



VALAMAR  
All you can holiday

# BUSINESS RESULTS

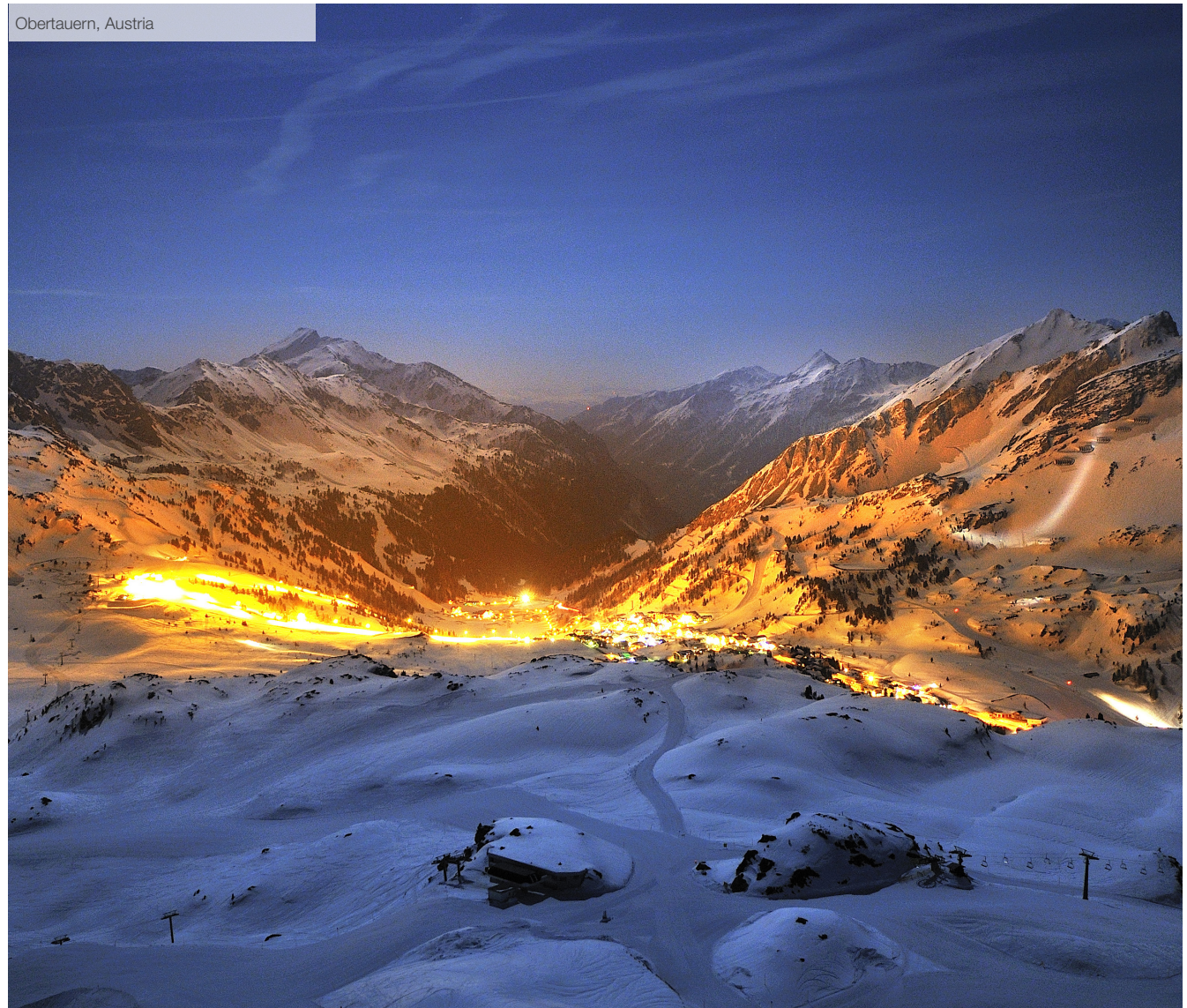
1/1/2018 - 30/9/2018





# QUARTERLY REPORT OF THE GROUP AND THE COMPANY VALAMAR RIVIERA D.D.

for the period from 1 January 2018 to  
30 September 2018



## EXECUTIVE SUMMARY

### Key financial indicators

(in '000,000 HRK)

	1 - 9/ 2017	1 - 9/ 2018	2018/ 2017
Total revenues	1,740.0	1,921.0	10.4%
Sales revenues	1,665.1	1,849.7	11.1%
Board revenues	1,386.5	1,546.3	11.5%
Operating costs	902.8	1,000.2	10.8%
EBITDA	772.4	857.1	11.0%
Adjusted EBITDA	772.0	854.8	10.7%
EBIT	509.1	560.6	10.1%
Adjusted EBIT	508.7	558.3	9.7%
EBT	499.9	552.8	10.6%
EBITDA margin	46.0%	45.9%	-10 bp
Adjusted EBITDA margin	45.9%	45.7%	-20 bp

	31/12/ 2017	30/9/ 2018	2018/ 2017
Net debt	1,772.4	1,821.2	2.8%
Cash and cash equivalents	287.8	455.7	58.3%
Market capitalization	5,420.3	4,641.2	-14.4%
EV	7,192.6	6,462.5	-10.2%

### Key operating indicators

	1 - 9/ 2017	1 - 9/ 2018	2018/ 2017
Accommodation units (capacity)	20,852	21,289	2.1%
Number of beds	56,662	57,862	2.1%
Accommodation units sold ('000)	2,497.1	2,649.8	6.1%
Overnights ('000)	5,925.9	6,149.5	3.8%
ADR (in HRK)	555	584	5.1%

### EBITDA

Valamar Riviera achieved double-digit growth in business results in the first nine months of 2018 despite slower peak-season demand in tourism. The rising number in overnights over several consecutive years and the 5% increase in ADR, as well as higher operating efficiency through the controlled growth of operating costs, drove a strong EBITDA that totaled HRK 857 million (+11%; HRK 772 million in 2017).

### Revenues

Total revenues were HRK 1,921 million, up 10% vs. last year's comparable period (HRK 1,740 million in 2017). In total revenues, HRK 1,850 million represented sales revenues (HRK 1,665 million in 2017), while the remaining part was mainly financial income, down HRK 7 million (from HRK 59 million to HRK 52 million). Sales revenues growth was largely driven by 12% higher board revenues that totaled HRK 1,546 million (HRK 1,387 million in 2017) and 9% higher F&B outlet revenues.

Croatia had reported growing demand for several years before experiencing a recent slowdown in tourist turnover during the summer season. Despite these unfavourable trends, in the observed period Valamar Riviera achieved for the first time over 6 million overnights (+4%), while the average daily rate rose by 5% to HRK 584. The HRK 160 million growth in board revenues was mainly driven by: i) large investments to improve competitiveness and the quality of services and products, ii) strong business development during 1H 2018, iii) demand-driven optimization of distribution and prices, iv) better occupancy, v) the development of destination products with added value, and vi) acquisition of Hoteli Makarska.

### Costs

Pressure on growth of operating costs was successfully reduced by a high level of operative efficiency. Their controlled increase by 11% to a level of HRK 1,000 million was mainly due to higher material costs driven by larger business volumes and increased staff costs. However, the share of staff costs in total operating expenses showed a slight decrease in relation to the previous comparable period. Increase of staff costs was planned in line with the salary increase policy and the new staff hired to ensure service quality in the Premium and Upscale products, but human resources still remain the greatest growth challenge in the forthcoming period.

### EBT

Profit before tax grew by HRK 53 million to a high HRK 553 million. The strong 11% growth was achieved despite higher amortization cost (+HRK 33 million coming from earlier large investment cycles), due to excellent operating results.

### Market capitalization and net debt

The Company's market capitalization fell by 14% in the first nine months of 2018, coinciding with the decrease in international and national stock market indices. Compared to 31 December 2017, net debt increased by 2.8% due to the acquisition of 46.93% of the share capital of Hoteli Makarska, purchase of Matthias Aichmann GmbH in Austria, the large investment cycle that was carried out (over HRK 700 million outflow), and the strong cash flow from business activities.



## EXECUTIVE SUMMARY (CONTINUED)

### 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 the Valamar Collection Girandola Maro Suites 5\*, and the Valamar Argosy Hotel 4\* was repositioned as “adults only” accommodation. Moreover, we continued investing in raising camping quality to offer products 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 “Investments 2018” on page 21.

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 the current year. In the forthcoming year 2019, investments represent the continuation of strategical 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. For details, see “Investments 2019” on page 23.

### 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 and transfer of 95,276 shares to its partner AZ, Valamar Riviera owns 525,379 shares or 46.93% of the acquired company’s share capital. Consolidation of operations started in August 2018. Hoteli Makarska’s operations account for 2 percentage points of total revenues, i.e. EBITDA growth.

On 20 August 2018, Valamar Riviera disclosed to the investment community that, in their capacity as buyers, Valamar Riviera and Valamar A GmbH (a company owned by Valamar Riviera d.d.), concluded an agreement on the purchase and transfer of a 100% stake in the company Matthias Aichmann GmbH seated in Obertauern, that owns the Petersbühel Hotel 4\*. 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 82 keys and facilities such as wellness, restaurant and garage. The ski lift is in the hotel’s immediate vicinity. By the end of November, Valamar will open the hotel named Valamar Obertauern Hotel 4\*. 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. The expected consolidation start date is end of October of the current year.

Valamar’s press release is available from the Valamar Riviera corporate website ([valamar-riviera.com/en/3Q2018](http://valamar-riviera.com/en/3Q2018)).



## OUTLOOK

Valamar Riviera announces the expected range of 2018 consolidated operating revenues and EBITDA.

In the business year 2018, the Group expects to achieve consolidated operating revenues ranging between HRK 1,960 million and HRK 1,980 million (HRK 1,778 million in 2017) with expected growth ranging between 10.2% and 11.3%.

For more details and disclaimer, see page 19.

In the business year 2018, expected EBITDA will range between HRK 690 million and HRK 700 million (HRK 606 million in 2017) representing an increase ranging between 13.9% and 15.5%. Expected EBITDA margin will range between 34.8% and 35.7% compared to 34.1% in 2017.

For more details and disclaimer, see page 19.

Following the successful acquisition of Hoteli Baška on Krk Island, Imperial on Rab Island, Hoteli Makarska in Makarska, and Matthias Aichmann GmbH seated in Obertauern, Austria (that owns the Petersbühel Hotel), 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" on page 7.

In line with our strategic goals until 2020, we are focused on preparing investments projects aimed at future development and improvement of the portfolio properties and services.

For details, see "Investments 2019" on page 23.

Istra Premium Camping Resort by Valamar, Poreč (vizualization)



## TABLE OF CONTENTS

Significant Business Events	7
Results of the Group	10
2018 Outlook	19
Results of the Company	20
Investments 2018	21
Investments 2019	23
The Risks of the Company and the Group	25
Corporate Governance	29
Related-party Transactions	30
Branch Offices of the Company	30
Valamar Riviera Share	31
Investors Day, New Branding Strategy and the 2017 Integrated Annual Report and Corporate Social Responsibility	33
Additional Information	34
Responsibility for the Quarterly Financial Statements	35
Quarterly Financial Statements	36



## 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 more than HRK 4 billion invested over 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 this year's acquisitions of Hoteli Makarska d.d. in Makarska and Matthias Aichmann GmbH in Austria, Valamar Riviera Group is now present in seven attractive destinations, from Istria and Kvarner to Dubrovnik in Croatia and Obertauern in Austria. It operates about 12% of the total categorized tourist accommodation in Croatia. The tourist property portfolio includes 34 hotels and 15 camping resorts. More than 21,000 accommodation units can welcome almost 58,000 guests daily. Therefore, Valamar Riviera is the largest tourism group in Croatia, both in terms of 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 and more than 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

Valamar Riviera's new branding strategy



Makarska d.d. (hereinafter: Hoteli Makarska), a company seated in Makarska with 726 keys in its portfolio. At the same time, 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 a total of 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 and the transfer of 95,276 shares to AZ, Valamar Riviera owns 525,379 shares or 46.93% of the acquired company's share capital. Hoteli Makarska consolidation start date is August 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 (drop 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 RIVP 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 any 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. On 17 September 2018, a loan agreement was concluded with Istarska kreditna banka regarding a loan of



EUR 10 million. These transactions were concluded to finance long-term investments and working capital and they once more 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. 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, 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 reappointed 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 further develop Valamar's business, the Supervisory Board adopted a long-term plan

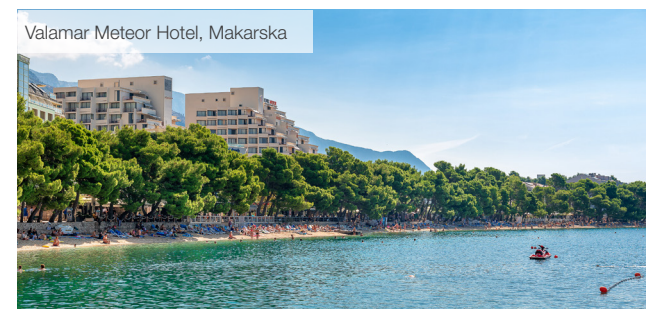
of rewarding the management board and key management with Valamar's shares, amounting to 2% of the annual increase in the market capitalization of the shares on the Official market of the Zagreb Stock Exchange.

### 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 strategical 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 23.

### Acquisition of Matthias Aichmann GmbH 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 per year. Austria has 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 disclosed to the investment community that it had made a binding offer, and on 20 August 2018 that, in their capacity as buyers, Valamar Riviera and Valamar A GmbH (a company owned by Valamar Riviera d.d.), concluded an agreement on the purchase and transfer of a 100% stake in the company Matthias Aichmann GmbH seated in Obertauern, that owns the Petersbühel Hotel 4\*. 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 82 keys and facilities such as wellness, restaurant and garage. The ski lift is in the hotel's immediate vicinity. By the end of November, Valamar will open the hotel,



named Valamar Obertauern Hotel 4\*, under the Valamar Hotels & Resorts brand. 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. The expected consolidation start date is end of October of the current year.

### Quarterly financial statements

The Company's Management Board hereby presents the unaudited financial statements for the third quarter of 2018 (from 1 July 2018 to 30 September 2018) and for the period from 1 January 2018 to 30 September 2018. These statements must be viewed in the context of the said mergers and acquisitions, and they provide information on the state of the Company and Group, as well as significant events.

The Company income statement for the reviewed period includes the data of the merged companies Puntizela 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.

The Group income statement for the reviewed period includes the data of companies Hoteli Makarska d.d. and Valamar A GmbH as from 1 August 2018. The Group balance sheet for the reviewed period, as at 30 September 2018, includes data of Hoteli Makarska d.d. and Valamar A GmbH. Please note that 2018 data cannot be entirely compared to data from the previous period, as the latter do not include data for the company Hoteli Makarska d.d. and Valamar A GmbH.

## RESULTS OF THE GROUP

### Key financial indicators<sup>1</sup>

	1 - 9/2017	1 - 9/2018	2018/2017
Total revenues	1,739,969,899	1,921,028,971	10.4%
Operating income	1,680,873,240	1,868,744,101	11.2%
Sales revenues	1,665,128,196	1,849,684,072	11.1%
Board revenues (accommodation and board revenues) <sup>2</sup>	1,386,545,958	1,546,262,906	11.5%
Operating costs <sup>3</sup>	902,758,732	1,000,155,821	10.8%
EBITDA <sup>4</sup>	772,371,312	857,108,216	11.0%
Extraordinary operations result and one-off items <sup>5</sup>	390,489	2,299,623	488.9%
Adjusted EBITDA <sup>6</sup>	771,980,822	854,814,828	10.7%
EBIT	509,121,889	560,625,746	10.1%
Adjusted EBIT <sup>6</sup>	508,731,399	558,326,123	9.7%
EBT	499,926,708	552,777,089	10.6%
EBT margin	29.7%	29.6%	-10 bp
EBITDA margin	46.0%	45.9%	-10 bp
Adjusted EBITDA margin <sup>6</sup>	45.9%	45.7%	-20 bp

<sup>1</sup> 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.

