

Annex 1.

Reporting period

1.1.2016

to

30.6.2016

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: remisens@remisens.com

Internet address: www.remisens.com

Municipality/city code and name: 302

County code and name: 8 PRIMORSKO GORANSKA ŽUPANIJA

Number of employees: 730

(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)

Telephone: 051 710-395

Telefaks: 051 710-404

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

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

LIBURNIA RIVIERA HOTELI
DIONIČKO DRUŠTVO
OPATIJA L.S.13



(signature of the person authorized to represent the company)

Balance Sheet
as of 30.06.2016.

Company: LIBURNIA RIVIERA HOTELI d.d.

| Position | AOP | Previous period 31.12.2015. | 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 | 857.918.857 | 874.037.244 |
| I. INTANGIBLE ASSETS (004 do 009) | 003 | 1.382.928 | 1.058.316 |
| 1. Expenditure for development | 004 | 592.534 | 442.607 |
| 2. Concessions, patents, licenses, trademarks, service marks, software and other rights | 005 | 790.394 | 615.709 |
| 3. Goodwill | 006 | | |
| 4. Advances for purchase of intangible assets | 007 | | |
| 5. Intangible assets in progress | 008 | | |
| 6. Other intangible assets | 009 | | |
| II. PROPERTY, PLANT AND EQUIPMENT (011 do 019) | 010 | 852.372.980 | 868.844.829 |
| 1. Land | 011 | 110.840.589 | 108.949.320 |
| 2. Buildings | 012 | 643.696.252 | 614.425.261 |
| 3. Plant and equipment | 013 | 13.688.733 | 12.852.627 |
| 4. Tools, working inventory and transportation assets | 014 | 71.219.529 | 88.350.684 |
| 5. Biological assets | 015 | | |
| 6. Advances for purchase of tangible assets | 016 | 481.961 | 767.086 |
| 7. Tangible assets in progress | 017 | 8.887.349 | 39.941.284 |
| 8. Other tangible assets | 018 | 3.558.567 | 3.558.567 |
| 9. Investment in real-estate | 019 | | |
| III. NON-CURRENT FINANCIAL ASSETS (021 do 028) | 020 | 528.860 | 500.000 |
| 1. Share in related parties | 021 | 500.000 | 500.000 |
| 2. Loans to related parties | 022 | | |
| 3. Participating interests (shares) | 023 | | |
| 4. Loans to companies with participating interest | 024 | | |
| 5. Investments in securities | 025 | 28.860 | |
| 6. Loans, deposits, etc. | 026 | | |
| 7. Other non-current financial assets | 027 | | |
| 8. Equity-accounted investments | 028 | | |
| IV. RECEIVABLES (030 do 032) | 029 | 0 | 0 |
| 1. Receivables from related parties | 030 | | |
| 2. Receivables arising from sales on credit | 031 | | |
| 3. Other receivables | 032 | | |
| V. DEFERRED TAX ASSET | 033 | 3.634.099 | 3.634.099 |
| C) CURRENT ASSETS (035+043+050+058) | 034 | 95.717.792 | 75.314.910 |
| I. INVENTORIES (036 do 042) | 035 | 2.492.615 | 3.590.386 |
| 1. Raw materials and supplies | 036 | 1.902.931 | 3.089.587 |
| 2. Production in progress | 037 | | |
| 3. Finished products | 038 | | |
| 4. Merchandise | 039 | 222.533 | 145.703 |
| 5. Advances for inventories | 040 | 367.151 | 355.096 |
| 6. Long term assets held for sale | 041 | | |
| 7. Biological assets | 042 | | |
| II. RECEIVABLES (044 do 049) | 043 | 10.694.385 | 22.802.262 |
| 1. Receivables from related parties | 044 | | |
| 2. Receivables from end-customers | 045 | 8.021.696 | 16.678.540 |
