

ISSUER'S GENERAL DATA

Reporting period:

1.1.2019

to

31.12.2019

Year:

2019

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

606

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:

(only name and surname of the contact person)

Telephone:

E-mail address:

Audit firm:

KPMG Croatia d.o.o.

(name of the audit firm)

Certified auditor:

Domagoj Hrkač

(name and surname)

BALANCE SHEET
balance as at 31.12.2019.

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 | 873.003.296 | 975.281.021 |
| I INTANGIBLE ASSETS (ADP 004 to 009) | 003 | 422.253 | 4.834.018 |
| 1 Research and development | 004 | 169.780 | 315.913 |
| 2 Concessions, patents, licences, trademarks, software and other rights | 005 | 182.573 | 212.409 |
| 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 | | 4.305.696 |
| II TANGIBLE ASSETS (ADP 011 to 019) | 010 | 866.889.847 | 967.294.853 |
| 1 Land | 011 | 100.877.840 | 100.877.840 |
| 2 Buildings | 012 | 612.616.166 | 656.051.391 |
| 3 Plant and equipment | 013 | 15.024.441 | 15.794.364 |
| 4 Tools, working inventory and transportation assets | 014 | 112.553.189 | 155.392.147 |
| 5 Biological assets | 015 | | |
| 6 Advance payments for purchase of tangible assets | 016 | 547.695 | 9.950.488 |
| 7 Tangible assets in preparation | 017 | 21.761.124 | 25.719.231 |
| 8 Other tangible assets | 018 | 3.509.392 | 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 | 5.191.196 | 2.652.150 |
| C) CURRENT ASSETS (ADP 038+046+053+063) | 037 | 61.668.480 | 39.232.703 |
| I INVENTORIES (ADP 039 to 045) | 038 | 3.100.002 | 3.649.391 |
| 1 Raw materials | 039 | 2.285.826 | 2.503.481 |
| 2 Work in progress | 040 | | |
| 3 Finished goods | 041 | | |
| 4 Merchandise | 042 | 385.847 | 309.569 |
| 5 Advance payments for inventories | 043 | 428.329 | 836.341 |
| 6 Fixed assets held for sale | 044 | | |
| 7 Biological assets | 045 | | |
| II RECEIVABLES (ADP 047 to 052) | 046 | 7.963.763 | 9.622.882 |
| 1 Receivables from undertakings within the group | 047 | | |
| 2 Receivables from companies linked by virtue of participating interest | 048 | | |
| 3 Customer receivables | 049 | 5.428.182 | 6.536.914 |
| 4 Receivables from employees and members of the undertaking | 050 | 193.167 | 265.881 |
| 5 Receivables from government and other institutions | 051 | 2.342.414 | 2.820.087 |
| 6 Other receivables | 052 | | |

| | | | |
|--|------------|--------------------|----------------------|
| III SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062) | 053 | 37.515.800 | 16.320 |
| 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 | 16.320 |
| 8 Loans, deposits, etc. given | 061 | | |
| 9 Other financial assets | 062 | | |
| IV CASH AT BANK AND IN HAND | 063 | 13.088.915 | 25.944.110 |
| D) PREPAID EXPENSES AND ACCRUED INCOME | 064 | 1.007.522 | 911.841 |
| E) TOTAL ASSETS (ADP 001+002+037+064) | 065 | 935.679.298 | 1.015.425.565 |
| OFF-BALANCE SHEET ITEMS | 066 | 4.452.613 | 4.452.613 |