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

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

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

<sup>5</sup> Adjustments were made for (i) extraordinary income (in the amount of HRK 15.8 million in 2018, and HRK 6.2 million in 2017), (ii) extraordinary expenses (in the amount of HRK 12.7 million in 2018, and HRK 5.2 million in 2017), and (iii) termination benefit costs (in the amount of HRK 0.8 million in 2018, and HRK 0.6 million in 2017).

<sup>6</sup> Adjusted by the result of extraordinary operations and one-off items.

<sup>7</sup> 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.

<sup>8</sup> The number of shares as at 31 December 2017 net of treasury shares amounts to 124,233,091, while per 30 September 2018 amounts to 123,898,818.

<sup>9</sup> EV refers to enterprise value; calculated as market capitalization + net debt.

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

<sup>11</sup> The change in the number of accommodation units and beds is mostly due to the acquisition of Hoteli Makarska (726 additional accommodation units, or 1,416 beds) and decrease in capacity resulting from investment in the San Marino Camping Resort by Valamar 4\* (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 investment. The capacity of Matthias Aichmann, that owns Petersbühel Hotel 4\*, is not included since the start of the consolidation is October 2018 (82 accommodation units).

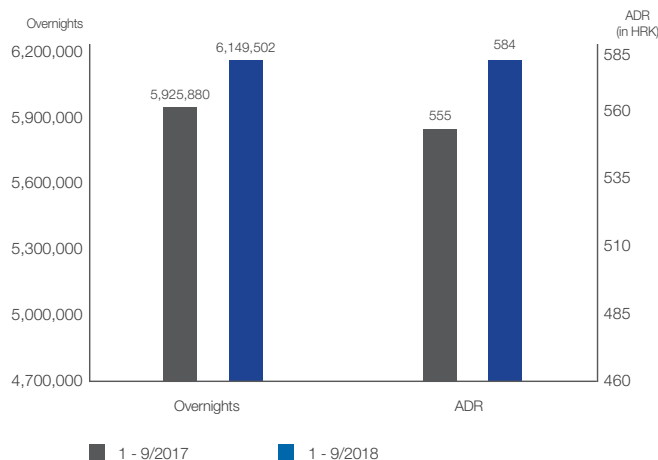
	31/12/2017	30/9/2018	2018/2017
Net debt <sup>7</sup>	1,772,353,634	1,821,241,607	2.8%
Cash and cash equivalents	287,836,954	455,718,145	58.3%
Market capitalization <sup>8</sup>	5,420,289,760	4,641,249,722	-14.4%
EV <sup>9</sup>	7,192,643,394	6,462,491,330	-10.2%

### Key business indicators

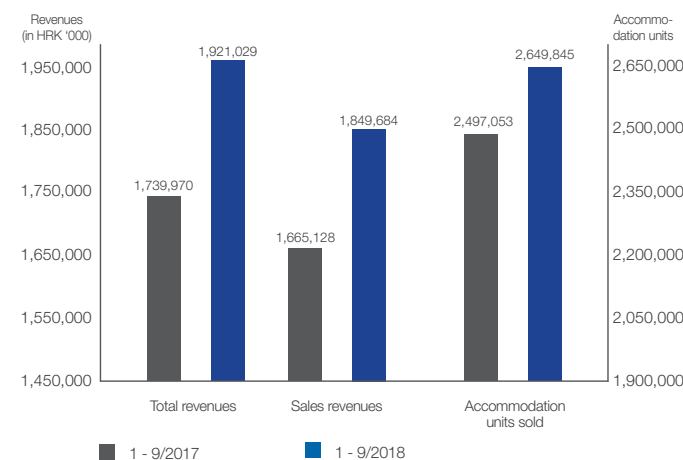
	1 - 9/2017	1 - 9/2018	2018/2017
Number of accommodation units (capacity)	20,852	21,289	2.1% <sup>11</sup>
Number of beds	56,662	57,862	2.1% <sup>11</sup>
Accommodation units sold	2,497,053	2,649,845	6.1%
Overnights	5,925,880	6,149,502	3.8%
ADR <sup>10</sup> (in HRK)	555	584	5.1%



Overnights and ADR



Revenues and accommodation units sold



Valamar Riviera Group continues achieving record-breaking results. During the first nine months of 2018, operations were marked by double-digit growth in sales revenue and operating earnings (EBITDA). 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, while planned investments for the forthcoming year amount to more than HRK 750 million), ii) acquisitions and partnerships (46.93% of Hoteli Makarska's share capital was acquired in the course of the current year, and 100% stake in Matthias Aichmann GmbH in Austria) and iii) the development of our employees and destinations.

### Revenues

In the first nine months of 2018, total revenues were HRK 1,921.0 million, up by 10.4% (+HRK 181.1 million) and resulting from the following:

**i) strong growth in sales revenues**, up by 11.1% (+HRK 184.6 million) to HRK 1,849.7 million, mainly driven by board revenues (+11.5%; +HRK 159.7 million) and extra F&B (+9%). All the marketing segments grew in the January-March period of the current year, individuals and allotments in particular. Although Easter holidays occurred in March, strong growth was reported in April as well, especially in the individual and M.I.C.E.<sup>12</sup> segment. Due to the earlier occurrence of holidays in the DACH<sup>13</sup> market, an expected growth was reported in all the segments in May. The active management of channels and prices drove the strong market feedback reported by all the channels in June, except for O.T.A.<sup>14</sup>, which maintained a controlled growth. During peak season (July-September), growth in board revenues was mainly due to high growth rates in the direct sales channel, along with controlled decrease of the O.T.A. sales channel's share. The first nine months of 2018 saw 6,149,502 overnights (+3.8% as compared to 2017), while the average daily rate grew by 5.1% to HRK 584.

Domestic sales revenues were HRK 157.5 million and represented 8.2% of total revenues (7.5% in 2017). They grew by 20.8% in relation to the previous comparable period. International sales revenues were HRK 1,534.7 million, up by HRK 157.5 million and represented 88.1% of total revenues (88.2% in 2017).

**ii) other operating revenues** grew by 21.1% (+HRK 3.3 million) to HRK 19.1 million, mainly due to the cancelling of long-term provisions for Imperial's litigations.

**iii) financial income** fell by -11.5% (-HRK 6.8 million) to HRK 52.3 million, mainly due to a lower appreciation of HRK vs. EUR in 1H 2018 in relation to last year's comparable period.

**iv) consolidation of Hoteli Makarska** with a 2% contribution to the Group's total revenues.

Other operating and financial income represented 3.7% of total revenues (4.3% in 2017).

<sup>12</sup> M.I.C.E. = Meetings, incentives, conferencing, exhibitions.

<sup>13</sup> DACH market represent Germany (D), Austria (A) and Switzerland (CH).

<sup>14</sup> O.T.A. = Online travel agencies.

## Total operating expenses of Valamar Riviera Group<sup>15</sup>

(in HRK)	1 - 9/2017	1 - 9/2018	2018/2017
Operating costs <sup>16</sup>	902,758,732	1,000,155,821	10.8%
<b>Total operating expenses</b>	<b>1,171,751,351</b>	<b>1,308,118,355</b>	<b>11.6%</b>
Material costs	428,336,554	463,022,963	8.1%
Staff costs	371,576,608	413,108,604	11.2%
Depreciation and amortisation	263,179,786	296,398,892	12.6%
Other costs	102,056,770	122,929,397	20.5%
Provisions and value adjustments	69,637	83,578	20.0%
Other operating expenses	6,531,996	12,574,921	92.5%

### Total operating expenses

Total operating expenses were HRK 1,308.1 million and grew by 11.6% (+HRK 136.4 million). Excepting the operations of Hoteli Makarska for reasons of comparability, total operating expenses grew by 10%. The breakdown of total operating expenses is the following:

**i) material costs** represented 35.4% (36.6% in 2017), up by 8.1% (+HRK 34.7 million) to HRK 463.0 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 and consolidation of Hoteli Makarska.

**ii) staff costs** represented 31.6% in the current year (their share in total operating expenses slightly decreased from 31.7% in the first nine months of 2017). They grew by 11.2% (+HRK 41,5 million) to HRK 413.1 million due to the consolidation of Hoteli Makarska which accounts for 2% of growth, and 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 22.7% (22,5% in 2017), up by 12.6% (+HRK 33.2 million) to HRK 296.4 million due to

the earlier large investment cycle and consolidation of Hoteli Makarska's operations.

**iv) other costs** represented 9.4% (8.7% in 2017), up by 20.5% (+HRK 20.9 million) to HRK 122.9 million, partly due to i) the increase in costs of lodging and meals for employees, ii) the increase in insurance costs, and iii) consolidation of Hoteli Makarska's operations.

**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 1.0% (0.6% in 2017). They grew by HRK 6.0 million to HRK 12.6 million mainly due to higher operating expenses from previous years.

#### Operating costs<sup>16</sup>

Operating costs were HRK 1,000.2 million. Pressure on growth of operating costs was successfully reduced by a high level of operative efficiency. Their controlled increase by 10.8% was due to i) the increase in material costs driven by larger business volume, ii) the increase in other costs (explained earlier), iii) the increase in staff costs (explained earlier), and iv) consolidation of Hoteli Makarska. Excepting the operations of Hoteli Makarska for reasons of comparability, operating costs grew by 9%.

### EBITDA and EBT

Unadjusted EBITDA, marked by strong double-digit growth, reached HRK 857.1 million (HRK 772.4 million in 2017). The EBITDA increase by HRK 84.7 million (+11.0%) results from the continuation of the large investment cycle focused on improving competitiveness and the quality of properties and services, the acquisition of Hoteli Makarska in Makarska, active operating efficiency management, and optimization of the distribution and price management in line with increased demand, particularly for properties for which new investments were made. As from August of the current year, consolidation of Hoteli Makarska accounts for 2% of growth. Stronger operating results were also reflected in the adjusted EBITDA<sup>17</sup> that soared by 10.7% to HRK 854.8 million.

In relation to last year's comparable period, profit before tax grew by HRK 52.8 million to a high HRK 552.8 million. The strong 10.6% growth was achieved despite higher amortization costs (explained earlier), due to excellent operating results. Operating profit grew by 10.1% to HRK 560.6 million, while the EBT margin fell by 10 basis points to 29.6% (29.7% in 2017).

<sup>15</sup> Classified according to the Quarterly Financial Statement (TFI POD-RDG).

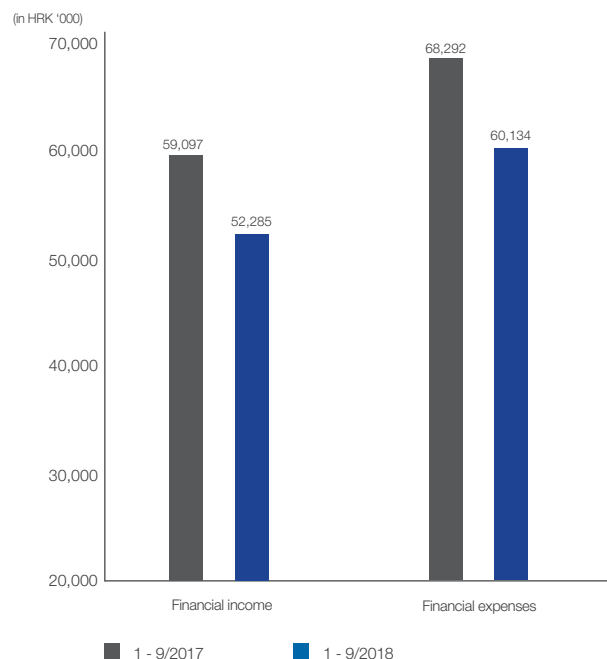
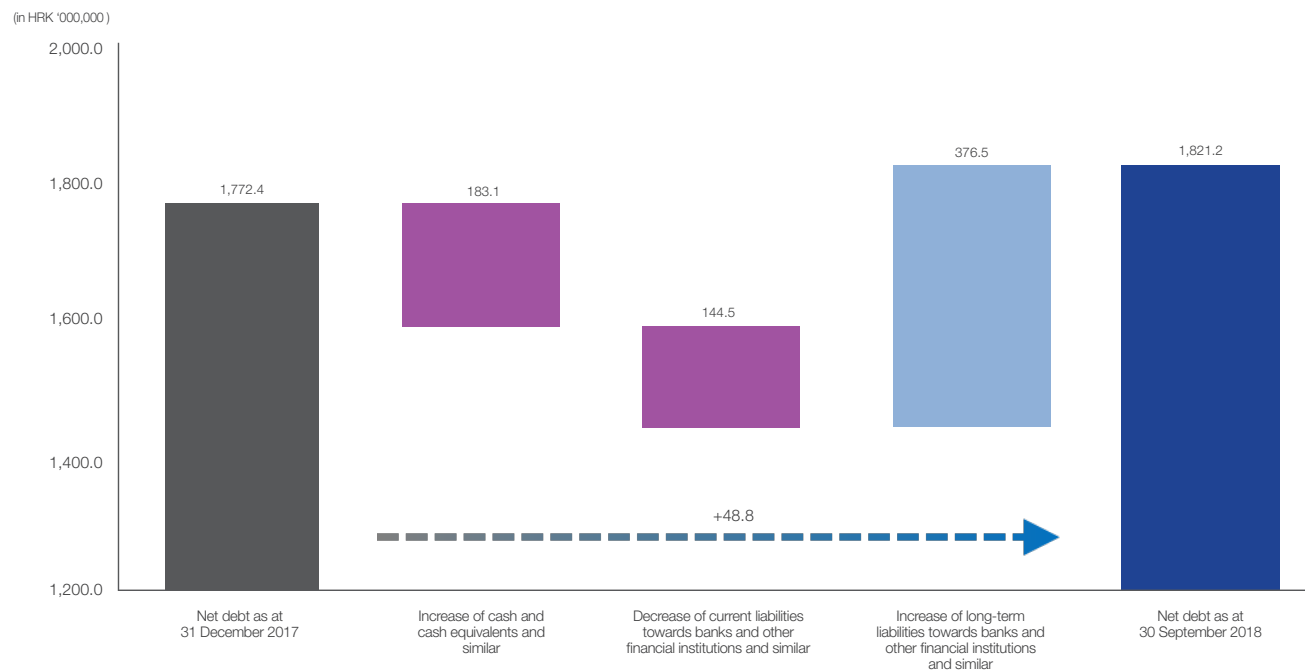
<sup>16</sup> Operating costs include material costs, staff costs, other costs, and other operating costs reduced by extraordinary expenses and one-off items.

<sup>17</sup> Adjustments were made for (i) extraordinary income (in the amount of HRK 15.8 million in 2018, and HRK 6.2 million in 2017), (ii) extraordinary expenses (in the amount of HRK 12.7 million in 2018, and HRK 5.2 million in 2017), and (iii)

termination benefit costs (in the amount of HRK 0.8 million in 2018, and HRK 0.6 million in 2017).



## Financial income and expenses


 Net debt <sup>18</sup>


## Financial result

In the first nine months of 2018, the Group reported a financial result of -HRK 7.9 million (-HRK 9.2 million in 2017). The financial result, stronger by HRK 1.3 million in relation to the previous comparable period, is mainly due to: i) lower negative foreign exchange differences, ii) a lower positive fair value of FX forwards that fell by HRK 2.4 million due to the lower appreciation of HRK vs. EUR in relation to last year's comparable period, and iii) the net effect of the HRK 4.2 million increase in financial expenses related to interest on long-term loans for financing large investments.

## Financial income

In the first nine months of 2018, financial income was HRK 52.3 million, down by HRK 6.8 million vs. last year's comparable period. Foreign exchange differences and other financial income were HRK 44.5 million, down by HRK 4.6 million due to the lower HRK appreciation in 1H 2018 in relation to last year's comparable period. Unrealized gains (income) from financial assets were HRK 4.7 million and fell by HRK 2.4 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 in 1H 2018. Other financial income was HRK 2.4 million.

## Financial expenses

The Group's financial expenses were HRK 60.1 million and, in relation to the previous comparable period, they fell by HRK 8.2 million. Negative foreign exchange differences were down by HRK 11.6 million due to lower HRK depreciation in the third quarter in relation to last year's comparable period. Due to an increase in credit liabilities for the financing of the large investment cycles in 2017 and 2018, financial expenses related to interest grew by HRK 4.2 million to HRK 36.4 million. Unrealized expenses from financial assets decreased by HRK 0.9 million, driven by decreased liabilities related to the fair value of interest rate swaps.

