

 *Ilirija d.d.*

# Annual business report for 2017

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Biograd na Moru, April 2018



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## I INTRODUCTION BY GORAN RAŽNJEVIĆ, PRESIDENT OF THE MANAGEMENT BOARD, TO THE SHAREHOLDERS OF THE COMPANY



Dear shareholders,

the previous business year was characterized by several significant events (I) sixty years of successful operation and existence of the company, (II) achievement of the best business results so far and (III) the year in which we became a company with a wide range of business activities at an operational level, successfully expanding its business operations solely from the tourism sector to the real-estate segment, which contributed to strengthening the economic activity and financial position of the Company. In addition, in 2017, further market and capital strengthening of the company continued according to the shareholders' decisions on an increase in capital share and the division or splitting of the Company's shares.

The year in which we celebrated six decades of successful existence is also the year in which we as a company equally successfully integrated a new segment of our offer – a real estate sector or the Commercial-shopping center City Galleria into our business operations and processes at an operational level. According to its key business results, the Commercial-shopping center City Galleria proved to be an economically viable and profitable investment

already in its first year of business operations in the Company. This acquisition or purchase finalized in December 2016, whose effects were visible in 2017, helped the Company to become a company with a broad range of business activities expanding its economic presence in the region, ensuring the cash flow stability by means of inflows in off-season, contributing to its long-term goal - all year long business operations and creating added value to our overall offer.

The business results achieved are the best so far, so in this fiscal year we continued with further responsible and sustainable development and growth. First of all, we achieved the key business objectives for 2017 in the segment of revenues and EBITDA, while the physical results in the segment of hospitality and camping recorded a growth of indicators higher than the average growth at the national level with more significant business activities in the shoulder season and in the segment of physical and financial turnover. Year-round business operations as one of the Company's fundamental objectives in 2017 through the system of destination management company Ilirija Travel saw a significant growth in the observed period both in physical and financial operating results directly generating revenues and business activities



in other sectors primarily in hotel and hospitality facilities of the Company in the low season or periods from February to May and from September to late November.

In the year 2017, Company achieved a total 421,857 overnight stays in the hotel and camping sector, which is a growth by 8,30% compared to that in 2016, whereas the hotel sector saw a rise in overnight stays by 5.60% and the camping sector saw a rise by 9.67%. In the nautical sector, overnight stays are the foundation of the business activity and as such they are not recorded. The destination management company with realized 491 events and 66,023 persons recorded a rise in the number of events by 26.55% and the number of participants by 40.85%.

The segment of the financial results of the business operations recorded the accomplishment of the fundamental objectives for the year 2017 in the segment of total revenues realized in the amount of HRK 150,476,677.41 with a rise by 16.63% as a result of the growth of operating revenues by 17.18% especially in the segments of revenues from the local sale at the level of all sectors of the Company. At the same

time, despite the growth in total expenses, the forecasted indicators of operating profitability were also realized. Profit was generated in the amount of HRK 34,402,224.34 and is higher by 10.12%, while EBITDA (earnings before interest, taxes and amortization) was realized in the amount of HRK 50,113,710.90 with a growth by 11.30% thus achieving one of the Company's fundamental objectives for the year 2017 in the segment of profitability. Despite a growth of profitability indicators, net profit was generated in the amount of HRK 27,755,384.38 and compared to that in 2016 it is lower by 9.52% because of the fact that in 2016 the Company used tax relief on the basis of reinvested profit and investments and as such was exempt from paying the corporate income tax. After the Corporate Income Tax Act was amended and the tax relief approved on the grounds of reinvested profit was cancelled, the Company's income tax for 2017 amounted to HRK 6,646,839.96, which significantly influenced the net profit generated for the previous fiscal year. The change in the value added tax (VAT) rate also came into force in the tourism sector, which increased from 13% to 25% for the hospitality services, which additionally influenced not only the profitability of the business operations, but also the overall competitiveness of the Company's offer,

primarily at an international level.

Despite a lower share trade volume, the average price per share was realized in the amount of HRK 1,363.39 in the capital market, which compared to that in 2016, when the average price per share amounted to HRK 1,149.32 constitutes an increase in the share price by 18.63%. For the purpose of further strengthening the liquidity of the Company's share, i.e. overall market and capital position, the General Assembly did at its session held on 20th November 2017 adopt a Decision on splitting the Company's shares on the basis of which one bearer ordinary share of the Company, without the nominal amount is split into eight (8) new bearer ordinary shares of the Company without the nominal amount, which means that each shareholder of the Company has acquired eight (8) bearer ordinary shares without nominal amount for each share according to this Decision. The effects of the General Assembly's Decision can be seen in January 2018 after the splitting is done in the Central Depository Clearing Company, resulting in an increase in share price by HRK 189.00 (the price achieved on 16th February, 2018), which is equivalent to the price of HRK 1,512.00 before splitting. This is also the highest price of share achieved by the Company.



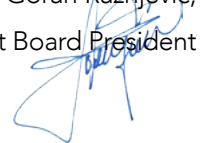
In 2017, we invested HRK 24.6 million at the level of all sectors, complying with the principles of responsible and sustainable investment with an aim to develop and enhance the quality of services and contents while strengthening the competitiveness and recognizability of the Company's offer. We would like to emphasize the completion of the second phase of the modernization of the nautical sector, that is, Marina Kornati, in the area of accommodation and acceptance of vessels, followed by the improvement and increase in the accommodation and hospitality capacities in the hotel and camping sector, development of the offer in the destination management company, improvement of sports and recreational facilities and offer and continuous education of employees through the initiated Academy of Business Excellence - ILIRIJA EDUKA. Also, in December 2017,

we published the Annual Report on Corporate Social Responsibility for 2016, the second so far published, which together with our business reports gives a complete overview of business operations of the Company and its impacts especially in the areas of environmental protection, community and working environment.

Dear Shareholders, in 2017, we achieved the defined objectives of our business operations at the level of all sectors of the Company, we continued with further strengthening its capital and market position, with sustainable and responsible investment not only in the facilities, but also in our employees, which will, as I believe, along with your further support contribute not only to the successful accomplishment of business objectives in 2018, but also to its long-term development as still dominant tourist company, es-

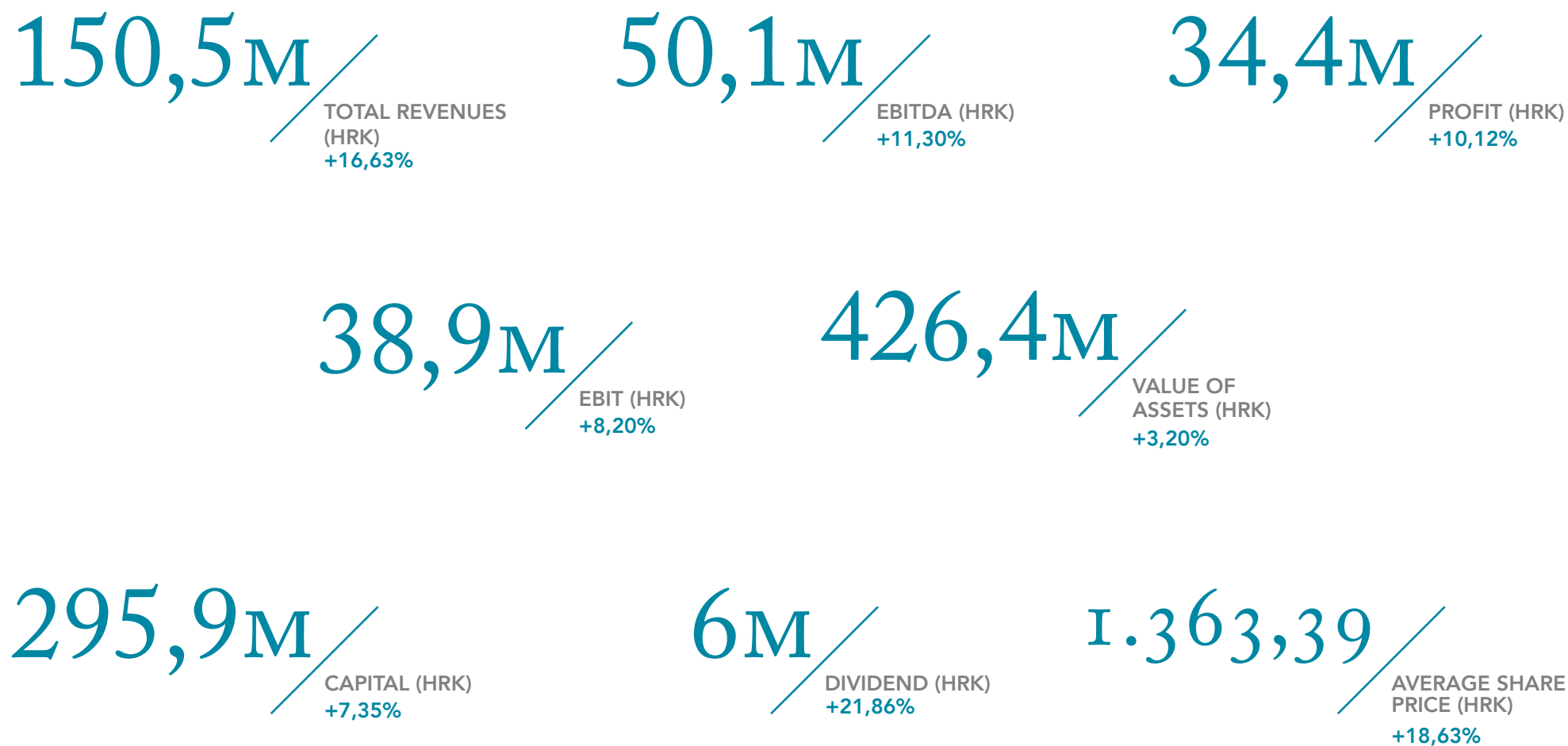
pecially in the part of year-round business, growth in profitability and strengthening the competitiveness. Therefore, I believe that in 2017 we fulfilled all of the prerequisites for achieving the best operating results in this year as well.

Goran Ražnjević,  
Management Board President





## 2 OVERVIEW OF KEY PERFORMANCE INDICATORS FOR THE YEAR 2017





in HRK	2017	2016	% of change 2017/2016
<b>Financial indicators</b>			
Total revenues	150.476.677,41	129.019.007,31	116,63
Operating revenues	149.515.545,23	127.591.140,20	117,18
Hotel sector	51.295.911,97	47.414.038,75	108,19
Nautics	45.059.600,02	44.100.036,40	102,18
Camping	29.822.950,45	27.325.389,90	109,14
Revenues of other sectors	23.337.082,79	8.751.675,15	266,66
Revenues from sale	146.322.013,19	124.588.174,29	117,44
EBITDA	50.113.710,90	45.027.129,46	111,30
EBITDA margin	33,30%	35,37%	94,15
Adjusted EBITDA	51.299.144,76	46.149.186,33	111,16
Adjusted EBITDA margin	34,09%	36,25%	94,04
EBIT	38.966.809,99	36.014.876,17	108,20
Adjusted EBIT	40.152.243,85	37.136.933,84	108,12
Profit	34.402.224,34	31.240.796,80	110,12
Profit margin	22,86%	24,21%	94,42
Net profit	27.755.384,38	30.676.046,46	90,48



in HRK	31/12/2017	31/12/2016	% of change 2017/2016
<b>Balance sheet indicators</b>			
Net debt	109.736.289,00	112.429.903,01	97,60
Net debt / EBITDA	2,18	2,50	87,20
Net debt / Adjusted EBITDA	2,13	2,44	87,30
Interest coverage	7,53	8,11	92,85
Capital investments	24.618.457,45	105.808.897,76	23,27
ROE	11,62%	11,13%	104,40
ROA	6,50%	7,43%	87,48
Adjusted ROCE	10,17%	9,57%	106,27

in HRK	31/12/2017	31/12/2016	% of change 2017/2016
<b>Indicators of the financial position</b>			
Value of assets	426.417.926,08	413.186.168,53	103,20
Capital	295.955.229,24	275.683.907,98	107,35
Total liabilities	130.462.696,84	137.502.260,55	94,88

in HRK	2017	2016	% of change 2017/2016
<b>Achievements on the capital market</b>			
Market capitalization	392.191.800,00	392.795.172,00	99,85
EV	501.965.838,77	505.225.075,01	99,35
EV / EBITDA	10,01	11,22	89,22
EV / Adjusted EBITDA	9,78	10,95	89,32
P / E	14,06	11,78	119,35
EPS	92,41	110,6	83,55
DPS		20,00	0,00

Physical indicators	2017	2016	% Of change 2017/2016
<b>Hotel sector</b>			
Number of accommodation units	443	443	100,00
Overnight stays of tourists	138.788	131.424	105,60
Occupancy days	157	144	109,03
Annual occupancy	43,10%	39,58%	108,89
<b>Nautical sector</b>			
Number of berths	805	805	100,00
Contracted vessels	712	714	99,72
Transit berth, overnight stay of vessels	12.144	12.463	97,44
Transit berth, inbound sail of vessels	3.527	3.544	99,52
Port service – number of operations	3.446	3.772	91,36
Days of work	365	365	100,00
<b>Camping</b>			
Number of accommodation units	1.130	1.130	100,00
Days of work	194	193	100,52
Occupancy days	111,47	102,24	109,03
Mobile homes	107,78	103,75	103,88
Individuals	48,48	44,54	108,85
Fixed lease	194,00	193,00	100,52
Lump sum	194,00	193,00	100,52
Occupancy	57,46%	52,98%	108,46
Mobile homes	55,56%	53,76%	103,35
Individuals	24,99%	23,08%	108,28
Fixed lease	100,00%	100,00%	100,00
Lump sum	100,00%	100,00%	100,00
Overnight stays of tourists	283.069	258.110	109,67



Physical indicators	2017	2016	% Of change 2017/2016
<b>Ilirija Travel</b>			
Number of events	491	388	126,55
Number of persons (events)	66.023	46.874	140,85
<b>Real-estate*</b>			
Number of lessees	35		
Rented area (m <sup>2</sup> )	9.656,30		
Number of vehicles in the garage	667.753		

\*The data for the real estate is indicated only for the year 2017 since the Company completed the acquisition of the Commercial-shopping center City Galleria in December 2016

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## 3 KEY INFORMATION FOR THE YEAR 2017

1 In 2017, the planned business results were achieved in all key financial and physical indicators, especially in the area of operating revenues and accomplishment of the profitability indicators (operating profit, profit, EBITDA and EBIT) as a result of growth in total and operating revenues at the level of all five segments of the Company, that is, in hotel, nautical and camping sector, destination management company/ DMC Ilirija Travel and as a result of acquisition or purchase of the Commercial-shopping center City Galleria in Zadar, which proved to be an economically feasible and profitable investment.

Compared to the year 2016, the business reports for the year 2017 also included the operating indicators of the Commercial-shopping center City Galleria acquired by the Company in the second half of December 2016, therefore the relevant financial statements should take into account the relevant purchase or acquisition whose first effects on the overall Company's operations could be seen in the year 2017.

2 The fiscal year 2017 was of special importance for the Company which celebrates sixty years of successful business operations and activities, and also the year in which Ilirija d.d. stopped being only a tourism company and which in addition to tourism, hospital-

ity and destination management as core business activities stepped into the real estate sector based on the conducted acquisition (purchase) of the Commercial-shopping center City Galleria, by which it has become a company with a broad range of business activities. Since the acquisition (purchase) was completed in the second half of December 2016, therefore, the year 2017 was the period when the Company successfully implemented the incorporation of a new segment of its offer in its business operations at the operational level as well.

3 In 2017, the Company recorded a growth in key operating results in the tourism sector of the Company, hotel and camping sector indicated through the arrivals and overnight stays where a total number of 421,857 overnight stays realized a rise by 8.3%, that is, the hotel sector recorded a rise by 5.6% in overnight stays, while the camping sector recorded a rise by 9.67% in overnight stays.

In the nautical sector, i.e. Marina Kornati, the investment made in the modernization of the service in the area of accommodation and acceptance of vessels, completed in the first quarter of 2017 and the modernization of port services have partly influenced the realization of the physical turnover of the marina in



the segment of the berth on a contract basis, daily berth and port service operations, which are slightly lower than in 2016, which we consider to be successful in terms of volume and time implementation of the investment works, especially because it did not affect the nautical sector's revenues that increased by 2%.

The destination management company / DMC Ilirija Travel realized 491 events which provided the service to 66,023 persons through the facilities or capacities of DMC Ilirija Travel and other profit centers of the Company. Compared to the year 2016, the number of events making a complementary and integrated offer of the Company, increased by 26.55%, which significantly contributed to the extension of the high season since most of the events organized via the destination management company occur in the shoulder season, by which the Company greatly extended the business activity of the tourist portfolio of the company in 2017 achieving thus its fundamental objective - year-round business operations.

4 Total revenues amount to HRK 150,476,677.41 and grew by 16.63% compared to those in 2016, when they amounted to HRK 129,019,007.31 as a result of growth in operating revenues, especially in the segment of sales revenues on the domestic market that grew at the level of all Company's sectors.

5 Operating revenues for the reported period amount to HRK 149,515,545.23, they grew by 17.18%, compared to the operating revenues generated in 2016, which amounted to HRK 127,591,140.20. The growth in revenues was realized at the level of all tourism sectors of the Company which accounts for 91.68% of all operating revenues. Consequently, in the camping sector, the operating revenue rose by 9%, in the hotel sector operating revenues rose by 8%, in the nautical sector the operating revenues rose by 2% and a growth by 16% was achieved in the segment of the destination management, while the real-estate sector revenues amount to HRK 12,440,343.14.

6 Revenues from sales amounts to HRK 146,322,013.19 compared to that in the year 2016, when it amounted to HRK 124,588,174.29, which grew by 17.44% as a result of a rise in the realization on the domestic market by 24% or HRK 21,930,640.76.

7 Expenses in the year 2017 amount to HRK 116,074,453.07 and rose by 18.71% compared to those in the year 2016. The growth in expenses is expected considering the increase in business volume in the tourism sectors of the Company, resulting in an increase in operating expenses by 19.49% and the acquisition of the Commercial-shopping center City Galleria which had a significant impact on the growth in the Company's operating expenses.

8 An increase in operating profit or profit from Company's business activities from HRK 43,599,262.35 as it amounted in the year 2016 by 12.74% or by HRK 5,553,316.37 and which amounts to HRK 49,152,578.72 for the year 2017. Also, an increase in operating profit was followed by the increase in profit by 10.12%, which for the reported period amounts to HRK 34,402,224.34 as a result of a significant growth in total revenues, despite an increase in total expenses of the Company.

9 EBITDA was realized in the amount of HRK 50,113,710.90 in the reported period and increased by 11.30% compared to that in the year 2016, thus achieving one of the company's business objectives for the year 2017 in the segment of business profitability. EBIT was realized in the amount of HRK 38,966,809.99 with a growth by 8.20% in the same period.

10 The total liabilities of the Company as at 31st December 2017 amount to HRK 130,462,696.84 and are lower by HRK 7,039,563.71 or 5.12% as a result of decreased loan liabilities owed to financial institutions.

11 In the observed period, the value of the assets rose by 3.20% or by HRK 13,231,757.55 or from HRK 413,186,168.53 as it amounted in the year 2016, to a total of HRK 426,417,926.08 as a result of investments

made by the Company.

12 In the year 2017, the capital increased by 7.35% or by HRK 20,271,321.26, that is, from the amount of HRK 275,683,907.98 as much as it amounted in the year 2016 to the amount of HRK 295,955,229.24.

13 The market capitalization of the Company for the period in question amounts to HRK 392,191,800.00, with an average price per share of HRK 1,363.39, which is an increase by 18.63% compared to that in 2016, when the average price per share was HRK 1,149.32.

14 In the year 2017, the highest achieved share price amounted to HRK 1,500.00 per share, which compared to that in the year 2016 is a growth by 7.14% when the highest achieved share price amounted to HRK 1,400,04 per share.

15 The Shareholders' Assembly at the meeting held on 26th April 2017 unanimously took the following decisions:

- Decision on the Utilization of the Profit of the Company for the fiscal year 2016 according to which it was decided that the realized profit after tax in the amount of HRK 30,676,076.46 would be allocated in a way that HRK 507,446.46 would be allocated to the re-

tained profit, while the amount of HRK 30,168,600.00 would be allocated to increase the share capital from the Company's assets (reinvested profit),

- Decision on the payment of dividends from the retained profit from 2006, 2010 and 2011 according to which the Company's shareholders will be paid out the dividend in the total amount of HRK 6,016,540.00. The dividend per share amounts to HRK 20.00 which is a rise of dividend per share by 11.12% compared to the dividend amount of HRK 18.00 per share paid out to the shareholders of the Company in 2016,

- The Decision on an increase in share capital from the Company's assets (reinvested profit) which increases from the reinvested profits earned in 2016 in the amount of HRK 30,168,600.00.

The share capital of the Company increased from the amount of HRK 174,977,880.00 by the amount of HRK 30,168,600.00 (reinvested profit) to the amount of HRK 205,146,480.00, in a way that for each of the totally existing 301,686 shares the nominal amount increases by HRK 100.00 in a way that after the increase each share has a nominal amount of HRK 680.00.

16 According to the Decision of the Constitutional Court of the Republic of Croatia No. U-III-4392/16

of 5th July 2017, the constitutional complaint of the Company was adopted and the judgment rendered by the Supreme Court of the Republic of Croatia was repealed which turned down the revision of Ilirija d.d. in the case regarding the compensation of damages against the City of Biograd na Moru, for converting the property "Primorje" from the construction area to the so-called "area of landscape features", and the case was remanded to the Supreme Court of the Republic of Croatia for re-deciding.

17 The fiscal year 2017 was marked by a significant investment cycle completed at the beginning of the pre-season and continued after the end of the tourist season, where emphasis was placed on the investments made in the preparation for the tourist season, i.e. in accommodation capacities, improvement of the service, offer and content in all of its sectors with an aim to raise the quality of service and strengthen the competitiveness in the total amount of HRK 24,618,457.45. In view of the importance for the Company, we particularly emphasize the completion of the investments in the modernization of the Port of Nautical Tourism Marina Kornati, whereby one of the three leading and largest ports of nautical tourism entered the tourist season completely modernly equipped in terms of infrastructure in the area of service of receiving and accommodating the vessels. 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, development of four-star hotel external facades and hotel openings and other activities aimed at improving the accommodation facilities, products and services. In the last quarter of the fiscal year, the Company started investments in further raising the quality of the capacities, offering new facilities and services especially in the hotel and camping sector of the Company.

18 The Supervisory Board of the Company at the meeting held on 05th July 2017, elected the President of the Supervisory Board among its members. Mr. Goran Medić, from Zadar, residing at Ive Senjani-na 12c, who held this position even in the previous term of office.

Besides, the Supervisory Board at the meeting held on 21st July 2017 accepted the Report on business operations of the Company for the period from 01/01 to 30/06/2017 and the Report on investments by profit centers from 01/01 to 30/06/2017 and took note of the information on the position of the sales of tourist capacities.

19 In order to further improve the corporate gov-

ernance practices of the Company, the Supervisory Board at the meeting held on 21 July 2017 decided that the Company's Audit Board would instead of the current five (5) members be composed of three (3) members in the future period, who as of the date of taking the relevant decision are the following members:

- David Anthony Tudorović – President of the Audit Board (Member of the Supervisory Board),
- Goran Medić- Member of the Audit Board (President of the Supervisory Board), and
- Mladen Ostrički – Member of the Audit Board (external member)

20 At the meeting of the Supervisory Board held on 05th October 2017, the auditors' report on the audit of the semi-annual financial report of the Company for the period from 01/01 to 30/06/2017 prepared for the purpose of increasing the share capital was adopted.

21 The General Assembly held on 20th November 2017 made the following decisions:

- Decision on the election of the Supervisory board members,
- Decision on a change to the core business activities of the Company – added activities,
- Decision 1 on changes and amendments to

the Articles of Association of the Company,

- Decision on an increase in the Company's share capital from the Company's funds,
- Decision 2 on changes and amendments to the Articles of Association of the Company,
- Decision on splitting the Company's shares, and
- Decision 3 on changes and amendments to the Articles of Association of the Company.

22 In 2017, the Company acquired 478 treasury shares and on 29th December 2017 it held a total of 1,337 treasury shares, accounting for 0.44% of the share in the share capital.

23 The Ministry of Construction and Physical Planning has issued an operating permit, Class: UP/I-361-05/17-01/000057, Prot. No.: 531-06-2-2-609-17-0013 and operating permit Class: UP/I-361-05/17-01/000058, Prot. No.: 531-06-2-2-609-17-0013, the both issued on 08th June 2017 which implies the full completion of the second phase of the reconstruction of the Port of Nautical Tourism Marina Kornati and its coastal part that is, five docks with all accompanied water installations, hydrant network and electricity both in the inland part and in the part of pontoon and with the entire dock equipment, according to the final and non-appealable building permit, Class: UP/I-361-03/15-01/000111, Protocol

No.: 531-06-2-1-1467-15-0008, of 20 October 2015.

24 The Croatian Waters took a decision on issuing the permanent water permit, Class: UP/I-325-04/16-05/0000343 Prot. No.: 374-24-3-17-2 of 21st April 2017, for the campsite "Park Soline" and for hotels in the destination Biograd na Moru, i.e. Ilirija, Kornati and Adriatic hotels, Class: UP/I-325-04/16-05/0000342 Prot. Number: 374-24-3-17-2 dated 02nd May, 2017, confirming the permanent and systematic fulfillment of standards or achieved quality of wastewater purification through the system within the Company's premises where the tested indicators had never exceeded the maximum permitted limit values.

25 In December 2017, the Company published the Annual Report on Corporate Social Responsibility for 2016, the second report on Corporate Social Responsibility, with a comprehensive overview of achievements in the area of sustainable development and corporate social responsibility, i.e. the overview of the economic, environmental and social aspects of company's impacts on the wider community in 2016.

26 Prizes and rewards:

The campsite "Park Soline" was given a special award for outstanding quality and cooperation in February by Associazione Campeggiatori turistici d' Italia (A.C. T. Italia), one of the largest associations of camperists

from Italy, having over 30,000 members.

Croatian Camping Union (CCU) has given the campsite "Park Soline" the award Croatia's Best Campsite for the year 2017 for high quality of sanitary facilities, accommodation units, hospitality and trade offers and leisure facilities.

Marina Kornati is the winner of the award for the third place in the category of Large marina in the action "21st Tourism Flower - Quality for Croatia".

27 Standards and certificates:

In June, the re-certification of the environment management system according to the standard HRN EN ISO 14001 was successfully carried out at the level of the entire Company and all of its sectors (hotel sector, camping, nautics and hospitality and restaurants).

In the month of June, the Halal Quality Certification Center of the Islamic Community of the Republic of Croatia awarded the Halal Quality Certificate to the Company for the implementation of Halal quality management system in the area of preparation and provision of food and beverages and accommodation for the Adriatic Hotel, "Marina Kornati" restaurant, event boat "Nada", and Ražnjevića Dvori AD 1307.

The nautical and camping sector are the holders of

international environmental protection programs, the Blue Flag and the Green Key, meeting the criteria related to reducing the negative environmental impacts through the optimization of energy consumption, waste management and education of guests and employees about the most important aspects of sustainable development.

Since July the hotels of Ilirija Resorta have been the holders of certificates Zadar Bike Magic, which brands the cycling tourism offer of the Zadar region, awarded by the Zadar County Tourist Board to cyclo-tourism service providers confirming that the standards prescribed in providing such services are met.

## 4 GENERAL INFORMATION

ILIRIJA d.d. is a public joint stock company registered for hospitality and tourism with registered office in Biograd na Moru, Tina Ujevića 7, that has been active in the Croatian tourist market for over 61 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 sector** (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 9.656,30m<sup>2</sup> net rented floor area.

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



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## 5 CHRONOLOGICAL OVERVIEW OF THE COMPANY DEVELOPMENT

**Year 1957** | The Company was incorporated and domiciled in Biograd na Moru, where it operates today, although the beginnings of the company date back to 1934 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 1989** | Construction of an annex to the hotel Kornati\*\*\*\* and administrative building of the Company.

**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 1991-1992** | Completion of the remaining part of the port area, i.e. the capacities of the Port of Nautical Tourism Marina Kornati, by building docks in the southern and western aquatorium.

**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 December 2017, the Company has invested HRK 475,579,754.03 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 714,101,409.92.

**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 sector consisting of hotel sector, nautics, camping and destination management as core business activities, the Company partly enters the real estate segment having acquired the modern Commercial-shopping center.





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## 6 COMPANY'S BODIES

### 2.1 COMPANY MANAGEMENT BOARD

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

### 2.2 SUPERVISORY BOARD

Goran Medić, President of the Supervisory Board

David Anthony Tudorović, Deputy President of the Supervisory Board

Davor Tudorović, Member of the Supervisory Board

Siniša Petrović, Member of the Supervisory Board

Darko Prebežac, Member of the Supervisory Board

### 2.3 SHAREHOLDERS' ASSEMBLY



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## 7 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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## 8 AFFILIATED COMPANIES

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

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

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

## 9 OWNERSHIP STRUCTURE OF THE COMPANY AND TRADING IN THE COMPANY'S SHARES AT THE ZAGREB STOCK EXCHANGE

The share capital of the Company is HRK 229,146,480.00 and is divided in 2,413,488 ordinary shares without nominal amount.

In 2017 there occurred no significant change in the ownership structure, and an overview is given in the below text showing the major shareholders of the Company as at 29th December 2017.

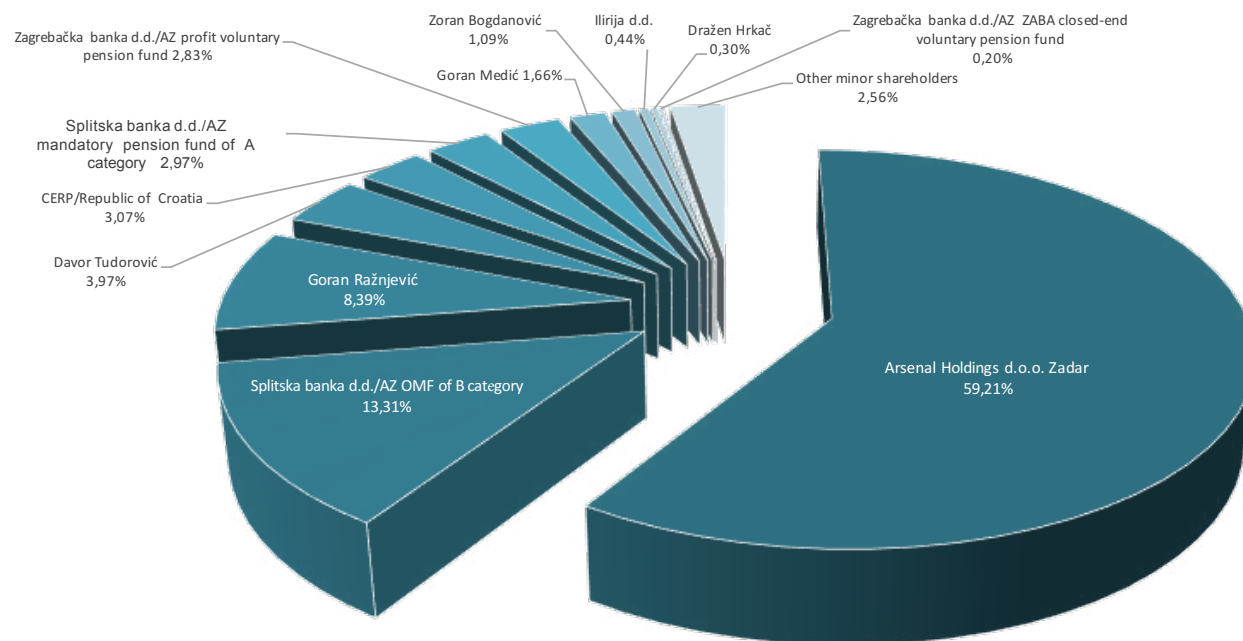
Overview of the major shareholders of the Company as at 29th December 2017 (Taken from: CCDC)\*:

Owners - shareholders	Number of shares	Share in %
Arsenal Holdings d.o.o. Zadar	178.629	59,21
Splitska banka d.d./AZ OMF of B category	40.146	13,31
Goran Ražnjević	25.317	8,39
Davor Tudorović	11.968	3,97
CERP/Republic of Croatia	9.275	3,07
Splitska banka d.d./AZ mandatory pension fund of A category	8.955	2,97
Zagrebačka banka d.d./AZ profit voluntary pension fund	8.525	2,83
Goran Medić	5.000	1,66
Zoran Bogdanović	3.277	1,09
Ilirija d.d. (trasury shares)	1.337	0,44
Dražen Hrkač	903	0,30
Zagrebačka banka d.d./AZ ZABA closed-end voluntary pension fund	613	0,20
Other minor shareholders	7.741	2,56
<b>TOTAL</b>	<b>301.686</b>	<b>100</b>

\*Note: On 29th December 2017, the increase in share capital (HRK 229,146,480.00), the change to the nominal amount of shares and change/splitting of a number of the Company's shares (2,413,488) were entered in the court registry of the Commercial Court in Zadar, but all this has not been entered in the CCDC by the reporting period (31/12/2017).

## OWNERSHIP STRUCTURE AS AT 29/12/2017

In the ownership structure compared to the previous reporting period, there is a growing number of institutional shareholders totaling to five (5) of them, in addition to the AZ mandatory pension fund category B, AZ mandatory pension fund category A, AZ profit voluntary pension fund and AZ ZABA close-end voluntary pension fund, among the shareholders there is ERSTE close-end voluntary pension fund with 30 shares or a stake of 0.01%. As at 29th December 2017, the institutional shareholders held the controlling package of 58,269 shares or 19.31% of the shares of the Company.





## TRADING IN SHARES OF THE COMPANY ON THE CROATIAN CAPITAL MARKET IN THE YEAR 2017:

(Amounts in HRK)	I-XII 2017	I-XII 2016	% of change
Total turnover	1.936.020,36	8.545.219,96	-77,34%
Average share price	1.363,39	1.149,32	18,63%
Average turnover per transaction	16.133,50	71.210,17	-77,34%
Average daily turnover	25.473,95	164.331,15	-84,50%
Last share price	1.300,00	1.302,00	-0,15%
Market capitalization	392.191.800,00	392.795.172,00	-0,15%

In 2017, 1420 shares were traded in on the Zagreb Stock Exchange, with a total turnover in the amount of HRK 1,936,020.36 compared with the year 2016, when the Company's turnover was HRK 8,545,219.96 which is a decline in turnover by 77.34%. The cause of the decline in turnover in 2017, compared to that in 2016, should be attributed to the fact that the year 2016 was marked by two significant corporate events (i) recapitalization of the Company by issuing new shares and (ii) successfully completed acquisition (purchase) of the Commercial-shopping center City Galleria in Zadar, which certainly influenced the company's turnover in shares. A relatively low free float and associated low amount of offered shares for sale that would meet the investors' requirements affected the realized turnover.

An average price per share in the observed period amounts to HRK 1,363.39 which compared to that in 2016, when the average share price amounted to HRK 1,149.32, is an increase of the average price of the share by 18.63%.

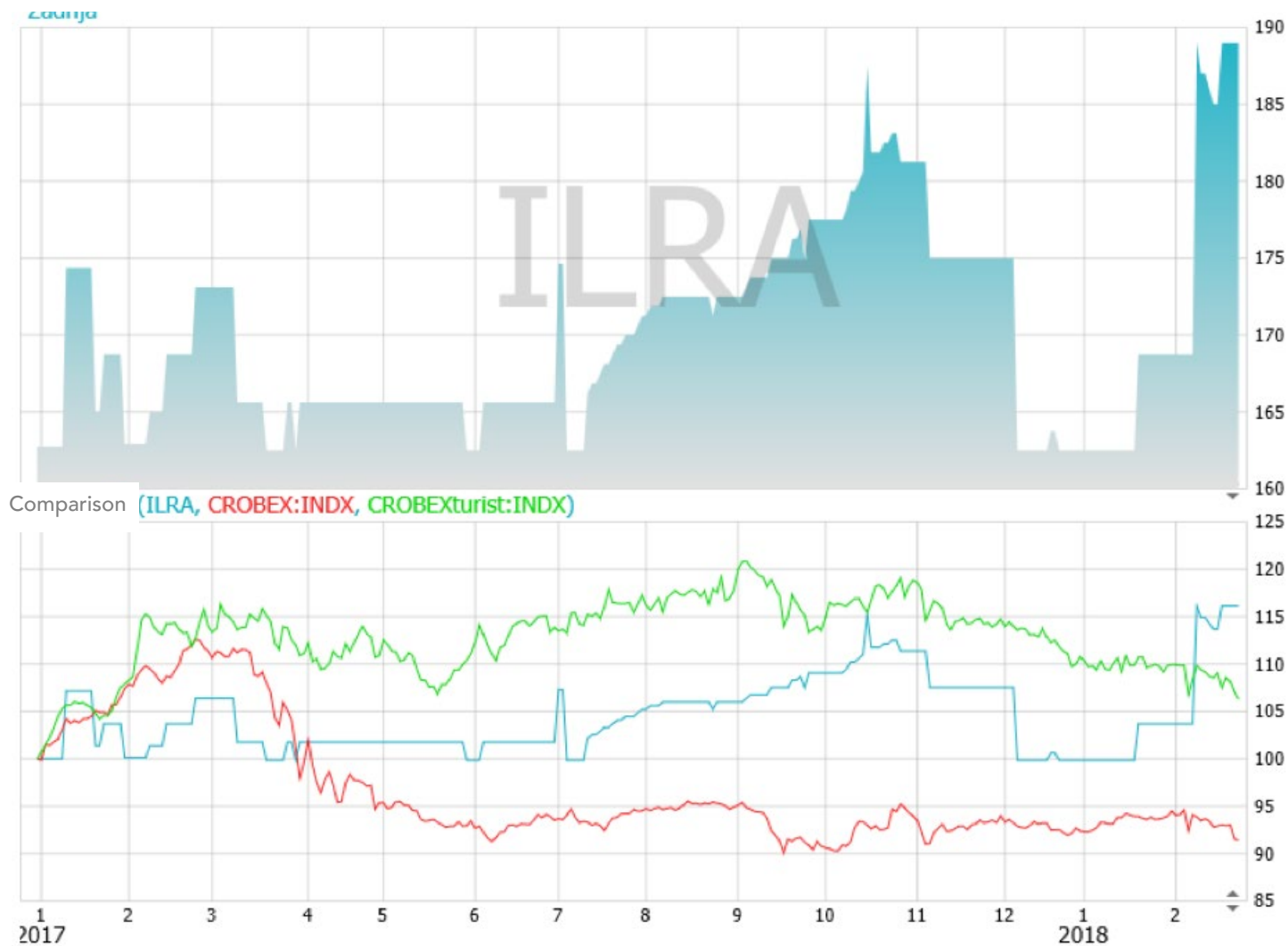
The highest single price per share was achieved in the observed period in the amount of HRK 1,500.00 per share which compared to that in 2016, when the highest share price amounted to HRK 1,400.00, is an increase by 7.14%. In 2017, the average turnover per transaction amounted to HRK 16,133.50 with an average daily turnover of HRK 25,473.95.



