

# VALAMAR RIVIERA

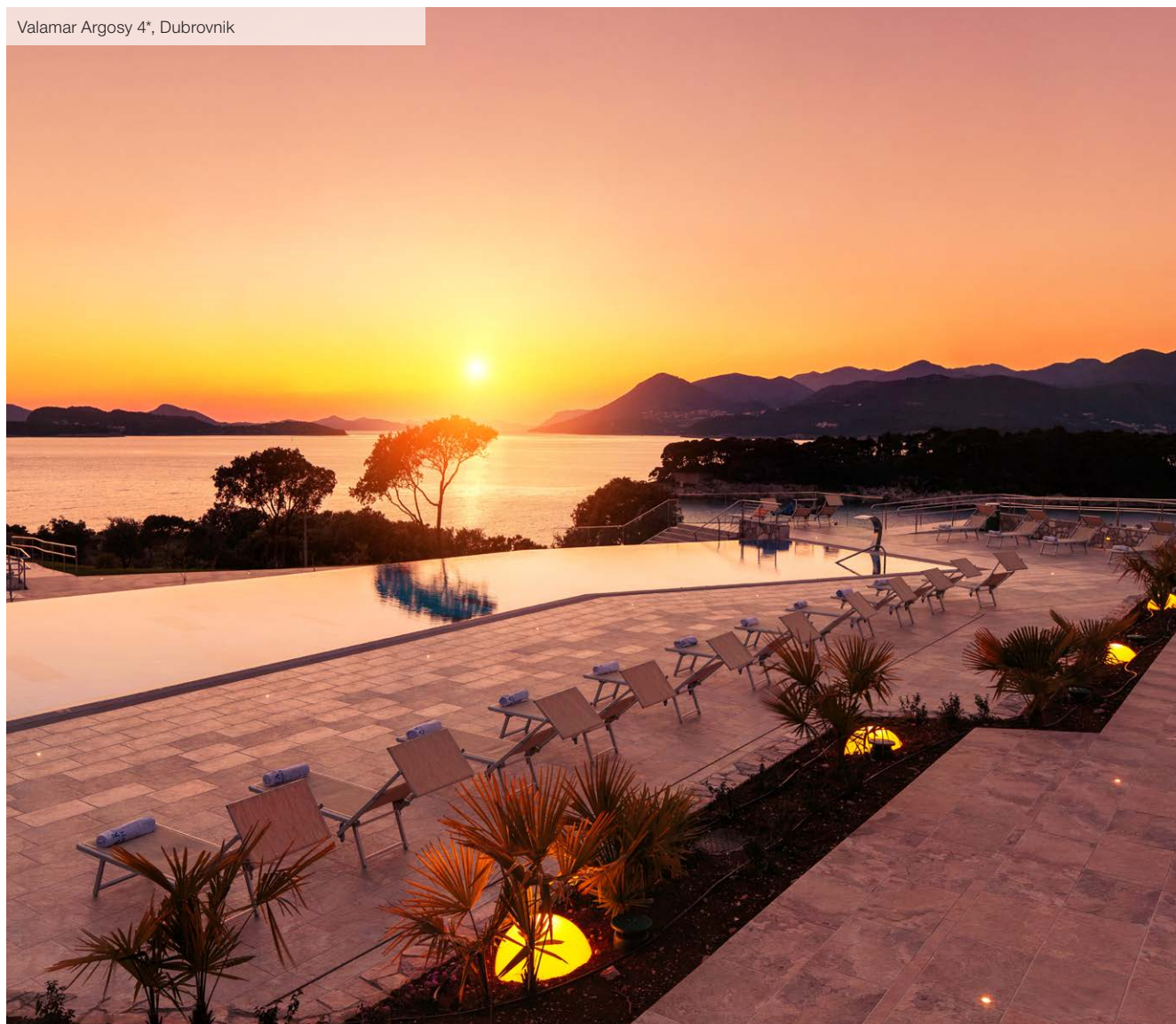
BUSINESS RESULTS  
1/1/2016 - 31/3/2016



## QUARTERLY REPORT OF THE GROUP AND THE COMPANY VALAMAR RIVIERA D.D.

for the period from 1 January 2016 to  
31 March 2016






Valamar Argosy 4\*, Dubrovnik



## EXECUTIVE SUMMARY

-  Taking into account the seasonal character of the industry where the Group pursues its business, the first quarter business results are not indicative. Since the first quarter sales revenues have a minor impact on total annual sales revenues, the achieved growth of 171% compared to the last year is neither indicative nor a forecast of the expected growth on the annual level.
-  Total revenues amount to HRK 86.5 million (HRK 28.4 million in 2015). A 204% growth is driven by a high increase in sales revenues and financial income.
-  An excellent response to marketing and sales activities in combination with early Easter holidays and the successful realisation of M.I.C.E. events in Dubrovnik have resulted in a HRK 29 million increase in sales revenues to HRK 46 million (HRK 17 million in 2015).
-  The positive cost efficiency growth trend has continued, reflected in a modest 5.8% increase of total operating expenses (excluding Baška companies' business operations) in relation to a 120% increase of the operating income.
-  Group's financial results amount to HRK 18 million (in 2015, a HRK 28.5 million loss was recorded). The positive result is driven by foreign exchange gains as a result of the kuna strengthening in relation to euro, coming from the settlement of unrealised balance sheet items (credits, deposits, foreign currency accounts).
-  2015/16 investments are in progress, and all preparations for the beginning of the season are expected to be completed in due time.

## OUTLOOK

-  A strong increase in bookings including realized and announced overnight stays by the end of the year is an indication of the positive outlook for the business year.
-  Last year and this year's intensive investment cycles and a very good acceptance of newly invested facilities in Dubrovnik and Poreč represent a positive outlook with regard to the further increase in the number of overnights and in sales revenues, as well as EBITDA positive development arising from improved operational efficiency.
-  We have been intensively working on the preparation of investment projects aimed at future development and raising of the quality of portfolio facilities, services, and contents. However, the highest VAT rate in the Mediterranean and unresolved tourism land related issues restrict considerably the potential of the tourism sector for further investments.
-  We expect further operational synergies and additional value for shareholders as the result of the merger of Hoteli Baska d.d.
-  Following the last year's successful acquisition of Baška companies on the island of Krk, we continue to actively pursue expansion, partnership, and acquisition options in Croatia and the region.

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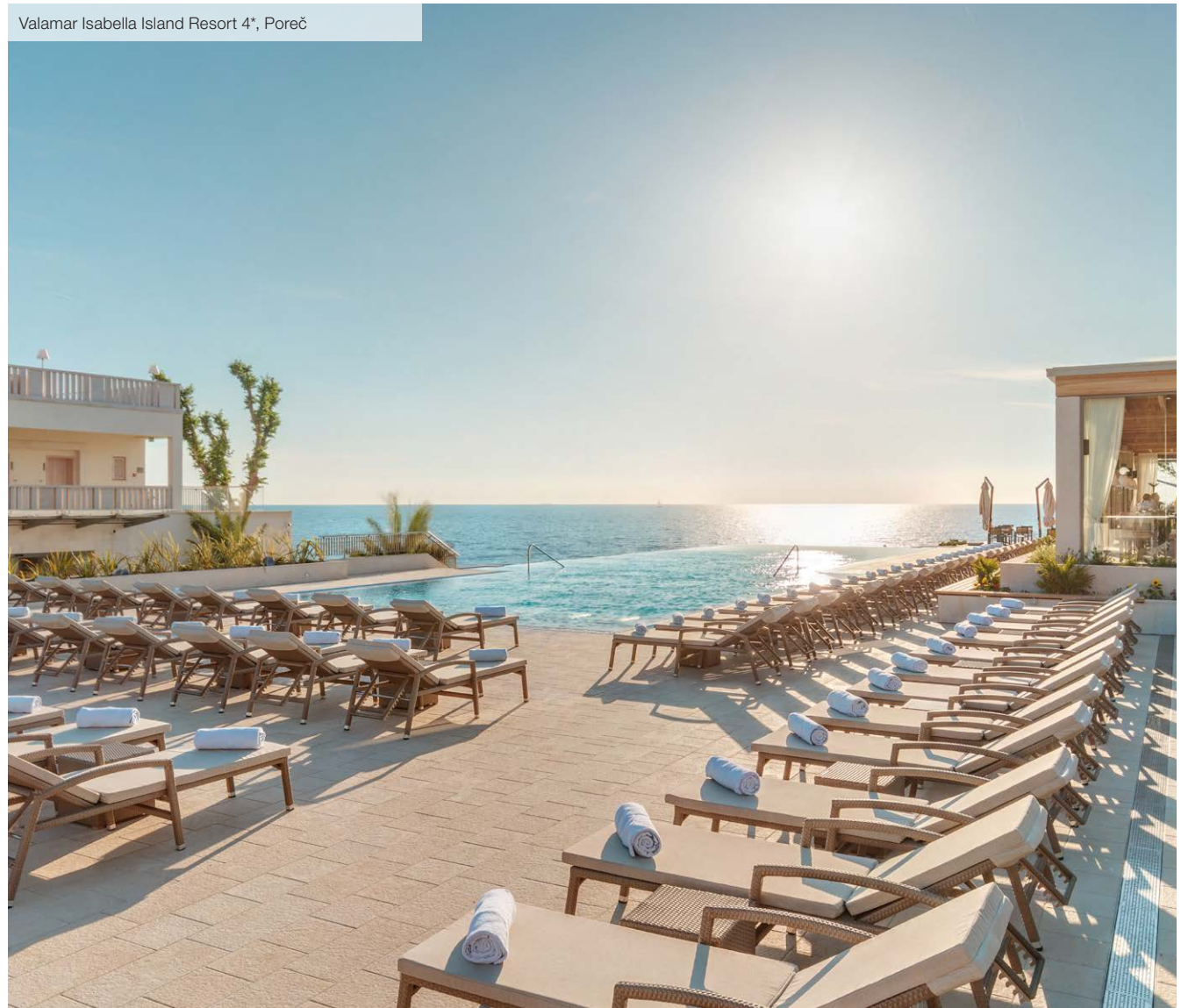
## SIGNIFICANT BUSINESS EVENTS

Valamar Riviera is the leading tourism company and one of the leading tourism groups in Croatia. It is one of the major investor in the tourism sector, its investments reaching almost HRK 2.6 billion in the last 13 years. Valamar Riviera Group operates at four attractive destinations, covering the area from Istria and Kvarner to Dubrovnik, and manages around 10 percent of the categorised tourist accommodation. It is the owner of the Valamar Hotels and Resorts and Camping Adriatic brands. Its hospitality facilities portfolio encompasses thirty hotels and resorts and thirteen campsites. The Valamar Riviera Group can accommodate approximately 48,000 guests a day, which makes it one of the biggest tourism groups in Croatia in terms of its capacities.

Valamar Riviera pursues interests of all its stakeholders, ranging from several local communities, over 21,200 shareholders and 4,100 employees engaged by the Group in the high season, to a number of partners. These interests have been actively promoted through a sustainable growth and development concept based on the principles of corporate social responsibility. Further growth and development will be achieved by increasing operational efficiency, investing further into portfolio, pursuing acquisitions and partnerships, developing destinations where we operate, and training Valamar Riviera's employees.

On 31 March 2016, pursuant to a decision of the Commercial Court in Pazin, the company Hoteli Baška d.d. was merged with the company Valamar Riviera d.d. Accordingly, Valamar Riviera became a universal legal successor to Hoteli Baška. A Merger Contract between Valamar Riviera and Hoteli Baška was concluded on 10 February 2016 and filed for

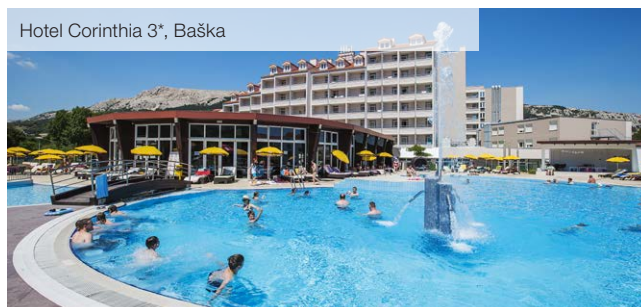
Valamar Isabella Island Resort 4\*, Poreč



registration in the Court Register of the Commercial Court in Rijeka and the Commercial Court in Pazin on 11 February 2016. Since Valamar Riviera was the sole shareholder of the company Hoteli Baška, in compliance with Article 531(1) of the Companies Act, the Valamar Riviera's General Assembly was not convoked. Please note that on 13 January 2016, the subsidiaries Baškaturist d.o.o., Mirta Baščanska d.o.o., and Vala Baščanska d.o.o., which were 100%-owned by Valamar Riviera, were merged with the subsidiary Hoteli Baška d.d.; following the mergers, Valamar Riviera d.d. has become the sole shareholder of the company Hoteli Baška. Consolidating the hospitality property portfolio, management, and shareholding structure in a single strategic company, will allow for a more transparent corporate governance and streamlined operations, including additional strengthening of the balance sheet assets.

In the Baška destination Valamar Riviera has recognised a clear potential to apply its experience gained at other destinations where it pursues its business operations. Continued investments in employees, products, services, and experience have created a new value for shareholders. This merger provides an opportunity to create an additional value from the synergy of two companies for both the employees of the merged company Hoteli Baška and the local community. In the forthcoming period, the key activities will be planning and elaboration of future investments at the Baška destination, as well as development of the whole Krk destination, where Valamar Riviera has taken over the leading position.

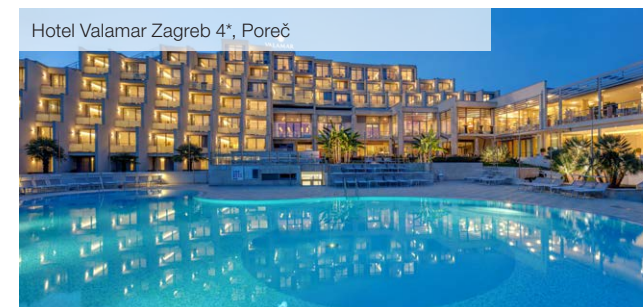
On 4 March 2016, the Valamar Riviera's Management Board adopted a decision convoking the Company's General Assembly to be held on 27 April 2016 in the Valamar Diamant hotel in Poreč. On 15 March 2016, the Valamar Riviera's Supervisory Board held a session establishing audited consolidated and separate annual financial statements of the Company for 2015. The Supervisory Board established also proposed decisions for the forthcoming General Assembly concerning profit



distribution, dividend pay-out, 2016 auditor, and amendments to the Company's Articles of Association. At the same session, the Supervisory Board approved the investment in Family Life Bellevue Resort 4\* in Rabac in the amount of HRK 196.7 which is to be realised in 2017. Furthermore, approval was given to establish a strategic business collaboration with the companies TUI Northern Europe Limited, TUI UK, and TUI Nordic Holding AB. It encompasses the branding of the Family Life Bellevue Resort as the first Family Life concept in Croatia in accordance with TUI's standards and a three-year business collaboration (2017, 2018, and 2019 seasons). The Family Life Bellevue Resort project is a part of the strategic plan to develop the Rabac destination into a 4\* holiday destination in the period 2016-2018, including a HRK 56 million investment framework.

On 23 March 2016, Valamar Riviera concluded a Credit Contract with the Croatian Bank for Reconstruction and Development (HBOR) to the amount of EUR 24,291,114 paid out in kuna value, with the final due date in 2033. These funds are earmarked for investments in quality standard improvements at the Poreč, Rabac, Krk, and Dubrovnik destinations for the 2016 season.

The Company's Management Board hereby presents the quarterly financial statements for the first quarter of 2016 (1 January 2016 – 31 March 2016), noting that the presented



statements must be viewed in the context of the above mentioned changes resulting from mergers, and that they provide information on the status of the Company and the Group, as well as on significant events.

The Company's income statement for the period under consideration comprises the data for the merged company Valamar hoteli i ljetovališta d.o.o. for the period following the merger, i.e. as of 28 February 2015. Please note that the data for 2016 are not fully comparable to the data for the previous period, as the latter do not comprise the data for the merged company Valamar hoteli i ljetovališta d.o.o. until the moment of its merger.

The Group's income statement for the first quarter of 2016 comprises the data for the following companies: Puntizela d.o.o., Bastion upravljanje d.o.o., Elafiti Babin kuk d.o.o., Magične stijene d.o.o., Palme turizam d.o.o., Pogača Babin Kuk d.o.o., Bugenvilia d.o.o., and Hoteli Baška d.d., while the data for the companies Mirta Baščanska d.o.o., Vala Baščanska d.o.o., and Baškaturist d.o.o. are included as of the day of their merger to the company Hoteli Baška d.d., i.e. as of 13 January 2016. Thus, the data for 2016 are not fully comparable to the data for the previous period, as the latter do not comprise the data for the following companies: Hoteli Baška d.d., Mirta Baščanska d.o.o., Vala Baščanska d.o.o., and Baškaturist d.o.o.

