VALAMAR RIVIERA

BUSINESS RESULTS
1/1/2016 - 31/12/2016

QUARTERLY REPORT OF THE GROUP AND THE COMPANY VALAMAR RIVIERA D.D.

for the fourth quarter of 2016, including
the period from 1 January 2016 to 31 December 2016


Cava beach, Dubrovnik

Executive Summary

- In 2016, the Group achieved a strong EBITDA growth of 21% resulting in a total of HRK 513 million (HRK 423 million in 2015). This is largely due to a significant 15% increase in sales revenues (from HRK 1,269 million in 2015 to HRK 1,455 million in 2016) and increased operating efficiency as a result of the adjusted EBITDA margin of 35% (34% in 2015).

- Total revenues of HRK 1,579 million represent an 18% increase on 2015 revenues of HRK 1,333 million. Of the total revenues, HRK 1,455 million represented sales revenues, while the remaining part were represented mainly by financial income from foreign exchange gains and the sale of the Group's share portfolio. Sales revenue growth was mainly due to a 13% increase in board revenues to HRK 1,175 million (HRK 1,043.3 million in 2015), a 26% increase in outlet revenues and a 57% increase in revenue generated by other operating segments (laundry, travel agency, equipment-rental services, etc.).

- In 2016, the Group reported 5,144,328 overnights (+8%), and a 4.6% increase in the average daily rate. The increase in board revenues resulted from i) successful realization of large events and groups in the destinations of Dubrovnik and Poreč in preseason, ii) improved Premium and Upscale segments operating performance, iii) better occupancy, iv) increased direct sales channel and active revenue management, and v) acquisition of the hotel group in Baška.

- The increase in operational efficiency as seen through the adjusted EBITDA margin growth from 34% in 2015 to 35% in 2016 also includes the negative effect of the consolidation costs of the Baška destination during the first six months of this year. Without this negative effect, the comparable adjusted EBITDA margin would be 36% thus representing an actual increase in operational efficiency by 2 percentage points.

- In 2016 the Group's net profit grew by HRK 236.9 million and totaled HRK 342.3 million. This is mainly due to i) increased operating profit, ii) positive extraordinary financial result, and iii) one-time recognized deferred tax assets which will burden the gross profit in the forthcoming years of utilization.

- The enterprise value, as calculated by market capitalization plus net debt, continued to positively grow by 40% as a result of increased EBITDA and efficient debt management.

- Valamar Riviera acquired 54.71% of the share capital of Imperial d.d. Rab share capital and concluded a Contract for to the management of Imperial's properties and outlets from 1 January 2017. It also concluded a cooperation agreement with Allianz ZB d.o.o. a company managing obligatory pension funds who own 34.22% of the share capital of Imperial d.d. Rab. The agreement established joint activity towards Imperial d.d. Rab.

- A new set of strategic and development goals for the period to 2020 was presented during Valamar Riviera's Investors Day in 2016, which promote sustainable and responsible development of destinations and include i) HRK 1.5 to 2 billion investments in the existing portfolio, ii) growth of the EBITDA margin of 35 to 38%, and iii) attractive and sustainable dividends to the shareholders.

- Valamar Riviera signed a strategic cooperation agreement with TUI Northern Europe Limited, TUI UK, and TUI Nordic Holding AB. This agreement includes the branding of the Family Life Bellevue Resort 4* in Rabac as the first Family Life concept in Croatia according to TUI's standards with a three-year cooperation (seasons 2017 to 2019). Valamar Riviera also concluded an allotment contract with DER Touristik Köln GmbH for a three-year period (seasons 2017 to 2019) with occupancy guarantee. With this agreements occupancy at the new 4* resorts in Rabac will be additionally secured.

- Valamar Riviera continues with its 2017 investment cycle of HRK 873 million which is proceeding as planned and represents the largest investment in the company's portfolio for a single year. The investments mainly include projects for the Family Life Bellevue Resort 4* and Girandella Resort 4*/5* in Rabac, and the continuation of upgrading campsites towards the Premium segment. There is also a range of smaller investments for improving quality, operational efficiency and energy savings.

- Valamar Riviera fosters transparent relationships and improves the communication of business and financial matters with investors. In 2016, and for the fifth consecutive year, Valamar has received the Share of the Year award by the investing public confirming Valamar's appeal and business excellence.

- Valamar Riviera's continual investment in employees and in improving the quality of its products and services was recognized through numerous awards and certificates: Croatia's Leading Resort, Croatia's Leading Boutique Hotel, Croatia's Leading Hotel i Croatia's Leading Business Hotel - World Travel Awards; Camping2be 2016 Award - Camping2be.com; TOP 10 Premium Resort Meeting Hotels - Kongres magazine; Croatia's Best Campsites - KUH; 2016 Travellers' Choice Award i 2016 Certificate of Excellence - Tripadvisor; Best Camping 2016 - ADAC; Best Campsite - ANWB; Camping Award 2016 - DCC Europa Preis; Les plus beax campings d'Europe - Le monde du plein air Caravane - Camping; HolidayCheck Quality selection 2016 - HolidayCheck; 2016 Certificate of Excellence - Hotels.com; 2016 Travellers' Choice winner and award 2016 Certificate of Excellence - Tripadvisor.

- You can find the press release on Valamar Riviera's corporate website (link: valamar-riviera.com/en/1Y2016).

OUTLOOK

- In accordance with our strategic goals until 2020, internal preparations of investment projects are well under way. The projects aim at improving the portfolio facilities, amenities and services. However, the remaining unresolved issues with tourism land, increased VAT and rate of contributions for salaries, (which are both one of the highest on the Mediterranean) hinder further investment potential.
- Following the successful acquisitions of the Baška hotel group on the island of Krk and the Imperial hotel group on the island of Rab, we are considering further expansion by pursuing new partnership and acquisition opportunities in Croatia and in the region.

Valamar Girandella Resort 4* (preliminary visualization), Rabac

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Significant Business Events

Valamar Riviera is the leading Croatian tourism company and one of the leading tourism groups in Croatia. Valamar Riviera is a large tourism investor with more than HRK 3 billion invested in its portfolio over the last 13 years. It owns two brands: Camping Adriatic and Valamar Hotels and Resorts. At the end of 2016, Valamar Riviera acquired a 54.7% stake in Imperial d.d. on the Island of Rab.[1] With this acquisition, the Group operates 30 hotels and resorts and 15 camping resorts in five attractive destinations along the Adriatic coast – from Istria and the islands of Krk and Rab to Dubrovnik. It manages approximately 12% of the total categorized accommodation in Croatia. Valamar's properties can welcome more than 56,000 guests daily in over 21,000 accommodation units. In terms of accommodation capacity, Valamar Riviera is the largest tourism group in Croatia. Valamar Riviera promotes the interests of all its stakeholders: guests, suppliers and partners, local communities and destinations, around 21,000 shareholders, over 4,400 people employed during peak season and the whole community. The stakeholders' interests are actively promoted through Valamar Riviera's principles of sustainable growth, development and corporate social responsibility. The company aims at growing and developing further through portfolio investments, new acquisitions and partnerships, developing its destinations and human resources and increasing operational efficiency.

On 23 March 2016 Valamar Riviera concluded a Loan agreement with the Croatian Bank for Reconstruction and Development in the amount of EUR 24,291,114 (in HRK equivalent) maturing in 2033. The funds are earmarked for improving the quality standards in destinations Poreč, Rabac, Krk and Dubrovnik for the 2016 season.

Hotel Padova 4*, Island of Rab

[1] Transaction details are described on the next page.

On 31 March 2016, pursuant to the decision of the Commercial Court in Pazin, the company Hoteli Baška d.d. was merged with Valamar Riviera d.d. Valamar Riviera became the universal successor to Hoteli Baška. Since Valamar Riviera was the sole shareholder of Hoteli Baška, Valamar Riviera's General Assembly did not meet pursuant to Article 531(1) of the Companies Act. Please note that on 13 January 2016, the subsidiaries Baškaturist d.o.o., Mirta Baščanska d.o.o., and Vala Baščanska d.o.o., where Valamar Riviera held 100% stake, were merged with the subsidiary Hoteli Baška d.d.; following the mergers, Valamar Riviera d.d. became Hoteli Baška d.d.'s sole shareholder. The consolidation of the portfolio of hospitality properties, management and shareholding structure into a single strategic company has allowed for a more transparent corporate governance and streamlined operations, as well as giving additional boost to the Company's balance sheet assets. This merger created additional value from the synergy of the two companies for both the Hoteli Baška employees and the local community. In destination Baška Valamar Riviera sees a clear potential for applying the experience gained in its other destinations. Continual investments in employees, products, services and experiences have created new shareholder value. In the forthcoming period, the key activities will be focused on planning and elaborating future investments in destination Baška, and developing the whole destination Krk where Valamar Riviera has taken over the leading position.

On 27 April 2016, Valamar Riviera's General Assembly was held, during which the following was determined:

- In 2015 Valamar Riviera d.d.'s realized profit was HRK 105,854,201.03, out of which HRK 5,292,710.05 were allocated to legal reserves and HRK 100,561,490.98 to retained profit;
- The Management Board members were released from the management of Valamar Riviera's business in 2015, and the Supervisory Board Members released from the supervision of Valamar Riviera's business management in 2015;
- The dividend was set at HRK 0.60 (sixty lipa) per share, to be paid out to shareholders from the retained profits made in 2013.
- KPMG Croatia d.o.o. za reviziju, Zagreb was appointed as Valamar Riviera d.d.'s auditor in 2016;
- Other decisions amending the Articles of Association were adopted.

