



Sunce Koncern d.d.

Trpinjska 9
10000 Zagreb, Hrvatska

Sunce koncern d.d.

Financial Results

in the first 12 months of 2018

consolidated (unaudited)

Zagreb, 28th February 2019.

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1. GENERAL INFORMATION

Name and registered office of the Company

The Company name is SUNCE KONCERN d.d. za turizam i ugostiteljstvo, company registration number (MBS): 080502040, personal identification number (OIB): 06916431329. The Company's short name is SUNCE KONCERN d.d.

SUNCE KONCERN d.d is joint stock company with registered office in Zagreb, Trpinjska 9, Republic of Croatia, telephone number: + 385 1 3844 044.

Share capital and company shares

The Company's share capital amounts to HRK 539.385.000,00 and is divided into 5.393.850 ordinary registered shares, each in the nominal amount of HRK 100,0. The Company's shares are recorded in a book-entry form in the accounts of book-entry securities in the computer system of the Central Depository and Clearing Company Inc. in accordance with special regulations under the ticker SUKC-R-A and ISIN HRSUKCRA0001.

Members of Management Board:

- Tonči Boras, President of the Management Board
- Kristijan Gagulić, Member of the Management Board
- Ivan Potkrajčić, Member of the Management Board

Supervisory Board:

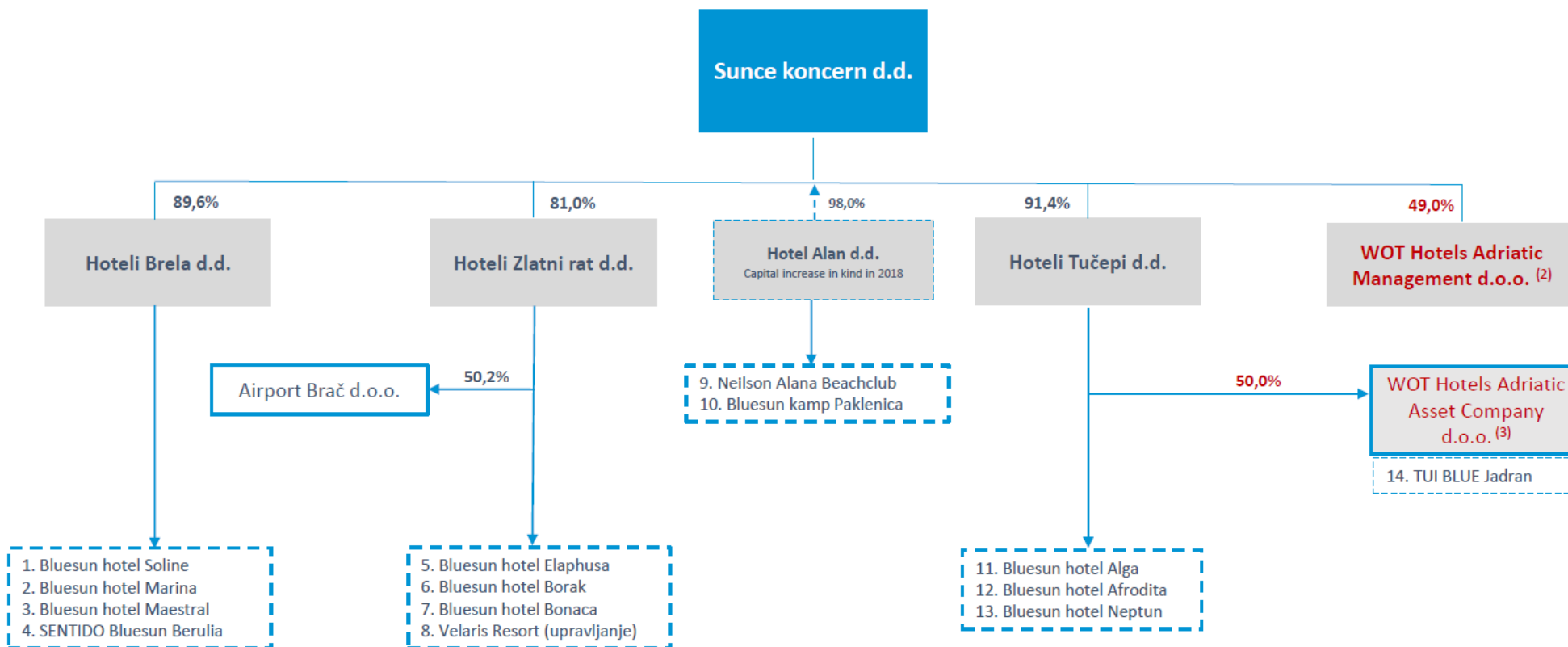
- Jako Andabak, Chairman of the Supervisory Board
- Sanja Gagulić, Deputy Chairman of the Supervisory Board
- Ružica Andabak, Member of the Supervisory Board
- Ana Volk, Member of the Supervisory Board
- Ivan Augustin, Member of the Supervisory Board

Audit Committee:

- Ivan Augustin, President of the Audit Committee
- Sanja Gagulić, Member of the Audit Committee
- Ružica Andabak, Member of the Audit Committee

2. ORGANISATIONAL AND SHAREHOLDER STRUCTURE

Organisational structure of the Group:



(1) Data as of 28.02.2019. Sunce koncern d.d. as a Group has some additional members, but they are immaterial for the Group's performance.

(2) Management Company established with TUI AG, where TUI AG holds 51% share.

(3) Joint Venture Company with TUI AG.

