

# BUSINESS RESULTS

1/1/2019 -  
31/12/2019



**VALAMAR**  
All you can holiday

VALAMAR  
All you can holiday

# EXECUTIVE SUMMARY

## KEY FINANCIAL INDICATORS OF VALAMAR RIVIERA GROUP

(in HRK '000,000)

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

## KEY OPERATING INDICATORS OF VALAMAR RIVIERA GROUP

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

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

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

## EBITDA

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

## REVENUES

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

11%  
GROWTH OF  
EBITDA TO  
769  
MILLION HRK

<sup>1</sup> On 28 June 2019 the company Hoteli Makarska was merged to the company Imperial Riviera.

# EXECUTIVE SUMMARY

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Croatia had reported growing demand for several years before experiencing a recent slowdown in tourist turnover during the high summer season. Despite these unfavorable trends, Valamar Riviera recorded 6.8 million overnight stays (+5%) during 2019, while the average daily rate increased to HRK 605 (+5%). The HRK 153 million growth in board revenues was mainly driven by: a) large investments to improve competitiveness and the quality of services and products, b) year-round operating consolidation of Hoteli Makarska<sup>1</sup> and Valamar Obertauern, c) 7 days increase in full occupancy days, d) better preseason and postseason performance, and e) the development of destination products with added value.

## COSTS

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

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

## FINANCIAL RESULT

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

2020  
GROUP'S PLANNED  
INVESTMENT CYCLE  
AMOUNTS TO HRK

826  
MILLION

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

# EXECUTIVE SUMMARY

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## PROFIT

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

## ENTERPRISE VALUE AND NET DEBT

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

NET DEBT /  
ADJUSTED EBITDA  
AMOUNTS TO

2.90x

CONFIRMING  
PRUDENT AND  
SUSTAINABLE  
GROUP'S DEBT  
MANAGEMENT  
AND GROWTH

## INVESTMENTS

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

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

# EXECUTIVE SUMMARY

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

## IMPERIAL RIVIERA: NEW DEVELOPMENT CYCLE

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

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

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

## ACQUISITIONS

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

# AWARDS AND RECOGNITIONS

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

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

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

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

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

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

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



*Padova Premium Camping Resort 4\*, Rab island*

MORE THAN  
**50**  
AWARDS FOR  
PRODUCTS  
AND SERVICES  
EXCELLENCE  
IN 2019

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Valamar Collection Isabella Island Resort 5\*, Poreč



Istra Premium Camping Resort 5\*, Poreč



# Significant Business Events



## ABOUT VALAMAR RIVIERA

Valamar Riviera is the leading Croatian tourism group and one of the largest investors in Croatian tourism investing nearly HRK 6 billion in the last 16 years. It owns the umbrella brand Valamar All you can holiday, as well as its sub-brands Valamar Collection, Valamar Collection Resorts, Valamar Hotels & Resorts, Sunny by Valamar and Camping Adriatic by Valamar. With recent acquisitions of Hoteli Makarska d.d.<sup>1</sup> in Makarska and Valamar's first hotel in Austria and investment in shares of Helios Faros d.d. on the island of Hvar, Valamar Riviera Group is now present in eight attractive destinations, from Istria and Kvarner to Dubrovnik in Croatia and Obertauern in Austria. It operates about 12% of the total categorized tourist accommodation in Croatia. The hospitality portfolio includes 36 hotels and resorts and 15 camping resorts. More than 21,000 accommodation units can welcome over 58,000 guests daily. Therefore, Valamar Riviera is the largest tourism group in Croatia, both in terms of portfolio size and revenues. Valamar Riviera cares for the interests of all its stakeholders: guests, suppliers and partners, local communities and destinations, around 22,000 shareholders and over 7,000 people employed during peak season, and society at large. Stakeholders' interests are actively promoted through Valamar Riviera's principles of sustainable and socially responsible growth and development. The company aims at growing further through portfolio investments, new acquisitions and partnerships, by developing its destinations and human resources and increasing operating efficiency.

Tourism portfolio of Valamar Riviera Group



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

## INVESTMENT AND RECAPITALIZATION OF HELIOS FAROS

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

## VALAMAR RIVIERA'S GENERAL ASSEMBLY

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

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

Helios Faros d.d., Hvar island



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

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

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

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

IMPERIAL RIVIERA'S  
SHARE CAPITAL  
INCREASE  
AMOUNTS TO HRK

426

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

320  
MILLION

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

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

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

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

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

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

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

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

## 2020 INVESTMENTS

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

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

2020  
GROUP'S PLANNED  
INVESTMENT CYCLE  
AMOUNTS TO HRK

826  
MILLION

## LOAN AGREEMENTS

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

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

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

 *The Management Board presents the quarterly unaudited financial statements for the period from 1 January 2019 to 31 December 2019.*

Ježevac Premium Camping Resort 4\*, Krk island



## QUARTERLY FINANCIAL STATEMENTS

The Management Board hereby presents the quarterly financial statements for the fourth quarter of 2019 (the period 1 January 2019 – 31 December 2019 is also included). 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>1</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 fully include data for the company Hoteli Makarska d.d.<sup>1</sup>, Valamar A GmbH and Valamar Obertauern GmbH.

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

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

Please note that the presented quarterly financial statements for the fourth quarter of 2018 (including the period 1 January 2018 - 31 December 2018) slightly differ from previously published quarterly financial statements for the fourth quarter of 2018 (including the period 1 January 2018 – 31 December 2018). (for detailed descriptions of adjustments, see the “Notes” page of the TFI-POD financial statements).

TUI Family Life Bellevue Resort 4\*, Rabac



# Results of the Group

KEY FINANCIAL INDICATORS<sup>4</sup>

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

KEY BUSINESS INDICATORS<sup>17</sup>

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

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

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

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

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

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

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

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

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

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

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

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

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

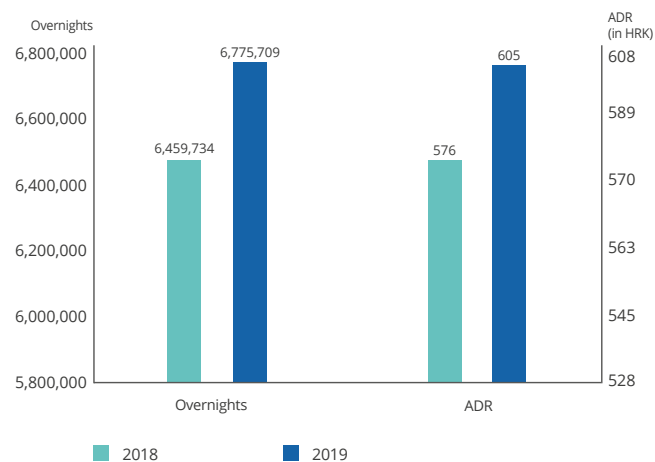
16 DPS refers to dividends per share.

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

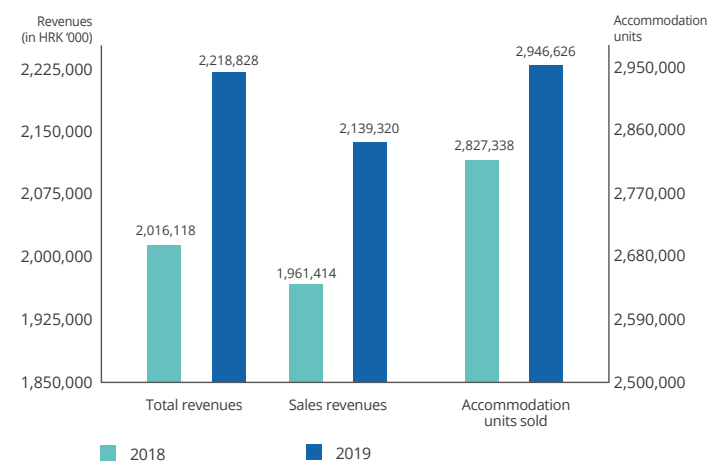
18 Average daily rate is recorded on the basis of board revenues (accommodation and board's food and beverage revenues).

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

### Overnights and ADR



### Revenues and accommodation units sold



Valamar Crystal Hotel 4\*, Poreč



For yet another year, Valamar Riviera Group continues to assert its leadership position, reporting strong growth in operating results. Valamar Riviera's operations generated an income of over HRK 2.2 billion during 2019 which represents a continuation of the Group's record results. Valamar Riviera owes its continued success to the concept of sustainable growth and development led by the principles of corporate social responsibility. It is reflected in: a) continuous portfolio investments (over HRK 800 million were invested in the preparation for the 2019 tourist season, while planned investments for 2020 amount to HRK 823 million), b) acquisitions and partnerships (in 2018 and 2019: acquisition of Hoteli Makarska<sup>1</sup> and the first Valamar Hotel in Austria and investments in shares of Helios Faros in Croatia), and c) the development of employees and destinations.



## REVENUES

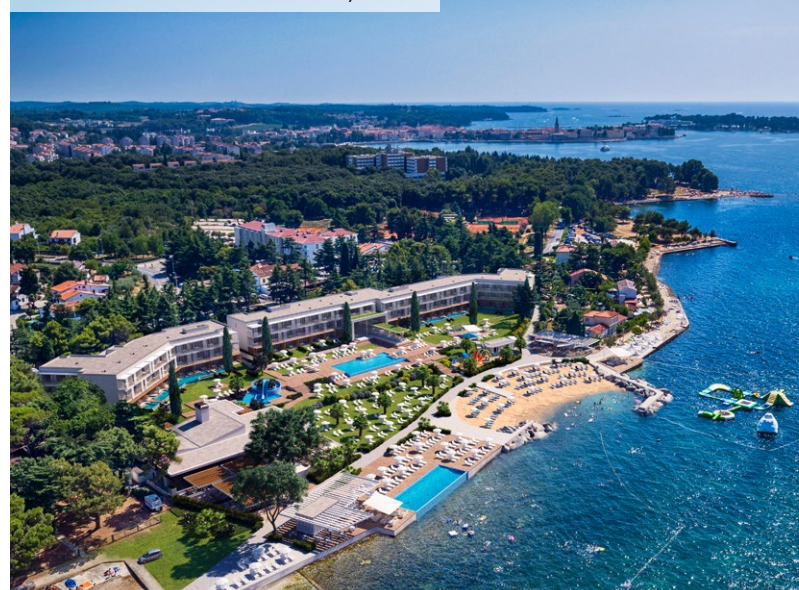
In 2019, total revenues were HRK 2,218.8 million, up by 10.1% (HRK +202.7 million). The total realized revenues were affected by:

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

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

**b) other operating revenues<sup>20</sup>** grew by HRK 47.0 million to HRK 68.4 million, primarily due to a) this year's consolidation of Hoteli Makarska<sup>1</sup> and b) one-off revenues from sales of fixed tangible non-operating assets (outside group).

Valamar Collection Marea Suites 5\*, Poreč



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

**d) year-round operating consolidation of Hoteli Makarska<sup>1</sup> and Valamar Obertauern**, contributing with 3 p.p. to the Group's revenue growth.

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

9%  
SALES REVENUES  
GROWTH TO HRK  
2,139  
MILLION

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

## TOTAL OPERATING EXPENSES OF VALAMAR RIVIERA GROUP<sup>21</sup>

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

### TOTAL OPERATING EXPENSES

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

**i) material costs** represented 31.8% (32.4% in 2018). The 10.4% growth (HRK +57.5 million) to HRK 609.2 million is due to a) the consolidation of Hoteli Makarska<sup>1</sup> and Valamar Obertauern, b) the increase of direct raw material costs due to increased business volume, and c) the increase in energy costs (electricity and waste disposal).

**ii) staff costs** represented 30.5% in total operating expenses and went down if compared to the previous period (31.9% in 2018). The reasons behind the 7.7% growth (HRK + 41.8 million) to HRK 583.4 million are found in a) the consolidation of Hoteli Makarska<sup>1</sup> and Valamar Obertauern, representing a 4 p.p. growth and b) ensuring competitive salaries and other material and non-material

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

**iii) amortization costs** represented 24.8% (24.1% in 2018). The 15.6% increase (HRK +64.0 million) to HRK 474.5 million is primarily a result of the earlier large investment cycle and the consolidation of Hoteli Makarska<sup>1</sup> and Valamar Obertauern operations.

**iv) other costs** represented 10.3% (10.2% in 2018). The 13.4% growth (HRK +23.3 million) to HRK 197.4 million is primarily a result of a) the consolidation of the Hoteli Makarska<sup>1</sup> and Valamar Obertauern operations, b) ensuring competitive material working conditions (HRK 5,000 net amount as 13<sup>th</sup> salary, performance rewards and rewards for a good season start), c) public utility charge increase, d) increased costs of lodging and meals for employees, e) increased costs of student scholarships and employee training (Valamar Riviera is the largest

<sup>21</sup> Classified according to Quarterly Financial Statements (TFI POD-RDG).

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

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

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

**vi) other operating expenses** representing 2.1% (0.9 % in 2018). The HRK 24.9 million increase to HRK 39.8 million is driven by a) the consolidation of Hoteli Makarska<sup>1</sup> and b) the value of assets that hasn't been written off (demolition and write-offs due to investments).

