



 *Ilija d.d.*

# Annual business report for 2018

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Biograd na Moru, April 2019



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## INTRODUCTION BY THE PRESIDENT OF THE MANAGEMENT BOARD



Goran Ražnjević, President of the Management Board

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Dear shareholders,

The Company has been continuously, year after year, recording success in the process of growth and development, so we can emphasize with great pleasure that we continued this trend even in the fiscal year 2018 and have achieved the best business results so far. The business results achieved in 2018 confirmed that the Company with a wide range of economic activities continues with successful, profitable and responsible business operations.

Starting from the strategic goals and the Company's commitment to all-year business in all of its tourism sectors through the development of complementary and integrated product, to continuous development and improvement of services, standards and quality, new product development, innovation and specifics and sustainable investment, implemented through our business in 2018, the results achieved, both physically and financially, are the reflection of all above mentioned and confirm the correctness of our decisions in which direction we want to develop our business as a Company.

In 2018, the main tourist sectors (hotel sector, nautics and camping) recorded a rise in fundamental physical business results which consequently resulted in the increase in financial performance of these sectors.

Over the past year, the hotel and camping sectors achieved a total of 447,590 overnight stays, which represents the growth of overnight stays by 6.10% compared to that in the previous fiscal year, while overnight stays in the nautical sector are not the core business activity. With achieved 144,745 overnight stays the hotel sector recorded a growth by 4%, while the camping sector with 302,845 overnights and 6.99% growth rate achieved the Company's long-term strategic goal - over 300,000 overnight stays for the first time. Besides, tourist turnover in hotel and camping sector, both in arrivals and overnight stays, grew faster than the turnover in these sectors at the level of the Republic of Croatia where hotel overnight stays grew at a rate of 2.45% and campsites at a rate of 1.18%.

The destination management company/DMC Ilirija Travel, the complementary and integrated product of the Company, regardless of the growth in the

number of events, recorded no financial results in the business operations as a result of the decrease in the number of persons per event and the lack of events from the more lucrative markets. By organizing 561 events and recording a rise by 14% compared to that in 2017, the Company confirmed its role as the creator of the development of the destination offer where by organizing the events through its own destination management company it simultaneously contributes to the improvement of the offer of destinations in which it conducts the business operations. Most of the events were realized in the the shoulder season, making thus the contribution of the destination management company Ilirija Travel to tourism development and reduction of its seasonality far more significant.

The best financial results of its operations have been achieved so far in its key parameters – operating and total revenues, as well as profitability indicators - operating profit, profit, EBITDA and EBIT. Total revenues were generated in the amount of HRK 161,048,880.05 with a growth rate of 7.03% as a result of an increase in operating revenues of the Company or its realization on the domestic and

foreign market that increased at a rate of 8%. Operating revenues, generated in accordance with the Business Plan for 2018, realized in the amount of HRK 159,490,115.09 are the result of the growth in operating revenues in all sectors except for the destination management company. Besides the growth in operating revenues, profitability indicators are far the best so far. Operating profit was generated in the amount of HRK 52,657,489.21 with a growth of 8,27%, while the profit for 2018 amounts to HRK 37,035,167.22 with a growth rate of 9.29%. EBITDA (Earnings before interest, taxes and amortization) was realized in the amount of HRK 54,216,254.17 and is higher by 9.31% while EBIT (Earnings before interest and taxes) was realized in the amount of HRK 41,419,356.76.

In January 2018, in the Central Depository Clearing Company (CDCC), a corporate share split transaction was carried out according to the Decision of the General Assembly on the share split of 20th November 2017, in a way that one ordinary bearer share of the Company with no par value was divided into eight (8) new ordinary bearer shares with no par value.

Despite a lower share trade volume, the average price per share amounts to HRK 182.00 in the capital market, which compared to the previous fiscal year the growth of 6.79% was achieved, when the average price of share amounted to HRK 170.42. In 2018, the Company paid dividends to the shareholders in the amount of HRK 7,221,240.00 or HRK 3,00 per share, whereby from 2009 until 31st December 2018 a total of HRK 44,360,458.00 was paid out to the shareholders.

As a company with a wide range of activities, which we actually became after the completed acquisition of the Commercial-shopping center City Galleria in Zadar, where our tourist portfolio was complemented by the real estate sector, which contributed to the strengthening of economic activities evenly throughout the entire fiscal year. For the second year in a row, the results of the Commercial-shopping center City Galleria confirm that the relevant investment is economically profitable and justified. Looking from the perspective of the operating results achieved in the real estate sector compared to those in the other sectors of the Company, they achieved the highest growth rate in operating revenues of 14% with double-digit growth in profitability

indicators of business operations reported through operating profit and profit as well as further growth in the gross operating margin.

We invested HRK 38,790,932.29 in order to continuously enhance the quality of services and standards, increase the competitiveness, market recognition of the company and fulfill further conditions for the development of the year-round tourist offer, while at the same time complying with the principles of sustainable and responsible investment. In 2018, a significant part of the investments referred to the "Park Soline" campsite where by purchasing new mobile homes and their complete equipment, followed by improvement of the infrastructure of the campsite itself, raising the quality of the offer and landscaping to the level of arboretum, we fulfill the conditions for the year-round business in the camping sector. In the hotel sector, an indoor swimming pool was built with accompanying amenities, thus complementing the existing offer of our hotel sector, while in the nautical sector the investments were related to the modernization of the offer and the marina facilities. Besides, we continued with investments in improving and raising the quality of the offer in the destination management company

Ilirija Travel and the real estate sector, followed by hospitality facilities and sports and recreational facilities.

We have publicly announced our third non-financial report, the Annual Report on Corporate Social Responsibility for 2017, prepared in accordance with the leading international non-financial reporting guidelines, that is, according to GRI Standards, providing a comprehensive overview of not only the company's financial results achieved by the Company, but also its contribution and activity in the community. Through our own Academy of Business Excellence - ILIRIJA EDUKA, we continued with the education of our employees, who are the best promoters of our values, destination and service, enabling them further personal and professional development while at the same time raising the quality of the service and guest satisfaction.

In 2018 we achieved and maintained the continuous growth of key business results at the level of the entire business system and its key sectors, while owing to responsible and sustainable investment, we have fulfilled the prerequisites for the development of all-year business, which is our strategic commitment

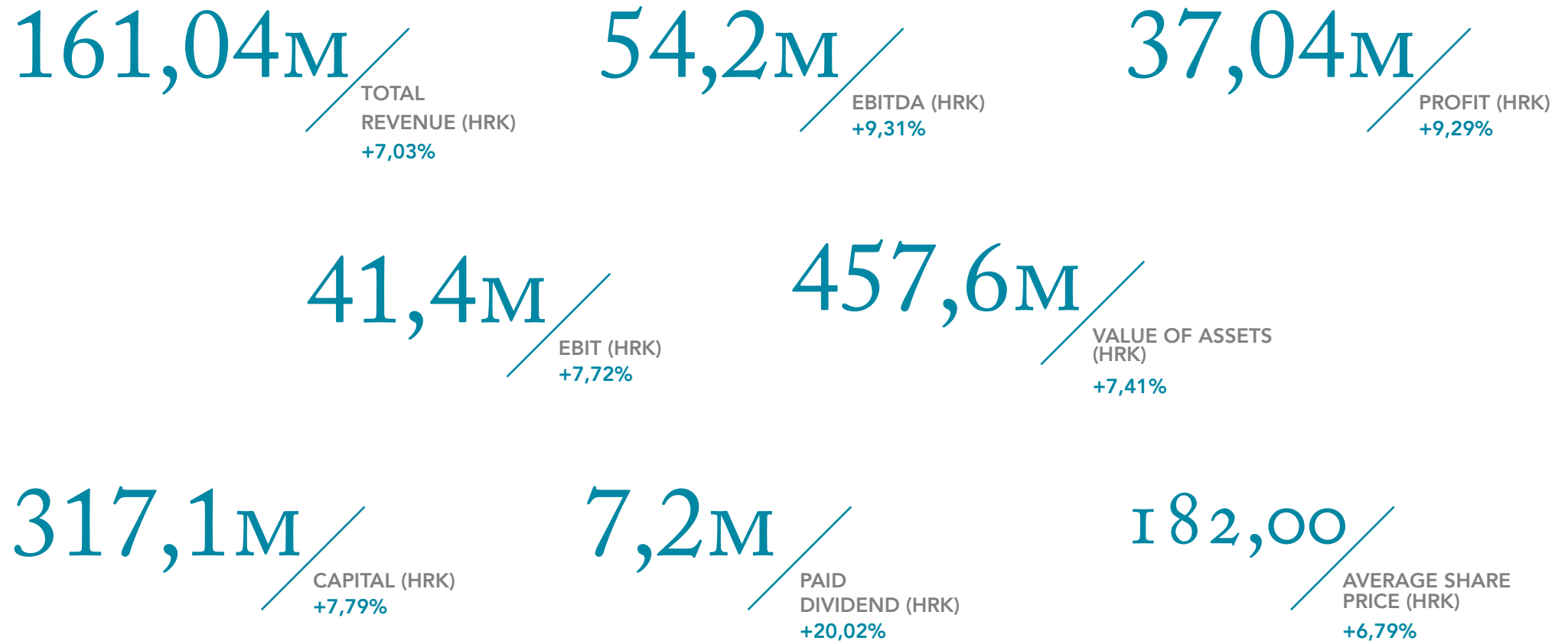
and the way we will continue in 2019 by developing the integrated and complementary offer of all our sectors, but also by further developing the offer of the destination. As a company that has been operating in the local and international tourism market for more than six decades, we believe that we shall also in 2019 continue with the continuous development and growth of the company as a whole and individually in all of its sectors, indicated by the physical and financial business results, accompanied by further strengthening its capital and market position, profitability and competitiveness.

Goran Ražnjević,  
President of the Management Board



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## OVERVIEW OF KEY PERFORMANCE INDICATORS FOR THE YEAR 2018



in HRK	2018	2017	Index 2018/2017
<b>Financial indicators</b>			
Total revenues	161.048.880,05	150.476.677,41	107,03
Operating revenues	159.490.115,09	149.515.545,23	106,67
<i>Hotel sector</i>	57.104.655,63	51.295.911,97	111,32
<i>Nautics</i>	46.219.397,68	45.059.600,02	102,57
<i>Camping</i>	33.542.041,42	29.822.950,45	112,47
<i>Commercial-shopping center City Galleria</i>	14.167.392,27	12.440.343,14	113,88
<i>Other sectors and profit centers</i>	8.456.628,09	10.896.739,65	77,61
Revenues from sale	157.999.499,71	146.322.013,19	107,98
EBITDA	54.216.254,17	49.597.271,10	109,31
EBITDA margin	33,99%	33,17%	102,48
Adjusted EBITDA	56.101.861,24	50.782.704,96	110,47
Adjusted EBITDA margin	35,18%	33,96%	103,58
EBIT	41.419.356,76	38.450.370,19	107,72
Adjusted EBIT	43.304.963,83	39.635.804,05	109,26
Gross profit	37.035.167,22	33.885.784,54	109,29
EBT margin	23,22%	22,66%	102,48
Net profit	29.795.129,95	27.238.944,54	109,38



in HRK	31/12/2018	31/12/2017	Index 2018/2017
<b>Balance sheet indicators</b>			
Net debt	109.285.301,00	109.736.289,00	99,59
Net debt/EBITDA	2,02	2,21	91,21
Net debt/Adjusted EBITDA	1,95	2,16	90,18
Interest coverage	8,45	7,53	112,22
Capital investments	38.790.932,29	24.618.457,45	157,57
ROE	9,40%	11,47%	81,91
ROA	6,51%	6,39%	101,89
Adjusted ROCE	10,14%	9,79%	103,58

in HRK	31/12/2018	31/12/2017	Index 2018/2017
<b>Indicators of the financial position</b>			
Value of assets	457.638.774,55	426.057.262,74	107,41
Capital	317.135.375,81	294.216.184,59	107,79
Total liabilities	140.503.398,74	131.841.078,15	106,57

in HRK	2018	2017	Index 2018/2017
<b>Achievements on the capital market</b>			
Market capitalization	424.773.888,00	392.191.800,00	108,31
EV	534.557.821,90	519.873.679,08	102,82
EV/EBITDA	9,86	10,48	94,08
EV/Adjusted EBITDA	9,53	10,24	93,05
P/E	14,21	14,06	101,07
EPS	12,39	90,3	13,72
DPS*	3,00	20,00	

\*Dividend per share is not comparable to the one in 2017 considering the corporate action of share split carried out in the month of January 2018, according to which one share was split into eight shares, with no par amount.

Physical indicators	2018	2017	Index 2018/2017
<b>Hotel sector</b>			
Number of accommodation units	443	443	100,00
Overnight stays of tourist	144.745	138.788	104,29
Occupancy days	165	157	105,10
Annual occupancy	45,12%	43,10%	104,69
<b>Nautical sector</b>			
Number of berths	805	805	100,00
Contracted vessels	741	712	104,07
Transit berth, overnight stays of vessels	10.639	12.144	87,61
Transit berth, inbound sail of vessels	3.263	3.527	92,51
Port service - number of operations	3.682	3.446	106,85
Days of work	365	365	100
<b>Camping</b>			
Number of accommodation units	1.220	1.130	107,96
Days of work	224	194	115,46
Occupancy days	125,15	111,47	112,27
<i>Mobile homes</i>	104,44	107,78	96,90
<i>Individuals</i>	48,81	48,48	100,68
<i>Fixed lease</i>	224,00	194,00	115,46
<i>Lump sum</i>	224,00	194,00	115,46
Occupancy	55,87%	57,46%	97,23
<i>Mobile homes</i>	46,63%	55,56%	83,93
<i>Individuals</i>	21,79%	24,99%	87,19
<i>Fixed lease</i>	100,00%	100,00%	100,00
<i>Lump sum</i>	100,00%	100,00%	100,00
Overnight stays of tourists	302.845	283.069	106,99

Physical indicators	2018	2017	Index 2018/2017
<b>Ilirija Travel</b>			
Number of events	561	491	114,26
Number of persons (events)	58.023	66.023	87,88
<b>Real-estate</b>			
Number of lessees	36	35	102,86
Common expenses - number of active contracts	34	33	103,03
Common areas - number of active contracts	23	24	95,83
Advertising space - number of active contracts	7	8	87,5
Garage - number of parking space	410	410	100,00
Rented area (m <sup>2</sup> )	9.897,60	9.656,30	102,50
Number of vehicles in the garage	635.505	667.753	95,17

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## KEY INFORMATION FOR THE YEAR 2018

1 The fiscal year 2018 is far the best year judging by physical, financial indicators and operating profitability indicators since privatization of the company, not only at the level of the Company but also at the level of its key sectors (hotel sector, nautics, camping and real estate). The achieved results are the consequence of: (I) the growth in the fundamental physical indicators of business operations, arrivals, overnight stays, a number of contracted vessels and rented areas, primarily in hotel sector, camping, nautics and real estate sector (II) significant business activities in the pre-season, that is, development of the year-round tourist offer especially in the hotel sector despite lower revenues generated in the destination management company/DMC Ilirije Travel, and (III) investments in the development of new offer and raising the quality of contents and services accompanied by marketing activities.

In 2018, after the successful acquisition of the Commercial-shopping center City Galleria in 2016, the Commercial-shopping center City Galleria achieved the highest rise in operating revenues that rose at a rate of 14% for the year 2018 as a result of the full occupancy of the Center (99.64 % of all leased areas) realized through 36 lease contracts and market-competitive business conditions.

The camping sector of the Company, that is, „Park Soline“ which, with a figure of 302,845 realized overnight stays, achieved its best fiscal year recording a rise in revenues by 12%, noting that with the achieved growth in arrivals by 12.69% and overnight stays by 6.99% exceeds the growth of the entire camping sector in The Republic of Croatia.

The hotel sector has so far achieved the best business, operating and financial results, with operating revenues generated in the amount of HRK 57,389,631.47 with a growth rate of 11% and in relative amounts, it contributed most to the growth of the Company's operating revenues as a whole. The results of the hotel sector, both physically and financially, are far better than forecasted for the fiscal year 2018, which is the result of strengthening the business activities in the pre and post season.

The nautical sector in the segment of accommodation and acceptance of the vessels or Marina Kornati achieved the growth in the key physical operating results in the segment of growth in the number of vessels on the contract-based berth and the activities of the port service, where the growth in revenue from boat show is particularly high. These achievements have resulted in the growth of operating revenues of

the entire nautical sector of the Company, despite the lack of operating revenues of the hospitality segment.

2 Total revenues amount to HRK 161,048,880.05 and grew by 7.03% compared to those in 2017, when they amounted to HRK 150,476,677.41, as a result of growth in operating revenues, that is, revenues from sales and rise in financial revenues.

3 The operating revenues were generated in the amount of HRK 159,490,115.09 with an achieved growth in the Company's key sectors, that is, in the real-estate sector by 14%, camping by 12%, hotel sector by 11% and nautics by 3%, while a decline in operating revenues was recorded in the destination management company/DMC Ilirija Travel.

4 Sales revenues amount to HRK 157,999,499.71 compared to those in 2017, when they amounted to HRK 146,322,013.19, which grew by 7.98% as a result of growth in revenues on the foreign and domestic market by 8%.

5 Total expenses amount to HRK 124,013,712.83 and rose by 6.37% compared to those in 2017 as a result of growth in operating expenses by 5.90% and depreciation by 14.80%.

6 The operating profit or profit from the business activities of the Company amount to HRK 52,657,489.21 for the observed period, which compared to the operating profit generated in 2017 is a rise by 8,27% or by HRK 4,021,350.29, while the profit was generated in the amount of HRK 37,035,167.22 and grew by 9.29% as a result of the growth of operating revenues.

7 EBITDA amounts to HRK 54,216,254.17 for the reporting period, and grew by 9,31%, while EBIT was generated in the amount of HRK 41,419,356.76 and it rose by 7.72% compared to that in the previous fiscal year.

8 Total liabilities amount to HRK 140,503,398.74 and have risen by HRK 8,662,320.59 or by 6.57% as a result of the increase in the Company's short-term liabilities and significant investments from its own funds.

9 The value of the assets amounts to HRK 457,638,774.55 and has increased by HRK 31,581,511.81 or by 7.41% compared to that in 2017 when it amounted to HRK 426,057,262.74.

10 In the reporting period, the capital increased by 7.79% or HRK 22,919,191.22 or from the amount of HRK 294,216,184.59 as much as it amounted in 2017,

to the amount of HRK 317,135,375.81.

11 According to the Decision of the General Assembly of 20th November 2017 on the split of ordinary shares designated as ILRA-R-A without a par value, a corporate share split transaction was performed in January in such a way that one share without a par value is divided into eight (8) ordinary shares designated as ILRA-R-A, without a par amount. According to the foregoing, the Company's share capital in the amount of HRK 229,146,480.00 was divided into 2,413.488 ordinary shares without a par amount.

12 General Shareholders' Assembly unanimously made the following decisions at the session held on 11 May 2018:

- The Decision on the utilization of the profit for the fiscal year 2017, according to which the profit generated after taxation in the amount of HRK 27,755,384.38 was allocated in the way as follows:

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

- Decision on dividend distribution according to

which the Company's shareholders were paid a dividend in the amount of HRK 7,221,240.00 or HRK 3.00 per share from the residual retained profit from 2011 and part of the profit for the year 2017.

13 The average share price in 2018 was realized in the amount of HRK 182.00, by which compared to that in the previous fiscal year, when the average share price amounted to HRK 170.42, as boiled down to the prices after the corporate share split activity, the average price increased by 6.79%. The last share price in the reporting period was generated in the amount of HRK 176.00 which increased by 8.31% compared to that in 2017.

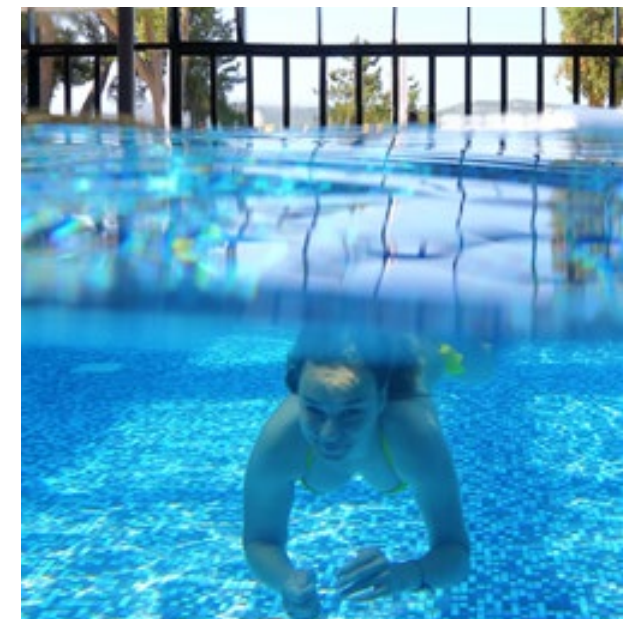
14 The market capitalization was achieved in the amount of HRK 424,773,888.00 which compared to that in the previous fiscal year, when it amounted to HRK 392,191,800.00, constitutes a growth by 8.31% or by HRK 32,582,088.00.

15 The investment cycle was realized in the total value of HRK 38,790,932.29 in the preparation of the tourist season 2018. Investments were made to upgrade the existing services, offers and contents at the level of the whole company, in particular its tourist part, followed by the development of new facilities that represent added value to the existing offer and increase

in accommodation capacities, then investments in the part of environmental protection by using natural gas as a core energy, etc. with an aim to ensure a competitive market position, a high-quality and recognizable tourism product according to tourist industry standards and market requirements. The most significant part was done in the camping sector where the campsite accommodation capacities were increased by purchasing, equipping and developing additional new 56 mobile homes and further investments were made in additional facilities and camp infrastructure. The most significant investment in the hotel sector is the construction of a multipurpose indoor swimming pool, hotel exterior and interior decoration, reconstruction of the hotel boiler and the continuation of the modernization and development of the existing and new facilities, while the nautical sector continued with a further development of the marina in the segment of receiving and accommodating vessels and with increasing the technical-operational capacities. In the real estate sector, investments were made in introducing a new parking and video surveillance charging system, while in the last quarter of the fiscal year, the landscaping of the areas of the external part of the center and its covered square was initiated.

16 In August, the Company publicly announced

the third non-financial report, the Annual Report on Corporate Social Responsibility for 2017, prepared in accordance with the leading international non-financial reporting guidelines, that is, according to GRI Standards, which demonstrates its permanent commitment to sustainable growth, development and corporate social responsibility, thus contributing to the overall socio-economic progress and the preservation of natural resources, cultural and historical heritage of the community in which it operates.



# 1 ABOUT ILIRIJA D.D.

## 1.1 GENERAL DETAILS

ILIRIJA d.d. is a public joint stock company registered for hospitality and tourism with registered office in Biograd na Moru, Tina Ujevića 7, that has been active in the Croatian tourist market for over **62** 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 offer that is: **hotel sector** (hotels: Ilirija\*\*\*\*, Kornati\*\*\*\*, Adriatic\*\*\*, Villa Donat\*\*\*\*/\*\*), **nautical sector** (Marina Kornati and Hotel port Ilirija-Kornati), **camping** (campsite „Park Soline“\*\*\*\*), **hospitality** (restaurant “Marina Kornati” restaurant “Park Soline”, Beach bar “Donat”, “Lavender” lounge bar), **destination management company/DMC Ilirija**

**Travel** (Arsenal in Zadar, Villa Primorje \*\*\*\*, diffuse hotel Ražnjevića dvori AD 1307, event boat “Nada”) **sports-recreational and entertainment center** (Tennis center with 20 tennis courts and Aquatic center with hospitality facilities), and since the month of December 2016, the Company's portfolio includes the **Commercial-shopping center City Galleria** in Zadar with more than 28.500m<sup>2</sup> gross area in total six floors and total 9.897,60m<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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## I.2 CHRONOLOGICAL OVERVIEW OF THE COMPANY'S 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 – 2018** | During this period, that is, by 31st December 2018, the Company has invested HRK 514,370,686.32 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 growth in total revenues and newly created value in the mentioned period in the amount of HRK 806,986,579.22.

**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.

**Years 2015 - 2017** | The investment cycle in Marina Kornati has been mainly completed by improving the quality of the accommodation of vessels by modernizing nearly seventy percent of the superstructure and the substructure of the marina or piers, allowing thus the accommodation for a larger category of vessels, better exploitation of the marina aquatorium, further enrichment and modernization of the offer by implementing the best existing technical solutions which contributes to further strengthening of the market position of Marina Kornati among the three leading ports of nautical tourism at the Adriatic Sea.

**Year 2018** | The construction of the indoor swimming pool of useful surface area of approximately 500m<sup>2</sup> along with accompanying facilities, thus complementing the existing tourism offer of the hotel Ilirija Resort in the destination of Biograd na Moru.

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## I.3 COMPANY'S BODIES

### I.3.1 COMPANY MANAGEMENT BOARD

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

### I.3.2 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

### I.3.3 SHAREHOLDERS' ASSEMBLY



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## I.4 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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## I.5 AFFILIATED COMPANIES

Arsenal Holdings d.o.o., Perivoj Gospe od Zdravlja 1, Zadar, Company Tax Number - OIB: 59794687464, holds 1,429.032 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.

Mr. Davor Tudorović is the major owner of the company Arsenal Holdings d.o.o. with 75.25% shares in its share capital, who also holds 95,744 shares of Ilirija d.d. which accounts for 3.97% of the shares in its equity capital.

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

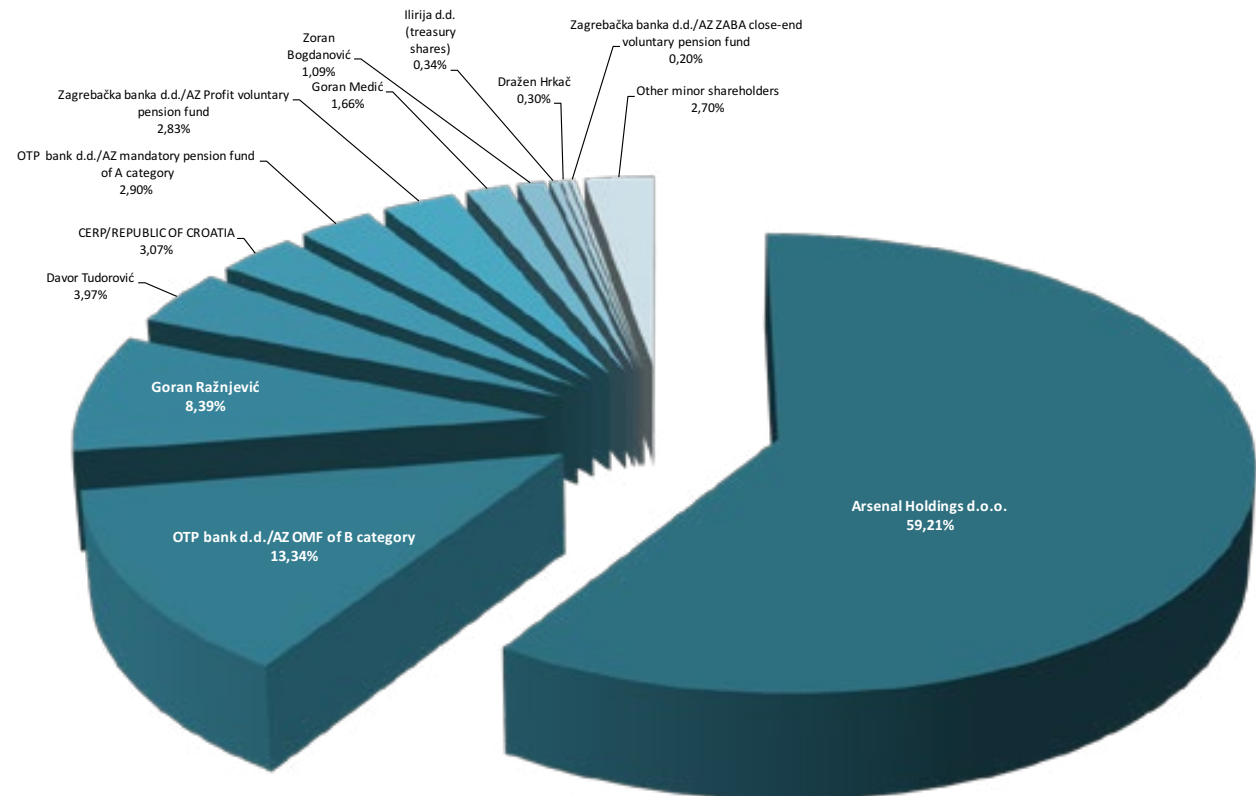
The share capital of the Company is HRK 229,146,480.00 and is divided in 2,413,488 ordinary shares without a par value.

As at 31st December 2018 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 31st December 2018.

Overview of the major shareholders of the Company as at 31/12/2018:

Owners - shareholders	Number of shares	Share in %
Arsenal Holdings d.o.o. Zadar	1.429.032	59,21
OTP bank d.d./AZ OMF of B category	321.978	13,34
Goran Ražnjević	202.536	8,39
Davor Tudorović	95.744	3,97
CERP/REPUBLIC OF CROATIA	74.200	3,07
OTP bank d.d./AZ mandatory pension fund of A category	70.027	2,90
Zagrebačka banka d.d./AZ Profit voluntary pension fund	68.200	2,83
Goran Medić	40.000	1,66
Zoran Bogdanović	26.216	1,09
Ilirija d.d. (treasury shares)	8.256	0,34
Dražen Hrkač	7.224	0,30
Zagrebačka banka d.d./AZ ZABA close-end voluntary pension fund	4.904	0,20
Other minor shareholders	65.171	2,70
<b>TOTAL</b>	<b>2.413.488</b>	<b>100,00</b>

## OWNERSHIP STRUCTURE OF THE COMPANY AS AT 31/12/2018



## TRADING IN SHARES OF THE COMPANY ON THE CROATIAN CAPITAL MARKET IN THE PERIOD FROM 01/01- 31/12/2018:

	I-XII 2018	I-XII 2017		% of change
	(Amounts in HRK)*	Prior the share split	Derivation after the share split	
Total turnover	765.134,00	1.936.020,36	1.936.020,36	-60,48%
Average share price	182,00	1.363,39	170,42	6,79%
Average turnover per transaction	9.564,18	16.133,50	16.133,50	-40,72%
Average daily turnover	16.633,38	25.473,95	25.473,95	-34,70%
Last share price	176,00	1.300,00	162,50	8,31%
Market capitalization	424.773.888,00	392.191.800,00	392.191.800,00	8,31%
Number of shares	2.413.488	301.686		

\* Data on a share price for the period form 01/01 - 25/01/2018 equals to the status after the share split.

The trading in the Company's shares on the capital market in 2018 compared to that in the same period of the previous fiscal year should be observed in the context of the Decision of the General Shareholders' Assembly of November 2017 on the split of ordinary shares without a par value by splitting one share into eight ordinary shares without a par value, therefore the data for 2018 is not fully comparable to that in the previous year. Corporate share split activity was performed in the month of January 2018. Data on share transactions in the observed period, prior to the corporate share splitting activity (until 25th January, 2018), for comparability purposes is reported as if the share split had been made on 1st January, 2018.

In 2018, some 3,315 Company's shares were traded in at the Zagreb Stock Exchange (or 4,204 shares, boiled down after the action of corporate share splitting), which generated a turnover of HRK 765,134.00. The average share price was achieved in the amount of HRK 182.00, which constitutes a rise by 6.79% compared to that in 2017, when the average share price was achieved in the amount of HRK 170.42, noting that the average share price at the end of the third quarter increased by 1.40%, while the average turnover per transaction was HRK 9,564.18.

The highest single price per share was achieved in the amount of HRK 200.00 per share which is a price equivalent of



HRK 1,600.00 per share prior to split, compared to that in 2017, when the highest share price achieved amounted to HRK 1,500.00 or HRK 187.50 which is a rise by 6.67%. The Company's last share price was achieved in the amount of HRK 176.00, which compared to the last share price of HRK 1,300.00, that is, HRK 162.50 after the corporate share splitting activity was completed, achieved in the previous fiscal year, is a rise by 8.31%.

The market capitalization was achieved in the amount of HRK 424,773,888.00 which compared to that in the previous fiscal year, when the market capitalization amounted to HRK 392,191,800.00, constitutes a growth by 8.31% or by HRK 32,582,088.00.

In 2018, the Company issued 4,288 treasury shares, according to the Share Transfer Agreement, concluded with the Company's employees in accordance with the Company's Management Board's Decision on the allocation of treasury shares free of charge, as a reward for the achieved business results in the previous medium term, ending as at fiscal year 2017. During the year 2018, the Company acquired 1.848 treasury shares and on 31st December 2018 it holds 8,256 of its treasury shares, accounting for 0.34% of the share in the share capital.

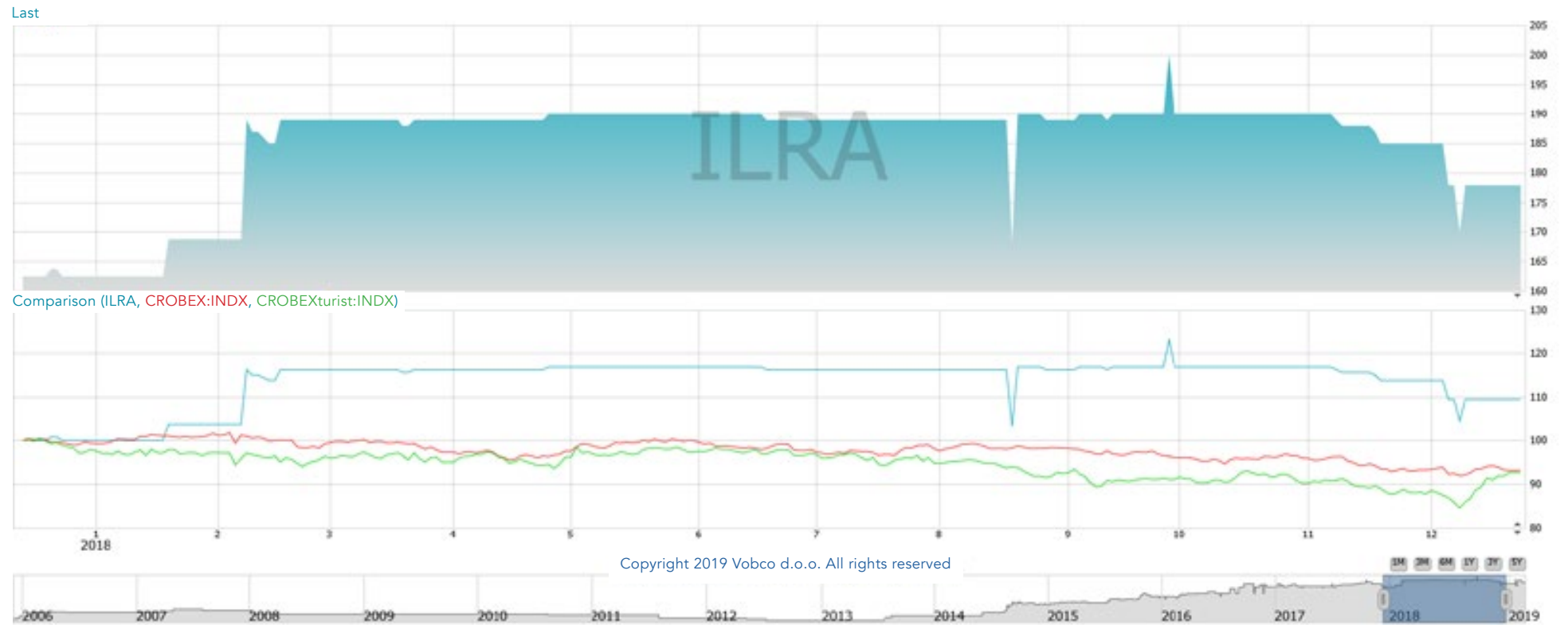
### The movement of the share price designated as ILRA and comparison with CROBEX and CROBEXTURIST indices

The movement in trading in shares on the Zagreb Stock Exchange in 2018 is marked by a low level of trading, a decline in turnover compared to that in 2017 and a decline in CROBEX index as a synthetic indicator of stock price movements listed on the Stock Exchange. The share turnover in 2018 was realized in the framework of order book of bids in the amount of HRK 1,579,186,078, which is 39.76% less than in 2017 when it amounted to HRK 2,621,440,038. The turnover in the segment of block of shares transactions decreased from HRK 589,481,702 in 2017 to HRK 542,352,468 in 2018 or is less by 7.99%. Total turnover in bonds (within the book of bids and block of transactions) increased from HRK 448,788,481 in 2017 to HRK 750,525,538 in 2018 or 67.23%. In sum, total turnover in securities traded in at the Zagreb Stock Exchange (stocks and bonds) decreased by 22.01% in 2018 compared to the same in 2017. Such data reflects stagnating trends on the Croatian capital market, which, with minor oscillations, have been maintained for ten years. The best illustration of this is the movement of the CROBEX index in the period after

the financial crisis and a high decline in the price of shares in 2008. Looking at the structure of the total turnover in securities (a decline in share turnover and a growth in bond turnover), the investors' aptitude to invest in low-risk securities is obvious. If this is added by a significant decline in a number of transactions in 2018, which has almost halved compared to the number of transactions in 2017, we can conclude that the major Exchange Stock traders are greater investors.

