

# VALAMAR RIVIERA

BUSINESS RESULTS  
1/1/2015 - 30/6/2015

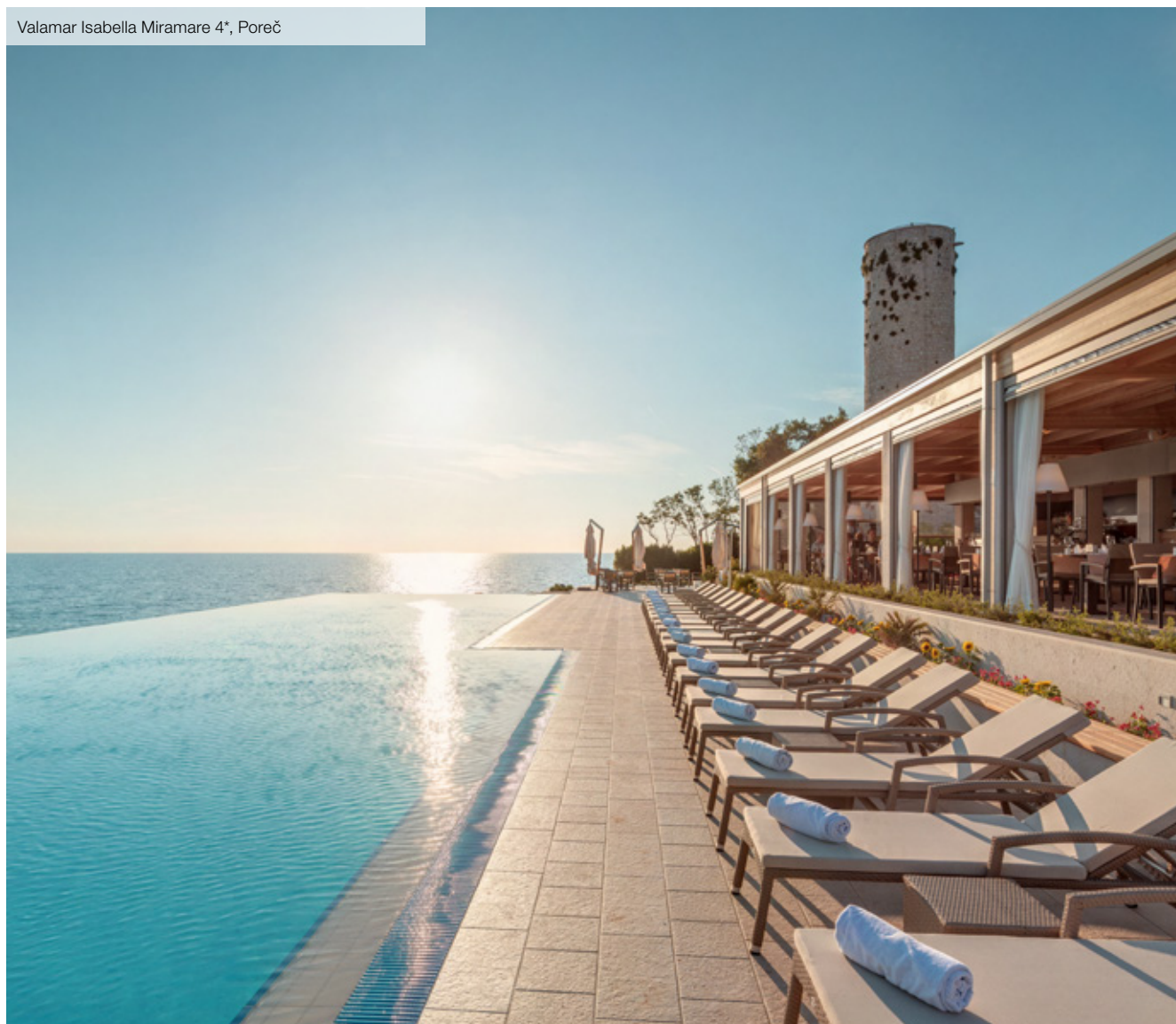












## QUARTERLY (INTERIM) REPORT OF THE GROUP AND THE COMPANY VALAMAR RIVIERA D.D.

for the period from 1 January 2015 to 30 June 2015

Valamar Isabella Miramare 4\*, Poreč



## EXECUTIVE SUMMARY

-  In the first six months of 2015 Group Valamar Riviera realized total revenues of 372 million HRK, which is a 16% increase compared to the same period last year, while sales revenue grew 10% to 343 million HRK. Over the same period earnings (EBITDA) increased by 36 million HRK from minus 6 to plus 30 as a result of increased revenue and operational efficiency.
-  An increase in the number of overnights (+5.2%) and accommodation units sold (+6.6%), supported by a +3.6% increase of the comparable average daily rate have resulted in a HRK 20.5 million increase in board revenues. The increase in the number of overnights and arrivals follows the growth achieved at destinations level, while the growth in revenues and average daily rates is a result of continuous investments in building the competitive strength of our portfolio tourism products.
-  The highest growth in board revenues is recorded by newly invested facilities (Valamar Isabella Island Resort, Valamar Dubrovnik President, Valamar Argosy, Hotel & Casa Valamar Sanfior, Valamar Zagreb and campsites), which in the first half of 2015 achieved better results, thus confirming investments in quality improvement to be one of the key pillars of successful hospitality operations.
-  Despite an increase in operating volume and the wider consolidation scope, operating expenses are down 2.7% (HRK 8.5 million), building on a positive cost efficiency trend after the last year's consolidation of management and organisational and shareholding structure and restructuring of the Group.
-  In the first six months, Valamar Riviera generated HRK 17 million financial income and HRK 41.2 million financial costs. Financial results are impacted by the changed dynamics in quarterly recording of unrealised foreign exchange differences and foreign exchange rate losses on existing loan portfolio, which record a HRK 25.7 million increase (resulting mainly from the appreciation of the Swiss franc exchange rate).
-  A HRK 465.6 million increase in net debt as at 30 June 2015 compared to 31 December 2014 results from (i) the withdrawal of 2014/2015 investment credit lines; (ii) characteristic outflows associated with the preparation of the tourist season; (iii) newly acquired Baška companies (purchase of interests and takeover of credit liabilities); and (iv) foreign exchange rate differences on existing loan portfolio.
-  Valamar Riviera successfully finalised its first major acquisition in the Adriatic in purchasing the stock control package of Hoteli Baška d.d. for a cash consideration of HRK 179 million, thus confirming its future strategy to grow by pursuing expansion in the Adriatic and the region. Following this acquisition, Valamar Riviera has become the largest tourism company and group in Croatia in terms of its capacities, which include twenty-four hotels, nine apartment resorts, two hostels and twelve campsites accommodating more than 48,000 thousand guests a day.
-  During the first six months of 2015 we completed a 330 million HRK investment cycle in the existing portfolio which is already contributing to the company's performance. Our biggest investment this year of 250 million HRK in Valamar Isabella Island Resort 4\* is enjoying excellent bookings this tourist season.

## 2015 OUTLOOK

-  The Management Board expresses its satisfaction with the development so far and the performance achieved in the first six months of 2015.
-  In the upcoming period we aim to continue investing in increasing the quality of our current portfolio as well as developing tourism of experiences and our destinations. Also, we will continue to improve operational efficiency. Resolving touristic land regulation, as well as decreasing the VAT rate in line with other Mediterranean countries may further accelerate investment, growth and business development.
-  After the successful realization of the acquisition of Baška on Krk, we will continue to actively pursue expansion, partnership and acquisition opportunities in Croatia and the region.

## TABLE OF CONTENTS

Significant business events	5
Results of the Group	7
Results of the Company	13
Investments	14
The risks of the Company and the Group	16
Related-party transactions	19
Branch offices of the Company	19
Sustainable development	20
Social responsibility	22
Responsibility to employees	24
Significant events	25
Shares	26
Other information	27
Responsibility for the quarterly financial statements	29
Quarterly financial statements	30



## SIGNIFICANT BUSINESS EVENTS

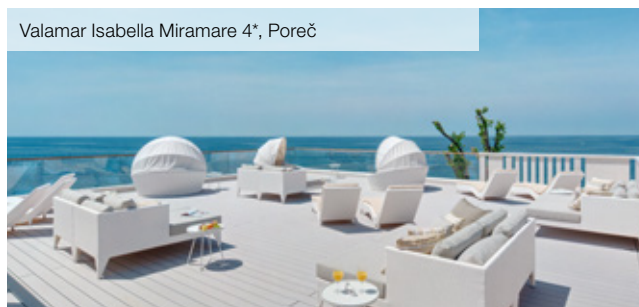
Valamar Riviera is the leading tourism company and one of the leading tourism groups, as well as a major investor in the sector, its investments reaching almost HRK 2.6 billion in the last 12 years, including an investment of HRK 179 million in interests of companies in destination Baška. The Valamar Riviera Group operates at four attractive destinations, covering the area from Istria and Kvarner to Dubrovnik, and manages around 10 percent of the categorised tourist accommodation. It is the owner of the Valamar Hotels & Resorts and Camping Adriatic brands and a hospitality facilities portfolio encompassing, together with the new acquisition, twenty-four hotels, nine apartment resorts, two hostels and twelve campsites, accommodating more than 48,000 guests a day, which makes it one of the biggest tourism groups in Croatia in terms of its capacities.

Varamar Riviera promotes the interest of its stakeholders (several local communities in which it operates, almost 22,000 shareholders, more than 3,500 employees in the Group and a number of partners) in applying the concept of sustainable growth and development, building on the principles of socially responsible business operations. Increase in operating efficiency, which is to be achieved through further investments in the portfolio, acquisitions and partnerships, including the development of the destinations we operate in and Valamar's employees, will be the basis of further growth and development.



On 27 February 2015, the Commercial Court in Rijeka, Permanent Office Pazin, registered the merger of the Valamar hoteli i ljetovališta d.o.o. company, Zagreb, with the Valamar Riviera d.d. company. The transaction concerned represents a continuation of the process of consolidation and statutory and legal mergers of the companies within the Valamar Group. The process was initiated back in 2011 with the merger of Zlatni otok d.d. and Rabac d.d. tourism companies with Riviera Adria d.d., and continued in 2013 with the merger of the Dubrovnik-Babin kuk d.d. company with Riviera Adria d.d., its parent company, and in 2014 with the merger of Valamar Adria holding d.d., Valamar grupa d.d. and Linteum savjetovanje d.o.o. with the Valamar Riviera d.d. company, resulting in the establishment of the leading tourism company in Croatia. By consolidating the hospitality property portfolio, management and shareholding structure in one strategic company (the core of tourism activities), interests of all shareholders have been harmonised, allowing for a more transparent corporate governance and streamlined operations, including additional strengthening of the balance sheet assets.

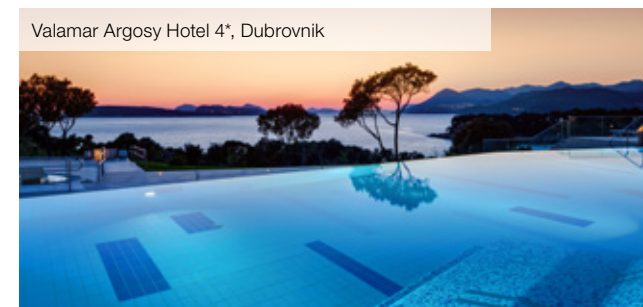
On 10 June 2015, the Company concluded Contracts for the sale of interests, as well as Contracts for the transfer of interests, pursuant to which the Company purchased and acquired 100% interest in three limited liability companies: Baškaturist d.o.o., Mirta Baščanska d.o.o. and Vala Baščanska d.o.o., which together hold in total 83.82% shares in the Hoteli Baška d.d. company, with the registered office in Baška, Emila Geistlich 39. The Company also concluded contracts for the sale and transfer of shares with the shareholders of Hoteli Baška d.d., acquiring additional shares making in total 1.40% of the equity capital of Hoteli Baška d.d. The transaction concerned was finalised on 18 June 2015 in the pay-out of interest holders, i.e. shareholders, resulting in the Company's acquisition of 85.22% shares of Hoteli Baška d.d. After 18 June 2015, the Company acquired additional 0.3% of shares, so that as of 30 July 2015 it has 95.83% voting rights in the Hoteli Baška d.d. company. In the context of the Company's acquisition-



driven growth strategy, the Company made its first major acquisition in the Adriatic, thus confirming its intention to grow by pursuing expansion in the Adriatic and the region. In Hoteli Baška d.d. the Company has recognised a clear potential to apply its experience gained at other Valamar's destinations, where continued investments in employees, products, services and experience have created a new value for Company's shareholders. Moreover, this acquisition provides an opportunity to create an additional value from the synergy of two companies for both the employees of Baška and the local community. In the forthcoming period, the key activities will be planning and elaboration of future investments in Baška, as well as development of the whole Krk destination, where, with this acquisition, the Company has taken over the leading position, becoming the key player on the island of Krk.

The Company's Management Board hereby presents the quarterly financial statements for the second quarter of 2015 (1 April 2015 – 30 June 2015) and for the first half of the year (1 January 2015 – 30 June 2015), noting that the presented statements should be viewed in the context of the above mentioned changes resulting from mergers and that they provide information on the status of the Company and the Group, as well as on significant events.

The Company's income statement for the period under consideration comprises the data for the merged company



Valamar hoteli i ljetovališta d.o.o. for the period following the merger. Please note that the data for the current year are not fully comparable to the data for the previous period, as the latter do not comprise the data for the following merged companies: Valamar Adria holding d.d., Valamar grupa d.d., Linteum savjetovanje d.o.o. and Valamar hoteli i ljetovališta d.o.o.

The Group's income statement for the period under consideration comprises the data for the companies: Valamar hoteli i ljetovališta d.o.o., Puntizela d.o.o., Bastion upravljanje d.o.o., Citatis d.o.o., Elafiti babin kuk d.o.o., Magične stijene d.o.o., Palme turizam d.o.o., Bugenvilia d.o.o. and Pogača Babin kuk d.o.o. Please note that the data for the newly acquired interests in three limited liability companies Baškaturist d.o.o., Mirta Baščanska d.o.o. and Vala Baščanska d.o.o., which together hold in total 83.82% shares in the Hoteli Baška d.d. company, are not included in the income statement for the period under consideration, but shall be included as of 1 July 2015. Furthermore, the data for the current year are not fully comparable to the data for the previous period, as the latter do not comprise the data for the following companies: Valamar Adria holding d.d., Valamar grupa d.d., Linteum savjetovanje d.o.o., Valamar hoteli i ljetovališta d.o.o., Puntizela d.o.o., Bastion upravljanje d.o.o. and Citatis d.o.o. Therefore, all significant changes in the financial statements should be considered the result of the mergers and changes in the organisational and legal structure of the Group.

## RESULTS OF THE GROUP

### Key financial indicators for Valamar Riviera Group<sup>1</sup>

<b>(in HRK)</b>	<b>1 – 6/2015</b>	<b>1 – 6/2014</b>	<b>2015/2014</b>
Total revenues	372,378,656	320,773,414	16.1%
Sales revenues <sup>2</sup>	342,821,905	311,862,206	9.9%
Board revenues <sup>3</sup>	272,296,533	251,772,443	8.2%
Operating expenses <sup>4</sup>	309,707,886	318,226,720	-2.7%
EBITDA	30,028,265	-6,427,862	/
Extraordinary operations result and one-off items <sup>5</sup>	3,373,891	2,765,409	22.0%
Adjusted EBITDA <sup>6</sup>	33,402,156	-3,662,453	/
EBIT	-85,004,968	-123,299,614	-31.1%
Adjusted EBIT <sup>6</sup>	-81,631,077	-120,534,205	-32.3%
EBT	-109,262,314	-132,027,591	-17.2%
EBT margin	-34.5%	-44.3%	980bp

	<b>30/6/2015</b>	<b>31/12/2014</b>	<b>2015/2014</b>
Net debt <sup>7</sup>	1,153,192,482	687,591,961	67.7%
Cash and cash equivalents	149,708,208	195,201,504	-23.3%

	<b>1 – 6/2015</b>	<b>1 – 6/2014</b>	<b>2015/2014</b>
Number of accommodation units	16,241 <sup>8</sup>	15,446	5.1%
Accommodation units sold	696,040	653,228	6.6%
Overnights	1,270,034	1,206,816	5.2%
ADR <sup>9</sup> (in HRK)	399 <sup>10</sup>	385	3.6%

<sup>1</sup> EBIT and EBITDA are recorded on the basis of operating income.

