

# BUSINESS RESULTS

1/1/2019 -  
31/3/2019



**VALAMAR**  
All you can holiday



# EXECUTIVE SUMMARY

## KEY FINANCIAL INDICATORS

(in HRK '000,000)

	1 - 3/2018	1 - 3/2019	2019/2018
Total revenues	65.8	52.6	-20.1%
Sales revenues	38.8	46.2	18.9%
Board revenues	23.3	30.4	30.5%
Operating expenses	128.5	159.7	24.2%
EBITDA	-88.8	-113.7	28.0%
Adjusted EBITDA	-88.7	-111.5	25.7%
EBIT	-185.6	-231.7	24.9%
Adjusted EBIT	-185.5	-229.5	23.7%
EBT	-176.0	-252.4	43.4%

	31/12/2018	31/3/2019	2019/2018
Net debt	2,169.1	2,401.0	10.7%
Cash and cash equivalents	261.8	223.3	-14.7%
Market capitalization	4,468.8	4,137.3	-7.4%
EV	6,637.9	6,538.3	-1.5%

## KEY OPERATING INDICATORS

	1 - 3/2018	1 - 3/2019	2019/2018
Accommodation units (capacity)	20,648	21,266	3.0%
Number of beds	56,267	58,417	3.8%
Accommodation units sold ('000)	64,808	58,292	-10.1%
Overnights ('000)	106,083	95,211	-10.2%
ADR (in HRK)	360	522	45.1%

Note: Details and explanations can be found on page 13 in "Results of the Group".

## REVENUES AND COSTS

Total revenues amounted to HRK 53 million, representing a 20% decrease compared to the last year's comparable period (HRK 66 million in 2018). Of the total revenues, HRK 46 million refer to the sales revenues (HRK 39 million in 2018). The remaining part primarily refers to financial income which recorded a decrease of HRK 22 million (from HRK 24 million to HRK 2 million) mainly due to the absence of unrealized positive exchange rate differences regarding long-term loans. 19% growth in sales revenues is mainly a result of this year's consolidation of Obertauern destination. Valamar Obertauern achieved very good business results which will contribute to the further growth of our future winter season business. The expectedly lower comparable first quarter 2019 sales revenues vs. last year (excluding this year's consolidation of Valamar Obertauern and Hoteli Makarska business) are the result of shifting Easter holidays and their very positive effects on tourism demand to Q2 2019.

Operating costs amounted to HRK 160 million. The main reasons behind the 24% increase are found in (i) this year's consolidation of the companies Hoteli Makarska and Valamar Obertauern, (ii) the increase of material costs as a result of energy costs increase, maintenance costs dynamics and the increased advertising and marketing costs, and (iii) the staff costs increase. The planned staff cost increase mainly is due

19%  
GROWTH OF SALES  
REVENUES TO  
46  
MILLION HRK

# EXECUTIVE SUMMARY

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to (i) the new policy of monthly provisioning of employees' annual leave hours, (ii) ensuring competitive salaries and other material and non-material working conditions (a total increase of 4% since June 2018) and (iii) hiring new staff to ensure quality services in the new Premium and Upscale products, which will be available at the beginning of the second quarter of 2019.

Given the seasonal character of the Company's industry, the first quarter's business results are not indicative. Since sales revenues in the first quarter have a very low impact on the total annual revenues (in 2018 their impact was 2%), their 19% increase compared to the same period last year is not a basis for forming expectations on an annual level. Furthermore, a negative EBITDA is typical for the first quarter because of a smaller business volume.

## FINANCIAL RESULT

In the first quarter of 2019 the financial result amounted to HRK -20.6 million (HRK +9.6 million in 2018). The financial result, down by HRK 30 million, is mainly due to the absence of unrealized positive exchange rate differences on long-term loans as a consequence of the appreciation of the Croatian kuna compared to the euro in the fourth quarter of 2018.

## INVESTMENTS

In line with the previously announced strategic goals, strong investments (over HRK 790 million) are being finalized according to plan. This year's investment cycle represents the continuation of strategic investments into repositioning the portfolio towards products and services with high added value. We would like to highlight the investments in camping Istra which will become the largest 5\* camping in Croatia next season, opening of the luxury family hotel Valamar Collection Marea Suites 5\* in Poreč, the reconstruction and repositioning of Valamar Carolina Hotel & Villas 4\*, as well as investments into the further improvement of accommodation, products and services focusing on premium camping in Istria and on Krk and Rab islands. Large investments into accommodation for seasonal employees are also being finalized in line with Valamar's strategic goals. For details, see "2019 Investments" on page 31.

## ACQUISITIONS

Valamar Riviera and PBZ Croatia osiguranje d.d. (managing mandatory pension funds), submitted on 15 May 2017 a joint offer for the investment and recapitalisation of a bankrupt hospitality company on Hvar Island, Helios Faros d.d. u stečaju, with 591 keys in its portfolio.

2019 GROUP'S  
INVESTMENT  
CYCLE OF HRK

793

MILLION IS BEING  
FINALIZED

# EXECUTIVE SUMMARY

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On 21 November 2018, the Commercial Court in Split confirmed the Bankruptcy Plan for the investment and recapitalisation of the company Helios Faros which was entered into the court register on 18 March 2019. HRK 91.2 million have been planned for recapitalisation within the Bankruptcy Plan and the planned procedures that should enable the company Helios Faros to exit bankruptcy and develop its operations under the restructuring plan, as well as investments into premium hospitality assets, have been initiated at the end of March.

# OUTLOOK

An increase in bookings until year-end vs last year indicates a positive business outlook for the rest of the year. Great market feedback and high booking status is recorded in the newly upgraded premium tourism properties, Istra Premium Camping Resort 5\* and Valamar Collection Marea Suites 5\*.

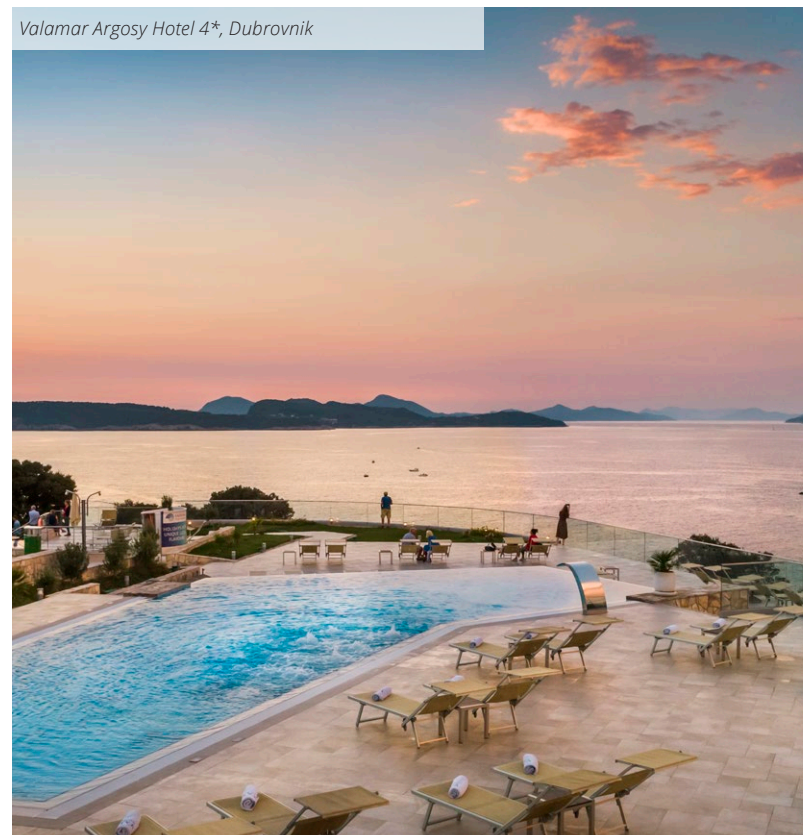
Our positive expectations regarding the further increase in overnights, sales revenues and EBITDA are based on this year's large investment cycle, the great market feedback received by the recently developed properties, the overall portfolio quality, as well as the acquisition of Hoteli Makarska and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

Following the successful acquisition of Hoteli Baška on Krk Island, Imperial on Rab Island, Hoteli Makarska in Makarska, and the first hotel in Austria (Valamar Obertauern), we are considering further expansion by pursuing new partnerships and acquisition opportunities in Croatia and abroad.

We are focused on preparing a new mid-term strategic plan aimed at improving the portfolio properties and services. However, numerous factors reduce the competitiveness of Croatian tourism and hinder further investment potential: VAT and the rate of total contributions to salaries (both among the highest in the Mediterranean), the still unresolved issue of tourism land, skilled labor shortages, the likely introduction of property tax and tourist tax increase.

*Valamar's press release is available on the Valamar Riviera corporate website ([valamar-riviera.com/en/1Q2019](http://valamar-riviera.com/en/1Q2019)).*

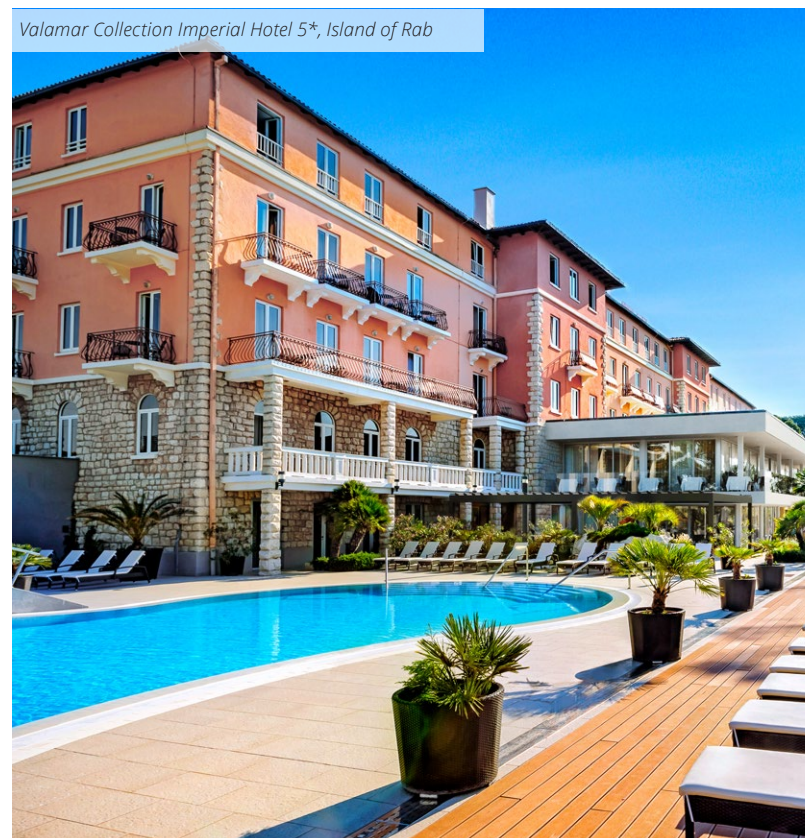
Valamar Argosy Hotel 4\*, Dubrovnik



**GROWTH**  
IN BOOKINGS UNTIL  
YEAR-END VS  
LAST YEAR

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Valamar Collection Dubrovnik President Hotel 5\*, Dubrovnik

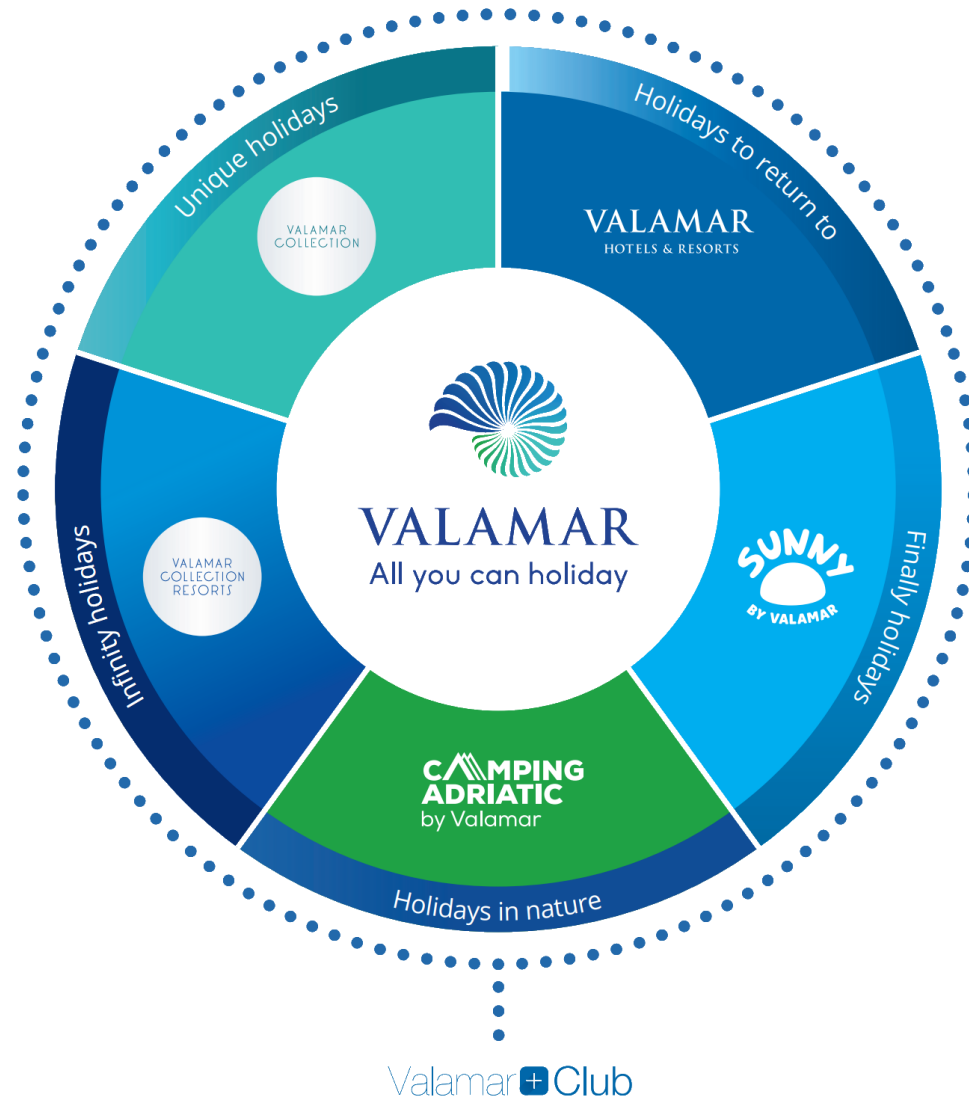


# Significant Business Events

## ABOUT VALAMAR RIVIERA

Valamar Riviera is the leading tourism group in Croatia. It is also one of the largest investors in Croatian tourism with more than HRK 5 billion invested over the last 16 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 2018 acquisitions of Hoteli Makarska d.d. in Makarska and the first Valamar hotel 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 over 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 around 7,000 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.

*New Valamar Riviera's brand strategy*





## 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. On 21 November 2018, the Commercial Court in Split confirmed the Bankruptcy Plan for the investment and recapitalisation of the company Helios Faros which was entered into the court register on 18 March 2019. HRK 91.2 million have been planned for recapitalisation within the Bankruptcy Plan and the planned procedures that should enable the company Helios Faros to exit bankruptcy and develop its operations under the restructuring plan, as well as investments into premium hospitality assets, have been initiated at the end of March.



## VALAMAR RIVIERA'S GENERAL ASSEMBLY

The Management Board met on 19 February 2019, while the Valamar Riviera's Supervisory Board met on 26 February 2019 to determine the 2018 4Q audited financial statements and the 2018 audited annual financial statements. On 21 March 2019 the Management Board adopted a decision on holding the General assembly on 9 May 2019 at 12 p.m. at the Lanterna Premium Camping Resort by Valamar 4\* (Lanterna Theatre hall).

## VALAMAR RIVIERA ON THE PRIME MARKET OF THE ZAGREB STOCK EXCHANGE

On 26 April 2019 Zagreb Stock Exchange has approved Valamar Riviera's request for the transition of 126,027,542 ordinary shares from the Regular to the Prime Market. Since Valamar Riviera values high level of transparency and quality of business and financial communication, by transitioning to the most demanding exchange quotation we will try to further increase share visibility and have a positive effect on the price and liquidity as an example of best market practice.

Destination island of Krk (Baška)



 *The Management Board presents  
the quarterly financial statements for  
the first quarter of 2019.*

TUI Family Life Bellevue Resort 4\*, Rabac



## QUARTERLY FINANCIAL STATEMENTS

The Company's Management Board presents the quarterly financial statements for the first quarter of 2019. These statements must be viewed in the context of the previous mergers and acquisitions, and they provide information on the state of the Company and Group, as well as significant events.

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 and Valamar Obertauern GmbH as from 1 November 2018. Please note that 2019 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., Valamar A GmbH and Valamar Obertauern GmbH.

The Group balance sheet for the reviewed period, as at 31 March 2019, as well as at 31 December 2018, includes data of the previously mentioned companies.