## OPERATING COSTS<sup>22</sup>

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

## EBITDA AND PROFIT

Unadjusted EBITDA, marked by strong double-digit growth, reached HRK 769.0 million (HRK 693.2 million in 2018). The increase of HRK 75.8 million (+10.9%) is the result of the continuation of the large investment cycle focused on improving competitiveness and the quality of properties and services, the acquisition of Hoteli Makarska<sup>1</sup> in Makarska and Valamar Obertauern in Austria, a prudent management of operating costs, distribution optimization and demand-driven price management, particularly for the newly developed properties. Stronger operating results were also reflected in the adjusted EBITDA<sup>23</sup> that soared by 8.1% to HRK 758.1 million. The consolidation of Hoteli Makarska and Valamar Obertauern was initiated in August 2018 and

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

Baška Beach Camping Resort 4\*, Krk island



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

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

In 2019, the Group's net profit was HRK 305.9 million. The HRK 66.7 million growth is mainly due to higher tax revenues (+HRK 88.3 million) resulting from the higher one-off recognition of deferred tax assets<sup>24</sup>.

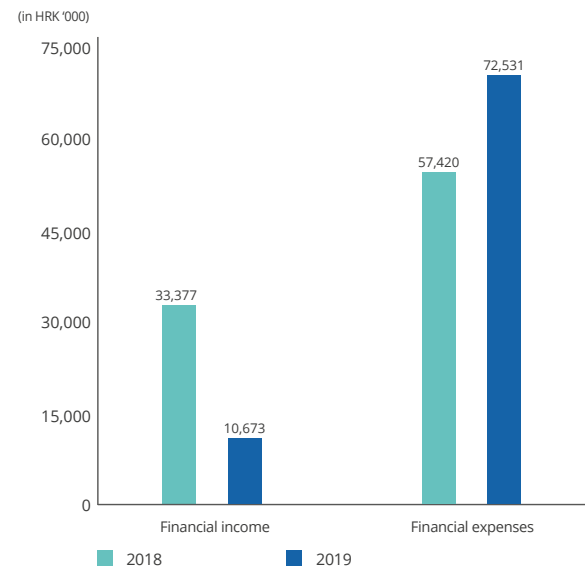
<sup>24</sup> In 2019 deferred tax assets was recognized mainly due to tax incentives prescribed by the Act on Investment Promotion and Investment Improvement which amounted to HRK 114.1 million, in respective to HRK 25.8 million in 2018.

8%  
GROWTH OF  
ADJUSTED EBITDA  
TO HRK  
757  
MILLION

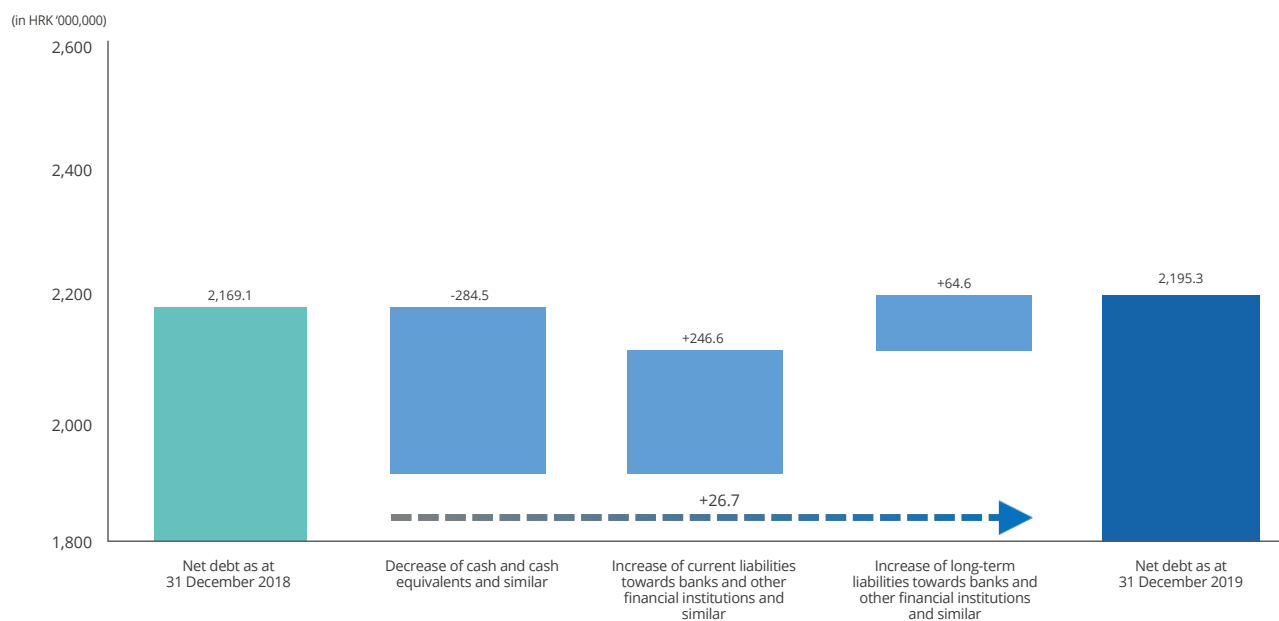
## FINANCIAL RESULT

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

## Financial income and expenses



## Net debt <sup>25</sup>



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

## ASSETS AND LIABILITIES

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

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

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

### Assets and liabilities



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

Valamar Collection Dubrovnik President Hotel 5\*, Dubrovnik



## PROFITABILITY INDICATORS OF VALAMAR RIVIERA GROUP

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

## VALUATION OF VALAMAR RIVIERA GROUP

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

## HOTELS AND RESORTS OVERVIEW

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

## CAMPING RESORTS OVERVIEW

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

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

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



# Results of the Company



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

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

249  
MILLION HRK  
INCREASE IN SALES  
REVENUES

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

In 2019, the financial result was HRK -48.0 million (HRK -15.9 million in 2018). The financial result, down by HRK 32.1 million vs. last year's comparable period was mainly due to: a) the decrease in net exchange rate differences by HRK 28.4 million regarding long-term loans due to a) the absence of the usual appreciation of the Croatian Kuna compared to the Euro in the first quarter of 2019 because of an unusual low exchange rate difference in EUR/HRK by the end of 2018, b) increase in financial expenses related to interest mostly on long-term loans in the amount of HRK 5.2 million as a result of financing large capital investments, c) the increase of unrealized losses from financial assets in the amount of HRK 7.0 million due to the scope of protection by fair value of rate swaps, d) the decrease in income from investment in stakes (shares) of undertakings in the Group by HRK 2.7 million due to the dividend paid by Hoteli Makarska<sup>1</sup> and e) increase of other financial income by HRK 1.9 million due to the sale of financial assets and decrease in other financial expenses by HRK 3.5 million.

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

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

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



# 2019 Investments

Valamar Riviera's success and growth are based on a sustainable and socially responsible development through investments in products, employees and destinations. In 2019, investments worth HRK 955 million were capitalized in the portfolio of fixed tangible and intangible assets<sup>26</sup>, while the 2019 investment cycle was worth almost HRK 800 million as part of the strategy for further operating growth.

## VALAMAR RIVIERA

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

### **Istra Premium Camping Resort by Valamar 5\***

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

*Istra Premium Camping Resort 5\*, Poreč*



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

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

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

Istra Premium Camping Resort 5\*, Poreč



**Valamar Collection Marea Resort 5\***

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



- |                                   |                        |                               |  |
|-----------------------------------|------------------------|-------------------------------|--|
| 1 Premium family suites           | 5 Activity pool        | 11 Infinity pool              | 15 Kids playground   |
| 2 Family suites with limited view | 6 Baby pool            | 12 Val Marea Family Beach     | 16 Bike storage  |
| 3 Reception                       | 7 Children's pool      | 13 Spash Beach Bar            | 17 Lungomare promenade - 10 minutes to the old town of Poreč |
| 4 Swim-up pools                   | 8 Beach Restaurant     | 14 Maro Baby Club & Maro Club |  |
|                                   | 9 Pool & Lobby Bar     |                               |  |
|                                   | 10 The Beat Beach Club |                               |  |

### **Lanterna Premium Camping Resortu by Valamar 4\***

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

### **Ježevac Premium Camping Resortu by Valamar 4\***

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

Lanterna Premium Camping Resort 4\*, Poreč



## IMPERIAL RIVIERA

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

### TUI Sensimar Carolina Resort by Valamar

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

### Padova Premium Camping Resort 4\*

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

149  
MILLION HRK  
IMPERIAL RIVIERA'S  
INVESTMENTS

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

### Valamar Padova Hotel 4\*

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

### Valamar Meteor Hotel 4\*

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

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

Padova Premium Camping Resort 4\*, Poreč



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



# 2020 Investments



The product and content development strategy consist of ambitious plans for innovative upgrades of services and products, focusing on the upscale and premium portfolio portion, both in the hotel and resort segment, as well as in the camping resort segment. In 2020, the Group's investment projects are worth HRK 826 million<sup>27</sup>, and will focus on repositioning the portfolio towards high value-added products and services, especially in the premium resort segment and camping segment in Istria. The development of Valamar's service concepts is a continuous process that will be geared towards adjusting the products and services to current market requirements, primarily customer trends and expectations.

## VALAMAR RIVIERA

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

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



<sup>27</sup> A portion already recorded in 2019.

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

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



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

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



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



**PINEA VALAMAR COLLECTION RESORT 5\***

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

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

**RESTAURANTS & BARS**

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

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

**BEACHES**

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

**POOLS**

- 17. Pinea Waterland

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

**MARO FAMILY**

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

**SPORT**

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

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

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

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

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



## IMPERIAL RIVIERA

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

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

2020  
IMPERIAL RIVIERA'S  
PLANNED  
INVESTMENT CYCLE  
AMOUNTS TO HRK

226  
MILLION

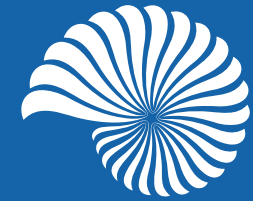
## SUPPORTING THE DEVELOPMENT OF CROATIAN TOURISM

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

Valamar Parentino Hotel 4\*, Poreč (vizualization)



Dalmacija Sunny Hotel 3\*, Makarska



# The Risks of the Company and the Group

Tourism is a global industry, closely connected with the real and financial economy, geopolitical position and environmental sustainability. The integrity of this industry will determine its future growth. Given the importance of tourism and its overall impact on society, the Company and the Group monitor and assess risks at micro and macro levels. Moreover, when defining the strategy, particular attention is given to the short and medium-term risk impact in order to maintain business sustainability over time.

When monitoring and assessing risks the Company and Group use a proactive approach thus assessing the potential impact of each individual risk. The Company and Group consider risk management to be a key factor of differentiation among competitors. Risk management aims at creating sustainable value, thus offering reliability and security to numerous stakeholders.

## 5

### KEY STEPS IN RISK MANAGEMENT PROCESS

There are five key steps in a risk management process:

- 1) Identifying potential risks;
- 2) Assessing identified risks;
- 3) Determining actions and responsibilities for efficient risk management;
- 4) Monitoring and overseeing preventive actions;
- 5) Exchanging information on risk management results conducted by the Management board.

The different types of risks facing Valamar Riviera can be classified into the following groups:

- Financial risks
  - related to financial variables, can have a negative impact on meeting liabilities for the company and the Group, liquidity, debt management etc.;
- Business risks
  - related to the way company business is conducted in terms of supply and demand, competition, adapting to market trends, investments, growth etc.;
- Operational risks
  - can arise from inadequate use of information, errors in business operations, non-compliance with internal procedures, human error, IT system, financial reporting and related risks, etc.;
- Global risks
  - can arise from natural disasters, pandemics, food shortage, social unrest, wars and other force majeure events beyond Valamar Riviera's control;
- Compliance risks
  - can arise from failure to comply with state laws and local regulations; risks related to changes in tax and other regulations.

### FINANCIAL RISKS

In their day-to-day business activities, the Company and Group face a number of financial threats, especially:

- 1) Foreign exchange risk;
- 2) Interest rate risk;

Destination Krk island





- 3) Credit risk;
- 4) Price risk;
- 5) Liquidity risk;
- 6) Share-related risks.

The Company and Group have a proactive approach in mitigating interest rate and foreign exchange risks, by employing available market instruments. Internal risk management goals and policies aim at protecting foreign currency inflows during seasonal activity and partial interest hedging of the principal loan amount.

### **1) Foreign exchange risk**

The Company and Group conduct their business operations across national borders and are exposed to foreign exchange risks. They mainly result from changes in the euro/ kuna exchange rate. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. Most of the sales revenue generated abroad is denominated in euros, and so is the major part of long-term debt. Hence, for the most part the Company and Group are naturally hedged from exchange rate risks. Since some liabilities are denominated in kunas, the Company and Group actively manage risks by using derivative instruments available on the financial market. The instruments are used according to operating assessments and expected market trends. In this way the assets, liabilities and cash flow are protected from the risk impact.