<sup>2</sup> Sales revenues includes board revenues, à la carte food and beverages revenues, shops revenues, sports and recreation revenues, other operating departments revenues and lease revenues.

<sup>3</sup> According to the classification under the USALI international standard for reporting in hotel industry (Uniform System of Accounts for the Lodging Industry).

<sup>4</sup> Operating expenses include material costs, staff costs, other expenditures and other operating expenses reduced by extraordinary expenses and one-off items.

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

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

<sup>7</sup> Net debt: non-current and current liabilities to banks and other financial institutions – cash at bank and cash in hand – long-term and short-term investments in securities – loans given, deposits, etc. Net debt as of 30/6/2015 was measured in relation to the amount of net debt at 31/12/2014.

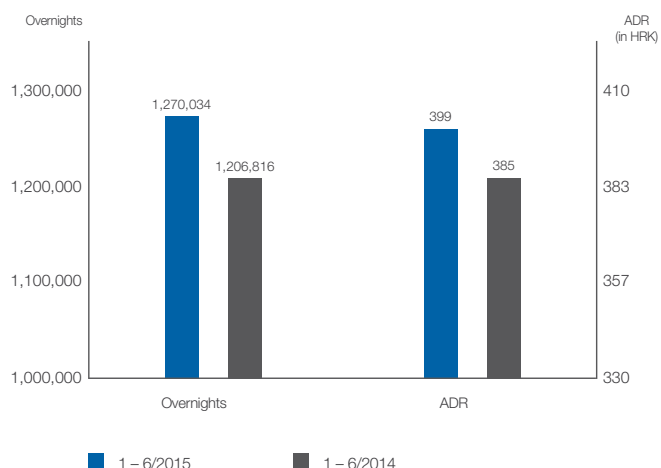
<sup>8</sup> 16,241 represent the number of accommodation units without the capacity of Hoteli Baška d.d.; including the capacity of Hoteli Baška d.d., the number of accommodation units amounts to 17,783.

<sup>9</sup> Average daily rate is recorded on the basis of cumulative board revenues (accommodation and board's food and beverage revenues).

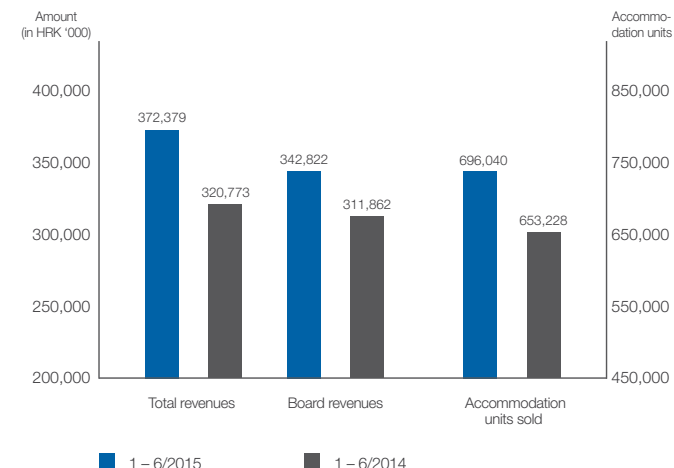
<sup>10</sup> ADR comparable to last year amounts to 399 kuna (it excludes destination Puntžela in 2015 for like to like comparison). By including destination Puntžela, ADR amounts to 391 kuna.



Overnights and ADR



Revenues and accommodation units sold



The result of continuous investments aimed at improving the competitive strength and increasing the quality of services and facilities, including price and marketing mix optimisation, was a 6.6% increase in the number of accommodation units sold, which, paired with the increased average daily rate (1.6%, i.e. 3.6% excluding for comparability purposes Puntizela's 2015 business operations), has resulted in an 8.2% growth in board revenues. Early Easter and an unfavourable spread of holiday dates were compensated with the carefully planned pre-season and early season business, supported by a multitude of interesting visit motives and experiences offered to guests. Changes in the marketing mix, i.e. growth in segments generating a higher average daily rate (individuals and M.I.C.E.<sup>11</sup>), as well as a good response to marketing and sales activities (particularly with regard to the first-minute offering) have resulted in stronger initial booking, allowing for the creation of a good base for future pricing policy management.

Despite an increase in operating volume and the wider consolidation scope, operating expenses have been successfully reduced by 2.7% to HRK 309.7 million, building on the positive effects of management consolidation, tourism portfolio and shareholding structure in terms of business efficiency and profitability. Compared to the previous period, there is a 9.9% increase in sales revenues to HRK 342.8 million (resulting mainly from the increased volume and average daily rate, as well as the better sale of à la carte food and beverages). 16.1% increase in total revenues to HRK 372.4 million is a result not only of sales revenue growth, but also of growth in revenues coming from one-off revenues from the reversal of provisions for termination benefits, foreign exchange gains, valuation of forward contracts and capitalisation of hours for the investment plan. In view of the Company's seasonal business operations in the first two quarters, EBITDA has increased by 36 million HRK from minus 6.4 to plus 30, while

the adjusted EBITDA from minus 3.6 to plus 33.4 as a result of increased profitability and operational efficiency.<sup>12</sup>

A good response to marketing and sales activities (particularly with regard to the first-minute offering), with the focus on the earlier mentioned changed marketing mix, has reflected in a 6.6% increase in the number of accommodation units sold, reaching 696,040, including the increase of the comparable average daily rate to HRK 399 (HRK 391 including destination Puntizela)<sup>10</sup>. Domestic sales revenues amount to HRK 37.5 million, accounting for 10% of total revenues (11% in 2014), and are 10% below the previous comparable period. Sales revenues generated on international markets are 10% higher and amount to HRK 305 million, accounting for 82% of total revenues (87% in 2014), while other operating and financial income accounts for 8% of total revenues.

<sup>11</sup> M.I.C.E. refers to meetings, incentives, conferencing, exhibitions.

<sup>12</sup> Adjustments have been made for: (i) the effect of extraordinary result (income to the amount of HRK 0.1 million in the first half of 2015, i.e. loss to the amount of HRK 1.6 million in the comparative period last year); (ii) the effect of one-off

revenues and expenses for termination benefits in the first half of 2015 (income from the reversal of provisions for termination benefits paid to the amount of HRK 6.3 million and termination benefit costs of HRK 9.4 million); (iii) the effect of one-off termination benefit costs and administrative expenses related to the merger and restruc-

turing process in the first half of 2014 (to the amount of HRK 1.1 million); and (iv) the effect of one-off acquisition costs of newly acquired companies in destination Baška in the first half of 2015 in the amount of HRK 0.4 million (HRK 0.1 million in the first half of 2014).



## Total operating expenses of Valamar Riviera Group

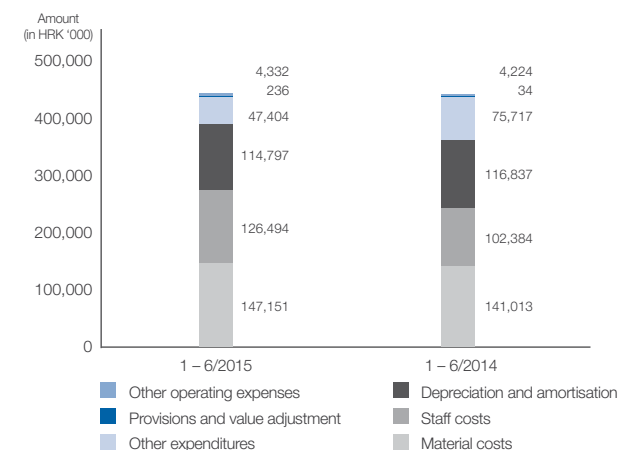
(in HRK)	1 – 6/2015	1 – 6/2014	2015/2014
Operating expenses <sup>13</sup>	309,707,886	318,226,720	-2.7%
<b>Total operating expenses</b>	<b>440,414,953</b>	<b>440,209,547</b>	<b>0.0%</b>
Material costs	147,151,247	141,012,831	4.4%
Staff costs	126,494,254	102,383,574	23.5%
Depreciation and amortisation	114,797,426	116,837,491	-1.7%
Other expenditures	47,403,991	75,717,159	-37.4%
Provisions and value adjustments	235,807	34,261	588.3%
Other operating expenses	4,332,228	4,224,230	2.6%

Compared to the same period last year, in the first half of 2015, total operating expenses are at the previous year's level, despite the wider consolidation scope and increased operating volume, resulting from the positive effects of management consolidation and restructuring at all levels of Group Valamar Riviera. Accounting for 33% (32% in 2014) of total operating expenses, material costs have increased by 4.4% to HRK 147 million as a result of higher raw materials and materials costs, the most significant being the increase of direct food and beverage costs (increased operating volume and higher à la carte spending) and the increase of water consumption. Staff costs amount to HRK 126.5 million, accounting for 29% of total operating expenses (23% in 2014). A 24% increase in staff costs in 2015 comes primarily from the takeover of employees from all merged companies and in a lesser extent from the increase of the salary contributions rate (health insurance) from 13% to 15% and salary increase (more details in the section "Responsibility to employees"). Depreciation and amortisation amount to HRK 114.8 million (HRK 116.8 million in 2014). Other operating expenses amount to HRK 4.3 million, indicating a 2.6% growth rate. A significant decrease in other expenditures by 37%, i.e. HRK 28.3 million, results from the wider consolidation scope (primarily elimination of the management fee charged by Valamar hoteli i ljetovališta d.o.o.).

Group's financial income in the reporting period amounts to HRK 17 million and is 339% above the same period last year. Total foreign exchange gains are HRK 10.6 million higher, whereby we point to the amended policy for accounting for unrealised foreign exchange differences and their recording in the quarterly dynamics. Revenues from interest income on placements are HRK 0.2 million lower due to the lower amount of available cash funds (as a consequence of dividend distribution to shareholders of Valamar Riviera at the end of 2014 to the amount of HRK 63 million and the newly acquired companies in destination Baška in the second half of June to the amount of HRK 179 million) and the general decrease in market interest rates. Other financial income is HRK 2.5 million higher, resulting mainly from the valuation of forward transactions contracted for 2015 to the amount of HRK 2.45 million.

Group's financial costs in the reporting period amount to HRK 41.2 million, accounting for 9% of total expenses (3% in 2014), and are HRK 28.6 million higher compared to the same period last year. Interest expenses and foreign exchange differences record a HRK 27.2 million increase, while the valuation of contracted IRSs and forwards at the end of the second quarter

## Total operating expenses



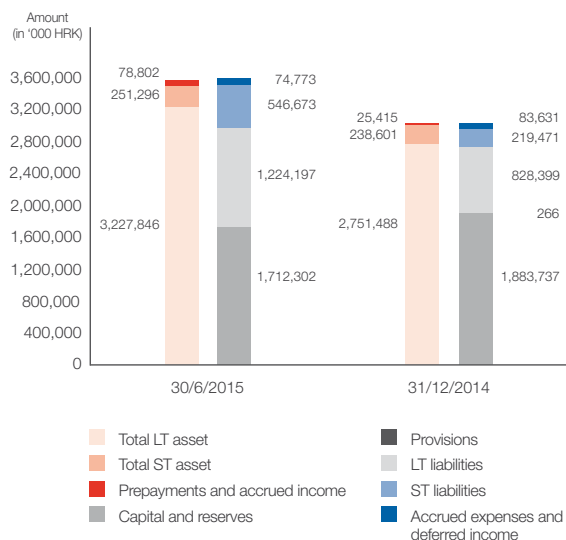
has resulted in HRK 1.7 million additional expenses. Foreign exchange rate losses on existing loan portfolio, which record a HRK 25.7 million increase (resulting mainly from the appreciation of the Swiss franc exchange rate), are the biggest single item of financial costs. Please note the changed (quarterly) dynamics in recoding unrealised foreign exchange differences. The increase in interest expense in the first half of this year is a result of an increase in non-current liabilities driven by the withdrawal of funds from granted credit lines for financing the 2014/2015 investment cycle.

Group's other revenues account for 3% of total revenues (1% in 2014) and amount to HRK 12.6 million, recording a 149% growth. The reason for such an increase is primarily one-off revenue from the reversal of provisions for termination benefits paid.

The operating loss amounts to HRK 85 million, while the Group's gross loss is 17.2% lower, amounting to HRK 109.3 million (HRK -132.0 million in 2014). The negative EBT margin of -34.5% (-44.5% in 2014) is a result of business seasonality, i.e. a lower revenue volume and a high share of fixed expenses in the first half of 2015.

<sup>13</sup> Operating expenses include material costs, staff costs, other expenditures and other operating expenses reduced by extraordinary expenses and one-off items.

## Assets and liabilities



As at 30 June 2015, compared to 31 December 2014, the total value of the Group's assets is 18% higher. The reasons for such an increase in assets value and other balance sheet items are to be considered in the context of including the fair value of net assets of the newly acquired companies in destination Baška on the acquisition date (30 June 2015).<sup>14</sup> The total share capital and reserves have been reduced from HRK 1,884 million to HRK 1,712 million, primarily as a result of generated losses (HRK -108 million), coming from characteristic seasonal business operations, and dividend liabilities (HRK -69 million), and, to a lesser extent, as result of a HRK 5 million positive net effect of other changes arising from (i) the release and

acquisition of treasury shares in the observed period; (ii) the merger of the Valamar hoteli i ljetovališta d.o.o. company; and (iii) the acquisition of companies in destination Baška and the related minority interest.

Total non-current liabilities are 48% higher, amounting to HRK 1,224.2 million as at 30 June 2015, primarily driven by the utilisation of credit lines for financing the 2014/2015 investment cycle, foreign exchange rate differences on existing loan portfolio and inflow of credits of the newly acquired companies in destination Baška amounting to HRK 159.4 million. Total current liabilities amount to HRK 546.7 million and are 149.1%

higher compared to 31 December 2014, primarily due to normally higher advances received from customers amounting to HRK 134.2 million, trade payables amounting to HRK 138.8 million, as well as HRK 69 million of liabilities arising from share in the result coming from the entry of liabilities for dividend pay-out into the accounts.

Cash and cash equivalents at 30 June 2015 amount to HRK 149.7 million, their decrease, compared to the end of 2014, being a result of the acquisition of interests in companies in destination Baška and the usual outflows associated with the preparation of the tourist season.

<sup>14</sup> The fair value of net assets was determined in preliminary figures, and by the end of the measurement period it will be determined in final ones.

## Key operating indicators of Valamar Riviera Group per products<sup>15</sup>

PRODUCT	Hotels and apartments 4* and 5*			Hotels and apartments 2* and 3* and hostels <sup>16</sup>			Campsites <sup>17</sup>		
	1 – 6/2015	1 – 6/2014	2015/2014	1 – 6/2015	1 – 6/2014	2015/2014	1 – 6/2015	1 – 6/2014	2015/2014
Number of accommodation units	3,078	2,929	5.1%	4,207	4,153	1.3%	8,957	8,363	7.1%
Accommodation units sold	187,748	177,783	5.6%	204,021	197,617	3.2%	304,271	277,828	9.5%
Overnights	360,660	338,912	6.4%	428,520	416,169	3.0%	480,854	451,735	6.4%
ADR (in HRK)	731	684	6.9%	395	413	-4.4%	179	175	2.1%
Board revenues	137,248,812	121,536,713	12.9%	80,570,858	81,640,618	-1.3%	54,358,020	48,595,111	11.9%

## Key operating indicators of Valamar Riviera Group per destinations<sup>15</sup>

DESTINATION	Istrian west coast <sup>18</sup>			Rabac			Krk			Dubrovnik		
	1 – 6/2015	1 – 6/2014	2015/2014	1 – 6/2015	1 – 6/2014	2015/2014	1 – 6/2015	1 – 6/2014	2015/2014	1 – 6/2015	1 – 6/2014	2015/2014
Number of accommodation units	10,592	9,778	8.3%	1,913	1,913	0.0%	1,776	1,801	-1.4%	1,961	1,953	0.4%
Accommodation units sold	411,351	387,726	6.1%	88,727	78,164	13.5%	81,774	75,835	7.8%	114,188	111,503	2.4%
Overnights	732,188	704,576	3.9%	183,351	162,551	12.8%	147,898	133,539	10.8%	206,597	206,150	0.2%
ADR (in HRK)	327	334	-2.0%	419	438	-4.2%	250	239	4.5%	701	628	11.5%
Board revenues	134,502,149	129,350,740	4.0%	37,198,968	34,199,429	8.8%	20,467,612	18,159,351	12.7%	80,008,960	70,062,923	14.2%

<sup>15</sup> According to the classification under the USALI international standard for reporting in hotel industry USALI (Uniform System of Accounts for the Lodging Industry). Indicators do not include data for Hoteli Baška d.d.

