JADRAN d.d.
Bana Jelačića 16, Crikvenica

Annual Financial Report and
Independent Auditor's Report
for 2017

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AUDIT – ACCOUNTING – TAX ADVISORY
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INDEPENDENT AUDITOR'S REPORT

To the shareholders of JADRAN d.d.

Report on audited annual financial statements

Reserved opinion

We have audited annual financial statements of JADRAN Joint Stock Company for Hotels and Tourism, Crikvenica, Bana Jelačića 16 (hereinafter: the Company), including the report on financial position (balance sheet) as of 31 December 2017, the profit and loss account, the statement of comprehensive income, cash flow statement, statement on changes in capital for the year then ended, notes to financial statements, as well as the summary of significant accounting policies.

In our opinion, apart from effects of issues that are described in our report under the section stating the basis for the reserved opinion, the accompanying annual financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, of its financial performance and of its cash flows for the year then ended, in accordance with the Accounting Act and International Financial Reporting Standards established by the European Commission and published in the Official Journal of the European Union.

Basis for the reserved opinion

In its business records as at 31 December 2017, the Company under its non-current financial assets (Note no.18) reports on purchased claims in the bankruptcy estate Jadran usluge d.o.o. in the amount of HRK 3,212,400. Given the ongoing bankruptcy proceedings over the debtor, the insight into the publicly available bankruptcy trustee's reports on the status of bankruptcy estate shows that debtor's bankruptcy estate will not be sufficient for the company to fully settle reported claims as of 31 December 2017 in the amount of HRK 3,212,400. In view of the above and with the aim of fairly presenting such position, we are of the opinion that the company should carry out a value adjustment in the amount of approximately HRK 1,365,000.00. If the company had carried out such value adjustment up to the amount for which such claims were expected to be settled, the loss of the company for 2017 would have been higher for the amount of HRK 1,365,000.00, while the value of non-current financial assets would have been lower for the amount of HRK 1,365,000.00.

In the course of 2017, the company completed several investments – the renovation for the purpose of raising the HOTEL ESPLANADE category and the renovation of the HOTEL KATARINA pool. Considering that the construction of certain buildings required a demolition of certain parts of such buildings, *in accordance with IAS-16 item 70, if a company recognises in the carrying amount of an item of property, plant and equipment the cost of a replacement for part of the item, then it derecognises the carrying amount of the replaced part regardless of whether the replaced part had been depreciated separately*. Given that the value of building being renovated was recorded as a single amount in the basic asset analytics, we were unable to estimate the amounts that had to be posted as expenses for parts of the building that were replaced during renovation. We emphasise the fact that the company employed a permanent construction court expert who, in his findings, estimated the carrying amount regarding buildings intended for due write-off in the amount of HRK 1,273,210.

Considering the fact that in the course of 2017 the company reached a settlement with certain creditors with separate satisfaction rights, it is still involved in a considerable number of judicial proceedings against creditors of bankruptcy proceedings. Should such settlement have also been reached with other creditors with separate satisfaction rights belonging to the same group, against whom the company is still involved in judicial proceedings, it would have resulted in additional company liabilities in the amount of approximately HRK 1,014,000. Given the above explanation, we are of the opinion that the company should have recognised an additional provision in the amount of HRK 1,014,000 for these judicial proceedings.

If the company had recognised such provision in the previously stated amount, non-current provisions as of 31 December 2017 would have been higher for the amount of HRK 1,014,000, at the same time making the company's loss higher for that same amount.

In 2017, the company did not consider the useful service life of assets (in accordance with IAS-16 item 51) but, instead, continued to apply the defined useful service life for non-current assets – property, plants and equipment, detailed in Note no. 3 *(Estimate of the useful service life of the property, plants and equipment).* Bearing in mind that the majority of assumptions and estimates that served as basis for assessments of useful service life of non-current asset usage for 2017 is no longer current, they, as such, do not reflect the useful service life of property usage, primarily buildings.

We performed the audit in accordance with the Accounting Act, Auditing Act and the International Standards on Auditing (ISAs). Our responsibilities in accordance with the said standards are described in detail in our independent auditor's report in section concerning auditor's responsibilities for the audit of annual financial reports. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (IESBA Code) and we have met our other ethical responsibilities in accordance with the IESBA Code. We believe that the obtained auditing evidence are sufficient and adequate to provide a basis for our auditing opinion.

Key audit issues

Key audit issues refer to issues that were, by our professional judgement, of the utmost importance for our audit of annual financial statements for the current period. They include the most significant recognised risks related to material misstatements caused by error or fraud that bear the greatest impact on our audit strategy, the allocation of our available resources and the time spent by involved audit team. We have dealt with these issues in the context of our audit of annual financial statements as a whole and in forming our opinion thereof. We do not provide a separate opinion on these issues.

Key audit issue	Our approach to the issue
Valuation of land and buildings	Related disclosures in accompanying annual financial statements
The value of land and buildings reported in financial statements of the Company as of 31 December 2017 amounted to HRK 599,627,778, what represents approximately 93 % of the total assets of the Company, while on 31 December 2016 it amounted to HRK 565,415,157 (approximately 94 % of the total assets of the Company). These assets were measured as carried at cost and mostly included tourist facilities and related assets. The Company tests these assets for impairment and has employed an independent assessor who carried out the assessment of property and land	See Note 16 of the accompanying annual financial statements. Audit procedures Our audit procedures included, among other things: ■ Assessment of appropriateness of asset allocation based on cash-generating units, ■ Evaluation of reasonableness of key assumptions used in the land and building valuation model and comparison of key assumptions with available external information. The results of our tests were satisfactory.

Other information in annual report

The Management is responsible for other information. Other information includes information contained in annual report but does not include annual financial statements and our independent auditor's report thereon.

Our opinion regarding annual financial statements does not include other information, except to the extent in which it is expressly stated in the section of our independent auditor's report entitled *Report on other statutory requirements*, and we do not provide any conclusion and opinion thereon.

As regards our audit of annual financial statements, it is our responsibility to read other information, and determine whether other information significantly differs from annual financial statements or our insights gained during the audit or seems otherwise misstated. If, based on the conducted work, we determine that other information includes material misstatements, we are required to report of this fact. In this sense, we have nothing to report.

Responsibilities of the Management and those charged with governance for annual financial statements

The Management is responsible for the preparation of annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) established by the European Commission and published in the Official Journal of the European Union, as well as for such internal controls as the Management determines are necessary to enable the preparation of annual financial statements that are free from material misstatements caused by fraud or error.

As a part of the preparation of annual financial statements the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, if applicable, matters related to going concern and the use of going concern basis of accounting, unless the Management intends to liquidate the Company or cease operations or has no other realistic alternative but to do so.

Those responsible for governance are responsible for monitoring the process of financial reporting as determined by the Company.

Responsibilities of the auditor for audit of annual financial statements

Our objectives are to obtain reasonable assurance on whether annual financial statements as a whole are free from material misstatements caused by to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that the audit performed in accordance with ISAs will detect material misstatements, should they exist. Misstatements can arise from fraud or error and are considered material when, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual financial statements.

During the audit, in accordance with ISAs, we make professional judgements and maintain professional scepticism. We also:

- recognize and evaluate risks of material misstatements in annual financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks and obtain sufficient appropriate audit evidence to provide basis for our opinion. The risk of not detecting material misstatements caused by fraud is higher than the risk caused by error, because fraud may include secret agreements, falsification, deliberate omission, misstatement or bypassing internal controls,
- gain understanding of internal controls relevant to the audit, in order to design audit procedures appropriate in due circumstances, but not for the purpose of providing opinion on the effectiveness of internal controls of the Company,
- evaluate the appropriateness of applied accounting policies and reasonableness of accounting estimates and related disclosures by the Management,
- conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on

the obtained audit evidence, conclude whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to related disclosures in annual financial statements about the material uncertainty or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on audit evidence obtained until the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern,

- evaluate the overall presentation, structure and content of annual financial statements, including disclosures, as well as whether annual financial statements also reflect transactions and events on which they are based in such a way to provide a fair view.

We communicate with those charged with governance concerning, among other things, the planned scope and time schedule of audit and important audit findings, including those in connection with significant internal control faults detected during our audit.

We also provide a statement to those charged with governance that we have acted in accordance with relevant ethical requirements regarding the independence and that we will communicate with them on all relationships and other matters that can reasonably be considered as affecting our independence, as well as, where applicable, related safeguards.

Among issues that we communicate to those charged with governance, we determine which issues are of the utmost importance in the audit of annual financial statements for the current period and are therefore considered key audit issues. We describe these issues in our independent auditor's report unless the law or regulations prevent their public disclosure or, in extremely rare circumstances, when we decide that an issue should not be disclosed in our independent auditor's report as it can reasonably be expected that adverse effects of such disclosure would outweigh the benefits of public interest related to such communication.

Report on other legal requirements

Report in view of requirements of Regulation (EU) No. 537/2014

1. On 19 June 2017 we were appointed by the assembly of the company on the basis of the proposal of the supervisory board of the company to carry out an audit of annual financial statements for 2017.

2. At the date of this report, we have been continuously engaged in carrying out the Company's statutory audits, from the audit of the Company's annual financial statements for 2011, up to the audit of the Company's financial statements for 2017, which is a total of 7 years.

3. Besides issues that our independent auditor's report identified as key audit issues within the subsection Report on the audit of annual financial statements, we have nothing to report regarding Article 10 item (c) of Regulation (EU) No. 537/2014.

4. By our statutory audit of the Company's annual financial statements for the year 2017, we were able to detect irregularities, including fraud in accordance with Section 225 of the IESBA Code, Responding to Non-Compliance with Laws and Regulations, which requires us, in carrying out our audit engagement, to establish whether the Company complied with laws and regulations that are generally recognised to have a direct impact on the determination of significant amounts and their disclosures in annual financial statements, as well as other laws and regulations that do not have a direct effect on the determination of significant amounts and their disclosures in annual financial statements, but where observing them may be crucial for operational aspects of the Company's business, its ability to continue as a going concern or its avoidance of significant penalties.

Except where we encounter or become aware of disrespect of any of the aforementioned laws or regulations which is considered insignificant according to our judgement of its content and its influence, financial or otherwise, regarding the Company, its stakeholders and the wider public, we are obliged to inform the Company thereof and seek to investigate such case, as well as take appropriate measures to resolve irregularities and prevent the occurrence of such irregularities in the future. Should the Company fail to correct irregularities regarding the position on the date of audited balance sheet arising on the basis of incorrect disclosures in audited annual financial statements that are cumulatively equal to or greater than the amount of significance for financial statements as a whole, we are required to modify our opinion in an independent auditor's report.

In the audit of the Company's annual financial statements for the year 2017, we determined the significance for financial statements as a whole in the amount of HRK 840,000, representing approximately 1 % of total revenue. We have based the calculation of significance on the total company revenue. Considering that interests of different users of financial statements (shareholders, financial institutions, other creditors and stakeholders) that manifest themselves primarily in the interest of company's profitability, stability and the assumption of going concern, we have established that the significance calculated based on total revenue reflects the most stable basis for the determination of significance.

5. Our audit opinion is consistent with the additional audit report prepared for the Company's audit committee in accordance with provisions of Article 11 of Regulation (EU) No. 537/2014.

6. During the period between the initial date of the Company's audited annual financial statements for the year 2017 and the date of this report, we have not provided the Company with any prohibited non-audit services. In the business year before that period, we did not provide services regarding the design and implementation of internal control and risk management procedures related to the preparation and/or control of financial information or the design and implementation of technological systems for financial information. Moreover, we have maintained our independence in the performance of the audit in relation to the Company.

7. We point out that the company did not have an audit committee in accordance with the Auditing Act at the date of due adoption of financial statements.

Report in view of requirements of the Accounting Act

1. In our opinion, based on activities we have carried out during the audit, the data contained in the accompanying management report of the Company for 2017 have been aligned with the accompanying annual financial statements of the Company for 2017.
2. In our opinion, based on activities we have carried out during the audit, the accompanying management report of the Company for 2017 was prepared in accordance with the Accounting Act.
3. Based on our knowledge and understanding of the Company's business and its environment gained within the scope of our audit, we have not established any significant misstatements in the accompanying management report of the Company.

4. In our opinion, based on activities we have carried out during the audit, the statement on the application of corporate governance code included in the Company's annual report for 2017 complied with requirements set out in Article 22, paragraph 1, items 3 and 4 of the Accounting Act.

5. The statement on the application of corporate governance code that was included in the Company's annual report for 2017 includes information referred to in Article 22, paragraph 1, items 2, 5, 6 and 7 of the Accounting Act.

AUDIT – ACCOUNTING – TAX ADVISORY
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The engagement partner on the audit resulting in this independent auditor's report is Andrej Skočić.

Andrej Skočić
(Certified Auditor)

Ljubica Juranović - Skočić
(Director and Certified Auditor)

Rijeka, 30 April 2018
Mervis d.o.o., 51215 Kastav, Ćikovići 26/11

JADRAN d.d.

Statement of Management's responsibility

The Management Board of the company Jadran d.d., Crikvenica, Bana Jelačića 16, (hereinafter: the "Company") is responsible for ensuring that the Company's annual financial statements for the year 2017, are prepared in accordance with the Accounting Act (Official Gazette Nos. 78/15 and 120/16) and International Financial Reporting Standards established by the European Commission and published in the Official Journal of the European Union, fairly reflecting or providing a true and fair view of the financial position, results of operations, changes in equity and cash flows of the Company for that period, including the relevant notes.

After making enquiries, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Management Board of the Company has adopted the going concern basis in preparing the annual financial statements of the Company and these reports have not been on the agenda of the Supervisory Board or the Company's Assembly.

In preparing the annual financial statements, the Management Board is responsible for:

- The selection and consistent application of suitable accounting policies in accordance with the applicable financial reporting standards;
- Provision of reasonable and prudent judgements and estimates;
- Using the going concern basis of accounting, unless it is inappropriate to presume so.

The Management Board of the Company is responsible for keeping the proper accounting records, which at any time with reasonable certainty present the financial position, the results of operations, changes in equity and cash flows of the Company and also their compliance with the Accounting Act and the International Financial Reporting Standards. The Management Board is also responsible for safe keeping the assets of the Company and also for taking reasonable steps for prevention and detection of fraud and other irregularities.

The Management Board has approved the issuance of the financial statements on 27 April 2018.

President of the Company's Management Board
Pero Matić
Jadran d.d.
Bana Jelačića 16., Crikvenica

Member of the Company's Management Board
Marija Galjanić Sovar
Jadran d.d.
Bana Jelačića 16., Crikvenica

Jadran
dioničko društvo
za hotelijerstvo i turizam
Crikvenica

JADRAN Joint Stock Company for Hotel Management and Tourism Crikvenica

ANNUAL FINANCIAL REPORT
FOR 2017

for the year ended on 31 December 2017 (all amounts stated in HRK)

	Note	2016.	2017.
Sales revenue	5	67,833,349	79,544,559
Other operating income	6	15,750,893	4,146,518
Total operating income		**83,584,242**	**83,691,077**
Purchase value of sold goods		(109,316)	(102,543)
Costs of raw materials and consumables	7	(18,621,778)	(20,425,319)
Costs of services	8	(17,117,361)	(19,727,241)
Costs of employees	9	(22,576,408)	(28,273,269)
Depreciation and amortisation	16.17	(8,109,022)	(9,556,717)
Provisioning costs	10	(978,735)	(506,377)
Value adjustment	11	(1,866,449)	(107,142)
Other operating expenses	12	(8,430,212)	(6,525,523)
Total costs of regular business		**(77,809,284)**	**(85,224,133)**
Profit from regular business		**5,774,958**	**(1,533,056)**
Financial income	13	510,530	1,387,571
Financial expenses	13	(1,437,407)	(4,085,166)
Net (loss)/gains from financial activities		**(926,877)**	**(2,697,595)**
Profit before taxation		**4,848,081**	**(4,230,650)**
Profit tax	14	(1,013,464)	-
Net profit / loss		**3,834,617**	**(4,230,650)**
Other comprehensive income		-	-
Total other comprehensive net income		**3,834,617**	**-**
Earnings per share	15	0.08	(0.09)

**The notes are an integral part of these financial statements.*

These financial statements have been approved and signed by the Management Board.

as at 31 December 20at 31 December 2017 (all amounts stated in HRK)

	Note	31 December 2016	31 December 2017
ASSETS			
Non-current assets			
Property, plants and equipment	16	587,361,805	630,388,719
Intangible assets	17	309,375	196,720
Financial assets	18	3,212,240	3,212,240
Deferred tax assets		334,471	334,471
Total non-current assets		**591,217,891**	**634,132,150**
Current assets			
Inventories	19	357,320	461,667
Trade receivables	20	1,716,549	840,228
Receivables from government		213,530	1,172,009
Amounts receivable from employees		25,181	36,495
Current financial assets	21	1,209,246	-
Other receivables	22	1,809,300	3,070,822
Cash and cash equivalents	23	3,910,692	2,652,470
Total current assets		**9,241,818**	**8,233,691**
TOTAL ASSETS		**600,459,709**	**642,365,841**

**The notes are an integral part of these financial statements.*

These financial statements have been approved and signed by the Management Board.

as at 31 December 20at 31 December 2017 (all amounts stated in HRK)

	Note	31 December 2016	31 December 2017
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		491,316,690	491,316,690
Capital reserves		25,401,322	25,401,322
Retained earnings		7,751,533	11,586,151
Profit for the current year		3,834,617	(4,230,650)
Total capital and reserves	24	**528,304,162**	**524,073,513**
Non-current liabilities			
Provisions	25	839,413	885,032
Liabilities towards financial institutions	26	43,008,026	84,935,656
Other non-current liabilities	27	9,530,639	8,551,341
Total non-current liabilities		**53,378,078**	**94,372,029**
Current liabilities			
Liabilities towards suppliers	28	5,597,262	9,767,460
Liabilities for advances, deposits and guarantees	29	3,546,816	4,176,318
Amounts payable to employees	30	970,188	1,297,398
Liabilities towards the state	31	1,870,596	1,057,945
Liabilities towards banks and other financial institutions	32	2,737,182	4,453,581
Other current liabilities	33	3,091,364	2,706,839
Short-term provisions	33	964,061	460,758
Total current liabilities		**18,777,469**	**23,920,299**
TOTAL CAPITAL AND LIABILITIES		**600,459,709**	**642,365,841**

**The notes are an integral part of these financial statements.*

These financial statements have been approved and signed by the Management Board.

for the year ended on 31 December 2017 (all amounts stated in HRK)

Statement of Changes in Capital

(in HRK)

	Subscribed capital	Capital reserves	Retained earnings	Profit/loss for the current year	Total
Balance at 31 December 2015	**490,774,660**	**25,356,374**	**5,411,086**	**2,650,612**	**524,192,732**
Increase in share capital	542,030	-	-	-	542,030
Shareholders' input in capital reserves	-	44,948	-	-	44,948
Transfer of current profit to retained earnings	-	-	2,650,612	(2,650,612)	-
Recognition of severance payments and exceptional length-of-service awards for transition to IFRS	-	-	(378,249)	-	(378,249)
Recognition of deferred tax assets	-	-	68,084	-	68,084
Profit for the current period	-	-	-	3,834,617	3,834,617
Balance at 31 December 2016	**491,316,690**	**25,401,322**	**7,751,533**	**3,834,617**	**528,304,162**
Increase in share capital	-	-	-	-	-
Shareholders' input in capital reserves	-	-	-	-	-
Transfer of current profit to retained earnings	-	-	3,834,617	(3,834,617)	-
Loss for the current period	-	-	-	(4,230,650)	(4,230,650)
Balance at 31 December 2017	**491,316,690**	**25,401,322**	**11,586,151**	**(4,230,650)**	**524,073,513**

**The notes are an integral part of these financial statements.*

These financial statements have been approved and signed by the Management Board.

for the year ended on 31 December 2017 (all amounts stated in HRK)

	Note	2016.	2017.
Cash flow from operating activities			
Profit after taxation	9	3,836,193	(4,230,650)
Profit tax		1,013,464	-
Depreciation and amortisation	6	8,109,023	9,556,717
Profit from sale of non-current assets		(4,812,487)	(30,108)
Change in non-current provisions		(945,666)	45,619
Interest income		(510,530)	(35,579)
Interest expenses		989,990	2740.258
Changes in other assets and liabilities		(16,646,216)	(979,298)
Result from business operations before changes in working capital		**(8,966,229)**	**7,066,959**
Liabilities towards suppliers and other liabilities		6,191,488	5,594,110
Trade and other receivables	14	(44,744)	694,094
Inventories	13	(60,265)	(104,347)
Other current liabilities		3,852,912	(2,167,679)
Other current assets		(201,461)	(2,049,087)
Paid interests		(989,990)	(2,740,258)
Paid profit tax		(1,013,464)	-
A. Net cash from business operations		**1,231,753**	**6,293,792**
Cash flow from investment activities			
Cash expenditures for purchase of non-current tangible and intangible assets	10.11	(30,084,555)	(52,440,869)
Receipt from interests	7	510,530	35,579
Cash earnings from dividends		-	-
Changes in financial assets		(3,116,102)	-
Changes in short-term financial investments		5,776,822	1,209,246
Other cash earnings from investments		-	
B. Net cash from investing activities		**(26,913,305)**	**(51,196,044)**
Cash flow from financial activities			
Increase in the principal amount of the company		276,813	-
Change in non-current financial liabilities		29,726,078	41,927,630
Change in current financial liabilities		757,015	1,716,399
C. Net cash from financial activities		**30,759,906**	**43,644,029**
TOTAL CASH FLOW		2,614,848	(1,258,223)
Cash and cash equivalents at the beginning of the period		1,295,844	3,910,692
Cash and cash equivalents at the end of the period		3,910,692	2,652,469
CHANGE IN CASH BALANCE		**2,614,848**	**(1,258,223)**

**The notes are an integral part of these financial statements.*

These financial statements have been approved and signed by the Management Board.