### **2) Interest rate risk**

Variable rate loans expose the Company and Group to cash flow interest rate risk. Actively, the Company and Group resort to derivative instruments in order to hedge cash flow and interest rate by applying interest rate swaps. The economic effect of such swaps is the conversion of variable interest rate loans into fixed interest rate loans for a pre-committed hedged part of the loan principal. Therefore, a major part of the loan portfolio (87%) is comprised of long-term fixed interest loans or, respectively, loans hedged by a derivative instruments (IRS). The Company and Group have interest-bearing assets (cash assets and deposits) so their revenue and cash flow depend on changes in market interest rates. This becomes evident especially during the season when the Company and Group have significant cash surpluses at their disposal.

### **3) Credit risk**

Credit risk arises from cash assets, time deposits and receivables. According to the Company and Group sales policy, business transactions are conducted only with customers with suitable credit history, i.e. by agreeing advances, bank securities and (for individual customers) payments made through major credit card companies. The Company and Group continuously strive to monitor their exposure towards other parties and their credit rating as well as obtain security instruments (bills of exchange, promissory notes) in order to reduce bad debt risks related to services provided.

### **4) Price risk**

The Company and Group hold equity securities and are exposed to equity price risk due to security price volatility. Valamar Riviera is not an active participant in the market trade in terms of trading in equity and debt securities. However, with investments in buying Imperial Riviera and Helios Faros shares, the company is exposed to the said risk to a certain extent.

### **5) Liquidity risk**

The Company and Group have a sound liquidity risk management. Sufficient funds for meeting liabilities are available at any given moment through adequate amounts from contracted credit lines and by ensuring credit line availability in the future. Liquidity risk is managed by generating strong positive net operating cash flows, while capital investments are financed by credit lines. Credit lines in 2019 were arranged with reputable financial institutions. The repayment of the major credit lines coincides with periods of strong cash inflows from operations. The Company and Group monitor the level of available funds through daily cash and debt reports. Long-term cash flow forecasts as well as annual (monthly) forecasts are based on the set budget. After meeting the needs of working capital management the surplus is deposited in the treasury. From there the funds are invested in interest-bearing current accounts, time deposits, money market deposit accounts and marketable securities. Only instruments with suitable maturities and sufficient liquidity are selected, according to the forecast needs for liquid funds.

## 6) Share-related risks

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

### BUSINESS RISK

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

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

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

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

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

## OPERATIONAL RISKS

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

## GLOBAL RISKS

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

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

Environmental risks can also have an adverse effect on the Company and Group’s business results, primarily in terms of customer satisfaction with the whole experience while staying at one of Valamar’s properties and this can affect the number of arrivals. The possible risks can include: sea pollution (caused by oil or chemical spillage), but also long-term water quality reduction and coast pollution due to inadequate waste disposal and waste water treatment as well as extensive use of agricultural fertilizers. Other environmental conditions typical for climate changes such as long drought periods or long rainy periods can directly influence the guests’ length of stay in the hotels and campsites as well as increasing the operating costs. A number of other natural disasters and calamities (earthquakes, fires, floods and rainstorms), air pollution caused by toxic gas emissions from industrial plants and vehicles, as well as excessive urbanization and the introduction of invasive species should also be taken into consideration. Likewise, disease outbreaks and pandemics can adversely affect Valamar’s business results. In order to minimize their impact, Valamar is actively tracking pandemic and health risk levels worldwide, especially on its source markets, and taking proactive steps in their management (f.i. escalation matrix with actions plans).

## COMPLIANCE RISKS

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

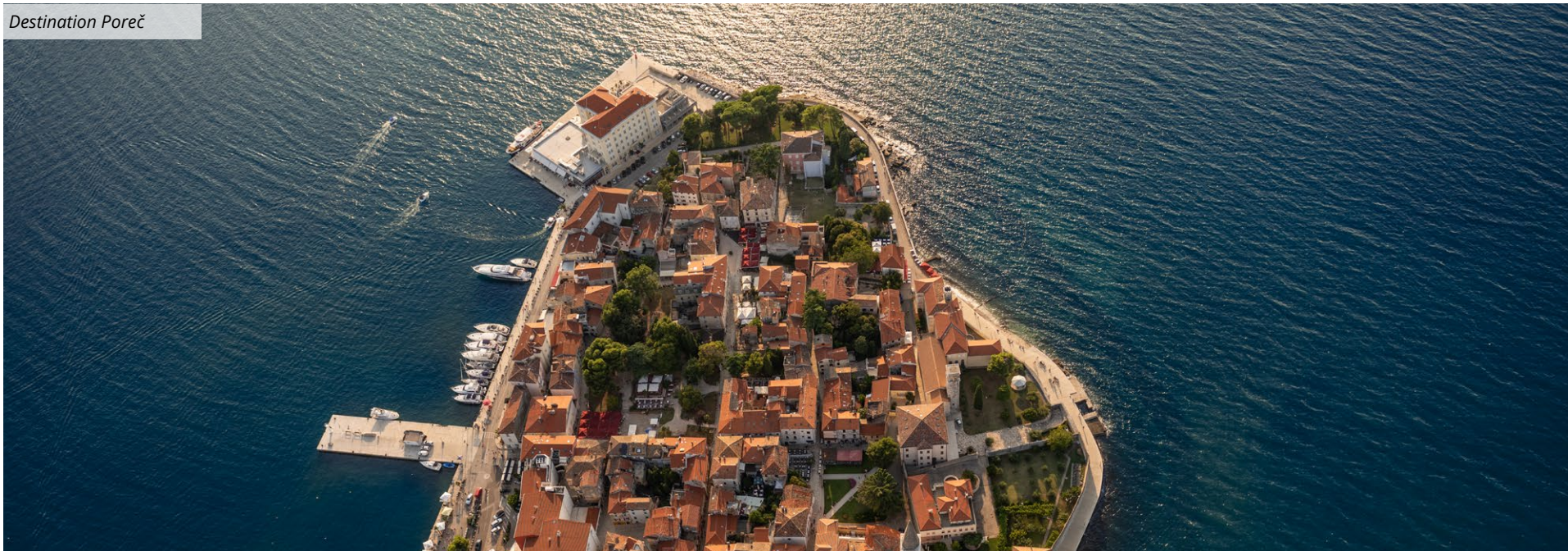


Ježevac Premium Camping Resort 4\*, Krk island

- In March 2012 the standard VAT rate grew from 23% to 25%, in January 2013 a new 10% VAT rate was introduced only to be replaced within a year by a 13% VAT rate applicable to the tourism and hospitality industry (January 2014), while in January 2017 a new 25% VAT rate was introduced for F&B (a la carte) services;
- In May 2012 the health insurance employer contribution rate fell from 15% to 13% and then in April 2014 it grew back to 15%;
- Frequent increases in various fees and charges regarding water distribution, waste disposal and the like;
- Tourist tax increase in 2018 ranging between HRK 2.5 and HRK 8.0 per person per overnight, depending on the class of the destination and utilization period;
- In January 2020 the VAT rate for a la carte food services was reduced from 25% to 13%.

Such frequent changes in laws regulating taxes and parafiscal charges often take place only after the business policy and budget for the next financial year have been approved and commercial terms and conditions with partners agreed. All this jeopardizes the Company and Group financial position and future investment plans as well as credibility towards shareholders. The Company and Group are also threatened by changes in regulations governing concession fees for maritime domain and tourism land use, the latter still presenting unresolved legal issues. Given the nature of the Company and Group's business, the right to use parts of the maritime domain as well as land for tourism purposes is of vital importance for future growth, especially for campsite-related operations.

Destination Poreč



Padova Premium Camping Resort 4\*, Rab island



# Corporate Governance

The Company and the Group continuously strive to develop and operate according to good practices of corporate governance. The business strategy, corporate policy, key corporate regulations and business practice are all geared towards creating a transparent and efficient business operation while forging solid bonds with the local community. In order to foster further growth and set high corporate governance standards, the Company adopted its own Corporate Governance Code in 2008 and the Management Board fully complies with its provisions. After the company was listed on the regulated market of the Zagreb Stock Exchange, the Company has also complied with the Zagreb Stock Exchange Governance Code. The Company respects and implements the prescribed corporate governance measures (as reported in detail in the prescribed annual questionnaire and published as prescribed on the Zagreb Stock Exchange and Valamar Riviera websites). The Company is in the process of harmonization of its corporate governance acts with the new Corporate Governance Code in the applicable extent.

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

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

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

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

The Company acquires treasury shares based on and in accordance with the conditions determined by the General Assembly's decision on acquisition of treasury shares dated on 17 November 2014 which was in force until 16 November 2019, and on the decision dated 9 May 2019 which is in force as of 17 November 2019. The Company does not have a share-buyback programme or an employee share ownership plan. The Company holds and acquires treasury shares as a form of rewarding the Management and key managers pursuant to the Company acts on the long-term reward plan and for the purpose of dividend payout in rights - Company share to the equity holders. The Company publicly disclosed each acquisition and disposal of treasury shares during 2019. Pursuant to the provision of Article 474 paragraph 3 of the Capital Market Act, on the day of financial statements publication the Company holds 4,139,635 treasury shares which represent 3.28% of the share capital.

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



## THE COMPANY'S CORPORATE BODIES ARE:

**Management Board:** Mr. Željko Kukurin, President of the Management Board, and Mr. Marko Čižmek, Member of the Management Board.

Pursuant to the provisions of the Capital Market Act and Regulation (EU) no. 596/2014, the Company has determined its senior management, consisting of the key company management: four vice presidents: Alen Benković, Davor Brenko, Ivana Budin Arhanić and David Poropat; and 21 sector directors: Ines Damjanić Šturman, Tomislav Dumančić, Ljubica Grbac, Flavio Gregorović, Marin Gulan, Vlastimir Ivančić, Željko Jurcan, Ivan Karlić, Dario Kinkela, David Manojlović, Sebastian Palma, Mile Pavlica, Tomislav Poljuha, Mirella Premeru, Bruno Radoš, Sandi Sinožić, Martina Šolić, Andrea Štifanić, Mauro Teković, Dragan Vlahović and Ivica Vrkić.

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

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

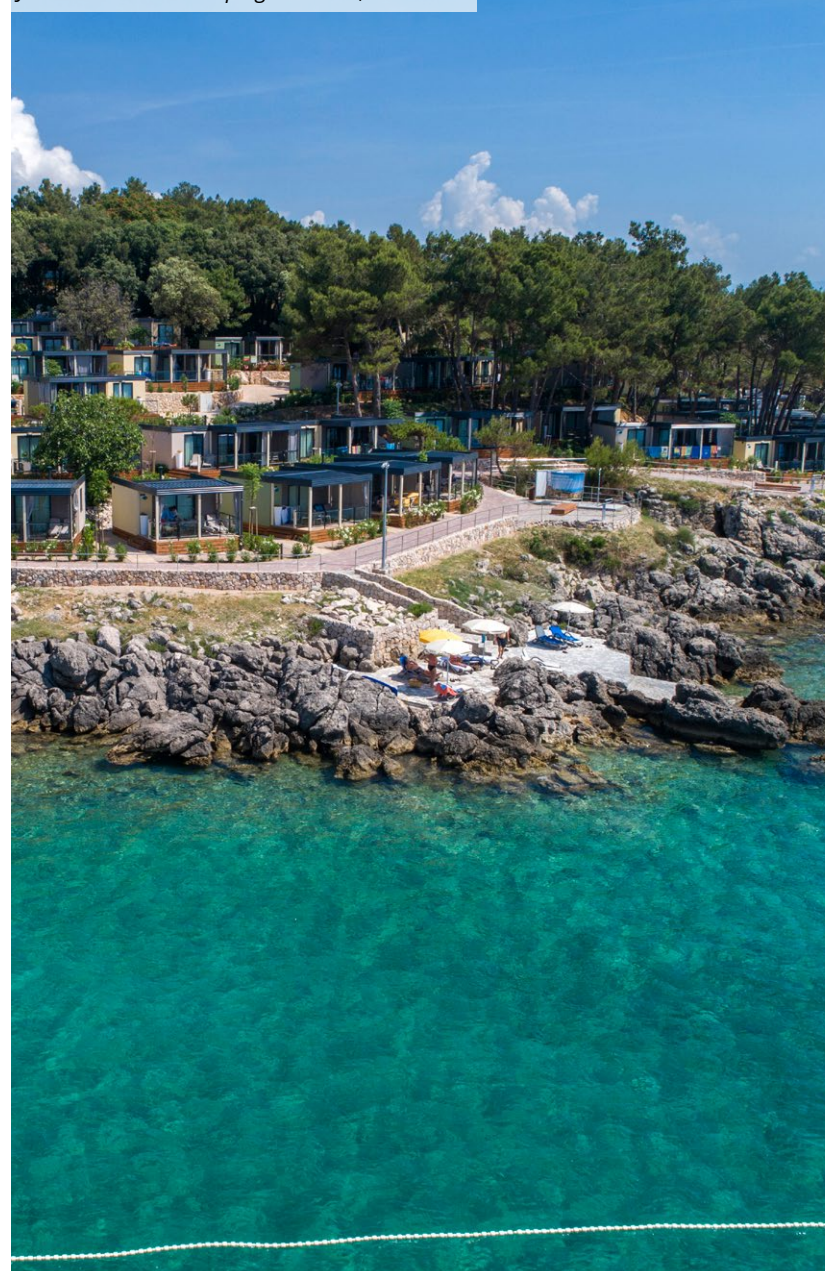
**Presidium of the Supervisory Board:** Mr. Gustav Wurmböck - Chairman, and members: Mr. Franz Lanschützer and Mr. Mladen Markoč.

