

**Annex 1.**

Reporting period

1.1.2013

to

30.6.2013

**Quarterly financial report TFI-POD**

Tax number (MB): 03166619

Company registration number (MRS): 040008080

Personal identification number (OIB): 15573308024

Issuing company: LIBURNIA RIVIERA HOTELI d.d. OPATIJA

Postal code and place: 51410 Opatija

Street and house number: MARŠALA TITA 198

E-mail address: liburnia@liburnia.hr

Internet address: www.liburnia.hr

Municipality/city code and name: 302

County code and name: 8 PRIMORSKO-GORANSKA ŽUPANIJA

Number of employees: 643

(period end)

Consolidated report: NO

NKD code: 5510

Companies of the consolidation subject (according to IFRS)

Seat:

MB:

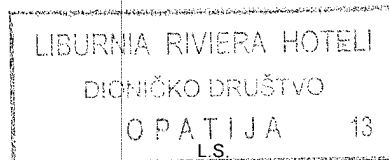

Bookkeeping service:

Contact person: Kamenar Biserka  
(only surname and name)

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Family name and name: Šehanović Igor, Hrelja Dino  
(person authorized to represent the company)

 (signature of the person authorized to represent the company)

**Balance Sheet**  
as of 30.06.2013.

Company: LIBURNIA RIVIERA HOTELI d.d.

Position	AOP	Previous period 31.12.2012.	Current period
1	2	3	4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL</b>	<b>001</b>		
<b>B) NON-CURRENT ASSETS (003+010+020+029+033)</b>	<b>002</b>	920.965.502	921.976.840
<b>I. INTANGIBLE ASSETS (004 do 009)</b>	<b>003</b>	2.386.089	2.067.871
1. Expenditure for development	<b>004</b>	1.041.321	903.002
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	<b>005</b>	1.272.010	1.121.911
3. Goodwill	<b>006</b>		
4. Advances for purchase of intangible assets	<b>007</b>		
5. Intangible assets in progress	<b>008</b>	72.758	42.958
6. Other intangible assets	<b>009</b>		
<b>II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)</b>	<b>010</b>	915.747.915	917.077.471
1. Land	<b>011</b>	111.583.180	110.866.760
2. Buildings	<b>012</b>	740.390.843	723.940.126
3. Plant and equipment	<b>013</b>	19.529.442	18.107.174
4. Tools, working inventory and transportation assets	<b>014</b>	38.323.783	43.548.471
5. Biological assets	<b>015</b>		
6. Advances for purchase of tangible assets	<b>016</b>	21.879	172.301
7. Tangible assets in progress	<b>017</b>	2.417.150	17.012.801
8. Other tangible assets	<b>018</b>	3.481.638	3.489.838
9. Investment in real-estate	<b>019</b>		
<b>III. NON-CURRENT FINANCIAL ASSETS (021 do 028)</b>	<b>020</b>	737.920	737.920
1. Share in related parties	<b>021</b>		
2. Loans to related parties	<b>022</b>		
3. Participating interests (shares)	<b>023</b>		
4. Loans to companies with participating interest	<b>024</b>		
5. Investments in securities	<b>025</b>	737.920	737.920
6. Loans, deposits, etc.	<b>026</b>		
7. Other non-current financial assets	<b>027</b>		
8. Equity-accounted investments	<b>028</b>		
<b>IV. RECEIVABLES (030 do 032)</b>	<b>029</b>	385.100	385.100
1. Receivables from related parties	<b>030</b>		
2. Receivables arising from sales on credit	<b>031</b>		
3. Other receivables	<b>032</b>	385.100	385.100
<b>V. DEFERRED TAX ASSET</b>	<b>033</b>	1.708.478	1.708.478
<b>C) CURRENT ASSETS (035+043+050+058)</b>	<b>034</b>	77.183.234	89.737.213
<b>I. INVENTORIES (036 do 042)</b>	<b>035</b>	5.902.438	5.035.614
1. Raw materials and supplies	<b>036</b>	1.149.427	2.810.998
2. Production in progress	<b>037</b>		
3. Finished products	<b>038</b>		
4. Merchandise	<b>039</b>	112.392	110.334
5. Advances for inventories	<b>040</b>		2.114.282
6. Long term assets held for sale	<b>041</b>	4.640.619	
7. Biological assets	<b>042</b>		
<b>II. RECEIVABLES (044 do 049)</b>	<b>043</b>	8.659.464	19.688.454
1. Receivables from related parties	<b>044</b>		
2. Receivables from end-customers	<b>045</b>	7.549.836	15.407.241
3. Receivables from participating parties	<b>046</b>		
4. Receivables from employees and members of the company	<b>047</b>	173.416	73.991
5. Receivables from government and other institutions	<b>048</b>	936.212	4.207.222
6. Other receivables	<b>049</b>		
<b>III. CURRENT FINANCIAL ASSETS (051 do 057)</b>	<b>050</b>	0	0
1. Share in related parties	<b>051</b>		
2. Loans to related parties	<b>052</b>		
3. Participating interests (shares)	<b>053</b>		
4. Loans to companies with participating interest	<b>054</b>		
5. Investments in securities	<b>055</b>		
6. Loans, deposits, etc.	<b>056</b>		
7. Other financial assets	<b>057</b>		
<b>IV. CASH AND CASH EQUIVALENTS</b>	<b>058</b>	62.621.332	65.013.145
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>	785.861	1.802.838
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	998.934.597	1.013.516.891
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	4.452.613	4.452.613

