1,395.00 per share compared to the same period in 2016, when the highest share price amounted to HRK 1.100,00, which is an increase by 26.28%. Also, when comparing the last price of the Company's share, which in the observed period of 2017 amounted to HRK 1,325.00 per share, to the latest share price in the same period of 2016, which amounted to HRK 1,090.00, there is an increase realized by 21.56%.

In the first three months of 2017, the average turnover per transaction amounted to HRK 16,619.54, which is an increase by 20.95% compared to the same period of the previous fiscal year, when the average turnover per transaction amounted to HRK 13,741.24.

With a closing price of HRK 1,325.00 for one share as at 31 March, 2017, the Company achieved the market capi-

talization in the amount of HRK 399,733,950.00, which compared to the same period of the previous fiscal year, when the market capitalization amounted to HRK 298,971,740.00 constitutes a growth by 33.70% or HRK 100,762,210.00.

In the reporting period, the Company has not acquired treasury shares and on 31 March 2017 it holds 859 treasury shares, which make for 0.28% of the share in the share capital and the same percentage of votes in the Shareholders' Assembly.

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

The first quarter of 2017 is marked by significantly increased turnover in shares on the Zagreb Stock Exchange compared to the same period last year. The main cause for that are the positive macroeconomic indicators in the national economy and, as the technical analysis of the CROBEX index shows, the potential start of the longer-term cycle of stock market growth after almost 16 years (since 2001). This has prompted investors to gradually allocate conservatively invested assets into more risky but, from the point of view of yields, a potentially more attractive area of investment in stocks (either directly or through equity funds).

The exchange rate of the ILRA-R-A share in the first quarter of 2017 ranged from HRK 1,300.00 to HRK 1,395.00 for one share. Such exchange rate movements can be estimated to be stable: slightly slower growth in January and February than the CROBEX and CROBEXTURIST indices, but also a lower fall in March than the CROBEX index.

In the last one year (52 weeks), the price of ILRA-R-A rose by 20.45%. As compared to the position of 1 January, 2017, the price rose by 1.77% at the end of the quarter, on 31 March, 2017. In the same period, the CROBEXTURIST tourist index rose by 11.13%, while the CORBEX index fell by 0.28%. Looking at the movement of the ILRA-R-A share as a whole, we can see the continuation of the medium-term growth trend with a relatively low liquidity.

The movement of ILRA-R-A share in the first quarter of 2017, with the shown volume of trading and compared with CROBEX and CROBEXTURIST index movement, they are shown in the following graph









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## 9 CAPACITIES OF THE COMPANY

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

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

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

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

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







## ILIRIJA RESORT HOTELS & VILLAS

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

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

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

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

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

## MARINA KORNATI

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

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

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

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

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

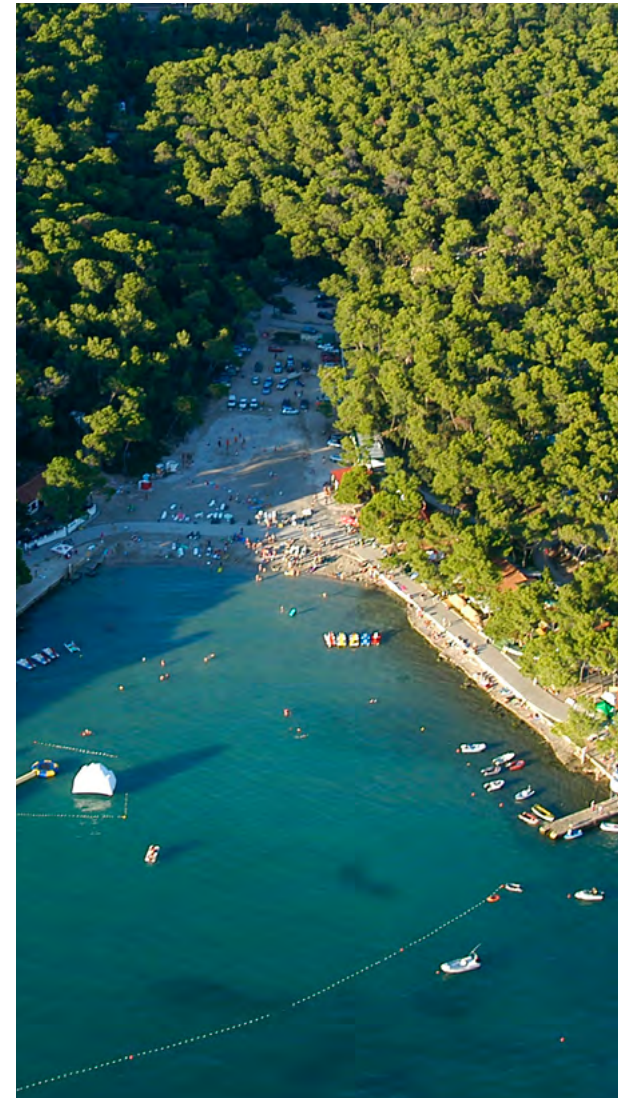


## CAMP PARK SOLINE

**CAMP PARK SOLINE**, classified as a four-star camping, also located in Biograd na Moru covers an area of 20.00 Ha, contains 1,130 accommodation units with a total capacity to accommodate up to 3,390 persons. In addition to the enriched restaurant offer, newly built promenade that stretches along the entire camp and the beach leading to the Biograd town center, the camp "Park Soline" is the right choice for a family vacation. In addition to entertainment for children and evening entertainment, active holiday with attractive sports, you can relax walking along the long walking trails and recreational routes in a healthy environment, and the camp is an excellent choice for all nature lovers. The value of investments made so far in the camp "Park Soline" since the year 2000 amounted to approximately HRK 155,000,000.00 and owing to these investments, the number of overnight stays rose from 4,556 in 1996 to 258.110 overnight stays in 2016.

### SPORTS FACILITIES:

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





## ILIRIJA TRAVEL

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

### EVENT SHIP “NADA”

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

### ARSENAL

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

### DIFFUSE HOTEL RAŽNJEVIĆA DVORI AD 1307

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

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





## HOSPITALITY

Restaurant "Marina Kornati", located in Marina Kornati, having the capacity for over 350 persons, which together with the recently refurbished Captain's Club having the capacity to accommodate 70 persons, or with the overall capacity for 420 persons meets the requirements of boaters for holding various and numerous events in Marina Kornati. Besides hospitality services, Captain's Club also provides services for a number of presentations on nautical products, and is an ideal venue for holding small conferences and events. In 2016, a total of 73 events were organized in Marina Kornati attended by over 10,573 persons.

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

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

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

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



## REAL-ESTATE

### COMMERCIAL-SHOPPING CENTER CITY GALLERIA

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

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

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

center and 6 multiplex movie theaters.

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

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

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

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









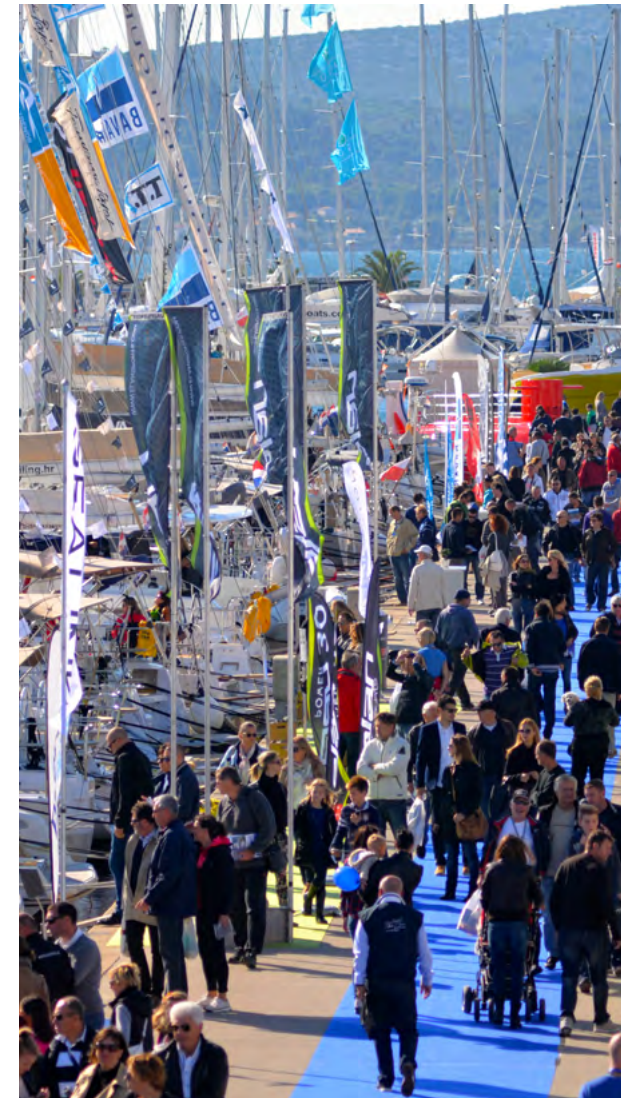
**EVENTS:** Biograd Boat Show, the largest international autumn boat show in the Republic of Croatia and the largest boat show in South East Europe among the shows which takes place on the water, brings together all the key representatives of the nautical industry and tourism. At the beginning, that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

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

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

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

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





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## 10 PHYSICAL OPERATING RESULTS

In the first quarter of 2017, in the tourism sector of the company, significant physical and financial turnover was generated in the nautical sector of the Company with regard to its business conducted during the whole year, while in the other tourist sectors (hotel industry, camping and destination management company/DMC Ilirija Travel) we expect more intensive business activity from April due to the seasonal character of their business especially in the camping sector and still dominating leisure character of the Croatian tourism.