<sup>18</sup> 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 September 2018, the total value of the Group's assets was HRK 5,952.7 million, up by 19.1% compared to 31 December 2017.

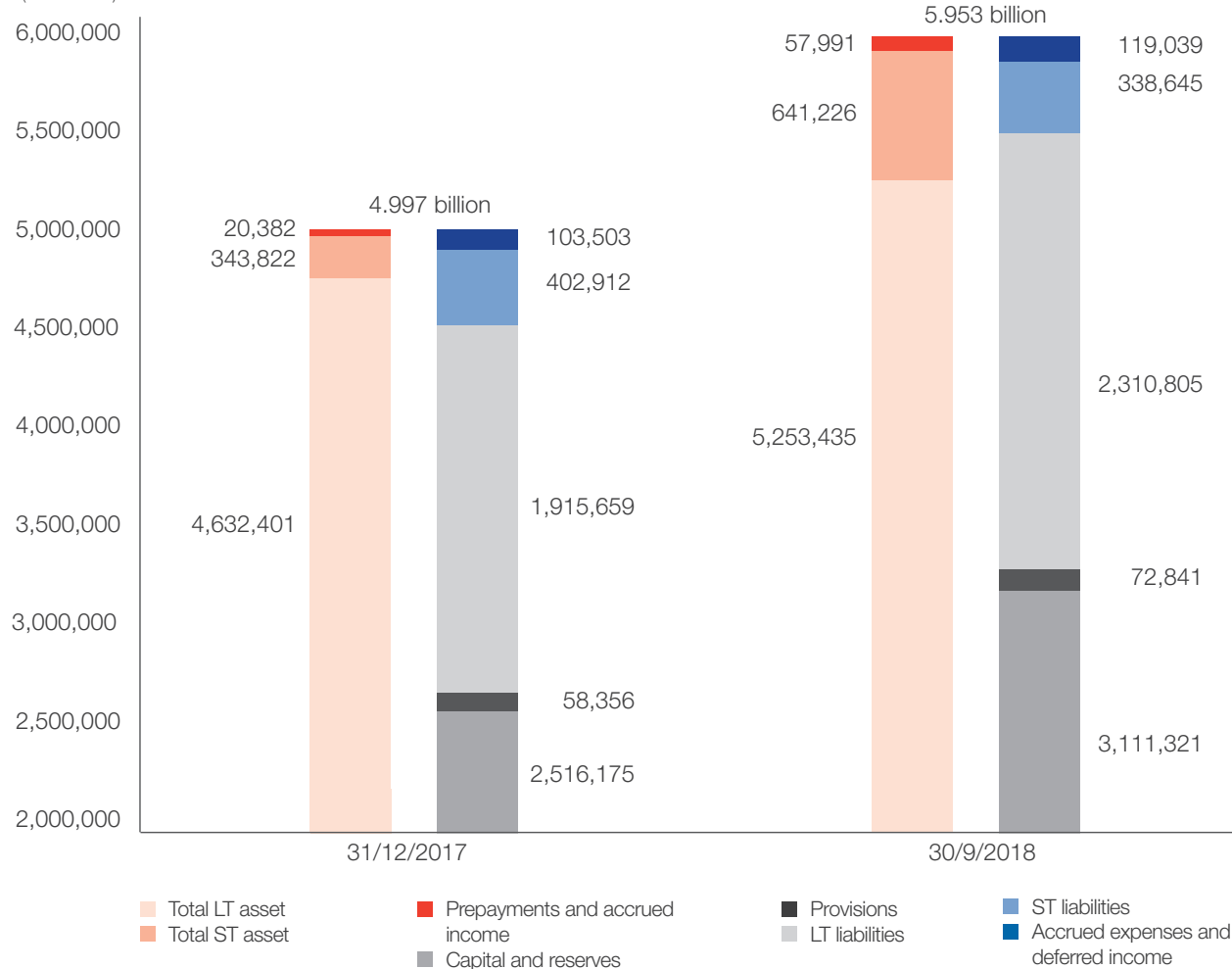
Total share capital and reserves grew by 23.7% and totaled HRK 3,111.3 million. Total long-term liabilities grew from HRK 1,915.7 million to HRK 2,310.8 million due to loans contracted to finance this year's investment cycle and, to a smaller part, as a result of consolidation of Hoteli Makarska. Almost the entire loan portfolio is comprised of long-term fixed interest loans or, respectively, loans hedged by a derivative instrument (IRS) for protection against interest rate risk.

Total short-term liabilities were HRK 338.6 million, down by 16.0% compared to 31 December 2017. This is mainly due to i) the current repayment of long-term debt (HRK 144.3 million decrease), ii) the typically lower trade payables (HRK 31.4 million decrease), iii) liabilities related to advance payments from customers (HRK 52.6 million increase) te iv) liabilities to employees (HRK 22.6 million growth due to a larger consolidation scope and the increased number of employees compared to 31 December 2017).

Cash and cash equivalents as at 30 September 2018 grew by 58.3% to HRK 455.7 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

Amount  
(in HRK '000)





Key operating indicators of Valamar Riviera Group per segments<sup>19</sup>

HOTELS AND RESORTS	Total			Premium			Upscale			Midscale			Economy		
	1 - 9/2017	1 - 9/2018	2018/ 2017	1 - 9/2017	1 - 9/2018	2018/ 2017	1 - 9/2017	1 - 9/2018	2018/ 2017	1 - 9/2017	1 - 9/2018	2018/ 2017	1 - 9/2017	1 - 9/2018	2018/ 2017
Number of accommodation units	8,982	9,929	10.5%	1,269	1,554	22.5%	1,980	1,964	-0.8%	3,493	3,689	5.6%	2,240	2,722	21.5%
Accommodation units sold	1,321,988	1,468,532	11.1%	191,397	236,460	23.5%	283,214	300,492	6.1%	515,428	499,284	-3.1%	331,949	432,296	30.2%
Overnights	2,890,063	3,114,222	7.8%	414,395	537,589	29.7%	675,421	715,890	6.0%	1,094,676	1,098,403	0.3%	705,571	762,340	8.0%
ADR <sup>10</sup> (in HRK)	795	798	0.3%	1,344	1,418	5.5%	1,058	1,073	1.4%	705	771	9.4%	395	552	39.8%
Board revenues (in HRK)	1,051,156,986	1,171,164,633	11.4%	257,240,730	335,280,457	30.3%	299,502,555	322,292,209	7.6%	363,192,131	384,991,294	6.0%	131,221,570	128,600,674	-2.0%

Hotels and resorts reported a strong 11.4% growth (+HRK 120.0 million) and achieved HRK 1,171.2 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, and acquisition of Hoteli Makarska.

#### Premium hotels and resorts

Premium hotels and resorts reported a 30.3% increase in board revenues that totaled HRK 335.3 million. The HRK 78.0 million growth was mostly driven by the following properties: i) larger number of operating days of the Valamar Collection Girandella Family Hotel 4\*, taking into account last year's investment, ii) the newly opened Valamar Collection Girandella Maro Suites 5\*, iii) excellent placement of preseason events and growth in all segments, especially in the individual channel in peak season at the Valamar Collection Isabella Island Resort 4\*/5\*, iv) earlier opening and increase in the direct and group channels at the Valamar Collection Dubrovnik President Hotel 5\*, especially M.I.C.E. and groups, v) stable growth in M.I.C.E. and increase in the direct and allotment channels at the Valamar Lacroma Dubrovnik Hotel 4\*, and vi) repositioning of the Valamar Collection Imperial Hotel 4\* into the Premium segment.

#### Upscale hotels and resorts

Upscale hotels and resorts reported HRK 322.3 million in board revenues. The strong growth (HRK 22.8 million) was primarily driven by larger volumes, i.e. 715,890 overnights achieved (+6.0%). The drivers of 7.6% growth in board revenues were: i) larger number of operating days of the TUI Family Life Bellevue Resort 4\* as a result of last year's investment, ii) successful placement of groups and good feedback by the individual channel at the Valamar Tamaris Resort 4\*, iii) increased physical volumes at the Valamar Zagreb Hotel 4\*, iv) the Valamar Argosy Hotel 4\* due to very strong feedback by the individual channel and very successful placement of groups and M.I.C.E., and v) the Valamar Padova Hotel 4\*, due to excellent feedback by the direct channel resulting from the synergic effects of Valamar Riviera's sales management.

#### Midscale hotels and resorts

The midscale segment reported HRK 385.0 million in board revenues and is mostly influenced by the repositioning of the Valamar Collection Imperial Hotel 4\* as Premium accommodation, and consolidation of the Valamar Meteor Hotel 4\* and the Dalmacija Sunny Hotel by Valamar 3\* in Makarska as from August 2018. If we exclude the results achieved by these facilities, board revenues went up by 3.5%. The drivers of growth were: i) better operating results of the

Valamar Club Dubrovnik Hotel 3\*, especially in the individual segment, ii) increase of the average price and accommodation units sold at the Corinthia Baška Sunny Hotel by Valamar 3\*, iii) the Valamar Crystal Hotel 4\*, primarily due to increased physical volumes, iv) stronger market feedback received by the allotment and M.I.C.E. channels at the Valamar Diamant Hotel 4\*, v) growth in the allotment channel at the Valamar Rubin Hotel 3\* and the Valamar Pinia Hotel 3\*, and vi) increase in all channels, except for the group channel, at the Valamar Zvonimir Hotel 4\*, the Valamar Atrium Baška Residence 4\*/5\* and the Valamar Villa Adria 4\*.

#### Economy hotels and resorts

Economy hotels and resorts achieved HRK 128.6 million in board revenues. Operations of the Economy segment were influenced by consolidation of the Rivijera Sunny Resort by Valamar 2\* in Makarska as from August 2018. If we exclude business results of the above mentioned facilities, the Economy segment shows a decrease by 6.3%, primarily due to the conversion of Pical apartments into accommodation for employees.

<sup>19</sup> 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 - 9/2017	1 - 9/2018	2018/ 2017	1 - 9/2017	1 - 9/2018	2018/ 2017	1 - 9/2017	1 - 9/2018	2018/ 2017	1 - 9/2017	1 - 9/2018	2018/ 2017	1 - 9/2017	1 - 9/2018	2018/ 2017
Number of accommodation units	11,870	11,360	-4.3% <sup>20</sup>	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	1,175,065	1,181,313	0.5%	383,697	473,442	23.4%	165,511	235,283	42.2%	475,776	309,805	-34.9%	150,081	162,783	8.5%
Overnights	3,035,817	3,035,280	0.0%	1,128,592	1,366,467	21.1%	393,896	647,431	64.4%	1,148,132	671,713	-41.5%	365,197	349,669	-4.3%
ADR <sup>10</sup> (in HRK)	285	318	11.2%	345	396	14.8%	317	354	11.8%	251	238	-5.3%	206	227	9.8%
Board revenues (in HRK)	335,388,972	375,098,273	11.8%	132,448,152	187,576,604	41.6%	52,428,916	83,355,002	59.0%	119,536,786	73,699,737	-38.3%	30,975,118	30,466,930	-1.6%

Camping resorts achieved a total of HRK 375.1 million in board revenues. Successful optimization of the average rate for mobile homes and camping pitches (+11.2%) resulted in a strong growth in total board revenues by 11.8% (+HRK 39.7 million).

#### Premium camping resorts

Premium camping resorts reported HRK 187.6 million in board revenues, up by 41.6% (+HRK 55.1 million) and driven by ADR (HRK 396, +14.8%) and 473,442 accommodation units sold (+23.4%). The high growth rates in physical indicators and ADR are mainly due to: i) excellent business results reported by the Lanterna Premium Camping Resort by Valamar 4\* (17% higher board revenues, also due to strong market feedback received by this year's investments in new products and guest amenities, especially mobile homes), and ii) the Ježevac

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

#### Upscale camping resorts

Upscale camping resorts reported HRK 83.4 million in board revenues, up by 59.0%, because: i) the Ježevac Premium Camping Resort by Valamar 4\* went from Upscale to Premium, ii) the San Marino Camping Resort by Valamar 4\* went from Midscale to Upscale, and iii) the 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 7% because two campsites reported better operating results: the Marina Camping Resort by Valamar 4\* and the Bunculuka Camping Resort by Valamar 4\*.

#### Midscale camping resorts

Midscale campsites reported a 38.3% decrease to HRK 73.7 million because the San Marino Camping Resort by Valamar 4\* and the Zablacé Camping Resort by Valamar 4\* went from Midscale to Upscale. The comparable growth in board revenues was 5% thanks to the stronger results achieved by the other Midscale camping resorts.

#### Economy camping resorts

Economy campsites reported HRK 30.5 million in board revenues. The drop by HRK 0.5 million is primarily due to earlier closure of Istra Sunny Camping by Valamar 2\* because of investment in its repositioning to Premium.

<sup>20</sup> Decrease in capacity is mainly due to investment in the San Marino Camping Resort by Valamar 4\* (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 investment.



Key operating indicators of Valamar Riviera Group per destinations<sup>21</sup>

DESTINATION	Poreč			Rabac			Krk Island			Rab Island			Dubrovnik			Makarska		
	1 - 9/ 2017	1 - 9/ 2018	2018/ 2017	1 - 9/ 2017	1 - 9/ 2018	2018/ 2017	1 - 9/ 2017	1 - 9/ 2018	2018/ 2017	1 - 9/ 2017	1 - 9/ 2018	2018/ 2017	1 - 9/ 2017	1 - 9/ 2018	2018/ 2017	1 - 9/ 2017	1 - 9/ 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%	/	726	/
Accommodation units sold	1,235,135	1,283,498	3.9%	287,726	318,030	10.5%	434,586	442,501	1.8%	252,389	273,956	8.5%	287,217	290,271	1.1%	/	41,589	/
Overnights	2,990,665	2,995,283	0.2%	639,858	726,751	13.6%	1,035,442	1,070,344	3.4%	695,238	709,968	2.1%	564,677	560,624	-0.7%	/	86,532	/
ADR <sup>19</sup> (in HRK)	490	498	1.7%	658	756	14.8%	438	468	6.9%	505	522	3.4%	953	992	4.1%	/	677	/
Board revenues (in HRK)	605,770,006	639,753,374	5.6%	189,467,303	240,330,531	26.8%	190,308,846	207,130,540	8.8%	127,383,259	142,954,021	12.2%	273,616,544	287,946,489	5.2%	/	28,147,952	/

**Destination Poreč**

Destination Poreč reported HRK 639.8 million in board revenues. The HRK 34.0 million increase in board revenues was mostly due to the strong performance of the Valamar Collection Isabella Island Resort 4\*/5\*, the Valamar Tamaris Resort 4\*, the Valamar Zagreb Hotel 4\* and the Lanterna Premium Camping Resort by Valamar 4\*.

**Destination Rabac**

Destination Rabac reported HRK 240.3 million in board revenues. The 8.8% growth was mostly driven by: i) earlier opening of the Valamar Collection Girandella Family Hotel 4\* and the TUI Family Life Bellevue Resort 4\* as regards last year's investments, and ii) the newly opened Valamar Collection Girandella Maro Suites 5\*.

**Destination Krk Island**

This destination reported HRK 207.1 million in board revenues that were driven by 1,070,344 overnights achieved, and the average daily rate going up by 6.9% to HRK 468. The main contributors to the total growth are the destination's campsites, especially the Krk Premium Camping Resort by Valamar 5\*, the Ježevac Premium Camping Resort by Valamar 4\* and the Zablaće Camping Resort by Valamar 4\*, along with the Corinthia Baška Sunny Hotel by Valamar 3\*.

**Destination Rab Island**

Although the Valamar Collection Imperial Hotel 4\* had fewer operating days because of the investments, board revenues in the first nine months of 2018 grew by HRK 15.6 million to HRK 143.0 million. Most of the growth was driven by the Valamar Padova Hotel 4\* due to successful feedback of the group and

direct channels, and by the San Marino Camping Resort by Valamar 3\* and the Padova Camping Resort by Valamar 3\*.

**Destination Dubrovnik**

Destination Dubrovnik reported HRK 288.0 million in board revenues that went up by HRK 14.3 million mostly due to stronger operating results reported by the Valamar Collection Dubrovnik President Hotel 5\*, the Valamar Lacroma Dubrovnik Hotel 4\*, and the Valamar Argosy Hotel 4\*.

