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***RULES OF PROCEDURE OF AUDIT COMMITTEE
OF ILIRIJA d.d BIOGRAD NA MORU***

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The Supervisory Board of ILIRIJA d.d. for hospitality and tourism, Tina Ujevića 7, Biograd na Moru (hereinafter referred to as: ILIRIJA d.d.) did according to the provisions of Articles 27. – 29. of the Audit Act (OG 146/2005, 139/2008, 144/2012 and 78/2015) at its 110th meeting held on 21st July 2017 adopt the

***RULES OF PROCEDURE OF AUDIT COMMITTEE
OF ILIRIJA d.d***

1. INTRODUCTORY PROVISIONS

Article 1.

The Rules of Procedure of the Audit Committee of Ilirija d.d. (hereinafter referred to as: the Rules of Procedure) govern the fundamental issues relevant to the work and organization of the Audit Committee.

The Audit Committee is a body of the Supervisory Board that provides assistance and support to the Supervisory Board and the Management Board in the effective execution of corporate governance tasks, financial reporting and control of the operations of Ilirija d.d.

Article 2.

The Audit Committee is an advisory body to the Supervisory Board of Ilirija d.d. and its recommendations, opinions and conclusions are neither enforceable nor do they free the Supervisory Board or the Management Board of their responsibilities with regard to matters within their jurisdiction.

Article 3.

The Supervisory Board will review the report on the work of the Audit Committee once a year.

2. COMPOSITION AND TERM OF OFFICE OF THE AUDIT COMMITTEE

Article 4.


The Audit Committee is composed of at least 3 members.

Article 5.

Members of the Audit Committee are the members of the Supervisory Board and members appointed by the Supervisory Board, for a period of time as determined by the Supervisory Board.

Article 6.

The Supervisory Board appoints the Chairman of the Audit Committee (hereinafter: the Chairman). The Deputy Chairman of the Audit Committee is elected among the members of the Audit Committee after the election of the Chairman. In case the Chairman is absent or prevented from chairing the meeting, the rights and obligations of the Chairman are vested in the Deputy Chairman.

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Article 7.

The Supervisory Board is the only authorized body that elects and dismisses the members of the Audit Committee.

3. POWERS AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

Article 8.

Pursuant to the Audit Act, the Audit Committee of Ilirija d.d. (hereinafter referred to as: the Audit Committee) has the following obligations and powers and performs the following duties:

- monitors the process of financial reporting,
- monitors the effectiveness of internal control system, internal audit, and risk management system,
- oversees the conducting the auditing annual financial and consolidated statements,
- monitors the independence of independent auditors or audit firms that carry out the audit, especially contracts on additional services,
- gives recommendations to the General Meeting on the selection of an independent auditor or audit firm,
- discusses the plans and the annual report of the internal audit and significant issues related to this area.

In performing its duties and tasks, the Audit Committee cooperates with the Supervisory Board, the Management Board, the management of Ilirija d.d., the accounting department and other departments of Ilirija d.d., as well as external auditors.

The Audit Committee is obligated to report to the Supervisory Board on a regular and timely basis and whenever the Supervisory Board requests so from the Audit Committee.

4. QUORUM

Article 9.

The quorum at the meetings of the Audit Committee consists of two of its members. All the decisions of the Audit Committee are subject to a majority vote, and the Chairman of the Audit Committee has a casting vote.


Voting is done orally, while the Chairman of the Audit Committee may order that voting be done in writing (by letter, telegram, fax, by electronic means, etc.).

5. MEETINGS OF THE AUDIT COMMITTEE

Article 10.

The holding of the meeting of the Audit Committee will, as a rule, coincide with the financial reporting and the audit cycle.

Supervisory Board meeting is convened, and the place of the meeting is determined by the Chairman of the Supervisory Board.

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The meetings are chaired by the Chairman of the Audit Committee and in case that he is prevented from chairing, he will be replaced by his Deputy.

The Chairman of the Audit Committee may convene an extraordinary meeting at the request of any member of the Audit Committee.

The Audit Committee may hold its meeting electronically (by telephone).

Article 11.

The meetings of the Audit Committee are attended by Secretary/Minutes Taker, a person selected by the Chairman of the Audit Committee, that needs not be a member of that committee.

The Secretary/Minutes Taker of the Audit Committee is in charge of keeping the minutes of the meeting of the Audit Committee and in agreement with the Chairman of the Audit Committee, he/she distributes the minutes of the meeting to all members of the Supervisory Board and the Management Board of Ilirija d.d.

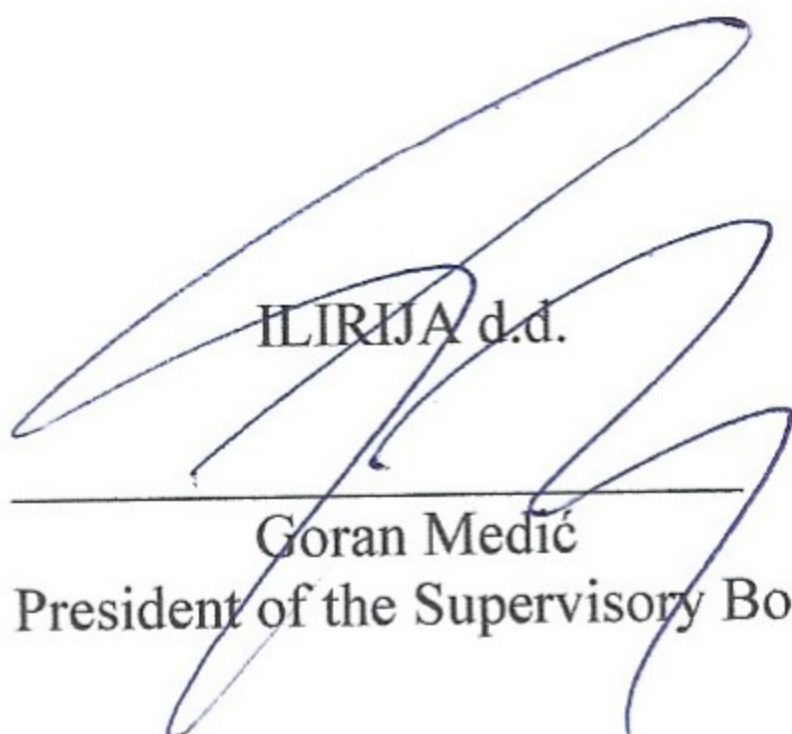
Only important highlights from the discussion of an individual member and other present persons, voting results and conclusions reached, recommendations and opinions on certain issues will be entered in the minutes.

6. RULES OF PROCEDURE OF THE AUDIT COMMITTEE.

Article 12.

The Rules of Procedure of the Audit Committee are adopted by the Supervisory Board. The Supervisory Board has power to adopt changes and amendments to the Rules of Procedure of the Audit Committee.

In Biograd na Moru, dated 21st July, 2017


ILIRIJA d.d.
Goran Medić
President of the Supervisory Board