<b>EQUITY AND LIABILITIES</b>			
<b>A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	902.542.931	891.515.415
I. SUBSCRIBED SHARE CAPITAL	<b>063</b>	968.451.200	968.451.200
II. CAPITAL RESERVES	<b>064</b>	562.320	562.320
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	0	0
1. Legal reserves	<b>066</b>		
2. Reserve for own shares	<b>067</b>		
3. Treasury shares and shares (deductible items)	<b>068</b>		
4. Statutory reserves	<b>069</b>		
5. Other reserves	<b>070</b>		
IV. REVALUATION RESERVES	<b>071</b>		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	<b>072</b>	-82.866.646	-66.470.588
1. Retained earnings	<b>073</b>		
2. Loss carried forward	<b>074</b>	82.866.646	66.470.588
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	<b>075</b>	16.396.057	-11.027.517
1. Net profit for the period	<b>076</b>	16.396.057	
2. Net loss for the period	<b>077</b>		11.027.517
VII. MINORITY INTEREST	<b>078</b>		
<b>B) PROVISIONS (080 do 082)</b>	<b>079</b>	19.626.669	19.436.980
1. Provisions for pensions, severance pay and similar liabilities	<b>080</b>	6.789.875	6.608.186
2. Provisions for tax liabilities	<b>081</b>		
3. Other provisions	<b>082</b>	12.836.794	12.828.794
<b>C) NON-CURRENT LIABILITIES (084 do 092)</b>	<b>083</b>	40.530.647	40.530.647
1. Liabilities to related parties	<b>084</b>		
2. Liabilities for loans, deposits, etc.	<b>085</b>		
3. Liabilities to banks and other financial institutions	<b>086</b>	40.530.647	40.530.647
4. Liabilities for advances	<b>087</b>		
5. Trade payables	<b>088</b>		
6. Commitments on securities	<b>089</b>		
7. Liabilities to companies with participating interest	<b>090</b>		
8. Other non-current liabilities	<b>091</b>		
9. Deferred tax liabilities	<b>092</b>		
<b>D) CURRENT LIABILITIES (094 do 105)</b>	<b>093</b>	34.675.369	60.631.698
1. Liabilities to related parties	<b>094</b>		
2. Liabilities for loans, deposits, etc.	<b>095</b>		
3. Liabilities to banks and other financial institutions	<b>096</b>	14.324.542	5.367.669
4. Liabilities for advances	<b>097</b>	2.100.851	12.625.314
5. Trade payables	<b>098</b>	8.357.640	16.411.746
6. Commitments on securities	<b>099</b>		
7. Liabilities to companies with participating interest	<b>100</b>		
8. Liabilities to employees	<b>101</b>	4.942.519	19.447.078
9. Taxes, contributions and similar liabilities	<b>102</b>	2.441.096	4.956.975
10. Liabilities arising from share in the result	<b>103</b>		
11. Liabilities arising from non-current assets held for sale	<b>104</b>		
12. Other current liabilities	<b>105</b>	2.508.721	1.822.916
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	1.558.981	1.402.151
<b>F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	999.934.597	1.013.516.891
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	4.452.613	4.452.613
<b>ADDITION TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
1. Attributable to majority owners	<b>109</b>		
2. Attributable to minority interest	<b>110</b>		