There were no changes in the organisational structure of the Group compared to the last reporting period.

Subsidiaries included in the Group and other holdings:

A. The Company is the Parent company of the Group, which consists of different subsidiaries as presented in the following table:

	Name of the Company	Principal activity	Incorporated in	Ownership (%)
1	Hoteli Brela d.d.	Hotel operation	Brela	89,58
2	Hoteli Tučepi d.d.	Hotel Operation	Tučepi	91,41
3	Hoteli Zlatni rat d.d.	Hotel Operation	Bol, Brač	80,99
4	Aerodrom Brač d.o.o.	Airport	Supetar, Brač	50,18 ⁽¹⁾
5	Hotel Alan d.d.	Hotel operation	Starigrad	97,96
6	Sunce Global d.o.o.	Tourist agency	Zagreb	100,00
7	Sunce Vital d.o.o.	Health services	Zagreb	100,00
8	Brač 500 Plus d.o.o.	Cable Car	Bol, Brač	56,24 ⁽¹⁾
9	Brela Jakiruš a d.o.o.	Food preparation	Brela	89,58 ⁽¹⁾
10	Zlatni rat Poljoprivreda d.o.o. ⁽²⁾			
11	Zlatni rat Servisi d.o.o. ⁽²⁾			
12	Zlatni rat Tenis centar d.o.o. ⁽²⁾			
13	Plaža Zlatni Rat d.o.o. ⁽²⁾			
14	Eko - promet d.o.o. ⁽²⁾			

Source: Group data

(1) Indirect holding via Hoteli Zlatni rat d.d.

(2) The company is not active anymore and is in the process of deregistration from the Court register

B. The Group also has an interest in the following companies, which are not consolidated in the Group Financial Statements:

	Name of the Company	Principal activity	Incorporated in	Ownership (%)
1	WOT Hotels Adriatic Asset d.o.o. ^{(3) (4)}	Hotel operation	Tučepi	50,00
2	WOT Hotels Adriatic Management d.o.o. ⁽³⁾	Hotel management	Tučepi	49,00
3	Praona d.o.o. ⁽⁵⁾	Industrial laundry	Makarska	42,00

Source: Group data

(3) Companies co-owned with TUI AG

(4) Indirect holding via Hoteli Tučepi d.d.

(5) Indirect holding via Hoteli Brela d.d. and Hoteli Tučepi d.d.

Major Shareholders of the Group:

	Name of the Company	# of Shares	Ownership (%)
1	Sunce Ulaganja d.o.o.	3,004,672	55,71
2	Lucidus d.d.	1,143,239	21,20
3	Erste Plavi OMF kategorije B	892,898	16,55
4	Raiffesien OMF kategorije B	156,134	2,89
5	PBZ CO OMF – kategorija B	70,460	1,31
6	Raiffeisen dobrovoljni mirovinski fond	67,470	1,25
7	Erste Plavi Expert – dobrovoljni mirovinski fond	25,753	0,48
8	Raiffeisen OMF kategorije A	8,895	0,16
9	Erste Plavi OMF kategorije A	8,162	0,15
10	PBZ CO OMF – kategorija A	5,695	0,11

(6) Source: Central Depository & Clearing Company Inc

There were no changes inside Shareholders structure compared to the last reporting period.

3. MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following Management's Discussion and Analysis of financial condition and results of operation ("MD&A") presents an analysis of the consolidated financial condition of Sunce as of the date of the financial statements ("Relevant period" or "Reported period").

This MD&A is the responsibility of management.

This MD&A refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to our financial statements. The Company discusses these measures because it believes that they facilitate the understanding of the results of its operations and financial position.

Our business

With 11 beachfront hotels on the Adriatic coast, 1 camp site and 1 leased property comprising 2.895 units, its own airport on the Island of Brač and other tourism assets located in 4 popular touristic destinations in Croatia, Sunce is one of the leading tourism groups in the Country. Additionally, its joint venture with TUI AG has one Premium hotel property (TUI Blue Jadran) offering 161 units.

Under our current business model, we typically own and manage properties. The Company owns all except one of the properties, which it leases through a subsidiary.

The Company's properties are covering all market segments, from Economy to Premium. The Company is undergoing through refurbishment cycle with an upgrade of existing lower quality assets. This should increase profitability, while increasing our competitive advantage, as there is stronger competition (supply) in lower quality segment.

Properties are mostly managed and operated under an in-house brand, "Bluesun Hotels and Resorts". A significant part of the Group's units is booked through Allotment contracts with various global tour-operators. They provide guarantees for certain period of occupancy.

Also, the Company has signed different franchise contracts to use rights for certain brands and trademarks, under which we are paying certain fees, while keeping the management of the property. In most cases these fees consist of a percentage of property-level revenue.

Key Performance Measures Metrics Used by Management

Occupancy

Occupancy represents the total number of room nights sold divided by the total number of room nights available at a hotel or group of hotels for a given period (based on operating days of the hotel). Occupancy measures the utilization of our hotels' available capacity. Management uses occupancy to gauge demand at a specific hotel or group of hotels in a given period.

Average Daily Rate ("ADR")

ADR represents cumulative hotel room revenue (accommodation and F&B board revenue) divided by total number of room nights sold for a given period. ADR measures average room price attained by a hotel, and ADR trends provide useful information concerning the pricing environment and the nature of the customer base of a hotel or group of hotels. ADR is a commonly used performance measure in the industry, and we use ADR to assess pricing levels that we are able to generate by type of customer.

