

Annex 1.

Reporting period

1.1.2013

to

30.9.2013

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: 809

(period end)

Consolidated report: NO

NKD code: 5510

Companies of the consolidation subject (according to IFRS)

Seat:

MB:

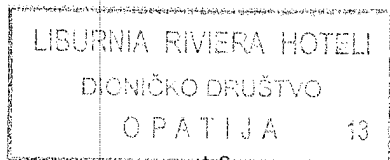
Bookkeeping service:

Contact person: Kamenar Biserka
(only surname and name)

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E-mail address: biserka.kamenar@remisens.com

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

(signature of the person authorized to represent the company)

Balance Sheet
as of 30.09.2013.

Company: LIBURNIA RIVIERA HOTELI d.d.

Position	AOP	Previous period 31.12.2012.	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001		
B) NON-CURRENT ASSETS (003+010+020+029+033)	002	920.965.502	1.066.800.569
I. INTANGIBLE ASSETS (004 do 009)	003	2.386.089	1.909.794
1. Expenditure for development	004	1.041.321	853.553
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	1.272.010	1.013.283
3. Goodwill	006		
4. Advances for purchase of intangible assets	007		
5. Intangible assets in progress	008	72.758	42.958
6. Other intangible assets	009		
II. PROPERTY, PLANT AND EQUIPMENT (011 do 019)	010	915.747.915	908.759.899
1. Land	011	111.583.180	110.806.760
2. Buildings	012	740.390.843	718.062.255
3. Plant and equipment	013	19.529.442	18.572.891
4. Tools, working inventory and transportation assets	014	38.323.783	49.811.665
5. Biological assets	015		
6. Advances for purchase of tangible assets	016	21.879	18.324
7. Tangible assets in progress	017	2.417.150	7.998.166
8. Other tangible assets	018	3.481.638	3.489.838
9. Investment in real-estate	019		
III. NON-CURRENT FINANCIAL ASSETS (021 do 028)	020	737.920	154.037.298
1. Share in related parties	021		153.299.378
2. Loans to related parties	022		
3. Participating interests (shares)	023		
4. Loans to companies with participating interest	024		
5. Investments in securities	025	737.920	737.920
6. Loans, deposits, etc.	026		
7. Other non-current financial assets	027		
8. Equity-accounted investments	028		
IV. RECEIVABLES (030 do 032)	029	385.100	385.100
1. Receivables from related parties	030		
2. Receivables arising from sales on credit	031		
3. Other receivables	032	385.100	385.100
V. DEFERRED TAX ASSET	033	1.708.478	1.708.478
C) CURRENT ASSETS (035+043+050+058)	034	77.183.234	130.197.799
I. INVENTORIES (036 do 042)	035	5.902.438	3.465.818
1. Raw materials and supplies	036	1.149.427	2.563.258
2. Production in progress	037		
3. Finished products	038		
4. Merchandise	039	112.392	115.855
5. Advances for inventories	040		786.705
6. Long term assets held for sale	041	4.640.619	
7. Biological assets	042		
II. RECEIVABLES (044 do 049)	043	8.659.464	23.260.189
1. Receivables from related parties	044		16.075
2. Receivables from end-customers	045	7.549.836	20.828.557
3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	173.416	78.977
5. Receivables from government and other institutions	048	936.212	2.336.580
6. Other receivables	049		
III. CURRENT FINANCIAL ASSETS (051 do 057)	050	0	0
1. Share in related parties	051		
2. Loans to related parties	052		
3. Participating interests (shares)	053		
4. Loans to companies with participating interest	054		
5. Investments in securities	055		
6. Loans, deposits, etc.	056		
7. Other financial assets	057		
IV. CASH AND CASH EQUIVALENTS	058	62.621.332	103.471.792
D) PREPAYMENTS AND ACCRUED INCOME	059	785.861	712.063
E) TOTAL ASSETS (001+002+034+059)	060	998.934.597	1.197.710.431
F) OFF BALANCE SHEET ITEMS	061	4.452.613	4.452.613

EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	902.542.931	941.225.913
I. SUBSCRIBED SHARE CAPITAL	063	968.451.200	968.451.200
II. CAPITAL RESERVES	064	562.320	562.320
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	0	0
1. Legal reserves	066		
2. Reserve for own shares	067		
3. Treasury shares and shares (deductible items)	068		
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071		
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	072	-82.866.646	-66.470.588
1. Retained earnings	073		
2. Loss carried forward	074	82.866.646	66.470.588
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	075	16.396.057	38.682.981
1. Net profit for the period	076	16.396.057	38.682.981
2. Net loss for the period	077		
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 do 082)	079	19.626.669	19.085.461
1. Provisions for pensions, severance pay and similar liabilities	080	6.789.875	6.256.667
2. Provisions for tax liabilities	081		
3. Other provisions	082	12.836.794	12.828.794
C) NON-CURRENT LIABILITIES (084 do 092)	083	40.530.647	183.947.063
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	40.530.647	183.947.063
4. Liabilities for advances	087		
5. Trade payables	088		
6. Commitments on securities	089		
7. Liabilities to companies with participating interest	090		
8. Other non-current liabilities	091		
9. Deferred tax liabilities	092		
D) CURRENT LIABILITIES (094 do 105)	093	34.675.369	50.873.864
1. Liabilities to related parties	094		7.433
2. Liabilities for loans, deposits, etc.	095		
3. Liabilities to banks and other financial institutions	096	14.324.542	4.881.844
4. Liabilities for advances	097	2.100.851	5.590.485
5. Trade payables	098	8.357.640	16.073.741
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	4.942.519	16.761.692
9. Taxes, contributions and similar liabilities	102	2.441.096	5.673.462
10. Liabilities arising from share in the result	103		
11. Liabilities arising from non-current assets held for sale	104		
12. Other current liabilities	105	2.508.721	1.885.207
E) ACCRUED EXPENSES AND DEFERRED INCOME	106	1.558.981	2.578.130
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	107	998.934.597	1.197.710.431
G) OFF BALANCE SHEET ITEMS	108	4.452.613	4.452.613
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109		
2. Attributable to minority interest	110		

Income statement

period 01.01.2013. to 30.09.2013.

