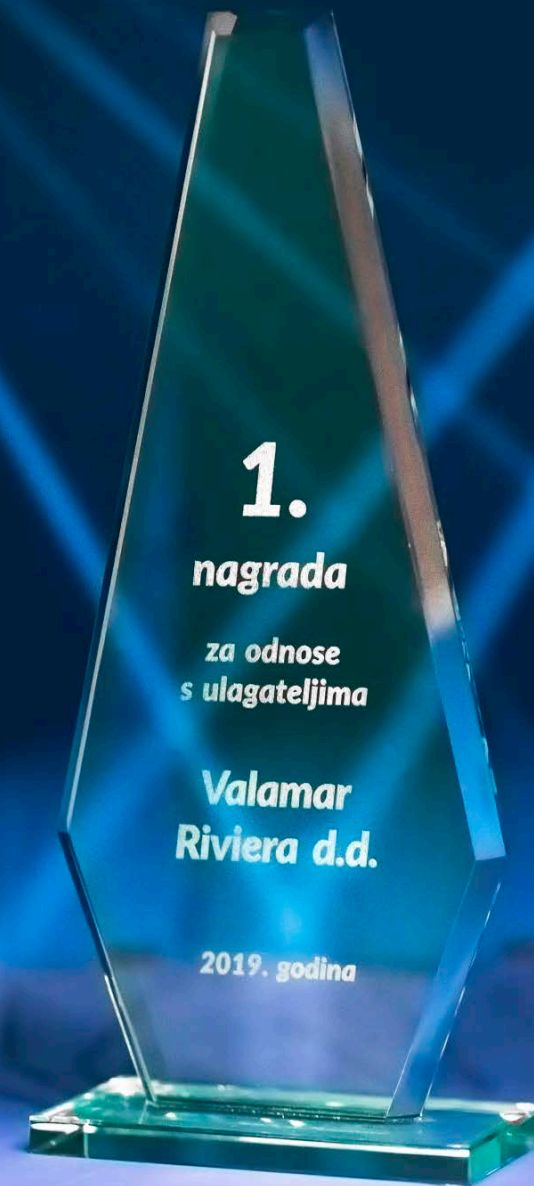


# BUSINESS RESULTS

1/1/2019 -  
30/9/2019



**VALAMAR**  
All you can holiday



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

# EXECUTIVE SUMMARY

## KEY FINANCIAL INDICATORS

(in HRK '000,000)

	1 - 9/2018	1 - 9/2019	2019/2018
Total revenues	1,921.0	2,068.0	7.7%
Sales revenues	1,849.7	2,017.6	9.1%
Board revenues	1,546.3	1,692.1	9.4%
Operating expenses	1,000.2	1,146.3	14.6%
EBITDA	857.1	880.2	2.7%
Adjusted EBITDA	854.8	876.4	2.5%
EBIT	560.6	523.2	-6.7%
Adjusted EBIT	558.3	519.5	-7.0%
EBT	552.8	482.3	-12.7%
EBITDA margin	45.9%	43.2%	-270 bp
Adjusted EBITDA margin	45.7%	43.0%	-270 bp

	31/12/2018	30/9/2019	2019/2018
Net debt	2,169.1	2,234.8	3.0%
Cash and cash equivalents	261.8	374.1	42.9%
Market capitalization	4,468.8	4,584.8	2.6%
EV	6,637.9	6,819.6	2.7%

## KEY OPERATING INDICATORS

	1 - 9/2018	1 - 9/2019	2019/2018
Accommodation units (capacity)	21,289	21,266	-0.1%
Number of beds	57,862	58,417	1.0%
Accommodation units sold	2,649,845	2,754,407	3.9%
Overnights	6,149,502	6,424,233	4.5%
ADR (in HRK)	584	614	5.3%

Note: Details and explanations can be found on page 15 in "Results of the Group".

9%  
GROWTH OF SALES  
REVENUES TO  
2,018  
MILLION HRK

## EBITDA

In the first nine months of 2019 Valamar Riviera achieved a 60 million increase in normalized<sup>1</sup> operating results despite slower peak-season demand growth in Croatian tourism. The recorded increase in adjusted EBITDA of HRK 22 million to HRK 876 million was affected by i) the change in the accounting policy of monthly provisioning of employee's unused annual leave hours (negative effect of HRK 30 million<sup>2</sup>), ii) earlier maintenance costs dynamics (negative effect of HRK 5 million), iii) earlier other operating costs dynamics (negative effect of HRK 6 million), as well as by the implementation of the IFRS 16 Leases<sup>3</sup> (positive effect of HRK 3 million). Excluding aforementioned impacts of changes in accounting policy, earlier costs dynamics and IFRS 16<sup>3</sup>, the adjusted EBITDA recorded a growth of 7% to HRK 914 million regardless the expected pressure on operating expenses.

## REVENUES

Total revenues were HRK 2,068 million, up 8% vs. last year's comparable period (HRK 1,921 million in 2018). In total revenues, HRK 2,018 million represented sales revenues (HRK 1,850 million in 2018). The remaining

<sup>1</sup> Represents the normalization of the adjusted EBITDA for HRK 38 million due to earlier maintenance and other operating costs dynamics, change in the accounting policy of monthly provisioning of employees' unused annual leave hours and implementation of IFRS 16.

<sup>2</sup> In the previous years the amount of unused annual leave hours was provisioned solely in December, whereas from the current year the provisioning is performed on a monthly basis, currently with a current negative impact on staff costs of HRK 30 million.

<sup>3</sup> IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases.

# EXECUTIVE SUMMARY

/ continued

part was mainly financial income, down by HRK 27 million (from HRK 52 million to HRK 25 million), particularly 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 and an unusual low exchange rate difference in EUR/HRK by the end of 2018. Sales revenue growth was largely driven by 9% higher board revenues that totaled HRK 1,692 million (HRK 1,546 million in 2018) and 7% higher extra F&B revenues.

Croatia had reported growing demand for several years before experiencing a recent slowdown in tourist turnover during the summer season. Despite those unfavorable developments, Valamar Riviera achieved 6.4 million overnights (+4.5%) in the first nine months of 2019, while ADR rose by 5.3% to HRK 614. The 146 million growth in board revenues was mainly driven by i) a strong investment cycle to improve competitiveness and quality of facilities and services, ii) the consolidation of Hoteli Makarska<sup>4</sup> and Valamar Obertauern Hotel 4\* operations, iii) better results in the pre and post season and iv) the development of destination products with added value.

2019 GROUP'S  
INVESTMENT  
CYCLE OF  
OVER HRK

790

MILLION IS  
FINALIZED

## COSTS

Operating expenses were HRK 1,146 million, and despite negative pressure, they achieved a controlled and planned growth. The growth is mainly due to i) this year's consolidation of companies Hoteli Makarska<sup>4</sup> and Valamar Obertauern, ii) growth in material costs resulting from an increase in volume of business, earlier maintenance costs dynamics, increased energy, iii) earlier other operating costs dynamics, and iv) increased staff costs, which share in total operating expenses remains the same compared to the previous comparable period (32%). The planned increase in staff costs is mostly due to i) the change in accounting policy of monthly provisioning of employee's unused annual leave hours<sup>2</sup> which accounts for HRK 30 million, ii) ensuring competitive salaries and other material and non-material working conditions and iii) new staff employment to ensure service quality in the new Premium and Upscale products that report excellent demand and occupancy.

## FINANCIAL RESULT

In the first nine months of 2019, the financial results amounted to HRK -44 million (HRK-8 million in 2018). The financial result, down by HRK 36 million, is mainly the result of the decrease in positive exchange rate

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

# EXECUTIVE SUMMARY

/ continued

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 and an unusual low exchange rate difference in EUR/HRK by the end of 2018.

## EBT

Profit before tax was reduced by HRK 70 million to HRK 482 million. The 13% decrease is due to: i) lower financial results (HRK -36 million) and increased cost of amortization (HRK +60 million).

## MARKET CAPITALIZATION AND NET DEBT

The enterprise value recorded a positive growth trend (+3%) as a result of the increased market capitalization and sound and sustainable debt and company growth management. Compared to 31 December 2018, net debt increased by HRK 66 million due to i) the earlier large investment cycle (over HRK 790 million outflow), ii) acquisition of 23.6% of the share capital of the Helios Faros company (HRK 23 million outflow) and iii) strong cash flow from business activities.

## INVESTMENTS

The Valamar Riviera Group completed its strong investment cycle worth over HRK 790 million. The investments were related to the repositioning of Istria camping towards the Premium segment, making it the first big 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 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 invested facilities report extremely good demand and occupancy. For details, see "Investments 2019." on page 34.

The Supervisory Boards of Valamar Riviera and Imperial Riviera granted their general prior approval for the 2020 investment cycle totaling over HRK 700 million. The final investment amount will be decided by the end of the current year. In the forthcoming year, investments will represent the continuation of strategic investments to reposition the portfolio towards products and services with high added value, focusing on construction of the luxury hotel in the Pical zone, investments in Valamar Zagreb Hotel 4\*, and in Istria Premium Camping Resort 5\*, and other projects aimed at upgrading products and services in all destinations. The continuation of investments is also planned in

# EXECUTIVE SUMMARY

/ continued

the accommodation for seasonal employees, energy efficiency and digitalization. For details, see “Investments 2020” on page 37.

## ACQUISITIONS

On 15 May 2017 Valamar Riviera and PBZ Croatia osiguranje d.d. (managing mandatory pension funds), submitted a joint offer for the investment and recapitalization of Helios Faros d.d., a hospitality company on Hvar island undergoing bankruptcy proceedings, and managing a 591-key portfolio. On 21 November 2018, The Commercial Court in Split confirmed the Bankruptcy Plan for the investment and recapitalization of the company Helios Faros which was entered in the court register on 18 March 2019. Executing the Bankruptcy Plan, the Trustee in Bankruptcy of Helios Farosa Bankruptcy Plan passed a decision to increase the share capital by stakes in money on 6 May 2019. Upon payment of the stake, Valamar became the holder of 23.61% and PBZ Croatia osiguranje of 70.83% shares of the company. On 22 July 2019 the Commercial Court in Split issued the Conclusion of bankruptcy, and on 22 August 2019 Valamar Riviera concluded the management contract for the hotel and tourist facilities and amenities with Helios Faros, which became effective in September 2019. The partnership between PBZ Croatia osiguranje and Valamar, that will manage the tourist portfolio of Helios Faros, will mark the beginning of a new phase of tourism development in Stari Grad on Hvar island.

## IMPERIAL RIVIERA'S NEW DEVELOPMENT PHASE

Imperial Riviera's General Assembly approved a share capital increase in the amount of HRK 426 million. Valamar Riviera will participate in the amount of HRK 106 million, AZ pension funds in the amount of HRK 296 million, Allianz Zagreb with a total of HRK 18 million and Allianz Invest in the amount of HRK 6 million (for more details, see section “Key Business Events”). The share capital increase marks the beginning of a five-year business plan which predicts 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. During this winter, Imperial Riviera will invest over HRK 100 million to improve and reposition the hotel with additional Maro services for families. The project is part of Valamar Riviera and Imperial Riviera's overall development plan for the Pical zone.

# OUTLOOK

Valamar Riviera announces the expected range of 2019 consolidated operating revenues and EBITDA.

In the business year 2019, the Group expects to achieve consolidated operating revenues ranging between HRK 2,175 million and HRK 2,200 million (HRK 1,991 million in 2018) with expected growth ranging between 9.2% and 10.5%. For more details and disclaimer, see page 29.

In the business year 2019, expected EBITDA will range between HRK 750 million and HRK 760 million (HRK 694 million in 2018) representing an increase ranging between 8.0% and 9.4%. For more details and disclaimer, see page 29.

Following the successful acquisition of Hoteli Baška on Krk island, Imperial on Rab island, Hoteli Makarska<sup>4</sup> in Makarska, Helios Faros on Hvar island, and the first hotel in Austria (Valamar Obertauern), we are considering further expansion by pursuing new partnerships and acquisition opportunities in Croatia and abroad.

Valamar's press release is available on the Valamar Riviera corporate website ([valamar-riviera.com/en/3Q2019](http://valamar-riviera.com/en/3Q2019)).

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

Valamar Collection Dubrovnik President Hotel 5\*, Dubrovnik



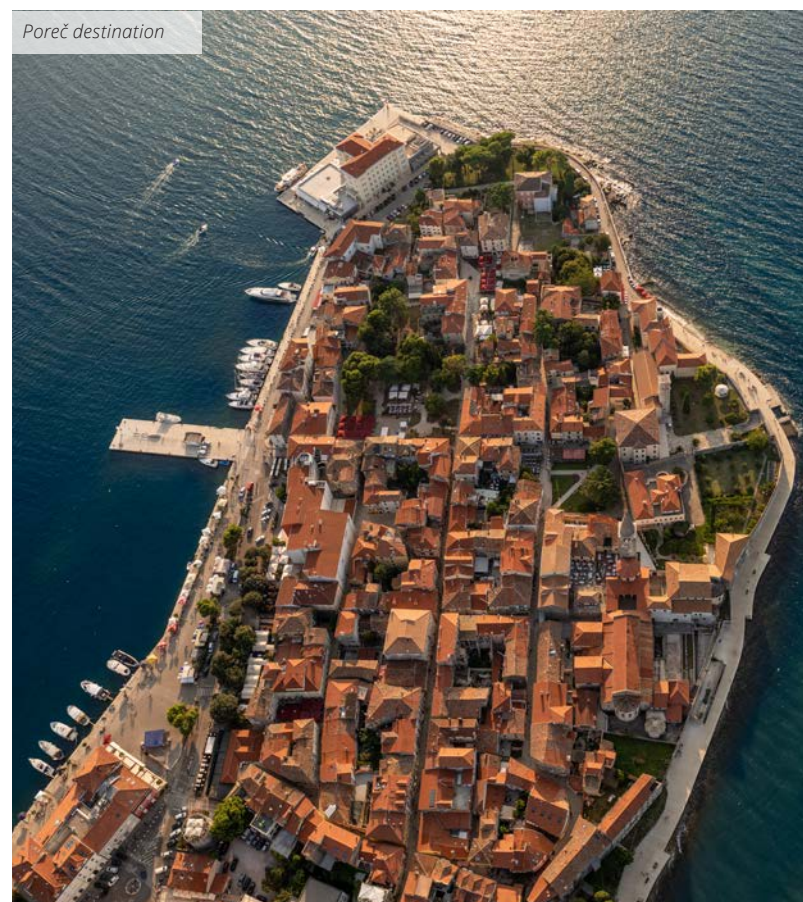
EXPECTED 2019  
GROUP'S EBITDA  
EBITDA WILL  
RANGE BETWEEN

750  
AND  
760

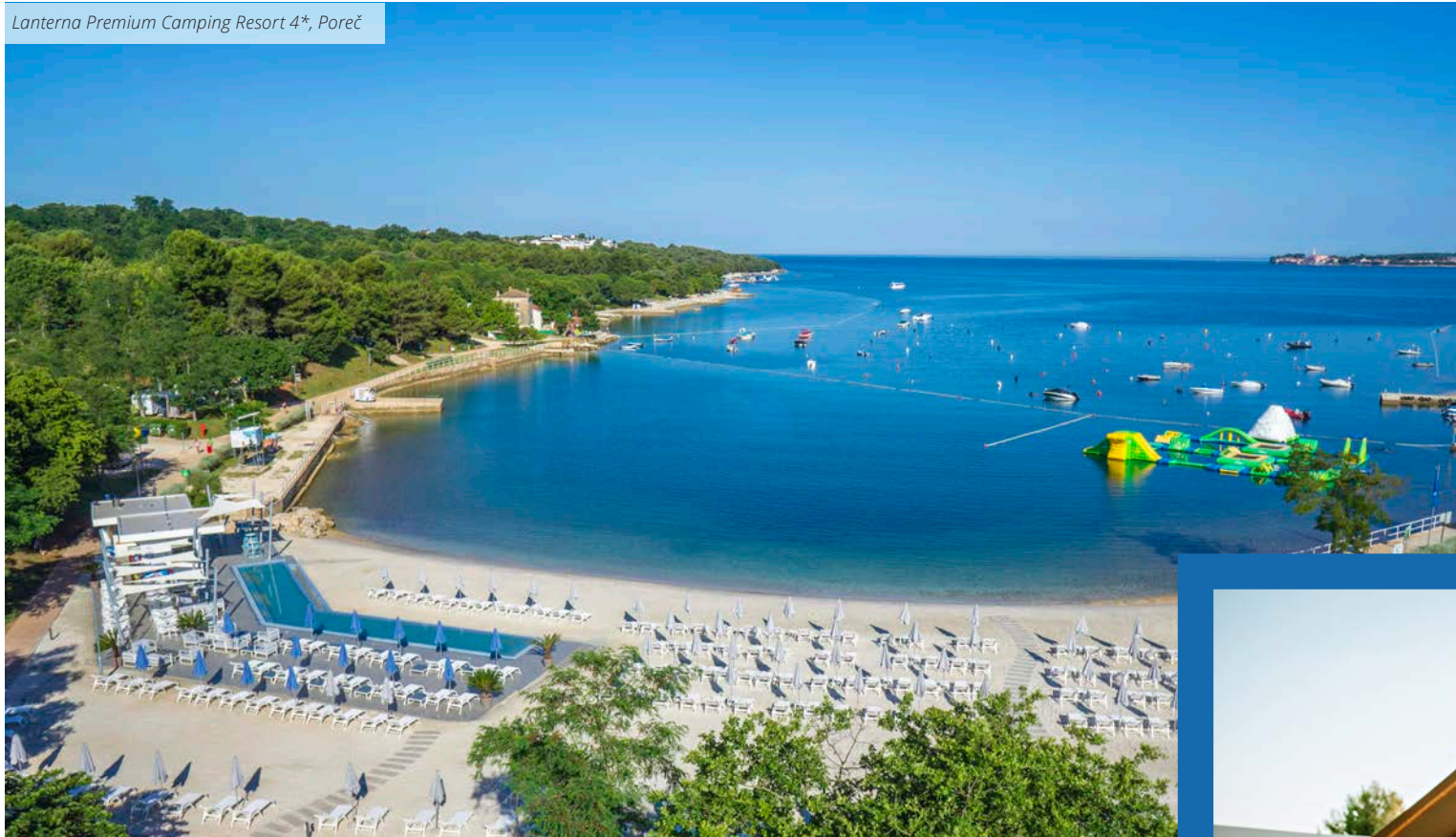
MILLION HRK

# TABLE OF CONTENTS

Significant Business Events	8
Results of the Group	14
2019 Outlook	29
Results of the Company	32
2019 Investments	34
2020 Investments	37
The Risks of the Company and the Group	40
Corporate Governance	46
Related-party Transactions and Branch Offices	49
Valamar Share	51
Investors Day and 2018 Integrated Annual Report and Corporate Social Responsibility	55
Additional Information	57
Responsibility for the Quarterly Financial Statements	59
Quarterly Financial Statements	60



Lanterna Premium Camping Resort 4\*, Poreč



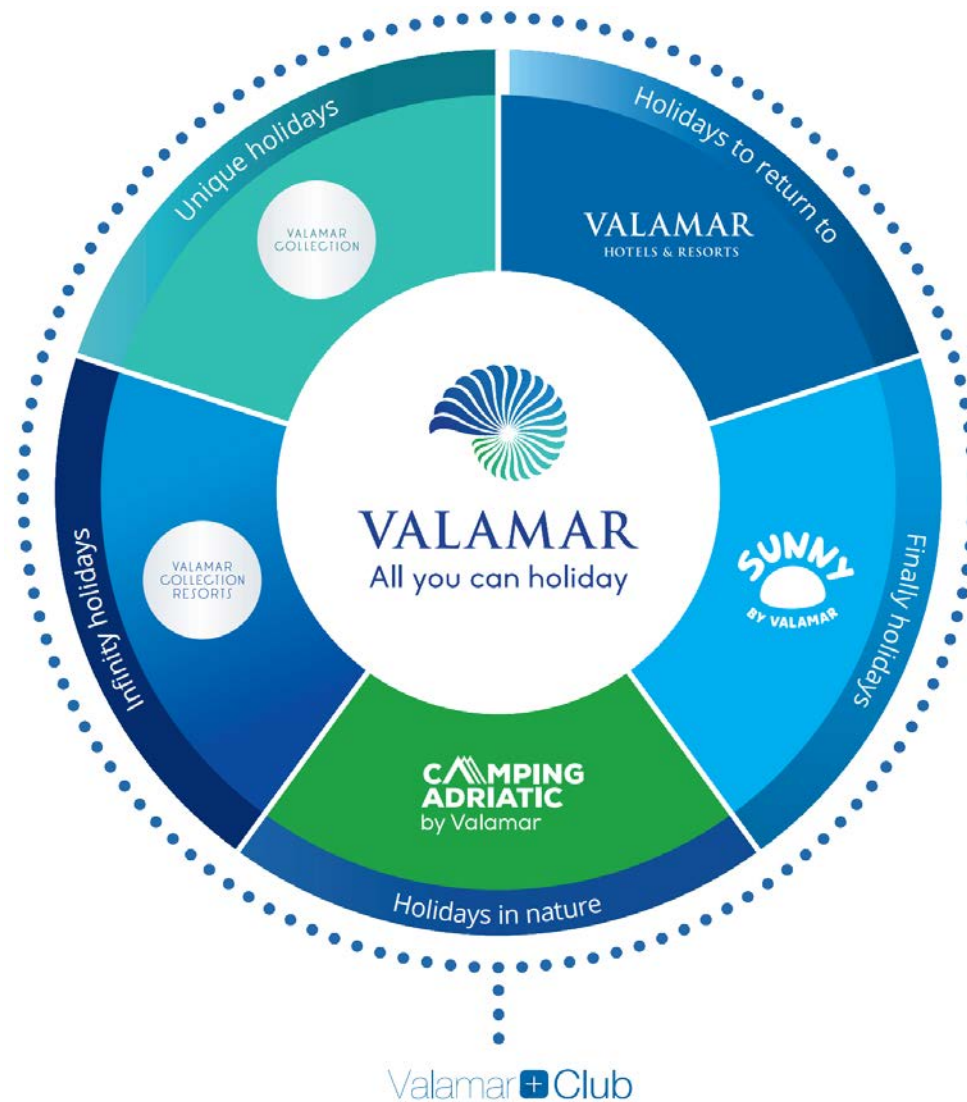
# Significant Business Events



## 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.<sup>4</sup> in Makarska, Helios Faros d.d. on the island of Hvar and Valamar's first hotel in Austria, 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.