The movement of the ILRA share price in the last quarter of the fiscal year was affected by the Decision by the General Meeting of the Company held on 20th November 2017 at which the Decision on splitting shares was passed inter alia. The expectations of the capital market participants resulted in a reduction of the share price from a maximum of HRK 1,500.00 per share, the price achieved on 16th October 2017 (call to the General Meeting with a proposal of the Decisions was announced on 6th October 2017), to HRK 1,300.00 for one share as at 31st December 2017. However, the expectations of the implementation of the relevant Decision, and in particular the action of splitting the shares in the Central Depository Clearing Company (CDCC), published at the Zagreb Stock Exchange on 23rd January 2018, had an impact on the rise in the share price, and on 16th February 2018 it reached the amount of HRK 189.00 which is an equivalent to the price of HRK 1,512.00 before it was split. This is the highest achieved price of the Company's shares on the capital market. Owing to such a rise in the ILRA share price following the process of splitting, it achieved a rise by 16.3% on 22nd February 2018 compared to that on 01st January 2017, which is higher than the growth of CROBEX index (-8.59%) and CROBEXtulist index (6.27%).

In the reporting period, the Company acquired 478 treasury shares and on 29/12/2017 it holds 1.337 treasury shares, which make for 0.44% 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 share prices in the graph indicated in the values after splitting







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## 10 STATEMENT ON APPLYING CORPORATE GOVERNANCE CODE

In its business operations Ilirija d.d. acts in compliance with the best principles and practices of good corporate governance with a high level of transparency and accountability towards all of its stakeholders.

In its operations, the Company applies the Corporate Governance Code of the Zagreb Stock Exchange and HANFA (Croatian Financial Services Supervisory Agency) which is reflected in detail in the Annual Questionnaire of Corporate Governance Code, publicized on the websites of the Company [www.ilirijabiograd.com](http://www.ilirijabiograd.com) and it submits it to the Zagreb Stock Exchange, HANFA and the Central Registry of Prescribed information. Minor deviations from the application of certain recommendations under the Corporate Governance Code by stating the explanations for the same are set forth in the Annual Questionnaire.

The Company also applies the Code of Business Ethics of the Croatian Chamber of Commerce acting in its operations in compliance with the principles of accountability, ethics, transparency and compliance with good business practices to all stakeholders in the business process of the company.

The Company has also developed a system of internal controls at all its levels to ensure operational functioning and security of the business processes in the company, satisfaction with the quality and standard of service, by implementing and applying the legal regulations, which results in the timely disclosure of financial statements within the statutory deadlines that provide a realistic and fair view of the financial position of the Company and operating results.

The main features of the risk exposure and risk management are set out in the Chapter "Operational risks of the Company".

The Management Board is composed of one member appointed by the Supervisory Board for a term of five years. The Management Board represents the company independently and individually and it runs the



Company's business in accordance with the Articles of Association and legal regulations. Mr. Goran Ražnjević acts as a President of the Management Board and represents the Company independently and individually. The Supervisory Board is composed of five members who are appointed for a term of four years. The Supervisory Board is responsible for supervising the operations of the Company, appointment of members of the Management Board and decides on other matters within its jurisdiction as set forth by the law and Articles of Association. The composition of the Supervisory Board of the Company is set out in Chapter "Bodies of the Company". The Supervisory Board has appointed the Audit Board that supervises the existence and functioning of internal controls, risk management and financial reporting and the work and independence of the „external“ auditors. Significant decisions of the Supervisory Board in the year 2017 are indicated in the Chapter "Important events " .

The General Assembly is the Company's Body in which the shareholders exercise their shareholder rights. In 2017 there were three General Meetings held, whose decisions are published in accordance with legal regulations and are available on the Company's website [www.ilirijabiograd.com](http://www.ilirijabiograd.com), the Zagreb Stock Exchange [www.zse.hr](http://www.zse.hr) and HANFA [www.hanfa.hr](http://www.hanfa.hr) and are listed in Chapter "Important events " .

Commissioner for the protection of employees' dignity, that receives and resolves complaints from employees is Jasmina Kulaš Stojanov, Head of Management Board Office, corporate communications and public relations.

The company may acquire its treasury shares pursuant to the Decision of the Supervisory Board from 22nd August 2014. In 2017, the Company acquired 478 treasury shares and on the date 29th December 2017 it holds 1337 treasury shares which make up for 0.44 percent in the share capital and the same percentage of votes in the Shareholders' Assembly.

Major shareholders in the Company are listed in Chapter "The ownership structure of the Company and



trading in shares of the Company at the Zagreb Stock Exchange.” Also, an overview of the ten major shareholders of the Company is available on the website of the Central Depository and Clearing Company Inc. (CDCC) [www.skdd.hr](http://www.skdd.hr) every day.

There is a time limit for exercising the voting rights at the General Meeting in accordance with the provisions of the Companies’ Act and the shareholders are requested to report their participation in a designated time limit, according to the law and the Articles of Association.

The voting right of shareholders is not limited by the Articles of Association to a specific percentage or number of votes. Each share entitles to one vote at the General Meeting. In the Company there are no securities with special rights and there are no restrictions to voting rights.

The company evaluates diversity as the wealth of knowledge and experience, guiding it to creating communion, valuing an individual solely through his/her work, efforts and motivation. The close management of the Company that is in addition to the Management Board composed of managers of its divisions and heads of corporate offices includes 12 persons with special powers of whom 67% are women. Regarding the age structure, employees aged 30 to 50 make for 75% of the employees, whereas 75% of employees have a University degree when the educational structure is in question.

In October 2017, the Company signed the Diversity Charter of Croatia, as part of a wider regional project, whose holder is the Croatian Business Council for Sustainable Development (CR BCSD) in the Republic of Croatia and is held with a support of the European Commission. The Diversity Charter in Croatia is aimed to promote and stimulate diversity, non-discrimination, inclusion and equal opportunities at the workplace.

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## 11 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," destination management company Ilirija Travel with its own capacities (Arsenal in Zadar, event ship "Nada" and Ražnjevića dvori AD 1307), Commercial-shopping centre City Galleria, Tennis center "Ilirija", Aquatic center and hospitality facilities.

**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 conference 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 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, aperitif bar for 20 persons and outdoor swimming pool. 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, the Mediterranean garden with a promenade and, from the tourist season 2017, an outdoor swimming pool.

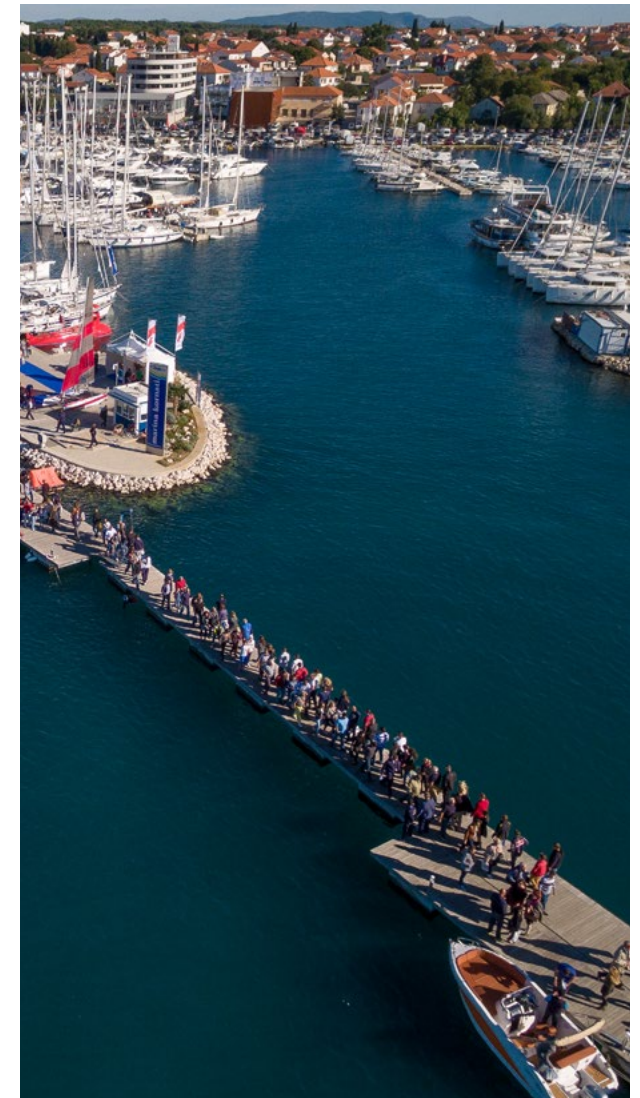
## MARINA KORNATI

**NAUTICAL SECTOR** the Company began to develop in 1976 when it concluded the Contract on purchase of 40 ELAN vessels from Slovenia or 1977 when the Company began 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 sailors. 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. In 2017, it received an award for the third place in the category of Large marina in the addition to "XXI Tourism Flower - Quality for Croatia".

**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 19 years in a row.

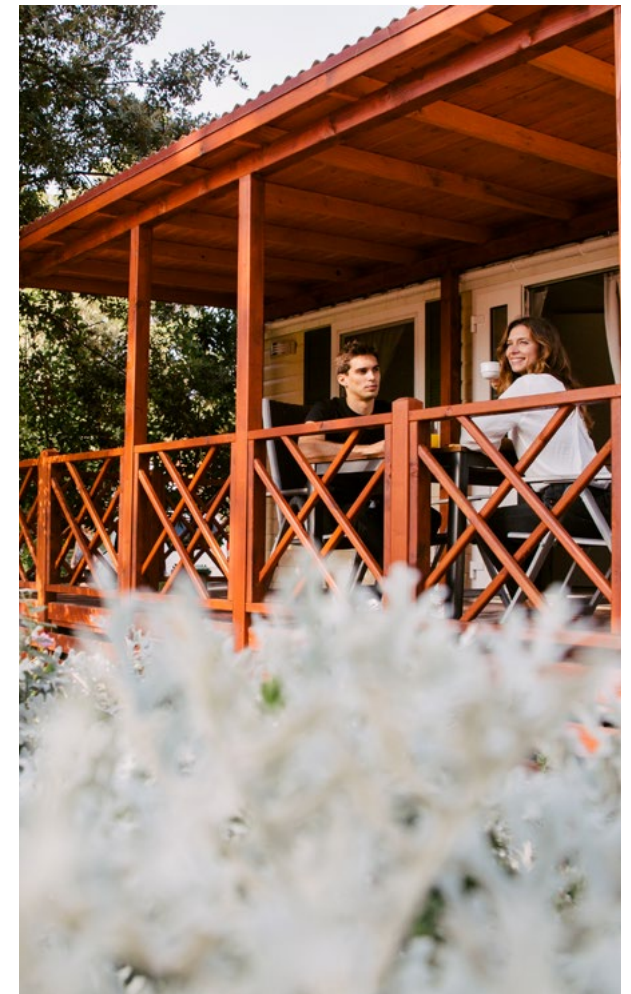


## CAMP PARK SOLINE

**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 159,000,000.00 and owing to these investments, the number of overnight stays rose from 4,556 in 1996 to 283.069 overnight stays in 2017.

## SPORTS FACILITIES:

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





## ILIRIJA TRAVEL

**ILIRIJA TRAVEL – destination management company:** Owing to the development of new services and facilities, a high-quality, integrated and complementary tourism product has been created in response to the needs of the modern tourism demand, conditioned by technological, social, market factors and trends of 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 36m and a capacity to accommodate 180 persons, with a complete restaurant, kitchen and bar which provides an excellent hospitality service during the voyage. Conferences, seminars, special events, unique business meetings, gala receptions and banquets, unique weddings, exclusive day and night cruises, incentive events are all activities organized in the Event Ship “Nada” which adapts to the individual requirements of the clients.

### ARSENAL

is a heritage site and 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 2017, a total of 66 events were organized in Marina Kornati attended by over 11.480 persons.

Restaurant „Park Soline“ is located in campsite "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 bed bar, night club, etc.).





## REAL-ESTATE SEGMENT

### COMMERICAL-SHOPPING CENTER CITY GALLERIA

is located near the old town center of Zadar, one of the two largest shopping centers in the city and the wider Zadar region, completed and opened to the public in October 2008 with a total gross surface of more than 28,500 m<sup>2</sup> spread over a total of six floors (two garage and four sale areas). The gross area of the center consists of the belonging underground garage of total area of 10,863.50m<sup>2</sup> followed by 9,656.30 m<sup>2</sup> of net lettable surface area and ancillary rooms and corridors. The current occupancy of the center is 100.00% of all 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 and 6 multiplex movie theaters.

The offer is conceptually divided in 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 cafés, entertainment, cosmetic and sports 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 unique features of the Commercial-shopping center City Galleria, which distinguish it from the rest of the market can be summarized in a few features, such as; 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 offer the first and only multiplex cinema in the city of Zadar.









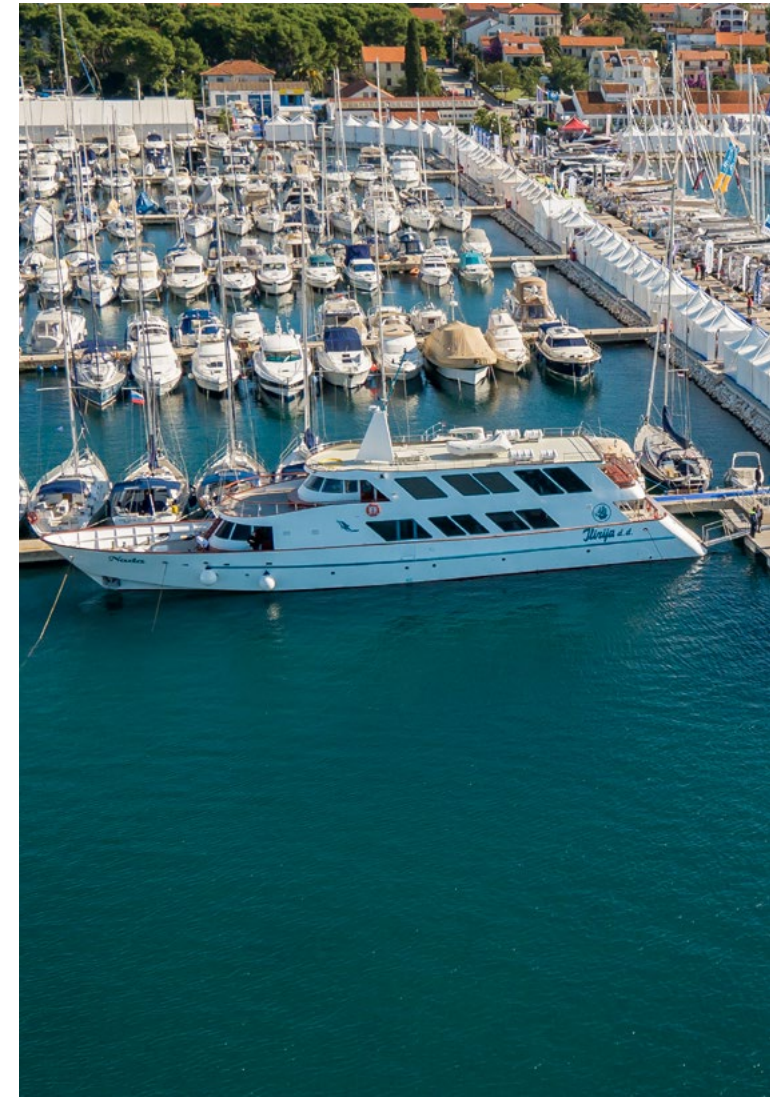
**EVENTS:** Biograd Boat Show, the largest international autumn boat show in the Republic of Croatia and the largest boat show in South East Europe among the shows which takes place on the water, brings together all the key representatives of the nautical industry and tourism. At the beginning, that 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 an 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 2017 the show, which celebrated nineteen years of its existence, was attended by over 320 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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## 12 PHYSICAL RESULTS OF THE COMPANY

The Company's tourism turnover in the hotel and camping sectors has achieved a significant growth in operating and financial results in accordance with business plans for the year 2017. The rise in tourism turnover of the hotel and camping sector is at least the same or higher than the realized growth of arrivals and overnight stays of these sectors at the national level. The hotel sector with a rise in overnight stays by 6% is at the same level as the entire hotel sector in the Republic of Croatia, while in arrivals it realized a rise by 15%, which is a significantly higher rise than that achieved at the level of the state which rose by 8.87%. Regarding the realized physical indicators, arrivals and overnight stays, which rose by 12.91% and 9.67% the camping sector is above the national growth rate realized in the camping sector in Croatia, which is 9.03% in arrivals, while the growth realized in the overnight stays is 8.67%. In the nautical sector where the overnight stays are not considered the basic or core activity, since only the overnight stays realized in charter are recorded, operating results are slightly lower compared to those in the previous fiscal year. The foregoing is only the consequence of investments made in the modernization of the nautical sector of the Company, which directly affected the capacity for receiving and accommodating the vessels, i.e. its overall operating results in 2017.

The realized tourism turnover in 2017 was affected by several factors: (I) investments made in raising the quality of offer, content and capacity of the tourist portfolio, (II) increased demand in the top season, (III) growth in turnover or in a number of events in the shoulder season, as a complementary and integrated company's offer, (IV) marketing activities and acquisitions, and (V) price policy and market profiling.

The hotel sector recorded a significant increase in physical turnover in arrivals by 15% and overnight stays by 6%, which consequently generated a rise in revenues by 8%. In the period in question, the hotel sector was characterized by a decrease in seasonality with a significant increase in turnover and revenues in the shoulder season, especially in April, May, October and November, with a significant increase in capacity occupancy indicators at 43.10% and 157 days of occupancy. The year 2017 was marked by the growth in share of the Western European markets and the non-European Union markets, which in addition to the investments, market and price policy, acquisitions, specifically designing and tailoring the hotel sector offer to the market

demands, especially in the area of creating a complementary offer where the hotel sector along with destination management company Ilirija Travel further activates its capacities, either accommodation, hospitality, MICE or sports-recreation capacities in the shoulder season, generating thus more significant physical turnover and additional revenues.

In the nautical sector, the investment projects were carried out by the end of the first quarter of the fiscal year for the purpose of its modernization in the segment of accommodation and services, which influenced the operating results achieved especially in the area of the contract-based and transit berths where operational capacities for accommodating vessels and consequently the growth in operational indicators were reduced as a result of the mentioned investment works. Despite this, the generated revenues rose by 3.86% compared to those in the year 2016, in all items of the business operations except for the revenues earned from port services, despite slightly lower operational performance indicators, which is why we consider the results of the nautical sector successful.

The Company's camping sector recorded a growth in physical results compared to those in the observed period of 2016, where a growth was realized

by 12.91% in number of arrivals and 9.67% in the number of overnight stays which is above the average of the camping sector at the level of the Republic of Croatia both in arrivals and in overnight stays. The growth in physical turnover, with careful marketing and investments affected an increase in contracted revenues by 9% compared to those in 2016. The camping sector is at the national level still characterized by a pronounced seasonality, although the performance of the company's camping sector in the pre- and post- season, i.e. the months of April, May, September and October, with the growth in overnight stays by 11.38% compared to that in the same period of 2016, indicates the trend of the season extension in the Croatian camping tourism, which is also the long-term objective of the Company in the camping sector.

The destination management company Ilirija Travel, a complementary and integrated product of the Company, is based on all of its tourism sectors through which 491 special events were realized with a total of 66,023 persons in 2017. With 12,331,241.10 HRK in revenues generated mainly in the shoulder season, it represents an added value to the total offer of the Company, in particular its tourism sector, enabling all year's offer and more significant operations, physical and financial in the off-season.





## HOTEL SECTOR

In the year 2017, the hotel sector recorded 42,339 guests, with an average stay of 3.28 days, with a total of 138,788 overnight stays realized. Compared to the year 2016, 15% more arrivals and 6% more overnight stays were realized in the hotel sector.

In the structure of realized overnight stays, the five top source markets include (1) the Croatian market with a share of 15.4% overnight stays, (2) the Slovenian market with a share of 13.1% overnight stays, (3) the German market with a share of 12.6% overnight stays, (4) the Austrian market with a share of 9.2% overnight stays and (5) the Slovak market with a share of 7.4% overnight stays. A significant growth is recorded by new markets, beyond the scope of the twenty countries we normally work with, where we systematically invested in target interest groups: the Swedish, Belgian and French markets with a growth of 20 to 30%, with a very significant 45-percent growth in Dutch, 50% Canadian or 100% Australian market or other countries, which do not have great significance individually, but they grow 100% all together.

According to the market segments, the Company re-

records a significant increase in the share of group segment by 32%, the increase in the share of fixed-term lease and a slight decline in allotments and individuals, because the last-minute booking prevails in this market segment. The foregoing did not negatively affect the total physical and financial turnover of the hotel sector in 2017.

HRK 46,812,234.66 in revenues from board services was generated in the relevant period, which is more by 8% compared to those in 2016 with the realized average price of HRK 671.74 kuna (EUR 90.04). The total revenue of the hotel sector, including the revenues generated in profit centers operating within the hotel sector, was generated in the amount of HRK 51,607,843.21 which is a rise by 8% or HRK 3,938,044.32 which also resulted in an increase in revenue per room sold, including the revenues generated from board and extra-board services to the amount of HRK 740.56 (EUR 99.27). The generated revenues grew much more than on the average, namely in April by 66% or in October by 27%, which is in line with the Company's strategic commitment regarding the extension of the season.

In the observed period, the occupancy ratios as well as hotel occupancy dates rose, capacity occupancy

rose by 8.89% or to 43.10% of occupancy, while the occupancy days rose by 9.03% or from 144 days to 157 days in the year 2017. Better hotel occupancy is recorded in almost all months, but it is more pronounced in the pre- and post-seasonal months from March to June or from September and October. Considering the improved occupancy and better occupancy ratios compared to those in 2016 and the rise in the price of overnight stay by 2%, the investments made in changing the market structure and early booking, the revenues are already generated in the board and totally in board and extra-board services. All the foregoing is the result of the investment made in changing the structure, i.e. opening of new, mainly, more distant markets with earlier booking, with an aim to disperse the risk and extend the season. At the same time, the arrivals of such groups result in increased revenues in the comparative offers of the Company realized through DMCIlirija Travel, other sectors and profit centers, ensuring the extension of the top season and reduction of seasonality.



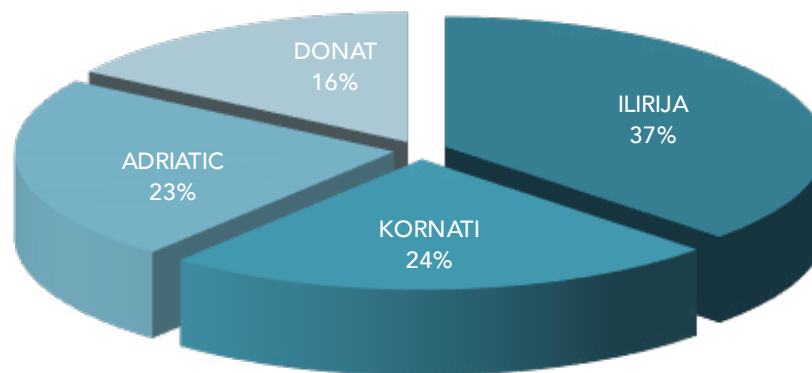




Hotel sector capacities

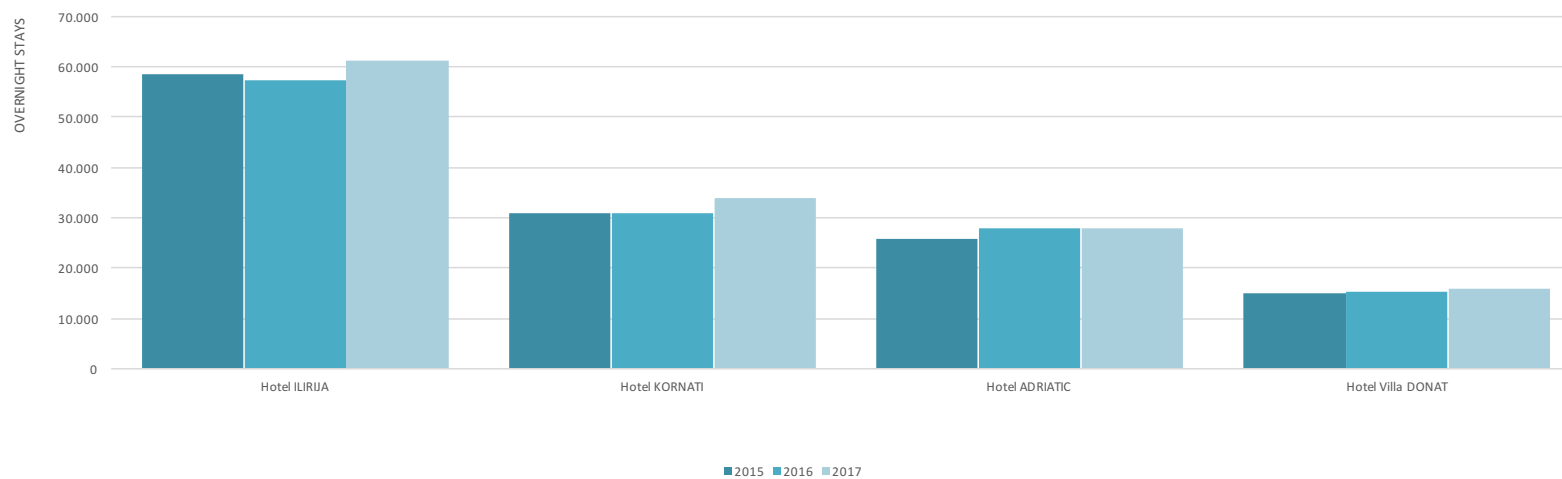
ILIRIJA DD	NUMBER OF ROOMS				NUMBER OF BEDS			
	2015	2016	2017	INDEX 2017/2016	2015	2016	2017	INDEX 2017/2016
Hotel ILIRIJA	165	165	165	1,00	337	337	337	1,00
Hotel KORNATI	106	106	106	1,00	216	216	216	1,00
Hotel ADRIATIC	100	100	100	1,00	210	210	210	1,00
Hotel Villa DONAT	72	72	72	1,00	144	144	144	1,00
TOTAL	443	443	443	1,00	907	907	907	1,00

% Share of individual hotel (number of beds)



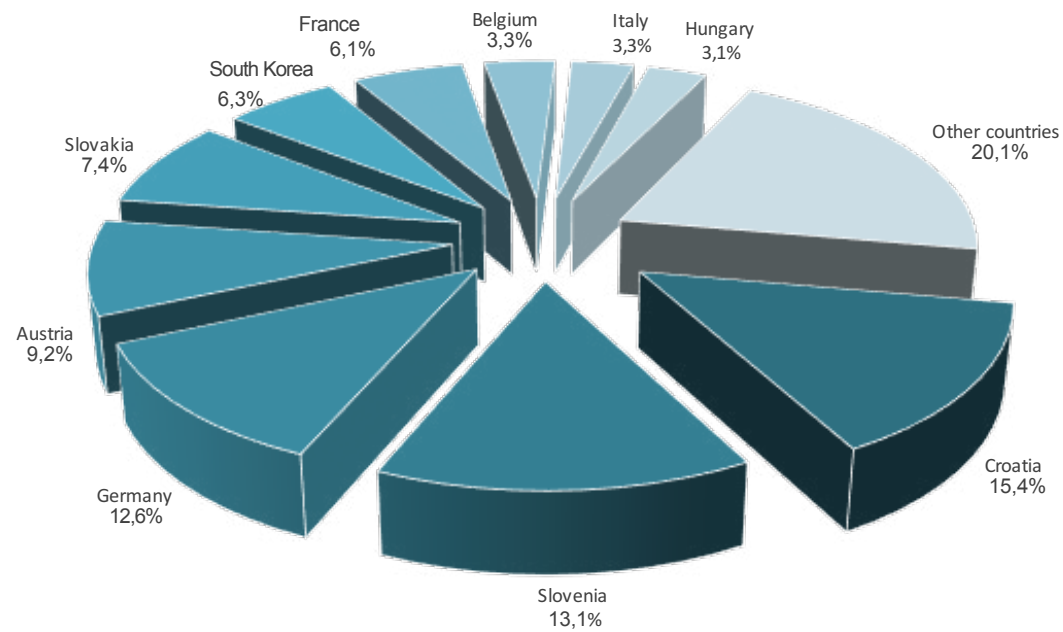
Overview and comparison of realized arrivals and overnight stays from 01/01/2017–31/12/2017 with the years 2015 and 2016

PROFIT CENTER	HOTEL SECTOR							
	ARRIVALS			INDEX	OVERNIGHT STAYS			INDEX
	2015	2016	2017	2017/2016	2015	2016	2017	2017/2016
Hotel ILIRIJA	21.074	18.057	21.715	120	58.575	57.310	61.168	107
Hotel KORNATI	9.299	9.667	11.224	116	31.047	30.891	33.912	110
Hotel ADRIATIC	5.929	6.204	6.378	103	25.906	28.050	27.772	99
Hotel Villa DONAT	3.025	2.763	3.022	109	15.115	15.173	15.936	105
TOTAL	39.327	36.691	42.339	115	130.643	131.424	138.788	106





Graph of the realized overnight stays by source markets for the period from  
01/01–31/12/2017



## Occupancy rate for the period from 01/01/2017–31/12/2017 and the comparison with the year 2016

## Percentage

MONTH	ILIRIJA					KORNATI					ADRIATIC					DONAT					GRANDTOTAL				
	Total rooms	2016	%	2017	%	Total rooms	2016	%	2017	%	Total rooms	2016	%	2017	%	Total rooms	2016	%	2017	%	Total rooms	2016	%	2017	%
JANUARY (I)	5.115	127	2,48%	290	5,67%	3.286	673	20,48%	289	8,79%	3.100	0	0,00%	120	3,87%	2.232	0	0,00%	0	0,00%	13.733	800	5,83%	699	5,09%
FEBRUARY (II)	4.620	0	0,00%	367	7,94%	2.968	404	13,61%	0	0,00%	2.800	0	0,00%	0	0,00%	2.016	0	0,00%	0	0,00%	12.404	404	3,26%	367	2,96%
MARCH (III)	5.115	968	18,92%	1.389	27,16%	3.286	189	5,75%	105	3,20%	3.100	0	0,00%	0	0,00%	2.232	0	0,00%	0	0,00%	13.733	1.157	8,42%	1.494	10,88%
APRIL (IV)	4.950	2.314	46,75%	3.290	66,46%	3.180	247	7,77%	793	24,94%	3.000	235	7,83%	378	12,60%	2.160	0	0,00%	0	0,00%	13.290	2.796	21,04%	4.461	33,57%
MAY (V)	5.115	3.452	67,49%	3.626	70,89%	3.286	1.573	47,87%	1.999	60,83%	3.100	1.204	38,84%	1.483	47,84%	2.232	162	7,26%	250	11,20%	13.733	6.391	46,54%	7.358	53,58%
JUNE (VI)	4.950	3.413	68,95%	4.227	85,39%	3.180	2.158	67,86%	2.506	78,81%	3.000	2.243	74,77%	2.382	79,40%	2.160	1.080	50,00%	1.376	63,70%	13.290	8.894	66,92%	10.491	78,94%
JULY (VII)	5.115	4.574	89,42%	4.600	89,93%	3.286	2.959	90,05%	2.978	90,63%	3.100	2.848	91,87%	2.898	93,48%	2.232	2.120	94,98%	2.034	91,13%	13.733	12.501	91,03%	12.510	91,09%
AUGUST (VIII)	5.115	4.829	94,41%	4.872	95,25%	3.286	3.121	94,98%	3.112	94,70%	3.100	2.999	96,74%	2.939	94,81%	2.232	2.122	95,07%	2.136	95,70%	13.733	13.071	95,18%	13.059	95,09%
SEPTEMBER (IX)	4.950	3.998	80,77%	4.394	88,77%	3.180	2.598	81,70%	2.688	84,53%	3.000	2.302	76,73%	1.998	66,60%	2.160	874	40,46%	1.289	59,68%	13.290	9.772	73,53%	10.369	78,02%
OCTOBER (X)	5.115	2.754	53,84%	3.593	70,24%	3.286	1.448	44,07%	1.413	43,00%	3.100	1.370	44,19%	1.074	34,65%	2.232	178	7,97%	208	9,32%	13.733	5.750	41,87%	6.288	45,79%
NOVEMBER (XI)	4.950	982	19,84%	291	5,88%	3.180	0	0,00%	939	29,53%	3.000	0	0,00%	0	0,00%	2.160	0	0,00%	0	0,00%	13.290	982	7,39%	1.230	9,26%
DECEMBER (XII)	5.115	886	17,32%	650	12,71%	3.286	304	9,25%	487	14,82%	3.100	282	9,10%	225	7,26%	2.232	12	0,54%	0	0,00%	13.733	1.484	10,81%	1.362	9,92%
<b>TOTAL</b>	<b>60.225</b>	<b>28.297</b>	<b>46,99%</b>	<b>31.589</b>	<b>52,45%</b>	<b>38.690</b>	<b>15.674</b>	<b>40,51%</b>	<b>17.309</b>	<b>44,74%</b>	<b>36.500</b>	<b>13.483</b>	<b>36,94%</b>	<b>13.497</b>	<b>36,98%</b>	<b>26.280</b>	<b>6.548</b>	<b>24,92%</b>	<b>7.293</b>	<b>27,75%</b>	<b>161.695</b>	<b>64.002</b>	<b>39,58%</b>	<b>69.688</b>	<b>43,10%</b>

## Occupancy rate for the period from 01/01/2017–31/12/2017 and the comparison with the year 2016

## Occupancy days

MONTH	ILIRIJA					KORNATI					ADRIATIC					DONAT					GRANDTOTAL				
	Total rooms	2016	Days	2017	Days	Total rooms	2016	Days	2017	Days	Total rooms	2016	Days	2017	Days	Total rooms	2016	Days	2017	Days	Total rooms	2016	Days	2017	Days
JANUARY (I)	5.115	127	1	290	2	3.286	673	6	289	3	3.100	0	0	120	1	2.232	0	0	0	0	13.733	800	2	699	2
FEBRUARY (II)	4.620	0	0	367	2	2.968	404	4	0	0	2.800	0	0	0	0	2.016	0	0	0	0	12.404	404	1	367	1
MARCH (III)	5.115	968	6	1.389	8	3.286	189	2	105	1	3.100	0	0	0	0	2.232	0	0	0	0	13.733	1.157	3	1.494	3
APRIL (IV)	4.950	2.314	14	3.290	20	3.180	247	2	793	7	3.000	235	2	378	4	2.160	0	0	0	0	13.290	2.796	6	4.461	10
MAY (V)	5.115	3.452	21	3.626	22	3.286	1.573	15	1.999	19	3.100	1.204	12	1.483	15	2.232	162	2	250	3	13.733	6.391	14	7.358	17
JUNE (VI)	4.950	3.413	21	4.227	26	3.180	2.158	20	2.506	24	3.000	2.243	22	2.382	24	2.160	1.080	15	1.376	19	13.290	8.894	20	10.491	24
JULY (VII)	5.115	4.574	28	4.600	28	3.286	2.959	28	2.978	28	3.100	2.848	28	2.898	29	2.232	2.120	29	2.034	28	13.733	12.501	28	12.510	28
AUGUST (VIII)	5.115	4.829	29	4.872	30	3.286	3.121	29	3.112	29	3.100	2.999	30	2.939	29	2.232	2.122	29	2.136	30	13.733	13.071	30	13.059	29
SEPTEMBER (IX)	4.950	3.998	24	4.394	27	3.180	2.598	25	2.688	25	3.000	2.302	23	1.998	20	2.160	874	12	1.289	18	13.290	9.772	22	10.369	23
OCTOBER (X)	5.115	2.754	17	3.593	22	3.286	1.448	14	1.413	13	3.100	1.370	14	1.074	11	2.232	178	2	208	3	13.733	5.750	13	6.288	14
NOVEMBER (XI)	4.950	982	6	291	2	3.180	0	0	939	9	3.000	0	0	0	0	2.160	0	0	0	0	13.290	982	2	1.230	3
DECEMBER (XII)	5.115	886	5	650	4	3.286	304	3	487	5	3.100	282	3	225	2	2.232	12	0	0	0	13.733	1.484	3	1.362	3
<b>TOTAL</b>	<b>60.225</b>	<b>28.297</b>	<b>171</b>	<b>31.589</b>	<b>191</b>	<b>38.690</b>	<b>15.674</b>	<b>148</b>	<b>17.309</b>	<b>163</b>	<b>36.500</b>	<b>13.483</b>	<b>135</b>	<b>13.497</b>	<b>135</b>	<b>26.280</b>	<b>6.548</b>	<b>91</b>	<b>7.293</b>	<b>101</b>	<b>161.695</b>	<b>64.002</b>	<b>144</b>	<b>69.688</b>	<b>157</b>

## Monthly comparison of revenues/overnight stays of Ilirija hotels from 01/01/2017–31/12/2017 and comparison with the year 2016

MONTH	GENERATED REVENUES			OVERNIGHT STAYS			AVER. PRICE IN HRK		AVER. PRICE IN €		
	2016	2017	INDEX	2016	2017	INDEX	2016	2017	2016	2017	INDEX
JANUARY	458.980,79	275.461,90	0,60	1.442	1.243	0,86	318,29	221,61	41,57	29,61	0,71
FEBRUARY	334.933,36	163.173,69	0,49	701	639	0,00	0,00	0,00	0,00	0,00	0,00
MARCH	642.780,24	505.330,20	0,79	2.274	2.212	0,97	282,67	228,45	37,57	30,71	0,82
APRIL	1.480.970,56	2.460.993,15	1,66	4.660	7.645	1,64	317,80	321,91	42,50	43,09	1,01
MAY	3.118.310,35	3.672.406,66	1,18	11.226	12.075	1,08	277,78	304,13	37,10	41,00	1,11
JUNE	6.116.130,92	6.132.713,90	1,00	18.207	20.213	1,11	335,92	303,40	44,71	40,96	0,92
JULY	9.516.904,07	10.220.585,50	1,07	30.336	30.085	0,99	313,72	339,72	41,95	45,86	1,09
AUGUST	10.950.751,87	11.654.590,71	1,06	30.663	30.621	1,00	357,13	380,61	47,77	51,36	1,08
SEPTEMBER	6.454.164,22	6.906.540,33	1,07	18.352	19.032	1,04	351,69	362,89	46,84	48,40	1,03
OCTOBER	2.737.654,91	3.463.332,65	1,27	9.074	10.102	1,11	301,70	0,00	40,25	0,00	0,00
NOVEMBER	545.483,36	615.592,56	1,13	1.764	2.349	0,00	309,23	0,00	41,06	0,00	0,00
DECEMBER	1.180.512,13	741.513,41	0,63	2.725	2.572	0,00	425,87	0,00	56,35	0,00	0,00
TOTAL	43.537.576,78	46.812.234,66	1,08	131.424	138.788	1,06	331,16	337,29	44,00	45,21	1,03

Revenues per sold room 31/12/17	671,74 kn	90,04 €
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Revenues per sold room 31/12/16	680,25 kn	90,37 €
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## Spin-off profit centers in the hotel sector

Lavender Bar	2016	2017	INDEX
31/12	1.016.581,44	1.104.317,96	1,09

Aquatic Center	2016	2017	INDEX
31/12	2.516.761,93	3.052.547,76	1,21

Tennis center	2016	2017	INDEX
31/12	271.213,65	326.811,59	1,20

Beach bar Donat	2016	2017	INDEX
31/12	327.665,09	311.931,24	0,95

## Grandtotal hotel sector

TOTAL:	2016	2017	INDEX
31/12	47.669.798,89	51.607.843,21	1,08

Revenues per sold room - 2017:	740,56 kn	99,27 €
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Revenues per sold room - 2016:	744,82 kn	98,95 €
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## OPERATING RESULTS OF THE HOTEL SECTOR OF THE COMPANY ILIRIJA D.D.