**Income statement**

period 01.01.2013. to 30.06.2013.

Company: LIBURNIA RIVIERA HOTELI d.d.

Position	AOP	Previous period	Previous period	Current period	Current period
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME (112 do 113)</b>	<b>111</b>	73.136.488	59.072.120	111.615.209	64.581.933
1. Rendering of services	112	69.001.029	56.485.638	79.482.239	63.464.173
2. Other operating income	113	4.135.459	1.586.482	32.132.970	1.117.760
<b>II. OPERATING COSTS (115+116+120+124+125+126+129+130)</b>	<b>114</b>	88.098.398	52.921.955	122.877.645	60.138.513
1. Change in inventories of work in progress	115				
2. Material expenses (117 do 119)	116	25.659.381	16.971.293	27.126.449	18.797.991
a) Costs of raw materials	117	8.025.714	5.765.110	9.749.672	7.577.033
b) Cost of goods sold	118	97.874	79.375	129.112	98.027
c) Other material expenses	119	17.535.793	11.126.808	17.247.665	11.122.931
3. Employee benefits expenses (121 do 123)	120	34.405.590	19.435.641	33.768.146	19.808.893
a) Net salaries	121	20.424.907	11.625.292	22.189.561	13.838.594
b) Tax and contributions from salary expenses	122	9.237.320	5.246.798	7.173.362	3.397.897
c) Contributions on salary	123	4.743.363	2.563.551	4.405.223	2.572.402
4. Depreciation and amortisation	124	19.740.430	11.471.105	29.362.087	14.686.593
5. Other expenses	125	8.253.008	5.035.019	17.182.954	6.447.779
6. Write down of assets (127+128)	126	39.989	8.897	438.009	397.257
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128	39.989	8.897	438.009	397.257
7. Provisions	129			15.000.000	0
8. Other operating costs	130				
<b>III. FINANCIAL INCOME (132 do 136)</b>	<b>131</b>	758.814	296.572	1.521.289	644.776
1. Interest, foreign exchange differences, dividends and similar income from related parties	132				
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	758.814	296.572	1.521.289	644.778
3. Income from investments in associates and joint ventures	134				
4. Unrealised gains (income) from financial assets	135				
5. Other financial income	136				
<b>IV. FINANCIAL EXPENSES (138 do 141)</b>	<b>137</b>	1.460.330	713.223	1.286.370	662.722
1. Interest, foreign exchange differences, dividends and similar income from related parties	138				
2. Interest, foreign exchange differences, dividends and similar income from third parties	139	1.460.330	713.223	1.286.370	662.722
3. Unrealised losses (expenses) from financial assets	140				
4. Other financial expenses	141				
<b>V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES</b>	<b>142</b>				
<b>VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES</b>	<b>143</b>				
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL INCOME (111+131+144)</b>	<b>146</b>	73.895.302	58.368.692	113.136.498	65.226.711
<b>X. TOTAL EXPENSES (114+137+143+145)</b>	<b>147</b>	89.558.728	53.835.178	124.164.015	60.801.235
<b>XI. PROFIT OR LOSS BEFORE TAXES (146-147)</b>	<b>148</b>	-15.663.426	4.733.514	-11.027.517	4.425.476
1. Profit before taxes (146-147)	149	0	4.733.514	0	4.425.476
2. Loss before taxes (147-146)	150	15.663.426	0	11.027.517	0
<b>XII. TAXATION</b>	<b>151</b>				
<b>XII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	-15.663.426	4.733.514	-11.027.517	4.425.476
1. Profit for the period (149-151)	153	0	4.733.514	0	4.425.476
2. Loss for the period (151-148)	154	15.663.426	0	11.027.517	0
<b>ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributable to majority owners	155				
2. Attributable to minority interest	156				
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (=152)</b>	<b>157</b>	-15.663.426	4.733.514	-11.027.517	4.425.476
<b>II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)</b>	<b>158</b>	0	0	0	0
1. Exchange differences from international settlement	159				
2. Changes in revaluation reserves of long-term tangible and intangible assets	160				
3. Profit or loss from re-evaluation of financial assets held for sale	161				
4. Profit or loss from cash flow hedging	162				
5. Profit or loss from hedging of foreign investments	163				
6. Share of other comprehensive income/loss from associated companies	164				
7. Actuarial gains/losses from defined benefit plans	165				
<b>III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>166</b>				
<b>IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)</b>	<b>167</b>	0	0	0	0
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	-15.663.426	4.733.514	-11.027.517	4.425.476
<b>ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)</b>					
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b>					
1. Attributable to majority owners	169				
2. Attributable to minority interest	170				