**Destination Makarska**

This year's hotel and resort consolidation in Makarska during August and September contributes HRK 28.1 million to board revenues. In comparison to the comparable previous year period, Makarska reported an increase by almost 5% in board revenues.

<sup>21</sup> 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 18.

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, active brand management, profitability increase and return-on-investment optimization demanded a revised segmentation of the portfolio of hospitality properties. Over time, the brand architecture was supplemented and modified, adapting to the changes within the Company, and in 2016, the process of redefining the existing brand strategy was launched; the process was completed and implemented in the second half of 2018. The new brand strategy enables us to increase market reach, improve product and service compatibility with specific market segments, increase guest loyalty and, ultimately, increase the key business indicators. Key changes:

- i) The key core values of the Valamar All you can holiday umbrella brand, which are linked to all the brands in the system, have been defined.
- ii) The existing Valamar brand architecture undergoes reshaping from a system with two main product brands to a system with five main product brands closely linked to Valamar's core culture and values.
- ii) The system of communication for the standardized Valamar signature programs has been defined, alongside their application to the compatible Valamar product brands.
- iv) Each property in the portfolio is linked to one of the product brands and has had specific positioning, USPs, target markets and sales channels defined specifically for it.
- v) Valamar Collection and Valamar Collection Resorts are brands of strategic importance and are the closest to Valamar's core values; they include the best products in the portfolio.
- vi) Valamar Hotels & Resorts is a brand covering the largest portion of the Company's capacities and includes both upscale and midscale properties; specific labels will be introduced through this brand, depending on the special characteristics of each individual product.
- vii) Sunny by Valamar is the economy brand that includes both midscale and economy portions of the portfolios
- viii) Camping Adriatic by Valamar will be lifted to a higher level and be more strongly linked to the Valamar brand; additionally, it has been divided into three categories, using the same principle as for hotels and resorts – Premium Resorts, Resorts and Sunny.

## 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 & Residence	****	****	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
Valamar Pinia Hotel	***	***	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	Otok Rab
Valamar Meteor Hotel	/	****	/	Midscale	Makarska
Dalmacija Sunny Hotel by Valamar	/	***	/	Midscale	Makarska
Valamar Obertauern Hotel	/	****	/	Midscale	Obertauern, Austria
Pical Sunny Hotel by Valamar	**	**	Economy	Economy	Poreč
Lanterna Sunny Resort by Valamar	**	**	Economy	Economy	Poreč
Tirena Sunny Hotel by Valamar	***	***	Economy	Economy	Dubrovnik
Eva Sunny Hotel & Residence by Valamar	**	**	Economy	Economy	Rab Island
Rivijera Sunny Resort by Valamar	/	**	/	Economy	Makarska

## 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
Zablače 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
Tunarića Sunny Camping by Valamar	**	**	Economy	Economy	Rabac



## 2018 OUTLOOK

Valamar Riviera announces the expected range of 2018 consolidated operating revenues and EBITDA.

In the business year 2018, the Group expects to achieve consolidated operating revenues ranging between HRK 1,960 million and HRK 1,980 million (HRK 1,778 million in 2017) with expected growth ranging between 10.2% and 11.3%.

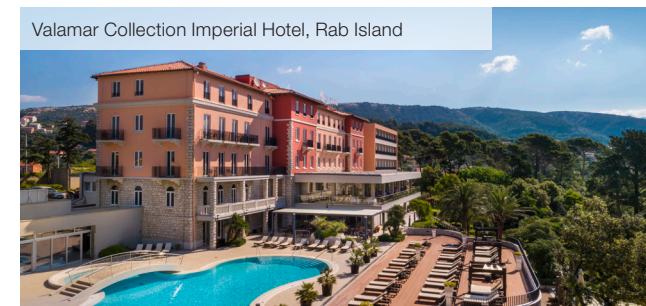
In the business year 2018, expected EBITDA will range between HRK 690 million and HRK 700 million (HRK 606 million in 2017) representing an increase ranging between 13.9% and 15.5%. Expected EBITDA margin will range between 34.8% and 35.7% compared to 34.1% in 2017.

Our outlook is based on (i) results achieved in the first nine months of 2018; (ii) operating revenues achieved by 19 October 2018; (iii) recorded bookings (representing 98.5% of the realized and expected 2018 accommodation revenues recorded in the books); (iv) 4Q business results forecast; and (v) the absence of significant negative effects of the risks to which the Company and the Group are exposed.

Outlook statements are based on currently available information, current assumptions, forward-looking expectations and projections. This outlook is not a guarantee of future results and is subject to future events, risks, and uncertainties, many of which are beyond the control of, or currently unknown to Valamar Riviera, as well as potentially incorrect assumptions that could cause the actual results to materially differ from the said expectations and forecasts. Risks and uncertainties include, but are not limited to those described in the chapter "Risks of the Company and the Group".

Materially significant deviations from the 2018 outlook may arise from changes in circumstances, assumptions not being realized, as well as other risks, uncertainties, and factors, including:

- Macro-economic trends in the Republic of Croatia and in the source markets, including currency exchange rates fluctuations and prices of goods and services, deflation and inflation, unemployment, trends in the gross domestic product and industrial production, as well as other trends having a direct or indirect impact on the purchasing power of Valamar Riviera's guests;
- Economic conditions, security and political conditions, trends and events in the capital markets of the Republic of Croatia and Valamar Riviera's source markets;
- Spending and disposable income of guests, as well as guests' preferences, trust in and satisfaction with Valamar Riviera's products and services;
- Trends in the number of overnights, bookings, and average daily rates of accommodation at Valamar Riviera's properties;
- Trends in the Croatian Kuna exchange rate in relation to world currencies (primarily the Euro), change in market interest rates and the price of equity securities, and other financial risks to which Valamar Riviera is exposed;
- Labor force availability and costs, transport, energy, and utilities costs, selling prices of fuel and other goods and services, as well as supply chain disruptions;
- Changes in accounting policies and findings of financial report audits, as well as findings of tax and other business audits;
- Outcomes and costs of judicial proceedings to which Valamar Riviera is a party;



Valamar Collection Imperial Hotel, Rab Island

- Loss of competitive strength and reduced demand for products and services of Croatian tourism and Valamar Riviera under the impact of weather conditions and seasonal movements;
- Reliability of IT business solutions and cyber security of Valamar Riviera's business operations, as well as related costs;
- Changes of tax and other regulations and laws, trade restrictions, and rates of customs duty;
- Adverse climatic events and environmental risks.

Should materially significant changes to the stated outlook for the business year 2018 occur, Valamar Riviera shall immediately inform the public thereof, in compliance with Article 459 of the Capital Market Act. The given outlook statements are not an outright recommendation to buy, hold or sell Valamar Riviera's shares.

## RESULTS OF THE COMPANY

It should be underlined 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 and prior period items up to the time of the merger, i.e. until 31 March 2017, do not include Puntizela d.o.o. Elafiti Babin kuk d.o.o. until 29 December 2017 are excluded as well.

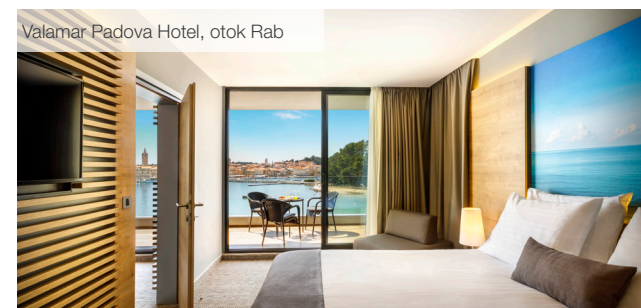
In the period from 1 January 2018 to 30 September 2018, total revenues grew by HRK 133.3 million and totaled HRK 1.731.3 million. Total sales revenues totaled HRK 1.664.0 million and represented 96% of total revenues (96% in 2017). Compared to the same period last year, they grew by HRK 134.4 million. Sales revenues between undertakings in the Group were HRK 14.1 million (HRK 9.4 million in 2017), and mainly represented the management fee for Imperial's properties on Rab Island. Sales revenues outside of the Group were HRK 1,649.9 million (HRK 1.520.2 million in 2017). Domestic sales revenues were HRK 135.8 million, i.e. 7.8% of total revenues (7.3% in 2017), up by 16.1% in relation to the previous comparable period. International sales revenues were HRK 1.528,2 million and represented 88.3% of total revenues (88.4% in 2017). They grew by 8.2% in relation to the previous comparable period. Other operating revenues fell by 7% and totaled HRK 11.8 million, representing 1% of total revenues (1% in 2017). Other operating and financial income represented 4% of total revenues (4% in 2017).

Material costs totaled HRK 422.7 million and represented 36% of operating expenses (39% in 2017). They grew by HRK 4.1 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 377.9 million, representing 32% of

operating expenses (32% in 2017). Compared to the same period last year, they grew by HRK 33.4 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 22% of operating expenses (20% in 2017) and totaled HRK 253.7 million (HRK 215.6 million in 2017). The 18% growth is the result of earlier large investment cycle that had been carried out. Other costs totaled HRK 113.6 million. The 19% growth is mainly due to i) increased costs of lodging and meals of employees, and ii) increased costs of insurance. Value adjustments and provisions are HRK 83,600. Other operating expenses totaled HRK 4.2 million, down by HRK 1.8 million.

During the first nine months of the current year, financial income totaled HRK 55.4 million, a drop by HRK 0.2 million in relation to last year's comparable period. The biggest individual item of the decrease are foreign exchange differences and other financial income, down by HRK 3.3 million due to a lower appreciation of HRK vs. EUR in 1H 2018 in relation to last year's comparable period. The highest individual growth in the first nine months of 2018 is reported by income from investment in stakes (shares) of undertakings in the Group amounting to HRK 6.1 million, related to payout of Imperial shares. Unrealized gains from financial assets fell by HRK 2.4 million, mainly due to due to a lower positive fair value of FX forwards compared to the same period last year.

The Company's financial expenses were HRK 55.5 million, a HRK 11.9 million drop in relation to last year's comparable



period. The biggest individual item of the decrease are foreign currency differences and other expenses, down by HRK 10.7 million due to the lower HRK vs. EUR depreciation in the third quarter of 2018 in relation to last year's comparable period. Interest expenses and similar expenses were HRK 33.2 million, up by HRK 5.2 million due to financial leverage used for intensive investment cycles in 2017 and 2018.

Operative profit rose by HRK 41.6 million to HRK 503.6 million, driven by the large investment cycle focused on improving competitiveness and quality of properties and services, as well as active operating efficiency management and demand-driven optimization of prices, marketing mix and sales channels, particularly for properties for which new investments were made. In relation to last year's comparable period, profit before tax grew by 12% to 503.5 million. The Company's gross margin was 30.0% (29.2% in 2017).

As of 30 September 2018, the total company assets amounted to HRK 5,275.2 million and increased by 14% compared to 31 December 2017.



## 2018 INVESTMENTS

Valamar is one of the largest investors in Croatian tourism. We carried out new large investments worth HRK 705 million<sup>22</sup> in 2018, as part of our strategy to invest HRK 2 billion by 2020. This year's 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.

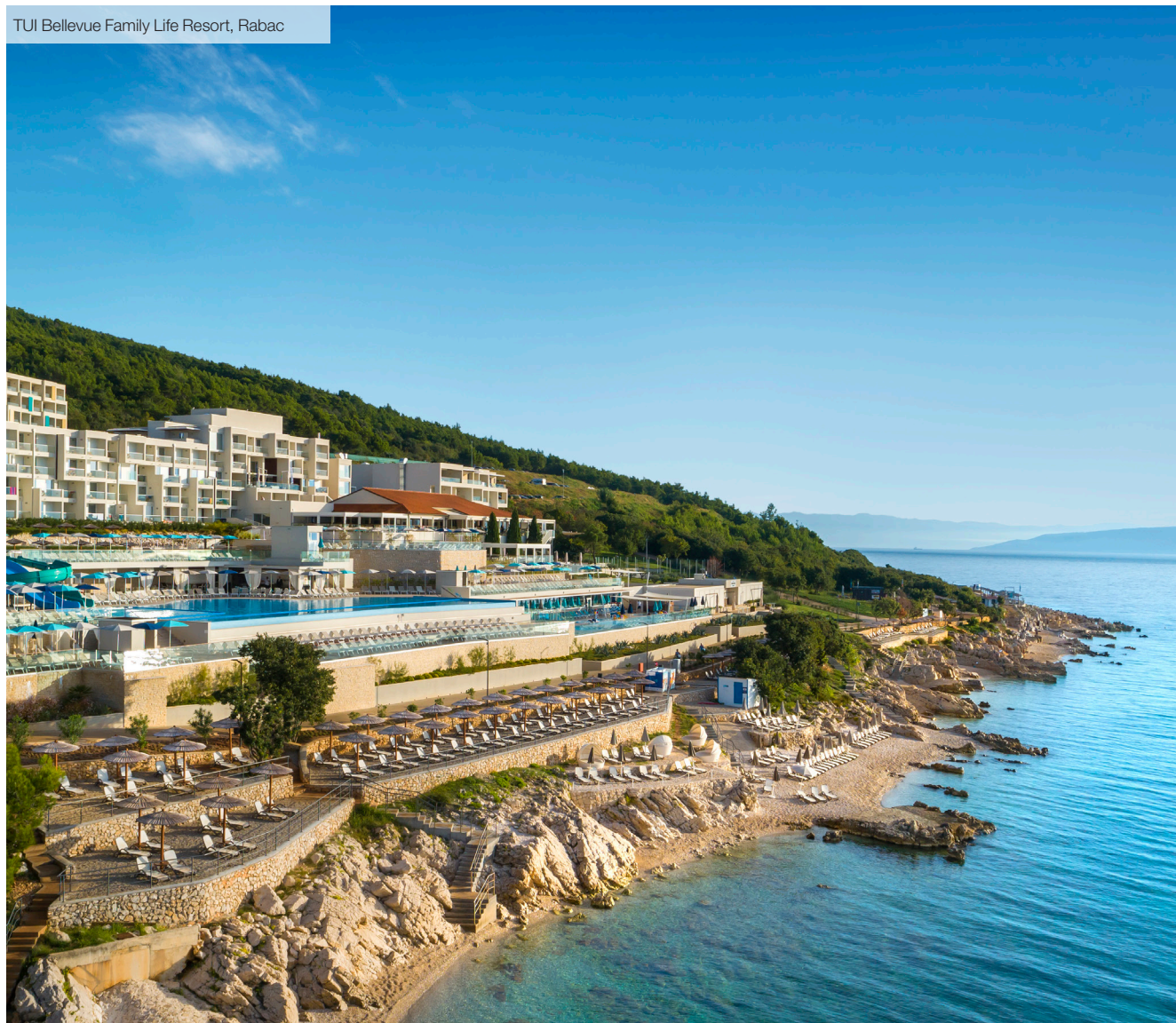
Our investment cycle in 2018 followed our strategy to reposition our portfolio towards top quality products and services, while the investments include the modernization of existing properties and the addition of new ones. Last year's opening of the two new resorts in Rabac represented the largest investment in Croatia's tourism. In this year, we completed Valamar Collection Girandella Resort 4\*/5\* (392 rooms) in Rabac by opening the first Kinderhotel in our portfolio - Valamar Collection Girandella Maro Suites 5\* (149 rooms). 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

TUI Bellevue Family Life Resort, Rabac



<sup>22</sup> 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.

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 Zablacé 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.