The ILRA share also achieved lower turnover in 2018 (HRK 765,134.00) compared to that in 2017 (HRK 1,936,020.36) by 60.48%. However, in spite of lower turnover, the share price in 2018 increased from HRK 162.50 at the beginning of the year to HRK 176.00 at the end of the year or it is a growth by 8.31%. In the same period, the CROBEX index fell by 5.10%, while the CROBEXTurist index, which shows the price movements of the tourism companies' shares (ILRA shares is not part of this index) fell by 2.35% in 2018.

The movement of ILRA share with the shown volume of trading and compared with CROBEX and CROBEXTURIST index movement, they are shown in the following graph



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## 1.7 COMPANY BUSINESS MODEL

The Company has been present on the domestic and international tourism market for over six decades and since 2016 when it acquired the Commercial-shopping center City Galleria, it became the company with a wide range of activities, the portfolio of which is composed of 5 sectors:

- **Hotel sector** – 4 hotels, 443 rooms, 922 beds
- **Nautics** – 805 berths, 2,000 persons
- **Camping** – 1,220 pitches, 3,660 persons
- **Destination management company/DMC Ilirija Travel** – through which in 2018 were organized 561 special events for 58,023 persons
- **Real-estate segment** – Commercial-shopping center City Galleria in Zadar, one of the two largest shopping centers in the Zadar region

ILIRIJA d.d. is one of the few tourism companies in the Republic of Croatia with such a diverse offer that includes all the segments of the Adriatic or Mediterranean tourism offer in its portfolio (hotel sector, nautics and camping) additionally strengthened by the destination management company Ilirija Travel and the real estate sector. Besides such a diverse portfolio, is worth noting that the Company manag-

es all business processes (management and operations) within the sector or facility.

Diverse tourism and real estate portfolios are based on the resources of the region and on a continuous investment in the improvement of the existing contents and products as well as the development of the new ones, which is also the foundation of the Company's business and development policy. The presence on the market for more than 6 decades and the related knowledge and experience, enable the Company to maximize its economic, financial, market and human resources potential **through the development of a complementary and integrated product through the destination management company. The Company strives for one of its strategic goals – year-round business operations of its sectors**, with an emphasis on the hotel sector and camping, through a good extension of the high season to the shoulder season and creating added value for both the Company and the destination, or the wider community. Through the destination management company, the Company contributes to the development and recognizability of the destination by organizing the events and by offering contents and programs in their own organization and their own facilities and capacities.

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## 1.8 BRANDS OF THE COMPANY

**ILIRIJA RESORT**  
HOTELS & VILLAS

 **marina Kornati**

*camping park soline*

**ILIRIJA Travel**  
DMC&PCO • WWW.ILIRIJA-TRAVEL.COM

City Galleria

**ARSENAL**  
ZADAR

*EVENT SHIP*  
**Nada**

  
**Villa Primorje**

  
11 07  
**RAŽNJEVIĆA DVORJ**  
POLAZA

  
**TENIS CENTAR ILIRIJA**  
BIOGRAD NA MORU

  
**ILIRIJA aquatic center**

  
**salvia spa**  
medical wellness

**LAVENDER BAR**

  
**Restaurant marina Kornati**

  
**SPARK SOLINE**  
RESTAURANT

**Donat BEACH BAR**

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## 1.9 PRIZES AND AWARDS, STANDARDS AND CERTIFICATES

### Prizes and awards:

The Nautical Patrol of the Jutarnji List awarded Ilirija d.d. for the Marina Kornati for the greatest progress in the tourism season and for an exceptional contribution to the development of Croatian nautical tourism.

„22nd Tourist Flower - Quality for Croatia", organized by the Croatian Chamber of Commerce and the Croatian Radio and Television, Marina Kornati won the 3rd place in the category of large marina.

The „Anton Štifanić" award by the Croatian Tourist Board, handed in to Ilirija d.d. in the category of company, institution and association for organizing the boat show – for an exceptional contribution to tourism in the Republic of Croatia.

Croatian Chamber of Economy - Zadar County Chamber awarded to Ilirija d.d. the prize "Golden Marten" for the most successful company in 2017 in the category of large companies in the Zadar County.

At the 1st World Camping Conference, held in Lisbon in November, Portugal, the International Camping and Caravanning Association, selected the campsite "Soline Park" among the 10 best campsites in Croatia and 100 best campsites in Europe.

The Lijepa nasa Association in cooperation with the company Henkel Croatia awarded the Company a prize in the amount of HRK 15,000.00 for the implementation of the "Bio-Waste" project.

The Croatian Commission for Environmental Education and the Commission for Blue Flag and related programs awarded to Ilirija d.d. a recognition for 15 years of uninterrupted loyalty to the international program Blue Flag for Beaches and Marinas in the Republic of Croatia for the Nautical tourism Port Marina Kornati, which has been holding the Blue Flag for 15 years.



### Standards and certificates:

In August, transition was made to a new standard of quality management system ISO 9001:2015 and environmental management system ISO 14001:2015.

In August, the company was awarded the recognition "Company as Friend of Health" by the Croatian Public Institute for introducing special markings in the working environment, then allowing its employees to adopt healthy life habits, promoting and encouraging occupational health and expressing concern for employees' health.

The Annual Report on corporate social responsibility for 2017 has been published, the third non-financial report of the Company in Croatian and English, in accordance with the leading international non-financial reporting standards - GRI Standards.

AAA Gold Creditworthiness Certificate, an internationally recognized mark of economic quality and excellence of an economic operator, has been awarded by Bisnode prudential company for meeting stringent analytical criteria as one of the most important European standards for quality, financial stability and business performance of the company for the year 2018.



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## 2 CORPORATE STRATEGY AND GOVERNANCE

### 2.1 VISION, MISSION AND FUNDAMENTAL VALUES

**The vision** is to permanently secure position among the 3 leading tourism companies in the region of the North Dalmatia and among the 15 leading tourism companies in the Republic of Croatia in the key segments of the Croatian tourism offer (hotel sector, nautics and camping), be and stay the leader of the tourism and economic development of our region and destinations such as Biograd na Moru, Zadar and Sv. Filip i Jakov thereby developing the whole year's business by offering the complementary and selective forms of tourism offer in the destinations where we conduct business.

According to the foregoing, **the mission is:** increasing the assets and achieving the financial results of the business operations, which will ensure long-term business and financial stability, establish an optimal level of quality and competitiveness in business at the level of the overall Croatian tourist offer, with continuous investment in human resources and ensuring optimal employment level, ensuring and complying with sustainable development principle which is manifested in recognizing and satisfying the needs of tourists, protecting and restoring natural and cultural heritage and preserving the environment, i.e. creating a responsible and sustainable tourism offer.

#### **Fundamental values:**

**Respect and integrity** – equal treatment of all of our stakeholders is the fundamental value of our company's business.

**Quality** – a top-quality product, professional service and individual approach to clients are the basis of the relation to the guest which is at the heart of the company's service.

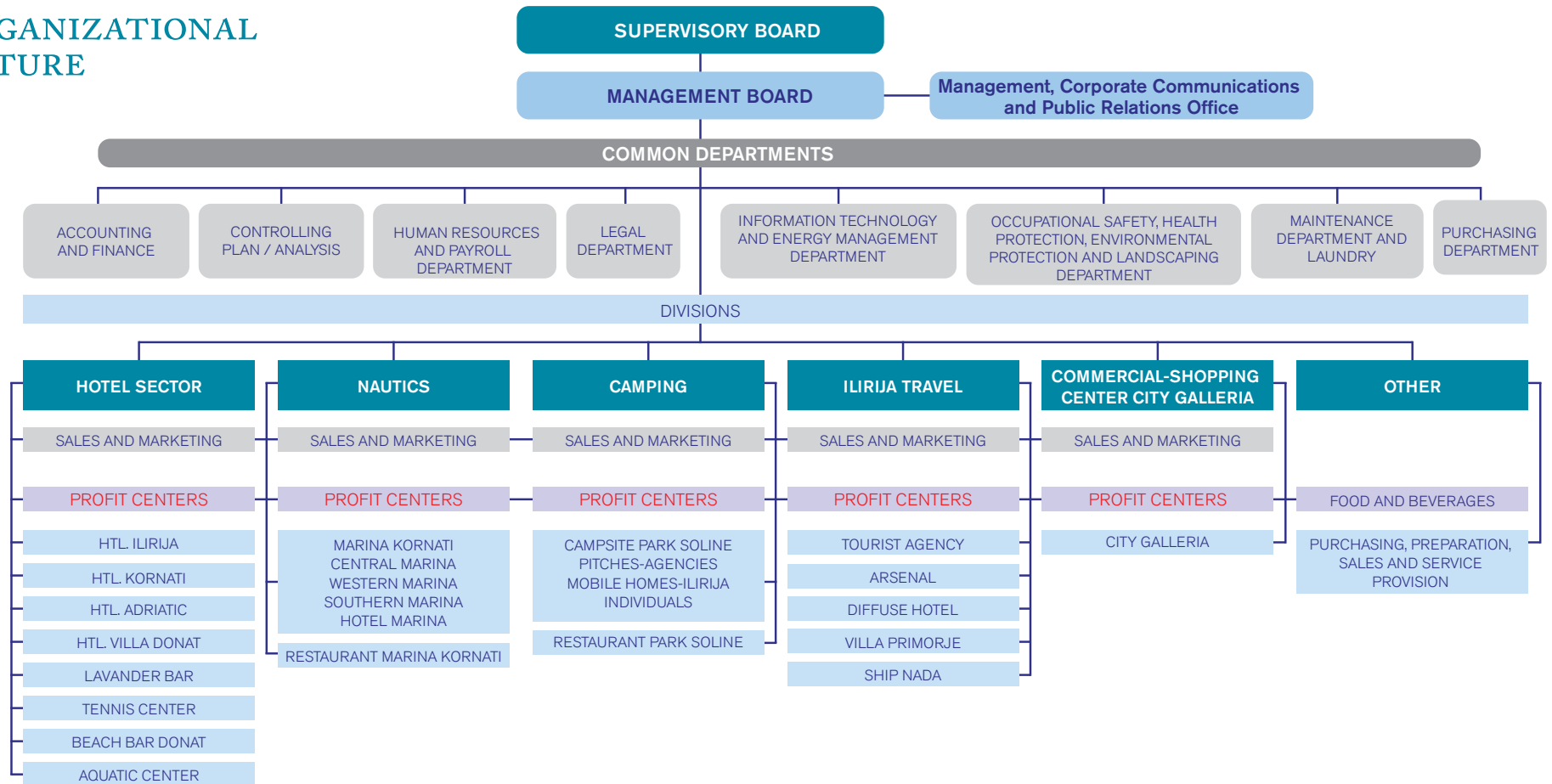
**Innovation** – to be the initiator and creator of new products and services, contributing to the future development of Company, destination and Croatian tourism.

**Sustainability and responsibility** – in business, investment, relationship with its employees, business partners, clients (guests), local, regional and regional community, shareholders and day-to-day operations by integrating the economic, social aspects and environmental protection aspects into decision-making processes and corporate strategy of the Company. Harmonization of these aspects is the foundation of success and sustainable development of the Company.

**Transparency** – in business and communication with all stakeholders of the company while complying with the principles of timely and accurate information provision as a prerequisite for further strengthening the Company's market position and its further growth.



## 2.2 ORGANIZATIONAL STRUCTURE



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## 2.3 STATEMENT OF APPLYING THE CORPORATE GOVERNANCE CODE

In its business operations, Ilirija d.d. complies with the best principles and practices of corporate governance with a high level of transparency and accountability to all of its stakeholders. In its management, the Company applies the Corporate Governance Code of Zagreb Stock Exchange and HANFA - Croatian Financial Services Supervisory Agency which is reflected in detail in the Annual Questionnaire of Corporate Governance Code, which is publicly posted on the website of the Company [www.ilirijabiograd.com](http://www.ilirijabiograd.com) and submitted to the Zagreb Stock Exchange, HANFA and Central Prescribed Information Registry. Minor deviations from applying individual recommendations from the Corporate Governance Code, with an indication of the explanation thereof are listed in the Annual Questionnaire.

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

There is developed system of internal controls at of its all levels in the Company to ensure the operational functioning and security of the business process within the company, quality satisfaction and service

standards, implementation and application of legal regulations, resulting in timely disclosure of financial reports within the statutory deadlines that realistically and objectively present the financial position of the Company and its business results. The main features of risk exposure and risk management are listed in the section "Risks".

The Management Board is composed on one member appointed by the Supervisory Board for the term of five years. The Management Board of the Company represents the company solely and independently and runs the business operations according to the Articles of Association of the Company and legal regulations. Mr. Goran Ražnjević, performs the function of the President of the Management Board solely and independently

The Supervisory Board of the Company consists of five members that are appointed for a four years' term of office. The Supervisory Board is in charge of running the Company's business, appointing the members of the Management Board and deciding on other matters falling within their scope of responsibilities as stipulated by the law and the Company's Articles of Association. The composition of the Supervisory Board of the Company is set out in the section "Company's Bodies". The Supervisory Board appointed the

Audit Committee which oversees the existence and functioning of internal controls, risk management and financial reporting as well as the work and independence of external auditors. Significant decisions of the Supervisory Board in the year 2018 are indicated in the section "Important events".

The General Assembly is the Company body where the shareholders exercise their shareholder rights and is composed of all shareholders (owners) holders of securities of the Company. In 2018, as at 31st December the Company had a total of 194 shareholders that are the holders of total 2,413.488 Company's shares. In 2018, one General Assembly session was held, whose decisions are posted and available on the Company's websites, [www.ilirijabiograd.com](http://www.ilirijabiograd.com), the Zagreb Stock Exchange ([www.zse.hr](http://www.zse.hr)), HANFA (The Croatian Financial Services Supervisory Agency) and the Official Register of Prescribed Information - SRPI ([www.hanfa.hr](http://www.hanfa.hr)), the Croatian News Agency ([www.hina.hr](http://www.hina.hr)) and are submitted to the court register of the Commercial Court. All decisions of the General Assembly are listed in the section "Important Events".

Jasmina Kulaš Stojanov, Head of Management Board's Office, Corporate Communications and Public Relations is a Commissioner for the Protection of Employees' Dignity, who receives and settles employee complaints.

The Company may acquire treasury shares according to the Decision by the Supervisory Board of 22nd August 2014. In 2018, the Company acquired 1.848 treasury shares and as at 31st December 2018 it held 8,256 treasury shares, accounting for 0.34% of the share in the share capital. Significant shareholders in the Company are listed in the section "Ownership structure of the Company and overview of trading in shares on the Zagreb Stock Exchange". In 2018, the Company issued 4,288 treasury shares, according to the Share Transfer Agreement, concluded with the Company's employees in accordance with the Company's Management Board's Decision on the allocation of treasury shares free of charge, as the compensation for the achieved business results in the previous medium term, ending as at fiscal year 2017.

Also, an overview of the ten largest shareholders of the Company is available on the websites of the Central Depository Clearing Company d.d. (SKDD) [www.skdd.hr](http://www.skdd.hr) every day.

There is a time limit on using the right to vote at the General Assembly in accordance with the provisions of the Companies' Act, and the shareholders are requested to report their participation within a specified period, in accordance with the law and the Company's Articles of Association. The shareholder's voting right is not limited by the Company's Articles

of Association to a certain percentage or number of votes. Each share entitles to one vote in the General Assembly. There are no securities with special rights of control in the Company and there are no restrictions on the voting right.

The Company signed the Diversity Charter 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 President of the Company's Management Board is one of the five Ambassadors of the Diversity Charter Croatia. The Diversity Charter Croatia is aimed at promoting and stimulating diversity, non-discrimination, inclusion and equal opportunities at the workplace.

Out of the total number of employees on 31st December 2018, women account for 54% of all employees. 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 authorities, of whom some 67% are women.

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## 2.4 SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

### Corporate Social Responsibility

The Company publicized its third non-financial report - The Annual Report on Corporate Social Responsibility for 2017, in Croatian and English, prepared in accordance with the international standards of reporting on the non-financial impacts of the Company Global Reporting Initiative - GRI Standards (Core Option). This is also the first non-financial report prepared in accordance with the leading international non-financial reporting standards which, in addition to presenting the achieved economic operating results, includes an overview of environmental and social themes, a total of 15 of them, crucial for understanding the overall activities in 2017 and its contribution to the wider community.

The report is verified by the Independent Commission of the Steering Council of the Croatian Business Council for Sustainable Development (CR BCSD), an independent organization of the economic sector, and publicly posted on the websites of the Company, [www.ilirijabiograd.com](http://www.ilirijabiograd.com), the Zagreb Stock Exchange and The Croatian Financial Services Supervisory Agency. Being aware of its responsibilities as a socially responsible business system and at the same

time a transparent and public company, the Company, unlike in the previous two reports, has actively joined all of its stakeholder groups with an aim to understand their expectations in order to further secure long-term, sustainable and responsible development of the Company.

### Employees

Starting from the fact that employees are key to the company's success, taking into account the changes that occur on the labor market and the specifics of the tourism industry in Croatia, the Company focuses on (I) management, (II) planning and (III) staff development thereby enabling personal and professional development to the employees. The development of human resources is a strategic commitment of the Company, for which reason the education was continued in 2018 at the Academy of business excellence - ILIRIJA EDUKA of high and middle management in sales and marketing, food and beverages departments. In addition to the education at its own Academy, the Company also enabled some additional education courses (external and in-house) to employees in other departments and corporate units.

Since the human resources development is a strategic commitment of the Company, the company has not had any labor dispute from its foundation until today.

### Environmental protection

Apart from the fact that making considerable investments in the preparation of its tourist season in 2018, the Company paid a special attention to the environmental protection, as a result of which the reconstruction of the boiler rooms of Ilirija hotel and Kornati hotel was carried out converting them to natural gas as a main source of energy, significantly reducing thus the emission of greenhouse gases into the atmosphere. In this way, all these three hotels in Biograd na Moru, Ilirija hotel, Adritic hotel and Kornati hotel are connected to natural gas as an environmentally friendly energy source. Regarding the most important Company's investment in this fiscal year, that is, the construction of the multifunctional indoor swimming pool, the Company has also installed the UV technology for disinfection of the pool water, which will reduce the amount of chemicals normally used for disinfection of the pool water. Considering the fact that the care for the environment is the care for our future at the same time, we regularly educate (I) employees, (II) guests and (III)

members of our community. Given that the education of our employees and guests is continuous, we were educating the members of our community in the month of September, that is, we organized an educational project entitled "Biootpad /Bio-waste"/" with a theoretical and practical part for the students of the "Ante Kuzmanić" Secondary Medical School from Zadar with an aim to develop the knowledge on the types of bio-waste and the importance of composting.

Therefore, this project is the contribution of the company Ilirija to the development of the wider social awareness of the importance of environmental protection and the reduction of harmful impacts on the environment.

In August, the Company received the award "Company as Friend of Health" as the second tourism company in Croatia, from the Croatian Institute of Public Health, which together with the Ministry of Health launched this project to promote health and healthy way of life at a workplace. The award has been given to introduce special labels in the working environment, then to enable its employees to introduce healthy living habits, foster and promote health at a workplace, and express concern about employees' health.

### Community

We pay special attention to and focus our actions on the community in which we live, do business and work thereby supporting projects, activities and events of a wider interest no matter whether we are the initiator and organizer of these projects ourselves, or whether we provide active support to the community. We especially mention the Agreement on financing the development of a sports playground with the Municipality of Sv. Filip i Jakov based on which the Company financed the development of the existing sports playground in Sv. Filip i Jakov, located directly in the center of the town, in the total amount of HRK 307,770.00, in which way the town Sv. Filip and Jakov obtained a developed and equipped sports playground. We also supported various humanitarian, cultural, sports, health and educational purposes of the activities of numerous associations and organizations, sports clubs and educational and health institutions through the system of corporate philanthropy, donations and sponsorships.

We especially emphasize the support to the following events that have contributed to the recognizability of the destinations of the wider Zadar region:

1 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 2018, supported by the Company in a way that the Company provided logistical support for organizing the main event of the festival - a gala dinner in Arsenal.

2 International trekking race Škraping Tkon – the island of Pašman - which is traditionally supported by the Company from its outset by providing financial, organizational and operational support.

3 Cultural and Historical Spectacle "XII Days of Vrana's Knights"

4 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 the rooms of Villa Donat Hotel available for organizing the entire festival.

5 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.

6 Puppet Theater Zadar

7 Wedding Festival in cooperation with the Association of Trades and Crafts Zadar

Support to educational institutions and projects in the region of the Zadar County and a series of cultural artistic and entertainment events.



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## 2.5 RISKS

The Company is, after all, as the most businesses in the tourism sector, exposed to foreign exchange 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 fixed interest rates, so taking this into consideration, the Company is not exposed to interest rates based on that, 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 not all the constitutionally guaranteed rights in the field of protection of capital investment and legitimate expectations regarding the legal investments have been exercised.

### 3 BUSINESS CAPACITIES OF THE COMPANY AND ADDITIONAL FACILITIES

Portfolio of ILIRIJA d.d. is composed of four hotels and villas, Marina Kornati with Hotel port Ilirija-Kornati, campsite "Park Soline," destination management company Ilirija Travel with its own capacities (Arsenal in Zadar, „Nada“ event ship, agrotourism and Villa Primorje), Commercial – shopping center City Galleria, Tennis center, Aquatic center and hospitality facilities.







## 3.1 HOTEL SECTOR

**Hotel sector capacity** consists of 443 accommodation units (hotel rooms and apartments) with a total of 922 beds located in Biograd na Moru (Ilirija\*\*\*\*, Kornati\*\*\*\*, Adriatic\*\*\*) and Sv. Filip i Jakov (hotel Villa Donat\*\*\*/\*\*), 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 own 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 Salvia, Olympic pool, outdoor and indoor swimming pools, 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, beach and from May 2018, an indoor swimming pool

### ILIRIJA RESORT – HOTEL & VILLAS

**Hotel Ilirija** the largest hotel in Ilirija Resort classified as a four-star hotel, with a capacity of 165 rooms and 338 beds, and includes a restaurant with 200 seats, a terrace with 70 and aperitif bar with 50 seats. It is located the 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 230 beds, a restaurant with the capacity for 230 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.

**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.





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## 3.2 NAUTICS

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 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".

In 2018, Marina Kornati was awarded with two prizes: (I) a special prize from The Nautical Patrol of the Jutarnji List for the greatest progress in the tourism season 2018 and for an exceptional contribution to the development of Croatian nautical tourism and (II) in the Tourism Flower - Quality for Croatia" action, it was ranked third in the Large marina category.

**Ilirija d.d.** is the organizer of the leading boat show in Croatia „BIOGRAD BOAT SHOW" which has been continuously held in Marina Kornati for 20 years in a row.



ADRIA

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### 3.3 CAMPSITE PARK SOLINE

Campsite „Park Soline“ classified as a four-star campsite, also located in Biograd na Moru covers an area of 20.00 Ha, contains 1,220 accommodation units with a total capacity to accommodate up to 3,660 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 campsite “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 campsite is an excellent choice for all nature lovers. The value of investments made so far in the campsite “Park Soline” since the year 2000 amounted to approximately HRK 175,000,000.00 and owing to these investments, the number of overnight stays rose from 4,556 in 1996 to 302.845 overnight stays in 2018.







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## 3.4 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.

**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.

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



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## 3.5 HOSPITALITY

**Restaurant „Marina Kornati“**, is 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 2018, a total of 50 events were organized in Marina Kornati attended by over 6.598 persons.

**Restaurant „Park Soline“** is located in campsite "Park Soline"\*\*\*\*, close to the sea, ten minutes of 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 buying and tasting top quality red and white wines produced from the native Croatian species.

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

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



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## 3.6 ADDITIONAL FACILITIES

**Event:** 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 and 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 nautical event considering its status of the city as a cradle of nautical tourism, at which all sectors of the nautical 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 nautical industry and tourism.

Today the leading international autumn nautical show has grown into the major Croatian nautical event. From its early beginnings the boat show brings together all representatives of the nautical industry and tourism, government institutions, major organizations in tourism and nautics 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 nautical and trade fair industry while implementing our own vision of its development creating a high quality, distinctive, and above all, sustainable economic and tourism product, which since its beginnings further enriches the Croatian tourism supply, especially its post-season.

In 2018 the show, which celebrated twenty years of its existence, was attended by over 310 registered exhibitors that participated with 320 vessels, while the number of visitors surpassed the figure of 16,000 with over 2000 realized business visits via Biograd B2B business networking platform.

### 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.



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### 3.7 COMMERCIAL-SHOPPING CENTER CITY GALLERIA

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 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 m<sup>2</sup> followed by 9,897.60 m<sup>2</sup> of net lettable surface area and ancillary rooms, corridors, technical and common areas. The occupancy of the center on 31/12/2018 is 99.64% 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 shops, fashion clothing, footwear and sporting equipment shops, children's shops, caffès and 6 multiplex movie theaters. The offer is conceptually divided in floors, so the ground floor of the center is envisioned 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

caffès, entertainment, cosmetic and sports services; while the third floor offers lease of office spaces.

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".

Special characteristics 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 facility; 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.

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## 4 KEY PHYSICAL OPERATING RESULTS OF THE COMPANY

In 2018, the Company achieved the best key physical operating results in its tourist sectors (hotel sector, nautics, camping) so far, where the growth in physical operating physical indicators resulted in the growth of operating revenues, except in the destination management company Ilirija Travel, where the growth of the events did not result in the growth of operating revenues.

Several key factors influenced the key business results achieved: (I) investments made in raising the quality of offer, contents and capacities of the tourism portfolio, (II) increased demand for pre-and post-season and high season, and (III) price policy and market orientation of the tourism offer of the Company.

The growth in physical operating results in the hotel sector and camping sector in the segment of overnight stays and arrivals is higher compared to the achievement of these sectors at the national level. With the realized growth in arrivals by 10% and overnight stays by 4% the Company's hotel sector exceeds the growth in physical results of hotel sector in the Republic of Croatia, which grew by 5.60% in arrivals and by 2.45% in overnight stays. The campsite "Park Soline" recorded a growth of 12.69% in

arrivals and a 6.99% in overnight stays which is higher than the growth achieved by the camping sector at the national level that grew by 2.80% in arrivals and 1.18% in overnight stays. Consequently, the achievements of the hotel and camping sector when considering them in the context of the achieved results of the hotel sector and camping sector at the national level are far more significant.

In the hotel sector in 2018, the growth in key physical operating indicators, i.e. arrivals and overnight stays consequently influenced the growth in operating revenues of the entire hotel sector, which grew by 11%, including the revenues of the separated profit centers operating within the hotel sector, while the revenues from the board services grew by 13%, which is above the forecasted operating revenues. In the reporting period, the hotel sector recorded both the growth in the occupancy of the accommodation units, which in the year 2018 was 45.12% at the level of the entire hotel sector and the growth in occupancy days, which is 165 days. The growth in occupancy and occupancy days is the result of a significant growth in physical turnover in the pre- and post-season, i.e. the months of March, May, September, October, November and December and are the result of the Company's policy focusing on extending the main season and reducing



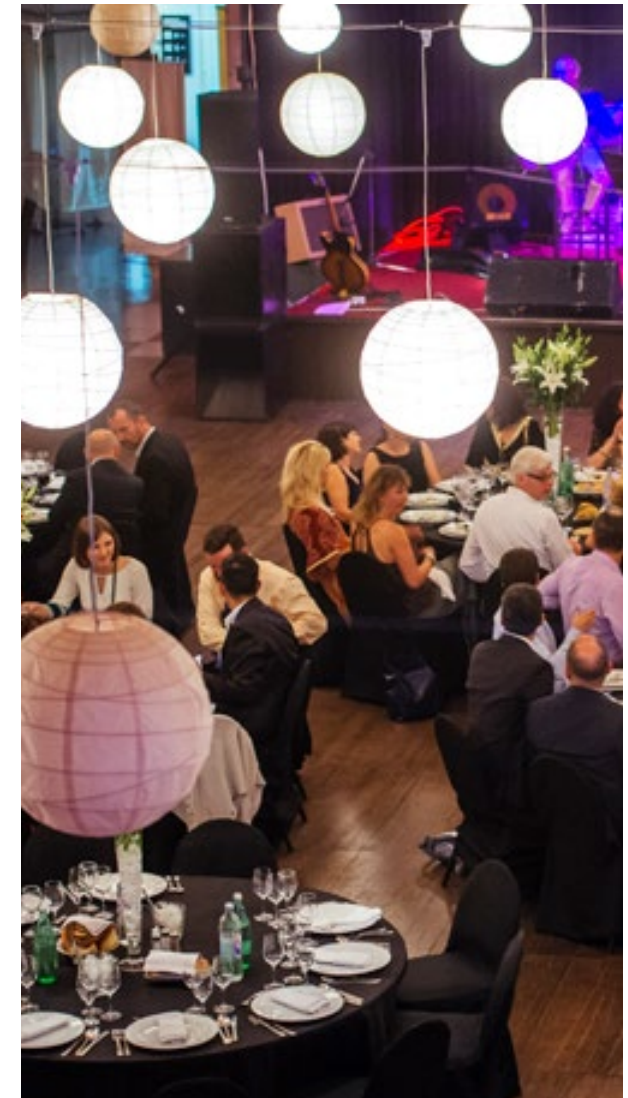
seasonality. The extension of the season was partly achieved through the significant activation of the complementary offer of the Company, followed by investments that contributed to the better positioning of the hotel sector of the Company and consequently to the extension of the season.

The nautical sector achieved growth in the key physical operating results, i.e. in the number of contracted vessels, individual and charter, of which 741 contracts were concluded in the reporting period, with a realized growth by 4%, of which it achieved a particularly significant growth of the vessels in the charter by 12%. In addition to the vessels based on a berth contract, the growth was recorded by 7% in the port services indicated by the number of operations (lifting/lowering and washing of vessels) as a result of rise in the number of contracted charter vessels, while the other operating ratios in the segment of transit – sailing in and overnight stays of vessels were lower because of a change in the market trend, that is, staying of guests and vessels at sea for a longer time.

In 2018, the camping sector of the Company continued to grow steadily in the key operating indicators, arrivals and overnight stays, exceeding the growth of the camping sector at the national level.

The growth in key operating results accompanied by the rise in occupancy days from 111,47 realized in 2017 to 125.15 occupancy days is the result of investments made in new mobile homes, quality of camping facilities and services, price optimization, marketing activities and strategically planned investments in key sales channels.

In 2018, the destination management company Ilirija Travel realized 561 separate events in all profit sectors and centers of the Company with the service for 58,023 guests. Operating indicators of the destination management company indicated through the number of events and persons compared to those in 2017 grew by 14.26% in the number of events and fell by 12.12% in the number of guests, which impacted the total operating results of Ilirija Travel for the relevant period. In addition to reduction of the average number of persons per event, the operating results are greatly affected by the reduction of services and events in the event ship "Nada" and the lack of regatta events.



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## 4.1 HOTEL SECTOR

The results of the 2018 hotel sector in all key financial and financial indicators continued to grow compared to the those in the previous fiscal year and previous quarters, i.e. the first semi-annual period and the third quarter of the year 2018. 46,383 guests, i.e. 10% more than in 2017 stayed in the hotel sector, when 42,339 arrivals were recorded, with realized 144,745 overnight stays and 4% more with the most significant business aspect - the growth in revenues from board services and the overall hotel sector compared to that in 2017 by 13%, i.e. by 11% respectively. The growth in the operating revenues from the hotel sector is even more significant if we take into account the fact that the revenue growth rates were retained in the first nine months of 2018, i.e. the significant growth in tourism turnover was achieved in the last quarter of the fiscal year (October-December) and it contributed to the extension of the tourism season, which simultaneously influenced the overall financial operating results of the Company's hotel sector, which is far the best so far.

The exceptional growth in arrivals and overnight stays, but a decline in the average stay of guests, is the result of the season extension and the usual shorter average stays in the pre - and post-season compared to the stays in the high season.

In the structure of realized overnight stays, the five top source markets include (1) the Croatian market with a share of 15.6% overnight stays, (2) the German market with a share of 14.3% overnight stays, (3) the Austrian market with a share of 10.2% stays, (4) the Slovenian market with a share of 9.5% overnight stays and (5) the Slovak market with a share of 5.7% overnight stays. The Croatian market is still the leading market of the Company's hotel sector, where in the year 2018 we recorded the growth by 6% as a result of the extension of the tourism season, i.e. significant turnover in the pre- and post-season in the domestic market and from the group or event and congress facilities. A significant growth, which also resulted in a change in the schedule of the key markets, was made in the German source market by 18%, that is, in the Austrian source market a growth by 16%, resulting in the Slovenian market becoming the fourth source market in the Company's hotel sector. Similar focus placed on more lucrative European source markets with a significant growth in tourism turnover on the markets of Western and Northern Europe resulted in a change in the structure of overnight stays of the traditional source markets of the Company's hotel sector, especially Slovakia, and a significant increase in the participation of Scandinavian guests, primarily

from Sweden and Norway that are ranked among the ten leading markets of the Company's hotel sector. The growth of the source markets of Switzerland, the Netherlands, Australia and some other less represented markets with a significant rise in the share is the reflection of the desire to expand and reach the guests and disperse market risks.