## RESULTS OF THE GROUP

### Key financial indicators<sup>1</sup>

(in HRK)	1 - 3/2015	1 - 3/2016	2016/2015
Total revenues	28,407,306	86,499,161	204.5%
Sales revenues	17,016,200	46,053,862	170.6%
Board revenues (accommodation and board revenues) <sup>2</sup>	8,938,900	26,842,802	200.3%
Operating expenses <sup>3</sup>	79,786,903	98,063,971	22.9%
EBITDA <sup>4</sup>	-63,286,806	-47,820,569	24.4%
Extraordinary operations result and one-off items <sup>5</sup>	1,288,085	-2,454,958	/
Adjusted EBITDA <sup>6</sup>	-61,998,721	-50,275,527	18.9%
EBIT	-120,800,957	-113,443,346	6.1%
Adjusted EBIT <sup>6</sup>	-119,512,872	-110,988,388	7.1%
EBT	-149,275,996	-95,451,986	36.1%
EBT margin	-622.4%	-180.8%	44,160 bb
	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>2016/2015</b>
Net debt <sup>7</sup>	1,082,520,078	1,165,825,934	7.7%
Cash and cash equivalents	318,755,282	192,379,928	-39.6%

### Key business indicators

	1 - 3/2015	1 - 3/2016	2016/2015
Number of accommodation units (capacity)	16,056	18,072	12.6%
Accommodation units sold	23,787	61,282	157.6%
Overnights	49,038	88,801	81.1%
ADR <sup>8</sup> (in HRK)	376	438	16.5%

<sup>1</sup> Classified according to the Quarterly Business Financial Statement (TFI POD-RDG). EBIT, EBITDA and their respective margins and EBT margin are recorded on the basis of operating income.

<sup>2</sup> In compliance with the classification under the USALI international standard for reporting in hotel industry (Uniform System of Accounts for the Lodging Industry).

<sup>3</sup> Operating expenses include material costs, staff costs, other expenditures, and other operating expenses reduced by extraordinary expenses and one-off items.

<sup>4</sup> EBITDA (eng. earnings before interest, taxes, depreciation and amortization) is calculated as: operating income - total operating expenses + depreciation and amortisation + value adjustments.

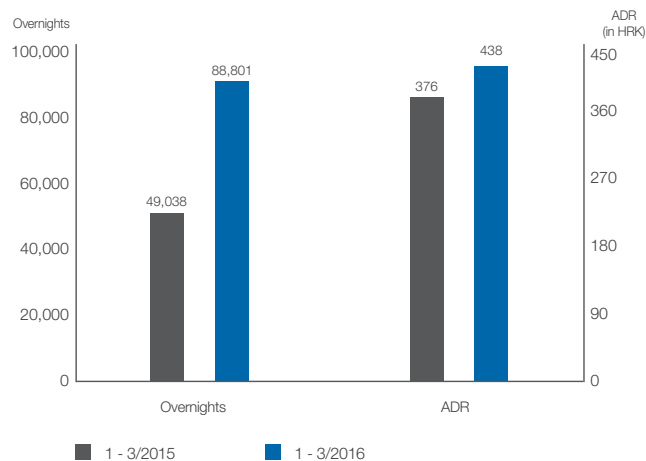
<sup>5</sup> The adjustment includes extraordinary income and expenses in accordance with the USALI standard classification and one-off termination benefit costs and administrative expenses related to the process of merger and business reorganisation.

<sup>6</sup> Adjusted by the result of extraordinary operations and one-off items.

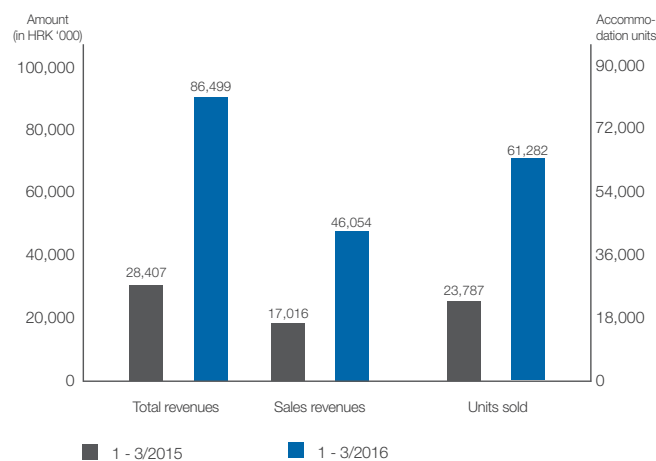
<sup>7</sup> Net debt: non-current and current liabilities to banks and other financial institutions + liabilities for loans, deposits and other – cash and cash equivalents – long-term and short-term investments in securities – current loans given, deposits, etc.

<sup>8</sup> Average daily rate is recorded on the basis of board revenues (accommodation and board's food and beverage revenues).

## Overnights and ADR



## Revenues and accommodation units sold



Great pre-season results have been achieved through careful preparations. A variety of implemented interesting guests motives and experiences in combination with early Easter holidays have contributed to better business results. "Global Training Experience", a M.I.C.E.<sup>9</sup> event organised by Daimler AG – Mercedes-Benz, has had a very positive impact, leading to an increase of business efficiency. A 157.6% increase in the number of accommodation units sold has been achieved. ADR was 16.5% higher. Such a growth of the physical indicators and the average daily rate has resulted in a 200% increase in board revenues.

Business consolidation and restructuring had a positive impact on the whole business. Despite a multiple increase in operating volume, operating expenses were up only 15.4%, excluding Baška companies' expenses. Please note that Baška properties were closed and that no sales revenues were generated during the first quarter of 2016.

As in all previous years, considerable funds have been invested in the preparation of the season. Investments represent a strategic goal aimed at improving the competitive strength and increasing the quality of services and facilities, this year's focus being on the camping segment.

In relation to the previous comparable period, there is a 170.6% increase in sales revenues to HRK 46.1 million. This strong sales revenues growth has resulted from a high increase in board revenues (+200%) and the sale of à la carte food and beverages (+177%). Other operating income is down 3.1%, while financial income is up HRK 29.3 million, mainly as a result of foreign exchange gains. This has resulted in a HRK 58.1 million increase in total revenues to HRK 86.5 million.

The first quarter is characterised by the typical negative EBITDA as a result of less significant business operations in terms of

volume. EBITDA is HRK 15.5 million better, resulting in a HRK 47.8 million loss, while the adjusted EBITDA<sup>10</sup> is HRK 18.9 million better, resulting in a HRK 50.3 million loss. An indicator of positive future expectations is the improved operating business. It is driven by successful marketing, sales, and business activities.

High-quality sales channel management and the successful realisation of M.I.C.E. events have reflected in a 81% increase in the number of overnights to 88,801. ADR is HRK 62 higher, amounting to HRK 438. National sales revenues amount to HRK 9.2 million, accounting for 10.7% of total revenues (28.9% in 2015). They are 12.4% above the previous comparable period. Sales revenues generated on international markets amount to HRK 36.8 million, accounting for 42.6% of total revenues (31.0% in 2015). They are 318.5% above the previous comparable period. Other operating and financial income accounts for 46.8% of total revenues.

<sup>9</sup> Meetings, incentives, conferencing, exhibitions.

<sup>10</sup> Adjustments were made for (i) extraordinary income (in the amount of HRK 5.0 million in the first quarter of 2016, and HRK 6.1 million in the comparative period of last year), (ii) extraordinary expenses (in the amount of HRK 1.2 million in the first quarter of 2016 and HRK 2.0 million in the comparative period of the last year), and (iii) termination benefit costs (in the amount of 1.4 million in the first quarter of 2016, and HRK 5.4 million in the comparative period of the last year).



## Total operating expenses of Valamar Riviera Group<sup>11</sup>

(in HRK)	1 - 3/2015	1 - 3/2016	2016/2015
Operating expenses <sup>3</sup>	79,786,903	98,063,971	22.9%
<b>Total operating expenses</b>	<b>144,784,514</b>	<b>166,249,107</b>	<b>14.8%</b>
Material costs	28,946,075	31,843,559	10.0%
Staff costs	37,582,199	46,422,720	23.5%
Depreciation and amortisation	57,387,303	65,619,552	14.3%
Other expenditures	18,827,980	19,379,070	2.9%
Provisions and value adjustments	126,848	3,225	-97.5%
Other operating expenses	1,914,110	2,980,981	55.7%

In the first quarter of 2016, total operating expenses were 14.8% higher. This was driven by increased operating volume and the Baška companies consolidation. Excluding the effect of the Baška companies consolidation, the total operating expenses was higher by modest 5.8%. Such a modest growth confirms the continuation of the positive management consolidation and restructuring trend at all levels across Valamar Riviera.

Accounting for 19.2% of total operating expenses (20.0% in 2015), material costs have increased by 10.0% to HRK 31.8 million. 5.2% of that growth relates to the Baška companies consolidation. The remaining part is mostly related to the increase of raw materials and materials costs, particularly direct food and beverage costs as a result of increased operating volume and higher à la carte spending.

Staff costs amount to HRK 46.4 million, accounting for 27.9% of total operating expenses (26.0% in 2015). A 23.5% increase in staff costs in the first quarter of 2016 comes from facilities being open for a longer period of time, from the takeover of employees from the newly acquired Baška companies, and partially from an increase in employees' salaries (1.5% in June 2015 and 0.5% addition for years of service).

Depreciation and amortisation amount to HRK 65.6 million (HRK 57.4 million in 2015), accounting for 39.5% of operating expenses (39.6% in 2015). Their 14.3% growth is driven by a wider consolidation scope and the earlier intensive investment cycle.

Other operating expenses amount to HRK 3.0 million, indicating a HRK 1.1 million growth as a result of the Baška companies consolidation. Value adjustments amount to HRK 3 thousand, indicating a HRK 124 thousand decrease. Other expenses are up 2.9%, i.e. HRK 0.6 million, as a result of the Baška companies consolidation.

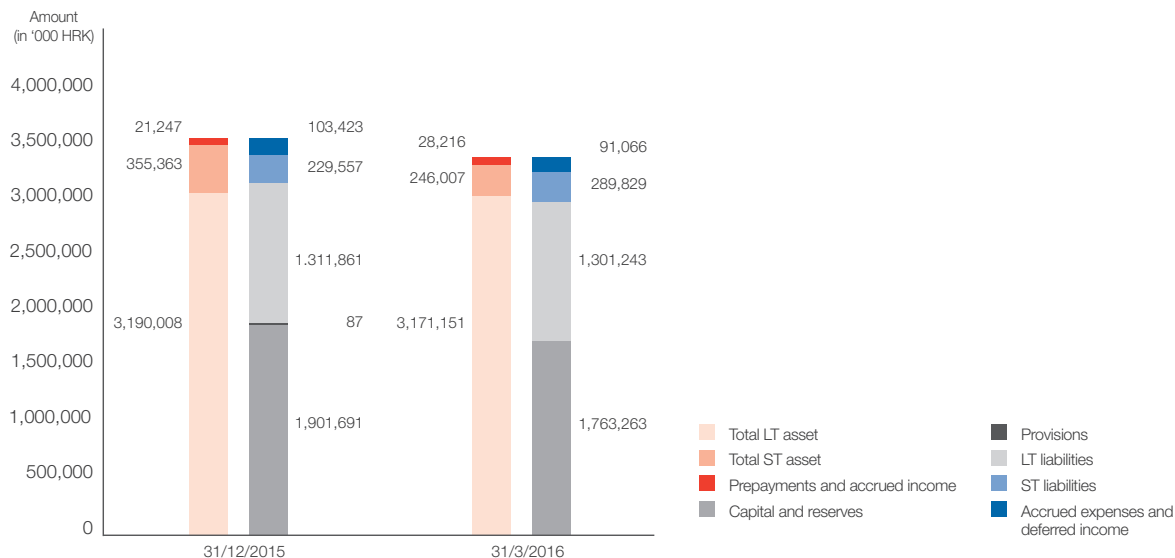
In the first quarter of 2016, financial income amounted to HRK 33.7 million and was HRK 29.3 million above the same period last year. The biggest growth item are interest income, foreign exchange differences, dividends, and similar income from operations with third parties, recording a HRK 21.2 million growth. As a result of the kuna strengthening by 2% in relation to euro in the first quarter of 2016, foreign exchange gains from settling unrealised balance sheet items have recorded the highest growth to the amount of HRK 20.2 million. This has led to a decrease in liabilities denominated in euro and

disclosed in kuna in the balance sheet. Other financial income is HRK 8.1 million higher, mainly as a result of the revenue from selling portfolio shares to the amount of HRK 7.8 million.

Financial expenses amount to HRK 15.7 million and are HRK 17.2 million below the same period last year. Interest expenses and foreign exchange differences record a HRK 19.1 million decrease. The valuation of contracted IRSs and forwards at the end of the first quarter has resulted in HRK 0.8 million additional financial expenses. Other financial expenses are up HRK 1.2 million. The most significant change compared to the same period last year are foreign exchange losses recording a HRK 22.9 million decrease as a result of the mentioned kuna strengthening in relation to euro. A HRK 3.1 million increase in interest expenses in the first quarter of this year is a result of (i) an increase in credit debt driven by the withdrawal of funds from granted credit lines for financing the 2014/15 investment cycle; (ii) a new borrowing for financing the Baška acquisition in the fourth quarter of 2015; and (iii) the Baška companies consolidation.

<sup>11</sup> Classified according to the Quarterly Business Financial Statement (TFI POD-RDG)

## Assets and liabilities



As at 31 March 2016, the total value of the Group's assets is 3.4% lower compared to 31 December 2015. The reason for the decrease in the value of assets and other balance sheet items should be considered in the context of the usual operating volume decrease in the first quarter of the year.

The total share capital and reserves have decreased from HRK 1,902 million to HRK 1,763 million, mostly as a result of the generated loss adjusted for the acquisition of treasury shares.

Total non-current liabilities are 2.3% lower, amounting to HRK 1,301.2 million as at 31 March 2016, mainly as a result of the earlier mentioned foreign exchange gains.

Total current liabilities amount to HRK 289.8 million and are 26.3% higher compared to 31 December 2015. This comes from normally higher advances received from customers (HRK 59.3 million) and trade payables (HRK 32.2 million).

Cash and cash equivalents as at 31 March 2016 amount to HRK 192.4 million. Their decrease, compared to the end of 2015, being a result of the usual outflows associated with the preparation of the tourist season. Cash and cash equivalents position indicates a strong further cash potential from operating activities, which, together with external borrowing, provides for a smooth continuation of future investing activities.

## Key operating indicators of Valamar Riviera Group per destinations<sup>12</sup>

DESTINATION	Poreč			Rabac			Krk <sup>13</sup>			Dubrovnik		
	1 - 3/2015	1 - 3/2016	2016/2015	1 - 3/2015	1 - 3/2016	2016/2015	1 - 3/2015	1 - 3/2016	2016/2015	1 - 3/2015	1 - 3/2016	2016/2015
Number of accommodation units (capacity)	10,390	10,632	2.3%	1,913	2,065	7.9%	1,800	3,414	89.7%	1,953	1,961	0.4%
Accommodation units sold	16,089	28,201	75.3%	1,845	3,413	85.0%	22	1,596	7,154.5%	5,831	28,072	381.4%
Overnights	36,523	47,271	29.4%	3,235	6,507	101.1%	44	1,188	2,600.0%	9,236	33,835	266.3%
ADR <sup>8</sup>	342	353	3.2%	341	435	27.6%	6,973	227	-96.7%	454	536	18.0%
Board revenues (in HRK)	5,506,372	9,960,652	80.9%	629,351	1,485,480	136.0%	153,406	362,570	136.3%	2,649,771	15,034,100	467.4%

## Key operating indicators of Valamar Riviera Group per products<sup>12</sup>

PRODUCT	Hotels and resorts 4* and 5* <sup>13</sup>			Hotels and resorts 2* and 3* <sup>13</sup>			Campsites		
	1 - 3/2015	1 - 3/2016	2016/2015	1 - 3/2015	1 - 3/2016	2016/2015	1 - 3/2015	1 - 3/2016	2016/2015
Number of accommodation units (capacity)	2,734	3,254	19.0%	4,348	4,711	8.3%	8,938	10,107	13.1%
Accommodation units sold	14,775	45,689	209.2%	8,853	9,003	1.7%	/	/	/
Overnights	25,167	67,449	168.0%	23,438	18,137	-22.6%	/	/	/
ADR <sup>8</sup>	461	503	9.1%	186	349	87.6%	/	/	/
Board revenues (in HRK)	6,815,225	22,970,867	237.1%	1,648,940	3,141,606	90.5%	474,735	730,330	53.8%

All Valamar Riviera's destinations and products have recorded higher board revenues. The most significant impact is exercised by the Dubrovnik and Poreč destinations in the 4\* and 5\* hotels and resorts segment. At the Dubrovnik destination, the number of overnights is 24,599 above the comparable period last year, with board revenues being up HRK 12.4 million. At the Poreč destination, board revenues are up HRK 4.5 million. The 4\* and 5\* hotels and resorts segment has recorded in total HRK 16.2 million higher board revenues. Excellent results come from the optimised sales mix, an excellent response to marketing activities, early Easter holidays, and the successful realisation of M.I.C.E. events in Dubrovnik. This has allowed for facilities to stay open longer, which, together with a high occupancy levels, has had a direct impact on the growth of board revenues and operational efficiency.

The Valamar Diamant 4\* hotel is to be given the greatest credit for the 81% increase in board revenues at the Poreč destination. Staying open for additional 55 days and high occupancy levels have

resulted in a 135% increase in board revenues. More than a half of overnights have been realised through the allotment channel, the largest share being the Slovenian market. The remaining part were mostly groups. Sports groups mostly comprised cyclists, tennis players, and other groups using the sports hall. Leisure group were mostly youth groups and therapy groups.

