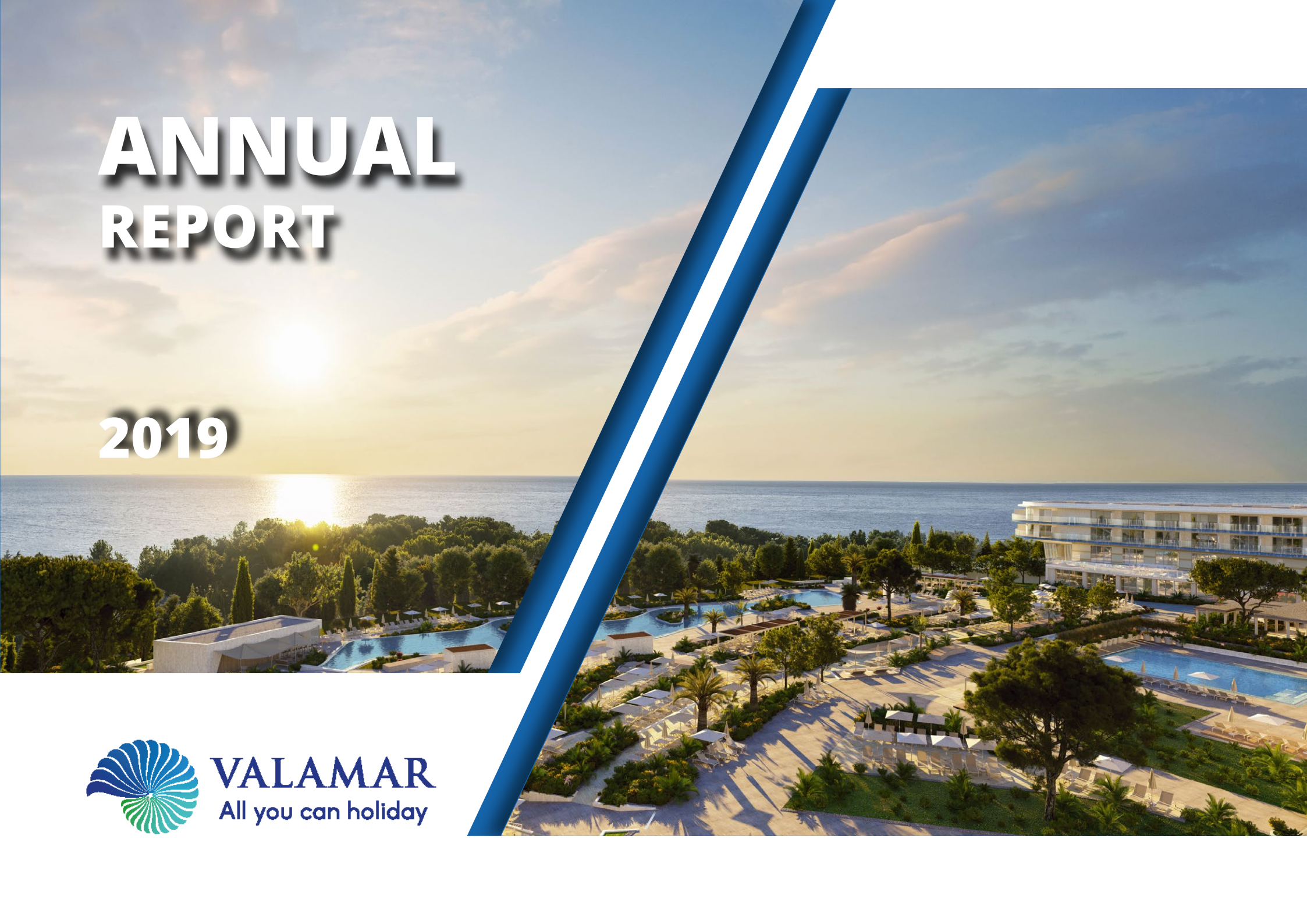


ANNUAL REPORT

2019



VALAMAR
All you can holiday



EXECUTIVE SUMMARY

KEY FINANCIAL INDICATORS OF VALAMAR RIVIERA GROUP

(in HRK '000,000)

	2018	2019	2019/2018
Total revenues	2,016.1	2,218.8	10.1%
Sales revenues	1,961.4	2,139.3	9.1%
Board revenues	1,629.0	1,781.6	9.4%
Operating expenses	1,267.1	1,385.5	9.3%
EBITDA	693.2	769.0	10.9%
Adjusted EBITDA	701.6	758.1	8.1%
EBIT	282.3	293.9	4.1%
Adjusted EBIT	290.7	283.0	-2.7%
EBT	258.1	232.5	-9.9%
Net profit	239.2	305.9	27.9%
EBITDA margin	35.0%	34.8%	-20 bp
Adjusted EBITDA margin	35.4%	34.3%	-110 bp
Net debt	2,168.6	2,195.3	1.2%
Cash and cash equivalents	261.8	550.1	110.1%
Net debt / Adjusted EBITDA	3.09	2.90	-6.2%
Capital investments*	703.6	954.6	35.7%
Market capitalization	4,468.8	4,728.0	5.8%
EV	7,039.4	7,654.3	8.7%
DPS	0.90	1.00	11.1%

KEY OPERATING INDICATORS OF VALAMAR RIVIERA GROUP

	2018	2019	2019/2018
Accommodation units (capacity)	21,371	21,266	-0.5%
Number of beds	58,023	58,216	0.3%
Full occupancy days	132	139	5.0%
Annual occupancy (%)	36%	38%	200 bp
Accommodation units sold ('000)	2,827	2,947	4.2%
Overnights ('000)	6,460	6,776	4.9%
ADR (in HRK)	576	605	4.9%
RevPAR (in HRK)	76,224	83,778	9.9%

Note: Details and explanations can be found on page 14 in "Results of the Group".

* Represents the total recorded increase in non-current tangible and intangible assets during 2019 (thus also including investment cycles other than 2019).

EBITDA

For yet another year, Valamar Riviera Group continues to assert its leadership position, reporting strong growth in operating results. In 2019, despite slower peak-season demand growth in Croatian tourism, Valamar Riviera achieved a HRK 76 million growth (+11%) in operating results with EBITDA totaling HRK 769 million. Adjusted EBITDA grew 8% (HRK +56 million) to HRK 758 million driven by revenues growing further (+10%). Revenue growth was mainly driven by a 5% growth in overnights and average daily rate, both boosted by the large 2019 investment cycle worth almost HRK 800 million. The full positive effects of the 2019 investments on revenues and EBITDA are expected in the next two years.

REVENUES

Total revenues were HRK 2,219 million, up 10% vs. last comparable period (HRK 2,016 million in 2018). In total revenues, HRK 2,139 million represented sales revenues (HRK 1,961 million in 2018), while the remaining part was mainly other operating revenues, up HRK 47 million (from HRK 21 million to HRK 68 million), largely driven by the year-round consolidation of Hoteli Makarska¹ and the one-off revenues from sales of fixed tangible non-operating assets (outside group). Sales revenue growth was mainly driven by 9% higher board revenues totaling HRK 1,782 million (HRK 1,629 million in 2018) and 6% higher F&B outlet revenues.

11%
GROWTH OF
EBITDA TO
769
MILLION HRK

¹ On 28 June 2019 the company Hoteli Makarska was merged to the company Imperial Riviera.

EXECUTIVE SUMMARY

/ continued

Croatia had reported growing demand for several years before experiencing a recent slowdown in tourist turnover during the high summer season. Despite these unfavorable trends, Valamar Riviera recorded 6.8 million overnight stays (+5%) during 2019, while the average daily rate increased to HRK 605 (+5%). The HRK 153 million growth in board revenues was mainly driven by: a) large investments to improve competitiveness and the quality of services and products, b) year-round operating consolidation of Hoteli Makarska¹ and Valamar Obertauern, c) 7 days increase in full occupancy days, d) better preseason and postseason performance, and e) the development of destination products with added value.

COSTS

Operating expenses were HRK 1,385 million, and despite negative pressure, they achieved a controlled and planned growth (+9%). The growth is mainly due to a) the year-round consolidation of two companies – Hoteli Makarska¹ and Valamar Obertauern, b) growth in material costs resulting from an increase in energy costs (electricity and waste disposal) and larger business volume, and c) increased total staff related costs,

whose share in total operating expenses nevertheless decreased by 1 p.p. vs. previous comparable period (from 37% to 36%). Positive one-off effect of this year's implementation of the IFRS 16 (leases)² was HRK 5 million. Most of the planned increase in staff costs results from ensuring competitive salaries and other material and non-material working conditions and new staff employment to ensure service quality in the new Premium and Upscale products that report excellent demand and occupancy.

FINANCIAL RESULT

In 2019, the financial result was HRK -62 million (HRK -24 million in 2018). The financial result, down by HRK 38 million, is mainly the result of the decrease in unrealised positive exchange rate differences regarding long-term loans due to the absence of the usual appreciation of the Croatian Kuna compared to the Euro in the first quarter of 2019 because of an unusual low exchange rate difference in EUR/HRK by the end of 2018.

2020
GROUP'S PLANNED
INVESTMENT CYCLE
AMOUNTS TO HRK

826
MILLION

² IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases.

EXECUTIVE SUMMARY

/ continued

PROFIT

Profit before tax fell by HRK 26 million to HRK 232 million. The 10% decrease was driven by a) higher amortization cost (HRK +64 million coming from earlier large investment cycles) and b) weaker financial result (HRK -38 million, as explained earlier). The Group's net profit grew by HRK 67 million to HRK 306 million, primarily as a result of higher tax revenues mainly due the higher one-off recognition of deferred tax assets related to the achieved tax incentives prescribed by the Act on Investment Promotion (HRK 114 million in 2019, compared to HRK 26 million in 2018).

ENTERPRISE VALUE AND NET DEBT

Enterprise value showed a growth trend (+9%), coinciding with the growing international and national stock market indices. The net debt / adjusted EBITDA indicator fell by 6% to 2.90 confirming the prudent and sustainable debt management and Group's growth.

NET DEBT /
ADJUSTED EBITDA
AMOUNTS TO

2.90x

CONFIRMING
PRUDENT AND
SUSTAINABLE
GROUP'S DEBT
MANAGEMENT
AND GROWTH

INVESTMENTS

Valamar Riviera Group completed its investment cycle worth almost HRK 800 million. The investments were related to the repositioning of Istra campsite towards the Premium segment, making it the first large 5* camping resort in Croatia, to the new luxury family hotel Valamar Collection Marea Suites 5* in Poreč, to the further improvement of accommodation, products and services focusing on premium camping in Istria and the islands of Rab and Krk, to the reconstruction and repositioning of Valamar Carolina Hotel & Villas 4*, as well as to large investments in accommodation for seasonal employees. All the developed properties report extremely good demand and occupancy, and the positive effects on revenue and EBITDA are expected in the next two-year period. For details, see "Investments 2019" on page 26.

A stable balance sheet, strong cash potential from business activities and sustainable net debt / EBITDA ratio ensure a smooth continuation of investments. Thus, in 2020 the Group will invest HRK 826 million in repositioning the hospitality portfolio and expects positive effects on revenue growth and EBITDA to occur in the 2020-2022 period. The continuation of strategic investments is focused on the construction of a luxury resort in the Pical zone - Valamar Collection Pinea Resort 5*, investments in Valamar Parentino Hotel 4*, further investments in Istra Premium Camping Resort 5*, and other projects aimed at upgrading

EXECUTIVE SUMMARY

/ continued

products and services at all destinations. Further investments are also focused on accommodation for seasonal employees, energy efficiency and digitalization. 2020 investment cycle positive effects on revenues and EBITDA growth are expected in the period from 2020 to 2022. For details, see "Investments 2020" on page 32.

IMPERIAL RIVIERA: NEW DEVELOPMENT CYCLE

The share capital increase of Imperial Riviera, a joint company focusing on the management and investments in hospitality properties in the region, represents the continuation of Valamar's successful cooperation with Allianz ZB, a company managing the largest mandatory and voluntary pension funds. The HRK 426 million capitalization marks the beginning of a 5-year business plan that includes investments in tourism worth HRK 1.5 billion. The investments will be focused on the reconstruction and development of owned properties and the further expansion of Imperial Riviera's portfolio under Valamar's operating management.

Valamar and Imperial concluded a contract to purchase Valamar Zagreb Hotel 4* in Poreč for HRK 182 million, enabling Imperial Riviera to expand its presence to new destinations and thus, became a multi-destination asset

company. Imperial Riviera has already started investing over HRK 100 million to upgrade and reposition the hotel with additional Maro services for families and accommodation capacities, in order to continue growing operating and financial indicators. Upon completion, Hotel Zagreb will become Valamar Parentino Hotel 4*.

ACQUISITIONS

The partnership between PBZ Croatia osiguranje (the second largest pension fund in Croatia) and Valamar (providing the operating management of Helios Faros properties and services) is the beginning of a new phase of tourism development in Stari Grad on Hvar Island. The joint capital increase of Helios Faros marks the beginning of the implementation of a 5-year business plan that includes investments worth HRK 692 million primarily focusing on the reconstruction and development of hospitality properties and services owned by Helios Faros. After finalizing the share capital increase, Valamar Riviera owns 20.0% of Helios Faros shares and PBZ Croatia osiguranje owns 77.7%. This represents Valamar's significant first step towards an asset light business model.

AWARDS AND RECOGNITIONS

As the leading tourism company, Valamar Riviera continuously strives to upgrade its products and services, as evidenced by the numerous awards and recognitions received in 2019.

Valamar Riviera won the Best Investor Relations Award for the third time at the Zagreb Stock Exchange and fund management conference held in Rovinj, conferred by business paper Poslovni dnevnik and the Zagreb Stock Exchange.

In 2019, Valamar's properties are the proud winners of the prestigious World Luxury Hotel Awards and World Travel Awards. Valamar received as many as six awards during the annual TUI conference in Turkey, with two more recognitions conferred by the Istria Tourist Board – Zlatna koza - Capra d'oro (Golden Goat Award). Four Valamar campsites won the ADAC Superplatz 2020 award (Lanterna Premium Camping Resort 4*, Krk Premium Camping Resort 5*, Baška Beach Camping Resort 4* and Istra Premium Camping Resort 5*), while Istra Premium Camping Resort 5* received another ADAC award for innovation and development.

Each year Valamar Riviera confirms its status as top employer in tourism by providing competitive salaries, employee motivation and reward systems, career development opportunities and care for its employees. According to a 2019 survey carried out by the Croatian job search website

Valamar's press release is available on the Valamar Riviera corporate website (valamar-riviera.com/en/1Y2019).

MojPosao, Valamar Riviera was the best employer in tourism and ranked seventh among the most desirable Croatian companies.

Valamar's employees and properties received a total of nine awards conferred by the Croatian Chamber of Economy and the Croatian Tourist Board during the event known as Days of Croatian Tourism 2019. Valamar is also the proud holder of numerous certificates and quality marks, such as Travelife, ISO certificates, EU Ecolabel and many more.



Padova Premium Camping Resort 4, Rab island*

MORE THAN
50
AWARDS FOR
PRODUCTS
AND SERVICES
EXCELLENCE
IN 2019

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Valamar Collection Isabella Island Resort 5*, Poreč



Istra Premium Camping Resort 5*, Poreč



Significant Business Events

ABOUT VALAMAR RIVIERA

Valamar Riviera is the leading Croatian tourism group and one of the largest investors in Croatian tourism investing nearly HRK 6 billion in the last 16 years. It owns the umbrella brand Valamar All you can holiday, as well as its sub-brands Valamar Collection, Valamar Collection Resorts, Valamar Hotels & Resorts, Sunny by Valamar and Camping Adriatic by Valamar. With recent acquisitions of Hoteli Makarska d.d.¹ in Makarska and Valamar's first hotel in Austria and investment in shares of Helios Faros d.d. on the island of Hvar, Valamar Riviera Group is now present in eight 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 hospitality portfolio includes 36 hotels and resorts 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 over 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 increasing operating efficiency.

Tourism portfolio of Valamar Riviera Group



*Valamar Riviera provides the management of Helios Faros's properties and services.

INVESTMENT AND RECAPITALIZATION OF HELIOS FAROS

In line with the bankruptcy plan made according to Valamar Riviera's and PBZ Croatia osiguranje's joint offer for the investment and recapitalization of Helios Faros d.d. in bankruptcy dated 15 May 2017 and the decision made on 6 May 2019 to increase the share capital of Helios Faros, Valamar Riviera paid HRK 22.8 million for 2,280,000 shares (having a nominal value of HRK 10.00) and representing a stake of 23.61% in the share capital. The Commercial Court in Split has ruled on the conclusion of bankruptcy on 22 July 2019, with Valamar acquiring full membership rights as a holder of a stake of 23.61% of shares. Pursuant to the decision to increase the share capital rendered by Helios Faros General Assembly on 26 November 2019, Valamar Riviera and PBZ Croatia osiguranje committed to participate in the further increase of Helios Faros share capital with HRK 24.4 million and HRK 115.0 million. Valamar Riviera paid one quarter of the amount in 2019, while the rest will be paid by 31 December 2021 at the latest. Valamar Riviera is the owner of 20.00% of Helios Faros shares, while PBZ Croatia osiguranje owns 77.73%. The share capital increase marks the beginning of the implementation of a 5-year business plan that includes investments worth HRK 692 million primarily focusing on the reconstruction and development of hospitality properties and services owned by Helios Faros and managed by Valamar. The partnership between PBZ Croatia osiguranje and Valamar (providing the operating management of properties and services) is the beginning of a new phase of tourism development in Stari Grad on Hvar island.

VALAMAR RIVIERA'S GENERAL ASSEMBLY

The Management Board met on 19 February 2019, while the Supervisory Board met on 26 February 2019 to determine the 2018 4Q financial statements and the 2018 audited annual financial statements. The General Assembly of Valamar Riviera was held on 8 May 2019 and decided to:

- Distribute the Company's profit achieved in 2018 and totaling HRK 239,279,476 to retained profit.

Helios Faros d.d., Hvar island



- Discharge the Management Board members from managing the Company's business in 2018 and the Supervisory Board members from supervising the management of the Company's business in 2018.
- Authorize the Management Board to acquire treasury shares on the organized securities market during a 5-year period starting on 17 November 2019 depending on the company's financial situation.
- Determine a dividend of HRK 1.00 per each share. The dividend would be paid out of the retained profit achieved in 2016. Valamar Riviera's shareholders who opted so, received one quarter of their dividend in company shares.
- Appoint Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. as Valamar Riviera's auditors in 2019.

VALAMAR RIVIERA ON THE PRIME MARKET OF THE ZAGREB STOCK EXCHANGE

On 26 April 2019 the Zagreb Stock Exchange approved the transition of 126,027,542 ordinary Valamar Riviera shares from the Regular to the Prime Market. Valamar Riviera values a high level of transparency and quality in its business and financial communication, so by transitioning to the most demanding exchange quotation, we will strive to increase further share visibility and positively impact the price and liquidity as an example of best market practice. The first trading day on the Prime Market was 29 April 2019.

On 19 June 2019 Zagreb and Ljubljana Stock Exchanges launched a joint equity index ADRIprime. The index includes Valamar Riviera's shares, as well as other shares listed in the Prime markets of the Zagreb and Ljubljana Stock Exchanges.

IMPERIAL RIVIERA'S
SHARE CAPITAL
INCREASE
AMOUNTS TO HRK

426

MILLION, OUT
OF WHICH THE
PROCEEDS FROM
STRATEGIC
PARTNERS OUTSIDE
THE VALAMAR
GROUP AMOUNT
TO HRK

320
MILLION

HOTEL MANAGEMENT CONTRACT WITH IMPERIAL RIVIERA AND IMPERIAL RIVIERA'S SHARE CAPITAL INCREASE

On 16 May 2019 Valamar Riviera concluded a management contract with Imperial Riviera d.d. which became effective on 28 June 2019 with the registration of the merger of Hoteli Makarska (transferor) with Imperial d.d. (transferee) in the court register, when the company name Imperial d.d. was changed into Imperial Riviera d.d. Both companies had previously concluded a hotel management contract with Valamar, and the merger required the adjustment of existing contracts to the new status.

Pursuant to the decision of the General Assembly of Imperial Riviera to increase the share capital from HRK 400,580,400 in the amount of HRK 426,088,157 to the amount of HRK 826,668,557, the participants were:

- Valamar Riviera in the total amount of HRK 106,068,022 (43.68% equals new share after the increase of share capital),
- Allianz mirovinski fondovi (managing pension funds) in the total amount of HRK 296,020,088 (48.25% equals new share after the increase of share capital),
- Allianz Zagreb dioničko društvo za osiguranje in the total amount of HRK 18,000,036 (1.38% equals new share after the increase of share capital),
- Allianz Invest d.o.o. (managing investment funds) based in Zagreb on its own behalf, and for the account of the Allianz Portfolio open-end investment fund and the Allianz Equity open-end investment fund in the total amount of HRK 6,000,012 (0.46% equals a new share after the increase of share capital).

³ Allianz ZB d.o.o. company managing the mandatory and voluntary pension funds on its own name and on the behalf of AZ mandatory pension fund category A, AZ mandatory pension fund category B, AZ Profit open-ended voluntary pension fund, AZ Benefit open-ended voluntary pension fund, AZ Treći Horizont closed-ended voluntary pension fund, AZ VIP closed-ended voluntary pension fund, AZ Dalekovod closed-ended voluntary pension fund, AZ HKZP closed-ended voluntary pension fund, AZ Zagreb closed-ended voluntary pension fund, Auto Hrvatska closed-ended voluntary pension fund and AZ ZABA closed-ended voluntary pension fund.

Imperial Riviera's share capital increase marks the beginning of a five-year business plan which foresees HRK 1.5 billion of new investments. The investments will be directed towards the reconstruction and repositioning of tourism properties and the further expansion of Imperial Riviera's portfolio, all under the management of Valamar Riviera. The share capital increase also represents the continuation of Valamar's successful cooperation with institutional investors which is accompanied by a strong sense of confidence from all participants of the share capital increase regarding the growth potential of Croatian tourism, as well as the long-term sustainability of the hospitality industry which continuously invests in employees.

The Supervisory Boards of Valamar and Imperial Riviera concluded a contract for Imperial Riviera's purchase of Valamar Zagreb Hotel in Poreč in the amount of HRK 182.15 million, enabling Imperial Riviera to expand its presence to a new destination. Imperial Riviera already started investing over HRK 100 million to improve and reposition the hotel with additional accommodation units and Maro services for families. The project is part of Valamar Riviera and Imperial Riviera's overall development plan for the Pical zone.

On 29 October 2019, Valamar and Imperial concluded a long-term contract regarding the management of hotel facilities and amenities (hotel management contract) by which Valamar shall continue to manage the Imperial Riviera portfolio.

2020 INVESTMENTS

A stable balance sheet, strong cash potential from business activities and sustainable net debt/ EBITDA ratio ensure a smooth continuation of the Group's investments. Thus, the Supervisory boards of Valamar Riviera and Imperial Riviera approved the 2020 investment cycle worth HRK 599 million and HRK 226 million, respectively. The large investment cycle of HRK 826 million represents the continuation of strategic investments to reposition the

2020
GROUP'S PLANNED
INVESTMENT CYCLE
AMOUNTS TO HRK

826
MILLION

portfolio towards products and services with high added value. It focuses on the development of a new luxury resort Valamar Collection Pinea Resort 5*, investments in Valamar Zagreb Hotel 4* in Poreč, further investments in Istra Premium Camping Resort 5* in Funtana, as well as improving the quality of accommodation and services of Valamar Meteor Hotel 4* and Padova Premium Camping Resorta 4*. Investments are also being performed in guest properties and amenities at all destinations, in accommodation for seasonal workers, as well as in projects related to energy efficiency and digitalization. For details, see "2020 Investments", page 32.

LOAN AGREEMENTS

On 8 November 2019 Valamar Riviera concluded a long term club loan agreement with the banks club consisting of Zagrebačka banka d.d. (also in the role of Agent), Privredna banka Zagreb d.d. and Croatian Bank for Reconstruction and Development, in the amount of EUR 100 million for the purpose of financing the investment in the future Valamar Collection Pinea Resort 5* in Poreč.

On 30 December 2019 Valamar Riviera concluded a loan agreement with the European Investment Bank in the amount of EUR 23 million for the financing of the project Istra Premium Camping Resort 5*.

The said legal transactions are another confirmation of trust of the investment and financing community in the further development of Valamar Riviera.

 *The Management Board presents the annual audited financial statements for the 2019.*

Ježevac Premium Camping Resort 4*, Krk island



ANNUAL AUDITED FINANCIAL STATEMENTS

The Management Board hereby presents the annual audited financial statements for the year 2019. These statements must be viewed in the context of the said mergers and acquisitions, and they provide information on the state of the Company and Group, as well as significant events.

The Group income statement for the reviewed period includes the data of companies Hoteli Makarska d.d.¹ and Valamar A GmbH as of 1 August 2018 and Valamar Obertauern GmbH as of 1 November 2018. Please note that 2019 data cannot be entirely compared to data from the previous period, as the latter do not fully include data for the company Hoteli Makarska d.d.¹, Valamar A GmbH and Valamar Obertauern GmbH.

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

The consolidation of Helios Faros d.d. is conducted according to the equity method, since Valamar Riviera has no control over it, but significant influence.

Please note that the presented 2018 annual financial statements slightly differ from the 2018 financial statements published last year (for detailed descriptions of adjustments, see the "Notes" page of the GFI-POD financial statements).

TUI Family Life Bellevue Resort 4*, Rabac



Results of the Group

KEY FINANCIAL INDICATORS⁴

	2018	2019	2019/2018
Total revenues	2,016,117,541	2,218,828,166	10.1%
Operating income	1,982,740,515	2,207,678,790	11.3%
Sales revenues	1,961,413,631	2,139,319,744	9.1%
Board revenues (accommodation and board revenues) ⁵	1,628,991,417	1,781,619,705	9.4%
Operating costs ⁶	1,267,087,843	1,385,486,291	9.3%
EBITDA ⁷	693,159,210	768,955,392	10.9%
Extraordinary operations result and one-off items ⁸	-8,451,565	10,853,838	/
Adjusted EBITDA ⁹	701,610,775	758,101,554	8.1%
EBIT	282,252,398	293,853,214	4.1%
Adjusted EBIT ⁹	290,703,962	282,999,376	-2.7%
EBT	258,081,503	232,471,771	-9.9%
Net profit	239,187,507	305,851,680	27.9%
EBT margin	13.0%	10.5%	-250 bp
EBITDA margin	35.0%	34.8%	-20 bp
Adjusted EBITDA margin ⁹	35.4%	34.3%	-110 bp
	31/12/2018	31/12/2019	2019/2018
Net debt ¹⁰	2,168,602,934	2,195,286,284	1.2%
Net debt / Adjusted EBITDA	3.09	2.90	-6.2%
Cash and cash equivalents	261,842,353	550,142,638	110.1%
Capital investments (details in chapter "2019 Investments")	703,559,000	954,590,000	35.7%
ROE ¹¹	8.5%	8.8%	30 bp
Adjusted ROCE ¹²	5.9%	5.2%	-70 bp
Market capitalization ¹³	4,468,823,546	4,728,031,913	5.8%
EV ¹⁴	7,039,419,545	7,654,341,409	8.7%
EPS ¹⁵	1.90	2.32	22.1%
DPS ¹⁶	0.90	1.00	11.1%

KEY BUSINESS INDICATORS¹⁷

	2018	2019	2019/2018
Number of accommodation units (capacity)	21,371	21,266	-0.5%
Number of beds	58,023	58,216	0.3%
Full occupancy days	132	139	4.7%
Annual occupancy (%)	36%	38%	200 bp
Accommodation units sold	2,827,338	2,946,626	4.2%
Overnights	6,459,734	6,775,709	4.9%
ADR ¹⁸ (in HRK)	576	605	4.9%
RevPAR ¹⁹ (in HRK)	76,224	83,778	9.9%

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

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

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

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

8 Adjustments were made for (i) extraordinary income (in the amount of HRK 63.9 million in 2019, and HRK 23.8 million in 2018), (ii) extraordinary expenses (in the amount of HRK 50.7 million in 2019, and HRK 28.7 million in 2018), and (iii) termination benefit costs (in the amount of HRK 2.4 million in 2019, and HRK 3.5 million in 2018).

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

10 Net debt: non-current and current liabilities to banks and other financial institutions + liabilities for loans, deposits and other + other liabilities according to IFRS 16 (leases) - cash and cash equivalents - long-term and short-term investments in securities - current loans given, deposits, etc.

11 ROE refers to return on equity; calculated as: profit for the period / (capital and reserves).

12 Adjusted ROCE refers to return on capital employed; calculated as: adjusted EBIT / (capital and reserves at the end of the period + noncurrent and current liabilities to banks and other financial institutions + other liabilities according to IFRS 16 (leases) - cash and cash equivalents - long-term and short-term investments in securities - loans given, deposits, etc.).

13 The number of shares as at 31 December 2018 net of treasury shares amounts to 122,904,938, while per 31 December 2019 amounts to 121,887,907.

14 EV refers to enterprise value; calculated as market capitalization + net debt + minority interest.

15 EPS refers to earnings per share calculated on the basis of net profit attributable to the owners of the parent company. Weighted average number of shares as at 31 December 2019: 122,507,835. Weighted average number of shares as at 31 December 2018: 123,968,146.

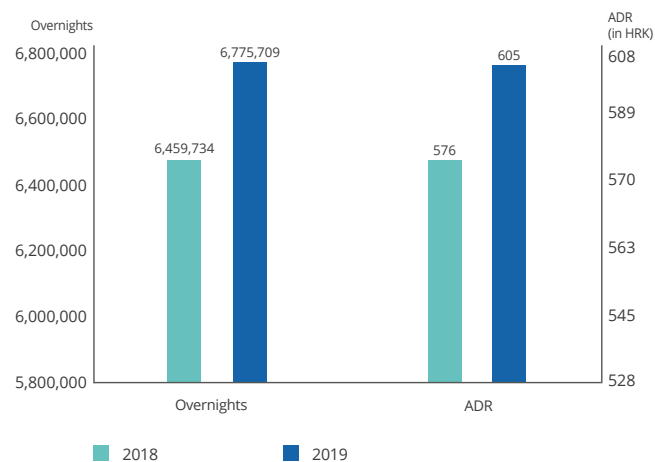
16 DPS refers to dividends per share.

17 2018 key business indicators of Valamar Riviera Group include data of Hoteli Makarska and Valamar Obertauern from 1 October 2018 and 1 November 2018, respectively. Data for Helios Faros are not included.

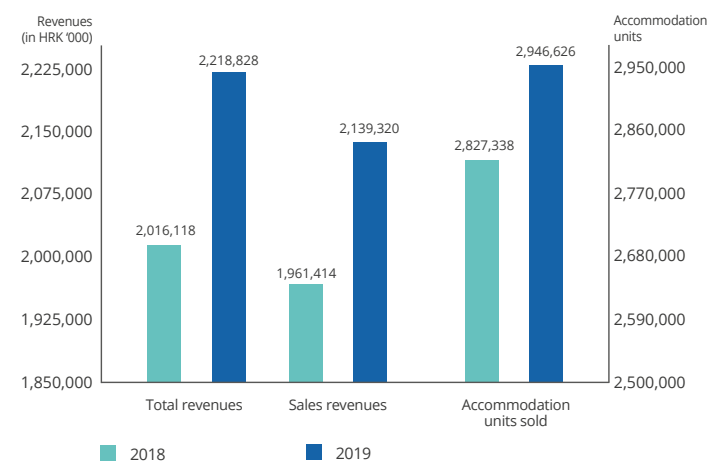
18 Average daily rate is recorded on the basis of board revenues (accommodation and board's food and beverage revenues).

19 Revenue per accommodation unit is recorded on the basis of cumulative board revenues (accommodation and board's food and beverage revenues).

Overnights and ADR



Revenues and accommodation units sold



Valamar Crystal Hotel 4*, Poreč



For yet another year, Valamar Riviera Group continues to assert its leadership position, reporting strong growth in operating results. Valamar Riviera's operations generated an income of over HRK 2.2 billion during 2019 which represents a continuation of the Group's record results. 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: a) continuous portfolio investments (over HRK 800 million were invested in the preparation for the 2019 tourist season, while planned investments for 2020 amount to HRK 823 million), b) acquisitions and partnerships (in 2018 and 2019: acquisition of Hoteli Makarska¹ and the first Valamar Hotel in Austria and investments in shares of Helios Faros in Croatia), and c) the development of employees and destinations.

REVENUES

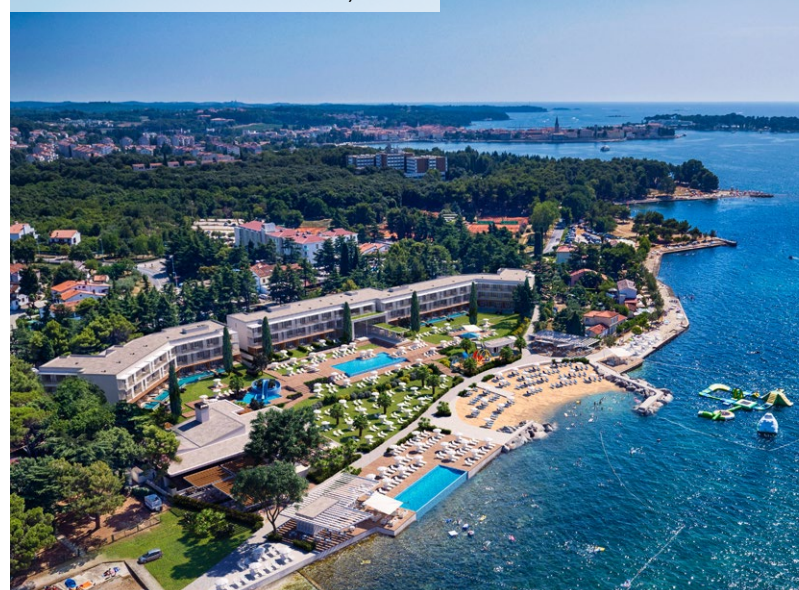
In 2019, total revenues were HRK 2,218.8 million, up by 10.1% (HRK +202.7 million). The total realized revenues were affected by:

a) growth in sales revenues up by 9.1% (HRK +177.9 million) to HRK 2,139.3 million, mainly driven by board revenues (+9.4%; HRK +152.6 million). Despite the negative effect of shifted Easter holidays to the second quarter, careful preparations of various interesting events and guest experiences and this year's consolidation of Valamar Obertauern Hotel 4* operations, board revenues increased by 30.5% during the first quarter. Despite the opening of the newly developed resorts Valamar Collection Marea Suites 5* and Istria Premium Camping Resort 5* in early June, the strong growth of board revenues (12.4%) continued in the second quarter. The Easter holidays in April led to a growth in all marketing segments, while May managed to achieve the planned figures despite rainy weather. June saw revenue growth due to the excellent feedback from the individual and M.I.C.E. segments. Although the slowdown in Croatia's peak season months (July - September) reflected in a slight decline in Valamar's allotment and group channels, they were successfully offset by the great performance of the individual, O.T.A. and M.I.C.E. segments which steered the board revenues growth (+8%). Shoulder season (October-December) saw 8% growth in board revenues. The growth in 4Q was driven by an increase in individuals' numbers in Poreč, a strong group segment performance in Dubrovnik, growth in Valamar Obertauern's winter operations, and a strong market feedback during the Christmas / New Year period. In 2019, there was a total of 6,775,709 overnights, up by 4.9%. The average daily rate grew by 4.9% to HRK 605.

Domestic sales revenues were HRK 199.6 million and represented 9.0% of total revenues (9.0% in 2018). They grew by 10.5% compared to the previous comparable period. International sales revenues were HRK 1,939.7 million, up by HRK 158.9 million and represented 87.3% in total revenues (88.3% in 2018).

b) other operating revenues²⁰ grew by HRK 47.0 million to HRK 68.4 million, primarily due to a) this year's consolidation of Hoteli Makarska¹ and b) one-off revenues from sales of fixed tangible non-operating assets (outside group).

Valamar Collection Marea Suites 5*, Poreč



c) financial income, down by HRK 22.7 million to HRK 10.7 million, primarily as a result of the decrease in positive exchange rate differences regarding long-term loans due to the absence of the usual appreciation of the Croatian Kuna compared to the Euro in the first quarter of 2019 and an unusual low exchange rate difference in EUR/HRK by the end of 2018.

d) year-round operating consolidation of Hoteli Makarska¹ and Valamar Obertauern, contributing with 3 p.p. to the Group's revenue growth.

Other operating and financial income represented 3.6% of total revenues (2.7% in 2018).

9%
SALES REVENUES
GROWTH TO HRK
2,139
MILLION

²⁰ Other operating revenues include revenues from the usage of own products, goods and services.

TOTAL OPERATING EXPENSES OF VALAMAR RIVIERA GROUP²¹

(in HRK)	2018	2019	2019/2018
Operating costs ²²	1,267,087,843	1,385,486,291	9.3%
Total operating expenses	1,700,488,117	1,913,825,576	12.5%
Material costs	551,752,686	609,249,061	10.4%
Staff cost	541,614,164	583,409,043	7.7%
Depreciation and amortisation	410,521,539	474,514,405	15.6%
Other costs	174,094,246	197,392,249	13.4%
Provisions and value adjustments	7,511,545	9,415,580	25.3%
Other operating expenses	14,993,937	39,845,238	165.7%

TOTAL OPERATING EXPENSES

Total operating expenses were HRK 1,913.8 million and grew by 12.5% (HRK +213.3 million). When adjusting the operations of Hoteli Makarska¹ and Valamar Obertauern for comparability's sake, total operating expenses grew by 9% . Breakdown of total operating expenses:

i) material costs represented 31.8% (32.4% in 2018). The 10.4% growth (HRK +57.5 million) to HRK 609.2 million is due to a) the consolidation of Hoteli Makarska¹ and Valamar Obertauern, b) the increase of direct raw material costs due to increased business volume, and c) the increase in energy costs (electricity and waste disposal).

ii) staff costs represented 30.5% in total operating expenses and went down if compared to the previous period (31.9% in 2018). The reasons behind the 7.7% growth (HRK + 41.8 million) to HRK 583.4 million are found in a) the consolidation of Hoteli Makarska¹ and Valamar Obertauern, representing a 4 p.p. growth and b) ensuring competitive salaries and other material and non-material

working conditions (4% total payroll increase since June 2018 pursuant to the collective contract), as well as new staff hired to ensure service quality in the new Premium and Upscale products.

iii) amortization costs represented 24.8% (24.1% in 2018). The 15.6% increase (HRK +64.0 million) to HRK 474.5 million is primarily a result of the earlier large investment cycle and the consolidation of Hoteli Makarska¹ and Valamar Obertauern operations.

iv) other costs represented 10.3% (10.2% in 2018). The 13.4% growth (HRK +23.3 million) to HRK 197.4 million is primarily a result of a) the consolidation of the Hoteli Makarska¹ and Valamar Obertauern operations, b) ensuring competitive material working conditions (HRK 5,000 net amount as 13th salary, performance rewards and rewards for a good season start), c) public utility charge increase, d) increased costs of lodging and meals for employees, e) increased costs of student scholarships and employee training (Valamar Riviera is the largest

²¹ Classified according to Annual Financial Statements (GFI POD-RDG).

²² Operating costs include material costs, staff costs, other costs, and other operating costs reduced by extraordinary expenses and one-off items.

scholarship provider in Croatian tourism), and f) increased expenses for labor hired via the student employment agency.

v) provisions and value adjustments representing 0.5% (0.4% in 2018). A HRK 1.9 million increase to HRK 9.4 million is due to increased provisions for initiated Valamar Riviera's litigations.

vi) other operating expenses representing 2.1% (0.9 % in 2018). The HRK 24.9 million increase to HRK 39.8 million is driven by a) the consolidation of Hoteli Makarska¹ and b) the value of assets that hasn't been written off (demolition and write-offs due to investments).

OPERATING COSTS²²

Operating costs were HRK 1,385.5 million. The reasons behind the planned and achieved 9.3% growth are found in a) the increase in material costs (previously explained), b) the 9.5% increase in total staff related costs (from HRK 623 million to HRK 682 million; previously explained), c) the increase in other costs (previously explained), d) the consolidation of Hoteli Makarska¹ and Valamar Obertauern. When adjusting the operations of Hoteli Makarska¹ and Valamar Obertauern for comparability's sake, operating cost grew 6%.

EBITDA AND PROFIT

Unadjusted EBITDA, marked by strong double-digit growth, reached HRK 769.0 million (HRK 693.2 million in 2018). The increase of HRK 75.8 million (+10.9%) is the result of the continuation of the large investment cycle focused on improving competitiveness and the quality of properties and services, the acquisition of Hoteli Makarska¹ in Makarska and Valamar Obertauern in Austria, a prudent management of operating costs, distribution optimization and demand-driven price management, particularly for the newly developed properties. Stronger operating results were also reflected in the adjusted EBITDA²³ that soared by 8.1% to HRK 758.1 million. The consolidation of Hoteli Makarska and Valamar Obertauern was initiated in August 2018 and

²³ Adjustments were made for (i) extraordinary income (in the amount of HRK 63.9 million in 2019, and HRK 23.8 million in 2018), (ii) extraordinary expenses (in the amount of HRK 50.7 million in 2019, and HRK 28.7 million in 2018), and (iii) termination benefit costs (in the amount of HRK 2.4 million in 2019, and HRK 3.5 million in 2018).

Baška Beach Camping Resort 4*, Krk island



November 2018, respectively, resulting in a 2-percentage point growth in EBITDA. The positive one-off effect of the implementation of the IFRS 16 carried HRK 4.9 million in the growth. Both the adjusted and unadjusted EBITDA showed positive trends despite the negative impact of the lower EUR/HRK exchange rate in 2019.

In relation to last year's comparable period, profit before tax fell by HRK 25.6 million to HRK 232.5 million, primarily due to a weaker financial result (HRK -37.8 million; details on the next page) and increased amortization (HRK +64.0 million). Consequently, the EBT margin fell by 250 basis points to 10.5% (13.0% in 2018).

In 2019, the Group's net profit was HRK 305.9 million. The HRK 66.7 million growth is mainly due to higher tax revenues (+HRK 88.3 million) resulting from the higher one-off recognition of deferred tax assets²⁴.

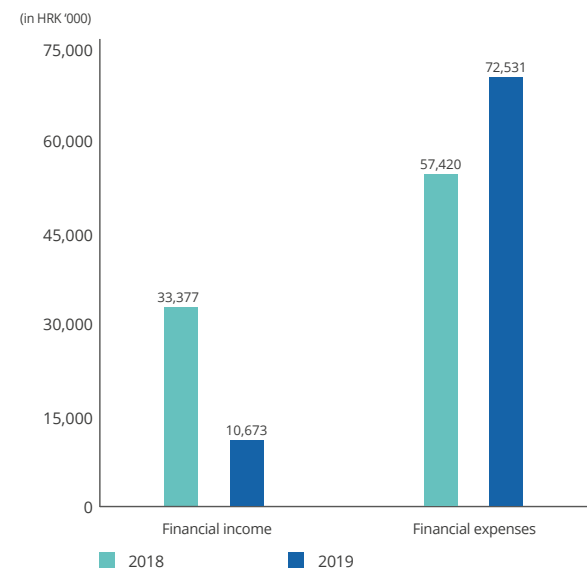
8%
GROWTH OF
ADJUSTED EBITDA
TO HRK
757
MILLION

²⁴ In 2019 deferred tax assets was recognized mainly due to tax incentives prescribed by the Act on Investment Promotion and Investment Improvement which amounted to HRK 114.1 million, in respective to HRK 25.8 million in 2018.

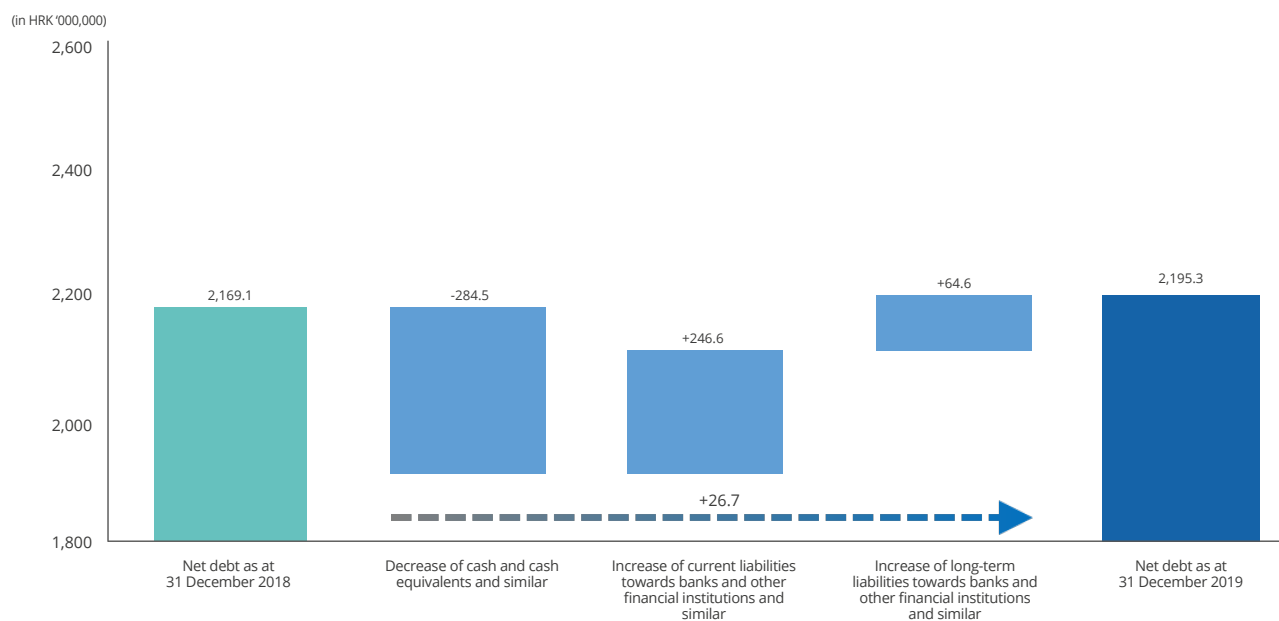
FINANCIAL RESULT

In 2019, the financial result was HRK -61.9 million (HRK -24.0 million in 2018). The financial result, down by HRK 37.8 million vs. last year's comparable period was mainly due to: a) the decrease in net exchange rate differences by HRK 29.4 million regarding long-term loans due to the absence of the usual appreciation of the Croatian Kuna compared to the Euro in the first quarter of 2019 because of an unusual low exchange rate difference in EUR/HRK by the end of 2018, b) increase in financial expenses related to interest on mostly long-term loans in the amount of HRK 6.6 million as a result of financing large capital investments, c) the increase of unrealized losses from financial assets in the amount of HRK 7.0 million due to the scope of protection by fair value of rate swaps, and d) increase of other financial income by HRK 1.8 million due to the sale of financial assets and decrease in other financial expenses by HRK 3.1 million.

Financial income and expenses



Net debt ²⁵



²⁵ Net debt: non-current and current liabilities to banks and other financial institutions + liabilities for loans, deposits and other + other liabilities according to IFRS 16 (leases) – cash and cash equivalents – long-term and short-term investments in securities – current loans given, deposits, etc.

ASSETS AND LIABILITIES

As at 31 December 2019, the total value of the Group's assets was HRK 6,495.3 million, up by 14.6% compared to 31 December 2018.

Total share capital and reserves increased by 16.7% and were HRK 3,219.1 million, due to the achieved profit (HRK +284.5 million) and an increase in the minority interest because of the recapitalization of Imperial Riviera (HRK +329.0 million). Total long-term liabilities grew from HRK 2,281.6 million to HRK 2,546.9 million due to loans contracted to finance this year's investment cycle. A major part of the loan portfolio (87%) is comprised of long-term fixed interest loans or, respectively, loans hedged by derivative instruments (IRS) for protection against interest rate risk.

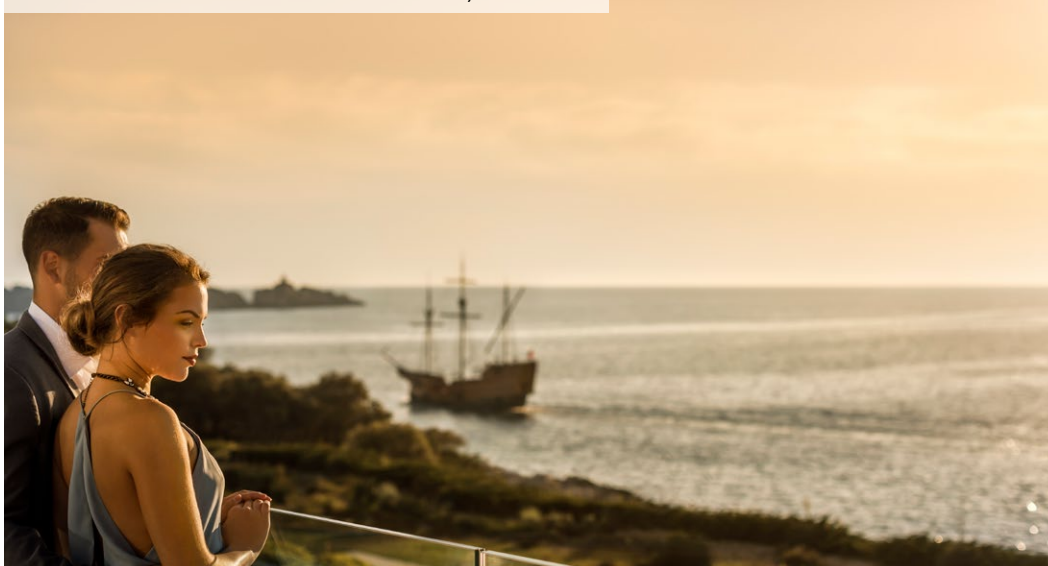
Total short-term liabilities were HRK 526.3 million, up by 24.0% compared to 31 December 2018. This is mostly due to the higher current repayment of the long-term debt (HRK +58.1 million) and higher trade payables (HRK +32.8 million) due to the larger 2020 investment cycle.

Assets and liabilities



Cash and cash equivalents as at 31 December 2019 grew by 110.1% and were HRK 550.1 million, mainly due to the Imperial Riviera's capital increase. The contracted credit lines for investments and the strong cash potential from business activities ensure a smooth continuation of future investments and potential acquisitions.

