

ISSUER'S GENERAL DATA

Reporting period: 1.1.2018 to 31.12.2018

Year: 2018

Annual financial statements

Registration number (MB): 03166619 Issuer's home Member State code: HR

Entity's registration number (MBS): 040008080

Personal identification number (OIB): 15573308024 LEI: 74780000COJHFR9WBI35

Institution code: 1121

Name of the issuer: LIBURNIA RIVIERA HOTELI d.d. OPATIJA

Postcode and town: 51410 OPATIJA

Street and house number: MARŠALA TITA 198

E-mail address: liburnia@liburnia.hr

Web address: www.liburnia.hr

Number of employees (end of the reporting): 586

Consolidated report: KN (KN-not consolidated/KD-consolidated)

Audited: RD (RN-not audited/RD-audited)

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

Bookkeeping firm: No (Yes/No) (name of the bookkeeping firm)

Contact person: Kamenar Biserka
(only name and surname of the contact person)

Telephone: 051 710 395

E-mail address: biserka.kamenar@liburnia.hr

Audit firm: KPMG Croatia d.o.o.
(name of the audit firm)

Certified auditor: Domagoj Hrkač
(name and surname)

BALANCE SHEET
balance as at 31.12.2018.

in HRK

Submitter: LIBURNIA RIVIERA HOTELI d.d.			
Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001		
B) FIXED ASSETS (ADP 003+010+020+031+036)	002	852.439.421	873.003.296
I INTANGIBLE ASSETS (ADP 004 to 009)	003	467.473	422.253
1 Research and development	004	185.330	169.780
2 Concessions, patents, licences, trademarks, software and other rights	005	282.143	182.573
3 Goodwill	006		
4 Advance payments for purchase of intangible assets	007		
5 Intangible assets in preparation	008		69.900
6 Other intangible assets	009		
II TANGIBLE ASSETS (ADP 011 to 019)	010	850.068.079	866.889.847
1 Land	011	100.877.840	100.877.840
2 Buildings	012	609.017.493	612.616.166
3 Plant and equipment	013	14.554.918	15.024.441
4 Tools, working inventory and transportation assets	014	97.867.826	112.553.189
5 Biological assets	015		
6 Advance payments for purchase of tangible assets	016	9.008.415	547.695
7 Tangible assets in preparation	017	15.236.020	21.761.124
8 Other tangible assets	018	3.505.567	3.509.392
9 Investment property	019		
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	020	500.000	500.000
1 Investments in holdings (shares) of undertakings within the group	021	500.000	500.000
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 interest	024		
5 Investment in other securities of companies linked by virtue of participating interest	025		
6 Loans, deposits etc. given to companies linked by virtue of participating interest	026		
7 Investments in securities	027		
8 Loans, deposits, etc. given	028		
9 Other investments accounted for using the equity method	029		
10 Other fixed financial assets	030		
IV RECEIVABLES (ADP 032 to 035)	031	0	0
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		
V. Deferred tax assets	036	1.403.869	5.191.196
C) CURRENT ASSETS (ADP 038+046+053+063)	037	54.282.292	61.668.480
I INVENTORIES (ADP 039 to 045)	038	2.961.561	3.100.002
1 Raw materials	039	2.231.988	2.285.826
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	310.457	385.847
5 Advance payments for inventories	043	419.116	428.329
6 Fixed assets held for sale	044		
7 Biological assets	045		
II RECEIVABLES (ADP 047 to 052)	046	7.542.482	7.963.763
1 Receivables from undertakings within the group	047		
2 Receivables from companies linked by virtue of participating interest	048	6.839.647	5.428.182
3 Customer receivables	049		
4 Receivables from employees and members of the undertaking	050	154.443	193.167
5 Receivables from government and other institutions	051	548.392	2.342.414
6 Other receivables	052		

III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	053	15.800	37.515.800
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 interest	057		
5 Investment in other securities of companies linked by virtue of participating interest	058		
6 Loans, deposits etc. given to companies linked by virtue of participating interest	059		37.500.000
7 Investments in securities	060	15.800	15.800
8 Loans, deposits, etc. given	061		
9 Other financial assets	062		
IV CASH AT BANK AND IN HAND	063	43.762.449	13.088.915
D) PREPAID EXPENSES AND ACCRUED INCOME	064	541.596	1.007.522
E) TOTAL ASSETS (ADP 001+002+037+064)	065	907.263.309	935.679.298
OFF-BALANCE SHEET ITEMS	066	4.452.613	4.452.613

LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to	067	771.931.860	758.993.151
I. INITIAL (SUBSCRIBED) CAPITAL	068	696.074.300	696.074.300
II CAPITAL RESERVES	069		
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	46.529.648	46.529.648
1 Legal reserves	071	45.018.765	45.018.765
2 Reserves for treasury shares	072		
3 Treasury shares and holdings (deductible item)	073		
4 Statutory reserves	074		
5 Other reserves	075	1.510.883	1.510.883
IV REVALUATION RESERVES	076		
V FAIR VALUE RESERVES (ADP 078 to 080)	077	0	0
1 Fair value of financial assets available for sale	078		
2 Cash flow hedge - effective portion	079		
3 Hedge of a net investment in a foreign operation - effective portion	080		
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	081	12.970.998	29.327.912
1 Retained profit	082	12.970.998	29.327.912
2 Loss brought forward	083		
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084	16.356.914	-12.938.709
1 Profit for the business year	085	16.356.914	
2 Loss for the business year	086		12.938.709
VIII MINORITY (NON-CONTROLLING) INTEREST	087		
B) PROVISIONS (ADP 089 to 094)	088	6.877.999	3.941.081
1 Provisions for pensions, termination benefits and similar obligations	089	2.554.442	542.855
2 Provisions for tax liabilities	090		
3 Provisions for ongoing legal cases	091	4.323.557	3.398.226
4 Provisions for renewal of natural resources	092		
5 Provisions for warranty obligations	093		
6 Other provisions	094		
C) LONG-TERM LIABILITIES (ADP 096 to 106)	095	69.424.980	101.595.187
1 Liabilities towards undertakings within the group	096		
2 Liabilities for loans, deposits, etc. to companies within the group	097		
3 Liabilities towards companies linked by virtue of participating interest	098		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	099		
5 Liabilities for loans, deposits etc.	100		
6 Liabilities towards banks and other financial institutions	101	69.424.980	101.595.187
7 Liabilities for advance payments	102		
8 Liabilities towards suppliers	103		
9 Liabilities for securities	104		
10 Other long-term liabilities	105		
11 Deferred tax liability	106		
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	107	58.596.029	69.320.047
1 Liabilities towards undertakings within the group	108		
2 Liabilities for loans, deposits, etc. to companies within the group	109		
3 Liabilities towards companies linked by virtue of participating interest	110		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	111		
5 Liabilities for loans, deposits etc.	112		
6 Liabilities towards banks and other financial institutions	113	22.166.676	29.525.441
7 Liabilities for advance payments	114	8.556.814	7.552.063
8 Liabilities towards suppliers	115	12.559.796	11.059.779
9 Liabilities for securities	116		
10 Liabilities towards employees	117	7.690.722	7.355.329
11 Taxes, contributions and similar liabilities	118	4.015.215	1.794.613
12 Liabilities arising from the share in the result	119		
13 Liabilities arising from fixed assets held for sale	120		
14 Other short-term liabilities	121	3.606.806	12.032.822
E) ACCRUALS AND DEFERRED INCOME	122	442.441	1.829.832
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	123	907.273.309	935.679.298
G) OFF-BALANCE SHEET ITEMS	124	4.452.613	4.452.613

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2018. to 31.12.2018.

in HRK

Submitter: LIBURNIA RIVIERA HOTELI d.d.			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
I OPERATING INCOME (ADP 126 to 130)	125	321.155.057	320.130.034
1 Income from sales with undertakings within the group	126		
2 Income from sales (outside group)	127	297.739.119	308.559.933
3 Income from the use of own products, goods and services	128		
4 Other operating income with undertakings within the group	129		
5 Other operating income (outside the group)	130	23.415.938	11.570.101
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	297.903.592	335.982.264
1 Changes in inventories of work in progress and finished goods	132		
2 Material costs (ADP 134 to 136)	133	70.987.854	79.778.192
a) Costs of raw material	134	30.405.743	34.058.242
b) Costs of goods sold	135	442.259	370.202
c) Other external costs	136	40.139.852	45.349.748
3 Staff costs (ADP 138 to 140)	137	71.670.905	105.444.873
a) Net salaries and wages	138	44.546.483	61.772.439
b) Tax and contributions from salaries expenses	139	16.476.097	28.257.534
c) Contributions on salaries	140	10.648.325	15.414.900
4 Depreciation	141	98.354.977	97.957.390
5 Other expenses	142	40.689.870	38.843.416
6 Value adjustments (ADP 144+145)	143	14.127.401	5.758.855
a) fixed assets other than financial assets	144	12.842.481	5.420.531
b) current assets other than financial assets	145	1.284.920	338.324
7 Provisions (ADP 147 to 152)	146	2.072.585	8.199.538
a) Provisions for pensions, termination benefits and similar obligations	147	2.072.585	8.199.538
b) Provisions for tax liabilities	148		
c) Provisions for ongoing legal cases	149		
d) Provisions for renewal of natural resources	150		
e) Provisions for warranty obligations	151		
f) Other provisions	152		
8 Other operating expenses	153		
III FINANCIAL INCOME (ADP 155 to 164)	154	2.247.430	2.560.811
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 interest	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	483.683	1.008.741
8 Exchange rate differences and other financial income	162	1.763.747	1.552.070
9 Unrealised gains (income) from financial assets	163	0	0
10 Other financial income	164	0	0
IV FINANCIAL EXPENDITURE (ADP 166 to 172)	165	5.899.375	3.434.617
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	5.163.552	2.654.333
4 Exchange rate differences and other expenses	169	735.823	780.284
5 Unrealised losses (expenses) from financial assets	170		
6 Value adjustments of financial assets (net)	171		
7 Other financial expenses	172		

V SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	173		
VI SHARE IN PROFIT FROM JOINT VENTURES	174		
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	175		
VIII SHARE IN LOSS OF JOINT VENTURES	176		
IX TOTAL INCOME (ADP 125+154+173 + 174)	177	323.402.487	322.690.845
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	178	303.802.967	339.416.881
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	179	19.599.520	-16.726.036
1 Pre-tax profit (ADP 177-178)	180	19.599.520	0
2 Pre-tax loss (ADP 178-177)	181	0	-16.726.036
XII INCOME TAX	182	3.242.606	-3.787.327
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	16.356.914	-12.938.709
1 Profit for the period (ADP 179-182)	184	16.356.914	0
2 Loss for the period (ADP 182-179)	185	0	-12.938.709
DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)			
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	186	0	0
1 Pre-tax profit from discontinued operations	187		
2 Pre-tax loss on discontinued operations	188		
XV INCOME TAX OF DISCONTINUED OPERATIONS	189		
1 Discontinued operations profit for the period (ADP 186-189)	190	0	0
2 Discontinued operations loss for the period (ADP 189-186)	191	0	0
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)			
XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)	192	19.599.520	-16.726.036
1 Pre-tax profit (ADP 192)	193		
2 Pre-tax loss (ADP 192)	194		
XVII INCOME TAX (ADP 182+189)	195	0	0
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196	0	0
1 Profit for the period (ADP 192-195)	197	0	0
2 Loss for the period (ADP 195-192)	198	0	0
APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)			
XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199	0	0
1 Attributable to owners of the parent	200		
2 Attributable to minority (non-controlling) interest	201		
STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I PROFIT OR LOSS FOR THE PERIOD	202		
II OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (ADP 204 to 211)	203	0	0
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 re-evaluation of financial assets available for sale	206		
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 interest	209		
7 Actuarial gains/losses on defined remuneration plans	210		
8 Other changes in equity unrelated to owners	211		
III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	212		
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	213	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	214	0	0
APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)			
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)	215	0	0
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 01.01.2018. to 31.12.2018.

in HRK

Submitter: LIBURNIA RIVIERA HOTELI d.d.			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Cash flow from operating activities			
1 Pre-tax profit	001	19.599.520	-16.726.036
2 Adjustments (ADP 003 to 010):	002	105.903.331	104.916.069
a) Depreciation	003	98.354.977	97.957.390
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	12.842.198	5.477.328
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	-247.350	-195.221
d) Interest and dividend income	006		
e) Interest expenses	007	1.604.678	241.279
f) Provisions	008	-9.895.500	5.222.620
g) Exchange rate differences (unrealised)	009		
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	3.244.328	-3.787.327
I Cash flow increase or decrease before changes in the working capital (ADP 001+002)	011	125.502.851	88.190.033
3 Changes in the working capital (ADP 013 to 016)	012	9.233.783	4.977.500
a) Increase or decrease in short-term liabilities	013	7.107.325	3.797.941
b) Increase or decrease in short-term receivables	014	1.927.025	1.318.000
c) Increase or decrease in inventories	015	199.433	-138.441
d) Other increase or decrease in the working capital	016		
II Cash from operations (ADP 011+012)	017	134.736.634	93.167.533
4 Interest paid	018	-6.493.132	-2.514.906
5 Income tax paid	019	-709.502	-4.360.019
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	127.534.000	86.292.608
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	021	246.533	183.977
2 Cash receipts from sales of financial instruments	022		
3 Interest received	023	421.313	1.008.741
4 Dividends received	024		
5 Cash receipts from repayment of loans and deposits	025		26.000.000
6 Other cash receipts from investment activities	026	5.896.159	0
III Total cash receipts from investment activities (ADP 021 to 026)	027	6.564.005	27.192.718
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-97.972.612	-120.188.267
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030		-63.500.000
4 Acquisition of a subsidiary, net of cash acquired	031		
5 Other cash payments from investment activities	032		
IV Total cash payments from investment activities (ADP 028 to 032)	033	-97.972.612	-183.688.267
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	034	-91.408.607	-156.495.549
Cash flow from financing activities			
1 Cash receipts from the increase of 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		69.072.407
4 Other cash receipts from financing activities	038		
V Total cash receipts from financing activities (ADP 035 to 038)	039	0	69.072.407