Valamar Argosy Hotel 4\*, Dubrovnik



# Results of the Group

## KEY FINANCIAL INDICATORS<sup>1</sup>

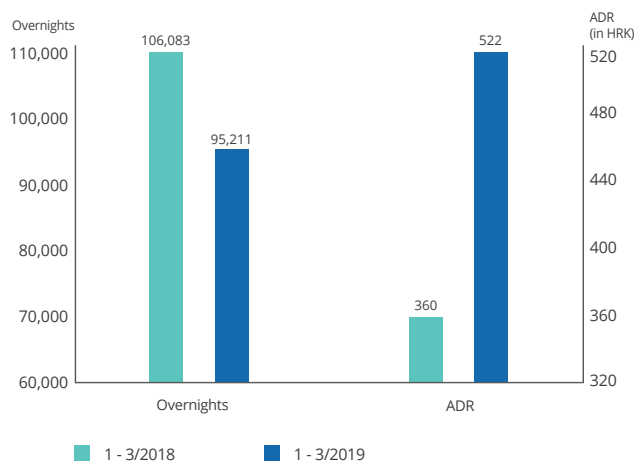
	1 - 3/2018	1 - 3/2019	2019/2018
Total revenues	65,826,381	52,599,867	-20.1%
Operating income	41,709,737	50,458,360	21.0%
Sales revenues	38,848,253	46,172,102	18.9%
Board revenues (accommodation and board revenues) <sup>2</sup>	23,320,742	30,434,346	30.5%
Operating costs <sup>3</sup>	128,541,939	159,669,877	24.2%
EBITDA <sup>4</sup>	-88,838,658	-113,744,819	28.0%
Extraordinary operations result and one-off items <sup>5</sup>	-89,957	-2,213,437	2360.6%
Adjusted EBITDA <sup>6</sup>	-88,748,701	-111,531,382	25.7%
EBIT	-185,594,466	-231,748,497	24.9%
Adjusted EBIT <sup>6</sup>	-185,504,510	-229,535,060	23.7%
EBT	-175,977,442	-252,402,052	43,4%
	<b>31/12/2018</b>	<b>31/3/2019</b>	<b>2019/2018</b>
Net debt <sup>7</sup>	2,169,067,569	2,401,048,067	10.7%
Cash and cash equivalents	261,842,353	223,302,389	-14.7%
Market capitalization <sup>8</sup>	4,468,823,546	4,137,291,282	-7.4%
EV <sup>9</sup>	6,637,891,115	6,538,339,349	-1.5%

## KEY BUSINESS INDICATORS<sup>10</sup>

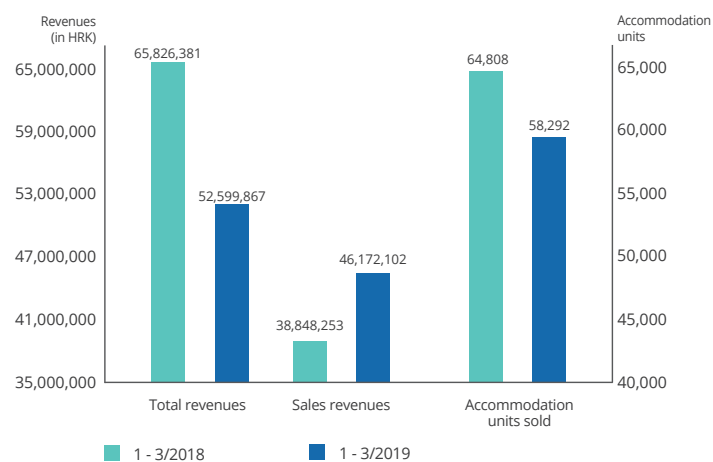
	1 - 3/2018	1 - 3/2019	2019/2018
Number of accommodation units (capacity)	20,648	21,266	3.0%
Number of beds	56,267	58,417	3.8%
Accommodation units sold	64,808	58,292	-10.1%
Overnights	106,083	95,211	-10.2%
ADR <sup>11</sup> (in HRK)	360	522	45.1%

- 1 Classified according to Quarterly Financial Statement standard (TFI POD-RDG). EBIT, EBITDA and their adjusted values and respective margins are recorded on the basis of operating income.
- 2 In compliance with the classification under the USALI international standard for reporting in hotel industry (Uniform System of Accounts for the Lodging Industry).
- 3 Operating costs include material costs, staff costs, other costs, and other operating costs reduced by extraordinary expenses and one-off items.
- 4 EBITDA (eng. earnings before interest, taxes, depreciation and amortization) is calculated as: operating income - total operating costs + depreciation and amortisation + value adjustments
- 5 Adjustments were made for (i) extraordinary income (in the amount of HRK 2.5 million in 2019, and HRK 2.0 million in 2018), (ii) extraordinary expenses (in the amount of HRK 4.5 million in 2019, and HRK 1.9 million in 2018), and (iii) termination benefit costs (in the amount of HRK 0.2 million in 2019, and HRK 0.2 million in 2018).
- 6 Adjusted by the result of extraordinary operations and one-off items.
- 7 Net debt: non-current and current liabilities to banks and other financial institutions + liabilities for loans, deposits and other - cash and cash equivalents - long-term and short-term investments in securities - current loans given, deposits, etc.
- 8 The number of shares as at 31 December 2018 net of treasury shares amounts to 122,904,938, while per 31 March 2019 amounts to 122,695,471.
- 9 EV refers to enterprise value; calculated as market capitalization + net debt.
- 10 2018 key business indicators of Valamar Riviera Group do not include data of Hoteli Makarska and Valamar Obertauern.
- 11 Average daily rate is recorded on the basis of board revenues (accommodation and board's food and beverage revenues)

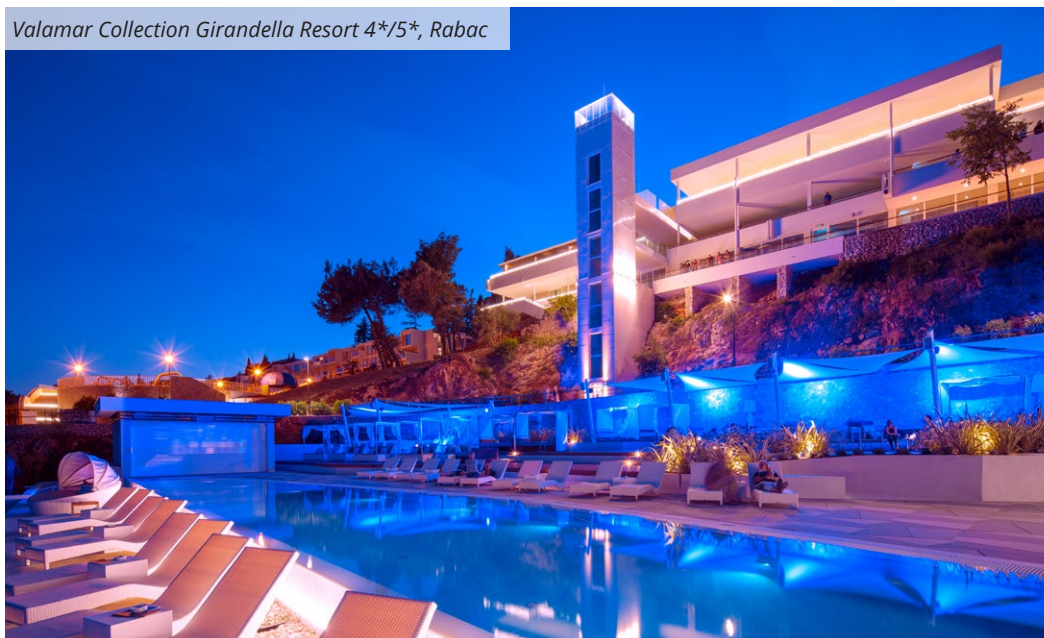
### Overnights and ADR



### Revenues and accommodation units sold



Valamar Collection Girandella Resort 4\*/5\*, Rabac



Valamar Riviera owes its continued success to the concept of sustainable growth and development led by the principles of corporate social responsibility. It is reflected in: (i) continuous portfolio investments, (ii) acquisitions and partnerships (the process of acquiring the company Hoteli Makarska in Croatia and the first Valamar hotel in Austria was successfully finalised in 2018) and (iii) the development of employees and destinations. As one of Valamar Riviera's key strategic goals, the investments in the preparation of this year's tourist season amount to high HRK 793 million. The goal is to further increase competitiveness and improve the quality of tourist properties and services.

## REVENUES

Total revenues amounted to HRK 52.6 million in the first quarter of 2019, down by 20.1% (HRK -13.2 million). The total realised revenues were affected by:

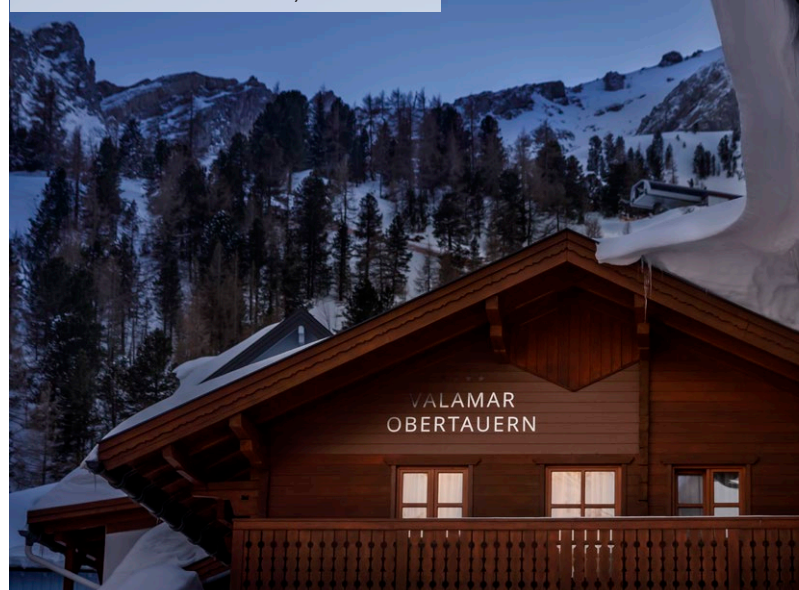
**(i) growth in sales revenues**, in the amount of 18.9% (HRK +7.3 million) up to HRK 46.2 million. The increase was largely driven by board revenues (+30.5%; HRK +7,1 million). Despite the negative effect of shifted Easter holidays to the second quarter, careful preparations of various additions to the offer and experiences and this year's consolidation of the Valamar Obertauern Hotel 4\* operations have led to solid HRK 30.4 million of board revenues. A total of 95,211 overnight stays were recorded in the first quarter of 2019 which represents a decrease of 10.2%. The average daily rate increased to HRK 522 (+45.1%) primarily as a result of the high average daily rate of Valamar Obertauern Hotel 4\* compared to other tourist properties during the observed low season period. Moreover, the Obertauern destination recorded a solid HRK 10.7 million of board revenues. We would like to point out that significantly better business results were recorded in April this year, not only compared to the last year's Easter holidays, but also to the comparable Easter holidays in the previous years.

Domestic sales revenues were HRK 16.0 million and represented 30.3% of total revenues (23.3% in 2018). They grew by 4.2% compared to the previous comparable period. International sales revenues were HRK 30.2 million, up by HRK 6.7 million and represented by 57.4% of total revenues (35.8% in 2018).

**(ii) other operating revenues**<sup>12</sup> which grew by HRK 1.4 million to HRK 4.3 million primarily due to this year's consolidation of Hoteli Makarska, insurance-based income and collected previously written-off receivables.

**(iii) financial income** in the amount of HRK 22.0 million to HRK 2.1 million primarily due to the absence of unrealized positive exchange rate differences regarding long-term loans as a result of the appreciation of the Croatian kuna compared to the euro in the fourth quarter of 2018.

Valamar Obertauern Hotel 4\*, Obertauern



**(iv) consolidation of Hoteli Makarska and Valamar Obertauern** with 0.4 and 29 percentage points contribution to the Group's total revenues, respectively.

Other operating and financial income account for 12.2% of total revenues (41.0% in 2018).

<sup>12</sup> Other operating revenues include revenues from the usage of own products, goods and services.

## TOTAL OPERATING EXPENSES OF VALAMAR RIVIERA GROUP<sup>13</sup>

(in HRK)	1 - 3/2018	1 -3/2019	2019/2018
Operating costs <sup>14</sup>	128,541,939	159,669,877	24.2%
Total operating expenses	227,304,203	282,206,857	24.2%
Material costs	38,219,074	48,817,383	27.7%
Staff cost	62,382,294	80,970,990	29.8%
Depreciation and amortisation	96,683,615	118,002,721	22.1%
Other costs	27,976,470	29,915,901	6.9%
Provisions and value adjustments	72,193	957	-98.7%
Other operating expenses	1,970,557	4,498,905	128.3%

### TOTAL OPERATING EXPENSES

Total operating expenses amounted to HRK 282.2 million with an increase of 24.2% (HRK +54.9 million). Excluding the operations of the companies Hoteli Makarska and Valamar Obertauern, for the purpose of comparability, the total operating expenses recorded a 14% growth. Breakdown of total operating expenses:

**(i) material costs represented** 17.3% (16.8% in 2018). The 27.7% growth (HRK +10.6 million) to HRK 48.8 million is a result of (i) the consolidation of the companies Hoteli Makarska and Valamar Obertauern, (ii) the increase in energy costs (electricity and waste disposal), (iii) maintenance costs dynamics which occurred earlier compared to last year and (iv) the increased advertising and marketing costs.

**(ii) staff costs** represented 28.7% in the total operating expenses (27.4% in 2018). The reasons behind the 29.8% growth (HRK +18.6 million) to HRK 81.0 million are found in (i) new policy of monthly provisioning of employees' annual leave hours which represents a 14

percentage points growth, (ii) the consolidation of the companies Hoteli Makarska and Valamar Obertauern which represents an 11 percentage points growth and (iii) ensuring competitive salaries and other material and non-material working conditions (total payrolls increase of 4% since June 2018) and hiring new staff to ensure quality services in the new Premium and Upscale products.

**(iii) amortization costs** represented 41.8% (42.5% in 2018). The amortisation growth of 22.1% (HRK +21.3 million) to HRK 118.0 million is a result of the earlier intensive investment cycle and the consolidation of the Hoteli Makarska and Valamar Obertauern operations.

**(iv) other costs** represented 10.6% (12.3% in 2018). The 6.9% growth (HRK +1.9 million) to HRK 29.9 million is primarily a result of consolidation of the Hoteli Makarska and Valamar Obertauern business.

<sup>13</sup> Classified according to Quarterly Financial Statements standard (TFI POD-RDG).

<sup>14</sup> Operating costs include material costs, staff costs, other costs, and other operating costs reduced by extraordinary expenses and one-off items.



**(v) provisions and value adjustments** with a HRK 71,000 decrease to HRK 957.

**(vi) other operating expenses** with a share of 1.6% (0.9% in 2018). The HRK 2.5 million increase to HRK 4.5 million is mainly a consequence of business related costs from the previous years.

## OPERATING COSTS<sup>14</sup>

Operating costs amounted to HRK 159.7 million. The reasons behind the planned 24.2% growth are found in (i) the increase of material costs (previously explained), (ii) the increase of the staff costs (previously explained) and (iii) the consolidation of Hoteli Makarska and Valamar Obertauern. The operating costs recorded a 14% growth, excluding the operations of the aforementioned companies for reasons of comparability.

## EBITDA AND EBT

The first quarter has a typically negative EBITDA which is a result of less significant seasonal operations in terms of volume. EBITDA decreased by HRK 24.9 million, recording a loss of HRK 113.7 million. The adjusted EBITDA<sup>15</sup> decreased by HRK 22.8 million to a loss of HRK 111.5 million. With regards to the last year's comparable period, the loss before taxes increased by HRK 76.4 million to HRK 252.4 million. The reasons were the lower result from the operating and financial operations (details on the next page) and increased amortisation. Operating loss increased by 24.9% to HRK 231.7 million. The Group's gross margin amounts to -500% (-422% in 2018).

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

<sup>15</sup> Adjustments were made for (i) extraordinary income (in the amount of HRK 2.5 million in 2019, and HRK 2.0 million in 2018), (ii) extraordinary expenses (in the amount of HRK 4.5 million in 2019, and HRK 1.9 million in 2018), and (iii) termination benefit costs (in the amount of HRK 0.2 million in 2019, and HRK 0.2 million in 2018).

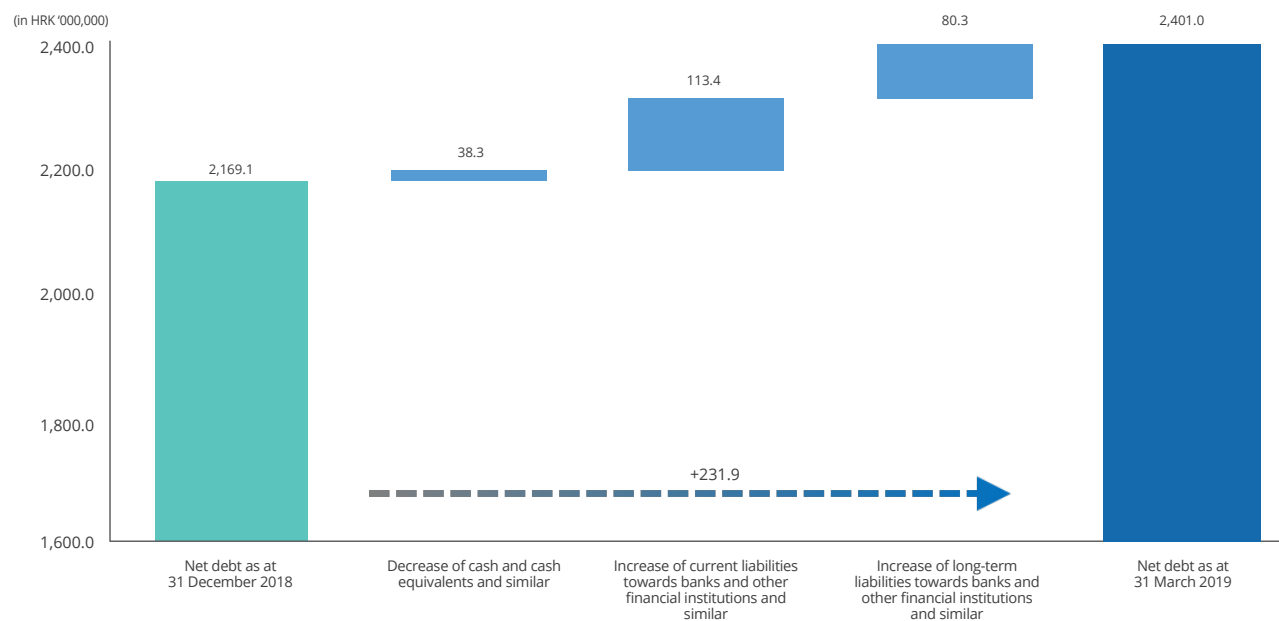
Valamar Padova Hotel 4\*, Island of Rab



## FINANCIAL RESULT

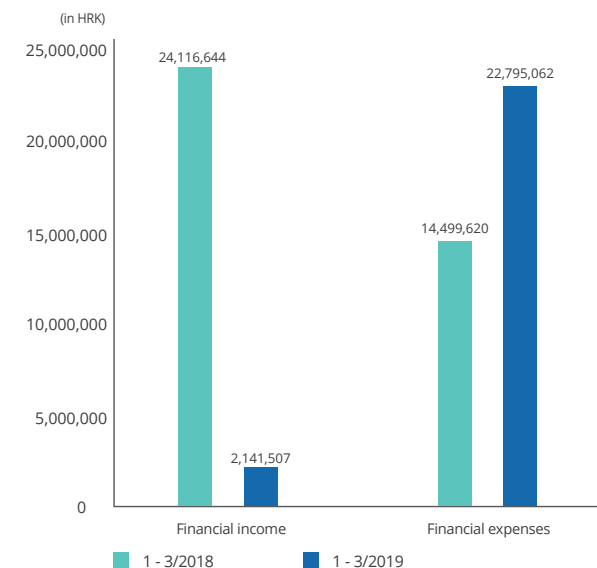
In the first quarter of 2019 the financial result amounted to HRK -20.7 million (HRK +9.6 million in 2018). The financial result, down by HRK 30.3 million compared to the previous year's comparable period, is mainly due to: (i) the decrease in positive exchange rate differences and other financial expenses by HRK 22.4 million due to the absence of unrealized positive exchange rate differences regarding long-term loans as a result of the appreciation of the Croatian kuna compared to the euro in the fourth quarter of 2018, (ii) the net effect of the HRK 1.1 million increase in financial expenses related to interest on long-term loans for financing large investments, and (iii) the increase in unrealised expenses from financial assets amounting to HRK 6.4 million, driven by spreading the scope of protection and liabilities related to the fair value of interest rate swaps.