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

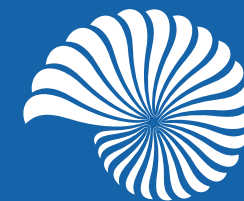
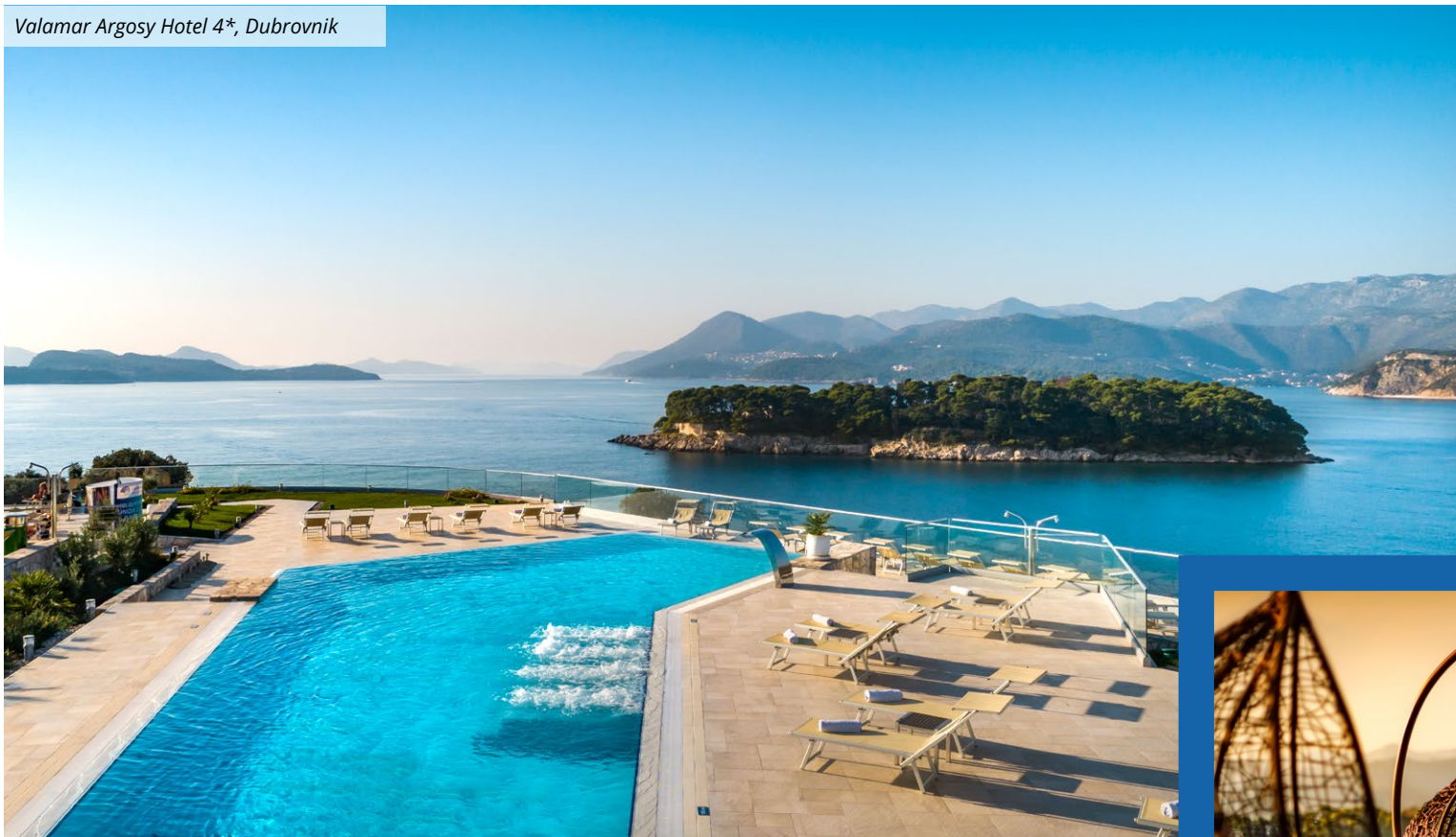
**Investment Committee:** Mr. Franz Lanschützer - Chairman and members: Mr. Georg Eltz, Mr. Vicko Ferić, Mr. Hans Dominik Turnovszky, and Mr. Gustav Wurmböck.

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

Ježevac Premium Camping Resort 4\*, Krk island



Valamar Argosy Hotel 4\*, Dubrovnik



# Related-party Transactions & Branch Offices



## RELATED-PARTY TRANSACTIONS

Transactions between related parties within the Group are conducted under standard commercial terms and conditions and at current market prices.

In the reviewed period, revenues from related party transactions totaled HRK 158,9 million<sup>28</sup> (2018: HRK 17.1 million) for the Company, and HRK 4.9 million (2018: HRK 1,231) for the Group. Costs were HRK 8.2 million (2018: HRK 1.8 million) for the Company, and HRK 549 thousand for the Group (2018: HRK 966 thousand).

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

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

<sup>28</sup> HRK 122 million represents the sale of Valamar Zagreb Hotel to Imperial Riviera, while the remaining part represents primarily the received fee for the management of Imperial Riviera's, Hoteli Makarska's<sup>1</sup> and Valamar Obertauern's properties and services.

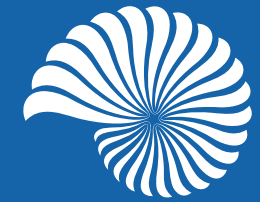
## BRANCH OFFICES OF THE COMPANY

The following branch offices were registered on 2 September 2011: Podružnica za turizam RABAC, with registered office in Rabac, Slobode 80, Podružnica za turizam ZLATNI OTOK, with registered office in Krk, Vršanska 8. The following branch office was registered on 4 October 2013: Podružnica za turizam DUBROVNIK BABIN KUK, with registered office in Dubrovnik, Dr. Ante Starčevića 45. The following branch office was registered on 1 October 2014: Podružnica za savjetovanje u vezi s poslovanjem i upravljanjem ZAGREB, with registered office in Zagreb, Miramarska 24. The following branch office was registered on 1 April 2017: Podružnica za turizam BRIONI, with registered office in Pula, Puntičela 155.

The branch offices of Rabac, Zlatni otok, Dubrovnik-Babin kuk and Brioni are the drivers of economic growth in their local communities. They operate at their destinations and support their development by promoting further investments and the development of tourism while participating in social and business activities.

The Company also established offices on Rab Island and in Makarska to increase the efficiency and streamline the management of operations as determined by the provisions of the concluded Hotel management contracts with Imperial Riviera.

Valamar Obertauern Hotel 4\*, Obertauern



# Valamar Share

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

Average RIVP share price

(in HRK)



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

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

Riviera was the second most traded share on the Zagreb Stock Exchange with the average regular turnover of HRK 0.9 million per day<sup>29</sup>.

Apart from the Zagreb Stock Exchange indices and ADRIprime joint Zagreb and Ljubljana Stock Exchanges equity index, the share is also part of the Vienna Stock Exchange indices (CROX<sup>30</sup> and SETX<sup>31</sup>) and Warsaw Stock Exchange index (CEEplus<sup>32</sup>), the regional SEE Link indices (SEELinX and SEELinX EWI)<sup>33</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 26.5%<sup>34</sup>. 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

<sup>29</sup> Block transactions are excluded from the calculation.

<sup>30</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>31</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>32</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>33</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>34</sup> Block transactions are excluded from the calculation. Data refers to the period 1 January - 31 December 2019.

transparency and quality in its business and financial communication, so by transitioning to the most demanding exchange quotation, we will strive to increase further share visibility and positively impact the price and liquidity as an example of best market practice. The first trading day on the Prime Market was 29 April 2019.

Valamar Riviera is active in holding meetings, presentations and conference calls with domestic and foreign investors. This approach supports high-level transparency, creates additional liquidity, increases share value and the involvement of potential investors. During 2019 meetings were held on NASDAQ in New York, London Stock Exchange and Raiffeisen Centrobank investors conference in Zürs, Citi bank investor conference in London, Zagreb and Ljubljana Stock Exchange investor

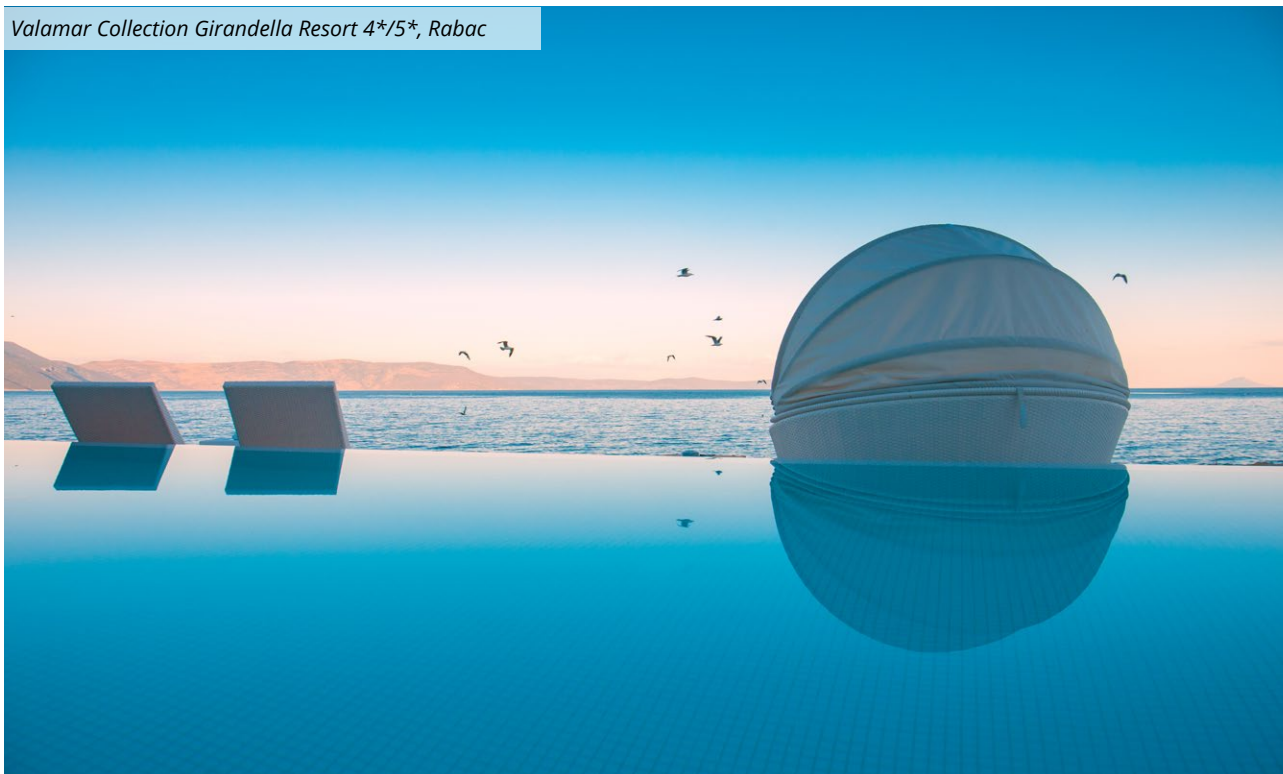
2<sup>st</sup>  
THE MOST TRADED  
SHARE ON THE  
ZAGREB STOCK  
EXCHANGE

