



**Annual report on the corporate
social responsibility for the year 2017**

Biograd na Moru, September 2018



Annual report on the corporate social responsibility for the year 2017

In accordance with the core values of the company Ilirija d.d. and its corporate social responsibility
this report has been printed in the PEFC certified wood-free Munken Lynx paper.





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I Statement by the President of the Management Board



In front of you is the third report on the corporate social responsibility of Ilirija d.d. for the year 2017, with an overview of the company's business, which, in addition to the accomplished economic results, also includes an overview of environmental and social topics that are key to understanding its overall contribution to the wider community. We have developed the corporate social responsibility report for 2017 in accordance with the international reporting standards on non-financial impacts Global Reporting Initiative – GRI Standards, which was one of the Company's goals of presenting our activities and the impact on the community that we operate in. This report is also the first report on the company's non-financial impacts prepared in accordance with the GRI Non-financial Reporting Standards.

The 2017 fiscal year was marked four significant events: (I) celebrating the sixty-year anniversary of successful business operations and existence of the company; (II) accomplishment of the best operating results so far; (III) successful integration of the Commercial-shopping center into operational business which proved to be an economically reasonable investment and (IV) decisions taken by the Shareholders' Assembly on an increase in the share capital and the share splitting thus additionally strengthening the market and capital position of the company. In 2017 we became a company at an operational level with a wide range of activities, fulfilling thus the prerequisites for a successful, profitable and sustainable business that represents an added value to our entire offer and provides us a number of additional opportunities in designing new services and products.

The operating results achieved are the best since the company was founded regarding operating and financial performance indicators, but also regarding operating profitability ratios, and this is how we as a company successfully continued with a long-term and sustainable goal - successful development of all-year business in all of its tourism sectors. Total revenues were generated in the amount of HRK 150,476,677.41 with a growth of 16.63% as a result of an increase in operating revenues by 17.18% especially regarding the revenues from sales on the domestic market. At the same time, despite the growth in total expenditures, the forecasted indicators of operating profitability were also realized. The profit was generated in the amount of HRK 34,402,224.34 and increased by 10.12%, while the EBITDA (Earnings before interest, taxes, depreciation and amortization) was realized in the amount of HRK 50,113,710.90 and rose by 11.30%. The growth of operating profitability is particularly significant considering the fact that in the tourism sector, in early 2017, the tax rate of value added tax (VAT) changed, which for hospitality services rose from 13% to 25%, which further affected the operating profitability, but also the overall competitiveness of its offer, primarily at the international level.

Further contribution to strengthening of the company's capital and market position was achieved by taking the decisions by the Shareholders' Assembly on an increase in the share capital and the decision on share split by splitting the bearer ordinary share of the company, with no par value into eight new bearer ordinary shares with no par value. Our shareholders were also paid a dividend in

the amount of HRK 20.00 per share, which is one of the company's long-term goals regarding our shareholders. Besides, we have continued with a responsible and sustainable investment policy where we made the investment cycle of 24.6 million HRK in raising and improving the quality and standards of our existing services and content, development and designing new offer. We particularly emphasize the completion of the second phase of modernization of Marine Kornati especially in the service of vessel accommodation, then the improvement and increase of accommodation and hospitality capacities in the hotel and camping sector, the development of the offer in the destination management company, the promotion of sports and recreational and hospitality facilities and offers.

As the first Croatian tourism company, the winner of the corporate social responsibility award, we continued with active improvement and promotion of responsible and sustainable business in 2017 through the operating results achieved as a foundation of social responsibility towards the employees, the community and the environment.

A special emphasis has been placed on the community development by promoting the destination offer, i.e. the development of a responsible and sustainable tourism product with an aim to successfully extend the high season not only at the company level, but also at the level of destinations where we do business. In 2017, 491 special events were held in our facilities, involving 66,023 persons, organized through the system of destination management company/ DMC Ilirija Travel mainly in the pre- and post season, which increased by 26.55% compared to the number of events in the previous year, which accounted for 40.85% in the number of persons. In addition, we have initiated, organized and/or provided support through the

corporate philanthropy system to organizing numerous events that contribute to the quality of the destination offer and the development of its tourist product.

In relation to employees, we are pursuing an active policy of continuous improvement of their material rights according to which the average gross salary was realized in the amount of HRK 7,598.00 and is higher by 13.66%, while the total gross salary cost increased by 16%. We pay special attention to the employment of the local population, primarily from Biograd na Moru and surrounding towns, municipalities and places, to their education through the Academy of Business Excellence - ILIRIJA EDUKA and additional educational programs, that we spent a total 10,968 hours on them or an average of 32 hours per employee where the costs are fully borne by the company, and we consequently increase employment through the development of year-round business operations.

We pay special attention to encouraging diversity among our employees at all levels of management and therefore we are proud of the fact that the top management is composed of women accounting for 67% of employees, while as at 31/12/2017 at company level women account for 49% of employees. Ilirija is among the first signatories of the Diversity Charter Croatia, and we are one of its five ambassadors in the Republic of Croatia, which further obliges us to actively and responsibly implement and promote the diversity policy as a wealth of knowledge and experience.

Our desire is to use this report to present activities to all our present and future stakeholders that we as a responsible member of the community are doing in the field of corporate social responsibility. I believe that, in the years to come, we shall make equally an active, responsible and sustainable contribution to the further development and growth of the company, community and destinations where we operate, and that we shall also make contribution to the development of the Croatian tourism and economy and increase in the employment by developing the year-round business.

Goran Ražnjević,
President of the Management Board of Ilirija d.d.



Annual report on the corporate social responsibility for the year 2017

The annual report on the corporate social responsibility for the year 2017 includes the time period from 01st January to 31st December 2017 and partly relies on the Annual Business Report for the year 2017 publicized in the Croatian and English language, on the website of the company www.ilirijabiograd.com, Zagreb Stock Exchange and The Croatian Financial Services Supervisory Agency (HANFA) in April 2018.

This report has been prepared in accordance with the GRI Standards: Core option. At the same time, this is the third non-financial report of Ilirija d.d. In April 2016, the Company published the first non-financial report Business model of corporate social responsibility from 2000 to 2015, showing the cross-section of the company's activities in the area of corporate social responsibility according to the CSR INDEX methodology. The second non-financial report published under the title The Annual report on corporate social responsibility for 2016 was published on 21 December 2017.

The report is verified by the Croatian Business Council for Sustainable Development (CR BCSD), an independent, non-profit organization in the economic sector and Ilirija d.d. has been its member since 2013, and the report includes a written opinion of an independent commission attached to the report.

The Annual Report on corporate social responsibility is published on the website of www.ilirijabiograd.com, the website of the Zagreb Stock Exchange website, www.zse.hr and the Croatian Financial Services Supervisory Agency, www.hanfa.hr, and all interested parties can obtain it on request in an electronic format.

Please send your comments and suggestions for any improvement to the email address: jasminak@ilirijabiograd.com.

Contact person: Jasmina Kulaš Stojanov, Expert Team Coordinator

Tina Ujevića 7, 23 210 Biograd na Moru



Hotels



Nautics



Ilirija Travel



Camping



Real estate



II About Ilirija



1 Basic details

Name: Ilirija dioničko društvo za ugostiteljstvo i turizam /public limited company for hospitality and tourism

Location of the registered office of the organization: Tina Ujevića 7, Biograd na Moru,
The Republic of Croatia

Phone: +385 23/383 165

Fax: +385 23/384 564

Web: www.ilirijabiograd.com

OIB Company ident. Tax No. 05951496767

Company Reg. number: 3311953

IBAN: HR5824020061100097324

Swift: ESBCHR 22

Share capital amount: 229,146,480.00

Total number of shares: 2,413,488, with no par value

Management Board: Goran Ražnjević, President

Supervisory Board: Goran Medić, President

2 Ilirija in figures

Ilirija is a **tourism company** that has been operating on the Croatian tourism market for **61 years** whose facilities are located in the following destinations: **Biograd na Moru, Zadar, Sv. Filip i Jakov and Polača.**

It presents its business through the following 5 segments of the offer:



Hotels (4 hotels) – 907 beds, 443 rooms



Nautics – 805 berths, 2,000 persons,



Camping – 1,130 pitches, 3,390 persons,



Destination management company/DMC Ilirija Travel – complementary and integrated product that allows **the year-round business** through which some **491** special events for over **66,023 guests** were organized in the year 2017,



Real-estate segment – Commercial-shopping center City Galleria in Zadar is one of the two largest shopping centers in the Zadar region with the total gross area over 28.500m².

Over 6,000 guests stay in the facilities of Ilirija in the very high season.



It is a major employer in the region of the Biograd Riviera that employs **227** employees, over **444** employees in high season, while around **1,000 persons** have a job secured in our facilities based on the business cooperation.

It received the award for the corporate social responsibility **CSR INDEX for 2 times for the years 2011 and 2012**, and at the same time it is the **first tourism company** in the Republic of Croatia that has been awarded the recognition for the corporate social responsibility.

Business accomplishments in the year 2017 are the best since the foundation of the company

Total revenues
HRK 150,476,677.41

+16.63%

Operating revenues
HRK 149,515,545.23

+17.18%

Profit
HRK 34,402,224.34

+10.12%

EBITDA
HRK 50,113,710.90

+11.30%

Value of assets
HRK 426,417,926.08

+3.20%

Dividend paid
HRK 6,016,540.00

+21.86%

Average share price
HRK 1,363.39

+18.63%

Overnight stays
595,895

+5.41%

**Number of employees
(31/12)**
227

+5.09%

**Number of employees in
the high season (31/08)**
415

+6.41%



3 Chronological overview of the historic development of Ilirija



Year 1957

Ilirija d.d. was established in Biograd na Moru, where it operates today, although the beginnings of the company date back to 1934 when the first hotel called ILIRIJA was built. These are also the first beginnings of organized tourism not only in Biograd but also in Biograd Riviera, by which the Company becomes the pioneer and the leader of all tourism activities of this destination.

Years 1969 - 1972

The construction of new hotel facilities (Hotel Kornati**** and Hotel Adriatic ***), the overall reconstruction and construction of the hotel Ilirija***** and building an annex to the hotel Villa Donat ****/ *** in Sv. Filip i Jakov.

Year 1976

The beginning of construction of the first nautical tourism port in Croatia, Hotel port Ilirija-Kornati, located in Biograd na Moru, with a total of 100 berths and the acquisition of the first charter fleet of 40 vessels, by which the Company becomes a pioneer of the nautical tourism development.

Year 1986

Extended nautical capacities by constructing the nautical tourism Port Marina Kornati, located in Biograd na Moru, with total port area (aquatorium) of 131.600 m² with a total capacity of 705 berths on land and sea.

Year 1988

Construction of the Aquatic Center 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 m², whereby it represents the center for holding almost all sports, entertaining and dance events in the destination. Construction of the Tennis center, on the area of 48.000 m², with 20 tennis courts (14 clay and 6 color set tennis courts).

Year 1991

By merger of the campsite “Soline”, located in Biograd na Moru, later renamed into the campsite “Park Soline”, by which the Company also included camping in its operations as the third segment of its tourism offer.

Year 1999

Ilirija d.d. was privatized and is in major ownership of Arsenal Holdings d.o.o. from Zadar. The Biograd Boat Show was launched, originally organized as spring Open Days, which has been organized as the first autumn boat show in Croatia since the year 2004.

Year 2003

The Company’s shares were listed on the Zagreb Stock Exchange in the quotation of public joint stock companies.



Year 1989

Construction of an annex to the hotel Kornati**** and administrative building of the Company.

Years 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.

From 1999 - 2016

The period of an intensive investment cycle in the construction, reconstruction, extension, building an annex, renovation and adaptation of the accommodation capacities and company facilities and the development of new products with the aim of creating a quality, recognizable and competitive tourism product as well as raising the quality of the offer of the destination itself. As at 31st December 2017 the Company invested the amount of HRK 475,579,754.03 which resulted in a significant growth in total revenues and newly created value in the aforementioned period in the amount of HRK 714,101,409.22.

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.



Year 2014

The event yacht “Nada”, a floating convention center with multifunctional purposes 36m in length and with a capacity to accommodate 180 persons.

As a part of the Company's business system, the first Croatian diffuse hotel Ražnjevića dvori AD 1307 was opened in the place Polača.

Year 2015

Villa Primorje****, built in the second half of the 19th century, restored and luxuriously decorated and equipped in line with the latest standards for facilities of such a kind and category.

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.

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 2005

As part of the business system of Ilirija d.d., the multimedia center Arsenal in Zadar, built in the 17th century, following the completion of the revitalization and renewal according to the concept of “indoor town square,” began conducting business activities.

Year 2009

Listing of the shares in the Regular Market of the Zagreb Stock Exchange.

Year 2015

The company's shares are transferred to Official market of the Zagreb Stock Exchange which contributed to even greater transparency and openness of the company to all of its stakeholders, particularly investors, both domestic and international capital market.



Year 2016

The second recapitalization was successfully completed by increasing the share capital in contributions in cash and by issuing New ordinary shares of the company by public offering. The main purpose of the recapitalization was to raise the funds for the acquisition of the Commercial-shopping center City Galleria in Zadar. Buying (acquisition) of the Commercial-shopping center City Galleria property in Zadar, the company with a wide range of economic activities was established.

4 Values, principles, standards and norms of behavior

As a corporate and public limited company, all business information is public and transparent and accessible at all times to all government, financial and other institutions, associations, partners and citizens.

The Company adheres to the recommendations of the Corporate Governance Code, which was adopted by the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency as a form of transparent and good governance of public joint stock companies. Ilirija makes its statement on Corporate Governance Code in the Annual Questionnaire of the Corporate Governance Code published on the website of the company www.ilirijabiograd.com and submits it to the Zagreb Stock Exchange, The Croatian Financial Services Supervisory Agency and the Official Register of Prescribed Information. Minor deviations from applying individual recommen-

dations from the Corporate Governance Code, with the 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.

Corporate Strategy of Ilirija d.d. finds its foundation in the underlying principles of corporate social responsibility, which are an integral part of the company's corporate values, built into the long-term business practice and processes toward its stakeholders.

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.

5 Company's vision and mission

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 industry, 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**.

6 External initiatives and membership in associations

The company is a member of 13 business and professional associations through which in active participation expresses the interests of the tourism industry, especially in the segment of regulations that significantly influence the development of tourist offer and the development of tourism as an industry including the Act on Tourism and other Building Land not valued in the process of transformation and privatization, Maritime Domain Act, Physical Planning Act, Concession Act, etc., that are of great importance for the tourist industry in the Republic of Croatia, its further sustainable and long-term development and the development of competitive and recognizable tourist offer. Ilirija d.d. also performs a large portion of activities directed at creating public policies by making direct comments and suggestions to the relevant public authorities and makes significant efforts to promote corporate social responsibility and sustainable development in the tourism sector.



4 business associations



10 industry associations



3 codes and charter

Ilirija is a member of the following domestic and international business and industry associations:

Business associations:

- Croatian Chamber of Commerce (CHC)
- Croatian Employers' Association (CEA)
- Croatian Business Council for Sustainable Development (CR BCSD)
- Croatian Managers' and Enterpreners' Association (CMA - CROMA)

The President of the Management Board of Ilirija in the person of Mr. Goran Ražnjević is a member of the following bodies of business and industry associations:

- Assembly of the Croatian Chamber of Commerce
- Tourist Council of the Tourist Board of the Zadar County
- Member of the Steering Council of the Croatian Business Council for Sustainable Development

Industry associations:

- Association of Employers in Croatian Hospitality (UPUHH)
- Croatian Camping Association (KUH)
- Top Cmping Pool
- Croatian Association of Travel Agents (UHPA)
- Croatian Association of Independent Travel Agents (UNHPA)
- Croatian association for professionals in congress tourism
- Tourist boards at regional and local level
- International Federation of Boat Show Organisers (IFSBO)
- Association Lijepa naša

Charters, codes, and initiatives applied by the Company:

- Corporate governance code of the Croatian Financial Services Supervisory Agency and Zagreb Stock Exchange
- Code of Ethics in the business of the Croatian Chamber of Commerce Exchange
- Diversity Charter Croatia

7 Overview of portfolios, products and services



The portfolio of the Company comprises the key segments of the Adriatic Mediterranean tourist offer, that is: **hotel sector** (hotels: Ilirija****, Kornati****, Adriatic** and Villa Donat****/**), **nautics** (Marina Kornati i Hotel port Ilirija-Kornati), **camping** (campsite „Park Soline“****), **destination management company/DMC Ilirija Travel** (Arsenal, diffuse hotel Ražnjevića dvori AD 1307., event ship „Nada“, Vila Primorje) and **real-estate segment** (Commercial-shopping center City Galleria in Zadar). Hospitality facilities with the offer and service of food and beverages (restaurant “Marina Kornati”, restaurant “Park Soline”, Aquatic center, Lavender lounge bar and Beach bar „Donat“) and **sports and recreational center „Tennis center Ilirija“** are the integral part of the offer.

Its business is based on providing services by using its capacities (hotel industry, nautical, camping) at the same time providing additional facilities and services, thus creating a high-quality integrated and complementary tourism product in the domestic and international tourism market, introduced under the brand Ilirija Travel.



 *Ilirija d.d.*



4 hotels



Two destinations
Biograd na Moru and Sv. Filip i Jakov



443 rooms



907 beds

Hotel sector

The hotel sector of the company is grouped under the brand name ILIRIJA RESORT which consists of four hotels with a total capacity of **907 beds and 443 rooms**:

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

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

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

Hotel Villa Donat is located in Sv. Filip i Jakov and consists of Villa with 16 superb and modern rooms, classified as a four star hotel, and the annex which is classified as a three star hotel. The total capacity is 72 rooms and 144 beds, a restaurant with 120 seats, a terrace for 50 persons, aperitif bar for 20 persons and sine 2017 outdoor swimming pool. The hotel is located near the main beach and the town center which reminds of the rich history of this region.





**Croatian nautical tourism
pioneers**



**One of
top 3 Croatian marinas**



805 berths



**More than 60,000
sailors on annual basis**

Nautics

Ilirija **takes pride in the construction of the first nautical marina** in Croatia (Hotel port Kornati) with 100 berths and the procurement and organization of the first own charter fleet in the Adriatic sea with more than 40 vessels for the needs of sailors, therefore we have the right to find ourselves a pioneer of nautical tourism in the Croatian part of the Adriatic sea.

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

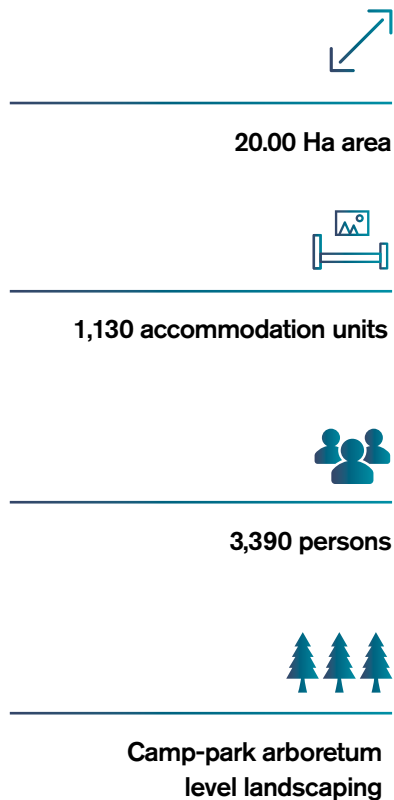
Marina Kornati, total sea surface area (aquatorium) of 91,912 m² and land area of 39.688 m², is certainly one of the largest nautical ports in the Zadar County and the only true entity that launched the development of nautical tourism in the Biograd riviera. Marina Kornati Aquatorium consists of: (I) Central aquatorium with 365 berths in the sea and 70 on land, (II) Western aquatorium with 190 berths in the sea and (III) Southern aquatorium with 80 berths in the sea.

In addition to its own service repair area, maintenance of vessels and a dry berth with slipway and travel lift, the marina has all-day sailor and guard service, a secured and guarded parking lot with 500 parking spaces as well as hospitality facilities. There are about thirty external companies operating as part of the marina which in the form of business co-operation provide the servicing, repair to sailors and supply the sailors with the necessary equipment.

Over 30 local and international regattas of all classes are organized and held in the aquatorium of Marina Kornati, which are attended by over 30 fleets with up to 10,000 sailors from all over the world, so they deserve the name not only of the nautical but also of the regatta center of Northern Dalmatia.

Hotel port Ilirija-Kornati, whose construction began thirty-nine years ago as the first port of nautical tourism, is located in the very center of Biograd na Moru, in front of the Hotel Kornati and Hotel Ilirija. It has a total of 100 berths for the acceptance of boats up to 8.50 m and extra contents within the hotel resort.





Camping

Campsite “Park Soline”, classified as a four star campsite, also located in Biograd na Moru covers an area of 20.00 Ha, contains 1,130 accommodation units with a total capacity to accommodate up to 3,390 persons. Apart from the fully equipped pitches (pitch standard mare and comfort), there are also pitches with the basic infrastructure (standard pitches and campsite standard), and there are areas of mobile homes Shelbox - Tavolara, Premium, Comfort Plus, Tavolara Plus and Comfort Family with an area of 32 m².

Inside the camp, the guests have access to modernly equipped toilet facilities, washing machines and dryers, exchange office, internet cafe, a supermarket and hospitality contents. A special attention is paid to the landscaping of the camp-park up to the level of the arboretum, which is a unique example of horticultural landscaping of the campsite in Croatia as the top tourist product that combines a high quality tourism supply with care for the environmental protection.

In addition to the enriched restaurant offer, newly built promenade that stretches along the entire camp and along 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 camp is an excellent choice for all nature lovers.

The options are unlimited for the guests that wish to spend an active holiday in the vicinity of the campsite: tennis courts, table tennis, mini football, water skiing, diving, sailing, bicycle rental, jogging, roller-blading, beach volleyball, bowling, hiking and organized excursions to attractive national parks and nature parks (NP Krka, NP Kornati, NP Paklenica, NP Telašćica, PP Lake Vrana) or historic cities (Zadar, Šibenik, Split).





**Integrated and complementary
tourist product**



**Development of a
year-round tourist offer**



4 own facilities



**491 special events with
66,023 persons**

Ilirija Travel

The destination management company represents an integrated and complementary tourism product 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:**

Arsenal which is a heritage site, a multimedia center located in Zadar, **built in the 17th century**, which was renovated in 2005 as an indoor town square or **as the center of public, cultural and entertainment life in the region** in which over 100 public and private events are organized on an annual level. Today, it is a place of combination of history, modern design and urban culture of living. This unique product of the Mediterranean culture is revitalized into the functional blend of cultural, hospitality and event offers, successfully nurturing the role of meeting people of diverse interests, that started some hundreds of years ago.

Diffuse hotel Ražnjevića dvori AD 1307 a 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**. The diffuse hotel consists of six functionally linked stone houses and represents an indigenous country estate surrounded by olive groves and vineyards. In six independently decorated apartments, authentic Dalmatian stone houses are transformed into a tavern and restaurant, and guests can also enjoy the outdoor swimming pool, stone terraces, wine and olive oil tasting. The space is designed and equipped as a place for holding the meetings, incentives, seminars, team building, gala dinners and banquets, which can take place in outdoor and covered areas of up to 200 people, or in enclosed spaces for a minimum of six to a hundred persons. Since the guests are more and more seeking the experience of the location where they are staying, in the estate in a traditional and ecological way is organized the production of wine and olive oil that can also be tasted.

Villa Primorje was built in the second half of the **19th century** and is a typical traditional Dalmatian stone nobleman's house with the outbuilding **building. Newly renovated, luxuriously decorated and equipped** in line with the latest standards for facilities of its kind and category, it has its own restaurant that offers the possibility of organizing a number of events and the Mediterranean garden with a promenade and outdoor swimming pool.

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



Arsenal



Ražnjevića dvori AD 1307



Villa Primorje



Event ship Nada



**One of the two largest
commercial centers in the
County of Zadar**



**Surface area of 28,500m²
on 6 floors**



Outdoor city market



**The only cinema in the
County of Zadar**

Real-estate segment – Commercial-shopping center City Galleria

Commercial- shopping center City Galleria located near the old town center of Zadar, **is 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 m² spread over a total of six floors (two garage and four sale areas). The gross area of the center consists of the underground garage with a total area of 10,972 m², followed by 9,656.30 m² of net lettable surface area, with the remaining area of ancillary rooms and corridors.

The commercial offer of the Center consists of the following: an underground car garage with over 400 parking spaces on two floors; outdoor and indoor market; supermarket; specialized food and beverage shops; fashion clothing, footwear and sportswear shops; children's shops; cafes; wellness and beauty services; and a multiplex movie theater with 6 screens.

The added value and distinctiveness of the center lies in the open city marketplace, located on the outdoor covered market square, the indoor market and fish market, whereby the Commercial-shopping center City Galleria has established itself as a place where visitors can meet most of their daily needs and as such represents a departure from the contents of traditional shopping centers.

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





420 persons, Captain's Club
66 special events with 11,480 persons



280 persons,
Dalmatian tavern, wine cellar



280 persons



140 persons, building
entered in the Register of
Croatia cultural monuments

Hospitality

Restaurant "Marina Kornati", located in Marina Kornati, has the capacity for over 350 persons, which together with the recently refurbished Captain's Club having the capacity to accommodate 70 persons, together are having the capacity for 420 persons meeting thus the requirements of sailors for holding various and numerous events in Marina Kornati. Besides hospitality services, Captain's Club also provides services for a number of presentations on nautical products, and is an ideal venue for holding small conferences and events. In 2017 a total of 66 events were held in the "Marina Kornati" restaurant which were attended by over 11,480 persons.

Restaurant "Park Soline" is located in campsite "Park Soline"****, close to the sea, ten minutes walk from the center of Biograd na Moru with an offer of food based on Mediterranean cuisine. The restaurant with a capacity to accommodate 280 people offers the possibility of organizing various events - family celebrations, banquets and receptions as well as meetings. The restaurant includes a Dalmatian tavern with a fireplace, coffee bar and taps of wine decorated as a wine cellar, which offers the possibility of buying and tasting top quality red and white wines produced from the native Croatian species.

"Lavender" lounge bar, located inside of Hotel Adriatic, 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.).

Beach Bar "Donat" is located in the building-magazine located in a protected cultural and historical complex of the 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 a capacity to accommodate 140 persons.









Congress capacities

Overview of congress capacities

Congress capacities of the company are intended for the clients who require much more than the event space itself, that seek an authentic ambience that simultaneously reflects the history, culture and tradition of the town, destination and region, and offers a complete service of the event organization (logistics, technical, hospitality service, etc.) for 2,492 persons. They are distributed throughout all sectors of the company starting from the congress capacities of Ilirija Resort, the Captain Club in Marina Kornati, and for clients who want a special and unforgettable experience we offer the organization of M.I.C.E. events at the event ship "Nada", or the first Croatian diffuse hotel Ražnjevića dvori AD 1307. or the historic ambience of Arsenal, a heritage monument built in the 17th century at the time of the Venetian Republic when it was used as a military storage, located in the heart of the old Zadar city center.

All the halls are equipped with modern audio-visual equipment for holding the presentations, seminars and conferences, with the continuous support of our expert team with the complete hospitality service.

Facility	Room name	Maximum capacity	Area m ²	THEATRE 	CLASSROOM 	U-SHAPE 	CONFERENCE 	BANQUET 	COCKTAIL 
HOTEL ILIRIJA	RESTAURANT	300	350				70	200	300
	ILIRIJA	100	215	100	80	30	30	50	100
HOTEL KORNATI	RESTAURANT	220	300			60	70	220	300
	KORNATI	30	45	30	20	20	20		
HOTEL ADRIATIC	ADRIATIC 1	230	250	230	160	70	70	180	250
	ADRIATIC 2	60	80	60	40	30	30	40	50
	ADRIATIC 3	30	45	30	20	20	20		
	ADRIATIC 4	20	30	20	12	10	10		
	ADRIATIC 5	60	100	60	30	30	30	50	100
	LAVENDER	90	200	90	50	20	20	40	100
AGRITOURISM ILIRIJA	CONFERENCE ROOM	50	50	50	35	30	30	65	70
	TAVERN A	20	40	40	15		16	20	25
	TAVERN B	14	30				14	14	14
	TAVERN C	18	35	18	12	12	12	18	20
ARSENAL ZADAR		1000	1000	500	200	150	150	700	1000
EVENT SHIP "NADA"	DECK 1	150	50	30	40			90	90
	DECK 2		60	60	35			46	60
MARINA KORNATI	CAPTAIN'S CLUB	100	120	100	60	60	60	80	100





**Sports, entertaining and hospitality facility
with a capacity for 4,000 persons**



20 tennis courts



**The largest international boat
show in the Republic of Croatia
and in South East Europe**

BBS
in numbers

320 exhibitors
300 vessels
15,000 visitors
2,000 business visits

Sports-recreational and entertaining contents

Aquatic center - built as a sports, entertainment and hospitality facility with an outdoor Olympic swimming pool, located on the main city beach, crowned by the Blue Flag. **It has 4,000 bleachers and a terrace of an area of 1,000 m² and is the center of almost all sports, entertainment and music events in the destination.** It is equipped with hospitality facilities, cafe bar and fast food restaurant with a capacity for 350 persons and as such offers the possibility of organizing numerous events of the public and private character and is an ideal place for organizing team buildings, weddings, banquet, M.I.C.E. events etc.

Tennis center Ilirija, located in a pinewood Soline near the old city center, covers an area of 48.000 m², 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 accompanied facilities.

Events

Biograd Boat Show - the largest international autumn boat show in the Republic of Croatia and the largest boat show in South East Europe, among the shows which take place on the water brings together all the key representatives of the nautical industry and tourism. At its beginning in 1999, the boat show was organized as spring Open Days mainly for companies operating within the Marina, as the first such event in North Dalmatia, which since 2004 has been organized as the autumn nautical manifestation Biograd Boat Show, and contributed to the improvement of nautical offer and the extension of the tourist season.

Biograd Boat Show was admitted to the International Federation of Boat Show Organisers-IFBSO at the 50th meeting of the Federation that took place in Istanbul, Turkey, in June 2014, and in 2015 it became its gold member.

In 2017 the show which celebrated eighteen years of its existence, was attended by over 320 registered exhibitors that participated with 300 vessels, while the number of visitors surpassed the figure of 15,000 with over 2,000 realized business visits.



Aquatic center



Tennis center "Ilirija"



Biograd Boat Show

Capacities of the hotel sector – Ilirija Resort



	Number of rooms				Number of beds			
	2015	2016	2017	Index 2016/2017	2015	2016	2017	Index 2016/2017
Hotel ILIRIJA	165	165	165	1,00	337	337	337	1,00
Hotel KORNATI	106	106	106	1,00	216	216	216	1,00
Hotel ADRIATIC	100	100	100	1,00	210	210	210	1,00
Hotel Villa DONAT	72	72	72	1,00	144	144	144	1,00
Total	443	443	443	1,00	907	907	907	1,00

Capacities of the nautical sector – Marina Kornati



	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
Total	1.815	735	70	805

Capacities of the camping sector – Campsite „Park Soline“

		2013	2014	2015	2016	2017
I	Extra zone					
	Camping pitches	80	80	81	81	81
	Camping plots	0	0	0	0	0
	Total	80	80	81	81	81
II	First zone					
	Camping pitches	336	345	326	326	326
	Camping plots	0	0	0	0	0
	Total	336	345	326	326	326
III	Second zone					
	Camping pitches	168	168	182	182	182
	Camping plots	0	0	0	0	0
	Total	168	168	182	182	182
IV	Third zone					
	Camping pitches	342	342	347	347	347
	Camping plots	130	188	187	194	194
	Total	472	530	534	541	541
Σ	Grandtotal					
	Camping pitches	926	935	936	936	936
	Camping plots	130	188	187	194	194
	Grandtotal	1056	1123	1123	1130	1130





595,895 realized overnight stays



138,788 realized overnight stays



283,069 realized overnight stays



174,038 realized overnight stays



DMC Ilirija Travel
491 events
66,023 person

8 Overview of the market, customers and suppliers

The market and the customers are judging by complexity and diversity of offer divided into two categories:

- market and tourism sector customers (hotels, nautics, camping and destination management company /DMC Ilirija Travel), and
- market and customers of real-estate sector lessees.

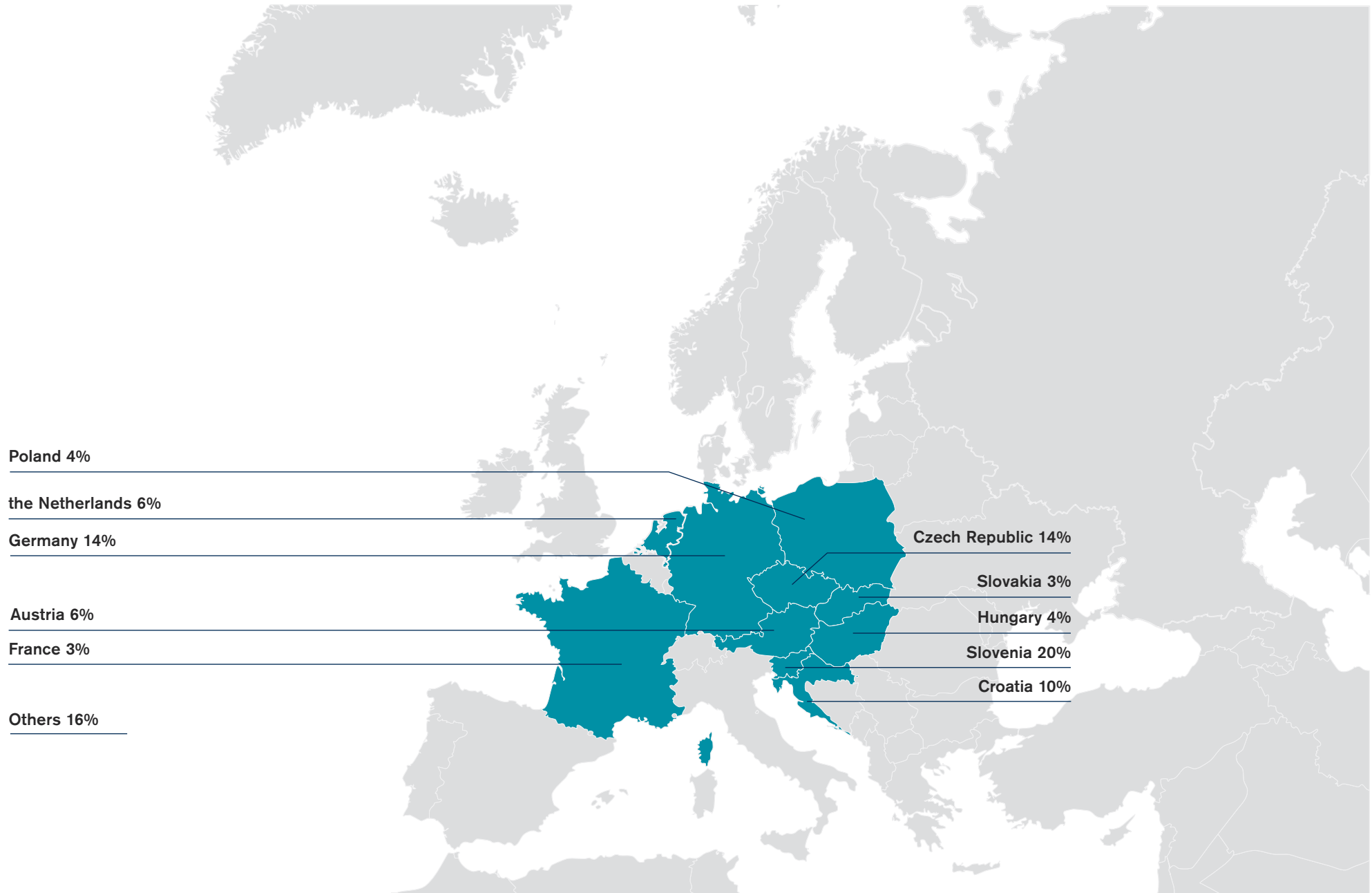
In the tourist sector of the company considering the diversity and complexity of services (hotel sector, nautics and camping) especially regarding the development of an integrated and complementary product through the system of destination management company/DMC Ilirija Travel, which resulted in the integration of a number of segments of tourist offer and contents into one integrated product. Due to the different requirements and customer demands in the tourism sector, the market segmentation, the market and sales strategies, sales channels and operational business are diversified and require a specific approach to sales and marketing. At the level of the company, continuous efforts are made to maximally improve the standard of products, services and amenities, and the quality of the offer, along with its continuous enrichment based on market trends, in order to increase the satisfaction of guests.