### Net debt <sup>16</sup>



<sup>16</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.

### Financial income and expenses



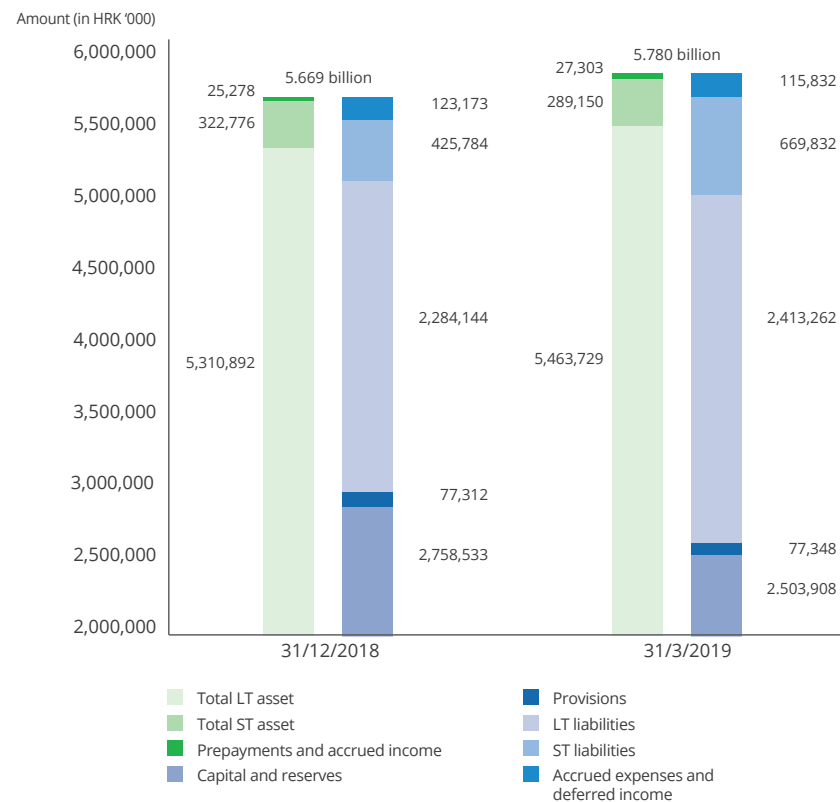
## ASSETS AND LIABILITIES

As at 31 March 2019, the total value of the Group's assets amounted to HRK 5,780.2 million, up by 2.0% compared to 31 December 2018.

Total share capital and reserves decreased by 9.2% and they amount to HRK 2,503.9 million as a result of usual loss in the year's first quarter. Total long-term liabilities grew from HRK 2,284.1 million to HRK 2,413.3 million due to loans contracted to finance this year's investment cycle. Almost the entire loan portfolio is comprised of long-term fixed interest loans or, respectively, loans hedged by a derivative instruments (IRS) for protection against interest rate risk.

Total short-term liabilities amounted to HRK 669.8 million, up by 57.3% compared to 31 December 2018. The aforementioned is mainly a result of (i) usually higher liabilities related to guests' advance payments (HRK +124.1 million), (ii) the increase in the current repayment of the long-term debt (HRK +80.4 million) and (iii) higher trade payables (HRK +43,4 million) due to the preparations for the tourist season.

### Assets and liabilities



Cash and cash equivalents as at 31 March 2019 amount to HRK 223.3 million. The contracted credit lines for investments and the strong cash potential from business activities ensure a smooth continuation of future investments and potential acquisitions.

Krk Premium Camping Resort 5\*, Island of Krk



## KEY OPERATING INDICATORS OF VALAMAR RIVIERA GROUP PER SEGMENTS<sup>17</sup>

	Total			Premium		
	1 - 3/ 2018	1 - 3/ 2019	2019/ 2018	1 - 3/ 2018	1 - 3/ 2019	2019/ 2018
Number of accommodation units	9,278	10,049	8.3%	1,418	1,662	17.2%
Accommodation units sold	64,189	53,374	-16.8%	12,640	13,861	9.7%
Overnights	104,837	93,807	-10.5%	20,694	24,085	16.4%
ADR <sup>11</sup>	354	561	58.4%	507	477	-5.8%
Board revenues (in HRK)	22,731,942	29,945,812	31.7%	6,408,910	6,616,874	3.2%

<sup>17</sup> According to the classification under the USALI international standard for reporting. According to the classification under the USALI international standard for reporting in hotel industry (Uniform System of Accounts for the Lodging Industry), Economy segment includes non-commercial segment (accommodation for employees). Business operations of Hoteli Makarska and Valamar Obertauern are not included in 2018. Puntizela - Pula business is included in destination Poreč. A detailed comparison of the new portfolio segmentation can be found on page 25.

### Total hotels and resorts

Hotels and resorts reported a HRK 7.2 million growth (+31.7%) and achieved HRK 29.9 million in board revenues. Despite the shift of Easter holidays to the second quarter, which resulted in most of the tourist properties being closed during the year's first quarter, the high increase is primarily a result of this year's consolidation of Valamar Obertauern Hotel 4\* operation.

### Premium hotels and resorts

Premium hotels and resorts recorded a 3.2% increase in board revenues that totalled HRK 6.6 million. The HRK 0.2 million growth was mostly driven by the fact that Valamar Collection Imperial Hotel 5\* was opened during the New Year.

Valamar Collection Dubrovnik President Hotel 5\*, Dubrovnik



**HOTELS AND RESORTS /  
CONTINUED**

	Upscale			Midscale			Economy		
	1 - 3/ 2018	1 - 3/ 2019	2019/ 2018	1 - 3/ 2018	1 - 3/ 2019	2019/ 2018	1 - 3/ 2018	1 - 3/ 2019	2019/ 2018
Number of accommodation units	1,986	2,046	3.0%	3,462	3,616	4.4%	2,412	2,725	13.0%
Accommodation units sold	14,267	18,950	32.8%	20,885	14,441	-30.9%	16,397	6,122	-62.7%
Overnights	27,964	36,850	31.8%	38,693	25,402	-34.3%	17,486	7,470	-57.3%
ADR <sup>11</sup>	469	879	87.3%	397	406	2.1%	81	133	63.2%
Board revenues (in HRK)	6,696,557	16,661,214	148.8%	8,294,566	5,855,935	-29.4%	1,331,909	811,789	-39.1%

**Upscale hotels and resorts**

Upscale hotels and resorts recorded HRK 16.7 million in board revenues. The strong growth of HRK 10.0 million is a result of the 36,850 overnights and the average daily rate of HRK 879. The growth was driven by this year's operations of Valamar Obertauern Hotel 4\* as part of Valamar's touristic portfolio which succeeded in recording very good winter season results. Most of the upscale hotels and resorts were closed due to later Easter holidays; the consequential negative pressures were successfully compensated by a better feedback of allotments and groups in Valamar Sanfior Casa and Hotel 4\*, as well as the M.I.C.E. channel in the Valamar Argosy Hotel 4\*.

**Midscale hotels and resorts**

The midscale segment reported HRK 5.9 million in board revenues. The HRK 2.4 million decrease is a result of being closed for business, i.e. fewer operating days in this segment. In addition to the previously mentioned Easter effect, the lower board revenues are a result of fewer operating days of the Valamar Diamant Hotel & Residence 4\* due to investment maintenance.

**Economy hotels and resorts**

Economy hotels and resorts achieved HRK 0.8 million in board revenues. The HRK 0.5 million decrease is a result of later opening dates of most properties (April).



## CAMPING RESORTS

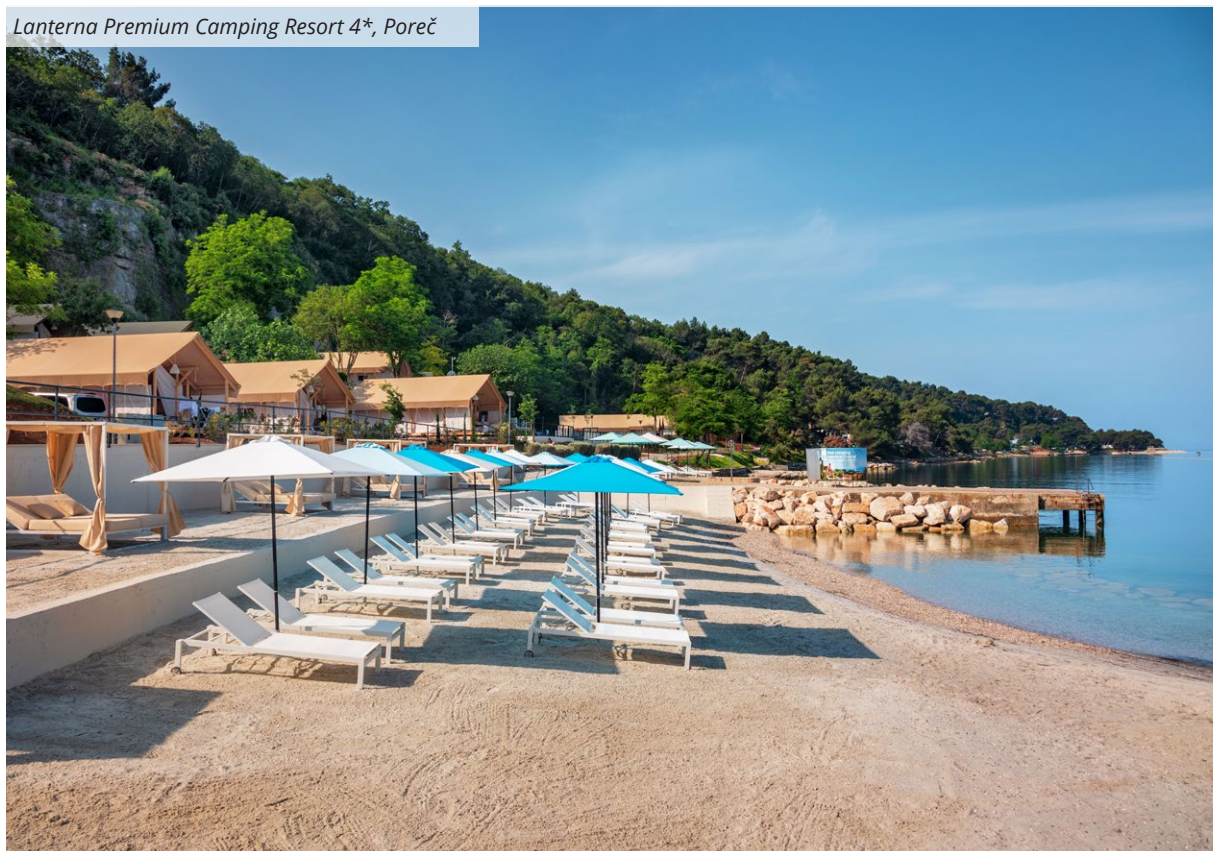
	Total		
	1 - 3/ 2018	1 - 3/ 2019	2019/ 2018
Number of accommodation units	11,370	11,217	-1.3% <sup>18</sup>
Accommodation units sold	619	4,918	694.5%
Overnights	1,246	1,404	12.7%
ADR <sup>11</sup>	951	99	-89.6%
Board revenues (in HRK)	588,800	488,534	-17.0%

<sup>18</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.

### Total camping resorts

In the first quarter, campsites in general do not provide accommodation services and their business results were primarily related to revenues driven by winter flat rates.

Lanterna Premium Camping Resort 4\*, Poreč



## KEY OPERATING INDICATORS OF VALAMAR RIVIERA GROUP PER DESTINATIONS<sup>17</sup>

DESTINATIONS	Poreč			Rabac			Krk Island		
	1 - 3/ 2018	1 - 3/ 2019	2019/ 2018	1 - 3/ 2018	1 - 3/ 2019	2019/ 2018	1 - 3/ 2018	1 - 3/ 2019	2019/ 2018
Number of accommodation units	10,596	10,426	-1.6%	2,124	2,125	0.0%	3,496	3,453	-1.2%
Accommodation units sold	29,367	21,068	-28.3%	20,370	10,133	-50.3%	572	890	55.6%
Overnights	54,680	33,926	-38.0%	26,770	19,969	-25.4%	1,096	1,730	57.8%
ADR <sup>11</sup>	428	370	-13.7%	185	413	124.0%	507	251	-50.5%
Board revenues (in HRK)	12,582,750	7,793,722	-38.1%	3,759,302	4,188,691	11.4%	289,724	223,159	-23.0%

### Destination Poreč

The destination Poreč reported HRK 7.8 million in board revenues. The HRK 4.8 million decrease is primarily a result of properties being closed, as well as fewer operating days of Valamar Diamant Hotel & Residence 4\* due to investment maintenance.

### Destination Rabac

The destination Rabac achieved HRK 4.2 million in board revenues. The growth was mostly driven by the better group and allotment feedback in the Valamar Sanfior Hotel & Casa 4\*.

### Destination Krk island

The business results of the destination Krk island (HRK 0.2 million in board revenues) were primarily related to revenues driven by the campsites' winter flat rate.

Valamar Collection Marea Suites 5\*, Poreč (visualization)



**DESTINATIONS**  
/ CONTINUED

	Rab Island			Dubrovnik			Makarska	Obertauern
	1 - 3/ 2018	1 - 3/ 2019	2019/ 2018	1 - 3/ 2018	1 - 3/ 2019	2019/ 2018	1 - 3/ 2019	1 - 3/ 2019
Number of accommodation units	2,466	2,490	1.0%	1,966	1,965	-0.1%	725	82
Accommodation units sold	1,515	4,631	205.7%	12,984	14,499	11.7%	1,332	5,739
Overnights	2,913	495	-83.0%	20,624	24,075	16.7%	2,279	12,737
ADR <sup>11</sup>	537	81	-84.9%	453	466	3.1%	325	1,857
Board revenues (in HRK)	813,644	376,487	-53.7%	5,875,322	6,762,674	15.1%	433,507	10,656,106

**Destination Rab island**

The HRK 0.4 million decrease in board revenues of the destination island of Rab to HRK 0.4 million is primarily a result of the Valamar Padova Hotel 4\* being closed.

**Destination Dubrovnik**

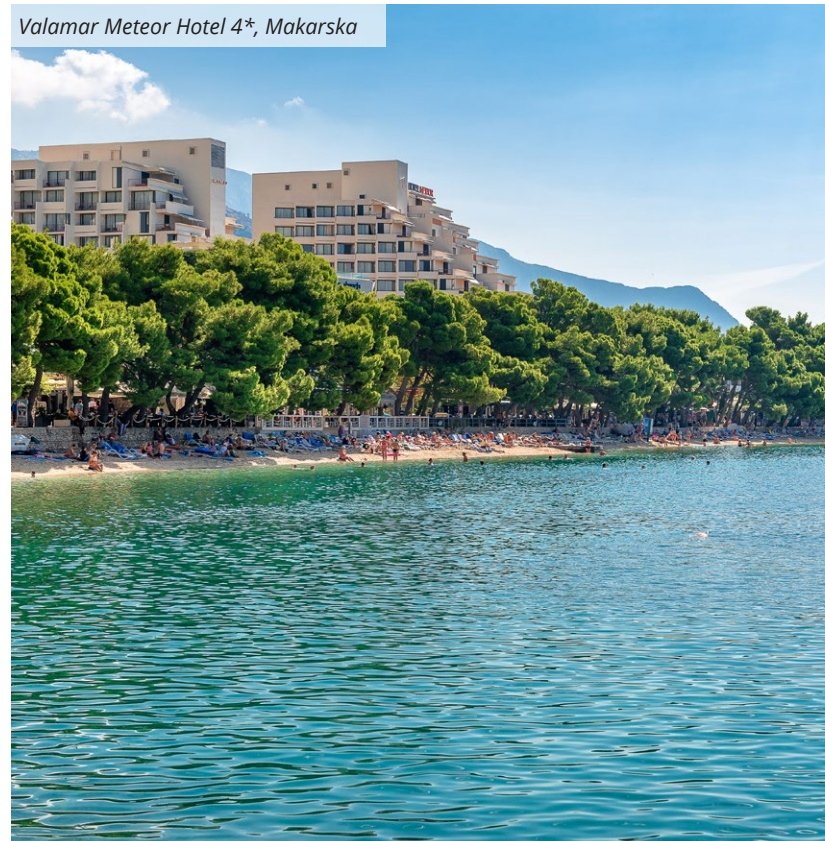
The destination Dubrovnik achieved HRK 6.8 million in board revenues. The growth was mostly driven by the better M.I.C.E. segment feedback in the Valamar Argosy Hotel 4\*.

**Destination Makarska**

The achieved HRK 0.4 million in board revenues at the destination Makarska is a result of the Valamar Meteor Hotel 4\* operations.

**Destination Obertauern**

The winter tourist destination Obertauern recorded a solid HRK 10.7 million in board revenues.



