



VALAMAR
All you can holiday

BUSINESS RESULTS
1/1/2018 - 30/6/2018



QUARTERLY (INTERIM) REPORT OF THE GROUP AND THE COMPANY VALAMAR RIVIERA D.D.

for the period from 1 January 2018 to 30 June 2018



EXECUTIVE SUMMARY

Key financial indicators

(in '000,000 HRK)

	1 - 6/ 2017	1 - 6/ 2018	2018/ 2017
Total revenues	571.5	647.7	13.3%
Sales revenues	512.1	586.2	14.5%
Board revenues	411.1	476.1	15.8%
Operating costs	429.3	483.6	12.6%
EBITDA	90.7	106.8	17.7%
Adjusted EBITDA	89.5	104.4	16.6%
EBIT	-75.0	-87.4	16.4%
Adjusted EBIT	-76.2	-89.8	17.8%
EBT	-54.2	-72.3	33.4%

	31/12/ 2017	30/6/ 2018	2018/ 2017
Net debt	1,772.4	2,214.9	25.0%
Cash and cash equivalents	287.8	155.5	-46.0%
Market capitalization	5,420.3	5,055.5	-6.7%
Enterprise value	7,192.6	7,270.4	1.1%

Key operating indicators

	1 - 6/ 2017	1 - 6/ 2018	2018/ 2017
Accommodation units (capacity)	20,852	20,563	-1.4%
Number of beds	56,662	56,446	-0.4%
Accommodation units sold	924.4	1,018.5	10.2%
Overnights	1,861.5	2,037.4	9.5%
Average daily rate (in HRK)	445	467	5.1%

Note: Details and explanations can be found on page 9 in "Results of the Group".

EBITDA

In the first six months of 2018, the Group achieved strong growth in all operating indicators and results. Overnights grew for the fourth consecutive year and for the first time their number exceeded 2 million. The stronger growth in overnights and the 5% growth in ADR as well as increased operating efficiency through the controlled growth of operating costs drove a record-breaking adjusted EBITDA that jumped by 17% and totaled HRK 104 million (90 million in 2017).

Revenues

Total revenues were HRK 648 million, up 13% vs. last year's comparable period (HRK 571 million in 2017). In total revenues, HRK 586 million represented sales revenues (HRK 512 million in 2017), while the remaining part was mainly financial income, down HRK 2 million (from HRK 48 million to HRK 46 million). Sales revenues growth was largely driven by 16% higher board revenues that totaled HRK 476 million (HRK 411 million in 2017) and 10% higher F&B outlet revenues.

In the first six months of 2018, the Group achieved 2,037,444 overnights (+9%) while ADR rose by 5%. The HRK 65 million growth in board revenues was mainly driven by: i) large investments to improve competitiveness and the quality of services and products, ii) demand-driven optimization of distribution and prices, iii) numerous successful events held iv) better occupancy and v) the development of destination products with added value.

Costs

Operating costs were HRK 484 million, and their controlled growth was slower (+13%) if compared to sales revenues due to increased operating efficiency. Their growth results from increased material costs driven by larger business

volumes and increased staff costs. However, the share of staff costs in total operating expenses fell from 33% to 32%, while their increase was planned in line with the salary increase policy and the new staff hired to ensure service quality in the new Premium and Upscale products.

EBT

Although the customary loss before tax grew by HRK 18 million, the achieved HRK 72 million are above planned due to high EBITDA. The growth is due to i) increased annual cost of amortization (+HRK 28 million due to the earlier large investment cycles) having the most significant influence in the first half due to the industry's seasonal operations and ii) lower financial result (-HRK 6 million).

Market capitalization and net debt

The company's market capitalization fell by 6.7% in the first half of the current year, coinciding with the decrease in international and national stock market indices. Compared to 31 December 2017, net debt increased by HRK 443 million due to the acquisition of 55.45% of the share capital of Hoteli Makarska (HRK 173 million outflow) and the large investment cycle that was carried out (over HRK 700 million outflow). The positive business effects will be visible in the second half of this year.

Investments

Valamar Riviera Group completed its large investment cycle worth over HRK 700 million. The investments included several projects: the repositioning of Rabac as leading high-end holiday destination was completed with the opening of Valamar Collection Girandella Maro Suites 5*, the Valamar Argosy Hotel 4* was repositioned as "adults only" accommodation. Moreover, we continued investing in raising camping quality to offer products

EXECUTIVE SUMMARY (CONTINUED)

and services with high added value. The investments also included Imperial's projects and a range of other smaller projects to improve quality, operating efficiency and energy saving. Currently, the market demand for the recently developed properties is strong. For details, see '2018 Investments' on page 19.

The Supervisory Boards of Valamar Riviera and Imperial granted their general prior approval for the 2019 investment cycle amounting to a total HRK 752 million. The final investment amount will be decided by the end of this year. The large investment cycle represents the continuation of strategic investments to reposition the portfolio towards products and services with high added value while focusing on premium camping in Istria and on Rab and Krk Island. Investments in the other destinations will include numerous projects for upgrading guest amenities while large investments in accommodation for seasonal employees will continue in line with Valamar's strategic goals. For details, see '2019 Investments' on page 21.

Acquisitions

Croatia's Restructuring and Sale Centre (CERP) accepted Valamar Riviera's binding bid to buy a stake in Hoteli Makarska (726-key portfolio). On 4 April 2018 Valamar concluded an agreement on the purchase and transfer of 55.48% (HRK 172.7 million) of Hoteli Makarska's share capital. Valamar Riviera also concluded a cooperation agreement with AZ mandatory pension funds to start their acting in concert

regarding Hoteli Makarska. After the acquisition of shares, Valamar transferred 30.48% of Hoteli Makarska's share capital to AZ. After the completion of the takeover bid, Valamar Riviera owns 620,755 shares or 55.45% of the acquired company's share capital. The expected start date for Hoteli Makarska's consolidation is by the end of July 2018.

On 26 July 2018 Valamar Riviera made a binding offer to buy the Petersbühel hotel 4* in Austria. The hotel has a prime location in the center of Obertauern, one of the most popular Austrian winter destinations. It has been operating for over 50 years and features 80 keys and excellent facilities such as wellness, restaurant and garage. The ski lift is in the hotel's immediate vicinity. The hotel is owned by Matthias Aichmann GmbH and Valamar expects to complete the necessary steps to transfer 100% stake in this private sector company within the next two months. Business internationalization is one of the key strategic goals of the company's development in the forthcoming period and this represents a major step forward in the company's business expansion across Croatia's borders.

Valamar's press release is available from the Valamar Riviera corporate website (valamar-riviera.com/en/2Q2018).

OUTLOOK

A significant percentage increase in the booking of announced overnights until year-end indicates a positive business outlook for the year.

Our positive expectations regarding the further increase in overnights, sales revenues and EBITDA are based on this year's large investment cycle, the great market feedback received by the recently developed properties, the overall portfolio quality as well as the acquisition of Hoteli Makarska.

Following the successful acquisition of Hoteli Baška on Krk Island, Imperial on Rab Island and Hoteli Makarska in Makarska, we are considering further expansion by pursuing new partnerships and acquisition opportunities in Croatia and abroad. The investment and recapitalization offer for Helios Faros is currently being considered. Helios Faros is a company on Hvar Island undergoing bankruptcy proceedings and managing a 591-key portfolio. The offer was submitted by Valamar Riviera together with PBZ Croatia osiguranje pension fund (for details, see: "Significant Business Events", page 7).

In line with our strategic goals until 2020, we are focused on preparing investments projects aimed at improving the portfolio properties and services. However, numerous factors reduce the competitiveness of Croatian tourism and hinder further investment potential: VAT and the rate of total contributions to salaries (both among the highest in the Mediterranean), the still unresolved issue of tourism land, skilled labor shortages, the likely introduction of property tax and announced tourist tax increase.

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SIGNIFICANT BUSINESS EVENTS

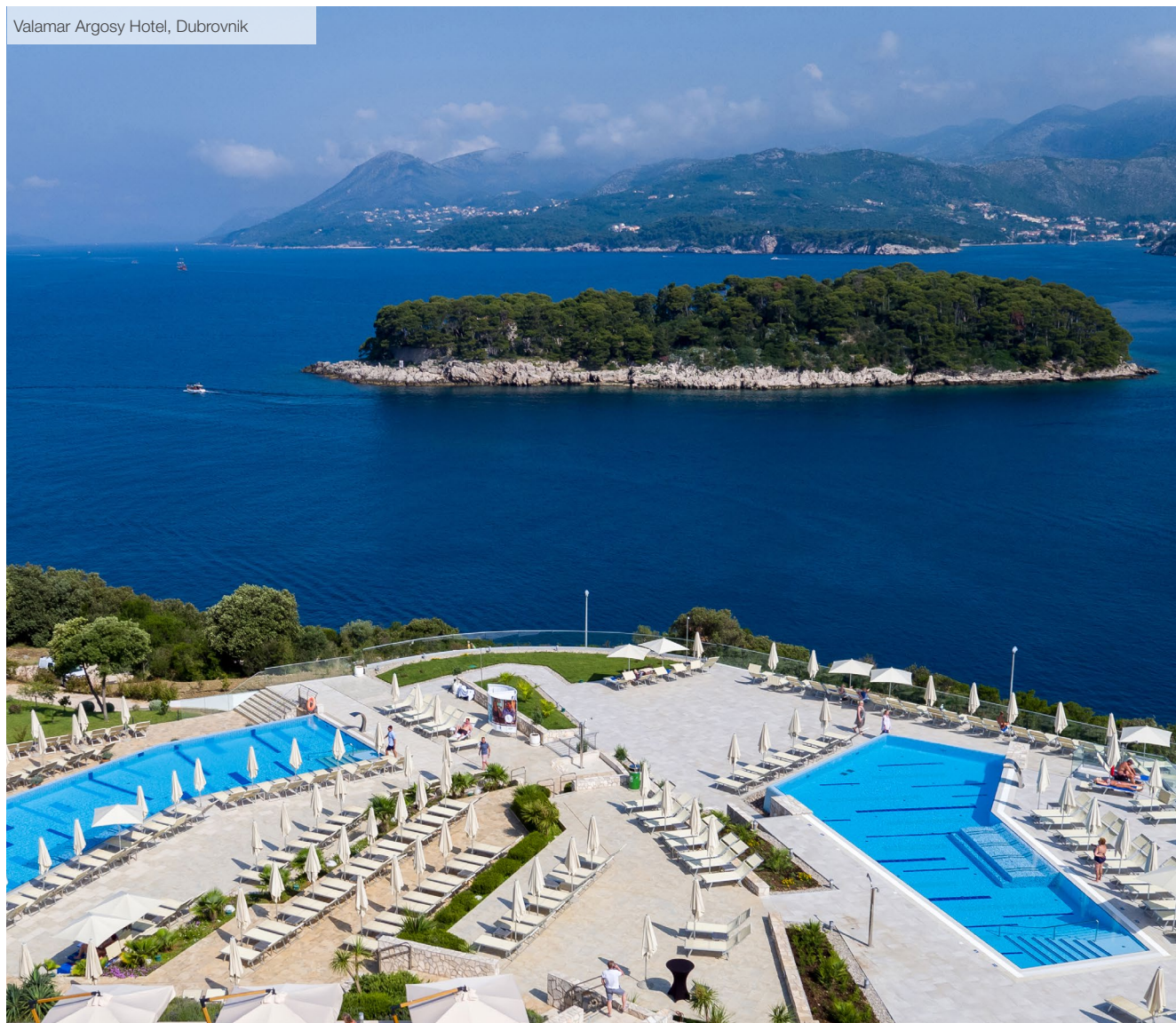
About Valamar Riviera

Valamar Riviera is the leading tourism company and one of the leading tourism groups in Croatia. It is also one of the largest investors in Croatian tourism with over HRK 4 billion invested in the last 14 years. It owns the Valamar All you can holiday umbrella brand and the sub-brands: Valamar Collection, Valamar Collection Resorts, Valamar Hotels & Resorts, Sunny by Valamar and Camping Adriatic by Valamar. With the acquisition of Hoteli Makarska d.d. in Makarska by the end of 1H 2018, Valamar Riviera Group is now present in six attractive destinations along the Adriatic coast – from Istria and Kvarner to Dubrovnik – and manages approx. 12% of Croatia’s categorized tourist accommodation. Valamar Riviera’s portfolio includes 33 hotels and resorts and 15 camping resorts that can welcome almost 58,000 guests daily in over 21,000 accommodation units. Therefore, Valamar Riviera is the largest tourism group in Croatia, as measured by portfolio size and revenues. Valamar Riviera cares for the interests of all its stakeholders: guests, suppliers and partners, local communities and destinations, around 22,000 shareholders, nearly 6,000 people employed during peak season and society at large. Stakeholders’ interests are actively promoted through Valamar Riviera’s principles of sustainable and socially responsible growth and development. The company aims at growing further through portfolio investments, new acquisitions and partnerships, by developing its destinations and human resources and by increasing operating efficiency.

Hoteli Makarska d.d. share purchase

On 27 December 2017, Valamar Riviera submitted a binding bid to buy a 55.48% stake (621,086 shares) in Hoteli Makarska d.d. (hereinafter: Hoteli Makarska), a company

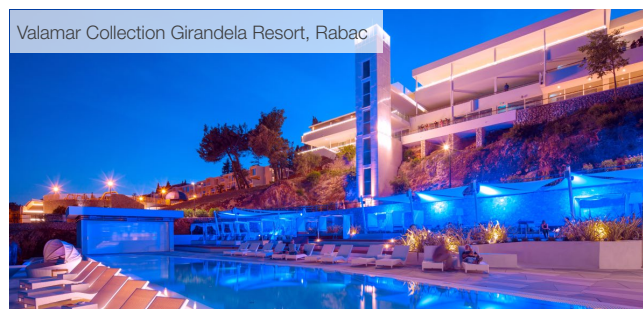
Valamar Argosy Hotel, Dubrovnik



from Makarska with 726 keys in its portfolio. Valamar Riviera concluded a cooperation agreement with AZ, a pension fund management company from Zagreb, acting in its own name and on behalf of the mandatory pension funds it manages, to start their acting in concert regarding Hoteli Makarska. On 4 April 2018, Valamar Riviera concluded an agreement with the Republic of Croatia, represented by CERP (Restructuring and Sale Center), regarding the sale and transfer of Hoteli Makarska's shares. With this agreement, Valamar bought 621,086 ordinary shares for HRK 172.7 million. Following this acquisition, on 12 April 2018 Valamar Riviera transferred 30.48% of Hoteli Makarska's share capital (341,218 shares) to its partner AZ and retained 25.00%. On 16 May 2018, HANFA (Croatian Financial Services Supervisory Agency) decided to approve Valamar Riviera's disclosure of the takeover bid for Hoteli Makarska. After the completion of the takeover bid, Valamar Riviera owns 620,755 shares or 55.45% of the acquired company's share capital. The expected start date for Hoteli Makarska's consolidation is by the end of July 2018.

Investment and recapitalization offer for Helios Faros

Valamar Riviera and PBZ Croatia osiguranje, a pension fund management company acting in its own name and on behalf of PBZ Croatia osiguranje mandatory pension funds categories: A and B, submitted on 15 May 2017 a joint offer for the investment and recapitalization of Helios Faros, a hospitality company undergoing bankruptcy proceedings from Stari Grad on Hvar Island. The Assembly of bankruptcy creditors of Helios Faros decided on 20 July 2017 to prepare a Bankruptcy plan, following the investment and recapitalization offer. In this offer, PBZ Croatia osiguranje and Valamar Riviera presented a restructuring plan as well as a six-year plan worth HRK 650 million for investments in hospitality assets. The total renovation and construction of two premium resorts containing around 600 keys would reposition the Helios Faros portfolio as premium accommodation, thus turning Stari Grad into an attractive and well-known destination. Helios Faros would employ around 500 people after the renovation of the Arkada and Lavanda hotels. The Bankruptcy plan would



enable Helios Faros to emerge from bankruptcy and continue its business operations in close partnership with the destination, Stari Grad, to bring prosperity to the whole island. PBZ Croatia osiguranje and Valamar Riviera see this project as a confirmation of synergies from the joint activity of a large institutional investor and a strategic tourism investor contributing with its expertise and results. Consequently, Valamar Riviera would manage Helios Faros' development and operations through a model contract related to the management of facilities. The Bankruptcy plan still needs to be adopted by the Assembly of bankruptcy creditors and validated by the bankruptcy judge.

Statutory change

On 26 January 2018, Valamar Riviera received a notification by EPIC, Goldscheider und Wurmböck Unternehmensberatungsgesellschaft m.b.H. with registered office in Vienna, 8 Plösslgasse, Republic of Austria, regarding the changes in the percentage of voting rights (fall below the voting rights threshold), caused by the transfer of 55,594,884 shares due to the agreed demerger with takeover: EPIC, Goldscheider und Wurmböck Unternehmensberatungsgesellschaft m.b.H. being the demerging company and EPIC Hospitality Holding GmbH with registered office in Vienna, 8 Plösslgasse, Republic of Austria, being the transferee company. As evidenced by the received notifications, the structure of members in the transferee company is indirectly identical to the structure of members in the demerging company. Consequently, no changes occurred in the controlling persons, since the members in



EPIC Hospitality Holding are indirectly the same persons and hold the same stakes as the members in EPIC, Goldscheider und Wurmböck Unternehmensberatungsgesellschaft m.b.H. Consequently, on the same day, Valamar Riviera received a notification by EPIC Hospitality Holding regarding the acquisition of 55,594,884 RVP shares representing 44.11% of the Company's share capital.

After carrying out the required procedure and pursuant to relevant regulations and the decision rendered by the General Assembly on 8 May 2018, the merger of EPIC Hospitality Holding (transferor) to Valamar Riviera (transferee) was entered in the court register of the Commercial court in Pazin on 15 June 2018. Therefore, Valamar Riviera became the universal legal successor of EPIC Hospitality Holding. The transferee's share package held by the transferor was entirely used as compensation, i.e. share exchange for the members in the transferor (Wurmböck Beteiligungs GmbH, Goldscheider Keramik Gesellschaft m.b.H. and Dr. Franz Lanschützer) proportionally to the size of the stake that each individual member holds in the transferor. Thus, the merger and share transfer did not result in the change of controlling persons.

The merger does not significantly affect Valamar Riviera's balance sheet, income statement, employment, operating earnings and other financial and business indicators, and it is also tax neutral for both companies, so the transferee will not be burdened by any additional liabilities. This status change secures continuity in the shareholding structure, thus enabling the continuation of the Company's transparent management,

care for employees, focus on destination development and business model sustainability. Therefore, Valamar Riviera retains its market-leading position and the long-term trust of the controlling shareholders.

Loan agreements

On 12 February 2018, Valamar Riviera concluded an agreement with OTP banka Hrvatska and OTP Bank Nyrt from Hungary regarding a club loan for a total of EUR 40 million. On 6 March 2018, Valamar Riviera concluded an agreement with the European Investment Bank from Luxembourg (hereinafter: EIB) regarding a loan of EUR 16 million. This is the first EIB transaction in Croatia that involves the direct financing of a private sector company that benefits from the support of the EU budget guarantee under the European Fund for Strategic Investments, the financing component of the Investment Plan for Europe. These transactions were concluded to finance long-term investments and they confirm the trust of the investment and financing community in the further development of Valamar Riviera.

Valamar Riviera's General Assembly

The Management Board met on 20 February 2018, while the Supervisory Board met on 27 February 2018 to determine the 2017 4Q audited financial statements and the 2017 audited annual financial statements. The General Assembly of Valamar Riviera was held on 8 May 2018 and decided to:

- Distribute the Company's realized profit in 2017 totaling HRK 231,979,074 to retained profit
- Discharge the Management Board members from managing the Company's business in 2017 and the Supervisory Board members from performing the supervision of the management of the Company's business in 2017
- Pay a dividend of HRK 0.90 (ninety lipas) per each share. The dividend would be paid out of the retained profit achieved in the years 2015 and 2016 and Valamar Riviera's own shares. Valamar Riviera's shareholders

who opted so, received one quarter of their dividend in rights- company shares.

- Appoint Ernst & Young d.o.o. from Zagreb, 50 Radnička cesta, as Valamar Riviera's auditor in 2018.
- Approve the Joint plan of the merger of EPIC Hospitality Holding GmbH (transferor) into Valamar Riviera (transferee)
- Determine the remuneration for Supervisory Board members.

Re-appointment of the Management Board members and long-term rewarding plan

On 9 May 2018, the Supervisory Board of Valamar Riviera re-appointed Mr. Željko Kukurin as Management Board President and Mr. Marko Čižmek as Management Board Member for a new term of office starting from 1 January 2019 to 31 December 2022. In order to develop Valamar's business further, the Supervisory Board adopted a long-term plan of rewarding the management board and key management with Valamar's shares, amounting to 2% of the annual increase in the market capitalization of the shares on the Official market of the Zagreb Stock Exchange.

2019 investments

The Supervisory Boards of Valamar Riviera and Imperial granted their general prior approval for the 2019 investment cycle amounting to HRK 617 million and HRK 135 million, respectively. The final investment amount will be decided within this year. The large investment cycle represents the continuation of strategic investments to reposition the portfolio towards products and services with high added value while focusing on premium camping in Istria and on Rab and Krk Island. Investments in the other destinations will include numerous projects for upgrading guest amenities while large investments in accommodation for seasonal employees will continue in line with Valamar's strategic goals. For details, see "2019 Investments" on page 21.

