

VALAMAR RIVIERA

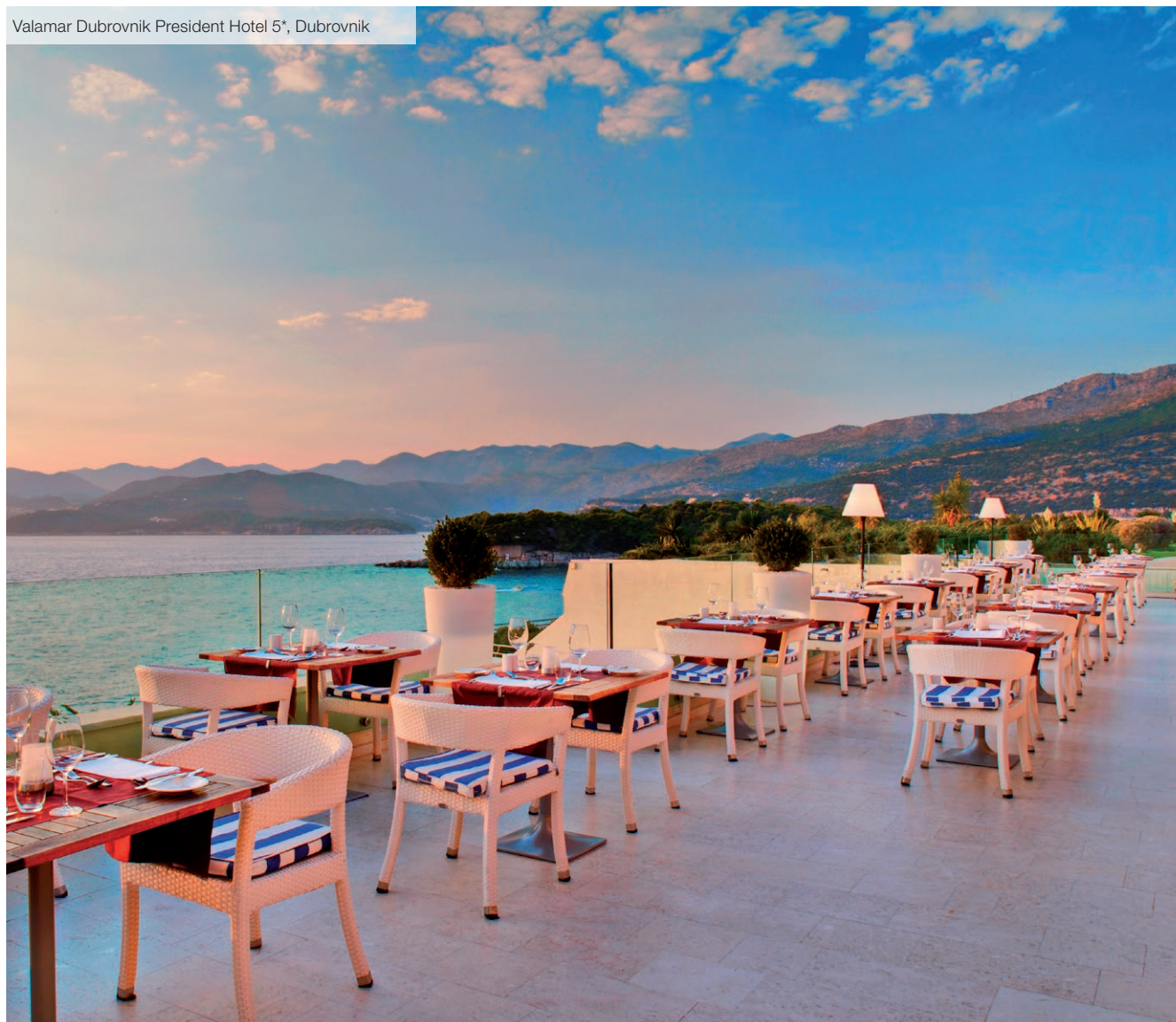
BUSINESS RESULTS
1/1/2017 - 30/6/2017



QUARTERLY (INTERIM) REPORT OF THE GROUP AND THE COMPANY VALAMAR RIVIERA D.D.

for the period from 1 January 2017 to 30 June 2017

Valamar Dubrovnik President Hotel 5*, Dubrovnik



EXECUTIVE SUMMARY

-  In the first half of 2017 the Group reported a strong growth in adjusted EBITDA, up 14% and totaling HRK 90 million (HRK 78 million in 2016). This is mainly due to the high growth in sales revenues (up 22%; from HRK 420 million to HRK 512 million) and increased operating efficiency as seen in the lower growth pace of operating costs (24%).
-  Total revenues were HRK 571 million, up 13% in relation to last year's comparable period (HRK 507 million in 2016). In the total revenues, HRK 512 million represented sales revenues (HRK 420 million in 2016) while the remaining part was mainly financial income, which fell by HRK 24 million (from HRK 72 million to HRK 48 million) due to last-year's one-off income driven by the sale of the share portfolio. Sales revenues grew mainly due to increased board revenues (up 27% and totaling HRK 411 million; HRK 323 million in 2016) and revenues of other operating departments (+48%; laundry, tourist agency, equipment-renting services for events, etc.).
-  In the first six months of 2017 the Group achieved 1,861,460 overnights (+30%) while the average daily rate increased by 8%. Board revenue growth was largely driven by: i) intensive investments in raising the competitive edge and quality of services and products, ii) the optimization of the marketing mix and prices driven by higher demand iii) better occupancy, iv) the development of destination products with added value, and v) the Imperial Rab hotel group acquisition.
-  Operating costs grew by HRK 84 million and totaled HRK 429 million, mainly due to i) this year's consolidation of the Imperial hotel group, ii) increased material costs driven by larger business volumes, iii) a different (monthly) calculation of the costs of payroll and incentives, iv) the salary increase policy, and v) the hiring of construction site staff (to carry out the large investments) and the resort staff (to ensure high service quality in the new Premium/ Upscale properties).

-  The Group's financial result was HRK 21 million (HRK 42 million in 2016), mainly due to last year's one-off income driven by the sale of the share portfolio.
-  Enterprise value continued to grow (+28%) as a result of increased market capitalization and efficient net debt management.
-  By the end of last year, Valamar Riviera concluded a Management contract regarding the management of Imperial's properties and facilities. The contract has been implemented as of 4 January 2017. By establishing a strategic partnership with Allianz ZB pension fund, Valamar Riviera successfully acquired 54.71% of Imperial's share capital by the end of last year. Valamar Riviera now manages a portfolio that includes 30 hotels and resorts and 15 campsites that can welcome more than 56,000 guests daily.
-  The Group's largest series of investments worth over HRK 900 million was completed. This year positive effects of the investments are expected in the third quarter in particular. Most of the investments were focused on the projects in Rabac (Family Life Bellevue Resort 4* and Valamar Girandella Resort 4*/5*), the development of premium camping resorts, and a range of other smaller projects related to the improvement of quality, operating efficiency and energy saving, as well as Imperial's investments.
-  The Supervisory Board of Valamar Riviera approved the 2018 investments totaling HRK 704 million, thus pursuing the company strategy to reposition the hotel and camping portfolio towards products and services with high added value. For details, see "2018 Investments" on page 19.
-  Valamar's press release is available from the Valamar Riviera corporate website (valamar-riviera.com/en/2Q2017).

OUTLOOK

-  The significant increase in the number of announced bookings until year-end indicates a positive business outlook. Further growth is expected in sales revenues, overnights, and EBITDA. These expectations are based on this year's heavy investments, the great market feedback that properties in Rabac, Poreč and Krk received after undergoing investment and the acquisition of the Imperial hotel group.
-  In accordance with our strategic goals for the period up to 2020, we are intensively working on investments projects aimed at improving the portfolio properties and services. However, numerous factors reduce the competitiveness of Croatian tourism and hinder further investment potential: the still unresolved issue of tourism land, skilled labor shortages, the introduction of the property tax and the likely tourist tax increase as well as VAT and the rate of total contributions to salaries (both among the highest on the Mediterranean).
-  Following the successful acquisition of the Baška hotel group on the island of Krk and the Imperial hotel group on the island of Rab, we are considering further expansion by pursuing new partnerships and acquisition opportunities in Croatia and abroad.

TABLE OF CONTENTS

Significant Business Events	5
Results of the Group	8
Results of the Company	16
2017 Investments	17
2018 Investments	19
The risks of the Company and the Group	21
Corporate Governance	25
Related-party transactions	26
Branch offices of the Company	26
RIVP-R-A share	27
Investors Day and the 2016 Integrated Annual Report and Corporate Social Responsibility	29
Other information	30
Responsibility for the quarterly financial statements	31
Quarterly financial statements	32

SIGNIFICANT BUSINESS EVENTS

Valamar Riviera is the leading Croatian tourism company and one of the leading tourism groups in Croatia. It also one of the largest investors in Croatian tourism with more than HRK 4 billion invested over the last 14 years. It owns two brands: Valamar Hotels and Resorts and Camping Adriatic. With last year's acquisition of Imperial, a hotel group on the island of Rab, the Valamar Riviera Group now operates 30 hotels and resorts and 15 camping resorts in five attractive destinations along the Adriatic coast – from Istria and the islands of Krk and Rab to Dubrovnik. It operates about 12% of the total categorized tourist accommodation in Croatia. Valamar's properties can welcome more than 56,000 guests daily in about 21,000 accommodation units. In terms of accommodation capacity, Valamar Riviera is the largest tourism group in Croatia. Valamar Riviera promotes the interests of all its stakeholders: guests, suppliers and partners, local communities and destinations, about 21,000 shareholders and around 5,300 people employed during peak season, as well as the whole community. The stakeholders' interests are actively promoted through Valamar Riviera's principles of sustainable growth, development and corporate social responsibility. The company aims at growing and developing further through portfolio investments, new acquisitions and partnerships, the development of its destinations and human resources and by increasing operational efficiency.

At the end of last year, Valamar Riviera concluded a Management contract with Imperial regarding the management of Imperial's properties and facilities. The contract has been implemented as of 4 January 2017. On 27 December 2016, when the takeover bid transaction was completed, Valamar Riviera acquired 54.71% of Imperial's share capital. Valamar Riviera also concluded a Cooperation



Agreement with Allianz ZB from Zagreb, acting in its own name and on behalf of the mandatory pension funds it manages (category A and B). With this agreement, the two companies established joint activity towards Imperial. Valamar Riviera and Allianz ZB expect to achieve significant synergies in the future development of Imperial's hotel portfolio and Rab as a destination.

The General Assembly of Valamar Riviera was held on 4 May 2017. The following was established during the Assembly:

- The Company's realized profits in 2016 totaling HRK 336,657,720.54 were distributed as follows: HRK 16,402,310.91 to legal reserves and HRK 320,255,409.63 to retained profits.
- The Management Board members were discharged from managing the company business in 2016 and the Supervisory Board members were discharged from performing the supervision of Valamar Riviera's business management in 2016.
- The established dividend was HRK 0.80 (eighty lipa) per each share. The dividend would be paid out of the retained profit realized in 2013, 2014 and 2015 and treasury shares. (On 29 May 2017 shareholders who opted so had one quarter of their dividend paid out in rights-company shares.)
- The appointed Auditor for Valamar Riviera d.d. in 2017 is Ernst & Young d.o.o. from Zagreb, 50 Radnička cesta.
- As the term of office for the Supervisory Board members expired on 6 July 2017, the following were elected for a new 4 –year term of office: Mr. Gustav Wurmböck, Mr. Franz Lanschützer, Mr. Mladen Markoč, Mr. Georg Eltz, Mr. Hans Dominik Turnovszky, Mr. Vicko Ferić, and Mr. Valter Knapić - employee representative elected by the Works Council. The term of office for the newly elected Supervisory Board members started on 7 July 2017.
- The Assembly decided on the amendment to the Company Statute.

In order to improve the operating efficiency and streamline operations, on 6 February 2017 Valamar Riviera initiated the

merger of Puntizela d.o.o. The merger was completed on 31 March 2017 upon its entry into the court register. Consequently, Valamar Riviera has become the universal legal successor of the merged company Puntizela.

By taking into consideration (i) the acquisition of Imperial, (ii) the 2017 investments worth over HRK 900 million, and (iii) the initial booking pace from source markets, in its 2017 business plan Valamar Riviera is targeting a total consolidated net operating revenue of HRK 1.57 billion (Imperial excluded), representing a 7% increase compared to 2016, or HRK 1.69 billion including Imperial and Imperial's interim business plan (which was reviewed in April 2017). Considering the seasonality of operations and past practice, Valamar Riviera is going to announce the expected range of 2017 consolidated operating income and EBITDA in October 2017, including variances from the set targets.

Valamar Riviera d.d. and PBZ Croatia osiguranje, a pension fund management company acting in its own name and on behalf of the obligatory pension funds it manages (category A and B) submitted on 15 May 2017 a joint offer for the investment and recapitalization of Helios Faros d.d. u stečaju, a bankrupt hospitality company with registered office in Stari Grad on the island of Hvar. On 20 July 2017, the Assembly of bankruptcy creditors of Helios Faros decided to prepare a Bankruptcy plan following the investment and recapitalization offer for Helios Faros. In this offer, PBZ Croatia Osiguranje and Valamar Riviera presented a restructuring plan as well as a six-year investment plan worth HRK 650 million for investments in hospitality assets. The total renovation and construction of two premium resorts containing around 700 accommodation units would reposition the Helios Faros portfolio as premium accommodation, thus turning Stari Grad into an attractive and well-known destination. According to this plan, Helios Faros would employ 500 people after the renovation of the two hotels, Arkada and Lavanda. The Bankruptcy plan for Helios Faros would enable the company to emerge from bankruptcy and continue its business operations in close partnership with the destination, Stari Grad, in order to

bring prosperity to the whole island. PBZ Croatia osiguranje and Valamar Riviera see this project as a confirmation of synergies from the joint activity of a large institutional investor and a strategic tourism investor contributing with its business expertise and results. Consequently, Valamar Riviera would manage Helios Faros' development and business operations through a model contract related to the management of facilities. However, the Bankruptcy plan still needs to be adopted by the Assembly of bankruptcy creditors and validated by the bankruptcy judge.

On 5 June 2017, Valamar Riviera announced the conclusion of a contract with Kinderhotels Europa Management-Marketing-Verwaltungs-und Verlags GesmbH regarding the purchase of the right to use the Kinderhotels brand for a period of 5 years and 5 months. With this, Valamar has become part of the Kinderhotel chain, specialized in family vacations. Kinderhotels Europa is a marketing association that brings together high-quality premium family hotels under the Austrian "Kinderhotels" brand. The collaboration between Valamar and Kinderhotels Europa will enable the hotel branding of Valamar Girandella Maro Resort 5* in Rabac, planned to be opened for season 2018. There are 50 such hotels in Europe, with this one being the third in Croatia.

In accordance with the previously announced investment cycle until 2020, worth up to HRK 2 billion, the Supervisory Board of Valamar Riviera has approved investments for the year 2018 totaling HRK 703.8 million. The approved investments represent the continuation of the company strategy to reposition the portfolio towards products and services with high added value. In 2018, the Company plans to complete the Valamar Girandella Resort 4*/5* in Rabac. It will include the first Kinderhotel in Valamar's portfolio, thus expanding the family-oriented portfolio segment. The investment in the Valamar Pinia Family Suites 5* in Poreč will also result in a new, luxury family hotel. The continuation of Valamar's large strategical investments in premium camping in Istria and on the island of Krk is also included in the 2018 investment plans. Investments in Dubrovnik are focused on creating additional amenities

Note: Our targets and plans are based on currently available information, current assumptions and projections of future events. These plans are not a guarantee of future results and are subject to future events, risks, and uncertainties, many of which are beyond the control of, or currently unknown to Valamar Riviera, as

well as potentially erroneous assumptions that could cause the actual results to materially differ from the said plans. Risks and uncertainties include, but are not limited to the ones described in the chapter "Risks of the Company and the Group". Should materially significant changes to the stated target results for the business

year 2017 occur, Valamar Riviera shall immediately inform the public thereof, in compliance with Article 459 of the Capital Market Act. The given targets and plans are not an outright recommendation to buy, hold or sell Valamar Riviera's shares.

for the Valamar Argosy 4* hotel. Numerous other projects that include investments in amenities for guests as well as accommodation for seasonal employees are also planned in accordance with the Company's strategic goals until 2020. For details, see "2018 Investments" on page 19.

The Company's Management Board presents the unaudited quarterly financial reports for the second quarter of 2017 (from 1 April 2017 to 30 June 2017) and for the first half of 2017 (from 1 January 2017 to 30 June 2017). These reports must be viewed in the context of the said mergers and acquisitions, and they provide information on the state of the Company and Group, as well as significant events.

The Company balance sheet for the reviewed period (as of 30 June 2017) contains the data for the merged company Puntizela d.o.o. for the period following the merger, i.e. as from 1 April 2017. Please note that the 2017 data cannot be entirely compared to the previous period, as the latter did not include Puntizela d.o.o.

The Group balance sheet for the reviewed period (as of 30 June 2017) and the previous period (as of 31 December 2016) contains the data for Imperial d.d.

The Company income statement for the reviewed period includes the data of the merged companies: Bastion upravljanje d.o.o. for the period following the merger i.e. as from 1 July 2016, Hoteli Baška d.d. for the period following the merger i.e. as from 1 April 2016, Puntizela d.o.o. for the period following the merger, i.e. as from 1 April 2017. Please note that 2017 data are not fully comparable to the data for the previous period, as the latter do not include, until the time of the merger, the data for the said merged companies.

The Group income statement for the reviewed period includes the data for the following companies: 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 Imperial d.d. Thus, the data for 2017 are not fully comparable to the data for the previous period, as the latter do not include Imperial d.d.