According to the market segments, the year 2018 was marked by a significant increase in the share of individuals by 26% compared to that in the previous fiscal year and the increase in the group segment by 14%, resulting in a reduction in the share of allotment and fixed lease. The growth in tourism turnover, the growth in the share of more lucrative source markets, and the growth in the individual and allotment markets, was reflected positively on the total physical and financial turnover of the hotel sector in 2018, whereby we retained a much more favorable growth than the average growth of the hotel sector at the national level.

The amount of HRK 52,991,935.51 in revenues from the board services was generated in the observed period which represents a significant increase by 13% compared to that in 2017, when the revenue from board services amounted to HRK

46,812,234.66. The revenue from the sold room based on the board services was generated in the amount of HRK 726.41 or EUR 97.98 which is a rise by 4.12%. The total revenue of the hotel sector, including revenues generated in profit centers operating within the hotel sector, amounted to HRK 57,389,631.47 and they increased by 11%. Further to the foregoing, the total annual revenue per sold room for the year 2018 is HRK 786.70, or EUR 106.11, with a rise by 6.23%, thus continuing the constant growth of annual revenue per room sold on an annual basis as well.

The generated revenues recorded a significantly higher growth than the average one in the pre-season and post-season, that is, in the month of January, March, May and November, while in other months, except for April and December, the rise in revenues was recorded, exercising thus the Company's strategic commitment to the extension of the season. In the observed period, the capacity occupancy ratios as well as hotel occupancy dates grew, so the capacity occupancy grew from 43.10% of occupancy to 45.12% of occupancy, while the occupancy days grew from 157 in 2017 days to 165 days in the year 2018. Better hotel occupancy is recorded in almost all months, but it is more pronounced

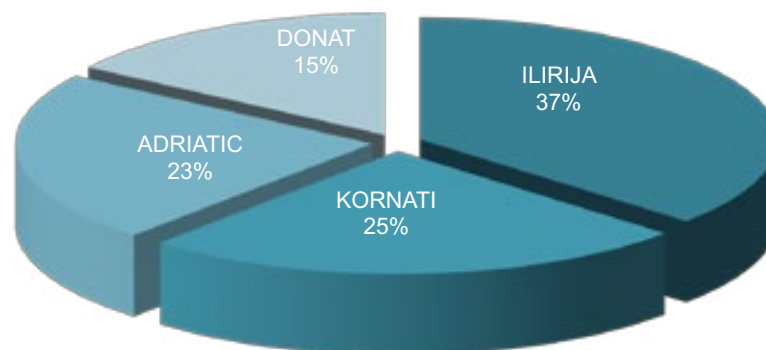
in the pre- and post-seasonal months from March to June or in September and October.

Compared to the record year 2017, when Ilirija and whole Croatia recorded an exceptionally high growth, there was better occupancy and capacity occupancy, considering the rise in the price of overnight stay by 9% which is exceptionally good result. The revenues are already generated in the board services and totally in the board services and extraboard 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 and more lucrative markets with an aim to disperse the risk and extend the season. The arrivals of such groups are achieved by enhancing the Company's comparative offer through complementary contents i.e. through the destination management company/DMC Ilirija Travel, other sectors and profit centers, ensuring the extension of the high season and the reduction of the seasonality by contents that enrich the offer to guests at those times.

## Hotel sector capacities

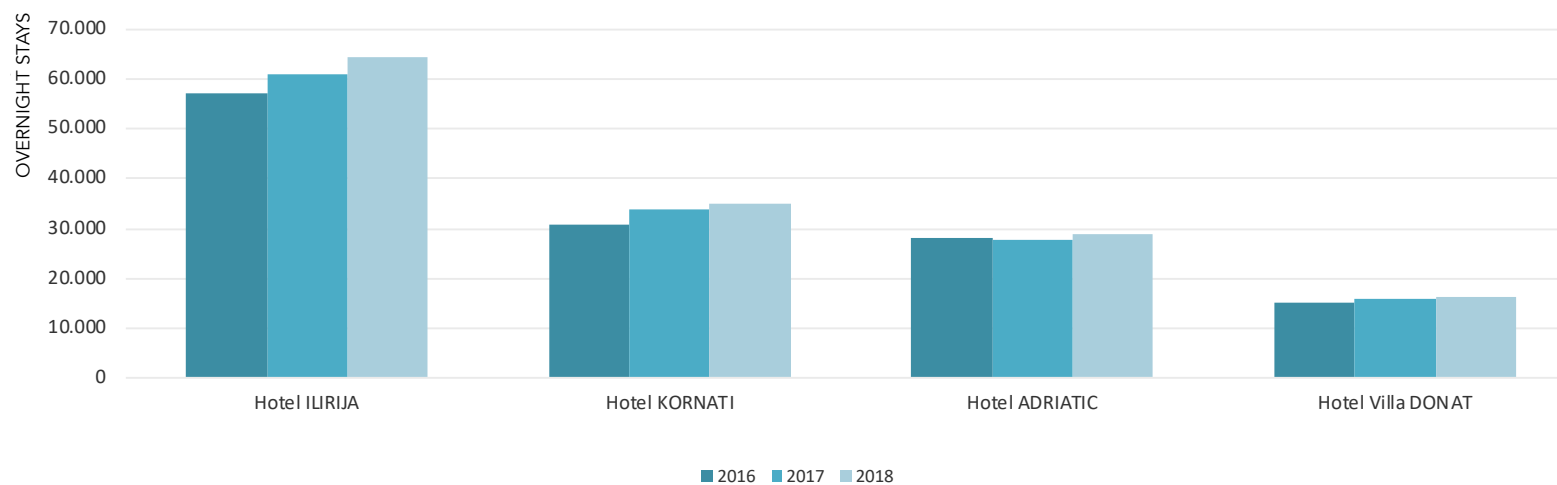
ILIRIJA D.D.	NUMBER OF ROOMS				NUMBER OF BEDS			
	2016	2017	2018	INDEX 2018/2017	2016	2017	2018	INDEX 2018/2017
ILIRIJA	165	165	165	1,00	337	337	338	1,00
KORNATI	106	106	106	1,00	216	216	230	1,06
ADRIATIC	100	100	100	1,00	210	210	210	1,00
DONAT	72	72	72	1,00	144	144	144	1,00
TOTAL	443	443	443	1,00	907	907	922	1,02

% Share of individual hotel ( number of beds )

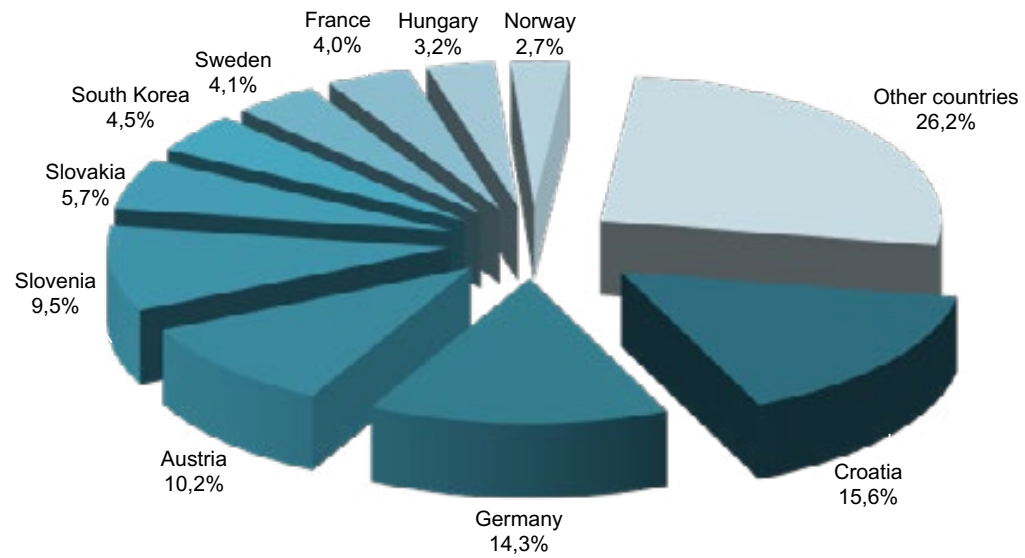


## Overview and comparison of realized arrivals and overnight stays from 01/01 to 31/12/2018 to the years 2016 and 2017

PROFIT CENTER	HOTEL SECTOR							
	ARRIVALS			INDEX	OVERNIGHT STAYS			INDEX
	2016	2017	2018	2018/2017	2016	2017	2018	2018/2017
Hotel ILIRIJA	18.057	21.715	23.315	107	57.310	61.168	64.583	106
Hotel KORNATI	9.667	11.224	12.180	109	30.891	33.912	34.997	103
Hotel ADRIATIC	6.204	6.378	7.163	112	28.050	27.772	29.044	105
Hotel Villa DONAT	2.763	3.022	3.725	123	15.173	15.936	16.121	101
TOTAL	36.691	42.339	46.383	110	131.424	138.788	144.745	104



Graph of the realized overnight stays by source markets for the period from 01/01/ to 31/12/2018



## Occupancy rate for the period from 01/01 to 31/12/2018 and the comparison with that in 2017

## Percentage share

MONTH	ILIRIJA					KORNATI					ADRIATIC					DONAT					GRANDTOTAL				
	Total rooms	2017	%	2018	%	Total rooms	2017	%	2018	%	Total rooms	2017	%	2018	%	Total rooms	2017	%	2018	%	Total rooms	2017	%	2018	%
JANUARY (I)	5.115	290	5,67%	141	2,76%	3.286	289	8,79%	416	12,66%	3.100	120	3,87%	152	4,90%	2.232	0	0,00%	0	0,00%	13.733	699	5,09%	709	5,16%
FEBRUARY (II)	4.620	367	7,94%	0	0,00%	2.968	0	0,00%	444	14,96%	2.800	0	0,00%	0	0,00%	2.016	0	0,00%	0	0,00%	12.404	367	2,96%	444	3,58%
MARCH (III)	5.115	1.389	27,16%	1.304	25,49%	3.286	105	3,20%	903	27,48%	3.100	0	0,00%	0	0,00%	2.232	0	0,00%	0	0,00%	13.733	1.494	10,88%	2.207	16,07%
APRIL (IV)	4.950	3.290	66,46%	3.072	62,06%	3.180	793	24,94%	587	18,46%	3.000	378	12,60%	404	13,47%	2.160	0	0,00%	90	4,17%	13.290	4.461	33,57%	4.153	31,25%
MAY (V)	5.115	3.626	70,89%	4.112	80,39%	3.286	1.999	60,83%	2.073	63,09%	3.100	1.483	47,84%	1.244	40,13%	2.232	250	11,20%	412	18,46%	13.733	7.358	53,58%	7.841	57,10%
JUNE (VI)	4.950	4.227	85,39%	4.281	86,48%	3.180	2.506	78,81%	2.467	77,58%	3.000	2.382	79,40%	2.325	77,50%	2.160	1.376	63,70%	1.263	58,47%	13.290	10.491	78,94%	10.336	77,77%
JULY (VII)	5.115	4.600	89,93%	4.663	91,16%	3.286	2.978	90,63%	2.918	88,80%	3.100	2.898	93,48%	2.858	92,19%	2.232	2.034	91,13%	1.960	87,81%	13.733	12.510	91,09%	12.399	90,29%
AUGUST (VIII)	5.115	4.872	95,25%	4.764	93,14%	3.286	3.112	94,70%	3.106	94,52%	3.100	2.939	94,81%	2.981	96,16%	2.232	2.136	95,70%	2.028	90,86%	13.733	13.059	95,09%	12.879	93,78%
SEPTEMBER (IX)	4.950	4.394	88,77%	4.599	92,91%	3.180	2.688	84,53%	2.785	87,58%	3.000	1.998	66,60%	2.475	82,50%	2.160	1.289	59,68%	1.396	64,63%	13.290	10.369	78,02%	11.255	84,69%
OCTOBER (X)	5.115	3.593	70,24%	3.575	69,89%	3.286	1.413	43,00%	1.644	50,03%	3.100	1.074	34,65%	1.113	35,90%	2.232	208	9,32%	399	17,88%	13.733	6.288	45,79%	6.731	49,01%
NOVEMBER (XI)	4.950	291	5,88%	1.465	29,60%	3.180	939	29,53%	270	8,49%	3.000	0	0,00%	293	9,77%	2.160	0	0,00%	0	0,00%	13.290	1.230	9,26%	2.028	15,26%
DECEMBER (XII)	5.115	650	12,71%	1.370	26,78%	3.286	487	14,82%	360	10,96%	3.100	225	7,26%	238	7,68%	2.232	0	0,00%	0	0,00%	13.733	1.362	9,92%	1.968	14,33%
<b>TOTAL</b>	<b>60.225</b>	<b>31.589</b>	<b>52,45%</b>	<b>33.346</b>	<b>55,37%</b>	<b>38.690</b>	<b>17.309</b>	<b>44,74%</b>	<b>17.973</b>	<b>46,45%</b>	<b>36.500</b>	<b>13.497</b>	<b>36,98%</b>	<b>14.083</b>	<b>38,58%</b>	<b>26.280</b>	<b>7.293</b>	<b>27,75%</b>	<b>7.548</b>	<b>28,72%</b>	<b>161.695</b>	<b>69.688</b>	<b>43,10%</b>	<b>72.950</b>	<b>45,12%</b>

## Occupancy rate for the period from 01/01 to 31/12/2018 and the comparison with that in 2017

## Occupancy days

MONTH	ILIRIJA					KORNATI					ADRIATIC					DONAT					GRANDTOTAL				
	Total rooms	2017	Days	2018	Days	Total rooms	2017	Days	2018	Days	Total rooms	2017	Days	2018	Days	Total rooms	2017	Days	2018	Days	Total rooms	2017	Days	2018	Days
JANUARY (I)	5.115	290	2	141	1	3.286	289	3	416	4	3.100	120	1	152	2	2.232	0	0	0	0	13.733	699	2	709	2
FEBRUARY (II)	4.620	367	2	0	0	2.968	0	0	444	4	2.800	0	0	0	0	2.016	0	0	0	0	12.404	367	1	444	1
MARCH (III)	5.115	1.389	8	1.304	8	3.286	105	1	903	9	3.100	0	0	0	0	2.232	0	0	0	0	13.733	1.494	3	2.207	5
APRIL (IV)	4.950	3.290	20	3.072	19	3.180	793	7	587	6	3.000	378	4	404	4	2.160	0	0	90	1	13.290	4.461	10	4.153	9
MAY (V)	5.115	3.626	22	4.112	25	3.286	1.999	19	2.073	20	3.100	1.483	15	1.244	12	2.232	250	3	412	6	13.733	7.358	17	7.841	18
JUNE (VI)	4.950	4.227	26	4.281	26	3.180	2.506	24	2.467	23	3.000	2.382	24	2.325	23	2.160	1.376	19	1.263	18	13.290	10.491	24	10.336	23
JULY (VII)	5.115	4.600	28	4.663	28	3.286	2.978	28	2.918	28	3.100	2.898	29	2.858	29	2.232	2.034	28	1.960	27	13.733	12.510	28	12.399	28
AUGUST (VIII)	5.115	4.872	30	4.764	29	3.286	3.112	29	3.106	29	3.100	2.939	29	2.981	30	2.232	2.136	30	2.028	28	13.733	13.059	29	12.879	29
SEPTEMBER (IX)	4.950	4.394	27	4.599	28	3.180	2.688	25	2.785	26	3.000	1.998	20	2.475	25	2.160	1.289	18	1.396	19	13.290	10.369	23	11.255	25
OCTOBER (X)	5.115	3.593	22	3.575	22	3.286	1.413	13	1.644	16	3.100	1.074	11	1.113	11	2.232	208	3	399	6	13.733	6.288	14	6.731	15
NOVEMBER (XI)	4.950	291	2	1.465	9	3.180	939	9	270	3	3.000	0	0	293	3	2.160	0	0	0	0	13.290	1.230	3	2.028	5
DECEMBER (XII)	5.115	650	4	1.370	8	3.286	487	5	360	3	3.100	225	2	238	2	2.232	0	0	0	0	13.733	1.362	3	1.968	4
<b>TOTAL</b>	<b>60.225</b>	<b>31.589</b>	<b>191</b>	<b>33.346</b>	<b>202</b>	<b>38.690</b>	<b>17.309</b>	<b>163</b>	<b>17.973</b>	<b>170</b>	<b>36.500</b>	<b>13.497</b>	<b>135</b>	<b>14.083</b>	<b>141</b>	<b>26.280</b>	<b>7.293</b>	<b>101</b>	<b>7.548</b>	<b>105</b>	<b>161.695</b>	<b>69.688</b>	<b>157</b>	<b>72.950</b>	<b>165</b>



## Monthly comparison of revenues/overnight stays of Ilirija Resort hotel from 01/01 to 31/12/2018 with that in 2017

MONTH	GENERATED REVENUES			OVERNIGHT STAYS			AVERAGE PRICE IN HRK		AVERAGE PRICE IN €		
	2017	2018	INDEX	2017	2018	INDEX	2017	2018	2017	2018	INDEX
JANUARY	275.461,90	803.080,98	2,92	1.243	1.233	0,99	221,61	651,32	29,61	87,86	2,97
FEBRUARY	163.173,69	168.772,98	1,03	639	738	0,00	255,36	228,69	34,37	30,73	0,89
MARCH	505.330,20	1.165.923,76	2,31	2.212	4.005	1,81	228,45	291,12	30,71	39,17	1,28
APRIL	2.460.993,15	2.127.454,35	0,86	7.645	7.308	0,96	321,79	291,11	43,08	39,27	0,91
MAY	3.672.406,66	4.458.081,78	1,21	12.075	13.779	1,14	304,13	323,54	41,00	43,82	1,07
JUNE	6.132.713,90	7.144.094,97	1,17	20.213	20.462	1,01	302,82	349,14	40,88	47,31	1,16
JULY	10.220.585,50	11.251.800,27	1,10	30.085	29.680	0,99	339,72	379,10	45,86	51,28	1,12
AUGUST	11.654.590,61	12.961.474,61	1,12	30.621	29.670	0,97	379,61	436,85	51,22	58,82	1,15
SEPTEMBER	6.906.540,43	7.523.002,54	1,08	19.032	20.170	1,06	365,16	372,15	48,71	50,13	1,03
OCTOBER	3.463.332,65	3.585.605,98	1,04	10.102	10.914	1,08	342,84	328,53	45,66	44,24	0,97
NOVEMBER	615.592,56	1.115.714,74	1,81	2.349	3.362	1,43	262,07	331,86	34,75	44,75	1,29
DECEMBER	741.513,41	686.928,55	0,91	2.572	3.424	1,33	288,30	197,68	38,37	26,65	0,69
TOTAL	46.812.234,66	52.991.935,51	1,13	138.788	144.745	1,04	337,29	365,92	45,21	49,36	1,09

Revenues per sold room 31/12/18	726,41 kn	97,98 €
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Revenues per sold room 31/12/17	697,69 kn	93,52 €
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## Selected profit centers within the hotel sector

Lavender	2017	2018	INDEX
31/12/	1.104.317,96	1.108.597,04	100

Aquatic center	2017	2018	INDEX
31/12/	3.052.547,76	2.614.786,04	86

Tennis center	2017	2018	INDEX
31/12/	326.811,59	389.337,04	119

Beach bar Donat	2017	2018	INDEX
31/12/	311.931,24	284.975,84	91

## Hotel sector total

TOTAL	2017	2018	INDEX
31/12/	51.607.843,21	57.389.631,47	111

Revenues per sold room - 2018	786,70 kn	106,11 €
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Revenues per sold room - 2017	740,56 kn	99,27 €
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## REVENUES BY ACTIVITIES

Revenues from hotel services amount to HRK 52,991,935.51 and rose by 13% in comparison to those in the previous fiscal year.

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 4,397,695.96 and are lower by 8.30% than those in 2017.

Overall, the revenues of the hotel sector amount to HRK 57,389,631.47 which are higher by 11% than those in 2017, accounting for 36% of the operating revenues of the Company for the observed period.



## Summary of key operating market indicators for hotel sector of Ilirija d.d.

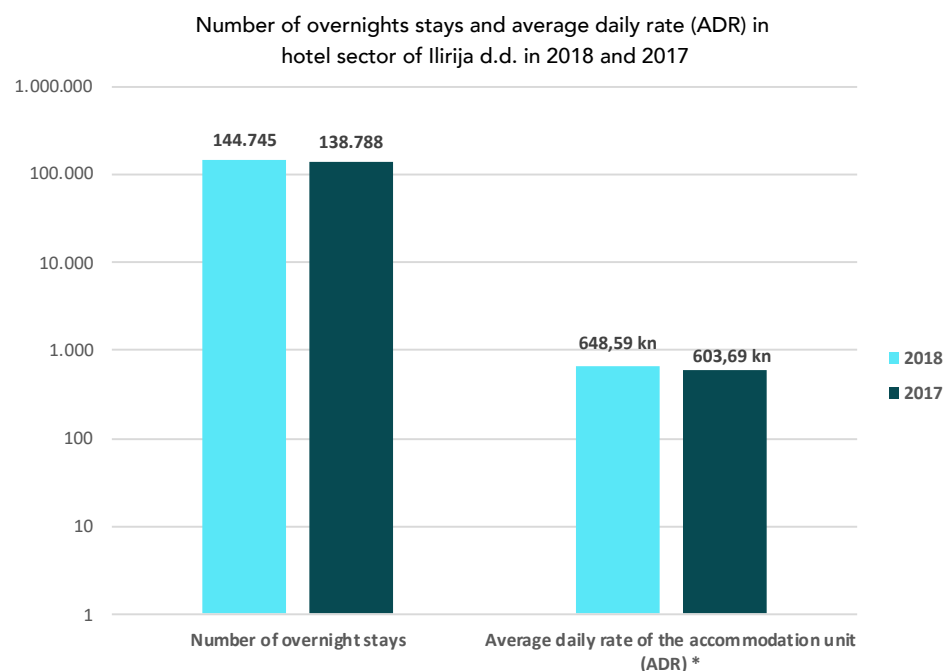
The results of the hotel sector are shown separately for the hotels in Biograd and hotel in Sv. Filip Jakov considering a different market profile of these two tourist destinations and also considering the different market position of the hotel in Biograd compared to the hotel in Sv. Filip Jakov.

In 2018, the hotel sector of the Company generat-

ed the best operating results so far that are reflected both in the market and the financial ratios. Compared to the previous fiscal year, the increased volume of physical demand was recorded, which resulted in an increase in capacity occupancy by 4.68%, followed by an increase in average daily rate by 7.44%, and a high increase in revenues per available accommodation unit by 12.47% or even 26.96% based on open days.

Due to their market position, the hotels in Biograd achieved a high increase in the average daily rate by 7.54% and high increase in revenues per available accommodation unit by 12.72% or even by 30.53% based on open days.

The hotel Sv. Filip i Jakov, also recorded an increase in average daily rate by 6.35%, and an increase in revenues per available accommodation unit by 10.07% or 1.18% based on open days.



\* 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.

	2018	2017	2018/2017
<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	778	763	1,97%
<b>Physical turnover:</b>			
Number of overnight stays	128.624	122.852	4,70%
Number of accommodation units sold	65.402	62.395	4,82%
The occupancy of accommodation units based on a total number of days in a period (%)	48,30%	46,08%	4,82%
Occupancy rate of the accommodation units on an open days basis (%)	78,48%	64,66%	21,38%
<b>Financial results:</b>			
Average daily rate of the accommodation unit (ADR) *	655,21 kn	609,29 kn	7,54%
Revenue per accommodation unit (RevPAR) on a total number of days basis in period **	316,45 kn	280,74kn	12,72%
Revenue per accommodation unit (RevPAR) on an open days basis **	514,22 kn	393,94 kn	30,53%
<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>Physical turnover:</b>			
Number of overnight stays	16.121	15.936	1,16%
Number of accommodation units sold	7.548	7.293	3,50%
The occupancy of accommodation units based on a total number of days in a period (%)	28,72%	27,75%	3,50%
Occupancy rate of the accommodation units on an open days basis (%)	65,11%	68,44%	-4,86%
<b>Financial results:</b>			
Average daily rate of the accommodation unit (ADR) *	591,16 kn	555,85 kn	6,35%
Revenue per accommodation unit (RevPAR) on a total number of days basis in period **	169,79 kn	154,25 kn	10,07%
Revenue per accommodation unit (RevPAR) on an open days basis **	384,93 kn	380,43 kn	1,18%
<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	922	907	1,65%
<b>Physical turnover:</b>			
Number of overnight stays	144.745	138.788	4,29%
Number of accommodation units sold	72.950	69.688	4,68%
The occupancy of accommodation units based on a total number of days in a period (%)	45,12%	43,10%	4,68%
Occupancy rate of the accommodation units on an open days basis (%)	76,85%	65,03%	18,17%
<b>Financial results:</b>			
Average daily rate of the accommodation unit (ADR) *	648,59 kn	603,69 kn	7,44%
Revenue per accommodation unit (RevPAR) on a total number of days basis in period **	292,61 kn	260,18 kn	12,47%
Revenue per accommodation unit (RevPAR) on an open days basis **	498,43 kn	392,60 kn	26,96%

## Notes:

Hotels in Biograd include the hotels Ilirija, Adriatic and Kornati, while the hotel in Sv. Filip 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).

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## 4.2 NAUTICS – MARINA KORNATI

Owing to an exceptional position of Marina Kornati and Hotel port Ilirija, the quality of offer, capacity equipment followed by constant investment made and modernization, possibilities of complementary offer of services and contents of other profit centers of the Company, the nautical sector the Company takes a position as the leading destination of nautical tourism in Croatia and the close proximity to national parks and nature parks make it the unavoidable port for sailors. Financial and physical indicators are the consequence of the foregoing, as in the previous years, and in 2018, Marina Kornati achieved the growth of key physical operating indicators, which resulted in the increase in the nautical sector's operating revenues.

In the segment of physical operating indicators of the nautical sector, a key growth was recorded in the segment of the contract-based berth, of which 741 contracts were concluded in 2018, out of which 418 individual vessels and 323 charter vessels were contracted, which compared to 712 vessels contracted in 2017 is a growth by 4% in this segment in the reporting period. The rise in the contracts concluded for charter vessels by 12% was positively reflected in the revenue of the contract-based berth, since the fees for charter vessels are 10% higher than the fees for individual vessels, while the individual vessels recorded a slight decline.

In addition, the charter vessels are usually serviced every year, while this is not a rule in individual vessels, which at the same time resulted in an increase in the port services not only in the number of operations, when 3,682 operations were performed in the reporting period, which is a rise by 7% compared to those in 2017 when 3,446 operations were performed, but also in the generated revenues, which grew by 10.55%.

The slight decline in physical turnover was realized in the part of the transit berth or inbound vessels sailing in transit by 7%, which resulted in the decline of overnight stays of vessels in transit by 12% and a decrease in revenue from the daily berth compared to that in 2017. In addition to the favorable weather conditions during the high season which affected the staying of boaters in the sea which is the reason for the decrease, the reason for the decrease in revenue is also the trend of mooring or anchoring boats on berths which is a more favorable solution for the majority of boaters who rent out boats.

In 2018, operating revenues were generated in the amount of HRK 42,465,278.95, which in comparison with those in 2017, when they amounted to HRK 40,604,415.75 indicate a growth by 4.58%, which was mainly the result of the growth in the key physical

indicator of the nautical sector – vessels on the contract-based berth.

The most significant growth in revenues in absolute amount relates to the contract-based berth services with accessories, which were in the reported period generated in the amount of HRK 28,826,906.80 and increased by 4.86% or by HRK 1,335,734.84 compared to those in 2017, and at the same time they account for 67.88% of the operating revenues of Marina Kornati. The most significant growth in revenues in the relative amount was realized in the segment of boat show and events which increased by 19.03% or by HRK 515,154.49.

The 20th nautical fair Biograd Boat Show was held in October, which, with its jubilee edition, confirmed the position of the leading boat show in Central Europe and as the center of all sectors of the nautical industry and tourism: (I) ports of nautical tourism - marinas (II), charters, (III) shipbuilders, (IV) shipowners, (V) ship and nautical equipment manufacturers, (VI) diving tourism and (VII) adventure tourism. Consequently, it has grown into the congress center of the Croatian nautical industry and tourism during these twenty years, which was confirmed by the organization of the 2nd Nautical Days organized by the Croatian Chamber of Commerce with a two-day congress program.

In 2018, more than 310 contracted exhibitors with more than 320 boats, of which 40 premier vessels, the show was visited by over 16,000 persons and 2,000 business visits were realized through the nautical business to business networking platform – Biograd B2B.

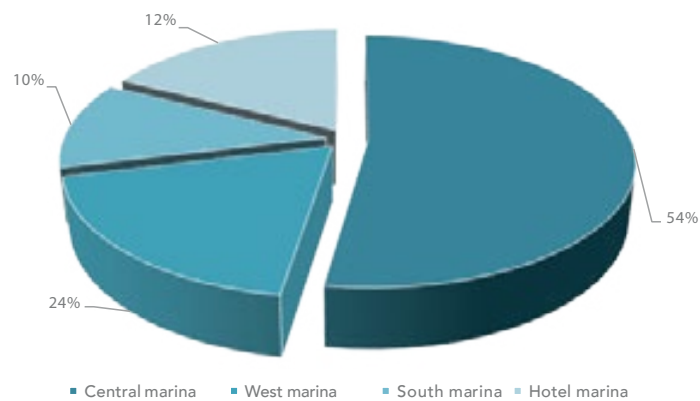
54 regatta events attended by over 6000 sailors on 350 vessels with an average stay of 2.3 days were held in the reporting period in Marina Kornati. Among the regattas, the international regatta Kornati Cup 2018 is to be especially mentioned, with about 600 sailors from all over Europe on more than 100 vessels and the Business Cup 2018 with 190 sailors and 30 sailing boats mainly from Austria which can be characterized as a kind of open championship of Austria in sailing. In recent years, the regattas, especially those with a large number of participants, record a decline as a result of the development of new ports of nautical tourism in the region of Central and Southern Dalmatia, with the observed trend of occurrence of flotillas with fewer participants and vessels.