Offer to buy the Petersbühel hotel 4* in Obertauern, Austria

Valamar Riviera has been pursuing expansion opportunities abroad for some time now, with special focus on opportunities in Austria, seeing that it is a large tourism market with over 120 million overnights, with a highly developed leisure tourism segment and it is recognized for its exemplary sustainability and quality in the development of its destinations and tourism infrastructure. Hence, on 26 July 2018 Valamar Riviera made a binding offer to buy the Petersbühel hotel 4* in Austria. The hotel has a prime location in the center of Obertauern, one of the most popular Austrian winter destinations. It has been operating for over 50 years and features 80 keys (169 beds) and excellent facilities such as wellness, restaurant and garage. The ski lift is in the hotel's immediate vicinity. The hotel is owned by Matthias Aichmann GmbH and Valamar expects to complete the necessary steps to transfer 100% stake in this private sector company within the next two months. Valamar would also like to announce that it is currently in the process of registering Valamar A GmbH, a company seated in Vienna for the purpose of Valamar's business activities in Austria. Business internationalization is one of the key strategic goals of the company's development in the forthcoming period and this represents a major step forward in the company's business expansion across Croatia's borders.

Quarterly financial statements

The Management Board hereby presents the unaudited financial statements for the second quarter of 2018 (from 1 April 2018 to 30 June 2018) and for the first half (from 1 January 2018 to 30 June 2018). These statements must be viewed in the context of the mergers and acquisitions specified below, and they provide information on the state of the Company and Group, as well as significant events.

The Company's income statement for the reviewed period as at 30 June 2018 includes the merged companies: Puntičela d.o.o. for the period following the merger, i.e. as of 1 April 2017 and Elafiti Babin Kuk d.o.o. as of 29 December 2017.

RESULTS OF THE GROUP

Key financial indicators¹

	1 - 6/2017	1 - 6/2018	2018/2017
Total revenues	571,468,377	647,657,933	13.3%
Sales revenues	512,108,569	586,210,323	14.5%
Board revenues (accommodation and board revenues) ²	411,064,198	476,068,153	15.8%
Operating costs ³	429,310,628	483,605,853	12.6%
EBITDA ⁴	90,741,624	106,817,013	17.7%
Extraordinary operations result and one-off items ⁵	1,200,523	2,440,010	-103.2%
Adjusted EBITDA ⁶	89,541,101	104,377,003	16.6%
EBIT	-75,033,746	-87,363,343	16.4%
Adjusted EBIT ⁶	-76,234,269	-89,803,353	17.8%
EBT	-54,186,027	-72,257,984	33.4%
EBT margin	-10.3%	-12.0%	-170 bp
	31/12/2017	30/6/2018	2018/2017
Net debt ⁷	1,772,353,634	2,214,861,818	25.0%
Cash and cash equivalents	287,836,954	155,540,721	-46.0%
Market capitalization ⁸	5,420,289,760	5,055,493,984	-6.7%
EV ⁹	7,192,643,394	7,270,355,802	1.1%

¹ Classified according to the Quarterly Financial Statement (TFI POD-RDG). EBIT, EBITDA and their adjusted values and respective margins are recorded on the basis of operating income.

² In compliance with the classification under the USALI international standard for reporting in hotel industry (Uniform System of Accounts for the Lodging Industry).

³ Operating costs include material costs, staff costs, other costs, and other operating costs reduced by extraordinary expenses and one-off items.

⁴ EBITDA (eng. earnings before interest, taxes, depreciation and amortization) is calculated as: operating income - total operating costs + depreciation and amortisation + value adjustments.

⁵ Adjustments were made for (i) extraordinary income (in the amount of HRK 14.2 million in 2018, and HRK 4.9 million in 2017), (ii) extraordinary expenses (in the amount of HRK 11.3 million in 2018, and HRK 3.3 million in 2017), and (iii) termination benefit costs (in the amount of HRK 0.4 million in 2018, and HRK 0.4 million in 2017).

⁶ Adjusted by the result of extraordinary operations and one-off items.

⁷ Net debt: non-current and current liabilities to banks and other financial institutions + liabilities for loans, deposits and other – cash and cash equivalents – long-term and short-term investments in securities – current loans given, deposits, etc.

⁸ The number of shares as at 31 December 2017 net of treasury shares amounts to 124,233,091, while per 30 June 2018 amounts to 124,027,542.

⁹ EV refers to enterprise value; calculated as market capitalization + net debt.

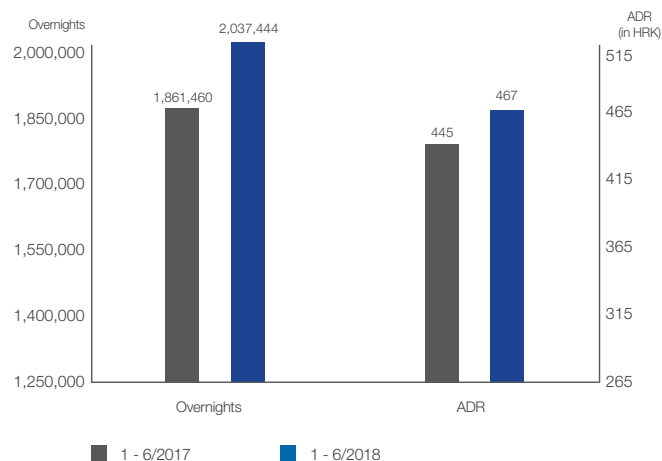
¹⁰ Average daily rate is recorded on the basis of board revenues (accommodation and board's food and beverage revenues).

¹¹ The decrease in the number of accommodation units is mostly due to the investment in San Marino Camping Resort by Valamar 4*, i.e. the conversion of 3 camping plot zones into a parking lot and the installation of premium mobile homes, as well as the conversion of camping plots into premium mobile homes in the other campsites undergoing investments.

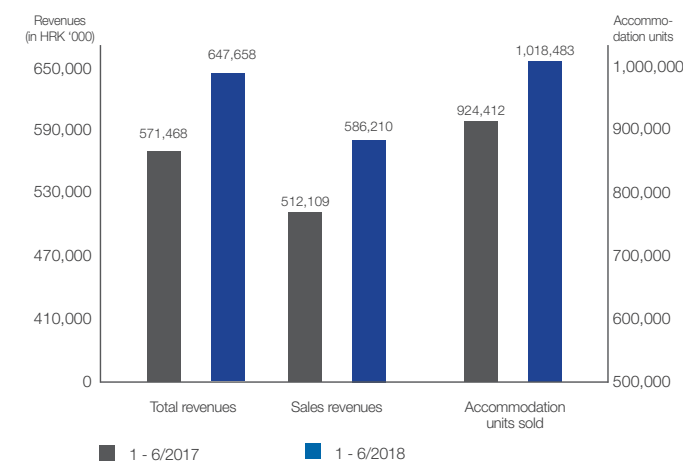
Key business indicators

	1 - 6/2017	1 - 6/2018	2018/2017
Number of accommodation units (capacity)	20,852	20,563	-1.4% ¹¹
Number of beds	56,662	56,446	-0.4% ¹¹
Accommodation units sold	924,412	1,018,483	10.2%
Overnights	1,861,460	2,037,444	9.5%
ADR ¹⁰ (in HRK)	445	467	5.1%

Overnights and ADR



Revenues and accommodation units sold



Valamar Riviera achieved strong results in the first half of 2018. Steered by social responsibility, the concept of sustainable growth and development is the key driver of Valamar Riviera's success. It is reflected in i) the continual portfolio investments (over HRK 700 million were invested in the preparation for this year's tourist season), ii) acquisitions and partnerships (55.48% of Hoteli Makarska's share capital was acquired by the end of the current year's first half) and iii) the development of our employees and destinations.

Revenues

In the first six months of 2018, total revenues were HRK 647.7 million, up by 13.3% (+HRK 76.2 million) and resulting from the following:

i) strong growth in sales revenues, up by 14.5% (+HRK 74.1 million) to HRK 586.2 million, mainly driven by board revenues (+15.8%; +HRK 65.0 million) and extra F&B (+10%).

All the marketing segments grew in the January - March period (individuals and allotments in particular). Although Easter holidays occurred in March, strong growth was reported in April, especially in the individual and M.I.C.E.¹² segment. Due to the earlier occurrence of holidays in the DACH¹³ market, an expected growth was reported in all the segments in May. The active management of channels and prices drove strong market feedback reported by all the channels in June, except for O.T.A.¹⁴, which maintained a controlled growth. There were 2,037,444 overnights (+9.4%) reported in the first six months of 2018, while the average daily rate grew by 5.1% to HRK 467.

Domestic sales revenues were HRK 54.7 million and represented 8.4% of total revenues (9.3% in 2017). They grew by 2.3% in relation to the previous comparable period. International sales revenues were HRK 531.6 million, up by HRK 72.9 million and represented 82.1% of total revenues (80.3% in 2017).

ii) other operating revenues grew by 38.8% (+HRK 4.4 million) to HRK 15.9 million due to the cancelling of long-term provisions for Imperial's litigations.

iii) financial income fell by -4.9% (-HRK 2.4 million) to HRK 45.6 million mainly due to a lower positive fair value of FX forwards resulting from a lower appreciation of HRK vs. EUR in relation to last year's comparable period (2.0% in 2017 vs. 1.8% in 2018).

Other operating and financial income represented 9.5% of total revenues (10.4% in 2017).

¹² M.I.C.E. = Meetings, incentives, conferencing, exhibitions.

¹³ O.T.A. = Online travel agencies.

¹⁴ DACH market represent Germany (D), Austria (A) and Switzerland (CH).

Total operating expenses of Valamar Riviera Group¹⁵

(in HRK)	1 - 6/2017	1 - 6/2018	2018/2017
Operating costs ¹⁶	429,310,628	483,605,853	12.6%
Total operating expenses	598,593,663	689,468,702	15.2%
Material costs	176,172,842	199,265,116	13.1%
Staff costs	198,820,249	220,926,532	11.1%
Depreciation and amortisation	165,705,733	194,096,778	17.1%
Other costs	54,332,820	64,428,224	18.6%
Provisions and value adjustments	69,637	83,578	20.0%
Other operating expenses	3,492,382	10,668,474	205.5%

Total operating expenses

Total operating expenses were HRK 689.5 million and grew by 15.2% (+HRK 90.9 million). The breakdown of total operating expenses is the following:

i) material costs represented 28.9% (29.4% in 2017), up by 13.1% (+HRK 23.1 million) to HRK 199.3 million due to the increase in direct costs of raw materials and consumables (especially food and beverage costs and energy consumption costs) driven by a larger business volume.

ii) staff costs represented 32.0% in the current year (their share in total expenses decreased from 33.2% in 1H 2017). They grew by 11.1% (+HRK 22.1 million) to HRK 220.9 million due to the efforts invested in securing competitive salaries and other material and non-material work conditions as well as the new staff hired to ensure service quality at the new Premium and Upscale products. Valamar Riviera is thus the first company in Croatia guaranteeing a minimum net income between HRK 5,000 and 7,500 to all its employees.

iii) amortization costs represented 28.2% (27.7% in 2017), up by 17.1% (+HRK 28.4 million) to HRK 194.1 million due to the earlier large investment cycle.

iv) other costs represented 9.3% (9.1% in 2017), up by 18.6% (+HRK 10.1 million) to HRK 64.4 million, partly due to the increase in i) costs of scholarships and employee training ii) costs of lodging and meals for employees, and iii) insurance costs.

v) provisions and value adjustments represented 0.01% (0.01% in 2017) and were HRK 84,000 (+HRK 14,000 vs. 2017).

vi) other operating expenses represented 1.5% (0.6% in 2017). They grew by HRK 7.2 million to HRK 10.7 million because of higher operating expenses from previous years.

Operating costs¹²

Operating costs were HRK 483.6 million and grew at a slower pace if compared to sales revenues, i.e. by 12.6%. Their controlled increase was due to the increase in i) material costs driven by a larger business volume, ii) other costs (explained earlier), and iii) staff costs (explained earlier).

EBITDA and EBT

Adjusted EBITDA¹⁷ jumped by 16.6% to HRK 104.4 million (HRK 89.5 million in 2017) because of the large investment cycle focused on improving competitiveness and the quality of properties and services, higher operating efficiency and the demand-driven optimization of prices, marketing mix and sales channels. Stronger operating results were also reflected in the unadjusted EBITDA that soared by 17.7% to HRK 106.8 million.

In relation to last year's comparable period, loss before tax grew by HRK 18.1 million to HRK 72.3 million due to a higher amortization and a lower financial result (see details on the following page). Operating loss grew by 16.4% to HRK 87.4 million. The gross margin of the Group was -10% (-12% in 2017).

The outlook remains positive due to a better booking pace compared to last year's results and the expected effects of a large investment cycle in the second half and especially in the third quarter of this year.

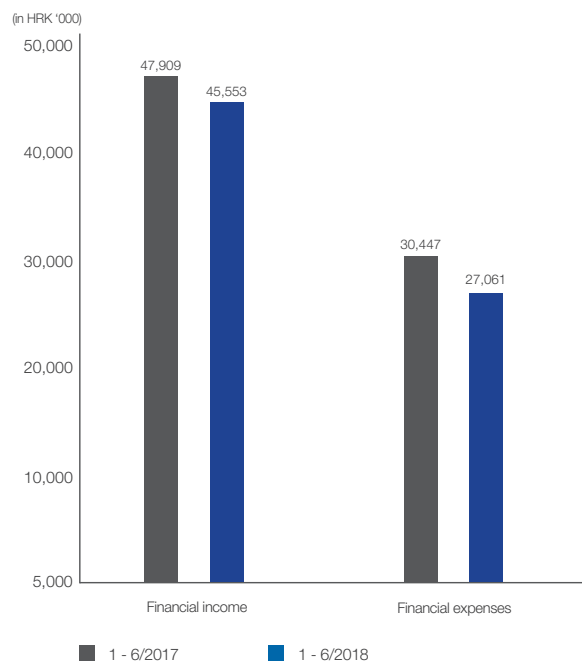
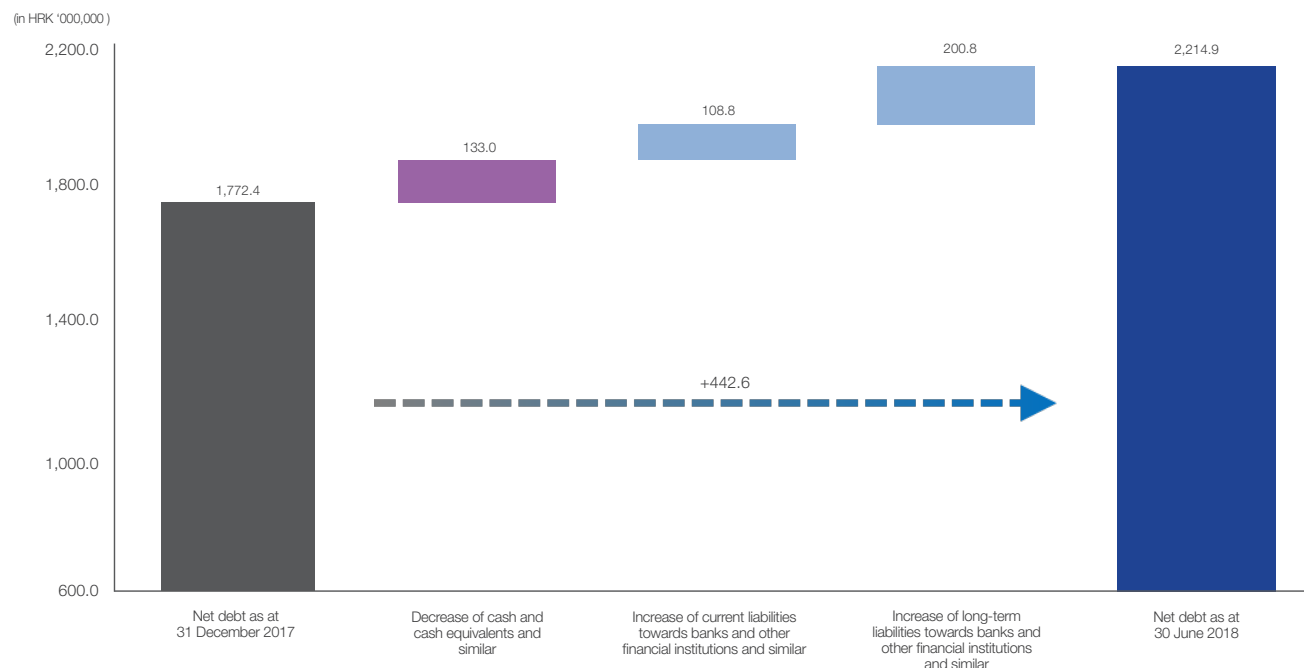
¹⁵ Classified according to the Quarterly Financial Statement (TFI POD-RDG).

¹⁶ Operating costs include material costs, staff costs, other costs, and other operating costs reduced by extraordinary expenses and one-off items.

¹⁷ Adjustments were made for (i) extraordinary income (in the amount of HRK 14.2 million in 2018, and HRK 4.9 million in 2017), (ii) extraordinary expenses (in the amount of HRK 11.3 million in 2018, and HRK 3.3 million in 2017), and (iii)

termination benefit costs (in the amount of HRK 0.4 million in 2018, and HRK 0.4 million in 2017).

Financial income and expenses


 Net debt ¹⁸


Financial result

In the first half of 2018, the Group achieved a positive financial result of HRK 15.1 million (HRK 20.8 million in 2017), although lower by HRK 5.7 million vs. previous comparable period. The weaker result was mainly driven by i) a lower positive fair value of FX forwards that fell by HRK 4.4 million due to the lower appreciation of HRK vs. EUR in relation to last year's comparable period (2% in 2017 vs. 1.8% in 2018), and ii) the net effect of the HRK 3.8 million increase in financial expenses related to interest on long-term loans for financing large investments.

Financial income

In the first half of 2018, financial income was HRK 45.6 million, down by HRK 2.3 million vs. last year's comparable period. Foreign exchange differences and other financial income were HRK 40.8 million and grew by HRK 2.0 million. Unrealized gains (income) from financial assets were HRK 2.7 million and fell by HRK 4.4 million due to a lower positive fair value of FX forwards compared to the same period last year due to the lower appreciation of HRK vs. EUR. Other financial income was HRK 1.8 million.

Financial expenses

The Group's financial expenses were HRK 30.4 million and, in relation to the previous comparable period, they grew by HRK 3.4 million. Due to an increase in credit liabilities for the financing of the large investment cycles in 2017 and 2018, financial expenses related to interest rose by HRK 3.8 million to HRK 24.0 million. Unrealized expenses from financial assets increased by HRK 1.4 million, driven by increased liabilities related to the fair value of interest rate swaps due to the larger amount of hedged positions. Foreign exchange differences and other expenses fell by HRK 1.8 million to HRK 2.8 million.

¹⁸ Net debt: non-current and current liabilities to banks and other financial institutions + liabilities for loans, deposits and other – cash and cash equivalents – long-term

and short-term investments in securities – current loans given, deposits, etc.

Assets and liabilities

As at 30 June 2018, the total value of the Group's assets increased by 8.8% compared to 31 December 2017 and totaled HRK 5,435.7 million.

Total share capital and reserves fell by 7.6% to HRK 2,326.0 million mainly due to the loss (HRK 63.3 million) achieved during the first half of the current year compared to the profit (HRK 243.6 million) achieved as at 31 December 2017.

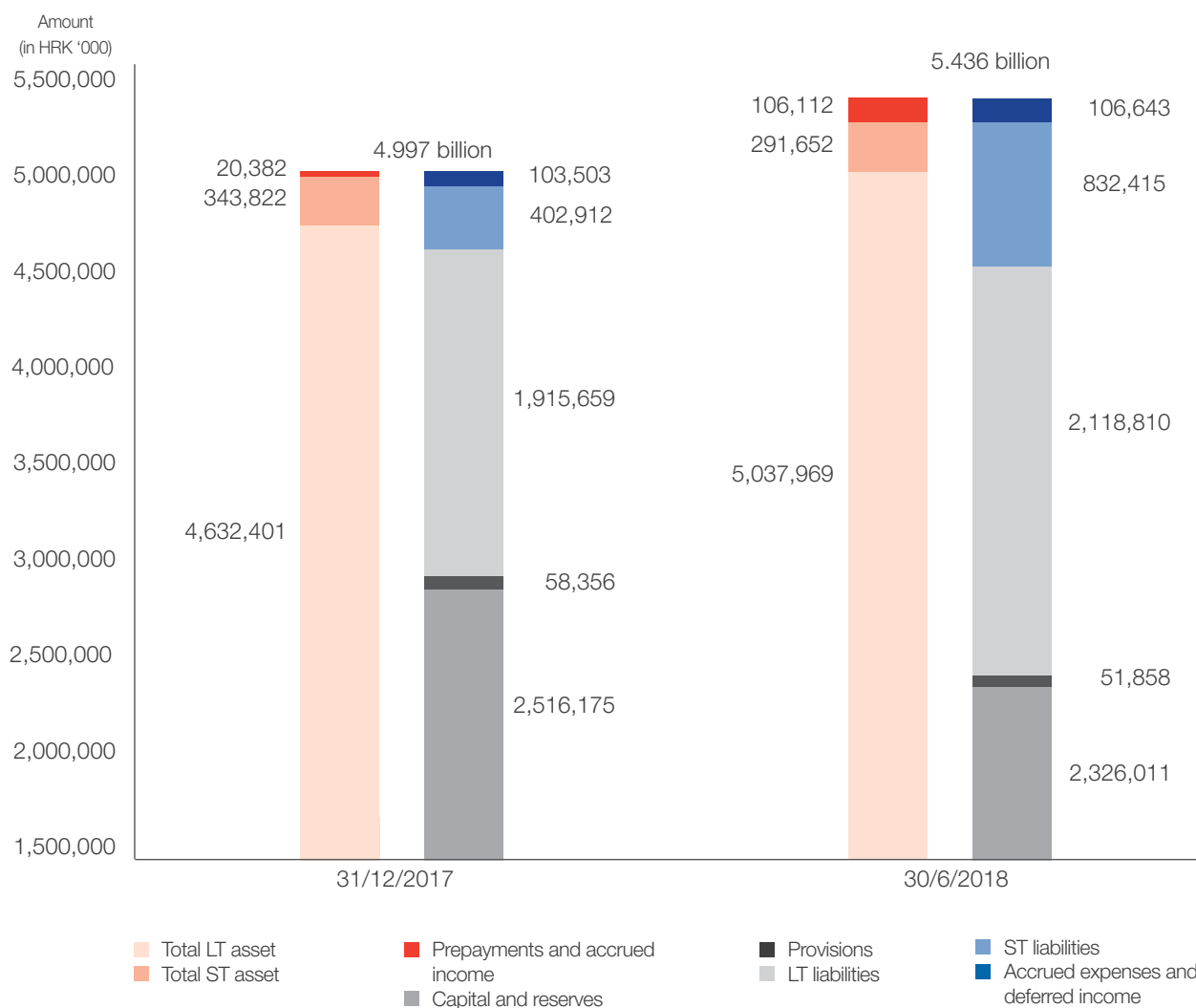
Total long-term liabilities rose from HRK 1,915.7 million to HRK 2,118.8 million due to loans contracted to finance this year's investments.