Dubrovnik Babin-Kuk, Dubrovnik



RESULTS OF THE GROUP

Key financial indicators of Valamar Riviera Group¹

(in HRK)	1 - 6/2016	1 - 6/2017	2017/2016
Total revenues	507,163,870	571,468,377	12.7%
Operating income	435,205,124	523,559,917	20.3%
Sales revenues	419,648,604	512,108,569	22.0%
Board revenues (accommodation and board revenues) ²	323,055,046	411,064,198	27.2%
Operating expenses ³	345,385,320	429,310,628	24.3%
EBITDA ⁴	86,311,609	90,741,624	5.1%
Extraordinary operations result and one-off items ⁵	7,848,819	1,200,523	-84.7%
Adjusted EBITDA ⁶	78,462,790	89,541,101	14.1%
EBIT	-45,132,237	-75,033,746	66.3%
Adjusted EBIT ⁶	-52,981,056	-76,234,269	43.9%
EBT	-2,658,239	-54,186,027	1938.4%
EBT margin	-0.6%	-10.3%	-970 bp
	31/12/2016	30/6/2017	2017/2016
Net debt ⁷	1,398,102,734	1,812,296,661	29.6%
Cash and cash equivalents	274,650,648	124,568,364	-54.6%
Market capitalization ⁸	4,295,057,872	5,447,621,040	26.8%
EV ⁹	5,693,160,606	7,259,917,701	27.5%

Key business indicators of Valamar Riviera Group¹⁰

	1 - 6/2016	1 - 6/2017	2017/2016
Number of accommodation units (capacity)	18,072	20,852	15.4%
Accommodation units sold	783,650	924,412	18.0%
Overnights	1,434,810	1,861,460	29.7%
ADR ¹¹ (in HRK)	412	445	7.9%

¹ Classified according to the Quarterly Business Financial Statement (TFI POD-RDG). EBIT, EBITDA and their adjusted values and respective margins are recorded on the basis of operating income.

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

³ Operating costs include material costs, staff costs, other costs, and other operating costs reduced by extraordinary expenses and one-off items.

⁴ EBITDA (eng. earnings before interest, taxes, depreciation and amortization)

is calculated as: operating income - total operating costs + depreciation and amortisation + value adjustments.

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

⁶ Adjusted by the result of extraordinary operations and one-off items.

⁷ 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.

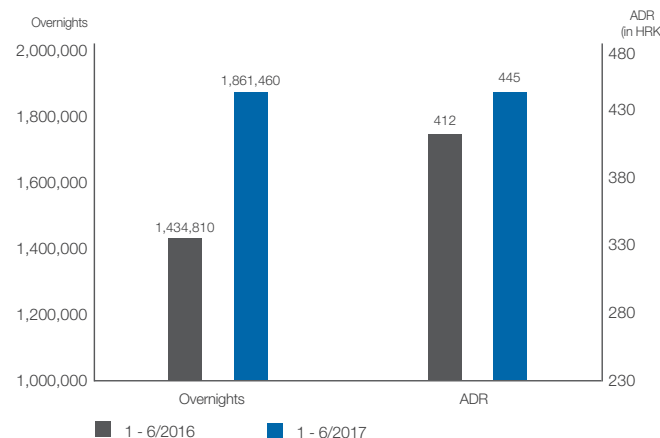
⁸ The number of shares as at 30 June 2017 amounts to 124,223,091, while at 31 December 2016 to 124,170,508.

⁹ EV refers to enterprise value; calculated as market capitalization + net debt.

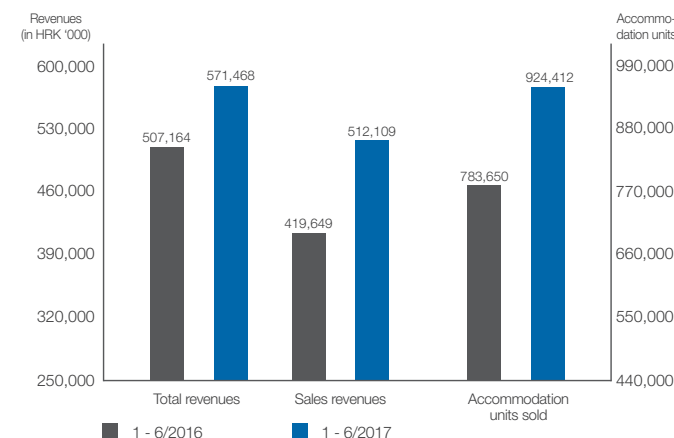
¹⁰ In 2016 key business indicators of Valamar Riviera Group do not include data of Imperial d.d.

¹¹ 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



The first half of 2017 was marked by strong business results. Valamar Riviera reported a strong growth in total revenues (+12.7% to HRK 571.5 million; HRK 507.2 million in 2016). If extraordinary income is excluded, total revenues grew by 14.3%. The consolidation of Imperial carried 7.9 percentage points of the Group's growth due to the negative effect of this year's lower financial income. Of the total revenues growth, HRK 92.5 million were consolidated sales revenues (from HRK 419.6 million to HRK 512.1 million), while the remaining part was mainly the decrease in financial income of HRK 24 million (from HRK 72 million to HRK 48 million) due to last year's one-off income generated by the sale of the share portfolio. Sales revenues grew by a high 22.0%, mainly due to the increase in board revenues (+27% to HRK 411 million; HRK 323 million in 2016) and revenues of other operating departments (+48%): laundry, tourist agency, equipment-renting services for events, etc.

Adjusted EBITDA¹² saw a strong 14.1% growth and totaled HRK 89.5 million (HRK 78.5 million in 2016), with the consolidation of Imperial contributing with 4 percentage points. Adjusted

EBITDA growth was driven by the largest series of investments so far that focused on raising the competitive edge and quality of services and products, the Imperial acquisition, increased operating efficiency and the optimization of prices, marketing mix and sales channels driven by higher demand. Unadjusted EBITDA grew by 5.1% and totaled HRK 90.8 million.

All marketing segments grew in January and February, except for M.I.C.E.¹³. March saw smaller business volumes due to Easter holidays occurring in April. However, this was offset in April when all marketing segments received great feedback. May was affected by the later occurrence of holidays in the German source market, and the positive effects were carried over into June. Apart from the holiday factor, June saw a strong demand for Valamar Riviera's portfolio products and services, thus driving an optimum price yield, especially in destination Poreč. This resulted in an 18.0% growth or 924.412 accommodation units sold in the first half of 2017. Due to the larger business volume and the 7.9% average daily rate increase to HRK 445, board revenues grew by HRK 88.0 million.

In relation to the previous comparable period, operating income saw a strong 20.3% growth and totaled HRK 523.6 million. In the operating income, i) HRK 512.1 million represented sales revenues (HRK 419.6 million in 2016), ii) HRK 11.4 million represented other operating revenues (HRK 15.6 million in 2016). Domestic sales revenues totaled HRK 53.4 million and represented 9.3% of the total revenues (8.7% in 2016). In relation to the previous comparable period, they grew by 21.1%. International sales revenues grew by HRK 83.6 million, totaled HRK 459.1 million and represented 80.3% of the total revenues (74.0% in 2016). Other operating revenues fell by HRK 4.1 million. Other operating and financial income represented 10.4 % of the total revenues (17.3% in 2016).

Total operating costs were HRK 429.3 million. They grew by 24.3% mainly due to i) this year's consolidation of the Imperial hotel group, ii) increased material costs due to larger business volumes, iii) a different (monthly) calculation of the costs of payroll and incentives¹⁴, iv) the salary increase policy (totaling 4% since June 2016 and a 0.5% increment for years of service since 1 January 2017), and iv) the hiring of construction site

¹² Adjustments were made for (i) extraordinary income (in the amount of HRK 4.9 million in the first half of 2017, and HRK 11.4 million in the comparative period of last year), (ii) extraordinary expenses (in the amount of HRK 3.3 million in the first half of 2017, and HRK 2.0 million in the comparative period of last year),

and (iii) termination benefit costs (in the amount of HRK 0.4 million in the first half of 2017, and HRK 1.5 million in the comparative period of last year). Extraordinary operations result and one-off items amounted to HRK 1.2 million in the first half of 2017, and HRK 7.8 million in the comparative period of last year.

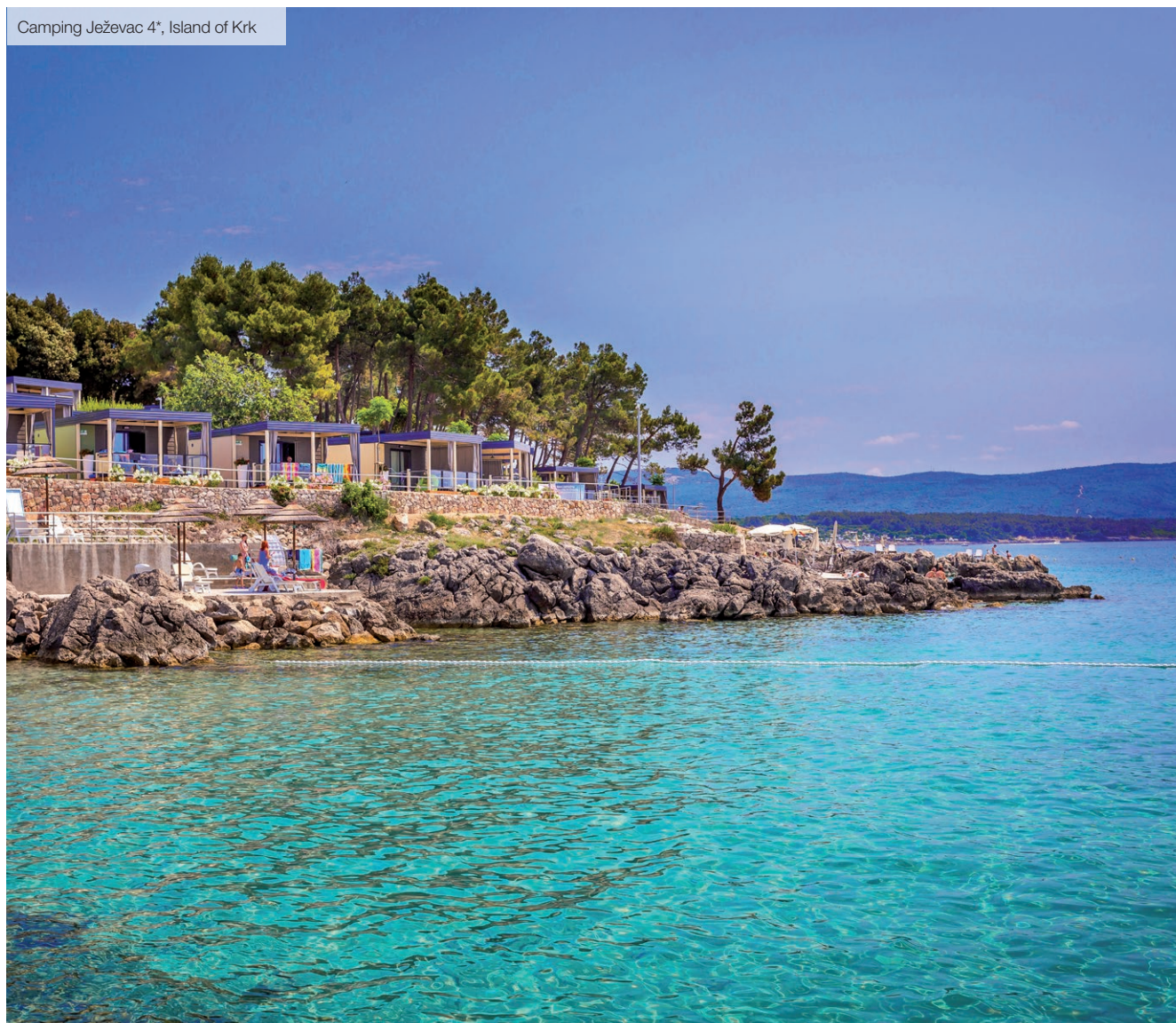
¹³ Meetings, incentives, conferencing, exhibitions.

¹⁴ In 2016 the cost of salaries and incentives was calculated in the third and fourth quarter. However, this year the cost is calculated monthly in order to have a more accurate report on a yearly basis.

staff (to carry out the large investments) and the resort staff (to ensure high service quality in the new Premium/ Upscale properties). For comparability's sake, if the payroll cost calculation and Imperial's data are excluded, operating costs grew by 13.0% and remained under control through their active management.

In relation to last year's comparable period, loss before tax grew by HRK 51.5 million and totaled HRK 54.2 million. Operating loss grew by HRK 29.9 million and totaled HRK 75.0 million. The negative EBT margin of -10% (-1% in 2016) was mainly due to the seasonality of business operations, i.e. lower revenues and a larger share of fixed costs during the first half.

A number of factors indicate towards a positive business outlook: compared to last year, the booking pace increased and the effects of the intensive investment cycle are expected to be visible in the second half and especially in the third quarter of this year.



Total operating expenses of Valamar Riviera Group¹⁵

(in HRK)	1 - 6/2016	1 - 6/2017	2017/2016
Operating costs ³	345,385,320	429,400,278	24.3%
Total operating expenses	480,337,361	598,578,927	24.6%
Material costs	148,171,187	176,172,842	18.9%
Staff costs	145,598,450	198,820,249	36.6%
Depreciation and amortisation	131,402,096	165,705,733	26.1%
Other costs	50,855,450	54,332,820	6.8%
Provisions and value adjustments	41,750	69,637	66.8%
Other operating expenses	4,268,428	3,477,646	-18.5%

Compared to the same period last year, first-half total operating expenses grew by 24.6%. This is mainly due to this year's consolidation of Imperial, increased amortization costs, material costs and staff costs (as previously explained). For comparability's sake, if the payroll (incentives) cost calculation and Imperial's data are excluded, total operating expenses grew by 11.2%.

Material costs represented 29.4% of total operating expenses (30.8% in 2016) and totaled HRK 176.2 million. They grew by 18.9% mainly due to the consolidation of Imperial and the increased costs of raw material (direct food and beverages costs and costs of energy sources and water) due to increased business volumes.

Staff costs totaled HRK 198.8 million and represented 33.2% of total operating expenses (30.3% in 2016). Their 36.6%

growth can be attributed to the factors mentioned earlier in the detailed description of realized operating costs.

Amortization represented 27.7% of operating expenses (27.4% in 2016) and totaled HRK 165.7 million (HRK 131.4 million in 2016). It grew by 26.1% mainly due to the larger consolidation scope and the previous intensive investment cycle. Other costs grew by 6.8% or HRK 3.5 million mainly due to the Imperial consolidation. Provisions and value adjustments totaled HRK 69.6 thousand. Other operating expenses totaled HRK 3.5 million and fell by HRK 0.8 million.

2017 first-half financial income totaled HRK 47.9 million. In relation to last year's comparable period, they fell by HRK 24.0 million. Other financial income had the most significant decrease of HRK 35.2 million, mainly due to last year's one-time income generated by the sale of the share portfolio.

Interest rates, foreign exchange differences, dividends and similar income from third parties reported the highest individual growth in the first half. They grew by HRK 9.9 million because of foreign exchange differences related to long-term loans due to HRK appreciation. Unrealized gains from financial assets also grew by HRK 1.2 million due to gains from fair-valued FX forwards.

The Group's financial expenses totaled HRK 27.1 million and fell by HRK 2.4 million in relation to the first half of 2017. Unrealized loss from financial assets fell by HRK 3.3 million mainly due to more favorable trends in the fair value of interest rate swaps i.e. a reduction in liabilities related to them. Financial expenses related to interests, foreign exchange differences and other expenses from third parties grew by HRK 1.9 million. Most of this growth is represented by interest rates related to long-term loans contracted as financial leverage for the 2017 investments.

¹⁵ Classified according to the Quarterly Business Financial Statement (TFI POD-RDG).

As of 30 June 2017, the total value of the Group's assets increased by 8.2% compared to 31 December 2016.

The total share capital and reserves fell by 6.4% and totaled HRK 2,222.9 million mainly due to the realized loss (HRK 45.4 million) during the first half in relation to the profit (HRK 342.3) realized as of 31 December 2016.

Total long-term liabilities grew from HRK 1,556.1 million to HRK 1,876.7 million due to the loans contracted to finance this year's investment cycle.

