

Annex 1.

Reporting period

1.1.2018

to

30.9.2018

Quarterly financial report TFI-POD

Tax number (MB): 03166619

Company registration number (MRS): 040008080

Personal identification number (OIB): 15573308024

Issuing company: LIBURNIA RIVIERA HOTELI d.d. OPATIJA

Postal code and place: 51410 Opatija

Street and house number: MARSALA TITA 198

E-mail address: liburnia@liburnia.hr

Internet address: www.liburnia.hr

Municipality/city code and name: 302

County code and name: 8 PRIMORSKO GORANSKA ŽUPANIJA

Number of employees: 767

Consolidated report: NO

(period end)
NKD code: 5510

Companies of the consolidation subject (according to IFRS)

Seat:

MB:

Bookkeeping service:

Contact person: Kamenar Biserka
(only surname and name)

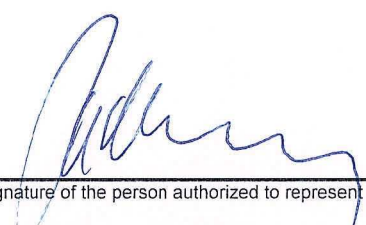
Telephone: 051 710-395

Telefaks:

E-mail address: biserka.kamenar@liburnia.hr

Family name and name: Cadum Giorgio
(person authorized to represent the company)

LIBURNIA RIVIERA HOTELI
DIONIČKO DRUŠTVO
OPATIJA 13


 (signature of the person authorized to represent the company)

Balance Sheet
as of 30.09.2018.

Company: LIBURNIA RIVIERA HOTELI d.d.			
Position	AOP	Previous period 31.12.2017.	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001		
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	852.449.421	888.995.528
I. INTANGIBLE ASSETS (004 do 009)	003	477.473	401.757
1. Expenditure for development	004	185.330	187.899
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	292.143	213.858
3. Goodwill	006		
4. Advances for purchase of intangible assets	007		
5. Intangible assets in progress	008		
6. Other intangible assets	009		
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	850.068.079	886.689.902
1. Land	011	100.877.840	100.877.840
2. Buildings	012	609.017.493	630.277.050
3. Plant and equipment	013	14.554.918	15.289.282
4. Tools, working inventory and transportation assets	014	97.867.826	121.844.968
5. Biological assets	015		
6. Advances for purchase of tangible assets	016	9.008.415	6.969.435
7. Tangible assets in progress	017	15.236.020	7.925.760
8. Other tangible assets	018	3.505.567	3.505.567
9. Investment in real-estate	019		
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	500.000	500.000
1. Share in related parties	021	500.000	500.000
2. Loans to related parties	022		
3. Participating interests (shares)	023		
4. Loans to companies with participating interest	024		
5. Investments in securities	025		
6. Loans, deposits, etc.	026		
7. Other non-current financial assets	027		
8. Equity-accounted investments	028		
IV. RECEIVABLES (030 do 032)	029	0	0
1. Receivables from related parties	030		
2. Receivables arising from sales on credit	031		
3. Other receivables	032		
V. DEFERRED TAX ASSET	033	1.403.869	1.403.869
C) CURRENT ASSETS (035+043+050+058)	034	54.282.292	109.736.848
I. INVENTORIES (036 do 042)	035	2.961.561	3.389.713
1. Raw materials and supplies	036	2.231.988	2.615.255
2. Production in progress	037		
3. Finished products	038		
4. Merchandise	039	310.457	449.291
5. Advances for inventories	040	419.116	325.167
6. Long term assets held for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 do 049)	043	7.542.482	20.066.207
1. Receivables from related parties	044		
2. Receivables from end-customers	045	6.839.647	17.618.709
3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	154.443	169.766
5. Receivables from government and other institutions	048	548.392	2.275.932
6. Other receivables	049		1.800
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	15.800	37.515.800
1. Share in related parties	051		
2. Loans to related parties	052		
3. Participating interests (shares)	053		
4. Loans to companies with participating interest	054		
5. Investments in securities	055		
6. Loans, deposits, etc.	056		37.500.000
7. Other financial assets	057	15.800	15.800
IV. CASH AND CASH EQUIVALENTS	058	43.762.449	48.765.128
D) PREPAYMENTS AND ACCRUED INCOME	059	541.596	748.229
E) TOTAL ASSETS (001+002+034+059)	060	907.273.309	999.480.605
F) OFF BALANCE SHEET ITEMS	061	4.452.613	4.452.613