| LIABILITIES | | | |
|--|------------|--------------------|----------------------|
| A) CAPITAL AND RESERVES (ADP 068 to | 067 | 758.993.151 | 769.709.526 |
| 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 | 46.530.168 |
| 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 | 1.511.403 |
| 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 | 29.327.912 | 16.389.203 |
| 1 Retained profit | 082 | 29.327.912 | 16.389.203 |
| 2 Loss brought forward | 083 | | |
| VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086) | 084 | -12.938.709 | 10.715.855 |
| 1 Profit for the business year | 085 | | 10.715.855 |
| 2 Loss for the business year | 086 | 12.938.709 | |
| VIII MINORITY (NON-CONTROLLING) INTEREST | 087 | | |
| B) PROVISIONS (ADP 089 to 094) | 088 | 3.941.081 | 4.559.686 |
| 1 Provisions for pensions, termination benefits and similar obligations | 089 | 542.855 | 542.855 |
| 2 Provisions for tax liabilities | 090 | | |
| 3 Provisions for ongoing legal cases | 091 | 3.398.226 | 4.016.831 |
| 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 | 101.595.187 | 153.369.603 |
| 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 | 101.595.187 | 149.812.621 |
| 7 Liabilities for advance payments | 102 | | |
| 8 Liabilities towards suppliers | 103 | | |
| 9 Liabilities for securities | 104 | | |
| 10 Other long-term liabilities | 105 | | 3.556.982 |
| 11 Deferred tax liability | 106 | | |
| D) SHORT-TERM LIABILITIES (ADP 108 to 121) | 107 | 69.320.047 | 84.526.130 |
| 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 | 29.525.441 | 51.767.086 |
| 7 Liabilities for advance payments | 114 | 7.552.063 | 8.790.836 |
| 8 Liabilities towards suppliers | 115 | 11.059.779 | 10.346.075 |
| 9 Liabilities for securities | 116 | | |
| 10 Liabilities towards employees | 117 | 7.355.329 | 7.724.287 |
| 11 Taxes, contributions and similar liabilities | 118 | 1.794.613 | 1.512.600 |
| 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 | 12.032.822 | 4.385.246 |
| E) ACCRUALS AND DEFERRED INCOME | 122 | 1.829.832 | 3.260.620 |
| F) TOTAL – LIABILITIES (ADP 067+088+095+107+122) | 123 | 935.679.298 | 1.015.425.565 |
| G) OFF-BALANCE SHEET ITEMS | 124 | 4.452.613 | 4.452.613 |

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2019. to 31.12.2019.

in HRK

| Submitter: LIBURNIA RIVIERA HOTELI d.d. | | | |
|--|------------------|--|---------------------|
| Item 1 | ADP code 2 | Same period of the previous year 3 | Current period 4 |
| I OPERATING INCOME (ADP 126 to 130) | 125 | 319.965.751 | 325.967.694 |
| 1 Income from sales with undertakings within the group | 126 | | |
| 2 Income from sales (outside group) | 127 | 308.557.583 | 312.418.041 |
| 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 | 11.408.168 | 13.549.653 |
| II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153) | 131 | 335.817.981 | 310.409.186 |
| 1 Changes in inventories of work in progress and finished goods | 132 | | |
| 2 Material costs (ADP 134 to 136) | 133 | 91.140.517 | 94.175.901 |
| a) Costs of raw material | 134 | 51.471.509 | 51.817.476 |
| b) Costs of goods sold | 135 | 370.202 | 208.194 |
| c) Other external costs | 136 | 39.298.806 | 42.150.231 |
| 3 Staff costs (ADP 138 to 140) | 137 | 120.716.060 | 86.328.595 |
| a) Net salaries and wages | 138 | 77.384.290 | 56.650.234 |
| b) Tax and contributions from salaries expenses | 139 | 28.257.534 | 19.460.284 |
| c) Contributions on salaries | 140 | 15.074.236 | 10.218.077 |
| 4 Depreciation | 141 | 97.957.390 | 103.350.474 |
| 5 Other expenses | 142 | | |
| 6 Value adjustments (ADP 144+145) | 143 | 5.758.855 | 4.343.795 |
| a) fixed assets other than financial assets | 144 | 5.420.531 | 3.244.572 |
| b) current assets other than financial assets | 145 | 338.324 | 1.099.223 |
| 7 Provisions (ADP 147 to 152) | 146 | 40.000 | 658.605 |
| a) Provisions for pensions, termination benefits and similar obligations | 147 | | |
| b) Provisions for tax liabilities | 148 | | |
| c) Provisions for ongoing legal cases | 149 | 40.000 | 658.605 |
| d) Provisions for renewal of natural resources | 150 | | |
| e) Provisions for warranty obligations | 151 | | |
| f) Other provisions | 152 | | |
| 8 Other operating expenses | 153 | 20.205.159 | 21.551.816 |
| III FINANCIAL INCOME (ADP 155 to 164) | 154 | 2.560.811 | 1.009.832 |
| 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 | 1.008.741 | 406.989 |
| 8 Exchange rate differences and other financial income | 162 | 1.552.070 | 602.843 |
| 9 Unrealised gains (income) from financial assets | 163 | | |
| 10 Other financial income | 164 | | |
| IV FINANCIAL EXPENDITURE (ADP 166 to 172) | 165 | 3.434.617 | 3.313.439 |
| 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 | 2.654.333 | 2.725.505 |
| 4 Exchange rate differences and other expenses | 169 | 780.284 | 587.934 |
| 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 | 322.526.562 | 326.977.526 |
| X TOTAL EXPENDITURE (ADP 131+165+175 + 176) | 178 | 339.252.598 | 313.722.625 |
| XI PRE-TAX PROFIT OR LOSS (ADP 177-178) | 179 | -16.726.036 | 13.254.901 |
| 1 Pre-tax profit (ADP 177-178) | 180 | 0 | 13.254.901 |
| 2 Pre-tax loss (ADP 178-177) | 181 | -16.726.036 | 0 |
| XII INCOME TAX | 182 | -3.787.327 | 2.539.046 |
| XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182) | 183 | -12.938.709 | 10.715.855 |
| 1 Profit for the period (ADP 179-182) | 184 | 0 | 10.715.855 |
| 2 Loss for the period (ADP 182-179) | 185 | -12.938.709 | 0 |
| 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 | -3.787.327 | 2.539.046 |
| 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 | -12.938.709 | 10.715.855 |
| 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 | -12.938.709 | 10.715.855 |
| 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 01.01.2019. to 31.12.2019.