Valamar Lacroma 4\* and Valamar Dubrovnik President 5\* hotels have had the strongest impact on the growth in the number of overnights and average daily rate at the Dubrovnik destination. High occupancy levels and staying open additional 37 days for the Valamar Lacroma 4\* hotel and additional 60 days for the Valamar Dubrovnik President hotel have resulted in HRK 11.5 million board revenues. This is mainly a result of M.I.C.E. events, i.e. organisation of the "Global Training Experience" by Daimler AG – Mercedes-Benz, which started on 8 February 2016. Together with the Valamar Diamant 4\* hotel in Poreč, they were the primary driver of the board revenues growth in the 4\* and 5\* hotels and resorts segment.

Valamar Diamant 4\*, Valamar Crystal 4\*, Valamar Zagreb 4\*, and Valamar Riviera 4\* hotels at the Poreč destination, as well as Valamar Casa & Sanfior 4\*, Miramar 3\*, and Allegro 3\* hotels at the Rabac destination had an excellent booking during the New Year holidays. The segmentation of the Valamar's offer for sportspersons, both amateurs and professionals, has led to an increased inflow of sports groups to 3\* hotels during Easter holidays, thus contributing the most to the growth of hotels and resorts 2\* and 3\*.

In the first quarter, campsites generally do not provide accommodation services and their business operations are mostly related to revenues from wintertime lump sum. Revenues achieved at the Krk destination come mostly from wintertime lump sum in campsites and from campsite Ježevac 4\* as it is opened from 25 March 2016.

<sup>12</sup> According to the classification under the USAJI international standard for reporting in hotel industry (Uniform System of Accounts for the Lodging Industry).

<sup>13</sup> Business operations of Baška companies are included for the period January – March 2016, but not in the comparable period of 2015. Note: Hoteli Baška's

properties were closed and didn't realized board revenues during the first quarter of 2016. Products are classified based on the obtained categorization.

## RESULTS OF THE COMPANY

We are emphasising that the data provided in the current quarterly financial statements are not fully comparable to the data from the previous year on grounds of the described merger processes. The items in the previous period until the merger date in February 2015, do not include the data for the merged company Valamar hoteli i ljetovališta d.o.o. All significant changes in the financial statements of the Company should be observed as a result of the transaction concerned in the previous period.

In the period from 1 January 2016 to 31 March 2016, total revenues increased have by HRK 29 million to HRK 81.5 million. Sales revenues amount to HRK 46.1 million, accounting for 57% of total revenues (33% in 2015). They are HRK 26.2 million above the same period last year. Other operating income, amounting to HRK 4.3 million and being 37% lower, accounts for 5.3% of total revenues (13% in 2015). The decrease is primarily driven by the absence of last year's non-reversal of provisions for paid termination benefits.

Material costs are flat to last year, amounting to HRK 37.5 million and accounting for 24% of operating expenses (26% in 2015).

Staff costs amount to HRK 42.9 million, accounting for 28% of operating expenses (23% in 2015). They are HRK 9.2 million above the same period last year. The increase in staff costs is mostly related to a higher operating volume, the takeover of employees from merged companies, and, to a lesser extent, an increase in employees' salaries.

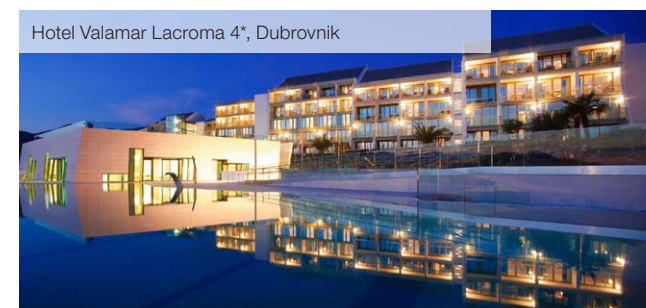
Company's financial income amounts to HRK 31.1 million, making it HRK 2.7 million higher compared to the same period last year. The biggest growth item is interest income, foreign exchange differences, dividends, and similar income from operations with third parties, recording a HRK 19.1

million growth. Foreign exchange gains from settling unrealised balance sheet items have recorded the highest growth, amounting to HRK 18.4 million owing to the strengthening of kuna by 2% in relation to euro in the first quarter of 2016. This has led to a decrease in liabilities denominated in euro and disclosed in kuna in the balance sheet. In the first quarter of 2016, there was no dividend revenue from the subsidiary Valamar hoteli i ljetovališta d.o.o. as it was merged to Valamar Riviera by the end of February 2015. Other financial income is HRK 7.7 million higher, mainly as a result of the revenue from selling portfolio shares to the amount of HRK 7.4 million.

In the first quarter of 2016, financial expenses amounted to HRK 12.8 million and were HRK 19.3 million below the same period last year. Interest expenses and foreign exchange differences record a HRK 20.3 million decrease. The most significant change compared to the same period last year are foreign exchange losses recording a HRK 22.9 million decrease. A HRK 1.8 million increase in interest expenses in the first quarter of this year is a result of an increase in credit debt driven by (i) the withdrawal of funds from granted credit lines for financing the 2014/15 investment cycle, as well as (ii) the debt increase for financing the acquisition of Baška companies approved in the fourth quarter of 2015.

A good response to marketing and sales activities and the successful realisation of M.I.C.E. events have resulted in increased operational efficiency of business activities. In the period under consideration, loss before tax decreased by HRK 37.0 million to HRK 87.3 million. Operating loss decreased by HRK 15.0 million to HRK 105.5 million. The Company's gross margin is -173% (-514% in 2015).

As at 31/03/2016, the Company's total assets amount to HRK 3,448 million, which is HRK 107.2 million below the previous period.



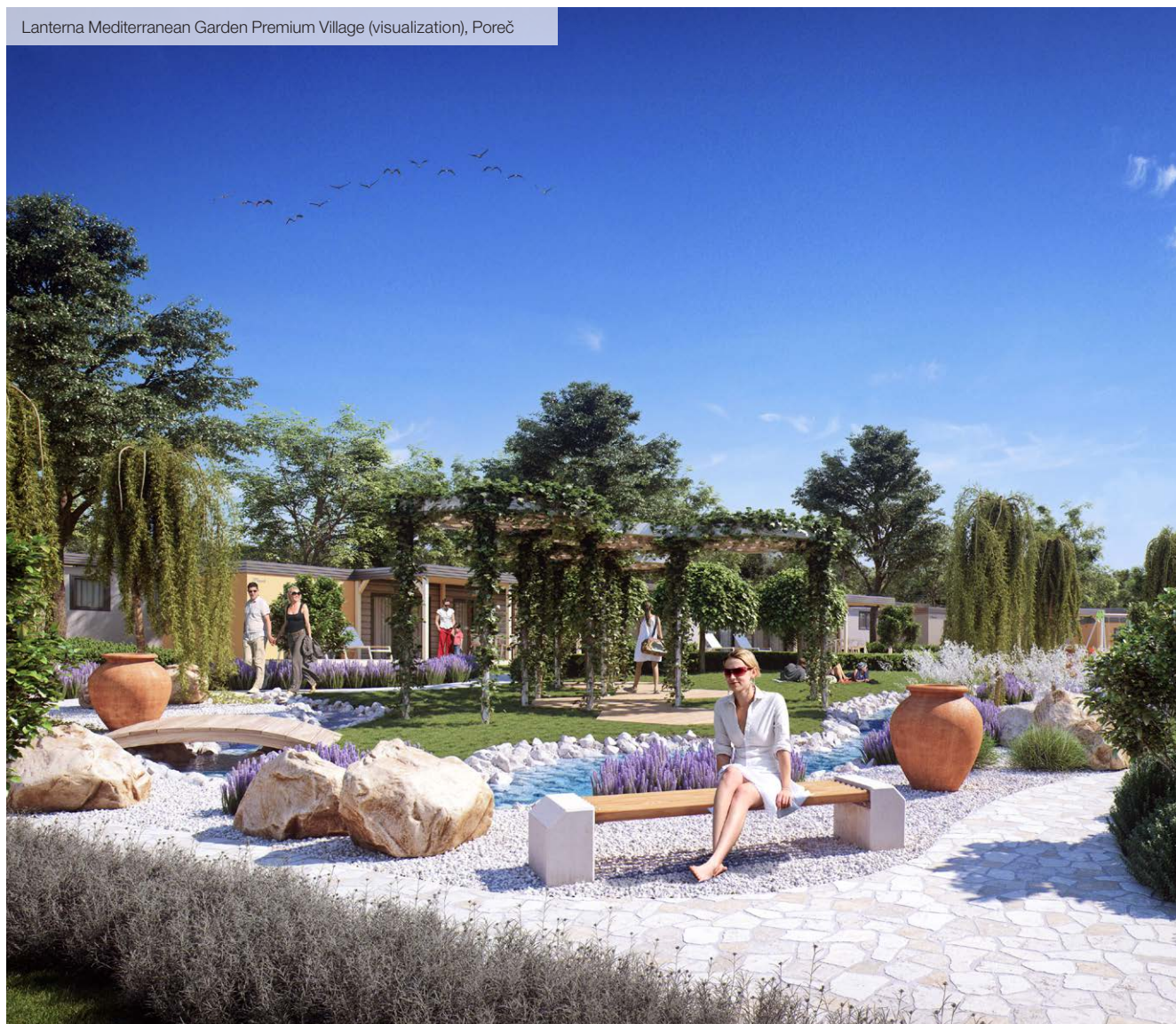
## INVESTMENTS

In 2016, investments worth more than HRK 260 million<sup>14</sup> are focused on further increasing the quality of its portfolio of hotels, apartments, and campsites. More than 50% of total 2016 investments is earmarked for developing accommodation, services, and contents in campsites operating under the Camping Adriatic by Valamar brand.

With an almost HRK 34 million worth investment cycle, the Krk campsite will become the first five-star campsite in the Republic of Croatia. It is a unique, eco-friendly family camping resort and one of the three Croatian member campsites of the prestigious "Leading Campings of Europe" association. Its distinguishing features are a swimming pool with heated water, a wellness oasis, a promenade with entertaining contents, a children's swimming pool, a children's water playground, and completely refurbished toilet facilities. Its rich offer also includes Maro Mini and Midi clubs for younger children, as well as Teens Club and Hobby Club for older children. The campsite will also offer new accommodation capacities under the name Bella Vista Premium Village, comprising 63 designed mobile homes with a view of the sea. Special attention is paid to energy efficiency and sustainable development. The campsite has a unique system for waste water purification and landscape irrigation by utilising purified waste water. More than 300 trees have been planted. The beach is marked by the Blue Flag.

A HRK 87 million investment will raise the Lanterna campsite category from 3 to 4 stars. Lanterna campsite is the leading Istrian campsite, also a member of the "Leading Campings of Europe" association. We continue investing in the completion of the Istrian Village project which will

Lanterna Mediterranean Garden Premium Village (visualization), Poreč



<sup>14</sup> A portion already recorded in 2015.

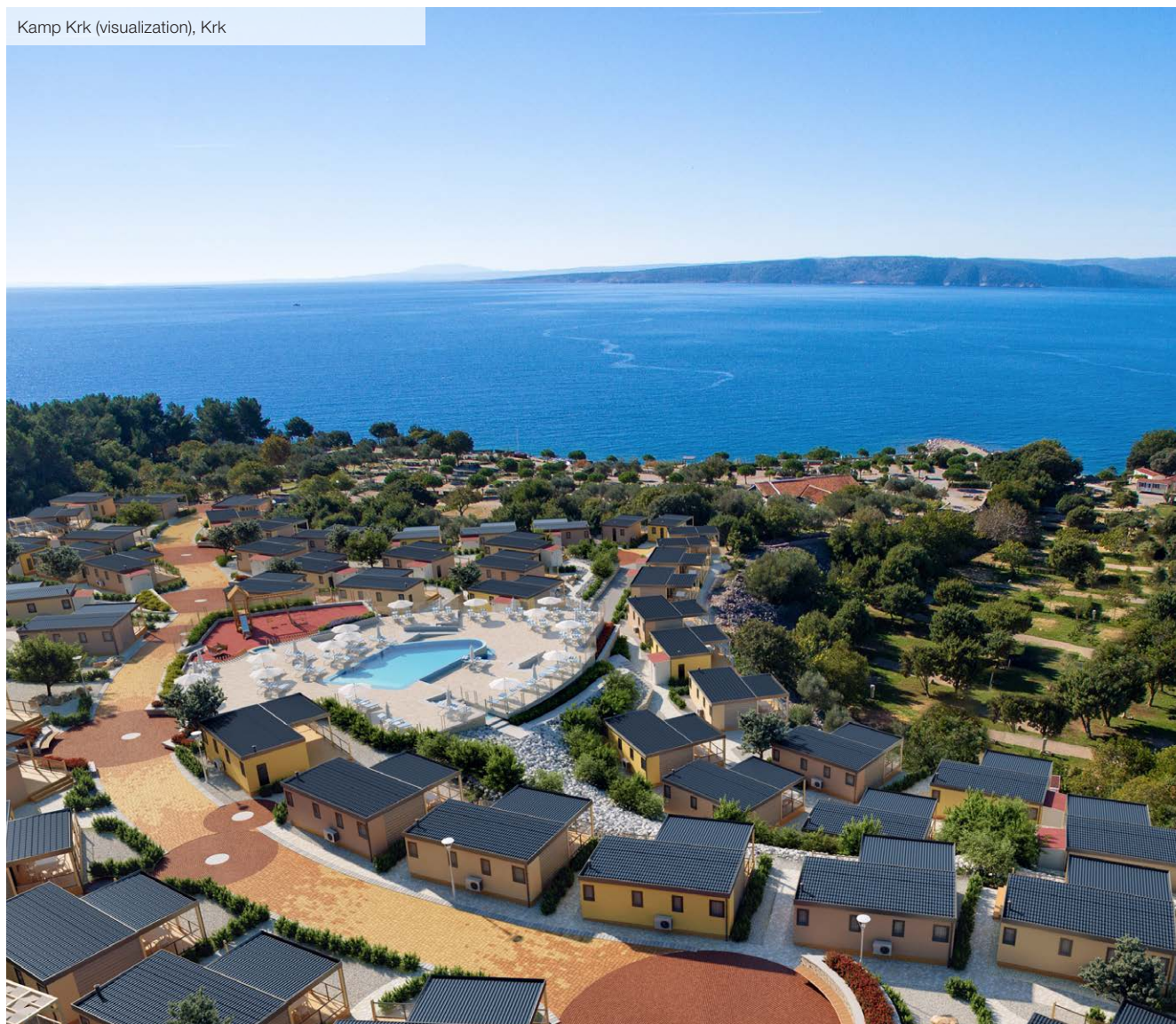
get new accommodation capacities. The accommodation offer will be improved with innovative accommodation units for those who love luxurious camping, i.e. Glamping, as well with two completely new thematic accommodation zones with 119 new mobile homes in total. A number of plots will be renovated, while the campsite's landscape will be given a new appearance and the campsite will have a refurbished reception area, a new sand beach Adria with a beach bar, new Cafe Belvedere, and other contents. The guests of this campsite will be able to enjoy a new aqua park with a 1,350 m<sup>2</sup> surface area, four swimming pools, a multitude of slides, and other attractions for children. The main swimming pool located near the beach will be renovated as well, and two toilet facilities will be refurbished. Investments are also being made with a view to increasing the quality of other campsites on the island of Krk, in Istria, and in Dubrovnik by improving accommodation, beach offer, and hospitality contents.

The camping segment has a potential to develop into innovative camping resorts, i.e. resorts offering higher value-added accommodations and services aiming at high-end customers. Such projects are still difficult to develop as the issue of tourism land has not been resolved yet, and thus Valamar Riviera is still restricted to partial investments in campsite premises and contents. The resolving of tourism land concessions would release a potential for stronger repositioning of campsites both in the Valamar Riviera's portfolio and the entire Croatia. This would place campsites at a high competitiveness level compared to the best camping resorts in Europe.

A HRK 12 million investment continues developing the last year's successful project Isabella Island Resort in order to raise the quality of a part of products and services to a five-star level (Miramare annex, castle, and 7 villas).