<sup>16</sup> In the first half of 2014 the data of hostel Brioni in Puntžela are not included, while in the first half of 2015 are included.

<sup>17</sup> In the first half of 2014 the data of campsite Brioni in Puntžela are not included,

while in the first half of 2015 are included.

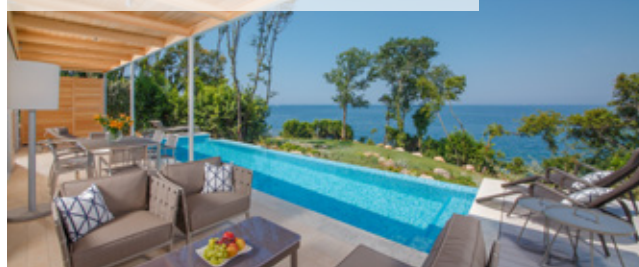
<sup>18</sup> In the first quarter of 2014 destination Poreč is included, while in the first quarter of 2015 are included destinations Poreč and Puntžela.



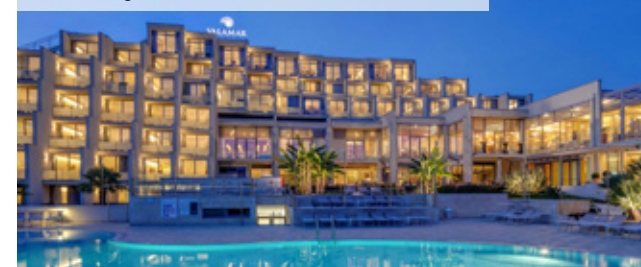
Valamar Isabella Miramare 4\*, Poreč



Valamar Isabella Villas 4\*, Poreč



Valamar Zagreb Hotel 4\*, Poreč



The strongest impact driving a 13% growth in board revenues in the 4\* and 5\* hotels and apartments segment has been exercised by the newly invested hotels – Valamar President (growth in all segments), Valamar Isabella Island Resort (excellent booking in all segments), Valamar Argosy (allotment segment replaced by the higher-price individuals and M.I.C.E. segment) and Valamar Zagreb (growth particularly in the individual segment). The change of the sales mix (emphasis on individuals and M.I.C.E.), supported by price optimisation, has allowed for a 6.9% ADR increase to HRK 731, which, in addition to a 5.6% increase in the number of accommodation units sold, has resulted in a HRK 15.7 million growth in board revenues, reaching an amount of HRK 137.2 million. Driven by the same reasons, the average daily rate of the Dubrovnik destination has increased by 11.5% and board revenues by 14.2% to HRK 80.0 million.

2\* and 3\* hotels and apartments and hostels recorded a drop in board revenues of HRK 1 million and a drop in the average daily rate of HRK 18 in the first half of 2015, indicating a need for further investments in order to improve the quality of lower-category, non-renovated facilities. The pre-

seasonal focus on volume, pursued through controlled sales activities taking the form of the early booking offerings, and the segmentation of Valamar's offer for sportspersons has reflected in a 3.2% increase in the number of accommodation units sold in the 2\* and 3\* hotels and apartments and hostels segment. Certain facilities have compensated for the loss of fixed allotment by generating higher revenues from individuals in the higher season (Allegro, Miramar and Girandella), and, consequently, are expected to recover further in the season. The 8.8% growth in board revenues of the Rabac destination is linked with the increase of physical indicators, with a special emphasis being placed on 4\* high-category facilities, as they have maintained a solid growth rate, supported by the optimisation of the earlier mentioned marketing segments. On the Istrian west coast, the 2% drop of the average daily rate is linked solely to Puntizela consolidation in 2015. Poreč facilities have recorded a 2% growth in board revenues as a result of an increase in the number of accommodation units sold and the average daily rate increase by 1%. Poreč apartments were also facing challenges arising from a growing online presence of private accommodations in all sales channels,

their low prices affecting 2\* and 3\* facilities' results. On top of excellent results of the Valamar Isabella Island Resort, the Valamar Tamaris cluster has recorded a positive development owing to the excellent allotment and group booking base in the pre-season, which has allowed for cluster-wide business streamlining and revenue maximisation.

Favourable weather conditions, investments in campsites and new mobile homes have resulted in an almost 12% increase in board revenues. Such a growth is driven by a 9.5% increase in the number of accommodation units sold, reaching 304,271, and a 2.1% ADR increase to HRK 179 (excluding destination Puntizela in 2015 for like to like comparison, ADR in campsites has increased by 4%). With an almost 11% increase in the number of overnights, particularly in the individual segment, and the average daily rate higher by 4.5%, the Krk destination has recorded almost 13% higher board revenues amounting to HRK 20.5 million. Mobile homes have met with excellent response and are showing great results, while the Koralj hotel has made the biggest progress in the groups and, to a smaller extent, individuals segment.

## RESULTS OF THE COMPANY

We are emphasising that the data provided in the current year's financial statements are not fully comparable to the data from the previous year on grounds of the described merger processes, as the items in the previous period do not include the data for the merged companies Valamar Adria holding d.d., Valamar grupa d.d., Linteum savjetovanje d.o.o. and Valamar hoteli i ljetovališta d.o.o. Moreover, net assets of the merged subsidiary Valamar hoteli i ljetovališta d.o.o. are included only as of the merger date in February 2015, therefore, all significant changes in the financial statements of the Company should be observed as a result of these transactions in the current period.

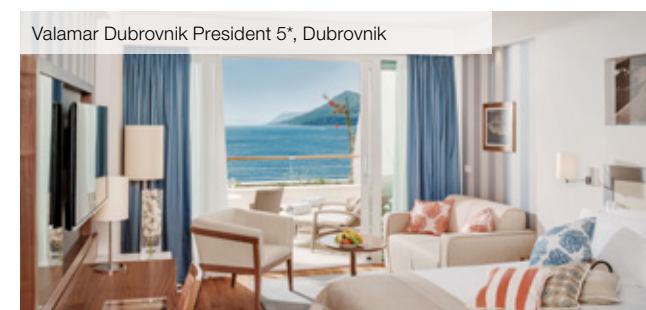
In the period from 1 January 2015 to 30 June 2015, the Company generated a total of HRK 393.2 million revenues, exceeding the same period 2014 by HRK 72.5 million, or 22.6%. Company's sales revenues (HRK 340 million) make 86% of total revenues (97% in 2014), sales revenues generated on international markets accounting for 77% of total revenues (87% in 2014) and those generated on the domestic market for 9% of total revenues (11% in 2014). Foreign sales revenues are 9% and domestic sales revenues 9,5% above the same period 2014. Company's other operating income, amounting to HRK 12.5 million and being 152% higher, accounts for 3% of total revenues (2% in 2014). The increase of other operating income is primarily driven by the reversal of provisions for termination benefits paid.

Material costs amount to HRK 162 million and are 4.7% above the same period 2014, accounting for 34% of operating expenses (34% in 2014). Staff costs amount to HRK 121.7 million, accounting for 25% of operating expenses (22% in 2014), which

is an increase of 19%. 2015 staff costs include the data concerning the merged subsidiary Valamar hoteli i ljetovališta d.o.o. only for the period following the merger. Their growth is primarily driven by the takeover of employees from all merged companies and in a lesser extent by the increase of the salary contributions rate (health insurance) from 13% to 15% and salary increase (more details in the section "Responsibility to employees").

Company's financial income in the reporting period amounts to HRK 40.6 million, making it HRK 37 million higher compared to the same period last year. The biggest growth item is the dividend revenue from the merged company Valamar hoteli i ljetovališta d.o.o., amounting to HRK 24 million. Total foreign exchange gains are HRK 10.5 million higher, whereby we point to the amended policy for accounting for unrealised foreign exchange differences and their recording in the quarterly dynamics. Revenues from interest income on placements are HRK 0.2 million lower due to the lower amount of available cash funds (as a consequence of dividend distribution to shareholders of Valamar Riviera at the end of 2014 to the amount of HRK 63 million and the newly acquired companies in destination Baška in the second half of June to the amount of HRK 179 million) and the general decrease in market interest rates. Other financial income is HRK 2.3 million higher, resulting mainly from the fair valuation of forward transactions contracted for 2015 to the amount of HRK 2.45 million.

Company's financial costs in the reporting period amount to HRK 40 million and are HRK 28.8 million higher compared to the same period last year. Interest expenses and foreign exchange differences record a HRK 27.4 million increase, while the valuation of contracted IRSs and forwards at the end of



the second quarter has resulted in HRK 1.67 million additional expenses. Foreign exchange rate losses on existing loan portfolio, which record a HRK 25.7 million increase (resulting mainly from the appreciation of the Swiss franc exchange rate), are the biggest single item of financial costs. Please note the changed (quarterly) dynamics in recoding unrealised foreign exchange differences. The increase in interest expense in the first quarter of this year is a result of an increase in non-current liabilities driven by the withdrawal of funds from granted credit lines for financing the 2014/2015 investment cycle.

In the period under consideration, the Company operated with a HRK 86.2 million loss before tax, which was 36% lower compared to the last year, while the operating loss was reduced to HRK 86.9 million. The Company's gross margin is -24.4% (-42.8% in 2014).

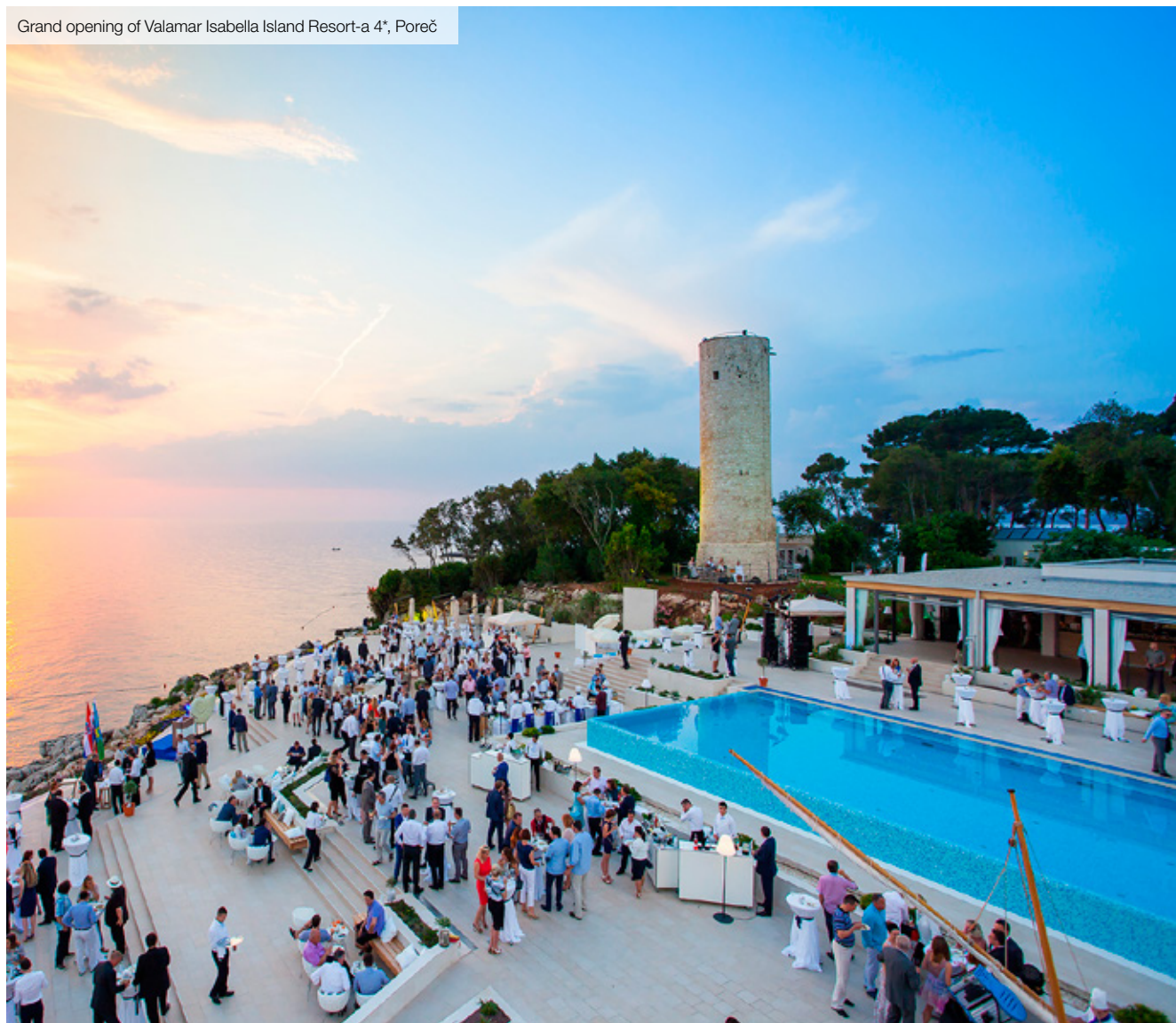
As at 30 June 2015, the Company's total assets amount to HRK 3,542 million, which is HRK 29.4 million below the previous period.



## INVESTMENTS

In the preparation for the 2015 tourist season, Valamar Riviera made investments of HRK 330 million<sup>19</sup> in total. The largest one (worth HRK 250 million), which is also this year's largest investment in the Croatian tourism, is the luxurious family Valamar Isabella Island Resort 4\* on the island of Sveti Nikola, formally opened at the beginning of June 2015. The total of 334 four-star accommodation units provides accommodation for almost 800 guests in luxurious rooms and apartments. During the two-year construction and renovation, 108 studios in 28 villas were renovated, mostly using the furniture made by the Croatian manufacturers. After more than 25 years, the Miramare annex is back in function, with 36 hotel suites with open sea views, along with a 250 m<sup>2</sup> swimming pool with a large restaurant. The castle from 1887, with 10 luxuriously decorated apartments, was also renovated under a conservationist's supervision, as well as the oldest integrally preserved lighthouse in the Mediterranean. The Isabella hotel (former Fortuna hotel from 1986) has 180 newly furnished rooms, a new wellness centre and a large modern outdoor 600 m<sup>2</sup> swimming pool, as well as the children's one of 50 m<sup>2</sup>, with a view on the Poreč waterfront. The island is comprised of two zones, one being quiet and the other one for guests looking for activities. Outdoor swimming pools, six types of island beaches marked with Blue Flags and seven à la carte restaurants and bars add to the accommodation offer. Diverse services include the professional babysitting service. Also, the resort has a youth club, a wedding hall and a congress centre of 500 m<sup>2</sup> accommodating up to 400 people. Along with properties, renovation also covered the purchase of a new ferry and the renovation of vessels for the transport of guests. On the island, ten electric vehicles are intended for guests, and ten will be available to staff. Valamar Isabella Island Resort 4\* is the culmination of years-long efforts to create a facility that would bring together guests' wishes, market demands, needs of Poreč and Istria as destinations, nature protection,

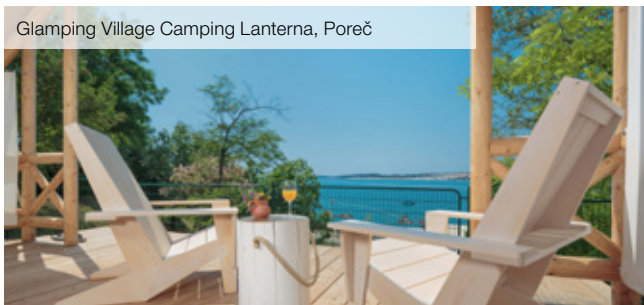
Grand opening of Valamar Isabella Island Resort-a 4\*, Poreč



<sup>19</sup> A portion already recorded in 2014.