In the sectors of hotel industry, camping and destination management of the company/DMC Ilirija Travel, the operating results, i.e. the position of booking and sales on the most significant source markets of the Company realized in the first three months are better than those results realized in the same period of 2016. Therefore we expect the continuation of positive trends in business in the second and third quarter of 2017 when more than two thirds of the physical and financial turnover of the Croatian tourism is generated. Also, significant growth of the Company, especially in the part of the post season, is expected through the destination management company/DMC Ilirija Travel as a complementary offer of its overall tourist and hospitality activity with further development of special and selective forms of the tourist offer.

## NAUTICS

In the first quarter of 2017, Marina Kornati signed 391 berth contracts, of which 317 contracts for individual vessels and 74 contracts for charter vessels, which compared to the same period of 2016, when 371 berth contracts were concluded, constitutes a growth by 5%. The increase in the number of contracted vessels is the result of a greater number of concluded contracts for charter vessels compared to the previous fiscal year, which are mostly contracted until the end of 30th April of the current fiscal year.

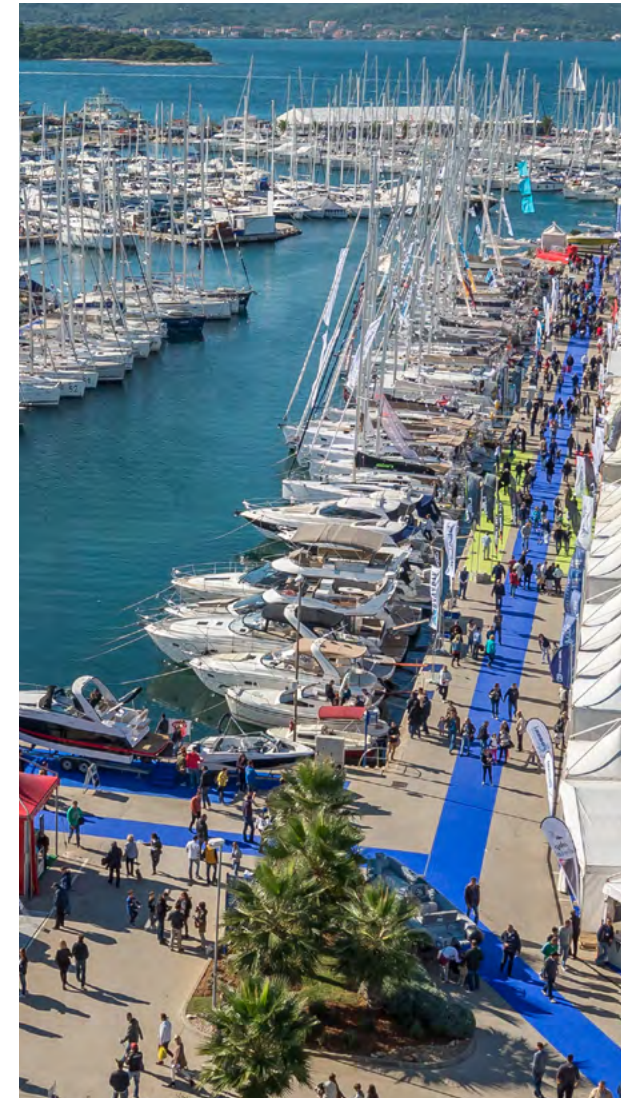
There are 28 vessels in transit that sailed in Marina Kornati, that realized 604 overnight stays, compared to the same period of 2016 when 42 arrivals and 805 overnight stays in transit were recorded, which is a consequence of bad weather conditions and the fact that the Company traditionally expects a higher rate of vessels in transit and its overnight stay in the second and third quarter of the fiscal year.

In the port service which performs lifting and lowering operations and washing of vessels, there are 686 operations that were carried out, which compared to the same period in 2016 constitutes a growth by

13% when 605 port operations were performed. The growth of the port service is closely related to the arrival of new charter vessels, which mostly come by land and always use the port service.

The first quarter of the fiscal year is also marked by the start of international and national regatta events, which intensively take place in the shoulder season, with more than 50 vessels with a total of 360 sailors that participated by the end of the month of March of the current fiscal year which is at the same level of the same period in the year 2016.

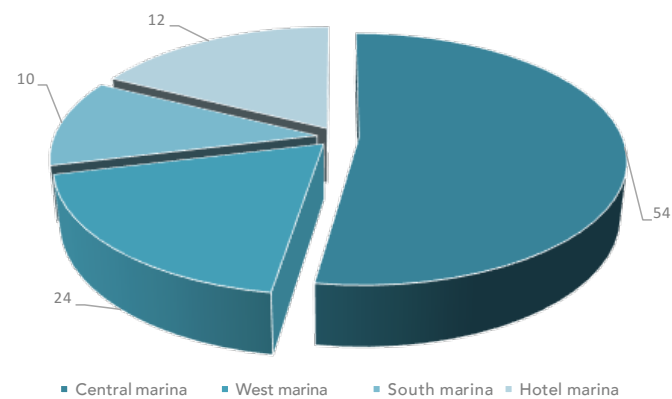
Considering the completion of the second phase of the reconstruction of superstructure and substructure in the central marine aquatorium, which required manipulative actions in transferring vessels during reconstruction and the inability to accept new vessels, especially the vessels in transit, which was reflected both in the physical and the revenue side of the nautical sector business, we expect further growth in the physical and financial results of the business especially in the part of the sailing in and overnight stay of vessels in transit in the second and third quarter of the fiscal year.



## Marina Kornati capacities

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

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



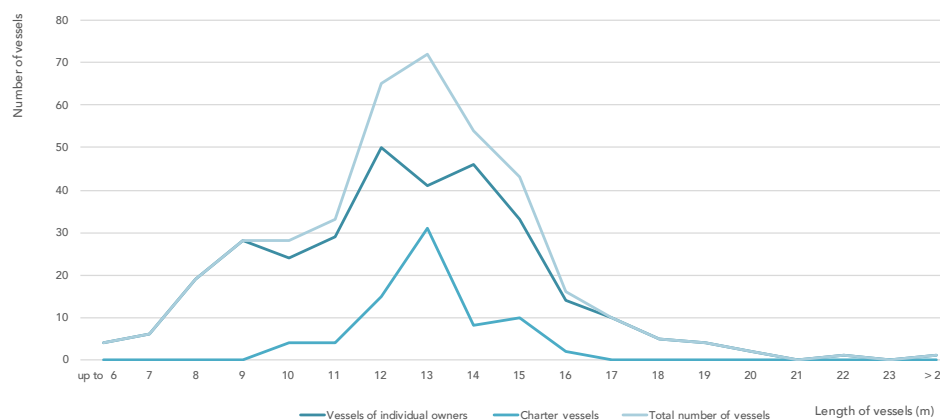




Vessels on berth contract in the period from 01/01/2017-31/03/2017 and comparison with the same period in 2016

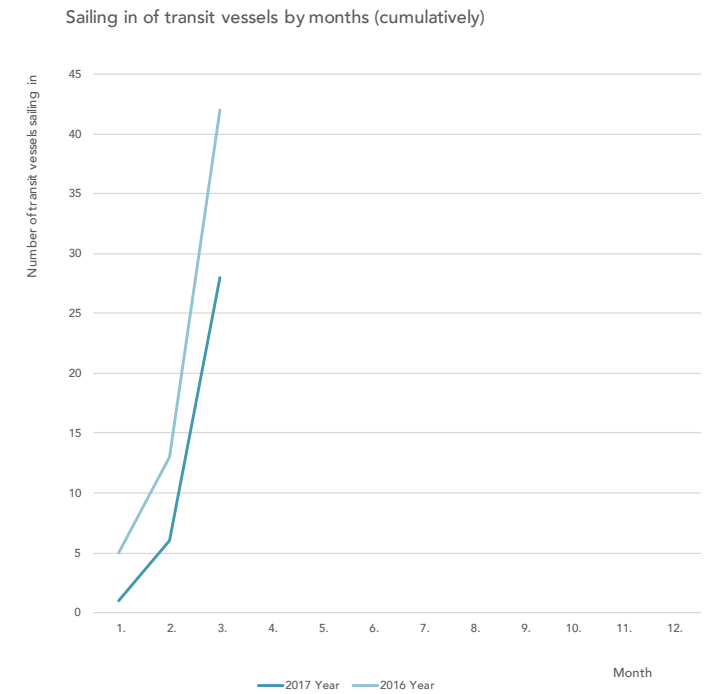
Purpose	Type of berth	Position of berth	01/01-31/03	% Total	01/01-31/03	% Total	Index
			2017	Vessels	2016	Vessels	
Vessels of individual owners	Annual berth in the sea	Central aquatorium	237	61	267	72	89
		South aquatorium	42	11	45	12	93
		Western aquatorium	2	1	3	1	67
	Annual berth on the land	Hotel port	32	8	31	8	103
		Marina land	2	1	4	1	50
	Sesonal berth in the sea	Marina aquatorium	2	1	2	1	100
		Hotel port	0	0	0	0	#DIV/0!
Total individual vessels:			317	81	352	95	90
Charter vessels	Annual berth in the sea	Central aquatorium	13	3	10	3	130
		South aquatorium	0	0	0	0	#DIV/0!
		Western aquatorium	61	16	9	2	678
	Hotel port	0	0	0	0	#DIV/0!	
Total charter vessels:			74	19	19	5	389
Total vessels			391	100	371	100	105