## 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 01/01-31/12/2018 and comparison with that in 2017

Physical turnover items		2018 by month											
Name of position	Measurement unit	1	2	3	4	5	6	7	8	9	10	11	12
Contract-based berth - individual	Contracted vessel	77	233	293	351	381	396	402	405	405	405	407	418
Contract-based berth - charter	Contracted vessel	4	6	91	293	316	319	320	321	321	321	322	323
<b>TOTAL Contract-based berth</b>	<b>Contracted vessel</b>	<b>81</b>	<b>239</b>	<b>384</b>	<b>644</b>	<b>697</b>	<b>715</b>	<b>722</b>	<b>726</b>	<b>726</b>	<b>726</b>	<b>729</b>	<b>741</b>
Transit berth-sailing in port	Sailing in port	1	7	29	139	520	1.005	1.835	2.648	3.085	3.242	3.261	3.263
Transit berth-overnight stay of vessel	Boat/day	134	298	625	1.233	2.190	3.356	5.832	8.509	9.520	10.179	10.517	10.639
Transit berth-overnight stay of vessel crew	Overnight stay of a person												
Port service	Operation	171	379	689	1.111	1.536	1.926	2.410	2.859	3.080	3.254	3.585	3.682

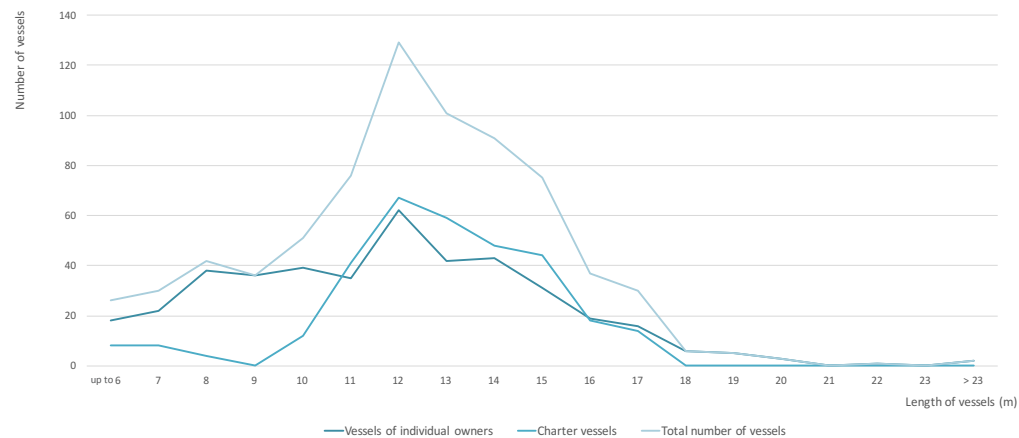
Physical turnover items		2017 by month											
Name of position	Measurement unit	1	2	3	4	5	6	7	8	9	10	11	12
Contract-based berth - individual	Contracted vessel	91	258	317	369	390	407	412	415	416	418	422	423
Contract-based berth - charter	Contracted vessel	1	14	74	261	280	285	285	286	287	287	289	289
<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



Vessels on berth contract during the period from 01/01-31/12/2018 and comparison with that in 2017

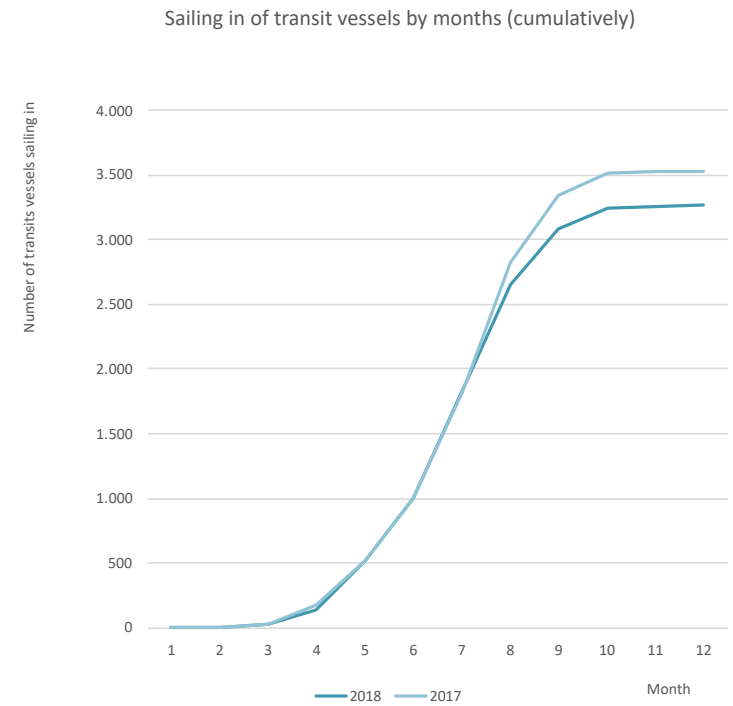
Purpose	Type of berth	Position of berth	01/01-31/12	% Total	01/01-31/12	% Total	Index
			2018	Vessels	2017	Vessels	
VESSEL OF INDIVIDUAL OWNERS	Annual berth in the sea	Central aquatorium	280	38	295	41	95
		South aquatorium	45	6	50	7	90
		Western aquatorium	8	1	2	0	400
	Annual berth on the land	Hotel port	36	5	40	6	90
		Marina land	5	1	3	0	167
	Seasonal berth in the sea	Marina aquatorium	25	3	22	3	114
		Hotel port	19	3	11	2	173
Total individual vessels:			418	56	423	59	99
CHARTER VESSELS	Annual berth in the sea	Central aquatorium	92	12	79	11	116
		South aquatorium	0	0	0	0	#DIV/0!
		Western aquatorium	231	31	194	27	119
		Hotel port	0	0	16	2	0
	Total charter vessels:			323	44	289	41
Total vessels 2018:			741	100	712	100	104

Vessels on berth contract from 01/01-31/12/2018



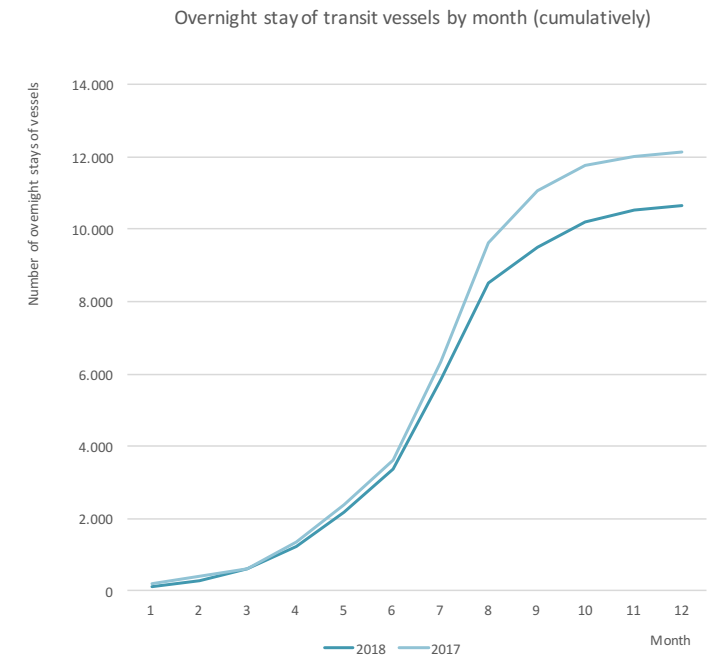
Transit berth – inbound vessels sailing into the port during the period from 01/01-31/12/2018 and comparison with that in 2017

2018	Individually monthly			Cumulatively monthly		
	2018	2017	INDEX	2018	2017	INDEX
Month	2018/2017			2018/2017		
1	1	1	100	1	1	100
2	6	5	120	7	6	117
3	22	22	100	29	28	104
4	110	148	74	139	176	79
5	381	345	110	520	521	100
6	485	478	101	1.005	999	101
7	830	834	100	1.835	1.833	100
8	813	997	82	2.648	2.830	94
9	437	518	84	3.085	3.348	92
10	157	170	92	3.242	3.518	92
11	19	8	238	3.261	3.526	92
12	2	1	200	3.263	3.527	93
<b>Total 2018</b>	<b>3.263</b>					
<b>Total 2017</b>	<b>3.527</b>					
<b>Index 2018/2017</b>	<b>93</b>					



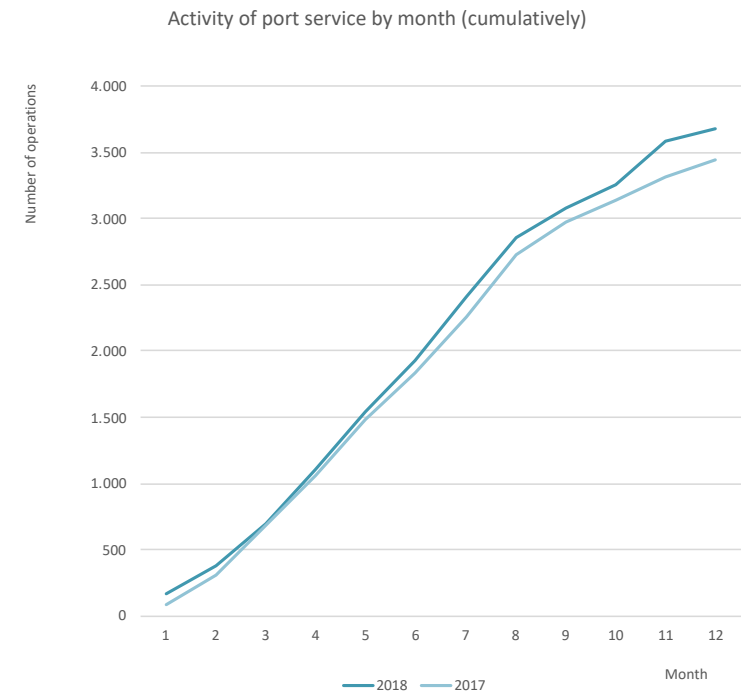
Transit berth – overnight stays during the period from 01/01-31/12/2018 and comparison with that in 2017

2018	Individually monthly			Cumulatively monthly		
	2018	2017	INDEX	2018	2017	INDEX
Month	2018/2017			2018/2017		
1	134	184	73	134	184	73
2	164	206	80	298	390	76
3	327	214	153	625	604	103
4	608	761	80	1.233	1.365	90
5	957	1.001	96	2.190	2.366	93
6	1.166	1.267	92	3.356	3.633	92
7	2.476	2.700	92	5.832	6.333	92
8	2.677	3.271	82	8.509	9.604	89
9	1.011	1.463	69	9.520	11.067	86
10	659	690	96	10.179	11.757	87
11	338	267	127	10.517	12.024	87
12	122	120	102	10.639	12.144	88
<b>Total 2018</b>	<b>10.639</b>					
<b>Total 2017</b>		<b>12.144</b>				
<b>Index 2018/2017</b>			<b>88</b>			



Activities of port repair services during the period from 01/01-31/12/2018 and comparison with that in 2017

2018	Individually monthly			Cumulatively monthly		
	2018	2017	INDEX	2018	2017	INDEX
Month	2018/2017			2018/2017		
1	171	87	197	171	87	197
2	208	225	92	379	312	121
3	310	374	83	689	686	100
4	422	369	114	1.111	1.055	105
5	425	432	98	1.536	1.487	103
6	390	343	114	1.926	1.830	105
7	484	425	114	2.410	2.255	107
8	449	468	96	2.859	2.723	105
9	221	255	87	3.080	2.978	103
10	174	165	105	3.254	3.143	104
11	331	177	187	3.585	3.320	108
12	97	126	77	3.682	3.446	107
<b>Total 2018</b>	<b>3.682</b>					
<b>Total 2017</b>		<b>3.446</b>				
<b>Index 2018/2017</b>			<b>107</b>			



## Revenue generated by Marina Kornati during the period from 01/01 to 31/12/2018 individually by months and comparison with that in 2017

REVENUES OF MARINA KORNATI 2018 SEPARATE BY MONTHS																
Revenue positions		Months 2018												2018	2017	Index
		1	2	3	4	5	6	7	8	9	10	11	12	CUMULAT.	TOTAL	2018/2017
I	Daily berths	21.798,53	17.162,98	52.765,59	137.407,35	257.811,82	336.771,25	547.611,97	614.909,89	261.303,69	175.699,67	57.819,38	5.771,20	2.486.833,31	2.889.334,82	86,07
II	Contracted berth with accessories	3.055.113,30	5.666.701,26	4.040.807,17	6.138.972,98	1.491.753,01	648.604,10	7.412.226,30	73.727,75	24.525,24	59.817,06	51.203,58	163.455,05	28.826.906,80	27.491.171,96	104,86
III	Port service	136.539,66	221.275,21	350.618,77	430.464,87	394.404,73	293.203,91	266.638,50	215.071,96	108.994,10	126.659,32	313.717,12	118.589,98	2.976.178,12	2.692.082,41	110,55
IV	Vehicle parking	924,00	4.812,00	16.769,20	116.172,16	243.356,04	328.993,60	423.876,39	398.572,88	332.824,89	139.197,72	19.084,00	2.632,00	2.027.214,88	1.971.217,83	102,84
V	Other services	5.298,19	22.435,64	-47.587,88	16.907,04	128.366,56	142.568,89	-64.339,85	148.390,61	171.353,03	7.435,72	72.841,39	12.309,43	615.978,78	669.373,77	92,03
VI	Business cooperation	0,00	0,00	0,00	1.170.278,80	686,40	28.560,48	1.110.131,30	0,00	0,00	0,00	0,00	0,00	2.309.656,98	2.183.879,37	105,76
VII	Boat fair and events	40.000,00	0,00	0,00	22.625,00	3.430,00	0,00	178.062,11	19.392,32	1.460.781,16	1.416.646,05	37.189,44	44.384,00	3.222.510,08	2.707.355,59	119,03
<b>TOTAL:</b>		<b>3.259.673,68</b>	<b>5.932.387,09</b>	<b>4.413.372,85</b>	<b>8.032.828,20</b>	<b>2.519.808,56</b>	<b>1.778.702,23</b>	<b>9.874.206,72</b>	<b>1.470.065,41</b>	<b>2.359.782,11</b>	<b>1.925.455,54</b>	<b>551.854,91</b>	<b>347.141,66</b>	<b>42.465.278,95</b>	<b>40.604.415,75</b>	<b>104,58</b>

REVENUES OF MARINA KORNATI 2017 SEPARATE BY MONTHS																
Revenue positions		Months 2017												2017	2016	Index
		1	2	3	4	5	6	7	8	9	10	11	12	CUMULAT.	TOTAL	2017/2016
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	397.409,85	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	0,00	0,00	0,00	1.102.318,61	0,00	3.698,85	1.077.861,91	0,00	0,00	0,00	0,00	0,00	2.183.879,37	2.149.259,78	101,61
VII	Boat fair and events	0,00	0,00	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>8.468.422,45</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>

## Revenue generated by Marina Kornati during the period from 01/01 to 31/12/2018 cumulatively by months and comparison with that in 2017

REVENUES OF MARINA KORNATI 2018 CUMULATIVE BY MONTHS													
Revenue positions	Months 2018												% of total revenues
	1	2	3	4	5	6	7	8	9	10	11	12	
I Daily berths	21.798,53	38.961,50	91.727,10	229.134,45	486.946,27	823.717,52	1.371.329,48	1.986.239,37	2.247.543,06	2.423.242,73	2.481.062,12	2.486.833,31	5,86
II Contracted berth with accessories	3.055.113,30	8.721.814,56	12.762.621,73	18.901.594,71	20.393.347,72	21.041.951,82	28.454.178,12	28.527.905,87	28.552.431,11	28.612.248,17	28.663.451,75	28.826.906,80	67,88
III Port service	136.539,66	357.814,87	708.433,64	1.138.898,51	1.533.303,24	1.826.507,15	2.093.145,65	2.308.217,61	2.417.211,71	2.543.871,03	2.857.588,15	2.976.178,12	7,01
IV Vehicle parking	924,00	5.736,00	22.505,20	138.677,36	382.033,40	711.027,00	1.134.903,39	1.533.476,27	1.866.301,16	2.005.498,88	2.024.582,88	2.027.214,88	4,77
V Other services	5.298,19	27.733,84	-19.854,05	-2.947,01	125.419,55	267.988,44	203.648,59	352.039,20	523.392,23	530.827,95	603.669,33	615.978,78	1,45
VI Business cooperation	0,00	0,00	0,00	1.170.278,80	1.170.965,20	1.199.525,68	2.309.656,98	2.309.656,98	2.309.656,98	2.309.656,98	2.309.656,98	2.309.656,98	5,44
VII Boat fair and events	40.000,00	40.000,00	40.000,00	62.625,00	66.055,00	66.055,00	244.117,11	263.509,43	1.724.290,59	3.140.936,64	3.178.126,08	3.222.510,08	7,59
<b>TOTAL:</b>	<b>3.259.673,68</b>	<b>9.192.060,77</b>	<b>13.605.433,62</b>	<b>21.638.261,82</b>	<b>24.158.070,38</b>	<b>25.936.772,61</b>	<b>35.810.979,32</b>	<b>37.281.044,73</b>	<b>39.640.826,84</b>	<b>41.566.282,38</b>	<b>42.118.137,29</b>	<b>42.465.278,95</b>	<b>100,00</b>

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	0,00	0,00	0,00	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	0,00	0,00	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>

## Summary of key operating market indicators for Marina Kornati

The operating revenue of Marina Kornati is the most important part of the revenue of the Company's nautical sector and in 2018 it generated a rate of growth by 3.58% 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, which is a growth rate of 4.86% being the result of an increased number of charter contract-based vessels for which the price of fee 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 result of the growth of the revenue from the contract-based berth is the growth of the average revenue generated per contract-based berth which for the year 2018 amounted to HRK 38,902.71, while the average revenue generated per transit berth amounts to HRK 233.75 and recorded a slight decline due to the reduction of revenues from transit or reduction of sailing in and overnight stays of transit vessels.



## Key market indicators of Marina Kornati

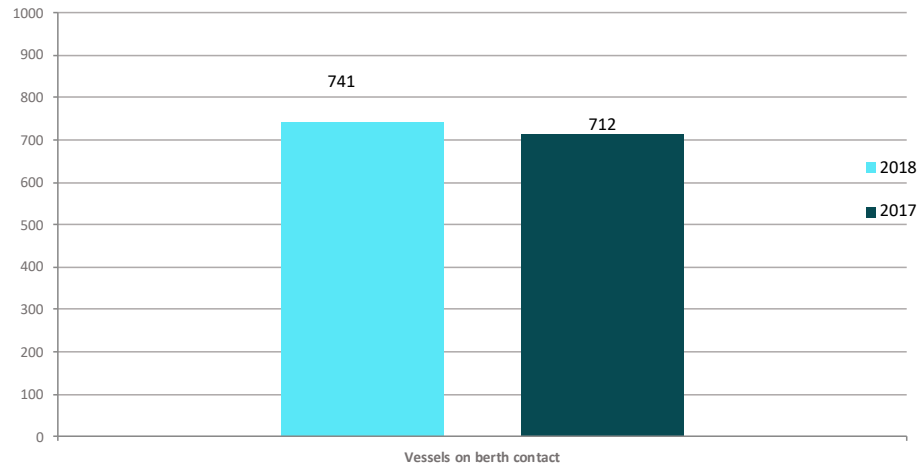
	2018	2017	2018/2017
<b>Capacity (number of berths): *</b>			
Central marina	435	435	0,00%
Western marina	190	190	0,00%
Southern marina	80	80	0,00%
Hotel marina	100	100	0,00%
Total number of berths	805	805	0,00%
<b>Physical turnover:</b>			
Vessels on berth contact	741	712	4,07%
Number of overnight stays (vessels having transit berth)	10.639	12.144	-12,39%
Number of service operations	3.682	3.446	6,85%
Number of parking places	500	500	0,00%
Number of business cooperation agreements	49	51	-3,92%
<b>Financial results:</b>			
<b>Total operating revenue of the marina</b>	<b>39.242.678,09 kn</b>	<b>37.887.938,99 kn</b>	<b>3,58%</b>
<b>Berth contract:</b>			
Revenue from berth contracts	28.826.906,80 kn	27.491.171,96 kn	4,86%
Aver. revenue per berth contract	38.902,71 kn	38.611,20 kn	0,75%
Share in the total operating revenue of the marina	73,5%	72,6%	1,24%
<b>Transit berth:</b>			
Revenue from transit berth	2.486.833,31 kn	2.889.334,82 kn	-13,93%
Aver. revenue per overnight stay (transit berth)	233,75 kn	237,92 kn	-1,76%
Share in the total operating revenue of the marina	6,3%	7,6%	-16,90%
<b>Servicing:</b>			
Revenue from servicing	2.976.178,12 kn	2.692.082,41 kn	10,55%
Aver. revenue per servicing operation	808,30 kn	781,22 kn	3,47%
Share in the total operating revenue of the marina	7,6%	7,1%	6,74%
<b>Parking:</b>			
Revenue from parking	2.027.214,88 kn	1.971.217,83 kn	2,84%
Aver. revenue per parking space	4.054,43 kn	3.942,44 kn	2,84%
Share in the total operating revenue of the marina	5,2%	5,2%	-0,71%
<b>Bussines cooperation:</b>			
Revenue from bussines cooperation	2.309.656,98 kn	2.183.879,37 kn	5,76%
Aver. revenue from bussines cooperation	47.135,86 kn	42.821,16 kn	1,44%
Share in the total operating revenue of the marina	5,9%	5,8%	2,11%

Notes:

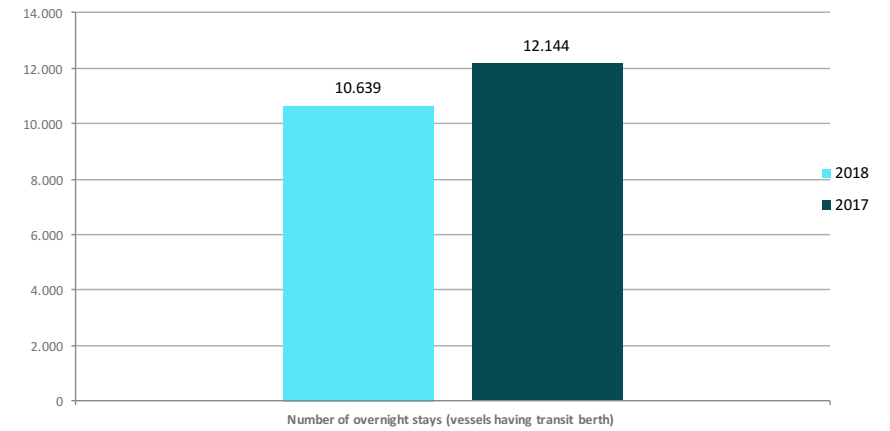
\* Number of berths refers to physically available number of berths in the marina.



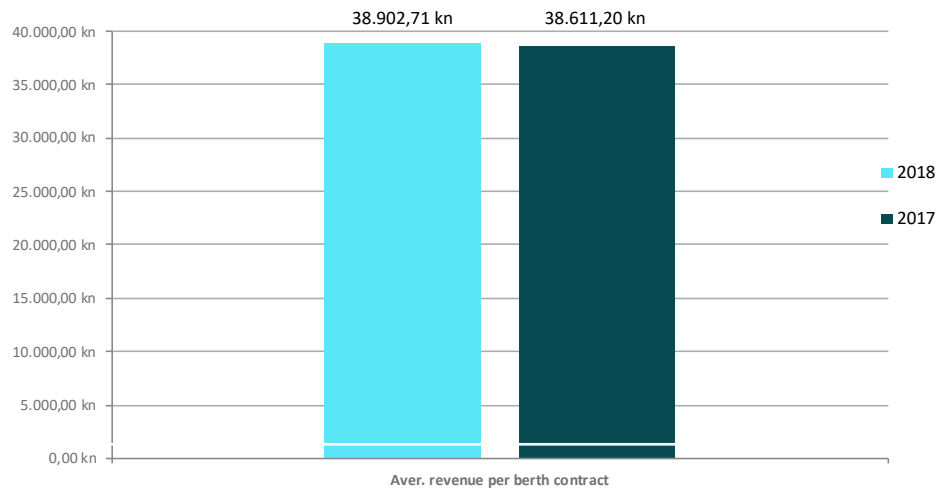
No. of vessels per berth contract in the Marina Kornati in 2018 and 2017



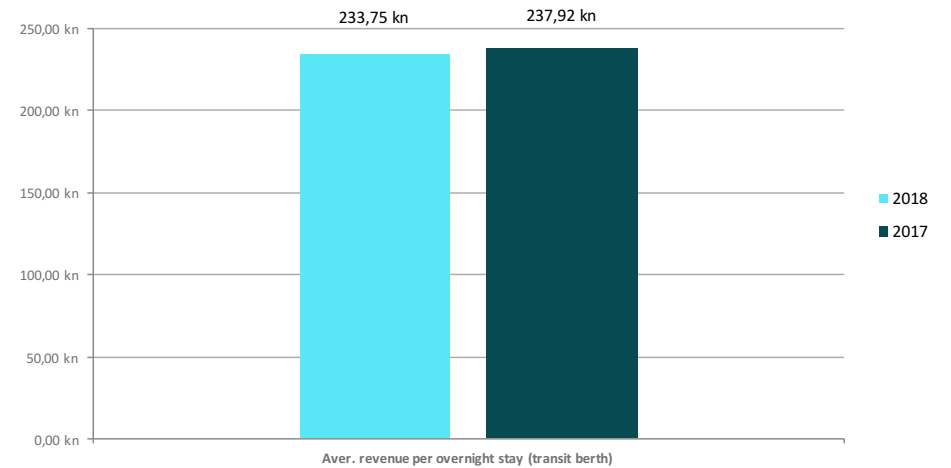
No. of overnight stays of transit vessels in Marina Kornati in 2018 and 2017



Average revenues per berth contract in Marina Kornati in 2018 and 2017



Average revenue per overnight stays of the transit vessels in Marina Kornati in 2018 and 2017



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## 4.3 CAMPING - CAMPSITE "PARK SOLINE"

In 2018, 42,138 arrivals were realized in the camping sector, which is a rise by 12.69% compared to those in the last fiscal year. Accordingly, the increased number of arrivals resulted in an increase in the number of overnight stays by 6.99% and the number of realized overnight stays in the reporting period was 302,845. Also, at the Croatian level, the camping sector records a rise by 1.18% in 2018 in the number of overnight stays, so that owing to the rise realized in overnight stays, the campsite Park Soline exceeds the level of the entire camping sector of Croatia.

Since the increase in the number of arrivals is somewhat higher than the increase in the number of overnight stays, it affected the total number of guests' days of stay which was 7.19 days in the observed period.

This increase can partly be attributed to carefully planned investments and marketing, and partly due to excellent occupancy in the pre-season especially during public holidays (the 1st of May) and due to extremely good booking in the second half of June, which was affected by the end of the school year and good schedule of non-working days.

All four segments of the campsite business (allotments, lump sum, individuals and mobile homes) are seeing growth in arrivals. The market segment allotment records a decline in overnight stays by 3.16% and a rise in arrivals by 3.56%. The market segment lump-sum recorded a growth in arrivals by 38.01% in arrivals and 22.80% in overnight stays compared to that in 2017. 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). Market segment of individuals recorded a growth by 5.98% in arrivals, and a growth by 2.01% in overnight stays, while mobile homes grew by 16.76% in arrivals and by 16.34% in overnight stays compared to those in 2017.

The camping sector records both a growth in physical turnover and revenue item, where the contracted and generated revenues amount to HRK 30,526,774.19 and are higher by 12% compared to those in 2017. The growth in revenues was realized from the agencies by 8% as a result of an increase in the number of leased pitches, followed by lump sums with a growth in contracted revenues by 29%, which is the consequence of a higher number of leased lump sum pitches compared to those in the

previous year, of which a major part of the lump sum refers to mobile homes which bring in higher revenue. Revenues from mobile homes increased by 15% and revenues from individuals increased by 4% owing to better booking and better occupancy in the pre-season and in the high season. This is the result of the carefully planned investment and marketing activities and excellent occupancy in the pre-season and in the high season.

In the structure of realized overnight stays, the top five source markets are (1) the Slovenian market with a share of 23% overnight stays, (2) the Czech market with a share of 19% overnight stays, (3) the German market with a share of 14% overnight stays, (4) the Croatian market with a share of 8% overnight stays and (5) the Dutch market with a share of 7% overnight stays. In the business segment of mobile homes, the highest increase was recorded by the guests from the Polish market by 42.17%, the Slovenian market by 24.08%, the Croatian market by 16.37% and the German market by 10.27% compared to that in 2017. In the business segments of camping units, the highest increase was recorded by the guests from the Czech market by 34.17%, the Croatian market by 20.51% and the German market by 13.76%.

The highest increase in overnight stays was achieved by the guests from Bosnia and Herzegovina by 73.69%, followed by the Croatian market by 29.24%, the Polish market by 19.80%, the Austrian market by 15.82%, and the German market by 9.55%.

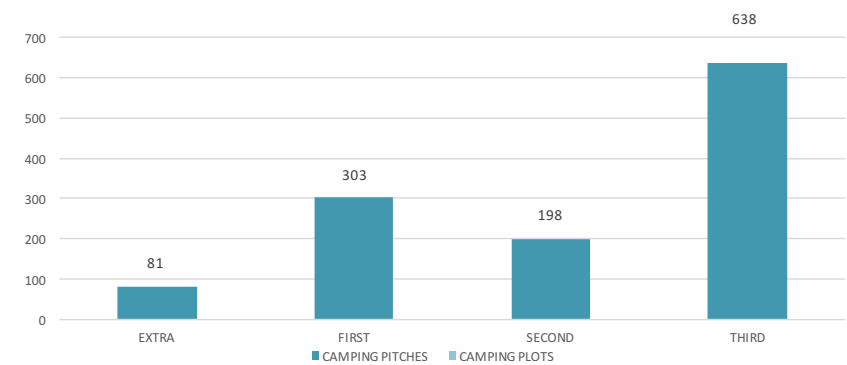
At the same time, in the structure of overnight stays by market segments, the agencies prevail with the share of 30% and individuals with a share of 27% of overnight stays. The share of overnight stays of lump sum is 19% and it rose in line with a rise in the number of occupied lump sum pitches. The share in overnight stays in mobile homes rose by 2% in line with a rise of a number of mobile homes and higher booking and amounts to 24% in the total overnight stays in the campsite.

The increase in overnight stays, arrivals and revenues in the year 2018 compared to that in the previous fiscal year 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 2017.



## Capacities of the campsite „Park Soline“

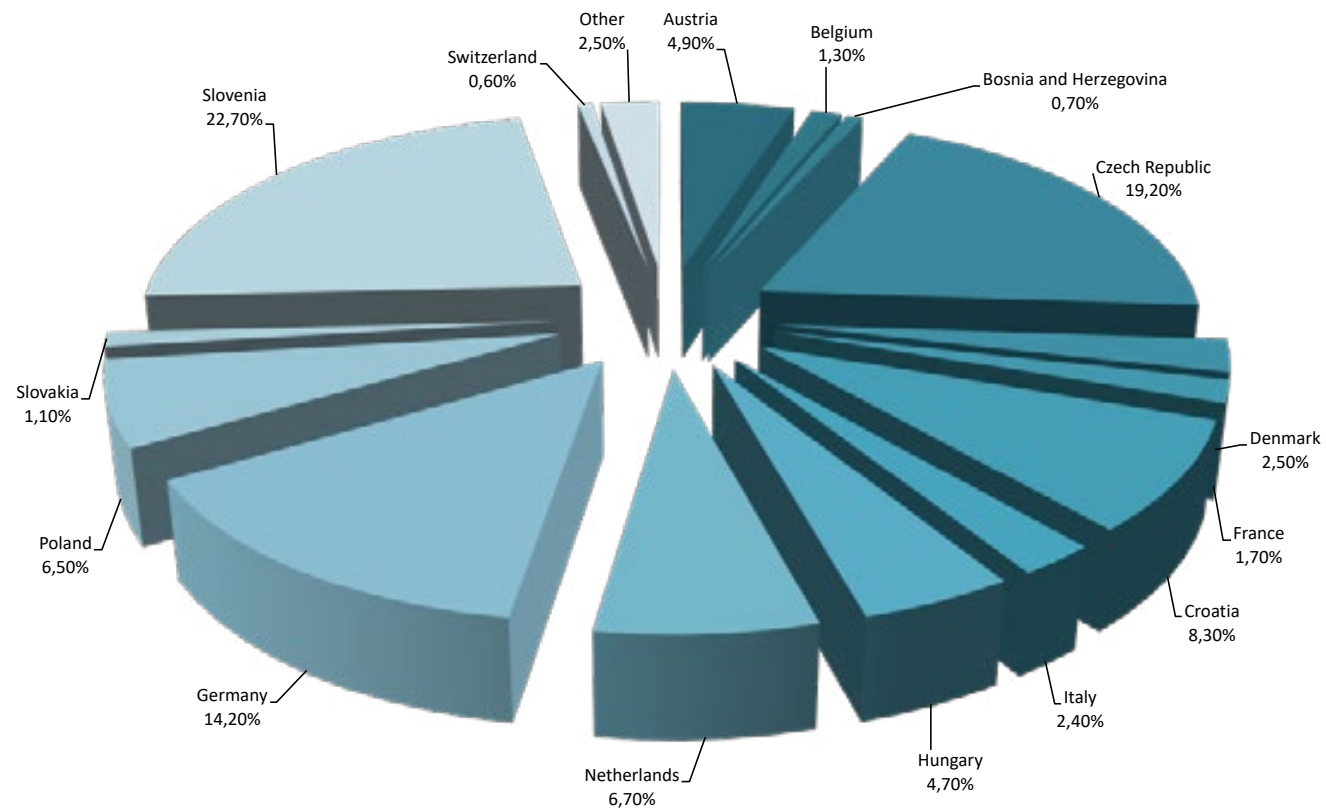
		2014	2015	2016	2017	2018
I	EXTRA ZONE					
	CAMPING PITCHES	80	81	81	81	81
	CAMPING PLOTS	0	0	0	0	0
	TOTAL	80	81	81	81	81
II	FIRST ZONE					
	CAMPING PITCHES	345	326	326	326	303
	CAMPING PLOTS	0	0	0	0	0
	TOTAL	345	326	326	326	303
III	SECOND ZONE					
	CAMPING PITCHES	168	182	182	182	198
	CAMPING PLOTS	0	0	0	0	0
	TOTAL	168	182	182	182	198
IV	THIRD ZONE					
	CAMPING PITCHES	342	347	347	347	638
	CAMPING PLOTS	188	187	194	194	0
	TOTAL	530	534	541	541	638
Σ	GRANDTOTAL					
	CAMPING PITCHES	935	936	936	936	1220
	CAMPING PLOTS	188	187	194	194	0
	GRANDTOTAL	1123	1123	1130	1130	1220



## Arrivals and overnight stays by source markets and average days of stay during the period from 01/01-31/12/2018 and comparison with that in 2017

Market	2018		2017		INDEX 2018/2017		AVERAGE DAYS OF STAY	
	Arrivals	Overnight stays	Arrivals	Overnight stays	Arrivals	Overnight stays	2018	2017
Austria	2.085	14.825	1.802	12.802	115,70	115,80	7,11	7,10
Belgium	493	4.014	540	3.782	91,30	106,13	8,14	7,00
Bosnia and Herze- govina	451	2.126	303	1.224	148,84	173,69	4,71	4,04
Czech Republic	7.672	58.258	7.506	57.502	102,21	101,31	7,59	7,66
Denmark	819	7.446	893	7.978	91,71	93,33	9,09	8,93
France	711	5.078	727	5.460	97,80	93,00	7,14	7,51
Croatia	3.569	25.097	2.554	19.419	139,74	129,24	7,03	7,60
Italy	1.211	7.262	1.120	7.057	108,13	102,90	6,00	6,30
Hungary	2.219	14.260	1.951	13.446	113,74	106,05	6,43	6,89
Netherlands	2.329	20.250	2.492	23.135	93,46	87,53	8,69	9,28
Germany	5.499	42.918	4.893	39.172	112,39	109,56	7,80	8,01
Poland	2.734	19.770	2.075	16.502	131,76	119,80	7,23	7,95
Slovakia	541	3.360	497	3.043	108,85	110,42	6,21	6,12
Slovenia	10.018	68.615	8.416	63.714	119,04	107,69	6,85	7,57
Switzerland	408	1.965	344	1.700	118,60	115,59	4,82	4,94
Other	1.379	7.601	1.281	7.133	107,65	106,56	5,51	5,57
<b>TOTAL</b>	<b>42.138</b>	<b>302.845</b>	<b>37.394</b>	<b>283.069</b>	<b>112,69</b>	<b>106,99</b>	<b>7,19</b>	<b>7,57</b>

## Overnight stays by source markets during the period from 01/01 - 31/12/2018



Arrivals, overnight stays, number of pitches and average days of stay by market segments for the period from 01/01-31/12/2018 and comparison with that in 2017

MARKET SEGMENT	2018			2017			INDEX 2018/2017			AVERAGE DAYS OF STAY	
	Arrivals	Overnight stays	Pitch	Arrivals	Overnight stays	Pitch	Arrivals	Overnight stays	Pitch	2018	2017
Allotment	11.833	90.751	264	11.426	93.709	246	103,56	96,84	107,32	7,67	8,20
Lump sum	8.144	59.488	210	5.901	48.442	182	138,01	122,80	115,38	7,30	8,21
Individuals	12.475	80.710	562	11.771	79.121	552	105,98	102,01	101,81	6,47	6,72
Mobile homes	9.686	71.896	184	8.296	61.797	150	116,76	116,34	122,67	7,42	7,45
<b>TOTAL</b>	<b>42.138</b>	<b>302.845</b>	<b>1.220</b>	<b>37.394</b>	<b>283.069</b>	<b>1.130</b>	<b>112,69</b>	<b>106,99</b>	<b>107,96</b>	<b>7,19</b>	<b>7,57</b>

Overview of overnight stays by source markets and market segments for the period from 01/01-31/12/2018 and the comparison with that in 2017

Market	MOBILE HOMES			AGENCIES			LUMP SUM			INDIVIDUALS			TOTAL		
	2017	2018	Index	2017	2018	Index	2017	2018	Index	2017	2018	Index	2017	2018	Index
Austria	3.078	4.343	141,10	2.638	2.431	92,15	1.490	2.022	135,70	5.596	6.031	107,77	12.802	14.827	115,82
Belgium	1.037	1.127	108,68	877	464	52,91	199	241	121,11	1.669	2.182	130,74	3.782	4.014	106,13
B&H	457	821	179,65	75	139	185,33	510	950	186,27	182	216	118,68	1.224	2.126	173,69
The Czech Republic	3.025	3.749	123,93	49.361	46.920	95,05	1.979	3.374	170,49	3.137	4.209	134,17	57.502	58.252	101,30
Denmark	1.621	2.013	124,18	2.867	2.453	85,56	145	125	86,21	3.345	2.855	85,35	7.978	7.446	93,33
France	717	751	104,74	3.600	3.096	86,00	84	250	297,62	1.059	981	92,63	5.460	5.078	93,00
Croatia	4.593	5.345	116,37	309	1.423	460,52	10.295	13.242	128,63	4.222	5.088	120,51	19.419	25.098	129,24
Italy	1.742	1.595	91,56	968	969	100,10	130	721	554,62	4.217	3.977	94,31	7.057	7.262	102,90
Hungary	2.884	3.466	120,18	7.668	7.905	103,09	1.197	1.412	117,96	1.697	1.477	87,04	13.446	14.260	106,05
Netherlands	6.548	6.051	92,41	4.596	3.030	65,93	410	696	169,76	11.581	10.473	90,43	23.135	20.250	87,53
Germany	12.639	13.937	110,27	5.605	5.233	93,36	3.278	3.665	111,81	17.650	20.079	113,76	39.172	42.914	109,55
Poland	4.989	7.093	142,17	5.513	5.447	98,80	1.310	2.335	178,24	4.690	4.895	104,37	16.502	19.770	119,80
Slovakia	970	743	76,60	428	825	192,76	780	1.268	162,56	865	524	60,58	3.043	3.360	110,42
Slovenia	15.130	18.774	124,08	8.477	9.122	107,61	25.359	27.722	109,32	14.748	12.996	88,12	63.714	68.614	107,69
Switzerland	579	521	89,98	62	95	153,23	109	221	202,75	950	1.140	120,00	1.700	1.977	116,29
Others	1.788	1.567	87,64	665	1.199	180,30	1.167	1.244	106,60	3.513	3.587	102,11	7.133	7.597	106,50
<b>TOTAL</b>	<b>61.797</b>	<b>71.896</b>	<b>116,34</b>	<b>93.709</b>	<b>90.751</b>	<b>96,84</b>	<b>48.442</b>	<b>59.488</b>	<b>122,80</b>	<b>79.121</b>	<b>80.710</b>	<b>102,01</b>	<b>283.069</b>	<b>302.845</b>	<b>106,99</b>