Glamping Village Camping Lanterna, Poreč

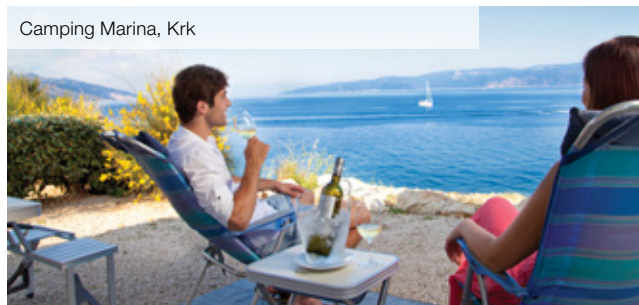


history conservation and respect of urban green areas, within a sustainable budgetary framework.

As for other projects announced for 2015, significant investments have been made in hotels, apartment resorts and campsites in Istria, on the island of Krk and in Dubrovnik, in an amount reaching almost HRK 100 million, resulting in a higher quality of services in a number of Valamar properties in the 2015 season. Consequently, the Valamar Riviera hotel in Poreč now has a new terrace in front of the restaurant, while the Valamar Zagreb hotel has a new wellness centre. There are also new beach bars added to the Valamar Pinia hotel and the Valamar Koralj hotel on the island of Krk. At the same time, investments have been made in several hotels and apartment resorts with regard to their equipment, landscaping and further increase in service quality.

As for the Valamar campsites, one of more significant investments in 2015, amounting to HRK 34 million, related to investments in the Lanterna campsite in Poreč, the leading Istrian campsite, including investments in a new restaurant concept, setting up of new mobile homes and improvement of plots and glamping zones with a mini swimming pool. Guests were welcomed by 20 new Premium Vista Mare designer houses with large glass fences just above the attractive beach, in the vicinity of the sports centre and newly renovated Tratoria, as well as glamorous camping with the new Glamping Village offer, including seven luxurious tents with own swimming pools. What makes the Lanterna campsite special is its offer of the first complex of mobile homes in Istrian campsites with an own large swimming

Camping Marina, Krk

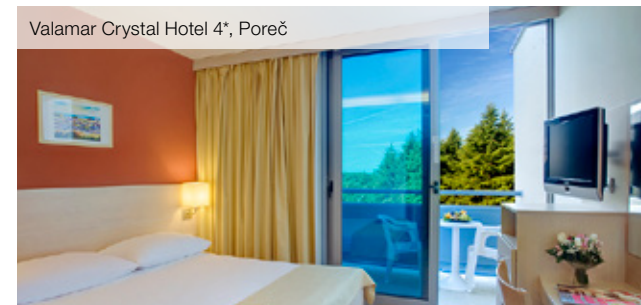


pool designed for adults and children, and diverse activities in the children's Maro Club and Teens Club, with rich daily and evening programmes for children and sport activities for all age groups. It is particularly worth mentioning that this complex does not allow for motor vehicles, thus providing additional safety for parents with children. The Lanterna campsite is a member of the elite "Leading Campings of Europe" association, gathering 40 best campsites in Europe, which has already won the BEST award, i.e. 5\* by recognised ADAC and ANWB associations. Apart from Lanterna, this year, the Krk campsite is the only campsite in the Kvarner Gulf and the third one in Croatia to enter this elite group of European campsites.

It should be noted that more than HRK 4.5 million has been invested in the Marina campsite in Rabac in 2015 and, as a result, this campsite now has a new relax infinity swimming pool located immediately next to the sea and the newly renovated beach and equipped for the initial training of divers. Also, a children's swimming pool with a tanning deck was built in the immediate vicinity of the Maro Club and the newly constructed children's playground. With these investments, this season the Marina campsite in Rabac has become the first campsite in Croatia with a swimming pool and a special offer for divers (mobile homes near the diving centre, equipped with storages for diving equipment and other facilities).

This year, the Ježevac campsite on the island of Krk has introduced 15 new Superior mobile homes and 10 new Comfort plots, while the campsite Škrila, with the investment of HRK

Valamar Crystal Hotel 4\*, Poreč



4.2 million, has welcomed guests with completely renovated certain zones, shops, the restaurant terrace, beach and the beach bar. From this year on, the visitors of the Naturist Resort Solaris campsite can use 4 new Luxury Mare plots equipped with grills and parasols and located on the most attractive sites in the campsite.

This year, the Solitudo campsite in Dubrovnik has prepared for its guests 4 new Comfort and Superior mobile homes, and its guests can enjoy a wide variety of facilities, such as an outdoor swimming pool, a swimming pool for children, a wellness centre, tennis courts and the renovated Solitudo Bistro, with the special note that this is the only campsite in the city of Dubrovnik.

In the following period, Valamar Riviera plans to keep investing at similar pace as in previous years. The portfolio includes a part of 2-3\* accommodation facilities, hotels and apartments, which have not been the subject of significant investments over the last years and thus represent a great potential for further development of new products and services. Therefore, at the moment we are running project preparation activities at all Valamar destinations in order to improve every year the quality of the portfolio facilities, services and contents, which is the basis of creating an additional value for both our customers and all Valamar's stakeholders. Apart from continuing with investments in hotels and apartments, one of the strategic goals is to transform campsites into modern, high-quality camping resorts, with the focus of our investments for the 2016 season being on raising campsites to a higher level in terms of quality.

## THE RISKS OF THE COMPANY AND THE GROUP

### Macro-economic development risk

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

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

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

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

Valamar Dubrovnik President Hotel 5\*, Dubrovnik





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

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

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

### Financial risks

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

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

Although the Company and the Group do not have a formalised risk management programme, the Group hedges interest rate and foreign exchange risks by applying instruments available in the market in order to mitigate these risks. Internal risk management objectives and policies refer to the protection of foreign exchange inflows during seasonal activity and to the partial interest hedge of loan principal.

#### 1) Foreign exchange risk

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

As for the part of credit liabilities committed in Swiss franc, the Company and the Group contract available instruments to hedge against cash flow interest rate and foreign exchange risks. In view of exceptional volatility and unpredictability of Swiss franc exchange rate developments, the Company and the Group are actively continuing activities related to further debt conversion from Swiss franc to Euro (a smaller part was converted), where the Company and the Group are naturally hedged.

#### 2) Interest rate risk

Bank debentures committed at variable rates expose the Company and the Group to cash flow interest rate risk. The Company and the Group periodically use derivative instruments to actively hedge cash flow and fair value interest rate risk exposure by applying interest rate swap from a variable rate to a fixed one. The economic effect of such interest rate swap is the conversion of credits at a variable rate into credits at a fixed rate for pre-committed part of the loan principal protected in this way. The Company and the Group have interest-bearing assets (cash assets and deposits), resulting in the Company and Group's income and operating cash flows being influenced by changes in market interest rates. This becomes particularly evident during the season when the Company and the Group have significant excess funds at their disposal.

#### 3) Credit risk

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

#### 4) Price risk

The Company and the Group are holders of equity and debt securities and are exposed to price risk of listed equity securities. The Company and the Group do not actively participate in the capital market in terms of investments in equity and debt



securities, so that the price risk of equity securities in their possession is not significant.

### 5) Liquidity risk

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

### 6) Share-related risks

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

### Business risk

On a daily basis, the Company and the Group face business risks potentially leading the weakening of competitive strength,

and thus jeopardising their further stability. In the previous period, the Company and the Group made correct business decisions contributing to the increase of their competitive strength on the demanding Mediterranean market and thus improved the performance and the efficiency of their business operations, which gave rise to the expectation of continued positive trends in the future as well, subject to prudent long-term strategic management.

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

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

Despite the improved security and political circumstance, which gave rise to the launching of investment cycles in tourism, the Croatian

tourism, as one of the strategic branches of the Croatian economy, is still faced with a number of challenges and risks, such as:

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

### Environmental risks

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

## RELATED-PARTY TRANSACTIONS

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

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

at market prices. In the period under consideration, revenues resulting from related-party transactions amounted to HRK 24.7 million (2014: HRK 2.6 million) for the Company, and HRK 10 thousand (2014: HRK 2.6 million) for the Group, while expenses amounted to HRK 18.6 million (2014: HRK 69.5 million) for the Company, and HRK 164 thousand (2014: HRK 56.6 million) for the Group.

Balances of related-party receivables and liabilities as at 30 June 2015 amounted to: HRK 177.77 million receivables for the Company<sup>20</sup> (at the end of 2014: HRK 192.6 million<sup>20</sup>), and HRK 5 thousand for the Group (at the end of 2014: HRK 4 thousand); and HRK 198 thousand liabilities for the Company (at the end of 2014: HRK 5.1 million), and HRK 73 thousand for the Group (at the end of 2014: HRK 191 thousand).

## BRANCH OFFICES OF THE COMPANY

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

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

<sup>20</sup> For the most part refers to the re-invoiced amount arising from the investment made in the reconstruction and upgrading of the hotel Valamar Lacroma owned by subsidiary Elafiti Babin-kuk d.o.o.

## SUSTAINABLE DEVELOPMENT

Regardless of the fact that the hospitality and tourism industry in general is not considered an activity that may significantly endanger the environment, the Company and the Group have been continuously working on improving the environmental protection and sustainable development with the aim of creating recognisable ecologically oriented tourist destinations. In their facilities, the Company and the Group apply: (1) the environmental management system in compliance with ISO 14001:2004; (2) the quality management system in compliance with ISO 9001; and (3) the HACCP system in compliance with the Codex Alimentarius standard. Furthermore, (1) the quality policy; (2) the environmental policy; and (3) the sustainable business policy have been put into place. All environmental aspects have been recognised, while environmental objectives and goals have been set taking into account their harmonisation with legal and other requirements related to environmental protection, preservation and rational use of natural resources, pollution prevention as a basic approach to managing environmental aspects, training of employees for incidents, the need for permanent improvement and continuous care with regard to pollution prevention.

The Waste Management Plan 2014 – 2019 has been adopted, along with the internal Waste Ordinance regulating the types and quantities of waste, locations of plants with technology processes generating waste, the manner of waste treatment and waste collection for the purpose of disposal or use, required records, permanent supervision of waste, persons responsible and measures to prevent and reduce waste production, with a view to preserving the quality of the environment and preventing soil, water, sea and air pollution. The selective waste collection system has been introduced, putting the Company and the Group a step ahead of the local community.

Camping Orsera, Vrsar





The plan for the operation and maintenance of water drainage facilities and waste water purification device, as well as the operational plan for intervention measures in the case of extraordinary and sudden water pollution lay down the manner in which the internal drainage system and the waste water treatment device are maintained, measures to prevent spillage of waste water and measures to be taken in the case of extraordinary and sudden environment pollution, as well as persons responsible for the supervision of the drainage and purification system.

In numerous facilities of the Company and the Group, the waste heat of the cooling systems is used for heating hot water intended for consumption. The electricity and water consumption monitoring systems and the energy control management systems have been installed. On numerous beaches of the campsites and hotels, the Company and the Group manage Blue Flags, recognisable ecological symbols of clean environment. By being responsible with regard to nature and environment management, we meet the customers' expectations and contribute to the protection of natural resources.

Energy and natural resources consumption is under constant supervision, the remote lighting management system and the hot water preparation system have been introduced. Higher energy class products have been installed. Lighting fixtures have been replaced with ecological lighting, including the use of energy saving light bulbs and LED lighting. The air-conditioning system in rooms and common premises has been optimised with presence and window opening sensors. Regular energy checks are being conducted in order to increase energy efficiency.

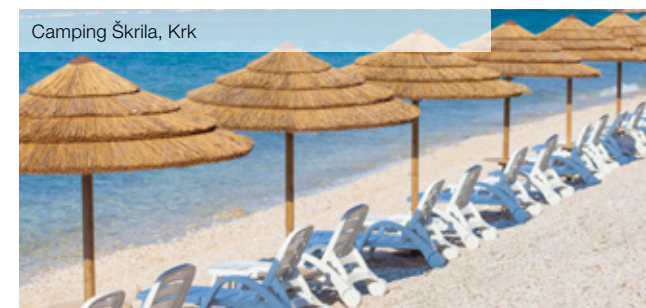
Irrigation systems are centralised, allowing for the calculation of the optimum water quantity depending on meteorological conditions. Solar energy is used to produce hot water in campsites and apartment resorts owing to a surface area of solar collectors exceeding 2 800 m<sup>2</sup> with an increasing trend. Hotels have had heat pump equipment installed and use waste energy produced by cooling devices. The common hot water production system intended for consumption has been reconstructed in Valamar Dubrovnik President, Valamar Lacroma, Valamar Club Dubrovnik, Argosy and Tiren hotels, high-temperature heat pump equip-

ment has been installed allowing for simultaneous cooling of hotel premises and heating of water intended for consumption, which has resulted in a multiple increase of the utilisation level, decrease of energy losses, reduction of maintenance costs and lower energy exploitation costs. The possibility to leak environmentally harmful refrigerant and CO<sub>2</sub> emissions has been reduced. With a view to continuing the replacement of fuel oils with environmentally acceptable energy products, in 2015, high-temperature heat pump equipment for hot water production and heating of premises has been installed in Valamar Diamant, Valamar Crystal and Valamar Rubin hotels. Gas boilers have been installed to heat hotels during winter months. Their advantages are a higher energy utilisation degree and reduced harmful air emissions.

Both laundry rooms operating in Poreč and Dubrovnik as part of the Company and the Group apply up-to-date achievements in the field of environmental protection and safety at work. Only environmentally friendly means, i.e. concentrations of means that are not harmful to the environment or safety of employees are used in the laundry process.

Owing to the implementation of energy efficiency and renewable energy sources projects, the Company and the Group have managed, even though the prices of certain energy products have increased, particularly the unit prices of water and numerous water fees, to achieve significant savings in energy consumption. The liberalisation of the electricity market has opened up possibilities for getting better conditions when contracting electricity supply on the market, an opportunity which the Company and Group have made a good use of, opting for optimum supply conditions. A similar trend is expected also in the following periods with regard to achieving savings on energy products by implementing the measures concerned.

The Company and Group's facilities are holders of a number of national and international environmental certificates and acknowledgements thanks to their sustainable business operations and respect of the highest environmental standards. Owing to the application of world trends and best practices of sustainable business operations in their management, Valamar Dubrovnik President, Valamar



Zagreb and Valamar Bellevue hotels were awarded in May 2015 the "Sustainable Hotel" certificate by the Association of Employers in Croatian Hospitality (UPUHH). Valamar Dubrovnik President was awarded the superior certificate, while Valamar Zagreb and Valamar Bellevue received basic certificates. In total, the "Sustainable Hotel" certificates were awarded to 21 hotels in Croatia which applied for the UPUHH's pilot-project "Environmentally Oriented Practices in Hospitality" initiated in 2014. It was the second generation of hotels that were awarded certificates, where last year, the first certificates for environmentally oriented practices were awarded to Hotel & Casa Valamar Sanfior and Valamar Koralj. All hotels had to meet demanding criteria for "green, sustainable hotels", including environmental protection and the care of employees and the social community. The certificates were preceded by systematic field work, covering the compilation of detailed reports on energy and water consumption, waste disposal, including specific measures to save resources and reduce waste quantities, care of employees and the local community. The strategic objective of the certificate-awarding project is to introduce an environmentally oriented practice, i.e. to achieve a balance between economic growth, environmental care in the widest sense, and social inclusion in the wider community.

The Company and the Group pay considerable attention to their sustainable business operations, including systematic environmental protection, rational use of resources, care of employees' welfare and prosperity of the community in which they operate, and carry on with hotels certification and continuous investments in sustainable business operations.

## SOCIAL RESPONSIBILITY

Responsibility to the stakeholders and the community we operate in is one of the basic Valamar's principles and the basis for a long-term business success.

All of Valamar's business operations take place within the framework of its relation to guests, employees, partners, community, environment and investors, and thus Valamar strives towards the notion of socially responsible business operations which describes day-to-day business operations of the Company and the Group, i.e. towards integrating the principles of social responsibility in our business activities across all segments and on a day-to-day basis.