*New Valamar Riviera's brand strategy*



## INVESTMENT AND RECAPITALIZATION OF HELIOS FAROS

Valamar Riviera and PBZ Croatia osiguranje, a pension fund management company acting in its own name and on behalf of PBZ Croatia osiguranje mandatory pension funds categories: A and B, submitted on 15 May 2017 a joint offer for the investment and recapitalization of Helios Faros, a hospitality company undergoing bankruptcy proceedings from Stari Grad on Hvar Island. The Assembly of bankruptcy creditors of Helios Faros decided on 20 July 2017 to prepare a Bankruptcy Plan, following the investment and recapitalization offer. In this offer, PBZ Croatia osiguranje and Valamar Riviera presented a restructuring plan as well as a six-year plan worth HRK 650 million for investments in hospitality assets. The total renovation and construction of two premium resorts containing around 600 keys would reposition the Helios Faros portfolio as premium accommodation, thus turning Stari Grad into an attractive destination. Helios Faros would employ around 500 people after the renovation of the Arkada and Lavanda hotels. On 21 November 2018, the Commercial Court in Split confirmed the Bankruptcy Plan for the investment and recapitalization of the company Helios Faros which entered the court register on 18 March 2019. On 7 May 2019 Valamar Riviera paid HRK 22.8 million to Helios Faros for a stake of 2,280,000 registered shares (having a nominal value of HRK 10.00) pursuant to the bankruptcy trustee Decision to increase the share capital with cash dated 6 May 2019. Namely, in order to settle the bankruptcy creditors and fulfill the preconditions for closing the bankruptcy proceedings, Helios Faros' share capital was increased by HRK 91.2 million from HRK 5.4 million by issuing 9,100,000 new shares. PBZ Croatia osiguranje has acquired the remaining 6,840,000 shares. By registering an increase in share capital in the court register, Valamar owns 23.61% of shares while PBZ Croatia Osiguranje owns 70.83% of shares of the Helios Faros Group. The Commercial court in Split has ruled on the conclusion of bankruptcy on 22 July 2019. Valamar Riviera concluded the Contract regarding the management of Helios Faros' hotel - tourist facilities on 22 August 2019, which took effect in September 2019. The partnership between PBZ Croatia osiguranje and Valamar (which will manage the hotel - tourist facilities and amenities of Helios Faros) is the beginning of a new phase of tourism development in Stari Grad on the island of Hvar.



## 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 audited 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 .
- 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 from Zagreb 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 ADRIAprime. The index includes Valamar Riviera's shares, as

well as other shares listed in the Prime markets of the Zagreb and Ljubljana Stock Exchanges.

## HOTEL MANAGEMENT CONTRACT WITH IMPERIAL RIVIERA AND PARTICIPATION IN THE INCREASE OF IMPERIAL RIVIERA'S SHARE CAPITAL

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 in the amount of HRK 826,668,557, the participants are:

- 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

<sup>5</sup> Allianz ZB d.o.o. društvo za upravljanje obveznim i dobrovoljnim mirovinskim fondovima u svoje ime, a za račun AZ Obvezni mirovinski fond kategorije A, AZ Obvezni mirovinski fond kategorije B, AZ Profit otvoreni dobrovoljni mirovinski fond, AZ Benefit otvoreni dobrovoljni mirovinski fond, AZ Treći Horizont zatvoreni dobrovoljni mirovinski fond, AZ VIP zatvoreni dobrovoljni mirovinski fond, AZ Dalekovod zatvoreni dobrovoljni mirovinski fond, AZ HKZP zatvoreni dobrovoljni mirovinski fond, AZ Zagreb zatvoreni dobrovoljni mirovinski fond, Auto Hrvatska zatvoreni dobrovoljni mirovinski fond and AZ ZABA zatvoreni dobrovoljni mirovinski fond.

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).

Imperial Riviera's share capital increase marks the beginning of a five-year business plan which predicts 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. During this winter, Imperial Riviera will invest over HRK 100 million to improve and reposition the hotel with additional Maro services for families. The project is part of Valamar Riviera and Imperial Riviera's overall development plan for the Pical zone.

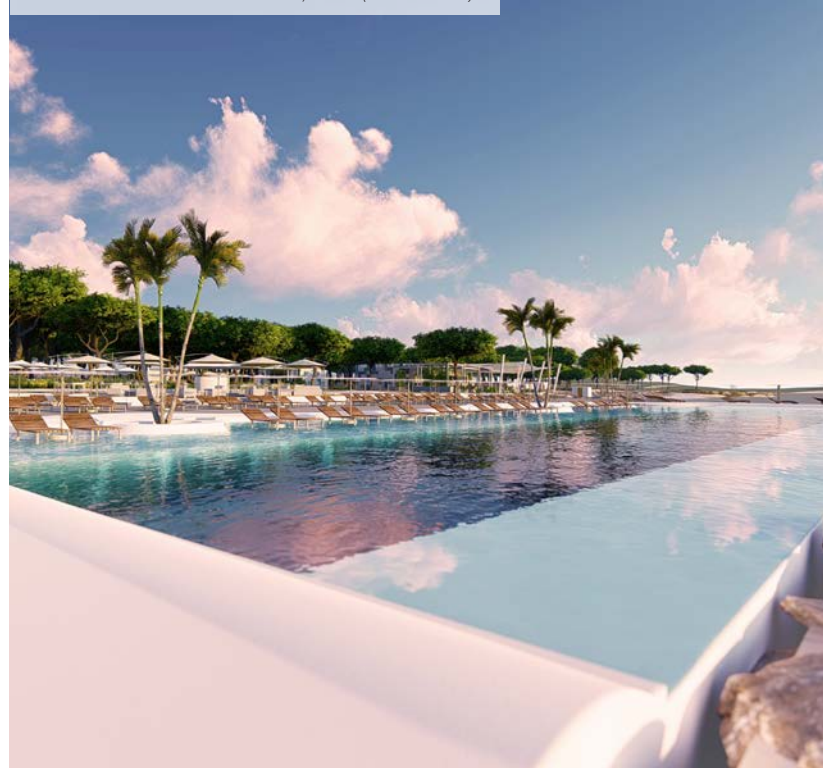
On 29 October 2019, Valamar and Imperial concluded a long-term contract regarding the management of hotel facilities and amenities (hotel management contract) by which Valamar shall continue to manage the Imperial Riviera portfolio.


## 2020 INVESTMENTS

The Supervisory Boards of Valamar Riviera and Imperial Riviera granted their general prior approval for the 2020 investment cycle totaling HRK 599 million and HRK 112 million, respectively. The final investment amount will be decided within this year. The large investment cycle represents the continuation of strategic investments to reposition the portfolio towards products and services with high added value. 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 Resorts 4\*. Investments are also planned 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 37.

Valamar Collection Pinea Resort 5\*, Poreč (visualization)



 *The Management Board presents the quarterly financial statements for the third quarter and the first nine months of 2019.*

Valamar Obertauern Hotel 4\*, Obertauern



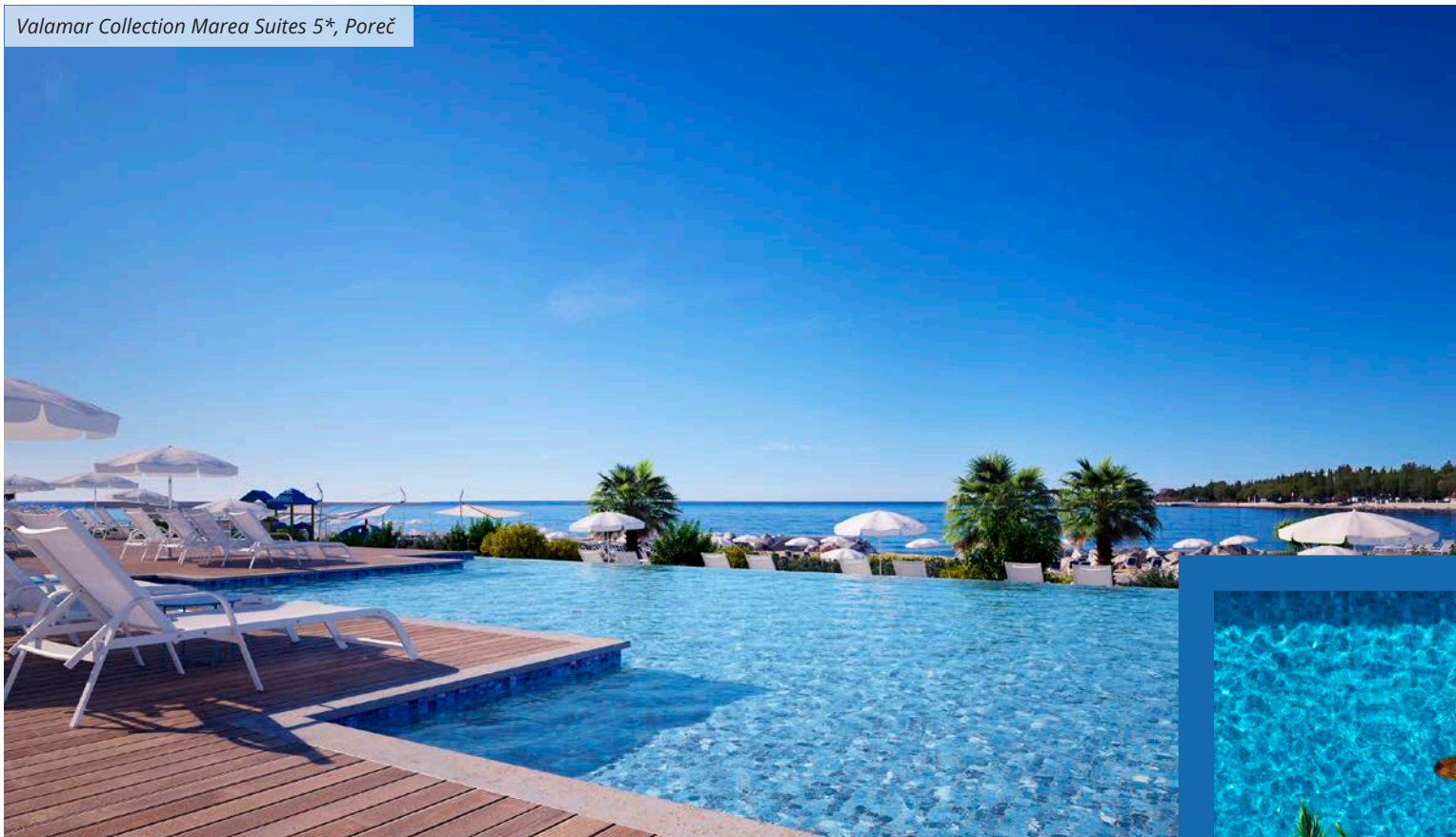
## QUARTERLY FINANCIAL STATEMENTS

The Company's Management Board hereby presents the unaudited financial statements for the third quarter of 2019 (from 1 July 2019 to 30 September 2019) and for the period from 1 January 2019 to 30 September 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.<sup>4</sup> 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 include data for the company Hoteli Makarska d.d.<sup>4</sup>, Valamar A GmbH and Valamar Obertauern GmbH.

The Group balance sheet for the reviewed period, as at 30 September 2019, as well as at 31 December 2018, includes data of the previously mentioned companies.

Valamar Collection Marea Suites 5\*, Poreč



# Results of the Group

## KEY FINANCIAL INDICATORS<sup>6</sup>

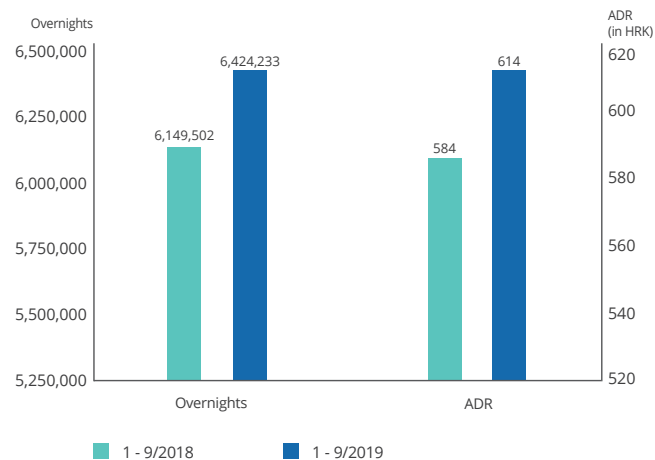
	1 - 9/2018	1 - 9/2019	2019/2018
Total revenues	1,921,028,971	2,068,003,236	7.7%
Operating income	1,868,744,101	2,039,740,698	9.2%
Sales revenues	1,849,684,072	2,017,592,971	9.1%
Board revenues (accommodation and board revenues) <sup>7</sup>	1,546,262,906	1,692,114,823	9.4%
Operating costs <sup>8</sup>	1,000,155,821	1,146,293,269	14.6%
EBITDA <sup>9</sup>	857,108,216	880,177,009	2.7%
Extraordinary operations result and one-off items <sup>10</sup>	2,293,388	3,734,670	62.8%
Adjusted EBITDA <sup>11</sup>	854,814,828	876,442,339	2.5%
EBIT	560,625,746	523,239,101	-6.7%
Adjusted EBIT <sup>11</sup>	558,332,358	519,504,431	-7.0%
EBT	552,777,089	482,318,560	-12.7%
EBITDA margin <sup>10</sup>	45.9%	43.2%	-270 bp
Adjusted EBITDA margin <sup>11</sup>	45.7%	43.0%	-270 bp
	<b>31/12/2018</b>	<b>30/9/2019</b>	<b>2019/2018</b>
Net debt <sup>12</sup>	2,169,067,569	2,234,804,761	3.0%
Cash and cash equivalents	261,842,353	374,142,636	42.9%
Market capitalization <sup>13</sup>	4,468,823,546	4,584,753,968	2.6%
EV <sup>14</sup>	6,637,891,115	6,819,558,729	2.7%

## KEY BUSINESS INDICATORS<sup>15</sup>

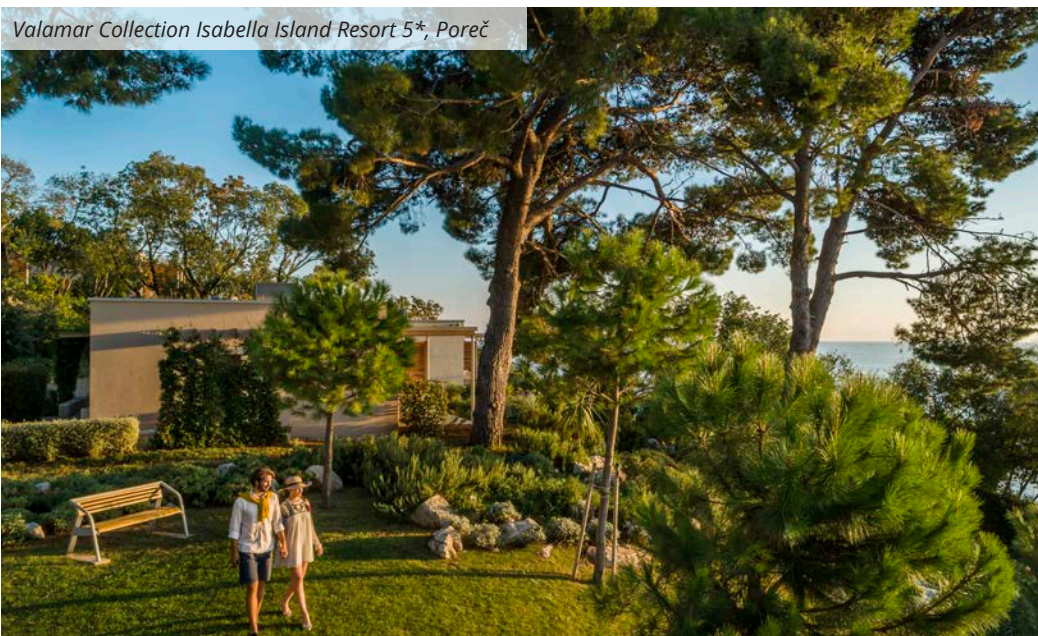
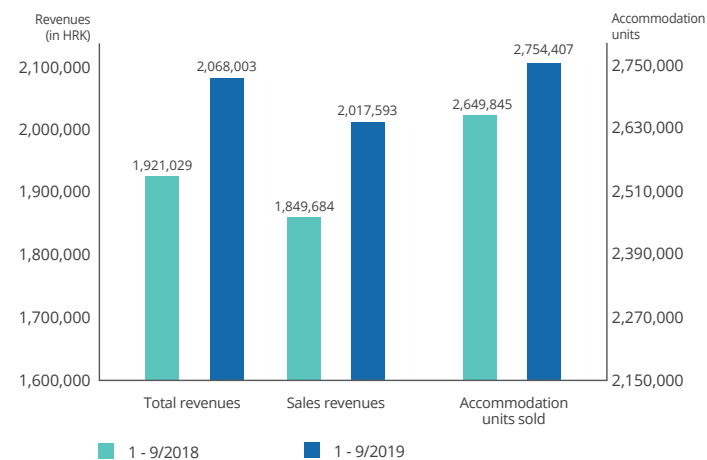
	1 - 9/2018	1 - 9/2019	2019/2018
Number of accommodation units (capacity)	21,289	21,266	-0.1%
Number of beds	56,446	58,417	3.5%
Accommodation units sold	2,649,845	2,754,407	3.9%
Overnights	6,149,502	6,424,233	4.5%
ADR <sup>16</sup> (in HRK)	584	614	5.3%

- 6 Classified according to Quarterly Financial Statement standard (TFI POD-RDG). EBIT, EBITDA and their adjusted values and respective margins are recorded on the basis of operating income.
- 7 In compliance with the classification under the USALI international standard for reporting in hotel industry (Uniform System of Accounts for the Lodging Industry).
- 8 Operating costs include material costs, staff costs, other costs, and other operating costs reduced by extraordinary expenses and one-off items.
- 9 EBITDA (eng. earnings before interest, taxes, depreciation and amortization) is calculated as: operating income - total operating costs + depreciation and amortisation + value adjustments
- 10 Adjustments were made for (i) extraordinary income (in the amount of HRK 17.0 million in 2019, and HRK 15.8 million in 2018), (ii) extraordinary expenses (in the amount of HRK 12.3 million in 2019, and HRK 12.8 million in 2018), and (iii) termination benefit costs (in the amount of HRK 1.0 million in 2019, and HRK 0.6 million in 2018).
- 11 Adjusted by the result of extraordinary operations and one-off items.
- 12 Net debt: non-current and current liabilities to banks and other financial institutions + liabilities for loans, deposits and other - cash and cash equivalents - long-term and short-term investments in securities - current loans given, deposits, etc.
- 13 The number of shares as at 31 December 2018 net of treasury shares amounts to 122,904,938, while per 30 September 2019 amounts to 122,325,346.
- 14 EV refers to enterprise value; calculated as market capitalization + net debt.
- 15 2018 key business indicators of Valamar Riviera Group do not include data of Hoteli Makarska and Valamar Obertauern. 2019 key business indicators do not include data of Helios Faros.
- 16 Average daily rate is recorded on the basis of board revenues (accommodation and board's food and beverage revenues)

### Overnights and ADR



### Revenues and accommodation units sold



Valamar Collection Isabella Island Resort 5\*, Poreč

Valamar Riviera's operations generated an income of over HRK 2 billion during a nine-month period 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: i) continuous portfolio investments, ii) acquisitions and partnerships (the process of acquiring the companies Hoteli Makarska<sup>4</sup> and Helios Faros in Croatia and the first Valamar Hotel in Austria was successfully finalized in 2018 and 2019), and iii) the development of employees and destinations. As one of Valamar Riviera's key strategic goals, the investments in the preparation of this year's tourist season with the aim of further increasing competitiveness and the quality of tourist facilities and services amounted to over HRK 790 million. Valamar Riviera will continue its strong investment strategy in the following year.