This year, Valamar Riviera has also enriched its hospitality offer. Completely renovated restaurants ex. Slavija (new contents: restaurant "La Pentola II", alehouse "Bier Garten", and the beach club,) Delfin, and Orsera, will be made

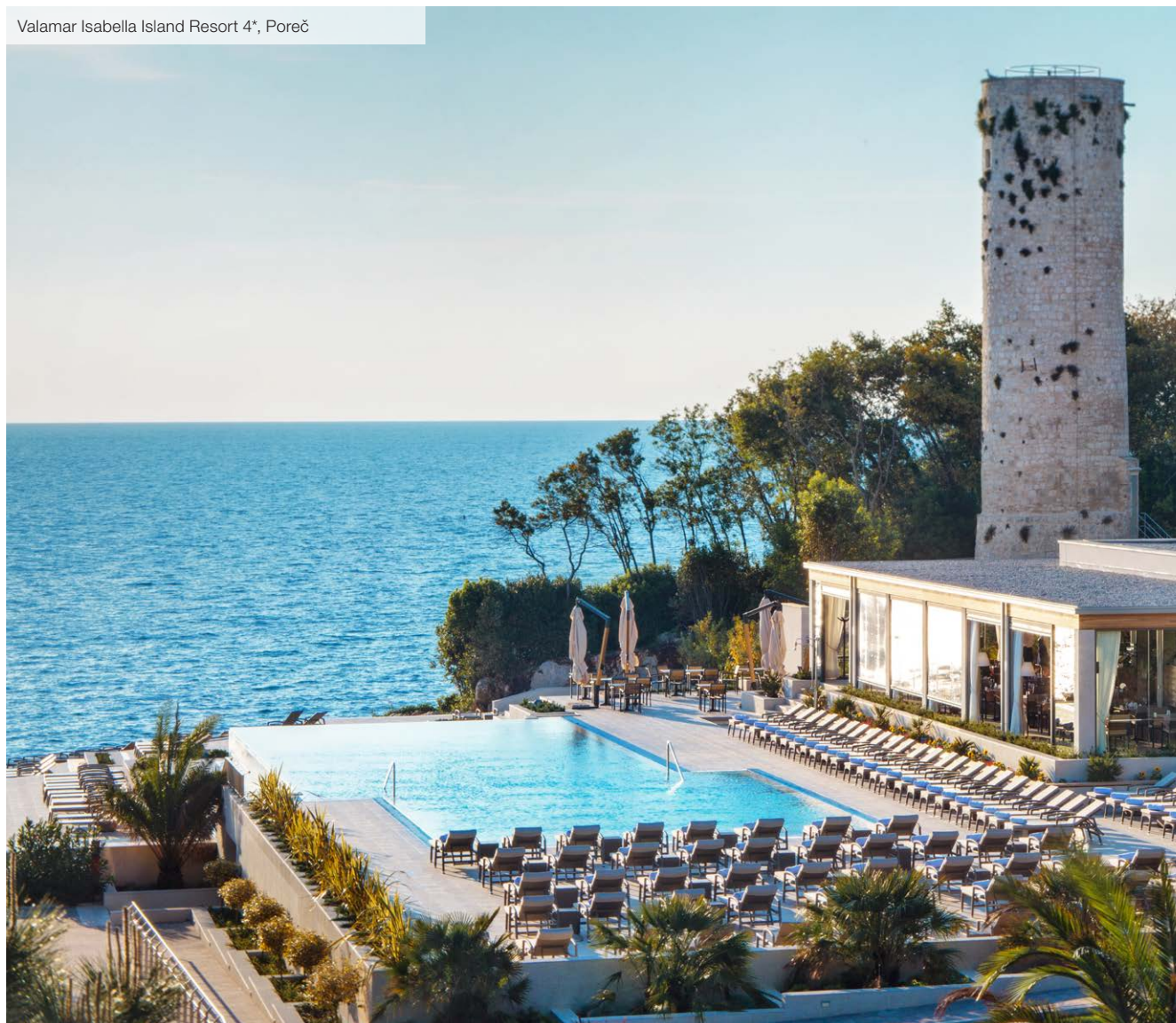
Kamp Krk (visualization), Krk



available to guests. A range of other projects, which will considerably increase the quality of offer and experience at all destinations by generating new contents and improving the existing ones, is also in the pipeline. Among a number of projects, the Valamar Diamant 4\* hotel's sports hall will be adopted into a multifunctional hall for sports and other events. We will continue further investments in beaches, personal accommodation improvements, IT and business digitalisation projects, technological processes and energy savings in laundry rooms, and other energy efficiency related projects.

Valamar Riviera has been continuously working to prepare 2017 projects at all destinations where it runs its business operations. By continuously raising the quality of portfolio facilities, services, and contents, we are creating the basis for generating added value both for our guests and for all Valamar Riviera's stakeholders. A VAT rate at the level of those applied in the Mediterranean countries and the resolution of the tourism land issue would contribute to an additional acceleration of investments, as well as to the growth and development of the entire tourism sector. Unfortunately, the tourism is still not sufficiently recognised as an opportunity for the Croatian economy. Apart from the existing financing programmes provided by Croatian Bank for Reconstruction and Development, there are no other measures that would significantly accelerate growth and development and thus provide for a level playing field for the Croatian tourism and the tourism in other Mediterranean countries.

Valamar Isabella Island Resort 4\*, Poreč



## THE RISKS OF THE COMPANY AND THE GROUP

### Macro-economic development risk

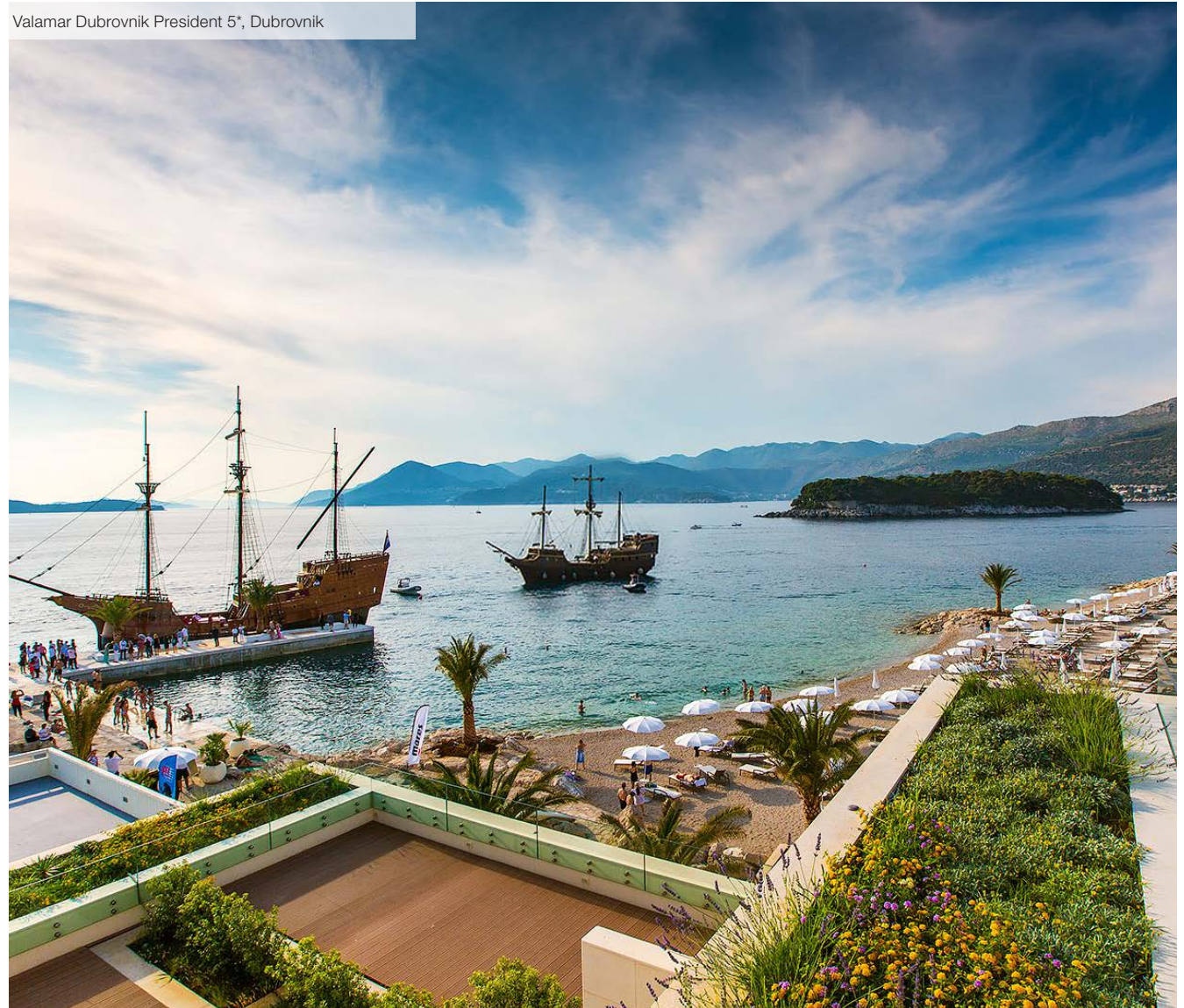
Bearing in mind the fact that almost 95% of the Company and Group's guests are foreign guests who carefully choose their vacation destination in the competitive Mediterranean environment, the stability of a country's macro-economic indicators is very important, with special emphasis being given to the exchange rate and prices of goods and services with a direct impact on guests' purchasing power. Although smaller in share, the number of arrivals of domestic guests to the Company and Group's facilities is important as well, and also impacted by a number of other national macro-economic indicators, such as employment/unemployment, domestic gross product increase/decrease, industrial product increase/decrease, as well as other indicators having a direct impact on the purchasing power of the Croatian citizens and, consequently, on their decision at which of the Adriatic destinations to spend their summer vacation.

### Risk related to the change of tax and other regulations

The risk related to the change of tax and other regulations is another significant risk for the Company and the Group and one of the more demanding segments of risk management with only limited possibilities for the Company and the Group. During previous years, frequent changes of tax regulations had a negative impact on the profitability of the Company and the Group, the most significant being:

- Increase of the general value added tax (hereinafter: VAT) rate from 23% to 25% (March 2012) decrease of the intermediate value added tax rate from 25% to 10% (January 2013) followed, within a period of one year, by the increase of the intermediate value added tax rate in the hospitality and tourism industry from 10% to 13% (January 2014);

Valamar Dubrovnik President 5\*, Dubrovnik





- Decrease of the health contribution rate from 15% to 13% (May 2012), followed after two years by the increase from 13% to 15% (April 2014);
- Frequent increases of various charges for water etc.

Such frequent changes of regulations related to tax levies imposed on the economy, which often take place after the Company and the Group have already adopted their business policy and the budget for the following year and agreed on commercial terms and conditions with their business partners, materially distort the financial position of the Company and the Group and jeopardise further investment plans, and thus the trust of investors.

The Company and the Group are also exposed to the risks of potential change of regulations concerning concessions and concession approvals, i.e. concession fees for the use of maritime domain, but also concession fees for the use of touristic land, the area which has not been regulated until the present day. Namely, in view of the core business of the Company and the Group, the right of use of maritime domain and touristic land is one of the significant conditions of further business operations, particularly in campsites.

### Financial risks

In their day-to-day operations and activities undertaken, the Company and the Group are exposed to a number of financial risks, in particular to the following ones:

- 1) Foreign exchange risk;
- 2) Interest rate risk;
- 3) Price risk;
- 4) Credit risk; and
- 5) Liquidity risk.

The Company and the Group hedge interest rate and foreign exchange risks by applying instruments available in the market in order to mitigate these risks. Internal risk management objectives and policies refer to the protection of foreign exchange inflows during seasonal activity and to the partial interest hedge of loan principal.

#### 1) Foreign exchange risk

The Company and the Group operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro and in a minor part in Swiss franc. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. The majority of international sale revenues are denominated in euro, with long-term debt being denominated in euro and in a minor part Swiss franc. Accordingly, movements in exchange rates between the euro, Swiss franc and Croatian kuna may have an impact on the results of future operations and future cash flow. The Company and the Group make use of derivative instruments in accordance with operating estimates and expected market developments. Given that the inflow is to a large extent denominated in euro, as well as the majority of credit liabilities, the Company and the Group are to the largest extent naturally hedged.

#### 2) Interest rate risk

Bank debentures committed at variable rates expose the Company and the Group to cash flow interest rate risk. The Company and the Group periodically use derivative instruments to actively hedge cash flow and fair value interest rate risk exposure by applying interest rate swap from a variable rate to a fixed one. The economic effect of such interest rate swap is the conversion of credits at a variable rate into credits at a fixed rate for pre-committed part of

the loan principal protected in this way. The Company and the Group have interest-bearing assets (cash assets and deposits), resulting in the Company and Group's income and operating cash flows being influenced by changes in market interest rates. This becomes particularly evident during the season when the Company and the Group have significant excess funds at their disposal.

#### 3) Credit risk

Credit risk arises from cash, time deposits and trade receivables, where the Company and the Group have no significant concentration of credit risk. Following the sales policies of the Company and the Group, they commit to collaboration with customers with an appropriate credit history, i.e. their commitment is made conditional upon advance payments, payment of bank securities or by major credit cards (individual customers). With a view to reducing their credit risk, the Company and the Group continuously monitor their exposure to parties they operate with and their credit standing, obtain security instruments (bills of exchange, promissory notes) and thus lowering bad debt risk with regard to services provided.

#### 4) Price risk

The Company and the Group are holders of equity and debt securities and are exposed to price risk of listed equity securities. The Company and the Group do not actively participate in the capital market in terms of investments in equity and debt securities, so that the price risk of equity securities in their possession is not significant.

#### 5) Liquidity risk

Prudent liquidity risk management exercised by the Company and the Group implies maintaining at all times sufficient cash

to settle all their liabilities by developing cash flow projections at a monthly, annual and long-term basis. On top of currently available cash, the Company and the Group aim to maintain flexibility in funding by keeping committed credit lines available. Excess funds above the amount required for working capital management are invested in interest-bearing deposits, time deposits, money market deposits and marketable securities, thereby choosing instruments with appropriate maturities or sufficient liquidity in accordance with the projected needs for liquid funds.

#### 6) Share-related risks

As an asset class with the highest risk, the market value of shares can be exceptionally volatile, as it is affected by the volatility of the whole capital market, macro-economic movements on the markets in which the Company and the Group operate, discrepancies with regard to financial analysts' expectations in relation to the performance, changes in dividend policy, activities concerning mergers, acquisitions and entering into strategic partnerships, instability of the Company and Group's business model, as well as fluctuations in the financial results of the Company and Group's business operations. If the given factors have a negative connotation, there is a significant risk of share market value drop. Furthermore, there is a significant risk of investors not being able to sell their shares at any time at a fair market value.

#### Business risk

On a daily basis, the Company and the Group face business risks potentially leading the weakening of competitive strength, and thus jeopardising their further stability. In the previous period, the Company and the Group made business decisions contributing to the increase of their competitive

strength on the demanding Mediterranean market and thus improved the performance and the efficiency of their business operations, which gave rise to the expectation of continued positive trends in the future as well, subject to prudent long-term strategic management.

#### Risk related to the tourism branch of the economy

In the Republic of Croatia, tourism has been one of few growing branches of the economy during the last several years marked by the global financial crisis and economic downturn, which have had a significant impact on the Croatian economy as well. Upon joining the European Union, the Republic of Croatia's market has become a part of the large European market, while the membership of the Republic of Croatia in NATO has reduced safety risks. The Tourism Development Strategy of the Republic of Croatia until 2020 (Official Gazette No. 55/13) provides answers to the question what kind of tourism the Republic of Croatia wants and needs to develop by using its comparative advantages as well as knowledge and skills with a view to strengthening the competitive capacity of the Croatian tourism. It is important that the achieved growth rates of the Croatian tourism are maintained over the following years, an objective to be accomplished only through further strategic considerations in developing tourism products and by investing in the creation of additional values, which will differentiate Croatian tourism from its competitive environment by pointing out its uniqueness, attractiveness and quality.

Despite the improved security and political circumstance, which gave rise to the launching of investment cycles in tourism, the Croatian tourism, as one of the strategic branches of the Croatian economy, is still faced with a number of challenges and risks, such as:

- Failing competitiveness in relation the environment as a result of frequent fiscal and parafiscal regulations over which the Company and the Group exercise no influence;
- Global financial crises affecting adversely the purchase power of the population prone to travelling;
- Security and political risks related to increasing terrorism threats in the world and in the country;
- Security and political instability in the immediate environment of the neighbouring countries;
- Strong seasonality of tourism as a branch of the economy causing an insufficient utilisation of available capacities and resources of the Company and the Group.

#### Environmental risks

The performance of the Company and Group's business operations can also be affected by environmental risks, primarily with regard to customer satisfaction with the whole experience of staying in Valamar's facilities, reflecting as a result in a reduced number of arrivals. Such risks include, for example, sea water pollution (e.g. as a result of tanker breakage or discharge of chemicals into the sea), but also less intense deterioration of sea quality and shoreline pollution arising from insufficient quality of waste water management and sewage along the Croatian coast of the Adriatic Sea. Likewise, climate changes, such as long drought periods or, on the other hand, long rain periods, can also have a direct impact on how long guests stay in hotels and campsites of the Group and the Company, or can also lead to increased operating costs. This also includes various other natural disasters and adverse climatic events (such as earthquakes, fires, floods), air pollution caused by toxic gas emissions from e.g. industrial plants, etc.

## CORPORATE GOVERNANCE

The company Valamar Riviera d.d., as well as the Group, has been continuously developing and acting in compliance with the good corporate governance practice. Through its business strategy, policy, key acts, and business practice, it strives to contribute to transparent and efficient business operations and high-quality links with the environment in which it runs its operations. In 2008, the Company adopted its Code of Corporate Governance with a view to further strengthening and establishing high corporate governance standards. The Management Board fully complies with the provisions of the adopted Code. Since its shares were listed in the Official Market of Zagrebačka burza d.d., the Company has been applying the Code of Corporate Governance of Zagrebačka burza d.d. (in detail in the annual questionnaire published in compliance with the regulations).

The major direct shareholders in accordance with the data from the Central Depository and Clearing Company are listed in the table under the section "Share".

General risk management characteristics are described in the section "The risks of the Company and the Group."

There is a time limit related to the use of voting rights at the general assembly pursuant to the provisions of the Companies Act – shareholders are required to register their participation within the period stipulated by law. There is no case in which the financial right stemming from securities

would be separate from holding the securities. In the Company, there are no securities with special rights of control nor are there any voting right limitations.

The rules on the appointment and recall of members of the Management Board and members of the Supervisory Board are established by the Articles of Association, in accordance with the provisions of the Companies Act.

The Company can acquire treasury shares pursuant to the decision of the General Assembly of 17 November 2014. The rules on amending the Company's Articles of Association have been established by the Companies Act and there are no additional limitations.