Valamar Collection Dubrovnik President Hotel 5*, Dubrovnik



PROFITABILITY INDICATORS OF VALAMAR RIVIERA GROUP

	2018	2019	2019/2018
EBITDA margin	35.0%	34.8%	-20 bp
Adjusted EBITDA margin	35.4%	34.3%	-110 bp
EBIT margin	14.2%	13.3%	-90 bp
Adjusted EBIT margin	14.7%	12.8%	-190 bp
EBT margin	13.0%	10.5%	-250 bp
Net profit margin	12.1%	13.9%	180 bp
ROA	4.2%	4.7%	50 bp
ROE	8.5%	8.8%	30 bp
Adjusted ROCE	5.9%	5.2%	-70 bp

VALUATION OF VALAMAR RIVIERA GROUP

	31/12/2018	31/12/2019	2019/2018
Average share price per (in HRK)	36.36	38.79	6.7%
Market capitalization (in HRK)	4,468,823,546	4,728,031,913	5.8%
EV (in HRK)	7,039,419,545	7,654,341,409	8.7%
EPS (in HRK)	1.90	2.32	22.1%
DPS (in HRK)	0.90	1.00	11.1%
EV / Sales revenues	3.6x	3.6x	-0.3%
EV / EBITDA	10.2x	10.0x	-2.0%
EV / Adjusted EBITDA	10.0x	10.1x	0.6%
EV / EBIT	24.9x	26.0x	4.4%
EV / Adjusted EBIT	24.2x	27.0x	11.7%

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	***	*****	Midscale	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 - Puntizela
Tunarica Sunny Camping	**	**	Economy	Economy	Rabac

54%
OF
ACCOMMODATION
UNITS ARE IN THE
PREMIUM AND
UPSCALE SEGMENT

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



Results of the Company

During 2019, total revenues grew by HRK 249.5 million (+14%) to HRK 2,074.2 million. Total sales revenues amounted to HRK 1,874.5 million with a 90% share in total revenues (97% in 2018). Compared to the same period of the previous year, they increased by 6%, i.e. by HRK 105.9 million. Sales revenues between the Group undertakings were HRK 31.2 million (HRK 18.5 million in 2018) and they mainly represented the management fee for Imperial Riviera's properties, Hoteli Makarska¹ and Valamar Obertauern. Sales revenues outside the Group amounted to HRK 1,843.3 million (HRK 1,750.1 million in 2018). Domestic sales revenues amounted to HRK 184.4 million, i.e. 9% of total revenues (9% in 2018), up by 14% in relation to the previous comparable period. International sales revenues amounted to HRK 1,690.1 million and represented 81% of total revenues (88% in 2018). They grew by 5% compared to the previous comparable period. Other operating revenues represent 9% of total revenues (1% in 2018). The increase of HRK 162.4 million to the level of HRK 180.4 million (HRK 17.9 million in 2018) was primarily the result of the sale of Valamar Hotel Zagreb 4* to Imperial Riviera and other one-off revenues from the sale of non-current tangible fixed assets. Other operating and financial income represented 10% of total revenues (3% in 2018).

Material costs totaled HRK 540.8 million with the same share in total operating expenses as in the previous comparable period (33%). The HRK 39.4 million increase is primarily a result of a) the increased costs of raw material due to higher business volumes and b) the increase in energy costs (electricity and waste disposal). Staff costs amount to HRK 506.1 million with the same share of 31% in total operating expenses as in the previous year (32% in 2018). Compared to the same period of the previous year, they are up by HRK 18.3 million. This was mainly due to ensuring competitive salaries and other material and non-material working conditions (a total payrolls increase of 4% since June 2018) and new staff hired to ensure service quality in the new Premium and Upscale products. Amortization represented 23% of operating expenses (23% in 2018) and amounts to HRK 380.1 million (HRK 344.7 million in 2018). The 10% growth is the result of the earlier large investment cycle that had been carried out. Other costs totaled HRK 174.3 million and they are higher by 10% due to a) ensuring competitive material working conditions (HRK 5,000 net amount as 13th salary, performance rewards and rewards for a good season start), b) public utility charge increase, c) increased costs of lodging and meals for employees, d) increased costs of student scholarships and employee training (Valamar Riviera is the largest scholarship provider in

249
MILLION HRK
INCREASE IN SALES
REVENUES

Croatian tourism) and e) increased expenses for labor hired via the student employment agency. Provisions and value adjustments achieved a HRK 2.5 million increase due to increased provisions for initiated Valamar Riviera's litigations. Other operating expenses amounted to HRK 30.6 million and they are higher by HRK 18.1 million, mainly as a result of the value of assets that hasn't been written off (demolition and write-offs due to investments).

In 2019, the financial result was HRK -48.0 million (HRK -15.9 million in 2018). The financial result, down by HRK 32.1 million vs. last year's comparable period was mainly due to: a) the decrease in net exchange rate differences by HRK 28.4 million regarding long-term loans due to a) the absence of the usual appreciation of the Croatian Kuna compared to the Euro in the first quarter of 2019 because of an unusual low exchange rate difference in EUR/HRK by the end of 2018, b) increase in financial expenses related to interest mostly on long-term loans in the amount of HRK 5.2 million as a result of financing large capital investments, c) the increase of unrealized losses from financial assets in the amount of HRK 7.0 million due to the scope of protection by fair value of rate swaps, d) the decrease in income from investment in stakes (shares) of undertakings in the Group by HRK 2.7 million due to the dividend paid by Hoteli Makarska¹ and e) increase of other financial income by HRK 1.9 million due to the sale of financial assets and decrease in other financial expenses by HRK 3.5 million.

Operating profit (EBITDA), marked by strong double-digit growth, reached HRK 795.2 million. The increase of HRK 174.1 million (+28%) is the result of the continuation of the large investment cycle focused on improving competitiveness and the quality of properties and services, the one-off income from the sale of Valamar Zagreb Hotel 4* to Imperial Riviera, a prudent management of operating costs, distribution optimization and demand-driven price management, particularly for the newly developed properties. Profit before tax was HRK 366.5 million (HRK 260.2 million in 2018). The Company's gross margin was 18% (15% in 2018). Net profit increased by HRK 137.7 million, amounting to HRK 377.0 million in 2019 (HRK 239.3 million in 2018), primarily as a result of one-off income from the sale of Valamar Hotel Zagreb 4*.

As at 31 December 2019, the total Company assets amounted to HRK 5,503.9 million, a 10% increase compared to 31 December 2018.

TUI Sensimar Carolina Resort by Valamar 4*, Rab island



2019 Investments

Valamar Riviera's success and growth are based on a sustainable and socially responsible development through investments in products, employees and destinations. In 2019, investments worth HRK 955 million were capitalized in the portfolio of fixed tangible and intangible assets²⁶, while the 2019 investment cycle was worth almost HRK 800 million as part of the strategy for further operating growth.

VALAMAR RIVIERA

The most important projects in Valamar Riviera's HRK 640 million 2019 investment cycle were the investments made for the opening of the luxury family hotel Valamar Collection Marea Suites 5* in Poreč, investments in Istra campsite that became the largest 5-star campsite in Croatia in this season, as well as the further upgrades in accommodation, products and services in Lanterna Premium Camping Resort 4* and Ježevac Premium Camping Resort 5*. Large investments in accommodation for seasonal employees continued in line with Valamar's strategic goals.

Istra Premium Camping Resort by Valamar 5*

The second investment phase at Istra Sunny Camping 2* in Funtana was started in 2018. In the summer of 2019 Valamar's guests enjoyed top features and amenities at Istra Premium Camping Resort 5*, spreading over 35 hectares. The campsite features a large family water park, Aquamar, spreading over 1,000m² 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 programs. It also boasts one of the best Valamar beaches overlooking Vrsar's old town, Piazza market, restaurants, bars, a sport and recreation zone named V Sport Park, Terra Magica adventure miniature golf, numerous children's playgrounds, as well as new glamping tents (9), a variety of new mobile homes (135) and new luxury

Istra Premium Camping Resort 5, Poreč*



²⁶ Represents the total recorded increase in non-current tangible and intangible assets during 2019 (thus also including investment cycles other than 2019).

mobile homes (9) with private pools. Istra Premium Camping Resort 5* offers 831 accommodation units and is a top-class resort with a wide range of amenities and excellent services whose quality was recognized by the profession and awarded as "ADAC Superplatz 2020" by ADAC, the largest German and European automotive club.

 *Istra Premium Camping Resort 5* is the largest 5* camping resort in Croatia whose quality has been recognized by the profession and awarded by ADAC as "ADAC Superplatz 2020".*

Istra Premium Camping Resort 5*, Poreč



Valamar Collection Marea Resort 5*

The construction of Valamar Collection Marea Suites 5* was completed in June 2019. The property is situated at the location of the former Pinia Sunny Residence 3* in the Borik area of Poreč. Valamar has continued to develop this area by adding accommodation and amenities with higher added value. This investment also created 100 new jobs. Valamar Collection Marea Suites 5* has been designed for families with children, where guests can enjoy V level service, luxury suites ranging from 32 to 56 square meters with sea view (108 rooms), more than 200 square meters of attractive pools, Val Marea Sandy Family beach, restaurants, sports facilities and Maro amenities for children of all ages. Special attention was given to landscape design and planting new trees, vegetation and indigenous species.



- | | | | |
|-----------------------------------|--------------------|-------------------------------|--|
| 1 Premium family suites | 5 Activity pool | 11 Infinity pool | 15 Kids playground |
| 2 Family suites with limited view | 6 Baby pool | 12 Val Marea Family Beach | 16 Bike storage |
| 3 Reception | 7 Children's pool | 13 Spash Beach Bar | 17 Lungomare promenade - 10 minutes to the old town of Poreč |
| 4 Swim-up pools | 8 Beach Restaurant | 14 Maro Baby Club & Maro Club | |

Lanterna Premium Camping Resortu by Valamar 4*

At Lanterna Premium Camping Resort 4*, Valamar Riviera's largest campsite, we continued to develop the premium segment with 12 new mobile homes with sea view at the Marbello zone and three camping zones with 136 new mobile homes. We repositioned one part of the existing plots and continued with the Tar Bay beach improvements. The projects also included the reconstruction of a sanitary block, more water surface for the family aquapark, as well as other service and amenity upgrades.

Ježevac Premium Camping Resortu by Valamar 4*

The investments on Krk Island focused on upgrading the quality and range of accommodation in Ježevac Premium Camping Resort 4*. The high added value of the campsite was boosted by 23 new mobile homes in the Lungomare zone, 20 mobile home replacements and capacity expansion to a total of 661 units offered by this camping resort. Guests could enjoy a new central market, while the upgraded features for families with children included a Maro club and new children's playgrounds.

Lanterna Premium Camping Resort 4*, Poreč



IMPERIAL RIVIERA

Imperial Riviera successfully completed its 2019 investment cycle worth HRK 149 million.

TUI Sensimar Carolina Resort by Valamar

The investments in Valamar Carolina Hotel & Villas 4* increased the capacity from 152 to 174 rooms, upgraded the quality of accommodation and other features and services (present restaurant, lobby bar, public spaces, new adult swimming pool, wellness and fitness zone) enabling a partnership with the TUI Sensimar brand in 2019 and TUI Blue in 2020.

Padova Premium Camping Resort 4*

In 2019, Padova Premium Camping Resort was repositioned in the Premium segment. Special focus was given to refurbishing accommodation, constructing a new pool complex that includes two new

149
MILLION HRK
IMPERIAL RIVIERA'S
INVESTMENTS

pools, slides and sundeck, a new Mezzino restaurant, renovating the central campsite and adding Super Maro features for children's entertainment and fun and implementing the Piazza concept.

Valamar Padova Hotel 4*

Valamar Padova Hotel 4* welcomed the new tourist season as a family-oriented hotel, featuring a reconstructed pool complex (upgrading of the present pool heating system, sundeck expansion and new children's pool with slides) and the implementation of the Super Maro children's service as well as other family-oriented services.

Valamar Meteor Hotel 4*

Investments in Makarska mainly focused on improving the quality and amenities of Meteor Hotel operating under the Valamar Hotels & Resorts brand as of 2019. The first phase of the hotel reconstruction and redesign focused on the restaurant, lobby bar, reception, pool bar and 111 accommodation units.

Additional projects focused on improving energy efficiency with solar heating systems, efficient heat pumps and other.

Padova Premium Camping Resort 4*, Poreč



Valamar Collection Pinea Resort 5*, Poreč (vizualization)



2020 Investments

The product and content development strategy consist of ambitious plans for innovative upgrades of services and products, focusing on the upscale and premium portfolio portion, both in the hotel and resort segment, as well as in the camping resort segment. In 2020, the Group's investment projects are worth HRK 826 million²⁷, and will focus on repositioning the portfolio towards high value-added products and services, especially in the premium resort segment and camping segment in Istria. The development of Valamar's service concepts is a continuous process that will be geared towards adjusting the products and services to current market requirements, primarily customer trends and expectations.

VALAMAR RIVIERA

The Supervisory Board of Valamar Riviera approved the investments in a resort in the Pical zone in Poreč worth a total of HRK 790 million to be developed in the next two years. Hotel Pical 2* in Poreč will be transformed into a luxury year-round 5-star resort – Valamar Collection Pinea Resort 5*. The resort will accommodate up to 1,700 guests and will feature 9 bars, 8 restaurants and swimming pools spanning 3,000 m² of water surface. The plans include the development of the beach area (featuring a beach club), and the construction of the largest convention center in Istria (for 1,200 guests), an indoor pool and spa center, family-oriented Maro facilities and a wide range of options for active holidays. Valamar continues investing in the Pical zone which, together with Valamar Collection Marea Suites 5* (opened this year) is poised to become one of the most attractive holiday spots in Croatia. The demolition of the old Hotel Pical is completed, while construction work is currently in progress to open the resort in 2021.

Valamar Collection Pinea Resort 5*, Poreč (vizualization)



²⁷ A portion already recorded in 2019.

 *Valamar Collection Pinea Resort 5* will be a luxury year-round 5-star resort with a total two-year investment value of HRK 790 million.*

Valamar Collection Pinea Resort 5*, Poreč (vizualization)



 *Convention Center will be the largest congress center in Istria with a capacity for 1.200 delegates.*

Valamar Collection Pinea Resort 5*, Poreč (vizualization)



Valamar Collection Pinea Resort 5*, Poreč (vizualization)



PINEA VALAMAR COLLECTION RESORT 5*

- 1a. Pinea Hotel
- 1b. Pinea V Level Miramare
- 1c. Pinea Family Suites

- 2. VALAMAR COLLECTION MAREA SUITES 5*
- 3. VALAMAR PARENTINO HOTEL 4*
- 4. VALAMAR PINIA HOTEL 3*

RESTAURANTS & BARS

- 5. Sundance Beach Club
- 6. Miramare Restaurant
- 7. La Pentola Trattoria Italiana & Black & Blue Restaurant

- 8. Luna Beach Reastaurant
- 9. The Beat Beach Club
- 10. Mezzino Restaurant
- 11. Splash Beach Bar

BEACHES

- 12. Val Family Beach
- 13. Val Active Beach
- 14. Val Sandy Beach
- 15. Val V Level Sandy Beach
- 16. Val Marea Sandy Beach

POOLS

- 17. Pinea Waterland

- 18. Indoor Pools
- 19. V Level Pools
- 20. Sundance Adults Only Pool
- 21. Sundance Pool
- 22. Tidal Pool

MARO FAMILY

- 23. Maro Smart Play
- 24. Maro Clubs
- 25. Teens Lounge

SPORT

- 26. Tennis & Multifunctional Courts
- 27. V Sport Point

- 28. Outdoor Fitness
- 29. Bike Center
- 30. Watersports
- Biking & jogging trail

- 31. Balance Mediterranean SPA by Valamar
- 32. Convention Center
- 33. Lungomare promenade

Istra Premium Camping Resort 5* in Funtana became the largest 5-star Croatian campsite in 2019. The third investment phase at this property is currently in progress. The investments include new premium camping homes, glamping tents, new and upgraded plots, as well as further beach, promenade and sanitary block improvements. The current investments in progress at Lanterna Premium Camping Resort 4* continue to focus on the development of premium accommodation and upgrades: the new Punto Blu Premium Village theme zone, additional camping homes and improvement of the present camping plots.

The plans also include numerous other investments in products and guest amenities at all destinations to increase competitiveness and product quality as well as energy efficiency and digitalization projects. Valamar Riviera actively cares for its employees and plans further investments to upgrade the quality of accommodation for seasonal employees in 2020.



IMPERIAL RIVIERA

Imperial Riviera's investments for the 2020 tourist season are worth over HRK 220 million. They will focus on the further upgrade of the quality of services and amenities.

With the sale of Valamar Zagreb Hotel 4*, Imperial Riviera will reposition the hotel for the 2020 season through investments in new capacities and amenities and will expand its operations to Poreč. Valamar Zagreb Hotel 4* will become Valamar Parentino Hotel 4*, with Maro Holiday features and accommodation for families. The investment includes additional accommodation units, Maro club product upgrade, pool and sundeck area expansion, slides, and F&B upgrade. Valamar Meteor Hotel 4* is in the second investment phase focusing on the refurbishment of the remaining accommodation units, reception and lobby, as well as a pool and spa area upgrade, Maro club construction and congress area refurbishment. The third investment phase at Padova Premium Camping Resort 4* is currently in progress. It focuses on the development of two camping zones and camping plot repositioning towards the premium segment. Other projects include the development of a multi-purpose sports playground, sanitary block and reception area as well as landscape design of the whole campsite.

2020
IMPERIAL RIVIERA'S
PLANNED
INVESTMENT CYCLE
AMOUNTS TO HRK

226
MILLION

SUPPORTING THE DEVELOPMENT OF CROATIAN TOURISM

As stated in Valamar Riviera's 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 Parentino Hotel 4*, Poreč (vizualization)



Dalmacija Sunny Hotel 3*, Makarska



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;

Destination Krk island



- 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, a major part of the loan portfolio (87%) is comprised of long-term fixed interest loans or, respectively, loans hedged by a derivative instruments (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 Riviera and Helios Faros 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. Likewise, disease outbreaks and pandemics can adversely affect Valamar’s business results. In order to minimize their impact, Valamar is actively tracking pandemic and health risk levels worldwide, especially on its source markets, and taking proactive steps in their management (f.i. escalation matrix with actions plans).

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:

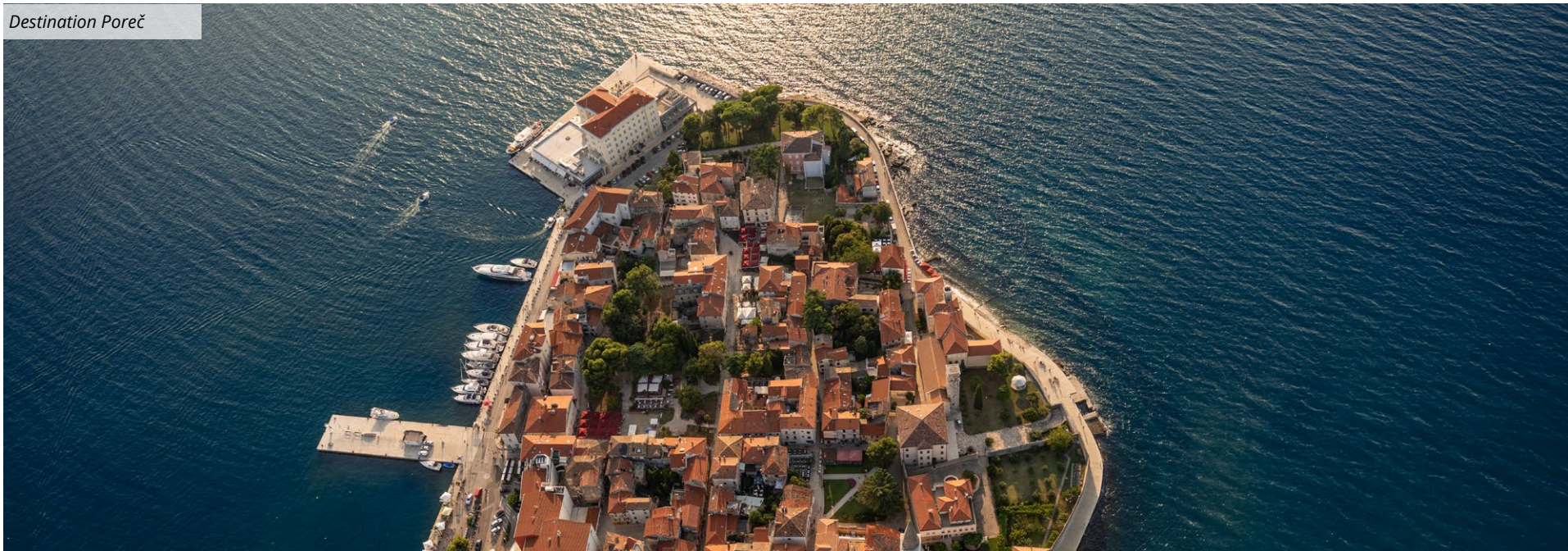


Ježevac Premium Camping Resort 4*, Krk island

- In March 2012 the standard VAT rate grew from 23% to 25%, in January 2013 a new 10% VAT rate was introduced only to be replaced within a year by a 13% VAT rate applicable to the tourism and hospitality industry (January 2014), while in January 2017 a new 25% VAT rate was introduced for F&B (a la carte) services;
- In May 2012 the health insurance employer contribution rate fell from 15% to 13% and then in April 2014 it grew back to 15%;
- Frequent increases in various fees and charges regarding water distribution, 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;
- In January 2020 the VAT rate for a la carte food services was reduced from 25% to 13%.

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.

Destination Poreč



Padova Premium Camping Resort 4*, Rab island



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 regulated 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 Company is in the process of harmonization of its corporate governance acts with the new Corporate Governance Code in the applicable extent.

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

3.28%
OF THE SHARE
CAPITAL RELATES
TO TREASURY
SHARES (AT
THE TIME OF
2019 FINANCIAL
STATEMENTS
PUBLISHING)

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 acquires treasury shares based on and in accordance with the conditions determined by the General Assembly's decision on acquisition of treasury shares dated on 17 November 2014 which was in force until 16 November 2019, and on the decision dated 9 May 2019 which is in force as of 17 November 2019. 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. Pursuant to the provision of Article 474 paragraph 3 of the Capital Market Act, on the day of financial statements publication the Company holds 4,139,635 treasury shares which represent 3.28% of the share capital.

Valamar Collectoin Girandella Resort 4*/5*, Rabac



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:

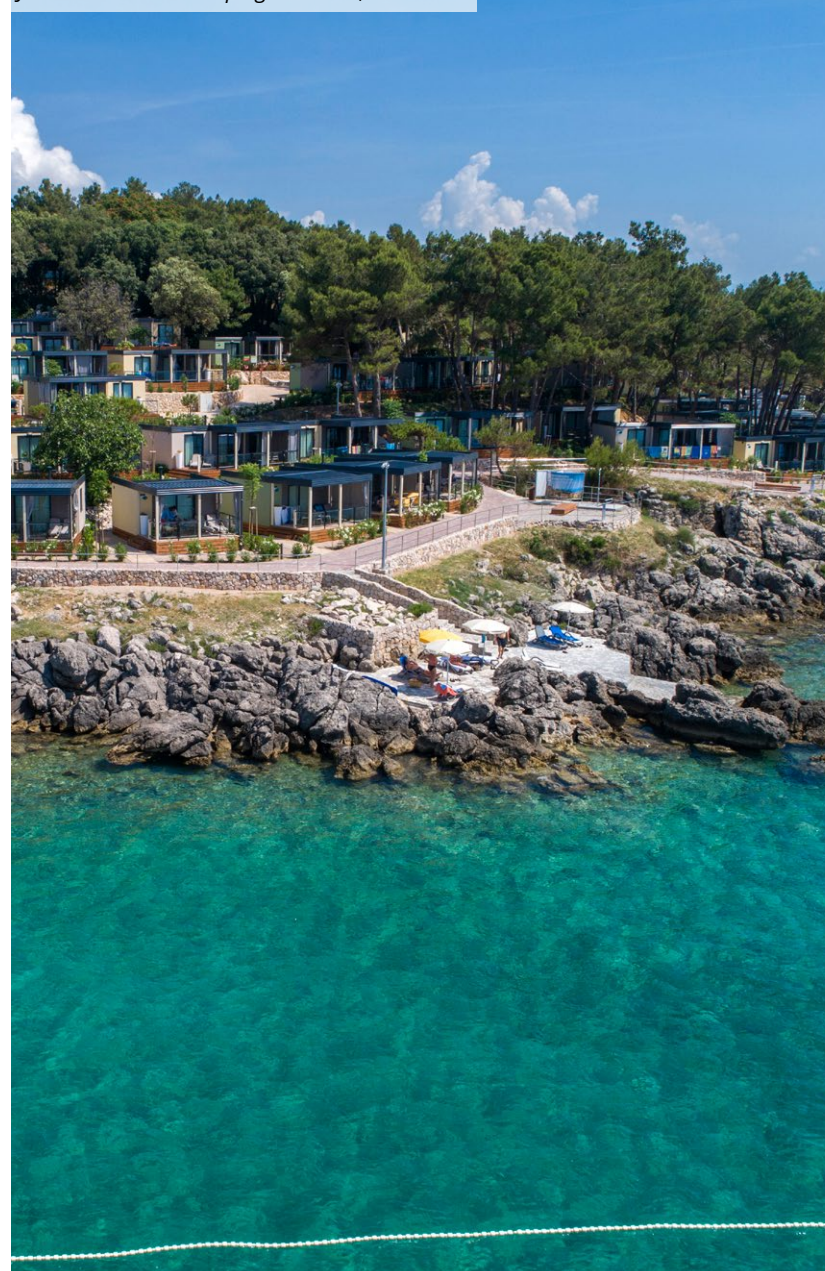
Presidium of the Supervisory Board: Mr. Gustav Wurmböck - Chairman, and members: Mr. Franz Lanschützer and Mr. Mladen Markoč.

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.

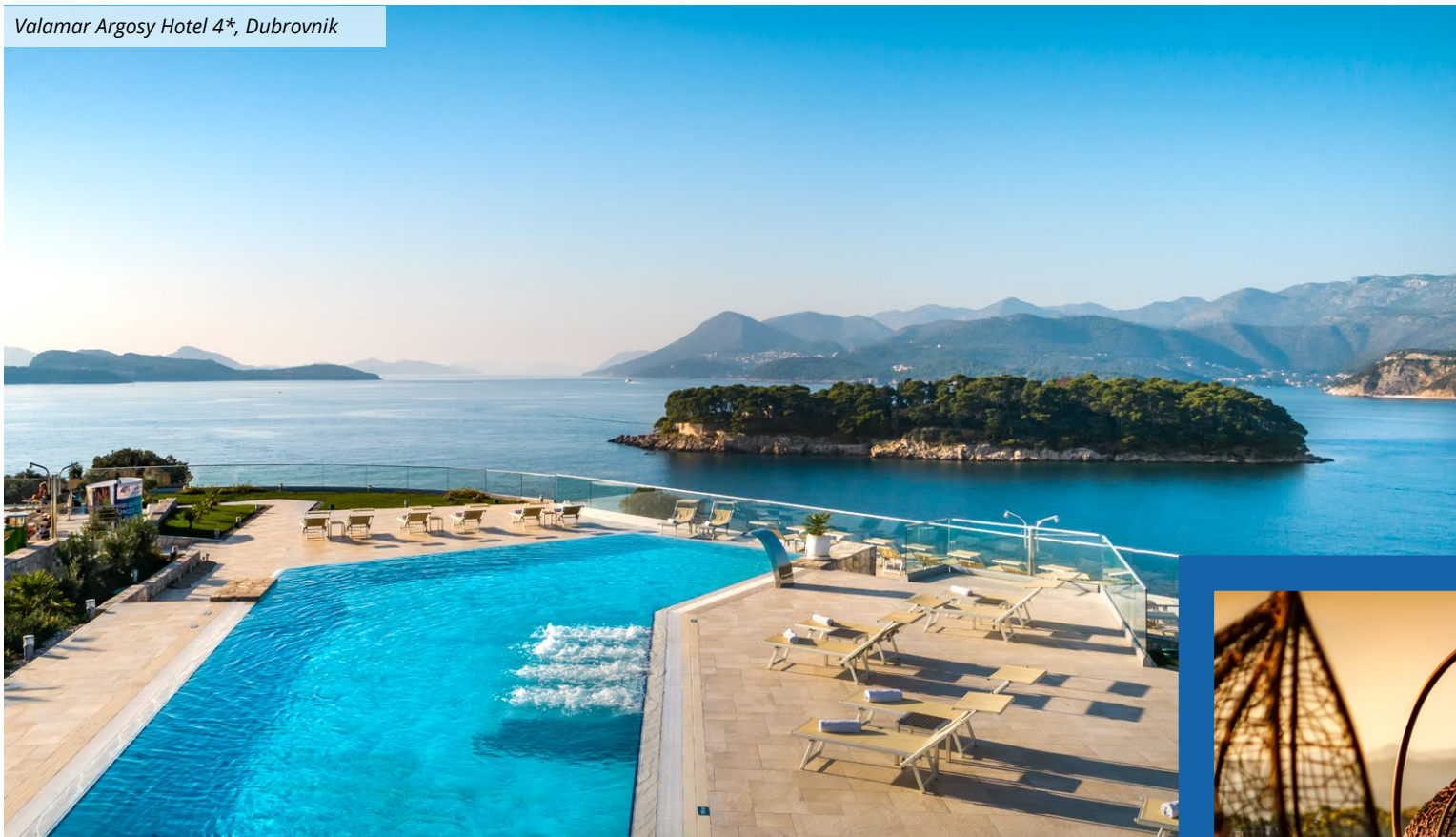
Investment Committee: Mr. Franz Lanschützer - Chairman and members: Mr. Georg Eltz, Mr. Vicko Ferić, Mr. Hans Dominik Turnovszky, and Mr. Gustav Wurmböck.

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

Ježevac Premium Camping Resort 4*, Krk island



Valamar Argosy Hotel 4*, 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 158,9 million²⁸ (2018: HRK 17.1 million) for the Company, and HRK 4.9 million (2018: HRK 1,231) for the Group. Costs were HRK 8.2 million (2018: HRK 1.8 million) for the Company, and HRK 549 thousand for the Group (2018: HRK 966 thousand).

As at 31 December 2019, related-party receivables and payables were as follows: receivables totaled HRK 2.6 million for the Company (year-end 2018: HRK 1.9 million), and HRK 24 thousands for the Group (year-end 2018: none). Payables totaled HRK 241 thousands (year-end 2018: HRK 304 thousand) for the Company, and HRK 18 thousands for the Group (year-end 2018: HRK 52 thousand).

In accordance with the provision of Article 497 of the Companies Act, on 18 February 2020 the Management Board prepared a separate report on the Company's related-party transactions and in accordance with Paragraph 3 of Article 497, the Management Board declares that in line with circumstances known at the time when certain legal transactions or actions were undertaken, the Company received suitable consideration and was not harmed.

²⁸ HRK 122 million represents the sale of Valamar Zagreb Hotel to Imperial Riviera, while the remaining part represents primarily the received fee for the management of Imperial Riviera's, Hoteli Makarska's¹ and Valamar Obertauern's properties and services.

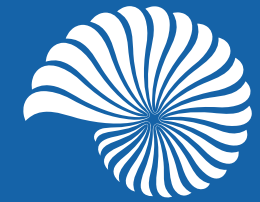
BRANCH OFFICES OF THE COMPANY

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 Riviera.

Valamar Obertauern Hotel 4*, Obertauern



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 December 2019, Valamar Riviera acquired 1,055,088 treasury shares at the total acquisition cost of HRK 39,396,089, representing 0.84% of the share capital and disposed of 38,057 treasury shares for dividend payout. As at 31 December 2019, the Company held a total of 4,139,635 treasury shares or 3.28% of the share capital.

During 2019, the highest achieved share price in regular trading on the regulated market was HRK 40.80, while the lowest was HRK 32.60. Following the CROBEX and CROBEX 10 index increase by 20% and 17% respectively, Valamar's share price increased by 10% in the reviewed period. During 2019 Valamar

Riviera was the second most traded share on the Zagreb Stock Exchange with the average regular turnover of HRK 0.9 million per day²⁹.

Apart from the Zagreb Stock Exchange indices and ADRIAprime joint Zagreb and Ljubljana Stock Exchanges equity index, the share is also part of the Vienna Stock Exchange indices (CROX³⁰ and SETX³¹) and Warsaw Stock Exchange index (CEEplus³²), the regional SEE Link indices (SEELinX and SEELinX EWI)³³ 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 26.5%³⁴. On 26 April 2019 the Zagreb Stock Exchange approved the transition of 126,027,542 ordinary Valamar Riviera shares from the Regular to the Prime Market. Valamar Riviera values a high level of

²⁹ Block transactions are excluded from the calculation.

³⁰ 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.

³¹ 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).

³² CEEplus is a stock index that comprise the most liquid stocks listed on stock exchanges in the Visegrad Group countries (Poland, Czech Republic, Slovakia, Hungary) and Croatia, Romania and Slovenia.

³³ 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.

³⁴ Block transactions are excluded from the calculation. Data refers to the period 1 January - 31 December 2019.

transparency and quality in its business and financial communication, so by transitioning to the most demanding exchange quotation, we will strive to increase further share visibility and positively impact the price and liquidity as an example of best market practice. The first trading day on the Prime Market was 29 April 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, Citi bank investor conference in London, Zagreb and Ljubljana Stock Exchange investor

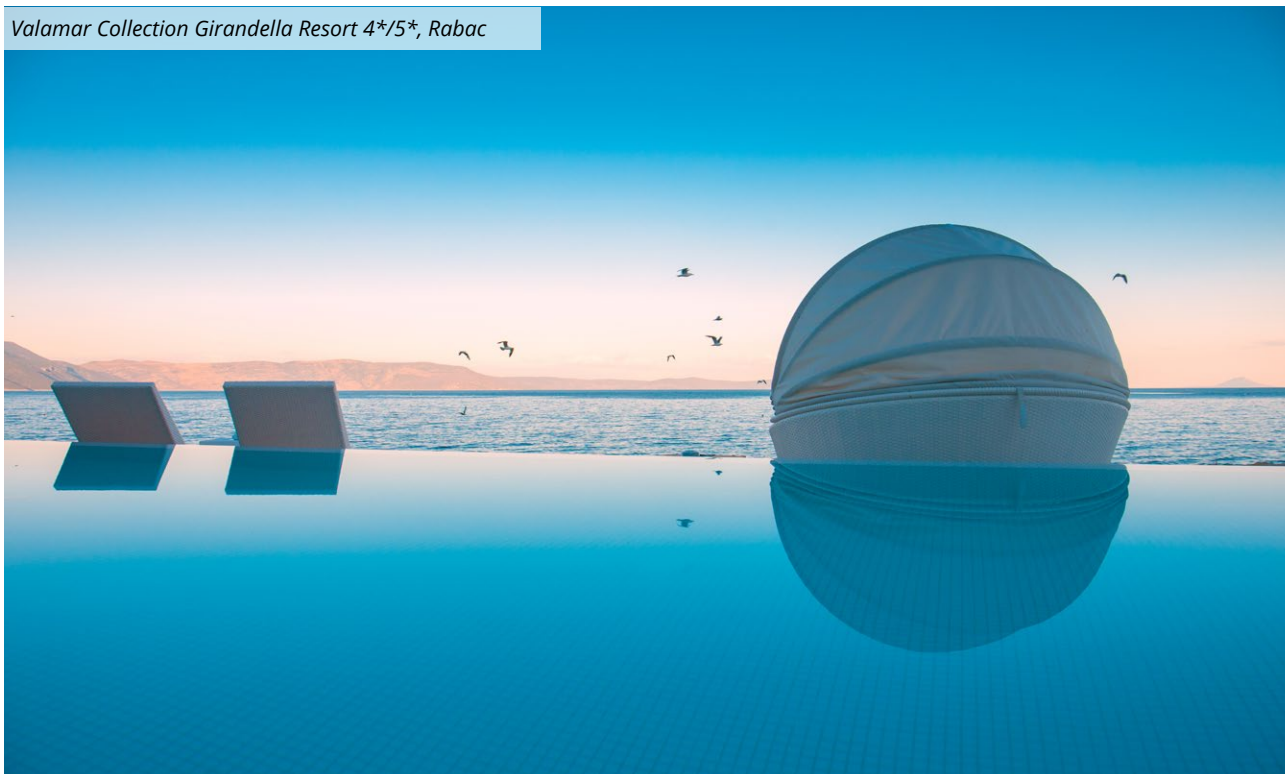
2st
THE MOST TRADED
SHARE ON THE
ZAGREB STOCK
EXCHANGE

conference in Zagreb, Erste Consumer Conference 2019 in Warsaw, Wood&Co. conference in Belgrade, Bucharest and Prague, Erste Group conference in Vienna and Auerbach Grayson Investors conference in New York. Valamar Riviera will continue with this active approach to grow further value for all its stakeholders so the Company's share can be recognized as one of the market leaders on the Croatian capital market and in the CEE region.

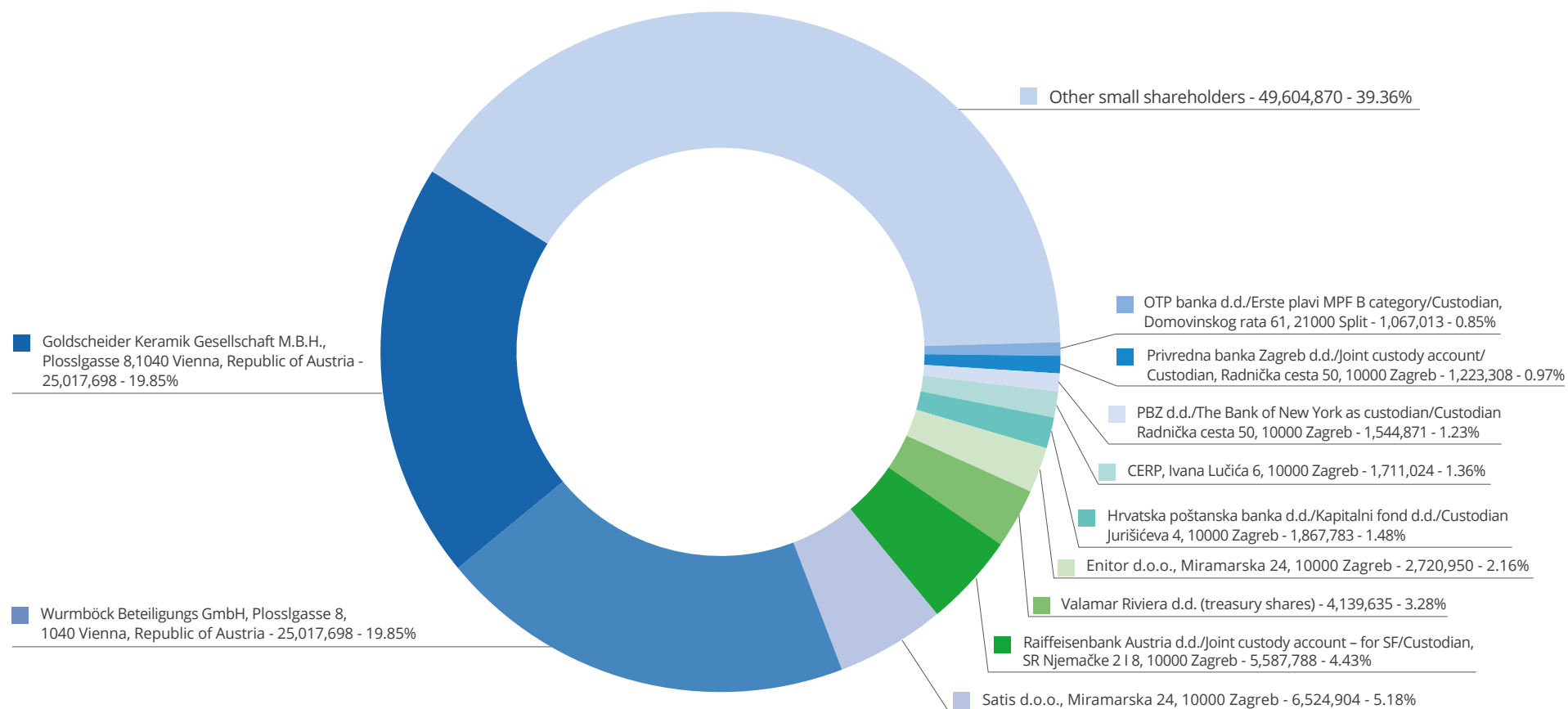
The analytical coverage of Valamar Riviera is provided by:

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

Valamar Collection Girandella Resort 4*/5*, Rabac



OVERVIEW OF MAJOR SHAREHOLDERS AS AT 31 DECEMBER 2019:





Investors day and Integrated report

Representatives of the Management Board, Supervisory Board and shareholders of Valamar Riviera in front of the model of the new premium resort, Valamar Collection Pinea Resort 5*



First place award for Best Investor Relations in Croatia conferred by the business newspaper "Poslovni dnevnik" and the Zagreb Stock Exchange



INVESTORS DAY AND 2018 INTEGRATED REPORT AND CORPORATE SOCIAL RESPONSIBILITY

Poreč was the destination chosen to host the fourth Investors Day on 27 June 2019. As customary, Valamar's formula of sustainable and socially responsible investments in employees, products and destinations was presented to institutional investors by Management Board President Željko Kukurin and Management Board Member Marko Čizmek. The festive moment of the Investors Day was the presentation and the disclosure of the model of the upcoming all-year luxury five-star resort in Poreč. This year's event was attended by over 30 institutional investor representatives and nearly 40 participants via livestream. After the presentation, the participants visited the two new properties - Istra Premium Camping Resort 5* and Valamar Collection Marea Resort 5*.

The 2018 Integrated Report and Corporate Social Responsibility was presented during the General Assembly on 9 May 2019. The main aim of the report made according to G4 Global Reporting Initiative guidelines was to present a strategic and long-term insight into Valamar's business to all key stakeholders, including shareholders, employees, partners, guests and the community, focusing especially on corporate social responsibility as the foundation of the company's sustainable business and future development. The report is available from the Zagreb Stock Exchange website and www.valamar-riviera.com.


Valamar Collection Imperial Hotel 5*, Rab island



Additional Information

Valamar Dubrovnik President Hotel 5*, Dubrovnik



 *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 December 2019, the Group employed 3,431 people of which 1,856 were permanent employees; the Company employed 2,886 people of which 1,531 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 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 audited annual financial statements for 2019 were adopted by the Management Board on 18 February 2020. 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


Željko Kukurin
Management Board President


Marko Čižmek
Management Board Member



RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

In Poreč, 18 February 2020

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 annual 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 annual consolidated and unconsolidated financial statements for 2019, are prepared in accordance with applicable standards of financial reporting and give 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 (Group);
- Report of the Company's Management board for the period from 1 January to 31 December 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 /
Procurator

Reporting period: from 01.01.2019 to 31.12.2019**Annual Business Financial Statement**

Tax number (MB):	<u>3474771</u>	Issuer's home Member State code:	<u>HR</u>
Company registration number (MBS):	<u>40020883</u>		
Personal identification number (OIB):	<u>36201212847</u>	LEI:	<u>529900DUWS1DGNEK4C68</u>
Institution code:	<u>30577</u>		
Issuing company:	<u>Valamar Riviera d.d.</u>		
Postal code and place:	<u>52440</u>	<u>Poreč</u>	
Street and house number:	<u>Stancija Kaligari 1</u>		
E-mail address:	<u>uprava@riviera.hr</u>		
Internet address:	<u>www.valamar-riviera.com</u>		
Number of employees: (period end)	<u>3242</u>		
Consolidated report:	<u>KD</u>	(KN-non consolidated/KD-consolidated)	
Audited report:	<u>RD</u>	(RN-non audited/RD-audited)	

Companies of the consolidation subject (according to IFRS):

	Seat:	MB:
<u>Valamar Obertauern GmbH</u>	<u>Obertauern</u>	<u>195893 D</u>
<u>Valamar hotels & resorts GmbH</u>	<u>Frankfurt</u>	<u>4724750667</u>
<u>Valamar A GmbH</u>	<u>Tamsweg</u>	<u>486431 S</u>
<u>Hoteli Makarska d.d.</u>	<u>Makarska</u>	<u>3324877</u>
<u>Palme Turizam d.o.o.</u>	<u>Dubrovnik</u>	<u>2006103</u>
<u>Magične stijene d.o.o.</u>	<u>Dubrovnik</u>	<u>2315211</u>
<u>Bugenvilia d.o.o.</u>	<u>Dubrovnik</u>	<u>2006120</u>
<u>Imperial Riviera d.d.</u>	<u>Rab</u>	<u>3044572</u>

Bookkeeping service:	<u>No</u>
Contact person:	<u>Sopta Anka</u> (only name and surname of the contact person)
Telephone:	<u>052 408 188</u>
E-mail address:	<u>anka.sopta@riviera.hr</u>
Auditing company:	<u>Ernst & Young d.o.o.</u> (name of the audit firm)
Certified auditor:	<u>Berislav Horvat</u> (name and surname)



L.S.

(authorized representative's signature)

BALANCE SHEET (as at 31.12.2019)**Taxpayer: Valamar Riviera d.d.**

Item 1	ADP code 2	in HRK	
		Preceding year 3	Current year 4
A) SUBSCRIBED CAPITAL UNPAID	001		
B) NON CURRENT ASSETS (ADP 003+010+020+031+036)	002	5.310.859.197	5.856.396.314
I. INTANGIBLE ASSETS (ADP 004 to 009)	003	53.726.810	56.189.081
1. Research and Development expenditure	004		
2. Patents, licences, royalties, trademarks and service marks, software and similar rights	005	46.298.666	48.975.762
3. Goodwill	006	6.567.609	6.567.609
4. Prepayments for intangible assets	007		
5. Intangible assets under construction	008	860.535	645.710
6. Other intangible assets	009		
II. TANGIBLE ASSETS (ADP 011 to 019)	010	5.111.237.027	5.558.203.413
1. Land	011	973.018.037	977.452.631
2. Property	012	3.331.975.756	3.587.267.668
3. Plants and equipment	013	443.971.567	516.603.969
4. Tools, plants and vehicles	014	132.923.120	145.663.553
5. Biological asset	015		
6. Prepayments for tangible assets	016	12.350.960	2.947.521
7. Assets under construction	017	160.356.644	247.269.828
8. Other tangible assets	018	47.000.469	74.548.777
9. Investments property	019	9.640.474	6.449.466
III. NON-CURRENT FINANCIAL ASSETS (ADP 021 to 030)	020	20.189.324	48.171.781
1. Stakes (shares) in undertakings in a Group	021		
2. Investments in other securities of undertakings in a Group	022		
3. Loans, deposits etc given to undertakings in a Group	023		
4. Stakes (shares) in undertakings with participating interest	024		47.667.787
5. Investments in other securities of undertakings with participating interest	025		
6. Loans, deposits etc given to undertakings with participating interest	026		
7. Investments in securities	027	4.289.892	220.656
8. Given loans, deposits and similar	028	15.705.721	113.338
9. Other investments accounted for using the equity method	029		
10. Other non-current financial assets	030	193.711	170.000
IV. TRADE RECEIVABLES (ADP 032 to 035)	031		
1. Receivables from undertakings in a Group	032		
2. Receivables from undertakings with participating interests	033		
3. Trade receivables			
4. Other receivables	035		
V. DEFERRED TAX ASSETS	036	125.706.036	193.832.039
C) CURENT ASSETS (ADP 038+046+053+063)	037	332.777.170	618.567.076
I. INVENTORIES (ADP 039 to 045)	038	25.447.350	25.825.011
1. Raw materials and consumables	039	25.241.646	25.557.290
2. Work in progress	040		
3. Finished products	041		
4. Merchandise	042	172.328	221.443
5. Prepayments for inventories	043	33.376	46.278
6. Other available-for-sale assets	044		
7. Biological asset	045		
II. RECEIVABLES (ADP 047 to 052)	046	45.046.838	41.771.516
1. Receivables from undertakings in a Group	047		383
2. Receivables from undertakings with participating interest	048	1.380.025	2.382.857
3. Trade receivables	049	33.928.832	18.474.596
4. Receivables from employees and members of the undertaking	050	1.428.327	936.299
5. Receivables from Government and other institutions	051	7.223.405	18.377.083
6. Other receivables	052	1.086.249	1.600.298
III. CURRENT FINANCIAL ASSETS (ADP 054 to 062)	053	440.629	827.911
1. Stakes (shares) in undertakings in a Group	054		
2. Investments in other securities of undertakings in a Group	055		
3. Loans, deposits etc given to undertakings in a Group	056		
4. Stakes(shares) in undertakings with participating interest	057		
5. Investments in other securities of undertakings with participating interest	058		
6. Loans, deposits etc given to undertakings with participating interest	059	43.750	
7. Investments in securities	060		
8. Given loans, deposits and similar	061	396.879	687.761
9. Other financial assets	062		140.150
IV. CASH AND CASH EQUIVALENTS	063	261.842.353	550.142.638
D) PREPAYMENTS AND ACCRUED INCOME	064	25.309.119	20.339.193
E) TOTAL ASSETS (ADP 001+002+037+064)	065	5.668.945.486	6.495.302.583
F) OFF-BALANCE SHEET ITEMS	066	58.014.172	54.355.927

BALANCE SHEET (as at 31.12.2019) (continued)

Taxpayer: Valamar Riviera d.d.

Item 1	ADP code 2	in HRK	
		Preceding year 3	Current year 4
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	067	2.758.532.748	3.219.069.759
I. SHARE CAPITAL	068	1.672.021.210	1.672.021.210
II. CAPITAL RESERVES	069	5.304.283	5.223.432
III. RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	94.297.196	95.998.078
1. Legal reserves	071	83.601.061	83.601.061
2. Reserves for own shares	072	96.815.284	136.815.284
3. Own stocks and shares (deductible items)	073	-86.119.149	-124.418.267
4. Statutory reserves	074		
5. Other reserves	075		
IV. REVALUATION RESERVES	076		
V. FAIR VALUE RESERVES (ADP 078 to 080)	077	905.282	61.474
1. Fair value of financial assets available for sale	078	905.282	61.474
2. Efficient portion of cash flow hedge	079		
3. Efficient portion of foreign net investment hedge	080		
VI. RETAINED EARNINGS OR LOSS CARRIED FORWARD (ADP 082-083)	081	348.674.430	430.206.412
1. Retained earnings	082	348.674.430	430.206.412
2. Loss carried forward	083		
VII. PROFIT OR LOSS FOR THE FINANCIAL YEAR (ADP 085-086)	084	235.337.282	284.535.940
1. Profit for the financial year	085	235.337.282	284.535.940
2. Loss for the financial year	086		
VIII. MINORITY INTEREST	087	401.993.065	731.023.213
B) PROVISIONS (ADP 089 to 094)	088	127.787.632	125.529.523
1. Provisions for pensions, severance pay and similar liabilities	089	10.114.484	13.875.517
2. Provisions for tax obligations	090		
3. Provisions for litigations in progress	091	67.197.172	51.607.209
4. Provisions for renewal of natural resources	092		
5. Provision for costs within warranty period	093		
6. Other provisions	094	50.475.976	60.046.797
C) NON-CURRENT LIABILITIES (ADP 096 to 106)	095	2.281.608.369	2.546.866.358
1. Liabilities to related parties	096		
2. Liabilities for loans, deposits etc of undertakings in a Group	097		
3. Liabilities to undertakings with participating interest	098		
4. Liabilities for loans, deposits etc of undertakings with participating interest	099		
5. Liabilities for loans, deposits and other	100	8.943.000	2.652.000
6. Liabilities to banks and other financial institutions	101	2.198.942.318	2.443.662.677
7. Liabilities for advance payments	102		
8. Trade payables	103		
9. Amounts payable for securities	104		
10. Other non-current liabilities	105	5.161.574	37.505.640
11. Deferred tax	106	68.561.477	63.046.041
D) CURRENT LIABILITIES (ADP 108 to 121)	107	424.603.584	526.341.998
1. Liabilities to undertakings in a Group	108	10.277	23.725
2. Liabilities for loans, deposits etc of undertakings in a Group	109		
3. Liabilities to undertakings with participating interest	110		
4. Liabilities for loans, deposits etc of undertakings with participating interest	111		
5. Liabilities for loans, deposits and other	112	103.000	2.755.000
6. Liabilities to banks and other financial institutions	113	227.143.740	285.262.246
7. Amounts payable for prepayment	114	38.933.044	38.363.694
8. Trade payables	115	112.880.125	145.722.270
9. Liabilities upon loan stocks	116		
10. Liabilities to employees	117	28.375.076	29.133.042
11. Taxes, contributions and similar liabilities	118	11.768.990	12.309.349
12. Liabilities arising from share in the result	119	250.516	389.276
13. Liabilities arising from non-current assets held for sale	120		
14. Other current liabilities	121	5.138.816	12.383.396
E) ACCRUED EXPENSES AND DEFERRED INCOME	122	76.413.153	77.494.945
F) TOTAL LIABILITIES (ADP 067+088+095+107+122)	123	5.668.945.486	6.495.302.583
G) OFF-BALANCE SHEET ITEMS	124	58.014.172	54.355.927

Income Statement (for 01.01.2019 to 31.12.2019)

Taxpayer: Valamar Riviera d.d.