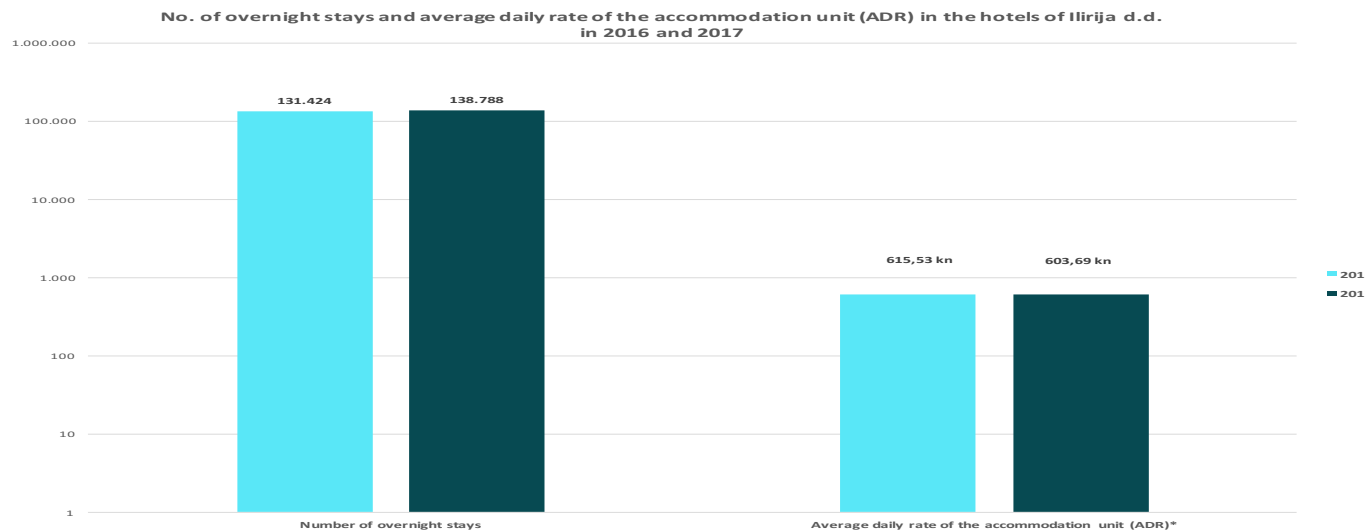
### Summary of the operating results of the hotel sector

In 2017, the hotel sector of Ilirija generated significant operating results that are reflected both in the market as well as the financial indicators. In 2017, the company recorded an increased volume in physical demand that resulted in the increase in the occupancy rate of the capacities (on the basis of 365 days) by 9.2 percent compared to that in the previous year, a high increase in the revenues from the board services per accommodation unit by 7.08 percent. A significant progress has been achieved

in the extension of the season, since the share of four summer months in total annual turnover decreased from 40.0 percent in 2016 to 36.7 percent in 2017. The improvement of the market indicators was achieved on the basis of continuous sales efforts and destination management company and investments made in enhancing the competitiveness, while the increase in average revenue from the board services per accommodation unit results from the restructuring of the sales channels aimed

at the growth of a more lucrative market segment.

The results of the hotel sector is shown separately for the hotels in Biograd and hotel in Sv. Filip Jakov considering a different market profile of these two tourist destinations and also considering the different market position of the hotel in Biograd compared to the hotel in Sv. Filip i Jakov.



\* ADR – Average daily rate of the accommodation unit is calculated on the basis of the revenue from board services (revenue from the accommodation and food and beverages of the board services).

## Key market indicators of the hotel sector of Ilirija d.d.

	2017	2016	2017/2016
<b>HOTELS IN BIOGRAD</b>			
<b>Accommodation capacities:</b>			
Number of hotels	3	3	0,00%
Number of accommodation units	371	371	0,00%
Number of beds	763	763	0,00%
<b>Physicial turnover:</b>			
Number of overnight stays	122.852	116.251	5,68%
Number of accommodation units sold	62.395	57.454	8,60%
Annual occupancy rate of the accommodation units (%)	46,08%	42,31%	8,90%
Occupancy rate of the accommodation units on an open days basis (%)	64,66%	63,94%	1,13%
<b>Financial results:</b>			
Average daily rate of the accommodation unit (ADR)*	609,29 kn	624,55 kn	-2,44%
Revenue per accommodation unit (RevPAR) on a basis of 365 days **	280,74 kn	264,26 kn	6,24%
Revenue per accommodation unit (RevPAR) on an open days basis **	393,94 kn	399,31 kn	-1,34%
<b>HOTEL IN SV. FILIP I JAKOV</b>			
<b>Accommodation capacities:</b>			
Number of hotels	1	1	0,00%
Number of accommodation units	72	72	0,00%
Number of beds	144	144	0,00%
<b>Physicial turnover:</b>			
Number of overnight stays	15.936	15.173	5,03%
Number of accommodation units sold	7.293	6.548	11,38%
Annual occupancy rate of the accommodation units (%)	27,75%	24,85%	11,68%
Occupancy rate of the accommodation units on an open days basis (%)	68,44%	63,16%	8,37%
<b>Financial results:</b>			
Average daily rate of the accommodation unit (ADR)*	555,85 kn	536,41 kn	3,62%
Revenue per accommodation unit (RevPAR) on a basis of 365 days **	154,25 kn	133,29 kn	15,73%
Revenue per accommodation unit (RevPAR) on an open days basis **	380,43 kn	338,78 kn	12,29%
<b>HOTELS - TOTAL ILIRIJA d.d.</b>			
<b>Accommodation capacities:</b>			
Number of hotels	4	4	0,00%
Number of accommodation units	443	443	0,00%
Number of beds	907	907	0,00%
<b>Physicial turnover:</b>			
Number of overnight stays	138.788	131.424	5,60%
Number of accommodation units sold	69.688	64.002	8,88%
Annual occupancy rate of the accommodation units (%)	43,10%	39,47%	9,18%
Occupancy rate of the accommodation units on an open days basis (%)	65,03%	63,86%	1,84%
<b>Financial results:</b>			
Average daily rate of the accommodation unit (ADR)*	603,69 kn	615,53 kn	-1,92%
Revenue from board services per accommodation unit (RevPAR) on a basis of 365 days **	260,18 kn	242,97 kn	7,08%
Revenue from board per accommodation unit (RevPAR) on an open days basis **	392,60 kn	393,05 kn	-0,11%

## Notes:

Hotels in Biograd include the hotels Ilirija, Adriatic and Kornati, while the hotel in Sv. Filip i Jakov is the hotel Villa Donat.

\* ADR – Average daily rate of the accommodation unit is calculated on the basis of the revenue from board services (revenue from the accommodation and food and beverages of the board services).

\*\* RevPAR – Revenue from the board services per accommodation unit includes the revenue from the board services (revenue from the accommodation and food and beverages of the board services) divided by the number of the available accommodation units in a given period (365 days; number of open days).

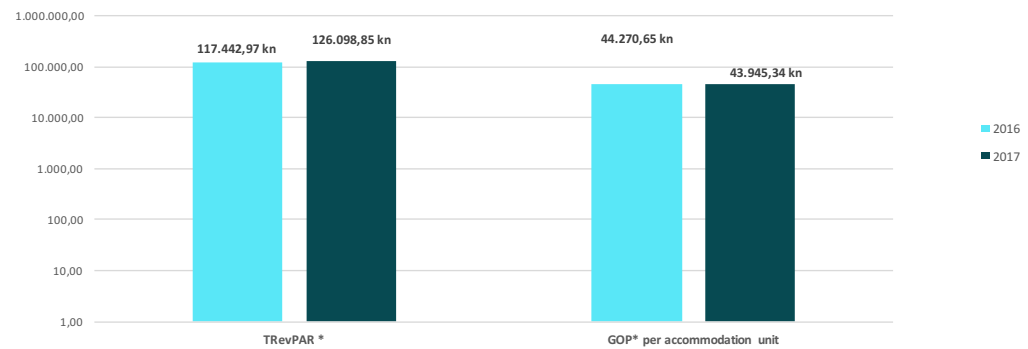
In 2017, the hotel sector of Ilirija d.d. generated HRK 51.3 million in operating revenue which is an increase by 8.2 percent compared to that in the previous year.

The operating costs of the hotel sector rose by 12.4% in 2017 compared to those in the previous year or rose by 4 percentage points compared to the operating revenue. The increase in operating costs of the hotel sector is largely the consequence of the condition in the market and related increase in costs of labor by 18.6 percent and also as a consequence of the increase in the costs of raw materials and material by 11.1 percent, which increased as a result of improvement of the quality and competitiveness of the products. HRK 9.6 million of capital investments was made in the improvement of the competitiveness of the products of the hotel sector of Ilirija d.d. in the year 2017.

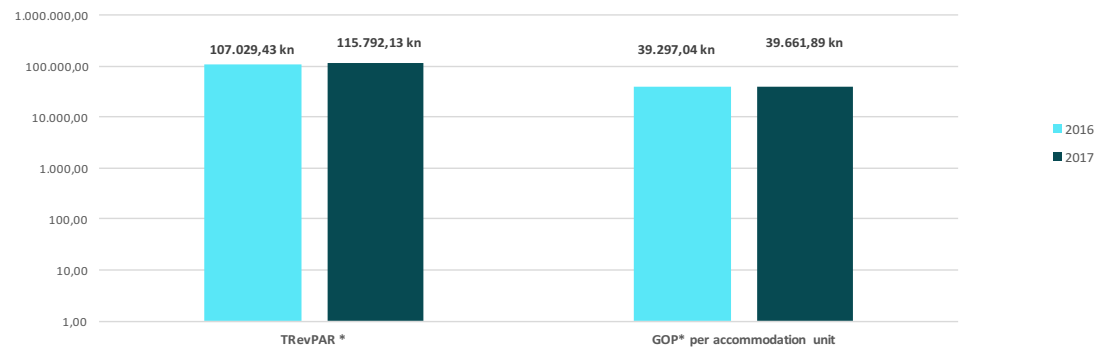
\* TRevPAR denotes the total operating revenue of the hotel sector divided by a number of physical accommodation units.

GOP denotes a gross operating profit of the hotel sector before the allocation of costs of common services, and is calculated in the following way: operating revenues – operating expenses (before the allocation, without depreciation and fixed costs).

Total annual revenue per accommodation unit (TrevPAR) and GOP per accommodation unit in the hotels in Biograd na Moru in 2016 and 2017



Total annual revenue per accommodation unit (TrevPAR) and GOP per accommodation unit in the hotels of Ilirija d.d. in 2016 and 2017



## Key financial indicators of the hotel sector of Ilirija d.d.

	2017	2016	2017/2016
<b>HOTEL SECTOR- BIOGRAD</b>			
Operating revenues	46.782.672,20 kn	43.571.340,57 kn	7,37%
Revenue from board services	38.016.419,38 kn	35.882.871,39 kn	5,95%
TRevPAR *	126.098,85 kn	117.442,97 kn	7,37%
Operating costs **	30.478.950,26 kn	27.146.930,88 kn	12,27%
GOP ***	16.303.721,94 kn	16.424.409,69 kn	-0,73%
GOP per accommodation unit	43.945,34 kn	44.270,65 kn	-0,73%
GOP margin ****	34,8%	37,7%	-7,55%
Capital investments	6.751.563,15 kn	2.541.158,90 kn	165,69%
<b>HOTEL SECTOR - SV. FILIP I JAKOV</b>			
Operating revenues	4.513.239,77 kn	3.842.698,18 kn	17,45%
Revenue from board services	4.053.813,57 kn	3.512.428,59 kn	15,41%
TRevPAR *	62.683,89 kn	53.370,81 kn	17,45%
Operating costs **	3.246.744,51 kn	2.858.519,15 kn	13,58%
GOP ***	1.266.495,26 kn	984.179,03 kn	28,69%
GOP per accommodation unit	17.590,21 kn	13.669,15 kn	28,69%
GOP margin ****	28,1%	25,6%	9,57%
Capital investments	2.813.546,91 kn	54.027,63 kn	5107,61%
<b>HOTEL SECTOR - TOTAL ILIRIJA d.d.</b>			
Operating revenues	51.295.911,97 kn	47.414.038,75 kn	8,19%
Revenue from board services	42.070.232,95 kn	39.395.299,98 kn	6,79%
TRevPAR *	115.792,13 kn	107.029,43 kn	8,19%
Operating costs **	33.725.694,77 kn	30.005.450,03 kn	12,40%
GOP ***	17.570.217,20 kn	17.408.588,72 kn	0,93%
GOP per accommodation unit	39.661,89 kn	39.297,04 kn	0,93%
GOP margin ****	34,3%	36,7%	-6,71%
Capital investments	9.565.110,06 kn	2.595.186,53 kn	268,57%

## Notes:

The hotel sector in Biograd includes the hotels Ilirija, Adriatic i Kornati, Lavanda bar and swimming pool and entertainment and sports center, while the hotel sector in Sv. Filip Jakov refers to the hotel Villa Donat.

\* TRevPAR (total annual revenue per accommodation unit) denotes the total operating revenue of the hotel sector divided by a number of physical accommodation units.

\*\* Operating costs include the costs of raw material and material, costs of services, gross pays and other operating costs, not including the depreciation, financial expenses and extraordinary expenses.

\*\*\* GOP denotes a gross operating profit of the hotel sector before the allocation of costs of common services, and is calculated in the following way: operating revenues – operating expenses (before the allocation, without depreciation and fixed costs).

\*\*\*\* GOP margin is calculated by correlating the amount of GOP before the allocation of costs of common services and operating revenues.



## ILIRIJA TRAVEL

By developing new services and facilities through the complementary tourist product that combines all the Company's components, Ilirija Travel as a destination management company meets the needs of modern tourist demand, includes the products and value-added programs that are based on creating experiences and meeting a range of special interests. During 2017, a service was provided to 66,023 persons through a total of 491 events, starting from simpler individual events, excursions to special programs, incentives, events, conferences, congresses, weddings, excursions, regattas etc. mainly organized in the shoulder season. Operational indicators of the destination management company indicated through the number of events and persons compared to those in 2016 grew by 26.55% in the number of events and by 40.85% in the number of guests. Revenues in the amount of HRK 12,331,241.10 were generated partly through the contents of all profit centers of the Company, with a rise by 30.87% compared to HRK 9,422,823.19 of revenues generated in 2016.

The business operations conducted in own additional capacities such as Arsenal in Zadar, "Nada"

event boat, diffuse hotel and agrotouristic complex Ražnjevića dvori along with cars and vessels, excursion offer, the sports and event area capacities within the Company are the most important cornerstones of offering and implementing special programs and products realized through DMCIlirija Travel. There were 33 events with 1,010 participants organized in the Nada multifunctional boat, the rooms for holding congresses, seminars, special events, unique business meetings, gala receptions and banquets, unique weddings, exclusive day and night cruising, incentive events, with a different experience of a number of attractive Croatian areas all along the whole Croatian coast. Having organized 46 events with 1,418 participants, the diffuse hotel and agrotouristic complex Ražnjevića dvori A.D. 1307 proved to be an example for the innovative tourist product as the blend of traditional and contemporary features. A special part of Ilirija Travel's offer also includes the excursions, where 188 of them were organized for 4,794 persons in 2017, through which the areas of the Biograd and Zadar aquatorium were introduced, including the Ravni Kotari tourist potentials, wine gastronomic offer and activities including the beauties of Lika, Velebit, Zrmanja and Krka.

The activities of Ilirija Travel, in addition to the accommodation capacities of the company, are activated and supplemented by using restaurants, bars, swimming pools, conference rooms, a tennis center and other facilities

### REVENUES BY ACTIVITIES:

*Revenues from hotel services* amount to HRK 46,812,234.66 and rose by 8% in comparison to those in the year 2016.

*Other revenues from the hotel sector* including Beach bar Donat, which is a part of the business unit hotel Villa Donat, Sv. Filip i Jakov, were generated in the amount of HRK 4,795,608.55 and are higher by 16.05% than those in the year 2016.

*Overall, the revenues of the hotel sector* in the year 2017 amount to HRK 51,607,843.21, which are higher by 8% than those in the same period last year, accounting for 34.52% of the total operating revenues of the Company for the observed period.

## ARSENAL

Significant contribution to the offer of Ilirija Travel is certainly made by Arsenal, a cultural heritage of the Republic of Croatia built during the reign of the Republic of Venice in the 17th century next to the harbor and the city walls (the UNESCO World Cultural Heritage monument) in the old city center of Zadar. In 2005, Arsenal was rebuilt and reopened as a unique area for events on a floor surface of 1,800m<sup>2</sup> and consists of the ground floor (parter) and upper gallery, which allow for a unique opportunity to exploit the space. Since then, Arsenal has been going through the process of conversion into the unbeatable experience center of Zadar and the wider Zadar region where gala dinners, weddings, receptions, concerts, events, festivals, fairs, conferences, theater performances, lectures, book promotions, thematic evenings, art and other exhibitions, video projections and similar contents are organized.

During the year 2017, a total of 118 events were organized, which is 20% more than in 2016, with 35,266 visitors, which is a growth by 31.58%, whereby the total number of individual events exceeded the figure of 1,718 since the opening of Arsenal.

The total revenue of Arsenal for the year 2017 amounts to HRK 5,744,192.82 and compared to that in 2016 it rose by 9%. The growth was achieved by organizing larger concert programs and organizing major public programs visited by a large number of persons, stronger sales activities in the MICE segment and the planned improvement of the quality and efficiency of the hospitality services, leading to a significant growth in the sale of beverages. The growth relates to the the first and last quarter periods of the fiscal year, when indoor events are more frequent and Arsenal acts as a "Mediterranean indoor square". Refreshments are introduced in the Arsenal public program, such as showing popular performances of the Zagreb theaters, fair events such as the traditional Wedding Festival and the Tuna & Wine & Sushi Festival, the Wine Festival, the Scholarship Fair, the Fair of Jobs, various educational workshops etc., which is also the direction which Arsenal will consider and in addition to the existing events, expand its offer in 2018.









## NAUTICS – MARINA KORNATI

Marina Kornati and Hotel port Ilirija-Kornati, located in the central part of the Croatian coast, in its most indented part due to the immediate vicinity of the Kornati National Park, its capacities, surface area of the aquatorium, equipment, quality of supply and achieved development standards as a result of the intensive investment cycle in the modernization of nautical sector of the Company, is one of the three leading ports of nautical tourism - marinas in Croatia, which has influenced the recognizability of the marina and business results achieved.

In the first quarter of 2017, the second phase of modernization of the marina was completed in the segment of receiving and accommodating vessels, which resulted in a better quality of the marina facilities and services, increased competitiveness and attractiveness of the Marina and the destination, and the financial operating results achieved. Nearly in all revenue items, except for the port services, Marina Kornati generated a revenue growth in 2017 compared to that in 2016, i.e. in the segments of daily and contract-based berth, parking lot for vehicles, business cooperation and boat show and events.

In 2017, total operating revenues amounting to HRK 40,604,415.75 were generated, which com-

pared to that in 2016, when they amounted to HRK 39,096,162.27 is a growth by 3.86%, or HRK 1,508,253.48. The most significant increase in revenues refers to the revenues from the boat show and events, which make for 6.72% of the total revenues, which increased by 19.03% and the increase in revenue from the services relating to contract-based berth with accessories, which increased by 4.58% compared to that in 2016, making for about 67.7% of the total revenue of the nautical sector in the area of reception and accommodation of vessels. Revenues from the contract-based berth increased compared to those in the previous fiscal year as a result of a larger number of charter vessels, the price of which rose by 10% compared to individual cost of fee for the contract-based berth. The increase in revenues was also achieved in a daily berth by 3%, parking services by 2.6%, other services by 4.5% and business cooperation services by 1.6%, while the port services record a decline by 11% compared to that in 2016 as a result of the general travel lift service, which consequently reduced the number of port service operations and thus the revenues generated from this item.

Physical indicators in 2017 are slightly lower than those in 2016 in all business segments. The same was not reflected on the total revenues with significant growth achieved in all segments except for the

forecasted and expected reduction in physical and financial turnover in the segment of port service activities. A growing trend of demand for the accommodation of vessels measuring 15m and longer has been recorded in the nautical sector of the Company in the last few years. This also partly affected the achieved physical performance results where, despite full occupancy, it records a slight decrease in the total number of contracted vessels, of which 712 were contracted in 2017 compared to 714 vessels contracted in 2016, out of which 423 individual vessels were contracted and 289 charter vessels were contracted. In the segment of the contracted boats there was a significant growth of charter boats by 9%, which resulted in the growth of revenues from contract-based berth with the accessories by 4.58% as a result of a rise in the price of the accommodation for charter boats and increase in the size/length of charter boats in the category from 12m to 17m compared to the individual boats, where the vessels measuring from 12m to 15m prevail.

Marina Kornati is due to its position and equipment also known as a transit marina, ideal for sailors that need an overnight stay, as well as for boats that stay longer either due to the servicing or the possibility of daily sailing out to one of the most famous nautical destination - the National Park Kornati. In 2017, a to-

tal of 3,527 transit vessels sailed in the Marina Kornati and realized 12,144 overnight stays of vessels, while in 2016, 3,544 transit vessels sailed in, realizing 12,463 overnight stays or 3% more overnight stays. The reason for shorter stays in 2017 was the consequence of more favorable weather conditions which allowed sailors to stay longer at sea.

In Marina Kornati there is an area for servicing and repair, vessel maintenance and dry berth, as well slipway for lifting/lowering the vessels with a crane of 10 t and 50 t of load capacity. For the purpose of servicing in the marina, there are about thirty companies - business partners that provide additional servicing within the scope of their activities and according to the business cooperation agreements with the marina.

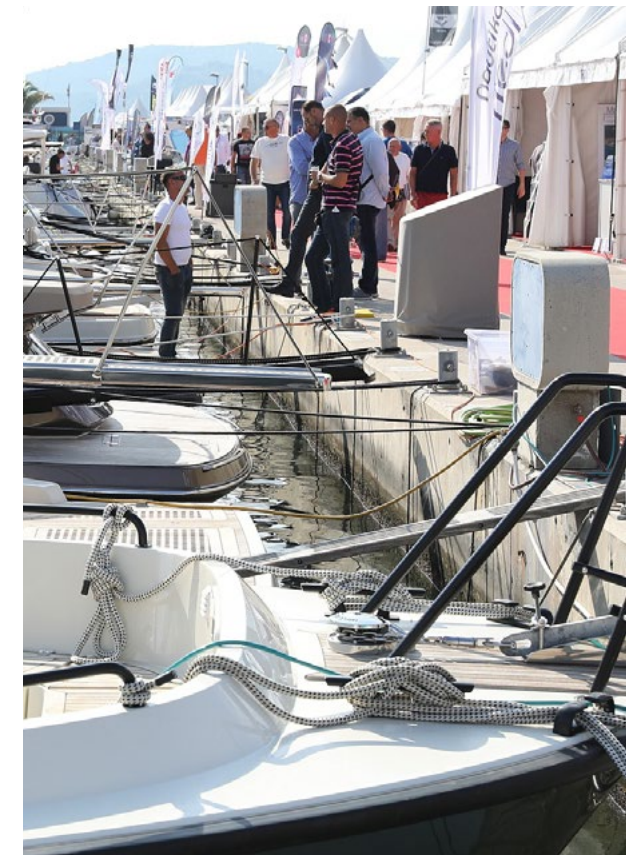
In 2017, some 3,446 port service operations were carried out (lifting, lowering and washing of vessels), while in 2016, some 3,772 port service operations were carried out. The reason for the decrease in the number of port service operations compared to that in 2016 is the consequence of 50 tons general travel lift service, which as expected affected the decrease in the port service activity.

The 19th Biograd Boat Show, the greatest Croatian and Central European nautical show at sea was held from 19th to 22nd October 2017, which was attend-

ed by 320 registered exhibitors that participated with more than 300 vessels. The Biograd Boat Show has been the place for getting all segments of the Croatian boating industry and tourism together for years: (I) the port of nautical tourism-marina, (II) charter, (III) shipbuilders, (IV) ship operators, (V) ship and nautical equipment manufacturers and (VI) diving tourism. In 2017, the boat show has grown into a Croatian boat congress recognized by the leading business and professional organizations as well, namely the Croatian Chamber of Commerce, which organized "The first HGK Boat Days". In the last few years, the Biograd Boat Show has had an intense business to business character that has been given even higher relevance this year through the development of the platform called "Biograd B2B" aimed at strengthening the business character of the boat show or business networking, stronger interaction among the business visitors and exhibitors, in particular from the segment of shipbuilding and nautical tourism, or strengthening its business activities, where more than 400 legal entities are registered. Biograd B2B participants register their business operations and organize meetings, connecting through social events and a comprehensive congress program.

In the year 2017, there were 35 regatta events attended by 12,800 sailors on 720 vessels in the Marina Kornati. Among the regattas, the international regat-

ta Kornati Cup 2017 is to be especially mentioned, with about 700 sailors from all over Europe on more than 110 vessels and the Business Cup 2017 with 300 sailors and 50 sailing boats mainly from Austria which can be characterized as a kind of Austrian open sailing championship





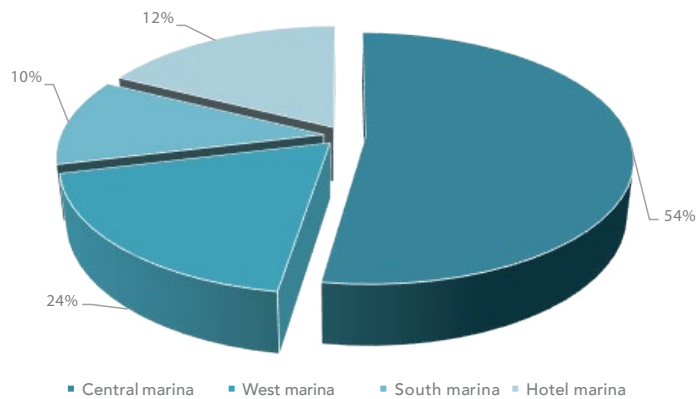




### Marina Kornati capacities

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

% Share of individual marina (number of berths)



## Cumulative overview of physical turnover of Marina Kornati during the period from 01/01/2017-31/12/2017 and comparison with the year 2016

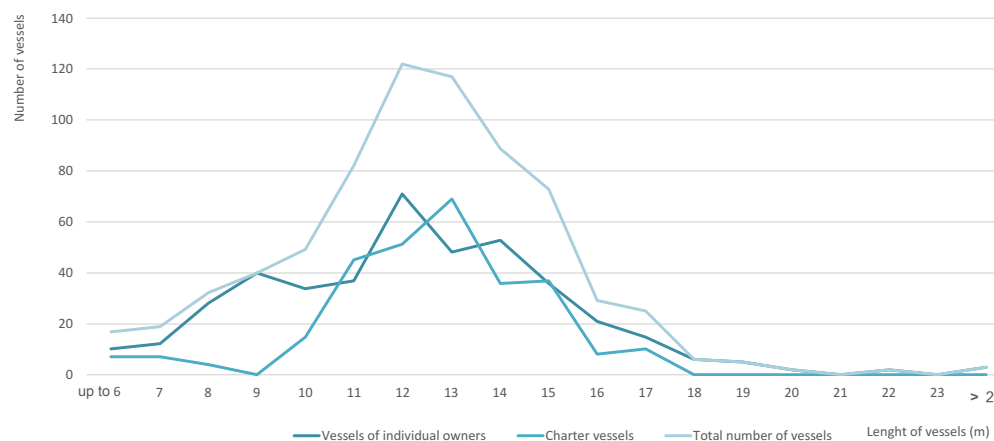
Physical turnover items		2017 BY MONTH											
Name of position	Measurment unit	1	2	3	4	5	6	7	8	9	10	11	12
Contract-based berth -individual	Contracted vessel	91	258	317	369	390	407	412	415	416	418	422	423
Contract-based berth -charter	Contracted vessel	1	14	74	261	280	285	285	286	287	287	289	289
<b>TOTAL Contract-based berth</b>	<b>Contracted vessel</b>	<b>92</b>	<b>272</b>	<b>391</b>	<b>630</b>	<b>670</b>	<b>692</b>	<b>697</b>	<b>701</b>	<b>703</b>	<b>705</b>	<b>711</b>	<b>712</b>
Transit berth-sailing in port	Sailing in port	1	6	28	176	521	999	1.833	2.830	3.348	3.516	3.526	3.527
Transit berth-overnight stay of vessel	Boat / day	184	390	604	1.365	2.366	3.633	6.333	9.604	11.067	11.757	12.024	12.144
Transit berth-overnight stay of vessel crew	Overnight stay of a person												
Port service	Operation	87	312	686	1.055	1.487	1.830	2.255	2.723	2.978	3.143	3.320	3.446

Physical turnover items		2016 BY MONTH											
Name of position	Measurment unit	1	2	3	4	5	6	7	8	9	10	11	12
Contract-based berth -individual	Contracted vessel	118	283	352	373	406	423	434	437	440	446	447	448
Contract-based berth -charter	Contracted vessel	2	3	19	245	255	261	263	265	265	266	266	266
<b>TOTAL Contract-based berth</b>	<b>Contracted vessel</b>	<b>120</b>	<b>286</b>	<b>371</b>	<b>618</b>	<b>661</b>	<b>684</b>	<b>697</b>	<b>702</b>	<b>705</b>	<b>712</b>	<b>713</b>	<b>714</b>
Transit berth-sailing in port	Sailing in port	5	13	42	171	578	1.088	1.847	2.811	3.308	3.526	3.537	3.544
Transit berth-overnight stay of vessel	Boat / day	200	418	805	1.560	2.722	4.014	6.638	9.977	11.264	12.020	12.243	12.463
Transit berth-overnight stay of vessel crew	Overnight stay of a person												
Port service	Operation	95	300	605	1.033	1.503	1.981	2.436	2.926	3.226	3.375	3.605	3.772

Vessels on berth contract in the period from 01/01/2017-31/12/2017 and comparison with the year 2016

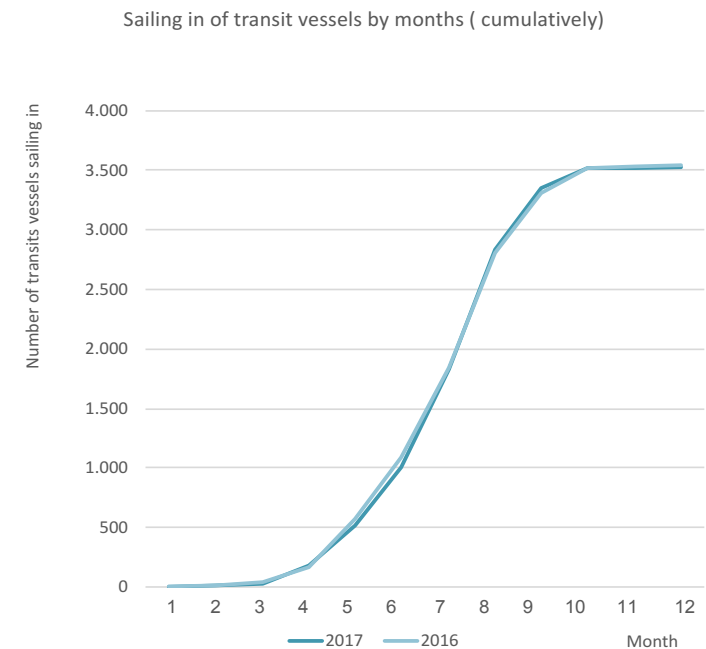
Purpose	Type of berth	Position of berth	01/01-31/12	% Total	01/01-31/12	% Total	Index
			2017	Vessels	2016	Vessels	
VESSEL OF INDIVIDUAL OWNERS	Annual berth in the sea	Central aquatorium	295	41,43	312	43,70	95
		South aquatorium	50	7,02	60	8,40	83
		Western aquatorium	2	0,28	4	0,56	50
	Annual berth on the land	Hotel port	40	5,62	38	5,32	105
		Marina land	3	0,42	8	1,12	38
	Sesonal berth in the sea	Marina aquatorium	22	3,09	15	2,10	147
		Hotel port	11	1,54	11	1,54	100
Total individual vessels:			423	59,41	448	62,75	94
CHARTER VESSELS	Annual berth in the sea	Central aquatorium	79	11,10	62	8,68	127
		South aquatorium	0	0,00	0	0,00	#DIV/0!
		Western aquatorium	196	27,53	192	26,89	102
		Hotel port	14	1,97	12	1,68	117
	Total charter vessels:			289	40,59	266	37,25
Total vessels 2017			712	100	714	100	100

Vessel on berth contact 01/01-31/12/2017



Transit berth-inbound vessels in the period from 01/01/2017-31/12/2017 and comparison with the year 2016

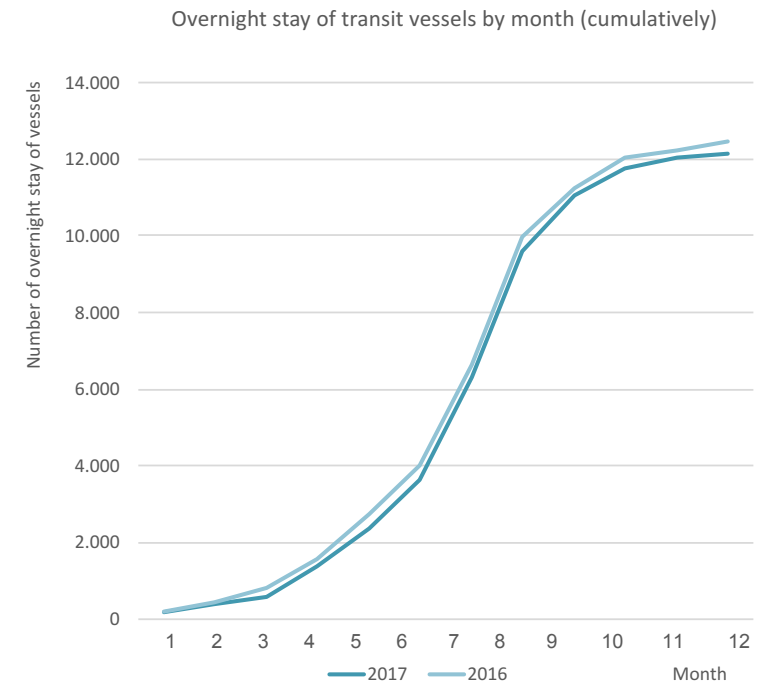
2017	Individually monthly			Cumulatively monthly		
	2017	2016	INDEX	2017	2016	INDEX
Month	2017/2016			2017/2016		
1	1	5	20	1	5	20
2	5	8	63	6	13	46
3	22	29	76	28	42	67
4	148	129	115	176	171	103
5	345	407	85	521	578	90
6	478	510	94	999	1.088	92
7	834	759	110	1.833	1.847	99
8	997	964	103	2.830	2.811	101
9	518	497	104	3.348	3.308	101
10	170	218	78	3.518	3.526	100
11	8	11	73	3.526	3.537	100
12	1	7	14	3.527	3.544	100
<b>Total 2017</b>	<b>3.527</b>					
<b>Total 2016</b>	<b>3.544</b>					
<b>Index 2017/2016</b>	<b>100</b>					





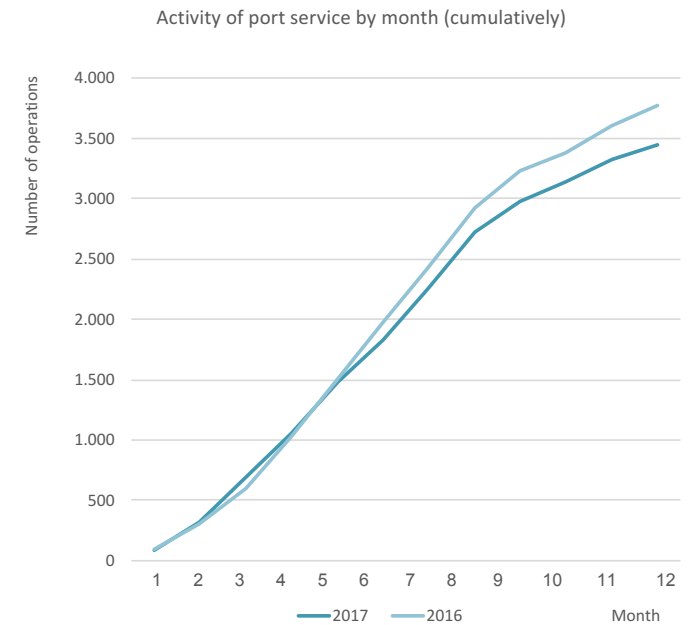
Transit berth- overnight stay of vessel in the period from 01/01/2017-31/12/2017 and comparison with the year 2016

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	761	755	101	1.365	1.560	88
5	1.001	1.162	86	2.366	2.722	87
6	1.267	1.292	98	3.633	4.014	91
7	2.700	2.624	103	6.333	6.638	95
8	3.271	3.339	98	9.604	9.977	96
9	1.463	1.287	114	11.067	11.264	98
10	690	756	91	11.757	12.020	98
11	267	223	120	12.024	12.243	98
12	120	220	55	12.144	12.463	97
<b>Total 2017</b>	<b>12.144</b>					
<b>Total 2016</b>		<b>12.463</b>				
<b>Index 2017/2016</b>			<b>97</b>			