Revenue per Available Room ("RevPAR")

RevPAR is calculated by dividing hotel room revenue (without F&B revenue) by total number of room nights available to guests for a given period. We consider RevPAR to be a meaningful indicator of our performance as it provides a metric correlated to two primary and key drivers of operations at a hotel or group of hotels: occupancy and ADR. RevPAR is also a useful indicator in measuring performance over comparable periods for comparable hotels.

EBITDA and Adjusted EBITDA

EBITDA reflects the consolidated net income of the Parent prepared in accordance with IFRS before any provision on account of taxation (excluding value added tax), depreciation and amortisation, any interest, commissions, discounts and other fees incurred in respect of any Debt and any interest earned on debts. Adjusted EBITDA is calculated as EBITDA, as previously defined, further adjusted to exclude certain exceptional, one off, non-recurring or extraordinary items which represent gains or losses including those arising on:

4. the restructuring of the activities of an entity and reversals of any provisions for the cost of restructuring;
5. disposals, revaluations, write downs or impairment of non-current assets or any reversal of any write down or impairment; and
6. disposals of assets associated with discontinued operations.

We believe that EBITDA and Adjusted EBITDA provide useful information to investors about us and our financial condition and results of operations for the following reasons: (i) these measures are among the measures used by our management team to evaluate our operating performance; and (ii) these measures are frequently used by securities analysts and investors as a common performance measure to compare results or estimate valuations across companies in our industry. Important note is that EBITDA and Adjusted EBITDA are not recognized terms under IFRS and should not be considered as alternatives to net income (loss) or other measures of financial performance or liquidity derived in accordance with IFRS.

Results of Operations

The following tables present key financial and performance indicators of the Group and have been derived from the unaudited consolidated Financial Statements:

Financial highlights - Sunce koncern d.d. (consolidated unaudited)				
HRK _m				
Financial performance	12M 2018	12M 2017	△	2018/2017
Revenues	426,8	378,1	48,7	12,9%
EBITDA	106,3	86,8	19,5	22,5%
EBITDA margin, %	24,9%	22,9%	2,0%	8,5%
Adjustments	8,0	25,8		
Adjustment EBITDA	114,2	112,6	1,7	1,5%
Adjustment EBITDA margin. %	26,8%	29,8%	-3,0%	-10,1%
EBIT	51,8	43,0	8,7	20,2%
Interest & Fees	25,9	14,6	11,3	77,6%
Net income	35,0	20,6	14,4	70,0%
Financial position	31.12.2018	31.12.2017	△	2018/2017
Total assets	1.499,7	1.204,0	295,7	24,6%
Fixed assets	1.134,5	992,5	142,0	14,3%
Equity	896,9	742,6	154,3	20,8%
Total debt	503,1	394,2	108,9	27,6%
Net financial debt / (cash)	458,0	367,1	90,9	24,8%
Financial Ratios				
Equity / Total assets	60%	62%	52%	85%
Total debt / Equity	56%	53%	71%	133%
KPIs				
	12M 2018	12M 2017	△	2018/2017
Number of accommodation units	2.895	2.305	590	26%
Number of units sold	405.857	326.384	79.473	24%
Overnights	878.221	713.664	164.557	23%
Occupancy rate (operating days)	77,9%	86,0%	-8,1%	-9%
ADR (HRK)	833,7	837,7	-4,0	0%
RevPAR (HRK)	474,7	473,3	1,5	0%

The following discussion presents an analysis of results of our operations for the twelve months ended December 31, 2018.

In the first twelve months of 2018, the Group achieved HRK 426.8 million in business revenue, which is an increase of almost 13% over the same period of last year. **Increase in business revenue** is the result of increased number of rooms sold due to additional capacities of Velaris Tourist Resort leased as of 1st of January 2018 as well as due to consolidation of company Hotel Alan d.d. as of 1st of August 2018. At the same time Average Daily Rate stayed unchanged due to following: (i) Velaris Tourist Resort operations are performed during the entire calendar year, therefore average daily rate in off the season periods decreases overall average daily rate, (ii) consolidation of company Hotel Alan d.d. as of 1st of August 2018 which, when compared to the Group before consolidation, has lower average daily rate due to Paklenica campsite (it has 70 mobile home and 200 plots) as pricing is lower than in hotels, (iii) deconsolidation of TUI Blue Jadran 5* from 1st of November 2017.

The double-digit growth was also achieved in terms of operating profit (EBITDA) and net profit. In the first twelve months of 2018 EBITDA reached a level of HRK 106,3 million versus HRK 86,8 million in 2017, which represents an increase of HRK 19,5 million or 22,5% compared

to the same period of the previous year. Adjusted EBITDA for one-off costs in amount of HRK 8 million in the same period amounted to HRK 114,2 million.