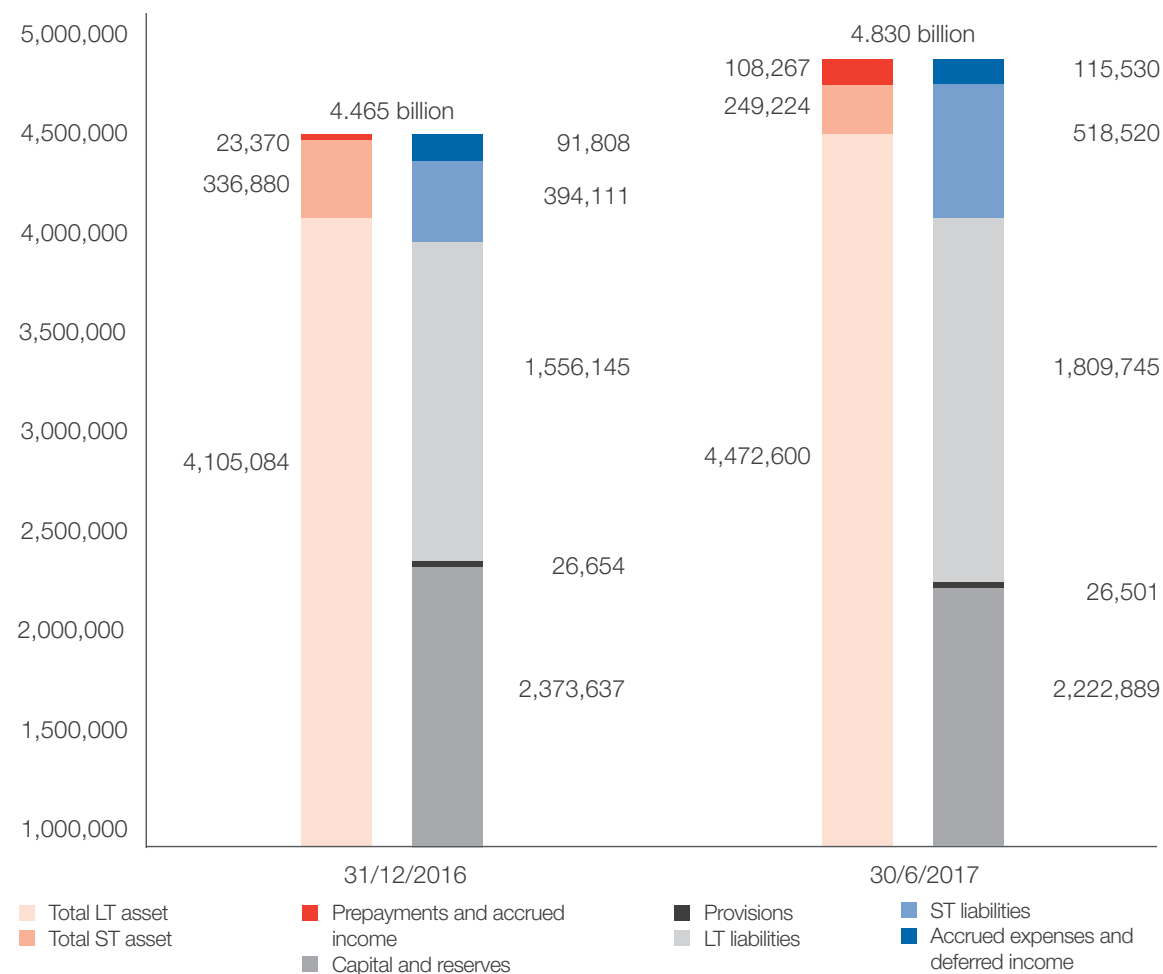
Total short-term liabilities totaled HRK 588.5 million and grew by 49.3% compared to 31 December 2016. This is mainly caused by typically higher liabilities related to advance payments from customers totaling HRK 253.0 million.

Cash and cash equivalents as of 30 June 2017 totaled HRK 124.6 million. This typical decrease (in relation to year-end 2016) is mainly due to outflows related to the preparations for the tourist season.

The reported cash and cash equivalents indicate a strong potential from business activities. Together with external borrowing, they are able to secure a smooth continuation of future investments and potential acquisitions.

Assets and liabilities

Amount
(in HRK '000)



Key operating indicators of Valamar Riviera Group per segments¹⁶

HOTELS AND RESORTS	Total			Premium			Upscale			Midscale			Economy		
	1 - 6/2016	1 - 6/2017	2017/ 2016	1 - 6/2016	1 - 6/2017	2017/ 2016	1 - 6/2016	1 - 6/2017	2017/ 2016	1 - 6/2016	1 - 6/2017	2017/ 2016	1 - 6/2016	1 - 6/2017	2017/ 2016
Number of accommodation units	7,927	8,982	13.3%	1,037	1,269	22.4%	1,422	1,980	39.2%	3,112	3,493	12.2%	2,356	2,240	-4.9%
Accommodation units sold	461,128	553,583	20.0%	87,439	83,746	-4.2%	84,534	119,152	41.0%	189,303	216,956	14.6%	99,852	133,729	33.9%
Overnights	900,624	1,115,700	23.9%	143,990	166,033	15.3%	173,742	259,051	49.1%	376,562	430,143	14.2%	206,330	260,473	26.2%
ADR ¹¹ (in HRK)	568	590	3.9%	856	998	16.6%	720	777	7.8%	497	516	3.6%	319	289	-9.6%
Board revenues (in HRK)	261,807,848	326,613,071	24.8%	74,859,969	83,591,911	11.7%	60,897,220	92,571,638	52.0%	94,174,134	111,841,319	18.8%	31,876,525	38,608,203	21.1%

CAMPING RESORTS	Total			Premium			Upscale			Midscale			Economy		
	1 - 6/2016	1 - 6/2017	2017/ 2016	1 - 6/2016	1 - 6/2017	2017/ 2016	1 - 6/2016	1 - 6/2017	2017/ 2016	1 - 6/2016	1 - 6/2017	2017/ 2016	1 - 6/2016	1 - 6/2017	2017/ 2016
Number of accommodation units	10,145	11,870	17.0%	511	3,466	578.3%	4,437	1,434	-67.7%	3,387	5,150	52.1%	1,810	1,820	0.6%
Accommodation units sold	322,522	370,829	15.0%	23,840	123,598	418.4%	144,899	56,071	-61.3%	104,018	145,826	40.2%	49,765	45,334	-8.9%
Overnights	534,186	745,760	39.6%	57,830	278,734	382.0%	244,144	108,647	-55.5%	166,619	284,404	70.7%	65,593	73,975	12.8%
ADR ¹¹ (in HRK)	190	228	19.9%	276	267	-3.1%	208	249	19.3%	166	205	23.3%	145	168	16.0%
Board revenues (in HRK)	61,247,198	84,451,128	37.9%	6,568,312	33,003,985	402.5%	30,184,912	13,936,657	-53.8%	17,298,023	29,907,402	72.9%	7,195,950	7,603,084	5.7%

Key operating indicators of Valamar Riviera Group per destinations¹⁶

DESTINATION	Poreč			Rabac			Island of Krk			Island of Rab			Dubrovnik		
	1 - 6/2016	1 - 6/2017	2017/ 2016	1 - 6/2016	1 - 6/2017	2017/ 2016	1 - 6/2016	1 - 6/2017	2017/ 2016	1 - 6/2016	1 - 6/2017	2017/ 2016	1 - 6/2016	1 - 6/2017	2017/ 2016
Number of accommodation units	10,632	10,584	-0.5%	2,065	1,971	-4.6%	3,414	3,577	4.8%	/	2,759	/	1,961	1,961	0.0%
Accommodation units sold	419,291	445,468	6.2%	90,493	116,525	28.8%	139,475	154,676	10.9%	/	72,779	/	134,391	134,964	0.4%
Overnights	768,206	892,744	16.2%	187,240	230,203	22.9%	254,941	311,997	22.4%	/	178,138	/	224,423	248,378	10.7%
ADR ¹¹ (in HRK)	357	400	11.9%	434	451	3.9%	282	341	20.9%	/	399	/	703	729	3.7%
Board revenues (in HRK)	149,889,202	178,252,040	18.9%	39,316,979	52,609,098	33.8%	39,350,116	52,745,025	34.0%	/	29,035,617	/	94,498,750	98,422,417	4.2%

¹⁶ According to the classification under the USAI international standard for reporting in hotel industry (Uniform System of Accounts for the Lodging Industry). Business

operations of Imperial's properties on the Island of Rab are not included in 2016. Puntizela - Pula business is included in destination Poreč. A detailed comparison of

the new portfolio segmentation can be found on page 15.

Valamar Riviera reported a strong growth in board revenues at all destinations and in all segments except for the Upscale camping segment because Camping Resort Lanterna 4* went from Upscale to Premium. The strong business results were driven by the excellent market feedback that the new investments received, the acquisition of the Imperial hotel group, the optimization of the marketing mix and prices driven by higher demand and the successful realization of group stays (leisure and events).

The Premium segment of hotels and resorts reported HRK 83.6 million in board revenues. They grew by HRK 8.7 million mainly due to a strong 18% growth of the average daily rate for Valamar Isabella Island Resort 4*&5* and the business volume at the new Valamar Girandella Resort 4*/5*. Two hotels in Dubrovnik, the Valamar Dubrovnik President 5* and the Valamar Lacroma 4* reported a slight fall because last year's Daimler AG – Mercedes-Benz M.I.C.E. event did not take place. However, this was offset mainly by allotments, groups and average daily rate optimization.

Upscale hotels and resorts reported the strongest growth in board revenues (+HRK 31.7 million). The number of accommodation units sold grew by 41.0% and the realized average daily rate was HRK 777. The resulting board revenues totaled HRK 92.6 million. This year's business generated at the new Bellevue Family Life Resort 4* contributed most to this growth: with fewer operating days, this Upscale property achieved a near 70% growth in board revenues. The Tamaris cluster reported strong growth driven by increased demand in June and the "X-Jam Croatia" event. Except for M.I.C.E., all marketing segments contributed to the board revenue growth at the Valamar Argosy 4*, particularly the allotment and group channels. The individual channel reported the strongest growth at the Valamar Sanfior 4* in Rabac. This year's consolidation of the hotels and resorts on the island of Rab influenced board revenues by 9%.

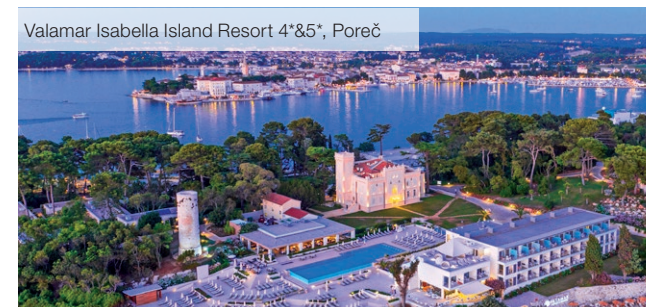
The Midscale segment reported HRK 111.8 million in board revenues, which were negatively affected by Bellevue Family Life Resort 4* going from Midscale to Upscale. However, this was offset by the positive effect of the consolidation of Imperial Midscale hotels and resorts (carrying 13.8% of the



growth) as well as the comparable growth reported by other Midscale properties. Most of it was generated by the hotels: i) Valamar Diamant 4* (increase in individual channels and groups), ii) Valamar Rubin 3* (excellent individual channel feedback), and iii) Corinthia 3* (more operating days and a successful realization of leisure groups in April).

The Economy segment of hotels and resorts reported a high 21.1% growth and totaled HRK 38.6 million in board revenues, which were negatively affected by the newly- renovated Valamar Girandella Resort 4*/5* going from Economy to Premium. However, this was offset by the positive effect of the Imperial consolidation (carrying 5.8% of the growth) and other comparable segment growth. Most of it was generated by i) Lanterna Apartments 2* (increased demand and the "X-Jam Croatia" event at the end of June), ii) Marina Hotel and Mediteran Residence 2* (accommodation of staff hired for carrying out the investments in Rabac), and iii) Tirena hotel 3* (excellent group channel feedback).

During the first half of 2017, camping resorts reported high total board revenues (HRK 84.5 million). Campsites reported strong overall performance due to increased demand (especially in June) and the excellent feedback received for this year's investments. The optimization of the average rate for mobile homes and the increased number of overnights resulted in a strong 37.9% growth in board revenues. This year's consolidation of camping resorts on the island of Rab affected board revenues by 14.6%. The Premium segment grew by HRK 26.4 million, mainly because Camping Resort Lanterna 4* went from Upscale to Premium. Camping Resort Lanterna reported a high growth in board revenues, especially in June. Its increased business volume was



mostly influenced by the solid feedback received by marketing activities related to the placement of this year's investments in new products and amenities for the resort guests. The rest of the growth was mainly attributed to the excellent performance of Camping Resort Krk 5*. Excluding Camping Resort Lanterna 4* last year's business, the Upscale segment reported a strong 32.5% growth in board revenues. All Midscale campsites reported growth in board revenues that totaled HRK 29.9 million. Most of the growth is influenced by the consolidation of the Rab-based campsites. The Economy segment reported a 16% increase in the average daily rate. Consequently, board revenues increased by HRK 0.4 million and totaled HRK 7.6 million.

Board revenues in destination Poreč grew by 18.9 % and totaled HRK 178.3 million. Half of it was generated by business operations at Valamar Isabella Island Resort 4*&5*, Apartments Lanterna 2* and Camping Resort Lanterna 4*. Board revenues in destination Rabac grew by HRK 13.3 million and is mainly due to the excellent feedback received by the new investments, Valamar Girandella Resort 4*/5* and Bellevue Family Life Resort 4* as well as the significant increase of business volume at Marina Hotel & Mediteran Residence 2* and Hotel & Casa Valamar Sanfior 4*. Board revenues in destination Krk totaled HRK 52.7 million and are mainly due to their growth reported in the Krk camping segment (especially for campsites that underwent investments) and the Corinthia hotel 3*. Although the previously mentioned M.I.C.E. event was not held this year, destination Dubrovnik reported HRK 98.4 million in board revenues. The 4.2% growth of the Dubrovnik region was mostly carried by the Valamar Argosy hotel 4* and Tirena hotel 3*. The Rab-based properties reported HRK 29.0 million in board revenues.

Over the years Valamar Riviera has consolidated its portfolio in order to clearly differentiate, develop and reposition its tourism products. A precise definition of market segments, innovative development of service concepts, brand management, profitability increase and return-on-investment optimization demanded a revised segmentation of the portfolio of hospitality properties to provide for an improved portfolio management.

Last year's acquisition of Imperial d.d. added 5 new hotels and resorts and 2 camping resorts to Valamar Riviera's portfolio. The additional 2,759 accommodation units will contribute to the growth of the Group's business volume and profitability in 2017. The Group's total accommodation capacity in 2017 is 20,852 accommodation units.

Hotels and Resorts Overview¹⁷

	Categorization		Segment		Destination
	2016	2017	2016	2017	
Valamar Dubrovnik President Hotel	****	****	Premium	Premium	Dubrovnik
Valamar Isabella Island Resort	**** / ****	**** / ****	Premium	Premium	Poreč
Valamar Lacroma Hotel	****+	****+	Premium	Premium	Dubrovnik
Valamar Club Tamaris	****	****	Upscale	Upscale	Poreč
Valamar Riviera Hotel & Residence	****	****	Upscale	Upscale	Poreč
Valamar Zagreb Hotel	****	****	Upscale	Upscale	Poreč
Hotel & Casa Valamar Sanifor	****	****	Upscale	Upscale	Rabac
Valamar Argosy Hotel	****	****	Upscale	Upscale	Dubrovnik
Hotel Padova	****	****	Upscale	Upscale	Island of Rab
Valamar Diamant Hotel & Residence	****	****	Midscale	Midscale	Poreč
Valamar Crystal Hotel	****	****	Midscale	Midscale	Poreč
Valamar Pinia Hotel & Residence	***	***	Midscale	Midscale	Poreč
Valamar Rubin Hotel	***	***	Midscale	Midscale	Poreč
Bellevue Family Life Resort	****	****	Midscale	Upscale	Rabac
Allegro Hotel	***	***	Midscale	Midscale	Rabac
Miramar Hotel	***	***	Midscale	Midscale	Rabac
Hotel Corinthia	***	***	Midscale	Midscale	Island of Krk
Zvonimir Hotel, Atrium & Villa Adria	**** / ****	**** / ****	Midscale	Midscale	Island of Krk
Valamar Korlj Romantic Hotel	***	***	Midscale	Midscale	Island of Krk
Valamar Club Dubrovnik	***	***	Midscale	Midscale	Dubrovnik
Grand Hotel Imperial	****	****	Midscale	Midscale	Island of Rab
Hotel & Ville Carolina	****	****	Midscale	Midscale	Island of Rab
Tourist Village San Marino	***	***	Midscale	Midscale	Island of Rab
Naturist Resort Solaris	***	***	Economy	Economy	Poreč
Pical Hotel	***	**	Economy	Economy	Poreč
Tirena Hotel	***	***	Economy	Economy	Dubrovnik
Valamar Girandella Resort	**	****	Economy	Premium	Rabac
Lanterna Apartments	**	**	Economy	Economy	Poreč
Hotel Eva & Apartments Suha Punta	**	**	Economy	Economy	Island of Rab
Marina Hotel & Mediteran Residence	**	**	Economy	Economy	Rabac

Camping Resorts Overview¹⁷

	Categorization		Segment		Destination
	2016	2017	2016	2017	
Camping Krk	****	****	Premium	Premium	Island of Krk
Camping Ježevac	****	****	Upscale	Upscale	Island of Krk
Camping Resort Lanterna	****	****	Upscale	Premium	Poreč
Camping Marina	****	****	Upscale	Upscale	Rabac
Naturist Camping Bunculuka	****	****	Upscale	Upscale	Island of Krk
Camping Orsera	***	***	Midscale	Midscale	Poreč
Naturist Resort Solaris	***	***	Midscale	Midscale	Poreč
Camping Zablaće	***	***	Midscale	Midscale	Island of Krk
Camping Škrila	***	***	Midscale	Midscale	Island of Krk
Camping Solitudo	***	***	Midscale	Midscale	Dubrovnik
Camping & Residence San Marino	***	***	Midscale	Midscale	Island of Rab
Camping Padova 3	***	***	Midscale	Midscale	Island of Rab
Naturist Camping Istra	**	**	Economy	Economy	Poreč
Camping Brioni	**	**	Economy	Economy	Pula - Puntizela
Camping Tunarica	**	**	Economy	Economy	Rabac

¹⁷ Business operations of Imperial's properties are not included in 2016.

RESULTS OF THE COMPANY

Please note that the data provided in the current year's financial reports are not fully comparable to prior year's data because of the said mergers. The items in the current period and prior period until the time of the merger, i.e. until 31 March 2017 did not include the data for Puntizela d.o.o. Similarly, the items in the prior period until the time of the merger, i.e. i) until 31 March 2016 did not include the data for Hoteli Baška d.d. (merged company), and ii) until 30 June 2016 did not include the data for Bastion upravljanje d.o.o. (merged company). All significant changes in the Company's financial reports should also be viewed in the context of the said transactions in the previous period.