1. BUSINESS OPERATIONS AND GENERAL INFORMATION ABOUT THE COMPANY

JADRAN Joint Stock Company for Hotel and Tourism, Bana Jelačića 16, Crikvenica (the "Company") is registered at the Commercial Court in Rijeka under company registration number (MBS) 040000817. Registered share capital of the Company amounts to HRK 491,316,690. Pero Matić represents the Company individually and independently, as the authorised representative, based on the decision of 23 January 2018. Until 17 January 2018, Dino Manestar was the authorised representative.
The main activity of the Company is providing accommodation services in hotels, tourist resorts and camps, including food preparation and provision of food services as well as preparation and serving of drinks and beverages.
The financial statements are presented in the Croatian currency, Croatian Kuna (HRK), which is the functional currency of the Company.

The average number of employees in 2017 was 292 (in 2016 there were 244 employees).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the most important accounting policies consistently applied in the current and previous years are explained in the following points:

2.1. Declaration of conformity and presentation basis

The Company's financial statements have been prepared in accordance with the Accounting Act (Official Gazette 78/15, 120/16), the International Financial Reporting Standards ('IFRS'), as well as in accordance with the Ordinance on the structure and content of annual financial statements (Official Gazette 95/16).

For the purpose of issuing equity instruments on the capital market, the Company has compiled its financial statements for the first time in accordance with the IFRS for 2016. The transition from the Croatian Financial Reporting Standards (CFRS) to International Financial Reporting Standards (IFRS) did not have a significant impact on the financial position, performance and cash flows of the Company.

The financial statements are prepared by applying the underlying accounting assumption of the occurrence of a business event by which the effects of transactions are recognized when they incur and are reported in the financial statements for the period to which they relate, as well as by applying the basic accounting assumption of going concern.

2.2. Use of estimates and uncertainty of judgements

During the drafting of these financial statements, certain estimates were used that affect the Company's assets and liabilities, the Company's revenues and expenditures and the disclosure of the Company's contingent liabilities.

Future events and their impacts cannot be predicted with certainty, due to which the actual results may differ from the estimated results. The estimates used in preparing the financial statements are subject to changes caused by the occurrence of new events, gaining additional experience, gaining additional information and knowledge, and changes in the environment in which the Company operates.

Key estimates used in the application of accounting policies when preparing financial statements relate to the calculation of depreciation of non-current tangible and intangible assets, impairment of assets, impairment of inventories, impairment of receivables and disclosure of contingent liabilities.

2.3. Going concern and the implementation of the bankruptcy plan

The Decision of the Commercial Court in Rijeka regarding the conclusion of the bankruptcy proceeding became final on 21 January 2014, and on 28 January 2014 the Decision on the conclusion of the bankruptcy proceeding and the confirmation of bankruptcy plan were entered into the register of the Commercial Court in Rijeka.
A group of former employees of the Company and Veneto banka d.d. have requested a revision from the Supreme Court of the Republic of Croatia regarding the Decision of the High Commercial Court of the Republic of Croatia confirming the Decision of the Commercial Court in Rijeka which approved the bankruptcy plan of the Company.
On 25 January 2017, the Supreme Court of the Republic of Croatia rendered the Decision No. 47/14 stating that revisionists (former employees) have given up the stated audit.
Furthermore, we also note that Veneto banka d.d. has also given up the audit by submitting a statement proposing the withdrawal of the declared audit. The said statement was delivered to the Supreme Court of the Republic of Croatia on 13 December 2016.
We also point out that on 21 February 2017 the Commercial Court in Rijeka regarding the case no. 14 St-52/2010 issued a Decision abolishing the supervision of the fulfilment of the obligations of the holder of the plan performed by the bankruptcy trustee, the Board of Creditors and the bankruptcy judge, thereby ensuring the Company's going concern.

2.4. Change in accounting policies and disclosure

Adopting new and revised International Financial Reporting Standards

The standard and interpretations effective in the current period

- Amendments to IAS 19, Defined Benefit Plans: Employee Contributions – IAS 19 requires the contributions of employees or third parties to be taken into account during calculation.
- The annual improvements to IFRS 2012. – 2014 including amendments:
  - IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
  - IFRS 7 – Financial Instruments: Disclosure (with subsequent amendments to IFRS 1)
  - IAS 19 – Employee benefits
  - IAS 34 – Interim Financial Reporting

These amendments entered into force on 1 January 2016.

- Annual improvements from the cycle 2010. – 2012 and amendments thereof are in effect in the EU for accounting periods beginning on or after 1 February 2015. This includes the following amendments:
  - IFRS 2 Share-based Payment,
  - IFRS 3 Business Combinations,
  - IFRS 8 Business Segments,
  - IFRS 13 Fair Value Measurement,
  - IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets,
  - IAS 24 Related Party Disclosures
- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception (issued in December 2014)
- Amendments to IFRS 11 – Amendments to. IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014)
- Amendments to IAS 1 – Disclosures (issued in December 2014)
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization (issued in May 2014)
- Amendments to IAS 16 and IAS 41 - Agriculture: Perennial Plants (Issued June 2014)
- Amendments to IAS 27 - Shareholding Method in Separate Financial Statements (issued in August 2014)

The application of the above-mentioned standards did not have an impact on the financial statements of the Company.

New and revised IFRSs adopted by the EU but not yet effective

- IFRS 9 Financial Instruments – in July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which contains complete project of the financial instruments replacing IAS 39 Financial Instruments: Recognition and Measurement, and all other preceding versions of IFRS 9. IFRS 9 is effective for the annual period beginning on or after 1 January 2018. Earlier application is permitted. The application of this standard will not have a significant impact on the classification and measurement of financial instruments.
- IFRS 15 Revenue from Contracts with Customers – IFRS 15 was issued in May 2014 and represents a new model in five steps that relate to revenues from contracts with customers. The Standard replaces IAS 11 and IAS 18. The Standard is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The standard permits a modified transition model that does not require retroactive redrawing. The Management Board is performing a detailed analysis regarding possible effects of the mentioned standard on the Company's financial statements.

New and revised IFRSs issued by the IASB but not yet adopted by the EU

The following standards and amendments to existing standards have not yet been adopted in the EU:

- IFRS 14 Regulatory Deferral Accounts – this standard relates to subjects that operate on regulated markets and are applying the IFRS for the first time. IFRS 14 is effective for the annual period beginning on or after 1 January 2016. The European Commission has decided not to implement this standard due to the fact that few companies are within the scope of the standard.
- IFRS 16 Leases - The Standard introduces a new comprehensive model of lease arrangement identification as well as their accounting treatment on the lessor and lessee side. The standard will replace the existing IAS 17 and interpretations IFRIC 4, SIC 15 and SIC 27. IFRS 16 is effective for periods beginning on 1 January 2019 and thereafter. Earlier application is permitted, but it is also conditioned by simultaneous adoption of IFRS 15, unless it has already been adopted. This standard brings significant changes to the accounting model with the lessee. Consequently, there will be recognition of assets and liabilities in the financial statements of the lessee for most contracts currently recognized as operating leases. This will result in the increase of the Company's assets and liabilities. In the following periods the Management plans to conduct a detailed analysis of the effects on the financial statements of the Company.
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment (issued in June 2016)
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued in September 2016)
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)
- Amendments to IFRS 15 – Clarifications to IFRS 15 Revenue from Contracts with Customers (issued in April 2016)
- Amendments to IAS 7 – Disclosure Initiative (issued in January 2016)
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016)
- Amendments to IAS 40 – Transfers of Investment Property (issued in December 2016)
- Annual Improvements from the 2014 – 2016 Cycle (issued in December 2016) This includes the following amendments:
  - IFRS 1 First-time Adoption of IFRS
  - IFRS 12 Disclosures of Interests in Other Entities
  - IAS 28 Interests in Associates and Joint Ventures

  Amendments relating to IFRS 12 become effective for periods beginning on 1 January 2017, while amendments to IFRS 1 and IAS 28 become effective from 1 January 2018 and thereafter.
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued in December 2016)

The Management Board of the Company predicts that the application of these standards, amendments and interpretations will not materially affect the Company's financial statements in the period of their first application.

for the year ended on 31 December 2017 (all amounts stated in HRK)

2.5. Property, plants and equipment

The property, plant and equipment are indicated in the statement of financial position (balance sheet) at historical cost less accumulated depreciation and accumulated impairment losses. The purchase cost includes the purchase price and all costs directly related to bringing the asset to the state for intended use. Costs of current maintenance, repairs, replacements and investment maintenance of a smaller size are recognized as expense at the time of their occurrence. Costs of significant investment maintenance and replacements are capitalised.

Gains and losses based on removal from inventory or disposal of property, plant and equipment are indicated in the profit and loss account (income statement) in the period when they occurred.

Property under construction are carried at its cost less any accumulated impairment losses. The depreciation calculation begins when the asset is ready for its intended use. Depreciation is calculated on a straight-line basis, based on the estimated useful service life of the asset, as follows:

Building structures - concrete, metal, stone and brick buildings	100 years
Building structures - buildings made of wood and other materials	50 years
Infrastructure in camps	20 years
Furniture and technological equipment	10 years
Means of transport	7 years
Personal vehicles	10 years
Office equipment	8 years
Equipment for campers	10 years
Computer and Telecommunication Equipment	8 years
Other equipment	10 years
Horticultural arrangement	10 years

2.6. Intangible assets

Non-current intangible assets include licenses and are carried at its cost less depreciation and any accumulated impairment losses. Subsequent costs are capitalised only if they increase the future economic benefits associated with the asset. All other expenses represent the cost within profit or loss in the period when they incurred.

Depreciation expense is recognized within the profit or loss using a linear method over the estimated expected service life of certain items of intangible assets from the date when they are available for use.

Intangible assets are amortised on a straight-line basis over a period of 5 years.

2.7. Impairment of non-financial assets

Non-financial assets are reviewed for impairment when events or changed circumstances indicate that the carrying amount may not be recoverable. The impairment loss is recognised as the difference between the carrying amount of the asset and its recoverable amount. The recoverable amount is the fair value of the asset less costs to the point of sale or its value in use, whichever is higher. For impairment estimates, assets are grouped at the lowest level in order to individually determine the cash flow.

2.8. Financial assets

The Company classifies its financial assets under the category of loans and receivables.

Loans and receivables represent non-derivative financial assets with fixed or determinable payments that are not quoted in the active market. It is held within the current assets, except for assets with maturities of more than 12 months after the reporting date. These assets are classified as non-current assets. Receivables include trade and other receivables.
Loans and receivables are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method.
At each reporting date, the Company assesses whether there is objective evidence of the impairment of financial asset or group of financial assets. The value of a financial asset is considered diminished when objective evidence indicates that one or more events have had a negative impact on the estimated future cash flows of that asset.
Significant financial assets are subject to an individual impairment test. Other financial assets are estimated in groups sharing common characteristics.

2.9. Inventories

Inventories are carried at its cost and net realisable value, whichever is the lower. The cost is determined by the method of average weighted prices. Net realisable value represents the estimate of sales price in the ordinary course of business, less the costs of sale.

2.10. Cash and cash equivalents

Cash and cash equivalents include cash, deposits with banks and other short-term highly liquid instruments with a maturity of up to three months or less.

2.11. Borrowings

Borrowings are initially recognised at fair value less transaction costs and subsequently at amortised cost using the effective interest method. Interest is recognized as an expense, except in the case of qualifying assets when they are capitalised as part of the cost of asset acquisition.
The effective interest rate method is the method for calculating the amortised cost of financial liability and the allocation of interest expense over the accounting period.
Borrowings are classified according to their contractual maturity as current liabilities, i.e. non-current liabilities if maturity is longer than 12 months. If the Company has an unconditional right to postpone the settlement for at least 12 months after the reporting date, liabilities are classified as non-current.
The Company ceases to recognize financial liabilities only and exclusively when the liabilities are paid, cancelled or expired.

2.12. Liabilities towards suppliers

Liabilities towards suppliers are the amounts pertaining to purchased goods and services in the ordinary course of business. If payment is expected within one year, the liability is recognised within the current liabilities, otherwise it is shown within the non-current liabilities. Liabilities towards suppliers are initially recognised at fair value, and in future periods they are recognised at amortized cost using the effective interest rate method.

2.13. Taxation

Tax expense on the basis of profit tax is the sum of current liabilities and deferred taxes.
Current tax liability is based on taxable profit for the year. Taxable profit differs from profit for the period reported in the income statement as it excludes items of income and expenses that are taxable in other years or are non-taxable, i.e. not recognised as an expense for profit tax purposes. The Company's current tax liability is calculated at rates effective on the reporting date.
Deferred tax is an amount for which it is expected to incur a liability or recoverable amount based on the difference between the carrying amount of assets and liabilities in the financial statements and the related tax base used to calculate the taxable profit and is calculated using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available on which deductible temporary differences and tax losses can be utilised.
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that a sufficient amount of taxable profit will be available for the reimbursement of all or part of the tax asset. Deferred tax is charged or credited to profit and loss, unless it relates to items directly charged or credited to the principal, whereby the deferred tax is also carried at the principal.

2.14. Employee benefits and salaries

Liabilities for pensions and other liabilities after retirement
During the normal operations at the time of payment of salaries the Company makes for its employees who are the members of compulsory pension funds regular payments for contributions according to Act. Compulsory pension contributions to funds are stated as a part of the cost of salaries when they are calculated. The Company has no obligation to provide any other employee benefits after their retirement.

Severance payments
The Company pays one-time severance payments upon retirement. The obligations and costs of these benefits are determined by applying the projected unit credit method and discounted to their present value on the basis of calculations made at the end of each reporting period, using the assumptions on the number of employees estimated to be entitled to severance benefits at regular retirement, the estimated cost of these severance payments and the discount rate determined as the average expected return on investment in government bonds. Actuarial gains and losses arising from compliance and changes based on experience in actuarial assumptions are immediately charged or credited to profit or loss.

Non-current employee benefits
The Company recognises the obligation to non-current employee benefits (awards for continuous years of service) equally in the period in which the award was realised based on the actual number of years of service. Non-current employee benefits obligation is measured at the end of each reporting period using the assumptions on the number of employees to which the said benefits are to be paid, the estimated cost of the aforementioned receipts and the discount rate defined as the average expected return on investment in government bonds. Actuarial gains and losses arising from compliance and changes based on actuarial assumptions are immediately charged or credited to profit or loss.

2.15. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event from a previous period and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows using discount rate before tax reflecting the current market valuation of the time value of money and, where applicable, liability-specific risks. When the Company expects reimbursement for the amount that is reserved, such reimbursements are recognised as a separate asset item, but only when the reimbursement becomes truly certain.

2.16. Share capital

The Company's share capital consists of ordinary shares. The paid compensation for purchased own shares, including all directly related transaction costs, reduces the equity that can be attributed to the Company's shareholders until the withdrawal of shares, their re-issuance or sale. When such shares are subsequently sold or re-issued, any fee received, less any directly attributable transaction costs, is included in the principal attributable to the shareholders of the Company.

2.17. Revenue recognition

Revenue consist of the fair value of the compensation received or receivables for the services sold during the ordinary business of the Company. Revenue is expressed in the amounts reduced by the value added tax.
The Company recognizes revenue when it can be reliably measured, and if the Company will have the economic benefits and when specific criteria for the entire Company’s activities are met.

Revenue from sale of services
Revenues from hotel and tourist services are recognised in the period in which the services were provided.

Revenue from lease services
Revenues from lease services are recognised in the period in which the services were provided, using the straight-line method during the lease contract period.

Revenue from interests
Revenues from interests are recognised on a time-proportional basis using the effective interest rate method.

2.18. Leases

Leases are classified as finance leases when almost all the risks and rewards associated with the ownership over the funds are transferred to the lessee. All other leases are classified as operating leases.

The Company as the lessor

Revenues from rentals based on operating lease are recognised straightforward during the period of the lease. Initial direct costs of negotiating and contracting operating leases are attributed to the carrying amount of the lease and are recognised straightforwardly during the lease period.

The Company as the lessee
Assets subject to financial lease are recognised as assets of the Company at fair value at the beginning of the lease or at the present value of the minimum lease payments if lower. The related liability towards the lessor is reported in the statement of financial position (balance sheet) as a liability for financial lease. Lease payments are deployed between financial costs and impairment charges to make a constant interest rate on the remaining amount of the liability. Financial costs are directly charged or credited to the profit or loss of the period in which they incurred.

2.19. Borrowing costs

Borrowing costs that can be directly linked to the acquisition, construction or production of a qualifying asset, i.e. an asset that necessarily requires a considerable amount of time to be ready for the intended use or sale, are attributed to the cost of purchasing of that asset until the asset is largely ready for the intended use or sale. Investment revenue earned by temporary investment of dedicated credit facilities during their spending for a qualifying asset is deducted from the cost of borrowing that can be capitalised.
All other borrowing costs are recognised as the expense of the period in which they incur.

2.20. Foreign currencies

Business events that are not in Croatian Kuna (HRK) are initially recorded by conversion at the current exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are re-calculated at the reporting date using the exchange rate valid at that date. Gains and losses arising from re-calculation are indicated in the income statement for the period in which they were incurred.

2.21. Earnings per share

Earnings per share are calculated by dividing the profit or loss attributable to the Company's shareholders with the average weighted number of regular shares during the year.

2.22. Reporting on business segments

Business segments are presented in accordance with internal reports submitted to the chief business decision maker. The chief business decision maker is a person or group that allocates resources to business segments and evaluates the business of a segment of a particular company. The Management Board of the Company is the chief business decision maker.

2.23. Events after the end of the reporting year

Events after the end of the reporting year that provide additional information on the Company's position at the date of the financial statements (events that result with adjusting) are reflected in the financial statements. Events that do not result in adjustments are disclosed in the notes to the financial statements if they are significant.

3. KEY ACCOUNTING JUDGEMENTS AND ESTIMATES

In applying the accounting policies described in Note 2, the Management Board has made certain judgements that have had a significant impact on the amounts reported in the financial statements (independently of the ones presented below).
The judgements are detailed in the accompanying notes and the most significant of them relate to the following:

Estimate of the useful service life of the property, plants and equipment

During 2015 and 2016, the Management Board of the Company has considered the application of the service life of basic assets, especially for the group of building structures. Given the Company's specific operating conditions in 2014, in which the bankruptcy proceedings of the Company were completed on the basis of the adopted Bankruptcy Plan, and lower volume of use of the Company's assets due to seasonal nature of the business, and taking into account the circumstances of the Bankruptcy Plan where bankruptcy debtor's operations were planned for the period of five years, with the obligation towards the creditors which the Company has to pay within the said period of five years, the Management Board has decided that, in terms of the application of depreciation rates in the said period in the Bankruptcy Plan, it will also apply the continuity of applied depreciation rates on which the planning of the adopted Bankruptcy Plan was based.