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 | -16.726.036 | 13.254.901 |
| 2 Adjustments (ADP 003 to 010): | 002 | 104.916.069 | 102.635.193 |
| a) Depreciation | 003 | 97.957.390 | 103.350.474 |
| b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets | 004 | 5.477.328 | 3.234.572 |
| c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets | 005 | -195.221 | -135.518 |
| d) Interest and dividend income | 006 | | |
| e) Interest expenses | 007 | 241.279 | 279.784 |
| f) Provisions | 008 | 5.222.620 | -7.541.244 |
| g) Exchange rate differences (unrealised) | 009 | | |
| h) Other adjustments for non-cash transactions and unrealised gains and losses | 010 | -3.787.327 | 3.447.125 |
| I Cash flow increase or decrease before changes in the working capital (ADP 001+002) | 011 | 88.190.033 | 115.890.094 |
| 3 Changes in the working capital (ADP 013 to 016) | 012 | 4.977.500 | -3.549.052 |
| a) Increase or decrease in short-term liabilities | 013 | 3.797.941 | 1.807.387 |
| b) Increase or decrease in short-term receivables | 014 | 1.318.000 | -4.808.050 |
| c) Increase or decrease in inventories | 015 | -138.441 | -548.389 |
| d) Other increase or decrease in the working capital | 016 | | |
| II Cash from operations (ADP 011+012) | 017 | 93.167.533 | 112.341.042 |
| 4 Interest paid | 018 | -2.514.906 | -2.528.209 |
| 5 Income tax paid | 019 | -4.360.019 | 1.560.610 |
| A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019) | 020 | 86.292.608 | 111.373.443 |
| Cash flow from investment activities | | | |
| 1 Cash receipts from sales of fixed tangible and intangible assets | 021 | 183.977 | 135.518 |
| 2 Cash receipts from sales of financial instruments | 022 | | |
| 3 Interest received | 023 | 1.008.741 | 406.989 |
| 4 Dividends received | 024 | | |
| 5 Cash receipts from repayment of loans and deposits | 025 | 26.000.000 | 37.500.000 |
| 6 Other cash receipts from investment activities | 026 | | |
| III Total cash receipts from investment activities (ADP 021 to 026) | 027 | 27.192.718 | 38.042.507 |
| 1 Cash payments for the purchase of fixed tangible and intangible assets | 028 | -120.188.267 | -206.294.133 |
| 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 | -183.688.267 | -206.294.133 |
| B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033) | 034 | -156.495.549 | -168.251.626 |
| 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 | 110.000.000 |
| 4 Other cash receipts from financing activities | 038 | | |
| V Total cash receipts from financing activities (ADP 035 to 038) | 039 | 69.072.407 | 110.000.000 |
| 1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments | 040 | -29.543.000 | -40.266.622 |
| 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 | -29.543.000 | -40.266.622 |
| C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045) | 046 | 39.529.407 | 69.733.378 |
| 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 | -30.673.534 | 12.855.195 |
| E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD | 049 | 43.762.449 | 13.088.915 |
| F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(ADP 048+049) | 050 | 13.088.915 | 25.944.110 |

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

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 2019 and reference on the future expectations.