In the first half of 2017, total revenues grew by HRK 38.2 million and totaled HRK 536.4 million. Sales revenues totaled HRK 482.4 million and represented 90% of total revenues (84% in 2016). They increased by HRK 65.8 million compared to the same period last year. Sales revenues between parties within the group totaled HRK 5.1 million (HRK 0.4 million in 2016) and are mostly driven by the management fee for the Imperial properties on the island of Rab. Sales revenues outside the group totaled HRK 477.3 million (HRK 416.1 million in 2016). Domestic sales revenues grew by 18.2% in relation to the prior comparable period, totaling HRK 51.5 million and represented 9.6% of total revenues (8.7% in 2016). International sales revenues totaled HRK 430.9 million, representing 80.3% of total revenues (74.9% in 2016). They grew by 15.5% in relation to the prior comparable period. Other operating and financial income comprised 10% of total revenues (16% in 2016). Other operating revenues fell by 29%, totaling HRK 8.9 million and represented 2% of the total revenues (2% in 2016).

Material costs totaled HRK 179.8 million and represented 33% of operating expenses (34% in 2016). They grew by HRK 19.9 million due to the increased costs of raw material

(direct food and beverages costs and costs of energy sources and water) due to increased business volumes.

Staff costs totaled HRK 185.8 million, representing 34% of operating expenses (30% in 2016). Compared to the same period last year, they grew by HRK 44.6 million. This growth was attributed to i) this year's inclusion of Hoteli Baška and Puntizela staff, ii) a different (monthly) calculation of the costs of payroll and incentives and , iii) salary increase policy (totaling 4% since June 2016 and a 0.5% salary increment for years of service since 1 January 2017), and iv) the hiring of construction site staff (to carry out the large investments) and the resort staff (to ensure high service quality in the new Premium/ Upscale properties).

Amortization represented 24% of operating expenses (25% in 2016) and totaled HRK 133.9 million (HRK 118.3 million in 2016). The 13% growth is the result of earlier large investments and the merger of Hoteli Baška.

Other costs grew by 1.7% and totaled HRK 50.6 million. Provisions and value adjustments totaled HRK 70 thousand. Other operating expenses totaled HRK 3.1 million and grew by HRK 1.5 million.

In the first half of 2017, financial income totaled HRK 45.2 million and fell by HRK 24.1 million in relation to the prior comparable period. Other financial income had the most significant decrease of HRK 34.8 million, mainly due to last year's one-time income generated by the sale of shares. Interest rates, foreign exchange differences, dividends and similar income from unrelated parties reported the highest individual growth in the first half. They grew by HRK 9.5 million because of foreign exchange differences related to long-term loans due to HRK appreciation. Unrealized gains from financial assets also grew by HRK 1.2 million due to gains from fair-valued FX forwards.



The Company's financial expenses totaled HRK 23.5 million and decreased by HRK 2.4 million in relation to last year's comparable period. Unrealized loss from financial assets fell by HRK 3.1 million are mainly due to favorable trends in the fair value of interest rate swaps i.e. a reduction in liabilities related to them. Financial expenses related to interests, foreign exchange differences and other expenses from third parties grew by HRK 1.0 million. Most of this growth is represented by interest rates related to long-term loans contracted as financial leverage for the 2017 investment cycle.

In the reviewed period, The Company reported HRK 40.3 million in loss before tax, while in last year's comparable period the Company reported HRK 1.6 million in profit before tax. The Company's gross margin is -8.2% (0.4% in 2016). A number of factors indicate towards a positive business outlook: compared to last year, the booking pace increased and the effects of the intensive investment cycle are expected to be visible in the second half and especially in the third quarter of this year.

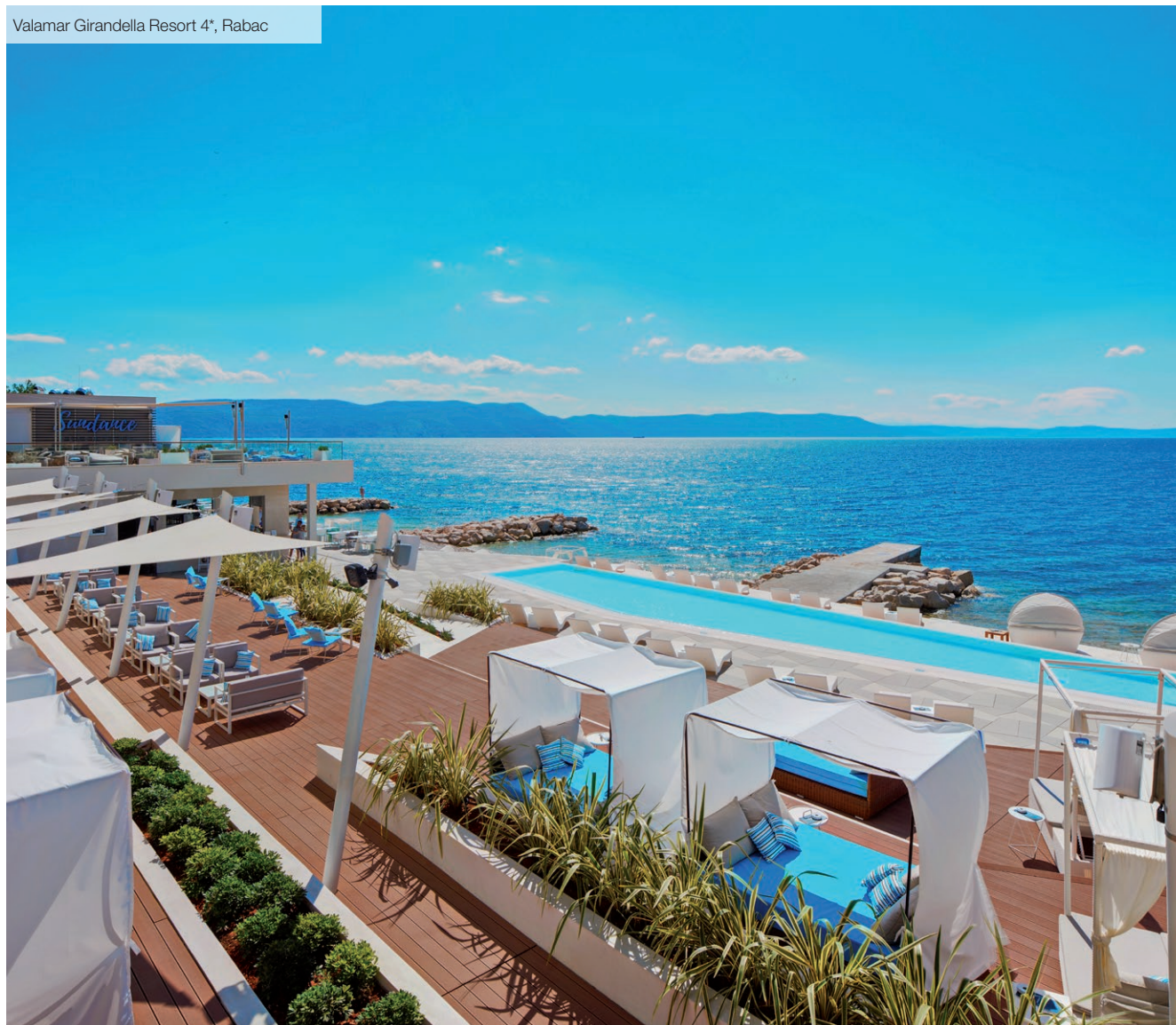
The total company assets as of 30 June 2017 amounted to HRK 4,518.5 million and increased by 15.3% compared to the previous period.

2017 INVESTMENTS

Valamar Riviera successfully completed the largest series of investments in the Company's portfolio so far worth over HRK 900 million¹⁸. HRK 494 million were earmarked for improving products and services in Rabac (Family Life Bellevue Resort 4* and Valamar Girandella Resort 4*/5*). Besides investing in hotels and resorts, a series of investments totaling HRK 186 million was focused on campsites. The most significant were the investments in Camping Resort Lanterna and two campsites, Zblaće and Ježevac. Investment maintenance totaled HRK 68 million, while other individual investments totaled HRK 138 million. Imperial's investments totaled nearly HRK 21 million.

Two luxury resorts, a brand new Family Life Bellevue Resort 4* (the first TUI Family Life hotel in Croatia) and a fully renovated Valamar Girandella Resort 4*/5* welcomed guests in Rabac at the start of this year's tourist season. The large investment project in Rabac included the total reconstruction of the two resorts totaling 764 accommodation units, the construction of 17 restaurants and bars, and 13 pools with total water surface of more than 2,000 m². The new features included a brand-new Maro club and various children playgrounds, two entertainment centers, a wellness facility, indoor and outdoor fitness facilities, a bike center and other sports amenities. More than 600 staff members attend to over 2,700 guests daily. The investments included various improvements of beaches and promenades as well as a total landscape redesign of the whole area. Croatian contractors and suppliers were hired to carry out most of the construction work and about 50% of them were local, Istrian entrepreneurs. These investments have repositioned Rabac as a leading high-end vacation destination. The 3-year strategic partnerships with the leading European tour operators – TUI and DER Touristik Köln (seasons 2017,

Valamar Girandella Resort 4*, Rabac



¹⁸ A portion already recorded in 2016.

2018 and 2019) have secured occupancy. With this, more than 100,000 guests are expected to visit Rabac in the next three years, thus improving the promotion of Istrian tourism. Moreover, the number of guests from air travel markets will grow, thus creating opportunities for season prolongation.

Besides key investments in Rabac, Valamar Riviera continued investing in the concept of Premium camping. Investments totaling HRK 98 million were focused on upgrades in Camping Resort Lanterna 4*, one of the best European campsites. The reception area together with the shops and catering establishments underwent renovation. The campsite now features new high quality mobile homes and new amenities for children. Valamar Riviera invested HRK 66 million in upgrading accommodation and services on the island of Krk and in new high quality mobile homes for two campsites, Ježevac 4* and Zablaće 3*. In order to improve the quality of other campsites on the island of Krk, as well as in Istria and Dubrovnik, a range of investments was focused on improving accommodation, beach amenities, and catering establishments.

In 2017 Imperial completed its investment cycle totaling nearly HRK 21 million. Most of it was invested in San Marino campsite 3*, which featured a new premium zone with luxury mobile homes at the start of this tourist season. Significant investments were made in improving the business communication network and preparing the necessary project documentation for the forthcoming investments.

Moreover, several other projects to create new and improve existing features were completed and they will considerably improve the quality and experience at all destinations. They included beaches, expanding the Wi-Fi coverage, business digitalization, technological processes and energy efficiency.

Family Life Bellevue Resort 4*, Rabac



2018 INVESTMENTS

The planned 2018 investments totaling HRK 703.8 million represent the continuation of Valamar Riviera's intensive investment cycle. In accordance with the strategic goals until 2020, the company will invest in repositioning its portfolio towards products and services with high added value.

The Company plans to complete the Valamar Girandella Resort 4*/5* in Rabac in 2018. HRK 116 million have been earmarked for the opening of the Valamar Girandella Maro Resort Hotel 5* in Rabac, the first Kinderhotel in Valamar's portfolio. Kinderhotels Europa is a marketing association that brings together high-quality premium family hotels under the Austrian "Kinderhotels" brand. This will finalize the process of repositioning Rabac as the leading vacation destination for high-end guests. The services and design of the Valamar Girandella Maro Resort Hotel 5* will be tailored according to the needs of families with children of various age groups. The whole hotel concept is family-oriented: from the hotel lobby, restaurant and pool complex to the interior design of 149 new premium accommodation units.

The present Pinia apartment complex in Poreč will be turned into Valamar Pinia Family Suites 5*, a new luxury family hotel offering 96 rooms. The HRK 108 million investment will be focused on accommodation, a new pool complex and sundeck, the nearby beach and catering establishments.

A quarter of the approved investments include the continuation of Valamar's investments in premium camping: Istra Camping Resort in Funtana, Camping Resort Lanterna in Poreč and Camping Ježevac on the island of Krk. The first phase of repositioning Istra Camping Resort as premium accommodation is planned for 2018. The planned reconstruction will include the whole infrastructure, one part of the camping pitches, a sanitary block and the "Trattoria La Pentola" restaurant. The investments planned

Valamar Pinia Family Suites 5* (preliminary visualization), Poreč



in Camping Resort Lanterna 4* will be focused on improving accommodation and quality. In the forthcoming season, the resort will feature a new premium mobile home zone designed according to the “Maro” brand standards. “Maro” is a Valamar brand that is family-oriented and includes child-friendly services and facilities. Moreover, the resort sports zone will be renovated and new facilities and services will be added. The investments in Camping Ježevac 4* will also include the expansion of the mobile home zone and new catering establishments.

The investments in Dubrovnik are focused on repositioning the Valamar Argosy 4* hotel as “adults friendly” premium accommodation: the hotel rooms will be upgraded and new facilities and services will be added. HRK 53 million have been earmarked for this investment.

Investment maintenance totals HRK 64 million. There are also numerous projects for improving guest products and amenities and accommodation for seasonal employees.

As stated in our strategic goals, by continuously raising the quality of the portfolio properties and services, we are creating the basis for generating added value both for our guests and for all Valamar Riviera’s stakeholders. However, numerous factors reduce the competitiveness of Croatian tourism and hinder further investment potential: the still unresolved issue of tourism land, skilled labor shortages, increase of the property tax and VAT and the rate of total contributions to salaries (both among the highest on the Mediterranean), and potential increase of the intourist tax. While global trends report low interest rates and market demand focuses on safe tourist destinations, Croatia has the opportunity to reposition its tourism by incentivizing investments in products and services with high added value that stimulate employment and economic growth. Unfortunately, tourism is still not sufficiently recognized as an opportunity for the Croatian economy. Apart from the current HBOR loans (Croatian Bank for Reconstruction and Development), tax incentives prescribed by the Act on Investment Promotion and Improvement, and the decrease in the income tax rate (from 20% to 18%, January 2017) there are no other measures that could significantly increase the growth pace and contribute to level Croatia’s position with other destinations on the Mediterranean.



THE RISKS OF THE COMPANY AND THE GROUP

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

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

There are five key steps in a risk management process:

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

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

- Financial risks
 - related to financial variables, can have a negative

Hotel Carolina 3*, Island of Rab



impact on meeting liabilities for the company and the Group, liquidity, debt management etc.;

- Business risks
 - related to the way company business is conducted in terms of supply and demand, competition, adapting to market trends, investments, growth etc.;
- Operational risks
 - can arise from errors in business operations, human error, IT system etc.;
- Global risks
 - can arise from natural disasters, pandemics, food shortage, social unrest, wars and other force majeure events beyond Valamar Riviera's control;
- Compliance risks
 - can arise from failure to comply with state laws and local regulations; risks related to changes in tax and other regulations.

Financial risks

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

- 1) Foreign exchange risk;
- 2) Interest rate risk;
- 3) Credit risk;
- 4) Price risk;
- 5) Liquidity risk;
- 6) Share-related risks.

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

1) Foreign exchange risk

The Company and Group conduct their business operations across national borders and are exposed to

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

2) Interest rate risk

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

3) Credit risk

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

4) Price risk

The Company and Group hold equity securities and are exposed to equity price risk due to security price volatility. Valamar Riviera is not an active participant in the market trade in terms of investing in equity and debt securities. However, with the HRK 285 million invested in buying shares of Imperial d.d., the company is exposed to the said risk to a certain extent.

5) Liquidity risk

The Company and Group have a sound liquidity risk management. Sufficient funds for meeting liabilities are available at any given moment through adequate amounts from contracted credit lines and by ensuring credit line availability in the future. Liquidity risk is managed by generating strong positive net operating cash flows, while capital investments are financed by credit lines. All the credit lines in 2017 have already been arranged with financial institutions. The repayment of the major credit lines coincides with periods of strong cash inflows from operations. The Company and Group monitor the level of available funds through daily cash and debt reports. Long-term cash flow forecasts as well as annual (monthly) forecasts are based on the set budget. After meeting the needs of working capital management the surplus is deposited in the treasury. From there the funds are invested in interest-bearing current accounts, time deposits, money market deposit accounts and marketable securities. Only instruments with suitable maturities and sufficient liquidity are selected, according to the forecast needs for liquid funds.

6) Share-related risks

The market value of shares is the riskiest asset class due to its volatility resulting from the volatile nature of the whole capital market, macroeconomic trends on markets where the Company and Group operate and discrepancies between the expectations of financial analysts and the actual results. Furthermore, other contributing factors are also changes in the dividend policy, various activities in the segment of consolidations, mergers, acquisitions and forming of strategic

partnership, the instability of the business model of the Company and Group as well as the fluctuations in the financial results for the Company and Group. In case any negative implications happen to be associated with these factors there is a considerable risk of market value drop that will in turn prevent investors from selling their shares at a fair market price.

Business risk

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

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

fall, industrial production and others. They all have a direct impact not only on the purchasing power of Croatian residents but they also determine whether they will choose to spend their vacation on the Adriatic.

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

Good management of human resources is vital for the future growth of the Company and Group. Risks related to shortages of specific skills, expertise and jobs are connected with the opening and expansion of the labor market. Valamar Riviera is one of the largest and most desirable employers in tourism. The active approach towards HR management develops key talents and supports investments in training opportunities (over HRK 1.2 million invested in training and professional development during the first half of 2017). We determine the needs for new



skills and expertise by following emerging global trends in tourism. In this way, we are able to respond to challenges effectively. Through a continual dialogue with our social partners, we have ensured a high level of workers' rights in terms of competitive salaries, reward systems, career development, employees' wellbeing and cooperation with training institutions from all parts of Croatia.