Provisions for legal disputes
The Company is a party to numerous court disputes arising from regular business. Provisions are recorded if there is a current liability as a result of the past event (taking into account all available evidence including the opinion of legal experts) where it is likely that settlement of such liability would require the outflow of resources and if the amount of the liability can be estimated reliably. Provisions for court proceedings on 31 December 2017 amount to HRK 446,490 (31 December 2016: HRK 446,490, see note 25).

Impairment of non-current assets
The impairment test requires estimating the usable value of cash-generating units if the carrying amount is lower than the net realisable value. Impairment is based on many factors such as changes in market conditions, industry growth expectations, increased cost of capital, changes in future financing opportunities, amounts paid in comparable transactions and other changes in circumstances suggesting impairment. The recoverable amount is the higher amount between the value in use and the net realisable value.
Establishing impairment indicators as well as estimating future cash flows and determining the fair value of an asset (or group of assets) requires significant estimates in recognising and valuing impairment indicators, expected cash flows, applicable discount rates, useful service periods and residual values. The Company did not have any property impairments that would result from the transactions described above.
In 2010, after the initiation of the bankruptcy proceeding, the Company engaged an authorised construction assessor for the purpose of establishing the market (fair) value of the property owned and held by the Company. The total value of the Company's property on 31 December 2017 amounted to HRK 599,627,778, of which HRK 298,373,064 are plots and HRK 301,254,714 are buildings.

The Management Board of the Company considers that from the date of the last assessment until the date of the financial statements there were no significant changes in terms of fair value of property in the Company.

Impairment of receivables

The values of receivables are taken from the Company's business books and reduced to their recoverable amount according to the probability of their collection. In 2017, the Company's Management Board made a value adjustment of receivables amounting to HRK 107,142.

Fair value estimate

The carrying amount of trade receivables less any impairment to the value and liability towards suppliers generally corresponds to their fair value. Market prices for similar instruments in the active market are used for the non-current debt.

Fair Value Hierarchy

IFRS 13 establishes a hierarchy of valuation techniques based on the visibility or invisibility of the input. Visible inputs reflect market data from independent sources; invisible inputs reflect market assumptions of the Company. These two input types create the following fair value hierarchy:

- Level 1 - (unadjusted) quoted prices in active markets for items identical to the asset or liability being measured.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset either directly i.e. as prices, or indirectly i.e. derived from prices.
- Level 3 - inputs for the asset or liability that are not based on observable market data i.e. unobservable inputs.

Going concern assumption

The Decision of the Commercial Court in Rijeka regarding the conclusion of the bankruptcy proceeding became final on 21 January 2014, and on 28 January 2014 the Decision on the conclusion of the bankruptcy proceeding was entered into the register of the Commercial Court in Rijeka. In 2016, the Company has settled all liabilities under the Bankruptcy Plan.

We also point out that on 21 February 2017 the Commercial Court in Rijeka regarding the case no. 14 St-52/2010 issued a Decision abolishing the supervision of the fulfilment of the obligations of the holder of the plan performed by the bankruptcy trustee, the Board of Creditors and the bankruptcy judge, thereby ensuring the Company's going concern.

for the year ended on 31 December 2017 (all amounts stated in HRK)

4. FINANCIAL INSTRUMENTS

Capital risk management

The Company manages the capital in order to ensure that it will be able to continue its unlimited business operations (going concern) while, at the same time, it increases returns to owners by optimising debt and equity ratio.
The Company's capital structure consists of share capital, statutory reserves, retained earnings and profit for the current year. Net debt includes all non-current and current liabilities minus the cash and cash equivalents shown in Note 23.
The indebtedness coefficient at the end of the year can be shown as follows:

	31 December 2016	**31 December 2017**
Debt	67,296,149	115,552,501
Cash and cash equivalents	5,119,938	2,652,470
Net debt	62,176,211	112,900,031
Capital	528,304,162	524,073,513
Net debt and equity ratio	**0.12**	**0.22**

Categories of financial instruments

	31 December 2016	**31 December 2017**
Financial assets	1,466,961	658,654
Trade and other receivables		
Other current financial assets	5,119,938	2,652,470
Non-current financial assets	3,212,240	3,212,240
Total	**9,799,139**	**6,523,364**
Financial liabilities		
Liabilities towards financial institutions	45,663,709	89,697,016
Liabilities towards suppliers and other liabilities	5,597,262	9,767,460
Total	**51,260,971**	**99,464,476**

Factors of financial risk

The Company's activities are exposed to various financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company has no formal risk management programme and overall risk management is carried out by the Management Board and the management of the Company.

Market risk

The Company's activities are primarily exposed to the financial risk of exchange rate fluctuations and interest rates (see below). Exposure to market risk is supplemented by sensitivity analysis. There were no changes in the Company's exposure to market risk or the way the risk is managed and measured.

for the year ended on 31 December 2017 (all amounts stated in HRK)

Currency Risk Management

The Company performs certain transactions denominated in foreign currencies, which result in exposure to changes in foreign exchange rates. The carrying amount of the Company's cash assets and liabilities denominated in foreign currency at the reporting date is as follows:

Assets		Liabilities	
31 December 2016	31 December 2017	31 December 2016	31 December 2017
4,646,751	2,090,967	38,793,208	83,585,211

Foreign currency sensitivity analysis

The Company is exposed to currency risk in the event of a change in the Euro exchange rate (EUR). The following table shows the analysis of the effects of the change in the exchange rate of the HRK in the amount of increase or decrease in the value of HRK by 10% compared to the EUR. The 10% rate is used for the internal reporting to the Management Board on the Foreign Exchange Risk Management and represents the Board's estimate of reasonably possible changes in the exchange rates of foreign currencies. The analysis is performed only for receivables and liabilities denominated in foreign currency and represents their adjustment at the end of the period for a 10% exchange rate change. Sensitivity analysis includes external loans denominated in currencies other than the lessor's or lessee's currency. The positive/negative amount below indicates an increase in profit or another capital when HRK strengthens by 10% in relation to the relevant currency. For a 10% weakening of the HRK against the relevant currency, the effect would be the same but in a negative amount.

In HRK

	2016	2017
Exchange rate effects EUR +10%		
Profit or loss	(3,414,646)	8,567,618
Exchange rate effects EUR -10%		
Profit or loss	3,414,646	(8,567,618)

Interest rate risk management

The Company is exposed to interest rate risk as it concludes credit agreements with variable interest rates. The Company’s exposure to interest rates on the basis of financial assets and liabilities is detailed under the sub-heading Liquidity risk management. The Company manages this risk by maintaining an appropriate ratio of fixed and variable interest rates in its credit portfolio.

Interest rate sensitivity analysis

The analysis of the effects of interest rate changes has been made only for financial instruments with variable interest rates, due to which the Company was exposed to interest rate risk at the end of the reporting period. The analysis for variable interest rates was made under the assumption that the outstanding amount of liabilities at the

end of the reporting period was outstanding for the entire year. Rate change of 10 basis points is used for the purposes of internal reporting to the Management Board on the interest rate risk management and represents the Board's estimate of reasonably possible interest rate changes.
In case of an increase or decrease of interest rates for 10 basis points, and if all other variables remain unchanged:

- The loss for the year ended on 31 December 2017 would be increased by HRK 235,755 based on interest rate risk exposure. This can mainly be attributed to the Company's exposure to interest rates on loans with variable interest rates.

Credit risk management

Credit risk refers to the risk that other parties will not fulfil its contractual obligations, which would result in the Company's financial loss. The Company continuously monitors its exposure to parties with which it operates, as well as their creditworthiness, and allocates the total value of concluded transactions to accepted customers.
The carrying amount of financial assets shown in the financial statements, less any impairment losses, represents the Company's maximum exposure to credit risk without taking into account the value of the collateral collected.
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Liquidity risk management

The ultimate responsibility for liquidity risk management lies with the Company's Management Board, which has established an appropriate liquidity risk management framework to manage the short-term, medium-term and long-term needs for liquidity management of the Company. The Company manages this risk by maintaining adequate reserves, loans from banks as well as other sources of funding by constantly monitoring the forecast and actual cash flows and compares the profile of maturity of financial assets and liabilities.

The following table shows in detail the remaining contractual maturities of the Company for non-derivative financial assets. The table is made on the basis of undiscounted cash flows of financial assets including interests on such assets that will be earned, except on the assets whose cash flow the Company expects in another period.

for the year ended on 31 December 2017 (all amounts stated in HRK)

Maturity of non-derivative financial assets

	Average weighted interest rate	Up to 1 month	1 – 3 months	From 3 months to 1 year	1 – 5 years	Over 5 years	Total
2017							
Non-interest bearing		3,311,124	-	-	3,212,240	-	6,523,364
Variable interest rate		-	-	-	-	-	-
Fixed interest rate		-	-	-	-	-	-
Total		**3,311,124**	**-**	**-**	**3,212,240**	**-**	**6,523,364**
2016							
Non-interest bearing		5,377,653	-	3,212,240	-	-	8,589,893
Variable interest rate		-	-	-	-	-	-
Fixed interest rate	0.25	-	-	1,209,246	-	-	1,209,246
Total		**5,377,653**	**-**	**4,421,486**	**-**	**-**	**9,799,139**

The following table shows in detail the remaining contractual maturities of the Company for non-derivative financial liabilities. The table is made on the basis of undiscounted cash flows of financial liabilities based on the earliest date on which the Company may be required to pay.

Maturity of non-derivative financial liabilities

	Average weighted interest rate	Up to 1 month	1 – 3 months	From 3 months to 1 year	1 – 5 years	Over 5 years	Total
2017							
Non-interest bearing		9,216,766	550,694	-	-	-	9,767,460
Variable interest rate	3	114,517	229,034	2,620,743	51,352,806	29,040,939	83,358,039
Fixed interest rate	10	-	404,040	1,212,119	5,231,926	-	6,848,066
Total		**9,331,283**	**1,183,767**	**3,832,863**	**56,584,732**	**29,040,939**	**99,973,584**
2016							
Non-interest bearing	-	-	2,000,157	3,597,105	-	-	5,597,262
Variable interest rate	3	175,751	169,621	1,956,406	19,710,928	16,396,090	38,408,796
Fixed interest rate	10	-	404,040	1,212,120	6,794,269	1,096,998	9,507,427
Total		**175,751**	**2,573,818**	**6,765.31.**	**26,505,197**	**17,493,088**	**53,513,485**

for the year ended on 31 December 2017 (all amounts stated in HRK)

SEGMENT INFORMATION

Business segments are stated in accordance with the internal reporting to the Company's Management Board, whose function is to make major business decisions and is responsible for allocating the resources to reporting segments and evaluating their results.

The Management Board has designated its reporting segments as hotels and apartments, camps and business units of Cafe Inter, Rokan, Katarina Pools and Kačjak Beach.

Segment information for reporting segments for the period ended on 31 December 2017 is as follows:

Business segment	Segment revenue HRK	Segment expense HRK	Segment result HRK
Hotels and apartments	61,620,765	(52,331,943)	9,288,822
Camps	15,470,692	(10,005,104)	5,465,588
BU Cafe Inter	3,071,556	(2,288,450)	783,106
BU Rokan	923,000	(935,559)	(12,559)
BU Katarina Pools	296,695	(657,489)	(360,794)
BU Kačjak Beach	1,027,136	(800,568)	226,568
Total by segments	**82,409,844**	**(67,019,113)**	**15,390,731**

Segment information for reporting segments for the period ended on 31 December 2016 is as follows:

Business segment	Segment revenue HRK	Segment expense HRK	Segment result HRK
Hotels and apartments	51,005,992	(44,031,629)	6,974,363
Camps	14,297,309	(8,974,594)	5,322,715
BU Cafe Inter	3,031,814	(1,756,548)	1,275,266
BU Rokan	898,218	(738,079)	160,139
BU Katarina Pools	195,264	(366,665)	(171,401)
BU Kačjak Beach	907,072	(723,118)	183,954
Total by segments	**70,335,669**	**(56,590,633)**	**13,745,036**

The segment result represents the profit of each segment before allocating other operating income, other operating expenses, financial income, financial expense and profit tax. This result represents a measure which is submitted to the Company's Management Board for the purpose of decision-making process regarding the allocation of resources to individual segments and assessing their performance.

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Adjustment between operating profit before tax and net profit is as follows:

Position	31 December 2016 HRK	31 December 2017 HRK
Operating profit before taxation by segments	13,745,036	15,390,731
Non-allocated operating revenues	13,248,573	1,281,233
Non-allocated financial revenues	510,530	1,387,571
Non-allocated operating expenses:	(21,218,651)	(18,205,019)
Purchase value of sold goods	*(109,318)*	*(102,543)*
Costs of raw materials and consumables	*(401,526)*	*(335,351)*
Costs of services	*(4,432,253)*	*(5,015,857)*
Costs of employees	*(4,716,208)*	*(5,309,141)*
Depreciation and amortisation	*(283,950)*	*(303,084)*
Provisioning costs	*(978,735)*	*(506,377)*
Value adjustment	*(1,866,449)*	*(107,143)*
Other operating expenses	*(8,430,212)*	*(6,525,523)*
Non-allocated financial expenses	(1,437,407)	(4,085,166)
Profit for the current year	**4,848,081**	**(4,230,650)**

The Company does not monitor the assets and liabilities by segments and, therefore, this information has not been disclosed.
Hotels, apartments and camps (operational assets) are located in the Republic of Croatia.
The Company carries out its hotel and catering services and sales activities in Croatia with domestic and foreign buyers.

5. REVENUES FROM SALES OF GOODS AND SERVICES ON THE MARKET

	2016.	**2017.**
Revenue from accommodation	58,293,000	68,138,492
Revenue from food and drinks	8,379,970	10,054,237
Revenue from other hotel services	1,015,564	1,195,731
Revenue from sales of trade goods	144,814	156,099
TOTAL	**67,833,349**	**79,544,559**

The Company carries out its hotel and catering services and sales activities in Croatia with domestic and foreign buyers. Sales revenues of the Company also vary according to the geographical affiliation of customers.

	2016.	**2017.**
Revenue from sales to domestic customers	10,508,317	10,762,654
Revenue from sales to foreign customers	46,828,721	57,334,697
Total	**57,337,038**	**68,097,531**

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6. OTHER OPERATING INCOME

	2016.	2017.
Revenue from rentals	1,978,004	1,919,353
Revenue from re-invoiced expenses of lessees	789,607	734,350
Revenue from sales of non-current assets	6,460,793	30,108
Revenue from termination of provisions	6,059,717	35,677
Revenue from insurance damages	141,434	214,575
Revenue from direct aid	106,574	58,684
Revenue from billing by judgement and out-of-court settlements	3,125	378,484
Revenue from collecting suspicious and controversial receivables	30,328	336,528
Other operating income	181,311	438,759
TOTAL	**15,750,893**	**4,146,518**

7. COSTS OF RAW MATERIALS AND CONSUMABLES

	2016.	2017.
Consumed food products	7,826,277	9,656,698
Consumed alcoholic and non-alcoholic beverages	895,018	894,784
Office materials	112,662	121,086
Packaging	106,562	148,692
Consumable and overhead material	1,310,884	1,424,941
Cost of electricity	2,987,612	3,521,053
Fuel and gas	1,069,788	1,322,219
Consumed water	1,369,817	1,227,229
Fuel for personal and freight vehicles	97,088	107,165
Small inventory write off	2,730,981	1,910,959
Other costs	115,089	90,493
TOTAL	**18,621,778**	**20,425,319**

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8. COSTS OF SERVICES

	2016.	2017.
Transport services (road and maritime traffic)	40,989	9,012
External services of subcontractors	2,935,012	3,189,698
Investment and current maintenance services	3,679,645	4,110,764
Rentals	36,484	15,305
Costs of music and ZAMP	312,709	401,930
Bankruptcy Plan supervision costs	-	-
Temporary service contracts gross costs	277,918	415,538
Promotional services	540,349	662,609
Intellectual services	1,858,132	2,410,355
Utilities	1,505,248	1,270,663
Telephone, internet and mail delivery costs	870,206	905,134
Commissions and bank charges	1,512,405	1,855,814
Student service	851,659	1,320,158
Rental of mobile homes	1,518,317	1,562,397
Other services	1,178,288	1,597,864
TOTAL	**17,117,361**	**19,727,241**

9. COSTS OF EMPLOYEES

	2016.	2017.
Net salaries	13,600,027	17,073,336
Costs of transportation to and from work	689,209	793,023
Tax and surtax costs	1,076,125	1,229,651
Contributions from salary	3,741,569	4,629,616
Contributions on salary	3,030,245	3,784,788
Cost of unused free hours - re-distribution	266,562	338,292
Severance payments	13,661	85,644
Presents for children and Christmas bonuses	145,600	295,200
Other	13,410	43,720
TOTAL	**22,576,408**	**28,273,269**

Compensations to the Management Board members and executive directors of the Company:

	2016.	2017.
Management Board	460,407	425,970
Therein - receipts in kind	22,529	20,748
Executive Directors	927,812	817,074

for the year ended on 31 December 2017 (all amounts stated in HRK)

10. PROVISIONING COSTS

	2016.	2017.
Provisions for unused annual vacations	964,061	460,758
Long-term provisions for severance payments and awards for continuous years of service	14,674	45,618
TOTAL	**978,735**	**506,376**

11. VALUE ADJUSTMENT

	2016.	2017.
Value adjustment - purchase of receivables JADRAN USLUGE d.o.o.	1,437,760	-
Value adjustment of trade receivables	428,689	107,142
Value adjustment of advance payment	-	-
TOTAL	**1,866,449**	**107,142**

12. OTHER OPERATING EXPENSES

	2016.	2017.
Compensation to students on practical work and scholarships	87,157	94,000
Insurance premiums	816,209	718,887
Utility and concession costs	1,402,176	1,918,099
Representation costs	101,028	107,510
Travel costs, daily allowances, accommodation and field allowances	279,571	270,313
Employee aid	33,000	49,312
Charges for Croatian Waters	1,691,930	1,666,599
Contributions, membership fees and other allowances	258,360	254,574
Taxes not depending on the profit	19,034	122
Costs of professional trainings of employees	86,085	250,066
Non-depreciated value of decommissioned assets	1,131,883	82,652
Costs from sold non-current assets	1,648,306	-
Other operating costs	875,473	1,113,389
TOTAL	**8,430,212**	**6,525,523**

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13. FINANCIAL REVENUES AND EXPENSES

Financial revenues

	2016.	2017.
Revenue from regular and default interests	35,990	35,579
Positive exchange rate differences	380,196	1,270,577
Other financial income	94,344	81,416
Gains from sale of shares	-	-
TOTAL	**510,530**	**1,387,571**

Financial expenses

	2016.	2017.
Costs of regular and default interests	(989,990)	(2,241,707)
Negative exchange rate differences	(447,417)	(1,344,908)
Interest paid on court verdicts	-	(498,551)
TOTAL	**(1,437,407)**	**(4,085,166)**
NET FINANCIAL (EXPENSES) / REVENUES	**(926,877)**	**(2,697,595)**

14. PROFIT TAX

The Company is a taxpayer, in accordance with the tax laws and regulations of the Republic of Croatia. The tax base is defined as the difference between the income and expense of the period increased and reduced for income and expenses that have different tax treatment, in accordance with the tax regulations on profit taxation. The profit tax rate in all shown periods is 20%.

	2016.	2017.
Profit before taxation	**4,848,082**	**(4,230,650)**
Expenses not recognized for tax purposes	1,608,977	147,293
Decrease in profit	57,806	136,479
Transferred tax loss	-	4,219,837
Tax base	**6,399,253**	**-**
Tax rate	20%	18%
Current tax	**1,279,850**	**-**
Deferred tax assets	(266,386)	-
Profit tax	**1,013,464**	**-**
Effective profit tax rate	**21%**	**-**

for the year ended on 31 December 2017 (all amounts stated in HRK)

In the past few years, the Tax Administration has not carried out supervisions or audits of the Company's corporate income tax report. In accordance with the tax regulations, the Tax Administration may at any time review the books and records of the Company for a period of three years after the expiration of the year in which the tax liability is reported and may impose additional tax liabilities and charges. The Management Board of the Company is not aware of any circumstances that could lead to potentially significant liabilities in this respect.