On 2 June 2016 Valamar Riviera conclued strategic cooperation with TUI Northern Europe Limited, TUI UK, and TUI Nordic Holding AB. The purpose of this cooperation is the branding of the Family Life Bellevue Resort as the first Family Life concept in Croatia according to TUI's standards and ensuring a three-year cooperation (seasons 2017-2019) with occupancy guarantee. Over a period of three years, TUI commits to bring about 80,000 guests, thus generating over 400,000 overnights, primarily by creating new air travel markets.

Pursuant to the decision of the Commercial Court in Pazin, on 30 June 2016 the company Bastion upravljanje d.o.o. was merged with the company Valamar Riviera d.d. and Valamar Riviera d.d. became Bastion upravljanje d.o.o.'s universal successor.

On 20 September 2016 Valamar Riviera has concluded an allotment contract with DER Touristik Köln GmbH for a three-year period (seasons 2017-2019) with occupancy guarantee. With this agreement the occupancy of the new Valamar Girandella Resort 4*/5* will be ensured. The two projects, Family Life Bellevue Resort 4* and Valamar Girandella Resort 4*/5*, are part of a strategic development plan to reposition destination Rabac as a 4* vacation destination in the period from 2016 to 2018. For it a HRK 560 million investment framework has been planned, out of which HRK 465 million will be invested during 2016 and 2017. With these investments, Valamar Riviera creates new value for the whole destination: besides creating nearly 400 new job openings, this will have a positive impact on the guest structure and product quality, not to mention the standard of living and quality of life in the destination.

On 20 September 2016 Valamar Riviera concluded a Purchase and Transfer Agreement with the Republic of Croatia, the State Agency For Deposit Insurance And Bank Resolution, the Croatian Pension Insurance Institute and the Restructuring And Sale Center[2] regarding the acquisition of Imperial d.d. shares. On 12 October 2016, the company acquired 318,446 shares (HRK 819 per share) upon payment of the contracted amount of HRK 260,807,274. The acquired shares initially represented 50.08% of Imperial d.d. share capital. Valamar Riviera has also concluded a Cooperation Agreement with Allianz ZB d.o.o. društvo za upravljanje obveznim mirovinskom fondom (a mandatory pension fund management company) from Zagreb, acting in its own name and on behalf of the managed mandatory pension funds (category A and B). With this agreement the two companies establish joint action towards Imperial d.d. Rab, and pursuant to its provisions, on 13 October 2016 Valamar Riviera transferred 63,586 Imperial shares to Allianz ZB d.o.o. The transferred shares represent 10% of Imperial d.d. share capital, while Valamar Riviera retains the other 40.08%. On 13 December 2016, the Management agreement between Valamar Riviera and Imperial d.d. was concluded regarding Imperial's properties and outlets and will be implemented as of 1 January 2017. Pursuant to the Act on the Takeover of Joint Stock Companies, Valamar Riviera and Allianz ZB d.o.o. announced the takeover bid for Imperial on 16 November 2016. On 27 December 2016 the transaction was completed and Valamar Rivera acquired 54.71% of Imperial share capital.

On 7 November 2016 Valamar Riviera conclued a credit agreement with the Croatian Bank for Reconstruction and Development in the amount of EUR 43.6 million in HRK equivalent, maturing by end of 2034. The funds are used for the investments in improving the quality of accommodation and services in the Valamar Girandella Resort 4* in Rabac and investments in the Ježevac, Krk and Škrila campsites on Krk Island and a facility which will be used as accommodation for seasonal employees.

According to the previously announced HRK 1.5-2 billion investments by 2020, at the Supervisory Board session held

[2] Restructuring and Sale Centre is a public institution that performs professional activities in the scope and competence stipulated under the Law on management and disposal of assets owned by Republic of Croatia and other regulations.

on 1 December 2016, the Supervisory board approved 2017 investments totaling HRK 873 million. For the most part, the investments are focused on the Family Life Bellevue Resort 4* and Valamar Girandella Resort 4* in Rabac, the Lanterna campsite in Poreč and Krk campsites as well as various upgrade projects. (For more details, see “Investments in 2017” on page 22).

On 15 December 2016 Valamar Riviera conclued the credit agreement with Raiffeisenbank Austria d.d. Zagreb for the amount of EUR 38.0 million, maturing in 2025. The funds are earmarked for improving the quality of accommodation units and creating new facilities, amenities and products in Family Life Bellevue Resort 4* in Rabac, the Lanterna campsite in Poreč and Marina campsite in Rabac.

In order to improve the operating efficiency and rationalize operations, on 6 February 2017 the Management Board of Valamar Riviera d.d. initiated the merger of Puntižela d.o.o. where the Company holds 42,673 business stakes representing 100% of Puntižela equity. The merger will take place in the first half of 2017, pursuant to the provisions of the Companies Act. Valamar Riviera has set its target revenue for 2017 by taking into consideration (i) the Imperial Rab acquisition, (ii) the announced investments for 2017 (totalling HRK 873 million) which are proceeding as planned, and (iii) the initial booking pace from source markets. In its business plan for 2017, Valamar Riviera is targeting a total consolidated net operating revenue (Imperial Rab excluded) of HRK 1.57 billion (which represents a targeted 7% increase compared to 2016) or HRK 1.69 billion including Imperial Rab (based on Imperial's interim business plan which will be reviewed by April 2017). Considering the seasonality of operations and based on past practice, the Company will announce the expected range of EBITDA and consolidated operating revenue for 2017 during October 2017, including variances from the set targets.

The Company's Management Board presents the quarterly financial statements for the fourth quarter of 2016 (the period 1 January 2016 – 31 December 2016 is also included). These

Family Life Bellevue Resort 4* (preliminary visualization), Rabac

Note: Our targets and plans are based on currently available information, current assumptions and projections of future events. These plans are not a guarantee of future results and are subject to future events, risks, and uncertainties, many of which are beyond the control of, or currently unknown to Valamar Riviera, as well as potentially erroneous assumptions that could cause the actual results to materially differ from the said plans. Risks and uncertainties include, but are not limited to the ones described in the chapter “Risks of the Company and the Group”. Should materially significant changes to the stated target results for the business year 2017 occur, Valamar Riviera shall immediately inform the public thereof, in compliance with Article 459 of the Capital Market Act. The given targets and plans are not an outright recommendation to buy, hold or sell Valamar Riviera's shares.

statements provide information on the state of the Company and Group, as well as significant events and must be read in the context of the mentioned mergers and acquisitions, and they. Please note that the comparable results for 2016 are based on the 2015 audited annual report.

The Group balance sheet for the reviewed period contains Imperial d.d. Rab's data as of 31 December 2016. Please note that the 2016 data cannot be entirely compared to the same period last year, as the latter did not include Imperial.

The Company's income statement for the reviewed period includes the merged company Valamar hoteli i ljetovališta d.o.o. data for the period following the merger, i.e. as of 28 February 2015, Bastion upravljanje d.o.o. data for the period following the merger i.e. 1 July 2016, as well as the data for the merged company Hoteli Baška d.d. for the period following the merger, i.e. as of 1 April 2016. Please note that the 2016 data are not fully comparable to the data for the previous period, as the latter do not include, until the time of the merger, the data for the mentioned merged companies.

The Group's income statement for the reported period includes the data for the following companies: Puntižela d.o.o., Bastion upravljanje d.o.o., Elafiti Babin kuk d.o.o., Magične stijene d.o.o., Palme turizam d.o.o., Pogača Babin Kuk d.o.o., Bugenvilia d.o.o., and Hoteli Baška d.d. (merged on 31 March 2016), while the data for the companies Mirta Bašćanska d.o.o., Vala Bašćanska d.o.o., and Baškaturist d.o.o. are included until the day of their merger to the company Hoteli Baška d.d. (until 13 January 2016). Thus, the data for 2016 are not fully comparable to the data for the previous period, as the latter do not include, until the date of consolidation (i.e. 1 July 2015) the data for the following companies: Hoteli Baška d.d., Mirta Bašćanska d.o.o., Vala Bašćanska d.o.o., and Baškaturist d.o.o. Please note that Imperial's revenues and expenses were not included in the Group's income statement, because they were not deemed materially significant in the period between from the acquisition of control (12 December 2016) to the end of the business year (31 December 2016).

Grand Hotel Imperial 4*, Island of Rab

Results of the Group

Key financial indicators of Valamar Riviera Group[3]

(in HRK)	2015	2016	2016/2015
Total revenues	1,333,493,479	1,579,499,901	18.4%
Sales revenues	1,268,724,937	1,454,867,739	14.7%
Board revenues (accomodation and board revenues)[4]	1,043,250,301	1,174,716,569	12.6%
Operating costs[5]	838,362,755	949,930,753	13.3%
EBITDA[6]	423,364,870	512,583,688	21.1%
Extraordinary operations result and one-off items[7]	-15,106,588	-6,376,909	57.8%
Adjusted EBITDA[8]	438,471,458	518,960,597	18.4%
EBIT	171,792,373	246,704,521	43.6%
Adjusted EBIT[8]	186,898,961	253,081,430	35.4%
EBT	132,926,778	271,909,189	104.6%
Net profit	105,461,478	342,313,778	224.6%
EBT margin	10.3%	18.3%	800 bp
EBITDA margin	32.7%	34.4%	170 bp
Adjusted EBITDA margin[8]	33.9%	34.9%[8]	100 bp

	31/12/2015	31/12/2016	2016/2015
Net debt[9]	1,082,520,078	1,398,102,734	29.2%
Net debt / EBITDA	2.56	2.73	6.5%
Net debt / Adjusted EBITDA	2.47	2.69	9.1%
Cash and cash equivalents	318,755,282	274,650,648	-13.8%
Capital investments (more details in chapters “Investments”)	310,477,293	428,440,048	38.0%
ROE[10]	5.5%	14.4%	890 bp
Adjusted ROCE[11]	6.3%	6.7%	40 bp
Market capitalization[12]	2,970,629,728	4,295,057,872	44.6%
EV[13]	4,053,149,806	5,693,160,606	40.5%
EPS[14]	0.84	2.76	228.6%
DPS[15]	0.55	0.60	9.1%

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

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

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

6 EBITDA (eng. earnings before interest, taxes, depreciation and amortization) is calculated as: operating income - total operating costs + depreciation and amortisation + value adjustments.