Financial successfulness of business operations is the basis for pursuing socially responsible business operations in both narrower and wider terms. The concept of being a responsible company starts with meeting the obligations assumed towards our stakeholders, with no exceptions allowed, such as employees' regular income, timely payments to our partners and suppliers, and high-quality services provided to our guests.

In wider terms, the principles of social responsibility have been pursued in Valamar through different projects and in different fields of activity:

- Support to destinations development with a view to increasing the quality of life, education, sport and culture as the basis for creating and upgrading a tourism which offers authentic and high-quality experiences;
- Preservation of the environment, sea, and coast quality, as well as improved use of renewable energy sources as a priority of the long-term protection of natural attractions and resources as the basic precondition of the holiday tourism;
- Help and support to the needy in the society and community, placing a special emphasis on children, in order to contribute,

Poreč Beach Volley Major, Valamar Zagreb Hotel 4\*, Poreč





as a company and as a society, to developing a spirit and culture of mutual support and community, as well as to indicate the potential of the use of existing resources to the benefit of the whole society.

## Destinations

Since its establishment, Valamar Riviera has participated in various sports and cultural events and projects, supporting destinations development and prolongation of the tourist season. On a long term basis, Valamar Riviera has developed a high-quality collaboration with tourist boards and provided support to strategic destination projects by sponsoring those events which enrich the total tourist offer.

### Swatch Beach Volleyball Major Series – Poreč destination

From 2 to 7 June 2015, Poreč hosted Poreč Beach Volley Major as part of the most prestigious beach volleyball series, Swatch Beach Volleyball Major Series. Supported by its partners – Valamar Riviera and Laguna Poreč hotel houses – Poreč Beach Volley Major brought the elite of the world sport to Poreč, as well as thousands of their fans from all parts of the world, which made an excellent start into the 2015 tourist season. As the host hotel house, Valamar Riviera is proud to point out its role in this significant world-class sports spectacle combining entertainment, sports, sun and sea and enabling a spectacular promotion of the Poreč destination and the development of the city itself. The best world players, 128 of them from 25 countries of the world, stayed in Poreč and played for a record purse in Croatia, USD 800,000. Moreover, this prestigious world series marked the second part of qualifications for the Rio Olympic Games 2016, where beach volleyball is expected to be one of the most popular sports. Thanks to Poreč Major, five additional courts and the large central court were built in the Peškera Bay, covering more than 8,000 square meters and accommodating 5,000 people.

### Promotion of the Rabac destination in collaboration with Samo Jeranko, world free diving record-holder

Samo Jeranko, the best Slovenian diver, was appointed Valamar's sports ambassador this year. In his career so far, Samo Jeranko has already improved on 10 occasions the national record in different disciplines and is an eleven-time national champion in

free diving, which places him among world top ten divers. He has been a member of TOP 10 since 2010. In 2011 and 2012, he became the world record-holder in free (apnea) diving with 16x50 m. In his capacity as Valamar's sports ambassador, from 15 to 17 May 2015, during the most renowned cycling race in Istria, Valamar Terra Magica, Jeranko held workshops on free diving in the Marina campsite in the vicinity of Rabac, providing guests with an opportunity to learn first-hand about this attractive sport. Samo Jeranko's preparations for the next world championship will take place in the Marina campsite in the vicinity of Rabac, which Valamar Riviera has enriched with a new relax infinity swimming pool equipped for the initial training of divers, the first such swimming pool in Croatia.

## Environment

From year to year, Valamar Riviera has been paying more and more attention to waste management, renewable energy and preservation of natural resources, as described under "Sustainable Development". The Company and Group's commitment to the highest environmental standards when investing in business facilities is also linked with the support provided to impactful environmental initiatives in the wider local community through the "We love the Adriatic Sea" donation programme. With donations granted in 2015, we directed funds into specific projects aimed at the protection of the Adriatic coast and the sea, contributing to sustainable development, raising awareness on the importance of preservation of the maritime environment and promoting the cooperation between local communities and professionals, with measurable results and a long-term positive impact on environmental protection.

## Donations

More than 100 individual donations a year and humanitarian aids to local communities and associations at all our destinations, as well as around 20 sponsorships of various sports, cultural and other events, covering the territory from Istria and the island of Krk to Dubrovnik, bear witness to Valamar Riviera's active participation in the life of local communities it operates in. "A thousand days at the Adriatic Sea" and "We love the Adriatic Sea", two national donation programmes, are holders of socially responsible business

operations in Valamar, but they make only a part of all socially responsible activities of the Company.

Within the "A thousand days at the Adriatic Sea" programme, this season, Valamar Riviera will provide, free of charge, around 1400 overnights in some of Valamar hotels, apartment resorts or campsites, in the territory from Istria and island of Krk to Dubrovnik, for more than 350 children and their attendants from 17 different institutions, homes and associations. 17 applications entered the competition, and all participants were granted summer vacation free of charge. These are children without proper parental care, children of low family income, children with special needs, and children with health difficulties to whom the vacations at the seaside will benefit in their treatment or recovery. In awarding donations for 2015, special advantage was given to children groups who had never spent vacations at the seaside.

As part of the "We love the Adriatic Sea" programme, Valamar Riviera will award in total HRK 105,000 for projects designed to protect the Adriatic Sea and coast, taking into account the project's significance in the field of maritime environmental protection for the wider social community, raising of the wider public's awareness of the importance of maritime environmental protection, previous results in the field of activity, as well as the long-term positive impact on the preservation and protection of the Adriatic Sea and coast. Out of all received applications, the following project were declared best:

- 1) "Adriatic Debris Hotspots – Žarišta morskog otpada" – Adriatic Maritime Institute, Zagreb
- 2) "New Technologies in Researching Marine Mammals in the Adriatic Sea – Application of Unmanned Aerial Vehicles" – Blue World Institute of Marine Research and Conservation, Vis branch office
- 3) "Let Blue Stay Blue – A Short Documentary on the Problem of Marine Waste" – Sunce Association for Nature, Environment and Sustainable Development, Split
- 4) "Cleaning Our Natural Beaches on the Island of Silba" – Association for the Protection of Environment and Cultural Heritage of the Island of Silba, Silba.

## RESPONSIBILITY TO EMPLOYEES

As one of the largest employers in Croatia (on 30 June 2015, the Company employed 3,254 workers, 989 of them permanent and 2,265 seasonal), the Company and the Group systematically and continuously invest in human resources development by applying top quality practices and an integral strategic approach to human resources management (transparent hiring process, clear objectives, employees' performance measurement and rewarding of performance, opportunities for employees' career development, investment in employees' development and encouraging two-way communication through various channels).

Valamar's approach to the salary policy is a responsible one, resulting in an average gross salary across the Company 8% above the industry average salary<sup>21</sup> in 2014. In collaboration with our social partners, a new, 3% increase in salary was agreed for 2015, implemented in two steps, the first one on 1 November 2014, and the second one on 1 June 2015.

Two years ago, Valamar introduced the "Uplifting Service" project with a view to raising the excellence level in Valamar by transforming the hospitality culture in order to be recognisable as the best host in the Adriatic, through which arose the Valamar's vision "Lasting memories every day for every guest". In 2014, this project was implemented in all Valamar hotels, campsites and apartment resorts from Istria and the island of Krk to Dubrovnik, including the Valamar booking centre. This awarded Valamar's project encourages employees to mutual recognition and strengthening of togetherness and team spirit, thus resulting in an increase in employees' satisfaction. The excellence level has been continuously increased by means of activities aimed at transforming Valamar's hospitality culture through everyday training to improve professional skills and communication at all levels, all with the common goal of creating unforgettable

memories. In 2015, another training programme was designed to manage our guests' complaints, so that in spring the complete management of our facilities participated in specialised training courses of achieving Uplifting services.

Continuous care of employees' satisfaction, motivation, incentives and professional training is covered by other very important programmes as well, such as "Valamar Academy" and "Umbrella Education Programme". The Valamar Academy has been established for the purpose of career planning and encouraging internal promotions of high-quality employees. Its goal is to develop future hotel directors, heads of hotel operations departments, as well as sales, marketing and revenue management specialists in line with their individual development programmes, who will be able to take over managerial positions in 2-3 years. In 2015, all programmes of the Valamar Academy have 20 participants. Along with a successful development of employees, the Valamar Academy programme has also affected employees' satisfaction with the corporate culture and climate, as well as with their long-term engagement. Moreover, it has had an impact on the Company's positive image of a desirable employer, resulting in an increase of open job applications and internship applications. On the other hand, the Umbrella Education Programme sets the goal of promoting life-long learning in the hospitality industry. In applying bottom-up and top-down approaches in the definition of educational needs, its focus is on the professional training and skill sets required for personal development for the purpose of providing guests with high-quality services and products. Some of the topics covered by the Umbrella Education Programme are: (1) professional training on hotel operations (sommeliers, barmen, open kitchen / cooking in front of guests, decorations, home economics...); (2) cross-selling; (3) complaint management; (4) foreign languages; and (5) train the trainer. This year, we plan to have more than 30,000 hours

of education and internal training courses in the Company, covering more than 700 different topics of key importance for strengthening the competences of our employees and improving service quality.

Within the framework of the Company and Group's strategy of being a responsible and desirable partner, the Company and the Group collaborate with the Croatian Employment Service in order to implement all measures applicable to us as an employer with seasonal business operations. The following measures of the active employment policy have been intensively applied: more than 350 workers are employed as "permanent seasonal workers" and 6 workers are hired within the "professional training without employment establishment" programme, while for 24 workers we use tax reliefs arising from the "guarantee for youth" measure.

With a view to upgrading the current corporate climate system in accordance with the Company's values, improving communication to employees and the material and non-material incentives and benefits system, and creating a training and education plan, the Company and the Group review the corporate culture and climate. Weaknesses and strengths of the corporate culture and climate are identified on the basis of an analysis of the total satisfaction status, which is based on seven criteria (work organisation, management, education, attitude towards the employer, career opportunities, salary, work and life balance), and of an analysis of the total satisfaction status according to employee groups.

The Company and the Group will continue taking care of their employees' satisfaction, motivation, incentives and professional training in order to continuously improve the quality of services we provide and to increase the competitive strength of our tourism products.

<sup>21</sup> According to the data of Croatian Bureau of Statistics, Statistical report no. 3 2015

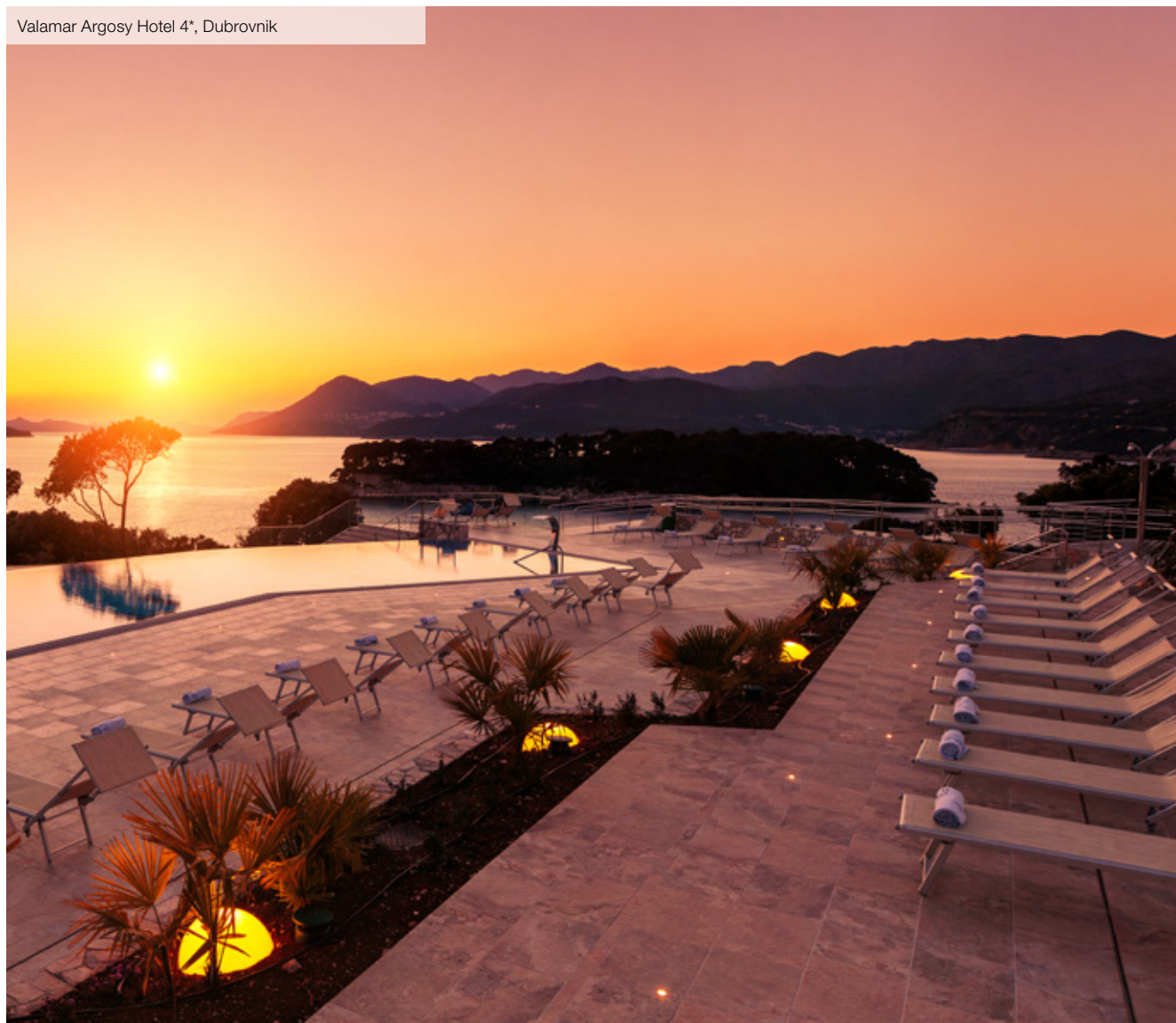


## SIGNIFICANT EVENTS

On 8 June 2015, the General Assembly of the Company was held where the Annual Financial Statements for 2014 were presented and decisions were made on the use of profit, relieving of duty the Management Board and the Supervisory Board, on dividend pay-out, appointing KPMG Croatia d.o.o. as the auditor in 2015, amending the Articles of Association, and electing a Supervisory Board Member (due to the resignation of a Member). As of 9 June 2015, the Supervisory Board consists of: Mr. Gustav Wurmböck, President, Mr. Mladen Markoč, Vice-president, Mr. Franz Lanschützer, Vice-president, and Members: Mr. Georg Eltz, Mr. Hans Dominik Turnovszky, Mr. Vicko Ferić and Ms. Mariza Jugovac.

In the previous period, some changes took place in the Management Board of the Company, namely on 30 April 2015, Mr. Nikola Koncul and on 8 June 2015, Mr. Franz Lanschützer, Mr. Tihomir Nikolaš and Ms. Ivana Budin Arhanić ceased to be Members of the Management Board, so that as of 9 June 2015, the Management Board is composed of two Members: Mr. Željko Kukurin, President of the Management Board, and Mr. Marko Čizmek, Member of the Management Board. After they ceased to hold the office in the Management Board of the Company, the previous Members have continued with their activities in the Company: Mr. Nikola Koncul as President of the Management Advisory Committee, Ms. Ivana Budin Arhanić as Vice-president in charge of business development, strategic management and corporate affairs, Mr. Franz Lanschützer as Vice-president of the Supervisory Board. Mr. Tihomir Nikolaš has continued with his activities outside the Company as Investment Project Consultant.