## REVENUES

In the first nine months of 2019, total revenues amounted to HRK 2,068.0 million, up by 7.7% (HRK +147.0 million). The total realized revenues were affected by:

**i) growth in sales revenue** up by 9.1% (HRK +167.9 million) to HRK 2,017.6 million, mainly driven by board revenues (+9.4%; HRK +145.9 million). Despite the negative effect of shifted Easter holidays to the second quarter, careful preparations of various additions to the offer and experiences and this year's consolidation of the Valamar Obertauern Hotel 4\* operations, board revenues increased by 30.5% during the first quarter. Despite the opening of the newly invested 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 was marked by 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 the 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%). In the first nine months of 2019, there was a total of 6,424,239 overnights, which represents a growth of 4.5%. The average daily rate increased by 5.3% to the level of HRK 614.

Domestic sales revenues were HRK 171.0 million and represented 8.3% of total revenues (8.2% in 2018). They grew by 8.6% compared to the previous comparable period. International sales revenues were HRK 1,846.6 million, up by HRK 154.4 million and represented 89.3% in total revenues (88.1% in 2018).

**ii) other operating revenues<sup>17</sup>** which grew by HRK 3.1 million to HRK 22.1 million, primarily due to this year's consolidation of Hoteli Makarska<sup>4</sup>.

TUI Family Life Bellevue Resort 4\*, Rabac



**iii) financial income** which was down by HRK 27.2 million to HRK 25.1 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 and an unusual low exchange rate difference in EUR/HRK by the end of 2018.

**iv) consolidation of Hoteli Makarska<sup>4</sup> and Valamar Obertauern** with a 3 percentage points contribution to the Group's total revenues.

Other operating and financial income for 2.3% of total revenues (3.7% in 2018).

<sup>17</sup> Other operating revenues include revenues from the usage of own products, goods and services.

## TOTAL OPERATING EXPENSES OF VALAMAR RIVIERA GROUP<sup>18</sup>

(in HRK)	1 - 9/2018	1 - 9/2019	2019/2018
Operating costs <sup>19</sup>	1,000,155,821	1,146,293,269	14.6%
Total operating expenses	1,308,118,355	1,516,501,597	15.9%
Material costs	463,022,963	522,287,215	12.8%
Staff cost	413,108,604	484,727,944	17.3%
Depreciation and amortisation	296,398,892	356,891,473	20.4%
Other costs	122,929,397	139,306,691	13.3%
Provisions and value adjustments	83,578	124,833	49.4%
Other operating expenses	12,574,921	13,163,441	4.7%

### TOTAL OPERATING EXPENSES

Total operating expenses amounted to HRK 1,516.5 million and grew by 15.9% (HRK +208.4 million). Excepting the operations of the companies Hoteli Makarska<sup>4</sup> and Valamar Obertauern for reasons of comparability, the total operating expenses recorded an 11% growth. Breakdown of total operating expenses:

**i) material costs** represented 34.4% (35.4% in 2018). The 12.8% growth (HRK +59.3 million) to the amount of HRK 522.3 million is due to i) the consolidation of the companies Hoteli Makarska<sup>4</sup> and Valamar Obertauern, ii) the increase of raw materials costs due to increased business volume, iii) earlier maintenance costs dynamics, and iv) the increase in energy costs (electricity and waste disposal).

**ii) staff costs** represented 32.0% in total operating expenses (31.6% in 2018). The reasons behind the 17.3% growth (HRK + 71.6 million) to HRK 484.7 million are found in (i) the changed accounting policy of monthly provisioning of employee's unused annual leave hours<sup>1</sup>,

which accounts for 7 percentage points of growth, ii) the consolidation of the companies Hoteli Makarska<sup>4</sup> and Valamar Obertauern, which represents a 5 percentage points growth and iii) ensuring competitive salaries and other material and non-material working conditions (total payrolls increase of 4% 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 23.5% (22.7% in 2018). The increase of 20.4% (HRK +60.5 million) to HRK 356.9 million is primarily a result of the earlier large investment cycle and the consolidation of the Hoteli Makarska<sup>4</sup> and Valamar Obertauern operations.

**iv) other costs** represented 9.2% (9.4% in 2018). The 13.3% growth (HRK +16.4 million) to HRK 139.3 million is primarily a result of i) the consolidation of the Hoteli Makarska<sup>4</sup> and Valamar Obertauern operations, ii) an increase in insurance costs, iii) an increase in costs of lodging and meals for employees, iv) increase in costs of

<sup>18</sup> Classified according to Quarterly Financial Statements standard (TFI POD-RDG).

<sup>19</sup> Operating costs include material costs, staff costs, other costs, and other operating costs reduced by extraordinary expenses and one-off items.

student scholarships and employee training (Valamar Riviera is the largest scholarship provider in Croatian tourism), and v) increase in expenses for labor hired via the student employment agency.

**v) provisions and value adjustments** with a HRK 41 thousand increase to HRK 125 thousand.

**vi) other operating expenses** representing 0.9% (1.0% in 2018). The HRK 0.6 million increase to HRK 13.2 million is a result of the consolidation of Hoteli Makarska<sup>4</sup>.

## OPERATING COSTS<sup>19</sup>

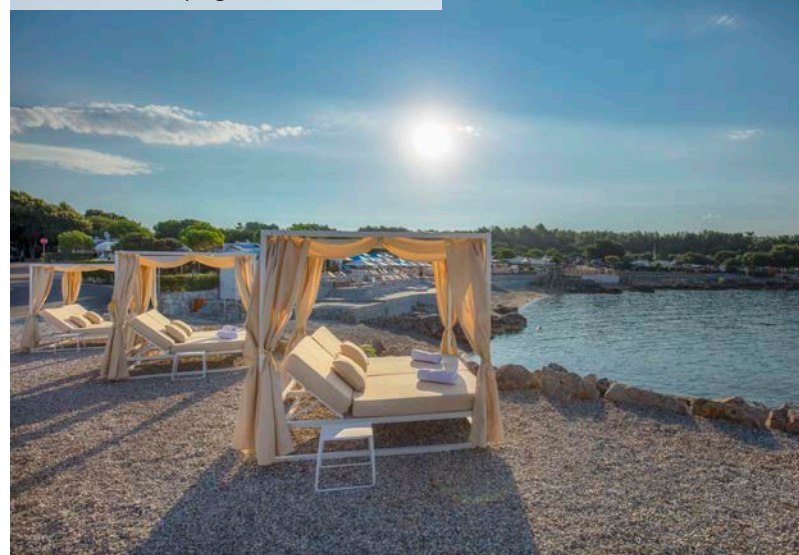
Operating costs amounted to HRK 1,146.3 million. The reasons behind the planned 14.6% growth are found in i) the increase in material costs (previously explained), ii) the increase in staff costs (previously explained), iii) the increase in other costs (previously explained), iv) earlier other operating costs dynamics, and v) the consolidation of Hoteli Makarska<sup>4</sup> and Valamar Obertauern. The operating cost recorded an 11% growth, excepting the operations of the aforementioned companies for reasons of comparability.

## EBITDA AND EBT

The 2.5% increase in adjusted EBITDA<sup>20</sup> to HRK 876.4 million (HRK 854.8 million in 2018) is negatively affected by the change in the accounting policy of monthly provisioning of employee's unused annual leave hours<sup>2</sup>, earlier maintenance and other operating costs dynamics, and to a lesser extent positively affected by the implementation of the IFRS 16 Leases<sup>3</sup>. By normalizing the monthly provisioning of unused leave hours, earlier costs dynamics and the effect of IFRS 16, adjusted EBITDA recorded a 7% growth in relation to last year's comparable period to HRK 914 million, despite expected pressure on operating expense. Strong HRK 60 million growth in normalized operating earnings is the result of the continued strong investment cycle in increasing competitiveness and improving the quality of

<sup>20</sup> Adjustments were made for (i) extraordinary income (in the amount of HRK 17.0 million in 2019, and HRK 15.8 million in 2018), (ii) extraordinary expenses (in the amount of HRK 12.3 million in 2019, and HRK 12.8 million in 2018), and (iii) termination benefit costs (in the amount of HRK 1.0 million in 2019, and HRK 0.6 million in 2018).

Krk Premium Camping Resort 5\*, Krk island



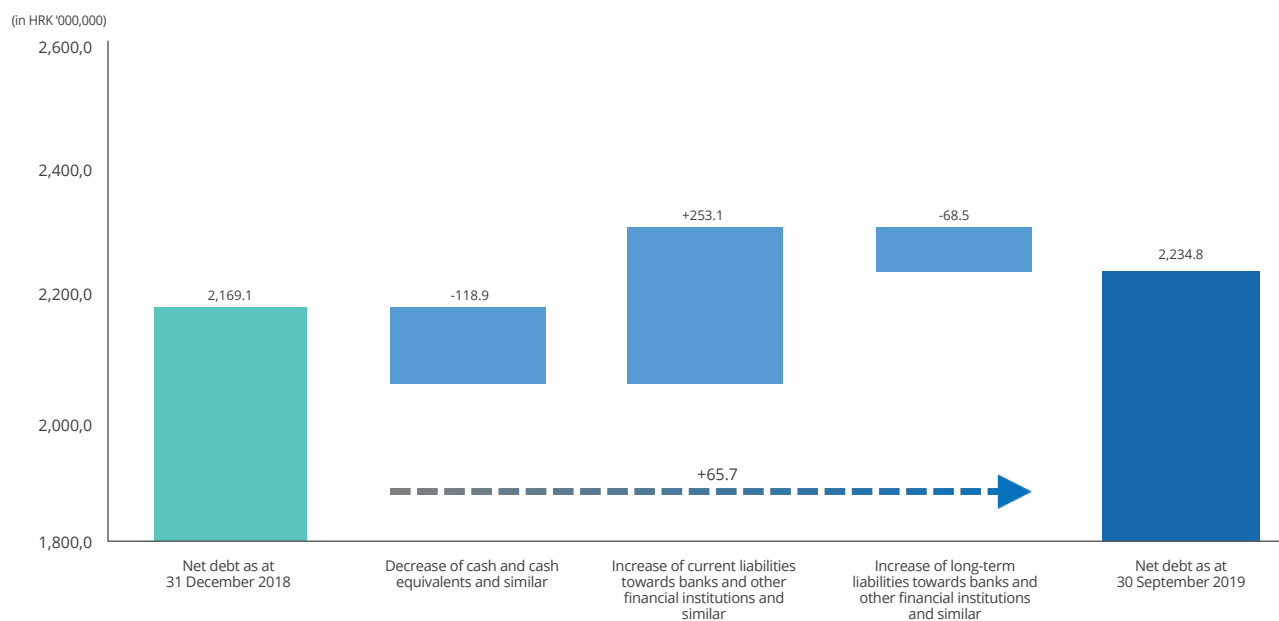
facilities and services, the acquisition of Hoteli Makarska<sup>4</sup> in Makarska and Valamar Obertauern in Austria, as well as active management of operational efficiency and optimization of distribution and price management pursuant to increased demand for newly invested facilities. The consolidation of the Hoteli Makarska<sup>4</sup> and Valamar Obertauern operations accounts for 2 percentage points of growth, while better business operations reflected in the Group's EBITDA increase of 2.7% to HRK 880.2 million.

In relation to last year's comparable period, loss before tax decreased from HRK 70.5 million to HRK 482.3 million, primarily due to lower results from financial operations (HRK -36.2 million; details on the next page) and increased amortization (HRK +60.5 million). The Group's gross margin amounts to 24% (30% in 2018).

## FINANCIAL RESULT

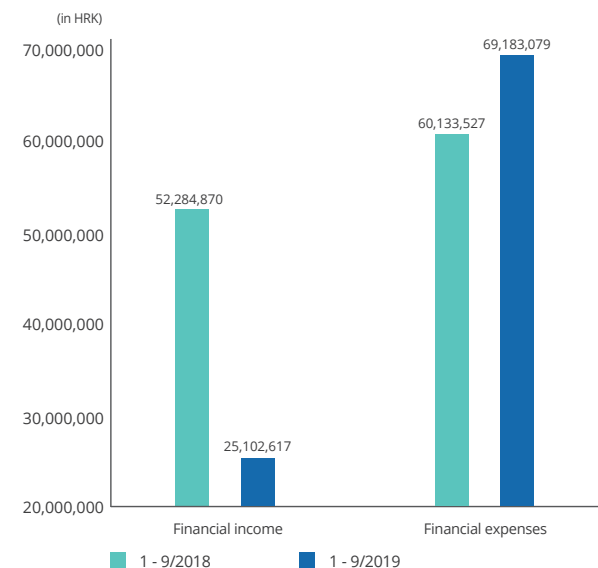
In the first nine months of 2019, the financial results amounted to HRK -44.1 million (HRK -7.8 million in 2018). The financial result, down by HRK 36.2 million vs. last year's comparable period is mainly due to: i) the decrease in positive exchange rate differences by HRK 27.4 million regarding long-term loans due to the absence of the usual appreciation of the Croatian Kuna compared to the Euro in the first quarter because of an unusual low exchange rate difference in EUR/HRK by the end of 2018, ii) decrease of negative exchange rate differences by HRK 10.9 million in the third quarter regarding long-term loans due to the lesser depreciation of the Croatian Kuna compared to the Euro vs. last year's comparable period; iii) the net effect of an increase in financial expenses by interest on long-term loans in the amount of HRK 5.6 million as a result of financing strong capital investments and iv) the increase of unrealized losses from financial assets in the amount of HRK 14.0 million due to the scope of protection by fair value of rate swaps.

### Net debt <sup>21</sup>



<sup>21</sup> Net debt: non-current and current liabilities to banks and other financial institutions + liabilities for loans, deposits and other – cash and cash equivalents – long-term and short-term investments in securities – current loans given, deposits, etc.

### Financial income and expenses



## ASSETS AND LIABILITIES

As at 30 September 2019, the total value of the Group's assets amounted to HRK 6,352.6 million, up by 12.1% compared to 31 December 2018.

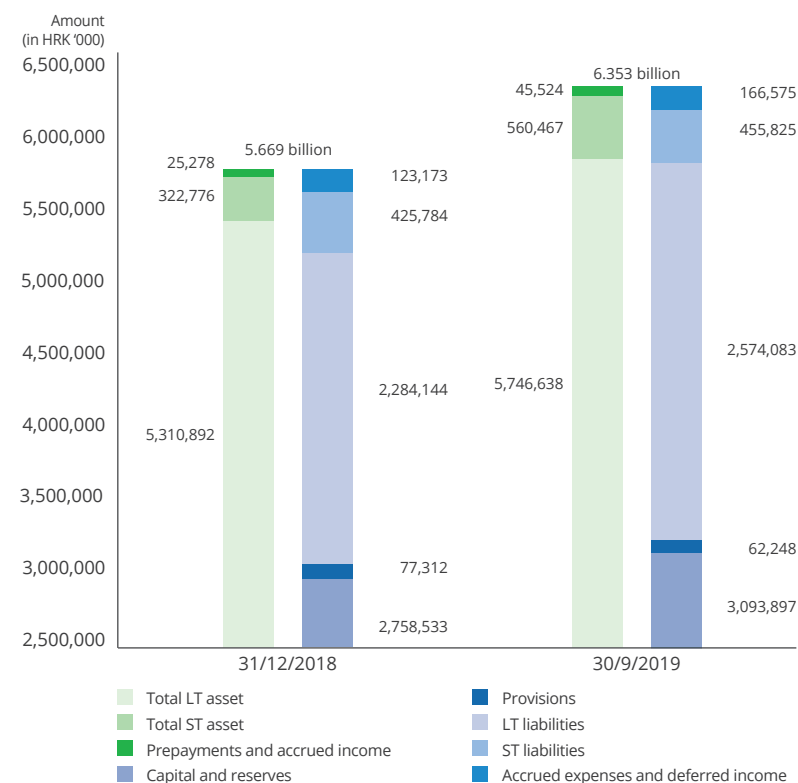
Total share capital and reserves decreased by 12.2% and they amount to HRK 3,093.9 million. Total long-term liabilities grew from HRK 2,284.1 million to HRK 2,574.1 million due to loans contracted to finance this year's investment cycle. A major part of the loan portfolio (88%) is comprised of long-term fixed interest loans or, respectively, loans hedged by a derivative instruments (IRS) for protection against interest rate risk.

Total short-term liabilities amounted to HRK 455.8 million, up by 7.1% compared to 31 December 2018. This is mostly due to i) usually higher liabilities related to guests' advance payments (HRK +81.3 million), ii) the current repayment of the long-term debt (HRK -68.4 million), iii) lower trade payables (HRK -32.0 million) due to the preparations for the tourist season, and iv) higher liabilities to employees and for taxes, contributions and similar liabilities (HRK +49.8 million).

Istra Premium Camping Resort 5\*, Poreč



## Assets and liabilities



Cash and cash equivalents as at 30 September 2019 are higher 42.9% and amount to HRK 374.1 million. The contracted credit lines for investments and the strong cash potential from business activities ensure a smooth continuation of future investments and potential acquisitions.

## KEY OPERATING INDICATORS OF VALAMAR RIVIERA GROUP PER SEGMENTS<sup>22</sup>

HOTELS AND RESORTS	Total			Premium		
	1 - 9/ 2018	1 - 9/ 2019	2019/ 2018	1 - 9/ 2018	1 - 9/ 2019	2019/ 2018
Number of accommodation units	9,929	10,007	0.8%	1,554	1,662	6.9%
Accommodation units sold	1,468,532	1,568,039	6.8%	236,460	259,232	9.6%
Overnights	3,114,222	3,288,533	5.6%	537,589	606,689	12.9%
ADR <sup>16</sup> (in HRK)	798	804	0.9%	1,418	1,457	2.8%
Board revenues (in HRK)	1,171,164,633	1,261,230,938	7.7%	335,280,457	377,679,184	12.6%

<sup>22</sup> According to the classification under the USALI international standard for reporting. According to the classification under the USALI international standard for reporting in hotel industry (Uniform System of Accounts for the Lodging Industry), Economy segment includes non-commercial segment (accommodation for employees). Business operations of Hoteli Makarska and Valamar Obertauern are not included in 2018. Puntizela - Pula business is included in destination Poreč. A detailed comparison of the new portfolio segmentation can be found on page 28.

### Total hotels and resorts

Hotels and resorts reported a HRK 90.1 million (+7.7%) growth and achieved a HRK 1,261.2 million in board revenues. Overnights were up by 6.8% to 1,568,039. The high increase is a result of the earlier large investment cycle, optimization of the marketing mix and the consequent higher occupancy rate in facilities due to higher demand. This is especially noticeable in the Premium and Upscale hotels. The consolidation of Hoteli Makarska<sup>4</sup> and Valamar Obertauern Hotel 4\* operations also contributed to the high increase.

### Premium hotels and resorts

Premium hotels and resorts recorded a 12.9% increase in overnights, which resulted in a 12.6% increase in board revenues to HRK 377.7 million. The HRK 42.4 million growth was mostly driven by i) excellent direct and group channel results in the Valamar Collection Dubrovnik President Hotel 5\*, ii) very good placement of the direct channel in the Valamar Collection Girandella Resort 4\* / 5\*, iii) the fact that Valamar Collection Imperial Hotel 5\* had higher number of operating days and iv) the newly invested Valamar Collection Marea Suites 5\* family resort.