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

8 Adjusted by the result of extraordinary operations and one-off items which does not include negative effect of the consolidation costs of the Baška destination during the first six months of this year . Without this negative effect, the comparable adjusted EBITDA margin would be 36.1%

9 Net debt: non-current and current liabilities to banks and other financial institutions + liabilities for loans, deposits and other– cash and cash equivalents – long-term and short-term investments in securities – current loans given, deposits, etc.

10 ROE refers to return on equity; calculated as: profit for the period / (capital and reserves).

11 Adjusted ROCE refers to return on capital employed; calculated as: adjusted EBIT / (capital and reserves at the end of the period + non-current and current liabilities to banks and other financial institutions - cash and cash equivalents - long-term and short-term investments in securities - loans given, deposits, etc.).

12 The number of shares as at 31 December 2016 net of treasury shares amounts to 124,170,508, while per 31 December 2015 amounts to 124,190,206.

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

14 EPS refers to earnings per share calculated on the basis of net profit. Weighted average number of shares as at 31 December 2016: 124,235,079. Weighted average number of shares as at 31 December 2015: 124,784,807.

15 DPS refers to dividends per share.

Key business indicators of Valamar Riviera Group[16]

	2015	2016	2016/2015
Number of accommodation units (capacity)	17,783	18,072	1.6%
Full occupancy days	119	126	6.0%
Annual occupancy (%)	33%	34%	100 bp
Accommodation units sold	2,115,421	2,277,815	7.7%
Overnights	4,750,823	5,144,328	8.3%
ADR[17] (in HRK)	493	516	4.6%
RevPAR[18] (in HRK)	58,665	65,002	10.8%

2016 was marked by strong results, high operating efficiency and increased profitability. A number of factors contributed to this: i) continual investments in raising the competitive edge and the quality of services and products, ii) focus on the guest and operational excellence in sales, marketing and revenue management, iii) the strategic acquisition of the Baška hotel group and iv) continual efforts in developing destinations, products and added-value services.

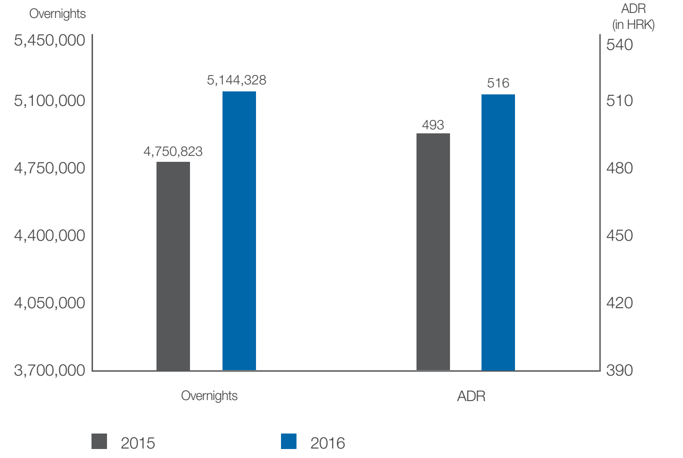
In responding to the increased demand for hospitality products and services, Valamar Riviera was guided by adopted strategic initiatives and the best practices of business excellence. In 2016 the Group reported a 15.0% increase in operating revenues totaling HRK 1,488.6 million by optimizing distribution, sales channels and marketing segments, the average daily rate increased by 4.6% to HRK 516, while the total number of units sold was 2,227,815 (or 162,394 over prior year results).

Despite the increased business volume and the year-round consolidation of the Baška hotel group, operating costs were actively managed and remained under control, thus reporting a 13.3% growth. Excluding costs generated by destination Baška during the first six months of 2016, operating costs reported an 11% growth.

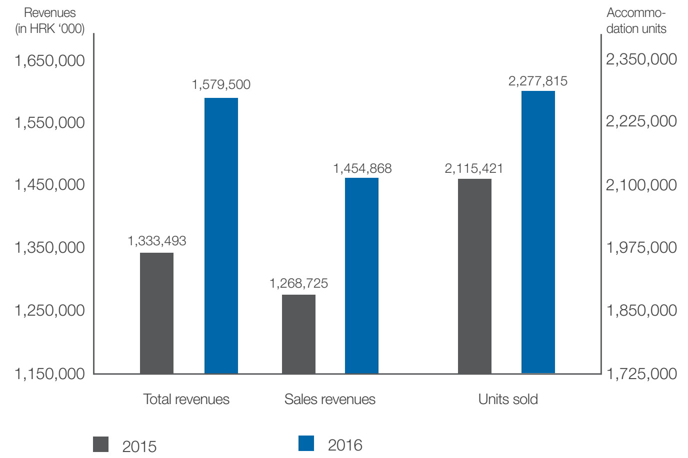
Marketing and sales activities and the upgraded products and services reported excellent market feedback. The increased business volume and higher operating efficiency resulted in a marked profitability growth. EBITDA grew by 21.1% (or: HRK 89.2 million) totaling HRK 512.6 million. Adjusted EBITDA[19] grew by 18.4% totaling HRK 519.0 million. The increase in operational efficiency as seen through the adjusted EBITDA margin growth from 33.9% in 2015 to 34.9% in 2016 also includes the negative effect of the consolidation costs of the Baška destination during the first six months of this year. Without this negative effect, the comparable adjusted EBITDA margin would be 36.1% thus representing an actual increase in operational efficiency by 220 basis points. Operating profit grew by 104.6% and totaled HRK 271.9 million. In 2016 the Group's net profit grew by HRK 236.9 million and totaled HRK 342.3 million. This is mainly due to i) increased operating profit, ii) positive extraordinary financial result, and iii) one-time recognized deferred tax assets which will burden the gross profit in the forthcoming years of utilization[20]. Following these trends, the EBT margin grew by 800 basis points and was 18.3%.

M.I.C.E.[21] events in the pre-season period contributed to increased operating efficiency. Firstminute sales created

Overnights and ADR



Revenues and accommodation units sold



[16] Key business indicators of Valamar Riviera Group do not include data of Imperial's d.d. The total capacity with Imperial is 20,931 accomodation units.
[17] Average daily rate is recorded on the basis of board revenues (accommodation and board's food and beverage revenues).
[18] Revenue per accommodation unit is recorded on the basis of cumulative board revenues (accommodation and board's food and beverage revenues).
[19] Adjustments were made for (i) extraordinary income (in the amount of HRK 21.5 million in 2016, and HRK 34.2 million in 2015), (ii) extraordinary expenses (in the amount of HRK 23.6 million in 2016, and HRK 33.9 million in 2015), and (iii) termination benefit costs (in the amount of HRK 4.3 million in 2016, and HRK 15.4 million in 2015). Extraordinary operations result and one-off items amounted to HRK -6.4 million in 2016, and HRK -15.1 million in 2015.
[20] Net tax revenue totaled HRK 70.4 million and largely resulted from the recognized deferred tax assets due to tax incentives (prescribed by the Act on Investment Promotion and Investment Improvement).
[21] Meetings, incentives, conferencing, exhibitions.

a better basis for the management of sales channels and boosted start bookings in May and June. Optimal management of the group channel boosted the individual channel in May. In June, southern destinations reported a decrease in groups (due to an unfavorable public holiday spread) which was compensated by the M.I.C.E. segment and supported by growth in other sales channels. Peak season saw an improvement in distribution and price management, sales channels and sales activities. Active optimization of allotment occupancy and prices resulted in a 16% growth in the individual segment, which usually carries higher average rates. In the shoulder season the focus was on group and allotment placements, while targeting individual placements in the Christmas/New Year period.

In 2016, board revenues grew by HRK 131.5 million and totaled HRK 1,174.7 million. Sales revenues (outside the Group) grew by HRK 186.1 million and totaled HRK 1,454.9 million. This resulted from i) a 12.6% increase in board revenues, ii) a 26% increase in non-board outlet revenues and iii) a 57% increase in the revenue of other operating departments (laundry, travel agency, equipment-rental services, etc.). Domestic sales revenues totaled HRK 119.0 million and represented 7.5% of total revenues (7.9% in 2015). They reported a 12.3% increase over prior comparable period results. International sales revenues totaled HRK 1,335.8 million and represented 84.6% of total revenues (87.2% in 2015). They grew by HRK 173.1 million over prior comparable period results. Other operating (outside the Group) and financial income represented 7.9% of total revenues (4.9% in 2015). The 33.3% increase in other operating revenues resulted mainly from the one-off income received from cancelling provisions related to legal disputes. Financial income reported a HRK 51.4 million growth, which is mainly due to the share portfolio sales and exchange rate gains. As a result, total revenues grew by HRK 246.0 million and totaled HRK 1,579.5 million.

Valamar Girandella Resort 4* (preliminary visualization), Rabac

Total operating expenses of Valamar Riviera Group[22]

(in HRK)	2015	2016	2016/2015
Operating costs[5]	838,362,755	949,930,753	13.3%
Total operating expenses	1,122,244,561	1,241,906,080	10.7%
Material costs	398,167,101	450,374,430	13.1%
Staff costs	327,901,582	371,316,789	13.2%
Depreciation and amortisation	232,922,484	265,188,188	13.9%
Other costs	124,793,680	128,500,052	3.0%
Provisions and value adjustments	24,003,901	2,545,384	-89.4%
Other operating expenses	14,455,813	23,981,236	65.9%

In 2016 total operating expenses grew by 10.7% due to increased business volume and this year consolidation of the Baška hotel group from 1 January 2016. Excluding costs generated by destination Baška during the first six months of 2016 for comparability's sake, operating expenses reported a low 6.7% growth. This confirmed continual positive trends in operating efficiency, management consolidation and restructuring at all levels, as well as Valamar Riviera's strategic goals.