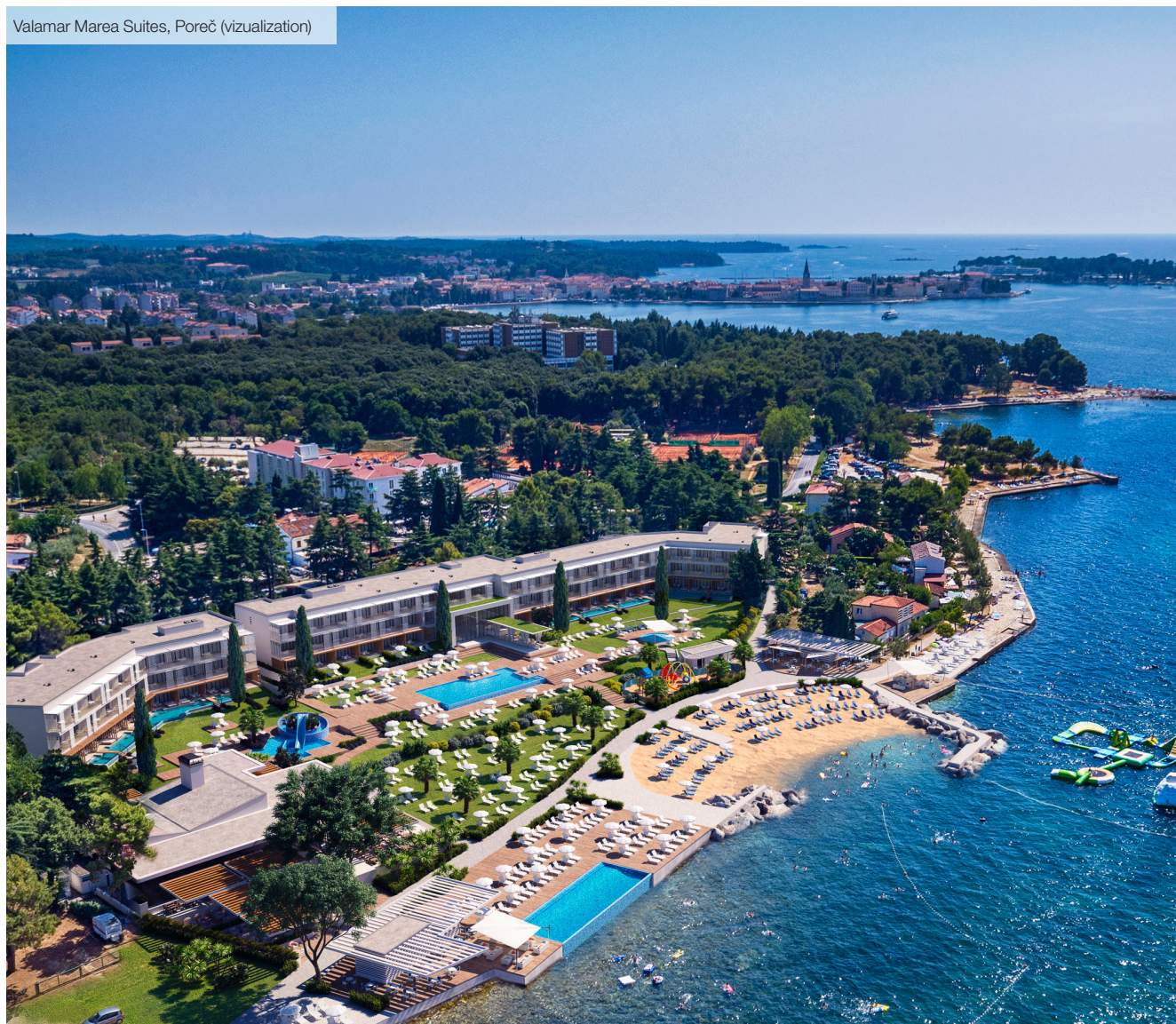
## 2019 INVESTMENTS

The planned large investment cycle in the forthcoming 2019 is worth HRK 752 million (the final investment amount will be decided within this year). It represents the continuation of strategical 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

Valamar Marea Suites, Poreč (vizualization)





guest amenities to increase competitiveness and quality as well as energy efficiency projects.

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. Current financing programs supporting tourism growth are insufficient, therefore other measures need to be systematically implemented to significantly increase the growth pace and level Croatia's position with other destinations in the Mediterranean.

Istra Premium Camping Resort by Valamar, Poreč (vizationalization)





## 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 Argosy Hotel, Dubrovnik



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. Actively, 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. Therefore, almost the entire loan portfolio is comprised of long-term fixed interest loans or, respectively, loans hedged by a derivative instrument (IRS). 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 investments in buying Imperial and Hoteli Makarska 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 2018 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 (over HRK 2 million invested in training and professional development during the first nine months of 2018). 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.

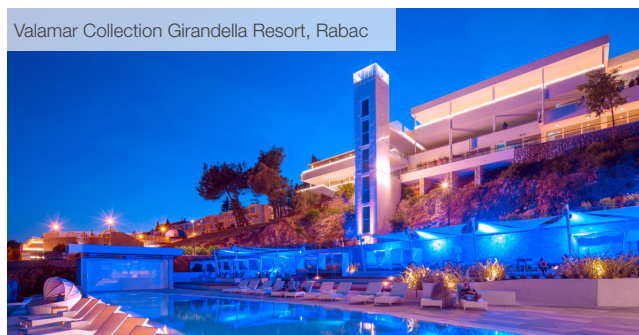
The Company and Group are aware of the reliability of IT business solutions and safety in the cyber world. Hence, they continually upgrade, develop and implement new technologies in everyday business operations. A special focus is given to providing sufficient resources for the development and implementation 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 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 12.8 million<sup>23</sup> (2017: HRK 9.5 million) for the Company, and HRK 1.018 (2017: HRK 20 thousand) for the Group. Costs were HRK 1.3 million (2017: HRK 22.5 million<sup>24</sup>) for the Company, and HRK 813 thousand for the Group (2017: HRK 196 thousand).

As at 30 September 2018, related-party receivables and payables were as follows: receivables totaled HRK 2.4 million for the Company (year-end 2017: HRK 3.4 million), and HRK 108 for the Group (year-end 2017: none). Payables totaled HRK 366 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.

<sup>23</sup> 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.

<sup>24</sup> 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

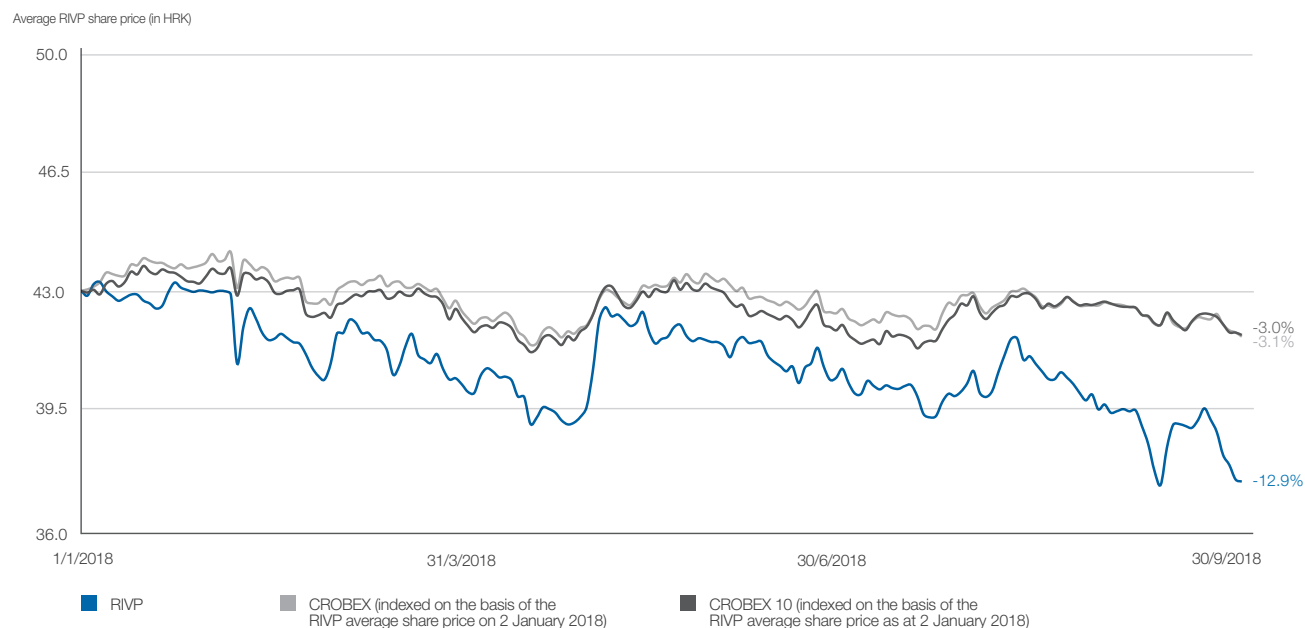
In the period between 1 January 2018 and 30 September 2018, Valamar Riviera acquired 404,052 treasury shares at the total acquisition cost of HRK 16,588,899, representing 0.32% of the share capital and disposed of 69,779 treasury shares (0.06% of the share capital) of which 17,800 treasury shares were used for dividend payout, and the remaining part was used for key management remuneration. As at 30 September 2018, the Company held a total of 2,128,724 treasury shares or 1.69% of the share capital.

In the first nine months of 2018, the highest achieved share price in regular trading on the regulated market was HRK 43.60, while the lowest was HRK 36.70. The share price of the Company decreased by 12.9% in the reviewed period. Valamar Riviera was the second most traded share on the Zagreb Stock Exchange in the first nine months of 2018 with the average regular turnover of HRK 0.8 million per day<sup>24</sup>.

Apart from the Zagreb Stock Exchange indices, the share is also part of the Vienna Stock Exchange indices (CROX<sup>25</sup> and SETX<sup>26</sup>), the regional SEE Link indices (SEELinX and SEELinX EWI)<sup>27</sup> 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 28.1%<sup>28</sup>.

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 were held on the London Stock Exchange, the Zagreb and

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



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

<sup>25</sup> Block transactions are excluded from the calculation.

<sup>26</sup> 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.

<sup>27</sup> South-East Europe Traded Index (SETX) is a capitalization-weighted price index

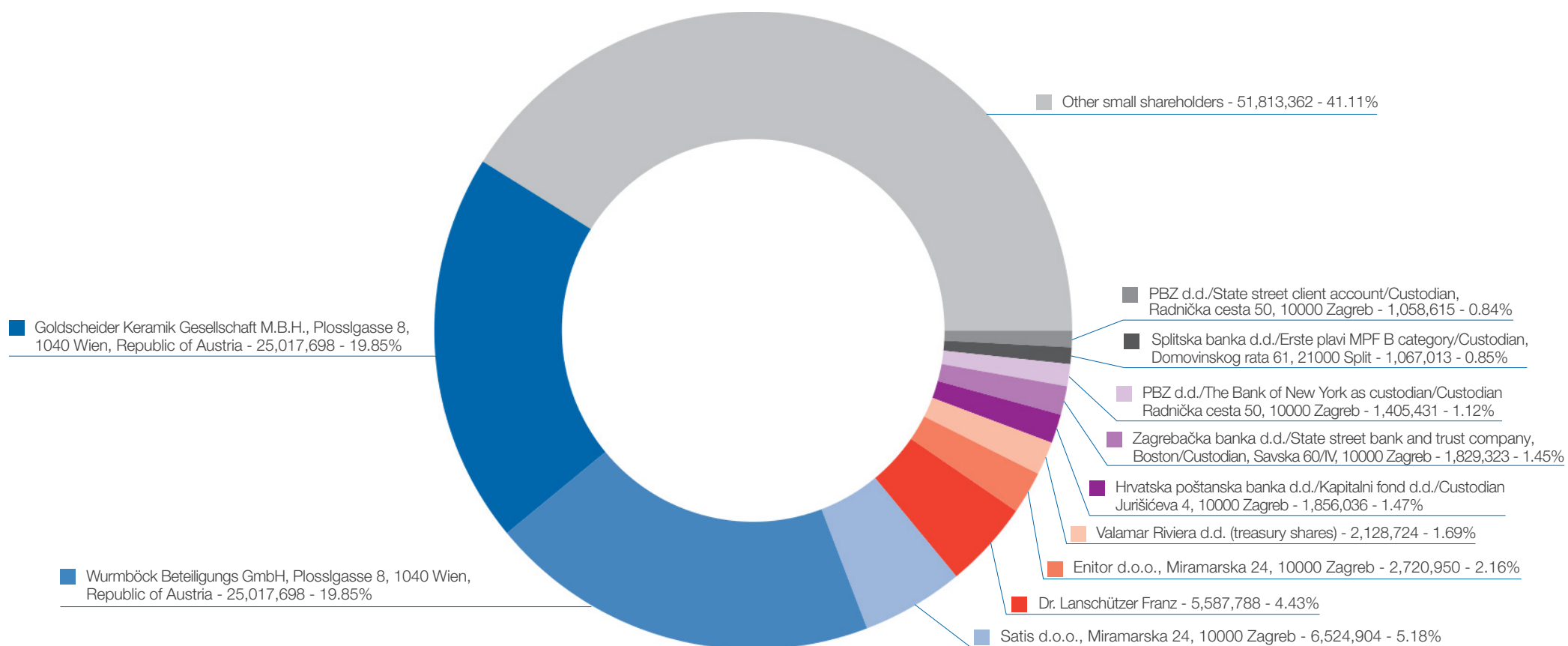
consisting of blue chip stocks traded on stock exchanges in the region of South-eastern Europe (shares listed in Bucharest, Ljubljana, Sofia, Belgrade and Zagreb).

<sup>28</sup> 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.

<sup>29</sup> Block transactions are excluded from the calculation. Data refers to the period 1/1 - 30/9/2018.

Overview of major shareholders as at 30 September 2018:



## 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](http://www.valamar-riviera.com).





## ADDITIONAL INFORMATION

As one of the largest employers in Croatia (on 30 September 2018, the Group employed 5,856 employees, out of which 1,718 permanent ones, while the Company employed 4,984, out of which 1,367 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 third quarter of 2018 and the first nine months 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 third quarter of 2018 and for the period from 1 January 2018 to 30 September 2018 were adopted by the Management Board on 23 October 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

Investor Relations Award was conferred by the Zagreb Stock Exchange and the Poslovni dnevnik newspaper



## RESPONSIBILITY FOR THE QUARTERLY FINANCIAL STATEMENTS

In Poreč, 23 October 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 finance and accounting departments, 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 financial reports for the third 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 September 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  
Member of the Management Board



Ljubica Grbac  
Director of Finance  
and Accounting Departments



Reporting period: from 1/1/2018 to 30/9/2018

## 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>5.856</u>
			NKD code: <u>5510</u>
Consolidated report:	<u>YES</u>		
Companies of the consolidation subject (according to IFRS):	Seat:	MB:	
<u>Valamar hotels &amp; resorts GmbH</u>	<u>Frankfurt</u>	<u>04724750667</u>	
<u>Puntižela 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>	
<u>Hoteli Makarska d.d.</u>	<u>Makarska</u>	<u>03324877</u>	
<u>Valamar A GmbH</u>	<u>Vienna</u>	<u>486431 S</u>	
Accounting firm:			
Contact person:	<u>Sopta Anka</u> <small>(please insert only the contact's full name)</small>		
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> <small>(authorized representative)</small>		

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 30/9/2018)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item 1	ADP code 2	Preceding year 3	Current year 4
<b>A) SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>		
<b>B) NON CURRENT ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>4.632.400.572</b>	<b>5.253.434.514</b>
<b>I. INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>45.224.706</b>	<b>52.949.679</b>
1. Research and Development expenditure	004		
2. Patents, licences, royalties, trademarks and service marks, software and similar rights	005	37.949.592	37.016.224
3. Goodwill	006	6.567.609	6.567.609
4. Prepayments for intangible assets	007		
5. Intangible assets under construction	008	707.505	9.365.846
6. Other intangible assets	009		
<b>II. TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>4.440.260.536</b>	<b>5.042.004.580</b>
1. Land	011	874.708.080	969.578.448
2. Property	012	2.871.712.565	2.996.802.647
3. Plants and equipment	013	367.257.268	384.813.139
4. Tools, plants and vehicles	014	101.131.434	135.836.604
5. Biological asset	015		
6. Prepayments for tangible assets	016	24.768.328	26.761.021
7. Assets under construction	017	149.431.796	481.047.561
8. Other tangible assets	018	40.996.707	37.371.215
9. Investments property	019	10.254.358	9.793.945
<b>III. NON-CURRENT FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>5.417.132</b>	<b>16.192.049</b>
1. Stakes (shares) in undertakings in a Group	021	1.435.245	11.832.718
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	3.786.258
8. Given loans, deposits and similar	028	191.057	106.653
9. Other investments accounted for using the equity method	029		
10. Other non-current financial assets	030	170.000	466.420
<b>IV. TRADE RECEIVABLES (ADP 032 to 035)</b>	<b>031</b>	<b>834.499</b>	<b>799.961</b>
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	756.211
<b>V. DEFERRED TAX ASSETS</b>	<b>036</b>	<b>140.663.699</b>	<b>141.488.245</b>
<b>C) CURENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>343.822.386</b>	<b>641.225.683</b>
<b>I. INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>24.496.814</b>	<b>21.465.298</b>
1. Raw materials and consumables	039	24.296.180	20.879.487
2. Work in progress	040		
3. Finished products	041		
4. Merchandise	042	156.426	532.906
5. Prepayments for inventories	043	44.208	52.904
6. Other available-for-sale assets	044		
7. Biological asset	045		
<b>II. RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>30.637.890</b>	<b>148.074.648</b>
1. Receivables from undertakings in a Group	047	231.675	1.661.415
2. Receivables from undertakings with participating interest	048		
3. Trade receivables	049	13.742.895	128.921.445
4. Receivables from employees and members of the undertaking	050	1.226.272	5.036.205
5. Receivables from Government and other institutions	051	13.614.153	7.729.812
6. Other receivables	052	1.822.895	4.725.771
<b>III. CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>850.728</b>	<b>15.967.593</b>
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		56.172
8. Given loans, deposits and similar	061	746.646	15.495.048
9. Other financial assets	062	104.082	416.373
<b>IV. CASH AND CASH EQUIVALENTS</b>	<b>063</b>	<b>287.836.954</b>	<b>455.718.145</b>
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>064</b>	<b>20.382.090</b>	<b>57.990.760</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>4.996.605.048</b>	<b>5.952.650.958</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>54.545.066</b>	<b>54.479.411</b>

Balance Sheet (as per 30/9/2018) (continued)  
 Taxpayer: 36201212847; Valamar Riviera d.d.