The adjustment of deferred tax assets is as follows:

	2016.	2017.
Status on 1 January	**68,085**	**334,471**
Increase in deferred tax assets	266,386	-
Status on 31 December	**334,471**	**334,471**

Deferred tax assets are accounted for non-deductible provisions for awards for continuous years of service and severance benefits for regular retirement, temporary non-deductible expenses and value adjustment of financial assets.

The table below summarizes the changes in deferred tax assets over the year:

	Provisions for years of service awards and severance benefits	Value adjustment of financial assets	Other
On 1 January 2016.	**68,085**	**-**	**-**
Charged or credited to the statement of comprehensive income for the current year	2,641	258,797	4,948
On 31 December 2016	**70,726**	**258,797**	**4,948**
On 1 January 2017.	**70,726**	**258,797**	**4,948**
Charged or credited to the statement of comprehensive income for the current year*	-	-	-
On 31 December 2017	**70,726**	**258,797**	**4,948**

15. EARNINGS PER SHARE

	2016.	2017.
Profit / loss for the current year	**3,834,617**	**(4,230,650)**
Profit (loss) attributable to the shareholders of the Company	**3,834,617**	**(4,230,650)**
Average weighted number of ordinary shares used in calculating basic / diluted earnings per share	49,131,669	49,131,669

for the year ended on 31 December 2017 (all amounts stated in HRK)

Basic and diluted earnings per share	**0.08**	**(0.09)**

16. PROPERTY, PLANTS AND EQUIPMENT

Description	Land	Building structures	Plants and equipment	Other equipment	Tangible assets in preparation	Total
PURCHASE VALUE						
Balance at 31 December 2015	**305,922,157**	**601,325,075**	**35,187,123**	**213,006**	**698,589**	**943,345,950**
Direct increases in assets	0	26,437,829	12,054,012	0	4,877,222	43,369,063
Disposal and alienation	(7,460,640)	(8,300,169)	(6,851,191)	(2,200)	0	(22,614,200)
Balance at 31 December 2016	**298,461,517**	**619,462,735**	**40,389,944**	**210,806**	**5,575,811**	**964,100,813**
Direct increases in assets	0	40,911,894/i/	15,914,195/i/	0	(4,096,924)	52,729,165
Disposal and alienation	(88,452)	(152,556)	(1,866,261)	0	0	(2,107,269)
Balance at 31 December 2017	**298,373,064**	**660,222,072**	**54,437,879**	**210,806**	**1,478,887**	**1,014,722,709**
VALUE ADJUSTMENT						
Balance at 31 December 2015	**0**	**353,789,632**	**28,742,412**	**213,006**	**-**	**382,745,050**
Depreciation and amortisation	**0**	6,265,741	1,728,476	0	0	**7,994,217**
Disposal and alienation	**0**	(7,546,278)	(6,451,781)	(2,200)	0	**(14,000,259)**
Balance at 31 December 2016	**0**	**352,509,095**	**24,019,107**	**210,806**	**0**	**376,739,008**
Depreciation and amortisation	**0**	6,515,170	2,921,817	0	0	**9,436,987**
Disposal and alienation	**0**	(56,907)	(1,785,100)	0	0	**(1,842,007)**
Balance at 31 December 2017	**0**	**358,967,358**	**25,155,824**	**210,806**	**0**	**384,333,988**
CURRENT VALUE						
31 December 2015	**305,922,157**	**247,535,443**	**6,444,711**	**0**	**698,589**	**560,600,900**
31 December 2016	**298,461,517**	**266,953,640**	**16,370,837**	**0**	**5,575,811**	**587,361,805**
31 December 2017	**298,373,064**	**301,254,714**	**29,282,055**	**0**	**1,478,887**	**630,388,720/iii/**

/i/ Increase in tangible assets – building structures in the amount of HRK 40,911,894 relates to investing in hotel facilities (raising hotel categorisation, arranging camps and other construction works).
/ii/ Increase in tangible assets – equipment in the amount of HRK 15,914,195 relates to the purchase of equipment necessary for business operations in hotels and camps.
/iii/ On 31 December 2017 the net bookkeeping value of tangible assets amounts to HRK 630,388,720, and on 31 December 2016 the net bookkeeping value of tangible assets amounted to HRK 587,361,805.

In 2016, the Company has concluded the following loan agreements whose insurance is entered on the Company's property:
HABOR long-term loan DT-1/16 – for adaptation of parts of Hotels Omorika and Varaždin (Katarina), and lien was placed on the real property, in kind, Hotel Omorika and Hotel Varaždin (Katarina).
HABOR long-term loan DT-10/16 – to complete the adaptation of Hotel Varaždin (Katarina), and lien was placed on the real property, in kind, Hotel Omorika and Hotel Varaždin (Katarina).

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PBZ long-term loan 5110217867 – for adaptation of parts of Hotels Varaždin (Katarina) and Esplanade and for the purchase of receivables of Veneto banka d.d., and lien was placed on the real property, in kind, Hotel Omorika and Hotel Varaždin (Katarina).

In 2015 and 2016, the Management Board of the Company examined the value of the following building structures and the related land:
- Hotel Katarina, Hotel Omorika, Hotel Esplanade, pavilions of the Hotel Slaven, Hotel Ad Turres.
The assessments were carried out by independent authorized assessors who used the comparative method and revenue method in order to establish the value of all building structures and land.

17. INTANGIBLE ASSETS

DESCRIPTION	Licenses, software and other rights	Intangible investments in preparation	Total
PURCHASE VALUE			
Balance at 31 December 2015	**1,702,296**	**0**	**1,702,296**
Direct increases in assets	**132,535**	**9,385**	141,920
Disposal and alienation	(1,857)	0	(1,857)
Balance at 31 December 2016	**1,832,974**	**9,385**	**1,842,359**
Direct increases in assets	**16,663**	**(9,385)**	7,278
Disposal and alienation	(12,684)	0	(12,684)
Balance at 31 December 2017	**1,836,952**	**0**	**1,836,952**
VALUE ADJUSTMENT			
Balance at 31 December 2015	**1,420,035**	**0**	**1,420,035**
Depreciation and amortisation	**114,805**	0	114,805
Disposal and alienation	(1,856)	0	(1,856)
Balance at 31 December 2016	**1,532,984**	**0**	**1,532,984**
Depreciation and amortisation	**119,730**	0	119,730
Disposal and alienation	(12,481)	0	(12,481)
Balance at 31 December 2017	**1,640,232**	**0**	**1,640,232**
CURRENT VALUE			
31 December 2015	**282,261**	**0**	**282,261**
31 December 2016	**299,990**	**9,385**	**309,375**
31 December 2017	**196,720**	**0**	**196,720**

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18. NON-CURRENT FINANCIAL ASSETS

	31 December 2016	31 December 2017
Hotels Novi d.d. in bankruptcy	4,384,800	4,384,800
Value adjustment of shares	(4,384,800)	(4,384,800)
Purchase of receivables towards the company Jadran usluge d.o.o.	4,650,000	4,650,000
Value adjustment of purchased receivables - Jadran usluge d.o.o./i/	(1,437,760)	(1,437,760)
Term deposit	-	-
TOTAL	**3,212,240**	**3,212,240**

/i/ In 2016, the Management Board of the Company completed the value adjustment of the purchased claims up to the amount of planned settlement amount in the bankruptcy proceeding. Value adjustment was made in the amount of HRK 1,437,760.

19. INVENTORIES

	31 December 2016	31 December 2017
Inventories of raw materials and consumables in warehouse	344,141	448,206
Purchase value - small inventory, vehicle tires in use	11,071,694	11,952,343
Value adjustment for small inventory and vehicle tires	(11,071,694)	(11,952,343)
Inventories of trade goods	13,179	13,461
TOTAL	**357,320**	**461,667**

20. TRADE RECEIVABLES

	31 December 2016	31 December 2017
Trade receivables	3,354,148	1,737,443
Value adjustment of trade receivables	(1,887,187)	(1,078,789)
Receivables by given advance payments	295,833	181,573
Value adjustment for receivables by given advance payments	(46,245)	-
TOTAL	**1,716,549**	**840,227**

Maturity structure of total trade receivables:

	31 December 2016	31 December 2017

Non-matured	280,840	184,551
Up to 30 days	148,717	268,131
31 - 60 days	167,553	22,218
61 - 90 days	137,852	25,030
91 - 180 days	687,956	52,239
181 - 365 days	40,681	95,045
365 and more days	1,890,549	1,090,229
TOTAL	**3,354,148**	**1,737,443**

Changes in impairment allowances were as follows:

	31 December 2016	31 December 2017
Status on 1 January	**(1,610,384)**	**(1,887,187)**
Receivables value adjustment	(428,689)	(102,572)
Outstanding corrected receivables	151,886	336,528
Previously written off receivables	-	574,442
Balance at the end of the year	**(1,887,187)**	**(1,078,789)**

The Management Board makes corrections to suspicious and controversial receivables based on an overview of the overall age structure of all receivables and on the basis of an overview of significant individual amounts included in the receivables.

21. CURRENT FINANCIAL ASSETS

	31 December 2016	31 December 2017
Term deposits in banks	1,209,246	-
TOTAL	**1,209,246**	**-**

22. OTHER RECEIVABLES

	31 December 2016	31 December 2017
Prepaid costs - demarcation of costs /i/	1,789,291	3,070,822
Other receivables	20,009	-
TOTAL	**1,809,300**	**3,070,822**

/i/ - The demarcation of costs consists of fuel in the amount of HRK 213,621, bank loan fees HRK 461,580, investment of the leaseholder Mediteran camp HRK 629,202 and other in the amount of HRK 1,766,419.

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23. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2017
Cash in banks in domestic currency	1,434,278	626,133
Cash in banks in foreign currency	2,475,227	2,022,258
Cash in hand	1,187	4,079
TOTAL	**3,910,692**	**2,652,470**

24. SUBSCRIBED CAPITAL AND RESERVES

	31 December 2016	31 December 2017
Subscribed capital	491,316,690	491,316,690
Capital reserves	25,401,322	25,401,322
Retained earnings	7,751,533	11,586,151
Profit for the current year	3,834,617	(4,230,650)
TOTAL	**528,304,162**	**524,073,513**

Ownership structure on:

Investor code	Investor name	Stock balance at 31/12/2015	% 31/12/2015	Stock balance at 31/12/2016	% 31/12/2016	Stock balance at 31/12/2017	% 31/12/2017
9379460	RESTRUCTURING AND SALE CENTRE - CERP (0/1) REPUBLIC OF CROATIA (1/1) ZS	33,313,211	67.87	33,313,211	67.80	31,365,851	63.84
9379452	RESTRUCTURING AND SALE CENTRE CERP (1/1), Zagreb, Ivana Lučića 6, OIB: 38083028711 OR	5,880,937	11.98	5,880,937	11.96	5,880,937	11.97
11134	ERSTE&STEIERMÄRKISCHE BANK d.d.	2,418,881	4.92	2,418,881	4.92	2,418,881	4.92
378208	HRVATSKE VODE	624,876	1.27	624,876	1.27	624,876	1.27
912446	THE CITY OF CRIKVENICA	552,170	1.12	552,170	1.12	552,170	1.12
9408266	AORPS (1/1)	489,242	0.99	489,242	0.99	489,242	1.00
9408398	GKTD MURVICA D. O. O. (1/1)	464,350	0.94	464,350	0.94	464,350	0.95
9408711	STEČAJNA MASA IZA JADRAN USLUGE D.O.O.	321,224	0.65	321,224	0.65	321,224	0.65
9408690	TB CRIKVENICA (1/1)	299,025	0.60	299,025	0.60	299,025	0.61
	OTHER SHAREHOLDERS	3,923,504	7.99	3,977,707	8.09	6,715,113	13.67
TOTAL		**49,077,466**	**100**	**49,131,669**	**100**	**49,131,669**	**100**

Share capital represents own permanent resources of assets for the Company's business operations. Share capital is entered in the Registry of the Commercial Court in Rijeka and recorded in balance sheets in the amount of HRK 491,316,690. In 2016, the Company's share capital was increased by the amount of HRK 542,030 by investing the creditor's claim based on the bankruptcy plan implementation.

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The Company's capital reserves were formed in 2014 by shareholders' - bankruptcy creditors' input in the amount of HRK 25,356,374 in accordance with the bankruptcy plan implementation. In 2016, the Company increased the capital reserves in the amount of HRK 44,948 by the Company's creditors who increased the share capital in 2016. In the current year, the Company realised a loss of HRK 4,230,650, while the previous year generated a profit of HRK 3,834,617.

25. PROVISIONS

	31 December 2016	31 December 2017
Provisions for severance payments	162,109	168,844
Provisions for years of service awards	230,814	269,698
Provisions for legal disputes	446,490	446,490
TOTAL	**839,413**	**885,032**

The amount of provisions of HRK 446,490 relates to a court case filed against the bankruptcy debtor by the bankruptcy creditor in relation to the disputed claim in bankruptcy proceedings in II. payment order - Alpe Adria projekt d.o.o., and to provisions for severance payments of HRK 168,844 and years of service awards in the amount of HRK 269,698.

Review of provisions over the years:

	Court disputes	Severance payments	Years of service awards	Total
On 1 January 2014.	1,811,717	-	-	1,811,717
As at 31 December 2014,	1,811,717	-	-	1,811,717
Reduction of provisions based on payment	(26,639)	-	-	(26,639)
As at 31 December 2015,	1,785,078	-	-	1,785,078
Additional provisions based on estimates	-	162,109	230,814	392,923
Reduction of provisions based on payment	(1,338,588)	-	-	(1,338,588)
On 31 December 2016	446,490	162,109	230,814	839,413
Additional provisions based on estimates	-	6,735	38,884	45,619
On 31 December 2017	446,490	168,844	269,698	885,032

26. NON-CURRENT LIABILITIES TOWARDS FINANCIAL INSTITUTIONS

	31 December 2016	31 December 2017
Liabilities under the Loan Agreement – Croatia osiguranje /i/	6,998,120	5,734,192
Liabilities for long-term loans HBOR – DT-6/15 /ii/	6,220,241	4,809,711
Liabilities for long-term loans HBOR – DT-1/16 /iii/	17,222,719	17,122,135
Liabilities for long-term loans HBOR – DT-10/16 /iv/	10,035,835	9,977,224
Liability for long-term loan PBZ – 2016 -5110217867 /v/	5,090,191	51,547,674

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Liability for financial leasing	96,602	86,612
Short-term maturity of long-term loans in 2017	(2,646,203)	(4,331,841)
Short-term maturity by fin. leasing in 2017	(9,479)	(10,051)
TOTAL	**43,008,026**	**84,935,656**

Principal repayment schedule for long-term loans maturing in the next five years:

Years	Principal maturity	Interest maturity	Leasing maturity	Total
2018.	4,332,151	2,633,146	10,051	6,975,348
2019.	14,615,871	2,427,683	10,715	17,054,269
2020.	14,691,708	1,981,054	11,423	16,684,185
2021.	14,143,527	1,476,104	12,178	15,631,809
2022	12,371,964	1,020,740	12,982	13,405,686
After 2022	29,035,715	1,165,427	29,263	30,230,405
TOTAL	**89,190,936**	**10,704,154**	**86,612**	**99,981,702**

Below is an overview of long-term loans denominated in foreign currencies:

	31 December 2016	31 December 2017
EUR	38,665,589	83,543,356

/I/ In 2015 the Agreement on payment of liabilities under Loan Agreement No. 1004107 was concluded with the company Croatia osiguranje d.d., a creditor with separate satisfaction rights in the Bankruptcy Plan. The agreement was concluded on a period of 7 years, with an interest of 10%.
/ii/ In 2015 the Company concluded an agreement on long-term loan in the amount of HRK 7 million with the Croatian Bank for Reconstruction and Development d.d., repayment term of 5 years, grace period of 1 year, interest rate of 3%, for the purposes of facility arrangement and raising categorisation - Hotel Omorika and campsite Selce.
/iii/ In 2016 the Company concluded an agreement on long-term loan in the amount of HRK 17,400,000 with the Croatian Bank for Reconstruction and Development d.d., repayment term of 8 years, grace period of 1 year, interest rate of 3%, for the purposes of facility arrangement and raising categorisation - Hotel Omorika and Hotel Varaždin (Katarina).
/iv/ In 2016 the Company concluded an agreement on long-term loan in the amount of HRK 10 million with the Croatian Bank for Reconstruction and Development d.d., repayment term of 8 years, grace period of 1 year and 3 months, interest rate of 3%, for the purposes of facility arrangement and raising categorisation - Hotel Varaždin (Katarina).
/v/ In 2016 the Company concluded an agreement on long-term loan in the amount of EUR 7,400,000 with Privredna banka Zagreb d.d., repayment term of 6 years, grace period of 1 year and 6 months, interest rate of 2.6%, for the purposes of facility arrangement and raising categorisation - Hotel Varaždin (Katarina) and Hotel Esplanade, and for the purchase of receivables of Veneto banka d.d. This agreement was concluded in December 2016 and the loan was used in the amount of HRK 51,547,674 (equivalent to EUR 6,860,539) until 31 December 2017, the term of the loan was extended until 30 June 2018 (the unused portion of the loan until 16 April 2018 amounts to EUR 539,461).

for the year ended on 31 December 2017 (all amounts stated in HRK)

27. OTHER NON-CURRENT LIABILITIES

	31 December 2016	31 December 2017
Liabilities under the Bankruptcy Plan /i/	9,530,639	8,131,873
Investment liabilities - Mediteran campsite	-	419,468
TOTAL	**9,530,639**	**8,551,341**

/i/ Liabilities under the Bankruptcy Plan in the amount of HRK 8,131,873 relate to liabilities towards creditors with separate satisfaction rights. The Bankruptcy Plan does not interfere with the right of creditors with separate satisfaction rights to settle in cases where they have the right to separate settlement. The stated non-current liabilities in the amount of HRK 8,131,873 consist of:

Liabilities by type of creditors:	**31 December 2017**
Payment class 1 - creditors with separate satisfaction rights – whose right to separate settlement is disputed	3,156,924
Payment class 2 - creditors with separate satisfaction rights – whose right to separate settlement is disputed	4,336,403
Accrued interest - creditors with separate satisfaction rights	608,050
Liabilities for contributions to share capital equity	30.496
TOTAL	**8,131,873**

28. LIABILITIES TOWARDS SUPPLIERS

	31 December 2016	31 December 2017
Liabilities towards domestic suppliers /i/	5,469,644	9,725,604
Liabilities towards foreign suppliers	127,618	41,856
TOTAL	**5,597,262**	**9,767,460**

/i/ The Company settles its liabilities towards the suppliers in compliance with the provisions of the Act on Financial Operations and Pre-Bankruptcy Settlement. Until the day of acceptance of this report, the Company settled all its liabilities towards the suppliers as at 31 December 2017, except for liabilities towards the company Projektgradnja d.o.o. in the amount of HRK 5,490,509 due to subsequent corrections of construction works on the hotel.

29. LIABILITIES FOR ADVANCES, DEPOSITS AND GUARANTEES

	31 December 2016	31 December 2017
Liabilities for received domestic advances	663,158	221,672
Liabilities for received foreign advances /i/	2,429,658	3,453,670
Liabilities for deposits and guarantees	454,000	500,946

for the year ended on 31 December 2017 (all amounts stated in HRK)

TOTAL	**3,546,816**	**4,176,288**

/i/ Liabilities for received advances mostly relate to the company Katarina line d.o.o. from Opatija, in the amount of HRK 1,588,098.

30. LIABILITIES TOWARDS EMPLOYEES

	31 December 2016	31 December 2017
Liabilities towards the employees for net salaries	929,059	1,235,661
Other liabilities towards the employees /i/	41,129	61,737
TOTAL	**970,188**	**1,297,398**

/i/ Other liabilities towards the employees include the liabilities related to employees' transport in the amount of HRK 44,469, medical examination of HRK 1,268 and severance payments of HRK 16,000.