Valamar Meteor Hotel 4\*, Makarska



## HOTELS AND RESORTS OVERVIEW

	Categorization		Segment		Destination
	2018	2019	2018	2019	
Valamar Collection Dubrovnik President Hotel	*****	*****	Premium	Premium	Dubrovnik
Valamar Collection Isabella Island Resort	**** / *****	**** / *****	Premium	Premium	Poreč
Valamar Collection Girandella Resort	*****	*****	Premium	Premium	Rabac
Valamar Collection Imperial Hotel	****	****	Premium	Premium	Rab Island
Valamar Collection Marea Suites	-	*****	-	Premium	Poreč
Valamar Lacroma Dubrovnik Hotel	*****+	*****+	Premium	Premium	Dubrovnik
Valamar Tamaris Resort	****	****	Upscale	Upscale	Poreč
Valamar Riviera Hotel & Residence	****	****	Upscale	Upscale	Poreč
Valamar Zagreb Hotel	****	****	Upscale	Upscale	Poreč
Valamar Sanflor Hotel & Casa	****	****	Upscale	Upscale	Rabac
Valamar Argosy Hotel	****	****	Upscale	Upscale	Dubrovnik
Valamar Padova Hotel	****	****	Upscale	Upscale	Rab Island
TUI Family Life Bellevue Resort	****	****	Upscale	Upscale	Rabac
TUI Sensimar Carolina Resort by Valamar	****	****	Midscale	Upscale	Rab Island
Valamar Obertauern Hotel	****	****	Midscale	Upscale	Obertauern, Austria
Valamar Diamant Hotel & Residence	*** / *****	*** / *****	Midscale	Midscale	Poreč
Valamar Crystal Hotel	****	****	Midscale	Midscale	Poreč
Valamar Pinia Hotel	***	***	Midscale	Midscale	Poreč
Rubin Sunny Hotel	***	***	Midscale	Midscale	Poreč
Allegro Sunny Hotel & Residence	***	***	Midscale	Midscale	Rabac
Miramar Sunny Hotel & Residence	***	***	Midscale	Midscale	Rabac
Corinthia Baška Sunny Hotel	***	***	Midscale	Midscale	Krk Island
Valamar Atrium Baška Residence	**** / *****	**** / *****	Midscale	Midscale	Krk Island
Valamar Zvonimir Hotel & Villa Adria	****	****	Midscale	Midscale	Krk Island
Valamar Koralj Hotel	***	***	Midscale	Midscale	Krk Island
Valamar Club Dubrovnik Hotel	***	***	Midscale	Midscale	Dubrovnik
San Marino Sunny Resort	***	***	Midscale	Midscale	Rab Island
Valamar Meteor Hotel	****	****	Midscale	Midscale	Makarska
Dalmacija Sunny Hotel	***	***	Midscale	Midscale	Makarska
Pical Sunny Hotel	**	**	Economy	Economy	Poreč
Tirena Sunny Hotel	***	***	Economy	Economy	Dubrovnik
Lanterna Sunny Resort	**	**	Economy	Economy	Poreč
Eva Sunny Hotel & Residence	**	**	Economy	Economy	Rab Island
Rivijera Sunny Resort	**	**	Economy	Economy	Makarska

## CAMPING RESORTS OVERVIEW

	Categorization		Segment		Destination
	2018	2019	2018	2019	
Istra Premium Camping Resort	**	*****	Economy	Premium	Poreč
Krk Premium Camping Resort	*****	*****	Premium	Premium	Krk Island
Ježevac Premium Camping Resort	****	****	Premium	Premium	Krk Island
Lanterna Premium Camping Resort	****	****	Premium	Premium	Poreč
Padova Premium Camping Resort	***	****	Midscale	Premium	Rab Island
Marina Camping Resort	****	****	Upscale	Upscale	Rabac
Bunculuka Camping Resort	****	****	Upscale	Upscale	Krk Island
Baška Beach Camping Resort	****	****	Upscale	Upscale	Krk Island
San Marino Camping Resort	****	****	Upscale	Upscale	Rab Island
Orsera Camping Resort	***	***	Midscale	Midscale	Poreč
Solaris Camping Resort	***	***	Midscale	Midscale	Poreč
Škrila Sunny Camping	***	***	Midscale	Midscale	Krk Island
Solitude Sunny Camping	***	***	Midscale	Midscale	Dubrovnik
Brioni Sunny Camping	**	**	Economy	Economy	Pula - Puntičžela
Tunarica Sunny Camping	**	**	Economy	Economy	Rabac

51%  
OF  
ACCOMMODATION  
UNITS IS IN THE  
PREMIUM AND  
UPSCALE SEGMENT

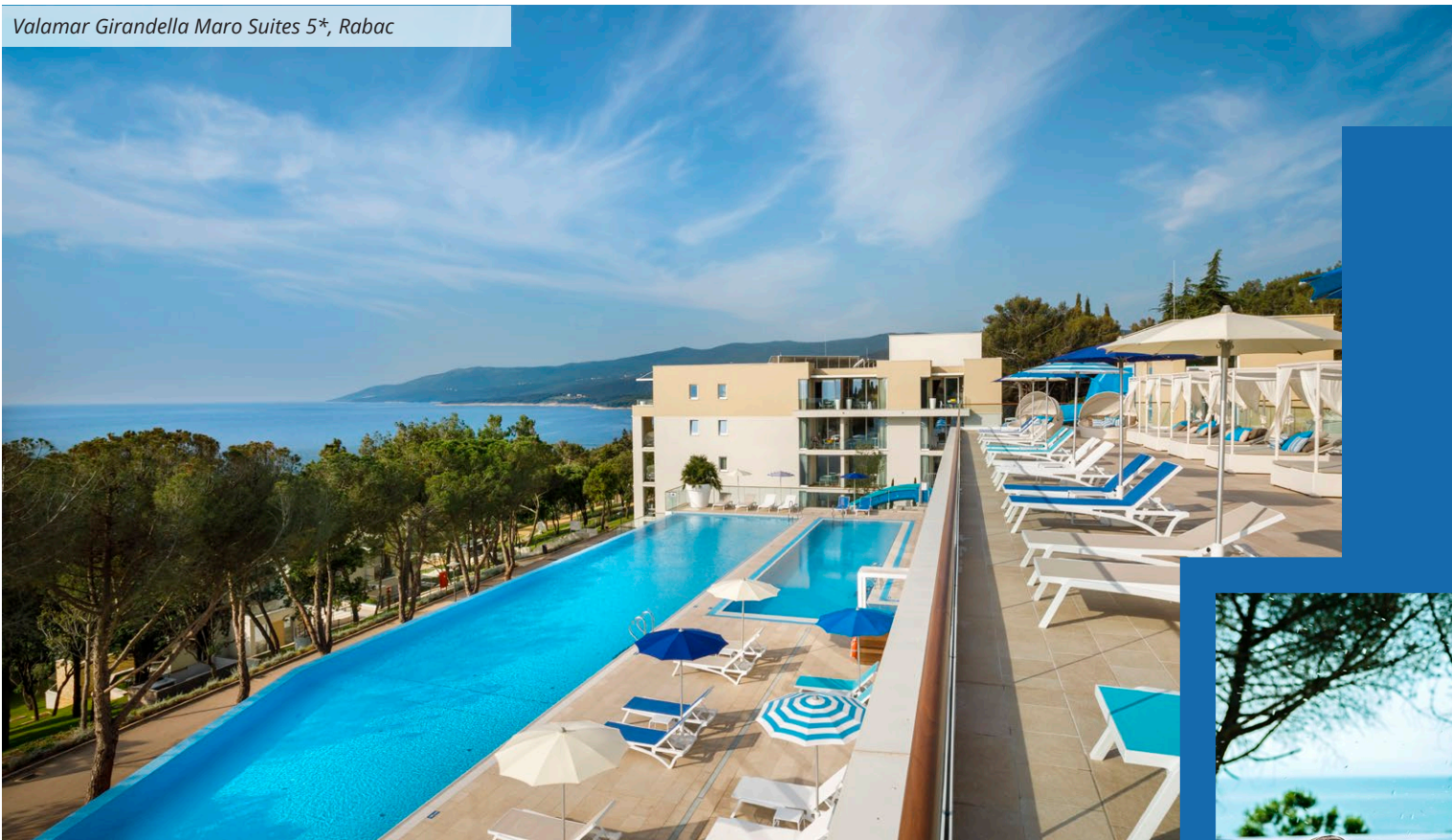
Over the years Valamar Riviera has consolidated its portfolio in order to clearly differentiate, develop and reposition its hospitality products. A precise definition of market segments, the innovative development of service concepts, active brand management, profitability increase and return-on-investment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

Valamar Girandella Maro Suites 5\*, Rabac



# Results of the Company

Total revenues decreased by HRK 20.7 million (-32%) in the first quarter of 2019, to HRK 43.7 million. Total sales revenues amounted to HRK 38.5 million with an 88% share in total revenues (61% in 2018). They decreased by 1.2%, i.e. by HRK 0.5 million compared to the same period last year. Sales revenues between the Group undertakings were HRK 6.9 million (HRK 3.5 million in 2018) and they mainly represented the management fee for Imperial's properties, Hotel Makarska and Valamar Obertauern. Sales revenues outside the Group amounted to HRK 31.5 million (HRK 35.5 million in 2018). Domestic sales revenues amounted to HRK 20.6 million, i.e. 47% of total revenues (25% in 2018), up by 28% in relation to the previous comparable period. International sales revenues amounted to HRK 17.9 million and represented 41% of total revenues (36% in 2018). They fell by 22% compared to the previous comparable period. Other operating revenues represent 8% of total revenues (4% in 2018) and they increased by 22% to HRK 3.3 million. Other operating and financial income represented 12% of total revenues (40% in 2018).

Material costs totalled HRK 42.8 million with the same share in total operating revenues as in the previous comparable period (18%). The HRK 5.2 million increase is primarily a result of (i) the increase of the energy consumption costs (electricity and waste disposal), (ii) dynamics regarding maintenance costs which occurred earlier compared to last year and (iii) the increased advertising and marketing costs. Staff costs amount to HRK 71.2 million with a share of 30% of operating revenues (28% in 2018). They increased by HRK 12.2 million compared to the same period last year. This was mainly due to (i) new policy of monthly provisioning of employees' annual leave hours and (ii) ensuring competitive salaries and other material and non-material working conditions (a total payrolls increase of 4% since June 2018) and hiring new staff to ensure quality services in the new Premium and Upscale products. The amortisation represented 40% of operating expenses (40% in 2018) and totalled HRK 95.6 million (HRK 84,5 million in 2018). The 13% growth is the result of the earlier large investment cycle that had been carried out. Other costs totalled HRK 27.2 million with a 3% increase. Value adjustments and provisions amounted to HRK 958. Other operating expenses amounted to HRK 3.9 million and they are higher by HRK 2.1 million, mainly as a result of business related costs from the previous years.

In the first quarter of 2019, the financial income amounted to HRK 1.9 million, HRK 20.8 million less compared to the last year's comparable period. The biggest individual item of the decrease are foreign exchange rate differences and other financial income, down by HRK 21.1 million due to the absence of unrealized positive exchange rate differences on long-term loans as a consequence of the appreciation of the Croatian kuna compared to the euro in the fourth quarter of 2018. The highest individual growth has been reported in other financial income in the amount of HRK 0.5 million. Unrealised gains from financial assets fell by HRK 0.3 million, mainly due to a lower positive fair value of FX forwards compared to last year.

Valamar Collection Girandella Resort 4\*/5\*, Rabac



The Company's financial expenses amounted to HRK 21.0 million and they are HRK 8.1 million higher compared to the amount from the previous comparable period. The highest individual growth in the amount of HRK 6.4 million has been reported on unrealised losses (expenses) from the financial assets due to the spreading of the scope of protection and increasing liabilities related to the fair value of interest rate swaps. Exchange rate differences and other expenses recorded an increase of HRK 1.0 million due to the appreciation of the Croatian kuna compared to the euro in the fourth quarter of 2018. Financial expenses related to interest and similar expenses were increased by HRK 0.5 million and they amount to HRK 10.9 million. Other financial expenses amount to HRK 0.5 million.

With regards to the last year's comparable period, the loss before taxes was increased by HRK 60.1 million to HRK 218.0 million due to increased

amortisation and the lower result from the operating and financial operations. Operating loss increased by 19% to HRK 199.0 million. The Company's gross margin was -522% (-379% in 2018).

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

As at 31 March 2019, the total Company assets amounted to HRK 5,101.4 million, an increase of 2% compared to 31 December 2018.

Valamar Collection Isabella Island Resort 4\*/5\*, Poreč



Istra Premium Camping Resort 5\*, Poreč (construction site)



# 2019 Investments

The focus of Valamar Group's 2019 investment projects is on portfolio repositioning towards products and services with high added value. Total investments in all Valamar's destinations reached over HRK 790 million.<sup>19</sup> The development strategy for products and amenities contains ambitious plans for an innovative enhancement of Valamar's offer, with a focus on the upscale and premium sections of the portfolio, both in the hotel and resort segment as well as in the camping resort segment. The development of Valamar's service concepts is a continuous process, which will keep being focused, year after year, on aligning the supply with the most recent market demands, primarily the guests' demands and expectations. We will keep investing in our signature programmes, such as V Level, Maro Holiday, Designed for Adults, V Sport, Stay Fit, Music and Fun, Camping Piazza and others.

Out of the HRK 636 million within the Valamar Riviera's investment cycle, we would like to highlight the investments in camping Istra, which will become the largest 5\* camping in Croatia next season, opening of the luxury family hotel Valamar Collection Marea Suites 5\* in Poreč, as well as investing in the further improvement of accommodation, products and services in the Lanterna Premium Camping Resort 4\* and Ježevac Premium Camping Resort 5\* . Large investments in accommodation for seasonal employees will be continued in line with Valamar's strategic goals.

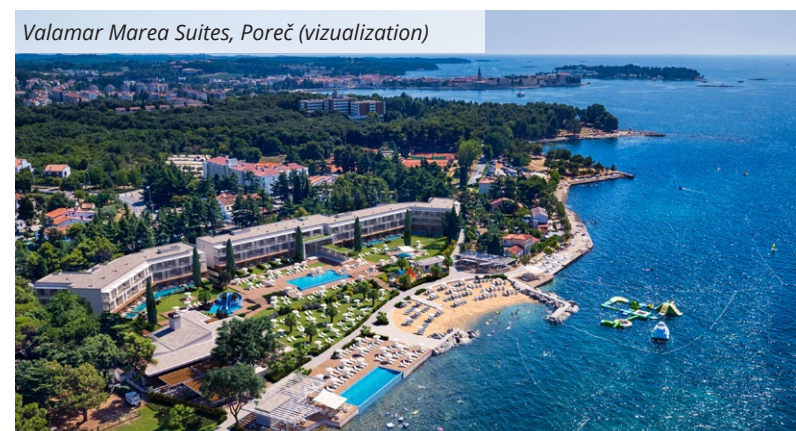
Istra Sunny Camping 2\* in Funtana started its second phase of investments in autumn 2018. This summer Valamar's guests will be able to enjoy a highly decorated camping resort - Istra Premium Camping Resort 5\*. The guests will be more than delighted when they discover a large family water park Aquamar, spreading over 1,000m<sup>2</sup> of water areas with a wide range of slides and water attractions, a large entertainment arena with a cinema, stage, children's clubs and playrooms as well as Super Maro children's programmes. The offer will also include one of the best decorated Valamar beaches, Piazza market, restaurants, bars, sport and recreation zone V Sport Park, Terra Magica adventure miniature golf, numerous children's playgrounds, as well as new camping parcels (83), new glamping tents (9), a variety of new mobile homes (135) and new luxury mobile homes (4) with private pools. Istra Premium Camping Resort 5\* with 826 accommodation units will be a top-class resort with a wide range of amenities and excellent service.

793  
MILLION HRK  
2019 GROUP'S  
INVESTMENT CYCLE  
IS BEING FINALIZED

Construction works are also being finalized at the new Valamar Collection Marea Suites 5\* in the Borik area of Poreč, at the location of the current Pinia Sunny Residence by Valamar. Valamar is thereby continuing its development of the Borik zone, through accommodation and amenities with added value; 100 new vacancies are set to become available due to the subject investment. Valamar Collection Marea Suites 5\* has been designed for families with children, where the guests will have an opportunity to enjoy V level service, luxury suites ranging from 32 to 56 square metres in size and a sea view (108 rooms), more than 200 square metres of appealing pools, Val Marea Sandy Family sandy beach, restaurants, sport facilities and Maro amenities for children of all ages. Special attention is being paid to horticultural decoration and planting new trees, vegetation and decorative plants native to the Istrian climate.

At the Lanterna Premium Camping Resort 4\*, Valamar Riviera's largest camping, we are developing the premium segment by installing new mobile homes with a sea view (12) at the Marbello zone, by arranging three camping zones where the guests will be able to enjoy in new mobile homes (136), and by repositioning a part of the existing parcels. We are also arranging the beaches at Tarska vala by reconstructing the sanitation facilities and adding more water areas to the family aquapark, as well as other works aimed at upgrading the service and amenities quality.

<sup>19</sup> A portion already recorded in 2018.



The investments on the island of Krk are focused on raising the quality and accommodation offer at the Ježevac Premium Camping Resort 4\*. The high added value of the camping amenities is being further enhanced by new mobile homes (23) in the Lungomare zone, as well as by replacing the existing homes with new ones (20) and expanding the capacity of the camping resort to a total of 661 units. Upon opening guests will be able to enjoy a new central market, while the upgraded amenities for families with children will include Maro club and new children's playgrounds.

HRK 140 million of 2019 investments on the island of Rab represent Imperial's largest investment cycle in the last ten years. Along with numerous projects aimed at improving the quality of services for the guests, the major focus of the new investments is on the reconstruction and repositioning of Valamar Carolina Hotel & Villas 4\* and the further upgrade of Padova Camping Resort 3\* toward the upscale and premium segments by continuing the upgrading of accommodation facilities and investing in additional amenities.

140  
MILLION HRK  
IMPERIAL'S  
INVESTMENTS  
REPRESENT  
ITS LARGEST  
INVESTMENT CYCLE  
IN THE LAST TEN  
YEARS

The investments in Valamar Carolina Hotel & Villas 4\* are aimed at increasing the capacity (from 152 to 174 rooms), improving the quality of accommodation and services (existing restaurant, lobby bar, public spaces, new adult swimming pool, and wellness and fitness zones) which will make possible the partnership with the TUI Sensimar brand. Valamar Padova Hotel 4\* is welcoming the 2019 tourist season as a family offer hotel. Additional projects are being carried out with the aim of improving energy efficiency by implementing solar heating systems, efficient heat pumps and other.

HRK 17 million worth of investments in Makarska were primarily aimed at improving the quality and amenities of Meteor Hotel, which continues its business under the Valamar Hotels & Resorts brand.

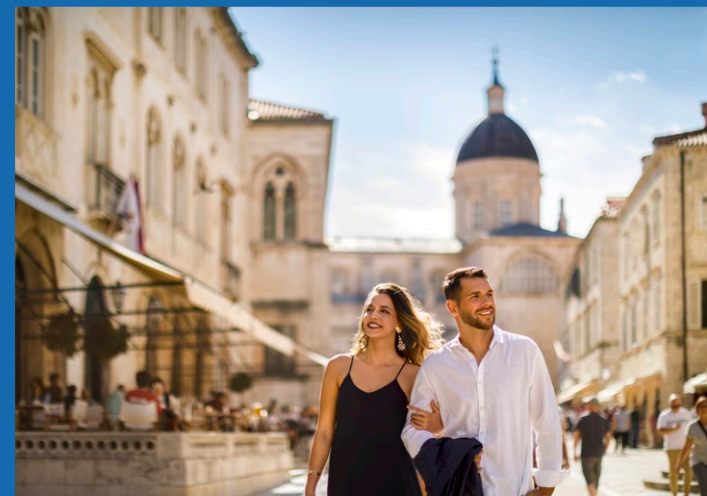
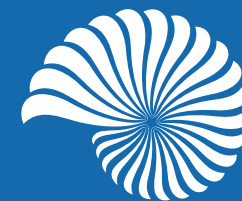
As stated in our strategic goals, by continuously raising the quality of the portfolio properties and services, we create added value both for our guests and all company stakeholders. However, numerous factors reduce the competitiveness of Croatian tourism and hinder further investment potential: VAT (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.

Valamar Collection Marea Suites 5\*, Poreč (construction site)





Dubrovnik destination



# 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.

## 5

### KEY STEPS IN RISK MANAGEMENT PROCESS

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.

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;

Valamar Zagreb Hotel 4\*, Poreč



- 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. Credit lines in 2019 were arranged with reputable financial institutions. The repayment of the major credit lines coincides with periods of strong cash inflows from operations. The Company and Group monitor the level of available funds through daily cash and debt reports. Long-term cash flow forecasts as well as annual (monthly) forecasts are based on the set budget. After meeting the needs of working capital management the surplus is deposited in the treasury. From there the funds are invested in interest-bearing current accounts, time deposits, money market deposit accounts and marketable securities. Only instruments with suitable maturities and sufficient liquidity are selected, according to the forecast needs for liquid funds.