Item 1	ADP code 2	Preceding year 3	Current year 4
<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)</b>	<b>067</b>	<b>2.516.174.910</b>	<b>3.111.320.600</b>
<b>I. SHARE CAPITAL</b>	<b>068</b>	<b>1.672.021.210</b>	<b>1.672.021.210</b>
<b>II. CAPITAL RESERVES</b>	<b>069</b>	<b>3.602.906</b>	<b>5.302.236</b>
<b>III. RESERVES FROM PROFIT (ADP 071+072-073+074+075)</b>	<b>070</b>	<b>102.055.847</b>	<b>98.943.075</b>
1. Legal reserves	071	83.601.061	83.601.061
2. Reserves for own shares	072	44.815.284	56.815.284
3. Own stocks and shares (deductible items)	073	35.889.621	51.002.393
4. Statutory reserves	074		
5. Other reserves	075	9.529.123	9.529.123
<b>IV. REVALUATION RESERVES</b>	<b>076</b>		
<b>V. FAIR VALUE RESERVES (ADP 078 to 080)</b>	<b>077</b>	<b>634.097</b>	<b>766.439</b>
1. Fair value of financial assets available for sale	078	634.097	766.439
2. Efficient portion of cash flow hedge	079		
3. Efficient portion of foreign net investment hedge	080		
<b>VI. RETAINED EARNINGS OR LOSS CARRIED FORWARD (ADP 082-083)</b>	<b>081</b>	<b>263.138.894</b>	<b>382.555.686</b>
1. Retained earnings	082	263.138.894	382.555.686
2. Loss carried forward	083		
<b>VII. PROFIT OR LOSS FOR THE FINANCIAL YEAR (ADP 085-086)</b>	<b>084</b>	<b>243.596.016</b>	<b>526.951.520</b>
1. Profit for the financial year	085	243.596.016	526.951.520
2. Loss for the financial year	086		
<b>VIII. MINORITY INTEREST</b>	<b>087</b>	<b>231.125.940</b>	<b>424.780.434</b>
<b>B) PROVISIONS (ADP 089 to 094)</b>	<b>088</b>	<b>58.356.183</b>	<b>72.840.934</b>
1. Provisions for pensions, severance pay and similar liabilities	089	5.446.558	7.115.185
2. Provisions for tax obligations	090		
3. Provisions for litigations in progress	091	52.909.625	65.725.749
4. Provisions for renewal of natural resources	092		
5. Provision for costs within warranty period	093		
6. Other provisions	094		
<b>C) NON-CURRENT LIABILITIES (ADP 096 to 106)</b>	<b>095</b>	<b>1.915.658.762</b>	<b>2.310.805.338</b>
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	2.228.753.606
7. Liabilities for advance payments	102		
8. Trade payables	103		97.200
9. Amounts payable for securities	104		
10. Other non-current liabilities	105	1.585.824	2.360.890
11. Deferred tax	106	52.759.433	70.547.641
<b>D) CURRENT LIABILITIES (ADP 108 to 121)</b>	<b>107</b>	<b>402.912.295</b>	<b>338.645.465</b>
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	
6. Liabilities to banks and other financial institutions	113	203.141.559	58.794.044
7. Amounts payable for prepayment	114	31.365.529	101.257.892
8. Trade payables	115	132.651.065	83.990.932
9. Liabilities upon loan stocks	116		
10. Liabilities to employees	117	22.455.819	42.480.189
11. Taxes, contributions and similar liabilities	118	11.077.721	45.050.157
12. Liabilities arising from share in the result	119	230.130	384.040
13. Liabilities arising from non-current assets held for sale	120		
14. Other current liabilities	121	1.688.600	6.688.211
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>122</b>	<b>103.502.898</b>	<b>119.038.621</b>
<b>F) TOTAL LIABILITIES (ADP 067+088+095+107+122)</b>	<b>123</b>	<b>4.996.605.048</b>	<b>5.952.650.958</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>124</b>	<b>54.545.066</b>	<b>54.479.411</b>

## Income Statement (for 1/1/2018 to 30/9/2018)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item	ADP code	Preceding period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME (ADP 126+127+128+129+130)</b>	<b>125</b>	<b>1.680.875.183</b>	<b>1.157.315.266</b>	<b>1.868.744.101</b>	<b>1.266.638.742</b>
1. Revenues from sales with undertakings in a Group	126				
2. Sales revenues (outside the Group)	127	1.666.351.570	1.153.797.985	1.849.684.072	1.263.473.749
3. Revenues from use of own products, goods and services	128	3.147.401	1.427.714	296.729	64.067
4. Other operating revenues with undertakings in a Group	129				
5. Other operating revenues (outside the Group)	130	11.376.212	2.089.567	18.763.300	3.100.926
<b>II. OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)</b>	<b>131</b>	<b>1.171.766.086</b>	<b>573.172.423</b>	<b>1.308.118.355</b>	<b>618.649.652</b>
1. Changes in inventories of finished products and work in progress	132				
2. Material costs (ADP 134 to 136)	133	428.336.554	252.163.712	463.022.963	263.757.847
a) Cost of raw materials & consumables	134	263.476.140	147.756.964	290.696.343	158.666.815
b) Cost of goods sold	135	2.846.708	1.567.557	3.161.290	2.126.951
c) Other costs	136	162.013.706	102.839.191	169.165.330	102.964.081
3. Staff costs (ADP 138 to 140)	137	371.576.608	172.756.359	413.108.604	192.182.072
a) Net salaries	138	224.485.300	104.506.387	250.446.630	116.219.200
b) Employee income tax	139	94.926.444	44.095.623	105.462.557	49.408.861
c) Tax on payroll	140	52.164.864	24.154.349	57.199.416	26.554.010
4. Depreciation and amortisation	141	263.179.785	97.474.052	296.398.892	102.302.114
5. Other expenditures	142	102.056.770	47.723.950	122.929.397	58.501.172
6. Value adjustment (ADP 144+145)	143	69.637	0	83.578	0
a) non-current assets (without financial assets)	144				
b) current assets (without financial assets)	145	69.637	0	83.578	0
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	6.546.732	3.054.350	12.574.921	1.906.447
<b>III. FINANCIAL INCOME (ADP 155 to 164)</b>	<b>154</b>	<b>59.094.716</b>	<b>11.186.255</b>	<b>52.284.870</b>	<b>6.732.296</b>
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	292.212	77.595	749.916	503.822
8. Foreign exchange differences and other financial income	162	49.028.510	10.223.160	44.469.929	3.712.917
9. Unrealized gains (income) from the financial assets	163	7.098.051	0	4.696.029	1.957.385
10. Other financial income	164	2.675.943	885.500	2.368.996	558.172
<b>IV. FINANCIAL COSTS (ADP 166 to 172)</b>	<b>165</b>	<b>68.277.105</b>	<b>41.216.364</b>	<b>60.133.527</b>	<b>29.686.312</b>
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	32.119.530	11.906.846	36.355.123	12.338.249
4. Foreign exchange differences and other expenses	169	29.337.968	24.770.015	17.752.749	14.986.009
5. Unrealized loss (expenses) from the financial assets	170	5.990.955	4.385.660	5.086.445	2.128.881
6. Value adjustment expense on financial assets (net)	171				
7. Other financial expenses	172	828.652	153.843	939.210	233.173
<b>V. SHARE OF PROFIT FROM UNDERTAKINGS WITH PARTICIPATING INTEREST</b>	<b>173</b>				
<b>VI. SHARE OF PROFIT FROM JOINT VENTURES</b>	<b>174</b>				
<b>VII. SHARE OF LOSS FROM UNDERTAKINGS WITH PARTICIPATING INTEREST</b>	<b>175</b>				
<b>VIII. SHARE OF LOSS FROM JOINT VENTURES</b>	<b>176</b>				
<b>IX. TOTAL INCOME (ADP 125+154+173+174)</b>	<b>177</b>	<b>1.739.969.899</b>	<b>1.168.501.521</b>	<b>1.921.028.971</b>	<b>1.273.371.038</b>
<b>X. TOTAL EXPENSES (ADP 131+165+175+176)</b>	<b>178</b>	<b>1.240.043.191</b>	<b>614.388.787</b>	<b>1.368.251.882</b>	<b>648.335.964</b>
<b>XI. PROFIT OR LOSS BEFORE TAX (ADP 177-178)</b>	<b>179</b>	<b>499.926.708</b>	<b>554.112.734</b>	<b>552.777.089</b>	<b>625.035.074</b>
1. Profit before tax (ADP 177-178)	180	499.926.708	554.112.734	552.777.089	625.035.074
2. Loss before tax (ADP 178-177)	181	0	0	0	0
<b>XII. INCOME TAX EXPENSE</b>	<b>182</b>	<b>-128.203</b>			
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)</b>	<b>183</b>	<b>500.054.911</b>	<b>554.112.734</b>	<b>552.777.089</b>	<b>625.035.074</b>
1. Profit for the period (ADP 179-182)	184	500.054.911	554.112.734	552.777.089	625.035.074
2. Loss for the period (ADP 182-179)	185	0	0	0	0



## Income Statement (for 1/1/2018 to 30/9/2018) (continued)

Taxpayer: 36201212847; Valamar Riviera d.d.

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

<b>XVI. PROFIT OR LOSS BEFORE TAX (ADP 179+186)</b>	<b>192</b>				
1. Profit before tax (ADP 192)	193				
2. Loss before tax (ADP 192)	194				
<b>XVII. INCOME TAX EXPENSE (ADP 182+189)</b>	<b>195</b>				
<b>XVIII. PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)</b>	<b>196</b>				
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)**

<b>XIX. PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)</b>	<b>199</b>	<b>500.054.911</b>	<b>554.112.734</b>	<b>552.777.089</b>	<b>625.035.074</b>
1. Attributable to parent company's shareholders	200	483.622.369	529.035.942	526.951.520	590.287.840
2. Attributable to non-controlling interests	201	16.432.542	25.076.792	25.825.569	34.747.234

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

<b>I. PROFIT OR LOSS FOR THE PERIOD</b>	<b>202</b>	<b>500.054.911</b>	<b>554.112.734</b>	<b>552.777.089</b>	<b>625.035.074</b>
<b>II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (ADP 204 to 211)</b>	<b>203</b>	<b>27.429</b>	<b>12.401</b>	<b>165.428</b>	<b>165.428</b>
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	27.429	12.401	165.428	165.428
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				
<b>III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD</b>	<b>212</b>	<b>5.485</b>	<b>2.480</b>	<b>33.086</b>	<b>33.086</b>
<b>IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (ADP 203-212)</b>	<b>213</b>	<b>21.944</b>	<b>9.921</b>	<b>132.342</b>	<b>132.342</b>
<b>V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (ADP 202+213)</b>	<b>214</b>	<b>500.076.855</b>	<b>554.122.655</b>	<b>552.909.431</b>	<b>625.167.416</b>

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

<b>VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (ADP 216+217)</b>	<b>215</b>	<b>500.076.855</b>	<b>554.122.655</b>	<b>552.909.431</b>	<b>625.167.416</b>
1. Attributable to parent company's shareholders	216	483.644.313	529.045.863	527.083.862	590.420.182
2. Attributable to non-controlling interests	217	16.432.542	25.076.792	25.825.569	34.747.234

## Cash Flow Statement - Indirect Method (for 1/1/2018 to 30/9/2018)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item 1	ADP code 2	Preceding year 3	Current year 4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before taxes	001	499.926.708	552.777.089
2. Adjustments (ADP 003 to 010)	002	276.238.216	316.123.238
a) Depreciation and amortisation	003	263.179.785	296.398.892
b) Profit and loss from sales and value adjustments of non-current tangible and intangible assets	004	-1.726.874	-954.262
c) Profit and loss from sales and unrealised profit and loss and value adjustments of financial assets	005	5.427.318	
d) Income from interest and dividends	006	-3.240.918	-6.348.506
e) Interest expenses	007	32.119.530	35.992.741
f) Provisions	008	-36.231	14.479.303
g) Foreign exchange differences (unrealized)	009	-18.377.298	-23.475.037
h) Other adjustments for non-cash transactions and unrealized profit and loss	010	-1.107.096	30.107
<b>I. Increase or decrease of cash flow before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>776.164.924</b>	<b>868.900.327</b>
3. Changes in working capital (ADP 013 to 016)	012	-142.234.931	-49.490.430
a) Increase or decrease of current liabilities	013	4.143.408	80.080.685
b) Increase or decrease of current receivables	014	-110.063.486	-115.633.910
c) Increase or decrease of inventories	015	905.889	3.031.517
d) Other increase or decrease of working capital	016	-37.220.742	-16.968.722
<b>II. Cash from operating activities (ADP 011+012)</b>	<b>017</b>	<b>633.929.993</b>	<b>819.409.897</b>
4. Interest	018	-32.119.530	-38.639.548
5. Income tax paid	019	-2.205.551	-4.010.043
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>599.604.912</b>	<b>776.760.306</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1. Proceeds from sale of non-current assets	021	1.726.874	2.929.888
2. Proceeds from selling financial instruments	022	1.808.303	
3. Proceeds from interest rates	023	292.212	195.713
4. Proceeds from dividends	024		6.152.793
5. Proceeds from repayment of given loans and savings	025	9.822.386	843.081
6. Other proceeds from investment activities	026	1.650.145	
<b>III. Total cash proceeds from investment activities (ADP 021 to 026)</b>	<b>027</b>	<b>15.299.920</b>	<b>10.121.475</b>
1. Purchase of non-current tangible and intangible assets	028	-708.412.516	-905.867.910
2. Purchase of financial instruments	029	-187.694	
3. Loans and deposits for the period	030	-8.508.756	-100.884
4. Acquisition of subsidiary, net of acquired cash	031		
5. Other payments from investment activities	032		-10.774.917
<b>IV. Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-717.108.966</b>	<b>-916.743.711</b>
<b>B) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-701.809.046</b>	<b>-906.622.236</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Proceeds from increase of subscribed capital	035		
2. Proceeds from issuing equity-based and debt-based financial instruments	036	1.640.052	
3. Proceeds from loan principal, loans and other borrowings	037	351.154.105	412.317.502
4. Other proceeds from financial activities	038	21.943	168.972.419
<b>V. Total proceeds from financial activities (ADP 035 to 038)</b>	<b>039</b>	<b>352.816.100</b>	<b>581.289.921</b>
1. Repayment of loan principals, loans and other borrowings and debt-based financial instruments	040	-67.007.822	-156.703.879
2. Dividends paid	041	-98.342.354	-111.730.149
3. Payment of finance lease liabilities	042	-154.766	
4. Re-purchase of treasury shares and decrease in subscribed share capital	043		-15.112.772
5. Other payments from financial activities	044		
<b>VI. Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-165.504.942</b>	<b>-283.546.800</b>
<b>C) NET CASH FLOW FROM FINANCIAL ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>187.311.158</b>	<b>297.743.121</b>
1. Cash and cash equivalents-unrealized foreign exchange differences	047		
<b>D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046+047)</b>	<b>048</b>	<b>85.107.024</b>	<b>167.881.191</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>	<b>049</b>	<b>274.650.648</b>	<b>287.836.954</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 048+049)</b>	<b>050</b>	<b>359.757.672</b>	<b>455.718.145</b>