Vessels on berth contract 01/01 - 31/03/2017



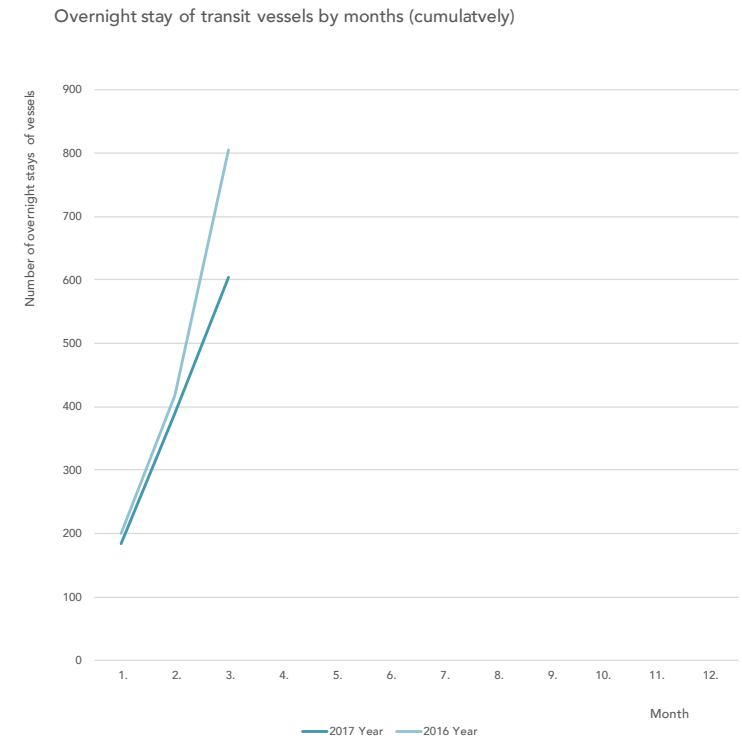
Transit berth – inbound vessels in the period from 01/01/2017-31/03/2017 and comparison with the same period in 2016

2017	Individually monthly			Cumulatively monthly		
	2017	2016	INDEX	2017	2016	INDEX
Month	2017/2016			2017/2016		
1	1	5	20	1	5	20
2	5	8	63	6	13	46
3	22	29	76	28	42	67
4						
5.						
6						
7						
8						
9						
10						
11						
12						
<b>Total 2017</b>	<b>28</b>					
<b>Total 2016</b>	<b>42</b>					
<b>Index 2017/2016</b>	<b>67</b>					



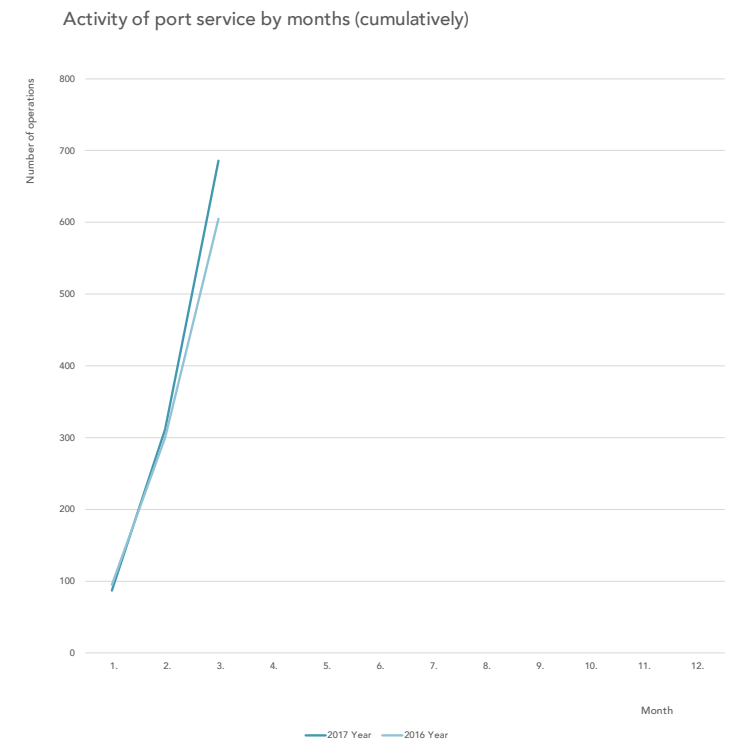
Transit berth – overnight stay of vessels in the period from 01/01/2017-31/03/2017 and comparison with the same period in 2016

2017	Individually monthly			Cumulatively monthly		
	2017	2016	INDEX	2017	2016	INDEX
Month	2017/2016			2017/2016		
1	184	200	92	184	200	92
2	206	218	94	390	418	93
3	214	387	55	604	805	75
4						
5						
6						
7						
8						
9						
10						
11						
12						
<b>Total 2017</b>	<b>604</b>					
<b>Total 2016</b>	<b>805</b>					
<b>Index 2017/2016</b>	<b>75</b>					



Activities of port repair services in the period from 01/01/2017-31/03/2017 and comparison with the same period in 2016

2017	Individually monthly			Cumulatively monthly		
	2017	2016	INDEX	2017	2016	INDEX
Month	2017/2016			2017/2016		
1	87	95	92	87	95	92
2	225	205	110	312	300	104
3	374	305	123	686	605	113
4						
5						
6						
7						
8						
9						
10						
11						
12						
<b>Total 2017</b>	<b>686</b>					
<b>Total 2016</b>		<b>605</b>				
<b>Index 2017/2016</b>			<b>113</b>			





### Revenues generated by Marina Kornati in the period from 01/01/2017-31/03/2017 individually by months and comparison with the same period in 2016

REVENUES OF MARINA KORNATI 2017 SEPARATE BY MONTHS																	
Revenue positions		Months 2017												2017	2016	Index	
		1	2	3	4	5	6	7	8	9	10	11	12				Cumulat.
I	Daily berth	23.611	12.299	41.736											77.646	205.413	38
II	Contracted berth with accessories	3.342.389	6.205.212	2.847.501											12.395.102	12.466.854	99
III	Port service	80.388	240.035	380.895											701.318	661.025	106
IV	Vehicle parking	2.104	8.268	8.616											18.988	28.569	66
V	Other services	3.207	27.152	60.745											91.104	86.346	106
VI	Business cooperation														-	-	#DIV/0!
VII	Boat fair and events			7.006											7.006	-	#DIV/0!
TOTAL		3.451.699	6.492.966	3.346.499											13.291.164	13.448.208	99

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.
I	Daily berth	72.419	52.067	80.927											205.413	168.975	122
II	Contracted berth with accessories	4.388.719	5.622.733	2.455.402											12.466.854	11.739.117	106
III	Port service	117.793	231.835	311.397											661.025	871.768	76
IV	Vehicle parking	1.472	4.833	22.264											28.569	32.583	88
V	Other services	4.352	58.839	23.155											86.346	105.766	82
VI	Business cooperation	-	-	-											-	11.836	0
VII	Boat fair and events	-	-	-											-	14.970	0
TOTAL		4.584.755	5.970.308	2.893.145											13.448.208	12.945.015	104



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## 11 COMMERCIAL-SHOPPING CENTER CITY GALLERIA

By acquiring the Commercial-shopping center City Galleria, located near the old city center of Zadar, which was completed in December 2016, the Company bought an operational and unique facility at a fair price, which has further strengthened its market position, stabilized cash inflows outside of the tourist season and further dispersed the business risk.

City Gallery is located in a highly residential area and is only 10 minutes walk away from the old town and is easily accessible to a large number of Zadar and County residents and to foreign visitors as well. The occupancy of the Commercial-shopping center City Galleria as well as operating results, are continuously growing.

There are a total 35 premises in this center, of which 33 of the premises are subject to active lease agreements. In addition to the premises lease agreements, there are still 22 agreements that govern the commercial use of shared areas of the center and special parking spaces in the public garage. The average occupancy of the center on 31 March, 2017 was 97.77%.

In addition to the "anchors" for many years, such as Cinestar and SPAR, the offer of center has been fur-

ther strengthened in the last year by opening stores with European brands Müller and CCC shoes&bags which are well-known to the public. In addition, a new chain of fitness clubs designed according to the European concept Gyms4You has been opened, which further extended the diversity of offers. This significant expansion of quality offer of contents, we ensured the interest of new visitors and retained the loyalty of the existing customers.

The usage of the underground garage by customers is also rising, and for the first quarter of 2017 this figure is 144,676 vehicles, which is an indicator of increased interest of visitors to the Commercial-shopping center City Galleria.

The operating revenues of the Commercial-shopping center City Galleria amount to HRK 2,561,342.86 on 31 March, 2017.