In considering Group's EBITDA following one off costs should also be considered:

NON-RECURRING EXPENSES	AMOUNT HRK	DESCRIPTION
ONE OFF COSTS SHOWN IN P&L OF THE GROUP		
CONSULTING SERVICES	1.552.558	Costs of consultancy services related to services provided for valuation and calculation of share-exchange ratio for Sunce concern - Hotel Alan transaction. Furthermore, the costs of consultants for the implementation of the GDPR directive, Purchase Price Allocation report, as well as other consultants' costs related to the incorporation of the company's internal projects are also recognized here.
LEGAL SERVICES RELATED TO REFINANCING	550.904	Expenses incurred as part of the refinancing transaction for the entire debt of the Group, referring to services of legal advisers as well as the costs of public notaries arising from the registration of real estate pledges.
COST RELATED TO LISTING SHARES ON OFFICIAL MARKET	150.000	Expenses related to the transition of all 5.393.850 ordinary shares of Sunce concern d.d. from the Regular Market to the Official Market of the Zagreb Stock Exchange.
WRITE DOWNS/LOSSES ON ASSETS DISPOSAL AND RECEIVABLES	2.304.335	Hoteli Tučepi d.d. and Hoteli Zlatni rat d.d. have written off some of the assets during the annual inventory process in the amount of HRK 1.820.224,52. On the other hand, receivables write-offs of HRK 484.110,75 refer to the years before 2018.
FOREGONE EARNINGS DUE TO LATE CONSOLIDATION OF HOTEL ALAN		
HOTEL ALAN - LATE CONSOLIDATION	3.392.000	Hotel Alan was consolidated as of 1st of August 2018. In the year 2018, total consolidated EBITDA of Sunce concern d.d. amounted to HRK 7.3 million. All year's EBITDA of company Hotel Alan d.d. amounted to HRK 10.7 million (EBITDA adjusted for one-off write downs of operating equipment (purchased as part of new investments) at HRK 592 thousand and HRK 1.1 million one-off loss when selling 34 mobile homes). If Hotel Alan d.d. had been consolidated from the 1st of January 2018, total EBITDA would be higher by HRK 3,4 million.

In the first twelve months of 2018, the Group realized 878,221 **overnight stays**, while in the same period last year there were 713,664 overnight stays, which represents a 23% increase. Of the total number of overnight stays 6% was made by domestic guests and 94% by foreign guests. Most foreign guests came from the following countries: Germany (19%), Great Britain (13%), France (12%) and Sweden (10%), representing 54% of the total number of overnight stays.

The Group recorded a fall in **occupancy rate** in relation to the previous period, mostly due to consolidation of Velaris tourist resort which is open during whole year, and Bluesun Paklenica camp (Hotel Alan d.d.) which had lower occupancy than the average of the Group during the reported period.

Most of the Group's **operating expenses** account for staff costs of HRK 148 million, with a share of 35% in total revenues, and material costs in the amount of HRK 130 million with a share of 30%.

Financial income amounted to HRK 15.1 million, while **financial expenses** amounted to HRK 29.1 million, of which interest expenses amounted to HRK 23.1 million, while the rest of HRK 6.0 million is related with costs of refinancing.

28th of August 2018 Sunce concern d.d. signed a **Loan Agreement** with the European Bank for Reconstruction and Development (EBRD) as an arranger, and Erste & Steiermärkische Bank d.d., Privredna banka Zagreb d.d., and Zagrebačka banka d.d. as members of the syndicate.

The Loan Agreement comprises of full refinancing of the Group's loans at the level of the Borrower and the Subsidiaries. The key purpose of the refinancing was to achieve operational efficiencies through the balance sheet restructuring, including consolidating the loans at the level of the Borrower, reducing number of creditors, aligning pricing and the covenants while significantly lowering cost of debt. Additionally, Loan Agreement includes an uncommitted tranche for financing future investments by the company.

Total refinancing transaction amounted to EUR 73 million and as loan funds have been withdrawn in December 2018, the effect of cheaper debt is not yet been visible in financial expenses of the reported Financial Statements for the first twelve months of 2018.

Net Debt of the Group at the end of the reporting period 31 December 2018 was HRK 458 million, up HRK 90 million in relation to the balance on 31 December 2017 mainly as consolidation of company Hotel Alan d.d. had increased Net debt by HRK 75 million.

The Group's Total assets increased significantly compared to 31 December 2017 as a result of the capital increase in kind. The Company issued 506,788 new ordinary shares in exchange for gaining 98% of the ownership of Hotel Alan d.d. The related entity was consolidated into Group financial statements starting from August 1, 2018.

In addition to all above, in considering Group's operations during the reported period, the following comments on **individual properties** should also be considered:

Velaris Tourist Resort (Hoteli Zlatni rat d.d.): The Velaris Tourist Resort in Supetar on the Island of Brač consists of three properties (Hotel Amor 4 *, Villa Vela Luka 4 * and Pavilions Vlačica and Vrilo 3 *) which total have a capacity of 177 rooms. The group is leasing the related properties from 1.1.2018. through its subsidiary Hoteli Zlatni rat d.d. The hotel operations are performed during the entire calendar year, which is a contrast to other Group properties. The Group's revenues are higher for the reporting period in comparison to the same period of last year, due to new lease contract. In the first four quarters of 2018 Velaris reported revenues of HRK 21.9 million and EBITDAR of HRK 6 million.

SENTIDO Bluesun hotel Berulia (Hoteli Brela d.d.): The hotel re-opened at the end of July 2017 after total refurbishment. During the reported period hotel started with operations in late April 2018, so the current reporting period includes higher number of operating days for the property. During the non-operating period of 2017, the hotel incurred only operating expenses, so the numbers for the 2018 needs to be adjusted for that fact when making comparison. During the first twelve months the hotel reported revenues in the amount of HRK 43.1 million, and EBITDA of HRK 29.7 million. In the same period of last year, EBITDA was negative in the amount of HRK 2.1 million.