Total short-term liabilities were HRK 832.4 million and rose by 106.6% vs. 31 December 2017 because of typically higher liabilities mostly related to advance payments received from customers totaling HRK 266.2 million.

Cash and cash equivalents were HRK 155.5 million as at 30 June 2018. Their typical decrease vs. year-end 2017 results is caused by outflows related to the preparation for the tourist season as well as the acquisition of 55.45% of the share capital of Hoteli Makarska (HRK 173 million).

The contracted credit lines for investments and the strong cash potential from business activities secure a smooth continuation of future investments and potential acquisitions.

Assets and liabilities



Key operating indicators of Valamar Riviera Group per segments¹⁹

HOTELS AND RESORTS	Total			Premium			Upscale			Midscale			Economy		
	1 - 6/2017	1 - 6/2018	2018/ 2017	1 - 6/2017	1 - 6/2018	2018/ 2017	1 - 6/2017	1 - 6/2018	2018/ 2017	1 - 6/2017	1 - 6/2018	2018/ 2017	1 - 6/2017	1 - 6/2018	2018/ 2017
Number of accommodation units	8,982	9,203	2.5%	1,269	1,554	22.5%	1,980	1,964	-0.8%	3,493	3,221	-7.8%	2,240	2,464	10.0%
Accommodation units sold	553,583	620,471	12.1%	83,746	109,568	30.8%	119,152	139,810	17.3%	216,956	206,196	-5.0%	133,729	164,897	23.3%
Overnights	1,115,700	1,230,031	10.2%	166,033	230,883	39.1%	259,051	304,297	17.5%	430,143	421,295	-2.1%	260,473	273,556	5.0%
ADR ¹⁰ (in HRK)	590	612	3.7%	998	1,070	7.2%	777	792	2.0%	516	550	6.8%	289	449	55.5%
Board revenues (in HRK)	326,613,071	379,658,752	16.2%	83,591,911	117,264,087	40.3%	92,571,638	110,749,963	19.6%	111,841,319	113,478,420	1.5%	38,608,203	38,166,281	-1.1%

Hotels and resorts reported a 16.2% growth (+HRK 53.0 million) and achieved HRK 379.7 million in board revenues. The high increase resulted from the earlier large investment cycle, the optimization of the marketing mix and prices, as well as the demand-driven larger number of operating days, especially in the Premium and Upscale segment.

Premium hotels and resorts

Premium hotels and resorts reported a 40.3% increase in board revenues that totaled HRK 117.3 million. The HRK 33.7 million growth was mostly driven by the following properties: i) the Valamar Collection Girandella Family Hotel 4* (this year's earlier opening as regards last year's investment), ii) the newly-opened Valamar Collection Girandella Maro Suites 5*, iii) Valamar Collection Isabella Island Resort 4*/5* (successful placement of pre-season events and the individual channel in May, growth in all the segments in June), iv) the Valamar Collection Dubrovnik President Hotel 5* (earlier opening and growth in all its segments, especially M.I.C.E. and groups in lower-demand periods), v) the Valamar Lacroma Dubrovnik Hotel 4* (stable M.I.C.E., increase in the group and allotment

channels) and vi) the Valamar Collection Imperial Hotel 4* (repositioned as Premium accommodation).

Upscale hotels and resorts

Upscale hotels and resorts reported HRK 110.8 million in board revenues. The strong growth (HRK 18.2 million) was primarily driven by larger volumes, i.e. 304,297 overnights achieved (+17.5%). The drivers of growth were: i) TUI Family Life Bellevue Resort 4* (earlier opening as regards last year's investment), ii) Valamar Tamaris Resort 4* (strong market feedback received by the allotment and individual channel in May and the placement of groups in June), iii) Valamar Zagreb Hotel 4* (better operating results reported in May and June) iv) Valamar Argosy Hotel 4* (successful placement of groups) and v) Valamar Padova Hotel 4* (stronger market feedback received by the group and direct channels resulting from the synergic effects of Valamar Riviera's sales management).

Midscale hotels and resorts

The midscale segment reported HRK 113.5 million in board revenues and is mostly influenced by the repositioning

of the Valamar Collection Imperial Hotel 4* as Premium accommodation. If we exclude the results achieved by this hotel in last year's comparable period, board revenues went up by 5%. The drivers of growth were: i) the Valamar Club Dubrovnik Hotel 3* (better operating results, especially in May), ii) Corinthia Baška Sunny Hotel by Valamar 3* (successful placement of groups in April and June and strong market feedback received by all the segments in May), iii) Valamar Crystal Hotel 4* (handball championship in Poreč, consequent increase in the number of overnights and successful placement of groups) and iv) COOEE Pinia Hotel by Valamar (growth in the allotment channel, new agreement concluded with DER Touristik Köln).

Economy hotels and resorts

Economy hotels and resorts achieved HRK 38.2 million in board revenues. The HRK 0.4 million decrease is due to a weaker placement of groups at Lanterna Sunny Resort by Valamar 2*.

¹⁹ According to the classification under the USALI international standard for reporting in hotel industry (Uniform System of Accounts for the Lodging Industry).

CAMPING RESORTS	Total			Premium			Upscale			Midscale			Economy		
	1 - 6/2017	1 - 6/2018	2018/ 2017	1 - 6/2017	1 - 6/2018	2018/ 2017	1 - 6/2017	1 - 6/2018	2018/ 2017	1 - 6/2017	1 - 6/2018	2018/ 2017	1 - 6/2017	1 - 6/2018	2018/ 2017
Number of accommodation units	11,870	11,360	-4.3%	3,466	4,053	16.9%	1,434	2,157	50.4%	5,150	3,293	-36.1%	1,820	1,857	2.0%
Accommodation units sold	370,829	398,012	7.3%	123,598	163,177	32.0%	56,071	76,298	36.1%	145,826	104,615	-28.3%	45,334	53,922	18.9%
Overnights	745,760	807,413	8.3%	278,734	381,930	37.0%	108,647	161,455	48.6%	284,404	182,984	-35.7%	73,975	81,044	9.6%
ADR ¹⁰ (in HRK)	228	242	6.4%	267	304	14.0%	249	245	-1.4%	205	194	-5.5%	168	185	10.5%
Board revenues (in HRK)	84,451,128	96,409,401	14.2%	33,003,985	49,672,567	50.5%	13,936,657	18,696,116	34.2%	29,907,402	20,279,583	-32.2%	7,603,084	7,761,135	2.1%

Camping resorts achieved a total of HRK 96.4 million in board revenues. All campsites reported growth in board revenues thanks to the optimization of the average rate for mobile homes and the increased number of overnights. The total growth in board revenues was 14.2% (+HRK 12.0 million).

Premium camping resorts

Premium camping resorts reported HRK 49.7 million in board revenues, up by 50.5% (+HRK 16.7 million) and driven by ADR (HRK 304, +14.0%) and 381,930 accommodation units sold (+37.0%). The high growth rates are mainly due to i) strong business results reported by Lanterna Premium Camping Resort by Valamar 4* (26% higher board revenues and strong market feedback received by this year's investments in new products and guest amenities, and ii) Ježevac Premium

Camping Resort by Valamar 4* going from Upscale to Premium. The rest of the growth is attributed to the strong performance of Krk Premium Camping Resort by Valamar 5*.

Upscale camping resorts

Upscale camping resorts reported HRK 18.7 million in board revenues, up by 34.2% because i) Ježevac Premium Camping Resort by Valamar 4* went from Upscale to Premium, and ii) San Marino Camping Resort by Valamar 4* and Zablacé Camping Resort by Valamar 4* went from Midscale to Upscale. Excluding the influence of the segmentation shift for the said campsites, the comparable growth was 9% because two campsites reported better operating results: Marina Camping Resort by Valamar 4* and Bunculuka Camping Resort by Valamar 4*.

Midscale camping resorts

Midscale campsites reported a 32.2% decrease to HRK 20.3 million because San Marino Camping Resort by Valamar 4* and Zablacé Camping Resort by Valamar 4* went from Midscale to Upscale. The comparable board revenues growth was 5% thanks to the stronger results achieved by the other Midscale camping resorts.

Economy camping resorts

Economy campsites reported HRK 7.8 million in board revenues. The 2.1% growth was driven by average daily rate increase to HRK 185 (+10.5%). This segment benefited from the stronger results reported by the following campsites: Brioni Sunny Camping by Valamar 2*, Istra Sunny Camping by Valamar 2* and Tunarica Sunny Camping by Valamar 2*.

Key operating indicators of Valamar Riviera Group per destinations²⁰

DESTINATION	Poreč			Rabac			Island of Krk			Island of Rab			Dubrovnik		
	1 - 6/2017	1 - 6/2018	2018/ 2017	1 - 6/2017	1 - 6/2018	2018/ 2017	1 - 6/2017	1 - 6/2018	2018/ 2017	1 - 6/2017	1 - 6/2018	2018/ 2017	1 - 6/2017	1 - 6/2018	2018/ 2017
Number of accommodation units	10,584	10,511	-0.7%	1,971	2,124	7.8%	3,577	3,496	-2.3%	2,759	2,466	-10.6%	1,961	1,966	0.3%
Accommodation units sold	445,468	484,010	8.7%	116,525	136,010	16.7%	154,676	165,348	6.9%	72,779	89,707	23.3%	134,964	143,408	6.3%
Overnights	892,744	964,861	8.1%	230,203	279,588	21.5%	311,997	344,357	10.4%	178,138	187,276	5.1%	248,378	261,362	5.2%
ADR ¹⁰ (in HRK)	400	407	1.6%	451	584	29.4%	341	351	2.9%	399	366	-8.2%	729	760	4.2%
Board revenues (in HRK)	178,252,040	196,792,672	10.4%	52,609,098	79,442,826	51.0%	52,745,025	57,991,998	9.9%	29,035,617	32,862,798	13.2%	98,422,417	108,977,858	10.7%

Destination Poreč

Destination Poreč reported HRK 196.8 million in board revenues. The HRK 18.5 million increase in board revenues was mostly due to the strong performance of the Valamar Collection Isabella Island Resort 4*/5*, Valamar Tamaris Resort 4*, Valamar Zagreb Hotel 4*, Valamar Crystal Hotel 4* and Lanterna Premium Camping Resort by Valamar 4*.

Destination Rabac

This destination reported HRK 79.4 million in board revenues. The HRK 26.8 million growth was mostly driven by the following properties: i) the Valamar Collection Girandella Family Hotel 4* and TUI Family Life Bellevue Resort 4* (this year's earlier opening as regards last year's investments), ii) the newly-opened Valamar Collection Girandella Maro Suites 5* and iii) the Valamar Sanfior Hotel & Casa 4* (better operating results).

Destination Krk Island

This destination reported HRK 58.0 million in board revenues that were driven by 165,348 accommodation units sold (+6.9%) and the average daily rate going up by 2.9% to HRK 351. The main contributors to the total growth are the destination's campsites, especially Krk Premium Camping Resort by Valamar 5*, Ježevac Premium Camping Resort by Valamar 4* and Zblaće Camping Resort by Valamar 4* as well as one hotel, the Corinthia Baška Sunny Hotel by Valamar 3*.

Destination Rab Island

Although Valamar Collection Imperial Hotel 4* had fewer operating days because of the investments, board revenues in the first half grew by HRK 3.8 million to HRK 32.9 million. Most of the growth was driven by the Valamar Padova Hotel

4* (successful placement of groups and stronger market feedback in the direct channel) and San Marino Sunny Resort by Valamar 3* (increase in overnights).

Destination Dubrovnik

This destination reported HRK 109.0 million in board revenues that went up by HRK 10.6 million mostly due to stronger operating results reported by the Valamar Collection Dubrovnik President Hotel 5*, Valamar Lacroma Dubrovnik Hotel 4* and Valamar Argosy Hotel 4*.

²⁰ According to the classification under the USALI international standard for reporting in hotel industry (Uniform System of Accounts for the Lodging

Industry). Puntizela - Pula business is included in destination Poreč. A detailed comparison of the new portfolio segmentation can be found on page 17.

Over the years Valamar Riviera has consolidated its portfolio in order to clearly differentiate, develop and reposition its hospitality products. A precise definition of market segments, the innovative development of service concepts, brand management, profitability increase and return-on-investment optimization demanded a revised segmentation of the portfolio of hospitality properties.

Hotels and Resorts Overview

	Categorization		Segment		Destination
	2017	2018	2017	2018	
Valamar Collection Isabella Island Resort	**** / *****	**** / *****	Premium	Premium	Poreč
Valamar Collection Girandola Resort	****/*****	****/*****	Premium	Premium	Rabac
Valamar Collection Dubrovnik President Hotel	*****	*****	Premium	Premium	Dubrovnik
Valamar Lacroma Dubrovnik Hotel	****	****	Premium	Premium	Dubrovnik
Valamar Collection Imperial Hotel	****	****	Midscale	Premium	Rab Island
Valamar Tamaris Resort	****	****	Upscale	Upscale	Poreč
Valamar Riviera Hotel & Suites	****	****	Upscale	Upscale	Poreč
Valamar Zagreb Hotel	****	****	Upscale	Upscale	Poreč
TUI Family Life Bellevue Resort	****	****	Upscale	Upscale	Rabac
Valamar Sanfior Hotel & Casa	****	****	Upscale	Upscale	Rabac
Valamar Argosy Hotel	****	****	Upscale	Upscale	Dubrovnik
Valamar Padova Hotel	****	****	Upscale	Upscale	Rab Island
Valamar Diamant Hotel & Residence	****	****	Midscale	Midscale	Poreč
Valamar Crystal Hotel	****	****	Midscale	Midscale	Poreč
Pinia Sunny Residence by Valamar	***	***	Midscale	Midscale	Poreč
Rubin Sunny Hotel by Valamar	***	***	Midscale	Midscale	Poreč
Allegro Sunny Hotel by Valamar	***	***	Midscale	Midscale	Rabac
Miramar Sunny Hotel by Valamar	***	***	Midscale	Midscale	Rabac
Corinthia Baška Sunny Hotel by Valamar	***	***	Midscale	Midscale	Krk Island
Valamar Zvonimir Hotel	****	****	Midscale	Midscale	Krk Island
Valamar Atrium Baška Residence	**** / *****	**** / *****	Midscale	Midscale	Krk Island
Valamar Villa Adria	****	****	Midscale	Midscale	Krk Island
Valamar Koralj Hotel	***	***	Midscale	Midscale	Krk Island
Valamar Club Dubrovnik Hotel	***	***	Midscale	Midscale	Dubrovnik
Valamar Carolina Hotel & Villas	****	****	Midscale	Midscale	Rab Island
San Marino Sunny Resort by Valamar	***	***	Midscale	Midscale	Rab Island
Solaris Camping Resort by Valamar	***	***	Economy	Economy	Poreč
Pical Sunny Hotel by Valamar	**	**	Economy	Economy	Poreč
Lanterna Sunny Resort by Valamar	**	**	Economy	Economy	Poreč
Marina Sunny Hotel by Valamar	**	**	Economy	Economy	Rabac
Tirena Sunny Hotel by Valamar	***	***	Economy	Economy	Dubrovnik
Eva Sunny Hotel & Residence by Valamar	**	**	Economy	Economy	Rab Island

Camping Resorts Overview

	Categorization		Segment		Destination
	2017	2018	2017	2018	
Lanterna Premium Camping Resort by Valamar	****	****	Premium	Premium	Poreč
Krk Premium Camping Resort by Valamar	****	****	Premium	Premium	Krk Island
Ježevac Premium Camping Resort by Valamar	****	****	Upscale	Premium	Krk Island
Marina Camping Resort by Valamar	****	****	Upscale	Upscale	Rabac
Bunculuka Camping Resort by Valamar	****	****	Upscale	Upscale	Krk Island
Zablaće Camping Resort by Valamar	***	****	Midscale	Upscale	Krk Island
San Marino Camping Resort by Valamar	***	****	Midscale	Upscale	Rab Island
Orsera Camping Resort by Valamar	***	***	Midscale	Midscale	Poreč
Solaris Camping Resort by Valamar	***	***	Midscale	Midscale	Poreč
Škrila Sunny Camping by Valamar	***	***	Midscale	Midscale	Krk Island
Solitude Sunny Camping by Valamar	***	***	Midscale	Midscale	Dubrovnik
Padova Camping Resort by Valamar	***	***	Midscale	Midscale	Rab Island
Istra Sunny Camping by Valamar	**	**	Economy	Economy	Poreč
Brioni Sunny Camping by Valamar	**	**	Economy	Economy	Pula - Puntizela
Tunarica Sunny Camping by Valamar	**	**	Economy	Economy	Rabac

RESULTS OF THE COMPANY

It is important to note that the data provided in the current year's financial statements are not fully comparable to prior year's data because of the mergers reported below. Current period items and prior period items until the time of the merger i.e. until 31 March 2017 did not include Puntizela d.o.o. as well as Elafiti Babin kuk d.o.o. until 29 December 2017.

In the first half of 2018, total revenues grew by HRK 70.1 million and totaled HRK 606.6 million. Sales revenues totaled HRK 554.4 million and represented 91% of total revenues (90% in 2017). Compared to the same period last year, they grew by HRK 72.0 million. Sales revenues between parties within the Group were HRK 7.6 million (HRK 5.1 million in 2017), and mainly represented the management fee for Imperial's properties on the island of Rab. Sales revenues outside of the Group were HRK 546.7 million (HRK 477.3 million in 2017). Domestic sales revenues were HRK 53,6 million, representing 8,8% of total revenues (9,6% in 2017) and were 4,1% higher in relation to the past comparable period. International sales revenues were HRK 500,7 million and represented 82,6% of total revenues (80,3% in 2017). They grew by 16,2% in relation to the previous comparable period. Other operating and financial income represented 9% of total revenues (10% in 2017). Other operating revenues grew by 2% and totaled HRK 9.0 million, representing 1% of total revenues (2% in 2017).

Material costs totaled HRK 189.8 million and represented 30,1% of operating expenses (32,5% in 2017). They grew by HRK 10 million due to the increased costs of raw material (direct food and beverages costs and costs of energy sources and water) due to increased business volumes. Staff costs totaled HRK 208.1 million, representing 33% of operating expenses (33,6% in 2017). Compared to the

same period last year, they grew by HRK 22.3 million, mainly due to the efforts invested in securing competitive salaries and other material and non-material work conditions as well as new hiring necessary to ensure service quality for the new Premium and Upscale products. Valamar Riviera is therefore the first company in Croatia guaranteeing a minimum net salary between HRK 5,000 and 7,500 to all of its employees. Amortization represented 27% of operating expenses (24% in 2017) and totaled HRK 169.1 million (HRK 133.9 million in 2017). The 26% growth is the result of earlier large investment cycle that had been carried out. Other costs totaled HRK 61.2 million. The 21% growth is mainly due to the i) increased costs of scholarships and employee training, ii) increased costs of lodging and meals of employees, and iii) increased costs of insurance. Provisions and value adjustments totaled HRK 83,600. Other operating expenses totaled HRK 3.0 million and fell by HRK 0.1 million.

In the first half of 2018, financial income totaled HRK 43.2 million and fell by HRK 2.0 million in relation to the prior comparable period 2017. Unrealized gains (income) from financial assets due to a lower positive fair value of foreign currency term contracts vs. the same period last year had the most significant decrease of HRK 4.4 million. Foreign exchange differences and other financial income reported the highest individual growth in the first half. They grew by HRK 2.4 million because of foreign exchange differences related to long-term loans.

