



**Annual Report on  
Corporate Social Responsibility for the year 2018**

Biograd na Moru, February 2020







## Annual Report on Corporate Social Responsibility for the year 2018

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# I Statement by the President of the Management Board



# I Statement by the President of the Management Board



Dear stakeholders,

In our fourth non-financial report, we present the overall activities of the company, namely in terms of the achieved operating results as well as a detailed overview of activities in the domain of corporate social responsibility in three key areas: (I) relationship with the community, (II) employees, and (III) the environment. The Annual Report on Corporate Social Responsibility for the year 2018 is the second report drawn up in accordance with the international non-financial reporting standards – GRI Standards – Core Option.

**In 2018, Ilirija continued its continuous growth and development process, reflected in the achievement of the best operating results so far, and resulting in further capital, financial and market strengthening of the company. The operating results achieved in 2018 confirmed that Ilirija, as a company engaged in a wide range of economic activities, is continuing its successful, profitable and responsible business.**

During said period, the company continued to pursue its long-standing goal of successful development of year-round business at the level of all key tourism sectors, and in particular through the system of the destination management com-

pany Ilirija Travel, its complementary and integrated product.

The operating results achieved, with a total of 662,335 overnight stays (hotel sector, nautical sector and camping) are by far the best so far, accounting for more than 47.76% of all overnight stays in the destination, except for the overnight stays pertaining to the hotel sector realized in the destination of Sv. Filip i Jakov. In addition, two thirds of organized tourism in Biograd na Moru are realized in the company's facilities. In the hotel sector, with 144,745 overnight stays, a 4% growth was realized, while the camping sector with its 302,845 overnight stays and a growth rate of 6,99% achieved the long-term strategic goal of more than 300,000 overnight stays for the first time ever. Furthermore, tourism turnover in the hotel and camping sectors when it comes to arrivals and overnight stays achieved a greater growth than the growth of the aforementioned sectors at the level of the Republic of Croatia, where overnight stays in the hotel sector grew at a rate of 2.45%, and in camps at a rate of 1.18%. In the nautical sector, 214,745 charter overnight stays were realized, i.e. 23.39% more stays, with 78.96% of all overnight stays in Biograd na Moru or 32.14% of all charter overnight stays in the



Zadar County being realized in the Marina Kornati. As for the destination management company Ilirija Travel, through the organization of 561 separate events and an increase of 14% relative to 2017, the company significantly contributed to the development of year-round tourism. In the real estate sector, for the second year in a row, the results of the Commercial-Shopping Centre City Galleria confirm that the investment in question is economically viable and justified. In terms of achieved operating results, the real estate sector recorded the highest operating revenue growth rate, in the amount of 14%, with a double-digit increase in operating profitability indicators.

Financial operating results in the key parameters, operating and total revenues, as well as operating profitability indicators – operating profit, profit, EBITDA and EBIT, are the best so far. Total realized revenues in the amount of HRK 161,048,880.05 and the growth rate of 7.03% are the result of an increase in the company's operating revenues, i.e. its presence on the domestic and foreign markets, with a growth of 8%. Realized operating revenues in the amount of HRK 159,490,115.09 are the result of an increase in operating revenues in all sectors except in the destination management company. Furthermore, in spite of an increase in operating expenses, operating profitability indicators

are by far the best so far. Operating profit amounted to HRK 52,657,489.21, with an increase of 8.27%, while profit for 2018 amounted to HRK 37,035,167.22, with a realized growth rate of 9.29%. EBITDA (earnings before depreciation, interest and taxes) amounted to HRK 54,216,254.17, and it increased by 9.31%, while realized EBIT (earnings before financing expenses) amounted to HRK 41,419,356.76.

In January 2018, pursuant to the Resolution of the General Assembly on the division of shares dated November 20, 2017, the Central Depository and Clearing Company carried out a corporate action of the division of shares, whereby one no-par-value ordinary bearer share of the company was divided into eight (8) no-par-value ordinary shares. On the capital market, the average share price amounted to HRK 182.00, which was 6.79% higher than in the previous financial year, and in said period, the company distributed a dividend in the amount of HRK 7,221,240.00 to the shareholders, i.e. HRK 3.00 per share.

We invested HRK 38,790,932.29 with the aim of continuously raising the level of service quality and standards, increasing competitiveness and market recognition of the company, creating further conditions for the development of a year-round tourist offer and of the quality of the

offer of the destination itself, while being guided by the principles of sustainable and responsible investments. In 2018, a significant part of the investments pertained to the "Park Soline" camp, where by purchasing new mobile homes and completely equipping them, as well as by further improving the camp infrastructure and raising of the quality of the offer, as well as horticultural landscaping up to the level of an arboretum, we create conditions for year-round business in the camping sector. In the hotel sector, an indoor swimming pool with accompanying facilities was built, supplementing the existing offer of our hotel sector, while in the nautical sector, investments pertained to the modernization of the offer and of the marina contents.

In its sixty-one years of its existence, Ilirija has become one of the three leading tourism companies in the wider Zadar region, one of the seven leading tourism companies in Dalmatia and is among the 15 leading tourism companies in Croatia. With its business, it contributes to the development of the economy of communities in which it operates. The most significant impacts of the company are evident in the employment of the local population, i.e. the population from the town of Biograd na Moru, as well as other towns and municipalities of the Zadar County, making up 99% of all employees. We also boost the national economy through our cooperation with suppliers from Croatia, with whom we



realize 96.02% of our total turnover. We are also particularly proud of the fact that through our business, we contribute to the development of the tourist offer of destinations, namely through our carefully designed offer and facilities aiming to develop a year-round tourist offer through the organization of 561 events for 58,023 people. In addition, through the corporate philanthropy system, we supported and assisted 84 community projects and activities with a total value of HRK 518,159.69. In the 2015-2018 period, we allocated HRK 1,811,266.98 through six areas of corporate philanthropy in order to support community activities.

When it comes to the relationship with our employees, i.e. the promoters of our values and performers of the entire business process, we are proud of the fact that 99% of our employees come from our local community. Furthermore, in 2018, we additionally worked on improving their financial situation, and in the aforementioned period, the average gross salary amounted to HRK 8,132.00, which is 7% more than in 2017 and 18% more than the average gross salary for accommodation and food preparation/service activities in the Republic of Croatia, while gross salary costs increased by 9.62%. As a signatory to the Croatian Diversity Charter, we encourage diversity, i.e. equal opportunities for all our employees, and thus 67% of our senior management employees and 53% of all employees at the end of the reporting period were women. We

are particularly proud of the fact that we have not had a single labour dispute since the company was founded. As we care about the health of our employees, we joined the national "Company – Friend of Health" program, through which we encouraged our employees to adopt healthy habits. We provided our employees with a total of 8,532 hours of education programs, or 29 hours per employee, either through our own Academy of Business Excellence – ILIRIJA EDUKA, in-house workshops and seminars or through education programs at higher education institutions for the hospitality and tourism industry.

In particular, we would like to highlight our investments in environmental protection in the amount of HRK 1,445,109.00, with a special emphasis on the introduction of gas in all three hotels in the destination of Biograd na Moru. We also use electricity obtained from renewable sources, and we reduced energy consumption outside the organization by 18.93%. With regard to environmental protection, we are particularly proud of the horticultural design and landscaping that is consistent with the Mediterranean area in all our destinations and facilities, which has been achieved by planting 16,267 seedlings in 2018

alone. As for the 2015-2018 period, we planted a total of 34,919 seedlings, of which we would like to highlight the upgrade of the horticultural design of the "Park Soline" up to the level of a camp-park.

As a responsible business system, a public and transparent company, in its decision-making processes, in all key aspects of corporate governance, and in its strategic documents, Ilirija d.d. has integrated economic aspects as a fundamental pillar of the company's corporate social responsibility with environmental and social aspects of its business, which we consider to be our obligation in the future as well.

Goran Ražnjević  
President of the Management Board





## **Annual Report on Corporate Social Responsibility for 2018**

The Annual Report on Corporate Social Responsibility for 2018 covers the time period from January 1 to December 31, 2018 and relies in part on the Annual Business Report for 2018, published in April 2019 in the Croatian and English language on the Company's website, [www.ilirijabiograd.com](http://www.ilirijabiograd.com), as well as on the websites of the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency (HANFA).

This report complies with GRI Standards: Core Option. It is also the fourth non-financial report of the company Ilirija d.d. In August 2018, the Annual Report on Corporate Social Responsibility for 2017 was published as the third non-financial report.

The report has been verified by the Croatian Business Council for Sustainable Development (HR BCSD), an independent non-profit economic sector organization, of which Ilirija d.d. has been a member since 2013, with a written opinion of the independent committee attached to the report. The Annual Report on Corporate Social Responsibility was published on the company's website [www.ilirijabiograd.com](http://www.ilirijabiograd.com), on the website of the Zagreb Stock Exchange [www.zse.hr](http://www.zse.hr), and on that of the Croatian Financial Services Supervisory Agency [www.hanfa.hr](http://www.hanfa.hr). It is also available on request in electronic form.

Please send your comments, as well as suggestions for improvement, to the following e-mail address: [jasminak@ilirijabiograd.com](mailto:jasminak@ilirijabiograd.com).

Contact person:  
Jasmina Kulaš Stojanov, Expert Team Coordinator,  
Tina Ujevića 7, 23 210 Biograd na Moru.





Hotel sector



Nautical sector



Ilirija Travel



Camping



Real estate





# Il About Ilirija

## II About Ilirija

### 1 Basic Data



**Company name:** Ilirija, public limited company for hospitality and tourism

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

**Phone number:** +385 23/383 165

**Fax:** +385 23/384 564

**Web:** [www.ilirijabiograd.com](http://www.ilirijabiograd.com)

**PIN:** 05951496767

**Company registration 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 doing business on the Croatian tourism market for 62 years, and its facilities are located in the following locations: **Biograd na Moru, Zadar, Sv. Filip i Jakov and Polača.**



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

**(I) Hotel sector** (4 hotels) – 922 beds, 443 rooms



**(II) Nautical sector** – 805 berths, 2,000 persons,



**(III) Camping** – 1,220 pitches, 3,660 persons,



**(IV) Destination management company / DMC Ilirija Travel - a complementary and integrated product** through which we develop our year-round business. In 2018, through the system of the destination management company Ilirija Travel, **561** special events were organized for over **58,023 guests**,

**(V) Real-estate segment** – the Commercial-Shopping Centre City Galleria in Zadar is one of the two largest shopping centres in the Zadar region, with a total gross surface area of more than 28,500 m<sup>2</sup>.



In high season, **more than 6,000 guests stay in the Ilirija facilities every day.**



It is a leading employer in the Biograd region, employing **246** employees, and over **425** employees during the season, while also providing about **1,000** people with business collaboration in our facilities.

Twice the recipient of the recognition for corporate social responsibility **INDEKS CSR**, namely for **2011** and **2012**, as well as the first tourism company in the Republic of Croatia to receive a recognition for corporate social responsibility.

The business achievements from 2018 are the best since the foundation of the company:

Total revenues

HRK 161,048,880.05

+7.03%

Operating revenues

HRK 159,490,115.09

+6.67%

Profit

HRK 29,795,129.95

+9.38%

EBITDA

HRK 54,216,254.17

+9.31%

Value of assets

HRK 457,638,774.55

+7.41%

Capital

HRK 317,135,375.81

+7.79%

Distributed dividend

HRK 7,221,240.00

+20.2%

Average share price

HRK 182.00

+6.79%

Number of employees (31/12)

246

+8.37%

Overnight stays

662.335

+11.15%







### 3 Chronological Overview of the Historical Development of Ilirija



#### 1957

Ilirija d.d. was founded in Biograd na Moru, where it still does business, even though the company's beginnings date back to 1934, when the first hotel called ILIRIJA was built. Those were also the beginnings of organized tourism of the entire Biograd Riviera, making the company the pioneer and leader of the entire tourist activity in the destination.



#### 1969 -1972

Construction of new hotel facilities (the Kornati Hotel\*\*\*\* and the Adriatic Hotel\*\*\*), complete reconstruction, i.e. construction of the Ilirija Hotel\*\*\*\* and upgrading of Villa Donat\*\*\*\*/\*\* in Sv. Filip i Jakov.



#### 1976

Start of construction of the first nautical tourism port in Croatia, the Ilirija-Kornati Hotel Port located in Biograd na Moru, with a total of 100 berths, and acquisition of the first charter fleet with 40 vessels, which made the company the pioneer of nautical tourism development.



#### 1986

Extended nautical capacities following the construction of the Marina Kornati Nautical Tourism Port located in Biograd na Moru, with a total port surface area of 131,600 m<sup>2</sup> (waters) and a total capacity of 705 berths at sea and on land.



## 1988

The construction of the Aquatic Centre as a swimming, beach, sports, entertainment and restaurant facility, with stands having a capacity of 4,000 seats and with a 1,000 m<sup>2</sup> terrace, as the centre of almost all sports, entertainment and dance events of the destination. Construction of a 48,000 m<sup>2</sup> tennis centre with 20 tennis courts (14 ground and 6 colour-set tennis courts).

## 1991

Merger of the "Soline" camp-site located in Biograd na Moru, later renamed the "Park Soline" camp, with which the company included camping as the third segment of its tourist offer.

## 1999

Ilirija d.d. was privatized and is majority-owned by Arsenal Holdings d.o.o. from Zadar.

The Biograd Boat Show nautical fair was launched, originally organized as spring Open Days, and then as the first autumn nautical fair in Croatia as of 2004.

## 2002

The State Audit Office audited the conversion and privatization of Ilirija d.d. and issued a positive Opinion on the conversion and privatization process in its entirety, emphasizing that the process was carried out in accordance with legal regulations and that no irregularities were identified.



## 1989

Construction of an annex to the Kornati Hotel\*\*\*\* and the Company's administrative building.



## 1991 - 1992

Completion of the fitting-out of the remaining part of the port area, i.e. the capacity of the Marina Kornati Nautical Tourism Port by building piers in the southern and western waters.

## 1993

The Croatian Privatization Fund adopts decisions on the conversion of HTP Ilirija into a public limited company.

## 1999 – 2018

An intensive investment cycle period when it comes to the construction, reconstruction, extension, upgrading, renovation and adaptation of the company's accommodation facilities and establishments, as well as the development of new products with the aim of creating a quality, recognizable and competitive tourism product and increasing the quality of the destination's offer. By 31 December 2018, the company invested HRK 514,370,686.33, which resulted in a significant increase in total revenues and a newly created value in the said period, namely in the amount of HRK 806,986,579.22.

## 2003

Ilirija's shares were listed on the Zagreb Stock Exchange, on the Listing of Public Limited Companies.



**2005**

The business system of Ilirija d.d. includes the multimedia centre Arsenal in Zadar, built in the 17th century, which started doing business following the implementation of the revitalization and renovation in accordance with the concept of the "indoor town square".



**2014**

The "Nada" event yacht, a multi-functional floating congress centre with a length of 36 m and a capacity for 180 people was presented. As part of the business system of the company, the first Croatian diffuse hotel Ražnjevića Dvori AD 1307, was opened in the town of Polača.

**2015**

Villa Primorje\*\*\*\*, built in the second half of the 19th century, was renovated, luxuriously decorated and equipped in accordance with the latest standards for facilities of its kind and category. Recapitalization of the company by Allianz ZB d.o.o., a mandatory pension fund management company established in Zagreb, which acquired 10% share in the company.

**2015 - 2017**

The investment cycle in the Marina Kornati is mostly completed through the improvement of the quality of vessel accommodation by modernizing almost seventy percent of the marina's superstructures and substructures i.e. piers, which further strengthened the market position of the Marina Kornati among the three leading nautical tourism ports on the Adriatic.



**2009**

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

**2015**

The company's shares transferred from the Regular to the Official Market of the Zagreb Stock Exchange, which contributed to an even greater transparency and openness of the company to all its stakeholders, especially to the investment public, as well as the domestic and international capital markets.

**2016**

The second recapitalization was successfully realized by increasing the share capital by contributions in cash, namely through the issuing of new ordinary shares of the company by public offering. The main purpose of recapitalization was to raise funds for the purchase of the Commercial-Shopping Centre City Galleria in Zadar. With the purchase (acquisition) of the Commercial-Shopping Centre City Galleria in Zadar, a company with a wide range of economic activities was created.

**2018**

Construction of an indoor swimming pool with a usable area of approximately 500 m<sup>2</sup>, along with accompanying facilities.





## 4 Values, Principles, Standards and Norms of Behaviour

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

In its business, the company adheres to the recommendations of the Corporate Governance Code adopted by the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency as a form of transparent and sound management of public limited companies. Ilirija presents its observations on corporate governance in detail in the Annual Questionnaire on Corporate Governance Code published on the Company's website [www.ilirijabiograd.com](http://www.ilirijabiograd.com), which is submitted to the Zagreb Stock Exchange, HANFA and the Officially appointed mechanism for the central storage of regulated information. Minor deviations from the application of certain

recommendations from the Corporate Governance Code, along with the explanations thereof, are listed in the Annual Questionnaire.

The company also applies the Code of Business Ethics of the Croatian Chamber of Commerce, doing business in accordance with the principles of responsibility, ethics, transparency and respect of good business practices towards all stakeholders in its business process.

The corporate strategy of Ilirija d.d. is based on the fundamental principles of corporate social responsibility, which constitute an integral part of the company's corporate values, and are embedded in the long-term business practice and processes towards its stakeholders.

### Fundamental values



**Respect and integrity** – equality of treatment and attitude towards all our stakeholders constitute the basic values of our company.



**Quality** – top quality product, professional service and individual approach to clients constitute the basis of the relationship towards our guests, at the heart of the company's service.



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



**Sustainability and responsibility** – in business, investment, relationships with our employees, business partners, clients (guests), the local and regional community, with shareholders and in day-to-day business, through the integration of economic, social and environmental aspects into the company's decision-making processes and corporate strategy. Balancing the said aspects is the basis of the company's success and sustainable development.



**Transparency** – in business and communication with all stakeholders of the company, while adhering to the principles of timely and true information as a prerequisite for the strengthening of the market position of the company and its further growth.

## 5 The company's vision and mission

To **secure a position** among the **3** leading tourism companies in Northern Dalmatia and among the **15** leading tourism companies in the Republic of Croatia in key segments of the Croatian tourist offer (hotel sector, nautical sector and camping) permanently, to be and remain **the carrier of tourist and economic development of our region and of the destinations** of Biograd na Moru, Zadar and Sv. Filip i Jakov, along with the development of **year-round business** through complementary and selective tourist offer forms.

Accordingly, the mission is: to increase the assets and achieve financial results that will ensure long-term business and financial stability, to establish the optimum level of quality and competitiveness in business at the level of the overall Croatian tourist offer, along with the constant **investment in human resources and ensuring the optimal level of employment, as well as ensuring and respecting the principle of sustainable development** manifested in the recognition and meeting of the needs of tourists, protecting and restoring the natural and cultural heritage, and preserving the environment, or **creating a responsible and sustainable tourist offer.**

## 6 External Initiatives and membership in associations

The company is a member of 14 business and professional associations through which, with its active participation, it articulates the interests of the tourism industry, especially when it comes to the regulations significantly influencing the development of the tourist offer and the development of tourism as an industry, including the Act on Tourist and Other Building Land Unassessed in the Process of Conversion and Privatization, the Maritime Domain Act, the Physical Planning Act, the Concessions Act, etc., which are of great importance for the tourism industry in the Republic of Croatia, its further sustainable and long-term development, and the development of a competitive and recognizable tourist offer. Also, Ilirija d.d. carries out a significant part of public policy-making activities by means of direct comments and suggestions to the relevant bodies, and we make significant efforts especially when it comes to promoting socially responsible business and sustainable development in the tourism sector.



## Ilirija is a member of the following national and international business and professional associations:



### 4 business associations



### 10 professional associations



### 3 codes and charters

#### Business associations:

- Croatian Chamber of Commerce (CCC) Association of Croatian Marinas, Corporate Social Responsibility Community, Community for Environmental Protection Economic Council of the Croatian Chamber of Commerce in the Zadar County
- Croatian Employers' Association (CEA)
- Croatian Business Council for Sustainable Development (HR BCSD)
- Croatian Association of Managers and Entrepreneurs (HUM-CROMA)

#### Professional associations:

- Association of Employers in Croatian Hospitality (UPUHH)
- Croatian Camping Union (CCU)
- Top Camping Pool
- Association of Croatian Travel Agencies (UHPA)
- Croatian Association of Independent Travel Agents (CAITA)
- Croatian Association of Congress Tourism Professionals
- Tourist boards at the regional and local level
- International Federation of Boat Show Organisers (IFSBO)
- Association Lijepa Naša
- LAG LAURA

#### The President of the Management Board of Ilirija, Mr. Goran Ražnjević, is a member of the following bodies of business and professional associations:

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

#### Charters, codes and initiatives implemented by the company:

- Corporate Governance Code of the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange,
- Code of Business Ethics of the Croatian Chamber of Commerce
- Diversity Charter Croatia

## 7 Overview of Portfolios, Products and Services

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The company's portfolio covers all key segments of the Adriatic Mediterranean tourist offer, that is: the hotel sector (hotels: Ilirija\*\*\*\*, Kornati\*\*\*\*, Adriatic\*\*\*, Villa Donat\*\*\*\*/\*\*\*\*), the nautical sector (Marina Kornati and Ilirija-Kornati Hotel Port), camping ("Park Soline" camp\*\*\*\*), the destination management company / DMC Ilirija Travel (Arsenal, diffuse hotel Ražnjevića Dvori AD 1307, event boat "Nada", Vila Primorje) and the real-estate segment (Commercial-Shopping Centre City Galleria in Zadar). An integral part of the offer within the tourism sector of the company are also restaurant facilities with food and drink offers and services (restaurant "Marina Kornati", restaurant "Park Soline", Aquatic Centre, Lavender lounge bar and "Donat" beach bar), as well as sports-recreational and entertainment facilities ("Ilirija Tennis Centre" and the Aquatic Centre).

The company's business is based on the provision of services by using its facilities (hotel, nautical and camping facilities), while also providing additional amenities and services, thus creating a high-quality integrated and complementary tourism product on the domestic and international tourism markets, presented under the Ilirija Travel brand.





 *Ilirija d.d.*





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**4 hotels**



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**Two destinations**  
**Biograd na Moru and Sv. Filip i Jakov**



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**443 rooms**



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**922 beds**

## Hotel sector

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The hotel sector of the company is operated under the brand ILIRIJA RESORT, and it consists of four hotels with a total capacity of **922 beds and 443 rooms**:

**The Ilirija Hotel** is the largest four-star hotel of the Ilirija Resort, with a capacity of 165 rooms and 338 beds, equipped with a 200-seat restaurant, a terrace with 70 seats and an aperitif bar with 50 seats. It is located by the seashore, right next to the old town centre, and it is surrounded by beautiful nature, the sea and a pine forest, as well as numerous facilities offering various amenities.

The design and atmosphere of the four-star **Kornati Hotel**, with a capacity of 106 rooms and 230 beds, also featuring a restaurant having a capacity for 220 people, a terrace for 50 and a bar for 40 people, is linked to and evokes the images of the most beautiful Croatian national park – Kornati. The Kornati Hotel is unique thanks to its connection with the nautical tourism port, the Ilirija-Kornati Hotel Port, which is located in the centre of Biograd, and right next to the hotel there is also a beach.

The three-star **Adriatic Hotel** has a capacity of 100 rooms and 210 beds, a restaurant with a capacity for 230 people, a terrace with a capacity for 300 people and a bar with a capacity for 110 people. It is located in a pine forest, almost on the beach, and right next to it there is the Aquatic Centre, ideal for family fun and for a number attractive summer sea activities.

**The Villa Donat Hotel** is located in the town of Sv. Filip i Jakov, and it consists of a villa with 16 superbly and modernly furnished rooms. It is a four-star hotel, and it has a three-star annexe. Its total capacity includes 72 rooms and 144 beds, a restaurant with a capacity of 120 seats, a terrace for 50 and an aperitif bar for 20 people, and as of 2017, it has an outdoor pool. The hotel is located near the main beach and the town centre, and it is reminiscent of the rich history of the area.

Within the Ilirija Resort there is a conference centre consisting of 8 halls, with a total capacity for 30 to 250 people, and there is also a luxurious garden with terraces ideal for banquets, receptions and entertainment, as well as outdoor swimming pools, a beach, and as of May 2018, an indoor pool.







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**Pioneers of nautical tourism  
development in Croatia**



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**Among the top 3 marinas**



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**805 berths**



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**Up to 2,000 boaters  
on a daily basis**



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**Over 60,000 boaters  
on an annual basis**

## Nautical sector

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Ilirija is proud of its **construction of the first nautical marina in Croatia** (the Kornati Hotel Port) with 100 berths, as well as its procurement and organization of the first private charter fleet on the Adriatic with over 40 vessels for the needs of boaters, and therefore, we are rightly considered to be the pioneers of nautical tourism in the Croatian part of the Adriatic.

Today's nautical sector of the company consists of the Marina Kornati and the Ilirija-Kornati Hotel Port, with a total of **805** berths at sea and on land, which can accommodate up to **2000 boaters** in one day. In the 2015 - 2017 period, **the investment cycle** in the Marina Kornati was essentially completed through improvement of the quality of vessel accommodation with the modernization of almost seventy percent of the marina's superstructures and substructures or piers, thus providing accommodation for a larger category of vessels and better utilization of the marina's waters, as well as through further enrichment and modernization of the offer by implementing the best technical solutions on the market, which contributed to the further strengthening of the market position of the Marina Kornati among the three leading nautical tourism ports on the Adriatic. Having complemented its services and increased its capacity to the current 805 berths, of which 70 are on land, and 15 piers with connections to electricity and water for the reception of vessels of size up to a maximum of 23 meters, as well as by its 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, visited by over 60,000 boaters a year.

With a total sea surface area (waters) of 91,912 m<sup>2</sup> and a land surface area of 39,688 m<sup>2</sup>, the **Marina Kornati** is certainly one of the largest nautical ports in Croatia and the only true driver of nautical tourism in the Biograd Riviera. The Marina Kornati waters consist of: (I) the central waters with 365 berths at sea and 70 berths on land, (II) the western waters with 190 berths at sea and (III) the southern waters with 80 berths at sea.

In addition to its own service zone for repairs, vessel maintenance and dry docking with a slipway and a travel lift, the marina offers a 24-hour navy-guard service, a guarded parking with 500 parking spaces, as well as restaurant facilities. There are about thirty external companies operating within the marina, which, within the framework of business cooperation, offer servicing and supply the boaters with the necessary equipment.

The Marina Kornati waters host over 30 domestic and international regattas of all classes, as well as over 30 flotillas a year. They are attended by up to 10,000 yachtsmen from around the world, and the marina is therefore also the regatta centre of North Dalmatia.

**The Ilirija-Kornati Hotel Port**, which was constructed as the first nautical tourism port forty years ago, is located in the very centre of Biograd na Moru, in front of the Kornati and the Ilirija hotels, and it disposes of a total of 100 berths for the reception of vessels of up to 8.50 m, as well as additional facilities within the hotel resort.









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**Surface area: 20,00 ha**



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**1,220 accommodation units**



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**3,660 persons**



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**Horticultural landscaping up to the level of an arboretum**

## Camping

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The four-star **Park Soline camp**, also located in Biograd na Moru, covers a surface area of 20.00 ha and contains 1,220 accommodation units with a total capacity for up to 3,660 persons. In addition to fully equipped pitches (standard mare and comfort pitches), the camp also offers pitches with the basic infrastructure (standard pitches), as well as 32 m<sup>2</sup> mobile home zones Shelbox-Tavolara, Premium, Comfort Plus, Tavolara Plus and Comfort Family and a zone with glamping tents.

Within the camp, guests have at their disposal modernly equipped sanitary facilities, laundry washers and driers, an exchange office, an internet café, a supermarket and restaurant facilities. Particular attention is paid to horticultural landscaping of the camp-park up to the level of an arboretum, constituting a unique example of horticultural landscaping of a camp in Croatia as a top tourist product combining a quality tourist offer and care for the environment.

With its enriched offer of restaurants, a newly built promenade along the entire campsite and a beach leading to the centre of Biograd, the "Park Soline" camp is the right choice for a family holiday. In addition to entertainment activities for children and evening entertainment, as well as an attractive sports offer guaranteeing active holidays, you can relax on long promenades and recreational trails in a healthy environment, which makes the camp a great choice for all nature lovers.

The camp offers unlimited possibilities for an active holiday in its immediate vicinity: tennis courts, table tennis, indoor soccer, water skiing, snorkelling, sailing, bike rental, jogging, roller blading, beach volleyball, bowling, hiking and excursions to attractive national and nature parks (Krka National Park, Kornati National Park, Paklenica National Park, Telašćica Nature Park, Vransko Lake Nature Park) or historical towns (Zadar, Šibenik, Split).









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**Integrated and complementary  
tourism product**



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



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**4 own facilities**



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**561 special events with  
58,023 people  
participating**

## Ilirija Travel

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The destination management company constitutes an integrated and complementary tourism product created in response to the contemporary tourist demand, and driven by technological, social and market factors and trends of an increasingly demanding market. Among the most important cornerstones when it comes to the offer and **implementation of these special programs** and products are business operations conducted in our **own additional facilities** such as the following:

**Arsenal** is a zero-category monument and multimedia centre located in Zadar, **built in the 17th century** and revitalized in 2005 as an indoor city square, or as **the centre of public, cultural and entertainment life of the region**, where over 100 public and private events are organized every year. Today, it is a place where history, modern design and urban culture of living intertwine. This unique product of Mediterranean culture revitalized into a functional mix of the cultural, restaurant and event offer successfully nurtures the role of a meeting place for people with different interests, initiated hundreds of years ago.

**The diffuse hotel Ražnjevića Dvori AD 1307**, a multipurpose functional facility located in Polača, in the municipality bearing the same name, in the heart of Ravni kotari and halfway between Biograd na Moru and Benkovac, **is the first facility of its category** in the Republic of Croatia. The diffuse hotel consists of six functionally connected stone houses. It is an indigenous country estate surrounded by olive groves and vineyards. In six independently decorated apartments, authentic Dalmatian stone houses have been converted into a tavern and a restaurant, and guests can also enjoy the outdoor swimming pool, stone terraces, a wine bar and an olive oil shop. The space is also designed and equipped as a venue for meetings, incentives, seminars, team buildings, gala dinners and banquets, which can take place outdoors or in covered areas with a capacity for up to 200 people, as well as in indoor spaces for a minimum of six to about one hundred persons. As more and more guests seek to experience the destination they visit, in the estate they get the opportunity to see how wine and olive oil are made in a traditional and environmentally friendly way, as well as to taste them.

**Villa Primorje**, built in the second half of the **19th century**, is a typical traditional Dalmatian stone manor house with an outbuilding. **Newly renovated, luxuriously decorated and equipped** according to the latest standards for facilities of this type and category, it has its own restaurant offering the opportunity to organize a number of events, a Mediterranean garden with a promenade and an outdoor swimming pool.

**The event boat "Nada"**, a 36-metre multifunctional yacht with a capacity for 180 persons, with a restaurant, kitchen and bar provides guests with excellent services pertaining to food and beverages during navigation. Congresses, seminars, special events, unique business meetings, gala receptions and banquets, unique weddings, exclusive day and night cruises and incentive events are only some of the exciting amenities that the event boat "Nada" offers, while adapting to the individual requirements of clients.





Arsenal



Ražnjevića dvori A.D. 1307.



Villa Primorje



Event boat "Nada"



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**One of the two largest shopping centres in the Zadar County**



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**Surface area of more than 28,500 m<sup>2</sup> on 6 floors**



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**Open town market**



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

## Real-estate segment - City Galleria

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The Commercial-Shopping Centre City Galleria is located near the old centre of the city of Zadar and is **one of the two largest shopping centres in town and the wider Zadar region**, completed and opened to the public in October 2008, with a total gross surface area of more than 28,500 m<sup>2</sup> spread over a total of six floors (two garage and four retail floors). The gross surface area of the centre consists of the associated underground garage with a total surface area of 10,863.50 m<sup>2</sup>, 9,897.60 m<sup>2</sup> of net rentable area, as well as ancillary rooms and corridors.

The centre features the following facilities: an underground car garage with more than 400 parking spaces on two floors, an outdoor and indoor market, a supermarket, specialized food and beverage shops, clothing, footwear and sportswear boutiques, children's shops, restaurant facilities, a wellness and beauty centre and 6 multiplex cinema halls. The centre's added value and distinctiveness lies in the open town marketplace located in an outdoor covered centre square, as well as in the indoor market and fish market. The Commercial-Shopping Centre City Galleria thus became known as a place where visitors can meet most of their daily needs and as such it represents a departure from the offer of traditional shopping centres.

Unique features of the Commercial-Shopping Centre City Galleria were recognized on the international level as well, more precisely at the 2010 International Property Award, the world's most prestigious competition in the real estate business, on which occasion the Commercial-Shopping Centre City Galleria Zadar received the prestigious five-star award in the Best Retail Development category.







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**420 persons, Captain's Club,  
50 special events with  
6,598 persons participating**



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**280 persons, Dalmatian tavern,  
wine cellar**



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**280 persons participating**



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**140 persons, building entered in  
the Croatian Register  
of Cultural Goods**

## Restaurant/bar industry

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**The restaurant Marina Kornati** located in the Marina Kornati, with a capacity for over 350 persons, which along with the recently renovated Captain's Club having a capacity for 70 people can receive up to 420 persons, meets the needs of boaters when it comes to hosting various and numerous events in the Marina Kornati. In addition to restaurant services, the Captain's Club also provides services for numerous presentations of nautical products and serves as an ideal place for organization of smaller conferences and events. In 2018, the Restaurant Marina Kornati hosted a total of 50 events attended by 6,598 people.

**The restaurant Park Soline** is located in the Park Soline camp\*\*\*\*, right by the sea, about a ten minute walk away from the centre of the town of Biograd na Moru, and its food offer is based on Mediterranean cuisine. This restaurant, with a capacity for 280 persons, offers the possibility of organizing various events – family festivities, banquets and soirées, as well as meetings. Within the restaurant, there is also a Dalmatian tavern with a fireplace, a coffee shop and a wine bar arranged as a wine cellar, which provides you with the opportunity to buy and taste the highest quality red and white wine made from indigenous Croatian grape varieties.

**The Lavender lounge bar** located within the Adriatic Hotel located right by the beach, known for its Mediterranean design, fully adapted for relaxation, with a beautiful view of the Pašman Canal, is a place offering the possibility of organizing numerous events of different nature (MICE, weddings, banquets, cocktail bar, nightclub, etc.).

**The Donat beach bar** is located in the building-magazine within the protected cultural and historical unit of the town of Sv. Filip i Jakov, which is also entered in the Register of Cultural Goods of the Republic of Croatia. Today, it is categorized as a beach bar / cocktail bar with a capacity for 140 persons.





**Congress facilities** of the company are intended for the clients who require much more than the event space itself, who seek an authentic ambience that simultaneously reflects the history, culture and tradition of the town, destination and region, and offers a complete event organization service (logistical, technical, restaurant, etc.) for 2,492 persons. They are distributed throughout all company sectors and cover areas such as congress facilities of the Ilirija Resort and the Captain Club in the Marina Kornati. Furthermore, for the clients who would like to have a special and unforgettable experience, we offer the organization M.I.C.E. of events on the event ship "Nada", a floating congress centre, as well as in the first Croatian diffuse hotel Ražnjevića Dvori AD 1307, or in the historical ambience of Arsenal, a zero-category cultural monument built in the 17th century under the rule of the Venetian Republic, and located in the heart of the old Zadar city centre.

Each hall is equipped with modern audio-visual equipment for organization of presentations, seminars and conferences, along with the constant support of our expert team and a full restaurant service.

Facility	Room	Maximum capacity	Surface area m <sup>2</sup>	THEATRE 	LECTURE HALL 	U-SHAPE 	CONFERENCE 	BANQUET 	COCKTAIL 
HOTEL ILIRIJA	RESTAURANT	300	350				70	200	300
	ILIRIJA	100	215	100	80	30	30	50	100
KORNATI HOTEL	RESTAURANT	220	300			60	70	220	300
	KORNATI	30	45	30	20	20	20		
ADRIATIC HOTEL	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
AGROTOURISM 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 BOAT "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







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**Sports, entertainment and restaurant facility with a capacity for 4,000 persons**



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**20 tennis courts**



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**The largest international nautical fair in Croatia and South East Europe**

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**BBS**  
in numbers

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**310 registered exhibitors**  
**320 vessels**  
**16,000 visitors**  
**2,000 business visits**

## Sports-recreational and entertainment amenities:

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**Aquatic Centre** - built as a sports, entertainment and restaurant facility with an outdoor Olympic swimming pool, the centre is located on the main town beach, and it proudly displays the Blue Flag. **With its stands with 4,000 seats and its 1,000 m<sup>2</sup> terrace, it is the centre where almost all sports, entertainment and music events are held in the destination.** It features a coffee shop and a fast food restaurant with a capacity for 350 people, and as such, it offers the possibility of organizing numerous public and private events and is an ideal place for organizing team buildings, weddings, banquets, M.I.C.E. events, etc.

Located in the pine forest Soline near the old town centre, **the Ilirija Tennis Centre** covers a surface area of 48,000 m<sup>2</sup> and consists of 20 tennis courts and multi-purpose courts (14 ground and 6 colour-set courts) with night lighting, a restaurant facility, locker rooms and associated facilities.

## Manifestations:

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**Biograd Boat Show** - the largest international autumn nautical fair in the Republic of Croatia and the largest nautical fair held on water in South East Europe, bringing together all key representatives of the nautical industry and tourism. The nautical fair was first organized in 1999 in spring as an open days event mainly intended for companies doing business within the marina, and was the first event of the sort in North Dalmatia. In 2004, the event took on a new form and has since then been organized as the Biograd Boat Show autumn nautical fair, which contributed to the improvement of the nautical offer and the extension of the tourist season.

The Biograd Boat Show was admitted to the International Federation of Boat Show Organizers (IFBSO) at the 50th session of the Federation held in Istanbul, Turkey, in June 2014, and in 2015 it became its gold member.

310 registered exhibitors participated in the 20th edition of the fair in 2018, namely with with 320 vessels, while the number of visitors exceeded 16,000, with over 2,000 business visits.