TUI Blue Hotel Jadran (WOT Hotels Adriatic Asset Company d.o.o.): The hotel re-opened on 01. July 2017. after complete renovation. During November 2017, the group formed a joint venture company with TUI AG by selling 50% stake in the entity that owned the related property (Punta Zlatarac Tučepi d.o.o) through its subsidiary Hoteli Tučepi d.d. Consequently, the company Punta Zlatarac ceased to be consolidated in the Group financial statements as of 31.10.2017. Following the above, the Group reported EBITDA for the third quarter of 2017 in the amount of HRK 2.1 million, while in 2018 the Group did not show any result on the EBITDA level due to deconsolidation. Note: The company Punta Zlatarac Tučepi d.o.o. changed its legal and commercial name to WOT Hotels Adriatic Asset Company d.o.o. from September 19, 2018.

Alana Beach Club and Alan Camp (Hotel Alan d.d.): The Company has entered into a long-term allotment contract with UK tourist group Neilson for "Hotel Alana Beachclub" with a capacity of 221 accommodation units. The Company also has 270 accommodation units in the Alan Camp which is not part of the Allotment contract. The hotel started with this year's operations in June 2018 after full refurbishment, but has been included in the Group's business results as of August 2018, when the related properties was consolidated into Group after capital increase in kind. In consolidation period after 1st of August 2018, Hotel Alan d.d. reported revenues of HRK 20.8 million while expenses excluding amortization costs were HRK 13.5 million.

4. NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General

The accompanying consolidated financial statements present the results of operations, financial position, and cash flows of Sunce concern d.d. and its subsidiaries (collectively referred to in this report as “we,” “us,” “Sunce”, “Group” or “the Company”).

The Group is a joint stock company incorporated in the Republic of Croatia.

Description of the Group

Sunce is the parent company of the Group, which consists of number of different Subsidiaries, through which it owns, operates and develops hotels and resorts in prime holiday destinations in Croatia.

Also, the Company has a Joint Venture entity (50/50) with a global tourist group TUI AG, formed as an Asset company, which owns one Premium hotel property and land for large development project on the Island of Brač. Additionally, the Company has a 49% interest in the Management company with the same partner. Management company is responsible for operating all existing and possible future hotel properties under Joint Venture structure.

The companies formed with TUI AG are not consolidated in the Group financial statements.

Changes in the organisational structure of the Group

In the 2018 third quarter, the Company has done a capital increase in kind by contribution of 98,0% shares of Hotel Alan d.d. and issuance of new shares of the Company. The Company will continue to evaluate further steps in order to simplify its structure.

In the same quarter, the Company has incorporated a Management Company with TUI AG, while already formed JV entity changed its legal name from Punta Zlatarac Tučepi d.o.o. into WOT Hotels Adriatic Asset Company d.o.o.

Company's Shares

As of the date of this Report, the Company's share capital consists of 5,393,850 ordinary registered Shares in the nominal amount of HRK 100.00 each, all fully paid-up. The Shares are issued in dematerialised form and deposited with the Croatian Central Depository & Clearing Company Inc. (CDCC) as ordinary registered shares under the ticker SUKC-R-A and ISIN HRSUKCRA0001.

The Shares are listed on the Official Market of the Zagreb Stock Exchange, and they all have equal voting rights.

The Company holds no treasury Shares.

There are no options, warrants or instruments convertible into shares or other agreements relating to the existing shares of the Company or for the issuance of additional shares in any of the Group members.

Note 2. Basis of presentation

In order to make this report easier to read, we also refer throughout to our consolidated financial statements as our “Financial Statements”. These Financial Statements have not been audited.

The financial information presented herein has been prepared in accordance with International Financial Reporting Standards (“IFRS”), unless otherwise noted. The reporting currency for the purpose of financial reporting in accordance with IFRS is HRK (Croatian Kuna). Unless otherwise noted, all convenience translations from HRK into EUR in this report were made at a rate of the midpoint exchange rate of the Croatian Central Bank as of the date of the financial statements.

Preparation of financial statements that conform with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses, and the disclosures of contingent liabilities. Accordingly, ultimate results could differ from those estimates.

The accompanying Financial Statements reflect all normal and recurring adjustments necessary to present fairly our financial position as of the date of the financial statements. Interim results may not be indicative of fiscal year performance because of seasonal and short-term variations. We have eliminated all material intercompany transactions and balances between entities consolidated in these Financial Statements.

Interest in joint ventures

Investment in joint venture is presented in the statement of financial position together with investment in associates (Praona Makarska d.o.o and WOT Hotels Adriatic Management d.o.o.). The long-term interest 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group’s investment in its joint ventures is accounted for using the equity method. Under the equity method, the investment in the joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group’s share of net assets of the associate or joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

Note 3. Acquisitions and Dispositions, Discontinued Operations

Acquisitions

In the 2018 third quarter, Hotel Alan d.d. became a member of the Group, through capital increase in kind of the Company.

Dispositions

No disposal of assets or entities in the reported period.

Note 4. Derivative Financial Instruments

The Company doesn’t have any exposure to derivative financial instruments as of the date of the Financial Statements. But depending on our strategy and market conditions, we might enter into forward contracts to manage foreign exchange risk on the Group level or to hedge certain forecasted

transactions. We also may enter into interest rate swap agreements to manage the impact of interest rates on the results of operations, cash flows and the market value of our debt.

Note 5. Commitments and Contingencies

Lease agreements

The Group occupies one of its hotels under lease agreement (Velaris Resort via Hoteli Zlatni rat d.d.). This is a long-term arrangement under which the Group leases a hotel, fixtures, furniture and equipment from a third-party property owner for a certain period of time for a fixed monthly rental payment and includes option to extend the arrangement for an additional period of time.