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
I. OPERATING INCOME (112 do 113)	111	186.902.849	113.766.361	233.919.160	122.303.951
1. Rendering of services	112	181.652.624	112.651.595	199.919.316	120.437.077
2. Other operating income	113	5.250.225	1.114.766	33.999.844	1.866.874
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	114	152.835.289	64.736.891	194.051.013	71.173.367
1. Change in inventories of work in progress	115				
2. Material expenses (117 do 119)	116	52.177.347	26.517.966	51.468.792	24.342.343
a) Costs of raw materials	117	19.341.428	11.315.714	21.045.473	11.295.801
b) Cost of goods sold	118	223.897	126.023	255.937	126.825
c) Other material expenses	119	32.612.022	15.076.229	30.167.382	12.919.717
3. Employee benefits expenses (121 do 123)	120	55.857.165	21.451.575	56.849.574	23.081.428
a) Net salaries	121	33.583.688	13.158.781	33.150.974	10.961.413
b) Tax and contributions from salary expenses	122	14.718.925	5.481.605	16.402.051	9.228.689
c) Contributions on salary	123	7.554.552	2.811.189	7.296.549	2.891.326
4. Depreciation and amortisation	124	25.398.057	5.857.627	44.429.829	15.067.742
5. Other expenses	125	19.362.731	11.109.723	28.587.321	11.404.366
6. Write down of assets (127+128)	126	39.989	0	417.554	0
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128	39.989		417.554	0
7. Provisions	129			12.297.943	-2.722.512
8. Other operating costs	130				
III. FINANCIAL INCOME (132 do 136)	131	1.412.049	653.235	2.602.674	1.081.385
1. Interest, foreign exchange differences, dividends and similar income from related parties	132			56.252	56.252
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	1.412.049	653.235	2.546.422	1.025.133
3. Income from investments in associates and joint ventures	134				
4. Unrealised gains (income) from financial assets	135				
5. Other financial income	136				
IV. FINANCIAL EXPENSES (138 do 141)	137	2.379.566	1.632.459	3.787.840	2.501.470
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	2.379.566	1.632.459	3.787.840	2.501.470
3. Unrealised losses (expenses) from financial assets	140				
4. Other financial expenses	141				
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	142				
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	143				
VII. EXTRAORDINARY - OTHER INCOME	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL INCOME (111+131+144)	146	188.314.898	114.419.596	236.521.834	123.385.336
X. TOTAL EXPENSES (114+137+143+145)	147	155.214.855	66.369.350	197.838.853	73.674.837
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	148	33.100.043	48.050.246	38.682.981	49.710.499
1. Profit before taxes (146-147)	149	33.100.043	48.050.246	38.682.981	49.710.499
2. Loss before taxes (147-146)	150	0	0	0	0
XII. TAXATION	151				
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	33.100.043	48.050.246	38.682.981	49.710.499
1. Profit for the period (149-151)	153	33.100.043	48.050.246	38.682.981	49.710.499
2. Loss for the period (151-148)	154	0	0	0	0
ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	155				
2. Attributable to minority interest	156				
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	157	33.100.043	48.050.246	38.682.981	49.710.499
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 TO 165)	158	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				
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166				
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158 TO 166)	167	0	0	0	0
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	33.100.043	48.050.246	38.682.981	49.710.499
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	169				
2. Attributable to minority interest	170				

Cash flow statement - indirect method
period 01.01.2013. to 30.09.2013.

Company: LIBURNIA RIVIERA HOTELI d.d.			
Position	AOP	Previous period	Current period
1	2	3	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	001	33.100.043	38.682.981
2. Depreciation and amortisation	002	25.398.025	44.409.829
3. Increase of current liabilities	003	10.637.052	6.016.101
4. Decrease of current receivables	004		
5. Decrease of inventories	005		
6. Other cash flow increases	006		
I. Total increase of cash flow from operating activities	007	69.135.120	89.108.911
1. Decrease of current liabilities	008		
2. Increase of current receivables	009	14.904.357	14.600.725
3. Increase of inventories	010	651.628	1.413.831
4. Other cash flow decreases	011	2.141.261	3.690.130
II. Total decrease of cash flow from operating activities	012	17.697.246	19.704.686
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES	013	51.437.874	69.404.225
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Proceeds from sale of non-current assets	015	39.589	35.290.862
2. Proceeds from sale of non-current financial assets	016		
3. Interest received	017	1.261.447	2.052.618
4. Dividend received	018		
5. Other proceeds from investing activities	019		
III. Total cash inflows from investing activities	020	1.301.036	37.343.480
1. Purchase of non-current assets	021	23.767.377	46.981.188
2. Purchase of non-current financial assets	022		
3. Other cash outflows from investing activities	023		
IV. Total cash outflows from investing activities	024	23.767.377	46.981.188
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES	026	22.466.341	9.637.708
CASH FLOW FROM FINANCING ACTIVITIES			
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		
V. Total cash inflows from financing activities	030	0	0
1. Repayment of loans and bonds	031	15.074.333	18.916.057
2. Dividends paid	032		
3. Repayment of finance lease	033		
4. Purchase of treasury shares	034		
5. Other cash outflows from financing activities	035		
VI. Total cash outflows from financing activities	036	15.074.333	18.916.057
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	038	15.074.333	18.916.057
Total increases of cash flows	039	13.897.200	40.850.460
Total decreases of cash flows	040	0	0
Cash and cash equivalents at the beginning of period	041	57.124.411	62.621.332
Increase of cash and cash equivalents	042	13.897.232	40.850.460
Decrease of cash and cash equivalents	043		
Cash and cash equivalents at the end of period	044	71.021.643	103.471.792