Aquatic centre



"Ilirija" Tennis Centre



Biograd Boat Show



## Capacities of the Hotel Sector - Ilirija Resort



	Number of rooms				Number of beds			
	2016	2017	2018	Index 2018/2017	2016	2017	2018	Index 2018/2017
ILIRIJA Hotel	165	165	165	1,00	337	337	338	1,00
KORNATI Hotel	106	106	106	1,00	216	216	230	1,06
ADRIATIC Hotel	100	100	100	1,00	210	210	210	1,00
Villa DONAT Hotel	72	72	72	1,00	144	144	144	1,00
<b>Total</b>	<b>443</b>	<b>443</b>	<b>443</b>	<b>1,00</b>	<b>907</b>	<b>907</b>	<b>922</b>	<b>1,02</b>

## 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
Western marina	262	190	0	190
Southern marina	180	80	0	80
Hotel marina	450	100	0	100
<b>Total</b>	<b>1.815</b>	<b>735</b>	<b>70</b>	<b>805</b>



## Capacities of the camping sector - "Park Soline" camp

		2014	2015	2016	2017	2018
I	Extra zone					
	Pitch	80	81	81	81	81
	Camp plot	0	0	0	0	0
	Total	80	81	81	81	81
II	First zone					
	Pitch	345	326	326	326	303
	Camp plot	0	0	0	0	0
	Total	345	326	326	326	303
III	Second zone					
	Pitch	168	182	182	182	198
	Camp plot	0	0	0	0	0
	Total	168	182	182	182	198
IV	Third zone					
	Pitch	342	347	347	347	638
	Camp plot	188	187	194	194	0
	Total	530	534	541	541	638
Σ	Total					
	Pitch	935	936	936	936	1220
	Camp plot	188	187	194	194	0
	Total	1123	1123	1130	1130	1220





**662,335 realized overnight stays**



**144,745 realized overnight stays**



**302,845 realized overnight stays**



**214,745 overnight stays realized**



**DMC Ilirija Travel 561 separate events  
58,023 persons**

## 8 Overview of the Market, Customers and Suppliers

Considering the company's diversified and complex offer, the market and customers are divided into two key segments :

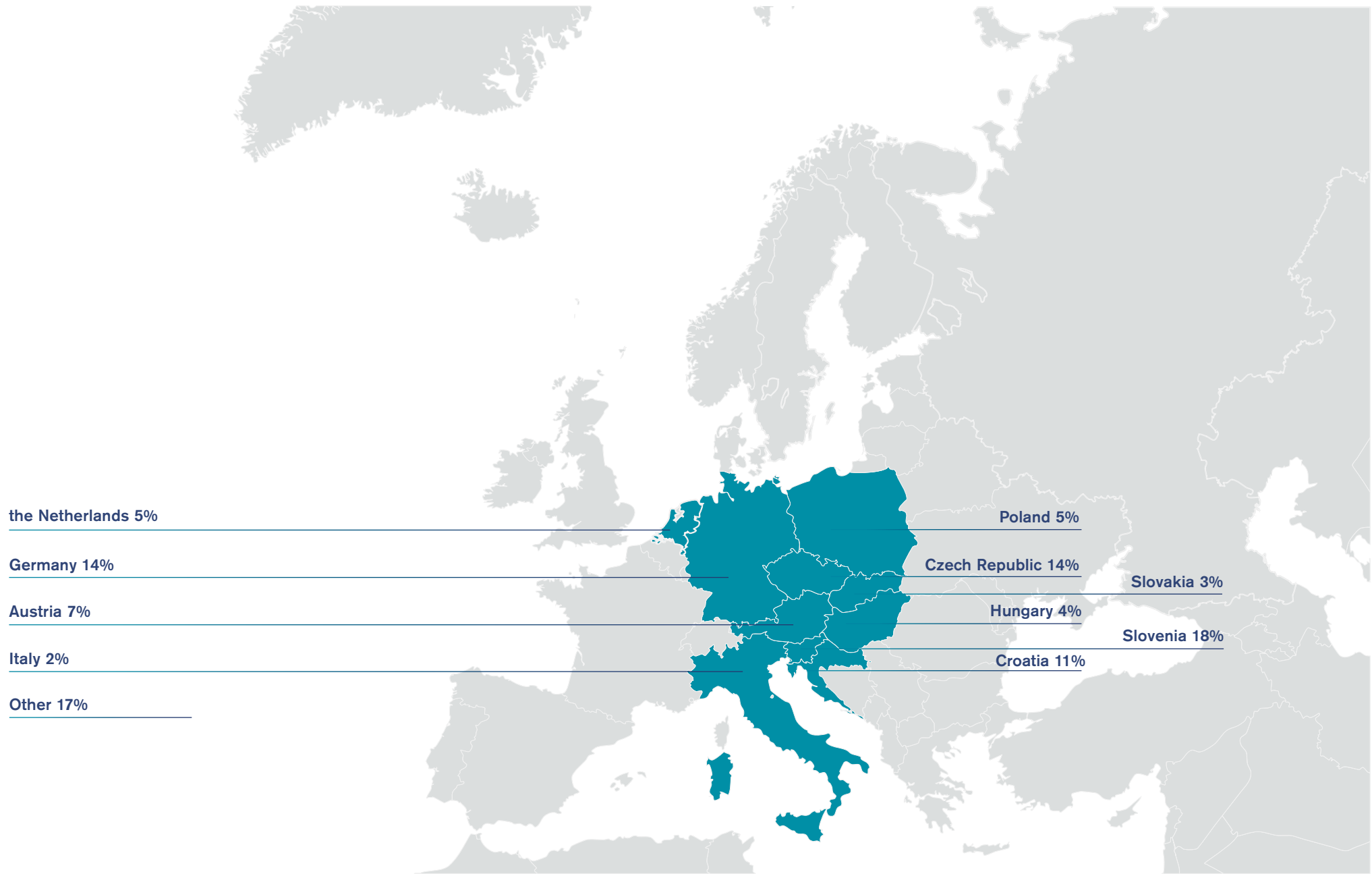
- market and customers of the tourism sector (hotel sector, nautical sector, camping and destination management company DMC Ilirija Travel)
- market and customers or tenants of the real estate sector.

The differences between key tourism sectors require a different marketing and market approach, as well as different activities in terms of product development and design. The development of the fourth segment of the offer in the company's tourism sector – i.e. of the destination management company Ilirija Travel as a complementary and integrated product combining the offer of all three of its key tourism sectors, contributes to the development of year-round business, greater marketing and sales strengthening of the offer and services, as well as better positioning and profiling of the company on its key outbound markets.

In 2018, the company achieved a total of 662,335 overnight stays at the level of its three key sectors, of which 144,745 overnight stays or 22% were achieved in the hotel sector, 46% of overnight stays in the camping sector, whereas the 32% of overnight stays in the nautical sector pertains to the business cooperation with companies engaged in the provision of accommodation services on board vessels within the Marina Kornati. In the destination management company, 561 separate events with a total of 58,023 persons participating were realized. It is important to point out that in the nautical sector, overnight stays do not constitute the basis of business since as of 2013 guests from EU Member States are not to be recorded pursuant to the Regulation on Conditions for the Arrival and Stay of Foreign Yachts and Boats Intended for Sports and Leisure Activities in the Internal Waters and Territorial Sea of the Republic of Croatia (OG 97/2013), with the exception of charter guests who are recorded by charter companies through crew lists.







**The achieved operating results are the result of further market profiling of the company in all segments of its offer on the following bases:**

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- ✓ continuous development of the new and improvement of the existing offer and contents in all sectors at the 4\*\*\*\* level,
- ✓ diversified offers of the company (hotel sector, nautical sector, camping, DMC Ilirija Travel, hospitality and real-estate),
- ✓ long-standing business tradition – creator of the tourist offer of the destination, region and country for 61 years, good traffic connections of the destination (road, air, maritime) with key outbound markets
- ✓ preserved environment and natural beauties,
- ✓ proximity to national and nature parks,
- ✓ richness of cultural and natural heritage of the country and the destination,
- ✓ location of facilities inside the destination (on the beach, in the city centre – hotels, marinas and the camp),
- ✓ achieved international environmental standards,
- ✓ development of a complementary and integrated product, i.e. the destination management company / DMC Ilirija Travel, through which special programs and offers are being developed, with a focus on the pre-season and post-season,
- ✓ development of year-round business,
- ✓ continuous investment in personnel education and development, and
- ✓ encouraging the development of the local community by hiring local employees and fostering the local economy.

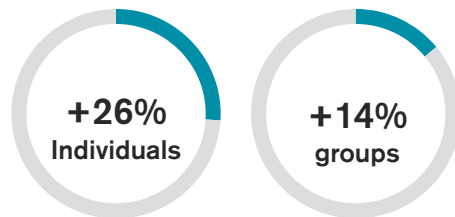


## Market and customer analysis by sector

### Characteristics of the hotel market:

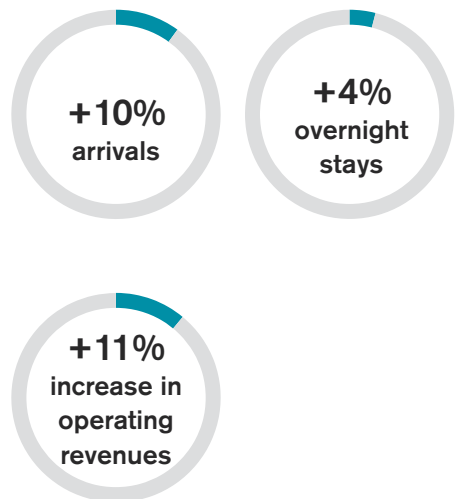
1

#### Growth of key market segments



2

#### Increase in operating and financial performance



### Hotel sector:

The Ilirija hotel sector operates under the Ilirija Resort brand and disposes of four hotels, with 443 accommodation units and a total of 922 beds located in Biograd na Moru and Sv. Filip i Jakov.

As for market segments, 2018 was marked by a significant 26% increase in the share of individuals relative to the previous financial year, as well as a 14% increase in the group segment, which resulted in a reduction in the allotment and fixed lease share. The growth in tourism turnover, as well as the growth in the share of more lucrative outbound markets and the growth in the individual and group segment had a positive influence on the total physical and financial turnover of the hotel sector in 2018, and we thus maintained a higher growth than the growth in the physical turnover of the hotel sector at the national level in the reporting period. The said results are partly due to the strengthening of direct contracting with business groups, i.e. throughout the entire MICE segment, which significantly strengthened the pre-season and post-season period. Thematic group visits and tours during which comparative contents of Ilirija or the DMC Ilirija Travel are used were added to the organization and hosting of congress, educational and team building gatherings.

In 2018, 46,383 guests stayed in the hotel sector of the Ilirija Resort, i.e. 10% more than in 2017, namely with 144,745 overnight stays or 4% more. In the structure of realized overnight stays, among the five leading outbound markets is (I) the Croatian market with a share of 16% of overnight stays, then (II) the German market with a share of 14%, (III) the Austrian market with a 10% share in overnight stays, (IV) the Slovenian market with a 10% share and (V) the Slovak market with 6% of overnight stays.

The Croatian market continues to be the leading market of the company's hotel sector, with respect to which in 2018 we recorded a 6% growth, primarily as a result of the extension of the tourist season, i.e. more significant turnover in the pre-season and post-season, as well as group or event and congress contents. Orientation towards more lucrative European outbound markets, with a significant growth in tourism turnover on the markets of western and northern Europe has also resulted in a change in the structure of overnight stays of traditional hotel sector outbound markets pertaining particularly to Slovakia, as well as a significant increase in the share of Scandinavian guests, primarily those from Sweden and Norway that, with the achieved operating results, found themselves among the ten leading markets of the company's hotel sector. We continue to focus significant part of our activities on the said markets of northern and western Europe, in combination with the long haul markets, primarily in order to maximize the spread of risk pertaining to dependency on only a few markets.



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**Strengthening of business activities  
in the pre-season and post-season**



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**Expanding to new markets  
(long haul)**

There was an increase in capacity occupancy indicators as well as hotel occupancy days in the observed period. Capacity occupancy increased from 43.10% to 45.12%, and occupancy days from 157 days in 2017 to 165 in 2018. Better hotel occupancy was recorded in almost all months, and it was more pronounced in the pre-season and post-season months, namely from March to June, as well as from September to October. All of the above is also the result of investments in structure changes, that is, opening up of new, predominantly long haul markets with earlier booking, as well as of more lucrative markets, with the aim of risk spread and season extension. Arrivals of such groups are realized by strengthening the company's comparative offer through complementary contents, i.e. through the destination management company / DMC Ilirija Travel, as well as other sectors and profit centres, ensuring the extension of the high season and the reduction of seasonality of contents that enrich the offer for guests during said periods. We would like to highlight a significant increase in tourism turnover achieved in the last quarter of the financial year (October-December), i.e. our contribution to the extension of the tourist season.

Ilirija's hotel sector participated in key fairs and business workshops of the hotel industry, as well as general tourism fairs and partner appearances on target markets realized in cooperation with the CNTB, the Zadar County Tourist Board, the Zadar County and the town of Biograd na Moru. In addition to fairs, key agencies and partners were often visited as well, and marketing activities focused on online advertising, social media and targeted Google AdWords campaigns, as well as presentations through print media, or in collaboration with travel agency systems and partners for the hosting of prominent journalists and sales agents.





## Characteristics of the nautical market:

1 **+4%**  
for contracted vessels

(741 individual and charter vessels)

**323**

charter vessels with 214,745  
realized overnight stays

2 **Increase in financial operating  
results**

**+3%**

increase in operating revenues

## Nautical sector:

Today, the nautical sector of Ilirija – the Marina Kornati and the Ilirija-Kornati Hotel Port – is located on the most indented part of the Adriatic, at the gates of Kornati, with its good traffic connections (proximity to the highway, airport, international ferry port), recognized tradition, service quality, technical equipment, achieved environmental standards, numerous acknowledgements and awards, and constitutes one of the three leading nautical ports in Croatia.

Nautical tourism in Ilirija has evolved into a year-round business segment thanks to the geographical and climate characteristics of the area, outstanding loyalty of guests who return year after year, complete infrastructure equipment, complete service, increased length of stay of shipowners and multiple arrivals throughout the year.

Key nautical market segments are the following:

**(I) The individual contractual market** consists of users/owners of vessels who enter into annual or seasonal berth use contracts. In 2018, a total of 418 such contracts were concluded, of which 44 were seasonal contracts. Out of the total number of vessels, 34.68% were vessels under the Croatian flag, followed by vessels under the Austrian flag with a share of 31.33%, those under the German flag with a share of 13.63%, and those under the Slovenian flag with a share of 4.78%.

**(II) The charter market** consists of charter companies that rent vessels. In 2018, 14 charter companies operated as part of the Marina Kornati, with a total of 323 vessels, making the Marina Kornati one of the leading charter bases in Croatia with multiple monotype fleets (Bavaria/Elan). Vessels navigated under the Croatian flag, those between 12 and 15 meters in length accounting for 52.32%. In 2018, 214,745 overnight stays were realized on charter vessels, accounting for about 79% of boaters' overnight stays in Biograd na Moru or 32% of all charter overnight stays realized in the Zadar County.

**(III) The transit market is divided into:**

**a)** the transit servicing market - it refers to users with vessels that sail into or arrive at the marina by land for the purpose of servicing their vessels and for other technical services of the Marina Kornati or its partners (servicing companies) doing business within the marina. In 2018, the Marina Kornati was visited by a total of 177 vessels for servicing purposes, with 1,737 realized overnight stays and an average stay of 9.8 days.

**b)** the sports/regatta market - consists of the vessels participating in different nautical events (regattas, flotillas, etc.), which as a rule sail into the marina with prior announcement, usually with an organizer or club/association acting on their behalf. In addition to the berthing service, the participants also use the services of the restaurant "Marina Kornati" or some of the facilities or other services of the company. In 2018, a total of 235 vessels in transit sailed into the marina at the peak of the sports recreation period, with an average stay in the marina amounting to 2.5 days, and 60% of vessels belonged to the 10-13 meter length category. In the said period, a total of 54 regatta events were held, with 350 vessels and 6,000 sailors taking part, and the most significant regatta event was the Kornati Cup with about 600 boaters taking part on about 100 vessels, as well as the Business Cup with 190 boaters on 30 sailboats.

3



### Year-round business

c) the holiday-recreational market - consists of users/owners who come into the marina with or without prior announcement. They are divided into users of private vessels and users of charter vessels. The users of charter vessels who stay for a day usually sail into the marina unannounced, namely at the beginning or end of their trip, i.e. before they return to nearby base marinas.

As for vessel flags, vessels under the Croatian flag account for 52.5% of the transit market, followed by vessels under the German flag (16.97%), those under the Austrian flag (8.27%) and those under the Italian flag (8%). In accordance with the Foreigners Act (OG 74/13), the Ministry of the Interior no longer needs to report EU nationals, and we therefore do not have data on overnight stays except for non-European countries, which account to a negligible number of overnight stays.

4

### Continuous growth of the Biograd Boat Show:

**+19%**

### increase in operating revenues

#### Servicing

The Marina Kornati provides its own servicing, with the most important services being vessel lifting, lowering, washing and towing. Most technical operations are performed from May to September, most often for vessels from 12 to 14 meters in length. Due to the specific nature of the nautical sector and the wide range of services required by the market, there are about 50 crafts, charter companies and partner servicing companies operating within its concession area, providing services that fully meet the needs of boaters and nautical entities both within and outside the marina.

#### Nautical Fair – Biograd Boat Show

In 2018, the jubilee of 20th Biograd Boat Show was held, marked by participation of 310 exhibitors displaying 320 vessels, as well as with over 16,000 visitors and 40 premier vessels.

In recent years, the Biograd Boat Show has had an intense "business to business" character, which has become even more prominent through the development of the platform called "Biograd B2B" with the aim of strengthening the business character of the fair and achieving a stronger interaction between business visitors and exhibitors, especially when it comes to shipbuilding and nautical tourism, i.e. strengthening the business activities of the show, with over 380 business entities being registered by the time the fair was opened.



### Development of new services – Biograd B2B

Leading professional and business associations recognized the fair as the central gathering place for all segments of the Croatian nautical industry and tourism: (I) nautical tourism ports-marinas, (II) charters, (III) shipowners, (IV) shipbuilders, (V) manufacturers of marine and nautical equipment and (VI) scuba diving tourism. Therefore, the Biograd Boat Show has gone through a transformation from a simple nautical fair into a national congress of the Croatian nautical industry and tourism, which was formally confirmed at the nineteenth edition of the fair through the organization of the "2nd Nautical Days by the Croatian Chamber of Commerce", with a rich congress and professional program from all areas of the nautical industry and tourism.



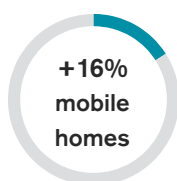
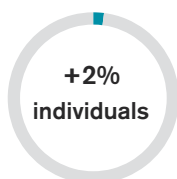
### Congress program – Nautical Days by the Croatian Chamber of Commerce



## Characteristics of the camping market:

1

### Growth of key market segments



2

### Increase in operating and financial performance



## Camping

The "Park Soline" camp records a continuous increase in the number of guests and overnight stays, as well as revenues, productivity and profitability, namely thanks to the improvement of the offer and infrastructure, as well as the monitoring of the market and marketing activities. The attractiveness of the camp lies in good traffic connections of the destination (highway, airport, international ferry port), in the fact that it is located in a forest park by the sea, in the immediate vicinity of the old town centre and of all other facilities and amenities in the Ilirija's offer, as well as in the vicinity of four national and nature parks.

In 2018, 42,138 arrivals were realized in the camping sector, constituting a 13% increase relative to the previous financial year, which also resulted in an increase in the number of overnight stays by 7%, with 302,845 overnight stays being realized in the said period. Also, in 2018, the camping sector recorded an increase in overnight stays by 1.18% at the national level. Thus, with its increase in overnight stays, the Park Soline camp was above the level of the entire camping sector of Croatia.

Key market segments of the camping sector are the following:

(I) Lump sum guests – it refers to the guests who set up a camper or a mobile home for a certain period of time. This segment accounts for 19% of total camp overnight stays, with the majority of overnight stays pertaining to guests from Slovenia and Croatia.

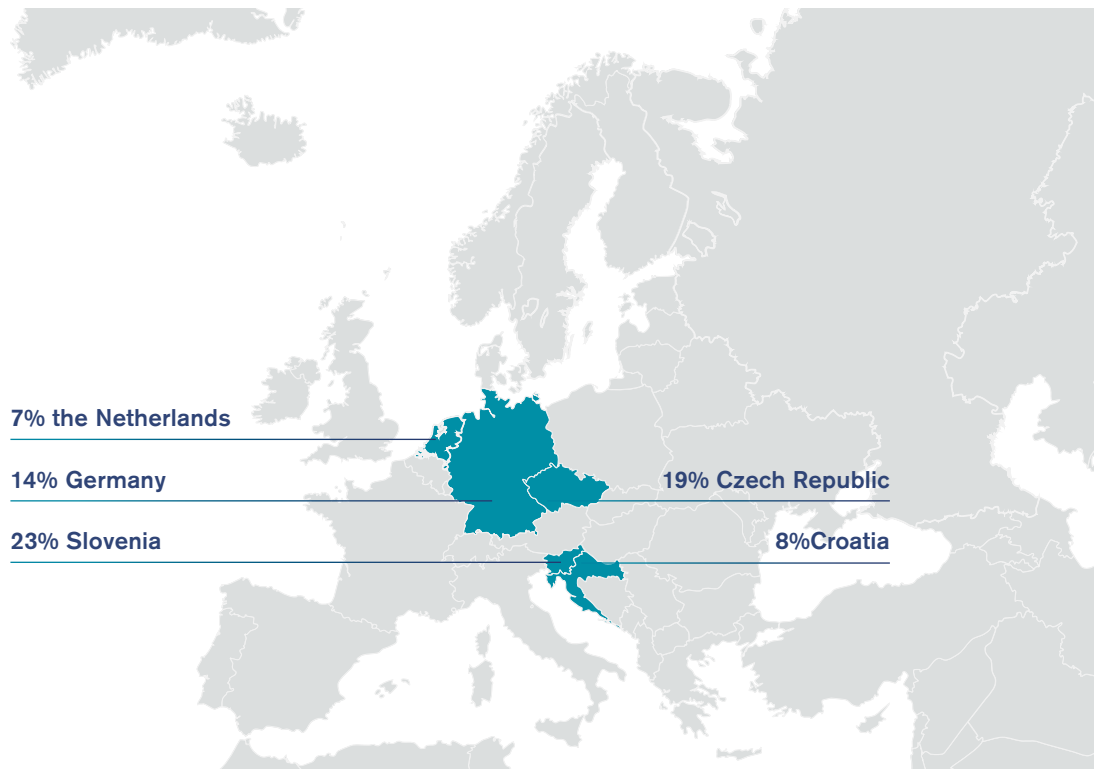
(II) Agencies – agencies with a fixed lease of a certain number of pitches where they place their own mobile homes or tents. This business segment accounts for 30% of the total number of overnight stays and is extremely important for the overall business of the camp.

(III) Mobile homes – as a market segment, they include mobile homes owned by Ilirija. Every year, this segment tends to grow significantly when it comes to overnight stays, accounting for 24% of total overnight stays.

(IV) Individual pitches – they pertain to guests who come with their own trailers, campers or tents and stay on 80-100 m<sup>2</sup> pitches with electricity, water and drainage. The share of individual guests in total overnight stays amounts to 27%.

All four key market segments of the camp business (allotment, lump sum guests, individuals and mobile homes) recorded an increase in arrivals, while overnight stays, with the exception of the allotment market segment, saw an increase when it comes to individuals, mobile homes and lump sum guests. In the structure of overnight stays by market segments, agency guests prevailed with a share of 30%, individual guests had a share of 27%, guests in mobile homes accounted for 24% of overnight stays. and lump sum guests accounted for 19% of all overnight stays.

### Top 5 camping markets



In 2018, the most significant outbound markets at the level of all market segments were the following: (I) Slovenia, (II) Czech Republic, (III) Germany, (IV) Croatia, and (V) the Netherlands. For years, the Slovenian market has been one of the most important markets for the Park Soline camp, especially when it comes to lump sum guests, and it occupies the first place in the total number of overnight stays. In 2018, the number of overnight stays for lump sum guests increased by 9.32%, while the number of overnight stays for mobile homes increased by 24.08%. This is the result of combined marketing and sales efforts along with the word of mouth from our regular guests whose number is the highest in this market segment, additionally supported by the Google AdWords campaign. With their 58,258 overnight stays, guests from the Czech outbound market accounted for 19% of total overnight stays in the camping sector, with the most significant part being realized in the segment of agency guests.

With a 14% share in total overnight stays, the German market has a special significance for the strategic orientation towards the strengthening of the mobile homes and individual pitches market. Guests from the German outbound market are number one when it comes to the number of overnight stays on individual pitches, and number two when it comes to overnight stays in mobile homes. When it comes to camping in general, which also implies the Park Soline camp, the Croatian market relies mainly on lump sum guests with a share of 8%, which share recorded a 28.63% increase. In the same period, an increase was also recorded in the mobile homes segment, namely by 16.37%. For this reason, we use promotional activities organized within the framework of the Croatian Camping Association and the Top Camping Association. We are also present in print media such as "Enjoy Croatia", and we use online Google AdWords campaigns, as well as social media.

Sales and marketing achievements in the camping sector are a combination of appearances at major fairs on key outbound markets, presentations in the most significant specialized print media of camping tourism (ADAC and DCC Camping and Caravanning Guide, *Avto dom magazine*, *Kamping i karavaning vodnik*), online advertising (website, Google AdWords campaigns), as well as investments in the improvement of the quality of camp facilities and services, price optimization, marketing activities and strategically planned investments in key sales channels, as well as intense early booking from the end of 2017.



## DMC Ilirija Travel:

Ilirija Travel – the agency operates as a destination management company by developing new services and contents through a complementary tourism product which integrates all components of the company, meets the needs of the contemporary tourism demand, as well as includes products and value-added programs based on creating experiences and catering to a number of special interests.

A cornerstone of offering and implementing these special programs and products is placing business operations in our own additional facilities:

- I Arsenal in Zadar
- II event boat “Nada”,
- III diffuse heritage hotel and agrotourism complex Ražnjevića Dvori AD 1307, and
- IV Villa Primorje,
- V along with vehicles and boats, excursion offer, as well as ports and event facilities within the company.

The main purpose of the said programs is the activation of pre-season and post-season tourism amenities, as well as of eventful stays, i.e. stays including a partial use of the basic facilities of the company and partial use of separate products outside its facilities. In 2018, services were provided to 58,023 people through 561 events, ranging from simple individual events, excursions, to special programs, incentives, events, conferences, congresses, weddings, excursions, regattas, etc., which events were mostly organized in the pre-season and post-season.

The number of events increased by 14.26%, albeit for fewer people. Following the record-breaking 2017 with its range of unique groups and events which took place on board the event boat Nada throughout the Adriatic, most of 2018 events took place in the Zadar-Biograd area and were organized for the guests of the area.









## Features of the real-estate market:

1

### Continuous increase in centre occupancy



36 tenants



99,64% capacity occupancy

2

### Tenants



#### I Local tenants

- local companies
- small traders of domestic products
- craftsmen
- family farms

## Real-estate sector – Commercial-Shopping Centre City Galleria

The real estate sector refers to the Commercial-Shopping Centre City Galleria in Zadar, one of the two largest shopping centres in the wider Zadar region. Commercial occupancy of the centre on 31/12/2018 amounted to 99.64% of all capacities, with 36 active contracts with tenants with a diverse business structure – from smaller local craftsmen to international market leaders in their respective business categories.

### Customers or tenants are divided into the following categories:

- I local,
- II national and
- III international tenants

**I Local tenants** – we are proud of our cooperation with local companies, small traders in domestic products and craftsmen operating as part of our outdoor and indoor market. Considering the central position of the Commercial-Shopping Centre City Galleria in the city of Zadar, the interest in cooperation of local businesses is extremely high. The indoor market is dominated by smaller local tenants and family farms, attracting many local and foreign visitors who can satisfy most of their daily needs there thanks to the offer of fresh local foods. City Galleria departs from the contents of classic shopping centres. As one of our most important business partners, we would like to mention the city company Tržnica Zadar d.o.o., which does business in the mornings on an area covering more than 800 m<sup>2</sup> of the centre's outdoor covered square on a daily basis, where local vendors offer seasonal fresh fruits and vegetables, flowers, honey, natural products and other indigenous products. Along with the central city market on the peninsula, the market within the City Galleria Centre in the heart of the city of Zadar is the second largest market, with more than 35 local vendors and with the greatest interest in leasing new sales areas.

**II National tenants** doing business in the City Galleria Centre offer various types of products and services, and we would like to note that we have been cooperating with a large number of these businesses for ten years, since the very opening of the Centre. Among them, we would like to highlight Sport&Moda d.o.o., a regional chain of sportswear and footwear stores representing world-renowned international fashion brands such as Nike, Converse, Puma, Adidas, Reebok and others; there is also the company Monile d.o.o. with the renowned local men's clothing chain Galileo, which, in addition to Croatia, also does business in Slovenia, Serbia and Slovakia; there is Ghetaldus Optika d.d. as well, the largest domestic optics chain with more than 90 branches in the Republic of Croatia, in addition to which the Ghetaldus Polyclinic specializing in ophthalmic services also does business in the centre; furthermore, there is Posteljina.hr, a local household textile chain doing business in more than 20 outlets all over Croatia; finally, there is a specialized Farmacia store, part of a chain of stores spread across Croatia in a total of 85 locations. As for the gastronomic offer, we would like to highlight the Leggiero bar, a renowned Croatian chain present in more than 10 cities all over Croatia. An interesting fact is that the very concept and name of the chain was conceived in 2008, when the



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## II National tenants

- commercial
- caffès/bars
- sports
- entertainment
- other contents



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## III International tenants

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

first Leggiero bar was opened –right in the City Galleria Centre. New tenants of the centre are the company Wulf sport d.d. with its ShoeBeDo concept of a sports lifestyle offer, doing business in the centre as a ShoeBeDo mini format, as well as Gyms4You – a famous local chain of fitness clubs created based on the European concept of availability 7 days a week, 24 hours a day.

**III International tenants**, whose total leased net area amounts to 50.27% of the total net rentable area of the centre, represent the largest and most famous European retail chains present on the domestic market. Among them, we would like to mention market leaders in their respective business activities, such as the company Müller trgovina Zagreb d.o.o., one of the largest European drug stores, perfumeries, stationery stores and toy and multimedia departments, operating on more than 1,800 m<sup>2</sup> of commercial premises in the centre; there is also the company SPAR Croatia d.o.o. whose SPAR store operates on more than 1,500 m<sup>2</sup> in the centre, and which is present in the Republic of Croatia with a network of stores consisting of 84 SPAR supermarkets and 19 INTERSPAR hypermarkets; furthermore, there is a chain of fully digitized CineStar multiplex cinemas, currently present in 11 cities with 15 locations in Croatia, which celebrated 15 years of business in 2018. Business cooperation with the company Blitz-Cinestar d.o.o. allows us to provide you with a unique service of the only multiplex in the entire Zadar County. Other international tenants include PEPCO stores – a European discount store chain offering clothing for the whole family, as well as household products; and CCC shoes&bags – bag and shoe store for the whole family.

Marketing activities of the centre are aimed at strengthening the position of the City Galleria Centre on the local market, increasing the number of visitors and the time spent in the centre, ensuring a quality and pleasant visit experience, and enhancing the overall market recognition of the centre's contents. With that in mind, we constantly work on organizing different events in order to improve business by attracting visitors, increasing sales, creating additional publicity, stimulating tenants to participate in promotional activities of the centre, developing the centre's "personality", etc. Among the many activities which took place in 2018, the most interesting events were the "Dance Carnival" organized in cooperation with the local children's dance associations Gesta, Antis and In Flux; "Spring Music Magic" organized in cooperation with the children's choir "Libreto"; "Generation Next", children's beat-box dance battles; "the 1st Golden Voice", an open singing competition for children with the professional guidance of music mentors;

"Basket Tour", a continuation of many years of cooperation in hosting street basketball tournaments, "Sports Day" in cooperation with partners Zdrava navika (Healthy Habit) and In-door cycling Zadar; puppetry and clown performances; as well as a number of other events. From the above, it is evident that we aim to organize as many activities as possible in the centre in cooperation with the local community, as well as arts and sports associations from the Zadar County oriented towards cooperation with school and preschool children, local cultural institutions and other potential partners for the purpose of highlighting the symbiosis of the City Galleria Centre with the surroundings in which it does business.



Overview of key customers by sectors:

Hotel sector

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Nautical sector

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## Camping

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## Real estate

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Procurement organization is divided into procurement of:



**food and beverages**



**consumables**



**office supplies**



**technical material**



**services**



**energy sources**



**investments and investment maintenance**

## Procurement practices – Suppliers

Relations with suppliers

Our relations with suppliers are based on the fundamental goal of building a business relationship and cooperation that will create added value for both parties in the business process. For Ilirija d.d. this means creating added value of our services and products through quality assurance, timely delivery, reliability of quantities, as well as a market-competitive and secure delivery of tangible goods or services in collaboration with the suppliers with whom we build partnership-based relations. The procurement practice represents a material topic for Ilirija d.d. given its direct effects on business performance quality in terms of providing services in accordance with local and international standards of the tourism industry, considering the economic effects it has on the company, as well as the impact on the local, regional and national economy, given the fact that most suppliers are from the Republic of Croatia.

The Procurement Service aims to ensure the supply of individual organizational units / points at appropriate times with appropriate quantities of goods/services, namely on the basis of information on planned investment, physical volume of services, rates of consumption of basic and other materials, supplies, size of storage space and procurement possibilities, all for the purpose of maintaining service quality and reducing operating costs.

In order to achieve the said objectives, the Procurement Service systematically examines the procurement market which is prone to constant changes, and it is often necessary to align procurement requirements for goods or services with the emerging market conditions. The evaluation of individual suppliers' bids refers to the evaluation of complete bids, i.e. besides the price, payment deadlines, delivery deadlines, the assortment range, quantitative and qualitative characteristics of the assortment of goods/services, and the possession of the HACCP certificate by suppliers of food and beverages are also evaluated, and apart from that, the supplier's business stability is also taken into account as a selection criterion.

Procurement for all its segments, except for food and beverage procurement, as in previous years, was organized by collecting bids directly from several different suppliers for the same type of service or goods. The bids were then analysed and the selection of suppliers was carried out, which was followed by entering into a contract and order sending. Upon the realization of what was contracted, the goods/service and the overall business relationship with the individual supplier were verified.

The 2018 food and beverage procurement was organized for the second consecutive year through the publication of a call for tenders from both existing and potential suppliers. The call was followed by an analysis of call results and the selection of key suppliers. Considering the business activity of the company, the part of procurement related to the procurement of food and beverages requires health safety of groceries, as well as the possession of necessary certificates and licenses due to its year-round continuity. Therefore, when it comes to the said part of procurement, we require the following criteria to be met:

## Supplier evaluation system:



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**prices**



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**product quality**



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**financial capacity of the supplier**



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**distribution**



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**certificates**



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**payment terms and conditions**

- (I) registered activity,
- (II) they shall store, pack, transport and handle food/beverages in a way that preserves their health safety,
- (III) in addition to food, they shall deliver all the required documentation (delivery note, health safety certificate for the shipment), and for the food of animal origin shipped by a means of transport in domestic traffic, they shall submit the HVI 1-3 form or a certification by an authorized veterinarian on the delivery note,
- (IV) the existence of a self-checking system, and
- (V) they shall apply, respect and implement the HACCP system.

In order to avoid possible adverse impacts, we strive to have multiple suppliers (at least two) in each procurement area, thus mitigating possible risks and ensuring smooth business, while also achieving a more specific price, quality and delivery deadline ratio.

### We can define three key elements in our relations with suppliers:

- 1 Supplier selection systems – either through organized tenders or invitations to tenders or through a direct bidding system
- 2 Supplier evaluation system – in order to assess the options and minimize the risk of the procurement process, the supplier evaluation and analysis process was initiated in 2018. Supplier analysis examined the ability and business of suppliers to ensure supply security and rationality. The aim of supplier evaluation is to ensure a certain number of suppliers who will ensure at optimal costs continuous meeting of the needs for products in terms of reliability pertaining to quantity and quality, delivery frequency, flexibility in new business situations, payment terms and methods, and business stability.

In the process of supplier evaluation in 2018, six criteria were considered and through them the top fifteen suppliers in the food and beverage sector were evaluated.

Evaluation criteria are the following:

- price
- product quality
- financial capacity of the supplier
- distribution (security and frequency)
- certificates
- payment terms and conditions

3 Creating a strategic relationship with key suppliers – in accordance with the market conditions and one's own business strategy, the company plans business activities with key supplier related to the procurement of products and services, as well as their storage and delivery. We also share knowledge (know-how) with our service suppliers for the

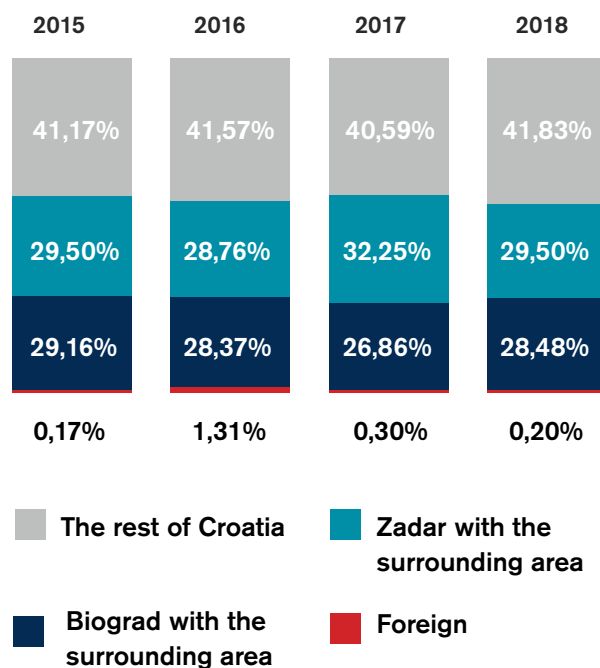




967 suppliers

93,49% domestic suppliers

### Overview of turnover of suppliers of food and beverages, technical and office supplies by registered office:



\*Suppliers of services are not included

purpose of improving the business process, products and services. As a company, we strive for strategic, long-term and high-quality mutual relations with suppliers, with whom through many years of cooperation we work on creating additional value for both companies by (1) knowledge sharing, (2) improving the business process of both parties and (3) creating a quality product or service for both companies. Out of the total 967 suppliers with whom we have had a business cooperation in 2018, we have been cooperating with 15 for more than 30 years, and among them, there are also suppliers with whom the company has been cooperating since its incorporation, i.e. for over 61 years.

### Procurement characteristics in 2018

Within our supply chain, we cooperate with producers, primary producers, distributors, wholesalers, contracted partners, brokers and consultants. **In 2018, there were no lawsuits by our suppliers.**

In 2018, the company established a business cooperation with a total of **967 suppliers**, 63 of whom are foreign suppliers, constituting 6.51% of the total number of suppliers, i.e. **93.49% of suppliers were from the Republic of Croatia.** Foreign suppliers accounted for 3.98% of the total turnover, while domestic suppliers accounted for **96.02% of the total turnover.** The graph below shows that in 2018 the trend of a low share of foreign supplier turnover in the total realized turnover continued, and even a slight decrease in the share of foreign supplier turnover relative to the previous year was recorded.



If we look at the turnover pertaining to the procurement of food and beverages, consumables, office supplies and technical material, which accounts for 25.10% of the total turnover, foreign suppliers accounted for only 0.2% of the turnover, while local suppliers accounted for 57.98% of the turnover, and the remaining 41.83% was turnover with suppliers from other parts of Croatia.

## 9 Significant Events

Significant events that marked the company's business in terms of its activities, ownership and capital are the following:

### Allocation of its shares to employees of the Company

1

At the session held on February 8, 2018, the Supervisory Board gave its approval to the Management Board for the Decision on the allocation of the Company's 4,288 own shares constituting 0.178% of the share capital to employees, and this free of charge, as a reward for the realized operating results of the Company.

### At its sessions, the Supervisory Board adopted the following decisions:

2

▪ At the session held on March 19, 2018, it accepted the Management Board's Annual Report on the Company's Business and Situation for 2017, the Management Board's Report on the Acquisition of Own Shares, the Audit Report on the Company's Business for 2017, and the Report of the Supervisory Board on Performed Supervision of Business Activities in 2017. In addition, basic annual financial statements for 2017, a proposal for the decision on the allocation of profit and dividend distribution, a proposal for the decision on the appointment of the company's auditor for 2018, and a proposal for an invitation including the agenda for the convocation of the General Assembly were established.

▪ The Supervisory Board suggested that the realized profit for the financial year 2017, in the amount of HRK 27,755,384.38 after tax, be allocated as follows:

- HRK 22,512,403.90 into the retained profit,
- HRK 3,000,000.00 into legal reserves, and
- HRK 2,242,980.48 for dividend distribution.

▪ It also proposed that the dividend be paid from the remaining retained profit from 2011 and from a part of the profit from 2017, namely in the total amount of HRK 7,240,464.00. The dividend per share amounts to HRK 3.00.

▪ At its session held on November 19, 2018, the Supervisory Board gave its consent to the Management Board of the Company regarding conclusion of an Annex to the Loan Agreement concluded with Erste&Steiermarkische Bank d.d., by virtue of which annex a conversion of the variable interest rate laid down in the Loan Agreement into a fixed interest rate shall be carried out.

3

### At the regular General Assembly of the company held on May 11, 2018, the following decisions were adopted:

▪ The following reports were taken note of: the Management Board's Report on the Company's Business and Situation for



2017, the Management Board's Report on the Acquisition and Disposal of Own Shares the Report of the Supervisory Board of the Company on Performed Supervision of Company's Business Activities in 2017, the Auditor's Report on Performed Audit of the Company's Business in 2017, and the Decision on the Establishment of the Company's Basic Annual Financial Statements for 2017.

▪ **The Decision on the Allocation of Profit of Ilirija d.d. for the financial year 2017**, based on which the profit realized in the financial year 2017, amounting to HRK 27,755,384.38 after tax, shall be allocated as follows:

- HRK 22,512,403.90 into the retained profit,
- HRK 3,000,000.00 into legal reserves, and
- HRK 2,242,980.48 for dividend distribution.

▪ **The Decision on Dividend Distribution**, based on which a dividend in the total amount of HRK 7,221,240.00 was distributed to shareholders. The paid dividend included the remaining retained profit from 2011 and a part of the profit from 2017 in the amount of HRK 2,242,980.48. The dividend per share amounts to HRK 3.00.

▪ **The Decision on Discharge of the Company's Management Board**, by which the General Assembly approves the work of the Management Board in managing the Company's business for 2017,

▪ **The Decision on Discharge of the Members of the Supervisory Board** for the performed supervision of the Company's business in 2017.