Valamar Collection Isabella Island Resort 5\*, Poreč



## HOTELS AND RESORTS / CONTINUED

	Upscale			Midscale			Economy		
	1 - 9/ 2018	1 - 9/ 2019	2019/ 2018	1 - 9/ 2018	1 - 9/ 2019	2019/ 2018	1 - 9/ 2018	1 - 9/ 2019	2019/ 2018
Number of accommodation units	1,964	2,222	13.1%	3,689	3,440	-6.7%	2,722	2,683	-1.4%
Accommodation units sold	300,492	329,036	9.5%	499,284	512,354	2.6%	432,296	467,417	8.1%
Overnights	715,890	783,802	9.5%	1,098,403	1,108,317	0.9%	762,340	789,725	3.6%
ADR <sup>16</sup> (in HRK)	1,073	1,111	3.6%	771	767	-0.5%	297	267	-10.2%
Board revenues (in HRK)	322,292,209	365,640,938	13.5%	384,991,294	393,111,871	2.1%	128,600,674	124,798,945	-3.0%

### Upscale hotels and resorts

Upscale hotels and resorts reported HRK 365.6 million in board revenues. The strong 13.5% increase (HRK+43.3 million) is the result of 783,802 overnights (+9.5%) and a 3.6% increase in the average daily rate. The achieved results are due to i) the successful placement of M.I.C.E. and allotment channel at Valamar Argosy Hotel 4\*, ii) the allotment channel of TUI Family Life Bellevue Resort 4\*, iii) the repositioned TUI Sensimar Carolina Resort by Valamar 4\*, iv) an 11% increase of average daily rates at the invested Valamar Padova Hotel 4\* and v) this year's consolidation of the Valamar Obertauern Hotel 4\* operations, which recorded excellent winter tourist results.

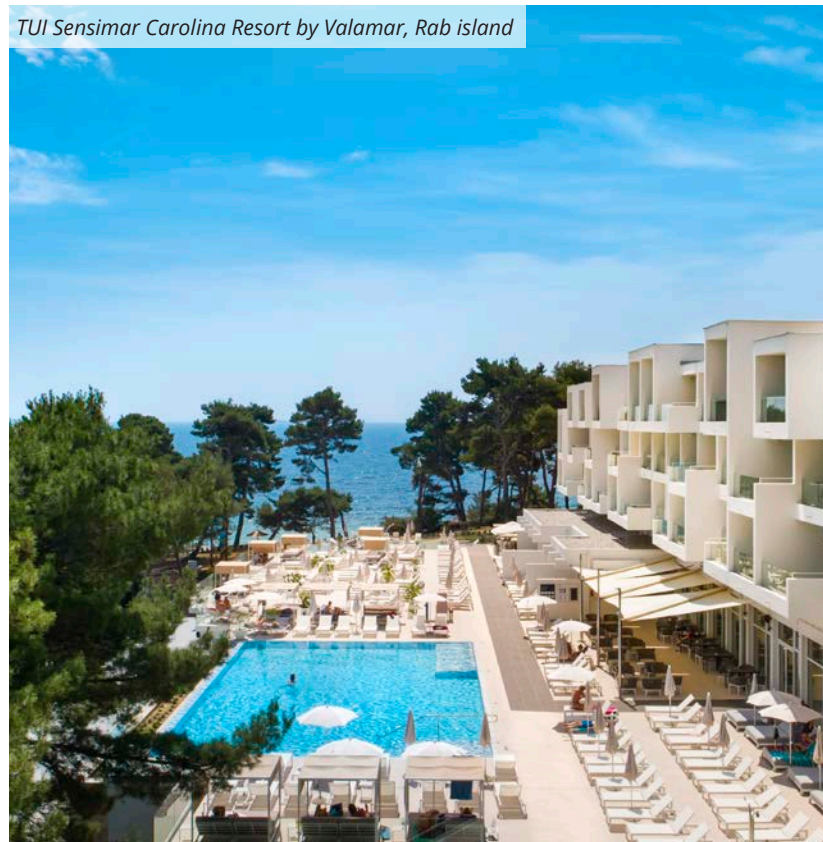
### Midscale hotels and resorts

The midscale segment reported HRK 393.1 million in board revenues. Despite the repositioning of the newly invested TUI Sensimar Carolina Resort by Valamar 4\* towards the Upscale segment, a growth of HRK 8.1 million was recorded as a result of a 2.6% increase in number of units sold. The achieved results are primarily due to i) consolidation of the Valamar Meteor Hotel 4\* and Dalmacija Sunny Hotel 3\* operations, ii) stronger feedback of the group channel and O.T.A. in the Valamar Zvonimir Hotel & Villa Adria 4\* / 5\*, and iii) successful placement of allotment and M.I.C.E. channels at Valamar Club Dubrovnik Hotel 3\*.

### Economy hotels and resorts

The decrease of HRK 3.8 million in the Economy hotels and resorts segment is the result of redistribution of accommodation to provide lodging for employees.

TUI Sensimar Carolina Resort by Valamar, Rab island



## KEY OPERATING INDICATORS OF VALAMAR RIVIERA GROUP PER SEGMENTS<sup>22</sup>

### CAMPING RESORTS

	Total			Premium		
	1 - 9/ 2018	1 - 9/ 2019	2019/ 2018	1 - 9/ 2018	1 - 9/ 2019	2019/ 2018
Number of accommodation units	11,360	11,259	-0.9%	4,053	5,315	31.1%
Accommodation units sold	1,181,313	1,186,372	0.4%	473,442	601,725	27.1%
Overnights	3,035,280	3,135,706	3.3%	1,366,467	1,733,883	26.9%
ADR <sup>16</sup> (in HRK)	318	363	14.4%	396	441	11.2%
Board revenues (in HRK)	375,098,273	430,883,885	14.9%	187,576,604	265,122,982	41.3%

#### Total camping resorts

Camping resorts achieved a total of HRK 430.9 million in total board revenues. Optimization of the average rate for mobile homes and camping pitches resulted in a board revenue increase of 14.9% (+ HRK +55.8 million).

#### Premium camping resorts

Premium camping resorts reported a total of HRK 265.1 million in boarding revenues. The 41.3% growth (HRK +77.6 million) is the result of an average daily rate of HRK 441 (+11.2%) and 1,733,883 overnights (+26.9%). Such high growth rates are primarily due to: i) strong business results of Lanterna Premium Camping Resort 4\* and Ježevac Premium Camping Resort 4\*, which recorded double-digit growth in board revenues, and ii) the repositioning of the newly invested Istra Premium Camping Resort 5\* campsites and Padova Premium Camping Resort 4\* into the Premium segment.



Istra Premium Camping Resort 5\*, Poreč



**CAMPING RESORTS**  
/ CONTINUED

	Upscale			Midscale			Economy		
	1 - 9/ 2018	1 - 9/ 2019	2019/ 2018	1 - 9/ 2018	1 - 9/ 2019	2019/ 2018	1 - 9/ 2018	1 - 9/ 2019	2019/ 2018
Number of accommodation units	2,157	2,201	2.0%	3,293	2,887	-12.3%	1,857	856	-53.9%
Accommodation units sold	235,283	234,024	-0.5%	309,805	267,525	-13.6%	162,783	83,098	-49.0%
Overnights	647,431	635,446	-1.9%	671,713	544,308	-19.0%	349,669	222,069	-36.5%
ADR <sup>16</sup> (in HRK)	354	365	3.0%	238	235	-1.3%	187	211	12.9%
Board revenues (in HRK)	83,355,002	85,392,748	2.4%	73,699,737	62,805,588	-14.8%	30,466,930	17,562,567	-42.4%

**Upscale camping resorts**

Upscale camping resorts were marked by a 2.4% increase in board revenues. The achieved HRK 85.4 million in board revenues was driven by i) a strong increase in the average daily rate at Marina Camping Resort 4\* and San Marino Camping Resort 4\* and ii) excellent performance of the newly invested Baška Beach Camping Resort 4\*.

**Midscale camping resorts**

Midscale camping resorts reported a 14.8% decrease to HRK 62.8 million due to the repositioning of Padova Camping Resort 4\* from Midscale to Premium segment. Comparable board revenues growth was 5% due to the stronger operational results achieved by Solaris Camping Resort 3\* and Škrila Sunny Camping 3\*.

**Economy camping resorts**

Economy campsites recorded HRK 17.6 million in board revenues. The decrease by HRK 12.9 million resulted from the repositioning of the Istra Premium Camping Resort 5\* to the Premium segment. The comparable board revenues increased by 15% due to stronger operational results of other Economy campsites.

Lanterna Premium Camping Resort 4\*, Poreč



## KEY OPERATING INDICATORS OF VALAMAR RIVIERA GROUP PER DESTINATIONS<sup>22</sup>

DESTINATIONS	Poreč			Rabac			Krk Island		
	1 - 9/ 2018	1 - 9/ 2019	2019/ 2018	1 - 9/ 2018	1 - 9/ 2019	2019/ 2018	1 - 9/ 2018	1 - 9/ 2019	2019/ 2018
Number of accommodation units	10,511	10,426	-0.8%	2,124	2,125	0.0%	3,496	3,453	-1.2%
Accommodation units sold	1,283,498	1,336,030	4.1%	318,030	305,426	-4.0%	442,501	435,831	-1.5%
Overnights	2,995,283	3,132,309	4.6%	726,751	728,172	0.2%	1,070,344	1,063,171	-0.7%
ADR <sup>16</sup> (in HRK)	498	513	3.0%	756	823	8.9%	468	492	5.2%
Board revenues (in HRK)	639,753,374	685,797,115	7.2%	240,330,531	251,306,150	4.6%	207,130,540	214,530,559	3.6%

### Destination Poreč

Destination Poreč recorded HRK 685.8 million in board revenues. The increase of HRK 46.0 million is primarily due to the excellent acceptance of the newly invested resorts Valamar Collection Marea Suites 5\*, Istria Premium Camping Resort 5\*, as well as Lanterna Premium Camping Resort 4\*.

### Destination Rabac

Destination Rabac recorded HRK 251.3 million in board revenues. The growth was mostly driven by the better individual segment in the Valamar Collection Girandella Resort 4\* / 5\* and the allotment channel at the TUI Family Life Bellevue Resort 4\*.

### Destination Krk island

Destination Krk has recorded HRK 214.5 million in board revenues. The 3.6% increase is primarily due to strong

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



**DESTINATIONS**  
/ CONTINUED

	Rab Island			Dubrovnik			Makarska	Obertauern
	1 - 9/ 2018	1 - 9/ 2019	2019/ 2018	1 - 9/ 2018	1 - 9/ 2019	2019/ 2018	1 - 9/ 2019	1 - 9/ 2019
Number of accommodation units	2,466	2,490	1.0%	1,966	1,965	-0.1%	725	82
Accommodation units sold	273,956	274,608	0.2%	290,271	292,862	0.9%	103,000	6,654
Overnights	709,968	706,994	-0.4%	560,624	566,379	1.0%	212,413	14,801
ADR <sup>16</sup> (in HRK)	522	581	11.3%	992	1,016	2.4%	693	1,795
Board revenues (in HRK)	142,954,021	159,533,178	11.6%	287,946,489	297,624,977	3.4%	71,380,390	11,942,454

operations of the camping segment, especially the newly invested Baška Beach Camping Resort 4\*, as well as Krk Premium Camping Resort 5\* and Ježevac Premium Camping Resort 4\*.

**Destination Rab island**

The increase in board revenues on Rab island from HRK 16.6 million to HRK 159.5 million is the result of better operations of all hotels and resorts, as well as camping resorts, especially the newly invested products TUI Sensimar Carolina Resort by Valamar 4\* and Padova Premium Camping Resort 4\*.

**Destination Dubrovnik**

Destination Dubrovnik recorded HRK 297.6 million in board revenues (+3,4%). The growth is due to better feedback received by the M.I.C.E. and allotment channels in the Valamar Argosy Hotel 4\* and the Valamar Collection Dubrovnik President Hotel 5\*.

**Destination Makarska**

HRK 71.4 million in board revenues achieved in destination Makarska are the result of 212,413 overnights and an average daily rate of HRK 693. Destination Makarska has achieved a 8% growth compared to last year.

**Destination Obertauern**

The winter tourism destination recorded HRK 11.9 million in board revenues.



## 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 - Puntižela
Tunarica Sunny Camping	**	**	Economy	Economy	Rabac

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

Ježevac Premium Camping Resort 4\*, Krk island



# 2019 Outlook

Valamar Riviera announces the expected range of 2019 consolidated operating revenues and EBITDA.

In the business year 2019, the Group expects to achieve consolidated operating revenues ranging between HRK 2,175 million and HRK 2,200 million (HRK 1,991 million in 2018) with expected growth ranging between 9.2% and 10.5%.

In the business year 2019, expected EBITDA will range between HRK 750 million and HRK 760 million (HRK 694 million in 2018) representing an increase ranging between 8.0% and 9.4%.

Our outlook is based on (i) results achieved in the first nine months of 2019; (ii) operating revenues achieved by 25 October 2019; (iii) currently realized board revenues representing 98% of the expected 2019 board revenues; (iv) 4Q business results forecast; and (v) the absence of significant negative effects of the risks to which the Company and the Group are exposed.

EXPECTED 2019  
GROUP'S EBITDA  
EBITDA WILL  
RANGE BETWEEN

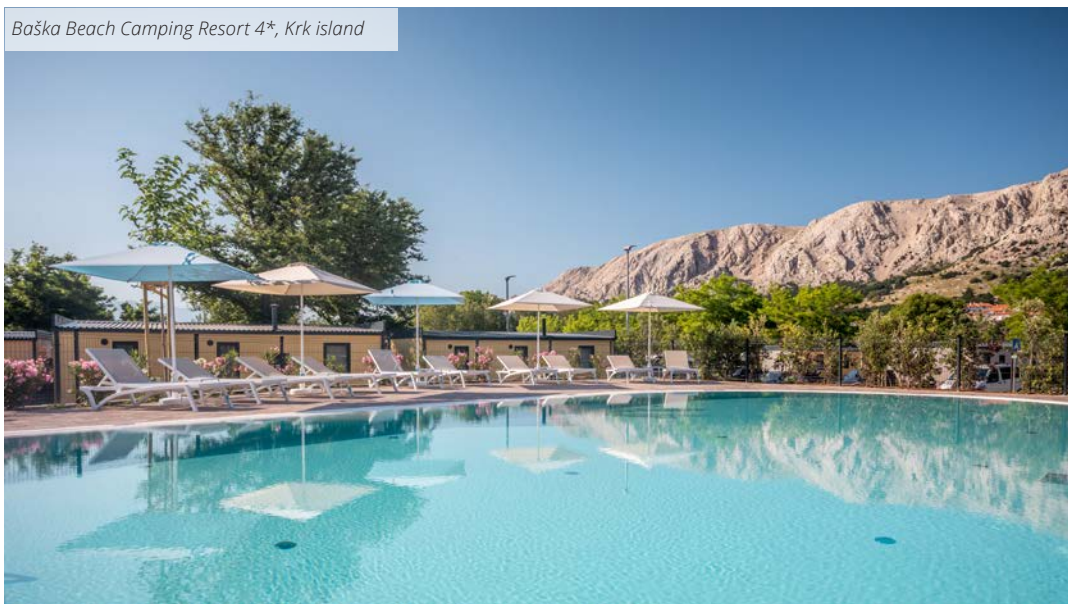
750  
AND  
760

MILLION HRK

Outlook statements are based on currently available information, current assumptions, forward-looking expectations and projections. This outlook is not a guarantee of future results and is subject to future events, risks, and uncertainties, many of which are beyond the control of, or currently unknown to Valamar Riviera, as well as potentially incorrect assumptions that could cause the actual results to materially differ from the said expectations and forecasts. Risks and uncertainties include, but are not limited to those described in the chapter "Risks of the Company and the Group". Materially significant deviations from the 2019 outlook may arise from changes in circumstances, assumptions not being realized, as well as other risks, uncertainties, and factors, including:

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

Baška Beach Camping Resort 4\*, Krk island



2019 OUTLOOK  
/continued

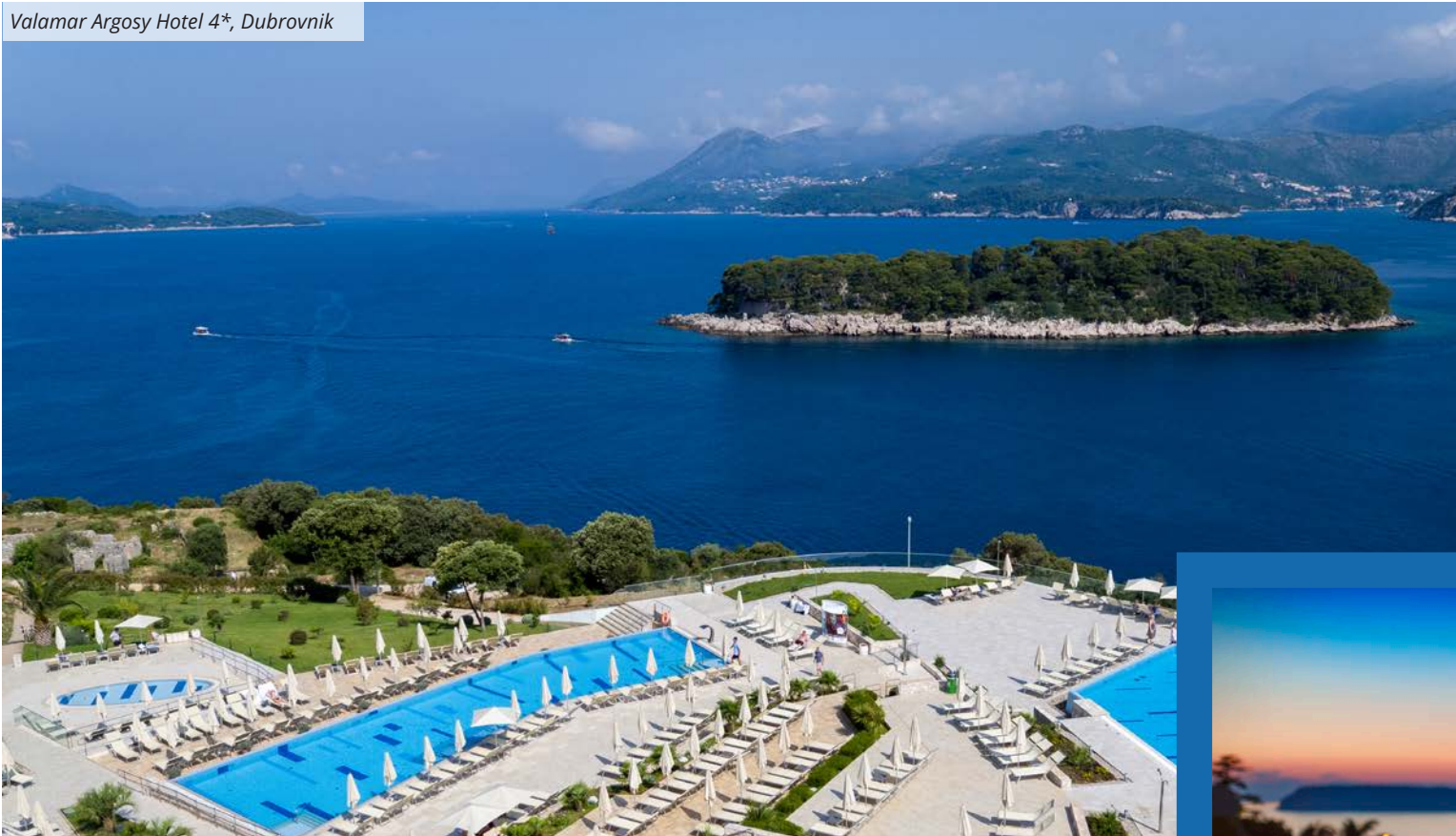
- weather conditions and seasonal movements;
- Reliability of IT business solutions and cyber security of Valamar Riviera's business operations, as well as related costs;
- Changes of tax and other regulations and laws, trade restrictions, and rates of customs duty;
- Adverse climatic events and environmental risks.

Should materially significant changes to the stated outlook for the business year 2019 occur, Valamar Riviera shall immediately inform the public thereof, in compliance with Article 459 of the Capital Market Act. The given outlook statements are not an outright recommendation to buy, hold or sell Valamar Riviera's shares.

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



Valamar Argosy Hotel 4\*, Dubrovnik



# Results of the Company



During the first nine months of 2019, total revenues grew by HRK 78.6 million (+5%) to HRK 1,809.9 million. Total sales revenues amounted to HRK 1,763.9 million with a 97% share in total revenues (96% in 2018). Compared to the same period of the previous year, they increased by 6%, i.e. by HRK 99.9 million. Sales revenues between the Group undertakings were HRK 25.3 million (HRK 14.1 million in 2018) and they mainly represented the management fee for Imperial Riviera's properties, Hoteli Makarska<sup>4</sup> and Valamar Obertauern. Sales revenues outside the Group amounted to HRK 1,738.6 million (HRK 1,650.0 million in 2018). Domestic sales revenues amounted to HRK 154.1 million, i.e. 9% of total revenues (8% in 2018), up by 13% in relation to the previous comparable period. International sales revenues amounted to HRK 1,609.8 million and represented 89% of total revenues (88% in 2018). They grew by 5% compared to the previous comparable period. Other operating revenues represent 1% of total revenues (1% in 2018.) and they increased by 12% to HRK 13.2 million. Other operating and financial income represented 3% of total revenues (4% in 2018).