Material costs grew by 13.1% and totaled HRK 450.4 million, representing 36.3% of total operating expenses (35.5% in 2015), which was largely due to increased business volume which caused higher costs of raw material and maintenance. Staff costs totaled HRK 371.3 million, representing 29.9% of total operating expenses (29.2% in 2015). The 13.2% increase in staff costs was due to several factors: i) longer full occupancy days, ii) takeover of the Baška hotel group staff, and iii) salary increase (a 2% salary increase in June 2016, a 1.5% salary increase and 0.5% salary increment for years of service in June 2015). Amortization and depreciation totaled HRK 265.2 million (HRK 232.9 million in 2015), and represented 21.4% of total operating expenses (20.8% in 2015). Their 13.9% growth was due to a wider consolidation scope and the previously realized large investments. Other operating expenses were HRK 24.0 million, and their 65.9% growth resulted from the operating expenses of previous years and the undepreciated assets due to investments. Value adjustments and provisions were HRK 2.5 million and decreased by HRK 21.5 million mainly due to the 2015 claim write-off in relation to Glavice d.o.o and lower provisions per legal disputes. Other costs grew by 3.0% or HRK 3.7 million primarily due to this year's Baška operations.

In 2016 financial income grew by HRK 51.4 million over prior comparable period results and totaled HRK 90.9 million. Other financial income reported the strongest growth, and rose by HRK 36.5 million, which was mostly due to the Group share portfolio sales totaling HRK 35.2 million. Interest income, foreign exchange differences, dividend and similar third-party related income grew by HRK 11.4 million. Exchange rate gains from settled unrealized balance sheet items and loan payments reported the strongest growth of HRK 23.6 million because of a 1% stronger HRK in relation to the EUR in 2016. This contributed to the decrease in balance sheet liabilities denominated in EUR and disclosed in HRK. Revenues form time deposits, a vista accounts and placements totaled HRK 4.2 million. The lower value is mostly due to a smaller amount of free cash funds during 2016 compared to the same period last year as well as a significant reduction in market interest. Unrealized income (gains) from financial assets grew by HRK 3.6 million, largely due to the valuation of derivative financial instruments contracted for 2017 as FX and interest hedge .

Financial expenses decreased by HRK 12.6 million compared to the same period a year ago and totaled HRK 65.7 million, representing 6.5% of total expenses (5.0% in 2015). Interest, foreign exchange differences, and similar expenses from third parties decreased by HRK 18.8 million. Other financial expenses grew by HRK 2.7 million, out of which HRK 0.9 million refers to the Group share portfolio sales, and HRK 1.7 million refers to interest rate swap early termination payment. The most significant change compared to the same period a year ago is related to exchange rate losses from settling unrealized balance sheet items, which fell by HRK 26.2 million due to the said stronger HRK in relation to EUR. A HRK 8.5 million increase in interest expenses in 2016 was related to the increase of debt resulting from loans contracted for financing investments and the consolidation of the Baška hotel group (from 1 January 2016).

[22] Classified accordiong to the Quarterly Business Financial Statement (TFI POD-RDG.

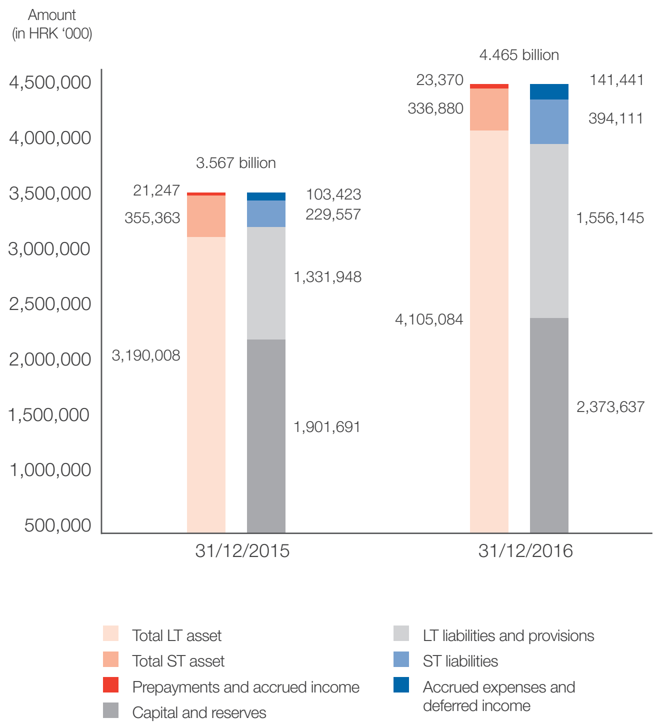
Profitability indicators of Valamar Riviera Group

	2015	2016	2015/2016
EBITDA margin	32.7%	34.4%	170 bp
Adjusted EBITDA margin	33.9%	34.9%	100 bp
EBIT margin	13.3%	16.6%	330 bp
Adjusted EBIT margin	14.4%	17.0%	260 bp
EBT margin	10.3%	18.3%	800 bp
Net profit margin	8.1%	23.0%	1,490 bp
ROA	3.0%	7.7%	470 bp
ROE	5.5%	14.4%	890 bp
Adjusted ROCE	6.3%	6.7%	40 bp

Valuation of Valamar Riviera Group

	31/12/2015	31/12/2016	2016/2015
Average share price per	23.92	34.59	44.6%
Market capitalization (in HRK)	2,970,629,728	4,295,057,872	44.6%
EV (in HRK)	4,053,149,806	5,693,160,606	40.5%
EPS	0.84	2.76	228.6%
DPS	0.55	0.60	9.1%
EV / Sales revenues	3.2x	3.9x	22.3%
EV / EBITDA	9.6x	11.1x	15.7%
EV / Adjusted EBITDA	9.2x	11.0x	19.2%
EV / EBIT	23.6x	23.1x	-2.2%
EV / Adjusted EBIT	21.7x	22.5x	3.7%

Assets and liabilities



Please note that as of 31 Decemeber 2016 the Group balance sheet included Imperial d.d. data which were not included in the comparable period (31 December 2015). As of 31 December 2016 the total value of the Group's assets was 25.2% higher compared to 31 December 2015. The total share capital and reserves grew by HRK 471.9 million, totaling HRK 2,373.6 million. This was mainly due to a HRK 236.9 million increase in generated net profit and the stated minority interest due to the consolidation of Imperial (HRK 235.7 million increase).

The total long-term liabilities were 16.8% higher and as of 31 December 2016 totaled HRK 1,556.1 million due to i) arranged loans for financing investments and ii) the consolidation of Imperial which brought an increase of HRK 210.3 million increase.

The total short-term liabilities were 71.6% higher compared to 31 December 2015 and totaled HRK 394.1 million. This resulted from i) current repayment of long-term debt (HRK 21.0 million increase), ii) trade payables (increased by HRK 103.1 million) due to large investments and iii) the consolidation of Imperial (HRK 27.6 total increase).

Cash and cash equivalents as of 31 December 2016 totaled HRK 274.7 million. This 14% decrease is mainly due to i) investments in Imperial's shares and ii) large investments. The reported cash and cash equivalents indicate a strong further potential from business activities and external borrowings, able to ensure a smooth continuation of future investments and potential acquisitions.

Key operating indicators of Valamar Riviera Group per segments[23]

HOTELS AND RESORTS	Total			Premium			Upscale			Midscale			Economy		
	2015	2016	2016/ 2015	2015	2016	2016/ 2015	2015	2016	2016/ 2015	2015	2016	2016/ 2015	2015	2016	2016/ 2015
Number of accommodation units	7,855	7,927	0.9%	1,037	1,037	0.0%	1,422	1,422	0.0%	3,047	3,112	2.1%	2,349	2,356	0.3%
Full occupancy days	147	158	7.6%	166	194	16.5%	157	159	1.5%	148	159	7.9%	130	139	6.7%
Annual occupancy rate (%)	40%	43%	7.3%	46%	53%	16.1%	43%	43%	1.2%	40%	44%	7.6%	36%	38%	6.4%
Accommodation units sold	1,151,809	1,250,795	8.6%	172,599	201,003	16.5%	222,829	226,086	1.5%	449,981	495,689	10.2%	306,400	328,017	7.1%
Overnights	2,503,172	2,668,550	6.6%	343,961	386,163	12.3%	487,576	500,925	2.7%	970,673	1,056,601	8.9%	700,962	724,861	3.4%
ADR[17]	718	735	2.4%	1,070	1,118	4.4%	928	984	6.0%	678	682	0.6%	424	410	-3.3%
Board revenues (in HRK)	826,767,088	919,726,790	11.2%	184,764,002	224,678,769	21.6%	206,882,926	222,521,004	7.6%	305,133,485	338,024,283	10.8%	129,986,675	134,502,733	3.5%
RevPAR[18] (in HRK)	105,257	116,025	10.2%	178,172	216,662	21.6%	145,487	156,485	7.6%	100,142	108,620	8.5%	55,343	57,089	3.2%
Adjusted EBITDA[24] (in HRK)	476,130,680	560,211,649	17.7%	107,849,926	144,730,691	34.2%	122,950,922	138,900,914	13.0%	170,816,094	195,987,797	14.7%	74,513,737	80,592,247	8.2%

Hotels and resorts reported HRK 919.7 million in board revenues. The Premium and Midscale segments were major drivers for the strong HRK 93.0 million increase. These results were largely due to a sales mix optimization, investments in the upgrade of products and services, and the successful realization of a number of business and entertainment events in Dubrovnik and Poreč. It should be noted that this growth was partly influenced by the results of destination Baška. Excluding them, the total board revenues for hotels and resorts reported a 10% growth.