| 3. Receivables from participating parties | 046 | | |
| 4. Receivables from employees and members of the company | 047 | 170.883 | 182.232 |
| 5. Receivables from government and other institutions | 048 | 2.501.806 | 5.941.490 |
| 6. Other receivables | 049 | | |
| III. CURRENT FINANCIAL ASSETS (051 do 057) | 050 | 15.800 | 6.001.842 |
| 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 | | 5.986.042 |
| 7. Other financial assets | 057 | 15.800 | 15.800 |
| IV. CASH AND CASH EQUIVALENTS | 058 | 82.514.992 | 42.920.420 |
| D) PREPAYMENTS AND ACCRUED INCOME | 059 | 286.448 | 660.770 |
| E) TOTAL ASSETS (001+002+034+059) | 060 | 953.923.107 | 950.012.924 |
| 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 | 742.685.616 | 726.037.390 |
| I. SUBSCRIBED SHARE CAPITAL | 063 | 696.074.300 | 696.074.300 |
| II. CAPITAL RESERVES | 064 | | |
| III. RESERVES FROM PROFIT (066+067-068+069+070) | 065 | 46.529.648 | 46.529.648 |
| 1. Legal reserves | 066 | 45.018.765 | 45.018.765 |
| 2. Reserve for own shares | 067 | | |
| 3. Treasury shares and shares (deductible items) | 068 | | |
| 4. Statutory reserves | 069 | | |
| 5. Other reserves | 070 | 1.510.883 | 1.510.883 |
| IV. REVALUATION RESERVES | 071 | | |
| V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074) | 072 | 0 | 81.668 |
| 1. Retained earnings | 073 | | 81.668 |
| 2. Loss carried forward | 074 | | |
| VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077) | 075 | 81.668 | -16.648.226 |
| 1. Net profit for the period | 076 | 81.668 | |
| 2. Net loss for the period | 077 | | 16.648.226 |
| VII. MINORITY INTEREST | 078 | | |
| B) PROVISIONS (080 do 082) | 079 | 19.429.553 | 19.429.553 |
| 1. Provisions for pensions, severance pay and similar liabilities | 080 | 2.563.749 | 2.563.749 |
| 2. Provisions for tax liabilities | 081 | | |
| 3. Other provisions | 082 | 16.865.804 | 16.865.804 |
| C) NON-CURRENT LIABILITIES (084 do 092) | 083 | 124.161.675 | 124.161.675 |
| 1. Liabilities to related parties | 084 | | |
| 2. Liabilities for loans, deposits, etc. | 085 | | |
| 3. Liabilities to banks and other financial institutions | 086 | 124.161.675 | 124.161.675 |
| 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 | 66.671.375 | 78.174.121 |
| 1. Liabilities to related parties | 094 | | |
| 2. Liabilities for loans, deposits, etc. | 095 | | |
| 3. Liabilities to banks and other financial institutions | 096 | 44.128.276 | 36.604.905 |
| 4. Liabilities for advances | 097 | 5.598.394 | 14.325.031 |
| 5. Trade payables | 098 | 6.845.012 | 15.500.051 |
| 6. Commitments on securities | 099 | | |
| 7. Liabilities to companies with participating interest | 100 | | |
| 8. Liabilities to employees | 101 | 5.216.783 | 4.176.387 |
| 9. Taxes, contributions and similar liabilities | 102 | 2.151.484 | 5.597.069 |
| 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 | 2.731.426 | 1.970.678 |
| E) ACCRUED EXPENSES AND DEFERRED INCOME | 106 | 974.888 | 2.210.185 |
| F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106) | 107 | 953.923.107 | 950.012.924 |
| 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 | 0 | 0 |
| 2. Attributable to minority interest | 110 | | |