Activities of port repair services in the period from 01/01/2017-31/12/2017 and comparison with the year 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	369	428	86	1.055	1.033	102
5	432	470	92	1.487	1.503	99
6	343	478	72	1.830	1.981	92
7	425	455	93	2.255	2.436	93
8	468	490	96	2.723	2.926	93
9	255	300	85	2.978	3.226	92
10	165	149	111	3.143	3.375	93
11	177	230	77	3.320	3.605	92
12	126	167	75	3.446	3.772	91
<b>Total 2017</b>	<b>3.446</b>					
<b>Total 2016</b>	<b>3.772</b>					
<b>Index 2017/2016</b>	<b>91</b>					



## Revenues generated by Marina Kornati in the period from 01/01/2017-31/12/2017 individually by months and comparison with the year 2016

REVENUES OF MARINA KORNATI 2017 SEPARATE BY MONTHS																
Revenue positions		Months 2017												2017 CUMULAT.	2016 TOTAL	Index 2017/2016
		1	2	3	4	5	6	7	8	9	10	11	12			
I	Daily berths	23.610,83	12.299,16	41.735,58	232.742,19	312.982,77	360.688,97	619.829,47	672.106,94	399.222,56	175.104,76	36.861,46	2.150,13	2.889.334,82	2.803.554,77	103,06
II	Contracted berth with accessories	3.342.389,48	6.205.212,33	2.847.500,90	6.099.342,08	1.583.516,10	739.388,11	6.135.276,15	117.986,86	104.090,87	109.334,42	128.294,78	78.839,88	27.491.171,96	26.287.342,25	104,58
III	Port service	80.388,17	240.034,82	380.894,90	363.057,82	420.735,08	236.988,10	233.754,34	189.734,69	123.537,60	106.197,02	149.324,89	167.434,98	2.692.082,41	3.022.024,15	89,08
IV	Vehicle parking	2.104,00	8.268,00	8.616,00	123.316,00	215.027,24	278.789,38	397.409,86	385.389,71	406.691,14	118.700,18	24.714,32	2.192,00	1.971.217,83	1.921.380,29	102,59
V	Other services	3.206,75	27.151,95	60.745,47	80.819,81	56.063,78	67.161,09	(4.362,27)	149.151,88	67.717,89	51.217,57	82.682,72	27.817,13	669.373,77	620.873,84	107,81
VI	Business cooperation			1.102.318,61		3.698,85	1.077.861,91							2.183.879,37	2.149.259,78	101,61
VII	Boat fair and events			7.006,00	22.860,34	10.500,00	13.250,00	8.653,00	257.883,68	1.177.981,22	1.122.721,27	26.500,08	60.000,00	2.707.355,59	2.291.727,19	118,14
	<b>TOTAL:</b>	<b>3.451.699,23</b>	<b>6.492.966,26</b>	<b>3.346.498,85</b>	<b>8.024.456,85</b>	<b>2.598.824,97</b>	<b>1.699.964,50</b>	<b>8.468.422,46</b>	<b>1.772.253,76</b>	<b>2.279.241,28</b>	<b>1.683.275,22</b>	<b>448.378,25</b>	<b>338.434,12</b>	<b>40.604.415,75</b>	<b>39.096.162,27</b>	<b>103,86</b>

REVENUES OF MARINA KORNATI 2016 SEPARATE BY MONTHS																
Revenue positions		Months 2016												2016 CUMULAT.	2015 TOTAL	Index 2016/2015
		1	2	3	4	5	6	7	8	9	10	11	12			
I	Daily berths	72.419,73	52.067,14	80.926,66	135.568,41	280.823,25	372.260,70	545.825,13	702.859,02	319.954,11	156.862,32	53.684,47	30.303,83	2.803.554,77	2.665.557,63	105,18
II	Contracted berth with accessories	4.388.718,59	5.622.732,98	2.455.402,03	4.067.008,43	2.811.078,55	785.893,22	5.532.138,58	200.350,08	168.655,03	100.962,80	58.146,34	96.255,62	26.287.342,25	26.533.780,29	99,07
III	Port service	117.792,79	231.835,20	311.397,46	454.034,96	411.645,43	421.480,36	233.743,46	232.857,49	140.108,48	80.724,42	182.820,04	203.584,06	3.022.024,15	2.996.756,51	100,84
IV	Vehicle parking	1.472,00	4.833,33	22.264,00	112.396,80	210.145,44	231.944,20	389.819,98	381.405,66	374.902,88	165.724,00	22.984,00	3.488,00	1.921.380,29	1.908.115,99	100,70
V	Other services	4.351,98	58.839,32	23.154,92	71.150,66	64.592,60	50.823,02	119.985,23	115.657,76	68.930,24	8.768,46	15.484,99	19.134,66	620.873,84	720.510,44	86,17
VI	Business cooperation			1.082.858,93	4.500,00	1.313,32	1.050.943,91		(5.777,78)			15.421,40		2.149.259,78	2.129.243,00	100,94
VII	Boat fair and events						34.119,02	173.458,19	933.639,28	1.143.223,10	7.287,60			2.291.727,19	3.560.645,54	64,36
	<b>TOTAL:</b>	<b>4.584.755,09</b>	<b>5.970.307,97</b>	<b>2.893.145,07</b>	<b>5.923.018,19</b>	<b>3.782.785,27</b>	<b>1.863.714,82</b>	<b>7.906.575,31</b>	<b>1.806.588,20</b>	<b>2.000.412,24</b>	<b>1.656.265,10</b>	<b>355.828,84</b>	<b>352.766,17</b>	<b>39.096.162,27</b>	<b>40.514.609,39</b>	<b>96,50</b>

## Revenues generated by Marina Kornati in the period from 01/01/2017-31/12/2017 cumulatively by months and comparison with the year 2016

REVENUES OF MARINA KORNATI 2017 CUMULATIVE BY MONTHS													
Revenue positions	Months 2017												% of total revenues
	1	2	3	4	5	6	7	8	9	10	11	12	
I Daily berths	23.610,83	35.909,99	77.645,57	310.387,76	623.370,53	984.059,50	1.603.888,97	2.275.995,91	2.675.218,47	2.850.323,23	2.887.184,69	2.889.334,82	7,12
II Contracted berth with accessories	3.342.389,48	9.547.601,81	12.395.102,71	18.494.444,79	20.077.960,89	20.817.349,00	26.952.625,15	27.070.612,01	27.174.702,88	27.284.037,30	27.412.332,08	27.491.171,96	67,70
III Port service	80.388,17	320.422,99	701.317,89	1.064.375,71	1.485.110,79	1.722.098,89	1.955.853,23	2.145.587,92	2.269.125,52	2.375.322,54	2.524.647,43	2.692.082,41	6,63
IV Vehicle parking	2.104,00	10.372,00	18.988,00	142.304,00	357.331,24	636.120,62	1.033.530,48	1.418.920,19	1.825.611,33	1.944.311,51	1.969.025,83	1.971.217,83	4,85
V Other services	3.206,75	30.358,70	91.104,17	171.923,98	227.987,76	295.148,85	290.786,58	439.938,46	507.656,35	558.873,92	641.556,64	669.373,77	1,65
VI Business cooperation		-	-	1.102.318,61	1.102.318,61	1.106.017,46	2.183.879,37	2.183.879,37	2.183.879,37	2.183.879,37	2.183.879,37	2.183.879,37	5,38
VII Boat fair and events		-	7.006,00	29.866,34	40.366,34	53.616,34	62.269,34	320.153,02	1.498.134,24	2.620.855,51	2.647.355,59	2.707.355,59	6,67
<b>TOTAL:</b>	<b>3.451.699,23</b>	<b>9.944.665,49</b>	<b>13.291.164,34</b>	<b>21.315.621,19</b>	<b>23.914.446,16</b>	<b>25.614.410,66</b>	<b>34.082.833,12</b>	<b>35.855.086,88</b>	<b>38.134.328,16</b>	<b>39.817.603,38</b>	<b>40.265.981,63</b>	<b>40.604.415,75</b>	<b>100,00</b>

REVENUES OF MARINA KORNATI 2016 CUMULATIVE BY MONTHS														
Revenue positions	Months 2016												% of total revenues	
	1	2	3	4	5	6	7	8	9	10	11	12		
I Daily berths	72.419,73	124.486,87	205.413,53	340.981,94	621.805,19	994.065,89	1.539.891,02	2.242.750,04	2.562.704,15	2.719.566,47	2.773.250,94	2.803.554,77	7,17	
II Contracted berth with accessories	4.388.718,59	10.011.451,57	12.466.853,60	16.533.862,03	19.344.940,58	20.130.833,80	25.662.972,38	25.863.322,46	26.031.977,49	26.132.940,29	26.191.086,63	26.287.342,25	67,24	
III Port service	117.792,79	349.627,99	661.025,45	1.115.060,41	1.526.705,84	1.948.186,20	2.181.929,66	2.414.787,15	2.554.895,63	2.635.620,05	2.818.440,09	3.022.024,15	7,73	
IV Vehicle parking	1.472,00	6.305,33	28.569,33	140.966,13	351.111,57	583.055,77	972.875,75	1.354.281,41	1.729.184,29	1.894.908,29	1.917.892,29	1.921.380,29	4,91	
V Other services	4.351,98	63.191,30	86.346,22	157.496,88	222.089,48	272.912,50	392.897,73	508.555,49	577.485,73	586.254,19	601.739,18	620.873,84	1,59	
VI Business cooperation				1.082.858,93	1.087.358,93	1.088.672,25	2.139.616,16	2.139.616,16	2.133.838,38	2.133.838,38	2.149.259,78	2.149.259,78	5,50	
VII Boat fair and events							-	34.119,02	207.577,21	1.141.216,49	2.284.439,59	2.291.727,19	2.291.727,19	5,86
<b>TOTAL:</b>	<b>4.584.755,09</b>	<b>10.555.063,06</b>	<b>13.448.208,13</b>	<b>19.371.226,32</b>	<b>23.154.011,59</b>	<b>25.017.726,41</b>	<b>32.924.301,72</b>	<b>34.730.889,92</b>	<b>36.731.302,16</b>	<b>38.387.567,26</b>	<b>38.743.396,10</b>	<b>39.096.162,27</b>	<b>100,00</b>	



## OPERATING RESULTS OF THE NAUTICS OF THE COMPANY

### Summary of the operating results of nautics

The business segment of the Nautics of the company Ilirija d.d. in 2017 compared to the previous year records an increase in the operating revenue by total 2.18 percent which is conditioned by the growth of average revenue from the contract-based berth per vessel (growth rate of 4.87 percent) and by the growth of average revenue from transit per overnight stay (growth rate of 5.77%), while retaining the capacities and price level of the Marina Kornati at the level of the previous year. These operating results of the Nautics are the result of continuous investments made in the quality of products and services and keeping up with trends in the nautical market.

The operating results of the Nautics of the company Ilirija d.d. consist of three segments: Marina Kornati, boat show and Restaurant of Marina Kornati. The revenue from Marina Kornati is the most

important part of the Nautical Sector and in 2017 it generated a rate of growth in revenues by 2 percent compared to that in the previous year. The most significant impact on the growth in revenue from Marina Kornati was exerted by the growth in revenue from the contract-based berth with accessories (growth rate of 4.58%), which is the result of an increased number of charter vessels for which the price for using the contract-based berth increased by 10% as well as the higher average length of vessels compared to the individual contract-based vessels.

The revenue from the boat show in 2017 compared to that in the previous year recorded a high growth rate of 8.35 percent, while the Restaurant of Marina Kornati records a slight growth in revenues by 0.21 percent.

The operating costs of Nautics of Ilirija d.d. rose by 11.36% in 2017 compared to those in the previous year. The growth in operating costs is the result of the growth in labor costs and growth in costs related to the improvement of the quality of service and competitiveness in the nautical market. The highest growth in costs was realized in the boat show by 25.71 percent as a result of growth in costs incurred by the improvement of the service and creating a new business networking product. The operating costs of the Marina Restaurant rose by 9.32 percent and these are mainly the costs of services, expendable materials and labor costs and are aimed at increasing the competitiveness of the gastronomy products of the restaurants.

The amount of HRK 6,372,231.58 was invested in the improvement of the competitiveness of the products of Nautics of Ilirija d.d. in the year 2017.

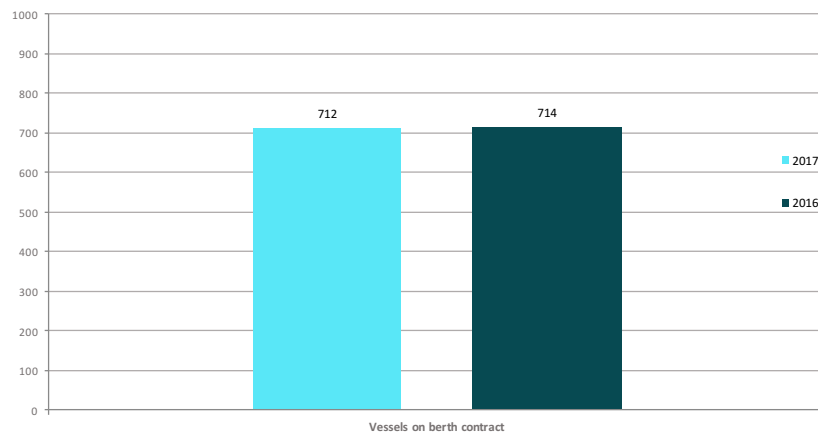
## Key market indicators of Marina Kornati – Ilirija d.d.

	2017	2016	2017/2016
<b>Capacity (number of berths): *</b>			
Central marina	435	435	0,00%
Western marina	190	190	0,00%
Southern marina	80	80	0,00%
Hotel marina	100	100	0,00%
Total number of berths	805	805	0,00%
<b>Physical turnover:</b>			
Vessels on berth contract	712	714	-0,28%
Number of overnight stays (vessels having transit berth)	12.144	12.463	-2,56%
Number of service operations executed	3.446	3.772	-8,64%
Number of parking places	500	500	0,00%
Number of business cooperation agreements	51	48	6,25%
<b>Financial results:</b>			
<b>Total operating revenue of the marina</b>	<b>37.887.938,99 kn</b>	<b>37.146.389,54 kn</b>	<b>2,00%</b>
<b>Berth contract:</b>			
Revenue from berth contracts	27.491.171,96 kn	26.287.342,25 kn	4,58%
Aver. revenue per berth contract	38.611,20 kn	36.817,01 kn	4,87%
Share in the total operating revenue of the marina	72,6%	70,8%	2,53%
<b>Transit berth:</b>			
Revenue from the transit berth	2.889.334,82 kn	2.803.554,77 kn	3,06%
Aver. revenue per overnight stay (transit berth)	237,92 kn	224,95 kn	5,77%
Share in the total operating revenue of the marina	7,6%	7,5%	1,04%
<b>Servicing:</b>			
Revenue from servicing	2.692.082,41 kn	3.022.024,15 kn	-10,92%
Aver. revenue per serv. operation	781,22 kn	801,17 kn	-2,49%
Share in the total operating revenue of the marina	7,1%	8,1%	-12,66%
<b>Parking:</b>			
Revenue from parking	1.971.217,83 kn	1.921.380,29 kn	2,59%
Aver. revenue per parking space	3.942,44 kn	3.842,76 kn	2,59%
Share in the total operating revenue of the marina	5,2%	5,2%	0,59%
<b>Business cooperation:</b>			
Revenue from business cooperation	2.183.879,37 kn	2.149.259,78 kn	1,61%
Aver. revenue from business cooperation	42.821,16 kn	44.776,25 kn	-4,37%
Share in the total operating revenue of the marina	5,8%	5,8%	-0,38%

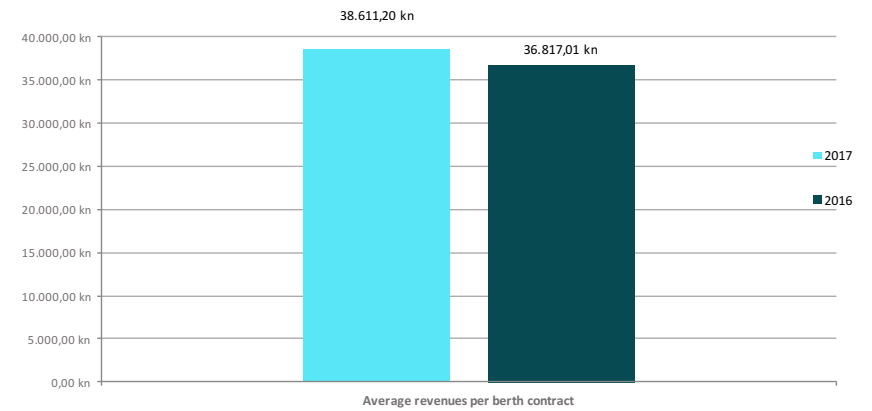
Notes:

\* Number of berths refers to physically available number of berths in the marina.

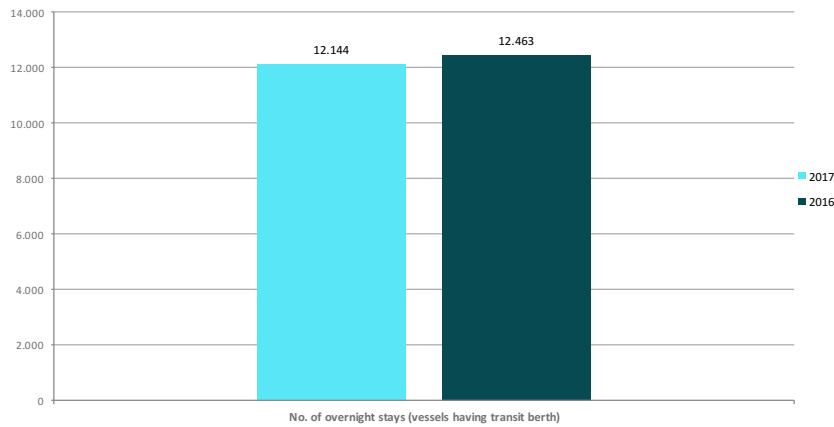
No. of vessels per berth contract in the Marina Kornati in 2016 and 2017



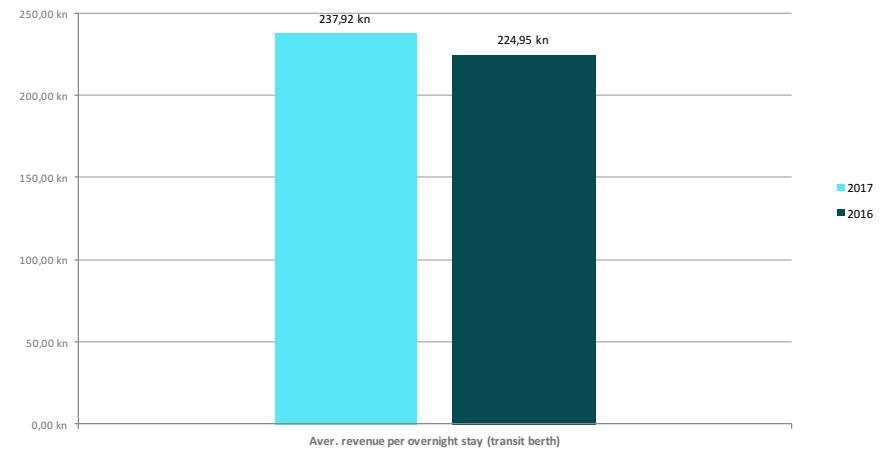
Average revenues earned per berth contract in Marina Kornati in 2016 and 2017



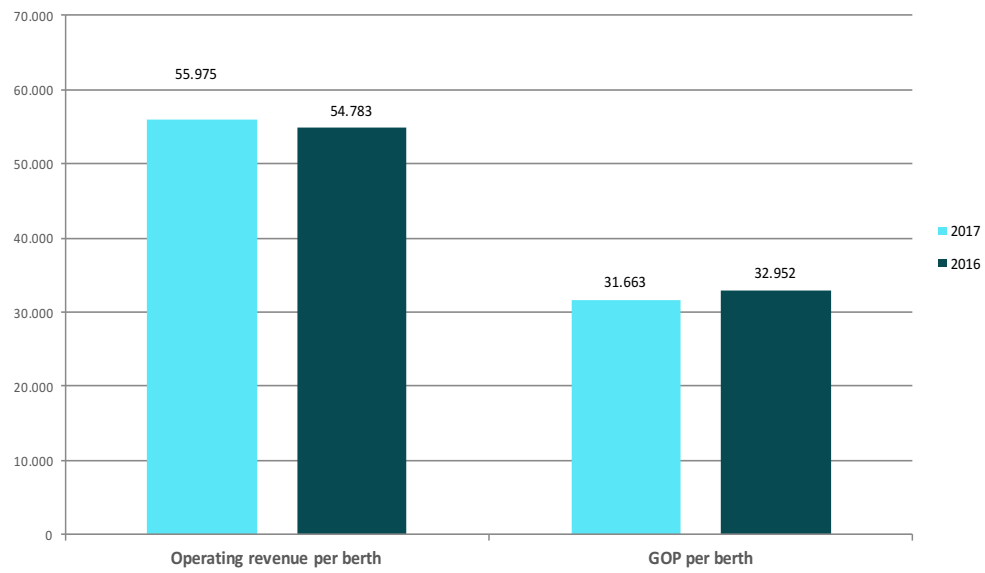
No. of overnight stay of transit vessels in Marina Kornati in 2016 and 2017



Average revenue earned per overnight stay of transit vessel in Marina Kornati in 2016 and 2017



Total operating revenue and GOP per berth of Nautics of Ilirija d.d. in 2017 and 2016 (in HRK)





## Key financial indicators of Nautics – Ilirija d.d.

	2017	2016	2017/ 2016
<b>NAUTICS TOTAL</b>			
Operating revenues	45.059.600,02 kn	44.100.036,40 kn	2,18%
Operating revenue per berth	55.974,66 kn	54.782,65 kn	2,18%
Operating costs *	19.570.652,05 kn	17.573.980,03 kn	11,36%
GOP **	25.488.947,97 kn	26.526.056,37 kn	-3,91%
GOP per berth	31.663,29 kn	32.951,62 kn	-3,91%
GOP margin ***	56,6%	60,1%	-5,96%
Capital investments	6.372.231,58 kn	11.890.023,19 kn	-46,41%
<b>MARINA KORNATI</b>			
Operating revenues	37.887.938,99 kn	37.146.389,54 kn	2,00%
Operating revenue per berth	47.065,76 kn	46.144,58 kn	2,00%
Operating costs *	12.787.750,63 kn	11.653.815,73 kn	9,73%
GOP **	25.100.188,36 kn	25.492.573,81 kn	-1,54%
GOP per berth	31.180,36 kn	31.667,79 kn	-1,54%
GOP margin ***	66,2%	68,6%	-3,47%
<b>RESTAURANT OF MARINA KORNATI</b>			
Operating revenues	4.464.305,44 kn	4.454.893,27 kn	0,21%
Operating costs *	4.398.719,74 kn	4.023.583,06 kn	9,32%
GOP **	65.585,70 kn	431.310,21 kn	-84,79%
GOP margin ***	1,5%	9,7%	-84,83%
<b>BOAT SHOW</b>			
Operating revenues	2.707.355,59 kn	2.498.753,59 kn	8,35%
Operating costs *	2.384.181,68 kn	1.896.581,24 kn	25,71%
GOP **	323.173,91 kn	602.172,35 kn	-46,33%
GOP margin ***	11,9%	24,1%	-50,47%

## Notes:

The Nautics of Ilirija d.d. consists of three business units Marina Kornati, Boat Show and restaurant of Marina Kornati.

\* Operating costs include the costs of raw material and material, costs of services, gross pays and other operating costs, not including the depreciation, financial expenses and extraordinary expenses.

\*\* GOP (Gross Operating Profit) denotes a gross operating profit of the nautics before the allocation of costs of common services, and is calculated in the following way: operating revenues – operating expenses (before the allocation, without depreciation and fixed costs).

\*\*\* GOP margin is calculated by correlating the amount of GOP before the allocation of costs of common services and operating revenues.

## CAMPING – CAMP “PARK SOLINE”

In 2017, some 37,394 arrivals were realized in the camping sector, which is a rise by 12.91% compared to the same period last fiscal year. Accordingly, the increased number of arrivals resulted in an increase in the number of overnight stays by 9.67% compared to that in 2016 and the number of realized overnight stays in the reporting period was 283,069. This increase can partly be attributed to carefully planned investment and marketing activities, while partly to a more favorable schedule of holidays in the pre-season compared to that in the previous year. Among other things, the most significant holiday to be mentioned in this section is the Pentecost, which was in early June this year, prompting massive tourist movements from Germany, and later was linked to the holidays in Slovenia and Croatia.

All four segments of the campsite business (allotment, lump sum guests, individuals and mobile homes) are experiencing growth in arrivals. The market segment allotment records a growth in overnight stays by 15.03% and in arrivals by 17.00%. The market segment lump-sum achieved a growth 21.65% in arrivals and 19.90% in overnight stays compared to the

compared period in 2016. This increase was largely due to the increase in leased flat rentals and a good schedule of holidays in June (the markets of Slovenia and Croatia make for the largest share of lump-sum guests). The market segment of individuals rose by 1.46% in arrivals and a decline by 2.95% in overnight stays. The mobile homes as a segment saw a rise by 20.23% in arrivals and 12.95% in overnight stays in 2017 compared to the observed period in 2016. The largest increase in overnight stays was realized by the guests from the Croatian, Slovenian, Czech and Hungarian market.

The camping sector has seen the rise in physical turnover and revenue item, where the contracted and realized revenues amount to HRK 27,163,100.24 which is an increase by 9% compared to that in 2016, with the rise in revenues from the agencies by 10% as a result of an increase in the number of leased camping pitches and guests with lump sum tax paying landlords with a rise in contracted revenues by 12%, which is a result of a higher number of leased lump sum pitches compared to that in the last year, of which the major portion of the lump sum-based rent relates to

the mobile homes that bring higher revenues. Revenues from mobile homes record a rise by 21% and revenues from individuals have remained at the same level as in the observed period in the year 2016. This is the result of the carefully planned investment and marketing activities and more favorable schedule of holidays in the pre-season in the year 2017.

Also, at the Croatian level, the camping sector records a rise by 8% in 2017 in the number of overnight stays, so that owing to the rise by 9.67% in overnight stays, the campsite Park Soline exceeds the level of the entire sector.

As the increase in the number of arrivals is somewhat higher than the increase in the number of overnight stays, the total number of days of stay has minimally changed from 7.79 to 7.57 days in 2017.

In the structure of realized overnight stays, the top five source markets are (1) the Slovenian market with a share of 23% overnight stays, (2) the Czech market with a share of 20% overnight stays, (3) the German market with a share of 14% overnight stays, (4) the

Dutch market with a share of 8% overnight stays and (5) the Croatian market with a share of 7% overnight stays. In the business segment of mobile homes, the largest increase was recorded by the guests from the Croatian market (92.50%), the Italian market (87.31%), the Danish market (64.90%) and the Polish market (26.05%) compared to the data in the year 2016. In the business segments of camping units, the highest increase is recorded by the guests from the Polish market (17.22%), Danish market (7.52%), Austrian market (5.19%) and German market (2.31%). At the same time, in the structure of overnight stays by market segments, the agencies prevail with the share of 33% and individuals with 28% of overnight stays. The share of overnight stays of guests with lump sum tax paying landlords, agencies and mobile homes increased as a result of the increased number of occupied pitches, while the share of overnight stays of individual guests decreased by 3% due to the decrease in the number of individual pitches.

The increase in overnight stays, arrivals and revenues in the year 2017 compared to the one in 2016 is the result of investments made in new mobile homes, enhancing the quality of camping facilities and services, price optimization, marketing activities and strategically planned investments in key sales channels, and intensive early booking from the end 2016.



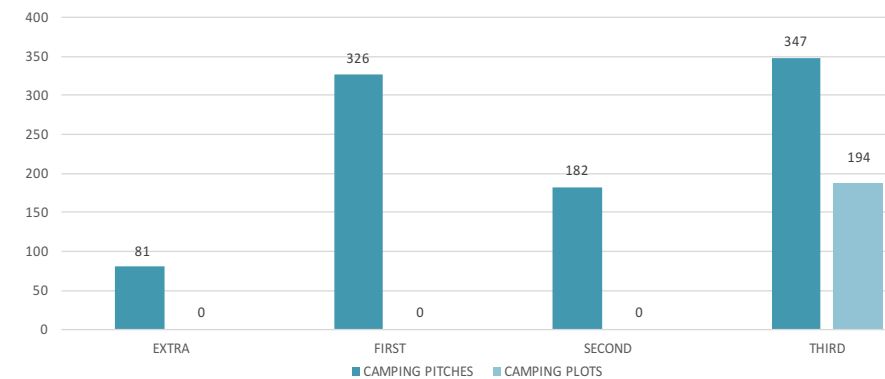






## Capacities of the camp "Park Soline"

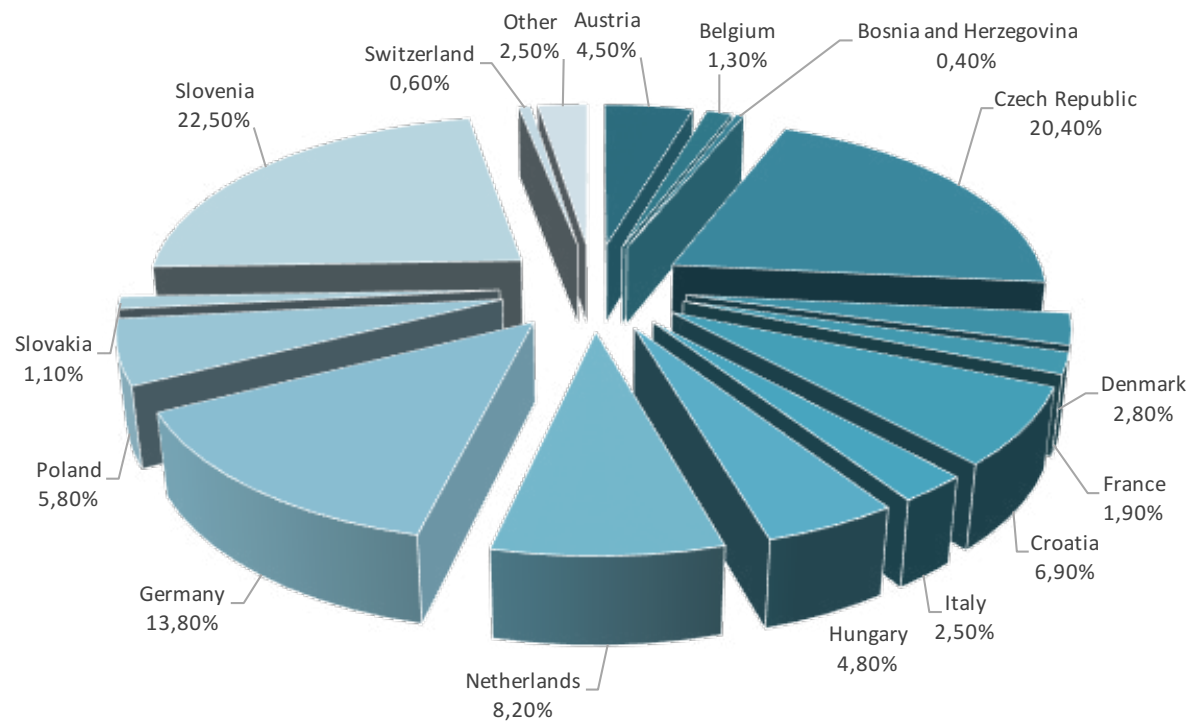
		2013	2014	2015	2016	2017
I	EXTRA ZONE					
	CAMPING PITCHES	80	80	81	81	81
	CAMPING PLOTS	0	0	0	0	0
	TOTAL	80	80	81	81	81
II	FIRST ZONE					
	CAMPING PITCHES	336	345	326	326	326
	CAMPING PLOTS	0	0	0	0	0
	TOTAL	336	345	326	326	326
III	SECOND ZONE					
	CAMPING PITCHES	168	168	182	182	182
	CAMPING PLOTS	0	0	0	0	0
	TOTAL	168	168	182	182	182
IV	THIRD ZONE					
	CAMPING PITCHES	342	342	347	347	347
	CAMPING PLOTS	130	188	187	194	194
	TOTAL	472	530	534	541	541
Σ	GRANDTOTAL					
	CAMPING PITCHES	926	935	936	936	936
	CAMPING PLOTS	130	188	187	194	194
	GRANDTOTAL	1056	1123	1123	1130	1130



## Arrivals and overnight stays by source markets and average days of stays in 2017 and comparison with those in the year 2016

Country	2017		2016		INDEX 2017/2016		AVERAGE DAYS OF STAY	
	Arrivals	Overnight stays	Arrivals	Overnight stays	Arrivals	Overnight stays	2017	2016
Austria	1.802	12.802	1.677	11.964	107,45	107,00	7,10	7,13
Belgium	540	3.782	464	3.626	116,38	104,30	7,00	7,81
Bosnia and Herzegovina	303	1.224	274	1.248	110,58	98,08	4,04	4,55
Czech Republic	7.506	57.502	6.394	50.013	117,39	114,97	7,66	7,82
Denmark	893	7.978	730	6.687	122,33	119,31	8,93	9,16
France	727	5.460	609	4.263	119,38	128,08	7,51	7,00
Croatia	2.554	19.419	1.618	14.668	157,85	132,39	7,60	9,07
Italy	1.120	7.057	1.129	6.494	99,20	108,67	6,30	5,75
Hungary	1.951	13.446	1.351	8.436	144,41	159,39	6,89	6,24
Netherlands	2.492	23.135	2.557	24.956	97,46	92,70	9,28	9,76
Germany	4.893	39.172	4.798	40.367	101,98	97,04	8,01	8,41
Poland	2.075	16.502	1.785	14.443	116,25	114,26	7,95	8,09
Slovakia	497	3.043	474	3.059	104,85	99,48	6,12	6,45
Slovenia	8.416	63.714	7.973	59.608	105,56	106,89	7,57	7,48
Switzerland	344	1.700	331	2.190	103,93	77,63	4,94	6,62
Other	1.281	7.133	955	6.088	134,14	117,16	5,57	6,37
<b>TOTAL</b>	<b>37.394</b>	<b>283.069</b>	<b>33.119</b>	<b>258.110</b>	<b>112,91</b>	<b>109,67</b>	<b>7,57</b>	<b>7,79</b>

## Overnight stays per source market in 2017



Arrivals, overnight stays, number of pitches and average days of stay by source markets in 2017 and comparison with those in 2016

MARKET SEGMENT	2017			2016			INDEX 2017/2016			AVERAGE DAYS OF STAY	
	Arrivals	Overnight stays	Pitch	Arrivals	Overnight stays	Pitch	Arrivals	Overnight stays	Pitch	2017	2016
Allotment	11.426	93.709	246	9.766	81.467	213	117,00	115,03	115,49	8,20	8,34
Lump sum	5.901	48.442	182	4.851	40.402	172	121,65	119,90	105,81	8,21	8,33
Individuals	11.771	79.121	552	11.602	81.529	610	101,46	97,05	90,49	6,72	7,03
Mobile homes	8.296	61.797	150	6.900	54.712	135	120,23	112,95	111,11	7,45	7,93
<b>TOTAL</b>	<b>37.394</b>	<b>283.069</b>	<b>1.130</b>	<b>33.119</b>	<b>258.110</b>	<b>1.130</b>	<b>112,91</b>	<b>109,67</b>	<b>100,00</b>	<b>7,57</b>	<b>7,79</b>



## Overview of overnight stays by source markets and market segments in 2017 and the comparison with those in 2016

Source Market	MOBILE HOMES			AGENCIES			LUMP SUM			INDIVIDUALS			TOTAL		
	2016	2017	Index	2016	2017	Index	2016	2017	Index	2016	2017	Index	2016	2017	Index
Austria	2.940	3.078	104,69	2.639	2.638	99,96	1.065	1.490	139,91	5.320	5.596	105,19	11.964	12.802	107,00
Belgium	775	1.037	133,81	544	877	161,21	164	199	121,34	2.143	1.669	77,88	3.626	3.782	104,30
B&H	446	457	102,47	72	75	104,17	317	510	160,88	413	182	44,07	1.248	1.224	98,08
The Czech Republic	2.494	3.025	121,29	43.012	49.361	114,76	1.239	1.979	159,73	3.268	3.137	95,99	50.013	57.502	114,97
Denmark	983	1.621	164,90	2.355	2.867	121,74	238	145	60,92	3.111	3.345	107,52	6.687	7.978	119,31
France	790	717	90,76	2.191	3.600	164,31	190	84	44,21	1.092	1.059	96,98	4.263	5.460	128,08
Croatia	2.386	4.593	192,50	470	309	65,74	7.843	10.295	131,26	3.969	4.222	106,37	14.668	19.419	132,39
Italy	930	1.742	187,31	747	968	129,59	166	130	78,31	4.651	4.217	90,67	6.494	7.057	108,67
Hungary	2.455	2.884	117,47	3.139	7.668	244,28	872	1.197	137,27	1.970	1.697	86,14	8.436	13.446	159,39
Netherlands	6.858	6.548	95,48	5.397	4.596	85,16	436	410	94,04	12.265	11.581	94,42	24.956	23.135	92,70
Germany	13.189	12.639	95,83	7.012	5.605	79,93	2.915	3.278	112,45	17.251	17.650	102,31	40.367	39.172	97,04
Poland	3.958	4.989	126,05	5.862	5.513	94,05	622	1.310	210,61	4.001	4.690	117,22	14.443	16.502	114,26
Slovakia	955	970	101,57	513	428	83,43	366	780	213,11	1.225	865	70,61	3.059	3.043	99,48
Slovenia	13.273	15.130	113,99	6.896	8.477	122,93	23.169	25.359	109,45	16.270	14.748	90,65	59.608	63.714	106,89
Switzerland	632	579	91,61	64	62	96,88	170	109	64,12	947	950	100,32	1.813	1.700	93,77
Others	1.648	1.788	108,50	554	665	120,04	630	1.167	185,24	3.633	3.513	96,70	6.465	7.133	110,33
<b>TOTAL</b>	<b>54.712</b>	<b>61.797</b>	<b>112,95</b>	<b>81.467</b>	<b>93.709</b>	<b>115,03</b>	<b>40.402</b>	<b>48.442</b>	<b>119,90</b>	<b>81.529</b>	<b>79.121</b>	<b>97,05</b>	<b>258.110</b>	<b>283.069</b>	<b>109,67</b>