In the year 2017, a total of 595,895 overnight stays were realized in the Ilirija facilities, of which 138,788 overnight stays were realized in the hotel sector, 174,038 overnight stays in the nautical sector and 283,069 in the campsite. A special step was made in the destination management company / DMC Ilirija Travel through which 491 individual events were organized with 66,023 persons.

In the nautical sector, overnight stays are not the cornerstone of the business since, because since 2013, the guests from EU member states are not registered according to the Regulation on the requirements for arrival and stay of foreign yachts and boats intended for sport and recreation in internal waters and in the territorial sea (OG 97/2013), except for charter guests who are registered exclusively by charter companies in the crew lists.

The following countries represent the ten leading markets of the hotel and camping sector by the share in the realized overnight stays: (I) Slovenia, (II) the Czech Republic, (III) Germany, (IV) Croatia, (V) the Netherlands, (VI) Austria, (VII) Poland, (VIII) Hungary, (IX) France and (X) Slovakia. Besides the domination of European source markets at the level of the hotel and camping sector, there are also guests from 97 countries from all continents that are represented.

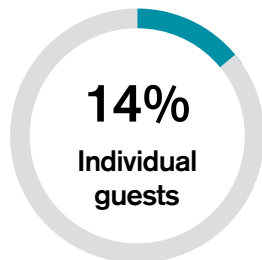
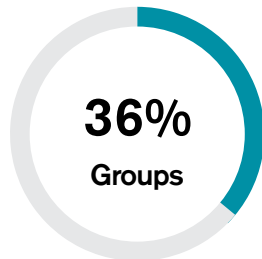
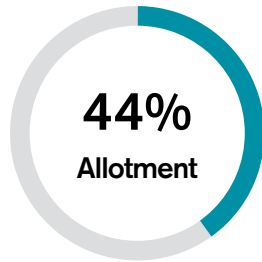




The achieved business results with further market profiling and positioning of all tourism sectors of the company start from:

- Continuous development of new and improvement of the existing offer and content,
- Good connection between the destinations (road, air, sea),
- Preserved environment and natural beauties,
- Vicinity of four national parks and nature parks,
- abundance of cultural and natural heritage of the country and the destination,
- Location of the facilities in the destination (on the beach, near the old town center),
- fulfillment of international environmental standards,
- development of a complementary and integrated product or destination management company/ DMC Ilirija Travel through which special programs and offers are developed with a special emphasis on the pre and post season.

Market segments of the hotel sector:



Analysis of market and customers by sectors

Hotel sector:

Ilirija's hotel sector presented under the brand Ilirija Resort has four hotels, with 443 accommodation units and a total of 907 beds, located in the destinations of Biograd na Moru and Sv. Filip i Jakov.

A greater share of the allotment and groups is the result of a decision to focus on more stable and safer contracting of a season. They are partly due to the strengthening of direct negotiation with the groups, i.e. the intensification of the cooperation with the renowned agencies in the target markets, placing an emphasis on the shoulder season, including the agencies on the markets of special interest that bring more intensive work in the months of shoulder season, or year-round arrangements. They are also an expression of continuation of cooperation with prominent groups in the congress and team building segment, groups related with local and international educational programs, sports tourism, rural, agro, gastronomy and wine tours, and tours of natural and cultural sights. When organizing and hosting congress, educational and team building gatherings, some thematic group visits and tours were made using the comparative contents of Ilirija or DMC Ilirija Travel.

The largest share among the guests in 2017 was realized by domestic guests with a share of 15.4% in total overnight stays, followed by the following markets: (II) Slovenia with a share of 13.1%, (III) Germany with a share of 12.6%, (IV) Austria with a share of 9.2% and (V) Slovakia with a share of 7.4% of the share in the overnight stays, all recording a slight rise, except for the slight fall from the Slovenian market. At the same time, growth was achieved in the following markets: Belgium, the Netherlands, Sweden, the Czech Republic, the Great Britain, France, Denmark and South Korea out of the non-European countries.

Hotels had an average occupancy of 42% (+6%) on a year-round basis, i.e. 63% based on open days, whereas continuous efforts are made in increasing the capacity utilization by maximizing the occupancy in the peak season and by increasing the capacity occupancy in April, May, June and October which are the months of continuous growth in occupancy, with a change made in other months towards the year-round business.

The hotel sector Ilirija participated in key fairs of the hotel industry, as well as participation in target markets with partners such as: Croatian Tourist Board (HTZ), Zadar County Tourist Board, Zadar County and the city Biograd na Moru. In addition to organizing the fairs, the key agencies and partners are regularly visited, and regarding the marketing activities, the emphasis is placed on the on-line advertising, social networks and target Google Adwords campaigns, and presentations through print media or on hosting renowned journalist and sales agents in cooperation with the tourist boards and partners.

Market segments of the nautical sector:

I Individually contracted

- vessels and owners-users using the berth contract

423 contracts concluded

II Charter

- companies partners of
Marina Kornati that rent out the vessels

15 charter companies
289 vessels

III Transit market

- the market of vessels that
sail into the marina for several days and longer

3,527 number of inbound vessels
12,144 overnight stay of vessels

Nautics:

After having constructed the first nautical marina in Croatia in 1976. today Hotel port Ilirija-Kornati with 100 berths and after having established the first charter fleet at the Adriatic sea with over 40 vessels for the boaters' requirements, Ilirija became a pioneer of nautical tourism in the Croatian part of the Adriatic Sea.

Four decades after the construction of the first nautical port, the nautical sector has a total of 805 berths, 11 fully infrastructurally equipped piers, in which way it distinguished itself as a renowned regatta center and the center of the nautical industry and tourism by organizing the nautical event called Biograd Boat Show.

Today, the nautical sector of Ilirija, Marina Kornati and Hotel Ilirija-Kornati is located on the most indented part of the Adriatic Coast at the gate of Kornati, with good traffic connections (near the highway, the Airport, International ferry quay), with recognized tradition, quality of service, technical equipment, environmental standards fulfilled, a number of awards and rewards, making it one of the three leading Croatian nautical ports.

The nautical tourism in Ilirija has become a year-round business owing to geographical and climatic features, pronounced high level of guests' loyalty and their comebacks for many years as well as longer stay of boat owners and arrivals for several times during the year.

(I) Individually contracted market – is composed of the users/owners of the vessels that conclude an annual or seasonal Contract on using the berth and in the year 2017 a total number of 423 contracts were concluded, of which 33 seasonal contracts were concluded. Among the vessels, 31.65% are Croatian-flagged vessels, followed by the Austrian-flagged vessels with a share of 32.41%, German-flagged vessels with a share of 15.07% and Slovenian-flagged vessels with a share of 5.2%.

(II) Charter market - is composed of the charter companies renting out the vessels. In 2017, some 15 charter companies with a total of 289 vessels operated in Marina Kornati, making Marina Kornati one of the leading charter bases in Croatia with several monotype fleets (Bavaria/Elan). The vessels are under the Croatian flag, of which 53.63% were vessels ranging from 12 m to 15m in length. 174,038 overnight stays were realized on charter vessels in 2017 or 67.74% of all charter overnight stays realized in Biograd na Moru or 25.99% of all charter overnight stays realized in the Zadar County.

(III) Transit market segment is divided into:

a) transit service market - refers to users with vessels sailing in or coming to the marina by land for the servicing of vessels and other technical services provided by Marina Kornati or partners-service companies operating in the marina. In 2017, Marina Kornati was visited by a total of 157 boats with a total of 2044 overnight stays realized and an average stay of 13 days.



b) the sports /regatta market – is composed of the vessels participating in various boat events (regattas, flotillas, etc.) and usually sail in the marina as announced and are usually represented by an organizer or club/association. Apart from the berth service, the participants usually use the services provided by the restaurant “Marina Kornati” or one of the facilities or other services of the company. In 2017, a total of 391 vessels in transit sailed in the marina for the purpose of sports recreation with an average stay of 1.36 day in the marina, and 45% were the vessels in the category of length from 10-13 m. During that period, a total of 35 regatta events involving 720 vessels with 12,800 sailors were held, and the most important regatta event was connected with the Kornati Cup, where about 700 sailors participated in more 110 vessels and Business Cup with 300 sailors on 50 sailboats.

c) leisure and recreational market is composed of the users /owners coming to the marina announced or not announced. We divide them into the own vessel and charter vessel owners. Charter users usually sail in unannounced for one day at the beginning or end of their stay, i.e. return to the nearby base marina.

According to the flag of the vessel, 52.8% of the transit market is composed of the vessels under the Croatian flag, followed by 15.48% of vessels under the German flag, (8.20%) vessels under the Austrian flag and 9% of the vessels under the Italian flag. According to the Foreigners Act (OG 74/13), the citizens of the EU countries need no longer to be reported to the Ministry of Interior and consequently, we do not have any information on guests’ overnight stays, except for non-European countries whose number is negligible.

Servicing

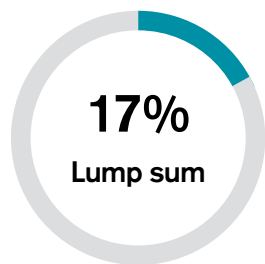
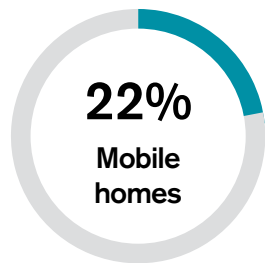
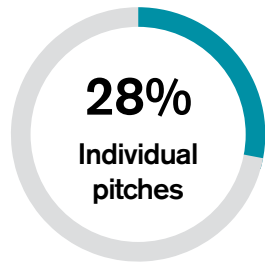
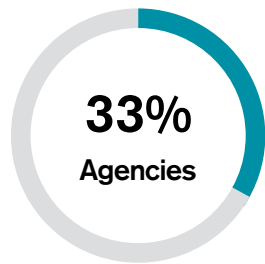
Marina Kornati provides its own servicing, out of which the services of lifting and lowering, washing and towing boats are the most significant services. The largest number of technical operations took place in the period from May to September, most often for vessels ranging from 12 m to 14 m in length. Due to the specificity of the nautics and a wide range of services required by the market, there are some 50 companies –trades, charter and partner service companies operating as part of its concession area, providing services that fully meet the needs of boaters and boating entities both in the marina itself and outside of it.

Boat show and events

In 2017, the nineteenth Biograd Boat Show was held which was attended by 320 exhibitors with around 330 vessels and over 15,000 visitors.

In the last few years, the Biograd Boat Show has had an intense business to business character that has been given even higher relevance this year through the development of the platform called “Biograd B2B” aimed at strengthening the business character of the boat show, stronger interaction among the business visitors and exhibitors, in particular from the segment of shipbuilding and nautical tourism, or strengthening its business activities, where more than 380 legal entities are registered before the opening of the boat show.

Market segments of the camping sector:



The Biograd Boat Show was recognized by the leading professional and business associations and societies as the central place for getting all segments of the Croatian boating industry and tourism together: (I) the port of nautical tourism-marina, (II) charter, (III) ship operators, (IV) shipbuilders, (V) ship and nautical equipment manufacturers and (VI) diving tourism. Therefore, the Biograd Boat Show has grown from the show into the congress of the Croatian nautical industry and tourism, which at this nineteenth show was also formally confirmed through the organization of the first Nautical Days organized by the Croatian Chamber of Commerce, with rich congress and professional program from all segments of the nautical industry and tourism.

By stimulating and sponsoring the nautical events, Marina Kornati has become the marina with the largest number of nautical events - regattas, where a total of 35 of them were held in 2017, involving 720 vessels with 12,800 sailors that participated in them.

Camping:

The camping sector of Ilirija is the campsite "Park Soline" ****, which in 2017 also recorded an increase in operating results.

(I) Agencies, i.e. guests, book accommodation via agencies that has a fixed number of pitches leased, and places their mobile homes or glamping tents on them. This segment makes up for 33% of the total number of overnight stays in the total number of overnight stays, and it is a very important segment in the business operations of the campsite.

(II) Individual pitches refer to guests who come with their own camper, caravan or tent, and are accommodated on 100m² big developed pitches, equipped with electricity, water, drainage and Internet. It is the second market segment with a share of 28% in total overnight stays which is dominated by guests from Germany, Slovenia, the Netherlands, Austria and Poland.

(III) Mobile homes as a market segment include mobile homes owned by Ilirija. This segment records a continuous growth every year, accounting for a significant 22% of overnight stays in the total share. The guests from Slovenia, Germany, the Netherlands, Poland and Croatia make up for the largest share of the overnight stays in this segment.

(IV) Lump sum in the campsite includes a part of the guests that install a mobile home or a caravan for the whole season. This segment includes 17% of the total overnight stays in the campsite, where the largest share of the overnight stays relates to the guests from Slovenia, Croatia and a smaller part of the guests from Germany.

In the year 2017, the most important five source markets at the level of all market segments are: (I) Slovenia, (II) the Czech Republic, (III) Germany, (IV) the Netherlands and (V) Croatia.

The Slovenian market is one of the most important markets for the Ilirija Camping Sector with the largest share in the total number of overnight stays especially in the market segment of the lump sum and with a significant share in other market segments, which is a result of the total repositioning of the camping offer, particularly regarding raising the quality and standard of accommodation units and its total infrastructure, marketing and sales activities with word



of mouth marketing by permanent guests, that are most represented in this market segment of the lump sum, and in addition to the Google Adwords campaign, the marketing activities were carried out through the camping magazines and guides "Avto Dom Magazine" and "Kamping i karavaning vodnik".

Judging by the share in overnight stays, the second guests come from the Czech Republic, of which the most significant part was realized in the segment of agency guests. The commitment to this market resulted in a growth in the number of overnight stays in mobile homes by 21.29% and at the level of the whole campsite by 14.97% in total.

The German and Dutch markets have a special significance in the strategic determination focussed on strengthening the market of mobile homes and individual pitches. The Germans are leading in the number of overnight stays on individual pitches and are the second leading guests in overnight stays in mobile homes, while the Dutch source market takes the third place in the both segments according to the share in the realized overnight stays. The sales and marketing activities are directed at a combination of the most important trade fairs (Germany: Stuttgart, Munich, Essen; while in Netherlands - Utrecht and Leuwarden), the most important printed media (ADAC and DCC Camping and Caravanning Guide, that is, ANWB and ACSI in the Netherlands), and online advertising (website, Google Adwords campaign). The cooperation with the agencies for booking mobile homes was achieved, whereas putting up tents was arranged with the Dutch agency Vacansoleil.

The Croatian market in the camping segment in general, and thus at the "Park Soline" campsite was largely resting on lump sum guests and now records a rise by 31.26%, whereas the growth was also recorded in the segment of mobile homes. For the purpose of the foregoing, we are present through the promotional activities within the Croatian Camping Association and the Top Camping Association, and through printed media such as "Enjoy Croatia", through the on-line Google Adwords campaign, and additionally through social networks.



DMC Ilirija Travel:

Ilirija Travel as a destination management company (agency) where a high quality, integrated and complementary tourism product was created by developing new services and contents as a response to the needs of the modern tourist demand. The offer and contents of Ilirija Travel are conducted in its own capacities:

- I event ship "Nada"
- II Arsenal,
- III Ražnjevića dvori AD 1307, and
- IV Villa Primorje.

Considering the fact that apart from its own offer in its own facilities, Ilirija Travel also represents an added value based on the fundamental tourism offer by making it a complementary and integrated tourism offer with a special emphasis on business activities in the pre and post season. Ilirija Travel offers to its guests extra value by facilitating or enriching their stay, while additional activities also provide additional company revenues. In 2017, the increase in turnover and revenues of Ilirija Travel amounted to 32%.

The offer is made to the guests individually and in groups: before arriving at the destination and at the destination itself. The agency is particularly focused together with the marketing and sales of each of Ilirija's components (hotel industry, camping, nautics) on selling or offering service packages starting from organizing transfers to special tailor made programs - excursions, cruises, gala dinners and parties. A great portion of services provided by Ilirija Travel are used by domestic and foreign agencies for the guests who do not stay in Ilirija's facilities and there is also a significant share of corporate guests.



We divide the buyers or lessees into:



I Local lessees

- local trade companies
- small retailers of local products
- craftsmen
- OPG's



II National lessees

- commercial
- hospitality
- sports
- entertainment
- other services



III International lessees

- 50.27% of the total net rent area
- market leaders in their business activities

Real-estate sector:

Real-estate sector includes the Commercial-shopping center City Galleria in Zadar, one of the two largest shopping centers in the wider Zadar region. The operational results of City Galleria, occupancy of business premises, and the interest of potential lessees in business cooperation is continuously marking an increase. Commercial occupancy of the center as at 31/12/2017 was 100% of all capacities with 35 active lease agreements with lessees whose business activities range from smaller traders to international market leaders in their core activities.

We divide the buyers or lessees into:

- I Local,
- II National, and
- III International lessees

We generate revenues by performing the following activities:

- I Lease of business premises
- II Common costs
- III Lease of common areas
- IV Parking spaces in the garage
- V Other operating revenues

(I) Local lessees - considering the central location of City Galleria in the destination, we take pride in our cooperation with local trade companies, small retailers of local products and craftsmen, operating within our outdoor and indoor market. On a daily basis, city company Tržnica Zadar d.o.o. operates during the morning hours on over 800m² of outdoor covered market area, where loyal sellers offer seasonal fresh fruit and vegetables, flowers, honey, natural products and other indigenous products. The offer of the indoor market is dominated by smaller local merchants and OPGs (Family agricultural farms), attracting a large number of local citizens and foreign visitors alike, which can, due to the supply of fresh local food, satisfy most of their daily needs, and the center as such represents a departure from the contents of traditional shopping malls.

(II) National lessees operating in City Galleria offer different types of products and services, among which lessees we can emphasize the likes of regional chain of sportswear and footwear stores Sport&Moda d.o.o.; famous domestic retail chain of men's clothing Galileo with stores operating not only in Croatia, but also in Slovenia, Serbia and Slovakia; retailer ShoeBeDo whose concept of sports lifestyle offer operates in the center in a ShoeBeDo mini format; followed with the largest chain of optics stores Ghetaldus Optika d.d., operating in more than 90 outlets in the Republic of Croatia, with the Ghetaldus Polyclinic which specializes in ophthalmology services and also operates in the center. We can also highlight the domestic chain of household textiles, Posteljina.hr, which operates in more than 20 sales outlets throughout Croatia; a chain of specialized Farmacia stores spread all over Croatia at a total of 85 locations; in the area of hospitality offer, we can emphasize the Leggiero bar, a local renowned national hospitality chain present in more than 10 cities throughout Croatia, whose concept and name was conceived in 2008 when the first Leggiero Bar was opened right in City Galleria; the lessee Gyms4You - a famous local chain of fitness clubs established according to the European concept of availability 7 days a week, 0 to 24 hours, giving all members the opportunity to exercise at any time of day or night; and many other lessees as well.



(III) Among international lessees, whose total net leased space amounts to 50.27% of the total net rent area of the center, we can mention international brands that represent market leaders in their business activities such as Müller stores, recognized as one of the largest European chain of drug stores, perfumery department, paper and toy department and multimedia department; then the SPAR supermarket chain, which is part of the international family of independent retailer stores with a network of stores in the territory of the Republic of Croatia of 84 SPAR supermarkets and 19 INTERSPAR hypermarkets, and the chain of fully digitized CineStar multiplex cinemas, currently spread in over 10 cities at 14 locations in Croatia. There are some other international lessees that are worth mentioning, we can also emphasize the PEPCO stores - a European discount retail chain that offers clothing for the entire family and household products; and CCC shoes & bags - handbag and footwear store for the whole family, and some other stores.

Continuous efforts are being made to improve and advance the offer of the Center in order to create attractive and diverse content, and to strengthen its overall market recognition and positioning in the Zadar region. Ilirija continuously cooperates with the center's existing lessees in order to increase its business volume and raise the quality of service, along with an active policy of bringing new lessees, especially those which as of yet do not have a presence in the Zadar County area, making the offer of the Center even more competitive.

Regarding the Center's marketing activities, which aim to strengthen the position of City Galleria on the local and regional market, various events are organized to improve the business operations by attracting visitors, increasing sales, creating additional publicity, stimulating lessees to participate in promotional activities of the center, developing the center's "personality", etc. In 2017, as the most noted events, we can highlight "Carnival Dance Collage" performed in cooperation with local childrens' dance associations, "Spring Music Fair" organized in cooperation with the Childrens' Choir „Libreto", puppet show performed in cooperation with the Zadar Puppet Theater, the continuation of long-standing collaboration in organizing an annual street basket tournament "Basket Tour", "Fall for Dance" dance competition with participants from the whole Zadar County, for which City Galleria has been the main sponsor and host for many years; as well as numerous other events. We strive to organize most of the center's activities in collaboration and partnership with the local community, arts and sports associations from Zadar and Zadar County region, local cultural institutions and other potential partners, so that City Galleria remains a place of daily life for its fellow citizens and visitors.

Overview of key buyers by sectors:

Hotel sector



Nautics



Camping



Real - estate



The procurement organization is divided into procurement of:



food and beverages



consumables



office stationary



technical material



services



energy products



investment and investment maintenance

Purchasing practice - Suppliers

The analysis of the procurement requirements in accordance with its own business strategy and market conditions is the starting point of the supply chain in Ilirija d.d. with necessary possession of internationally recognized certificates in the segment of health safety and the safety of the supplied material goods and services especially regarding the supply of food and beverages, where one of the obligatory requirements for the suppliers is the possession of the HACCP certificate (Hazard Analysis Critical Control Points). When selecting the suppliers whose product or service has a direct impact on the important business aspects, such as environment and quality of providing services to Ilirija d.d., the Policy of quality is of a great importance. The primary goal of the relationship with suppliers is to create added value to our services and products **through quality assurance, timely delivery, quantity reliability, market-competitive and safe delivery** of any material goods or services in cooperation with suppliers with whom we build partnership. The purchasing practice is a material topic for Ilirija considering its direct impacts on the quality of business performances of the company regarding the provision of services in accordance with local and international tourism industry standards, considering the economic effects it has on the company and impacts on the local, regional and national level considering the fact that the majority of suppliers come from the Republic of Croatia. In 2017, no significant changes were made to the chain of suppliers, except for the fact that the procurement of food and beverages in the reporting period was organized through the Invitation to Tender.

The procurement service has an aim, based on the data on the planned investments made, physical volume of the provision of services, the norms of the consumption of basic and other materials, stocks, the size of the storage space and the procurement possibilities, to supply specific organizational units/points of sale at appropriate times with the optimum quantities of goods/services, all in order to maintain the quality of the service and reduce operating costs.

In order to achieve these goals, the Purchasing Department systematically explores the procurement market that is subject to continuous changes, so it is often necessary to adjust the requirements for purchasing goods or services with new market conditions. Evaluation of individual supplier's offer refers to evaluation of the complete offer, i.e. in addition to the price that is evaluated, the payment deadlines, the delivery dates, the product range, the quantitative and qualitative characteristics of the goods/services assortment, the possession of the HACCP certificate by the suppliers of food and beverages and the supplier's business stability are also taken into consideration as the selection criterion.



The process of purchasing food and beverages consists of the collection of preliminary data through the Invitation to Tender. After the submitted offers are examined, we can have a clearer image of the food and beverage supply market. The analysis of bids and previously set criteria allow the selection of key suppliers that will be the main suppliers for the current year. The organization of business meetings defining the remaining essential business relationship features and the conclusion of business cooperation agreements denote the end of negotiations and the beginning of the realization of the agreed business cooperation. We solve any potential problems and defects both of the goods and the business relationship by direct communication between the Purchasing Department employees and suppliers' employees. Employees in the purchasing department shall report to the purchasing manager who directly reports to the Management Board.

When selecting a supplier in the segment of food and beverage procurement, we require that it meets the following criteria: (1) it must have a registered business activity, (2) stores, packages, transports and handles food/beverages in a way that will preserve their health safety, (3) it must deliver all prescribed documentation along with the foodstuff (delivery note, consignment health certificate) and for feedstuff of animal origin shipped by internal means of transport it should submit a HVI 1-3 form or a verification by a certified veterinarian attached to the delivery note; (4) it must have a self-control system, (5) it must apply, comply with HACCP system and have HACCP system implemented.

Procurement for other segments as in previous years was organized through direct collection of bids from a number of different suppliers for the same type of service or goods followed by the analyzing the bids, selection of suppliers, conclusion of the contracts and the delivery of the order. Upon performance of the agreed conditions, the goods/services and the entire business relationship with the individual supplier were verified.

In order to avoid potential adverse impacts of unpredictable market changes, we strive to engage more suppliers (at least two) in each of the individual procurement areas, and in this way the company reduces potential risks and ensures smooth business operations, while achieving a more accurate ratio of prices, quality and delivery deadlines.

We strive to create long-term partnerships and cooperation with key suppliers based on mutual trust, compliance with defined contractual obligations and high market standards, and a mutually agreed payment obligation and the obligation to comply with these delivery deadlines. In accordance with market conditions and its own business strategy, the company plans business activities with key suppliers related to purchasing of products and services, their storage and delivery, while we share know-how with some suppliers to improve business processes, products and services.

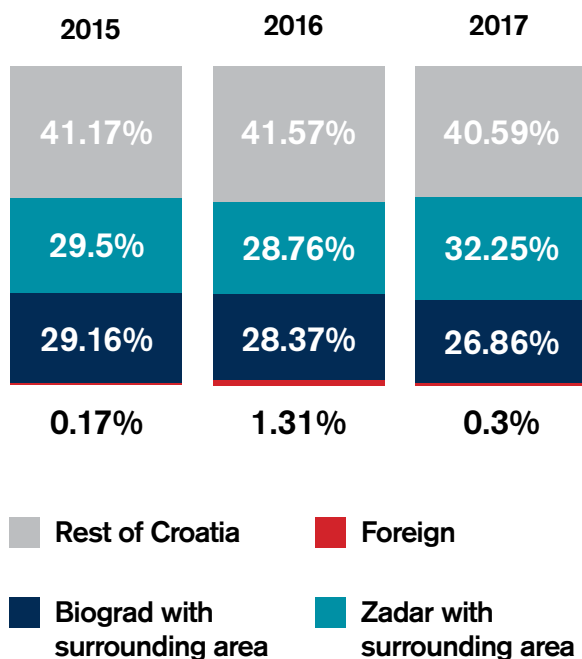
In our supply chain, we cooperate with producers, primary producers, distributors, wholesalers, contracted partners, brokers and consultants. In 2017, we did not have any claims by our suppliers, and we educate and train our employees who work in the purchasing department about establishing high quality and professional relationships with suppliers.



Suppliers in 2017:

964 suppliers
95.54% domestic suppliers

Overview of turnover with suppliers of food and beverages, technical and office supplies according to the registered seat:



*Service suppliers are not included

Structure of suppliers

In the year 2017, the company established a business cooperation with a total of 964 suppliers, of whom 43 of them are foreign suppliers, which accounts for 4.46% in the total number of suppliers or 95.54% of suppliers from the Republic of Croatia. 4.69% of the total turnover was realized with foreign suppliers, while 95.31% of the total turnover was realized with domestic suppliers.

The graph below shows that the trend of low share in turnover with foreign suppliers in the totally realized turnover continued in 2017 as well.



If we observe turnover related to the supply of food, beverages, consumables and technical materials, accounting for 27.72% of the total turnover, only 0.3% of the turnover referred to the turnover with foreign suppliers, while 59.11% referred to the turnover with local suppliers, while the remaining 40.59% refers to the turnover with suppliers from other parts of Croatia.

The company has largely found high standards of quality of goods locally (the city of Biograd na Moru as the registered seat of the company and municipalities in the immediate vicinity) and in the region (the city of Zadar and other towns and municipalities in the Zadar County) with their suppliers, thus taking advantage of the potential of the local community, which improves the quality of life of the local population, opens up new jobs and strengthens the competitiveness of local suppliers.

Strategic relationship with suppliers

As a company we strive for a strategic, long-term and quality mutual relationship with suppliers we work with through long-term cooperation to create added value for the both companies through (1) exchange of know-how, (2) improvement of the business process of the both parties and (3) creating a high-quality product or a service for the both companies. Out of total of 964 suppliers who we had business cooperation with in 2017, we have had business co-operation with 15 of them for more than 30 years, including suppliers with whom the company has been cooperating since the foundation, that is, for over 60 years.

9 Important events

Important events in the segment of changes made to its activities, management, ownership and capital that marked the year 2017 were:

1

A complete integration of the Commercial-shopping center City Galleria in Zadar, acquisition (buyout) completed in the second half of December 2016, into the operational business, owing to which we have become a company with a broad range of activities which, besides hotels, nautics, camping and destination management, also includes the real estate sector, which contributed to the strengthening of its economic, financial and capital position. The results of the Commercial-shopping center City Galleria in the reporting period indicate that the buyout was an economically justified investment.

2

The Shareholders' Assembly took the following important decisions at its meetings:

- At the meeting held on 26th April 2017, it took the Decision on the Utilization of the Profit of the Company for the fiscal year 2016 according to which it was decided that the realized profit after tax in the amount of HRK 30,676,076.46, would be allocated in a way that HRK 507,446.46 would be allocated to the retained profit, while the amount of HRK 30,168,600.00 would be allocated to increase the share capital from the Company's assets (reinvested profit).
- **The Decision on an increase in share capital from the Company's assets (reinvested profit)** which increases from the reinvested profits earned in 2016 in the amount of HRK 30,168,600.00 was also taken. The share capital of the Company increases from the amount of HRK 174,977,880.00 by the amount of HRK 30,168,600.00 (reinvested profit) to the amount of HRK 205,146,480.00, in a way that for each of the totally existing 301,686 shares the nominal amount increases by HRK 100.00 in a way that after the increase, each share has a face value of HRK 680.00.
- **Decision on the payment of dividends from retained profit from 2006, 2010 and 2011** according to which the Company's shareholders will be paid out the dividend in the total amount of HRK 6,016,540.00, or a dividend per one share amounts to HRK 20.00 which is a rise in dividend per share by 11.11% compared to the amount of dividend paid out in the year 2016.

3

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

- The Decision on the election of the members of the Supervisory Board, according to which in addition to Mr. Goran Medić, the existing member of the Supervisory Board, the four existing members of the Supervisory Board were elected, namely: (I) Davor Tudorović, (II) David Anthony Tudorović, (III) Darko Prebežac, Prof. PhD and (IV) Siniša Petrović, Prof. PhD for the next term of office that commenced on 18th December 2017.
- The object of the business activities of the Company changed in a way that the below activities are added: audiovisual activities, complementary activities to audio-visual activities, the provision of audio and/or audiovisual media services, activity of providing services of electronic publications, activity of publishing audiovisual and radio programs and the activity of providing television and/or radio media services.

- The Shareholders' Assembly decided that a part of the capital reserves of the Company disclosed in the financial statements for the fiscal year 2016 and in the financial statements as at 30th June 2017, out of a total disclosed amount of HRK 26,723,874.00 a part of the capital reserves in the amount of **HRK 24,000,000.00 should be used to increase the share capital** from the Company's funds, because there is no uncovered loss according to the financial statements. As a result of this, the share capital of the Company increased from the amount of HRK 205,146,480.00 by the amount of HRK 24,000,000.00 to the amount of **HRK 229,146,480.00** and was split into **301.686** new ordinary bearer shares with no par value.
- In order to further strengthen the capital and market position of the company, a **Decision on Share Split** was made on the basis of which one ordinary bearer share of the company was split into **eight ordinary bearer** shares with no par value. The share capital was, accordingly, split into 2,413,488 ordinary shares with no par value. The Company's share capital did not increase by splitting the shares.

4

In order to further improve the corporate governance practices of the Company, the Supervisory Board did at the meeting held on 21st July 2017 decide that the Company's Audit Committee would instead of the current five (5) members be composed of three (3) members who as of the date of taking the relevant decision are the following members: David Anthony Tudorović – President of the Audit Committee (Member of the Supervisory Board), Goran Medić – Member of the Audit Committee (President of the Supervisory Board) and Mladen Ostrički - Member of the Audit Committee (external member).

5

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.

6

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

10 Recognitions, standards and certificates awarded in 2017



Awards

The campsite "Park Soline" was given a special award for outstanding quality and cooperation in February by Associazione Campeggiatori Turistici d'Italia (A.C.T. Italia), one of the largest associations of campers from Italy, having over 30,000 members.

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

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

Standards and certificates

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

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

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

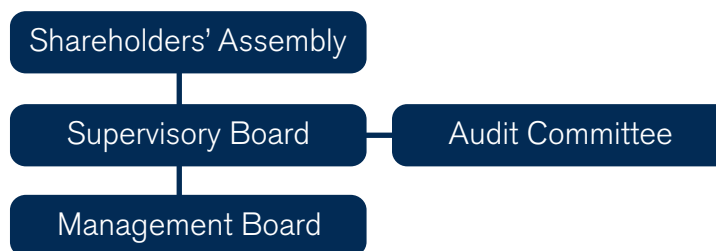
AAA Certificate of Gold Creditworthiness Excellence, an internationally recognized mark of economic quality and excellence of an economic operator, has been awarded by Bisnode prudential company for meeting stringent analytical criteria as one of the most important standards for quality, financial stability and business performance of the company for the years 2015, 2016, and 2017.