31. LIABILITIES TOWARDS THE STATE

	31 December 2016	31 December 2017
Liabilities for contributions from and to salaries	470,845	618,127
Liabilities for tax and surtax	67,485	99,451
Income tax liabilities	1,279,851	96,517
Other liabilities towards the state	52,415	243,850
TOTAL	**1,870,596**	**1,057,945**

32. LIABILITIES TOWARDS BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2016	31 December 2017
Liabilities under the Loan Agreement – Croatia osiguranje – 1004107 /i/	1,263,927	1,263,927
Liabilities for long-term loans HBOR – DT-6/15 /i/	1,382,276	1,374,203
Liabilities for interest in the currency	81,500	111,689
Liabilities for financial leasing - Porsche /i/	9,479	10,051
Liabilities for long-term loans HBOR – DT-1/16 /i/	-	1,070,134
Liabilities for long-term loans HBOR – DT-10/16 /i/	-	623,577
TOTAL	**2,737,182**	**4,453,581**

/i/ According to repayment plans, these amounts are due in 2018 and are transferred to non-current liabilities.

for the year ended on 31 December 2017 (all amounts stated in HRK)

33. OTHER CURRENT LIABILITIES

	31 December 2016	31 December 2017
Liabilities for compensations under temporary service contracts	25,067	23,852
Scholarships to students	3,500	3,500
Other liabilities - unpaid to bankruptcy creditors	6,872	6,695
Income deferred to future period	1,900,475	175,791
Accrued expenses - unused annual leave /iii/	964,061	460,758
Accrued expenses - redistribution of working hours	266,562	338,292
Distinction of received capital grants /i/	888,888	879,954
Other liabilities - interest to creditors with separate satisfaction rights /ii/	-	1,069,021
Other liabilities - settlement for campsite Selce investment	-	209,734
TOTAL	**4,055,425**	**3,167,597**

/i/ Received capital grants in the amount of HRK 879,954 allocated by the Energy Efficiency and Environmental Protection Fund relate to the reconstruction of the heating system at the Hotel Katarina.

/ii/ Interest to creditors with separate satisfaction rights in the amount of HRK 1.069.021 relates to accrued interest that should be paid to the creditors - former employees of Jadran d.d., according to settlement agreements concluded with the employees. By the date of acceptance of the financial statements the remaining payment liability amounted to HRK 752,960.

/iii/ Non-current provisions refer to the accrued expense of unused annual leaves on 31 December. The provision amounted to HRK 460,758 in 2017, and HRK 964,061 in 2016.

34. POTENTIAL LIABILITIES

The company is engaged in a significant number of court disputes.
These are the following:

a) Litigious and non-litigious cases for the purpose of establishing the right of ownership,
b) Proceedings to set aside a transaction against the Company as bankruptcy debtor,
c) Civil and enforcement proceedings,
d) Criminal proceedings,
d) Proceedings regarding the return or reimbursement of seized property.

The outcome of court disputes that may have a more significant financial impact on the Company are legal actions to set aside a transaction against creditors who have not accepted the terms of the Bankruptcy Plan. The disputes are against former employees of the Company and the company Croatia osiguranje d.d., Zagreb, Rijeka Branch Office.

During the bankruptcy proceeding, the Company concluded an Agreement with the Government of the Republic of Croatia on 17 April 2013, which regulates mutual relations regarding filed claims of the creditors - the Republic of Croatia, the Ministry of Finance, the Tax Administration, Rijeka Regional Office, the creditors - the Republic of Croatia, the Ministry of Finance and creditors - the Croatian Privatization Fund (at the time of the conclusion of the Agreement - State Property Management Agency), as well as mutual relations related to the request of the exclusive creditor - the Croatian Privatization Fund.
The same Agreement stipulates the obligation of the Republic of Croatia upon the validity of the Bankruptcy Plan, to issue to the Company a certificate valid for the registration of the ownership right on the real estate located in Selce camp, which is the property of the Republic of Croatia. The Agreement concluded on 14 June 2010 was repealed and claims in cases conducted between the Company and the State Property Agency and the Republic of Croatia have been withdrawn.
In order to fulfil the obligations of the above-mentioned Agreement, the Company and the Republic of Croatia represented by the County State Attorney's Office in Rijeka concluded the out-of-court settlement on 20 June 2014, on the basis of which actions to fulfil all obligations under the Agreement of 17 April 2013 were undertaken. Registration of the ownership right over the real estate in Selce camp was carried out, and actions to suspend mutual judicial proceedings are in progress.

On 14 January 2016, a purchase contract was signed with Hotel Therapia d.o.o., whereby 9 plots located near the hotel Therapia (today Hotel Kvarner Palace) were sold. The contract was concluded in order to settle the claims of Hypo Alpe Adria Bank d.d. as a creditor with separate satisfaction rights from the Bankruptcy Plan in the amount of HRK 1,338,589 and HRK 908,431, and the amount of HRK 112,934 relates to creditors with separate satisfaction rights - former employees.

On 2 December 2016 an agreement on the sale of claim was concluded between Veneto banka d.d., as the seller, and the Company, as the buyer, whereby the Company paid to Veneto banka d.d. the amount of HRK 4,650,000.00 on the basis of the purchase price for the entire claim that Veneto banka d.d. has against the company Jadran usluge d.o.o. By paying this amount to the bank the claim was transferred to the Company and the Bank authorizes the Company to take all necessary legal actions for filing the claim in the bankruptcy estate of the company Jadran usluge d.o.o. in bankruptcy proceedings Tt-11/1498 at the Commercial Court in Rijeka.
Under the said agreement, Veneto banka d.d. has submitted to the Company all documents issued for the purpose of securing the collection of the claim (bills of exchange, debentures) from which the claim arises. After that, the said bank has also delivered statements on lien deletion for deletion of all charges in favour of Veneto banka d.d. regarding the real property of the Company, as well as submissions on withdrawing: the enforcement proposal in case Ovr-700/10 initiated at the Municipal Court in Rijeka, the audit stated in case P-1997/2010 and the audit in case St-52/2010 initiated at the Commercial Court in Rijeka.
Petition for the withdrawal of revision by Veneto banka d.d. was delivered to the Supreme Court of the Republic of Croatia on 13 December 2016.

Furthermore, on 20 February 2017 the Supreme Court's Decision Revt 47/14 was received, by which former employees as appellants gave up the revision declared against the decision of the High Commercial Court of the Republic of Croatia Pž-8881/13 confirming the decision of the Commercial Court in Rijeka St-52/10 on the confirmation of the bankruptcy plan of the Company.

35. CONCLUSION OF THE BANKRUPTCY PROCEEDING

By the Decision of 28 January 2014, the Commercial Court in Rijeka performs the entry of the decision of the Court on the conclusion of the bankruptcy proceeding and the confirmation of the Bankruptcy Plan in the Court's Registry. By adopting the decision, the services of the bankruptcy trustee and the board of creditors are terminated, but the supervision of the Bankruptcy Plan executed by the bankruptcy trustee continues.

By the Decision St-52/2010 of 16 September 2013, the Commercial Court in Rijeka confirmed the Bankruptcy Plan of the Company. Appeals were submitted to the aforementioned decision on the confirmation of the Bankruptcy Plan, which were rejected as unfounded by the High Commercial Court of the Republic of Croatia by Decision no. 56, Pž-8881/13-4 of 20 November 2013, whereby the Decision of the Commercial Court in Rijeka of 16 September 2013 was confirmed. The Decision of the Commercial Court in Rijeka on the conclusion of the bankruptcy proceeding became final on 21 January 2014.

A group of former employees of the Company and Veneto banka d.d. have requested a revision from the Supreme Court of the Republic of Croatia regarding the Decision of the High Commercial Court of the Republic of Croatia confirming the Decision of the Commercial Court in Rijeka which approved the bankruptcy plan of the Company.
On 25 January 2017, the Supreme Court of the Republic of Croatia rendered the Decision Rev. 47/14, which states that revisionists (former employees) have given up the stated audit.
Veneto banka d.d. has also given up the audit by submitting a statement proposing the withdrawal of the declared audit. The said statement was delivered to the Supreme Court of the Republic of Croatia on 13 December 2016.

Since the Company had fulfilled its obligations under the Bankruptcy Plan two years before the deadline, and since all extraordinary audits were withdrawn at the Supreme Court, the Commercial Court in Rijeka has terminated the supervision over the execution of the Bankruptcy Plan by Decision No. 14 St-52/2010-1266 of 21 February 2017, which became final of 27 February 2017.

36. SETTLEMENT OF EMPLOYEES - CREDITORS OF HIGHER PAYMENT CLASS 1

In 2016, the Company made the last payment in cash to creditors of the bankruptcy debtor in the amount of HRK 8,923,237, which was also the last payment under the Bankruptcy Plan.

37. TRANSACTIONS WITH RELATED PARTIES

The Company is majority owned by the Republic of Croatia. Transactions carried out with companies and institutions owned by the Republic of Croatia are not significant and they are carried out on the basis of market principles.

38. EVETS AFTER THE DATE OF THE BALANCE SHEET

The Management Board of the Company has considered significant events after the balance sheet date:

- In January, all stocks marked JDRN-R-B, including the ones issued in the initial public offering of shares, were listed on the official market of the Zagreb Stock Exchange.
- The Company has concluded an agreement on the short-term revolving loan in HRK with Zagrebačka banka d.d. in January 2018, amounting to HRK 6 million, for the needs of current operations and settlement of current liabilities. By the date of acceptance of the financial statements, the Company has used HRK 2.5 million from the loan.
- On 17 January 2018 the mandate of the former President of the Management Board, Mr. Dino Manestra, has expired, and on 23 January 2018 the Supervisory Board appointed new members of the Management Board - Pero Matić (President of the Management Board) and Marija Galjanić Sovar (Member of the Management Board).
- The Company is preparing the facilities for opening and receiving guests and offers tenders for multi-year concessions for Kačjak beach in Dramalj, Kaštel beach in Crikvenica and part of the beach in front of Esplanade Hotel.
- The Agreement on the sale and transfer of 70.74% of shares of the company ADRAN d.d. Crikvenica was concluded on 6 April 2018. The Agreement was signed by the Restructuring and Sale Centre (CERP), as the seller, and PBZ CROATIA OSIGURANJE Pension Funds and ERSTE d.o.o. Pension Funds, as the acquirers.

According to the Zagreb Stock Exchange announcement of 9 April 2018, the two largest shareholders of the company Jadran d.d. are PBZ CROATIA OSIGURANJE Pension Funds with 45.52% of the Company's stocks and ERSTE d.o.o. Pension Funds with 24.35% of the Company's stocks, while CERP is the third shareholder with a share of 5.07% stocks of Jadran d.d.

39. AUDIT FEE

In 2017, the Company paid audit fees to auditing company Mervis d.o.o., for auditing annual financial statements, in the amount of HRK 70,000 and to auditing company BDO Croatia d.o.o., for the purpose of making the Prospectus and listing of the Company on the Zagreb Stock Exchange market, in the amount of HRK 152,880.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been adopted by the Management Board of the Company and their issuance was approved on 27 April 2018.

Class: 500-01-18/
File No.: 05 /1-18-

President of the Company's Management Board
Pero Matić
Jadran d.d.
Bana Jelačića 16., Crikvenica

Member of the Company's Management Board
Marija Galjanić Sovar
Jadran d.d.
Bana Jelačića 16., Crikvenica

Jadran
dioničko društvo
za hotelijerstvo i turizam
Crikvenica

ANNUAL REPORT ON THE STATUS AND BUSINESS OPERATIONS OF JADRAN D.D. IN 2017

Class: 500-01-18/03
File No.: 05/1-18-15

Crikvenica, 27 April 2018

In accordance with Article 21 of the Accounting Act and Article 250 of the Companies Act, Jadran d.d. Presents the following

ANNUAL REPORT ON THE STATUS AND BUSINESS OPERATIONS OF THE COMPANY IN 2017

Jadran Joint Stock Company for Hotels and Tourism from Crikvenica, Bana Jelačića 16, is registered at the Commercial Court in Rijeka under company registration number (MBS) 040000817. In 2017, the Company was managed by the Management Board and the Supervisory Board.

The Supervisory Board of the Company consisted of:

I. In the period from 1 January 2017 to 25 April 2017:
- Branko Vignjević from Zagreb,
- Marko Vukelić from Crikvenica,
- Mirko Herceg from Zagreb,
- Davorka Vukelić Ljubobratović from Crikvenica,
- Marina Cvitić from Sutivanac.

II. In the period from 25 April 2017 to 19 June 2017:
- Branko Vignjević from Zagreb,
- Marko Vukelić from Crikvenica,
- Mirko Herceg from Zagreb,
- Davorka Vukelić Ljubobratović from Crikvenica,
- Sanja Medvešček from Crikvenica.

III. In the period from 19 June 2017 to 31 December 2017:
- Ivo Bašić from Murter,
- Ivana Pavić from Zagreb,
- Marija Galjanić Sovar from Crikvenica,
- Silvia Crnić from Crikvenica,
- Sanja Medvešček from Crikvenica.

Note: On 18 August 2017 Silvia Crnić has resigned as a member of the Supervisory Board of JADRAN d.d. and was removed from the court register by decision of the assembly of 26 January 2018.

Management Board:

- Dino Manestar from Crikvenica, Kralja Tomislava 63/A, President of the Management Board, represents the Company individually and independently, based on the decision of 17 January 2014.

Note: On 17 January 2018, Mr. Manestra's mandate of the President of the Management Board has expired.

The Company mainly deals with the provision of catering services and accommodation services, which generates the majority of its revenues.

The Company carries out its financial transactions through giro accounts opened at:

- Privredna banka d.d. HR4323400091110722690
- Zagrebačka banka d.d. HR3923600001102150140
- Erste & steiermarkische bank d.d. HR3924020061100620496
- Splitska banka d.d. HR9223300031152651569
- Veneto banka d.d. HR9223810091196002138

From 2010 to 2014 the Company was subject to a bankruptcy proceeding and economic activities continued after the conclusion thereof, also in 2017, according to the business plan.

By Decision No. 14 St-52/2010-1266 of 21 February 2017, the Commercial Court in Rijeka has terminated the supervision of the fulfilment of the obligations of the holder of the plan performed by the bankruptcy trustee. On 7 April 2017 the Commercial Court in Rijeka, by its Decision Tt-17/2099-2, deleted the record of the supervision over the fulfilment of the Bankruptcy Plan.

In 2017, the company Jadran d.d.:

- Realised a negative business result,
- Used the following available resources:
  - Material – the existing property was protected with due diligence, within the possible options,
  - Financial – all liabilities are settled,
  - Human resources – rational organisational approach.
- Retained and confirmed the current market position,
- The business process continued undisturbed.

The share capital of the Company amounts to HRK 491,316,690.00, or 49,131,669 ordinary stocks, each in the nominal amount of HRK 10.00 under mark JDRN-R-B. Company identification number (OIB) of the Company is 56994999963 and registration number (MBS): 040000817.

The largest individual shareholder is the Republic of Croatia holding 63.84% of stocks, managed by the Restructuring and Sale Centre, which also holds 11.97% of stocks, representing 75.81% of the total number of issued stocks.

Table 1: Shareholders' status on 30 March 2018

Owner / account holder (OIB) / authorised person / VP holder (OIB)	Status on	Status	Account type
CERP (38083028711)/REPUBLIC OF CROATIA (52634238587)	31,365,851	63.84	Representative
CERP (38083028711)	5,880,937	11.97	Basic
ERSTE & STEIERMARKISCHE BANK D.D. (23057039320)	2,418,881	4.92	Basic
HRVATSKE VODE, LEGAL ENTITY FOR WATER MANAGEMENT (28921383001)	624,876	1.27	Basic
THE CITY OFCRIKVENICA (81687755716)	552,170	1.12	Basic
AORPS (04323472109)	489,242	1.00	Basic
GKTD MURVICA D. O. O. (68902357395)	464,350	0.95	Basic
BANKRUPTCY ESTATE JADRAN USLUGE D.O.O. (56767452262)	321,224	0.65	Basic
TB CRIKVENICA (78748346087)	299,025	0.61	Basic
OTHER SHAREHOLDERS	6,715,113	13.67	Basic
Total:	**49,131,669**	**100**	

(Source: The Croatian Central Clearing Depository Company)

In 2017, the structure of the Jadran d.d. was organised through five services led by the Service Directors. Additionally, six profit centres were formed within the Hotel Operations Service, while the Administration Office and the Internal Control Department were formed within the Management.

- Hotel Operations Service – Evelin Krajačić, Director
  - BU Kačjak – Pamela Car, Director
  - BU Omorika – Ad Turres – Alin Harambašić, Director
  - BU Esplanade – Zagreb – Tomislav Lončarić, Director
  - BU Kaštel – International – Natali Travaglia, Director
  - Cluster Selce (includes BU Katarina, BU Slaven – AC Selce) – Predrag Jeličić, Director
  - Cluster Assistant – Branka Pelić, Director
- Procurement and Technical Maintenance Service – Melita Stipeč, Director
- Finance and Accounting Service – Natali Ivančić Majetić, Director
- Service for General, Legal and Human Resource Management Affairs – Marija Žarković Turak, Director
- Controlling Service – direktorica Vesna Grgurić - Pilić
- Internal Control Department – Ana Rebernik, Head of Department
- Administration Office – no appointed Head

1. ACCOMODATION CAPACITIES

Jadran d.d. has a total of 1,762 accommodation units, according to the applicable Categorisation decisions,
and 4,195 regular beds, and 711 extra (additional) beds, i.e. a total of 4,906 beds. In hotels and settlements there are 1,232 accommodation units with 2,650 beds, while in camps there are 530 accommodation units for 1,590 guests.

Table 2: List of Jadran d.d.'s facilities with capacities and existing categories

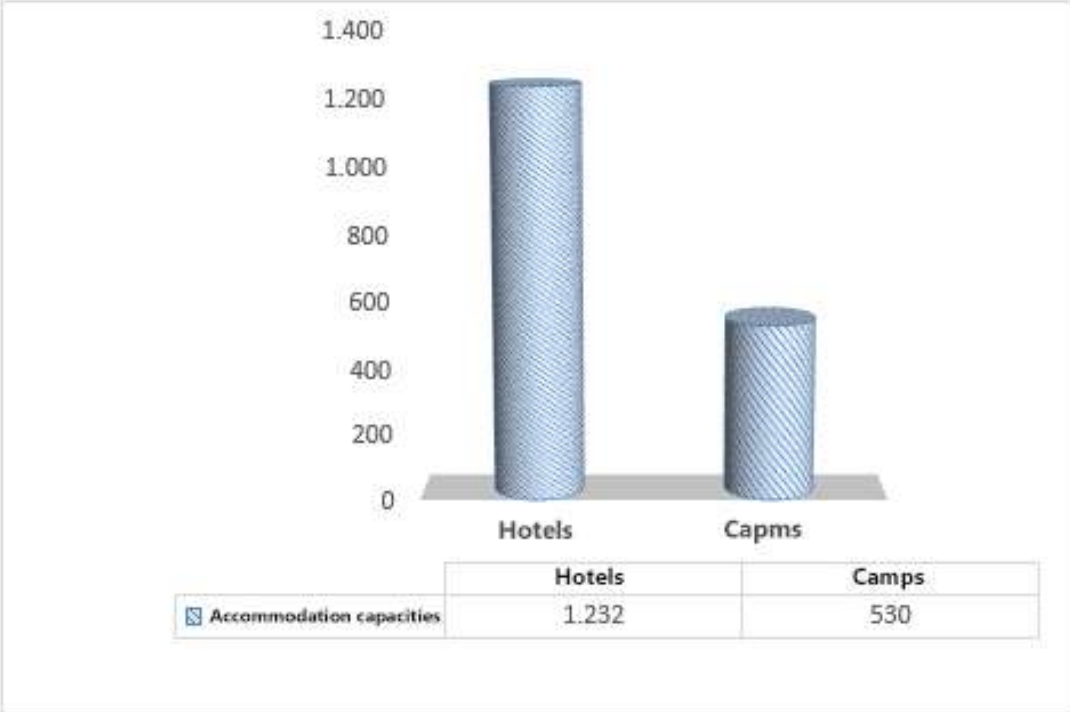
No.	Facility name	Category	Number of accommodation units	Number of regular beds	Number of extra beds	Total number of beds
1.	**AD TURRES**		**364**	**762**	**180**	942
	Hotel	**	40	114		114
	Pavilions	Rooms for rent**	324	648	180	828
2.	**ESPLANADE**	****	**38**	**76**	**10**	**86**
3.	**INTERNATIONAL**	**	**53**	**83**	**30**	**113**
4.	**KAČJAK**		**185**	**435**	**125**	**560**
	Pavilions	Rooms for rent **	132	332	72	404
	Bungalows	Rooms for rent **	53	103	53	156
5.	**KAŠTEL**	***	**74**	**178**	**24**	**202**
6.	**OMORIKA**	****	**115**	**248**	**60**	**308**
7.	**SLAVEN**		**211**	**407**	**170**	**577**
	Hotel	***	50	85	30	115
	Pavilions	Rooms for rent**	161	322	140	462
8.	**KATARINA (ex. Varaždin)**	****	**152**	**352**	**100**	**604**
9.	**ZAGREB**	**	**40**	**64**	**12**	**76**
	Hotels		***1,232***	***2,605***	***711***	***3,316***
10.	**SELCE**	Camp**	**500**	**1,500**		**1,500**
11.	**KAČJAK**	Campsite	**30**	**90**		**90**
	camps		***530***	***1,590***	***0***	***1,590***
TOTAL JADRAN D.D.			**1,762**	**4,195**	**711**	**4,906**

(Source: Jadran d.d.)