## 6) Share-related risks

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

### BUSINESS RISK

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

Over 95% of Valamar Riviera's guests come from other countries and they are very careful when choosing their vacation destination in the competitive Mediterranean environment. Stable domicile countries macroeconomic indicators are important decision-making factors especially those relating to exchange rates and the price of goods and services because they directly affect the guests' purchasing power. However small, the share of domestic guests is also important; it is a

segment directly influenced by various other macroeconomic indicators: employment/ unemployment rate, GNP rise/fall, industrial production and others. They all have a direct impact not only on the purchasing power of Croatian residents but they also determine whether they will choose to spend their vacation on the Adriatic.

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

Good management of human resources is vital for the future growth of the Company and Group. Risks related to shortages of specific skills, expertise and jobs are connected with the opening and expansion of the labor market. Valamar Riviera is one of the largest and most desirable employers in tourism. The active approach towards HR management develops key talents and supports investments in training opportunities. We determine the needs for new skills and expertise by following emerging global trends in tourism. In this way, we are able to respond to challenges effectively. Through a continual dialogue with our social partners, we have ensured a high level of workers' rights in terms of competitive salaries, reward systems, career development, employees' wellbeing and cooperation with training institutions from all parts of Croatia.

## OPERATIONAL RISKS

Operational risks are risks connected with direct or indirect losses that arise from inadequate or wrong internal or external processes within the Company and the Group. They include the creation and analysis of financial reporting data (also known as “financial reporting risk”) and also the potential insufficient and inadequate internal and external information sharing. When implementing the system of operational risk management, the Company and Group focused on its continuity and complexity due to the size of the organization. The benefits of the system include i) defining and identifying the Company and Group risk profile in relation to the operating risk ii) identifying and managing the known risk occurrences in order to decrease the Company and Group costs and iii) data analysis which indicates the business trends for the Company and Group and trends in the domestic economy. The Company and Group are aware of the reliability of IT business solutions and safety in the cyber world. Hence, they continually upgrade, develop and implement new technologies in everyday business operations. A special focus is given to providing sufficient resources for the development and implementation of new technologies related to ICT, data protection, and upgrade of the current business systems and implementation of new ones.

## GLOBAL RISKS

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

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

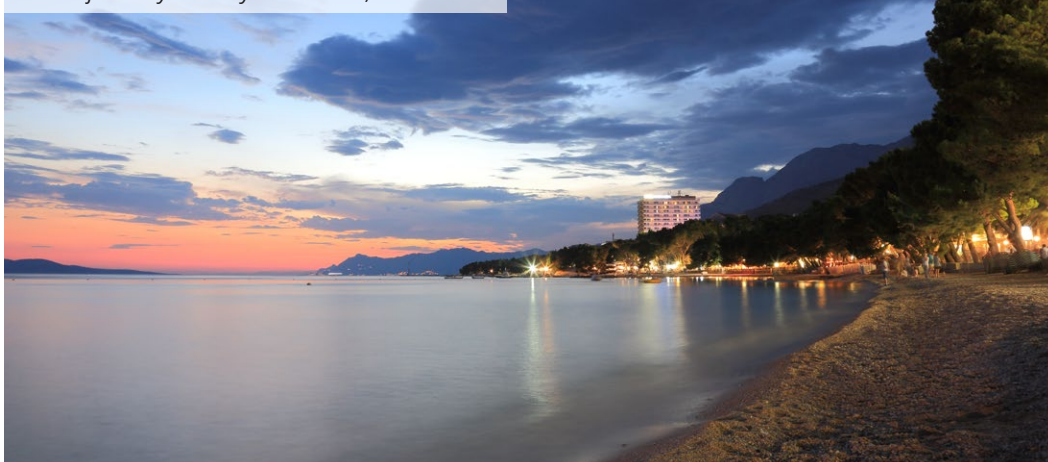
Environmental risks can also have an adverse effect on the Company and Group’s business results, primarily in terms of customer satisfaction with the whole experience while staying at one of Valamar’s properties and this can affect the number of arrivals. The possible risks can include: sea pollution (caused by oil or chemical spillage), but also long-term water quality reduction and coast pollution due to inadequate waste disposal and waste water treatment as well as extensive use of agricultural fertilizers. Other environmental conditions typical for climate changes such as long drought periods or long rainy periods can directly influence the guests’ length of stay in the hotels and campsites as well as increasing the operating costs. A number of other natural disasters and calamities (earthquakes, fires, floods and rainstorms), air pollution caused by toxic gas emissions from industrial plants and vehicles, as well as excessive urbanization and the introduction of invasive species should also be taken into consideration.

## COMPLIANCE RISKS

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

- In March 2012 the standard VAT rate grew from 23% to 25%, in January 2013 a new 10% VAT rate was introduced only to be replaced within a year by a 13% VAT rate applicable to the tourism and hospitality

Dalmacija Sunny Hotel by Valamar 3\*, Makarska



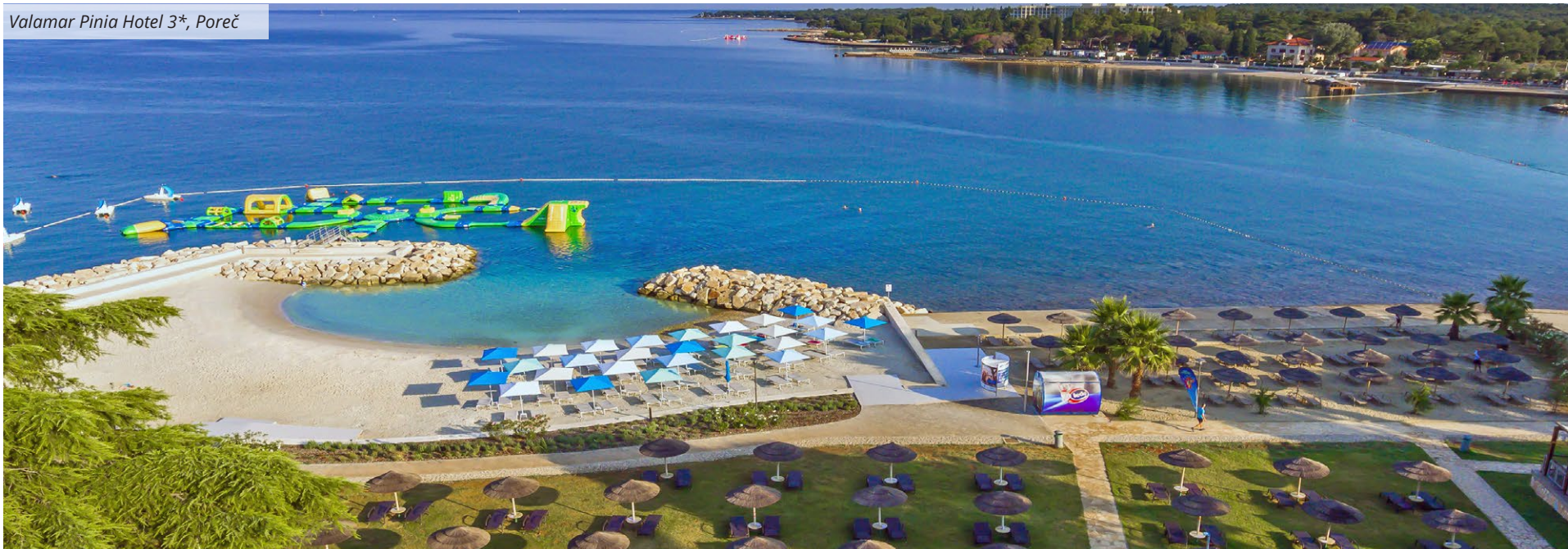
industry (January 2014), while in January 2017 a new 25% VAT rate was introduced for F&B (a la carte) services;

- 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, waste disposal 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).

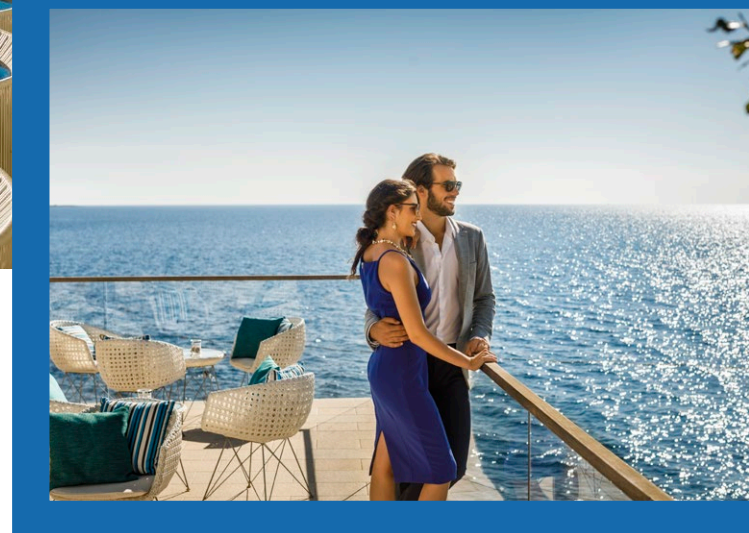
Such frequent changes in laws regulating taxes and parafiscal charges often take place only after the business policy and budget for the next financial year have been approved and commercial terms and conditions with partners agreed. All this jeopardizes the Company and Group financial position and future 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.

Valamar Pinia Hotel 3\*, Poreč



Valamar Collection Isabella Island Resort 4\*/5\*, Poreč



# 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 Share" section.

2.64%

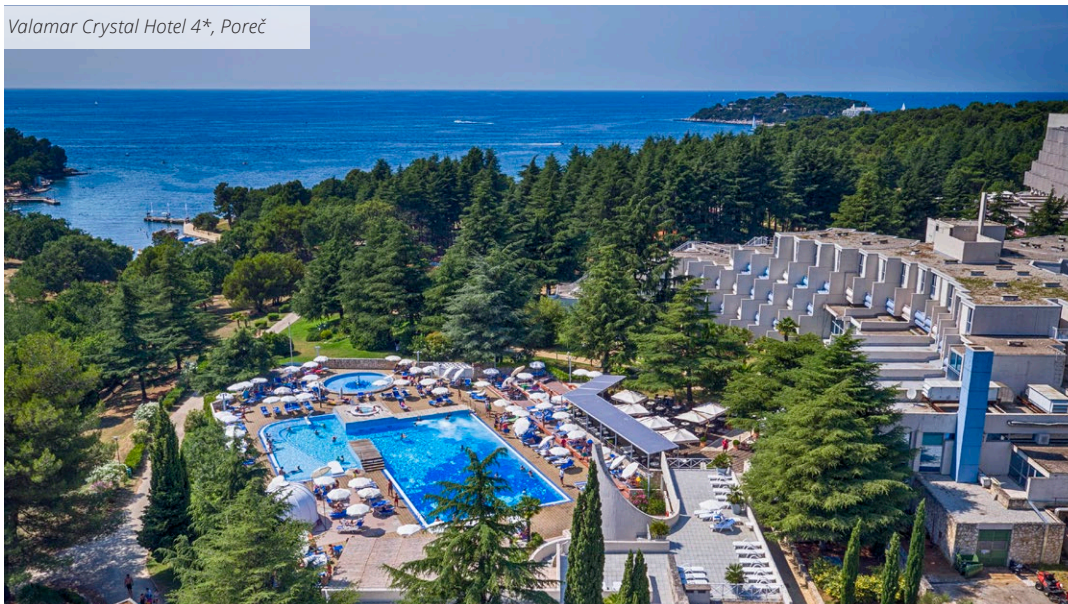
OF THE SHARE  
CAPITAL RELATES TO  
TREASURY SHARES  
(AT THE TIME  
OF QUARTERLY  
FINANCIAL  
STATEMENTS  
PUBLISHING)

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. 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 may acquire treasury shares based on and under the conditions stipulated by the decision of the Main Assembly on Share Buyback of 17 November 2014. The Company does not have a share-buyback programme or an employee share ownership plan. The Company holds and acquires treasury shares as a form of rewarding the Management and key managers pursuant to the Company acts on the long-term reward plan and for the purpose of dividend payout in rights - Company share to the equity holders. The Company publicly disclosed each acquisition and disposal of treasury shares during 2019.

Valamar Crystal Hotel 4\*, Poreč





## 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: Ines Damjanić Šturman, 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, and members: Mr. Franz Lanschützer and Mr. Mladen Markoč.

**Audit Committee:** Mr. Georg Eltz - Chairman, and members: Mr. Franz Lanschützer, Mr. Mladen Markoč, Mr. Vicko Ferić, Mr. Gustav Wurmböck and Mr. Hans Dominik Turnovszky.

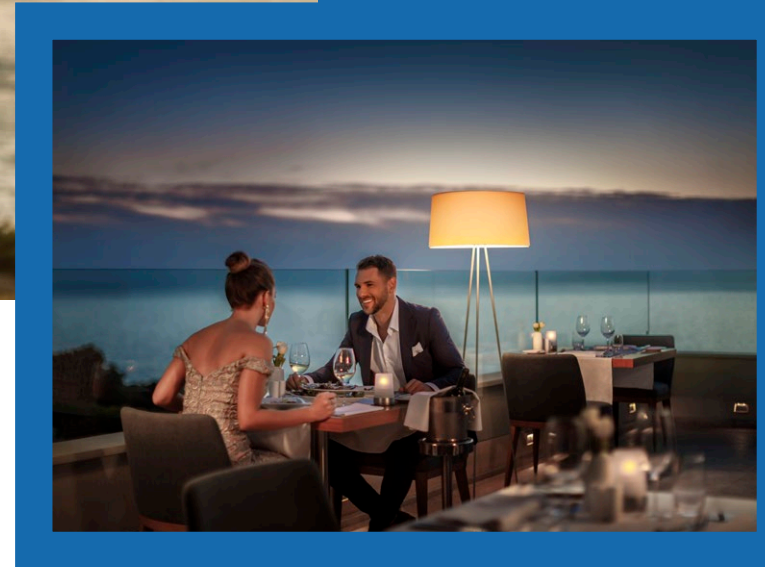
**Investment Committee:** Mr. Franz Lanschützer - Chairman and members: Mr. Georg Eltz, Mr. Vicko Ferić, Mr. Hans Dominik Turnovszky, and Mr. Gustav Wurmböck.

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

Valamar Diamant Hotel & Residence 4\*, Poreč



Valamar Collection Dubrovnik President Hotel 5\*, Dubrovnik



# Related-party Transactions & Branch Offices

## 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 5.3 million<sup>20</sup> (2018: HRK 2.9 million) for the Company, and HRK 340 (2018: HRK 274) for the Group. Costs were HRK 234 thousand (2018: HRK 68 thousand) for the Company, and HRK 58 thousand for the Group (2018: none).

As at 31 March 2019, related-party receivables and payables were as follows: receivables totaled HRK 53.0 million<sup>21</sup> for the Company (year-end 2018: HRK 1.9 million), and none for the Group (year-end 2018: none). Payables totaled HRK 152 thousand (year-end 2018: HRK 304 thousand) for the Company, and HRK 42 thousand for the Group (year-end 2018: HRK 52 thousand).

<sup>20</sup> The most part represents the fee regarding the management of Imperial's, Hoteli Makarska's and Valamar Obertauern's properties and services. The implementation of the Management contract started on 4 January 2017, 1 August 2018 and 1 February 2019, respectively

<sup>21</sup> For the most part refers to the short-term loan to Imperial d.d.

## 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 offices on Rab Island and in Makarska to increase the efficiency and streamline the management of operations as determined by the provisions of the concluded Hotel management contracts with Imperial d.d. and Hoteli Makarska d.d.

Istra Premium Camping Resort 5\*, Poreč (visualization)

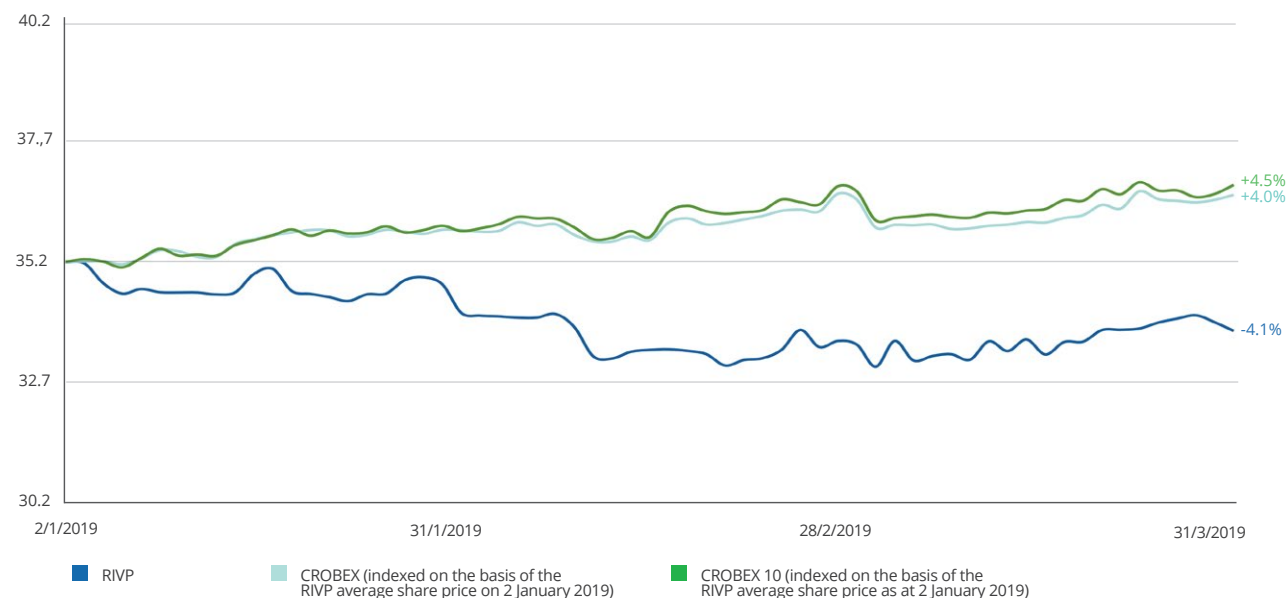


# Valamar Share

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

Average RIVP share price

(in HRK)



In the period between 1 January 2019 and 31 March 2019, Valamar Riviera acquired 209,467 treasury shares at the total acquisition cost of HRK 7,026,577, representing 0.17% of the share capital. As at 31 March 2019, the Company held a total of 3,332,071 treasury shares or 2.64% of the share capital.

During the first three months of 2019, the highest achieved share price in regular trading on the regulated market was HRK 36.70, while the lowest was HRK 32.60. Despite Valamar Riviera's solid fundamentals, its share price decreased by 4% in the reviewed period. In the period between 1 January 2019 and 31 March 2019 Valamar Riviera was the second most traded share on

the Zagreb Stock Exchange with the average regular turnover of HRK 0.7 million per day<sup>22</sup>.