11 Corporate governance

In Ilirija as a joint stock company that has been listed on the Zagreb Stock Exchange since 2003, i.e. since October 2015, the shares of the company are quoted on its Official Market, has clearly defined dual governance and organizational structure in accordance with the practice of corporate governance and legal regulations of the Republic of Croatia, with clearly separated powers and responsibilities of the following corporate governance bodies:



The Shareholders' Assembly consists of shareholders (owners) the holders of the Company's securities. In 2017, as at 29th December the company had a total of 171 shareholders that are the holders of total 301,686 Company's shares.

Shareholders shall exercise their rights at the General Shareholders' Assembly and all shareholders of the company shall be vested the right to participate in it if they are registered in the share ledger and report their intention to participate in the General Meeting to the Company either personally or by proxy, thereby presenting a power of attorney no later than six days prior to its holding.

The General Shareholders' Assembly, in accordance with the provisions of the Company's Articles of Association and Companies' Act, makes decisions on the following issues: appointment and dismissal of the Supervisory Board and the Management Board, increase or decrease in share capital, decision on the utilization of profit, decision on dividend payment, decisions that entirely or partially exclude the right of shareholders' pre-emptive right when subscribing for new shares, withdrawing or listing shares from the regulated market, changes and amendments to the Articles of Association, appointment of auditors, decisions on change and amendment to the business activities as well as other matters as defined by the law.

During 2017, three sessions of the General Shareholders' Assembly were held, one ordinary and two extraordinary sessions, participated by minimum 78.82% of the share capital. All of the decisions from the held General Meeting were published within a legally prescribed deadline.

The Supervisory Board consists of five members that are appointed for a four years' term of office. The Supervisory Board may take decisions if at least one half of the appointed members participate in decision-making process. The members of the Supervisory Board are entitled to remuneration for their work. Sessions of the Supervisory Board are convened by the President of the Supervisory Board.

According to the Company's Articles of Association and the Companies' Act, the Supervisory Board supervises the management of the Company's business, submits the Report on the performed supervision of the Company's business operations to the General Assembly, adopts the financial statements, in accordance with the Company's Articles of Association gives prior consent to the Company's Management Board for taking certain actions, legal transactions and making certain decisions.

The Supervisory Board established the Audit Committee that from 21st July 2017 from the previously five members, now has three members: David Anthony Tudorović – President of the Audit Committee (Member of the Supervisory Board), Goran Medić – Member of the Audit Committee (President of the Supervisory Board) and Mladen Ostrički - Member of the Audit Committee (external member).

According to the Company's Articles of Association, the sessions were convened at least once in a semi-annual period and during the year 2017, there were ten of them that were held. At the session of the General Assembly, held on 26th April, 2017, the Supervisory Board was given the remuneration for the supervision of the Company's business operations in 2016. In the reporting period due to the expiration of the term of office of all members, the General Shareholders' Assembly of the Company elected members of the Supervisory Board at its sessions in June and November, who also performed this position in the previous term of office.



Supervisory Board	Position	Term of office	Committee
Goran Medić	President	June 2017 to June 2021	Audit Committee
David Anthony Tudorović	Vice-President	December 2017 to July 2021	Audit Committee
Davor Tudorović	Member	December 2017 to July 2021	
Siniša Petrović	Member	December 2017 to July 2021	
Darko Prebežac	Member	December 2017 to July 2021	

The Management Board has one member that is appointed for a five years' period. The Management Board's rights and duties are specified in the Company's Articles of Association and Companies' Act.

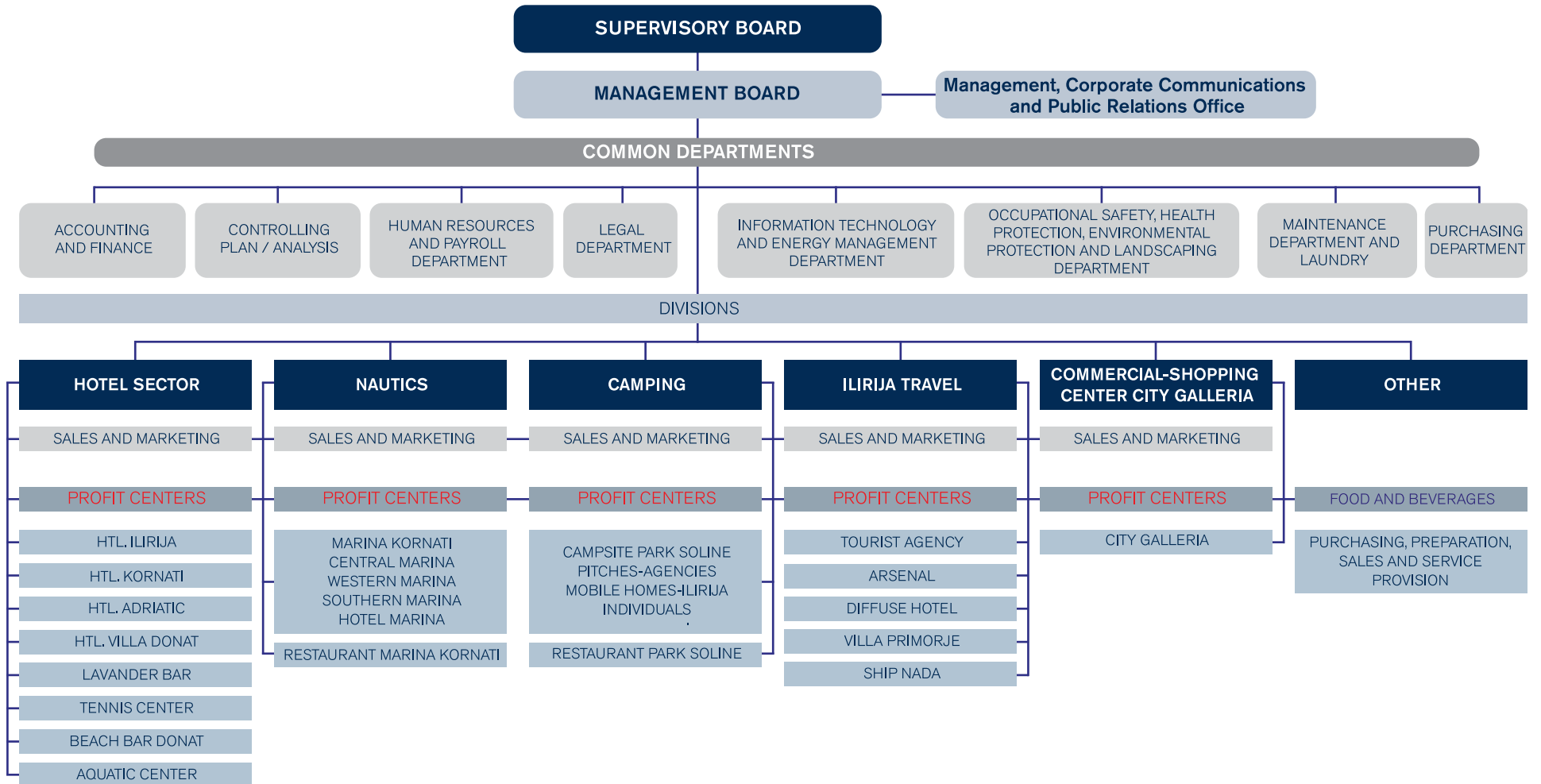
Goran Ražnjević is the only member of the Management Board that represents the Company solely and independently since the year 2000 in his fourth consecutive term of office.

Within the company there are no boards for making decisions on economic, environmental and social impacts, but the above-mentioned assignments are performed by the Management Board in cooperation with the company's management in accordance with the business practices.

The top management includes 12 persons with special powers and responsibilities where youth and experience are combined.

Starting from the fact that the employees, who are mostly residents of the City of Biograd and surrounding municipalities, are the holders of business processes, therefore their further development, training and motivation is the key to the success of the Company and one of the permanent objectives.

Organizational structure



Shareholders and capital market

Arsenal Holdings d.o.o., Perivoj Gospe od Zdravlja 1, Zadar, Company Tax Number - OIB: 59794687464, holds 178,629 shares in the Company, which accounts for 59.21% of the shares in the share capital of the Company and the same number of votes in the Shareholders' Assembly. The controlling company Arsenal Holdings d.o.o. is registered with the Commercial Court in Zadar, Company Reg. No. MBS: 060014554; share capital HRK 21,027,500.00 paid in whole.

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

The share capital of the Company in 2017 was HRK 229,146,480.00 and is divided in 2,413,488 ordinary shares with no par value. In 2017, the ownership structure was not significantly changed.

Overview of the major shareholders of the Company as at 29th December 2017 (Taken from: Central Depository Clearing Company (CSDD))

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

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

About share of Ilirija d.d.:

Quotation: Official market, Zagreb Stock Exchange d.d.

Date of listing: 26/10/2015*

Type of security: Ordinary share

Designation: ILRA-R-A

ISIN code: HRILRARA0009

Number of issued shares: 301,686,
with no par value

Depositary: CCDG or (Croatian SKDD)

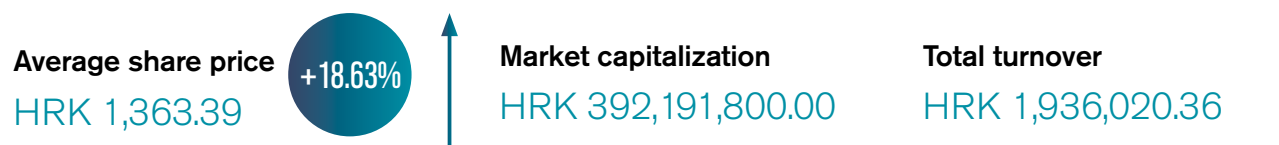
**Since 2003, company's shares have been listed on the Zagreb Stock Exchange, Quotation of public joint stock companies and since then they have been listed on the regulated capital market in the Republic of Croatia. From 2009 – 2015 the shares were listed on the Regular market of the Zagreb Stock Exchange.*

Trading in shares of the Company on the Zagreb Stock Exchange

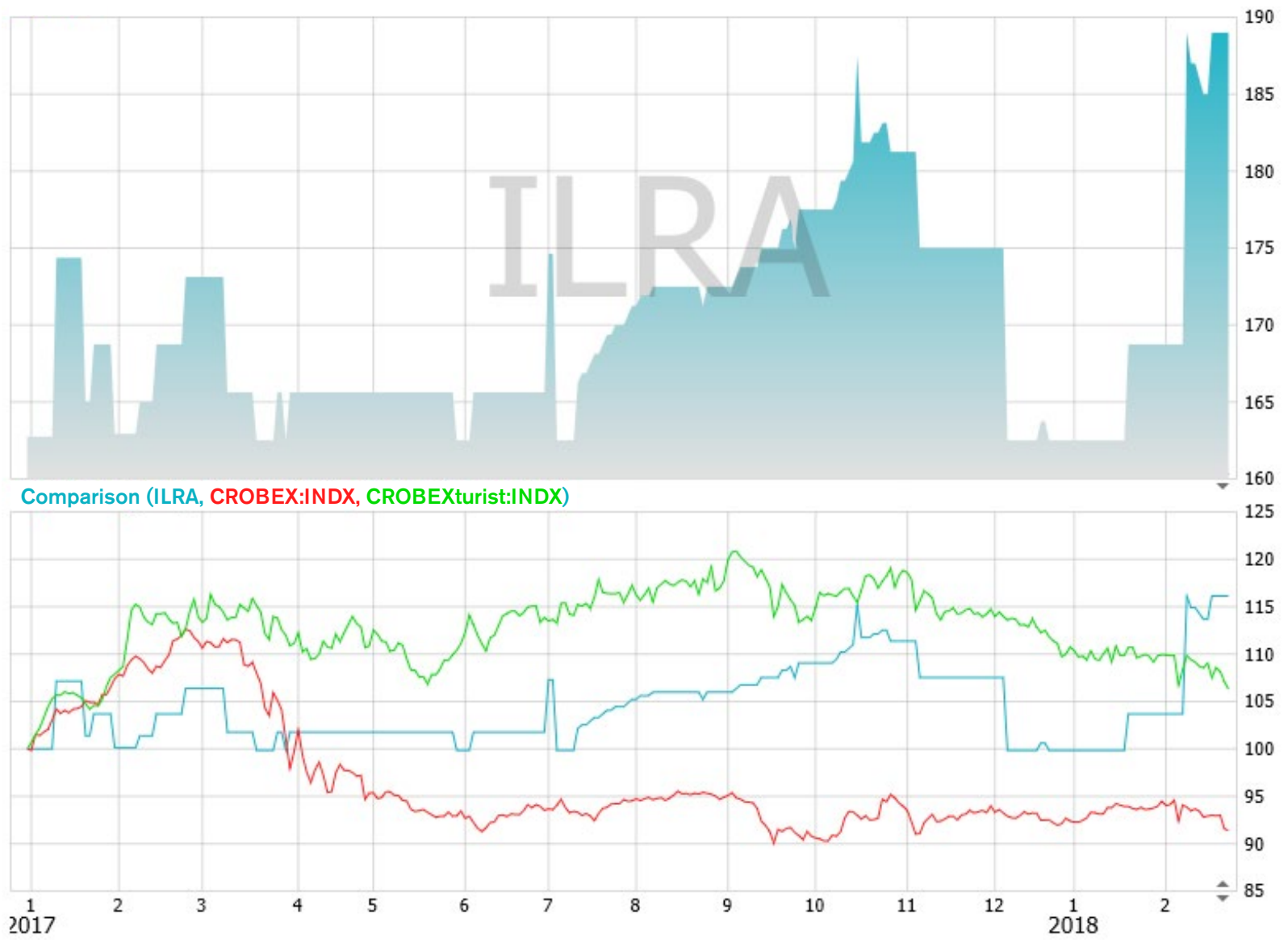
In 2017, 1420 shares were traded in on the Zagreb Stock Exchange, resulting in total turnover of HRK 1,936,020.36, which is, compared the one in 2016, a decline in turnover by 77.34%. The cause of the decline in turnover should be attributed to the fact that the year 2016 was marked by two significant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

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

In the year 2017, the highest achieved share price amounted to HRK 1,500.00 per share, which compared to the year 2016 is a growth by 7.14 when the highest share price which was realized amounted to HRK 1.400,04.



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





Precautionary principle or approach

Striving to reduce any potential environmental risks to the lowest possible extent, the company applies the precautionary principle in such a way as to avoid any actions that have or could have negative environmental consequences on the company, the local and regional community in which it operates and the company as a whole including the knowledge about the impact of the above actions or technologies on the environment and society in whole. In addition to complying with all positive environmental regulations in the Republic of Croatia, the company has implemented additional international environmental standards (ISO 14001, Blue Flag, Green Key, Sustainable Hotel, Ecocamping) and adopted its own Environmental Protection Policy.

12 Key impacts, risks and opportunities

In order to meet the objectives of the business operations, whether short-term, medium-term or long-term, in accordance with the mission and vision, taking into account the circumstances, both internal and external ones, in which the organization operates and expectations and interests of its stakeholders, the company has defined its risks and opportunities.

Risks:

(I) Financial risks

- The Company is, after all, as the most businesses in the tourism sector, exposed to foreign exchange risk, interest rate risk, price risk, credit risk and liquidity risk, environmental risk, risk of tourist branch of the 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 lending obligations, the Company is to the highest degree hedged against the foreign exchange risk owing to this circumstance.
- Indebtedness of the Company with the commercial bank is mainly subject to variable interest rates, so taking this into consideration, the Company is partially exposed to interest rates, but only due to exceptional circumstances and disturbances in the operations which are not attributable to the Company.
- In order to reduce the credit risk, the Company strives to reduce the total lending obligations to an appropriate level in order to 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.

(II) Regulatory risks

- 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 the 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.

(III) Operating risks

- The company's business is dependant on the readiness of the tourists to travel and spend their vacation outside of their country or place of their permanent residence. For this reason, economic and political security and stability, primarily at the regional level, i.e. in the immediate surrounding of the company as well as in the main source markets of the Croatian tourism, is an important factor in making decisions by potential tourists about the place of vacation and as such can have a great impact on the tourist season in the Republic of Croatia.
- Since the tourist industry depends on the preserved natural resources, i.e. the preserved and clean environment, the sea, the water, the air, etc., therefore, larger-scale pollution of the sea and the coast (e.g. average of tankers - oil spills, pollution by chemicals, etc.), blossoming of the sea, air pollution, climatic change and related natural disasters can have a direct impact on tourism supply or demand for products and services of the company, which can be ultimately reflected on the overall quality of supply and market competitiveness of the company.

Opportunities in which the company recognizes the opportunity for further growth and development:



- 1** Croatia has been recognized as a desirable and safe tourist destination at the global level,
- 2** differentiated offer of the company (hotel sector, nautics, camping, DMC Ilirija Travel, real estate),
- 3** financial stability of the company,
- 4** sustainable and continuous investment,
- 5** the location of the facilities in the destination (on the coast or in its immediate vicinity, near the city center),
- 6** further development of the offer and content that enables year-round business through the system of destination management,
- 7** development of tourism of special interests and complex tourism product,
- 8** extensive experience and tradition of business in hospitality and tourism,
- 9** preserved and clean nature and environment, and
- 10** corporate social responsibility.

Looking from the perspective of the sustainable business, the company as the leading tourism and economic operator affects, through its business, the community by using and consuming resources (water), energy, waste production and considering the fact that Ilirija is the carrier of nearly two thirds of organized tourism in its key destination, Biograd na Moru, where any negative market movements are certainly reflected on the total tourism turnover of the destination of Biograd na Moru. The environmental and economic impacts of Ilirija on external stakeholders are described in more detail in the chapter on Environmental and Economic Topics. On the other hand, we contribute to the community by employing local citizens, by encouraging the development of the local and national economy by purchasing from local suppliers, while the programs of corporate philanthropy are implemented to support numerous projects in the community in which we operate, so by developing our own products and services, we also develop tourism offer of the destination or the region.

The following material topics were identified:

Economic topics:

- Economic performance
- Market presence
- Indirect economic impacts
- Procurement practices

Environmental topics:

- Energy
- Water
- Effluents and waste
- Environmental compliance

Social topics:

- Employment
- Occupational health and safety
- Training and education
- Diversity and equal opportunities
- Local communities
- Customer health and safety
- Marketing and labeling

13 Stakeholders and material topics

Being aware of its responsibilities, Ilirija actively involved stakeholders in the preparation of the Annual Report on Corporate Social Responsibility for 2017, unlike the two previous reports. Stakeholders are the key factor in the successful and long-term development of the company, therefore as a socially responsible company we aim to actively communicate with our stakeholders in order to understand their expectations from Ilirija as the responsible business operator and to ensure long-term sustainable and responsible development of the company in line with the expectations of our stakeholders.

The proposal of material topics was previously designed by the Expert Team for the preparation of the Annual report on corporate social responsibility in the company for the purpose of defining material topics, which reflect essential economic, environmental and social impacts of Ilirija as well as the influence on the stakeholders' decisions recognized as such as important in the medium and long term development plans, mission and vision, and its core values.

After designating the stakeholders, a total of seven of them, and creating the proposals for material topics, the members of the Expert Team designated the stakeholders within each stakeholder group taking the previous mutual relations and activities into consideration, and after that they were invited to engage in the process of determining the content of the report. Given that we first created reports in accordance with the Global Reporting Initiative (GRI) Standards, we conducted the consultations with stakeholders by inviting them to participate in the process of defining key material topics, in view of their expectations, interests and priorities, i.e. importance and impact of material topics on them as our stakeholders, by conducting the survey that was posted on the company's website for better availability to stakeholders and transparency of the process itself. We divided 15 material topics into three categories:

- economic (economic performance, market presence, indirect economic impacts, procurement practices)
- environmental (energy, water, effluents and waste, environmental compliance), and
- social (employment, occupational health and safety, training and education, diversity and equal opportunity, local community, customer health and safety, marketing and labeling) which were evaluated by ratings ranging from 1 as the lowest impact to 5 as the highest impact.

A total of 53 representatives of stakeholders from 38 different organizations, including associations, enterprises, employees, financial institutions, business and professional associations, cultural, education and training institutions, suppliers participated in the process of identifying material topics, including the representatives of stakeholders from all stakeholder groups of whom:

- 29 stakeholders from the group of shareholders, customers/guests, state, financial institutions, local community and suppliers,
- 24 employees of the company including members of the Expert Team for the preparation of the Annual report on corporate social responsibility.



15 identified material topics:



53 representatives of stakeholders, from

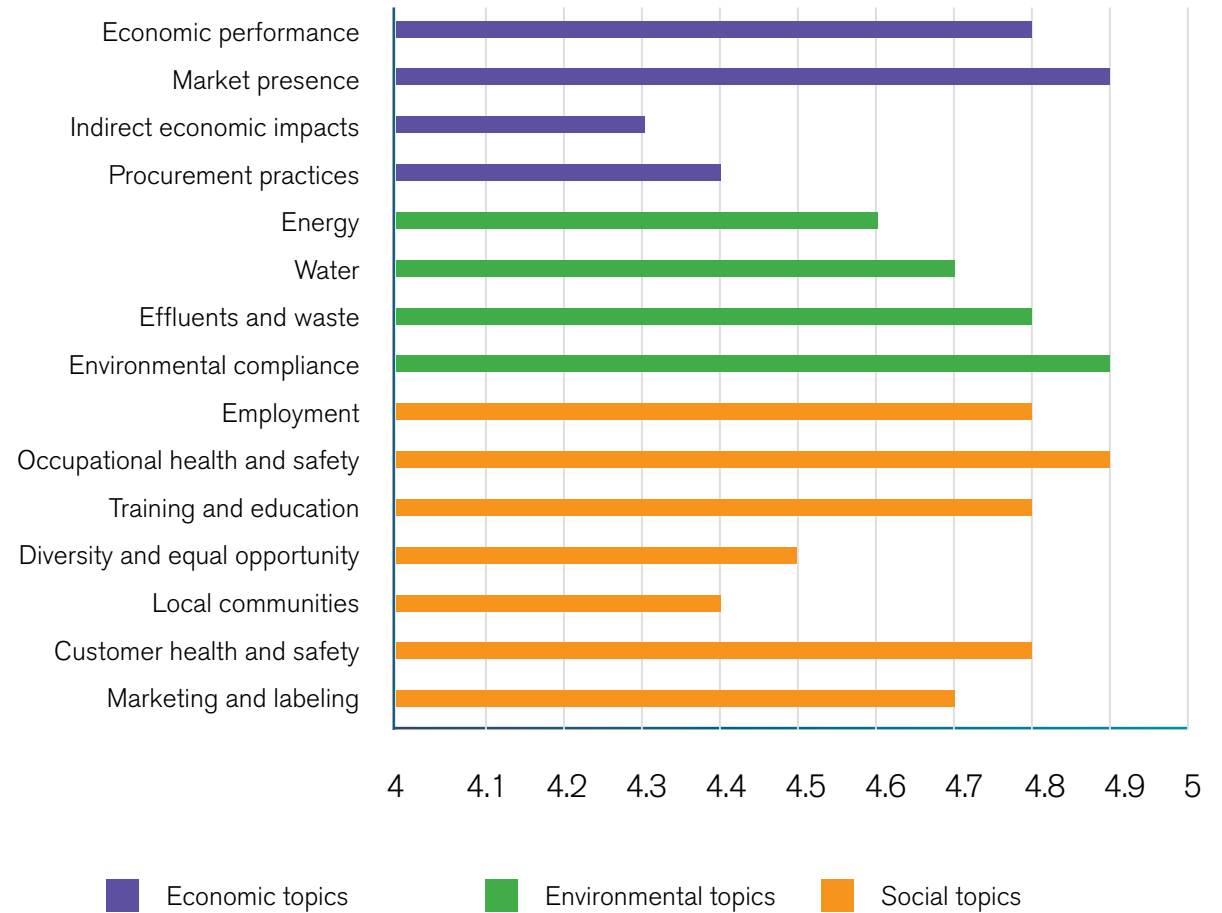


38 different organizations, from

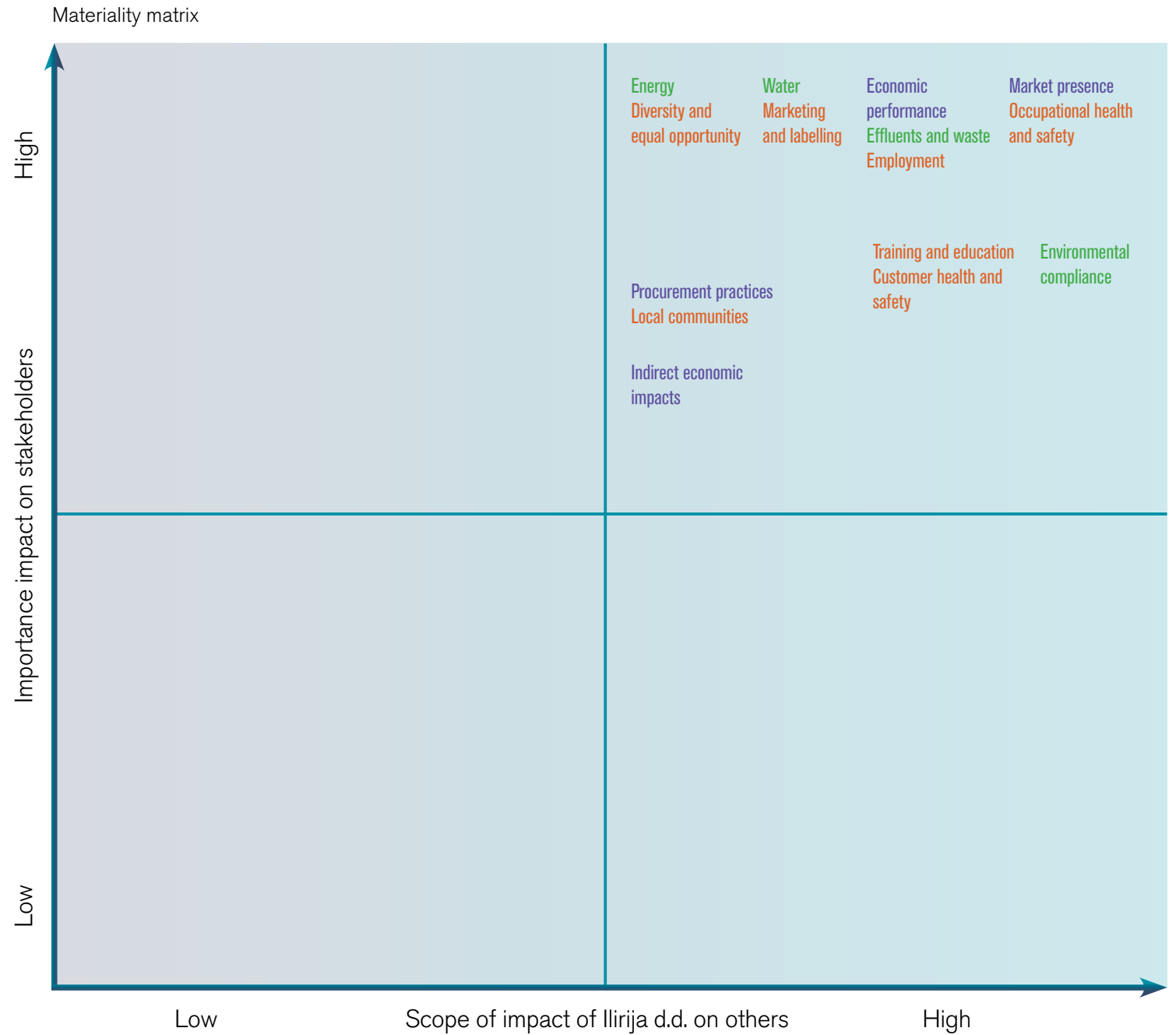


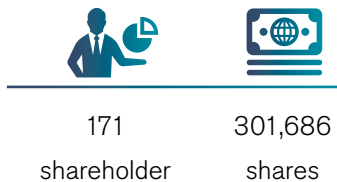
all 7 stakeholders' groups

The foregoing was followed by analyzing the conducted survey, where it was apparent that the majority of the stakeholders perceived all the proposed material topics as important, since no material topic had a rating lower than 4, while the first three material topics, according to the conducted survey, included economic, environmental and social impacts of the company. Following the consultations, it is evident that the stakeholders find all proposed material topics important, that is, that they assess the impact of Ilirija through economic, environmental and social activities.



Following the consultations conducted with the stakeholders and their feedback, the material topics were identified and then prioritized or evaluated, which resulted in creation of the materiality matrix. Material topics are identified and evaluated in the materiality matrix, considering their impact on the decisions of stakeholders and economic, environmental and social impacts of the company on others.

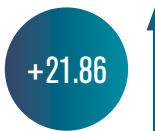




Average share price
HRK 1,363.39



Paid dividend
HRK 6,016,540.00



Overview and communication with key stakeholders

1 Shareholders

5 Financial institutions

2 Customers/guests

6 Local community

3 Employees

7 Suppliers

4 State



1 Shareholders (owners) that is, the holders of capital exercise their rights through the General Assembly. The Company maintains regular communication with its major shareholders, institutional and individual shareholders through:

- holding the General Assembly sessions – in 2017, three General Assembly sessions were held, one ordinary and two extraordinary sessions, attended by minimum 78.82% to maximum 78.84% in the share capital,
- Financial statements (quarterly and annual ones),
- Additional information,
- Web pages of the company,
- Annual report on the corporate social responsibility for the year 2016.

Regular and transparent communication is used by Ilirija in order to have well-informed shareholders who will be the key and active support in the development of Ilirija as a responsible, sustainable, market-competitive and recognizable company. Consequently, in 2017, Ilirija continued to improve its quarterly and annual financial statements in Croatian and English publicly disclosing the information and data more than that is required by the law. In addition to the transparent financial reporting system, the company publicly discloses additional non-financial information in order to gain a comprehensive insight into its business operations.

The basic objectives in relation to the shareholders in 2017 were achieved:

- accomplishment of the business results in 2017 that are the best since the company's foundation, particularly the operating profitability ratios,
- Development of the company by increasing the value of its assets, capital growth, the development of offer and programs that articulate their year-round business,
- average share price was achieved in the amount of HRK 1,363.39 with a growth by 18.63%.
- regular annual disbursement of the dividend. In 2017, HRK 6,016,540.00 was paid out for the dividend or HRK 20.00 was paid out per share, which is a rise of dividend by 11.11% compared to the dividend amount of HRK 18.00 per share which was paid out in 2016.



595,895
overnight stays



95
audit visits of
key buyers



491
special events



66,023
guests at
special events

2 Customers/guests – we do not only care about a customer/guest in tourism, but we live with them, therefore, they are the center of our service. We conduct regular and continuous communication with our customers, regardless of whether they are tourist agencies, business partners or individual guests with an aim to achieve end-user satisfaction with the service provided. Therefore, the feedback from our customers and their experience with the service provided is extremely important for us, irrespective of whether it is channeled/received through direct communication during their stay in our facilities, through visits and tours of representatives of key travel agencies and business partners through communication through social networks, etc. where we use the feedback to improve the service, offer and content, or its overall quality.

In 2017 the key buyers, domestic and foreign travel agencies and business partners in the hotel and camping sector performed 95 tours of our facilities, while in the nautical sector and the real estate sector, the direct communication takes place on a daily basis with business partners due to the fact that business partners have their own representative offices and sales outlets within the marina and Commercial-shopping center of City Galleria.

The communication with guests/customers was conducted through:

- Regular annual tours of tourist agencies and business partners,
- Fairs, acquisitions, business to business workshops, road-show tours of key customers,
- Survey questionnaires about satisfaction with the service,
- Regular communication with key customers (both electronic and oral),
- Newsletters,
- Web pages of the company and
- Social networks.





3 Employees – the employees are the key to the success of our company in tourism. They are the best promoters of our values, destinations, services and are the carriers of the business process that contribute to its market competitiveness, recognizability and ultimate success through their work and engagement. Employees i.e. management and development of human resources are long-term strategic objectives of Ilirija d.d. which were accomplished by the company during 2017 through: (I) continuous education of employees at all levels of business organized through the Academy of Business Excellence ILIRIJA EDUKA, inhouse education in various fields and individual education programs, (II) motivation of employees by providing them with personal development and work opportunities in a stimulating working environment, (III) increase in financial income of the employees.

The communication with the employees was conducted through:

- Regular daily, weekly and monthly meetings as well as the meetings organized as needed at the operating level of the business operations,
- Weekly sessions of the Management Board and management,
- Annual gatherings,
- Notices via the electronic mail, and
- Notices through the notice board and
- Social networks.

4-5 The state and the local community – over six decades of its business operations, Ilirija has grown into a leading economic operator at the local level, then in one of the 3 leading tourism companies in the region and 15 leading tourism companies in the Republic of Croatia.

Due to its development at the same time as a socially responsible business system, it has contributed to the development of the environments in which it acts and operates, both local, regional and national environments, either from the aspect of business expansion, creation of new values, i.e. products and services, development of year-round business and creation of new jobs or employment of people from the local community, thus actively contributing to the development of tourism as one of the key industries in the Republic of Croatia, while complying with the legal regulations and business codes.

By participating in the work of 13 industry and business associations, by making suggestions and opinions on legislative bills that significantly impact the business operations of tourism companies, proposals for the development and competitiveness of the Croatian tourism, participating in public conferences and lectures and activities of the associations, while it is the President of the Management Board and member of the bodies of expert and professional associations. It is an active member of tourist boards at national, regional and local levels, within which it promotes, initiates, organizes or actively supports a great number of projects of importance for the development of tourist destination offer.

Through the system of corporate philanthropy, either through donations or sponsorships, it responds to individual needs or support to projects of a wider interest to the community.



timely, complete
and truthful
presentation of
company's
business



improvement
of reporting
system



964 suppliers
95.64% domes-
tic suppliers

In 2017, the communication with the state and local community was performed through:

- Memberships in business and industry associations, systems of tourist boards at the local and regional level,
- Corporate philanthropy,
- Participation in legislative initiatives, independently and through business and industry associations,
- Participation in conferences and lectures,
- Annual report on the corporate social responsibility for the year 2016.

6 Financial institutions – company stakeholders that include a business bank and a leasing company with which Ilirija has a long-term relationship based on mutual trust and cooperation for the purpose of its long-term responsible and sustainable development and growth in the interest of all of its stakeholders. Ilirija as a joint stock company listed on the capital market, i.e. the Zagreb Stock Exchange with its stakeholders, especially shareholders and financial institutions, bases its communication on a timely, complete and truthful presentation of the company's operations and its activities, and in 2017 Ilirija went on with the continuous process of improving the reporting system focusing on the transparency, comprehensiveness, completeness and timeliness of disclosing all key financial and operational ratios and corporate notices and actions.