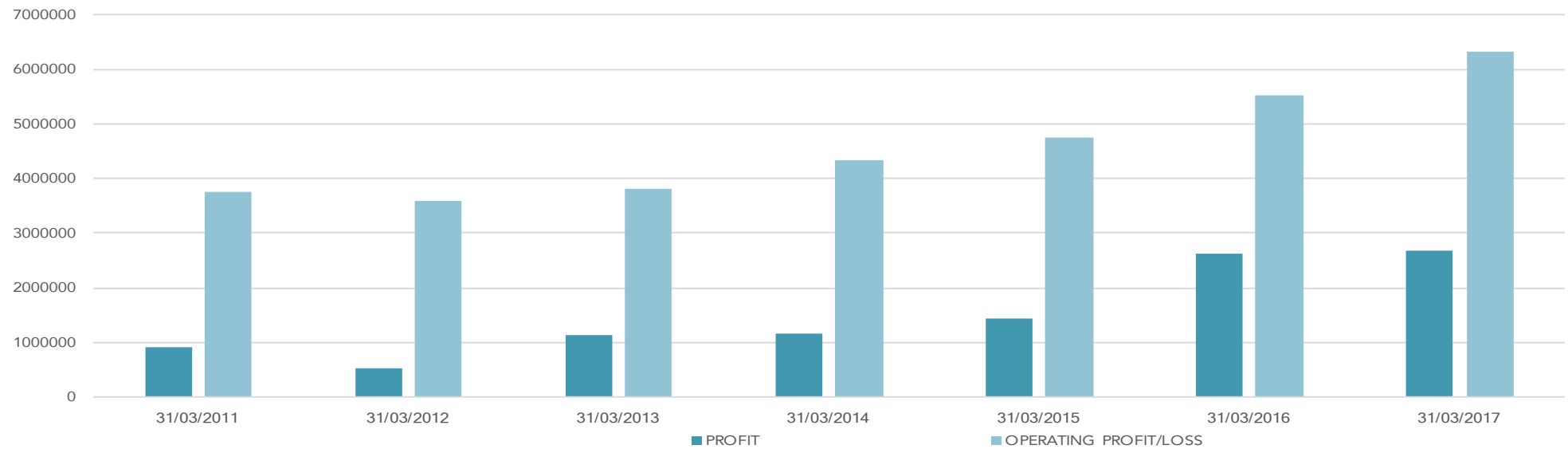
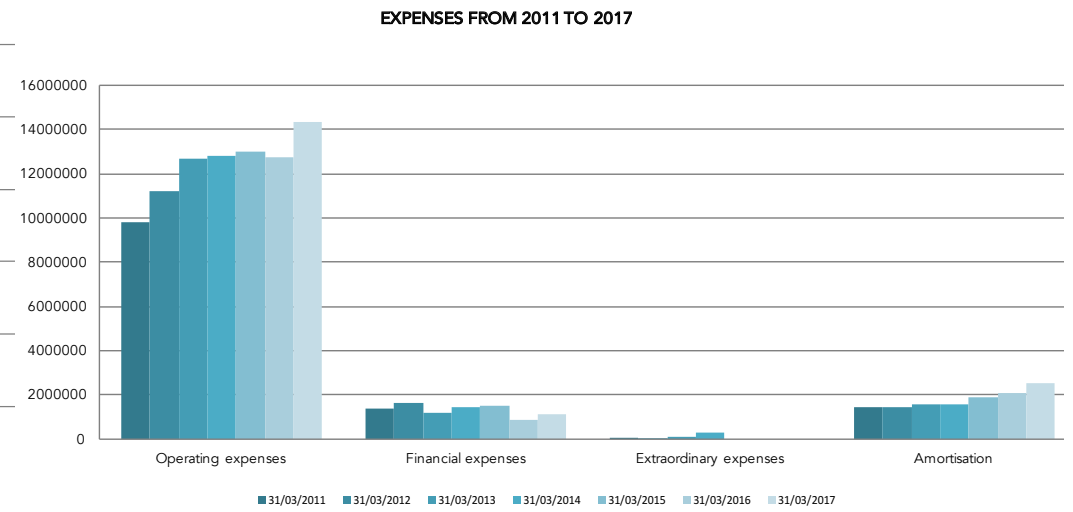
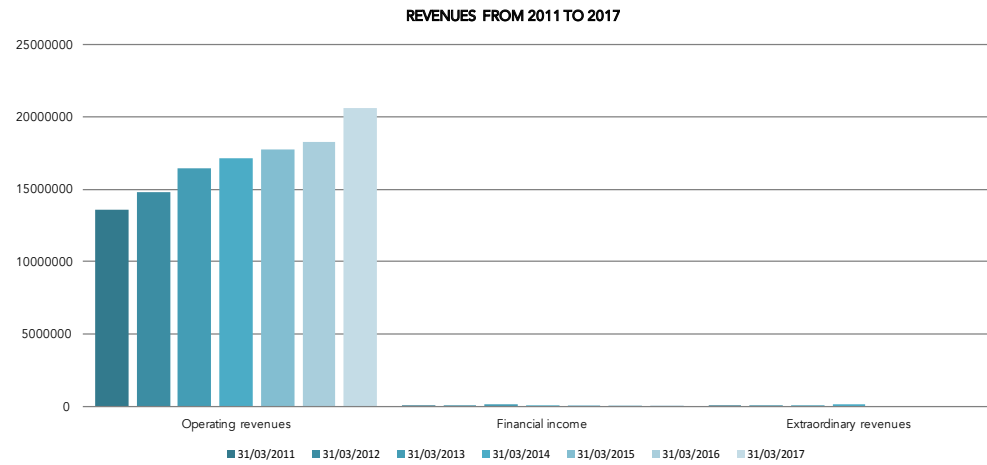




## I 2 FINANCIAL OPERATING RESULTS

Overview of financial operating results during the period from 01/01 - 31/03/2017 and comparison with the same period from 2011 to 2017

DESCRIPTION	31/03/2011	31/03/2012	31/03/2013	31/03/2014	31/03/2015	31/03/2016	31/03/2017	Index 2017/2016
Operating revenues	13.565.886,48	14.806.794,28	16.479.987,38	17.122.542,83	17.749.574,00	18.265.476,75	20.642.372,56	113,01
Financial income	33.598,26	23.795,44	158.453,31	39.328,22	18.368,65	30.689,62	23.419,38	76,31
Extraordinary revenues	15.621,91	79.991,80	19.028,85	167.167,46	0,00	0,00	0,00	#DIV/0!
<b>TOTAL REVENUES</b>	<b>13.615.106,65</b>	<b>14.910.581,52</b>	<b>16.657.469,54</b>	<b>17.329.038,51</b>	<b>17.767.942,65</b>	<b>18.296.166,37</b>	<b>20.665.791,94</b>	<b>112,95</b>
Operating expenses	9.811.220,59	11.206.146,00	12.657.748,02	12.781.446,85	12.990.237,64	12.756.687,07	14.317.916,72	112,24
Financial expenses	1.395.912,33	1.631.559,08	1.214.740,00	1.473.129,61	1.488.006,30	848.451,04	1.121.027,66	132,13
Extraordinary expenses	40.628,91	64.817,83	94.848,05	310.889,69	0,00	0,00	0,00	#DIV/0!
Amortisation	1.457.695,68	1.471.448,71	1.559.878,46	1.596.301,65	1.867.554,69	2.056.495,32	2.551.211,77	124,06
<b>TOTAL EXPENSES</b>	<b>12.705.457,51</b>	<b>14.373.971,62</b>	<b>15.527.214,53</b>	<b>16.161.767,80</b>	<b>16.345.798,63</b>	<b>15.661.633,43</b>	<b>17.990.156,15</b>	<b>114,87</b>
<b>PROFIT OR LOSS BEFORE TAXES</b>	<b>909.649,14</b>	<b>536.609,90</b>	<b>1.130.255,01</b>	<b>1.167.270,71</b>	<b>1.422.144,02</b>	<b>2.634.532,94</b>	<b>2.675.635,79</b>	<b>101,56</b>
<b>OPERATING PROFIT/LOSS</b>	<b>3.754.665,89</b>	<b>3.600.648,28</b>	<b>3.822.239,36</b>	<b>4.341.095,98</b>	<b>4.759.336,36</b>	<b>5.508.789,68</b>	<b>6.324.455,84</b>	<b>114,81</b>
<b>EBITDA</b>	<b>3.763.257,15</b>	<b>3.639.617,69</b>	<b>3.904.873,47</b>	<b>4.236.701,97</b>	<b>4.777.705,01</b>	<b>5.539.479,30</b>	<b>6.347.875,22</b>	<b>114,59</b>



## I

In the first quarter of 2017, total revenues amounted to HRK 20,665,791.94 and they increased by 12.95% compared to the same period of 2016 as a result of the growth in operating revenues and revenues from sales.

Total operating revenues realized in the observed period amount to HRK 20,642,372.56 which is a growth by 13.01%, as compared to the same period of the previous fiscal year, as a result of the increase in revenues from sales, of which a significant increase in the revenues is recorded by the camping sector by 9%, revenues generated by the destination management company/DMC Ilirija Travel with a special emphasis on the profit center Arsenal and revenues from the real estate sector.

Total operating revenues from sales in the observed period amount to HRK 20,565,717.15 and are higher by 17.11%, as compared to the same period of the previous fiscal year, when they amounted to HRK 17,560,709.76, which is a result of the increase in revenues from sales on the domestic market by 22%. The revenues from sales make up for 99.52% of the total revenues and 99.63% of the operating revenues.

## 2

Total operating expenses in the mentioned period amount to HRK 17,990,156.15 and in comparison to the same period in 2016 they are higher by 14.87% as a result of the increase in operating and financial expenses and increase in amortization in the observed period.

The total operating expenses realized in the first quarter 2017 amount to HRK 14,317,916.72 and are higher by 12.24% or by HRK 1,561,229.65 compared to the same period in 2016 as a result of an increase in raw material and other material costs by 25%, cost of service by 5%, other expenses by 7% and an increase in gross salaries by 14%.

## 3

The operating profit or the profit from operations of the Company rose by 14.81% compared to the same period in 2016 and amounts to HRK 6,324,455.84.

EBITDA or Earnings before interest, taxes and amortization was realized in the amount of HRK 6,347,875.22, and rose by HRK 14.59% compared to the same period in the year 2016.

