



INFORMATION ABOUT INVESTMENT OPTIONS IN THE AREA OF SIBENIK - CROATIA

IVANAL Ltd.

Document for: To whom it may concern
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BASIC FACTS

I am the **property owner** of a significant, attractive piece of land – approx. 150.000 square meters at present, with a perspective of enhancing it with an additional area of approx. 150.000 square meters, amounting therefore in total to 300.000 sq meters.

The land is situated on a highland area directly bordering the Natural Park of Reserve «Krka», near the village of Lozovac. The most beautiful sightseeing spot of the waterfalls «Skradinski buk» and the lake area «Visovačko jezero» of the Natural Park is clearly visible from this land area. The distance from the well known yacht marina «Skradin» is only 5 km. The whole area around the river Krka is rich with medieval Croatian town ruins and a Roman military Arena is the most recent archaeological finding. Another Natural park of reserve the - island archipelago «Kornati» is in the vicinity.

The location is ideal for entrepreneurs, being

- In the geographical centre of the entire region (or targeted market of neighbouring countries)
- At the border of the Krka National Park (that has itself half-a-million visitors during only 5 months of summer tourist season)
- At the beautiful Adriatic coast, famous for its tourist-industry and tradition.

The location has:

- A long-term water concession (signed with the State) for the usage of water from the River Krka (presently 120.000 m³/year) with a short pipeline for connection.
- While, all infrastructure is already existing, namely water, electricity, road, water sewerage with the existing water purification plant.
- And there is the existent reserved electrical power of 4.5 MW

Marko Ivanović PhD

President of the Managing Board

Owner

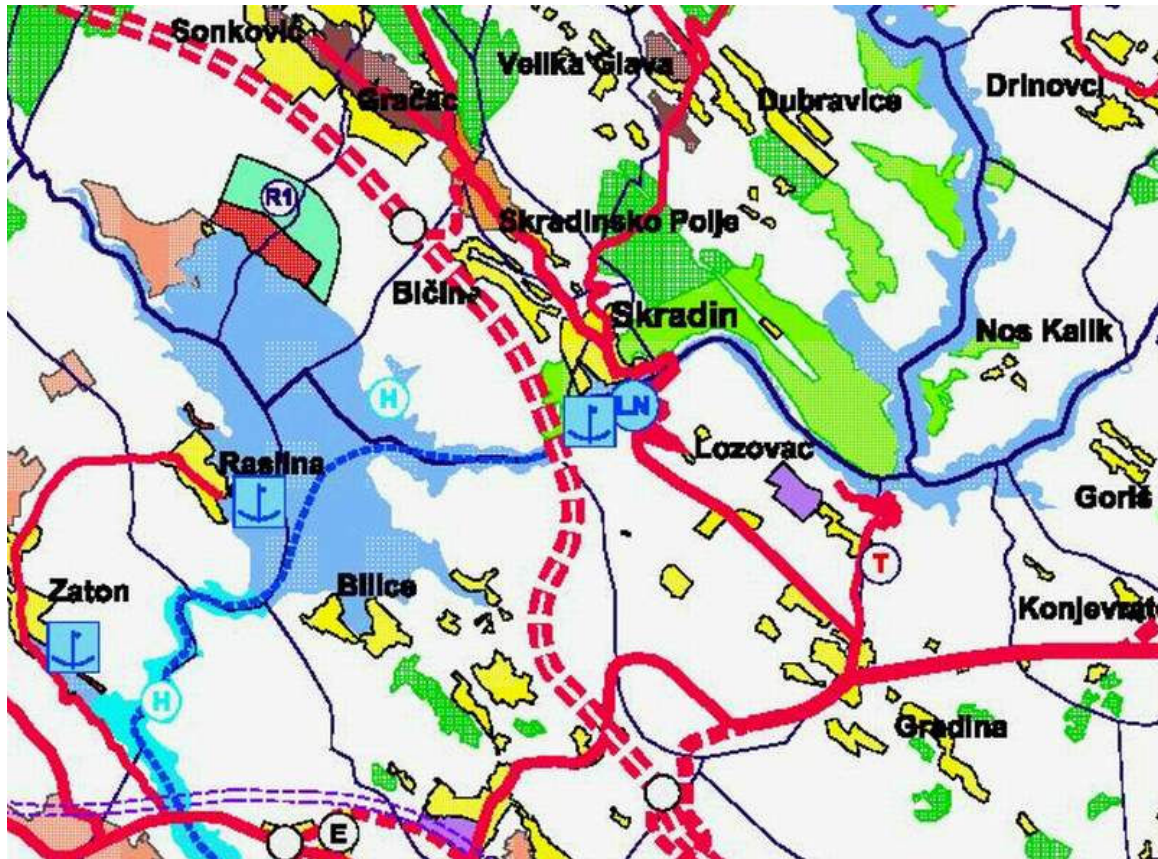


Fig 1: Detail: Land Planning Document: “Purpose of the area” (2005) - source: www.mzopu.hr.