▪ The Decision on the Appointment of the Auditor for 2018, by virtue of which the authorized auditing company Revicon d.o.o., Zadar, Ruđera Bošković 4, PIN: 31008688672, is appointed to perform the audit in 2018:

## 4

### **Audit Committee of Ilirija d.d.**

The Decision on Dismissal of Mr Mladen Ostrički, member of the Company's Audit Committee appointed by the Decision of the Supervisory Board of July 21, 2017, was adopted at the session of the Supervisory Board held on May 21, 2018, and he was replaced by Prof. Darko Prebežac, PhD, full professor at the Faculty of Economics of the University of Zagreb, who is also a member of the Company's Supervisory Board. Based on the said Decision, the Audit Committee of Ilirija d.d. consists of the following members: (I) Mr David Anthony Tudrović, Chairman; (II) Mr Goran Medić, Deputy Chairman, and (III) Mr Darko Prebežac, Member.

## 10 Awarded Acknowledgements, Standards and Certificates

### Awards and acknowledgements:

The Jutarnji List Nautical Patrol granted an acknowledgement to Ilirija d.d. for the Marina Kornati, namely for the greatest progress realized in the tourist season and an exceptional contribution to the development of Croatian nautical tourism.

In "the 22nd Tourism Flower – Quality for Croatia" competition, organized by the Croatian Chamber of Commerce and Croatian Radiotelevision, the Marina Kornati ranked 3rd in the category of large marinas.

The "Anton Štifanić" Award, presented by the Croatian National Tourist Board, was granted to Ilirija d.d. in the category of companies, institutions and associations, namely for the organization of the Biograd Boat Show nautical fair – for an exceptional contribution to the tourism of the Republic of Croatia.

The Croatian Chamber of Commerce – Zadar County Chamber awarded Ilirija d.d. the Plaque Zlatna Kuna (Golden Kuna) for the most successful company in 2017, namely in the category of large companies in the Zadar County.

In the 1st World Camping Congress held in November in Lisbon, Portugal, the International Camping and Caravanning Federation chose the "Park Soline" camp as one of the top 10 camps in Croatia, as well as one of the top 100 in Europe.

In cooperation with the company Henkel Croatia, the Association Lijepa Naša awarded a prize in the amount of HRK 15,000.00 for the implementation of the "Biowaste" project.



Croatian Chamber of Commerce – Zadar County Chamber Plaque  
Zlatna Kuna (Golden Kuna) for the most successful company in 2017





„Anton Štifić“ Award



"22nd Tourism Flower – Quality for Croatia"



World Camping Congress – "Park Soline" camp included among the top 100 camps in Europe



The Jutarnji List Nautical Patrol



## Standards and Certificates:

In August, the transition to a new standard for the quality management system (ISO 9001:2015), as well as for the environmental management system (ISO 14001:2015) was carried out.

Also in August, Ilirija was awarded the acknowledgement "Company – Friend of Health" by the Croatian Institute of Public Health for the introduction of special labels in the work environment, as well as for enabling its employees to adopt healthy lifestyle habits, promoting and encouraging health in the workplace and expressing concern for the health of its employees.



The Annual Report on Corporate Social Responsibility for 2017 – the company's third non-financial report – was published in Croatian and English in accordance with the leading international standards for non-financial reporting, GRI Standards.

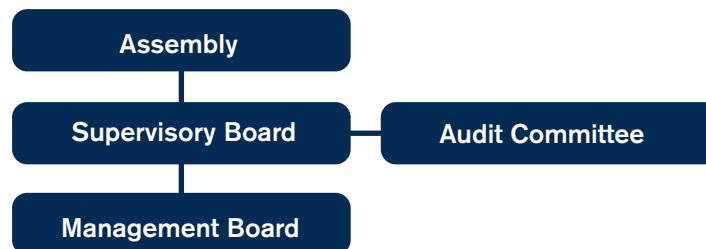
We have been awarded the AAA Gold Creditworthiness Certificate of Excellence, an internationally recognized economic quality and business excellence mark, namely by the credit rating company Bisnode for our meeting of strict analytical criteria, as one of the most important European standards for quality, financial stability and business performance in 2018.

The Croatian Commission of the Foundation for Environmental Education and the Commission for the Blue Flag and related programs awarded an acknowledgement to the Marina Kornati for 15 years of continuous loyalty to the international Blue Flag Program for beaches and marinas in the Republic of Croatia.



## 11 Corporate Governance

Ilijia as a public limited company listed on the Zagreb Stock Exchange since 2003, whose shares have been quoted on its Official Market since October 2015, has a clearly defined dualistic management structure in accordance with the corporate governance practices and legal regulations of the Republic of Croatia, with clearly separated powers and the responsibilities of the following governing bodies of the company:



**The General Assembly** consists of all shareholders (owners) / holders of the company's securities. As on 29/12/2018, the company had a total of 194 shareholders, namely holders a total of 2,413,488 company shares. The shareholders exercise their rights at the General Assembly. All shareholders of the Company entered in the book of shares, who report their intention to participate in the General Assembly to the Company in person or by proxy shall have the right to participate. Whenever they intend to do so by proxy, they shall submit a written power of attorney no later than six days prior to the holding of the Assembly. In accordance with the provisions of the Company's Articles of Association and the Companies Act, the General Assembly adopts decisions on the following matters: appointment and dismissal of the Supervisory Board and the Management Board, increase or decrease in the share capital, decisions on the allocation of profit, decisions on dividend distribution, decisions completely or partially excluding the priority right of shareholders for the subscription of new shares, withdrawal or listing of shares from a regulated market, amendments to the Articles of Association, appointment of auditors, decisions on activity change and other matters defined by the law. In 2018, one General Assembly was held, and it was attended by a minimum of 78.76% of the share capital. The decisions were published and are available on the website of the company ([www.ilirijabiograd.com](http://www.ilirijabiograd.com)), the Zagreb Stock Exchange ([www.zse.hr](http://www.zse.hr)), HANFA and the officially appointed mechanism for the central storage of regulated information – SRPI ([www.hanfa.hr](http://www.hanfa.hr)), as well as the Croatian News Agency ([www.hina.hr](http://www.hina.hr)), and they were submitted to the Register of the Commercial Court, namely in accordance with legal regulations.

**The Supervisory Board** has five members, who are appointed for a term of four years. The Supervisory Board can adopt decisions if at least half of the appointed members participate in the 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 Chairman of the Supervisory Board. In accordance with the Company's Articles of Association, as well as the Companies Act, the Supervisory Board supervises the management of the company's business activities, submits the Report on Performed Supervision of the

Company's Business Activities to the General Assembly, adopts financial statements, and gives its prior approval to the Company's Management Board for certain actions, legal transactions and decision-making in accordance with the Company's Articles of Association.

The Decision on Dismissal of Mr Mladen Ostrički, member of the Company's Audit Committee appointed by the Decision of the Supervisory Board of July 21, 2017, was adopted at the session of the Supervisory Board held on May 21, 2018, and he was replaced by Prof. Darko Prebežac, PhD, full professor at the Faculty of Economics of the University of Zagreb, who is also a member of the Company's Supervisory Board. Based on said Decision, the Audit Committee of Ilirija d.d. consists of the following members: (I) Mr David Anthony Tudrović, Chairman; (II) Mr Goran Medić, Deputy Chairman, and (III) Mr Darko Prebežac, Member.

In accordance with the company's Articles of Association, sessions are to be convened at least once every six months. In 2018, six Supervisory Board sessions were held. At the regular general assembly of the company held on May 11, 2018, discharge was given to the Supervisory Board for the supervision of the Company's business in 2017.



Supervisory Board	Function	Term of office	Commision
Goran Medić	Chairman	June 2017 – June 2021	Audit Committee
David Anthony Tudorović	Deputy Chairman	December 2017 – July 2021	Audit Committee
Davor Tudorović	Member of the Audit Committee	December 2017 – July 2021	
Siniša Petrović	Member of the Audit Committee	December 2017 – July 2021	
Darko Prebežac	Member of the Audit Committee	December 2017 – July 2021	Audit Committee

**The Management Board** has one member, who is appointed for a term of five years. The rights and duties of the Management Board are set out in the Company's Articles of Association, as well as in the Companies Act.

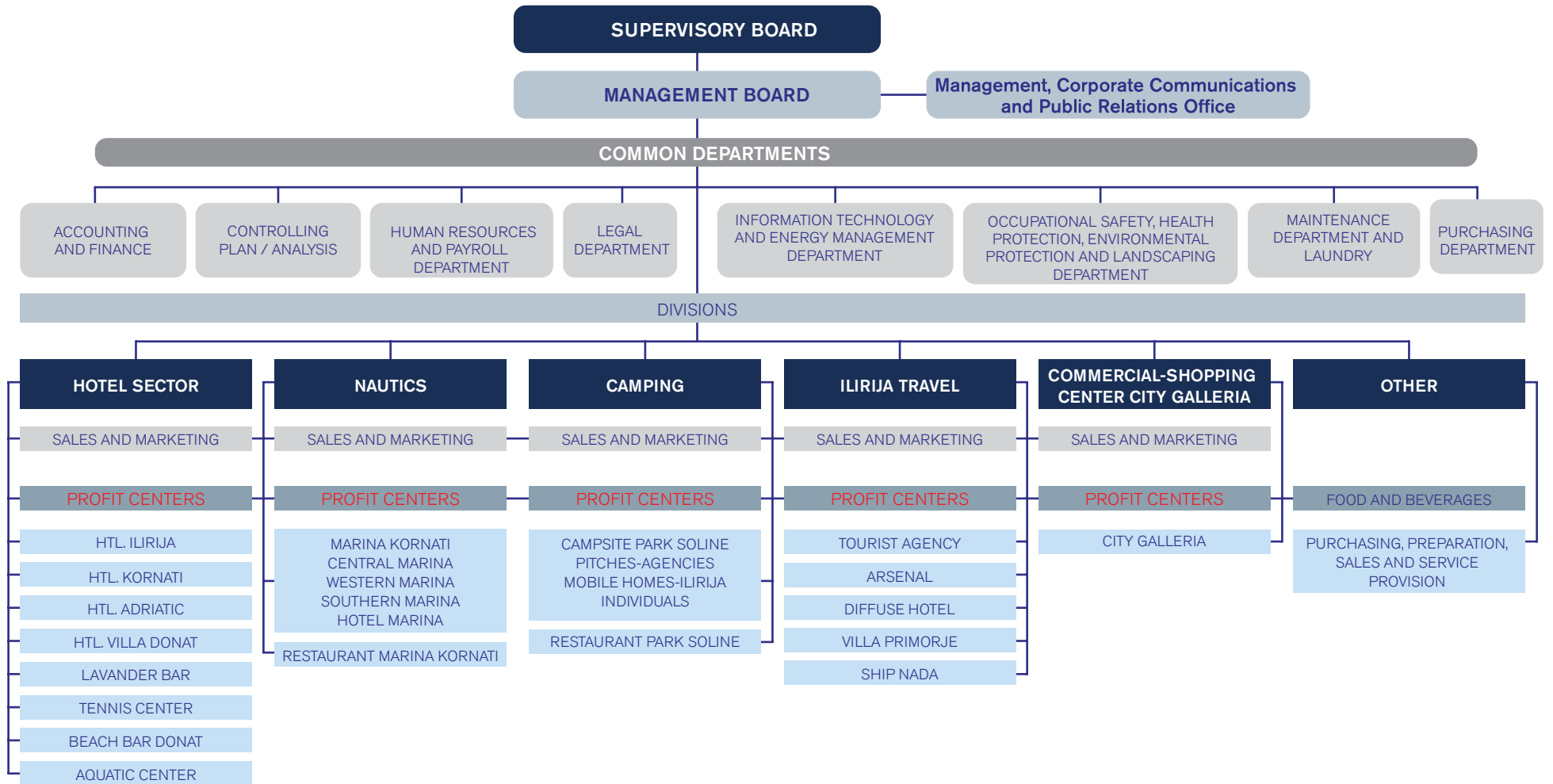
**Goran Ražnjević** is the sole member of the Management Board, and he has been representing the Company individually and independently since 2000, namely for his fourth consecutive term.

There are no committees for decision-making regarding economic, environmental and social impacts within the company, but the said tasks are performed by the Management Board in cooperation with the company's management according to the business practice.

Top management consists of 12 persons vested with special powers and responsibilities, a blend of youth and experience.



# Organizational structure



## Shareholders and the capital market

The share capital of the company amounts to HRK 229,146,480.00, and it is divided into 2,413,488 no-par-value ordinary shares.

Arsenal Holdings d.o.o., Perivoj Gospe od Zdravlja 1, Zadar, PIN: 59794687464, owns 1,429,032 shares of the company, accounting for 59.21% share in the Company's share capital, as well as for the same proportion of votes in the company's Assembly. The parent company Arsenal Holdings d.o.o. is registered with the Commercial Court in Zadar, company's court registration number (MBS): 060014554, and its share capital amounting to HRK 21,027,500.00 was paid in full.

The majority owner of Arsenal Holdings d.o.o. is Mr Davor Tudorović with a 75.25% share in its share capital, who also holds 95,744 shares of Ilirija d.d. accounting for 3.97% of its share capital. In 2018, there were no significant changes in the ownership structure.

Overview of the largest shareholders of Ilirija d.d. as on 31/12/2018

Owners - shareholders	Number of shares	%
Arsenal Holdings d.o.o. Zadar	1,429,032	59.21
OTP banka d.d. / AZ B category mandatory pension fund	321,978	13.34
Goran Ražnjević	202,536	8.39
Davor Tudorović	95,744	3.97
RESTRUCTURING AND SALE CENTRE / REPUBLIC OF CROATIA	74,200	3.07
OTP banka d.d. / AZ A category mandatory pension fund	70,027	2.90
Zagrebačka banka d.d. / AZ Profit open voluntary pension fund	68,200	2.83
Goran Medić	40,000	1.66
Zoran Bogdanović	26,216	1.09
Ilirija d.d. (own shares)	8,256	0.34
Dražen Hrkač	7,224	0.30
Zagrebačka banka d.d. / AZ ZABA closed voluntary pension fund	4,904	0.20
Other minor shareholders	65,171	2.70
<b>TOTAL</b>	<b>2,413,488</b>	<b>100.00</b>

**Data on the share of Ilirija d.d.**

**Quotation:** Official market, Zagreb Stock Exchange

**Date of listing:** 26/10/2015\*

**Type of security:** Ordinary share

**Designation:** ILRA-R-A

**Number of issued shares:** 2,413,488 with no par value

**Depository:** Central Depository and Clearing Company

*\*Since 2003, the company's shares have been listed on the Zagreb Stock Exchange, on the Listing of Public Limited Companies, and since then, they have been part of the regulated capital market of the Republic of Croatia. From 2009 to 2015, the shares were listed on the Regular market of the Zagreb Stock Exchange.*

## Trading in company shares on the Zagreb Stock Exchange

(amounts in HRK)*	I-XII 2018	I-XII 2017		% (change)
		Before the division of shares	After the division of shares	
Total turnover	765,134.00	1,936,020.36	1,936,020.36	-60.48%
Average share price	182.00	1,363.39	170.42	6.79%
Average turnover per transaction	9,564.18	16,133.50	16,133.50	-40.72%
Average daily turnover	16,633.38	25,473.95	25,473.95	-34.70%
Last share price	176.00	1,300.00	162.50	8.31%
Market capitalization	424,773,888.00	392,191,800.00	392,191,800.00	8.31%
<b>Number of shares</b>	<b>2.413.488</b>	<b>301.686</b>		<b>100.00</b>

Trading in the company's shares on the capital market in 2018 relative to the previous financial year should be considered in the context of the General Assembly's decision of November 2017, regarding the division of no-par-value ordinary shares, namely by dividing one share into eight no-par-value ordinary shares. Therefore, the data for 2018 are not fully comparable with the previous year. The corporate share-division action took place in January 2018. Data on share transactions in the observed period, prior to the corporate share-division action (until January 25, 2018) are, for the sake of comparability, reported as if the division of shares took place on 01/01/2018.

In 2018, 3,315 company shares were traded on the Zagreb Stock Exchange (or 4,204 shares, after the corporate share-division action), resulting in a turnover of HRK 765,134.00. The average share price was HRK 182.00, which represents an increase in the amount of 6.79% compared to 2017, when the average share price amounted to HRK 170.42, while the average turnover per transaction amounted to HRK 9,564.18.

The highest single share price amounted to HRK 200.00 per share, equivalent to the price of HRK 1,600.00 per share before the division, while in 2017 the highest share price amounted to HRK 1,500.00 or HRK 187.50, meaning there was a 6.67% increase. The last price of a company's share amounted to HRK 176.00, which is 8.31% higher relative to the last share price of HRK 1,300.00, or HRK 162.50 after the corporate share-division action, realized in the previous financial year. In the same period, the CROBEX index recorded a 5.10% decrease, and the CROBEXturst index, which shows price developments pertaining to the shares of tourist companies (the ILRA share is not a component of said





**+8,31% increase in market capitalization**

index), decreased by 2.35% in 2018.

Market capitalization amounted to HRK 424,773,888.00, while in the previous financial year it amounted to HRK 392,191,800.00, which means there was an increase by 8.31% or HRK 32,582,088.00.

In 2018, the Company disposed of 4,288 own shares pursuant to the Share Transfer Agreement concluded with the employees of Ilirija d.d., in accordance with the Decision of the Company's Management Board on the allocation of own (treasury) shares free of charge, as a reward for the operating results realized in the previous medium term ending with the financial year 2017. In 2018, the Company acquired 1,848 own shares, and as of 31/12/2018, it holds 8,256 own shares, constituting 0.34% of the share capital.

**ILRA-R-A share movement and comparison with the CROBEX and CROBEXTURIST index**



## 12 Key Impacts, Risks and Opportunities

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

### (I) Financial risks

- The company, like most entrepreneurs in the tourism sector, is exposed to currency, price, credit and liquidity risks, the risk of the tourism industry, the risk of macroeconomic developments and the risk of changes in tax and other regulations.
- Given that most of the company's cash inflows are denominated in Euro, as are most credit obligations, the company is mostly hedged for foreign currency risk.
- The company's commercial bank borrowings are mainly contracted at fixed interest rates, and the company is partly not exposed to interest rates.
- For the purpose of reducing credit risk, the company strives to reduce its credit liabilities to an adequate level in order for them to be lower than its own source of funds.
- Most of the company's prices are expressed in Euro, and the company recovers most of its claims in the said currency, thus hedging the price risk.

### (II) Regulatory risks

- The company is exposed to changes in tax and other regulations within the legal system of the Republic of Croatia. In particular, this applies to the regulations pertaining to the maritime domain and tourist land, in which domain the company has made significant long-term investments crucial for its business, while not all rights guaranteed by the Constitution from the field of protection of legal capital investments and legitimate expectations regarding legal investments have been fully realized.

### (III) Business risks

- The company's business depends on the willingness of tourists to travel and spend their holidays outside their country or place of residence. For this reason, economic and political security and stability, primarily at the regional

#### Precautionary approach

Striving to minimize possible environmental risks, the company applies the precautionary principle, namely by avoiding all actions that have or could have negative environmental impacts on the company, as well as on the local and regional community in which the company does business and on the society as a whole until the impact of said actions or technologies on the environment and the society as a whole is discovered. In addition to adhering to all applicable environmental regulations of 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 Policy.

level, that is, in the immediate surroundings of the company, as well as on the main outbound markets for Croatian tourism, are an important factor for potential tourists when it comes to deciding on the place where they spend their holidays, and as such can have a great impact on the tourist season in the Republic of Croatia.

- Considering that the tourism industry depends on preserved natural resources, i.e. preserved and clean environment, sea, water, air, etc., large-scale pollution of the sea and coast (e.g. tanker accidents – oil spills, chemical pollution, etc.), red tides, air pollution, climate change and related natural disasters can have a direct impact on the tourist offer or demand for the company's products and services, which can ultimately have an impact on the overall quality of the offer and its market competitiveness. Climate change, which has a significant impact on the tourism industry globally, also poses a potential risk to the company in terms of significantly increasing the incidence of extreme weather conditions (storms, hurricanes, etc.), as well as strengthening their intensity and unpredictability, and can cause extraordinary and unpredictable damage and threats for its business.

In the context of sustainable business, as a leading tourist and economic entity, the company, through its business, influences the community, namely through the use and consumption of resources (water), energy, waste production, and the fact that Ilirija holds almost two thirds of organized tourism in its key destination of Biograd na Moru, where any negative market trends are definitely reflected on the total tourism turnover of the destination. The environmental and economic impacts of Ilirija on external stakeholders are described in more detail in chapters Environmental and Economic Topics. On the other hand, we contribute to the community by providing employment to the local population and by stimulating the development of the local and national economy by purchasing from local suppliers. Through corporate philanthropy programs, we support a number of projects within the community in which we do business, and by developing our own products and services, we also develop the tourist offer of the destination or region.





**Opportunities that the company recognizes as possibilities for further growth and development:**

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1

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Croatia is globally recognized as a desirable and safe tourist destination,

2

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differentiated offer of the company (hotel, nautical sector, camping, DMC Ilirija Travel, hospitality, real estate),

3

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financial stability of the company,

4

---

sustainable and continuous investments,

5

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location of facilities within the destination (on the very coast or in its immediate surroundings, close to the city centre),

6

---

further development of the offer and amenities that enable year-round business through the destination management system,

7

---

development of special interest tourism and complex tourism products

8

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years of experience and business tradition in the hospitality and tourism business,

9

---

preserved and pristine nature and environment, and

10

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corporate social responsibility.

## 13 Stakeholders and Material Topics

### Economic topics:

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

### Environmental topics:

- Energy
- Water
- Waste waters and waste
- Compliance with environmental protection regulations

### Social Topics

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

For the second time in a row, Ilirija included its stakeholders in the preparation of the Annual Report on Corporate Social Responsibility for 2018, namely through identification of material topics and their materialization, since by securing active support of all stakeholder groups, we create preconditions for continued development of Ilirija as a responsible, sustainable and a successful business system, this goal being impossible to achieve without active and continuous communication with all stakeholder groups.

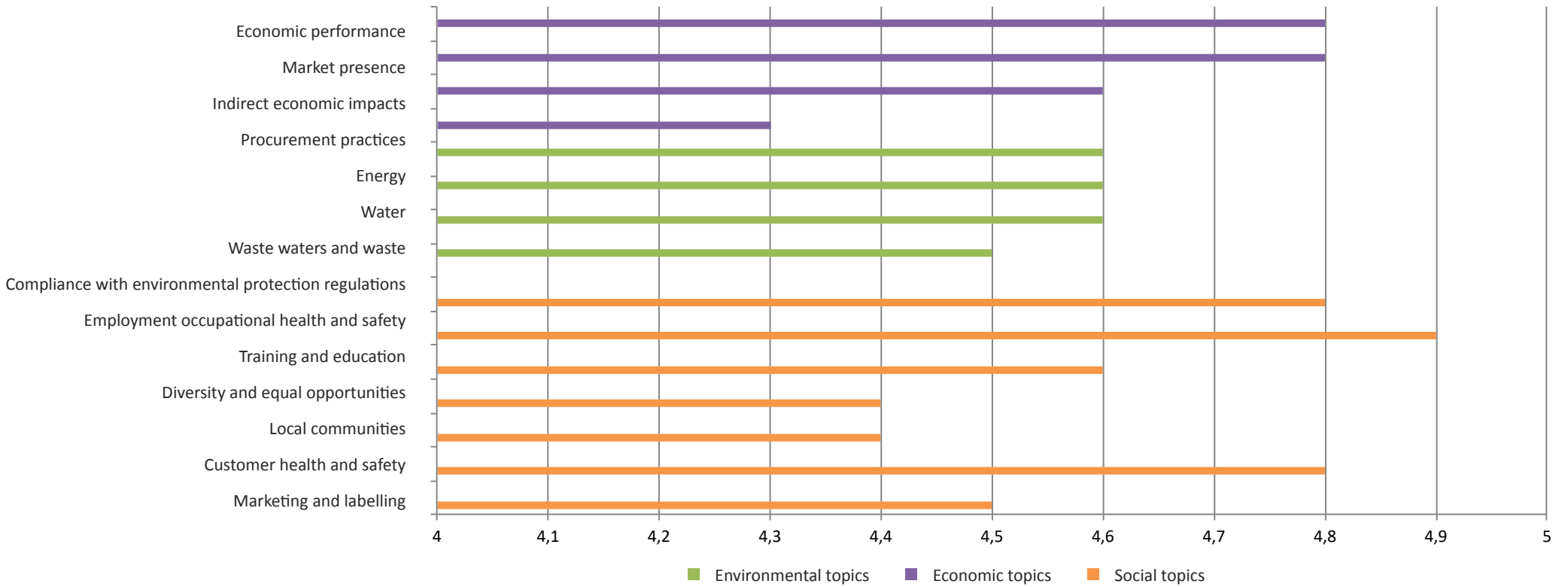
The expert team for the preparation of the report on corporate social responsibility drew up a proposal of material topics identical to those from the previous financial year, as no significant change in the company's business policy and strategy has taken place. Defined material topics reflect significant economic, environmental and social impacts of Ilirija as a business system, as well as the impact on the stakeholders' decisions recognized as important with respect to medium-term and long-term development plans, the mission and vision, and its core values.

Consultations with the stakeholders were carried out in such a way that we invited them to participate in the process of defining key material topics with respect to their expectations, interests and priorities as well as the importance and impact of material topics on them as our stakeholders, namely by responding to a survey which was published on the company's website so it would be accessible to all representatives of the stakeholders and in order for the process to be transparent.

In the survey, we organized 15 material topics into three categories:

- **economic** (economic impact, market presence, indirect economic impacts, procurement practices),
  - **environmental** (energy, water, waste waters and waste, compliance with environmental protection regulations), and
  - **social** (employment, occupational health and safety, training and education, diversity and equal opportunities, local communities, customer health and safety, marketing and labelling)
- which were rated with a score ranging from 1 as the lowest impact to 5 as the highest impact.

Stakeholders from twenty different organizations and six stakeholder groups participated in the process of identifying material topics. After we consulted with the stakeholders and received their feedback, identified material topics were prioritized and evaluated, and a materiality matrix was created. In the materiality matrix, material topics are identified and evaluated with respect to their impact on stakeholder decisions, as well as economic, environmental and social impacts of the company on others.



15 identified material topics



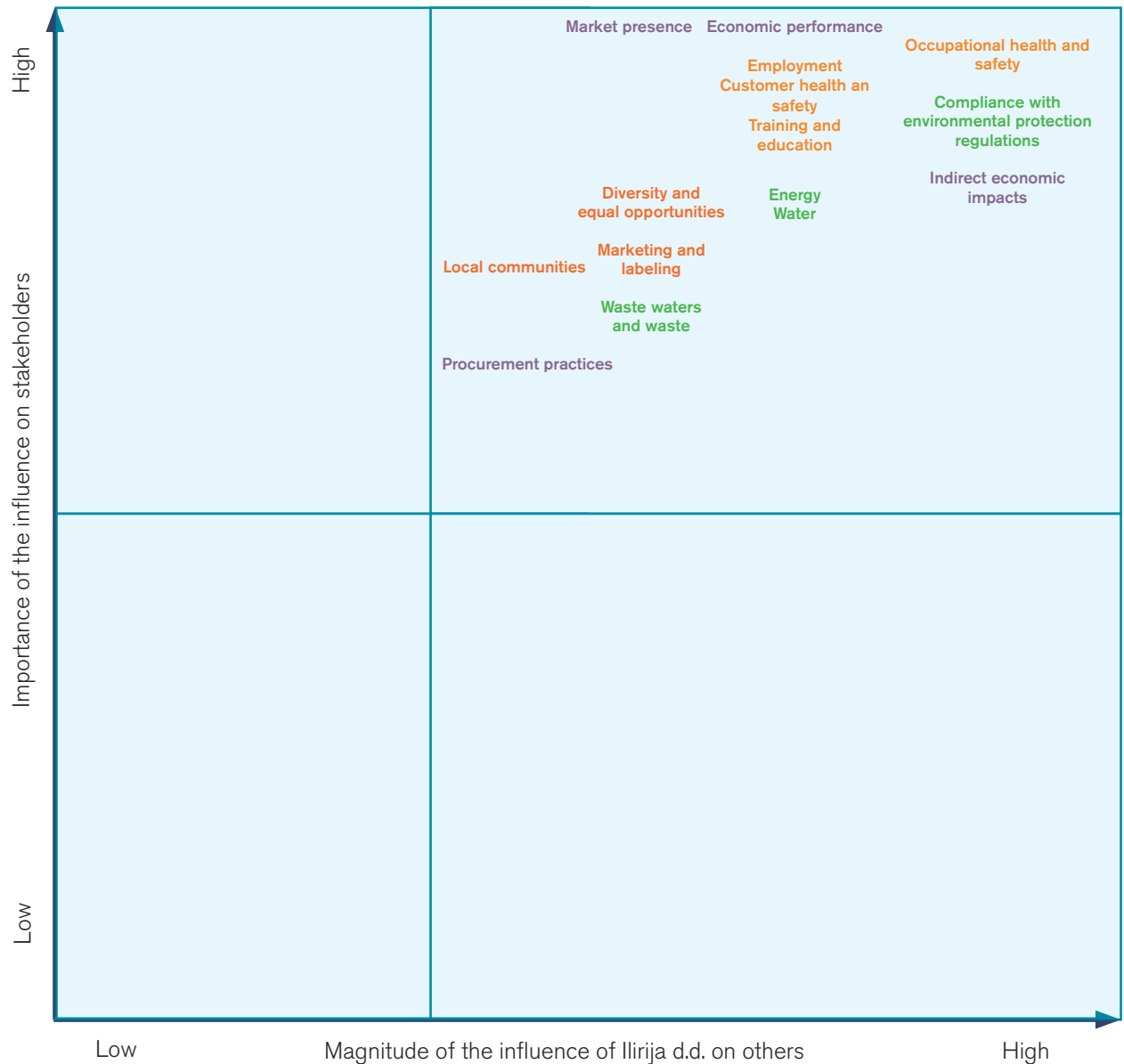
stakeholders from 20 organizations



from 6 stakeholder groups



Following the survey, identified material topics were perceived as important given that no material topics had an average rating of less than 4.33. Relative to the survey conducted in the previous financial year, it is evident that in 2018, stakeholders focused on social and economic topics, and in particular on economic impact, employment, occupational health and safety, as well as customer health and safety.



## Overview and communication with key stakeholders



Number of shares

2,413,488



The number of  
shareholders  
increased by

+13.45%

Average share price

HRK 182.00

+6.79%

**1 Shareholders (owners)** or holders of capital exercise their rights through the General Assembly. The company maintains regular communication with its shareholders through:

- general assemblies – in 2018, one regular general assembly was held, with a minimum of 78.76% of the share capital participating,
- financial statements (quarterly and annual),
- corporate notices,
- the company's website,
- Annual Report on Corporate Social Responsibility for 2017, published in August 2018

In the financial year 2018, the company continued its steady growth when it comes to key performance indicators and achieved the best operating results since its incorporation, thus also achieving the basic goals in its relations with shareholders:

- the operating results achieved in 2018 are the best since the company was founded, especially in terms of operating profitability indicators,
- growth in performance indicators in all key tourism sectors of the company (hotel sector, nautical sector, camping) and in the real-estate sector,
- steady development and growth of the company continued through an increase in the value of its assets, as well as the capital,
- significant investment cycle pertaining to an increase in competitiveness, market recognisability of the company and

Distributed dividend

HRK 7,221,240.00

+20.02%

HRK 44,360,458.00

Paid to shareholders in the  
2009-2018 period



121,274 persons



662,335  
overnight stays



561 events



58,023 persons  
participating in events

creation of further conditions for the development of a year-round tourism offer, based on the principles of sustainable and responsible investment,

- further development of the offer and programs articulating year-round business through the system of the destination management company Ilirija Travel,
- in January 2018, the Central Depository and Clearing Company, pursuant to the Decision of the General Assembly on the division of shares dated November 20, 2017, carried out a corporate action of the division of shares, whereby one no-par-value bearer ordinary share of the company was divided into eight (8) no-par-value ordinary shares,
- the average share price amounted to HRK 182.00, and it increased by 6.79%,
- market capitalization amounted to HRK 424,773,888.00, constituting an 8.31% increase relative to the previous financial year,
- regular annual dividend distribution. In 2018, an amount of HRK 7,221,240.00 was paid out, namely 20.02% more than in the previous year.

**2 Customers/guests** represent the centrepiece of our service. We maintain regular and continuous communication with our customers, regardless of whether they are travel agencies, business partners or individual guests, with the aim of ensuring end user satisfaction with the service provided. Therefore, feedback from our customers on their experience regarding the service provided is extremely important to us regardless of whether it is channelled or obtained through direct communication during their stay in our facilities, through visits by representatives of key travel agencies and business partners, through communication over social media, etc., with feedback serving the purpose of improving the service, offer and amenities, i.e. the overall quality of the customer experience. Communication with guests/customers takes place through

- regular annual visits by representatives of travel agencies and business partners
- fairs, acquisitions, business to business workshops, road-show visits with key customers,
- questionnaires on customer satisfaction,
- regular communication with key customers (both electronic and oral),
- newsletters,
- company's websites, and
- social media.

Our relationship with our guests is based on the principle that all information, data, descriptions and representations of products and services in different forms of marketing communication, through advertising, publicity and sponsorship, must be credible, true, timely and up-to-date, without undermining competing products and services, and along with the protection of the consumers' privacy and their rights, as well as respect for human dignity and consumer rights. In 2018, we did not record any breach of regulations, nor did we receive any complaints regarding breaches of regulations pertaining to marketing communications





We monitor customer satisfaction through:

- print and online surveys, by means of which guests evaluate individual segments of the offer and contents,
- monitoring feedback from guests and business partners by means of comments, compliments, complaints and suggestions sent directly to sales and marketing departments and through social media, and
- direct communication with guests during their stay in our facilities.

We respond to all comments received from our guests through the sources described above, including complaints, namely within 24 hours at the latest, whereas with respect to the key tourism sectors (hotel sector, nautical sector and camping), customer satisfaction analyses are carried out in order to increase guest satisfaction and improve existing services and standards, as well as develop new products. Given the specific nature of our business and the diversity of the offer of the company's tourism sectors, there is no unified guest satisfaction analysis, but each sector analyses customer satisfaction with the services provided individually and in an appropriate manner. In the hotel sector, the guest satisfaction analysis is based on the analysis of guest reviews on online platforms, with the minimum rating amounting to 70 and the maximum to 82 percent of the total rating, i.e. with an average individual value of 73- 81%. In terms of quality of the services provided, there has been conflicting feedback consisting of both praises and complaints with regard to the same facilities, which may be due to different preferences and experiences within the facilities. Through rating segmentation, a slightly lower perception of value for money relative to the other service parameters is evident.

In the camping sector, the company monitors guest satisfaction through print and online surveys, where guests rate camp services in the following categories: (I) reception desk and technical staff; (II) camp contents; (III) restaurant; (IV) additional facilities; (V) price/quality ratio; (VI) method of finding the location of the camp. The said parameters are analysed based on the rating criterion ranging from excellent to poor. In the surveys analysed, the ratings ranging from good to excellent prevail, while no segment pertaining to camp services was rated "poor".

In the nautical sector, results of a survey of the Jutarnji list Nautical Patrol, which surveyed a total of 1,131, guest of 32 marinas along the entire Adriatic coast, were taken as a relevant analysis of guest satisfaction with marina services. The survey covers seven areas: (I) staff friendliness, (II) marina tidiness and cleanliness, (III) neatness and functionality of the restroom area, (IV) restaurant services, (V) sports and recreation, (VI) entertainment facilities and (VII) comfort. The Marina Kornati received the highest rating for the friendliness and expertise of its staff, while in the categories "marina tidiness and cleanliness" and "neatness and functionality of the restroom area", it is above the average compared to other marinas.



**246**  
employees  
as on  
31/12/2018

**425**  
in high season

**1,000**  
in  
Ilirija d.d. facilities

**Cost increase  
gross salary**



**No labour disputes  
from privatization until 31/12/2018**



**The account has never been blocked**



**Proper and timely settlement of  
liabilities toward the government**

**3 Employees** – considering that employees are the key to the success of every business system, taking into account the changes that are taking place on the labour market and the specific nature of the tourism industry in the Republic of Croatia, the company has focused primarily on: (I) management, (II) planning and (III) personnel development, enabling employees to pursue their personal and professional development. The development of human resources as a strategic commitment resulted in the continuation of education programs at the Academy of Business Excellence – ILIRIJA EDUKA for the senior and middle management at the sales, marketing and food and beverages departments in 2018. In addition to education programs at its own academy, the company also provided additional (external and in-house) education programs to employees from other departments and corporate services, and in 2018, the company systematically took care of improving the financial position of its employees, at the same time devoting attention to their other rights. In 2018, the cost of gross salaries increased by 10% relative to the previous financial year.

Considering that human resources development is its strategic commitment, from its incorporation until 31/12/2018, the company faced no labour disputes.

Communication with employees took place through:

- regular daily, weekly and monthly meetings as well as meetings organized as needed at the operational level of business,
- monthly meetings of the Board and Management,
- the annual gathering,
- email notifications,
- notifications on the notice board, and
- social media.

**4-5 The State and the local community** – Ilirija is the leading economic entity at the local level, as well as one of the 3 leading tourism companies active in the region and 15 leading tourism companies in the Republic of Croatia. At the same time, through its development as a socially responsible business system, it contributes to the development of the communities in which it does business (local, regional and national) in terms of business expansion, creation of new values (products and services), development of year-round business, job creation and employment of local people, as well as active contribution to the development of tourism as one of the key industries in the Republic of Croatia, all this in accordance with the legal regulations and codes of conduct.

It participates in the work of 14 expert and professional associations by submitting proposals and opinions on proposals of laws that significantly affect the business of tourism companies, and proposals for the development and improvement of competitiveness of Croatian tourism, as well as in public conferences, lectures and activities of associations, with the President of the Management Board being a member of bodies of expert and professional associations. It is



**14**

business and professional associations



corporate philanthropy **system** (sponsorships and donations)



destination management **development** – contributions to the development of the destination



**improved**

reporting system



**timely**

publication of full and complete financial statements

an active member of tourist boards at the national, regional and local level, within the framework of which it encourages, initiates, organizes or actively supports a number of projects important for the development of the tourism offer of the destination. Through the corporate philanthropy system, whether by means of donations or sponsorships, it responds to individual needs and supports projects of wider interest to the community.

In 2018, communication with the national and local community took place through:

- memberships in business and professional associations, as well as tourist board systems at the local, regional and national level,
- corporate philanthropy,
- participation in legislative initiatives, both independently and through business and professional associations,
- participation in conferences and lectures,
- publications and communications, and
- the Annual Report on Corporate Social Responsibility for 2017

**6 Financial institutions** – the company's stakeholders, including the commercial bank and the leasing company with which Ilirija has a long-standing relationship based on mutual trust and cooperation aimed at encouraging its long-term responsible and sustainable development and growth, in the best interest of all its stakeholders. Ilirija as a public limited company listed on the capital market i.e. the Zagreb Stock Exchange bases its communication with its stakeholders, and especially shareholders and financial institutions, on timely, complete and true presentation of the company's business and its activities. Therefore, in 2018, Ilirija continued its long-term process of improving its reporting system, with an emphasis on transparency, comprehensiveness, completeness and timeliness of disclosure of all key financial and operational performance indicators, as well as corporate notifications and actions.

In 2018, communication with financial institutions took place through:

- regular meetings and electronic communication,
- financial statements (quarterly),
- annual financial statements,
- the Annual Report on Corporate Social Responsibility for 2017, and
- company's websites.





**7 Suppliers** – significant stakeholders of the company who influence the overall quality and the creation of additional value with their services and products, and consequently enhance the enjoyment for our end users – guests.

Relations with suppliers are based on almost daily communication at the level of all key company services, with the aim of mutual improvement and enhancement of the quality of work processes, exchange of knowledge and experiences, monitoring the standards of the tourist industry, involving more suppliers from the local community and maintaining strategic relationships with key suppliers.

In 2018, communication with suppliers took place through:

- regular communication (oral and written),
- contracts,
- mutual visits, and
- the exchange of knowledge.







# III Economic Topics

## 1 Management of the Economic Aspect of Business

Economic sustainability for Ilirija as a business community is a fundamental pillar of corporate social responsibility, influencing the achievement of the planned operating results, and through their realization, influencing other activities of the company as well, with the limits of influence referring primarily to the local and regional level or to places where we do business as well as to the national level, considering the overall contribution to the development of the Croatian tourism industry. Considering the fact that the foundation of corporate social responsibility rests on economic sustainability, which ensures continuous growth and development of the company, its technological progress, competitiveness and market viability, previous fulfilment of economic preconditions such as efficiency, profitability and realized operating profit is necessary. In order for the company to be able to contribute to the community in which it does business / operates, as well as to its stakeholders, it must achieve its business goals, be competitive and innovative, and create economic value to be able to distribute it.