In 2017, Jadran d.d. has four-star hotels for the first time, namely Hotel Katarina, Hotel Omorika and Hotel Esplanade, which is the result of the continuation of the investment cycle started after the completion of the bankruptcy proceeding.

Within the categorisation in 2017, Hotel Esplanade was rated under a higher category, and according to the standards of catering facilities, it came to a four-star level.

Graph 1 Structure of accommodation capacities by types of facilities in 2017



(Source: Jadran d.d.)

The portfolio of Jadran d.d.'s facilities, with total accommodation capacity of nearly 5 thousand persons, extends on the area of Crikvenica Riviera in towns of Selce, Crikvenica and Dramalj and, considering all the indicators in 2017, Jadran d.d. has kept the leader position on the Crikvenica Riviera.

Figure 1: Locations of Jadran d.d.'s facilities (Source: Jadran d.d.)

(Source: Google Earth)

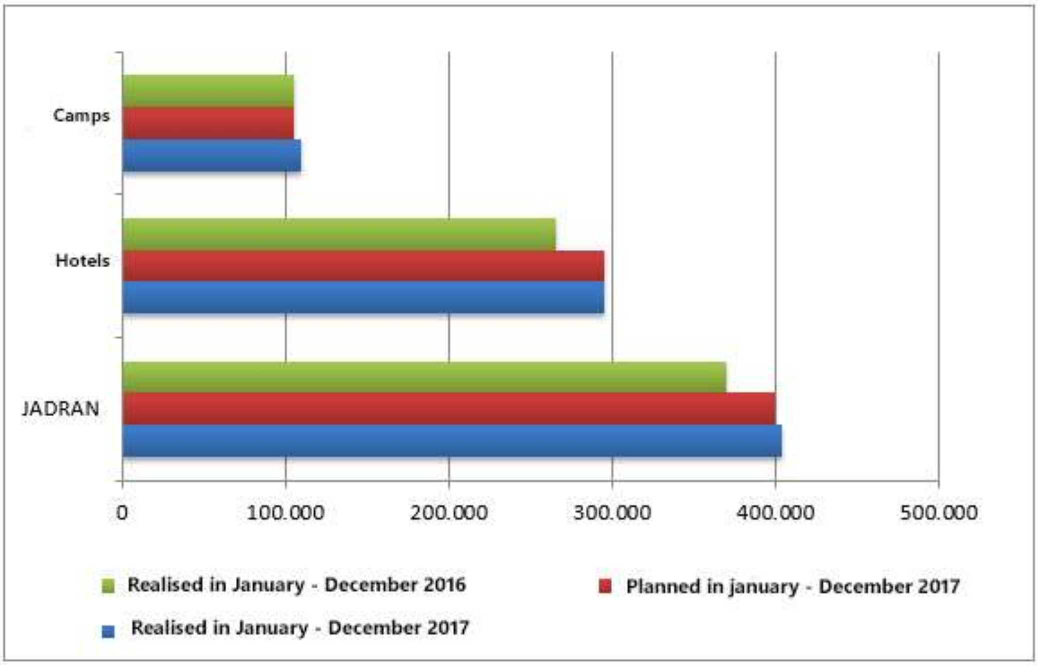
2. REALISED OVERNIGHT STAYS

In 2017, Jadran d.d. achieved a total of 403,476 overnight stays, which is 1% more in relation to the plan and 9% more than in 2016.

Hotels realised a total of 294,519 overnight stays, which is in line with the planned quantities, and 11% more than in 2016.

The camps realised a total of 108,957 overnight stays, which is 4% more than in 2016.

Graph 2 Tourist turnover for the period January – December 2017



(Source: Jadran d.d.)

The employees stayed at hotels Ad Turres and Zagreb. Based on this, Hotel Ad Turres had 6,165 overnight stays, and Hotel Zagreb had 4,401 overnight stays, which makes a total of 10,566 overnight stays.

Table 3 Realised overnight stays in 2017 by months and facilities

BUSINESS UNITS	CAPACITY	2017.										Cumulative 2017				
		I-III	IV	V	VI	VII	VIII	IX	X	XI	XII	REALIS.	Plan	REALIS.	INDEX	
												2016.	2017.	2017.		
	Rooms/parc.														2017/2016	2017/plan
ROOMS FOR RENT PAV. KAČJAK	435	0	0	0	7,876	13,608	13,577	3,397	0	0	0	34,410	34,535	38,458	112	111
CAMPSITE KAČJAK	90	0	153	352	1,153	2,491	2,418	159	0	0	0	6,456	6,690	6,726	104	101
BU KAČJAK	**525**	**0**	**153**	**352**	**9,029**	**16,099**	**15,995**	**3,556**	**0**	**0**	**0**	**40,866**	**41,225**	**45,184**	**111**	**110**
OMORIKA	248	2,841	3,665	3,776	5,227	7,448	7,855	4,813	3,078	642	786	33,632	41,580	40,131	119	97
ESPLANADE	76	0	0	0	0	0	1,463	1,064	325	0	102	14,018	8,390	2,954	21	35
BU OMOR.- ESP.	**324**	**2,841**	**3,665**	**3,776**	**5,227**	**7,448**	**9,318**	**5,877**	**3,403**	**642**	**888**	**47,650**	**49,970**	**43,085**	**90**	**86**
AD TURRES	762	648	837	4,938	13,521	19,248	19,964	5,931	370	36	0	63,765	61,769	65,493	103	106
ZAGREB	64	3,266	959	196	1,866	2,259	2,288	1,015	0	0	0	7,953	7,265	11,849	149	163
BU AD TUR.-ZGB.	**826**	**3,914**	**1,796**	**5,134**	**15,387**	**21,507**	**22,252**	**6,946**	**370**	**36**	**0**	**71,718**	**69,034**	**77,342**	**108**	**112**
KAŠTEL	178	1,883	2,705	2,103	3,375	4,259	4,698	3,211	1,726	0	926	22,292	25,587	24,886	112	97
INTER	83	0	96	444	2,174	2,844	2,988	1,628	100	0	92	10,311	10,343	10,366	101	100
BU KAŠTEL-INTER	**261**	**1,883**	**2,801**	**2,547**	**5,549**	**7,103**	**7,686**	**4,839**	**1,826**	**0**	**1,018**	**32,603**	**35,930**	**35,252**	**108**	**98**
BU KATARINA	**352**	**733**	**2,742**	**5,804**	**8,044**	**10,775**	**10,677**	**7,881**	**6,134**	**2,110**	**2,187**	**36,836**	**62,270**	**57,087**	**155**	**92**
SLAVEN	407	0	1,256	1,308	7,105	14,152	13,918	5,466	66	20	4	41,735	43,040	43,295	104	101
CAMP SELCE	1,500	0	4,052	5,780	15,434	32,072	34,446	9,328	1,119	0	0	98,178	98,188	102,231	104	104
BU SLAVEN-CAMP	**1,907**	**0**	**5,308**	**7,088**	**22,539**	**46,224**	**48,364**	**14,794**	**1,185**	**20**	**4**	**139,913**	**141,228**	**145,526**	**104**	**103**
TOTAL JADRAN	**4,195**	**9,371**	**16,465**	**24,701**	**65,775**	**109,156**	**114,292**	**43,893**	**12,918**	**2,808**	**4,097**	**369,586**	**399,657**	**403,476**	**109**	**101**
Hotels	2,605	9,371	12,260	18,569	49,188	74,593	77,428	34,406	11,799	2,808	4,097	264,952	294,779	294,519	111	100
CAMPS	1,590	0	4,205	6,132	16,587	34,563	36,864	9,487	1,119	0	0	104,634	104,878	108,957	104	104
% hotels	62%	100%	74%	75%	75%	68%	68%	78%	91%	100%	100%	72%	74%	73%	102	99
% CAMPS	38%	0%	26%	25%	25%	32%	32%	22%	9%	0%	0%	28%	26%	27%	95	103

(Source: Jadran d.d.)

In the period from June to September 2017, a total of 333,116 overnight stays was realised, representing 83% of the total number of overnight stays in 2017, confirming the exceptional seasonality of the business.

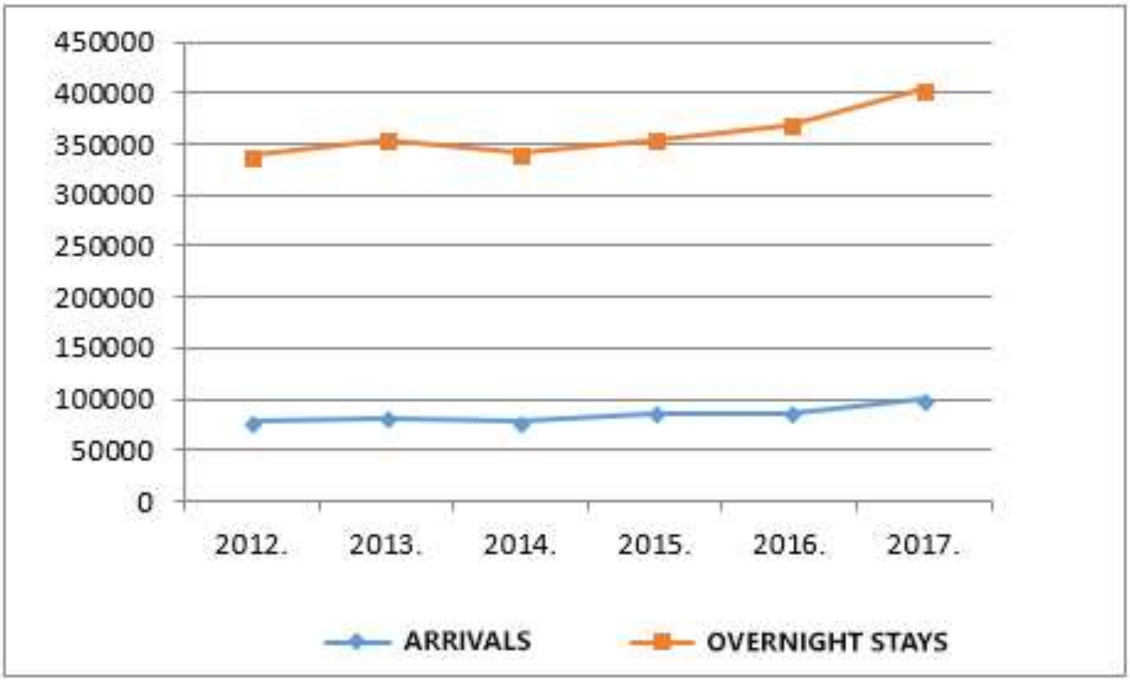
Table 4 Tourist turnover in Jadran d.d. in the period from 2012 to 2017

Year	Arrivals	IND	Overnight stays	IND	Length of stay in days
2012.	78,209		338,466		4
2013.	81,688	104.45	354,043	104.60	4
2014.	78,338	95.90	341,329	96.41	4
2015.	86,196	110.03	354,853	103.96	4
2016.	86,546	100.41	369,595	104.15	4
2017.	99,343	114.79	403,746	109.17	4
Rate of change	*+4.90*			*+3.58*	

(Source: Jadran d.d.)

In the observed period from 2012 to 2017, the growth rate of tourist arrivals is 4.90% and the growth rate regarding overnight stays is 3.58%. For the whole observed period the length of stay is identical and amounts to 4 days, as shown in graph 4.

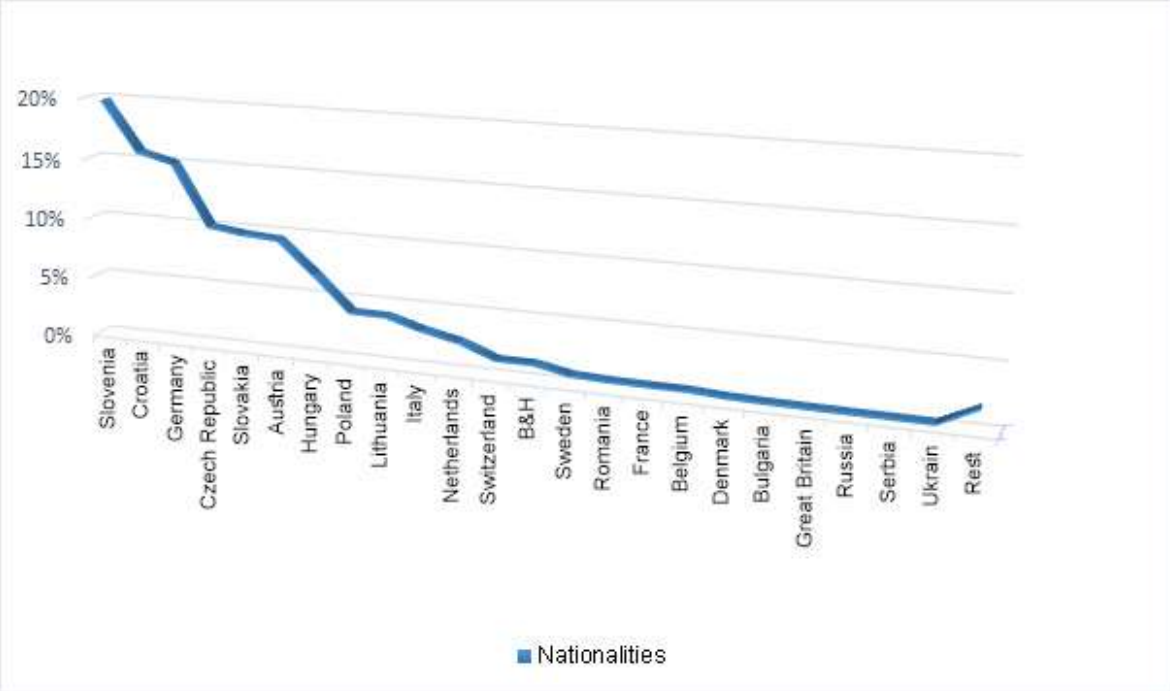
Graph 3 Trends in tourist turnover in Jadran d.d. in the period from 2012 to 2017



(Source: Jadran d.d.)

Regarding the structure of guests by their nationality, the guests from domestic market are most represented, followed by guests from traditional European markets. The following table shows the structure of guests by their nationality in 2017.

Graph 4 Representation by nationality for the period January - December 2017



(Source: Jadran d.d.)

On average, 16% of total overnight stays were realised by domestic guests, while foreign guests are most represented by Slovenians participating with 20% in total overnight stays, followed by Germans with 15%, Czechs and Slovaks with 10%, followed by Austrians with 9%, Hungarians with 7 % and others with less than 4% of total overnight stays.

The table shows that Jadran d.d. and destination Crikvenica are mainly oriented to foreign guests, and the largest part of tourist results is achieved due to tourists from Europe, so it is important to keep track of the trends in the broadcasting markets in order to respond to changes in a timely and correct manner.

In 2017, the most significant partner regarding the realised overnight stays was Katarina Line agency, which realised a total of 27,258 overnight stays or 6.8% of total overnight stays in 2017. Next is Booking.com agency with realised 24,795 overnight stays and Arx d.o.o. Amber Travel also realised 11,358 overnight stays.

3. HOTEL OPERATIONS

3.1. General Information

The Company's basic goals for 2017, set by the Company's Strategy and Business Plan for 2017, were successfully realised:

1. Raising the existing position on the tourist market by increasing the category of Hotel Esplanade from 3* to 4*+ and completing the second phase of Hotel Katarina design by arranging the pool and wellness and congress halls, while increasing the volume of business and revenue.
2. Introducing Halal Certificate in hotels Esplanade, Katarina and Omorika.
3. Obtaining Adria Bike Hotel license for Katarina, Omorika and Camp Selce.
4. Implementing booking call centre.
5. Further cost rationalisation.
6. Increased investment in education of key personnel, primarily in Hotel Esplanade; attending foreign language courses for reception workers and the food and beverage sector; professional education for hostesses and maids.
7. Enhanced marketing activities and penetration into new markets adapted to the new Hotel Esplanade, as well as new services at Hotel Katarina (pool and wellness).
8. Asset management that enables undisturbed and safe operation of the Company.
9. Ensuring an adequate level of liquidity that meets the requirements of settling the Company's liabilities in a way that will not endanger the Company's business.

The structure of accommodation units in 2017 has changed by raising the category of Hotel Esplanade from 3* to 4*.

By raising the category of Hotel Esplanade to 4*, the total number of accommodation units amounts to 1,762, and is smaller than the previous number. The reason is that Hotel Esplanade has lowered the number of accommodation units from 62 to 38.

4. HUMAN RESOURCES MANAGEMENT

In 2017, the Management Board of the Company continued to pay special attention to human resources management, with particular emphasis on the education and training of permanent employees as well as part of seasonal employees who have been engaged for a number of years, enabling workers to renew their knowledge as well as acquire new knowledge and improve their skills. Therefore, permanent employees have the obligation not only to improve and raise the level of their knowledge and skills but also to share them and increase the quality of the service.

In 2017 numerous trainings were organised, especially for reception, hosting and new business unit wellness. Furthermore, Jadran d.d. continued granting scholarships for Antun Barac high school students, launched in 2015, which enables employment in Jadran d.d. after graduation as well as scholarships and professional practice. Additionally, Jadran d.d. as the largest economic entity in the area of the City of Crikvenica, is actively included in the presentation of curricula for scarce occupations such as chefs and waiters, in accordance with the long-term plans of Jadran d.d. The Company uses the measures of the Government of the Republic of Croatia called “permanent seasonal worker” within which 65 contracts have been concluded with seasonal employees.