The Company's financial expenses totaled HRK 27.8 million, and grew by HRK 4.2 million in relation to last year's comparable period. Financial expenses related to interest and similar expenses grew by HRK 4.7 million and totaled HRK 22.1 million due to an increase in credit lines for the financing of the investment cycle in 2017 and 2018. Foreign exchange



differences and other expenses fell by HRK 1.8 million and totaled HRK 2.1 million. Unrealized loss from financial assets grew by HRK 1.4 million due to the increased liabilities related to the fair value of interest rate swaps resulting from the increase in the amount of hedged positions.

In relation to last year's comparable period, loss before tax grew by HRK 12.1 million to HRK 52.4 million due to increased amortization and a weaker result of financial activities. The Company's gross margin was -9.3% (-8.2% in 2017). A number of factors indicate towards a positive business outlook: compared to last year, the booking pace increased and the effects of the intensive investment cycle are expected to be visible in the second half and especially in the third quarter of this year.

The total company assets as of 30 June 2018 amounted to HRK 5.060,7 million and increased by 9% compared to the 31 December 2017.

2018 INVESTMENTS

Valamar is one of the largest investors in Croatian tourism. We carried out new large investments worth HRK 705 million²¹ in 2018, as part of our strategy to invest HRK 2 billion by 2020. This year's HRK investment cycle was part of our strategy focused on further double-digit business growth and encompasses all of our five destinations, while Valamar's success and growth is based on sustainable and socially responsible investments in products, employees and destinations.

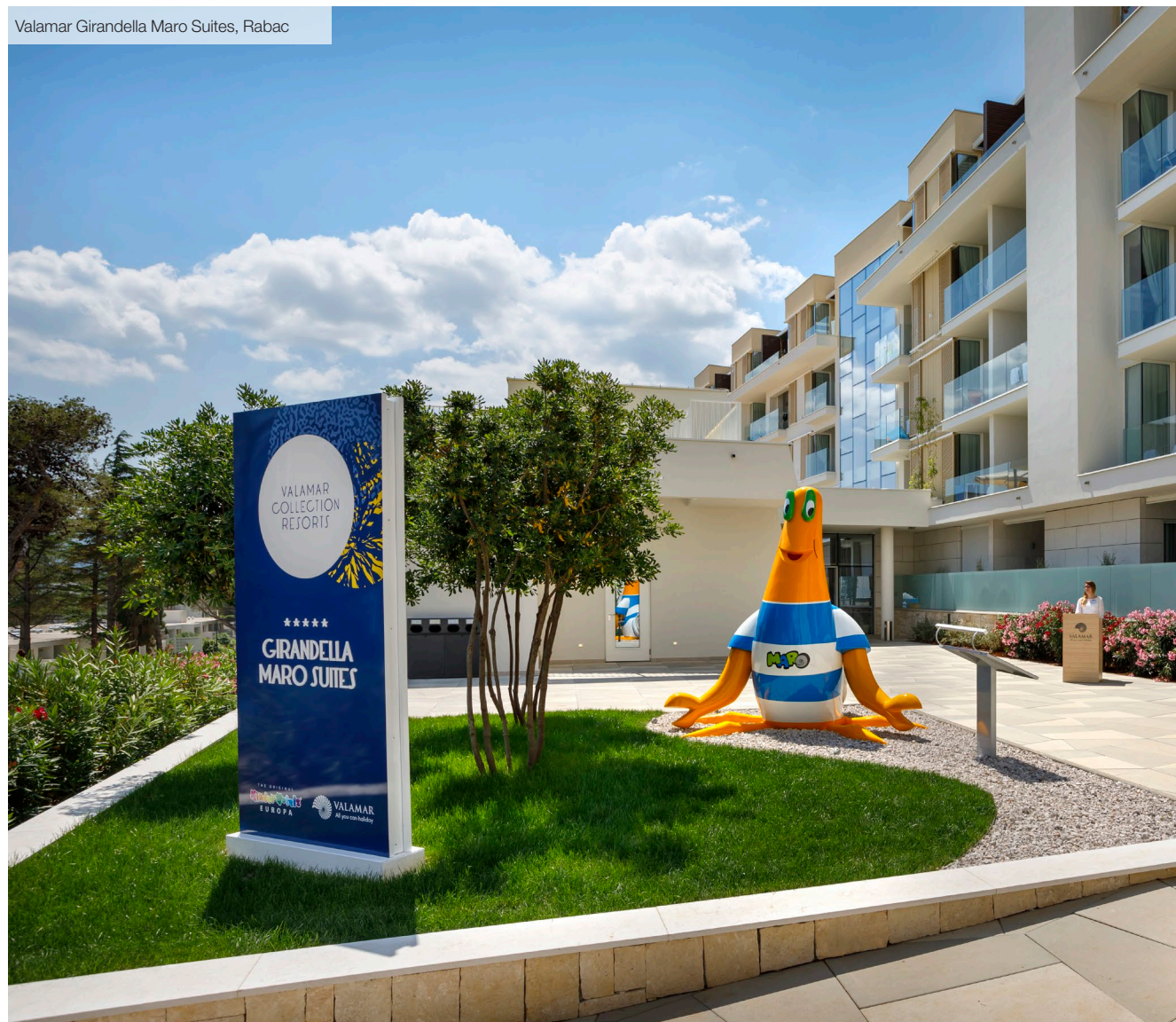
Our investment cycle in 2018 followed our strategy to reposition our portfolio towards top quality products and services, while the investments include the modernization of existing properties and the addition of new ones. Last year's opening of the two new resorts in Rabac represented the largest investment in Croatia's tourism. In this year, we completed Valamar Collection Girandella Resort 4*/5* in Rabac by opening the first Kinderhotel in our portfolio - Valamar Collection Girandella Maro Suites 5*. Besides this key project in Rabac, other large investments were carried out at other destinations as well as investments in premium camping.

The investment cycle carried out by Imperial this year is one of the largest in the history of the company. The investments were aimed at improving the quality of properties and services and the competitiveness of the whole destination. The reconstruction and repositioning of Valamar Collection Imperial Hotel 4* as "adults only" accommodation was the largest investment on Rab Island.

Destination Poreč

Investments at Lanterna Premium Camping Resort by Valamar 4* were focused on improving accommodation and overall quality, including the reconstruction of the main

Valamar Girandella Maro Suites, Rabac



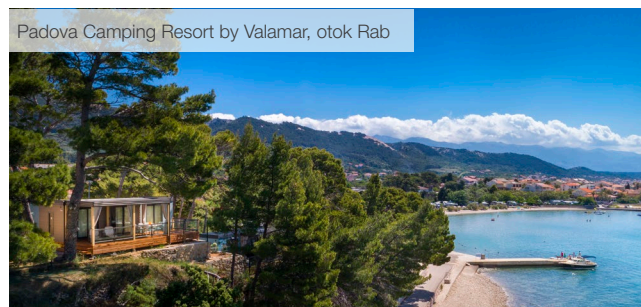
²¹ A lower portion already recorded in 2017.

road with footpaths and cycling paths. In the 2018 season, the resort included a large number of new features: the brand new family- friendly Maro Premium Village with 86 mobile homes, 9 glamping tents and other amenities (two swimming pools and children's playgrounds); 18 new mobile homes at Marbello Premium Village; 14 new glamping tents and improved beach at Glamping Village; a new zone for sports, recreation and entertainment –V Sport Park with Terra Magica adventure mini golf and numerous other amenities, as well as the reconstructed main road with footpaths and cycling paths.

The repositioning of Istra Sunny Camping by Valamar 2* as premium accommodation is divided in three phases, and the first phase was performed for 2018. It included the reconstruction of the municipal infrastructure (electrical and water supply, drainage, optical network, wireless network and the construction of a new main road). It also covered the improvement of several beaches and the reconstruction of the present 117 pitches in the southern part of the camping pitch zone and a new sanitary block.

Destination Rabac

We opened our first Kinderhotel, Valamar Collection Girandella Maro Suites 5*. The accommodation, services and amenities at Valamar Collection Girandella Maro Suites 5* are tailored according to the needs of families with children of different ages: from spacious family rooms with children's accessories, indoor and outdoor swimming pools with water attractions and slides, to entertainment activities at the Maro clubs and the Teen Hangout zone. The restaurant includes a children's buffet serving soft drinks and afternoon snacks such as salads, soups and cakes and there is also a play lounge with an indoor playground. There are 50 Kinderhotels in Europe, and this is the third Kinderhotel in Croatia. By the hotel opening was completed the investments in Rabac where Valamar invested around HRK 600 million in the previous period and Rabac is repositioned as leading high-end holiday destination. Valamar Collection Girandella Maro Suites 5* created 150 new jobs at this destination.



Destination Krk Island

The upgrade of Zablaće Camping Resort by Valamar from 3* to 4* was performed. The investment included 35 new mobile homes, the construction of a new sanitary block and other amenities, landscaping work, infrastructural improvements of camping pitches and the introduction of energy-saving LED lighting.

Investments in Ježevac Premium Camping Resort by Valamar 4* represented a new pool zone featuring a sundeck and slides, a new children's playground, 31 new mobile homes and the replacement of 18 existing mobile homes with new ones. In the 2018 season, the campsite featured an EV charging station and upgraded services in line with premium campsite standards.

Škrila Sunny Camping by Valamar 3* featured a new shopping area, redesigned landscape, new mobile homes and energy-saving LED lighting.

Investments at Bunculuka Camping Resort by Valamar 4* were focused on the installation of solar panels and the redesign of the campsite entrance area.

After a four-year investment cycle, in 2016 Krk Premium Camping Resort by Valamar became the first 5-star campsite in Croatia. The investments focused on improving a number of features: overall quality, beach services, landscape, sanitary block and now it also includes an EV charging station.



Destination Rab Island

In May was the opening of the repositioned Valamar Collection Imperial Hotel 4* on Rab Island: the new adults-only luxury hotel included 136 keys, modern double rooms, a premium restaurant and other improved amenities.

Investments in campsites on Rab Island were focused on Lopar Garden Village at San Marino Camping Resort by Valamar 4* that offers new mobile homes.

Moreover, numerous new features were introduced at Padova Camping Resort by Valamar 3*: from the new Marine Premium Village to the introduction of innovative camping concepts such as the spacious "camping suites" and "romantic camping chalets" for couples.

Destination Dubrovnik

Investments in Dubrovnik were focused on repositioning hotel accommodation and developing high-quality products and services. The Valamar Argosy Hotel 4* opened the 2018 season offering upgraded service quality and new improved amenities such as the new outdoor pool featuring a new snack bar and terraces, landscape improvements, the total refurbishment of the 308 rooms, reception, lobby and restaurant and the redesign of the common areas.

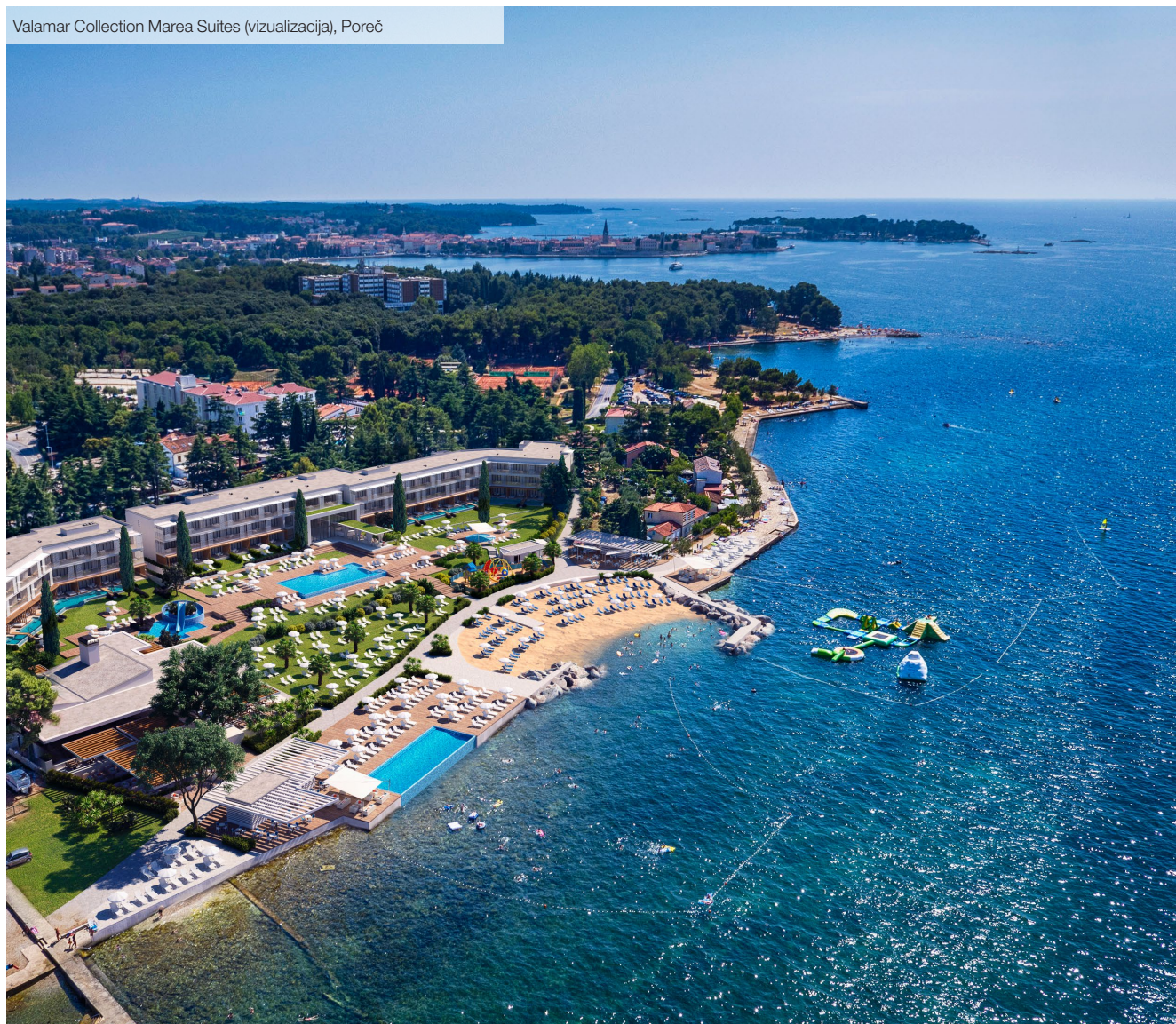
2019 INVESTMENTS

The planned large investment cycle in the forthcoming 2019 is worth HRK 752 million. It represents the continuation of strategic investments to reposition the portfolio towards products and services with high added value while focusing on premium camping in Istria and on Krk and Rab islands. Plans include the second of the three investment phases at Istra Sunny Camping by Valamar 2* in Funtana. The investments will focus on upgrading the quality of accommodation and beaches and include the reconstruction of sanitary blocks and the building of a central zone with numerous features: reception, Maro amenities for children, film projection/show area, pool complex with slides, Piazza and supermarket.

The construction of a new luxury hotel is planned at the location of the present Pinia apartments in Poreč: The Valamar Collection Marea Suites 5* is a hotel designed for families with children and it will expand the family-friendly portfolio segment in Poreč. It will offer numerous features: V level services, sea view and beach, pools, restaurants, Maro amenities for children and other premium services. At Lanterna Premium Camping Resort by Valamar 4* the development of premium accommodation will continue with the introduction of a new themed mobile home zone and with projects to improve the quality of amenities and beaches. Investments at Ježevac Premium Camping Resort by Valamar 4* focus on improving the quality of accommodation, restaurants, Piazza and beaches.

Valamar Riviera actively cares for its employees and keeps investing significantly in improving the quality of accommodation for seasonal employees in 2019. The plans also include numerous other investments in products and guest amenities to increase competitiveness and quality as well as energy efficiency projects.

Valamar Collection Marea Suites (vizualizacija), Poreč



The planned value of Imperial's investments for 2019 is HRK 135 million. Along with numerous projects to improve the quality of properties and services for guests, the new investment cycle includes the reconstruction and repositioning of Valamar Carolina Hotel & Residence 4* and the further upgrade of Padova Camping Resort by Valamar 3* towards the premium segment.

As stated in our strategic goals, by continuously raising the quality of the portfolio properties and services, we create added value both for our guests and all company stakeholders. However, numerous factors reduce the competitiveness of Croatian tourism and hinder further investment potential: VAT (one of the highest rates in the Mediterranean), the rate of total contributions to salaries, the still unresolved issue of tourism land, skilled labor shortages, the likely introduction of property tax and tourist tax increase.

While global trends report low interest rates and market demand focuses on safe tourist destinations, Croatia has the opportunity to reposition its tourism by incentivizing investments in products and services with high added value that stimulate employment and economic growth. Unfortunately, tourism is still not sufficiently recognized as an opportunity for the Croatian economy.

Apart from the current financing programs offered by HBOR (Croatian Bank for Reconstruction and Development), tax incentives prescribed by the Act on Investment Promotion and Improvement, the decrease in the corporate income tax rate (from 20% to 18%, January 2017), and the tax-exempt in the accommodation and meals for seasonal employees (January 2018) there are no other measures that could significantly increase the growth pace and contribute to level Croatia's position with other destinations in the Mediterranean.

Istra Sunny Camping by Valamar, Poreč



THE RISKS OF THE COMPANY AND THE GROUP

Tourism is a global industry, closely connected with the real and financial economy, geopolitical position and environmental sustainability. The integrity of this industry will determine its future growth. Given the importance of tourism and its overall impact on society, the Company and the Group monitor and assess risks at micro and macro levels. Moreover, when defining the strategy, particular attention is given to the short and medium-term risk impact in order to maintain business sustainability over time.

When monitoring and assessing risks the Company and Group use a proactive approach thus assessing the potential impact of each individual risk. The Company and Group consider risk management to be a key factor of differentiation among competitors. Risk management aims at creating sustainable value, thus offering reliability and security to numerous stakeholders.

There are five key steps in a risk management process:

- 1) Identifying potential risks;
- 2) Assessing identified risks;
- 3) Determining actions and responsibilities for efficient risk management;
- 4) Monitoring and overseeing preventive actions;
- 5) Exchanging information on risk management results conducted by the Management board.

Valamar Zagreb Hotel, Poreč



The different types of risks facing Valamar Riviera can be classified into the following groups:

- Financial risks
 - related to financial variables, can have a negative impact on meeting liabilities for the company and the Group, liquidity, debt management etc.;
- Business risks
 - related to the way company business is conducted in terms of supply and demand, competition, adapting to market trends, investments, growth etc.;
- Operational risks
 - can arise from inadequate use of information, errors in business operations, non-compliance with internal procedures, human error, IT system, financial reporting and related risks, etc.;
- Global risks
 - can arise from natural disasters, pandemics, food shortage, social unrest, wars and other force majeure events beyond Valamar Riviera's control;
- Compliance risks
 - can arise from failure to comply with state laws and local regulations; risks related to changes in tax and other regulations.

Financial risks

In their day-to-day business activities, the Company and Group face a number of financial threats, especially:

- 1) Foreign exchange risk;
- 2) Interest rate risk;
- 3) Credit risk;
- 4) Price risk;
- 5) Liquidity risk;
- 6) Share-related risks.

The Company and Group have a proactive approach in mitigating interest rate and foreign exchange risks, by employing available market instruments. Internal risk management goals and policies aim at protecting foreign

currency inflows during seasonal activity and partial interest hedging of the principal loan amount.

1) Foreign exchange risk

The Company and Group conduct their business operations across national borders and are exposed to foreign exchange risks. They mainly result from changes in the euro/ kuna exchange rate. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. Most of the sales revenue generated abroad is denominated in euros, and so is the major part of long-term debt. Hence, for the most part the Company and Group are naturally hedged from exchange rate risks. Since some liabilities are denominated in kunas, the Company and Group actively manage risks by using derivative instruments available on the financial market. The instruments are used according to operating assessments and expected market trends. In this way the assets, liabilities and cash flow are protected from the risk impact.

2) Interest rate risk

Variable rate loans expose the Company and Group to cash flow interest rate risk. Periodically, the Company and Group resort to derivative instruments in order to hedge cash flow and interest rate by applying interest rate swaps. The economic effect of such swaps is the conversion of variable interest rate loans into fixed interest rate loans for a pre-committed hedged part of the loan principal. The Company and Group have interest-bearing assets (cash assets and deposits) so their revenue and cash flow depend on changes in market interest rates. This becomes evident especially during the season when the Company and Group have significant cash surpluses at their disposal.

3) Credit risk

Credit risk arises from cash assets, time deposits and receivables. According to the Company and Group sales policy, business transactions are conducted only with customers with suitable credit history, i.e. by agreeing advances, bank securities and (for individual customers)

payments made through major credit card companies. The Company and Group continuously strive to monitor their exposure towards other parties and their credit rating as well as obtain security instruments (bills of exchange, promissory notes) in order to reduce bad debt risks related to services provided.

4) Price risk

The Company and Group hold equity securities and are exposed to equity price risk due to security price volatility. Valamar Riviera is not an active participant in the market trade in terms of trading in equity and debt securities. However, with the HRK 291 million invested in buying Imperial shares, the company is exposed to the said risk to a certain extent.

5) Liquidity risk

The Company and Group have a sound liquidity risk management. Sufficient funds for meeting liabilities are available at any given moment through adequate amounts from contracted credit lines and by ensuring credit line availability in the future. Liquidity risk is managed by generating strong positive net operating cash flows, while capital investments are financed by credit lines. All the credit lines in 2017 have already been arranged with financial institutions. The repayment of the major credit lines coincides with periods of strong cash inflows from operations. The Company and Group monitor the level of available funds through daily cash and debt reports. Long-term cash flow forecasts as well as annual (monthly) forecasts are based on the set budget. After meeting the needs of working capital management the surplus is deposited in the treasury. From there the funds are invested in interest-bearing current accounts, time deposits, money market deposit accounts and marketable securities. Only instruments with suitable maturities and sufficient liquidity are selected, according to the forecast needs for liquid funds.