The company manages the economic aspects of business by adopting a business plan or budget on a yearly basis, at the level of the company and each sector or profit centre individually, consolidated by the Accounting and Finance Department or the Controlling, Planning and Analysis Service, and drawn up following the basic financial goals of the company for the next financial year. The business plan or budget and business reports are adopted by the Management Board, and they provide a true and fair overview of the situation in the company, as well as its operating results and cash flows as determined by the Supervisory Board and taken note of by the General Assembly.

In addition to the business plan, reports are also drawn up, namely on a daily, weekly, monthly and quarterly basis and by competent services, at the level of the company, sector and profit centres individually. Based on the said reports, the achievement of the set goals is monitored. Accordingly, if any significant deviations from the business plans are recorded during the financial year at the level of the sector or profit centre in which they are identified, the necessary measures are taken to eliminate or amortize deviations, and everything is previously harmonized and approved by the Company's Management Board, as well as operationalised through the sales and marketing departments of the sector or profit centres. As a public limited company whose shares are listed on the capital market, we publish financial statements, corporate disclosures and other relevant information for the investment public within the statutory deadlines.

In 2018, the process of reporting system improvement was continued, which enabled (I) timely and (II) quality monitoring and analysis of the achieved operating results, as well as (III) the preparation of quality forecasts and business plans throughout the financial year, especially when it comes to the reporting on the achieved operating results, which created the basis for a more efficient and rational management of the entire business process, as well as improved and accelerated the overall reporting process at all levels, especially in the operational part of the company's business.



## 2 Operating Results in 2018

*The data related to the chapter Economic Topics were taken from the Annual Business Report for 2018 published on the website of the Zagreb Stock Exchange and HANFA as well as on the company's website (<http://www.ilirijabiograd.com/>) as on April 12, 2019. Ilirija d.d. is not required to draw up consolidated financial statements.*

The financial year 2018 is by far the best year when it comes to all key physical and financial achievements and indicators of business profitability since the privatization of the company, both in terms of overall business and at the level of its key sectors (hotel sector, nautical sector, camping and real estate sector). The best financial operating results so far have been achieved in the key parameters, operating and total revenues, as well as operating profitability indicators – operating profit, profit, EBITDA and EBIT. The operating results achieved in 2018 confirmed that Ilirija, as a company with a wide range of economic activities, continues to conduct a successful, profitable and responsible business. Responsible and sustainable investments have created the preconditions for the development of year-round business, which constitutes a strategic commitment of the company.

**The achieved operating results are the result of:**

1

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**an increase in basic** physical performance indicators, especially in the hotel, camping, nautical and real estate sector,

2

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**significant business activities** in the pre-season and post-season, i.e. the development of a year-round tourism offer,

3

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**investments in the development** of new offers and the raising of the quality of contents and services, and

4

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**the pricing policy** and market profiling of the tourism offer.

## Physical Operating Results in 2018

In 2018, Ilirija achieved the best key physical operating results in its tourism sectors (hotel sector, nautical sector, camping), where a growth in physical performance indicators resulted in an increase in operating revenues, except in the destination management company Ilirija Travel, where an increase in the number of events did not result in an increase in operating revenues. The increase in physical operating results in the hotel and camping sectors in terms of overnight stays and arrivals is higher relative to the national level. In the company's key tourism sectors, a total of 662,335 overnight stays were realized, constituting an 11.15% increase relative to 2017, when 595,895 overnight stays were realized.



## Overview of key physical performance indicators in 2018



Physical indicators	2018	2017	Index 2018/2017
<b>Hotel sector</b>			
Number of accommodation units	922	907	101.65
Tourist overnight stays	144,745	138,788	104.29
Occupancy days	165	157	105.10
Annual occupancy	45.12%	43.10%	104.69
<b>Nautical sector</b>			
Number of berths	805	805	100.00
Contracted vessels	741	712	104.07
Transit berth, vessel overnight stays	10,639	12,144	87.61
Transit berth, vessel arrival	3,263	3,527	92.51
Port service – number of operations	3,682	3,446	106.85
Days of work	365	365	100.00
<b>Camping sector</b>			
Number of accommodation units	1,220	1,130	107.96
Days of work	224	194	115.46
Occupancy days	125.15	111.47	112.27
Mobile homes	104.44	107.78	96.90
Individuals	48.81	48.48	100.68
Fixed lease	224.00	194.00	115.46
Lump sum	224.00	194.00	115.46
Occupancy	55.87%	57.46%	97.23
Mobile homes	46.63%	55.56%	83.93
Individuals	21.79%	24.99%	87.19
Fixed lease	100.00%	100.00%	100.00
Lump sum	100.00%	100.00%	100.00
Tourist overnight stays	302,845	283,069	106.99



Overview of key physical indicators for Ilirija Travel and the real estate sector:

Physical indicators	2018	2017	Index 2018/2017
<b>Ilirija Travel</b>			
Number of events	561	491	114.26
Number of persons (events)	58,023	66,023	87.88
<b>Real estate</b>			
Number of tenants	36	35	102.86
Common costs	34	33	103.03
Use of common areas	23	24	95.83
Lease of advertising space	7	8	87.50
Garage parking spaces	410	410	100.00
Rented area (m <sup>2</sup> )	9,897.60	9,656.30	102.50
Number of vehicles in the garage	635,505	667,753	95.17





**The hotel sector** continued to record a growth for all key physical and financial indicators relative to the previous financial year. With 46,383 guest arrivals, 144,745 overnight stays were realized, namely 4% more compared to the previous period, with the most important business aspect being an increase in board services operating revenues, as well as in the operating revenues of the entire hotel sector by 13% and 11% respectively relative to 2017. The increase in operating revenues of the hotel sector is all the more important given the significant increase in tourism turnover achieved in the last quarter of the financial year (October-December), which at the same time contributed to the extension of the tourist season and affected the overall financial performance of the hotel sector, which is decidedly the best so far.

According to market segments, 2018 was marked by a significant 26% increase in the share of individuals, as well as a 14% increase in the group segment, which resulted in a reduction in the allotment and fixed lease share. An increase in tourism turnover, as well as an increase in the share of more lucrative outbound markets and growth of the individual and allotment segments, had a positive influence on the total physical and financial turnover of the hotel sector in 2018, and we thus maintained a higher growth than the growth in the physical turnover of the hotel sector at the national level in the period in question.

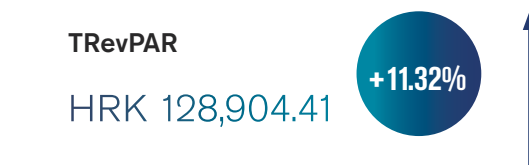
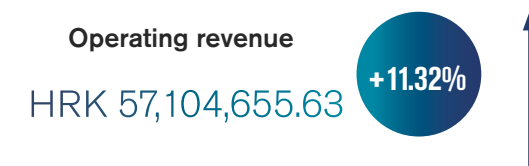
In the structure of realized overnight stays, among the five leading outbound markets there is (I) the Croatian market with a 15.6% share of overnight stays, (II) the German market with a 14.3% share, (III) the Austrian market with 10.2% of overnight stays, (IV) the Slovenian market with 9.5% of overnight stays and (V) the Slovak market with 5.7% of overnight stays. The Croatian market continues to be the leading market of the company's hotel sector, with respect to which we recorded a 6% growth as a result of the extension of the tourist season, i.e. significant turnover in the pre-season and post-season pertaining to the domestic market, as well as group or event and congress contents.

Capacity occupancy indicators and hotel occupancy days increased. Capacity occupancy increased from 43.10% to 45.12%, and occupancy days from 157 days in 2017 to 165 in 2018. Better hotel occupancy was recorded in almost all months, and it was more pronounced in the pre-season and post-season months, namely from March to June, as well as from September to October.





**Key and market and financial indicators of the hotel sector**



<b>ILIRIJA HOTELS (Ilirija Hotel, Kornati Hotel, Adriatic Hotel and Villa Donat)</b>	<b>2018</b>	<b>2017</b>	<b>Index 2018/2017</b>
Average daily rate per accommodation unit (ADR)*	648.59	603.69	7.44%
Board services revenues per accommodation unit (RevPAR) on the 365-day basis **	292.61	260.18	12.47%
Board services revenues per accommodation unit (RevPAR) on the basis of days of availability **	498.43	392.60	26.96%
<b>HOTEL SECTOR – TOTAL (ILIRIJA d.d.)</b>			
Operating revenues	HRK 57,104,655.63	HRK 51,295,911.97	11.32%
TRevPAR ***	HRK 128,904.41	HRK 115,792.13	11.32%
Operating costs ****	HRK 36,841,201.16	HRK 33,725,694.77	9.24%
GOP *****	HRK 20,263,454.47	HRK 17,570,217.20	15.33%
GOP per accommodation unit	HRK 45,741.43	HRK 39,661.89	15.33%
GOP margin *****	35.5%	34.3%	3.60%
Capital investments	HRK 14,448,259.16	HRK 9,565,110.06	51.05%

\* ADR – the average price per accommodation unit is calculated based on board services revenues (revenues from accommodation and food and drink under board services).

\*\* RevPAR – board services revenues per accommodation unit include board services revenues (revenues from accommodation and food and drink under board services) divided by the number of available accommodation units in a given period (365 days; number of days of availability).

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

\*\*\*\* The operating costs include the costs of raw materials / materials, costs of services, gross salaries and other operating costs, but they do not include depreciation, financial expenses and extraordinary expenses.

\*\*\*\*\* GOP refers to the gross operating profit of the hotel sector before the allocation of the costs of common services, and it is calculated as follows: operating revenues - operating expenses (before allocation, excluding depreciation and fixed costs).

\*\*\*\*\* The GOP margin is calculated by relating the GOP amount before the allocation of common service costs and operating revenues.

Note: Ilirija hotels include only hotels (Ilirija Hotel, Kornati Hotel, Adriatic Hotel and Villa Donat). Hotel sector of Ilirija d.d. includes hotels (Ilirija Hotel, Kornati Hotel, Adriatic Hotel and Villa Donat) and selected profit centres operating within the hotel sector (Lavender bar, Aquatic Centre and "Ilirija" Tennis Centre).





**Nautical sector** – due to the exceptional position of the Marina Kornati and the Ilirija Hotel Port, the quality of the offer, the equipment of the facilities and constant investments and modernization, as well as the possibility of complementary offering of services and contents of other profit centres of the company, Ilirija's nautical sector is the reason why this destination is one of the leading nautical tourism destinations in Croatia. Financial and physical indicators are a consequence of the above, and in 2018, as in previous years, the Marina Kornati achieved a growth of key physical performance indicators, which also resulted in an increase in operating revenues of the nautical sector.

In 2018, the realized operating revenues of the Marina Kornati (related to vessel accommodation services – contractual and daily berth, servicing, parking, business cooperation and nautical fair) amounted to HRK 42,465,278.95, which, relative to 2017 when it amounted to HRK 40,604,415.75, constituted a 4.58% increase, which is largely the result of an increase in the key physical indicator of the nautical sector – vessels at contractual berth. The result of an increase in contractual berth revenues is an increase in average contractual berth revenues, which amounts to HRK 38,902.71 in 2018. The realized operating revenues of the entire nautical sector, which, in addition to the Marina Kornati, also includes restaurant services, i.e. the restaurant "Marina Kornati", amounted to HRK 46,219,397.68, with a growth of 2.57%.

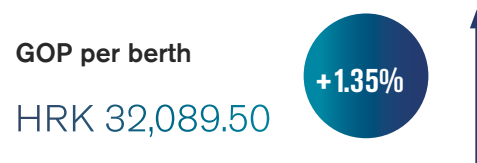
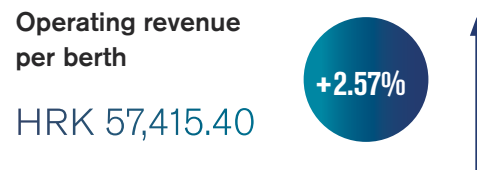
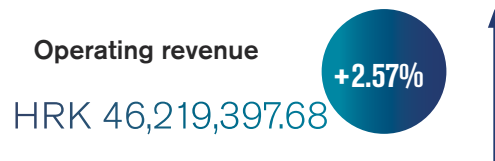
In terms of physical performance indicators of the nautical sector and the Marina Kornati, key growth was recorded in the area pertaining to vessels at contractual berth, with 741 of them being contracted in 2018, of which 418 individual vessels and 323 charter vessels. This, relative to 712 vessels contracted in 2017, constituted an increase in the said segment by 4% in the reporting period. In addition, 3,682 operations were realized, constituting a 7% increase in the number of operations relative to 2017, when 3,446 operations were realized, as well as an increase in realized revenues, namely by 10.55%.

A slight decrease in physical traffic was recorded in the area pertaining to transit berth, i.e. the arrival of vessels in transit, namely by 7%, which resulted in a decrease in overnight stays in transit by 12%, as well as a decrease in daily berth revenues relative to 2017. The reason for the decrease is, in addition to favourable weather conditions during the high season, a stronger trend of mooring or anchoring vessels at mooring sites.

The realized operating results of the nautical sector are the result of constant investments in the quality of products and services and the monitoring of trends on the domestic and international nautical markets, in which the company invested HRK 3,323,681.04.



**Key market and financial indicators  
for the nautical sector**



NAUTICAL SECTOR *	2018	2017	Index 2018/2017
Operating revenues	HRK 46,219,397.68	HRK 45,059,600.02	2.57%
Operating revenues per berth	HRK 57,415.40	HRK 55,974.66	2.57%
Operating costs *	HRK 20,387,353.51	HRK 19,570,652.05	4.17%
GOP **	HRK 25,832,044.17	HRK 25,488,947.97	1.35%
GOP per berth	HRK 32,089.50	HRK 31,663.29	-3.91%
GOP margin ***	55.9%	56.6%	-1.20%
Capital investments	HRK 3,323,681.04	HRK 6,372,231.58	-47.84%

\* Operating costs include the costs of raw materials and materials, costs of services, gross salaries and other operating costs, but they do not include depreciation, financial expenses and extraordinary expenses.

\*\* GOP refers to the gross operating profit of the hotel sector before the allocation of the costs of common services, and it is calculated as follows: operating revenues- operating expenses (before allocation, excluding depreciation and fixed costs).

\*\*\* The GOP margin is calculated by relating the GOP amount before the allocation of common service costs and operating revenue.

\* There are three business units in the nautical sector: Marina Kornati, Nautical Fair (Biograd Boat Show) and the restaurant "Marina Kornati".







**Camping** recorded 42,138 arrivals, i.e. a 12.69% increase relative to the previous financial year. In line with the above, an increased number of arrivals also resulted in an increase in the number of overnight stays, namely by 6.99%, with 302,845 overnight stays realized in the reporting period. Also, in 2018, the camping sector recorded an increase in overnight stays by 1.18% at the national level. Thus, with its increase in overnight stays, the Park Soline camp was above the level of the entire camping sector in Croatia. The realized physical operating results resulted in an increase in capacity occupancy by 12.28% on the basis of annual occupancy of camp units, namely to an annual occupancy amounting to 34.29%, as well as in an increase in accommodation revenues per camp unit by 4.59% based on camp unit occupancy on the basis of a 365-day availability.

In the structure of realized overnight stays, among the five leading outbound markets there is (I) the Slovenian market with a 23% share of overnight stays, (II) the Czech market with a 19% share, (III) the German market with 14% of overnight stays, (IV) the Croatian market with 8% of overnight stays and (V) the Dutch market with 7% of overnight stays.

At the same time, when it comes to market segments, agencies and individuals prevail in the structure of overnight stays, with a share of 30% and 27% in overnight stays respectively. The share of overnight stays of lump sum guests amounts to 19%, and it has increased in line with the increase in the number of occupied lump sum pitches. The share of overnight stays in mobile homes increased by 2%, in line with the increase in the number of mobile homes and with higher bookings, and it amounts to 24% of total camp overnight stays.

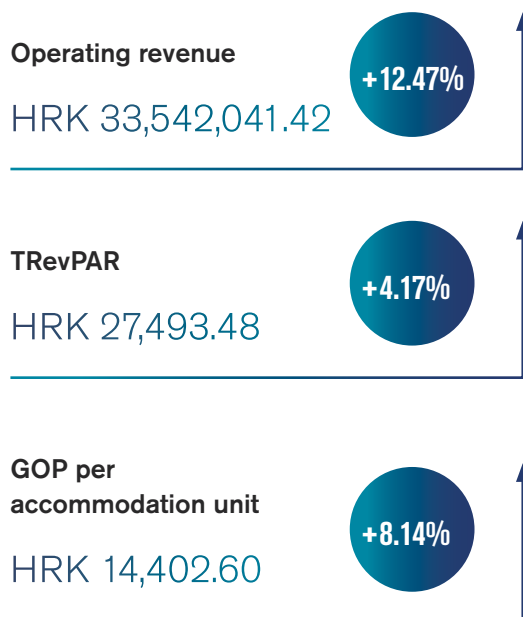
The increase in overnight stays, arrivals and revenue in 2018 relative to the previous financial year is the result of investments in new mobile homes, as well as in camp facility and service quality improvement, price optimization, marketing activities, strategically planned investments in key sales channels, and intensive early booking from the end of 2017.

The camping sector of the company, which, in addition to the camp, includes the restaurant "Park Soline", generated HRK 33,542,041.42 of operating revenue in the reporting period, constituting an increase of 12.47% as a result of a 29% increase in the revenue of lump sum guests, as well as an increase in private mobile homes by 15%, while at the same time, restaurant revenue increased by 13.20%.





**Key market and financial indicators for camping**



**Key market and financial indicators for camping**

"PARK SOLINE" CAMP – MARKET INDICATORS	2018	2017	2018/2017
Average daily rate per camp unit (ADR) *	HRK 198.72	HRK 213.31	-6.84%
Accommodation revenue per camp unit (RevPAR) on the 365-day basis **	HRK 68.14	HRK 65.14	4.59%
Accommodation revenue per camp unit (RevPAR) on the basis of days of availability **	HRK 111.03	HRK 122.56	-9.41%
CAMPING (TOTAL) – FINANCIAL INDICATORS			
Operating revenues	HRK 33,542,041.42	HRK 29,822,950.45	12.47%
TRevPAR ***	HRK 27,493.48	HRK 26,391.99	4.17%
Operating costs ****	HRK 15,970,871.05	HRK 14,772,896.96	8.11%
GOP *****	HRK 17,571,170.37	HRK 15,050,053.49	16.75%
GOP per accommodation unit	HRK 14,402.60	HRK 13,318.63	8.14%
GOP margin *****	52.4%	50.5%	3.84%
Capital investments	HRK 16,035,642.84	HRK 4,547,658.84	252.61%

\* ADR – the average price per camp unit is calculated based on the revenues from camp accommodation and the number of camp units sold.

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

\*\*\* TRevPAR – total revenue per camp unit means the total business camping (i.e. camp) revenue divided by the number of physical camp units.

\*\*\*\* The operating costs include the costs of raw materials and materials, costs of services, gross salaries and other operating costs, but they do not include depreciation, financial expenses and extraordinary expenses.

\*\*\*\*\*GOP (Gross Operating Profit) indicates gross operating profit from camping / the camp / the restaurant before the allocation of common service costs, and it is calculated as follows: operating revenues - operating expenses (before allocation, excluding depreciation and fixed costs).

\*\*\* The GOP margin is calculated by relating GOP from camping / the camp / the restaurant before the allocation of common service costs and operating revenue.

\*In addition to the "Park Soline" camp, camping also pertains to the profit centre / restaurant "Park Soline".



Number of events

561



**Destination management company / DMC Ilirija Travel** as a complementary and integrated product of the company established with the aim of developing year-round business, through which 561 separate events were organized, mostly in the pre-season and post-season, namely for 58,023 persons. Operational indicators of the destination management company's business are expressed through the number of events and persons, and they increased by 14.26% relative to 2017 when it comes to the number of events, but they decreased by 12.12% when it comes to the number of guests. Most events took place in the pre-season and post-season, which makes the contribution of the destination management company Ilirija Travel to the development of tourism and the decrease in its seasonality far more significant.

Revenue in the amount of HRK 9,105,105.09, which was also partly realized through the contents of all profit centres of the company, decreased by 26.16% relative to 2017 and mostly pertained to the provision of (I) services of the event boat "Nada" for other companies and also in other Croatian counties, which decreased significantly relative to the previous financial year, (II) the absence of regatta events in the profit centre / restaurant "Marina Kornati" as a result of the development of new nautical destinations in central and southern Dalmatia and (III) the trend of reducing the average number of persons per event.







**For the second year in a row, the real estate sector, i.e. the Commercial-Shopping Centre City Galleria,** with its result confirms that the investment in question was economically viable and justified. Looking at the operating results of the real estate sector, they were linked to the highest operating revenues growth rate in the amount of 14%, along with a double-digit growth of operating profitability indicators expressed through operating profit and profit, as well as further growth in the gross operating margin.

The operating results of the City Galleria Centre, as well as the interest of potential tenants in business collaboration, have been continuously growing. As on 31/12/2018, the occupancy of the centre amounted to 99.64% of all capacities, that is, 36 commercial lease agreements were active, with a surface area range from 20 m<sup>2</sup> to 1.836 m<sup>2</sup>. By creating new office business units on the third floor of the centre, the total net rentable area of the centre has been increased by 241.30 m<sup>2</sup>.

The operating revenues generated through the lease of commercial premises, common costs, the use of common areas of the centre, the lease of advertising space and revenues from garage amount to HRK 13,963,944.29. When we include other operating revenues in the amount of HRK 203,447.98, total operating revenues of the real estate sector amount to HRK 14,167,392.27.

During the period in question, the activation of commercial premises on the third floor of the centre was initiated and partially completed, as well as their conversion from service to office premises. In November 2018, a lease agreement was concluded with the company Sancta Domenica d.o.o. for commercial premises on the second floor of the Centre, and the preparation of commercial premises for the opening is planned for January 2019. During December 2018, a new Commercial Lease Agreement was concluded with the tenant Erste & Steiermarkische Bank d.d.





Operating revenues

HRK 14,167,392.27

+13.88%

Average yearly rent per m<sup>2</sup>

HRK 975.60

+17.79%

GOP

HRK 8,160,734.70

+28.31%



99.64%

Capacity occupancy

KEY MARKET INDICATORS OF THE REAL ESTATE SECTOR – CITY GALLERIA	2018	2017	Index 2018/2017
<b>FINANCIAL PERFORMANCE:</b>			
Average monthly rent per m <sup>2</sup> of commercial premises (AMR) *	HRK 81.30	HRK 69.02	17.79%
Average yearly rent per m <sup>2</sup> of commercial premises (AMR) *	HRK 975.60	HRK 828.24	17.79%
Average annual garage revenue per parking space **	HRK 1,835.06	HRK 1,625.83	12.87%
<b>TURNOVER</b>			
Commercial premises – number of active contracts	36	35	2.86%
Common costs – number of active contracts	34	33	3.03%
Common centre areas – number of active contracts	23	24	-4.17%
Advertising space – number of active contracts	7	8	-12.50%
Garage – number of parking spaces	410	410	0.00%
Garage – vehicles per annum	635,505	667,753	-4.83%
<b>KEY FINANCIAL INDICATORS OF THE REAL ESTATE SECTOR – CITY GALLERIA</b>			
Operating revenues	HRK 14,167,392.27	HRK 12,440,343.14	13.88%
Operating costs ***	HRK 6,006,657.57	HRK 6,080,342.88	-1.21%
GOP ****	HRK 8,160,734.70	HRK 6,360,000.26	28.31%
GOP margin *****	57.6%	51.1%	12.67%
Capital investments	HRK 451,734.04	HRK 0.00	

\* AMR – Average Monthly Rent – the average monthly price per m<sup>2</sup> of commercial premises is calculated based on the revenues from the rent of commercial premises and the net available surface area of active premises.

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

\*\*\* The operating costs include the costs of raw materials and materials, costs of services, gross salaries and other operating costs, but they do not include depreciation, financial expenses and extraordinary expenses.

\*\*\*\* GOP (Gross Operating Profit) indicates gross operating profit from the real estate sector before the allocation of common service costs, and it is calculated as follows: operating revenues - operating expenses (before allocation, excluding depreciation and fixed costs).

\*\*\*\*\* The GOP margin is calculated by relating the GOP from the real estate sector before the allocation of common service costs and operating revenue.

## Financial Operating Results in 2018

The best financial operating results so far have been achieved in the key parameters, operating and total revenues, as well as operating profitability indicators – operating profit, profit, EBITDA and EBIT. Total revenues in the amount of HRK 161,048,880.05 and the growth rate of 7.03% are a consequence of the company's results on the domestic and foreign markets, which grew at the rate of 8%. The realized operating revenues in the amount of HRK 159,490,115.09 are the result of an increase in operating revenues in the key sectors of the company.

In spite of an increase in operating expenses, operating profitability indicators are decidedly the best so far. Operating profit amounted to HRK 52,657,489.21, with an increase of 8.27%, while profit for 2018 amounted to HRK 37,035,167.22, with a realized growth rate of 9.29%. The realized EBITDA (earnings before depreciation, interest and taxes) amounted to HRK 54,216,254.17, and it increased by 9.31%, while the realized EBIT (earnings before financing expenses) amounted to HRK 41,419,356.76.

**+9.29%** ↑

### Realized profit

amounted to HRK 37,035,167.22,  
with an increase by 3,149,382.68  
(2017: HRK 33,885,784.54)

**+9.31%** ↑

### EBITDA

amounts to HRK 54,216,254.17,  
with an increase by HRK  
4,618,983.07  
(2017: HRK 49,597,271.10)

**+7.72%** ↑

### Realized EBIT

amounted to HRK 41,419,356.76,  
with an increase by HRK  
2,968,986.57  
(2017: HRK 38,450,370.19)

**+20.02%** ↑

### Dividend

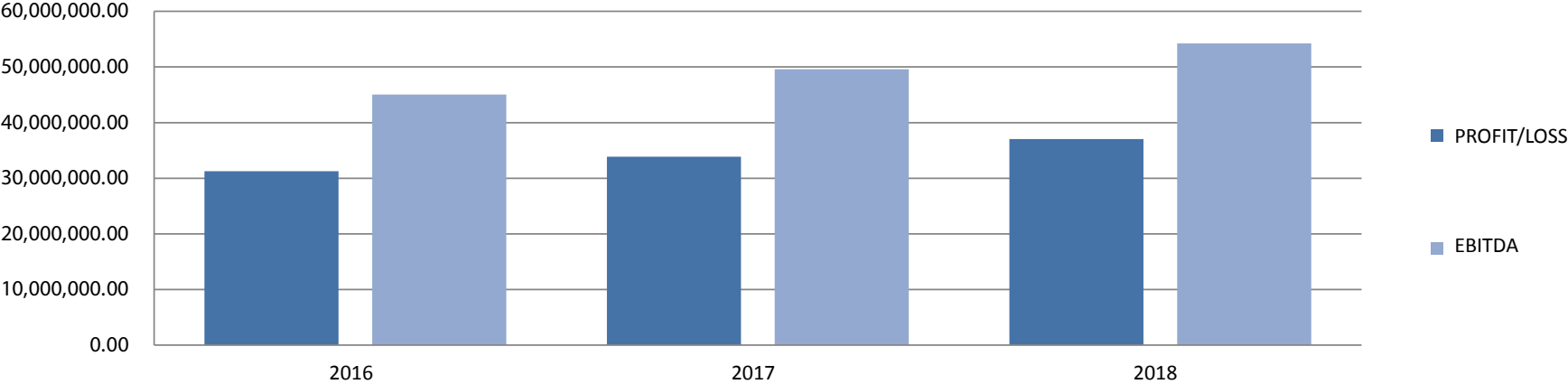
The amount of HRK 7,221,240.00  
was paid to shareholders, i.e. HRK  
1,204,700.00 more than in 2017  
(2017: HRK 4,937,148.00).

**Review of financial performance for 2018 and comparison with 2016 and 2017:**

REVENUES	2016	2017	INDEX 2017/2016	2018	INDEX 2018/2017
Revenues on the domestic market	90,914,640.20	112,784,382.37	124	121,382,130.52	108
Revenues on the foreign market	34,572,634.09	34,375,832.23	99	37,017,115.81	108
Other revenues	2,103,865.91	2,355,330.63	112	1,090,868.76	46
<b>OPERATING REVENUES</b>	<b>127,591,140.20</b>	<b>149,515,54.23</b>	<b>117</b>	<b>159,490,115.09</b>	<b>107</b>
Financial revenues	1,427,867.11	961,132.18	67	1,558,764.96	162
Extraordinary revenues	0.00	0.00		0.00	
<b>TOTAL REVENUES</b>	<b>129,019,007.31</b>	<b>150,476,677.41</b>	<b>117</b>	<b>161,048,880.05</b>	<b>107</b>
<b>EXPENSES</b>					
Costs of raw materials and materials	18,339,619.89	22,588,537.09	123	23,269,427.09	103
Costs of services	14,790,955.74	18,855,044.37	127	19,133,296.83	101
Gross salaries	30,295,745.80	35,265,395.20	116	38,668,915.13	110
Other costs	20,565,556.42	24,170,429.65	118	25,760,986.83	107
<b>TOTAL COSTS</b>	<b>83,991,877.85</b>	<b>100,879,40.31</b>	<b>120</b>	<b>106,832,621.88</b>	<b>106</b>
DEPRECIATION	9,012,252.49	11,146,900.91	124	12,796,897.41	115
FINANCIAL EXPENSES	4,774,080.17	4,564,585.65	96	4,384,189.54	96
EXTRAORDINARY EXPENSES	0.00	0.00		0.00	
<b>TOTAL EXPENSES</b>	<b>97,778,210.51</b>	<b>116,590,892.87</b>	<b>119</b>	<b>124,013,712.83</b>	<b>106</b>
<b>PROFIT / LOSS</b>	<b>31,240,796.80</b>	<b>33,885,784.54</b>	<b>108</b>	<b>37,035,167.22</b>	<b>109</b>
<b>OPERATING PROFIT / LOSS</b>	<b>43,599,262.35</b>	<b>48,636,138.92</b>	<b>112</b>	<b>52,657,489.21</b>	<b>108</b>
EBITDA	45,027,129.46	49,597,271.10	110	54,216,254.17	109



Graphical display of the basic financial operating results from 2016 to 2018



## Revenues by activities:



**Hotel sector revenues** amount to HRK 57,104,655.63 and is 11% higher relative to the previous financial year. Its is the result of the following: (I) increase in the operating revenues from sale in terms of revenue realization on the domestic market with an increase of 12%, and on the foreign market with an increase of 11%; (II) realization of by far the best key physical operating results, (III) decrease in seasonality by strengthening of pre-season and post-season sales activities, (IV) better occupancy of accommodation capacities and (V) market profiling on more lucrative markets of western and northern Europe.



**Revenues from nautical services** amount to HRK 46,219,397.68 and are 2.57% higher than in 2017, namely as a result of revenue growth pertaining to the vessel accommodation service, i.e. the Marina Kornati, especially when it comes to (I) contractual berth revenues, which increased by 4.86% and (II) an increase in revenues from the nautical fair, namely by 19.03%.



**Revenues from camping services** amount to HRK 33,542,041.42 and are 12.47% higher relative to the previous financial year. This is the result of the following: (I) increase in key physical operating results, (II) revenue growth in all market segments of the Park Soline camp, which ranged from a minimum of 4% to a maximum of 29%, and (III) increase in revenues from the restaurant industry by 13% .



**Revenues from the real-estate sector** amounted to HRK 14,167,392.27, recording an increase by 14% as a result of growth in all business segments. This mostly pertains to revenues from the lease of commercial premises, which in absolute terms generated the largest increase in the operating revenues of the centre.



**Revenues from other activities** or other sectors and profit centres, including Ilirija Travel and Arsenal, the event boat "Nada", agritourism, Villa Primorje and restaurants/bars, amounted to HRK 8,456,628.09, thus decreasing by 22.39% relative to 2017, partly due to the absence of revenues generated through the destination management company and the absence of items of extraordinary revenues realized in 2017.



**TOTAL:** The operating revenues amounted to HRK 159,490,115.09 and recorded a 6.67% increase.

As a company with a wide range of activities, which we have become with our acquisition of the Commercial-Shopping Centre City Galleria in Zadar, Ilirija has achieved by far the best operating results so far thanks to the strengthening of economic activities throughout the financial year. As on 31/12/2018, asset value amounted to HRK 457,638,774.55, and it increased by HRK 31,581,511.81, while at the same time, a 7.79% capital growth relative to the previous financial year was realized, amounting to HRK 317,135,375.81, namely as a result of the investments made. Profitability indicators – operating profit, profit and EBITDA – also increased from 8% to 9%. In addition, the Company paid HRK 7,221,240.00 to shareholders for the dividend, i.e. 20.02% more than in 2017. In the period from 2009 until 31/12/2018, shareholders were paid a total of HRK 44,360,458.00 for the dividend.

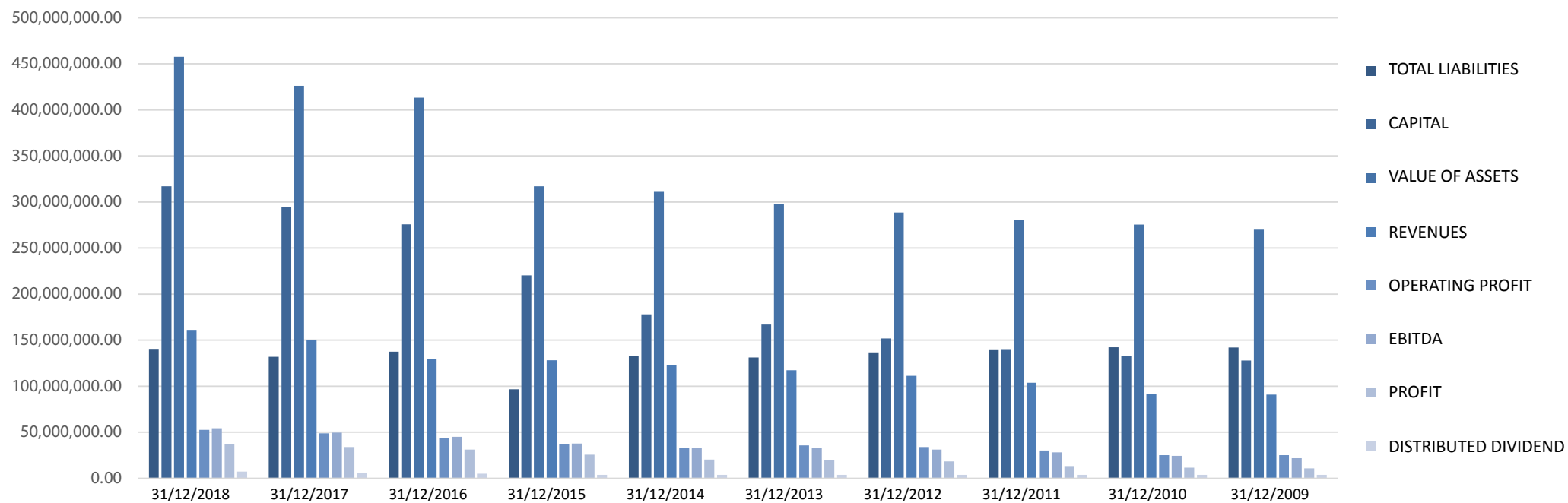
### CUMULATIVE COMPARATIVE OVERVIEW

of fundamental operating results, as well as asset, capital and liability indicators of the company as on 31/12/2018, and for the 2009 – 2018 period

YEAR	TOTAL LIABILITIES	CAPITAL	VALUE OF ASSETS	REVENUES	OPERATING PROFIT	EBITDA	PROFIT	DISTRIBUTED DIVIDEND
1	2	3	4	5	6	7	8	9
<b>31/12/2018</b>	140,503,398.74	317,135,375.81	457,638,774.55	161,048,880.05	52,657,489.21	54,216,254.17	37,035,167.22	7,221,240.00
<b>31/12/2017</b>	131,841,078.15	294,216,184.59	426,057,262.74	150,476,677.41	48,636,138.92	49,597,271.10	33,885,784.54	6,016,540.00
<b>31/12/2016</b>	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
<b>31/12/2015</b>	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
<b>31/12/2014</b>	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
<b>31/12/2013</b>	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
<b>31/12/2012</b>	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
<b>31/12/2011</b>	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
<b>31/12/2010</b>	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
<b>31/12/2009</b>	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 presentation of the cumulative comparative overview of operating results, as well as asset, capital and liability indicators of the company as on 31/12/2018 and for the 2009-2018 period



### Financial performance indicators in 2018 and 2017

Indicator	2017	2018	Index 2018/2017	
Indicators of financial stability, liquidity and indebtedness				
Self-financing rate	69.05%	69.30%	1.003	Equity ratio in total funding sources.
Degree of indebtedness	30.49%	30.28%	0.993	The share of indebtedness in total funding sources.
Financial stability coefficient	1.03	1.05	1.019	The ratio of fixed assets to long-term sources (equity and reserves plus long-term liabilities).
Accelerated liquidity coefficient	0.48	0.45	0.937	The ratio of current assets minus inventories to current liabilities.
Current liquidity coefficient	0.52	0.51	0.980	Current assets to current liabilities ratio.
Activity indicators				
Total assets turnover coefficient	0.35	0.35	1.000	The ratio of total revenues to total assets shows how many times a year the available assets are turned over in order to achieve total revenues.
Current assets turnover coefficient	10.56	8.93	0.845	The ratio of total revenues to current assets shows how many times a year the total current assets are turned over when achieving total revenues.
Business performance indicators				
Cost effectiveness	1.29	1.30	1.007	The ratio of total revenues to total expenses.
Profitability	18.10%	18.50%	1.022	The ratio of net profit/loss to total revenues.
Return on assets	6.39%	6.51%	1.018	The annual rate of return on invested assets reflects the ratio of net profit/loss to total assets.
Share of EBITDA in total revenues	32.96%	33.66%	1.021	Ratio of pre-tax profit, depreciation and financial expenses to total revenues.
Share of EBIT in total revenues	25.55%	25.72%	1.006	Ratio of pre-tax profit and financial expenses to total revenues.

In 2018, the company realized HRK 161,048,880.05 of directly generated economic value, which constitutes an increase by 7.03% or HRK 10,572,202.64, with almost 94% of growth being realized through an increase in revenues from sales. The economic value in the amount of HRK 124,392,181.44 was distributed to our stakeholders, with an accumulative growth by 10.06% or HRK 11,365,834.97. Looking at all items individually, their growth ranged from 4.63% to a maximum of 55.54%, with the largest increase in absolute terms being recorded in payments to the government (+ HRK 3,691,475.60), as well as in salaries and benefits for employees, which increased by + 3.343.520,13 HRK. Said higher increase in distributed economic value in absolute terms also resulted in a decrease in retained value in the amount of 2.12%.

Description	2015	2016	2017	2018	Index 2018/2017
<b>Directly generated economic value</b>	<b>128,146,488.63</b>	<b>129,019,007.31</b>	<b>150,476,677.41</b>	<b>161,048,880.05</b>	<b>107.03</b>
Revenues from sales	127,662,219.39	127,591,140.20	149,515,545.23	159,490,115.09	106.67
Other revenues	484,269.24	1,427,867.11	961,132.18	1,558,764.96	162.18
<b>Distributed economic value</b>	<b>98,097,210.51</b>	<b>89,493,785.39</b>	<b>113,026,346.47</b>	<b>124,392,181.44</b>	<b>110.06</b>
Operating costs	60,397,272.27	53,240,286.75	64,756,352.99	67,755,034.47	104.63
Employee salaries and benefits	29,781,374.67	30,545,745.80	35,357,395.00	38,700,915.13	109.46
Payment to capital providers	3,740,790.00	4,937,148.00	6,016,540.00	7,221,240.00	120.02
Payments to the government	3,977,138.94	564,749.54	6,646,839.96	10,338,315.56	155.54
Investments in the community	200,634.63	205,855.30	249,218.52	376,676.28	151.14
<b>Retained economic value</b>	<b>30,049,278.12</b>	<b>39,525,221.92</b>	<b>37,450,330.94</b>	<b>36,656,698.61</b>	<b>97.88</b>



### 3 Indirect Economic Impacts of the Company

In 2018, indirect economic impacts of the company were evident in several areas:

1

- **in the human resources policy**, which is based on employment of the local population from the town of Biograd na Moru, as well as the surrounding municipalities and towns, i.e. from the Zadar County. Of the total number of employees as on 31/12/2018, 43% were from the town of Biograd na Moru, while there were 120 or 56% of employees from other municipalities of the Zadar County, whereas three employees or 1% were from other parts of the Republic of Croatia.

2

- **in our relations with suppliers** and the entire procurement procedure, of 967 suppliers with whom we cooperate, as much as 93.49% are from the Republic of Croatia, generating 96.02% of our total turnover and thus stimulating the national economy, with a special emphasis on stimulating the economy of the local community.