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	771.931.860	792.107.952
I. SUBSCRIBED SHARE CAPITAL	063	696.074.300	696.074.300
II. CAPITAL RESERVES	064		
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	46.529.648	46.529.648
1. Legal reserves	066	45.018.765	45.018.765
2. Reserve for own shares	067		
3. Treasury shares and shares (deductible items)	068		
4. Statutory reserves	069		
5. Other reserves	070	1.510.883	1.510.883
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	12.970.998	29.327.912
1. Retained earnings	073	12.970.998	29.327.912
2. Loss carried forward	074		
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	16.356.914	20.176.092
1. Net profit for the period	076	16.356.914	20.176.092
2. Net loss for the period	077		
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	6.877.999	4.866.412
1. Provisions for pensions, severance pay and similar liabilities	080	2.554.442	542.855
2. Provisions for tax liabilities	081		
3. Other provisions	082	4.323.557	4.323.557
C) NON-CURRENT LIABILITIES (084 do 092)	083	69.424.980	131.577.686
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	69.424.980	131.577.686
4. Liabilities for advances	087		
5. Trade payables	088		
6. Commitments on securities	089		
7. Liabilities to companies with participating interest	090		
8. Other non-current liabilities	091		
9. Deferred tax liabilities	092		
D) CURRENT LIABILITIES (094 do 105)	093	58.596.029	65.774.011
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits, etc.	095		
3. Liabilities to banks and other financial institutions	096	22.166.676	17.209.030
4. Liabilities for advances	097	8.556.814	18.760.865
5. Trade payables	098	12.559.796	14.139.319
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	7.690.722	6.899.793
9. Taxes, contributions and similar liabilities	102	4.015.215	5.864.086
10. Liabilities arising from share in the result	103		
11. Liabilities arising from non-current assets held for sale	104		
12. Other current liabilities	105	3.606.806	2.900.918
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	442.441	5.154.544
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	907.273.309	999.480.605
G) OFF BALANCE SHEET ITEMS	108	4.452.613	4.452.613
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	0	0
2. Attributable to minority interest	110		

Income statement
period 01.01.2018. to 30.09.2018.

Company: LIBURNIA RIVIERA HOTELI d.d.