6) Share-related risks

The market value of shares is the riskiest asset class due to its volatility resulting from the volatile nature of the whole capital market, macroeconomic trends on markets where the

Company and Group operate and discrepancies between the expectations of financial analysts and the actual results. Furthermore, other contributing factors are also changes in the dividend policy, various activities in the segment of consolidations, mergers, acquisitions and forming of strategic partnership, the instability of the business model of the Company and Group as well as the fluctuations in the financial results for the Company and Group. In case any negative implications happen to be associated with these factors there is a considerable risk of market value drop that will in turn prevent investors from selling their shares at a fair market price.

Business risk

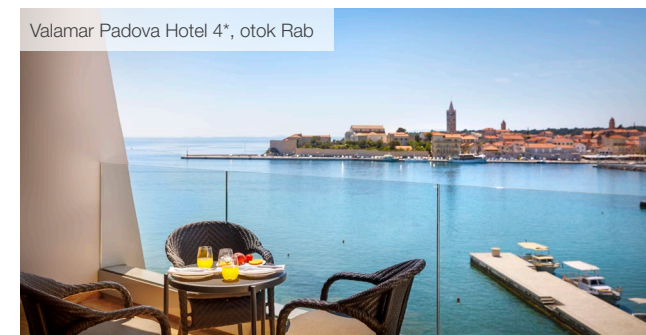
The Company and Group are constantly exposed to risks threatening its competitiveness and future stability. Since the Company and Group own real estate, this business model requires a large amount of capital in order to maintain high product and service standards. Various large capital investments in the upgrade of products and services can surpass budget expectations, delay the end of construction works, as well as the town-planning regulations and fiscal policy may be changed. These risks can increase costs for the Company and Group, and have a negative impact on the cash flow and revenues. In the previous period, the company and Group's business decisions improved their results and operating efficiency in the demanding Mediterranean market. These positive trends are expected to continue in the future through a prudent long-term strategic management.

Over 95% of Valamar Riviera's guests come from other countries and they are very careful when choosing their vacation destination in the competitive Mediterranean environment. Stable domicile countries macroeconomic indicators are important decision-making factors especially those relating to exchange rates and the

price of goods and services because they directly affect the guests' purchasing power. However small, the share of domestic guests is also important; it is a segment directly influenced by various other macroeconomic indicators: employment/ unemployment rate, GNP rise/fall, industrial production and others. They all have a direct impact not only on the purchasing power of Croatian residents but they also determine whether they will choose to spend their vacation on the Adriatic.

When considering risks related to the tourism and hospitality industry, in previous years, the Croatian economy has been afflicted by the consequences of a global financial crisis and economic standstill. In this period, the tourism and hospitality industry has been among the rare growing industries in Croatia. Moreover, the marked seasonality of this industry leads to insufficient use of the Company and Group's resources. After joining the European Union, the Croatian market became part of a large European market, while safety risks decreased after joining the NATO. The Croatian Tourism Development strategy until 2020 (a government document published in the Official Gazette no. 55/13) defines the kind of tourism Croatia wants and needs to develop using the country's comparative advantages and expertise in order to improve the competitiveness of Croatian tourism. Maintaining the current tourism growth rates in the following years is of vital importance. It can be achieved by strategically developing tourism products and investing in the creation of additional values, which will help distinguish Croatian tourism from its competitors by emphasizing its uniqueness, appeal and quality.

Good management of human resources is vital for the future growth of the Company and Group. Risks related to shortages of specific skills, expertise and jobs are connected with the opening and expansion of the labor market. Valamar Riviera is one of the largest and most desirable employers



in tourism. The active approach towards HR management develops key talents and supports investments in training opportunities. We determine the needs for new skills and expertise by following emerging global trends in tourism. In this way, we are able to respond to challenges effectively. Through a continual dialogue with our social partners, we have ensured a high level of workers' rights in terms of competitive salaries, reward systems, career development, employees' wellbeing and cooperation with training institutions from all parts of Croatia.

Operational risks

Operational risks are risks connected with direct or indirect losses that arise from inadequate or wrong internal or external processes within the Company and the Group. They include the creation and analysis of financial reporting data (also known as "financial reporting risk") and also the potential insufficient and inadequate internal and external information sharing. When implementing the system of operational risk management, the Company and Group focused on its continuity and complexity due to the size of the organization. The benefits of the system include i) defining and identifying the Company and Group risk profile in relation to the operating risk ii) identifying and managing

the known risk occurrences in order to decrease the Company and Group costs and iii) data analysis which indicates the business trends for the Company and Group and trends in the domestic economy.

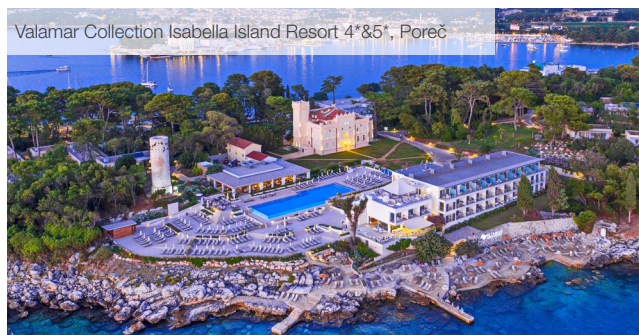
The Company and Group are aware of the reliability of IT business solutions and safety in the cyber world. Hence, they continually upgrade, develop and implement new technologies in everyday business operations. A special focus is given to providing sufficient resources for the development and implementation of new technologies related to ICT, data protection, and upgrade of the current business systems and implementation of new ones.

Global risks

Despite improved security and political conditions, which have encouraged to a certain extent investments into tourism and hospitality, there are challenges that the Croatian tourism has to face, such as:

- Periods of global financial crisis which reduce the purchasing power of the travelling-prone population;
- Security and political issues related to globally escalating terrorism threats;
- Security and political instability in the immediate environment of the neighboring countries.

Environmental risks can also have an adverse effect on the Company and Group's business results, primarily in terms of customer satisfaction with the whole experience while staying at one of Valamar's properties and this can affect the number of arrivals. The possible risks can include: sea pollution (caused by oil or chemical spillage), but also long-term water quality reduction and coast pollution due to inadequate waste disposal and waste water treatment as well as extensive use of agricultural fertilizers. Other environmental conditions typical for climate changes such as long drought periods or long

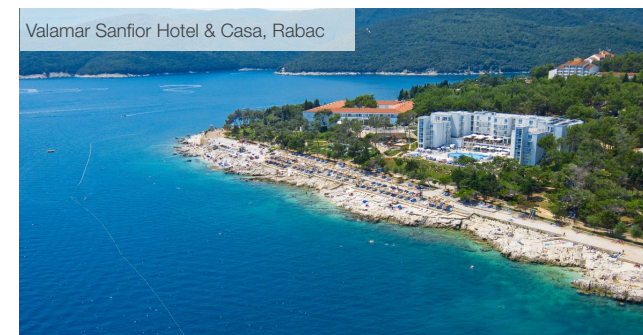


rainy periods can directly influence the guests' length of stay in the hotels and campsites as well as increasing the operating costs. A number of other natural disasters and calamities (earthquakes, fires, floods and rainstorms), air pollution caused by toxic gas emissions from industrial plants and vehicles, as well as excessive urbanization and the introduction of invasive species should also be taken into consideration.

Compliance risks

Changes in tax laws and other regulations pose a very serious threat and represent a demanding segment in risk management because in this particular situation the possibilities for the Company and Group are limited. In previous years, there has been a number of important changes in tax and non-tax charging regulations, which have adversely affected the Company and Group profitability:

- In March 2012 the standard VAT rate grew from 23% to 25%, in January 2013 a new 10% VAT rate was introduced only to be replaced within a year by a 13% VAT rate applicable to the tourism and hospitality industry (January 2014), while in January 2017 a new 25% VAT rate was introduced for F&B (a la carte) services;



- In May 2012 the health insurance employer contribution rate fell from 15% to 13% and then in April 2014 it grew back to 15%;
- Frequent increases in various fees and charges regarding water distribution and the like;
- Tourist tax increase in 2018 ranging between HRK 2.5 and HRK 8.0 per person per overnight, depending on the class of the destination and utilization period (August 2017).

Such frequent changes in laws regulating taxes and parafiscal charges often take place only after the business policy and budget for the next financial year have been approved and commercial terms and conditions with partners agreed. All this jeopardizes the Company and Group financial position and future investment plans as well as credibility towards shareholders. The Company and Group are also threatened by changes in regulations governing concession fees for maritime domain and tourism land use, the latter still presenting unresolved legal issues. Given the nature of the Company and Group's business, the right to use parts of the maritime domain as well as land for tourism purposes is of vital importance for future growth, especially for campsite-related operations.

CORPORATE GOVERNANCE

The Company and the Group continuously strive to develop and operate according to good practices of corporate governance. The business strategy, corporate policy, key corporate regulations and business practice are all geared towards creating a transparent and efficient business operation while forging solid bonds with the local community. In order to foster further growth and set high corporate governance standards, the Company adopted its own Corporate Governance Code in 2008 and the Management Board fully complies with its provisions. After the company was listed on the Official market of the Zagreb Stock Exchange, the Company has also complied with the Zagreb Stock Exchange Governance Code. The Company respects and implements the prescribed corporate governance measures (as reported in detail in the prescribed annual questionnaire and published as prescribed on the Zagreb Stock Exchange and Valamar Riviera websites).

The major direct shareholders according to the Central Depository and Clearing Company data are presented in the overview in the "Valamar Riviera Share" section.

The Company defined the process of preparing and disclosing financial reports in a detailed internal document. With this, the financial reporting procedure is set within a system of internal review and risk management. Moreover, in order to monitor and mitigate the financial reporting risk, the Company uses the measures described in "The Risks of the Company and the Group".

The Companies Act and the Company Statute define the General Assembly's authority and prescribe how it meets

and works. The meeting invitation, proposals and the adopted resolutions are made public according to the provisions of the Companies Act, Capital Market Act and the Zagreb Stock Exchange Rules. There is a time limit related to the voting right at the General Assembly: according to the provisions of the Croatian Companies Act, shareholders are required to register their participation within the prescribed time limit in order to attend the General Assembly. Under no circumstances can the financial right arising from securities be separated from holding the securities. There are no securities with special control rights nor are there any limitations to voting rights at the Company (one share, one vote). The Company Statute complies with the Croatian Companies Act and defines the procedure of appointing and recalling members of the Management Board and Supervisory Board. There are no limitations based on gender, age, education, profession or similar. According to the General Assembly's decision dated 17 November 2014, the Company can acquire its own shares. The Companies Act determines any amendments to the Company Statute, without any additional limitations. The Management Board members' authority fully complies with the regulations prescribed by the Companies Act.

The Company's Corporate Bodies Are:

Management Board: Mr. Željko Kukurin, President of the Management Board, and Mr. Marko Čižmek, Member of the Management Board.

Pursuant to the provisions of the Capital Market Act and Regulation (EU) no. 596/2014, the Company has determined its senior management, consisting of the key company management: four vice presidents (Alen Benković, Davor

Brenko, Ivana Budin Arhanić and David Poropat) and 21 sector directors (Miro Dinčić, Tomislav Dumančić, Ljubica Grbac, Flavio Gregorović, Marin Gulan, Vlastimir Ivančić, Željko Jurcan, Ivan Karlić, Dario Kinkela, David Manojlović, Sebastian Palma, Mile Pavlica, Tomislav Poljuha, Mirella Premeru, Bruno Radoš, Sandi Sinožić, Martina Šolić, Andrea Štifanić, Mauro Teković, Dragan Vlahović and Ivica Vrkić).

Supervisory Board: Mr. Gustav Wurmböck - Chairman, Mr. Franz Lanschützer - Deputy Chairman, Mr. Mladen Markoč - Deputy Chairman, and members: Mr. Georg Eltz, Mr. Hans Dominik Turnovszky, Mr. Vicko Ferić, and Mr. Valter Knapić (employee representative).

In order to perform efficiently its function and duties as prescribed by the Audit Act, the Supervisory Board has formed the following bodies:

Presidium of the Supervisory Board: Mr. Gustav Wurmböck, Chairman, Mr. Franz Lanschützer and Mr. Mladen Markoč, Presidium Members.

Audit Committee: Mr. Gustav Wurmböck, Chairman, and members: Mr. Franz Lanschützer, Mr. Georg Eltz, Mr. Mladen Markoč, and Mr. Vicko Ferić.

Investment Committee: Mr. Franz Lanschützer, Chairman and members: Mr. Georg Eltz, Mr. Vicko Ferić, Mr. Hans Dominik Turnovszky, and Mr. Gustav Wurmböck.

Compliant to effective regulations and Company bylaws, The Management and Supervisory Board primarily act through meetings and by correspondence in their decision-making.

RELATED-PARTY TRANSACTIONS

Transactions between related parties within the Group are conducted under standard commercial terms and conditions and at current market prices.

In the reviewed period, revenues from related party transactions totaled HRK 6.6 million²² (2017: HRK 5.1 million) for the Company, and HRK 581 (2017: HRK 10 thousand) for the Group. Costs were HRK 965 thousand (2017: HRK 15.2 million²³) for the Company, and HRK 630 thousand for the Group (2017: HRK 196 thousand).

As at 30 June 2018, related-party receivables and payables were as follows: receivables totaled HRK 1.9 million for the Company (year-end 2017: HRK 3.4 million), and HRK 108 for the Group (year-end 2017: none). Payables totaled HRK 294 thousand (year-end 2017: HRK 604 thousand) for the Company, and none for the Group (year-end 2017: HRK 425 thousand).

BRANCH OFFICES OF THE COMPANY

The following branch offices were registered on 2 September 2011: Podružnica za turizam RABAC, with registered office in Rabac, Slobode 80, Podružnica za turizam ZLATNI OTOK, with registered office in Krk, Vršanska 8. The following branch office was registered on 4 October 2013: Podružnica za turizam DUBROVNIK BABIN KUK, with registered office in Dubrovnik, Dr. Ante Starčevića 45. The following branch office was registered on 1 October 2014: Podružnica za savjetovanje u vezi s poslovanjem i upravljanjem ZAGREB, with registered office in Zagreb, Miramarska 24. The following branch office was registered on 1 April 2017: Podružnica za turizam BRIONI, with registered office in Pula, Puntičela 155.

The branch offices of Rabac, Zlatni otok, Dubrovnik-Babin kuk and Brioni are the drivers of economic growth in their local communities. They operate at their destinations and support their development by promoting further investments and the development of tourism while participating in social and business activities.

The Company also established an office in the Town of Rab on Rab Island to increase the efficiency and streamline the management of operations as determined by the provisions of the concluded Hotel management contract with Imperial d.d.

²² The most part represents the fee regarding the management of Imperial's properties and services. The implementation of the Management contract started on 4 January 2017.

²³ For the most part refers to the re-invoiced amount arising from the investment made in the reconstruction and upgrading of the hotel Valamar Lacroma owned by subsidiary Elafiti Babin-kuk d.o.o. which was merged on 29 December 2017.

VALAMAR RIVIERA SHARE

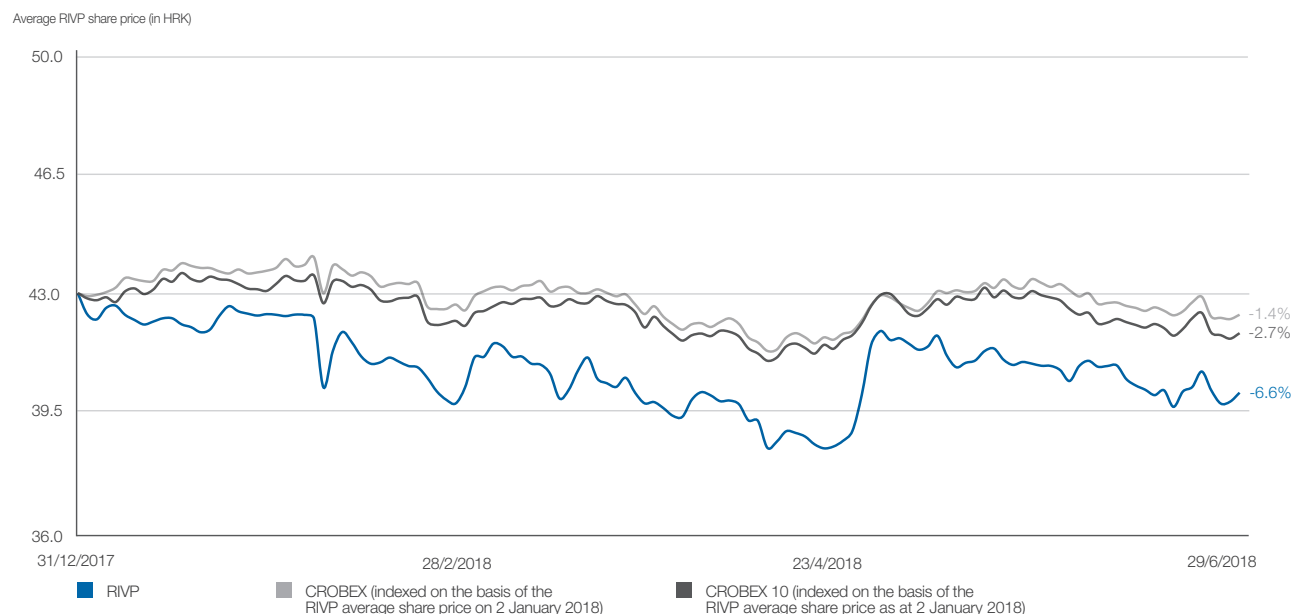
In the period between 1 January 2018 and 30 June 2018, Valamar Riviera acquired 211,216 treasury shares at the total acquisition cost of HRK 8,848,166, representing 0.17% of the share capital and disposed of 69,779 treasury shares (0.6% of the share capital) of which 17,800 treasury shares were used for dividend payout, and the remaining part was used for key management remuneration. As at 30 June 2018, the Company held a total of 1,935,888 treasury shares or 1.54% of the share capital.

In the first half of 2018, the highest achieved share price in regular trading on the regulated market was HRK 43.60, while the lowest was HRK 39.00. Following the CROBEX and CROBEX 10 index dropping by -1.4% and -2.7% respectively, the share price of the Company decreased by 6.6% in the reviewed period. Valamar Riviera was the second most traded share on the Zagreb Stock Exchange in the first half of 2018 with the average regular turnover of HRK 0.8 million per day²⁴.

Apart from the Zagreb Stock Exchange indices, the share is also part of the Vienna Stock Exchange indices (CROX²⁵ and SETX²⁶), the regional SEE Link indices (SEELinX and SEELinX EWI)²⁷ and the world's MSCI Frontier Markets Indexes. Zagrebačka banka d.d. and Interkapital vrijednosni papiri d.o.o. are responsible for the market making in ordinary Valamar Riviera shares listed on the Official Market of the Zagreb Stock Exchange. They provide support to Valamar Riviera's share turnover, which in the period under review averaged 28.3%²⁸.

Valamar Riviera is active in holding meetings, presentations and conference calls with domestic and foreign investors. This approach supports high-level transparency, creates additional liquidity, increases share value and the involvement of potential investors. During 2018 meetings

Performance of Valamar Riviera's share and CROBEX and CROBEX 10 indices



were held on the London Stock Exchange, the Zagreb and Ljubljana Stock Exchange Investor conference in Zagreb, Erste Consumer Conference 2018 in Warsaw, as well as other European financial centers. In the second half, we plan to participate in the following events: Wood&Co. conference in Bucharest, Belgrade and Prague, Auerbach Grayson in New York and the Erste Group conference in Stegersbach as well as non-deal roadshows in other European financial centers.

Valamar Riviera will continue with this active approach in 2018 to grow further value for all its stakeholders so the Company's

share can be recognized as one of the market leaders on the Croatian capital market and in the Mediterranean.

The analytical coverage of Valamar Riviera is provided by:

- 1) Alta invest d.d., Ljubljana;
- 2) ERSTE bank d.d., Zagreb;
- 3) FIMA vrijednosnice d.o.o., Varaždin;
- 4) Interkapital vrijednosni papiri d.o.o., Zagreb;
- 5) Raiffeisenbank Austria d.d., Zagreb;
- 6) UniCredit Group - Zagrebačka banka d.d., Zagreb.

²⁴ Block transactions are excluded from the calculation.

²⁵ Croatian Traded Index (CROX) is a capitalization-weighted price index and is made up of 12 most liquid and highest capitalized shares of Zagreb Stock Exchange.