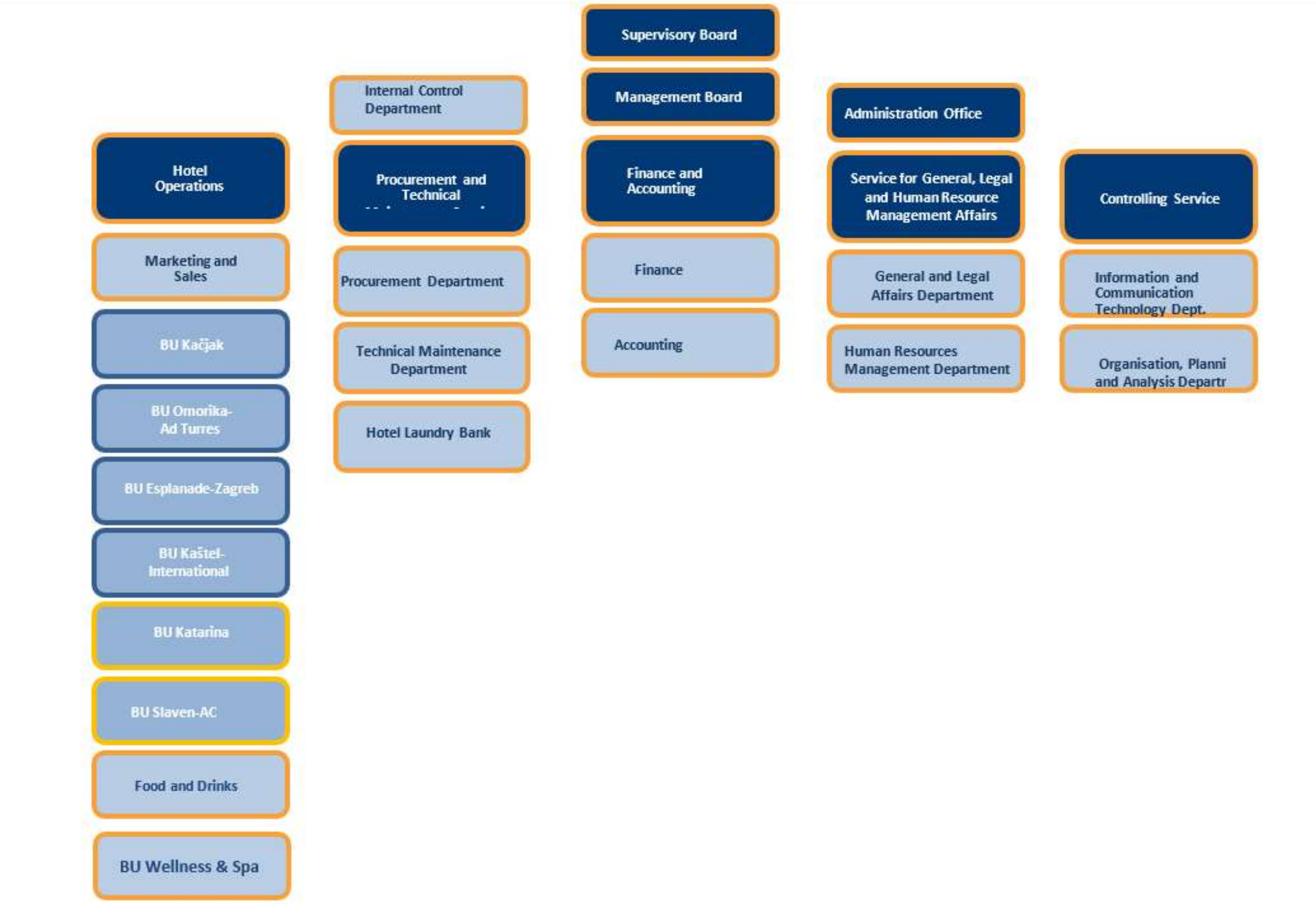
4.1. Organisation of the Company

Upon conclusion of the bankruptcy proceeding and the appointment of the Management Board, reorganisation was carried out in order to increase the efficiency and cost optimisation and thus the organisation was established through five Services (Hotel Operations Service, Procurement and Technical Maintenance Service, Finance and Accounting Service, Service for General, Legal and Human Resource Management Affairs and Controlling Service) and the Administration Office. Separate Departments have also been formed within the Services and Administration Office, namely the Marketing Department, the Food and Drinks Department and profit centres Kačjak, Omorika – Ad Turres, Esplanade – Zagreb, International – Kaštel, Katarina and Slaven – AC Selce. The Management of the Company has introduced a pilot project *Cluster Selce* which includes the following BUs: Katarina and Slaven - AC Selce. Within the Hotel Operations Service, Procurement Department, Technical Maintenance Department and Hotel Laundry Bank within the Procurement and Technical Maintenance Service, Finance Department and Accounting Department within the Finance and Accounting Service, General and Legal Affairs Department and Human Resources Management Department within the Service for General, Legal and Human Resource Management Affairs and Information and Communication Technology Department and Organisation, Planning and Analysis Department within the Controlling Service. Internal Control Department was organised within the Administration Office.

In May 2017, the Ordinance on the internal organisation and mode of work of JADRAN d.d.

was amended by introducing new business unit Wellness & Spa.

Figure 1: Organisational structure



(Source: Jadran d.d.)

5. ASSET MANAGEMENT

Jadran d.d. owns and manages the real property consisting of eight hotels, one camp and campsite and two settlements. Low categorisation and relatively poor condition of facilities is also the cause of the extreme seasonality of business, and therefore an investment cycle aimed at raising the categorisation of facilities was initiated, in accordance with the strategic guidelines of the Management Board. Also, the Management Board in the part of property management owned by Jadran d.d. aims at ensuring long-term effective and transparent management and disposal of assets whose sustainability is important for the Company's future business. Managing the property of Jadran d.d. implies finding optimal solutions that will keep property in the long run and generate revenue to the Company.

Jadran d.d., as the Company predominantly owned by the Republic of Croatia, has the obligation to respect certain legal regulations that do not apply to other companies with different ownership structure. Primarily, the Act on the Management and Disposal of Assets owned by the Republic of Croatia (Official Gazette nos. 94/2013and 18/2016) and the Act on Lease and Sale of Business Premises (Official Gazette nos. 125/11 and 64/15) are applicable in the area of asset management.

In 2017, the Management Board of the Company, through a public tender, sold the property that in nature represents a co-owned part of business space within the pool complex in front of Hotel Katarina in Selce, namely business premises no. 28/2 and 28/3 on the ground floor, surface area of 39,37 m2 + 36,53 m2 terrace and 29,45 m2, entered into land registry file no. 2425, 14 floors, c.m. Selce, with the prior consent of the Supervisory Board.

Part of Jadran d.d.’s property is out of function for a long time due to deterioration, and there is a real threat that an additional part of the property will be put out of function unless additional investments are

made. This is primarily the case in Kačjak settlement, for which a programme is in the preparation phase as a basis for the creation of Urban Plan Kačjak, with planned beginning of realisation in 2019. The preparations for the project of reconstruction of the old part of Hotel Slaven and its putting into operation were initiated in 2016

5.1. Disputes and implementation of the Agreement on the mutual relations with the Republic of Croatia and the Bankruptcy Plan of Jadran d.d. in bankruptcy

After the conclusion of the bankruptcy proceeding, the Management Board has started the process of regulation of the ownership and legal status of its real property, in accordance with the decisions of the Government of the Republic of Croatia, the Agreement on the mutual relations with the Republic of Croatia and the decisions of the Commercial Court in Rijeka.

The Management immediately addressed the largest creditors, namely the Ministry of Finance, the Tax Administration and the Restructuring and Sales Centre, with the request for the issuance of statements on lien deletion. The Ministry of Finance and the Tax Administration have issued the said statement, while a special agreement was concluded with CERP and the Republic of Croatia, represented by the County State Attorney's Office, which preceded the issuance of the statement.

Based on these statements, the deletion of records on ownership transfer and deletion of lien rights for each individual creditor was performed.

The Management Board of the Company concluded a Loan Agreement with the creditor with separate satisfaction rights Croatia osiguranje, on the basis of which a refinancing was performed regarding the liabilities towards the creditor with separate satisfaction rights, whose right was not the subject of the bankruptcy proceeding.

After the conclusion of the bankruptcy proceeding, the Company continued current court disputes, litigious and non-litigious cases regarding the establishment of ownership rights, proceedings regarding setting aside legal actions of creditors with separate satisfaction rights who did not accept the terms of the Bankruptcy Plan, civil and enforcement proceedings and proceedings conducted for the reimbursement of seized property.

During the bankruptcy proceeding, the bankruptcy debtor Jadran d.d. has initiated 22 litigations in order to contest the legal actions of creditors with separate satisfaction rights who have not voluntarily waived their secured right. There are currently 16 court proceedings, and according to the Bankruptcy Plan, in case that Jadran d.d. fails in the disputes, the Company will settle these creditors from the property on which they have a secured right.

Until the submission of the extraordinary audit regarding Jadran d.d.'s Bankruptcy Plan, Jadran had a good legal position in the disputes in question, however, since mid-2015, judges of the Commercial Court in Rijeka stopped working on these cases while the Supreme Court's decision was expected regarding the submitted extraordinary audits that have been withdrawn in the meantime.

Two extraordinary audits were stated against the final Decision on the conclusion of bankruptcy proceeding. One audit was filed by a creditor with separate satisfaction rights, and another by 36 former employees. Jadran d.d. submitted its statement regarding both audits and suggested their dismissal.

The reasons for audit filed by the group of former employees ceased with early settlement of creditors and this audit was withdrawn in August 2016. The audit filed by a creditor with separate satisfaction rights was withdrawn due to arrangement within the Company's preparation for initial public offering of shares.

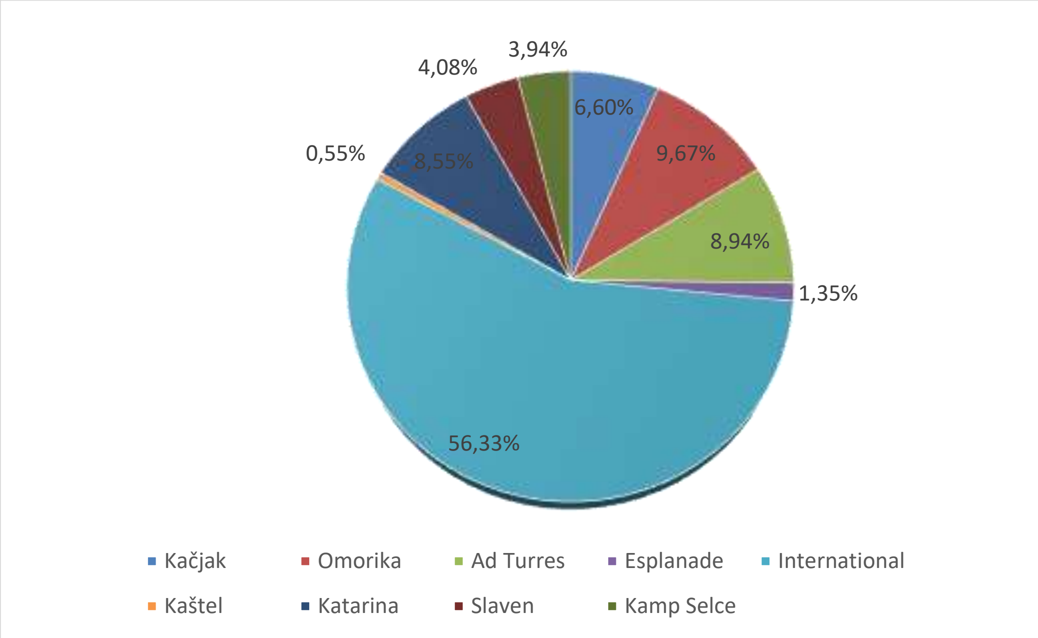
After the withdrawal of extraordinary audits, the bankruptcy case was transferred from the Supreme Court to the Commercial Court in Rijeka, and the Court issued a Decision on the termination of the supervision of the bankruptcy trustee over the settlement of liabilities under the Bankruptcy Plan.

At the time of this Report, there are 11 ongoing court proceedings for contesting legal actions, in order to set aside the legal actions of 60 creditors, of which 59 are former employees and 1 is Croatia osiguranje d.d. The Management is still actively working to settle disputes by agreement, which was settled with former workers. The Management has also publicly summoned all parties, on several occasions, to arrange their disputes with Jadran d.d.

5.1. Leases of business premises owned by Jadran d.d.

Upon its appointment, the Management Board found agreements on the lease of business premises that ceased to be valid upon the conclusion of the bankruptcy proceeding. Pursuant to the Act on Lease and Sale of Business Premises (Official Gazette nos. 125/11 and 64/15) stipulating that business premises owned by the Republic of Croatia and legal persons owned or predominantly owned by the Republic of Croatia must be leased through public tendering procedures. The Management Board has issued a call for tenders for all business premises that ceased to be valid upon the conclusion of the bankruptcy proceeding. The Company has 41 signed agreements on the lease of business premises.

Graph 5 Share of leases in total rental income by BUs in 2017



(Source: Jadran d.d.)

Also, market interest is constantly monitored for non-leased premises in order to put such premises into economic use and to generate profit for Jardan d.d.

6. PROCUREMENT, TECHNICAL MAINTENANCE AND SAFETY AT WORK

A special Service for the implementation of procurement and technical maintenance was established in the organisational structure of Jadran d.d. Special emphasis regarding procurement implementation is given to transparency and achievement of most favourable prices. Since the operations of Jadran d.d. have stabilised after the completion of the bankruptcy proceeding, the Management Board of Jadran d.d. considered not to issue guarantees for payment in the procurement procedure (bank guarantees, debentures, bills of exchange, etc.) and therefore such guarantees and payment security instruments are issued exclusively to financial institutions.

6.1. Procurement

Since Jadran d.d. is not obliged to implement the public procurement procedure, in order to achieve transparent and lawful implementation of the procurement of goods and services, the Management Board has adopted the Guidelines on the procurement of goods and services, which entered into force on 1 February 2014. After more than a year of implementation, at the suggestion of the competent services, the Management issued the new Guidelines on 15 May 2015. These Guidelines establish the values of goods and services that can be obtained by purchase orders, by means of open bidding process, call for tenders and public tender procedures and the manner of implementing the aforementioned procurements and appointing commissions for proposing decisions on the selection of bidders.

Annual procurement is carried out by establishing a central commission which then appoints product groups and sub-commissions and prepares tenders for the procurement of goods and services. Bids are delivered in closed envelopes and are opened by a commission. Subcommittees make comparisons and propose to the Central Commission the adoption of Decision proposals, which are to be adopted by the President of the Management Board.

Due to the large number and amount of investments, special attention has been paid to the procurement of goods and services within the aforementioned. The main task of these procedures is to achieve the best price/quality ratio.

In 2017, the Procurement and Technical Maintenance Service focused on the procurement of goods and services for investment purposes.

6.2. *Technical maintenance and safety at work*

The Committee for safety at work has been established within the Company and operates as an advisory body for the improvement of occupational safety and fire protection in the Company. The Committee is chaired by an authorised officer at the Company level (appointed by the Company's Management Board). The Committee is generally convened twice a year. The coordinator of commissioners for safety at work, an independent fire protection officer and an occupational safety specialist and a specialist of occupational medicine also participate in the Committee. The main objective of the Committee is to continuously improve safety at work, planning and monitoring of:

1. The application of the rules of safety at work in the Company;
2. The organisation of performing tasks regarding safety at work;
3. Informing and training related to occupational safety;
4. Prevention of work-related risks and their effects on health, and
5. Safety at work.

Persons authorised in profit centres are also authorised for occupational safety and fire protection issues in their facilities.

By inspecting the documentation of the Committee for safety at work, it is evident that the authorised persons in previous years have invested insufficiently in the issues arising from occupational safety and fire protection in relation to their functions and responsibilities.

In 2017, as in previous years, tasks that are continually performed include regular examinations of both regular and seasonal workers within the scope occupational medicine (jobs with special working conditions) and regular trainings of workers on occupational safety and fire protection. Regular inspections are carried out on all devices and installations used by workers during their daily work as well as regular inspections of firefighting equipment. Also, the abuse of alcoholic beverages was continued in 2017, in accordance with the internal rules.

In order to change the attitude towards the safety at work and fire protection, a new authorised officer at the Company level has been selected to contribute to the improvement of the safety and security of both workers and our guests. The new authorised officer will influence the implementation of the measures arising from the Act through the persons authorised in profit centres.

7. MARKETING, SALES AND PUBLIC RELATIONS

Significant efforts are being made to modernise and improve marketing and sales activities, and the ultimate goal is to introduce revenue management. Also, the process of improving the recognisability of facilities owned by Jadran as well as the identity of Jadran d.d. as the company has been initiated. After the actual transformation, the goal is to change the public perception of the Company as a company with difficulties into a company with stable business operations that generates the added value.

7.1. Visual identity creation

In 2017, a new visual identity created in 2015 was implemented. Namely, by analysing all existing materials, it has been established that the standards of visual identity have not been respected and that the last visual identity dates back to 2004. For the purpose of refreshing the visual identity, the marketing agency which had been creating the visual identity of Jadran d.d. for the past few years has been engaged in order to achieve savings, and the result is an increase in brand recognition on domestic and international markets.

The visual identity was completed in 2015 and the application of these standards has already started, and in 2017 the development of new promotional materials has continued. This primarily applies to new photos of facilities, photos from the air perspective and the creation of multi-lingual variants of off-line promotional materials.

7.2. Sales promotion

In recent years, great attention has been paid to sales system modernisation. In order to open up to new markets and achieve better price for capacity sales, the Management has put a special emphasis on the introduction and development of on-line sales. A special system (engine) was acquired that is connected to the information system used by Jadran d.d. In its regular business operations. In 2014 and 2015, great efforts were made to optimise marketing activities for on-line market, and in 2017 these activities continued. A mailing list was launched, which is used to periodically notify members of the mailing list about the offers and discounts.

The obtained ISO 9001:2015 certificate and AAA certificate of prudential excellence also contributed to positive perception of Jadran d.d., ranking Jadran d.d. Within 5% of the best companies in the Republic of Croatia.

8. CONTROLLING

8.1. Organizational manuals and standards

The organisational manual for Jadran d.d. Crikvenica, as a collection of standard operating and business procedures for each business process, was created and classified in the appropriate form.

The organisational manual with written procedures, text and organisational charts also includes visual presentations for each concrete and supposed case, i.e. a detailed description of the steps necessary to perform business processes.

In the organisational and legal aspect, the manual has the character of basic normative acts of the company. The organisational manual is a dynamic and comprehensive system. The manual is constantly being supplemented, amended and improved. This improvement must be programmed in a timely manner, staffed and organised according to the needs in order to adjust the Company’s business organisation to rapid market changes.

The original and amendments to the organisational manual signed by the President of the Management Board are kept in the Controlling Service, and copies are kept in the secretariat of Jadran d.d.

One copy is delivered to the directors of Services and business units, and summaries of the organisational manual related to respective departments are delivered to the responsible persons of the departments in hotel facilities (reception and accommodation, hosting, services) for the use and safekeeping.

In 2015, all the procedures, standards and the Code of Ethics have been revised, and a Communication Manual has been developed to further improve the quality of the service. At the end of 2015, the procedure for the implementation of ISO 9001:2008 certification standards for hotels, tourist resorts and camps management was initiated, which was successfully completed in March 2016 when Jadran d.d. successfully passed the said certification. In 2017, Jadran d.d. was recertified and became the holder of ISO 9001:2015 standard.

The international group Bisnode AB, the largest European business and credit information provider based in Stockholm, gathering more than 2400 experts from 18 European countries, has awarded the Certificate of Prudential Excellence for the year 2017 to Jadran. Thanks to exceptional business results of last year, Bisnode awarded the highest rating of 3A to Jadran, thereby confirming the highest international standard of prudential excellence.

By acquiring one of the most important European standards defining the quality of business, Jadran is ranked between 5% of the best business entities in Croatia, and the obtained certificate also presents internationally recognized economic quality mark that will significantly contribute to the consolidation of the positive reputation of Jadran in the domestic as well as in the international market.

8.2 Organisation, planning and analysis

Creation of the business plan as well as daily, monthly and quarterly monitoring of the performance of functions plans are performed by the Planning and Analysis Department. Daily reports on realised income and realised overnight stays are prepared for the needs of management, and in 2014 Jadran d.d. entered the project "Croatian Tourism Benchmarking" with Esplanade, Kaštel and Slaven facilities. Hotels Omorika and Katarina and Camp Selce are included in the benchmarking by raising their categories.

In 2015, special attention was paid to the method of archiving official documentation so that from 1 January 2015 a digital archive in full use provides quick access and systematic search of documents.

8.3. Information and Communication Technology Department

Systematic introduction of new technologies in business operations of Jadran d.d. continued after the bankruptcy proceeding was concluded. Special attention was paid to communications in view of the long-term goal of implementing a complete information management system. In this respect, the Management Board has entered into a contract with an Internet provider that has built infrastructure on the basis of the above contract so that most of the facilities are connected by an optical link that allows much faster data flow, and therefore availability at any given time.

In 2015, a decision was made to implement the Business Intelligence system into the existing information system used by Jadran d.d., which finalised the implementation of the system and enabled business management and reporting within the single system.