Material costs totaled HRK 456.1 million with a lower share in total operating expenses as in the previous comparable period (35% in 2019 vs. 36% in 2018). The HRK 33.4 million increase is primarily a result of i) the increased costs of raw material due to higher business volumes, ii) the increase in energy costs (electricity and waste disposal), and iii) earlier maintenance costs dynamics. Staff costs amount to HRK 421.7 million with the same share of 32% 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 43.8 million. This was mainly due to i) this year's change in the accounting policy of monthly provisioning of employees' annual leave hours<sup>23</sup> and ii) 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 22% of operating expenses (22% in 2018) and amounts to HRK 287.1 million (HRK 253.7 million in 2018). The 13% growth is the result of the earlier large investment cycle that had been carried out. Other costs totaled HRK 128.6 million and they are higher by 13%. Other operating expenses amounted to HRK 6.5 million and they are higher by HRK 2.2 million, mainly as a result of business related costs from previous years.

In the first nine months of 2019, the financial results amounted to HRK -30.7 million (HRK -0.1 million in 2018). The financial result, down by HRK 30.6 million vs. last year's comparable period is mainly due to: i) the decrease in positive exchange rate differences by HRK 25.9 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 because of an unusual low exchange rate difference in EUR/HRK by the end of 2018, ii) decrease of negative exchange rate differences by HRK 10.1 million in the third quarter regarding long-term loans due to the lesser depreciation of the Croatian Kuna compared to the Euro vs. last year's comparable period; iii) the net effect of an increase in financial expenses by interest on long-term loans in the amount of HRK 3.7 million as a result of financing strong capital investments and iv) the increase of unrealized losses from financial assets in the amount of HRK 14.0 million due to the scope of protection and liabilities by fair value of rate swaps, and v) revenue increase from investments in entrepreneur shares within the group by 2.6 HRK million due to paid dividends of Hoteli Makarska d.d.<sup>4</sup>

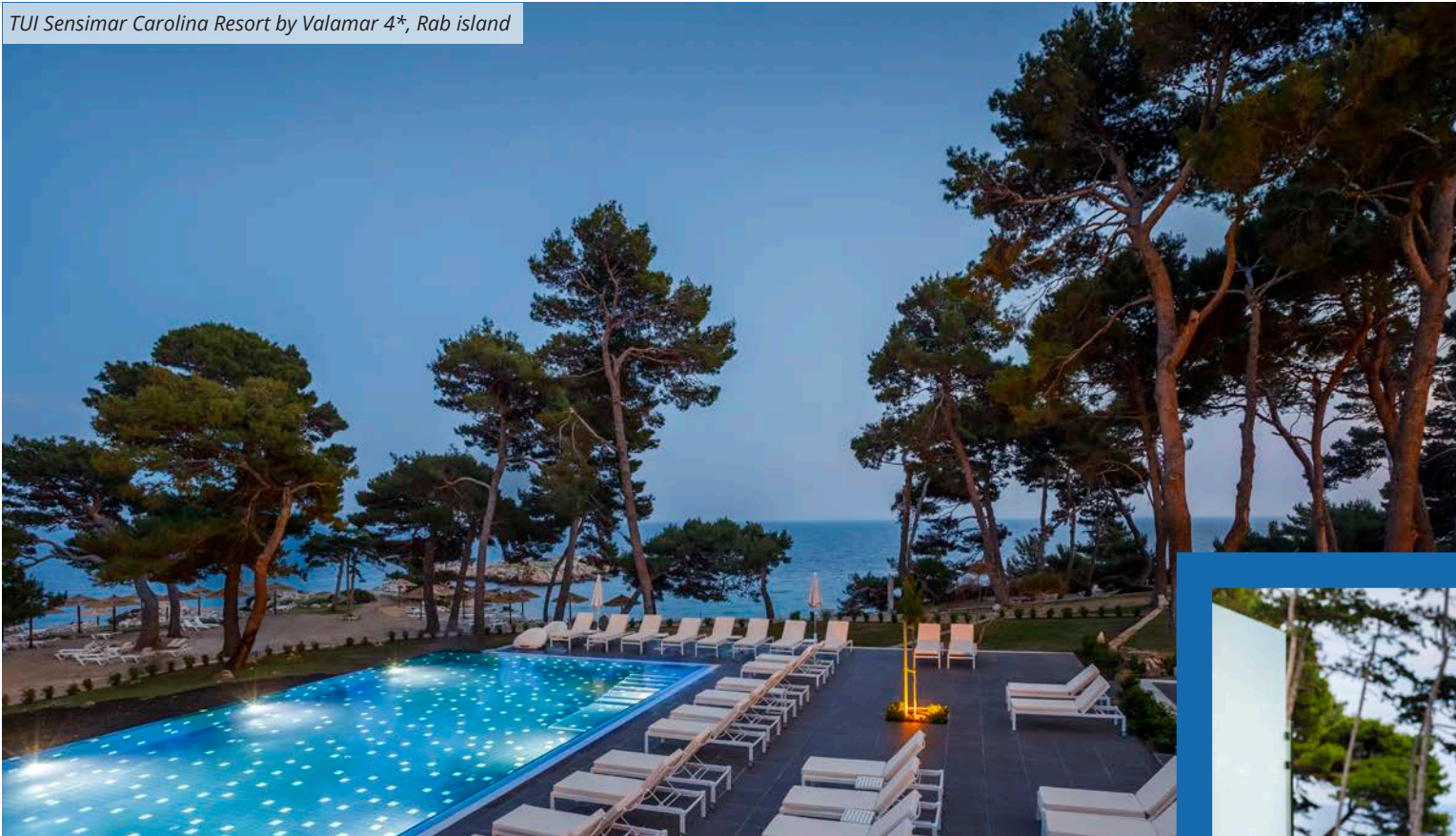
Compared to the same period of the previous year, the profit before taxes was decreased by HRK 57.2 million to HRK 446.4 million due to increased amortization (HRK +33.4 million) and a lower result from the financial operations (HRK -30.7 million). Operating profit (EBITDA) increased by HRK 6.8 million to HRK 764.2 million. The Company's gross margin was 25% (30% in 2018).

As at 30 September 2019, the total Company assets amounted to HRK 5,546.3 million, a 11% increase compared to 31 December 2018.



<sup>23</sup> In the previous years the amount of unused annual leave hours was provisioned solely in December, whereas from the current year the provisioning is performed on a monthly basis.

TUI Sensimar Carolina Resort by Valamar 4\*, Rab island



# 2019 Investments

Valamar Group's 2019 investment projects focused on repositioning the portfolio towards products and services with high added value. Investments at all Valamar's destinations totaled over HRK 790 million<sup>24</sup>, out of which 32% represented investments in hotels and resorts, 38% camping resorts investment and 30% other projects.

The most important projects in Valamar Riviera's HRK 636 million investment cycle were the investments made in Istra campsite that became the largest 5-star campsite in Croatia in this season, the opening of the luxury family hotel Valamar Collection Marea Suites 5\* in Poreč, 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.

The second investment phase at Istra Sunny Camping 2\* in Funtana started in autumn 2018. This summer Valamar's guests did enjoy top features and amenities at Istra Premium Camping Resort 5\*. On 35 hectares of area the camping features a large family water park, Aquamar, spreading over 1,000m<sup>2</sup> of water areas with a wide range of slides and water attractions, a large entertainment arena with a cinema, stage, children's clubs and playrooms as well as Super Maro children's programs. It also boasts one of the best Valamar beaches, 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 camping pitches, new glamping tents (9), a variety of new mobile homes (135) and new luxury mobile homes (5) 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 the "Croatia's Best Campsites" by the Croatian Camping Union for the second year in a row, and "Special Lider Invest" by the Lider's newspaper expert jury for Croatian best investments.

The construction of Valamar Collection Marea Suites 5\* has been completed in June. The property is situated at the location of the former Pinia Sunny Residence 3\* in the Borik area of Poreč. Valamar

OVER HRK  
**790**  
MILLION 2019  
GROUP'S  
INVESTMENT CYCLE  
IS FINALIZED

has developed this area by adding accommodation and amenities with added value and this investment 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, sport facilities and Maro amenities for children of all ages. Special attention was given to landscape design and planting new trees, vegetation and indigenous species.

At Lanterna Premium Camping Resort 4\*, Valamar Riviera's largest campsite, we developed 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 pitches 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 service and amenity upgrade.

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



Valamar Collection Marea Suites 5\*, Poreč

24 A portion already recorded in 2018.

can enjoy a new central market, while the upgraded features for families with children include Maro club and new children's playgrounds.

The 2019 investments on Rab Island totaled HRK 140 million, representing Imperial's largest investment cycle in the last ten years. Besides numerous projects to upgrade the quality of guest services, the investments focused on reconstructing and repositioning Valamar Carolina Hotel & Villas 4\* and upgrading Padova Camping Resort 3\* towards the upscale and premium segments (further accommodation upgrades and new amenities).

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 (restaurant, lobby bar, public spaces, new adult swimming pool, wellness and fitness zone) enabling a partnership with the TUI Sensimar brand. Valamar Padova

140

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

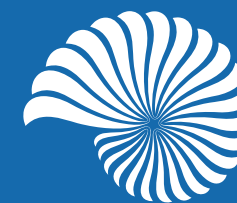
Hotel 4\* welcomed the 2019 tourist season as a family-oriented hotel. Additional projects focused on improving energy efficiency with solar heating systems, efficient heat pumps and other.

HRK 17 million investments in Makarska mainly focused on improving the quality and amenities of Meteor Hotel operating under the Valamar Hotels & Resorts brand as of this year.

Istra Premium Camping Resort 5\*, Poreč



Valamar Collection Pinea Resort 5\*, Poreč (visualization)



# 2020 Investments

The product and content development strategy consists of ambitious plans for innovative offer enhancement with a focus on the upscale and premium portion of the portfolio, both in the hotel and resort segment, as well as in the camping resort segment. The Valamar Riviera and Imperial Riviera Supervisory Boards gave their prior approval for the strong investment cycle in 2020 of more than HRK 700 million. It is a continuation of the investment strategy of repositioning the portfolio to high added value products and services with a focus on the premium resort and camping segment in Istria. The final decision on the amount of investments will be made by the end of the year. The development of Valamar's service concepts is a continuous process that will be geared towards adjusting the offer to current market requirements, primarily customer trends and expectations. The service concepts we will continue to invest in are V Level, Maro Holiday, Designed for Adults, V Sport, Stay Fit, Music and Fun, Camping Piazza and others.

The Supervisory Board of Valamar Riviera has 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\*, with around 500 keys arranged in Pinea Hotel (Junior suites with balcony, V Level Rooftop junior suites, Rooftop V Level suite and Presidential V Level suite), Pinea Family Suites (Superior family suites, Junior family suites and Premium family suites) and Pinea V Level Miramare (Luxury junior suites, Superior suites, Superior swim-up suites and Premium panoramic suites). The resort will accommodate up to 1,700 guests and will feature 7 bars, 7 restaurants, swimming pools spanning 2,200 m<sup>2</sup> of water surface, premium beach facilities, a new Sundance Beach Club, a congress center for 1,200 participants, an indoor pool and spa center, family-oriented Maro facilities and a wide range of options for active holidays. The demolition

*Valamar Collection Pinea Resort 5\*, Poreč (visualization)*



of old hotel Pical has started and preparation works of the construction site are on their way in order to open the new luxury resort in 2021. 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 third investment phase at Istra Premium Camping Resort 5\* – the largest 5-star Croatian campsite – is planned to start. The investment plan focuses on new completing the main investments with premium camping homes, glamping tents and new pitches, as well as further beach and promenade upgrades and a sanitary block reconstruction.

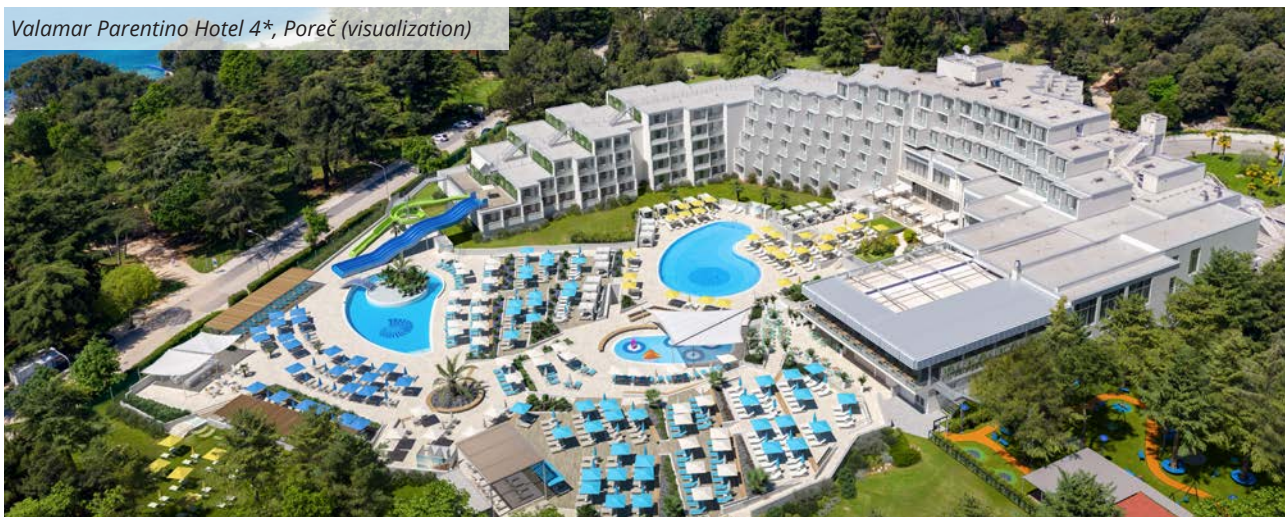
The planned investment at Lanterna Premium Camping Resort 4\* will continue to focus on the development of premium accommodation with upgraded services and amenities, new camping homes and Belvedere Village upgrades featuring premium mobile homes.

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's investments in 2020 will focus on improving quality of services and amenities at Valamar Meteor Hotel 4\* and Padova Premium Camping Resort 4\*. Selling the Valamar Zagreb Hotel 4\* to Imperial Riviera will reposition the hotel for the 2020 season through investments in new capacities and amenities, and will expand its operations to Poreč. Next year the Valamar Zagreb Hotel 4\* will become the Valamar Parentino Hotel 4\*, with the Maro Holiday product and accommodation for families. The planned investment includes additional 99 accommodation units, an upgrade of the Maro club products, an expansion of the pool, sundeck and slide area, as well as an F&B upgrade, that is, the expansion of the kitchen and restaurant.

As stated in our strategic goals, by continuously raising the quality of the portfolio properties and services, we create added value both for our guests and all company stakeholders. However, numerous factors reduce the competitiveness of Croatian tourism and hinder further investment potential: VAT (one of the highest rates in the Mediterranean), the rate of total contributions to salaries, the still unresolved issue of tourism land, skilled labor shortages, the likely introduction of property tax and tourist tax increase. While global trends report low interest rates and market demand focuses on safe tourist destinations, Croatia has the opportunity to reposition its tourism by incentivizing investments in products and services with high added value that stimulate employment and economic growth. Unfortunately, tourism is still not sufficiently recognized as an opportunity for the Croatian economy. Current financing programs supporting tourism growth are insufficient, therefore other measures need to be systematically implemented to significantly increase the growth pace and level Croatia's position with other destinations in the Mediterranean.

Valamar Parentino Hotel 4\*, Poreč (visualization)



Bunculuka Camping Resort 4\*, Krk island



# 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;

Makarska destination



- 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 (88%) 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.

## COMPLIANCE RISKS

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

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

Valamar Collection Imperial Hotel 5\*, Rab island



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.

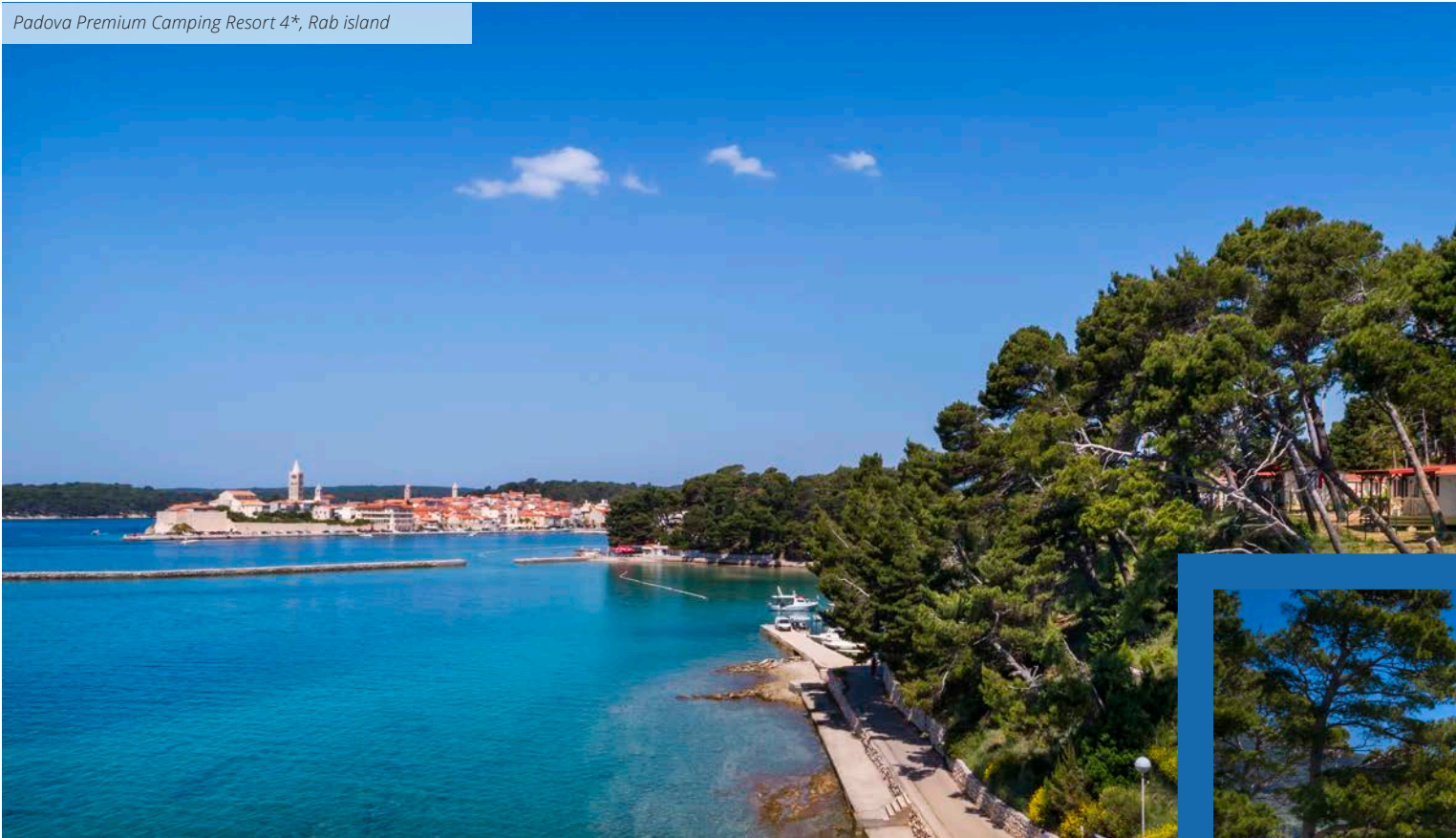
Such frequent changes in laws regulating taxes and parafiscal charges often take place only after the business policy and budget for the next financial year have been approved and commercial terms and conditions with partners agreed. All this jeopardizes the Company and Group financial position and future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

Marina Camping Resort 4\*, Rabac



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 Official market of the Zagreb Stock Exchange, the Company has also complied with the Zagreb Stock Exchange Governance Code. The Company respects and implements the prescribed corporate governance measures (as reported in detail in the prescribed annual questionnaire and published as prescribed on the Zagreb Stock Exchange and Valamar Riviera websites).