## Cash flow statement - indirect method

period 01.01.2013. to 30.06.2013.

Company: LIBURNIA RIVIERA HOTELI d.d.			
Position	AOP	Previous period	Current period
1	2	3	4
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	-15.663.426	-11.027.517
2. Depreciation and amortisation	002	19.740.430	29.362.087
3. Increase of current liabilities	003	7.837.715	8.319.199
4. Decrease of current receivables	004		
5. Decrease of inventories	005		
6. Other cash flow increases	006		
<b>I. Total increase of cash flow from operating activities</b>	<b>007</b>	<b>11.914.719</b>	<b>26.653.769</b>
1. Decrease of current liabilities	008		
2. Increase of current receivables	009	5.593.054	11.028.990
3. Increase of inventories	010	678.263	1.695.513
4. Other cash flow decreases	011	1.481.260	3.242.084
<b>II. Total decrease of cash flow from operating activities</b>	<b>012</b>	<b>7.752.577</b>	<b>15.966.587</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>013</b>	<b>4.162.142</b>	<b>10.687.182</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>014</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Proceeds from sale of non-current assets	015	39.589	35.000.000
2. Proceeds from sale of non-current financial assets	016		
3. Interest received	017	742.060	1.443.694
4. Dividend received	018		
5. Other proceeds from investing activities	019		
<b>III. Total cash inflows from investing activities</b>	<b>020</b>	<b>781.649</b>	<b>36.443.694</b>
1. Purchase of non-current assets	021	22.344.570	35.884.061
2. Purchase of non-current financial assets	022		
3. Other cash outflows from investing activities	023		
<b>IV. Total cash outflows from investing activities</b>	<b>024</b>	<b>22.344.570</b>	<b>35.884.061</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>025</b>	<b>0</b>	<b>559.633</b>
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>026</b>	<b>21.562.921</b>	<b>0</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Proceeds from issue of equity securities and debt securities	027		
2. Proceeds from loans and borrowings	028		
3. Other proceeds from financing activities	029		
<b>V. Total cash inflows from financing activities</b>	<b>030</b>	<b>0</b>	<b>0</b>
1. Repayment of loans and bonds	031	8.849.383	8.855.002
2. Dividends paid	032		
3. Repayment of finance lease	033		
4. Purchase of treasury shares	034		
5. Other cash outflows from financing activities	035		
<b>VI. Total cash outflows from financing activities</b>	<b>036</b>	<b>8.849.383</b>	<b>8.855.002</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>037</b>	<b>0</b>	<b>0</b>
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>038</b>	<b>8.849.383</b>	<b>8.855.002</b>
Total increases of cash flows	039	0	2.391.813
Total decreases of cash flows	040	26.250.162	0
Cash and cash equivalents at the beginning of period	041	57.124.411	62.621.332
Increase of cash and cash equivalents	042		2.391.813
Decrease of cash and cash equivalents	043	26.250.162	
Cash and cash equivalents at the end of period	044	30.874.249	65.013.145