The Premium segment reported the strongest growth in board revenues (HRK 39.9 million) and totaled HRK 224.7 million. This was mainly due to an increase in accommodation units sold (i.e. 28,404 more, or 201,003 total) and the 4.4% increase in the average daily rate. The Valamar Isabella Island Resort 4* & 5* was the main revenue driver. By focusing on direct sales channel, a longer operating period and M.I.C.E events it reported a strong growth of over HRK 17 million. Daimler AG-Mercedes-Benz organized the M.I.C.E. event "Global Training Experience" at the Valamar Dubrovnik President 5* and the Valamar Lacroma 4* in the February-mid April period and contributed to the prolongation of the operating period and high occupancy rates. The high-season growth of the Dubrovnik Premium segment was mainly due to the excellent positioning of the Valamar Dubrovnik President 5* in the individual channel. The adequate distribution of marketing segments ensured the significant growth of the Valamar Lacroma 4*, mainly through allotment and M.I.C.E. placements.

The Upscale segment reported a HRK 15.6 million board revenue growth. The increased average daily rate (+HRK 56) contributed to the HRK 222.5 million in board revenues. The Valamar Club Tamaris 4* owed its strong results to a successful firstminute allotment distribution and a stronger individual sales channel which was responsible for over two thirds of the total growth. The increase in the individual segment and occupancy contributed to a significant growth of Hotel & Casa Sanfior 4*. The management of the marketing segments and prices received a good market feedback and boosted the individual segment of the Valamar Zagreb 4*. Similarly, the Valamar Riviera 4* hotel owed its robust growth and high occupancy primarily to an increase in capacity (10 new accommodation units) which resulted in higher occupancy.

The Midscale segment of hotels and resorts reported a growth of HRK 32.9 million and contributed to a large extent to the total board revenue growth. The HRK 338.0 million board revenues were partially influenced by the business done in destination Baška during the first half-year of 2016. Excluding Baška, the Midscale board revenue growth exceeded HRK 15 million. The main revenue drivers were the Valamar Diamant 4* and the Valamar Club Dubrovnik 3*. The prolonged operating period, high occupancy rates, the new multifunctional hall which was an important feature for the M.I.C.E. channel as well as an improved realization of the group channel during the season resulted in a significant increase in the business volume and strong growth of the Valamar Diamant 4* board revenue. On the other hand, the Valamar Club Dubrovnik 3* grew in all its marketing segments due to an adequate placement of allotments and group. The Valamar Crystal 4* grew further mainly because of a strategic shift towards long-term charter partners which ensured additional occupancy through flights

[23] According to the classification under the USALI international standard for reporting in hotel industry (Uniform System of Accounts for the Lodging Industry). Business operations of Baška properties are included for the period January – December 2016, while in the comparable period of 2015 are included in the period July - December 2015. Destination Pula - Puntižela business is included in destination Poreč. A detailed comparison of the new portfolio segmentation is on page 18.

[24] When calculating adjusted EBITDA, internal allocation of revenues and expenses as well as inter-segment revenues and expenses are excluded from the calculation. Adjusted EBITDA of other segments amounts to HRK -229.6 million in 2016, i.e. HRK -189.9 million in 2015. Other segments include business of central operations, laundry, sport, central kitchen, strategic rentals, etc.

to Istria during the shoulder season and a longer operating period. The competitive price policy in defined periods that was focused mainly on occupancy resulted in increased board revenues in the Valamar Rubin 3*. The Allegro and the Miramar 3* in destination Rabac reported strong growth mainly due to a significant increase of the individual channel and adequate group and allotment placement in the pre-season period.

The Economy segment of hotels and resorts reported HRK 134.5 million in board revenues, representing a 3.5% increase. The Pical 3* board revenue increase was the result of a stronger individual sales channel, and an active price management, both contributing to a higher average daily rate. The Tirena 3* results grew due to the performance of the individual sales channel and optimal allotment placement.

An increased group volume and pre-season events led to the Lanterna's 2* increased board revenue. Fewer operating days reduced the Girandella Tourist Village 2* occupancy, although board revenues remained the same due to increased average daily rates.

Key operating indicators of Valamar Riviera Group per segments (continued)[23]

CAMPING RESORTS	Total			Premium			Upscale			Midscale			Economy		
	2015	2016	2016/ 2015	2015	2016	2016/ 2015	2015	2016	2016/ 2015	2015	2016	2016/ 2015	2015	2016	2016/ 2015
Number of accommodation units	9,929	10,145	2.2%	475	511	7.6%	4,449	4,437	-0.3%	3,378	3,387	0.3%	1,626	1,810	11.3%
Full occupancy days	97	101	4.3%	137	132	-3.3%	101	106	5.0%	91	98	7.8%	87	87	-1.0%
Annual occupancy rate (%)	27%	28%	4.0%	38%	36%	-3.5%	28%	29%	4.7%	25%	27%	7.5%	24%	24%	-1.3%
Accommodation units sold	963,612	1,027,020	6.6%	65,054	67,694	4.1%	447,846	469,121	4.8%	308,523	333,531	8.1%	142,189	156,674	10.2%
Overnights	2,247,651	2,475,778	10.1%	186,363	197,491	6.0%	1,071,940	1,198,905	11.8%	668,609	721,187	7.9%	320,739	358,195	11.7%
ADR[17]	225	248	10.5%	288	361	25.4%	243	280	15.0%	203	209	2.9%	184	189	2.7%
Board revenues (in HRK)	216,483,213	254,989,779	17.8%	18,741,250	24,448,224	30.5%	108,877,309	131,206,913	20.5%	62,667,820	69,686,153	11.2%	26,196,835	29,648,489	13.2%
RevPAR[18] (in HRK)	21,804	25,134	15.3%	39,449	47,844	21.3%	24,472	29,571	20.8%	18,549	20,575	10.9%	16,111	16,380	1.7%
Adjusted EBITDA[24] (in HRK)	152,259,096	188,350,077	23.7%	13,718,824	17,245,497	25.7%	80,851,341	102,671,633	27.0%	38,672,507	46,834,312	21.1%	19,016,424	21,598,635	13.6%

Camping resorts reported HRK 255.0 million in total board revenue. The HRK 38.5 million increase was due to the strong positive market feedback that the newly invested properties received and to a lesser extent, to the results of the Baška camping resort operations in the first half of 2016. Excluding the Baška operations results, the total camping resort board revenues reported a solid 15% growth.

The Premium segment of camping resorts includes the Krk 5* campsite, which reported a strong 30.5% board revenue growth totaling HRK 24.5 million. This growth resulted from a HRK 73 increase in the average daily rate due to this years' investment in new mobile homes, improved quality and service as well as intensive promotional activities.

A 15.0% increase of the average daily rate in the Upscale segment of camping resorts resulted in a HRK 22.3 million increase in board revenues. The Lanterna 4* campsite contributed most to the reported board revenues total of HRK 131.2 million. The leading Istrian camping resort owed its 24% growth in board revenues to investments in new mobile homes, quality and service upgrades and promotional activities. The campsites Marina 4* and Ježevac 4*, owed their increased board revenues to a higher average rate. This years' Bunculuka 4* performance contributed to stronger Upscale results totaling HRK 3.6 million in additional board revenues.

The camping resort Midscale segment reported a HRK 69.7 million in board revenues. The Zablaće 3* campsite year-round consolidation is mainly the result of the 11.2% increase in board revenues. This is because early Easter holidays do not benefit camping operations and cause fewer operating days and lower board revenues.

The Economy segment reported HRK 29.7 million in board revenues. The HRK 3.5 million increase is mainly due to investments in the Brioni 2* campsite and the new Tunarica 2* campsite operations.

Key operating indicators of Valamar Riviera Group per destinations[23]

DESTINATION	Poreč			Rabac			Island of Krk			Dubrovnik		
	2015	2016	2016/ 2015	2015	2016	2016/ 2015	2015	2016	2016/ 2015	2015	2016	2016/ 2015
Number of accommodation units	10,592	10,632	0.4%	1,913	2,065	7.9%	3,318	3,414	2.9%	1,961	1,961	0.0%
Full occupancy days	113	116	2.9%	138	136	-0.8%	107	128	18.7%	153	166	8.6%
Annual occupancy rate (%)	31%	32%	2.6%	38%	37%	-1.1%	29%	35%	18.4%	42%	45%	8.3%
Accommodation units sold	1,195,798	1,234,697	3.3%	263,064	281,750	7.1%	356,269	435,348	22.2%	300,290	326,020	8.6%
Overnights	2,716,812	2,881,737	6.1%	598,486	642,552	7.4%	863,065	1,010,914	17.1%	572,460	609,125	6.4%
ADR[17]	430	465	8.1%	546	538	-1.5%	376	384	2.3%	838	864	3.2%
Board revenues (in HRK)	514,060,909	574,077,286	11.7%	143,606,002	151,518,687	5.5%	134,035,119	167,341,883	24.8%	251,548,271	281,778,713	12.0%
RevPAR[18] (in HRK)	48,534	53,995	11.3%	75,068	73,375	-2.3%	40,402	49,016	21.3%	128,276	143,691	12.0%
Adjusted EBITDA[24] (in HRK)	303,823,058	368,687,622	21.3%	79,821,108	85,462,089	7.1%	88,965,226	109,627,842	23.2%	155,780,384	184,784,174	18.6%

Destination Poreč reported HRK 574.1 million in board revenues. The average daily rate growth of HRK 35 and the 3.3% increase in the number of accommodation units sold resulted in a HRK 60.0 million increase in board revenues. The most significant contribution to the board revenue growth in this destination was attributed to the excellent performance of the Valamar Isabella Island Resort 4* & 5*, the Lanterna 4* campsite and the Valamar Diamant 4* hotel. A solid occupancy was mainly due to group and allotment placements in the shoulder season, and individual placements in the Christmas/ New Year period.