During the year 2017, the communication with the financial institutions was conducted through:

- Regular meetings and electronic communications,
- Financial statements (quarterly ones),
- Annual financial statements,
- Annual report on the corporate social responsibility for the year 2016 and
- Web pages of the company.

7 Suppliers – Significant stakeholders of the company that with their services and products affect the overall quality and creation of the added value with services and products of Ilirija d.d. or increase in the experience for our end-user - guest. Relationship to suppliers that is based on regular almost daily communication at the level of all key departments of the company with an aim of improving each other and raising the quality of operational processes, exchanging knowledge and experience, monitoring tourism industry standards, involving a large number of suppliers from the local community and maintaining strategic relationships with key suppliers.

In the year 2017, the communication with the suppliers was conducted through:

- Regular communication (oral and written),
- Contracts,
- Mutual visits, and
- Exchange of knowledge.



III Economic topics

1 Managing the economic aspect of business

Economic viability for Ilirija as a business community is the cornerstone of corporate social responsibility which influences the achievement of forecasted operating results, and the achievement of their results also impacts any other company's activities whose impact boundaries primarily take place at the local and regional level or at the locations where we conduct business operations and at a national level considering the total contribution to the development of the Croatian tourism industry. The starting point is the fact that the foundation of corporate social responsibility is based on its economic viability, which ensures a continuous growth and the development of the company, its technological progress, competitiveness and market viability which can be achieved subject to the previous fulfillment of the economic preconditions such as efficiency, profitability, generated profit in business operations. In order to be able to contribute to the community in which it conducts business operations or acts or to contribute to its stakeholders, the company must achieve the business goals set, must be competitive and innovative or it must create the economic value that is to be distributed afterwards.

The management of the economic aspects of the company's business operations is carried out in a way to adopt the business plan on an annual basis, that is, the budget at the level of the company and each sector or profit center individually, integrated by the Accounting and Finance Department, that is, the Controlling, Plan and Analysis Department, that is created based on the financial objectives of the company for the next fiscal year. The business plan, or the budget and operating reports are passed by the Management Board, which provide a true and fair view of the company's state of affairs, as well as its business results and cash flows, while the Supervisory Board determine them and the Shareholders' Assembly take note of them.

In addition to the business plan on daily, weekly, monthly and quarterly levels, the reports are created by competent departments at the level of the company, the sector and the profit centers individually, based on which the achievement of the set goals is monitored. In accordance with the foregoing, if certain more significant deviations from the business plans are recorded at the level of the sector or profit centers during the fiscal year, in which they are identified, the necessary measures are taken to eliminate or amortize the deviations, where everything is to be previously coordinated and approved by the Company's Management Board and is to be operationally executed through the sales and marketing departments of the sector or profit centers. As a joint stock company whose shares are listed on the capital market, we publish the financial statements, corporate announcements and other information relevant to the investment public within the legally stipulated deadlines.

In 2017, the company continued with the process of improving the reporting system which enabled (I) timely, (II) high-quality monitoring and analyzing of the achieved operating results and (III) the production of high-quality forecasts and business plans throughout the whole fiscal year, especially regarding the reporting on the achieved operating business results, which created the foundations for more efficient and rational management of the entire business process, improved and speeded up the entire process of reporting at all levels, particularly in the operational part of the Company's business operations.

2 Business results in the year 2017

The data relating to the chapter Economic Topics is taken from the Annual Business Report for the year 2017 publicly disclosed on the Zagreb Stock Exchange, The Croatian Financial Services Supervisory Agency and website of the company www.ilirijabiograd.com in April 2018. Ilirija is not obligated to prepare consolidated financial statements.

The business results achieved are the best so far in the last six decades of the Company's operations, as a result of which we continued with further continuous responsible and sustainable development and growth in 2017. First of all, we achieved the key business objectives for 2017 in the segment of revenues and EBITDA, while the physical operating results in the segment of hotel industry and camping recorded a growth of indicators higher than the average growth at the national level with more significant business activities in the shoulder season in the segment of physical and financial turnover. The year in which we celebrated six decades of successful existence is also the year in which we as a company equally successfully integrated a new segment of our offer – a real estate sector or the Commercial-shopping center City Galleria into our business and operating processes. According to its key business results, the Commercial-shopping center City Galleria proved to be an economically viable and profitable investment already in its first year of business operations in the Company.

The achieved business results are the consequence of:

1

Investments made in raising the quality of service, contents and capacity of the tourism portfolio,

2

Pricing policies and market profiles on more lucrative markets,

3

Increase in physical turnover, i.e. arrivals and overnight stays in the hotel and camping sector,

4

Increase in days of occupancy,

5

Marketing activities and acquisitions,

6

Significant increase in turnover or special events realized through the destination management company Ilirija Travel,

7

Result of integration of the Commercial-shopping center City Galleria into the operational business.

Operating results in 2017

The Company's tourism turnover in the hotel and camping sectors achieved a significant growth in operating and financial results in accordance with business plans for the year 2017. In all tourist facilities of the Company, a total of 595,895 overnight stays were realized, which, compared to the previous year when 565,287 overnight stays were realized, is a growth in overnight stays by 5.41%. Tourism turnover in the hotel and camping sectors recorded an increase in the operating and financial results, while the nautical sector recorded the growth in the financial operating results with slightly lower operational results as a result of the investment activities made in the marina due to which the operational possibilities of accommodating and accepting the vessels were reduced. The rise in tourism turnover of the hotel and camping sector is at least the same or higher than the realized growth of arrivals and overnight stays of these sectors at the national level.



Overview of key operating indicators in 2017

Operating indicators	2017	2016	% of change 2017/2016
Hotel sector			
Number of accommodation units	443	443	100,00
Overnight stays of tourists	138.788	131.424	105,60
Occupancy days	157	144	109,03
Annual occupancy	43,10%	39,58%	108,89
Nautics			
Number of berths	805	805	100,00
Contracted vessels	712	714	99,72
Transit berth, overnight stay of vessels	12.144	12.463	97,44
Transit berth, inbound sail of vessels	3.527	3.544	99,52
Port service - number of operations	3.446	3.772	91,36
Days of work	365	365	100,00
Camping			
Number of accommodation units	1.130	1.130	100,00
Days of work	194	193	100,52
Occupancy days	111,47	102,24	109,03
Mobile homes	107,78	103,75	103,88
Individuals	48,48	44,54	108,85
Fixed lease	194,00	193,00	100,52
Lump sum	194,00	193,00	100,52
Occupancy	57,46%	52,98%	108,46
Mobile homes	55,56%	53,76%	103,35
Individuals	24,99%	23,08%	108,28
Fixed lease	100,00%	100,00%	100,00
Lump sum	100,00%	100,00%	100,00
Overnight stays of tourist	283.069	258.110	109,67
Ilirija Travel			
Number of events	491	388	126,55
Number of persons (events)	66.023	46.874	140,85
Real-estate*			
Number of lessees	35		
Rented area (m2)	9.656,30		
Number of vehicles in the garage	667.753		

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



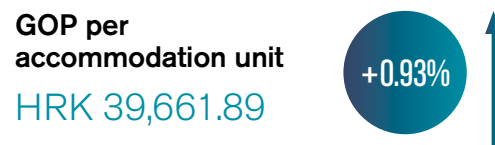
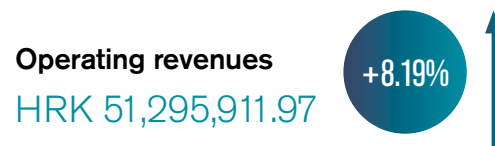
The hotel sector generated significant operating results that are reflected both in the market as well as the financial indicators. In the year 2017, the hotel sector recorded 42,339 guests, with an average stay of 3.28 days, with a total of 138,788 overnight stays realized. Compared to the year 2016, 15% more arrivals and 6% more overnight stays were realized in the hotel sector, which consequently also generated a rise in revenues by 8%. In the mentioned period, the hotel sector was characterized by a decrease in seasonality with a significant increase in turnover and revenues in the shoulder season, especially in April, May, October and November, with a significant increase in capacity occupancy indicators to 43.10% or an increase by 9.2% and 157 days of occupancy accompanied by a high increase in the revenue from the board services per accommodation unit by 7.08%.

The improvement of the market indicators was achieved on the basis of continuous sales efforts and destination management company and investments made in enhancing the competitiveness, while the increase in average revenue from the board services per accommodation unit results from the restructuring of the sales channels aimed at the growth of a more lucrative market segment. In the structure of realized overnight stays, the five top source markets include: (I) the Croatian market with a share of 15.4% in overnight stays, (II) the Slovenian market with a share of 13.1% in overnight stays, (III) the German market with a share of 12.6% in overnight stays, (IV) the Austrian market with a share of 9.2% in overnight stays and (V) the Slovak market with a share of 7.4% in overnight stays.

All the foregoing is the result of the investment made in changing the structure, i.e. opening of new, mainly, more distant markets with earlier booking, with an aim to disperse the risk and extend the season. At the same time, the arrivals of such groups result in increased revenues in the comparative offers of the Company realized through DMC Ilirija Travel, other sectors and profit centers, ensuring the extension of the top season and reduction of seasonality.



Key market and financial indicators of hotel sector



ILIRIJA HOTELS (Hotel Ilirija, Kornati, Adriatic and Villa Donat)	2017	2016	Index
Average daily rate of the accommodation unit (ADR)*	603.69 kn	615.53 kn	-1,92%
Revenue from board services per accommodation unit (RevPAR) on a basis of 365 days **	260.18 kn	242.97 kn	7,08%
Revenue from board per accommodation unit (RevPAR) on an open days basis**	392.60 kn	393.05 kn	-0,11%
HOTEL SECTOR - TOTAL ILIRIJA d.d.			
Operating revenues	51.295.911,97 kn	47.414.038,75 kn	8,19%
TRevPAR ***	115.792,13 kn	107.029,43 kn	8,19%
Operating costs ****	33.725.694,77 kn	30.005.450,03 kn	12,40%
GOP *****	17.570.217,20 kn	17.408.588,72 kn	0,93%
GOP per accommodation unit	39.661,89 kn	39.297,04 kn	0,93%
GOP margin*****	34,3%	36,7%	6,71%
Capital Investments	9.565.110,06 kn	2.595.186,53 kn	268,57%

* 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).

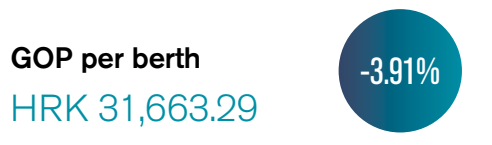
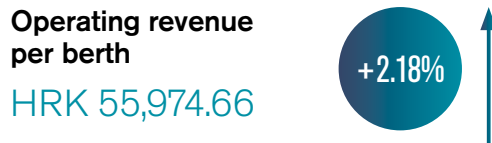
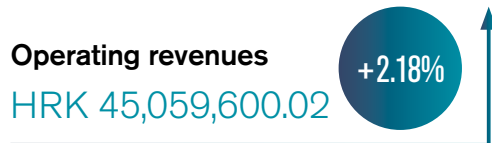
*** TRevPAR - total annual revenue per accommodation unit) denotes the total operating revenue of the hotel sector divided by a number of physical accommodation units..

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

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

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

Note: Ilirija Hotels – include only the hotels (Ilirija, Kornati, Adriatic and Villa Donat). The hotel sector Ilirija d.d. includes the hotels (Ilirija, Kornati, Adriatic and Villa Donat) and spin off profit centers operating within the hotel sectors Lavender bar, Aquatic center and Tennis center „Ilirija“.



Nautics* in spite of a slight reduction in physical turnover as a result of investment works in the segment of modernization of the marina, while retaining the marina capacities and prices at the level of the year 2016, the operating revenues were generated in the amount of 45 million HRK and grew by 2.18%, which we find particularly successful taking the foregoing into account. The most significant impact on the growth in revenue from Marina Kornati was exerted by the growth in revenue from the contract-based berth with accessories (growth rate of 4.58%), which is the result of an increased number of charter vessels for which the price for using the contract-based berth increased by 10% as well as the higher average length of vessels compared to the individual contract-based vessels. The revenue from the boat show in 2017 compared to that in the previous year recorded a high growth rate of 8.35%, while the Restaurant "Marina Kornati" records a slight growth in revenues by 0.21%.

Operating indicators in 2017 are slightly lower than those in 2016 in all business segments. A growing trend of demand for the accommodation of vessels measuring 15m and longer has been recorded in the nautical sector of the Company in the last few years. This also partly affected the achieved physical operating results where, despite full occupancy, it records a slight decrease in the total number of contracted vessels, of which 712 were contracted in 2017 compared to 714 vessels contracted in 2016, out of which 423 individual vessels and 289 charter vessels were contracted. Regarding the contracted vessels there was a significant growth in charter vessels by 9%, which resulted in the growth in revenues from contract-based berth. In 2017, a total of 3,527 transit vessels sailed in the Marina Kornati and realized 12,144 overnight stays of vessels, while in 2016, 3,544 transit vessels sailed in that realized 12,463 overnight stays or 3% more overnight stays. Charter companies operating in the Marina Kornati realized a total of 174,038 overnight stays, which is an insignificantly lower number than it was in the last year. The reason for shorter stays in 2017 was the consequence of more favorable weather conditions which allowed sailors to stay longer at sea. Some 3,446 port service operations were carried out (lifting, lowering and washing of vessels), while in 2016, some 3,772 port service operations were carried out. The reason for the decrease in the number of port service operations compared to that in 2016 is the consequence of 50 tons general travel lift service, which as expected affected the decrease in the port service activity.

Operating revenues of Marina Kornati are realized in the amount of HRK 37,887,938.99 while the operating revenues of the entire nautical sector, which besides profit center Marina Kornati also includes nautical fair and Restaurant "Marina Kornati", are realized in the amount of HRK 45,059,600.02.

Key market and financial indicators of nautics

NAUTICS TOTAL*	2017	2016	2017/ 2016
Operating revenues	45.059.600,02 kn	44.100.036,40 kn	2,18%
Operating revenue per berth	55.974,66 kn	54.782,65 kn	2,18%
Operating costs *	19.570.652,05 kn	17.573.980,03 kn	11,36%
GOP **	25.488.947,97 kn	26.526.056,37 kn	-3,91%
GOP per berth	31.663,29 kn	32.951,62 kn	-3,91%
GOP margin	56,6%	60,1%	-5,96%
Capital investments	6.372.231,58 kn	11.890.023,19 kn	-46,41%

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

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

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

*The Nautics is composed of three business units: Marina Kornati, Biograd Boat Show and Restaurant “ Marina Kornati”.





***Camping** sector regarding the offer of accommodation or the campsite “Park Soline” with realized 37.394 arrivals, which is a rise by 12.91% and it resulted in an increase in a number of overnight stays by 9.67% compared to those in 2016 and the number of realized overnight stays in the reporting period was 283,069. Also, at the Croatian level, the camping sector records a rise by 8% in 2017 in the number of overnight stays, so that owing to the rise by 9.67% in overnight stays, the campsite Park Soline exceeds the national level of the entire sector. The campsite records a rise both in physical turnover and revenue item, where the contracted and realized revenues amount to HRK 27,163,100.24 which is an increase by 9% compared to those in 2016, with the rise in revenues from the agencies by 10% as a result of an increase in the number of leased camping pitches and lump sum guests with a rise in contracted revenues by 12%, which is a result of a higher number of leased lump sum pitches compared to those in the last year, of which the major portion of the lump sum relates to the mobile homes that bring higher revenues. Revenues from mobile homes record a rise by 21%, while the revenues from individuals have remained at the same level as in the previous period.

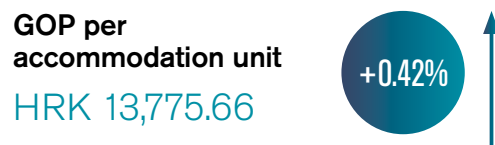
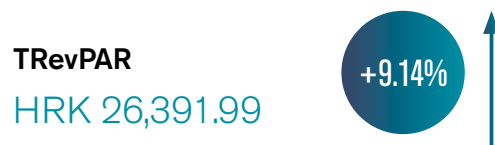
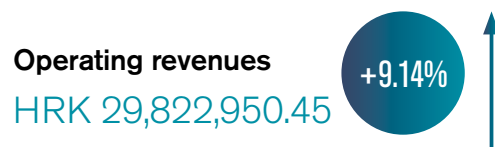
In the structure of realized overnight stays, the top five source markets are (I) the Slovenian market with a share of 23% overnight stays, (II) the Czech market with a share of 20% overnight stays, (III) the German market with a share of 14% overnight stays, (IV) the Dutch market with a share of 8% overnight stays and (V) the Croatian market with a share of 7% overnight stays.

The increase in overnight stays, arrivals and revenues compared to that in the year 2016 are the result of investments made in new mobile homes, enhancing the quality of camping facilities and services, price optimization, marketing activities and strategically planned investments in key sales channels, and intensive early booking from the end 2016 and a higher number of concluded lump sum and agency contracts.

The camping sector of the company, that in addition to the campsite, also includes the restaurant “Park Soline” generated HRK 29,822,950.45 in operating revenues which is an increase by 9.14% compared to that in the previous year. First of all, the rise in revenues is mainly generated in the segment of accommodation, but at the same time the revenue from the campsite restaurant rose by 9%.



Key market and financial indicators of camping sector



CAMPSITE "PARK SOLINE" - MARKET INDICATORS	2017	2016	2017/ 2016
Average daily rate of the camp unit (ADR)*	213,31 kn	207,89 kn	2,61%
Revenue per available room per camp unit (RevPAR) on a basis of 365 days **	65,14 kn	58,08 kn	12,15%
Revenue per available room per camp unit (RevPAR) on a open day basis**	122,56 kn	110,15 kn	11,27%
CAMPING TOTAL - FINANCIAL INDICATORS			
Operating revenues	29.822.950,45 kn	27.325.389,90 kn	9,14%
TRevPAR ***	26.391,99 kn	24.181,76 kn	9,14%
Operating costs****	14.256.457,16 kn	11.824.069,60 kn	20,57%
GOP *****	15.566.493,29 kn	15.501.320,30 kn	0,42%
GOP per accommodation unit	13.775,66 kn	13.717,98 kn	0,42%
GOP margin *****	52,2%	56,7%	-7,99%
Capital investments	4.547.657,84 kn	8.709.571,97 kn	-47,79%

*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).

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

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

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

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

*Camping besides the campsite „Park Soline“ includes the profit center Restaurant "Park Soline".



The destination management company /DMC Ilirija Travel through whose system some 491 events were held, starting from simpler individual events, excursions to special programs, incentives, events, conferences, congresses, weddings, excursions, regattas etc. mainly organized in the shoulder season and the service was provided to 66,023 persons. Operational indicators of the destination management company indicated through the number of events and persons compared to those in 2016 grew by 26.55% in the number of events and by 40.85% in the number of guests. Revenues in the amount of HRK 12,331,241.10 were generated partly through the contents of all profit centers of the Company, with a rise by 30.87% compared to HRK 9,422,823.19 in revenues generated in 2016.



The real estate sector or Commercial-shopping center City Galleria as the organizational unit of the company Ilirija d.d. achieved positive business results in 2017 or in the first year of its operations shown in the attached key market and financial indicators.

The operating revenues were generated in the amount of HRK 12,440,343.14 mostly realized by lease of premises, the calculation of common expenses, lease of common areas of the Center, underground garage parking fees and, in the smallest part, the lease of advertising space, with an average annual rental fee realized per square meter in the amount of HRK 828.26; or HRK 69.02 per month. In the stated period, 64.29% of the operating revenues or HRK 7,997,925.43 was generated from the calculation of rental fees from commercial premises. Common expenses make up for a total 23.91% of the revenues from the generated revenues of HRK 2,975,024.90. The revenue in the amount of HRK 563,440.76 or 4.53% of the total revenues was generated from the lease of common areas of the center and HRK 29,699.72 was generated in revenues from the lease of advertising space, which makes up for 0.24% of the total annual revenues. The revenue from the center's garage in 2017 amounts to HRK 666,592.31, which makes up for 5.36% of the total operating revenues.

The City Galleria's operational results, the occupancy of business premises, and the interest of potential lessees in business cooperation is continuously marking an increase. Commercial occupancy of the center as at 31/12/2017 was 100% of all capacities with 35 active lease agreements for lease of premises whose floor area ranges from 9.8m² to 1.836m² concluded with local, national and international lessees. The lessees' business operations in the facility range from local lessees to international market leaders in their respective categories.



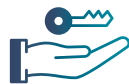
9,656.30m² of net rentable area



35 lease contracts



100% of commercial occupancy



**828.26 HRK/m²
achieved average yearly
rent per square meter**

Continuous efforts are being made to improve and advance the offer of the Center in order to create attractive and diverse content, and to strengthen its overall market recognition and positioning in the Zadar region. The Company continuously cooperates with the center's existing lessees in order to increase its business volume and raise the quality of service, along with an active policy of bringing new lessees, especially those which as of yet do not have a presence in the Zadar County area.

KEY MARKET INDICATORS OF THE REAL ESTATE SECTOR - CITY GALLERIA	2017
FINANCIAL RESULTS:	
Average monthly rent earned per m ² of premises (AMR) *	69.02 kn
Average annual rent earned per m ² of premises	828.26 kn
Average yearly revenue from the garage per parking space **	1,625.83 kn
Commercial turnover:	
Lease of Premises – number of active contracts	35
Common costs – number of active contracts	33
Lease of Common areas- number of active contracts	24
Lease of Advertising areas – number of active contracts	8
Garage - number of parking spaces	410
Garage – annual turnover of vehicles	667,753
KEY FINANCIAL INDICATORS OF REAL ESTATE SECTOR - CITY GALLERIA	
2017	
Operating revenues	12,440,343.14 kn
Operating costs ***	6,080,342.88 kn
GOP ****	6,360,000.26 kn
GOP margin *****	51.1%
Capital investments	0.00 kn

*AMR - Average Monthly Rent - The average monthly price achieved for m² of the premises is calculated based on the revenue from the rent of premises and net available floor area of active premises.

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

*** 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 (eng. 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.

Operating revenues

HRK 149,515,545.23

+17.18%

Revenues from camping

HRK 29,822,950.45

+9.00%

Revenues from hotel sector

HRK 51,295,911.97

+8.00%

Revenues from nautics

HRK 45,059,600.02

+2.00%

Revenues from other sectors and profit centers

HRK 23,337,082.79

+166.66%

Financial results in the year 2017

Total revenues generated in the amount of HRK 150,476,677.41 rose by 16.63% as a consequence of the rise in domestic sales revenue and financial revenues and also the acquisition of the Commercial-shopping center City Galleria. The operating revenues were generated in the amount of HRK 149,515,545.23 with a significant growth in operating revenues from the camping sector by 9% and other profit centers which include the revenues from City Galleria and the revenues from the destination management company/DMC Ilirija Travel realized mainly in the pre-season and the post-season. Revenues from the hotel sector increased by 8%, while the revenues from the nautics increased by 2% compared to those in the previous fiscal year.

In addition to the growth in total and operating revenues, the key indicators of operating profitability increased despite the rise in total expenses, the change in the value added tax (VAT) rate, which increased from 13% to 25% for hospitality services and the amendment to the Corporate Income Tax Act and abolishing tax relief on the grounds of the reinvested profit, which affected the company's net profit.

+10.12% ↑

Profit

generated in the amount of HRK 34,402,224.34 with a rise by HRK 3,161,427.54 (2016: HRK 31,240,796.80)

+11.30% ↑

EBITDA

amounts to HRK 50,113,710.90 with realized growth by HRK 5,086,581.44 (2016: HRK 45,027,129.46)

+ 8.20% ↑

EBIT

realized in the amount of HRK 38,966,809.99 which is a rise by HRK 2,951,933.82 (2016: HRK 36,014,876.17)

+21.86% ↑

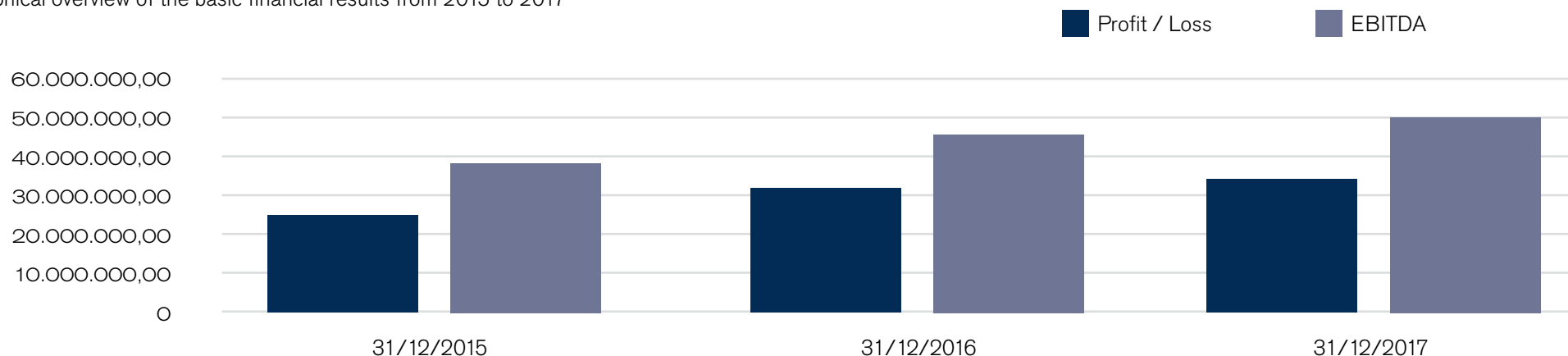
Dividend

HRK 6,016,540.00 paid out to shareholders or HRK 20.00 per share or which rose by HRK 1,079,392.00 (2016: HRK 4,937,148.00)

Overview of financial results during the period from 01/01 to 31/12/2017 and comparison with the same period from 2015 to 2017:

REVENUES	2015	2016	2017	INDEX 17/16
Revenues on domestic market	89.782.606,43	90.914.640,20	112.784.382,37	124
Revenues on foreign market	35.790.201,68	34.572.634,09	34.375.832,23	99
Other revenues	2.089.411,28	2.103.865,91	2.355.330,63	112
OPERATING REVENUES	127.662.219,39	127.591.140,20	149.515.545,23	117
Financial revenues	484.269,24	1.427.867,11	961.132,18	67
Extraordinary revenues	0.00	0.00	0.00	
TOTAL REVENUES	128.146.488,63	129.019.007,31	150.476.677,41	117
EXPENSES				
Cost of raw materials	20.106.921,74	18.339.619,89	22.588.537,09	123
Cost of services	17.867.491,44	14.790.955,74	18.338.604,57	124
Gross salaries	29.763.374,67	30.295.745,80	35.265.395,20	116
Other expenses	22.641.493,72	20.565.556,42	24.170.429,65	118
OPERATING EXPENSES	90.379.281,57	83.991.877,85	100.362.966,51	119
AMORTIZATION	8.225.981,02	9.012.252,49	11.146.900,91	124
FINANCIAL EXPENSES	4.030.686,50	4.774.080,17	4.564.585,65	96
EXTRAORDINARY EXPENSES	0,00	0,00	0,00	
TOTAL EXPENSES	102.635.949,09	97.778.210,51	116.074.453,07	119
PROFIT / LOSS	25.510.539,54	31.240.796,80	34.402.224,34	110
OPERATING PROFIT / LOSS	37.282.937,82	43.599.262,35	49.152.578,72	113
EBITDA	37.767.207,06	45.027.129,46	50.113.710,90	111

Graphical overview of the basic financial results from 2015 to 2017



Revenues by activities:

Revenues from hotel sector amount to HRK 51,295,911.97 and are higher by 8% compared to those in the previous fiscal year as a consequence of a significant increase in demand during the high season and rise in physical and financial turnover in the pre- and post-season.



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



Revenues from camping amount to HRK 29,822,950.45 and are higher by 9% compared to those in the fiscal year 2016 and refer to the growth in revenues as a consequence of the total growth in operating results (arrivals and overnight stays) and rise in revenues from the hospitality segment.



Revenues from other activities or the revenues from profit centers, including Ilirija Travel, hospitality, Arsenal and event boat „Nada“ and Commercial-shopping center City Galleria were generated in the amount of HRK 23,337,082.79 and rose by 166.66% compared to the revenues generated in the year 2016.



GRANDTOTAL: Operating revenues by activities amount to HRK 149,515,545.23 and rose by 17.18%.

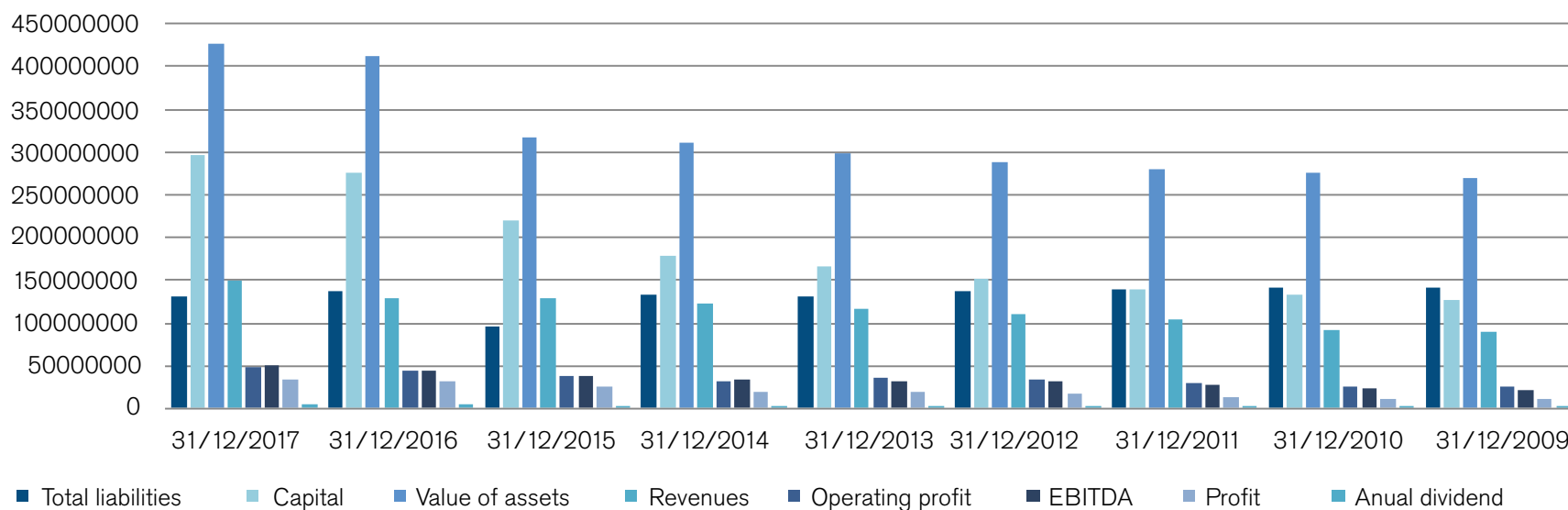
The achieved operating results in the tourism sector of the company together with the full and successful integration of the Commercial-shopping center City Galleria into the operational business contributed to the further growth of the fundamental financial ratios of the company, accompanied by the reduction of total liabilities. The total liabilities of the Company as at 31st December 2017 amount to HRK 130,462,696.84 and are lower by HRK 7,039,563.71 or 5.12% as a result of decreased lending liabilities owed to financial institutions. At the same time, the value of the assets and capital increased significantly as a result of successfully completed investments, which increased the value of assets by HRK 13,231,757.55 or 3.20% to the amount of HRK 426,417,926.08, while the capital increased by HRK 20,271,321.26 or 7.35% and it amounts to HRK 295,955,229.24.

CUMULATIVE COMPARATIVE OVERVIEW

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

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

Graphical overview of Cumulative comparative overview of fundamental indicators on the position of assets, capital, liabilities and operating results for the period from 2009 to 2017

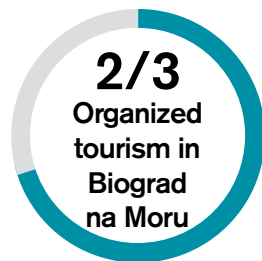
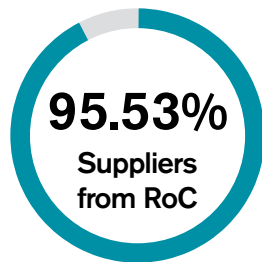


For the year 2017, the direct generated economic value amounted to HRK 150,476,677.41, which increased by 16.63% compared to that in the previous year, while the economic value distributed to our stakeholders generated in the amount of HRK 113,026,346.47 increased by 26.3% or HRK 37,450,330.94 as a result of the growth in operating expenses, the company's decision to continuously improve the employee's financial entitlements, the growth in the payment to capital providers, the government and the community investments which resulted in a lower retained economic value achieved for the period in question in the amount of HRK 37,450,330.94 which is a decrease by 5.25%.

Direct, retained and distributed economic value on 31/12/2015, 2016 and 2017

DESCRIPTION	2015	2016	2017
Direct generated economic value	128.146.488,63	129.019.007,31	150.476.677,41
Revenues from sale	127.662.219,39	127.591.140,20	149.515.545,23
Other revenues	484.269,24	1.427.867,11	961.132,18
Distributed economic value	98.097.210,51	89.493.785,39	113.026.346,47
Operating costs	60.397.272,27	53.240.286,75	64.756.352,99
Employee wages and benefits	29.781.374,67	30.545.745,80	35.357.395,00
Payments to providers of capital	3.740.790,00	4.937.148,00	6.016.540,00
Payments to the State	3.977.138,94	564.749,54	6.646.839,96
Community investments	200.634,63	205.855,30	249.218,52
Retained economic value	30.049.278,12	39.525.221,92	37.450.330,94

Impacts of Ilirija on community:



3 Indirect economic impacts of the company

The most significant indirect economic impacts of the company are seen primarily through the employment of the local citizens from the city of Biograd na Moru, accounting for 46% of the total number of employees at the end of the reporting period. Regarding the procurement, 95.53% of our suppliers come from the Republic of Croatia and in this way we encourage the national economy and economy as a whole. As a leading tourism or economic system in the city of Biograd na Moru, by developing our own offer and contents and by increasing the number in overnight stays, we indirectly encourage the development of the tourist offer of the city, contribute to the recognizability and the competitiveness of the destination, we generate the increased tourist consumption of other economic operators mainly in the city of Biograd na Moru and also other destinations in which we do business.