EBIT or Earnings before interest and taxes was realized in the amount of HRK 3,796,663.45, and rose by HRK 9% compared to the same period in the year 2016.

The profit for the first quarter 2017 amounts to HRK 2,675,635.79 and is higher by 1.56% compared to the same period in 2016.

Operating profit, EBITDA, EBIT and profit realized in the first quarter 2017 are the best so far, compared with the same periods of the previous fiscal years in their absolute amount, which are the result of an increase in total and operating revenues and increase in operating efficiency of the Company as a whole.

## Financial statements of the Company as at 31/03/2017 and comparison with the same period in the years 2015 and 2016

REVENUES	2015	2016	INDEX 2016/2015	2017	INDEX 2017/2016
Revenues on the local market	14.522.105,26	15.547.238,29	107	18.962.772,53	122
Revenues on the foreign market	1.965.698,01	2.073.471,47	105	1.662.944,62	80
Other operating revenues	1.261.770,73	644.766,99	51	16.655,41	3
<b>OPERATING REVENUES</b>	<b>17.749.574,00</b>	<b>18.265.476,75</b>	<b>103</b>	<b>20.642.372,56</b>	<b>113</b>
FINANCIAL INCOME	18.368,65	30.689,62	167	23.419,38	76
EXTRAORDINARY REVENUES	0,00	0,00	#DIV/0!	0,00	#DIV/0!
<b>TOTAL REVENUES</b>	<b>17.767.942,65</b>	<b>18.296.166,37</b>	<b>103</b>	<b>20.665.791,94</b>	<b>113</b>
EXPENSES					
Raw material and material costs	1.712.049,87	1.641.930,94	96	2.072.544,55	126
Costs of services	3.241.153,00	2.928.871,27	90	3.084.195,57	105
Gross salaries	5.578.688,04	5.362.546,02	96	6.131.312,83	114
Other expenses	2.458.346,73	2.823.338,84	115	3.029.863,77	107
TOTAL OPERATING EXPENSES	12.990.237,64	12.756.687,07	98	14.317.916,72	112
AMORTIZATION	1.867.554,69	2.056.495,32	110	2.551.211,77	124
FINANCIAL EXPENSES	1.488.006,30	848.451,04	57	1.121.027,66	132
EXTRAORDINARY EXPENSES	0,00	0,00	#DIV/0!	0,00	#DIV/0!
<b>TOTAL EXPENSES</b>	<b>16.345.798,63</b>	<b>15.661.633,43</b>	<b>96</b>	<b>17.990.156,15</b>	<b>115</b>
PROFIT / LOSS	1.422.144,02	2.634.532,94	185	2.675.635,79	102
OPERATING PROFIT / LOSS	4.759.336,36	5.508.789,68	116	6.324.455,84	115
EBITDA	4.777.705,01	5.539.479,30	116	6.347.875,22	115

## REVENUES BY ACTIVITIES

*Revenues from hotel services* amount to HRK 962,316.70 and are lower by 34% compared to the same period of the previous fiscal year, where it must be noted that the fall in revenues is the result of the comprehensive renovation and refurbishment of the four-star hotel accommodation facilities in the destination Biograd na Moru, which was opened in the same period during the last fiscal year, which resulted in lower revenues in the first quarter of 2017.

*Revenues from the nautics* amount to HRK 13,531,524.37 and are lower by 2% compared to the same period of 2016 due to the fact that the revenues of the nautical sector in 2016 also included the revenues from their own activity, which do not exist in the revenue balancing policy from this year.

*Revenues from camping* amount to HRK 2,259,674.25 and are higher by 9% compared to the same period of the previous fiscal year and relate to the revenues generated from the fixed lease based on the agreements contracted with the agencies.

*Other operating revenues*, that is, revenues from profit centers, including Ilirija Travel, hospitality, Arsenal and event ship „Nada“ and Commercial-shopping center City Galleria were generated in the amount of HRK 3,888,857.24 and rose by 407.32% compared to the year 2016.

**GRANDTOTAL:** Operating revenues by activities amount to HRK 20,642,372.56 and rose by 13% in comparison with the same period in 2016.







## FUNDAMENTAL FINANCIAL PERFORMANCE INDICATORS AS AT 31/03/2017

Since the tabular Overview of fundamental indicators of the Company was given from 2017 to 2009 (eight years) the realized and described indicators in absolute figures and growth rates are listed

### I

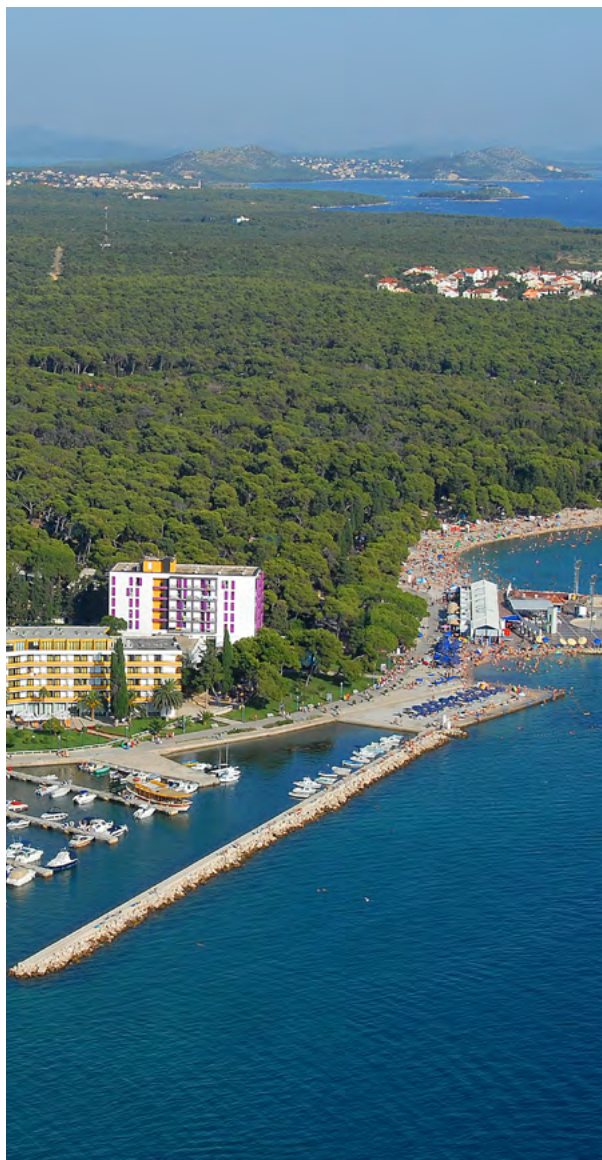
The value of the Company's assets as at 31/03/2017 amounts to HRK 419,808,278.53 and rose by HRK 101,965,666.84 or by 32.08% compared to the same period in 2016 when it was evaluated at HRK 317,842,611.69, and the increase of which is partly the result of the buying (acquisition) of the Commercial-shopping center City Galleria and a change in the balance sheet position of leasing, which changed from the operating leasing to financial leasing, by which all the equipment financed through leasing was brought into the Company's assets.

The value of assets of the Company since 2009, when it amounted to HRK 267,341,307.20, grew by HRK 152,466,971.33 or by 57.03%.

### 2

Total liabilities of the Company as at 31/03/2017 amount to 141,448,734.67 and rose by HRK 42,616,823.95 that is, by 43.12% compared to the same period in 2016 when they amounted to HRK 98,831,910.81 of which growth is the result of long-term liabilities of the Company to financial institutions due to acquisition (buying) of the Commercial shopping center City Galleria, which is partly financed by the long-term investment loan.

Total liabilities of the Company as at 31/03/2017 decreased by HRK 6,157,010.13 or by HRK 4.17%, that is, compared to the total liabilities of the Company as at 31/03/2009 when they amounted to HRK 147,605,744.89.



### 3

Capital and reserves of the Company as at 31/03/2017 amount to HRK 278,359,543.77 and rose by HRK 59,348,842.89 that is by 27.10% compared to the same period in 2016 when they amounted to HRK 219,010,700.88.

Comparing the Company's capital and reserves in the first quarter of 2017, it increased by HRK 158,623,981.46 or by 232.28%, compared to the same period in 2009 when it amounted to HRK 119,735,562.31.

### 4

The total revenues of the Company in the first quarter of 2017 amount to HRK 20,665,791.94 and are higher by HRK 872,494.68 or by 12.95% compared to the same period of 2016 when they amounted to HRK 18,296,166.37 the increase of which is the consequence of the rise in operating revenues and revenues from sales.

The total revenues compared to the same period in 2009 when they amounted to HRK 13,623,690.28 increased by HRK 7,042,101.66 or by 51.69%.

### 5

The operating profit of the Company in the amount of HRK 6,324,455.84 was generated and is higher by HRK 815,666.16 or by 14.81% compared to the same period in 2016 when it amounted HRK 5,508,789.68 as a consequence of a growth in operating revenues.

Comparing the operating profit realized in the first quarter of 2017, it grew by HRK 3,466,611.19 or by 219.76% compared to the operating profit generated in the same period in 2009, when it amounted to HRK 2,877,844.65.

### 6

The Company's profit for the first quarter of 2017 amounts to HRK 2,675,635.79 and is higher by HRK 41,102.85 or by 1.56% compared to the same period of 2016 when it amounted to HRK 2,634,532.94 as a result of growth in total and operating revenues.

