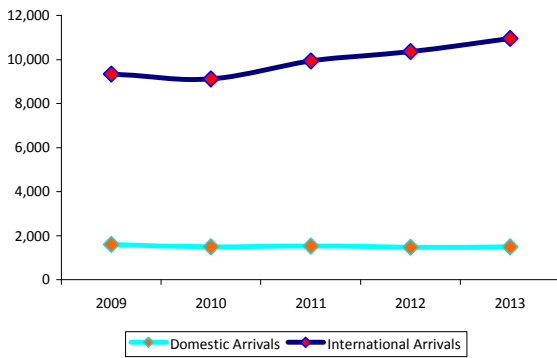


Croatia is a unitary democratic parliamentary republic at the crossroads of Central Europe, Southeast Europe, and the Mediterranean. Its capital city is Zagreb. Croatia covers 56,594 km² and has a diverse mostly continental and Mediterranean climate. Its 1,244 islands and reefs are a distinguishing symbol of Croatian tourism and a comparative advantage in its development. Due to such natural assets, nautical tourism is an especially valuable and successful segment of Croatian tourism and presents an opportunity for investors to venture into this high-end market, which is still significantly underdeveloped. The country's population is 4.26 million.

Visitation

The following figure illustrates the growth trend in volume of both domestic and international visitors to Croatia from 2009 to 2013.

FIGURE 1: DOMESTIC AND INTERNATIONAL VISITATION 2009-13 (000S)



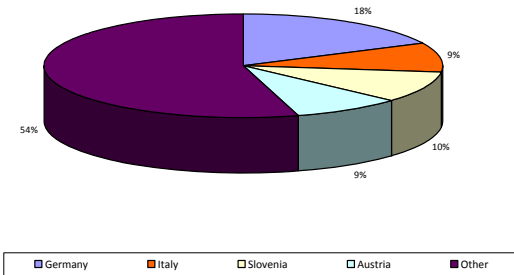
Source: Croatian Bureau of Statistics

Domestic arrivals have decreased since 2009 at a negative compound annual growth of nearly 2%. Foreign arrivals have depicted a remarkable compound annual growth of 6% over the same period.

Source Markets

Germany has been the dominant source visitation market accounting for 18% of the total visitation to Croatia for 2013, followed by Italy, Slovenia, and Austria at about 9%-10% each.

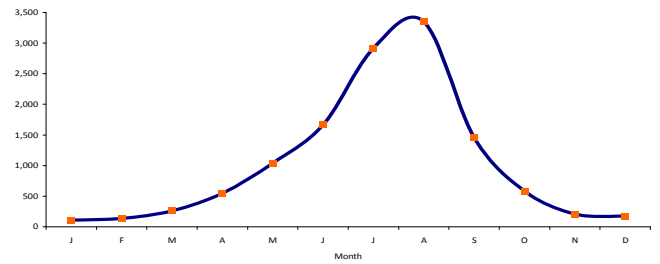
FIGURE 2: ARRIVALS BY SOURCE COUNTRY, 2013



Source: Croatian Bureau of Statistics

Seasonality

FIGURE 3: TOURIST ARRIVALS BY MONTH 2013 (000S)



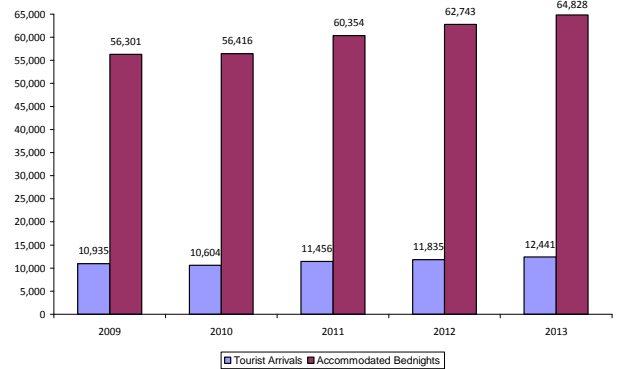
Source: Croatian Bureau of Statistics

Figure 3 demonstrates the rather highly seasonal pattern of visitation to Croatia illustrating the monthly tourist arrivals for 2013. Peak demand occurs in June, July, August, and September.

Demand for Hotel Accommodation

Croatia's reliance on international source markets was the primary reason for annual tourist arrivals to have recorded a compound annual growth rate of 6% from 2009 to 2013. Accommodated bednights have recorded a compound annual growth rate of nearly 4% over the same period. The average length of stay in Croatia remains unchanged at about 5 days.

FIGURE 4: DEMAND FOR HOTEL ACCOMMODATION 2009-13 (000S)



Source: Croatian Bureau of Statistics

Outlook

Croatia joined the European Union on 1 July 2013 as the 28th member state. Gross Domestic Product (GDP) is estimated to fall by 0.5% in 2014. There is more optimism about the prospect for growth in 2015, with exports projected to pick up in the Eurozone and private investments expected to increase. The privatization of large state-owned enterprises and the availability of EU funds (in net terms about 2% of GDP per year) should also help growth prospects in the medium term. The structural reforms that the Government has launched for labor, pension, and social benefits – as well as areas for the investment climate – could help stimulate job creation, productivity, and social cohesion.

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