I/ 2019 feedback and market changes in Q1 and Q2 2020

The Company has incurred a change of the corporate structure and management in 2019 considering that the majority shareholders sold the shares – new majority owners and ultimate beneficial owners are HOLSTER PRIVATSTIFTUNG, an AUSTRIAN based trust. As of the moment when the acquisition took place in September 2019, the new Management started implementing complete reorganizational and restructuring measures, which are still under process as of today. The influence and effect of the new Management is already visible during the last quarter of the 2019.

The new Management implemented their procedures at the end of September 2019 while processing further efficiently and steadily in 2020, with adjustments as of February 2020 when peripheral effects became visible on the business activities of the Company due to the corona virus spread on the global markets. These effects have directed the Management to focus primarily on new circumstances in which the Company was forced to operate in (Crisis Management).

II/ 2019 summary overview on financial and operational results

In the period from January to December 2019 the Company had 2% less overnight stays than in 2018. Revenue, which includes extraordinary revenue was 2% higher compared to the same period last year. The business revenue category under USALI report, which includes revenue from accommodation, food and drinks (as a part of accommodation services and as a stand-alone service), sport and other operational revenues (so the extraordinary revenue is excluded), is higher for 1% than in the previous year, and GOP (gross operating profit) under USALI report is higher than in the previous year for 27% or HRK 28.5 million (the GOP in 2019 was HRK 133.8 million, while the GOP for the 2018 was HRK 105.3 million).

In the reviewed period, according to USALI report, total financial result was - EBITDA (gross profit + depreciation + interests) in the amount of HRK 119.0 million while the financial result of the previous year was HRK 83,1 million. The indicators of liquidity and solvency and the ratio of debt to equity and cash flow are of good quality.

The Company also conducted extraordinary investments including i) a significant upgrade of the data center and the network to improve the reliability of the IT system, ii) implementation of a modern and state-of-art property Management system „Oracle Opera“, the Oracle Food and Beverage solutions „Oracle Micros Symphony“, same like „Oracle Material Control“ and the latest version of the accounting software „Login ERP Virga, iii) for refurbishment and smaller constructional improvements of the buildings and iv) for external advisors (like project managers, structural engineers, MEP, architects, IT).

While deducting mentioned investments from the overall financial result, which are by no means part of the daily ongoing operations, the operational result of the Company is higher than HRK 135 million.

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

III/ Specific occurrences

Remisens Premium Hotel Ambassador was opened on the 1 June 2019. Upon completion of the investment, the villa becomes an integral part of the aforementioned hotel. In the observed period the following hotels were opened: Remisens Hotel Admiral and Smart Selection Hotel Istra in Opatija, Remisens Hotel Marina and Smart Selection Hotel Mediteran in Mošćenička Draga.

According to USALI report, in 2019 the difference between extraordinary revenues and expenses was HRK -2,2 million, while the difference in the previous year amounted to HRK -10,0 million. Extraordinary and one-off expenditures in 2019 are mainly result of the write-off of obsolete fixed assets and other assets in the facilities where the investments were made, and the amount of app. HRK 3,0 million refers on expenses of the past years, of which HRK 2,2 million to the marina Admiral. On the 23 May 2019 the Company received from Ministry of Finance, Customs Administration, Regional Customs Office Rijeka a Decision ordering the Company to pay the concession fee for the period from 22 July 2017 to 31 December 2017 in the amount of HRK 127,843.14 with interests, and the concession fee for the period from 1 January 2018 to 30 June 2018 in the amount of HRK 130,711.06 with interests and the material gain realized by unlawful business activities in the period from 22 July 2017 to 30 June 2018 in the amount of HRK 2,157,968.87, all together HRK 2,416,523.34, in accordance with the Concession Act. The above-mentioned amount was paid in accordance with the instruction - within 8 days from the delivery of the Decision. The Decision could not be appealed in accordance with the Concession Act. The Decision could be disputed in the proceeding before the Administrative Court.