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)
<b>Previous period</b>																	
<b>1. Balance at 1 January of the previous period</b>	<b>01</b>	<b>1.672.021.210</b>	<b>2.204.690</b>	<b>67.198.750</b>	<b>44.815.284</b>	<b>37.141.295</b>	<b>0</b>	<b>9.529.123</b>	<b>0</b>	<b>273.313</b>	<b>0</b>	<b>0</b>	<b>36.580.064</b>	<b>342.313.777</b>	<b>2.137.794.916</b>	<b>235.842.123</b>	<b>2.373.637.039</b>
2. Changes in accounting policies	02														0		0
3. Error correction	03														0		0
<b>4. Balance at 1 January of the previous period (ADP 01 to 03)</b>	<b>04</b>	<b>1.672.021.210</b>	<b>2.204.690</b>	<b>67.198.750</b>	<b>44.815.284</b>	<b>37.141.295</b>	<b>0</b>	<b>9.529.123</b>	<b>0</b>	<b>273.313</b>	<b>0</b>	<b>0</b>	<b>36.580.064</b>	<b>342.313.777</b>	<b>2.137.794.916</b>	<b>235.842.123</b>	<b>2.373.637.039</b>
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
<b>23. Balance at 31 December of previous period (ADP 04 to 22)</b>	<b>23</b>	<b>1.672.021.210</b>	<b>3.602.906</b>	<b>83.601.061</b>	<b>44.815.284</b>	<b>35.889.620</b>	<b>0</b>	<b>9.529.123</b>	<b>0</b>	<b>634.097</b>	<b>0</b>	<b>0</b>	<b>263.138.893</b>	<b>243.596.016</b>	<b>2.285.048.970</b>	<b>231.125.940</b>	<b>2.516.174.910</b>
<b>ADDITION TO STATEMENT OF CHANGES IN EQUITY (only for IFRS adopters)</b>																	
<b>I. OTHER COMPREHENSIVE INCOME OF PREVIOUS PERIOD NET OF TAX (ADP 06 to 14)</b>	<b>24</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>360.784</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>360.784</b>	<b>0</b>	<b>360.784</b>
<b>II. COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>360.784</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>243.596.016</b>	<b>243.956.800</b>	<b>1.491.369</b>	<b>245.448.169</b>
<b>III. TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD, RECOGNIZED DIRECTLY IN EQUITY (ADP 15 to 22)</b>	<b>26</b>	<b>0</b>	<b>1.398.216</b>	<b>16.402.311</b>	<b>0</b>	<b>-1.251.675</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>226.558.829</b>	<b>-342.313.777</b>	<b>-96.702.746</b>	<b>-6.207.552</b>	<b>-102.910.298</b>
<b>Current period</b>																	
<b>1. Balance at 1 January of current period</b>	<b>27</b>	<b>1.672.021.210</b>	<b>3.602.906</b>	<b>83.601.061</b>	<b>44.815.284</b>	<b>35.889.620</b>	<b>0</b>	<b>9.529.123</b>	<b>0</b>	<b>634.097</b>	<b>0</b>	<b>0</b>	<b>263.138.893</b>	<b>243.596.016</b>	<b>2.285.048.970</b>	<b>231.125.940</b>	<b>2.516.174.910</b>
2. Changes in accounting policies	28														0		0
3. Error correction	29														0		0
<b>4. Balance at 1 January of current period (ADP 27 to 29)</b>	<b>30</b>	<b>1.672.021.210</b>	<b>3.602.906</b>	<b>83.601.061</b>	<b>44.815.284</b>	<b>35.889.620</b>	<b>0</b>	<b>9.529.123</b>	<b>0</b>	<b>634.097</b>	<b>0</b>	<b>0</b>	<b>263.138.893</b>	<b>243.596.016</b>	<b>2.285.048.970</b>	<b>231.125.940</b>	<b>2.516.174.910</b>
5. Profit/loss for the period	31													526.951.520	526.951.520	25.825.569	552.777.089
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									165.428					165.428		165.428
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									-33.086					-33.086		-33.086
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					16.588.899									-16.588.899		-16.588.899
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		1.342.444			-1.082.564									2.425.008		2.425.008
21. Transfer to reserves according to annual plan	47												231.146.942	-243.596.016	-449.074	167.828.925	167.379.851
22. Increase in reserves in pre-bankruptcy settlement	48														0		0
<b>23. Balance as at 31 December of the current period (ADP 30 to 48)</b>	<b>49</b>	<b>1.672.021.210</b>	<b>5.302.235</b>	<b>83.601.061</b>	<b>56.815.284</b>	<b>51.002.392</b>	<b>0</b>	<b>9.529.123</b>	<b>0</b>	<b>766.439</b>	<b>0</b>	<b>0</b>	<b>382.555.686</b>	<b>526.951.520</b>	<b>2.686.540.166</b>	<b>424.780.434</b>	<b>3.111.320.600</b>
<b>ADDITION TO STATEMENT OF CHANGES IN EQUITY (only for IFRS adopters)</b>																	
<b>I. OTHER COMPREHENSIVE INCOME OF CURRENT PERIOD, NET OF TAX (ADP 32 to 40)</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>132.342</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>132.342</b>	<b>0</b>	<b>132.342</b>
<b>II. COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31 + 50)</b>	<b>51</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>132.342</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>526.951.520</b>	<b>527.083.862</b>	<b>25.825.569</b>	<b>552.909.431</b>
<b>III. TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD, RECOGNIZED DIRECTLY IN EQUITY (ADP 41 to 48)</b>	<b>52</b>	<b>0</b>	<b>1.699.329</b>	<b>0</b>	<b>12.000.000</b>	<b>15.112.772</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>119.416.793</b>	<b>-243.596.016</b>	<b>-125.592.666</b>	<b>167.828.925</b>	<b>42.236.259</b>



## 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	Balance sheet-current period
	31/12/2017	30/9/2018
Puntížela 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	No
Magične stijene d.o.o.	Yes	Yes
Palme turizam d.o.o.	Yes	Yes
Pogača Babin Kuk d.o.o.	Yes	Yes
Bugenvilla d.o.o.	Yes	Yes
Imperial d.d.	Yes	Yes
Hoteli Makarska d.d.	No	Yes
Valamar A GmbH	No	Yes

Companies of the consolidation subject:	Income statment-previous period	Income statment-current period
	30/9/2017	30/9/2018
Puntížela d.o.o.	1/1 - 30/9 (merged to Valamar Riviera d.d. 31/3/2017)	-
Elafiti Babin kuk d.o.o.	1/1 - 30/9 (merged to Valamar Riviera d.d. 29/12/2017)	-
Valamar hotels & resorts GmbH	-	-
Magične stijene d.o.o.	1/1 - 30/9	1/1 - 30/9
Palme turizam d.o.o.	1/1 - 30/9	1/1 - 30/9
Pogača Babin Kuk d.o.o.	1/1 - 30/9	1/1 - 30/9
Bugenvilla d.o.o.	1/1 - 30/9	1/1 - 30/9
Imperial d.d.	1/1 - 30/9	1/1 - 30/9
Hoteli Makarska d.d.	-	1/8 - 30/9
Valamar A GmbH	-	1/8 - 30/9

Reporting period: from 1/1/2018 to 30/9/2018)

**Quarterly financial report TFI-POD**

Tax number (MB): 3474771

Company registration number (MBS): 040020883

Personal identification number (OIB): 36201212847

Issuing company: Valamar Riviera d.d.

Postal code and place: 52440 Poreč

Street and house number: Stancija Kaligari 1

E-mail address: uprava@riviera.hr

Internet address: www.valamar-riviera.com

Municipality/city code and name: 348 Poreč

County code and name: 18 Istarska

Number of employees: (period end) 4.984

NKD code: 5510

Consolidated report: NO

Companies of the consolidation subject (according to IFRS):

Seat: \_\_\_\_\_ MB: \_\_\_\_\_

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Accounting firm: \_\_\_\_\_

Contact person: Sopta Anka  
(please insert only the contact's full name)

Telephone: 052/408 188 Fax: \_\_\_\_\_ 052/408 110

E-mail address: anka.sopta@riviera.hr

Family name and name: Kukurin Željko, Čižmek Marko  
(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;

## Balance Sheet (as per 30/9/2018)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item 1	ADP code 2	Preceding year 3	Current year 4
<b>A) SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>		
<b>B) NON CURRENT ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>4.321.068.373</b>	<b>4.736.218.499</b>
<b>I. INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>44.533.715</b>	<b>51.907.806</b>
1. Research and Development expenditure	004		
2. Patents, licences, royalties, trademarks and service marks, software and similar rights	005	37.646.206	36.796.098
3. Goodwill	006	6.567.609	6.567.609
4. Prepayments for intangible assets	007		
5. Intangible assets under construction	008	319.900	8.544.099
6. Other intangible assets	009		
<b>II. TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>3.697.439.264</b>	<b>3.947.640.070</b>
1. Land	011	633.926.337	645.344.932
2. Property	012	2.416.617.894	2.314.833.014
3. Plants and equipment	013	345.844.344	351.055.256
4. Tools, plants and vehicles	014	89.672.494	121.077.319
5. Biological asset	015		
6. Prepayments for tangible assets	016	23.166.558	26.465.334
7. Assets under construction	017	137.209.673	442.542.761
8. Other tangible assets	018	40.747.606	36.527.509
9. Investments property	019	10.254.358	9.793.945
<b>III. NON-CURRENT FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>456.347.314</b>	<b>613.957.081</b>
1. Stakes (shares) in undertakings in a Group	021	452.395.427	609.924.170
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	3.786.258
8. Given loans, deposits and similar	028	191.057	106.653
9. Other investments accounted for using the equity method	029		
10. Other non-current financial assets	030	140.000	140.000
<b>IV. TRADE RECEIVABLES (ADP 032 to 035)</b>	<b>031</b>	<b>188.176</b>	<b>153.638</b>
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	153.638
<b>V. DEFERRED TAX ASSETS</b>	<b>036</b>	<b>122.559.904</b>	<b>122.559.904</b>
<b>C) CURENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>291.552.583</b>	<b>483.608.713</b>
<b>I. INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>23.913.513</b>	<b>19.959.841</b>
1. Raw materials and consumables	039	23.767.779	19.468.392
2. Work in progress	040		
3. Finished products	041		
4. Merchandise	042	145.734	491.449
5. Prepayments for inventories	043		
6. Other available-for-sale assets	044		
7. Biological asset	045		
<b>II. RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>29.405.487</b>	<b>120.587.015</b>
1. Receivables from undertakings in a Group	047	3.392.515	2.426.619
2. Receivables from undertakings with participating interest	048		
3. Trade receivables	049	12.221.884	109.365.503
4. Receivables from employees and members of the undertaking	050	1.171.905	4.815.269
5. Receivables from Government and other institutions	051	10.812.531	342.078
6. Other receivables	052	1.806.652	3.637.546
<b>III. CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>832.773</b>	<b>15.938.592</b>
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	28.300
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	15.493.919
9. Other financial assets	062	104.082	416.373
<b>IV. CASH AND CASH EQUIVALENTS</b>	<b>063</b>	<b>237.400.810</b>	<b>327.123.265</b>
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>064</b>	<b>19.416.287</b>	<b>55.368.373</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>4.632.037.243</b>	<b>5.275.195.585</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>54.545.066</b>	<b>54.479.411</b>



Balance Sheet (as per 30/9/2018) (continued)  
 Taxpayer: 36201212847; Valamar Riviera d.d.

Item 1	ADP code 2	Preceding year 3	Current year 4
<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)</b>	<b>067</b>	<b>2.395.468.296</b>	<b>2.773.979.604</b>
<b>I. SHARE CAPITAL</b>	<b>068</b>	<b>1.672.021.210</b>	<b>1.672.021.210</b>
<b>II. CAPITAL RESERVES</b>	<b>069</b>	<b>3.602.906</b>	<b>5.302.235</b>
<b>III. RESERVES FROM PROFIT (ADP 071+072-073+074+075)</b>	<b>070</b>	<b>102.055.847</b>	<b>98.943.075</b>
1. Legal reserves	071	83.601.061	83.601.061
2. Reserves for own shares	072	44.815.284	56.815.284
3. Own stocks and shares (deductible items)	073	35.889.621	51.002.393
4. Statutory reserves	074		
5. Other reserves	075	9.529.123	9.529.123
<b>IV. REVALUATION RESERVES</b>	<b>076</b>		
<b>V. FAIR VALUE RESERVES (ADP 078 to 080)</b>	<b>077</b>	<b>634.097</b>	<b>766.439</b>
1. Fair value of financial assets available for sale	078	634.097	766.439
2. Efficient portion of cash flow hedge	079		
3. Efficient portion of foreign net investment hedge	080		
<b>VI. RETAINED EARNINGS OR LOSS CARRIED FORWARD (ADP 082-083)</b>	<b>081</b>	<b>385.175.162</b>	<b>493.424.087</b>
1. Retained earnings	082	385.175.162	493.424.087
2. Loss carried forward	083		
<b>VII. PROFIT OR LOSS FOR THE FINANCIAL YEAR (ADP 085-086)</b>	<b>084</b>	<b>231.979.074</b>	<b>503.522.558</b>
1. Profit for the financial year	085	231.979.074	503.522.558
2. Loss for the financial year	086		
<b>VIII. MINORITY INTEREST</b>	<b>087</b>		
<b>B) PROVISIONS (ADP 089 to 094)</b>	<b>088</b>	<b>31.597.492</b>	<b>31.523.067</b>
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	26.857.708
4. Provisions for renewal of natural resources	092		
5. Provision for costs within warranty period	093		
6. Other provisions	094		
<b>C) NON-CURRENT LIABILITIES (ADP 096 to 106)</b>	<b>095</b>	<b>1.739.431.226</b>	<b>2.063.010.946</b>
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	2.044.535.181
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	2.360.891
11. Deferred tax	106	16.081.788	16.114.874
<b>D) CURRENT LIABILITIES (ADP 108 to 121)</b>	<b>107</b>	<b>369.130.888</b>	<b>296.128.151</b>
1. Liabilities to undertakings in a Group	108	377.577	96.698
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	49.499.619
7. Amounts payable for prepayment	114	30.708.993	76.896.055
8. Trade payables	115	121.224.757	91.989.745
9. Liabilities upon loan stocks	116		
10. Liabilities to employees	117	20.606.875	36.949.339
11. Taxes, contributions and similar liabilities	118	10.270.639	37.455.031
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	3.169.261
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>122</b>	<b>96.409.341</b>	<b>110.553.817</b>
<b>F) TOTAL LIABILITIES (ADP 067+088+095+107+122)</b>	<b>123</b>	<b>4.632.037.243</b>	<b>5.275.195.585</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>124</b>	<b>54.545.066</b>	<b>54.479.411</b>