Regarding the supported investments in infrastructure and services, we particularly emphasize the long-standing maintenance and development of the hotel beach in the very center of Biograd na Moru, situated in front of hotels of Ilirija Resort, which is also used in a function as a public beach at the same time, since Ilirija d.d. successfully implements the both functions on the maritime domain managed by it in an economic sense, since the hotel beach is also used by all other visitors and city inhabitants in addition to our guests. With this investment we contribute to the adequate development of the sea coast, since the main Croatian tourism product is the "sun and sea" in the high season (June to August), which requires quality beach development. Concerning some other investments, we emphasize the investment in the educational institution or kindergarten "Biograd" by equipping and developing the sports room as well as the contribution made to the Municipality of Polača and the Utility Company Polača d.o.o. in the procurement of bus for the needs of the social life of the municipality (primary schools, kindergarten, cultural-artistic society, sports clubs and utility services).

Since the opening of the Commercial-shopping center City Galleria, outdoor city marketplace "Relja" which is run by Tržnice Zadar d.o.o., a company owned by the City of Zadar, is located on the outdoor covered square of the center. After more than thirty years of the city marketplace operating at the nearby Duke Višeslav Square, in October of 2008, the market was relocated to the covered spacious plateau of then newly built center City Galleria. In order to facilitate the operations of the city marketplace, considering the previous outdoor working conditions and inadequate supporting facilities, more than 800 m² of sales area was provided on the covered square, accompanied by office space for the market's business purposes, sanitary facilities for the use by vendors, and underground storage facility with easy access to a freight elevator, provided for the sole use of marketplace vendors. Parking space was made available to the market customers in the public garage of the center, with access to the marketplace by elevator, and with one hour of parking free of charge. The marketplace offer is available to citizens throughout the whole year, all weekdays during the morning hours, with accompanying facilities such as a fish market, butcher shops, bakeries and other delicacy products in the indoor marketplace of the shopping center. The significance of this location for business activities of local farmers, as well as citizens themselves is reflected in the fact that the marketplace "Relja" is the second largest city market in Zadar with more than 35 regular vendors, and due to its importance to the local community, it operates under favourable commercial conditions.

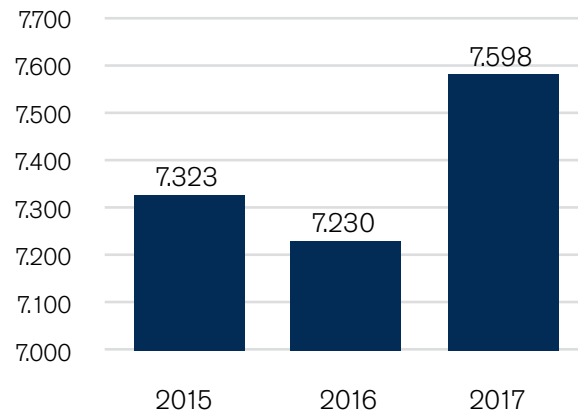
4 Market presence

The employees' average gross wage in the year 2017 amounted to HRK 7,598.00, which is a rise by 5% compared to the average gross wage in 2016, which amounted to HRK 7,230.00. Compared to the average gross wage in the Republic of Croatia in providing the accommodation services and food preparation and serving which amounts to HRK 6,685.00 of gross wage, the employees' gross wage is higher by 14%. In 2017, the lowest gross wage paid in Ilirija was higher by 17.82% than the minimum wage in the Republic of Croatia which according to the Minimum wage Regulation Official Gazette 115/2016 amounts to HRK 3,276.00. The gross wage expenditure grew by 16% compared to that in 2016 in the reporting period.

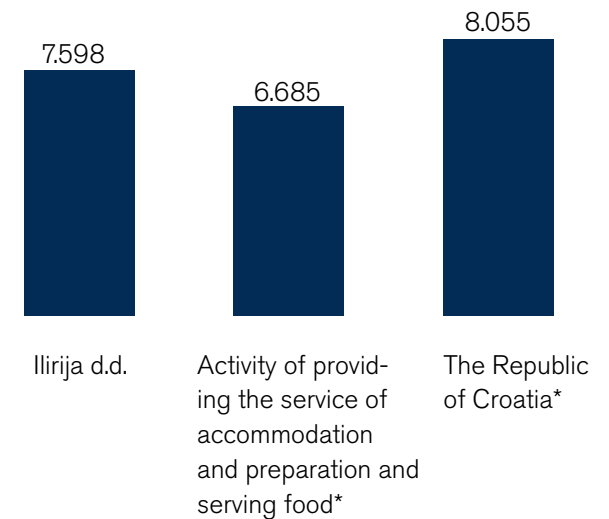
The employees holding the same work positions have the same wage regardless of gender, age or any other form of difference. According to the legal regulations, the company allocates and pays 20% from the employees' gross wage for all employees for the pension contribution, of which 15% to the pension fund of the Republic of Croatia and 5% into the fund of the capitalized savings.

Data on average gross wage for the years 2017, 2016 and 2015 indicated in HRK

Average gross wage during the period from 2015 to 2017



Average gross wage



*Data of the State Bureau of Statistics

+5%

Rise in average gross wage

+14%

Average gross wage higher in Ilirija on average compared to the same business activity

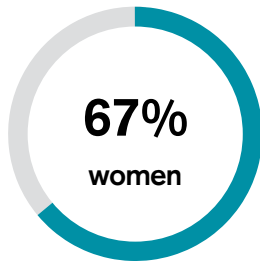
+17.82%

The lowest gross wage in Ilirija compared to the minimum wage in the RoC

Top management

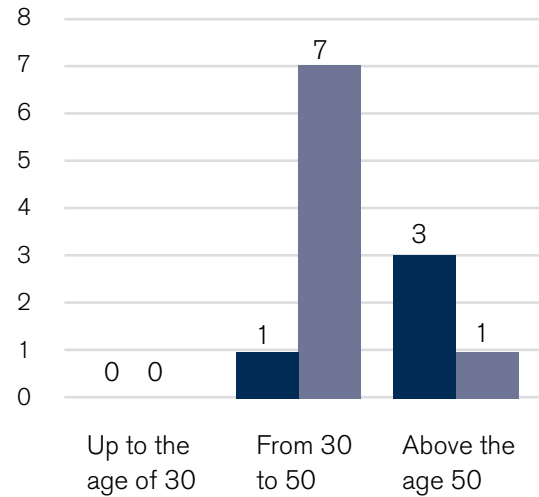


12 persons

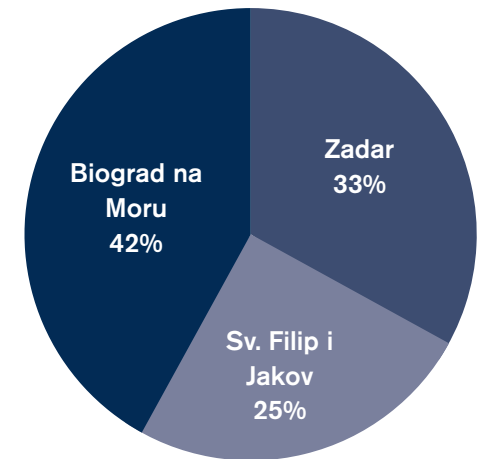


The top management of the Company composed of the Management Board, managers of the sectors and heads of corporate departments includes 12 persons with special powers, of whom 67% of them are the women. All of them come from the local and regional community or from the region of the city Biograd na Moru and towns and municipalities of the Zadar County. 67% of employees of the top management are the employees aged from 30 to 50.

Top management employees by gender and age group

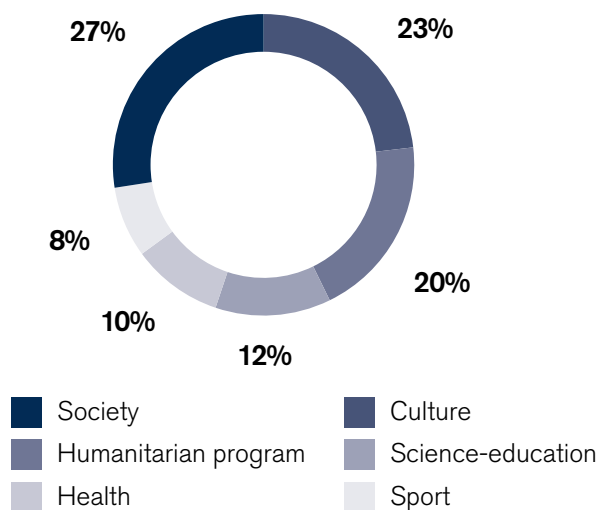


Top management employees according to the permanent residence

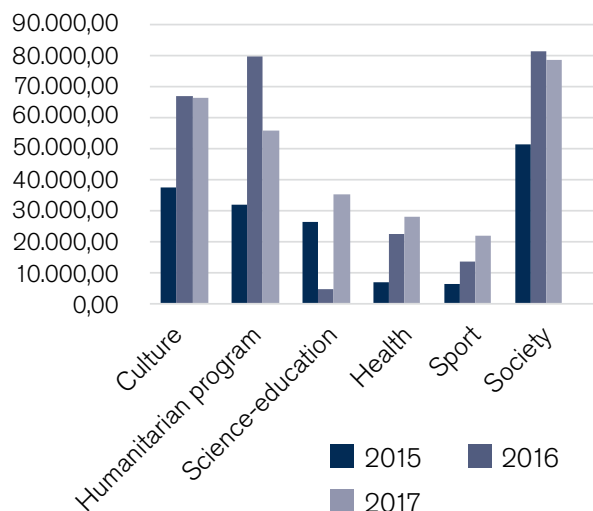


All members of the Supervisory Board, a total of five of them, and the Management Board, composed of one member, are men out of whom five of them are in the age group over 50, while one member of the Supervisory Board is in the age group from 30 to 50.

Overview of donations by areas for the year 2017



Overview of donations by areas for the period from 2015 - 2017



5 Corporate philanthropy and destination development

The Management defines, implements and designs the entire process of corporate philanthropy, which includes donations and sponsorships for a specific fiscal year, guided by the principles of responsibility of the company as a leading economic operator in the city of Biograd na Moru. In addition to the Management Board, the corporate communications and public relations manager as well as the marketing manager and, where appropriate, other corporate departments are involved in the process of implementing and designing thereof.

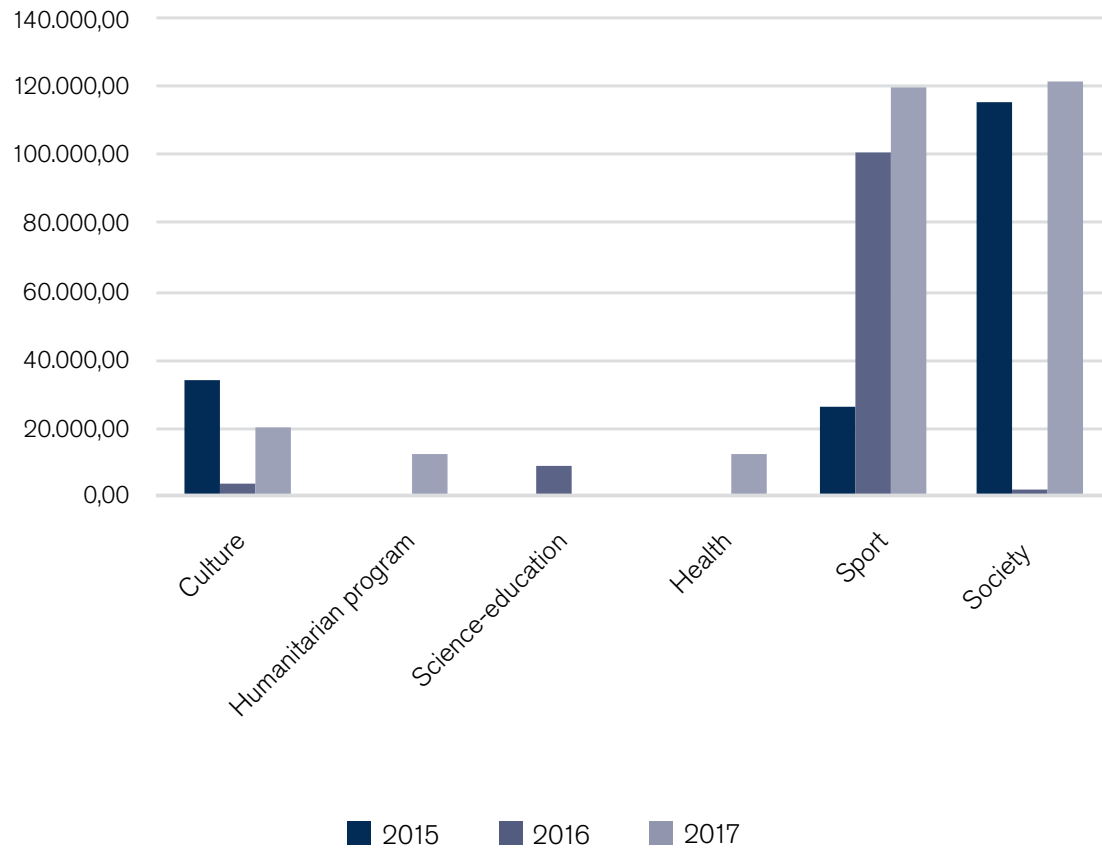
Corporate philanthropy is conducted in three ways:

- By initiating or participating in the donation/sponsorship process for specific social projects together with other community members such as business operators mainly from the Zadar County, business partners, regional and local self-government units, associations and institutions,
- By continuous donating to various associations, sports clubs, educational institutions, religious institutions, individuals, young people, culture with an emphasis placed on conservation and reconstruction of cultural and historical heritage etc. primarily based on the assessment of their significance and influence on the long-term community development, degree of innovation, care for conservation and protection of the environment, contribution to education, promotion and preservation of the culture and tradition of this region and the influence on children and young people, and
- By donating/sponsoring in response to the current need of the community i.e. through the so called ad hoc donations/sponsorships.

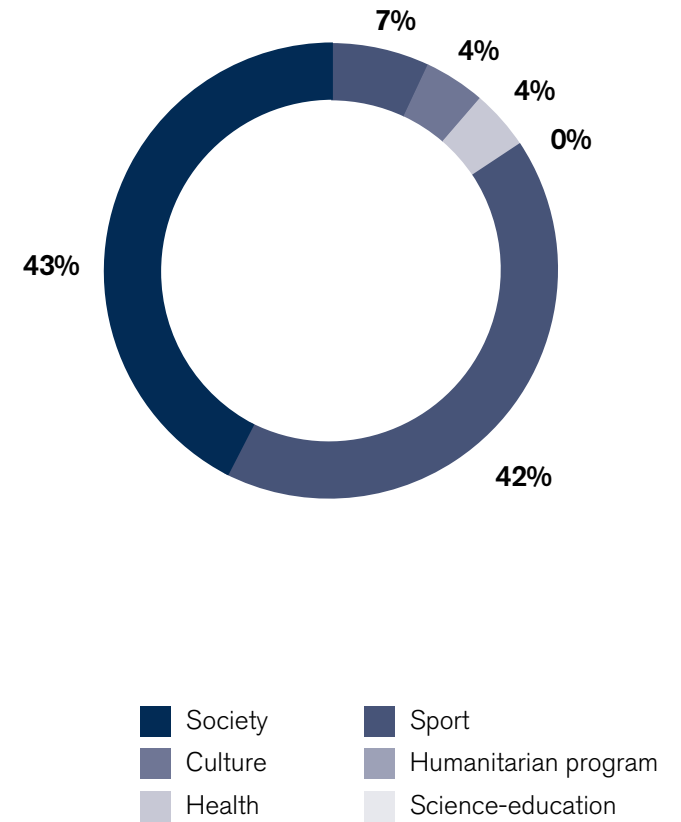
In addition to financial donations, there is a significant share in donations in services that arise from our activities such as providing accommodation (hotels, camp, marinas), assigning our capacities (conference rooms, hospitality facilities), food and beverage services and transfer services. In the reporting period, Ilirija made donation and sponsorship through the system of corporate philanthropy in the total amount of HRK 572,782.00 * as financial donations/sponsorships and in services, where the share of donations and sponsorships was evenly distributed.

**The data differs from the data presented in Table Direct, distributed and retained economic value in the item Community investments that includes only financial donations and sponsorships*

Overview of sponsorships by areas for the period from 2015 -2017



Overview of sponsorships by areas in 2017



Corporate philanthropy in 2017

 **86 activities, HRK 572,782.00**

61 donations
25 sponsorships

Corporate philanthropy from 2015 - 2017

 **241 activities, HRK 1,293,107.29**

In 2017, a total of 86 projects were supported, including individual applications filed by natural persons and associations in six different areas (culture, science-education, health, sports, society and humanitarian program), of which 61 projects through donation activities and 25 projects through sponsorships. During the period from 2015 to 2017, a total of 241 activities were supported in a form of projects, individual applications and applications by associations whose value total to HRK 1,293,107.29.

During this period, the company organized and/or supported numerous events of particular importance for the development of the destination and its tourism offer, including the events of importance at the national level of which we particularly emphasize:

- Bike & Wine – Ravni kotari tour
- Tuna, wine & sushi festival,
- 302nd Alka of Sinj
- Institute for Development and Innovation of Young People - Project STEM Revolution
- World Cancer Day,
- Back-to-school project,
- Croatia's national team in Australian football,
- Škraping International Trekking Race 2017,
- Basket Tour - Street Basketball Tournament,
- Zadar Dance Festival,
- Cultural and Historical Spectacle "XI. Days of Vrana's Knights "
- Flower Festival of the Zadar County,
- Cultural Artistic Societies in Promoting Culture, Customs and Traditions of the Zadar Region,
- Puppet Theater Zadar,
- The Homeland Museum of the City of Biograd, and
- A number of cultural, artistic and entertainment events.



302nd Alka of Sinj



Škraping Pašman
International Trekking Race

Corporate philanthropy



Croatian national team in Australian
football - First place in International
championship in 2017



Public Health Institute
- World Cancer Day



We cooperate with a number of associations that maintain their projects and activities and present them to users in our facilities. In 2017, we co-operated with the following international and domestic humanitarian organizations and associations:

- UNICEF
- Center for Education, Counseling and Humanitarian Action “Krugovi” /Circles/
- Association for equine assisted therapy and Rehabilitation of Children with Developmental Disabilities and Persons with Disabilities “Don Kihot”
- Humanitarian Association “Put” Zadar
- Zadar Cancer League
- Croatian Leukemia and Lymphoma Society
- “Antonijo Jurjević” Humanitarian Association
- The Association for the Blind and Visually Impaired

We also carry out long-standing collaboration with the Zadar Public Health Institute through a successful public health campaign of commemorating World Cancer Day, presenting three national programs on that occasion (The National Early Detection of Breast Cancer Program, The National Early Detection of Colon Cancer Program and The National Early Detection of Cervical Cancer Program). These programs are implemented at the local level and initiated by the Ministry of Health.

In addition, we have been conducting a „Back-To-School“ project as a part of the Commercial-Shopping Center City Galleria’s marketing activities in the month of September through cooperation with a great number of local sports clubs and associations with an aim to promote sports and physical activities in children. In 2017, we sponsored three associations and clubs (the “Gesta” Dance Association, “Zadar 08” Tennis Club and the “Loptica” Sports Recreation Society), who presented their activities in the facility, demonstrated their respective programs, conducted demonstrations of exercises and training, and acquainted visitors with the possibilities for the enrollment of children of school and preschool age, as well as with other benefits of joining group sports activities for children.

Contribution to the development and recognizability of the destinations

We particularly emphasize the contribution to the development of the destination and their recognizability by organizing the events and offer of contents and programs in their own organization and their own facilities and capacities:

1

Biograd Boat Show – the leading international autumn boat show in Croatia and the wider region and the central place for getting all segments of the Croatian nautical industry and tourism together. It contributes to the development and recognizability of the Croatian nautical industry and tourism, whose start up some nineteen years ago extended the tourist season in Biograd na Moru till the end of October.

2

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

3

Aquatic Center - has a significant role to play in developing the destination of Biograd na Moru with its rich musical, sports and entertainment facilities. Daily and evening entertainment programs take place on a daily basis and these are either Dalmatian feasts where you can sense the lifestyle of this region and hear the original Dalmatian music or concert performances given by famous Croatian musicians.

In addition, the Aquatic Center is a place for holding sports activities such as the swimming marathon, swimming schools guided by expert educators on a daily basis, allowing the youngest to acquire new knowledge and experience, and the place where water polo games are held, thus contributing to the development of another type of tourism-sports tourism in the destination.

Additional value for the development of the destination is given by the company's animators who enhance the level of tourist services, so that guests can enjoy the activities inside and outside of the swimming pool every day. Along with the animation contents at the Aquatic Center, there are events organized by local associations such as the Summer Carnival and the Biograd Summer Games that take place.



Bike&Wine - Ravni Kotari Tour



Aquatic center



Biograd Boat Show

Arsenal in numbers

heritage site from 17th century
revitalized in 2005 to the concept
“indoor town square”



1,698 events
from 2005 - 2017



330,000 visitors
from 2005 - 2017



central place for events in Zadar
destination and wider region

Revitalization of Arsenal - We particularly emphasize the contribution to the community by revitalizing Arsenal, a heritage site in Zadar dating back to the **17th century** when it was built as a military warehouse and extended in 1752 when an annex was also built to it. Today, it is one of only seven preserved structures of this kind, which was reconstructed in 2005 according to the concept of “indoor town square” by dividing the unique space of 1800 m² into hospitality and presentation, exhibition, shopping, and tourist-information part, creating thus the perfect blend of business and cultural tourism, which owing to its revitalization has brought added value not only to the tourism offer of the Company, but also to the entire destination, since it is the only revitalized historical structure in the wider area, which is used as the cultural, entertainment and MICE center of the region.

This unique product of the Mediterranean culture is revitalized into the functional blend of cultural, hospitality and event offer, successfully nurturing the role of meeting people with diverse interests, that started some hundreds of years ago.

The revitalization of the heritage monuments has contributed to the quality of the offer of the destination, giving added value to our existing tourism offer (hotel sector, nautical sector, camping, hospitality) with a special emphasis on business and MICE tourism as one of the best ways of quality extension of the tourist season, successful and profitable year-round business in the shoulder season. At the same time, the market was enriched by a unique, recognizable and authentic product that enhanced the offer of business tourism in the city of Zadar, the whole destination and the region, that is, an authentic experience in an authentic atmosphere was created, giving Arsenal a new life and function in the general public interest.

Today, Arsenal is a place with unique conditions for holding concerts, presentations, receptions, conferences, private celebrations, exhibitions and commercial events recognized by domestic and foreign touroperators, MICE and event agencies. Throughout the year, various cultural events, concerts, book presentations, thematic evenings, MICE events, weddings and banquets, performances and other similar events are organized. Some 1698 events were held in Arsenal, involving over 330,000 visitors in 2005, finally until 2017. Almost all public events take place in the period from September to the end of May, thus contributing to the development of the cultural and social offer of the city of Zadar and the related region in the off season.

Regarding the activities in the field of corporate social responsibility, Arsenal also plays an important role as a facility, which owing to its specific features (capacities, technical and organizational support, hospitality offer) has imposed itself as a place for holding numerous projects of general interest to the community, by which we, as the company, provide support either by providing the space free of charge or by providing organizational, technical and hospitality services. Arsenal is also known for participating in and organizing of humanitarian events, mostly concerts, of which we highlight the humanitarian concert “Klape s ljubavlju” of 17th February 2018, and “Zadar for Petra” organized on 18th April 2018 by the Humanitarian Association “Antonio Jurjević” and Ilirija or the activities of the Zadar Cancer League. It is a great honor to Arsenal to contribute to the changes and the welfare of its inhabitants and to influence its social engagement, either in cultural, entertainment or humanitarian spheres.



Music events



Culture

Arsenal center of events in destination:
118 events and
35,266 visitors



MICE



Events



IV Environmental topics

1 Environmental management

As a responsible corporate system, we are aware that through our business activities we influence the environment, therefore preserving and protecting the environment, preserving biodiversity, preventing pollution or minimizing pollution to the least possible extent, and minimizing environmental impacts is our obligation since the Croatian tourism, and consequently Ilirija as an economic community cannot survive without preserved environment as a basic resource of the Croatian tourism. According to the foregoing, the environmental topics (energy, water, waste and compliance with environmental protection regulations) are material for Ilirija considering their effect on the economic, environmental and social impacts of the company.

The environmental protection in Ilirija implies rational management of all resources related to the environment and the aspiration to achieve environmental protection objectives that will ensure the reduction of the negative effects of our activity on the environment, natural resources and cultural heritage. Only in this way, the environment can be preserved for future generations.

Considering the foregoing, Head of the Environmental Protection has been appointed, who reports to the Management Board for his work. In addition to the Head of the Environmental Protection, there is also a representative of the Environmental Protection Directorate, who is appointed. The Head of the Environmental Protection creates the Plans and performs the activities at the level of the entire Company, but also in each sector separately, taking into account their special features and the operational nature of the business activity. Ilirija has a clearly defined environmental management policy as a fundamental document which defines the objectives in the area of environmental protection and that is implemented systematically, responsibly and sustainably. The implementation of the environmental protection policy has enabled optimal reduction of negative impacts of tourism activity on the environment and nature on the one hand, while on the other hand it has enabled a high quality, responsible and sustainable management of the environment and natural resources.

Our facilities are certified according to the requirements of international standard ISO 14001, which is an integral part of our environmental management policy. It includes the clearly presented visions and environmental objectives of the company that encourage us to develop it sustainably. Environmental protection from pollution is perceived as a complex activity whose processes require careful preparation, control, professional selection of technologies, and a series of current and long-term planned activities to detect and then measure the result in this area.

Due to our determination to pursue sustainable development, the regulatory framework of this area is being constantly monitored in the Company, which ensures quick adaptations and responses to new requirements. Along with legal requirements, we are making improvements by complying with the criteria and environmental standards that we implement although they are not a statutory obligation.

The achieved standards and environmental protection standards:



ISO 14001 is the most widely used international environmental management standard. With the help of ISO 14001, implemented and certified in 2014, Ilirija focuses on the preservation and constant improvement of the environment. By establishing an environmental management system, we guarantee that all environmental management issues that are related to our business activity, are under constant supervision and all the potentially negative impacts of our business activities related to the environment are minimized.

In addition to the environmental standards of Ilirija d.d in 2013, Ilirija d.d. continued to make investments in improving the quality of its own business processes by establishing and certifying the quality management system according to ISO 9001: 2008.



The Green Key is a certification program of accommodation capacities for the purpose of raising the awareness of owners, staff and clients about the need for environmental protection and the need of promoting sustainable development. The Green Key is awarded to accommodation facilities that reduce negative environmental impacts through: optimization of energy consumption, waste management, education of guests and employees on the most important aspects of sustainable development and environmental protection. The Ilirija campsite "Park Soline" was awarded this international certificate in 2013 when it was just one of the two campsites in Croatia that met all the criteria for awarding this ecological mark.



After having successfully completed the audit in September 2015, the campsite "Park Soline" was awarded an international certificate "**Ecocampig**". Membership in Ecocamping network, consisting of over 240 campsites from seven European countries makes us further committed to further promoting ecology, sustainable development and corporate social responsibility, with a particular emphasis on the efficient management of energy (water, electricity), waste sorting and recycling, nature conservation and biodiversity etc.



The Blue flag awarded to Marina Kornati is an international ecological program for the protection of the sea and coastal region, whose primary objective is the sustainable management and management of the sea and the coastal belt. The Blue Flag is now the world's most recognized model of ecological education and public awareness, when it comes to the sea and coastal belt, especially when it comes to the care for the coastal areas that are highly under pressure, and these are the beaches and marinas. Marina Kornati has been the holder of the Blue Flag since 2004.

2 Education

Considering the fact that 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.

1

During the operational processes, employees are educated about sustainability and their contribution to environmental protection either individually or in groups, and through their work they learn about proper handling of chemicals, energy and resource savings or the proper sorting of the waste. If needed, employees are also sent to attend external courses, seminars or more complex education on a particular aspect.

2

Significant educational activities are focused on the guests. The youngest guests are most involved and educated about the various environmental topics through the children's workshops. In cooperation with animators, we celebrate ecologically important dates by teaching the youngest ones about the concepts that are essential to the environmental protection and conservation of nature by developing the ecological awareness.

3

In cooperation with the **Association for Sustainable Development of Croatia (UZOR Croatia)**, the initiator of the project "Together for Children and Planet Earth", Ilirija supported their project by educating the kindergarten children about our local community, "Cvit" kindergarten from Sv. Filip i Jakova and "Biograd" kindergarten **about the importance of conservation and protection of nature and the environment by participating in the project "Waste recognition and classification"**.

The project was **based on the identification and classification of waste** with the help of the Children's Handbook for Sustainable Development "Waste Recognition and Classification" and additional education of the Ilirija employees in charge of environmental protection and management who explained the children in a way appropriate to their age about the importance of waste sorting and recycling. As part of this project, **we donated a certain number of the handbook copies of "Waste recognition and classification" and a set of cardboard ecoboxes with children's characters** for the separation of non-hazardous waste, with the help of which they built sustainable separate waste collection systems.

The celebration of the 22nd International Bat Night was organized in Ilirija campsite "Park Soline" which through a series of educational, interactive workshops and lectures was attended by over 30 children of different ages where they became familiar and informed about the only flying mammals, their species and habitats through the interactive workshops and games with the topic on bats, interactive lectures, prize draws and bats disco.





+31.17%

Environmental investments

Energy consumption in 2017



20.638,24 GJ



1.171,35 GJ



6.507,11 GJ



1.152,95 GJ

3 Environmental Investment

Environmental Investment (HRK)	2015	2016	2017
Environmental certificates	74.629,60	103.380,52	105.178,44
Technical improvements (replacement of existing separators, faucet aerators, switch to natural gas)	4.488,00	40.500,00	255.960,00
External litter bins and waste containers (replacement of the old worn out ones)	916	192.351,25	79.909,00
Total	80.033,60	336.231,77	441.047,44

In 2017, HRK 441,047.44 were invested in the environmental conservation related to the achievement of international standards in the field of environmental protection, technical advancements and improvements in the field of environmental protection, of which we especially emphasize the reconstruction of the boiler room in Kornati hotel and switch to the natural gas as the main energy source.

4 Energy

Energy is a material topic considering its effect on the economic, environmental and social impacts of the company whose borderlines are in its facilities at the local and regional level. Electricity, fuel oil and gas, liquefied petroleum and natural gas are used as energy sources.

Total energy consumption within the organization in GJ

Energy source	2015	2016	2017
Electricity (GJ)	13.720,16	13.462,67	20.638,24
Gas-LPG (GJ)	1.491,40	1.718,46	1.171,35
Fuel oil (GJ)	6.722,41	7.096,64	6.507,11
Natural gas (GJ)	0,00	0,00	1.152,95
Total	21.933,97	22.277,77	29.469,65

Energy management:



daily and monthly control at the level of a single facility and the entire company



setting annual objectives for optimum energy use



the strategic commitment of the company to switch to natural gas as the main energy source



use of electricity from renewable sources



energy efficiency when purchasing new appliances, and



employee and guest education.

By switching to natural gas in the facilities where fuel oil is still used, it is attempted to reduce the total emission of harmful gases and switch to a purer energy source. During the reporting period, the switch to natural gas as an energy source took place in one of the hotels in Biograd na Moru.

Being aware of our energy consumption in the community in which we do business, we are planning to prepare a detailed analysis of our impacts and relationships in the future, and therefore make more detailed reviews of data and potential measures to be undertaken.

Energy consumption is monitored on a daily and monthly basis. Maintenance departments visit the metering points (counters) of the above mentioned energy sources on a daily basis and take a short, internal record of them. This allows a very quick reaction in case of excessive or an unusual consumption. The consumption of energy/resources is maintained in a form of tabular presentation on a monthly basis on the basis of suppliers' certified invoices, enabling the comparisons with the consumption in the same periods of the past years. The data on energy sources/resources in units in which they are bought are entered.

By monitoring the overall consumption, the annual objectives of reduction or rationalization of the energy sources/resources are created within the environmental management system, as a result of which the planned investment or activities are forecasted that will contribute to the implementation of the objectives. At the end of the year, the implementation of the objectives defined is evaluated and new objectives are defined. Such a management method has been already incorporated into the already mentioned environmental management system according to ISO 14001 standard, while the company has no energy management system and standard operating procedures for it at the moment.

The maintenance services at the locations also take care about installed, large and small energy source/resource consuming appliances. They carry out internal preventive examinations, with external examinations that are mandatory, and they actively participate in the replacement of the existing energy consuming appliances according to the plans of current maintenance and investments. For the sake of better energy efficiency when selecting new appliances or energy consuming appliances, their energy efficiency is considered.

In addition to significant investments in switching to a cleaner energy source, the daily investments and maintenance accompanied by the employees' education within the environmental management system are focused on a more conscious way of thinking. For example, in our accommodation facilities, we are gradually replacing the existing light bulbs by the LED light bulbs, and by sending small ecological messages in the accommodation facilities, we get across our environmental mission to our guests.

Electricity in 2017



Electricity

Electricity consumed in the Ilirija facilities partly comes from renewable sources, as confirmed by HEP's Green Energy Certificate. By using the energy obtained from the renewable sources, we actively participate in reducing the CO₂ emission.

Consumption of electricity (GJ) by business sectors

Year	2015	2016	2017
Total consumption of electricity by sectors	GJ	GJ	GJ
Hotel sector	7.352,59	7.387,71	7.805,80
Camping	2.328,58	2.217,07	2.681,11
Nautics	2.848,92	2.779,20	2.945,22
Other	1.190,07	1.078,69	7.206,11
Total	13.720,16	13.462,67	20.638,24

Energy consumption outside of the organization

Energy consumption outside of the organization refers to fuel consumption (gasoline, diesel) indicated in liters for using the company's passenger vehicles, operating machineries and vessels and for using passenger cars for business purposes.

Type of vehicles/vessels	2015	2016	2017
Passenger vehicles	115.416	77.929	78.460
Operational machinery	43.157	40.051	47.647
Event ship "Nada"	20.804	14.215	29.552
Other vessels	19.222	10.707	11.858
Total vessels	40.026,00	24.922,00	41.410,00
Total	198.599,00	142.902,00	167.517,00

Energy intensity

Energy intensity shows the ratio of electricity consumed to the total number of overnight stays realized in hotel facilities and camping and the total number of berths in the nautical sector.