Item 1	ADP code 2	in HRK	
		Preceding period 3	Current period 4
I. OPERATING INCOME (ADP 126+127+128+129+130)	125	1.982.740.515	2.207.678.790
1. Revenues from sales with undertakings in a Group	126		
2. Sales revenues (outside the Group)	127	1.961.413.631	2.139.319.744
3. Revenues from use of own products, goods and services	128	361.270	510.082
4. Other operating revenues with undertakings in a Group	129		
5. Other operating revenues (outside the Group)	130	20.965.614	67.848.964
II. OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	1.700.488.117	1.913.825.576
1. Changes in inventories of finished products and work in progress	132		
2. Material costs (ADP 134 to 136)	133	551.752.686	609.249.061
a) Cost of raw materials & consumables	134	328.353.776	364.623.025
b) Cost of goods sold	135	3.380.801	4.812.122
c) Other costs	136	220.018.109	239.813.914
3. Staff costs (ADP 138 to 140)	137	541.614.164	583.409.043
a) Net salaries	138	331.594.306	363.407.404
b) Employee income tax	139	135.326.315	144.444.646
c) Tax on payroll	140	74.693.543	75.556.993
4. Depreciation and amortisation	141	410.521.539	474.514.405
5. Other expenditures	142	174.094.246	197.392.249
6. Value adjustment (ADP 144+145)	143	385.273	587.773
a) non-current assets (without financial assets)	144		
b) current assets (without financial assets)	145	385.273	587.773
7. Provisions (ADP 147 to 152)	146	7.126.272	8.827.807
a) Provision for pensions, severance payments and other employment benefits	147	4.409.973	4.890.058
b) Provisions for tax liabilities	148		
c) Provisions for litigations in progress	149	2.688.556	3.937.749
d) Provisions for renewal of natural resources	150		
e) Provision for costs within warranty period	151		
f) Other provisions	152	27.743	
8. Other operating expenses	153	14.993.937	39.845.238
III. FINANCIAL INCOME (ADP 155 to 164)	154	33.377.026	10.673.119
1. Income from stakes (shares) in undertakings in a Group	155		
2. Income from stakes (shares) in undertakings with participating interest	156		
3. Income from other non-current financial investments and loans to undertakings in a Group	157		
4. Other interest income from undertakings in a Group	158		
5. Foreign exchange differences and other financial income from undertakings in a Group	159		
6. Income from other non-current financial investments and loans	160		
7. Other interest income	161	528.885	654.052
8. Foreign exchange differences and other financial income	162	28.871.782	4.215.065
9. Unrealized gains (income) from the financial assets	163		
10. Other financial income	164	3.976.359	5.804.002
IV. FINANCIAL COSTS (ADP 166 to 172)	165	57.419.749	72.530.819
1. Interest expenses and similar expenses with undertakings in a Group	166		
2. Foreign exchange differences and other expenses with undertakings in a Group	167		
3. Interest expenses and similar	168	48.461.612	55.020.340
4. Foreign exchange differences and other expenses	169	168.459	4.868.851
5. Unrealized loss (expenses) from the financial assets	170	3.686.904	10.651.214
6. Value adjustment expense on financial assets (net)	171		1.690
7. Other financial expenses	172	5.102.774	1.988.724
V. SHARE OF PROFIT FROM UNDERTAKINGS WITH PARTICIPATING INTEREST	173		476.257
VI. SHARE OF PROFIT FROM JOINT VENTURES	174		
VII. SHARE OF LOSS FROM UNDERTAKINGS WITH PARTICIPATING INTEREST	175		
VIII. SHARE OF LOSS FROM JOINT VENTURES	176	128.172	
IX. TOTAL INCOME (ADP 125+154+173+174)	177	2.016.117.541	2.218.828.166
X. TOTAL EXPENSES (ADP 131+165+175+176)	178	1.758.036.038	1.986.356.395
XI. PROFIT OR LOSS BEFORE TAX (ADP 177-178)	179	258.081.503	232.471.771
1. Profit before tax (ADP 177-178)	180	258.081.503	232.471.771
2. Loss before tax (ADP 178-177)	181		
XII. INCOME TAX EXPENSE	182	18.893.996	-73.379.909
XIII. PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	239.187.507	305.851.680
1. Profit for the period (ADP 179-182)	184	239.187.507	305.851.680
2. Loss for the period (ADP 182-179)	185		

Income Statement (for 01.01.2019 to 31.12.2019) (continued)

Taxpayer: Valamar Riviera d.d.

Item 1	ADP code 2	Preceding period 3	in HRK
			Current period 4
PROFIT OR LOSS FROM DISCONTINUED OPERATIONS (applicable for entities which use IFRS and have discontinued operations)			
XIV. PROFIT OR LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX (ADP 187-188)	186		
1. Profit before tax from discontinued operations	187		
2. Loss before tax from discontinued operations	188		
XV. INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS	189		
1. Profit for the period from discontinued operations (ADP 186-189)	190		
2. Loss for the period from discontinued operations (ADP 189-186)	191		
TOTAL PROFIT OR LOSS FOR THE PERIOD (applicable for entities which use IFRS and have discontinued operations)			
XVI. PROFIT OR LOSS BEFORE TAX (ADP 179+186)	192		
1. Profit before tax (ADP 192)	193		
2. Loss before tax (ADP 192)	194		
XVII. INCOME TAX EXPENSE (ADP 182+189)	195		
XVIII. PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196		
1. Profit for the period (ADP 192-195)	197		
2. Loss for the period (ADP 195-192)	198		
APPENDIX TO THE INCOME STATEMENT (to be completed by entities submitting consolidated financial statements)			
XIX. PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199	239.187.507	305.851.680
1. Attributable to parent company's shareholders	200	235.337.282	284.535.940
2. Attributable to non-controlling interests	201	3.850.225	21.315.740
STATEMENT OF OTHER COMPREHENSIVE INCOME (to be completed by entities subject to IFRS)			
I. PROFIT OR LOSS FOR THE PERIOD	202	239.187.507	305.851.680
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (ADP 204 to 211)	203	338.982	-1.060.800
1. Exchange differences arising from foreign operations	204		
2. Revaluation of non-current assets and intangible assets	205		
3. Gains or loss available for sale investments	206	338.982	-1.060.800
4. Gains or loss on net movement on cash flow hedges	207		
5. Gains or loss on net investments hedge	208		
6. Share of the other comprehensive income/loss of associates	209		
7. Actuarial gain/loss on post employment benefit obligations	210		
8. Other changes in capital (minorities)	211		
III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD	212	67.796	-216.991
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (ADP 203-212)	213	271.186	-843.809
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (ADP 202+213)	214	239.458.693	305.007.871
APPENDIX TO THE STATEMENT OF COMPREHENSIVE INCOME (to be completed by entities submitting consolidated financial statements)			
VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (ADP 216+217)	215	239.458.693	305.007.871
1. Attributable to parent company's shareholders	216	235.608.468	283.692.131
2. Attributable to non-controlling interests	217	3.850.225	21.315.740

Cash Flow Statement - Indirect Method (for the period 01.01.2019 to 31.12.2019)

Taxpayer: Valamar Riviera d.d.

Item 1	ADP code 2	in HRK	
		Preceding period 3	Current period 4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before taxes	001	258.081.503	232.471.771
2. Adjustments (ADP 003 to 010)	002	468.922.640	522.775.137
a) Depreciation and amortisation	003	410.521.539	474.514.405
b) Profit and loss from sales and value adjustments of non-current tangible and intangible assets	004	5.841.704	-10.784.061
c) Profit and loss from sales and unrealised profit and loss and value adjustments of financial assets	005	1.118.573	143.240
d) Income from interest and dividends	006	-273.758	-341.761
e) Interest expenses	007	50.071.190	56.867.514
f) Provisions	008	23.210.743	-11.828.932
g) Foreign exchange differences (unrealized)	009	-28.784.701	4.868.877
h) Other adjustments for non-cash transactions and unrealized profit and loss	010	7.217.350	9.335.855
I. Increase or decrease of cash flow before changes in working capital (ADP 001+002)	011	727.004.143	755.246.908
3. Changes in working capital (ADP 013 to 016)	012	-32.078.027	92.191.314
a) Increase or decrease of current liabilities	013	6.473.299	74.485.565
b) Increase or decrease of current receivables	014	-37.600.790	18.083.409
c) Increase or decrease of inventories	015	-950.536	-377.660
d) Other increase or decrease of working capital	016		
II. Cash from operating activities (ADP 011+012)	017	694.926.116	847.438.222
4. Interest	018	-45.792.353	-57.152.922
5. Income tax paid	019	-8.450.097	-5.372.100
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	640.683.666	784.913.200
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Proceeds from sale of non-current assets	021	5.144.096	56.786.329
2. Proceeds from selling financial instruments	022	50.000	1.437.948
3. Proceeds from interest rates	023	776.958	382.503
4. Proceeds from dividends	024	87.080	115.822
5. Proceeds from repayment of given loans and savings	025	949.241	10.879.251
6. Other proceeds from investment activities	026		
III. Total cash proceeds from investment activities (ADP 021 to 026)	027	7.007.375	69.601.853
1. Purchase of non-current tangible and intangible assets	028	-730.451.033	-954.589.856
2. Purchase of financial instruments	029		
3. Loans and deposits for the period	030	-175.646	-10.770.778
4. Acquisition of subsidiary, net of acquired cash	031	-170.827.965	
5. Other payments from investment activities	032		-47.667.787
IV. Total cash payments from investment activities (ADP 028 to 032)	033	-901.454.644	-1.013.028.421
B) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)	034	-894.447.269	-943.426.568
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Proceeds from increase of subscribed capital	035		
2. Proceeds from issuing equity-based and debt-based financial instruments	036		
3. Proceeds from loan principal, loans and other borrowings	037	605.645.120	742.204.883
4. Other proceeds from financial activities	038		329.030.148
V. Total proceeds from financial activities (ADP 035 to 038)	039	605.645.120	1.071.235.031
1. Repayment of loan principals, loans and other borrowings and debt-based financial instruments	040	-209.765.109	-450.552.945
2. Dividends paid	041	-116.405.354	-130.151.483
3. Payment of finance lease liabilities	042		
4. Re-purchase of treasury shares and decrease in subscribed share capital	043	-51.705.655	-39.436.690
5. Other payments from financial activities	044		-4.280.260
VI. Total cash payments from financing activities (ADP 040 to 044)	045	-377.876.118	-624.421.378
C) NET CASH FLOW FROM FINANCIAL ACTIVITIES (ADP 039+045)	046	227.769.002	446.813.653
1. Cash and cash equivalents-unrealized foreign exchange differences	047		
D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046+047)	048	-25.994.601	288.300.285
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	049	287.836.954	261.842.353
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 048+049)	050	261.842.353	550.142.638

STATEMENT OF CHANGES IN EQUITY (for the period 01.01.2019 to 31.12.2019)
Taxpayer: Valamar Riviera d.d.

in HRK

Item	ADP code	Distributable to majority owners													Minority (non-controlling) interest	Total capital and reserves		
		Subscribed Share capital	Capital reserves	Legal reserves	Reserves for own shares	Treasury shares and shares (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Efficient portion of cash flow hedge	Efficient portion of foreign net investment hedge	Retained earnings/loss carried forward	Net profit/loss for the period			Total distributable to majority owners	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)	
Previous period																		
1. Balance at 1 January of the previous period	01	1.672.021.210	3.602.906	83.601.061	44.815.284	35.889.620		9.529.123		634.097			263.138.893	243.596.016	2.285.048.970	231.125.940	2.516.174.910	
2. Changes in accounting policies	02																	
3. Error correction	03																	
4. Balance at 1 January of the previous period (ADP 01 to 03)	04	1.672.021.210	3.602.906	83.601.061	44.815.284	35.889.620		9.529.123		634.097			263.138.893	243.596.016	2.285.048.970	231.125.940	2.516.174.910	
5. Profit/loss for the period	05												235.337.282	235.337.282	3.850.224	239.187.506		
6. Foreign currency translation differences- foreign operations	06																	
7. Changes in revaluation reserves of non-current tangible and intangible assets	07																	
8. Profit or loss from re-evaluation of financial assets held for sale	08									338.982					338.982		338.982	
9. Profit or loss from cash flow hedge	09																	
10. Profit or loss from foreign net investment hedge	10																	
11. Share in other comprehensive income/loss from undertakings with participating interest	11																	
12. Actuarial gains/losses from defined benefit plans	12																	
13. Other changes in capital (minorities)	13																	
14. Taxation of transactions recognized directly in equity	14									-67.797					-67.797		-67.797	
15. Increase/decrease of subscribed share capital (except by reinvested profit and in pre-bankruptcy settlement)	15																	
16. Increase of subscribed share capital by profit reinvestment	16																	
17. Increase of subscribed share capital in pre-bankruptcy settlement	17																	
18. Repurchase of own shares/stakes	18					51.705.655									-51.705.655		-51.705.655	
19. Share in profit/dividend payout	19		356.885			-393.563							-111.730.149		-110.979.701		-110.979.701	
20. Other distribution to majority owners	20		1.344.492			-1.082.563									2.427.055		2.427.055	
21. Transfer to reserves according to annual plan	21				52.000.000			-9.529.123					197.265.686	-243.596.016	-3.859.453	167.016.901	163.157.448	
22. Increase in reserves in pre-bankruptcy settlement	22																	
23. Balance at 31 December of previous period (ADP 04 to 22)	23	1.672.021.210	5.304.283	83.601.061	96.815.284	86.119.149				905.282			348.674.430	235.337.282	2.356.539.683	401.993.065	2.758.532.748	
ADDITION TO STATEMENT OF CHANGES IN EQUITY (only for IFRS adopters)																		
I. OTHER COMPREHENSIVE INCOME OF PREVIOUS PERIOD NET OF TAX (ADP 06 to 14)	24									271.185					271.185		271.185	
II. COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25									271.185				235.337.282	235.608.467	3.850.224	239.458.691	
III. TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD, RECOGNIZED DIRECTLY IN EQUITY (ADP 15 to 22)	26		1.701.377		52.000.000	50.229.529		-9.529.123					85.535.537	-243.596.016	-164.117.754	167.016.901	2.899.147	
Current period																		
1. Balance at 1 January of current period	27	1.672.021.210	5.304.283	83.601.061	96.815.284	86.119.149				905.282			348.674.430	235.337.282	2.356.539.683	231.125.940	2.587.665.623	
2. Changes in accounting policies	28																	
3. Error correction	29																	
4. Balance at 1 January of current period (ADP 27 to 29)	30	1.672.021.210	5.304.283	83.601.061	96.815.284	86.119.149				905.282			348.674.430	235.337.282	2.356.539.683	231.125.940	2.587.665.623	
5. Profit/loss for the period	31												284.535.940	284.535.940	21.315.740	305.851.680		
6. Foreign currency translation differences- foreign operations	32																	
7. Changes in revaluation reserves of non-current tangible and intangible assets	33																	
8. Profit or loss from re-evaluation of financial assets held for sale	34									-1.060.800					-1.060.800		-1.060.800	
9. Profit or loss from cash flow hedge	35																	
10. Profit or loss from foreign net investment hedge	36																	
11. Share in other comprehensive income/loss from undertakings with participating interest	37																	
12. Actuarial gains/losses from defined benefit plans	38																	
13. Other changes in capital (minorities)	39		-487.131										487.131					
14. Taxation of transactions recognized directly in equity	40									216.992					216.992		216.992	
15. Increase/decrease of subscribed share capital (except by reinvested profit and in pre-bankruptcy settlement)	41																	
16. Increase of subscribed share capital by profit reinvestment	42																	
17. Increase of subscribed share capital in pre-bankruptcy settlement	43																	
18. Repurchase of own shares/stakes	44					39.396.090									-39.396.090		-39.396.090	
19. Share in profit/dividend payout	45		406.280			-1.096.972							-122.586.614		-121.083.362		-121.083.362	
20. Other distribution to majority owners	46																	
21. Transfer to reserves according to annual plan	47				40.000.000								203.631.465	-235.337.282	8.294.183	478.581.533	486.875.716	
22. Increase in reserves in pre-bankruptcy settlement	48																	
23. Balance as at 31 December of the current period (ADP 30 to 48)	49	1.672.021.210	5.223.432	83.601.061	136.815.284	124.418.267				61.474			430.206.412	284.535.940	2.488.046.546	731.023.213	3.219.069.759	
ADDITION TO STATEMENT OF CHANGES IN EQUITY (only for IFRS adopters)																		
I. OTHER COMPREHENSIVE INCOME OF CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	50		-487.131							-843.808			487.131		-843.808		-843.808	
II. COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31 + 50)	51		-487.131							-843.808			487.131	284.535.940	283.692.132	21.315.740	305.007.872	
III. TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD, RECOGNIZED DIRECTLY IN EQUITY (ADP 41 to 48)	52		406.280		40.000.000	38.299.118							81.044.851	-235.337.282	-152.185.269	478.581.533	326.396.264	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - AFS

Name of the issuer:

Valamar Riviera d.d.

Personal identification

number OIB: **36201212847**

Reporting period:

01.01.2019. to 31.12.2019

Notes to the financial statements are prepared in accordance with the International Financial Reporting Standards (hereinafter: IFRS) in a way that they need to:

- a) provide information on the basis for the preparation of financial statements and certain accounting policies applied in accordance with International Accounting Standard 1 (IAS 1),
- b) disclose information to IFRSs that is not presented in the statement of financial position, statement of comprehensive income, statement of cash flow and statement of changes in shareholder's equity,
- c) provide additional information that is not presented in the statement of financial position, statement of comprehensive income, statement of cash flow and statement of changes in shareholder's equity, but is important for understanding any of them.

Group Valamar Riviera d.d. below presents comparison tables of items in GFI POD financial statements and audited Notes for 2018 and 2019.

Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2019 GROUP

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
NON-CURRENT ASSETS (ADP 003+010+020+036)	002	14+15+16+ 17+ part of 18b+20+ part of 21+ 25+ part of 30	5.856.396	5.856.396	0	
I. Intangible assets	003	16	56.189	56.189	0	
II. Tangible assets	010	14+15+30	5.558.203	5.558.203	0	GFI-POD item "Tangible assets" (ADP 010; HRK 5,558,203 thous.) is in Audited report presented under items "Property, plant and equipment" (Note 14 in comparable amount of HRK 5,536,230 thous.), "Investment property" (Note 15 in comparable amount of HRK 6,449 thous.), and "Right-of-use assets" (Note 30 in comparable amount of HRK 15,524 thous.).
III. Non-current financial assets	020	Part of 18b+20+ part of 21	48.172	48.172	0	GFI-POD item "Financial assets" (ADP 020; HRK 48,172 thous.) is in Audited report presented under items "Investment in associated entity" (Note 18b in comparable amount of HRK 47,668 thous.), "Financial assets" (Note 20 in comparable amount of HRK 391 thous.) and in the non-current part of item "Loans and deposits" (Note 21 in comparable amount of HRK 113 thous.).
IV. Trade receivables	031	Part of 23	0	0	0	
V. Deferred tax assets	036	25	193.832	193.832	0	
CURRENT ASSETS (ADP 038+046+053+063)	037	Part of 21+ 22+ part of 23+ part of 24+26	618.568	618.568	0	Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current assets" (ADP 037; HRK 618,568 thous.) and "Prepayments and accrued income" (ADP 064; HRK 20,339 thous.) in relation to item "Current assets" of Audited report (HRK 638,907 thous.).
I. Inventories	038	22	25.825	25.825	0	
II. Receivables	046	Part of 23	41.772	41.772	0	GFI-POD item "Receivables" (ADP 046; HRK 41,772 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Trade receivables - net" HRK 20,858 thous., "VAT receivable" HRK 13,000 thous., "Advances to suppliers" HRK 1,136 thous., "Receivables from employees" HRK 936 thous., "Receivables from state institutions" HRK 1,119 thous., "Other receivables" HRK 465 thous.) and "Income tax receivable" HRK 4,258 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 57,852 thous. and is presented in GFI-POD items "Receivables" (ADP 046; HRK 37,514 thous.) and "Prepayments and accrued income" (ADP 064; HRK 20,339 thous.).
III. Current financial assets	053	Part of 21 + part of 24	828	828	0	GFI-POD item "Financial assets" (ADP 053; HRK 828 thous.) is in Audited report presented under item "Loans and deposits" - current part (Note 21 in comparable amount of HRK 688 thous.), and "Financial assets" (Note 24 "Derivative financial instruments" in comparable amount of HRK 140 thous.).
IV. Cash and cash equivalents	063	26	550.143	550.143	0	GFI-POD item "Cash and cash equivalents" (ADP 063; HRK 550,143 thous.) is in Audited report presented under item "Cash and cash equivalents" (Note 26 in comparable amount of HRK 550,143 thous.).
PREPAYMENTS AND ACCRUED INCOME	064	Part of 23	20.339	20.339	0	GFI-POD item "Prepayments and accrued income" (ADP 065; HRK 20,339 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Accrued income" HRK 3,222 thous., "Interest receivables" HRK 24 thous., "Prepaid expenses" HRK 17,093 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 57,852 thous. and is presented in GFI-POD items "Receivables" (ADP 046; HRK 37,514 thous.) and "Prepayments and accrued income" (ADP 064; HRK 20,339 thous.).
TOTAL ASSETS			6.495.303	6.495.303	0	

Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2019

GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
CAPITAL AND RESERVES	067	27+28	3.219.070	3.219.070	0	GFI-POD item "Capital and reserves" (ADP 067; HRK 3,219,070 thous.) is in Audited report presented under item "Share capital" (Notes 27 and 28 in comparable amount of HRK 3,219,070 thous.).
PROVISIONS	088	Part of 32+ part of 31	125.530	125.530	0	GFI-POD item "Provisions" (ADP 088; HRK 125,530 thous.) is in Audited report presented under non-current liabilities in item "Provisions" (Note 32 in comparable amount of HRK 66,858 thous.) and non-current liabilities under item "Concession fee" (Note 31 in comparable amount of HRK 58,672 thous.).
NON-CURRENT LIABILITIES (ADP 101+105+106)	095	Part of 24+ 25+ part of 29+part of 30+ part of 31 + part of 39	2.546.867	2.546.867	0	Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Non-current liabilities" (ADP 095; HRK 2,546,867 thous.) and "Provisions" (ADP 088; HRK 125,530 thous.) in relation to item "Non-current liabilities" of Audited report (HRK 2,672,396 thous.).
I. Liabilities to banks and other financial institutions	101+100	Part of 29	2.446.315	2.446.315	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 101; HRK 2,443,663 thous.) and "Liabilities for loans, deposits etc. of undertakings in a Group" (ADP 100; HRK 2,652 thous.) is in Audited report presented under non-current part of item "Borrowings" (Note 29 in comparable amount of HRK 2,446,315 thous.).
II. Other non-current liabilities	105	Part of 24+ part of 30 + part of 39	37.506	37.506	0	GFI-POD item "Other non-current liabilities" (ADP 105; HRK 37,506 thous.) is in Audited report presented under non-current part of item "Derivative financial instruments" (Note 24 in comparable amount of HRK 11,023 thous.), "Lease liabilities" (Note 30 in comparable amount of HRK 8,189 thous.) and Note 39 in comparable amount of HRK 18,294 thous. Comment: The total amount of item "Derivative financial instruments" in Audited report (Note 24) is HRK 17,048 thous. and is presented in GFI-POD items "Other non-current liabilities" (ADP 105; HRK 11,023 thous.) and "Other current liabilities" (ADP 121; HRK 6,025 thous.).
III. Deferred tax liabilities	106	25	63.046	63.046	0	
III. Trade payables	103	Part of 31	0	0	0	
CURRENT LIABILITIES (ADP 108+113+114+115+117+118+119+121)	107	Part of 24+ 29 + part of 30+ part of 31	526.342	526.342	0	Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current liabilities" (ADP 107; HRK 526,342 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 77,495 thous.) in relation to item "Current liabilities" of Audited report (HRK 603,836 thous.).
I. Liabilities to banks and other financial institutions	113+112	Part of 29	288.017	288.017	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 113; HRK 285,262 thous.) and "Liabilities for loans, deposits and other" (ADP 112; HRK 2,755 thous.) are in Audited report presented under current part of item "Borrowings" (Note 29; "Bank borrowings" in comparable amount of HRK 288,017 thous.).
II. Amounts payable for prepayment	114	Part of 31	38.364	38.364	0	GFI-POD item "Amounts payable for prepayment" (ADP 114; HRK 38,364 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Advances received" in comparable amount of HRK 38,364 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 284,708 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 38,364 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 145,746 thous.), "Liabilities to employees" (ADP 117; HRK 29,133 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 12,306 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 389 thous.), "Other current liabilities" (ADP 121; HRK 2,542 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK ,56,228 thous.).

Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2019

GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
III. Trade payables and liabilities to undertakings in a Group	108 and 115	Part of 31	145.746	145.746	0	GFI-POD items "Liabilities to undertakings in a Group" (ADP 108; HRK 24 thous.) and "Trade payables" (ADP 115; HRK 145,722 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Trade payables" HRK 145,728 thous., "Trade payables – related parties" HRK 18 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 284,708 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 38,364 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 145,746 thous.), "Liabilities to employees" (ADP 117; HRK 29,133 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 12,306 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 389 thous.), "Other current liabilities" (ADP 121; HRK 2,542 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK ,56,228 thous.).
IV. Liabilities to employees	117	Part of 31	29.133	29.133	0	GFI-POD items "Liabilities to employees" (ADP 117; HRK 29,133 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities to employees" in comparable amount HRK 29,133 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 284,708 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 38,364 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 145,746 thous.), "Liabilities to employees" (ADP 117; HRK 29,133 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 12,306 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 389 thous.), "Other current liabilities" (ADP 121; HRK 2,542 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK ,56,228 thous.).
V. Taxes, contributions and similar liabilities	118	Part of 31	12.309	12.309	0	GFI-POD item "Taxes, contributions and similar liabilities" (ADP 118; HRK 12,309 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities for taxes and contributions and similar charges" in comparable amount of HRK 12,306 thous.) and "Income tax liability" (in the comparable amount of HRK 3 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 284,708 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 38,364 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 145,746 thous.), "Liabilities to employees" (ADP 117; HRK 29,133 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 12,306 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 389 thous.), "Other current liabilities" (ADP 121; HRK 2,542 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 56,228 thous.). The total current amount of item "Derivative financial instruments" in Audited report (Note 24) is HRK 6.025 thous. and is presented in GFI-POD items "Other current liabilities" (ADP 121; HRK 6,025 thous.).
VI. Liabilities arising from share in the result and other current liabilities	119 and 121	Part of 24+ part of 30+ part of 31	12.773	12.773	0	GFI-POD item "Liabilities arising from share in the result" (ADP 119; HRK 389 thous.) and "Other current liabilities" (ADP 121; HRK 12,383 thous.) is in Audited report presented under current part of items "Trade and other payables" (Note 31; "Liabilities for dividend" HRK 389 thous., "Other liabilities" HRK 2,542 thous.), current amount of "Lease liabilities" (Note 30 in comparable amount of HRK 3,817 thous.) and "Derivative financial instruments" (Note 24 in comparable amount of HRK 6,025 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 284,708 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 38,364 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 145,746 thous.), "Liabilities to employees" (ADP 117; HRK 29,133 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 12,306 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 389 thous.), "Other current liabilities" (ADP 121; HRK 2,542 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK ,56,228 thous.). The total current amount of item "Derivative financial instruments" of Audited report (Note 24) is HRK 6.025 thous. and is presented in GFI-POD items "Other current liabilities" (ADP 121; HRK 6,025 thous.).

Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2019 GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
ACCRUED EXPENSES AND DEFERRED INCOME	122	Part of 31+ part of 32	77.495	77.495	0	GFI-POD item "Accrued expenses and deferred income" (ADP 122; HRK 77,495 thous.) is in Audited report presented under items "Trade and other payables" (Note 31; "Interest payable" HRK 2,513 thous., current part of item "Concession fees payable" HRK 2,982 thous., "Liabilities for calculated vacation and redistribution hours" HRK 23,284 thous., "Accrued VAT liabilities in unrealized income" HRK 383 thous., "Liabilities for calculated costs" HRK 27,066 thous.) and current part of items "Provisions" (Note 32; current part of item "Termination benefits and jubilee awards" HRK 1,425 thous. and "Bonuses" HRK 19,842 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 284,708 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 38,364 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 145,746 thous.), "Liabilities to employees" (ADP 117; HRK 29,133 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 12,306 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 389 thous.), "Other current liabilities" (ADP 121; HRK 2,542 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK ,56,228 thous.). The total current amount of item "Provisions" of Audited report (Note 32) is HRK 21,267 thous. and is presented in item "Accrued expenses and deferred income" (ADP 122; HRK 21,267 thous.).
TOTAL LIABILITIES			6.495.303	6.495.303	0	

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2019 / GROUP

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2019 to 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
OPERATING INCOME (ADP 126+127+128+129+130)	125		2.207.679	2.207.679	0	
I. Revenues from sales with undertakings in a Group and sales revenues (outside the Group)	126+127	5	2.139.320	2.139.320	0	
II. Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)	128+129+130	Part of 6+ part of 10	68.359	68.359	0	GFI-POD items "Revenues from use of own products, goods and services" (ADP 128; HRK 510 thous.) and "Other operating revenues (outside the Group)" (ADP 130; HRK 67,849 thous.) are in Audited report presented under items "Other income" (Note 6; "Income from donations and other" HRK 3,519 thous., "Income from provision release" HRK 4,527 thous., "Reimbursed costs" HRK 2,197 thous., "Income from insurance and legal claims" HRK 3,494 thous., "Income from own consumption" HRK 510 thous., "Collection of receivables previously written-off" HRK 656 thous., "Other income" HRK 10,701 thous.), and "Other gains/(losses) - net" (Note 10; "Net gains on sale of property, plant and equipment" HRK 42,755 thous.). Comment: The total amount of item "Other income" in Audited report (Note 6) is HRK 25,603 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK 25,603 thous.). The total amount of item "Other gains/(losses) - net" in Audited report (Note 10) is HRK 42,755 thous. and is presented in item "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK 42,755 thous.).
OPERATING EXPENSES (ADP 133+137+141+142+143+146+153)	131		1.913.824	1.913.824	0	Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Staff costs" (ADP 137; HRK 583,409 thous.), "Other expenditures" (ADP 142; HRK 197,392 thous.), "Value adjustment" (ADP 143; HRK 588 thous.), "Provisions" (ADP 146; 8,828 thous.) and "Other operating expenses" (ADP 153; HRK 39,845 thous.) in relation to items "Staff costs" (Note 8; HRK 681,902 thous.) and "Other operating expenses" (Note 9; HRK 148,161 thous.) of Audited report.
I. Material costs	133	7	609.248	609.248	0	GFI-POD item "Material costs" (ADP 133; HRK 609,248 thous.) is in Audited report presented under item "Cost of materials and services" (Note 7 in comparable amount of HRK 609,248 thous.).
II. Staff costs	137	Part of 8	583.409	583.409	0	GFI-POD item "Staff costs" (ADP 137; HRK 583,409 thous.) is in Audited report presented under item "Staff costs" (Note 8; "Net salaries" HRK 363,402 thous., "Pension contributions" HRK 106,620 thous., "Health insurance contributions" HRK 77,657 thous., "Other (contributions and taxes)" HRK 35,731 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 681,902 thous. and is presented in "Staff costs" (ADP 137; HRK 583,409 thous.), "Other expenditures" (ADP 142; HRK 93,601 thous.) and "Provisions" (ADP 146; HRK 4,890 thous.).
III. Depreciation and amortisation	141	14+15+16+30	474.514	474.514	0	
IV. Other expenditures	142	Part of 8+ part of 9	197.392	197.392	0	GFI-POD item "Other expenditures" (ADP 142; HRK 197,392 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Termination benefits" HRK 1,063 thous., "Other staff costs" HRK 92,538 thous.) and "Other operating expenses" (Note 9; "Municipal charges, concessions and other" HRK 60,374 thous., "Professional services" HRK 22,636 thous., "Entertainment" HRK 8,246 thous. HRK, "Insurance premiums" HRK 7,169 thous., "Bank charges" HRK 3,102 thous., "Subscription to magazines and other administrative expenses" HRK 2,263 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 681,902 thous. and is presented in GFI-POD items "Staff costs" (ADP 137; HRK 583,409 thous.), "Other expenditures" (ADP 142; HRK 93,601 thous.) and "Provisions" (ADP 146; HRK 4,890 thous.). The total amount of item "Other operating expenses" of Audited report (Note 9) is HRK 148,161 thous. and is presented in GFI-POD items "Other expenditures" (ADP 142; HRK 103,790 thous.), "Value adjustment" (ADP 143; HRK 588 thous.), "Provisions" (ADP 146; HRK 3,938 thous.) and "Other operating expenses" (ADP 153; HRK 39,845 thous.).

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2019 / GROUP (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2019 to 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
V. Value adjustment	143	Part of 9	588	588	0	GFI-POD item "Value adjustment" (ADP 143; HRK 588 thous.) is in Audited report presented under item "Other operating expenses" (Note 9; "Impairment of assets " in comparable amount of HRK 588 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 148,161 thous. and is presented in GFI-POD items "Other expenditures" (ADP 142; HRK 103,790 thous.), "Value adjustment" (ADP 143; HRK 588 thous.), "Provisions" (ADP 146; HRK 3,938 thous.) and "Other operating expenses" (ADP 153; HRK 39,845 thous.).
VI. Provisions	146	Part of 8+ part of 9	8.828	8.828	0	GFI-POD item "Provisions" (ADP 146; HRK 8,828 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Provisions for termination benefits and jubilee awards" HRK 4,890 thous.) and "Other operating expenses" (Note 9; "Provisions" HRK 3,938 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 681,902 thous. and is presented in GFI-POD items "Staff costs" (ADP 137; HRK 583,409 thous.), "Other expenditures" (ADP 142; HRK 93,601 thous.) and "Provisions" (ADP 146; HRK 4,890 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 148,161 thous. and is presented in GFI-POD items "Other expenditures" (ADP 142; HRK 103,790 thous.), "Value adjustment" (ADP 143; HRK 588 thous.), "Provisions" (ADP 146; HRK 3,938 thous.) and "Other operating expenses" (ADP 153; HRK 39,845 thous.).
VIII. Other operating expenses	153	Part of 9	39.845	39.845	0	GFI-POD item "Other operating expenses" (ADP 153; HRK 39,845 thous.) is in Audited report presented under items "Other operating expenses" (Note 9; "Write-off of property, plant and equipment" HRK 31,971 thous., "Other operating expenses" HRK 7,874 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 148,161 thous. and is presented in GFI-POD items "Other expenditures" (ADP 142; HRK 103,790 thous.), "Value adjustment" (ADP 143; HRK 588 thous.), "Provisions" (ADP 146; HRK 3,938 thous.) and "Other operating expenses" (ADP 153; HRK 39,845 thous.).
FINANCIAL INCOME	154	Part of 11	10.673	10.673	0	GFI-POD item "Financial income" (ADP 154; HRK 10,673 thous.) is in Audited report presented under items "Financial income/(loss) - net" in part of financial income (Note 11; "Interest income" HRK 342 thous., "Net foreign exchange gains/(losses) - other" HRK 4,099 thous., "Realised net gains/(losses) from changes in value of forwards and interest rate swaps" HRK 1,359 thous., "Net gains from financial assets sold" HRK 1,438 thous., "Income from cassa sconto" HRK 3,007 thous., "Dividend income" HRK 116 thous., and other financial income HRK 312 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 61,858 thous. and is presented in GFI-POD items "Financial income" (ADP 154; HRK 10,673 thous.) and "Financial costs" (ADP 165; HRK 72,531 thous.).
FINANCIAL COSTS	165	Part of 11	72.531	72.531	0	GFI-POD item "Financial costs" (ADP 165; HRK 72,531 thous.) is in Audited report presented under item "Finance income/(expense) - net" in part of financial expenses (Note 11; "Interest expense" HRK 56,868 thous., "Net foreign exchange gains from financing activities" HRK 4,869 thous., "Changes in fair value of forwards and interest rate swaps" HRK 10,651 thous. and "Change of value of financial assets" HRK 143 thous.). Comment: The total amount of item "Finance income/(expense) - net" of Audited report (Note 11) is HRK 61,858 thous. and is presented in GFI-POD items "Financial income" (ADP 154; HRK 10,673 thous.) and "Financial costs" (ADP 165; HRK 72,531 thous.).
SHARE OF LOSS FROM JOINT VENTURES (ADP 176)	173	18b	476	476	0	GFI-POD item "Share of loss from joint ventures" (ADP 173; HRK 476 thous.) is in Audited report presented in comparable amount of HRK 476 thous.
TOTAL INCOME (ADP 125+154)	177		2.218.828	2.218.828	0	
TOTAL COSTS (ADP 131+165)	178		1.986.356	1.986.356	0	
PROFIT OR LOSS BEFORE TAX (ADP 177-178)	179		232.472	232.472	0	
INCOME TAX EXPENSE	182		-73.380	-73.380	0	
PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	184		305.852	305.852	0	

Summary of adjustments of GFI-POD reclassified balance sheet and balance sheet from Audited Report for 2018 GROUP

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2018	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
NON-CURRENT ASSETS (ADP 003+010+020+036)	002	14+15+16+ 20+part of 21+25	5.310.859	5.310.859	0	
I. Intangible assets	003	16	53.727	53.727	0	
II. Tangible assets	010	14+15	5.111.237	5.111.237	0	GFI-POD item "Tangible assets" (ADP 010; HRK 5,111,237 thous.) is in Audited report presented under items "Property, plant and equipment" (Note 14 in comparable amount of HRK 5,101,597 thous.) and "Investment property" (Note 15 in comparable amount of HRK 9,640 thous.).
III. Non-current financial assets	020	20+21	20.189	20.189	0	GFI-POD item "Financial assets" (ADP 020; HRK 20,189 thous.) is in Audited report presented under items "Financial assets" (Note 20 in comparable amount of HRK 4,484 thous.) and in the non-current part of item "Loans and deposits" (Note 21 in comparable amount of HRK 15.706 thous.).
IV. Trade receivables	031	Part of 23	0	0	0	
V. Deferred tax assets	036	25	125.706	125.706	0	
CURRENT ASSETS (ADP 038+046+053+063)	037	Part of 21+ 22+ part of 23+26	332.777	332.777	0	Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current assets" (ADP 037; HRK 332,777 thous.) and "Prepayments and accrued income" (ADP 064; HRK 25,309 thous.) in relation to item "Current assets" of Audited report (HRK 358,085 thous.).
I. Inventories	038	22	25.447	25.447	0	
II. Receivables	046	Part of 23	45.047	45.047	0	GFI-POD item "Receivables" (ADP 046; HRK 45,047 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Trade receivables – net" HRK 35,309 thous., "VAT receivable" HRK 4,645 thous., "Advances to suppliers" HRK 575 thous., "Receivables from employees" HRK 1,391 thous., "Receivables from state institutions" HRK 707 thous., "Other current receivables" HRK 512 thous.) and "Income tax receivable" (in comparable amount of HRK 1,908 thous. - presented in balance sheet as a single item). Comment: The total amount of item "Trade and other receivables" in Audited report is (Note 23) HRK 68,447 thous. and is presented in GFI-POD items "Receivables" (ADP 046; HRK 43,139 thous.) and "Prepayments and accrued income" (ADP 064; HRK 25,309 thous.).
III. Current financial assets	053	Part of 21	441	441	0	GFI-POD item "Financial assets" (ADP 053; HRK 441 thous.) is in Audited report presented under item "Loans and deposits" - current part (Note 21 in comparable amount of HRK 441 thous.).
IV. Cash and cash equivalents	063	26	261.842	261.842	0	GFI-POD item "Cash and cash equivalents" (ADP 063; HRK 261,842 thous.) is in Audited report presented under item "Cash and cash equivalents" (Note 26 in comparable amount of HRK 261,842 thous.).
PREPAYMENTS AND ACCRUED INCOME	064	Part of 23	25.309	25.309	0	GFI-POD item "Prepayments and accrued income" (ADP 065; HRK 25,309 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Accrued income" HRK 5,058 thous., "Interest receivables" HRK 65 thous., "Prepaid expenses" HRK 20,185 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report is (Note 23) HRK 68,447 thous. and is presented in GFI-POD items "Receivables" (ADP 046; HRK 43,139 thous.) and "Prepayments and accrued income" (ADP 064; HRK 25,309 thous.).
TOTAL ASSETS			5.668.945	5.668.945	0	

Summary of adjustments of GFI-POD reclassified balance sheet and balance sheet from Audited Report for 2018 GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2018	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
CAPITAL AND RESERVES	067	27+28	2.758.533	2.758.533	0	GFI-POD item "Capital and reserves" (ADP 067; HRK 2,758,533 thous.) is in Audited report presented under item "Share capital" (Notes 27 and 28 in comparable amount of HRK 2,758,533 thous.).
PROVISIONS	088	Part of 32 + part of 31	127.788	127.788	0	GFI-POD item "Provisions" (ADP 088; HRK 127,788 thous.) is in Audited report presented under non-current liabilities in item "Provisions" (Note 32 in comparable amount of HRK 77,312 thous.) and non-current liabilities under item "Concession fee" (Note 31 in comparable amount of HRK 50,476 thous.).
NON-CURRENT LIABILITIES (ADP 101+105+106)	095	Part of 24+25+ part of 2"	2.281.608	2.281.608	0	Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Non-current liabilities" (ADP 095; HRK 2,281,608 thous.) and "Provisions" (ADP 088; HRK 127,788 thous.) in relation to item "Non-current liabilities" of Audited report (HRK 2,409,396 thous.).
I. Liabilities to banks and other financial institutions	101+100	Part of 29	2.207.885	2.207.885	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 101; HRK 2,198,942 thous.) and "Liabilities for loans, deposits etc. of undertakings in a Group" (ADP 100; HRK 8,943 thous.) is in Audited report presented under non-current part of item "Borrowings" (Note 29 in comparable amount of HRK 2.207.885 thous.).
II. Other non-current liabilities	105	Part of 24	5.162	5.162	0	GFI-POD item "Other non-current liabilities" (ADP 105; HRK 5.162 thous.) is in Audited report presented under non-current part of item "Derivative financial instruments" (Note 24 in comparable amount of HRK 5.162 thous.). Comment: The total amount of item "Derivative financial instruments" in Audited report (Note 24) is HRK 7,616 thous. and is presented in GFI-POD items "Other non-current liabilities" (ADP 105; HRK 5,162 thous.) and "Other current liabilities" (ADP 121; HRK 2,454 thous.).
III. Deferred tax liabilities	106	25	68.561	68.561	0	
III. Trade payables	103	Part of 31	0	0	0	
CURRENT LIABILITIES (ADP 108+113+114+115+117+118+119+121)	107	Part of 24+29+ part of 31	424.603	424.603	0	Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current liabilities" (ADP 107; HRK 424,603 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 76,413 thous.) in relation to item "Current liabilities" of Audited report (HRK 501,017 thous.).
I. Liabilities to banks and other financial institutions	113+112	Part of 29	227.247	227.247	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 113; HRK 227,144 thous.) and "Liabilities for loans, deposits and other" (ADP 112; HRK 103 thous.) are in Audited report presented under current part of item "Borrowings" (Note 29; "Bank borrowings" in comparable amount of HRK 227,247 thous.).
II. Amounts payable for prepayment	114	Part of 31	38.933	38.933	0	GFI-POD item "Amounts payable for prepayment" (ADP 114; HRK 38,933 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Advances received" in comparable amount of HRK 38,933 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 242,293 thous. and is presented in items "Amounts payable for prepayment" (ADP 114; HRK 38,933 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 112,890 thous.), "Liabilities to employees" (ADP 117; HRK 28,375 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 11,214 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 251 thous.), "Other current liabilities" (ADP 121; HRK 2,684 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 47,946 thous.).

Summary of adjustments of GFI-POD reclassified balance sheet and balance sheet from Audited Report for 2018 GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2018	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
III. Trade payables and liabilities to undertakings in a Group	108 and 115	Part of 31	112.890	112.890	0	GFI-POD items "Liabilities to undertakings in a Group" (ADP 108; HRK 10 thous.) and "Trade payables" (ADP 115; HRK 112,880 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Trade payables" HRK 112,837 thous., "Trade payables – related parties" HRK 52 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) amounts to HRK 242,293 thous. is presented in items "Amounts payable for prepayment" (ADP 114; HRK 38,933 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 112,890 thous.), "Liabilities to employees" (ADP 117; HRK 28,375 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 11,214 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 251 thous.), "Other current liabilities" (ADP 121; HRK 2,684 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 47,946 thous.).
IV. Liabilities to employees	117	Part of 31	28.375	28.375	0	GFI-POD items "Liabilities to employees" (ADP 117; HRK 28,375 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities to employees" in comparable amount HRK 28,375 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 242,293 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 38,933 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 112,890 thous.), "Liabilities to employees" (ADP 117; HRK 28,375 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 11,214 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 251 thous.), "Other current liabilities" (ADP 121; HRK 2,684 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 47,946 thous.).
V. Taxes, contributions and similar liabilities	118	Part of 31	11.769	11.769	0	GFI-POD item "Taxes, contributions and similar liabilities" (ADP 118; HRK 11,769 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities for taxes and contributions and similar charges" in comparable amount of HRK 11,214 thous.) and "Income tax liability" (in the comparable amount of HRK 555 thous. - presented as a single item in balance sheet). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 242,293 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 38,933 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 112,890 thous.), "Liabilities to employees" (ADP 117; HRK 28,375 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 11,214 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 251 thous.), "Other current liabilities" (ADP 121; HRK 2,684 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 47,946 thous.).
VI. Liabilities arising from share in the result and other current liabilities	119 and 121	Part of 24 + part of 31	5.389	5.389	0	GFI-POD item "Liabilities arising from share in the result" (ADP 119; HRK 251 thous.) and "Other current liabilities" (ADP 121; HRK 5,139 thous.) is in Audited report presented under current part of items "Trade and other payables" (Note 31; "Liabilities for dividend" HRK 251 thous., "Other liabilities" HRK 2,684 thous.) and "Derivative financial instruments" (Note 24 in comparable amount of HRK 2.454 thous.). Comment: The total current amount of item "Trade and other payables" of Audited report (Note 31) is HRK 242,293 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 38,933 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 112,890 thous.), "Liabilities to employees" (ADP 117; HRK 28,375 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 11,214 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 251 thous.), "Other current liabilities" (ADP 121; HRK 2,684 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 47,946 thous.). The total current part of item "Derivative financial instruments" in Audited report (Note 24) is HRK 2,454 thous. and is presented in GFI-POD item "Other current liabilities" (ADP 121; HRK 2,454 thous.).

Summary of adjustments of GFI-POD reclassified balance sheet and balance sheet from Audited Report for 2018 GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2018	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
ACCRUED EXPENSES AND DEFERRED INCOME	122	Part of 31+ part of 32	76.413	76.413	0	GFI-POD item "Accrued expenses and deferred income" (ADP 122; HRK 76,413 thous.) is in Audited report presented under items "Trade and other payables" (Note 31; "Interest payable" HRK 3,021 thous., current part of item "Concession fees payable" HRK 2,762 thous., "Liabilities for calculated vacation and redistribution hours" HRK 24,263 thous., "Accrued VAT liabilities in unrealized income" HRK 601 thous., "Liabilities for calculated costs" HRK 17,299 thous.) and current part of items "Provisions" (Note 32; current part of item "Termination benefits and jubilee awards" HRK 1,060 thous. and "Bonuses" HRK 27,408 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 242,293 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 38,933 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 112,890 thous.), "Liabilities to employees" (ADP 117; HRK 28,375 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 11,214 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 251 thous.), "Other current liabilities" (ADP 121; HRK 2,684 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 47,946 thous.). The total current amount of item "Provisions" in Audited report (Note 32) is HRK 28,468 thous. and is presented in GFI-POD item "Accrued expenses and deferred income" (ADP 122; HRK 28,468 thous.).
TOTAL LIABILITIES			5.668.945	5.668.945	0	

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2018 / GROUP

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2018 to 31 December 2018	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
OPERATING INCOME (ADP 126+127+128+129+130)	125		1.982.741	1.982.741	0	
I. Revenues from sales with undertakings in a Group and sales revenues (outside the Group)	126+127	5	1.961.414	1.961.414	0	
II. Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)	128+129 +130	Part of 6+ part of 9+ part of 10	21.327	21.327	0	GFI-POD items "Revenues from use of own products, goods and services" (ADP 128; HRK 361 thous.) and "Other operating revenues (outside the Group)" (ADP 130; HRK 20,966 thous.) are in Audited report presented under items "Other income" (Note 6; "Income from donations and other" HRK 2,903 thous., "Income from provision release" HRK 1,730 thous., "Reimbursed costs" HRK 1,563 thous., "Income from insurance and legal claims" HRK 1,519 thous., "Income from own consumption" HRK 446 thous., "Other income" HRK 9,221 thous.), "Other gains/(losses) - net" (Note 10; "Net gains on sale of property, plant and equipment" HRK 3,593 thous.) and "Other operating expenses" in part of collection of receivables previously written-off (Note 9; "Collection of receivables previously written-off" HRK 351 thous.). Comment: The total amount of item "Other income" in Audited report (Note 6) is HRK 21,701 thous. and is presented in items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK 17,382 thous.) and "Financial income" (ADP 154; HRK 4,319 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 115,315 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK -351 thous.), "Other expenditures" (ADP 142; HRK 97,571 thous.), "Value adjustment" (ADP 143; HRK 385 thous.), "Provisions" (ADP 146; HRK 2,716 thous.) and "Other operating expenses" (ADP 153; HRK 14,994 thous.). The total amount of item "Other gains/(losses) - net" of Audited report (Note 10) is HRK -3,756 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK 3,593 thous.) and "Financial costs" (ADP 165; HRK -7,349 thous.).
OPERATING EXPENSES (ADP 133+137+141+142+143+146+153)	131		1.700.488	1.700.488	0	Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Staff costs" (ADP 137; HRK 541,614 thous.), "Other expenditures" (ADP 142; HRK 174,094 thous.), "Value adjustment" (ADP 143; HRK 385 thous.), "Provisions" (ADP 146; 7,126 thous.) and "Other operating expenses" (ADP 153; HRK 14,994 thous.) in relation to items "Staff costs" (Note 8; HRK 622,547 thous.) and "Other operating expenses" (Note 9; HRK 115,666 thous., without the item "Collection of receivables previously written-off" in the amount of HRK -351 thous.) of Audited report.
I. Material costs	133	7	551.753	551.753	0	GFI-POD item "Material costs" (ADP 133; HRK 551,753 thous.) is in Audited report presented under item "Cost of materials and services" (Note 7 in comparable amount of HRK 551,753 thous.).
II. Staff costs	137	Part of 8	541.614	541.614	0	GFI-POD item "Staff costs" (ADP 137; HRK 541,614 thous.) is in Audited report presented under item "Staff costs" (Note 8; "Net salaries" HRK 331,594 thous., "Pension contributions" HRK 96,155 thous., "Health insurance contributions" HRK 75,074 thous., "Other (contributions and taxes)" HRK 38,791thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 622,547 thous and is presented in GFI-POD items "Staff costs" (ADP 137; HRK 541,614 thous.), "Other expenditures" (ADP 142; HRK 76,523 thous.) and "Provisions" (ADP 146; HRK 4,410 thous.).
III. Depreciation and amortisation	141	14+15+16	410.522	410.522	0	

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2018 / GROUP (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2018 to 31 December 2018	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
IV. Other expenditures	142	Part of 8+ part of 9	174.094	174.094	0	GFI-POD item "Other expenditures" (ADP 142; HRK 174,094 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Termination benefits" HRK 823 thous., "Other staff costs" HRK 75,700 thous.) and "Other operating expenses" (Note 9; "Municipal charges, concessions and other" HRK 55,186 thous., "Professional services" HRK 23,384 thous., "Entertainment" HRK 7,674 thous. HRK, "Insurance premiums" HRK 6,543 thous., "Bank charges" HRK 3,392 thous., "Subscription to magazines and other administrative expenses" HRK 1,392 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 622,547 thous. and is presented in GFI-POD item "Staff costs" (ADP 137; HRK 541,614 thous.), "Other expenditures" (ADP 142; HRK 76,523 thous.) and "Provisions" (ADP 146; HRK 4,410 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 115,315 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK -351 thous.), "Other expenditures" (ADP 142; HRK 97,571 thous.), "Value adjustment" (ADP 143; HRK 385 thous.), "Provisions" (ADP 146; HRK 2,716 thous.) and "Other operating expenses" (ADP 153; HRK 14,994 thous.).
V. Value adjustment	143	Part of 9	385	385	0	GFI-POD item "Value adjustment" (ADP 143; HRK 385 thous.) is in Audited report presented under item "Other operating expenses" (Note 9; "Impairment of assets" in comparable amount of HRK 385 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 115,315 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK -351 thous.), "Other expenditures" (ADP 142; HRK 97,571 thous.), "Value adjustment" (ADP 143; HRK 385 thous.), "Provisions" (ADP 146; HRK 2,716 thous.) and "Other operating expenses" (ADP 153; HRK 14,994 thous.).
VI. Provisions	146	Part of 8+ part of 9	7.126	7.126	0	GFI-POD item "Provisions" (ADP 146; HRK 7,126 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Provisions for termination benefits and jubilee awards" HRK 4,410 thous.) and "Other operating expenses" (Note 9; "Provisions for legal proceedings" HRK 2,716 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 622,547 thous. and is presented in GFI-POD items "Staff costs" (ADP 137; HRK 541,614 thous.), "Other expenditures" (ADP 142; HRK 76,523 thous.) and "Provisions" (ADP 146; HRK 4,410 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 115,315 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK -351 thous.), "Other expenditures" (ADP 142; HRK 97,571 thous.), "Value adjustment" (ADP 143; HRK 385 thous.), "Provisions" (ADP 146; HRK 2,716 thous.) and "Other operating expenses" (ADP 153; HRK 14,994 thous.).
VIII. Other operating expenses	153	Part of 9	14.994	14.994	0	GFI-POD item "Other operating expenses" (ADP 153; HRK 14,994 thous.) is in Audited report presented under items "Other operating expenses" (Note 9; "Write-off of property, plant and equipment" HRK 9,436 thous., "Other operating expenses" HRK 5,558 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 115,315 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK -351 thous.), "Other expenditures" (ADP 142; HRK 97,571 thous.), "Value adjustment" (ADP 143; HRK 385 thous.), "Provisions" (ADP 146; HRK 2,716 thous.) and "Other operating expenses" (ADP 153; HRK 14,994 thous.).