Extraordinary and one-off revenues in 2019 are mainly the result of a refund of the amount paid for the use of the maritime domain in the amount of approximately HRK 2,3 million. On 5 July 2019 the Company received the High Administrative Court ruling no. Usž-1429/19-2 which confirmed the ruling of the Administrative Court in Rijeka from 6 November 2018 by which the Decision of Ministry of Finance, Sector for Appeal and Administrative Proceedings from 7 May 2018 and the Decision of Ministry of Finance, Customs Administration, Regional Customs Office Rijeka from 18 January 2019 were annulled. The aforementioned decision ordered the Ministry of Finance to repay the amount of HRK 2,256,529.47 with default interest within 60 days of delivery of the judgment. The annulled decision unlawfully imposed the obligation to pay the said amount of the concession fee for the use of the Admiral marina in Opatija by the Company.

In accordance with the negotiations with the Trade Unions from January 2019, in the period from June to September 2019 the Company made payment in the amount of HRK 1,000.00 non-taxable to permanent employees, as well as an amount of HRK 1,000.00 non-taxable to seasonal employees, who were paid at the end of the season with a salary for September this year.

IV/ Corporate changes

On the 11 July 2019 the Company GITONE Adriatic d.o.o. as a buyer executed the Share Purchase Agreement of the shares of the Company with sellers SNH ALFA d.d., SNH BETA d.d., SNH GAMA d.d. i SN PECTINATUS d.d. Pursuant to the said Agreement, GITONE Adriatic d.o.o. has acquired 53.94% of all shares of Liburnia Riviera Hotel d.d. within the meaning of the provisions of the Act on Takeover of Joint Stock Companies, which obligated the GITONE Adriatic d.o.o. to announce the takeover bid of Liburnia Riviera Hotel d.d. On 31 December 2019 GITONE Adriatic d.o.o. holds, after the takeover bid, 215,568 shares related to 71.23% of the share capital and entitle to 215,568 votes, or 71.23% of the votes at the General Assembly Meeting of the Company.

On 25 September 2019 the President of the Management Board of Liburnia Riviera Hoteli d.d. Mr. Giorgio Cadum and Member of the Management Board Mr. Dino Hrelja submitted their resignations to the Supervisory Board for the functions of the Chairman and Member of the Management Board of Liburnia Riviera Hoteli d.d., with effect from the beginning of the term of office of new members of the Management Board.

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

IV/ Corporate changes (continued)

The Supervisory Board of the Company on the basis of its statutory powers and the aforementioned resignations, on 26 September 2019 enacted a decision appointing Mr Heimo Waldemar Hirn as Chairman of the Management Board and Mr Johannes Böck as a Member of the Management Board for a term of 4 years, beginning on 27 September 2019.

V/ COVID – 19 and effect on the business operations

At the beginning of 2020, as a result of the new Management, operational results have highly exceeded the 12/2019 budget and forecast, until February 2020 when the issues with the corona virus on the global market started emerging. At the beginning of 2020, management noticed sudden and frequent cancellations of reservations and arrangements offered by the Company to guests from the pre-season (beginning in February 2020) and for the whole of 2020, attributed by the Company to the spread of COVID - 19 (Corona virus). The cancellations came primarily from far eastern markets (China, South Korea, Japan, Taiwan, and the like). The situation was further expanded with the transition from February to March 2020, when the first cases were recorded in European countries, including Italy, which is only approx. 100 km away from the Opatija Riviera.

On March 11, 2020, the World Health Organization declared a global pandemic of the Corona virus (COVID - 19 disease). One of the first cases of infection in Croatia included persons from the area of Primorsko Goranska County (Rijeka), which forms an integral part with Opatija, and thus with the business of the Company. The Company is located geographically on the far eastern tip of the Istrian Peninsula, and shortly after the pandemic was declared on March 11, 2020, the County of Istria introduced rigorous disease control measures, including the closure of schools and restaurants. By continuing spread of the disease, the hospitality industry became drastically limited by the Decision on measures to limit social gatherings, work in commerce, service activities and sports and cultural events adopted by the Civil Health Department on 19 March 2020 (Official Gazette 33/2020). Notwithstanding all these measures, the mere spread and the health threat of COVID-19 have led to cancellation of reservations and reduced occupancy, which negative impact becomes more pronounced as the disease has spread across Europe and neighbouring countries, especially in Italy, and subsequently in Croatia itself. The following accommodation reservations have been cancelled, solely because of the impact of the COVID-19 virus:

- for February 2020, 19% of bookings were cancelled compared to the same period last year;
- for March 2020, 72% of bookings were cancelled compared to the same period last year;
- for April 2020, 100% of bookings were cancelled compared to the same period last year;
- May 2020 65% of bookings were cancelled compared to the same period last year;
- for June 2020, 32% of bookings were cancelled compared to the same period last year.