STATEMENT OF CHANGES IN EQUITY

period **1.1.2013** to **30.9.2013**

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	33.100.043	38.682.981
6. Revaluation of tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of available for sale assets	008		
9. Other revaluation	009		
10. Total equity and reserves (AOP 001 to 009)	010	918.989.406	941.225.913
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		
17. Total increase or decrease of equity (AOP 011 to 016)	017	0	0
17 a. Attributable to majority owners	018	0	0
17 b. Attributable to minority interest	019		

Analysis of operating results for the period January-September 2013

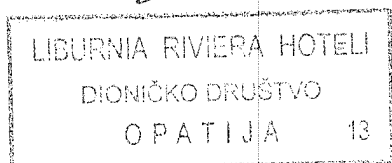
By analysing the operating results for the period January-September 2013, it can be concluded that the Company is achieving its primary objectives of effective and simultaneous implementation of the restructuring and development process. A comparison with the year 2012 using USALI shows that operating income increased (10% or c. 17.6 million kn) as well as GOP (by c. 23.2% or c. 14.9 million kn). In the observed period, the increase in the financial result (net profit + amortisation) amounted to c. 42% (24.7 million kn). The increase in the financial result was in large part realised as a consequence of the improved results from the Company's core business, but also partly from its extraordinary activities. The result of extraordinary activities (net extraordinary income from the sale of the Villa Magnolia – extraordinary expenses, reserves for severance payments, write-offs with the aim of 'cleaning the balance sheet' and similar, as well as non-budgeted expenses connected to the purchase of Hoteli Cavtat d.d.) as at 30 September amounted to a net value of c. 5.2 million kn and will be almost completely annulled by the end of the year. Reserves for severance payments to the amount of 15 million kn have been realised. If the previously defined result of extraordinary activities was annulled for the period 01/01-30/09/2013, the financial result would grow at a rate of c. 33% compared to the same period for the previous year.

As a consequence of the purchase of Hoteli Cavtat d.d., long-term loans on the balance sheet have increased, which has led to an increase in the long-term loan/financial result indicator ratio. However, the financial result of the Company should now be viewed in a wider context, that is, as a consolidated operating result together with the Hoteli Cavtat d.d. company, or the consolidated result of the Liburnia Riviera Hoteli d.d. & Hoteli Cavtat d.d. business system. The consolidated result of the business system relativises the increase in long-term loans and (with the annulled long-term indebtedness of Hoteli Cavtat d.d.) keeps the business system in an area of relatively low indebtedness in relation to the financial result. Likewise, the current and accelerated liquidity and debt to equity and assets ratios remain strong.

The processes of restructuring the Liburnia Riviera Hoteli d.d. company are still ongoing. Together with development processes (which continue through investments for the year 2014 to the amount of c. 200 million kn, including VAT), they significantly determine the planned increase in operating income, GOP and the financial result in 2014 and beyond. The processes of restructuring in the Hoteli Cavtat d.d. company start on 15/10/2013, when the business will be taken over from the Iberostar management company. Investments and development processes in Hoteli Cavtat d.d. depend on the resolving of property and town planning conditions as well as acceptable investment studies.

By managing the business system in terms of $IRR > WACC$, $NPV > 0$ (when WACC is used as a discount factor to calculate NVP) for investments, permanently reducing and controlling risks, further increasing operating income, GOP and the financial result of the business system, and moderately using financial leverage, the comprehensive and permanent objective of this management is to maximise the value of the equity capital of the Company.

Chairman of the Management Board
Dr. Sc. Igor Šehanović



Opatija, 19/10/2013

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 September 2013.

Chairman of the Management Bord

Dr.Sc.Igor Šehanović