Income statement

period 01.01.2016. to 30.06.2016.

Company: LIBURNIA RIVIERA HOTELI d.d.

| Position | AOP | Previous period | | Current period | |
|---|------------|--------------------|-------------------|--------------------|-------------------|
| | | Cummulative | Quarter | Cummulative | Quarter |
| 1 | 2 | 3 | 4 | 5 | 6 |
| I. OPERATING INCOME (112 do 113) | 111 | 94.094.097 | 76.622.795 | 103.042.744 | 64.651.390 |
| 1. Rendering of services | 112 | 60.114.029 | 73.681.815 | 89.340.947 | 72.083.810 |
| 2. Other operating income | 113 | 3.980.068 | 2.940.980 | 13.701.797 | 12.767.580 |
| II. OPERATING COSTS (115+116+120+124+125+126+129+130) | 114 | 101.203.258 | 61.037.518 | 116.456.947 | 69.599.393 |
| 1. Change in inventories of work in progress | 115 | | | | |
| 2. Material expenses (117 do 119) | 116 | 27.818.112 | 19.618.333 | 26.687.945 | 18.934.937 |
| a) Costs of raw materials | 117 | 10.309.278 | 8.162.237 | 10.304.359 | 8.012.650 |
| b) Cost of goods sold | 118 | 110.008 | 83.639 | 152.339 | 108.570 |
| c) Other material expenses | 119 | 17.398.828 | 11.372.457 | 16.231.247 | 10.813.717 |
| 3. Employee benefits expenses (121 do 123) | 120 | 28.885.879 | 17.880.616 | 29.411.918 | 17.917.736 |
| a) Net salaries | 121 | 17.424.552 | 10.931.004 | 17.770.929 | 10.894.450 |
| b) Tax and contributions from salary expenses | 122 | 7.117.073 | 4.324.878 | 7.152.672 | 4.205.610 |
| c) Contributions on salary | 123 | 4.344.256 | 2.624.644 | 4.488.317 | 2.817.676 |
| 4. Depreciation and amortisation | 124 | 32.436.300 | 16.242.924 | 47.813.230 | 24.117.263 |
| 5. Other expenses | 125 | 11.997.254 | 7.240.940 | 12.440.038 | 8.609.475 |
| 6. Write down of assets (127+128) | 126 | 65.714 | 54.705 | 103.816 | 19.982 |
| a) non-current assets (except financial assets) | 127 | | | | |
| b) current assets (except financial assets) | 128 | 65.714 | 54.705 | 103.816 | 19.982 |
| 7. Provisions | 129 | | | | |
| 8. Other operating costs | 130 | | | | |
| III. FINANCIAL INCOME (132 do 136) | 131 | 792.911 | 362.805 | 525.529 | 234.962 |
| 1. Interest, foreign exchange differences, dividends and similar income from related parties | 132 | 94.174 | 2.686 | | |
| 2. Interest, foreign exchange differences, dividends and similar income from third parties | 133 | 698.737 | 360.119 | 525.529 | 234.962 |
| 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 | 4.512.158 | 2.210.377 | 3.759.552 | 1.831.519 |
| 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 | 4.512.158 | 2.210.377 | 3.759.552 | 1.831.519 |
| 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 | 94.887.008 | 76.985.600 | 103.568.273 | 85.086.352 |
| X. TOTAL EXPENSES (114+137+143+145) | 147 | 105.715.417 | 63.247.895 | 120.216.499 | 71.430.912 |
| XI. PROFIT OR LOSS BEFORE TAXES (146-147) | 148 | -10.828.409 | 13.737.705 | -16.648.226 | 13.655.440 |
| 1. Profit before taxes (146-147) | 149 | 0 | 13.737.705 | 0 | 13.655.440 |
| 2. Loss before taxes (147-146) | 150 | 10.828.409 | 0 | 16.648.226 | 0 |
| XII. TAXATION | 151 | | | | |
| XII. PROFIT OR LOSS FOR THE PERIOD (148-151) | 152 | -10.828.409 | 13.737.705 | -16.648.226 | 13.655.440 |
| 1. Profit for the period (149-151) | 153 | 0 | 13.737.705 | 0 | 13.655.440 |
| 2. Loss for the period (151-148) | 154 | 10.828.409 | 0 | 16.648.226 | 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 | -10.828.409 | 13.737.705 | -16.648.226 | 13.655.440 |
| 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 | -10.828.409 | 13.737.705 | -16.648.226 | 13.655.440 |
| 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 01.01.2016. to 30.06.2016.