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

The Company defined the process of preparing and disclosing financial

2.94%

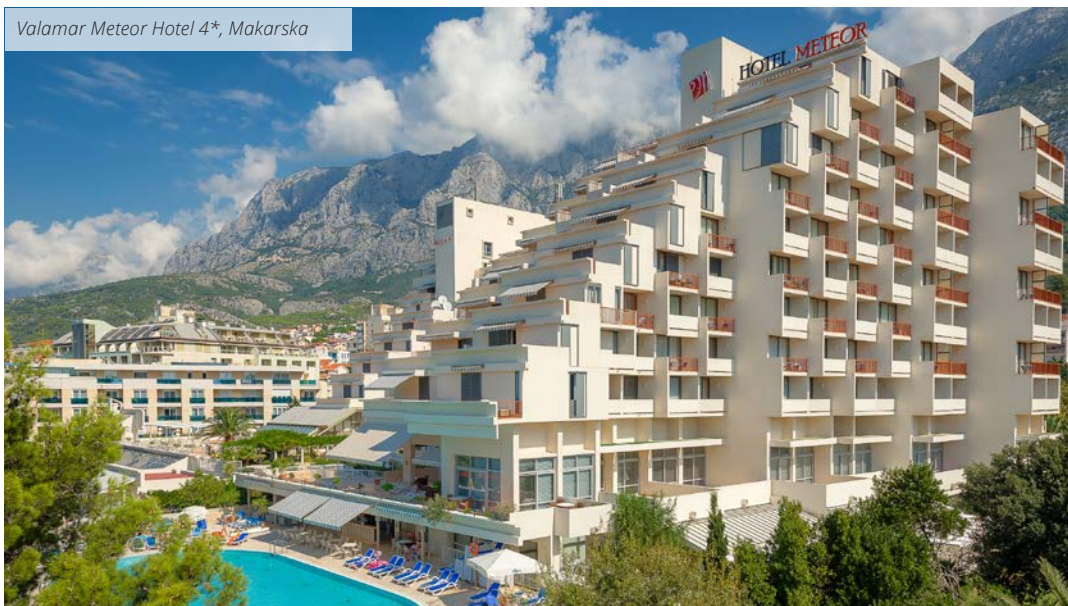
OF THE SHARE  
CAPITAL RELATES TO  
TREASURY SHARES  
(AT THE TIME  
OF QUARTERLY  
FINANCIAL  
STATEMENTS  
PUBLISHING)

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

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

The Company may acquire treasury shares based on and under the conditions stipulated by the decision of the Main Assembly on Share Buyback which ends on 16 November 2019. The General Assembly of Valamar Riviera was held on 8 May 2019 and decided to 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. The Company does not have a share-buyback programme or an employee share ownership plan. The Company holds and acquires treasury shares as a form of rewarding the Management and key managers pursuant to the Company acts on the long-term reward plan and for the purpose of dividend payout in rights - Company share to the equity holders. The Company publicly disclosed each acquisition and disposal of treasury shares during 2019.

Valamar Meteor Hotel 4\*, Makarska



## 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 Karlič, Dario Kinkela, David Manojlović, Sebastian Palma, Mile Pavlica, Tomislav Poljuha, Mirella Premeru, Bruno Radoš, Sandi Sinožić, Martina Šolić, Andrea Štifanić, Mauro Teković, Dragan Vlahović and Ivica Vrkić.

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

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

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

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

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

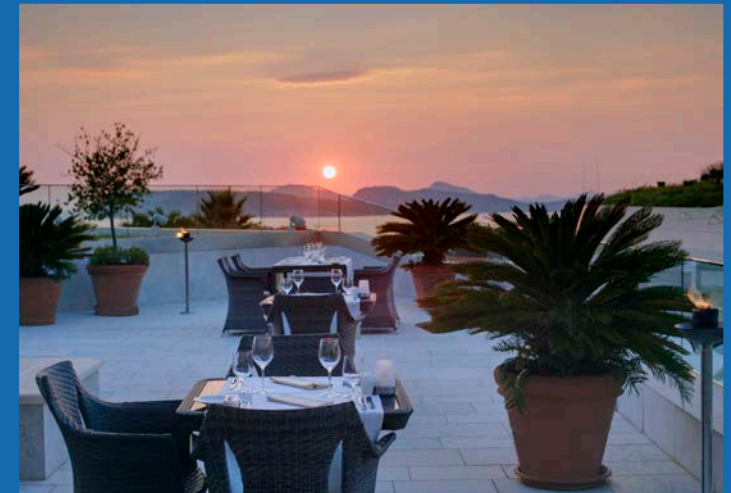
Compliant to effective regulations and Company bylaws, The Management and Supervisory Board primarily act through meetings and by correspondence in their decision-making.

Škrila Sunny Camping 3\*, Krk island





Valamar Lacroma Dubrovnik 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 20.2 million<sup>25</sup> (2018: HRK 12.8 million) for the Company, and HRK 3,720 (2018: HRK 1,018) for the Group. Costs were HRK 6.6 million (2018: HRK 1.3 million) for the Company, and HRK 436 thousand for the Group (2018: HRK 813 thousand).

As at 30 September 2019, related-party receivables and payables were as follows: receivables totaled HRK 4.4 million for the Company (year-end 2018: HRK 1.9 million), and HRK 3,260 for the Group (year-end 2018: none). Payables totaled HRK 1.2 million (year-end 2018: HRK 304 thousand) for the Company, and none for the Group (year-end 2018: HRK 52 thousand).

<sup>25</sup> The most part represents the fee regarding the management of Imperial Riviera's, Hoteli Makarska's and Valamar Obertauern's properties and services. The implementation of the Management contract started on 4 January 2017, 1 August 2018 and 1 February 2019, respectively.

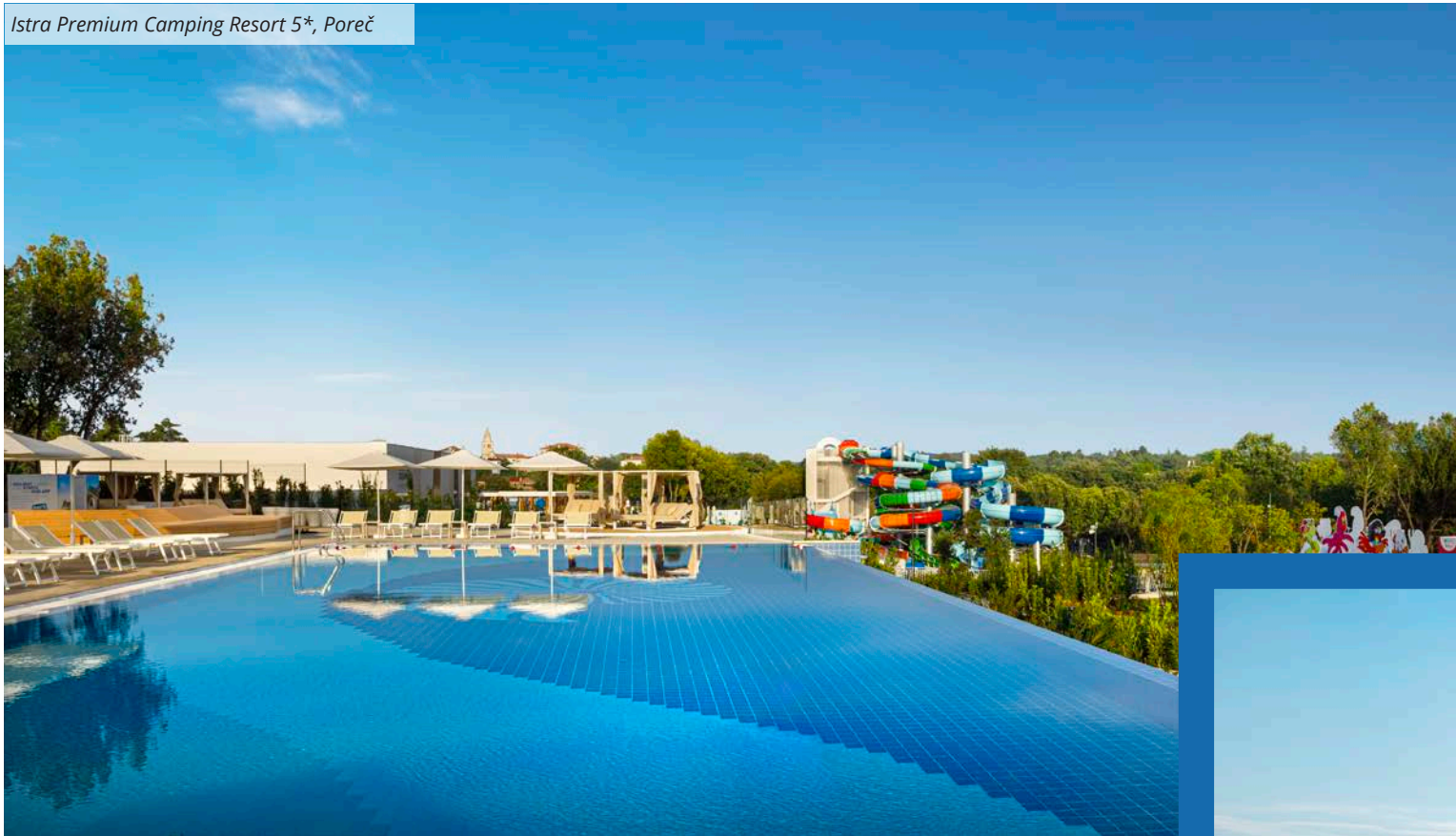
## BRANCH OFFICES OF THE COMPANY

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.

Istra Premium Camping Resort 5\*, Poreč



# 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 30 September 2019, Valamar Riviera acquired 617,649 treasury shares at the total acquisition cost of HRK 22,636,483, representing 0.49% of the share capital and disposed of 38,057 treasury shares for dividend payout. As at 30 September 2019, the Company held a total of 3,702,196 treasury shares or 2.94% of the share capital.

During the first nine months of 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 14% and 16% respectively, Valamar's share price increased by 7% in the reviewed period. In the period

between 1 January 2019 and 30 September 2019 Valamar Riviera was the most traded share on the Zagreb Stock Exchange with the average regular turnover of HRK 0.9 million per day<sup>26</sup>.

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 (CROX<sup>27</sup> and SETX<sup>28</sup>) and Warsaw Stock Exchange index (CEEplus<sup>29</sup>), the regional SEE Link indices (SEELinX and SEELinX EWI)<sup>30</sup> and the world's MSCI Frontier Markets Index. Zagrebačka banka d.d. and Interkapital vrijednosni papiri d.o.o. are responsible for the market making in ordinary Valamar Riviera shares listed on the Official Market of the Zagreb Stock Exchange. They provide support to Valamar Riviera's share turnover, which in the period under review averaged 27.7%<sup>31</sup>. On 26 April 2019 the Zagreb Stock Exchange approved the transition of 126,027,542 ordinary Valamar Riviera shares

<sup>26</sup> Block transactions are excluded from the calculation.

<sup>27</sup> Croatian Traded Index (CROX) is a capitalization-weighted price index and is made up of 12 most liquid and highest capitalized shares of Zagreb Stock Exchange.

<sup>28</sup> South-East Europe Traded Index (SETX) is a capitalization-weighted price index consisting of blue chip stocks traded on stock exchanges in the region of South-eastern Europe (shares listed in Bucharest, Ljubljana, Sofia, Belgrade and Zagreb).

<sup>29</sup> 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.

<sup>30</sup> SEE Link is a regional platform for securities trading. It was founded by Bulgarian, Macedonian, and Zagreb Stock Exchange. SEE LinX and SEE LinX EWI are two "blue chip" regional indices composed of ten most liquid regional companies listed on three Stock Exchanges: five from Croatia, three from Bulgaria, and two from Macedonia.

<sup>31</sup> Block transactions are excluded from the calculation. Data refers to the period 1 January - 30 September 2019.

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.

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

2<sup>st</sup>

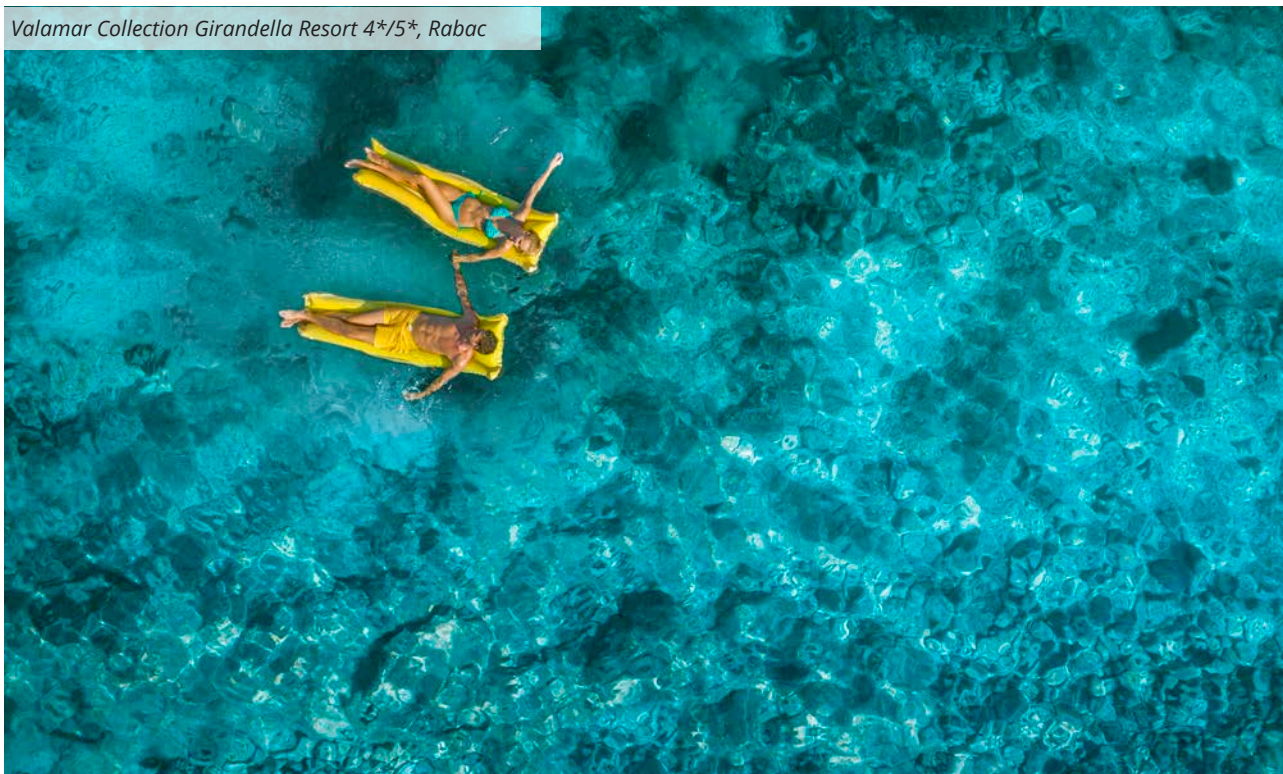
THE MOST TRADED  
SHARE ON THE  
ZAGREB STOCK  
EXCHANGE

investor conference in London, Zagreb and Ljubljana Stock Exchange investor conference in Zagreb, Erste Consumer Conference 2019 in Warsaw, Wood&Co. conference in Bucharest, Erste Group conference in Vienna and Auerbach Grayson Investors conference in New York. In the fourth quarter we plan to participate on the Wood&Co. conference in Belgrade and Prague, as well as non-deal roadshows in other European financial centers. Valamar Riviera will continue with this active approach to grow further value for all its stakeholders so the Company's share can be recognized as one of the market leaders on the Croatian capital market and in the CEE region.

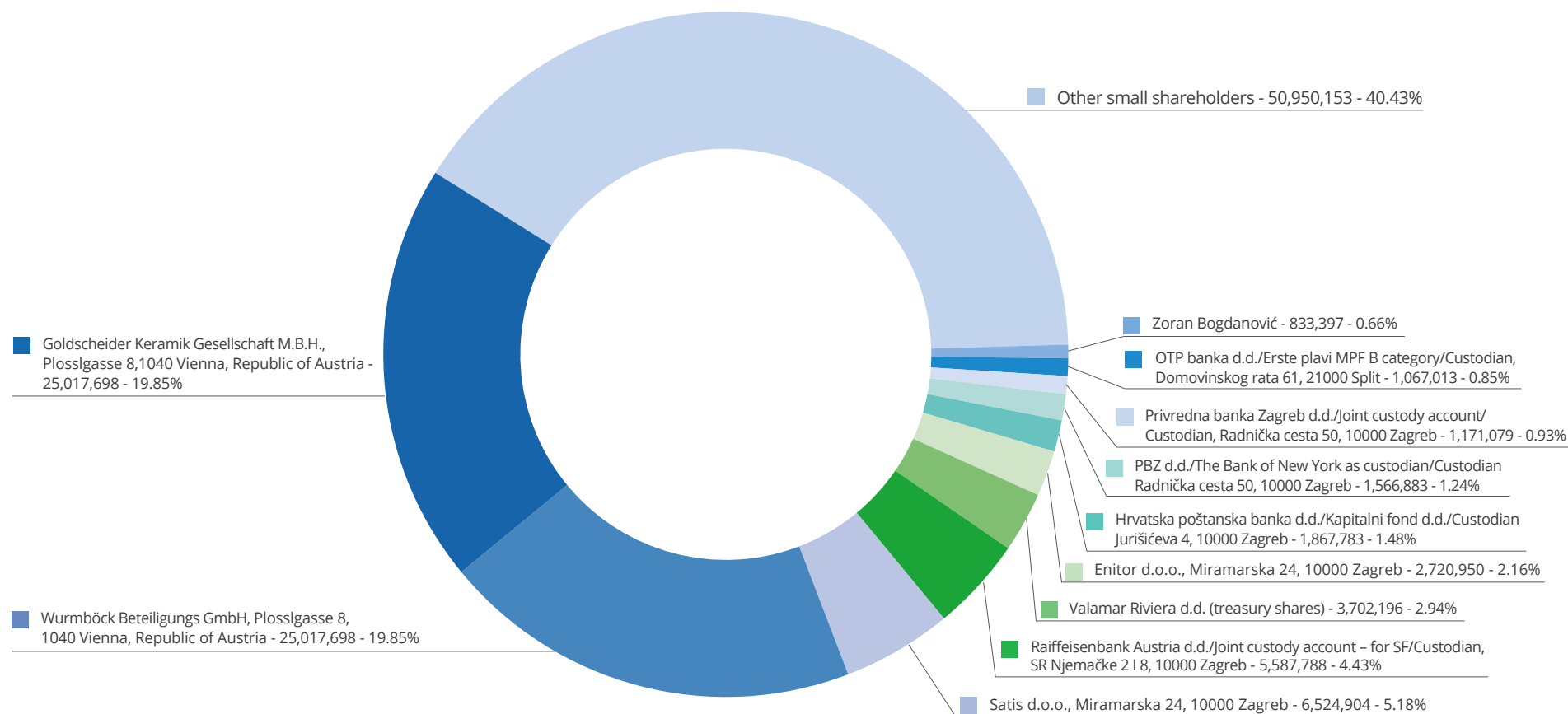
The analytical coverage of Valamar Riviera is provided by:

- 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 30 SEPTEMBER 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\*



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




Valamar Obertauern Hotel 4\*, Obertauern



# Additional Information



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

## ADDITIONAL INFORMATION

As one of the largest employers in Croatia (as at 30 September 2019, the Group employed 6,086 people of which 1,884 were permanent employees; the Company employed 5,189 people of which 1,562 were permanent employees), the Company and the Group systematically and continuously invest in the development of human resources. An integral strategic approach to human resources management and top practices applied include transparent hiring processes, clear objectives and employees' performance measurement, rewarding systems, opportunities for career advancement, investment in employees' development and encouraging two-way communication.

In the course of the third quarter of 2019 and the first nine months of 2019, the Company's Management Board performed the actions provided for by law and the Articles of Association with respect to the management and representation of the Company, and planned a business policy that was implemented with prudent care. The Company's Management Board will continue to undertake all the necessary measures in order to ensure sustainability and business growth. The quarterly separate and consolidated financial statements for the third quarter of 2019 and for the period from 1 January 2019 to 30 September 2019 were adopted by the Management Board on 28 October 2019.

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

Management Board of the Company

# RESPONSIBILITY FOR THE QUARTERLY FINANCIAL STATEMENTS

In Poreč, 28 October 2019

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

## STATEMENT

According to our best knowledge

- the consolidated and unconsolidated financial statements for the third quarter of 2019 are prepared in accordance with applicable standards of financial reporting gives a true and fair view of the assets and liabilities, profit and loss, financial position and operations of the Company and the companies included in consolidation;
- Report of the Company's Management board for the period from 1 January to 30 September 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

## Reporting period: from 01.01.2019 to 30.09.2019

### Quarterly financial statements

Registration number (MB):	3474771	Issuer's home Member State code:	HR
Entity's registration number (MBS):	040020883		
Personal identification number (OIB):	36201212847	LEI:	529900DUWS1DGNEK4C68
Institution code:	30577		
Name of the issuer:	Valamar Riviera d.d.		
Postcode and town:	52440	Poreč	
Street and house number:	Stancija Kaligari 1		
E-mail address:	uprava@riviera.hr		
Web address:	www.valamar-riviera.com		
Number of employees (end of the reporting period):	6086		
Consolidated report:	KD		
Audited:			
Names of subsidiaries (according to IFRS):	Registered office:	MB:	
Valamar Obertauern GmbH	Obertauern	195893 D	
Imperial d.d.	Rab	3044572	
Valamar A GmbH	Tamsweg	486431 S	
Hoteli Makarska d.d.	Makarska	3324877	
Palme Turizam d.o.o.	Dubrovnik	2006103	
Magične stijene d.o.o.	Dubrovnik	2315211	
Pogača Babin Kuk d.o.o.	Dubrovnik	2236346	
Bugenvilia d.o.o.	Dubrovnik	2006120	
Bookkeeping firm:	No		
Contact person:	Sopta Anka (only name and surname of the contact person)		
Telephone:	052 408 188		
E-mail address:	anka.sopta@riviera.hr		
Audit firm:			
	(name of the audit firm)		
Certified auditor:			
	(name and surname)		



L.S.