Valamar Argosy Hotel 4\*, Dubrovnik



## SHARES

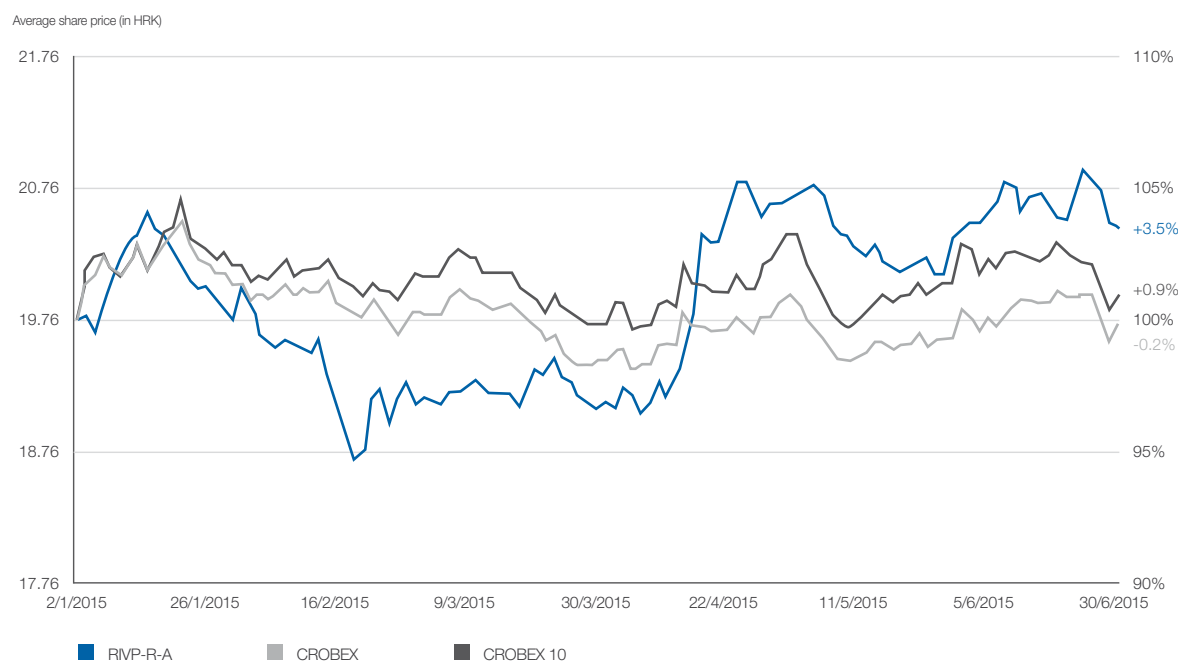
In the period from 1 January 2015 to 30 June 2015, the Company acquired 257,650 treasury shares on the regulated market, at the total purchase cost of HRK 4,967,503.93, which makes 0.2044% of the registered capital. For the purpose of rewarding its senior management, the company released 24,889 shares to the amount of HRK 504,748.92, which makes 0.0197% of the registered capital. On 30 June 2015, the Company holds in total 713,577 treasury shares, or 0.5662% of the registered capital of the Company.

In the period from 1 January 2015 to 30 June 2015, the highest recorded share price on the regulated market was HRK 20.97, while the lowest was HRK 18.55. In the period under consideration, the Company's share prices increased by 3.5%, exceeding both CROBEX and CROBEX 10 indices development, where the first one fell by 0.2% and the latter increased by 0.9%. With the regular trading turnover of 577 thousand a day, the Valamar Riviera's share is among the 3 most frequently traded shares on the Zagreb Stock Exchange. Apart from the Zagreb Stock Exchange indices, the share makes a component part of the Vienna Stock Exchange indices.

On 19 June 2016, Valamar Riviera d.d., Zagrebačka banka d.d. and Interkapital vrijednosni papiri d.o.o. concluded Market Making Contracts referring to ordinary shares of the Company listed in the Official Market of Zagrebačka burza d.d. The market makers started performing specialist trading tasks pursuant to the Contracts concerned on 1 July 2015.

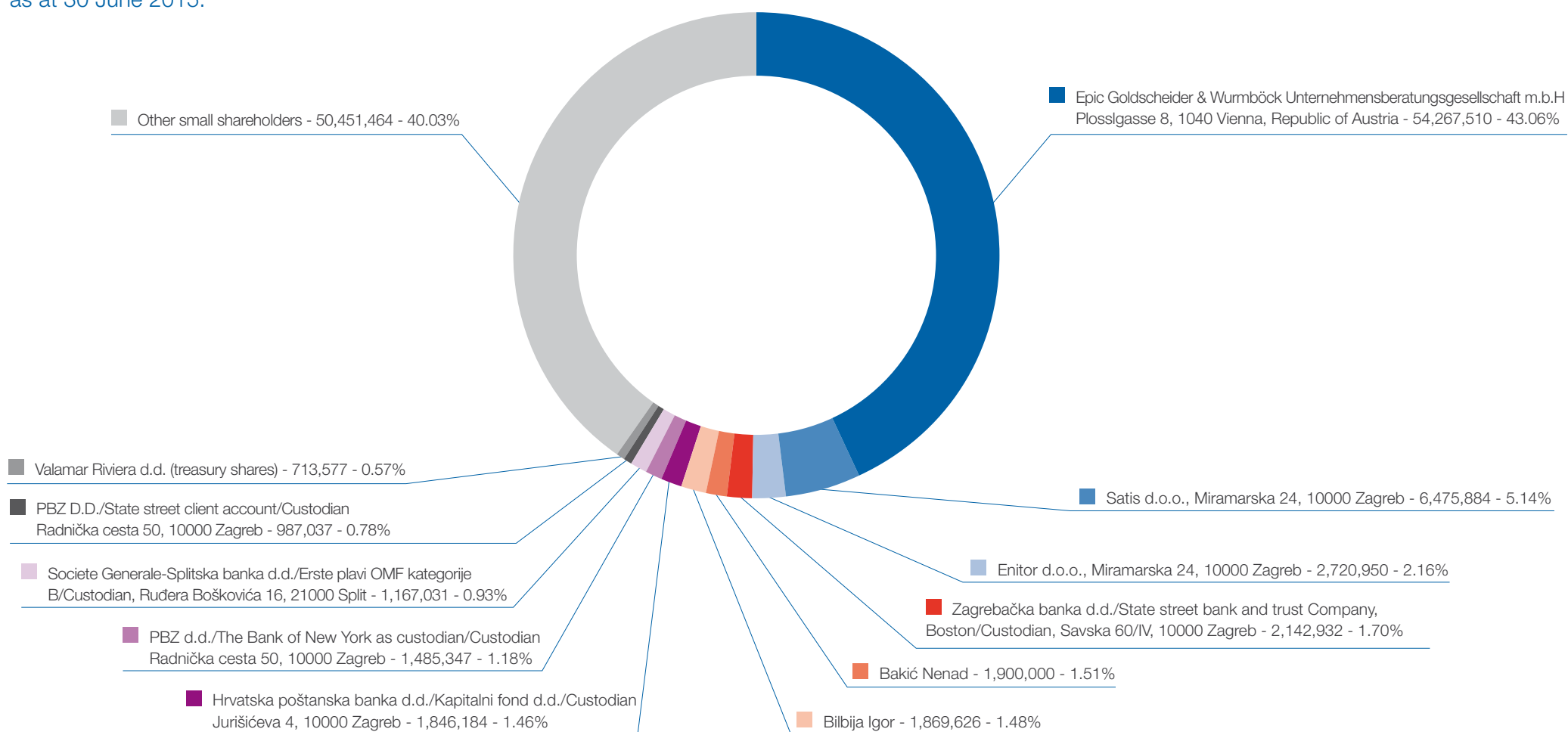
The Company actively holds meetings with domestic and foreign investors (more than 50 meetings were held in the period from 1 January 2015 to 30 June 2015) in order to provide support to high-level transparency, creation of additional liquidity, increase of share value and involvement of investors who can contribute to further growth of the Company's value for the benefit of all stakeholders, all with a view to making the Valamar Riviera's share recognisable as the leading Croatian tourism share.

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



## OTHER INFORMATION

Overview of major shareholders  
as at 30 June 2015:



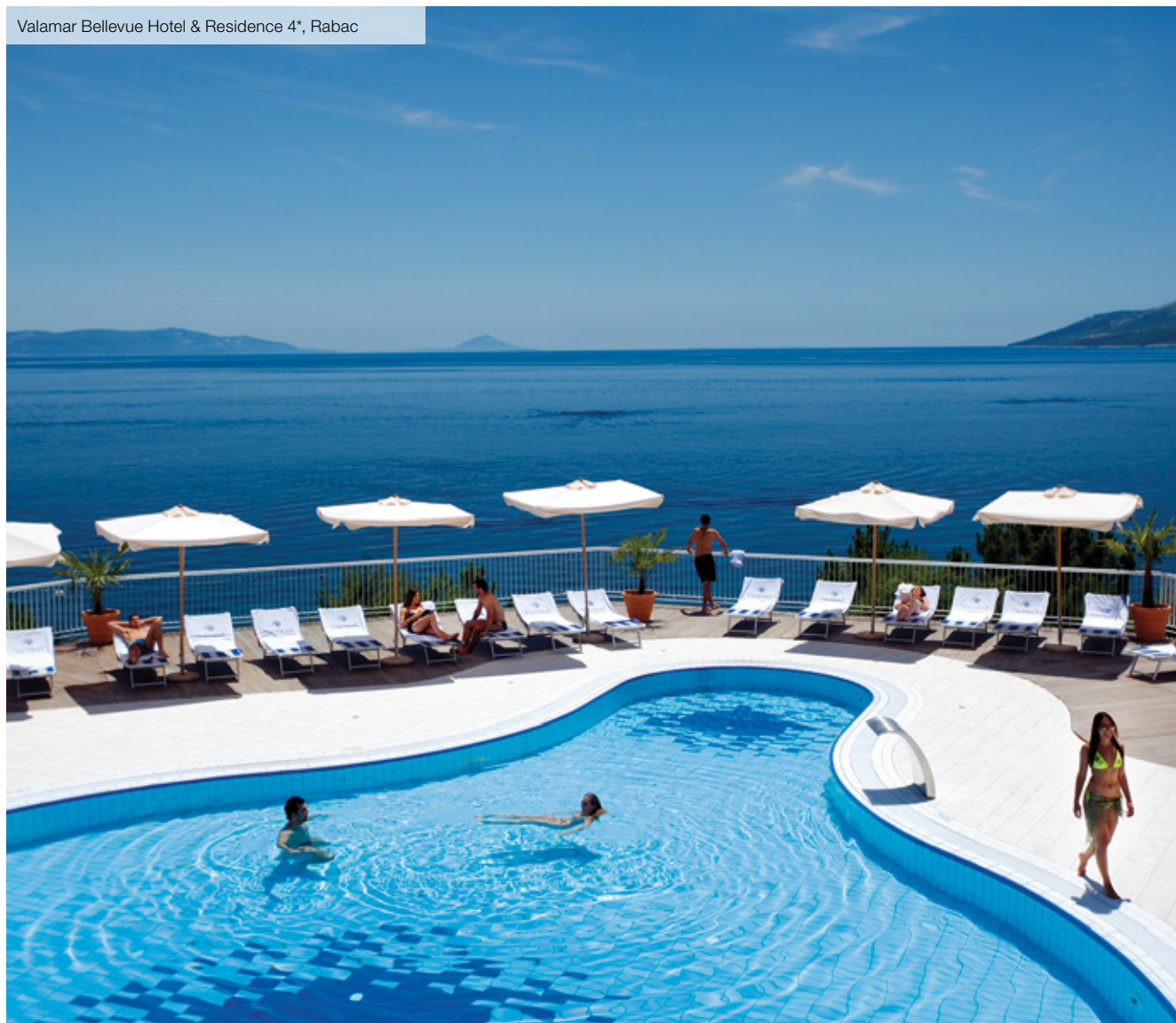


In the course of the second quarter of 2015 and the first half of 2015, the Company's Management Board performed the actions provided for by law and the Articles of Association with respect to the management and representation of the Company, and planned a business policy that was implemented with prudent 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 2015 and the interim report of the Company's Management Board covering the period from 1 January 2015 to 30 June 2015 were adopted by the Management Board on 30 July 2015.

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

Valamar Bellevue Hotel & Residence 4\*, Rabac



## RESPONSIBILITY FOR THE QUARTERLY FINANCIAL STATEMENTS

In Poreč, 30 June 2015

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 and semiannual 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 first quarter of 2015 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 1st of January and 30th of June 2015 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 1.1.2015 to 30.6.2015

## Quarterly financial report TFI-POD

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

County code and name:	<u>18 Istarska</u>	Number of employees: (period end)	<u>3.546</u>
		NKD code:	<u>5510</u>

Consolidated report: YES

Companies of the consolidation subject (according to IFRS):

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

Bookkeeping service: \_\_\_\_\_

Contact person: Sopta Anka  
(only surname and name)Telephone: 052/408 188 Telefaks: 052/408 110E-mail address: anka.sopta@riviera.hrFamily name and name: Kukurin Željko, Čižmek Marko  
(person authorized to represent the company)

Documents disclosed:

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

VALAMAR RIVIERA d.d.  
POREČ (5)

L.S.

  
 \_\_\_\_\_  
 (signature of the person authorized to represent the company)



## Balance Sheet (as of 30.6.2015)

Company: Valamar Riviera d.d.

Position 1	AOP 2	Previous period 3	Current period 4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL</b>	<b>001</b>		
<b>B) NON-CURRENT ASSETS (003+010+020+029+033)</b>	<b>002</b>	<b>2.751.488.491</b>	<b>3.227.845.917</b>
<b>I. INTANGIBLE ASSETS (004 to 009)</b>	<b>003</b>	<b>15.086.357</b>	<b>14.758.191</b>
1. Expenditure for development	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	8.512.338	6.443.767
3. Goodwill	006	6.567.609	6.567.609
4. Advances for purchase of intangible assets	007		
5. Intangible assets in progress	008	6.410	501.010
6. Other intangible assets	009		1.245.805
<b>II. PROPERTY, PLANT AND EQUIPMENT (011 to 019)</b>	<b>010</b>	<b>2.608.821.021</b>	<b>3.081.579.195</b>
1. Land	011	584.990.827	662.133.556
2. Buildings	012	1.632.961.854	1.841.721.619
3. Plant and equipment	013	165.833.466	174.905.438
4. Tools, working inventory and transportation assets	014	51.856.611	58.854.407
5. Biological assets	015		
6. Advances for purchase of tangible assets	016	20.807.049	23.032.581
7. Tangible assets in progress	017	107.706.274	278.180.698
8. Other tangible assets	018	21.732.890	20.397.389
9. Investment in real-estate	019	22.932.050	22.353.507
<b>III. NON-CURRENT FINANCIAL ASSETS (021 to 028)</b>	<b>020</b>	<b>43.432.067</b>	<b>46.775.145</b>
1. Share in related parties	021	1.339.638	1.520.469
2. Loans to related parties	022		
3. Participating interests (shares)	023	140.000	140.000
4. Loans to companies with participating interest	024		
5. Investments in securities	025	41.952.429	44.659.849
6. Loans, deposits, etc.	026		454.827
7. Other non-current financial assets	027		
8. Equity-accounted investments	028		
<b>IV. RECEIVABLES (030 to 032)</b>	<b>029</b>	<b>732.724</b>	<b>679.727</b>
1. Receivables from related parties	030		
2. Receivables arising from sales on credit	031	372.432	323.274
3. Other receivables	032	360.292	356.453
<b>V. DEFERRED TAX ASSET</b>	<b>033</b>	<b>83.416.322</b>	<b>84.053.659</b>
<b>C) CURRENT ASSETS (035+043+050+058)</b>	<b>034</b>	<b>238.600.677</b>	<b>251.296.438</b>
<b>I. INVENTORIES (036 to 042)</b>	<b>035</b>	<b>7.278.488</b>	<b>10.800.337</b>
1. Raw materials and supplies	036	6.329.111	9.438.754
2. Production in progress	037		
3. Finished products	038		
4. Merchandise	039	204.383	616.589
5. Advances for inventories	040		
6. Long term assets held for sale	041	744.994	744.994
7. Biological assets	042		
<b>II. RECEIVABLES (044 to 049)</b>	<b>043</b>	<b>34.888.703</b>	<b>86.845.693</b>
1. Receivables from related parties	044		1.673
2. Receivables from end-customers	045	19.301.006	67.815.301
3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	345.834	3.538.897
5. Receivables from government and other institutions	048	10.641.936	7.222.612
6. Other receivables	049	4.599.927	8.267.210
<b>III. CURRENT FINANCIAL ASSETS (051 to 057)</b>	<b>050</b>	<b>1.231.982</b>	<b>3.942.200</b>
1. Share in related parties	051		
2. Loans to related parties	052		
3. Participating interests (shares)	053		
4. Loans to companies with participating interest	054		
5. Investments in securities	055	1.091.162	1.061.717
6. Loans, deposits, etc.	056	140.820	788.267
7. Other financial assets	057		2.092.216
<b>IV. CASH AND CASH EQUIVALENTS</b>	<b>058</b>	<b>195.201.504</b>	<b>149.708.208</b>
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>	<b>25.415.099</b>	<b>78.802.268</b>
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>3.015.504.267</b>	<b>3.557.944.623</b>
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	<b>54.834.429</b>	<b>54.763.140</b>

Balance Sheet (as of 30.6.2015) (continued)  
Company: Valamar Riviera d.d.