3

- **in the development of the destination through the development and offer of our own programs and amenities** through the system of the destination management company Ilirija Travel, aiming at developing year-round business in the company's tourism sectors, and consequently at developing the destination offer, with a special emphasis on pre-season and post-season offers. Only through the system of the DMC Ilirija Travel, the company organized 561 events, ranging from simpler individual events and excursions to special programs, initiatives, events, conferences, congresses, weddings, excursions, regattas, etc., organized mostly in the pre-season and post-season, and services were provided for 58,023 people.

Through the development of a year-round tourist offer, we encourage the development of sustainable and responsible tourism that will not be exclusively linked to the high season (June-August). This will in turn relieve the high season and the infrastructure of the destination in said period. In addition to the preservation of natural resources, we contribute to a balanced development of the destination's offer, its recognisability and profiling into a destination with a year-round tourist offer of various amenities.

4

- **as the largest business system in the area of the country where its registered office is located and as one of the three largest tourism companies in the wider Zadar region**, as well as in the destination where most of our tourist facilities for the provision of accommodation services are located, by developing our own offer of amenities, and with realized arrivals and overnight stays, we directly stimulate and generate the development of the tourist offer of the town, we contribute to the recognisability and competitiveness of the destination, and we generate increased tourist consumption pertaining to other economic entities, especially in the town of Biograd na Moru, but also in other destinations where we do business.

5

- **we invest in the infrastructure of the destinations in which we do business**; we would like to highlight the multi-annual maintenance and arrangement of the hotel beach located in the very centre of Biograd na Moru in front of the Ilirija Resort Hotel, which also serves the function of a public beach, since Ilirija d.d. successfully implements both functions on the maritime domain it manages, as in addition to our guests, the hotel beach is also used by all other visitors and residents of the town. With this investment we have contributed to the adequate maintenance of the seashore during the high season, since in the period in question (June-August), the main products of Croatian tourism are "the sun and the sea", and this requires high-quality maintenance of beaches. In addition, in 2018, in cooperation with the Municipality of Sv. Filip i Jakov, we co-financed the renovation and arrangement of the children's playground in the town of Sv. Filip and Jakov, and we supported the activities of the Mrljane Local Committee in the renovation of two playgrounds, as well as provided assistance to the Tulipan Kindergarten in the town of Polača, namely with respect to procurement of necessary equipment.

Since its opening, the "Relja" outdoor city market of the company Tržnice Zadar d.o.o., owned by the City of Zadar, has been located on the outdoor covered square of the Commercial-Shopping Centre City Galleria. In order to facilitate the operation of the city market, unlike the previous outdoor working conditions and inadequate accompanying facilities, more than 800 m<sup>2</sup> of sales area are provided in a covered square of the City Galleria Centre, and there are also office premises for business purposes, as well as sanitary facilities for market vendors and an underground storage area with easy access by means of a freight elevator exclusively for market users. There is also a parking area for customers in the public garage of the centre with a lift leading to the market, and one hour of parking is free of charge.

This market is available to customers throughout the year, namely all days of the week in the morning, with its accompanying facilities consisting of a fish market, butcher shop, bakery and other delicacy shops in the indoor market of the centre. The importance of this location for the business of local farmers and for the citizens themselves is evident from the fact that the market "Relja" is the second largest city market in Zadar, with a total of more than 35 regular vendors. Therefore, due to its importance for the local community, it has been given special commercial conditions.



+7%

Increase in the average gross salary

+18%

The average gross salary in Ilirija is higher than in other companies engaged in the same activities.

+9.62%

The lowest gross salary with Ilirija relative to the minimum salary in the Republic of Croatia

+48%

The lowest gross salary with Ilirija relative to the minimum salary in the Republic of Croatia

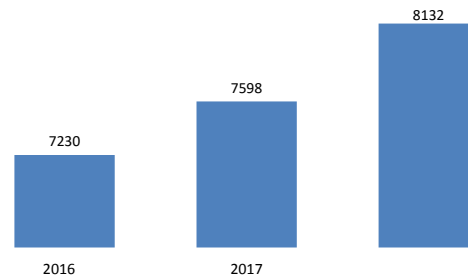
## 4 Market Presence

The employees' average gross salary for 2018 amounted to HRK 8,132.00, constituting an increase in the amount of 7% relative to the previous financial year, as well as an increase of 12% relative to 2016. Relative to the average gross salary for accommodation and food preparation/service activities in the Republic of Croatia in 2018, which amounted to HRK 6,902.00, Ilirija's average gross salary was 18% higher. Employees who occupy the same work position receive equal pay regardless of their gender, age group or any other category.

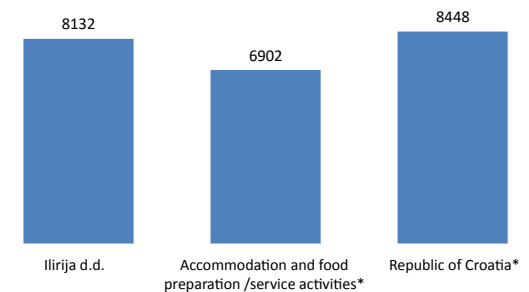
In accordance with the Regulation on the Minimum Salary for 2018 (OG 122/18), the minimum salary for the period from January 1 to December 31, 2018 was set at HRK 3,439.80 gross. The lowest gross salary paid by Ilirija in 2018 for a full month of full-time work was 48% higher than the minimum salary for 2018. In the reporting period, the cost of gross salaries was 9.62% higher than in 2017, namely as a result of a responsible, targeted and continuous policy for human resources management and the improvement of the employees' financial situation.

In accordance with legal regulations, for all employees, the company pays 20% of their gross salary as a pension contribution, namely 15% to the pension fund of the Republic of Croatia, and 5% to capitalized savings funds.

Average gross salary in the 2016-2018 period



Average gross salary



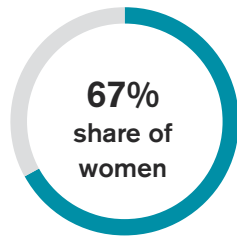
\*Data of the Croatian Bureau of Statistics



## Senior management

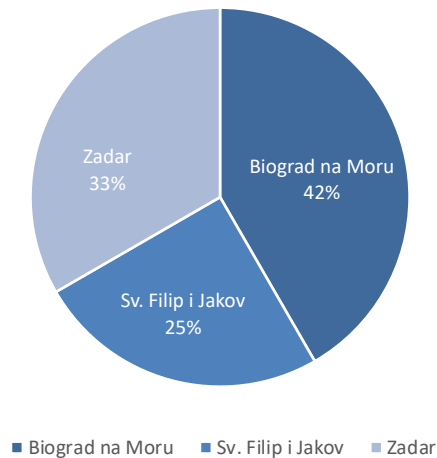


12 persons

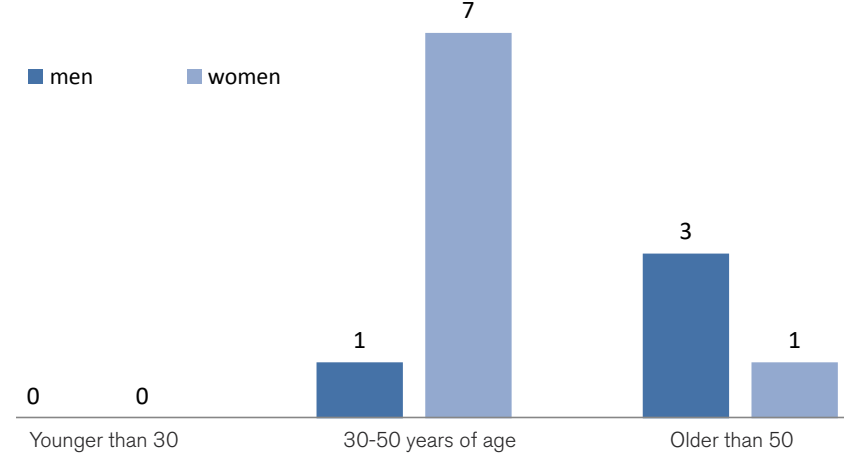


In the company's senior management consisting of the Management Board, sector managers and heads of corporate services, there are 12 persons with special authorizations, 67% of whom are women. All of them come from the local and regional community, i.e. from the town of Biograd na Moru and other towns and municipalities of the Zadar County. In the senior management age structure, 75% of employees are employees between 30-50 years of age..

Senior management employees by place of residence



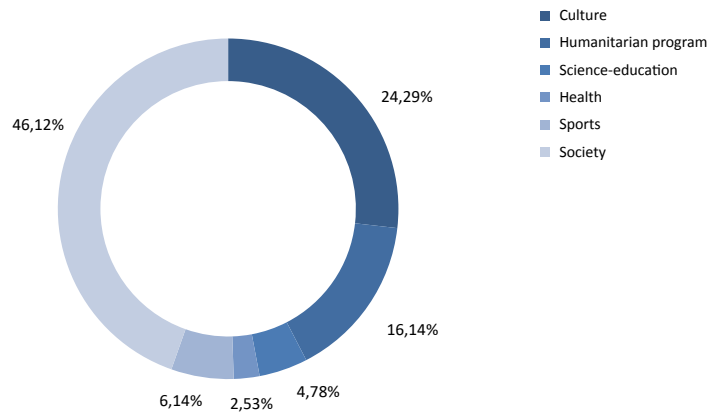
Senior management employees by gender and age group



All members of the Supervisory Board (five in total) are men, and so is the sole member of the Management Board. Furthermore, five of them are in the age group of employees over 50, while one member of the Supervisory Board is in the age group of employees from 30 to 50 years of age.

## 5 Corporate Philanthropy and Destination Development

Overview of donations by areas for 2018



The company's Management Board defines, implements and designs the entire corporate philanthropy process, which includes donations and sponsorships for a specific financial year, following the principles of responsibility of the company as the leading economic entity in the town of Biograd na Moru. In addition to the Management Board, the Head of Corporate Communications and Public Relations, the Marketing Manager, as well as members of other corporate services where appropriate are also involved in the implementation and design process.

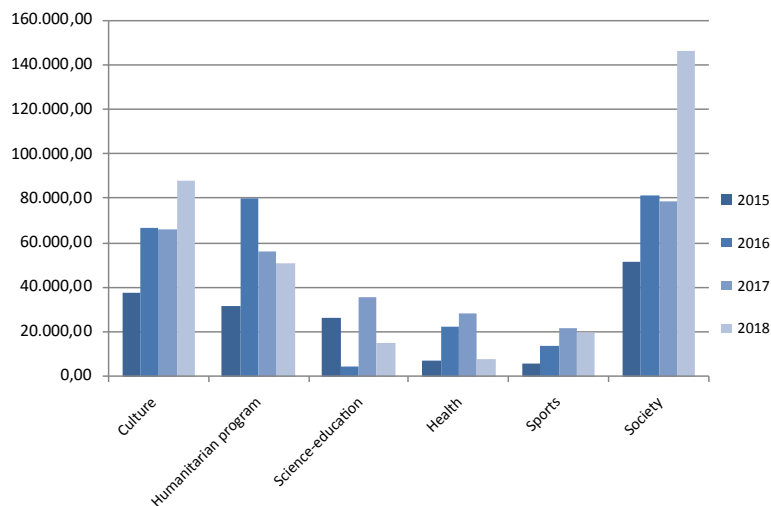
Corporate philanthropy is carried out in three ways:

- by initiating or participating in the donation/sponsorship process pertaining to specific social projects together with other members of the community, such as business entities mainly from the Zadar County, as well as business partners, regional and local self-government units, associations and institutions,
- through continuous donation to various associations, sports clubs, educational institutions, religious institutions, individuals, young people and the culture, namely with an emphasis on the preservation and restoration of the cultural and historical heritage, etc., based primarily on an assessment of their importance and impact on long-term community development, on the degree of innovation, on the concern for environmental protection and conservation, the contribution to education, the promotion and preservation of the culture and tradition of the area and the impact on children and young people,
- through donations/sponsorships in response to the current needs of the community, or through the so-called adhoc donations/sponsorships.

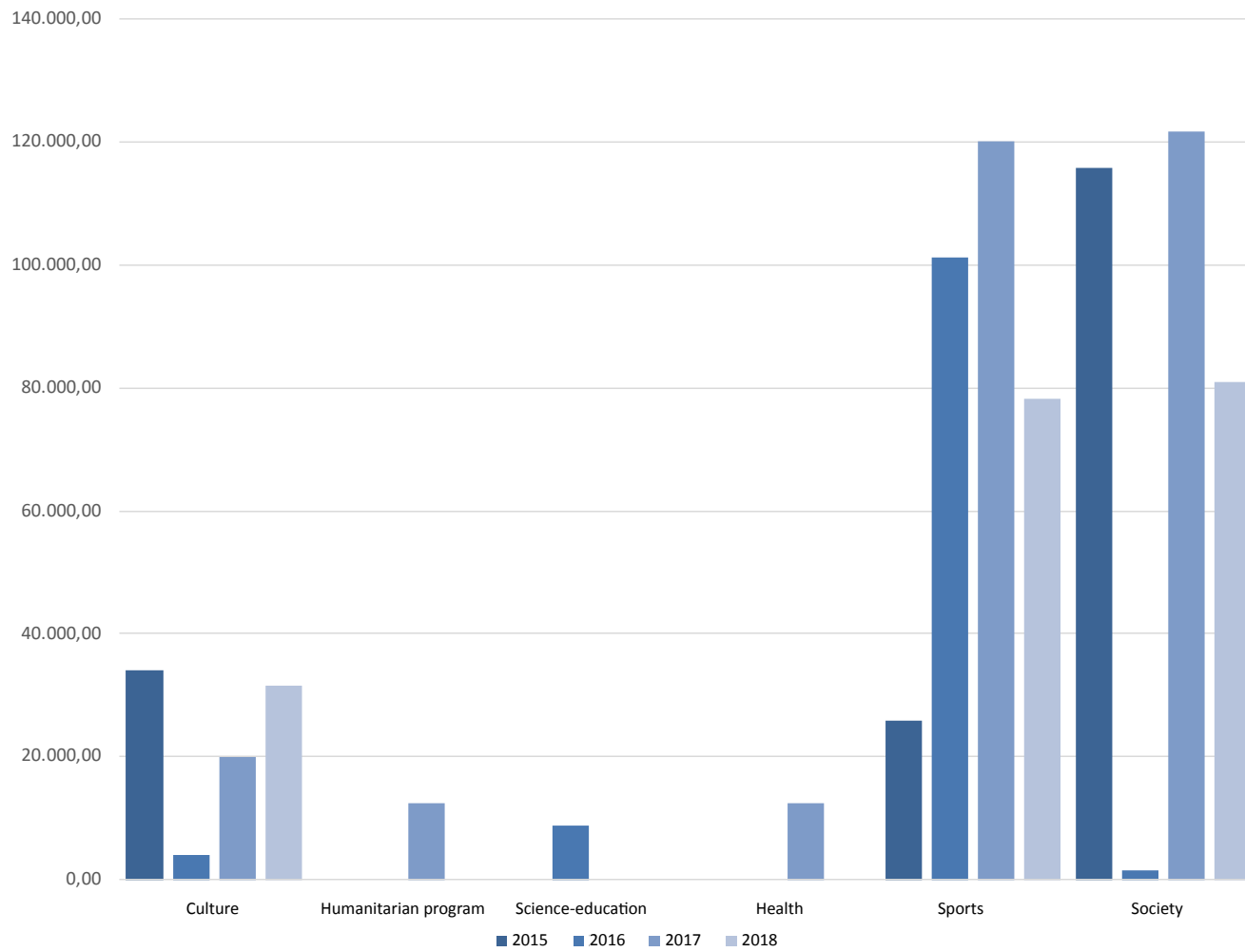
In addition to cash donations, there is a significant share of donations pertaining to services arising from our business activities, such as accommodation provision (hotels, the camp, the marina), making our premises available (conference rooms, restaurants), food and beverage-related services and transfer services. In the reporting period, through the corporate philanthropy system, Ilirija's donations and sponsorships amounted to a total of HRK 518,159.69 \* granted in cash and services, with the share of donations and sponsorships being even.

\*This figure differs from the figure indicated in the table "Directly generated and distributed value", namely in the item "Investments in the community", which includes only donations and sponsorships provided in cash

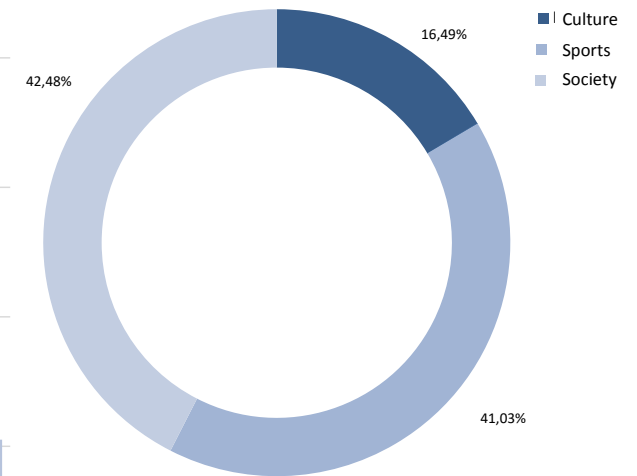
Overview of donations by areas for 2018



Overview of sponsorships by area in the 2015-2018 period



Overview of sponsorships by area in 2018





## Corporate Philanthropy in 2018



**84 activities**

**59 donation activities**  
**25 sponsorship activities**

## Corporate philanthropy 2015-2018



**325 projects**

**HRK 1,811,266.98**

In 2018, the company supported a total of 84 activities, projects and individual requests through the corporate philanthropy system, namely in the following areas: (I) culture, (II) humanitarian program, (III) science-education, (IV) health, (V) sports, and (VI) society.

Of the total of 84 projects, **59 activities** were supported through donations, and 25 were supported through sponsorships, with the total value of **HRK 518,159.69**. In the 2015-2018 period, a total of **325 projects** were supported through **the corporate philanthropy system in the total value of HRK 1,811,266.98**, of which donation activities were supported with the amount of **HRK 1,042,800.48**. Furthermore, the company sponsored projects and activities with the amount of **HRK 768,466.50**.

During the said period, the company provided support to a number of associations, institutions, regional and local self-governments, cultural and educational institutions, sports clubs, natural persons, etc., either through financial support or support through our participation in projects, programs and activities of wider significance and interest to the community. We would like to highlight the fact that in 2018 we cooperated with the following international and domestic humanitarian organizations, associations and clubs:▪







Sv. Filip i Jakov - renovation of the children's playground



Monoplay - Contemporary Dance Festival



Franje Petrić Gymnasium, Zadar – Participation in the High School Basketball World Championship



Sinjska alka





- UNICEF
- Centre for Education, Counselling and Humanitarian Action "Krugovi"
- Humanitarian Association "Put", Zadar
- Autism Association
- Humanitarian Association "Antonijo Jurjević"
- Pastoral Youth Association of the Archdiocese of Zadar (the "72 Hours Without Compromise" Project)
- Caritas of the Zadar County
- Saint Lawrence Association – Cenacolo Community
- Association Tisno
- Association Smile
- Bukovica Parliament – Association for Sustainable Development of the Dalmatian Bukovica Region
- Rotary club
- Vrana Knights – Association for the Promotion of the Croatian Historical Heritage

We also support a number of activities organized by public institutions, institutes and associations that aim at informing the public about their projects, programs and work, which has resulted in a long-standing cooperation with the Institute of Public Health in Zadar that takes place at the Commercial-Shopping Centre City Galleria, namely through successful public health actions commemorating the World Cancer Day, with three national programs being presented to the visitors of the centre (National Breast Cancer Early Detection Program, National Colon Cancer Early Detection Program and National Cervical Cancer Early Detection Program). The said programs are carried out at the local level and initiated by the Ministry of Health. An educational action was held in cooperation with the Red Cross, with the aim of commemorating the World First Aid Day, namely on the topic of "First Aid in Case of a Car Accident", while the information campaign entitled "Being Safe and Skilful in Traffic" was carried out together with the Croatian Auto Club.

We also organize successful back-to-school promotions in the Commercial-Business Centre City Galleria in the month of September, cooperating with a number of local sports societies and associations in order to promote sports and physical activity among children. In 2018, we provided support to several associations and clubs, giving them an opportunity to present their activities in the City Galleria Centre, i.e. they laid out their work program, performed exercise demonstrations, and introduced visitors to enrolment opportunities for school and preschool children, as well as to other advantages of joining group sports activities. We would like to highlight the Sports and Recreation Society "Dite Zadarsko", the Yumi Kyudo Club, the Zadar Triathlon Club and the Zadar Athletic Sports Club.

Through the corporate philanthropy system, we supported the activities of institutions at the local level, and especially





in the communities where we do business. We would like to highlight the renovation of the children's playground in Sv. Filip i Jakov, in the municipality bearing the same name, which was co-financed by the company and the Municipality Sv. Filip i Jakov. We would also like to mention that we helped procure equipment for the Tulipan Kindergarten in the Municipality of Polača. In addition, we supported the Local Committee of Mrljane in the renovation of two children's playgrounds, as well as the activities undertaken by the Elementary School "Biograd na Moru" and the Volunteer Fire Department "Biograd Na Moru". The company provided support to a number of cultural-artistic societies and cultural programs, such as the Contemporary Dance Festival Monoplay, as well as to activities of the institution Matica Hrvatska, more precisely its branch in Zadar, and to cultural events such as "Na vr' sela" and Klapa Song Evenings "Kamena Dalmacija". We also supported youth sports activities, such as the Basketball Club of the Grammar School "Frane Petrić" in Zadar, winners of the Croatian High School Basketball Championship, namely in their participation in the High School Basketball World Championship organized on Crete, as well as the HNK Primorac Soccer School in Biograd.

In addition to supporting a number of humanitarian activities, through our business activities, we also support and initiate events that take place in the facilities owned by the company (Arsenal in Zadar and the Commercial-Shopping Centre City Galleria) for the purpose of developing the overall offer of the company and the destination, as well as strengthening the overall recognisability of the company's offer. Given the above facts, among the many activities which took place in the Commercial-Shopping Centre in 2018, we would like to mention the "Dance Carnival" organized in cooperation with the local children's dance associations Gesta, Antis and In Flux; "Spring Music Magic" organized in cooperation with the children's choir "Libreto"; "Generation Next", children's beat-box dance battles; "the 1st Golden Voice", an open singing competition for children with the professional guidance of music mentors; "Basket Tour", a continuation of many years of cooperation in hosting street basketball tournaments, "Sports Day" in cooperation with partners Zdrava navika (Healthy Habit) and In-door cycling Zadar; puppetry and clown performances; as well as a number of other events. From the above it is evident that in the centre, we aim to organize as many activities as possible in cooperation with the local community, as well as arts and sports associations from the Zadar County, which are oriented towards cooperation with school and preschool children, local cultural institutions and other potential partners. In this way, the City Galleria Centre makes an active contribution to the community in which it does business.

Furthermore, by making our premises available and providing logistical support, we have supported events of humanitarian nature and wider social significance in Arsenal as well. For instance, we hosted a large humanitarian concert organized by the association 'Put' (Zadar) for the purpose of helping sick people and those in need, and we have also been supporting the Association of Persons with Physical Disabilities of the Zadar County for eleven years, which has over 800 members who gathered in Arsenal on the International Day of Persons with Disabilities (03/12).

## Contribution to the development and recognisability of destinations

In particular, we would like to highlight our contribution to the development of destinations and their recognisability through the organization of events, as well as the offer of contents and programs we organize in our own facilities:

1

**Biograd Boat Show** – this leading international autumn nautical fair in Croatia and the wider region, as well as the central meeting place for all segments of the nautical industry and tourism, contributes to the development and recognisability of the Croatian nautical industry and tourism; its launch nineteen years ago significantly contributed to the extension of the high tourist season in Biograd na Moru until the end of October.

2

**Bike & Wine – Ravni kotari Tour** – event initiated and organized primarily by Ilirija in cooperation with the local tourist board, which offers an experience that combines unforgettable landscapes, the heritage of rural areas of the Zadar County and the most famous wineries of the wider region on a 25 km long tour through Ravni kotari. This themed bike tour introduces its participants to the local values of the area, as well as to its traditions, history and gastronomy.

3

**The Aquatic Centre** plays a significant role in the development of the destination of Biograd na Moru, offering rich music, sports and entertainment contents. Day and evening entertainment programs take place in the Centre on a daily basis, namely Dalmatian parties during which you can feel the lifestyle of the area and hear Dalmatian music, as well as concerts by famous Croatian musicians.

Sports activities such as the swimming marathon, swimming lessons held by expert coaches on a daily basis for the purpose of providing the little ones with the opportunity to gain new knowledge and experiences, as well as water polo matches contributing to the development of another form of tourism in the destination, namely sports tourism, also take place in the Aquatic Centre.

Additional value is added to the development of the destination by the company's animators, who raise the level of the tourism service by providing the guests with the opportunity to enjoy activities inside and outside the pool on a daily basis. In addition to entertainment facilities at the Aquatic Centre, local associations also organize events such as the Summer Carnival or the Biograd Summer Games.





Aquatic Centre



Bike&Wine Tour



Biograd Boat Show



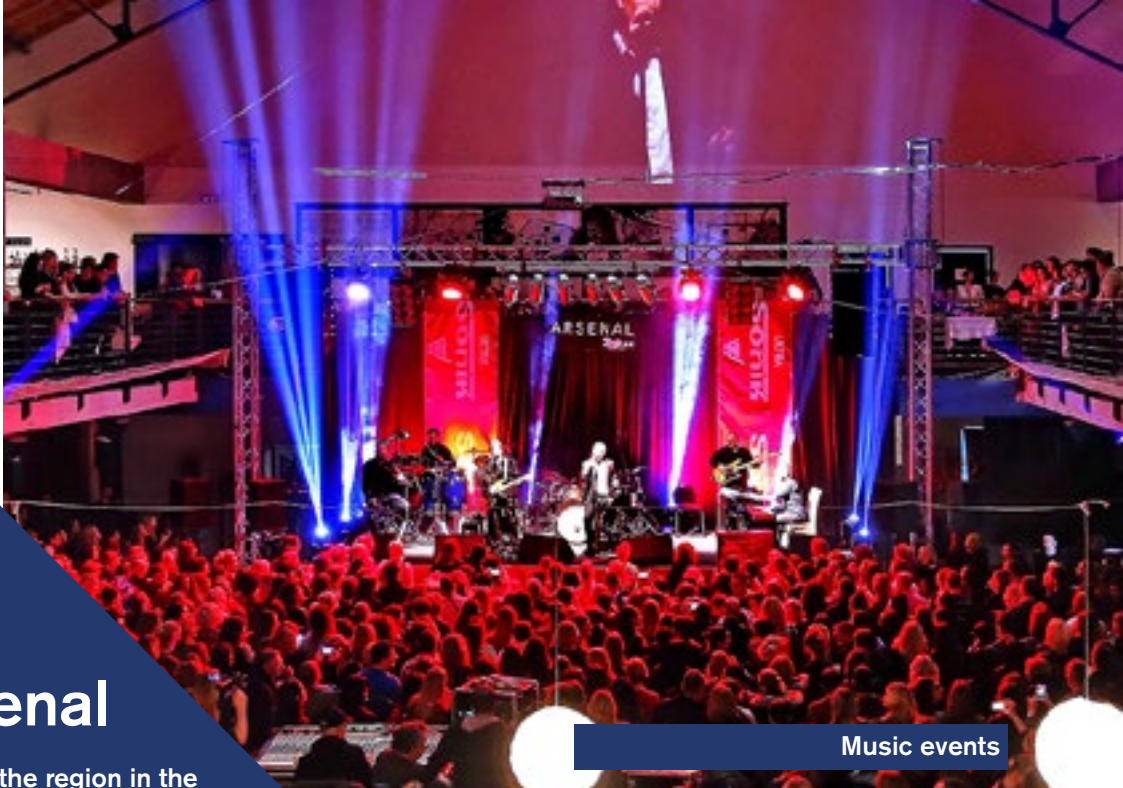
**Arsenal in Zadar** – we would like to highlight our contribution to the community through the revitalization of Arsenal, a zero-category monument in Zadar dating back to the 17th century, when it was built as a military warehouse. It was expanded and upgraded in 1752. Today, it is one of only seven preserved buildings of its kind. In 2005, it was adapted according to the concept of an "indoor city square" by dividing the single 1800 m<sup>2</sup> space into a restaurant/presentation, exhibition, commercial and tourist/information section, thus creating the perfect combination of business and cultural tourism. Its revitalization has added value not only to the tourist offer of the company, but also to the entire destination, as it is the only revitalized historical building in the area functioning as a cultural, entertainment and MICE centre of the region.

This unique product of Mediterranean architecture revitalized into a functional mix of the cultural, restaurant and event offer successfully nurtures the role of a meeting place for people with different interests, initiated hundreds of years ago.

Arsenal is a place providing unique conditions for concerts, presentations, receptions, conferences, private parties, exhibitions and commercial events recognized by local and international tour operators, as well as by MICE and event agencies. Throughout the year, various cultural events, concerts, book presentations, themed evenings, MICE events, weddings, banquets, performances and similar contents are organized there. From 2005 until 2018, 1838 events were held in Arsenal with the participation of more than 366,000 visitors. Most public events take place from September to the end of May, contributing to the development of the off-season cultural and social offer of the city of Zadar and its region. In 2018, a total of 120 events took place in Arsenal, which is 1.7% more than in 2017, with 36,430 visitors participating, which constitutes a 3.28% increase in the number of visitors. The public program of Arsenal has been refreshed by introducing new performances, namely popular performances by Zagreb theatres, stand-up performances by the most popular Croatian comedians, as well as 15 concerts in our organization, of which we would like to highlight the already traditional concerts for Christmas and Easter, fair events such as the traditional Wedding Festival, Tuna, Wine & Sushi Festival, Wine Festival, Scholarships and Higher Education Fair, Job Fair, educational workshops, etc., which is also how Arsenal, in addition to existing events, will expand its offer in the upcoming years as well.



Events



Music events

# Arsenal

-event centre in the region in the 2005-2018 period

1838 events  
366,000 visitors



MICE



Culture





# IV Environmental Topics



## 1 Environmental Management

As a responsible business system, we are aware of the fact that our business activities affect the environment. Therefore, we see the preservation and protection of the environment, the preservation of biodiversity, the prevention and minimizing of pollution, and the reduction of adverse effects on the environment as our long-term obligation. Consequently, environmental topics (energy, water, waste waters and waste and compliance with environmental regulations) are significant for Ilirija, given their effect on the company's economic, environmental and social impacts.

In Ilirija, environmental protection implies rational management of all environmental resources and the pursuit of environmental goals that aim to ensure the reduction of negative effects of our activities on the environment, natural resources and cultural heritage. Only in this way can the environment be preserved for future generations.

Therefore, a Head of Environmental Protection has been appointed within the company, and they answer to the Management Board. At the annual level, they prepare plans and activities with defined goals at the level of the entire business system, but also of each individual sector, taking into account their specific nature and the operational nature of the business activity. Ilirija has a clearly defined environmental management policy as the core document defining environmental goals, and it is implemented in a systematic, responsible and sustainable way. The implementation of the environmental policy has enabled us to optimally reduce the negative impacts of tourism activities on the environment and nature on the one hand, as well as to manage the environment and natural resources in a quality, responsible and sustainable way on the other.

In addition to the Head of Environmental Protection appointed within the company, a representative of the Environmental Protection Directorate was appointed, and they possess the following powers and responsibilities:

- ensuring that the processes required for the quality and environmental management system are in place, implemented and maintained,
- informing the Management Board of the functioning of the quality and environmental management system and of any needs for improvement,
- ensuring the promotion of awareness of customer demands throughout the organization,
- where necessary, contacting external parties regarding the issues related to the quality and environmental management system.

Due to our commitment to sustainable development, the legislation in this area is constantly monitored

within the company, which ensures early adjustments and reactions to new requirements. In addition to adhering to legal requirements, we strive to stay up to date by following the criteria of environmental standards that we implement, even though they do not constitute a legal requirement.

Environmental standards met and certifications obtained:



**ISO 14001** is the most widely used international standard for environmental management. With the aid of ISO 14001, implemented and certified in 2014, Ilirija focuses on maintaining and constantly improving its relationship with the environment. By establishing our environmental management system, we guarantee that all environmental management issues related to our business activities are under constant supervision, and we minimize any potentially negative impacts of our business activities on the environment.

In addition to environmental standards, in 2013, Ilirija d.d. continued to invest in quality improvement of its business processes by establishing and certifying its quality management system in accordance with the ISO 9001:2008 standard.

In August, the transition to a new standard for the quality management system (ISO 9001:2015), as well as for the environmental management system (ISO 14001:2015) was carried out. The new quality standard (ISO 9001:2015) allows a greater integration of the quality management system into key organization processes and a stronger role of top management in the management system through leadership and commitment. ISO 14001:2015 is the third revision of ISO 14001, as well as the first complete revision of the standard since the first edition. The revision of this standard focused on the development of sustainable business by introducing the concept of a "product and service life cycle", increasing the expectations of interested parties and other similar requirements.



**Green Key** is a certification program for accommodation units designed to raise awareness among owners, staff and clients regarding the need for environmental protection and the need to promote sustainable development. Green Key is awarded to accommodation facilities which reduce negative effects on the environment through: optimizing energy source consumption, waste management and education of guests and employees on the most important aspects of sustainable development, as well as on environmental protection. Ilirija's "Park Soline" camp was awarded this international certificate in 2013, when it was one of only two camps in Croatia that had met all the criteria for this eco-label.



Following a successful audit in September 2015, the "Park Soline" camp was awarded the international "Ecocamping" certificate. With our membership in the Ecocamping Network, consisting of over 240 camps from seven European countries, we continue to commit ourselves to promoting ecology, sustainable development and socially responsible business even further, with particular emphasis on efficient energy management (water, electricity), waste sorting and recycling, preservation of nature and biodiversity, etc.



**The Blue Flag** awarded to the Marina Kornati is an international ecological program for the protection of the sea and coastal environment, whose primary objective is sustainable control and management of the sea and the coastline. Today, the Blue Flag is the most recognized model of environmental education and public communication in the world when it comes to the protection of the sea and the coastal zone, and especially when it comes to the protection of the most stressed coastal areas, namely beaches and marinas. The Marina Kornati has been proudly displaying the Blue Flag since 2004.

## 2 Education

Considering that care for the environment also means care for our future, throughout the year, we regularly train: (I) our employees, (II) our guests, and (III) members of our community.

1

During operational processes employees are educated (either individually or in groups) on sustainability and their contribution to environmental protection. In addition, employees learn through the work process itself: they learn how to properly handle chemicals, save energy and resources or properly sort waste. If necessary, employees are also sent to attend external courses, seminars or more complex trainings on specific topics.

2

There were also some significant educational activities for our guests. Through children's workshops, our youngest guests were involved and educated on various environmental topics. In collaboration with educators for children, we commemorate ecologically significant dates and teach the little ones about concepts important for environmental protection and nature preservation by developing their ecological awareness. During the tourist season, educators devote every Wednesday to environmental topics and workshops during which they stimulate children's ecological awareness ("Eco Day").

3

The celebration of the 22nd International Bat Night was organized in the "Soline Park" camp, in cooperation with the Vrana Lake Nature Park, with more than 30 children of different ages participating in a series of educational and interactive workshops and lectures through which they became familiar with the only flying mammals, their species and habitats, namely through interactive bat-themed workshops and games, an interactive lecture, a game of raffle, and bat disco.

In September 2018, an educational project entitled "**Biowaste**" for students of the Ante Kuzmanić Medical School in Zadar was carried out in the Marina Kornati, with the aim of developing knowledge about biowaste types and composting. In 2018, **the Association Lijepa Naša and Henkel Croatia** made the decision to award Ilirija d.d. a cash prize for the best Project Day organized on the topic of "Biowaste" in 2018.





**+227.66%**

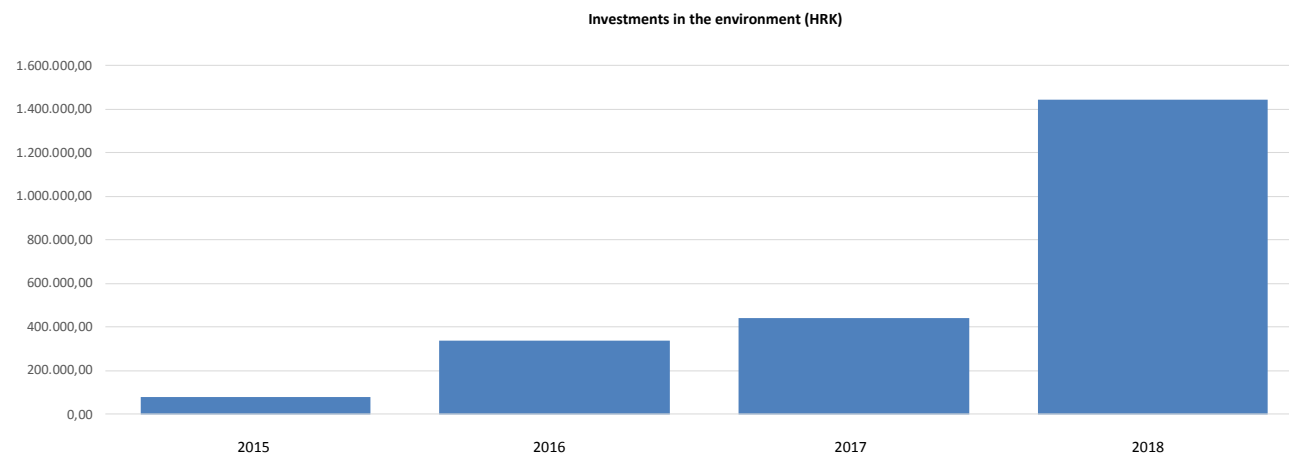
Investments in the environment

**The company** has built an indoor pool with a usable surface area of approximately 500 m<sup>2</sup> along with accompanying facilities, where the use of UV radiation by means of UV lamps was introduced instead of the usual chemical pool water treatment with chemicals containing primarily chlorine compounds. This technology ensures high disinfection efficiency, and it also has no toxic effects and gradually reduces the amount of chemicals used..

### 3 Investment in the Environment

Year	2015	2016	2017	2018
<b>Environmental certifications, technical improvements and waste management</b>	80,033.60	336,231.77	441,047.44	1,445,109.00

In the financial year 2018, an amount of HRK 1,445,109.00 was invested in environmental preservation for the purpose of meeting international standards in the field of environmental protection, technical upgrades and improvements in the field of environmental protection, in particular through the reconstruction of the boiler room of the Ilirija and Adriatic Hotel, which included a complete replacement of all installations with a new condensing boiler, and transition from liquid fuel to natural gas as an energy source, enabling the heating of water, as well as the hotel and pool space with a more environmentally friendly energy source. Furthermore, the kitchens in both hotels switched from LPG to natural gas.



## 4 Energy

Energy is a material topic due to its effect on economic, environmental and social impacts of the company, limited to the local and regional level, or exclusively to its facilities. Electricity, fuel oil, propane-butane, liquefied petroleum gas and natural gas are used as energy sources.

Switching to natural gas in facilities where fuel oil is still in use constitutes an attempt to reduce the emission of harmful gases and make the transition to a cleaner energy source. During the reporting period, switching to natural gas as an energy source occurred at three hotels in Biograd na Moru.

We are aware of our energy consumption within the community in which we do business, and we analyse and plan our investments and adjust our processes to reduce their harmful impact. We monitor our energy consumption on a daily and monthly basis. Maintenance services make daily visits to measuring points (meters) of the aforementioned energy sources and keep an internal record thereof. This enables very quick responses in case of excessive or unusual consumption. The consumption of energy sources / resources is recorded in tables on the basis of the suppliers' certified invoices on a monthly basis, which enables comparisons with the same periods of previous years. Data on energy sources / resources are entered in units in which they are purchased.

By monitoring the total consumption, annual goals are created within the environmental management system, namely regarding the reduction or rationalization of the energy sources / resources from which planned investments or activities that will contribute to the implementation of the objectives arise. At the end of the year, the realization of the goals set is evaluated, and new goals are set. This type of management has been transformed into said environmental management system in accordance with the ISO 14001 standard, while the company does not currently have an energy management system or standard operating procedures for it.

On-site maintenance services also take care of installed, large and small energy/resource consumers. In addition to external ones which are compulsory, they carry out internal preventive examinations, and they actively participate in the replacement of existing appliances in accordance with current maintenance and investment plans. For the sake of better energy efficiency, when choosing new devices or appliances, one should take into account their energy efficiency.