(authorized representative's signature)

**BALANCE SHEET** (as at 30.09.2019)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>		
<b>B) FIXED ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>5.310.891.538</b>	<b>5.746.637.552</b>
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>53.726.810</b>	<b>61.877.165</b>
1 Research and development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	46.298.666	35.923.389
3 Goodwill	006	6.567.609	6.567.609
4 Advances for the purchase of intangible assets	007		
5 Intangible assets in preparation	008	860.535	5.483.103
6 Other intangible assets	009		13.903.064
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>5.111.237.027</b>	<b>5.516.099.381</b>
1 Land	011	973.018.037	983.252.776
2 Buildings	012	3.331.975.756	3.156.047.439
3 Plant and equipment	013	443.971.567	449.587.887
4 Tools, working inventory and transportation assets	014	132.923.120	156.088.670
5 Biological assets	015		
6 Advances for the purchase of tangible assets	016	12.350.960	9.171.575
7 Tangible assets in preparation	017	160.356.644	704.541.554
8 Other tangible assets	018	47.000.469	47.769.006
9 Investment property	019	9.640.474	9.640.474
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>20.074.375</b>	<b>41.837.947</b>
1 Investments in holdings (shares) of undertakings within the group	021		
2 Investments in other securities of undertakings within the group	022		
3 Loans, deposits, etc. to undertakings within the group	023		
4 Investments in holdings (shares) of companies linked by virtue of participating interests	024		25.959.921
5 Investment in other securities of companies linked by virtue of participating interests	025		
6 Loans, deposits etc. to companies linked by virtue of participating interests	026		
7 Investments in securities	027	4.289.892	259.501
8 Loans, deposits, etc. given	028	15.590.772	15.448.525
9 Other investments accounted for using the equity method	029		
10 Other fixed financial assets	030	193.711	170.000
<b>IV RECEIVABLES (ADP 032 to 035)</b>	<b>031</b>	<b>147.290</b>	<b>124.667</b>
1 Receivables from undertakings within the group	032		
2 Receivables from companies linked by virtue of participating interests	033		
3 Customer receivables			
4 Other receivables	035	147.290	124.667
<b>V DEFERRED TAX ASSETS</b>	<b>036</b>	<b>125.706.036</b>	<b>126.698.392</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>332.775.548</b>	<b>560.466.601</b>
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>25.447.350</b>	<b>25.054.116</b>
1 Raw materials and consumables	039	25.241.646	24.327.105
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	172.328	591.759
5 Advances for inventories	043	33.376	135.252
6 Fixed assets held for sale	044		
7 Biological assets	045		
<b>II RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>45.442.095</b>	<b>150.672.141</b>
1 Receivables from undertakings within the group	047		
2 Receivables from companies linked by virtue of participating interests	048	1.380.025	
3 Customer receivables	049	33.928.832	137.259.627
4 Receivables from employees and members of the undertaking	050	1.428.327	3.932.246
5 Receivables from government and other institutions	051	7.256.256	9.133.361
6 Other receivables	052	1.448.655	346.907
<b>III CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>43.750</b>	<b>10.597.708</b>
1 Investments in holdings (shares) of undertakings within the group	054		
2 Investments in other securities of undertakings within the group	055		
3 Loans, deposits, etc. to undertakings within the group	056		
4 Investments in holdings (shares) of companies linked by virtue of participating interests	057		
5 Investment in other securities of companies linked by virtue of participating interests	058		
6 Loans, deposits etc. to companies linked by virtue of participating interests	059	43.750	
7 Investments in securities	060		
8 Loans, deposits, etc. given	061		10.597.708
9 Other financial assets	062		
<b>IV CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>261.842.353</b>	<b>374.142.636</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>25.278.400</b>	<b>45.523.569</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>5.668.945.486</b>	<b>6.352.627.722</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>58.014.172</b>	<b>55.650.778</b>

**BALANCE SHEET** (as at 30.09.2019) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES</b> (ADP 068 to 070+076+077+081+084+087)	<b>067</b>	<b>2.758.532.748</b>	<b>3.093.896.677</b>
<b>I INITIAL (SUBSCRIBED) CAPITAL</b>	<b>068</b>	<b>1.672.021.210</b>	<b>1.672.021.210</b>
<b>II CAPITAL RESERVES</b>	<b>069</b>	<b>5.304.283</b>	<b>5.710.563</b>
<b>III RESERVES FROM PROFIT</b> (ADP 071+072-073+074+075)	<b>070</b>	<b>94.297.196</b>	<b>112.757.684</b>
1 Legal reserves	071	83.601.061	83.601.061
2 Reserves for treasury shares	072	96.815.284	136.815.284
3 Treasury shares and holdings (deductible item)	073	-86.119.149	-107.658.661
4 Statutory reserves	074		
5 Other reserves	075		
<b>IV REVALUATION RESERVES</b>	<b>076</b>		
<b>V FAIR VALUE RESERVE</b> (ADP 078 to 080)	<b>077</b>	<b>905.282</b>	<b>79.186</b>
1 Fair value of financial assets available for sale	078	905.282	79.186
2 Cash flow hedge - effective portion	079		
3 Hedge of a net investment in a foreign operation - effective portion	080		
<b>VI RETAINED PROFIT OR LOSS BROUGHT FORWARD</b> (ADP 082-083)	<b>081</b>	<b>348.674.430</b>	<b>425.410.837</b>
1 Retained profit	082	348.674.430	425.410.837
2 Loss brought forward	083		
<b>VII PROFIT OR LOSS FOR THE BUSINESS YEAR</b> (ADP 085-086)	<b>084</b>	<b>235.337.282</b>	<b>463.178.585</b>
1 Profit for the business year	085	235.337.282	463.178.585
2 Loss for the business year	086		
<b>VIII MINORITY (NON-CONTROLLING) INTEREST</b>	<b>087</b>	<b>401.993.065</b>	<b>414.738.612</b>
<b>B) PROVISIONS</b> (ADP 089 to 094)	<b>088</b>	<b>77.311.656</b>	<b>62.248.230</b>
1 Provisions for pensions, termination benefits and similar obligations	089	10.114.484	10.058.193
2 Provisions for tax liabilities	090		
3 Provisions for ongoing legal cases	091	67.197.172	52.190.037
4 Provisions for renewal of natural resources	092		
5 Provisions for warranty obligations	093		
6 Other provisions	094		
<b>C) LONG-TERM LIABILITIES</b> (ADP 096 to 106)	<b>095</b>	<b>2.284.143.535</b>	<b>2.574.082.616</b>
1 Liabilities to undertakings within the group	096		
2 Liabilities for loans, deposits, etc. of undertakings within the group	097		
3 Liabilities to companies linked by virtue of participating interests	098		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	099		
5 Liabilities for loans, deposits etc.	100	8.943.000	5.407.000
6 Liabilities to banks and other financial institutions	101	2.198.942.318	2.455.602.456
7 Liabilities for advance payments	102		
8 Liabilities to suppliers	103	81.000	10.656.661
9 Liabilities for securities	104		
10 Other long-term liabilities	105	7.615.740	34.824.721
11 Deferred tax liability	106	68.561.477	67.591.778
<b>D) SHORT-TERM LIABILITIES</b> (ADP 108 to 121)	<b>107</b>	<b>425.784.158</b>	<b>455.825.411</b>
1 Liabilities to undertakings within the group	108	3.785.129	
2 Liabilities for loans, deposits, etc. of undertakings within the group	109		
3 Liabilities to companies linked by virtue of participating interests	110		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	111		
5 Liabilities for loans, deposits etc.	112	103.000	
6 Liabilities to banks and other financial institutions	113	227.211.496	158.795.150
7 Liabilities for advance payments	114	38.933.044	120.192.289
8 Liabilities to suppliers	115	112.908.087	80.929.817
9 Liabilities for securities	116		
10 Liabilities to employees	117	28.396.296	46.561.688
11 Taxes, contributions and similar liabilities	118	11.757.015	43.414.863
12 Liabilities arising from the share in the result	119	250.516	389.276
13 Liabilities arising from fixed assets held for sale	120		
14 Other short-term liabilities	121	2.439.575	5.542.328
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>122</b>	<b>123.173.389</b>	<b>166.574.788</b>
<b>F) TOTAL - LIABILITIES</b> (ADP 067+088+095+107+122)	<b>123</b>	<b>5.668.945.486</b>	<b>6.352.627.722</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>124</b>	<b>58.014.172</b>	<b>55.650.778</b>

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2019 to 30.09.2019)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>I OPERATING INCOME</b> (ADP 126 to 130)	<b>125</b>	<b>1.868.744.101</b>	<b>1.266.638.742</b>	<b>2.039.740.698</b>	<b>1.360.890.818</b>
1 Income from sales with undertakings within the group	126				
2 Income from sales (outside group)	127	1.849.684.072	1.263.473.749	2.017.592.971	1.354.938.794
3 Income from the use of own products, goods and services	128	296.729	64.067	379.244	84.768
4 Other operating income with undertakings within the group	129				
5 Other operating income (outside the group)	130	18.763.300	3.100.926	21.768.483	5.867.256
<b>II OPERATING EXPENSES</b> (ADP 132+133+137+141+142+143+146+153)	<b>131</b>	<b>1.308.118.355</b>	<b>618.649.652</b>	<b>1.516.501.597</b>	<b>684.618.837</b>
1 Changes in inventories of work in progress and finished goods	132				
2 Material costs (ADP 134 to 136)	133	463.022.963	263.757.847	522.287.215	284.390.957
a) Costs of raw materials and consumables	134	290.696.343	158.666.815	324.433.100	171.753.696
b) Costs of goods sold	135	3.161.290	2.126.951	4.666.572	3.453.302
c) Other external costs	136	169.165.330	102.964.081	193.187.543	109.183.959
3 Staff costs (ADP 138 to 140)	137	413.108.604	192.182.072	484.727.944	214.316.363
a) Net salaries and wages	138	250.446.630	116.219.200	296.276.191	130.694.246
b) Tax and contributions from salary costs	139	105.462.557	49.408.861	125.511.257	55.732.815
c) Contributions on salaries	140	57.199.417	26.554.011	62.940.496	27.889.302
4 Depreciation	141	296.398.892	102.302.114	356.891.473	119.204.449
5 Other costs	142	122.929.397	58.501.172	139.306.691	64.845.457
6 Value adjustments (ADP 144+145)	143	83.578		46.435	
a) fixed assets other than financial assets	144				
b) current assets other than financial assets	145	83.578		46.435	
7 Provisions (ADP 147 to 152)	146			78.398	78.398
a) Provisions for pensions, termination benefits and similar obligations	147				
b) Provisions for tax liabilities	148				
c) Provisions for ongoing legal cases	149			78.398	78.398
d) Provisions for renewal of natural resources	150				
e) Provisions for warranty obligations	151				
f) Other provisions	152				
8 Other operating expenses	153	12.574.921	1.906.447	13.163.441	1.783.213
<b>III. FINANCIAL INCOME</b> (ADP 155 to 164)	<b>154</b>	<b>52.284.870</b>	<b>6.732.296</b>	<b>25.102.617</b>	<b>6.283.309</b>
1 Income from investments in holdings (shares) of undertakings within the group	155				
2 Income from investments in holdings (shares) of companies linked by virtue of participating interests	156				
3 Income from other long-term financial investment and loans granted to undertakings within the group	157				
4 Other interest income from operations with undertakings within the group	158				
5 Exchange rate differences and other financial income from operations with undertakings within the group	159				
6 Income from other long-term financial investments and loans	160				
7 Other interest income	161	749.916	503.822	416.369	266.820
8 Exchange rate differences and other financial income	162	44.469.929	3.712.917	17.102.462	4.277.915
9 Unrealised gains (income) from financial assets	163	4.696.029	1.957.385	3.358.054	746.606
10 Other financial income	164	2.368.996	558.172	4.225.732	991.968
<b>IV FINANCIAL EXPENSES</b> (ADP 166 to 172)	<b>165</b>	<b>60.133.527</b>	<b>29.686.312</b>	<b>69.183.079</b>	<b>22.715.381</b>
1 Interest expenses and similar expenses with undertakings within the group	166				
2 Exchange rate differences and other expenses from operations with undertakings within the group	167				
3 Interest expenses and similar expenses	168	36.355.123	12.338.249	41.956.860	13.822.013
4 Exchange rate differences and other expenses	169	17.752.749	14.986.009	6.830.455	3.388.613
5 Unrealised losses (expenses) from financial assets	170	5.086.445	2.128.881	19.090.896	5.129.169
6 Value adjustments of financial assets (net)	171			1.690	
7 Other financial expenses	172	939.210	233.173	1.303.178	375.586
<b>V SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VIRTUE OF PARTICIPATING INTERESTS</b>	<b>173</b>			<b>3.159.921</b>	<b>3.159.921</b>
<b>VI SHARE IN PROFIT FROM JOINT VENTURES</b>	<b>174</b>				
<b>VII. SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>175</b>				
<b>VIII SHARE IN LOSS OF JOINT VENTURES</b>	<b>176</b>				
<b>IX TOTAL INCOME</b> (ADP 125+154+173+174)	<b>177</b>	<b>1.921.028.971</b>	<b>1.273.371.038</b>	<b>2.068.003.236</b>	<b>1.370.334.048</b>
<b>X TOTAL EXPENDITURE</b> (ADP 131+165+175+176)	<b>178</b>	<b>1.368.251.882</b>	<b>648.335.964</b>	<b>1.585.684.676</b>	<b>707.334.218</b>
<b>XI PRE-TAX PROFIT OR LOSS</b> (ADP 177-178)	<b>179</b>	<b>552.777.089</b>	<b>625.035.074</b>	<b>482.318.560</b>	<b>662.999.830</b>
1 Pre-tax profit (ADP 177-178)	180	552.777.089	625.035.074	482.318.560	662.999.830
2 Pre-tax loss (ADP 178-177)	181				
<b>XII INCOME TAX</b>	<b>182</b>			<b>-1.814.098</b>	<b>-992.147</b>
<b>XIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 179-182)	<b>183</b>	<b>552.777.089</b>	<b>625.035.074</b>	<b>484.132.658</b>	<b>663.991.977</b>
1. Profit for the period (ADP 179-182)	184	552.777.089	625.035.074	484.132.658	663.991.977
2. Loss for the period (ADP 182-179)	185				

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2019 to 30.09.2019) (continued)

Submitter: Valamar Riviera d.d.

in HRK

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

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

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

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

<b>XIX PROFIT OR LOSS FOR THE PERIOD</b> (ADP 200+201)	<b>199</b>	<b>552.777.089</b>	<b>625.035.074</b>	<b>484.132.658</b>	<b>663.991.977</b>
1 Attributable to owners of the parent	200	526.951.520	590.287.840	463.178.585	623.628.076
2 Attributable to minority (non-controlling) interest	201	25.825.569	34.747.234	20.954.073	40.363.901

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

<b>I PROFIT OR LOSS FOR THE PERIOD</b>	<b>202</b>	<b>552.777.089</b>	<b>625.035.074</b>	<b>484.132.658</b>	<b>663.991.977</b>
<b>II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX</b> (ADP 204 to 211)	<b>203</b>	<b>165.428</b>	<b>165.428</b>	<b>-1.039.200</b>	<b>-1.039.200</b>
1 Exchange rate differences from translation of foreign operations	204				
2 Changes in revaluation reserves of fixed tangible and intangible assets	205				
3 Profit or loss arising from subsequent measurement of financial assets available for sale	206	165.428	165.428	-1.039.200	-1.039.200
4 Profit or loss arising from effective cash flow hedging	207				
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208				
6 Share in other comprehensive income/loss of companies linked by virtue of participating interests	209				
7 Actuarial gains/losses on the defined benefit obligation	210				
8 Other changes in equity unrelated to owners	211				
<b>III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>212</b>	<b>33.086</b>	<b>33.086</b>	<b>-213.103</b>	<b>-213.103</b>
<b>IV NET OTHER COMPREHENSIVE INCOME OR LOSS</b> (ADP 203-212)	<b>213</b>	<b>132.342</b>	<b>132.342</b>	<b>-826.097</b>	<b>-826.097</b>
<b>V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 202+213)	<b>214</b>	<b>552.909.431</b>	<b>625.167.416</b>	<b>483.306.561</b>	<b>663.165.880</b>

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

<b>VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 216+217)	<b>215</b>	<b>552.909.431</b>	<b>625.167.416</b>	<b>483.306.561</b>	<b>663.165.880</b>
1 Attributable to owners of the parent	216	527.083.862	590.420.182	462.352.488	622.801.979
2 Attributable to minority (non-controlling) interest	217	25.825.569	34.747.234	20.954.073	40.363.901



**STATEMENT OF CASH FLOWS - indirect method** (for the period 01.01.2019 to 30.09.2019)**Submitter: Valamar Riviera d.d.**

in HRK

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1 Pre-tax profit	001	552.777.089	482.318.560
2 Adjustments (ADP 003 to 010):	002	316.123.238	381.206.720
a) Depreciation	003	296.398.892	356.891.473
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-954.262	-1.689.815
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005		-1.274.761
d) Interest and dividend income	006	-6.348.506	-9.237.186
e) Interest expenses	007	35.992.741	42.057.835
f) Provisions	008	14.479.303	-15.138.449
g) Exchange rate differences (unrealised)	009	-23.475.037	-5.680.613
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	30.107	15.278.236
<b>I Cash flow increase or decrease before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>868.900.327</b>	<b>863.525.280</b>
3 Changes in the working capital (ADP 013 to 016)	012	-49.490.430	40.024.304
a) Increase or decrease in short-term liabilities	013	80.080.685	98.491.246
b) Increase or decrease in short-term receivables	014	-115.633.910	-103.047.612
c) Increase or decrease in inventories	015	3.031.517	393.235
d) Other increase or decrease in working capital	016	-16.968.722	44.187.435
<b>II Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>819.409.897</b>	<b>903.549.584</b>
4 Interest paid	018	-38.639.548	-40.379.715
5 Income tax paid	019	-4.010.043	-1.912.897
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>776.760.306</b>	<b>861.256.972</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	2.929.888	7.375.917
2 Cash receipts from sales of financial instruments	022		4.360.605
3 Interest received	023	195.713	293.050
4 Dividends received	024	6.152.793	8.790.336
5 Cash receipts from repayment of loans and deposits	025	843.081	125.002
6 Other cash receipts from investment activities	026		
<b>III Total cash receipts from investment activities (ADP 021 to 026)</b>	<b>027</b>	<b>10.121.475</b>	<b>20.944.910</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-905.867.910	-758.363.356
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030	-100.884	-10.726.104
4 Acquisition of a subsidiary, net of cash acquired	031		-25.959.921
5 Other cash payments from investment activities	032	-10.774.917	-17.226.929
<b>IV Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-916.743.711</b>	<b>-812.276.310</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-906.622.236</b>	<b>-791.331.400</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1 Cash receipts from the increase in initial (subscribed) capital	035		
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036		
3 Cash receipts from credit principals, loans and other borrowings	037	412.317.502	475.251.774
4 Other cash receipts from financing activities	038	168.972.419	3.481.223
<b>V Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>581.289.921</b>	<b>478.732.997</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-156.703.879	-284.934.431
2 Cash payments for dividends	041	-111.730.149	-128.787.372
3 Cash payments for finance lease	042		
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043	-15.112.772	-22.636.483
5 Other cash payments from financing activities	044		
<b>VI Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-283.546.800</b>	<b>-436.358.286</b>
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>297.743.121</b>	<b>42.374.711</b>
1 Unrealised exchange rate differences in respect of cash and cash equivalents	047		
<b>D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020+034+046+047)</b>	<b>048</b>	<b>167.881.191</b>	<b>112.300.283</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>	<b>287.836.954</b>	<b>261.842.353</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>	<b>455.718.145</b>	<b>374.142.636</b>



## NOTES TO FINANCIAL STATEMENTS - TFI

Name of the issuer:

**Valamar Riviera d.d.**

Personal identification

number OIB: **36201212847**

Reporting period:

**01.01. do 30.09.2019.**

Notes to financial statements for quarterly periods include:

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

**Reporting period: from 01.01.2019 to 30.09.2019**

**Quarterly financial statements**

Registration number (MB):	<u>3474771</u>	Issuer's home Member State code	<u>HR</u>
Entity's registration number (MBS):	<u>040020883</u>		
Personal identification number (OIB):	<u>36201212847</u>	LEI	<u>529900DUWS1DGNEK4C68</u>
Institution code:	<u>30577</u>		
Name of the issuer:	<u>Valamar Riviera d.d.</u>		
Postcode and town:	<u>52440</u>	Poreč	
Street and house number:	<u>Stancija Kaligari 1</u>		
E-mail address:	<u>uprava@riviera.hr</u>		
Web address:	<u>www.valamar-riviera.com</u>		
Number of employees (end of the reporting period):	<u>5189</u>		
Consolidated report:	<u>KN</u>		
Audited:	<u></u>		
Names of subsidiaries (according to IFRS):	Registered office:	MB:	
<u></u>	<u></u>	<u></u>	
<u></u>	<u></u>	<u></u>	
<u></u>	<u></u>	<u></u>	
<u></u>	<u></u>	<u></u>	
<u></u>	<u></u>	<u></u>	
<u></u>	<u></u>	<u></u>	
<u></u>	<u></u>	<u></u>	

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></u> (name of the audit firm)
Certified auditor:	<u></u> (name and surname)



L.S.