A new accounting standard and interpretation under (IFRS 16) has been published that is not mandatory for 31 December 2018 reporting period and has not been adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The group has reviewed all of the group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the group's operating leases.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Claims and lawsuits

We are involved in certain claims and lawsuits arising in the ordinary course of business. While the ultimate results of claims and litigation cannot be predicted with certainty, we expect that the ultimate resolution of all pending or threatened claims and litigation as of date of this report, will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Note 6. Significant events after the reported period

No significant events after the reported period.

Annex 1.					
Reporting period		1.1.2018	do	31.12.2018	
Quarterly financial report TFI-POD					
Tax number (MB):		01869647			
Company registration number (MRS):		080502040			
Personal identification number (OIB):		06916431329			
Issuing company:	Sunce Koncern d.d.				
Postal code and place	10000		Zagreb		
Street and house number:	Trpinjska 9				
E-mail address:	racunovodstvo@bluesunhotels.com				
Internet address	www.bluesunhotels.com				
Municipality/city code and name	133	Zagreb			
County code and name	21	GRAD ZAGREB		Number of employees:	950
Consolidated report:	DA			(period end)	
				NKD code:	5510
Companies of the consolidation subject (according to IF)			Seat:		MB:
Hoteli Brela d.d.		BRELA, TRG GOSPE OD KARMELA 1			
Hoteli Tučepi d.d.		TUČEPI, DRAČEVICE 35			
Hoteli Zlatni rat d.d.		BOL, BRAČKA CESTA 13			
Hotel Alan d.d.		TRG FRANJE TUĐMANA 14, STARIGRAD			
Aerodrom Brač d.o.o.		GORNJI HUMAC, GORNJI HUMAC 145			
Sunce Global d.o.o.		TRPINJSKA 9, ZAGREB			
Sunce Vital d.o.o.		BRAĆE DOMANY 6, ZAGREB			
Brač 500 Plus d.o.o.		BOL, BRAČKA CESTA 13			
Bookkeeping service:					
Contact person:	(only surname and name)				
Telephone:	01 6442 244		Telefaks:	01 3844 177	
E-mail address:					
Family name and name:	Tonči Boras, Ivan Potkrajčić				
	(person authorized to represent the company)				
Documents disclosed:					
	1. Financial statements (Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity and notes to financial statements);				
	2. Management Interim Report;				
	3. Declaration of the persons responsible for preparing the issuer's statements;				
		L.S.		(signature of the person authorized to represent the company)	

Balance Sheet

as of 31.12.2018.

Company: SUNCE KONCERN d.d. ZAGREB

Position	AOP	Previous period	Current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001		
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	1.056.411.674	1.345.007.640
I. INTANGIBLE ASSETS (004 to 009)	003	1.139.319	70.335.541
1. Expenditure for development	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	976.175	948.872
3. Goodwill	006		69.307.839
4. Advances for purchase of intangible assets	007		
5. Intangible assets in progress	008	77.032	23.875
6. Other intangible assets	009	86.112	54.955
II. PROPERTY, PLANT AND EQUIPMENT (011 to 019)	010	992.541.649	1.136.548.104
1. Land	011	107.954.643	109.590.950
2. Buildings	012	796.987.022	902.068.409
3. Plant and equipment	013	73.606.182	90.816.547
4. Tools, working inventory and transportation assets	014	2.939.171	3.483.346
5. Biological assets	015		
6. Advances for purchase of tangible assets	016		
7. Tangible assets in progress	017	10.715.758	30.286.031
8. Other tangible assets	018	338.873	302.820
9. Investment in real-estate	019		
III. NON-CURRENT FINANCIAL ASSETS (021 to 028)	020	60.483.788	136.212.077
1. Share in related parties	021		
2. Loans to related parties	022		32.035.000
3. Participating interests (shares)	023	47.325.199	104.177.077
4. Loans to companies with participating interest	024	10.290.692	
5. Investments in securities	025		
6. Loans, deposits, etc.	026		
7. Other non-current financial assets	027		
8. Equity-accounted investments	028	2.867.897	
IV. RECEIVABLES (030 to 032)	029	2.246.918	1.911.918
1. Receivables from related parties	030		
2. Receivables arising from sales on credit	031		
3. Other receivables	032	2.246.918	1.911.918
V. DEFERRED TAX ASSET	033		
C) CURRENT ASSETS (035+043+050+058)	034	147.573.572	154.696.519
I. INVENTORIES (036 to 042)	035	3.066.707	3.857.214
1. Raw materials and supplies	036	2.741.252	3.478.047
2. Production in progress	037		
3. Finished products	038		
4. Merchandise	039	274.227	179.924
5. Advances for inventories	040	51.228	199.242
6. Long term assets held for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	39.274.632	60.651.105
1. Receivables from related parties	044	14.759.419	10.827.584
2. Receivables from end-customers	045	15.887.890	21.448.346
3. Receivables from participating parties	046	803.323	
4. Receivables from employees and members of the company	047	20.156	45.402
5. Receivables from government and other institutions	048	4.724.239	11.691.635
6. Other receivables	049	3.079.605	16.638.138
III. CURRENT FINANCIAL ASSETS (051 to 057)	050	78.182.237	45.093.971
1. Share in related parties	051		
2. Loans to related parties	052	33.252.000	45.075.638
3. Participating interests (shares)	053		
4. Loans to companies with participating interest	054	44.918.037	
5. Investments in securities	055		
6. Loans, deposits, etc.	056	12.200	18.333
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	27.049.996	45.094.229
D) PREPAYMENTS AND ACCRUED INCOME	059		
E) TOTAL ASSETS (001+002+034+059)	060	1.203.985.246	1.499.704.159
F) OFF BALANCE SHEET ITEMS	061		

Balance Sheet
as of 31.12.2018.