The year 2018 was marked by significant investments in the transition to a cleaner energy source (natural gas). The hotels located in Biograd na Moru have completely replaced boiler rooms and the accompanying infrastructure, which had hitherto been present due to an environmentally poorer choice of energy source, fuel oil. This investment once again marks our focus on environmental protection through lower carbon dioxide emissions from natural gas combustion, which is why this energy source is considered to be the purest fossil fuel there is. Small everyday investments, the replacement of parts, maintenance and education of employees within the environmental management system are oriented towards a more conscious and environmentally friendly mindset. For instance, in our accommodation units, we are transitioning to a gradual replacement of existing lighting fixtures with LED lamps, and through small environmental messages in the accommodation units, we bring our guests closer to our environmental mission.



daily and monthly control at the level of each facility and the entire company



setting annual goals for optimal energy use



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



use of energy from renewable sources



energy efficiency when purchasing new devices, and i

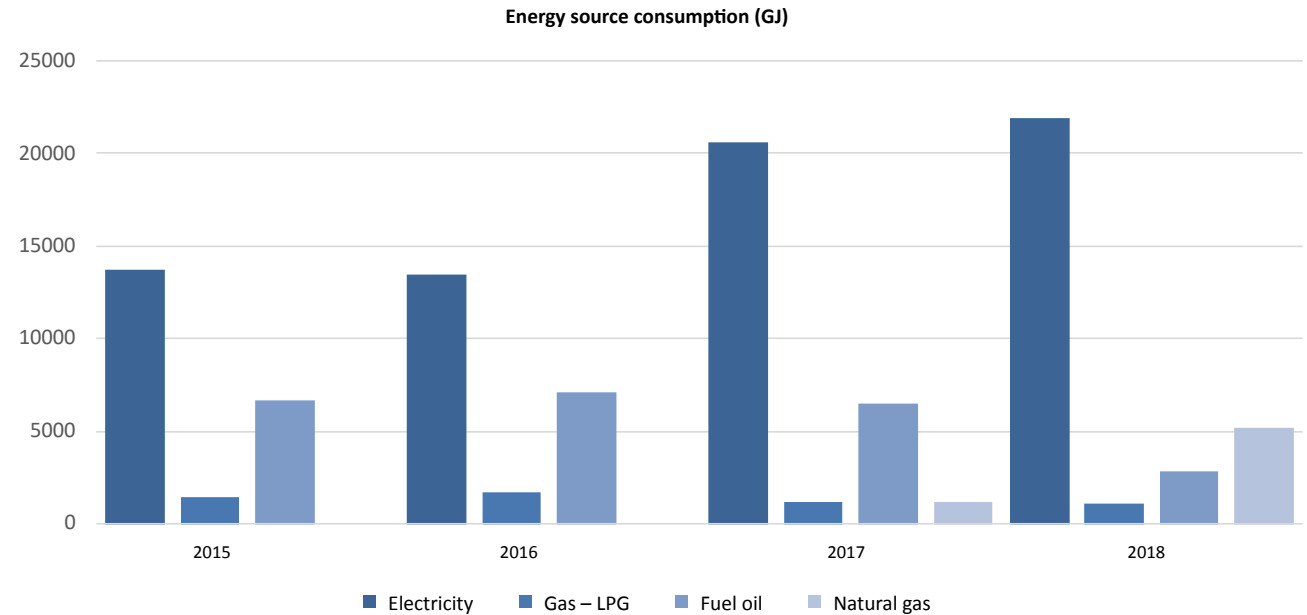


education of employees and guests.

Total energy consumption within the organization, expressed in GJ

Energy source (GJ)	2015	2016	2017	2018
Electricity	13720.16	13462.67	20638.24	21892.36
Gas – LPG	1491.4	1718.46	1171.35	1118.12
Fuel oil	6722.41	7096.64	6507.11	2807.25
Natural gas	0	0	1152.95	5156.43
<b>Total</b>	<b>21933.97</b>	<b>22277.77</b>	<b>29469.65</b>	<b>30974.16</b>

Increased electricity consumption in 2018 is a reflection of an increase in business volume, i.e. in the number of overnight stays in accommodation units of the camp and the hotel.





**Reason for increased energy source consumption:**



Increased business volume



Increase in accommodation capacity



New amenities and infrastructure upgrades

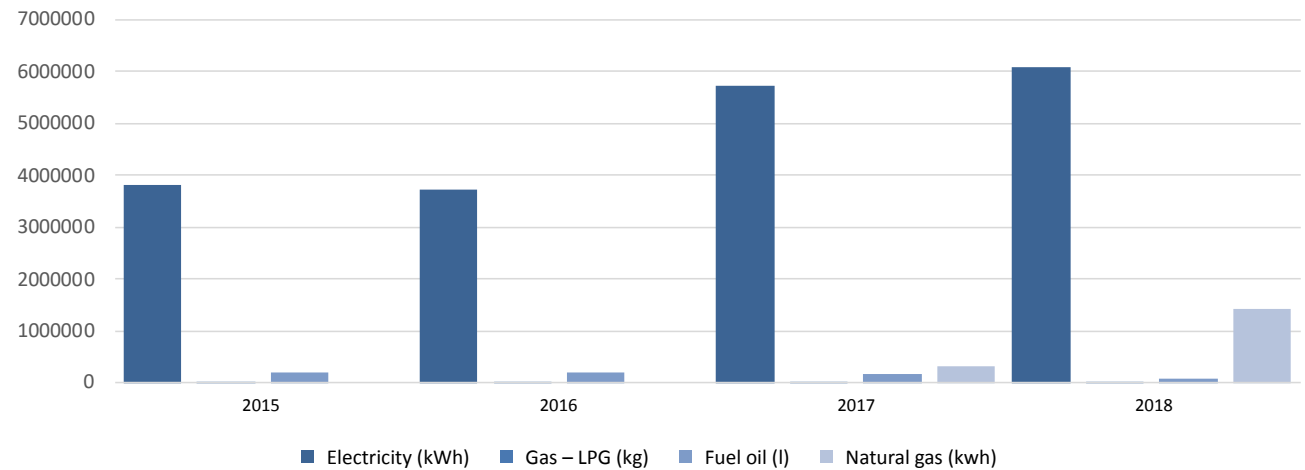


Development of year-round business and early opening of facilities

Total energy consumption within the organization expressed in the original units of measurement

Energy source	2015	2016	2017	2018
Electricity (kWh)	3811154	3736007	5732843	6081210
Gas – LPG (kg)	33142	38188	26030.08	24847
Fuel oil (l)	191992	202680	185843	80175
Natural gas (kwh)	0	0	320265	1432343

**Energy consumption in units of measurement**



In 2018, the consumption of energy sources increased for several reasons, with (I) increased business volume contributing the most, as the financial year 2018 was the company's best financial year so far; (II) furthermore, there was an increase in the accommodation capacity, as well as (III) the construction of additional facilities and improvement of the existing infrastructure; finally, (IV) the development of year-round business through the destination management company Ilirija Travel had a significant influence, contributing to the extension of the high season or earlier opening of certain facilities.



Energy consumption outside the organization

**-18.93%**

## Electricity

The electricity consumed in Ilirija's facilities comes from renewable energy sources, which is also confirmed by Hep's ZelEn Green Energy Certificate. ZelEn energy is derived exclusively from renewable sources, and Ilirija, as a socially responsible business system, has been part of the ZelEn project since its inception. By participating in the ZelEn project, we minimize the negative effects of tourism activities on the environment and nature as much as we can on the one hand, and manage nature and the environment in our surroundings in a quality, responsible and sustainable way on the other

Year	2015	2016	2017	2018
Total electricity consumption by sector	GJ	GJ	GJ	GJ
Hotel sector	7352.59	7387.71	7805.8	8 338.13
Camping	2328.58	2217.07	2681.11	2 690.99
Nautical sector	2848.92	2779.2	2945.22	2 906.59
Other	1190.07	1078.69	7206.11	7 956.64
<b>Total</b>	<b>21933.97</b>	<b>22277.77</b>	<b>29469.65</b>	<b>30974.16</b>



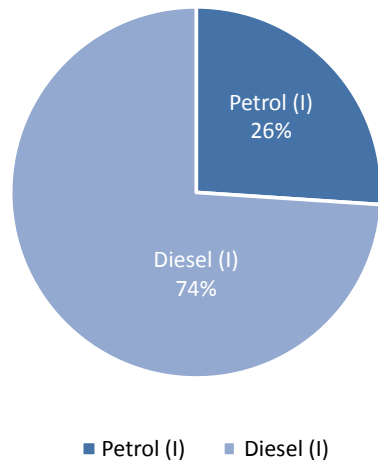
Use of energy from renewable sources  
ZelEn

## Energy consumption outside the organization

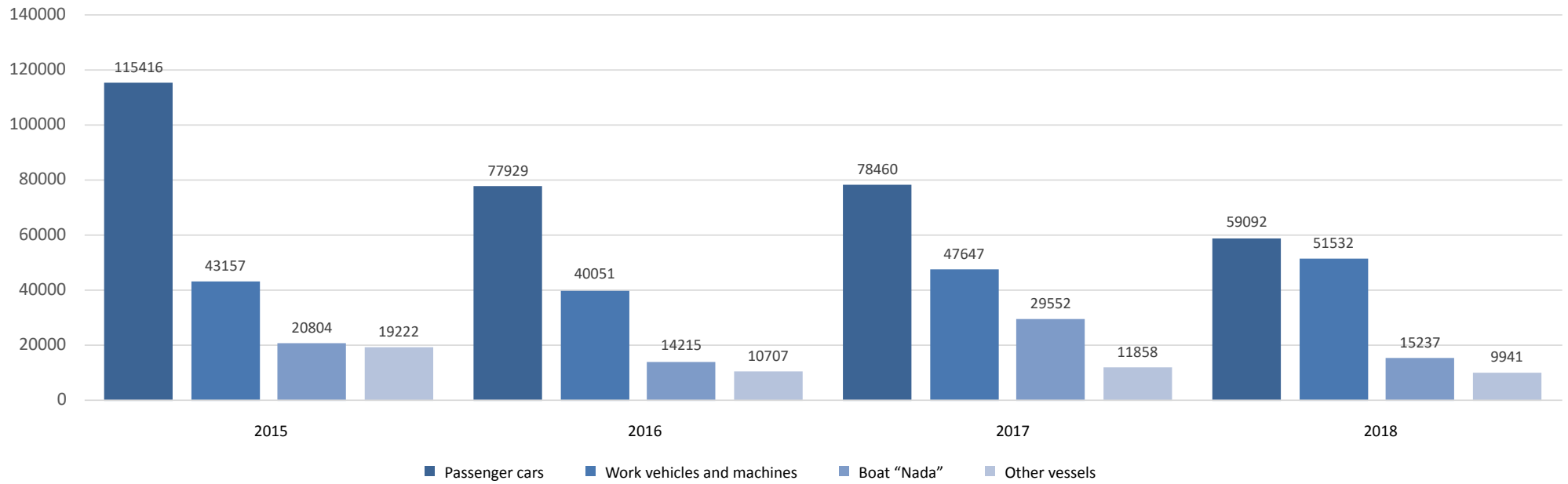
Energy consumption outside the organization refers to fuel consumption (petrol, diesel) expressed in litres for the fuel used by company vehicles, working machines and vessels, as well as the fuel used by passenger cars for company purposes.

Vehicle fuels (l)	2015	2016	2017	2018
Passenger cars	115416	77929	78460	59092
Work vehicles and machines	43157	40051	47647	51532
Boat "Nada"	20804	14215	29552	15237
Other vessels	19222	10707	11858	9941
<b>Total</b>	<b>198599</b>	<b>142902</b>	<b>167517</b>	<b>135802</b>

**Fuel consumption ratio in 2018**



**Vehicle fuel consumption (I)**





## Energy intensity

Energy intensity shows the ratio of consumed electricity to the total number of overnight stays in the hotel and camping sectors, as well as the total number of berths in the nautical sector. Ratio of consumed electricity (GJ) to total overnight stays in the hotel and camping sectors

Year	2015			2016			2017			2018		
	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity
Hotel sector	7,352.59	130,643	0.056	7387.71	131,424	0.056	7,805.8	138,788	0.056	8,331.00	144,745	0.057
Camping sector	2,328.58	260,579	0.009	2217.07	258,110	0.008	2,681.11	283,069	0.009	2,691.00	302,845	0.009
Total (hotel and camping sectors)	9,681.17	391,222	0.025	9,604.78	389,534	0.025	10,486.91	421,857	0.025	11,022.00	447,590	0.066

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

Year	2015			2016			2017			2018		
	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity
Nautical sector	2,848,92	805	3,539	2,779,2	805	3,452	2,945,22	805	3,658	2,906,59	805	3,61

Gas (LPG) consumption by business sector in the 2015-2018 period

Year	2015	2016	2017	2018
<b>Total gas (LPG) consumption by sector</b>	<b>kg</b>	<b>kg</b>	<b>kg</b>	<b>kg</b>
Hotel sector	15147	18109	9380	6580
Camping sector	11810	12629	13113	14608
Nautical sector	5525	6950	3056	3289
Other	660	500	481.08	370
<b>TOTAL</b>	<b>33142</b>	<b>38188</b>	<b>26030.08</b>	<b>24847</b>



**+337%**

Natural gas consumption



**All 3 hotels**

in Biograd na Moru now use gas as an energy source

A decrease in total liquefied petroleum gas (LPG) consumption in 2018 occurred due to the shift to natural gas in hotel sector facilities and a significant decrease in consumption in the nautical sector.

Year	2015			2016			2017			2018		
Total gas (LPG) consumption by sector	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity	GJ	Number of overnight stays	Energy intensity
Hotel sector	681.62	130643	0.005	814.9	131424	0.006	422.1	138788	0.003	296.1	144745	0.002
Camping sector	531.45	260579	0.002	568.31	258110	0.002	590.08	283069	0.002	657.36	302845	0.002
Total (hotel and camping sectors)	1213.07	391222	0.003	1383.21	389534	0.003	1012.18	421857	0.002	953.46	447590	0.004

Gas (LPG) consumption expressed through overnight stays in the hotel and camping sectors

Year	2015			2016			2017			2018		
Total gas (LPG) consumption by sector	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity	GJ	Number of berths	Energy intensity
Nautical sector	248.63	805	0.3	312.75	805	0.38	137.52	805	0.17	148.005	805	0.18

Ratio of natural gas consumed per night in the hotel sector

Year	2018		
Total electricity consumption by sector	GJ	Number of overnight stays	Energy intensity
Hotel sector	5156.43	144745	0.03

Constant commitment to environmental protection and to the sustainable use of natural resources, as well as to minimizing pollution, constitute determining factors of the company's quality and environmental policies, which in 2018 resulted in the continuation of investments in the use of cleaner energy sources and in the further process of introducing gas as an energy source. During the aforementioned period, complete reconstruction of the boiler rooms of the Ilirija Hotel and the Adriatic Hotel took place, and thus all three hotels in Biograd na Moru started using gas as an energy source. This started with the Kornati Hotel, which switched to natural gas in 2017.

## 5 Water

Drinking water is one of the most important resources we use. It is an indispensable element, and its use directly affects environmental and economic indicators. All facilities are supplied with drinking water from local water supply systems. This also marks the limits of our activities at the local or regional level, and since 2013, water from our own wellbore, which has a valid water rights permit with a defined amount of water that can be pumped, has been used with the help of a drip irrigation system for the irrigation of horticultural or green areas in the camp. Only the permitted amount is used each year, which is crucial for maintaining hundreds of planted plant species that contribute to the horticultural design of the camp up to the level a park. The amount of water pumped from the wellbore is recorded in the relevant documentation, which is then submitted to the competent institutions of the area. During the summer season, we test the water through an authorized laboratory, thereby indirectly monitoring the effect of pumping on the quality of water used to water the seedlings. This allows us to adapt to a kind of natural cycle of water, which is of vital importance to us. In accordance with the results, we regulate daily quantities of water abstracted from the wellbore through the reduction of pump working hours.

### **Water management approach:**

- daily and monthly control at the level of each facility and the entire company,
- use of water from the wellbore for the irrigation of horticultural areas in the camp,
- the discharge of the generated waste waters is controlled, as confirmed by valid water rights permits,
- regular technical maintenance and inspection of water supply installations, and
- education of employees and guests.

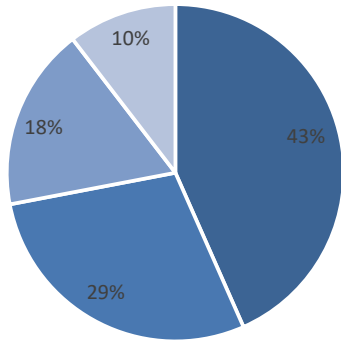
In accordance with legal regulations, water rights permits are obtained and regularly renewed for those locations that require them due to the nature of business and the quality of waste waters. For instance, a water rights permit is still valid for the Marina Kornati, namely regarding the processes in the service zone, which produce waste waters at said location. As of 2017, camps and three hotels have been exempted from renewing their water rights permits, as they have been granted a more permanent solution based on which the said locations no longer require permits, and their waste waters are no longer tested before being discharged to the public drainage system. This was an acknowledgement of many years of commitment regarding close monitoring and improvement of the quality of discharged waste waters, considering that the limit values of tested indicators of the quality of said waters did not once exceed the maximum permitted levels during the course of the reporting period.

On-site maintenance services perform preventive controls of internal water supply installations and actively participate in the activities aimed at reducing the consumption of drinking water. Thus, in order to reduce the consumption of drinking water at the "Park Soline" camp and in hotels, water-saving aerators have been installed on faucets and water showers. In 2018, minor but numerous repairs and modifications led to the complete reconstruction of the camp's green area irrigation system, which extracts only groundwater from its own wellbore rather than drinking water from the water supply system.

The consumption of water is monitored by measuring or reading the consumed amounts of water directly, on water meters, with internal records being kept. The consumption of water is analysed in detail on the basis of the suppliers' certified invoices on a monthly basis, which enables comparisons with the same periods of previous years.



2018



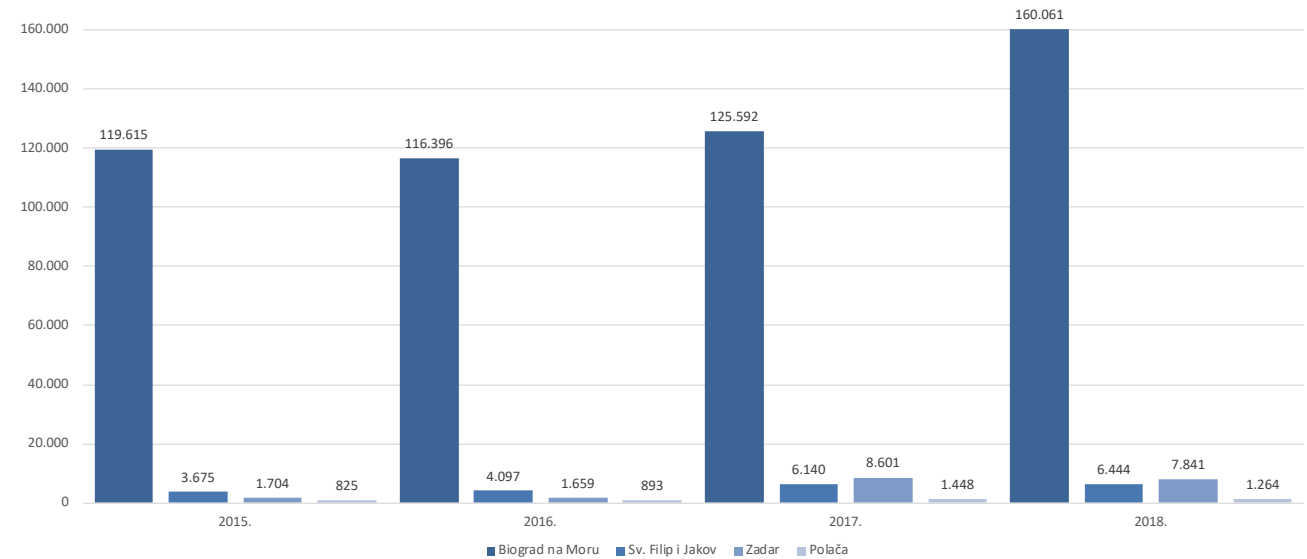
■ Hotel sector ■ Camping ■ Nautical sector ■ Other

### Overview of water consumption by sector

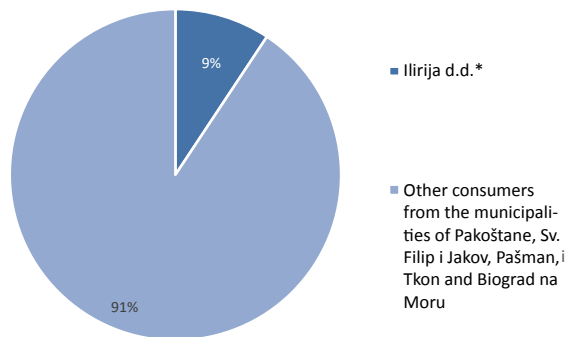
Total water consumption (m <sup>3</sup> )	2015	2016	2017	2018
Hotel sector	38298	36099	44521	76179
Camping sector	45805	47951	54364	50253
Nautical sector	34808	30740	26101	30857
Other	6908	8255	16795	18321
<b>Total</b>	<b>125819</b>	<b>123045</b>	<b>141781</b>	<b>175610</b>

Water consumption continued to increase in 2018 due to an increase in business volume, as well as the construction of additional facilities and of an indoor pool in the hotel sector, which accounted for the highest water consumption, and also due to an increase in accommodation capacity.

### Total water consumption in m<sup>3</sup> by location



Quantity of water supplied m<sup>3</sup>



Profit centres in Biograd na Moru and Sv. Filip i Jakov consumed a total of 165,252 m<sup>3</sup> of water from the local water supply, i.e. they accounted for 9.32% of the total water consumption from the local water supply covering the town of Biograd na Moru and the surrounding municipalities.

Quantity of water supplied*	m <sup>3</sup>	Share (%)
Ilirija d.d. **	165,252	9.32%
Other consumers from the municipalities of Pakoštane, Sv. Filip i Jakov, Pašman, Tkon and Biograd na Moru	1,608,297	90.68%

\* Source of data: Komunalac d.o.o.

\*\* Profit centres in Zadar and Polača are not included



Within the camping sector, i.e. in the "Park Soline" camp, Ilirija uses water from its own wellbore for the irrigation of horticultural areas. Its consumption has been reduced by 55.56% as a result of a complete reconstruction of the irrigation system for horticultural areas in the camp.

Year	2015	2016	2017	2018
Total amount of groundwater (m <sup>3</sup> ) abstracted from the S-1 wellbore in the Park Soline camp	9729	4641	7468	3319

Ratio of drinking water consumption to the number of overnight stays in the hotel and camping sectors in the 2015-2018 period

Total water consumption (m <sup>3</sup> )	2015			2016			2017			2018		
	m <sup>3</sup>	Overnight stays	m <sup>3</sup> Overnight stays	m <sup>3</sup>	Overnight stays	m <sup>3</sup> Overnight stays	m <sup>3</sup>	Overnight stays	m <sup>3</sup> Overnight stays	m <sup>3</sup>	Overnight stays	m <sup>3</sup> Overnight stays
Hotel sector	38298	130643	0,29	36099	131424	0,27	44521	138788	0,32	76179	144745	0,52
Camping sector	45805	260579	0,18	47951	258110	0,18	54364	283069	0,19	50253	302845	0,17
Total (hotel and camping sectors)	84103	391222	0,21	84050	389534	0,21	98885	421857	0,23	126432	447590	0,35

Ratio of drinking water consumption to the number of berths in the nautical sector in the 2015-2018 period

Total water consumption (m <sup>3</sup> )	2015			2016			2017			2018		
	m <sup>3</sup>	Number of berths	m <sup>3</sup> Number of berths	m <sup>3</sup>	Number of berths	m <sup>3</sup> Number of berths	m <sup>3</sup>	Number of berths	m <sup>3</sup> Number of berths	m <sup>3</sup>	Number of berths	m <sup>3</sup> Number of berths
Nautical sector	34.808,00	805	43,23	30.740,00	805	38,18	26.101,00	805	32,42	30857	805	38,33



## 6 Waste Waters and Waste

### Waste waters

#### Waste water management approach:

- waste water discharge is controlled,
- regular soundness inspection of physical-chemical purifiers and separators,
- control through the management system, through timely keeping of all documentation
- continuous and regular testing by authorized laboratories,
- the "Park Soline" camp is one of the rare camps connected to the public drainage system

Before being discharged into the city sewer, all waste waters from large company facilities undergo some kind of pre-treatment or treatment at the locations where our facilities are, which constitutes the limit of the company's impact on the environment when it comes to waste waters.

For instance, industrial waste waters generated at the ship-cleaning facility in the Marina Kornati go through a physical-chemical purifier prior to being discharged. This purifier is regularly maintained, and the quality of discharged water is checked through an approved laboratory as often as the water rights permit requires. The on-site maintenance service checks the purifier daily and measures the amount of chemicals consumed when the purifier is running. An external repairer also comes and inspects it at least once a year. In accordance with their recommendations, the worn-out parts are regularly replaced, and existing ones are replaced with better, newer, or more efficient parts. So far, and thus also in the reporting period, there have been no reports or complaints about any accidental discharge or about the discharging of waste waters of unacceptable composition or quality. In fact, the Marina Kornati has been proudly displaying the internationally recognized Blue Flag for the fifteenth consecutive year.

Restaurant facilities in our hotels, camp and marina have mechanical and physical separators of edible oils and fats installed, and they are regularly inspected by internal maintenance services and authorized external companies. Parking areas of our facilities are also equipped with separators. Authorized companies are also responsible for cleaning them at least once a year, and more often if necessary. The waste generated during any pre-treatment of discharged waste waters (sludge or oily waters) is disposed of by authorized companies, which is recorded by the Environmental Protection Service.

Over the last three years, all waste waters from the company's facilities were tested by an authorized laboratory whenever required by the water rights permit, and the limit values of the tested quality indicators or water quality did not exceed the maximum permitted quantities.

The discharged waste waters are not recycled or returned in any way to the system for reuse. The destination of all waste waters produced at the company's facilities is the public drainage system, except for the waters generated at the ship-cleaning facility at the Marina Kornati, which are pre-treated by means of a physical-chemical purifier prior to being discharged.

Despite its size and requirements, the Park Soline camp is one of the rare camps in Croatia to discharge all its waste waters through manholes into the public drainage system, which goes to the city's final treatment plant.



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Park Soline" camp – one of the few camps to discharge waste waters into the public drainage system



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Marina Kornati – waste waters pass through the purifier



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Restaurant facilities have mechanical-physical separators installed

Total abstracted water (m <sup>3</sup> )*	178929
Water from local water supply systems (m <sup>3</sup> )	175610
Subterranean wellbore (m <sup>3</sup> )	3319

Discharged waste waters by destination (m <sup>3</sup> )*	
Public drainage system (m <sup>3</sup> )	139994.1
Sea (following the treatment in the purifier)	437.5
Discharge into the field (irrigation/watering of sports fields)	10198

*\*This data pertains to the year 2018*

The total amount of waste waters discharged into the public drainage system was obtained by estimating the total amount of the water abstracted from the water supply system. The total quantities required for irrigation and watering of sports fields were obtained by estimating the consumption of water read on meters (water meters). For the purpose of washing ships in the nautical sector, the average water consumption per washed vessel was also estimated. Waste waters generated in the laundry room were estimated based on a key according to the consumption of the profit centre (facility) in which the laundry room is located, and which has its own meter (water meter).

## Waste

Within the environmental management system, great attention is paid to **responsible management of the waste produced in all facilities**. Every few months, due to the dynamics of business, the list of produced waste types is revised, and new waste is disposed of if necessary. All the prescribed documentation on the generation and flow of produced waste is kept. Through authorized companies, waste is disposed of in the prescribed manner. We always check if the collectors are authorized to dispose of a certain type of waste, that is, if they have the necessary permits, and when they arrive at our locations, we check the integrity of their vehicles and equipment, as well as their promptness and other prescribed requirements we have.

Municipal waste, bulk waste, glass, paper, plastic, metal, or, where necessary, other waste which it is authorized to dispose of, is collected by a local utility company, namely by only picking up and removing waste from our facilities, which we confirm by a certified consignment note. The same applies to all other types of waste, both non-hazardous and hazardous, depending on the company we do business with. All companies that collect and further handle our waste are local or regional companies, with headquarters or branch offices in Croatia or a neighbouring county. For the time being, we do not monitor the final treatment method or impact of the quantities of the waste produced, which is disposed of by authorized collectors. Our responsibility ceases following the handing over and pick-up of waste by authorized companies, and that also constitutes the final limit of our influence or of the material topic.

Year	2015	2016	2017	2018
Hazardous waste (t/year)	38.6	27.47	29.928	33.822
Non-hazardous waste (t/year)	65.431	50.225	149.801	108.276
Mixed municipal waste (t/year)	427.55	453.75	503.4	515.6
<b>Total (t/year)</b>	<b>531.581</b>	<b>531.45</b>	<b>683.13</b>	<b>657.70</b>





Overview of hazardous and non-hazardous types of waste for 2018 at the company level, handed over to authorized collectors. The quantities were weighed or estimated.

Waste	Quantity in tonnes (t)	Waste	Quantity in tonnes (t)
<b>Hazardous</b>		<b>Hazardous</b>	
Waste printing toners containing hazardous substances	0.158	Paper/cardboard	13.822
Mineral-based non-chlorinated hydraulic oils	0.01	Plastic (plastic packaging material)	2.2
Fluorescent tubes and other mercury-containing waste	0.106	Metal (metal packaging material)	6.28
Other engine, machine and lubricating oils	19.6	Glass (glass packaging material)	0.775
Sludges from oil/water separators	2.236	Mixtures of concrete, bricks, tiles and ceramics	3.2
Oily water from oil/water separators	6.05	Soil and stones	34.2
Packaging material that contains residues of or is contaminated by hazardous substances	2.035	Bulk waste	23.9
Absorbents, filter materials, wiping cloths and protective clothing contaminated by hazardous substances	1.258	Grease and oil mixtures from oil/water separators containing only edible oil and fats	15.7
Oil filters	2.098	Edible oils and fats	3.493
		Biodegradable waste from kitchens and canteens	4.706
<b>TOTAL</b>	<b>33.551</b>	<b>TOTAL</b>	<b>108.276</b>

## 7 Compliance with Environmental Regulations

By following and adhering to environmental legislation and to our internal Environmental and Quality Policy, we reaffirm our fundamental commitment and aspiration to make sustainable progress. By constantly reviewing existing and new processes, we always adapt them not only to legal minimums, but also to standards we have set ourselves over the years, which go beyond legal frameworks. Regular inspections confirm our compliance with legal acts, while external audits of our eco-labels or standards serve as tools to improve our environmental focus and confirm that our work is above the prescribed requirements.

ISO 14001 is just one of the important systems ensuring that through the set goals we push the boundaries of business progress, which is to be in line with environmental protection. In 2018, an external supervisory audit and an audit pertaining to the transition to ISO 14001 were conducted, and no non-compliances were identified.

In the 2016-2018 period, there were no warnings, i.e. penalties or sanctions during inspections by the competent authorities. i.e. no violations of the law or the applicable environmental regulations were identified. In the reporting period, there were no complaints from suppliers, guests or citizens regarding environmental protection.

The aforementioned facts encourage us to create an even better environmental management, in which we would like each of our employees to take part by actively considering how to contribute to the creation of an even "greener" environment in which they work







16,267 seedlings planted in 2018.



34,919 seedlings planted  
from 2015 to 2018



Horticultural landscaping of the camp up to the  
level of a camp-park

## 8 Horticultural Landscaping and Design Consistent with the Mediterranean Surroundings

The company pays special attention to horticultural design and landscaping in all destinations in which it does business and at the level of all sectors, with a special emphasis on the camping sector and the "Park Soline" camp. We enrich the area with Mediterranean plants with the aim of preserving the existing landscape. In 2018, we planted 16,267 seedlings, including seasonal seedlings, which are rotated twice a year.

Total number of seedlings planted by sector of Ilirija d.d	2015	2016	2017	2018
Hotel sector	5254	3776	4359	11761
Camping sector	931	808	582	2274
Nautical sector	473	1598	871	2232
<b>Total</b>	<b>6658</b>	<b>6182</b>	<b>5812</b>	<b>16267</b>

In the horticultural design of the camp area and with the aim of raising its horticultural design to the level of a camp-park, 2,274 plant seedlings were planted in 2018, with Mediterranean species, ornamental plants and cormophytes prevailing. We would like to mention the oleander, pittosporum, laurel, lavender, agave, laurustinus, trumpet vine, rosemary, Spanish broom, holm oak, honeyberry and magnolia.







# V Social Topics

As a socially responsible business system, Ilirija exerts its influence on society in the following areas:

- **Employment**
- **Diversity and equal opportunities**
- **Training and education**
- **Occupational health and safety**
- **Marketing and labelling**
- **Local communities**

## 1 Employment

Employment is a material topic for Ilirija as employees are among its most important stakeholders and the carriers of the business process, either through the provision of services to the end customer or through their direct contribution to the development of the company by designing products and services, which is why they significantly affect the achievement of planned operating results and the quality of services. Furthermore, employment is a material topic for Ilirija due to the broader social impact that Ilirija as a company has on the local and regional community through the provision of jobs to residents of the area, especially given the fact that Ilirija finds most of its employees in the destinations in which it does business. The limits of influence within the company extend to all employees within all sectors and services or profit centres, while outside the company, the limits of influence are limited to the local or regional level of the area of operation. The local level refers to the town of Biograd, as well as to surrounding towns and municipalities, while the regional level covers the area of the Zadar County.

In human resources and employment management, activities of the Company's Management Board, of the Human Resources and Payroll Service and of Sector Managers are coordinated. They plan the necessary personnel at the operational level, i.e. they plan the optimal number of permanent and seasonal employees by profit centres, by sectors and at the level of the entire system for the next financial year. In addition to the planned number of employees being



defined on a daily, weekly and monthly basis, their jobs are defined as well, and so is the beginning and end of their employment, as well as the cost of their employment, which is ultimately confirmed and approved by the Management Board. In coordination with sector managers, the HR department carries out the staff selection and placement process. Prior to being re-hired, all employees who have already worked for the company have their competences and motivation re-checked by their superiors.

The Human Resources and Payroll Service performs all activities related to employment mostly relying on local employees, creating additional stability and flexibility in the business process, and contributing to the economy of the local community through employment and job creation, with local employment also being a precondition for the development of year-round business.

As for human resources and employment management, we base our practices on:

- employee management, planning, development and motivation,
- continuous education,
- financial situation improvement,
- timely hiring of seasonal employees, and
- job creation through the development of year-round business

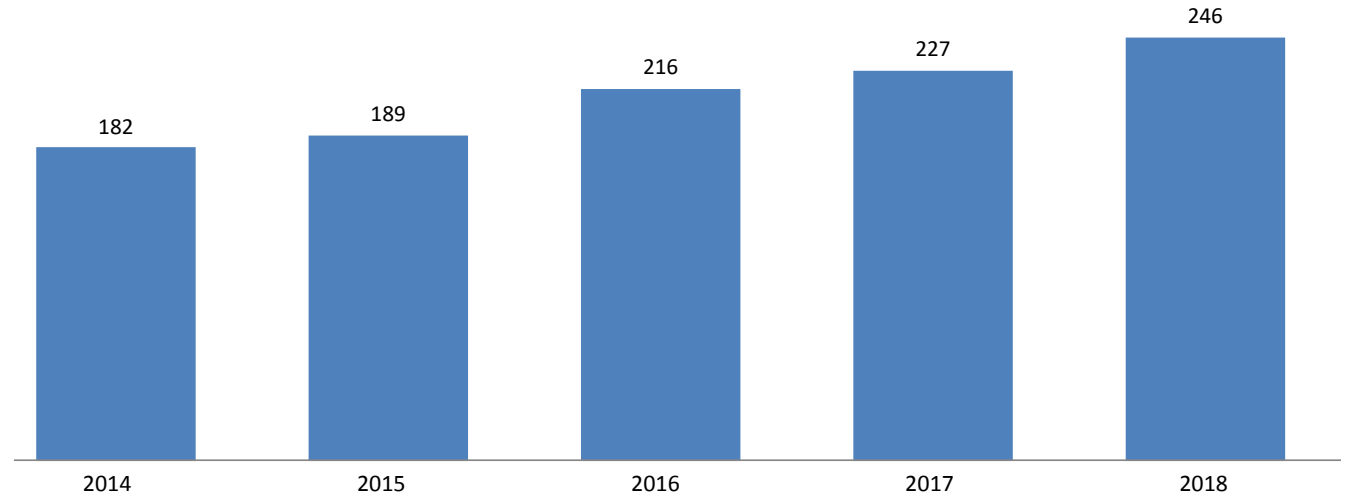
### **Employment in 2018**

In 2018, Ilirija had a total of 466 employees, of whom 243 entered into an employment relationship with the company. As on 31/12/2018, there were 246 employees, which is 7.10% more than in the previous financial year. Also, there has been an increase in the number of employees over the last five years, namely by a significant 35.20% since 2014..





Number of employees at the end of the 2014-2018 reporting period



In Ilirija facilities, the Commercial-Shopping Centre City Galleria and the Marina Kornati, many companies do business as our business collaborators, bringing the total number of employees whose jobs are provided by the company to more than 1,000.

The tourism industry in Croatia is characterized by a pronounced seasonality of the business process, and consequently of employment as well. Considering that in the last few years, in the human resources sector, the domestic tourism industry faced a shortage of skilled and qualified local personnel, there was a simultaneous continuous increase in the share of employees from other countries. Consequently, Ilirija monitors labour market trends and the turnover of its own employees, as well as plans future employment based on the following facts:

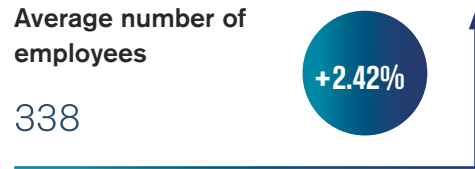
- the number of employees needed,
- the development of year-round business providing longer employment,
- the necessary qualities, skills and knowledge.

The Human Resources and Payroll Service draws up job analysis and record reports on a daily basis in order to determine the optimal number of employees and their structure, to adopt decisions on personnel selection and on the possibilities and needs of internal staff redeployment, as well as to get insight into the need for training of existing staff and the need for new staff. The report shows monthly employee-related numbers relying on daily presence-at-workplace reports.

Overview of employees by month for 2018

Number	PROFIT CENTRE / ORGANIZATIONAL UNIT	NUMBER OF EMPLOYEES IN 2018											
		01/01	28/02	31/03	30/04	31/05	30/06	31/07	31/08	30/09	31/10	30/11	31/12
	<b>*PROFIT CENTRES</b>												
1	ADRIATIC HOTEL	11	11	12	16	36	39	43	41	33	30	22	13
2	ILIRIJA HOTEL	23	23	32	45	50	57	57	55	54	50	46	28
3	KORNATI HOTEL	13	14	14	28	37	40	41	40	39	36	30	14
4	VILLA DONAT HOTEL	4	3	3	5	20	23	24	23	21	19	7	5
5	LAVENDER	2	2	3	5	6	9	12	12	7	6	3	2
6	MARINA KORNATI	44	44	44	49	50	50	51	51	50	50	48	44
7	RESTAURANT MARINA KORNATI	11	11	11	15	16	18	19	19	18	18	15	12
8	AQUATIC CENTRE	7	7	7	7	9	14	17	14	11	8	6	4
9	TOURIST AGENCY	4	4	4	4	7	9	9	9	9	6	5	5
10	PARK SOLINE CAMP	17	17	17	32	36	37	39	39	35	30	23	22
11	RESTAURANT PARK SOLINE	7	7	6	11	14	17	22	18	13	13	8	8
12	ARSENAL	8	8	8	8	8	9	9	9	9	9	9	9
13	TENNIS CENTRE	2	2	3	3	3	3	3	3	3	3	2	2
14	BIFFE BEACH	1	1	1	1	2	3	4	2	1	1	1	1
	<b>*ORGANIZATIONAL UNITS</b>												
15	COMMON SERVICES	29	28	28	29	29	29	29	29	29	29	29	29
16	MAINTENANCE SERVICE	4	4	4	4	4	4	5	5	5	5	5	5
17	LAUNDRY	7	7	7	10	17	18	19	19	16	16	9	7
18	HORICULTURE	8	8	8	8	8	8	8	9	9	9	9	9
19	BOAT "NADA"	2	2	2	2	2	2	2	2	2	2	2	2
20	WELLNESS	4	4	4	6	6	6	6	6	6	6	6	6
21	NAUTICAL FAIR	3	3	3	3	3	3	3	3	3	3	3	2
22	CITY GALLERIA	16	16	16	16	16	17	17	17	17	17	17	17
	<b>TOTAL</b>	<b>227</b>	<b>226</b>	<b>237</b>	<b>307</b>	<b>379</b>	<b>415</b>	<b>439</b>	<b>425</b>	<b>390</b>	<b>366</b>	<b>305</b>	<b>246</b>

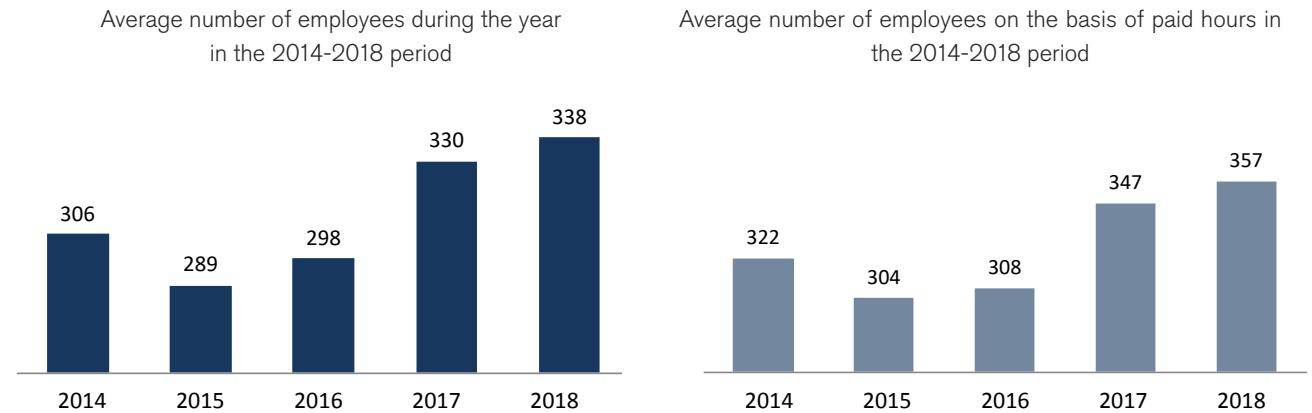
**Continuous growth in employee numbers**



**+16.96%**

**increase in the share of women in the total number of employees at the end of 2018**

In 2018, steady growth of the average number of employees continued, as well as of the number of employees on the basis of hours worked. In the observed period, the average number of employees increased by 2.42%, while the number of employees on the basis of hours worked increased by 2.88%. Thus, in the reporting period, the company had an average of 338 employees, while on the basis of hours worked it had 357 employees.