Position 1	AOP 2	Previous period 3	Current period 4
<b>EQUITY AND LIABILITIES</b>			
<b>A) ISSUED CAPITAL AND RESERVES</b> (063+064+065+071+072+075+078)	<b>062</b>	<b>1.883.736.622</b>	<b>1.712.301.616</b>
<b>I. SUBSCRIBED SHARE CAPITAL</b>	<b>063</b>	<b>1.672.021.210</b>	<b>1.672.021.210</b>
<b>II. CAPITAL RESERVES</b>	<b>064</b>	<b>-18.596.391</b>	<b>39.505</b>
<b>III. RESERVES FROM PROFIT</b> (066+067-068+069+070)	<b>065</b>	<b>94.257.647</b>	<b>68.445.427</b>
1. Legal reserves	066	60.724.657	61.906.040
2. Reserve for own shares	067	24.344.407	24.344.407
3. Treasury shares and shares (deductible items)	068	13.303.107	17.805.366
4. Statutory reserves	069		
5. Other reserves	070	22.491.690	346
<b>IV. REVALUATION RESERVES</b>	<b>071</b>	<b>29.413.744</b>	<b>31.084.291</b>
<b>V. RETAINED EARNINGS OR LOSS CARRIED FORWARD</b> (073-074)	<b>072</b>	<b>55.168.035</b>	<b>39.959.499</b>
1. Retained earnings	073	55.168.035	39.959.499
2. Loss carried forward	074		
<b>VI. NET PROFIT OR LOSS FOR THE PERIOD</b> (076-077)	<b>075</b>	<b>51.381.272</b>	<b>-108.623.872</b>
1. Net profit for the period	076	51.381.272	
2. Net loss for the period	077		108.623.872
<b>VII. MINORITY INTEREST</b>	<b>078</b>	<b>91.105</b>	<b>9.375.556</b>
<b>B) PROVISIONS</b> (080 to 082)	<b>079</b>	<b>266.430</b>	<b>0</b>
1. Provisions for pensions, severance pay and similar liabilities	080		
2. Provisions for tax liabilities	081	55.574	
3. Other provisions	082	210.856	
<b>C) NON-CURRENT LIABILITIES</b> (084 to 092)	<b>083</b>	<b>828.398.720</b>	<b>1.224.197.181</b>
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	822.163.177	1.217.153.943
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	3.937.690	4.327.748
9. Deferred tax liabilities	092	2.297.853	2.715.490
<b>D) CURRENT LIABILITIES</b> (094 to 105)	<b>093</b>	<b>219.471.425</b>	<b>546.672.949</b>
1. Liabilities to related parties	094	108.119	73.148
2. Liabilities for loans, deposits, etc.	095		10.000.000
3. Liabilities to banks and other financial institutions	096	103.814.699	132.711.407
4. Liabilities for advances	097	12.627.056	134.184.780
5. Trade payables	098	77.024.650	138.755.635
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	15.929.103	26.646.815
9. Taxes, contributions and similar liabilities	102	9.009.700	29.706.570
10. Liabilities arising from share in the result	103	12.418	68.965.512
11. Liabilities arising from non-current assets held for sale	104		
12. Other current liabilities	105	945.680	5.629.082
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	<b>83.631.070</b>	<b>74.772.877</b>
<b>F) TOTAL EQUITY AND LIABILITIES</b> (062+079+083+093+106)	<b>107</b>	<b>3.015.504.267</b>	<b>3.557.944.623</b>
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	<b>54.834.429</b>	<b>54.763.140</b>
<b>ADDITION TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
1. Attributable to majority owners	109	1.883.645.517	1.702.926.060
2. Attributable to minority interest	110	91.105	9.375.556

Income statement (period 1.1.2015. to 30.6.2015.)  
Company: Valamar Riviera d.d.

Position	AOP	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME</b> (112 to 113)	<b>111</b>	<b>316.909.934</b>	<b>298.221.182</b>	<b>355.409.985</b>	<b>331.426.428</b>
1. Sales revenues	112	311.862.206	295.918.366	342.821.905	325.805.705
2. Other operating revenues	113	5.047.727	2.302.815	12.588.080	5.620.723
<b>II. OPERATING COSTS</b> (115+116+120+124+125+126+129+130)	<b>114</b>	<b>440.209.547</b>	<b>291.641.837</b>	<b>440.414.953</b>	<b>295.630.439</b>
1. Change in inventories of work in progress	115				
2. Material expenses (117 to 119)	116	141.012.831	116.745.474	147.151.247	118.205.173
a) Costs of raw materials	117	73.575.955	64.112.564	80.644.792	67.954.871
b) Cost of goods sold	118	279.172	265.208	391.622	383.168
c) Other material expenses	119	67.157.705	52.367.703	66.114.833	49.867.134
3. Employee benefits expenses (121 to 123)	120	102.383.574	72.887.365	126.494.254	88.912.055
a) Net salaries	121	62.068.150	44.054.712	75.441.730	53.689.061
b) Tax and contributions from salary expenses	122	25.831.791	18.228.582	33.047.039	22.668.388
c) Contributions on salary	123	14.483.633	10.604.071	18.005.485	12.554.606
4. Depreciation and amortisation	124	116.837.491	58.419.228	114.797.426	57.410.123
5. Other expenses	125	75.717.159	40.797.559	47.403.991	28.576.011
6. Write down of assets (127+128)	126	34.261	0	235.807	108.959
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128	34.261	0	235.807	108.959
7. Provisions	129				
8. Other operating costs	130	4.224.230	2.792.210	4.332.228	2.418.118
<b>III. FINANCIAL INCOME</b> (132 to 136)	<b>131</b>	<b>3.863.481</b>	<b>2.546.367</b>	<b>16.968.671</b>	<b>12.544.923</b>
1. Interest, foreign exchange differences, dividends and similar income from related parties	132				
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	1.549.597	1.116.297	12.694.032	10.095.517
3. Income from investments in associates and joint ventures	134				
4. Unrealised gains (income) from financial assets	135	1.411.833	714.372	3.353.518	1.849.173
5. Other financial income	136	902.051	715.698	921.121	600.233
<b>IV. FINANCIAL EXPENSES</b> (138 to 141)	<b>137</b>	<b>12.591.458</b>	<b>7.608.260</b>	<b>41.226.017</b>	<b>8.327.230</b>
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	11.964.461	7.290.104	39.196.488	7.674.253
3. Unrealised losses (expenses) from financial assets	140			1.671.778	405.278
4. Other financial expenses	141	626.997	318.156	357.751	247.699
<b>V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES</b>	<b>142</b>				
<b>VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES</b>	<b>143</b>				
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL INCOME</b> (111+131+142+144)	<b>146</b>	<b>320.773.414</b>	<b>300.767.548</b>	<b>372.378.656</b>	<b>343.971.351</b>
<b>X. TOTAL EXPENSES</b> (114+137+143+145)	<b>147</b>	<b>452.801.005</b>	<b>299.250.097</b>	<b>481.640.970</b>	<b>303.957.669</b>
<b>XI. PROFIT OR LOSS BEFORE TAXES</b> (146-147)	<b>148</b>	<b>-132.027.591</b>	<b>1.517.451</b>	<b>-109.262.314</b>	<b>40.013.682</b>
1. Profit before taxes (146-147)	149	0	1.517.451	0	40.013.682
2. Loss before taxes (147-146)	150	132.027.591	0	109.262.314	0
<b>XII. TAXATION</b>	<b>151</b>			<b>-637.338</b>	
<b>XIII. PROFIT OR LOSS FOR THE PERIOD</b> (148-151)	<b>152</b>	<b>-132.027.591</b>	<b>1.517.451</b>	<b>-108.624.976</b>	<b>40.013.682</b>
1. Profit for the period (149-151)	153	0	1.517.451	0	40.013.682
2. Loss for the period (151-148)	154	132.027.591	0	108.624.976	0



Income statement (period 1.1.2015. to 30.6.2015.) (continued)  
Company: Valamar Riviera d.d.

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

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

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

1. Attributable to majority owners	155	-132.027.591	1.517.451	-108.623.872	40.008.387
2. Attributable to minority interest	156			-1.104	5.295

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

<b>I. PROFIT OR LOSS FOR THE PERIOD (=152)</b>	<b>157</b>	<b>-132.027.591</b>	<b>1.517.451</b>	<b>-108.624.976</b>	<b>40.013.682</b>
<b>II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 to 165)</b>	<b>158</b>	<b>-87.000</b>	<b>-87.000</b>	<b>6.553.118</b>	<b>6.553.118</b>
1. Exchange differences from international settlement	159				
2. Changes in revaluation reserves of long-term tangible and intangible assets	160				
3. Profit or loss from re-evaluation of financial assets held for sale	161	-87.000	-87.000	6.553.118	6.553.118
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>-17.400</b>	<b>-17.400</b>	<b>1.310.624</b>	<b>1.310.624</b>
<b>IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158-166)</b>	<b>167</b>	<b>-69.600</b>	<b>-69.600</b>	<b>5.242.494</b>	<b>5.242.494</b>
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	<b>-132.097.191</b>	<b>1.447.851</b>	<b>-103.382.482</b>	<b>45.256.176</b>

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

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

1. Attributable to majority owners	169	-132.097.191	1.447.851	-103.381.378	45.250.881
2. Attributable to minority interest	170			-1.104	5.295

Cash flow statement - indirect method (period 1.1.2015. to 30.6.2015.)  
Company: Valamar Riviera d.d.

Position 1	AOP 2	Previous period 3	Current period 4
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	-132.027.591	-108.623.872
2. Depreciation and amortisation	002	116.837.491	114.797.426
3. Increase of current liabilities	003	161.557.527	229.382.350
4. Decrease of current receivables	004	19.226.505	
5. Decrease of inventories	005	692.954	
6. Other cash flow increases	006		52.997
<b>I. Total increase of cash flow from operating activities</b>	<b>007</b>	<b>166.286.886</b>	<b>235.608.901</b>
1. Decrease of current liabilities	008		
2. Increase of current receivables	009	58.168.212	51.956.990
3. Increase of inventories	010	3.824.299	3.521.848
4. Other cash flow decreases	011	84.787.570	64.435.302
<b>II. Total decrease of cash flow from operating activities</b>	<b>012</b>	<b>146.780.081</b>	<b>119.914.140</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>013</b>	<b>19.506.805</b>	<b>115.694.761</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		
2. Proceeds from sale of non-current financial assets	016		
3. Interest received	017		
4. Dividend received	018		
5. Other proceeds from investing activities	019		
<b>III. Total cash inflows from investing activities</b>	<b>020</b>	<b>0</b>	<b>0</b>
1. Purchase of non-current assets	021	252.306.544	587.227.435
2. Purchase of non-current financial assets	022		
3. Other cash outflows from investing activities	023		3.980.415
<b>IV. Total cash outflows from investing activities</b>	<b>024</b>	<b>252.306.544</b>	<b>591.207.850</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>025</b>	<b>0</b>	<b>0</b>
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>026</b>	<b>252.306.544</b>	<b>591.207.850</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Proceeds from issue of equity securities and debt securities	027		9.284.451
2. Proceeds from loans and borrowings	028	161.897.886	423.887.474
3. Other proceeds from financing activities	029	301.401	1.310.623
<b>V. Total cash inflows from financing activities</b>	<b>030</b>	<b>162.199.287</b>	<b>434.482.548</b>
1. Repayment of loans and bonds	031	55.286.489	
2. Dividends paid	032		
3. Repayment of finance lease	033		
4. Purchase of treasury shares	034	1.558.334	4.462.755
5. Other cash outflows from financing activities	035	77.080.782	
<b>VI. Total cash outflows from financing activities</b>	<b>036</b>	<b>133.925.605</b>	<b>4.462.755</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>037</b>	<b>28.273.682</b>	<b>430.019.793</b>
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>038</b>	<b>0</b>	<b>0</b>
Total increases of cash flows	039	47.780.487	0
Total decreases of cash flows	040	252.306.544	45.493.296
Cash and cash equivalents at the beginning of period	041	223.105.134	195.201.504
Increase of cash and cash equivalents	042		
Decrease of cash and cash equivalents	043	204.526.057	45.493.296
Cash and cash equivalents at the end of period	044	18.579.077	149.708.208

STATEMENT OF CHANGES IN EQUITY (period 1.1.2015. to 30.6.2015.)  
Company: Valamar Riviera d.d.

Position 1	AOP 2	Previous year 3	Current year 4
1. Subscribed share capital	001	1.672.021.210	1.672.021.210
2. Capital reserves	002	-18.596.391	39.505
3. Reserves from profit	003	94.257.647	68.445.427
4. Retained earnings or loss carried forward	004	55.168.035	39.959.499
5. Net profit or loss for the period	005	51.381.272	-108.623.872
6. Revaluation of tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of available for sale assets	008	29.413.744	31.084.291
9. Other revaluation	009		
<b>10. Total equity and reserves</b> (AOP 001 to 009)	<b>010</b>	<b>1.883.645.517</b>	<b>1.702.926.060</b>
11. Foreign exchange differences from foreign investments	011		
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Change of accounting policies	014		
15. Correction of significant mistakes of prior period	015		
16. Other changes	016		
<b>17. Total increase or decrease of equity</b> (AOP 011 to 016)	<b>017</b>	<b>0</b>	<b>0</b>
17 a. Attributable to majority owners	018	1.883.645.517	1.702.926.060
17 b. Attributable to minority interest	019	91.105	9.375.556





## Balance Sheet (as of 30.6.2015)

Company: Valamar Riviera d.d.