Position	AOP	Previous period	Previous period	Current period	Current period
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112 do 113)	111	282.742.605	175.995.163	278.477.526	167.477.752
1. Rendering of services	112	262.203.664	161.543.265	269.819.362	165.043.645
2. Other operating income	113	20.538.941	14.451.898	8.658.164	2.434.107
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	217.453.297	95.492.171	256.320.549	97.710.612
1. Change in inventories of work in progress	115				
2. Material expenses (117 do 119)	116	57.530.773	28.778.384	65.472.942	32.637.764
a) Costs of raw materials	117	25.663.180	14.034.640	28.536.027	15.562.862
b) Cost of goods sold	118	380.074	204.243	325.925	179.081
c) Other material expenses	119	31.487.519	14.539.501	36.610.990	16.895.821
3. Employee benefits expenses (121 do 123)	120	52.837.596	21.899.988	85.137.985	23.001.879
a) Net salaries	121	32.862.603	13.963.109	49.114.241	14.079.329
b) Tax and contributions from salary expenses	122	12.154.661	4.804.858	23.508.167	5.636.235
c) Contributions on salary	123	7.820.332	3.132.021	12.515.577	3.286.315
4. Depreciation and amortisation	124	73.611.729	25.109.236	72.808.565	25.254.659
5. Other expenses	125	33.093.641	19.632.184	31.669.199	16.758.692
6. Write down of assets (127+128)	126	379.558	72.379	1.231.858	57.618
a) non-current assets (except financial assets)	127	267.726	65.693	1.019.893	46.237
b) current assets (except financial assets)	128	111.832	6.686	211.965	11.381
7. Provisions	129				
8. Other operating costs	130				
III. FINANCIAL INCOME (132 do 136)	131	814.237	463.764	783.587	358.772
1. Interest, foreign exchange differences, dividends and similar income from related parties	132				
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	814.237	463.764	783.587	358.772
3. Income from investments in associates and joint ventures	134				
4. Unrealised gains (income) from financial assets	135				
5. Other financial income	136				
IV. FINANCIAL EXPENSES (138 do 141)	137	5.089.511	1.560.345	2.764.472	602.088
1. Interest, foreign exchange differences, dividends and similar income from related parties	138				
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	5.089.511	1.560.345	2.764.472	602.088
3. Unrealised losses (expenses) from financial assets	140				
4. Other financial expenses	141				
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142				
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143				
VII. EXTRAORDINARY - OTHER INCOME	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL INCOME (111+131+144)	146	283.556.842	176.458.927	279.261.113	167.836.524
X. TOTAL EXPENSES (114+137+143+145)	147	222.542.808	97.052.516	259.085.021	98.312.700
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	61.014.034	79.406.411	20.176.092	69.523.824
1. Profit before taxes (146-147)	149	61.014.034	79.406.411	20.176.092	69.523.824
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151				
XII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	61.014.034	79.406.411	20.176.092	69.523.824
1. Profit for the period (149-151)	153	61.014.034	79.406.411	20.176.092	69.523.824
2. Loss for the period (151-148)	154	0	0	0	0
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	155				
2. Attributable to minority interest	156				
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	61.014.034	79.406.411	20.176.092	69.523.824
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	0	0	0	0
1. Exchange differences from international settlement	159				
2. Changes in revaluation reserves of long-term tangible and intangible assets	160				
3. Profit or loss from re-evaluation of financial assets held for sale	161				
4. Profit or loss from cash flow hedging	162				
5. Profit or loss from hedging of foreign investments	163				
6. Share of other comprehensive income/loss from associated companies	164				
7. Actuarial gains/losses from defined benefit plans	165				
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	167	0	0	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	61.014.034	79.406.411	20.176.092	69.523.824
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	169				
2. Attributable to minority interest	170				

Cash flow statement - indirect method
period 01.01.2018. to 30.09.2018.

Company: LIBURNIA RIVIERA HOTELI d.d.			
Position	AOP	Previous period	Current period
1	2	3	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	001	61.014.034	20.176.092
2. Depreciation and amortisation	002	73.611.729	72.808.565
3. Increase of current liabilities	003	10.660.001	16.498.877
4. Decrease of current receivables	004		
5. Decrease of inventories	005		
6. Other cash flow increases	006		
I. Total increase of cash flow from operating activities	007	145.285.764	109.483.534
1. Decrease of current liabilities	008		
2. Increase of current receivables	009	5.186.461	2.637.465
3. Increase of inventories	010	150.833	428.152
4. Other cash flow decreases	011	4.991.218	2.761.262
II. Total decrease of cash flow from operating activities	012	10.328.512	5.826.879
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	013	134.957.252	103.656.655
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	015	67.945	91.409
2. Proceeds from sale of non-current financial assets	016		
3. Interest received	017	348.683	549.414
4. Dividend received	018		
5. Other proceeds from investing activities	019		
III. Total cash inflows from investing activities	020	416.628	640.823
1. Purchase of non-current assets	021	84.937.412	118.850.097
2. Purchase of non-current financial assets	022		
3. Other cash outflows from investing activities	023		
IV. Total cash outflows from investing activities	024	84.937.412	118.850.097
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	84.520.784	118.209.274
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	027		
2. Proceeds from loans and borrowings	028		69.072.406
3. Other proceeds from financing activities	029	5.986.159	26.000.000
V. Total cash inflows from financing activities	030	5.986.159	95.072.406
1. Repayment of loans and bonds	031	12.395.472	12.017.108
2. Dividends paid	032		
3. Repayment of finance lease	033		
4. Purchase of treasury shares	034		
5. Other cash outflows from financing activities	035		63.500.000
VI. Total cash outflows from financing activities	036	12.395.472	75.517.108
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	037	0	19.555.298
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	6.409.313	0
Total increases of cash flows	039	44.027.155	5.002.679
Total decreases of cash flows	040	0	0
Cash and cash equivalents at the beginning of period	041	62.388.338	43.762.449
Increase of cash and cash equivalents	042	44.027.155	5.002.679
Decrease of cash and cash equivalents	043	0	0
Cash and cash equivalents at the end of period	044	106.415.493	48.765.128