Operational risks

Operational risks are risks connected with direct or indirect losses that arise from inadequate or wrong internal or external processes within the Company and the Group. They include the creation and analysis of financial reporting data, and also inadequate information sharing. When implementing the system of operational risk management, the Company and Group focused on its continuity and complexity due to the size of the organization. The benefits of the system include i) defining and identifying the Company and Group risk profile in relation to the operating risk ii) identifying and managing the known risk occurrences in order to decrease the Company and Group costs and iii) data analysis which indicates the business trends for the Company and Group and trends in the domestic economy.

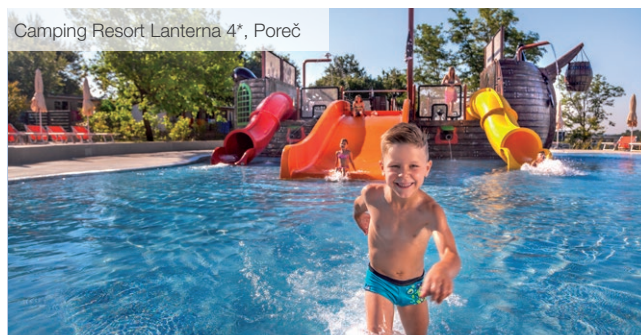
The Company and Group are aware of the reliability of IT business solutions and safety in the cyber world. Hence, they continually upgrade, develop and implement new technologies in everyday business operations. A special focus is given to providing sufficient resources for the development and implementation of new technologies related to ICT, data protection, and upgrade of the current business systems and implementation of new ones.

Global risks

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

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

Environmental risks can also have an adverse effect on the Company and Group's business results, primarily in terms of customer satisfaction with the whole experience while staying at one of Valamar's properties and this can affect the number of arrivals. The possible risks can include: sea pollution (caused by oil or chemical spillage), but also long-term water quality reduction and coast pollution due to inadequate waste disposal and waste water treatment as well as extensive use of agricultural fertilizers. Other environmental conditions typical for climate changes such as long drought periods or long rainy periods can directly influence the guests' length of stay in the hotels and campsites as well as increasing



Camping Resort Lanterna 4*, Poreč

the operating costs. A number of other natural disasters and calamities (earthquakes, fires, floods and rainstorms), air pollution caused by toxic gas emissions from industrial plants and vehicles, as well excessive urbanization and the introduction of invasive species should also be taken into consideration.

Compliance risks

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

- In March 2012 the standard VAT rate grew from 23% to 25%, in January 2013 a new 10% VAT rate was introduced only to be replaced within a year by a 13% VAT rate applicable to the tourism and hospitality industry (January 2014), while in January 2017 a new 25% VAT rate was introduced for F&B (a la carte) services;



Valamar Diamant Hotel 4*, Poreč

- In May 2012 the health insurance employer contribution rate fell from 15% to 13% and then in April 2014 it grew back to 15%;
- Frequent increases in various fees and charges regarding water distribution and the like.

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

CORPORATE GOVERNANCE

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

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

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

The Companies Act and the Company's Articles of Association define the General Assembly's authority and prescribe how it meets and works. The meeting invitation, proposals and the adopted resolutions are made public

according to the provisions of the Companies Act, the Capital Market Act and the Zagreb Stock Exchange Rules.

There is a time limit related to the voting right at the General Assembly: according to the provisions of the Croatian Companies Act, shareholders are required to register their participation within the prescribed time limit in order to attend the General Assembly. Under no circumstances can the financial right arising from securities be separated from holding the securities. There are no securities with special control rights nor are there any limitations to voting rights in the Company (one share, one vote). The Company's Articles of Association comply with the Croatian Companies Act and they define the procedure of appointing and recalling members of the Management Board and Supervisory Board. There are no limitations based on gender, age, education, profession or similar.

According to the General Assembly's decision dated 17 November 2014, the Company can acquire its own shares.

The Companies Act determines any amendments to the Company's Articles of Association, without any additional limitations.

The Management Board members' authority fully complies with the regulations prescribed by the Companies Act.

The Company's Corporate Bodies Are:

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

Supervisory Board: As the term of office for the Supervisory Board members expired on 6 July 2017 (Mr. Gustav Wurmböck - Chairman, Mr. Franz Lanschützer - Deputy Chairman, Mr. Mladen Markoč - Deputy Chairman, and members: Mr. Georg Eltz, Ms. Mariza Jugovac, Mr. Hans Dominik Turnovszky and Mr. Vicko Ferić), the following were elected for a new 4 -year term of office: Mr. Gustav Wurmböck - Chairman, Mr. Franz Lanschützer - Deputy Chairman, Mr. Mladen Markoč - Deputy Chairman, and members: Mr. Georg Eltz, Mr. Hans Dominik Turnovszky, Mr. Vicko Ferić, and Mr. Valter Knapić - employee representative elected by the Works Council. The term of office for the newly elected Supervisory Board members started on 7 July 2017.

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

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

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

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

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

RELATED-PARTY TRANSACTIONS

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

In the period under review, revenues resulting from related-party transactions totaled HRK 5.1 million¹⁹ (in 2016: HRK 421 thousand) for the Company, and HRK 10 thousand (in 2016: HRK 8 thousand) for the Group. The expenses amounted to HRK 15.2 million (in 2016: HRK 15.1 million) for the Company, and HRK 196 thousand (in 2016: HRK 443 thousand) for the Group.

On 30 June 2017 the related-party receivables and payables balance totaled HRK 129.1 million²⁰ for the Company (at year-end 2016: HRK 138.5 million²⁰), and HRK 4 for the Group (at year-end 2016 there was none). Liabilities for the Company totaled HRK 832 thousand (at year-end 2016: HRK 279 thousand), while HRK 196 thousand for the Group (at the end of 2016: HRK 154 thousand).

BRANCH OFFICES OF THE COMPANY

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

The Rabac, Zlatni otok, Dubrovnik-Babin kuk and Brioni branch offices, as economic drivers of their local communities, continue to operate in their destinations supporting their development by promoting further investments, hospitality development and participation in social and business activities.

¹⁹ For the most part refers to the management fee regarding the management of Imperial's properties and facilities. The Management contract has been implemented as of 4 January 2017.

²⁰ 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.

RIVP-R-A SHARE

The Company did not acquire its treasury shares in the first half of 2017. In the respective period the Company released 62,583 treasury shares, out of which 24,182 for dividend payout. On 30 June 2017, the Company held in total 1,794,451 treasury shares, or 1.42% of the share capital.

In the period from 1 January 2017 to 30 June 2017, the highest recorded share price in regular trading on the regulated market was HRK 44.48, while the lowest was HRK 34.68. The Company's share price increased by 25.2%, exceeding both CROBEX and CROBEX 10 indices trends, which recorded a decrease of 6.3% and 3.4% respectively. With a regular trading turnover of HRK 1.6 million a day²¹, the Valamar Riviera's share is among the 2 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 (CROX²² and SETX²³), and SEE Link indices²⁴ (SEELinX and SEELinX EWI). 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 review was an average 26.2%²⁵.

The Company actively holds meetings and conference calls with domestic and foreign investors, as well as presentations for investors thus providing support to high-level transparency, creation of additional liquidity, increase of share value, and involvement of potential investors. During the first half of 2017, more than forty meetings were held, including those held at US financial centers, London Stock Exchange and at the Zagreb and Ljubljana Stock Exchange conference. In pursuing such an approach, Valamar Riviera can contribute to the Company's value further growth for the benefit of all stakeholders, aiming at making the share recognizable 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) Addiko Bank d.d., Zagreb;
- 2) Alta invest d.d., Ljubljana;
- 3) ERSTE bank d.d., Zagreb;
- 4) FIMA vrijednosnice d.o.o., Varaždin;
- 5) Interkapital vrijednosni papiri d.o.o., Zagreb;
- 6) Raiffeisenbank Austria d.d., Zagreb;
- 7) UniCredit Group - Zagrebačka banka d.d., Zagreb.

²¹ Block transactions are excluded from the calculation.

²² 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.

²³ South-East Europe Traded Index (SETX) is a capitalization-weighted price index

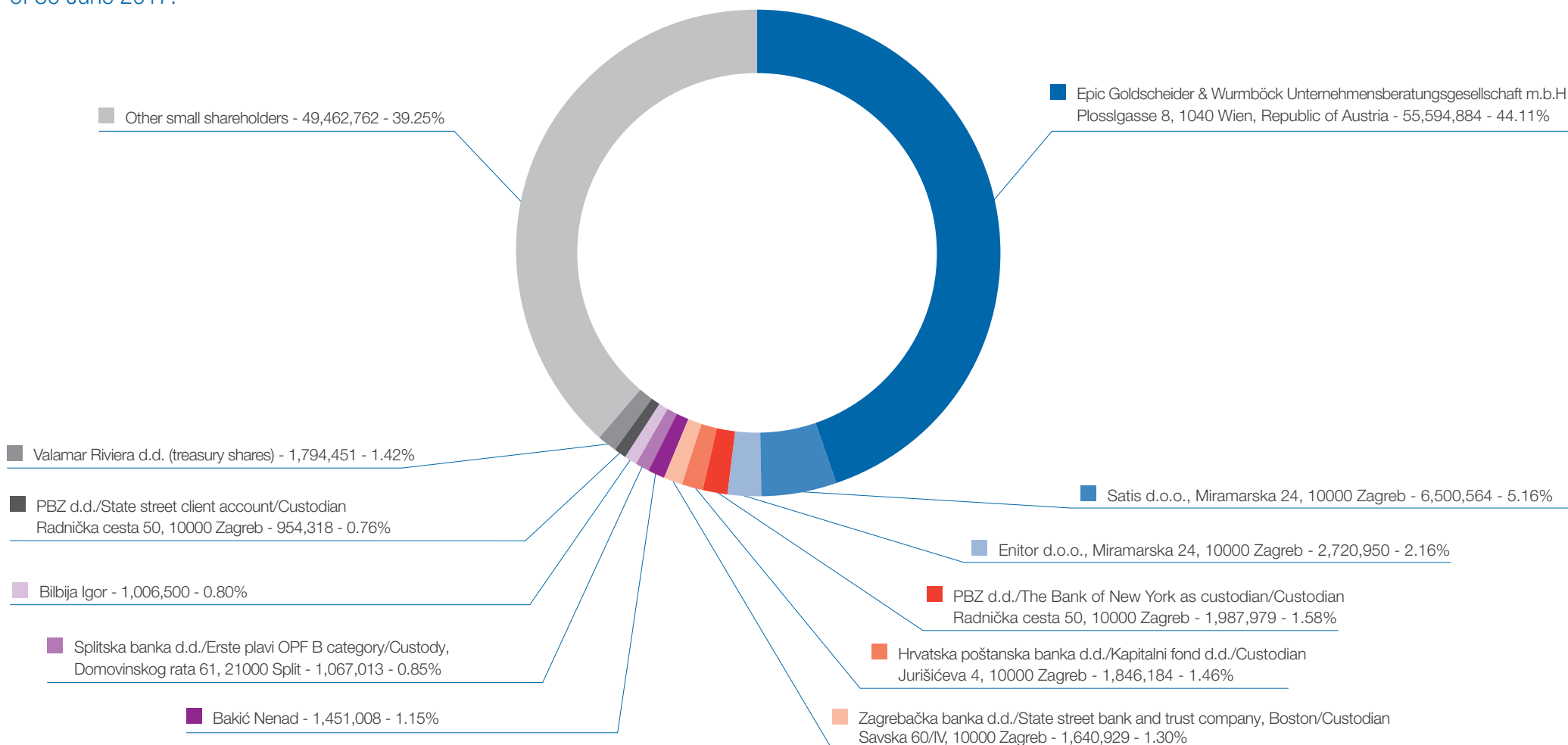
consisting of blue chip stocks traded on stock exchanges in the region of South-eastern Europe (shares listed in Bucharest, Ljubljana, Sofia, Belgrade and Zagreb).

²⁴ SEE Link is a regional platform for securities trading. It was founded by Bulgarian, Macedonian, and Zagreb Stock Exchange. SEE LinX and SEE LinX EWI are two

"blue chip" regional indices composed of ten most liquid regional companies listed on three Stock Exchanges: five from Croatia, three from Bulgaria, and two from Macedonia.

²⁵ Block transactions are excluded from the calculation. Data refers to the period 1/1 - 30/6/2017.

Overview of major shareholders as of 30 June 2017:



INVESTORS DAY AND THE 2016 INTEGRATED ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY

The grand opening of Valamar's two resorts in Rabac on 8 June was a great introduction into the second Valamar Riviera Investors Day. Management Board President Željko Kukurin and Management Board Member Marko Čižmek presented an update on the business operations, development and strategy to create new value for Valamar Riviera. After the presentations, a tour of the new resorts was organized for nearly 40 participants in this year's Investors Day.

On this occasion, the 2016 Integrated Annual Report and Corporate Social Responsibility was presented to the investors. This report was created in accordance with the Global Reporting Initiative G4 guidelines. The aim of this report is to give a long-term insight into the company business and strategy to all key stakeholders (shareholders, employees and guests) as well as partners, local communities and the general public. The report is particularly focused on corporate social responsibility, which represents the foundation of the company's sustainable business and further development. The report is available from the Zagreb Stock Exchange website and at: www.valamar-riviera.com.



ADDITIONAL INFORMATION

As one of the largest employers in Croatia (on 30 June 2017, the Company employed 4,949 employees, out of which 1,185 were permanent employees), the Company and the Group systematically and continuously invest in the development of human resources. An integral strategic approach to human resources management and top practices applied include transparent hiring processes, clear objectives, measurement of employees' performance, rewarding systems, opportunities for employees' career advancements, investment in employees' development, etc.

In the course of the second quarter of 2017 and the first half of 2017, 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 second quarter of 2017 and the interim report of the Company's Management Board covering the period from 1 January 2017 to 30 June 2017 were adopted by the Management Board on 24 July 2017.

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 of the Company

The 2016 Integrated Annual Report and Corporate Social Responsibility



RESPONSIBILITY FOR THE QUARTERLY FINANCIAL STATEMENTS

In Poreč, 24 July 2017

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 semiannual financial reports including financial reports for the second quarter of 2017 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 30 June 2017 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 1/1/2017 to 30/6/2017

Quarterly financial report TFI-POD

Tax number (MB):	3474771		
Company registration number (MBS):	040020883		
Personal identification number (OIB):	36201212847		
Issuing company:	Valamar Riviera d.d.		
Postal code and place	52440	Poreč	
Street and house number:	Stancija Kaligari 1		
E-mail address:	uprava@riviera.hr		
Internet address:	www.valamar-riviera.com		
Municipality/city code and name:	348	Poreč	
County code and name:	18	Istarska	
Consolidated report:	YES		
Companies of the consolidation subject (according to IFRS):	Seat:	MB:	
Valamar hotels & resorts GmbH	Frankfurt	04724750667	
Hoteli Baška d.d.	Baška	03035140	
Mirta Baščanska d.o.o.	Baška	01841017	
Vala Baščanska d.o.o.	Baška	02086131	
Baškaturist d.o.o.	Baška	03849236	
Puntizela d.o.o.	Pula	03203379	
Bastion upravljanje d.o.o.	Zagreb	01877453	
Elafiti Babin kuk d.o.o.	Dubrovnik	01273094	
Magične stijene d.o.o.	Dubrovnik	02315211	
Palme turizam d.o.o.	Dubrovnik	02006103	
Pogača Babin Kuk d.o.o.	Dubrovnik	02236346	
Bugenvilia d.o.o.	Dubrovnik	02006120	
Imperial d.d.	Rab	03044572	
Accounting firm:			
Contact person:	Sopta Anka (please insert only the contact's full name)		
Telephone:	052/408 188	Fax:	052/408 110
E-mail address:	anka.sopta@riviera.hr		
Family name and name:	Kukurin Željko, Čizmek Marko (authorized representative)		

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.