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

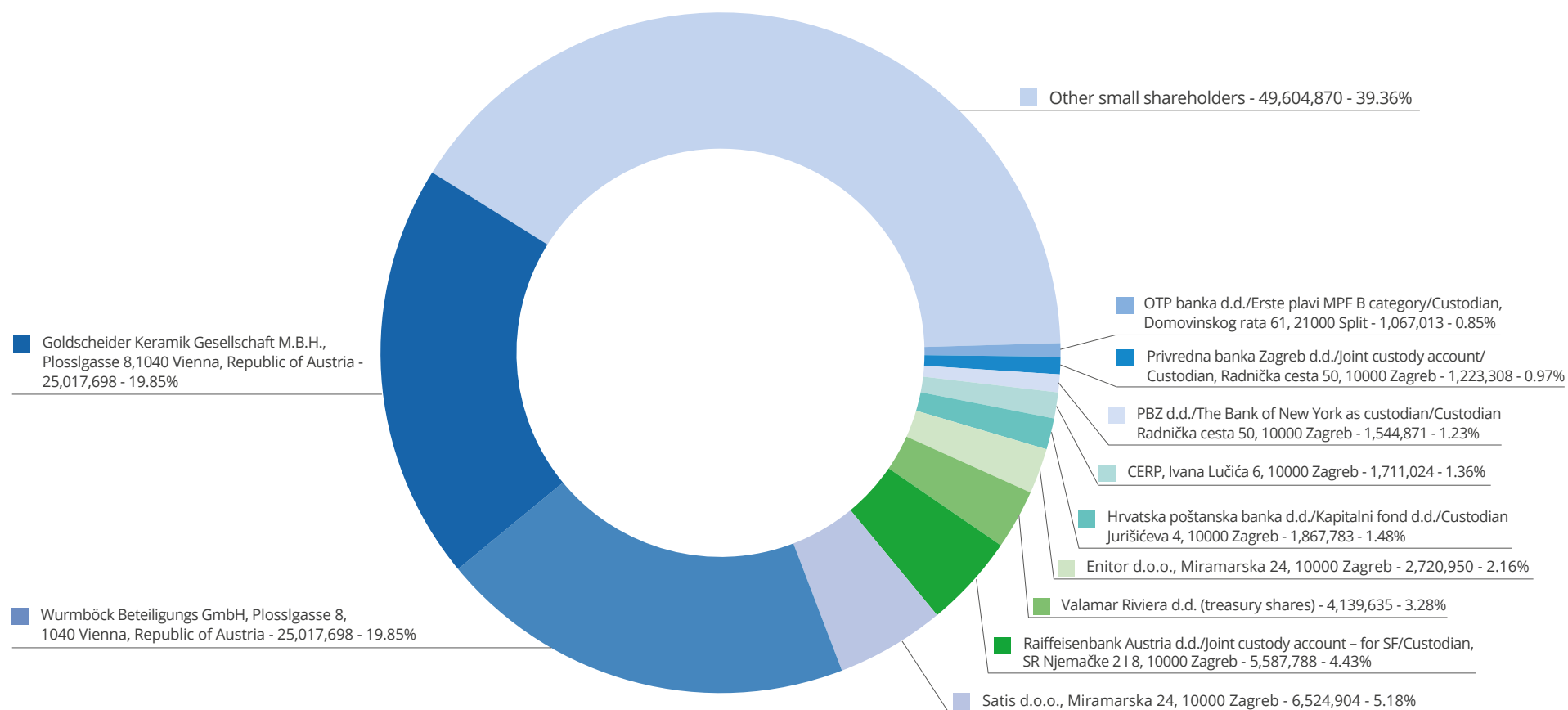
The analytical coverage of Valamar Riviera is provided by:

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

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



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





# Investors day and Integrated report

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



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



## INVESTORS DAY AND 2018 INTEGRATED REPORT AND CORPORATE SOCIAL RESPONSIBILITY

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

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

Valamar Collection Imperial Hotel 5\*, Rab island




# Additional Information



Valamar Dubrovnik President Hotel 5\*, Dubrovnik



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

## ADDITIONAL INFORMATION

As one of the largest employers in Croatia (as at 31 December 2019, the Group employed 3,431 people of which 1,856 were permanent employees; the Company employed 2,886 people of which 1,531 were permanent employees), the Company and the Group systematically and continuously invest in the development of human resources. An integral strategic approach to human resources management and top practices applied include transparent hiring processes, clear objectives and employees' performance measurement, rewarding systems, opportunities for career advancement, investment in employees' development and encouraging two-way communication.

In the course of the fourth quarter of 2019 (including the period 1 January 2019 – 31 December 2019), the Company's Management Board managed and represented the company pursuant to regulations and the provisions of the Company Statute, and planned a business policy that was implemented with prudent care. The Company's Management Board will continue to undertake all the necessary measures in order to ensure sustainability and business growth. The quarterly separate and consolidated financial statements for the fourth quarter of 2019 (including the period 1 January 2019 to 31 December 2019) were adopted by the by the Management Board on 18 February 2020.

Management Board of the Company

**Željko Kukurin**

Management Board President

**Marko Čižmek**

Management Board Member

 **VALAMAR**  
VALAMAR RIVIERA D.D.  
POREČ (4)

# RESPONSIBILITY FOR THE QUARTERLY FINANCIAL STATEMENTS

In Poreč, 18 February 2020

In accordance with provisions of Law on Capital Market, Marko Čižmek, Management board member responsible for finance, treasury and IT business as well as relations with institutional investors and Ljubica Grbac director of Department of Finance and Accounting, procurator and person responsible for finance and accounting, together as persons responsible for the preparation of 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:

- consolidated and unconsolidated financial statements for 2019, including the quarterly reports for the fourth quarter of 2019, is prepared in accordance with applicable standards of financial reporting and gives a true and fair view of the assets and liabilities, profit and loss, financial position and operations of the Company and the companies included in consolidation;
- Report of the Company's Management board for the period from 1 January to 31 December 2019, including the period from 1 October to 31 December 2019, contains a true presentation of development, results and position of the Company and companies included in the consolidation, with description of significant risks and uncertainties which the Company and companies included in the consolidation are exposed.

**Marko Čižmek**  
Management Board Member

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



**Reporting period: from 01.01.2019 to 31.12.2019****Quarterly financial statements**

Year:	<u>2019</u>	
Quarter:	<u>4</u>	
Registration number (MB):	<u>3474771</u>	Issuer's home Member State code: <u>HR</u>
Entity's registration number (MBS):	<u>40020883</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>	<u>Poreč</u>
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>3242</u>	
Consolidated report:	<u>KD</u>	(KN-not consolidated/KD-consolidated)
Audited:		(RN-not audited/RD-audited)
Names of subsidiaries (according to IFRS):	Registered office:	MB:
<u>Valamar Obertauern GmbH</u>	<u>Obertauern</u>	<u>195893 D</u>
<u>Valamar hotels &amp; resorts GmbH</u>	<u>Frankfurt</u>	<u>4724750667</u>
<u>Valamar A GmbH</u>	<u>Tamsweg</u>	<u>486431 S</u>
<u>Hoteli Makarska d.d.</u>	<u>Makarska</u>	<u>3324877</u>
<u>Palme Turizam d.o.o.</u>	<u>Dubrovnik</u>	<u>2006103</u>
<u>Magične stijene d.o.o.</u>	<u>Dubrovnik</u>	<u>2315211</u>
<u>Bugenvilia d.o.o.</u>	<u>Dubrovnik</u>	<u>2006120</u>
<u>Imperial Riviera d.d.</u>	<u>Rab</u>	<u>3044572</u>
Bookkeeping 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:		
	(name of the audit firm)	
Certified auditor:		
	(name and surname)	



M.P.

(potpis osobe ovlaštene za zastupanje)

**BALANCE SHEET** (balance as at 31.12.2019 )

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>5.310.859.197</b>	<b>5.856.396.314</b>
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>53.726.810</b>	<b>56.189.081</b>
1 Research and development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	46.298.666	48.975.762
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	645.710
6 Other intangible assets	009		
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>5.111.237.027</b>	<b>5.558.203.413</b>
1 Land	011	973.018.037	977.452.631
2 Buildings	012	3.331.975.756	3.587.267.668
3 Plant and equipment	013	443.971.567	516.603.969
4 Tools, working inventory and transportation assets	014	132.923.120	145.663.553
5 Biological assets	015		
6 Advances for the purchase of tangible assets	016	12.350.960	2.947.521
7 Tangible assets in preparation	017	160.356.644	247.269.828
8 Other tangible assets	018	47.000.469	74.548.777
9 Investment property	019	9.640.474	6.449.466
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>20.189.324</b>	<b>48.171.781</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		47.667.787
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	220.656
8 Loans, deposits, etc. given	028	15.705.721	113.338
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>		
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		
<b>V DEFERRED TAX ASSETS</b>	<b>036</b>	<b>125.706.036</b>	<b>193.832.039</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>332.777.170</b>	<b>618.567.076</b>
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>25.447.350</b>	<b>25.825.011</b>
1 Raw materials and consumables	039	25.241.646	25.557.290
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	172.328	221.443
5 Advances for inventories	043	33.376	46.278
6 Fixed assets held for sale	044		
7 Biological assets	045		
<b>II RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>45.046.838</b>	<b>41.771.516</b>
1 Receivables from undertakings within the group	047		383
2 Receivables from companies linked by virtue of participating interests	048	1.380.025	2.382.857
3 Customer receivables	049	33.928.832	18.474.596
4 Receivables from employees and members of the undertaking	050	1.428.327	936.299
5 Receivables from government and other institutions	051	7.223.405	18.377.083
6 Other receivables	052	1.086.249	1.600.298
<b>III CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>440.629</b>	<b>827.911</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	396.879	687.761
9 Other financial assets	062		140.150
<b>IV CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>261.842.353</b>	<b>550.142.638</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>25.309.119</b>	<b>20.339.193</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>5.668.945.486</b>	<b>6.495.302.583</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>58.014.172</b>	<b>54.355.927</b>

**BALANCE SHEET** (as at 31.12.2019) (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>3.219.069.759</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>5.223.432</b>
<b>III RESERVES FROM PROFIT</b> (ADP 071+072-073+074+075)	<b>070</b>	<b>94.297.196</b>	<b>95.998.078</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	-124.418.267
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>61.474</b>
1 Fair value of financial assets available for sale	078	905.282	61.474
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>430.206.412</b>
1 Retained profit	082	348.674.430	430.206.412
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>284.535.940</b>
1 Profit for the business year	085	235.337.282	284.535.940
2 Loss for the business year	086		
<b>VIII MINORITY (NON-CONTROLLING) INTEREST</b>	<b>087</b>	<b>401.993.065</b>	<b>731.023.213</b>
<b>B) PROVISIONS</b> (ADP 089 to 094)	<b>088</b>	<b>127.787.632</b>	<b>125.529.523</b>
1 Provisions for pensions, termination benefits and similar obligations	089	10.114.484	13.875.517
2 Provisions for tax liabilities	090		
3 Provisions for ongoing legal cases	091	67.197.172	51.607.209
4 Provisions for renewal of natural resources	092		
5 Provisions for warranty obligations	093		
6 Other provisions	094	50.475.976	60.046.797
<b>C) LONG-TERM LIABILITIES</b> (ADP 096 to 106)	<b>095</b>	<b>2.281.608.369</b>	<b>2.546.866.358</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	2.652.000
6 Liabilities to banks and other financial institutions	101	2.198.942.318	2.443.662.677
7 Liabilities for advance payments	102		
8 Liabilities to suppliers	103		
9 Liabilities for securities	104		
10 Other long-term liabilities	105	5.161.574	37.505.640
11 Deferred tax liability	106	68.561.477	63.046.041
<b>D) SHORT-TERM LIABILITIES</b> (ADP 108 to 121)	<b>107</b>	<b>424.603.584</b>	<b>526.341.998</b>
1 Liabilities to undertakings within the group	108	10.277	23.725
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	2.755.000
6 Liabilities to banks and other financial institutions	113	227.143.740	285.262.246
7 Liabilities for advance payments	114	38.933.044	38.363.694
8 Liabilities to suppliers	115	112.880.125	145.722.270
9 Liabilities for securities	116		
10 Liabilities to employees	117	28.375.076	29.133.042
11 Taxes, contributions and similar liabilities	118	11.768.990	12.309.349
12 Liabilities arising from 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	5.138.816	12.383.396
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>122</b>	<b>76.413.153</b>	<b>77.494.945</b>
<b>F) TOTAL - LIABILITIES</b> (ADP 067+088+095+107+122)	<b>123</b>	<b>5.668.945.486</b>	<b>6.495.302.583</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>124</b>	<b>58.014.172</b>	<b>54.355.927</b>

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2019 to 31.12.2019)