## Income Statement (for 1/1/2018 to 30/9/2018)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item	ADP code	Preceding period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME (ADP 126 to 130)</b>	<b>125</b>	<b>1.542.299.506</b>	<b>1.051.068.002</b>	<b>1.675.835.757</b>	<b>1.154.075.834</b>
1. Revenues from sales with undertakings in a Group	126	9.431.040	4.371.097	14.050.574	9.854.834
2. Sales revenues (outside the Group)	127	1.520.187.012	1.042.866.548	1.649.978.354	1.138.758.881
3. Revenues from use of own products, goods and services	128	3.136.095	1.419.855	272.892	191.174
4. Other operating revenues with undertakings in a Group	129	42.241	7.134	45.918	41.268
5. Other operating revenues (outside the Group)	130	9.503.118	2.403.368	11.488.019	5.229.677
<b>II. OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)</b>	<b>131</b>	<b>1.080.372.852</b>	<b>527.164.276</b>	<b>1.172.263.011</b>	<b>750.432.684</b>
1. Changes in inventories of finished products and work in progress	132				
2. Material costs (ADP 134 to 136)	133	418.643.424	238.841.233	422.748.565	270.462.766
a) Cost of raw materials & consumables	134	241.602.189	133.060.307	262.912.387	157.872.141
b) Cost of goods sold	135	2.749.445	1.493.980	3.062.034	2.089.289
c) Other costs	136	174.291.790	104.286.946	156.774.144	110.501.336
3. Staff costs (ADP 138 to 140)	137	344.484.076	158.723.160	377.887.112	228.843.855
a) Net salaries	138	207.014.411	95.251.346	228.371.007	138.486.970
b) Employee income tax	139	89.158.734	41.326.322	97.286.057	58.961.830
c) Tax on payroll	140	48.310.931	22.145.492	52.230.048	31.395.055
4. Depreciation and amortisation	141	215.613.149	81.738.393	253.711.399	169.107.993
5. Other expenditures	142	95.540.566	44.976.645	113.607.520	78.921.928
6. Value adjustment (ADP 144+145)	143	69.637	0	83.578	72.193
a) non-current assets (without financial assets)	144				
b) current assets (without financial assets)	145	69.637	0	83.578	72.193
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	6.022.000	2.884.845	4.224.837	3.023.949
<b>III. FINANCIAL INCOME (ADP 155 to 164)</b>	<b>154</b>	<b>55.622.830</b>	<b>10.438.960</b>	<b>55.415.363</b>	<b>34.979.054</b>
1. Income from stakes (shares) in undertakings in a Group	155			6.050.776	6.050.776
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	161.037	44.193	341.076	189.157
8. Foreign exchange differences and other financial income	162	45.717.290	9.530.602	42.059.889	24.882.550
9. Unrealized gains (income) from the financial assets	163	7.098.051	0	4.696.029	2.724.959
10. Other financial income	164	2.646.452	864.165	2.267.593	1.131.612
<b>IV. FINANCIAL COSTS (ADP 166 to 172)</b>	<b>165</b>	<b>67.399.830</b>	<b>43.867.493</b>	<b>55.465.551</b>	<b>40.620.219</b>
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	28.006.784	10.588.823	33.243.141	21.588.253
4. Foreign exchange differences and other expenses	169	27.044.408	23.142.794	16.283.856	15.631.723
5. Unrealized loss (expenses) from the financial assets	170	5.990.954	4.385.659	5.086.445	2.939.822
6. Value adjustment expense on financial assets (net)	171	5.629.924	5.629.924		
7. Other financial expenses	172	727.760	120.293	852.109	460.421
<b>V. SHARE OF PROFIT FROM UNDERTAKINGS WITH PARTICIPATING INTEREST</b>	<b>173</b>				
<b>VI. SHARE OF PROFIT FROM JOINT VENTURES</b>	<b>174</b>				
<b>VII. SHARE OF LOSS FROM UNDERTAKINGS WITH PARTICIPATING INTEREST</b>	<b>175</b>				
<b>VIII. SHARE OF LOSS FROM JOINT VENTURES</b>	<b>176</b>				
<b>IX. TOTAL INCOME (ADP 125+154+173+174)</b>	<b>177</b>	<b>1.597.922.336</b>	<b>1.061.506.962</b>	<b>1.731.251.120</b>	<b>1.189.054.888</b>
<b>X. TOTAL EXPENSES (ADP 131+165+175+176)</b>	<b>178</b>	<b>1.147.772.682</b>	<b>571.031.769</b>	<b>1.227.728.562</b>	<b>791.052.903</b>
<b>XI. PROFIT OR LOSS BEFORE TAX (ADP 177-178)</b>	<b>179</b>	<b>450.149.654</b>	<b>490.475.193</b>	<b>503.522.558</b>	<b>398.001.985</b>
1. Profit before tax (ADP 177-178)	180	450.149.654	490.475.193	503.522.558	398.001.985
2. Loss before tax (ADP 178-177)	181	0	0	0	0
<b>XII. INCOME TAX EXPENSE</b>	<b>182</b>				
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)</b>	<b>183</b>	<b>450.149.654</b>	<b>490.475.193</b>	<b>503.522.558</b>	<b>398.001.985</b>
1. Profit for the period (ADP 179-182)	184	450.149.654	490.475.193	503.522.558	398.001.985
2. Loss for the period (ADP 182-179)	185	0	0	0	0

**Income Statement (for 1/1/2018 to 30/9/2018) (continued)**

Taxpayer: 36201212847; Valamar Riviera d.d.

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

<b>XVI. PROFIT OR LOSS BEFORE TAX (ADP 179+186)</b>	<b>192</b>				
1. Profit before tax (ADP 192)	193				
2. Loss before tax (ADP 192)	194				
<b>XVII. INCOME TAX EXPENSE (ADP 182+189)</b>	<b>195</b>				
<b>XVIII. PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)</b>	<b>196</b>				
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)**

<b>XIX. PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)</b>	<b>199</b>	<b>450.149.654</b>	<b>490.475.193</b>	<b>503.522.558</b>	<b>398.001.985</b>
1. Attributable to parent company's shareholders	200	450.149.654	490.475.193	503.522.558	398.001.985
2. Attributable to non-controlling interests	201				

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

<b>I. PROFIT OR LOSS FOR THE PERIOD</b>	<b>202</b>	<b>450.149.654</b>	<b>490.475.193</b>	<b>503.522.558</b>	<b>398.001.985</b>
<b>II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (ADP 204 to 211)</b>	<b>203</b>	<b>27.429</b>	<b>12.401</b>	<b>165.428</b>	<b>165.428</b>
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	27.429	12.401	165.428	165.428
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				
<b>III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD</b>	<b>212</b>	<b>5.485</b>	<b>2.480</b>	<b>33.086</b>	<b>33.086</b>
<b>IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (ADP 203-212)</b>	<b>213</b>	<b>21.944</b>	<b>9.921</b>	<b>132.342</b>	<b>132.342</b>
<b>V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (ADP 202+213)</b>	<b>214</b>	<b>450.171.598</b>	<b>490.485.114</b>	<b>503.654.900</b>	<b>398.134.327</b>

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

<b>VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (ADP 216+217)</b>	<b>215</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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 30/9/2018)  
 Taxpayer: 36201212847; Valamar Riviera d.d.

Item 1	ADP code 2	Preceding year 3	Current year 4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before taxes	001	450.149.654	503.522.558
2. Adjustments (ADP 003 to 010)	002	226.821.157	300.381.506
a) Depreciation and amortisation	003	215.613.149	253.711.399
b) Profit and loss from sales and value adjustments of non-current tangible and intangible assets	004	-541.985	-1.907.699
c) Profit and loss from sales and unrealised profit and loss and value adjustments of financial assets	005	5.427.318	0
d) Income from interest and dividends	006	-3.080.252	-6.295.514
e) Interest expenses	007	28.006.784	33.012.665
f) Provisions	008	-36.231	-79.874
g) Foreign exchange differences (unrealized)	009	-17.460.530	21.910.422
h) Other adjustments for non-cash transactions and unrealized profit and loss	010	-1.107.096	30.107
<b>I. Increase or decrease of cash flow before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>676.970.811</b>	<b>803.904.064</b>
3. Changes in working capital (ADP 013 to 016)	012	-61.382.401	-60.520.695
a) Increase or decrease of current liabilities	013	59.856.663	62.199.491
b) Increase or decrease of current receivables	014	-81.302.416	-92.255.384
c) Increase or decrease of inventories	015	945.450	3.953.672
d) Other increase or decrease of working capital	016	-40.882.098	-34.418.474
<b>II. Cash from operating activities (ADP 011+012)</b>	<b>017</b>	<b>615.588.410</b>	<b>743.383.369</b>
4. Interest	018	-28.006.784	-35.659.472
5. Income tax paid	019	102.419	53.533
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>587.684.045</b>	<b>707.777.430</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1. Proceeds from sale of non-current assets	021	541.985	2.929.888
2. Proceeds from selling financial instruments	022	42.284.424	0
3. Proceeds from interest rates	023	161.037	370.407
4. Proceeds from dividends	024		6.152.793
5. Proceeds from repayment of given loans and savings	025	8.873.326	843.081
6. Other proceeds from investment activities	026	1.650.144	
<b>III. Total cash proceeds from investment activities (ADP 021 to 026)</b>	<b>027</b>	<b>53.510.916</b>	<b>10.296.169</b>
1. Purchase of non-current tangible and intangible assets	028	-728.523.341	-511.286.295
2. Purchase of financial instruments	029		
3. Loans and deposits for the period	030	-8.513.163	-100.884
4. Acquisition of subsidiary, net of acquired cash	031		-157.528.743
5. Other payments from investment activities	032		-81.024
<b>IV. Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-737.036.504</b>	<b>-668.996.946</b>
<b>B) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-683.525.588</b>	<b>-658.700.777</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
1. Proceeds from increase of subscribed capital	035		
2. Proceeds from issuing equity-based and debt-based financial instruments	036	1.640.052	
3. Proceeds from loan principal, loans and other borrowings	037	359.147.306	302.992.595
4. Other proceeds from financial activities	038	21.943	1.831.672
<b>V. Total proceeds from financial activities (ADP 035 to 038)</b>	<b>039</b>	<b>360.809.301</b>	<b>304.824.267</b>
1. Repayment of loan principals, loans and other borrowings and debt-based financial instruments	040	-108.501.465	-137.335.544
2. Dividends paid	041	-98.342.354	-111.730.149
3. Payment of finance lease liabilities	042	-154.767	
4. Re-purchase of treasury shares and decrease in subscribed share capital	043		-15.112.772
5. Other payments from financial activities	044	-10.214.959	
<b>VI. Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-217.213.545</b>	<b>-264.178.465</b>
<b>C) NET CASH FLOW FROM FINANCIAL ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>143.595.756</b>	<b>40.645.802</b>
1. Cash and cash equivalents-unrealized foreign exchange differences	047		
<b>D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046+047)</b>	<b>048</b>	<b>47.754.213</b>	<b>89.722.455</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>	<b>049</b>	<b>237.647.697</b>	<b>237.400.810</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 048+049)</b>	<b>050</b>	<b>285.401.910</b>	<b>327.123.265</b>

Statement of Changes in Equity (for the period from 1/1/2018 to 30/9/2018)  
 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)
<b>Previous period</b>																	
<b>1. Balance at 1 January of the previous period</b>	<b>01</b>	<b>1.672.021.210</b>	<b>2.204.690</b>	<b>67.198.750</b>	<b>44.815.284</b>	<b>37.141.295</b>	<b>0</b>	<b>9.529.123</b>	<b>0</b>	<b>273.313</b>	<b>0</b>	<b>0</b>	<b>228.523.684</b>	<b>336.657.721</b>	<b>2.324.082.480</b>		<b>2.324.082.480</b>
2. Changes in accounting policies	02														0		0
3. Error correction	03														0		0
<b>4. Balance at 1 January of the previous period (ADP 01 to 03)</b>	<b>04</b>	<b>1.672.021.210</b>	<b>2.204.690</b>	<b>67.198.750</b>	<b>44.815.284</b>	<b>37.141.295</b>	<b>0</b>	<b>9.529.123</b>	<b>0</b>	<b>273.313</b>	<b>0</b>	<b>0</b>	<b>228.523.684</b>	<b>336.657.721</b>	<b>2.324.082.480</b>	<b>0</b>	<b>2.324.082.480</b>
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
<b>23. Balance at 31 December of previous period (ADP 04 to 22)</b>	<b>23</b>	<b>1.672.021.210</b>	<b>3.602.906</b>	<b>83.601.061</b>	<b>44.815.284</b>	<b>35.889.621</b>	<b>0</b>	<b>9.529.123</b>	<b>0</b>	<b>634.097</b>	<b>0</b>	<b>0</b>	<b>385.175.162</b>	<b>231.979.074</b>	<b>2.395.468.296</b>	<b>0</b>	<b>2.395.468.296</b>
<b>ADDITION TO STATEMENT OF CHANGES IN EQUITY (only for IFRS adopters)</b>																	
<b>I. OTHER COMPREHENSIVE INCOME OF PREVIOUS PERIOD NET OF TAX (ADP 06 to 14)</b>	<b>24</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>360.784</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>360.784</b>	<b>0</b>	<b>360.784</b>
<b>II. COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>360.784</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>231.979.074</b>	<b>232.339.858</b>	<b>0</b>	<b>232.339.858</b>
<b>III. TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD, RECOGNIZED DIRECTLY IN EQUITY (ADP 15 to 22)</b>	<b>26</b>	<b>0</b>	<b>1.398.216</b>	<b>16.402.311</b>	<b>0</b>	<b>-1.251.674</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>156.651.478</b>	<b>-336.657.721</b>	<b>-160.954.042</b>	<b>0</b>	<b>-160.954.042</b>
<b>Current period</b>																	
<b>1. Balance at 1 January of current period</b>	<b>27</b>	<b>1.672.021.210</b>	<b>3.602.906</b>	<b>83.601.061</b>	<b>44.815.284</b>	<b>35.889.621</b>	<b>0</b>	<b>9.529.123</b>	<b>0</b>	<b>634.097</b>	<b>0</b>	<b>0</b>	<b>385.175.162</b>	<b>231.979.074</b>	<b>2.395.468.296</b>	<b>0</b>	<b>2.395.468.296</b>
2. Changes in accounting policies	28														0		0
3. Error correction	29														0		0
<b>4. Balance at 1 January of current period (ADP 27 to 29)</b>	<b>30</b>	<b>1.672.021.210</b>	<b>3.602.906</b>	<b>83.601.061</b>	<b>44.815.284</b>	<b>35.889.621</b>	<b>0</b>	<b>9.529.123</b>	<b>0</b>	<b>634.097</b>	<b>0</b>	<b>0</b>	<b>385.175.162</b>	<b>231.979.074</b>	<b>2.395.468.296</b>	<b>0</b>	<b>2.395.468.296</b>
5. Profit/loss for the period	31													503.522.558	503.522.558		503.522.558
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									165.428					165.428		165.428
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									-33.086					-33.086		-33.086
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					16.588.899									-16.588.899		-16.588.899
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		1.342.444			-1.082.564									2.425.008		2.425.008
21. Transfer to reserves according to annual plan	47				12.000.000								219.979.074	-231.979.074	0		0
22. Increase in reserves in pre-bankruptcy settlement	48														0		0
<b>23. Balance as at 31 December of the current period (ADP 30 to 48)</b>	<b>49</b>	<b>1.672.021.210</b>	<b>5.302.235</b>	<b>83.601.061</b>	<b>56.815.284</b>	<b>51.002.393</b>	<b>0</b>	<b>9.529.123</b>	<b>0</b>	<b>766.439</b>	<b>0</b>	<b>0</b>	<b>493.424.087</b>	<b>503.522.558</b>	<b>2.773.979.604</b>	<b>0</b>	<b>2.773.979.604</b>
<b>ADDITION TO STATEMENT OF CHANGES IN EQUITY (only for IFRS adopters)</b>																	
<b>I. OTHER COMPREHENSIVE INCOME OF CURRENT PERIOD, NET OF TAX (ADP 32 to 40)</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>132.342</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>132.342</b>	<b>0</b>	<b>132.342</b>
<b>II. COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31 + 50)</b>	<b>51</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>132.342</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>503.522.558</b>	<b>503.654.900</b>	<b>0</b>	<b>503.654.900</b>
<b>III. TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD, RECOGNIZED DIRECTLY IN EQUITY (ADP 41 to 48)</b>	<b>52</b>	<b>0</b>	<b>1.699.329</b>	<b>0</b>	<b>12.000.000</b>	<b>15.112.772</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>108.248.925</b>	<b>-231.979.074</b>	<b>-125.143.592</b>	<b>0</b>	<b>-125.143.592</b>

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