## Cumulative overview of daily and monthly occupancy of accommodation units of the camp "Park Soline" from 21/04/2017-31/10/2017

MONTH	APRIL				MAY				JUNE				JULY			
	SEGMENT	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %
MOBILE HOMES ILIRIJA	1.500	347	23,13%	2,31	4.650	918	19,74%	6,12	4.500	3.123	69,40%	20,82	4.650	4.454	95,78%	29,69
AGENCIES	2.460	2.460	100,00%	10,00	7.626	7.626	100,00%	31,00	7.380	7.380	100,00%	30,00	7.626	7.626	100,00%	31,00
LUMP SUM	1.820	1.820	100,00%	10,00	5.642	5.642	100,00%	31,00	5.460	5.460	100,00%	30,00	5.642	5.642	100,00%	31,00
INDIVIDUALS, PITCHES STANDARD MARE - CAMPING PLACE STANDARD III ZONE	3.960	185	4,67%	0,47	12.276	848	6,91%	2,14	11.880	3.775	31,78%	9,53	12.276	8.242	67,14%	20,81
INDIVIDUALS, CAMPING PLACE STANDARD IV ZONE	1.560	0	0,00%	0,00	4.836	0	0,00%	0,00	4.680	76	1,62%	0,49	4.836	1.219	25,21%	7,81
INDIVIDUALS TOTAL	5.520	186	3,37%	0,34	17.112	848	4,96%	1,54	16.560	3.851	23,25%	6,98	17.112	9.461	55,29%	17,14
<b>TOTAL</b>	<b>11.300</b>	<b>4.812</b>	<b>42,58%</b>	<b>4,26</b>	<b>35.030</b>	<b>15.034</b>	<b>42,92%</b>	<b>13,30</b>	<b>33.900</b>	<b>19.814</b>	<b>58,45%</b>	<b>17,53</b>	<b>35.030</b>	<b>27.183</b>	<b>77,60%</b>	<b>24,06</b>

MONTH	AUGUST				SEPTEMBER				OCTOBER				TOTAL				
	SEGMENT	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY	NUMBER OF ACCOMODATING UNITS	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %
MOBILE HOMES ILIRIJA	4.650	4.442	95,53%	29,61	4.500	2.852	63,38%	19,01	4.650	31	0,67%	0,21	150	29.100	16.167	55,56%	107,78
AGENCIES	7.626	7.626	100,00%	31,00	7.380	7.380	100,00%	30,00	7.626	7.626	100,00%	31,00	246	47.724	47.724	100,00%	194,00
LUMP SUM	5.642	5.642	100,00%	31,00	5.460	5.460	100,00%	30,00	5.642	5.642	100,00%	31,00	182	35.308	35.308	100,00%	194,00
INDIVIDUALS, PITCHES STANDARD MARE - CAMPING PLACE STANDARD III ZONE	12.276	7.399	60,27%	18,68	11.880	3.500	29,46%	8,84	12.276	97	0,79%	0,24	396	76.824	24.046	31,30%	60,72
INDIVIDUALS, CAMPING PLACE STANDARD IV ZONE	4.836	1.373	28,39%	8,80	4.680	31	0,66%	0,20	4.836	13	0,27%	0,08	156	30.264	2.712	8,96%	17,38
INDIVIDUALS TOTAL	17.112	8.772	51,26%	15,89	16.560	3.531	21,32%	6,40	17.112	110	0,64%	0,20	552	107.088	26.759	24,99%	48,48
<b>TOTAL</b>	<b>35.030</b>	<b>26.482</b>	<b>75,60%</b>	<b>23,44</b>	<b>33.900</b>	<b>19.223</b>	<b>56,71%</b>	<b>17,01</b>	<b>35.030</b>	<b>13.409</b>	<b>38,28%</b>	<b>11,87</b>	<b>1130</b>	<b>219.220</b>	<b>125.958</b>	<b>57,46%</b>	<b>111,47</b>

## Revenues of the camp for 2017 and comparison to those in the year 2016

SEGMENT		2016					2017			INDEX	
		REALIZED IN 2016			CONTRACTED TILL 31/12/2016		CONTRACTED TILL 31/12/2017			2017/2016	
		NUMBER OF PITCHES	OVERNIGHT STAYS	REVENUES	REALIZED OVERNIGHT STAYS	REVENUES	NUMBER OF PITCHES	REALIZED OVERNIGHT STAYS	CONTRACTED REVENUE	OVERNIGHT STAYS	REVENUES
1	MOBILE HOMES ILIRIJA	135	54.712	8.931.726,76 kn	54.712	8.931.726,76 kn	150	61.797	10.824.296,55 kn	113	121
2	AGENCIES	213	81.467	3.965.195,24 kn	81.467	3.965.195,24 kn	246	93.709	4.353.649,87 kn	115	110
3	INDIVIDUALS	610	81.529	7.211.770,32 kn	81.529	7.211.770,32 kn	552	79.121	7.139.293,13 kn	97	99
4	LUMP SUM	172	40.402	3.063.851,42 kn	40.402	3.063.851,42 kn	182	48.442	3.427.390,56 kn	120	112
5	OTHER SERVICES	-	-	1.719.963,83 kn	-	1.719.963,83 kn	0	0	1.418.470,13 kn	#DIV/0!	82
<b>TOTAL</b>		<b>1130</b>	<b>258.110</b>	<b>24.892.507,57 kn</b>	<b>258.110</b>	<b>24.892.507,57 kn</b>	<b>1130</b>	<b>283.069</b>	<b>27.163.100,24 kn</b>	<b>110</b>	<b>109</b>

## OPERATING RESULTS OF THE CAMPING OF THE COMPANY ILIRIJA D.D.

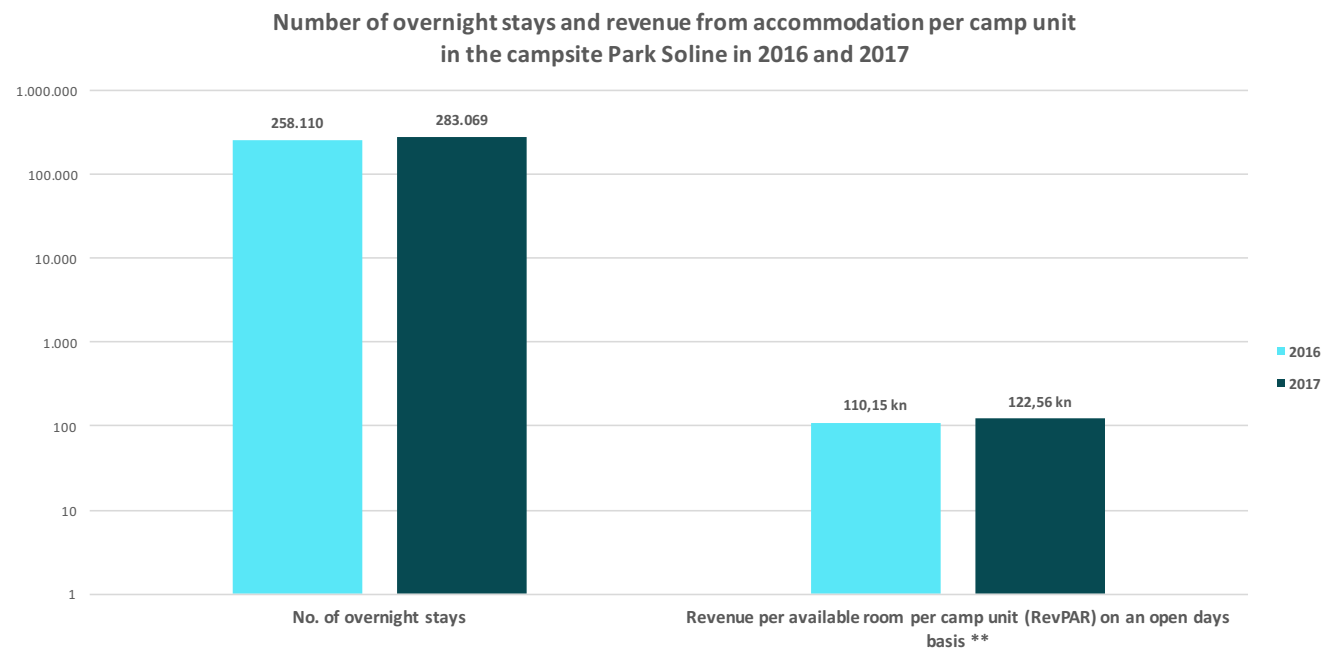
### Summary of the camping operating results

The camping of Ilirija d.d. recorded a significant growth in 2017 compared to that in the previous year both according to physical and financial indicators. In comparison with the previous year, a higher number of guest arrivals and overnight stays was recorded, which resulted in the rise of capacity occupancy rate by 9.31 percent, increase in average daily rate by 2.61 percent and increase in revenue from accommodation per camp unit by 12.15 percent on the basis of the annual camp unit occupancy rate.

Such improvement of the key market indicators is the result of carefully planned sales and marketing activities, price policy by market segments, a higher number of concluded lump sum and agency contracts and an increase in a number of own mobile homes.

Notes:

\*\* RevPAR – Revenue from accommodation per camp unit is the revenue from accommodation divided by a number of available camp units in the working period.





## Key market indicators of the campsite Park Soline

	2017	2016	2017/2016
<b>Accommodation capacities:</b>			
Number of camping units	1.130	1.130	0,00%
Number of guests	3.390	3.390	0,00%
<b>Physical turnover:</b>			
No. of overnight stays	283.069	258.110	9,67%
No. of sold camp units	125.958	115.551	9,01%
Annual occupancy rate of the camp units (%)	30,54%	27,94%	9,31%
Occupancy rate of the units on an open days basis (%)	57,46%	52,98%	8,44%
<b>Financial results:</b>			
Average daily rate of the camp unit (ADR)*	213,31 kn	207,89 kn	2,61%
Revenue per available room per camp unit (RevPAR) on a basis of 365 days **	65,14 kn	58,08 kn	12,15%
Revenue per available room per camp unit (RevPAR) on an open days basis **	122,56 kn	110,15 kn	11,27%

## Notes:

\* ADR – Average daily rate of a camp unit is calculated on the basis of the revenue from accommodation in the campsite and the number of camp units sold.

\*\* RevPAR – Revenue from accommodation per camp unit is the revenue from accommodation divided by a number of available camp units in a given period (365 days; number of open days).

In 2017, the camping of Ilirija d.d. generated HRK 29,822,950.45 in operating revenue which is an increase by 9.14 percent compared to that in the previous year. First of all, the largest increase in revenues was achieved from own mobile homes (growth rate of 21%) and lump sum guests (12%) and agency guests (10%), while the revenue from restaurant of the camp increased 9% at the same time.

The operating costs at the level of the whole campsite increased by 20.57 percent, partly as a consequence of the condition on the labor market and consequent increase in labor costs by 11 percent, but also as a result of an increase in costs of raw material and material by 26 percent and the costs of services by 13 percent, which increased as a result of improvement of the quality and competitiveness of the products.

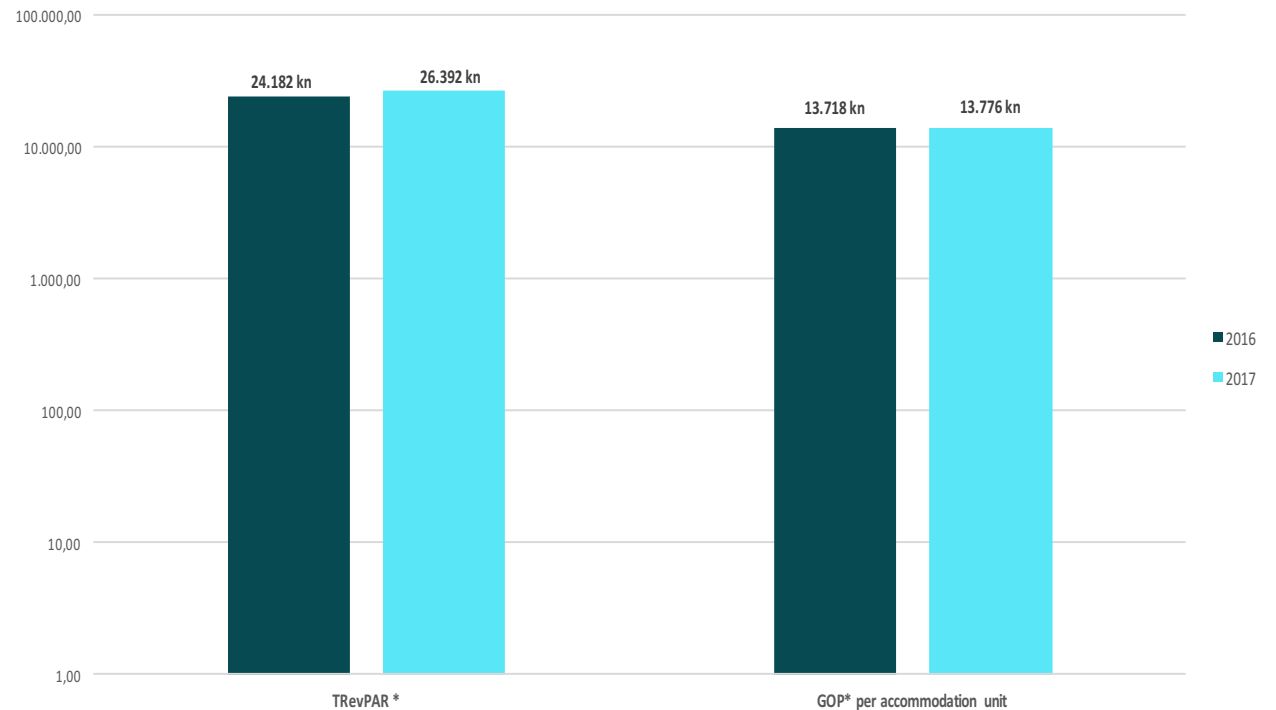
The amount of HRK 4,547,657.84 was invested in the improvement of the competitiveness and quality of the camping products of Ilirija d.d. in the year 2017.

Notes:

\* TRevPAR denotes the total operating income of the campsite divided by a number of physical camp units.

\*\*GOP denotes a gross operating profit of the campsite before the allocation of costs of common services, and is calculated in the following way: operating revenues – operating expenses (before the allocation, without depreciation and fixed costs).

TrevPAR and GOP of the camping per camp unit of the campsite Park Soline in 2016 and 2017



## Key financial indicators of the camping sector of Ilirija d.d.

	2017	2016	2017/2016
<b>CAMPING TOTAL</b>			
Operating revenue	29.822.950,45 kn	27.325.389,90 kn	9,14%
TRevPAR *	26.391,99 kn	24.181,76 kn	9,14%
Operating costs **	14.256.457,16 kn	11.824.069,60 kn	20,57%
GOP ***	15.566.493,29 kn	15.501.320,30 kn	0,42%
GOP per accommodation unit	13.775,66 kn	13.717,98 kn	0,42%
GOP margin ****	52,2%	56,7%	-7,99%
Capital investments	4.547.657,84 kn	8.709.571,97 kn	-47,79%
<b>CAMPSITE PARK SOLINE</b>			
Operating revenue	27.159.350,24 kn	24.892.507,57 kn	9,11%
TRevPAR *	24.034,82 kn	22.028,77 kn	9,11%
Operating costs **	11.487.039,66 kn	9.365.180,19 kn	22,66%
GOP ***	15.672.310,58 kn	15.527.327,38 kn	0,93%
GOP per accommodation unit	13.869,30 kn	13.741,00 kn	0,93%
GOP margin ****	57,7%	62,4%	-7,49%
<b>RESTAURANT OF THE PARK SOLINE CAMPSITE</b>			
Operating income	2.663.600,21 kn	2.432.882,33 kn	9,48%
Operating costs **	2.769.417,50 kn	2.458.889,41 kn	12,63%
GOP ***	-105.817,29 kn	-26.007,08 kn	306,88%
GOP margin ****	-4,0%	-1,1%	271,64%

## Notes:

The campsite includes the accommodation and restaurant in the Park Soline Campsite.

\* TRevPAR - Total revenue per camp unit denotes total operating revenue of the camping (or the campsite) divided by a number of physical camp units.

\*\* Operating costs include the costs of raw material and material, costs of services, gross pays and other operating costs, not including the depreciation, financial expenses and extraordinary expenses.

\*\*\* GOP (Gross Operating Profit) denotes a gross operating profit of the camping / campsite / restaurant before the allocation of costs of common services, and is calculated in the following way: operating revenues – operating expenses (before the allocation, without depreciation and fixed costs).

\*\*\*\* GOP margin is calculated by correlating the amount of GOP of camping / campsite / restaurant before the allocation of costs of common services and operating revenues.

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## COMMERCIAL-SHOPPING CENTER CITY GALLERIA - ZADAR

Commercial-shopping center City Galleria is located near the old town center of Zadar, one of the two largest shopping centers in the city and the wider Zadar region, completed and opened to the public in October 2008. The total gross surface area of the facility is over 28,500 m<sup>2</sup> spread over a total of 6 floors - 2 floors with underground garages and 4 floors with commercial premises and sales outlets. The gross surface area of the Center consists of a surface area of the underground garage of 10,863.50 m<sup>2</sup>, net rentable area with premises of 9,656.30 m<sup>2</sup> and communication, technical and common areas.

The center offers a wide variety of facilities including an open and closed market, specialized food and beverage store, supermarket, fashion clothing store, footwear and sports equipment store, service activities, sports facilities, numerous hospitality facilities, and the first and the only multiplex cinema in the city with 6 halls. On the levels -2 and -1 in the center there is an underground garage with more than 400 parking spaces, which is opened to visitors 24 hours a day. The offer is according to the design, divided in floors, where 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 acces-

sories stores and perfumery/drug store; the second floor is designed as a floor for fun and recreation with an offer of cafés, entertainment, cosmetic and sports services.

The City Galleria's operational results, the occupancy of business premises, and the interest of potential lessees for business cooperation is continuously seeing growth. Commercial occupancy of the center as at 31/12/2017 was 100% of all capacities with active 35 contracts on lease of premises whose floor area ranges from 9.8m<sup>2</sup> to 1.836m<sup>2</sup> concluded with local, national and international lessees. The lessees' business operations range from local lessees to international market leaders in their respective categories such as Müller, SPAR, CCC shoes&bags, PEPCO, Blitz Cinestar Cinemagraphy. There are also some other renowned international and local lessees such as Zagrebačka banka, Gyms4You, Adidas, Nike&Converse, Timberland, Shooster, Ghetaldus, Farmacia, Tele2, Bubamara etc. The center is special because of the open city marketplace, located on the outdoor covered market square, the indoor market and fish market, whereby the City Galleria Commercial-shopping center has established itself as a place where visitors can meet most of their daily needs and the City Galleria Commercial-shopping center gen-



erates most of the revenues by leasing the commercial premises.

The operating revenues for the year 2017 amounted to HRK 12,440,343.14. They were generated by leasing the premises, through the shared expenses, the use of shared parts of the center, leasing of advertising space, and income earned from the garage. In the relevant period, 64.29% of the operating revenues or HRK 7,997,925.43 was generated from the calculation of rental fees from commercial premises. 667,753 vehicles visited the public garages of the center in the year 2017.

### **Overview of commercial activities**

Continuous efforts are being made to improve and advance the offer of the center in order to create an attractive and diverse offer or strengthen its overall market recognizability and positioning within the Zadar Region. The Company cooperates with the existing lessees in the center to increase its business volume, introduce new contents and raise the quality of the service and apply the active policy of bringing new lessees, especially those that are not yet present in the Zadar County area.

In the third and fourth quarters of 2017, certain

changes were made to the relations with some existing leaseholders and business co-operation was initiated with several new leaseholders, which additionally contributed to the market attractiveness of the center supply. In the relevant period, a lease agreement was signed with a new leaseholder – the company Wulf Sport d.d. which conducts its business operations through the shoe store “ShoeBeDo” offering international fashion brands and the company Bubamara sve za djecu d.o.o. with a rich offer of a range of products for babies, children and pregnant women in the Bubamara children’s shop. In September, a contract was signed with the European retail chain offering clothing for all family and household products – the company Pepco Croatia d.o.o. that opened the store in the first half of December and started doing business. For the purpose of additional expanding the supply of the center, new contracts were concluded for the common parts of the center as well. The company Watch centar d.o.o. started doing business in October with a range of watch brands and fashion accessories such as Guess, Nautica, Swatch, Timex etc. In December, the common area lease agreement was signed with Douglas Parfumeria d.o.o. which sells decorative and preparative cosmetics in the “pop-up store” concept.

In 2018, additional commercialization of common areas is planned to increase the offer and revenues of the Center. In addition to further commercialization of the common parts, there is a plan to perform commercial activation of the premises on the third floor of the center, primarily for office premises.

In 2018, a part of the existing lease contracts expires, and certain commercial activities will be directed towards the improvement of the new contracts for the purpose of making the offer of the Center more attractive.



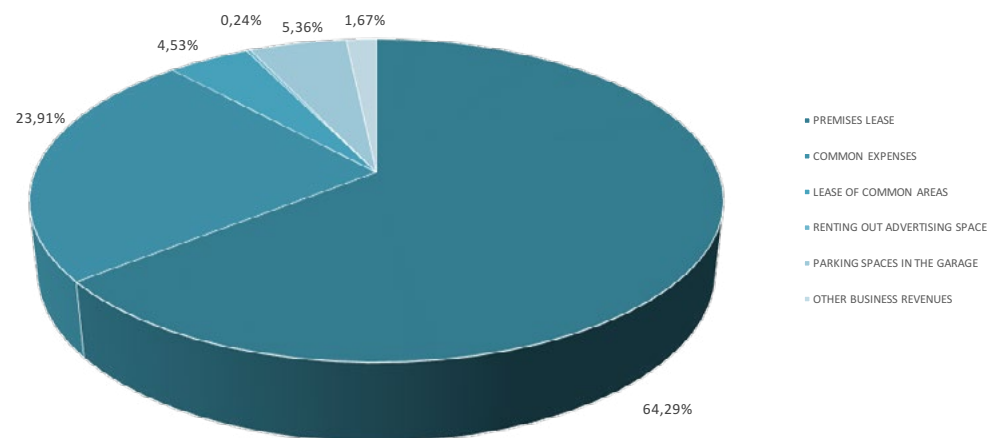
## The operating revenues of the Commercial-shopping center City Galleria in Zadar in 2017

DESIGNATION	DESCRIPTION	NUMBER OF ACTIVE CONTRACTS	SURFACE AREA (M <sup>2</sup> )	REVENUES	%
1	PREMISES LEASE	35	9.656,30	7.997.925,43 kn	64,29%
2	COMMON EXPENSES	33	6.842,23	2.975.024,90 kn	23,91%
3	LEASE OF COMMON AREAS	24	1.121,30*	563.440,76 kn	4,53%
4	RENTING OUT ADVERTISING SPACE	8	118,52**	29.699,72 kn	0,24%
5	PARKING SPACES IN THE GARAGE	410***	10.863,50	666.592,31 kn	5,36%
TOTAL:				12.232.683,12 kn	98,33%
6	OTHER BUSINESS REVENUES			207.660,02 kn	1,67%
GRANDTOTAL				12.440.343,14 kn	100,00%

\* Out of the mentioned surface area of the common areas, 800,00 m<sup>2</sup> relates to the market place area

\*\* The area refers to the illuminated billboards

\*\*\* Number of parking spaces in the garage



## OPERATING RESULTS OF THE REAL ESTATE SECTOR OF THE COMPANY ILIRIJA D.D. - COMMERCIAL-SHOPPING CENTER CITY GALLERIA

### Summary of the operating results of the Commercial-shopping center City Galleria

By acquiring the Commercial-shopping center City Galleria in December 2016, the company Ilirija d.d. used an excellent investment opportunity and bought an operational and unique facility at a fair price, which has further strengthened its market position, stabilized cash inflows by generating revenues in off-season and further dispersed the business risk. The Commercial-shopping center as the organizational unit of the company Ilirija d.d. achieved positive operating results in 2017 or in the first year of its operations shown in the attached key market and financial indicators.

The Commercial-shopping center City Galleria generates a major portion of its revenues by leasing its premises. In the year 2017, the commercial occupancy of the center was 100% of all of its capacities. The total net rentable area of business premises is 9,656.30 m<sup>2</sup>, a lease regulated through

a total of 35 current lease contracts. The average rent achieved per square meter of the premises on an annual basis was 828.26 kn/m<sup>2</sup>, or 69.02 HRK/m<sup>2</sup> on a monthly basis.

In addition to leasing the premises, the operating revenues in 2017 were generated from charging for the shared costs to the lessees (calculated on the area of 6,845.23 m<sup>2</sup>), leasing and the commercial use of the common areas of the commercial-shopping center (total 1,121.30 m<sup>2</sup>) charging for one-time parking and leasing of parking spaces in the underground garage of the center which has a total of 410 parking spaces (total area of 10,863.50 m<sup>2</sup>), and in the smallest segment, renting of advertisement space on the facade of the center (total area 118.52 m<sup>2</sup>).

The public underground garage in the center was in 2017 used by 667,753 vehicles with average parking time of a vehicle in the garage 00:58:04 hours. The generated revenue from the garage from one-time parking; monthly, weekly and daily tickets; annual subscriptions and leased parking spaces in the relevant year is HRK 666,592.31. Average yearly revenue from the garage per parking space on a 365 days basis for visitors and users is HRK 1,625.83.



## Key market indicators of the real estate sector – City Galleria

	2017
<b>Commercial capacities:</b>	
Premises – floor area (m <sup>2</sup> )	9.656,30
Shared costs – floor area (m <sup>2</sup> )	6.845,23
Common parts of the center – floor area (m <sup>2</sup> )	1.121,30
Advertisement space – floor area (m <sup>2</sup> )	118,52
Garage – floor area (m <sup>2</sup> )	10.863,50
<b>Commercial turnover:</b>	
Premises – number of active contracts	35
Shared costs – number of active contracts	33
Common parts of the center - number of active contracts	24
Advertisement space – number of active contracts	8
Garage - number of parking spaces	410
Garage – annual turnover of vehicles	667.753
<b>Financial results:</b>	
Average monthly rent earned per m <sup>2</sup> of premises (AMR) *	69,02 kn
Average annual rent earned per m <sup>2</sup> of premises	828,26 kn
Average yearly revenue from the garage per parking space **	1.625,83 kn

## Notes:

\* AMR - Average Monthly Rent – The average monthly price achieved for m<sup>2</sup> of the premises is calculated based on the revenue from the rent of premises and net available floor area of active premises.

\*\* The revenue from the garage per parking space is the annual revenue from the garage divided by a number of available parking spaces in a given period (365 days; number of open days).

The revenues from the Commercial-shopping Center City Galleria for the year 2017 generated by leasing of the premises, through shared costs, using common parts of the center, leasing advertisement space and revenues from the garage amount to HRK 12,232,683.12. Total operating revenues of the center amount to HRK 12,440,343.14 including the other operating revenues in the amount of HRK 207,660.02.

In 2017, 64.29% of the operating revenues, or HRK 7,997,925.43 was generated from charging for the lease of premises. Shared costs make for a total 23.91% of the revenues from the generated revenues of HRK 2,975,024.90. The revenue in the amount of HRK 563,440.76 or 4.53% of the total revenues was generated from using common parts of the center and HRK 29,699.72 of revenues was generated from leasing advertisement space which

makes for 0.24% of the total annual revenues. The revenue from the garage of the center in the year 2017 amounts to HRK 666,592.31, which makes for 5.36% of the total operating revenues.

The operating costs of the Commercial-shopping center City Galleria in 2017 amount to HRK 6,080,342.88. The operating gross profit of the center for the year 2017 is HRK 6,360,000.26 before the allocation of the costs of the common services, which makes for the margin of 51.1%.

### Key financial indicators of the real estate sector – City Galleria

	2017
Operating revenues	12.440.343,14 kn
Operating costs **	6.080.342,88 kn
GOP ***	6.360.000,26 kn
GOP margin ****	51,1%
Capital investments	0,00 kn

Notes:

\*\* Operating costs include the costs of raw material and material, costs of services, gross pays and other operating costs, not including the depreciation, financial expenses and extraordinary expenses.

\*\*\* GOP (Gross Operating Profit) denotes a gross operating profit of the real estate sector before the allocation of costs of common services, and is calculated in the following way: operating revenues – operating expenses (before the allocation, without depreciation and fixed costs).

\*\*\*\* GOP margin is calculated by correlating the amount of GOP of the real estate sector before the allocation of costs of common services and operating revenue.





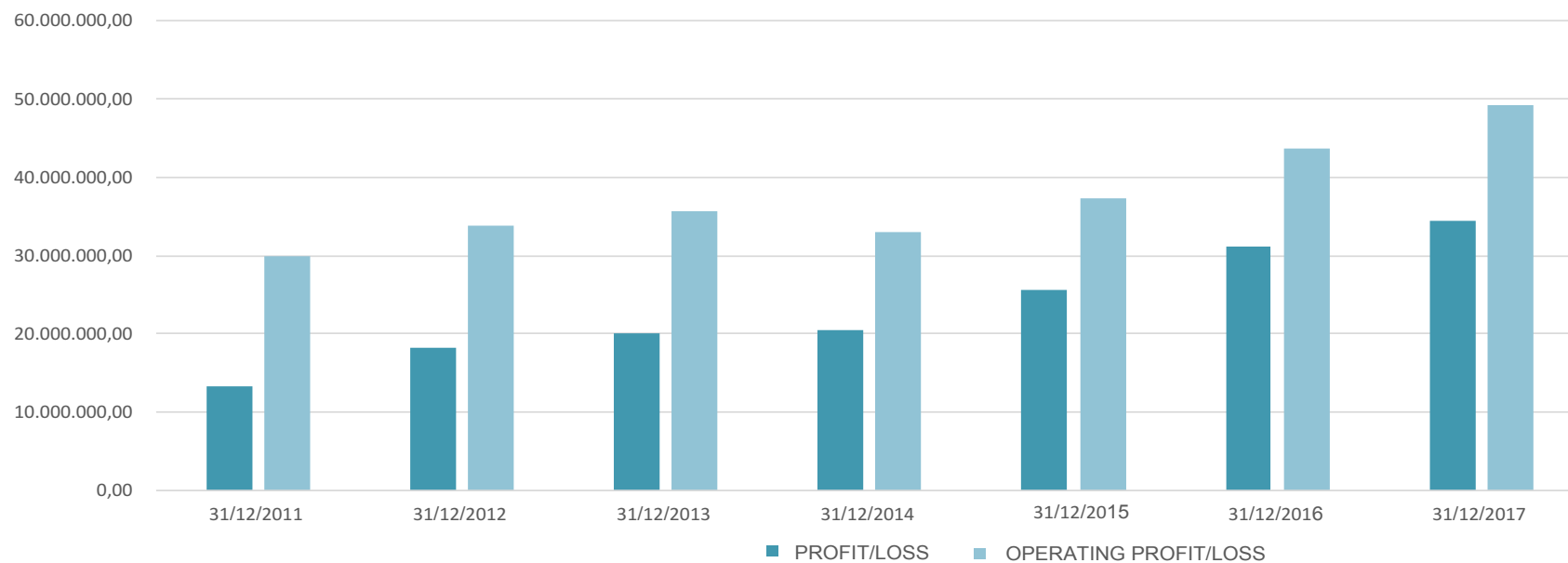
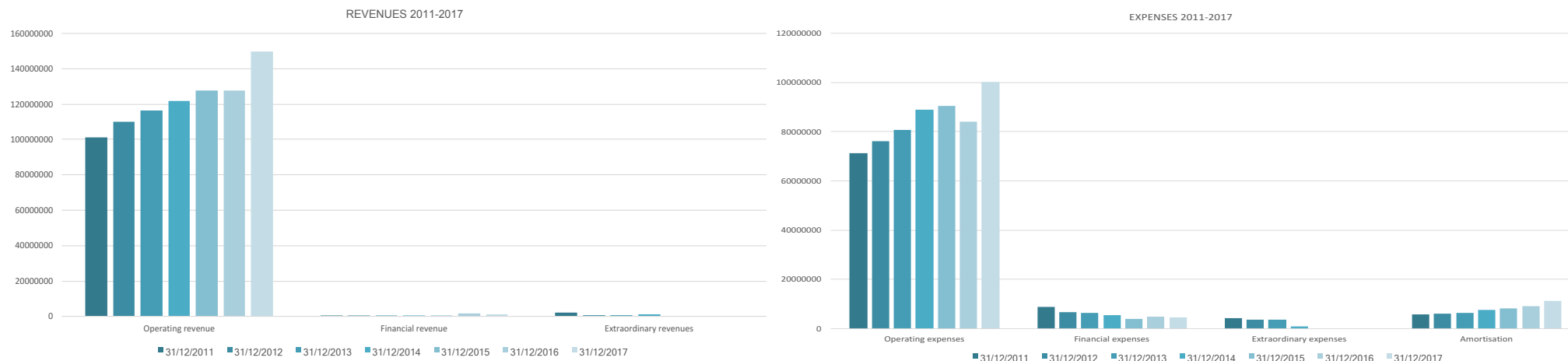


## I 3 OPERATING RESULTS OF THE COMPANY

### Overview of financial results from 01/01/2017 to 31/12/2017 and comparison with the years from 2011 to 2017

DESCRIPTION	31/12/2011	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017	Index 2017/2016
Operating revenue	101.315.471,31	110.113.121,89	116.431.304,58	121.792.647,35	127.662.219,39	127.591.140,20	149.515.545,23	117,18
Financial revenue	264.065,69	220.374,90	272.620,92	136.259,45	484.269,24	1.427.867,11	961.132,18	67,31
Extraordinary revenues	2.155.691,95	801.335,91	616.481,19	944.845,32	0,00	0,00	0,00	#DIV/0!
<b>TOTAL REVENUES</b>	<b>103.735.228,95</b>	<b>111.134.832,70</b>	<b>117.320.406,69</b>	<b>122.873.752,12</b>	<b>128.146.488,63</b>	<b>129.019.007,31</b>	<b>150.476.677,41</b>	<b>116,63</b>
Operating expenses	71.301.495,32	76.286.679,54	80.774.385,77	88.837.309,12	90.379.281,57	83.991.877,85	100.362.966,51	119,49
Financial expenses	8.894.619,15	6.662.995,79	6.333.307,89	5.355.803,37	4.030.686,50	4.774.080,17	4.564.585,65	95,61
Extraordinary expenses	4.403.636,28	3.690.513,45	3.698.321,67	825.305,72	0,00	0,00	0,00	#DIV/0!
Amortisation	5.885.794,82	6.239.514,80	6.385.207,46	7.470.218,79	8.225.981,02	9.012.252,49	11.146.900,91	123,69
<b>TOTAL EXPENSES</b>	<b>90.485.545,57</b>	<b>92.879.703,58</b>	<b>97.191.222,79</b>	<b>102.488.637,00</b>	<b>102.635.949,09</b>	<b>97.778.210,51</b>	<b>116.074.453,07</b>	<b>118,71</b>
<b>PROFIT/LOSS</b>	<b>13.249.683,38</b>	<b>18.255.129,12</b>	<b>20.129.183,90</b>	<b>20.385.115,12</b>	<b>25.510.539,54</b>	<b>31.240.796,80</b>	<b>34.402.224,34</b>	<b>110,12</b>
<b>OPERATING PROFIT/LOSS</b>	<b>30.013.975,99</b>	<b>33.826.442,35</b>	<b>35.656.918,81</b>	<b>32.955.338,23</b>	<b>37.282.937,82</b>	<b>43.599.262,35</b>	<b>49.152.578,72</b>	<b>112,74</b>
<b>EBITDA</b>	<b>28.030.097,35</b>	<b>31.157.639,71</b>	<b>32.847.699,25</b>	<b>33.211.137,28</b>	<b>37.767.207,06</b>	<b>45.027.129,46</b>	<b>50.113.710,90</b>	<b>111,30</b>





## I

In 2017, total revenues amounted to HRK 150,476,677.41 and they increased by 16.63% compared to those in 2016 as a result of the growth in operating revenues and revenues from sales.

Operating revenues generated in 2017 amount to HRK 149,515,545.23 with a growth by 17.18%, compared to the same period of the previous fiscal year, as a result of a significant increase in revenues from the sale on the local market at the level of the whole Company by 17.44% and rise in operating revenues at the level of all of its tourist sectors and revenues generated from the real-estate sector. In the observed period, a significant increase in operating revenues was realized in the camping sector by 9%, the hotel sector by 8%, nautical sector by 2% and the revenues generated by the destination management company/DMC Ilirija Travel have risen by 16%. In addition to the tourism and hospitality sector of the Company, the growth in the Company's operating revenues has been also contributed by the results or operating revenues generated in the real estate sector, i.e. Commercial-shopping center City Galleria in the amount of HRK 12,440,343.14.

Sales revenues amounted to HRK 146,322,013.19 and were higher by 17.44%, compared to those in the previous business year, when they amounted to HRK 124,588,174.29. The sales revenues make up for

97.24% of the total and 97.86% of the operating revenues.

## 2

Total expenses in the mentioned period amount to HRK 116,074,453.07 and compared to those in the year 2016 they are higher by 18.71% as a result of the growth of the operating expenses and amortization.

Operating expenses amount to HRK 100,362,966.51 and are higher by 19.49% or by HRK 16,371,088.66 compared to those in 2016 as a result of an increase in costs of services by 24%, raw material and material expenses by 23%, gross pay costs by 16% as planned and expected considering the acquisition (purchase) of the Commercial-shopping center City Galleria and an increase in the volume of operations in the Company's tourism sector.

## 3

The operating profit or the profit from operations of the Company rose by 12.74% compared to that in the year 2016 and amounts to HRK 49,152,578.72.

EBITDA or Earnings before interest, taxes and amortization was realized in the amount of HRK 50,113,710.90 and rose by 11.30% compared to that in the year 2016.

EBIT or Earnings before interest and tax was realized

in the amount of HRK 38,966,809.99 and rose by HRK 8.20% compared to that in the same period in the year 2016.

Profit of 2017 amounts to HRK 34,402,224.34 and rose by 10.12% compared to the same period in 2016.

The Company's net profit for the year 2017 amounts to HRK 27,755,384.38 and compared to that in the year 2016 it is lower by 9.52% or HRK 2,920,662.00. As a matter of fact, in 2016, according to the Corporate Income Tax Act, the Company used the tax relief on the grounds of the reinvested profit and investments made in the development of the operations, so therefore it was exempt from paying the corporate income tax. After the Corporate Income Tax Act was amended and the tax relief on the grounds of the reinvested profit was cancelled, the Company's income tax for 2017 amounted to HRK 6,646,839.96, which significantly influenced the net profit generated for the relevant period.