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2018 / GROUP (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2018 to 31 December 2018	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
FINANCIAL INCOME	154	Part of 6+ part of 11	33.377	33.377	0	GFI-POD item "Financial income" (ADP 154; HRK 33,377 thous.) is in Audited report presented under items "Other income" (Note 6; "Income from cassa sconto" HRK 3,968 thous., "Dividend income" HRK 87 thous., "Other financial gains" HRK 264 thous.) and "Finance income/(expense) - net" in part of financial income (Note 11; "Interest income" HRK 274 thous., "Net foreign exchange gains from financing activities" HRK 28,785 thous.). Comment: The total amount of item "Other income" in Audited report (Note 6) amounts to HRK 21,701 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK 17,382 thous.) and "Financial income" (ADP 154; HRK 4,319 thous.). Total amount of item "Finance income/(expense) - net" of Audited report (Note 11) amounts to HRK 21,013 thous. is presented in items "Financial income" (ADP 154; HRK 29,059 thous.) and "Financial costs" (ADP 165; HRK 50,071 thous.).
FINANCIAL COSTS	165	Part of 10+ part of 11	57.420	57.420	0	GFI-POD item "Financial costs" (ADP 165; HRK 57,420 thous.) is in Audited report presented under items "Other gains/(losses) - net" (Note 10; "Changes in fair value of forwards and interest rate swaps" HRK 3,687 thous., "Realised net gains/(losses) from changes in value of forwards and interest rate swaps" HRK 2,375 thous., "Net loss from share sold" HRK 1.119 thous., "Net foreign exchange gains/(losses) - other" HRK 168 thous.) and "Finance income/(expense) - net" in part of financial expenses (Note 11; "Interest expense" HRK 50,071 thous.). Comment: The total amount of item "Other gains/(losses) - net" in Audited report (Note 10) is HRK -3,756 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK 3,593 thous.) and "Financial costs" (ADP 165; HRK -7,349 thous.). The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 21,013 thous. and is presented in items "Financial income" (ADP 154; HRK 29,059 thous.) and "Financial costs" (ADP 165; HRK 50,071 thous.).
SHARE OF LOSS FROM JOINT VENTURES (ADP 176)	176		128	128	0	GFI-POD item "Share of loss from joint ventures" (ADP 176; HRK 128 thous.) is in Audited report presented in comparable amount of HRK 128 thous.
TOTAL INCOME (ADP 125+154)	177		2.016.118	2.016.118	0	
TOTAL COSTS (ADP 131+165)	178		1.758.036	1.758.036	0	
PROFIT OR LOSS BEFORE TAX (ADP 177-178)	179		258.082	258.082	0	
INCOME TAX EXPENSE	182		18.894	18.894	0	
PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	184		239.188	239.188	0	

Summary of adjustments of GFI-POD balance sheet for 2018 GROUP

in thousands of HRK

BALANCE SHEET as at 31 December 2018	ADP code	GFI-POD published	GFI-POD reclassified	Difference	Explanation
NON CURRENT ASSETS (ADP 003+010+020+031+036)	002	5.310.891	5.310.859	-32	
I. Intangible assets	003	53.727	53.727	0	
II. Tangible assets	010	5.111.237	5.111.237	0	
III. Non-current financial assets	020	20.074	20.189	115	HRK 147 thous. is reclassified from item "Non-current trade receivables" (ADP 031) to item "Non-current financial assets" (ADP 020). HRK 32 thous. is reclassified from item "Non-current financial assets" (ADP 020) to item "Current financial assets" (ADP 053).
IV. Trade receivables	031	147	0	-147	HRK 147 thous. is reclassified from item "Non-current trade receivables" (ADP 031) to item "Non-current financial assets" (ADP 020).
V. Deferred tax assets	036	125.706	125.706	0	
CURRENT ASSETS (ADP 038+046+053+063)	037	332.776	332.777	1	
I. Inventories	038	25.447	25.447	0	
II. Receivables	046	45.442	45.047	-395	HRK 365 thous. is reclassified from item "Current receivables" (ADP 046) to item "Current financial assets" (ADP 053). HRK 31 thous. is reclassified from item "Prepayments and accrued income" (ADP 065) to item "Receivables" (ADP 046).
III. Current financial assets	053	44	441	397	HRK 365 thous. is reclassified from item "Current receivables" (ADP 046) to item "Current financial assets" (ADP 053). HRK 32 thous. is reclassified from item "Non-current financial assets" (ADP 020) to item "Current financial assets" (ADP 053).
IV. Cash and cash equivalents	063	261.842	261.842	0	
PREPAYMENTS AND ACCRUED INCOME	064	25.278	25.309	31	HRK 31 thous. is reclassified from item "Prepayments and accrued income" (ADP 065) to item "Receivables" (ADP 046).
TOTAL ASSETS		5.668.945	5.668.945	0	
CAPITAL AND RESERVES	067	2.758.533	2.758.533	0	
PROVISIONS	088	77.312	127.788	50.476	HRK 50,476 thous. represents reclassified non-current part of liability for concession fee for tourist land from item "Accrued expenses and deferred income" (ADP 122) to item "Other provisions" (ADP 094).
NON-CURRENT LIABILITIES (ADP 101+105+106)	095	2.284.143	2.281.608	-2.535	
I. Liabilities to banks and other financial institutions	101+100	2.207.885	2.207.885	0	
II. Other non-current liabilities	105	7.616	5.162	-2.454	HRK 2.454 thous. represents reclassified current part of liability to hedge interest rate for non-current loans from item "Other non-current liabilities" (ADP 105) to item "Other current liabilities" (ADP 121).
III. Deferred tax liabilities	106	68.561	68.561	0	
IV. Trade payables	103	81	0	-81	HRK 81 thous. represents reclassified non-current part of item "Trade payables" (ADP 103) to current item "Trade payables" (ADP 115).

Summary of adjustments of GFI-POD balance sheet for 2018

GROUP (continued)

in thousands of HRK

BALANCE SHEET as at 31 December 2018	ADP code	GFI-POD published	GFI-POD reclassified	Difference	Explanation
CURRENT LIABILITIES (ADP 108+113+114+115+117+118+119+121)	107	425.783	424.603	-1.180	
I. Liabilities to banks and other financial institutions	113+112	227.314	227.247	-67	HRK 67 thous. represents reclassified part of item "Liabilities to banks and other financial institutions" (ADP 113) to item "Accrued expenses and deferred income" (ADP 122).
II. Amounts payable for prepayment	114	38.933	38.933	0	
III. Trade payables and liabilities to undertakings in a Group	108 and 115	116.693	112.890	-3.803	HRK 3,884 thous. represents reclassified part of item "Trade payables" (ADP 108 and 115) to item "Accrued expenses and deferred income" (ADP 122). HRK 81 thous. Presents reclassified non-current part of item "Trade payables" (ADP 103) to current item "Trade payables" (ADP 115).
IV. Liabilities to employees	117	28.396	28.375	-21	HRK 12 thous. represents reclassified part of item "Liabilities to employees" (ADP 117) to item "Taxes, contributions and similar liabilities" (ADP 118). HRK 9 thous. represents reclassified part of item "Liabilities to employees" (ADP 117) to item "Other current liabilities" (ADP 121).
V. Taxes, contributions and similar liabilities	118	11.757	11.769	12	HRK 12 thous. represents reclassified part of item "Liabilities to employees" (ADP 117) to item "Taxes, contributions and similar liabilities" (ADP 118).
VI. Liabilities arising from share in the result and other current liabilities	119 and 121	2.690	5.389	2.699	HRK 2,454 thous. represents reclassified current part of liability to hedge interest rate for non-current loans from item "Other non-current liabilities" (ADP 105) to item "Other current liabilities" (ADP 121). HHRK 9 thous. represents reclassified part of item "Liabilities to employees" (ADP 117) to item "Other current liabilities" (ADP 121). HRK 233 thous. represents reclassified part of item Accrued expenses and deferred income" (ADP 122) to item "Other current liabilities" (ADP 121).
ACCRUED EXPENSES AND DEFERRED INCOME	122	123.173	76.413	-46.760	HRK 50,476 thous. represents reclassified non-current part of liability for concession fee for tourist land from item "Accrued expenses and deferred income" (ADP 122) to item "Other provisions" (ADP 094). HRK 233 thous. represents reclassified part of item Accrued expenses and deferred income" (ADP 122) to item "Other current liabilities" (ADP 121). HRK 3,884 thous. presents reclassified part of item "Trade payables" (ADP 108 and 115) to item "Accrued expenses and deferred income" (ADP 122). HRK 67 thous. Presents reclassified part of item "Liabilities to banks and other financial institutions" (ADP 113) to item "Accrued expenses and deferred income" (ADP 122).
TOTAL LIABILITIES		5.668.945	5.668.945	0	

Summary of adjustments of GFI-POD income statement for 2018 GROUP

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2018 to 31 December 2018	ADP code	GFI-POD published	GFI-POD reclassified	Difference	Explanation
OPERATING INCOME (ADP 126+127+128+129+130)	125	1.990.985	1.982.741	-8.244	
I. Revenues from sales with undertakings in a Group and sales revenues (outside the Group)	127	1.961.414	1.961.414	0	
II. Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)	128+129 +130	29.571	21.327	-8.244	HRK 8,371 thous. represents presenting of income/costs from sales of assets and income/costs from provision release included in the item "Other operating revenues (outside the Group)" (ADP 130) according to the net methodology. HRK 128 thous. represents reclassification from items "Other income" (ADP 128+129+130) in a single item "Share of loss from joint venture" (ADP 176). Comment: Previously presented in the amount of HRK 8,371 thous. under gross methodology with counter items of "Other expenditures" (ADP 142), "Other operating expenses" (ADP 153) and "Financial costs" (ADP 165).
OPERATING EXPENSES (ADP 133+137+141+142+143+146+153)	131	1.707.437	1.700.488	-6.949	
I. Material costs	133	552.089	551.753	-336	HRK 346 thous. represents reclassified part of item "Material costs" (ADP 133) to item "Other expenditures" (ADP 142). HRK -10 thous. presents reclassified part of item "Material costs" (ADP 133) to item "Financial income" (ADP 154).
II. Staff costs	137	541.715	541.614	-101	HRK 101 thous. represents reclassified part of item "Staff costs" (ADP 137) in item "Other expenditures" (ADP 142).
III. Depreciation and amortisation	141	410.522	410.522	0	
IV. Other expenditures	142	174.687	174.094	-593	HRK 1,110 thous. represents presenting of income/costs from provision release included in item "Other expenditures" (ADP 142) according to the net methodology. HRK 346 thous. represents reclassified part of item "Material costs" (ADP 133) to item "Other expenditures" (ADP 142). HRK 71 thous. represents reclassified part of item "Financial costs" (ADP 165) to item "Other expenditures" (ADP 142). HRK 101 thous. presents reclassified part of item "Staff costs" (ADP 137) in item "Other expenditures" (ADP 142). Comment: Previously presented in the amount of HRK 1,110 thous. under gross methodology with counter item "Other operating revenue (outside the Group)" (ADP 130).
V. Value adjustment	143	385	385	0	
VI. Provisions	146	7.126	7.126	0	
VIII. Other operating expenses	153	20.913	14.994	-5.919	HRK 5,919 thous. represents presenting of income/costs from sales of assets and income/costs from provision release according to the net methodology. Comment: Previously presented under gross methodology with counter item of "Other operating revenues (outside the Group)" (ADP 130).
FINANCIAL INCOME	154	56.790	33.377	-23.413	HRK 23,413 thous. represents presenting items according to net methodology "Foreign exchange differences and other financial income" (ADP 162; HRK 18,727 thous.) and "Unrealized gains (income) from the financial assets" (ADP 163; HRK 4.696 thous.). HRK 10 thous. presents reclassified part of item "Material costs" (ADP 133) to item "Financial income" (ADP 154). Comment: Previously presented under gross methodology with counter items "Foreign exchange differences and other financial income from undertakings in a Group" (ADP 159) and "Unrealized loss (expenses) from the financial assets" (ADP 170).

Summary of adjustments of GFI-POD income statement for 2018

GROUP (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2018 to 31 December 2018	ADP code	GFI-POD published	GFI-POD reclassified	Difference	Explanation
FINANCIAL COSTS	165	82.255	57.420	-24.835	HRK 24,835 thous. represents presenting items according to net methodology "Foreign exchange differences and other expenses" (ADP 169; HRK 18,727 thous.), "Unrealized loss (expenses) from the financial assets" (ADP 170; HRK 4,696 thous.) income from provision release included in item "Other financial expenses" (ADP 172; HRK 1,342 thous.) and HRK 71 thous. represents reclassified part of item "Financial costs" (ADP 165) to item "Other expenditures" (ADP 142). Comment: Previously presented under gross methodology with counter items "Foreign exchange differences and other financial income" (ADP 162), "Unrealized gains (income) from the financial assets" (ADP 163) and "Other operating revenues (outside the Group)" (ADP 130).
SHARE OF LOSS FROM JOINT VENTURES (ADP 176)	176	0	128	-128	HRK 128 thous. represents reclassification from items "Other income" (ADP 128+129+130) in a single item "Share of loss from joint venture" (ADP 176).
TOTAL INCOME (ADP 125+154)	177	2.047.775	2.016.118	-31.657	HRK 31,657 thous. represents presenting of certain items according to the net methodology (previously explained in detail).
TOTAL COSTS (ADP 131+165)	178	1.789.693	1.758.036	-31.657	HRK 31,657 thous. represents presenting of certain items according to the net methodology (previously explained in detail).
PROFIT OR LOSS BEFORE TAX (ADP 177-178)	179	258.082	258.082	0	
INCOME TAX EXPENSE	182	18.894	18.894	0	
PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	184	239.188	239.188	0	

Summary of adjustments of GFI-POD cash flow statement and unconsolidated cash flow statement from Audited report for 2019 / GROUP

in thousands of HRK

GFI-POD CASH FLOW STATEMENT for the period from 1 January 2019 to 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
A) NET CASH FLOW FROM OPERATING ACTIVITIES	020		784,914	784,914	0	GFI-POD item "Net cash flow from operating activities" (ADP 020; HRK 784,914 thous.) is in Audited report presented in items "Net cash inflow from operating activities" in comparable amount of HRK 842,067 thous. and item "Interest paid" (Net cash inflow from financing activities) in the amount of HRK -57,153thous.
B) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	034		-943.427	-943.427	0	GFI-POD item "Net cash outflow from investment activities" (ADP 034; HRK -943,427 thous.) is in Audited report presented in item "Net cash outflow from investment activities" in comparable amount of HRK -943,427 thous.
C) NET CASH FLOW FROM FINANCIAL ACTIVITIES	046		446,814	446,814	0	GFI-POD item "Net cash flow from financing activities" (ADP 046; HRK 446,814 thous.) is in Audited report presented in item "Net cash inflow from financing activities" in comparable amount of HRK 389,661 thous. increased for the item "Interest paid" in the amount of HRK 57,153 thous.
D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046)	048		288.301	288.301	0	
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	049		261.842	261.842	0	
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)	050		550.143	550.143	0	

Summary of adjustments of GFI-POD cash flow statement and unconsolidated cash flow statement from Audited report for 2018 / GROUP

in thousands of HRK

GFI-POD CASH FLOW STATEMENT for the period from 1 January 2018 to 31 December 2018	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
A) NET CASH FLOW FROM OPERATING ACTIVITIES	020		640,684	640,684	0	GFI-POD item "Net cash flow from operating activities" (ADP 020; HRK 640,684 thous.) is in Audited report presented in items "Net cash inflow from operating activities" in comparable amount of HRK 686,476 thous. and item "Interest paid" (Net cash inflow from financing activities) in the amount of HRK -45,792 thous.
B) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	034		-894.448	-894.448	0	GFI-POD item "Net cash outflow from investment activities" (ADP 034; HRK -894,448 thous.) is in Audited report presented in item "Net cash outflow from investment activities" in comparable amount of HRK -894,448 thous.
C) NET CASH FLOW FROM FINANCIAL ACTIVITIES	046		227,769	227,769	0	GFI-POD item "Net cash inflow from financing activities" (ADP 046; HRK 227,769 thous.) is in Audited report presented in item "Net cash inflow from financing activities" in comparable amount of HRK 181,977 thous. increased for the item "Interest paid" in the amount of HRK 45,792 thous.
D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046)	048		-25.995	-25.995	0	
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	049		287.837	287.837	0	
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)	050		261.842	261.842	0	

Summary of adjustments of GFI-POD statement of changes in equity and unconsolidated statement of changes in shareholder's equity from Audited report for 2019 / GROUP

in thousands of HRK

GFI-POD STATEMENT OF CHANGES IN EQUITY for the period from 1 January 2019 to 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	067	27+28+33	3.219.070	3.219.070	0	GFI-POD item "Capital and reserves" (ADP 067; HRK 3,219,070 thous.) is in Audited report presented in items "Share capital" (Note 27 in comparable amount of HRK 1,672,021 thous.), "Treasury shares" (Note 27 comparable amount of HRK -124,418 thous.), "Capital reserves" (Note 28 in comparable amount of HRK 5,224 thous.), "Fair value reserves" (Note 28 in comparable amount of HRK 61thous.), "Legal reserves" (Note 28 in comparable amount of HRK 83,601 thous.), "Other reserves" (Note 28 in comparable amount of HRK 160,851 thous.) "Retained earnings" (Note 28 in comparable amount of HRK 690,708 thous.) and "Non-controlling interest" (Note 33 in comparable amount of HRK 731,022 thous.). Comment: To be fully compliant, the following items should be viewed as follows: the "Other reserves" item of Audited report (Note 28; HRK 160,851 thous.) matches the GFI POD item "Reserves for own shares" (ADP 072; HRK 136,815 thous.) and part of GFI POD item "Retained earnings" (ADP 081; HRK 24,036 thous.). The "Retained earnings" item of Audited report (Note 28; HRK 690,708 thous.) matches the sum of GFI POD items "Profit for the financial year" (ADP 084; HRK 284,536 thous.) and part of "Retained earnings" (ADP 081; HRK 406,172 thous.).

Summary of adjustments of GFI-POD statement of changes in equity and unconsolidated statement of changes in shareholder's equity from Audited report for 2018 / GROUP

in thousands of HRK

GFI-POD STATEMENT OF CHANGES IN EQUITY for the period from 1 January 2018 to 31 December 2018	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	067	27+28+33	2.758.533	2.758.533	0	GFI-POD item "Capital and reserves" (ADP 067; HRK 2,758,533 thous.) is in Audited report presented in items "Share capital" (Note 27 in comparable amount of HRK 1,672,021 thous.), "Treasury shares" (Note 27 comparable amount of HRK -86,119 thous.), "Capital reserves" (Note 28 in comparable amount of HRK 4,817 thous.), "Fair value reserves" (Note 28 in comparable amount of HRK 905 thous.), "Legal reserves" (Note 28 in comparable amount of HRK 83,601 thous.), "Other reserves" (Note 28 in comparable amount of HRK 120,851thous.), "Retained earnings" (Note 28 in comparable amount of HRK 560,463 thous.) and "Non-controlling interest" (Note 33 in comparable amount of HRK 401.993 thous.). Comment: To be fully compliant, the following items should be viewed as follows: the "Other reserves" item of Audited report (Note 28; HRK 120,851 thous.) matches the GFI POD item "Reserves for own shares" (ADP 072; HRK 96,815 thous.) and part of GFI POD item "Retained earnings" (ADP 081; HRK 24,036 thous.). The "Retained earnings" item of Audited report (Note 28; HRK 560,463 thous.) matches the sum of GFI POD items "Profit for the financial year" (ADP 084; HRK 235,337 thous.), part of "Retained earnings" (ADP 081; HRK 324,638 thous.) and "Capital reserves" (ADP 069; HRK 487 thous.).

Reporting period: from 01.01.2019 to 31.12.2019**Annual Business Financial Statement**

Tax number (MB):	<u>3474771</u>	Issuer's home Member State code:	<u>HR</u>
Company registration number (MBS):	<u>040020883</u>		
Personal identification number (OIB):	<u>36201212847</u>	LEI:	<u>529900DUWS1DGNEK4C68</u>
Institution code:	<u>30577</u>		
Issuing company:	<u>Valamar Riviera d.d.</u>		
Postal code and place:	<u>52440</u>	<u>Poreč</u>	
Street and house number:	<u>Stancija Kaligari 1</u>		
E-mail address:	<u>uprava@riviera.hr</u>		
Internet address:	<u>www.valamar-riviera.com</u>		
Number of employees: (period end)	<u>2749</u>		
Consolidated report:	<u>KN</u>	(KN-non consolidated/KD-consolidated)	
Audited report:	<u>RD</u>	(RN-non audited/RD-audited)	
Companies of the consolidation subject (according to IFRS):	Seat:	MB:	
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Bookkeeping firm:	<u>No</u>		
Contact person:	<u>Sopta Anka</u> (only name and surname of the contact person)		
Telephone:	<u>052 408 188</u>		
E-mail address:	<u>anka.sopta@riviera.hr</u>		
Audit firm:	<u>Ernst & Young d.o.o.</u> (name of the audit firm)		
Certified auditor:	<u>Berislav Horvat</u> (name and surname)		



L.S.

A handwritten signature in blue ink, consisting of stylized initials and a surname, positioned above a horizontal line.

(authorized representative's signature)

BALANCE SHEET (as at 31.12.2019)**Taxpayer: Valamar Riviera d.d.**

in HRK

Item 1	ADP code 2	Preceding year 3	Current year 4
A) SUBSCRIBED CAPITAL UNPAID	001		
B) NON CURRENT ASSETS (ADP 003+010+020+031+036)	002	4.745.258.460	5.186.667.284
I. INTANGIBLE ASSETS (ADP 004 to 009)	003	52.117.007	54.104.271
1. Research and Development expenditure	004		
2. Patents, licences, royalties, trademarks and service marks, software and similar rights	005	44.689.688	46.920.962
3. Goodwill	006	6.567.609	6.567.609
4. Prepayments for intangible assets	007		
5. Intangible assets under construction	008	859.710	615.700
6. Other intangible assets	009		
II. TANGIBLE ASSETS (ADP 011 to 019)	010	3.956.425.252	4.247.236.790
1. Land	011	644.865.438	630.175.338
2. Property	012	2.589.871.537	2.765.966.791
3. Plants and equipment	013	398.353.730	441.226.355
4. Tools, plants and vehicles	014	113.623.233	112.390.110
5. Biological asset	015		
6. Prepayments for tangible assets	016	3.269.078	1.957.700
7. Assets under construction	017	150.627.634	217.024.655
8. Other tangible assets	018	46.174.128	72.046.375
9. Investments property	019	9.640.474	6.449.466
III. NON-CURRENT FINANCIAL ASSETS (ADP 021 to 030)	020	636.006.474	774.968.081
1. Stakes (shares) in undertakings in a Group	021	616.200.941	727.328.038
2. Investments in other securities of undertakings in a Group	022		
3. Loans, deposits etc given to undertakings in a Group	023		
4. Stakes (shares) in undertakings with participating interest	024		47.191.530
5. Investments in other securities of undertakings with participating interest	025		
6. Loans, deposits etc given to undertakings with participating interest	026		
7. Investments in securities	027	3.959.812	195.175
8. Given loans, deposits and similar	028	15.705.721	113.338
9. Other investments accounted for using the equity method	029		
10. Other non-current financial assets	030	140.000	140.000
IV. TRADE RECEIVABLES (ADP 032 to 035)	031		
1. Receivables from undertakings in a Group	032		
2. Receivables from undertakings with participating interests	033		
3. Trade receivables	034		
4. Other receivables	035		
V. DEFERRED TAX ASSETS	036	100.709.727	110.358.142
C) CURRENT ASSETS (ADP 038+046+053+063)	037	228.779.945	299.370.071
I. INVENTORIES (ADP 039 to 045)	038	22.899.786	22.384.906
1. Raw materials and consumables	039	22.761.740	22.202.305
2. Work in progress	040		
3. Finished products	041		
4. Merchandise	042	138.046	182.601
5. Prepayments for inventories	043		
6. Other available-for-sale assets	044		
7. Biological asset	045		
II. RECEIVABLES (ADP 047 to 052)	046	36.954.174	28.464.473
1. Receivables from undertakings in a Group	047	1.879.447	2.556.854
2. Receivables from undertakings with participating interest	048		23.688
3. Trade receivables	049	29.757.242	13.342.394
4. Receivables from employees and members of the undertaking	050	1.366.667	911.253
5. Receivables from Government and other institutions	051	2.925.630	10.124.258
6. Other receivables	052	1.025.188	1.506.026
III. CURRENT FINANCIAL ASSETS (ADP 054 to 062)	053	392.839	671.420
1. Stakes (shares) in undertakings in a Group	054		
2. Investments in other securities of undertakings in a Group	055		
3. Loans, deposits etc given to undertakings in a Group	056	28.300	28.300
4. Stakes (shares) in undertakings with participating interest	057		
5. Investments in other securities of undertakings with participating interest	058		
6. Loans, deposits etc given to undertakings with participating interest	059		
7. Investments in securities	060		
8. Given loans, deposits and similar	061	364.539	502.970
9. Other financial assets	062		140.150
IV. CASH AND CASH EQUIVALENTS	063	168.533.146	247.849.272
D) PREPAYMENTS AND ACCRUED INCOME	064	24.218.271	17.874.753
E) TOTAL ASSETS (ADP 001+002+037+064)	065	4.998.256.676	5.503.912.108
F) OFF-BALANCE SHEET ITEMS	066	54.446.042	54.355.927

BALANCE SHEET (as at 31.12.2019) (continued)
Taxpayer: Valamar Riviera d.d.

Item 1	ADP code 2	in HRK	
		Preceding year 3	Current year 4
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	067	2.474.760.657	2.690.444.302
I. SHARE CAPITAL	068	1.672.021.210	1.672.021.210
II. CAPITAL RESERVES	069	5.304.283	5.710.563
III. RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	94.297.196	95.998.079
1. Legal reserves	071	83.601.061	83.601.061
2. Reserves for own shares	072	96.815.284	136.815.284
3. Own stocks and shares (deductible items)	073	-86.119.149	-124.418.266
4. Statutory reserves	074		
5. Other reserves	075		
IV. REVALUATION RESERVES	076		
V. FAIR VALUE RESERVES (ADP 078 to 080)	077	905.282	61.473
1. Fair value of financial assets available for sale	078	905.282	61.473
2. Efficient portion of cash flow hedge	079		
3. Efficient portion of foreign net investment hedge	080		
VI. RETAINED EARNINGS OR LOSS CARRIED FORWARD (ADP 082-083)	081	462.953.210	539.646.072
1. Retained earnings	082	462.953.210	539.646.072
2. Loss carried forward	083		
VII. PROFIT OR LOSS FOR THE FINANCIAL YEAR (ADP 085-086)	084	239.279.476	377.006.905
1. Profit for the financial year	085	239.279.476	377.006.905
2. Loss for the financial year	086		
VIII. MINORITY INTEREST	087		
B) PROVISIONS (ADP 089 to 094)	088	84.454.617	99.091.523
1. Provisions for pensions, severance pay and similar liabilities	089	7.894.989	11.847.096
2. Provisions for tax obligations	090		
3. Provisions for litigations in progress	091	27.804.325	30.791.013
4. Provisions for renewal of natural resources	092		
5. Provision for costs within warranty period	093		
6. Other provisions	094	48.755.303	56.453.414
C) NON-CURRENT LIABILITIES (ADP 096 to 106)	095	1.999.146.293	2.199.023.800
1. Liabilities to related parties	096		
2. Liabilities for loans, deposits etc of undertakings in a Group	097		
3. Liabilities to undertakings with participating interest	098		
4. Liabilities for loans, deposits etc of undertakings with participating interest	099		
5. Liabilities for loans, deposits and other	100		
6. Liabilities to banks and other financial institutions	101	1.978.757.713	2.146.746.486
7. Liabilities for advance payments	102		
8. Trade payables	103		
9. Amounts payable for securities	104		
10. Other non-current liabilities	105	5.161.574	38.086.903
11. Deferred tax	106	15.227.006	14.190.411
D) CURRENT LIABILITIES (ADP 108 to 121)	107	377.391.313	463.253.429
1. Liabilities to undertakings in a Group	108	196.105	218.328
2. Liabilities for loans, deposits etc of undertakings in a Group	109		
3. Liabilities to undertakings with participating interest	110		
4. Liabilities for loans, deposits etc of undertakings with participating interest	111		
5. Liabilities for loans, deposits and other	112		
6. Liabilities to banks and other financial institutions	113	203.359.113	257.433.437
7. Amounts payable for prepayment	114	34.734.630	31.610.147
8. Trade payables	115	102.714.900	127.477.774
9. Liabilities upon loan stocks	116		
10. Liabilities to employees	117	22.822.891	24.837.226
11. Taxes, contributions and similar liabilities	118	9.464.523	10.114.318
12. Liabilities arising from share in the result	119	9.600	9.600
13. Liabilities arising from non-current assets held for sale	120		
14. Other current liabilities	121	4.089.551	11.552.599
E) ACCRUED EXPENSES AND DEFERRED INCOME	122	62.503.796	52.099.054
F) TOTAL LIABILITIES (ADP 067+088+095+107+122)	123	4.998.256.676	5.503.912.108
G) OFF-BALANCE SHEET ITEMS	124	54.446.042	54.355.927

Income Statement (for 01.01.2019 to 31.12.2019)

Taxpayer: Valamar Riviera d.d.

Item 1	ADP code 2	in HRK	
		Preceding period 3	Current period 4
I. OPERATING INCOME (ADP 126+127+128+129+130)	125	1.786.899.201	2.055.240.465
1. Revenues from sales with undertakings in a Group	126	18.501.792	31.164.184
2. Sales revenues (outside the Group)	127	1.750.101.402	1.843.331.491
3. Revenues from use of own products, goods and services	128	328.628	218.490
4. Other operating revenues with undertakings in a Group	129	53.245	122.524.005
5. Other operating revenues (outside the Group)	130	17.914.134	58.002.295
II. OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	1.510.794.603	1.640.753.043
1. Changes in inventories of finished products and work in progress	132		
2. Material costs (ADP 134 to 136)	133	501.402.765	540.847.277
a) Cost of raw materials & consumables	134	294.408.484	313.355.800
b) Cost of goods sold	135	3.276.436	4.561.489
c) Other costs	136	203.717.845	222.929.988
3. Staff costs (ADP 138 to 140)	137	487.757.455	506.079.536
a) Net salaries	138	297.438.400	313.346.838
b) Employee income tax	139	123.009.680	126.884.338
c) Tax on payroll	140	67.309.375	65.848.360
4. Depreciation and amortisation	141	344.691.659	380.123.705
5. Other expenditures	142	158.196.736	174.347.691
6. Value adjustment (ADP 144+145)	143	296.981	543.947
a) non-current assets (without financial assets)	144		
b) current assets (without financial assets)	145	296.981	543.947
7. Provisions (ADP 147 to 152)	146	5.978.624	8.235.940
a) Provision for pensions, severance payments and other employment benefits	147	3.939.257	4.683.291
b) Provisions for tax liabilities	148		
c) Provisions for litigations in progress	149	2.039.367	3.552.649
d) Provisions for renewal of natural resources	150		
e) Provision for costs within warranty period	151		
f) Other provisions	152		
8. Other operating expenses	153	12.470.383	30.574.947
III. FINANCIAL INCOME (ADP 155 to 164)	154	37.817.579	18.969.797
1. Income from stakes (shares) in undertakings in a Group	155	6.050.776	8.703.256
2. Income from stakes (shares) in undertakings with participating interest	156		
3. Income from other non-current financial investments and loans to undertakings in a Group	157		
4. Other interest income from undertakings in a Group	158		186.986
5. Foreign exchange differences and other financial income from undertakings in a Group	159		
6. Income from other non-current financial investments and loans	160		
7. Other interest income	161	459.866	642.261
8. Foreign exchange differences and other financial income	162	27.503.652	3.713.047
9. Unrealized gains (income) from the financial assets	163		
10. Other financial income	164	3.803.285	5.724.247
IV. FINANCIAL COSTS (ADP 166 to 172)	165	53.715.103	66.983.683
1. Interest expenses and similar expenses with undertakings in a Group	166		
2. Foreign exchange differences and other expenses with undertakings in a Group	167		
3. Interest expenses and similar	168	44.715.964	49.875.564
4. Foreign exchange differences and other expenses	169		4.622.702
5. Unrealized loss (expenses) from the financial assets	170	3.686.904	10.651.214
6. Value adjustment expense on financial assets (net)	171		
7. Other financial expenses	172	5.312.235	1.834.203
V. SHARE OF PROFIT FROM UNDERTAKINGS WITH PARTICIPATING INTEREST	173		
VI. SHARE OF PROFIT FROM JOINT VENTURES	174		
VII. SHARE OF LOSS FROM UNDERTAKINGS WITH PARTICIPATING INTEREST	175		
VIII. SHARE OF LOSS FROM JOINT VENTURES	176		
IX. TOTAL INCOME (ADP 125+154+173+174)	177	1.824.716.780	2.074.210.262
X. TOTAL EXPENSES (ADP 131+165+175+176)	178	1.564.509.706	1.707.736.726
XI. PROFIT OR LOSS BEFORE TAX (ADP 177-178)	179	260.207.074	366.473.536
1. Profit before tax (ADP 177-178)	180	260.207.074	366.473.536
2. Loss before tax (ADP 178-177)	181		
XII. INCOME TAX EXPENSE	182	20.927.598	-10.533.369
XIII. PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	239.279.476	377.006.905
1. Profit for the period (ADP 179-182)	184	239.279.476	377.006.905
2. Loss for the period (ADP 182-179)	185		

Income Statement (for 01.01.2019 to 31.12.2019) (continued)**Taxpayer: Valamar Riviera d.d.**

Item 1	ADP code 2	in HRK	
		Preceding period 3	Current period 4
PROFIT OR LOSS FROM DISCONTINUED OPERATIONS (applicable for entities which use IFRS and have discontinued operations)			
XIV. PROFIT OR LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX (ADP 187-188)	186		
1. Profit before tax from discontinued operations	187		
2. Loss before tax from discontinued operations	188		
XV. INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS	189		
1. Profit for the period from discontinued operations (ADP 186-189)	190		
2. Loss for the period from discontinued operations (ADP 189-186)	191		
TOTAL PROFIT OR LOSS FOR THE PERIOD (applicable for entities which use IFRS and have discontinued operations)			
XVI. PROFIT OR LOSS BEFORE TAX (ADP 179+186)	192		
1. Profit before tax (ADP 192)	193		
2. Loss before tax (ADP 192)	194		
XVII. INCOME TAX EXPENSE (ADP 182+189)	195		
XVIII. PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196		
1. Profit for the period (ADP 192-195)	197		
2. Loss for the period (ADP 195-192)	198		

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

XIX. PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199	239.279.476	377.006.905
1. Attributable to parent company's shareholders	200	239.279.476	377.006.905
2. Attributable to non-controlling interests	201		

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

I. PROFIT OR LOSS FOR THE PERIOD	202	239.279.476	377.006.905
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (ADP 204 to 211)	203	338.982	-1.060.800
1. Exchange differences arising from foreign operations	204		
2. Revaluation of non-current assets and intangible assets	205		
3. Gains or loss available for sale investments	206	338.982	-1.060.800
4. Gains or loss on net movement on cash flow hedges	207		
5. Gains or loss on net investments hedge	208		
6. Share of the other comprehensive income/loss of associates	209		
7. Actuarial gain/loss on post employment benefit obligations	210		
8. Other changes in capital (minorities)	211		
III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD	212	67.796	-216.991
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (ADP 203-212)	213	271.186	-843.809
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (ADP 202+213)	214	239.550.662	376.163.096

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

VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (ADP 216+217)	215		
1. Attributable to parent company's shareholders	216		
2. Attributable to non-controlling interests	217		

STATEMENT OF CASH FLOWS - indirect method (for the period 01.01.2019 to 31.12.2019)**Taxpayer: Valamar Riviera d.d.**

Item	in HRK		
	ADP code	Preceding period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before taxes	001	260.207.074	366.473.536
2. Adjustments (ADP 003 to 010)	002	382.377.351	314.542.033
a) Depreciation and amortisation	003	344.691.659	380.123.705
b) Profit and loss from sales and value adjustments of non-current tangible and intangible assets	004	4.448.024	-137.506.122
c) Profit and loss from sales and unrealised profit and loss and value adjustments of financial assets	005	1.440.100	141.550
d) Income from interest and dividends	006	-204.629	-516.939
e) Interest expenses	007	46.213.364	51.568.217
f) Provisions	008	7.049.970	6.938.793
g) Foreign exchange differences (unrealized)	009	-27.175.314	4.622.702
h) Other adjustments for non-cash transactions and unrealized profit and loss	010	5.914.176	9.170.127
I. Increase or decrease of cash flow before changes in working capital (ADP 001+002)	011	642.584.424	681.015.569
3. Changes in working capital (ADP 013 to 016)	012	-21.944.066	59.705.723
a) Increase or decrease of current liabilities	013	4.209.742	45.682.363
b) Increase or decrease of current receivables	014	-27.169.779	13.508.480
c) Increase or decrease of inventories	015	1.015.971	514.880
d) Other increase or decrease of working capital	016		
II. Cash from operating activities (ADP 011+012)	017	620.640.358	740.721.292
4. Interest	018	-42.657.019	-49.590.156
5. Income tax paid	019	53.533	9.342
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	578.036.872	691.140.478
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Proceeds from sale of non-current assets	021	5.144.096	241.471.194
2. Proceeds from selling financial instruments	022	50.000	1.430.785
3. Proceeds from interest rates	023	707.828	557.681
4. Proceeds from dividends	024	6.152.793	8.790.336
5. Proceeds from repayment of given loans and savings	025	905.491	60.931.237
6. Other proceeds from investment activities	026	333.341	
III. Total cash proceeds from investment activities (ADP 021 to 026)	027	13.293.549	313.181.233
1. Purchase of non-current tangible and intangible assets	028	-630.494.466	-753.941.548
2. Purchase of financial instruments	029		
3. Loans and deposits for the period	030	-175.676	-60.957.764
4. Acquisition of subsidiary, net of acquired cash	031	-165.484.114	-111.127.097
5. Other payments from investment activities	032		-47.191.530
IV. Total cash payments from investment activities (ADP 028 to 032)	033	-796.154.256	-973.217.939
B) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)	034	-782.860.707	-660.036.706
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Proceeds from increase of subscribed capital	035		
2. Proceeds from issuing equity-based and debt-based financial instruments	036		
3. Proceeds from loan principal, loans and other borrowings	037	488.930.130	519.662.929
4. Other proceeds from financial activities	038		
V. Total proceeds from financial activities (ADP 035 to 038)	039	488.930.130	519.662.929
1. Repayment of loan principals, loans and other borrowings and debt-based financial instruments	040	-189.538.155	-304.739.929
2. Dividends paid	041	-111.730.149	-122.586.614
3. Payment of finance lease liabilities	042		
4. Re-purchase of treasury shares and decrease in subscribed share capital	043	-51.705.655	-39.396.089
5. Other payments from financial activities	044		-4.727.943
VI. Total cash payments from financing activities (ADP 040 to 044)	045	-352.973.959	-471.450.575
C) NET CASH FLOW FROM FINANCIAL ACTIVITIES (ADP 039+045)	046	135.956.171	48.212.354
1. Cash and cash equivalents-unrealized foreign exchange differences	047		
D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046+047)	048	-68.867.664	79.316.126
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	049	237.400.810	168.533.146
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 048+049)	050	168.533.146	247.849.272

STATEMENT OF CHANGES IN EQUITY (for the period 01.01.2019 to 31.12.2019)
Taxpayer: Valamar Riviera d.d.

in HRK

Item	ADP code	Distributable to majority owners											Total capital and reserves				
		Subscribed Share capital	Capital reserves	Legal reserves	Reserves for own shares	Treasury shares and shares (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Efficient portion of cash flow hedge	Efficient portion of foreign net investment hedge		Retained earnings/loss carried forward	Net profit/loss for the period	Total distributable to majority owners	Minority (non-controlling) interest
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)
Previous period																	
1. Balance at 1 January of the previous period	01	1.672.021.210	3.602.906	83.601.061	44.815.284	35.889.621		9.529.123		634.097			385.175.162	231.979.074	2.395.468.296		2.395.468.296
2. Changes in accounting policies	02																
3. Error correction	03																
4. Balance at 1 January of the previous period (ADP 01 to 03)	04	1.672.021.210	3.602.906	83.601.061	44.815.284	35.889.621		9.529.123		634.097			385.175.162	231.979.074	2.395.468.296		2.395.468.296
5. Profit/loss for the period	05													239.279.476	239.279.476		239.279.476
6. Foreign currency translation differences- foreign operations	06																
7. Changes in revaluation reserves of non-current tangible and intangible assets	07																
8. Profit or loss from re-evaluation of financial assets held for sale	08									338.982					338.982		338.982
9. Profit or loss from cash flow hedge	09																
10. Profit or loss from foreign net investment hedge	10																
11. Share in other comprehensive income/loss from undertakings with participating interest	11																
12. Actuarial gains/losses from defined benefit plans	12																
13. Other changes in capital (minorities)	13																
14. Taxation of transactions recognized directly in equity	14									-67.797					-67.797		-67.797
15. Increase/decrease of subscribed share capital (except by reinvested profit and in pre-bankruptcy settlement)	15																
16. Increase of subscribed share capital by profit reinvestment	16																
17. Increase of subscribed share capital in pre-bankruptcy settlement	17																
18. Repurchase of own shares/stakes	18					51.705.655									-51.705.655		-51.705.655
19. Share in profit/dividend payout	19		356.885			-393.563							-111.730.149		-110.979.701		-110.979.701
20. Other distribution to majority owners	20		1.344.492			-1.082.564									2.427.056		2.427.056
21. Transfer to reserves according to annual plan	21				52.000.000			-9.529.123					189.508.197	-231.979.074			
22. Increase in reserves in pre-bankruptcy settlement	22																
23. Balance at 31 December of previous period (ADP 04 to 22)	23	1.672.021.210	5.304.283	83.601.061	96.815.284	86.119.149				905.282			462.953.210	239.279.476	2.474.760.657		2.474.760.657
ADDITION TO STATEMENT OF CHANGES IN EQUITY (only for IFRS adopters)																	
I. OTHER COMPREHENSIVE INCOME OF PREVIOUS PERIOD NET OF TAX (ADP 06 to 14)	24									271.185					271.185		271.185
II. COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25									271.185				239.279.476	239.550.661		239.550.661
III. TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD, RECOGNIZED DIRECTLY IN EQUITY (ADP 15 to 22)	26		1.701.377		52.000.000	50.229.528		-9.529.123					77.778.048	-231.979.074	-160.258.300		-160.258.300
Current period																	
1. Balance at 1 January of current period	27	1.672.021.210	5.304.283	83.601.061	96.815.284	86.119.149				905.282			462.953.210	239.279.476	2.474.760.657		2.474.760.657
2. Changes in accounting policies	28																
3. Error correction	29																
4. Balance at 1 January of current period (ADP 27 to 29)	30	1.672.021.210	5.304.283	83.601.061	96.815.284	86.119.149				905.282			462.953.210	239.279.476	2.474.760.657		2.474.760.657
5. Profit/loss for the period	31													377.006.905	377.006.905		377.006.905
6. Foreign currency translation differences- foreign operations	32																
7. Changes in revaluation reserves of non-current tangible and intangible assets	33																
8. Profit or loss from re-evaluation of financial assets held for sale	34									-1.060.800					-1.060.800		-1.060.800
9. Profit or loss from cash flow hedge	35																
10. Profit or loss from foreign net investment hedge	36																
11. Share in other comprehensive income/loss from undertakings with participating interest	37																
12. Actuarial gains/losses from defined benefit plans	38																
13. Other changes in capital (minorities)	39																
14. Taxation of transactions recognized directly in equity	40																
15. Increase/decrease of subscribed share capital (except by reinvested profit and in pre-bankruptcy settlement)	41																
16. Increase of subscribed share capital by profit reinvestment	42																
17. Increase of subscribed share capital in pre-bankruptcy settlement	43																
18. Repurchase of own shares/stakes	44					39.396.089									-39.396.089		-39.396.089
19. Share in profit/dividend payout	45		406.280			-1.096.972							-122.586.614		-121.083.362		-121.083.362
20. Other distribution to majority owners	46																
21. Transfer to reserves according to annual plan	47				40.000.000								199.279.476	-239.279.476			
22. Increase in reserves in pre-bankruptcy settlement	48																
23. Balance as at 31 December of the current period (ADP 30 to 48)	49	1.672.021.210	5.710.563	83.601.061	136.815.284	124.418.266				61.473			539.646.072	377.006.905	2.690.444.302		2.690.444.302
ADDITION TO STATEMENT OF CHANGES IN EQUITY (only for IFRS adopters)																	
I. OTHER COMPREHENSIVE INCOME OF CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	50									-843.809					-843.809		-843.809
II. COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31 + 50)	51									-843.809				377.006.905	376.163.096		376.163.096
III. TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD, RECOGNIZED DIRECTLY IN EQUITY (ADP 41 to 48)	52		406.280		40.000.000	38.299.117							76.692.862	-239.279.476	-160.479.451		-160.479.451

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - AFS

Name of the issuer:

Valamar Riviera d.d.

Personal identification

number OIB: **36201212847**

Reporting period:

01.01.2019. to 31.12.2019.

Notes to the financial statements are prepared in accordance with the International Financial Reporting Standards (hereinafter: IFRS) in a way that they need to:

- a) provide information on the basis for the preparation of financial statements and certain accounting policies applied in accordance with International Accounting Standard 1 (IAS 1),
- b) disclose information to IFRSs that is not presented in the statement of financial position, statement of comprehensive income, statement of cash flow and statement of changes in shareholder's equity,
- c) provide additional information that is not presented in the statement of financial position, statement of comprehensive income, statement of cash flow and statement of changes in shareholder's equity, but is important for understanding any of them.

Valamar Riviera d.d. below presents comparison tables of items in GFI POD financial statements and audited Notes for 2018 and 2019.

Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2019 COMPANY

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
NON-CURRENT ASSETS (ADP 003+010+020+036)	002	14+15+16+ 17+part of 18b+20+ part of 21+ 25+part of 30	5.186.667	5.186.667	0	
I. Intangible assets	003	16	54.104	54.104	0	
II. Tangible assets	010	14+15+30	4.247.237	4.247.237	0	GFI-POD item "Tangible assets" (ADP 010; HRK 4,247,237 thous.) is in Audited report presented under items "Property, plant and equipment" (Note 14 in comparable amount of HRK 4,224,948 thous.), "Investment property" (Note 15 in comparable amount of HRK 6,449 thous.), and "Right-of-use assets" (Note 30 in comparable amount of HRK 15,839 thous.).
III. Non-current financial assets	020	17+part of 18b+20+part of 21	774.968	774.968	0	GFI-POD item "Financial assets" (ADP 020; HRK 774,968 thous.) is in Audited report presented under items "Investment in subsidiaries" (Note 17 in comparable amount of 727,328 thous.), "Investment in associated entity" (Note 118b in comparable amount of HRK 47,192 thous.), "Financial assets" (Note 20 in comparable amount of HRK 335 thous.) and in the non-current part of item "Loans and deposits" (Note 21 in comparable amount of HRK 113 thous.).
IV. Trade receivables	031	Part of 23	0	0	0	
V. Deferred tax assets	036	25	110.358	110.358	0	
CURRENT ASSETS (ADP 038+046+053+063)	037	Part of 21+ 22+part of 23 +part of 24+26	299.370	299.370	0	Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current assets" (ADP 037; HRK 299,370 thous.) and "Prepayments and accrued income" (ADP 064; HRK 17,875 thous.) in relation to item "Current assets" of Audited report (HRK 317,245 thous.).
I. Inventories	038	22	22.385	22.385	0	
II. Receivables	046	Part of 23	28.465	28.465	0	GFI-POD item "Receivables" (ADP 046; HRK 28,465 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Trade receivables - net" HRK 15,897 thous., "VAT receivable" HRK 9,616 thous., "Advances to suppliers" HRK 1,115 thous., "Receivables from employees" HRK 911 thous., "Receivables from state institutions" HRK 508 thous., and "Income tax receivable" HRK 417 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report is (Note 23) HRK 46,339 thous. and is presented in GFI-POD items "Receivables" (ADP 046; HRK 28,465 thous.) and "Prepayments and accrued income" (ADP 064; HRK 17,875 thous.).
III. Current financial assets	053	Part of 21+ part of 24	671	671	0	GFI-POD item "Financial assets" (ADP 053; HRK 671 thous.) is in Audited report presented under item "Loans and deposits" - current part (Note 21 in comparable amount of HRK 531 thous.), and "Financial assets" (Note 24 "Derivative financial instruments" in comparable amount of HRK 140 thous.).
IV. Cash and cash equivalents	063	26	247.849	247.849	0	GFI-POD item "Cash and cash equivalents" (ADP 063; HRK 247,849 thous.) is in Audited report presented under item "Cash and cash equivalents" (Note 26 in comparable amount of HRK 247,849 thous.).
PREPAYMENTS AND ACCRUED INCOME	064	Part of 23	17.875	17.875	0	GFI-POD item "Prepayments and accrued income" (ADP 064; HRK 17,875 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Accrued income" HRK 3,034 thous., "Interest receivables" HRK 24 thous., "Prepaid expenses" HRK 14,816 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report is (Note 23) HRK 46,339 thous. and is presented in GFI-POD items "Receivables" (ADP 046; HRK 28,465 thous.) and "Prepayments and accrued income" (ADP 064; HRK 17,875 thous.).
TOTAL ASSETS			5.503.912	5.503.912	0	

Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2019

COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
CAPITAL AND RESERVES	067	27+28	2.690.444	2.690.444	0	GFI-POD item "Capital and reserves" (ADP 067; HRK 2,690,444 thous.) is in Audited report presented under item "Share capital" (Notes 27 and 28 in comparable amount of HRK 2,690,444 thous.).
PROVISIONS	088	Part of 32 + part of 31	99.092	99.092	0	GFI-POD item "Provisions" (ADP 088; HRK 99,092 thous.) is in Audited report presented under non-current liabilities in item "Provisions" (Note 32 in comparable amount of HRK 42,638 thous.) and non-current liabilities under item "Concession fee" (Note 31 in comparable amount of HRK 56,453 thous.).
NON-CURRENT LIABILITIES (ADP 101+105+106)	095	Part of 24+25 + part of 29 + part of 30 + part of 31 + part of 39	2.199.023	2.199.023	0	Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Non-current liabilities" (ADP 095; HRK 2,199,023 thous.) and "Provisions" (ADP 088; HRK 99,092 thous.) in relation to item "Non-current liabilities" of Audited report (HRK 2,298,116 thous.).
I. Liabilities to banks and other financial institutions	101	Part of 29	2.146.746	2.146.746	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 101; HRK 2,146,746 thous.) is in Audited report presented under non-current part of item "Borrowings" (Note 29 in comparable amount of HRK 2,146,746 thous.).
II. Other non-current liabilities	105	Part of 24+ part of 30 + part of 39	38.087	38.087	0	GFI-POD item "Other non-current liabilities" (ADP 105; HRK 38,087 thous.) is in Audited report presented under non-current part of item "Derivative financial instruments" (Note 24 in comparable amount of 11,023 thous.), "Lease liabilities" (Note 30 in comparable amount of HRK 8,770 thous.) and Note 39 in comparable amount of HRK 18,294 thous. Comment: The total amount of item "Derivative financial instruments" in Audited report (Note 24) is HRK 17,048 thous. and is presented in GFI-POD items "Other non-current liabilities" (ADP 105; HRK 11,023 thous.) and "Other current liabilities" (ADP 121; HRK 6,025 thous.).
III. Deferred tax liabilities	106	25	14.190	14.190	0	
CURRENT LIABILITIES (ADP 108+113+114+115+117+118+119+121)	107	Part of 24+29 + part of 30 + part of 31	463.253	463.253	0	Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current liabilities" (ADP 107; HRK 463,253 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 52,099 thous.) in relation to item "Current liabilities" of Audited report (HRK 515,352 thous.).
I. Liabilities to banks and other financial institutions	113	Part of 29	257.434	257.434	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 113; HRK 257,434 thous.) is in Audited report presented under current part of item "Borrowings" (Note 29; "Bank borrowings" in comparable amount of HRK 257,434 thous.).
II. Amounts payable for prepayment	114	Part of 31	31.610	31.610	0	GFI-POD item "Amounts payable for prepayment" (ADP 114; HRK 31,610 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Advances received" in comparable amount of HRK 31,610 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 230,578 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 31,610 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 127,696 thous.), "Liabilities to employees" (ADP 117; HRK 24,837 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 10,114 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 9 thous.), "Other current liabilities" (ADP 121; HRK 1,939 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 34,371 thous.).

Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2019

COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
III. Trade payables and liabilities to undertakings in a Group	108 and 115	Part of 31	127.696	127.696	0	GFI-POD items "Liabilities to undertakings in a Group" (ADP 108; HRK 218 thous.) and "Trade payables" (ADP 115; HRK 127,478 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Trade payables" HRK 127,455 thous., "Trade payables – related parties" HRK 241 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 230,578 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 31,610 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 127,696 thous.), "Liabilities to employees" (ADP 117; HRK 24,837 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 10,114 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 9 thous.), "Other current liabilities" (ADP 121; HRK 1,939 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 34,371 thous.).
IV. Liabilities to employees	117	Part of 31	24.837	24.837	0	GFI-POD items "Liabilities to employees" (ADP 117; HRK 24,837 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities to employees" in comparable amount HRK 24,837 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 230,578 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 31,610 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 127,696 thous.), "Liabilities to employees" (ADP 117; HRK 24,837 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 10,114 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 9 thous.), "Other current liabilities" (ADP 121; HRK 1,939 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 34,371 thous.).
V. Taxes, contributions and similar liabilities	118	Part of 31	10.114	10.114	0	GFI-POD item "Taxes, contributions and similar liabilities" (ADP 118; HRK 10,114 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 30; "Liabilities for taxes and contributions and similar charges" in comparable amount of HRK 10,114 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 230,578 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 31,610 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 127,696 thous.), "Liabilities to employees" (ADP 117; HRK 24,837 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 10,114 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 9 thous.), "Other current liabilities" (ADP 121; HRK 1,939 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 34,371 thous.).
VI. Liabilities arising from share in the result and other current liabilities	119 and 121	Part of 24 + part of 30 + part of 31	11.562	11.562	0	GFI-POD item "Liabilities arising from share in the result" (ADP 119; HRK 9 thous.) and "Other current liabilities" (ADP 121; HRK 11,553 thous.) is in Audited report presented under current part of items "Trade and other payables" (Note 31; "Liabilities for dividend" HRK 9 thous., "Other liabilities" HRK 1,939 thous.), "Derivative financial instruments" (Note 24 in comparable amount of HRK 6,025 thous.) and "Lease liabilities" (Note 30 in comparable amount of HRK 3,589 thous.). Comment: The total current amount of item "Trade and other payables" of Audited report (Note 31) is HRK 230,578 thous. and is presented in items "Amounts payable for prepayment" (ADP 114; HRK 31,610 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 127,696 thous.), "Liabilities to employees" (ADP 117; HRK 24,837 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 10,114 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 9 thous.), "Other current liabilities" (ADP 121; HRK 1,939 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 34,371 thous.). The total amount of item "Derivative financial instruments" in Audited report (Note 24) is HRK 17,048 thous. and is presented in items "Other non-current liabilities" (ADP 105; HRK 11,023 thous.) and "Other current liabilities" (ADP 121; HRK 6,025 thous.).

Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2019

COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
ACCRUED EXPENSES AND DEFERRED INCOME	122	Part of 31+ part of 32	52.099	52.099	0	GFI-POD item "Accrued expenses and deferred income" (ADP 122; HRK 52,099 thous.) is in Audited report presented under items "Trade and other payables" (Note 31; "Interest payable" HRK 1,758 thous., current part of item "Concession fees payable" HRK 2,982 thous., "Liabilities for calculated vacation and redistribution hours" HRK 20,320 thous., "Accrued VAT liabilities in unrealized income" HRK 378 thous., "Liabilities for calculated costs" HRK 8,933 thous.) and current part of items "Provisions" (Note 32; current part of item "Termination benefits and jubilee awards" HRK 164 thous. and "Bonuses" HRK 17,563 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 230,578 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 31,610 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 127,696 thous.), "Liabilities to employees" (ADP 117; HRK 24,837 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 10,114 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 9 thous.), "Other current liabilities" (ADP 121; HRK 1,939 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 34,371 thous.). The total current amount of item "Provisions" in Audited report (Note 32) is HRK 17,727 thous. and is presented in GFI-POD item "Accrued expenses and deferred income" (ADP 122; HRK 17,727 thous.).
TOTAL LIABILITIES			5.503.912	5.503.912	0	

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2019 / COMPANY

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2019 to 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
OPERATING INCOME (ADP 126+127+128+129+130)	125		2.055.240	2.055.240	0	
I. Revenues from sales with undertakings in a Group and sales revenues (outside the Group)	126+127	5	1.874.495	1.874.495	0	
II. Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)	128+129+130	Part of 6+ part of 10	180.745	180.745	0	GFI-POD items "Revenues from use of own products, goods and services" (ADP 128; HRK 218 thous.), "Other operating revenues with undertakings in a Group" (ADP 129; HRK 122,524 thous.) and "Other operating revenues (outside the Group)" (ADP 130; HRK 58,002 thous.) are in Audited report presented under items "Other income" (Note 6; "Income from donations and other" HRK 2,917 thous., "Income from provision release" HRK 566 thous., "Reimbursed costs" HRK 2,234 thous., "Income from insurance and legal claims" HRK 3,310 thous., "Income from own consumption" HRK 218 thous., "Other income" HRK 10,186 thous.), and "Other gains/(losses) - net" (Note 10; "Net gains on sale of property, plant and equipment" HRK 161,314 thous.). Comment: The total amount of item "Other income" of Audited report (Note 6) is HRK 19,431 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK 19,431 thous.). The total amount of item "Other gains/(losses) - net" of Audited report (Note 10) is HRK -161,314 thous. and is presented in GFI-POD item "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130, HRK 161,314 thous.).
OPERATING EXPENSES (ADP 133+137+141+142+143+146+153)	131		1.640.754	1.640.754	0	Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Staff costs" (ADP 137; HRK 506,080 thous.), "Other expenditures" (ADP 142; HRK 174,348 thous.), "Value adjustment" (ADP 143; HRK 544 thous.), "Provisions" (ADP 146; 8,236 thous.) and "Other operating expenses" (ADP 153; HRK 30,575 thous.) in relation to items "Staff costs" (Note 8; HRK 594,133 thous.) and "Other operating expenses" (Note 9; HRK 125,649 thous.) of Audited report.
I. Material costs	133	7	540.847	540.847	0	GFI-POD item "Material costs" (ADP 133; HRK 540,847 thous.) is in Audited report presented under item "Cost of materials and services" (Note 7 in comparable amount of HRK 540,847 thous.).
II. Staff costs	137	Part of 8	506.080	506.080	0	GFI-POD item "Staff costs" (ADP 137; HRK 506,080 thous.) is in Audited report presented under item "Staff costs" (Note 8; "Net salaries" HRK 313,347 thous., "Pension contributions" HRK 89,062 thous., "Health insurance contributions" HRK 67,940 thous., "Other (contributions and taxes)" HRK 35,731 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 594,133 thous. and is presented in GFI-POD items "Staff costs" (ADP 137; HRK 506,080 thous.), "Other expenditures" (ADP 142; HRK 83,371 thous.) and "Provisions" (ADP 146; HRK 4,683 thous.).
III. Depreciation and amortisation	141	14+15+16+30	380.124	380.124	0	
IV. Other expenditures	142	Part of 8+ part of 9	174.348	174.348	0	GFI-POD item "Other expenditures" (ADP 142; HRK 174,348 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Termination benefits" HRK 515 thous., "Other staff costs" HRK 82,856 thous.) and "Other operating expenses" (Note 9; "Municipal charges, concessions and other" HRK 53,613 thous., "Professional services" HRK 18,915 thous., "Entertainment" HRK 7,813 thous. HRK, "Insurance premiums" HRK 6,343 thous., "Bank charges" HRK 2,325 thous., "Subscription to magazines and other administrative expenses" HRK 1,968 thous.). Comment: The total amount of item "Staff costs" of Audited report (Note 8) is HRK 594,133 thous. and is presented in GFI-POD items "Staff costs" (ADP 137; HRK 506,080 thous.), "Other expenditures" (ADP 142; HRK 83,371 thous.) and "Provisions" (ADP 146; HRK 4,683 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 125,649 thous. and is presented in GFI-POD items "Other expenditures" (ADP 142; HRK 90,978 thous.), "Value adjustment" (ADP 143; HRK 544 thous.), "Provisions" (ADP 146; HRK 3,553 thous.) and "Other operating expenses" (ADP 153; HRK 30,575 thous.).

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2019 / COMPANY (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2019 to 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
V. Value adjustment	143	Part of 9	544	544	0	GFI-POD item "Value adjustment" (ADP 143; HRK 544 thous.) is in Audited report presented under item "Other operating expenses" (Note 9; "Impairment of assets " in comparable amount of HRK 544 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) amounts to HRK 125,649 thous. and is presented in GFI-POD items "Other expenditures" (ADP 142; HRK 90,978 thous.), "Value adjustment" (ADP 143; HRK 544 thous.), "Provisions" (ADP 146; HRK 3,553 thous.) and "Other operating expenses" (ADP 153; HRK 30,575 thous.).
VI. Provisions	146	Part of 8+ part of 9	8.236	8.236	0	GFI-POD item "Provisions" (ADP 146; HRK 8,236 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Provisions for termination benefits and jubilee awards" HRK 4,683 thous.) and "Other operating expenses" (Note 9; "Provisions" HRK 3,553 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 594,133 thous. and is presented in GFI-POD items "Staff costs" (ADP 137; HRK 506,080 thous.), "Other expenditures" (ADP 142; HRK 83,371 thous.) and "Provisions" (ADP 146; HRK 4,683 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 125,649 thous. and is presented in GFI-POD items "Other expenditures" (ADP 142; HRK 90,978 thous.), "Value adjustment" (ADP 143; HRK 544 thous.), "Provisions" (ADP 146; HRK 3,553 thous.) and "Other operating expenses" (ADP 153; HRK 30,575 thous.).
VIII. Other operating expenses	153	Part of 9	30.575	30.575	0	GFI-POD item "Other operating expenses" (ADP 153; HRK 30,575 thous.) is in Audited report presented under items "Other operating expenses" (Note 9; "Write-off of property, plant and equipment" HRK 23,237 thous., "Other operating expenses" HRK 7,338 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 125,649 thous. and is presented in GFI-POD items "Other expenditures" (ADP 142; HRK 90,978 thous.), "Value adjustment" (ADP 143; HRK 544 thous.), "Provisions" (ADP 146; HRK 3,553 thous.) and "Other operating expenses" (ADP 153; HRK 30,575 thous.).
FINANCIAL INCOME	154	11	18.970	18.970	0	GFI-POD item "Financial income" (ADP 154; HRK 18,970 thous.) is in Audited report presented under items "Financial income/(loss) - net" in part of financial income (Note 11; "Interest income" HRK 517 thous., "Net foreign exchange gains/(losses) - other" HRK 3,626 thous., "Realised net gains/(losses) from changes in value of forwards and interest rate swaps" HRK 1,359 thous., "Net gains from financial assets sold" HRK 1,431 thous., "Income from cassa sconto" HRK 2,934 thous., "Dividend income" HRK 8,790 thous., and other financial income HRK 312 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 48,014 thous. and is presented in GFI-POD items "Financial income" (ADP 154; HRK 18,970 thous.) and "Financial costs" (ADP 165; HRK 66,984 thous.).
FINANCIAL COSTS	165	11	66.984	66.984	0	GFI-POD item "Financial costs" (ADP 165; HRK 66,984 thous.) is in Audited report presented under item "Finance income/(expense) - net" in part of financial expenses (Note 11; "Interest expense" HRK 51,568 thous., "Net foreign exchange gains from financing activities" HRK 4,623 thous., "Changes in fair value of forwards and interest rate swaps" HRK 10,651 thous. and "Change of value of financial assets" HRK 142 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 48,014 thous. and is presented in GFI-POD items "Financial income" (ADP 154; HRK 18,970 thous.) and "Financial costs" (ADP 165; HRK 66,984 thous.).
TOTAL INCOME (ADP 125+154)	177		2.074.210	2.074.210	0	
TOTAL COSTS (ADP 131+165)	178		1.707.737	1.707.737	0	
PROFIT OR LOSS BEFORE TAX (ADP 177-178)	179		366.473	366.473	0	
INCOME TAX EXPENSE	182		-10.533	-10.533	0	
PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	184		377.006	377.006	0	

Summary of adjustments of GFI-POD reclassified balance sheet and balance sheet from Audited Report for 2018 COMPANY

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2018	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
NON-CURRENT ASSETS (ADP 003+010+020+036)	002	14+15+16 +17+20+ part of 21+25	4.745.258	4.745.258	0	
I. Intangible assets	003	16	52.117	52.117	0	
II. Tangible assets	010	14+15	3.956.425	3.956.425	0	GFI-POD item "Tangible assets" (ADP 010; HRK 3,956,425 thous.) is in Audited report presented under items "Property, plant and equipment" (Note 14 in comparable amount of HRK 3,946,785 thous.) and "Investment property" (Note 15 in comparable amount of HRK 9,640 thous.).
III. Non-current financial assets	020	17+20+21	636.006	636.006	0	GFI-POD item "Financial assets" (ADP 020; HRK 636,006 thous.) is in Audited report presented under items "Investment in subsidiaries" (Note 17 in comparable amount of HRK 616,201 thous.), "Financial assets" (Note 20 in comparable amount of HRK 4,100 thous.) and in the non-current part of item "Loans and deposits" (Note 21 in comparable amount of HRK 15,706 thous.).
IV. Trade receivables	031	Part of 23	0	0	0	
V. Deferred tax assets	036	25	100.710	100.710	0	
CURRENT ASSETS (ADP 038+046+053+063)	037	Part of 21+ 22+ part of 23+26	228.780	228.780	0	Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current assets" (ADP 037; HRK 228,780 thous.) and "Prepayments and accrued income" (ADP 064; HRK 24,218 thous.) in relation to item "Current assets" of Audited report (HRK 252,998 thous.).
I. Inventories	038	22	22.900	22.900	0	
II. Receivables	046	Part of 23	36.954	36.954	0	GFI-POD item "Receivables" (ADP 046; HRK 36,954 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Trade receivables - net" HRK 31,611 thous., "VAT receivable" HRK 2,596 thous., "Advances to suppliers" HRK 544 thous., "Receivables from employees" HRK 1,367 thous., "Receivables from state institutions" HRK 320 thous., "Other current receivables" HRK 507 thous.) and "Income tax receivable" (in comparable amount of HRK 9 thous. - presented in balance sheet as a single item). Comment: The total amount of item "Trade and other receivables" in Audited report is (Note 23) HRK 61,163 thous. and is presented in GFI-POD items "Receivables" (ADP 046; HRK 36,945 thous.) and "Prepayments and accrued income" (ADP 064; HRK 24,218 thous.).
III. Current financial assets	053	Part of 21	393	393	0	GFI-POD item "Financial assets" (ADP 053; HRK 393 thous.) is in Audited report presented under item "Loans and deposits" - current part (Note 21 in comparable amount of HRK 393 thous.).
IV. Cash and cash equivalents	063	26	168.533	168.533	0	GFI-POD item "Cash and cash equivalents" (ADP 063; HRK 168,533 thous.) is in Audited report presented under item "Cash and cash equivalents" (Note 26 in comparable amount of HRK 168,533 thous.).
PREPAYMENTS AND ACCRUED INCOME	064	Part of 23	24.218	24.218	0	GFI-POD item "Prepayments and accrued income" (ADP 065; HRK 24,218 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Accrued income" HRK 4,851 thous., "Interest receivables" HRK 65 thous., "Prepaid expenses" HRK 19,302 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report is (Note 23) HRK 61,163 thous. and is presented in GFI-POD items "Receivables" (ADP 046; HRK 36,945 thous.) and "Prepayments and accrued income" (ADP 064; HRK 24,218 thous.).
TOTAL ASSETS			4.998.257	4.998.257	0	

Summary of adjustments of GFI-POD reclassified balance sheet and balance sheet from Audited Report for 2018 COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2018	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
CAPITAL AND RESERVES	067	27+28	2.474.761	2.474.761	0	GFI-POD item "Capital and reserves" (ADP 067; HRK 2,474,761 thous.) is in Audited report presented under item "Share capital" (Notes 27 and 28 in comparable amount of HRK 2,474,761 thous.).
PROVISIONS	088	Part of 32 + part of 31	84.454	84.454	0	GFI-POD item "Provisions" (ADP 088; HRK 84,454 thous.) is in Audited report presented under non-current liabilities in item "Provisions" (Note 32 in comparable amount of HRK 35,699 thous.) and non-current liabilities under item "Concession fee" (Note 31 in comparable amount of HRK 48,755 thous.).
NON-CURRENT LIABILITIES (ADP 101+105+106)	095	Part of 24+25+ part of 29	1.999.147	1.999.147	0	Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Non-current liabilities" (ADP 095; HRK 1,999,147 thous.) and "Provisions" (ADP 088; HRK 84,454 thous.) in relation to item "Non-current liabilities" of Audited report (HRK 2,083,601 thous.).
I. Liabilities to banks and other financial institutions	101	Part of 29	1.978.758	1.978.758	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 101; HRK 1,978,758 thous.) is in Audited report presented under non-current part of item "Borrowings" (Note 29 in comparable amount of HRK 1,978,758 thous.).
II. Other non-current liabilities	105	Part of 24	5.162	5.162	0	GFI-POD item "Other non-current liabilities" (ADP 105; HRK 5,162 thous.) is in Audited report presented under non-current part of item "Derivative financial instruments" (Note 24 in comparable amount of HRK 5,162 thous.). Comment: The total amount of item "Derivative financial instruments" in Audited report (Note 24) is HRK 7,616 thous. and is presented in GFI-POD items "Other non-current liabilities" (ADP 105; HRK 5,162 thous.) and "Other current liabilities" (ADP 121; HRK 2,454 thous.).
III. Deferred tax liabilities	106	25	15.227	15.227	0	
CURRENT LIABILITIES (ADP 108+113+114+115+117+118+119+121)	107	Part of 24+29+ part of 31	377.392	377.392	0	Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current liabilities" (ADP 107; HRK 377,392 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 62,504 thous.) in relation to item "Current liabilities" of Audited report (HRK 439,896 thous.).
I. Liabilities to banks and other financial institutions	113	Part of 29	203.359	203.359	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 113; HRK 203,359 thous.) is in Audited report presented under current part of item "Borrowings" (Note 29; "Bank borrowings" in comparable amount of HRK 203,359 thous.).
II. Amounts payable for prepayment	114	Part of 31	34.735	34.735	0	GFI-POD item "Amounts payable for prepayment" (ADP 114; HRK 34,735 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Advances received" in comparable amount of HRK 34,735 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 207,841 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 34,735 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 102,911 thous.), "Liabilities to employees" (ADP 117; HRK 22,823 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 9,465 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 9 thous.), "Other current liabilities" (ADP 121; HRK 1,635 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 36,263 thous.).
III. Trade payables and liabilities to undertakings in a Group	108 and 115	Part of 31	102.911	102.911	0	GFI-POD items "Liabilities to undertakings in a Group" (ADP 108; HRK 196 thous.) and "Trade payables" (ADP 115; HRK 102,715 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Trade payables" HRK 102,607 thous., "Trade payables – related parties" HRK 304 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 207,841 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 34,735 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 102,911 thous.), "Liabilities to employees" (ADP 117; HRK 22,823 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 9,465 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 9 thous.), "Other current liabilities" (ADP 121; HRK 1,635 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 36,263 thous.).

Summary of adjustments of GFI-POD reclassified balance sheet and balance sheet from Audited Report for 2018 COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2018	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
IV. Liabilities to employees	117	Part of 31	22.823	22.823	0	GFI-POD items "Liabilities to employees" (ADP 117; HRK 22,823 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities to employees" in comparable amount HRK 22,823 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 207,841 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 34,735 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 102,911 thous.), "Liabilities to employees" (ADP 117; HRK 22,823 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 9,465 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 9 thous.), "Other current liabilities" (ADP 121; HRK 1,635 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 36,263 thous.).
V. Taxes, contributions and similar liabilities	118	Part of 31	9.465	9.465	0	GFI-POD item "Taxes, contributions and similar liabilities" (ADP 118; HRK 9,465 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities for taxes and contributions and similar charges" in comparable amount of HRK 9,465 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 207,841 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 34,735 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 102,911 thous.), "Liabilities to employees" (ADP 117; HRK 22,823 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 9,465 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 9 thous.), "Other current liabilities" (ADP 121; HRK 1,635 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 36,263 thous.).
VI. Liabilities arising from share in the result and other current liabilities	119 and 121	Part of 24 + part of 31	4.099	4.099	0	GFI-POD item "Liabilities arising from share in the result" (ADP 119; HRK 9 thous.) and "Other current liabilities" (ADP 121; HRK 4,090 thous.) is in Audited report presented under current part of items "Trade and other payables" (Note 31; "Liabilities for dividend" HRK 9 thous., "Other liabilities" HRK 1,635 thous.) and "Derivative financial instruments" (Note 24 in comparable amount of HRK 2,454 thous.). Comment: The total current amount of item "Trade and other payables" of Audited report (Note 31) is HRK 207,841 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 34,735 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 102,911 thous.), "Liabilities to employees" (ADP 117; HRK 22,823 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 9,465 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 9 thous.), "Other current liabilities" (ADP 121; HRK 1,635 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 36,263 thous.). The total current part of item "Derivative financial instruments" in Audited report (Note 24) is HRK 2,454 thous. and is presented in GFI-POD item "Other current liabilities" (ADP 121; HRK 2,454 thous.).
ACCRUED EXPENSES AND DEFERRED INCOME	122	Part of 31+ part of 32	62.504	62.504	0	GFI-POD item "Accrued expenses and deferred income" (ADP 122; HRK 62,504 thous.) is in Audited report presented under items "Trade and other payables" (Note 31; "Interest payable" HRK 2,044 thous., current part of item "Concession fees payable" HRK 2,762 thous., "Liabilities for calculated vacation and redistribution hours" HRK 19,958 thous., "Accrued VAT liabilities in unrealized income" HRK 573 thous., "Liabilities for calculated costs" HRK 10,926 thous.) and current part of items "Provisions" (Note 32; current part of item "Termination benefits and jubilee awards" HRK 404 thous. and "Bonuses" HRK 25,838 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 207,841 thous. and is presented in GFI-POD items "Amounts payable for prepayment" (ADP 114; HRK 34,735 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 102,911 thous.), "Liabilities to employees" (ADP 117; HRK 22,823 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 9,465 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 9 thous.), "Other current liabilities" (ADP 121; HRK 1,635 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 36,263 thous.). The total current amount of item "Provisions" of Audited report (Note 32) is HRK 26,242 thous. and is presented in GFI-POD item "Accrued expenses and deferred income" (ADP 122; HRK 26,242 thous.).
TOTAL LIABILITIES			4.998.257	4.998.257	0	

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2018 / COMPANY

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2018 to 31 December 2018	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
OPERATING INCOME (ADP 125+126+127+128+129+130)	125		1.786.899	1.786.899	0	
I. Revenues from sales with undertakings in a Group and sales revenues (outside the Group)	126+127	5	1.768.603	1.768.603	0	
II. Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)	128+129+130	Part of 6+ part of 9+ part of 10	18.296	18.296	0	GFI-POD items "Revenues from use of own products, goods and services" (ADP 128; HRK 329 thous.), "Other operating revenues with undertakings in a Group" (ADP 129; HRK 53 thous.) and "Other operating revenues (outside the Group)" (ADP 130; HRK 17,914 thous.) are in Audited report presented under items "Other income" (Note 6; "Income from donations and other" HRK 2.538 thous., "Income from provision release" HRK 974 thous., "Reimbursed costs" HRK 1.480 thous., "Income from insurance and legal claims" HRK 1,251 thous., "Income from own consumption" HRK 329 thous., "Other income" HRK 7,928 thous.), "Other gains/(losses) - net" (Note 10; "Net gains on sale of property, plant and equipment" HRK 3,455 thous.) and "Other operating expenses" in part of collection of receivables previously written-off (Note 9; "Collection of receivables previously written-off" HRK 341 thous.). Comment: The total amount of item "Other income" of Audited report (Note 6) is HRK 24,712 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK 14,500 thous.) and "Financial income" (ADP 154; HRK 10,212 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 103,522 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK -341 thous.), "Other expenditures" (ADP 142; HRK 89,056 thous.), "Value adjustment" (ADP 143; HRK 297 thous.), "Provisions" (ADP 146; HRK 2,039 thous.) and "Other operating expenses" (ADP 153; HRK 12,471 thous.). The total amount of item "Other gains/(losses) - net" of Audited report (Note 10) is HRK -3,821 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK 3,455 thous.), "Financial income" (ADP 154; HRK 226 thous.) and "Financial costs" (ADP 165; HRK -7,502 thous.).
OPERATING EXPENSES (ADP 133+137+141+142+143+146+153)	131		1.510.795	1.510.795	0	Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Staff costs" (ADP 137; HRK 487,757 thous.), "Other expenditures" (ADP 142; HRK 158,197 thous.), "Value adjustment" (ADP 143; HRK 297 thous.), "Provisions" (ADP 146; 5,979 thous.) and "Other operating expenses" (ADP 153; HRK 12,470 thous.) in relation to items "Staff costs" (Note 8; HRK 560,837 thous.) and "Other operating expenses" (Note 9; HRK 103,863 thous., without the item "Collection of receivables previously written-off" in the amount of HRK -341 thous.) of Audited report.
I. Material costs	133	7	501.403	501.403	0	GFI-POD item "Material costs" (ADP 133; HRK 501,403 thous.) is in Audited report presented under item "Cost of materials and services" (Note 7 in comparable amount of HRK 501,403 thous.).
II. Staff costs	137	Part of 8	487.757	487.757	0	GFI-POD item "Staff costs" (ADP 137; HRK 487,757 thous.) is in Audited report presented under item "Staff costs" (Note 8; "Net salaries" HRK 297,438 thous., "Pension contributions" HRK 83,908 thous., "Health insurance contributions" HRK 67.621 thous., "Other (contributions and taxes)" HRK 38,790 thous.). Comment: The total amount of item "Staff costs" of Audited report (Note 8) is HRK 560,837 thousand and is presented in GFI-POD items "Staff costs" (ADP 137; HRK 487,757 thous.), "Other expenditures" (ADP 142; HRK 69,141 thous.) and "Provisions" (ADP 146; HRK 3,939 thous.).
III. Depreciation and amortisation	141	14+15+16	344.692	344.692	0	

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2018 / COMPANY (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2018 to 31 December 2018	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
IV. Other expenditures	142	Part of 8+ part of 9	158.197	158.197	0	GFI-POD item "Other expenditures" (ADP 142; HRK 158,197 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Termination benefits" HRK 580 thous., "Other staff costs" HRK 68,561 thous.) and "Other operating expenses" (Note 9; "Municipal charges, concessions and other" HRK 50,773 thous., "Professional services" HRK 21,012 thous., "Entertainment" HRK 7,168 thous. HRK, "Insurance premiums" HRK 6,061 thous., "Bank charges" HRK 2,853 thous., "Subscription to magazines and other administrative expenses" HRK 1,189 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 560,837 thousand and is presented in GFI-POD items "Staff costs" (ADP 137; HRK 487,757 thous.), "Other expenditures" (ADP 142; HRK 69,141 thous.) and "Provisions" (ADP 146; HRK 3,939 thous.). Total amount of item "Other operating expenses" of Audited report (Note 9) amounts to HRK 103,522 thous. The total amount of item "Other operating expenses" in Audited report (Note 9) amounts to HRK 103,522 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK -341 thous.), "Other expenditures" (ADP 142; HRK 89,056 thous.), "Value adjustment" (ADP 143; HRK 297 thous.), "Provisions" (ADP 146; HRK 2,039 thous.) and "Other operating expenses" (ADP 153; HRK 12,471 thous.).
V. Value adjustment	143	Part of 9	297	297	0	GFI-POD item "Value adjustment" (ADP 143; HRK 297 thous.) is in Audited report presented under item "Other operating expenses" (Note 9; "Impairment of assets " in comparable amount of HRK 297 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) amounts to HRK 103,522 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK -341 thous.), "Other expenditures" (ADP 142; HRK 89,056 thous.), "Value adjustment" (ADP 143; HRK 297 thous.), "Provisions" (ADP 146; HRK 2,039 thous.) and "Other operating expenses" (ADP 153; HRK 12,471 thous.).
VI. Provisions	146	Part of 8+ part of 9	5.979	5.979	0	GFI-POD item "Provisions" (ADP 146; HRK 5,979 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Provisions for termination benefits and jubilee awards" HRK 3,939 thous.) and "Other operating expenses" (Note 9; "Provisions for legal proceedings" HRK 2,039 thous.). Comment: The total amount of item "Staff costs" of Audited report (Note 8) is HRK 560,837 thousand and is presented in GFI-POD items "Staff costs" (ADP 137; HRK 487,757 thous.), "Other expenditures" (ADP 142; HRK 69,141 thous.) and "Provisions" (ADP 146; HRK 3,939 thous.). Total amount of item "Other operating expenses" of Audited report (Note 9) amounts to HRK 103,522 thous. The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 103,522 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK -341 thous.), "Other expenditures" (ADP 142; HRK 89,056 thous.), "Value adjustment" (ADP 143; HRK 297 thous.), "Provisions" (ADP 146; HRK 2,039 thous.) and "Other operating expenses" (ADP 153; HRK 12,471 thous.).
VIII. Other operating expenses	153	Part of 9	12.470	12.470	0	GFI-POD item "Other operating expenses" (ADP 153; HRK 12,470 thous.) is in Audited report presented under items "Other operating expenses" (Note 9; "Write-off of property, plant and equipment" HRK 7,903 thous., "Other operating expenses" HRK 4,568 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) amounts to HRK 103,522 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK -341 thous.), "Other expenditures" (ADP 142; HRK 89,056 thous.), "Value adjustment" (ADP 143; HRK 297 thous.), "Provisions" (ADP 146; HRK 2,039 thous.) and "Other operating expenses" (ADP 153; HRK 12,471 thous.).

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2018 / COMPANY (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2018 to 31 December 2018	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
FINANCIAL INCOME	154	Part of 6+ part of 9+ part of 11	37.818	37.818	0	GFI-POD item "Financial income" (ADP 154; HRK 37,818 thous.) is in Audited report presented under items "Other income" (Note 6; "Income from cassa sconto" HRK 3,795 thous., "Dividend income" HRK 6,153 thous., "Other financial gains" HRK 264 thous.), "Other gains/(losses) - net" (Note 10; "Net foreign exchange gains/(losses) - other" HRK 226 thous.) and "Finance income/(expense) - net" in part of financial income (Note 11; "Interest income" HRK 205 thous., "Net foreign exchange gains from financing activities" HRK 27,175 thous.). Comment: The total amount of item "Other income" of Audited report (Note 6) is HRK 24,712 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK 14,500 thous.) and "Financial income" (ADP 154; HRK 10,212 thous.). The total amount of item "Other gains/(losses) - net" of Audited report (Note 10) is HRK -3,821 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK 3,455 thous.), "Financial income" (ADP 154; HRK 226 thous.) and "Financial costs" (ADP 165; HRK -7,502 thous.). The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 18,833 thous. and is presented in GFI-POD items "Financial income" (ADP 154; HRK 27,380 thous.) and "Financial costs" (ADP 165; HRK 46,213 thous.).
FINANCIAL COSTS	165	Part of 10+ part of 11	53.715	53.715	0	GFI-POD item "Financial costs" (ADP 165; HRK 53,715 thous.) is in Audited report presented under items "Other gains/(losses) - net" (Note 10; "Changes in fair value of forwards and interest rate swaps" HRK 3,687 thous., "Realised net gains/(losses) from changes in value of forwards and interest rate swaps" HRK 2,375 thous., "Net loss from share sold" HRK 1,440 thous.) and "Finance income/(expense) - net" in part of financial expenses (Note 11; "Interest expense" HRK 46,213 thous.). Comment: The total amount of item "Other gains/(losses) - net" of Audited report (Note 10) is HRK -3,821 thous. and is presented in GFI-POD items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK 3,455 thous.), "Financial income" (ADP 154; HRK 226 thous.) and "Financial costs" (ADP 165; HRK -7,502 thous.). The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 18,833 thous. and is presented in GFI-POD items "Financial income" (ADP 154; HRK 27,380 thous.) and "Financial costs" (ADP 165; HRK 46,213 thous.).
TOTAL INCOME (ADP 125+154)	177		1.824.717	1.824.717	0	
TOTAL COSTS (ADP 131+165)	178		1.564.510	1.564.510	0	
PROFIT OR LOSS BEFORE TAX (ADP 177-178)	179		260.207	260.207	0	
INCOME TAX EXPENSE	182		20.928	20.928	0	
PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	184		239.279	239.279	0	

Summary of adjustments of GFI-POD balance sheet for 2018 COMPANY

in thousands of HRK

BALANCE SHEET as at 31 December 2018	ADP code	GFI-POD published	GFI-POD reclassified	Difference	Explanation
NON CURRENT ASSETS (ADP 003+010+020+031+036)	002	4,745,258	4,745,258	0	
I. Intangible assets	003	52.117	52.117	0	
II. Tangible assets	010	3.956.425	3.956.425	0	
III. Non-current financial assets	020	635.859	636.006	147	HRK 147 thous. is reclassified from item "Non-current trade receivables" (ADP 031) to item "Non-current financial assets" (ADP 020).
IV. Trade receivables	031	147	0	-147	HRK 147 thous. is reclassified from item "Non-current trade receivables" (ADP 031) to item "Non-current financial assets" (ADP 020).
V. Deferred tax assets	036	100.710	100.710	0	
CURRENT ASSETS (ADP 038+046+053+063)	037	228.130	228.780	650	
I. Inventories	038	22.900	22.900	0	
II. Receivables	046	36.669	36.954	285	HRK 365 thous. is reclassified from item "Current receivables" (ADP 046) to item "Current financial assets" (ADP 053). HRK 650 thous. is reclassified from item "Current receivables" (ADP 046) to item "Other current liabilities" (ADP 121).
III. Current financial assets	053	28	393	365	HRK 365 thous. is reclassified from item "Current receivables" (ADP 046) to item "Current financial assets" (ADP 053).
IV. Cash and cash equivalents	063	168.533	168.533	0	
PREPAYMENTS AND ACCRUED INCOME	064	24.218	24.218	0	
TOTAL ASSETS		4.997.607	4.998.257	650	HRK 650 thous. is reclassified from item "Current receivables" (ADP 046) to item "Other current liabilities" (ADP 121).
CAPITAL AND RESERVES	067	2.474.761	2.474.761	0	
PROVISIONS	088	35.699	84.454	48.755	HRK 48,755 thous. represents reclassified non-current part of liability for concession fee for tourist land from item "Accrued expenses and deferred income" (ADP 122) to item "Other provisions" (ADP 094).
NON-CURRENT LIABILITIES (ADP 101+105+106)	095	2.001.601	1.999.147	-2.454	
I. Liabilities to banks and other financial institutions	101	1.978.758	1.978.758	0	
II. Other non-current liabilities	105	7.616	5.162	-2,454	HRK 2,454 thous. represents reclassified current part of liability to hedge interest rate for non-current loans from item "Other non-current liabilities" (ADP 105) to item "Other current liabilities" (ADP 121).
III. Deferred tax liabilities	106	15.227	15.227	0	

Summary of adjustments of GFI-POD balance sheet for 2018**COMPANY** (continued)

in thousands of HRK

BALANCE SHEET as at 31 December 2018	ADP code	GFI-POD published	GFI-POD reclassified	Difference	Explanation
CURRENT LIABILITIES (ADP 108+113+114+115+117+118+119+121)	107	374.287	377.391	3.104	
I. Liabilities to banks and other financial institutions	113	203.359	203.359	0	
II. Amounts payable for prepayment	114	34.735	34.735	0	
III. Trade payables and liabilities to undertakings in a Group	108 and 115	102.911	102.911	0	
IV. Liabilities to employees	117	22.823	22.823	0	
V. Taxes, contributions and similar liabilities	118	9.464	9.464	0	
VI. Liabilities arising from share in the result and other current liabilities	119 and 121	995	4.099	3.104	HRK 2,454 thous. Represents reclassified current part of liability to hedge interest rate for non-current loans from item "Other non-current liabilities" (ADP 105) to item "Other current liabilities" (ADP 121). HRK 650 thous. is reclassified from item "Current receivables" (ADP 046) to item "Other current liabilities" (ADP 121).
ACCRUED EXPENSES AND DEFERRED INCOME	122	111.259	62.504	-48.755	HRK 48,755 thous. represents reclassified non-current part of liability for concession fee for tourist land from item "Accrued expenses and deferred income" (ADP 122) to item "Other provisions" (ADP 094).
TOTAL LIABILITIES		4.997.607	4.998.257	650	HRK 650 thous. is reclassified from item "Current receivables" (ADP 046) to item "Other current liabilities" (ADP 121).

Summary of adjustments of GFI-POD income statement for 2018 COMPANY

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2018 to 31 December 2018	ADP code	GFI-POD published	GFI-POD reclassified	Difference	Explanation
OPERATING INCOME (ADP 125+126+127+128+129+130)	125	1.788.692	1.786.899	-1.793	
I. Revenues from sales with undertakings in a Group and sales revenues (outside the Group)	126+127	1.768.603	1.768.603	0	
II. Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)	128+129 +130	20.089	18.296	-1.793	HRK 1,793 thous. represents presenting of income/costs from sales of assets and income/costs from provision release included in the item "Other operating revenues (outside the Group)" (ADP 130) according to the net methodology. Comment: Previously presented under gross methodology with counter items of "Other expenditures" (ADP 142), "Other operating expenses" (ADP 153) and "Financial costs" (ADP 165).
OPERATING EXPENSES (ADP 133+137+141+142+143+146+153)	131	1.512.027	1.510.795	-1.232	
I. Material costs	133	501.403	501.403	0	
II. Staff costs	137	487.757	487.757	0	
III. Depreciation and amortisation	141	344.692	344.692	0	
IV. Other expenditures	142	159.209	158.197	-1.012	HRK 1,012 thous. represents presenting of income/costs from provision release included in item "Other expenditures" (ADP 142) according to the net methodology. Comment: Previously presented under gross methodology with counter item "Other operating revenue (outside the Group)" (ADP 130).
V. Value adjustment	143	297	297	0	
VI. Provisions	146	5.979	5.979	0	
VIII. Other operating expenses	153	12.690	12.470	-220	HRK 220 thous. represents presenting of income/costs from sales of assets included in item "Other operating expenses" (ADP 153) according to the net methodology. Comment: Previously presented under gross methodology with counter item "Other operating revenue (outside the Group)" (ADP 130).
FINANCIAL INCOME	154	59.554	37.818	-21.736	HRK 21,736 thous. represents presenting items according to net methodology "Foreign exchange differences and other financial income" (ADP 162; HRK 17,040 thous.) and "Unrealized gains (income) from the financial assets" (ADP 163; HRK 4,696 thous.). Comment: Previously presented under gross methodology with counter items "Foreign exchange differences and other financial income from undertakings in a Group" (ADP 159) and "Unrealized loss (expenses) from the financial assets" (ADP 170).
FINANCIAL COSTS	165	76.013	53.715	-22.298	HRK 22,298 thous. represents presenting items according to net methodology "Foreign exchange differences and other expenses" (ADP 169; HRK 17,040 thous.), "Unrealized loss (expenses) from the financial assets" (ADP 170; HRK 4,696 thous.) income from provision release included in item "Other financial expenses" (ADP 172; HRK 562 thous.). Comment: Previously presented under gross methodology with counter items "Foreign exchange differences and other financial income" (ADP 162), "Unrealized gains (income) from the financial assets" (ADP 163) and "Other operating revenues (outside the Group)" (ADP 130).
TOTAL INCOME (ADP 125+154)	177	1.848.246	1.824.717	-23.529	HRK 23,529 thous. represents presenting of certain items according to the net methodology (previously explained in detail).
TOTAL COSTS (ADP 131+165)	178	1.588.039	1.564.510	-23.529	HRK 23,529 thous. represents presenting of certain items according to the net methodology (previously explained in detail).
PROFIT OR LOSS BEFORE TAX (ADP 177-178)	179	260.207	260.207	0	
INCOME TAX EXPENSE	182	20.928	20.928	0	
PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	184	239.279	239.279	0	

Summary of adjustments of GFI-POD cash flow statement and unconsolidated cash flow statement from Audited report for 2019 / COMPANY

in thousands of HRK

GFI-POD CASH FLOW STATEMENT for the period from 1 January 2019 to 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
A) NET CASH FLOW FROM OPERATING ACTIVITIES	020		691.141	691.141	0	GFI-POD item "Net cash flow from operating activities" (ADP 020; HRK 691,141 thous.) is in Audited report presented in items "Net cash inflow from operating activities" in comparable amount of HRK 740,731 thous. and item "Interest paid" (Net cash inflow from financing activities) in the amount of HRK -49,590 thous.
B) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	034		-660.037	-660.037	0	GFI-POD item "Net cash outflow from investment activities" (ADP 034; HRK -660,037 thous.) is in Audited report presented in item "Net cash outflow from investment activities" in comparable amount of HRK -660,037 thous.
C) NET CASH FLOW FROM FINANCIAL ACTIVITIES	046		48,212	48,212	0	GFI-POD item "Net cash flow from financing activities" (ADP 046; HRK 48,212 thous.) is in Audited report presented in item "Net cash inflow from financing activities" in comparable amount of HRK -1,378 thous. increased for the item "Interest paid" in the amount of HRK 49,590 thous.
D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046)	048		79.316	79.316	0	
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	049		168.533	168.533	0	
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)	050		247.849	247.849	0	

Summary of adjustments of GFI-POD cash flow statement and unconsolidated cash flow statement from Audited report for 2018 / COMPANY

in thousands of HRK

GFI-POD CASH FLOW STATEMENT for the period from 1 January 2018 to 31 December 2018	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
A) NET CASH FLOW FROM OPERATING ACTIVITIES	020		578,037	578,037	0	GFI-POD item "Net cash flow from operating activities" (ADP 020; HRK 578,037 thous.) is in Audited report presented in items "Net cash inflow from operating activities" in comparable amount of HRK 620,702 thous. and item "Interest paid" (Net cash inflow from financing activities) in the amount of HRK -42,657 thous.
B) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	034		-782,861	-782,861	0	GFI-POD item "Net cash outflow from investment activities" (ADP 034; HRK -782,861 thous.) is in Audited report presented in item "Net cash outflow from investment activities" in comparable amount of HRK -782,861 thous.
C) NET CASH FLOW FROM FINANCIAL ACTIVITIES	046		135,956	135,956	0	GFI-POD item "Net cash inflow from financing activities" (ADP 046; HRK 135,956 thous.) is in Audited report presented in item "Net cash inflow from financing activities" in comparable amount of HRK 93,292 thous. increased for the item "Interest paid" in the amount of HRK 42,657 thous.
D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046)	048		-68.868	-68.868	0	
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	049		237.401	237.401	0	
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)	050		168.533	168.533	0	

Summary of adjustments of GFI-POD statement of changes in equity and unconsolidated statement of changes in shareholder's equity from Audited report for 2019 / COMPANY

in thousands of HRK

GFI-POD STATEMENT OF CHANGES IN EQUITY for the period from 1 January 2019 to 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	067	27+28	2.690.444	2.690.444	0	GFI-POD item "Capital and reserves" (ADP 067; HRK 2,690,444 thous.) is in Audited report presented in items "Share capital" (Note 27 in comparable amount of HRK 1,672,021 thous.), "Treasury shares" (Note 27 comparable amount of HRK -124,418 thous.), "Capital reserves" (Note 28 in comparable amount of HRK 5,711 thous.), "Fair value reserves" (Note 28 in comparable amount of HRK 61thous.), "Legal reserves" (Note 28 in comparable amount of HRK 83,601 thous.), "Other reserves" (Note 28 in comparable amount of HRK 175,334 thous.) and "Retained earnings" (Note 28 in comparable amount of HRK 878,134 thous.). Comment: To be fully compliant, the following items should be viewed as follows: the "Other reserves" item of Audited report (Note 28; HRK 175,334 thous.) matches the GFI POD item "Reserves for own shares" (ADP 072; HRK 136,815 thous.) and part of GFI POD item "Retained earnings" (ADP 081; HRK 38,519 thous.). The "Retained earnings" item of Audited report (Note 28; HRK 878,134 thous.) matches the sum of GFI POD items "Profit for the financial year" (ADP 084; HRK 377,007 thous.) and part of "Retained earnings" (ADP 081; HRK 501,127 thous.).

Summary of adjustments of GFI-POD statement of changes in equity and unconsolidated statement of changes in shareholder's equity from Audited report for 2018 / COMPANY

in thousands of HRK

GFI-POD STATEMENT OF CHANGES IN EQUITY for the period from 1 January 2018 to 31 December 2018	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	067	27+28	2.474.761	2.474.761	0	GFI-POD item "Capital and reserves" (ADP 067; HRK 2,474,761 thous.) is in Audited report presented in items "Share capital" (Note 27 in comparable amount of HRK 1,672,021 thous.), "Treasury shares" (Note 27 comparable amount of HRK -86,119 thous.), "Capital reserves" (Note 28 in comparable amount of HRK 5,304 thous.), "Fair value reserves" (Note 28 in comparable amount of HRK 905 thous.), "Legal reserves" (Note 28 in comparable amount of HRK 83,601 thous.), "Other reserves" (Note 28 in comparable amount of HRK 135,334 thous.) and "Retained earnings" (Note 28 in comparable amount of HRK 663,714 thous.). Comment: To be fully compliant, the following items should be viewed as follows: the "Other reserves" item of Audited report (Note 28; HRK 135,334 thous.) matches the GFI POD item "Reserves for own shares" (ADP 072; HRK 96,815 thous.) and part of GFI POD item "Retained earnings" (ADP 081; HRK 38,519 thous.). The "Retained earnings" item of Audited report (Note 28; HRK 663,714 thous.) matches the sum of GFI POD items "Profit for the financial year" (ADP 084; HRK 239,279 thous.) and part of "Retained earnings" (ADP 081; HRK 424,435 thous.).