(authorized representative's signature)



Balance Sheet (as per 30/6/2017)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item 1	ADP code 2	Preceding year 3	Current year 4
A) SUBSCRIBED CAPITAL UNPAID	001		
B) NON CURRENT ASSETS (ADP 003+010+020+031+036)	002	4.105.084.164	4.472.600.301
I. INTANGIBLE ASSETS (ADP 004 to 009)	003	24.080.361	24.730.501
1. Research and Development expenditure	004		
2. Patents, licences, royalties, trademarks and service marks, software and similar rights	005	17.238.280	15.409.206
3. Goodwill	006	6.567.609	6.567.609
4. Prepayments for intangible assets	007		
5. Intangible assets under construction	008	274.472	2.753.686
6. Other intangible assets	009		
II. TANGIBLE ASSETS (ADP 011 to 019)	010	3.941.768.572	4.310.088.030
1. Land	011	873.211.455	874.674.979
2. Property	012	2.522.990.552	2.404.608.395
3. Plants and equipment	013	225.945.122	228.473.418
4. Tools, plants and vehicles	014	81.203.324	79.567.337
5. Biological asset	015		
6. Prepayments for tangible assets	016	31.783.971	22.986.523
7. Assets under construction	017	168.568.553	663.888.981
8. Other tangible assets	018	27.197.353	25.384.871
9. Investments property	019	10.868.242	10.503.526
III. NON-CURRENT FINANCIAL ASSETS (ADP 021 to 030)	020	6.601.376	5.044.108
1. Stakes (shares) in undertakings in a Group	021	1.365.316	1.443.289
2. Investments in other securities of undertakings in a Group	022		
3. Loans, deposits etc given to undertakings in a Group	023		
4. Stakes (shares) in undertakings with participating interest	024		
5. Investments in other securities of undertakings with participating interest	025		
6. Loans, deposits etc given to undertakings with participating interest	026		
7. Investments in securities	027	4.766.325	3.184.880
8. Given loans, deposits and similar	028	299.735	245.939
9. Other investments accounted for using the equity method	029		
10. Other non-current financial assets	030	170.000	170.000
IV. TRADE RECEIVABLES (ADP 032 to 035)	031	995.869	971.473
1. Receivables from undertakings in a Group	032		
2. Receivables from undertakings with participating interests	033		
3. Trade receivables	034		87.500
4. Other receivables	035	995.869	883.973
V. DEFERRED TAX ASSETS	036	131.637.986	131.766.189
C) CURENT ASSETS (ADP 038+046+053+063)	037	336.880.206	249.223.750
I. INVENTORIES (ADP 039 to 045)	038	19.245.740	22.950.228
1. Raw materials and consumables	039	18.967.510	22.063.059
2. Work in progress	040		
3. Finished products	041		
4. Merchandise	042	236.606	185.407
5. Prepayments for inventories	043	41.624	701.762
6. Other available-for-sale assets	044		
7. Biological asset	045		
II. RECEIVABLES (ADP 047 to 052)	046	42.229.932	96.168.193
1. Receivables from undertakings in a Group	047	204	243.061
2. Receivables from undertakings with participating interest	048	253	
3. Trade receivables	049	17.711.198	76.215.299
4. Receivables from employees and members of the undertaking	050	657.014	6.098.155
5. Receivables from Government and other institutions	051	21.012.831	4.117.136
6. Other receivables	052	2.848.432	9.494.542
III. CURRENT FINANCIAL ASSETS (ADP 054 to 062)	053	753.886	5.536.965
1. Stakes (shares) in undertakings in a Group	054		
2. Investments in other securities of undertakings in a Group	055		
3. Loans, deposits etc given to undertakings in a Group	056		
4. Stakes(shares) in undertakings with participating interest	057		
5. Investments in other securities of undertakings with participating interest	058		
6. Loans, deposits etc given to undertakings with participating interest	059		
7. Investments in securities	060		46.598
8. Given loans, deposits and similar	061	753.886	753.716
9. Other financial assets	062		4.736.651
IV. CASH AND CASH EQUIVALENTS	063	274.650.648	124.568.364
D) PREPAYMENTS AND ACCRUED INCOME	064	23.369.940	108.267.034
E) TOTAL ASSETS (ADP 001+002+037+064)	065	4.465.334.310	4.830.091.085
F) OFF-BALANCE SHEET ITEMS	066	54.631.638	54.583.654

Balance Sheet (as per 30/6/2017) (continued)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item 1	ADP code 2	Preceding year 3	Current year 4
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	067	2.373.637.039	2.222.888.938
I. SHARE CAPITAL	068	1.672.021.210	1.672.021.210
II. CAPITAL RESERVES	069	2.204.690	3.602.906
III. RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	84.401.862	102.055.847
1. Legal reserves	071	67.198.750	83.601.061
2. Reserves for own shares	072	44.815.284	44.815.284
3. Own stocks and shares (deductible items)	073	37.141.295	35.889.621
4. Statutory reserves	074		
5. Other reserves	075	9.529.123	9.529.123
IV. REVALUATION RESERVES	076		
V. FAIR VALUE RESERVES (ADP 078 to 080)	077	273.313	285.337
1. Fair value of financial assets available for sale	078	273.313	285.337
2. Efficient portion of cash flow hedge	079		
3. Efficient portion of foreign net investment hedge	080		
VI. RETAINED EARNINGS OR LOSS CARRIED FORWARD (ADP 082-083)	081	36.580.064	263.139.338
1. Retained earnings	082	36.580.064	263.139.338
2. Loss carried forward	083		
VII. PROFIT OR LOSS FOR THE FINANCIAL YEAR (ADP 085-086)	084	342.313.777	-45.413.573
1. Profit for the financial year	085	342.313.777	
2. Loss for the financial year	086		45.413.573
VIII. MINORITY INTEREST	087	235.842.123	227.197.873
B) PROVISIONS (ADP 089 to 094)	088	49.709.322	49.632.004
1. Provisions for pensions, severance pay and similar liabilities	089		
2. Provisions for tax obligations	090		
3. Provisions for litigations in progress	091	49.709.322	49.632.004
4. Provisions for renewal of natural resources	092		
5. Provision for costs within warranty period	093		
6. Other provisions	094		
C) NON-CURRENT LIABILITIES (ADP 096 to 106)	095	1.556.069.066	1.876.651.589
1. Liabilities to related parties	096		
2. Liabilities for loans, deposits etc of undertakings in a Group	097		
3. Liabilities to undertakings with participating interest	098		
4. Liabilities for loans, deposits etc of undertakings with participating interest	099		
5. Liabilities for loans, deposits and other	100	9.149.000	9.149.000
6. Liabilities to banks and other financial institutions	101	1.488.677.568	1.809.744.763
7. Liabilities for advance payments	102		
8. Trade payables	103		
9. Amounts payable for securities	104		
10. Other non-current liabilities	105	2.044.339	1.556.661
11. Deferred tax	106	56.198.159	56.201.165
D) CURRENT LIABILITIES (ADP 108 to 121)	107	394.111.168	588.519.550
1. Liabilities to undertakings in a Group	108	70.197	194.063
2. Liabilities for loans, deposits etc of undertakings in a Group	109		
3. Liabilities to undertakings with participating interest	110		
4. Liabilities for loans, deposits etc of undertakings with participating interest	111		
5. Liabilities for loans, deposits and other	112	103.000	51.500
6. Liabilities to banks and other financial institutions	113	180.344.025	121.904.956
7. Amounts payable for prepayment	114	23.380.655	126.632.282
8. Trade payables	115	154.542.693	252.977.070
9. Liabilities upon loan stocks	116		
10. Liabilities to employees	117	20.674.590	37.395.888
11. Taxes, contributions and similar liabilities	118	11.615.356	43.835.817
12. Liabilities arising from share in the result	119	235.003	232.434
13. Liabilities arising from non-current assets held for sale	120		
14. Other current liabilities	121	3.145.649	5.295.540
E) ACCRUED EXPENSES AND DEFERRED INCOME	122	91.807.715	92.399.004
F) TOTAL LIABILITIES (ADP 067+088+095+107+122)	123	4.465.334.310	4.830.091.085
G) OFF-BALANCE SHEET ITEMS	124	54.631.638	54.583.654

Income Statement (for 1/1/2017 to 30/6/2017)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item	ADP code	Preceding period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (ADP 126+127+128+129+130)	125	435.205.124	382.399.363	523.559.917	490.179.021
1. Revenues from sales with undertakings in a Group	126				
2. Sales revenues (outside the Group)	127	419.648.604	373.594.742	512.553.585	484.636.612
3. Revenues from use of own products, goods and services	128	1.170.372	-1.706.432	1.719.687	867.512
4. Other operating revenues with undertakings in a Group	129				
5. Other operating revenues (outside the Group)	130	14.386.148	10.511.053	9.286.645	4.674.897
II. OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	480.337.361	314.088.254	598.593.663	399.579.939
1. Changes in inventories of finished products and work in progress	132				
2. Material costs (ADP 134 to 136)	133	148.171.187	116.327.628	176.172.842	142.925.518
a) Cost of raw materials & consumables	134	91.528.406	73.956.864	115.719.176	98.847.317
b) Cost of goods sold	135	565.037	522.162	1.279.151	1.259.231
c) Other costs	136	56.077.744	41.848.602	59.174.515	42.818.970
3. Staff costs (ADP 138 to 140)	137	145.598.450	99.175.730	198.820.249	141.107.441
a) Net salaries	138	88.067.739	60.821.970	119.978.913	85.417.765
b) Employee income tax	139	35.959.658	23.788.565	50.830.821	35.635.635
c) Tax on payroll	140	21.571.053	14.565.195	28.010.515	20.054.041
4. Depreciation and amortisation	141	131.402.096	65.782.544	165.705.733	84.674.996
5. Other expenditures	142	50.855.450	31.476.380	54.332.820	29.861.179
6. Value adjustment (ADP 144+145)	143	41.750	38.525	69.637	50.136
a) non-current assets (without financial assets)	144				
b) current assets (without financial assets)	145	41.750	38.525	69.637	50.136
7. Provisions (ADP 147 to 152)	146	0	0	0	0
a) Provision for pensions, severance payments and other employment benefits	147				
b) Provisions for tax liabilities	148				
c) Provisions for litigations in progress	149				
d) Provisions for renewal of natural resources	150				
e) Provision for costs within warranty period	151				
f) Other provisions	152				
8. Other operating expenses	153	4.268.428	1.287.447	3.492.382	960.669
III. FINANCIAL INCOME (ADP 155 to 164)	154	71.958.746	38.265.346	47.908.460	17.200.994
1. Income from stakes (shares) in undertakings in a Group	155				
2. Income from stakes (shares) in undertakings with participating interest	156				
3. Income from other non-current financial investments and loans to undertakings in a Group	157				
4. Other interest income from undertakings in a Group	158				
5. Foreign exchange differences and other financial income from undertakings in a Group	159	2.278.523	2.278.523		
6. Income from other non-current financial investments and loans	160				
7. Other interest income	161	236.882	63.606	214.617	114.142
8. Foreign exchange differences and other financial income	162	26.597.080	2.984.247	38.805.350	14.471.259
9. Unrealized gains (income) from the financial assets	163	5.873.651	4.962.161	7.098.050	1.505.332
10. Other financial income	164	36.972.610	27.976.809	1.790.443	1.110.261
IV. FINANCIAL COSTS (ADP 166 to 172)	165	29.484.748	13.782.708	27.060.741	14.709.023
1. Interest expenses and similar expenses with undertakings in a Group	166				
2. Foreign exchange differences and other expenses with undertakings in a Group	167				
3. Interest expenses and similar	168	15.552.436	8.029.090	20.212.684	11.420.867
4. Foreign exchange differences and other expenses	169	7.442.891	2.588.639	4.567.953	1.341.979
5. Unrealized loss (expenses) from the financial assets	170	4.926.588	2.873.481	1.605.295	1.557.746
6. Value adjustment expense on financial assets (net)	171				
7. Other financial expenses	172	1.562.833	291.498	674.809	388.431
V. SHARE OF PROFIT FROM UNDERTAKINGS WITH PARTICIPATING INTEREST	173				
VI. SHARE OF PROFIT FROM JOINT VENTURES	174				
VII. SHARE OF LOSS FROM UNDERTAKINGS WITH PARTICIPATING INTEREST	175				
VIII. SHARE OF LOSS FROM JOINT VENTURES	176				
IX. TOTAL INCOME (ADP 125+154+173+174)	177	507.163.870	420.664.709	571.468.377	507.380.015
X. TOTAL EXPENSES (ADP 131+165+175+176)	178	509.822.109	327.870.962	625.654.404	414.288.962
XI. PROFIT OR LOSS BEFORE TAX (ADP 177-178)	179	-2.658.239	92.793.747	-54.186.027	93.091.053
1. Profit before tax (ADP 177-178)	180	-2.658.239	92.793.747	-54.186.027	93.091.053
2. Loss before tax (ADP 178-177)	181	0	0	0	0
XII. INCOME TAX EXPENSE	182	-1.885.951		-128.203	
XIII. PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	-772.288	92.793.747	-54.057.824	93.091.053
1. Profit for the period (ADP 179-182)	184	-772.288	92.793.747	-54.057.824	93.091.053
2. Loss for the period (ADP 182-179)	185	0	0	0	0

Income Statement (for 1/1/2017 to 30/6/2017) (continued)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item	ADP code	Preceding period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
PROFIT OR LOSS FROM DISCONTINUED OPERATIONS (applicable for entities which use IFRS and have discontinued operations)					
XIV. PROFIT OR LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX (ADP 187-188)	186				
1. Profit before tax from discontinued operations	187				
2. Loss before tax from discontinued operations	188				
XV. INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS	189				
1. Profit for the period from discontinued operations (ADP 186-189)	190				
2. Loss for the period from discontinued operations (ADP 189-186)	191				

TOTAL PROFIT OR LOSS FOR THE PERIOD (applicable for entities which use IFRS and have discontinued operations)

XVI. PROFIT OR LOSS BEFORE TAX (179+186)	192				
1. Profit before tax (ADP 192)	193				
2. Loss before tax (ADP 192)	194				
XVII. INCOME TAX EXPENSE (ADP 182+189)	195				
XVIII. PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196				
1. Profit for the period (ADP 192-195)	197				
2. Loss for the period (ADP 195-192)	198				

APPENDIX TO THE INCOME STATEMENT (to be completed by entities submitting consolidated financial statements)

XIX. PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199	-772.288	92.793.747	-54.057.824	93.091.053
1. Attributable to parent company's shareholders	200	-770.660	92.790.215	-45.413.573	94.294.558
2. Attributable to non-controlling interests	201	-1.628	3.532	-8.644.251	-1.203.505

STATEMENT OF OTHER COMPREHENSIVE INCOME (to be completed by entities subject to IFRS)

I. PROFIT OR LOSS FOR THE PERIOD	202	-772.288	92.793.747	-54.057.824	93.091.053
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (ADP 204 to 211)	203	-33.432.007	-24.973.318	15.028	9.862
1. Exchange differences arising from foreign operations	204				
2. Revaluation of non-current assets and intangible assets	205				
3. Gains or loss available for sale investments	206	-33.432.007	-24.973.318	15.028	9.862
4. Gains or loss on net movement on cash flow hedges	207				
5. Gains or loss on net investments hedge	208				
6. Share of the other comprehensive income/loss of associates	209				
7. Actuarial gain / loss on post employment benefit obligations	210				
8. Other changes in capital (minorities)	211				
III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD	212	-2.684.410	-882.806	3.005	1.972
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (ADP 203-212)	213	-30.747.597	-24.090.512	12.023	7.890
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (ADP 202+213)	214	-31.519.885	68.703.235	-54.045.801	93.098.943

APPENDIX to the Statement of Comprehensive Income (to be completed by entities submitting consolidated financial statements)

VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (ADP 216+217)	215	-31.519.885	68.703.235	-54.045.801	93.098.943
1. Attributable to parent company's shareholders	216	-31.518.257	68.699.703	-45.401.550	94.302.448
2. Attributable to non-controlling interests	217	-1.628	3.532	-8.644.251	-1.203.505

Cash Flow Statement - Indirect Method (for 1/1/2017 to 30/6/2017)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item 1	ADP code 2	Preceding year 3	Current year 4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before taxes	001	-2.658.239	-54.186.027
2. Adjustments (ADP 003 to 010):	002	64.528.974	137.218.583
a) Depreciation and amortisation	003	131.402.096	165.705.733
b) Profit and loss from sales and value adjustments of non-current tangible and intangible assets	004	-1.475.448	216.747
c) Profit and loss from sales and unrealised profit and loss and value adjustments of financial assets	005	-35.405.222	-190.252
d) Income from interest and dividends	006	-2.127.419	-1.873.148
e) Interest expenses	007	15.552.436	20.212.684
f) Provisions	008	-21.672.194	-7.797.837
g) Foreign exchange differences (unrealized)	009	-20.798.213	-33.562.588
h) Other adjustments for non-cash transactions and unrealized profit and loss	010	-947.062	-5.492.756
I. Increase or decrease of cash flow before changes in working capital (ADP 001+002)	011	61.870.735	83.032.556
3. Changes in working capital (ADP 013 to 016)	012	100.045.539	135.115.766
a) Increase or decrease of current liabilities	013	240.019.808	277.530.166
b) Increase or decrease of current receivables	014	-134.186.376	-138.668.286
c) Increase or decrease of inventories	015	-5.787.893	-3.746.114
d) Other increase or decrease of working capital	016		
II. Cash from operating activities (ADP 011+012)	017	161.916.274	218.148.322
4. Interest	018	-15.632.555	-21.550.350
5. Income tax paid	019	-612.276	-2.154.062
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	145.671.443	194.443.910
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Proceeds from sale of non-current assets	021	5.884.739	215.364
2. Proceeds from selling financial instruments	022	41.110.148	1.808.303
3. Proceeds from interest rates	023	913.001	646.159
4. Proceeds from dividends	024		
5. Proceeds from repayment of given loans and savings	025	3.348.552	6.592.988
6. Other proceeds from investment activities	026		
III. Total cash proceeds from investment activities (ADP 021 to 026)	027	51.256.440	9.262.814
1. Purchase of non-current tangible and intangible assets	028	-179.175.911	-546.798.710
2. Purchase of financial instruments	029		
3. Loans and deposits for the period	030	-3.971.771	-6.242.389
4. Acquisition of subsidiary, net of acquired cash	031		
5. Other payments from investment activities	032		
IV. Total cash payments from investment activities (ADP 028 to 032)	033	-183.147.682	-553.041.099
B) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)	034	-131.891.242	-543.778.285
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Proceeds from increase of subscribed capital	035		
2. Proceeds from issuing equity-based and debt-based financial instruments	036		
3. Proceeds from loan principal, loans and other borrowings	037	167.894.362	352.133.649
4. Other proceeds from financial activities	038		
V. Total proceeds from financial activities (ADP 035 to 038)	039	167.894.362	352.133.649
1. Repayment of loan principals, loans and other borrowings and debt-based financial instruments	040	-100.461.581	-54.436.930
2. Dividends paid	041	-37.330.521	-98.342.353
3. Payment of finance lease liabilities	042	-208.743	-102.275
4. Re-purchase of treasury shares and decrease in subscribed share capital	043	-35.692.643	
5. Other payments from financial activities	044		
VI. Total cash payments from financing activities (ADP 040 to 044)	045	-173.693.488	-152.881.558
C) NET CASH FLOW FROM FINANCIAL ACTIVITIES (ADP 039+045)	046	-5.799.126	199.252.091
1. Cash and cash equivalents-unrealized foreign exchange differences	047		
D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046+047)	048	7.981.075	-150.082.284
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	049	318.755.282	274.650.648
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 048+049)	050	326.736.357	124.568.364