Operating profit, EBITDA, EBIT and profit realized in 2017 are the best so far compared to the previous fiscal years in their absolute amount and are the result of an increase in total revenues and operating revenues at the level of all tourism segments of the Company's supply with a significant growth in realization in the domestic market and as a result of the acquisition (purchase) of the Commercial-shopping center City Galleria.

**Financial**  
statements of the Company as at 31/12/2017 and comparison with the years 2015 and 2016

REVENUES	2015	2016	INDEX 2016/2015	2017	INDEX 2017/2016
Revenues in the domestic market	89.782.606,43	90.914.640,20	101	112.784.382,37	124
Revenues on foreign market	35.790.201,68	34.572.634,09	97	34.375.832,23	99
Other operating revenues	2.089.411,28	2.103.865,91	101	2.355.330,63	112
<b>OPERATING REVENUES</b>	<b>127.662.219,39</b>	<b>127.591.140,20</b>	<b>100</b>	<b>149.515.545,23</b>	<b>117</b>
FINANCIAL REVENUES	484.269,24	1.427.867,11	295	961.132,18	67
EXTRAORDINARY REVENUES	0,00	0,00	#DIV/0!	0,00	#DIV/0!
<b>TOTAL REVENUES</b>	<b>128.146.488,63</b>	<b>129.019.007,31</b>	<b>101</b>	<b>150.476.677,41</b>	<b>117</b>
EXPENSES					#DIV/0!
Costs of raw materials	20.106.921,74	18.339.619,89	91	22.588.537,09	123
Costs of services	17.867.491,44	14.790.955,74	83	18.338.604,57	124
Gross salaries	29.763.374,67	30.295.745,80	102	35.265.395,20	116
Other expenses	22.641.493,72	20.565.556,42	91	24.170.429,65	118
OPERATING EXPENSES	90.379.281,57	83.991.877,85	93	100.362.966,51	119
AMORTISATION	8.225.981,02	9.012.252,49	110	11.146.900,91	124
FINANCIAL EXPENSES	4.030.686,50	4.774.080,17	118	4.564.585,65	96
EXTRAORDINARY EXPENSES	0,00	0,00	#DIV/0!	0,00	#DIV/0!
<b>TOTAL EXPENSES</b>	<b>102.635.949,09</b>	<b>97.778.210,51</b>	<b>95</b>	<b>116.074.453,07</b>	<b>119</b>
PROFIT/LOSS	25.510.539,54	31.240.796,80	122	34.402.224,34	110
OPERATING PROFIT	37.282.937,82	43.599.262,35	117	49.152.578,72	113
EBITDA	37.767.207,06	45.027.129,46	119	50.113.710,90	111

## INCOME STATEMENT - period from 01/01/2017 to 31/12/2017

Position	AOP	2016	2017	% 2017/2016
1	2	3	4	5
<b>I. OPERATING INCOME (112+113)+A7:H50</b>	<b>111</b>	<b>127.591.141</b>	<b>149.515.545</b>	<b>117</b>
1. Sales revenues	112	124.588.174	146.322.013	117
2. Other operating revenues	113	3.002.967	3.193.532	106
<b>II. OPERATING COSTS (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>93.004.132</b>	<b>111.509.867</b>	<b>120</b>
1. Change in inventories of work in progress	115			
2. Material expenses (117 do 119)	116	33.130.577	40.927.142	124
a) Costs of raw materials	117	18.339.620	22.588.537	123
b) Cost of goods sold	118			
c) Other material expenses	119	14.790.957	18.338.605	124
3. Employee benefits expenses (121 do 123)	120	30.295.746	35.265.395	116
a) Net salaries	121	18.248.779	21.487.137	118
b) Tax and contributions from salary expenses	122	7.599.831	8.602.348	113
c) Contributions on salary	123	4.447.136	5.175.910	116
4. Depreciation and amortisation	124	9.012.252	11.146.901	124
5. Other expenses	125	18.163.369	23.238.397	128
6. Write down of assets (127+128)	126	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	2.402.188	932.032	39
<b>III. FINANCIAL INCOME (132 do 136)</b>	<b>131</b>	<b>1.427.867</b>	<b>961.132</b>	<b>67</b>
1. Interest, foreign exchange differences, dividends and similar income from related parties	132			
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	1.427.867	961.132	67
3. Inome from investments in associates and joint ventures	134			
4. Unrealised gains (income) from financial assets	135			
5. Other financial income	136			
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	<b>4.774.080</b>	<b>4.564.586</b>	<b>96</b>
1. Interest, foreign exchange differences, dividends and similar income from related parties	138			
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	4.774.080	4.564.586	96
3. Unrealised losses (expenses) from financial assets	140			
4. Other financial expenses	141			
<b>V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES</b>	<b>142</b>			
<b>VI. SHARE OF LOSS ASSOCIATED COMPANIES</b>	<b>143</b>			
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>			
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>			
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	<b>129.019.008</b>	<b>150.476.677</b>	<b>117</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	<b>97.778.212</b>	<b>116.074.453</b>	<b>119</b>
<b>XI. PROFIT OR LOSS BEFORE TAXES (146-147)</b>	<b>148</b>	<b>31.240.796</b>	<b>34.402.224</b>	<b>110</b>
1. Profit before taxes (146-147)	149	31.240.796	34.402.224	110
2. Loss before taxes (147-146)	150	0	0	
<b>XII. TAXATION</b>	<b>151</b>	<b>564.750</b>	<b>6.646.840</b>	<b>1.177</b>
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>30.676.046</b>	<b>27.755.384</b>	<b>90</b>
1. Profit for the period (149-151)	153	30.676.046	27.755.384	90
2. Loss for the period (151-148)	154	0	0	



## BALANCE SHEET - as of 31/12/2017

Position	AOP	2016	2017
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL</b>	001		
<b>B) NON-CURRENT ASSETS (003+010+020+029+033)</b>	<b>002</b>	<b>397.116.220</b>	<b>411.817.035</b>
I. INTANGIBLE ASSETS (004 do 009)	003	376.657	278.837
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	376.657	278.837
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	396.699.563	411.499.504
1. Land	011	42.340.227	43.295.283
2. Buildings	012	233.671.972	242.521.819
3. Plant and equipment	013	39.598.712	43.949.750
4. Tools, working inventory and transportation assets	014		
5. Biological assets	015		
6. Advances for purchase of tangible assets	016	1.391.522	1.116.739
7. Tangible assets in progress	017	1.183.813	1.849.974
8. Other tangible assets	018		
9. Investment in real-estate	019	78.513.317	78.765.939
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	40.000	38.694
1. Share in related parties	021	40.000	38.694
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 do 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		
<b>C) CURRENT ASSETS (035+043+050+058)</b>	<b>034</b>	<b>16.069.949</b>	<b>14.600.891</b>
I. INVENTORIES (036 do 042)	035	2.118.362	2.070.087
1. Raw materials and supplies	036	2.118.362	2.070.087
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 do 049)	043	9.072.148	8.488.144
1. Receivables from related parties	044		
2. Receivables from end-customers	045	7.024.032	7.132.712
3. Receivables from participating parties	046		

4. Receivables from employees and members of the company	047	781.536	872.104
5. Receivables from government and other institutions	048	1.169.662	483.328
6. Other receivables	049	96.918	
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	2.538.817	2.531.796
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	2.538.817	2.531.796
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	2.340.622	1.510.864
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>		
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>413.186.169</b>	<b>426.417.926</b>
F) OFF BALANCE SHEET ITEMS	061		
EQUITY AND LIABILITIES			
<b>A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	<b>275.683.908</b>	<b>295.955.230</b>
I. SUBSCRIBED SHARE CAPITAL	063	174.977.880	229.146.480
II. CAPITAL RESERVES	064	26.723.874	2.723.874
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	23.435.965	22.758.390
1. Legal reserves	066	9.477.986	9.477.986
2. Reserve for own shares	067	6.975.716	6.975.716
3. Treasury shares and shares (deductible items)	068	540.417	1.217.992
4. Statutory reserves	069		
5. Other reserves	070	7.522.680	7.522.680
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	19.870.143	13.571.102
1. Retained earnings	073	19.870.143	13.571.102
2. Loss carried forward	074		
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	30.676.046	27.755.384
1. Net profit the period	076	30.676.046	27.755.384
2. Net loss for the period	077		
VII. MINORITY INTEREST	078		
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	<b>0</b>	<b>0</b>
1. Provisions for pensions, severance pay and similar liabilities	080		
2. Provisions for tax liabilities	081		
3. Other provisions	082		
<b>C) NON-CURRENT LIABILITIES (084 do 092)</b>	<b>083</b>	<b>103.615.865</b>	<b>102.844.372</b>
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	103.615.865	102.844.372
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		
9. Deferred tax liabilities	092		

<b>D) CURRENT LIABILITIES (094 do 105)</b>	<b>093</b>	<b>31.944.262</b>	<b>25.688.708</b>
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits, etc.	095		
3. Liabilities to banks and other financial institutions	096	13.693.479	10.973.271
4. Liabilities for advances	097		
5. Trade payables	098	12.465.718	6.701.842
6. Commitments on securities	099	1.200.000	
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	1.216.150	1.988.594
9. Taxes, contributions and similar liabilities	102	1.315.225	4.713.710
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	2.053.690	1.311.291
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	<b>1.942.134</b>	<b>1.929.616</b>
<b>F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>413.186.169</b>	<b>426.417.926</b>
G) OFF BALANCE SHEET ITEMS	108		
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
A) ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109		
2. Attributable to minority interest	110		

## REVENUES BY ACTIVITIES:

*Revenues from hotel services* amount to HRK 51,295,911.97 and are higher by 8% compared to those in the previous fiscal year as a consequence of a significant increase in demand during the high season and significant rise in physical and financial turnover in the pre- and post-season, especially in the months of April, May, October and November followed by a rise in revenues in the restaurants and hospitality facilities as part of the hospitality sector which was also reflected in a significant increase in revenues for the whole 2017.

*Revenues from nautics* amount to HRK 45,059,600.02 and are higher by 2% compared to those in 2016 as a result of the growth in the revenue item of the contract-based berth with accessories, daily berth, parking, business cooperation, boat show and nautical events.

*Revenues from camping* amount to HRK 29,822,950.45 and are higher by 9% compared to those in the previous fiscal years and refer to the growth in revenues as a consequence of the total growth in operating results (arrivals and overnight stays) and rise in revenues from the hospitality segment.

*The revenues from other activities* that is, other sectors and profit centers, including Ilirija Travel, hospitality, Arsenal and event boat „Nada“, agrotourism, Villa Primorje and Commercial-shopping center City Galleria were generated in the amount of HRK 23,337,082.79 and rose by 166.66% compared to those in the year 2016 as a result of an increase in tourism turnover in the pre-and post-season, increase in the number of special events realized through the destination management company Ilirija Travel and revenues generated from the real-estate sector.

**GRANDTOTAL:** Operating revenues by activities amount to HRK 149,515,545.23 and rose by 17.18% in comparison with those in the year 2016.

**Other revenues:** In 2017, other revenues were generated in the amount of HRK 2,355,330.63 and consist of the revenues from using own products, exchange office commission and damages collected from the insurance company, so they rose by 12% compared to those in the year 2016.







## FUNDAMENTAL FINANCIAL INDICATORS ON THE POSITION AND OPERATIONS OF THE COMPANY AS AT 31/12/2017

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

### I

The value of the Company's assets as at 31/12/2017 amounted to HRK 426,417,926.08 and rose by HRK 13,231,757.55 or by 3.20% compared to that in 2016 when it amounted to HRK 413,186,168.53, whose growth is the result of the Company's major investments in all sectors.

The value of the assets of the Company for the same observed period since 2009, when it amounted to HRK 269,834,822.99 grew by HRK 156,583,103.09 or by 58.03%.

### 2

Total liabilities of the Company as at 31/12/2017 amount to HRK 130,462,696.84 and fell by HRK 7,039,563.71 that is, by 5.12% compared to those in the year 2016 when they amounted to HRK

137,502,260.55 as a result of reduction in long-term liabilities of the Company owed to the financial institutions.

Total liabilities of the Company as at 31/12/2017 decreased by HRK 11,527,325.30 or by HRK 8.12%, that is, compared to the total liabilities of the Company as at 31/12/2009 when they amounted to HRK 141,990,022.14.

### 3

Capital and reserves of the Company as at 31/12/2017 amount to HRK 295,955,229.24 and rose by HRK 20,271,321.26 that is by 7.35% compared to those in the year 2016 when they amounted to HRK 275,683,907.98.

Compared to the Company's capital and reserves realized in the year 2017, they increased by HRK

168,110,428.39 or by 131.5% compared to those in the year 2009 when they amounted to HRK 127,844,800.85.

## 4

The total revenues of the Company in 2017 amount to HRK 150,476,677.41 and are higher by HRK 21,457,670.10 or by 16.63% compared to those in the year 2016 when they amounted to HRK 129,019,007.31, the increase of which is the consequence of the rise in operating revenues, sales revenues and acquisition (purchase) of the Commercial-shopping center City Galleria in Zadar.

The total revenues of the Company compared to those in the year 2009 when they amounted to HRK 90,832,774.16 increased by HRK 59,643,903.25 or by 65.66%.

## 5

The operating profit of the Company was generated in the amount of HRK 49,152,578.72 and is higher by HRK 5,553,316.37 or by 12.74% compared to that in the year 2016 when it amounted to HRK

43,599,262.35.

The operating profit generated in 2017, compared to the operating profit generated in 2009, when it amounted to HRK 25,001,384.39, it grew by HRK 24,151,194.33 or by 96.60%.

## 6

EBITDA was realized in the amount of HRK 50,113,710.90 and is higher by HRK 5,086,581.44, that is by 11,30% compared to that in the year 2016 when it amounted to HRK 45,027,129.46.

EBITDA realized in 2017 compared to that in 2009, when it amounted to HRK 21,827,113.57, grew by 129.59% or HRK 28,286,597.33.

## 7

The Company's profit for the year 2017 amounts to HRK 34,402,224.34 and is higher by HRK 3,161.427,54 or by 10.12% compared to that in the year 2016 when it amounted to HRK 31,240,796.80 as a result of growth in total and operating revenues.

Company's profit for the year 2017, compared to the profit generated in 2009, when it amounted to HRK 10,818,589.83, it grew by HRK 23,583,634.51 or by 217.99%.

## 8

The amount of dividend of HRK 6,016,540.00 or 20.00 HRK per share was distributed to the Company's shareholders in 2017, which is a rise by HRK 1,079,392.00 or 21.86% compared to that in the year 2016 when the dividend was distributed to the shareholders in the total amount of HRK 4,937,148.00 or 18.00 HRK per share.

During the period from 2009 till 31st December 2017, the Company distributed the amount of HRK 37,139,218.00 for the dividend.

## CUMULATIVE COMPARATIVE OVERVIEW

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

YEAR	TOTAL LIABILITIES	CAPITAL	VALUE OF ASSETS	REVENUES	OPERATING PROFIT	EBITDA	PROFIT	ANNUAL DIVIDEND
1	2	3	4	5	6	7	8	9
31/12/2017	130.462.696,84	295.955.229,24	426.417.926,08	150.476.677,41	49.152.578,72	50.113.710,90	34.402.224,34	6.016.540,00
31/12/2016	137.502.260,55	275.683.907,98	413.186.168,53	129.019.007,31	43.599.262,35	45.027.128,66	31.240.796,00	4.937.148,00
31/12/2015	96.706.510,04	220.353.306,88	317.059.816,92	128.146.512,63	37.282.937,82	37.767.176,96	25.510.509,44	3.740.790,00
31/12/2014	133.053.616,64	177.858.715,67	310.912.332,31	122.873.752,12	32.955.338,23	33.211.137,28	20.385.115,12	3.740.790,00
31/12/2013	131.195.062,79	166.861.394,25	298.056.457,04	117.320.406,69	35.656.918,81	32.847.699,25	20.129.183,90	3.740.790,00
31/12/2012	136.546.285,85	151.895.416,40	288.441.702,25	111.134.832,70	33.826.442,35	31.157.639,71	18.255.129,12	3.740.790,00
31/12/2011	139.927.300,98	140.262.242,54	280.189.543,52	103.735.228,95	30.013.975,99	28.030.097,35	13.249.683,38	3.740.790,00
31/12/2010	142.308.155,23	133.202.459,64	275.510.614,87	91.364.944,55	25.112.703,16	24.378.316,58	11.512.758,85	3.740.790,00
31/12/2009	141.990.022,14	127.844.800,85	269.834.822,99	90.832.774,16	25.001.384,39	21.827.113,57	10.818.589,83	3.740.790,00

Overview of fundamental indicators on the position of assets, capital, liabilities and operating results of the Company as at 31/12/2017 and also for the same period from 2009 to 2017





## LONG-TERM LOAN LIABILITIES AS AT 31/12/2017

I LONG-TERM LIABILITIES (1 + 2 + 3)	13.220.224,84 Eur	99.151.686,36 kn
1 Long-term loan of ERSTE & STEIERMÄRKISCHE BANK d.d. Agreement: 5114430497 (6.378.944,30 EUR)	6.378.944,30 Eur	47.842.082,27 kn
2 Long-term loan of ERSTE & STEIERMÄRKISCHE BANK d.d. - from the funds of HBOR Agreement: 5114305381 (1.598.423,86 EUR)	1.598.423,86 Eur	11.988.178,96 kn
3 Long-term loan of ERSTE & STEIERMÄRKISCHE BANK d.d. Agreement: 5114670197 (5.242.856,68 EUR)	5.242.856,68 Eur	39.321.425,13 kn
II LOAN TERMS (1 + 2 + 3)		
1 For the loan under number 1 the loan will be repaid in 60 equal quarter installments in the amount of 124,850.14 EUR commencing as of 01/10/2016 till 01/07/2031 Interest: EURIBOR + 3,85 %		
2 For the loan under number 2 repayment will be made in 60 quarter installments. The first installment falls due on 30/06/2018 and the last on 31/03/2033 in equal installments in the amount of 28,000.00 EUR Interest: 3%, is computed and collected on a quarterly basis.		
3 For the loan under number 3, repayment will be made in 180 monthly installments. The first installment falls due on 01/02/2017 and the last on 01/01/2032 in equal installments in the amount of 33,333.33 EUR-a Interest: EURIBOR + 3,25 %		

## OPERATING AND OTHER EXPENSES

Operating expenses in the year 2017 amount to HRK 100,362,966.51, which is a rise by 19.49% compared to the previous fiscal year. The increase in these expenses is the 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, increase in the turnover, physical and financial in the Company's tourism sector, continuous rise in sales of food and beverages and a significant increase in gross pay cost by 16% which is the result of the Company's business policy in the segment of human resources management policy.

## FINANCIAL EXPENSES

Financial expenses for the year 2017 amount to HRK 4,564,585.65, which is a decline by 4.39% compared to the year 2016 when they amounted to HRK 4,774,080.17. The decrease in financial expenses is the result of the fall 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

The share splitting was performed during the period from 01/01 to 31/12/2017 in a way that one Company's share is split into eight new shares with no nominal value.

## EARNING PER SHARE

In the year 2017, the net earning per share amounts to HRK 107.95.

## 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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## 14 INVESTMENTS IN THE YEAR 2017

In the year 2017, the Company made investments in the total amount of HRK 24,618,457.45 in enhancing the quality of services and facilities, enhancing the quality of capacities and the development of a new tourist supply in all of its sectors, tailoring its offer to the requirements, demands and wishes of its clients and the market, thereby ensuring a competitive market position and high-quality and recognizable tourism product at the same time.

The nautical sector and the nautical tourism port Marina Kornati completed the second phase of modernization of the superstructure and substructure of piers in the central aquatorium in accordance with the Investment Plan for 2017 and the non-appealable building permit. In June 2017, the Ministry of Construction and Physical Planning issued the operating permits for the relevant investment, Class: UP/I-361-05/17-01/ 000058 Prot. No: 531-06-2-2-609-17-0013, and Class: UP/I-361-05/17-01/ 000057, Prot. No.: 531-06-2-2-609-17-0013, whereby the modernization and reconstruction that also includes the replacement of the existing infrastructure by the new one or improved access to piers, electricity and drinking water supply, and fire fighting equipment is considered successfully

completed. The completion thereof allowed the accommodation of a higher category vessels and better utilization of the existing aquatorium, that is, the quality of the service of reception and accommodation of vessels has been improved. The nautical sector also made investments in services of port servicing, that is, modernization of the service of the travel lift and crane, improvement of the wash area, better coverage of the marina by the internet network and in hospitality facilities. The total value of nautical sector investment amounted to HRK 6,372,231.58.

In the hotel sector, the two outdoor swimming pools have been built 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 higher occupancy rate of the existing accommodation capacities.

In the hotels in the destination Biograd na Moru, the most significant investment in 2017 is the completion of the reconstruction of the Kornati Hotel or its accommodation units, followed by hospitality

facilities - restaurant and bar, facades and changing of all exterior openings of the hotel. In addition, regarding other hotels in the destination of Biograd na Moru, additional investments were made in the development of their facades, restoration of accommodation units and common facilities, mainly of restaurants and bars. One of the safest 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. The value of investments is HRK 9,565,110.06 in the hotel sector.

The investment has been made in the camping sector in the amount of HRK 4,547,657.84, that is, in the purchase and equipping of new mobile homes, expanding the offer to outdoor fitness by purchasing additional exercise devices, installation of automatic devices in showers in all sanitary facilities with an aim of preserving the environment and water saving, i.e. by sustainable usage of water, horticultural developing the campsite up to the level of arboretum and its further infrastructure development with further investments made in the hospitality offer

within the campsite.

The amount of HRK 4,133,457.97 has been invested in other Company's sectors, including 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-round 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 sector, boating 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, the 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 special interest tourism and special experiences tourism offer with an emphasis on the development of the offer in the shoulder season – development of cyclotourism, which is 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 four sectors (hotel sector, camping, nautics and DMC Ilirija Travel) while designing special individual, group and corporate offers and arrangement packages, designing cycling routes and organization of the second Bike and Wine event.

In the fourth quarter of the fiscal year until the beginning of the tourist season of 2018, the Company has in accordance with the Investment Plan for the fiscal year 2018, started a new investment cycle in the total value of 25.3 million HRK in the hotel, camping and nautical sector with an aim of upgrading and modernizing the service, creating a market-competitive and recognizable offer through the reconstruction and expansion of the capacities and the introduction of new and modern technical solutions. According to the foregoing, the Company's investments in the hotel sector will refer to:

- The construction of the indoor swimming pool with net surface area of approximately 400m<sup>2</sup> along with supporting facilities serving its function according to the building permit, Class: UP/I-361-03/16-01/160 Protocol No.: 2198/1-11-2/1-16-6 of 30th December, 2016, issued by the Zadar County, the Administrative Department for the Implemen-



tation of the Physical Planning and Construction Documents, Biograd na Moru Branch, which will supplement the existing tourist offer of the hotels of Ilirija Resort in the destination of Biograd na Moru. In addition to the two built outdoor swimming pools, the Company will connect the Hotel Ilirija and Hotel Adriatic by constructing the indoor multipurpose swimming pool. By building the indoor swimming pool, the number of swimming pool areas of the Company will increase to 1.815m<sup>2</sup>, with a significant improvement of the hotel sector's facilities and services.

- Further investments in environmental protection through the reconstruction of the boiler room of Hotel Ilirija and Hotel Adriatic by replacing all the installations with a new condensing boiler and moving from liquid fuel as an energy source to natural gas, which will enable the heating of hot water and the heating of the Ilirija hotel and Adriatic hotel by more environmentally friendly energy. Also, the kitchens of the both hotels are being converted from LPG to natural gas.
- The replacement of the exterior (facade) fence of Hotel Ilirija and Hotel Kornati, which will be replaced by a glass fence, where the purchase

of the new interior and furniture for common public areas including lobbies, bars and restaurants, will be accompanied by additional development of the accommodation units in the hotels in the destination Biograd na Moru. It will be followed by the installation of new elevators, keycard locking doors and development of sports and recreational facilities.

- Modernization and increase in capacities of the central laundry by purchasing additional equipment.

While making preparations for the tourist season, the Company will invest in the purchase of new mobile homes in the camping sector together with the entire accompanying infrastructure that will form a separate camp unit, the development of the IV zone of the campsite that includes new traffic roads, lighting, sanitary facilities in the IV zone, additional infrastructure development in other zones, especially traffic roads, landscape architecture of the campsite, development of the sports and recreational zone, parking lot and further improvement of the hospitality offer with an aim to extend the period of business operations of the facility.

Following the finalization of the boat show regarding the nautical sector, the Company has continued with the cycle of investments in modernizing the sector with a higher quality facilities and marina services, especially in the segment of servicing, by increasing the capacities of operational-business and technical facilities, and building an annex and extending the sanitary facilities.

In preparing for the next fiscal year, the Company also makes investments in other sectors and profit centers especially in the tourism sector, which present an additional offer including Ilirija Travel destination management company, that is, and in raising the quality of facilities and services as well as the facilities of the capacities that are essential to the business operations of the destination management company including Arsenal, Villa Primorje and agrotourism. Additional investments in modernization and extension of the fleet of vehicles, followed by the hospitality offer, congress offer by purchasing modern and professional congress equipment.

## 15 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 Ilirija:** 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.





## 16 BUSINESS EXPECTATIONS AND DEVELOPMENT PLAN OF THE COMPANY IN THE YEAR 2018

In 2018, the Company expects another business year in which it will continue with further development and growth at the level of all sectors in the segment of key performance indicators, especially profitability. The fundamental objectives of the Company indicated in its Business Plan for the year 2018 are:

- (I) increase in revenues by 7%;
- (II) increase in expenses by 3.50%, and
- (III) increase in EBITDA by 7.5 million HRK

The Company bases the accomplishment of the operating results in the year 2018 on the following:

- (I) investments in making preparation for the season 2018** in all sectors of the Company, in particular the tourist portfolio of the company, in raising the quality of the existing facilities, especially in the hotel and camping sector, building and increasing the number of additional facilities, improving the quality and standards of our services, ensuring thus a competitive market position and high quality and a recognizable product,
- (II) adjustment of the prices of its services as a result of the investments made,**

**(III) positioning of the Republic of Croatia as one of the most desirable tourist countries at a global level,**

**(IV) sales and announcements for the year 2018** we expect the growth in arrivals and overnight stays in all sectors,

**(V) on the further development of year-round business operations especially through the destination management company/DMC Ilirija Travel,** the Company's complementary and integrated product, we expect further enhancing and strengthening of the Company's economic activities in the pre-and post-season and more significant revenue generation in the off-season not only in Ilirija Travel itself, but also in other tourist portfolio of the Company through its mediation,

**(VI) management of operating expenses at all levels of the Company.**

The achievement of operating results in 2018 is based on the assumption of economic stability and safety primarily at the regional level, i.e. in the immediate environment of the company as well as on the main source markets of Croatian tourism.



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## 17 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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## 18 IMPORTANT EVENTS

The Supervisory Board meeting was held on 06th March 2017 which adopted the Annual report prepared by the Management Board on the operations and position of the Company for the year 2016, the Audit Report on the Company's operations for 2016 and the Supervisory Board's Report on performed supervision of business operations. The Supervisory Board established the fundamental Annual Financial Statements of the Company for the year 2016 (Financial Operations Report, Financial Position Report and Cash Flow Statement), the draft decision on utilization of profit, distribution of dividend and an increase in share capital of the Company, the draft Decision on changes and amendments to the Articles of Association of the Company, the draft decision on the appointment of the auditor of the Company for the year 2017 and the draft call with the agenda for convening the General Shareholders' Assembly.

The Supervisory Board proposed that the generated profit in 2016 after taxation in the amount of HRK 30,676,046.46 should be allocated in the following way:

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

The Supervisory Board suggested that the dividend should be distributed from the remaining retained profit from 2006, profit from 2010 and a part of profit from 2011 in the total amount of HRK 6,016,540.00. The dividend per one share amounts to HRK 20.00.

On 06th March 2017, the Call to the Ordinary Shareholders' Assembly was publicized.

At the session held on 26th April 2017, the Shareholders' Assembly took the decisions identical to the draft decisions contained in the Call for the General Meeting, in the way as follows:



- The Management Board's Report on the business operations and position of the Company for the year 2016, the Report of the Supervisory Board on the supervision of the Company's business performed in 2016, the Auditor's Report on the audit of the business operations of the Company in 2016 and the Decision on Establishing the Fundamental Annual Financial Statements of the Company for the year 2016 have been taken note of.
- The Decision on the utilization of the profit was made, according to which the profit generated in the fiscal year 2016 after taxation in the amount of HRK 30,676,046.46 was allocated in the way as follows:
  - HRK 507,446.46 to the retained profit,
  - HRK 30,168,600.00 for the increase in share capital from the Company's funds (reinvested profit).
- Decision on the payment of dividends from retained profit from 2006, 2010 and 2011 according to which the Company's shareholders will be paid out the dividend in the total amount of HRK 6,016,540.00, which amounts to HRK 20.00 per one share.
- The Decision on giving remuneration to the Company's Management Board for conducting the business operations of the Company in the year 2016.
- The Decision on giving remuneration to the Company's Supervisory Board for supervising the business operations of the Company in the year 2016.



- Decision on appointment of auditor for the year 2017, according to which the authorized audit company "Revicon" d.o.o. Zadar, Ruđera Boškovića 4, is appointed an auditor to perform audit for the year 2017.
- The Decision on an increase in share capital from the Company's assets (reinvested profit) according to which the share capital increases from the reinvested profits earned in 2016 by the amount of HRK 30,168,600.00.
- Decision on changes and amendments to the Articles of Association of the company Ilirija d.d.

On 26th May, 2017, the Company received the Decision by the Commercial Court in Zadar on registration in the Court Registry of an increase in share capital, the decision on an increase in share capital and registration of the amendment to the General Act, Tt-17/2120. According to the said Decision, the share capital increased from the present HRK 174,977,880.00 by the amount of HRK 30,168,600.00 to the amount of HRK 205,146,480.00, so that for each of the existing total 301,686 shares, the nominal amount increased by HRK 100.00 per share, after which each share has a nominal amount of HRK 680.00 after the increase performed.

At the Extraordinary General Meeting of the Company held on 21st June 2017, the Decision was taken unanimously on the appointment of Mr. Goran Medić from Zadar, Senjanina 12/c, Tax No. OIB: 54770742757 as a member of the Supervisory Board of Ilirija d.d. for a four years' term of office.

The Supervisory Board of the Company did at the meeting held on 05th July 2017, elect the President of the Supervisory Board among its members. Mr. Goran Medić, from Zadar, residing at Ive Senjanina 12c, was elected, who held this position even in the previous term of office.





The Supervisory Board did at the meeting held on 21st July 2017 accept the Report on business operations of the Company for the period from 01/01 to 30/06/2017, the Report on investments by profit centers from 01/01 to 30/06/2017 and took note of the information on the position of the sales of tourist capacities.

In order to further improve the corporate governance practices of the Company, the Supervisory Board did at the meeting held on 21st July 2017 decide that the Company's Audit Committee would instead of the current five (5) members be composed of three (3) members who as of the date of taking the relevant decision are the following members:

- David Anthony Tudorović – President of the Audit Board (Member of the Supervisory Board),
- Goran Medić- Member of the Audit Board (President of the Supervisory Board), and
- Mladen Ostrički – Member of the Audit Board (external member)

At the meeting of the Supervisory Board held on 05th October 2017, the auditors' report on the audit of the semi-annual financial report of the Company for the period from 01/01 to 30/06/2017 prepared for the purpose of increasing the share capital was adopted. At the session held, the Supervisory Board established the draft decision on a change to the core business activities of the Company – added business activities, draft Decision on changes and amendments to the Articles of Association, draft decision on an increase in share capital from the Company's funds, draft decision on splitting the Company's shares and draft decision of the call with the agenda for convening the Shareholders' Assembly.

At the same session, the Supervisory Board proposed the following four (4) members of the Supervisory Board for the next term of office because of expiry of their previous term of office:



- Davor Tudorović
- David Anthony Tudorović
- Darko Prebežac, Prof. PhD
- Siniša Petrović, Prof. PhD

The following Decisions were unanimously adopted at the Extraordinary General Meeting held on 20th November 2017:

- Decision on the election of the Supervisory board members

Besides the existing member of the Supervisory Board, Mr. Goran Medić, the four existing members of the Supervisory Board, whose term of office will expire on 17th December 2017 will be elected to the following term of office which will start on 18th December 2017 for the re-elected four members of the Company's Supervisory Board, namely the following:

- 1 Davor Tudorović
- 2 David Anthony Tudorović
- 3 Darko Prebežac, Prof. PhD
- 4 Siniša Petrović, Prof. PhD

- Decision on a change to the core business activities of the Company – added activities

The object of the business activities of the Company has changed in a way that the below activities are added:

- Audiovisual activities,



- Complementary activities to audio-visual activities,
  - Activity of providing audio and/or audiovisual media services,
  - Activity of providing services of electronic publications,
  - Activity of publishing audiovisual and radio programs,
  - Activity of providing television and/or radio media services
- Decision 1 on changes and amendments to the Articles of Association of the Company

In Articles of Association of the Company, the new lines are added, that constitute the core business activities, in the way as follows:

- Audiovisual activities,
- Complementary activities to audio-visual activities,
- Activity of providing audio and/or audiovisual media services,
- Activity of providing services of electronic publications,
- Activity of publishing audiovisual and radio programs,
- Activity of providing television and/or radio media services

In the Articles of Association of 26th April 2017, Paragraph 2, Article 4 of the Articles of Association has changed, which reads:

“Share capital of the Company is divided into 301,686 (three hundred one thousand six hundred eighty-six) bearer ordinary shares without nominal amount.”



- Decision on an increase in the Company's share capital from the Company's funds

The share capital of the Company is HRK 205,146,480.00 and is divided in 301,686 ordinary bearer shares without nominal value. The share capital has been paid in whole.

The Shareholders' Assembly of the Company decided that a part of the capital reserves of the Company disclosed in the financial statements of the Company for the fiscal year 2016 and in the financial statements of the Company as at 30th June 2017, out of a total disclosed amount of HRK 26,723,874.00 a part of the capital reserves in the amount of HRK 24,000,000.00 should be used to increase the share capital from the Company's funds, because there is no uncovered loss according to the financial statements.

The share capital of the Company is increased from the amount of HRK 205,146,480.00 by the amount of HRK 24,000,000.00 to the amount of HRK 229,146,480.00. The Company's share capital is increased from the Company's assets by increasing the amount of the share capital referring to one existing ordinary share of the Company without the nominal amount.

The share capital of the Company following the increase conducted amounts to HRK 229,146,480.00 and it is divided into 301,686 ordinary bearer shares without a nominal amount.

The increase in the Company's share capital shall not change the relations between the rights arising from the shares, i.e. the Company's shareholders shall be entitled to the shares of the increased amount proportionate to their previous participation in the Company's share capital, pursuant to the provision of Article 333 of the Companies' Act, thus maintaining the same relations among the shareholders.





- Decision 2 on changes and amendments to the Articles of Association of the Company

In the Articles of Association of 20th November 2017, Paragraph 1, Article 4 of the Articles of Association has changed, which reads:

„The Company's share capital amounts to HRK 229,146,480.00 (two hundred twenty-nine million one hundred forty-six thousand four hundred eighty Kuna).“

- Decision on splitting of the Company's shares

The Company's bearer ordinary shares without nominal amount designated as ILRA-R-A, ISIN: HRILRARA0009 are split. One ordinary bearer share of the Company without the nominal amount was split split in 8 (eight) new ordinary shares of the Company that are bearer shares without the nominal amount.

The Company's share capital was split into 2,413,488 (two million four hundred thirteen thousand four hundred eighty-eight) bearer ordinary shares without nominal amount and each Company's shareholder shall for each bearer ordinary share of the Company, without a nominal amount, prior to the splitting of the Company's shares according to this Decision acquire 8 (eight) bearer ordinary shares of the Company without the nominal amount. The Company's share splitting will not result in an increase in share capital.

- Decision 3 on changes and amendments to the Articles of Association of the Company

In the Articles of Association of 20th November 2017, Paragraph 2, Article 4 of the Articles of Association has changed, which reads:



*“The share capital of the Company is divided into 2,413,488 (two million four hundred thirteen thousand four hundred eighty-eight) bearer ordinary shares without the nominal amount.”*

At the sessions held in the last quarter of the fiscal year 2017, to be more specific on 06th November and 15th November, the Supervisory Board adopted (I) the Report on operations of the Company from 01st January to 30th September 2017, (II) Investment Plan for the year 2018 and (III) Report by the Company's Management Board on the performed acquisition of the Commercial-shopping center City Galleria in Zadar, while at the session held on 28th November 2017, it established the full texts of the Articles of Association of Ilirija d.d. according to the powers from the Decisions by the Shareholders' Assembly on changes and amendments to the Articles of Association.

On 18th December 2017, the founding session of the Supervisory Board of the Company composed from Davor Tudorović, David Anthony Tudorović, Goran Medić, Siniša Petrović, Prof. PhD and Darko Prebežac, Prof. PhD was held. Goran Medić was elected the President of the Supervisory Board and David Anthony Tudorović was elected the Deputy President of the Supervisory Board.

On 29th December 2017, the Company submitted a notice of entering the added business activities, changes to the nominal amounts of shares, increase in share capital and the registration of a change in the number of shares to which the share capital was split in the court register of the Commercial Court. The share capital of the Company has increased from the previous amount of HRK 205,146,480.00 by the amount of HRK 24,000,000.00 to the amount of HRK 229,146,480.00, whereas one ordinary bearer share of the Company is split into 8 (eight) new ordinary shares of the Company that are bearer shares without the nominal amount. The share capital of the Company now amounts to HRK 229,146,800.00 and consists of 2,413,488 shares without nominal amount.

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## 19 POST-BALANCE SHEET EVENTS

According to the Decision under the file number Z-23293/16 and Z-247121 of 23rd January 2018, the Municipal Court in Zadar adopted the motion filed by Ilirija d.d. and refused to perform the registration of the ownership right on the cadastral plot 3168/4, 3168/5, 3170 and 3171 as requested by the City Biograd na Moru, which in fact are Hotel Ilirija and Hotel Adriatic confirming thus the ownership of Ilirija d.d. of the relevant real properties.

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## 20 SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

The Company published the Annual Report on Corporate Social Responsibility for 2016, the second report on Corporate Social Responsibility, with a comprehensive overview of the achievements in the area of sustainable development and corporate social responsibility, i.e. the overview of the economic, environmental and social aspects of company's impacts on the wider community. The Company used this report to present the most important aspects of its business operations to all stakeholders in a public and transparent way, which aspects are an integral part of its corporate values.