| 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 | -10.828.409 | -16.648.226 |
| 2. Depreciation and amortisation | 002 | 32.436.905 | 47.813.230 |
| 3. Increase of current liabilities | 003 | 17.184.737 | 11.952.492 |
| 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 | 38.793.233 | 43.117.496 |
| 1. Decrease of current liabilities | 008 | | |
| 2. Increase of current receivables | 009 | 7.850.494 | 8.656.844 |
| 3. Increase of inventories | 010 | 1.423.006 | 1.097.771 |
| 4. Other cash flow decreases | 011 | 6.196.911 | 6.239.239 |
| II. Total decrease of cash flow from operating activities | 012 | 15.470.411 | 15.993.854 |
| A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES | 013 | 23.322.822 | 27.123.642 |
| 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 | 14.557 | 11.724.231 |
| 2. Proceeds from sale of non-current financial assets | 016 | | |
| 3. Interest received | 017 | 675.416 | 415.749 |
| 4. Dividend received | 018 | | |
| 5. Other proceeds from investing activities | 019 | | |
| III. Total cash inflows from investing activities | 020 | 689.973 | 12.139.980 |
| 1. Purchase of non-current assets | 021 | 38.345.895 | 65.773.522 |
| 2. Purchase of non-current financial assets | 022 | | |
| 3. Other cash outflows from investing activities | 023 | | |
| IV. Total cash outflows from investing activities | 024 | 38.345.895 | 65.773.522 |
| B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES | 025 | 0 | 0 |
| B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES | 026 | 37.655.922 | 53.633.542 |
| 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 | 15.662.617 | 7.098.513 |
| 2. Dividends paid | 032 | | |
| 3. Repayment of finance lease | 033 | | |
| 4. Purchase of treasury shares | 034 | | |
| 5. Other cash outflows from financing activities | 035 | | 5.986.159 |
| VI. Total cash outflows from financing activities | 036 | 15.662.617 | 13.084.672 |
| C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES | 037 | 0 | 0 |
| C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES | 038 | 15.662.617 | 13.084.672 |
| Total increases of cash flows | 039 | 0 | 0 |
| Total decreases of cash flows | 040 | 29.995.717 | 39.594.572 |
| Cash and cash equivalents at the beginning of period | 041 | 84.158.207 | 82.514.992 |
| Increase of cash and cash equivalents | 042 | 0 | 0 |
| Decrease of cash and cash equivalents | 043 | 29.995.717 | 39.594.572 |
| Cash and cash equivalents at the end of period | 044 | 54.162.490 | 42.920.420 |

STATEMENT OF CHANGES IN EQUITY

period 1.1.2016 to 30.6.2016

| Position | AOP | Previous year | Current year |
|--|------------|--------------------|--------------------|
| 1 | 2 | 3 | 4 |
| 1. Subscribed share capital | 001 | 865.553.260 | 696.074.300 |
| 2. Capital reserves | 002 | | |
| 3. Reserves from profit | 003 | 45.216.111 | 46.529.648 |
| 4. Retained earnings or loss carried forward | 004 | 34.822.043 | 81.668 |
| 5. Net profit or loss for the period | 005 | -10.828.409 | -16.648.226 |
| 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 | 934.763.005 | 726.037.390 |
| 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 | | |

Management Board Report on the state of Liburnia Riviera Hoteli d.d. for the period January-June 2016

The operating results of Liburnia Riviera Hoteli d.d. for the period January-June 2016 show that in the mentioned period, the Company had c. 6% less overnight stays compared to the same period in 2015. Its operating income decreased by c. 0.7%, and GOP (gross operating profit) was reduced by c. 1% compared to the same period last year. Until 28/04/2016, the Hotel Palace-Bellevue was closed due to reconstruction.

In the period January-June 2016, the Company's net extraordinary income was c. 12.4 million kn. In the same period last year, net extraordinary income was c. 2.9 million kn. In May 2016 a plot of land was sold in Lovran. The sale price of the land is 13.5 million kn and the book value of the land is 1.9 million kn.

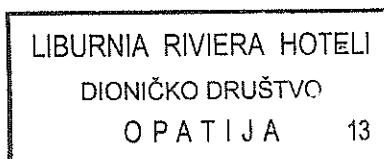
In the observed period, financial result – EBITDA – was 34.7 million kn. In the same period last year, financial result was 26.0 million kn.

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

Chairman of the Management Board

Dr. Sc. Igor Šehanović

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Opatija, 18/07/2016

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 2016.

Ph.D. Igor Šehanović,
Chairman of the Management Board