Ratio of electricity consumed (GJ) to the total number of overnight stays realized in hotel and camping sector

Year	2015			2016			2017		
Sector	GJ	No. of overnight stays	Energy intensity	GJ	No. of overnight stays	Energy intensity	GJ	No. of overnight stays	Energy intensity
Hotel sector	7.352,59	130.643	0,06	7.387,71	131.424	0,06	7.805,80	138.788	0,06
Camping	2.328,58	260.579	0,01	2.217,07	258.110	0,01	2.681,11	283.069	0,01
Total (hotel sector and camping)	9.681,17	391.222	0,03	9.604,78	389.534	0,03	10.486,91	421.857	0,03

Ratio of electricity consumed (GJ) to the total number of berths in the nautical sector

Year	2015			2016			2017		
Sector	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity
Nautics	2.848,92	805	3.539	2.779,20	805	3.452	2.945,22	805	3.658

Gas (LPG) consumption by sectors of operations during the period from 2015 to 2017

Year	2015	2016	2017
Total consumption of gas (LPG) by sectors	GJ	GJ	GJ
Hotel sector	681,62	814,90	422,10
Camping	531,45	568,31	590,08
Nautics	248,63	312,75	137,52
Other	29,70	22,50	21,65
Total	1.491,40	1.718,46	1.171,35



-31.84%

lower consumption
of LPG

Reduction of the total consumption of liquefied petroleum gas (LPG) in 2017 occurred due to the switch to the natural gas in the hotel facilities and a significant decrease in consumption in the nautical sector.

Gas (LPG) consumption indicated through overnight stays in hotel and camping sector

Year	2015			2016			2017		
Sector	GJ	No. of overnight stays	Energy intensity	GJ	No. of overnight stays	Energy intensity	GJ	No. of overnight stays	Energy intensity
Hotel sector	681,62	130.643	0,005	814,90	131.424	0,006	422,10	138.788	0,003
Camping	531,45	260.579	0,002	568,31	258.110	0,002	590,08	283.069	0,002
Total (hotel sector and camping)	1.213,07	391.222	0,003	1.383,21	389.534	0,003	1.012,18	421.857	0,002

Gas (LPG) consumption in the nautical sector indicated by the number of berths

Year	2015			2016			2017		
Nautics	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity
	248,63	805	0,3	312,75	805	0,38	137,52	805	0,17

Natural gas consumption by segments of business operations

Year	2015	2016	2017
Total consumption of natural gas by sectors	GJ	GJ	GJ
Hotel sector	0,00	0,00	1.152,95
Camping	0,00	0,00	0,00
Nautics	0,00	0,00	0,00
Other	0,00	0,00	0,00
Total	0,00	0,00	1.152,95

In 2017, the Company performed the complete reconstruction of the boiler room in Kornati hotel which includes switching to the natural gas as an energy source, which was one of the most important investments made in the hotel sector. This is the way how the process of gasification of the facilities in the company started as its strategic decision in the segment of the environmental protection.

Exploitation of water according to source



1 Local water supply



2 Own well

5 Water

Owing to sustainable business, through the operations of its departments and systematic investments, Ilirija d.d. pays a great attention to reducing the use of drinking water as one of the most important available resources, that greatly influences the environmental and economic effects of the company. All of our capacities are supplied with drinking water from the local water supply, which also marks our activities at the local or regional level, while for the irrigation of the horticultural green areas in the camp, the water has been used from its own well by using the drip irrigation system since 2013, that is legalized and is in possession of a valid water legal act or permit with a defined amount of water that can be withdrawn on an annual basis. Only the permitted amount of water is withdrawn in the camp every year, which is crucial in the camp because of maintaining hundreds of planted, indigenous species that contribute to the unique atmosphere of the camp. The record and the regular report to the competent institutions shall be submitted in the form of a register, four times a year, on the water quantities withdrawn from the well. During the summer season, we test the withdrawn water on specific parameters, such as chlorides, at our own expense, thus indirectly tracking the effect of withdrawal on the quality of water used for watering the plants. This allows us to harmonize with a sort of natural cycle of the water status that we really need. In accordance with the results, we regulate the daily amounts of water withdrawn from the well by reducing the operating hours of the pumps.

Pursuant to the legal regulations, the water permits are obtained and regularly renewed for the locations that require so due to the nature of the business and the quality of effluents. During 2017, the campsite and three hotels were emptied due to the renewal of water permits, as they were given a more permanent decision according to which the aforementioned locations no longer needed permits, and effluents were no longer tested before discharging them into the public drainage system. This reduced the cost of testing them and confirmed the long-term effort in careful monitoring and improving the quality of the discharged effluents, since in the reporting period the limit values of the tested quality indicators of these waters did not even once exceed the maximum permissible quantities.

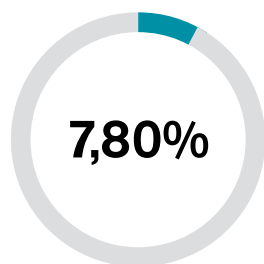
Maintenance services preventively control internal water supply installations and actively participate in reducing drinking water consumption. So in order to reduce the drinking water consumption in the campsite "Park Soline", the maintenance and household department installed the faucet aerators on faucets and showers in all common toilet facilities, on a total of 700 faucets/ showers throughout the whole camp. As a matter of fact, faucet aerators are the parts screwed onto the faucet head that help save the water in a way to deliver a mixture of stream of water on the faucet/ shower with air without damaging the quality or comfort of using water. Additional 790 pieces of faucet aerators have been installed in the hotels so far, only in the hotel rooms. The Head of Environmental Protection cares about the planned required quantities for replacement or installation of the new ones in accordance with the requirements of the Maintenance and Household Department, which are incorporated into the objectives of the environmental management system.

The water consumption is monitored by measuring or reading the consumed amounts of water directly, on the water meters, that internal records are kept of. The consumption of water is maintained in a form of tabular presentation on a monthly basis on the basis of suppliers' certified invoices, enabling the comparisons with the consumption in the same periods of the past years.

Total consumption of water in 2017



141,781.00 m³



Share in total consumption of water from the local water supply at the destinations Biograd na Moru and Sv. Filip i Jakov.

Overview of consumption of water by sectors during the period from 2015 to 2017

Year	2015	2016	2017
Sector	m ³	m ³	m ³
Hotel industry	38.298,00	36.099,00	44.521,00
Camping	45.805,00	47.951,00	54.364,00
Nautics	34.808,00	30.740,00	26.101,00
Other	6.908,00	8.255,00	16.795,00
Total	125.819,00	123.045,00	141.781,00

Total water consumption in m³ has increased by 15.23% compared to that in 2016 as a result of the acquisition or integration of the Commercial-shopping center City Galleria into the operational business of the Company, which was conducted in the year 2017.

Profit centers at the location in Biograd na Moru and Sv. Filip i Jakov consumed a total of 131.769 m³ water from the local water supply system or 7.80% of the total consumption of water from the local water supply, which includes the region of the city of Biograd na Moru and nearby municipalities.

Supplied quantities of water	m ³	Share (%)
Ilijija d.d. *	131.769	7,80%
Other consumers in the region of the municipalities of Pakoštane, Sv. Filip i Jakov, Pašman, Tkon and Biograd na Moru	1.679.339	92,20%

*Except for profit centers in Zadar and Polača

The data was delivered by the company Komunalac d.o.o. Biograd na Moru

The consumption of water from its own well in the campsite „Park Soline“ during the period from 2015 to 2017

Year	2015	2016	2017
Total amount of groundwater (m3) pumped from the S-1 well in the "Park Soline" campsite	9.729,00	4.641,00	7.468,00

The ratio of consumed drinking water by the number of overnight stays in the hotel and camping sector during the period from 2015 to 2017

Year	2015			2016			2017		
	Sector	m ³	No. of overnight stays	m ³	No. of overnight stays	m ³	No. of overnight stays	m ³	No. of overnight stays
Hotel sector	38.298,00	130.643	0,29	36.099,00	131.424	0,27	44.521,00	138.788	0,32
Camping	45.805,00	260.579	0,18	47.951,00	258.110	0,18	54.364,00	283.069	0,19
Total (hotel sector and camping)	84.103,00	391.222	0,21	84.050,00	389.534	0,21	98.885,00	421.857	0,23

The ratio of consumed drinking water by the number of berths in the nautical sector during the period from 2015 to 2017

Year	2015			2016			2017		
	Sector	m ³	Number of berths	m ³	Number of berths	m ³	Number of berths	m ³	Number of berths
Nautics	34.808,00	805	43,23	30.740,00	805	38,18	26.101,00	805	32,42

6 Effluents and waste

Effluents

Before discharging the effluents into the city sewerage at the locations of our facilities, all effluents from the large facilities are subject to some kind of pretreatment or purification, it is also the impact boundary of the company on the effluents.

So, for instance, the process wastewater generated at wash area in the Marina Kornati goes through the physical and chemical purifier before it is discharged. This purifier is regularly maintained, and the quality of the discharged water is also tested by an authorized laboratory as often as it is prescribed by the water permit. The maintenance department at the location controls the purifier on a daily basis and measures the amounts of consumed chemicals when the purifier is working. An external servicer controls it at least once a year. In accordance with its recommendations, parts that are worn out are regularly replaced by better, newer and more efficient ones. Until now, and thus in the reporting period, there were no records or complaints about any accidental discharge or the spills of waste process water of unacceptable composition or quality. Marina Kornati is, in fact, the proud holder of the International Blue flag program for the fifteen year in a row.

The hospitality facilities of our hotels, campsite and marina have installed mechanical-physical, edible oil and fat separators, which are regularly controlled by internal maintenance departments and external licensed companies. The developed parking spaces of our facilities also have the separators installed. Licensed companies are also responsible for cleaning them at least once a year and more frequently, if necessary. Waste generated during any pre-treatment of discharged effluents (sludge or oily, contaminated water) is disposed of by licensed companies that the records are kept of in the environmental protection department.

During the last three years, all effluents from the company's facilities have been tested by a licensed laboratory if requested so by the water permit and the limit values of the tested quality indicators or water quality did not exceed the maximum permitted quantities.

Discharged waste water is not recycled or returned in any way to the reuse system. The destination for all effluents generated in the facilities of the company is a public drainage system, except for the water generated at the wash area of the shops in the Marina Kornati.

The campsite "Soline Park", despite its size and requirements, drains all of its effluents, being one of few campsites in Croatia, through the inspection shafts in the public drainage system, where effluents go to the city's final purification plant.



The campsite "Soline Park" - one of few campsites that drain effluents into the public drainage system



Marina Kornati - wastewater goes through purifier



The hospitality facilities have installed mechanical-physical separators

Waste

With environmental protection policy passed within the environmental management system, a great attention is paid to conscientious waste management in all facilities. Every year, a list of all types of waste produced is revised and, if necessary, some new type of waste is disposed of.

At all locations, the entire prescribed documentation on the generation and course of the produced waste prescribed by the Sustainable Waste Management Act and the relevant ordinances is completely maintained. The waste is disposed of in a prescribed way through the licensed companies. We always check whether collectors are licensed to transport a particular type of waste, whether they have the necessary permits, and when they come to our locations we check whether the vehicle, equipment etc. are in proper condition.

Municipal waste, bulk waste, glass, paper, plastics, metal or, if necessary, some other waste which they are licensed for, are disposed of by the local utility company in such a way that they only accept the waste and transport it from our facilities, which is confirmed by us by an accompanying form. The same applies to all other types of waste, non-hazardous or hazardous, depending on the company we do business with. All companies that transport the waste and further handle our waste are local or regional, with headquarters or branches in our or neighboring county. For the time being, we do not monitor the final processing method or the impact of the generated amounts of waste handled by the licensed collectors and this is where our responsibility stops after the waste is delivered and accepted by licensed companies, which is also the ultimate boundary of our impact or material topic.

The increase in hazardous, but mostly non-hazardous waste in 2017 is attributed to large investment, construction works and waste generated in these processes.

Year	2015	2016	2017
Hazardous waste (t/y)	38,6	27,47	29,928
Non-hazardous waste (t/y)	65,431	50,225	149,801
Mixed municipal waste (t/y)	427,55	453,75	503,4
Total (t/y)	531,581	531,45	683,13



Total quantities of types of waste (in tons) in all operational segments for the year 2017 that are delivered to licensed collectors. The quantities are obtained by weighing.

Waste	Quantity in tons (t)
Hazardous	
Waste printing toners containing hazardous substances	0,245
Mineral based non-chlorinated hydraulic oils	0,05
Fluorescent tubes and other waste containing mercury	0,026
Other engine, machine and lubricating oils	18,75
Sludge from oil/water searators	2,2
Oily water from oil/water separator	3,4
Packaging material containing residues of or contaminated by hazardous substances	2,016
Absorbents, filter materials, wiping cloths and protective clothing, contaminated by hazardous substances	1,191
Oil filters	1,998
Disposed electrical and electronic equipment containing hazardous components	0,052
TOTAL	29,928

Waste	Quantity in tons (t)
Non-hazardous	
Paper/cardboard	12,85
Plastics (plastic packaging material)	3,13
Metal (metal packaging material)	0,47
Glass (glass packaging material)	0,3
Mixtures of concrete, bricks, roof tiles/tiles and ceramics	20
Soil and stones	49
Bulk waste	55
Grease and oil mixture from oil/water separator, containing only edible oil and fat	3,17
Edible oils and fats	2,585
Biodegradable waste from the kitchen and canteens	3,296
TOTAL	149,801



5812 seedlings have been planted



Landscaping of the campsite at the level of the campsite-park

7 Landscape architecture and design in harmonization with the Mediterranean environment

Maintaining and designing green, landscaped surfaces is paid a great attention in the Company, as a result of which the horticulture department was established. All of our facilities are additionally landscaped every year, creating thus a picture of the greenery that will remain here for the future generations. All the plants that are planted every year contribute to the ambience of the Mediterranean garden, respecting its laws due to the climate we work in.

Total number of seeds planted by sectors in Ilirija d.d.	2015	2016	2017
Hotel sector	5.254	3.776	4.359
Camping	931	808	582
Nautics	473	1598	871
Total	6.658	6.182	5.812

Particular attention is paid to landscaping of the campsite space to the level of the campsite-park up to the level of the arboretum, which makes it a uniquely landscaped, developed and maintained spatial unit or campsite-park in Croatia. The works at the "Park Soline" campsite are carried out under the supervision of, in consultation with and with consent by of Croatian forests, especially in the segment of the forest conservation area.

8 Environmental compliance

By daily monitoring of and complying with the legal regulations in the area of environmental protection, we always consider steps and investments in this area in advance so that environmental protection (water, air, sea, plant and animal life) be at a high level of conservation and safety and all our activities be in compliance with legal regulations, our environmental policy and the responsibilities of Ilirija as a business operator whose business sustainability directly depends on a preserved and clean environment, and also that all cash and non-cash sanctions of the present state of affairs can be minimized.

All the changes that we are obliged to implement when complying with the legal regulations are made by us diligently, where the environmental management system according to the international standard ISO 14001 has helped us for the fourth year in a row. In addition to the environmental management system, we are always trying to comply with the requirements of the local and international environmental programs and standards that we are involved in, which resulted in the fact that in 2017 not a single case of pollution or not a single accidental situation occurred that would lead to any environmental disturbance of water, air or soil. During the observed period, there were no warnings and consequently, the penalties and sanctions during the environmental inspections. This certainly has a positive impact on the company's working atmosphere and orientation towards even better achievements in the area.





V Social topics

In the section of sustainable business related to the social category, it shows the Company impact on the following areas:

- Employment
- Occupational health and safety
- Training and education
- Diversity and equal opportunity
- Local communities
- Customer health and safety
- Marketing and labeling

1 Employment

For Ilirija, employment is a material topic considering the fact that employees as an important resource significantly impact the planning and executing decisions and activities and have a significant impact on the Company's forecasted business results and the quality of the services provided. The impact boundaries within the company extend to all employees within all sectors and departments or profit centers while outside the company, the impact boundaries are at the local or regional level of the area of activity. The local level relates to the region of the city of Biograd na Moru and surrounding towns and municipalities, while the regional level includes the region of the Zadar County.

- The Company systematically conducts the human resources policy through:
- Employment plan for permanent and seasonal employees,
- Training and education, and
- Pay policy and material benefits.



At the level of the company, in coordination with the Management Board, Human Resources and Payroll Department and sector managers, that plan the required staff or the optimal number of permanent and seasonal employees at the operational level by profit centers, sectors and at the level of the whole system for the next fiscal year. In addition to the planned number of employees on a daily, weekly and monthly level, their work positions, the beginning and end of the employment as well as the cost of their employment are defined, which is finally confirmed and approved by the Management Board. In coordination with the sector managers, the Human Resources Department carries out the process of selection of human resources and their job designations. For all employees who have already worked for the Company, their competence and motivation are further checked by their superiors before they are re-engaged.

By the end of the current season, the Company receives feedback and applications from seasonal employees for the next fiscal year, whereas the activity of receiving applications by the Human Resources and Payroll Department from seasonal employees is considerably more intense. Job vacancies are first filled by engaging the employees who have worked seasonally in Ilirija for many years, and as such have the advantage over new employees.

Considering the fact that it has become increasingly difficult to find adequate employees having professional qualifications and experience in the labor market in the last two years, Ilirija has retained 32 employees after the end of the tourist season, thus retaining the quality and standard of its service, where it primarily focused on the local employees, because the company strives to contribute to the development of the local economy, create additional security and flexibility in the business process.

Regarding the fact that the employees are the owners of the entire business process, especially in the segment of providing services, Ilirija takes care about maintaining an optimal number of employees through the active personnel policy, improvement of the employees' financial position and entitlements, improvement of their competences, continuous education, which is shown by the trend of the number of employees over the last few years.

Employment in the year 2017

During the year 2017, Ilirija had a total of 444 employees recruited, of whom 230 employees were recruited in 2017. At the end of the reporting period, i.e. on 31/12/2017, some 227 employees were recruited, of whom 148 persons were employed for fixed term and 79 persons were employed for a limited term. Compared to the number of employees by the end of the reporting period, i.e. 31 December, it grew by 5.10% or from 216 to 227 employees in the year 2017, compared to that in the previous fiscal year.

Employment in the year 2017 in numbers:

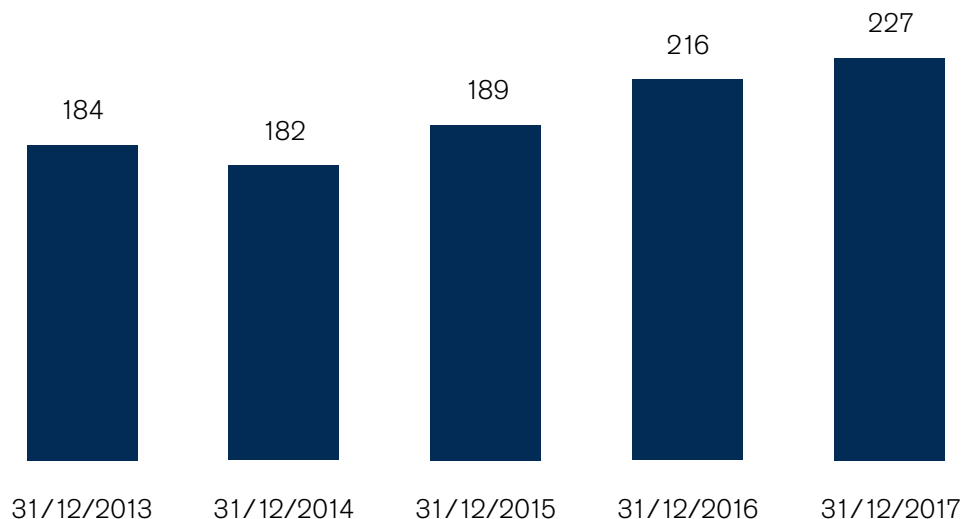
Σ **444 employees recruited**

31/12 227 + 5.10%

230 employees were recruited

1000 employees in facilities of Ilirija d.d.

Number of employees at the end of the reporting period from 2013 to 2017



By engaging other companies on the basis of business cooperation that perform the boating activities in Marina Kor-nati and lessees in the Commercial-shopping center City Galleria, the Company provides jobs for over 1000 employees in the season.

Being aware of the changes that occur in the labor market in the tourism industry and the specific characteristics of the tourism industry in Croatia, characterized by a pronounced seasonality, Ilirija focuses on (I) management, (II) planning and (III) staff development. As a company that systematically monitors the movements in the labor market and also the turnover of its own employees, and accordingly plans the future employment, it considers the following facts:

- a number of required employees,
- required traits, skills and knowledge, and
- defining the channels of finding the required staff.

According to the foregoing, Human Resources and Payroll Department prepares a report on job analysis and records on a daily basis with an aim to determine the optimal number of employees and their structure, make decisions on the selection of the personnel, opportunities and needs for internal redistribution of personnel, obtain an insight into the need for training of the existing staff and the need for new staff.

Overview of the position of employees by months for the year 2017

Ord. No.	PROFIT CENTER/ORGANIZATION UNIT	NUMBER OF EMPLOYEES IN 2017											
		01/01	28/02	31/03	30/04	31/05	30/06	31/07	31/08	30/09	31/10	30/11	31/12
	*PROFIT CENTERS												
1	HOTEL ADRIATIC	11	11	12	25	33	35	37	37	35	27	14	12
2	HOTEL ILIRIJA	24	24	27	49	52	54	55	55	54	51	25	25
3	HOTEL KORNATI	10	10	10	29	34	34	35	35	34	32	21	14
4	HOTEL VILLA DONAT	5	5	5	8	21	26	27	26	24	17	4	4
5	LAVENDER	2	2	2	4	5	7	9	10	6	5	2	2
6	MARINA KORNATI	41	39	39	40	46	50	50	49	47	49	45	43
7	RESTAURANT "MARINA KORNATI"	12	12	12	15	17	18	18	18	17	17	13	12
8	AQUATIC CENTER	3	3	4	6	8	16	17	16	9	6	5	1
9	TOURIST AGENCY	3	3	3	4	5	7	8	8	6	5	4	4
10	CAMPSITE "PARK SOLINE"	18	19	20	28	30	39	44	43	37	27	20	19
11	RESTAURANT "PARK SOLINE"	7	7	8	15	16	18	21	20	16	16	8	8
12	ARSENAL	8	8	8	9	9	9	9	9	8	7	7	7
13	TENNIS CENTER "ILIRIJA"	1	1	1	2	2	2	2	2	2	2	1	1
14	BEACH BAR DONAT	1	1	1	2	2	4	4	3	2	2	1	1
	ORGANIZATION UNITS												
15	COMMON DEPARTMENTS	31	31	31	31	31	31	31	30	30	30	30	30
16	MAINTENANCE DEPARTMENTS	3	3	3	3	3	4	4	4	4	4	4	4
17	LAUNDRY	4	4	4	12	14	15	15	14	14	14	9	7
18	HORTICULTURE	9	8	7	8	8	9	9	9	9	9	8	8
19	EVENT SHIP NADA	2	2	2	2	2	2	2	2	2	2	2	2
20	WELLNESSS	5	5	5	6	6	6	6	6	6	6	4	4
21	BOAT SHOW	2	2	2	2	2	2	3	3	3	3	3	3
22	CITY GALLERIA	14	14	15	15	16	16	16	16	16	16	16	16
	TOTAL	216	214	221	315	362	404	422	415	381	347	246	227

Continuous rise in the number of employees

Average number of employees

330



Average number of employees based on working hours

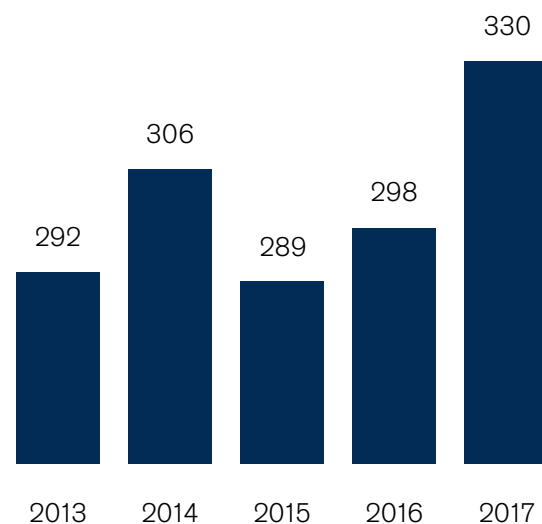
347



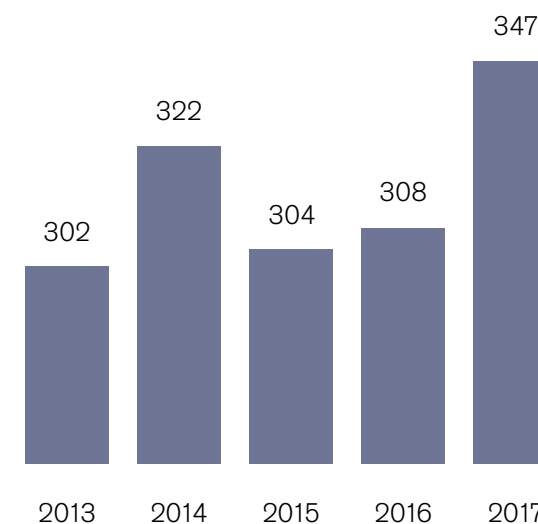
The report shows monthly status of employees that rely on the daily reports on presence at the workplace. We did not have employees from other countries in 2017, since we have a sufficient number of qualified, high quality and experienced staff with many years of experience in tourism and hospitality in our immediate vicinity.

Comparing an average number of employees in the last five years during the fiscal year, we can see a rise in 2017 compared to that in 2016, or by 13% compared to that in 2013 as a result of increased business activities and decision on retaining a certain number of seasonal employees as a result of planning the required number of employees on daily, weekly and monthly levels. Also, by observing the average number of employees on the basis of working hours for the period from 2013 to 2017, it shows an increase in the average number of employees by 15% compared to that in 2013 and an increase by 13% compared to that in 2016.

Average number of employees throughout the year during the period from 2013 to 2017



Average number of employees based on working hours during the period from 2013 to 2017

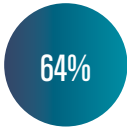


**The number of employees based on the working hours is determined in a way to divide the total number of paid working hours by the number of hours for that respective month. An average number of employees based on the working hours on an annual basis is determined by dividing a cumulative number of employees on the basis of the working hours by months by a total number of months in a year.*

Employees in the season (31/08)



415



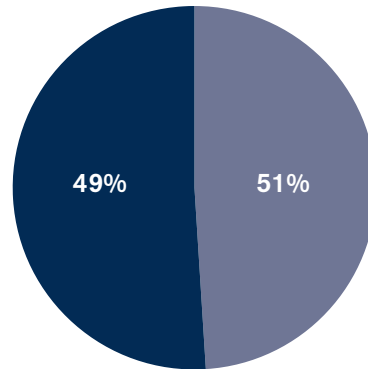
women



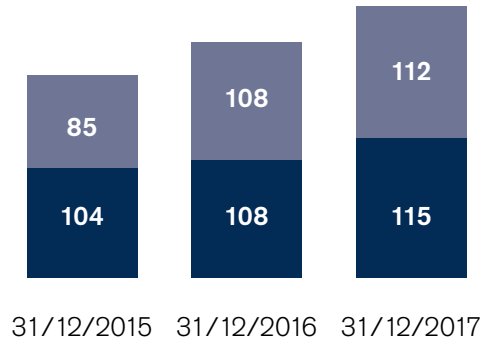
Increase the share of women

At the end of the reporting period or as at 31st December 2017, out of a total number of employees 227, 51% of them were men and 49% were women, or there were 115 men and 112 women. Observing the structure of employees by gender as at 31st December, in the last three years, we see that the Company has had the same portion of men and women in the last two years in relation to the total number of employees. Thus, in 2015, the structure of employees by gender was such that men accounted for 55% of employees and women 45% of total employees, whereas in the following fiscal years, 2016 and 2017, the number of women in the total number of employees increased as a result of which the proportion of men and women is almost the same.

Position of employees by gender as at 31/12/2017



Position of employees by gender as at 31/12/ 2015., 2016 and 2017

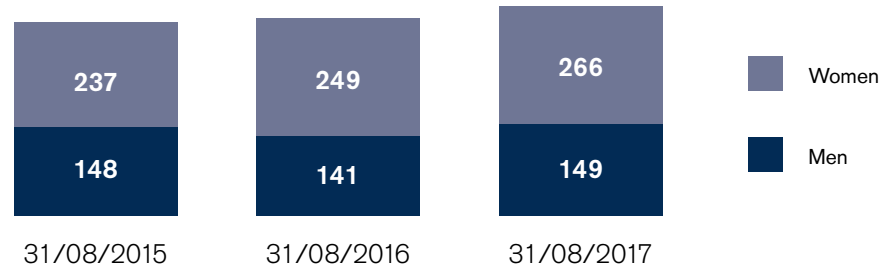


■ Men ■ Women

One of the best indicators of volume of business is the rise in a number of employees in the high season (June-August). So, as at 31/08/2015 the number of employees was 385, while in the same period of 2016 there were 390 persons employed, while as at 31/08/2017 there were 415 employees, which is a rise by 6% compared to that in 2016 or by 8% compared to that in the same period of 2015. Observing the structure of employees by gender, the same ratio of men and women in the total number of employees was retained in 2016 and 2017 as at 31st August, where 64% were women and 36% were men. As at 31st August 2015, the ratio of women were 62%, while men had 38% of the total number of employees. A higher number of employed women is the consequence of an increased need for employees that would hold positions or that would work in departments where women make up for a majority of employees, such as household department.

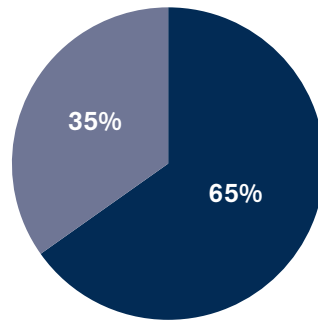


Position of employees by gender as at 31/08/2015, 2016 and 2017



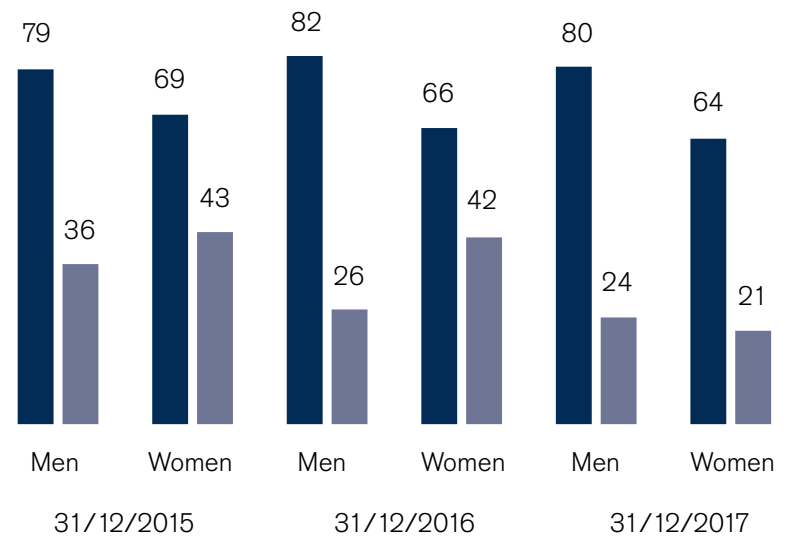
Observing the share of employees by type of employment contract as at 31/12/2017, 65% or 148 persons were employed for a fixed term, while 35% or 79 employees worked for a limited term. Out of a total number of employees, there were 79 men or 53% and 69 women, or 47% employed for a fixed term according to the type of employment contract and according to gender, while out of 79 employees, 46% or 36 men and 54% or 43 women were employed for a limited term according to gender. In 2016 and 2015, there was a higher number of employees for a fixed term than employees for a limited term and there was a higher number of employed men for a fixed term than employed women for a fixed term. In 2016, out of total 148 persons employed for a fixed term, there were 53% men or 82 employed men, while at the same time, a share of women was 44% or 66 employed women.

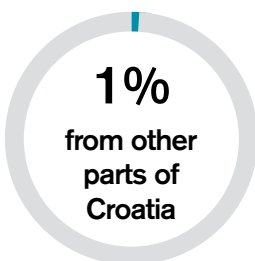
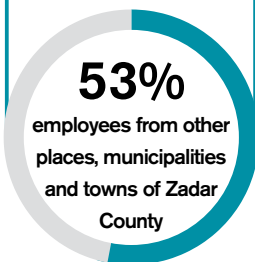
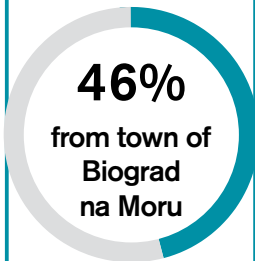
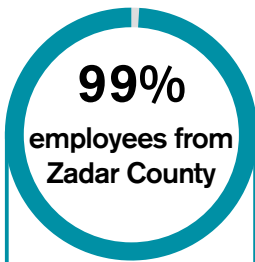
Employees according to employment contract as at 31/12/2017



Employed for fixed term
 Employed for a limited term

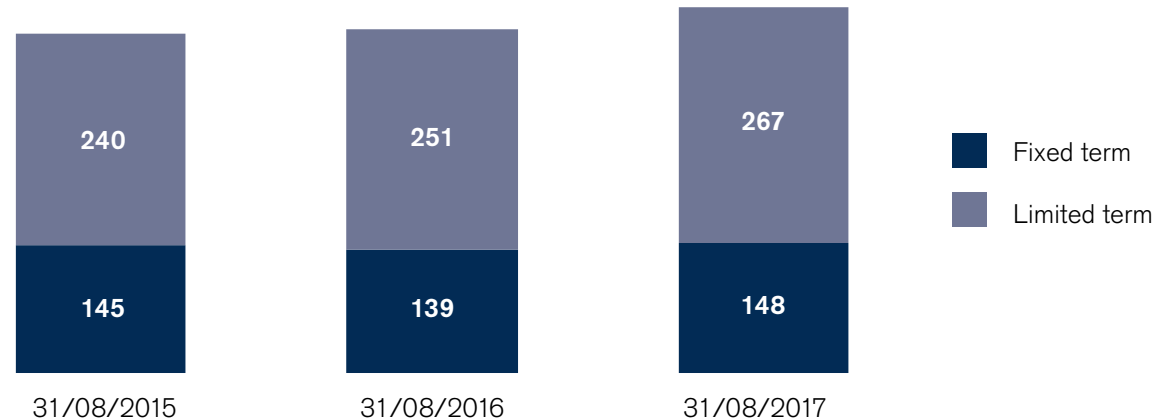
Employees by type of contract and gender





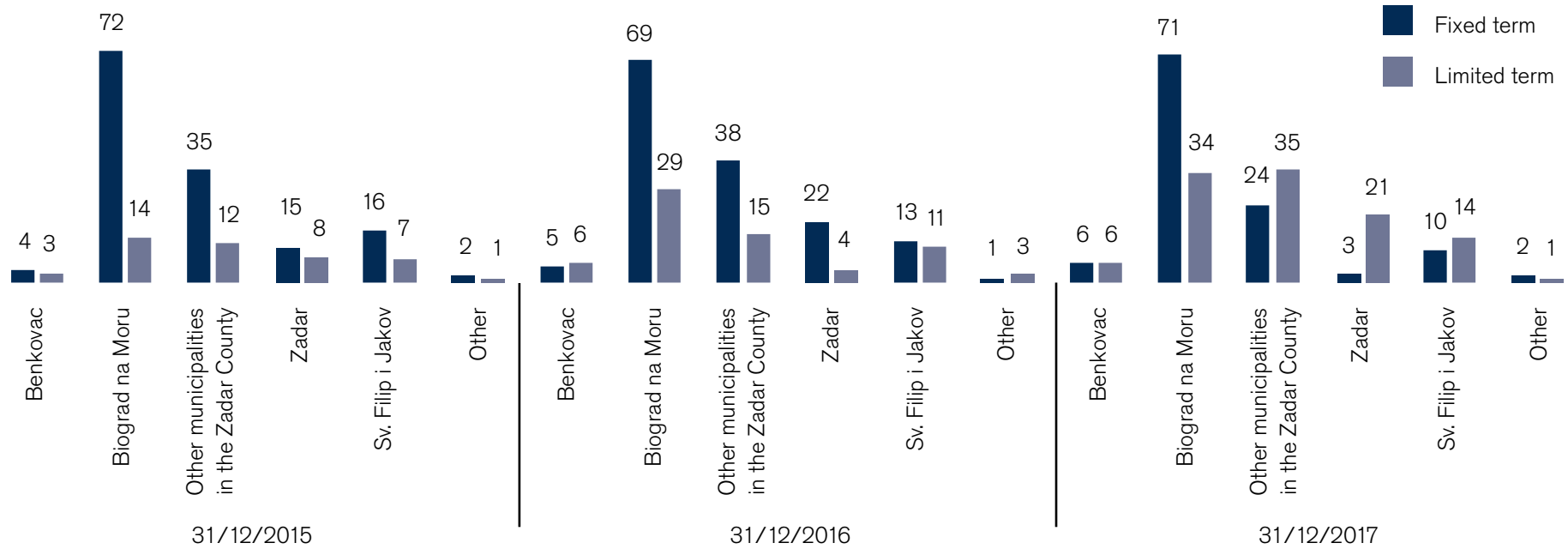
We record a considerably higher number of employees for a limited term in high season or as at 31st August, in 2015, in 2016 and 2017, which is expected considering the seasonal character of the business. In 2015, as at 31st August there were 38% of employees employed for a fixed term and 62% of employees employed for a limited term, while for the same period in 2016 and 2017, 36% employees were employed for a fixed term and 64% for a limited term.