²⁶ South-East Europe Traded Index (SETX) is a capitalization-weighted price index

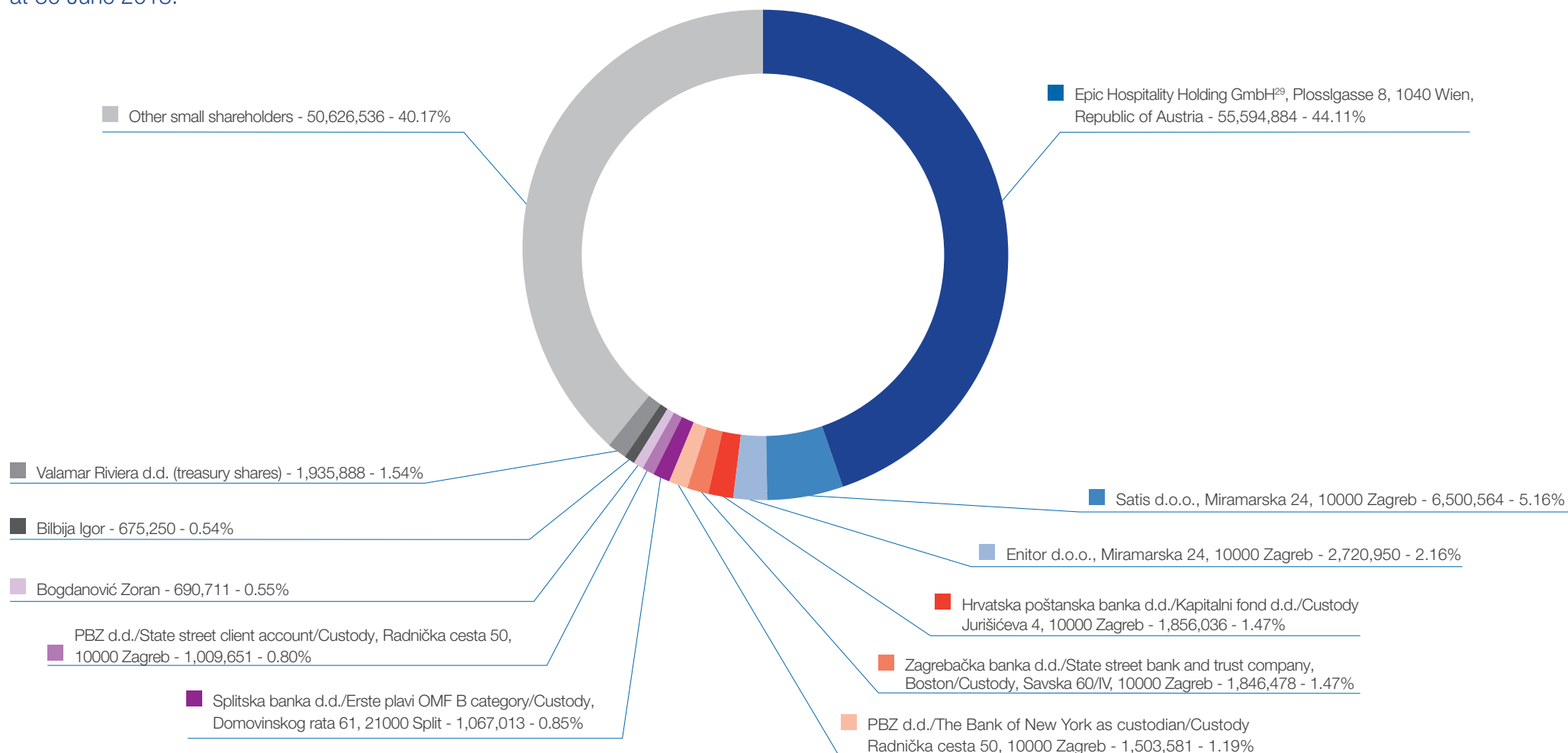
consisting of blue chip stocks traded on stock exchanges in the region of South-eastern Europe (shares listed in Bucharest, Ljubljana, Sofia, Belgrade and Zagreb).

²⁷ SEE Link is a regional platform for securities trading. It was founded by Bulgarian, Macedonian, and Zagreb Stock Exchange. SEE LinX and SEE LinX EWI are two

"blue chip" regional indices composed of ten most liquid regional companies listed on three Stock Exchanges: five from Croatia, three from Bulgaria, and two from Macedonia.

²⁸ Block transactions are excluded from the calculation. Data refers to the period 1/1 - 30/6/2018.

Overview of major shareholders as at 30 June 2018:



²⁹ The merger of EPIC Hospitality Holding (transferor) to Valamar Riviera (transferee) was entered in the court register of the Commercial court in Pazin on 15 June 2018, while the Central depository clearing company performed the merger on 12 July 2018. The transferee's share package held by the transferor was entirely used as compensation, i.e. share exchange for the

members in the transferor (Wurmböck Beteiligungs GmbH, Goldscheider Keramik Gesellschaft m.b.H. and Dr. Franz Lanschützer) proportionally to the size of the stake that each individual member holds in the transferor. For details, see: "Significant Business Events", page 7.

INVESTORS DAY, NEW BRANDING AND THE 2017 INTEGRATED ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY

Rab was the destination chosen to host the third Investors Day on 12 June 2018. As customary, Valamar's formula of sustainable and socially responsible investments in employees, products and destinations was presented to institutional investors by Management Board President Željko Kukurin and Management Board Member Marko Čižmek. This event was also an opportunity to present the new brand strategy that will serve as a framework for business development in the forthcoming period. Valamar's new brand identity features the "All you can holiday" business concept to create the perfect holiday for each individual guest as well as five new product brands that will be used to differentiate Valamar's portfolio of hotels, resorts and campsites. The new brand strategy sets a clear path and guidelines for the Valamar brand and sub-brands on which the company builds its future growth and development. It will increase market reach, improve the compatibility of products and services with specific market segments, increase guest loyalty and boost key business indicators.

On this occasion, the 2017 Integrated annual report and corporate social responsibility was presented to the investors. The report was prepared following G4 GRI guidelines and aims to present a strategic and long-term insight into Valamar's business to all key stakeholders, including shareholders, employees, partners, guests and the community, with special focus on corporate social responsibility that represents the foundation of the company's sustainable business and future development. The report can be found on the Zagreb Stock Exchange website and www.valamar-riviera.com.



ADDITIONAL INFORMATION

As one of the largest employers in Croatia (on 30 June 2018, the Group employed 5,900 employees, out of which 1,575 were permanent employees and Company employed 5,334 employees, out of which 1,371 were permanent employees), the Company and the Group systematically and continuously invest in the development of human resources. An integral strategic approach to human resources management and top practices applied include transparent hiring processes, clear objectives, measurement of employees' performance, rewarding systems, opportunities for employees' career advancements, investment in employees' development, etc.

In the course of the second quarter of 2018 and the first half of 2018, the Company's Management Board performed the actions provided for by law and the Articles of Association with respect to the management and representation of the Company and planned a business policy that was implemented with prudent care. The Company's Management Board will continue to undertake all the necessary measures in order to ensure sustainability and business growth. The quarterly separate and consolidated financial statements for the second quarter of 2018 and the interim report of the Company's Management Board covering the period from 1 January 2018 to 30 June 2018 were adopted by the Management Board on 26 July 2018.

The Company's Management Board expresses its gratitude to all shareholders, business partners, and guests for their support and trust, and particularly to all employees for their contribution.

Management Board of the Company

Valamar Riviera's new branding strategy



RESPONSIBILITY FOR THE QUARTERLY FINANCIAL STATEMENTS

In Poreč, 26 July 2018

In accordance with provisions of Law on Capital Market, Marko Čižmek, Management board member responsible for finance, treasury and IT business as well as relations with institutional investors and Ljubica Grbac director of department of finance and accounting, procurator and person responsible for finance and accounting, together as persons responsible for the preparation of quarterly reports of company VALAMAR RIVIERA d.d. seated in Poreč, Stancija Kaligari 1, OIB 36201212847 (hereinafter: Company), hereby make the following

STATEMENT

According to our best knowledge

- The shortened set of consolidated and unconsolidated semiannual financial reports including financial reports for the second quarter of 2018 are prepared in accordance with applicable standards of financial reporting and represent a true and fair view of the assets and obligations, profit and loss, financial position and Company's business as well as the companies included in the consolidation.
- Interim report of the Company's Management Board for the period between 1 January and 30 June 2018 contains the true presentation of development, results and position of the Company and companies included in the consolidation, with description of significant risks and uncertainties which the Company and companies included in the consolidation are exposed to.



Marko Čižmek
Management Board member



Ljubica Grbac
Director of Department of Finance
and Accounting

Reporting period: from 1/1/2018 to 30/6/2018

Quarterly financial report TFI-POD

Tax number (MB):	<u>3474771</u>		
Company registration number (MBS):	<u>040020883</u>		
Personal identification number (OIB):	<u>36201212847</u>		
Issuing company:	<u>Valamar Riviera d.d.</u>		
Postal code and place	<u>52440</u>	<u>Poreč</u>	
Street and house number:	<u>Stancija Kaligari 1</u>		
E-mail address:	<u>uprava@riviera.hr</u>		
Internet address:	<u>www.valamar-riviera.com</u>		
Municipality/city code and name:	<u>348</u>	<u>Poreč</u>	
County code and name:	<u>18</u>	<u>Istarska</u>	
			Number of employees: (period end) <u>5.900</u>
			NKD code: <u>5510</u>
Consolidated report:	<u>YES</u>		
Companies of the consolidation subject (according to IFRS):	Seat:	MB:	
<u>Valamar hotels & resorts GmbH</u>	<u>Frankfurt</u>	<u>04724750667</u>	
<u>Puntžela d.o.o.</u>	<u>Pula</u>	<u>03203379</u>	
<u>Elafiti Babin kuk d.o.o.</u>	<u>Dubrovnik</u>	<u>01273094</u>	
<u>Magične stijene d.o.o.</u>	<u>Dubrovnik</u>	<u>02315211</u>	
<u>Palme turizam d.o.o.</u>	<u>Dubrovnik</u>	<u>02006103</u>	
<u>Pogača Babin Kuk d.o.o.</u>	<u>Dubrovnik</u>	<u>02236346</u>	
<u>Bugenvilia d.o.o.</u>	<u>Dubrovnik</u>	<u>02006120</u>	
<u>Imperial d.d.</u>	<u>Rab</u>	<u>03044572</u>	
Accounting firm:			
Contact person:	<u>Sopta Anka</u>		
	(please insert only the contact's full name)		
Telephone:	<u>052/408 188</u>	Fax:	<u>052/408 110</u>
E-mail address:	<u>anka.sopta@riviera.hr</u>		
Family name and name:	<u>Kukurin Željko, Čižmek Marko</u>		
	(authorized representative)		

Documents disclosed:

1. Financial statements (Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity and notes to financial statements)
2. Management Interim Report;
3. Declaration of the persons responsible for preparing the issuer's statements;



L.S.

(authorized representative's signature)



Balance Sheet (as per 30/6/2018)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item 1	ADP code 2	Preceding year 3	Current year 4
A) SUBSCRIBED CAPITAL UNPAID	001		
B) NON CURRENT ASSETS (ADP 003+010+020+031+036)	002	4.632.400.572	5.037.968.829
I. INTANGIBLE ASSETS (ADP 004 to 009)	003	45.224.706	46.973.475
1. Research and Development expenditure	004		
2. Patents, licences, royalties, trademarks and service marks, software and similar rights	005	37.949.592	36.311.788
3. Goodwill	006	6.567.609	6.567.609
4. Prepayments for intangible assets	007		
5. Intangible assets under construction	008	707.505	4.094.078
6. Other intangible assets	009		
II. TANGIBLE ASSETS (ADP 011 to 019)	010	4.440.260.536	4.671.640.212
1. Land	011	874.708.080	885.640.163
2. Property	012	2.871.712.565	2.731.017.349
3. Plants and equipment	013	367.257.268	365.354.477
4. Tools, plants and vehicles	014	101.131.434	129.253.967
5. Biological asset	015		
6. Prepayments for tangible assets	016	24.768.328	48.330.729
7. Assets under construction	017	149.431.796	464.411.194
8. Other tangible assets	018	40.996.707	37.684.917
9. Investments property	019	10.254.358	9.947.416
III. NON-CURRENT FINANCIAL ASSETS (ADP 021 to 030)	020	5.417.132	177.880.386
1. Stakes (shares) in undertakings in a Group	021	1.435.245	173.932.163
2. Investments in other securities of undertakings in a Group	022		
3. Loans, deposits etc given to undertakings in a Group	023		
4. Stakes (shares) in undertakings with participating interest	024		
5. Investments in other securities of undertakings with participating interest	025		
6. Loans, deposits etc given to undertakings with participating interest	026		
7. Investments in securities	027	3.620.830	3.643.154
8. Given loans, deposits and similar	028	191.057	135.069
9. Other investments accounted for using the equity method	029		
10. Other non-current financial assets	030	170.000	170.000
IV. TRADE RECEIVABLES (ADP 032 to 035)	031	834.499	811.057
1. Receivables from undertakings in a Group	032		
2. Receivables from undertakings with participating interests	033		
3. Trade receivables	034	43.750	43.750
4. Other receivables	035	790.749	767.307
V. DEFERRED TAX ASSETS	036	140.663.699	140.663.699
C) CURENT ASSETS (ADP 038+046+053+063)	037	343.822.386	291.652.181
I. INVENTORIES (ADP 039 to 045)	038	24.496.814	21.296.042
1. Raw materials and consumables	039	24.296.180	20.434.538
2. Work in progress	040		
3. Finished products	041		
4. Merchandise	042	156.426	611.947
5. Prepayments for inventories	043	44.208	249.557
6. Other available-for-sale assets	044		
7. Biological asset	045		
II. RECEIVABLES (ADP 047 to 052)	046	30.637.890	112.567.327
1. Receivables from undertakings in a Group	047	231.675	
2. Receivables from undertakings with participating interest	048		
3. Trade receivables	049	13.742.895	90.118.750
4. Receivables from employees and members of the undertaking	050	1.226.272	6.365.421
5. Receivables from Government and other institutions	051	13.614.153	5.524.822
6. Other receivables	052	1.822.895	10.558.334
III. CURRENT FINANCIAL ASSETS (ADP 054 to 062)	053	850.728	2.248.091
1. Stakes (shares) in undertakings in a Group	054		
2. Investments in other securities of undertakings in a Group	055		
3. Loans, deposits etc given to undertakings in a Group	056		
4. Stakes(shares) in undertakings with participating interest	057		
5. Investments in other securities of undertakings with participating interest	058		
6. Loans, deposits etc given to undertakings with participating interest	059		
7. Investments in securities	060		75.460
8. Given loans, deposits and similar	061	746.646	43.750
9. Other financial assets	062	104.082	2.128.881
IV. CASH AND CASH EQUIVALENTS	063	287.836.954	155.540.721
D) PREPAYMENTS AND ACCRUED INCOME	064	20.382.090	106.111.732
E) TOTAL ASSETS (ADP 001+002+037+064)	065	4.996.605.048	5.435.732.742
F) OFF-BALANCE SHEET ITEMS	066	54.545.066	54.502.447

Balance Sheet (as per 30/6/2018) (continued)
 Taxpayer: 36201212847; Valamar Riviera d.d.

Item 1	ADP code 2	Preceding year 3	Current year 4
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	067	2.516.174.910	2.326.010.754
I. SHARE CAPITAL	068	1.672.021.210	1.672.021.210
II. CAPITAL RESERVES	069	3.602.906	5.349.624
III. RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	102.055.847	94.683.808
1. Legal reserves	071	83.601.061	83.601.061
2. Reserves for own shares	072	44.815.284	44.815.284
3. Own stocks and shares (deductible items)	073	35.889.621	43.261.660
4. Statutory reserves	074		
5. Other reserves	075	9.529.123	9.529.123
IV. REVALUATION RESERVES	076		
V. FAIR VALUE RESERVES (ADP 078 to 080)	077	634.097	651.956
1. Fair value of financial assets available for sale	078	634.097	651.956
2. Efficient portion of cash flow hedge	079		
3. Efficient portion of foreign net investment hedge	080		
VI. RETAINED EARNINGS OR LOSS CARRIED FORWARD (ADP 082-083)	081	263.138.894	394.773.190
1. Retained earnings	082	263.138.894	394.773.190
2. Loss carried forward	083		
VII. PROFIT OR LOSS FOR THE FINANCIAL YEAR (ADP 085-086)	084	243.596.016	-63.336.319
1. Profit for the financial year	085	243.596.016	
2. Loss for the financial year	086		63.336.319
VIII. MINORITY INTEREST	087	231.125.940	221.867.285
B) PROVISIONS (ADP 089 to 094)	088	58.356.183	51.854.749
1. Provisions for pensions, severance pay and similar liabilities	089	5.446.558	5.446.558
2. Provisions for tax obligations	090		
3. Provisions for litigations in progress	091	52.909.625	46.408.191
4. Provisions for renewal of natural resources	092		
5. Provision for costs within warranty period	093		
6. Other provisions	094		
C) NON-CURRENT LIABILITIES (ADP 096 to 106)	095	1.915.658.762	2.118.809.526
1. Liabilities to related parties	096		
2. Liabilities for loans, deposits etc of undertakings in a Group	097		
3. Liabilities to undertakings with participating interest	098		
4. Liabilities for loans, deposits etc of undertakings with participating interest	099		
5. Liabilities for loans, deposits and other	100	9.046.000	9.046.000
6. Liabilities to banks and other financial institutions	101	1.852.267.505	2.053.097.726
7. Liabilities for advance payments	102		
8. Trade payables	103		
9. Amounts payable for securities	104		
10. Other non-current liabilities	105	1.585.824	3.901.902
11. Deferred tax	106	52.759.433	52.763.898
D) CURRENT LIABILITIES (ADP 108 to 121)	107	402.912.295	832.414.863
1. Liabilities to undertakings in a Group	108	198.872	
2. Liabilities for loans, deposits etc of undertakings in a Group	109		
3. Liabilities to undertakings with participating interest	110		
4. Liabilities for loans, deposits etc of undertakings with participating interest	111		
5. Liabilities for loans, deposits and other	112	103.000	51.500
6. Liabilities to banks and other financial institutions	113	203.141.559	311.969.677
7. Amounts payable for prepayment	114	31.365.529	297.603.839
8. Trade payables	115	132.651.065	123.973.284
9. Liabilities upon loan stocks	116		
10. Liabilities to employees	117	22.455.819	40.992.957
11. Taxes, contributions and similar liabilities	118	11.077.721	53.692.093
12. Liabilities arising from share in the result	119	230.130	230.130
13. Liabilities arising from non-current assets held for sale	120		
14. Other current liabilities	121	1.688.600	3.901.383
E) ACCRUED EXPENSES AND DEFERRED INCOME	122	103.502.898	106.642.850
F) TOTAL LIABILITIES (ADP 067+088+095+107+122)	123	4.996.605.048	5.435.732.742
G) OFF-BALANCE SHEET ITEMS	124	54.545.066	54.502.447

Income Statement (for 1/1/2018 to 30/6/2018)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item	ADP code	Preceding period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (ADP 126+127+128+129+130)	125	523.559.917	490.179.021	602.105.359	560.365.622
1. Revenues from sales with undertakings in a Group	126				
2. Sales revenues (outside the Group)	127	512.553.585	484.636.612	586.210.323	547.332.070
3. Revenues from use of own products, goods and services	128	1.719.687	867.512	232.662	89.663
4. Other operating revenues with undertakings in a Group	129				
5. Other operating revenues (outside the Group)	130	9.286.645	4.674.897	15.662.374	12.943.889
II. OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	598.593.663	399.579.939	689.468.702	462.164.499
1. Changes in inventories of finished products and work in progress	132				
2. Material costs (ADP 134 to 136)	133	176.172.842	142.925.518	199.265.116	161.046.042
a) Cost of raw materials & consumables	134	115.719.176	98.847.317	132.029.528	112.406.688
b) Cost of goods sold	135	1.279.151	1.259.231	1.034.339	993.362
c) Other costs	136	59.174.515	42.818.970	66.201.249	47.645.992
3. Staff costs (ADP 138 to 140)	137	198.820.249	141.107.441	220.926.532	158.544.238
a) Net salaries	138	119.978.913	85.417.765	134.227.430	95.716.646
b) Employee income tax	139	50.830.821	35.635.635	56.053.696	40.655.176
c) Tax on payroll	140	28.010.515	20.054.041	30.645.406	22.172.416
4. Depreciation and amortisation	141	165.705.733	84.674.996	194.096.778	97.413.163
5. Other expenditures	142	54.332.820	29.861.179	64.428.225	36.451.755
6. Value adjustment (ADP 144+145)	143	69.637	50.136	83.577	11.384
a) non-current assets (without financial assets)	144				
b) current assets (without financial assets)	145	69.637	50.136	83.577	11.384
7. Provisions (ADP 147 to 152)	146	0	0	0	0
a) Provision for pensions, severance payments and other employment benefits	147				
b) Provisions for tax liabilities	148				
c) Provisions for litigations in progress	149				
d) Provisions for renewal of natural resources	150				
e) Provision for costs within warranty period	151				
f) Other provisions	152				
8. Other operating expenses	153	3.492.382	960.669	10.668.474	8.697.917
III. FINANCIAL INCOME (ADP 155 to 164)	154	47.908.460	17.200.994	45.552.574	21.435.930
1. Income from stakes (shares) in undertakings in a Group	155				
2. Income from stakes (shares) in undertakings with participating interest	156				
3. Income from other non-current financial investments and loans to undertakings in a Group	157				
4. Other interest income from undertakings in a Group	158				
5. Foreign exchange differences and other financial income from undertakings in a Group	159				
6. Income from other non-current financial investments and loans	160				
7. Other interest income	161	214.617	114.142	246.094	159.431
8. Foreign exchange differences and other financial income	162	38.805.350	14.471.259	40.757.012	18.076.077
9. Unrealized gains (income) from the financial assets	163	7.098.050	1.505.332	2.738.644	1.971.070
10. Other financial income	164	1.790.443	1.110.261	1.810.824	1.229.352
IV. FINANCIAL COSTS (ADP 166 to 172)	165	27.060.741	14.709.023	30.447.215	15.947.595
1. Interest expenses and similar expenses with undertakings in a Group	166				
2. Foreign exchange differences and other expenses with undertakings in a Group	167				
3. Interest expenses and similar	168	20.212.684	11.420.867	24.016.874	12.627.958
4. Foreign exchange differences and other expenses	169	4.567.953	1.341.979	2.766.740	752.293
5. Unrealized loss (expenses) from the financial assets	170	1.605.295	1.557.746	2.957.564	2.146.623
6. Value adjustment expense on financial assets (net)	171				
7. Other financial expenses	172	674.809	388.431	706.037	420.721
V. SHARE OF PROFIT FROM UNDERTAKINGS WITH PARTICIPATING INTEREST	173				
VI. SHARE OF PROFIT FROM JOINT VENTURES	174				
VII. SHARE OF LOSS FROM UNDERTAKINGS WITH PARTICIPATING INTEREST	175				
VIII. SHARE OF LOSS FROM JOINT VENTURES	176				
IX. TOTAL INCOME (ADP 125+154+173+174)	177	571.468.377	507.380.015	647.657.933	581.801.552
X. TOTAL EXPENSES (ADP 131+165+175+176)	178	625.654.404	414.288.962	719.915.917	478.112.094
XI. PROFIT OR LOSS BEFORE TAX (ADP 177-178)	179	-54.186.027	93.091.053	-72.257.984	103.689.458
1. Profit before tax (ADP 177-178)	180	-54.186.027	93.091.053	-72.257.984	103.689.458
2. Loss before tax (ADP 178-177)	181	0	0	0	0
XII. INCOME TAX EXPENSE	182	-128.203			
XIII. PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	-54.057.824	93.091.053	-72.257.984	103.689.458
1. Profit for the period (ADP 179-182)	184	-54.057.824	93.091.053	-72.257.984	103.689.458
2. Loss for the period (ADP 182-179)	185	0	0	0	0