Destination Rabac owed its HRK 7.9 million increase in board revenue to an increase in accommodation units sold (+18,686). The reported HRK 151.5 million in board revenues was mostly attributed to the strong performance of the Hotel & Casa Valamar Sanfior 4*, the Allegro hotel 3* and the Miramar hotel 3*, as well as the Marina campsite 4*.

Destination Krk reported board revenues amounting to HRK 167.3 million (+24.8%), mainly due to the destination Baška 2016 yearlong consolidation. Excluding the performance of hotels, resorts and camping resorts in destination Baška, board revenues rose by 10.5%, while the rest of the growth is mainly due to the strong performance of the Krk 5* campsite.

Destination Dubrovnik reported a growth in the average daily rate (+HRK 26) and an 8.6% rise in accommodation units sold. This resulted in a robust HRK 30.2 million increase in board revenues, totaling HRK 281.8 million, mostly due to the excellent performance of two hotels: the Valamar Dubrovnik President 5* and the Valamar Lacroma 4* (which stayed open the whole year round) and good group and allotment placements in the shoulder season.

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

The acquisition of Imperial d.d. added 5 new hotels and resorts and 2 camping resorts to Valamar Riviera's portfolio. The additional 2,855 accommodation units with daily capacities for 7,513 guests will contribute to the growth of the Group's business volume and profitability in 2017. The resulting Group's total accommodation capacity in 2017 will include 20,948 keys. The Group's properties will be able to welcome 56,774 guests daily.

Hotels and Resorts Overview[25]

	Categorization		Segment		Destination
	2015	2016	2015	2016	
Valamar Dubrovnik President Hotel	*****	*****	Premium	Premium	Dubrovnik
Valamar Isabella Island Resort	****+	**** / *****	Premium	Premium	Poreč
Valamar Lacroma Hotel	****+	****+	Premium	Premium	Dubrovnik
Valamar Club Tamaris	****	****	Upscale	Upscale	Poreč
Valamar Riviera Hotel & Residence	****	****	Upscale	Upscale	Poreč
Valamar Zagreb Hotel	****	****	Upscale	Upscale	Poreč
Hotel & Casa Valamar Sanifor	****	****	Upscale	Upscale	Rabac
Valamar Argosy Hotel	****	****	Upscale	Upscale	Dubrovnik
Hotel Padova	/	****	/	Upscale	Island of Rab
Valamar Diamant Hotel & Residence	****	****	Midscale	Midscale	Poreč
Valamar Crystal Hotel	****	****	Midscale	Midscale	Poreč
Valamar Pinia Hotel & Residence	***	***	Midscale	Midscale	Poreč
Valamar Rubin Hotel	***	***	Midscale	Midscale	Poreč
Valamar Bellevue Hotel & Residence Albona	****	****	Midscale	Midscale	Rabac
Allegro Hotel	***	***	Midscale	Midscale	Rabac
Miramar Hotel	***	***	Midscale	Midscale	Rabac
Hotel Corinthia	***	***	Midscale	Midscale	Island of Krk
Zvonimir Hotel, Atrium & Villa Adria	**** / *****	**** / *****	Midscale	Midscale	Island of Krk
Valamar Koralj Romantic Hotel	***	***	Midscale	Midscale	Island of Krk
Valamar Club Dubrovnik	***	***	Midscale	Midscale	Dubrovnik
Grand Hotel Imperial	/	***	/	Midscale	Island of Rab
Hotel & Ville Carolina	/	***	/	Midscale	Island of Rab
Tourist Village San Marino	/	***	/	Midscale	Island of Rab
Naturist Resort Solaris	***	***	Economy	Economy	Poreč
Pical Hotel	***	***	Economy	Economy	Poreč
Tirena Hotel	***	***	Economy	Economy	Dubrovnik
Girandella Tourist Village	**	**	Economy	Economy	Rabac
Lanterna Apartments	**	**	Economy	Economy	Poreč
Hotel Eva & Apartments Suha Punta	/	**	/	Economy	Island of Rab
Marina Hotel & Mediteran Residence	**	**	Economy	Economy	Rabac

Camping Resorts Overview[25]

	Categorization		Segment		Destination
	2015	2016	2015	2016	
Camping Krk	*****	*****	Premium	Premium	Island of Krk
Camping Ježevac	****	****	Upscale	Upscale	Island of Krk
Camping Lanterna	***	****	Upscale	Upscale	Poreč
Camping Marina	****	****	Upscale	Upscale	Rabac
Naturist Camping Bunculuka	****	****	Upscale	Upscale	Island of Krk
Camping Orsera	***	***	Midscale	Midscale	Poreč
Naturist Resort Solaris	***	***	Midscale	Midscale	Poreč
Camping Zablaće	***	***	Midscale	Midscale	Island of Krk
Camping Škrila	***	***	Midscale	Midscale	Island of Krk
Camping Solitudo	***	***	Midscale	Midscale	Dubrovnik
Camping & Residence San Marino	/	***	/	Midscale	Island of Rab
Camping Padova 3	/	***	/	Midscale	Island of Rab
Naturist Camping Istra	***	**	Economy	Economy	Poreč
Camping Brioni	**	**	Economy	Economy	Pula - Puntižela
Camping Tunarica	/	**	/	Economy	Rabac

25 Business operations of Imperial's properties are not included in 2015 and 2016. Business operations of Baška's properties are included in 2016, while in the comparable period of 2015 are included in the period July - December 2015.

Results of the Company

It should be noted that the data provided in the current year's financial statements are not fully comparable to prior comparable period data because of the said mergers. The items in the prior comparable period until the time of the merger, that is i) until 27 February 2015 do not include the data for the merged company Valamar hoteli i ljetovališta d.o.o., ii) until 31 March 2016 do not include the data for the merged company Hoteli Baška d.d., and iii) until 30 June 2016 do not include data for the merged company Bastion upravljanje d.o.o. All significant changes in the Company's financial statements should be viewed in the context of the said transactions in the previous period.

During 2016, total revenues increased by HRK 289.8 million, totaling HRK 1,559.1 million. Sales revenues totaled HRK 1,440.4 million, representing 93% of total revenues (92% in 2015), They were HRK 257.2 million higher compared to the same period last year. Sales revenues between parties within the group were HRK 0.6 million (HRK 4.4 million in 2015) while sales revenues outside the group were HRK 1,439.8 (HRK 1,178.8 million in 2015).

Domestic sales revenues grew by 22% compared to the same period last year, totaling HRK 117.4 million and representing 8% of total revenues (8% in 2015). International sales revenue grew by 22% compared to the same period last year, totaling HRK 1,323.0 million, representing 85% of total revenues (86% in 2015). Other operating and financial income comprised 8% of the total revenues (7% in 2015). Other operating revenues grew by 40%, totaling HRK 30.5 million and represent 2% of the total revenues (2% in 2015).

Material costs grew by HRK 64.6 million, totaling HRK 474.1 million and represented 38% of operating expenses (38% in 2015). Staff costs amounted to HRK 365.3 million, representing 30% of operating expenses (29% in 2015). Compared to the same period last year, they grew by HRK 57.7 million. This growth was attributed to increased business volume, the merged companies' staff takeover, and to a lesser extent, employees' salary increase. Amortization and depreciation represented 20% of operating expenses (19% in 2015) and totaled HRK 243.2 million (HRK 206.8 million in 2015). The 18% growth is the result of earlier large investments.

Compared to the same period last year, financial income grew by HRK 23.8 million and totaled HRK 88.1 million. Other financial income reported the strongest growth, with a HRK 36.4 million increase mainly due to the Company's share portfolio sales totaling HRK 34.8 million. Interest income, foreign exchange differences, dividends and similar third-party related income grew by HRK 10.0 million. As a result of a 1% stronger HRK in relation to the EUR during 2016, exchange rate gains in settled unrealized balance sheet items and loan payments reported HRK 23.5 million. This contributed to the decrease in balance sheet items denominated in EUR and disclosed in HRK. Revenues form time deposits, a vista accounts and placements totaled HRK 4.1 million. A smaller amount of free cash funds during 2016 compared to the same period last year as well as a significant reduction in market interest rates resulted in a decrease in these revenue levels. In 2016, dividend revenues from the related company Valamar hoteli i ljetovališta d.o.o. (merged to Valamar Riviera d.d. on 27 February 2015) totaling HRK 24.0 million were not paid out. Unrealised revenues (gains) from financial assets grew by HRK 4.1 million, resulting from the valuation of euro/kuna forward transactions contracted for 2016 as FX hedge.

Financial expenses decreased by HRK 10.2 million compared to the same period a year ago and totaled HRK 60.8 million, representing 5% of total expenses (6% in 2015). Expenses resulting from interest and foreign exchange differences decreased by HRK 14.5 million. Other financial expenses grew by HRK 1.7 million. The most significant change compared to the same period a year ago is related to exchange rate losses from settling unrealized balance sheet items, which fell by HRK 25.3 million due to the said stronger HRK in relation to the EUR in 2016. A HRK 10.5 million increase in interest expenses is related to the increase of debt resulting from loans contracted for financing the investments and the merger of Hoteli Baška d.d. and its debt carryover.