Description	ADP	Minority (non-controlling) interest														Minority (non-con-trolling) interest	Total capital and reserves
		Subscribed Share capital	Capital re-serves	Legal reserves	Reserves for own shares	Treasury shares and shares (de-ductible item)	Statutory re-serves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Efficient portion of cash flow hedge	Efficient portion of foreign net investment hedge	Retained earnings / loss carried forward	Net profit/ loss for the period	Total distribut-able to majority owners		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)
Previous period																	
1. Balance at 1 January of the previuos period	01	1.672.021.210	-373.815	61.906.040	34.344.407	33.513.244	0	0	0	31.189.527			30.576.912	105.441.776	1.901.592.813	97.869	1.901.690.682
2. Changes in accounting policies	02														0		0
3. Error correction	03														0		0
4. Balance at 1 January of the previous period (ADP 01 to 03)	04	1.672.021.210	-373.815	61.906.040	34.344.407	33.513.244	0	0	0	31.189.527	0	0	30.576.912	105.441.776	1.901.592.813	97.869	1.901.690.682
5. Profit/loss for the period	05													342.313.777	342.313.777	235.842.123	578.155.900
6. Foreign currency translation differences- foreign operations	06														0		0
7. Changes in revaluation reserves of non-current tangible and intangible assets	07														0		0
8. Profit or loss from re-evaluation of finacial assets held for sale	08									-33.642.778					-33.642.778		-33.642.778
9. Profit or loss from cash flow hedge	09														0		0
10. Profit or loss from foreign net investment hedge	10														0		0
11. Share in other comprehensive income/loss from undertakings with participat-ing interest	11														0		0
12. Actuarial gains/losses from defined benefit plans	12														0		0
13. Other changes in capital (minorities)	13														0		0
14. Taxation of transactions recognized directly in equity	14									2.726.564					2.726.564		2.726.564
15. Increase/decrease of subscribed share capital (except by reinvested profit and in pre-bankruptcy settlement)	15														0		0
16. Increase of subscribed share capital by profit reinvestment	16														0		0
17. Increase of subscribed share capital in pre-bankruptcy settlement	17														0		0
18. Repurchase of own shares/ stakes	18					36.708.367									-36.708.367		-36.708.367
19. Share in profit/ dividend payout	19					-32.655.373							-73.650.397		-40.995.024		-40.995.024
20. Other distribution to majority owners	20		2.578.505			-424.943									3.003.448		3.003.448
21. Transfer to reserves according to annual plan	21			5.292.710	10.470.877			9.529.123					-5.292.710	-105.441.776	-85.441.776	-97.869	-85.539.645
22. Increase in reserves in pre-bankruptcy settlement	22												84.946.259		84.946.259		84.946.259
23. Balance at 31 Decemeber of previous period (ADP 04 to 22)	23	1.672.021.210	2.204.690	67.198.750	44.815.284	37.141.295	0	9.529.123	0	273.313	0	0	36.580.064	342.313.777	2.137.794.916	235.842.123	2.373.637.039
ADDITION TO STATEMENT OF CHANGES IN EQUITY (only for IFRS adopters)																	
I. OTHER COMPREHENSIVE INCOME OF PREVIOUS PERIOD NET OF TAX (ADP 06 to 14)	24	0	0	0	0	0	0	0	0	-30.916.214	0	0	0	0	-30.916.214	0	-30.916.214
II. COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25	0	0	0	0	0	0	0	0	-30.916.214	0	0	0	342.313.777	311.397.563	235.842.123	547.239.686
III. TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD, RECOGNIZED DIRECTLY IN EQUITY (ADP 15 to 22)	26	0	2.578.505	5.292.710	10.470.877	3.628.051	0	9.529.123	0	0	0	0	6.003.152	-105.441.776	-75.195.460	-97.869	-75.293.329
Current period																	
1. Balance at 1 January of current period	27	1.672.021.210	2.204.690	67.198.750	44.815.284	37.141.295	0	9.529.123	0	273.313	0	0	36.580.064	342.313.777	2.137.794.916	235.842.123	2.373.637.039
2. Changes in accounting policies	28														0		0
3. Error correction	29														0		0
4. Balance at 1 January of current period (ADP 27 to 29)	30	1.672.021.210	2.204.690	67.198.750	44.815.284	37.141.295	0	9.529.123	0	273.313	0	0	36.580.064	342.313.777	2.137.794.916	235.842.123	2.373.637.039
5. Profit/loss for the period	31													-45.413.573	-45.413.573		-45.413.573
6. Foreign currency translation differences- foreign operations	32														0		0
7. Changes in revaluation reserves of non-current tangible and intangible assets	33														0		0
8. Profit or loss from re-evaluation of finacial assets held for sale	34									15.029					15.029		15.029
9. Profit or loss from cash flow hedge	35														0		0
10. Profit or loss from foreign net investment hedge	36														0		0
11. Share in other comprehensive income/loss from undertakings with participat-ing interest	37														0		0
12. Actuarial gains/losses from defined benefit plans	38														0		0
13. Other changes in capital (minorities)	39														0		0
14. Taxation of transactions recognized directly in equity	40									-3.006					-3.006		-3.006
15. Increase/decrease of subscribed share capital (except by reinvested profit and in pre-bankruptcy settlement)	41														0		0
16. Increase of subscribed share capital by profit reinvestment	42														0		0
17. Increase of subscribed share capital in pre-bankruptcy settlement	43														0		0
18. Repurchase of own shares/ stakes	44					-1.251.675									1.251.675		1.251.675
19. Share in profit/ dividend payout	45														0		0
20. Other distribution to majority owners	46		1.398.217										-99.352.192		-97.953.975		-97.953.975
21. Transfer to reserves according to annual plan	47			16.402.311									325.911.466	-342.313.777	0	-8.644.251	-8.644.251
22. Increase in reserves in pre-bankruptcy settlement	48														0		0
23. Balance as at 31 December of the current period (ADP 30 to 48)	49	1.672.021.210	3.602.907	83.601.061	44.815.284	35.889.620	0	9.529.123	0	285.336	0	0	263.139.338	-45.413.573	1.995.691.066	227.197.872	2.222.888.938
ADDITION TO STATEMENT OF CHANGES IN EQUITY (only for IFRS adopters)																	
I. OTHER COMPREHENSIVE INCOME OF CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	50	0	0	0	0	0	0	0	0	12.023	0	0	0	0	12.023	0	12.023
II. COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31 + 50)	51	0	0	0	0	0	0	0	0	12.023	0	0	0	-45.413.573	-45.401.550	0	-45.401.550
III. TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD, RECOGNIZED DIRECTLY IN EQUITY (ADP 41 to 48)	52	0	1.398.217	16.402.311	0	-1.251.675	0	0	0	0	0	0	226.559.274	-342.313.777	-96.702.300	-8.644.251	-105.346.551

Notes

(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	Balance sheet-previous period 31/12/2016	Balance sheet-current period 30/6/2017
Mirta Bašćanska d.o.o.	Yes (merged to Hoteli Baška d.d. 13/1/2016)	
Vala Bašćanska d.o.o.	Yes (merged to Hoteli Baška d.d. 13/1/2016)	
Baškaturist d.o.o.	Yes (merged to Hoteli Baška d.d. 13/1/2016)	
Hoteli Baška d.d.	Yes (merged to Valamar Riviera d.d. 31/3/2016)	
Bastion upravljanje d.o.o.	Yes (merged to Valamar Riviera d.d. 30/6/2016)	
Puntizela d.o.o.	Yes (merged to Valamar Riviera d.d. 31/3/2017)	
Valamar hotels & resorts GmbH	Yes	No
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
Imperial d.d.	Yes	Yes

Companies of the consolidation subject:	Income statement-previous period 30/6/2016	Income statement-current period 30/6/2017
Mirta Bašćanska d.o.o.	1/1 - 13/1 (merged to Hoteli Baška d.d. 13/1/2016)	-
Vala Bašćanska d.o.o.	1/1 - 13/1 (merged to Hoteli Baška d.d. 13/1/2016)	-
Baškaturist d.o.o.	1/1 - 13/1 (merged to Hoteli Baška d.d. 13/1/2016)	-
Hoteli Baška d.d.	1/1 - 31/3 (merged to Valamar Riviera d.d. 31/3/2016)	-
Bastion upravljanje d.o.o.	1/1 - 30/6 (merged to Valamar Riviera d.d. 30/6/2016)	-
Puntizela d.o.o.	1/1 - 30/6	1/1 - 31/3 (merged to Valamar Riviera d.d. 31/3/2017)
Valamar hotels & resorts GmbH	-	-
Elafiti Babin kuk d.o.o.	1/1 - 30/6	1/1 - 30/6
Magične stijene d.o.o.	1/1 - 30/6	1/1 - 30/6
Palme turizam d.o.o.	1/1 - 30/6	1/1 - 30/6
Pogača Babin Kuk d.o.o.	1/1 - 30/6	1/1 - 30/6
Bugenvilia d.o.o.	1/1 - 30/6	1/1 - 30/6
Imperial d.d.	-	1/1 - 30/6

Balance Sheet (as per 30/6/2017)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item 1	ADP code 2	Preceding year 3	Current year 4
A) SUBSCRIBED CAPITAL UNPAID	001		
B) NON CURRENT ASSETS (ADP 003+010+020+031+036)	002	3.806.830.512	4.191.335.979
I. INTANGIBLE ASSETS (ADP 004 to 009)	003	17.342.793	24.589.026
1. Research and Development expenditure	004		
2. Patents, licences, royalties, trademarks and service marks, software and similar rights	005	17.068.321	15.305.831
3. Goodwill	006		6.567.609
4. Prepayments for intangible assets	007		
5. Intangible assets under construction	008	274.472	2.715.586
6. Other intangible assets	009		
II. TANGIBLE ASSETS (ADP 011 to 019)	010	2.906.793.288	3.322.238.456
1. Land	011	595.574.908	612.901.944
2. Property	012	1.805.980.339	1.727.738.496
3. Plants and equipment	013	207.011.662	206.672.671
4. Tools, plants and vehicles	014	62.668.696	67.459.996
5. Biological asset	015		
6. Prepayments for tangible assets	016	29.697.670	22.520.994
7. Assets under construction	017	167.870.168	649.322.466
8. Other tangible assets	018	27.121.603	25.118.363
9. Investments property	019	10.868.242	10.503.526
III. NON-CURRENT FINANCIAL ASSETS (ADP 021 to 030)	020	675.525.760	637.236.019
1. Stakes (shares) in undertakings in a Group	021	670.319.700	633.665.200
2. Investments in other securities of undertakings in a Group	022		
3. Loans, deposits etc given to undertakings in a Group	023		
4. Stakes (shares) in undertakings with participating interest	024		
5. Investments in other securities of undertakings with participating interest	025		
6. Loans, deposits etc given to undertakings with participating interest	026		
7. Investments in securities	027	4.766.325	3.184.880
8. Given loans, deposits and similar	028	299.735	245.939
9. Other investments accounted for using the equity method	029		
10. Other non-current financial assets	030	140.000	140.000
IV. TRADE RECEIVABLES (ADP 032 to 035)	031	113.553.484	113.529.089
1. Receivables from undertakings in a Group	032	113.247.689	113.247.689
2. Receivables from undertakings with participating interests	033		
3. Trade receivables	034		
4. Other receivables	035	305.795	281.400
V. DEFERRED TAX ASSETS	036	93.615.187	93.743.389
C) CURENT ASSETS (ADP 038+046+053+063)	037	319.356.014	223.423.436
I. INVENTORIES (ADP 039 to 045)	038	18.253.553	19.809.163
1. Raw materials and consumables	039	18.026.040	19.654.514
2. Work in progress	040		
3. Finished products	041		
4. Merchandise	042	227.513	154.649
5. Prepayments for inventories	043		
6. Other available-for-sale assets	044		
7. Biological asset	045		
II. RECEIVABLES (ADP 047 to 052)	046	62.728.000	100.184.370
1. Receivables from undertakings in a Group	047	25.253.754	15.807.892
2. Receivables from undertakings with participating interest	048		
3. Trade receivables	049	16.702.108	68.758.116
4. Receivables from employees and members of the undertaking	050	649.460	6.071.376
5. Receivables from Government and other institutions	051	18.294.801	77.409
6. Other receivables	052	1.827.877	9.469.577
III. CURRENT FINANCIAL ASSETS (ADP 054 to 062)	053	726.764	5.465.245
1. Stakes (shares) in undertakings in a Group	054		
2. Investments in other securities of undertakings in a Group	055		
3. Loans, deposits etc given to undertakings in a Group	056	23.800	25.800
4. Stakes (shares) in undertakings with participating interest	057		
5. Investments in other securities of undertakings with participating interest	058		
6. Loans, deposits etc given to undertakings with participating interest	059		
7. Investments in securities	060		
8. Given loans, deposits and similar	061	702.964	702.795
9. Other financial assets	062		4.736.650
IV. CASH AND CASH EQUIVALENTS	063	237.647.697	97.964.658
D) PREPAYMENTS AND ACCRUED INCOME	064	21.820.614	103.746.416
E) TOTAL ASSETS (ADP 001+002+037+064)	065	4.148.007.140	4.518.505.831
F) OFF-BALANCE SHEET ITEMS	066	54.631.638	54.583.654

Balance Sheet (as per 30/6/2017) (continued)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item 1	ADP code 2	Preceding year 3	Current year 4
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	067	2.324.082.480	2.176.979.905
I. SHARE CAPITAL	068	1.672.021.210	1.672.021.210
II. CAPITAL RESERVES	069	2.204.690	3.602.906
III. RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	84.401.862	102.055.847
1. Legal reserves	071	67.198.750	83.601.061
2. Reserves for own shares	072	44.815.284	44.815.284
3. Own stocks and shares (deductible items)	073	37.141.295	35.889.621
4. Statutory reserves	074		
5. Other reserves	075	9.529.123	9.529.123
IV. REVALUATION RESERVES	076		
V. FAIR VALUE RESERVES (ADP 078 to 080)	077	273.313	285.337
1. Fair value of financial assets available for sale	078	273.313	285.337
2. Efficient portion of cash flow hedge	079		
3. Efficient portion of foreign net investment hedge	080		
VI. RETAINED EARNINGS OR LOSS CARRIED FORWARD (ADP 082-083)	081	228.523.684	439.340.145
1. Retained earnings	082	228.523.684	439.340.145
2. Loss carried forward	083		
VII. PROFIT OR LOSS FOR THE FINANCIAL YEAR (ADP 085-086)	084	336.657.721	-40.325.540
1. Profit for the financial year	085	336.657.721	
2. Loss for the financial year	086		40.325.540
VIII. MINORITY INTEREST	087		
B) PROVISIONS (ADP 089 to 094)	088	26.578.807	26.501.490
1. Provisions for pensions, severance pay and similar liabilities	089		
2. Provisions for tax obligations	090		
3. Provisions for litigations in progress	091	26.578.807	26.501.490
4. Provisions for renewal of natural resources	092		
5. Provision for costs within warranty period	093		
6. Other provisions	094		
C) NON-CURRENT LIABILITIES (ADP 096 to 106)	095	1.351.548.203	1.681.574.589
1. Liabilities to related parties	096		
2. Liabilities for loans, deposits etc of undertakings in a Group	097		
3. Liabilities to undertakings with participating interest	098		
4. Liabilities for loans, deposits etc of undertakings with participating interest	099		
5. Liabilities for loans, deposits and other	100		
6. Liabilities to banks and other financial institutions	101	1.332.585.946	1.663.097.003
7. Liabilities for advance payments	102		
8. Trade payables	103		
9. Amounts payable for securities	104		
10. Other non-current liabilities	105	2.044.339	1.556.662
11. Deferred tax	106	16.917.918	16.920.924
D) CURRENT LIABILITIES (ADP 108 to 121)	107	361.331.313	547.432.154
1. Liabilities to undertakings in a Group	108	195.394	832.369
2. Liabilities for loans, deposits etc of undertakings in a Group	109		
3. Liabilities to undertakings with participating interest	110		
4. Liabilities for loans, deposits etc of undertakings with participating interest	111		
5. Liabilities for loans, deposits and other	112		
6. Liabilities to banks and other financial institutions	113	159.263.170	109.674.216
7. Amounts payable for prepayment	114	22.878.112	238.061.385
8. Trade payables	115	150.726.630	120.754.119
9. Liabilities upon loan stocks	116		
10. Liabilities to employees	117	18.821.064	34.646.365
11. Taxes, contributions and similar liabilities	118	7.640.156	39.192.014
12. Liabilities arising from share in the result	119	59.985	72.403
13. Liabilities arising from non-current assets held for sale	120		
14. Other current liabilities	121	1.746.802	4.199.283
E) ACCRUED EXPENSES AND DEFERRED INCOME	122	84.466.337	86.017.693
F) TOTAL LIABILITIES (ADP 067+088+095+107+122)	123	4.148.007.140	4.518.505.831
G) OFF-BALANCE SHEET ITEMS	124	54.631.638	54.583.654