## Cumulative overview of daily and monthly occupancy of accommodation units of the campsite during the period from 21/04 to 30/11/2018

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	1.840	554	30,11%	3,01	5.704	1.161	20,35%	6,31	5.520	3.539	64,11%	19,23	5.704	5.370	94,14%	29,18
AGENCIES	2.640	2.640	100,00%	10,00	8.184	8.184	100,00%	31,00	7.920	7.920	100,00%	30,00	8.184	8.184	100,00%	31,00
LUMP SUM	2.070	2.070	100,00%	10,00	6.417	6.417	100,00%	31,00	6.240	6.240	100,00%	30,00	6.510	6.510	100,00%	31,00
INDIVIDUALS PITCHES STANDARD MARE - CAMPING PLACE STANDARD III ZONE	3.280	338	10,30%	1,03	10.168	1.353	13,31%	4,13	9.840	4.030	40,96%	12,29	10.168	7.145	70,27%	22,61
INDIVIDUALS CAMPING PLACE STANDARD IV ZONE	2.370	0	0,00%	0,00	7.347	12	0,16%	0,05	7.080	168	2,36%	0,71	7.254	2.868	39,54%	10,95
INDIVIDUALS TOTAL	5.650	338	5,98%	0,60	17.515	1.365	7,79%	2,42	16.920	4.198	24,77%	7,43	17.422	10.013	57,47%	17,72
<b>TOTAL</b>	<b>12.200</b>	<b>5.602</b>	<b>45,92%</b>	<b>4,59</b>	<b>37.820</b>	<b>17.127</b>	<b>45,29%</b>	<b>14,04</b>	<b>36.600</b>	<b>21.897</b>	<b>59,83%</b>	<b>17,95</b>	<b>37.820</b>	<b>30.077</b>	<b>79,53%</b>	<b>24,65</b>

MONTH	AUGUST				SEPTEMBER				OCTOBER				NOVEMBER				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	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %	DAYS OF OCCUPANCY	NUMBER OF ACCOMMODATION UNITS	MAXIMUM POSSIBLE PITCH DAYS	PITCH DAYS	OCCUPANCY IN %
MOBILE HOMES ILIRIJA	5.704	5.383	94,37%	29,26	5.520	2.887	52,30%	15,69	5.704	299	5,24%	1,63	5.520	24	0,43%	0,13	184	41.216	19.217	46,63%	104,44
AGENCIES	8.184	8.184	100,00%	31,00	7.920	7.920	100,00%	30,00	8.184	8.184	100,00%	31,00	7.920	7.920	100,00%	30,00	264	59.136	59.136	100,00%	224,00
LUMP SUM	6.510	6.510	100,00%	31,00	6.300	6.300	100,00%	30,00	6.510	6.510	100,00%	31,00	6.300	6.300	100,00%	30,00	210	46.857	46.857	100,00%	224,00
INDIVIDUALS PITCHES STANDARD MARE - CAMPING PLACE STANDARD III ZONE	10.168	6.187	60,85%	18,86	9.840	3.021	30,70%	9,21	10.168	189	1,86%	0,58	9.840	9	0,09%	0,03	328	73.472	22.272	30,31%	67,90
INDIVIDUALS CAMPING PLACE STANDARD IV ZONE	7.254	2.049	28,25%	8,76	7.020	104	1,48%	0,44	7.254	0	0,00%	0,00	7.020	0	0,00%	0,00	234	52.599	5.201	9,89%	22,15
INDIVIDUALS TOTAL	17.422	8.236	47,27%	14,65	16.860	3.125	18,53%	5,56	17.422	189	1,08%	0,34	16.860	9	0,05%	0,02	562	126.071	27.473	21,79%	48,81
<b>TOTAL</b>	<b>37.820</b>	<b>28.313</b>	<b>74,86%</b>	<b>23,21</b>	<b>36.600</b>	<b>20.232</b>	<b>55,28%</b>	<b>16,58</b>	<b>37.820</b>	<b>15.182</b>	<b>40,14%</b>	<b>12,44</b>	<b>36.600</b>	<b>14.253</b>	<b>38,94%</b>	<b>11,68</b>	<b>1220</b>	<b>273.280</b>	<b>152.683</b>	<b>55,87%</b>	<b>125,15</b>

## Revenues of the campsite during the period from 01/01 to 31/12/2018 and comparison with that in 2017

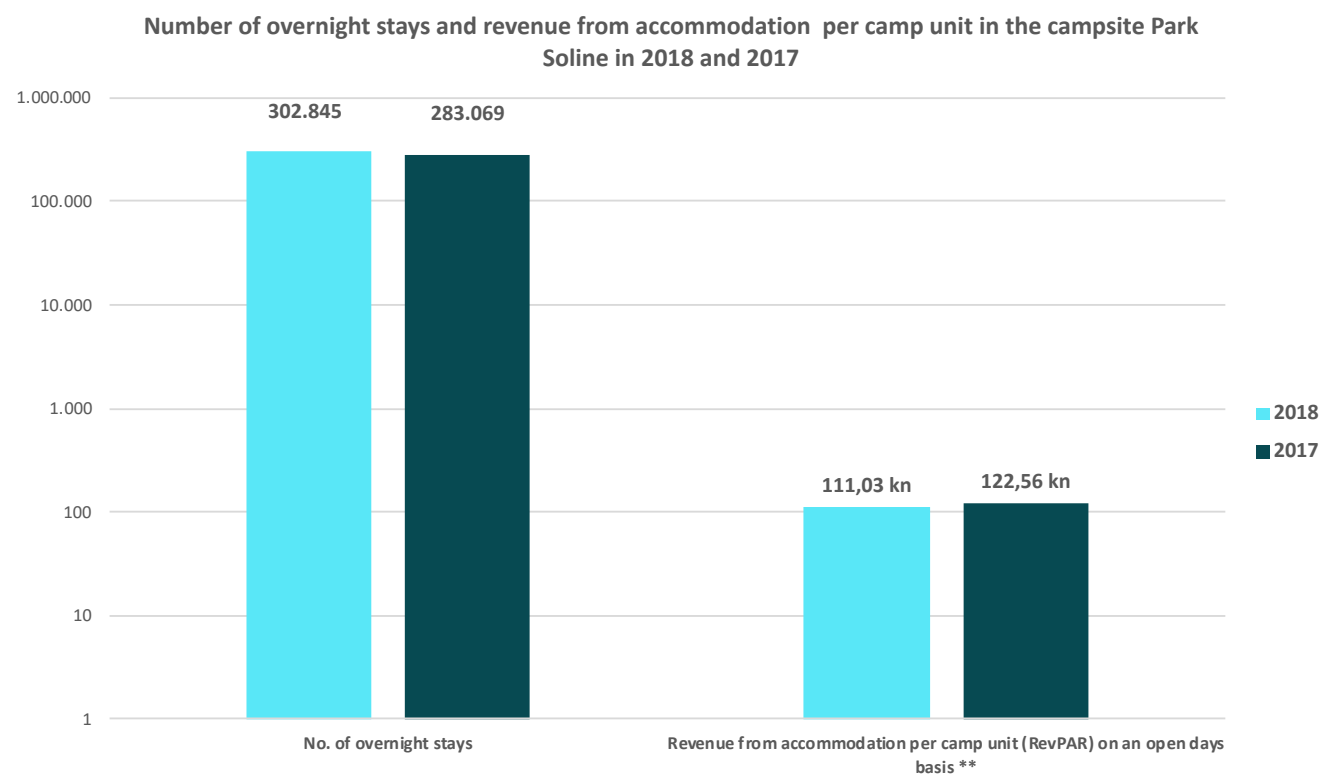
SEGMENT		2017					2018			INDEX	
		GENERATED IN 2017			CONTRACTED TILL 31/12/2017		CONTRACTED TILL 31/12/2018			2018/2017	
		NUMBER OF PITCHES	OVERNIGHT STAYS	REVENUES	REALIZED OVERNIGHT STAYS	REVENUES	NUMBER OF PITCHES	REALIZED OVERNIGHT STAYS	CONTRACTED REVENUE	OVERNIGHT STAYS	REVENUES
1	MOBILE HOMES ILIRIJA	150	61.797	10.824.296,55 kn	61.797	10.824.296,55 kn	184	71.896	12.501.103,72 kn	116	115
2	AGENCIES	246	93.709	4.353.649,87 kn	93.709	4.353.649,87 kn	264	90.751	4.723.061,00 kn	97	108
3	INDIVIDUALS	552	79.121	7.139.293,13 kn	79.121	7.139.293,13 kn	562	80.710	7.412.227,01 kn	102	104
4	LUMP SUM	182	48.442	3.427.390,56 kn	48.442	3.427.390,56 kn	210	59.488	4.419.277,04 kn	123	129
5	OTHER SERVICES	-	-	1.418.470,13 kn	-	1.418.470,13 kn	0	0	1.471.105,42 kn	#DIV/0!	104
<b>TOTAL:</b>		<b>1130</b>	<b>283.069</b>	<b>27.163.100,24 kn</b>	<b>283.069</b>	<b>27.163.100,24 kn</b>	<b>1220</b>	<b>302.845</b>	<b>30.526.774,19 kn</b>	<b>107</b>	<b>112</b>

## Summary of key market indicators of the campsite „Park Soline“

In comparison with the same period in the previous fiscal year, a higher number of guest arrivals and overnight stays was recorded in the campsite „Park Soline“, which resulted in the rise of capacity occupancy rate by 12.28% on the basis of occupancy of camp units, to 34.29% of the annual occupancy and in the increase in the revenues from accommodation per camp unit by 4.59% on the basis of the occupancy of the camp units on the basis of 365 open days. 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 a given period (365 days; number of open days).



## Key market indicators of the campsite „Park Soline“

	2018	2017	2018/2017
<b>Accommodation capacities:</b>			
Number of camping units	1.220	1.130	7,96%
Number of guests	3.660	3.390	7,96%
<b>Physical turnover:</b>			
No. of overnight stays	302.845	283.069	6,99%
No. of sold camp units	152.683	125.958	21,22%
Annual occupancy rate of the camp units (%)	34,29%	30,54%	12,28%
Occupancy rate of the units on an open days basis (%)	55,87%	57,46%	-2,76%
<b>Financial results:</b>			
Average daily rate of the camp unit (ADR)*	198,72 kn	213,31 kn	-6,84%
Revenue from accommodation per camp unit (RevPAR) on a basis of 365 days **	68,14 kn	65,14 kn	4,59%
Revenue from accommodation per camp unit (RevPAR) on an open days basis **	111,03 kn	122,56 kn	-9,41%

## 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).

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## 4.4 ILIRIJA TRAVEL

By developing new services and facilities through the complementary tourism 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. The basic purpose of these programs is to activate facilities in the pre- and post-season and stay of guests with more contents offered, so partly by using the basic capacities of the Company and partly by using separate products outside of its facilities.

During 2018, the service was provided to 58,023 persons through a total of 561 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 2017 grew by 14.26% in the number of events and declined by 12.12% in the number of guests.

Revenues in the amount of HRK 9,105,105.09 partly generated also through the contents of all profit centers of the Company are lower by 26.16% compared to those in 2017, which mainly relates to the provision of (I) the event ship Nada services for other companies and other Croatian counties, which were significantly reduced compared to those in the previous fiscal year, (II) the lack of regatta events in the profit center, restaurant "Marina Kornati" as a result of the development of new nautical destinations in Central and Southern Dalmatia and (III) a trend of decreasing the average number of persons per events.

The business operations conducted in own additional capacities such as Arsenal in Zadar, event ship "Nada", 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 DMC Ilirija Travel. The „Nada“ multifunctional boat, the rooms for holding congresses, seminars, special events, unique business meetings, gala receptions and banquets, unique wed-

dings, exclusive day and night cruising, incentive events, after the record year 2017 with a series of unique groups and events that were organized in the area of the whole Adriatic Coast, a greater number of events in 2018 was organized in the area of the Zadar and Biograd aquatorium used by the guests there, which resulted in the generation of revenues.

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 Ilirija travel facilities.



## 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 space 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 cultural, entertainment, MICE and event 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 2018, a total of 120 events were organized in Arsenal, which is 1.7% more than in 2017, with 36,430 visitors, which is a growth by 3.28% in a number of persons, whereby the total number of

individual events exceeded the figure of 1,838 since the opening of Arsenal. The total revenues of Arsenal for the year 2018 amount to HRK 5,858,700.20 and they rose by 2% compared to those in 2017. 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 segment of MICE events 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 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 take and in addition to the existing events, it will expand its offer in the years to come.



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## 4.5 COMMERCIAL-SHOPPING CENTER CITY GALLERIA

The Commercial – shopping center City Galleria is located in a highly residential area, only 10 minutes walking distance from the old city center and main bus station and is easily accessible to a large number of residents of the city of Zadar and county, as well as to foreign visitors owing to its location. 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 the surface area of the underground garage of 10,863.50 m<sup>2</sup>, net rentable area with business premises of 9,897.60 m<sup>2</sup> increased by the commercial activation of the third floor of the Center, communication, technical and common areas.

The center offer includes a variety of different contents with a wide range of offer including the city marketplace, fish market, butcher shops, specialized food and beverage stores, supermarket, fashion clothing stores, footwear and sports equipment stores; stores offering beauty and home products, service activities, sports facilities, hospitality facilities, office premises and the first and only multiplex cinema in the city with 6 screens. The contents are

conceptually divided into floors, where the ground floor of the center is designed as a space with a mixed offering of food and services; the first floor is designed as a fashion floor with an offer of clothing, footwear, fashion accessories 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 contents, while the third floor is designed for leasing office premises. On 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. Thanks to the unique architectural concept and the diverse offer of contents, the City Center Galleria has become distinguished as a place where the citizens' everyday life takes place.

The City Galleria's operational results and the interest of potential lessees in the business cooperation is continuously seeing growth. The lessees operating in the Commercial-shopping center City Galleria are, inter alia, multiplex cinemas CineStar, drugstore and perfume store Müller, supermarket SPAR, CCC shoes&bags, PEPCO, Gyms4You, Zagrebačka banka, most of which are market leaders in their respective fields. We can also mention other



international and domestic renowned lessees such as stores Timberland, Shooster, Adidas, Nike&Converse, GhetaIdus, Farmacia, ShoeBeDo, TELE2, Sancta Domenica and others.

As at 31st December 2018, the occupancy of the center was 99.64% of all capacities, that is, 36 premises lease contracts are active with floor areas ranging from 20m<sup>2</sup> to 1,836m<sup>2</sup>. In November 2018, a lease contract was signed for 303m<sup>2</sup> of business premises on the second floor of the center with the lessee Sancta Domenica d.o.o.. The reconstruction is underway for opening in January 2019. By commercializing the area on the third floor of the Center and creating new office units, the total net rentable surface of the center increased by 241.30 m<sup>2</sup>.

The operating revenues from the Center City Galleria were generated by leasing the premises, through common costs, lease of common areas of the center, lease of advertisement space and revenues from the garage amount to HRK 13,963,944.29. Grand-total operating revenues of the center amount to HRK 14,167,392.27 including the other operating revenues in the amount of HRK

203,447.98. This represents growth compared to that in the previous fiscal year by 13.88%.

In this period, 67.08% of the operating revenues, or HRK 9,503,162.37 was generated from the calculation of the rental fee of premises. The average rental fee per square meter of premises during the relevant period was EUR 10.97 or about 81.30 HRK/m<sup>2</sup>. The largest lessees according to the leased area are Spar Hrvatska d.o.o., Müller trgovina d.o.o. and Blitz - Cinestar d.o.o. These three lessees have taken lease of 49.04% of the net lettable surface area in the Commercial-Shopping Center City Galleria. 635,505 vehicles visited the public garages of the center in the year 2018.



## Overview of commercial activities

In the observed period, the Company started partial activation of business premises on the third floor of the center and their conversion from service to office premises. A lease contract was signed for a part of the office space in question with the lessee ROSS d.o.o. that engages in the media activity and operates via the radio station 057 and web portal 057info.hr on the local media market. The reconstruction works for a part of the third floor have been completed, and the lessee started business in the new office premises. A lease contract for a part of the office premises with the total surface area of 77.7 m<sup>2</sup> has been signed with the lessee Securitas Hrvatska d.o.o. and the completion of the planned works on the reconstruction of the premises and the performance of the business activities is planned to begin in the first half of 2019. A lease contract has been concluded with the company Drugačije d.o.o. for the premises with the surface area of 43.10 m<sup>2</sup> and this company engages in providing bookkeeping services and business consulting.

In November 2018, a Lease contract was signed with Sancta Domenica d.o.o. for business premises on the second floor of the center, and the prepara-

tion of the premises is underway with the opening planned for January 2019. During December 2018, a new premises lease contract was concluded with the lessee Erste & Steiermarkische Bank d.d.

Continuous efforts are being made to improve and advance the offer of the center in order to create an attractive and diverse offer and strengthen its overall market recognition and positioning within the Zadar Region. The Company cooperates with the existing lessees in the center to increase its business volume and raise the quality of service and is working with them on the active policy of bringing new lessees, especially those that are not yet present in the region of the Zadar County, making the offer of the Center even more competitive.



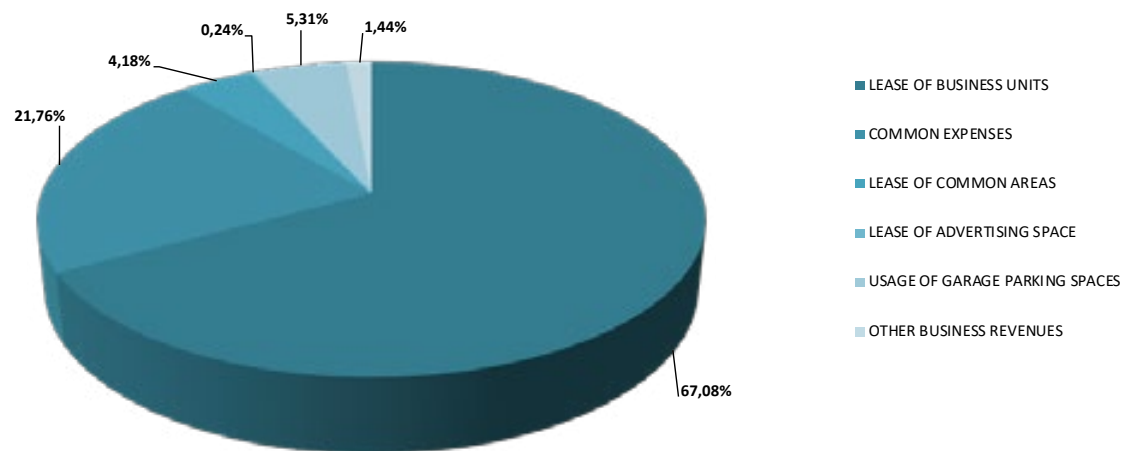
Operating revenues of the Commercial - shopping center City Galleria in Zadar for the period from 01/01 – 31/12/2018 and comparison with that in 2017

DESIGNATION	DESCRIPTION	NUMBER OF ACTIVE CONTRACTS	SURFACE AREA (m <sup>2</sup> )	REVENUES 01-12/2018	%	REVENUES 01-12/2017	%	INDEX 2018/2017
1	LEASE OF BUSINESS UNITS	36	9.897,60*	9.503.162,37 kn	67,08%	8.167.777,19 kn	65,66%	116
2	COMMON EXPENSES	34	7.083,53**	3.082.631,95 kn	21,76%	2.914.608,35 kn	23,43%	106
3	LEASE OF COMMON AREAS	23	999,80	591.771,92 kn	4,18%	459.320,79 kn	3,69%	129
4	LEASE OF ADVERTISING SPACE	7	118,52	34.004,33 kn	0,24%	24.384,48 kn	0,20%	139
5	USAGE OF GARAGE PARKING SPACES	410***	10.863,50	752.373,72 kn	5,31%	666.592,31 kn	5,36%	113
REVENUES:				13.963.944,29 kn	98,56%	12.232.683,12 kn	98,33%	114
6	OTHER BUSINESS REVENUES			203.447,98 kn	1,44%	207.660,02 kn	1,67%	98
TOTAL REVENUES				14.167.392,27 kn	100,00%	12.440.343,14 kn	100,00%	114

\* Total net leasable surface area

\*\* Total net leasable area for calculation of common expenses

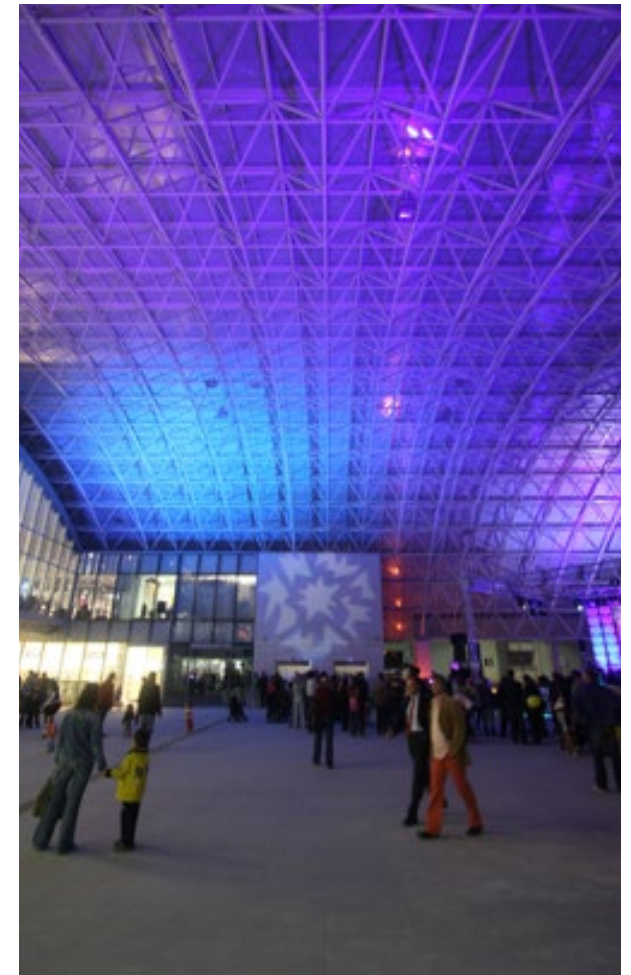
\*\*\* Number of parking spaces in the garage



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

After having activated the third floor of the Center for commercial purposes and after having converted it into the office premises, the total net lettable surface area of the building increased to 9,897.60 m<sup>2</sup>. As at 31st December, 2018, a total of 36 premises lease contracts were active. The Commercial-Shopping Center City Galleria generates a major portion of its revenues by leasing its premises. The average rental fee achieved per square meter of the active premises for the twelve months of 2018 amounted to 975.60 HRK/m<sup>2</sup> or 81.30 HRK/m<sup>2</sup> on a monthly basis, which is a rise by 17.79% compared to that in the previous fiscal year. Other revenues were generated from invoicing of the common costs to the lessees (calculated on the area of 7,083.53 m<sup>2</sup>), leasing and the commercial use of the common areas of the commercial-shopping center (total 999.80 m<sup>2</sup>), charging for one-time parking and leasing of parking spaces in the underground garage of the center (total area of 10,863.50 m<sup>2</sup>), and in the smallest segment, lease of advertising space on the facade of the center (total area 118.52 m<sup>2</sup>).

The public underground garage of the center has a total of 410 parking spaces, and the visitors' stay in 2018 was 635,505 vehicles. The average time of stay of vehicles in the garage was 01:03:44 hours which represents a rise compared to that in the previous year. The revenue generated from the garage from one-time parking; monthly, weekly and daily tickets; annual subscriptions and leased parking spaces as at 31/12/2018 totals to HRK 752.373,72 and the average revenue generated from the garage per parking space amounts to HRK 1,835.06 and it rose by 12.87% compared to that in the year 2017.



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

	2018	2017	2018/2017
<b>Commercial capacities:</b>			
Premises - floor area (m <sup>2</sup> )	9.897,60	9.656,30	2,50%
Common costs - floor area (m <sup>2</sup> )	7.083,53	6.845,23	3,48%
Common areas - floor area (m <sup>2</sup> )	999,80	1.121,30	-10,84%
Advertising space - floor area (m <sup>2</sup> )	118,52	118,52	0,00%
Garage - floor area (m <sup>2</sup> )	10.863,50	10.863,50	0,00%
<b>Commercial turnover:</b>			
Premises - number of active contracts	36	35	2,86%
Common costs - number of active contracts	34	33	3,03%
Common areas - number of active contracts	23	24	-4,17%
Advertising space - number of active contracts	7	8	-12,50%
Garage - number of parking spaces	410	410	0,00%
Garage - turnover of vehicles	635.505	667.753	-4,83%
<b>Financial results:</b>			
Average monthly rent earned per m <sup>2</sup> of premises (AMR)*	81,30 kn	69,02 kn	17,79%
Average rent earned per m <sup>2</sup> of premises for the period	975,60 kn	828,24 kn	17,79%
Average revenue from the garage per parking space for the period**	1.835,06 kn	1.625,83 kn	12,87%

## 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 revenue from the garage divided by the number of available parking spaces in a given period.

## 5 FINANCIAL OPERATING RESULTS OF THE COMPANY

### 5.1 KEY FINANCIAL OPERATING RESULTS BY SECTORS:

#### 5.1.1 HOTEL SECTOR

##### Notes:

The hotel sector in Biograd includes hotels Ilirija, Adriatic and Kornati, Lavender bar, Aquatic center and entertainment - sports center, while the hotel sector in u Sv. Filip i Jakovu refers to the hotel Villa Donat.

\* TRRevPAR (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 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 allocation, without depreciation and fixed costs).

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

	2018	2017	2018/2017
<b>HOTEL SECTOR - BIOGRAD</b>			
Operating revenues	52.264.711,79 kn	46.782.672,20 kn	11,72%
Revenues from board services	42.852.303,43 kn	38.016.419,38 kn	12,72%
TRRevPAR *	140.875,23 kn	126.098,85 kn	11,72%
Operating costs **	33.340.334,23 kn	30.478.950,26 kn	9,39%
Gross operating profit (GOP) ***	18.924.377,56 kn	16.303.721,94 kn	16,07%
GOP per accommodation unit	51.009,10 kn	43.945,34 kn	16,07%
GOP margin****	36,2%	34,8%	3,90%
Capital investments	13.909.312,76 kn	6.751.563,15 kn	106,02%
<b>HOTEL SECTOR - SV. FILIP I JAKOV</b>			
Operating revenues	4.839.943,84 kn	4.513.239,77 kn	7,24%
Revenues from board services	4.462.053,65 kn	4.053.813,57 kn	10,07%
TRRevPAR *	67.221,44 kn	62.683,89 kn	7,24%
Operating costs **	3.500.866,93 kn	3.246.744,51 kn	7,83%
Gross operating profit (GOP) ***	1.339.076,91 kn	1.266.495,26 kn	5,73%
GOP per accommodation unit	18.598,29 kn	17.590,21 kn	5,73%
GOP margin****	27,7%	28,1%	-1,41%
Capital investments	538.946,40 kn	2.813.546,91 kn	-80,84%
<b>HOTEL SECTOR - TOTAL ILIRIJA d.d.</b>			
Operating revenues	57.104.655,63 kn	51.295.911,97 kn	11,32%
Revenues from board services	47.314.357,08 kn	42.070.232,95 kn	12,47%
TRRevPAR *	128.904,41 kn	115.792,13 kn	11,32%
Operating costs **	36.841.201,16 kn	33.725.694,77 kn	9,24%
Gross operating profit (GOP) ***	20.263.454,47 kn	17.570.217,20 kn	15,33%
GOP per accommodation unit	45.741,43 kn	39.661,89 kn	15,33%
GOP margin****	35,5%	34,3%	3,60%
Capital investments	14.448.259,16 kn	9.565.110,06 kn	51,05%

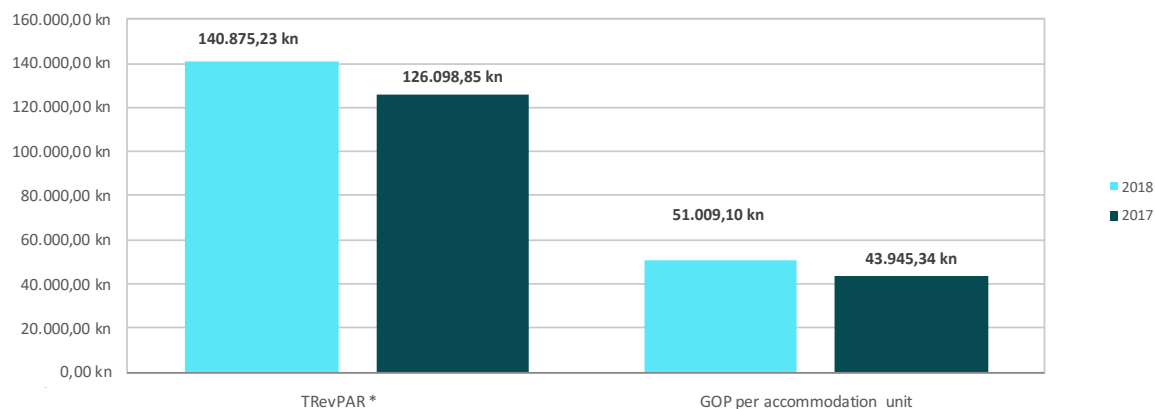
In 2018, the hotel sector of Ilirija d.d. generated HRK 57.1 million in operating revenues which is an increase by 11.32% compared to that in the previous year. The operating costs of the hotel sector compared to those in the previous year grew by 9.24%. The increase in operating costs of the hotel sector is mainly the result of an increase in volume of business. Gross operating profit (GOP) at the level of the hotel sector in the observed period increased by 15.33% compared to that in the same period last year, while GOP per accommodation unit amounts to HRK 51,009.10 for the hotels in Biograd with an increase by 16.07% and HRK 45,741.43 for the hotel sector of the Company with an increase by 15.33%. The capital investments in the amount of HRK 14.448.259.16 were made in the improvement of the competitiveness of the products of the hotel sector in the year 2018.

Notes:

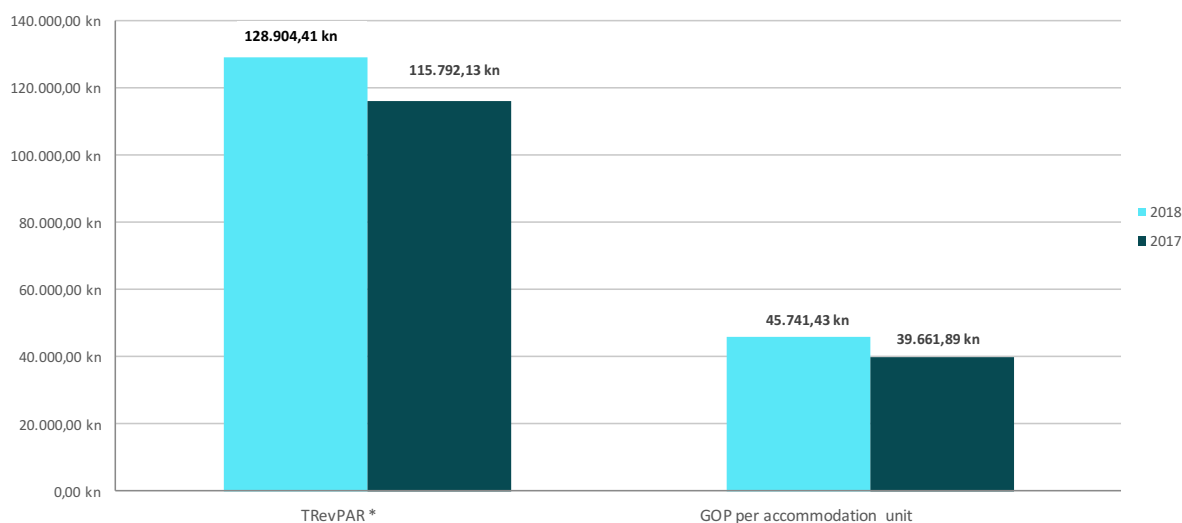
\* TRevPAR denotes the total operating revenue of the hotel sector divided by a number of physical accommodation units.

GOP denotes 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 allocation, without depreciation and fixed costs).

**Total revenue per accommodation unit (TrevPAR) and GOP per accommodation unit in the hotels in Biograd in 2018 and 2017**



**Total revenue per accommodation unit (TrevPAR) and GOP per accommodation unit in the hotel sector of Ilirija d.d. in 2018 and 2017**



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## 5.1 KEY FINANCIAL OPERATING RESULTS BY SECTORS:

### 5.1.2 NAUTICS

The operating results of the Nautics of Ilirija d.d. consist of three segments: Marina Kornati, nautical fair and restaurant of „Marina Kornati“. The business segment of the Nautics of the Company in 2018 compared to that in the previous year records an increase in the operating revenue by total 2.57% which is subject to the growth of the average revenue from the contract-based berth per vessel (growth rate of 2.57%), while retaining the capacities and price level of the Marina Kornati at the level of the previous year. In the year 2018, the revenue from the nautical fair Biograd Boat Show recorded a high growth rate of 19.03% compared to that in the previous fiscal year, while the restaurant of Marina Kornati recorded a decrease in revenues by 15.91% due to the lack of regatta events because the destination for organizing and holding this events changed and due to the reduction in the number of persons at the events that were held.

The operating costs in 2018 compared to those in the previous year grew by 4.17%. 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 nautical fair by 17.03% 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 restaurant „Marina Kornati“ declined by 5.58% and these are mainly the costs of services, expendable materials and labor costs and are the consequence of lower generation of operating revenues.

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 local and international nautical market, in which the Company invested HRK 3,323,681.04 in the reporting period.