Comparing the Company's profit for the first quarter of 2017, it increased by HRK 2,335,331.62 or by 786.25%, compared to the profit generated in the same period in 2009 when it amounted to HRK 340,304.17.

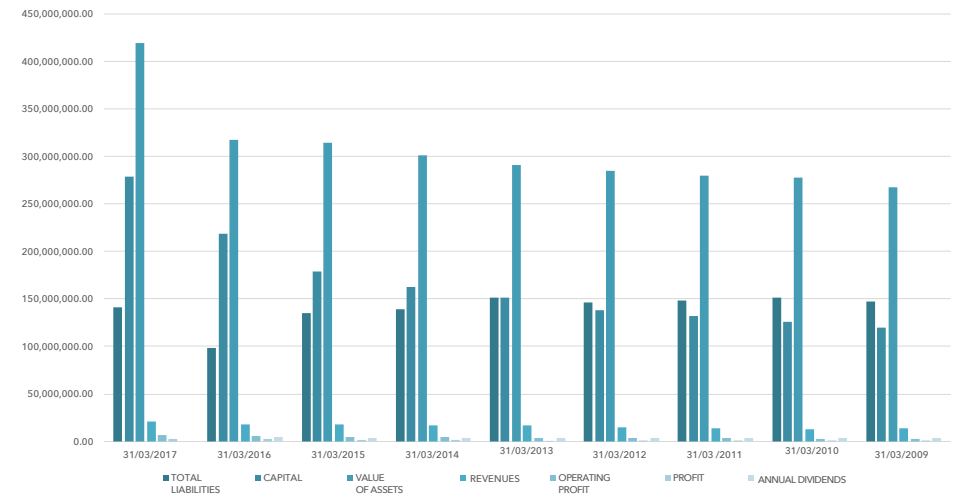
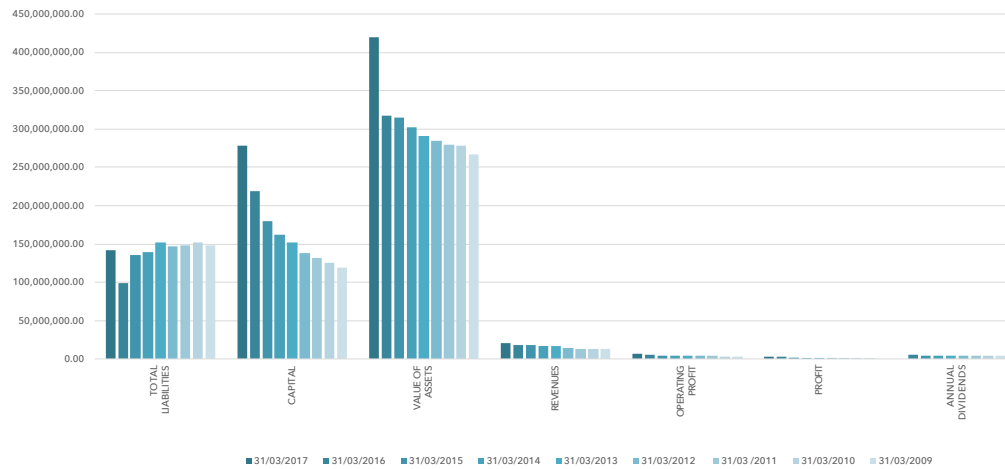
## CUMULATIVE COMPARATIVE OVERVIEW

of fundamental indicators on the position of assets, capital, liabilities and operating results of the Company as at 31/03/2017 and also for the period from 2009 to 2017

YEAR	TOTAL LIABILITIES	CAPITAL	VALUE OF ASSETS	REVENUES	OPERATING PROFIT	PROFIT	ANNUAL DIVIDENDS
1	2	3	4	5	6	7	8
31/03/2017	141.448.734,76	278.359.543,77	419.808.278,53	20.665.791,94	6.324.455,84	2.675.635,79	0,00
31/03/2016	98.831.910,81	219.010.700,88	317.842.611,69	18.296.166,37	5.508.789,68	2.634.532,94	4.937.148,00
31/03/2015	135.069.382,93	179.280.859,69	314.350.242,62	17.767.942,65	4.759.336,36	1.422.144,02	3.740.790,00
31/03/2014	139.140.342,44	162.510.566,87	301.650.909,31	17.329.038,51	4.341.095,98	1.167.270,71	3.740.790,00
31/03/2013	151.603.255,36	151.603.255,36	291.120.786,27	16.657.469,54	3.822.239,36	1.130.255,01	3.740.790,00
31/03/2012	146.758.285,42	137.917.687,18	284.675.972,60	14.910.581,52	3.600.648,28	536.609,90	3.740.790,00
31/03/2011	148.134.240,07	131.827.187,74	279.971.568,40	13.615.106,65	3.754.665,89	909.649,14	3.740.790,00
31/03/2010	151.881.871,96	125.778.942,43	277.660.814,39	12.639.093,65	2.616.941,27	23.380,42	3.740.790,00
31/03/2009	147.605.744,89	119.735.562,31	267.341.307,20	13.623.690,28	2.877.844,65	340.304,17	3.740.790,00



Overview of fundamental indicators on the position of assets, capital, liabilities and operating results of the Company as at 31/03/2017 and also for the period from 2009 to 2017



## OPERATING AND OTHER EXPENSES

Operating expenses in the first quarter of the year 2017 amount to HRK 14,317,916.72, and increased by 12.24% compared to the same period of the previous fiscal year. The increase in these expenses is a consequence of the acquisition of Commercial-shopping center City Galleria, which was acquired by and merged to the Company in the second half of December 2016, followed by an increase in the sale of food and beverages and a significant increase in gross salaries cost by 14% as the result of the Company's business policy in the segment of human resources management.

## FINANCIAL EXPENSES

Financial expenses for the first quarter of 2017 amount to HRK 1,121,027.66 and increased by 32.13% compared to the same period of 2016, when they amounted to HRK 848,451.04. The growth in financial expenses is the result of the growth in the

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

## 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 31st March 2017, there was no share split.

## EARNING PER SHARE

In the first quarter of 2017, the gross earning per share amounts to HRK 8.90.

## UNCERTAINTY OF COLLECTING REVENUES AND POTENTIAL FUTURE COSTS

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

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## 13 INVESTMENTS IN THE YEAR 2017

The Company made significant investments for the preparation of the tourist season in the improvement and development of offer, service and amenities in all of its sectors, tailoring its offer to the requirements, demands and wishes of its clients and market, thereby ensuring a competitive market position and high-quality and recognizable tourism product.

The most significant part of the investment relates to the nautical sector or the Nautical tourism port "Marina Kornati", where the second phase of reconstruction of the superstructure and substructure of piers in the central aquatorium was completed in late February in accordance with the Investment Plan for 2017 and the non-appealable building permit. In addition to the mentioned reconstruction, which also includes the replacement of the existing infrastructure by the new infrastructure or improvement of the access path to the piers, electricity and water supply, and fire fighting equipment, which will enable the accommodation of a higher category of vessels and the better usage of the existing aquatorium, the investment will be also made in additional marine services, especially the port repair services or modernization of the travel lift service,

improvement of the washing area, better coverage of the marine by the internet network and catering facilities.

In the hotel sector, the most significant investments relate to the construction of the two outdoor swimming pools in the destination of Biograd na Moru and Sv. Filip i Jakov, which will help the existing hotel facilities, Hotel Villa Donat and Villa Primorje, to improve the offer or to extend the season, achieve better occupancy and utilize the existing accommodation capacities.

The most important investments in the hotels in the destination Biograd na Moru, relate to the Hotel Kornati, where all accommodation units are renovated, followed by the hospitality facilities - restaurant and the bar, that is most of existing hotel interior was replaced, the facade is renovated and all the exterior openings of the hotel are replaced. In addition, in other hotels was invested in the reconstruction of accommodation units and shared facilities, mainly restaurants and bars. One of the most significant investments, especially from the environmental protection aspect, is the gasification



of the Hotel Kornati with a complete reconstruction of the boiler room, which involves switching to natural gas as the main energy source, which is considerably more environmentally acceptable and more cost-effective.

In the camping sector the investment was made in equipping new mobile homes, landscaping of the camp to the level of the arboretum and its further infrastructural development followed by further investments in hospitality offer in the camp.

In the segment of development of the destination management company/DMC Ilirija Travel, through which the company develops special and selective forms of tourist offer with an aim to extend the tourist season or run year-long business operations in a high quality way for the purpose of which the Company has over the past few years introduced the capacities on the market that make a complementary offer to its existing tourism sectors (hotel industry, nautics and camping) and reduced the seasonality of the business operations: the event boat "Nada", the development of agrotourism through Ražnjevića Dvori AD 1307, the first diffuse hotel in

the Republic of Croatia, and Arsenal, 17th century heritage monument revitalized into a multifunctional space for organizing public and private events. In 2017, a further step was taken towards the development of tourism of special interest and experiences with a special emphasis on the development of the offer in the shoulder season – development of cyclotourism, which will be based on the recognizable natural predispositions of this area, coupled with agrotourism and wine tourism.

In order to develop cyclotourism, the company has acquired its own bicycles for different purposes for all sectors while designing special individual, group and corporate offers and arrangement packages, designing cycling routes and organising of the second Bike and Wine event that in addition of natural beauties of Ravni kotari actively promotes wine and agrotourism in our countryside.



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## 14 NON-OPERATING ASSETS

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

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

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

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

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

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

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

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

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





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

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

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

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

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

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

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

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

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

As it has been so far, the further development of the Company will be based on long-term, responsible and sustainable development by maintaining the competitiveness and quality of the existing capacities, service, content and offer, continuous investment and reconstruction, adaptation, building an annex and reconstruction of the existing capacities and construction of new facilities in accordance with the latest trends in the tourism industry.