The authorisations of the Management Board members are also fully in accordance with the provisions of the Companies Act.

### The corporate bodies of the Company are as follows:

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

**The Supervisory Board:** Mr. Gustav Wurmböck, President, Mr. Mladen Markoč, Vice-president, Mr. Franz Lanschützer, Vice-president, and members: Mr. Georg Eltz, Mr. Hans Dominik Turnovszky, Mr. Vicko Ferić, and Ms. Mariza Jugovac.

For a more efficient performance of its functions and duties as prescribed by the provisions of the Audit Act the Supervisory Board named:

**The Presidium of the Supervisory Board:** Mr. Gustav Wurmböck, President, Mr. Mladen Markoč, and Mr. Franz Lanschützer, Vice-president.

**The Audit Committee:** Mr. Georg Eltz, President, and members: Mr. Franz Lanschützer, Mr. Mladen Markoč, Mr. Vicko Ferić, and Mr. Dubravko Kušeta.

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

The Management and the Supervisory Boards primarily act through meetings and by making correspondent decisions, in accordance with effective regulations and Company's bylaws.

## RELATED-PARTY TRANSACTIONS

The transactions with related parties within the Group are effected at regular commercial terms and conditions and at market prices.

In the period under consideration, revenues resulting from related-party transactions amounted to HRK 306 thousand (in 2015: HRK 24.6 million) for the Company, and HRK 5 thousand (in 2015: HRK 4 thousand) for the Group, while expenses amounted to HRK 7.7 million (in 2015: HRK 10.7 million) for the Company, and HRK 315 thousand (in 2015: HRK 127 thousand) for the Group.

Balances of related-party receivables and liabilities as at 31 March 2016 amounted to: HRK 158.3 million<sup>15</sup> receivables for the Company (at the end of 2015: HRK 165.0 million<sup>15</sup>, and HRK 1 thousand for the Group (at the end of 2015: HRK 2 thousand); HRK 225 thousand liabilities for the Company (at the end of 2015: HRK 306 thousand), and HRK 101 thousand for the Group (at the end of 2015: HRK 405 thousand).

Please note that pursuant to the Hotel Management Contract, from 2004 to 27 February 2015, the Company entrusted the management of its hospitality properties to the leading hospitality management company in Croatia, Valamar hoteli i ljetovališta d.o.o. The services concerned included the management of hotels and other tourism facilities and services, the laundry and other centralised tourism functions, such as procurement, technical maintenance, marketing, sales, human resources, IT, etc. The merger of Valamar hoteli i ljetovališta d.o.o. to the Company (described under Significant Business Events) will contribute to a further increase in operational efficiency.

## BRANCH OFFICES OF THE COMPANY

On 2 September 2011, the establishment of branch offices was entered in the court register as follows: Branch Office for Tourism RABAC, with registered office in Rabac, Slobode 80, and Branch Office for Tourism ZLATNI OTOK, with registered office in Krk, Vršanska 8. On 4 October 2013, the establishment of the Branch Office for Tourism DUBROVNIK-BABIN KUK, with registered office in Dubrovnik, Dr. Ante Starčevića 45, was registered, and on 1 October 2014, the Branch Office for Business and Management Consulting ZAGREB, with registered office in Zagreb, Miramarska cesta 24.

The Branch Offices Rabac, Zlatni otok and Dubrovnik-Babin kuk, as economic drivers of their local communities, continue to operate at their destinations supporting their development by further investments, tourism development and participation in social and business activities.

<sup>15</sup> For the most part refers to the re-invoiced amount arising from the investment made in the reconstruction and upgrading of the hotel Valamar Lacroma owned by subsidiary Elafiti Babin-kuk d.o.o.

## SHARE

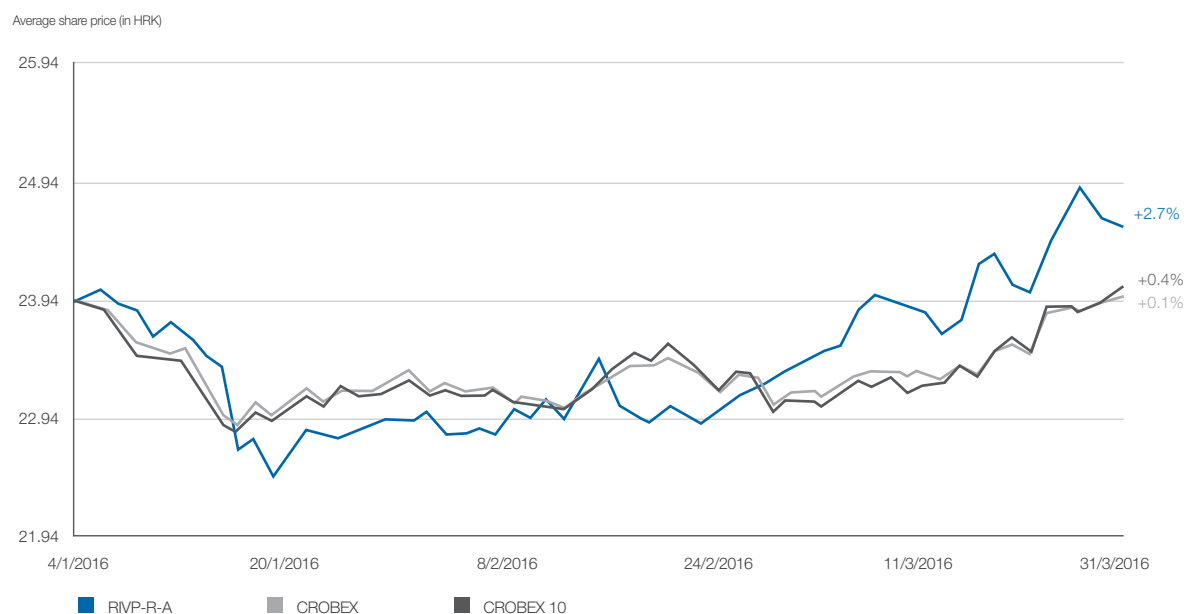
In 2016, the Company acquired 1,439,555 treasury shares on the regulated market, at the total acquisition cost of HRK 35,659,598. The acquisition concerned makes 1.14% of the registered capital. On 31 March 2016, the Company held in total 2,843,949 treasury shares, or 2.26% of the registered capital.

In the period from 1 January 2016 to 31 March 2016, the highest recorded share price in regular trading on the regulated market was HRK 24.97, while the lowest was HRK 22.30. The Company's share price increased by 2.7%, exceeding both CROBEX and CROBEX 10 indices development, which recorded a modest growth of 0.1%, respectively 0.4%. With the regular trading turnover of HRK 773 thousand a day<sup>16</sup>, the Valamar Riviera's share is among the 3 most frequently traded shares on the Zagreb Stock Exchange. Apart from the Zagreb Stock Exchange indices, the share makes a component part of the Vienna Stock Exchange indices (CROX<sup>17</sup> and SETX<sup>18</sup>).

Zagrebačka banka d.d. and Interkapital vrijednosni papiri d.o.o. perform specialist tasks of ordinary shares of the Company listed in the Official Market of Zagrebačka burza d.d. They provide support to Valamar Riviera's share turnover, which in the period under consideration was 32.8% on average<sup>19</sup>.

The Company actively holds meetings and conference calls with domestic and foreign investors, thus providing support to high-level transparency, creation of additional liquidity, increase of share value, and involvement of potential investors. In pursuing such an approach, Valamar Riviera can contribute to further growth of the Company's value for the benefit of all stakeholders, with a view to making the Valamar Riviera's share recognisable as the leading Croatian tourism share.

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



Analytical coverage of Valamar Riviera is provided by:

- 1) Alta invest d.d., Ljubljana;
- 2) ERSTE bank d.d., Zagreb;
- 3) Hypo Alpe-Adria-Bank d.d., Zagreb;
- 4) Interkapital vrijednosni papiri d.o.o., Zagreb;
- 5) Raiffeisenbank Austria d.d., Zagreb;
- 6) UniCredit Group - Zagrebačka banka d.d., Zagreb.

<sup>16</sup> Block transactions are excluded from the calculation.

<sup>17</sup> Croatian Traded Index (CROX) is a capitalization-weighted price index and is made up of 12 most liquid and highest capitalized shares of

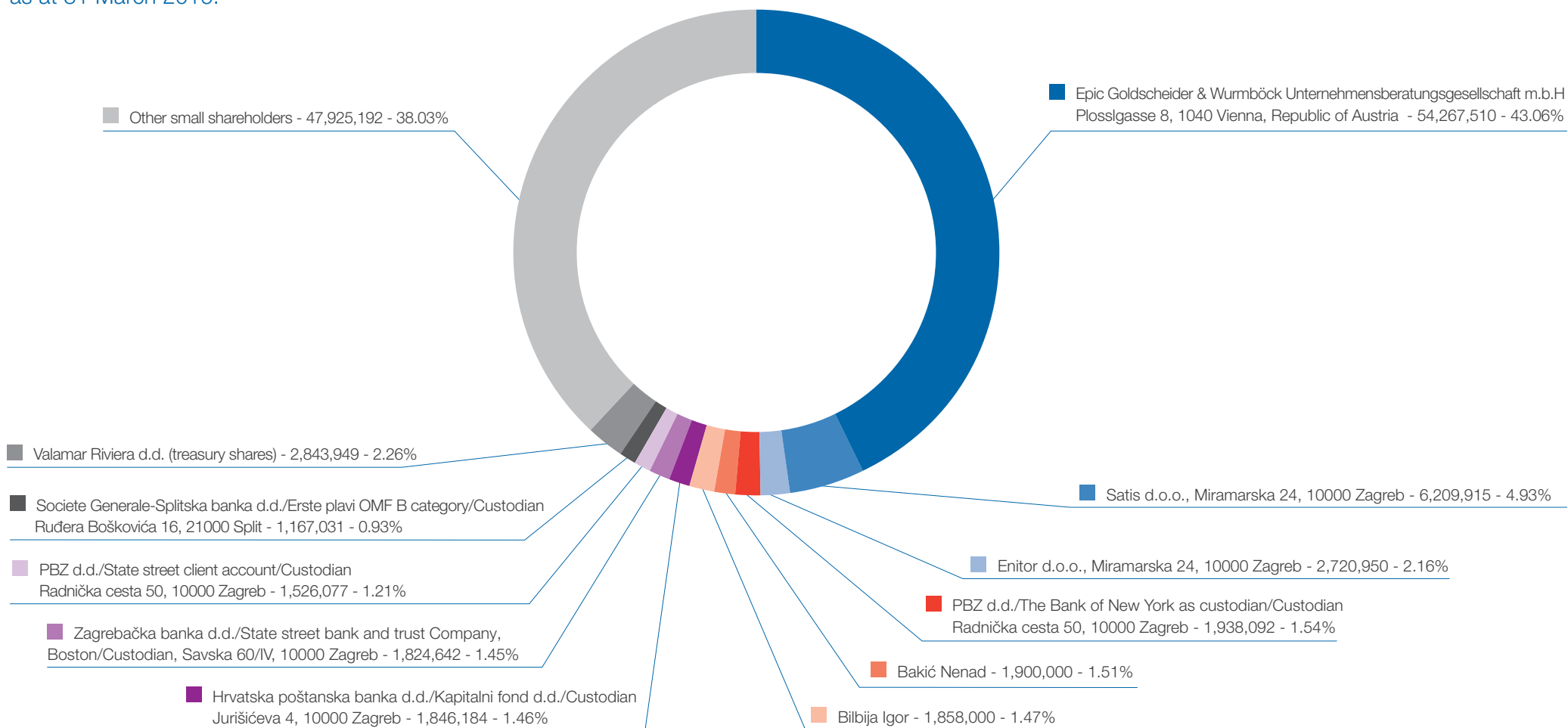
Zagreb Stock Exchange.

<sup>18</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>19</sup> Block transactions are excluded from the calculation. Data refers to the period 1/1 - 31/3/2016.

Overview of major shareholders  
as at 31 March 2016:



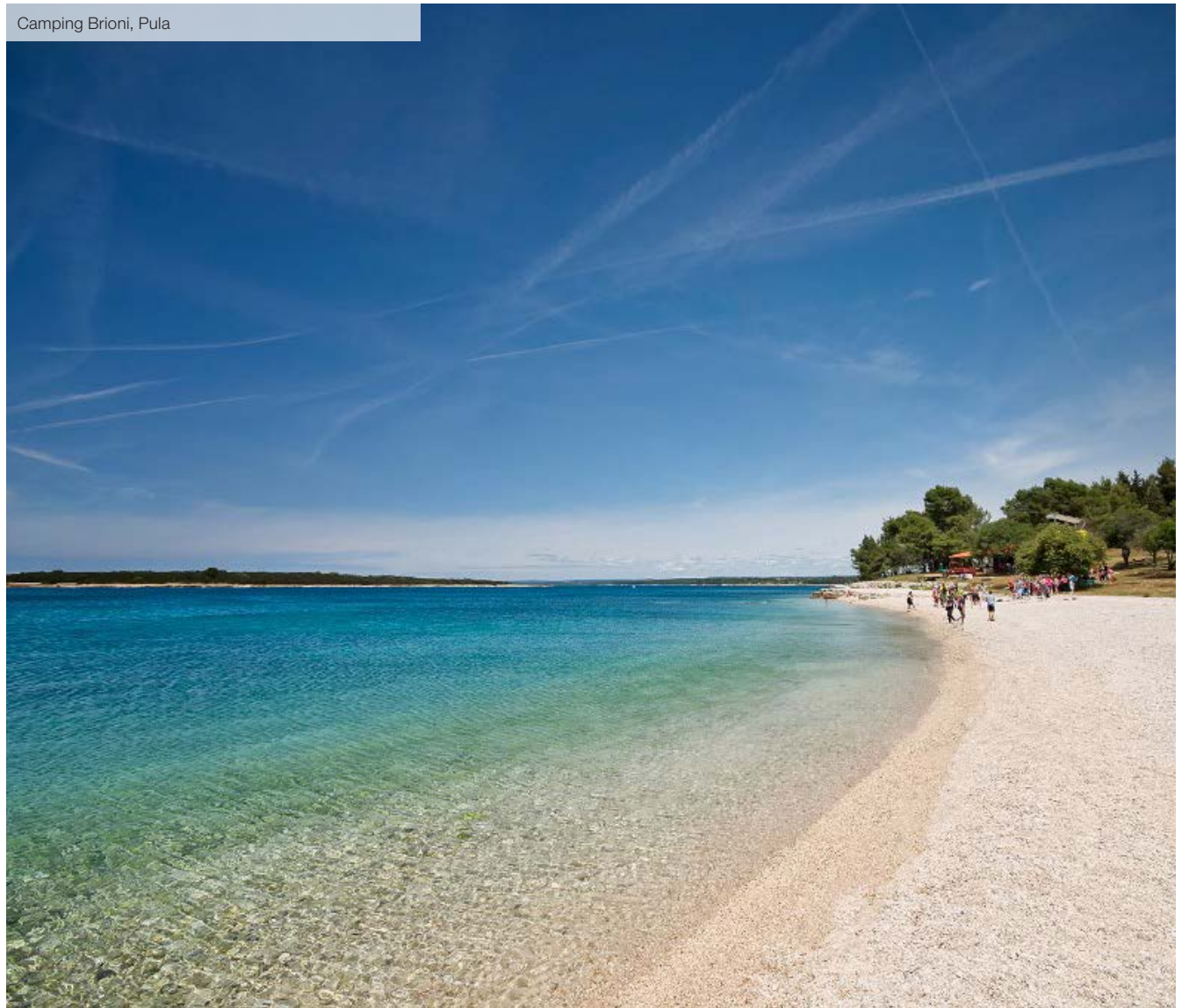
## CORPORATE SOCIAL RESPONSIBILITY

Valamar Riviera's corporate social responsibility is part of a 60-year long tradition. Accordingly, in March 2016, the Company became a member of the Croatian Business Council for Sustainable Development. Membership in this respectable body is a proof of Valamar Riviera's orientation towards sustainable business operations. Sustainability is a key platform ensuring long-term growth of the company's value and the overall development of business operations in tourism. Through its day-to-day business operations, Valamar Riviera assumes responsibility towards guests, employees, partners, investors, shareholders, local community, and the environment.

The development of corporate social responsibility is focused on the education and development of employees, destination development, investments in the local community and care of deprived segments of society, systematic approach to environmental protection, and business and communication transparency in relations with shareholders.