Position of employees as at 31/08/2015, 2016 and 2017

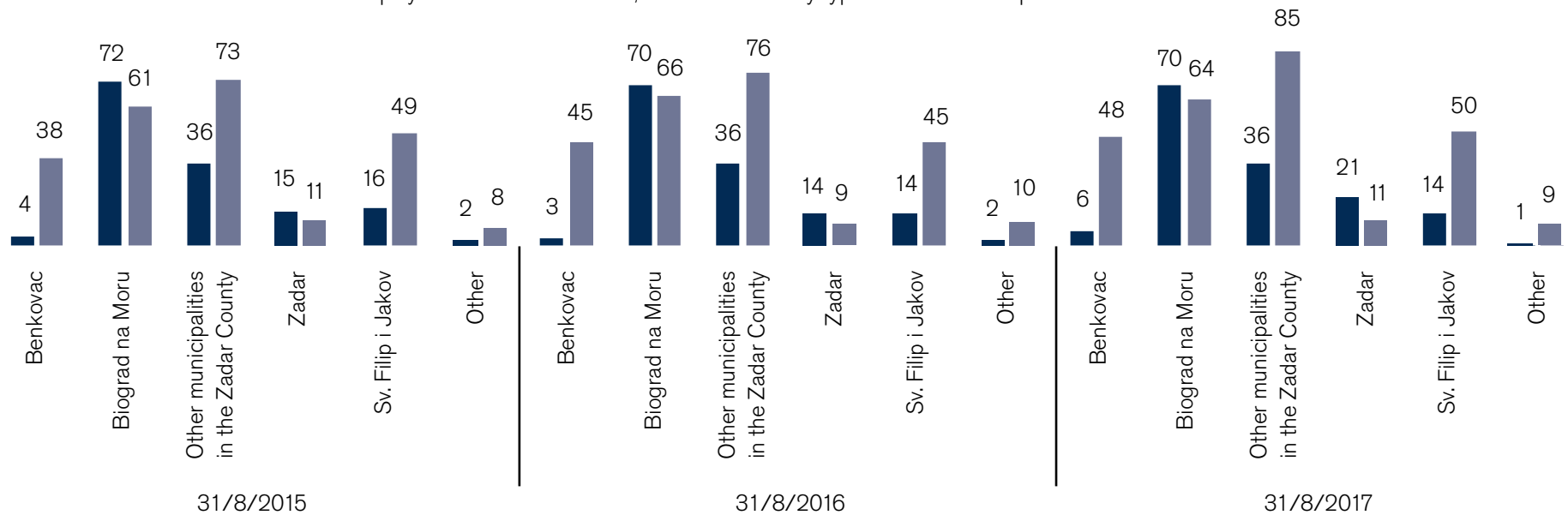


Out of total number of employees as at 31st December 2017, 105 or 46% employees came from the local community or the town of Biograd na Moru of whom 68% were employed for a fixed term, while 120 or 53% came from our region or from some other towns, places and municipalities of the Zadar County and 2 employees or 1% from some other parts of Croatia. In 2016 and 2015 at the end of the reporting period, the highest share of employees came from Biograd na Moru, a total of 45% of them. Despite the imbalance in supply and demand for employees in Croatian tourism, the company continues to satisfy its needs for workforce in the local and regional area, which is also visible in the graphic representation of employees according to the employment contract and the region in high season or as at 31st August 2017. By employing a greater number of local residents we contributed to the development of the **local economy and the community**.

Employees as at 31/12/2015, 2016 and 2017 by type of contract and permanent residence

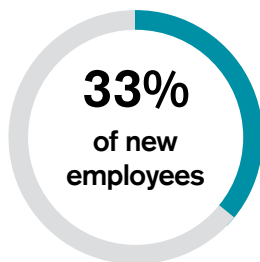
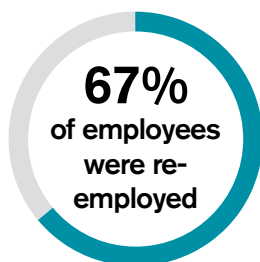


Employees as at 31/08/2015, 2016 and 2017 by type of contract and permanent residence





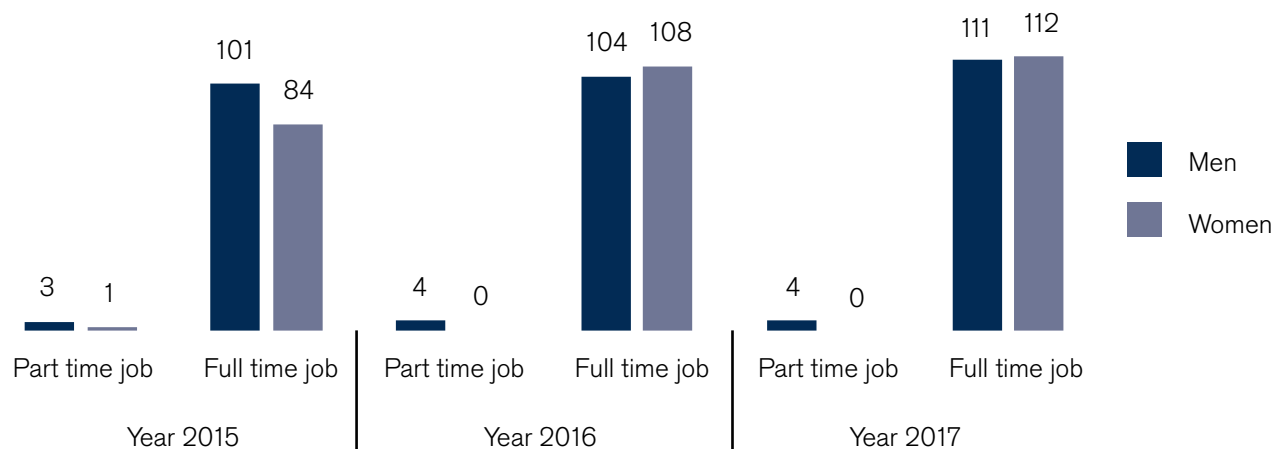
230 employees recruited



Full-time and part-time working time

Out of the total number of employees at the end of the reporting period in 2017, 98% or 223 were full-time employees, while 4% i.e. 2% were part-time employees, all of whom were men. In 2016, there were also four part-time employees, all of whom were men, whereas in 2015, out of four part-time employees, one of them was a woman.

Employees by type of employment and gender from 2015 to 2017

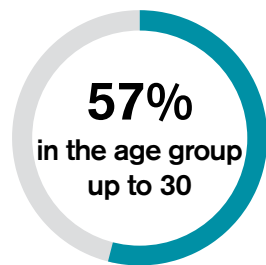
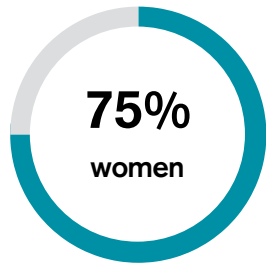


New employees

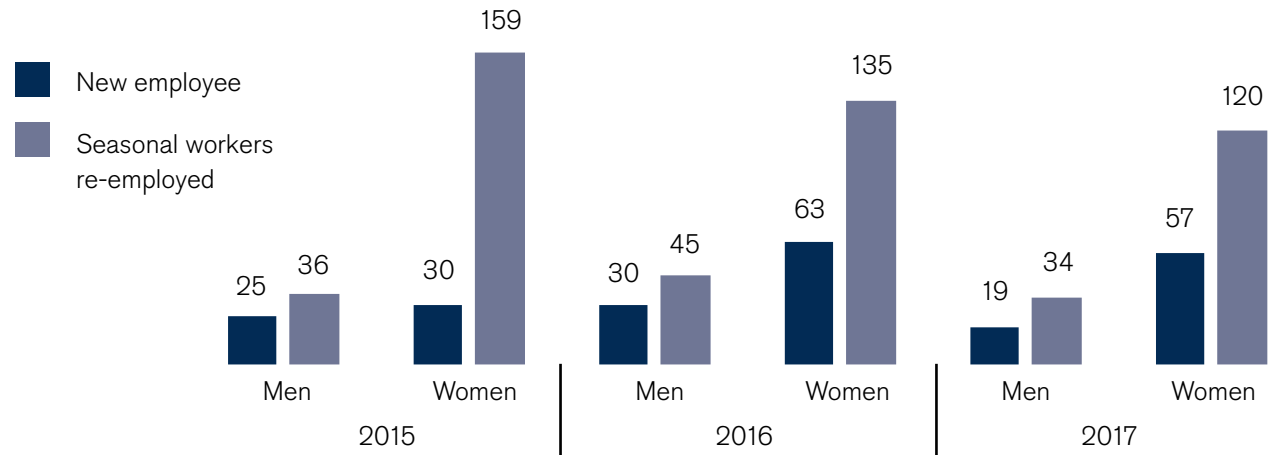
Despite the negative trends in the labor market in the part of its offer, Ilirija successfully secures an optimal number of employees needed to secure the business process. By timely planning of the necessary staff, well-defined job positions, adequate pay policy, continuous education and training, active employment policy and respect for diversity, Ilirija is able to create a positive working climate reflected in a large number of seasonal workers who have been returning to Ilirija for years.

In 2017, at the company level, a total of 230 employees were employed for a fixed and a limited term, of whom 154 and 67% decided to be re-employed in Ilirija, while 76 employees or 33% were employed in the company for the first time. The changes in the labor market over the last two years or in the period from 2015 to 2017 are also visible through the reduced percentage of seasonal employees who decided to be re-employed in Ilirija. Thus, in 2015, out of a total number of employees throughout the year, there was 22% of new employees, i.e. those who first appeared in the company. Since then we have been recording a rise in the number of newly employed persons, with their share in the year 2016 being 34% out of the total number of employees throughout the year.

New employee in 2017

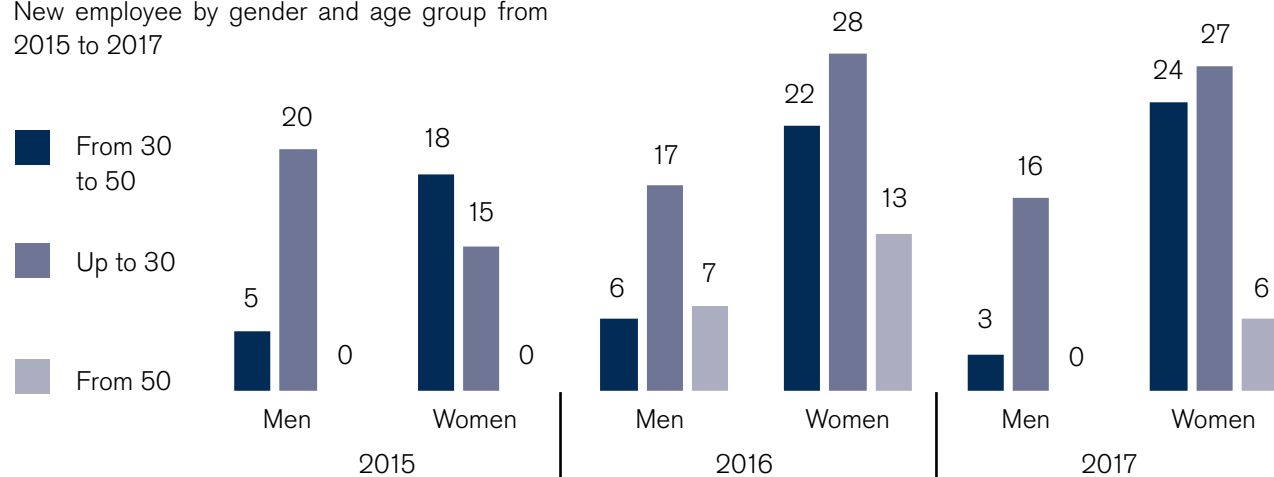


Ratio of new employees and seasonal workers that were re-employed from 2015 to 2017

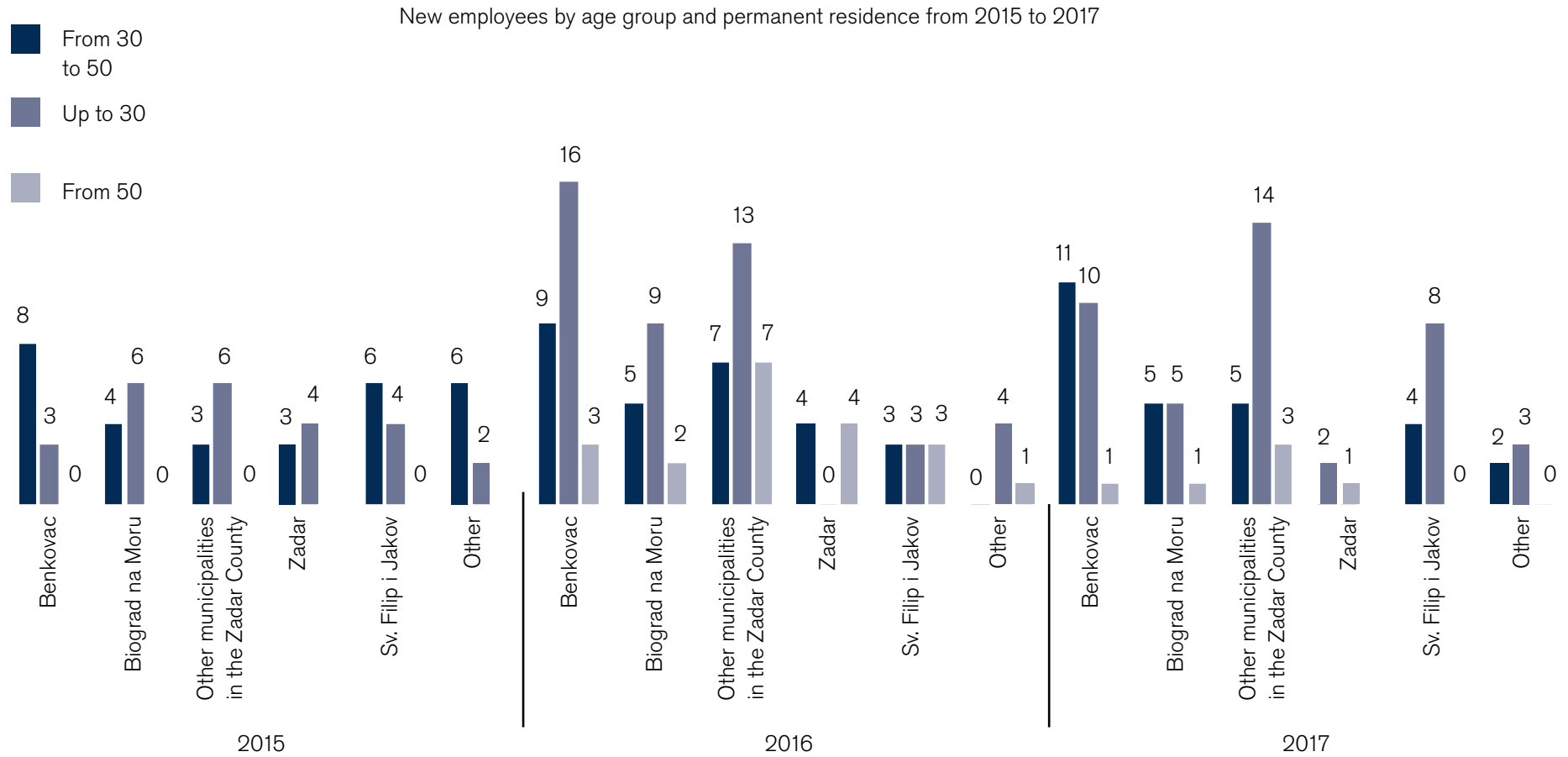


Given the nature and character of the business, the Food and Beverage Department and the Household Departments have the greatest need for filling the vacancies, where mainly women apply for such jobs. In 2017 out of the total number of new employees, 75% and 57 of them were women, and even 57% of the newly employed persons were employees in the age group up to 30. Then 35% are employees in the age group from 30 to 50 years and 8% are employees aged 50 and over. In the previous fiscal years, 2015 and 2016, women and employees up to the age of 30 accounted for more than a half of newly employed persons.

New employee by gender and age group from 2015 to 2017



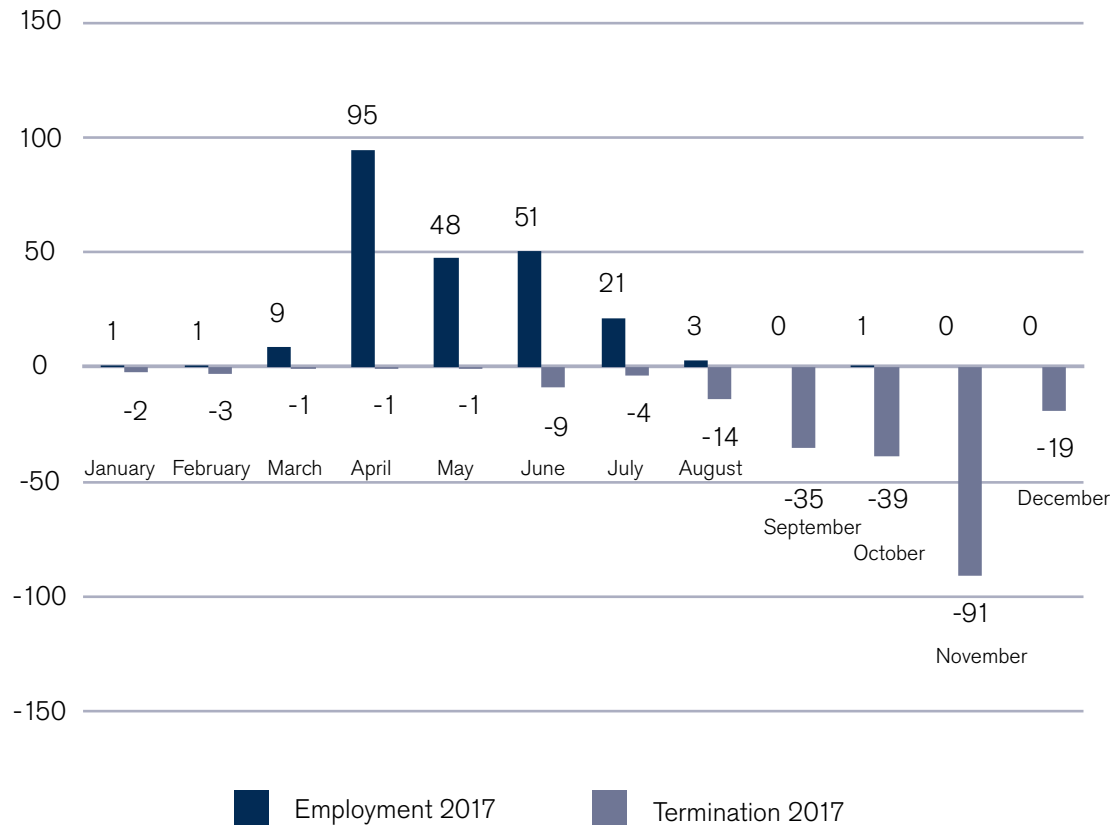
During the period from 2015 to 2017, the greatest number of the new employees came from the surrounding cities and municipalities of whom the greatest number of employees came from the town of Benkovac, where 29% of all new employees came from in 2017. By observing the age structure, employees over 30 years of age are predominant.



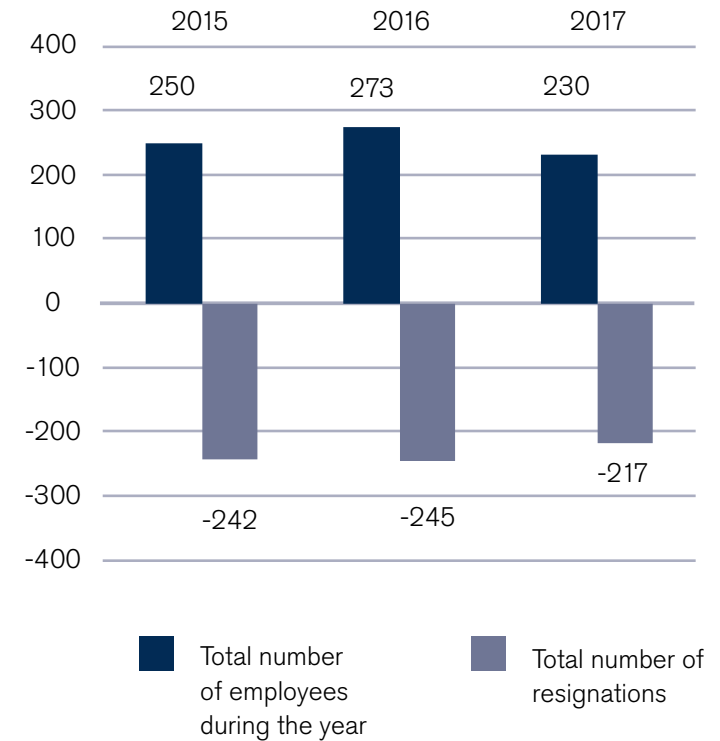
Employee turnover

The employee turnover is most reflected in the termination of employment contracts and less in switching of employees from one job to another within the company. In 2017, out of a total of 217 employees' resignations, there were only 4% of employees who terminated their fixed term employment contracts, while 209 and 96% of employees terminated their limited term employment contracts. Also, in previous fiscal years or 2016, 4% of employees who were employed for a fixed term left the company, while in 2015, only 2% of them terminated their limited term employment contracts. The retirement is the most frequently mentioned reason for cancellation of the fixed term employment contracts.

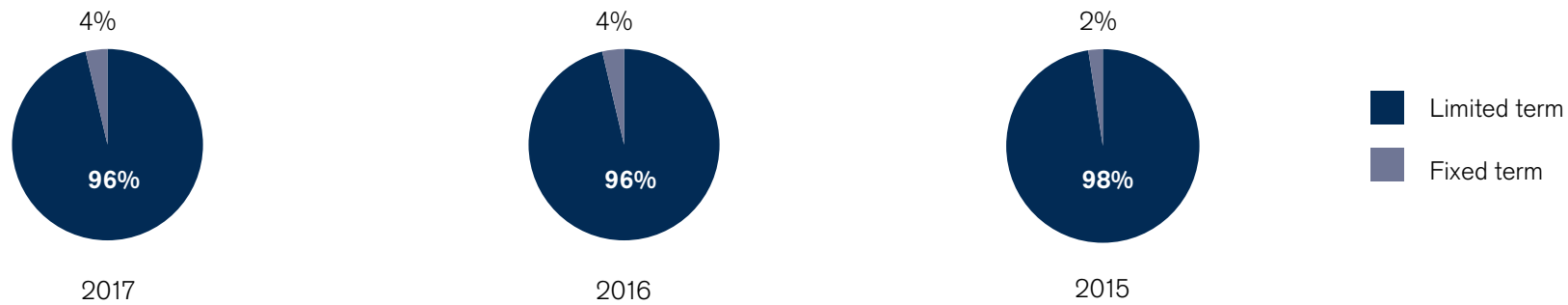
Number of employment and resignation of employees in the year 2017 by months



Arrivals and leaving of employees from 2015 to 2017

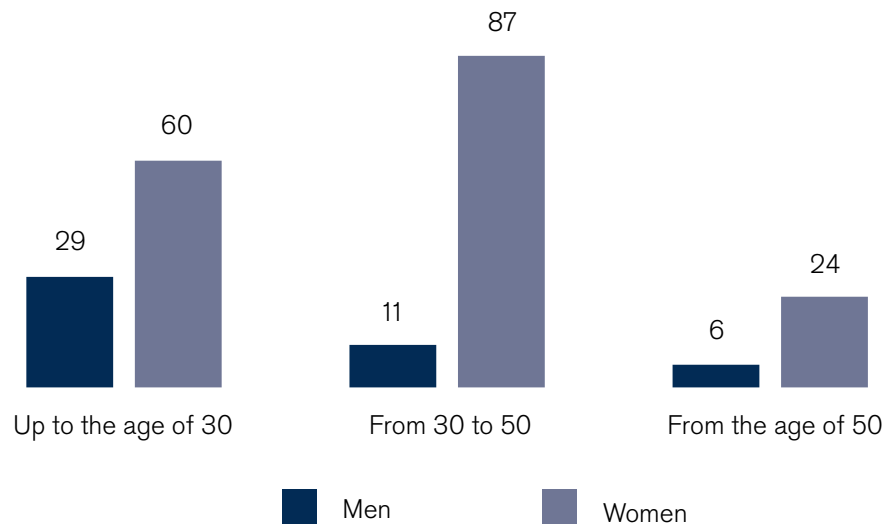


Resignations of employees by a type of employment contract in the years 2017, 2016 and 2015

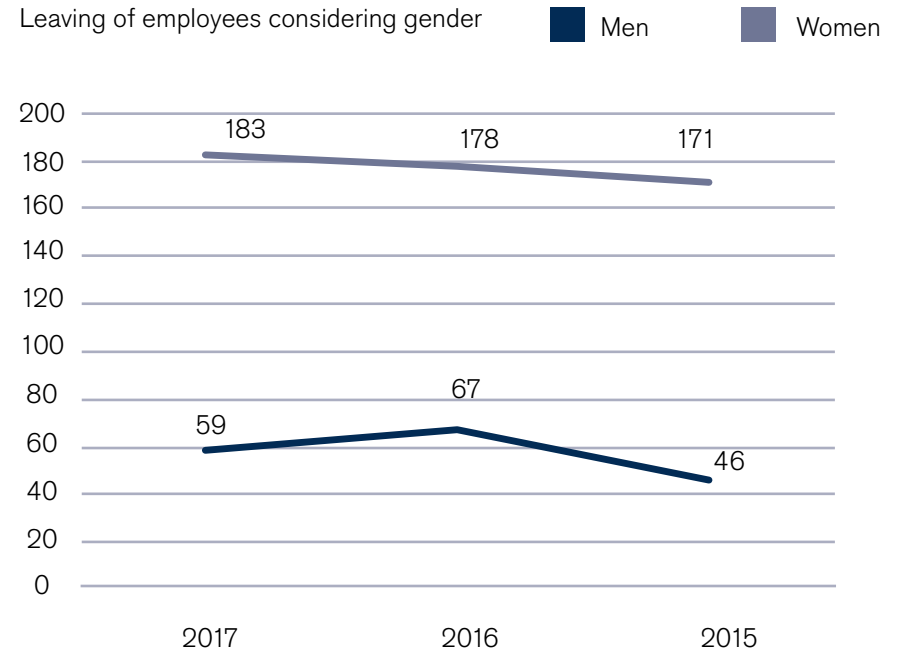


Considering the gender, the resignations are more pronounced in women, taking into account a greater number of women employed, which results in a greater number of their resignations. In 2017, women accounted for 79% among the employees who left the company since they occupy the positions usually filled with seasonal employees such as auxiliary staff at the Food and Beverage Department or in the Household Department.

Leaving of employees in 2017 by gender and age groups



Leaving of employees considering gender



The Collective Bargaining Agreement in the field of hospitality (Official Gazette 36/2018) applies to Ilirija d.d. according to the Labor Act and Decision of competent Ministry of Labor and Pension System that was concluded on 27th March 2018.

The company provides its employees, in addition to regular financial benefits, with additional financial and non-financial benefits that include:

- Loans to employees with repayment term and level of installment as agreed upon with each employee individually,
- One-off financial aid and aid through services provided by the Company (transport services, providing accommodation) to employees employed for limited term and fixed term of employment in cases of their own illnesses or illness of their close family members,
- A cooked meal for employees employed for a limited and fixed term of employment, at a symbolic price of HRK 1 a day,
- Co-financing travel expenses for employees employed for limited and fixed term of employment living outside the place of work,
- Education, professional development and training and retraining for Company employees that are fully funded by the company where the employee is obligated to complete them successfully within the anticipated deadline,
- The Company provides its own services to employees working for a fixed term and members of their close family (children) with a significant discount compared to its market price (food and beverage services) or provides them against no compensation at all (by providing the premises and facilities owned by the company for private employees' needs, usage of the work inventories, vehicles, transportation services, etc.)
- Encourages employees' sports activities by providing conditions for doing recreational sports, such as purchasing sports equipment, paying rent for sport halls, etc.
- Proposals for education, further education and training plans according to the bottom-up model for all employees according to the company's requirements, but also own desires and interests of employees, especially managers.

Parental leave

All company employees, both permanent and seasonal ones, are entitled to parental leave. The parental leave is still used only by women, although Ilirija imposes no obstacles upon men to use the parental leave. 13 employees used the parental leave in 2017. Three employees returned to work from parental leave and five employees stayed at work for twelve months after they returned from parental leave. In 2016, out of four employees who worked for a fixed term that should have come back to work, all four of them returned and in 2017, out of four employees, three of them returned. Out of four employees that returned to work in 2015, all four of them stayed at work even 12 months upon return. All employees employed for a fixed term that should have returned to work in Ilirija and stayed at work, in 2017, one employee decided to terminate the employment contract.

Year	Total number of employees throughout the year		Employees that exercised the right to parental leave		Total number of employees that returned to work after the parental leave ended		Rate of return to work	Rate of stay
	Men	Women	Men	Women	Men	Women		
2015	62	188	0	13	0	4	100%	100%
2016	186	263	0	10	0	8	100%	100%
2017	175	269	0	13	0	3	33%	50%

2 Diversity and equal opportunity

In October 2017, Ilirija signed the Diversity Charter Croatia, organized by the Croatian Business Council for Sustainable Development, that is the project holder in Croatia, as a part of the regional project involving Croatia, Slovenia and Romania and is held with the support of the European Commission. By signing the Diversity Charter Croatia, we committed ourselves to implementing the diversity and non-discrimination policy within the company, and to promoting the principle of diversity. Goran Ražnjević, President of the Management Board, is also one of the Ambassadors of the Diversity Charter in the Republic of Croatia.



„In its 60 years of existence, the company has evaluated diversity as the wealth of knowledge and experience, guiding it to creating communion, valuing each individual solely through work, dedication, attitude towards the guest, and the desire to be part of a wider team.

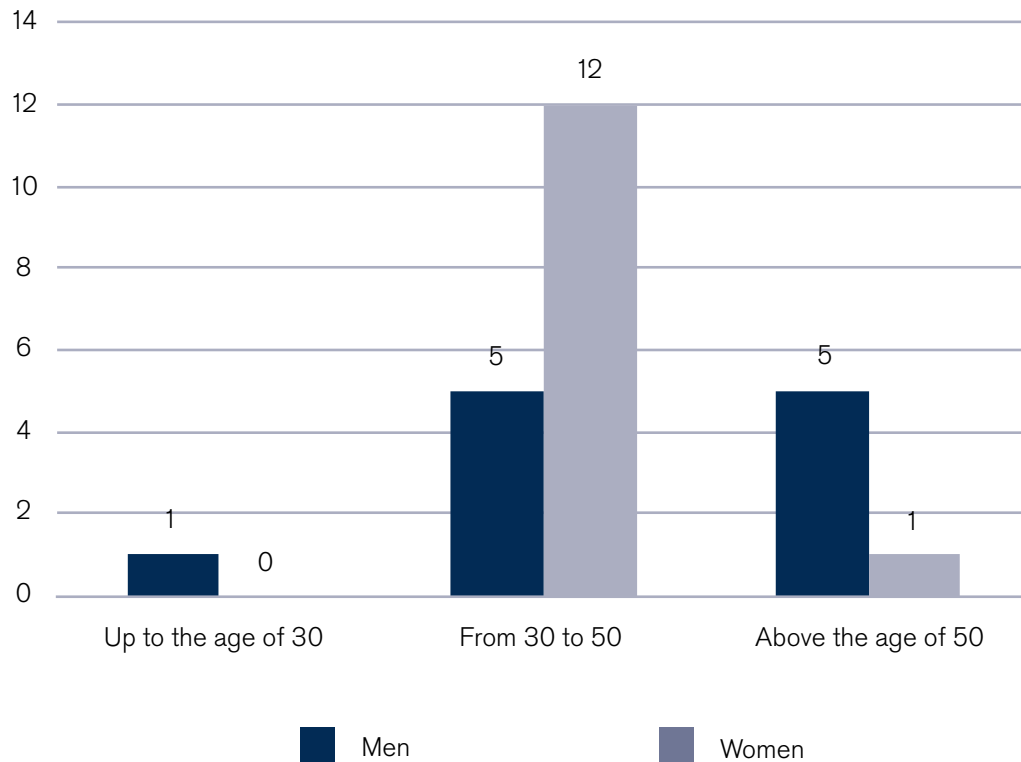
Being the Ambassador of the Diversity Charter and signatory to it in the first place, I perceive as a recognition to the business system that is, as such, recognized in the Croatian business community, which is also a recognition to all present and former employees of the company in these 60 years of its existence who owing to their knowledge, experience and work contributed to the creation of not only successful Company, but also the Company that has been recognized by many people as a socially responsible business system that above all respects diversity as its wealth and opportunity.”