1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-54.751.282	-29.543.000
2 Dividends paid	041		
3 Cash payments for finance lease	042		
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043		
5 Other cash payments from financing activities	044		
VI Total cash payments from financing activities (ADP 040 to 044)	045	-54.751.282	-29.543.000
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	046	-54.751.282	39.529.407
1 Unrealised exchange rate differences in cash and cash equivalents	047		
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)	048	-18.625.889	-30.673.534
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	049	62.388.338	43.762.449
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049)	050	43.762.449	13.088.915

Management Report to the shareholders of Liburnia Riviera Hoteli d.d. Opatija

Annual Report was composed based on the liability arising under article 250.a of the Companies Act and article 21 of the Accounting Act.

The report relates to the company Liburnia Riviera Hoteli d.d., Opatija, Maršala Tita 198, whose main activities are accommodation and hospitality services, travel agencies and tour-operator services with the aim of presenting the most significant operating achievements in 2018 and reference on the future expectations.

Review of business in 2018

In March 2018, the Remisens Hotel Admiral opened, which through investment gained eight new accommodation units as well as congress facilities where there were previously out of function a la carte tavern restaurants, as well as renovated wellness facilities. Investments were completed and the renovated hotels opened in April 2018; the Smart Selecton Hotel Istra with 37 additional accommodation units, the Remisens Hotel Marina in Mošćenička Draga (the investment includes 6 additional rooms and an outdoor pool), the Remisens Premium Grand Hotel Palace and the Remisens Premium Vila Abbazia (the former Villa Slatina that was out of function) with a capacity of 13 accommodation units, and the hotel now has an increased capacity with an additional three accommodation units and has raised its quality of service. The Remisens Villa Belvedere in Lovran gained an additional accommodation unit and an outdoor swimming pool and the Smart Selection Hotel Lungomare Opatija 3 * (ex Residenz 2*), gained one new additional accommodation unit as well as fully renovated and air-conditioned accommodation units.

In May 2018, the fully renovated Imperial Hotel opened, which through investment has increased its quality and became the Remisens Premium Heritage Hotel Imperial 4*. At the end of 2018, a new investment cycle for the renovation of hotels and seaside accommodation facilities began and is expected to be completed in the first half of 2019.

Key financial indicators

The business results of Liburnia Riviera Hotel d.d. in 2018 show that the Company is realizing its main goals. Realized total net operating revenues increased by 3% compared to the prior year, with a 1% increase in overnights.

GOP (gross operating profit) decreased by 25% compared to the prior year. EBITDA in the amount of approximately HRK 83.1 million is 32% or approximately HRK 39.7 million lower than the last year. GOP for current year decreased due to the Management Board bonuses as described below. Reported EBITDA is calculated as profit before tax increased by depreciation and interest expense on loans.

On June 15, 2018 the Supervisory Board of Liburnia Riviera Hotel d.d., passed a decision by which it allows conclusion of the Agreement on Termination of the Contract on the Performance of the role of President of the Management Board of the Company, previously signed on 1 October 2011 with Mr. Igor Šehanović. The above-mentioned Agreement on Termination of the Contract on the Performance of the role of President of the Management Board of the Company provides for payment of the Reward Bonus in the amount of HRK 14,139 thousand to Mr. Igor Šehanović, with a payment deadline no later than 30 June 2018. The total gross amount is HRK 28,075 thousand. On 15 June 2018 the Supervisory Board of the Company also passed a decision to revoke Mr. Igor Šehanović from the function of the President of the Management Board with effect as of 30 June 2018 and at the same time a decision to appoint member of the Management Board, Mr. Giorgio Cadum, as President of the Management Board from 30 June 2018 to 1 October 2019.