Further effects of CORONA VIRUS spread are expected while exact effects on the Company's performance cannot be quantified as of now. On all possible scenarios, Management of the Company is on daily level preparing analysis of changes that occurring and the effects on the business. These scenarios cannot be limited nor fixed as situation is continuously changing. Main base models provided as integral part of this statement are i) worst case scenario model with assumed zero revenue environment and ii) plausible (mid-case) scenario assumption business resuming mid 2020.

Losses have been evidenced also in regard to room nights as one of the KPIs on the Company level, where the overall loss from March until June 2020 amounted to over 78.89% compared to the booking status beginning of March 2020.

VI/ The Company during the period from the balance to the final reporting date

Following the measures implemented by the management to mitigate the effects of the corona virus outbreak, Company has prepared number of financial and operational models with different assumptions on the market conditions by end of 2020.

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

V/ The Company during the period from the balance to the final reporting date (continued)

There, main focus is on the worst-case scenario, which basically provides that the Company does not expect any revenues by end of 2020, except during the Christmas/New Year holidays. Other main scenario provides for the most plausible case as considered by the management, which includes that business shall start to take its regular course as of July 2020.

While there is a risk that in a severe but plausible scenario of prolonged lockdown management plans might be insufficient, management still believes that on the balance, considering the facts outlined further below, management's plans appear realistic and the Company should be able to continue as a going concern. This conclusion was reached under the following considerations and projections:

- Lock-down, liquidity and asset base

The Company has settled all loan liabilities as they fell due and were invoiced by the banks and Company has been greeted with understanding from all the commercial partners. The Company has serviced all loan obligations made due by banks as of the date hereof. It is also envisaged that there will be no loan instalments due in 2020, as refinanced and agreed with the banks (agreement is pending) and Management is also trying to reach an understanding with the social partners of the Company.

The Company's 4 existing loan facilities as of 31 March 2020 are being negotiated and are partially provided for a stand-still of at least six months, providing for first instalments due earliest October 2020. The Company has in addition been also successful in opening negotiations to refinance the overall existing loan facilities, jointly or in part, to be refinanced into a long term loan facility with a 1 year grace period.

Moreover, the Company owns various valuable assets and has partially leveraged those assets, with minimal amount of net debt. Even in a worst case scenario of a zero revenue environment, the assets base of the Company should provide more than enough leverage for additional funding to be obtained if necessary.

The Company identified impairment indicators relating to certain underperforming tourism properties. As a result, as at 31 December 2019 the Company tested the above tourism properties for impairment and determined the assets recoverable amount based on an estimate of their fair value less costs to sell. The test did not indicate any impairment loss of those properties as at 31 December 2019. No assets were impaired subsequently as a result of pandemics. CAPEX plans have been placed on hold for now, considering the zero-revenue environment.

The lock-down of the entire market as noticed in the first quarter of 2020 would have a far reaching impact not, just only on the Company but the entire economy, if it would be prolonged. As of May 2020, the government noted that restrictions shall be alleviated and management believes that operations shall commence end of Q2 2020 in a lower scope, still sufficient to provide self-sustaining business operations.

The current state of liquidity of the Company provides comfort for a specific time period, dependent on the scope of state subsidies and fixed costs expected. The Company is adjusting its business models constantly, being able to instantly implement additional crisis control measures and more, to mitigate the risks.

Management is in frequent contacts with lenders of the Company which all expressed understanding and willingness to assist the business. This assistance was first noticed by i) stand-still arrangements being negotiated and partially provided to the Company and subsequently by ii) open discussions on the refinancing of existing loans with envisaged grace period until season 2021. As per the expected refinancing terms of loan facilities, main financial burdens on the Company would be postponed until expected regular business resumes order (worst case in 2021).

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

- Other exposures

The Company so far conducted its business by keeping a high level of collateral coverage from the debtors and advance payments in lease agreements. Company's overall exposure of un-collected debt provides for less than 1% of usually annual revenues where default period is less than 90 days in most cases. Company is not a lender to any party as a borrower, and Company as the lessor has provided some alleviation of terms and conditions for the leases, providing a discounted rent during the corona virus crisis period.

On the Company's request, communication channels with trade unions has been opened. Basic employee remunerations and obligations have been timely and orderly fulfilled in excess of the provided state subsidies. Management conducted negotiations with the unions which ended on 30 April 2020 without a formal agreement being reached.