(authorized representative's signature)

**BALANCE SHEET** (as at 30.09.2019)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>		
<b>B) FIXED ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>4.745.258.461</b>	<b>5.081.116.674</b>
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>52.117.007</b>	<b>60.369.987</b>
1 Research and development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	44.689.688	34.479.767
3 Goodwill	006	6.567.609	6.567.609
4 Advances for the purchase of intangible assets	007		
5 Intangible assets in preparation	008	859.710	5.419.547
6 Other intangible assets	009		<b>13.903.064</b>
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>3.956.425.253</b>	<b>4.262.620.913</b>
1 Land	011	644.865.439	644.617.329
2 Buildings	012	2.589.871.537	2.414.527.951
3 Plant and equipment	013	398.353.730	395.818.796
4 Tools, working inventory and transportation assets	014	113.623.233	121.295.331
5 Biological assets	015		
6 Advances for the purchase of tangible assets	016	3.269.078	8.253.261
7 Tangible assets in preparation	017	150.627.634	622.236.961
8 Other tangible assets	018	46.174.128	46.230.810
9 Investment property	019	9.640.474	9.640.474
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>635.859.184</b>	<b>657.291.381</b>
1 Investments in holdings (shares) of undertakings within the group	021	616.200.941	618.668.772
2 Investments in other securities of undertakings within the group	022		
3 Loans, deposits, etc. to undertakings within the group	023		
4 Investments in holdings (shares) of companies linked by virtue of participating interests	024		22.800.000
5 Investment in other securities of companies linked by virtue of participating interests	025		
6 Loans, deposits etc. to companies linked by virtue of participating interests	026		
7 Investments in securities	027	3.959.812	234.084
8 Loans, deposits, etc. given	028	15.558.431	15.448.525
9 Other investments accounted for using the equity method	029		
10 Other fixed financial assets	030	140.000	140.000
<b>IV RECEIVABLES (ADP 032 to 035)</b>	<b>031</b>	<b>147.290</b>	<b>124.666</b>
1 Receivables from undertakings within the group	032		
2 Receivables from companies linked by virtue of participating interests	033		
3 Customer receivables	034		
4 Other receivables	035	147.290	124.666
<b>V DEFERRED TAX ASSETS</b>	<b>036</b>	<b>100.709.727</b>	<b>100.709.727</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>228.130.083</b>	<b>421.721.097</b>
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>22.899.786</b>	<b>24.096.406</b>
1 Raw materials and consumables	039	22.761.740	23.560.270
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	138.046	536.136
5 Advances for inventories	043		
6 Fixed assets held for sale	044		
7 Biological assets	045		
<b>II RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>36.668.851</b>	<b>113.919.934</b>
1 Receivables from undertakings within the group	047	1.879.447	4.312.029
2 Receivables from companies linked by virtue of participating interests	048		
3 Customer receivables	049	29.757.242	105.133.565
4 Receivables from employees and members of the undertaking	050	1.366.667	3.699.729
5 Receivables from government and other institutions	051	2.275.769	661.918
6 Other receivables	052	1.389.726	112.693
<b>III CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>28.300</b>	<b>10.594.758</b>
1 Investments in holdings (shares) of undertakings within the group	054		
2 Investments in other securities of undertakings within the group	055		
3 Loans, deposits, etc. to undertakings within the group	056	28.300	28.300
4 Investments in holdings (shares) of companies linked by virtue of participating interests	057		
5 Investment in other securities of companies linked by virtue of participating interests	058		
6 Loans, deposits etc. to companies linked by virtue of participating interests	059		
7 Investments in securities	060		
8 Loans, deposits, etc. given	061		10.566.458
9 Other financial assets	062		
<b>IV CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>168.533.146</b>	<b>273.109.999</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>24.218.271</b>	<b>43.463.446</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>4.997.606.815</b>	<b>5.546.301.217</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>54.446.042</b>	<b>54.376.132</b>

**BALANCE SHEET (as at 30.09.2019) (continued)**  
**Submitter: Valamar Riviera d.d.**

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)</b>	<b>067</b>	<b>2.474.760.657</b>	<b>2.776.574.921</b>
<b>I INITIAL (SUBSCRIBED) CAPITAL</b>	<b>068</b>	<b>1.672.021.210</b>	<b>1.672.021.210</b>
<b>II CAPITAL RESERVES</b>	<b>069</b>	<b>5.304.283</b>	<b>5.710.563</b>
<b>III RESERVES FROM PROFIT (ADP 071+072-073+074+075)</b>	<b>070</b>	<b>94.297.196</b>	<b>112.757.684</b>
1 Legal reserves	071	83.601.061	83.601.061
2 Reserves for treasury shares	072	96.815.284	136.815.284
3 Treasury shares and holdings (deductible item)	073	-86.119.149	-107.658.661
4 Statutory reserves	074		
5 Other reserves	075		
<b>IV REVALUATION RESERVES</b>	<b>076</b>		
<b>V FAIR VALUE RESERVE (ADP 078 to 080)</b>	<b>077</b>	<b>905.282</b>	<b>79.186</b>
1 Fair value of financial assets available for sale	078	905.282	79.186
2 Cash flow hedge - effective portion	079		
3 Hedge of a net investment in a foreign operation - effective portion	080		
<b>VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)</b>	<b>081</b>	<b>462.953.210</b>	<b>539.646.071</b>
1 Retained profit	082	462.953.210	539.646.071
2 Loss brought forward	083		
<b>VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)</b>	<b>084</b>	<b>239.279.476</b>	<b>446.360.207</b>
1 Profit for the business year	085	239.279.476	446.360.207
2 Loss for the business year	086		
<b>VIII MINORITY (NON-CONTROLLING) INTEREST</b>	<b>087</b>		
<b>B) PROVISIONS (ADP 089 to 094)</b>	<b>088</b>	<b>35.699.314</b>	<b>35.699.314</b>
1 Provisions for pensions, termination benefits and similar obligations	089	7.894.989	7.894.989
2 Provisions for tax liabilities	090		
3 Provisions for ongoing legal cases	091	27.804.325	27.804.325
4 Provisions for renewal of natural resources	092		
5 Provisions for warranty obligations	093		
6 Other provisions	094		
<b>C) LONG-TERM LIABILITIES (ADP 096 to 106)</b>	<b>095</b>	<b>2.001.600.459</b>	<b>2.279.567.443</b>
1 Liabilities to undertakings within the group	096		
2 Liabilities for loans, deposits, etc. of undertakings within the group	097		
3 Liabilities to companies linked by virtue of participating interests	098		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	099		
5 Liabilities for loans, deposits etc.	100		
6 Liabilities to banks and other financial institutions	101	1.978.757.713	2.229.663.469
7 Liabilities for advance payments	102		
8 Liabilities to suppliers	103		
9 Liabilities for securities	104		
10 Other long-term liabilities	105	7.615.740	34.824.721
11 Deferred tax liability	106	15.227.006	15.079.253
<b>D) SHORT-TERM LIABILITIES (ADP 108 to 121)</b>	<b>107</b>	<b>374.287.286</b>	<b>307.644.971</b>
1 Liabilities to undertakings within the group	108	196.105	72.682
2 Liabilities for loans, deposits, etc. of undertakings within the group	109		
3 Liabilities to companies linked by virtue of participating interests	110		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	111		
5 Liabilities for loans, deposits etc.	112		
6 Liabilities to banks and other financial institutions	113	203.359.113	58.143.068
7 Liabilities for advance payments	114	34.734.630	61.611.227
8 Liabilities to suppliers	115	102.714.900	109.917.676
9 Liabilities for securities	116		
10 Liabilities to employees	117	22.822.891	39.712.959
11 Taxes, contributions and similar liabilities	118	9.464.523	33.323.581
12 Liabilities arising from the share in the result	119	9.600	9.600
13 Liabilities arising from fixed assets held for sale	120		
14 Other short-term liabilities	121	985.524	4.854.178
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>122</b>	<b>111.259.099</b>	<b>146.814.568</b>
<b>F) TOTAL - LIABILITIES (ADP 067+088+095+107+122)</b>	<b>123</b>	<b>4.997.606.815</b>	<b>5.546.301.217</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>124</b>	<b>54.446.042</b>	<b>54.376.132</b>

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2019 to 30.09.2019)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>I OPERATING INCOME</b> (ADP 126 to 130)	<b>125</b>	<b>1.675.835.757</b>	<b>1.154.075.834</b>	<b>1.777.128.018</b>	<b>1.180.077.050</b>
1 Income from sales with undertakings within the group	126	14.050.574	9.854.834	25.330.350	10.537.227
2 Income from sales (outside group)	127	1.649.978.354	1.138.758.881	1.738.566.638	1.164.020.476
3 Income from the use of own products, goods and services	128	272.892	191.174	168.774	55.513
4 Other operating income with undertakings within the group	129	45.918	41.268	142.461	9.792
5 Other operating income (outside the group)	130	11.488.019	5.229.677	12.919.795	5.454.042
<b>II OPERATING EXPENSES</b> (ADP 132+133+137+141+142+143+146+153)	<b>131</b>	<b>1.172.263.011</b>	<b>750.432.684</b>	<b>1.300.092.230</b>	<b>588.265.760</b>
1 Changes in inventories of work in progress and finished goods	132				
2 Material costs (ADP 134 to 136)	133	422.748.565	270.462.766	456.116.451	246.777.725
a) Costs of raw materials and consumables	134	262.912.387	157.872.141	278.634.852	145.814.342
b) Costs of goods sold	135	3.062.034	2.089.289	4.481.893	3.321.495
c) Other external costs	136	156.774.144	110.501.336	172.999.706	97.641.888
3 Staff costs (ADP 138 to 140)	137	377.887.112	228.843.855	421.705.053	183.393.106
a) Net salaries and wages	138	228.371.007	138.486.970	255.987.335	111.044.684
b) Tax and contributions from salary costs	139	97.286.057	58.961.830	110.724.622	48.554.115
c) Contributions on salaries	140	52.230.048	31.395.055	54.993.096	23.794.307
4 Depreciation	141	253.711.399	169.107.993	287.071.372	95.536.402
5 Other costs	142	113.607.520	78.921.928	128.646.937	60.861.887
6 Value adjustments (ADP 144+145)	143	83.578	72.193	46.436	
a) fixed assets other than financial assets	144				
b) current assets other than financial assets	145	83.578	72.193	46.436	
7 Provisions (ADP 147 to 152)	146				
a) Provisions for pensions, termination benefits and similar obligations	147				
b) Provisions for tax liabilities	148				
c) Provisions for ongoing legal cases	149				
d) Provisions for renewal of natural resources	150				
e) Provisions for warranty obligations	151				
f) Other provisions	152				
8 Other operating expenses	153	4.224.837	3.023.949	6.505.981	1.696.640
<b>III. FINANCIAL INCOME</b> (ADP 155 to 164)	<b>154</b>	<b>55.415.363</b>	<b>34.979.054</b>	<b>32.730.614</b>	<b>6.078.612</b>
1 Income from investments in holdings (shares) of undertakings within the group	155	6.050.776	6.050.776	8.703.256	
2 Income from investments in holdings (shares) of companies linked by virtue of participating interests	156				
3 Income from other long-term financial investment and loans granted to undertakings within the group	157				
4 Other interest income from operations with undertakings within the group	158			186.986	
5 Exchange rate differences and other financial income from operations with undertakings within the group	159				
6 Income from other long-term financial investments and loans	160				
7 Other interest income	161	341.076	189.157	404.666	266.538
8 Exchange rate differences and other financial income	162	42.059.889	24.882.550	16.176.003	4.153.255
9 Unrealised gains (income) from financial assets	163	4.696.029	2.724.959	3.358.054	746.606
10 Other financial income	164	2.267.593	1.131.612	3.901.649	912.213
<b>IV FINANCIAL EXPENSES</b> (ADP 166 to 172)	<b>165</b>	<b>55.465.551</b>	<b>40.620.219</b>	<b>63.406.195</b>	<b>21.120.614</b>
1 Interest expenses and similar expenses with undertakings within the group	166				
2 Exchange rate differences and other expenses from operations with undertakings within the group	167				
3 Interest expenses and similar expenses	168	33.243.141	21.588.253	36.968.268	12.506.585
4 Exchange rate differences and other expenses	169	16.283.856	15.631.723	6.140.388	3.156.964
5 Unrealised losses (expenses) from financial assets	170	5.086.445	2.939.822	19.090.896	5.129.169
6 Value adjustments of financial assets (net)	171				
7 Other financial expenses	172	852.109	460.421	1.206.643	327.896
<b>V SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VIRTUE OF PARTICIPATING INTERESTS</b>	<b>173</b>				
<b>VI SHARE IN PROFIT FROM JOINT VENTURES</b>	<b>174</b>				
<b>VII. SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>175</b>				
<b>VIII SHARE IN LOSS OF JOINT VENTURES</b>	<b>176</b>				
<b>IX TOTAL INCOME</b> (ADP 125+154+173+174)	<b>177</b>	<b>1.731.251.120</b>	<b>1.189.054.888</b>	<b>1.809.858.632</b>	<b>1.186.155.662</b>
<b>X TOTAL EXPENDITURE</b> (ADP 131+165+175+176)	<b>178</b>	<b>1.227.728.562</b>	<b>791.052.903</b>	<b>1.363.498.425</b>	<b>609.386.374</b>
<b>XI PRE-TAX PROFIT OR LOSS</b> (ADP 177-178)	<b>179</b>	<b>503.522.558</b>	<b>398.001.985</b>	<b>446.360.207</b>	<b>576.769.288</b>
1 Pre-tax profit (ADP 177-178)	180	503.522.558	398.001.985	446.360.207	576.769.288
2 Pre-tax loss (ADP 178-177)	181				
<b>XII INCOME TAX</b>	<b>182</b>				
<b>XIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 179-182)	<b>183</b>	<b>503.522.558</b>	<b>398.001.985</b>	<b>446.360.207</b>	<b>576.769.288</b>
1. Profit for the period (ADP 179-182)	184	503.522.558	398.001.985	446.360.207	576.769.288
2. Loss for the period (ADP 182-179)	185				

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2019 to 30.09.2019) (continued)

Submitter: Valamar Riviera d.d.

in HRK

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

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

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

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

<b>XIX PROFIT OR LOSS FOR THE PERIOD</b> (ADP 200+201)	<b>199</b>	<b>503.522.558</b>	<b>398.001.985</b>	<b>446.360.207</b>	<b>576.769.288</b>
1 Attributable to owners of the parent	200	503.522.558	398.001.985	446.360.207	576.769.288
2 Attributable to minority (non-controlling) interest	201				

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

<b>I PROFIT OR LOSS FOR THE PERIOD</b>	<b>202</b>	<b>503.522.558</b>	<b>398.001.985</b>	<b>446.360.207</b>	<b>576.769.288</b>
<b>II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX</b> (ADP 204 to 211)	<b>203</b>	<b>165.428</b>	<b>165.428</b>	<b>-1.039.200</b>	<b>-1.039.200</b>
1 Exchange rate differences from translation of foreign operations	204				
2 Changes in revaluation reserves of fixed tangible and intangible assets	205				
3 Profit or loss arising from subsequent measurement of financial assets available for sale	206	165.428	165.428	-1.039.200	-1.039.200
4 Profit or loss arising from effective cash flow hedging	207				
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208				
6 Share in other comprehensive income/loss of companies linked by virtue of participating interests	209				
7 Actuarial gains/losses on the defined benefit obligation	210				
8 Other changes in equity unrelated to owners	211				
<b>III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>212</b>	<b>33.086</b>	<b>33.086</b>	<b>-213.103</b>	<b>-213.103</b>
<b>IV NET OTHER COMPREHENSIVE INCOME OR LOSS</b> (ADP 203-212)	<b>213</b>	<b>132.342</b>	<b>132.342</b>	<b>-826.097</b>	<b>-826.097</b>
<b>V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 202+213)	<b>214</b>	<b>503.654.900</b>	<b>398.134.327</b>	<b>445.534.110</b>	<b>575.943.191</b>

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

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



**STATEMENT OF CASH FLOWS - indirect method (for the period 01.01.2019 to 30.09.2019)****Submitter: Valamar Riviera d.d.**

in HRK

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1 Pre-tax profit	001	503.522.558	446.360.207
2 Adjustments (ADP 003 to 010):	002	300.381.506	322.058.200
a) Depreciation	003	253.711.399	287.071.372
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-1.907.699	-1.392.871
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005		-1.300.968
d) Interest and dividend income	006	-6.295.514	-9.195.002
e) Interest expenses	007	33.012.665	36.968.268
f) Provisions	008	-79.874	
g) Exchange rate differences (unrealised)	009	21.910.422	-5.370.835
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	30.107	15.278.236
<b>I Cash flow increase or decrease before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>803.904.064</b>	<b>768.418.407</b>
3 Changes in the working capital (ADP 013 to 016)	012	-60.520.695	28.664.001
a) Increase or decrease in short-term liabilities	013	62.199.491	78.573.730
b) Increase or decrease in short-term receivables	014	-92.255.384	-76.464.059
c) Increase or decrease in inventories	015	3.953.672	-1.196.619
d) Other increase or decrease in working capital	016	-34.418.474	27.750.949
<b>II Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>743.383.369</b>	<b>797.082.408</b>
4 Interest paid	018	-35.659.472	-36.978.602
5 Income tax paid	019	53.533	9.342
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>707.777.430</b>	<b>760.113.148</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	2.929.888	2.696.133
2 Cash receipts from sales of financial instruments	022		4.058.423
3 Interest received	023	370.407	250.867
4 Dividends received	024	6.152.793	8.790.336
5 Cash receipts from repayment of loans and deposits	025	843.081	112.502
6 Other cash receipts from investment activities	026		
<b>III Total cash receipts from investment activities (ADP 021 to 026)</b>	<b>027</b>	<b>10.296.169</b>	<b>15.908.261</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-511.286.295	-585.596.346
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030	-100.884	-10.726.104
4 Acquisition of a subsidiary, net of cash acquired	031	-157.528.743	-25.267.831
5 Other cash payments from investment activities	032	-81.024	-17.226.929
<b>IV Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-668.996.946</b>	<b>-638.817.210</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-658.700.777</b>	<b>-622.908.949</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1 Cash receipts from the increase in initial (subscribed) capital	035		
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036		
3 Cash receipts from credit principals, loans and other borrowings	037	302.992.595	356.079.343
4 Other cash receipts from financing activities	038	1.831.672	
<b>V Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>304.824.267</b>	<b>356.079.343</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-137.335.544	-244.986.843
2 Cash payments for dividends	041	-111.730.149	-121.083.363
3 Cash payments for finance lease	042		
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043	-15.112.772	-22.636.483
5 Other cash payments from financing activities	044		
<b>VI Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-264.178.465</b>	<b>-388.706.689</b>
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>40.645.802</b>	<b>-32.627.346</b>
1 Unrealised exchange rate differences in respect of cash and cash equivalents	047		
<b>D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020+034+046+047)</b>	<b>048</b>	<b>89.722.455</b>	<b>104.576.853</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>	<b>237.400.810</b>	<b>168.533.146</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>	<b>327.123.265</b>	<b>273.109.999</b>



## NOTES TO FINANCIAL STATEMENTS - TFI

Name of the issuer:

**Valamar Riviera d.d.**

Personal identification

number OIB: **36201212847**

Reporting period:

**01.01. do 30.09.2019.**

Notes to financial statements for quarterly periods include:

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

**Valamar Riviera d.d.**

Stancija Kaligari 1  
52440 Poreč, Hrvatska

**T** +385 (52) 408 002

**F** +385 (52) 451 608

**E** [info@valamar.hr](mailto:info@valamar.hr)

**W** [www.valamar.com](http://www.valamar.com)

**Investor Relations**

Stancija Kaligari 1  
52440 Poreč, Hrvatska

**T** +385 (52) 408 159

**F** +385 (52) 451 608

**E** [ir@valamar.com](mailto:ir@valamar.com)

**W** [www.valamar-riviera.com](http://www.valamar-riviera.com)