In 2018, the difference between one-off income and one-off expenses is negative, amounting to around HRK -10 million, while net one-off income for the same period in 2017 amounted to HRK -6.2 million.

In 2017 most of the one-off income in the total amount of HRK 15.0 million relates to income from the release of provisions (related to Hotel Mediteran property) in the amount of HRK 11.5 million. The majority of one-off expenses relate to the write off of the book value of the hotel and the Belvedere rooms in the amount of HRK 11.4 million).

Management Report to the shareholders of Liburnia Riviera Hoteli d.d. Opatija (continued)

In 2018, the most significant one-off expenses relate to reservation of the award bonus for the Management Board in the amount of around HRK 8.2 million (gross II), and the write-off of fixed assets and small inventory in the hotels in the amount of HRK 5.4 million.

In 2018 Liburnia Riviera Hotels d.d. realized a pre-tax loss of approximately HRK 16.7 million, which compared to the pre-tax profit realized in 2017 of about HRK 19.6 million, is about HRK 36.3 million lower.

Liquidity and solvency indicators, as well as the debt to equity ratio and cash flow are of high quality.

Key events after the year end

After the date of this report, during January 2019, the Company signed a loan agreement for investments in the amount of HRK 110 million.

Research and development activities

In the context of Company's activities possibility of significant investment in research and development of new products and technologies is open.

Expected development of the Company in the future

By the end of 2018, reconstruction of Remisens Premium hotel and Villa Ambassador had started, which, after the investment of over HRK 119.6 million will retain its existing categorisation with its rich offering, additional facilities and high quality. At the end of 2018, investments were initiated with the aim of maintaining the categorisation of the Remisens Hotel Admiral, Smart Secection Hotel Istra, Remisens Hotel Marina and Smart Selection Hotel Mediteran, at an estimated total cost of HRK 78.7 million. Two units of accommodation for seasonal workers will be renovated, valued at around HRK 12.1 million.

Information on purchase of own shares

The Company does not have own shares.

Financial instruments

The Company's policy on managing financial instruments defines main principals for maintaining short and long-term liquidity and safety of the investment with realizing maximal possible return with minimal risk.

Financial assets relate to cash and cash equivalents, trade and other receivables and loans granted. Out of total financial assets, majority relates to cash and cash equivalents, which secure short and long-term liquidity.

Financial liabilities relate to non-current borrowings, trade and other payables, which the Company settles in at maturity.

Company's policy on managing financial instruments defines exposure of the Company to risks and ways to mitigate those risks.

The Company's exposure to risks

The Company is exposed to market and financial risks through business operations. Financial risks relate to currency risk, interest rate risk, credit risk and liquidity risk.

Management Report to the shareholders of Liburnia Riviera Hoteli d.d. Opatija (continued)

Exchange rate risk

The Company is exposed to currency risk since loans, payables are denominated in euro.

Interest rate risk

The Company is exposed to interest rate risk as borrowings are agreed with variable interest rates.

Credit risk

In 2018, the Company has short term loans granted to related parties. All short term loans and interest are covered with promissory notes.

Liquidity risk

The Company manages liquidity risk through maintaining adequate reserves, bank facilities and borrowed funds reserves, continuously monitoring forecasted and actual cash flows and comparing maturity terms for financial assets and liabilities.

Corporate Governance Code Compliance Statement

Pursuant to Article 272. of the Companies Act (NN 111/93, 34/99, 52/00, 118/03, 107/07 and 148/08, hereinafter referred to as the CA) and Article 22 of the Accounting Act (NN 120/16), the Management Board of Liburnia Riviera Hoteli d.d. Opatija, M. Tita 198 ("The Company") at 21 March 2019, brings the following