In the past three years, Jadran d.d. has invested more than HRK 4 million in the project of business computerisation and digitalisation, which enabled today's application of modern technology in Jadran. The programme segment is about Croatian products – complete business is run through an information system designed by Istrian IT company. A booking platform that enables easier management of on-line sales channels is also a product of Croatian mindset, and a digital archive enabling easier and more transparent document management comes from Rijeka. All facilities are connected with high-speed optical connections, and we have our own data storage servers so that complete business is available in real time from any location that has Internet access. BUSINESS REPORT

9.1. Tourism business indicators

Table 5 The structure of overnight stays by sales channels in 2017

Accommodation facilities	Agency guests	fix	Groups	Individual	online booking	TOTAL
KAČJAK	42%	26%	16%	8%	9%	100%
OMORIKA	38%	4%	40%	8%	11%	100%
ESPLANADE	41%	0%	19%	18%	22%	100%
AD TURRES	29%	36%	22%	4%	9%	100%
ZAGREB	60%	3%	5%	16%	15%	100%
KAŠTEL	30%	0%	45%	14%	11%	100%
INTER	44%	4%	19%	22%	10%	100%
KATARINA	34%	7%	43%	5%	12%	100%
SLAVEN	39%	34%	10%	6%	11%	100%
TOTAL JADRAN	**36%**	**19%**	**27%**	**8%**	**11%**	**100%**

(Source: Jadran d.d.)

In 2017, according to sales channels, the most prominent are agency guests, followed by group overnight stays, fixed-lease overnight stays and on line booking and individual overnight stays.

The largest share of fixed-lease overnight stays was realised in Ad Turres, Slaven and TS Kačjak, the largest share of overnight stays under allotment agreements in Hotel Zagreb (workers), International and TS Kačjak and Esplanade, Slaven and Omorika, the largest share of group stays in hotels Kaštel, Katarina and Omorika, while the largest portion of overnight stays realised by individuals was recorded in hotels International, Esplanade and Zagreb, and the largest share in online booking was realised in hotels Esplanade, Zagreb and Katarina.

9.2. Investing in facilities with the purpose of retaining or raising facility's categorisation

In 2017, Jadran d.d. had 2 investments, namely regarding the swimming pool and wellness area at Hotel Katarina, which complemented the hotel's offer with spa oasis by arranging the pool area and the sauna world (Finnish, Bio-Finnish sauna and steam bath, showers of relaxation, relaxation zone, and 2 massage rooms). The total investment amounted to HRK 9.2 million.

The largest investment in 2017 was the reconstruction of Hotel Esplanade, which was raised from 3* to 4* category. The entire hotel was reconstructed, the number of rooms was reduced from 64 to 38, the lobby area, lobby bar, aperitif bar, restaurant and kitchen were rearranged, spa centre was arranged with sauna world (Finnish, Bio-Finnish sauna and steam bath, showers for relaxation, relaxation rooms and 2 massage rooms, an outdoor pool with a sunbathing area was constructed). The total investment amounted to HRK 42 million.

9.3. Admission of Jadran d.d. stocks on the official market of the Zagreb Stock Exchange

In 2016 and 2017, the company was preparing for admission of stocks on the regulated market of the Zagreb Stock Exchange in a way that financial and tax due diligence and legal due diligence were performed by external associates. The financial report for 2016 was audited by the statutory auditor, as well as by the auditing company BDO Croatia d.o.o. The said company conducted a comparative audit for 2014, 2015 and 2016, for the purpose of reporting in accordance with the rules of the Zagreb Stock Exchange. The prospectus process was prolonged and the auditing company BDO Croatia d.o.o. was obliged to make an additional insight regarding the first six months of 2017.

In November 2017, the Restructuring and Sale Centre made a decision on public collection of bids for Jadran d.d. At CERP's request, the Company has prepared all relevant documentation for potential new owners. The documentation was submitted to the virtual data room and all the subjects who sent a letter of intent and purchased the said documentation had access to data. After due diligence was carried out by the interested parties, public opening of binding bids for the purchase of 34,754,768 stocks, representing 70.74% of the company's share capital, was held on 15 January 2018. One binding offer was received from the companies PBZ CROATIA OSIGURNAJW d.d. And ERSTE D.O.O. The said companies offered a price of HRK 199,839,916.00 for the subject of sale, which represents an amount higher than the starting price by HRK 5,908,310.56. These companies have also committed to carry out the recapitalisation in cash from their own funds in the amount of HRK 200,000,000.00 within six months of the conclusion of the Agreement on the sale and transfer of shares of the company Jadran d.d. On 8 February 8 2018, CERP issued a decision on accepting the above-mentioned binding offer, and the Agreement on the sale and transfer of shares was signed on 6 April 2018.

In the meantime, i.e. until the beginning of January 2018, a brochure was issued for the issuance and listing of shares on the Zagreb Stock Exchange. The shares of the Company were listed on the official market of the Zagreb Stock Exchange on 8 January 2018, and trading started on 10 January 2018.

9.4 Risk exposure

The main risks in business operations of Jadran d.d. are as follows:

a) The risk of competition - exceptionally high in the tourist market since other similar tourist destinations invest significant resources in growth and development of their capacities as well as in marketing activities aimed at tourist arrivals. The competition, inter alia, focuses on the price, quality and content of the tourist offer in the area of Crikvenica Riviera and other domestic and foreign tourist destinations. The Company maintains its market competitiveness by investment activities.

b) Currency risk - quite significant in the Company's business, given the large percentage of foreign exchange market turnover or the contracting of services in foreign currency. The Company also has foreign currency-based costs (loan commitments).

c) Interest rate risk - the Company is exposed to interest rate risk as it concludes loan agreements with variable interest rates.

d) Risk of settlement by other contracting party - present in all bilateral mandatory legal relations. Given that the issue of meeting the Issuer's financial obligations is one of the key elements for uninterrupted business operations, the Company pays considerable attention to this risk.

e) Inflation risk (consumer price increases) - particularly present in contractual relations where the price of services or products is indexed and is linked to the CNB's strong HRK policy. Given that this is an external risk, the possibility of eliminating this risk is minimal.

f) Liquidity risk - the Company manages this risk by maintaining adequate reserves, loans from banks as well as other sources of funding by constantly monitoring the forecast and actual cash flows and compares the profile of maturity of financial assets and liabilities.

g) The risk of changes in tax and concession regulations - the likelihood that the legislature will change the tax regulations in a manner that would negatively affect the profitability of the Company's business. This risk is reflected through possible changes in tax rates and taxation matters, as well as through possible changes in regulations regarding concessions and concession permits. The right to use maritime domain is one of significant conditions for further operations of the Company.

h) Tourist branch risk - a wider political situation and an increase in terrorism has a significant influence on tourism trends. Tourism business is very sensitive to the security situation in the destination and the environment. At present, the Company is in a very secure place which affects the growth of its business.

i) Ecological risk - can significantly affect the Company's business results, mostly through the quality of the sea and the coast where guests stay. Climate changes can directly affect the length of stay of guests in the accommodation capacities of the Company. Various other natural disasters and elemental disasters are also important for this matter.

j) The risk of loss of business capacity - most important property of the Company is burdened by mortgages. If a significant loss of revenue occurred, which would jeopardize the repayment of liabilities, there is a risk regarding jeopardizing further business operations of the Company due to enforcement over the property under pledge. At this time, the Company has no knowledge of any circumstances that could lead to the described scenario. Additionally, the Company is involved, and it is likely that it will be involved in the future, in judicial and administrative proceedings arising from unresolved property and legal relationships related to the property used in the Company’s business operations. Negative outcome of such proceedings may affect the Company's business capacity.

k) Risk of lost court disputes - the Company is involved in numerous court disputes regarding the establishment of ownership rights, proceedings regarding setting aside legal actions of creditors with separate satisfaction rights who did not accept the terms of the Bankruptcy Plan, civil and enforcement proceedings and proceedings conducted for the reimbursement of seized property. Disputes to contest legal actions of creditors with separate satisfaction rights who did not accept the terms of the Bankruptcy Plan could expose the Company to the said risk. The disputes are against former employees of the Company and the company s Croatia osiguranje d.d. Zagreb. They all have mortgages and records of foreclosures on the real property of the Company.

The main risks arising from the financial instruments of the Company are credit risk, currency risk and interest rate risk. The Management Board reviews and implements policies to manage each of these risks.

Capital risk management

The Company manages the capital in order to ensure that it will be able to continue its unlimited business operations (going concern) while, at the same time, it increases returns to owners by optimising debt and equity ratio. The Company's capital structure consists of share capital, statutory reserves, retained earnings and gains in the current year, net debt includes all current and non-current liabilities minus cash and cash equivalents.

The indebtedness coefficient at the end of the year can be shown as follows:

in HRK	31 December 2016	31 December 2017
Debt	67,296,148	115,552,501
Cash and cash equivalents	5,119,938	2,652,470
Net debt	62,176,210	112,900,031
Capital	528,304,162	524,073,513
Net debt and equity ratio	**0.11**	**0.22**

Categories of financial instruments

in HRK	31 December 2016	31 December 2017
Financial assets		
Trade and other receivables	2,742,828	3,288,361
Other current financial assets	1,209,246	0
Non-current financial assets	3,212,240	3,212,240
Financial liabilities		
Liabilities towards financial institutions	43,008,026	84,935,655
Liabilities towards suppliers and other liabilities	14,757,483	22,065,505

Factors of financial risk

The Company's activities are exposed to various financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company has no formal risk management programme and overall risk management is carried out by the Management Board and the management of the Company.

Market risk

The Company's activities are primarily exposed to the financial risk of exchange rate fluctuations and interest rates (see below). Exposure to market risk is supplemented by sensitivity analysis. There were no changes in the Company's exposure to market risk or the way the risk is managed and measured.

Currency Risk Management

The Company performs certain transactions denominated in foreign currencies, which result in exposure to changes in foreign exchange rates. The carrying amount of the Company's cash assets and liabilities denominated in foreign currency at the reporting date is as follows:

In HRK

	Assets		Liabilities	
	31/12/2016	31/12/2017	31/12/2016	31/12/2017
EUR	4,646,751	2,090,967	38,793,208	83,585,211

Foreign currency sensitivity analysis

The Company is exposed to currency risk in the event of a change in the Euro exchange rate (EUR). The following table shows the analysis of the effects of the change in the exchange rate of the HRK in the amount of increase or decrease in the value of HRK by 10% compared to the EUR. The 10% rate is used for the internal reporting to the Management Board on the Foreign Exchange Risk Management, and represents the Board's estimate of reasonably possible changes in the exchange rates of foreign currencies. The analysis is performed only for receivables and liabilities denominated in foreign currency and represents their adjustment at the end of the period for a 10% exchange rate change. Sensitivity analysis includes external loans denominated in currencies other than the lessor's or lessee's currency. The positive/negative amount below indicates an increase in profit or another capital when HRK strengthens by 10% in relation to the relevant currency. For a 10% weakening of the HRK against the relevant currency, the effect would be the same but in a negative amount.

in HRK	2016	2017
Exchange rate effects EUR +10%		
Profit or loss	(3,414,646)	8,567,618
Exchange rate effects EUR -10%		
Profit or loss	3,414,646	(8,567,618)

Interest rate risk management

The Company is exposed to interest rate risk as it concludes credit agreements with variable interest rates. The Company’s exposure to interest rates on the basis of financial assets and liabilities is detailed under the sub-heading Liquidity risk management. The Company manages this risk by maintaining an appropriate ratio of fixed and variable interest rates in its credit portfolio.

Interest rate sensitivity analysis

The analysis of the effects of interest rate changes has been made only for financial instruments with variable interest rates, due to which the Company was exposed to interest rate risk at the end of the reporting period. The analysis for variable interest rates was made under the assumption that the outstanding amount of liabilities at the end of the reporting period was outstanding for the entire year. Rate change of 10 basis points is used for the purposes of internal reporting to the Management Board on the interest rate risk management, and represents the Board's estimate of reasonably possible interest rate changes.

In case of an increase or decrease of interest rates for 10 basis points, and if all other variables remain unchanged:

The loss for the year ended on 31 December 2017 would be increased by HRK 235,755 based on interest rate risk exposure. This can mainly be attributed to the Company's Exposure to interest rates on loans with variable interest rates.

Credit risk management

Credit risk refers to the risk that other parties will not fulfil its contractual obligations, which would result in the Company's financial loss. The Company continuously monitors its exposure to parties with which it operates, as well as their creditworthiness, and allocates the total value of concluded transactions to accepted customers.

The carrying amount of financial assets shown in the financial statements, less any impairment losses, represents the Company's maximum exposure to credit risk without taking into account the value of the collateral collected.

Liquidity risk management

The ultimate responsibility for liquidity risk management lies with the Company's Management Board, which has established an appropriate liquidity risk management framework to manage the short-term, medium-term and long-term needs for liquidity management of the Company. The Company manages this risk by maintaining adequate reserves, loans from banks as well as other sources of funding by constantly monitoring the forecast and actual cash flows and compares the profile of maturity of financial assets and liabilities.

9.5. Financial indicators of business operations

The balance sheet structure for 2017 is presented in the following table:

in HRK	2016 .	2017 .
Assets		
Non-current assets	**591,217,891**	**634,132,150**
• Intangible assets	309,375	196,720
• TANGIBLE ASSETS	587,361,805	630,388,719
• Financial assets	3,212,240	3,212,240
• Deferred tax assets	334,471	334,471
Current assets	**8,220,083**	**6,402,498**
• Inventories	357,320	461,667
• Receivables	2,742,827	3,288,361
• Financial assets	1,209,246	0
• Cash in bank and in cash register	3,910,692	2,652,470
Prepayments for the future period And calculated income	**1,021,735**	**1,831,193**
Total assets	**600,459,709**	**642,365,841**
Liabilities		
Capital and reserves	528,304,162	524,073,513
Provisions	839,413	885,032
Non-current liabilities	52,538,665	93,486,996
Current liabilities	14,757,483	22,065,505
Deferred payment of costs and future period income	4,019,986	1,854,795
Total liabilities	**600,459,709**	**642,365,841**

A summary of the structure of the profit and loss account for 2016 and 2017 is presented in the following table.

in HRK	2016.	2017.
Operating income	**83,584,242**	**83,691,077**
• Sales revenue	67,833,349	79,544,559
• Other operating income	15,750,893	4,146,518
Operating expenses	**77,809,283**	**85,224,132**
• Material expenses	35,848,455	40,255,103
• Expenses for employees	22,576,408	28,273,270
• Depreciation and amortisation	8,109,023	9,556,717
• Other expenses	6,598,714	6,232,324
• Current assets value adjustment	428,689	107,142
• Provisions	978,735	506,377
• Other operating expenses	3,269,258	293,199
Financial revenues	510,530	1,387,571
Financial expenses	1,437,408	4,085,166
Total income	**84,094,772**	**85,078,648**
Total expenditure	**79,246,690**	**89,309,298**
Profit/loss for the period	**4,848,082**	**-4,230,650**

Selected financial data:

in HRK	2016	2017
Selected data from income statement		
Sales revenue	67,833,349	79,544,559
Business expenses	77,809,283	85,224,133
EBITDA	13,883,982	8,023,661
EBITDA profit rate	20.5%	10.1%
Profit from operating activities	5,774,959	(1,533,056)
Profit rate from operating activities	8.5%	(1.9%)
Net profit	3,834,618	(4,230,650)
Net profit rate	5.7%	(5.3%)
Data selected from balance sheet		
Cash and current financial investments	5,119,938	2,652,470
Property, plants and equipment	587,361,805	630,388,720
Total assets	600,459,709	642,365,841
Financial liabilities	45,745,208	89,389,237
Net financial liabilities	40,625,270	86,736,767
Principal and minority shares	528,304,163	524,073,513
Invested capital (average)	570,166,256	599,842,410
Other key financial data		
Return on equity (ROE)	0.7%	(0.8%)
Return on invested capital (ROIC)	0.8%	(0.3%)
Trade indicator	0.49	0.34
Financial liabilities / capital	0.09	0.17
Average number of employees	264	312

Financial indicators:

in HRK	2016.	2017.
Profitability indicators		
EBITDA profit rate	20.5%	10.1%
Profit rate from operating activities	8.5%	(1.9%)
Net profit rate	5.7%	(5.3%)
Return on equity (ROE)	0.7%	(0.8%)
Return on total assets (ROA)	0.9%	(0.0%)
Return on invested capital (ROIC)	0.8%	(0.3%)
Activity indicators		
Number of inventory turnaround days	2	2
Number of days for settlement from customers	9	6
Operative cycle	10	8
Number of days for payment to suppliers	28	60
Number of days of net cash flow	(18)	(52)
Revenues from sales to invested capital	0.12	0.13
Average number of employees	264	312
Financial position indicators		
Quick indicator	0.42	0.20
Trade indicator	0.49	0.34
Capital / total assets	0.88	0.82
Financial liabilities / capital	0.09	0.17
Net financial liabilities / capital	0.08	0.17
Financial liabilities / EBITDA	3.29	11.14
Capital / non-current assets	0.89	0.83
Capital and non-current liabilities / non-current assets	0.98	0.98
Interest coverage	5.83	0.00

9.4 Corporate Governance Code

The company Jadran d.d. applies and is governed by the principals of corporate governance practice. The Company has not adopted its own corporate governance code, but it applies the provisions of the Zagreb Stock Exchange Code, which is reflected in the annual questionnaire made publicly available by publishings in accordance with the regulations. The questionnaire with precise answers clearly showing which provisions of the Code are applied or not applied by the Company is publicly available on the official web sites of the Zagreb Stock Exchange (www.zse.hr).

The Company's stocks are listed on the official market of the Zagreb Stock Exchange, and the ownership structure report is an integral part of the Annual Report.

The data on major stockholders are available daily on the official web sites of the Croatian Central Clearing Depository Company (www.skdd.hr).

The main criteria of risk management are listed in the Annual Report.

Within the framework of its organisational model in which it operates and within which all business processes are taking place, the Company has developed systems of internal controls at all significant levels, which, inter alia, enable fair and correct presentation of financial and business reports.

The General Assembly is convened and maintained in accordance with the provisions of the Companies Act and the Statute of the Company.

Invitations to the Assembly's general meetings as well as the proposals and decisions made by the Assembly are publicly disclosed in accordance with the Companies Act, the Capital Market Act and the Rules of the Zagreb Stock Exchange. One stock entitles to one vote, and there are no issued securities giving special rights or restrictions.

An application to the general meeting is limited in the way that a stockholder is required to register his participation in accordance with the Companies Act.

The rules on appointing and dismissing members of the Management Board and the Supervisory Board are determined by the Statute and by the provisions of the Companies Act. The rules on appointing do not contain any limitations that would affect diversity in terms of gender, age, profession, education, etc.

The rules on amendments to the Statute have been established by the Companies Act.

The powers of the members of the Management Board are fully in line with the provisions of the Companies Act.

Member of the Management Board of Jadran d.d.	President of the Management Board of Jadran d.d.
Marija Galjanić Sovar, BSc. (Econ.)	Pero Matić, MSc.

Class: 500-01-18/12

File No.: 05/1-18-1

Crikvenica,

27 April 2018

Pursuant to the provisions of the Companies Act, the Company's Management Board proposes the following:

DECISION ON ESTABLISHING THE ANNUAL FINANCIAL REPORTS FOR 2017

Based on the provisions of Article 20 of the Accounting Act, and pursuant to Article 428 of the Companies Act, the Management Board of the Company proposes the following financial statements on 27 April 2018:

- Balance sheet with assets equivalent to liabilities, in the amount of HRK 642,365,841
- Income statement with a loss of HRK -4,230,650
- Cash flow statement - indirect method - in which the decrease of cash and cash equivalents in 2017 was recorded in the amount of HRK -1,258,223
- Statement on changes in capital and reserves - which shows total balance in the amount of HRK 524.073.513 on 31 December 2017
- Notes to annual financial reports
- Annual report on the status of the Company

Member of the Management Board	President of the Management Board
Marija Galjanić Sovar	Pero Matić

Jadran dioničko društvo za hotelijerstvo i turizam Crikvenica

Class: 500-01-18/13
File No.: 05/1-18-1
Crikvenica, 27 April 2018

Pursuant to the provisions of the Companies Act, the Company's Management Board proposes the following:

DECISION ON THE COVERAGE OF LOSS FOR 2017

It is hereby established that the company Jadran d.d. has generated an operating loss in the amount of HRK 4,230,650 in the business year ended on 31 December 2017 and it is proposed that the loss in 2017 is to be covered from retained earnings from previous years.

Member of the Management Board	President of the Management Board
Marija Galjanić Sovar	Pero Matić

Jadran dioničko društvo za hotelijerstvo i turizam Crikvenica

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