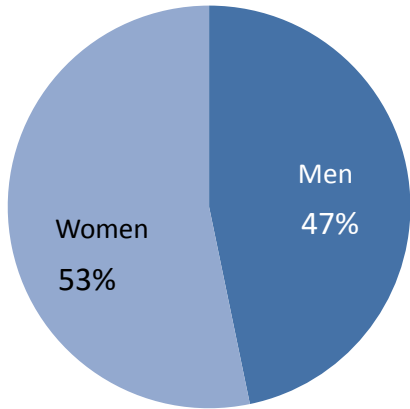


\* The number of employees based on hours worked on a monthly basis is obtained by dividing the total paid hours worked in one month by the planned hours for that month. By dividing the cumulative number of employees based on the hours worked per month by the total number of months, we obtain the average number of employees based on the hours worked annually.

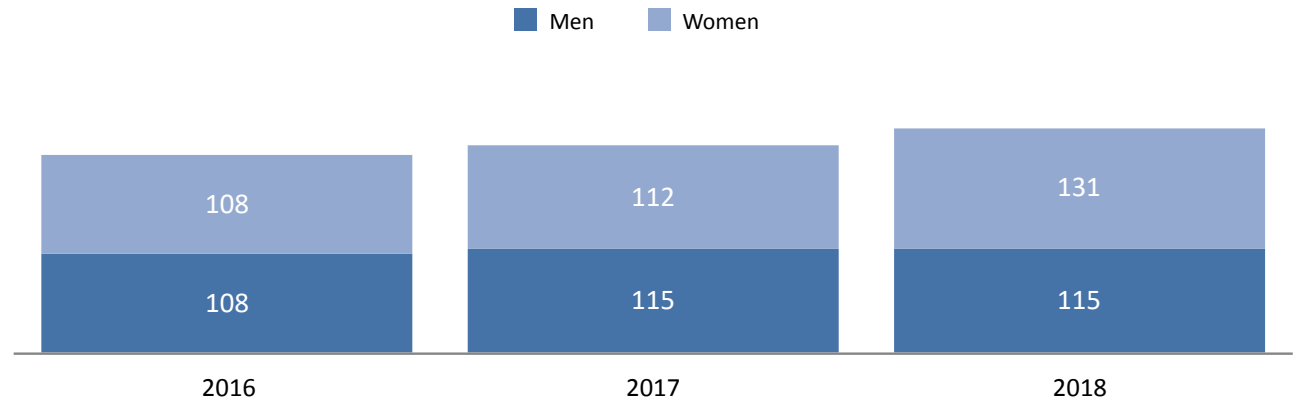
Of the total 246 employees as of 31/12/2018, 151 persons were permanent employees, and 95 persons were fixed-term employees (61% and 39% respectively), with 53% of all employees being women, and 47% being men. Relative to the same period of the previous financial year, the share of women increased by 16.96%.



Employees by gender on 31/12/2018.



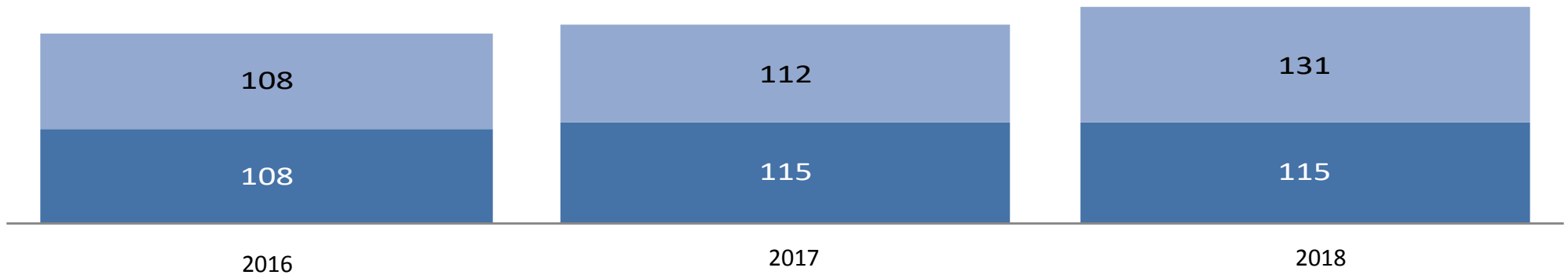
Employees by gender as on 31/12/2016, 31/12/2017 and 31/12/2018



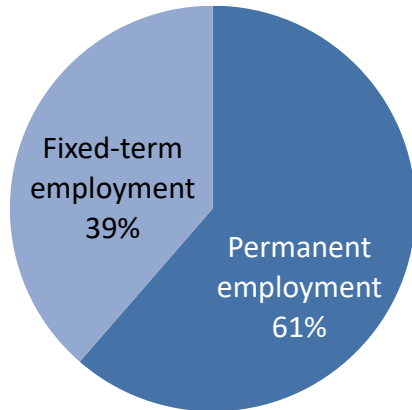
If we look at the age structure of employees as on 31/12/2018, employees between 30-50 years of age prevail (there were 134 employees from the said age group, namely 77 women and 57 men). There were 31 people in the age group of employees younger than 30, while 81 employees were older than 50.

Employees by gender and age group as on 31/12/2018.

Legend: Men (dark blue), Women (light blue)

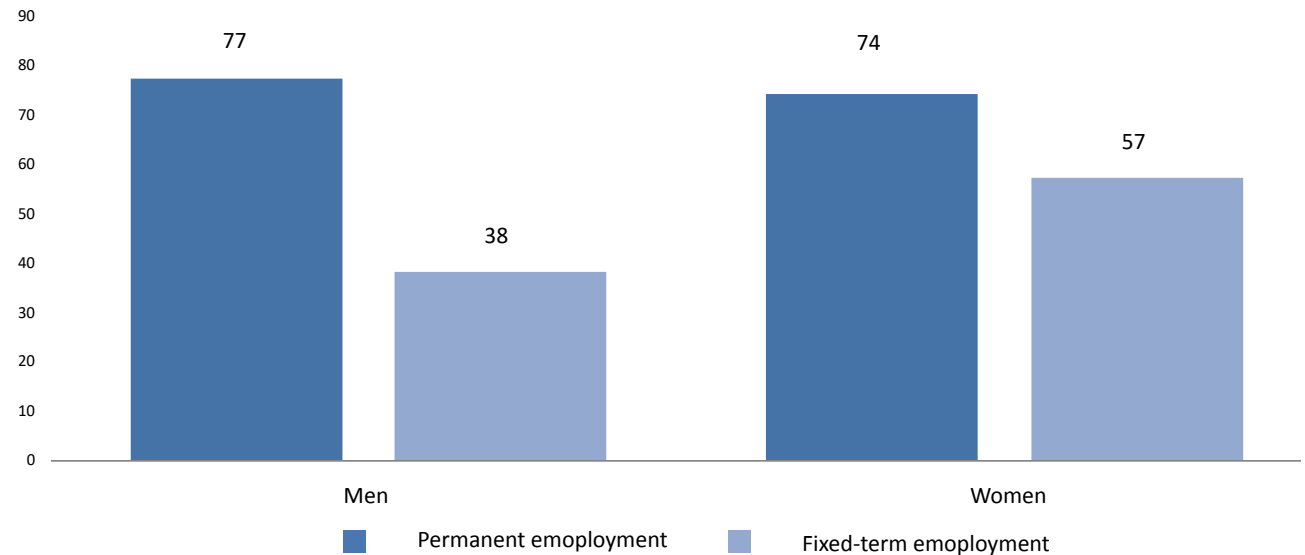


Employees by the type of employment contract as on 31/12/2018

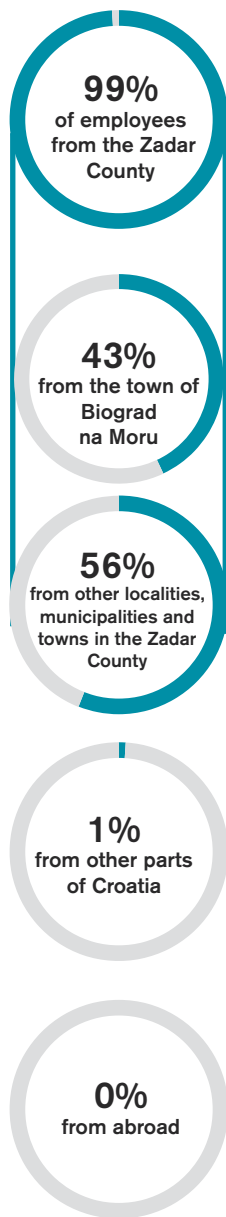


As for the type of employment contract, as on 31/12/2018 61% of employees were permanent employees, while 39% (95 employees) had a fixed-term contract. Looking at the type of employment contract and gender, of the total number of employees as on 31/12/2018, there were 151 permanent employees, namely 77 men and 74 women, while 131 persons had a fixed-term contract, namely 38 men and 57 women.

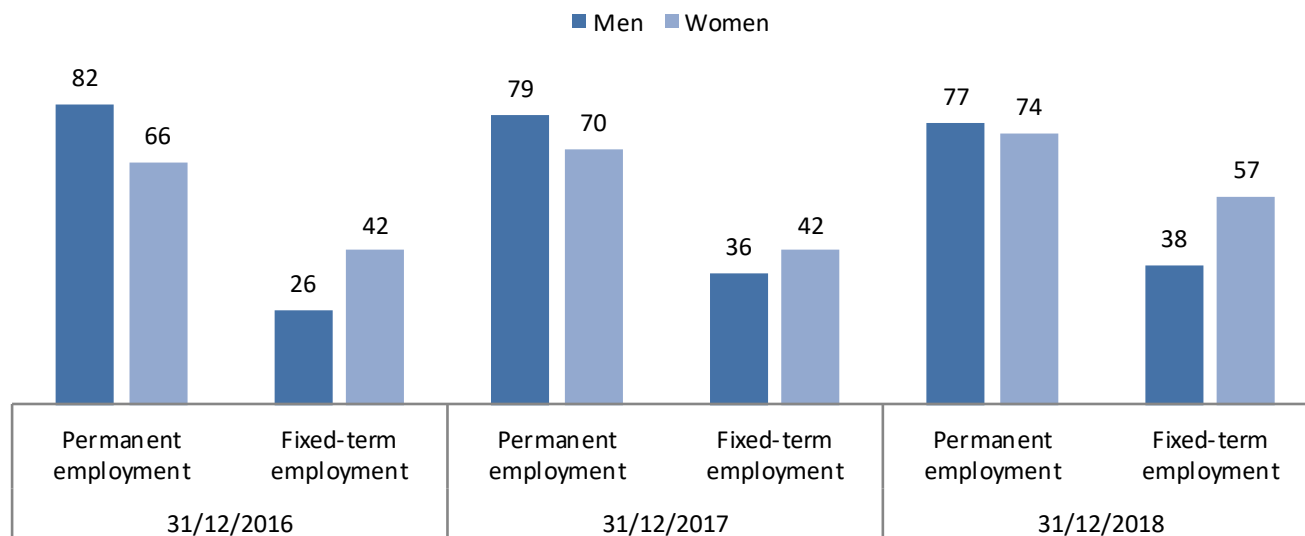
Employees as on 31/12/2018 by gender and type of employment contract



Considering the seasonal character of the business, in high season i.e. as on 31/08, we recorded an increase in the number of fixed-term employees, and especially the number of women, as there was an increased demand for employees in house-keeping and kitchen-related works, which are positions predominantly applied for by women. From 2016 to 2018, the number of fixed-term employees continuously increased. Thus, as on 31/08/2016 there were 251 fixed-term employees, namely 63 men and 188 women, while as on 31/08/2017 we recorded 266 employees, 70 men and 196 women, and on 31/08/2018 there were 277 employees, which constitutes an increase of 9% relative to the same period in 2016.



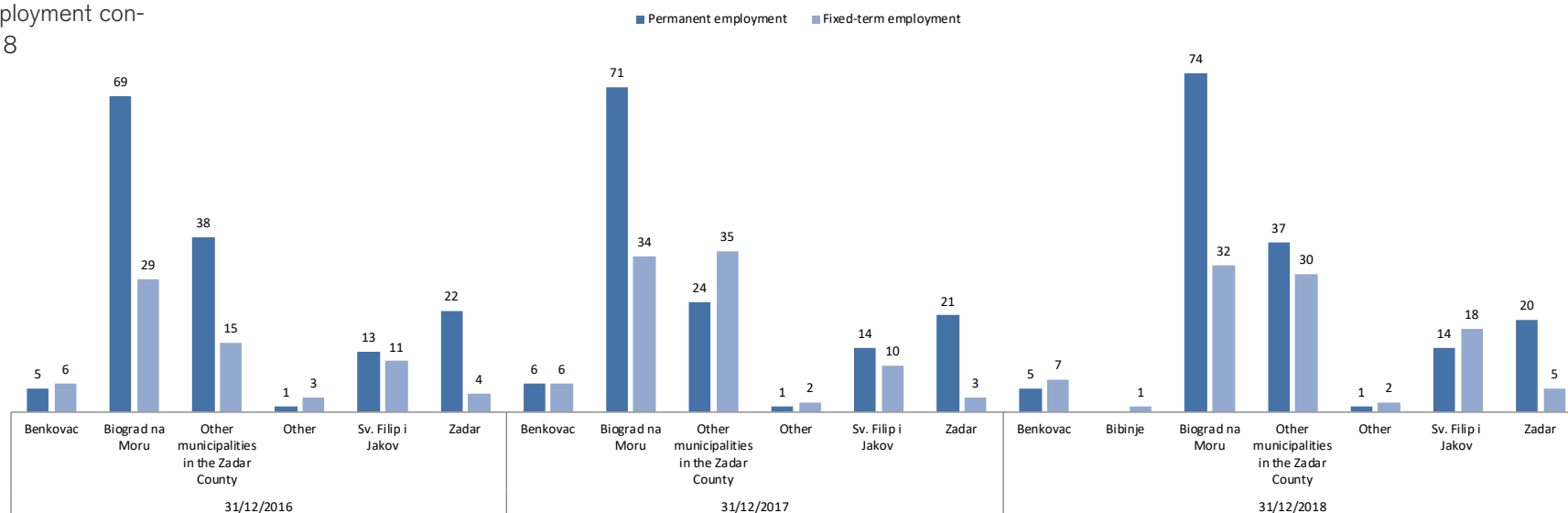
Employees by type of employment contract and gender as on 31/12/2016, 31/12/2017 and 31/12/2018



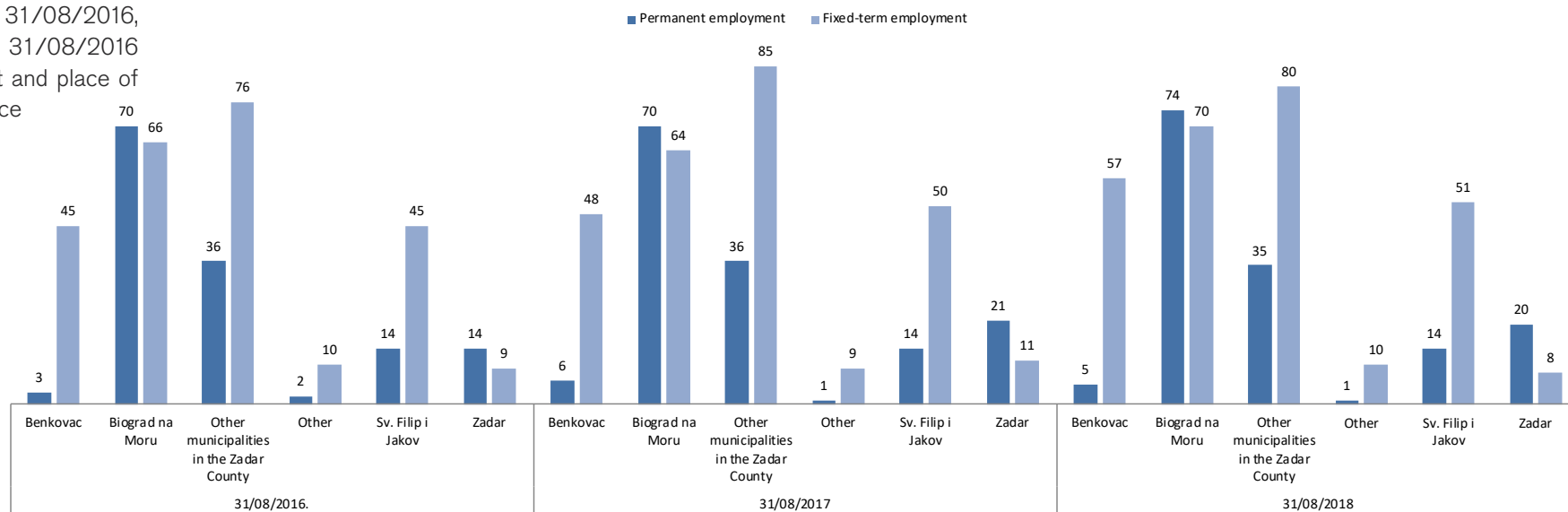
Of the total number of employees as on 31/12/2018, 106 or 43% are from the town of Biograd na Moru, with 67% of them being permanent employees. There were 120 or 56% of employees from other towns and municipalities of the Zadar County, while three employees or 1% were from other parts of the Republic of Croatia. In the reporting period, we had no employees from abroad. Comparing the 2016-2018 period in full season, i.e. as on 31/08, the company found fixed-term or seasonal employees in its immediate surroundings in the high season as well, namely in the town of Biograd na Moru and surrounding municipalities.



Status of employees at the end of the reporting period by place of residence and type of employment contract from 2016 to 2018



Employees as on 31/08/2016, 31/08/2016 and 31/08/2016 by type of contract and place of permanent residence





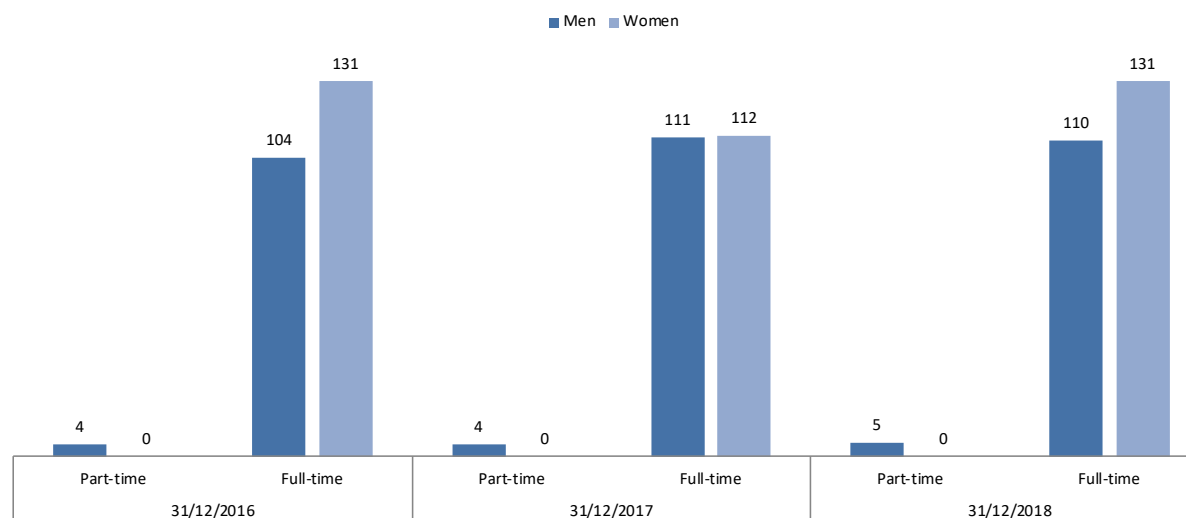
**243 employees hired**



### Full-time and part-time

As on 31/12/2018, there were 241 full-time employees, constituting 98% of all employees, while 5 employees or 2% were part-time employees, and all of them were men.

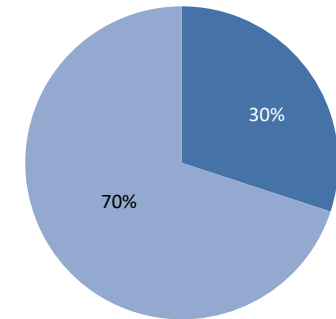
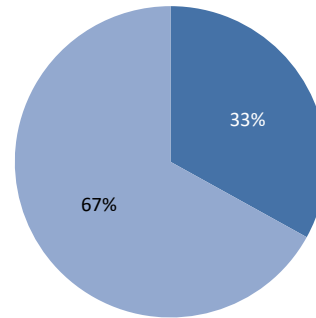
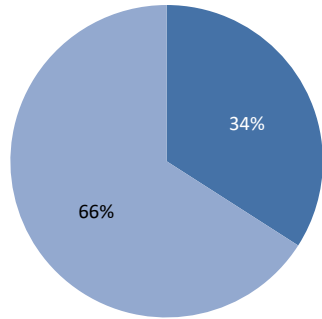
Employees at the end of the reporting period by gender and working hours in the 2016-2018 period



### New employees

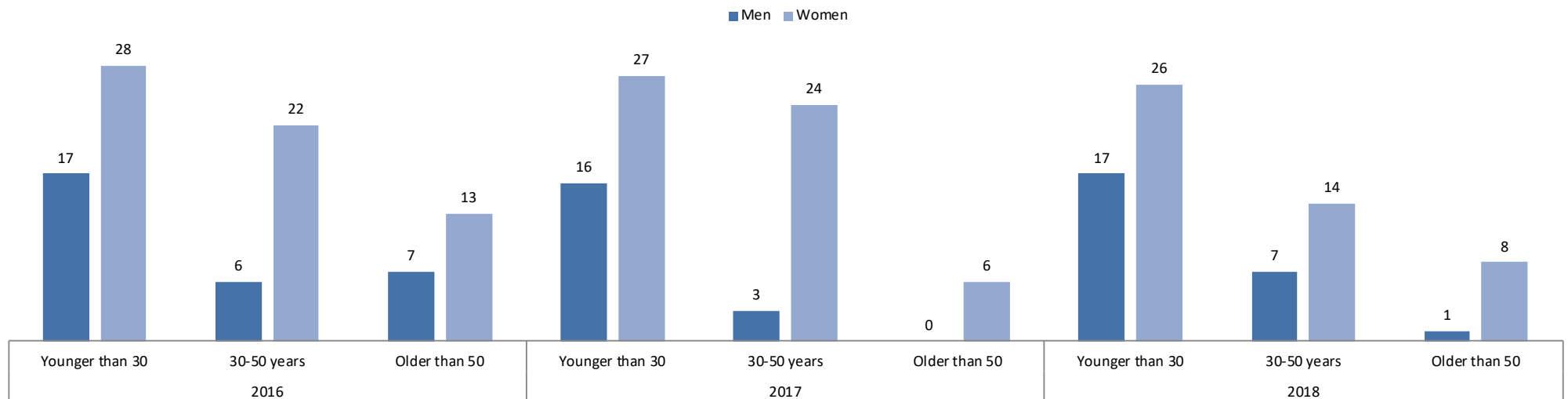
In 2018, the company employed 243 persons, of whom 170 or 70% of seasonal employees previously employed by the company, while new employees employed by Ilirija for the first time accounted for 30% of all persons employed in the reporting period. Despite the negative trends on the labour market in the tourism industry at the national level, relative to 2016 and 2017, the share of new employees decreased in favour of seasonal employees who have previously been employed by the company. That way, the company ensured as an optimal number of employees not only from its immediate surroundings, but also through an increase in the share of old seasonal employees relative to new employees, which gave us additional stability in human resources management. The foregoing is the result of timely planning of the necessary personnel, as well as of continuous work on improving the financial situation of employees, their development and education, whether they are fixed-term or permanent employees, plus of the development of year-round business ensuring longer employment.

■ New employees 2016 ■ Seasonal employees 2016 ■ New employees 2017 ■ Seasonal employees 2017 ■ New employees 2018 ■ Seasonal employees 2018



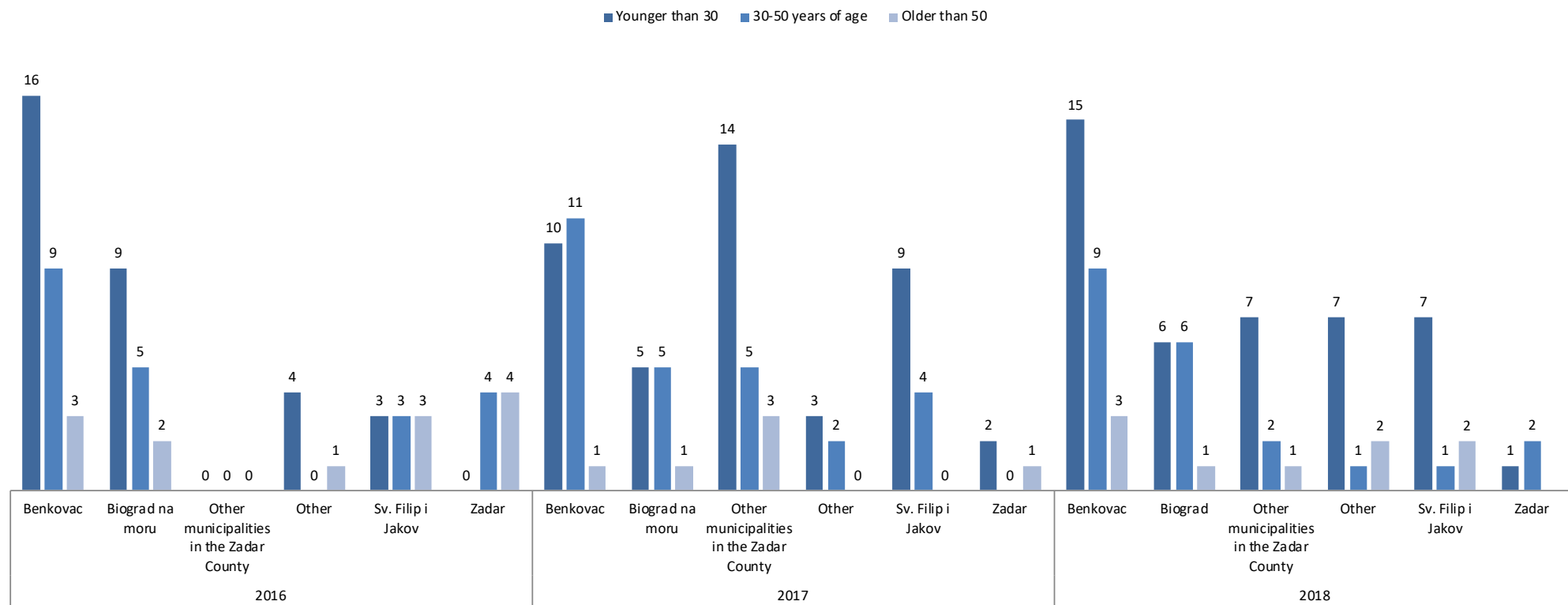
Looking at new employees by gender and age group, it is clear that there are more women in all age groups, which is understandable given the fact that the highest need for employees pertained to the House-Keeping and the Food and Beverages Department, i.e. to positions applied for primarily by women. In 2018, of 73 newly employed persons, 43 persons or 59% belonged to the group of employees younger than 30, namely 26 women and 17 men. Furthermore, in 2016 and 2017, the highest number of new employees were women under the age of 30.

New employees by gender and age group from 2016 to 2018





New employees by age group and place of permanent residence from 2016 to 2018

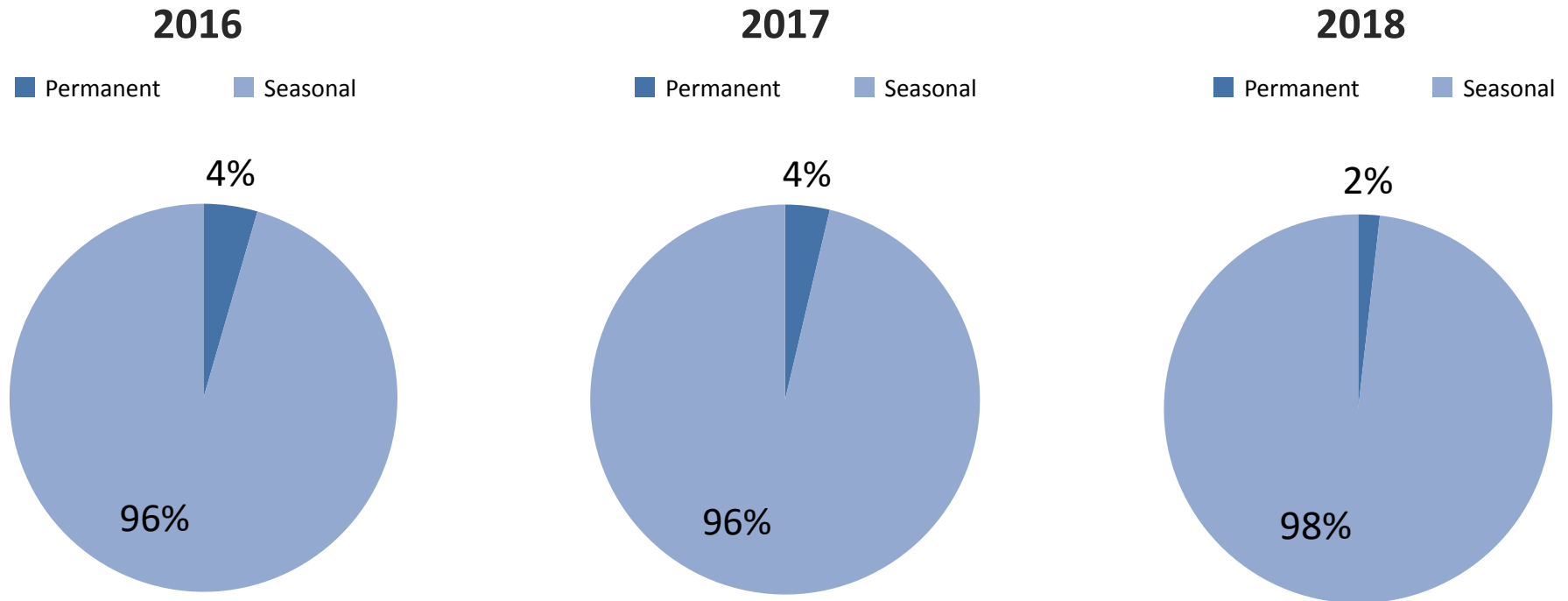


In the observed period, i.e. from 2016 to 2018, the analysis of the structure of new employees showed that persons from the town of Benkovac prevailed, namely with a 37% share in the total number of new employees, followed by persons from municipalities and towns in the immediate vicinity of the town of Biograd na Moru.

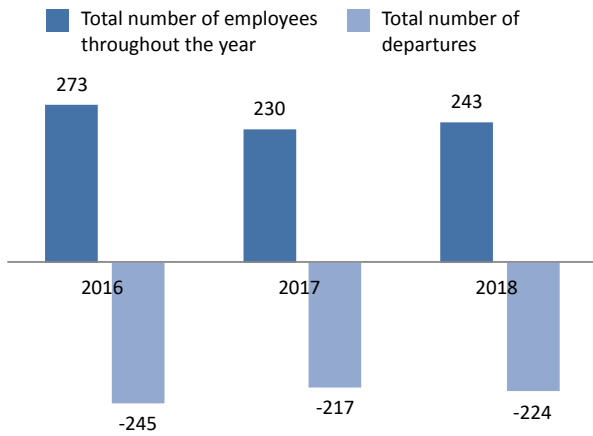
## Employee turnover

Employee turnover is most reflected in the termination of employment contracts and much less so in changing jobs within the company. In 2018, of the total of 224 departures, only 2% referred to employees who terminated their permanent employment. In 2016 and 2017, employees who terminated their permanent employment accounted for 4% of departures.

Employee departures by type of employment contract:

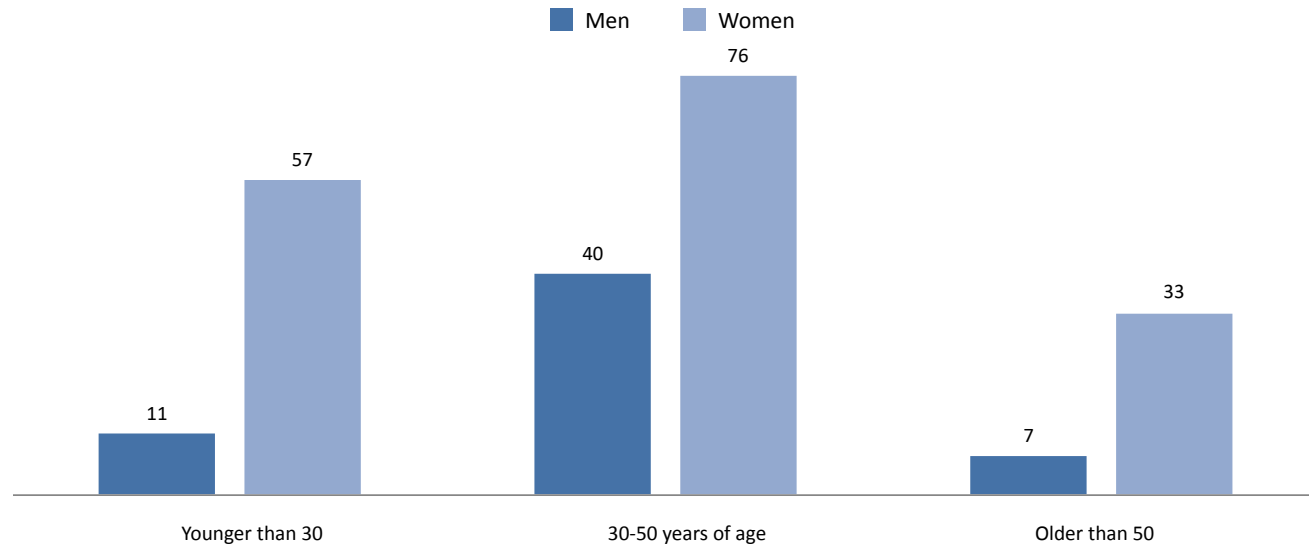


Employee departures and hirings from 2016 to 2018



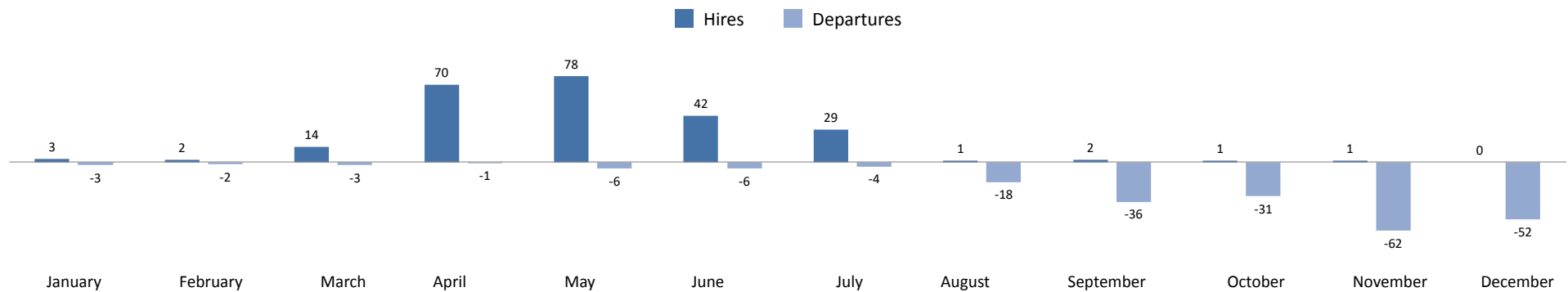
Looking at gender, as more women were employed throughout the year, we also recorded a higher number of departures of female employees.

Employee departures in 2018 by gender and age group



Given the seasonal nature of the company's business, the highest number of departures was recorded in the pre-season, i.e. in April and May, while departures were most frequent in November and December.

Number of employee hirings and departures in 2018 by month







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**a warm meal daily**



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**assistance for a newborn**



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**gifts for children**

In accordance with the Labour Act and the Decision of the competent Ministry of Labour and Pension System, the Collective Agreement for the Hotel and Catering Business (OG 36/2018) concluded on 27 March 2018 applies to the company Ilirija d.d.

In addition to their regular salaries, it provides employees with additional material and intangible benefits, including:

- loans to employees with a repayment term and annuity as agreed with each employee individually,
- one-off financial assistance and assistance through the services provided by the company (transportation services, accommodation) for fixed-term or permanent employees in case of illness pertaining to them personally or to their immediate family members,
- a warm meal for fixed-term or permanent employees, at a symbolic price of HRK 1 per day,
- assistance for a newborn
- gifts for children
- co-financing of travel expenses for fixed-term and permanent employees living outside their place of work,
- education programs, professional training and retraining courses for company employees, financed entirely by the company, with an obligation for employees to successfully complete them within the stipulated time limit,
- the company provides its services to its permanent employees and their immediate family members (children) either at a significant discount relative to their market price (food and beverage-related services) or free of charge (by making the premises and facilities owned by the company available for private needs of its employees, allowing the use of work inventory, vehicles, transportation services, etc.),
- encouraging employees to do sports by providing conditions for recreational sports practice, through for example purchase of sports equipment, paying gym rental fees, etc.
- proposals of plans for education, further training and improvement according to the bottom-up model for all employees in accordance with the needs of the company, as well as the wishes and interests of employees, and especially managers.



Ilirija's Christmas magic – giving Christmas gifts to children



Employee education



Team-building excursions



Annual employee get-together





246 employees with 156 children younger than 15



Signatories to the Croatian Diversity Charter



Goran Ražnjević, President of the Management Board, one of the promoters of the Croatian Diversity Charter

## Parental leave

All employees of the company are entitled to parental leave, but it has so far only been used by women. In 2018, 14 employees took maternity leave, and of the two employees who were to return to work after maternity leave, both returned. Furthermore, two employees stayed employed with the company for at least twelve months after using maternity leave..