## Key financial indicators of nautics

	2018	2017	2018/2017
<b>NAUTICS TOTAL</b>			
Operating revenues	46.219.397,68 kn	45.059.600,02 kn	2,57%
Operating revenue per berth	57.415,40 kn	55.974,66 kn	2,57%
Operating costs*	20.387.353,51 kn	19.570.652,05 kn	4,17%
(GOP) **	25.832.044,17 kn	25.488.947,97 kn	1,35%
GOP per berth	32.089,50 kn	31.663,29 kn	1,35%
GOP margin ***	55,9%	56,6%	-1,20%
Capital investments	3.323.681,04 kn	6.372.231,58 kn	-47,84%
<b>MARINA KORNATI</b>			
Operating revenues	39.242.678,09 kn	37.887.938,99 kn	3,58%
Operating revenue per berth	48.748,67 kn	47.065,76 kn	3,58%
Operating costs*	13.440.377,29 kn	12.787.750,63 kn	5,10%
(GOP) **	25.802.300,80 kn	25.100.188,36 kn	2,80%
GOP per berth	32.052,55 kn	31.180,36 kn	2,80%
GOP margin ***	65,8%	66,2%	-0,75%
<b>RESTAURANT MARINA KORNATI</b>			
Operatin revenues	3.754.209,51 kn	4.464.305,44 kn	-15,91%
Operating costs*	4.153.095,54 kn	4.398.719,74 kn	-5,58%
(GOP) **	-398.886,03 kn	65.585,70 kn	-708,19%
GOP margin ***	-10,6%	1,5%	-823,23%
<b>BOAT FAIR</b>			
Operating revenues	3.222.510,08 kn	2.707.355,59 kn	19,03%
Operating costs*	2.790.196,51 kn	2.384.181,68 kn	17,03%
(GOP) **	432.213,57 kn	323.173,91 kn	33,74%
GOP margin ***	13,4%	11,9%	12,36%

## Notes:

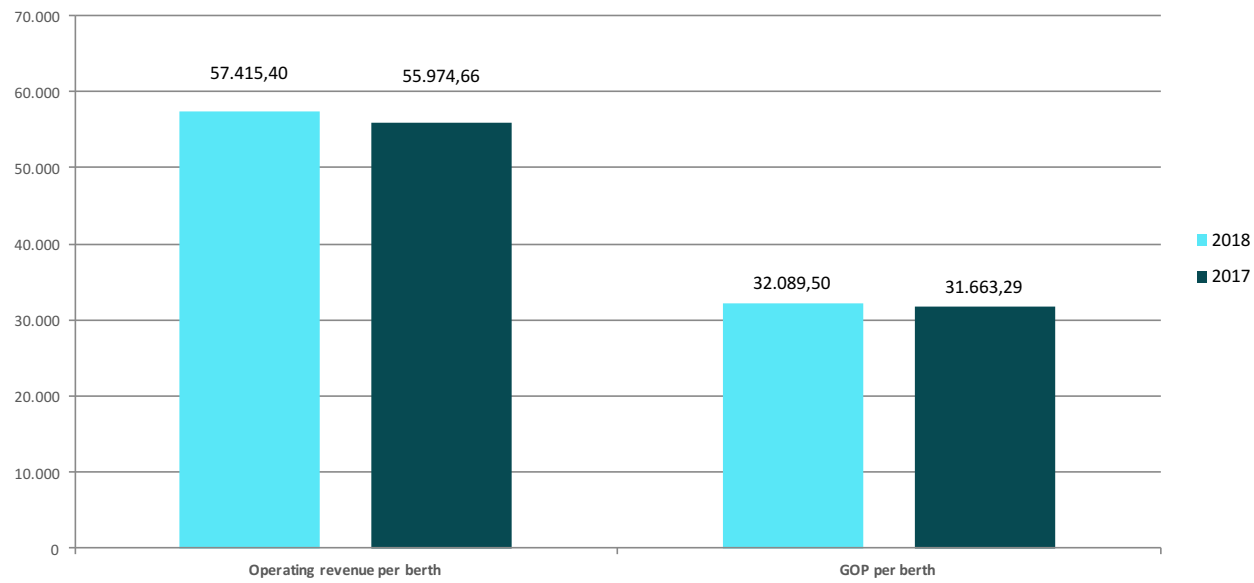
The nautics consists of three business units: Marina Kornati, Biograd Boat Show and restaurant „Marina Kornati.

\* 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 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.

Total operating revenue and gross operating profit (GOP) per berth of nautics of Ilirija d.d. in 2018 and 2017 (Kn)



## 5.1 KEY FINANCIAL OPERATING RESULTS BY SECTORS:

### 5.1.3 CAMPING

#### Notes:

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

\* TRRevPAR - 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 allocation, without depreciation and fixed costs).

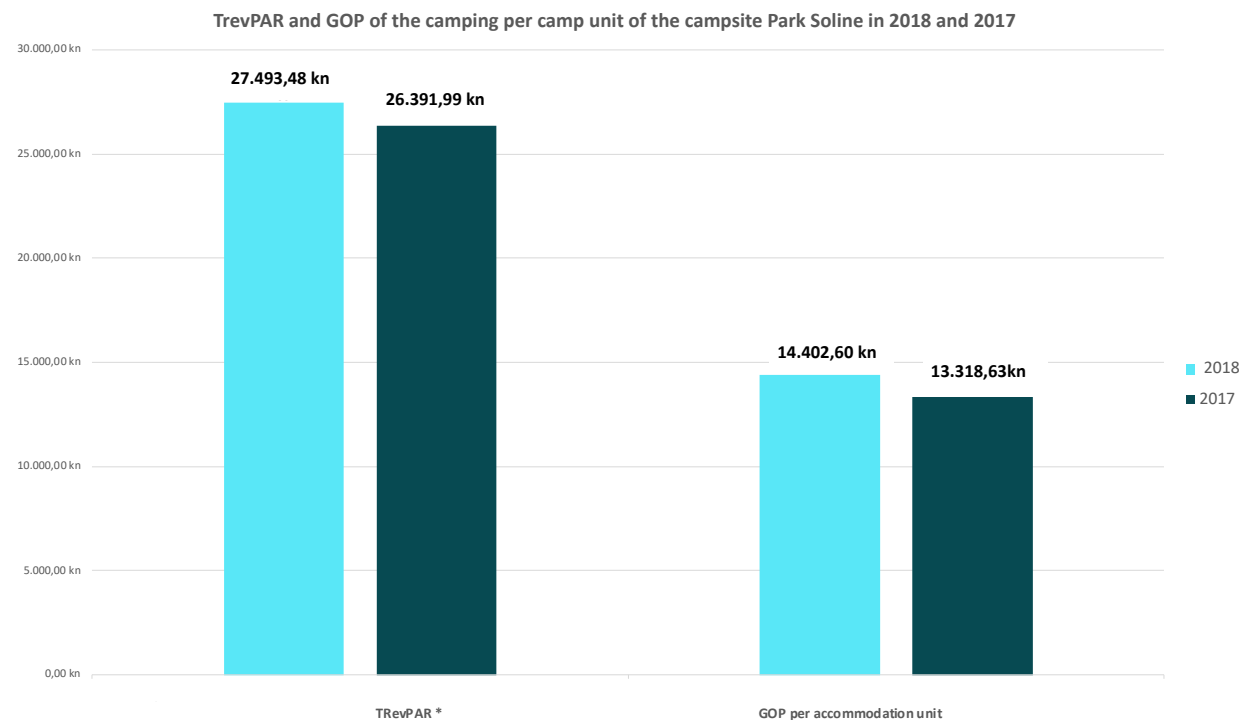
\*\*\*\* GOP margin is calculated by correlating the amount of GOP of camping / campsite / restaurant before the allocation of costs of common services and operating revenues.

	2018	2017	2018/2017
<b>CAMPING TOTAL</b>			
Operating revenue	33.542.041,42 kn	29.822.950,45 kn	12,47%
TRRevPAR *	27.493,48 kn	26.391,99 kn	4,17%
Operating costs**	15.970.871,05 kn	14.772.896,96 kn	8,11%
GOP ***	17.571.170,37 kn	15.050.053,49 kn	16,75%
GOP per accommodation unit	14.402,60 kn	13.318,63 kn	8,14%
GOP margin ****	52,4%	50,46%	3,84%
Capital investments	16.035.642,84 kn	4.547.657,84 kn	252,61%
<b>CAMPSITE PARK SOLINE</b>			
Operating revenue	30.526.774,19 kn	27.159.350,24 kn	12,40%
TRRevPAR *	25.021,95 kn	24.034,82 kn	4,11%
Operating costs**	12.799.798,25 kn	12.003.479,46 kn	6,63%
GOP ***	17.726.975,94 kn	15.155.870,78 kn	16,96%
GOP per accommodation unit	14.530,31 kn	13.412,28 kn	8,34%
GOP margin ****	58,1%	55,80%	4,12%
<b>RESTAURANT PARK SOLINE</b>			
Operating revenue	3.015.267,23 kn	2.663.600,21 kn	13,20%
Operating costs**	3.171.072,80 kn	2.769.417,50 kn	14,50%
GOP ***	-155.805,57 kn	-105.817,29 kn	47,24%
GOP margin ****	-5,2%	-4,0%	30,07%

The camping sector of the Company, consisting of the campsite „Park Soline“ and restaurant „Park Soline“ recorded a significant growth in 2018 compared to that in the previous year both according to physical and financial indicators.

The amount of HRK 33,542,041.42 in operating revenues was generated in the reporting period, which is a rise by 12.47% compared to those in the previous fiscal year. First of all, the increase in revenues was realized from lump sum guests with the growth rate of 29%, the increase in revenue from own mobile homes was also realized with the achieved growth rate of 15%, while at the same time the revenue from restaurant increased as well.

The operating costs of camping sector increased by 8.11%, partly as a consequence of the condition on the labor market and consequent increase in labor costs by 15%, but also as a result of an increase in costs of raw material and material by 20% which incurred as a result of the improvement of the quality and competitiveness of the products in which the Company made capital investments in the amount of HRK 16,035,642.84.



**Notes:**

\* TRevPAR denotes the total operating revenue 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).

## 5.1 KEY FINANCIAL OPERATING RESULTS BY SECTORS:

### 5.1.4 COMMERCIAL-SHOPPING CENTER CITY GALLERIA

	2018	2017	2018/2017
Operating revenues	14.167.392,27 kn	12.440.343,14 kn	13,88%
Operating costs*	6.006.657,57 kn	6.080.342,88 kn	-1,21%
GOP **	8.160.734,70 kn	6.360.000,26 kn	28,31%
GOP margin ***	57,6%	51,1%	12,67%
Capital investments	451.734,04 kn	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.

The revenues from the Commercial-shopping center City Galleria for the year 2018 generated by lease of premises, common costs, lease of common areas, lease of advertisement space and revenues from the garage amount to HRK 13,963,944.29. Grand-total operating revenues of the center amount to HRK 14,167,392.27, including other operating revenues in the amount of HRK 203,447.98. The above-mentioned revenues constitute a rise compared to those in the same period of the previous year at a rate of 13.88%.

The operating costs of the Commercial-shopping center City Galleria which do not include the depreciation costs, financial and extraordinary expenses

for the year 2018 amount to HRK 6,006,657.57. Compared to those in the same period last year, a decrease in operating costs at a rate of 1.21% can be observed. 87.29% of the mentioned operating costs in the year 2018 or HRK 5,243,046.52 refer to the raw material and material costs, costs of services and gross pays. The operating gross profit of the center for the relevant period amounts to HRK 8,160,734.70 before the allocation of the costs of the common services, which makes up for the margin of 57.6%.

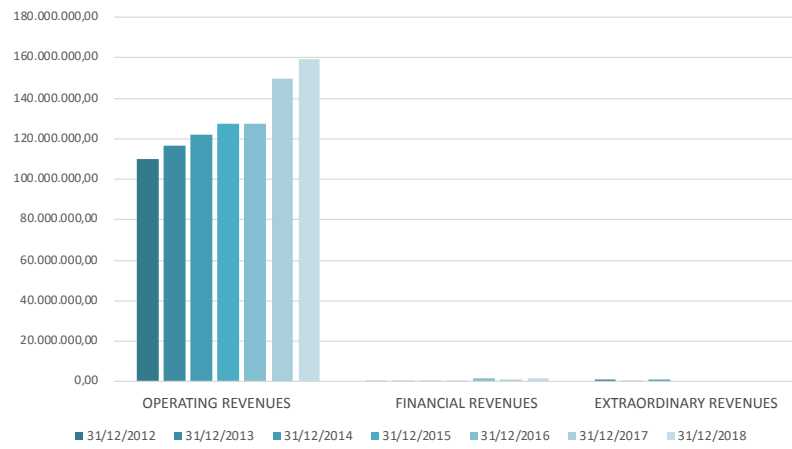
## 5.2 FINANCIAL OPERATING RESULTS AT THE LEVEL OF THE COMPANY:

### 5.2.1 FINANCIAL OPERATING RESULTS OF THE COMPANY

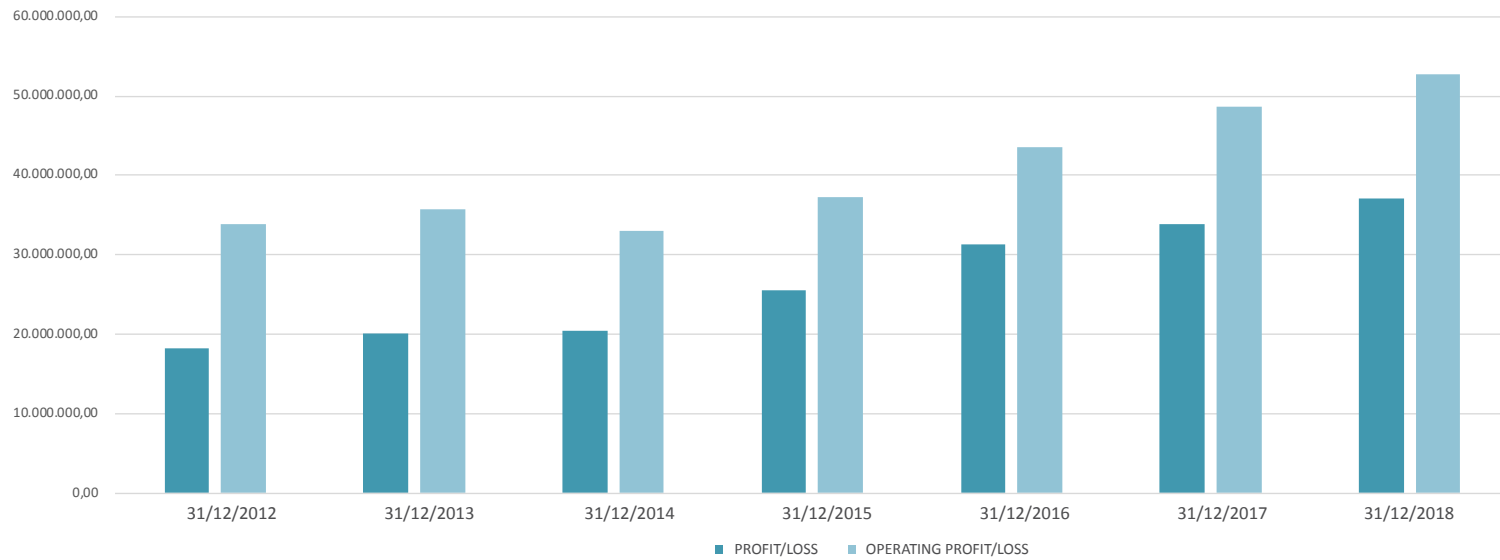
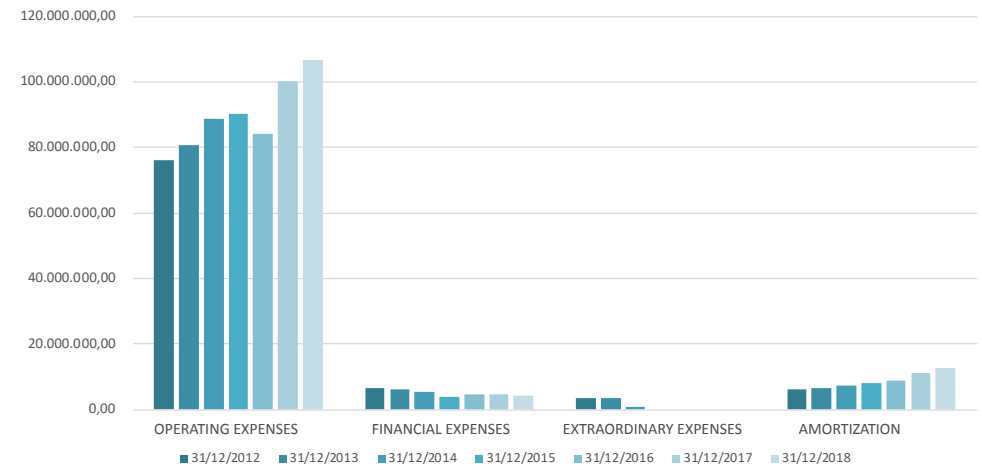
Overview of financial operating results during the period from 01/01- 31/12/2018 and comparison with the same period from 2012 to 2017

DESCRIPTION	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018	Index 2018/2017
Operating revenues	110.113.121,89	116.431.304,58	121.792.647,35	127.662.219,39	127.591.140,20	149.515.545,23	159.490.115,09	106,67
Financial revenues	220.374,90	272.620,92	136.259,45	484.269,24	1.427.867,11	961.132,18	1.558.764,96	162,18
Extraordinary revenues	801.335,91	616.481,19	944.845,32	0,00	0,00	0,00	0,00	#DIV/0!
<b>TOTAL REVENUES</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>161.048.880,05</b>	<b>107,03</b>
Operating expenses	76.286.679,54	80.774.385,77	88.837.309,12	90.379.281,57	83.991.877,85	100.879.406,31	106.832.625,88	105,90
Financial expenses	6.662.995,79	6.333.307,89	5.355.803,37	4.030.686,50	4.774.080,17	4.564.585,65	4.384.189,54	96,05
Extraordinary expenses	3.690.513,45	3.698.321,67	825.305,72	0,00	0,00	0,00	0,00	#DIV/0!
Amortisation	6.239.514,80	6.385.207,46	7.470.218,79	8.225.981,02	9.012.252,49	11.146.900,91	12.796.897,41	114,80
<b>TOTAL EXPENSES</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>116.590.892,87</b>	<b>124.013.712,83</b>	<b>106,37</b>
PROFIT/LOSS	18.255.129,12	20.129.183,90	20.385.115,12	25.510.539,54	31.240.796,80	33.885.784,54	37.035.167,22	109,29
OPERATING PROFIT/LOSS	33.826.442,35	35.656.918,81	32.955.338,23	37.282.937,82	43.599.262,35	48.636.138,92	52.657.489,21	108,27
EBITDA	31.157.639,71	32.847.699,25	33.211.137,28	37.767.207,06	45.027.129,46	49.597.271,10	54.216.254,17	109,31

REVENUES 2012-2018



EXPENSES 2012-2018



## I

In 2018, total revenues amounted to HRK 161,048,880.05 and increased by 7.03% compared to those in the year 2017 as a result of a slight increase in operating and financial revenues.

Operating revenues for the observed period amount to HRK 159,490,115.09 and compared to those in the previous year they recorded a growth by 6.67% as a result of rise in turnover on the domestic and foreign market.

Sale revenues amount to HRK 157,999,499.71 and are higher by 7.98%, as compared to those in the previous fiscal year, when they amounted to HRK 146,322,013.19 which is a result of the increase in sales revenues on the foreign and domestic market by 8%. The sales revenues make up for 99.06% of the operating and 98.10% of the total revenues.

## 2

Total expenses amount to HRK 124,013,712.83 and compared to those in the year 2017 they are higher by 6.37% as a result of the growth in the operating expenses by 5.90% and amortization by 14.80%.

The operating expenses in the observed period amount to HRK 106,832,625.88 and are higher by 5.90% or by HRK 5,953,219.57 compared to those in 2017 as a result of an increase in gross pay cost by 10%, other costs by 7%, costs of services by 1% and raw material and material costs by 3%.

## 3

The operating profit or the profit from operations of the Company rose by 8.27% compared to that in the year 2017 and amounts to HRK 52,657,489.21.

EBITDA or Earnings before interest, taxes, depreciation and amortization was realized in the amount of HRK 54,216,254.17 and rose by HRK 9.31% compared to that in the previous fiscal year.

EBIT - or Earnings before interest and tax was realized in the amount of HRK 41,419,356.76 and rose by HRK 7.72%.

Profit for 2018 amounts to HRK 37,035,167.22 and rose by 9.29% compared to that in the year 2017.

Operating profit, EBITDA, EBIT, and profit are far the best so far compared to those in the previous fiscal years in their absolute amount, recording the growth rates higher than the growth rates of the operating or total revenues.



**Financial statements of the Company  
as at 31/12/2018 and comparison with the years 2016 and 2017**

REVENUES	2016	2017	INDEX 2017/2016	2018	INDEX 2018/2017
Revenues on the domestic market	90.914.640,20	112.784.382,37	124	121.382.130,52	108
Revenues on foreign market	34.572.634,09	34.375.832,23	99	37.017.115,81	108
Other operating revenues	2.103.865,91	2.355.330,63	112	1.090.868,76	46
<b>OPERATING REVENUES</b>	<b>127.591.140,20</b>	<b>149.515.545,23</b>	<b>117</b>	<b>159.490.115,09</b>	<b>107</b>
FINANCIAL REVENUES	1.427.867,11	961.132,18	67	1.558.764,96	162
EXTRAORDINARY REVENUES	0,00	0,00	#DIV/0!	0,00	#DIV/0!
<b>TOTAL REVENUES</b>	<b>129.019.007,31</b>	<b>150.476.677,41</b>	<b>117</b>	<b>161.048.880,05</b>	<b>107</b>
EXPENSES					#DIV/0!
Costs of raw materials	18.339.619,89	22.588.537,09	123	23.269.427,09	103
Costs of services	14.790.955,74	18.855.044,37	127	19.133.296,83	101
Gross salaries	30.295.745,80	35.265.395,20	116	38.668.915,13	110
Other expenses	20.565.556,42	24.170.429,65	118	25.760.986,83	107
<b>OPERATING COSTS</b>	<b>83.991.877,85</b>	<b>100.879.406,31</b>	<b>120</b>	<b>106.832.625,88</b>	<b>106</b>
AMORTISATION	9.012.252,49	11.146.900,91	124	12.796.897,41	115
FINANCIAL EXPENSES	4.774.080,17	4.564.585,65	96	4.384.189,54	96
EXTRAORDINARY EXPENSES	0,00	0,00	#DIV/0!	0,00	#DIV/0!
<b>TOTAL EXPENSES</b>	<b>97.778.210,51</b>	<b>116.590.892,87</b>	<b>119</b>	<b>124.013.712,83</b>	<b>106</b>
PROFIT/LOSS	31.240.796,80	33.885.784,54	108	37.035.167,22	109
OPERATING PROFIT	43.599.262,35	48.636.138,92	112	52.657.489,21	108
EBITDA	45.027.129,46	49.597.271,10	110	54.216.254,17	109

## PROFIT AND LOSS ACCOUNT - for the period from 01/01/2018 - 31/12/2018

Company: ILIRIJA d.d. BIOGRAD NA MORU

Position	AOP	2017	2018	% 2018/2017
1	2	3	4	5
<b>I. OPERATING INCOME (112 to 113)</b>	<b>111</b>	<b>149.515.545</b>	<b>159.490.115</b>	<b>107</b>
1. Sales revenues	112	146.322.013	157.999.499	108
2. Other operating revenues	113	3.193.532	1.490.616	47
<b>II. OPERATING COSTS (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>112.026.307</b>	<b>119.629.524</b>	<b>107</b>
1. Change in inventories of work in progress	115			
2. Material expenses (117 to 119)	116	41.443.582	42.402.724	104
a) Costs of raw materials	117	22.588.537	23.269.427	103
b) Cost of goods sold	118			
c) Other material expenses	119	18.855.045	19.133.297	104
3. Employee benefits expenses (121 to 123)	120	35.265.395	38.668.915	110
a) Net salaries	121	21.487.137	23.386.708	109
b) Tax and contributions from salary expenses	122	8.602.348	9.598.379	112
c) Contributions on salary	123	5.175.910	5.683.828	110
4. Depreciation and amortisation	124	11.146.901	12.796.897	115
5. Other expenses	125	23.238.397	24.366.259	105
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	932.032	1.394.729	150
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	<b>961.132</b>	<b>1.558.765</b>	<b>162</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				
3. Income from investments in associates and joint ventures	133	961.132	1.558.765	162
4. Unrealised gains (income) from financial assets				
5. Other financial income	134			
4. Nerealizirani dobitci (prihodi) od financijske imovine	135			
5. Ostali financijski prihodi	136			
<b>IV. FINANCIAL EXPENSES (138 to 141)</b>	<b>137</b>	<b>4.564.586</b>	<b>4.384.189</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	4.564.586	4.384.189	96
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>150.476.677</b>	<b>161.048.880</b>	<b>107</b>
<b>X. TOTAL EXPENSES (114+137+143+145)</b>	<b>147</b>	<b>116.590.893</b>	<b>124.013.713</b>	<b>107</b>
<b>XI. PROFIT OR LOSS BEFORE TAXES (146-147)</b>	<b>148</b>	<b>33.885.784</b>	<b>37.035.167</b>	<b>108</b>
1. Profit before taxes (146-147)	149	33.885.784	37.035.167	108
2. Loss before taxes (147-146)	150	0	0	
<b>XII. TAXATION</b>	<b>151</b>	<b>6.646.840</b>	<b>7.240.037</b>	<b>109</b>
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>27.238.944</b>	<b>29.795.130</b>	<b>107</b>
1. Profit for the period (149-151)	153	27.238.944	29.795.130	107
2. Loss for the period (151-148)	154	0	0	

## REVENUES BY ACTIVITIES:

**The revenues from hotel sector** amount to HRK 57,104,655.63 and are higher by 11% compared to those in the previous fiscal year and are the result of: (I) the growth in sales revenues by 12% generated as revenues in the domestic market and the growth in sales revenues by 11% generated in the foreign market, (II) the achievement of the best key physical operating results so far, (III) reduction of seasonality of business by strengthening the sales activities in the shoulder season (IV) better accommodation capacity occupancy and (VI) market penetration on the more lucrative markets of Western and Northern Europe.

**The revenues from the nautics** amount to HRK 46,219,397.68 and rose by 2.57% compared to those in 2017 as a consequence of the increase in revenues from the accommodation of the vessels, that is, Marina Kornati, especially from (I) the revenues from the contract-based berth that grew by 4.86% and (II) from the revenue from nautical show that grew by 19.03%.

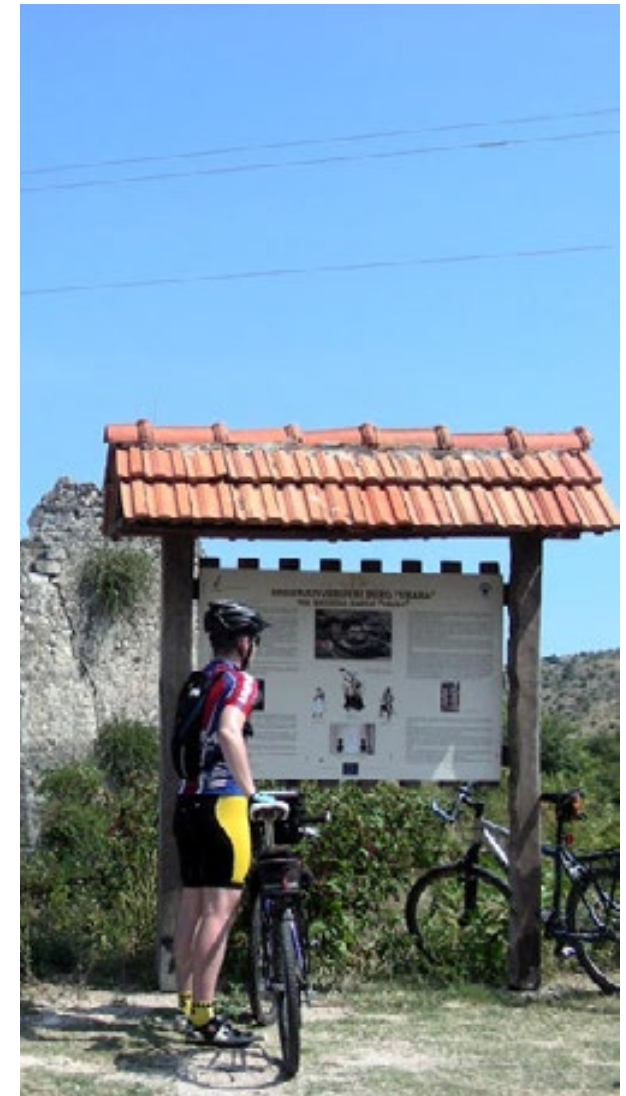
**Revenues from camping** amount to HRK 33,542,041.42 and rose by 12.47% in comparison with the revenues generated in the previous fiscal year as a result of: (I) growth in key physical operating results, (II) growth in the revenues in all market segments of the campsite „Park Soline“ ranging at the rates from

minimum 4% to maximum 29%, and (III) growth in revenues from hospitality services by 13%.

**The revenues from the real-estate sector** or Commercial-shopping center City Galleria amount to HRK 14,167,392.27 and grew by 14% as a result of the growth of all operating segments, primarily the revenues from the lease of the commercial premises that in absolute amount contributed to the rise in operating revenues of the center.

**The revenues from other activities**, that is, from other sectors and profit centers, including Ilirija Travel or Arsenal, event ship „Nada“, agrotourism, Villa Primorje and hospitality were generated in the amount of HRK 8,456,628.09 and fell by 22.39% compared to those in the year 2017 partly as a result of a lack of revenues generated from the destination management company and lack of extraordinary revenue items generated in the year 2017.

**GRANDTOTAL:** Operating revenues by activities amount to HRK 159,490,115.09 and have risen by 6.67% in comparison with those in 2017.



## 5.2 FINANCIAL OPERATING RESULTS AT THE LEVEL OF THE COMPANY:

### 5.2.2 COMPANY'S FINANCIAL POSITION

BALANCE SHEET as at 31/12/2018

Company: ILIRIJA d.d. BIOGRAD NA MORU

Position	AOP	2017	2018
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001		
<b>B) NON-CURRENT ASSETS (003+010+020+029+033)</b>	<b>002</b>	<b>411.817.035</b>	<b>439.597.308</b>
I. INTANGIBLE ASSETS (004 to 009)	003	278.837	370.339
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	278.837	370.339
II. PROPERTY, PLANT AND EQUIPMENT (011 to 019)	010	411.499.504	439.188.275
1. Land	011	43.295.283	43.295.283
2. Buildings	012	242.521.819	257.064.450
3. Plant and equipment	013	43.949.750	59.648.779
4. Tools, working inventory and transportation assets	014		
5. Biological assets	015		
6. Advances for purchase of tangible assets	016	1.116.739	888.533
7. Tangible assets in progress	017	1.849.974	601.691
8. Other tangible assets	018		
9. Investment in real-estate	019	78.765.939	77.689.539
III. NON-CURRENT FINANCIAL ASSETS (021 to 028)	020	38.694	38.694
1. Share in related parties	021	38.694	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		
<b>C) CURRENT ASSETS (035+043+050+058)</b>	<b>034</b>	<b>14.240.228</b>	<b>18.041.467</b>
I. INVENTORIES (036 to 042)	035	2.070.087	2.305.187
1. Raw materials and supplies	036	2.070.087	2.305.187
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	8.127.481	8.285.783
1. Receivables from related parties	044		
2. Receivables from end-customers	045	6.772.049	5.700.756
3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	872.104	691.024
5. Receivables from government and other institutions	048	483.328	1.693.523
6. Other receivables	049		200.480
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	2.531.796	2.152.027
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	2.531.796	2.152.027
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	1.510.864	5.298.470
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>		
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>426.057.263</b>	<b>457.638.775</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>294.216.185</b>	<b>317.135.376</b>
I. SUBSCRIBED SHARE CAPITAL	063	229.146.480	229.146.480
II. CAPITAL RESERVES	064	2.723.874	2.932.389
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	22.758.390	25.895.176
1. Legal reserves	066	9.477.986	12.477.986
2. Reserve for own shares	067	6.975.716	6.975.716
3. Treasury shares and shares (deductible items)	068	1.217.992	1.081.205
4. Statutory reserves	069		
5. Other reserves	070	7.522.680	7.522.679
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	12.348.497	29.366.201
1. Retained earnings	073	12.348.497	29.366.201
2. Loss carried forward	074		
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	27.238.944	29.795.130
1. Net profit for the period	076	27.238.944	29.795.130
2. Net loss for the period	077		
VII. MINORITY INTEREST	078		
<b>B) PROVISIONS (080 to 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 to 092)</b>	<b>083</b>	<b>102.844.372</b>	<b>103.363.082</b>
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	102.844.372	103.363.082
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 to 105)</b>	<b>093</b>	<b>27.067.090</b>	<b>35.197.988</b>
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits, etc.	095		
3. Liabilities to banks and other financial institutions	096	10.973.271	13.372.716
4. Liabilities for advances	097		
5. Trade payables	098	8.080.224	13.909.591
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	1.988.594	2.415.605
9. Taxes, contributions and similar liabilities	102	4.713.710	4.176.543
10. Liabilities arising from share in the result			
11. Liabilities arising from non-current assets held for sale			
12. Other current liabilities	105	1.311.291	1.323.533
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	<b>1.929.616</b>	<b>1.942.329</b>
<b>F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>426.057.263</b>	<b>457.638.775</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		



## FUNDAMENTAL FINANCIAL PERFORMANCE INDICATORS AS AT 31/12/2018

As tabular Overview of fundamental indicators of the Company was given back from 2018 to 2009 (ten years) the described indicators are listed in absolute figures and growth rates

### I

The value of the Company's assets as at 31/12/2018 amounted to HRK 457,638,774.55 and rose by HRK 31.581.511,81 or by 7.41% compared to that in 2017 when it amounted to HRK 426.057.262,74, whose growth is the result of the investments made.

The value of assets of the Company since 2009, when it amounted to HRK 269,834,822.99, grew by HRK 187,803,951.56 or by 69.60%.

### 2

Total liabilities of the Company amount to HRK 140,503,398.74 and rose by HRK 8.662.320,59, that is, by 6.57% compared to those in the year 2017 when they amounted to HRK 131.841.078,15 as a result of growth in short-term liabilities of the Company.

Total liabilities of the Company as at 31/12/2018 decreased by HRK 1,486,623.40 or by HRK 1.05% 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 31/12/2018 amounted to HRK 317,135,375.81 and rose by HRK 22.919.191,22 that is by 7.79% compared to those in the same period in 2017 when they amounted to HRK 294.216.184,59.

Comparing the Company's capital and reserves as at 31/12/2018, they increased by HRK 189,290,574.96 or by 148.06% compared to those in 2009 when they amounted to HRK 127,844,800.85.

## 4

The total revenues of the Company amount to HRK 161,048,880.05 and are higher by HRK 10,572,202.64 or by 7.03% compared to those in 2017 when they amounted to HRK 150,476,677.41 the increase of which is the consequence of rise in operating revenues and sales revenue.

The total revenues of the Company compared to those in the same period in 2009, when they amounted to HRK 90,832,774.16, grew by HRK 70,216,105.89 or by 77.30%.

## 5

The operating profit of the Company was generated in the amount of HRK 52,657,489.21 and grew by HRK 4,021,350.29 or by 8.27% compared to that in 2017, when it amounted HRK 48,636,138.92, as a consequence of a growth in total and operating revenues.

The operating profit generated in 2018 compared to the operating profit in 2009, generated in the amount of HRK 25,001,384.39, a rise by 110.62% was realized.

## 6

EBITDA was realized in the amount of HRK 54,216,254.17 and is higher by 9.31%, that is, by HRK 4,618,983,07 compared to that in the year 2017 when it amounted to HRK 49,597,271,10.