Apart from the Zagreb Stock Exchange indices, the share is also part of the Vienna Stock Exchange indices (CROX<sup>23</sup> and SETX<sup>24</sup>), the regional SEE Link indices (SEELinX and SEELinX EWI)<sup>25</sup> and the world's MSCI Frontier Markets Index. 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 34.6%<sup>26</sup>.

<sup>22</sup> Block transactions are excluded from the calculation.

<sup>23</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>24</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>25</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>26</sup> Block transactions are excluded from the calculation. Data refers to the period 1/1 - 31/3/2019.

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 2019 meetings were held on NASDAQ in New York, London Stock Exchange and Raiffeisen Centrobank investors conference in Zürs. During the second quarter of 2019 we are participating at the Citi bank investor conference in London (May), Zagreb and Ljubljana Stock Exchange investor conference in Zagreb (May), Erste Consumer Conference 2019 in Warsaw (June), as well as roadshows in other European financial centers. Valamar Riviera will continue with this active approach to grow further

2<sup>nd</sup>  
MOST ACTIVE  
TRADED SHARE  
ON ZAGREB STOCK  
EXCHANGE

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 CEE region.

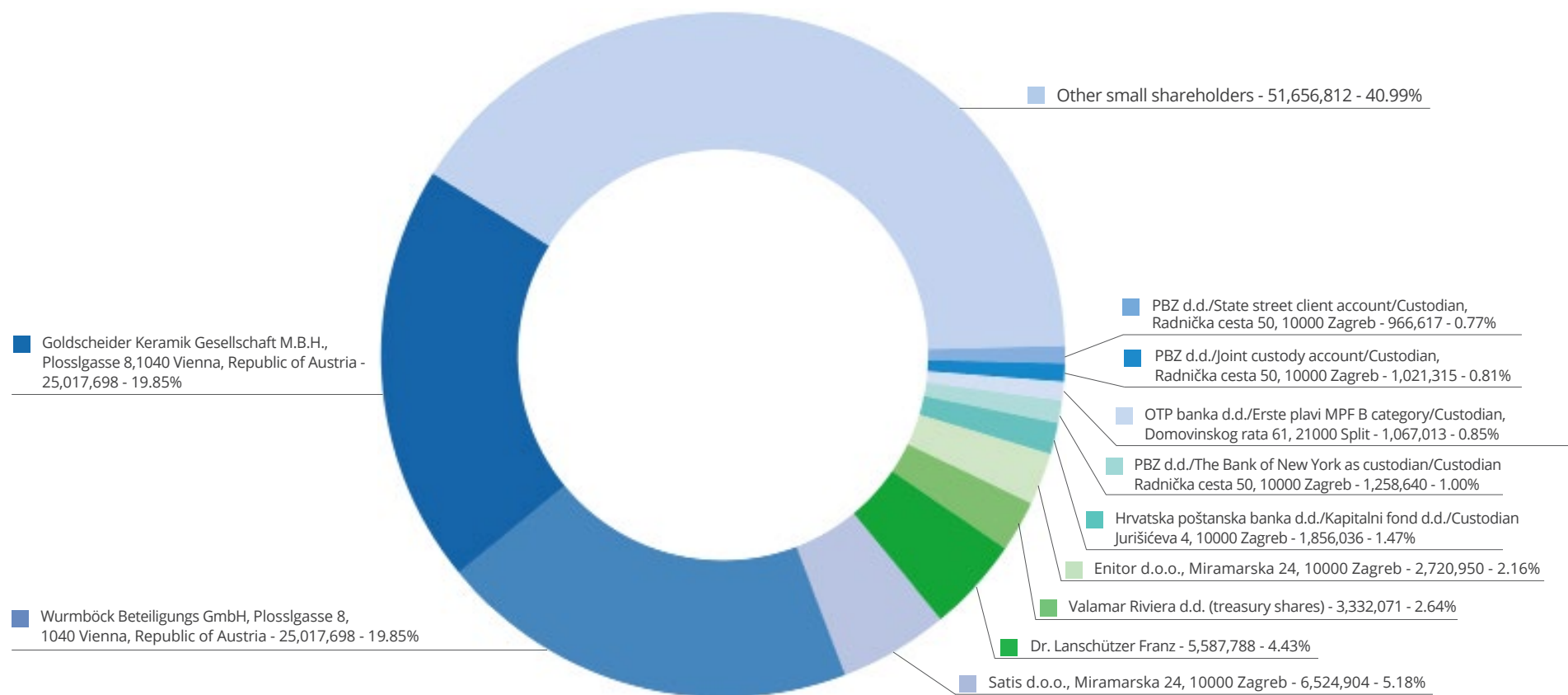
The analytical coverage of Valamar Riviera is provided by:

- 1) ERSTE bank d.d., Zagreb;
- 2) Interkapital vrijednosni papiri d.o.o., Zagreb;
- 3) Raiffeisenbank Austria d.d., Zagreb.

Lanterna Premium Camping Resort 4\*, Poreč (visualization)



## OVERVIEW OF MAJOR SHAREHOLDERS AS AT 31 MARCH 2019:

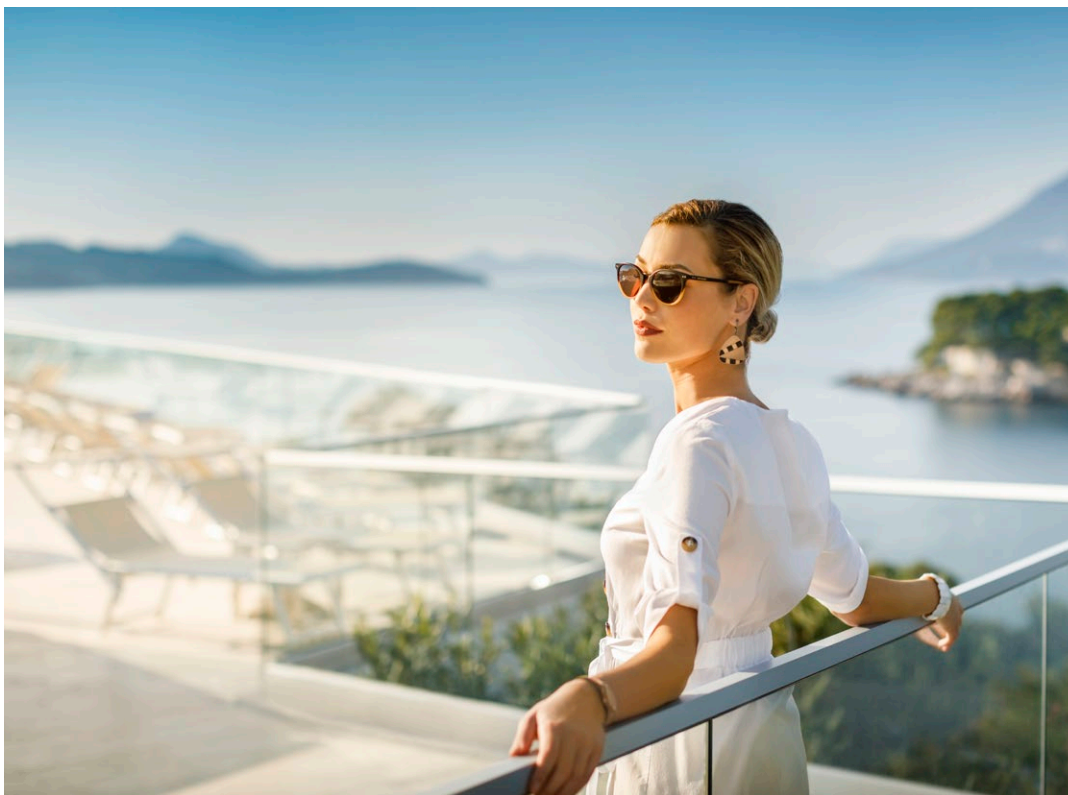



Padova Premium Camping Resort 4\*, Island of Rab (visualization)



# Additional Information





 *The 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.*

## ADDITIONAL INFORMATION

As one of the largest employers in Croatia (as at 31 March 2019, the Group employed 3,550 people of which 1,730 were permanent employees; the Company employed 3,090 people of which 1,488 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 and employees' performance measurement, rewarding systems, opportunities for career advancement, investment in employees' development and encouraging two-way communication.

In the course of the first quarter of 2019 the Company's Management Board managed and represented the company pursuant to regulations and the provisions of the Company Statute, 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 first quarter of 2019 were adopted by the by the Management Board on 29 April 2019.

The 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

# RESPONSIBILITY FOR THE QUARTERLY FINANCIAL STATEMENTS

In Poreč, 29 April 2019

In accordance with provisions of Law on Capital Market, Marko Čižmek, Management board member responsible for finance, treasury and IT business as well as relations with institutional investors and Ljubica Grbac director of Department of Finance and Accounting, procurator and person responsible for finance and accounting, together as persons responsible for the preparation of quarterly financial reports of the 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 consolidated and unconsolidated financial statements for the first quarter of 2019 are prepared in accordance with applicable standards of financial reporting gives a true and fair view of the assets and liabilities, profit and loss, financial position and operations of the Company and the companies included in consolidation;
- Report of the Company's Management board for the period from 1 January to 31 March 2019 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 consolidation are exposed.

**Marko Čižmek**  
Management Board Member

**Ljubica Grbac**  
Director of Department of  
Finance and Accounting



**BALANCE SHEET** (as at 31.03.2019)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>		
<b>B) FIXED ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>5.310.891.538</b>	<b>5.463.729.299</b>
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>53.726.810</b>	<b>63.454.011</b>
1 Research and development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	46.298.666	42.494.177
3 Goodwill	006	6.567.609	6.567.609
4 Advances for the purchase of intangible assets	007		
5 Intangible assets in preparation	008	860.535	2.172.032
6 Other intangible assets	009		12.220.193
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>5.111.237.027</b>	<b>5.254.230.527</b>
1 Land	011	973.018.037	973.727.149
2 Buildings	012	3.331.975.756	3.245.635.418
3 Plant and equipment	013	443.971.567	433.679.164
4 Tools, working inventory and transportation assets	014	132.923.120	136.665.176
5 Biological assets	015		
6 Advances for the purchase of tangible assets	016	12.350.960	14.007.766
7 Tangible assets in preparation	017	160.356.644	393.644.295
8 Other tangible assets	018	47.000.469	47.231.085
9 Investment property	019	9.640.474	9.640.474
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>20.074.375</b>	<b>20.199.412</b>
1 Investments in holdings (shares) of undertakings within the group	021		
2 Investments in other securities of undertakings within the group	022		
3 Loans, deposits, etc. to undertakings within the group	023		
4 Investments in holdings (shares) of companies linked by virtue of participating interests	024		
5 Investment in other securities of companies linked by virtue of participating interests	025		
6 Loans, deposits etc. to companies linked by virtue of participating interests	026		
7 Investments in securities	027	4.289.892	4.484.353
8 Loans, deposits, etc. given	028	15.590.772	15.545.059
9 Other investments accounted for using the equity method	029		
10 Other fixed financial assets	030	193.711	170.000
<b>IV RECEIVABLES (ADP 032 to 035)</b>	<b>031</b>	<b>147.290</b>	<b>139.105</b>
1 Receivables from undertakings within the group	032		
2 Receivables from companies linked by virtue of participating interests	033		
3 Customer receivables			
4 Other receivables	035	147.290	139.105
<b>V DEFERRED TAX ASSETS</b>	<b>036</b>	<b>125.706.036</b>	<b>125.706.244</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>332.775.548</b>	<b>289.149.535</b>
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>25.447.350</b>	<b>27.862.900</b>
1 Raw materials and consumables	039	25.241.646	27.620.400
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	172.328	205.801
5 Advances for inventories	043	33.376	36.699
6 Fixed assets held for sale	044		
7 Biological assets	045		
<b>II RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>45.442.095</b>	<b>37.722.063</b>
1 Receivables from undertakings within the group	047		175
2 Receivables from companies linked by virtue of participating interests	048	1.380.025	
3 Customer receivables	049	33.928.832	18.960.250
4 Receivables from employees and members of the undertaking	050	1.428.327	1.841.621
5 Receivables from government and other institutions	051	7.256.256	11.725.923
6 Other receivables			
<b>III CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>43.750</b>	<b>262.183</b>
1 Investments in holdings (shares) of undertakings within the group	054		
2 Investments in other securities of undertakings within the group	055		
3 Loans, deposits, etc. to undertakings within the group	056		
4 Investments in holdings (shares) of companies linked by virtue of participating interests	057		
5 Investment in other securities of companies linked by virtue of participating interests	058		
6 Loans, deposits etc. to companies linked by virtue of participating interests	059	43.750	43.151
7 Investments in securities	060		
8 Loans, deposits, etc. given	061		43.750
9 Other financial assets	062		175.282
<b>IV CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>261.842.353</b>	<b>223.302.389</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>25.278.400</b>	<b>27.303.263</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>5.668.945.486</b>	<b>5.780.182.097</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>58.014.172</b>	<b>60.742.483</b>

**BALANCE SHEET** (as at 31.03.2019) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item 1	ADP code 2	Last day of the pre- ceding business year 3	At the reporting date of the current period 4
<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES</b> (ADP 068 to 070+076+077+081+084+087)	<b>067</b>	<b>2.758.532.748</b>	<b>2.503.908.185</b>
<b>I INITIAL (SUBSCRIBED) 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>5.304.283</b>	<b>5.304.283</b>
<b>III RESERVES FROM PROFIT</b> (ADP 071+072-073+074+075)	<b>070</b>	<b>94.297.196</b>	<b>87.893.763</b>
1 Legal reserves	071	83.601.061	83.601.061
2 Reserves for treasury shares	072	96.815.284	96.815.284
3 Treasury shares and holdings (deductible item)	073	-86.119.149	-92.522.582
4 Statutory reserves	074		
5 Other reserves	075		
<b>IV REVALUATION RESERVES</b>	<b>076</b>		
<b>V FAIR VALUE RESERVE</b> (ADP 078 to 080)	<b>077</b>	<b>905.282</b>	<b>1.074.901</b>
1 Fair value of financial assets available for sale	078	905.282	1.074.901
2 Cash flow hedge - effective portion	079		
3 Hedge of a net investment in a foreign operation - effective portion	080		
<b>VI RETAINED PROFIT OR LOSS BROUGHT FORWARD</b> (ADP 082-083)	<b>081</b>	<b>348.674.430</b>	<b>588.684.964</b>
1 Retained profit	082	348.674.430	588.684.964
2 Loss brought forward	083		
<b>VII PROFIT OR LOSS FOR THE BUSINESS YEAR</b> (ADP 085-086)	<b>084</b>	<b>235.337.282</b>	<b>-235.027.406</b>
1 Profit for the business year	085	235.337.282	
2 Loss for the business year	086		235.027.406
<b>VIII MINORITY (NON-CONTROLLING) INTEREST</b>	<b>087</b>	<b>401.993.065</b>	<b>383.956.470</b>
<b>B) PROVISIONS</b> (ADP 089 to 094)	<b>088</b>	<b>77.311.656</b>	<b>77.347.752</b>
1 Provisions for pensions, termination benefits and similar obligations	089	10.114.484	10.150.580
2 Provisions for tax liabilities	090		
3 Provisions for ongoing legal cases	091	67.197.172	67.197.172
4 Provisions for renewal of natural resources	092		
5 Provisions for warranty obligations	093		
6 Other provisions	094		
<b>C) LONG-TERM LIABILITIES</b> (ADP 096 to 106)	<b>095</b>	<b>2.284.143.535</b>	<b>2.413.262.179</b>
1 Liabilities to undertakings within the group	096		
2 Liabilities for loans, deposits, etc. of undertakings within the group	097		
3 Liabilities to companies linked by virtue of participating interests	098		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	099		
5 Liabilities for loans, deposits etc.	100	8.943.000	8.943.000
6 Liabilities to banks and other financial institutions	101	2.198.942.318	2.312.293.887
7 Liabilities for advance payments	102		
8 Liabilities to suppliers	103	81.000	81.000
9 Liabilities for securities	104		
10 Other long-term liabilities	105	7.615.740	23.340.406
11 Deferred tax liability	106	68.561.477	68.603.886
<b>D) SHORT-TERM LIABILITIES</b> (ADP 108 to 121)	<b>107</b>	<b>425.784.158</b>	<b>669.832.368</b>
1 Liabilities to undertakings within the group	108	3.785.129	20.474
2 Liabilities for loans, deposits, etc. of undertakings within the group	109		
3 Liabilities to companies linked by virtue of participating interests	110		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	111		
5 Liabilities for loans, deposits etc.	112	103.000	51.500
6 Liabilities to banks and other financial institutions	113	227.211.496	307.590.172
7 Liabilities for advance payments	114	38.933.044	163.052.072
8 Liabilities to suppliers	115	112.908.087	156.313.292
9 Liabilities for securities	116		
10 Liabilities to employees	117	28.396.296	24.659.962
11 Taxes, contributions and similar liabilities	118	11.757.015	15.635.360
12 Liabilities arising from the share in the result	119	250.516	250.516
13 Liabilities arising from fixed assets held for sale	120		
14 Other short-term liabilities	121	2.439.575	2.259.020
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>122</b>	<b>123.173.389</b>	<b>115.831.613</b>
<b>F) TOTAL - LIABILITIES</b> (ADP 067+088+095+107+122)	<b>123</b>	<b>5.668.945.486</b>	<b>5.780.182.097</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>124</b>	<b>58.014.172</b>	<b>60.742.483</b>