Company: SUNCE KONCERN d.d. ZAGREB			
Position	AOP	Previous period	Current period
1	2	3	4
EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	742.574.207	916.081.195
I. SUBSCRIBED SHARE CAPITAL	063	488.706.200	539.385.000
II. CAPITAL RESERVES	064	24.420.000	83.266.272
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	7.470.777	7.344.830
1. Legal reserves	066	655.925	655.925
2. Reserve for own shares	067		
3. Treasury shares and shares (deductible items)	068		
4. Statutory reserves	069		
5. Other reserves	070	6.814.852	6.688.905
IV. REVALUATION RESERVES	071	3.032.241	3.158.188
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	113.959.189	167.637.850
1. Retained earnings	073	113.959.189	167.637.850
2. Loss carried forward	074		
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	24.733.050	29.962.536
1. Net profit for the period	076	24.733.050	29.962.536
2. Net loss for the period	077		
VII. MINORITY INTEREST	078	80.252.750	85.326.519
B) PROVISIONS (080 to 082)	079	1.987.288	1.948.594
1. Provisions for pensions, severance pay and similar liabilities	080	1.335.096	1.342.179
2. Provisions for tax liabilities	081		
3. Other provisions	082	652.192	606.415
C) NON-CURRENT LIABILITIES (084 to 092)	083	281.757.147	458.432.963
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	281.063.886	457.739.703
4. Liabilities for advances	087		
5. Trade payables	088		
6. Commitments on securities	089		
7. Liabilities to companies with participating interest	090		
8. Other non-current liabilities	091		
9. Deferred tax liabilities	092	693.261	693.261
D) CURRENT LIABILITIES (094 to 105)	093	177.666.604	123.241.407
1. Liabilities to related parties	094	1.200.800	3.011.220
2. Liabilities for loans, deposits, etc.	095		0
3. Liabilities to banks and other financial institutions	096	116.441.980	45.714.884
4. Liabilities for advances	097	1.859.716	6.657.951
5. Trade payables	098	30.017.413	38.757.225
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	5.304.285	6.627.120
9. Taxes, contributions and similar liabilities	102	7.969.371	6.582.396
10. Liabilities arising from share in the result	103		
11. Liabilities arising from non-current assets held for sale	104		
12. Other current liabilities	105	14.873.039	15.890.611
E) ACCRUED EXPENSES AND DEFERRED INCOME	106		
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	1.203.985.246	1.499.704.159
G) OFF BALANCE SHEET ITEMS	108		
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	662.321.457	830.754.676
2. Attributable to minority interest	110	80.252.750	85.326.519

Income statement						
period 1.1.2018. to 31.12.2018.						
Company: <u>SUNCE KONCERN d.d.</u>						
Position	AOP		Previous period	Previous period	Current period	Current period
	1	2	Cumulative	Quarter	Cumulative	Quarter
	1	2	3	4	5	6
I. OPERATING INCOME (112 to 113)	111		378.125.424	25.071.574	426.797.672	27.964.682
1. Sales revenues	112		355.544.147	22.236.735	413.081.245	21.997.245
2. Other operating revenues	113		22.581.277	2.834.839	13.716.428	5.967.437
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114		335.084.980	67.341.593	375.046.725	80.674.356
1. Change in inventories of work in progress	115					
2. Material expenses (117 to 119)	116		109.847.980	23.912.007	130.112.080	19.003.294
a) Costs of raw materials	117		64.711.408	6.231.872	71.466.853	7.434.554
b) Cost of goods sold	118		1.920.664	327.119	1.509.296	224.492
c) Other material expenses	119		43.215.909	17.353.017	57.135.931	11.344.249
3. Employee benefits expenses (121 to 123)	120		129.138.519	23.703.439	148.395.005	33.211.004
a) Net salaries	121		85.673.996	14.777.510	99.654.286	21.802.474
b) Tax and contributions from salary expenses	122		27.502.280	5.712.595	31.681.467	7.415.544
c) Contributions on salary	123		15.962.243	3.213.334	17.059.251	3.992.985
4. Depreciation and amortisation	124		43.738.706	10.242.823	54.525.679	19.217.471
5. Other expenses	125					
6. Write down of assets (127+128)	126		0	0	0	0
a) non-current assets (except financial assets)	127					
b) current assets (except financial assets)	128					
7. Provisions	129					
8. Other operating costs	130		52.359.775	9.483.323	42.013.961	9.242.587
III. FINANCIAL INCOME (132 to 136)	131		9.196.647	527.589	15.184.812	2.645.255
1. Interest, foreign exchange differences, dividends and similar income from related parties	132		2.189.329	251.025	5.579.699	2.155.977
2. Interest, foreign exchange differences, dividends and similar income from third parties	133		1.518.872	276.563	9.605.113	489.278
3. Income from investments in associates and joint ventures	134					
4. Unrealised gains (income) from financial assets	135		5.488.446			
5. Other financial income	136					
IV. FINANCIAL EXPENSES (138 to 141)	137		20.112.606	4.349.097	29.192.421	9.938.185
1. Interest, foreign exchange differences, dividends and similar income from related parties	138				18.858	9.209
2. Interest, foreign exchange differences, dividends and similar income from third parties	139		18.907.076	4.274.167	23.165.798	6.153.127
3. Unrealised losses (expenses) from financial assets	140					
4. Other financial expenses	141		1.205.530	74.930	6.007.765	3.775.849
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142		76.421			
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143		3.169.961		2.707.032	
VII. EXTRAORDINARY - OTHER INCOME	144					
VIII. EXTRAORDINARY - OTHER EXPENSES	145					
IX. TOTAL INCOME (111+131+142+144)	146		387.398.492	25.599.163	441.982.484	30.609.937
X. TOTAL EXPENSES (114+137+143+145)	147		358.367.547	71.690.690	406.946.179	90.612.541
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148		29.030.945	-46.091.527	35.036.306	-60.002.604
1. Profit before taxes (146-147)	149		29.030.945			
2. Loss before taxes (147-146)	150		0	46.091.527	0	60.002.604
XII. TAXATION	151		8.421.692			
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152		20.609.253	-46.091.527	35.036.306	-60.002.604
1. Profit for the period (149-151)	153		20.609.253	0	35.036.306	0
2. Loss for the period (151-148)	154		0	46.091.527	0	60.002.604
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)						
XIV. PROFIT OR LOSS FOR THE PERIOD						
1. Attributable to majority owners	155		24.733.051		5.073.770	
2. Attributable to minority interest	156		-4.123.798		29.962.536	
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)						
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157		20.609.253	-46.091.527	35.036.306	-60.002.604
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 to 165)	158					0
1. Exchange differences from international settlement	159					
2. Changes in revaluation reserves of long-term tangible and intangible assets	160					
3. Profit or loss from re-evaluation of financial assets held for sale	161					
4. Profit or loss from cash flow hedging	162					
5. Profit or loss from hedging of foreign investments	163					
6. Share of other comprehensive income/loss from associated companies	164					
7. Actuarial gains/losses from defined benefit plans	165					
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166					
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158-166)	167		0	0	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168		20.609.253	-46.091.527	35.036.306	-60.002.604
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)						
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD						
1. Attributable to majority owners	169		24.733.051		5.073.770	
2. Attributable to minority interest	170		-4.123.798		29.962.536	