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>1.982.740.515</b>	<b>113.996.414</b>	<b>2.207.678.790</b>	<b>167.938.092</b>
1 Income from sales with undertakings within the group	126				
2 Income from sales (outside group)	127	1.961.413.631	111.729.559	2.139.319.744	121.726.773
3 Income from the use of own products, goods and services	128	361.270	64.541	510.082	130.838
4 Other operating income with undertakings within the group	129				
5 Other operating income (outside the group)	130	20.965.614	2.202.314	67.848.964	46.080.481
<b>II OPERATING EXPENSES</b> (ADP 132+133+137+141+142+143+146+153)	<b>131</b>	<b>1.700.488.117</b>	<b>392.369.762</b>	<b>1.913.825.576</b>	<b>397.323.979</b>
1 Changes in inventories of work in progress and finished goods	132				
2 Material costs (ADP 134 to 136)	133	551.752.686	88.729.723	609.249.061	86.961.846
a) Costs of raw materials and consumables	134	328.353.776	37.657.433	364.623.025	40.189.925
b) Costs of goods sold	135	3.380.801	219.511	4.812.122	145.550
c) Other external costs	136	220.018.109	50.852.779	239.813.914	46.626.371
3 Staff costs (ADP 138 to 140)	137	541.614.164	128.505.560	583.409.043	98.681.099
a) Net salaries and wages	138	331.594.306	81.147.676	363.407.404	67.131.213
b) Tax and contributions from salary costs	139	135.326.315	29.863.758	144.444.646	18.933.389
c) Contributions on salaries	140	74.693.543	17.494.126	75.556.993	12.616.497
4 Depreciation	141	410.521.539	114.122.647	474.514.405	117.622.932
5 Other costs	142	174.094.246	51.164.849	197.392.249	58.085.558
6 Value adjustments (ADP 144+145)	143	385.273	301.695	587.773	541.338
a) fixed assets other than financial assets	144				
b) current assets other than financial assets	145	385.273	301.695	587.773	541.338
7 Provisions (ADP 147 to 152)	146	7.126.272	7.126.272	8.827.807	8.749.409
a) Provisions for pensions, termination benefits and similar obligations	147	4.409.973	4.409.973	4.890.058	4.890.058
b) Provisions for tax liabilities	148				
c) Provisions for ongoing legal cases	149	2.688.556	2.688.556	3.937.749	3.859.351
d) Provisions for renewal of natural resources	150				
e) Provisions for warranty obligations	151				
f) Other provisions	152	27.743	27.743		
8 Other operating expenses	153	14.993.937	2.419.016	39.845.238	26.681.797
<b>III. FINANCIAL INCOME</b> (ADP 155 to 164)	<b>154</b>	<b>33.377.026</b>	<b>-18.907.844</b>	<b>10.673.119</b>	<b>-14.429.498</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	528.885	-221.031	654.052	237.683
8 Exchange rate differences and other financial income	162	28.871.782	-15.598.147	4.215.065	-12.887.397
9 Unrealised gains (income) from financial assets	163		-4.696.029		-3.358.054
10 Other financial income	164	3.976.359	1.607.363	5.804.002	1.578.270
<b>IV FINANCIAL EXPENSES</b> (ADP 166 to 172)	<b>165</b>	<b>57.419.749</b>	<b>-2.713.778</b>	<b>72.530.819</b>	<b>3.347.740</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	48.461.612	12.106.489	55.020.340	13.063.480
4 Exchange rate differences and other expenses	169	168.459	-17.584.290	4.868.851	-1.961.604
5 Unrealised losses (expenses) from financial assets	170	3.686.904	-1.399.541	10.651.214	-8.439.682
6 Value adjustments of financial assets (net)	171			1.690	
7 Other financial expenses	172	5.102.774	4.163.564	1.988.724	685.546
<b>V SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VIRTUE OF PARTICIPATING INTERESTS</b>	<b>173</b>			<b>476.257</b>	<b>-2.683.664</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>128.172</b>	<b>128.172</b>		
<b>IX TOTAL INCOME</b> (ADP 125+154+173+174)	<b>177</b>	<b>2.016.117.541</b>	<b>95.088.570</b>	<b>2.218.828.166</b>	<b>150.824.930</b>
<b>X TOTAL EXPENDITURE</b> (ADP 131+165+175+176)	<b>178</b>	<b>1.758.036.038</b>	<b>389.784.156</b>	<b>1.986.356.395</b>	<b>400.671.719</b>
<b>XI PRE-TAX PROFIT OR LOSS</b> (ADP 177-178)	<b>179</b>	<b>258.081.503</b>	<b>-294.695.586</b>	<b>232.471.771</b>	<b>-249.846.789</b>
1 Pre-tax profit (ADP 177-178)	180	258.081.503		232.471.771	
2 Pre-tax loss (ADP 178-177)	181		-294.695.586		-249.846.789
<b>XII INCOME TAX</b>	<b>182</b>	<b>18.893.996</b>	<b>18.893.996</b>	<b>-73.379.909</b>	<b>-71.565.811</b>
<b>XIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 179-182)	<b>183</b>	<b>239.187.507</b>	<b>-313.589.582</b>	<b>305.851.680</b>	<b>-178.280.978</b>
1. Profit for the period (ADP 179-182)	184	239.187.507		305.851.680	
2. Loss for the period (ADP 182-179)	185		-313.589.582		-178.280.978

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2019 to 31.12.2019) (continued)

Submitter: Valamar Riviera d.d.

in HRK

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

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

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

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

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

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

<b>XIX PROFIT OR LOSS FOR THE PERIOD</b> (ADP 200+201)	<b>199</b>	<b>239.187.507</b>	<b>-313.589.584</b>	<b>305.851.680</b>	<b>-178.280.978</b>
1 Attributable to owners of the parent	200	235.337.282	-291.614.239	284.535.940	-178.642.645
2 Attributable to minority (non-controlling) interest	201	3.850.225	-21.975.345	21.315.740	361.667

**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>239.187.507</b>	<b>-313.589.584</b>	<b>305.851.680</b>	<b>-178.280.978</b>
<b>II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX</b> (ADP 204 to 211)	<b>203</b>	<b>338.982</b>	<b>173.554</b>	<b>-1.060.800</b>	<b>-21.600</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	338.982	173.554	-1.060.800	-21.600
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>67.796</b>	<b>34.710</b>	<b>-216.991</b>	<b>-3.888</b>
<b>IV NET OTHER COMPREHENSIVE INCOME OR LOSS</b> (ADP 203-212)	<b>213</b>	<b>271.186</b>	<b>138.844</b>	<b>-843.809</b>	<b>-17.712</b>
<b>V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 202+213)	<b>214</b>	<b>239.458.693</b>	<b>-313.450.740</b>	<b>305.007.871</b>	<b>-178.298.690</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>239.458.693</b>	<b>-313.450.739</b>	<b>305.007.871</b>	<b>-178.298.690</b>
1 Attributable to owners of the parent	216	235.608.468	-291.475.394	283.692.131	-178.660.357
2 Attributable to minority (non-controlling) interest	217	3.850.225	-21.975.345	21.315.740	361.667

**STATEMENT OF CASH FLOWS - indirect method** (for the period 01.01.2019 to 31.12.2019)**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	258.081.503	232.471.771
2 Adjustments (ADP 003 to 010):	002	468.922.640	522.775.137
a) Depreciation	003	410.521.539	474.514.405
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	5.841.704	-10.784.061
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	1.118.573	143.240
d) Interest and dividend income	006	-273.758	-341.761
e) Interest expenses	007	50.071.190	56.867.514
f) Provisions	008	23.210.743	-11.828.932
g) Exchange rate differences (unrealised)	009	-28.784.701	4.868.877
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	7.217.350	9.335.855
<b>I Cash flow increase or decrease before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>727.004.143</b>	<b>755.246.908</b>
3 Changes in the working capital (ADP 013 to 016)	012	-32.078.027	92.191.314
a) Increase or decrease in short-term liabilities	013	6.473.299	74.485.565
b) Increase or decrease in short-term receivables	014	-37.600.790	18.083.409
c) Increase or decrease in inventories	015	-950.536	-377.660
d) Other increase or decrease in working capital	016		
<b>II Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>694.926.116</b>	<b>847.438.222</b>
4 Interest paid	018	-45.792.353	-57.152.922
5 Income tax paid	019	-8.450.097	-5.372.100
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>640.683.666</b>	<b>784.913.200</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	5.144.096	56.786.329
2 Cash receipts from sales of financial instruments	022	50.000	1.437.948
3 Interest received	023	776.958	382.503
4 Dividends received	024	87.080	115.822
5 Cash receipts from repayment of loans and deposits	025	949.241	10.879.251
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>7.007.375</b>	<b>69.601.853</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-730.451.033	-954.589.856
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030	-175.646	-10.770.778
4 Acquisition of a subsidiary, net of cash acquired	031	-170.827.965	
5 Other cash payments from investment activities	032		-47.667.787
<b>IV Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-901.454.644</b>	<b>-1.013.028.421</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-894.447.269</b>	<b>-943.426.568</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	605.645.120	742.204.883
4 Other cash receipts from financing activities	038		329.030.148
<b>V Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>605.645.120</b>	<b>1.071.235.031</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-209.765.109	-450.552.945
2 Cash payments for dividends	041	-116.405.354	-130.151.483
3 Cash payments for finance lease	042		
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043	-51.705.655	-39.436.690
5 Other cash payments from financing activities	044		-4.280.260
<b>VI Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-377.876.118</b>	<b>-624.421.378</b>
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>227.769.002</b>	<b>446.813.653</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>-25.994.601</b>	<b>288.300.285</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>261.842.353</b>	<b>550.142.638</b>



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

in HRK

Item	ADP code	Attributable to owners of the parent													Minority (non-controlling) interest	Total capital and reserves			
		Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Retained profit / loss brought forward	Profit/loss for the business year			Total attributable to owners of the parent		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)		
<b>Previous period</b>																			
<b>1 Balance on the first day of the previous business year</b>	<b>01</b>	<b>1.672.021.210</b>	<b>3.602.906</b>	<b>83.601.061</b>	<b>44.815.284</b>	<b>35.889.620</b>		<b>9.529.123</b>		<b>634.097</b>									
2 Changes in accounting policies	02																		
3 Correction of errors	03																		
<b>4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)</b>	<b>04</b>	<b>1.672.021.210</b>	<b>3.602.906</b>	<b>83.601.061</b>	<b>44.815.284</b>	<b>35.889.620</b>		<b>9.529.123</b>		<b>634.097</b>									
5 Profit/loss of the period	05													235.337.282	235.337.282	3.850.224	239.187.506		
6 Exchange rate differences from translation of foreign operations	06																		
7 Changes in revaluation reserves of fixed tangible and intangible assets	07																		
8 Profit or loss arising from subsequent measurement of financial assets available for sale	08										338.982				338.982		338.982		
9 Profit or loss arising from effective cash flow hedge	09																		
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	10																		
11 Share in other comprehensive income/loss of companies linked by virtue of participating interests	11																		
12 Actuarial gains/losses on the defined benefit obligation	12																		
13 Other changes in equity unrelated to owners	13																		
14 Tax on transactions recognised directly in equity	14																		
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15																		
16 Increase in initial (subscribed) capital arising from the reinvestment of profit	16																		
17 Increase in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	17																		
18 Redemption of treasury shares/holdings	18					51.705.655									-51.705.655		-51.705.655		
19 Payment of share in profit/dividend	19		356.885			-393.563								-111.730.149		-110.979.701		-110.979.701	
20 Other distribution to owners	20		1.344.492			-1.082.563									2.427.055		2.427.055		
21 Transfer to reserves according to the annual schedule	21				52.000.000			-9.529.123							197.265.686	-243.596.016	-3.859.453	167.016.901	163.157.448
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22																		
<b>23 Balance on the last day of the previous business year reporting period (ADP 04 to 22)</b>	<b>23</b>	<b>1.672.021.210</b>	<b>5.304.283</b>	<b>83.601.061</b>	<b>96.815.284</b>	<b>86.119.149</b>					<b>905.282</b>				<b>348.674.430</b>	<b>235.337.282</b>	<b>2.356.539.683</b>	<b>401.993.065</b>	<b>2.758.532.748</b>
<b>APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)</b>																			
<b>I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)</b>	<b>24</b>										<b>271.185</b>				<b>271.185</b>		<b>271.185</b>		
<b>II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)</b>	<b>25</b>										<b>271.185</b>			<b>235.337.282</b>	<b>235.608.467</b>	<b>3.850.224</b>	<b>239.458.691</b>		
<b>III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)</b>	<b>26</b>		<b>1.701.377</b>		<b>52.000.000</b>	<b>50.229.529</b>		<b>-9.529.123</b>						<b>85.535.537</b>	<b>-243.596.016</b>	<b>-164.117.754</b>	<b>167.016.901</b>	<b>2.899.147</b>	
<b>Current period</b>																			
<b>1 Balance on the first day of the current business year</b>	<b>27</b>	<b>1.672.021.210</b>	<b>5.304.283</b>	<b>83.601.061</b>	<b>96.815.284</b>	<b>86.119.149</b>					<b>905.282</b>				<b>348.674.430</b>	<b>235.337.282</b>	<b>2.356.539.683</b>	<b>231.125.940</b>	<b>2.587.665.623</b>
2 Changes in accounting policies	28																		
3 Correction of errors	29																		
<b>4 Balance on the first day of the current business year (restated) (ADP 27 to 29)</b>	<b>30</b>	<b>1.672.021.210</b>	<b>5.304.283</b>	<b>83.601.061</b>	<b>96.815.284</b>	<b>86.119.149</b>					<b>905.282</b>				<b>348.674.430</b>	<b>235.337.282</b>	<b>2.356.539.683</b>	<b>231.125.940</b>	<b>2.587.665.623</b>
5 Profit/loss of the period	31																		
6 Exchange rate differences from translation of foreign operations	32																		
7 Changes in revaluation reserves of fixed tangible and intangible assets	33																		
8 Profit or loss arising from subsequent measurement of financial assets available for sale	34																		
9 Profit or loss arising from effective cash flow hedge	35																		
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	36																		
11 Share in other comprehensive income/loss of companies linked by virtue of participating interests	37																		
12 Actuarial gains/losses on the defined benefit obligation	38																		
13 Other changes in equity unrelated to owners	39																		
14 Tax on transactions recognised directly in equity	40																		
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	41																		
16 Increase in initial (subscribed) capital arising from the reinvestment of profit	42																		
17 Increase in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43																		
18 Redemption of treasury shares/holdings	44					39.396.090													
19 Payment of share in profit/dividend	45		406.280			-1.096.972													
20 Other distribution to owners	46																		
21 Transfer to reserves according to the annual schedule	47																		
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48																		
<b>23. Balance as at 31 December of the current period (ADP 30 to 48)</b>	<b>49</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>					<b>61.474</b>				<b>430.206.412</b>	<b>284.535.940</b>	<b>2.488.046.546</b>	<b>731.023.213</b>	<b>3.219.069.759</b>
<b>APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)</b>																			
<b>I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)</b>	<b>50</b>		<b>-487.131</b>								<b>-843.808</b>				<b>487.131</b>		<b>-843.808</b>		<b>-843.808</b>
<b>II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31 + 50)</b>	<b>51</b>		<b>-487.131</b>								<b>-843.808</b>				<b>487.131</b>	<b>284.535.940</b>	<b>283.692.132</b>	<b>21.315.740</b>	<b>305.007.872</b>
<b>III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)</b>	<b>52</b>		<b>406.280</b>		<b>40.000.000</b>	<b>38.299.118</b>									<b>81.044.851</b>	<b>-235.337.282</b>	<b>-152.185.269</b>	<b>478.581.533</b>	<b>326.396.264</b>

## NOTES TO FINANCIAL STATEMENTS - TFI

(drawn up for quarterly reporting periods)

Name of the issuer:

**Valamar Riviera d.d.**

Personal identification

number OIB: **36201212847**

Reporting period:

**01.01.2019. to 31.12.2019.**

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.