The realized EBITDA in the reporting period grew by HRK 32,389,140.60 or by 148.39% compared to that in 2009 when it was realized in the amount of HRK 21,827,113.57.

## 7

The profit of the Company for the reporting period amounts to HRK 37,035,167.22 and is higher by HRK 3,149,382,68 or by 9.29% compared to that in 2017 when it amounted to HRK 33,885,784,54.

The profit generated in 2018, compared to the profit generated in 2009, when it amounted to HRK 10,818,589.83 grew by HRK 26,216,577.39 or by 242.33%.

## 8

The dividend in the amount of HRK 7,221,240.00 was distributed to the shareholders, which is by HRK 1,204,700.00 or 20.02% higher than in the previous fiscal year.

The Company has allocated 93.04% or HRK 3,480,450.00 more funds for the distribution of the dividend in 2018 in comparison to the dividend distributed to the shareholders in 2009 when the dividend was paid out in the total amount of HRK 3,740,790.00.

The total amount of HRK 44,360,458.00 was distributed to the shareholders for the dividend during the period from 2009 to 31/12/2018.

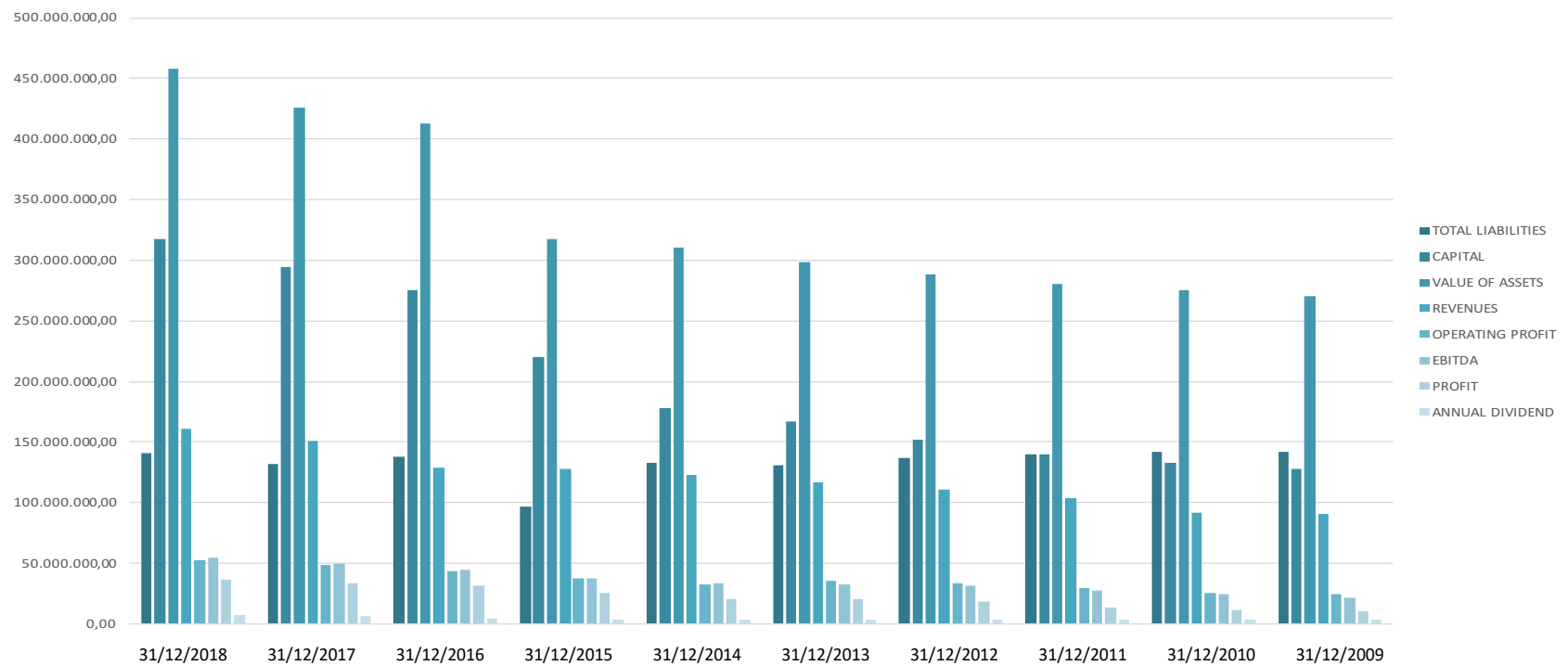


## CUMULATIVE COMPARATIVE OVERVIEW

of fundamental business results and indicators on the position of assets, capital and liabilities of the Company as at 31/12/2018 and also for the period from 2009 to 2018

YEAR	TOTAL LIABILITIES	CAPITAL	VALUE OF ASSETS	REVENUES	OPERATING PROFIT	EBITDA	PROFIT	ANNUAL DIVIDEND
1	2	3	4	5	6	7	8	9
31/12/2018	140.503.398,74	317.135.375,81	457.638.774,55	161.048.880,05	52.657.489,21	54.216.254,17	37.035.167,22	7.221.240,00
31/12/2017	131.841.078,15	294.216.184,59	426.057.262,74	150.476.677,41	48.636.138,92	49.597.271,10	33.885.784,54	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

Graph of fundamental business results and indicators on the position of assets, capital and liabilities of the Company as at 31/12/2018 and also for the period from 2009 to 2018



## Financial operating indicators in 2018 and 2017

Indicator	2017	2018	Index 2018/2017	
<b>Financial stability, liquidity and indebtedness</b>				
Self-financing rate	69,05%	69,30%	1,003	Share of equity capital in total fund sources (i.e. in total liabilities & stockholders' equity).
The degree of indebtedness	30,49%	30,28%	0,993	Share of debt in total fund sources (i.e. in total liabilities & stockholders' equity).
Financial stability coefficient	1,03	1,05	1,019	Fixed assets to long-term sources ratio (shareholders' capital and reserves increased by long-term liabilities).
Accelerated liquidity coefficient	0,48	0,45	0,937	Ratio of current assets reduced by the stocks and short-term liabilities.
Current liquidity coefficient	0,52	0,51	0,980	Current assets to short-term liabilities ratio.
<b>Activity indicators</b>				
Ratio of total assets turnover	0,35	0,35	1,000	Total revenue to total assets ratio shows how many times in a year the disposable assets are used to generate total revenues.
Short-term assets turnover ratio	10,56	8,93	0,845	Total revenue to current assets ratio shows how many times a year the disposable current assets are used to generate total revenues.
<b>Business performance indicators</b>				
Cost effectiveness	1,29%	1,30	1,007	Total revenue and total expenses ratio.
Profitability	18,10%	18,50%	1,022	Net profit/loss and total revenue ratio.
Return on assets	6,39%	6,51%	1,018	Annual rate of return on invested assets indicates the profit/loss and total asset ratio.
Share of EBITDA in total revenue	32,96%	33,66%	1,021	Earnings before interests, taxes, depreciation and amortization to total revenue ratio.
Share of EBIT in total revenue	25,55%	25,72%	1,006	Earnings before interests and taxes to total revenue ratio.

## Long-term loan liabilities as at 31/12/2018

I LONG - TERM LIABILITIES (1+2+3)	12.180.908,15 EUR	90.352.799,82 kn
1 Long-term loan of ERSTE & STEIERMAERKISCHE BANK d.d. Agreement : 5114430497 (6.378.944,30 EUR)	5.865.654,83 EUR	43.508.934,66 kn
2 Long-term loan of ERSTE & STEIERMAERKISCHE BANK d.d. from HBOR Agreement: 5114305381 (1.598.423,86 EUR)	1.483.668,42 EUR	11.005.221,81 kn
3 Long-term loan of ERSTE & STEIERMAERKISCHE BANK d.d. Agreement: 5114670197 (5.242.856,68 EUR)	4.831.584,90 EUR	35.838.643,35 kn
II LOAN TERMS (1 + 2 +3)		
1 For the loan under number 1 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: Fixed in amount of 3,25%		
2 For the loan under number 2 repayment will be made in 60 quarter installments. The first instalment falls due at 30/06/2018, and the last 31/03/2033 in equal installments in the amount of 28.000,00 EUR Interest: 3% is computed and collected on a quarter basis.		
3 For the loan under number 3 repayment will be maid 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 Interest: Fixed in amount of 3,25%		

## OPERATING AND OTHER EXPENSES

Operating expenses in the year 2018 amount to HRK 106,832,625.88, which is a rise by 5.90% compared to those in the previous fiscal year. The increase in these costs is the consequence of the increase in all operating costs, especially the cost of gross pays that increased the most at a rate of 10% also with a significant increase in other costs.

## FINANCIAL EXPENSES

The financial expenses for the year 2018 amount to HRK 4,384,189.54 and are lower by 3.95% compared to those in 2017.

## LIQUIDITY

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

## SHARE SPLIT

In the month of January 2018, in the Central Depository Clearing Company (CDCC), a corporate share split transaction was carried out according to the

Decision of the General Assembly of 20th November 2017, in a way that one ordinary bearer share of the Company with no par value was divided into 8 (eight) new ordinary bearer shares with no par value. Following the completion of the share split process in the Central Depository Clearing Company (CDCC), the share capital of the Company amounts to HRK 229,146,480.00 and is split into 2,413,488 ordinary shares designated as ILRA-R-A with no par value.

## EARNING PER SHARE

In the year 2018, the gross earning per share amounts to HRK 15.40.

## UNCERTAINTY OF COLLECTION OF FUTURE COSTS

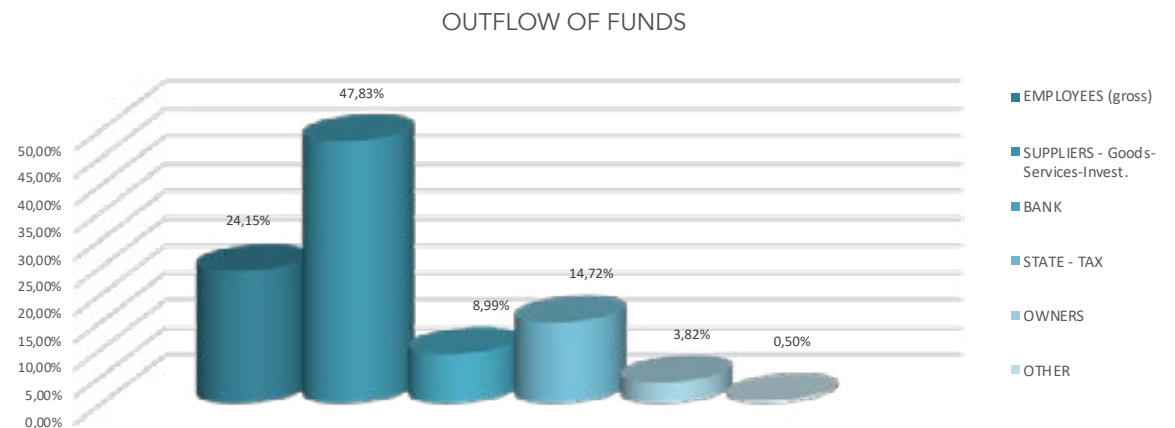
There is no any such uncertainty that may substantially affect the financial position and financial operating results of the Company and can therefore be regarded as negligible.



## 5.2 FINANCIAL OPERATING RESULTS AT THE LEVEL OF THE COMPANY:

### 5.2.3 COMPANY'S CASH FLOW

Cash flow for the period 01/01-31/12/2018



INFLOW OF FUNDS (HRK)	12/2017	12/2018	Structure
OPERATING ACTIVITIES	176.577.427,90	190.218.867,76	99,41%
BANK	8.278.442,48	0,00	0,00%
OTHER	2.527.459,91	1.133.330,82	0,59%
<b>TOTAL</b>	<b>187.383.330,29</b>	<b>191.352.198,58</b>	<b>100,00%</b>

OUTFLOW OF FUNDS (HRK)	12/2017	12/2018	Structure
EMPLOYEES (gross)	39.947.555,16	45.557.179,92	24,15%
SUPPLIERS - Goods-Services-Invest.	89.533.077,57	90.246.675,79	47,83%
BANK	24.555.242,19	16.961.417,11	8,99%
STATE - TAX	24.662.531,85	27.766.393,18	14,72%
OWNERS	7.920.059,46	7.208.997,98	3,82%
OTHER	648.588,30	935.312,14	0,50%
<b>TOTAL</b>	<b>187.267.054,53</b>	<b>188.675.976,12</b>	<b>100,00%</b>

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## 6 ADDITIONAL INFORMATION

### 6.1 INVESTMENTS IN THE YEAR 2018

During the year 2018, the Company completed the investment cycle in accordance with the Business Investment Plan for the fiscal year 2018 totally evaluated at HRK 38,790,932.29 in all of its sectors 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 useful surface area of approximately 500m<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 Implementation of the Physical Planning and Construction Documents, Biograd na Moru Branch, which supplemented the existing tourist offer of the hotel Ilirija Resort in the destination of Biograd na Moru. In addition to the two built outdoor swimming pools, the Company connected the Ilirija Hotel and Adriatic Hotel by constructing the indoor multipurpose

swimming pool. By building the indoor swimming pool, the number of swimming pool areas of the Company has increased to 1.815m<sup>2</sup>, with a significant improvement of the hotel sector's facilities and services. Besides, instead of the usual, chemical treatment of the pool water by using chemicals, mainly the compounds of chlorine, the use of UV radiation in the form of UV lamps was introduced in the swimming pool. This technology ensures high disinfection performance in addition to lack of toxicity, and gradually reduces the amount of chemicals used so far.

- Further investments in environmental protection through the reconstruction of the boiler room of Ilirija Hotel and Adriatic Hotel by replacing all the installations by a new condensing boiler and moving from liquid fuel as an energy source to natural gas, which enabled the heating of hot water, the hotel area and swimming pool by more environmentally friendly energy. Also, the kitchens of the both hotels have been converted from LPG to natural gas.

- The exterior (facade) fence of Ilirija Hotel and Kornati Hotel has been replaced by a glass fence, where the purchase of the new interior and furniture for common public areas including lobbies,

bars and restaurants has additionally contributed to the development of the accommodation units in the hotels in the destination Biograd na Moru. It was 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.

The Company has invested in the purchase of 56 new mobile homes in the camping sector together with all the accompanying infrastructure that form a separate camp unit, the development of the IV zone of the campsite that includes new traffic roads, lighting, sanitary facilities, additional infrastructure development in other campsite zone, especially traffic roads, landscape architecture of the campsite, development of the sports and recreational zone of the campsite, parking lot and further improvement of the hospitality offer with an aim to extend the period of business operations of the facility. In the camping sector, the number of accommodation units has also increased by 90 pitches having a standard surface area of 70-100m<sup>2</sup>, resulting in an increase in the total accommodation capacities of the campsite from 1.130 to 1.220 accommodation units. The improve-

ment of quality, content and additional services, particularly the quality and equipment of the accommodation units have also been recognized by the agencies that have installed a novelty in the camping offer - glamping tents.

Regarding the nautical sector, the Company made investments in the modernization of the nautical sector by offering better quality facilities and marina services, especially in the segment of servicing, by increasing the operational-business capacities and technical facilities, and building an annex and extending the sanitary facilities.

The implementation of the new parking system in the Commercial-shopping center City Galleria started in late 2018. The new system will provide visitors even easier and faster service. In addition to the introduction of card payment options, non-contact tickets were introduced as well as parking occupancy displays for both garage floors. A new video surveillance system with modern cameras and better recorders was mounted in the center, making the safety of visitors, property and lessees better.

In 2018, the Company started the renovation of the surface areas of the outdoor areas of the Center

City Galleria mainly its recognizable image - the covered main square. The first works on the renovation included the painting of connections and parts of the metal structure that covers the whole square and bears the Lexan cover sheets. In addition to the improved visual impression, these works are also important to maintain the functionality of the roof structure.

In 2018, the Company also made investments in other sectors and profit centers especially in the tourism sector, which represent an additional offer, that is, in raising the quality of facilities and services as well as the contents of the capacities that are essential to the business operations of the destination management company including Arsenal, Villa Primorje and agrotourism. Additional investments were made in modernization and extension of the fleet of vehicles, followed by the hospitality offer, congress offer by purchasing modern and professional congress equipment.



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## 6.2 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 Ilirija 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.



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## 6.3 IMPORTANT EVENTS

At the meeting held on 08th February 2018, the Supervisory Board gave its consent to the Company's Management Board to award 4288 treasury shares to the Company's employees, which make up for 0.178% of the share in the share capital, with no compensation as a reward for the business results achieved by the Company.

At the meeting held on 19th March 2018, the Supervisory Board adopted the Annual report by the Management Board on the operations and position of the Company for the year 2017, the Management Board's Report on acquisition of treasury shares, Audit report of the Company's operations for the year 2017 and the Report by the Supervisory Board on performed supervision of managing the operations in the year 2017. The fundamental annual financial statements for the year 2017, the draft decision on utilization of the profit and dividend distribution, draft decision on the appointment of the Company's auditor for the year 2018 and proposal for the call with agenda for convocation of the General Meeting were determined.

The Supervisory Board suggested that the profit generated in the fiscal year 2017 after taxation in the amount of HRK 27,755,384.38 should be apportioned in the way as follows:

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

At the same meeting, the Supervisory Board proposed the distribution of the dividend from the remaining retained profit for the year 2011, one portion of the profit from the year 2017 totaling to HRK 7,240,464.00. The dividend per one share is HRK 3.00.

The following decisions were taken at the ordinary General Shareholders' Meeting held on 11th May 2018,



1 The following reports have been taken note of: The Management Board's Report on the business operations and position of the Company for the year 2017, the Management Board's Report on acquisition and disposal of the treasury shares, Report of the Company's Supervisory Board on the supervision of the Company's business performed in 2017, the Auditor's Report on the audit of the business operations of the Company in 2017 and the Decision on Establishing the Fundamental Annual Financial Statements of the Company for the year 2017 have been taken note of.

2 The Decision on the utilization of the profit of Ilirija d.d. for the fiscal year 2017, according to which the profit generated after taxation in the fiscal year 2017 in the amount of HRK 27,755,384.38 was allocated in the way as follows:

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

3 Decision on dividend distribution on the basis of which dividends were paid to the shareholders in the total amount of HRK 7,221,240.00. The dividend was distributed of the residual retained profit of 2011 and part of profit for the year 2017 in the amount of HRK 2,242,980.48. The dividend per one share is HRK 3.00.

4 The Decision on giving remuneration to the Company's Management Board, according to which the General Shareholders' Assembly approve of the work of the Management Board in conducting the business operations of the Company in the year 2017.



5 Giving remuneration to the members of the Supervisory Board for the supervision of the Company's operations performed in 2017,

6 Decision on appointment of auditor of the Company for the year 2018, according to which the chartered audit company "Revicon" d.o.o. Zadar, Ruđera Boškovića 4, Tax No. OIB: 31008688672 is appointed an auditor to perform audit for the year 2018.

At the session of the Supervisory Board, held on 21st May, 2018, the Decision on Dismissal of Mr. Mladen Ostrički, Member of the Board of Auditors of the Company, appointed according to the Supervisory Board's decision of 21st July 2017, was adopted, and instead of him, Prof. Darko Prebežac, PhD, full time professor with tenure at the Faculty of Economics and Business at the University of Zagreb was elected the Member of the Board of Auditors, who is also a member of the Supervisory Board of the Company. Following the above mentioned Decision, the Board of Auditors of Ilirija d.d. consists of the following members: (I) Mr. David Anthony Tudorović, President; (II) Mr. Goran Medić, Deputy President, and (III) Mr. Darko Prebežac, Member.

At its meeting held on 19th November, 2018, the Supervisory Board gave its consent to the Management Board of the Company to conclude the Annex to the Loan Agreement concluded with Erste&Steiermarkische Bank d.d., which will make a conversion of the variable to fixed interest rate in the Loan Agreement.

At the meeting held on 07th December 2018, the Supervisory Board adopted the Report on the Company's business operations for the period of 01/01 to 30/09/2018 and Investment Plan by profit centers for the year 2019.

## 6.4 POST-BALANCE SHEET EVENTS

The Company acquired 100 equity shares, so the Company owns 8356 shares making up for 0.346% shares in the share capital.

In January 2019, the Company published the document "ILIRIJA d.d. - The Driving Force of the Economy and the Local Community: Economic and Social Aspects of Business", where the contribution of the Company as a business entity is shown not only to the economy of the local, regional and national community through the overview of the business achievements of Ilirija d.d. from 1999 to October 2018, but the contribution to the social development of the community is also shown through the corporate philanthropy activity.



## 6.5 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.





## 7 BUSINESS EXPECTATIONS AND DEVELOPMENT PLAN OF THE COMPANY IN THE YEAR 2019

In 2019, the Company expects another fiscal year in which it will continue with further development and growth at the level of all sectors in the segment of key performance indicators. The fundamental objectives of the Company indicated in its Business Plan for the year 2019 are:

- (I) **increase in revenues by 6%,**
- (II) **increase in expenses by 5%, and**
- (III) **increase in EBITDA by 8%.**

The Company bases the accomplishment of the operating results in the year 2019 on the following:

- (I) **investments in making preparation for the season 2019** in all sectors, in particular the tourist portfolio of the Company, in raising the quality of the existing facilities, especially in the accommodation facilities in camping and hotel sector, raising the quality of the additional facilities and infrastructure, improving the quality and standards of our services and developing new products, in which way the Company ensures a competitive market position and high quality and a recognizable product,
- (II) **correction of the prices of its services as a result of the investments made,**



**(III) positioning of the Republic of Croatia among the 20 leading tourism destinations in the world and its global recognition on the international tourism market**, and further market recognition and competitiveness of Croatian tourism offer compared to the competitive Mediterranean tourism countries that are significantly more present in the market than that were in 2018,

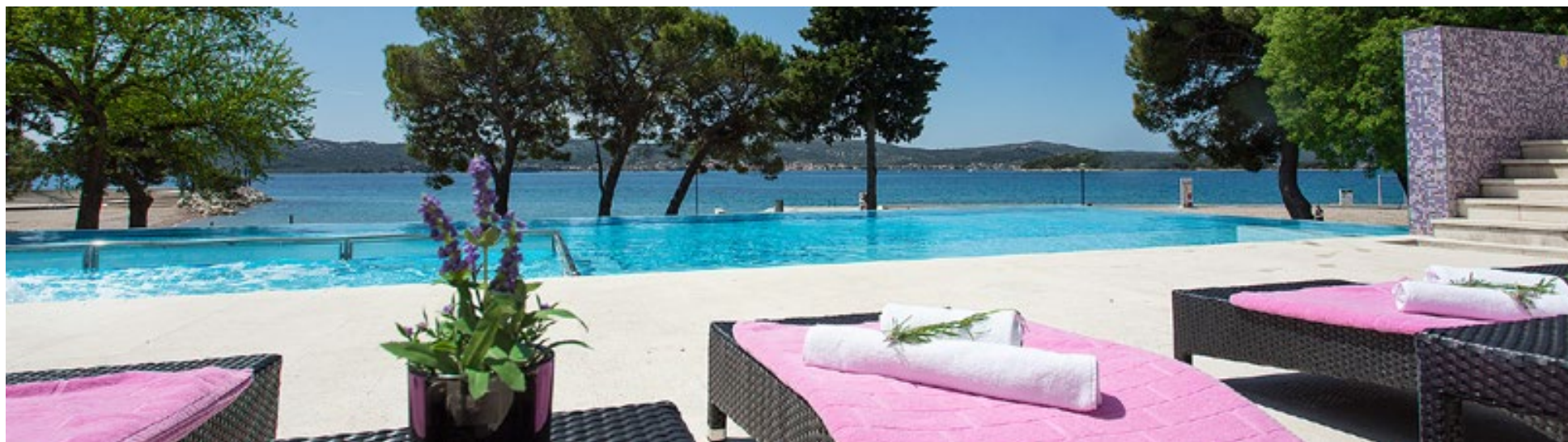
**(IV) sales and announcements for the year 2019 in tourism sectors of the Company we expect the growth in arrivals and overnight stays in the hotel and camping sector,**

**(V) on the further development of all-year 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 especially compared to those in the year 2018, and consequently the reduction of seasonality of the business operations of the tourism sectors of the Company,

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

**(VII) managing, developing and educating employees as a key holders of the business process, strengthening the financial position of employees and their structure and capacities,**

**(VIII) economic stability and safety, primarily at the regional level, i.e. in the direct environment of the Company and on the main source markets of the Croatian tourism.**



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## 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 31/12/2018

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>B) NON-CURRENT ASSETS (003+010+020+029+033)</b>	<b>002</b>	<b>411.817.035</b>	<b>439.597.308</b>
I. INTANGIBLE ASSETS (004 to 009)	003	278.837	370.339
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	278.837	370.339
II. PROPERTY, PLANT AND EQUIPMENT (011 to 019)	010	411.499.504	439.188.275
1. Land	011	43.295.283	43.295.283
2. Buildings	012	242.521.819	257.064.450
3. Plant and equipment	013	43.949.750	59.648.779
4. Tools, working inventory and transportation assets	014		
5. Biological assets	015		
6. Advances for purchase of tangible assets	016	1.116.739	888.533
7. Tangible assets in progress	017	1.849.974	601.691
8. Other tangible assets	018		
9. Investment in real-estate	019	78.765.939	77.689.539
III. NON-CURRENT FINANCIAL ASSETS (021 to 028)	020	38.694	38.694
1. Share in related parties	021	38.694	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		
<b>C) CURRENT ASSETS (035+043+050+058)</b>	<b>034</b>	<b>14.240.228</b>	<b>18.041.467</b>
I. INVENTORIES (036 to 042)	035	2.070.087	2.305.187
1. Raw materials and supplies	036	2.070.087	2.305.187
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	8.127.481	8.285.783
1. Receivables from related parties	044		
2. Receivables from end-customers	045	6.772.049	5.700.756

## BALANCE SHEET as of 31/12/2018

Company: ILIRIJA d.d. BIOGRAD NA MORU

3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	872.104	691.024
5. Receivables from government and other institutions	048	483.328	1.693.523
6. Other receivables	049		200.480
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	2.531.796	2.152.027
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	2.531.796	2.152.027
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	1.510.864	5.298.470
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>		
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>426.057.263</b>	<b>457.638.775</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>294.216.185</b>	<b>317.135.376</b>
I. SUBSCRIBED SHARE CAPITAL	063	229.146.480	229.146.480
II. CAPITAL RESERVES	064	2.723.874	2.932.389
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	22.758.390	25.895.176
1. Legal reserves	066	9.477.986	12.477.986
2. Reserve for own shares	067	6.975.716	6.975.716
3. Treasury shares and shares (deductible items)	068	1.217.992	1.081.205
4. Statutory reserves	069		
5. Other reserves	070	7.522.680	7.522.679
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	12.348.497	29.366.201
1. Retained earnings	073	12.348.497	29.366.201
2. Loss carried forward	074		
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	27.238.944	29.795.130
1. Net profit for the period	076	27.238.944	29.795.130
2. Net loss for the period	077		
VII. MINORITY INTEREST	078		
<b>B) PROVISIONS (080 to 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 to 092)</b>	<b>083</b>	<b>102.844.372</b>	<b>103.363.082</b>
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	102.844.372	103.363.082
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 31/12/2018

Company: ILIRIJA d.d. BIOGRAD NA MORU

9. Deferred tax liabilities	092		
<b>D) CURRENT LIABILITIES (094 to 105)</b>	<b>093</b>	<b>27.067.090</b>	<b>35.197.988</b>
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits, etc.	095		
3. Liabilities to banks and other financial institutions	096	10.973.271	13.372.716
4. Liabilities for advances	097		
5. Trade payables	098	8.080.224	13.909.591
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	1.988.594	2.415.605
9. Taxes, contributions and similar liabilities	102	4.713.710	4.176.543
10. Liabilities arising from share in the result	103		
11. Liabilities arising from non-current assets held for sale	104		
12. Other current liabilities	105	1.311.291	1.323.533
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	<b>1.929.616</b>	<b>1.942.329</b>
<b>F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>426.057.263</b>	<b>457.638.775</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 01/01/2018 to 31/12/2018

Company: ILIRIJA d.d. BIOGRAD NA MORU

Position	AOP	Previous period	Current period	Tekuće razdoblje	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112 to 113)	111	149.515.545	15.831.554	159.490.115	15.743.754
1. Sales revenues	112	146.322.013	13.793.598	157.999.499	15.337.329
2. Other operating revenues	113	3.193.532	2.037.956	1.490.616	406.425
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	112.026.307	28.808.674	119.629.524	32.444.328
1. Change in inventories of work in progress	115				
2. Material expenses (117 to 119)	116	41.443.582	9.491.191	42.402.724	10.914.690
a) Costs of raw materials	117	22.588.537	3.873.532	23.269.427	4.669.621
b) Cost of goods sold	118				
c) Other material expenses	119	18.855.045	5.617.659	19.133.297	6.245.069
3. Employee benefits expenses (121 to 123)	120	35.265.395	8.404.725	38.668.915	9.737.941
a) Net salaries	121	21.487.137	5.136.302	23.386.708	5.951.780
b) Tax and contributions from salary expenses	122	8.602.348	2.034.573	9.598.379	2.353.245
c) Contributions on salary	123	5.175.910	1.233.850	5.683.828	1.432.916
4. Depreciation and amortisation	124	11.146.901	3.496.779	12.796.897	4.430.290
5. Other expenses	125	23.238.397	7.169.615	24.366.259	7.116.582
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	932.032	246.364	1.394.729	244.825
III. FINANCIAL INCOME (132 to 136)	131	961.132	830.209	1.558.765	1.379.889
1. Interest, foreign exchange differences, dividends and similar income	132				
from related parties					
2. Interest, foreign exchange differences, dividends and similar income	133	961.132	830.209	1.558.765	1.379.889
from third parties					
3. Income from investments in associates and joint ventures	134				
4. Unrealised gains (income) from financial assets	135				
5. Other financial income	136				
IV. FINANCIAL EXPENSES (138 to 141)	137	4.564.586	1.207.859	4.384.189	981.428
1. Interest, foreign exchange differences, dividends and similar income	138				
from related parties					
2. Interest, foreign exchange differences, dividends and similar income	139	4.564.586	1.207.859	4.384.189	981.428
from third parties					
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>150.476.677</b>	<b>16.661.763</b>	<b>161.048.880</b>	<b>17.123.643</b>
<b>X. TOTAL EXPENSES (114+137+143+145)</b>	<b>147</b>	<b>116.590.893</b>	<b>30.016.533</b>	<b>124.013.713</b>	<b>33.425.756</b>
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	33.885.784	-13.354.770	37.035.167	-16.302.113
1. Profit before taxes (146-147)	149	33.885.784	0	37.035.167	0
2. Loss before taxes (147-146)	150	0	13.354.770	0	16.302.113
XII. TAXATION	151	6.646.840		7.240.037	
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>27.238.944</b>	<b>-13.354.770</b>	<b>29.795.130</b>	<b>-16.302.113</b>



INCOME STATEMENT period 01/01/2018 to 31/12/2018

Company: ILIRIJA d.d. BIOGRAD NA MORU

1. Profit for the period (149-151)	153	27.238.944	0	29.795.130	0
2. Loss for the period (151-148)	154	0	13.354.770	0	16.302.113
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. NETO OSTALA SVEOBUH VATNA DOBIT ILI GUBITAK					
RAZDOBLJA (158-166)"	167	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 - 166)	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 01/01/2018 to 31/12/2018

Company: ILIRIJA d.d. BIOGRAD NA MORU

Position	AOP	Previous period	Current period
1	2	3	4
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	33.885.784	37.035.167
2. Depreciation and amortisation	002	11.146.901	12.796.897
3. Increase of current liabilities	003		9.521.993
4. Decrease of current receivables	004	1.469.058	
5. Decrease of inventories	005	48.274	
6. Other cash flow increases	006		
I. Total increase of cash flow from operating activities	007	46.550.017	59.354.057
1. Decrease of current liabilities	008	6.268.071	
2. Increase of current receivables	009		3.205.477
3. Increase of inventories	010		235.099
4. Other cash flow decreases	011	318.650	136.463
II. Total decrease of cash flow from operating activities	012	6.586.721	3.577.039
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>013</b>	<b>39.963.296</b>	<b>55.777.018</b>
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	0	0
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Proceeds from sale of non-current assets	015		
2. Proceeds from sale of non-current financial assets	016		
3. Interest received	017		
4. Dividend received	018		
5. Other proceeds from investing activities	019	281.749	
III. Total cash inflows from investing activities (015-019)	020	281.749	0
1. Purchase of non-current assets	021	24.618.457	27.780.273
2. Purchase of non-current financial assets	022		
3. Other cash outflows from investing activities	023		
IV. Total cash outflows from investing activities (021-023)	024	24.618.457	27.780.273
"B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES (020-024)"	025	0	0
<b>"B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES (024-020)"</b>	<b>026</b>	<b>24.336.708</b>	<b>27.780.273</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Proceeds from issue of equity securities and debt securities	027		
2. Proceeds from loans and borrowings	028	8.278.442	0
3. Other proceeds from financing activities	029		
V. Total cash inflows from financing activities (027 do 029)	030	8.278.442	0
1. Repayment of loans and bonds	031	11.279.764	7.280.673
2. Dividends paid	032	7.920.059	7.208.998
3. Repayment of finance lease	033	3.626.910	6.324.054
4. Purchase of treasury shares	034	677.575	357.900
5. Other cash outflows from financing activities	035	4.768.648	3.037.514
<b>VI. Total cash outflows from financing activities (031-035)</b>	<b>036</b>	<b>28.272.956</b>	<b>24.209.139</b>
"C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)"	037	0	0

## CASH FLOW STATEMENT - indirect method

period 01/01/2018 to 31/12/2018

Company: ILIRIJA d.d. BIOGRAD NA MORU

<b>"C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)"</b>	<b>038</b>	<b>19.994.514</b>	<b>24.209.139</b>
<b>Total increases of cash flows (013-014+025-026+037-038)</b>	<b>039</b>	<b>0</b>	<b>3.787.606</b>
Total decreases of cash flows (014-013+026-025+038-037)	040	4.367.926	0
Cash and cash equivalents at the beginning of period	041	2.340.622	1.510.864
Increase of cash and cash equivalents	042		
Decrease of cash and cash equivalents	043		
<b>Cash and cash equivalents at the end of period</b>	<b>044</b>	<b>1.510.864</b>	<b>5.298.470</b>

## STATEMENT OF CHANGES IN EQUITY from 01/01/2018 to 31/12/2018

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	229.146.480	229.146.480
2. Capital reserves	002	2.723.874	2.932.389
3. Reserves from profit	003	22.758.390	25.895.176
4. Retained earnings or loss carried forward	004	12.348.497	29.366.201
5. Net profit or loss for the period	005	27.238.944	29.795.130
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	294.216.185	317.135.376
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	20.271.322	21.180.146
<b>17.Total increase or decrease of equity (AOP 011 to 016)</b>	<b>017</b>	<b>20.271.322</b>	<b>21.180.146</b>
17 a. Attributable to majority owners	018		
17 b. Attributable to minority interest	019		

ILIRIJA d.d.  
BIOGRAD NA MORU

Biograd na Moru, 03/04/2018

Statement made by the persons responsible for the preparation of the financial statements for the period from  
01/01/2018–31/12/2018

According to Article 462-468 of the Capital Market Act, we declare that:

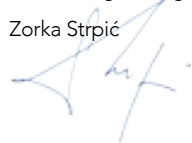
Financial statements of Ilirija d.d., Biograd na Moru, Tina Ujevića 7, Tax No. OIB: 05951496767, for the period January - December of 2018 have been prepared in accordance with International Financial Reporting Standards and Croatian Accounting Act.