In the first quarter of 2016, Valamar Riviera developed a corporate social responsibility strategy. Eight umbrella programmes were established focusing on enrichment of the tourism offer, development of culture, arts, and sports, environmental protection, knowledge improvement in tourism, local community development, and support to the deprived. Valamar Riviera has been actively working on preservation of natural resources, development of employees, and steering the young towards building a career in tourism. The Company has been developing high-quality contents, authentic experiences, and local culture at destinations, thus motivating its partners and

Camping Brioni, Pula

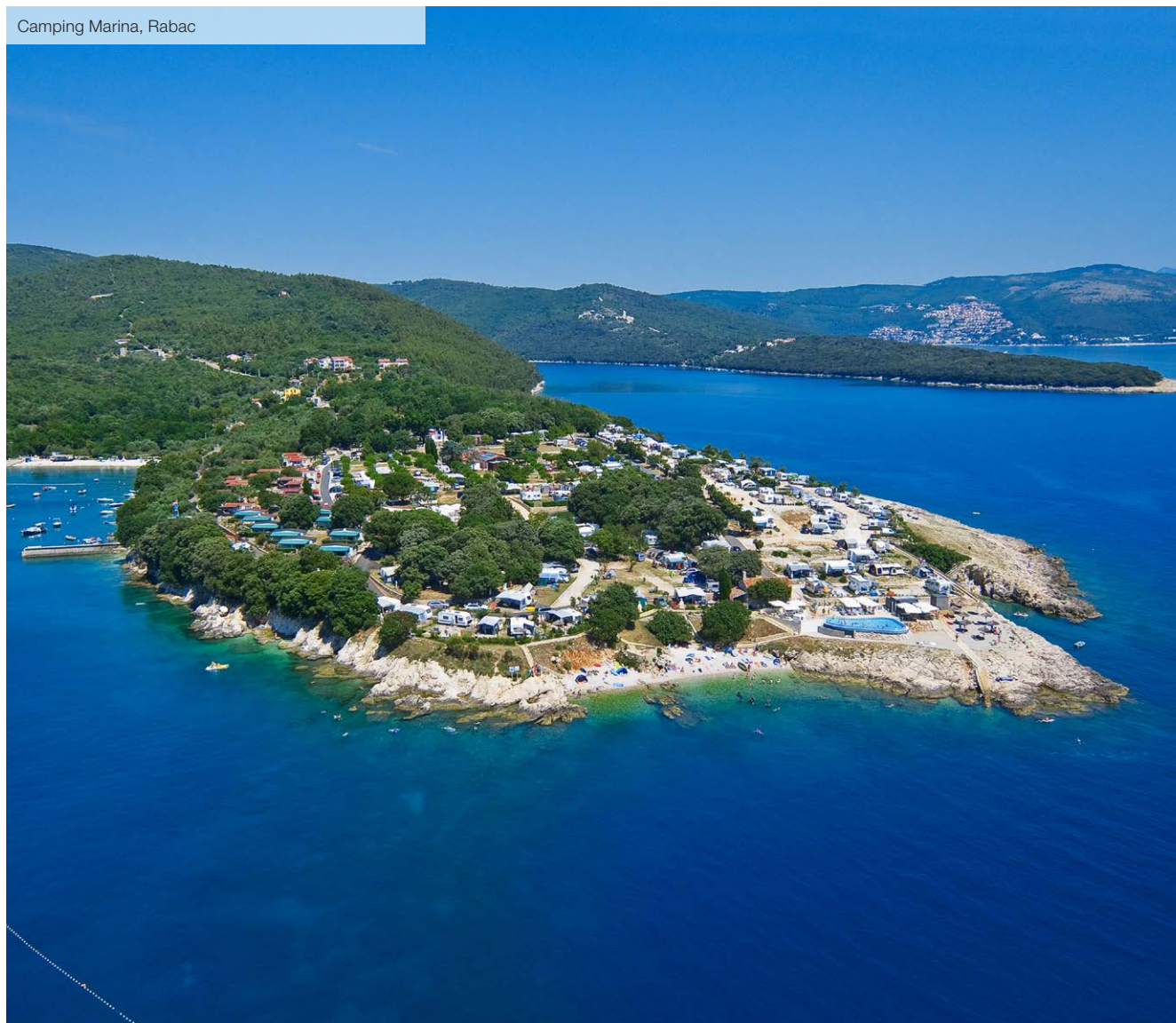


suppliers to pursue socially responsible business operations. For the third year in a row, the project “A thousand days at the Adriatic Sea” is implemented in support of the work of institutions and associations for children with special needs and without proper parental care. Moreover, in 2016, for the third time in a row, the “We love the Adriatic Sea” project is implemented, primarily focusing on beach cleaning projects at the destinations where Valamar runs its business operations. At the beginning of this year, Valamar Riviera opted for a unique product on the domestic market. It is ZelEn, the project of obtaining electricity exclusively from renewable sources. ZelEn is intended exclusively for HEP Opskrba’s clients who have decided to apply corporate social responsibility, environmental care, and the use of energy from renewable sources in their business operations. By implementing this project, the Company will reduce greenhouse gas emissions by 60% on the annual level.

Valamar Riviera builds long-term business relations with a number of partners and suppliers based on international sustainability standards and principles. The contracting of goods and services procurement and delivery mainly with local suppliers (more than 95%) directly strengthens the local economy and market. The selection of local suppliers drives forward healthy competition, supply and demand strengthening, partnership strengthening, and fairer price and quality ratios. Product and service quality, observing deadlines, and fostering long-term business collaboration are the basis for the success of both the Company and its partners.

Valamar Riviera communicates with its investors in a transparent manner. Business reporting quality, achieved by means of regular and timely publishing of required information, make the basis of Valamar Riviera’s communication with investors.

Camping Marina, Rabac

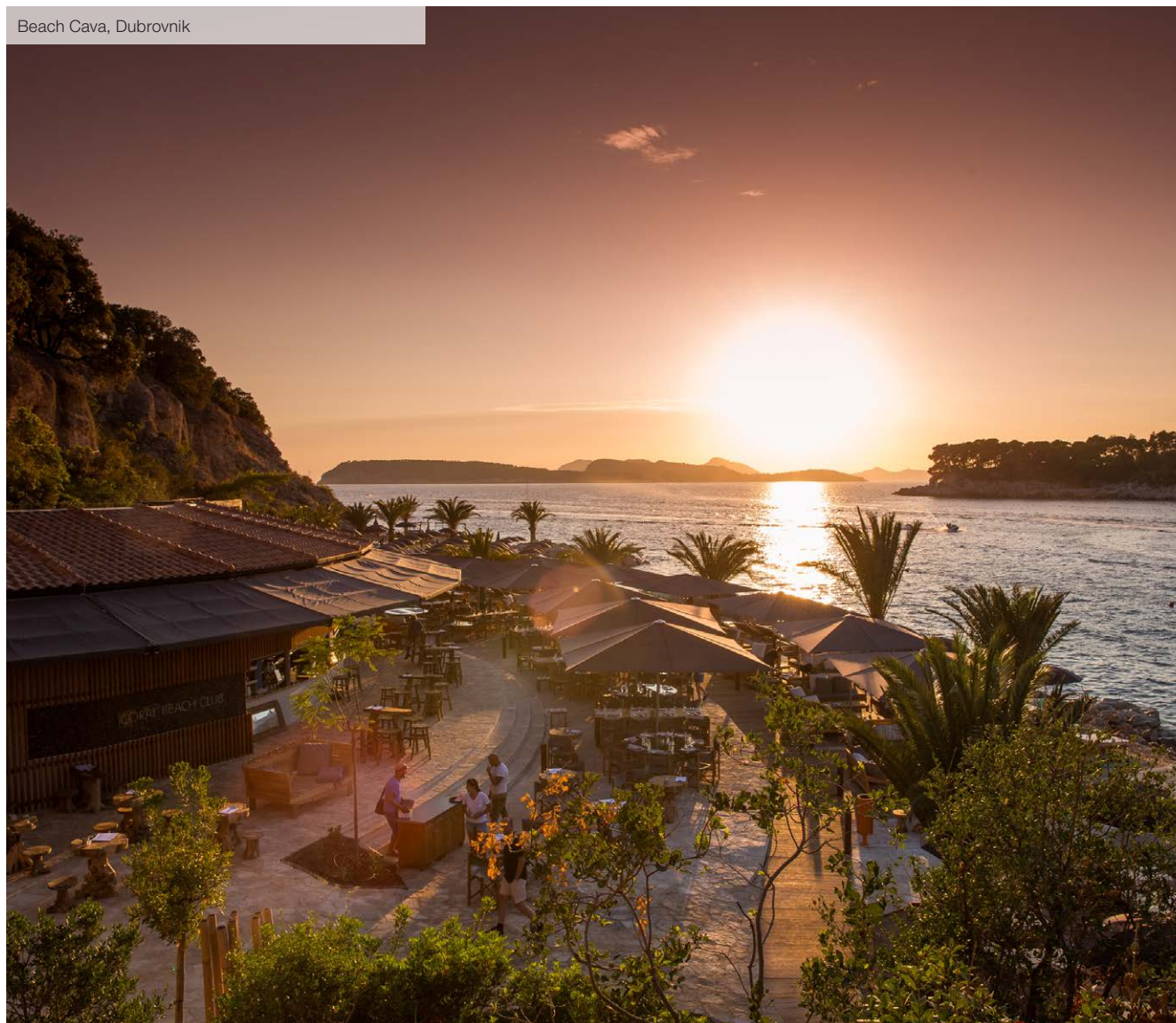




## AWARDS AND CERTIFICATES

In 2016, a number of further recognitions has been granted to Valamar Riviera's hotels, resorts, and campsites. The award granted to the Krk campsite by DCC Europa – Preis is particularly worth mentioning. Krk and Lanterna campsites have received the Best Camping 2016 recognition by German association ADAC. Valamar Club Tamaris, Valamar Riviera, Valamar Dubrovnik President, and Valamar Isabella hotels have been granted the prestigious 2016 Traveller's Choice Award by TripAdvisor. The Valamar Lacroma Dubrovnik hotel has been awarded the TOP 10 Premium Resort Meeting Hotels recognition by the Kongres Magazine. Valamar Riviera is proud of the award granted to the employee Saša Krajinović, who has been declared the Best Istria and Kvarner 2016 Sommelier. A special recognition has been awarded to Marko Čižmek, Member of the Valamar Riviera's Management Board, who has been declared the Chief Financial Officer of the Year by the Banka.hr magazine and the company Deloitte. This award is also a great recognition to the entire Valamar Riviera's financial team.

Beach Cava, Dubrovnik



## OTHER INFORMATION

By the end of second quarter of 2016, Valamar Riviera will publish its first integrated report covering sustainable development and financial performance in accordance with the internationally recognised Global Reporting Initiative's (GRI) G4 Sustainability Reporting Guidelines. On 31 March 2016, the Company employed 2,109 workers, 975 of them permanent, and 1,134 seasonal.

In the course of the first quarter of 2016 (from 1 January 2016 to 31 March 2016), the Company's Management Board performed the actions provided for by law and the Articles of Association with respect to the management and representation of the Company, and planned a business policy that was implemented with prudent care. The Company's Management Board will continue to undertake all the necessary measures in order to ensure sustainability and business growth. The quarterly separate and consolidated financial statements for the first quarter of 2016 (from 1 January 2016 to 31 March 2016) were adopted by the Management Board on 26 April 2016.

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

Management Board

Camping Krk (visualization), Krk



## RESPONSIBILITY FOR THE QUARTERLY FINANCIAL STATEMENTS

In Poreč, 26 April 2016

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 reports of company VALAMAR RIVIERA d.d. seated in Poreč, Stancija Kaligari 1, OIB 36201212847 (hereinafter: Company), hereby make the following

### STATEMENT

According to our best knowledge

- The shortened set of consolidated and unconsolidated financial reports for the first quarter of 2016 are prepared in accordance with applicable standards of financial reporting and represent a true and fair view of the assets and obligations, profit and loss, financial position and Company's business as well as the companies included in the consolidation
- Interim report of the Company's Management board for the period between 1 January and 31 March 2016 contains the true presentation of development, results and position of the Company and companies included in the consolidation, with description of significant risks and uncertainties which the Company and companies included in the consolidation are exposed to.



Marko Čižmek  
Management Board member

VALAMAR RIVIERA d.d.  
POREČ (5)



Ljubica Grbac  
director of Department of Finance  
and Accounting

Reporting period: from 1.1.2016 to 31.3.2016

## Quarterly financial report TFI-POD

Tax number (MB):	<u>3474771</u>
Company registration number (MBS):	<u>040020883</u>
Personal identification number (OIB):	<u>36201212847</u>
Issuing company:	<u>Valamar Riviera d.d.</u>
Postal code and place	<u>52440 Poreč</u>
Street and house number:	<u>Stancija Kaligari 1</u>
E-mail address:	<u>uprava@riviera.hr</u>
Internet address:	<u>www.valamar-riviera.com</u>
Municipality/city code and name:	<u>348 Poreč</u>

County code and name:	<u>18 Istarska</u>	Number of employees: (period end)	<u>2.228</u>
		NKD code:	<u>5510</u>

Consolidated report: YES

Companies of the consolidation subject (according to IFRS):

Seat:	MB:
<u>Valamar hoteli i ljetovališta d.o.o. Zagreb</u>	<u>01537369</u>
<u>Valamar hotels &amp; resorts GmbH Frankfurt</u>	<u>04724750667</u>
<u>Hoteli Baška d.d. Baška</u>	<u>03035140</u>
<u>Mirta Baščanska d.o.o. Baška</u>	<u>01841017</u>
<u>Vala Baščanska d.o.o. Baška</u>	<u>02086131</u>
<u>Baškaturist d.o.o. Baška</u>	<u>03849236</u>
<u>Puntižela d.o.o. Pula</u>	<u>03203379</u>
<u>Bastion upravljanje d.o.o. Zagreb</u>	<u>01877453</u>
<u>Citatis d.o.o. Zagreb</u>	<u>02626969</u>
<u>Elafiti Babin kuk d.o.o. Dubrovnik</u>	<u>01273094</u>
<u>Magične stijene d.o.o. Dubrovnik</u>	<u>02315211</u>
<u>Palme turizam d.o.o. Dubrovnik</u>	<u>02006103</u>
<u>Pogača Babin Kuk d.o.o. Dubrovnik</u>	<u>02236346</u>
<u>Bugenvilia d.o.o. Dubrovnik</u>	<u>02006120</u>

Bookkeeping service:

Contact person:

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Family name and name:

Kukurin Željko, Čižmek Marko

(person authorized to represent the company)

Documents disclosed:

1. Financial statements  
(Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity and notes to financial statements)
2. Management Interim Report
3. Declaration of the persons responsible for preparing the issuer's statements

VALAMAR RIVIERA d.d.  
POREČ (5)

L.S.


  
(signature of the person authorized to represent the company)

## Balance Sheet (as of 31.3.2016)

Company: Valamar Riviera d.d.

Position 1	AOP 2	Previous period 3	Current period 4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL</b>	<b>001</b>		
<b>B) NON-CURRENT ASSETS (003+010+020+029+033)</b>	<b>002</b>	<b>3.190.008.042</b>	<b>3.171.151.389</b>
<b>I. INTANGIBLE ASSETS (004 to 009)</b>	<b>003</b>	<b>17.006.943</b>	<b>16.767.747</b>
1. Expenditure for development	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	10.327.568	9.856.786
3. Goodwill	006	6.567.609	6.567.609
4. Advances for purchase of intangible assets	007		
5. Intangible assets in progress	008	111.766	343.352
6. Other intangible assets	009		
<b>II. PROPERTY, PLANT AND EQUIPMENT (011 to 019)</b>	<b>010</b>	<b>3.065.294.774</b>	<b>3.061.806.041</b>
1. Land	011	659.328.328	659.078.928
2. Buildings	012	2.052.868.793	2.021.849.871
3. Plant and equipment	013	203.822.037	188.003.064
4. Tools, working inventory and transportation assets	014	64.897.404	66.489.695
5. Biological assets	015		
6. Advances for purchase of tangible assets	016	5.072.180	4.849.918
7. Tangible assets in progress	017	32.731.559	75.880.898
8. Other tangible assets	018	24.833.592	24.105.644
9. Investment in real-estate	019	21.740.881	21.548.023
<b>III. NON-CURRENT FINANCIAL ASSETS (021 to 028)</b>	<b>020</b>	<b>46.547.373</b>	<b>31.573.758</b>
1. Share in related parties	021	1.241.421	1.413.690
2. Loans to related parties	022		
3. Participating interests (shares)	023	140.000	140.000
4. Loans to companies with participating interest	024		
5. Investments in securities	025	44.761.794	29.641.626
6. Loans, deposits, etc.	026	404.158	378.442
7. Other non-current financial assets	027		
8. Equity-accounted investments	028		
<b>IV. RECEIVABLES (030 to 032)</b>	<b>029</b>	<b>645.153</b>	<b>627.377</b>
1. Receivables from related parties	030		
2. Receivables arising from sales on credit	031	286.116	273.631
3. Other receivables	032	359.037	353.746
<b>V. DEFERRED TAX ASSET</b>	<b>033</b>	<b>60.513.799</b>	<b>60.376.466</b>
<b>C) CURRENT ASSETS (035+043+050+058)</b>	<b>034</b>	<b>355.363.412</b>	<b>246.006.736</b>
<b>I. INVENTORIES (036 to 042)</b>	<b>035</b>	<b>9.761.018</b>	<b>12.349.315</b>
1. Raw materials and supplies	036	8.951.383	11.506.580
2. Production in progress	037		
3. Finished products	038		
4. Merchandise	039	64.641	97.741
5. Advances for inventories	040		
6. Long term assets held for sale	041	744.994	744.994
7. Biological assets	042		
<b>II. RECEIVABLES (044 to 049)</b>	<b>043</b>	<b>26.681.432</b>	<b>41.256.319</b>
1. Receivables from related parties	044	458	1.250
2. Receivables from end-customers	045	13.147.988	34.875.921
3. Receivables from participating parties	046	253	253
4. Receivables from employees and members of the company	047	485.727	910.634
5. Receivables from government and other institutions	048	9.285.057	2.095.038
6. Other receivables	049	3.761.949	3.373.223
<b>III. CURRENT FINANCIAL ASSETS (051 to 057)</b>	<b>050</b>	<b>165.680</b>	<b>21.174</b>
1. Share in related parties	051		
2. Loans to related parties	052		
3. Participating interests (shares)	053		
4. Loans to companies with participating interest	054		
5. Investments in securities	055		
6. Loans, deposits, etc.	056	24.845	21.174
7. Other financial assets	057	140.835	
<b>IV. CASH AND CASH EQUIVALENTS</b>	<b>058</b>	<b>318.755.282</b>	<b>192.379.928</b>
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>	<b>21.247.239</b>	<b>28.216.325</b>
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>3.566.618.693</b>	<b>3.445.374.450</b>
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	<b>54.717.679</b>	<b>54.695.910</b>

Balance Sheet (as of 31.3.2016) (continued)  
Company: Valamar Riviera d.d.