MANAGEMENT BOARD'S DECISION ON ESTABLISHING THE ANNUAL FINANCIAL STATEMENTS

Valamar Riviera d.d.
MANAGEMENT BOARD
Number: 39-1/20
Poreč, 18 February 2020

Pursuant to Articles 250a, 250b, 300a and 300b of the Companies Act, Articles 462 and 463 of the Capital Market Act, Articles 3 and 4 of the Content and structure of the Issuer's annual report and form and manner of delivering it to the Croatian Financial Services Supervisory Agency Regulation and Articles 19, 20, 21 and 24 of the Accounting Act, at its meeting held on 18 February 2020, the Management Board of Valamar Riviera d.d. from Poreč, 1 Stancija Kaligari (hereinafter: Valamar Riviera d.d. or the Company) rendered the following

DECISION

I
The Annual Report of Valamar Riviera d.d. is hereby determined as stated in the text of the enclosed "2019 ANNUAL REPORT".

II
The audited non-consolidated and consolidated Annual financial statements for the year 2019 are hereby determined, and consist of the following: Statement of Financial Position (Balance Sheet), Income Statement, Statement of Other Comprehensive Income, Statement of Cash Flow, Statement of Changes in Equity and Notes to Financial Statements, as stated in the text that is an integral part of the Report from point I of this decision.

III
It is hereby determined that the Auditor, Ernst & Young d.o.o. from Zagreb, 50 Radnička cesta and UHY RUDAN d.o.o. za porezno savjetovanje i reviziju from Zagreb, 213 Ilica, produced the Auditor's report for 2019,

as stated in the text that is an integral part of the Report from point I of this decision.

IV
The Management Report on the Company's status for the period from 01/01/2019 to 31/12/2019 is hereby determined, as stated in the text that is an integral part of the Report from point I of this decision.

V
The proposed decision to distribute the Company's realized profits in 2019 totaling HRK 363,488,066.65 to the Company's retained profits is hereby determined.

VI
Pursuant to Article 300b of the Companies Act:

1. the reports mentioned in points II and IV of this Decision are submitted to the Supervisory Board for examination. It is proposed that the Supervisory Board approves the said reports,
2. the Auditor's Report mentioned in point III of this Decision is submitted to the Supervisory Board for approval
3. It is proposed that the Supervisory Board approves the proposed decision for the distribution of profits pursuant to point V of this Decision, and to pass it as such to be adopted at the General Assembly.

VII

Pursuant to Article 133 of the Zagreb Stock Exchange Rules, the Zagreb Stock Exchange will be informed of this Decision.

After the Supervisory Board decides on the matters presented in point VI, the reports determined in this Decision and the proposal for the distribution of profits from point V will be released in the prescribed period, pursuant to Article 462 and Article 463 of the Capital Market Act and Article 4 Content and structure of the Issuer's annual report and form and manner of delivering it to the Croatian Financial Services Supervisory Agency Regulation.

VIII

Upon their adoption, the following decisions and reports will be submitted to the Financial Agency to be disclosed in the prescribed period, pursuant to Article 30 of the Accounting Act: this Decision together with the proposed decision on the distribution of profits in point V, the reports determined by this Decision and the decisions rendered by the Supervisory board in point VI.

For the attention of:

1. Supervisory Board
2. HANFA -Official registry of regulated information, pursuant to point VII
3. Zagreb Stock Exchange, pursuant to point VII
4. FINA-Financial Agency, pursuant to point VIII
5. Archive

Željko Kukurin
Management Board President

SUPERVISORY BOARD'S DECISION ON APPROVING THE ANNUAL FINANCIAL STATEMENTS

Valamar Riviera d.d.
SUPERVISORY BOARD
Number: 41-1/20
Poreč, 25 February 2020

Pursuant to Article 300d, and Article 300c of the Companies Act and Management Board Decision no. 39-1/20 dated 18 February 2020, at its meeting held on 25 February 2020, the Supervisory Board of Valamar Riviera d.d. from Poreč rendered the following

DECISION

I

The Supervisory Board hereby approves the 2019 ANNUAL REPORT of Valamar Riviera d.d. that also includes the following:

1. Annual Financial Statements for the Year 2019, non-consolidated and consolidated, consisting of the Statement of Financial Position (Balance Sheet), Income Statement, Statement of Other Comprehensive Income, Statement of Cash Flow, Statement of Changes in Equity and Notes to Financial Statements,
2. Report on the performed audit by Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. za porezno savjetovanje i reviziju from Zagreb,
3. Annual Management Report on the Company's status / Management Report.

II

Pursuant to Article 300d of the Companies Act, by granting approval as stated in point I of this Decision, the 2019 Annual Financial Statements of Valamar Riviera d. d. from Poreč are considered to be approved both by the Management Board and by the Supervisory Board.



Gustav Wurmböck
Supervisory Board Chairman





Annual Financial Statements including the independent Auditors' Report for the year ended on 31 December 2019

This version of the financial statements is a translation from the Croatian language original. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

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RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, which give a true and fair view of the state of affairs and results of Valamar Riviera d.d. (“the Company”) and its subsidiaries (“the Group”) for that period.

After making enquiries, the Management Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing consolidated and separate financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed;
- the financial statements are prepared on the going concern basis.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group, and must also ensure that the financial statements comply with the Croatian Accounting Law. The Management Board is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed by the Management Board on 18 February 2020:

Željko Kukurin
President of the Management Board

Marko Čižmek
Member of the Management Board



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VALAMAR RIVIERA D.D.



REPORT ON THE AUDIT OF THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of Valamar Riviera d.d. (the Company), and consolidated financial statements of Valamar Riviera d.d. and its subsidiaries (together - the Group), which comprise the separate and consolidated statement of financial position as at 31 December 2019, the separate and consolidated statement of comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and Group as at 31 December 2019 and of its separate and consolidated financial performance and its separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU (IFRS as adopted by EU).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate and consolidated financial statements section of our report.

We are independent of the Company and Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the separate and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate and consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate and consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VALAMAR RIVIERA D.D. / CONTINUED



KEY AUDIT MATTER

Impairment of the tourism property (separate and consolidated financial statements)

Refer to Notes 2.6. Property, plant and equipment and 2.8. Impairment of non-financial assets of Accounting Policies, Note 4 (a) Impairment of non-financial assets of Critical Accounting estimates, and Note 14 on Property, Plant and Equipment of the separate and consolidated financial statements.

The carrying amount of property, plant and equipment of the Group as at 31 December 2019 was HRK 5,536,230 thousand (Company: HRK 4,224,948 thousand) and it represents approximately 85% and 77% of the total assets of the both Group and the Company, respectively. Property, plant and equipment mostly consists of tourism properties and related assets and is included in the separate and consolidated statement of financial position at historical cost less accumulated depreciation and impairment, where required. Assets that are depreciated are examined for a potential impairment when events or changed circumstances indicate that the book value may not be recoverable.

The estimation process is complex and highly subjective and is based on the assumptions.

Due to the above factors and significant impact on the separate and consolidated financial statements, impairment of tourism properties was determined as a key audit matter.

HOW WE ADDRESSED THE KEY AUDIT MATTER

Our audit procedures related to impairment of property, plant and equipment included, among others, assessing the appropriateness of the methodology used for the impairment testing and testing of key Management's estimates used to determine if there are impairment indicators.

We reviewed relevant internal reports prepared by the Company and the Group. We compared the projections used in the impairment model for cash generating units with the historical data, including, among other, a comparison of gross operating profit, occupancy rates, average daily rate, and revenue per available room. We also performed audit procedures on the mathematical correctness of calculations used in these models.

For the cash generating units, where impairment indicators were identified by the Company and the Group, the Company provided us with the internal assessments of the market value or reports from the external valuers. We have reviewed the valuation reports and we have tested, on the sample basis, the correctness of the input data.

In addition, we used external data in assessing and corroborating the assumptions used in the valuation reports.

We also assessed the adequacy of related disclosures in the Notes 2.6. Property, plant and equipment and 2.8. Impairment of non-financial assets of Accounting Policies, Note 4 (a) Impairment of non-financial assets of Critical Accounting estimates, and Note 14 on Property, Plant and Equipment of the separate and consolidated financial statements and their compliance with IFRS as adopted by EU.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VALAMAR RIVIERA D.D. / CONTINUED



Other information included in the Company's and the Group's Annual Report for year 2019

Management is responsible for the other information. Other information consists of the information included in the Annual Report which includes the Management report and Corporate Governance Statement, other than the separate and consolidated financial statements and our auditor's report thereon. Our opinion on the separate and consolidated financial statements does not cover the Other information including the Management report and Corporate Governance Statement.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Management Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act. Those procedures include considering whether the Management Report includes the disclosures required by Article 21 of the Accounting Act, and whether the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

Based on the procedures undertaken, to the extent we are able to assess it, we report that:

1. the information given in the enclosed Management report for the 2019 financial year are consistent, in all material respects, with the enclosed separate and consolidated financial statements;
2. the enclosed Management report for 2019 financial year is prepared in accordance with requirements of Article 21 of the Accounting Act;
3. Corporate Governance Statement, included in the Company's and the Group's annual report, includes the information referred to in Article 22, paragraph 1, items 2, 5, 6 and 7 of the Accounting Act; and

4. elements of Corporate Governance Statement containing the information referred to in Article 22, paragraph 1, items 3 and 4 of the Accounting Act, included in the Group's and the Company's annual report for the year 2019 are prepared in accordance with requirements of the Accounting Act and are consistent, in all material respects, with the enclosed separate and consolidated financial statements;

In addition, in the light of the knowledge and understanding of the entity and Group and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report, Corporate Governance Statement and Annual report. We have nothing to report in this respect.

Responsibilities of management and Audit Committee for the separate and consolidated financial statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with IFRS as adopted by EU, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Company's and the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VALAMAR RIVIERA D.D. / CONTINUED



Auditor's responsibilities for the audit of the separate and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VALAMAR RIVIERA D.D. / CONTINUED



From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of ISAs:

Appointment of Auditor and Period of Engagement

Ernst and Young d.o.o. was initially appointed as auditors of the Company on 4 May 2017. This appointment has been renewed annually by shareholder resolution, with the most recent reappointment on 9 May 2019, representing a total period of uninterrupted engagement appointment of three years.

UHY RUDAN d.o.o. was appointed as auditors of the Company on 9 May 2019 by shareholder resolution representing a total period of uninterrupted engagement appointment of one year.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 20 February 2020 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company and its controlled undertakings within the European Union. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the separate and consolidated financial statements.

The partners in charge of the audit resulting in this independent auditor's report are Berislav Horvat for Ernst & Young d.o.o. and Dragan Rudan for UHY RUDAN d.o.o.



ERNST & YOUNG
d.o.o.
Zagreb, Radnička cesta 50

Berislav Horvat,
President of the Board and Certified
auditor

26 February 2020

Ernst & Young d.o.o.
Radnička cesta 50
Zagreb
Republic of Croatia



UHY RUDAN d.o.o.
za porezno savjetovanje i reviziju
ZAGREB, Ilica 213

Dragan Rudan,
President of the Board and Certified
auditor

26 February 2020

UHY RUDAN d.o.o.
Ilica 213/IV
Zagreb
Republic of Croatia

CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	GROUP		COMPANY	
		2018	2019	2018	2019
<i>(all amounts in thousands of HRK)</i>					
Sales revenue	5	1,961,414	2,139,320	1,768,603	1,874,496
Other income	6	21,701	25,604	24,712	19,431
Cost of materials and services	7	(551,753)	(609,248)	(501,403)	(540,847)
Staff costs	8	(622,547)	(681,902)	(560,837)	(594,133)
Depreciation and amortisation	14,15,16,30	(410,522)	(474,514)	(344,692)	(380,124)
Other operating expenses	9	(115,315)	(148,161)	(103,522)	(125,649)
Other gains/(losses) – net	10	(3,756)	42,755	(3,821)	161,314
Operating profit		279,222	293,854	279,040	414,488
Finance result – net	11	(21,012)	(61,858)	(18,833)	(48,014)
Share of net profit/(loss) of joint venture	18a	(128)	-	-	-
Share of net profit/(loss) of equity-accounted investees	18b	-	476	-	-
Profit before tax		258,082	232,472	260,207	366,474
Income tax	12	(18,894)	73,380	(20,928)	10,533
Profit for the year		239,188	305,852	239,279	377,007
Other comprehensive income					
Items that cannot be reclassified to P&L account					
Change in financial assets value	20	339	(1,061)	339	(1,061)
Tax on other comprehensive income		(68)	217	(68)	217
Total comprehensive income for the year		239,459	305,008	239,550	376,163
Profit attributable to:					
Owners of the Parent Company		235,337	284,536	-	-
Non-controlling interests	33	3,851	21,316	-	-
		239,188	305,852	-	-
Total comprehensive income attributable to:					
Owners of the Parent Company		235,608	283,692	-	-
Non-controlling interests	33	3,851	21,316	-	-
		239,459	305,008	-	-
Earnings per share (in HRK) attributable to equity holders of the Group during the year:					
- basic and diluted	13	1.90	2.32	-	-

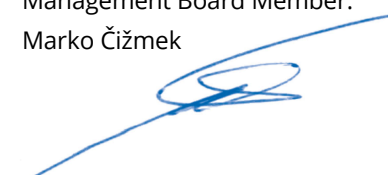
The notes below form an integral parts of these financial statements.

These financial statements were approved by the Management Board of the Company on 18 February 2020.

Management Board President:
Željko Kukurin



Management Board Member:
Marko Čižmek




CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(all amounts in thousands of HRK)</i>	Note	GROUP 31 December		COMPANY 31 December	
		2018	2019	2018	2019
ASSETS					
Non-current assets					
Property, plant and equipment	14	5,101,597	5,536,230	3,946,785	4,224,948
Investment property	15	9,640	6,449	9,640	6,449
Right-of-use assets	30	-	15,524	-	15,839
Intangible assets	16	53,727	56,189	52,117	54,104
Investment in subsidiaries	17	-	-	616,201	727,328
Investment in associate	18b	-	47,668	-	47,192
Deferred tax assets	25	125,706	193,832	100,710	110,359
Financial assets	20	4,484	391	4,100	335
Loans and deposits	21	15,706	113	15,706	113
		<u>5,310,860</u>	<u>5,856,396</u>	<u>4,745,259</u>	<u>5,186,667</u>
Current assets					
Inventories	22	25,447	25,825	22,900	22,385
Trade and other receivables	23	68,447	57,852	61,163	46,340
Income tax receivable		1,908	4,258	9	-
Loans and deposits	21	441	688	393	531
Derivative financial instruments	24	-	140	-	140
Cash and cash equivalents	26	261,842	550,143	168,533	247,849
		<u>358,085</u>	<u>638,906</u>	<u>252,998</u>	<u>317,245</u>
Total assets		5,668,945	6,495,302	4,998,257	5,503,912

The notes below form an integral parts of these financial statements.

CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION / CONTINUED

<i>(all amounts in thousands of HRK)</i>	Note	GROUP 31 December		COMPANY 31 December	
		2018	2019	2018	2019
EQUITY AND LIABILITIES					
Share capital	27	1,672,021	1,672,021	1,672,021	1,672,021
Treasury shares	27	(86,119)	(124,418)	(86,119)	(124,418)
Capital reserves	28	4,817	5,224	5,304	5,711
Fair value reserves	28	905	61	905	61
Legal reserves	28	83,601	83,601	83,601	83,601
Other reserves	28	120,851	160,851	135,334	175,334
Retained earnings	28	560,463	690,708	663,714	878,134
		2,356,539	2,488,048	2,474,760	2,690,444
Non-controlling interest	33	401,993	731,022	-	-
Total equity		2,758,532	3,219,070	2,474,760	2,690,444
LIABILITIES					
Non-current liabilities					
Borrowings	29	2,207,885	2,446,315	1,978,758	2,146,747
Lease liabilities	30	-	8,189	-	8,770
Trade and other payables	31	50,476	58,671	48,755	56,453
Liabilities for investments in associate	39	-	18,294	-	18,294
Derivative financial instruments	24	5,162	11,023	5,162	11,023
Deferred tax liabilities	25	68,561	63,046	15,227	14,191
Provisions	32	77,312	66,858	35,699	42,638
		2,409,396	2,672,396	2,083,601	2,298,116

The notes below form an integral parts of these financial statements.

CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION / CONTINUED

<i>(all amounts in thousands of HRK)</i>	Note	GROUP 31 December		COMPANY 31 December	
		2018	2019	2018	2019
Current liabilities					
Borrowings	29	227,247	288,017	203,359	257,433
Lease liabilities	30	-	3,817	-	3,589
Trade and other payables	31	242,293	284,707	207,841	230,578
Derivative financial instruments	24	2,454	6,025	2,454	6,025
Income tax liability		555	3	-	-
Provisions	32	28,468	21,267	26,242	17,727
		<u>501,017</u>	<u>603,836</u>	<u>439,896</u>	<u>515,352</u>
Total liabilities		2,910,413	3,276,232	2,523,497	2,813,468
Total equity and liabilities		5,668,945	6,495,302	4,998,257	5,503,912

The notes below form an integral parts of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

GROUP

FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of HRK)

Note	Share capital	Treasury shares	Capital reserves	Legal reserves	Fair value reserves	Other reserves	Retained earnings	Total	Non-controlling interests	Total
Balance as at 1 January 2018	1,672,021	(35,889)	3,116	83,601	634	68,851	492,716	2,285,050	231,125	2,516,175
Profit for the year	-	-	-	-	-	-	235,337	235,337	3,851	239,188
Other comprehensive income	28	-	-	-	271	-	-	271	-	271
Total comprehensive income					271		235,337	235,608	3,851	239,459
Transfer to treasury shares reserve	28	-	-	-	-	52,000	(52,000)	-	-	-
Treasury shares released	27	-	1,476	1,368	-	-	-	2,844	-	2,844
Treasury shares purchased	27	-	(51,706)	-	-	-	-	(51,706)	-	(51,706)
Dividends	28	-	-	-	-	-	(111,730)	(111,730)	-	(111,730)
Merger effect	37	-	-	333	-	-	-	333	-	333
Change in non-controlling interest		-	-	-	-	-	-	-	20,196	20,196
Subsidiary acquisition - non-controlling interest	17, 28	-	-	-	-	-	-	-	146,821	146,821
Subsidiary acquisition	28	-	-	-	-	-	(3,860)	(3,860)	-	(3,860)
Total contributions by and distributions to company owners, recognised directly in equity		-	(50,230)	1,701	-	52,000	(167,590)	(164,119)	167,017	2,898
Balance at 31 December 2018		1,672,021	(86,119)	4,817	83,601	905	120,851	560,463	401,993	2,758,532
Profit for the year		-	-	-	-	-	284,536	284,536	21,316	305,852
Other comprehensive income	28	-	-	-	(844)	-	-	(844)	-	(844)
Total comprehensive income for the year					(844)		284,536	283,692	21,316	305,008
Transfer to treasury shares reserve	28	-	-	-	-	40,000	(40,000)	-	-	-
Treasury shares released	27	-	1,097	406	-	-	-	1,503	-	1,503
Treasury shares purchased	27	-	(39,396)	-	-	-	-	(39,396)	-	(39,396)
Dividends	28	-	-	-	-	-	(122,587)	(122,587)	(7,704)	(130,290)
Change in non-controlling interest		-	-	-	-	-	8,296	8,296	315,417	323,712
Total contributions by and distributions to company owners, recognised directly in equity		-	(38,299)	406	-	40,000	(154,291)	(152,184)	307,713	155,529
Balance at 31 December 2019		1,672,021	(124,418)	5,223	83,601	61	160,851	690,708	731,022	3,219,070

The notes below form an integral parts of these financial statements.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

COMPANY <i>(in thousands of HRK)</i>	Note	FOR THE YEAR ENDED 31 DECEMBER 2019							
		Share capital	Treasury shares	Capital reserves	Legal reserves	Fair value reserves	Other reserves	Retained earnings	Total
Balance as at 1 January 2018		1,672,021	(35,889)	3,603	83,601	634	22,451	649,047	2,395,468
Profit for the year		-	-	-	-	-	-	239,279	239,279
Other comprehensive income	28	-	-	-	-	271	-	-	271
Total comprehensive income		-	-	-	-	271	-	239,279	239,550
Subsidiary loss cover	28	-	-	-	-	-	60,883	(60,883)	-
Merger effect	37	-	-	333	-	-	-	-	333
Transfer to treasury shares reserve	28	-	-	-	-	-	52,000	(52,000)	-
Treasury shares released	27	-	1,476	1,368	-	-	-	-	2,844
Treasury shares acquired	27	-	(51,706)	-	-	-	-	-	(51,706)
Dividends	28	-	-	-	-	-	-	(111,730)	(111,730)
Total contributions by and distributions to company owners, recognised directly in equity		-	(50,230)	1,701	-	-	112,883	(224,613)	(160,258)
Balance at 31 December 2018		1,672,021	(86,119)	5,304	83,601	905	135,334	663,714	2,474,760
Profit for the year		-	-	-	-	-	-	377,007	377,007
Other comprehensive income	28	-	-	-	-	(844)	-	-	(844)
Total comprehensive income for the year		-	-	-	-	(844)	-	377,007	376,163
Transfer to treasury shares reserve	28	-	-	-	-	-	40,000	(40,000)	-
Treasury shares released	27	-	1,097	407	-	-	-	-	1,504
Treasury shares acquired	27	-	(39,396)	-	-	-	-	-	(39,396)
Dividends	28	-	-	-	-	-	-	(122,587)	(122,587)
Total contributions by and distributions to company owners, recognised directly in equity		-	(38,299)	407	-	-	40,000	(162,587)	(160,478)
Balance at 31 December 2019		1,672,021	(124,418)	5,711	83,601	61	175,334	878,134	2,690,444

The notes below form an integral parts of these financial statements.

CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts in thousands of HRK)

	Note	GROUP		COMPANY	
		2018	2019	2018	2019
Cash flow generated from operating activities					
Cash from operations	35	694,926	847,439	620,648	740,722
Income tax (paid)/received	12	(8,450)	(5,372)	54	9
Net cash inflow from operating activities		686,476	842,067	620,702	740,731
Cash flow from investment activities					
Cash from merger of subsidiary	37	-	-	333	-
Purchase of property, plant and equipment	14	(709,404)	(934,354)	(610,372)	(734,794)
Purchase of intangible assets	16	(21,047)	(20,236)	(20,122)	(19,148)
Proceeds from disposal of property, plant and equipment		5,144	56,786	5,144	241,471
Acquisition of subsidiary	38a	(170,828)	-	(165,485)	-
Acquisition of shares in subsidiaries	17	-	-	-	(111,127)
Investment in associate		-	(47,668)	-	(47,191)
Proceeds from disposal of financial assets		50	1,438	50	1,431
Loans granted		(176)	(10,771)	(176)	(60,958)
Loan repayments received		949	10,879	905	60,931
Dividend received		87	116	6,153	8,790
Interest received		777	383	708	558
Net cash outflow from investment activities		(894,448)	(943,427)	(782,862)	(660,037)
Cash flow from financing activities					
Dividend payment	28	(116,405)	(130,151)	(111,730)	(122,587)
Change of non-controlling interest		-	329,030	-	-
Purchase of treasury shares	28	(51,706)	(39,437)	(51,706)	(39,396)
Interest paid		(45,792)	(57,153)	(42,657)	(49,590)
Proceeds from borrowings		605,645	742,205	488,930	519,663
Repayments of borrowings		(209,765)	(450,553)	(189,545)	(304,740)
Payments for principal portion of lease liabilities	30	-	(4,280)	-	(4,728)
Net cash inflow from financing activities		181,977	389,661	93,292	(1,378)
Net increase/(decrease) in cash and cash equivalents		(25,995)	288,301	(68,868)	79,316
Cash and cash equivalents at beginning of year		287,837	261,842	237,401	168,533
Cash and cash equivalents at year end	26	261,842	550,143	168,533	247,849

The notes below form an integral parts of these financial statements.

NOTE 1 – GENERAL INFORMATION

Valamar Riviera d.d., Poreč (“the Company”) has been registered in accordance with Croatian laws and regulations. The Company is registered with the Commercial Court in Pazin. The principle activity of the Company is the provision of accommodation in hotels, resorts and campsites, food preparation and catering services as well as the preparation and serving of beverages. The registered office of Valamar Riviera d.d. is in Poreč, Stancija Kaligari 1.

Valamar Riviera Group consists of Valamar Riviera d.d., Poreč, joint-stock company for tourism services (the Parent Company) and its subsidiaries (the Group) as follows:

- Palme turizam d.o.o., Dubrovnik, 100% ownership
- Magične stijene d.o.o., Dubrovnik, 100% ownership
- Bugenvilia d.o.o., Dubrovnik, 100% ownership
- Valamar Hotels & Resorts GmbH, 100% ownership (subsidiary until 15 June 2018, when the winding-up process ended)
- Imperial Riviera d.d., Rab, 43.68% ownership with the subsidiary Praona d.o.o. since 29 June 2019 (merger with Hoteli Makarska d.d.)
- Hoteli Makarska d.d., Makarska, 46.93% ownership with the subsidiary Praona d.o.o. until 28 June 2019 when it was merged with Imperial Riviera d.d. (Note 38a)
- Valamar A GmbH, Tamsweg, 100% ownership
- Valamar Obertauern GmbH, Obertauern, 10% direct ownership and 90% indirect ownership (90% share owned by Valamar A GmbH) (Note 38b).

The Company's shares were listed on 29 April 2019 on the Prime market of the Zagreb Stock Exchange d.d., until then they were listed on the Official market of the Zagreb Stock Exchange d.d. and were traded in 2019 in accordance with the relevant regulations on the organized market.

NOTE 1 – GENERAL INFORMATION / CONTINUED

The presentation method of the Statement of financial position and the Statement of comprehensive income for the Valamar Riviera Group in the consolidated and separate financial statements is shown below. The following table presents the effects of various mergers and acquisitions within the group on comparable data of the Company and the Group.

Table 1

Company	Note	GROUP				COMPANY			
		Statement of financial position		Statement of comprehensive income		Statement of financial position		Statement of comprehensive income	
		31.12.2019	31.12.2018	2019	2018	31.12.2019	31.12.2018	2019	2018
Hoteli Makarska d.d. /i/	a	✓	✓	1.1.-31.12.	1.8.-31.12.	-	-	-	-
Valamar A GmbH	b	✓	✓	1.1.-31.12.	1.8.-31.12.	-	-	-	-
Valamar Obertauern GmbH	c	✓	✓	1.1.-31.12.	1.11.-31.12.	-	-	-	-
Epic Hospitality Holding GmbH	d	✓	✓	1.1.-31.12.	16.6.-31.12.	✓	✓	1.1.-31.12	16.6.-31.12

/i/ Hoteli Makarska d.d. is from 28 June to 31 December 2019 merged with Imperial Riviera d.d.

a) On 4 April 2018, the Agreement regarding the purchase and transfer of Hoteli Makarska d.d. shares was concluded between the Republic of Croatia, represented by the Center for Restructuring and Sale (CERP), as seller, and Valamar Riviera d.d. as buyer. The Company acquired 621,086 shares, nominal value HRK 200.00 per share, for the amount of HRK 172,662 thousand, which makes 55.48% of share capital of Hoteli Makarska d.d. The Company concluded a Collaboration Agreement with Allianz ZB d.o.o. društvo za upravljanje obveznim mirovinskim fondom, a pension fund company from Zagreb which acts in its own name and on behalf of the mandatory pension funds it manages (AZ Obvezni mirovinski fond kategorije A, personal identification number (OIB) 15220336427 and AZ Obvezni mirovinski fond kategorije B, personal identification number (OIB) 59318506371) (hereinafter: AZ) in order to start joint activity regarding the purchase of Hoteli Makarska d.d. shares. On 12 April 2018, the Company sold 341,218 (30.48%) shares of Hoteli Makarska d.d. to AZ, at the purchase price.

On 27 June 2018, the public acquisition of Hoteli Makarska d.d. was concluded pursuant to the regulations of the Act on the Acquisition of Limited Companies, whereby Valamar Riviera d.d. acquired 340,887 (30.45%) shares of Hoteli Makarska d.d., of which 95,376 (8.51%) shares were sold to AZ on 3 August 2018.

Valamar Riviera d.d., together with AZ, acquired the control over Hoteli Makarska d.d. on 31 July 2018 when all decisions adopted at the General Meeting of Hoteli Makarska d.d. held on 17 July 2018, were entered in the court register. At the said meeting, the Statute was changed and new members of the Supervisory Board were elected.

Upon completion of all the procedures mentioned above, on 31 December 2018 the Company held 525,379 (46.93%) shares of Hoteli Makarska d.d.

The merger of Hoteli Makarska d.d. and Imperial d.d. Rab was court registered on 28 June 2019. Imperial d.d. Rab changed its name to Imperial Riviera d.d. on the same date.

After the merger Valamar Riviera D.D. was the holder of 529,121 (52.84%) shares of Imperial Riviera d.d.

Pursuant to the Decision of Imperial Riviera's d.d. General Assembly from 29 October 2019, the share capital of Imperial Riviera d.d. was increased by HRK 426,088,157.32 from HRK 400,580,400 to HRK 826,668,557.32. The participants of the share capital increase are: Valamar Riviera d.d. with the total amount of HRK 106,068,022.13, and in the amount of HRK 296,020,087.51 Allianz ZB d.o.o. društvo za upravljanje obveznim i dobrovoljnim mirovinskim fondovima acting in its own name and on behalf of AZ Obvezni mirovinski fond kategorije A, personal identification number (OIB): 15220336427, AZ Obvezni mirovinski fond kategorije B, personal identification number (OIB): 59318506371, AZ Profit otvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 22134623145, AZ Benefit otvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 56427866267, AZ Treći Horizont zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 42239479988, AZ VIP zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 64811569641, AZ Dalekovod zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 49118401443, AZ HKZP zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 25137661054, AZ Zagreb zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 01774504225, Auto Hrvatska zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 24189818978 and AZ ZABA zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 11641097984 (hereinafter: AZ).

Upon the completion of the share capital increase, Valamar Riviera d.d. is the holder of 650,604 (43.68%) shares, while AZ holds 718,779 (48.25%) shares of Imperial Riviera d.d.

- b) The Company has acquired a 100% stake in Valamar A GmbH, based in Tamsweg, Austria, on the basis of the Agreement on business share sale and transfer from the former company Eff GmbH, Vienna, concluded on 23 July

2018. After all relevant changes have been entered into authorised court registers, the Company acquired the control over Valamar A GmbH.

- c) The Company has acquired a 10% stake and Valamar A GmbH has acquired a 90% stake in Valamar Obertauern GmbH, based in Obertauern, Austria, on the basis of the Agreement on business share sale and transfer from the former company Matthias Aichman GmbH, concluded on 18 August 2018. After all relevant changes have been entered into authorised court registers, the Company acquired the control over Valamar Obertauern GmbH.
- d) On 26 January 2018, Valamar Riviera was notified by EPIC, Goldscheider und Wurmböck Unternehmensberatungsgesellschaft m.b.H. with registered office in Vienna, Plösslgasse 8, the Republic of Austria, regarding the changes to the voting rights percentage. The change in the percentage of voting rights, i.e. slipping under the voting rights threshold, was due to the transfer of 55,594,884 shares of Valamar Riviera d.d. pursuant to the demerger agreement and status change - demerger of EPIC, Goldscheider und Wurmböck Unternehmensberatungsgesellschaft m.b.H., as the demerging company, and EPIC Hospitality Holding GmbH, based in Vienna, Plösslgasse 8, the Republic of Austria, as the transferee company. As evidenced by the received notifications, the shareholder structure of the transferee company is indirectly identical to the shareholder structure of the demerging company. Consequently, no changes occurred in the controlling parties, since the shareholders in EPIC Hospitality Holding GmbH are indirectly the same parties and hold the same stakes as the shareholders in EPIC, Goldscheider und Wurmböck Unternehmensberatungsgesellschaft m.b.H.

The cross-border merger of EPIC Hospitality Holding GmbH, Vienna into Valamar Riviera d.d. was entered in the court register on 15 June 2018, pursuant to the Decision of the Commercial Court in Pazin No. Tt-18/2913-3 dated 15 June 2018. The legal effect of the said merger started as of 16 June 2018, when Valamar Riviera d.d. became the universal legal successor of EPIC Hospitality Holding GmbH. As the merged company held 55,594,884 shares of the acquirer, these shares were transferred to the members of the merged company in exchange for their shares in proportion to the shares that each member had in the merged company and thus members of the merged company became direct shareholders of Valamar Riviera d.d.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented herein.

2.1 Basis of preparation

The financial statements of the Company and Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The financial statements have been prepared under the historical cost method, except for the financial assets at fair value through profit or loss and financial assets.

The preparation of financial statements in accordance with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's and Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are relevant to the financial statements, are disclosed in the notes.

These financial statements represent the unconsolidated and consolidated financial position and results of the Company and the Group, respectively.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (incl. special purpose companies) in which the Group has control over the financial and operating policies, which generally goes hand in hand with holding more than half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or exchangeable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is effectively

transferred to the Group. They are de-consolidated from the date such control ceases.

In the consolidated financial statements, all within-Group transactions, balances and unrealised gains and losses on transactions between the Group companies are eliminated. Where necessary, accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling shareholders that do not result in loss of control are accounted for by the Group as equity transactions – that is, as transactions with the majority owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Joint ventures

The Group's interests in jointly controlled ventures are accounted for under the equity method. Under this method, an interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the venture's share of net assets of the jointly controlled entity. The profit or loss of the venture includes the venture's share of the profit or loss of the jointly controlled entity. In the separate financial statements, the Company's interest in joint venture is measured at purchase cost less impairment.

(d) Associates

Associate is a company in which the group has significant influence, but it is not included in joint venture. The significant influence refers to the power to participate in the decision making of financial and business policies of the company that is the subject of investment, but does not have the control over those policies.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

2.2 Consolidation / CONTINUED

(d) Associates / CONTINUED

The Group's shares at the associate are presented using the equity method. Under this method, share in an associate is initially recognized by cost and subsequently adjusted by changes related to acquisition of share in net assets of the associate. On acquisition, any difference between acquisition cost and the investor's share in net fair value of assets and liabilities is calculated as follows:

- goodwill that relates to a company is included in the carrying amount of the acquisition,
- every surplus of the investor's share in the net fair value of assets and liabilities above the acquisition cost is included in income.

Group's gains or losses include Group's share of the associate's gains and losses. Company's share in the associate is presented at cost less impairment, in separate financial statements.

2.2.1 Subsidiaries in separate financial statements

The Company discloses its subsidiaries in the separate financial statements at cost value less impairment (Note: Investment in subsidiaries).

2.3 Merger of entities and transactions with companies under common control

Merger of entities classified as companies from parties under common control are accounted for using book values (carryover basis accounting). Under this method, the assets and liabilities of the entities under common control are transferred to the predecessor entities' carrying amounts. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these financial statements. Any difference between the carrying amount of the net assets and the consideration paid is accounted for in these financial statements as an adjustment to equity.

2.4 Segment reporting

The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating

decision-maker is a person or group responsible for allocating the resources and assessing the performance of the operating segments. The chief operating decision-makers are the Company and Group Management, which are in charge of managing the hotel and tourist properties and facilities.

2.5 Foreign currencies

(a) Functional and presentation currency

The items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The financial statements are presented in Croatian kuna (HRK), which is the Company's functional and Group's presentation currency.

(b) Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses relating to borrowings and cash and cash equivalents are recorded in the statement of comprehensive income within 'finance income/(costs) – net'.

2.6 Property, plant and equipment

Property, plant and equipment are included in the statement of financial position at historical cost less the accumulated depreciation and impairment, where required. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

2.6 Property, plant and equipment / CONTINUED

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item shall flow to the Company and Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they incurred. The cost of replacement of larger items of property, plant and equipment is capitalised, and the carrying amount of replaced parts is derecognised.

Land, arts and assets under construction are not depreciated. Depreciation of other items of property, plant and equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Buildings /i/	10-25 years
Plant and equipment	4-10 years
Furniture, tools and horticulture	3-10 years

/i/ except as stated in Note 4

Depreciation is calculated for each asset until the asset is fully depreciated or to its residual values if significant. The residual value of an asset is the estimated amount that the Company and Group would currently obtain from disposal of the asset less the estimated costs of disposal if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is zero if the Company and Group expect to use the asset until the end of its physical life. The operating assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Recoverable amount of the cash-generating units is determined on the basis of a calculation of value in use based on an estimate of future income discounted by weighted average cost of capital. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Software

Separately acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of up to 4 years.

2.8 Impairment of non-financial assets

The Company determines the impairment indicators of the property, plant and equipment identified as separate cash generating units by using the GOP multiplier and segment carrying net book values, which is determined by comparing the individual property segment (identified as separate cash generating units' ("CGUs") carrying values with the gross operating profit ("GOP").

If the determined ratios and multiples are not in line with expected amounts or targeted levels (at individual cash generating unit level), the recoverable amount is based as the higher amount of fair value less the costs of disposal and its value in use.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

2.8 Impairment of non-financial assets / CONTINUED

Determination of impairment indicators, determination of the fair value of assets (or group of assets), and estimation of future cash flows, which are based on the projections of expected cash flows, applicable discount rates, useful lives and remaining values require significant judgement by the management.

Determination of fair value less the costs of disposal is based on the market approach, which uses the prices and other relevant information generated by the market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business. The Company and Group use internal and external valuations.

2.9 Non-current assets classified as held for sale

The non-current assets are classified in the statement of the financial position as 'Non-current assets held for sale' if their carrying amount shall be recovered principally through a sale transaction rather than through continuing use. The non-current assets classified as held for sale are measured at the lower of their carrying and fair value, less the costs to sell. The assets should be available for immediate sale in their present condition and their sale should be very likely. Gains and losses on the sale of non-current assets held for sale are included in the statement of comprehensive income within 'other gains/(losses) – net'.

2.10 Investment property

Investment property, principally comprising business premises, is held for long-term rental yields or appreciation and is not occupied by the Company or the Group. Investment property is treated as a long-term investment unless it is intended to be sold in the next year and a buyer has been identified, in which case it is classified within the current assets.

Investment property is carried at historical cost less the accumulated depreciation and provision for impairment, where required. Investments in progress are not depreciated. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (using a depreciation rate of 4%).

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with it shall flow to the Company and the Group, and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

2.11 Financial assets

2.11.1 Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income (OCI), and financial assets at amortised cost. The classification depends on the purpose for which the financial assets were acquired. The Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category includes financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the Management. Assets in this category are classified as current assets except derivative financial instruments.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

2.11 Financial assets / CONTINUED

2.11.1 Classification / CONTINUED

(b) Financial assets at fair value through other comprehensive income (OCI)

The Company measures financial assets at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of holding the financial assets to collect and selling contractual cash flows,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of the principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for the financial assets measured at amortised cost.

The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

(c) Financial assets at amortised cost

The Company measures financial assets at amortised cost, if both of the following conditions are met:

- The financial asset is held within a business model with the objective of holding financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised

in profit or loss when the asset is derecognised, modified or impaired. Financial assets at amortised cost include trade receivables.

2.11.2 Measurement and recognition

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company committed to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of comprehensive income within 'other (losses)/gains – net' in the period in which they arise.

The interest on securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on equity instruments are recognised in the statement of comprehensive income as part of other income when the right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions and references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

2.11 Financial assets / CONTINUED

2.11.3 Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Financial assets are written off when there is no reasonable expectation of recovery.

2.12 Derivative financial instruments

Derivative financial instruments include forward contracts in foreign currencies and interest rate swaps. Derivative financial instruments are recognised in the statement of financial position at fair value. The fair value is determined according to the market value, if appropriate. All derivatives are recorded in the statement of financial position as assets when their fair value is positive, and as liabilities when their fair value is negative. These derivatives do not classify as hedge accounting and are recognised as derivatives held for trading.

2.13 Leases

2.13.1 Leases until 31 December 2018

The Company and the Group lease certain property, plant and equipment. The leases of property, plant and equipment, where the Company and the Group bear substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at lease commencement at the lower of fair value of the leased property or the present value of minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant interest rate on the outstanding finance balance. The corresponding rental obligations, net of finance charges, are included in other current and non-current liabilities depending on maturity.

The interest element of the finance costs is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life or the lease term.

Leases in which a significant portion of risks and rewards of ownership are not retained by the Company and the Group are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Assets under lease are disclosed in the Statement of financial position in the line "Property, plant and equipment". Assets are depreciated on the straight line basis as for similar assets. Revenue from lease is recognised according to period of the lease.

2.13.2 Leases from 1 January 2019

At the beginning of the contract, the Company and the Group assess whether the contract contains a lease, that is, whether the contract has the right to control the use of the asset concerned over a specified period in exchange for remuneration.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

2.13 Leases / CONTINUED

2.13.2 Leases from 1 January 2019 / CONTINUED

The Company and the Group as lessees

The Company and the Group apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company and the Group also do not apply the new recognition approach to those leases that cannot be considered leases under IFRS 16, which includes leases of exchangeable property, “ad hoc” leases (e.g. providing one-day hall rental services), licenses, etc.

i) Right-of-use assets

The Company and the Group recognize the right-of-use assets on the lease's commencement (i.e., the date when the property in question is ready for use). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and is reconciled with any remeasurement of the lease liabilities. The cost of right-of-use assets includes the amount of recognized lease obligations, the initial direct costs, and all lease payment incurred on or before the lease commences, less any received rental incentives, if any. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.8 Impairment of non-financial assets.

ii) Lease liabilities

At the beginning of the lease period, the Company and the Group recognize lease liability, measured at the present value of future lease payments over the period. The lease payments include fixed payments, variable lease payments that depend on the index or rate, and the amount expected to be paid under the residual value guarantee, if any. If included in the contract, lease payments also include the purchase price for which it is reasonably certain that the Company and the Group will use, and the payment of penalties for termination of the lease, if it is reasonably certain that the Company and the Group will exercise the option of terminating the lease. Variable lease payments that do not depend on an index or rate are recognised as expenses in the period in which they are incurred.

In calculating the present value of lease payments, the Company and the Group use their incremental borrowing rate at the lease's commencement if the lease interest rate is not easily determined. The carrying amount of lease liabilities is remeasured if a change in the lease term occurs.

(iii) Short-term leases and leases of low-value assets

The Company and the Group apply an exemption for the recognition of short-term leases for short-term leases (i.e. leases that have a lease term of 12 months or less from the commencement date and do not include a purchase option). The Company and the Group also recognize the exemption for the recognition of leases of low value assets. Payments for short-term and low-value assets leases are recognised as an expense on a straight-line basis over the lease term.

The Company and the Group as lessors

Leases in which the Company and the Group do not transfer substantially all the risks and rewards of asset ownership are classified as operating leases. Rental income is calculated on a straight-line basis in accordance with lease terms and is included in revenue in the Statement of comprehensive income due to its operational nature.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

Small inventory is written-off in full at the moment of commencement of the use (porcelain, glass, metal, kitchen appliances, sports inventory, work clothing and other small items), except of the part of small inventory (linens, sheets and towels) for which the useful life is estimated up to 3 years.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

2.15 Trade receivables

Trade receivables are amounts due from the customers for the services provided in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less the impairment.

2.16 Loans and deposits

Provided loans and deposits represent non-derivative financial asset with fixed or determinable payments. It is included in current assets, except for assets with a maturity of more than 12 months after the balance sheet date. Such assets are classified as non-current assets. A discount rate that corresponds to the cost of borrowings to invest in the asset of same type, risk and maturity is used to calculate fair value of loans and deposits.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short- term highly liquid instruments with original maturities of three months or less.

2.18 Share capital

Ordinary shares are classified as equity. Where the Company and the Group purchase their equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from the equity attributable to the Company and Group equity holders until the shares are issued or purchased. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included into the equity attributable to the Company and Group equity holders.

2.19 Borrowings

Borrowings are recognised initially at nominal value, net of transaction costs incurred which is fair value. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility shall be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility shall be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it refers.

Borrowings are classified as current liabilities unless the Company and the Group have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.20 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired, i.e. provided in the ordinary course of business from, i.e. by the suppliers. Accounts payable are classified as current liabilities if the payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent in which it refers to items recognised in equity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

2.21 Current and deferred income tax / CONTINUED

Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined using tax rates (and tax acts) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit shall be available, against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the temporary difference reversal is controlled by the Company and the Group and it is probable that the temporary difference shall not be reversed in the foreseeable future.

Investment tax credits

Investment tax credits are incentives arising from government incentive schemes, which enable the Company and the Group to reduce their income tax liability or liabilities arising from other specified taxes in future periods, and are linked to the construction or acquisition of certain assets and / or the performance of certain activities and / or the fulfilment of certain specific conditions prescribed in the relevant regulation on investment incentives adopted by the relevant authorities. Tax investment credits are recognised as a deferred tax asset and an income tax benefit when the criteria for recognition is fulfilled (Note 12) in the amount which the Company and the Group shall

be able to utilize until the incentive expires. Deferred tax assets recognised as a result of investment tax credits is utilised during the period of the incentive, i.e. until the expiration of the credits (if so specified) in accordance with and subject to the availability of the tax obligations in the future years, against which the credits can be offset.

2.22 Employee benefits

(a) Pension obligations and post-employment benefits

In the normal course of business, the Company and the Group make payments to mandatory pension funds on behalf of their employees through salary deductions as required by law. All contributions made to the mandatory pension funds are recorded as salaries expense when incurred. The Company and the Group do not have any other pension scheme and, consequently, have no other obligations in respect of employee pensions. In addition, the Company and the Group are not obliged to provide any other post-employment benefits.

(b) Termination benefits

Termination benefits are recognized when the Company and the Group terminate employment contracts of employees before their normal retirement date in accordance with pension and labour regulations. The Company and the Group recognize termination benefits when they have made an individual decision on the termination of an employment agreement due to business or personal reasons, whereby the liability to pay termination benefits are objectively determined, in accordance with regulations and by-laws.

(c) Short-term employee benefits

The Company and the Group recognise a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. In addition, the Company and the Group recognise a liability for accumulated compensated absences based on unused vacation days at the reporting date and if the liability can be reliably estimated.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

2.22 Employee benefits / CONTINUED

(d) Long-term employee benefits

The Company and the Group recognise the obligation for long-term employee benefits (severance payments and jubilee awards) evenly over the period in which the benefit is realised, based on the actual number of years of service. The long-term employee benefit obligation includes the assumptions on the number of employees to whom the benefits should be paid, the estimated cost of the benefits and the discount rate.

2.23 Provisions

Provisions are recognised when: the Company and the Group have a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources shall be required to settle the obligation; and the amount has been reliably estimated.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The amount of provisions is increased in each period to reflect the past period. The increase in the provision due to the passage of time is recognised as interest expense.

2.24 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of Company's and Group's activities. Revenue is shown net of value-added tax and after eliminating sales within the Group.

The Company and the Group recognise revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits shall flow to the entity and when specific criteria have been met for each of the Company's and Group's activities as described below.

(a) Sales of services

Revenue from hotel and tourist services is recognised in the period in which the services are provided.

(b) Rental of services

Revenue for rental services is generally recognised in the period in which the services are provided using a straight-line basis over the terms of contracts with lesser and presented in Statement of comprehensive income within 'Sales revenue'.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company and the Group reduce the carrying amount to its recoverable amount being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.25 Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to equity holders of the Group by the weighted average number of participating shares outstanding during the reporting year.

2.26 Value added tax

The Tax Authorities require the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the statement of financial position on a net basis. Where a provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

2.27 New and amended standards and interpretations in the current period

2.27.1 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2019:

- **IFRS 16: Leases**

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. Management has made an assessment of the effect of the standard on financial reports of the Company and the Group and it is presented in the Note 30.

- **IFRS 9: Prepayment features with negative compensation (Amendment)**

The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. Management has assessed that this amendment does not have significant influence on financial reports of the Company and the Group.

- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**

The Amendments relate to whether the measurement, in particular

impairment requirements, of long- term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. Management has assessed that this amendments do not have significant influence on financial reports of the Company and the Group.

- **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. Management has assessed that this amendments do not have significant influence on financial reports of the Company and the Group.

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**

The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. Management has assessed that this amendments do not have significant influence on financial reports of the Company and the Group.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

2.27. New and amended standards and interpretations / CONTINUED

2.27.1 Changes in accounting policies and disclosures / CONTINUED

- **The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs. Management has assessed that this amendments do not have significant influence on financial reports of the Company and the Group.**
- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:**
The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- **IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

2.27.2 Standards issued but not yet effective and not early adopted

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or

not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed that this amendments won't have significant influence on financial reports of the Company and the Group.

- **Conceptual Framework in IFRS standards**

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- **IFRS 3: Business Combinations (Amendments)**

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

2.27. New and amended standards and interpretations / CONTINUED

2.27.2 Standards issued but not yet effective and not early adopted / CONTINUED

1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. Management has assessed that this amendments won't have significant influence on financial reports of the Company and the Group.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. Management has assessed that this amendments won't have significant influence on financial reports of the Company and the Group.

- **Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the

replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. Management has assessed that this amendments won't have significant influence on financial reports of the Company and the Group.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. Management has assessed that this amendments won't have significant influence on financial reports of the Company and the Group.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

In their day-to-day business activities, the Company and the Group face a number of financial risks, especially market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company and the Group have a proactive approach in mitigating the interest rate and foreign exchange risks by using available market instruments. Internal risk management goals and policies aim at protecting the foreign currency inflows during seasonal activity and partial interest hedging of the principal loan amount.

(a) Market risk

(i) Foreign exchange risk

The Company and the Group conduct their business operations across national borders and are exposed to foreign exchange risks. They mainly result from changes in the EUR/HRK exchange rate. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Most of the sales revenue generated from foreign customers and long-term debt is denominated in euros. Hence, the Company and the Group are, for the most part, naturally hedged from exchange rate risks. Since some liabilities are denominated in HRK, the Company and the Group actively manage the risks by using derivative instruments available on the financial market. The instruments are used according to operating assessments and expected market trends. In this manner, the assets, liabilities and cash flow are protected from the risk impact.

At 31 December 2019, if the EUR had weakened/strengthened by 1% against the HRK, with all other variables held constant, the net profit of the Group for the year would have been HRK 20,027 thousand (2018: HRK 17,694 thousand) higher/(lower) mainly as a result of foreign exchange gains/(losses) on translation of EUR denominated trade receivables, borrowings and foreign cash funds.

(ii) Interest rate risk

Variable rate loans expose the Company and the Group to cash flow interest rate risk. Periodically, the Company and the Group use derivative instruments in order to hedge cash flow and interest rate by applying interest rate swaps. The economic effect of such swaps is the conversion of variable interest rate loans into fixed interest rate loans for a pre-committed hedged part of the loan principal. The Company and the Group have interest-bearing assets (cash 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 the Group have significant cash surpluses at their disposal.

At 31 December 2019, if interest rates on currency-denominated borrowings had been higher/lower by 1 percentage point, with all other variables held constant, the profit of the Group for the year would have been HRK 3,446 thousand (2018: HRK 4,230 thousand) higher/(lower), mainly as a result of higher/(lower) interest expense on variable-rate borrowings.

At 31 December 2019, if interest rates on currency-denominated deposits had been 1 percentage point higher/(lower), with all other variables held constant, the profit of the Group for the year would have been HRK 915 thousand (2018: HRK 529 thousand) higher/(lower), mainly as a result of higher/(lower) interest income on variable rate deposits.

(iii) Price risk

The Company and the Group hold equity and debt securities and are exposed to equity price risk due to price volatility. The Company and the Group are not active participants in the market trade in terms of trading with equity and debt securities. With the HRK 399 million invested in acquiring shares of Imperial d.d., Rab, HRK 146 million in acquiring shares of Hoteli Makarska d.d., Makarska (after the merger these are all shares of Imperial Riviera d.d.) and HRK 47 million in acquiring shares of Helios Faros d.d., the Company is exposed to the said risk to a certain extent.