The location of Ivanal Ltd, is a light blue coloured zone of industrial purpose, beneath the title/name “Lozovac”



Fig 2: Legend from the same document: “Korištenje i namjena prostora” (translation: “Usage and the purpose of the area”)

1. PRESENT SITUATION OF IVANAL

Nowadays facilities of IVANAL Ltd (which is an Aluminium Die Casting Company – www.ivanal.hr) are not on the most ideal position, and as such present an unexploited economical resource.

- The type of business, as is presently organised, is not adequate for the proximity of the National Park of Reserve «Krka». Beside the fact that the present technology is no more a threat to the environment, the relocation of IVANAL in the entrepreneurial zone with adequate infrastructure is basically in concordance with the world trends and with the accepted strategy Development of the Republic of Croatia.
- The location that is near to the waterfalls of Krka, with the sight of the river flow and the mentioned waterfalls present an extraordinary touristy resource, and indeed the national resource which has to be evaluated, as well as from the point of view of the property owner, as well as due to the interest of the Town of Sibenik and the broader community.

The relocation of the present production capacities of IVANAL has been realised in september 2009, thus leaving the location Lozovac free of any business activities.

2. THE VISION OF IVANAL AS A TOURIST ATTRACTION

The location of IVANAL, what is an objective fact, is highly adequate for tourist purport. It has already been estimated as such by the respective Offices of the Municipality of Sibenik and the County Sibensko-Kninska.

On the very border of the National Park of Reserve «Krka» with the sight over «Visovacko Jezero» and «Skradinski buk», very near to the new highway (Zagreb – Split – Dubrovnik), being close to the Airports of Zadar (75 km) and Split (75 km), the vicinity of the ACI Marina Skradin – IVANAL has the potential to be one of the leading tourist attractions of the Middle Dalmatia and even further.



Fig 3: Localities surrounding IVANAL



Fig 4: Localities in the broader space of IVANAL

The possible disadvantages are tied to the lack of modern tourist facilities in the region and the poor developed area of the local communities, and the Sibenik area which is otherwise extremely quality destination.

On the other hand, the disadvantages of IVANAL are the needed solution of the present near-by deposit of industrial waste. The industrial waste has been proven and approved by the authorised authorities as “NOT DANGEROUS WASTE”. It is indeed aluminium and ferrous oxides, that present no threat to the underground, underground waters and to the air. Basically it presents only the landscape burden.

The present Land Planning Documentation speaks about the future attribution of the area as tourist area once the relocation of the industrial production is realised (source in croatian: http://www.sibenik.hr/pp_na_snazi.asp “Izmjene i dopune Prostornog plana uredenja Grada Šibenika 11/2007 – page 19).

We are nevertheless of the opinion that the mentioned disadvantages are no obstacle for further development of tourist contents, obviously under the supposition of a proper planning, thus enabling the project of transforming IVANAL in an important tourist capacity.

3. IVANAL AS A WELLNESS & SPA CENTER

With the mentioned advantages and disadvantages, it is supposed that the proper vision for the location development is building a quality tourist resort in the category of, on the average, 4 stars, with rich Wellness & Spa contents.

Wellness & Spa, as a tourist model with a series of medical and recreational contents and a theme «renovation of body and soul» is recommendable and we strongly believe it a correct strategy development.

- **Big Demand**

A demand for Wellness & Spa as a type of tourist service is rapidly growing on the world level. The number of guests in hotels and resorts of Wellness & Spa type are growing more then 25% on a yearly basis. (Source: World Travel & Tourism Council Report, 2005)

- **Non existing Competition**

A real and well devised Wellness resort is still not existing in Croatia (situation 2007), while the present offer is restricted do minor additional contents in the already existing hotels (for instance: Opatija, Bol on the island of Brač)

- **Ideal Location**

The location is ideal for Wellness contents. The National Park of Reserve is on a relative isolation, the natural beauties in the vicinity establish branding the whole destination as a place for «rest and recovery». The great quantities of the water from the river Krka, but also the existing concession of using the water resources, enable sufficient support for a number of basins and similar purports.

The Wellness Resort IVANAL should be a mixed hotel-suit model, with rich number of recreational contents as well as a medical centre. The medical centre should cover the contents such as massages, stomatology surgery, plastic surgery and some contents of alternative medicine.

The «four star» strategy is correct, since the hotel's categorisation with four stars is a minimum of destination's quality for more than 60% of German tourists (Source: Tourist Strategy of the Republic of Croatia, 2003), and the minimum quality of accommodation for the more demanding tourist markets that are in Croatian interest. It is not certain to have the investment in five star contents – the marketing study and the feasibility study should prove or disapprove it.