As a tourist company, there is constant concern about the protection of natural resources for the current and future generations not only as a natural resource, but also as a basis for the economic activity of tourism. As a responsible corporate system, we are aware of the fact that through our business activities we influence the environment, therefore it is the Company finds itself obligated to preserve and protect the environment, preserve biodiversity, prevent pollution and reduce negative environmental impacts on the environment. At the company level, operational procedures are carried out on a daily basis that are fully aligned with the national environmental legislation,

all for the purpose of exerting minimal environmental impact and reducing any risk of contamination to the lowest possible level. The regulatory framework of this area is being constantly monitored in the company, which ensures quick adaptation and system response to new regulations. The company continuously, systematically and actively undertakes and conducts the activities in the field of environmental protection by passing the environmental management policy, implementation and certification of domestic and international environmental protection systems and standards, which resulted in the fact that in 2017 not a single case of pollution or not a single incident occurred that would lead to any environmental disturbance of water, air or soil.

In 2017, the Company continued with the intensive education and training of employees through the ILIRIJA EDUKA Business Excellence Academy, which in the observed period referred to the education and training of the employees of the Food and Beverages Department and the Sales and Marketing Department, which is also one of the fundamental determinants of the Company's corporate social responsibility in the segment of management and de-



velopment of its own human resources - continuous education and training and professional development of the employees. In the fourth quarter, the Company continued to organize the education and training in the leading hospitality and tourism educational centers, primarily of serving and servicing staff.

Ilirija as the leading company in the wider Biograd region is also known as a socially responsible company that gives donations for and is sponsor of various humanitarian, cultural, sports, health, religious and educational purposes and supports thus the work of various associations and organizations, sports clubs and educational and health institutions. We especially emphasize the support of the following events that have contributed to the recognizability of the destinations in which we operate and the tourist recognition of the Zadar Region:

1 2nd Bike & Wine event, initiated and organized by Ilirija in cooperation with the local tourist board, where the unforgettable landscapes and heritage of the rural parts of the Zadar County and the most famous wineries of the wider region are connected on a 25 km long tour through Ravni Kotari. This thematic bike tour introduces its participants to the indigenous values of this area, its tradition, history and gastronomy.

2 Tuna, sushi & wine festival organized by the Zadar Tourist Board, the City of Zadar, the Japanese Embassy in the Republic of Croatia, the Ministry of Tourism, the Croatian Tourist Board, and the NPO JCEA Japanese - Croatian Exchange Society held in February 2017, supported by the Company in a way that the Company gave the rooms and provided logistical support for organizing the main event of the festival - a gala dinner in Arsenal.

3 International trekking race Škraping Tkon – the island of Pašman in 2017 on a harsh island rock that belongs to the extreme sports which is traditionally supported by the Company from its outset by providing financial, organizational and operational support.

4 Cultural and Historical Spectacle “XI Days of Vrana’s Knights “and 302nd Sinjska alka

5 Flower Festival of the Zadar County, organized by the Tourist Board of the Municipality of Sv. Filip i Jakov, has been supported by the Company from the very beginnings, and in the last few years the Company has made entire Hotel Villa Donat available for organizing the entire festival.

6 The Homeland Museum of the City of Biograd

na Moru and the City Gallery Biograd organized by setting up the authors’ exhibitions or exhibitions of other museums.

7 Support to educational institutions and projects in the area of the Zadar County.

8 Support given to sports clubs and associations in their activities, especially in the segment of sport promotion.









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## 21 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.

According to the Decision of the Constitutional Court of the Republic of Croatia Number U-III-4392/16 of 5th July 2017, the constitutional complaint of the Company was adopted and the judgment rendered by the Supreme Court of the Republic of Croatia was repealed which turned down the revision of Ilirija d.d. in the case of compensation of damages against the City of Biograd na Moru, for converting the property "Primorje" from the construction area to the so-called "area of landscape features", and the case was remanded to the Supreme Court of the Republic of Croatia for re-deciding.

According to the judgment of the County Court in

Zadar, Number: 6 Gž-751/16-2 of 13th June 2017, the judgment rendered by the Municipal Court in Zadar, Permanent Department in Biograd na Moru, as of January 2016 was reversed, thereby dismissing the statement of claim filed by the City of Biograd na Moru as unsubstantiated, according to which the City of Biograd na Moru requested that the Agreement of Lease of the Forest Land concluded between Ilirija d.d. and the Croatian Forests d.o.o. Zagreb, Forest Directorate, Split Regional Branch, should be declared null and void. In this way the dispute was finalized to the benefit of Ilirija d.d. by rendering an absolute judgment. Since the tourist land is in question, which was not evaluated in the transformation and privatization process, the company Ilirija d.d. already previously submitted a request to the Government of the Republic of Croatia through the Ministry of Tourism of the Republic of Croatia for obtaining the concession on the co-ownership part of the Republic of Croatia for using the campsite "Park Soline" for a period of 50 years within a legally prescribed term.

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 daily, weekly and monthly basis in accordance with the applicable Croatian and international reporting standards in the tourism sector. 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 whole fiscal year, creating thus the foundations for a more efficient and rational management of the entire business process and improving and speeding up the entire process of reporting at all levels, particularly in the operational part of the Company's business operations.

### **MERGERS AND ACQUISITIONS**

There have been no mergers and acquisitions.





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## 22 NOTES

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

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

Goran Ražnjević,  
President of the Management Board

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





## BALANCE SHEET - as of 31/12/2017

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	397.116.220	411.817.035
I. INTANGIBLE ASSETS (004 to 009)	003	376.657	278.837
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	376.657	278.837
II. PROPERTY, PLANT AND EQUIPMENT (011 to 019)	010	396.699.563	411.499.504
1. Land	011	42.340.227	43.295.283
2. Buildings	012	233.671.972	242.521.819
3. Plant and equipment	013	39.598.712	43.949.750
4. Tools, working inventory and transportation assets	014		
5. Biological assets	015		
6. Advances for purchase of tangible assets	016	1.391.522	1.116.739
7. Tangible assets in progress	017	1.183.813	1.849.974
8. Other tangible assets	018		
9. Investment in real-estate	019	78.513.317	78.765.939
III. NON-CURRENT FINANCIAL ASSETS (021 to 028)	020	40.000	38.694
1. Share in related parties	021	40.000	38.694
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	16.069.949	14.600.891
I. INVENTORIES (036 to 042)	035	2.118.362	2.070.087
1. Raw materials and supplies	036	2.118.362	2.070.087
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	9.072.148	8.488.144
1. Receivables from related parties	044		
2. Receivables from end-customers	045	7.024.032	7.132.712

## BALANCE SHEET - as of 31/12/2017

Company: ILIRIJA d.d. BIOGRAD NA MORU

3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	781.536	872.104
5. Receivables from government and other institutions	048	1.169.662	483.328
6. Other receivables	049	96.918	
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	2.538.817	2.531.796
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	2.538.817	2.531.796
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	2.340.622	1.510.864
D) PREPAYMENTS AND ACCRUED INCOME	059		
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>413.186.169</b>	<b>426.417.926</b>
F) OFF BALANCE SHEET ITEMS	061		
EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	275.683.908	295.955.230
I. SUBSCRIBED SHARE CAPITAL	063	174.977.880	229.146.480
II. CAPITAL RESERVES	064	26.723.874	2.723.874
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	23.435.965	22.758.390
1. Legal reserves	066	9.477.986	9.477.986
2. Reserve for own shares	067	6.975.716	6.975.716
3. Treasury shares and shares (deductible items)	068	540.417	1.217.992
4. Statutory reserves	069		
5. Other reserves	070	7.522.680	7.522.680
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	19.870.143	13.571.102
1. Retained earnings	073	19.870.143	13.571.102
2. Loss carried forward	074		
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	30.676.046	27.755.384
1. Net profit for the period	076	30.676.046	27.755.384
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	103.615.865	102.844.372
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	103.615.865	102.844.372
4. Liabilities for advances	087		
5. Trade payables	088		
6. Commitments on securities	089		
7. Liabilities to companies with participating interest	090		
8. Other non-current liabilities	091		



## BALANCE SHEET - as of 31/12/2017

Company: ILIRIJA d.d. BIOGRAD NA MORU

9. Deferred tax liabilities	092		
D) CURRENT LIABILITIES (094 to 105)	093	31.944.262	25.688.708
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits, etc.	095		
3. Liabilities to banks and other financial institutions	096	13.693.479	10.973.271
4. Liabilities for advances	097		
5. Trade payables	098	12.465.718	6.701.842
6. Commitments on securities	099	1.200.000	
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	1.216.150	1.988.594
9. Taxes, contributions and similar liabilities	102	1.315.225	4.713.710
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	2.053.690	1.311.291
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	1.942.134	1.929.616
<b>F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>413.186.169</b>	<b>426.417.926</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		

Income statement period 01/01/2017 to 31/12/2017

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	127.591.141	11.250.108	149.515.545	15.831.554
1. Sales revenues	112	124.588.174	10.857.356	146.322.013	13.793.598
2. Other operating revenues	113	3.002.967	392.752	3.193.532	2.037.956
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	93.004.132	22.140.636	111.509.867	28.808.674
1. Change in inventories of work in progress	115				
2. Material expenses (117 to 119)	116	33.130.577	7.130.163	40.927.142	9.491.191
a) Costs of raw materials	117	18.339.620	3.450.301	22.588.537	3.873.532
b) Cost of goods sold	118				
c) Other material expenses	119	14.790.957	3.679.862	18.338.605	5.617.659
3. Employee benefits expenses (121 to 123)	120	30.295.746	6.934.446	35.265.395	8.404.725
a) Net salaries	121	18.248.779	4.203.637	21.487.137	5.136.302
b) Tax and contributions from salary expenses	122	7.599.831	1.712.124	8.602.348	2.034.573
c) Contributions on salary	123	4.447.136	1.018.685	5.175.910	1.233.850
4. Depreciation and amortisation	124	9.012.252	2.253.063	11.146.901	3.496.779
5. Other expenses	125	18.163.369	4.232.829	23.238.397	7.169.615
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	2.402.188	1.590.135	932.032	246.364
III. FINANCIAL INCOME (132 to 136)	131	1.427.867	51.659	961.132	830.209
1. Interest, foreign exchange differences, dividends and similar income from related parties	132				
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	1.427.867	51.659	961.132	830.209
3. Income from investments in associates and joint ventures	134				
4. Unrealised gains (income) from financial assets					
5. Other financial income					
IV. FINANCIAL EXPENSES (138 to 141)	137	4.774.080	2.098.728	4.564.586	1.207.859
1. Interest, foreign exchange differences, dividends and similar income from related parties	138				
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	4.774.080	2.098.728	4.564.586	1.207.859
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>129.019.008</b>	<b>11.301.767</b>	<b>150.476.677</b>	<b>16.661.763</b>
<b>X. TOTAL EXPENSES (114+137+143+145)</b>	<b>147</b>	<b>97.778.212</b>	<b>24.239.364</b>	<b>116.074.453</b>	<b>30.016.533</b>
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	31.240.796	-12.937.597	34.402.224	-13.354.770
1. Profit before taxes (146-147)	149	31.240.796	0	34.402.224	0
2. Loss before taxes (147-146)	150	0	12.937.597	0	13.354.770
XII. TAXATION	151	564.750		6.646.840	
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>30.676.046</b>	<b>-12.937.597</b>	<b>27.755.384</b>	<b>-13.354.770</b>

Income statement period 01/01/2017 to 31/12/2017

Company: ILIRIJA d.d. BIOGRAD NA MORU

1. Profit for the period (149-151)	153	30.676.046	0	27.755.384	0
2. Loss for the period (151-148)	154	0	12.937.597	0	13.354.770
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	155				
2. Attributable to minority interest	156				
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157				
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 to 165)	158	0	0	0	0
1. Exchange differences from international settlement	159				
2. Changes in revaluation reserves of long-term tangible and intangible assets	160				
3. Profit or loss from re-evaluation of financial assets held for sale	161				
4. Profit or loss from cash flow hedging	162				
5. Profit or loss from hedging of foreign investments	163				
6. Share of other comprehensive income/loss from associated companies	164				
7. Actuarial gains/losses from defined benefit plans	165				
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 - 166)	167	0	0	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	0	0	0	0
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements))					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	169				
2. Attributable to minority interest	170				

## CASH FLOW STATEMENT - indirect method

Period: 01/01 - 31/12/2017

Company: ILIRIJA d.d. BIOGRAD NA MORU

Position	AOP	Previous period	Current period
1	2	3	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	001	31.240.796	34.402.224
2. Depreciation and amortisation	002	9.012.250	11.146.901
3. Increase of current liabilities	003		
4. Decrease of current receivables	004		1.469.058
5. Decrease of inventories	005	42.285	48.274
6. Other cash flow increases	006		
I. Total increase of cash flow from operating activities (001 do 006)	007	40.295.331	47.066.457
1. Decrease of current liabilities	008	5.012.538	6.268.071
2. Increase of current receivables	009	1.297.148	
3. Increase of inventories	010		
4. Other cash flow decreases	011	506.542	318.650
II. Total decrease of cash flow from operating activities (008 do 011)	012	6.816.228	6.586.721
"A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)"	013	33.479.103	40.479.736
"A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)"	014	0	0
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	1.914.571	281.749
III. Total cash inflows from investing activities (015 do 019)	020	1.914.571	281.749
1. Purchase of non-current assets	021	105.703.713	24.618.457
2. Purchase of non-current financial assets	022		
3. Other cash outflows from investing activities	023		
IV. Total cash outflows from investing activities (021 do 023)	024	105.703.713	24.618.457
"B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES (020-024)"	025	0	0
"B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES (024-020)"	026	103.789.142	24.336.708
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	027	34.387.000	
2. Proceeds from loans and borrowings	028	108.211.960	8.278.442
3. Other proceeds from financing activities	029		
V. Total cash inflows from financing activities (027 do 029)	030	142.598.960	8.278.442
1. Repayment of loans and bonds	031	62.031.649	11.279.764
2. Dividends paid	032	4.937.148	7.920.059
3. Repayment of finance lease	033	2.499.220	3.626.910
4. Purchase of treasury shares	034	125.493	677.575
5. Other cash outflows from financing activities	035	692.665	4.768.648
VI. Total cash outflows from financing activities (031 do 035)	036	70.286.175	28.272.956
"C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES"	037	72.312.785	0



## CASH FLOW STATEMENT - indirect method

Period: 01/01 - 31/12/2017

Company: ILIRIJA d.d. BIOGRAD NA MORU

"C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES"	038	0	19.994.514
Total increases of cash flows (013-014+025-026+037-038)	039	2.002.746	0
Total decreases of cash flows (014-013+026-025+038-037)	040	0	3.851.486
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	2.340.622	1.510.864

## STATEMENT OF CHANGES IN EQUITY in period from 01/01/2017 to 31/12/2017

Postion	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	174.977.880	229.146.480
2. Capital reserves	002	26.723.874	2.723.874
3. Reserves from profit	003	23.435.965	22.758.390
4. Retained earnings or loss carried forward	004	19.870.143	13.571.102
5. Net profit or loss for the period	005	30.676.046	27.755.384
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	275.683.908	295.955.230
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	59.307.740	20.271.322
<b>17.Total increase or decrease of equity (AOP 011 to 016)</b>	<b>017</b>	<b>59.307.740</b>	<b>20.271.322</b>
17 a. Attributable to majority owners	018		
17 b. Attributable to minority interest	019		

ILIRIJA d.d.  
BIOGRAD NA MORU

Biograd na Moru, 15/02/2018

Statement made by the persons responsible for the preparation of the financial statements for the period from 01/01/2017 – 31/12/2017

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 December 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 31/12/2017, operating results and cash flows of the Company in accordance with International Financial Reporting Standards.

The Management's Report gives a true overview of operating results and position of the Company as at 31/12/2017

Accounting Manager:  
Zorka Strpić

Management Board:  
Goran Ražnjević



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



ILIRIJA joint stock company  
for hospitality and tourism  
BIOGRAD NA MORU  
Tina Ujevića 7

SUPERVISORY BOARD

No:87/2018-6

In Biograd na Moru, 19th March 2018

According to Article 263 of the Companies' Act ("Official Gazette" Number 152/11- consolidated text, 111/12, 68/13 and 110/15) and Article 6 of the Articles of Association of ILIRIJA d.d., SUPERVISORY BOARD OF ILIRIJA d.d. Biograd na Moru has at the 117th session held on 19th March 2018 passed the following:

**DRAFT DECISION**  
on the use of profit of Ilirija d.d. for the fiscal year 2017

Article 1

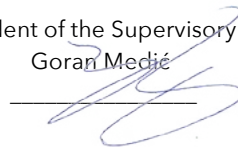
The profit generated in the fiscal year 2017 after taxation in the amount of HRK 27,755,384.38, is appropriated in the following way:

- HRK 22,512,403.90 to retained profit;
- HRK 3,000,000.00 to statutory reserves;
- HRK 2,242,980.48 to profit distribution;

Article 2

This Decision comes into force immediately on the date of taking it.

President of the Supervisory Board  
Goran Medić





ILIRIJA joint stock company  
for hospitality and tourism  
BIOGRAD NA MORU  
Tina Ujevića 7

SUPERVISORY BOARD

No.:87/2018-7

In Biogradu na Moru, 19th March 2018

According to the Article 263 of the Companies' Act („Official Gazette“, Number: 152/11-consolidate text, 111/12, 68/13 and 110/15) and Article 6 of the Articles of Association of ILIRIJA d.d., SUPERVISORY BOARD OF ILIRIJA d.d. Biograd na Moru has at the 117th session held on 19th March 2018 passed the following:

DRAFT DECISION  
on distribution of dividend

Article 1

The dividend in the total amount of HRK 7,221,240.00 shall be distributed to the Company's shareholders.

The dividend shall be distributed from the residual retained profit from the year 2011 in the amount of HRK 4,978,259.52 and part of the profit from the year 2017 in the amount of HRK 2,242,980.48.

The dividend per one share amounts to HRK 3.00 (three).

Article 2

The dividend referred to in Article 1 of this Decision shall be distributed to the shareholders registered with the Depository of the Central Depository Clearing Company Inc. (CDCC) on 18th May 2018 (record date).

The date on which the share of the company Ilirija d.d. will be traded in without a right to distribution of the dividend is 17th May 2018 (ex date).

The claim for the dividend distribution falls due on 08th June 2018 (payment date).

Article 3

This decision comes into force immediately on the date of taking it..

President of the Supervisory Board

\_\_\_\_\_  
Goran Medic



# **ILIRIJA d.d., BIOGRAD NA MORU**

AUDIT REPORT OF ANNUAL  
FINANCIAL REPORTS FOR 2017

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## Management's responsibility statements

Pursuant to the Croatian Accounting Law, ("Official Gazette" 78/15, 134/15, 120/16), the Management Board is responsible for ensuring that financial statements are prepared for each financial year which give a true and fair view of the state of affairs as well as its results and cash flows of the Company for the period in accordance with International Financial Reporting Standards (IFRS) as published by the Committee for the International Accounting Standards.

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

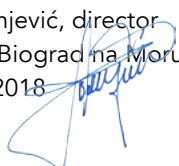
In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

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

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bank and must also ensure that the financial statements comply with the Croatian Accounting Law ("Official Gazette" 78/15, 134/15, 120/16). The Management Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management Board:

Goran Ražnjević, director  
Ilirija d.d., Biograd na Moru  
12 March 2018





## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF "ILIRIJA" d.d., BIOGRAD NA MORU

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of shareholder company Ilirija (the Company), which comprise the statement of financial position (balance sheet) as at 31 December 2017, and the statement of comprehensive income and income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and (of) its financial performance and its cash flows for the year then ended in accordance with Accounting Law and International Financial Reporting Standards (IFRSs) as established by the European Commission and published in the Official Journal of the European Union.

#### Basis for Opinion

We conducted our audit in accordance with Accounting Law, Act on Auditing and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

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

#### *Investments in land that is not included in the Company's share capital in the process of transformation and privatization*

The Company made investments and on the basis of existing contractual rights of performing a registered tourist activity on the land which, in the process of transformation and privatization, has not been estimated in the value of capital, and the conditions which use is defined by Law on Tourist and Other Construction Land in the transformation and privatization (NN 92/10).

The adoption of this Law, the Company at the beginning of 2011, submitted a request to the Republic of Croatian for the concession, for a period of 50 years, on land in the camp, where it conducts business activity. Camp stretches over 200,800 m<sup>2</sup>, a total investment in facilities of camp as at 31 December 2016 amounted to HRK 62,682 thousand. Concession Agreement has not yet been concluded. Not

getting this concession raises up a question of return of investments. Disclosures of the Company in connection with the above matters are in Note 4.

### **Emphasis of Matter**

We draw attention to Note 27 to the financial statements which indicates to Tax Administration supervision conducted during 2015, which establishes the liabilities for the Company arising from public contributions, since the administrative procedure is still in progress. Our opinion is not modified in regard to this matter.

### **Other Information in Management report**

Management is responsible for the other information. The other information comprises the information included in the Management report, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, except to the extent provided in the part of our independent auditor's report, entitled Report on Other Legal and Regulatory Requirements, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work undertaken, we conclude that there is a material misstatement of this other information, we are required to report that fact. In that sense, we have added a section on Other matters within the section titled the „Report on Other Legal and Regulatory Requirements."

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

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

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

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

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

## Report on Other Legal and Regulatory Requirements

Report based on the Regulation (EU) No. 537/2014

1. On April 26, 2017, we were appointed by the General Assembly of the Company based on the proposal of the Supervisory Board to perform audit of the annual financial statements for 2017.

2. On the date of this report our uninterrupted engagement in performing the Company's statutory audit of the Company's annual financial statements for the year 2003, up to the Company's annual financial statements for 2017, in total 14 years.

3. Except for the matters we have included in our Independent Auditor's report as Key Audit Matters under subtitle Report on the Audit of the Financial Statements, we have nothing to report in relation to point (c) of Article 10 of Regulation (EU) No. 537/2014.

4. By our statutory audit of the Company's annual financial statements for the year 2017, we are able to detect irregularities, including fraud under Section 225, Responding to Non-Compliance with law and regulations of the IESBA Code, which requires from us when performing audit engagement to see if the Company complied with the laws and regulations which are generally recognized to have a direct impact on the determination of material amounts and disclosures in their annual financial statements, as well as other laws and regulations that do not have a direct impact on the determination of material amounts and disclosures in its annual financial statements but the compliance which may be of key importance to operational aspects of the Company's business, its ability to continue as going concern or to avoid significant penalties.

Except where we encounter or know about, non-compliance of any of the aforementioned laws or regulations that is apparently insignificant, in our judgment of its content and its influence, financially or otherwise, for the Company, all those interested in, we are obliged to inform the Company and ask to investigate this case and take appropriate measures to resolve the irregularities and to prevent the occurrence of these irregularities in the future. If the Company does not correct any irregularities arising on the basis of which incorrect disclosures in the audited annual financial statements that are cumulatively equal to or greater than the amount of materiality for the financial statements as a whole we are required to modify our opinion in an independent auditor's report.

In the audit of the Company's annual financial statements for the year 2017, we determined the materiality for the financial statements as a whole in the amount of HRK 5,000 representing approximately 1.15% of the total assets. In calculating of materiality, we considered the total income and operating profit and total equity of the Company as a basis, but we concluded that total assets could be the most significant factor in calculating the level of materiality for the financial statements as a whole due to the Company's stated scope for further development and expansion of business activities, as well as significant property values and further plans in a continuous investment in expanding existing capacity and building new ones.

5. Our audit opinion is consistent with the additional report issued to the Audit Committee of the Company in accordance with the provisions of Article 11 of Regulation (EU) No. 537/2014.

6. During the period between the beginning of the period of the audited annual financial statements of the Company for the year 2017 and the issuing of the audit report, we have not provided to the Company and its controlled undertakings and/or its parent company within the EU prohibited non-



audit services and we have not in the year before the above mentioned the periods provided the services of designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems for, and in the performance of the audit, we have maintained independence in relation to the Company.

7. There are no non-audit services, in addition to the statutory audit, which we provided to the Company and its controlled undertakings.

### **Report based on the requirements of the Accounting Act**

1. According to our opinion, except as described below, under Other matters, based on the work that we performed during the audit, information in the Annual report for the year 2017, which contains all the elements required by the Management report, and which the Company does not make as a separate report, are in accordance with the attached annual financial statements for the year 2017;

2. According to our opinion, based on the work that we performed during the audit, accompanying Annual report for the year 2017, that is all part of the same prescribed for management report, and which the Company does not draw up as a separate report, is in accordance with the Accounting Act.

3. On the basis of knowledge and understanding of operation of the Company and its environment acquired in the context of the audit, we identified misstatements in the Annual report for the year 2017, which contains all the elements required by the Management report, and that the Company does not draw up such a separate report, as described below in the section Other matters.

4. According to our opinion, based on the work that we performed during the audit, Corporate Governance Statement which is included in the Annual report for the year 2017, is in accordance with the requirements specified in Article 22 points 3 and 4 of the Accounting Act.

5. Corporate Governance Statement which is included in the Annual report for the year 2017 include the information specified in Article 22, paragraphs 1, 2, 5, 6 and 7 of the Accounting Act.

### **Other matters**

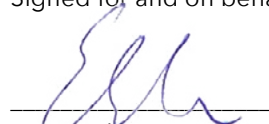
In the Annual Report of Ilirija d.d. for the year 2017 are presented gross revenues without decrease for the discounts given, while discounts are recorded as expenses for the period, so revenues and expenses are overstated. As this is not in accordance with the accounting regulations, the revenues and expenses in the audited financial statements are presented in net amounts, so the revenues are stated in net amounts which were achieved by sale.

The engagement partner on the audit resulting in this independent auditor's report is Martina Mustać.

REVICON d.o.o.  
Certified auditors  
Ruđera Boškovića 4, Zadar, Croatia

Zadar, 12 March 2018

Signed for and on behalf of Revicon d.o.o.:



Ervin Colić  
Director



Martina Mustać  
Certified auditor

ILIRIJA d.d., BIOGRAD NA MORU  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017

(In HRK thousands)	Notes	31 December 2017	31 December 2016 Restated
<b>ASSETS</b>			
<b>Long term assets</b>			
Intangible assets	3	279	377
Property, plant and equipment	4	332,733	318,186
Investment property	5	78,766	78,513
Investment in subsidiaries	6	39	40
<b>Total long term assets</b>		<b>411,817</b>	<b>397,116</b>
<b>Current assets</b>			
Inventories	7	2,070	2,118
Receivables and prepayments	8	8,809	8,318
Short-term financial investments	9	2,206	2,503
Cash	10	1,516	2,341
<b>Total current assets</b>		<b>14,601</b>	<b>15,280</b>
<b>Total assets</b>		<b>426,418</b>	<b>412,396</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	11	229,147	174,978
Treasury shares	11	(1,218)	(540)
Capital reserves		2,724	26,724
Reserves	12	23,977	23,977
Retained profit		13,570	19,869
Net comprehensive profit for the period		27,755	29,886
<b>Total equity</b>		<b>295,955</b>	<b>274,894</b>
<b>Long term liabilities</b>			
Borrowings	13	102,845	103,616
<b>Total long term liabilities</b>		<b>102,845</b>	<b>103,616</b>
<b>Current liabilities</b>			
Trade and other payables	14	14,716	18,959
Borrowings	13	10,972	12,985
Deferred income	15	1,930	1,942
<b>Total current liabilities</b>		<b>27,618</b>	<b>33,886</b>
<b>Total liabilities</b>		<b>130,463</b>	<b>137,502</b>
<b>Total equity and liabilities</b>		<b>426,418</b>	<b>412,396</b>

These financial statements were approved by the Managing Board of the Company on 27 February 2018.

Director

  
Goran Ražnjević

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

The accompanying notes form an integral part of these financial statements.

ILIRIJA d.d., BIOGRAD NA MORU  
STATEMENT OF COMPREHENSIVE INCOME AND INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017

(In HRK thousands)	Notes	31 December 2017	31 December 2016 Restated
Sales	16	143,364	121,806
Other operating revenues	17	3,194	1,369
<b>Total operating revenue</b>		<b>146,558</b>	<b>123,175</b>
Cost of raw material and energy	18	(22,589)	(18,340)
Cost of services	19	(18,339)	(14,791)
Staff costs	20	(38,874)	(30,256)
Depreciation	3	(161)	(161)
Amortization	4	(9,777)	(8,851)
Depreciation of investment property	5	(1,209)	-
Provisions for court proceedings		(1,161)	-
Other operating expenses	21	(16,442)	(16,979)
<b>Total operating expenses</b>		<b>(108,552)</b>	<b>(89,378)</b>
<b>Profit from operations</b>		<b>38,006</b>	<b>33,797</b>
Net financial expenses	22	(3,604)	(3,346)
<b>Profit before taxation</b>		<b>34,402</b>	<b>30,451</b>
Income tax	23	(6,647)	(565)
<b>Net profit for the current year</b>		<b>27,755</b>	<b>29,886</b>
Other comprehensive profit		-	-
<b>Total comprehensive profit for the period</b>		<b>27,755</b>	<b>29,886</b>
Earnings per share - basic (in HRK)	24	107.95	107.70

The accompanying notes form an integral part of these financial statements.



ILIRIJA d.d., BIOGRAD NA MORU  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017

(In HRK thousands)	Share capital	Treasury shares	Capital reserves	Reserves	Retained profit	Total shareholders equity
As restated 1 January 2016	150,857	(415)	8,922	22,109	34,903	216,376
Increase by issuing new shares	15,892	-	17,802	-	-	33,694
Increase from reinvested profit	8,229	-	-	-	(8,229)	-
Purchase of treasury shares	-	(125)	-	-	-	(125)
Transfer to reserves	-	-	-	1,868	(1,868)	-
Dividend paid	-	-	-	-	(4,937)	(4,937)
Net profit for the period					30,676	30,676
Effects of correcting the prior period error - IAS 8					(790)	(790)
Net comprehensive profit for the period					29,886	29,886
<b>Balance at 31 December 2016</b>	<b>174,978</b>	<b>(540)</b>	<b>26,724</b>	<b>23,977</b>	<b>49,755</b>	<b>274,894</b>
Balance at 1 January 2017						
As previously reported	174,978	(540)	26,724	23,977	50,545	275,684
Effects of correcting the prior period error - IAS 8	-	-	-	-	(790)	(790)
As restated 1 January 2017	174,978	(540)	26,724	23,977	49,755	274,894
Increase from reinvested profit	30,169	-	-	-	(30,169)	-
Increase from Company's funds	24,000	-	(24,000)	-	-	-
Purchase of treasury shares	-	(678)	-	-	-	(678)
Dividend paid	-	-	-	-	(6,016)	(6,016)
Net comprehensive profit for the period	-	-	-	-	27,755	27,755
<b>Balance at 31 December 2017</b>	<b>229,147</b>	<b>(1,218)</b>	<b>2,724</b>	<b>23,977</b>	<b>41,325</b>	<b>295,955</b>

Ordinary shares, treasury shares and reserves are presented in detail in Notes 11 and 12.

ILIRIJA d.d., BIOGRAD NA MORU  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017

(In HRK thousands)	31 December 2017	31 December 2016
<b>Operating activities</b>		
Cash inflow generated from operations (Note 25)	34,541	24,197
<b>Investing activities</b>		
Purchase of intangible assets	(63)	(65)
Purchase of tangible assets	(24,661)	(27,422)
Purchase of investment property	(1,462)	(78,514)
Decrease in investments in subsidiaries	1	-
Decrease in loans and deposits	-	3,471
Decrease/(increase) in short-term investments	297	(1,254)
<b>Net cash outflow from investing activities</b>	<b>(25,888)</b>	<b>(103,784)</b>
<b>Financing activities</b>		
Issuing of new shares	-	33,694
Purchase of treasury shares	(678)	(125)
Dividend paid	(6,016)	(4,937)
Increase/(decrease) in long-term borrowings	(771)	50,255
Increase/(decrease) in short-term borrowings	(2,013)	2,703
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(9,478)</b>	<b>81,590</b>
<b>Net increase in cash</b>	<b>(825)</b>	<b>2,003</b>
<b>Movement in cash</b>		
At beginning of year	2,341	338
At end of year (Note 10)	1,516	2,341
<b>Increase in cash</b>	<b>(825)</b>	<b>2,003</b>

The accompanying notes form an integral part of these financial statements.

ILIRIJA d.d., BIOGRAD NA MORU  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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#### **NOTE 1 - GENERAL INFORMATION**

"Ilirija" d.d., Biograd na Moru (the Company), OIB: 05951496767 operates in the Republic of Croatia. The Company is registered for the activities of catering and tourism, trade and maritime affairs. The Company is registered with the Commercial Court in Zadar with a share capital of HRK 229,146,480.00. The Company's headquarters are located in Biograd na Moru, Tina Ujevića 7, Croatia. The Company is a member of Arsenal Holdings d.o.o. Group, Zadar.

As of 31 December 2017, the shares of the Company are on the Official Market of the Zagreb Stock Exchange. The ownership structure of the Company is presented in Note 11.

The Company's management board is Mr. Goran Ražnjević.

The members of the Supervisory Board are: Mr. Goran Medić (Chairman), Mr. David Anthony Tudorović (Deputy Chairman), Mrs Davor Tudorović, Darko Prebežac and Siniša Petrović (members). The members of the Audit Committee are: Mr. David Anthony Tudorović (President), Mr. Goran Medić and Mr. Mladen Ostrički.

#### **NOTE 2 - ACCOUNTING POLICIES**

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

##### **(a) Basis of presentation**

The financial statements are prepared in accordance with International Financial Reporting Standards using the historical cost convention. The financial statements are denominated in Croatian kuna (HRK). On 31 December 2017 the exchange rate of HRK 1 was EUR 7.51 (31 December 2016: EUR 7.56).

##### **(b) Adoption of new and amended International Financial Reporting Standards (IFRSs)**

###### **Amendments to IFRSs effective in the current year**

The Company has in the current year applied several new and amended IFRS as published by the International Accounting Standards Board (IASB) which are effective for annual periods beginning on or after 1 January 2017.

- New IAS 7 „Statement of Cash Flows“- effective for annual periods beginning on or after 1 January 2017 (published 29.1.2016)
- New IAS 12 „Income taxes“- effective for annual periods beginning on or after 1 January 2017 (published 19.1.2016)

Management has rated the amendments and improvements and does not expect their significant impact on the financial reporting of the Company.

ILIRIJA d.d., BIOGRAD NA MORU  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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**NOTE 2 - ACCOUNTING POLICIES (continued)****New and amended IFRSs issued, but not yet effective**

New IFRS 15 "Revenue from Contracts with Customers" effective for annual periods beginning on or after 1 January 2018

- New IFRS 9 "Financial Instruments" effective for annual periods beginning on or after 1 January 2018

- New IFRS 16 „Leases“ - effective for annual periods beginning on or after 1 January 2019 (published 13.1.2016)

Management anticipates that all of the above standards will be applied in the Company's financial statements for the period when they are in force, and that their adoption will not have a significant impact on the Company's financial statements in the period of application.

**(c) Correction of prior periods errors**

At the end of 2016, the Company bought property for rent from a related party. With the transfer of property, lease agreements with the lessees were also taken over, and thus part of the remaining receivables. It was subsequently found that there was a controversy over the part of the customer receivable that ended in settlement in 2017. As it refers to receivables from prior period, in the total amount of HRK 790 thousand for which value adjustments are required, the Management Board has estimated that significant amounts which date is from prior periods and as such represent significant omissions from the financial statements, which influenced the amounts of receivables reported for the current and the previous year as well as the amounts of impairment of bad and doubtful receivables.

Consequently recording the loss of doubtful receivables was conducted retroactively by restatement in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. Receivables and provision for impairment in the comparative financial statements were restated in accordance with accounting standards.

This change in accounting records resulted in a decrease in the value of receivables in the amount of HRK 790 thousand and a decrease in retained profit for the same amount, and an increase in other operating expenses in the income statement with the statement of comprehensive income. The Company did not calculate and state the deferred tax asset.

**(d) Nonconsolidated financial statements**

Financial statements of the Company are prepared on nonconsolidated basis.

The Company is 100% owner of two companies (see Note 6) which are not consolidated in the financial statements of the Company because they have not started with their activities.

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ILIRIJA d.d., BIOGRAD NA MORU  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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**NOTE 2 - ACCOUNTING POLICIES (continued)****(e) Segment reporting**

A business segment is reported in accordance with internal reporting executive decision-maker. The executive decision-maker, who is responsible for allocating resources and assessing performance of the business segments, is the Company's management.

**(f) Revenue recognition**

Revenue earned from the sale of services is recorded at the date of invoicing, which is after the point of delivery.

**(g) Costs of sale**

Cost of services rendered (goods sold) includes all purchase cost and cost of rendering services incurred in relation to the invoiced service or goods.

**(h) Selling, general and administrative expenses**

Selling, general and administrative expenses comprise all expenses of joint and general affair.

**(i) Repairs and maintenance**

Repairs and maintenance costs are charged to income in accounting period in which they are incurred. Reconstruction and adaptation, by which the capacity or purpose of the tangible assets is changed, are recorded as an increase in the value of tangible assets.

**(j) Income tax**

The Company is subject to taxation according to the laws of the Republic of Croatia. Income tax is assessed on the tax basis, which is determined as the difference between income and expenses, increased and decreased by items provided by tax regulations.

**(k) Foreign currencies**

Foreign currency transactions are presented in Croatian kuna using the mid exchange rate of the Croatian National Bank in effect on the transaction date. Monetary items resulting from transactions in foreign currencies are converted to the reporting currency at the mid exchange rate rulings of the Croatian National Bank prevailing on the date of settlement or at the balance sheet date. Exchange differences are recognized as financial income or financial expense for the period.

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ILIRIJA d.d., BIOGRAD NA MORU  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2017

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**NOTE 2 - ACCOUNTING POLICIES (continued)**

**(l) Property, plant and equipment**

Property, plant and equipment have been recorded at cost less accumulated depreciation. Purchase cost includes all costs directly attributable to bringing the asset to its working condition for its intended use. Purchases of tangible assets are capitalized if the estimated life is over one year.

Tangible assets that are retired or otherwise disposed of are eliminated from the balance sheet together with the corresponding accumulated depreciation (if any). Gains and losses on such disposals or retirements are included in the income statement for the year.

Depreciation of tangible assets is charged from the time the asset becomes operational and is calculated using the straight-line method at rate, which are based on estimated useful lives of the asset. Depreciation is calculated for each asset until the asset is fully depreciated. Depreciation rates are as follows:

	2017	2016
Buildings	55,55 years	55,55 years
Equipment for tourism and hotel industry	10-40 years	10-40 years
Other equipment	7-15 years	7-15 years

Land is not depreciated since it is considered to have an indefinite useful life. Depreciation of assets in course of construction commences when they are put in use.