As a result, the Company will in 2017 continue with the investment cycle, in particular in the nautical sector and in the Port of nautical tourism "Marina Kornati" where in November 2016, the second phase of reconstruction of the coastal area of Marina Kornati started and was finished by the end of February 2017.

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

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

quality and standard.

The Company will perform significant activities to adapt to and implement the standards, procedures and regulations in all aspects of environmental protection, waste management and take further actions in the implementation of HALAL standard.

There will be no business development without long-term stability and balance of the interests of all participants in the business process of the company starting from the shareholders, the state, employees, customers, suppliers, local community and the safety observed through the protection and conservation of nature and environment, life and health of guests and employees. Therefore, the company shall according to our policy continue to actively contribute to the accomplishment of the business objectives adopted by its shareholders in 2017. Besides, we shall strive to sustainable and responsible development and growth, compliance with and enforcement of all laws and regulations of public authorities, fulfill the obligations to our employees, customers and suppliers and we shall contribute to the development of the local community. The long-term development will be based on the principles of corporate social responsibility as an integral part of our corporate values.

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## 16 OPERATIONAL RISKS OF THE COMPANY

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

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

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

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

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

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



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## 17 SIGNIFICANT EVENTS

On 06th March 2017, the meeting of the Supervisory Board was held at which the annual report by the Management Board on the operations and position of the Company for the year 2016, audit report of the Company's operations for the year 2016 and the Report by the Supervisory Board on performed supervision of managing the operations for the year 2016 were adopted. The Supervisory Board determined fundamental annual financial statements of the Company for the year 2016 (Report on financial operations, financial position and Cash Flow), draft decision on the use of profit, distribution of dividend and increase in share capital of the Company, draft decision on changes and amendments to the Company's Articles of Association, draft decision on appointment of auditor of the company for the year 2017 and the proposal for the call with the agenda for convocation of the General Meeting.

The Supervisory Board suggested that the profit generated in the fiscal year 2016 after taxation in the amount of HRK 30,676,046.46 should be apportioned in the way as follows:

- HRK 507,446.46 to retained profit,
- HRK 30,168,600.00 for an increase in share capital from the Company's funds (reinvested profit).

The Supervisory Board proposed the distribution of the dividend from the remaining retained profit for the year 2006, profit from the year 2010 and part of the profit from the year 2011 totaling to HRK 6,016,540.00. The dividend per one share is HRK 20.00.

On 06th March 2017 the Call to the Ordinary General Meeting of the Company was publicized with the following agenda:

1. The Management Board's report on the operations and position of the Company for the year 2016,
2. Report by the Supervisory Board of performed supervision of conducting the Company's business in 2016,



3. Auditor's report on the audit of the Company's operations performed in 2016,
4. Taking note of the Decision on establishing the fundamental annual financial statements of the Company for 2016;
5. Decision on use of profit of Ilirija d.d. for the fiscal year 2016;
6. Decision on the distribution of the dividend from the retained profit from the year 2006, 2010 and 2011,
7. Giving remuneration to the Company's Management Board,
8. Giving remuneration to the members of the Supervisory Board for the supervision of the Company's operations performed in the previous period,
9. Appointment of the Company's auditor for the year 2017,
10. Making a decision on an increase in share capital from the Company's funds (reinvested profit), and
11. Making decision on changes and amendments to the Articles of Association and adoption of the full wording.

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## 18 SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

Sustainable development of the Company is an integral part of the corporate social responsibility, which is particularly evident in the tourism industry and thereby in the Company, where the economic development does not harm existing natural resources, cultural, historical and natural heritage. Such kind of responsible tourism, which equates the present and future economic, general, social and environmental demands of all stakeholders, ensures the long-term survival of economic entities, tourism as the industry and the future of the generations to come.

While sharing our knowledge, experience, best practices and the latest information, Company connects with similar companies within the existing associations such as the HGK (Croatian Chamber of Commerce) within which we are the member of the Community for the Environment and Corporate Social Responsibility Community. The Company is a member of Croatian Business Council for Sustainable Development (HR PSOR) as well, which is a non-profit institution of the economic sector that promotes and initiates the principles of corporate social responsibility and sustainable development in the economy.

The corporate social responsibility principles in the

Company are based on balancing the rights, obligations and interests of the following stakeholders: owners, state, financial institutions, employees, local community, suppliers, buyers, nature and environmental and people's health and life protection.

To be a socially responsible company means to systematically and continually reflect on all aspects of its business operations, actions, decision making and communication, taking into account their long-term economic and social sustainability, while complying with all positive regulations, ethical codes and corporate governance codes at the same time, which is specifically reflected in the following areas: environmental protection, relationship with the employees and community relation.

In the area of environmental protection, the Company seeks to minimize the impact of our business processes on the environment. For this reason, in the first quarter of this fiscal year, due to the reconstruction of the boiler room and switching of the Hotel Kornati to natural gas as the major energy source we have significantly reduced the emission of greenhouse gases into the atmosphere. Gasification of other hotels in the destination of Biograd na Moru, nautic

and camping sector is planned to be completed by the end of the year 2017. In addition, even in this fiscal year, the Company uses the ZelEn product, the energy obtained from renewable sources, that on the one hand allows us to minimize the negative effects of the tourism activity on the environment and nature, and on the other hand to manage the environment and nature in our surrounding in a high quality, responsible and sustainable manner.

In the first quarter of 2017, the Company has continued with the intensive education and training of employees through the ILIRIJA EDUKA internal academy, which in the observed period referred to the education and training of employees of the Food and Beverage Department and the Sales and Marketing Department, which is also one of the fundamental determinants of socially responsible business operations of the Company in the segment of management and development of its own personnel - continuous education, training and professional development of the employees.

Company continuously, systematically and actively through the system of corporate philanthropy (sponsorships and donations), recognizing the needs of

the community, supports, promotes and initiates the projects aimed at enhancing and improving the quality of life and projects of a greater importance to the community, clearly underlining and confirming its commitment and support to the development of sports, culture, education and science, but also the promotion of corporate social responsibility. Company implements the program of corporate philanthropy in the following ways:

- **By initiating or participating in the donation/sponsorship process** for specific social projects together with other community members such as business entities mainly from the Zadar County, business partners, regional and local self-government units, associations and institutions;

- **By continuously donating/sponsoring** to various associations, sports clubs, educational and scientific institutions, health institutions, individuals, young people of humanitarian, cultural, scientific, sporting, educational and scientific character based on the assessment of their significance and influence on the long-term community development, degree of innovation, care for preservation and protection of the environment, contribution to education, promotion

and preservation of the culture and tradition of this region and the importance for children and young people; and

- **By donating/sponsoring** in response to the current need of the community i.e. through the so called ad hoc donations/sponsorships.





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## 19 OTHER

### LEGAL ISSUES

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

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

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

The system of monitoring the business operations has been established in all of its segments at the level of all sectors and the Company as a whole on a dai-

ly, 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 TAKEOVERS

There have been no mergers and takeovers.

### 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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## 20 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



Reporting period: 01/01 – 31/03/2017

Quarterly financial report TFI-POD

Tax number (MB):	03311953		
Company registration number (MBS):	060032302		
Personal identification number (OIB):	05951496767		
Issuing company:	ILIRIJA d.d.		
Postal code and place:	23210	BIOGRAD NA MORU	
Street and house number:	TINA UJEVIĆA 7		
E-mail address:	ilirija@zd.t-com.hr		
Internet address:	www.ilirijabiograd.com		
Municipality/city code and name	22	BIOGRAD NA MORU	
County code and name	13	ZADARSKA	Number of employees: 221 (period end)
Consolidated report:	NO		NKD code: 55100

Companies of the consolidation subject (according to IFRS):

Seat:

MB:

Bookkeeping service:

Contact person:

STRPIĆ ZORKA

(only surname and name)

Telephone:

023/383178

Fax:

023/384564

E-mail address:

zorkas@ilirijabiograd.com

Family name and name:

RAŽNJEVIĆ GORAN

(person authorized to represent the company)

Documents disclosed:

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

L.S.