Income Statement (for 1/1/2017 to 30/6/2017)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item	ADP code	Preceding period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (ADP 126+127+128+129+130)	125	428.954.339	378.538.652	491.231.504	460.309.911
1. Revenues from sales with undertakings in a Group	126	396.756	118.177	5.059.943	4.171.709
2. Sales revenues (outside the Group)	127	416.149.035	370.304.699	477.320.464	451.807.787
3. Revenues from use of own products, goods and services	128	1.170.373	582.653	1.716.240	864.065
4. Other operating revenues with undertakings in a Group	129	15.824	1.383	35.107	31.707
5. Other operating revenues (outside the Group)	130	11.222.351	7.531.740	7.099.750	3.434.643
II. OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	470.716.677	314.766.159	553.208.576	369.466.782
1. Changes in inventories of finished products and work in progress	132				
2. Material costs (ADP 134 to 136)	133	159.900.604	122.411.408	179.802.191	141.114.492
a) Cost of raw materials & consumables	134	90.469.259	73.268.144	108.541.882	92.211.423
b) Cost of goods sold	135	565.038	522.163	1.255.465	1.235.586
c) Other costs	136	68.866.307	48.621.101	70.004.844	47.667.483
3. Staff costs (ADP 138 to 140)	137	141.185.679	98.289.066	185.760.916	131.969.534
a) Net salaries	138	86.014.541	60.318.723	111.763.065	79.687.249
b) Employee income tax	139	35.034.227	23.919.867	47.832.412	33.566.456
c) Tax on payroll	140	20.136.911	14.050.476	26.165.439	18.715.829
4. Depreciation and amortisation	141	118.284.009	61.947.268	133.874.756	67.680.950
5. Other expenditures	142	49.699.510	31.290.485	50.563.921	27.733.908
6. Value adjustment (ADP 144+145)	143	41.750	38.525	69.637	50.136
a) non-current assets (without financial assets)	144				
b) current assets (without financial assets)	145	41.750	38.525	69.637	50.136
7. Provisions (ADP 147 to 152)	146	0	0	0	0
a) Provision for pensions, severance payments and other employment benefits	147				
b) Provisions for tax liabilities	148				
c) Provisions for litigations in progress	149				
d) Provisions for renewal of natural resources	150				
e) Provision for costs within warranty period	151				
f) Other provisions	152				
8. Other operating expenses	153	1.605.125	789.407	3.137.155	917.762
III. FINANCIAL INCOME (ADP 155 to 164)	154	69.275.275	38.181.248	45.183.869	14.304.108
1. Income from stakes (shares) in undertakings in a Group	155				
2. Income from stakes (shares) in undertakings with participating interest	156				
3. Income from other non-current financial investments and loans to undertakings in a Group	157				
4. Other interest income from undertakings in a Group	158				
5. Foreign exchange differences and other financial income from undertakings in a Group	159				
6. Income from other non-current financial investments and loans	160				
7. Other interest income	161	229.941	56.884	116.844	78.259
8. Foreign exchange differences and other financial income	162	26.597.080	5.185.395	36.186.688	11.618.373
9. Unrealized gains (income) from the financial assets	163	5.873.651	4.962.161	7.098.050	1.505.332
10. Other financial income	164	36.574.603	27.976.808	1.782.287	1.102.144
IV. FINANCIAL COSTS (ADP 166 to 172)	165	25.922.361	13.073.988	23.532.337	12.905.008
1. Interest expenses and similar expenses with undertakings in a Group	166				
2. Foreign exchange differences and other expenses with undertakings in a Group	167				
3. Interest expenses and similar	168	14.566.421	8.403.437	17.417.961	9.875.872
4. Foreign exchange differences and other expenses	169	5.799.840	1.505.572	3.901.614	1.116.801
5. Unrealized loss (expenses) from the financial assets	170	4.926.588	2.873.481	1.605.295	1.557.746
6. Value adjustment expense on financial assets (net)	171				
7. Other financial expenses	172	629.512	291.498	607.467	354.589
V. SHARE OF PROFIT FROM UNDERTAKINGS WITH PARTICIPATING INTEREST	173				
VI. SHARE OF PROFIT FROM JOINT VENTURES	174				
VII. SHARE OF LOSS FROM UNDERTAKINGS WITH PARTICIPATING INTEREST	175				
VIII. SHARE OF LOSS FROM JOINT VENTURES	176				
IX. TOTAL INCOME (ADP 125+154+173+174)	177	498.229.614	416.719.900	536.415.373	474.614.019
X. TOTAL EXPENSES (ADP 131+165+175+176)	178	496.639.038	327.840.147	576.740.913	382.371.790
XI. PROFIT OR LOSS BEFORE TAX (ADP 177-178)	179	1.590.576	88.879.753	-40.325.540	92.242.229
1. Profit before tax (ADP 177-178)	180	1.590.576	88.879.753	-40.325.540	92.242.229
2. Loss before tax (ADP 178-177)	181	0	0	0	0
XII. INCOME TAX EXPENSE	182				
XIII. PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	1.590.576	88.879.753	-40.325.540	92.242.229
1. Profit for the period (ADP 179-182)	184	1.590.576	88.879.753	-40.325.540	92.242.229
2. Loss for the period (ADP 182-179)	185	0	0	0	0

Income Statement (for 1/1/2017 to 30/6/2017) (continued)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item	ADP code	Preceding period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
PROFIT OR LOSS FROM DISCONTINUED OPERATIONS (applicable for entities which use IFRS and have discontinued operations)					
XIV. PROFIT OR LOSS FROM DISCONTINUED OPERATIONS BEFORE TAX (ADP 187-188)	186				
1. Profit before tax from discontinued operations	187				
2. Loss before tax from discontinued operations	188				
XV. INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS	189				
1. Profit for the period from discontinued operations (ADP 186-189)	190				
2. Loss for the period from discontinued operations (ADP 189-186)	191				

TOTAL PROFIT OR LOSS FOR THE PERIOD (applicable for entities which use IFRS and have discontinued operations)

XVI. PROFIT OR LOSS BEFORE TAX (179+186)	192
1. Profit before tax (ADP 192)	193
2. Loss before tax (ADP 192)	194
XVII. INCOME TAX EXPENSE (ADP 182+189)	195
XVIII. PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196
1. Profit for the period (ADP 192-195)	197
2. Loss for the period (ADP 195-192)	198

APPENDIX TO THE INCOME STATEMENT (to be completed by entities submitting consolidated financial statements)

XIX. PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199
1. Attributable to parent company's shareholders	200
2. Attributable to non-controlling interests	201

STATEMENT OF OTHER COMPREHENSIVE INCOME (to be completed by entities subject to IFRS)

I. PROFIT OR LOSS FOR THE PERIOD	202	1.590.576	88.879.753	-40.325.540	92.242.229
II. OTHER COMPREHENSIVE INCOME /LOSS BEFORE TAX (ADP 204 to 211)	203	-33.999.145	-24.982.265	15.028	9.862
1. Exchange differences arising from foreign operations	204				
2. Revaluation of non-current assets and intangible assets	205				
3. Gains or loss available for sale investments	206	-33.999.145	-24.982.265	15.028	9.862
4. Gains or loss on net movement on cash flow hedges	207				
5. Gains or loss on net investments hedge	208				
6. Share of the other comprehensive income/loss of associates	209				
7. Actuarial gain / loss on post employment benefit obligations	210				
8. Other changes in capital (minorities)	211				
III. TAX ON OTHER COMPREHENSIVE INCOME OF THE PERIOD	212	-2.687.971	-884.594	3.005	1.972
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR (ADP 203-212)	213	-31.311.174	-24.097.671	12.023	7.890
V. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (ADP 202+213)	214	-29.720.598	64.782.082	-40.313.517	92.250.119

APPENDIX to the Statement of Comprehensive Income (to be completed by entities submitting consolidated financial statements)

VI. TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD (ADP 216+217)	215
1. Attributable to parent company's shareholders	216
2. Attributable to non-controlling interests	217

Cash Flow Statement - Indirect Method (for 1/1/2017 to 30/6/2017)

Taxpayer: 36201212847; Valamar Riviera d.d.

Item 1	ADP code 2	Preceding year 3	Current year 4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before taxes	001	1.590.576	-40.325.540
2. Adjustments (ADP 003 to 010):	002	54.670.873	105.088.993
a) Depreciation and amortisation	003	118.284.009	133.874.757
b) Profit and loss from sales and value adjustments of non-current tangible and intangible assets	004	-1.475.448	216.747
c) Profit and loss from sales and unrealised profit and loss and value adjustments of financial assets	005	-36.082.056	-190.253
d) Income from interest and dividends	006	-227.848	-519.843
e) Interest expenses	007	14.516.923	18.025.428
f) Provisions	008	-16.347.658	-7.719.221
g) Foreign exchange differences (unrealized)	009	-23.049.986	-33.105.866
h) Other adjustments for non-cash transactions and unrealized profit and loss	010	-947.063	-5.492.756
I. Increase or decrease of cash flow before changes in working capital (ADP 001+002)	011	56.261.449	64.763.453
3. Changes in working capital (ADP 013 to 016)	012	111.483.381	135.254.981
a) Increase or decrease of current liabilities	013	231.177.162	257.244.698
b) Increase or decrease of current receivables	014	-114.051.913	-120.434.107
c) Increase or decrease of inventories	015	-5.641.868	-1.555.610
d) Other increase or decrease of working capital	016		
II. Cash from operating activities (ADP 011+012)	017	167.744.830	200.018.434
4. Interest	018	-12.941.669	-17.873.842
5. Income tax paid	019	392.362	102.565
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	020	155.195.523	182.247.157
CASH FLOW FROM INVESTMENT ACTIVITIES			
1. Proceeds from sale of non-current assets	021	5.880.499	215.364
2. Proceeds from selling financial instruments	022	39.024.277	1.808.303
3. Proceeds from interest rates	023	904.101	539.924
4. Proceeds from dividends	024		598.453
5. Proceeds from repayment of given loans and savings	025	3.078.502	6.504.200
6. Other proceeds from investment activities	026	2.549	336.317
III. Total cash proceeds from investment activities (AOP 021 to 026)	027	48.889.928	10.002.561
1. Purchase of non-current tangible and intangible assets	028	-176.365.149	-533.308.996
2. Purchase of financial instruments	029		
3. Loans and deposits for the period	030	-3.609.327	-6.243.101
4. Acquisition of subsidiary, net of acquired cash	031		
5. Other payments from investment activities	032		
IV. Total cash payments from investment activities (ADP 028 to 032)	033	-179.974.476	-539.552.097
B) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)	034	-131.084.548	-529.549.536
CASH FLOW FROM FINANCIAL ACTIVITIES			
1. Proceeds from increase of subscribed capital	035		
2. Proceeds from issuing equity-based and debt-based financial instruments	036		
3. Proceeds from loan principal, loans and other borrowings	037	166.765.759	352.133.648
4. Other proceeds from financial activities	038		
V. Total proceeds from financial activities (ADP 035 to 038)	039	166.765.759	352.133.648
1. Repayment of loan principals, loans and other borrowings and debt-based financial instruments	040	-99.724.072	-46.069.680
2. Dividends paid	041	-37.330.521	-98.342.353
3. Payment of finance lease liabilities	042	-131.991	-102.275
4. Re-purchase of treasury shares and decrease in subscribed share capital	043	-35.692.643	
5. Other payments from financial activities	044		
VI. Total cash payments from financing activities (ADP 040 to 044)	045	-172.879.227	-144.514.308
C) NET CASH FLOW FROM FINANCIAL ACTIVITIES (ADP 039+045)	046	-6.113.468	207.619.340
1. Cash and cash equivalents-unrealized foreign exchange differences	047		
D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046+047)	048	17.997.507	-139.683.039
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	049	301.797.080	237.647.697
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 048+049)	050	319.794.587	97.964.658

Description	ADP	Minority (non-controlling) interest														Minority (non-con-trolling) interest	Total capital and reserves
		Subscribed Share capital	Capital re-serves	Legal reserves	Reserves for own shares	Treasury shares and shares (de-ductible item)	Statutory re-serves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Efficient portion of cash flow hedge	Efficient portion of foreign net investment hedge	Retained earnings / loss carried forward	Net profit/ loss for the period	Total distribut-able to majority owners		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)
Previous period																	
1. Balance at 1 January of the previuos period	01	1.672.021.210	109.139	61.906.040	34.344.407	29.046.586	0			31.431.842			211.961.240	105.854.201	2.088.581.493		2.088.581.493
2. Changes in accounting policies	02														0		0
3. Error correction	03														0		0
4. Balance at 1 January of the previous period (ADP 01 to 03)	04	1.672.021.210	109.139	61.906.040	34.344.407	29.046.586	0	0	0	31.431.842	0	0	211.961.240	105.854.201	2.088.581.493	0	2.088.581.493
5. Profit/loss for the period	05													336.657.721	336.657.721		336.657.721
6. Foreign currency translation differences- foreign operations	06							0							0		0
7. Changes in revaluation reserves of non-current tangible and intangible assets	07														0		0
8. Profit or loss from re-evaluation of finacial assets held for sale	08									-34.190.767					-34.190.767		-34.190.767
9. Profit or loss from cash flow hedge	09										0				0		0
10. Profit or loss from foreign net investment hedge	10														0		0
11. Share in other comprehensive income/loss from undertakings with participat-ing interest	11														0		0
12. Actuarial gains/losses from defined benefit plans	12														0		0
13. Other changes in capital (minorities)	13		-482.954							305.943					-177.011		-177.011
14. Taxation of transactions recognized directly in equity	14									2.726.295					2.726.295		2.726.295
15. Increase/decrease of subscribed share capital (except by reinvested profit and in pre-bankruptcy settlement)	15														0		0
16. Increase of subscribed share capital by profit reinvestment	16														0		0
17. Increase of subscribed share capital in pre-bankruptcy settlement	17														0		0
18. Repurchase of own shares/ stakes	18					36.708.367									-36.708.367		-36.708.367
19. Share in profit/ dividend payout	19					-32.655.373							-73.910.156		-41.254.783		-41.254.783
20. Other distribution to majority owners	20		2.578.505			4.041.715									-1.463.210		-1.463.210
21. Transfer to reserves according to annual plan	21			5.292.710	10.470.877			9.529.123					90.472.600	-105.854.201	9.911.109		9.911.109
22. Increase in reserves in pre-bankruptcy settlement	22														0		0
23. Balance at 31 Decemeber of previous period (ADP 04 to 22)	23	1.672.021.210	2.204.690	67.198.750	44.815.284	37.141.295	0	9.529.123	0	273.313	0	0	228.523.684	336.657.721	2.324.082.480	0	2.324.082.480
ADDITION TO STATEMENT OF CHANGES IN EQUITY (only for IFRS adopters)																	
I. OTHER COMPREHENSIVE INCOME OF PREVIOUS PERIOD NET OF TAX (ADP 06 to 14)	24	0	-482.954	0	0	0	0	0	0	-31.158.529	0	0	0	0	-31.641.483	0	-31.641.483
II. COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25	0	-482.954	0	0	0	0	0	0	-31.158.529	0	0	0	336.657.721	305.016.238	0	305.016.238
III. TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD, RECOGNIZED DIRECTLY IN EQUITY (ADP 15 to 22)	26	0	2.578.505	5.292.710	10.470.877	8.094.709	0	9.529.123	0	0	0	0	16.562.444	-105.854.201	-69.515.251	0	-69.515.251
Current period																	
1. Balance at 1 January of current period	27	1.672.021.210	2.204.690	67.198.750	44.815.284	37.141.295	0	9.529.123	0	273.313	0	0	228.523.684	336.657.721	2.324.082.480	0	2.324.082.480
2. Changes in accounting policies	28														0		0
3. Error correction	29														0		0
4. Balance at 1 January of current period (ADP 27 to 29)	30	1.672.021.210	2.204.690	67.198.750	44.815.284	37.141.295	0	9.529.123	0	273.313	0	0	228.523.684	336.657.721	2.324.082.480	0	2.324.082.480
5. Profit/loss for the period	31													-40.325.540	-40.325.540		-40.325.540
6. Foreign currency translation differences- foreign operations	32														0		0
7. Changes in revaluation reserves of non-current tangible and intangible assets	33														0		0
8. Profit or loss from re-evaluation of finacial assets held for sale	34									15.029					15.029		15.029
9. Profit or loss from cash flow hedge	35														0		0
10. Profit or loss from foreign net investment hedge	36														0		0
11. Share in other comprehensive income/loss from undertakings with participat-ing interest	37														0		0
12. Actuarial gains/losses from defined benefit plans	38														0		0
13. Other changes in capital (minorities)	39														0		0
14. Taxation of transactions recognized directly in equity	40									-3.006					-3.006		-3.006
15. Increase/decrease of subscribed share capital (except by reinvested profit and in pre-bankruptcy settlement)	41														0		0
16. Increase of subscribed share capital by profit reinvestment	42														0		0
17. Increase of subscribed share capital in pre-bankruptcy settlement	43														0		0
18. Repurchase of own shares/ stakes	44					-1.251.674									1.251.674		1.251.674
19. Share in profit/ dividend payout	45														0		0
20. Other distribution to majority owners	46		1.398.216										-99.352.192		-97.953.976		-97.953.976
21. Transfer to reserves according to annual plan	47			16.402.311									310.168.654	-336.657.721	-10.086.756		-10.086.756
22. Increase in reserves in pre-bankruptcy settlement	48														0		0
23. Balance as at 31 December of the current period (ADP 30 to 48)	49	1.672.021.210	3.602.906	83.601.061	44.815.284	35.889.621	0	9.529.123	0	285.336	0	0	439.340.146	-40.325.540	2.176.979.905	0	2.176.979.905
ADDITION TO STATEMENT OF CHANGES IN EQUITY (only for IFRS adopters)																	
I. OTHER COMPREHENSIVE INCOME OF CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	50	0	0	0	0	0	0	0	0	12.023	0	0	0	0	12.023	0	12.023
II. COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31 + 50)	51	0	0	0	0	0	0	0	0	12.023	0	0	0	-40.325.540	-40.313.517	0	-40.313.517
III. TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD, RECOGNIZED DIRECTLY IN EQUITY (ADP 41 to 48)	52	0	1.398.216	16.402.311	0	-1.251.674	0	0	0	0	0	0	210.816.462	-336.657.721	-106.789.058	0	-106.789.058

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