Employees organization and work assignments have been adjusted to the new zero revenue business model while having in mind the state implemented restrictions and health requirements.

The Company filed for state subsidies related to employee salaries and also for the postponement and alleviation of taxes. Both requests have been approved, while the Company is also expecting that the initial granted postponement of taxes and state contributions (excluding VAT) shall also be converted in to full alleviation of liabilities (subject to revenue drop of over 50%).

- Risk management

Corona virus outbreak occurred in Q1 2020, which in the light of seasonality of Company's business model is an extremely negative time for such crisis, but also it may be considered as the optimal point in time for such extreme circumstances to take place. Negative effects have cause the Company to have zero operational revenue as of 16 March 2020 from when Company is relying on its current account balance (earnings from before 16 March 2020).

The main start of the seasons is expected usually at the beginning of Q2, the Covid-19 outbreak had a significant impact on the forecasted revenue. Nevertheless, positive views on the timing of this pandemic is that the Company did not receive significant refundable advance payments, did not have cancellations and penalties for non-provided services in high values and the management implemented the right strategy and did not stock on massive supplies nor did it employ greater numbers of employees which are usually employed as of end of Q1.

The Management of the Company is taking significant steps to try and mitigate the negative effects as much as possible (risk management). These actions include, but are not limited to:

1. Strict cost management where suppliers and other vendors of the Company have been approached to prolong the due dates on their existing claims and new procurement is limited to bear minimum
2. Management is negotiating with the commercial banks funding the Company on the refinancing terms with the targeted grace period of 1 year, with already provided stand-still arrangements
3. Management is also negotiating with the commercial banks on the new lines of credit for possible bridge loan coverage
4. Management is negotiating with unions related to the employee rights, terms and conditions of the collective bargaining agreements and the overall HR structure
 - a. Company is developing internal employee communication plans, with a more streamlined approach, transparent content and with higher frequency of interactions (in electronic form mostly)
5. Company filed for state subsidies related to i) employee measures (to receive undefendable grants for salary coverage) and ii) tax postponement, which has already been approved

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

- Risk management (continued)

6. Management is diligently and on daily basis following the situation with the new state subsidies to adjust to the new legal framework
7. Sales and marketing of the Company are intensively communicating with clients and partners to prepare a restart of the Company as soon as possible
8. Company is continuously adjusting the pricing structure to the current circumstances, combined with an analysis of anticipated trends following the crisis end.

Moreover, the Company is constantly assessing and upgrading emergency response plans for the pandemic expansion with cross-functional contingency plans across number of scenarios. the Company set up a monitoring and reporting plan as well as procedures which allow live tracking of the market developments, health-security issues and risks, implemented measures and restrictions all providing for “live-feed” on the crisis in which the Company is currently operating from reliable and objective sources.

- Management conclusions

While analyzing the Company’s status and resilience to the market conditions and corona virus outbreak, management reached following conclusions/judgements:

1. The Company in the current state holds sufficient liquidity and solvency to unilaterally bear its own costs and sustainability is not questioned subject to the assumptions from the plausible case scenarios
2. The Company holds a very valuable asset base and the balance sheet provides reassurances with commercial banks and majority shareholder that the Company shall remain sustainable as an ongoing concern, even in the worst case scenario of zero revenue environment by end of 2020
3. The Company has successfully negotiated and reached understanding with vast majority of its business partners on joint understanding of the current market status, where liquidity and solvency issues are not considered as a material risk on the Company as a permanent (long-term) going concern
4. The management has implemented as of October 2019 new rules and procedures on the strategy of the Company which are more equipped and adequate to deal with the current crisis

The management is on daily levels reassessing the effects of the crisis and implementing measures by the state authorities into the business model, while crisis management plans and risk control measures being implemented and adjusted regulatory.

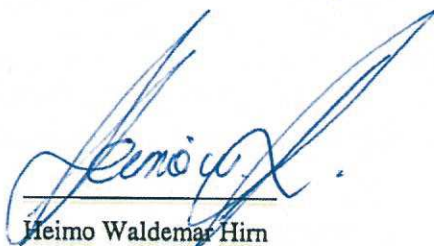
Statement of Management Board's responsibilities

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 8, 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 8 May 2020 for submission to the Supervisory Board and was signed below by:



Heimo Waldemar Hirn

President of the Management Board



Johannes Böck

Member of the Management Board