The financial statements give a true and fair view of the financial position of the Company as at 31/12/2018, 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 31/12/2018.

Accounting Manager:

Zorka Strpić



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

Management Board:

Goran Ražnjević



ILIRIJA dioničko društvo  
za ugostiteljstvo i turizam  
BIOGRAD NA MORU  
Tina Ujevića 7

SUPERVISORY BOARD

No:82/2019-6  
In Biograd na Moru, 05th April 2019

According to the provision of 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. Biograd na Moru, Supervisory Board of the Company, at the 122. meeting held on 05th April 2019, takes the

**DRAFT DECISION**  
on use of profit of Ilirija d.d. for the fiscal year 2018

Article 1

The profit generated in the fiscal year 2018 after the taxation in the amount of HRK 29.795.129,95 is appropriated in the following way:

- HRK 19.177.167,95 to retained profit;
- HRK 2.200.000,00 to statutory reserves;
- HRK 8.417.962,00 for profit distribution;

Article 2

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

President of the Supervisory Board  
Goran Medić



ILIRIJA dioničko društvo  
za ugostiteljstvo i turizam  
BIOGRAD NA MORU  
Tina Ujevića 7

SUPERVISORY BOARD

No:82/2019-7  
In Biograd na Moru, 05th April 2019

According to the provision of 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. Biograd na Moru, Supervisory Board of the Company, at the 122. meeting held on 05th April 2019, takes the

**DRAFT DECISION**  
on distribution of the dividend

Article 1

The dividend in the total amount of HRK 8.417.962,00 shall be distributed to the Company's shareholders.

The dividend shall be distributed from the profit for the year 2018.

The dividend per one share is HRK 3.50 (three kuna and fifty lipa).

Article 2

The dividend referred to in Article 1 of this Decision shall be distributed to the shareholders registered in the Depository of the Central Clearing Depository Company Inc. (SKDD) on 31st May 2019 (record date).

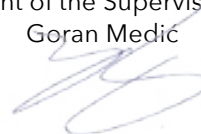
The date on which the share of the company Ilirija d.d. will be traded in without a right to distribution of the dividend is 30th May 2019 (ex date).

The claim for the dividend distribution falls due on 21st June 2019 (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 2018



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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.

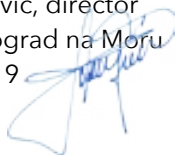
In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- 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  
22 March 2019



## 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 2018, 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 2018, 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 and include the recognized most significant risks of material misstatement due to error or fraud with the greatest impact on our audit strategy, the disposition of our available resources and the time spent by the engaging audit team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

The Company has made investments and based on the contractual rights it carries out registered tourism activity on 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 Croatia 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 camp facilities as at 31 December 2018 amounted to HRK 67,035 thousand. Concession Agreement has not yet been concluded. Disclosures of the Company in connection with the above matters are in Note 4.

### **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 May 11, 2018, 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 2018.
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 2018, in total 15 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 2018, we determined the materiality for the financial statements as a whole in the amount of HRK 5,000 representing approximately 1.09% 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 2018 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 2018, 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 2018;

2. According to our opinion, based on the work that we performed during the audit, accompanying Annual report for the year 2018, 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 2018, 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 2018, 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 2018 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 2018 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, Hrvatska

Zadar, 22 March 2019

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 2018

(In HRK thousands)	Notes	31 December 2018	31 December 2017 Restated
<b>ASSETS</b>			
<b>Long term assets</b>			
Intangible assets	3	370	279
Property, plant and equipment	4	361,499	332,733
Investment property	5	77,689	78,766
Investment in subsidiaries	6	39	39
<b>Total long term assets</b>		<b>439,597</b>	<b>411,817</b>
<b>Current assets</b>			
Inventories	7	2,305	2,070
Receivables and prepayments	8	8,693	8,449
Short-term financial investments	9	1,838	2,206
Cash	10	5,205	1,516
<b>Total current assets</b>		<b>18,041</b>	<b>14,241</b>
<b>Total assets</b>		<b>457,638</b>	<b>426,058</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	11	229,147	229,147
Treasury shares	11	(1,081)	(1,218)
Capital reserves		2,932	2,724
Reserves	12	26,977	23,977
Retained profit		29,366	12,348
Net comprehensive profit for the period		29,795	27,239
<b>Total equity</b>		<b>317,136</b>	<b>294,217</b>
<b>Long term liabilities</b>			
Borrowings	13	103,363	102,845
<b>Total long term liabilities</b>		<b>103,363</b>	<b>102,845</b>
<b>Current liabilities</b>			
Trade and other payables	14	22,393	16,094
Borrowings	13	12,804	10,972
Deferred income	15	1,942	1,930
<b>Total current liabilities</b>		<b>37,139</b>	<b>28,996</b>
<b>Total liabilities</b>		<b>140,502</b>	<b>131,841</b>
<b>Total equity and liabilities</b>		<b>457,638</b>	<b>426,058</b>

These financial statements were approved by the Managing Board of the Company on 28 February 2018.

Director  
Goran Ražnjević

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 2018

(In HRK thousands)	Notes	31 December 2018	31 December 2017 Restated
Sales	16	154,906	143,364
Other operating revenues	17	1,491	3,194
<b>Total operating revenue</b>		<b>156,397</b>	<b>146,558</b>
Cost of raw material and energy	18	(23,269)	(22,589)
Cost of services	19	(19,133)	(18,855)
Staff costs	20	(41,882)	(38,874)
Amortization	3	(170)	(161)
Depreciation	4	(11,415)	(9,777)
Depreciation of investment property	5	(1,212)	(1,209)
Provisions for court proceedings		-	(1,161)
Other operating expenses	21	(19,456)	(16,442)
<b>Total operating expenses</b>		<b>(116,537)</b>	<b>(109,068)</b>
<b>Profit from operations</b>		<b>39,860</b>	<b>37,490</b>
Net financial expenses	22	(2,825)	(3,604)
<b>Profit before taxation</b>		<b>37,035</b>	<b>33,886</b>
Income tax	23	(7,240)	(6,647)
<b>Net profit for the current year</b>		<b>29,795</b>	<b>27,239</b>
Other comprehensive profit		-	-
<b>Total comprehensive profit for the period</b>		<b>29,795</b>	<b>27,239</b>
Earnings per share - basic (in HRK)	24	13,99	105,94

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 2018

(In HRK thousands)	Share capital	Treasury shares	Capital reserves	Reserves	Retained profit	Total shareholders equity
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)
Effects of correcting the prior period error - IAS 8	-	-	-	-	(1,222)	(1,222)
As restated 1 January 2017	174,978	(540)	26,724	23,977	48,533	273,672
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)
Effects of correcting the prior period error - IAS 8	-	-	-	-	(516)	(516)
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>39,587</b>	<b>294,217</b>
Balance at 1 January 2018						
As previously reported	229,147	(1,218)	2,724	23,977	41,325	295,955
Effects of correcting the prior period error - IAS 8	-	-	-	-	(1,738)	(1,738)
As restated 1 January 2018	229,147	(1,218)	2,724	23,977	39,587	294,217
Giving of treasury shares	-	488	208	-	-	696
Purchase of treasury shares	-	(351)	-	-	-	(351)
Transfer to reserves	-	-	-	3,000	(3,000)	-
Dividend paid	-	-	-	-	(7,221)	(7,221)
Net comprehensive profit for the period	-	-	-	-	29,795	29,795
<b>Balance at 31 December 2018</b>	<b>229,147</b>	<b>(1,081)</b>	<b>2,932</b>	<b>26,977</b>	<b>59,161</b>	<b>317,136</b>

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

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

ILIRIJA d.d., BIOGRAD NA MORU  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2018

(In HRK thousands)	31 December 2018	31 December 2017
<b>Operating activities</b>		
Cash inflow generated from operations (Note 25)	49,247	34,541
<b>Investing activities</b>		
Purchase of intangible assets	(261)	(63)
Purchase of tangible assets	(40,308)	(24,661)
Purchase of investment property	(135)	(1,462)
Decrease in investments in subsidiaries	-	1
Decrease in short-term investments	368	297
<b>Net cash outflow from investing activities</b>	<b>(40,336)</b>	<b>(25,888)</b>
<b>Financing activities</b>		
Purchase of treasury shares	(351)	(678)
Dividend paid	(7,221)	(6,016)
Increase/(decrease) in long-term borrowings	518	(771)
Increase/(decrease) in short-term borrowings	1,832	(2,013)
<b>Net cash outflow from financing activities</b>	<b>(5,222)</b>	<b>(9,478)</b>
<b>Net increase/(decrease) in cash</b>	<b>3,689</b>	<b>(825)</b>
<b>Movement in cash</b>		
At beginning of year	1,516	2,341
At end of year (Note 10)	5,205	1,516
<b>Increase /(decrease) in cash</b>	<b>3,689</b>	<b>(825)</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 2018

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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 2018, 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 president of the management board is Mr. Goran Ražnjević.

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

### NOTE 2 - SIGNIFICANT 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 2018 the exchange rate of HRK 1 was EUR 7.42 (31 December 2017: EUR 7.51).

#### **(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 2018.

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

ILIRIJA d.d., BIOGRAD NA MORU  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

### **New and amended IFRSs issued, but not yet effective**

Several new standards and guidelines have been published that are not mandatory for reporting periods ending 31 December 2018 and which the Company has not previously adopted. These standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- New IFRS 16 "Leases" - effective for annual periods beginning on or after 1 January 2019 (published January 13, 2016)
- IFRS 9: Prepayments features with negative compensation (amendments), effective for annual periods beginning on or after 1 January 2019
- IFRIC 23: Uncertainty over income tax treatments, becomes effective for annual periods on or after 1 January 2019

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

During 2017, the financial statements for the year ended 31 December 2016 were restated to record a material prior period error, amounting to HRK 790 thousand, recorded in the change of opening balance in 2017 and described in the notes to the financial statements for 2017.

As the process is still pending of determining the concession fee for use of land in the camp, in accordance with the Law on Tourist and Other Construction Land not estimated in the transformation and privatization process, an agreement for the fee has been reached with the competent authority for the use of auto-camp's land, until the final settlement, to pay the fee to Hrvatske šume d.o.o., for years 2015, 2016, 2017, and 2018. As it refers to the expenses from 2015 to 2017, in the total amount of HRK 1,378 thousand, which were not recorded, the Management Board considered that significant amounts were incurred from the previous periods and as such represented significant omissions from the financial statements, which affected the amounts of liabilities presented for the current and the previous year as well as the amounts of the costs of the land use fee.

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 trade receivable that ended in settlement in 2018. As it refers to receivables from prior period, in the total amount of HRK 360 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.

ILIRIJA d.d., BIOGRAD NA MORU  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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Consequently, the recording of lease expenses and loss of doubtful receivables was performed by retroactive restatement in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. Liabilities and lease expenses as well as receivables and impairment costs in the comparative financial statements have been restated in accordance with accounting standards.

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

This change in accounting records resulted in an increase of liabilities in the amount of HRK 1,378 thousand and a decrease in retained profit for the same amount, a decrease in the amount of receivables amounting to HRK 360 thousand and a decrease in retained profit for the same amount, thus retaining profit for a total amount of HRK 1,738 thousand, and by increasing the cost of rental services in the income statement with the statement of comprehensive income in the total amount of HRK 516 thousand. The Company did not calculate and stated 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.

### **(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.

ILIRIJA d.d., BIOGRAD NA MORU  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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**(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.

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

**(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.

**(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:



ILIRIJA d.d., BIOGRAD NA MORU  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
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

The land is included in the estimated amounts and 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.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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.

### (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

ILIRIJA d.d., BIOGRAD NA MORU  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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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.

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

**(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.

**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. Except for the stated, the Company has no other significant concentration of credit risk.

ILIRIJA d.d., BIOGRAD NA MORU  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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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.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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 land plots on which the Company has significant commercially critical long-term investments, whereas all the constitutionally guaranteed rights have not been exercised in the field of protection of capital investment.

### **(u) Comparative figures**

The Financial statements for the year ended as of 31 December 2017 have been restated to record material prior period error.

The Company made a correction of material error retroactively, using the basic procedure, in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, in the first set of financial statements approved for issue after disclosure. In this way, the Company's financial statements have been restated for 2017 as follows:

ILIRIJA d.d., BIOGRAD NA MORU  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2018

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

(In HRK thousands)	Notes	31 December 2017 Before restatement	31 December 2017 Restated
<b>ASSETS</b>			
Long term assets			
Intangible assets	3	279	279
Property, plant and equipment	4	332,733	332,733
Investment property	5	78,766	78,766
Investment in subsidiaries	6	39	39
<b>Total long term assets</b>		<b>411,817</b>	<b>411,817</b>
<b>Current assets</b>			
Inventories	7	2,070	2,070
Receivables and prepayments	8	8,809	8,449
Short-term financial investments	9	2,206	2,206
Cash	10	1,516	1,516
<b>Total current assets</b>		<b>14,601</b>	<b>14,241</b>
<b>Total assets</b>		<b>426,418</b>	<b>426,058</b>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves			
Share capital	11	229,147	229,147
Treasury shares	11	(1,218)	(1,218)
Capital reserves		2,724	2,724
Reserves	12	23,977	23,977
Retained profit		13,570	12,348
<b>Net comprehensive profit for the period</b>		<b>27,755</b>	<b>27,239</b>
<b>Total equity</b>		<b>295,955</b>	<b>294,217</b>
<b>Long term liabilities</b>			
Borrowings	13	102,845	102,845
<b>Total long term liabilities</b>		<b>102,845</b>	<b>102,845</b>
<b>Current liabilities</b>			
Trade and other payables	14	14,716	16,094
Borrowings	13	10,972	10,972
Deferred income	15	1,930	1,930
<b>Total current liabilities</b>		<b>27,618</b>	<b>28,996</b>
<b>Total liabilities</b>		<b>130,463</b>	<b>131,841</b>
<b>Total equity and liabilities</b>		<b>426,418</b>	<b>426,058</b>

ILIRIJA d.d., BIOGRAD NA MORU  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2018

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

(In HRK thousands)	Notes	31 December 2017 Before restatement	31 December 2017 Restated
Sales	16	143,364	143,364
Other operating revenues	17	3,194	3,194
<b>Total operating revenue</b>		<b>146,558</b>	<b>146,558</b>
Cost of raw material and energy	18	(22,589)	(22,589)
Cost of services	19	(18,339)	(18,855)
Staff costs	20	(38,874)	(38,874)
Amortization	3	(161)	(161)
Depreciation	4	(9,777)	(9,777)
Depreciation of investment property	5	(1,209)	(1,209)
Provisions for court proceedings		(1,161)	(1,161)
Other operating expenses	21	(16,442)	(16,442)
<b>Total operating expenses</b>		<b>(108,552)</b>	<b>(109,068)</b>
Profit from operations		38,006	37,490
Net financial expenses	22	(3,604)	(3,604)
<b>Profit before taxation</b>		<b>34,402</b>	<b>33,886</b>
Income tax	23	(6,647)	(6,647)
<b>Net profit for the current year</b>		<b>27,755</b>	<b>27,239</b>
Other comprehensive profit		-	-
<b>Total comprehensive profit for the period</b>		<b>27,755</b>	<b>27,239</b>
Earnings per share - basic (in HRK)	24	107,95	105,94

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**NOTE 3 - INTANGIBLE ASSETS**

(In HRK thousands)	Lease hold improvement - buildings	Lease hold improvement - Pašman	Total
<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>
<b>Year ended 31 December 2018</b>			
Opening net book amount	156	123	279
Additions	198	63	261
Amortization charge	(170)	-	(170)
<b>Closing net book amount</b>	<b>184</b>	<b>186</b>	<b>370</b>
<b>Balance at 31 December 2018</b>			
Cost	1,806	186	1,992
Accumulated amortization	(1,622)	-	(1,622)
<b>Net book value</b>	<b>184</b>	<b>186</b>	<b>370</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 186 thousand.

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

(In HRK thousands)	Land	Buildings	Equipment	Assets in course of construction	Total
<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>
<b>Year ended 31 December 2018</b>					
At beginning of year	43,295	242,522	43,950	2,966	332,733
Additions	-	1,524	18,110	20,674	40,308
Transfer from assets in course of construction	-	18,910	3,240	(22,150)	-
Disposals	-	-	(127)	-	(127)
Depreciation charge	-	(5,891)	(5,524)	-	(11,415)
<b>Closing net book amount</b>	<b>43,295</b>	<b>257,065</b>	<b>59,649</b>	<b>1,490</b>	<b>361,499</b>
<b>Balance at 31 December 2018</b>					
Cost	43,295	327,585	92,810	1,490	465,180
Accumulated depreciation	-	(70,520)	(33,161)	-	(103,681)
<b>Net book value</b>	<b>43,295</b>	<b>257,065</b>	<b>59,649</b>	<b>1,490</b>	<b>361,499</b>

In the process of the Company's transformation, the estimated value of the Company's capital includes the estimated value of the property for which the property rights have not been resolved. 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 which, after splitting it, gives the number of shares of 74,200 (Note 11).

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-harbor of the nautical tourism Kornati, the use is regulated for a period of 32 years, or up to 2031.

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

For hotel port Ilirija - Kornati in February 2015 a request is submitted to Zadar County for an extension of the concession to 30 years. For the open swimming pool in Biograd na Moru the request for extension of the concession had also been previously submitted.

On 31.12.2018 the total investment made in the facilities of the campsite are in total value, as reported at cost in the amount of 67,035 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. Given the above-mentioned permanent right of use, the Company has in accordance with acquired rights from the transformation and privatization process and legitimate expectations, made capital investments on the tourism land which is not estimated in the process of transformation.

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.



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A part of the buildings of Ilirija d.d. with purchase value HRK 131,634 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).

## NOTE 5 - INVESTMENT PROPERTY

(In HRK thousands)	Land	Buildings	Total
<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>
<b>Year ended 31 December 2018</b>			
Opening net book amount	12,648	66,118	78,766
Additions	-	135	135
Depreciation charge	-	(1,212)	(1,212)
<b>Closing net book amount</b>	<b>12,648</b>	<b>65,041</b>	<b>77,689</b>
<b>Balance at 31 December 2018</b>			
Cost	12,648	67,463	80,111
Accumulated depreciation	-	(2,422)	(2,422)
<b>Net book value</b>	<b>12,648</b>	<b>65,041</b>	<b>77,689</b>

Investment property, acquired by the company in December 2016, include the land and building of the City Gallery 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 14,167 thousand, while operating expenses related to investment property amounted to HRK 8,470 thousand.

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**NOTE 6 - INVESTMENTS IN SUBSIDIARIES**

(In HRK thousands)	2018	2017
Ilirija Građenje d.o.o., Biograd n/m	19	19
Ilirija Nautika d.o.o., Biograd n/m	20	20
	<b>39</b>	<b>39</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 2018	in % 2017
<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)	2018	2017
Raw material	1,397	1,250
Small inventory and spare parts	908	820
	<b>2,305</b>	<b>2,070</b>

**NOTE 8 - RECEIVABLES AND PREPAYMENTS**

(In HRK thousands)	2018	2017 restated
Domestic trade receivables	4,296	5,451
Foreign trade receivables	1,405	1,322
Prepayments - Group, TCZ	-	15
Prepayments	332	299
Co-owners receivables - related party	526	365
VAT	1,637	425
Due from employees	147	158
Other receivables	350	414
	<b>8,693</b>	<b>8,449</b>

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

**Domestic trade receivables**

(In HRK thousands)	2018	2017 restated
At beginning of year	5,451	5,454
Effects of correcting prior period errors	-	(360)
Changes - net	(1,155)	357
<b>At end of year</b>	<b>4,296</b>	<b>5,451</b>

Trade receivables, stated on 31 December 2017, in the amount of HRK 5,811 thousand (5,454+357) were restated for the amount of HRK 360 thousand on the basis of a correction of the prior period error.

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

(In HRK thousands)	2018	2017
Loans to co-owners - related party	1,316	1,496
Loans to employees	522	511
Loan to employee - co-owner, related party	-	199
	<b>1,838</b>	<b>2,206</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)	2018	2017
Cash balance on domestic currency account	5,041	130
Cash balance on foreign currency account	140	1,331
Cash in hand	24	55
	<b>5,205</b>	<b>1,516</b>

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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 2017	222,102	7,045	229,147	(1,218)	227,929
Balance at 31 December 2018	222,102	7,045	229,147	(1,081)	228,066

The Company's share capital at 31 December 2018 amounts to HRK 229,146,480.00 and is divided into 2,413,488 ordinary shares with no par value.

On 31 December 2018, the balance of treasury shares amounted to 8,256 shares (2017: 1,337, i.e. 10,696 shares after the Decision on share split in proportion 1:8 ) at the cost of HRK 1,081 thousand (2017: HRK 1,218 thousand). During the year, the company acquired 1,848 of treasury shares. Following the Decision on giving of treasury shares without compensation to employees, their number decreased by 536, the share split 4.288.

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 due to the 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 decreased the amount of the reserved shares to 9,275. Following the Decision on share split on December 31, 2018, the number of treasury shares was 74,200, 3,0744% respectively (see Note 4).

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

	31 December 2018	31 December 2017
Arsenal Holdings d.o.o., Zadar	59,21	59,21
Ilirija d.d., Biograd na Moru (treasury shares)	0,34	0,44
AZ mandatory pension fund	16,24	16,28
AZ voluntary pension fund	3,03	3,04
Center for restructuring and sale (CERP)	3,07	3,07
Other shareholders	18,11	17,96
	<u>100,00</u>	<u>100,00</u>

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**NOTE 12 - RESERVES**

(In HRK thousands)	2018	2017
Compulsory reserves	12,478	9,478
Reserves for treasury shares	6,976	6,976
Other reserves	7,523	7,523
	<b>26,977</b>	<b>23,977</b>

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.

Changes in compulsory reserves in the course of 2018 are:

(In HRK thousands)	2018
1 January	9,478
Transfer from profit	3,000
31 December	12,478

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**NOTE 13 - BORROWINGS**

(In HRK thousands)	Initial amount of principal	Interest rate	2018	2017
<b>Short-term borrowings</b>				
Erste&Steiermarkische Bank d.d., Rijeka	KN 2.500.000,00	3,35 %	2,270	1,404
			2,270	1,404
Plus: current portion of long-term borrowings			10,534	9,568
<b>Total current portion</b>			<b>12,804</b>	<b>10,972</b>
Long-term borrowings				
Erste&Steiermarkische Bank d.d., Rijeka	EUR 1.680.000,00	3%	11,835	12,619
Erste&Steiermarkische Bank d.d., Rijeka	EUR 7.491.008,67	3,25%	47,230	51,594
Erste&Steiermarkische Bank d.d., Rijeka	EUR 6.000.000,00	3,25%	38,819	42,327
S - Leasing d.o.o., Zagreb	EUR 3.857.216		16,013	5,873
			113,897	112,413
Less: current portion of long-term borrowings			(10,534)	(9,568)
<b>Total long-term portion</b>			<b>103,363</b>	<b>102,845</b>
<b>Total borrowings</b>			<b>116,167</b>	<b>113,817</b>

Short-term borrowings

The Company is using revolving loan on the account in Erste&Steiermarkische Bank d.d till 13 December 2019, 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.:

- a loan approved on 26 February 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 Kornati marina in Biograd na Moru. The loan is returned in 60 quarterly installments in the amount of 28,000.00 EUR, the last due being due on March 31, 2033.

- a loan approved on May 25, 2016, in the amount of 7,491,008.67 EUR, to refinance the existing long-term loan. The loan is returned in 60 quarterly installments in the amount of 124,850.14 EUR, the last due on June 30, 2031.

- a loan approved on November 29, 2016, in the amount of 6,000,000.00 EUR, for the purchase of the City Gallery shopping center building in Zadar. The loan is returned in 180 monthly installments in the amount of EUR 33,333.33, the last due on January 1, 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 liability to S-leasing d.o.o., Zagreb relates to the liabilities of twenty-eight financial leasing contracts to purchase equipment, which are repaid in equal monthly annuities. Interest rates are fixed by four contracts, and the other sixteen contracts are variable and align with the quarterly euribor. Liabilities under these financial leasing contracts are due until 2022, 2023 and 2025.

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

(In HRK thousands)

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2019	10,534
2020	11,192
2021	10,231
2022	9,589
2023	9,226
after 2023	63,125
	<hr/>
	<b>113,897</b>
	<hr/>

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**NOTE 14 - TRADE AND OTHER PAYABLES**

(In HRK thousands)	2018	2017 restated
Trade payables	13,906	8,079
Trade payables - Group, Arsenal Holdings, TCZ	4	1
Prepayments	70	-
Provisions upon initiated court proceedings	1,161	1,161
Income tax	2,487	2,275
Sojourn tax	14	26
Maritime domain dues	238	71
Interest payable	499	1
Dividend	162	150
Due to employees for gross wages in kind	-	1,660
Liabilities for gross rewards for key management	834	-
Due to employees	1,687	1,396
Taxes and contributions on salaries	1,146	935
VAT	-	281
Other liabilities	185	58
	22,393	16,094

Trade payables

(In HRK thousands)	2018	2017 restated
At beginning of year	8,079	12,153
Effects of correcting prior period errors	-	862
Changes - net	5,827	(5,452)
Effects of correcting prior period errors (during year)	-	516
At end of year	13,906	8,079

Amounts stated on 31 December 2017 in the amount of HRK 6,701 thousand (12,153-5,452) were restated for the total amount of HRK 1,378 thousand (862+516) based on correction of the prior period error.



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**NOTE 15 - DEFERRED INCOME**

(In HRK thousands)	2018	2017
Prepayments from individual guests	973	830
Prepayments from agencies	969	1,094
Accrued expenses	-	6
	<u>1,942</u>	<u>1,930</u>

**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.

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 Gallery 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:

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

Year ended 31.12.2018 (In HRK thousands)	Nautica	Tourism and catering	Investment property	Total
Income				
Income from catering and tourism	-	94,813	-	94,813
Rental - Group, Arsenal Holdings	-	75	-	75
Income from investment property	-	-	13,967	13,967
Income from marina	46,051	-	-	46,051
<b>Total income</b>	<b>46,051</b>	<b>94,888</b>	<b>13,967</b>	<b>154,906</b>
Result				
Segment result	17,395	16,407	6,058	39,860
Finance cost - net	(479)	(1,083)	(1,263)	(2,825)
Profit before tax	16,916	15,324	4,795	37,035
Income tax	(3,331)	(2,968)	(941)	(7,240)
<b>Net profit for the year</b>	<b>13,585</b>	<b>12,356</b>	<b>3,854</b>	<b>29,795</b>
At 31 December 2018				
Assets and liabilities				
Segments assets	86,264	287,483	78,045	451,792
Unallocated assets	-	-	-	5,846
<b>Total assets</b>				<b>457,638</b>
Segments liabilities	15,333	19,114	39,602	74,049
Unallocated liabilities	-	-	-	66,453
<b>Total liabilities</b>				<b>140,502</b>
Other segment information				
Capital investment:				
Property, plant and equipment	8,062	32,111	135	40,308
Intangible assets	63	198	-	261
Investment property	-	-	135	135
Depreciation	2,481	8,499	-	10,980
Unallocated depreciation	-	-	-	435
Total depreciation	-	-	-	11,415
Amortization	9	161	-	170
Depreciation of investment property	-	-	1,212	1,212

The total assets of the Company and capital investments in assets are in the Republic of Croatia.

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

Restated 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	14,729	4,420	37,490
Finance cost - net	(788)	(1,497)	(1,319)	(3,604)
Profit before tax	17,553	13,232	3,101	33,886
Income tax	(3,390)	(2,659)	(598)	(6,647)
<b>Net profit for the year</b>	<b>14,163</b>	<b>10,573</b>	<b>2,503</b>	<b>27,239</b>
At 31 December 2017				
Assets and liabilities				
Segments assets	81,837	261,334	78,775	421,946
Unallocated assets				4,112
Total assets				426,058
Segments liabilities	13,223	8,402	42,474	64,099
Unallocated liabilities	-	-	-	67,742
Total liabilities				131,841
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
Depreciation of investment property	-	-	1,209	1,209

The total assets of the Company and capital investments in assets are in the Republic of Croatia.

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

Income - geographical segment

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

(In HRK thousands)	2018	2017
Domestic sales	117,814	108,900
Domestic sales - Group, Arsenal Holdings	75	88
Foreign sales	37,017	34,376
	<b>154,906</b>	<b>143,364</b>

**NOTE 17 - OTHER OPERATING REVENUES**

(In HRK thousands)	2018	2017
Income from previous years	41	62
Exchange office's commission-fee	186	189
Insurance damages collected	290	307
Income from joint financing	400	838
Revenue by court proceeding	-	1,636
Other income	537	162
	<b>1,491</b>	<b>3,194</b>

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

(In HRK thousands)	2018	2017
Raw materials and material	15,718	15,292
Energy	5,989	5,636
Small inventory	1,562	1,661
	<b>23,269</b>	<b>22,589</b>

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**NOTE 19 - COST OF SERVICES**

(In HRK thousands)	2018	2017 restated
Transport, telephone, postage	1,689	1,719
Repairs and maintenance	4,786	4,732
Cost of fairs	148	188
Rental	2,199	2,598
Rental - Group, Arsenal Holdings, TCZ	1,284	1,263
Rental - related party, natural person	195	-
Advertising and promotion	2,476	2,880
Advertising and promotion - Group, Arsenal Holdings	4	-
Municipal utility services	4,296	3,494
Utility fees	1,938	1,833
Other services	118	148
	<b>19,133</b>	<b>18,855</b>

Rental

(In HRK thousands)	2017
Stated for the year	2,082
Effects of correcting prior period error	516
At end of year after restatement	<b>2,598</b>

Amounts recognized as at 31 December 2017 have been restated on the basis of a correction of the prior period error.

**NOTE 20 - STAFF COSTS**

(In HRK thousands)	2018	2017
Net salaries	23.387	21.487
Taxes and contributions for salaries	15.282	13.778
Salary in kind - giving of treasury shares	-	697
Taxes and contributions for wages in kind	-	963
Award for Key Management	513	-
Taxes and contributions for Key Management awards	571	-
Other regulatory disbursements	2.129	1.949
	<b>41.882</b>	<b>38.874</b>

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At the end of the year the number of staff employed by the Company was 245 (2017: 227).  
 Gross wages and compensation of key management in 2018 amounted to HRK 3,238 thousand  
 (2017: HRK 2,112 thousand).

**NOTE 21 - OTHER OPERATING EXPENSES**

(In HRK thousands)	2018	2017
Travelling expenses	915	901
Commission	1,849	1,315
Supervisory Board - related parties	469	574
Agencies' fees	1,808	1,728
Contract of temporary employment (net)	2,641	2,236
Contract of temporary employment (net) - related parties	116	61
Intellectual services (lawyer, notary and other)	254	185
Cultural, sport and amusement manifestation	1,721	1,287
Security services	1,284	1,159
Entertainment	835	793
Insurance premium	1,112	1,385
Contributions and membership dues	1,234	948
Bank and payment operation charges	391	390
Concessions	1,526	1,546
Donation, sponsorship	377	249
Deficits	127	62
Subsequently identified expenses from previous years	188	199
Taxes and contributions by Tax settlement	964	-
Write-off of bad receivables	463	-
Other	1,182	1,424
	<b>19,456</b>	<b>16,442</b>

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**NOTE 22 - NET FINANCIAL EXPENSES**

(In HRK thousands)	2018	2017
<b>Financial income</b>		
Foreign exchange gains	1,559	952
Interest income	-	9
Total financial income	1,559	961
<b>Financial expense</b>		
Foreign exchange losses	(94)	(106)
Interest expense	(4,290)	(4,459)
Total financial expenses	(4,384)	(4,565)
<b>Net financial expenses</b>	<b>(2,825)</b>	<b>(3,604)</b>

**NOTE 23 - INCOME TAX**

Income tax is calculated in accordance with Croatian law. Tax rate on taxable income is 18% (2017: 18%). On 31 December 2018 the Company has established the income tax liability based on the tax return in the amount of HRK 7,240 thousand (2017: HRK 6,647 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 2018	31 December 2017
<b>Profit before tax</b>	<b>37,035</b>	<b>34,402</b>
Tax calculated at a rate of 18%	6,666	6,192
Tax effect of expenses non-deductible for tax purposes	574	455
Tax effect of income not subject to tax	-	-
<b>Tax charge</b>	<b>7,240</b>	<b>6,647</b>
Actual income tax rate	19,55%	19,32%

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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).

	2018	2017 restated
Profit attributable to equity holders (In HRK thousands)	29,795	27,239
Weighted average number of ordinary shares in issue	2,129,613	257,105
Basic earnings per share (In HRK)	13,99	105,94

At the Annual General Meeting of the Company on 20 November 2017, the Company made two decisions concerning the shares, the decision to change the shares with par value for the shares with no par value and the Decision on Split of shares with no par value by splitting one share into eight ordinary shares with no par value. Therefore, the amount of earnings per share is not comparable.



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### NOTE 25 - CASH GENERATED FROM OPERATIONS

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

(In HRK thousands)	2018	2017 restated
Profit for the year	29,795	27,239
Adjustments for:		
Change in retained profit - material prior period error	-	(1,222)
Amortization (Note 3)	170	161
Depreciation (Note 4)	11,415	9,777
Depreciation of investment property (Note 5)	1,212	1,209
Book value of sold and disposed tangible assets (Note 4)	127	337
Giving of treasury shares (Note 11)	696	-
Changes in working capital:		
- trade receivables	1,072	(539)
- receivables for prepayments	(1,316)	408
- other receivables	(235)	48
- inventories	5,830	(4,386)
- trade payables	-	(1,200)
- liabilities for bills of exchange	(535)	1,903
- due from employees	1,004	(343)
- other payables	-	1,161
- prepaid expenses	12	(12)
<b>Cash inflow generated from operations</b>	<b>49,247</b>	<b>34,541</b>

### 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:

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**NOTE 26 - RELATED PARTY TRANSACTIONS (continued)**

(In HRK thousands)	2018	2017
Prepayments (Note 8)	-	15
Other co-owners receivables (Note 8)	526	365
Loans to co-owners (Note 9)	1,316	1,496
Loan to employee - co-owner (Note 9)	-	199
Trade payables (Note 14)	4	1

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

(In HRK thousands)	2018	2017
Service revenue (Note 16)	75	88
Rental (Note 19)	1,479	1,263
Advertising and promotion (Note 19)	4	-
Gross salaries of key management (Note 20)	3,238	2,112
The Supervisory Board (Note 21)	469	574

**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.

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.

**NOTE 28 - COMMITMENTS**

The Company has commitments, due in 2019, in the total amount of HRK 1,673 thousand.



ILIRIJA D.D.

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