STATEMENT OF CHANGES IN EQUITY

period **1.1.2018** to **30.9.2018**

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	696.074.300	696.074.300
2. Capital reserves	002		
3. Reserves from profit	003	46.529.648	46.529.648
4. Retained earnings or loss carried forward	004	12.970.998	29.327.912
5. Net profit or loss for the period	005	61.014.034	20.176.092
6. Revaluation of tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of available for sale assets	008		
9. Other revaluation	009		
10. Total equity and reserves (AOP 001 to 009)	010	816.588.980	792.107.952
11. Foreign exchange differences from foreign investments	011		
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Change of accounting policies	014		
15. Correction of significant mistakes of prior period	015		
16. Other changes	016		
17. Total increase or decrease of equity (AOP 011 to 016)	017	0	0
17 a. Attributable to majority owners	018	0	0
17 b. Attributable to minority interest	019		

Management Board Report on the state of Liburnia Riviera Hoteli d.d. for the period January-September 2018

The operating results of Liburnia Riviera Hoteli d.d. for the period January-September 2018 show that the Company is achieving its primary objectives. In the period January-September 2018, the Company had c. 1% less overnight stays than in the same period in 2017. Operating income, which also includes extraordinary income (in the attached report), decreased by c. 2% compared to the same period last year. The operating income category, which according to the USALI report includes revenues from accommodation, board and extra food and beverages, sports, and other operating income (that is, without extraordinary income), increased by 3% compared to the last year's.

In accordance with Stock Exchange Rules, the Liburnia Riviera Hoteli d.d. Company of Opatija is issuing a communication informing investors that the Company's Supervisory Board on 15 June 2018 passed a decision approving the conclusion of the Agreement on the Termination of the Contract for the performance of the function of Chairman of the Management Board, which was concluded on 1 October 2011 with Mr Igor Šehanović. The aforementioned Agreement on Termination of the Contract for the performance of the function of Chairman of the Management Board stipulates the payment of a bonus to the amount of 14,139,387.52 kn to Mr Igor Šehanović, with the payment deadline being no later than 30 June 2018. The total gross amount is 28,075,419.24 kn. On 15 June 2018, the Company's Supervisory Board also passed a decision to release Mr Igor Šehanović from his position of Chairman of the Management Board with effect from 30 June 2018, and simultaneously also made the decision to appoint the former member of the Management Board Mr Giorgio Cadum as Chairman of the Management Board for the period from 30 June 2018 to 1 October 2019.

In April 2018, after the completion of investment which included the addition of 40 accommodation units, the Smart Selection Hotel Istra was opened. Six additional rooms and an outdoor pool are the subject of investment in the Remisens Hotel Marina in Mošćenička Draga, while in Opatija, next to the Remisens Hotel Palace Bellevue, the Remisens Premium Villa Abbazia (the previously not working Villa Slatina), with a capacity of 13 accommodation units, was opened for guests. The hotel itself, after an investment increasing its capacity by three additional accommodation units and improving its quality of service, is now the Remisens Premium Grand Hotel Palace. The investment in the Remisens Villa Belvedere in Lovran added an additional accommodation unit and outdoor pool, while the Smart Selection Hotel Lungomare 3* (former the Residenz 2*) in Opatija, besides an additional accommodation unit, also received completely renovated and air-conditioned accommodation units. The renovated hotels were opened in April 2018. The completely renovated Remisens Premium Heritage Hotel Imperial 4* was opened in May 2018.