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2019 to 31.03.2019)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>I OPERATING INCOME</b> (ADP 126 to 130)	<b>125</b>	<b>41.709.737</b>	<b>41.709.737</b>	<b>50.458.360</b>	<b>50.458.360</b>
1 Income from sales with undertakings within the group	126	522.874	522.874		
2 Income from sales (outside group)	127	38.325.379	38.325.379	46.172.102	46.172.102
3 Income from the use of own products, goods and services	128	142.999	142.999	192.872	192.872
4 Other operating income with undertakings within the group	129				
5 Other operating income (outside the group)	130	2.718.485	2.718.485	4.093.386	4.093.386
<b>II OPERATING EXPENSES</b> (ADP 132+133+137+141+142+143+146+153)	<b>131</b>	<b>227.304.203</b>	<b>227.304.203</b>	<b>282.206.857</b>	<b>282.206.857</b>
1 Changes in inventories of work in progress and finished goods	132				
2 Material costs (ADP 134 to 136)	133	38.219.074	38.219.074	48.817.383	48.817.383
a) Costs of raw materials and consumables	134	19.622.840	19.622.840	25.598.303	25.598.303
b) Costs of goods sold	135	40.977	40.977	30.285	30.285
c) Other external costs	136	18.555.257	18.555.257	23.188.795	23.188.795
3 Staff costs (ADP 138 to 140)	137	62.382.294	62.382.294	80.970.990	80.970.990
a) Net salaries and wages	138	38.510.784	38.510.784	50.747.428	50.747.428
b) Tax and contributions from salary costs	139	15.398.520	15.398.520	20.188.187	20.188.187
c) Contributions on salaries	140	8.472.990	8.472.990	10.035.375	10.035.375
4 Depreciation	141	96.683.615	96.683.615	118.002.721	118.002.721
5 Other costs	142	27.976.470	27.976.470	29.915.901	29.915.901
6 Value adjustments (ADP 144+145)	143	72.193	72.193	957	957
a) fixed assets other than financial assets	144				
b) current assets other than financial assets	145	72.193	72.193	957	957
7 Provisions (ADP 147 to 152)	146				
a) Provisions for pensions, termination benefits and similar obligations	147				
b) Provisions for tax liabilities	148				
c) Provisions for ongoing legal cases	149				
d) Provisions for renewal of natural resources	150				
e) Provisions for warranty obligations	151				
f) Other provisions	152				
8 Other operating expenses	153	1.970.557	1.970.557	4.498.905	4.498.905
<b>III. FINANCIAL INCOME</b> (ADP 155 to 164)	<b>154</b>	<b>24.116.644</b>	<b>24.116.644</b>	<b>2.141.507</b>	<b>2.141.507</b>
1 Income from investments in holdings (shares) of undertakings within the group	155				
2 Income from investments in holdings (shares) of companies linked by virtue of participating interests	156				
3 Income from other long-term financial investment and loans granted to undertakings within the group	157				
4 Other interest income from operations with undertakings within the group	158				
5 Exchange rate differences and other financial income from operations with undertakings within the group	159				
6 Income from other long-term financial investments and loans	160				
7 Other interest income	161	86.663	86.663	89.124	89.124
8 Exchange rate differences and other financial income	162	22.680.935	22.680.935	304.253	304.253
9 Unrealised gains (income) from financial assets	163	767.574	767.574	500.690	500.690
10 Other financial income	164	581.472	581.472	1.247.440	1.247.440
<b>IV FINANCIAL EXPENSES</b> (ADP 166 to 172)	<b>165</b>	<b>14.499.620</b>	<b>14.499.620</b>	<b>22.795.062</b>	<b>22.795.062</b>
1 Interest expenses and similar expenses with undertakings within the group	166				
2 Exchange rate differences and other expenses from operations with undertakings within the group	167				
3 Interest expenses and similar expenses	168	11.388.916	11.388.916	12.451.083	12.451.083
4 Exchange rate differences and other expenses	169	2.014.447	2.014.447	2.645.688	2.645.688
5 Unrealised losses (expenses) from financial assets	170	810.941	810.941	7.169.516	7.169.516
6 Value adjustments of financial assets (net)	171			1.690	1.690
7 Other financial expenses	172	285.316	285.316	527.085	527.085
<b>V SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VIRTUE OF PARTICIPATING INTERESTS</b>	<b>173</b>				
<b>VI SHARE IN PROFIT FROM JOINT VENTURES</b>	<b>174</b>				
<b>VII. SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>175</b>				
<b>VIII SHARE IN LOSS OF JOINT VENTURES</b>	<b>176</b>				
<b>IX TOTAL INCOME</b> (ADP 125+154+173+174)	<b>177</b>	<b>65.826.381</b>	<b>65.826.381</b>	<b>52.599.867</b>	<b>52.599.867</b>
<b>X TOTAL EXPENDITURE</b> (ADP 131+165+175+176)	<b>178</b>	<b>241.803.823</b>	<b>241.803.823</b>	<b>305.001.919</b>	<b>305.001.919</b>
<b>XI PRE-TAX PROFIT OR LOSS</b> (ADP 177-178)	<b>179</b>	<b>-175.977.442</b>	<b>-175.977.442</b>	<b>-252.402.052</b>	<b>-252.402.052</b>
1 Pre-tax profit (ADP 177-178)	180				
2 Pre-tax loss (ADP 178-177)	181	-175.977.442	-175.977.442	-252.402.052	-252.402.052
<b>XII INCOME TAX</b>	<b>182</b>				
<b>XIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 179-182)	<b>183</b>	<b>-175.977.442</b>	<b>-175.977.442</b>	<b>-252.402.052</b>	<b>-252.402.052</b>
1. Profit for the period (ADP 179-182)	184				
2. Loss for the period (ADP 182-179)	185	-175.977.442	-175.977.442	-252.402.052	-252.402.052

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2019 to 31.03.2019) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6

**DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)**

<b>XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS</b> (ADP 187-188)	<b>186</b>
1 Pre-tax profit from discontinued operations	187
2 Pre-tax loss on discontinued operations	188
<b>XV INCOME TAX OF DISCONTINUED OPERATIONS</b>	<b>189</b>
1 Discontinued operations profit for the period (ADP 186-189)	190
2 Discontinued operations loss for the period (ADP 189-186)	191

**TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)**

<b>XVI PRE-TAX PROFIT OR LOSS</b> (ADP 179+186)	<b>192</b>
1 Pre-tax profit (ADP 192)	193
2 Pre-tax loss (ADP 192)	194
<b>XVII INCOME TAX</b> (ADP 182+189)	<b>195</b>
<b>XVIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 192-195)	<b>196</b>
1 Profit for the period (ADP 192-195)	197
2 Loss for the period (ADP 195-192)	198

**APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)**

<b>XIX PROFIT OR LOSS FOR THE PERIOD</b> (ADP 200+201)	<b>199</b>	<b>-175.977.442</b>	<b>-175.977.442</b>	<b>-252.402.051</b>	<b>-252.402.051</b>
1 Attributable to owners of the parent	200	-167.892.731	-167.892.731	-235.027.406	-235.027.406
2 Attributable to minority (non-controlling) interest	201	-8.084.711	-8.084.711	-17.374.645	-17.374.645

**STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)**

<b>I PROFIT OR LOSS FOR THE PERIOD</b>	<b>202</b>	<b>-175.977.442</b>	<b>-175.977.442</b>	<b>-252.402.052</b>	<b>-252.402.052</b>
<b>II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX</b> (ADP 204 to 211)	<b>203</b>	<b>64.852</b>	<b>64.852</b>	<b>212.023</b>	<b>212.023</b>
1 Exchange rate differences from translation of foreign operations	204				
2 Changes in revaluation reserves of fixed tangible and intangible assets	205				
3 Profit or loss arising from subsequent measurement of financial assets available for sale	206	64.852	64.852	212.023	212.023
4 Profit or loss arising from effective cash flow hedging	207				
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208				
6 Share in other comprehensive income/loss of companies linked by virtue of participating interests	209				
7 Actuarial gains/losses on the defined benefit obligation	210				
8 Other changes in equity unrelated to owners	211				
<b>III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>212</b>	<b>12.970</b>	<b>12.970</b>	<b>42.404</b>	<b>42.404</b>
<b>IV NET OTHER COMPREHENSIVE INCOME OR LOSS</b> (ADP 203-212)	<b>213</b>	<b>51.882</b>	<b>51.882</b>	<b>169.619</b>	<b>169.619</b>
<b>V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 202+213)	<b>214</b>	<b>-175.925.560</b>	<b>-175.925.560</b>	<b>-252.232.433</b>	<b>-252.232.433</b>

**APPENDIX to the Statement on comprehensive income (to be filled in by undertakings that draw up consolidated statements)**

<b>VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 216+217)	<b>215</b>	<b>-175.925.560</b>	<b>-175.925.560</b>	<b>-252.232.433</b>	<b>-252.232.433</b>
1 Attributable to owners of the parent	216	-167.840.849	-167.840.849	-234.857.788	-234.857.788
2 Attributable to minority (non-controlling) interest	217	-8.084.711	-8.084.711	-17.374.645	-17.374.645

**STATEMENT OF CASH FLOWS - indirect method** (for the period 01.01.2019 to 31.03.2019)**Submitter: Valamar Riviera d.d.**

in HRK

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1 Pre-tax profit	001	-175.977.442	-252.402.052
2 Adjustments (ADP 003 to 010):	002	86.383.953	139.451.883
a) Depreciation	003	96.683.615	118.002.721
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-17.607	-34.198
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005		
d) Interest and dividend income	006	-86.206	-80.628
e) Interest expenses	007	11.674.232	12.804.955
f) Provisions	008	3.656	-38.927
g) Exchange rate differences (unrealised)	009	-21.956.738	2.467.378
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	83.001	6.330.582
<b>I Cash flow increase or decrease before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>-89.593.489</b>	<b>-112.950.169</b>
3 Changes in the working capital (ADP 013 to 016)	012	59.808.104	180.082.484
a) Increase or decrease in short-term liabilities	013	89.496.955	163.669.536
b) Increase or decrease in short-term receivables	014	2.938.772	7.587.430
c) Increase or decrease in inventories	015	-1.597.351	-2.415.550
d) Other increase or decrease in working capital	016	-31.030.272	11.241.068
<b>II Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>-29.785.385</b>	<b>67.132.315</b>
4 Interest paid	018	-2.857.718	-11.846.292
5 Income tax paid	019	-611.713	-1.206.115
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>-33.254.816</b>	<b>54.079.908</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	20.000	1.338.717
2 Cash receipts from sales of financial instruments	022		
3 Interest received	023	89.342	78.303
4 Dividends received	024		
5 Cash receipts from repayment of loans and deposits	025	45.395	30.339
6 Other cash receipts from investment activities	026		
<b>III Total cash receipts from investment activities (ADP 021 to 026)</b>	<b>027</b>	<b>154.737</b>	<b>1.447.359</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-184.665.511	-254.058.015
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030	-96.324	-218.433
4 Acquisition of a subsidiary, net of cash acquired	031		
5 Other cash payments from investment activities	032	-17.769	-12.237.013
<b>IV Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-184.779.604</b>	<b>-266.513.461</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-184.624.867</b>	<b>-265.066.102</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1 Cash receipts from the increase in initial (subscribed) capital	035		
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036		
3 Cash receipts from credit principals, loans and other borrowings	037	37.191.385	216.279.806
4 Other cash receipts from financing activities	038	1.063.033	169.618
<b>V Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>38.254.418</b>	<b>216.449.424</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-27.649.134	-37.599.761
2 Cash payments for dividends	041		
3 Cash payments for finance lease	042		
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043	-1.867.511	-6.403.433
5 Other cash payments from financing activities	044		
<b>VI Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-29.516.645</b>	<b>-44.003.194</b>
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>8.737.773</b>	<b>172.446.230</b>
1 Unrealised exchange rate differences in respect of cash and cash equivalents	047	0	
<b>D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020+034+046+047)</b>	<b>048</b>	<b>-209.141.910</b>	<b>-38.539.964</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>	<b>287.836.954</b>	<b>261.842.353</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>	<b>78.695.044</b>	<b>223.302.389</b>



**STATEMENT OF CHANGES IN EQUITY** (for the period 01.01.2019 to 31.03.2019)  
**Submitter: Valamar Riviera d.d.**

in HRK

Item	ADP code	Attributable to owners of the parent														Minority (non-controlling) interest	Total capital and reserves
		Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent		
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 on the first day of the previous business year</b>	<b>01</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>9.529.123</b>		<b>634.097</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	02																
3 Correction of errors	03																
<b>4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)</b>	<b>04</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>9.529.123</b>		<b>634.097</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 of the period	05													235.337.282	235.337.282	3.850.224	239.187.506
6 Exchange rate differences from translation of foreign operations	06																
7 Changes in revaluation reserves of fixed tangible and intangible assets	07																
8 Profit or loss arising from subsequent measurement of financial assets available for sale	08									338.982					338.982		338.982
9 Profit or loss arising from effective cash flow hedge	09																
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	10																
11 Share in other comprehensive income/loss of companies linked by virtue of participating interests	11																
12 Actuarial gains/losses on the defined benefit obligation	12																
13 Other changes in equity unrelated to owners	13																
14 Tax on transactions recognised directly in equity	14									-67.797					-67.797		-67.797
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15																
16 Increase in initial (subscribed) capital arising from the reinvestment of profit	16																
17 Increase in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	17																
18 Redemption of treasury shares/holdings	18					51.705.655									-51.705.655		-51.705.655
19 Payment of share in profit/dividend	19					-393.563							-111.730.149		-110.979.701		-110.979.701
20 Other distribution to owners	20		1.344.492			-1.082.563									2.427.055		2.427.055
21 Transfer to reserves according to the annual schedule	21				52.000.000			-9.529.123						197.265.686	-243.596.016	-3.859.453	163.157.448
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22																
<b>23 Balance on the last day of the previous business year reporting period (ADP 04 to 22)</b>	<b>23</b>	<b>1.672.021.210</b>	<b>5.304.283</b>	<b>83.601.061</b>	<b>96.815.284</b>	<b>86.119.149</b>				<b>905.282</b>			<b>348.674.430</b>	<b>235.337.282</b>	<b>2.356.539.683</b>	<b>401.993.065</b>	<b>2.758.532.748</b>
<b>APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)</b>																	
<b>I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)</b>	<b>24</b>									<b>271.185</b>					<b>271.185</b>		<b>271.185</b>
<b>II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)</b>	<b>25</b>									<b>271.185</b>				<b>235.337.282</b>	<b>235.608.467</b>	<b>3.850.224</b>	<b>239.458.691</b>
<b>III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)</b>	<b>26</b>		<b>1.701.377</b>		<b>52.000.000</b>	<b>50.229.529</b>		<b>-9.529.123</b>					<b>85.535.537</b>	<b>-243.596.016</b>	<b>-164.117.754</b>	<b>167.016.901</b>	<b>2.899.147</b>
<b>Current period</b>																	
<b>1 Balance on the first day of the current business year</b>	<b>27</b>	<b>1.672.021.210</b>	<b>5.304.283</b>	<b>83.601.061</b>	<b>96.815.284</b>	<b>86.119.149</b>				<b>905.282</b>			<b>348.674.430</b>	<b>235.337.282</b>	<b>2.356.539.683</b>	<b>401.993.065</b>	<b>2.758.532.748</b>
2 Changes in accounting policies	28																
3 Correction of errors	29																
<b>4 Balance on the first day of the current business year (restated) (ADP 27 to 29)</b>	<b>30</b>	<b>1.672.021.210</b>	<b>5.304.283</b>	<b>83.601.061</b>	<b>96.815.284</b>	<b>86.119.149</b>				<b>905.282</b>			<b>348.674.430</b>	<b>235.337.282</b>	<b>2.356.539.683</b>	<b>401.993.065</b>	<b>2.758.532.748</b>
5 Profit/loss of the period	31													-235.027.406	-235.027.406	-17.374.645	-252.402.051
6 Exchange rate differences from translation of foreign operations	32																
7 Changes in revaluation reserves of fixed tangible and intangible assets	33																
8 Profit or loss arising from subsequent measurement of financial assets available for sale	34									212.023					212.023		212.023
9 Profit or loss arising from effective cash flow hedge	35																
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	36																
11 Share in other comprehensive income/loss of companies linked by virtue of participating interests	37																
12 Actuarial gains/losses on the defined benefit obligation	38																
13 Other changes in equity unrelated to owners	39																
14 Tax on transactions recognised directly in equity	40									-42.404					-42.404		-42.404
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	41																
16 Increase in initial (subscribed) capital arising from the reinvestment of profit	42																
17 Increase in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43																
18 Redemption of treasury shares/holdings	44					6.403.433									-6.403.433		-6.403.433
19 Payment of share in profit/dividend	45																
20 Other distribution to owners	46																
21 Transfer to reserves according to the annual schedule	47												240.010.534	-235.337.282	4.673.252	-661.950	4.011.302
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48																
<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>5.304.283</b>	<b>83.601.061</b>	<b>96.815.284</b>	<b>92.522.582</b>				<b>1.074.901</b>			<b>588.684.964</b>	<b>-235.027.406</b>	<b>2.119.951.715</b>	<b>383.956.470</b>	<b>2.503.908.185</b>
<b>APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)</b>																	
<b>I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)</b>	<b>50</b>									<b>169.619</b>					<b>169.619</b>		<b>169.619</b>
<b>II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31 + 50)</b>	<b>51</b>									<b>169.619</b>				<b>-235.027.406</b>	<b>-234.857.787</b>	<b>-17.374.645</b>	<b>-252.232.432</b>
<b>III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)</b>	<b>52</b>					<b>6.403.433</b>							<b>240.010.534</b>	<b>-235.337.282</b>	<b>-1.730.181</b>	<b>-661.950</b>	<b>-2.392.131</b>

## NOTES TO FINANCIAL STATEMENTS - TFI

Name of the issuer:

**Valamar Riviera d.d.**

Personal identification

number OIB: **36201212847**

Reporting period:

**01.01. do 31.03.2019.**

Notes to financial statements for quarterly periods include:

- a) an explanation of business events relevant to understanding changes in the statement of financial position and financial performance for the quarterly reporting period of the issuer with respect to the last business year: information is provided regarding these events and relevant information published in the last annual financial statement is updated
- b) information on the access to the latest annual financial statements, for the purpose of understanding information published in the notes to financial statements drawn up for the quarterly reporting period
- c) a statement explaining that the same accounting policies are applied while drawing up financial statements for the quarterly reporting period as in the latest annual financial statements or, in the case where the accounting policies have changed, a description of the nature and effect of the changes
- d) a description of the financial performance in the case of the issuer whose business is seasonal.