Valamar Lacroma Dubrovnik 4*, Dubrovnik

The Company's strategical focus on key expansion drivers and long-term goals and the increased business volume and more efficient business activities resulted in a 109% increase in profit before tax compared to last year, totaling HRK 265.1 million. Operating profit increased by 78% totaling HRK 237.7 million. The Company gross margin increased by 700 basis points and amounted to 18% (11% in 2015). Net income increased by HRK 230.8 million and totaled HRK 336.7 million. This is mainly due to i) increased operating profit, ii) positive extraordinary financial result, and iii) one-time recognized deferred tax assets which will burden the gross profit in the forthcoming years of utilization[26].

The total Company assets as of 31 December 2016 amounted to HRK 4,148.0 million and increased by 17% in relation to the prior comparable period.

[26] Net tax revenue totaled HRK 71.6 million and largely resulted from the recognized deferred tax assets due to tax incentives (prescribed by the Act on Investment Promotion and Investment Improvement).

2016 Investments

In 2016 over HRK 428 million investments were focused on upgrading Valamar Riviera's long–term asset portfolio. It should be noted that HRK 159.8 million refers to pipeline projects. In 2016 over HRK 260 million were invested in the upgrade of the portfolio hotels, apartments, and campsites. Over 50% of the total 2016 investments was earmarked for developing accommodation, services and amenities in campsites operating under the Camping Adriatic by Valamar brand.

After completing the HRK 34 million investment in the Krk campsite, it became the first five-star camping resort in Croatia. This unique, eco-friendly, family camping resort is one of the three Croatian member campsites of the prestigious association "Leading Campings of Europe". It includes a number of attractive features such as heated swimming pool, wellness oasis, and promenade with entertainment amenities, children's swimming pool, children's water playground and fully refurbished sanitary units. The numerous amenities include Maro Mini and Midi clubs for younger children, as well as Teens Club and Hobby Club for older children. The "Bella Vista Premium Village", a complex of 63 designer mobile homes with sea view, increased the accommodation capacity. Special attention was devoted to energy efficiency and sustainable development: the campsite has a unique system for wastewater purification and landscape irrigation by utilizing purified wastewater. Over 300 trees were planted and the beach boasts a Blue Flag.

HRK 87 million were invested in upscaling the Lanterna campsite (from 3* to 4*). The Lanterna is the leading Istrian campsite and a member of the association „Leading Campings of Europe". New accommodation units were introduced as part of the Istrian Village project. Besides, innovative accommodation for Glamping (i.e. luxury camping) fans were also added, as well as two brand-new theme accommodation zones with a total number of 119 new mobile

Camping Lanterna 4*, Poreč

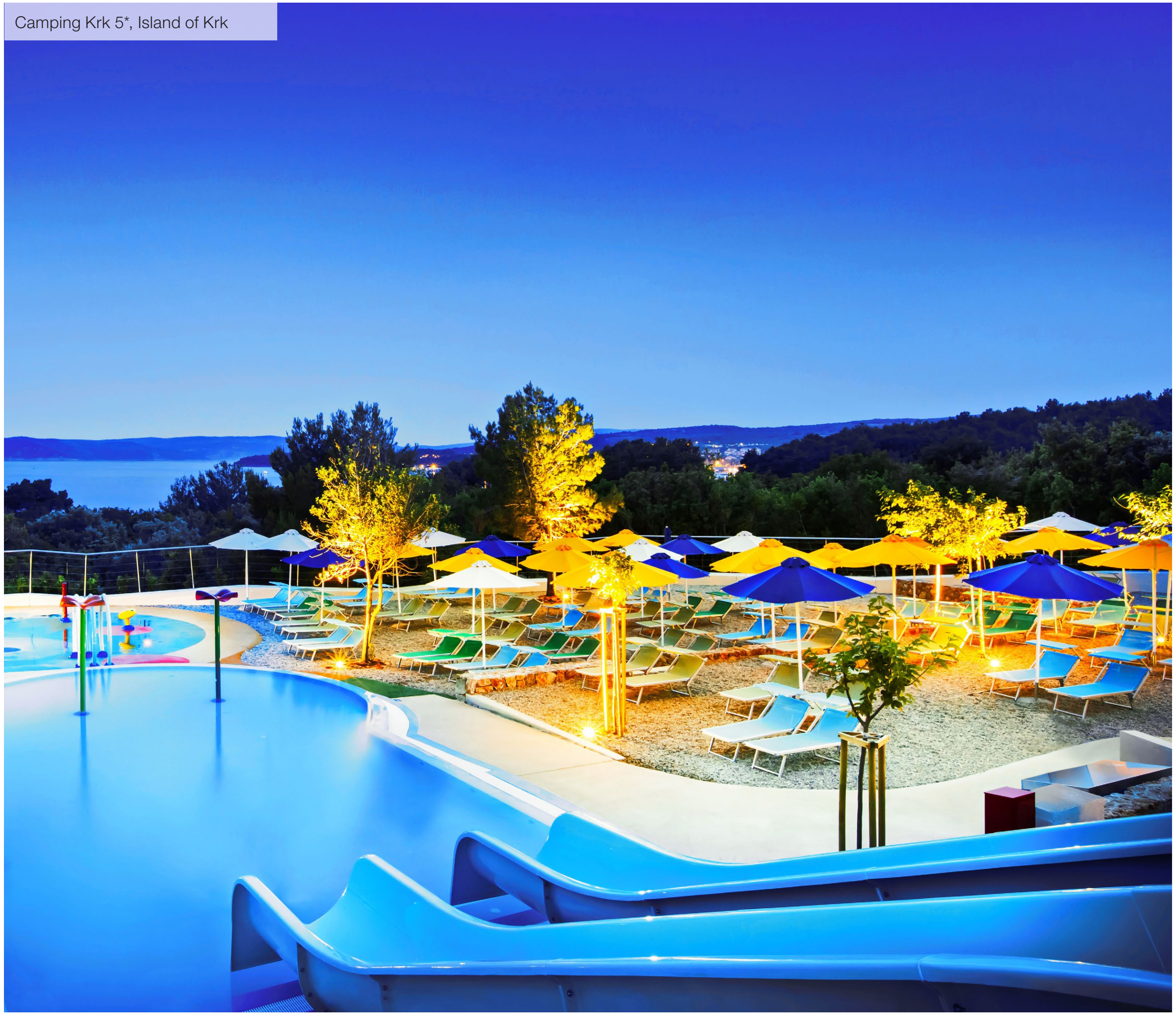
homes. Numerous plots were renovated, the landscape was redesigned and the reception area refurbished. There are also various new facilities such as the Adria sand beach featuring the new “Beach Bar“ , the new “Cafe Belvedere“ and many more. The campsite’s guests can enjoy the new water park featuring four swimming pools, numerous slides and other children attractions on a total water surface area of 1,350 m^2. The main swimming pool near the beach and two sanitary units were refurbished.

Investments into quality improvement were also carried out in other campsites on the island of Krk, in Istria and Dubrovnik – the investment focus was improving accommodation, beach amenities and outlets. The camping segment shows considerable potential for developing innovative camping resorts, i.e. resorts offering higher value-added accommodation and services targeting high-end guests. However, the development of such projects is hindered due to unresolved legal issues regarding tourism land. Thus, Valamar Riviera’s investment scope is still restricted to partial investments in campsite facilities and amenities. Were these issues resolved, a repositioning potential would open up not only in Valamar Riviera’s portfolio, but also elsewhere in Croatia, thus improving the campsites’ position in relation to the top European competitors.

2015 successful Valamar Isabella Island Resort project continued with HRK 12 million invested in turning part of the products and services into premium segments (53 accomodation units in total: the Miramare annex, the Castle and 7 villas).

In 2016 Valamar Riviera refurbished a number of restaurants: the Delfin, the Orsera and the former “Slavija“ restaurant which was turned into three new facilities – the “La Pentola II“ restaurant, the “Craft“ alehouse, and “The Beat“ beach club. There was a number of successful projects aiming at creating new and improving present amenities, thus enhancing the quality and experience of a destination. Among the numerous projects carried out is the Valamar Diamant 4* hotel sports hall which was turned into a multifunctional facility for sports and other kinds of events. Further investments in improving beaches and staff accommodation were also carried out, along with IT and business digitalization projects, improvements in technological processes and energy savings in laundry operations, as well as other projects related to energy efficiency.

Camping Krk 5*, Island of Krk



2017 Investments

Valamar Riviera's Supervisory Board approved a total of HRK 873 million for investments planned in 2017[27]. This is the largest series of investments focused on the Company's hospitality portfolio so far. HRK 465 million were earmarked for improving products and services in destination Rabac (Family Life Bellevue Resort 4* and Valamar Girandella Resort 4*/5*). Besides investing in hotels and resorts, a series of investments totaling HRK 188 million will be focused on campsites. The most significant are investments in the Lanterna camping resort and the Zablaće and Ježevac campsites. Investment maintenance totals HRK 71 million, while other individual investments total HRK 149 million.

Two luxury resorts, a brand new Family Life Bellevue Resort 4* (the first TUI Family Life hotel in Croatia) and a fully renovated Valamar Girandella Resort 4*/5* will welcome Rabac's guests at the start of season 2017. This large investment project in Rabac includes the total reconstruction of the two resorts totaling 764 accommodation units, the construction of 17 restaurants and bars, and 13 pools with total water surface of more than 2,000m^2. The new features include Maro club and various children playgrounds, two entertainment centers, spa, indoor and outdoor fitness facilities, bike center and other sports amenities. More than 600 staff members will attend to 2,700 guests daily. The investments include various improvements of beaches and promenades as well as a total landscape redesign of the whole area. Croatian contractors and suppliers have been hired to carry out most of the construction work and 50% of them are local, Istrian entrepreneurs. These investments will reposition destination Rabac as a leading upscale vacation destination. The resorts will be opened in early June 2017, and the work is proceeding as planned. The strategic partnerships with the leading European tour operators – TUI and DER Touristik Köln will ensure occupancy (for details, see "Significant Business Events" on page 7). With this, more than 100,000 guests are

Construction site in Rabac on 7 February 2017, (Valamar Girandella Resort 4* and Family Life Bellevue Resort 4*), Rabac

[27] A portion already recorded in 2016.

expected to visit Rabac in the next three years, thus improving the promotion of Istrian tourism. Moreover, the number of guests from air travel markets will increase, thus creating opportunities for season prolongation.