In the period January-September 2018, according to the USALI report, net extraordinary income was c. 1.3 million kn, while in the same period last year net extraordinary income was c. 8.9 million kn. The extraordinary and one-off expenses in the observed period of 2018 are for the most part the result of write-offs of end-of-life capital assets and other assets in properties that were included in the investments.

The total salaries of the accommodation, food and beverages, and sports and recreation departments increased by 18% or c. 6.5 million kn compared to the same period last year, while total 'gross 2' salaries of the departments increased by 16% or c. 5.3 million kn. In the

period January-September 2018, c. 801,000 kn refers to the harmonisation of salaries with the collective agreement as required by law, c. 562,000 kn refers to an additional 4% based on negotiations with trade unions, and c. 306,000 kn refers to food and accommodation for seasonal workers, which makes a total of c. 1.7 million kn.

Apart from the increases due to harmonisation with the collective agreement as required by law and additional negotiations with trade unions, the largest part of the increase (c. 1.55 million kn) refers to the Remisens Hotel Giorgio II due to the longer opening times of the hotel, and also to the Remisens Premium Grand Hotel Palace-Bellevue-Villa Abbazia (c. 1.0 million kn), and the Remisens Premium Heritage Hotel Imperial (c. 880,000 kn), which in the previous year did not belong to the Premium brand. Likewise, payroll costs in the Smart Selection Hotel Lungomare Opatija increased by c. 657,000 kn, as last year the property did not have a reception or restaurant. Outsourcing costs increased by c. 1.0 million kn (c. 910,000 kn accommodation department and c. 136,000 kn food and beverages department) compared to the same period last year. The cumulative effect of salary increases compared to the same period last year is c. 6.8 million kn.

Energy costs increased by 16% or c. 1.9 million kn compared to the same period last year, with electricity costs increasing by 28% or c. 1.7 million kn compared to the same period last year. The Renewable Energy Incentive Fee increased at the level of the Republic of Croatia by c. 300%, and the price per kWh increased by c. 18%.

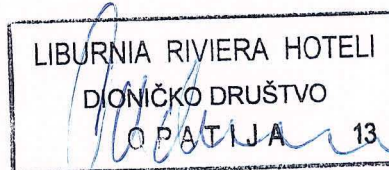
In 2018, the Remisens Premium Heritage Hotel Imperial and the Remisens Premium Grand Hotel Palace-Bellevue and Villa Abbazia became members of a higher-quality brand, which resulted in a 40% or c. 865,000 kn increase in direct costs for food and beverages. For the same reason, laundry costs increased by c. 38% or c. 257,000 kn, and other department costs such as kitchen and bathroom utensils, various consumable items, flowers, etc., increased in the period January-September 2018 by c. 63% or c. 762,000 kn compared to the same period last year.

In the period January-September 2018, Liburnia Riviera Hoteli d.d., taking into account the abovementioned effects, had a profit of c. 20.2 million kn, while in the same period last year the profit was c. 61.0 million kn. In the observed period of this year, according to the USALI report, the total financial result – EBITDA (gross profit + amortisation + interests) was c. 94.3 million kn, while the last year's financial result was c. 139.0 million kn.

The liquidity and solvency indicators and debt to equity and cash flow ratios are strong.

Giorgio Cadum

Chairman of the Management Board



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Opatija, 18/10/2018

Statement of persons responsible for the preparation of the reports

Pursuant to Article 407 Paragraph 2 of the Capital Market Act (Official Gazette Nos. 88/08 and 146/08), I declare that to the best of our knowledge the financial reports of the company LIBURNIA RIVIERA HOTELI d.d. Opatija have been prepared in accordance with International Financial Reporting Standards and the Croatian Accounting Act and that they provide a true and fair view of the assets and liabilities, profit and loss and financial operations of the Company for the period from 1 January to 30 September 2018.

Giorgio Cadum,
Chairman of the Management Board