Detailed information on the preparation of financial statements and certain accounting policies are available in PDF document „Annual report 2019“ which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

Group Valamar Riviera d.d. below presents comparison tables of items in TFI POD financial statements for 2018.

## Summary of adjustments of TFI-POD balance sheet for 2018 GROUP

in thousands of HRK

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

## Summary of adjustments of TFI-POD balance sheet for 2018

## GROUP (continued)

in thousands of HRK

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

## Summary of adjustments of TFI-POD income statement for 2018 GROUP

in thousands of HRK

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

**Summary of adjustments of TFI-POD income statement for 2018****GROUP** (continued)

in thousands of HRK

TFI-POD INCOME STATEMENT for the period from 1 January 2018 to 31 December 2018	ADP code	TFI-POD Cumulative published	TFI-POD Cumulative reclassified	Difference	Explanation
<b>FINANCIAL COSTS</b>	<b>165</b>	<b>82.255</b>	<b>57.420</b>	<b>-24.835</b>	HRK 24,835 thous. represents presenting items according to net methodology "Foreign exchange differences and other expenses" (ADP 169; HRK 18,727 thous.), "Unrealized loss (expenses) from the financial assets" (ADP 170; HRK 4.696 thous.) income from provision release included in item "Other financial expenses" (ADP 172; HRK 1,342 thous.) and HRK 71 thous. represents reclassified part of item "Financial costs" (ADP 165) to item "Other expenditures" (ADP 142). Comment: Previously presented under gross methodology with counter items "Foreign exchange differences and other financial income" (ADP 162), "Unrealized gains (income) from the financial assets" (ADP 163) and "Other operating revenues (outside the Group)" (ADP 130).
<b>SHARE OF LOSS FROM JOINT VENTURES (ADP 176)</b>	<b>176</b>	<b>0</b>	<b>128</b>	<b>-128</b>	HRK 128 thous. represents reclassification from items "Other income" (ADP 128+129+130) in a single item "Share of loss from joint venture" (ADP 176).
<b>TOTAL INCOME (ADP 125+154)</b>	<b>177</b>	<b>2.047.775</b>	<b>2.016.118</b>	<b>-31.657</b>	HRK 31,657 thous. represents presenting of certain items according to the net methodology (previously explained in detail).
<b>TOTAL COSTS (ADP 131+165)</b>	<b>178</b>	<b>1.789.693</b>	<b>1.758.036</b>	<b>-31.657</b>	HRK 31,657 thous. represents presenting of certain items according to the net methodology (previously explained in detail).
<b>PROFIT OR LOSS BEFORE TAX (ADP 177-178)</b>	<b>179</b>	<b>258.082</b>	<b>258.082</b>	<b>0</b>	
<b>INCOME TAX EXPENSE</b>	<b>182</b>	<b>18.894</b>	<b>18.894</b>	<b>0</b>	
<b>PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)</b>	<b>184</b>	<b>239.188</b>	<b>239.188</b>	<b>0</b>	

**Reporting period: from 01.01.2019 to 31.12.2019****Quarterly financial statements**

Year: 2019  
 Quarter: 4  
 Registration number (MB): 3474771 Issuer's home Member State code: HR  
 Entity's registration number (MBS): 40020883  
 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): 2749  
 Consolidated report: KN (KN-not consolidated/KD-consolidated)  
 Audited:  (RN-not audited/RD-audited)

Names of subsidiaries (according to IFRS):  
 Registered office: \_\_\_\_\_ MB: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

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)



M.P.

(potpis osobe ovlaštene za zastupanje)

**BALANCE SHEET** (balance as at 31.12.2019)

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>4.745.258.460</b>	<b>5.186.667.284</b>
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>52.117.007</b>	<b>54.104.271</b>
1 Research and development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	44.689.688	46.920.962
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	615.700
6 Other intangible assets	009		
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>3.956.425.252</b>	<b>4.247.236.790</b>
1 Land	011	644.865.438	630.175.338
2 Buildings	012	2.589.871.537	2.765.966.791
3 Plant and equipment	013	398.353.730	441.226.355
4 Tools, working inventory and transportation assets	014	113.623.233	112.390.110
5 Biological assets	015		
6 Advances for the purchase of tangible assets	016	3.269.078	1.957.700
7 Tangible assets in preparation	017	150.627.634	217.024.655
8 Other tangible assets	018	46.174.128	72.046.375
9 Investment property	019	9.640.474	6.449.466
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>636.006.474</b>	<b>774.968.081</b>
1 Investments in holdings (shares) of undertakings within the group	021	616.200.941	727.328.038
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		47.191.530
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	195.175
8 Loans, deposits, etc. given	028	15.705.721	113.338
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>		
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		
<b>V DEFERRED TAX ASSETS</b>	<b>036</b>	<b>100.709.727</b>	<b>110.358.142</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>228.779.945</b>	<b>299.370.071</b>
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>22.899.786</b>	<b>22.384.906</b>
1 Raw materials and consumables	039	22.761.740	22.202.305
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	138.046	182.601
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>36.954.174</b>	<b>28.464.473</b>
1 Receivables from undertakings within the group	047	1.879.447	2.556.854
2 Receivables from companies linked by virtue of participating interests	048		23.688
3 Customer receivables	049	29.757.242	13.342.394
4 Receivables from employees and members of the undertaking	050	1.366.667	911.253
5 Receivables from government and other institutions	051	2.925.630	10.124.258
6 Other receivables	052	1.025.188	1.506.026
<b>III CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>392.839</b>	<b>671.420</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	364.539	502.970
9 Other financial assets	062		140.150
<b>IV CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>168.533.146</b>	<b>247.849.272</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>24.218.271</b>	<b>17.874.753</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>4.998.256.676</b>	<b>5.503.912.108</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>54.446.042</b>	<b>54.355.927</b>



**BALANCE SHEET** (balance as at 31.12.2019) (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>2.474.760.657</b>	<b>2.690.444.302</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>95.998.079</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	-124.418.266
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>61.473</b>
1 Fair value of financial assets available for sale	078	905.282	61.473
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>462.953.210</b>	<b>539.646.072</b>
1 Retained profit	082	462.953.210	539.646.072
2 Loss brought forward	083		
<b>VII PROFIT OR LOSS FOR THE BUSINESS YEAR</b> (ADP 085-086)	<b>084</b>	<b>239.279.476</b>	<b>377.006.905</b>
1 Profit for the business year	085	239.279.476	377.006.905
2 Loss for the business year	086		
<b>VIII MINORITY (NON-CONTROLLING) INTEREST</b>	<b>087</b>		
<b>B) PROVISIONS</b> (ADP 089 to 094)	<b>088</b>	<b>84.454.617</b>	<b>99.091.523</b>
1 Provisions for pensions, termination benefits and similar obligations	089	7.894.989	11.847.096
2 Provisions for tax liabilities	090		
3 Provisions for ongoing legal cases	091	27.804.325	30.791.013
4 Provisions for renewal of natural resources	092		
5 Provisions for warranty obligations	093		
6 Other provisions	094	48.755.303	56.453.414
<b>C) LONG-TERM LIABILITIES</b> (ADP 096 to 106)	<b>095</b>	<b>1.999.146.293</b>	<b>2.199.023.800</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	2.146.746.486
7 Liabilities for advance payments	102		
8 Liabilities to suppliers	103		
9 Liabilities for securities	104		
10 Other long-term liabilities	105	5.161.574	38.086.903
11 Deferred tax liability	106	15.227.006	14.190.411
<b>D) SHORT-TERM LIABILITIES</b> (ADP 108 to 121)	<b>107</b>	<b>377.391.313</b>	<b>463.253.429</b>
1 Liabilities to undertakings within the group	108	196.105	218.328
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	257.433.437
7 Liabilities for advance payments	114	34.734.630	31.610.147
8 Liabilities to suppliers	115	102.714.900	127.477.774
9 Liabilities for securities	116		
10 Liabilities to employees	117	22.822.891	24.837.226
11 Taxes, contributions and similar liabilities	118	9.464.523	10.114.318
12 Liabilities arising from 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	4.089.551	11.552.599
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>122</b>	<b>62.503.796</b>	<b>52.099.054</b>
<b>F) TOTAL - LIABILITIES</b> (ADP 067+088+095+107+122)	<b>123</b>	<b>4.998.256.676</b>	<b>5.503.912.108</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>124</b>	<b>54.446.042</b>	<b>54.355.927</b>

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2019 to 31.12.2019)

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>1.786.899.201</b>	<b>111.063.444</b>	<b>2.055.240.465</b>	<b>278.112.447</b>
1 Income from sales with undertakings within the group	126	18.501.792	4.451.218	31.164.184	5.833.834
2 Income from sales (outside group)	127	1.750.101.402	100.123.048	1.843.331.491	104.764.853
3 Income from the use of own products, goods and services	128	328.628	55.736	218.490	49.716
4 Other operating income with undertakings within the group	129	53.245	7.327	122.524.005	122.381.544
5 Other operating income (outside the group)	130	17.914.134	6.426.115	58.002.295	45.082.500
<b>II OPERATING EXPENSES</b> (ADP 132+133+137+141+142+143+146+153)	<b>131</b>	<b>1.510.794.603</b>	<b>338.531.592</b>	<b>1.640.753.043</b>	<b>340.660.813</b>
1 Changes in inventories of work in progress and finished goods	132				
2 Material costs (ADP 134 to 136)	133	501.402.765	78.654.200	540.847.277	84.730.826
a) Costs of raw materials and consumables	134	294.408.484	31.496.097	313.355.800	34.720.948
b) Costs of goods sold	135	3.276.436	214.402	4.561.489	79.596
c) Other external costs	136	203.717.845	46.943.701	222.929.988	49.930.282
3 Staff costs (ADP 138 to 140)	137	487.757.455	109.870.343	506.079.536	84.374.483
a) Net salaries and wages	138	297.438.400	69.067.393	313.346.838	57.359.503
b) Tax and contributions from salary costs	139	123.009.680	25.723.623	126.884.338	16.159.716
c) Contributions on salaries	140	67.309.375	15.079.327	65.848.360	10.855.264
4 Depreciation	141	344.691.659	90.980.260	380.123.705	93.052.333
5 Other costs	142	158.196.736	44.589.216	174.347.691	45.700.754
6 Value adjustments (ADP 144+145)	143	296.981	213.403	543.947	497.511
a) fixed assets other than financial assets	144				
b) current assets other than financial assets	145	296.981	213.403	543.947	497.511
7 Provisions (ADP 147 to 152)	146	5.978.624	5.978.624	8.235.940	8.235.940
a) Provisions for pensions, termination benefits and similar obligations	147	3.939.257	3.939.257	4.683.291	4.683.291
b) Provisions for tax liabilities	148				
c) Provisions for ongoing legal cases	149	2.039.367	2.039.367	3.552.649	3.552.649
d) Provisions for renewal of natural resources	150				
e) Provisions for warranty obligations	151				
f) Other provisions	152				
8 Other operating expenses	153	12.470.383	8.245.546	30.574.947	24.068.966
<b>III. FINANCIAL INCOME</b> (ADP 155 to 164)	<b>154</b>	<b>37.817.579</b>	<b>-17.597.784</b>	<b>18.969.797</b>	<b>-13.760.818</b>
1 Income from investments in holdings (shares) of undertakings within the group	155	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	459.866	118.790	642.261	237.594
8 Exchange rate differences and other financial income	162	27.503.652	-14.556.237	3.713.047	-12.462.956
9 Unrealised gains (income) from financial assets	163		-4.696.029		-3.358.054
10 Other financial income	164	3.803.285	1.535.692	5.724.247	1.822.598
<b>IV FINANCIAL EXPENSES</b> (ADP 166 to 172)	<b>165</b>	<b>53.715.103</b>	<b>-1.750.448</b>	<b>66.983.683</b>	<b>3.577.489</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	44.715.964	11.472.823	49.875.564	12.907.297
4 Exchange rate differences and other expenses	169		-16.283.856	4.622.702	-1.517.686
5 Unrealised losses (expenses) from financial assets	170	3.686.904	-1.399.541	10.651.214	-8.439.682
6 Value adjustments of financial assets (net)	171				
7 Other financial expenses	172	5.312.235	4.460.126	1.834.203	627.560
<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>1.824.716.780</b>	<b>93.465.660</b>	<b>2.074.210.262</b>	<b>264.351.629</b>
<b>X TOTAL EXPENDITURE</b> (ADP 131+165+175+176)	<b>178</b>	<b>1.564.509.706</b>	<b>336.781.144</b>	<b>1.707.736.726</b>	<b>344.238.302</b>
<b>XI PRE-TAX PROFIT OR LOSS</b> (ADP 177-178)	<b>179</b>	<b>260.207.074</b>	<b>-243.315.484</b>	<b>366.473.536</b>	<b>-79.886.672</b>
1 Pre-tax profit (ADP 177-178)	180	260.207.074		366.473.536	
2 Pre-tax loss (ADP 178-177)	181		-243.315.484		-79.886.672
<b>XII INCOME TAX</b>	<b>182</b>	<b>20.927.598</b>	<b>20.927.598</b>	<b>-10.533.369</b>	<b>-10.533.369</b>
<b>XIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 179-182)	<b>183</b>	<b>239.279.476</b>	<b>-264.243.082</b>	<b>377.006.905</b>	<b>-69.353.303</b>
1. Profit for the period (ADP 179-182)	184	239.279.476		377.006.905	
2. Loss for the period (ADP 182-179)	185		-264.243.082		-69.353.303