Position 1	AOP 2	Previous period 3	Current period 4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL</b>	<b>001</b>		
<b>B) NON-CURRENT ASSETS (003+010+020+029+033)</b>	<b>002</b>	<b>2.934.693.969</b>	<b>3.225.198.730</b>
<b>I. INTANGIBLE ASSETS (004 to 009)</b>	<b>003</b>	<b>8.156.685</b>	<b>6.968.601</b>
1. Expenditure for development	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	8.150.275	6.467.591
3. Goodwill	006		
4. Advances for purchase of intangible assets	007		
5. Intangible assets in progress	008	6.410	501.010
6. Other intangible assets	009		
<b>II. PROPERTY, PLANT AND EQUIPMENT (011 to 019)</b>	<b>010</b>	<b>2.281.695.410</b>	<b>2.397.739.020</b>
1. Land	011	518.328.470	519.597.293
2. Buildings	012	1.379.186.088	1.328.934.967
3. Plant and equipment	013	164.971.179	159.635.118
4. Tools, working inventory and transportation assets	014	50.212.919	56.860.509
5. Biological assets	015		
6. Advances for purchase of tangible assets	016	20.168.936	22.762.581
7. Tangible assets in progress	017	107.593.195	270.735.648
8. Other tangible assets	018	21.726.121	20.227.808
9. Investment in real-estate	019	19.508.502	18.985.096
<b>III. NON-CURRENT FINANCIAL ASSETS (021 to 028)</b>	<b>020</b>	<b>440.999.450</b>	<b>616.064.344</b>
1. Share in related parties	021	401.967.938	574.984.511
2. Loans to related parties	022		
3. Participating interests (shares)	023	140.000	140.000
4. Loans to companies with participating interest	024		
5. Investments in securities	025	38.891.512	40.939.833
6. Loans, deposits, etc.	026		
7. Other non-current financial assets	027		
8. Equity-accounted investments	028		
<b>IV. RECEIVABLES (030 to 032)</b>	<b>029</b>	<b>163.186.378</b>	<b>163.133.381</b>
1. Receivables from related parties	030	162.453.654	162.453.654
2. Receivables arising from sales on credit	031	372.432	323.274
3. Other receivables	032	360.292	356.453
<b>V. DEFERRED TAX ASSET</b>	<b>033</b>	<b>40.656.046</b>	<b>41.293.384</b>
<b>C) CURRENT ASSETS (035+043+050+058)</b>	<b>034</b>	<b>236.076.707</b>	<b>244.140.147</b>
<b>I. INVENTORIES (036 to 042)</b>	<b>035</b>	<b>7.124.242</b>	<b>9.762.353</b>
1. Raw materials and supplies	036	6.329.111	8.675.041
2. Production in progress	037		
3. Finished products	038		
4. Merchandise	039	50.137	342.318
5. Advances for inventories	040		
6. Long term assets held for sale	041	744.994	744.994
7. Biological assets	042		
<b>II. RECEIVABLES (044 to 049)</b>	<b>043</b>	<b>61.014.573</b>	<b>88.627.253</b>
1. Receivables from related parties	044	28.734.473	14.681.397
2. Receivables from end-customers	045	18.155.016	61.642.737
3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	324.333	3.360.526
5. Receivables from government and other institutions	048	10.039.908	1.373.408
6. Other receivables	049	3.760.843	7.569.185
<b>III. CURRENT FINANCIAL ASSETS (051 to 057)</b>	<b>050</b>	<b>1.749.282</b>	<b>3.801.039</b>
1. Share in related parties	051		
2. Loans to related parties	052	517.300	617.300
3. Participating interests (shares)	053		
4. Loans to companies with participating interest	054		
5. Investments in securities	055	1.091.162	1.061.717
6. Loans, deposits, etc.	056	140.820	29.806
7. Other financial assets	057		2.092.216
<b>IV. CASH AND CASH EQUIVALENTS</b>	<b>058</b>	<b>166.188.610</b>	<b>141.949.502</b>
<b>D) PREPAYMENTS AND ACCRUED INCOME</b>	<b>059</b>	<b>23.979.421</b>	<b>72.613.909</b>
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>3.194.750.097</b>	<b>3.541.952.786</b>
<b>F) OFF BALANCE SHEET ITEMS</b>	<b>061</b>	<b>54.802.077</b>	<b>54.763.140</b>

Balance Sheet (as of 30.6.2015) (continued)  
Company: Valamar Riviera d.d.

Position 1	AOP 2	Previous period 3	Current period 4
<b>EQUITY AND LIABILITIES</b>			
<b>A) ISSUED CAPITAL AND RESERVES</b> (063+064+065+071+072+075+078)	<b>062</b>	<b>2.079.320.752</b>	<b>1.912.147.649</b>
<b>I. SUBSCRIBED SHARE CAPITAL</b>	<b>063</b>	<b>1.672.021.210</b>	<b>1.672.021.210</b>
<b>II. CAPITAL RESERVES</b>	<b>064</b>	<b>-8.395.862</b>	<b>39.505</b>
<b>III. RESERVES FROM PROFIT</b> (066+067-068+069+070)	<b>065</b>	<b>98.724.306</b>	<b>72.912.085</b>
1. Legal reserves	066	60.724.657	61.906.040
2. Reserve for own shares	067	24.344.407	24.344.407
3. Treasury shares and shares (deductible items)	068	8.836.448	13.338.708
4. Statutory reserves	069		
5. Other reserves	070	22.491.690	346
<b>IV. REVALUATION RESERVES</b>	<b>071</b>	<b>29.750.702</b>	<b>31.389.359</b>
<b>V. RETAINED EARNINGS OR LOSS CARRIED FORWARD</b> (073-074)	<b>072</b>	<b>263.592.748</b>	<b>221.960.894</b>
1. Retained earnings	073	263.592.748	221.960.894
2. Loss carried forward	074		
<b>VI. NET PROFIT OR LOSS FOR THE PERIOD</b> (076-077)	<b>075</b>	<b>23.627.648</b>	<b>-86.175.404</b>
1. Net profit for the period	076	23.627.648	
2. Net loss for the period	077		86.175.404
<b>VII. MINORITY INTEREST</b>	<b>078</b>		
<b>B) PROVISIONS</b> (080 to 082)	<b>079</b>	<b>0</b>	<b>0</b>
1. Provisions for pensions, severance pay and similar liabilities	080		
2. Provisions for tax liabilities	081		
3. Other provisions	082		
<b>C) NON-CURRENT LIABILITIES</b> (084 to 092)	<b>083</b>	<b>819.921.751</b>	<b>1.054.580.065</b>
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	813.686.208	1.047.544.800
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	3.937.690	4.327.748
9. Deferred tax liabilities	092	2.297.853	2.707.517
<b>D) CURRENT LIABILITIES</b> (094 to 105)	<b>093</b>	<b>217.599.944</b>	<b>505.648.839</b>
1. Liabilities to related parties	094	1.040.930	198.345
2. Liabilities for loans, deposits, etc.	095		
3. Liabilities to banks and other financial institutions	096	102.569.327	132.095.289
4. Liabilities for advances	097	12.574.155	120.128.249
5. Trade payables	098	80.051.034	132.462.287
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to employees	101	14.673.785	24.844.025
9. Taxes, contributions and similar liabilities	102	5.790.568	23.654.858
10. Liabilities arising from share in the result	103		68.922.466
11. Liabilities arising from non-current assets held for sale	104		
12. Other current liabilities	105	900.145	3.343.320
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>106</b>	<b>77.907.649</b>	<b>69.576.233</b>
<b>F) TOTAL EQUITY AND LIABILITIES</b> (062+079+083+093+106)	<b>107</b>	<b>3.194.750.097</b>	<b>3.541.952.786</b>
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>108</b>	<b>54.802.077</b>	<b>54.763.140</b>
<b>ADDITION TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>ISSUED CAPITAL AND RESERVES</b>			
1. Attributable to majority owners	109		
2. Attributable to minority interest	110	0	0



Income statement (period 1.1.2015. to 30.6.2015.)  
Company: Valamar Riviera d.d.

Position	AOP	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME</b> (112 to 113)	<b>111</b>	<b>316.808.997</b>	<b>298.178.065</b>	<b>352.561.204</b>	<b>328.368.023</b>
1. Sales revenues	112	311.827.876	295.941.856	340.024.539	322.658.493
2. Other operating revenues	113	4.981.121	2.236.209	12.536.665	5.709.530
<b>II. OPERATING COSTS</b> (115+116+120+124+125+126+129+130)	<b>114</b>	<b>445.157.339</b>	<b>293.876.937</b>	<b>439.491.086</b>	<b>294.801.142</b>
1. Change in inventories of work in progress	115				
2. Material expenses (117 to 119)	116	154.747.525	123.299.811	162.047.807	124.552.435
a) Costs of raw materials	117	72.849.684	63.386.293	80.115.307	67.622.514
b) Cost of goods sold	118	279.172	265.208	387.545	381.569
c) Other material expenses	119	81.618.670	59.648.311	81.544.955	56.548.352
3. Employee benefits expenses (121 to 123)	120	102.383.574	72.887.365	121.679.941	87.946.316
a) Net salaries	121	62.068.150	44.054.712	72.853.985	53.133.370
b) Tax and contributions from salary expenses	122	25.831.791	18.228.582	31.367.196	22.302.496
c) Contributions on salary	123	14.483.633	10.604.071	17.458.760	12.510.450
4. Depreciation and amortisation	124	108.234.927	54.117.946	107.139.171	53.654.687
5. Other expenses	125	75.533.121	40.750.163	46.286.221	28.210.471
6. Write down of assets (127+128)	126	34.261	0	235.807	108.959
a) non-current assets (except financial assets)	127				
b) current assets (except financial assets)	128	34.261	0	235.807	108.959
7. Provisions	129				
8. Other operating costs	130	4.223.930	2.821.651	2.102.139	328.274
<b>III. FINANCIAL INCOME</b> (132 to 136)	<b>131</b>	<b>3.863.207</b>	<b>2.546.109</b>	<b>40.619.996</b>	<b>12.272.495</b>
1. Interest, foreign exchange differences, dividends and similar income from related parties	132			24.037.704	0
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	1.549.323	1.116.039	12.307.654	9.823.091
3. Income from investments in associates and joint ventures	134				
4. Unrealised gains (income) from financial assets	135	1.411.833	714.372	3.353.517	1.849.171
5. Other financial income	136	902.051	715.698	921.121	600.233
<b>IV. FINANCIAL EXPENSES</b> (138 to 141)	<b>137</b>	<b>11.025.414</b>	<b>6.832.300</b>	<b>39.865.518</b>	<b>7.753.523</b>
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	10.398.417	6.514.144	37.835.989	7.100.546
3. Unrealised losses (expenses) from financial assets	140			1.671.778	405.278
4. Other financial expenses	141	626.997	318.156	357.751	247.699
<b>V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES</b>	<b>142</b>				
<b>VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES</b>	<b>143</b>				
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL INCOME</b> (111+131+142+144)	<b>146</b>	<b>320.672.204</b>	<b>300.724.174</b>	<b>393.181.200</b>	<b>340.640.518</b>
<b>X. TOTAL EXPENSES</b> (114+137+143+145)	<b>147</b>	<b>456.182.753</b>	<b>300.709.237</b>	<b>479.356.604</b>	<b>302.554.665</b>
<b>XI. PROFIT OR LOSS BEFORE TAXES</b> (146-147)	<b>148</b>	<b>-135.510.550</b>	<b>14.936</b>	<b>-86.175.404</b>	<b>38.085.853</b>
1. Profit before taxes (146-147)	149	0	14.936	0	38.085.853
2. Loss before taxes (147-146)	150	135.510.550	0	86.175.404	0
<b>XII. TAXATION</b>	<b>151</b>				
<b>XIII. PROFIT OR LOSS FOR THE PERIOD</b> (148-151)	<b>152</b>	<b>-135.510.550</b>	<b>14.936</b>	<b>-86.175.404</b>	<b>38.085.853</b>
1. Profit for the period (149-151)	153	0	14.936	0	38.085.853
2. Loss for the period (151-148)	154	135.510.550	0	86.175.404	0

Income statement (period 1.1.2015. to 30.6.2015.) (continued)  
Company: Valamar Riviera d.d.

Position	AOP	Previous period		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>ADDITION TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributable to majority owners	155	-135.510.550	14.936	-86.175.404	38.085.853
2. Attributable to minority interest	156				
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (=152)</b>	<b>157</b>	<b>-135.510.550</b>	<b>14.936</b>	<b>-86.175.404</b>	<b>38.085.853</b>
<b>II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 to 165)</b>	<b>158</b>	<b>-87.000</b>	<b>-87.000</b>	<b>2.048.322</b>	<b>2.048.322</b>
1. Exchange differences from international settlement	159				
2. Changes in revaluation reserves of long-term tangible and intangible assets	160				
3. Profit or loss from re-evaluation of financial assets held for sale	161	-87.000	-87.000	2.048.322	2.048.322
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>-17.400</b>	<b>-17.400</b>	<b>409.664</b>	<b>409.664</b>
<b>IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158-166)</b>	<b>167</b>	<b>-69.600</b>	<b>-69.600</b>	<b>1.638.658</b>	<b>1.638.658</b>
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	<b>-135.580.150</b>	<b>-54.664</b>	<b>-84.536.746</b>	<b>39.724.511</b>
<b>ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)</b>					
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b>					
1. Attributable to majority owners	169				
2. Attributable to minority interest	170				

Cash flow statement - indirect method (period 1.1.2015. to 30.6.2015.)  
Company: Valamar Riviera d.d.

Position 1	AOP 2	Previous period 3	Current period 4
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	-135.510.550	-86.175.404
2. Depreciation and amortisation	002	108.234.927	107.139.171
3. Increase of current liabilities	003	160.752.915	189.597.342
4. Decrease of current receivables	004		
5. Decrease of inventories	005		
6. Other cash flow increases	006		52.997
<b>I. Total increase of cash flow from operating activities</b>	<b>007</b>	<b>133.477.293</b>	<b>210.614.106</b>
1. Decrease of current liabilities	008		
2. Increase of current receivables	009	105.980.500	27.609.556
3. Increase of inventories	010	3.131.346	2.638.110
4. Other cash flow decreases	011	80.931.007	58.217.939
<b>II. Total decrease of cash flow from operating activities</b>	<b>012</b>	<b>190.042.852</b>	<b>88.465.605</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>013</b>	<b>0</b>	<b>122.148.501</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>014</b>	<b>56.565.559</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Proceeds from sale of non-current assets	015		
2. Proceeds from sale of non-current financial assets	016		
3. Interest received	017		
4. Dividend received	018		
5. Other proceeds from investing activities	019		
<b>III. Total cash inflows from investing activities</b>	<b>020</b>	<b>0</b>	<b>0</b>
1. Purchase of non-current assets	021	252.306.545	221.994.698
2. Purchase of non-current financial assets	022		
3. Other cash outflows from investing activities	023		175.702.232
<b>IV. Total cash outflows from investing activities</b>	<b>024</b>	<b>252.306.545</b>	<b>397.696.930</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>025</b>	<b>0</b>	<b>0</b>
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>026</b>	<b>252.306.545</b>	<b>397.696.930</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Proceeds from issue of equity securities and debt securities	027	284.000	
2. Proceeds from loans and borrowings	028		263.384.553
3. Other proceeds from financing activities	029	161.897.886	1.638.658
<b>V. Total cash inflows from financing activities</b>	<b>030</b>	<b>162.181.886</b>	<b>265.023.211</b>
1. Repayment of loans and bonds	031	55.286.489	
2. Dividends paid	032		
3. Repayment of finance lease	033		
4. Purchase of treasury shares	034	1.627.934	4.462.755
5. Other cash outflows from financing activities	035	907.970	9.251.135
<b>VI. Total cash outflows from financing activities</b>	<b>036</b>	<b>57.822.394</b>	<b>13.713.890</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>037</b>	<b>104.359.492</b>	<b>251.309.321</b>
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>038</b>	<b>0</b>	<b>0</b>
Total increases of cash flows	039	104.359.492	0
Total decreases of cash flows	040	308.872.104	24.239.108
Cash and cash equivalents at the beginning of period	041	222.755.699	166.188.610
Increase of cash and cash equivalents	042		
Decrease of cash and cash equivalents	043	204.512.612	24.239.108
Cash and cash equivalents at the end of period	044	18.243.087	141.949.502



STATEMENT OF CHANGES IN EQUITY (period 1.1.2015. to 30.6.2015.)  
Company: Valamar Riviera d.d.

Position 1	AOP 2	Previous year 3	Current year 4
1. Subscribed share capital	001	1.672.021.210	1.672.021.210
2. Capital reserves	002	-8.395.862	39.505
3. Reserves from profit	003	98.724.306	72.912.085
4. Retained earnings or loss carried forward	004	263.592.748	221.960.894
5. Net profit or loss for the period	005	23.627.648	-86.175.404
6. Revaluation of tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of available for sale assets	008	29.750.702	31.389.359
9. Other revaluation	009		
<b>10. Total equity and reserves</b> (AOP 001 to 009)	<b>010</b>	<b>2.079.320.752</b>	<b>1.912.147.649</b>
11. Foreign exchange differences from foreign investments	011		
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Change of accounting policies	014		
15. Correction of significant mistakes of prior period	015		
16. Other changes	016		
<b>17. Total increase or decrease of equity</b> (AOP 011 to 016)	<b>017</b>	<b>0</b>	<b>0</b>
17 a. Attributable to majority owners	018		
17 b. Attributable to minority interest	019		

Valamar Riviera d.d.  
Stancija Kaligari 1  
52440 Poreč, Hrvatska  
**T** +385 (52) 408 002  
**F** +385 (52) 451 608  
**E** info@riviera.hr  
**W** www.valamar.com

Investor relations  
Stancija Kaligari 1  
52440 Poreč, Hrvatska  
**T** +385 (52) 408 159  
**F** +385 (52) 451 608  
**E** ir@valamar.com  
**W** www.valamar-riviera.com