(signature of the person authorized to represent the company)

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



## Balance Sheet - as of 31/03/2017

Company: ILIRIJA d.d. BIOGRAD NA MORU

Position	AOP	Previous period	Current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001		
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	304.467.002	407.395.772
I. INTANGIBLE ASSETS (004 to 009)	003	499.332	336.452
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	499.332	336.452
II. PROPERTY, PLANT AND EQUIPMENT (011 to 019)	010	303.927.670	407.019.320
1. Land	011	42.340.227	42.340.227
2. Buildings	012	223.266.279	232.347.442
3. Plant and equipment	013	31.493.546	42.304.303
4. Tools, working inventory and transportation assets	014		
5. Biological assets	015		
6. Advances for purchase of tangible assets	016	451.889	1.239.522
7. Tangible assets in progress	017	6.375.729	9.110.601
8. Other tangible assets	018		
9. Investment in real-estate	019		79.677.225
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	13.525.638	12.412.507
I. INVENTORIES (036 to 042)	035	2.107.739	2.358.997
1. Raw materials and supplies	036	2.107.739	2.358.997
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	6.206.221	6.543.758
1. Receivables from related parties	044		
2. Receivables from end-customers	045	5.185.736	5.292.150



## Balance Sheet - as of 31/03/2017

Company: ILIRIJA d.d. BIOGRAD NA MORU

3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	618.899	826.678
5. Receivables from government and other institutions	048	401.586	330.912
6. Other receivables	049		94.018
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	5.033.986	2.434.811
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	5.033.986	2.434.811
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	177.692	1.074.941
D) PREPAYMENTS AND ACCRUED INCOME	059	1.157.204	
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>319.149.844</b>	<b>419.808.279</b>
F) OFF BALANCE SHEET ITEMS	061		
EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	219.010.701	278.359.544
I. SUBSCRIBED SHARE CAPITAL	063	150.857.300	174.977.880
II. CAPITAL RESERVES	064	8.921.539	26.723.874
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	21.693.815	23.435.964
1. Legal reserves	066	7.610.344	9.477.986
2. Reserve for own shares	067	6.975.716	6.975.716
3. Treasury shares and shares (deductible items)	068	414.924	540.417
4. Statutory reserves	069		
5. Other reserves	070	7.522.679	7.522.679
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	34.903.514	50.546.190
1. Retained earnings	073	34.903.514	50.546.190
2. Loss carried forward	074		
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	2.634.533	2.675.636
1. Net profit for the period	076	2.634.533	2.675.636
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	58.253.754	109.846.075
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	58.253.754	109.846.075
4. Liabilities for advances	087		
5. Trade payables	088		
6. Commitments on securities	089		
7. Liabilities to companies with participating interest	090		
8. Other non-current liabilities	091		

## Balance Sheet - as of 31/03/2017

Company: ILIRIJA d.d. BIOGRAD NA MORU

9. Deferred tax liabilities	092		
D) CURRENT LIABILITIES (094 to 105)	093	35.794.491	26.132.786
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits, etc.	095		
3. Liabilities to banks and other financial institutions	096	8.662.827	11.982.449
4. Liabilities for advances	097		
5. Trade payables	098	12.239.609	9.038.461
6. Commitments on securities	099	7.100.000	1.500.000
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	1.054.967	1.256.163
9. Taxes, contributions and similar liabilities	102	6.205.222	1.361.294
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	531.866	994.419
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	6.090.898	5.469.874
<b>F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>319.149.844</b>	<b>419.808.279</b>
G) OFF BALANCE SHEET ITEMS	108		
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109		
2. Attributable to minority interest	110		

ADDITION TO BALANCE SHEET (only for consolidated financial statements)

## Income statement - period 01/03/2017 to 31/03/2017

Company: ILIRIJA d.d. BIOGRAD NA MORU

Position	AOP	Previous period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112 to 113)	111	18.265.476	18.265.476	20.642.373	20.642.373
1. Sales revenues	112	17.560.710	17.560.710	20.565.717	20.565.717
2. Other operating revenues	113	704.766	704.766	76.656	76.656
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	14.813.182	14.813.182	16.869.128	16.869.128
1. Change in inventories of work in progress	115				
2. Material expenses (117 to 119)	116	4.570.802	4.570.802	5.156.741	5.156.741
a) Costs of raw materials	117	1.641.931	1.641.931	2.072.545	2.072.545
b) Cost of goods sold	118				
c) Other material expenses	119	2.928.871	2.928.871	3.084.196	3.084.196
3. Employee benefits expenses (121 to 123)	120	5.362.546	5.362.546	6.131.313	6.131.313
a) Net salaries	121	3.146.077	3.146.077	3.689.787	3.689.787
b) Tax and contributions from salary expenses	122	1.429.474	1.429.474	1.541.701	1.541.701
c) Contributions on salary	123	786.995	786.995	899.825	899.825
4. Depreciation and amortisation	124	2.056.495	2.056.495	2.551.212	2.551.212
5. Other expenses	125	2.653.411	2.653.411	2.911.900	2.911.900
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	169.928	169.928	117.962	117.962
III. FINANCIAL INCOME (132 to 136)	131	30.690	30.690	23.419	23.419
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	30.690	30.690	23.419	23.419
2. Interest, foreign exchange differences, dividends and similar income from third parties	133				
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	848.451	848.451	1.121.028	1.121.028
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	848.451	848.451	1.121.028	1.121.028
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				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
<b>IX. TOTAL INCOME (111+131+142+144)</b>	<b>146</b>	<b>18.296.166</b>	<b>18.296.166</b>	<b>20.665.792</b>	<b>20.665.792</b>
<b>X. TOTAL EXPENSES (114+137+143+145)</b>	<b>147</b>	<b>15.661.633</b>	<b>15.661.633</b>	<b>17.990.156</b>	<b>17.990.156</b>
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	2.634.533	2.634.533	2.675.636	2.675.636
1. Profit before taxes (146-147)	149	2.634.533	2.634.533	2.675.636	2.675.636
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151				
<b>XII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>2.634.533</b>	<b>2.634.533</b>	<b>2.675.636</b>	<b>2.675.636</b>

## Income statement - Period 01/03/2017 to 31/03/2017

Company: ILIRIJA d.d. BIOGRAD NA MORU

1. Profit for the period (149-151)	153	2.634.533	2.634.533	2.675.636	2.675.636
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 PROFIT OR LOSS FOR THE PERIOD (157+167)	168	0	0	0	0
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	169				
2. Attributable to minority interest	170				



## CASH FLOW STATEMENT - indirect method

Period 01/01/2017 to 31/03/2017

Company: ILIRIJA d.d. BIOGRAD NA MORU

Position	AOP	Previous period	Current period
1	2	3	4
NOVČANI TIJEK OD POSLOVNIH AKTIVNOSTI			
1. Profit before tax	001	2.634.533	2.675.636
2. Depreciation and amortisation	002	2.056.495	2.551.212
3. Increase of current liabilities	003		
4. Decrease of current receivables	004	2.545.047	
5. Decrease of inventories	005	332.619	
6. Other cash flow increases	006	3.895.421	
I. Total increase of cash flow from operating activities	007	11.464.115	5.226.848
1. Decrease of current liabilities	008	10.795.816	9.661.705
2. Increase of current receivables	009		337.537
3. Increase of inventories	010		251.258
4. Other cash flow decreases	011	312.699	
II. Total decrease of cash flow from operating activities	012	11.108.515	10.250.500
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	013	373.108	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	0	5.023.652
CASH FLOW FROM INVESTING ACTIVITIES			
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	631.925	2.599.175
III. Total cash inflows from investing activities	020	631.925	2.599.175
1. Purchase of non-current assets	021		3.933.168
2. Purchase of non-current financial assets	022		
3. Other cash outflows from investing activities	023	6.767.385	
IV. Total cash outflows from investing activities	024	6.767.385	3.766.832
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	6.135.460	1.167.657
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	027		
2. Proceeds from loans and borrowings	028	7.283.188	8.278.442
3. Other proceeds from financing activities	029		
V. Total cash inflows from financing activities	030	7.283.188	8.278.442
1. Repayment of loans and bonds	031	1.681.020	2.616.170
2. Dividends paid	032		
3. Repayment of finance lease	033		736.644
4. Purchase of treasury shares	034		
5. Other cash outflows from financing activities	035		
VI. Total cash outflows from financing activities	036	1.681.020	3.352.814
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	037	5.602.168	4.925.628

## CASH FLOW STATEMENT - indirect method

Period 01/01/2017 to 31/03/2017

Company: ILIRIJA d.d. BIOGRAD NA MORU

C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	0
Total increases of cash flows	039	0	0
Total decreases of cash flows	040	160.184	1.265.681
Cash and cash equivalents at the beginning of period	041	337.876	2.340.622
Increase of cash and cash equivalents	042		
Decrease of cash and cash equivalents	043		
Cash and cash equivalents at the end of period	044	177.692	1.074.941

## STATEMENT OF CHANGES IN EQUITY in period from 01/01/2017 to 31/03/2017

Position	AOP	Previous period	Current period
1	2	3	4
1. Subscribed share capital	001	150.857.300	174.977.880
2. Capital reserves	002	8.921.539	26.723.874
3. Reserves from profit	003	21.693.815	23.435.964
4. Retained earnings or loss carried forward	004	34.903.514	50.546.190
5. Net profit or loss for the period	005	2.634.533	2.675.636
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	219.010.701	278.359.544
11. Foreign exchange differences from foreign investments	011		
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Change of accounting policies	014		
15. Correction of significant mistakes pf prior period	015		
16. Other changes	016		
17. Total increase or decrease of equity (AOP 011 to 016)	017	39.729.842	59.348.843
17 a. Attributable to majority owners	018		
17 b. Attributable to minority interest	019		

ILIRIJA d.d.  
BIOGRAD NA MORU

Biograd na Moru, 25/04/2017

Statement made by the persons responsible for preparation of financial statements for the period from 01/01/2017 to 31/03/2017

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 March 2017 have been prepared in accordance with International Financial Reporting Standards and Croatian Accounting Act.

The financial statements give a true and fair view of the financial position of the Company as at 31/03/2017, 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 31/03/2017.

Accounting Manager:  
Zorka Strpić



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

Management Board:  
Goran Ražnjević







Ražnjevića Dvori

City Galleria

Arsenal Zadar

Vila Donat

Vila Primorje

Event Ship Nada

Marina Kornati

Restaurant Marina Kornati

Ilirija Travel

Hotel Kornati

Hotel Ilirija

Hotel Adriatic

Hotel Marina

Aquatic Center

Tennis Center

Restaurant Park Soline

Camp "Park Soline"

ILIRIJA D.D.

TINA UJEVIĆA 7, BIOGRAD NA MORU, REPUBLIC OF CROATIA

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