4. PROFIT OF THE TOWN OF SIBENIK AFTER THE DISLOCATION OF IVANAL TO A NEW LOCATION

The town of Sibenik gains an important new touristy centre with the dislocation of industrial production of the present IVANAL Ltd, the enhancement of its budget and a number of indirect additional benefits.

The greatness of investment

It is estimated that Wellness & Spa IVANAL shall, with a planned investment of at least 90 million euros, be one of the biggest tourist investments in Croatia (the biggest tourist «Greenfield» investments in Croatia are shown in Fig 3). As far as we know this might be the only important «Greenfield» tourist resort investment in Dalmatia finished by the end of this decade.

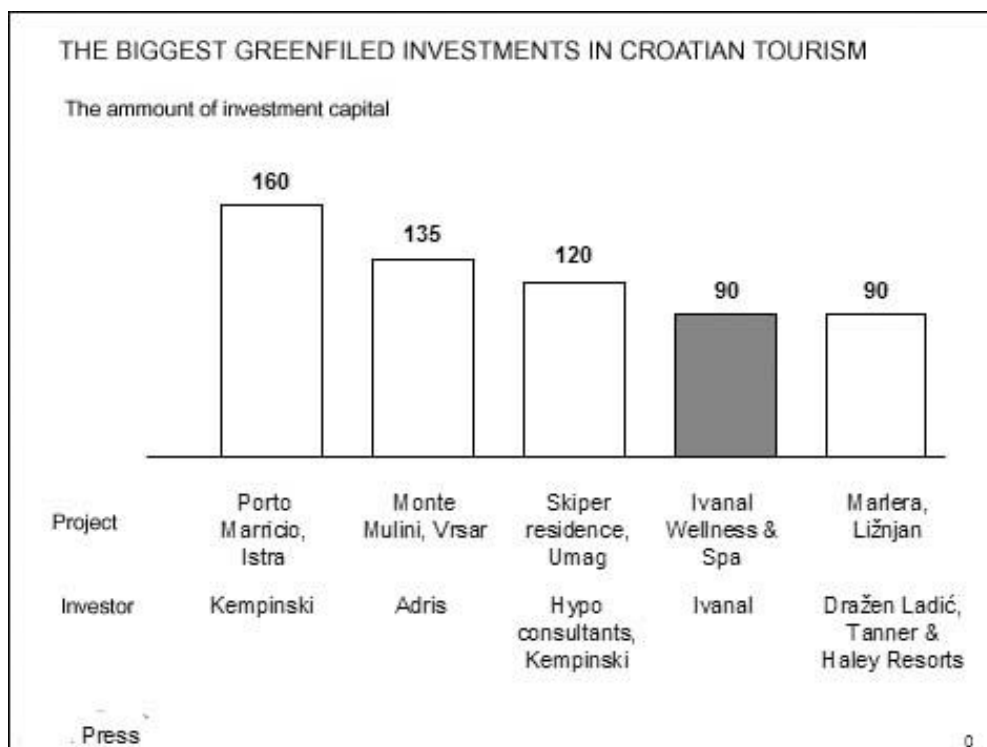


Fig 5

The new employments

With first calculations, after completing the investment in the new tourist resort IVANAL, the new number of working places in the very Wellness & Spa IVANAL shall be at least 500. This number shall completely revitalise surrounding area, thus

Wellness & Spa shall be one of the leading employers in the whole area of the town of Sibenik.

- 500 new working places presents quadruple number of the present number of employees in IVANAL Ltd. Regarding that the present number of employees is bigger than the needed number, the effect is still more important.
- It is expected that the investment of the Wellness & Spa IVANAL shall open a series of indirect working places in the near area. The usual indicators are that any investment in the tourist resort affects the economy of the destination – for one opened working place in the resort another one working place in services of the destination is opened. (source: McKinsey, Strategy of development of Croatian Tourism, 2003)