Position 1	AOP 2	Previous period 3	Current period 4
<b>EQUITY AND LIABILITIES</b>			
<b>A) ISSUED CAPITAL AND RESERVES</b> (063+064+065+071+072+075+078)	<b>062</b>	<b>1.901.690.680</b>	<b>1.763.236.023</b>
<b>I. SUBSCRIBED SHARE CAPITAL</b>	<b>063</b>	<b>1.672.021.210</b>	<b>1.672.021.210</b>
<b>II. CAPITAL RESERVES</b>	<b>064</b>	<b>-373.815</b>	<b>-373.815</b>
<b>III. RESERVES FROM PROFIT</b> (066+067-068+069+070)	<b>065</b>	<b>62.737.202</b>	<b>65.077.604</b>
1. Legal reserves	066	61.906.040	61.906.040
2. Reserve for own shares	067	34.344.407	72.344.407
3. Treasury shares and shares (deductible items)	068	33.513.245	69.172.843
4. Statutory reserves	069		
5. Other reserves	070		
<b>IV. REVALUATION RESERVES</b>	<b>071</b>	<b>31.189.526</b>	<b>24.532.443</b>
<b>V. RETAINED EARNINGS OR LOSS CARRIED FORWARD</b> (073-074)	<b>072</b>	<b>30.576.912</b>	<b>97.335.739</b>
1. Retained earnings	073	30.576.912	97.335.739
2. Loss carried forward	074		
<b>VI. NET PROFIT OR LOSS FOR THE PERIOD</b> (076-077)	<b>075</b>	<b>105.441.776</b>	<b>-95.449.866</b>
1. Net profit for the period	076	105.441.776	
2. Net loss for the period	077		95.449.866
<b>VII. MINORITY INTEREST</b>	<b>078</b>	<b>97.869</b>	<b>92.708</b>
<b>B) PROVISIONS</b> (080 to 082)	<b>079</b>	<b>87.186</b>	<b>0</b>
1. Provisions for pensions, severance pay and similar liabilities	080		
2. Provisions for tax liabilities	081	16.011	
3. Other provisions	082	71.175	
<b>C) NON-CURRENT LIABILITIES</b> (084 to 092)	<b>083</b>	<b>1.331.861.034</b>	<b>1.301.243.331</b>
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	1.306.223.976	1.276.107.277
4. Liabilities for advances	087		
5. Trade payables	088		
6. Commitments on securities	089		
7. Liabilities to companies with participating interest	090		
8. Other non-current liabilities	091	2.833.087	4.133.688
9. Deferred tax liabilities	092	22.803.971	21.002.366
<b>D) CURRENT LIABILITIES</b> (094 to 105)	<b>093</b>	<b>229.556.759</b>	<b>289.828.715</b>
1. Liabilities to related parties	094	70.585	275
2. Liabilities for loans, deposits, etc.	095		
3. Liabilities to banks and other financial institutions	096	139.838.023	111.761.385
4. Liabilities for advances	097	14.788.881	74.040.801
5. Trade payables	098	47.731.018	79.925.504
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	15.738.902	16.064.331
9. Taxes, contributions and similar liabilities	102	7.870.246	6.594.652
10. Liabilities arising from share in the result	103	45.653	72.403
11. Liabilities arising from non-current assets held for sale	104	2.832	
12. Other current liabilities	105	3.470.619	1.369.364
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	<b>103.423.034</b>	<b>91.066.381</b>
<b>F) TOTAL EQUITY AND LIABILITIES</b> (062+079+083+093+106)	<b>107</b>	<b>3.566.618.693</b>	<b>3.445.374.450</b>
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	<b>54.717.679</b>	<b>54.695.910</b>
<b>ADDITION TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
1. Attributable to majority owners	109	1.901.592.811	1.763.143.315
2. Attributable to minority interest	110	97.869	92.708

Income statement (period 1.1.2016 to 31.3.2016)  
Company: Valamar Riviera d.d.

Position	AOP	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME</b> (112 to 113)	<b>111</b>	<b>23.983.557</b>	<b>23.983.557</b>	<b>52.805.761</b>	<b>52.805.761</b>
1. Sales revenues	112	17.016.200	17.016.200	46.053.862	46.053.862
2. Other operating revenues	113	6.967.357	6.967.357	6.751.899	6.751.899
<b>II. OPERATING COSTS</b> (115+116+120+124+125+126+129+130)	<b>114</b>	<b>144.784.514</b>	<b>144.784.514</b>	<b>166.249.107</b>	<b>166.249.107</b>
1. Change in inventories of work in progress	115				
2. Material expenses (117 to 119)	116	28.946.075	28.946.075	31.843.559	31.843.559
a) Costs of raw materials	117	12.689.921	12.689.921	17.571.542	17.571.542
b) Cost of goods sold	118	8.454	8.454	42.875	42.875
c) Other material expenses	119	16.247.699	16.247.699	14.229.142	14.229.142
3. Employee benefits expenses (121 to 123)	120	37.582.199	37.582.199	46.422.720	46.422.720
a) Net salaries	121	21.752.669	21.752.669	27.245.769	27.245.769
b) Tax and contributions from salary expenses	122	10.378.651	10.378.651	12.039.791	12.039.791
c) Contributions on salary	123	5.450.879	5.450.879	7.137.160	7.137.160
4. Depreciation and amortisation	124	57.387.303	57.387.303	65.619.552	65.619.552
5. Other expenses	125	18.827.980	18.827.980	19.379.070	19.379.070
6. Write down of assets (127+128)	126	126.848	126.848	3.225	3.225
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128	126.848	126.848	3.225	3.225
7. Provisions	129				
8. Other operating costs	130	1.914.110	1.914.110	2.980.981	2.980.981
<b>III. FINANCIAL INCOME</b> (132 to 136)	<b>131</b>	<b>4.423.748</b>	<b>4.423.748</b>	<b>33.693.400</b>	<b>33.693.400</b>
1. Interest, foreign exchange differences, dividends and similar income from related parties	132				
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	2.598.515	2.598.515	23.786.109	23.786.109
3. Income from investments in associates and joint ventures	134				
4. Unrealised gains (income) from financial assets	135	1.504.345	1.504.345	911.490	911.490
5. Other financial income	136	320.888	320.888	8.995.801	8.995.801
<b>IV. FINANCIAL EXPENSES</b> (138 to 141)	<b>137</b>	<b>32.898.787</b>	<b>32.898.787</b>	<b>15.702.040</b>	<b>15.702.040</b>
1. Interest, foreign exchange differences, dividends and similar expenses from related parties	138				
2. Interest, foreign exchange differences, dividends and similar expenses from third parties	139	31.522.235	31.522.235	12.377.598	12.377.598
3. Unrealised losses (expenses) from financial assets	140	1.266.500	1.266.500	2.053.107	2.053.107
4. Other financial expenses	141	110.052	110.052	1.271.335	1.271.335
<b>V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES</b>	<b>142</b>				
<b>VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES</b>	<b>143</b>				
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL INCOME</b> (111+131+142+144)	<b>146</b>	<b>28.407.306</b>	<b>28.407.306</b>	<b>86.499.161</b>	<b>86.499.161</b>
<b>X. TOTAL EXPENSES</b> (114+137+143+145)	<b>147</b>	<b>177.683.302</b>	<b>177.683.302</b>	<b>181.951.147</b>	<b>181.951.147</b>
<b>XI. PROFIT OR LOSS BEFORE TAXES</b> (146-147)	<b>148</b>	<b>-149.275.996</b>	<b>-149.275.996</b>	<b>-95.451.986</b>	<b>-95.451.986</b>
1. Profit before taxes (146-147)	149	0	0	0	0
2. Loss before taxes (147-146)	150	149.275.996	149.275.996	95.451.986	95.451.986
<b>XII. TAXATION</b>	<b>151</b>			<b>3.040</b>	<b>3.040</b>
<b>XIII. PROFIT OR LOSS FOR THE PERIOD</b> (148-151)	<b>152</b>	<b>-149.275.996</b>	<b>-149.275.996</b>	<b>-95.455.026</b>	<b>-95.455.026</b>
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	149.275.996	149.275.996	95.455.026	95.455.026

Income statement (period 1.1.2016 to 31.3.2016) (continued)  
Company: Valamar Riviera d.d.

Position	AOP	Previous period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6

**ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)**

**XIV. PROFIT OR LOSS FOR THE PERIOD**

1. Attributable to majority owners	155	-149.269.596	-149.269.596	-95.449.866	-95.449.866
2. Attributable to minority interest	156	-6.399	-6.399	-5.160	-5.160

**STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)**

<b>I. PROFIT OR LOSS FOR THE PERIOD (=152)</b>	<b>157</b>	<b>-149.275.996</b>	<b>-149.275.996</b>	<b>-95.455.026</b>	<b>-95.455.026</b>
<b>II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 to 165)</b>	<b>158</b>	<b>1.101.372</b>	<b>1.101.372</b>	<b>-8.458.689</b>	<b>-8.458.689</b>
1. Exchange differences from international settlement	159				
2. Changes in revaluation reserves of long-term tangible and intangible assets	160				
3. Profit or loss from re-evaluation of financial assets held for sale	161	1.101.372	1.101.372	-8.458.689	-8.458.689
4. Profit or loss from cash flow hedging	162				
5. Profit or loss from hedging of foreign investments	163				
6. Share of other comprehensive income/loss from associated companies	164				
7. Actuarial gains/losses from defined benefit plans	165				
<b>III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>166</b>	<b>220.274</b>	<b>220.274</b>	<b>-1.801.604</b>	<b>-1.801.604</b>
<b>IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158-166)</b>	<b>167</b>	<b>881.098</b>	<b>881.098</b>	<b>-6.657.085</b>	<b>-6.657.085</b>
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	<b>-148.394.898</b>	<b>-148.394.898</b>	<b>-102.112.111</b>	<b>-102.112.111</b>

**ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)**

**VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD**

1. Attributable to majority owners	169	-148.388.498	-148.388.498	-102.106.951	-102.106.951
2. Attributable to minority interest	170	-6.399	-6.399	-5.160	-5.160



Cash flow statement - indirect method (period 1.1.2016 to 31.3.2016)  
Company: Valamar Riviera d.d.

Position 1	AOP 2	Previous period 3	Current period 4
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	-149.275.996	-95.451.986
2. Depreciation and amortisation	002	57.387.303	65.619.552
3. Increase of current liabilities	003	55.606.043	88.350.282
4. Decrease of current receivables	004	15.187.208	
5. Decrease of inventories	005		
6. Other cash flow increases	006	863.952	162.282
<b>I. Total increase of cash flow from operating activities</b>	<b>007</b>	<b>-20.231.490</b>	<b>58.680.130</b>
1. Decrease of current liabilities	008		
2. Increase of current receivables	009	8.284.887	14.589.006
3. Increase of inventories	010	1.164.910	2.588.297
4. Other cash flow decreases	011	24.674.025	19.826.742
<b>II. Total decrease of cash flow from operating activities</b>	<b>012</b>	<b>34.123.822</b>	<b>37.004.045</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>013</b>	<b>0</b>	<b>21.676.085</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>014</b>	<b>54.355.312</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Proceeds from sale of non-current assets	015		
2. Proceeds from sale of non-current financial assets	016		15.162.115
3. Interest received	017		
4. Dividend received	018		
5. Other proceeds from investing activities	019		137.333
<b>III. Total cash inflows from investing activities</b>	<b>020</b>	<b>0</b>	<b>15.299.448</b>
1. Purchase of non-current assets	021	86.211.730	61.891.624
2. Purchase of non-current financial assets	022		
3. Other cash outflows from investing activities	023		
<b>IV. Total cash outflows from investing activities</b>	<b>024</b>	<b>86.211.730</b>	<b>61.891.624</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>025</b>	<b>0</b>	<b>0</b>
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>026</b>	<b>86.211.730</b>	<b>46.592.176</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Proceeds from issue of equity securities and debt securities	027		
2. Proceeds from loans and borrowings	028	64.222.205	
3. Other proceeds from financing activities	029		
<b>V. Total cash inflows from financing activities</b>	<b>030</b>	<b>64.222.205</b>	<b>0</b>
1. Repayment of loans and bonds	031		58.193.338
2. Dividends paid	032		
3. Repayment of finance lease	033		
4. Purchase of treasury shares	034	4.636.522	35.659.598
5. Other cash outflows from financing activities	035	127.625	7.606.327
<b>VI. Total cash outflows from financing activities</b>	<b>036</b>	<b>4.764.147</b>	<b>101.459.263</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>037</b>	<b>59.458.058</b>	<b>0</b>
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>038</b>	<b>0</b>	<b>101.459.263</b>
Total increases of cash flows	039	0	0
Total decreases of cash flows	040	81.108.984	126.375.354
Cash and cash equivalents at the beginning of period	041	195.201.504	318.755.282
Increase of cash and cash equivalents	042		
Decrease of cash and cash equivalents	043	81.108.984	126.375.354
Cash and cash equivalents at the end of period	044	114.092.520	192.379.928

## STATEMENT OF CHANGES IN EQUITY (period 1.1.2016 to 31.3.2016)

Company: Valamar Riviera d.d.

Position 1	AOP 2	Previous year 3	Current year 4
1. Subscribed share capital	001	1.672.021.210	1.672.021.210
2. Capital reserves	002	-373.815	-373.815
3. Reserves from profit	003	62.737.202	65.077.604
4. Retained earnings or loss carried forward	004	30.576.912	97.335.739
5. Net profit or loss for the period	005	105.441.776	-95.449.866
6. Revaluation of tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of available for sale assets	008	31.189.526	24.532.443
9. Other revaluation	009		
<b>10. Total equity and reserves (AOP 001 to 009)</b>	<b>010</b>	<b>1.901.592.811</b>	<b>1.763.143.315</b>
11. Foreign exchange differences from foreign investments	011		
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Change of accounting policies	014		
15. Correction of significant mistakes of prior period	015		
16. Other changes	016		
<b>17. Total increase or decrease of equity (AOP 011 to 016)</b>	<b>017</b>	<b>0</b>	<b>0</b>
17 a. Attributable to majority owners	018	1.901.592.811	1.763.143.315
17 b. Attributable to minority interest	019	97.869	92.708

## Notes to Financial Statements

(1) The notes to financial statements include additional and supplemental information not presented in the Balance Sheet, Income Statement, Cash Flow Statement or the Statement of Changes in Equity in accordance with the provisions of the relevant financial reporting standards.

Companies of the consolidation subject 2015	Balance sheet-previous period	Balance sheet-current period
	31.12.2015	31.03.2016
Valamar hoteli i ljetovališta d.o.o.	Yes	No
Valamar hotels & resorts GmbH	Yes	No
Hoteli Baška d.d.	Yes	Yes
Mirta Bašćanska d.o.o.	Yes	Yes
Vala Bašćanska d.o.o.	Yes	Yes
Baškaturist d.o.o.	Yes	Yes
Puntžela d.o.o.	Yes	Yes
Citatis d.o.o.	Yes	No
Bastion upravljanje d.o.o.	Yes	Yes
Elafiti Babin kuk d.o.o.	Yes	Yes
Magične stijene d.o.o.	Yes	Yes
Palme turizam d.o.o.	Yes	Yes
Pogača Babin Kuk d.o.o.	Yes	Yes
Bugenvilia d.o.o.	Yes	Yes

Companies of the consolidation subject 2016	Income statement-previous period	Income statement-current period
	31.03.2015	31.03.2016
Valamar hoteli i ljetovališta d.o.o.	01.01.-27.02.	-
Valamar hotels & resorts GmbH	-	-
Hoteli Baška d.d.	-	01.01.-31.03.
Mirta Bašćanska d.o.o.	-	01.01.-13.01.
Vala Bašćanska d.o.o.	-	01.01.-13.01.
Baškaturist d.o.o.	-	01.01.-13.01.
Puntžela d.o.o.	01.01.-31.03.	01.01.-31.03.
Citatis d.o.o.	01.01.-31.03.	-
Bastion upravljanje d.o.o.	01.01.-31.03.	01.01.-31.03.
Elafiti Babin kuk d.o.o.	01.01.-31.03.	01.01.-31.03.
Magične stijene d.o.o.	01.01.-31.03.	01.01.-31.03.
Palme turizam d.o.o.	01.01.-31.03.	01.01.-31.03.
Pogača Babin Kuk d.o.o.	01.01.-31.03.	01.01.-31.03.
Bugenvilia d.o.o.	01.01.-31.03.	01.01.-31.03.



## Balance Sheet (as of 31.3.2016)

Company: Valamar Riviera d.d.