NOTE 3 – FINANCIAL RISK MANAGEMENT / CONTINUED

3.1 Financial risk factors / CONTINUED

(a) Market risk / CONTINUED

As at 31 December 2019, if the indices of the ZSE had been higher/(lower) by 3.43% for 2019 (which was the average index movement), with all other variables held constant, reserves of the Group within equity and other comprehensive income would have been HRK 6 thousand higher/(lower) as a result of gains/(losses) on equity securities available for sale

(b) Credit risk

Credit risk arises from cash, time deposits and receivables. According to the Company's and Group's 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 the Group continuously monitor their exposure towards customers and their credit rating as well as obtain security instruments in order to reduce bad debt risks related to services provided.

(c) Liquidity risk

The Company and the Group have a sound liquidity risk management. Sufficient funds for meeting the 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. As at 31 December 2019, the Company has contracted unused credit lines with financial institutions for 2020 in the total amount of HRK 915,233 thousand, and the Group in the total amount of HRK 922,093 thousand. The repayment of the major credit lines coincides with periods of strong cash inflows from operations. The Company and the 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 requirements 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 deposits accounts and marketable securities. Only instruments with suitable maturities and sufficient liquidity are selected, according to the forecasted requirements for liquid funds.

NOTE 3 – FINANCIAL RISK MANAGEMENT / CONTINUED

3.1 Financial risk factors / CONTINUED

(c) Liquidity risk / CONTINUED

The expected contractual cash flows for financial liabilities of the Group and the Company according to contracted maturities are analysed in the table below. The amounts stated below include interest, if applicable, and represent undiscounted cash flows.

GROUP					
<i>(in thousands of HRK)</i>	Less than 3 months	3 months- 1 year	1-3 years	3-6 years	Over 6 years
As at 31 December 2018					
Trade and other payables	105,157	13,512	50,476	-	-
Borrowings	46,283	232,526	565,092	767,754	1,148,239
Derivative financial instruments	325	2,129	3,604	1,348	210
Total liabilities (contractual maturities)	151,765	248,167	619,172	769,102	1,148,449
As at 31 December 2019					
Trade and other payables	142,721	8,520	58,672	-	-
Borrowings	64,080	279,052	698,136	886,860	1,122,768
Lease liabilities	627	2,657	5,264	1,897	1,561
Derivative financial instruments	1,249	4,636	8,609	2,282	133
Total liabilities (contractual maturities)	208,677	294,865	770,681	891,039	1,124,462
COMPANY					
<i>(in thousands of HRK)</i>	Less than 3 months	3 months- 1 year	1-3 years	3-6 years	Over 6 years
As at 31 December 2018					
Trade and other payables	94,202	13,512	48,755	-	-
Borrowings	41,529	208,641	503,822	691,511	1,036,261
Derivative financial instruments	325	2,129	3,604	1,348	210
Total liabilities (contractual maturities)	136,056	224,282	556,181	692,859	1,036,471
As at 31 December 2019					
Trade and other payables	123,917	8,520	56,453	-	-
Borrowings	57,244	249,282	612,366	781,216	987,467
Lease liabilities	642	2,948	5,732	1,600	1,438
Derivative financial instruments	1,249	4,636	8,609	2,282	133
Total liabilities (contractual maturities)	183,052	265,386	683,160	785,098	989,038

NOTE 3 – FINANCIAL RISK MANAGEMENT / CONTINUED

3.2 Capital management

The Company's and Group's objectives when managing capital are to safeguard the Company's and Group's ability to continue as a going concern in order to provide returns for the owner and to maintain an optimum capital structure to reduce the cost of capital.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company and the Group is the current bid price. The fair value of financial instruments that are not traded in the active market is determined by using valuation techniques. The Company and the Group use a variety of methods and make assumptions that are based on market conditions existing at each reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Quoted market prices for similar instruments are used for long-term debt. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company and the Group for similar financial instruments.

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTE 3 – FINANCIAL RISK MANAGEMENT / CONTINUED

The following table presents assets measured at fair value as at:

GROUP		Level 1	Level 2	Level 3	Total
<i>(in thousands of HRK)</i>					
As at 31 December 2018					
Assets measured at fair value					
Financial assets - equity securities		4,484	-	-	4,484
Total assets measured at fair value		4,484	-	-	4,484
Liabilities measured at fair value					
Derivative financial instruments		-	7,616	-	7,616
Total liabilities measured at fair value		-	7,616	-	7,616
		-	-	-	-
As at 31 December 2019					
Assets measured at fair value					
Financial assets - equity securities		391	-	-	391
Derivative financial instruments		-	140	-	140
Total assets measured at fair value		391	140	-	531
Liabilities measured at fair value					
Derivative financial instruments		-	17,048	-	17,048
Total liabilities measured at fair value		-	17,048	-	17,048

NOTE 3 – FINANCIAL RISK MANAGEMENT / CONTINUED

COMPANY

(in thousands of HRK)

	Level 1	Level 2	Level 3	Total
As at 31 December 2018				
Assets measured at fair value				
Financial assets - equity securities	4,100	-	-	4,100
Total assets measured at fair value	4,100	-	-	4,100
Liabilities measured at fair value				
Derivative financial instruments	-	7,616	-	7,616
Total liabilities measured at fair value	-	7,616	-	7,616
	-	-	-	-
As at 31 December 2019				
Assets measured at fair value				
Financial assets - equity securities	335	-	-	335
Derivative financial instruments	-	140	-	140
Total assets measured at fair value	335	140	-	475
Liabilities measured at fair value				
Derivative financial instruments	-	17,048	-	17,048
Total liabilities measured at fair value	-	17,048	-	17,048

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

The Company and the Group make estimates and assumptions about uncertain events, including estimates and assumptions about the future. Such accounting assumptions and estimates are regularly evaluated, and are based on historical experience and other factors such as the expected flow of future events that can be rationally assumed in existing circumstances, but nevertheless necessarily represent the sources of estimation uncertainty. These and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Impairment of non-financial assets

The Company determines the impairment indicators of property, plant and equipment as identified as separate cash generating units by using the gross operating profit (“GOP”) multiplier and segment carrying net book values, which are determined by comparing the property segment carrying values with the GOP.

If the determined ratios and multiples are not in line with expected amounts or targeted levels (at individual cash generating unit level), the recoverable amount is determined as the higher amount of fair value less costs of disposal and its value in use. Furthermore, recoverable amount is determined for newly acquired properties (including those via business combinations). To determine recoverable amount, the Company and the Group use both internal and external valuations.

Determination of impairment indicators, determination of the fair value of assets (or group of assets), and estimation of future cash flows, which are based on expected cash flows models, future capital investments, applicable discount rates, useful lives and remaining values require significant judgement by the Management. The Management also considers occupancy rates, revenue per available room, and market growth with externally derived data including external hotel industry reports.

Determination of fair value less the costs of disposal is based on the market approach, which uses prices and other relevant information generated by market

transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities, such as business.

(b) Estimated useful lives

By using a certain asset, the Company and the Group use the economic benefits contained in this asset, which diminish more intensely with economic and technological aging. Consequently, in the process of determining the useful life of an asset, in addition to assessing the expected physical utilisation, it is necessary to consider the changes in demand on the tourist market, which shall cause a faster economic obsolescence as well as a more intense development of new technologies. Current business operations in the hotel industry impose the need for more frequent investments, and this circumstance contributes to the fact that the useful life of an asset is decreasing.

Based on historical information, and in line with the technical department, the useful life of buildings components was assessed by the Management to be 10 to 25 years, except with the newly acquired company in Austria where the useful life of buildings is estimated at 40 years. The useful lives of equipment and other assets have also been assessed.

The useful life of property, plant and equipment shall be periodically revised to reflect any changes in circumstances since the previous assessment. Changes in estimate, if any, shall be reflected prospectively in a revised depreciation charge over the remaining, revised useful life.

(c) Land ownership

Due to the transition from public to private ownership, e.g. in the transformation and privatisation process and the fact that the properties of the Company that were used in the transformation process were appraised in the share capital of the Company, and a part was not appraised, there are certain ambiguities and proceedings regarding the ownership of a part of the land within the majority of tourist companies.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES / CONTINUED

The Company has approximately 1.77 million m² of land in clear and undisputed ownership, and land which is subject to determining the status of co-ownership or ownership in accordance with the regulations of the Act on Tourist and Other Construction Land not appraised in the transformation and privatisation process, that came into force on 1 August 2010 (hereinafter the Act) amounts to approximately 3.24 million m². On 31 January 2011, the Company submitted requests for concessions pursuant to the Act in appropriate legal deadline and prescribed content. Concessions are required: a) for approximately 2.28 million m² of land in the camps to determine the co-ownership shares of the Republic of Croatia and for which, according to relevant wage regulations, advance concession fee of approximately HRK 5.5 mil. per year; and b) for approximately 960 thousand m² of land in tourist resorts and hotels that should determine the ground plan of the hotels, apartments and other estimated buildings and land owned by the Company and other land owned by the local government and for which, according to relevant regulations, an advance concession fee is paid in the amount of approximately HRK 1.5 mil. per year. A more detailed description of proceedings and unsolved situations for properties of the Company are disclosed in the Note 34.

(d) Recognition of deferred tax assets

Deferred tax assets represent amount of corporate income tax that are recoverable based on future deductions of taxable income and are recognized in the statement of financial position. Deferred tax assets are recognized to the amount of tax revenue that is probable that it will be realized. In determining future taxable profit and the amount of tax revenue that is probable to be realized in the future, the management makes judgments and estimates based on previous years' taxable profit and expectations of future income that are considered reasonable in the existing circumstances.

Incentives for investments are realized on the basis of regulations on stimulation of investments and improving the investment environment based on the application of a specific project to the Ministry of Economy, Entrepreneurship and Crafts, which issues a

decision on gaining the status of incentive holder for investments and calculation of maximum incentive amount when a company meets the required conditions.

Each project involves investments in a three-year cycle that begins with acquiring incentive holder status. The competent ministry is informed about the annual investments made, and the incentives enable the tax liability to be reduced from the moment of the investment to the expiry of 10 years. Tax assets and tax revenue are recognized on the investment made when the conditions are met, and previously recognized tax assets are derecognized during the period of the incentive measure, i.e. until the expiration of the incentive. The Company is required to preserve assets on the basis of which they have received incentives within a period of 5 years from the end of the three-year investment cycle.

Incentives in Valamar Riviera d.d.

Pursuant to the Investment Promotion and Improvement of Investment Environment Act of 2012, the amendment of the 2013 Act and the Investment Promotion and Improvement of Investment Environment Regulation of 2013, in 2014, the Company acquired the status of holder of incentive measures for investments according to the submitted project at Valamar Collection Isabella Resort and investments in Family Life Bellevue Resort and Valamar Girandella Village in Rabac for the period from 18 March 2014 until 17 March 2017 and generated total tax incentives in the amount of HRK 178,831 thousand.

The Company fulfilled the conditions for preserving assets and additional employment and started using tax incentives in 2016. Until 31 December 2018 the Company has used HRK 131,052 thousand of tax incentives. The final calculation of the amount of tax incentives for the aforementioned investment cycle will be determined at the time of maximum incentive intensity.

Based on the Investment Promotion Act of 2015, the amendment of the 2018 Act and the Investment Promotion Regulation of 2016, the amendment of the 2019 Regulation, the

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES / CONTINUED

Company has submitted a new project for the reconstruction and repositioning of accommodation facilities (Camp Istra 5*, Valamar Collection Marea Suites 5* and Valamar Collection Pinea Resort 4*/5*) for the period from 22 September 2017 to 21 September 2020 and acquired the status of holder of investment incentives. Up to 31 December 2018, the Company realized tax incentives in the amount of HRK 25,771 thousand for the investments made under this project, and an additional HRK 76,074 thousand for the investments made in 2019, and on that basis disclosed deferred tax assets in the same amounts.

In 2019, the Company utilized HRK 68,837 thousand of tax incentives (Note 25).

Incentives in a subsidiary Imperial Riviera d.d. Rab

Pursuant to the Investment Promotion Act of 2015, amendments to the 2018 Act and the Investment Promotion Regulation of 2016, amendments to the 2019 Regulation, Imperial Riviera d.d. has declared a project for the reconstruction and repositioning of Valamar Carolina Hotel & Villas 4*, Valamar Meteor Hotel 4*, Padova Camping Resort by Valamar and Dalmacija Sunny Hotel with the aim of achieving 4* categorization for the investment period from 19 October 2018 to 18 October 2021 and acquired the status of holder of investment incentive measures.

By 31 December 2019, Imperial Riviera d.d. was entitled to tax incentives in the amount of HRK 40,006 thousand for the investments made under this project. In 2019, tax incentives in the amount of HRK 2,010 thousand were used, while deferred tax assets in the amount of HRK 37,996 thousand were reported for the remaining amount of incentives.

In 2019, the Group reduced deferred tax assets from the use of incentives in the amount of 68,856 thousand, and as of 31 December 2019 reported deferred tax assets in the amount of HRK 114,070 thousand for the remaining amount of tax incentives (Note 25). The Group adjusted deferred tax assets in the amount of HRK 22,005 thousand recognized on realized incentives for the amount related to the intra-group transaction described in Note 10.

(e) Consolidation

The Group acquired company Hoteli Makarska d.d. on 31 July 2018. Assets and liabilities of the subsidiary are included into the consolidated financial position statement of the Group as at 31 December 2018, while the parent company's share in the subsidiary plus the subsidiary's capital and reserves have been eliminated. Income and expenses of Hoteli Makarska d.d. realised in the period from 1 August (date of acquisition) until 31 December 2018 are included in the Group's consolidated statement of comprehensive income. Mutual transactions from the acquisition date until the date of the financial statements, i.e. 31 December 2018, are excluded from the consolidated statement of financial position and consolidated statement of comprehensive income. On 28 June 2019 Hoteli Makarska d.d. merged with Imperial Riviera d.d. and from that date Imperial Riviera d.d. is the universal legal successor of Hoteli Makarska d.d.

The Group acquired two companies in Austria, Valamar A GmbH on 31 July and Valamar Obertauern GmbH on 31 October 2018. Assets and liabilities of subsidiaries are included into the consolidated statement of financial position of the Group as at 31 December 2018, while the parent company's share in the subsidiaries plus capital and reserves of the subsidiaries have been eliminated. Income and expenses of Valamar A GmbH realised in the period from 1 August and of Valamar Obertauern GmbH realised from 1 November, both until 31 December 2018, are included into the Group's consolidated statement of comprehensive income. Mutual transactions from the acquisition date until the date of financial statements, i.e. 31 December 2018, are excluded from the consolidated statement of financial position and consolidated statement of comprehensive income.

Valamar Riviera d.d. was a holder of 56.21% share, and after the merger with Hoteli Makarska d.d. it was a holder of 52.84% of shares of subsidiary Imperial Riviera d.d. Pursuant to the General Assembly decision of Imperial Riviera d.d. from 29 October 2019 the share capital was increased from HRK 400,580,400 for the amount of HRK 426,088,157.32 to the amount of 826,668,557.32, in which the Company contributed with the amount of HRK 106,068,022.13.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES / CONTINUED

After the increase of share capital Valamar Riviera d.d. is a holder of 650,604 (43.68%) shares. Although after the stated increase in share capital Valamar Riviera d.d. holds less than half of voting rights, Valamar Riviera d.d. retains control of Imperial Riviera d.d. In addition to significant share of 43.68%, Valamar Riviera d.d. has the power to manage financial and business policies of Imperial Riviera d.d., and in order to benefit from its activities, primarily through Board, but also key management of Imperial Riviera d.d. Valamar Riviera d.d. has the right to appoint, relocate and recall key management, that is, persons who are authorised and responsible for strategic and ongoing business planning and direction, and current or former employees of Valamar Riviera d.d. were appointed to the Board of Imperial Riviera d.d. and have the ability to manage business in accordance with the provisions of ZTD. Imperial Riviera d.d. in a significant part of business depends on Valamar Riviera d.d., which is in charge of managing core business, and depends on intellectual property rights, including trademarks and brands of Valamar Riviera d.d. Additionally, Valamar Riviera d.d. significantly influences the business of Imperial Riviera d.d. through the operational management of hotel and tourist facilities, and in addition to dividend rights, it is also entitled to management fees and therefore the exposure of Valamar Riviera d.d. to returns is significantly higher than the return related to voting rights. A combination of all of the above factors indicates control of Valamar Riviera d.d. over a subsidiary in accordance to IFRS 10.

f) Leases

New significant evaluations are related to the introduction of IFRS 16 Leases and mostly relate to estimates of lease term, discount rate and whether contract includes a lease.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Company and the Group determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company and the Group have several lease contracts that include extension and termination options. The Company and the Group apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, consider all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company and the Group reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., significant customisation to the leased asset).

The Company and the Group have several leases that are expected to be extended, however the Company and the Group do not expect to terminate the contracts before the lease term expiry. The Company and the Group have included the extension term in the lease term for term that have shorter non-cancellable term (e.g. 2-3 years). The Company and the Group mainly expect to extend the leases that would have negative effect on business if a replacement asset is not readily available.

Refer to Note 30 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Property lease classification – Group as lessor

The Company and the Group have entered into commercial property leases on its investment property portfolio. The Company and the Group have determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES / CONTINUED

Leases – Estimating the incremental borrowing rate

The Company and the Group cannot readily determine the interest rate implicit in the lease, therefore, they use their incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company and the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company and the Group estimate the IBR based on several inputs. Interest rate that is applied on lease contract amounts to 2.45% for Company in 2019 and it presents the lessee's credit rating, lease term, security and economic environment. Interest rate is calculated based on comparable transactions. Information used by the Company to determine the IBR are changed annually at least or in the event of significant changes in the Company's credit rating.

NOTE 5 – SEGMENT INFORMATION

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group's Management (the chief operating decision-makers) who are responsible for allocating resources to the reportable segments and assessing its performance.

The Group records operating revenues and expenses by types of services rendered in three basic segments: hotels and apartments, camping and other business segments.

Revenue was divided between segments according to the organisational principle, where all of the income generated from camping profit centres was reported in the camping segment, and all of the income generated from hotel and apartment profit centres was reported in that segment. Other business segments include revenue from laundry services, other rentals of properties, revenue generated from the central services and central kitchens, agency revenue and revenue from the accommodation of employees.

The segment information related to reportable segments for the year ended 31 December 2018 is as follows:

GROUP	Hotels and apartments	Camps	Other business segments	Total
<i>(in thousands of HRK)</i>				
Total sales	1,472,590	445,196	143,517	2,061,303
Inter-segment revenue	(1,367)	(23)	(98,499)	(99,889)
Revenue from external customers	1,471,223	445,173	45,018	1,961,414
Depreciation and amortisation	288,325	84,793	37,404	410,522
Net finance income/(expense) net	(16,688)	(7,031)	2,707	(21,012)
Write-off of fixed assets	7,048	593	262	7,903
Profit/(loss) of segment	761,140	309,435	(301,938)	768,637
Total assets	3,571,045	1,177,461	477,806	5,226,312
Total liabilities	1,742,615	728,146	235,269	2,706,029

All hotels, apartments and camping resorts (operating assets) are located in the Republic of Croatia, except the hotel owned by the newly acquired company Valamar Obertauern GmbH located in Austria.

NOTE 5 – SEGMENT INFORMATION / CONTINUED

The segment information related to reportable segments for the year ended 31 December 2019 is as follows:

GROUP	Hotels and apartments	Camps	Other business segments	Total
<i>(in thousands of HRK)</i>				
Total sales	1,577,913	513,759	171,666	2,263,338
Inter-segment revenue	(1,969)	(144)	(121,907)	(124,018)
Revenue from external customers	1,575,946	513,615	49,759	2,139,320
Depreciation and amortisation	312,459	108,694	53,361	474,514
Net finance income/(expense) net	(38,815)	(17,666)	(5,377)	(61,858)
Write-off of fixed assets	25,149	5,786	1,036	31,971
Profit/(loss) of segment	807,708	345,499	(315,977)	837,230
Total assets	3,499,357	1,480,754	682,100	5,662,211
Total liabilities	1,860,939	801,511	390,590	3,053,040

All hotels, apartments and camps (operating assets) are located in the Republic of Croatia, except the hotel owned by the company Valamar Obertauern GmbH located in Austria.

NOTE 5 – SEGMENT INFORMATION / CONTINUED

Reconciliation of the profit per segment with profit before tax is as follows:

GROUP	2018	2019
<i>(in thousands of HRK)</i>		
Revenue		
Revenue from segments	2,061,303	2,263,338
Inter-segment revenue	(99,889)	(124,018)
Total revenue	1,961,414	2,139,320
Profit		
Profit from segments	768,637	837,230
Other unallocated expenses	(483,800)	(555,421)
Elimination of inter-segment profit/(loss)	(26,755)	(49,337)
Total profit before tax	258,082	232,472

NOTE 5 – SEGMENT INFORMATION / CONTINUED

The reconciliation of segment assets and liabilities with the Group's assets and liabilities is as follows:

GROUP	2018		2019	
	Assets	Liabilities	Assets	Liabilities
<i>(in thousands of HRK)</i>				
Segment assets/liabilities	5,226,312	2,706,029	5,662,211	3,053,040
Hotels and apartments segment	3,571,045	1,742,615	3,499,357	1,860,939
Camps segment	1,177,461	728,146	1,480,754	801,511
Other business segment	477,806	235,268	682,100	390,590
Unallocated	442,633	204,384	833,091	223,192
Investments in associate	-	-	47,668	-
Other financial assets	4,484	-	391	-
Loans and deposits	16,147	-	801	-
Cash and cash equivalents	261,842	-	550,143	-
Income tax receivable	1,908	-	4,258	-
Other receivables	32,546	-	35,858	-
Deferred tax assets/liabilities	125,706	68,561	193,832	63,046
Other liabilities	-	61,010	-	71,822
Liabilities for investments in associate	-	-	-	18,294
Derivative financial assets/ liabilities	-	7,616	140	17,048
Provisions	-	67,197	-	52,982
Total	5,668,945	2,910,413	6,495,302	3,276,232

The Group's hospitality services are provided in Croatia and Austria to domestic and foreign customers. The Group's sales revenues are classified according to the customers' origin.

GROUP	2018	2019
<i>(in thousands of HRK)</i>		
Revenue from sales to domestic customers	180,547	199,586
Revenue from sales to foreign customers	1,780,867	1,939,734
	1,961,414	2,139,320

NOTE 5 – SEGMENT INFORMATION / CONTINUED

Foreign sales revenues can be classified according to the number of overnights based on the customers' origin, as follows:

Sales to foreign customers	GROUP			
	2018	%	2019	%
EU members	1,580,598	88.75	1,709,607	88.14
Other	200,269	11.25	230,127	11.86
	1,780,867	100.00	1,939,734	100.00

NOTE 6 – OTHER INCOME

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Income from cassa sconto /i/	3,968	-	3,795	-
Income from donations and other	2,903	3,519	2,538	2,917
Income from provision release	1,730	4,527	974	566
Reimbursed costs	1,563	2,197	1,480	2,234
Income from insurance and legal claims	1,519	3,494	1,251	3,310
Income from own consumption	446	510	329	218
Dividend income /i/	87	-	6,153	-
Collection of receivables previously written-off /ii/	-	656	-	649
Other financial gains /i/	264	-	264	-
Other income	9,221	10,701	7,928	9,537
	21,701	25,604	24,712	19,431

/i/ For 2019 it is presented in the Note 11 – Finance income/(expense) – net.

/ii/ For 2018 it is presented in the Note 9 – Other operating expenses.

NOTE 7 – COST OF MATERIALS AND SERVICES

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Raw materials and supplies				
Raw materials and supplies used /i/	195,910	216,166	175,696	186,149
Energy and water used	97,892	111,534	86,427	95,112
Small inventory	21,320	23,339	18,837	20,151
	315,122	351,039	280,960	301,412
External services				
Maintenance	53,866	55,102	48,616	48,635
Marketing, promotion and fairs	40,649	42,785	39,647	41,830
Commission fees (agencies and credit cards)	40,489	45,780	35,984	37,713
Communal fees /ii/	27,733	33,874	26,207	31,060
Telecommunication and transport	15,182	17,014	14,036	15,383
Rent /iii/	13,745	11,295	13,846	10,789
Recreation services	13,190	14,902	11,446	11,947
Laundry services	7,740	9,570	7,622	15,810
Services of tourist arrangement	4,612	5,535	4,205	5,108
Other services	19,425	22,353	18,834	21,160
	236,631	258,210	220,443	239,435
	551,753	609,248	501,403	540,847

/i/ Cost of materials and services of the Company is comprised of raw materials and supplies used of HRK 25,172 thousand, food and beverage costs of HRK 149,260 thousand and other materials and supplies used of HRK 11,717 thousand (2018: cost of raw materials and supplies used of HRK 24,856 thousand, food and beverage costs of HRK 141,486 thousand and other materials and services costs of HRK 9,354 thousand).

/ii/ Communal fees are related to sewage water disposal services, disposal and collection of bio-waste, communal waste and similar.

/iii/ Expenses related to short-term leases and low-value asset leases (exemptions according to IFRS 16) are included in Rent in the amount of HRK 109 thousand, as well as leases that do not meet the classification criteria according to IFRS 16.

NOTE 8 – STAFF COSTS

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Net salaries	331,594	363,402	297,438	313,347
Pension contributions	96,155	106,620	83,908	89,062
Health insurance contributions	75,074	77,657	67,621	67,939
Other (contributions and taxes)	38,791	35,731	38,790	35,731
Termination benefits	823	1,063	580	515
Provisions for termination benefits and jubilee awards	4,410	4,890	3,939	4,683
Other staff costs /i/	75,700	92,539	68,561	82,856
	622,547	681,902	560,837	594,133
Number of employees at 31 December	3,242	3,431	2,749	2,886

/i/ Other staff costs comprise non-taxable receipts (accommodation and meals for employees, Christmas bonus, regress, awards and similar) in the amount of HRK 44.3 mil. (2018: HRK 32.3 mil.), remunerations for student temporary services in the amount of HRK 17.6 mil. for the Company (2018: HRK 15.1 mil.), transportation costs in the amount of HRK 21.2 mil. (2018: HRK 20.2 mil.) and similar.

NOTE 9 – OTHER OPERATING EXPENSES

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Municipal charges, concessions and other	55,186	60,374	50,773	53,613
Professional services /i/	23,384	22,636	21,012	18,915
Write-off of property, plant and equipment /ii/	9,436	31,971	7,903	23,808
Entertainment	7,674	8,246	7,168	7,813
Insurance premiums	6,543	7,169	6,061	6,343
Bank charges	3,392	3,102	2,853	2,325
Provisions for legal proceedings	2,716	3,938	2,039	3,553
Impairment of assets	385	588	297	544
Collection of receivables previously written-off /iii/	(351)	-	(341)	-
Subscription to magazines and other administrative expenses	1,392	2,263	1,189	1,968
Other	5,558	7,874	4,568	6,767
	115,315	148,161	103,522	125,649

/i/ Professional and other services of the Group are mostly related to consulting services in the amount of HRK 4.5 mil. (2018: HRK 6.1 mil.), Supervisory Board fees in the amount of HRK 4.4 mil (2018: HRK 3.3 mil.), students and scholarships fees in the amount of HRK 4.1 mil. (2018: HRK 3.9 mil.), lawyer fees in the amount of HRK 3.3 mil. (2018: HRK 3.5 mil.) and audit fees in the amount of HRK 0.9 mil. (2018: HRK 0.6 mil.).

/ii/ Write-off of property, plant and equipment of the Group relates to demolition of parts of buildings as a part of new investments. Demolition of buildings amounts to HRK 30,080 thousand, and HRK 1,891 thousand relates to other write-offs.

/iii/ For 2019 it is presented in Note 6 – Other income.

NOTE 10 – OTHER GAINS/(LOSSES) – NET

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Net foreign exchange gains/(losses) - other /i/	(168)	-	226	-
Net gains on sale of property, plant and equipment /ii/	3,593	42,755	3,455	161,314
Changes in fair value of forwards and interest rate swaps /i/	(3,687)	-	(3,687)	-
Realised net gains/(losses) from changes in value of forwards and interest rate swaps /i/	(2,375)	-	(2,375)	-
Net loss from share sold /i/	(1,119)	-	(1,440)	-
	(3,756)	42,755	(3,821)	161,314

/i/ For 2019 it is presented in Note 11 – Financial income/(expense) – net.

/ii/ In 2019, the Company sold several properties in Poreč, Krk, Dubrovnik and Zagreb. The most significant transaction is related to the sale of hotel Zagreb to related party Imperial Riviera d.d. by sales price of HRK 182.15 million.

NOTE 11 – FINANCE INCOME/(EXPENSE) – NET

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Interest income	274	342	205	517
Net foreign exchange gains from financing activities	28,785	-	27,175	-
Net foreign exchange gains - other /ii/	-	4,099	-	3,626
Realised net gains from changes in value of forwards and interest rate swaps /ii/	-	1,359	-	1,359
Net gains from financial assets sold /ii/	-	1,438	-	1,431
Income from cassa sconto /i/	-	3,007	-	2,934
Dividend income /i/	-	116	-	8,790
Other financial gains /i/	-	312	-	313
	29,059	10,673	27,380	18,970
Interest expense	(50,071)	(56,868)	(46,213)	(51,568)
Net foreign exchange gains from financing activities	-	(4,869)	-	(4,623)
Realised net gains/(losses) from changes in value of forwards and interest rate swaps /ii/	-	(10,651)	-	(10,651)
Change of value of financial assets	-	(143)	-	(142)
	(50,071)	(72,531)	(46,213)	(66,984)
Financial (expense)/income - net	(21,012)	(61,858)	(18,833)	(48,014)

/i/ For 2018 it is presented in Note 6 – Other income.

/ii/ For 2018 it is presented in Note 10 – Other gains/(losses) – net.

During 2019 the Company capitalised borrowing costs of HRK 872 thousand (2018: HRK 220 thousand) with a capitalisation rate from 0.30% to 1.29% (2018: from 0.97% to 1.81%), while the Group capitalised the borrowing costs of HRK 1,122 thousand (2018: HRK 255 thousand) with a capitalisation rate from 0.30% to 2.10% (2018: from 0.97% to 2.01%).

NOTE 12 – INCOME TAX

Income tax comprise:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Current tax	4,128	87	-	-
Deferred tax	14,766	(73,467)	20,928	(10,533)
Tax (income)/expense	18,894	(73,380)	20,928	(10,533)

Reconciliation of the effective tax rate:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Profit before tax	258,082	232,472	260,207	366,474
Income tax	46,218	41,616	46,837	65,965
Tax exempt income	(4,051)	(2,106)	(1,446)	(1,942)
Non-deductible expenses	2,612	3,220	1,308	1,518
Investment tax credits	(25,771)	(116,080)	(25,771)	(76,074)
Recognition of deferred tax assets previously not recognised	(114)	-	-	-
Recognition of other deferred tax assets	-	(30)	-	-
Tax (income)/expense	18,894	(73,380)	20,928	(10,533)
Effective tax rate	7.32%	-	8.04%	-

Croatian tax legislation does not allow tax losses to be transferred among group companies. In accordance with the regulations of the Republic of Croatia, the Tax Authority may at any time inspect the Group Company's books and records within three years following the year in which the tax liability was reported, and may impose additional tax assessments and penalties.

NOTE 12 – INCOME TAX / CONTINUED

Incentives for investments are realized on the basis of regulations on stimulation of investments and improving the investment environment based on the application of a specific project to the Ministry of Economy, Entrepreneurship and Crafts, which issues a decision on gaining the status of incentive holder for investments and calculation of maximum incentive amount when a company meets the required conditions.

Each project involves investments in a three-year cycle that begins with acquiring incentive holder status. The competent ministry is informed about the annual investments made, and the incentives enable the tax liability to be reduced from the moment of the investment to the expiry of 10 years. Tax assets and tax revenue are recognized on the investment made when the conditions are met, and previously recognized tax assets are derecognized during the period of the incentive measure, i.e. until the expiration of the incentive.

The Company is required to preserve assets on the basis of which they have received incentives within a period of 5 years from the end of the three-year investment cycle.

Prior to the final utilization of the incentive, the competent ministry provides a final calculation of the incentive entitlement and a final calculation of the maximum incentive intensity that includes any potential changes in the amount of the incentive.

Incentives in Valamar Riviera d.d.

Pursuant to the Investment Promotion and Improvement of Investment Environment Act of 2012, the amendment of the 2013 Act and the Investment Promotion and Improvement of Investment Environment Regulation of 2013, in 2014, the Company acquired the status of holder of incentive measures for investments according to the submitted project at Valamar Collection Isabella Resort and investments in Family Life Bellevue Resort and Valamar Girandella Village in Rabac for the period from 18 March 2014 until 17 March 2017 and generated total tax incentives in the amount of HRK 178,831 thousand.

The Company fulfilled the conditions for preserving assets and additional employment and started using tax incentives in 2016. Until 31 December 2018 the Company has used HRK 131,052 thousand of tax incentives. The final calculation of the amount of tax incentives for the aforementioned investment cycle will be determined at the time of maximum incentive intensity.

Based on the Investment Promotion Act of 2015, the amendment of the 2018 Act and the Investment Promotion Regulation of 2016, the amendment of the 2019 Regulation, the Company has submitted a new project for the reconstruction and repositioning of accommodation facilities (Camp Istra 5*, Valamar Collection Marea Suites 5* and Valamar Collection Pinea Resort 4*/5*) for the period from 22 September 2017 to 21 September 2020 and acquired the status of holder of investment incentives. Up to 31 December 2018, the Company realized tax incentives in the amount of HRK 25,771 thousand for the investments made under this project, and an additional HRK 76,074 thousand for the investments made in 2019, and on that basis disclosed deferred tax assets in the same amounts.

In 2019, the Company utilized HRK 68,837 thousand of tax incentives (Note 25).

Incentives in a subsidiary Imperial Riviera d.d. Rab

Pursuant to the Investment Promotion Act of 2015, amendments to the 2018 Act and the Investment Promotion Regulation of 2016, amendments to the 2019 Regulation, Imperial Riviera d.d. has declared a project for the reconstruction and repositioning of Valamar Carolina Hotel & Villas 4*, Valamar Meteor Hotel 4*, Padova Camping Resort by Valamar and Dalmacija Sunny Hotel with the aim of achieving 4* categorization for the investment period 19 October 2018 to 18 October 2021 and acquired the status of holder of investment incentive measures.

By 31 December 2019, Imperial Riviera d.d. was entitled to tax incentives in the amount of HRK 40,006 thousand for the investments made under this project. In 2019, tax incentives in the amount of HRK 2,010 thousand were used, while deferred tax assets in the amount of HRK 37,996 thousand were reported for the remaining amount of incentives.

In 2019, the Group reduced deferred tax assets from the use of incentives in the amount of 68,856 thousand, and as of 31 December 2019 reported deferred tax assets in the amount of HRK 114,070 thousand for the remaining amount of tax incentives (Note 25). The Group adjusted deferred tax assets in the amount of HRK 22,005 thousand recognized on realized incentives for the amount related to the intra-group transaction described in Note 10.

NOTE 13 – EARNINGS PER SHARE

Basic

Basic earnings per share are calculated by dividing the profit/(loss) for the year of the Group by the weighted average number of shares ordinary in issue during the year, excluding the ordinary shares purchased by the Company and held as treasury shares.

Diluted

Diluted earnings per share are equal to basic, since the Group/Company did not have any convertible instruments and share options outstanding during both years.

GROUP	2018	2019
Profit attributable to equity holders (in thousands of HRK)	235,337	284,536
Weighted average number of shares	123,968,146	122,507,835
Basic/diluted earnings per share (in HRK)	1.90	2.32

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

GROUP

(in thousands of HRK)

	Land	Buildings	Plant and equipment	Furniture, tools and horticulture	Assets under construction	Total
As at 1 January 2018						
Cost	874,708	5,651,533	794,679	346,819	174,200	7,841,939
Accumulated depreciation and impairment	-	(2,779,820)	(427,421)	(204,692)	-	(3,411,933)
Carrying amount	874,708	2,871,713	367,258	142,127	174,200	4,430,006
Year ended 31 December 2018						
Opening carrying amount	874,708	2,871,713	367,258	142,127	174,200	4,430,006
Hoteli Makarska d.d. acquisition at fair value (Note 38a)	83,458	231,715	14,832	5,981	635	336,621
Valamar Obertauern GmbH acquisition at fair value (Note 38b)	3,692	56,367	1,516	0	19	61,594
Transfer within the assets	-	(416)	1,659	(1,465)	17	(205)
Additions	11,851	464,312	140,694	67,799	(2,144)	682,512
Disposals and write-offs	(692)	(8,146)	(2,748)	(498)	(18)	(12,102)
Depreciation	-	(283,569)	(79,238)	(34,022)	-	(396,829)
Carrying amount at year end	973,017	3,331,976	443,973	179,922	172,709	5,101,597
As at 31 December 2018						
Cost	973,017	6,339,931	918,040	397,370	172,709	8,801,067
Accumulated depreciation and impairment	-	(3,007,955)	(474,067)	(217,448)	-	(3,699,470)
Carrying amount	973,017	3,331,976	443,973	179,922	172,709	5,101,597
Year ended 31 December 2019						
Opening carrying amount	973,017	3,331,976	443,973	179,922	172,709	5,101,597
Transfer within the assets	(1,464)	(3,801)	(325)	(45)	-	(5,635)
Additions	12,823	608,339	166,723	68,389	78,080	934,354
Disposals and write-offs	(6,924)	(33,204)	(800)	(1,157)	(571)	(42,656)
Depreciation	-	(316,043)	(92,967)	(42,420)	-	(451,430)
Carrying amount at year end	977,452	3,587,267	516,604	204,689	250,218	5,536,230
As at 31 December 2019						
Cost	977,452	6,708,506	1,054,139	445,889	250,218	9,436,204
Accumulated depreciation and impairment	-	(3,121,239)	(537,535)	(241,200)	-	(3,899,974)
Carrying amount	977,452	3,587,267	516,604	204,689	250,218	5,536,230

As at 31 December 2019, the carrying amount of land and buildings of the Group pledged as collateral for borrowings amounted to HRK 1,995,903 thousand (2018: HRK 2,105,236 thousand).

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT / CONTINUED
COMPANY

<i>(in thousands of HRK)</i>	Land	Buildings	Plant and equipment	Furniture, tools and horticulture	Assets under construction	Total
As at 1 January 2018						
Cost	633,927	5,318,739	793,484	346,607	160,376	7,253,133
Accumulated depreciation and impairment	-	(2,902,121)	(447,640)	(216,187)	-	(3,565,948)
Carrying amount	633,927	2,416,618	345,844	130,420	160,376	3,687,185
Year ended 31 December 2018						
Opening carrying amount	633,927	2,416,618	345,844	130,420	160,376	3,687,185
Transfer within the assets	-	(416)	1,659	(1,465)	17	(205)
Additions	11,631	408,501	126,305	61,739	(6,496)	601,680
Disposals and write-offs	(692)	(6,871)	(2,515)	(462)	-	(10,540)
Depreciation	-	(227,961)	(72,939)	(30,435)	-	(331,335)
Carrying amount at year end	644,866	2,589,871	398,354	159,797	153,897	3,946,785
As at 31 December 2018						
Cost	644,866	5,500,575	862,578	383,079	153,897	7,544,995
Accumulated depreciation and impairment	-	(2,910,704)	(464,224)	(223,282)	-	(3,598,210)
Carrying amount	644,866	2,589,871	398,354	159,797	153,897	3,946,785
Year ended 31 December 2019						
Opening carrying amount	644,866	2,589,871	398,354	159,797	153,897	3,946,785
Transfer within the assets	(1,464)	(4,097)	(66)	-	-	(5,627)
Additions	122	488,378	132,327	46,561	65,656	733,044
Disposals and write-offs	(13,349)	(67,674)	(7,733)	(2,616)	(571)	(91,943)
Depreciation	-	(240,511)	(81,655)	(35,145)	-	(357,311)
Carrying amount at year end	630,175	2,765,967	441,227	168,597	218,982	4,224,948
As at 31 December 2019						
Cost	630,175	5,645,570	944,140	410,328	218,982	7,849,195
Accumulated depreciation and impairment	-	(2,879,603)	(502,913)	(241,731)	-	(3,624,247)
Carrying amount	630,175	2,765,967	441,227	168,597	218,982	4,224,948

As at 31 December 2019, the carrying amount of land and buildings of the Company pledged as collateral for borrowings amounted to HRK 1,574,076 thousand (2018: HRK 1,710,352 thousand).

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT / CONTINUED

Assets under construction of the Group in the amount of HRK 250.217 thousand mainly refer to the investment in hotels and apartments of HRK 111.073 thousand, investment in camping of HRK 36.548 thousand, the reconstruction, extension and adaptation of other buildings of HRK 94.083 thousand, advances paid to suppliers for investments of HRK 2.948 thousand and other investments of HRK 5.565 thousand.

Of the Group's total value of equipment, leased equipment under operating leases is as follows:

<i>(in thousands of HRK)</i>	2018	2019
Cost	134,047	117,986
Accumulated depreciation as at 1 January	(100,943)	(79,198)
Depreciation charge for the year	(3,948)	(3,749)
Carrying amount	29,156	35,039

The operating lease mostly relates to the lease of hospitality facilities and shops to third parties, and other relates to service activities, sport and recreation and similar. During 2019, the Group realised rental income of HRK 49,739 thousand (2018: HRK 43,537 thousand), where fixed amount is HRK 48,856 thousand (2018: HRK 42,882 thousand), while variable is HRK 883 thousand (2018: 655 thousand). All lease agreements are renewable, usually for period of 1 to 3 years and there is no purchase option. In the contracts, the Group obliges the lessees to submit the subject of the operating lease in the condition in which it was received.

Undiscounted future payments on 31 December 2019:

<i>(in thousands of HRK)</i>	Up to 1 year	More than 2, but less than 5 years	More than 5 years
Group	12,710	15,588	3,797
Company	7,244	9,735	2,459

NOTE 15 – INVESTMENT PROPERTY

(in thousands of HRK)

	GROUP	COMPANY
As at 31 December 2018		
Cost	17,111	17,111
Accumulated depreciation	(7,471)	(7,471)
Carrying amount	9,640	9,640
Year ended 31 December 2019		
Opening carrying amount	9,640	9,640
Transfer within the assets	5,627	5,627
Disposals and write-offs	(7,814)	(7,814)
Depreciation	(1,004)	(1,004)
Carrying amount at year end	6,449	6,449
As at 31 December 2019		
Cost	11,599	11,599
Accumulated depreciation	(5,150)	(5,150)
Carrying amount	6,449	6,449

As at 31 December 2019, the fair value of investment property (office space) approximates the carrying value. As at 31 December 2019, Company and Group do not have properties pledged as collateral for loans (2018: HRK 6,782 thousand).

NOTE 16 – INTANGIBLE ASSETS

GROUP

(in thousands of HRK)

	Goodwill /i/	Software	Total
As at 1 January 2018			
Cost	6,568	72,181	78,749
Accumulated amortisation	-	(33,524)	(33,524)
Carrying amount	6,568	38,657	45,225
Year ended 31 December 2018			
Opening carrying amount	6,568	38,657	45,225
Valamar Obertauern GmbH acquisition at fair value (Note 38b)	-	313	313
Hoteli Makarska d.d. acquisition at fair value (Note 38a)	-	16	16
Transfer within the assets	-	205	205
Additions	-	21,047	21,047
Amortisation	-	(13,078)	(13,078)
Disposals and write-offs	-	(1)	(1)
Carrying amount at year end	6,568	47,159	53,727
As at 31 December 2018			
Cost	6,568	93,690	100,258
Accumulated amortization	-	(46,531)	(46,531)
Carrying amount	6,568	47,159	53,727
Year ended 31 December 2019			
Opening carrying amount	6,568	47,159	53,727
Transfer within the assets	-	(2)	(2)
Additions	-	20,236	20,236
Amortisation	-	(17,142)	(17,142)
Disposals and write-offs	-	(630)	(630)
Carrying amount at year end	6,568	49,621	56,189
As at 31 December 2019			
Cost	6,568	107,285	113,853
Accumulated amortisation	-	(57,664)	(57,664)
Carrying amount	6,568	49,621	56,189

NOTE 16 – INTANGIBLE ASSETS / CONTINUED
COMPANY
(in thousands of HRK)

	Goodwill /i/	Software	Total
As at 1 January 2018			
Cost	6,568	71,151	77,719
Accumulated amortisation	-	(33,185)	(33,185)
Carrying amount	6,568	37,966	44,534
Year ended 31 December 2018			
Opening carrying amount	6,568	37,966	44,534
Transfer within the assets	-	205	205
Additions	-	20,121	20,121
Amortisation	-	(12,743)	(12,743)
Carrying amount at year end	6,568	45,549	52,117
As at 31 December 2018			
Cost	6,568	91,427	97,995
Accumulated amortisation	-	(45,878)	(45,878)
Carrying amount	6,568	45,549	52,117
Year ended 31 December 2019			
Opening carrying amount	6,568	45,549	52,117
Additions	-	19,148	19,148
Disposals and write-offs	-	(672)	(672)
Amortisation	-	(16,489)	(16,489)
Carrying amount at year end	6,568	47,536	54,104
As at 31 December 2019			
Cost	6,568	109,368	115,936
Accumulated amortisation	-	(61,832)	(61,832)
Carrying amount	6,568	47,536	54,104

/i/ Impairment tests for goodwill

Goodwill is allocated to the cash-generating unit (CGUs) for the transferred subsidiary Puntizela d.o.o., Pula that was merged to the parent company on 31 March 2017. The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations. These calculations use cash flow projections based on 5-year financial projections with the weighted average cost of capital ("WACC") of 6.979%.

NOTE 17 – INVESTMENT IN SUBSIDIARIES

COMPANY

<i>(in thousands of HRK)</i>	2018	2019
At beginning of the year	450,905	616,201
Acquisition of subsidiaries /i/	165,485	111,127
Valamar Hotels & Resorts GmbH liquidation /ii/	(189)	-
At year end	616,201	727,328

<i>(in thousands of HRK)</i>	OWNERSHIP	2018	2019
Palme turizam d.o.o., Dubrovnik	100.00%	115,448	115,448
Magične stijene d.o.o., Dubrovnik	100.00%	5,577	5,577
Bugenvilia d.o.o., Dubrovnik	100.00%	38,542	38,542
Imperial d.d./Imperial Riviera d.d., Rab /i/	43.68%	292,709	544,840
Hoteli Makarska d.d., Makarska /i/	46.93%	146,064	-
Valamar A GmbH, Tamsweg /i/	100.00%	16,105	20,414
Valamar Obertauern GmbH, Obertauern /i/	10.00%	1,756	2,507
		616,201	727,328

/i/ During 2018 the Company acquired an additional 0.30% of shares of Imperial d.d., Rab, 46.93% shares of Hoteli Makarska d.d., 100% stake in Valamar A GmbH and a 10% direct plus 90% indirect stake in Valamar Obertauern GmbH. In 2019, the Company holds 43.68% shares of Imperial Riviera, after the merger of Hoteli Makarska d.d. to Imperial Riviera d.d. and after the increase of Imperial Riviera's share capital in accordance with the General Assembly's Decision from 29 October 2019.

/ii/ The process of Valamar Hotels & Resorts GmbH liquidation ended in 2018.

The subsidiaries Bugenvilia d.o.o. and Palme turizam d.o.o. generate revenue from rent of property to the Company, while Magične stijene d.o.o., Valamar Hotels & Resorts GmbH until liquidation and Valamar A GmbH do not have business activity. Imperial d.d. and Hoteli Makarska d.d. and after the merger of Hoteli Makarska d.d. with Imperial d.d., Imperial Riviera d.d. generate revenues from performing their registered activities, primarily from hospitality activities (services of accommodation, food and drinks in hotels, tourist resorts and campings). Valamar Obertauern GmbH performs seasonal hospitality activity in its only hotel (during winter).

NOTE 18A – INTEREST IN JOINT VENTURE

According to the agreement, the Group controlled 33.33% of Pogača Babin kuk d.o.o. At the moment of incorporating the Company, the Group invested 49.67% of share capital or HRK 1,490 thousand, but has the right to 1/3 of realised profit or loss. On 26 October 2018, the Company sold its share in Pogača Babin kuk d.o.o.

GROUP

<i>(in thousands of HRK)</i>	2018	2019
At beginning of year on equity basis	1,247	-
Dividends paid	-	-
Share in net profit/(loss)	(128)	-
Share sold (26 October 2018)	(1,119)	-
At end of year on equity basis	-	-

COMPANY

<i>(in thousands of HRK)</i>	2018	2019
At beginning of year at acquisition cost	1,490	-
Share sold (26 October 2018)	(1,490)	-
At end of year at acquisition cost	-	-

Adjustment of share in joint venture with share in net assets of Pogača Babin kuk d.o.o.

GROUP

<i>(in thousands of HRK)</i>	2018	2019
At beginning of year	4,403	-
Net profit/(loss) for the year	(385)	-
At end of year (26 October 2018)	4,018	-
Share in net assets from joint venture (33.33%)	1,340	-
Dividends paid related to previous years	(221)	-
Dividends paid related to current year	-	-
Carrying amount	1,119	-

NOTE 18A – INTEREST IN JOINT VENTURE / CONTINUED

POGAČA BABIN KUK d.o.o. 100%

(in thousands of HRK)

	2018	2019
Assets:		
Non-current assets	370	-
Current assets	2,895	-
	3,265	-
Liabilities:		
Short-term liabilities	222	-
	222	-
Net assets	3,043	-
Income	6,911	-
Expenses	(7,296)	-
Profit /(loss) before tax	(385)	-
Share in profit /(loss) of joint venture (33.33%)	(128)	-

NOTE 18B – INTEREST IN ASSOCIATE

According to the Bankruptcy plan, determined following the investment and recapitalisation offer for Helios Faros d.d., in bankruptcy, which has been submitted 15 May 2017 jointly by the Company and PBZ Croatia osiguranje dioničko društvo za upravljanje obveznim mirovinskim fondovima, Zagreb, and according to the Decision on increasing share capital of Helios Faros d.d., in bankruptcy from 6 May 2019, in 2019 the Company paid HRK 22,800,000.00 and has obtained 2,280,000 shares with the nominal amount of HRK 10, which makes the stake of 23.61%. On 22 July 2019 the Commercial Court in Split rendered a Decision on Closing the Bankruptcy Proceedings related to the Helios Faros d.d., with registered office in Stari Grad. By closing the bankruptcy, the Company acquired full membership rights as a 23.61% shareholder.

In accordance with the decision of the General Assembly of the company Helios Faros on increasing the share capital from 26 November 2019, the Company is obliged to participate in the further increase of Helios Faros's share capital in the total amount of HRK 24,391,530.00 to acquire 2,439,153 shares, out of which it has paid the 25% of the total amount, and the remaining amount is set to be paid until 31 December 2021. Upon the implementation of the share capital increase the Company will hold a stake of 20% shares of Helios Faros d.d.