Income Statement (for 1/1/2018 to 30/6/2018) (continued)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item	ADP code	Preceding period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
PROFIT OR LOSS FROM DISCONTINUED OPERATIONS (applicable for entities which use IFRS and have discontinued operations)					
XIV. PROFIT OR LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX (ADP 187-188)	186				
1. Profit before tax from discontinued operations	187				
2. Loss before tax from discontinued operations	188				
XV. INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS	189				
1. Profit for the period from discontinued operations (ADP 186-189)	190				
2. Loss for the period from discontinued operations (ADP 189-186)	191				

TOTAL PROFIT OR LOSS FOR THE PERIOD (applicable for entities which use IFRS and have discontinued operations)

XVI. PROFIT OR LOSS BEFORE TAX (ADP 179+186)	192				
1. Profit before tax (ADP 192)	193				
2. Loss before tax (ADP 192)	194				
XVII. INCOME TAX EXPENSE (ADP 182+189)	195				
XVIII. PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196				
1. Profit for the period (ADP 192-195)	197				
2. Loss for the period (ADP 195-192)	198				

APPENDIX TO THE INCOME STATEMENT (to be completed by entities submitting consolidated financial statements)

XIX. PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199	-54.057.824	93.091.053	-72.257.984	103.689.458
1. Attributable to parent company's shareholders	200	-45.413.573	94.294.558	-63.336.319	104.526.412
2. Attributable to non-controlling interests	201	-8.644.251	-1.203.505	-8.921.665	-836.954

STATEMENT OF OTHER COMPREHENSIVE INCOME (to be completed by entities subject to IFRS)

I. PROFIT OR LOSS FOR THE PERIOD	202	-54.057.824	93.091.053	-72.257.984	103.689.458
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (ADP 204 to 211)	203	15.028	9.862	22.324	22.324
1. Exchange differences arising from foreign operations	204				
2. Revaluation of non-current assets and intangible assets	205				
3. Gains or loss available for sale investments	206	15.028	9.862	22.324	22.324
4. Gains or loss on net movement on cash flow hedges	207				
5. Gains or loss on net investments hedge	208				
6. Share of the other comprehensive income/loss of associates	209				
7. Actuarial gain / loss on post employment benefit obligations	210				
8. Other changes in capital (minorities)	211				
III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD	212	3.005	1.972	4.465	4.465
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (ADP 203-212)	213	12.023	7.890	17.859	17.859
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (ADP 202+213)	214	-54.045.801	93.098.943	-72.240.125	103.707.317

APPENDIX to the Statement of Comprehensive Income (to be completed by entities submitting consolidated financial statements)

VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (ADP 216+217)	215	-54.045.801	93.098.943	-72.240.125	103.707.317
1. Attributable to parent company's shareholders	216	-45.401.550	94.302.448	-63.318.460	104.544.271
2. Attributable to non-controlling interests	217	-8.644.251	-1.203.505	-8.921.665	-836.954

Cash Flow Statement - Indirect Method (for 1/1/2018 to 30/6/2018)
 Taxpayer: 36201212847; Valamar Riviera d.d.

Item 1	ADP code 2	Preceding year 3	Current year 4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before taxes	001	-54.186.027	-72.257.984
2. Adjustments (ADP 003 to 010)	002	137.218.583	186.109.439
a) Depreciation and amortisation	003	165.705.733	194.096.777
b) Profit and loss from sales and value adjustments of non-current tangible and intangible assets	004	216.747	-1.261.928
c) Profit and loss from sales and unrealised profit and loss and value adjustments of financial assets	005	-190.252	
d) Income from interest and dividends	006	-1.873.148	-238.713
e) Interest expenses	007	20.212.684	24.016.874
f) Provisions	008	-7.797.837	6.506.882
g) Foreign exchange differences (unrealized)	009	-33.562.588	-37.151.265
h) Other adjustments for non-cash transactions and unrealized profit and loss	010	-5.492.756	140.812
I. Increase or decrease of cash flow before changes in working capital (ADP 001+002)	011	83.032.556	113.851.455
3. Changes in working capital (ADP 013 to 016)	012	135.115.766	125.383.560
a) Increase or decrease of current liabilities	013	277.530.166	320.674.450
b) Increase or decrease of current receivables	014	-138.668.286	-80.763.080
c) Increase or decrease of inventories	015	-3.746.114	-3.200.773
d) Other increase or decrease of working capital	016		-111.327.037
II. Cash from operating activities (ADP 011+012)	017	218.148.322	239.235.015
4. Interest	018	-21.550.350	-1.610.301
5. Income tax paid	019	-2.154.062	-1.383.371
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	194.443.910	236.241.343
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Proceeds from sale of non-current assets	021	215.364	2.880.078
2. Proceeds from selling financial instruments	022	1.808.303	
3. Proceeds from interest rates	023	646.159	151.633
4. Proceeds from dividends	024		87.080
5. Proceeds from repayment of given loans and savings	025	6.592.988	802.668
6. Other proceeds from investment activities	026		
III. Total cash proceeds from investment activities (ADP 021 to 026)	027	9.262.814	3.921.459
1. Purchase of non-current tangible and intangible assets	028	-546.798.710	-427.225.224
2. Purchase of financial instruments	029		
3. Loans and deposits for the period	030	-6.242.389	-105.848
4. Acquisition of subsidiary, net of acquired cash	031		
5. Other payments from investment activities	032		-172.463.254
IV. Total cash payments from investment activities (ADP 028 to 032)	033	-553.041.099	-599.794.326
B) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)	034	-543.778.285	-595.872.867
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Proceeds from increase of subscribed capital	035		
2. Proceeds from issuing equity-based and debt-based financial instruments	036		
3. Proceeds from loan principal, loans and other borrowings	037	352.133.649	583.118.608
4. Other proceeds from financial activities	038		1.029.010
V. Total proceeds from financial activities (ADP 035 to 038)	039	352.133.649	584.147.618
1. Repayment of loan principals, loans and other borrowings and debt-based financial instruments	040	-54.436.930	-237.710.139
2. Dividends paid	041	-98.342.353	-111.730.149
3. Payment of finance lease liabilities	042	-102.275	
4. Re-purchase of treasury shares and decrease in subscribed share capital	043		-7.372.039
5. Other payments from financial activities	044		
VI. Total cash payments from financing activities (ADP 040 to 044)	045	-152.881.558	-356.812.327
C) NET CASH FLOW FROM FINANCIAL ACTIVITIES (ADP 039+045)	046	199.252.091	227.335.291
1. Cash and cash equivalents-unrealized foreign exchange differences	047		
D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046+047)	048	-150.082.284	-132.296.233
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	049	274.650.648	287.836.954
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 048+049)	050	124.568.364	155.540.721

Statement of Changes in Equity (for the period from 1/1/2018 to 30/6/2018)
 Taxpayer: 36201212847; Valamar Riviera d.d.

Description	ADP	Minority (non-controlling) interest											Total distributable to majority owners	Minority (non-controlling) interest	Total capital and reserves		
		Subscribed Share capital	Capital reserves	Legal reserves	Reserves for own shares	Treasury shares and shares (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Efficient portion of cash flow hedge	Efficient portion of foreign net investment hedge				Retained earnings / loss carried forward	Net profit/ loss for the period
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)
Previous period																	
1. Balance at 1 January of the previous period	01	1.672.021.210	2.204.690	67.198.750	44.815.284	37.141.295	0	9.529.123	0	273.313	0	0	36.580.064	342.313.777	2.137.794.916	235.842.123	2.373.637.039
2. Changes in accounting policies	02														0		0
3. Error correction	03														0		0
4. Balance at 1 January of the previous period (ADP 01 to 03)	04	1.672.021.210	2.204.690	67.198.750	44.815.284	37.141.295	0	9.529.123	0	273.313	0	0	36.580.064	342.313.777	2.137.794.916	235.842.123	2.373.637.039
5. Profit/loss for the period	05													243.596.016	243.596.016	1.491.369	245.087.385
6. Foreign currency translation differences- foreign operations	06														0		0
7. Changes in revaluation reserves of non-current tangible and intangible assets	07														0		0
8. Profit or loss from re-evaluation of financial assets held for sale	08									450.979					450.979		450.979
9. Profit or loss from cash flow hedge	09														0		0
10. Profit or loss from foreign net investment hedge	10														0		0
11. Share in other comprehensive income/loss from undertakings with participating interest	11														0		0
12. Actuarial gains/losses from defined benefit plans	12														0		0
13. Other changes in capital (minorities)	13														0		0
14. Taxation of transactions recognized directly in equity	14									-90.195					-90.195		-90.195
15. Increase/decrease of subscribed share capital (except by reinvested profit and in pre-bankruptcy settlement)	15														0		0
16. Increase of subscribed share capital by profit reinvestment	16														0		0
17. Increase of subscribed share capital in pre-bankruptcy settlement	17														0		0
18. Repurchase of own shares/ stakes	18					-1.251.675									1.251.675		1.251.675
19. Share in profit/ dividend payout	19														0		0
20. Other distribution to majority owners	20		1.398.216										-99.352.192		-97.953.976		-97.953.976
21. Transfer to reserves according to annual plan	21			16.402.311									325.911.021	-342.313.777	-445	-6.207.552	-6.207.997
22. Increase in reserves in pre-bankruptcy settlement	22														0		0
23. Balance at 31 December of previous period (ADP 04 to 22)	23	1.672.021.210	3.602.906	83.601.061	44.815.284	35.889.620	0	9.529.123	0	634.097	0	0	263.138.893	243.596.016	2.285.048.970	231.125.940	2.516.174.910
ADDITION TO STATEMENT OF CHANGES IN EQUITY (only for IFRS adopters)																	
I. OTHER COMPREHENSIVE INCOME OF PREVIOUS PERIOD NET OF TAX (ADP 06 to 14)	24	0	0	0	0	0	0	0	0	360.784	0	0	0	0	360.784	0	360.784
II. COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25	0	0	0	0	0	0	0	0	360.784	0	0	0	243.596.016	243.956.800	1.491.369	245.448.169
III. TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD, RECOGNIZED DIRECTLY IN EQUITY (ADP 15 to 22)	26	0	1.398.216	16.402.311	0	-1.251.675	0	0	0	0	0	0	226.558.829	-342.313.777	-96.702.746	-6.207.552	-102.910.298
Current period																	
1. Balance at 1 January of current period	27	1.672.021.210	3.602.906	83.601.061	44.815.284	35.889.620	0	9.529.123	0	634.097	0	0	263.138.893	243.596.016	2.285.048.970	231.125.940	2.516.174.910
2. Changes in accounting policies	28														0		0
3. Error correction	29														0		0
4. Balance at 1 January of current period (ADP 27 to 29)	30	1.672.021.210	3.602.906	83.601.061	44.815.284	35.889.620	0	9.529.123	0	634.097	0	0	263.138.893	243.596.016	2.285.048.970	231.125.940	2.516.174.910
5. Profit/loss for the period	31													-63.336.319	-63.336.319	-8.921.665	-72.257.984
6. Foreign currency translation differences- foreign operations	32														0		0
7. Changes in revaluation reserves of non-current tangible and intangible assets	33														0		0
8. Profit or loss from re-evaluation of financial assets held for sale	34									22.324					22.324		22.324
9. Profit or loss from cash flow hedge	35														0		0
10. Profit or loss from foreign net investment hedge	36														0		0
11. Share in other comprehensive income/loss from undertakings with participating interest	37														0		0
12. Actuarial gains/losses from defined benefit plans	38														0		0
13. Other changes in capital (minorities)	39														0		0
14. Taxation of transactions recognized directly in equity	40									-4.465					-4.465		-4.465
15. Increase/decrease of subscribed share capital (except by reinvested profit and in pre-bankruptcy settlement)	41														0		0
16. Increase of subscribed share capital by profit reinvestment	42														0		0
17. Increase of subscribed share capital in pre-bankruptcy settlement	43														0		0
18. Repurchase of own shares/ stakes	44					8.848.167									-8.848.167		-8.848.167
19. Share in profit/ dividend payout	45		356.885			-393.563							-111.730.149		-110.979.701		-110.979.701
20. Other distribution to majority owners	46		1.389.833			-1.082.564									2.472.397		2.472.397
21. Transfer to reserves according to annual plan	47												243.364.446	-243.596.016	-231.570	-336.990	-568.560
22. Increase in reserves in pre-bankruptcy settlement	48														0		0
23. Balance as at 31 December of the current period (ADP 30 to 48)	49	1.672.021.210	5.349.624	83.601.061	44.815.284	43.261.660	0	9.529.123	0	651.956	0	0	394.773.190	-63.336.319	2.104.143.469	221.867.285	2.326.010.754
ADDITION TO STATEMENT OF CHANGES IN EQUITY (only for IFRS adopters)																	
I. OTHER COMPREHENSIVE INCOME OF CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	50	0	0	0	0	0	0	0	0	17.859	0	0	0	0	17.859	0	17.859
II. COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31 + 50)	51	0	0	0	0	0	0	0	0	17.859	0	0	0	-63.336.319	-63.318.460	-8.921.665	-72.240.125
III. TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD, RECOGNIZED DIRECTLY IN EQUITY (ADP 41 to 48)	52	0	1.746.718	0	0	7.372.040	0	0	0	0	0	0	131.634.297	-243.596.016	-117.587.041	-336.990	-117.924.031

Notes

(1) The notes to financial statements include additional and supplemental information not presented in the Balance Sheet, Income Statement, Cash Flow Statement or the Statement of Changes in Equity in accordance with the provisions of the relevant financial reporting standards.

Companies of the consolidation subject	Balance sheet-previous period 31/12/2017	Balance sheet-current period 30/6/2018
Puntizela d.o.o.	Yes (merged to Valamar Riviera d.d. 31/3/2017)	
Elafiti Babin kuk d.o.o.	Yes (merged to Valamar Riviera d.d. 29/12/2017)	
Valamar hotels & resorts GmbH	Yes	Yes
Magične stijene d.o.o.	Yes	Yes
Palme turizam d.o.o.	Yes	Yes
Pogača Babin Kuk d.o.o.	Yes	Yes
Bugenvilia d.o.o.	Yes	Yes
Imperial d.d.	Yes	Yes

Companies of the consolidation subject:	Income statment-previous period 30/6/2017	Income statment-current period 30/6/2018
Puntizela d.o.o.	1/1 - 31/3 (merged to Valamar Riviera d.d. 31/3/2017)	-
Elafiti Babin kuk d.o.o.	1/1 - 31/3 (merged to Valamar Riviera d.d. 29/12/2017)	-
Valamar hotels & resorts GmbH	-	-
Magične stijene d.o.o.	1/1 - 30/6	1/1 - 30/6
Palme turizam d.o.o.	1/1 - 30/6	1/1 - 30/6
Pogača Babin Kuk d.o.o.	1/1 - 30/6	1/1 - 30/6
Bugenvilia d.o.o.	1/1 - 30/6	1/1 - 30/6
Imperial d.d.	1/1 - 30/6	1/1 - 30/6

Balance Sheet (as per 30/6/2018)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item 1	ADP code 2	Preceding year 3	Current year 4
A) SUBSCRIBED CAPITAL UNPAID	001		
B) NON CURRENT ASSETS (ADP 003+010+020+031+036)	002	4.321.068.373	4.702.932.298
I. INTANGIBLE ASSETS (ADP 004 to 009)	003	44.533.715	45.942.834
1. Research and Development expenditure	004		
2. Patents, licences, royalties, trademarks and service marks, software and similar rights	005	37.646.206	36.073.144
3. Goodwill	006	6.567.609	6.567.609
4. Prepayments for intangible assets	007		
5. Intangible assets under construction	008	319.900	3.302.081
6. Other intangible assets	009		
II. TANGIBLE ASSETS (ADP 011 to 019)	010	3.697.439.264	3.905.037.339
1. Land	011	633.926.337	644.858.420
2. Property	012	2.416.617.894	2.298.273.084
3. Plants and equipment	013	345.844.344	345.269.052
4. Tools, plants and vehicles	014	89.672.494	118.702.979
5. Biological asset	015		
6. Prepayments for tangible assets	016	23.166.558	47.011.257
7. Assets under construction	017	137.209.673	403.524.429
8. Other tangible assets	018	40.747.606	37.450.702
9. Investments property	019	10.254.358	9.947.416
III. NON-CURRENT FINANCIAL ASSETS (ADP 021 to 030)	020	456.347.314	629.227.487
1. Stakes (shares) in undertakings in a Group	021	452.395.427	625.309.264
2. Investments in other securities of undertakings in a Group	022		
3. Loans, deposits etc given to undertakings in a Group	023		
4. Stakes (shares) in undertakings with participating interest	024		
5. Investments in other securities of undertakings with participating interest	025		
6. Loans, deposits etc given to undertakings with participating interest	026		
7. Investments in securities	027	3.620.830	3.643.154
8. Given loans, deposits and similar	028	191.057	135.069
9. Other investments accounted for using the equity method	029		
10. Other non-current financial assets	030	140.000	140.000
IV. TRADE RECEIVABLES (ADP 032 to 035)	031	188.176	164.734
1. Receivables from undertakings in a Group	032		
2. Receivables from undertakings with participating interests	033		
3. Trade receivables	034		
4. Other receivables	035	188.176	164.734
V. DEFERRED TAX ASSETS	036	122.559.904	122.559.904
C) CURENT ASSETS (ADP 038+046+053+063)	037	291.552.583	255.618.792
I. INVENTORIES (ADP 039 to 045)	038	23.913.513	20.585.305
1. Raw materials and consumables	039	23.767.779	20.007.770
2. Work in progress	040		
3. Finished products	041		
4. Merchandise	042	145.734	577.535
5. Prepayments for inventories	043		
6. Other available-for-sale assets	044		
7. Biological asset	045		
II. RECEIVABLES (ADP 047 to 052)	046	29.405.487	102.882.827
1. Receivables from undertakings in a Group	047	3.392.515	1.878.395
2. Receivables from undertakings with participating interest	048		
3. Trade receivables	049	12.221.884	84.538.982
4. Receivables from employees and members of the undertaking	050	1.171.905	6.179.105
5. Receivables from Government and other institutions	051	10.812.531	395.176
6. Other receivables	052	1.806.652	9.891.169
III. CURRENT FINANCIAL ASSETS (ADP 054 to 062)	053	832.773	2.156.181
1. Stakes (shares) in undertakings in a Group	054		
2. Investments in other securities of undertakings in a Group	055		
3. Loans, deposits etc given to undertakings in a Group	056	25.800	27.300
4. Stakes (shares) in undertakings with participating interest	057		
5. Investments in other securities of undertakings with participating interest	058		
6. Loans, deposits etc given to undertakings with participating interest	059		
7. Investments in securities	060		
8. Given loans, deposits and similar	061	702.891	
9. Other financial assets	062	104.082	2.128.881
IV. CASH AND CASH EQUIVALENTS	063	237.400.810	129.994.479
D) PREPAYMENTS AND ACCRUED INCOME	064	19.416.287	102.165.152
E) TOTAL ASSETS (ADP 001+002+037+064)	065	4.632.037.243	5.060.716.242
F) OFF-BALANCE SHEET ITEMS	066	54.545.066	54.502.447

Balance Sheet (as per 30/6/2018) (continued)
 Taxpayer: 36201212847; Valamar Riviera d.d.