Position 1	AOP 2	Previous period 3	Current period 4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL</b>	<b>001</b>		
<b>B) NON-CURRENT ASSETS (003+010+020+029+033)</b>	<b>002</b>	<b>3.171.672.610</b>	<b>3.162.237.824</b>
<b>I. INTANGIBLE ASSETS (004 to 009)</b>	<b>003</b>	<b>9.202.261</b>	<b>8.972.390</b>
1. Expenditure for development	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	9.090.495	8.629.038
3. Goodwill	006		
4. Advances for purchase of intangible assets	007		
5. Intangible assets in progress	008	111.766	343.352
6. Other intangible assets	009		
<b>II. PROPERTY, PLANT AND EQUIPMENT (011 to 019)</b>	<b>010</b>	<b>2.379.794.741</b>	<b>2.383.802.109</b>
1. Land	011	519.577.779	519.324.556
2. Buildings	012	1.525.902.691	1.500.260.154
3. Plant and equipment	013	189.682.352	181.010.067
4. Tools, working inventory and transportation assets	014	63.877.369	61.783.670
5. Biological assets	015		
6. Advances for purchase of tangible assets	016	5.072.180	4.732.063
7. Tangible assets in progress	017	32.557.369	74.480.944
8. Other tangible assets	018	24.663.310	23.905.732
9. Investment in real-estate	019	18.461.691	18.304.923
<b>III. NON-CURRENT FINANCIAL ASSETS (021 to 028)</b>	<b>020</b>	<b>625.876.740</b>	<b>612.682.233</b>
1. Share in related parties	021	584.753.048	584.753.048
2. Loans to related parties	022		
3. Participating interests (shares)	023	140.000	140.000
4. Loans to companies with participating interest	024		
5. Investments in securities	025	40.983.692	27.789.185
6. Loans, deposits, etc.	026		
7. Other non-current financial assets	027		
8. Equity-accounted investments	028		
<b>IV. RECEIVABLES (030 to 032)</b>	<b>029</b>	<b>136.460.510</b>	<b>136.442.734</b>
1. Receivables from related parties	030	135.815.357	135.815.357
2. Receivables arising from sales on credit	031	286.116	273.631
3. Other receivables	032	359.037	353.746
<b>V. DEFERRED TAX ASSET</b>	<b>033</b>	<b>20.338.358</b>	<b>20.338.358</b>
<b>C) CURRENT ASSETS (035+043+050+058)</b>	<b>034</b>	<b>363.445.425</b>	<b>258.774.184</b>
<b>I. INVENTORIES (036 to 042)</b>	<b>035</b>	<b>9.604.766</b>	<b>12.192.880</b>
1. Raw materials and supplies	036	8.810.975	11.363.069
2. Production in progress	037		
3. Finished products	038		
4. Merchandise	039	48.797	84.817
5. Advances for inventories	040		
6. Long term assets held for sale	041	744.994	744.994
7. Biological assets	042		
<b>II. RECEIVABLES (044 to 049)</b>	<b>043</b>	<b>51.857.599</b>	<b>60.609.798</b>
1. Receivables from related parties	044	29.181.921	22.431.032
2. Receivables from end-customers	045	12.765.099	34.210.560
3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	485.286	890.088
5. Receivables from government and other institutions	048	7.009.354	78.614
6. Other receivables	049	2.415.939	2.999.504
<b>III. CURRENT FINANCIAL ASSETS (051 to 057)</b>	<b>050</b>	<b>185.980</b>	<b>41.474</b>
1. Share in related parties	051		
2. Loans to related parties	052	20.300	20.300
3. Participating interests (shares)	053		
4. Loans to companies with participating interest	054		
5. Investments in securities	055		
6. Loans, deposits, etc.	056	24.845	21.174
7. Other financial assets	057	140.835	
<b>IV. CASH AND CASH EQUIVALENTS</b>	<b>058</b>	<b>301.797.080</b>	<b>185.930.032</b>
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>	<b>20.594.349</b>	<b>27.472.287</b>
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>3.555.712.384</b>	<b>3.448.484.295</b>
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	<b>54.717.679</b>	<b>54.695.910</b>

Balance Sheet (as of 31.3.2016) (continued)  
Company: Valamar Riviera d.d.

Position 1	AOP 2	Previous period 3	Current period 4
<b>EQUITY AND LIABILITIES</b>			
<b>A) ISSUED CAPITAL AND RESERVES</b> (063+064+065+071+072+075+078)	<b>062</b>	<b>2.088.581.493</b>	<b>1.958.419.214</b>
<b>I. SUBSCRIBED SHARE CAPITAL</b>	<b>063</b>	<b>1.672.021.210</b>	<b>1.672.021.210</b>
<b>II. CAPITAL RESERVES</b>	<b>064</b>	<b>109.139</b>	<b>109.139</b>
<b>III. RESERVES FROM PROFIT</b> (066+067-068+069+070)	<b>065</b>	<b>67.203.861</b>	<b>69.544.263</b>
1. Legal reserves	066	61.906.040	61.906.040
2. Reserve for own shares	067	34.344.407	72.344.407
3. Treasury shares and shares (deductible items)	068	29.046.586	64.706.184
4. Statutory reserves	069		
5. Other reserves	070		
<b>IV. REVALUATION RESERVES</b>	<b>071</b>	<b>31.431.842</b>	<b>24.218.338</b>
<b>V. RETAINED EARNINGS OR LOSS CARRIED FORWARD</b> (073-074)	<b>072</b>	<b>211.961.240</b>	<b>279.815.441</b>
1. Retained earnings	073	211.961.240	279.815.441
2. Loss carried forward	074		
<b>VI. NET PROFIT OR LOSS FOR THE PERIOD</b> (076-077)	<b>075</b>	<b>105.854.201</b>	<b>-87.289.177</b>
1. Net profit for the period	076	105.854.201	
2. Net loss for the period	077		87.289.177
<b>VII. MINORITY INTEREST</b>	<b>078</b>		
<b>B) PROVISIONS</b> (080 to 082)	<b>079</b>	<b>0</b>	<b>0</b>
1. Provisions for pensions, severance pay and similar liabilities	080		
2. Provisions for tax liabilities	081		
3. Other provisions	082		
<b>C) NON-CURRENT LIABILITIES</b> (084 to 092)	<b>083</b>	<b>1.164.439.231</b>	<b>1.122.931.558</b>
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	1.158.888.007	1.117.883.109
4. Liabilities for advances	087		
5. Trade payables	088		
6. Commitments on securities	089		
7. Liabilities to companies with participating interest	090		
8. Other non-current liabilities	091	2.833.086	4.133.688
9. Deferred tax liabilities	092	2.718.138	914.761
<b>D) CURRENT LIABILITIES</b> (094 to 105)	<b>093</b>	<b>205.346.633</b>	<b>279.515.814</b>
1. Liabilities to related parties	094	204.906	25.222
2. Liabilities for loans, deposits, etc.	095		
3. Liabilities to banks and other financial institutions	096	125.355.698	110.537.566
4. Liabilities for advances	097	12.944.972	70.980.296
5. Trade payables	098	43.376.126	75.331.558
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	14.943.850	14.769.960
9. Taxes, contributions and similar liabilities	102	6.643.162	6.501.127
10. Liabilities arising from share in the result	103		
11. Liabilities arising from non-current assets held for sale	104		
12. Other current liabilities	105	1.877.919	1.370.085
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	<b>97.345.027</b>	<b>87.617.709</b>
<b>F) TOTAL EQUITY AND LIABILITIES</b> (062+079+083+093+106)	<b>107</b>	<b>3.555.712.384</b>	<b>3.448.484.295</b>
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	<b>54.717.679</b>	<b>54.695.910</b>
<b>ADDITION TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
1. Attributable to majority owners	109		
2. Attributable to minority interest	110	0	0

Income statement (period 1.1.2016 to 31.3.2016)  
Company: Valamar Riviera d.d.

Position	AOP	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME</b> (112 to 113)	<b>111</b>	<b>24.193.182</b>	<b>24.193.182</b>	<b>50.415.687</b>	<b>50.415.687</b>
1. Sales revenues	112	17.366.046	17.366.046	46.122.914	46.122.914
2. Other operating revenues	113	6.827.135	6.827.135	4.292.773	4.292.773
<b>II. OPERATING COSTS</b> (115+116+120+124+125+126+129+130)	<b>114</b>	<b>144.689.944</b>	<b>144.689.944</b>	<b>155.950.518</b>	<b>155.950.518</b>
1. Change in inventories of work in progress	115				
2. Material expenses (117 to 119)	116	37.495.373	37.495.373	37.489.196	37.489.196
a) Costs of raw materials	117	12.492.793	12.492.793	17.201.115	17.201.115
b) Cost of goods sold	118	5.976	5.976	42.875	42.875
c) Other material expenses	119	24.996.603	24.996.603	20.245.206	20.245.206
3. Employee benefits expenses (121 to 123)	120	33.733.625	33.733.625	42.896.613	42.896.613
a) Net salaries	121	19.720.615	19.720.615	25.695.818	25.695.818
b) Tax and contributions from salary expenses	122	9.064.700	9.064.700	11.114.360	11.114.360
c) Contributions on salary	123	4.948.310	4.948.310	6.086.435	6.086.435
4. Depreciation and amortisation	124	53.484.484	53.484.484	56.336.741	56.336.741
5. Other expenses	125	18.075.750	18.075.750	18.409.025	18.409.025
6. Write down of assets (127+128)	126	126.848	126.848	3.225	3.225
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128	126.848	126.848	3.225	3.225
7. Provisions	129				
8. Other operating costs	130	1.773.865	1.773.865	815.718	815.718
<b>III. FINANCIAL INCOME</b> (132 to 136)	<b>131</b>	<b>28.347.500</b>	<b>28.347.500</b>	<b>31.094.027</b>	<b>31.094.027</b>
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	24.037.704	24.037.704		
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	2.484.563	2.484.563	21.584.742	21.584.742
3. Income from investments in associates and joint ventures	134				
4. Unrealised gains (income) from financial assets	135	1.504.346	1.504.346	911.490	911.490
5. Other financial income	136	320.888	320.888	8.597.795	8.597.795
<b>IV. FINANCIAL EXPENSES</b> (138 to 141)	<b>137</b>	<b>32.111.995</b>	<b>32.111.995</b>	<b>12.848.373</b>	<b>12.848.373</b>
1. Interest, foreign exchange differences, dividends and similar expenses from related parties	138				
2. Interest, foreign exchange differences, dividends and similar expenses from third parties	139	30.735.443	30.735.443	10.457.252	10.457.252
3. Unrealised losses (expenses) from financial assets	140	1.266.500	1.266.500	2.053.107	2.053.107
4. Other financial expenses	141	110.052	110.052	338.014	338.014
<b>V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES</b>	<b>142</b>				
<b>VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES</b>	<b>143</b>				
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL INCOME</b> (111+131+142+144)	<b>146</b>	<b>52.540.682</b>	<b>52.540.682</b>	<b>81.509.714</b>	<b>81.509.714</b>
<b>X. TOTAL EXPENSES</b> (114+137+143+145)	<b>147</b>	<b>176.801.939</b>	<b>176.801.939</b>	<b>168.798.891</b>	<b>168.798.891</b>
<b>XI. PROFIT OR LOSS BEFORE TAXES</b> (146-147)	<b>148</b>	<b>-124.261.257</b>	<b>-124.261.257</b>	<b>-87.289.177</b>	<b>-87.289.177</b>
1. Profit before taxes (146-147)	149	0	0	0	0
2. Loss before taxes (147-146)	150	124.261.257	124.261.257	87.289.177	87.289.177
<b>XII. TAXATION</b>	<b>151</b>				
<b>XIII. PROFIT OR LOSS FOR THE PERIOD</b> (148-151)	<b>152</b>	<b>-124.261.257</b>	<b>-124.261.257</b>	<b>-87.289.177</b>	<b>-87.289.177</b>
1. Profit for the period (149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	124.261.257	124.261.257	87.289.177	87.289.177

Income statement (period 1.1.2016 to 31.3.2016) (continued)  
Company: Valamar Riviera d.d.

Position	AOP	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
<b>ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributable to majority owners	155	-124.261.257	-124.261.257	-87.289.177	-87.289.177
2. Attributable to minority interest	156				
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (=152)</b>	<b>157</b>	<b>-124.261.257</b>	<b>-124.261.257</b>	<b>-87.289.177</b>	<b>-87.289.177</b>
<b>II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 to 165)</b>	<b>158</b>	<b>1.101.372</b>	<b>1.101.372</b>	<b>-9.016.880</b>	<b>-9.016.880</b>
1. Exchange differences from international settlement	159				
2. Changes in revaluation reserves of long-term tangible and intangible assets	160				
3. Profit or loss from re-evaluation of financial assets held for sale	161	1.101.372	1.101.372	-9.016.880	-9.016.880
4. Profit or loss from cash flow hedging	162				
5. Profit or loss from hedging of foreign investments	163				
6. Share of other comprehensive income/loss from associated companies	164				
7. Actuarial gains/losses from defined benefit plans	165				
<b>III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>166</b>	<b>220.274</b>	<b>220.274</b>	<b>-1.803.376</b>	<b>-1.803.376</b>
<b>IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158-166)</b>	<b>167</b>	<b>881.098</b>	<b>881.098</b>	<b>-7.213.504</b>	<b>-7.213.504</b>
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	<b>-123.380.159</b>	<b>-123.380.159</b>	<b>-94.502.681</b>	<b>-94.502.681</b>
<b>ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)</b>					
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b>					
1. Attributable to majority owners	169				
2. Attributable to minority interest	170				



Cash flow statement - indirect method (period 1.1.2016 to 31.3.2016)  
Company: Valamar Riviera d.d.

Position 1	AOP 2	Previous period 3	Current period 4
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	-124.261.257	-87.289.177
2. Depreciation and amortisation	002	53.484.484	56.336.741
3. Increase of current liabilities	003	54.085.650	88.987.313
4. Decrease of current receivables	004	18.690.637	
5. Decrease of inventories	005		
6. Other cash flow increases	006	1.111.117	
<b>I. Total increase of cash flow from operating activities</b>	<b>007</b>	<b>3.110.631</b>	<b>58.034.877</b>
1. Decrease of current liabilities	008		
2. Increase of current receivables	009	6.148.708	8.752.200
3. Increase of inventories	010	1.319.156	2.588.113
4. Other cash flow decreases	011	19.300.355	16.945.749
<b>II. Total decrease of cash flow from operating activities</b>	<b>012</b>	<b>26.768.219</b>	<b>28.286.062</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>013</b>	<b>0</b>	<b>29.748.815</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>014</b>	<b>23.657.588</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Proceeds from sale of non-current assets	015		
2. Proceeds from sale of non-current financial assets	016		
3. Interest received	017		
4. Dividend received	018		
5. Other proceeds from investing activities	019	4.339.778	13.194.507
<b>III. Total cash inflows from investing activities</b>	<b>020</b>	<b>4.339.778</b>	<b>13.194.507</b>
1. Purchase of non-current assets	021	86.617.912	60.114.237
2. Purchase of non-current financial assets	022	4.636.522	
3. Other cash outflows from investing activities	023		
<b>IV. Total cash outflows from investing activities</b>	<b>024</b>	<b>91.254.434</b>	<b>60.114.237</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>025</b>	<b>0</b>	<b>0</b>
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>026</b>	<b>86.914.656</b>	<b>46.919.730</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Proceeds from issue of equity securities and debt securities	027		
2. Proceeds from loans and borrowings	028	63.009.148	
3. Other proceeds from financing activities	029	881.098	
<b>V. Total cash inflows from financing activities</b>	<b>030</b>	<b>63.890.246</b>	<b>0</b>
1. Repayment of loans and bonds	031		55.823.030
2. Dividends paid	032		
3. Repayment of finance lease	033		
4. Purchase of treasury shares	034		35.659.598
5. Other cash outflows from financing activities	035	7.532.263	7.213.505
<b>VI. Total cash outflows from financing activities</b>	<b>036</b>	<b>7.532.263</b>	<b>98.696.133</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>037</b>	<b>56.357.983</b>	<b>0</b>
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>038</b>	<b>0</b>	<b>98.696.133</b>
Total increases of cash flows	039	0	0
Total decreases of cash flows	040	54.214.261	115.867.048
Cash and cash equivalents at the beginning of period	041	166.188.610	301.797.080
Increase of cash and cash equivalents	042		
Decrease of cash and cash equivalents	043	54.214.261	115.867.048
Cash and cash equivalents at the end of period	044	111.974.349	185.930.032

STATEMENT OF CHANGES IN EQUITY (period 1.1.2016 to 31.3.2016)  
Company: Valamar Riviera d.d.

Position 1	AOP 2	Previous year 3	Current year 4
1. Subscribed share capital	001	1.672.021.210	1.672.021.210
2. Capital reserves	002	109.139	109.139
3. Reserves from profit	003	67.203.861	69.544.263
4. Retained earnings or loss carried forward	004	211.961.240	279.815.441
5. Net profit or loss for the period	005	105.854.201	-87.289.177
6. Revaluation of tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of available for sale assets	008	31.431.842	24.218.338
9. Other revaluation	009		
<b>10. Total equity and reserves</b> (AOP 001 to 009)	<b>010</b>	<b>2.088.581.493</b>	<b>1.958.419.214</b>
11. Foreign exchange differences from foreign investments	011		
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Change of accounting policies	014		
15. Correction of significant mistakes of prior period	015		
16. Other changes	016		
<b>17. Total increase or decrease of equity</b> (AOP 011 to 016)	<b>017</b>	<b>0</b>	<b>0</b>
17 a. Attributable to majority owners	018		
17 b. Attributable to minority interest	019		

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