## STATEMENT OF CHANGES IN EQUITY

period **1.1.2013** to **30.6.2013**

	Position	AOP	Previous year	Current year
	1	2	3	4
1. Subscribed share capital		001	968.451.200	968.451.200
2. Capital reserves		002	295.201	562.320
3. Reserves from profit		003		
4. Retained earnings or loss carried forward		004	-82.857.038	-66.470.588
5. Net profit or loss for the period		005	-15.663.426	-11.027.517
6. Revaluation of tangible assets		006		
7. Revaluation of intangible assets		007		
8. Revaluation of available for sale assets		008		
9. Other revaluation		009		
<b>10. Total equity and reserves (AOP 001 to 009)</b>		<b>010</b>	870.225.937	891.515.415
11. Foreign exchange differences from foreign investments		011		
12. Current and deferred taxes		012		
13. Cash flow hedge		013		
14. Change of accounting policies		014		
15. Correction of significant mistakes of prior period		015		
16. Other changes		016		
<b>17. Total increase or decrease of equity (AOP 011 to 016)</b>		<b>017</b>	0	0
<hr/>				
17 a. Attributable to majority owners		018	0	0
17 b. Attributable to minority interest		019		

### Analysis of operating results for the period January-June 2013

In the period January-June 2013, compared to the same period in 2012, the Company recorded c. 24% more overnight stays and c. 15% more net operating income.

Through a series of measures on the expenditure side, a correlation was achieved between variable, relatively fixed and fixed costs on the one side, and physical (number of overnight stays) and financial (operating income) categories on the other.

Extraordinary activities (the sale of the Villa Magnolia under revenue, and reserves for severance payments, write-offs, other reserves and similar under extraordinary expenses) for the observed periods had a net positive effect of c. 8.8 million kn.

Consequently, the financial result as measured by net profit + amortisation for the period January-June 2013 amounted to c. 18.3 million kn. In the same period in 2012, it amounted to c. 4.1 million kn.

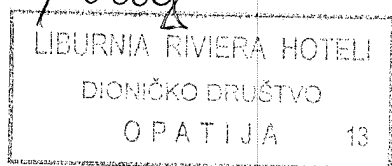
Since every decision of the Management Board was made with the objective of maximising the value of the Company's equity capital, an analysis was carried out regarding the possible (investment) purchase of shares in the Hoteli Cavtat d.d. company. The analysis showed that this investment has a larger internal rate of return than the weighted average cost of capital and that it creates the prerequisites for synergic effects and the conditions for lowering risk due to asset (and destination) diversification effects. As a result of this analysis, the Management Board made the decision to make the purchase and received approval from the Supervisory Board.

At the beginning of July, the Management Board signed a purchase and sale contract. As a result, the Company acquired c. 80.8% of the shares of the Hoteli Cavtat d.d. company. The Hoteli Cavtat d.d. company has 1,236 beds and 618 rooms in the hotels Epidaurus and Albatros in Cavtat, which have been categorised with 3 and 4 stars. In 2012, Hoteli Cavtat d.d. realised an income of c. 77.6 million kn and a financial result of c. 17.4 million kn (measured as net profit and amortisation). Until October 2013, the Hoteli Cavtat d.d. company was operatively managed by the Iberostar management company. The Management Board of the Company believes that future quality work in the fields of restructuring, management and development will increase the financial result and also the value of Hoteli Cavtat d.d.

The liquidity and solvency ratios and the debt to equity and cash flow ratios are strong.

Chairman of the Management Board

Dr. Sc. Igor Šehanović



Opatija, 19/07/2013

Statement of persons responsible for the preparation of the reports

Pursuant to Article 407 Paragraph 2 of the Capital Market Act (Official Gazette Nos. 88/08 and 146/08), I declare that to the best of our knowledge the financial reports of the company LIBURNIA RIVIERA HOTELI d.d. Opatija have been prepared in accordance with International Financial Reporting Standards and the Croatian Accounting Act and that they provide a true and fair view of the assets and liabilities, profit and loss and financial operations of the Company for the period from 1 January to 30 June 2013.

Chairman of the Management Bord

Dr.Sc.Igor Šehanović