- Goran Ražnjević, President of the Management Board, October 2017

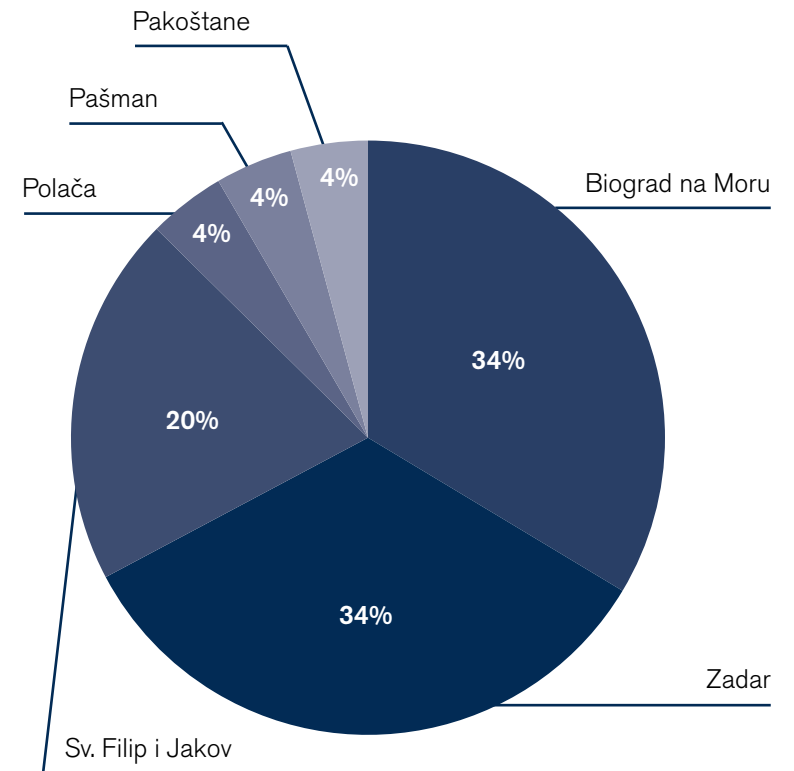
There is no difference in pay and other entitlements of our employees by gender, age, religion or any other belief or diversity for the same job or position in the company. The representative for the employee dignity protection was appointed, who during the mentioned period received no complaints from employees about any form of discrimination. The company did not have any single labor litigation initiated and pending.

As at 31/12/2017 employees of the broader management, 24 of them make up for 10% of the total number of employees. Broader management is composed of the Management Board, sector managers, heads of corporate departments and heads of profit centers and departments within profit centers. According to the gender structure, 54% are women while, according to the age 71% employees are aged between 30 and 50. Employees of the broader management, some 54% of them come from Biograd na Moru, Zadar and Sv. Filipa and Jakov, while the others come from other municipalities from the region of the Zadar County.



Broader management employees by gender and age group in 2017




Broader management employees according to permanent residence in 2017




Training and education in 2017

 **10,968 hours of training and education** 

 **341 employee**
32 training hours per employee

 **Business Excellence Academy - ILIRIJA EDUKA**

3 areas of education
61 employee

 **Education and training on higher hospitality and tourism institutions**

3 Training and education

In Ilirija, we pay particular attention to training, education and professional development of employees, which is a material topic for us, since the investment in their education is one of the fundamental principles of human resource management in the Company and we also attend to stimulate their motivation and satisfaction, enhance their personal competencies and also the quality and standards of the Company services, its competitiveness and sustainability. The boundaries of these material topic relate to all facilities within the company, in cooperation with external licensed education companies (i.e. legally required education), companies providing education for hospitality and tourism and higher hospitality and tourism institutions and the study tour organization. We strive to comply with the legal regulations and satisfy the employee motivation for further knowledge, desire and need to access the information related to new trends and issues in the tourism industry with legally required education.

Training and education are planned and approved on an annual basis by the Management Board of the company and in coordination with the Human Resources and Payroll Department and sector managers in the key business segments (food and beverages, sales and marketing, corporate departments) whose plan defines the area or topics of training, employees, period, if necessary, accompanied by theoretical part and practical training, presentation and implementation of new knowledge, skills and standards with a defined budget. In addition, sector managers and heads of health care, occupational safety and environmental protection suggest additional training programs for individual departments within sectors such as technical department, household department, etc. that are conducted by organizing internal seminars, engaging external experts, using professional literature, exchanging knowledge etc..

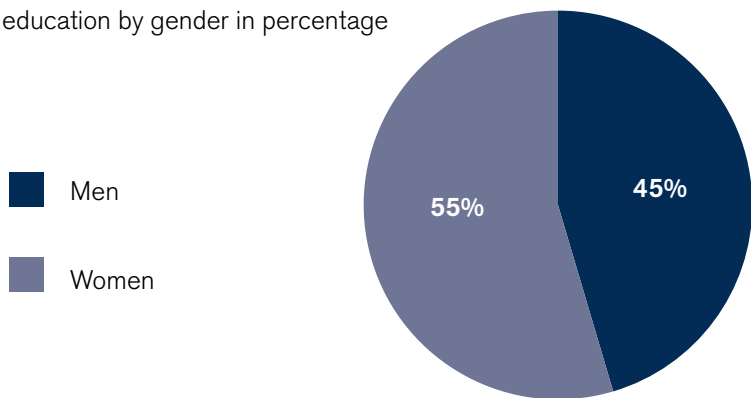
Employees who are subject to any kind of training are obliged to provide the Human Resources and Payroll Department with information in the form of confirmation, certificate or records of completed training and education.

By organizing the training and education for our employees we strive to:

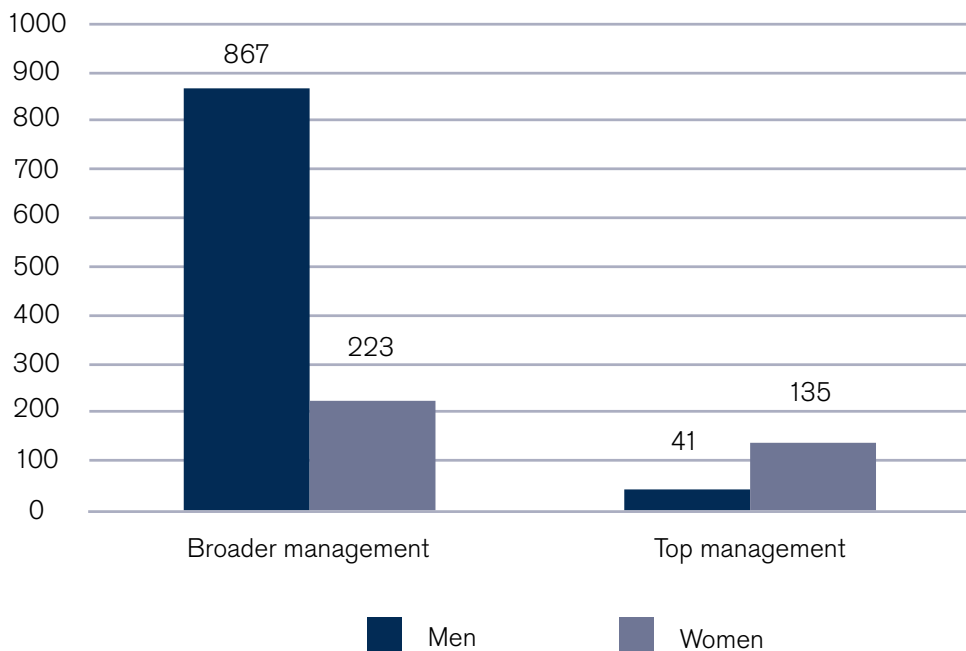
- improve the existing and develop the new skills of employees,
- achieve better motivation and satisfaction of employees,
- develop the required human resources,
- achieve professional and personal employee development,
- enhance the service quality,
- increase guest satisfaction,
- increase the company's competitiveness,
- create positive and safe working environment.

In 2017, a total of 10,968 hours of training were spent, including the education stipulated by the Occupational Safety Act and Fire Protection Act and the Act on Protection of Population from Infectious Diseases and the People Health Education Act. 341 employees attended the training program, of whom 143 of them were men and 198 were women, or an average number of training hours per employee is 32 hours.

Hours of education by gender in percentage



Hours of training of broader and top management in 2017



If we exclude the education stipulated by law, then the average number of training programs per employee is 45 hours, i.e. 8,892 hours spent on training. A total of 213 employees were involved in the education, of whom 76 were men with 4166 training hours and 137 women who completed 4726 hours of training, the ratio of which is shown below in Graph.

In the category of employees, the broader management made up of sector directors and department unit chiefs spent 1090 hours of education. 8 men and 14 women were involved in the education, while the average number of training hours per employee in the category of broader management was 45 hours, whereas in the category of senior management the average number of employee training hours was 15 hours.

By the end of 2016, the Business Excellence Academy - ILIRIJA EDUKA was launched, through which we were educated 61 employees in the areas of the Food and Beverage, Marketing and Sales, Accounting and Finance, DMC Ilirija Travel and real-estate sectors in 2017 in the following areas:

- area of food and beverages through the process of education and training the staff and middle management in practical and theoretical workshops,
- Department of Marketing and Sales in the segment of new trends in marketing and sales, and
- improvement of the management reporting system.

In addition to ILIRIJA EDUKA, we additionally educated the employees in the field of food and beverages at high educational institutions specialized for hospitality and tourism for food and beverage managers/heads improving the knowledge in the segment of managing the organization of hospitality contents, enhancing the quality and standards of service, introducing the trainees with contemporary gastronomic trends, marketing and financial operations of food and beverages.

Employees or their heads/managers are obliged to provide a certificate of successful completion of education or, if no certificate is issued, they should inform Human Resources and Payroll Department about completed education, while in case of the education required by the law, the heads monitor the application of knowledge and success of completion of the training.

4 Occupational health and safety

Health and safety management

Occupational health and safety is a material topic for the Company whose boundaries fall within its facilities, since the employees are one of its key stakeholders and at the same time they are the owner of the overall business process, and for that reason their health and safety is secured by safe working conditions, adequate equipment and continuous education, reducing thus the number and frequency of occupational injuries, increasing the employee productivity and satisfaction and reducing any potential costs for the company.

The Safety Department which in the segment of occupational health and safety includes: (I) occupational safety and fire protection and (II) health control. Occupational health and safety falls within the responsibility of the head of the occupational safety, fire protection and health protection who reports to the Company's Management Board for their work. The occupational safety commissioner and Occupational Safety Commission jointly conduct activities of monitoring and advising on health protection and occupational safety programs. The Occupational Safety Commission, which consists of four members (Head of Occupational Safety and Fire Protection of Ilirija d.d., Head of health control of Ilirija d.d., occupational safety inspector and occupational physician) organized a meeting twice in 2017 at the beginning and end of tourist season.

The Head of Health Control at the level of the Company takes care of the health of all employees and guests, develops a training program for employees and managers, coordinates DDD measures, fulfills daily work obligations under the sanitary program, performs supervision by conducting unannounced internal inspections, cooperates with the State Inspectorate during their supervision, analyzes the results of state inspections and records, maintains the health safety of the system of drinking water, swimming pool, whirlpool and sauna etc.

The Head of Occupational Health and Safety is responsible for the implementation of occupational safety and fire protection, improvement of the occupational safety and fire protection, education and testing of all employees in the area of occupational safety and fire protection, sending employees to medical examinations when work under special working conditions is in question, sending employees to other legally required training programs, keeping records and documenting the examinations performed, records of employees and testing of machinery and equipment, keeping records of occupational injuries and work with hazardous substances, creating the risk assessment and occupational safety reports, preparing and updating the Rulebook and Procedure from Occupational Safety and Fire Protection.

On an annual basis, the heads of occupational health and safety prepare annual plans for employee examinations, training and inspection of the facilities.

The plan and program of measures of specific employee health protection is organized on an annual basis and at the level of primary health care. The plan is implemented for employees considering the working conditions and dangers, hazards and efforts to perform working tasks.

“In 2017, there was no a single serious situation or threat to the safety, life and health of guests and employees recorded.”

One of our key legal obligations in the field of occupational health and safety is “to have occupational health and safety risk assessment available, including those risks that groups of employees exposed to special risks” are facing and to decide which protective measures are to be taken. The legal framework does not prescribe the exact method of carrying out the risk assessment, which is why the company’s risk assessments are based on past incident analyses, statistical data on health, advice from our national bodies and sectoral associations in charge of occupational safety and health. Consequently, in the field of occupational health and safety, prevention was the main objective of occupational safety and health in 2017.

By taking precautionary measures, we aimed at reducing the likelihood of occupational accidents or the occurrence of a occupational disease. There are two types of preventive measures we used in 2017:

- Engineering or technical measures in cooperation with external service providers - whose aim is to act directly on the source of risk to eliminate, reduce or replace this risk,
- Internal organizational or administrative measures - whose purpose is to change behaviors and attitudes and promote a positive safety culture.

We have supplemented the preventive measures by protective and mitigation measures through:

- collective measures - designed to limit or isolate risks, for example by applying physical barriers, organizational or administrative measures to reduce the exposure duration (job rotation, determining the time to perform work, security signs),
- individual measures - any appropriate personal protective equipment (PPE) designed for the protection of employees.

As a responsible business operator, our objective is to ensure maximum safety and health of our employees at their workplace. In order to fulfill this obligation, we took measures such as assessing the risks to safety and health of employees, made sure that each employee is adequately qualified in the field of safety and health protection, involved health and safety professionals in discussions, and kept records of occupational accidents, and according to the analyses thereof, took corrective actions when it was necessary.

Daily operational activities of the Head of health safety in the segment of employee health protection through:



medical control



employee nutrition



care about employee mental health



training and education

Employee health protection at workplace

Employee health protection is based on the health protection of all service beneficiaries, employees and hygiene of the facilities, especially those under sanitary control.

I Medical control

For all employees of the Food and Beverage Department as well as employees of other departments subject to compulsory medical surveillance, we carry out sanitary and hygienic examinations and meet the legal provisions on possession of sanitary IDs that we use to verify that the employees are healthy and fit for work. In 2017, 270 examinations were performed for sanitary IDs and an increase in the number of examinations was recorded due to an increase in the number of employees subject to a health check-up on an annual and semi-annual basis.

Type of sanitary-hygienic examination of employees at the Public Health Institute Zadar	2015	2016	2017
Annual examination	127	135	156
Semi-annual examination	65	62	58
Annual examination of health professionals	1	1	1
New sanitary IDs	45	43	50
Personnel doing hygiene care	5	6	5
Total	243	247	270



hot meal HRK 1

prepared 33,492 hot meals

101 hot meal per employee

The plan and the program of measures of specific health protection for employees at the level of primary health care is organized on an annual basis, the plan is implemented with the employees taking into account the working conditions and hazards, harms and efforts in the performance of the work.

Following the established methodology of examinations and tests, in particular functional examination of organs and organic systems, the examinations are carried out for the purpose of assessing the fitness for work in relation to the requirements of jobs with special working conditions. Examinations are performed in occupational medicine department, and according to the type of examination the examinations are performed in: hematological-biochemical laboratory, toxicological laboratory, by a psychologist, specialists of other specialties with an aim to reduce potential occupational injuries.

II Employee nutrition

Nutrition in a form of a hot meal is provided to all employees, secondary school students doing practice and university students at a price of 1 HRK per meal every day. The preparation was done in our own kitchens and served in an agreed time with an aim to provide a hot meal to as many employees as possible, or almost all employees. In 2017, 33,492 meals or 101 meals per employee were prepared.

Year	Number of meals	Number of meals per employee
2015	33.000	114
2016	33.052	110
2017	33.492	101

III Care about employee mental health

We promote mental health in the workplace through the following activities:

- The complete ban on alcohol consumption by installing print labels and defining the rules that alcohol is not allowed during working hours or defining no alcohol tolerance.
- Raising awareness as to the harmful effects of tobacco use on health and health consequences "Smoking - a risk factor for health", possibilities of quitting smoking with the support for seeking advice and help.



IV Training and education

Internal training is carried out by the Head of Health Protection and Head of Occupational Safety independently, in cooperation with the external licensed company and the Public Health Institute. A total of 38 employees attended a health education course conducted at the Public Health Institute according to the Act on Protection of Population against Infectious Diseases (Official Gazette, No. 79/07). We educated our employees from the Household Department and Food and Beverage department on the most common chronic diseases, risk factors at work place, the possibilities of preventing chronic non-communicable diseases, the need for early diagnosing disease and the importance of adopting healthy living habits in order to prevent a disease.

In 2017, in the process of implementing and certifying the HALAL standard in the segment of providing accommodation, food and beverage services, education on Halal quality was carried out involving 35 employees based on Quality Manual PK-01-02, item 6.2, Halal Quality Certification Procedures RP-06-02 Item 5.5.3 and 5.5.9 HALAL Quality Certification Center. Education for gaining knowledge of the HACCP internal auditor for Food and Beverage Department managers was conducted.

Occupational safety

Safety system

Ilirija has integrated, organized and harmonized several elements in the efficient and timely functioning of safety:

- 1 technical safety systems,
- 2 the adoption of crisis management procedures (since the nautical sector is the only one that poses a high risk of potential accidental situations, the following procedures were adopted: Fire Protection Plan, Emergency Evacuation and Rescue Plan, Environmental Protection Operational Plan, Sudden Sea Pollution Response Plan, House Rules in Camps and Hotels, and Harbor Regulations - Regulations for the maintaining order in the harbor for nautical tourism -Marina Kornati and Hotel Harbor Kornati)
- 3 supervision of compliance with the adopted procedures,
- 4 training activities and procedures based on adopted crisis management procedures, i.e. continuous education and training of employees.

Technical safety system is divided into the two groups:

- protection of people and property from an incident or natural disaster. These are fire detection systems, fire extinguishing systems, evacuation systems and emergency lighting systems,
- protection of people and property against any illegal activities of the groups or individuals, and occurrence of harmful actions and events as a consequence of negligence, willful act and lack of attention.



In the segment of occupational safety, the Company cares about the following on daily basis:

- I safe working environment,
- II adequate work equipment and tools,
- III improving occupational health,

I Safe working environment

Employee education and training is regarding the safety primarily focused on familiarizing with and receiving training for work for a particular position, conducted by external licenced companies, while the training for raising the safety culture for these employees is conducted during the employment by the Head of Occupational Safety.

In 2017, we recorded a more significant increase in the training of employees to work in a safe way due to the increased employee turnover.

Year	2015	2016	2017
Providing training for employees to work in safe way	12	57	76

At annual level, we carry out fire protection exercises at the level of all sectors in which all employees participate.

Year	2015	2016	2017
Number of fire protection exercises	4	4	4

II Adequate work equipment and tools

We systematically conduct the maintenance of fire extinguishers to stay safe and functional by means of regular inspections and periodic servicing. Fire extinguishers are inspected and tested in accordance with the regulations for pressure equipment by an authorized fire-fighting service. In 2017, we recorded an increased number of fire extinguishers due to an increased number of locations and introduction of new fire extinguishers.

Year	2015	2016	2017
Number of Inspections of fire extinguishers	247	252	304

III Improvement of occupational health for work in a safe manner

Medical examinations for the employees holding the positions with increased occupational dangers were performed, noting that in the years 2015 and 2017 no examinations by the occupational medicine department, as the examinations are performed periodically every two years for the same employees. There are no employees holding the positions with increased occupational hazards in the hotel sector.

Overview in the area of occupational medicine	2015	2016	2017
Nautics	0	32	0
Camping	0	7	0
Laundry	0	12	0
Maintenance Department	0	6	0
Horticulture	0	6	0
TOTAL	0	63	0

In 2017, four occupational injuries were reported without any significant consequences for employees' health, while there were no occupational diseases and injuries with a deadly outcome. The effect considering the health protection and safety is a key measure of duty of the organization for providing care. Low rates of injuries are related to the positive trends considering the continuous employee education.

Rates of injuries, occupational diseases, lost days and absenteeism and the number of work-related fatalities

	2015				2016				2017			
	Number of injuries	Number of occupational diseases	Number of lost days	Number of fatalities	Number of injuries	Number of occupational diseases	Number of lost days	Number of fatalities	Number of injuries	Number of occupational diseases	Number of lost days	Number of fatalities
Male	1	0	48	0	2	0	48	0	1	0	16	0
Female	2	0	19	0	0	0	0	0	3	0	43	0
TOTAL	3	0	67	0	2	0	48	0	4	0	59	0

Parameter	2015	2016	2017
IR (injury rate)	1,50	1,38	1,76
ODR (occupational disease rate)	0,00	0,00	0,00
LDR (lost day rate)	0,12	0,07	0,09
AR (absentee rate in case of fatalities)	0,00	0,00	0,00

5 Customer health and safety

Since the customer is in the focus of our service and that tourism is a specific industry due to the fact that we care about our customer 24 hours a day or the whole time of his/her stay in the company facilities, therefore, besides the satisfaction with the service, their safety and health is our priority and also a material topic whose boundaries relate to all facilities in the Company:

We achieve health and safety of our customers by:

- Implementation and certification of HACCP system, which guarantees a high level of control, quality and safety in the process of preparation, production and distribution of the food and beverage, while taking the diversity of food and its nutritional value into account,
- providing information by labeling food allergens,
- plans of evacuation and rescue are hung in all facilities, on visible places,
- we have reduced the use of aggressive chemicals by introducing environmentally friendly materials in the Household Department by maintaining the cleanliness of our facilities,
- we conduct the inspection of fire detection and fire extinguishing systems within the legally prescribed timeframes,
- we care about the safety of our guests and their property by providing 24-hour insurance,
- we apply the methodology of cleaner production,
- we carry out comprehensive microorganism eradication measures and the pest control measures in accordance with legal regulations in cooperation with authorized external companies,
- tests the sea quality,
- testing swimming pool water for physical, chemical and microbiological parameters, and
- inform and educate about the importance of conserving natural resources (conserving and protecting water, energy, waste disposal, etc.)

Which is additionally evidenced by the achieved following standards and certificates in the year 2017:

- HACCAP
- ISO 9001
- ISO 14001
- Blue Flag
- Green Key
- Ecocamping
- Sustainable hotel
- Travellife certificate
- ZelEn Certificate
- Green mark - Sign of excellence
- Halal Certificate



The Halal Quality Certificate was awarded to the Company for the implementation of the standard of the Halal quality management system in the area of preparation and provision of food and beverages and accommodation for the Adriatic Hotel, as the first hotel having the Halal certificate in the region of Middle Dalmatia, restaurant “Marina Kornati”, event ship “Nada” and Ražnjevića Dvori AD 1307.

In 2017, an inspection of handling food and beverages and their safety was performed, which ended up with rating excellent for the observed facility.

Guest safety is an imperative aimed at increasing the satisfaction and reduction of potential risks. A whole range of public health measures that we carry out on a quarterly basis, such as sampling of food, water and ice, taking surface prints and hand prints of employees is of great importance. Meeting the demands of health safety and producing, processing and distributing safe food is our main objective in the segment of food and beverage service.

The courses of processes for satisfying the market needs and the emergence of a safe product are ensured from the input raw materials to the final product, so applying the HACCP system is certainly a key to success. The implementation of HACCP standards since 2010 has resulted in the establishment of a continuous and documented supervision of the food management system, thus minimizing the risk of health contamination.

The Department of Health Ecology of the Zadar Public Health Institute conducted an analysis of microbiological purity in food and beverage preparation facilities and accommodation facilities. Microbiological, physical and chemical analyses did not establish significant presence of any microorganisms that would endanger human health, reaching a conclusion that the microbiological safety that supported the safety of the tested items for further use was satisfactory. Samples that fell into faulty samples required corrective actions and resampling.

A total of 325 samples were examined, out of which 15 were faulty, i.e. 7 were chemically faulty and 9 were microbiologically faulty. Regarding the faulty water samples (3 samples of ice, 6 samples of effluents, 4 samples of pool water and 2 samples of the water from the tank) repeated analyses showed satisfactory results.

6 Marketing and labeling

Labeling products and services

Labeling and informing about products and services, especially in the field of food and beverages, is a material topic for the Company, whose boundaries fall within all facilities that serve unpackaged food, since food safety is an important segment in business. By labelling the food, i.e. ingredients that can cause serious allergic reactions in a way to be visible, we impact the reduction of potential accidents. The Regulation of Food Labeling came into force in mid-December 2016 when we started applying it. Every guest is entitled to ask the employee to provide him with the information on the presence of allergens in food or the food he has ordered. In 2017, we neither recorded a case of violation of the regulation nor did we receive any complaints about the violation of regulations in the segment of labelling products and services.

The Non-prepacked food Information to Consumers Regulation (OG 144/2014) encompasses the requirements we met in 2017 as companies dealing with food concerning the provision of information on the presence of ingredients or auxiliary substances in the production process that cause allergies or intolerance as well as mentioning other mandatory information on non-prepacked foods. The EU legislation emphasizes 14 specific allergens used in food preparation (including beverages) and are present in the finished product, about whose presence we inform the guests through the visually displayed notices at the entrance to the restaurants and the a la' cart menu. We educated the personnel to check the information on the presence of allergens in the documented records with the overview of the food that is offered in the facility.

Non-prepacked food that the Regulation is related to denotes the food we served to the guests in a non-prepacked form, which is marked by highlighted pictograms, for example:

- Food served as part of "buffet tables" in hotels and restaurants - we have labeled 20 soups, 50 appetizers, 84 main dishes, 42 side-dishes, 35 kinds of bread rolls and bread, 50 kinds of deserts

Supervision of handling substances or products causing allergy reactions or intolerance is carried out internally by the Head of Health Control and by the external inspectorates of the sanitary inspectorates and accredited auditors of the HALAL and HACCP systems.



Marketing

Marketing and marketing communication, in addition to designing and creating the company's products and services as a direct form of communication with clients, is a material topic, since the continuous satisfaction with products and services and communication with guests is one of the company's long-term objectives, that its business performance, competitiveness and recognizability depends on.

We start from the principle that all data, descriptions and presentations of products and services in different forms of communication through advertisement, promotion and sponsorships must be credible, truthful, timely and up-to-date not ignoring competitive products and services, protecting consumer privacy and their rights, respecting human dignity and consumer rights. In 2017, we neither recorded a case of violation of regulations nor did we receive any complaints about the violation of regulations in the segment of marketing communications.

At the level of all sectors, the Annual Marketing Plan is adopted by the directors in charge of marketing and sales, which includes the budget, the plan of advertising activity by type of advertising and media with a defined time period of advertising that is coordinated with the Marketing Director at the level of the company and then approved by the Company's Management Board. The effectiveness of marketing campaigns are regularly monitored and measured, especially in the segment of online advertising and advertising through Google Adwards.

We track the guest satisfaction through:

- printed and online surveys where the guests assess specific segments of offer and content,
- monitoring feedback from guests and business partners in the form of comments, praises, complaints and suggestions sent directly to sales and marketing departments and through social networks, and
- direct communication with guests during their stay in the facilities.

7 Local communities

This is a material topic for the Company, since it starts from the fact that in its business operations, it is a part of a wider community where as the responsible business operator it contributes to its development through:

1

active policy of employment of the local population,

2

development of the tourist economy of the city by developing the organized tourism whose holders we are in the destinations of Biograd na Moru and Sv. Filip i Jakov.

In the company's facilities in the destination of Biograd na Moru, where most of the accommodation facilities (three hotels, campsite and Marina Kornati) are located, there were a total of 595,895 overnight stays recorded and 45.82% of all overnight stays realized in Biograd na Moru. If we exclude overnight stays realized in non-commercial accommodation, other hospitality facilities for accommodation and household facilities from the total overnight stays in Biograd na Moru, or if we only observe the organized tourism, the share of Ilirija is 67.04% in organized overnight stays.

3

total contribution to tourism development of the destinations through the development of special offers or events that contribute to extending the business to the pre-season and post-season through:

- I the development of the destination management or system of destination management company / ILIRIJA TRAVEL through which 491 special events were organized with 66,023 participants,
- II organization and further development of the Biograd Boat Show, which in nineteen years of holding has grown into the leading international boat show in the Republic of Croatia and Central Europe and the gathering place of all sectors of the nautical industry and tourism through the organization of 1st HGK Nautical days and intensive development of the B2B nature of the show contributing to the recognizability of the destination and the extension of the season.
- III development of cyclotourism by launching the Bike & Wine - Ravni Kotari tour

4

Participating in the development of the tourist offer, contents and capacities, contributing to the recognizability, competitiveness and innovation of the offer of the destination and the region and Croatian tourism in general through:

- I Participation in the work of local and regional tourist boards (the Tourist Board Assembly of the Zadar County, the Tourist Council of the Tourist Board of the town of Biograd na Moru, the Tourist Council of the Municipality of Sv. Filip i Jakov),
- II Participation in the work of professional associations in the field of hospitality and tourism, or their annual gatherings, congresses and meetings (Croatian Camping Union, HGK - Croatian Chamber of Commerce - Marina Association, Association of Employers in Croatian Hospitality)
- III Participation in the Days of Croatian Tourism in 2017 - the annual largest gathering of the Croatian tourism industry
- IV We participated in Adria Hotel Forum 2017, one of the leading European hotel and investment conferences, getting together representatives of the largest hotel groups, government bodies, investors, hoteliers, consultants and financial institutions.

5

Participating in projects and initiatives that come from the community through the process of corporate philanthropy for which we allocated HRK 572,782.00 in cash and services in 2017.

6

Caring for the environmental protection and the preservation of natural resources by introducing natural gas as an energy source, the achievement of international and domestic standards and environmental protection certificates





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1	GRI 201: Economic performance	201-1 Direct economic value generated and distributed	
		201-2 Financial implications and other risks and opportunities due to climate change	We do not monitor the financial consequences related to climate change
		201-3 Defined benefit plan obligations and other retirement plans	We do not have any other retirement plans
		201-4 Financial assistance received from government	We have not received any financial assistance from government
<hr/>			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	124-125	
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1	GRI 302: Energy.	302- 1 Energy consumption within the organization. 110, 112, 113, 114 302-2 Energy consumption outside of the organization. 112 302-3 Energy intensity. 113 302-4 Reduction of energy consumption	Considering the integration of the Commercial-shopping center City Galleria, the energy consumption has risen.
	GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 115 103-2 The management approach and its components. 115 103-3 Evaluation of the management approach 115	
2	GRI 303: Water	303-1 Water withdrawal by source.115, 116, 117 303-2 Water sources significantly affected by withdrawal of water. 303-3 Water recycled and reused	There are no water sources that are heavily affected by water extraction We do not recycle water
	GRI 103: Management Approach 2016.	103-1 Explanation of the material topic and its Boundary118-119 103-2 The management approach and its components.118-119 103-3 Evaluation of the management approach118-119, 121	
3	GRI 306: Effluents and waste	306-1 Water discharge by quality and destination 118 306-2 Waste by type and disposal method 119-120 306-3 Significant spills. 306-4 Transport of hazardous waste. 306-5 Water bodies affected by water discharges and/or runoff	There were no spills We do not transport hazardous waste There was no discharge/leakage of water into the water tanks
	GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary106-108 103-2 The management approach and its components.106-108 103-3 Evaluation of the management approach106-108	
4	GRI 307: Environmental compliance	307-1 Non-compliance with environmental laws and regulations 121	

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VII External assurance

Opinion of the Steering Council of the Croatian Business Council for Sustainable Development

The Commission of the Steering Council of CR BCSD/Croatian Business Council for Sustainable Development/ has reviewed the report prepared by Ilirija d.d. on corporate social responsibility for the year 2107 and stated that the Report contained the key requirements of the Global Reporting Initiative Standard, Core Options, and verified the compliance of the Report with the GRI Standards - Core Option.

Ilirija d.d. is a tourism company with a long tradition and rich history. The first hotel started operating under this name in the last half of the last century and since then Ilirija has been continuously growing and developing. Apart from the hotel accommodation throughout the years, Ilirija is expanding its activity to other tourism activities every year, and today it successfully operates in the key segments of the Croatian tourism offer: hotel sector, nautics and camping. In doing so, Ilirija d.d. has become the leader in the tourist and economic development of the region and develops the year-round business by offering complementary and selective forms of tourism offer in the destination.

The contribution to the regional economic development is particularly apparent in the part of the report that deals with the share of domestic suppliers in the total procurement of Ilirija d.d. The data shows that the share of domestic suppliers is over 95%, while more than 50% of them are local suppliers.

Ilirija also appears as one of the main organizers of many local events and shows that enrich the tourism offer, contribute to the local economy, preserve the cultural tradition of the region, contribute to the development of sports etc.

An overview of the method of managing material topics essential to the sustainability issues is the best in the field of economic topics where we are very familiar with the strategy and business plans. In addition to the strategic approach, the report is rich in disclosures that present the economic impact in details and also indirect economic impacts and presence on the market where we again learn that the management of the company is fully engaged by the local community.

Environmental and social topics also show that they are adequately managed. There is a significant number of certificates possessed by Ilirija d.d. and the process of training and education of employees is presented in details with an aim to better manage the material topics. Also the investments shown are a continuous investment in energy efficiency and environmental care. The care for employees can also be observed, which is evidenced by data on continuous

training, as well as the rate of return of seasonal employees who work for a certain time and return to Ilirija d.d. in high percentage. There is a significant rate of newly employed persons over 50 years of age, where women prevail. It should be also said that women are mainly present in the structure of the company's top management.

By viewing the report, we can conclude that Ilirija d.d. made significant progress in the reporting quality compared to the previous report. Not only was a very successful switch to the new GRI Standard methodology made, but the report is clear, well structured and contains all the essential parts necessary to understand the overall non-financial impacts of the company.

The report is an excellent basis for further developing the process of managing material non-financial topics and the process of conducting consultancy with the stakeholders. For example, Ilirija d.d. may in the following reports pay more attention to thinking and reporting on risks and opportunities arising from the Ilirija's business and how Ilirija can respond to them and show us potential negative consequences for Ilirija's business that may be caused by sustainability result, such as climate change and the way these risks are managed.

Despite the fact that the report is a product of the process where improvements are always possible and its purpose is precisely to define the room for further improvement, we have to point out that this report shows the explicit commitment of Ilirija d.d. to systematically and thoroughly manage its non-financial impacts, primarily with an aim to contribute to the development of the local community, in which it is very successful, but also to manage the environmental impacts with an aim to preserve nature for future generations.

We thank to the to team Ilirija d.d. for its tremendous effort that has been made in collecting data and preparing this report and we hope that Ilirija d.d. will continue to disclose its non-financial impacts in such a high quality way in the years to come.



Hrvatski poslovni savjet za održivi razvoj
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