Year	Total number of employees throughout the year		Employees who exercised their right to parental leave		Total number of employees who returned to work after parental leave		Rate of return to work	Rate of stay
	Men	Women	Men	Women	Men	Women		
2016	186	263	0	10	0	8	100%	100%
2017	175	269	0	13	0	3	33%	50%
2018	188	278	0	14	0	2	100%	67%

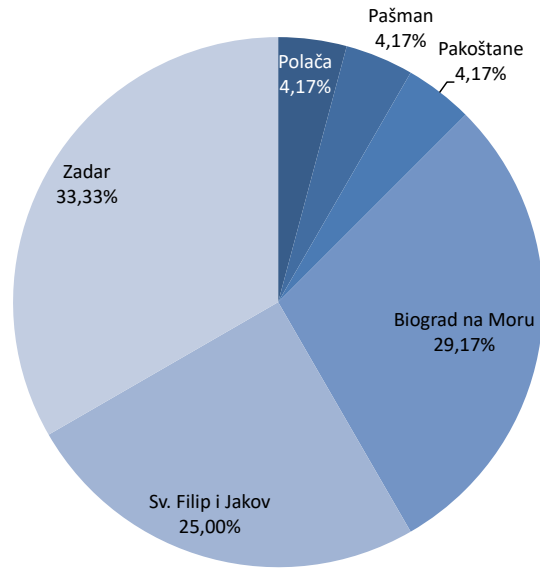
## 2 Diversity and Equal Opportunities

The values we cherish most as a company are equal opportunities in the workplace for all our employees, both permanent and seasonal, as well as diversity of knowledge and experience and preservation of the personal and business integrity and dignity in the workplace, and we channel them towards the creation of a community, that is, of a motivating and stimulating business system that cares about its employees. One of the permanent goals of Ilirija is to create a working environment that encourages and ensures professional development and continuous education of employees, while taking care of their social needs by respecting their personal and professional diversities. Knowledge, experience, education and competencies are the principles on which we base the long-term and sustainable development of the company as a responsible business system, with an emphasis on respecting the personality and dignity of employees, with zero tolerance for any form of discrimination.

In October 2017, Ilirija signed the Croatian Diversity Charter. That was organized by the Croatian Business Council for Sustainable Development that conducted the project in Croatia, namely as part of a regional project covering Croatia, Slovenia



General management employees by place of residence

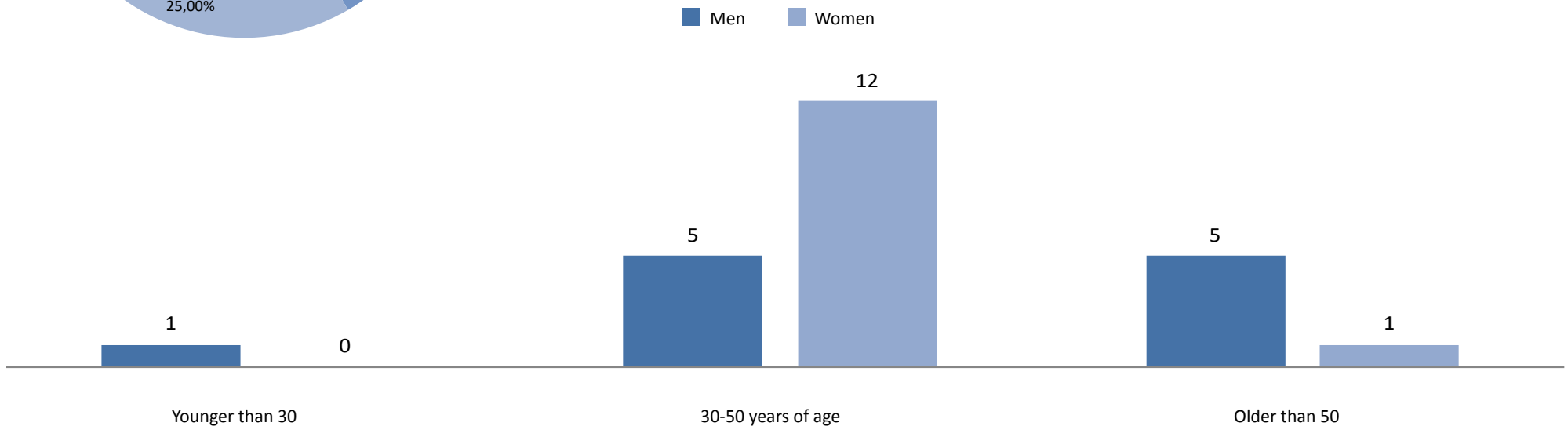


and Romania, supported by the European Commission. By signing the Croatian Diversity Charter, we undertook to implement a diversity and non-discrimination policy within the company, as well as to promote the principle of diversity. Goran Ražnjević, President of the Management Board, is also one of the promoters of the Croatian Diversity Charter in the Republic of Croatia.

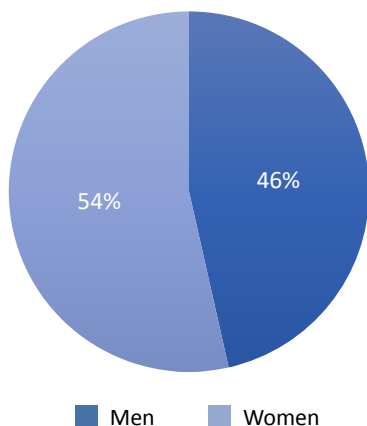
There is no difference in salary or any other rights of our employees for the same job or position based on gender, age, religious or any other belief or diversity form. In addition, there is a representative for the protection of employee dignity within the company, and they did not receive any complaints from employees regarding any form of discrimination during the said period. There were no labour disputes initiated against the company.

As on 31/12/2018, general management employees made up 10% of the total number of the company's employees. The general management consists of the Management Board, heads of sectors, heads of corporate services and heads of profit centres and departments within the profit centres. As far as gender is concerned, 54% are women, while when it comes to age, 71% are employees between 30 and 50 years of age. All general management employees are from cities, towns and municipalities of the Zadar County, with 33.33% of them being from Zadar, 29.17% from Biograd na Moru, 25% from Sv. Filip i Jakov, and a total of 12.51% from other towns and municipalities.

General management employees by gender and age group in 2018



Percentage of education hours by gender



**8,532 hours of education**

**294 employees**  
**29 hours of education per employee**

**Academy of Business Excellence**  
**ILIRIJA EDUKA**



**2 fields of education**  
**55 employees**

### 3 Training and Education

Training and education of employees is a material topic for the company, considering that some of the basic principles of human resources management is their development in terms of improving their competences, raising their existing level of training and qualification, their constant learning about new global trends and achievements, as well as raising their personal competences along with the quality and standards for the company's services, its competitiveness and sustainability. This material topic applies to all segments of the company, as well as to its cooperation with external authorized training companies (regarding education programs approved in accordance with the law), and with companies and higher education institutions providing education programs for actors in the hospitality and tourism industry.

Training and education are planned and approved on an annual basis by the Company's Management Board and in coordination with the Human Resources and Payroll Service and sector managers for the key business segments (food and beverages, sales and marketing, corporate services), with the plan defining the field or topics of training, employees, the period, the theoretical part along with practice if necessary, as well as the presentation and implementation of new knowledge, skills and standards.

Furthermore, depending on the needs of the sectors, the sector manager and the head of health care, occupational health and environmental protection can also propose additional education programs for individual departments within the sectors, such as the technical service, house-keeping, food and beverages service, etc., namely conducted through internal seminars, the use of professional literature, recruitment of external experts, sharing knowledge, etc.

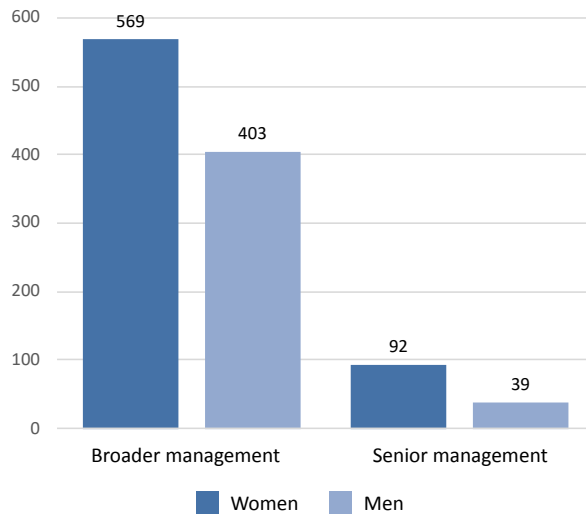
Employees who took part in any form of training are required to submit a certificate, attestation or record of completed training and education to the Human Resources and Payroll Service.

Basic objectives of training and education:

- improving existing skills and developing new skills,
- greater employee motivation and satisfaction,
- developing the necessary personnel,
- raising the quality of services,
- increasing guest satisfaction,
- increasing the company's competitiveness,
- safe environment for guests, and
- safe work environment.

In the said period, the company provided its employees with 8,532 hours of training, including the education programs prescribed by the Fire Protection Act, as well as the Act on the Protection of the Population from Infectious Diseases and

Hours of senior and general management training



the Health Education Act. A total of 294 employees took part in education programs, namely 126 men and 168 women, with the average number of training hours per employee being 29 hours.

Apart from education programs prescribed by the law, in 2018, Ilirija provided its employees, both permanent and seasonal, with 6,721 hours of education, with 162 employees taking part, namely 70 men with a total of 3,123 hours of education, and 92 women with 3,598 hours of education.

In 2018, the employees making up the general management, i.e. sector managers and heads of departmental units, had 1,103 hours of organized education programs. A total of 11 men and 13 women took part in education programs. The average number of training hours per employee in the general management category amounted to 46 hours, while in the senior management category, employees spent an average of 16 hours on education programs.

In 2018, the ILIRIJA EDUKA Academy of Business Excellence allowed 55 employees from the field of food and beverages, marketing and sales and the DMC Ilirija Travel to take part in education programs, namely for the following areas:

- the food and beverages field, through the process of educating staff and the middle management through practical and theoretical workshops, and
- the marketing and sales department, when it comes to new marketing and sales trends.

Employees or their managers are required to bring a certificate of successful completion of the education program or, if no certificate is issued, inform the Human Resources and Payroll Service of the fact that they completed the program, while for the education programs required by the law, the managers shall monitor the application of knowledge and the successful completion of training.





## 4 Occupational Health and Safety

### Occupational Health and Safety Management System

Occupational health and safety is a material topic for the company and it permeates the entire work process performed within its facilities, given that employees are one of the company's key stakeholders as well as performers of the entire business process. Therefore, by ensuring optimal working conditions, adequate equipment and continuous education, we reduce the number and frequency of occupational injuries, increase productivity and employee satisfaction and reduce potential costs for the company.

The Safety Service deals with occupational health and safety, which also covers customer safety. The service covers: (I) occupational safety and fire protection as well as (II) health control. Occupational health and safety are the responsibility of the Occupational Safety and Fire Protection Manager as well as the Health Protection Manager, who answer to the Company's Management Board. A team consisting of the Occupational Safety and Fire Protection Manager and the Health Control Manager takes care of the health safety of everyone at the level of the company as a whole, both employees and guests, developing training programs for employees and managers.

The employee commissioner for occupational safety activities and the Occupational Safety Committee jointly perform monitoring activities and consultations on occupational health and safety protection programs. The Occupational Safety Committee consists of five members (President of the company's Management Board – Chairman of the Committee, Occupational Safety and Fire Protection Manager of Ilirija d.d., Occupational Safety Expert, Health Control Manager of Ilirija d.d. – Commissioner for Occupational Safety, Occupational Safety Inspector and Occupational Health Medical Specialist). In 2018, the Occupational Safety Committee convened twice, at the beginning and at the end of the tourist season.

The Health Control Manager coordinates the so-called DDD measures (for disinfection, disinsection and deratization), meets the daily work obligations pertaining to the sanitary program, performs supervision through unannounced internal inspections, cooperates with the state inspection during their supervision checks, analyses the results of state inspections and records, maintains the integrity of the system for the drinking water, swimming pool, whirlpool, sauna, etc.

The Occupational Safety and Fire Protection Manager is in charge of organizing and directly managing occupational safety, namely in order to protect both the company and the life and health of employees and all citizens in the area where the company does business. They examine the safety of the work environment, of technological procedures and of working conditions by: drafting regulations, instructions and procedures, safety and security measures; monitoring and supervising their implementation and effectiveness; developing a program of measures to improve working conditions; organizing and conducting education programs with the aim of training employees to work in a safe manner; testing their knowledge and

skills in occupational safety, organizing, identifying and implementing fire safety programs, monitoring the implementation of appropriate fire fighting measures, analysing the causes of injuries, occupational diseases and other work-related diseases; drawing up a list with deadlines for periodic health check-ups, taking into account the positions, harm, dangers and psychological/physical requirements; cooperation with the Human Resources and Payroll Service in seeking suitable positions for the transfer of employees at the request of occupational medicine doctors or the Invalidity Committee.

In the health and safety management system, we monitor and comply with the following legal requirements and policies:

1  

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▪ Legal regulations:

Hospitality and Catering Industry Act (OG 85/15, 121/16, 99/18, 25/19), Act on Amendments to the Hospitality and Catering Industry Act (OG 28/19), Sanitary Inspection Act (OG 27/99, 113/08, 88/10), Act on General Use Items (OG 85/06, 75/09, 43/10), Act on Non-Ionizing Radiation Protection (OG 91/10, 114/18), Food Act (OG 46/07), Chemicals Act (OG 150/05), Nature Protection Act (OG 70/05), Construction Act (OG 175/03) Noise Protection Act (OG 20/03), Poison Act (OG 27/99), Occupational Safety Act (OG 71/14, 118/14, 94/18), Fire Protection Act (OG 92/10), Labour Act (OG 93/14) and Labour Inspectorate Act (OG 19/14).

2  

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▪ Ordinances:

Ordinance on Special Conditions for the Production and Marketing of General Use Items (OG 82/10), Ordinance on the Conditions for the Preparation and Sale of Groceries Outdoors (OG 46/94), Ordinance on the Protection against Electromagnetic Fields (OG 146/14, 31/19), Ordinance on Basic Requirements for Optical Radiation Devices and the Conditions and Measures of Optical Radiation Protection (OG 204/03, 91/07), Ordinance on the Classification, Minimum Conditions and Categorization of Camp Facilities from the Group "Camps and Other Types of Accommodation Facilities" (Official Gazette 75/08, 45/09), Ordinance on the Classification, Categorization and Special Standards of Facilities from the Group "Hotels" (OG 88/07, 58/08, 62/09), Ordinance on the Classification and Minimum Conditions of Facilities from the Group "Restaurants", "Bars", "Catering Facilities" and "Simple Service Facilities" (OG 82/07, 82/09, 69/13), Ordinance on the Content and Manner of Certification of Compliance of the Main Project with the Sanitary-Technical Construction Conditions and Types of Buildings Subject to Sanitary Control (OG 93/99), Ordinance on the Buildings Subject to Sanitary Control and the Manner of Carrying out Sanitary Control During Their Construction (OG 48/00, 42/08), Ordinance on the Sanitary-Technical and Hygienic Conditions for Swimming Pool Bathing Areas and on the Health Safety of Swimming Pool Water (OG 107/12, 88/14), Ordinance on Food Hygiene (OG 99/07), Regulation Amending the Food Act (OG 85/06), Regulation Amending the Sanitary Inspection Act (OG 82/07), Ordinance on Food Additives (OG 173/04), Ordinance on Food Monitoring for the Purpose of Determining the Levels of Nutrients, Contaminants, Additives, and Other Ingredients and Substances (OG 135/04), Ordinance on General Declaration or Labelling of Food (OG 114/04), Ordinance on Special Work Clothing and Footwear for Persons Working in Production or Transport, Who Come into Direct Contact with Groceries, Personal Hygiene Products, and Products for Face and Body Care and Beauty (OG 46/94), Ordinance on Microbiological Standards for

Groceries (OG 46/94), Guide to Microbiological Criteria for Food, March 2011, Ordinance on Occupational Safety Regarding the Use of Work Equipment (OG 18/17), Ordinance on the Testing of the Working Environment (OG 16/16), Ordinance on the Inspection and Testing of Work Equipment (OG 16/16), Ordinance on Safety Signs (OG 91/15, 102/15).

In addition to aligning business processes with applicable legal regulations, the company bases its management system on additional standards, including the ISO 9001:2015 quality management system, the Company – Friend of Health certificate, as well as the HACCAP and the HALAL certificate.

### **Hazard Identification, Risk Assessment, and Incident Investigation**

Risk assessment is the basis for occupational safety and health management, in addition to the adherence to and harmonization with applicable legal regulations, namely due to the improvement, diversity and dynamics of business activities and the specific nature of each job, which makes it impossible for all types of work to be fully covered and dealt with in accordance with the legal guidelines, as it is impossible to predict what can happen, and consequently prevent a harmful event from occurring. Risk assessment enables the identification of possible events that could cause unintended consequences. It enables the evaluation of possible situations and the identification of adequate protection solutions. Risk assessment is the basis of occupational safety and health protection management ensuring employee safety and health protection, and it also constitutes a legal obligation under the Occupational Safety Act and Work Regulations.

The company's risk assessment process regarding occupational health and safety is based on:

- **collecting data at the workplace**
- **analysing and evaluating the collected data, which includes:**
  - identification of dangers, harm and strain,
  - assessment of dangers, harm and strain,
  - establishing measures for the removal or reduction of dangers, harm and strain
- **establishing the plan of measures for the removal or reduction of danger, harm and strain levels, which shall include:**
  - deadlines,
  - persons responsible for the implementation of measures, and
  - the method of controlling the implementation of measures
- documenting risk assessment.



**In 2018, no serious situation or threat to the safety, life or health of guests and employees was reported.**

Those responsible for conducting the risk assessment are required to have knowledge and/or information on:

- the workload pertaining to individual jobs, work processes, procedures and work organization, the interaction of employees with the materials and equipment they use,
  - the materials, substances, and technology used during work,
  - the number, dynamics and other characteristics of occupational injuries, occupational diseases related to work,
  - sensitive employee groups, as well as the activities of employees of other employers working with the employer,
  - the dangers and risks already known to be present and the measures taken to reduce the said risks,
- 
- the type, likelihood, frequency and duration of exposure to dangers, which in some cases can mean the application of modern, proven measurement techniques,
  - the relationship between exposure to danger and its effect,
  - legal norms and requirements pertaining to the occupational risk present, and
  - the good practice in areas where there are no specific legal norms.



## Everyday operational activities pertaining to employee health protection



### Health checks 262 sanitary-hygiene check-ups



### Assessing the risks, safety and health of employees



### Training and education



### Care for the mental health of employees

## Occupational Health Services

Health protection pertaining to employees is based on the protection of health of all service users and employees, as well as the hygiene of facilities, especially those under sanitary supervision. For all employees of the Food and Beverages Department as well as other departments subject to mandatory health inspections, the inspections are performed by the Public Health Institute that is accredited to perform them. Inspections are performed outside the workplace and within working hours.

On a yearly basis, the Occupational Safety and Fire Protection Manager and the Health Protection Manager develop annual plans for staff check-ups, education programs and facility inspections. The plan and program of specific employee health care measures are organized on an annual basis and at the level of primary health care. When it comes to employees, the plan is implemented taking into account their working conditions as well as the dangers, harm and strain in carrying out their tasks.

One of the legal obligations pertaining to occupational safety and health is "to have an assessment of the risks pertaining to occupational safety and health, including those faced by groups of employees exposed to special risks" and to decide on the protective measures to be taken. Consequently, when it comes to occupational health and safety, prevention is the main goal for the company.

By taking preventive measures, our goal was to reduce the likelihood of accidents at work or the occurrence of occupational diseases. There are two types of preventative measures we took in 2018:

- engineering or technical measures through our collaboration with external service providers – aimed at dealing directly with the risk source in order to eliminate, reduce or replace that risk, and
- internal organizational or administrative measures – aimed at changing behaviours and attitudes, as well as promoting a positive safety culture.

Preventive measures were complemented by protective and mitigation measures through:

- group measures – designed to limit or isolate risks, for instance by applying physical barriers, organizational or administrative measures in order to reduce the duration of exposure (job rotation, work scheduling, safety signs), and
- individual measures – any appropriate personal protective equipment (PPE) designed to protect employees.

As a responsible business entity, we aim to ensure the maximum safety and health of our employees in their workplace. In order to fulfil this obligation, we have taken measures such as assessing the safety and health risks for employees, ensuring

that each employee be appropriately trained when it comes to safety and health protection, involving employees in health and safety discussions, keeping records of accidents at work and, after analysing them, taking corrective actions if necessary.

Medical examinations required for the issuance of sanitary booklets are performed at the Epidemiology Service of the Zadar Institute of Public Health. Health examinations for persons subject to mandatory health surveillance are compulsory for certain jobs in accordance with the Act on the Protection of the Population from Infectious Diseases (OG 79/07, 113/08, 43/09, 130/17) and the Ordinance on the Manner of Performing Health Examinations of Persons under Health Surveillance (OG 23/94, 93/00). They are performed as the first check-ups for new employees, who are issued their sanitary booklets for the first time, as well as annual check-ups during employment. Depending on the type of occupation, the check-ups include the following medical examinations: examination of lungs (physical examination of the lungs, X-ray in case of a medical indication), skin and visible mucous membranes, as well as bacteriological and parasitological examinations of the stool. Obligatory examinations are performed for persons who carry out the tasks, i.e. participate in the production or transport of food.

Health surveillance is carried out for the following persons:

- those who carry out the tasks, i.e. participate in the production, transport or service of food or in supplying the population with water for human consumption, who come into direct contact with food or water for human consumption during work,
- those who carry out the tasks, i.e. participate in the production and transport of cosmetic products, who come into direct contact with cosmetic products during work,

Those working in the production or transport of groceries are required to complete an education program to acquire basic knowledge on the health safety of groceries and personal hygiene (minimum hygiene course).

Sanitary/hygienic examinations for employees in the 2016- 2018 period

Type of sanitary/hygienic examination for employees at the Zadar Institute of Public Health	2015	2016	2017	2018
Annual check-up	127	135	156	193
Semi-annual check-up	65	62	58	58
Annual check-up for healthcare professionals	1	1	1	1
New sanitary booklet	45	43	50	4
Staff employed in the hygiene protocol	5	6	5	5
Check-up for students	0	0	0	1
<b>Total</b>	<b>243</b>	<b>247</b>	<b>270</b>	<b>262</b>



Trainings for safe work practices in the 2016-2018 period

Year	2016	2017	2018
Training for safe work practices	57	76	65

Occupational medicine check-ups in the 2016-2018 period

Occupational medicine check-ups	2016	2017	2018
Nautical sector	32	8	21
Camping sector	7	3	8
Laundry room	12	3	6
Technical service	6	2	4
Horticulture	6	2	5
<b>Total</b>	<b>63</b>	<b>18</b>	<b>34</b>

In the hotel sector, there are no employees exposed to increased occupational dangers, so data for the said sector are not even given.

#### Occupational health and safety training for employees at the workplace

Internal training is provided by the Head of Health Protection and the Head of Occupational Safety and Fire Protection, both independently and in cooperation with external authorized companies and the Institute of Public Health. At the Institute of Public Health, 38 employees attended the Health Education course pursuant to the Act on the Protection of the Population from Infectious Diseases (OG No. 79/07). Staff from the House-Keeping and Food and Beverages Department have received internal education on the most common chronic diseases, risk factors at work, the possibilities of preventing chronic non-communicable diseases, the need for early detection of diseases, and the importance of adopting healthy lifestyle habits to prevent diseases. In 2018, as part of the process of implementation and certification of the HALAL standard, an education program was conducted on HALAL quality, namely pertaining to the provision of accommodation and food and beverage-related services and involving 35 employees, on the basis of the PK-01-02 Quality Manual, Point 6.2, and the RP-06-02 HALAL Quality Certification Procedure, Points 5.5.3 and 5.5.9 of the HALAL Quality Certification Centre. An education program was conducted in order for managers of food and beverages departments to acquire the knowledge of HACCP system internal auditors.

Based on the risk assessment, we train our employees to work in a safe manner, which is done by our Head of Occupational Safety in cooperation with occupational safety experts authorized to perform the training

#### Fire fighting drills from 2016 to 2018

Year	2016	2017	2018
Number of fire fighting drills	4	4	4

#### Maintenance and inspection of fire extinguishers in the 2016-2018 period

Year	2016	2017	2018
Number of fire extinguisher inspections	252	304	312



We conduct fire safety exercises every year, namely at the level of all sectors and with all employees within the sector participating.

#### Regular inspections of fire extinguishers

Maintenance of fire extinguishers is carried out through regular inspections and periodic servicing. Fire extinguishers are inspected and tested in accordance with the regulations for pressure equipment. Inspections are performed by a registered fire fighting servicing department.

In 2018, we saw an increase in fire extinguisher inspections due to an increase in the number of locations and the introduction of new fire extinguishers.

#### Promotion of employee health

The Ministry of Health and the Croatian Institute of Public Health have launched a project entitled "Company – Friend of Health" within the national "Living Healthy" Program, with the aim of encouraging business entities to promote health improvement activities at work. Ilirija was awarded the acknowledgement "Company – Friend of Health" for the introduction of special labels in the work environment, as well as enabling its employees to adopt healthy lifestyle habits, promoting and encouraging health in the workplace and expressing concern for employee health. The company also undertook to enable its employees to adopt healthy lifestyle habits, to promote health at work, and to express positive concern for the health of employees, consumers, clients and for the environment.

As a socially responsible company, Ilirija bases its business on the principle that employees are the key to its success, that is, the best promoters of its values, as well as the promoters of the destination and the performers of services and of the business process. Therefore, constant care for employees, which, in addition to our concern for material rights, includes care for their working conditions, occupational safety and health, constitutes a long-term **commitment of the company and a policy pertaining to the field of human resources management**. Ilirija's commitment to continuous improvement of the health and safety of employees, both permanent and seasonal, namely more than 460 of them during the high season, by providing safe working conditions, adequate equipment and constant education, reduces the number and frequency of occupational injuries and increases the productivity and satisfaction of our employees. By participating in the said project, we have made an additional contribution, namely in addition to (I) creating a healthy work environment, (II) providing education and (III) informing our employees about what each of them can personally do on a daily basis for their health.

The implementation of the "Company – Friend Health" module was done at the level of the entire company, and that also included education, the informing of our employees and the assessment of the company's work environment in seven areas:

1

- **proper diet** – the aim was to educate employees on the basic principles of having a proper diet and on its role in protecting and promoting health, to enable them to think critically about their own and their loved ones' diet, and to encourage them to adopt more appropriate eating habits;

2

- **health safety of food** – getting our employees familiar with the concept of health safety, the regulations governing it, the method of determining MACs (maximum allowable concentrations) as well as the methods and results of checks, and getting them familiar with internal control mechanisms in the production process (HACCP) and risk assessment;

3

- **promotion of physical activity** – the aim was to inform employees about the importance of physical exercise in maintaining and improving health as well as in preventing illnesses;

4

- **mental health at work** – the aim was to promote the importance of raising awareness and managing stress and risk factors pertaining to the work environment that most frequently endanger mental health, the ways to act and cope with them, to prevent adverse impacts on human health and inform employees about the possibilities of getting professional help and support;

5

- **smoking ban** – raising awareness of the harmful effects of tobacco use on health and of the scale of said public/health problem, providing the opportunity of self-evaluation of addiction and informing people about the benefits and possibilities of quitting with expert support;

6

- **prevention of chronic diseases** – educating employees on the most common chronic diseases, risk factors, the possibilities of prevention of chronic non-communicable diseases, the need for early detection of diseases and the importance of adopting healthy lifestyle habits in order to prevent diseases;

7

- **prohibition of alcohol consumption** – raising awareness of the harmful effects of alcohol on one's health and of the health consequences of its use as a public/health problem, as well as of the social consequences of its use, for the purpose of raising awareness of possible problems and encouraging one to seek advice and assistance;

8

- **gambling and betting** – raising awareness of how one's addiction to gambling and betting is developed and of the scale of said public/health problem, the social consequences of pathological gambling and betting, as well as providing the opportunity of self-evaluation in order to raise awareness of possible problems and encourage one to seek advice and assistance;

9

- **environment and health** – getting employees familiar with environmental factors and their effects on one's health, raising awareness of the importance of the environment for health and the quality of life, learning about measures for the prevention of harmful effects of environmental factors on human health;





**Taking care of the health of its employees and guests, Ilirija has done the following:**

Considering that the customer is the centre of our service and that tourism is a specific industry as it implies taking care of the customers' needs 24 hours a day, i.e, throughout their entire stay in the facilities, in addition to their satisfaction with our service, their safety and health constitute one of our priorities, as well as a material topic pertinent to all facilities within the company.

- it implemented and certified the HACCAP system to guarantee a high level of control, quality and safety in the process of preparation, production and distribution of food and beverage services, while taking into account the diversity of the diet and its nutritional value,
- it provided information by labelling food allergens,
- evacuation and rescue plans are present in all facilities, in visible places,
- it applies a methodology of cleaner production,
- it implements complete measures for the destruction of micro-organisms and pest control in accordance with legal regulations and in cooperation with authorized external companies,
- it tests the quality of sea waters,
- it tests pool water for physical, chemical and microbiological parameters, and
- it informs and educates people on the importance of preserving natural resources (preservation and protection of water, energy, waste disposal, etc.),
- DDD measures,
- a safe working practice for the use of chemicals was introduced,
- suppliers with the fairtrade and sustainable certification marks are selected when purchasing linen,
- it introduced the practice of avoiding individual packaging of food and beverage products, as well as of laundry detergent,
- it selects products that are environmentally friendly or have minimal environmental impact.

The standards and certifications obtained in 2018 additionally bear testimony to our concern for the health of employees and guests:

- HACCAP
- ISO 9001
- ISO 14001
- Blue flag
- Green Key
- Ecocamping
- Sustainable hotel
- Travel Life Certificate
- ZelEn Certificate
- Green mark – Sign of excellence
- Halal Certificate
- Company – Friend of Health

Preventing and mitigating workplace health and safety impacts directly related to business relationships

With its continuous activities, Ilirija creates the conditions for safe work of its employees and external contractors, and in this respect, it implemented of the following measures:

- use of personal protective instruments and equipment,
- learning about the risks that may arise from certain activities,
- learning about all the dangers present in a given location, and
- monitoring.
- 

Furthermore, when it comes to occupational safety, the company is focused on the following on a daily basis:

- safe work environment,
- adequate equipment and work instruments,
- promoting and improving health at work, and
- employee education.

Ilirija has integrated, organized and aligned several elements for the purpose of effective and timely provision of security:

- technical security systems,
- protection of people and property against accidents or natural disasters. This pertains to fire alarm systems, fire extinguishing systems, evacuation systems and emergency lighting systems,
- protection of people and property from illegal activities of groups or individuals, as well as from the occurrence of harmful acts and events due to negligence and carelessness,
- adoption of crisis management procedures,
- monitoring of the compliance with adopted procedures,
- rehearsing of actions and procedures in accordance with the adopted crisis management procedures, i.e, continuous education of employees.

## Occupational injuries

The rates of injuries, occupational diseases, lost days and absences, and the number of fatalities related to accidents at work from 2016 to 2018

	2016				2017				2018			
	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	2	0	48	0	1	0	16	0	1	0	20	0
Female	0	0	0	0	3	0	43	0	3	0	28	0
<b>Total</b>	<b>2</b>	<b>0</b>	<b>48</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>59</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>48</b>	<b>0</b>

### Occupational injury rates parameter from 2016 to 2018

Parameter	2016	2017	2018
IR (injury rate)	1,38	1,76	1,12
ODR (occupational disease rate)	0	0	0
LDR (lost day rate)	0,07	0,09	0,06
AR (absentee rate in case of fatalities)	0	0	0

In 2018, four occupational injuries were reported, and all were minor, with no significant consequences for the employees' health, while there were no occupational diseases or fatal injuries. Health and safety-related performance is a key measure pertaining to the organization's duty to provide care. We associate low injury rates with positive trends related to continuous staff training.

### Workplace-related illnesses

As a result of the emergence of norovirus among guests, four staff members fell ill in August 2018. Health care concern was taken over by the staff themselves, while check-ups were performed and the permission to work again was given by an epidemiologist from the Zadar Institute of Public Health.



## 5 Marketing and Labelling

### Product and service labelling



Considering that the health safety of food is an extremely important segment of the company's business, properly labelling and informing of customers about the food and beverages they consume is a material topic for the company.

The Ordinance on Consumer Information about Non-Prepacked Food (OG 144/14) provides for mandatory information on the presence of substances or products that may cause allergies or intolerances. EU legislation lists 14 specific allergens used in the preparation of food (including beverages) that are present in the finished product. These are: milk, eggs, gluten, soy, mustard, celery, sesame, peanuts, nuts, lupin or lupini beans, fish, shellfish, crabs and sulphites.

We inform our guests of the presence of allergens in the food served on the buffet table in hotels or during banquets by displaying allergen pictogrammes as part of the dish name, while noticeable and clearly legible messages are placed in à la carte restaurants, inviting consumers to ask the staff for information regarding the presence of substances or products that can cause allergies or intolerances. The Food and Beverages Department staff were educated about the importance of properly informing guests of the presence of allergens and of their possible adverse health effects.

The management of substances or products that may cause allergic reactions or intolerance is monitored internally by the Health Control Manager and by external supervisory bodies such as the sanitary inspection or accredited HALAL or HACCP system auditors.

In 2018, we did not record any breaches of regulations, nor did we receive any complaints regarding breaches of regulations pertaining to product labelling.

All kitchens of the company have successfully implemented the Food Safety Management System (HACCP) and all food handling practices are carried out in accordance with the principles and guidelines of the Good Manufacturing Practice (GMP) and Good Hygiene Practice (GHP). By doing so, we systematically contribute to the safety of the food served in our facilities.

When preparing food, we aim to keep the waste to a minimum. The generated waste is sorted into appropriate separate containers for each waste group: mixed municipal waste, cardboard packaging, plastic, glass, metal, biowaste, heat-treated food and waste edible oil. By doing so, we promote responsible waste management and aim to have the lowest possible impact on the environment.

## 6 Local Communities

The relationship with the local community is a material topic for the company as the goal of its business strategy, mission and vision, in addition to the development of the company, is to contribute to the development of the community through its business and social activities, namely by:

1

contributing to the development of the economy of communities in which it does business through social-economic effects of business on the community, achieved through an active policy of employing the local population, through destination positioning, through the company's fiscal contributions in the form of fiscal and parafiscal levies such as taxes and contributions, public utility charges and similar charges, as well as rents and concessions, residence taxes and other contributions to associations,

2

contributing to the development of the tourist offer of the destination. The destinations of Biograd na Moru and Sv. Filip i Jakov account for over 2/3 of the organized tourist offer and high-category facilities of the company, especially in the hotel, camping and nautical sectors. 646,335 overnight stays in Biograd na Moru accounted for 47.76% of all overnight stays spent in the destination,

3

development of year-round business through the system of the destination management company, through which we organized 561 events at the destination level, mainly in the pre-season and post-season, with a total of 58,023 persons participating,

4

development of events organized by us, which contribute to the development of destinations, of which we would like to highlight the following:

I organization of the 20th international nautical fair (the Biograd Boat Show), for which the company received the 2018 "Anton Štifanić" Award for its special contribution to the development of nautical tourism,

II organization of the Bike & Wine – Ravni Kotari Tour in cooperation with local tourist boards,

III event organization at Arsenal in Zadar, with a special emphasis on entertainment and cultural programs (performances, stand-ups, concerts, manifestations),

IV event organization at the Aquatic Centre in Biograd na Moru, with a focus on entertainment and sports contents

5

Participation in the work of expert and professional associations from the tourism and hospitality field:

I participation in the work of local and regional tourist boards (the Assembly of the Zadar County Tourist Board, the Assembly of the Tourist Board of the City of Zadar, the Tourist Council of the Biograd na Moru Tourist Board, and the Tourist Council of the Municipality of Sv. Filip i Jakov),

II participation in the work of professional associations from the field of hospitality and tourism, i.e. in their annual gatherings, congresses and meetings (Croatian Camping Union, Croatian Chamber of Commerce – Association of Marinas, Association of Employers in Croatian Hospitality),

III participation in sessions, congresses and seminars of the Croatian tourism industry such as in the Days of Croatian Tourism, the Croatian Camping Congress and the 1st World Camping Congress held in Lisbon, Portugal in November, where the International Camping and Caravanning Federation chose the Park Soline camp as one of the top 10 camps in Croatia and one of the top 100 in Europe,

6

participation in projects and initiatives from the community through the corporate philanthropy process, for which HRK 518,159.69 in money and services were allocated in 2018,

7

environmental protection and preservation of natural resources through the introduction of natural gas as an energy source, as well as the obtaining of international and national certifications and standards from the field of environmental protection.







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		201-2 Financial implications and other risks and opportunities due to climate change		We do not monitor the financial consequences related to climate change
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		306-4 Transport of hazardous waste	137	
	306-5 Water bodies affected by water discharges and/or runoff		There was no discharge and/or leakage of water into water bodies	
<b>GRI 307: Environmental Compliance</b>				
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# VII External Verification



## **Opinion of the Committee of the HR BCSD Governing Council on the Annual Report on Corporate Social Responsibility of the company Ilirija d.d. for 2018**

The Committee of the HR BCSD Governing Council examined the Annual Report on Corporate Social Responsibility of the company Ilirija d.d. for 2018 and found that the Report meets the key requirements of the Global Reporting Initiative Standards, Core Option, and it confirmed the compliance of the Report with the GRI Standards – Core Option.

In accordance with the GRI Reporting Guidelines, the report begins with the remarks of the President of the Management Board of Ilirija Biograd, summarizing the most important events and the performance of the company in the reporting period. Even though the remarks are based primarily on financial performance, they also touch on non-financial impacts, with the most important achievements in the field of environmental and social impact being highlighted, and with a particular emphasis on data such as the amount of salary increases, the amount invested into environmental projects throughout the year and the number of education and training hours attended by employees in 2018.

Like in its previous reports on corporate social responsibility, Ilirija provided a very detailed description of its portfolio, offer and management structure, as well as an overview of business, overnight stays, guests and other material indicators, which provided us with a very detailed picture of the business and activities carried out in 2018. It was also clear that Ilirija Biograd d.d. is a company with an exceptional business tradition in the tourism sector, which is also evident from its current offer and approach to development. That guarantees the specificity of the offer, which results in the trust of our guests.

The report shows significant progress in the management of non-financial impacts relative to previous reports. For instance, it describes the process of consultation with stakeholders regarding the list of material topics included in the report. The process was documented and described in detail, and it showed that the 15 material topics selected by the Ilirija expert team were evaluated on the website by 20 stakeholder organizations, based on which evaluation all 15 topics were included into the report. This process is certainly a significant improvement relative to the earlier period, but it can be further developed, which is what we propose to Ilirija for the upcoming period. Our recommendation is that more topics be included in consultations and that it truly be left to the stakeholders to nominate topics or dismiss the redundant ones. It would also be good for the transparency of the process to get access to the list of process participants, or at least to the profile of the organizations involved, as well as the stakeholders they represent.

In addition, there has been progress relative to the previous year as Ilirija recognized the risk of climate change as one of the risks that can compromise business. It would also be useful to see how the management intends to manage the said prospective and relatively high-impact risks, especially as the development opportunities identified by the company partially constitute a response to climate change risks.

An interesting fact is that as a reward for the realized operating results of the Company, a certain share of own shares was allocated to employees free of charge, indicating a high level of trust and gratitude to employees.

We would also like to commend the fact that, in addition to the existing mechanisms arising from the obligation to implement a diversity and non-discrimination policy within the company and to promote the principle of diversity, Ilirija invested additional efforts by appointing a representative for the protection of employee dignity. We would also like to highlight the fact that in the structure of new employees there is a higher share of women, and as much as 70% of re-hired employees. There is also a high percentage of women in senior management. Furthermore, we would absolutely like to highlight and congratulate Ilirija on the Company – Friend of Health Certificate, awarded to it thanks to its concern for and promotion of health at work.

Looking at the chapter on environmental impacts, we commend the fact that Ilirija has an environmental policy, and some of its facilities have been awarded the Golden Key and Ecocamping standards attesting to high environmental management standards, primarily when it comes to resource management, such as the management of water and energy.

The trend of multiannual increase in investments in environmental projects (as much as 227% more than in the previous year) is also evident, especially when it comes to investments in the use of cleaner energy sources, which resulted in a decrease in the use of heating oil and an increase in natural gas consumption by as much as 337%. Also, Ilirija can be proud of its consumption of electricity coming exclusively from renewable sources in its facilities.

Despite the aforementioned results, Ilirija recorded an increase in energy and water consumption, as well as an increase in the production of waste from all categories, which can partly be explained by its increase in capacity. However, there has also been an increase in energy intensity in almost all categories, and this information indicates room for possible improvement in the upcoming period.

We propose that in the next report, the total amount of indirect economic impacts be presented, and not just their local context, as well as that workforce diversity be presented by vulnerable groups in accordance with the Diversity Charter instead of by place of residence. Progress would mean to pre-set qualitative and quantitative environmental and social goals for the upcoming business periods, arising from defined environmental and social policies of the organization. We also propose that additional criteria for selecting suppliers be developed, namely based on their environmental and social impact, and as an additional contribution of the company to sustainable development.

In summary, the report before us shows remarkable progress relative to the previous year's report, and we would like to thank and congratulate Ilirija on their tremendous effort and the progress that has resulted from it.



Hrvatski poslovni savjet za održivi razvoj  
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