Additional Income of the Town of Sibenik's Budget

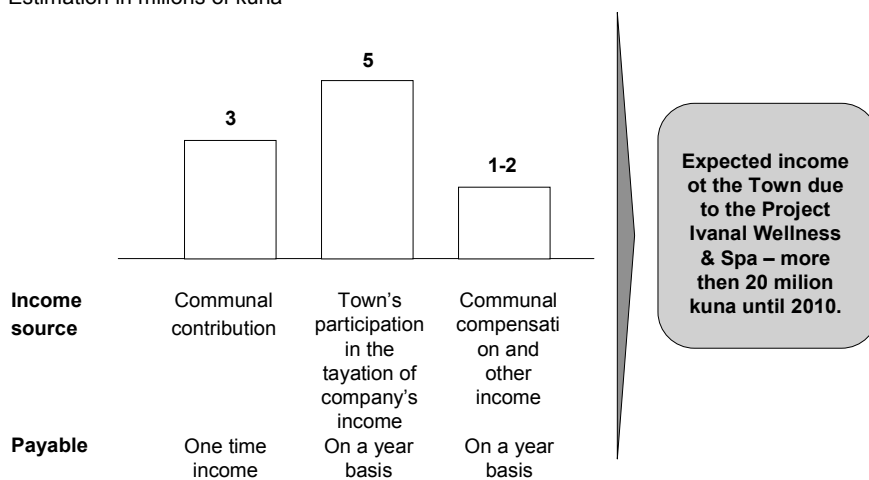
The investment for Wellness & Spa IVANAL shall generate an important additional direct income for the Town of Sibenik's budget. We estimate that this income shall be:

- From the communal rent, it is estimated, the amount of 3 millions Kuna. The Town would generate such income in the following 2 years, firstly in legal contributions with issuing building permits for all phases of the project (as defined with a general building permit)
- During every year the participation in income taxes of the company is estimated with the amount of 5 millions Kuna, but such an amount shall be realistic only after all phases of the project shall be realised.
- The additional yearly income to the Town shall be from communal taxes, participation of the Town in taxes for the new engaged employees, tourist accommodation taxes. It is estimated that the Town shall have the additional income of 1 to 2 million Kuna in the moment when all the project phases shall be realised and when the project starts operating.
- The Town shall have important additional indirect income. For instance, it is expected that a lot of contractors in phase of design, engineering projecting and building shall be from the area of the Town, and thus shall be tax obligatories.

Taking everything into account, we believe that a realistic conservative estimation gives a figure of 20 millions Kuna as the Town income from the project until 2010, and further on roughly 6-7 million Kuna on a yearly base.

ADDITIONAL BUDGET INCOME TO THE TOWN OF SIBENIK FROM THE PROJECT “WELLNESS & SPA IVANAL

Estimation in millions of kuna



Izvor: Press

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Fig 6

The number of accommodations

It is estimated that, after Wellness & Spa IVANAL shall be finished, it shall generate an important number of additional accommodations in Town and County. It is estimated that Wellness & Spa IVANAL shall from 2010 on:

- Accommodate additional 55.000 guests, which is nearly 10% of nowadays number of guests of the whole Šibensko-kninska County;
- Additional 330.000 accommodations;
- Wellness & Spa IVANAL shall generate at least 15% of tourist income of the County due to the high standard of accommodation.

5. IVANAL AS A TOURIST ATTRACTION

IVANAL can be imagined as an adequate location for development of the attractions of the «Disneyland» or «Aqua park» type, but:

- The attractions of the «Disneyland» type are rarely profitable per se, and some as Euro Disney in Paris are running with losses. With profitable attractions, the main income source is the accommodation resources in the vicinity, while the main attraction is a loss and the needed infrastructure.
- The average tourist in Croatia, with a nowadays consumption on the average of 60 euros (source: TOMAS Study, Institute for Tourism, 2005) has a designed budget for only one minor visit of a certain tourist attraction. One is willing to spend such a budget in visiting a certain National Park.
- While there is a lack in quality accommodation capacities in the County and Croatia, bigger investments in the accompanying tourist contents shall not be economical.

On the other hand it can be envisaged that the area is adequate for the investment in

- CASINO activities
- Medical center for plastic surgery, dentist services

It has to be stressed that In the vicinity of IVANAL there is/are:

- Planned Golf Resort in the vicinity of Prukljan (potential investor: Quaestus Private Equity), and the Dalmatian Village in the vicinity of Drniš (investor: Joško Lokas)
- Major archeological attractions dating from Roman times.
- Major Hunting area.

6. THE PROJECT PROPOSITION IN COORDINATION WITH THE MASTERPLAN OD SIBENSKO-KNINSKA COUNTY

The Master plan of Sibensko-kninska County offers a series of strategic standpoints regarding the development of tourism in the County.

The proposition of Wellness & Spa IVANAL is totally in agreement with the Master plan, which envisages:

- At least one bigger hotel with additional purport in the cluster of «Skradin» (source: Master plan Summary – <http://www.sibenik.hr/projekti/master.asp>)
- Development of Wellness as one of the development priorities (source: Master plan – Supplements 1 and 2)
- Tourist valorisation of the National Park of Reserve «Krka» as the leading attraction in the County (source: Master plan Summary)

7. EXPECTATIONS

IVANAL's Managing Board has been granted the support of local government on the level of the Town and the County.

The belief that the proposed explanation in this phase, is founded not only on the expectation and envisage of the Managing Board, but also with the opinion and expectations of:

- **experts in Land planning**
- **experts in economy**
- **public**
- **local community**



Fig 7: View from IVANAL