**(m) Investment property**

Investment property comprises land and building that are held for long-term rental yields or capital appreciation or both. Initial recognition of the real estate investment is measured at the cost of acquiring less depreciation. Cost includes purchase cost and all costs directly attributable to purchase.

Depreciation is charged to the income statement on a straight-line basis so as to amortize the cost or valuation of investment property over its estimated useful life of 55.55 years.

Land is not depreciated since it is considered to have an indefinite useful life.

**(n) Investments**

Subsidiary is an entity (including one that is not a legal entity such as a partnership) under the control of another entity, known as the parent company. Parent company does not need to present consolidated financial statements if, and only if the parent company itself is a subsidiary wholly or partly owned by another entity and its other owners, including those with no voting rights, have been informed that the parent company will not present consolidated financial reports and they do not object. Investments in subsidiaries are stated in the balance sheet at cost. Subsidiaries are listed in Note 6.

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ILIRIJA d.d., BIOGRAD NA MORU  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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**NOTE 2 - ACCOUNTING POLICIES (continued)**

**(o) Inventories**

Inventories are stated at the lower of cost and net realizable value. The cost of inventories includes all purchase costs incurred in bringing the inventories to their present location and the current state.

When inventories are sold, the carrying value of these inventories recognized as an expense in the period in which the related revenue is recognized. The amount of any write-off of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-off, or the occurrence of deficit. The amount of any reversal of any write-off of inventories as a result of an increase in net realizable value is recognized as a decrease in the amount of inventories recognized as an expense in the period in which they occur. Cost is calculated on the average annual cost price basis. Small inventories are 50 % expensed when put in use.

**(p) Receivables and prepayments**

Receivables represent the right to collect determined amounts from customers or other debtors with regard to the Company's business. Receivables are reported in the total amount less the value adjustment or in amounts that are expected to be collected. Impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all receivables according to the agreed terms.

The amount of the provision is the difference between the carrying amount and recoverable amount of receivables, and is determined based on the assessment of the Company's management. Amount of the provision is recognized in the income statement. Trade receivables include all receivables from sale of goods and provision of services, as well as prepayments, dues from state institutions and other short term receivables.

**(r) Cash**

For the purposes of cash flow statements, cash consists of cash in hand and balances with banks.

**(s) Treasury shares**

Treasury shares of the Company held at the balance sheet are treated as a deduction from the Company's equity. The gains and losses on sales of treasury shares are charged to the capital reserves.

**(t) Financial instruments and risk management**

Financial instruments included in the balance sheet consist of cash and balances with banks, trade receivables, trade payables and loans. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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ILIRIJA d.d., BIOGRAD NA MORU  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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**NOTE 2 - ACCOUNTING POLICIES (continued)**

Credit risk

Financial assets which potentially subject the Company to concentrations of credit risk consist of cash and trade receivables. The Company's cash is held with major banks. A part of trade receivables can bear a certain credit risk, considering the level of business with certain buyers, and the state of general liquidity in the country. Trade receivables are stated at real value. Borrowings of the Company at commercial banks are agreed mainly at variable interest rates so the Company is, base on it, exposed to credit risk, but only due to exceptional circumstances and disruptions in operations which is independent of the Company. Except for the stated, the Company has no other significant concentration of credit risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash for closing Company's liabilities. Management board on regular basis monitors the level of liquidity.

Foreign exchange risk

Although the majority of revenues are earned on the domestic market, the Company is exposed to foreign exchange risk. The accommodation services' prices are connected to foreign exchange, mainly EURO which vicissitude can significantly influence the operation results. Exposure to foreign exchange risk is also a result of borrowings agreements which amounts are concluded in EURO.

Interest rate risk

Due to the fact that the Company uses the borrowings with both fixed and variable interest rate, it is exposed to the risk of variable interest rates. Most of the approved borrowings are with variable interest rate.

Fair value

Net book values of the following items of the financial assets and financial liabilities approximately reflect their fair values: cash, investment, trade receivables, trade payables, other receivables and payables, loans to employees, short-term borrowing to related parties, long-term liabilities.

Regulatory risk

The Company is exposed to changes in tax and other regulations in the Croatian Legal System. In particular this applies to legislation in the field of maritime domain and the tourist area on which the Company has significant and business critical long-term investments and are not fully realized all the constitutionally guaranteed rights in the field of investment capital.

**(u) Comparative figures**

The Financial statements for the year ended as of 31 December 2016 have been restated to record material prior period error as follows:

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ILIRIJA d.d., BIOGRAD NA MORU  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2017

**NOTE 2 - ACCOUNTING POLICIES (continued)**

(In HRK thousands)	Notes	31 December 2016 Before restatement	31 December 2016 Restated
<b>ASSETS</b>			
Long term assets			
Intangible assets	3	376	376
Property, plant and equipment	4	318,186	318,186
Investment property	5	78,514	78,514
Investment in subsidiaries	6	40	40
<b>Total long term assets</b>		<b>397,116</b>	<b>397,116</b>
<b>Current assets</b>			
Inventories	7	2,118	2,118
Receivables and prepayments	8	9,108	8,318
Short-term financial investments	9	2,503	2,503
Cash	10	2,341	2,341
<b>Total current assets</b>		<b>16,070</b>	<b>15,280</b>
<b>Total assets</b>		<b>413,186</b>	<b>412,396</b>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves			
Share capital	11	174,978	174,978
Treasury shares	11	(540)	(540)
Capital reserves		26,724	26,724
Reserves	12	23,977	23,977
Retained profit		19,869	19,869
<b>Net comprehensive profit for the period</b>		<b>30,676</b>	<b>29,886</b>
<b>Total equity</b>		<b>275,684</b>	<b>274,894</b>
<b>Long term liabilities</b>			
Borrowings	13	103,616	103,616
<b>Total long term liabilities</b>		<b>103,616</b>	<b>103,616</b>
<b>Current liabilities</b>			
Trade and other payables	14	18,959	18,959
Borrowings	13	12,985	12,985
Deferred income	15	1,942	1,942
<b>Total current liabilities</b>		<b>33,886</b>	<b>33,886</b>
<b>Total liabilities</b>		<b>137,502</b>	<b>137,502</b>
<b>Total equity and liabilities</b>		<b>413,186</b>	<b>412,396</b>



ILIRIJA d.d., BIOGRAD NA MORU  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2017

**NOTE 2 - ACCOUNTING POLICIES (continued)**

(In HRK thousands)	Notes	31 December 2016 Before restatement	31 December 2016 Restated
Sales	16	121,806	121,806
Other operating revenues	17	1,369	1,369
<b>Total operating revenue</b>		<b>123,175</b>	<b>123,175</b>
Cost of raw material and energy	18	(18,340)	(18,340)
Cost of services	19	(14,791)	(14,791)
Staff costs	20	(30,256)	(30,256)
Depreciation	3	(161)	(161)
Amortization	4	(8,851)	(8,851)
Other operating expenses	21	(16,189)	(16,979)
<b>Total operating expenses</b>		<b>(88,588)</b>	<b>(89,378)</b>
<b>Profit from operations</b>		<b>34,587</b>	<b>33,797</b>
Net financial expenses	22	(3,346)	(3,346)
<b>Profit before taxation</b>		<b>31,241</b>	<b>30,451</b>
Income tax	23	(565)	(565)
<b>Net profit for the current year</b>		<b>30,676</b>	<b>29,886</b>
Other comprehensive profit		-	-
<b>Total comprehensive profit for the period</b>		<b>30,676</b>	<b>29,886</b>
Earnings per share - basic (in HRK)	24	110,55	107,70

ILIRIJA d.d., BIOGRAD NA MORU  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2017

**NOTE 3 - INTANGIBLE ASSETS**

(In HRK thousands)	Lease hold improvement - buildings	Lease hold improvement - Pašman	Total
<b>Year ended 31 December 2016</b>			
Opening net book amount	413	60	473
Additions	65	-	65
Amortization charge	(161)	-	(161)
<b>Closing net book amount</b>	<b>317</b>	<b>60</b>	<b>377</b>
<b>Balance at 31 December 2016</b>			
Cost	1,608	60	1,668
Accumulated amortization	(1,291)	-	(1,291)
<b>Net book value</b>	<b>317</b>	<b>60</b>	<b>377</b>
<b>Year ended 31 December 2017</b>			
Opening net book amount	317	60	377
Additions	-	63	63
Amortization charge	(161)	-	(161)
<b>Closing net book amount</b>	<b>156</b>	<b>123</b>	<b>279</b>
<b>Balance at 31 December 2017</b>			
Cost	1,608	123	1,731
Accumulated amortization	(1,452)	-	(1,452)
<b>Net book value</b>	<b>156</b>	<b>123</b>	<b>279</b>

The investments were made in the catering facility "Arsenal", in which the Company carries out its activities under the Business Cooperation Agreement concluded with Parent Company, Arsenal Holdings d.o.o., Zadar.

Pursuant to the Agreement on co-financing of project design, nautical tourism - marina in Pašman, the Company recorded leasehold improvements in the amount of HRK 123 thousand.

ILIRIJA d.d., BIOGRAD NA MORU  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2017

**NOTE 4 - PROPERTY, PLANT AND EQUIPMENT**

(In HRK thousands)	Land	Buildings	Equipment	Assets in course of construction	Total
<b>Year ended 31 December 2016</b>					
At beginning of year	42,340	224,503	32,154	717	299,714
Additions	-	45	9,808	17,569	27,422
Transfer from assets in course of construction	-	14,422	1,253	(15,675)	-
Disposals	-	-	(63)	(36)	(99)
Depreciation charge	-	(5,298)	(3,553)	-	(8,851)
<b>Closing net book amount</b>	<b>42,340</b>	<b>233,672</b>	<b>39,599</b>	<b>2,575</b>	<b>318,186</b>
<b>Balance at 31 December 2016</b>					
Cost	42,340	292,744	64,851	2,575	402,510
Accumulated depreciation	-	(59,072)	(25,252)	-	(84,324)
<b>Net book value</b>	<b>42,340</b>	<b>233,672</b>	<b>39,599</b>	<b>2,575</b>	<b>318,186</b>
<b>Year ended 31 December 2017</b>					
At beginning of year	42,340	233,672	39,599	2,575	318,186
Additions	136	-	7,190	17,335	24,661
Transfer from assets in course of construction	819	14,407	1,443	(16,669)	-
Disposals	-	-	(62)	(275)	(337)
Depreciation charge	-	(5,557)	(4,220)	-	(9,777)
<b>Closing net book amount</b>	<b>43,295</b>	<b>242,522</b>	<b>43,950</b>	<b>2,966</b>	<b>332,733</b>
<b>Balance at 31 December 2017</b>					
Cost	43,295	307,151	72,826	2,966	426,238
Accumulated depreciation	-	(64,629)	(28,876)	-	(93,505)
<b>Net book value</b>	<b>43,295</b>	<b>242,522</b>	<b>43,950</b>	<b>2,966</b>	<b>332,733</b>

In the process of the Company's transformation, the estimated value of the Company's capital has included the estimated value of the property for which the property relations were not solved. The shares of equal value are reserved by Croatian Privatization Fund (Agency for State Property Management / CERP). For a part of shares reservation was eliminated, so the number of reserved shares remaining is 9,275 (Note 11).

ILIRIJA d.d., BIOGRAD NA MORU  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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**NOTE 4 - PROPERTY, PLANT AND EQUIPMENT (continued)**

Buildings of Marina Kornati and swimming pool are located at the maritime domain. The usage is regulated by the approved concessions, With the Concession agreement of the maritime domain-harbour of the nautical tourism Kornati, the use is regulated for a period of 32 years, or up to 2031. For hotel port Ilirija - Kornati in February 2015 a request is submitted to Zadar County for an extension of the concession to 30 years. In preparation is a study and surveys to apply for an extension of the concession for outdoor swimming pool.

On 31.12.2017 the total investment made in the facilities of the campsite are in total value, as reported at cost in the amount of 62,682 thousand. Auto camp is spread over 200,800 m<sup>2</sup> of land, which the Company by the Decision of the former Assembly of the Municipality of Biograd na Moru and the Contract on granting permanent use of building land, concluded with the Assembly of the Municipality of Biograd na Moru, is received for permanent use for the performance of registered tourist activities.

The above land, except land plot of 779 sq.m., is not included in the estimated value of the Croatian Privatization Fund and is not included in the Company's share capital in the process of transformation and privatization. This confirms one of the most important outstanding issues of the procedure of transformation and privatization of enterprises in our country, and that is arranging the real owner of the construction land, which in the transformation and privatization has not estimated the value of the capital of legal entities. According to the Ministry of Justice in the camps is not estimated 22 million sqm of land, a total surface area which is not entered in the equity during the transformation and privatization is 100 million square meters.

This kind of legal situation has created a legal void concerning property-law status of those properties. The uncertainty of ownership and usage of those properties without proper legal ground disables touristic entities to invest and to do legal business regarding the usage of that land, and could have influence on the financial reports.

The decision is expected in the adoption of amendments to the Law on Tourist and Other Construction Land in the transformation and privatization and in conclusion of the concession contract. Based on the text of the said Act, tourist land in camps, whose value is not fully assessed in the capital in the process of transformation and privatization, is ownership of the Republic of Croatia, while usage of these assets would be regulated by concessions.

In the meantime the Company has also regulated performing its registered touristic activity on the stated land by the Lease Contract concluded with the Croatian Forests and the Town of Biograd na Moru. Since the mentioned Law was adopted on 24 July 2010 the Company has, within a legal deadline, 14 January 2011 submitted a request to the Republic of Croatia for the concession for a period of 50 years.

A part of the buildings of Ilirija d.d. with purchase value HRK 122,911 thousand and its land of a purchase value HRK 30,571 thousand are subjects to lien in favour of commercial banks for approved loans (Note 13).

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ILIRIJA d.d., BIOGRAD NA MORU  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2017

**NOTE 5 - INVESTMENT PROPERTY**

(In HRK thousands)	Land	Buildings	Total
<b>Year ended 31 December 2016</b>			
Opening net book amount	-	-	-
Additions	12,648	65,865	78,513
Depreciation charge	-	-	-
<b>Closing net book amount</b>	<b>12,648</b>	<b>65,865</b>	<b>78,513</b>
<b>Balance at 31 December 2016</b>			
Cost	12,648	65,865	78,513
Accumulated depreciation	-	-	-
<b>Net book value</b>	<b>12,648</b>	<b>65,865</b>	<b>78,513</b>
<b>Year ended 31 December 2017</b>			
Opening net book amount	12,648	65,865	78,513
Additions	-	1,462	1,462
Depreciation charge	-	(1,209)	(1,209)
<b>Closing net book amount</b>	<b>12,648</b>	<b>66,118</b>	<b>78,766</b>
<b>Balance at 31 December 2017</b>			
Cost	12,648	67,327	79,975
Accumulated depreciation	-	(1,209)	(1,209)
<b>Net book value</b>	<b>12,648</b>	<b>66,118</b>	<b>78,766</b>

Investment property, acquired by the company in December 2016, include the land and building of the City Galleria shopping center in Zadar. The land refers to 8 land plots of total area of 7,578 m<sup>2</sup>. All construction facilities together with the associated land are subject to lien as collateral for repayment of a loan (see note 13).

During the year, the Company had rental income from investment property in the amount of HRK 12,440 thousand, while operating expenses related to investment property amounted to HRK 8,523 thousand.



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**NOTE 6 - INVESTMENTS IN SUBSIDIARIES**

(In HRK thousands)	2017	2016
Ilirija Građenje d.o.o., Biograd n/m	19	20
Ilirija Nautika d.o.o., Biograd n/m	20	20
	<b>39</b>	<b>40</b>

The above companies have not yet started with their business activities.

Investments and the respective holding are presented below:

Name of the company	Nature of business	Country of incorporation	Holding 2017	in % 2016
<b>Subsidiaries</b>				
Ilirija Građenje d.o.o., Biograd n/m	construction, property	Croatia	100,00%	100,00%
Ilirija Nautika d.o.o., Biograd n/m	marina	Croatia	100,00%	100,00%

**NOTE 7 - INVENTORIES**

(In HRK thousands)	2017	2016
Raw material	1,250	1,113
Small inventory and spare parts	820	1,005
	<b>2,070</b>	<b>2,118</b>

**NOTE 8 - RECEIVABLES AND PREPAYMENTS**

(In HRK thousands)	2017	2016 restated
Domestic trade receivables	5,811	5,454
Foreign trade receivables	1,322	780
Prepayments - Group, TCZ	15	-
Prepayments	299	391
Co-owners receivables - related party	365	194
VAT	425	308
Due from employees	158	153
Income tax receivables	-	813
Other receivables - Group, TCZ-Faza 2 d.o.o.	-	80
Other receivables	414	145
	<b>8,809</b>	<b>8,318</b>

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**NOTE 8 - RECEIVABLES AND PREPAYMENTS (continued)**

**Domestic trade receivables**

(In HRK thousands)	2017	2016 restated
At beginning of year	5,454	4,928
Changes - increase (new account)	96,528	75,378
Changes - decrease (payment)	(96,171)	(74,062)
At end of year before correction	5,811	6,244
Effects of correcting prior period errors (during year)	-	(790)
<b>At end of year</b>	<b>5,811</b>	<b>5,454</b>

Amounts stated as at 31 December 2016 have been restated on the basis of a correction of the prior period error.

**NOTE 9 - SHORT-TERM FINANCIAL INVESTMENTS**

(In HRK thousands)	2017	2016
Loans to co-owners - related party	1,496	1,676
Loan - Ilirija nautika d.o.o., related party	-	136
Loans to employees	511	408
Loan to employee - co-owner, related party	199	217
Deposit - leasing	-	66
	<b>2,206</b>	<b>2,503</b>

Short-term loans to employees are granted with interest calculation in the amount of the annual increase in retail prices which is calculated after repayment.

**NOTE 10 - CASH**

(In HRK thousands)	2017	2016
Cash balance on domestic currency account	130	411
Cash balance on foreign currency account	1,331	1,903
Cash in hand	55	27
	<b>1,516</b>	<b>2,341</b>

ILIRIJA d.d., BIOGRAD NA MORU  
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**NOTE 11 - SHARE CAPITAL AND TREASURY SHARES**

(In HRK thousands)	Ordinary shares	Reserved shares	Total	Treasury shares	Share capital less treasury shares
Balance at 31 December 2016	169,877	5,101	174,978	(540)	174,438
Balance at 31 December 2017	222,102	7,045	229,147	(1,218)	227,929

Share capital at 31 December 2016 included a total of 301,686 shares, each with a nominal value of HRK 580.00, totaling HRK 174,978 thousand.

By the decision of the General Assembly of the Company on 26 April 2017, the share capital was increased from the Company's funds, from the part of the profit realized in 2016, with which the share capital increased from HRK 174,977,880.00 for the amount of HRK 30,168,600.00 to the amount of HRK 205,146,480.00 and is divided into 301,686 ordinary shares with a nominal value of HRK 680.00.

By the decision of the General Assembly of the Company on 20 November 2017, the share capital was increased from the funds of the company by entering a part of the capital reserves in the amount of HRK 24,000,000.00 into the Company's share capital. Thus the share capital was increased from the amount of HRK 205,146,480.00 for the amount of HRK 24,000,000.00 to the amount of HRK 229,146,480.00 and is divided into 301,686 ordinary shares.

At the same meeting, the Company made two more decisions, a decision to change shares with the nominal value for shares without the nominal value, and a decision to split ordinary shares without a nominal value by dividing one share into 8 ordinary shares without a nominal value.

After all changes, the last one is registered at the Commercial Court in Zadar on 28 December 2017, the Company's share capital on 31 December 2017 amounts to HRK 229,146,480.00 and is divided into 2,413,488 ordinary shares with no nominal value.

The balance of treasury shares at 31 December 2017 was 1,337 (2016: 859) at cost of HRK 1,218 thousand (2016: HRK 540 thousand). During the year, the company acquired 478 of treasury shares. Following the decision to divide ordinary shares without the nominal value by dividing one share into 8 ordinary shares without nominal value, the total number of treasury shares at 31 December 2017 will amount to 10,696 pieces of shares.

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**NOTE 11 - SHARE CAPITAL AND TREASURY SHARES (continued)**

At the end of 2017, the Decisions were made on giving of 536 treasury shares without compensation to employees to contribute to the achievement of business-financial results for the past mid-term period, ending with the year 2017. After the implementation of this decision, 801 of treasury shares will remain (after replacement: 6,408) in the CDCC at the average purchase price of HRK 910.99 per share, ie a total of HRK 730 thousand.

In the process of transformation of the Company, by the decision of the Croatian Privatization Fund, the shares are reserved at DEM 2,772,000 and due to unresolved property rights on certain property. As part of the property was sold in the meantime and for a part the ownership was resolved, the Croatian Privatization Fund's resolutions canceled the provision of 13,755 shares and 4,710 shares, which reduced the amount of the reserved shares and in 2017 it was 9,275 shares or 3.0744% (see note 4).

The principal shareholders and their respective holdings in Ilirija d.d., Biograd are as follows (in %):

	31 December 2017	31 December 2016
Arsenal Holdings d.o.o., Zadar	59,21	59,21
Ilirija d.d., Biograd na Moru (treasury shares)	0,44	0,28
AZ mandatory pension fund	16,28	16,38
AZ voluntary pension fund	3,04	3,03
Center for restructuring and sale (CERP)	3,07	3,07
Other shareholders	17,96	18,03
	<u>100,00</u>	<u>100,00</u>

**NOTE 12 - RESERVES**

(In HRK thousands)	2017	2016
Compulsory reserves	9,478	9,478
Reserves for treasury shares	6,976	6,976
Other reserves	7,523	7,523
	<u><b>23,977</b></u>	<u><b>23,977</b></u>

Compulsory reserves are formed from the realized profit up to 5% of the Company's share capital, in accordance with the Companies Act. Compulsory reserves are not distributable.

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**NOTE 13 - BORROWINGS**

(In HRK thousands)	Initial amount of principal	Interest rate	2017	2016
<b>Short-term borrowings</b>				
Erste&Steiermarkische Bank d.d., Rijeka	KN 2.500.000,00	3,35 %	1,404	2,255
Erste&Steiermarkische Bank d.d., Rijeka	EUR 270.000,00	4,3 %	-	2,041
			1,404	4,296
Plus: current portion of long-term borrowings			9,568	8,689
			<b>10,972</b>	<b>12,985</b>
<b>Long-term borrowings</b>				
Erste&Steiermarkische Bank d.d., Rijeka	EUR 1.680.000,00	3%	12,619	6,134
Erste&Steiermarkische Bank d.d., Rijeka	EUR 7.491.008,67	3m euribor+3,85%	51,594	55,672
Erste&Steiermarkische Bank d.d., Rijeka	EUR 6.000.000,00	3m euribor+3,25%	42,327	45,347
S - Leasing d.o.o., Zagreb	EUR 677.411,85		5,873	5,152
			112,413	112,305
Less: current portion of long-term borrowings			(9,568)	(8,689)
			<b>102,845</b>	<b>103,616</b>
			<b>113,817</b>	<b>116,601</b>

**Short-term borrowings**

The Company used revolving loan on the account in Erste&Steiermarkische Bank d.d till 13 December 2018, up to HRK 2.500.000.



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**NOTE 13 - BORROWINGS (continued)**

**Long-term borrowings**

Liabilities for long term borrowing refers to three loans from Erste&Steiermarkische Bank d.d.:

- borrowing granted February 26, 2016, in the amount of EUR 1,680,000.00, as an investment loan from the loan program support the tourism sector in cooperation with the Croatian Bank for Reconstruction and Development, for the reconstruction of the marina Kornati in Biograd na Moru, at an interest rate in the amount of 3% per year. Until 31 December 2017, the loan was used, in the amount of EUR 1.679,495.21. The loan is repaid in 60 quarterly installments in the amount of EUR 28,000.00, the first of which is due on June 30, 2018 and the last on 31 March 2033.

- borrowing approved May 25, 2016, in the amount of EUR 7,491,008.67, with the purpose of refinancing financial liabilities that the client had to Erste Bank der Oesterreichische Sparkassen, Vienna long-term loans in 2007, with an interest rate equal to three-month Euribor plus a margin of 3.85% per year. The loan is repaid in 60 quarterly installments in the amount of EUR 124,850.14, the first of which is due on October 1, 2016, and the last due on 30 June 2031.

- borrowing approved November 29, 2016, in the amount of EUR 6,000,000.00, with the intention of buying the building of the shopping center City Galleria in Zadar, at an interest rate equal to three-month Euribor plus a margin of 3.25% per year. The loan is repaid in 180 monthly installments in the amount of EUR 33,333.33, the first of which is due on 1 February 2017 and the last due on 1 January 2032.

Loans are secured with financial instruments, and by entering a lien - mortgage on property of the Company in favor of commercial banks (see Note 4 and 5).

The liabilities to S-leasing d.o.o., Zagreb relates to a commitment of twenty financial lease contracts for the purchase of equipment, which are repaid in equal monthly annuities. The interest rates are fixed by four contracts, and the other sixteen contracts are variable and are aligned with the quarterly Euribor. Liabilities for all financial leasing contracts are due until 2022.

The repayment schedule for long-term borrowing for the next five years is as follows:

(In HRK thousands)

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2018	9,568
2019	9,186
2020	8,794
2021	8,457
2022	7,726
after 2022	68,682

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**112,413**

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ILIRIJA d.d., BIOGRAD NA MORU  
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**NOTE 14 - TRADE AND OTHER PAYABLES**

(In HRK thousands)	2017	2016
Trade payables	6,701	12,153
Trade payables - Group, Arsenal Holdings	1	313
Liabilities for bills of exchange	-	1,200
Provisions upon initiated court proceedings	1,161	-
Income tax	2,275	-
Sojourn tax	26	18
Maritime domain dues	71	128
Interest payable	1	661
Dividend	150	939
Dividend - Group, Arsenal Holdings	-	1,115
Due to employees for gross wages in kind	1,660	-
Due to employees	1,396	1,296
Taxes and contributions on salaries	935	792
Service contract (temporary employment)	15	168
VAT	281	100
Other liabilities	43	76
	<b>14,716</b>	<b>18,959</b>

**NOTE 15 - DEFERRED INCOME / ACCRUED EXPENSES**

(In HRK thousands)	2017	2016
Prepayments from individual guests	830	818
Prepayments from agencies	1,094	909
Accrued expenses	6	215
	<b>1,930</b>	<b>1,942</b>

**NOTE 16 - SEGMENT INFORMATION**

Business segments are determined for the primary reporting format based on risks and rates of return of the Company which is primarily influenced by the differences in services which they offer to the market. Secondary information are reports according to geographical segments. Business segments are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services to different markets. They are recorded based on the information that is internally prepared for the Management Board who is also the chief operating decision maker.

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**NOTE 16 - SEGMENT INFORMATION (continued)**

Since 2017, there are three main segments: tourism and hospitality, marinas and investment property. The segment "tourism and hospitality" includes services in catering and tourism, a nautical segment of services related to nautical tourism, and the segment "investment property" includes rental services. In December 2016, the company acquired land and building of the City Galleria shopping center in Zadar for the purpose of earning rental income. The services of the company are mainly related to tourism and catering, and the place of rendering services is the Republic of Croatia. Revenue from the sale of these services may also differ according to the geographical affiliation of customers.

**Business segment**

The following tables present revenue and profit and certain assets and liabilities of the Company's business segments:

Year ended 31.12.2017 (In HRK thousands)	Nautica	Tourism and catering	Investment property	Total
Income				
Income from catering and tourism	-	89,036	-	89,036
Rental - Group, Arsenal Holdings	-	88	-	88
Income from investment property	-	-	12,233	12,233
Income from marina	44,965	-	-	44,965
<b>Total income</b>	<b>44,965</b>	<b>89,124</b>	<b>12,233</b>	<b>143,364</b>
Result				
Segment result	18,341	15,245	4,420	38,006
Finance cost - net	(788)	(1,497)	(1,319)	(3,604)
Profit before tax	17,553	13,748	3,101	34,402
Income tax	(3,390)	(2,659)	(598)	(6,647)
<b>Net profit for the year</b>	<b>14,163</b>	<b>11,089</b>	<b>2,503</b>	<b>27,755</b>
At 31 December 2017				
Assets and liabilities				
Segments assets	81,837	261,334	79,135	422,306
Unallocated assets				4,112
Total assets				426,418
Segments liabilities	13,223	7,024	42,474	62,721
Unallocated liabilities	-	-	-	67,742
<b>Total liabilities</b>				<b>130,463</b>

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**NOTE 16 - SEGMENT INFORMATION (continued)**

Other segment information				
Capital investment				
Property, plant and equipment	7,432	17,229	-	24,661
Intangible assets	63	-	-	63
Investment property	-	-	1,462	1,462
Depreciation	2,196	7,200	-	9,396
Unallocated depreciation				381
Total depreciation				9,777
Amortization	-	161	-	161
Amortization of investment property	-	-	1,209	1,209

Total Company's assets, capital expenditure are located in the Republic of Croatia.

Year ended 31.12.2016 (In HRK thousands)	Nautica	Tourism and catering	Total
Income			
Income from catering and tourism	-	78,392	78,392
Rental - Group, Arsenal Holdings	-	61	61
Income from marina	43,353	-	43,353
<b>Total income</b>	<b>43,353</b>	<b>78,453</b>	<b>121,806</b>
Result			
Segment result	19,146	15,441	34,587
Finance cost - net	(1,200)	(2,146)	(3,346)
Profit before tax	17,946	13,295	31,241
Income tax	(325)	(240)	(565)
Net profit for the year	17,621	13,055	30,676
At 31 December 2016			
Assets and liabilities			
Segments assets	77,291	253,244	330,535
Unallocated assets	-	-	82,651
Total assets			413,186
Segments liabilities	6,878	5,965	12,843
Unallocated liabilities	-	-	124,659
<b>Total liabilities</b>			<b>137,502</b>

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**NOTE 16 - SEGMENT INFORMATION (continued)**

Other segment information

Capital investment:

Property, plant and equipment	10,976	16,446	27,422
Intangible assets	-	65	65
Depreciation	1,930	6,599	8,529
Unallocated depreciation	-	-	322
Total depreciation			8,851
Amortization	-	161	161

Total Company's assets, capital expenditure are located in the Republic of Croatia.

Income - geographical segment

Sales revenues may also differ according to the geographical affiliation of customers.

(In HRK thousands)	2017	2016
Domestic sales	108,900	87,172
Domestic sales - Group, Arsenal Holdings	88	61
Foreign sales	34,376	34,573
	<b>143,364</b>	<b>121,806</b>

**NOTE 17 - OTHER OPERATING REVENUES**

(In HRK thousands)	2017	2016
Income from written off liabilities	-	839
Income from previous years	62	7
Exchange office's commission-fee	189	190
Insurance damages collected	307	105
Donations	-	166
Income from joint financing	838	60
Revenue by court proceeding	1,636	-
Other income	162	2
	<b>3,194</b>	<b>1,369</b>



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**NOTE 18 - COST OF RAW MATERIAL AND ENERGY**

(In HRK thousands)	2017	2016
Raw materials and material	15,292	13,339
Energy	5,636	4,020
Small inventory	1,661	981
	<b>22,589</b>	<b>18,340</b>

**NOTE 19 - COST OF SERVICES**

(In HRK thousands)	2017	2016
Transport, telephone, postage	1,719	1,418
Repairs and maintenance	4,732	3,581
Cost of fairs	188	163
Rental	2,082	1,852
Rental - Group, Arsenal Holdings	1,263	1,260
Advertising and promotion	2,880	2,099
Advertising and promotion - Group, Arsenal Holdings	-	2
Municipal utility services	3,494	2,786
Utility fees	1,833	1,494
Other services	148	136
	<b>18,339</b>	<b>14,791</b>

**NOTE 20 - STAFF COSTS**

(In HRK thousands)	2017	2016
Net salaries	21,487	16,615
Taxes and contributions for salaries	13,778	12,047
Salary in kind - giving of treasury shares	697	-
Taxes and contributions for wages in kind	963	-
Other regulatory disbursements	1,949	1,594
	<b>38,874</b>	<b>30,256</b>

At the end of the year the number of staff employed by the Company was 227 (2016: 210).

Gross wages and compensation of key management in 2017 amounted to HRK 2,112 thousand (2016: HRK 2,060 thousand).

ILIRIJA d.d., BIOGRAD NA MORU  
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**NOTE 21 - OTHER OPERATING EXPENSES**

(In HRK thousands)	2017	2016 Restated
Travelling expenses	901	860
Nautical fair, regatta	99	232
Supervisory Board - related parties	574	545
Agencies' fees	1,728	1,358
Contract of temporary employment (net)	2,236	1,325
Contract of temporary employment (net) - related parties	61	570
Intellectual services (lawyer, notary and other)	185	450
Cultural, sport and amusement manifestation	1,287	774
Security services	1,159	811
Entertainment	793	669
Insurance premium	1,385	1,305
Contributions and membership dues	948	964
Bank and payment operation charges	390	361
Concessions	1,546	1,473
Donation, sponsorship	249	206
Deficits	62	63
Subsequently identified expenses from previous years	199	796
Write-off of bad receivables	-	1,571
Other	2,640	2,646
	<b>16,442</b>	<b>16,979</b>

Write-off of bad receivables

(In HRK thousands)	2016
At end of year before restatement	781
Effects of correcting prior periods errors	790
At end of year after restatement	<u>1,571</u>

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**NOTE 22 - NET FINANCIAL EXPENSES**

(In HRK thousands)	2017	2016
<b>Financial income</b>		
Foreign exchange gains	952	1,428
Interest income	9	-
Total financial income	961	1,428
<b>Financial expense</b>		
Foreign exchange losses	(106)	(929)
Interest expense	(4,459)	(3,845)
Total financial expenses	(4,565)	(4,774)
<b>Net financial expenses</b>	<b>(3,604)</b>	<b>(3,346)</b>

**NOTE 23 - INCOME TAX**

Income tax is calculated in accordance with Croatian law. Tax rate on taxable income is 18% (2016: 20%). On 31 December 2017 the Company has established the income tax liability based on the tax return in the amount of HRK 6,647 thousand (2016: HRK 565 thousand).

A reconciliation of the Company's effective tax expense per income statement with statement of comprehensive income and taxation at the statutory rate is detailed in the table below:

(In HRK thousands)	31 December 2017	31 December 2016
<b>Profit before tax</b>	<b>34,402</b>	<b>31,241</b>
Tax calculated at a rate of 18% / (2016: 20 %)	6,192	6,248
Tax effect of expenses non-deductible for tax purposes	455	351
Tax effect of income not subject to tax	-	(6,034)
<b>Tax charge</b>	<b>6,647</b>	<b>565</b>
Actual income tax rate	19,32%	1,81%

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**NOTE 24 - EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares (Note 11).

	2017	2016
Profit attributable to equity holders (In HRK thousands)	27,755	29,886
Weighted average number of ordinary shares in issue	257,105	277,481
Basic earnings per share (In HRK)	107.95	107.70

**NOTE 25 - CASH GENERATED FROM OPERATIONS**

Reconciliation of profit with cash generated from operations is as follows:

(In HRK thousands)	2017	2016
Profit for the year	27,755	30,676
Adjustments for:		
Depreciation (Note 3)	161	161
Amortization (Note 4)	9,777	8,851
Depreciation of investment property (Note 5)	1,209	-
Book value of sold and disposed tangible assets (Note 4)	337	99
Changes in working capital:		
- trade receivables	(899)	(511)
- receivables for prepayments	77	24
- other receivables	331	(904)
- inventories	48	42
- trade payables	(5,764)	(3,417)
- liabilities for bills of exchange	(1,200)	(7,400)
- due from employees	1,903	14
- other payables	(343)	(2,931)
- prepaid expenses	1,161	-
- deferred income	(12)	(507)
<b>Cash inflow generated from operations</b>	<b>34,541</b>	<b>24,197</b>

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**NOTE 26 - RELATED PARTY TRANSACTIONS**

The majority owner of the Company is Arsenal Holdings d.o.o., Zadar, which owns 59.21% share in the Company. Transactions with related parties beside mentioned, include transactions with Trgovinski centar Zadar d.o.o., which is a member of the "Arsenal Holdings" group and which is owned by the same owner as well as the co-owners of the Company - natural persons and the Management and key management. Related party transactions, in the normal course of its operations, include purchase and sale of goods under market conditions, as well as services, assets, loans and gross salaries of key management and supervisory board compensation.

Year-end balances resulting from related party transactions (members of the Group) that are included in the balance sheet are as follows:

(In HRK thousands)	2017	2016
Prepayments (Note 8)	15	-
Other receivables (Note 8)	-	80
Other co-owners receivables (Note 8)	365	194
Loans to co-owners (Note 9)	1,496	1,676
Loans (Note 9)	-	136
Loan to employee - co-owner (Note 9)	199	217
Trade payables (Note 14)	1	313
Dividend (Note 14)	-	1,115

During the year the Company had related party transactions which are reflected in the income statement as follows:

(In HRK thousands)	2017	2016
Service revenue (Note 16)	88	61
Rental (Note 19)	1,263	1,260
Advertising and promotion (Note 19)	-	2
Gross salaries of key management (Note 20)	2,112	2,060
The Supervisory Board (Note 21)	574	545
Contract of temporary employment (net) (Note 21)	61	570



ILIRIJA d.d., BIOGRAD NA MORU  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 27 - CONTINGENT LIABILITIES**

The Company maintains a number of legal proceedings, but Management does not expect losses that would significantly have an impact on property, ownership status and operations of the Company.

In the course of 2015, the Ministry of Finance-Tax Administration, the Dalmatian Regional Office, the Supervision, the Supervision of Accounting, Registration and Reporting of Value Added Tax, Profit Tax, Income Tax and Compulsory Contributions for salaries for the period from 1 January to 31 December 2013. It is composed of the Minutes of 12 June 2015 and the Tax Resolution of 12 August 2015, which determined irregularities and ordered the payment of taxes and contributions in the amount of HRK 1,017,539.77 and interests in the amount of HRK 164,474.50 to be increased for further interest until the day of payment. Within the statutory deadline, the Company filed an appeal to the Tax Administration. On 19 June 2017, the Company received a Decision of the Ministry of Finance, Independent Sector for Second Instance Administrative Procedure, of 18 April 2017, which accepts the appeal on the Decision of the Tax Administration, Dalmatia's Regional Office, and requires to repeat the procedure.

Upon order of the Company, a bank guarantee was issued in favor of Hrvatske šuma d.o.o., Zagreb, for the amount of HRK 500 thousand with a validity until July 15, 2024, as well as a bank guarantee in favor of the Ministry of Sea, Transport and Infrastructure of the Republic of Croatia, for the amount of HRK 451,442.06 with a validity period up to October 15, 2019 and a binding letter of intent by which the Company issued a debenture in the amount of HRK 2,257,210.30 to charge the bank's claims.

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ILIRIJA D.D.

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