Cash flow statement - indirect method			
period 1.1.2018. to 31.12.2018.			
Company: SUNCE KONCERN d.d. ZAGREB			
Position	AOP	Previous period	Current period
1	2	3	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	001	29.030.945	35.036.306
2. Depreciation and amortisation	002	43.738.706	54.525.679
3. Increase of current liabilities	003	28.465.880	
4. Decrease of current receivables	004		
5. Decrease of inventories	005		
6. Other cash flow increases	006	1.193.459	5.733.907
I. Total increase of cash flow from operating activities	007	102.428.990	95.295.892
1. Decrease of current liabilities	008		11.581.816
2. Increase of current receivables	009	17.506.660	678.433
3. Increase of inventories	010	751.396	196.441
4. Other cash flow decreases	011	8.421.692	4.181.410
II. Total decrease of cash flow from operating activities	012	26.679.748	16.638.100
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	013	75.749.242	78.657.792
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	015	511.116	1.512.725
2. Proceeds from sale of non-current financial assets	016	50.495.159	
3. Interest received	017	394.295	
4. Dividend received	018		
5. Other proceeds from investing activities	019	9.560.000	
III. Total cash inflows from investing activities	020	60.960.570	1.512.725
1. Purchase of non-current assets	021	225.597.305	67.843.800
2. Purchase of non-current financial assets	022		
3. Other cash outflows from investing activities	023	24.935.000	41.257.800
IV. Total cash outflows from investing activities	024	250.532.305	109.101.600
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	189.571.735	107.588.875
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	027	68.820.000	
2. Proceeds from loans and borrowings	028	229.321.854	678.119.839
3. Other proceeds from financing activities	029		
V. Total cash inflows from financing activities	030	298.141.854	678.119.839
1. Repayment of loans and bonds	031	157.512.907	631.144.522
2. Dividends paid	032		
3. Repayment of finance lease	033	110.028	
4. Purchase of treasury shares	034		
5. Other cash outflows from financing activities	035		
VI. Total cash outflows from financing activities	036	157.622.935	631.144.522
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	037	140.518.919	46.975.316
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	0	0
Total increases of cash flows	039	26.696.426	18.044.233
Total decreases of cash flows	040	0	0
Cash and cash equivalents at the beginning of period	041	353.570	27.049.996
Increase of cash and cash equivalents	042	26.696.426	18.044.233
Decrease of cash and cash equivalents	043		
Cash and cash equivalents at the end of period	044	27.049.996	45.094.229

STATEMENT OF CHANGES IN EQUITY			
period	1.1.2018	to	31.12.2018
Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed share capital	001	488.706.200	539.385.000
2. Capital reserves	002	24.420.000	83.266.272
3. Reserves from profit	003	7.470.777	7.470.777
4. Retained earnings or loss carried forward	004	113.959.189	167.637.850
5. Net profit or loss for the period	005	20.609.253	29.962.536
6. Revaluation of tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of available for sale assets	008	3.032.241	3.032.241
9. Other revaluation	009		
10. Total equity and reserves (AOP 001 to 009)	010	658.197.660	830.754.676
11. Foreign exchange differences from foreign investments	011		
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Change of accounting policies	014		
15. Correction of significant mistakes of prior period	015		
16. Other changes	016		
17. Total increase or decrease of equity (AOP 011 to 016)	017	0	0
17 a. Attributable to majority owners	018	658.197.660	830.754.676
17 b. Attributable to minority interest	019	84.376.547	85.326.519