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2019 to 31.12.2019) (continued)

Submitter: Valamar Riviera d.d.

in HRK

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

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

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

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

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

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

<b>XIX PROFIT OR LOSS FOR THE PERIOD</b> (ADP 200+201)	<b>199</b>	<b>239.279.476</b>	<b>-264.243.082</b>	<b>377.006.905</b>	<b>-69.353.303</b>
1 Attributable to owners of the parent	200	239.279.476	-264.243.082	377.006.905	-69.353.303
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>239.279.476</b>	<b>-264.243.082</b>	<b>377.006.905</b>	<b>-69.353.303</b>
<b>II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX</b> (ADP 204 to 211)	<b>203</b>	<b>338.982</b>	<b>173.554</b>	<b>-1.060.800</b>	<b>-21.600</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	338.982	173.554	-1.060.800	-21.600
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>67.796</b>	<b>34.710</b>	<b>-216.991</b>	<b>-3.888</b>
<b>IV NET OTHER COMPREHENSIVE INCOME OR LOSS</b> (ADP 203-212)	<b>213</b>	<b>271.186</b>	<b>138.844</b>	<b>-843.809</b>	<b>-17.712</b>
<b>V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 202+213)	<b>214</b>	<b>239.550.662</b>	<b>-264.104.238</b>	<b>376.163.096</b>	<b>-69.371.015</b>

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

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

**STATEMENT OF CASH FLOWS - indirect method (for the period 01.01.2019 to 31.12.2019)****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	260.207.074	366.473.536
2 Adjustments (ADP 003 to 010):	002	382.377.350	314.542.033
a) Depreciation	003	344.691.659	380.123.705
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	4.448.024	-137.506.122
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	1.440.100	141.550
d) Interest and dividend income	006	-204.629	-516.939
e) Interest expenses	007	46.213.364	51.568.217
f) Provisions	008	7.049.970	6.938.793
g) Exchange rate differences (unrealised)	009	-27.175.314	4.622.702
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	5.914.176	9.170.127
<b>I Cash flow increase or decrease before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>642.584.424</b>	<b>681.015.569</b>
3 Changes in the working capital (ADP 013 to 016)	012	-21.944.066	59.705.723
a) Increase or decrease in short-term liabilities	013	4.209.742	45.682.363
b) Increase or decrease in short-term receivables	014	-27.169.779	13.508.480
c) Increase or decrease in inventories	015	1.015.971	514.880
d) Other increase or decrease in working capital	016		
<b>II Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>620.640.358</b>	<b>740.721.292</b>
4 Interest paid	018	-42.657.019	-49.590.156
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>578.036.872</b>	<b>691.140.478</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	5.144.096	241.471.194
2 Cash receipts from sales of financial instruments	022	50.000	1.430.785
3 Interest received	023	707.828	557.681
4 Dividends received	024	6.152.793	8.790.336
5 Cash receipts from repayment of loans and deposits	025	905.491	60.931.237
6 Other cash receipts from investment activities	026	333.341	
<b>III Total cash receipts from investment activities (ADP 021 to 026)</b>	<b>027</b>	<b>13.293.549</b>	<b>313.181.233</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-630.494.466	-753.941.548
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030	-175.676	-60.957.764
4 Acquisition of a subsidiary, net of cash acquired	031	-165.484.114	-111.127.097
5 Other cash payments from investment activities	032		-47.191.530
<b>IV Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-796.154.256</b>	<b>-973.217.939</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-782.860.707</b>	<b>-660.036.706</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	488.930.130	519.662.929
4 Other cash receipts from financing activities	038		
<b>V Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>488.930.130</b>	<b>519.662.929</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-189.538.155	-304.739.929
2 Cash payments for dividends	041	-111.730.149	-122.586.614
3 Cash payments for finance lease	042		
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043	-51.705.655	-39.396.089
5 Other cash payments from financing activities	044		-4.727.943
<b>VI Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-352.973.959</b>	<b>-471.450.575</b>
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>135.956.171</b>	<b>48.212.354</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>-68.867.664</b>	<b>79.316.126</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>168.533.146</b>	<b>247.849.272</b>

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

in HRK

Item	ADP code	Attributable to owners of the parent												Minority (non-controlling) interest	Total capital and reserves		
		Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Retained profit / loss brought forward			Profit/loss for the business year	Total attributable to owners of the parent
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)
<b>Previous period</b>																	
<b>1 Balance on the first day of the previous business year</b>	<b>01</b>	<b>1.672.021.210</b>	<b>3.602.906</b>	<b>83.601.061</b>	<b>44.815.284</b>	<b>35.889.621</b>		<b>9.529.123</b>		<b>634.097</b>			<b>385.175.162</b>	<b>231.979.074</b>	<b>2.395.468.296</b>		<b>2.395.468.296</b>
2 Changes in accounting policies	02																
3 Correction of errors	03																
<b>4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)</b>	<b>04</b>	<b>1.672.021.210</b>	<b>3.602.906</b>	<b>83.601.061</b>	<b>44.815.284</b>	<b>35.889.621</b>		<b>9.529.123</b>		<b>634.097</b>			<b>385.175.162</b>	<b>231.979.074</b>	<b>2.395.468.296</b>		<b>2.395.468.296</b>
5 Profit/loss of the period	05													239.279.476	239.279.476		239.279.476
6 Exchange rate differences from translation of foreign operations	06																
7 Changes in revaluation reserves of fixed tangible and intangible assets	07																
8 Profit or loss arising from subsequent measurement of financial assets available for sale	08									338.982					338.982		338.982
9 Profit or loss arising from effective cash flow hedge	09																
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	10																
11 Share in other comprehensive income/loss of companies linked by virtue of participating interests	11																
12 Actuarial gains/losses on the defined benefit obligation	12																
13 Other changes in equity unrelated to owners	13																
14 Tax on transactions recognised directly in equity	14									-67.797					-67.797		-67.797
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15																
16 Increase in initial (subscribed) capital arising from the reinvestment of profit	16																
17 Increase in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	17																
18 Redemption of treasury shares/holdings	18					51.705.655									-51.705.655		-51.705.655
19 Payment of share in profit/dividend	19		356.885			-393.563							-111.730.149		-110.979.701		-110.979.701
20 Other distribution to owners	20		1.344.492			-1.082.564									2.427.056		2.427.056
21 Transfer to reserves according to the annual schedule	21				52.000.000			-9.529.123						189.508.197	-231.979.074		
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22																
<b>23 Balance on the last day of the previous business year reporting period (ADP 04 to 22)</b>	<b>23</b>	<b>1.672.021.210</b>	<b>5.304.283</b>	<b>83.601.061</b>	<b>96.815.284</b>	<b>86.119.149</b>				<b>905.282</b>			<b>462.953.210</b>	<b>239.279.476</b>	<b>2.474.760.657</b>		<b>2.474.760.657</b>
<b>APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)</b>																	
<b>I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)</b>	<b>24</b>									<b>271.185</b>					<b>271.185</b>		<b>271.185</b>
<b>II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)</b>	<b>25</b>									<b>271.185</b>				<b>239.279.476</b>	<b>239.550.661</b>		<b>239.550.661</b>
<b>III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)</b>	<b>26</b>		<b>1.701.377</b>		<b>52.000.000</b>	<b>50.229.528</b>		<b>-9.529.123</b>					<b>77.778.048</b>	<b>-231.979.074</b>	<b>-160.258.300</b>		<b>-160.258.300</b>
<b>Current period</b>																	
<b>1 Balance on the first day of the current business year</b>	<b>27</b>	<b>1.672.021.210</b>	<b>5.304.283</b>	<b>83.601.061</b>	<b>96.815.284</b>	<b>86.119.149</b>				<b>905.282</b>			<b>462.953.210</b>	<b>239.279.476</b>	<b>2.474.760.657</b>		<b>2.474.760.657</b>
2 Changes in accounting policies	28																
3 Correction of errors	29																
<b>4 Balance on the first day of the current business year (restated) (ADP 27 to 29)</b>	<b>30</b>	<b>1.672.021.210</b>	<b>5.304.283</b>	<b>83.601.061</b>	<b>96.815.284</b>	<b>86.119.149</b>				<b>905.282</b>			<b>462.953.210</b>	<b>239.279.476</b>	<b>2.474.760.657</b>		<b>2.474.760.657</b>
5 Profit/loss of the period	31													377.006.905	377.006.905		377.006.905
6 Exchange rate differences from translation of foreign operations	32																
7 Changes in revaluation reserves of fixed tangible and intangible assets	33																
8 Profit or loss arising from subsequent measurement of financial assets available for sale	34									-1.060.800					-1.060.800		-1.060.800
9 Profit or loss arising from effective cash flow hedge	35																
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	36																
11 Share in other comprehensive income/loss of companies linked by virtue of participating interests	37																
12 Actuarial gains/losses on the defined benefit obligation	38																
13 Other changes in equity unrelated to owners	39																
14 Tax on transactions recognised directly in equity	40																
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	41																
16 Increase in initial (subscribed) capital arising from the reinvestment of profit	42																
17 Increase in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43																
18 Redemption of treasury shares/holdings	44					39.396.089									-39.396.089		-39.396.089
19 Payment of share in profit/dividend	45		406.280			-1.096.972							-122.586.614		-121.083.362		-121.083.362
20 Other distribution to owners	46																
21 Transfer to reserves according to the annual schedule	47				40.000.000									199.279.476	-239.279.476		
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48																
<b>23. Balance as at 31 December of the current period (ADP 30 to 48)</b>	<b>49</b>	<b>1.672.021.210</b>	<b>5.710.563</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.266</b>				<b>61.473</b>			<b>539.646.072</b>	<b>377.006.905</b>	<b>2.690.444.302</b>		<b>2.690.444.302</b>
<b>APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)</b>																	
<b>I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)</b>	<b>50</b>									<b>-843.809</b>					<b>-843.809</b>		<b>-843.809</b>
<b>II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31 + 50)</b>	<b>51</b>									<b>-843.809</b>				<b>377.006.905</b>	<b>376.163.096</b>		<b>376.163.096</b>
<b>III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)</b>	<b>52</b>		<b>406.280</b>		<b>40.000.000</b>	<b>38.299.117</b>							<b>76.692.862</b>	<b>-239.279.476</b>	<b>-160.479.451</b>		<b>-160.479.451</b>

## NOTES TO FINANCIAL STATEMENTS - TFI

(drawn up for quarterly reporting periods)

Name of the issuer:

**Valamar Riviera d.d.**

Personal identification

number OIB: **36201212847**

Reporting period:

**01.01.2019. to 31.12.2019.**

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.

Detailed information on the preparation of financial statements and certain accounting policies are available in PDF document „Annual report 2019“ which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

Valamar Riviera d.d. below presents comparison tables of items in TFI POD financial statements for 2018.

## Summary of adjustments of TFI-POD balance sheet for 2018 COMPANY

in thousands of HRK

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

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

in thousands of HRK

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



## Summary of adjustments of TFI-POD income statement for 2018 COMPANY

in thousands of HRK

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

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