GROUP

(in thousands of HRK)

	2019
Share at acquisition cost on 22 July by equity method	22,800
Share increase - recapitalisation	24,392
Share in net profit/(loss) from 22 July to 31 December	476
At end of year on equity basis	47,668

Adjustment of share and share in net asset on 22 July

Net asset	89,116
Share in net asset on 22 July (23.61%)	21,040
Share adjustment - goodwill (23.61%)	(1,760)

Adjustment of share and share in net asset on 31 December

Net asset at the beginning of the period	89,116
Recapitalisation	139,392
Net result from 22 July to 31 December	2,381
Net asset at the end of the period	230,889

Share in net asset at the end of the period (20%)	46,178
Adjustment for goodwill (20%)	1,490
At the end of the period	47,668

NOTE 18B – INTEREST IN ASSOCIATE / CONTINUED

HELIOS FAROS d.d. 100%

(in thousands of HRK)

	22 July 2019	31 December 2019
Assets:		
Non-current assets	103,071	207,485
Current assets	6,876	40,189
	109,947	247,674
Liabilities:		
Provisions	12,646	12,208
Long-term liabilities	-	931
Short-term liabilities	8,185	3,646
	20,831	16,785
Net assets	89,116	230,889
Income	115,823	129,836
Expenses	20,363	31,471
Profit /(loss) before tax	95,460	98,365
Income tax	(2,128)	(2,652)
Profit /(loss) after tax	93,332	95,713
Net profit/(loss) in the period from 22 July to 31 December	-	2,381
Share in profit /(loss) by equity method (20%)	-	476

NOTE 19A – FINANCIAL INSTRUMENTS BY CATEGORY

GROUP

(in thousands of HRK)

	Cash, loans and receivables	Financial assets	Financial assets through comprehensive income	Total
31 December 2018				
<i>Assets at the reporting date</i>				
Financial assets not measured at fair value				
Trade receivables	40,432	-	-	40,432
Loans and deposits	16,147	-	-	16,147
Cash and cash equivalents	261,842	-	-	261,842
Financial assets measured at fair value				
Financial assets	-	4,484	-	4,484
Total	318,421	4,484	-	322,905

(in thousands of HRK)

	Cash, loans and receivables	Financial assets	Financial assets through comprehensive income	Total
31 December 2019				
<i>Assets at the reporting date</i>				
Financial assets not measured at fair value				
Trade receivables	24,104	-	-	24,104
Loans and deposits	801	-	-	801
Cash and cash equivalents	550,143	-	-	550,143
Financial assets measured at fair value				
Financial assets	-	391	-	391
Derivative financial instruments	-	-	140	140
Total	575,048	391	140	575,579

NOTE 19A – FINANCIAL INSTRUMENTS BY CATEGORY / CONTINUED

COMPANY

(in thousands of HRK)

	Cash, loans and receivables	Financial assets	Financial assets through comprehensive income	Total
31 December 2018				
<i>Assets at the reporting date</i>				
Financial assets not measured at fair value				
Trade receivables	36,527	-	-	36,527
Loans and deposits	16,099	-	-	16,099
Cash and cash equivalents	168,533	-	-	168,533
Financial assets measured at fair value				
Financial assets	-	4,100	-	4,100
Total	221,159	4,100	-	225,259

(in thousands of HRK)

	Cash, loans and receivables	Financial assets	Financial assets through comprehensive income	Total
31 December 2019				
<i>Assets at the reporting date</i>				
Financial assets not measured at fair value				
Trade receivables	18,955	-	-	18,955
Loans and deposits	644	-	-	644
Cash and cash equivalents	247,849	-	-	247,849
Financial assets measured at fair value				
Financial assets	-	335	-	335
Derivative financial instruments	-	-	140	140
Total	267,448	335	140	267,923

The above-mentioned amounts of financial assets represent the Group's maximum exposure to credit risk at the reporting date. The carrying values approximate their fair value due to their short-term maturity.

NOTE 19A – FINANCIAL INSTRUMENTS BY CATEGORY / CONTINUED

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Liabilities at reporting date				
<i>Financial liabilities – at amortised cost:</i>				
Trade and other payables	169,145	209,913	156,469	188,890
Borrowings	2,435,132	2,734,332	2,182,117	2,404,180
	2,604,277	2,944,245	2,338,586	2,593,070
<i>Financial liabilities at fair value through profit or loss:</i>				
Derivative financial instruments	7,616	17,048	7,616	17,048
	2,611,893	2,961,293	2,346,202	2,610,118

NOTE 19 B - CREDIT QUALITY OF FINANCIAL ASSETS

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Loans and deposits				
Loans and deposits	588	666	512	616
	588	666	512	616

The credit quality of other financial assets is stated in the following notes.

NOTE 20 – FINANCIAL ASSETS

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Listed equity securities /i/	4,290	221	3,960	195
Other	194	170	140	140
	4,484	391	4,100	335

/i/ Investments in securities represent less than 1% ownership interests and are presented at fair value.

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
At beginning of year	3,791	4,484	3,761	4,100
Change in fair value recognised in other comprehensive income	339	86	339	86
Disposal	-	(4,179)	-	(3,851)
Subsidiaries acquisition	354	-	-	-
At end of year	4,484	391	4,100	335

NOTE 21 – LOANS AND DEPOSITS

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Loans	269	248	254	141
Deposits	15,878	553	15,845	503
Total	16,147	801	16,099	644
Less: non-current portion	(15,706)	(113)	(15,706)	(113)
Current portion	441	688	393	531

Loans include the amount of HRK 113 thousand (2018: HRK 147 thousand) due from employees for housing loans at an interest rate of 1% payable by 2025. The loans are not secured with any collateral.

All given loans and deposits are denominated in HRK.

The carrying amounts of short-term loans and deposits approximate their fair value. The fair value of non-current loans and deposits of Group is HRK 115 thousand (2018: HRK 15,703 thousand) and the fair value of non-current loans and deposits of the Company is HRK 115 thousand (2018: HRK 15,703 thousand). The fair value is calculated based on the cash flows discounted at a rate of 0.32% (2018: 1.68%), which presents the yield to maturity on the bond of the Republic of Croatia with maturity in 2025.

NOTE 22 – INVENTORIES

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Raw materials and supplies	15,503	17,566	13,096	14,886
Trade goods, small inventory and packaging material	9,944	8,259	9,804	7,499
	25,447	25,825	22,900	22,385

NOTE 23 – TRADE AND OTHER RECEIVABLES

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Domestic receivables	24,305	15,565	18,887	10,699
Foreign receivables	20,266	11,523	17,881	7,580
Related parties receivables	-	24	1,853	2,587
Provision for impairment of trade receivables	(9,262)	(6,254)	(7,010)	(4,969)
Trade receivables – net	35,309	20,858	31,611	15,897
Accrued income	5,058	3,222	4,851	3,034
Interest receivables	65	24	65	24
	40,432	24,104	36,527	18,955
Less: non-current portion	-	-	-	-
Current portion	40,432	24,104	36,527	18,955
Prepaid expenses	20,185	17,093	19,302	14,817
VAT receivable	4,645	13,000	2,596	9,616
Advances to suppliers	575	1,136	544	1,115
Receivables from employees	1,391	936	1,367	912
Receivables from state institutions	707	1,119	320	508
Other receivables	512	464	507	417
Total current receivables	68,447	57,852	61,163	46,340
Total trade and other receivables	68,447	57,852	61,163	46,340

NOTE 23 – TRADE AND OTHER RECEIVABLES / CONTINUED

Movement of provisions for impairment of trade and other receivables:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
At 1 January	8,851	9,262	7,701	7,010
Increase of impairment	1,485	719	297	548
Collected receivables	(458)	(675)	(444)	(670)
Receivables written-off	(616)	(3,052)	(544)	(1,919)
At 31 December	9,262	6,254	7,010	4,969

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Trade receivables:				
Neither past due nor impaired	20,131	5,135	21,428	7,072
Past due, but not impaired	15,178	15,723	10,183	8,825
	35,309	20,858	31,611	15,897

Trade and other receivables are carried at amortised cost.

As at 31 December 2019, the maturities of the trade receivables, which are past due, but not impaired are as follows:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Up to one month	4,962	6,610	4,229	5,711
One to two months	3,087	1,188	1,913	531
Two to three months	3,182	3,031	1,721	1,442
Over three months up to 1 year	3,947	4,894	2,320	1,141
	15,178	15,723	10,183	8,825

NOTE 23 – TRADE AND OTHER RECEIVABLES / CONTINUED

The carrying amounts of trade and other receivables are denominated in the following currencies:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
EUR	20,690	11,975	18,313	8,079
HRK	14,619	8,883	13,298	7,818
	35,309	20,858	31,611	15,897

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group holds advances, bills of exchange and promissory notes, and periodically mortgage as collection security. The carrying amounts of trade and other receivables approximate their fair value since they are short-term.

NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS

GROUP AND COMPANY

	2018		2019	
	Receivables	Liabilities	Receivables	Liabilities
Fair value of the interest rate swap	-	7,616	-	15,994
Market value of foreign currency forward contracts	-	-	140	1,054
Total	-	7,616	140	17,048
Less the non-current portion:				
Fair value of interest rate swap	-	(5,162)	-	(11,023)
Market value of foreign currency forward contracts	-	-	140	1,054
Current portion	-	2,454	140	6,025

Interest rate swaps and foreign currency forwards

As at 31 December 2019, the contracted value of outstanding interest rate swaps amounts to HRK 671,408 thousand (2018: HRK 690,807 thousand).

As at 31 December 2019, the contracted value of foreign currency forwards amounts to HRK 535,866 thousand (2018: HRK 0 thousand).

As at 31 December 2019, the weighted average base interest rate fixed by the interest rate swap contract for a loan in EUR is 0.48%, while the base variable interest rate (EURIBOR) is -0.38%. Fair value gains and losses on interest rate swaps are recognised directly in the Statement of comprehensive income within the finance costs until the repayment of borrowings with a final maturity as at 30 June 2028.

NOTE 25 – DEFERRED TAX ASSET / LIABILITY

DEFERRED TAX ASSET

GROUP							
<i>(in thousands of HRK)</i>	Property, plant and equipment	Financial assets	Trade receivables and inventories	Provisions	Tax losses	Tax incentive for investment	Total
As at 1 January 2018	33,523	771	3,696	5,742	-	96,932	140,664
Increase – Hoteli Makarska d.d. acquisition (38a)	-	-	-	824	-	-	824
Increase – Valamar Obertauern GmbH acquisition (38b)	227	-	-	-	3,101	-	3,328
Credited to the income	72	1,120	-	940	2,766	25,771	30,669
Debited to the income	(79)	(34)	(10)	(502)	-	(49,154)	(49,779)
As at 31 December 2018	33,743	1,857	3,686	7,004	5,867	73,549	125,706
Other changes	1	-	-	-	10	-	11
Correction of deferred tax assets in profit and loss related to inter-group transaction	-	-	-	-	-	22,005	22,005
Credited to the income	52	1,747	-	1,052	1,733	114,070	118,655
Debited to the income	(79)	(49)	(3)	(607)	(2,969)	(68,837)	(72,544)
As at 31 December 2019	33,717	3,555	3,683	7,449	4,641	140,787	193,832
COMPANY							
<i>(in thousands of HRK)</i>	Property, plant and equipment	Financial assets	Trade receivables and inventories	Provisions	Tax losses	Tax incentive for investment	Total
As at 1 January 2018	15,474	1,783	3,695	4,676	-	96,932	122,560
Credited to the income	-	1,120	-	799	-	25,771	27,690
Debited to the income	(79)	(34)	(10)	(263)	-	(49,154)	(49,540)
As at 31 December 2018	15,395	2,868	3,685	5,212	-	73,549	100,710
Credited to the income	22	1,747	-	1,007	-	76,074	78,850
Debited to the income	(79)	(49)	(3)	(233)	-	(68,837)	(69,201)
As at 31 December 2019	15,338	4,566	3,682	5,986	-	80,786	110,359

NOTE 25 – DEFERRED TAX ASSET / LIABILITY / CONTINUED

DEFERRED TAX LIABILITY

GROUP

<i>(in thousands of HRK)</i>	Financial assets held for sale	Fair value of land and buildings	Total
As at 1 January 2019	157	68,404	68,561
Debited to the income	-	(5,351)	(5,351)
Debited to the other comprehensive income	(164)	-	(164)
As at 31 December 2019	(7)	63,053	63,046

COMPANY

<i>(in thousands of HRK)</i>	Financial assets held for sale	Fair value of land and buildings	Total
As at 1 January 2019	157	15,070	15,227
Debited to the income	-	(885)	(885)
Debited to the other comprehensive income	(151)	-	(151)
As at 31 December 2019	6	14,185	14,191

NOTE 26 – CASH AND CASH EQUIVALENTS

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Giro-accounts and current accounts	149,323	407,829	143,324	118,238
Cash in hand	393	426	-	-
Foreign currency accounts	63,155	30,249	10,374	17,972
Time deposits up to one month	48,971	111,639	14,835	111,639
	261,842	550,143	168,533	247,849

The interest rate on cash and cash equivalents is up to 0.20% (2018: up to 0.30%).

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
HRK	166,462	426,614	160,308	136,821
EUR	94,141	122,054	7,310	109,947
CHF	687	249	465	-
Other	552	1,226	450	1,081
	261,842	550,143	168,533	247,849

NOTE 27 – SHARE CAPITAL

The authorised and registered share capital of the Company in 2019 amounts to HRK 1,672,021 thousand (2018: HRK 1,672,021 thousand) and comprises 126,027,542 ordinary shares (2018: 126,027,542) with no prescribed nominal value. All the shares are fully paid.

The ownership structure as at 31 December is as follows:

2018	Number of shares	%
Goldscheider Keramik Gesellschaft M.B.H., Beč	25,017,698	19.85
Wurmbock Beteiligungs GMBH, Beč	25,017,698	19.85
Satis d.o.o., Zagreb	6,524,904	5.18
Lanschutzer Franz	5,587,788	4.43
Enitor d.o.o., Zagreb	2,720,950	2.16
Hrvatska poštanska banka/Custodian, Zagreb	1,856,036	1.47
PBZ d.d./The Bank of New York as custodian/Custodian, Zagreb	1,348,216	1.07
Zagrebačka banka d.d./Custodian, Zagreb	1,117,027	0.89
OTP banka d.d./Custodian, Split	1,067,013	0.85
PBZ d.d./State street client account/Custodian, Zagreb	1,008,110	0.80
Treasury shares	3,122,604	2.48
Other shareholders - free float	51,639,498	40.97
Total	126,027,542	100.00

2019	Number of shares	%
Goldscheider Keramik Gesellschaft M.B.H., Beč	25,017,698	19.85
Wurmbock Beteiligungs GMBH, Beč	25,017,698	19.85
Satis d.o.o., Zagreb	6,524,904	5.18
Raiffeisenbank Austria d.d./Custodian account/Zagreb	5,587,788	4.43
Enitor d.o.o., Zagreb	2,720,950	2.16
Hrvatska poštanska banka/Kapitalni fond d.d. /Custodian, Zagreb	1,867,783	1.48
CERP, Zagreb	1,711,024	1.36
PBZ d.d./The Bank of New York as custodian/Custodian, Zagreb	1,544,871	1.23
PBZ d.d./State street client account/Custodian, Zagreb	1,223,308	0.97
OTP banka d.d./Erste plavi OMF kategorije B/Custodian, Split	1,067,013	0.85
Treasury shares	4,139,635	3.28
Other shareholders - free float	49,604,870	39.36
Total	126,027,542	100.00

NOTE 27 – SHARE CAPITAL / CONTINUED

In 2019, there were no changes in share/equity capital of the Company.

As previously reported, based on the decision adopted by the Company's General Assembly held on 24 July 2013, the registered capital was increased by a conversion of the reinvested profit of the year 2012 by HRK 52,200 thousand. The distribution of the reinvested profit of HRK 52,200 thousand in future periods may result in tax obligations given it is based on a tax incentive.

The Company has acquired and released treasury shares during 2019. The Company

has acquired 1,055,088 treasury shares, accounting for 0.83% of the share capital in the total amount of HRK 39,396 thousand and effectively disposed 38,057 treasury shares, accounting for 0.03% of the share capital in the total amount of HRK 1,097 thousand, all on paid-out dividends in accordance with the resolution adopted by the General Assembly on 9 May 2019, as explained in Note 28b.

As at 31 December 2019, the Company owned 4,139,635 of their treasury shares (2018: 3,122,604), which represents 3.28% (2018: 2.48%) of the Company's registered capital.

NOTE 28 – RESERVES AND RETAINED EARNINGS

a) Capital reserves

The capital reserves of the Group increased during the year in the amount of HRK 406 thousand and at 31 December 2019 amount to HRK 5,223 thousand (2018: HRK 4.817 thousand).

As at 31 December 2019, the capital reserves of the Company amounted to HRK 5,711 thousand (2018: HRK 5.304 thousand).

NOTE 28 – RESERVES AND RETAINED EARNINGS / CONTINUED

b) Reserves and retained earnings

GROUP

<i>(in thousands of HRK)</i>	2018	2019
Legal reserves	83,601	83,601
Fair value reserves	905	61
Other reserves	120,851	160,851
Retained earnings	560,463	690,708
	765,820	935,221
Changes in reserves:		
Legal reserves		
At beginning of the year	83,601	83,601
At year end	83,601	83,601
Fair value reserves		
At beginning of the year	634	905
Change in fair value financial assets	271	189
Effect of selling financial assets	-	(1,033)
At year end	905	61
Other reserves		
At beginning of the year	68,851	120,851
Transfer to treasury shares reserve	52,000	40,000
At year end	120,851	160,851
Retained earnings		
At beginning of the year	492,716	560,463
Result for the year	235,337	284,536
Transfer to legal reserves	(52,000)	(40,000)
Transfer to other reserves	(111,730)	(122,587)
Dividends	(3,860)	-
Subsidiary acquisition	-	8,296
At year end	560,463	690,708

NOTE 28 – RESERVES AND RETAINED EARNINGS / CONTINUED

b) Reserves and retained earnings / CONTINUED

COMPANY		
<i>(in thousands of HRK)</i>	2018	2019
Legal reserves	83,601	83,601
Fair value reserve	905	61
Other reserves	135,334	175,334
Retained earnings	663,714	878,134
	883,554	1,137,130
Changes in reserves:		
Legal reserves		
At beginning of the year	83,601	83,601
At year end	83,601	83,601
Fair value reserves		
At beginning of the year	634	905
Change in fair value financial assets	271	189
Effect of selling financial assets	-	(1,033)
At year end	905	61
Other reserves		
At beginning of the year	22,451	135,334
Transfer to treasury shares reserve	52,000	40,000
Subsidiaries merger loss cover	60,883	-
At year end	135,334	175,334
Retained earnings		
At beginning of the year	649,047	663,714
Result for the year	239,279	377,007
Transfer to other reserves	(52,000)	(40,000)
Dividends	(111,730)	(122,587)
Transfer to other reserves	(60,883)	-
At year end	663,714	878,134

NOTE 28 – RESERVES AND RETAINED EARNINGS / CONTINUED

b) Reserves and retained earnings / CONTINUED

Legal reserves

The legal reserve is required under Croatian law and shall be built up at a minimum of 5% of the profit for the year until the total legal reserve together with capital reserves reach 5% of the Company's share capital. As at 31 December 2019, the legal reserves of the Group and the Company amounted to HRK 83,601 thousand or 5.00% of the share capital (2018: HRK 83,601 thousand or 5.00% of the share capital). This reserve is not distributable.

Other reserves

On the basis of a decision of the General Assembly and in accordance with the regulations, the Company creates treasury share reserves. As at 31 December 2019, treasury share reserves amounted to HRK 136,815 thousand.

As at 31 December 2019, other reserves of the Group amounted to HRK 160,851 thousand which include reserves for treasury shares in the amount of HRK 136,815

thousand, and the remaining amount are related to consolidation effect. As at 31 December 2019, other reserves of the Company amounted to HRK 175,334 thousand, which consist of treasury shares in the amount of HRK 136,815 thousand and other reserves from the merger of subsidiaries in the amount of HRK 38,519 thousand.

On the basis of a decision adopted by the General Assembly held on 9 May 2019, the Company paid out a dividend of HRK 1.00 per share, which amounted to HRK 122,587 thousand, from which HRK 121,083 thousand was paid in cash, and the remaining part by assigning 38,057 shares of the Company.

Fair value reserves

As at 31 December 2019, the fair value reserves of the Company and the Group amounted to HRK 61 thousand. This reserves are not distributable and relate to the fair value of financial assets.

NOTE 29 – BORROWINGS

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Current				
Bank borrowings	227,218	287,959	203,359	257,433
Finance lease	29	58	-	-
	227,247	288,017	203,359	257,433
Non-current				
Bank borrowings	2,207,874	2,446,302	1,978,758	2,146,747
Finance lease	11	13	-	-
	2,207,885	2,446,315	1,978,758	2,146,747
Total borrowings	2,435,132	2,734,332	2,182,117	2,404,180

All banks have secured their borrowed funds with a pledge over Group's property facilities and movable property with a net book value of HRK 1,995,903 thousand (2018: HRK 2,112,018 thousand) (Note 14 and 15).

All banks have secured their borrowed funds with a pledge over Company's property facilities and movable property with a net book value of HRK 1,574,076 thousand (2018: HRK 1,717,134 thousand) (Note 14 and 15).

As at 31 December 2019, the Company had unused lines of credit contracted with financial institutions for 2020 in the total amount of HRK 915,233 thousand, and the Group in the total amount of HRK 922,096 thousand.

NOTE 29 – BORROWINGS / CONTINUED

The carrying amount of borrowings is denominated in EUR. Effective interest rates at the reporting date were as follows:

GROUP				
Borrowings:	2018		2019	
	<i>(in thousands of HRK)</i>	%	<i>(in thousands of HRK)</i>	%
EUR	2,340,377	0.99% - 6.0%	2,635,914	1.12% - 3.0%
HRK	94,755	1.0% - 2.0%	98,418	0.0% - 2.95%
	2,435,132		2,734,332	

COMPANY				
Borrowings:	2018		2019	
	<i>(in thousands of HRK)</i>	%	<i>(in thousands of HRK)</i>	%
EUR	2,169,732	0.99% - 3.0%	2,392,872	1.12% - 3.0%
HRK	12,385	2.0%	11,308	2.0%
	2,182,117		2,404,180	

NOTE 29 – BORROWINGS / CONTINUED

Maturities of non-current borrowings are as follows:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
1-3 years	475,194	604,825	421,480	529,397
3-6 years	672,301	791,040	603,585	695,930
Over 6 years	1,060,390	1,050,450	953,693	921,420
	2,207,885	2,446,315	1,978,758	2,146,747

The carrying amounts and fair value of non-current borrowings are as follows:

<i>(in thousands of HRK)</i>	Carrying amounts		Fair value	
	2018	2019	2018	2019
Group	2,207,885	2,446,315	2,178,134	2,411,026
Company	1,978,758	2,146,747	1,963,536	2,119,047

The fair value is based on discounted cash flows discounted using a rate based on the weighted average interest rate on Group's borrowings of 2.05% (2018: 2.05%). The carrying amounts of current portion of non-current borrowings approximate their fair value due to short term maturity.

NOTE 30 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

IFRS 16 Leases supersedes: IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Company and the Group adopted IFRS 16 using the modified retrospective simplified method of adoption and the standard was applied with the date of initial application of 1 January 2019.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)):

<i>(in thousands of HRK)</i>	GROUP	COMPANY
Assets		
Right-of-use assets	16,807	18,550
Prepayments	(3,657)	(3,657)
Total assets	13,150	14,893
Liabilities		
Lease liabilities	13,150	14,893
Total liabilities	13,150	14,893

Before the application of IFRS 16, the Company and the Group classified each of their leases (as lessee) at the commencement date as either a finance lease or an operating lease, described in Note 2.13.1. The Company and the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets described in Note 2.13.2.

NOTE 30 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES / CONTINUED

The Company and the Group applied the following transition practical expedients:

- The short-term lease exemptions are applied to leases with a lease term that ends within 12 months of the initial application date.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.
- Relying on the assessment to apply IAS 37 on lease contracts immediately before the date of initial application of the standard.

The transition practical expedient exclude of initial direct costs from the measurement of the right-of-use asset at the date of initial application was not applicable for the Company and the Group.

Reconciliation of lease liabilities as of 1 January 2019 to the operating lease commitments as of 31 December 2018:

<i>(in thousands of HRK)</i>	GROUP	COMPANY
Operating lease commitments as at 31 December 2018	13,276	14,216
Weighted average incremental borrowing rate as at 1 January 2019	2.45%	2.45%
Discounted operating lease commitments as at 1 January 2019	12,136	13,030
Less:		
Commitments relating to short-term leases	(109)	(109)
Add:		
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	1,123	1,972
Lease liabilities as at 1 January 2019	13,150	14,893

NOTE 30 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES / CONTINUED

The Company and Group as lessees

The Company and the Group have leases for properties, motor vehicles and land used for their business. The lease term for most contracts is between 3 and 5 years, with the exception of several leases with a tenancy of more than 10 years. The Company and the Group have a restriction regarding the lease of certain lease subjects to sublease them.

Recognised right-of-use assets and the movements during the period:

GROUP				
<i>(in thousands of HRK)</i>	Property	Land	Motor vehicles	Total
As at January 2019	2,210	11,792	2,806	16,808
Additions	1,141	860	1,653	3,654
Depreciation	(1,591)	(2,582)	(765)	(4,938)
As at 31 December 2019	1,760	10,070	3,694	15,524
COMPANY				
<i>(in thousands of HRK)</i>	Property	Land	Motor vehicles	Total
As at January 2019	2,931	12,813	2,806	18,550
Additions	1,140	187	1,282	2,609
Depreciation	(1,831)	(2,759)	(730)	(5,320)
As at 31 December 2019	2,240	10,241	3,358	15,839

In 2019, the Company had additions to right-of-use assets in the amount of HRK 2,610 thousand, while the Group had HRK 3,654 thousand.

NOTE 30 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES / CONTINUED

Lease liabilities and the movements during the period:

<i>(in thousands of HRK)</i>	GROUP	COMPANY
As at January 2019	13,150	14,893
Additions	2,792	1,813
Accretion of interest	344	381
Payments	(4,280)	(4,728)
As at 31 December 2019	12,006	12,359
Current assets	3,817	3,589
Non-current assets	8,189	8,770

IFRS 16 in profit and loss:

<i>(in thousands of HRK)</i>	GROUP	COMPANY
Depreciation expense of right-of use assets	4,938	5,320
Interest expense on lease liabilities	344	382
Expense relating to short-term leases	109	109
Variable lease payments	40	40
Total	5,431	5,851

Depreciation expense of right-of-use assets are included in Depreciation and amortization within the Statement of comprehensive income, while the Interest expense on lease liabilities is included in Interest expense (Note 11).

For these leases the Company and the Group apply short-term and low-value asset exemptions. As the low-value asset leases are short-term leases as well, the Company and the Group present them as short-term leases. Expense relating to short-term leases are included in Rent (Note 7) in the amount of HRK 109 thousand. Variable lease payments are included in the Municipal charges, concessions and other (Note 9).

NOTE 30 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES / CONTINUED

In 2019 total cash outflows for amounted to HRK 4,877 thousand for the Company and HRK 4,429 thousand for the Group (including cash outflows for short-term leases and variable lease payments). Within Statement of cash flow, cash payments for the principal portion of the lease liability are within financing activities, while the Cash payments for the interest portion of the lease liability and cash outflows for short-term leases and variable lease payments are within operating activities.

Undiscounted future cash outflows on 31 December 2019 to which the Company and the Group are potentially exposed that are not reflected in the measurement of lease liabilities:

<i>(in thousands of HRK)</i>	GROUP	COMPANY
Extension – not certain	8,078	8,078
Termination – certain	-	-
Variable lease payments	132	132
Residual value guarantees	-	-
Leases not yet commenced to which the lessee is committed	471	471

NOTE 31- TRADE AND OTHER PAYABLES

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Trade payables	112,834	145,728	102,604	127,455
Trade payables – related parties	52	18	304	241
Interest payable	3,021	2,513	2,044	1,758
Concession fees payable	53,238	61,654	51,517	59,436
	169,145	209,913	156,469	188,890
Minus: non-current portion /i/	(50,476)	(58,671)	(48,755)	(56,453)
Current portion	118,669	151,242	107,714	132,437
Liabilities for dividend	251	389	10	10
Liabilities to employees	28,375	29,133	22,823	24,837
Liabilities for calculated vacation and redistribution hours	24,263	23,284	19,958	20,320
Liabilities for taxes and contributions and similar charges	11,214	12,306	9,464	10,114
Accrued VAT liabilities in unrealized income	601	383	573	378
Advances received	38,937	38,363	34,738	31,610
Liabilities for calculated costs	17,299	27,065	10,926	8,933
Other liabilities	2,684	2,542	1,635	1,939
Other current liabilities	242,293	284,707	207,841	230,578
Total trade payables and other liabilities	292,769	343,378	256,596	287,030

/i/ Separated long-term obligation part for a concession fee for tourist land.

NOTE 31- TRADE AND OTHER PAYABLES / CONTINUED

The carrying amount of financial liabilities for trade payables, interest and concessions are denominated in the following currencies:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
EUR	11,529	8,635	6,592	5,281
GBP	134	211	134	211
USD	-	21	-	21
HRK	157,482	201,046	149,743	183,378
	169,145	209,913	156,469	188,890

NOTE 32 – PROVISIONS AND OTHER ACCRUED EXPENSES

GROUP

<i>(in thousands of HRK)</i>	Termination benefits and jubilee awards	Legal proceedings	Bonuses	Total
As at 1 January 2019	11,175	67,197	27,408	105,780
Additional provisions	6,148	3,937	19,564	29,649
Used during year	(828)	(13,979)	(25,955)	(40,762)
Reversed during year	(1,194)	(4,173)	(1,175)	(6,542)
As at 31 December 2019	15,301	52,982	19,842	88,125
2019				
Current portion	1,425	-	19,842	21,267
Non-current portion	13,876	52,982	-	66,858

COMPANY

<i>(in thousands of HRK)</i>	Termination benefits and jubilee awards	Legal proceedings	Bonuses	Total
As at 1 January 2019	8,299	27,804	25,838	61,941
Additional provisions	4,847	3,553	17,563	25,963
Used during year	(404)	-	(24,663)	(25,067)
Reversed during year	(731)	(566)	(1,175)	(2,472)
As at 31 December 2019	12,011	30,791	17,563	60,365
2019				
Current portion	164	-	17,563	17,727
Non-current portion	11,847	30,791	-	42,638

NOTE 32 – PROVISIONS AND OTHER ACCRUED EXPENSES / CONTINUED

Legal cases Company

The provisions for legal proceedings from previous years primarily refer to the land sold for construction purposes in Dubrovnik in 1995 with a total surface area of 11,239 m², which was not included in the share capital of subsidiary Dubrovnik – Babin kuk d.d. during the transformation and privatisation. A number of buyers were not able to register their ownership title over the stated land, and consequently initiated legal proceedings with the Municipal Court in Dubrovnik with the aim of terminating their sales contracts and on the basis of expectation of future payments recorded based on the value of the aforementioned land according to the sales contracts.

In the year 2018, the Company made new provisions for legal proceedings in the amount of HRK 2,039 thousand, mainly with regard to two disputes concerning land ownership on the island of Krk: first related to the sold land not partially estimated in the conversion process and the privatisation of Zlatni otok d.d., so the buyer regressively claims the amount that paid to the Republic of Croatia for the not estimated part; and second related to the property owners' request, whose small part

of property is included in the Krk camping, for benefit payments from usufruct.

In the year 2019, the Company made new provisions for legal proceedings in the amount of HRK 3,553 thousand, which to a small extent relate to two labour disputes over claims for payment of unpaid contributions for extended pension insurance, and to a large extent to the property claims of the book and/or book owners of a part of real estate in the Bunculuka camps in Baška (island of Krk) and Marina in Sv. Marina (Istrian coast).

Legal cases Group

Legal cases of the Group include Company's land ownership disputes and legal proceedings of Imperial d.d. and Hoteli Makarska d.d., that is, after the merger, Imperial Riviera d.d.

The increase in the Group's legal cases provision during 2019 is the result of additional provisions made on the basis of legal advisors estimations regarding the land ownership disputes and outcomes of ongoing legal cases.

NOTE 33 – CONSOLIDATED SUBSIDIARIES

	Country	OWNERSHIP AT 31 DECEMBER	
		2018	2019
Palme turizam d.o.o.	Croatia	100.00%	100.00%
Magične stijene d.o.o.	Croatia	100.00%	100.00%
Bugenvilia d.o.o.	Croatia	100.00%	100.00%
Imperial d.d./Imperial Riviera d.d. /i/	Croatia	56.21%	43.68%
Hoteli Makarska d.d. /i/	Croatia	46.93%	-
Valamar A GmbH	Austria	100.00%	100.00%
Valamar Obertauern GmbH	Austria	100.00%	100.00%

/i/ Non-controlling interest in Group's assets of HRK 731,022 thousand in 2019 (2018: HRK 401,993 thousand) refers to a non-controlling interest in Imperial Riviera d.d. of 56.32% (2018: 43.79%). On 28 June 2019 Hoteli Makarska d.d. was merged with Imperial Riviera d.d. Pursuant to the General Assembly decision of Imperial Riviera d.d. on 29 October 2019 the share capital was increased, in which the Company contributed in the amount of HRK 106,068 thousand.

NOTE 34 – CONTINGENCIES AND COMMITMENTS

Legal proceedings

In the ordinary course of business, the Company is plaintiff and defendant in various legal actions. In the financial statements for the year ended on 31 December 2019, provisions for certain legal proceedings have been made for which the Company anticipates outflows of HRK 30,791 thousand.

Transformation and privatisation audit and land ownership

A transformation and privatisation audit was carried out for the Company during 2002 and 2003, with a separate audit for Riviera Poreč d.d. (formerly Riviera Holding d.d., Riviera Adria d.d., now Valamar Riviera d.d.) and for companies merged into Valamar Riviera d.d.: Rabac d.d., Zlatni Otok d.d. and Dubrovnik Babin kuk d.d. The reports claim that the transformation and privatisation process had not been performed entirely in accordance with legal regulations, primarily in relation to properties that are not appraised in the Company's equity, but are owned by the Company and are partly recorded in the land records, as well as properties that are reported in the Company's equity, but have not yet been recorded in the land registry. The Company, as well as its legal predecessors, submitted timely objections to the transformation and privatisation audit reports to the State Audit Office, but at the date of issue of these financial statements, they had not received any response from the State Audit Office with respect to the objection of the Company and/or the legal predecessors of the Company.

The outcome of these proceedings is not expected to have a significant impact on the financial position or results of the Company or the Group.

To protect their interests, the Company is conducting a number of legal and/or administrative procedures, which primarily refer to land excluded from the valuation in the process of transformation and privatisation, but partially registered by the Company and to a portion on which catering and other facilities have been built or are in function (in the Lanterna and Solaris resorts and the Lanterna, Solaris, Istra, Ježevac, Krk and Škrila camping grounds) as well as procedures in relation to land in Dubrovnik, which was appraised, but not registered, and land which has been sold, but was not appraised.

The outcome and the result of the legal and other proceedings cannot be predicted with

any degree of certainty, but a resolution was expected in accordance with the Act on Tourist and Other Construction Land not Appraised in Transformation and Privatisation Processes, and in relation to land in the area of Dubrovnik, through settlement. On 1 August 2010, the Act on Tourist and Other Construction Land not Appraised in Transformation and Privatisation Processes ("the ZOTZ") entered into force, on the basis of the provisions of which the ownership and co-ownership over land not appraised in the transformation and privatisation processes should have been finally be determined, and in the spirit of the provisions of which all disputes that were ongoing in relation to unappraised tourist land, primarily the land in the area of Poreč, Rabac and Krk, should have been resolved. The Company initiated procedures in accordance with the provisions of the ZOTZ within the prescribed period, through submission of a request on 31 January 2011 for concessions on tourist land in camping grounds and tourist land in tourist resorts, as well as requests for verification of plots/land ground-plan surface area of appraised buildings (hotels, apartments and other appraised buildings) and other prescribed requests. The ownership and/or co-ownership by the Company of the portion of land not appraised in the transformation and privatisation procedures should have been determined by the outcome of these procedures. The aforementioned procedures have not been completed yet, however, the Company makes so-called advance payments of the concession fees for tourist land to the competent authorities.

As the new Act on unappraised land was announced during 2019, based on and pursuant to which procedures should be initiated in accordance with the provisions of the ZOTZ, further assessment of the outcome of the unappraised land proceedings could only be predicted after the new Act will be in force. The Proposal for the Act on unappraised land act passed the procedure of the first reading in the Parliament of Republic of Croatia and was submitted to the Government of the Republic of Croatia with comments, proposals and opinions for the preparation of the final proposal. A second reading of the Act is expected by the end of March 2020.

The Company is in the process of harmonisation and negotiations with the CERP and the Croatian State Prosecution related to land in Dubrovnik.

The outcome of these procedures is not expected to have a significant impact on the financial statements or results of the Company or the Group.

NOTE 35 – CASH GENERATED FROM OPERATIONS

Adjustment of profit with cash generated from operations:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Profit before taxation	258,082	232,472	260,207	366,474
Adjustment for:				
Depreciation and amortisation	410,522	474,514	344,692	380,124
Net gains on sale of property, plant and equipment and intangible assets	(3,593)	(42,755)	(3,455)	(161,314)
Write-off of property, plant and equipment	9,436	31,971	7,903	23,808
Provision for impairment of trade and other receivables - net	1,027	45	(147)	(122)
Finance costs - net	21,012	61,395	18,833	55,674
Fair value gains from financial assets available for sale - net	1,119	143	1,440	142
Fair value gains from financial instruments - net and financial assets	6,062	9,292	6,062	9,292
Increase in provisions - net	23,211	(11,829)	7,050	6,939
Share of (profit)/loss in joint venture - net	128	-	-	-
Changes in:				
- Trade and other receivables	(37,601)	18,083	(27,162)	13,508
- Inventories	(951)	(378)	1,016	515
- Trade and other payables	6,472	74,486	4,209	45,682
Cash generated from operations	694,926	847,439	620,648	740,722

NOTE 36 – RELATED PARTY TRANSACTIONS

Related parties are those companies, which have the power to exercise control over the other party or are under common control or which have a significant influence on the other party in doing business or making financial decisions or is directly or indirectly involved in the management or supervision.

The related parties in the Valamar Group in 2018 and 2019 are: Epic Goldscheider & Wurmböck Unternehmen-sberatungsgesellschaft m.b.H, Wien (until the demerger with takeover, based of the agreement from 20 December 2017), EPIC Hospitality Holding GmbH, Wien (until the demerger with takeover, based of the agreement from 20 December 2017 and merger 15 June 2018), Wurmböck Beteiligungs GmbH, Wien (since 16 June 2018), Bugenvillia d.o.o., Dubrovnik, Satis d.o.o., Zagreb, Enitor d.o.o., Zagreb, Magične stijene d.o.o., Palme turizam d.o.o., Valamar Hotels and Resorts GmbH, Frankfurt am Main, in liquidation (until 15 June 2018), Imperial d.d./ Imperial Riviera d.d., Rab, Valamar A GmbH (since 23 June 2018), Valamar Obertauern GmbH (since 18 August 2018), Hoteli Makarska (since 17 July 2018 until the merger with Imperial d.d. on 28 June 2019).

Valamar Riviera d.d., Poreč is the parent company of the subsidiaries:

- Palme turizam d.o.o., Dubrovnik, Magične stijene d.o.o., Dubrovnik and Bugenvilia d.o.o., Dubrovnik,
- Valamar Hotels & Resorts GmbH, Frankfurt am Main, in the liquidation until the process ended on 15 June 2018,
- Imperial d.d./Imperial Riviera d.d., Rab, with the subsidiary Praona d.o.o., Makarska from 29 June 2019 (upon merger with Hoteli Makarska d.d.),
- Hoteli Makarska d.d., Makarska, with the subsidiary Praona d.o.o., Makarska until 28 June 2019 when it is merged with Imperial Riviera d.d.,
- Valamar A GmbH, Tamsweg and
- Valamar Obertauern GmbH, Obertauern.

Management Agreement

As of 4 January 2017, the Agreement between Imperial d.d. and Valamar Riviera d.d. in relation to the management of the hotel and tourist facilities and amenities is valid, on the basis of the decision adopted by the General Assembly of Imperial d.d. of 12 December 2016. As of 30 July 2018, the Agreement between Hoteli Makarska d.d. and Valamar Riviera d.d. in relation to the management of the hotel and tourist facilities and amenities is valid, on the basis of the decision adopted by the General Assembly of Hoteli Makarska d.d. of 17 July 2018. Following the registration of the merger of Hoteli Makarska d.d. with Imperial d.d., on 28 June 2019, a single Agreement on the management of hotel and tourist facilities was concluded with Imperial Riviera d.d., and on 28 November 2019, a new Agreement was concluded between Imperial Riviera d.d. and Valamar Riviera d.d. in relation to the management of hotel and tourist facilities, based on the Decision of the General Assembly of Imperial Riviera d.d. of 29 October 2019 (hereinafter the Contract). The subject of the Contract is the provision of management and business activities related to hotels, apartments, resorts and/or camping grounds, and other immovable or movable property. A common name for this type of contract is a hotel management agreement or hotel management contract. For the management services provided, Valamar Riviera d.d. is entitled to compensation for management services consisting of basic and incentive fees, and fees for advisory in respect of the management and implementation of investments (CAPEX fee), reservation centre fees, which are determined as a specified amount (percentage) of the total value of realised reservations. Additionally, for the initial and "pre-opening" services executed before the opening of fully renovated and rebranded facilities, Valamar Riviera d.d. is entitled to a compensation the amount of which depends on the accommodation type and size.

The contract was concluded for a period of 25 years with the possibility of termination or extension.

NOTE 36 – RELATED PARTY TRANSACTIONS / CONTINUED

As of 1 February 2019 the Agreement between Valamar Riviera d.d. and Valamar Obertauern GmbH in relation to the management of the hotel and tourist facilities and amenities is valid. The contract was concluded for a period of 25 years. As of 2 September 2019 the Agreement between Valamar Riviera d.d. and Helios Faros d.d. in relation to the management of the hotel and tourist facilities and amenities is valid. The contract was concluded for a period of 10 years. The subject of these Contracts is the provision of management and business activities concerning hotels, apartments and/or resorts and other immovable or movable property. A common name for this type of contract is a hotel management agreement or hotel

management contract. For the management services provided, Valamar Riviera d.d. is entitled to compensation for management services consisting of basic and incentive fees, and fees for advisory services in respect of the conceptualisation and structuring of investments to implement VALAMAR brand(s) (CAPEX fee). The contract also stipulates reservation centre fees, which are determined as a specified amount (percentage) of the total value of realised reservations. Additionally, for the initial and "pre-opening" services executed before the opening of fully renovated and rebranded facilities, Valamar Riviera d.d. is entitled to a compensation the amount of which depends on the accommodation type and size.

Related party transactions were as follows:

GROUP	2018	2019
<i>(in thousands of HRK)</i>		
Sale of services		
Other related parties to the owners and corporate governance bodies /i/	1	4,883
	1	4,883
Purchase of services		
Other related parties to the owners and corporate governance bodies	966	549
	966	549
Trade and other receivable		
Undertakings with participating interest	-	24
	-	24
Liabilities		
Other related parties to the owners and corporate governance bodies	52	18
	52	18

/i/ In 2019 the Company sold the property to Satis d.o.o. in line with the arm's length principle.

NOTE 36 – RELATED PARTY TRANSACTIONS / CONTINUED

COMPANY	2018	2019
<i>(in thousands of HRK)</i>		
Sale of services		
Subsidiaries /i/	17,059	153,902
Other related parties to the owners and corporate governance bodies /ii/	1	4,883
Undertakings with participating interest	-	76
	17,060	158,861
Purchase of services		
Subsidiaries	864	7,621
Other related parties to the owners and corporate governance bodies	966	549
	1,830	8,170
Dividend income		
Subsidiaries	6,051	8,703
	6,051	8,703
Trade and other receivable		
Subsidiaries	1,853	2,563
Undertakings with participating interest	-	24
	1,853	2,587
Other receivables		
Subsidiaries	26	26
	26	26
Trade and other payables		
Subsidiaries	252	223
Other related parties to the owners and corporate governance bodies	52	18
	304	241
Loans given		
Subsidiaries	28	28
	28	28

/i/ In 2019 the Company sold property to related party Imperial Riviera d.d. in line with the arm's length principle.

/ii/ In 2019 the Company sold the property to Satis d.o.o. in line with the arm's length principle.

NOTE 36 – RELATED PARTY TRANSACTIONS/ CONTINUED

Board personnel compensation

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2018	2019	2018	2019
Salaries	5,112	5,868	3,613	3,593
Pension contributions	872	1,080	381	372
Health insurance contribution	1,234	1,419	877	862
Other costs (contribution and taxes)	2,653	2,747	1,994	1,943
	9,871	11,114	6,865	6,770

Board personnel compensation are related to 8 Group Board members (2018: 10 Board members).

During 2019 the Company paid Supervisory Board fees in the amount of HRK 3,407 thousand (2018: HRK 2,827 thousand).

NOTE 37 - MERGER OF THE PARENT COMPANY

The cross-border merger of EPIC Hospitality Holding GmbH, Vienna into Valamar Riviera d.d. was entered in the court register on 15 June 2018. The legal effect of the said merger started as of 16 June 2018.

On the date of registration of the merger, the merged company ceased to exist, and Valamar Riviera d.d. became the universal legal successor of EPIC Hospitality Holding GmbH and took over all its assets and liabilities.

The statement of comprehensive income of the Group includes the results of the merged companies for the entire current year. The statement of comprehensive income of the Company includes the results of the merged companies from the merger date.

The assets and liabilities at the merger date in 2018 are:

	Epic Holding Hospitality GmbH
	15 June 2018
Assets	
Cash and cash equivalents	333
Net assets acquired	333
Net effect on equity at merger (capital reserves)	333

NOTE 38A – BUSINESS COMBINATION HOTELI MAKARSKA D.D.

Valamar Riviera d.d., together with AZ, acquired control of Hoteli Makarska d.d. on 31 July 2018 when all decisions, adopted at the General Meeting of Hoteli Makarska d.d. held on 17 July 2018, were entered in the court register. On 28 June 2019 Hoteli Makarska d.d. merged with Imperial Riviera d.d. and from that date Imperial Riviera d.d. is the universal legal successor of Hoteli Makarska d.d.

a) Acquisition cost

The acquisition cost was formed based on fair value of consideration transferred in the amount of HRK 172,577 thousand.

b) Other acquisition relating costs

The Company incurred acquisition relating cost of HRK 1,380 thousand of legal fees and due diligence costs. These cost have been included in other operating expenses.

NOTE 38A – BUSINESS COMBINATION HOTELI MAKARSKA D.D. / CONTINUED

c) Acquired assets and liabilities

<i>(in thousands of HRK)</i>	Fair value at acquisition date
Property, plant and equipment	336,621
Intangible assets	16
Deferred tax assets	824
Financial assets	296
Inventories	1,166
Trade and other receivables	20,957
Cash and cash equivalents	40,944
Assets acquired	400,824
Long term liabilities	(19,562)
Deferred tax liabilities	(17,755)
Provisions	(21,022)
Short term liabilities	(189)
Trade and other payables	(22,898)
Liabilities acquired	(81,426)
Total identifiable net assets acquired	319,398

The fair value of properties and land at the acquisition date differs from the carrying values. The fair value of properties and land was determined by value in use which is based on discounted cash flows for individual properties (cash-generating units). The fair value of other assets and liabilities at the acquisition date corresponds to the carrying value of these assets. On the day of acquisition, the share of non-controlling interests in the equity of the acquired company amounts to 44.55%, according to what is stated non-controlling interest in the amount of HRK 146,821 thousand.

NOTE 38A – BUSINESS COMBINATION HOTELI MAKARSKA D.D. / CONTINUED

<i>(in thousands of HRK)</i>	Fair value at acquisition date
Non-current assets	337,758
Current assets	63,066
Non-current liabilities	(58,340)
Current liabilities	(23,086)
Fair value of net assets acquired	319,398
Non-controlling interest (44.55%)	146,821
Fair value of net assets after non-controlling interest	172,577
Acquisition cost	172,577
Cash acquired Hoteli Makarska d.d.	(40,944)
Acquisition cost, net of cash acquired	131,633

NOTE 38B – BUSINESS COMBINATION VALAMAR OBERTAUERN GMBH

The Company has acquired directly a 10% stake and indirectly, via the company Valamar A GmbH, a 90% stake in Valamar Obertauern GmbH, based in Obertauern, Austria.

a) Acquisition cost

The acquisition cost was formed based on the fair value of consideration transferred in the amount of HRK 17,565 thousand.

b) Other acquisition relating costs

The Company incurred acquisition relating cost of HRK 809 thousand of legal fees and due diligence costs. These cost have been included in other operating expenses.

c) Acquired assets and liabilities

<i>(in thousands of HRK)</i>	Fair value at acquisition date
Property, plant and equipment	61,594
Intangible assets	313
Deferred tax assets	3,328
Trade and other receivables - long term assets	15
Financial assets	24
Inventories	184
Trade and other receivables - short term assets	133
Cash and cash equivalents	4,991
Assets acquired	70,582
Long term liabilities	(47,199)
Deferred tax liabilities	(2,323)
Provisions	(53)
Trade and other payables	(3,442)
Liabilities acquired	(53,017)
Total identifiable net assets acquired	17,565

NOTE 39 – INVESTMENT IN ASSOCIATE HELIOS FAROS D.D.

According to the Bankruptcy plan, determined following the investment and recapitalisation offer for Helios Faros d.d., in bankruptcy, which has been submitted jointly by the Company and PBZ Croatia osiguranje dioničko društvo za upravljanje obveznim mirovinskim fondovima, Zagreb on 15 May 2017, and according to the Decision on increasing share capital of Helios Faros d.d. in bankruptcy from 6 May 2019, in 2019 the Company has paid HRK 22,800,000.00 and has obtained 2,280,000 shares with the nominal amount of HRK 10, which makes the stake of 23.61%. On 22 July 2019 the Commercial Court in Split rendered a Decision on Closing the Bankruptcy Proceedings related to the Helios Faros d.d., with registered office in Stari Grad. By closing the bankruptcy, the Company acquired full membership rights as a 23.61% shareholder.

In accordance with the decision of the General Assembly of the company Helios Faros d.d. on increasing the share capital from 26 November 2019, the Company is obliged to participate in the further increase of Helios Faros d.d.'s share capital in the total amount of HRK 24,391,530.00 to acquire 2,439,153 shares, out of which it has paid the 25% of the total amount, and the remaining amount is set to be paid until 31 December 2021. Upon the implementation of the share capital increase the Company holds 20% shares (voting rights) of Helios Faros d.d., while the PBZ Croatia osiguranje dioničko društvo za upravljanje obveznim mirovinskim fondovima from Zagreb holds 77.73% shares (voting rights). In accordance with IAS 28, the Company has a significant influence as it holds 20% of voting rights and participates in policy making, which includes participation in dividend decisions or other distributions.

Recapitalisation

Recapitalisation - paid amount	6,098
Recapitalisation - payment liability	18,294
Total	24,392

NOTE 40 – AUDIT FEES

The fees for audit of the financial statements of the Group amounted to HRK 852 thousand (2018: HRK 600 thousand), while the fees for other services amounted to HRK 28 thousand (2018: HRK 0).

Other services relate to merger audit.

NOTE 41 – SUBSEQUENT EVENTS

On 31 January 2020 the increase of the share capital of Helios Faros d.d. was registered at the Commercial Court of Split from HRK 96,566,140.00, for the amount of HRK 139,391,520.00 kuna, to the amount of HRK 235,957,660.00, with the issue of 13,939,152 new shares in the nominal amount of HRK 10.00 kuna each, according to the General Assembly's Decision from 26 November 2019. After the reporting date, the Company and the Group did not have any other significant events which would require adjustment or disclosure in these financial statements.

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