Item 1	ADP code 2	Preceding year 3	Current year 4
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	067	2.395.468.296	2.225.706.801
I. SHARE CAPITAL	068	1.672.021.210	1.672.021.210
II. CAPITAL RESERVES	069	3.602.906	5.349.624
III. RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	102.055.847	94.683.808
1. Legal reserves	071	83.601.061	83.601.061
2. Reserves for own shares	072	44.815.284	44.815.284
3. Own stocks and shares (deductible items)	073	35.889.621	43.261.660
4. Statutory reserves	074		
5. Other reserves	075	9.529.123	9.529.123
IV. REVALUATION RESERVES	076		
V. FAIR VALUE RESERVES (ADP 078 to 080)	077	634.097	651.956
1. Fair value of financial assets available for sale	078	634.097	651.956
2. Efficient portion of cash flow hedge	079		
3. Efficient portion of foreign net investment hedge	080		
VI. RETAINED EARNINGS OR LOSS CARRIED FORWARD (ADP 082-083)	081	385.175.162	505.424.087
1. Retained earnings	082	385.175.162	505.424.087
2. Loss carried forward	083		
VII. PROFIT OR LOSS FOR THE FINANCIAL YEAR (ADP 085-086)	084	231.979.074	-52.423.884
1. Profit for the financial year	085	231.979.074	
2. Loss for the financial year	086		52.423.884
VIII. MINORITY INTEREST	087		
B) PROVISIONS (ADP 089 to 094)	088	31.597.492	31.524.860
1. Provisions for pensions, severance pay and similar liabilities	089	4.665.359	4.665.359
2. Provisions for tax obligations	090		
3. Provisions for litigations in progress	091	26.932.133	26.859.501
4. Provisions for renewal of natural resources	092		
5. Provision for costs within warranty period	093		
6. Other provisions	094		
C) NON-CURRENT LIABILITIES (ADP 096 to 106)	095	1.739.431.226	1.917.878.342
1. Liabilities to related parties	096		
2. Liabilities for loans, deposits etc of undertakings in a Group	097		
3. Liabilities to undertakings with participating interest	098		
4. Liabilities for loans, deposits etc of undertakings with participating interest	099		
5. Liabilities for loans, deposits and other	100		
6. Liabilities to banks and other financial institutions	101	1.721.763.614	1.897.890.187
7. Liabilities for advance payments	102		
8. Trade payables	103		
9. Amounts payable for securities	104		
10. Other non-current liabilities	105	1.585.824	3.901.902
11. Deferred tax	106	16.081.788	16.086.253
D) CURRENT LIABILITIES (ADP 108 to 121)	107	369.130.888	785.110.260
1. Liabilities to undertakings in a Group	108	377.577	293.582
2. Liabilities for loans, deposits etc of undertakings in a Group	109		
3. Liabilities to undertakings with participating interest	110		
4. Liabilities for loans, deposits etc of undertakings with participating interest	111		
5. Liabilities for loans, deposits and other	112		
6. Liabilities to banks and other financial institutions	113	184.701.848	303.192.805
7. Amounts payable for prepayment	114	30.708.993	275.217.583
8. Trade payables	115	121.224.757	117.068.266
9. Liabilities upon loan stocks	116		
10. Liabilities to employees	117	20.606.875	37.802.007
11. Taxes, contributions and similar liabilities	118	10.270.639	48.546.142
12. Liabilities arising from share in the result	119	72.403	72.403
13. Liabilities arising from non-current assets held for sale	120		
14. Other current liabilities	121	1.167.796	2.917.472
E) ACCRUED EXPENSES AND DEFERRED INCOME	122	96.409.341	100.495.979
F) TOTAL LIABILITIES (ADP 067+088+095+107+122)	123	4.632.037.243	5.060.716.242
G) OFF-BALANCE SHEET ITEMS	124	54.545.066	54.502.447

Income Statement (for 1/1/2018 to 30/6/2018)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item	ADP code	Preceding period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (ADP 126 to 130)	125	491.231.504	460.309.911	563.387.946	521.759.923
1. Revenues from sales with undertakings in a Group	126	5.059.943	4.171.709	7.644.461	4.195.740
2. Sales revenues (outside the Group)	127	477.320.464	451.807.787	546.710.709	511.219.473
3. Revenues from use of own products, goods and services	128	1.716.240	864.065	216.771	81.718
4. Other operating revenues with undertakings in a Group	129	35.107	31.707	4.650	4.650
5. Other operating revenues (outside the Group)	130	7.099.750	3.434.643	8.811.355	6.258.342
II. OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	553.208.576	369.466.782	631.197.682	421.830.327
1. Changes in inventories of finished products and work in progress	132				
2. Material costs (ADP 134 to 136)	133	179.802.191	141.114.492	189.795.229	152.285.799
a) Cost of raw materials & consumables	134	108.541.882	92.211.423	124.392.386	105.040.246
b) Cost of goods sold	135	1.255.465	1.235.586	1.013.485	972.745
c) Other costs	136	70.004.844	47.667.483	64.389.358	46.272.808
3. Staff costs (ADP 138 to 140)	137	185.760.916	131.969.534	208.080.612	149.043.257
a) Net salaries	138	111.763.065	79.687.249	126.070.355	89.884.037
b) Employee income tax	139	47.832.412	33.566.456	53.158.972	38.324.227
c) Tax on payroll	140	26.165.439	18.715.829	28.851.285	20.834.993
4. Depreciation and amortisation	141	133.874.756	67.680.950	169.063.523	84.603.406
5. Other expenditures	142	50.563.921	27.733.908	61.161.442	34.685.592
6. Value adjustment (ADP 144+145)	143	69.637	50.136	83.578	11.385
a) non-current assets (without financial assets)	144				
b) current assets (without financial assets)	145	69.637	50.136	83.578	11.385
7. Provisions (ADP 147 to 152)	146	0	0	0	0
a) Provision for pensions, severance payments and other employment benefits	147				
b) Provisions for tax liabilities	148				
c) Provisions for litigations in progress	149				
d) Provisions for renewal of natural resources	150				
e) Provision for costs within warranty period	151				
f) Other provisions	152				
8. Other operating expenses	153	3.137.155	917.762	3.013.298	1.200.888
III. FINANCIAL INCOME (ADP 155 to 164)	154	45.183.869	14.304.108	43.165.609	20.436.309
1. Income from stakes (shares) in undertakings in a Group	155				
2. Income from stakes (shares) in undertakings with participating interest	156				
3. Income from other non-current financial investments and loans to undertakings in a Group	157				
4. Other interest income from undertakings in a Group	158				
5. Foreign exchange differences and other financial income from undertakings in a Group	159				
6. Income from other non-current financial investments and loans	160				
7. Other interest income	161	116.844	78.259	202.686	151.919
8. Foreign exchange differences and other financial income	162	36.186.688	11.618.373	38.514.273	17.177.339
9. Unrealized gains (income) from the financial assets	163	7.098.050	1.505.332	2.738.644	1.971.070
10. Other financial income	164	1.782.287	1.102.144	1.710.006	1.135.981
IV. FINANCIAL COSTS (ADP 166 to 172)	165	23.532.337	12.905.008	27.779.757	14.845.332
1. Interest expenses and similar expenses with undertakings in a Group	166				
2. Foreign exchange differences and other expenses with undertakings in a Group	167				
3. Interest expenses and similar	168	17.417.961	9.875.872	22.074.175	11.654.888
4. Foreign exchange differences and other expenses	169	3.901.614	1.116.801	2.099.729	652.133
5. Unrealized loss (expenses) from the financial assets	170	1.605.295	1.557.746	2.957.564	2.146.623
6. Value adjustment expense on financial assets (net)	171				
7. Other financial expenses	172	607.467	354.589	648.289	391.688
V. SHARE OF PROFIT FROM UNDERTAKINGS WITH PARTICIPATING INTEREST	173				
VI. SHARE OF PROFIT FROM JOINT VENTURES	174				
VII. SHARE OF LOSS FROM UNDERTAKINGS WITH PARTICIPATING INTEREST	175				
VIII. SHARE OF LOSS FROM JOINT VENTURES	176				
IX. TOTAL INCOME (ADP 125+154+173+174)	177	536.415.373	474.614.019	606.553.555	542.196.232
X. TOTAL EXPENSES (ADP 131+165+175+176)	178	576.740.913	382.371.790	658.977.439	436.675.659
XI. PROFIT OR LOSS BEFORE TAX (ADP 177-178)	179	-40.325.540	92.242.229	-52.423.884	105.520.573
1. Profit before tax (ADP 177-178)	180	-40.325.540	92.242.229	-52.423.884	105.520.573
2. Loss before tax (ADP 178-177)	181	0	0	0	0
XII. INCOME TAX EXPENSE	182				
XIII. PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	-40.325.540	92.242.229	-52.423.884	105.520.573
1. Profit for the period (ADP 179-182)	184	-40.325.540	92.242.229	-52.423.884	105.520.573
2. Loss for the period (ADP 182-179)	185	0	0	0	0

Income Statement (for 1/1/2018 to 30/6/2018) (continued)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item	ADP code	Preceding period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
PROFIT OR LOSS FROM DISCONTINUED OPERATIONS (applicable for entities which use IFRS and have discontinued operations)					
XIV. PROFIT OR LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX (ADP 187-188)	186				
1. Profit before tax from discontinued operations	187				
2. Loss before tax from discontinued operations	188				
XV. INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS	189				
1. Profit for the period from discontinued operations (ADP 186-189)	190				
2. Loss for the period from discontinued operations (ADP 189-186)	191				
TOTAL PROFIT OR LOSS FOR THE PERIOD (applicable for entities which use IFRS and have discontinued operations)					
XVI. PROFIT OR LOSS BEFORE TAX (ADP 179+186)	192				
1. Profit before tax (ADP 192)	193				
2. Loss before tax (ADP 192)	194				
XVII. INCOME TAX EXPENSE (ADP 182+189)	195				
XVIII. PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196				
1. Profit for the period (ADP 192-195)	197				
2. Loss for the period (ADP 195-192)	198				
APPENDIX TO THE INCOME STATEMENT (to be completed by entities submitting consolidated financial statements)					
XIX. PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199	0	0	0	0
1. Attributable to parent company's shareholders	200				
2. Attributable to non-controlling interests	201				
STATEMENT OF OTHER COMPREHENSIVE INCOME (to be completed by entities subject to IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD	202	-40.325.540	92.242.229	-52.423.884	105.547.775
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (ADP 204 to 211)	203	15.028	9.862	22.324	22.324
1. Exchange differences arising from foreign operations	204				
2. Revaluation of non-current assets and intangible assets	205				
3. Gains or loss available for sale investments	206	15.028	9.862	22.324	22.324
4. Gains or loss on net movement on cash flow hedges	207				
5. Gains or loss on net investments hedge	208				
6. Share of the other comprehensive income/loss of associates	209				
7. Actuarial gain / loss on post employment benefit obligations	210				
8. Other changes in capital (minorities)	211				
III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD	212	3.005	1.972	4.465	4.465
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (ADP 203-212)	213	12.023	7.890	17.859	17.859
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (ADP 202+213)	214	-40.313.517	92.250.119	-52.406.025	105.565.634
APPENDIX to the Statement of Comprehensive Income (to be completed by entities submitting consolidated financial statements)					
VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (ADP 216+217)	215	0	0	0	0
1. Attributable to parent company's shareholders	216				
2. Attributable to non-controlling interests	217				

Cash Flow Statement - Indirect Method (for 1/1/2018 to 30/6/2018)
 Taxpayer: 36201212847; Valamar Riviera d.d.

Item 1	ADP code 2	Preceding year 3	Current year 4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before taxes	001	-40.325.540	-52.423.884
2. Adjustments (ADP 003 to 010)	002	105.088.993	154.012.757
a) Depreciation and amortisation	003	133.874.757	169.063.523
b) Profit and loss from sales and value adjustments of non-current tangible and intangible assets	004	216.747	-2.190.916
c) Profit and loss from sales and unrealised profit and loss and value adjustments of financial assets	005	-190.253	0
d) Income from interest and dividends	006	-519.843	-195.305
e) Interest expenses	007	18.025.428	22.074.174
f) Provisions	008	-7.719.221	78.081
g) Foreign exchange differences (unrealized)	009	-33.105.866	-34.954.012
h) Other adjustments for non-cash transactions and unrealized profit and loss	010	-5.492.756	137.212
I. Increase or decrease of cash flow before changes in working capital (ADP 001+002)	011	64.763.453	101.588.873
3. Changes in working capital (ADP 013 to 016)	012	135.254.981	129.897.587
a) Increase or decrease of current liabilities	013	257.244.698	296.969.248
b) Increase or decrease of current receivables	014	-120.434.107	-72.377.815
c) Increase or decrease of inventories	015	-1.555.610	3.328.209
d) Other increase or decrease of working capital	016		-98.022.055
II. Cash from operating activities (ADP 011+012)	017	200.018.434	231.486.460
4. Interest	018	-17.873.842	-2.600.433
5. Income tax paid	019	102.565	53.533
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	182.247.157	228.939.560
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Proceeds from sale of non-current assets	021	215.364	2.880.078
2. Proceeds from selling financial instruments	022	1.808.303	
3. Proceeds from interest rates	023	539.924	108.225
4. Proceeds from dividends	024	598.453	87.080
5. Proceeds from repayment of given loans and savings	025	6.504.200	802.668
6. Other proceeds from investment activities	026	336.317	33.664
III. Total cash proceeds from investment activities (ADP 021 to 026)	027	10.002.561	3.911.715
1. Purchase of non-current tangible and intangible assets	028	-533.308.996	-378.070.717
2. Purchase of financial instruments	029		
3. Loans and deposits for the period	030	-6.243.101	-105.848
4. Acquisition of subsidiary, net of acquired cash	031		-172.913.837
5. Other payments from investment activities	032		
IV. Total cash payments from investment activities (ADP 028 to 032)	033	-539.552.097	-551.090.402
B) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)	034	-529.549.536	-547.178.687
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Proceeds from increase of subscribed capital	035		
2. Proceeds from issuing equity-based and debt-based financial instruments	036		
3. Proceeds from loan principal, loans and other borrowings	037	352.133.648	556.462.315
4. Other proceeds from financial activities	038		1.014.128
V. Total proceeds from financial activities (ADP 035 to 038)	039	352.133.648	557.476.443
1. Repayment of loan principals, loans and other borrowings and debt-based financial instruments	040	-46.069.680	-228.291.907
2. Dividends paid	041	-98.342.353	-110.979.701
3. Payment of finance lease liabilities	042	-102.275	
4. Re-purchase of treasury shares and decrease in subscribed share capital	043		-7.372.039
5. Other payments from financial activities	044		
VI. Total cash payments from financing activities (ADP 040 to 044)	045	-144.514.308	-346.643.647
C) NET CASH FLOW FROM FINANCIAL ACTIVITIES (ADP 039+045)	046	207.619.340	210.832.796
1. Cash and cash equivalents-unrealized foreign exchange differences	047		
D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046+047)	048	-139.683.039	-107.406.331
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	049	237.647.697	237.400.810
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 048+049)	050	97.964.658	129.994.479

Statement of Changes in Equity (for the period from 1/1/2018 to 30/6/2018)
 Taxpayer: 36201212847; Valamar Riviera d.d.

Description	ADP	Minority (non-controlling) interest											Total distributable to majority owners	Minority (non-controlling) interest	Total capital and reserves		
		Subscribed Share capital	Capital reserves	Legal reserves	Reserves for own shares	Treasury shares and shares (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Efficient portion of cash flow hedge	Efficient portion of foreign net investment hedge				Retained earnings / loss carried forward	Net profit/ loss for the period
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)
Previous period																	
1. Balance at 1 January of the previous period	01	1.672.021.210	2.204.690	67.198.750	44.815.284	37.141.295	0	9.529.123	0	273.313	0	0	228.523.684	336.657.721	2.324.082.480	0	2.324.082.480
2. Changes in accounting policies	02														0		0
3. Error correction	03														0		0
4. Balance at 1 January of the previous period (ADP 01 to 03)	04	1.672.021.210	2.204.690	67.198.750	44.815.284	37.141.295	0	9.529.123	0	273.313	0	0	228.523.684	336.657.721	2.324.082.480	0	2.324.082.480
5. Profit/loss for the period	05													231.979.074	231.979.074		231.979.074
6. Foreign currency translation differences- foreign operations	06														0		0
7. Changes in revaluation reserves of non-current tangible and intangible assets	07														0		0
8. Profit or loss from re-evaluation of financial assets held for sale	08									450.979					450.979		450.979
9. Profit or loss from cash flow hedge	09														0		0
10. Profit or loss from foreign net investment hedge	10														0		0
11. Share in other comprehensive income/loss from undertakings with participating interest	11														0		0
12. Actuarial gains/losses from defined benefit plans	12														0		0
13. Other changes in capital (minorities)	13														0		0
14. Taxation of transactions recognized directly in equity	14									-90.195					-90.195		-90.195
15. Increase/decrease of subscribed share capital (except by reinvested profit and in pre-bankruptcy settlement)	15														0		0
16. Increase of subscribed share capital by profit reinvestment	16														0		0
17. Increase of subscribed share capital in pre-bankruptcy settlement	17														0		0
18. Repurchase of own shares/ stakes	18					-1.251.674									1.251.674		1.251.674
19. Share in profit/ dividend payout	19														0		0
20. Other distribution to majority owners	20		1.398.216										-99.352.193		-97.953.977		-97.953.977
21. Transfer to reserves according to annual plan	21			16.402.311									256.003.671	-336.657.721	-64.251.739		-64.251.739
22. Increase in reserves in pre-bankruptcy settlement	22														0		0
23. Balance at 31 December of previous period (ADP 04 to 22)	23	1.672.021.210	3.602.906	83.601.061	44.815.284	35.889.621	0	9.529.123	0	634.097	0	0	385.175.162	231.979.074	2.395.468.296	0	2.395.468.296
ADDITION TO STATEMENT OF CHANGES IN EQUITY (only for IFRS adopters)																	
I. OTHER COMPREHENSIVE INCOME OF PREVIOUS PERIOD NET OF TAX (ADP 06 to 14)	24	0	0	0	0	0	0	0	0	360.784	0	0	0	0	360.784	0	360.784
II. COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25	0	0	0	0	0	0	0	0	360.784	0	0	0	231.979.074	232.339.858	0	232.339.858
III. TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD, RECOGNIZED DIRECTLY IN EQUITY (ADP 15 to 22)	26	0	1.398.216	16.402.311	0	-1.251.674	0	0	0	0	0	0	156.651.478	-336.657.721	-160.954.042	0	-160.954.042
Current period																	
1. Balance at 1 January of current period	27	1.672.021.210	3.602.906	83.601.061	44.815.284	35.889.621	0	9.529.123	0	634.097	0	0	385.175.162	231.979.074	2.395.468.296	0	2.395.468.296
2. Changes in accounting policies	28														0		0
3. Error correction	29														0		0
4. Balance at 1 January of current period (ADP 27 to 29)	30	1.672.021.210	3.602.906	83.601.061	44.815.284	35.889.621	0	9.529.123	0	634.097	0	0	385.175.162	231.979.074	2.395.468.296	0	2.395.468.296
5. Profit/loss for the period	31													-52.423.884	-52.423.884		-52.423.884
6. Foreign currency translation differences- foreign operations	32														0		0
7. Changes in revaluation reserves of non-current tangible and intangible assets	33														0		0
8. Profit or loss from re-evaluation of financial assets held for sale	34									22.324					22.324		22.324
9. Profit or loss from cash flow hedge	35														0		0
10. Profit or loss from foreign net investment hedge	36														0		0
11. Share in other comprehensive income/loss from undertakings with participating interest	37														0		0
12. Actuarial gains/losses from defined benefit plans	38														0		0
13. Other changes in capital (minorities)	39														0		0
14. Taxation of transactions recognized directly in equity	40									-4.465					-4.465		-4.465
15. Increase/decrease of subscribed share capital (except by reinvested profit and in pre-bankruptcy settlement)	41														0		0
16. Increase of subscribed share capital by profit reinvestment	42														0		0
17. Increase of subscribed share capital in pre-bankruptcy settlement	43														0		0
18. Repurchase of own shares/ stakes	44					8.848.166									-8.848.166		-8.848.166
19. Share in profit/ dividend payout	45		356.885			-393.563							-111.730.149		-110.979.701		-110.979.701
20. Other distribution to majority owners	46		1.389.833			-1.082.564									2.472.397		2.472.397
21. Transfer to reserves according to annual plan	47												231.979.074	-231.979.074	0		0
22. Increase in reserves in pre-bankruptcy settlement	48														0		0
23. Balance as at 31 December of the current period (ADP 30 to 48)	49	1.672.021.210	5.349.624	83.601.061	44.815.284	43.261.660	0	9.529.123	0	651.956	0	0	505.424.087	-52.423.884	2.225.706.801	0	2.225.706.801
ADDITION TO STATEMENT OF CHANGES IN EQUITY (only for IFRS adopters)																	
I. OTHER COMPREHENSIVE INCOME OF CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	50	0	0	0	0	0	0	0	0	17.859	0	0	0	0	17.859	0	17.859
II. COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31 + 50)	51	0	0	0	0	0	0	0	0	17.859	0	0	0	-52.423.884	-52.406.025	0	-52.406.025
III. TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD, RECOGNIZED DIRECTLY IN EQUITY (ADP 41 to 48)	52	0	1.746.718	0	0	7.372.039	0	0	0	0	0	0	120.248.925	-231.979.074	-117.355.470	0	-117.355.470

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