CORPORATE GOVERNANCE CODE COMPLIANCE STATEMENT

1. The Company voluntarily applies the Corporate Governance Code prescribed by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange d.d., Zagreb
2. In 2018, the Company followed and applied the recommendations set out in the Code, publishing all the information whose publishing is anticipated by positive regulations and the information that is in the best interests of the Company's shareholders. The Company has an Audit Committee. The Company does not deviate from the Corporate Governance Code.
3. In accordance with a requirement of the Code and with the directives of the CA, the Supervisory Board conducts internal control of the Company through regular audits of the presented reports. The members of the Supervisory Board are regularly (at least once a month) provided with detailed information on the management and operations of the Company. At the Supervisory Boards meetings, all the matters within the competence of that body, prescribed by the CA and the Company's Articles of Association, are discussed and the decisions are made. The Supervisory Board's report on the conducted supervision of the management is a part of the Company's Annual Report, submitted to the General Assembly. In addition, the Supervisory Board performs internal control and oversight through the Audit Committee which provides professional support to the Supervisory Board and the Management Board in the effective performance of corporate governance, risk management, financial reporting and control of the Company. The Management Board is responsible for monitoring that the Company runs its business and other records and documentation, complies the accounting documents, evaluates assets and liabilities and prepares financial and other reports in accordance with accounting rules and standards, as well as applicable laws and regulations.

The Company does not have a formal diversity policy in place with respect to gender, age, education or education for its executive, management and supervisory bodies. The Company's policy of appointment to executive bodies is carried out in accordance with the needs of specific business activities in terms of knowledge, qualifications and competence on the part of potential executives, without taking into account gender or age. The Company's management and oversight bodies also require certain knowledge, education and competence on the part of potential executives in these bodies, in accordance with the criteria and decisions of the Supervisory Board and the Company's Assembly.

Corporate Governance Code Compliance Statement

4. Ten main shareholders as at 31 December 2018:

Nr.	Shareholder	Number of shares	Percentage of ownership
1.	SNH ALFA D D	93,825	31.0021
2.	NOVA LIBURNIJA D O O	75,661	25.0002
3.	SNH BETA D D	57,506	19.0014
4.	OTP BANKA D.D.	24,218	8.0022
5.	SNH GAMA D.D.	9,318	3.0789
6.	CERP	8,560	2.8284
7.	SN PECTINATUS D.D.	2,600	0.8591
8.	HPB D.D.	1,659	0.5482
9.	ŠESTAN ALOJZIJE	1,058	0.3496
10.	HPB DD	1,025	0.3387

In accordance with the Company's Articles of Association, the voting right of a shareholder is not limited to a certain percentage or number of votes, nor there are time constraints to gain voting rights. Each regular share entitles to one vote at the General Assembly.

The Company's rights and obligations arising from the acquisition of its own shares are achieved in accordance with the directives of the CA.

5. The Management Board of the Company is composed of two members of the Management Board of the Company:

- Mr. Giorgio Cadum, president of the Management Board
- Mr. Dino Hrelja, member of the Management Board

The Management manages the Company's business in accordance with the Company's Articles of Association and legal regulations.

The Management Board appoints and revokes the Supervisory Board in accordance with the Company's Articles of Association and the CA and it is composed of the following members as at 31 December 2018:

- Franco Palma, president,
- Božena Mesec, vice president,
- Darko Ostojica, member,
- Joško Marić, member,
- Tin Dolički, member,
- Ksenija Juhn – Bojadžijev, member,
- Andreja Rudančić, member,
- Helena Masarić, member and
- Domijan Mršić, member.

The Supervisory Board appoints and revokes the Audit Board in accordance with the Company's Articles of Association and the CA and it is composed of the following members as at 31 December 2018:

- Franco Palma, president,
- Helena Masarić, member and
- Joško Marić, member.

Pursuant to the provisions of Article 250.a paragraph 4. and Article 272.p of the CA, this Statement is a separate section and an integral part of the Annual Report on the Company's status for the year 2018.

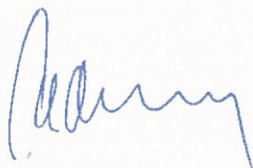
Statement of Management Board's responsibilities

The Management Board is required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and of the results of its operations and its cash flows, in accordance with International Financial Reporting standards as adopted by EU, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

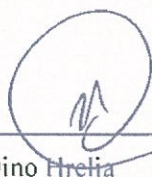
The Management is also responsible for the preparation and content of the Management Report and the Statement of the implementation of corporate governance code, as required by the Croatian Accounting Act. The Management Report and the Corporate Governance Code Compliance Statement set out on pages 1 to 5, were authorised for issuance by the Management Board. The Management Board is responsible for submitting the Annual Report to the Supervisory Board, including financial statements, and the Supervisory Board is required to approve the financial statements for submission to the General Assembly of Shareholders for adoption.

The Annual report was approved by the Management Board on 21 March 2019 for submission to the Supervisory Board and was signed below by:



Giorgio Cadum

President of the Management Board



Dino Hrelja

Member of the Management
Board