**BALANCE SHEET** (as at 31.03.2019)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>		
<b>B) FIXED ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>4.745.258.461</b>	<b>4.845.282.463</b>
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>52.117.007</b>	<b>61.820.066</b>
1 Research and development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	44.689.688	40.860.232
3 Goodwill	006	6.567.609	6.567.609
4 Advances for the purchase of intangible assets	007		
5 Intangible assets in preparation	008	859.710	2.172.032
6 Other intangible assets	009		<b>12.220.193</b>
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>3.956.425.253</b>	<b>4.046.461.724</b>
1 Land	011	644.865.439	644.865.439
2 Buildings	012	2.589.871.537	2.522.143.807
3 Plant and equipment	013	398.353.730	390.342.521
4 Tools, working inventory and transportation assets	014	113.623.233	109.789.129
5 Biological assets	015		
6 Advances for the purchase of tangible assets	016	3.269.078	9.631.927
7 Tangible assets in preparation	017	150.627.634	313.874.299
8 Other tangible assets	018	46.174.128	46.174.128
9 Investment property	019	9.640.474	9.640.474
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>635.859.184</b>	<b>636.151.841</b>
1 Investments in holdings (shares) of undertakings within the group	021	616.200.941	616.294.947
2 Investments in other securities of undertakings within the group	022		
3 Loans, deposits, etc. to undertakings within the group	023		
4 Investments in holdings (shares) of companies linked by virtue of participating interests	024		
5 Investment in other securities of companies linked by virtue of participating interests	025		
6 Loans, deposits etc. to companies linked by virtue of participating interests	026		
7 Investments in securities	027	3.959.812	4.171.835
8 Loans, deposits, etc. given	028	15.558.431	15.545.059
9 Other investments accounted for using the equity method	029		
10 Other fixed financial assets	030	140.000	140.000
<b>IV RECEIVABLES (ADP 032 to 035)</b>	<b>031</b>	<b>147.290</b>	<b>139.105</b>
1 Receivables from undertakings within the group	032		
2 Receivables from companies linked by virtue of participating interests	033		
3 Customer receivables	034		
4 Other receivables	035	147.290	139.105
<b>V DEFERRED TAX ASSETS</b>	<b>036</b>	<b>100.709.727</b>	<b>100.709.727</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>228.130.083</b>	<b>229.636.940</b>
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>22.899.786</b>	<b>24.870.276</b>
1 Raw materials and consumables	039	22.761.740	24.697.415
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	138.046	172.861
5 Advances for inventories	043		
6 Fixed assets held for sale	044		
7 Biological assets	045		
<b>II RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>36.668.851</b>	<b>24.699.968</b>
1 Receivables from undertakings within the group	047	1.879.447	2.908.987
2 Receivables from companies linked by virtue of participating interests	048		
3 Customer receivables	049	29.757.242	14.423.873
4 Receivables from employees and members of the undertaking	050	1.366.667	1.821.763
5 Receivables from government and other institutions	051	2.275.769	797.805
6 Other receivables	052	1.389.726	4.747.540
<b>III CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>28.300</b>	<b>50.246.733</b>
1 Investments in holdings (shares) of undertakings within the group	054		
2 Investments in other securities of undertakings within the group	055		
3 Loans, deposits, etc. to undertakings within the group	056	28.300	50.071.451
4 Investments in holdings (shares) of companies linked by virtue of participating interests	057		
5 Investment in other securities of companies linked by virtue of participating interests	058		
6 Loans, deposits etc. to companies linked by virtue of participating interests	059		
7 Investments in securities	060		
8 Loans, deposits, etc. given	061		
9 Other financial assets	062		175.282
<b>IV CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>168.533.146</b>	<b>129.819.963</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>24.218.271</b>	<b>26.506.115</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>4.997.606.815</b>	<b>5.101.425.518</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>54.446.042</b>	<b>54.431.216</b>

**BALANCE SHEET (as at 31.03.2019) (continued)**  
**Submitter: Valamar Riviera d.d.**

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)</b>	<b>067</b>	<b>2.474.760.657</b>	<b>2.250.489.623</b>
<b>I INITIAL (SUBSCRIBED) 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>5.304.283</b>	<b>5.304.283</b>
<b>III RESERVES FROM PROFIT (ADP 071+072-073+074+075)</b>	<b>070</b>	<b>94.297.196</b>	<b>87.893.763</b>
1 Legal reserves	071	83.601.061	83.601.061
2 Reserves for treasury shares	072	96.815.284	96.815.284
3 Treasury shares and holdings (deductible item)	073	-86.119.149	-92.522.582
4 Statutory reserves	074		
5 Other reserves	075		
<b>IV REVALUATION RESERVES</b>	<b>076</b>		
<b>V FAIR VALUE RESERVE (ADP 078 to 080)</b>	<b>077</b>	<b>905.282</b>	<b>1.074.901</b>
1 Fair value of financial assets available for sale	078	905.282	1.074.901
2 Cash flow hedge - effective portion	079		
3 Hedge of a net investment in a foreign operation - effective portion	080		
<b>VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)</b>	<b>081</b>	<b>462.953.210</b>	<b>702.232.686</b>
1 Retained profit	082	462.953.210	702.232.686
2 Loss brought forward	083		
<b>VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)</b>	<b>084</b>	<b>239.279.476</b>	<b>-218.037.220</b>
1 Profit for the business year	085	239.279.476	
2 Loss for the business year	086		218.037.220
<b>VIII MINORITY (NON-CONTROLLING) INTEREST</b>	<b>087</b>		
<b>B) PROVISIONS (ADP 089 to 094)</b>	<b>088</b>	<b>35.699.314</b>	<b>35.699.314</b>
1 Provisions for pensions, termination benefits and similar obligations	089	7.894.989	7.894.989
2 Provisions for tax liabilities	090		
3 Provisions for ongoing legal cases	091	27.804.325	27.804.325
4 Provisions for renewal of natural resources	092		
5 Provisions for warranty obligations	093		
6 Other provisions	094		
<b>C) LONG-TERM LIABILITIES (ADP 096 to 106)</b>	<b>095</b>	<b>2.001.600.459</b>	<b>2.125.530.662</b>
1 Liabilities to undertakings within the group	096		
2 Liabilities for loans, deposits, etc. of undertakings within the group	097		
3 Liabilities to companies linked by virtue of participating interests	098		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	099		
5 Liabilities for loans, deposits etc.	100		
6 Liabilities to banks and other financial institutions	101	1.978.757.713	2.086.920.846
7 Liabilities for advance payments	102		
8 Liabilities to suppliers	103		
9 Liabilities for securities	104		
10 Other long-term liabilities	105	7.615.740	23.340.406
11 Deferred tax liability	106	15.227.006	15.269.410
<b>D) SHORT-TERM LIABILITIES (ADP 108 to 121)</b>	<b>107</b>	<b>374.287.286</b>	<b>583.152.944</b>
1 Liabilities to undertakings within the group	108	196.105	104.127
2 Liabilities for loans, deposits, etc. of undertakings within the group	109		
3 Liabilities to companies linked by virtue of participating interests	110		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	111		
5 Liabilities for loans, deposits etc.	112		
6 Liabilities to banks and other financial institutions	113	203.359.113	269.253.961
7 Liabilities for advance payments	114	34.734.630	148.605.408
8 Liabilities to suppliers	115	102.714.900	132.552.361
9 Liabilities for securities	116		
10 Liabilities to employees	117	22.822.891	21.214.907
11 Taxes, contributions and similar liabilities	118	9.464.523	9.853.224
12 Liabilities arising from the share in the result	119	9.600	9.600
13 Liabilities arising from fixed assets held for sale	120		
14 Other short-term liabilities	121	985.524	1.559.356
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>122</b>	<b>111.259.099</b>	<b>106.552.975</b>
<b>F) TOTAL - LIABILITIES (ADP 067+088+095+107+122)</b>	<b>123</b>	<b>4.997.606.815</b>	<b>5.101.425.518</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>124</b>	<b>54.446.042</b>	<b>54.431.216</b>

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2019 to 31.03.2019)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>I OPERATING INCOME</b> (ADP 126 to 130)	<b>125</b>	<b>41.628.023</b>	<b>41.628.023</b>	<b>41.744.785</b>	<b>41.744.785</b>
1 Income from sales with undertakings within the group	126	3.448.721	3.448.721	6.941.520	6.941.520
2 Income from sales (outside group)	127	35.491.236	35.491.236	31.528.374	31.528.374
3 Income from the use of own products, goods and services	128	135.053	135.053	57.527	57.527
4 Other operating income with undertakings within the group	129	30.602	30.602	36.040	36.040
5 Other operating income (outside the group)	130	2.522.411	2.522.411	3.181.324	3.181.324
<b>II OPERATING EXPENSES</b> (ADP 132+133+137+141+142+143+146+153)	<b>131</b>	<b>209.367.355</b>	<b>209.367.355</b>	<b>240.700.940</b>	<b>240.700.940</b>
1 Changes in inventories of work in progress and finished goods	132				
2 Material costs (ADP 134 to 136)	133	37.509.430	37.509.430	42.750.217	42.750.217
a) Costs of raw materials and consumables	134	19.352.140	19.352.140	22.326.592	22.326.592
b) Costs of goods sold	135	40.740	40.740	25.000	25.000
c) Other external costs	136	18.116.550	18.116.550	20.398.625	20.398.625
3 Staff costs (ADP 138 to 140)	137	59.037.355	59.037.355	71.224.208	71.224.208
a) Net salaries and wages	138	36.186.318	36.186.318	43.753.083	43.753.083
b) Tax and contributions from salary costs	139	14.834.745	14.834.745	18.354.143	18.354.143
c) Contributions on salaries	140	8.016.292	8.016.292	9.116.982	9.116.982
4 Depreciation	141	84.460.117	84.460.117	95.605.025	95.605.025
5 Other costs	142	26.475.850	26.475.850	27.218.782	27.218.782
6 Value adjustments (ADP 144+145)	143	72.193	72.193	958	958
a) fixed assets other than financial assets	144				
b) current assets other than financial assets	145	72.193	72.193	958	958
7 Provisions (ADP 147 to 152)	146				
a) Provisions for pensions, termination benefits and similar obligations	147				
b) Provisions for tax liabilities	148				
c) Provisions for ongoing legal cases	149				
d) Provisions for renewal of natural resources	150				
e) Provisions for warranty obligations	151				
f) Other provisions	152				
8 Other operating expenses	153	1.812.410	1.812.410	3.901.750	3.901.750
<b>III. FINANCIAL INCOME</b> (ADP 155 to 164)	<b>154</b>	<b>22.729.300</b>	<b>22.729.300</b>	<b>1.905.384</b>	<b>1.905.384</b>
1 Income from investments in holdings (shares) of undertakings within the group	155				
2 Income from investments in holdings (shares) of companies linked by virtue of participating interests	156				
3 Income from other long-term financial investment and loans granted to undertakings within the group	157				
4 Other interest income from operations with undertakings within the group	158				
5 Exchange rate differences and other financial income from operations with undertakings within the group	159				
6 Income from other long-term financial investments and loans	160				
7 Other interest income	161	50.767	50.767	80.798	80.798
8 Exchange rate differences and other financial income	162	21.336.934	21.336.934	259.931	259.931
9 Unrealised gains (income) from financial assets	163	767.574	767.574	500.690	500.690
10 Other financial income	164	574.025	574.025	1.063.965	1.063.965
<b>IV FINANCIAL EXPENSES</b> (ADP 166 to 172)	<b>165</b>	<b>12.934.425</b>	<b>12.934.425</b>	<b>20.986.449</b>	<b>20.986.449</b>
1 Interest expenses and similar expenses with undertakings within the group	166				
2 Exchange rate differences and other expenses from operations with undertakings within the group	167				
3 Interest expenses and similar expenses	168	10.419.287	10.419.287	10.888.291	10.888.291
4 Exchange rate differences and other expenses	169	1.447.596	1.447.596	2.425.980	2.425.980
5 Unrealised losses (expenses) from financial assets	170	810.941	810.941	7.169.516	7.169.516
6 Value adjustments of financial assets (net)	171				
7 Other financial expenses	172	256.601	256.601	502.662	502.662
<b>V SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VIRTUE OF PARTICIPATING INTERESTS</b>	<b>173</b>				
<b>VI SHARE IN PROFIT FROM JOINT VENTURES</b>	<b>174</b>				
<b>VII. SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>175</b>				
<b>VIII SHARE IN LOSS OF JOINT VENTURES</b>	<b>176</b>				
<b>IX TOTAL INCOME</b> (ADP 125+154+173+174)	<b>177</b>	<b>64.357.323</b>	<b>64.357.323</b>	<b>43.650.169</b>	<b>43.650.169</b>
<b>X TOTAL EXPENDITURE</b> (ADP 131+165+175+176)	<b>178</b>	<b>222.301.780</b>	<b>222.301.780</b>	<b>261.687.389</b>	<b>261.687.389</b>
<b>XI PRE-TAX PROFIT OR LOSS</b> (ADP 177-178)	<b>179</b>	<b>-157.944.457</b>	<b>-157.944.457</b>	<b>-218.037.220</b>	<b>-218.037.220</b>
1 Pre-tax profit (ADP 177-178)	180				
2 Pre-tax loss (ADP 178-177)	181	-157.944.457	-157.944.457	-218.037.220	-218.037.220
<b>XII INCOME TAX</b>	<b>182</b>				
<b>XIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 179-182)	<b>183</b>	<b>-157.944.457</b>	<b>-157.944.457</b>	<b>-218.037.220</b>	<b>-218.037.220</b>
1. Profit for the period (ADP 179-182)	184				
2. Loss for the period (ADP 182-179)	185	-157.944.457	-157.944.457	-218.037.220	-218.037.220

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2019 to 31.03.2019) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)</b>					
<b>XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS</b> (ADP 187-188)		<b>186</b>			
1 Pre-tax profit from discontinued operations		187			
2 Pre-tax loss on discontinued operations		188			
<b>XV INCOME TAX OF DISCONTINUED OPERATIONS</b>		<b>189</b>			
1 Discontinued operations profit for the period (ADP 186-189)		190			
2 Discontinued operations loss for the period (ADP 189-186)		191			

**TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)**

<b>XVI PRE-TAX PROFIT OR LOSS</b> (ADP 179+186)		<b>192</b>			
1 Pre-tax profit (ADP 192)		193			
2 Pre-tax loss (ADP 192)		194			
<b>XVII INCOME TAX</b> (ADP 182+189)		<b>195</b>			
<b>XVIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 192-195)		<b>196</b>			
1 Profit for the period (ADP 192-195)		197			
2 Loss for the period (ADP 195-192)		198			

**APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)**

<b>XIX PROFIT OR LOSS FOR THE PERIOD</b> (ADP 200+201)		<b>199</b>			
1 Attributable to owners of the parent		200			
2 Attributable to minority (non-controlling) interest		201			

**STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)**

<b>I PROFIT OR LOSS FOR THE PERIOD</b>	<b>202</b>	<b>-157.944.457</b>	<b>-157.944.457</b>	<b>-218.037.220</b>	<b>-218.037.220</b>
<b>II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX</b> (ADP 204 to 211)	<b>203</b>	<b>64.852</b>	<b>64.852</b>	<b>212.023</b>	<b>212.023</b>
1 Exchange rate differences from translation of foreign operations	204				
2 Changes in revaluation reserves of fixed tangible and intangible assets	205				
3 Profit or loss arising from subsequent measurement of financial assets available for sale	206	64.852	64.852	212.023	212.023
4 Profit or loss arising from effective cash flow hedging	207				
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208				
6 Share in other comprehensive income/loss of companies linked by virtue of participating interests	209				
7 Actuarial gains/losses on the defined benefit obligation	210				
8 Other changes in equity unrelated to owners	211				
<b>III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>212</b>	<b>12.970</b>	<b>12.970</b>	<b>42.404</b>	<b>42.404</b>
<b>IV NET OTHER COMPREHENSIVE INCOME OR LOSS</b> (ADP 203-212)	<b>213</b>	<b>51.882</b>	<b>51.882</b>	<b>169.619</b>	<b>169.619</b>
<b>V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 202+213)	<b>214</b>	<b>-157.892.575</b>	<b>-157.892.575</b>	<b>-217.867.601</b>	<b>-217.867.601</b>

**APPENDIX to the Statement on comprehensive income (to be filled in by undertakings that draw up consolidated statements)**

<b>VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 216+217)	<b>215</b>				
1 Attributable to owners of the parent	216				
2 Attributable to minority (non-controlling) interest	217				

**STATEMENT OF CASH FLOWS - indirect method (for the period 01.01.2019 to 31.03.2019)****Submitter: Valamar Riviera d.d.**

in HRK

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1 Pre-tax profit	001	-157.944.457	-218.037.220
2 Adjustments (ADP 003 to 010):	002	74.535.932	115.427.742
a) Depreciation	003	84.460.117	95.605.025
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-17.606	-188.969
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005		
d) Interest and dividend income	006	-50.308	-72.373
e) Interest expenses	007	10.675.888	11.390.953
f) Provisions	008	3.656	
g) Exchange rate differences (unrealised)	009	-20.618.816	2.353.371
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	83.001	6.339.735
<b>I Cash flow increase or decrease before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>-83.408.525</b>	<b>-102.609.478</b>
3 Changes in the working capital (ADP 013 to 016)	012	65.190.641	153.560.248
a) Increase or decrease in short-term liabilities	013	83.358.849	130.841.594
b) Increase or decrease in short-term receivables	014	5.496.614	12.317.760
c) Increase or decrease in inventories	015	-996.558	-1.970.490
d) Other increase or decrease in working capital	016	-22.668.264	12.371.384
<b>II Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>-18.217.884</b>	<b>50.950.770</b>
4 Interest paid	018	-2.857.718	-10.812.116
5 Income tax paid	019		
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>-21.075.602</b>	<b>40.138.654</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	20.000	891.823
2 Cash receipts from sales of financial instruments	022		
3 Interest received	023	53.444	70.418
4 Dividends received	024		
5 Cash receipts from repayment of loans and deposits	025	45.395	30.339
6 Other cash receipts from investment activities	026		
<b>III Total cash receipts from investment activities (ADP 021 to 026)</b>	<b>027</b>	<b>118.839</b>	<b>992.580</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-158.000.381	-182.918.574
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030	-96.324	-50.065.619
4 Acquisition of a subsidiary, net of cash acquired	031	-80.390	-94.006
5 Other cash payments from investment activities	032	-101.148	-12.237.013
<b>IV Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-158.278.243</b>	<b>-245.315.212</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-158.159.404</b>	<b>-244.322.632</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1 Cash receipts from the increase in initial (subscribed) capital	035		
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036		
3 Cash receipts from credit principals, loans and other borrowings	037	37.191.385	202.521.078
4 Other cash receipts from financing activities	038	1.063.033	169.618
<b>V Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>38.254.418</b>	<b>202.690.696</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-32.266.558	-30.816.468
2 Cash payments for dividends	041		
3 Cash payments for finance lease	042		
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043	-1.867.511	-6.403.433
5 Other cash payments from financing activities	044		
<b>VI Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-34.134.069</b>	<b>-37.219.901</b>
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>4.120.349</b>	<b>165.470.795</b>
1 Unrealised exchange rate differences in respect of cash and cash equivalents	047		
<b>D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020+034+046+047)</b>	<b>048</b>	<b>-175.114.657</b>	<b>-38.713.183</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>	<b>237.400.810</b>	<b>168.533.146</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>	<b>62.286.153</b>	<b>129.819.963</b>





## NOTES TO FINANCIAL STATEMENTS - TFI

Name of the issuer:

**Valamar Riviera d.d.**

Personal identification

number OIB: **36201212847**

Reporting period:

**01.01. do 31.03.2019.**

Notes to financial statements for quarterly periods include:

- a) an explanation of business events relevant to understanding changes in the statement of financial position and financial performance for the quarterly reporting period of the issuer with respect to the last business year: information is provided regarding these events and relevant information published in the last annual financial statement is updated
- b) information on the access to the latest annual financial statements, for the purpose of understanding information published in the notes to financial statements drawn up for the quarterly reporting period
- c) a statement explaining that the same accounting policies are applied while drawing up financial statements for the quarterly reporting period as in the latest annual financial statements or, in the case where the accounting policies have changed, a description of the nature and effect of the changes
- d) a description of the financial performance in the case of the issuer whose business is seasonal.

**Valamar Riviera d.d.**

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