Besides key investments in Rabac, Valamar Riviera continues investing in the concept of premium camping. Investments totaling HRK 98 million are focused on upgrades in the leading European campsite, the Lanterna 4* camping resort. The reception area together with the shops and hospitality outlets will be renovated, while the campsite will feature new high quality mobile homes and new amenities for children. Valamar Riviera will invest HRK 68 million in upgrading accommodation and services on the island of Krk and in new high quality mobile homes for the Ježevac 4* and Zablaće 3*/4* campsites. In order to improve the quality of other campsites on the island of Krk, in Istria, and in Dubrovnik a range of investments will be focused on improving accommodation, beach amenities, and hospitality outlets.

Moreover, a range of other projects to create new and improve existing features is in the pipeline. They will considerably improve the quality and experience in all destinations. They will focus on beaches, IT and business digitalization, technological processes and energy efficiency.

As stated in our strategic goals, by continuously raising the quality of portfolio facilities, services, and contents, we are creating the basis for generating added value both for our guests and for all Valamar Riviera's stakeholders. However, the still unresolved issue of tourism land, VAT and the rate of total contributions to salaries, which are both one of the highest on the Mediterranean, hinder further investment potential. Unfortunately, tourism is still not sufficiently recognized as an opportunity for the Croatian economy. Apart from the current HBOR loans (Croatian Bank for Reconstruction and Development), tax incentives prescribed by the Act on Investment Promotion and Improvement, and the decrease in the income tax rate (from 20% to 18%, January 2017) there are no other measures that could significantly increase the growth pace and contribute to level Croatia's position with other destinations on the Mediterranean.

Family Life Bellevue Resort 4* (preliminary visualization), Rabac

The Risks of the Company and the Group

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

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

There are five key steps in a risk management process:
1) Identifying potential risks;
2) Assessing identified risks;
3) Determining actions and responsibilities for efficient risk management;
4) Monitoring and overseeing preventive actions;
5) Exchanging information on risk management results conducted by the Management board.

The different types of risks facing Valamar Riviera can be classified into the following groups:
- Financial risks
  - related to financial variables, can have a negative


Valamar Isabella Island Resort 4* & 5*, Poreč

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

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

Financial risks

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

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

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

1) Foreign exchange risk

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

2) Interest rate risk

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

3) Credit risk

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

4) Price risk

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

5) Liquidity risk

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

6) Share-related risks

The market value of shares is the riskiest asset class due to its volatility resulting from the volatile nature of the whole capital market, macroeconomic trends on markets where the Company and Group operate and discrepancies between the expectations of financial analysts and the actual results. Furthermore, other contributing factors are also changes in the dividend policy, various activities in the segment of consolidations, mergers, acquisitions and forming of strategic partnership, the instability of the business model of the Company and Group as well as the fluctuations in the financial results for the Company and Group. In case any negative implications happen to be associated with these factors there is a considerable risk of market value drop that will in turn prevent investors from selling their shares at a fair market price.

Business risk

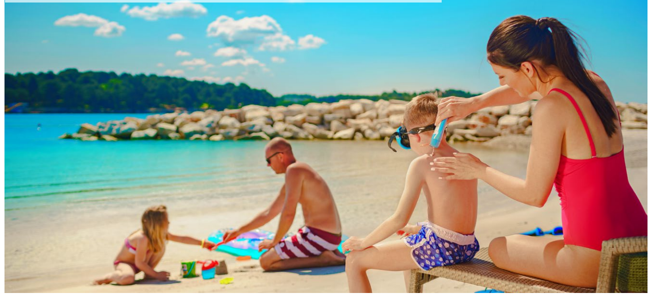
The Company and Group are constantly exposed to risks threatening its competitiveness and future stability. Since the Company and Group own real estate, this business model requires a large amount of capital in order to maintain high product and service standards. Various large capital investments in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

Over 95% of Valamar Riviera's guests come from other countries and they are very careful when choosing their vacation destination in the competitive Mediterranean environment. Stable country macroeconomic indicators are important decision-making factors especially those relating to exchange rates and the price of goods and services because they directly affect the guests' purchasing power. However small, the share of domestic guests is also important; it is a segment directly influenced by various other macroeconomic indicators: employment/ unemployment rate, GNP rise/ fall, industrial production and others. They all have a direct impact not only on the purchasing power of Croatian residents but they also determine whether they will choose to spend their vacation on the Adriatic.

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

Good management of human resources is vital for the future growth of the Company and Group. Risks related to shortages of specific skills, expertise and jobs are connected with the opening and expansion of the labor market. Valamar Riviera is one of the largest and most desirable employers in tourism. The active approach towards HR management develops key talents and supports investments in training opportunities (over HRK 3 million invested in training and professional development in 2016). We determine the needs for new skills and expertise by following emerging global trends in tourism. In this way, we are able to respond to challenges effectively. Through a continual dialogue with our social partners, we have ensured a high level of workers' rights in terms of competitive salaries, reward systems, career development, employees' wellbeing and cooperation with training institutions from all parts of Croatia.

Valamar Isabella Island Resort 4* & 5*, Poreč



Operational risks

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

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

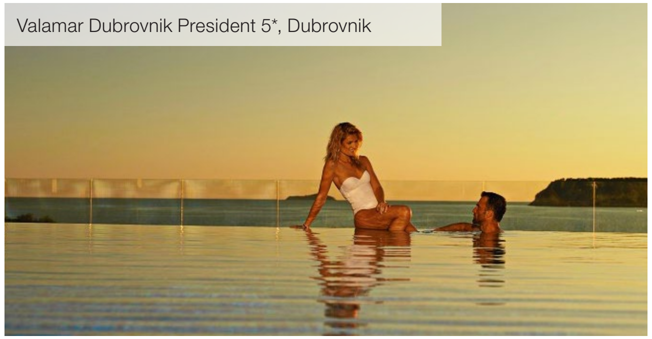
Global risks

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

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

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

Valamar Dubrovnik President 5*, Dubrovnik



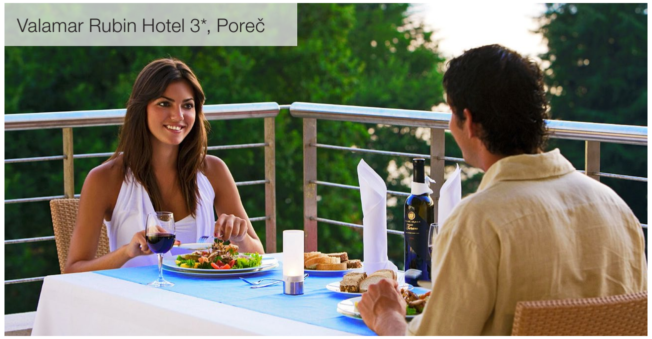
and calamities (earthquakes, fires, floods and rainstorms), air pollution caused by toxic gas emissions from industrial plants and vehicles, as well excessive urbanization and the introduction of invasive species should also be taken into consideration.

Compliance risks

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

- In March 2012 the standard VAT rate grew from 23% to 25%, in January 2013 a new 10% VAT rate was introduced only to be replaced within a year by a 13% VAT rate applicable to the tourism and hospitality industry (January 2014), while in January 2017 a new 25% VAT rate was introduced for F&B (a la carte) services;
- In May 2012 the health insurance employer contribution rate fell from 15% to 13% and then in April 2014 it grew back to 15%;

Valamar Rubin Hotel 3*, Poreč



- Frequent increases in various fees and charges regarding water distribution and the like.

Such frequent changes in laws regulating taxes and parafiscal charges often take place only after the business policy and budget for the next financial year have been approved and commercial terms and conditions with partners agreed. All this jeopardizes the Company and Group financial position and future investment plans as well as credibility towards shareholders. The Company and Group are also threatened by changes in regulations governing concession fees for maritime domain and tourism land use, the latter still presenting unresolved legal issues. Given the nature of the Company and Group's business, the right to use parts of the maritime domain as well as land for tourism purposes is of vital importance for future growth, especially for campsite-related operations. Apart from the current HBOR loans (Croatian Bank for Reconstruction and Development), tax incentives prescribed by the Act on Investment Promotion and Improvement, and the decrease in the income tax rate (from 20% to 18%, January 2017) there are no other measures that could significantly increase the growth pace and contribute to level Croatia's position with other competitors on the Mediterranean.

Corporate Governance

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

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

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

The Companies Act and the Company's Articles of Association define the General Assembly's authority and prescribe how it meets and works. The meeting invitation, proposals and the adopted resolutions are made public according to the provisions of the Companies Act, the Capital Market Act and the Zagreb Stock Exchange Rules

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

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

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

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

The Company's Corporate Bodies Are:

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

Supervisory Board: Mr. Gustav Wurmböck, Chairman, Mr. Franz Lanschützer, Deputy Chairman, Mr. Mladen Markoč, Deputy Chairman, and members: Mr. Georg Eltz, Ms. Mariza Jugovac, Mr. Hans Dominik Turnovszky and Mr. Vicko Ferić.

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

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

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

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

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

Related-party transactions

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

In the period under review, revenues resulting from related-party transactions totaled HRK 646 thousand (in 2015: HRK 27.3 million) for the Company, and HRK 17 thousand (in 2015: HRK 85 thousand) for the Group. The expenses amounted to HRK 30.1 million (in 2015: HRK 33.7 million) for the Company, and HRK 1.3 million (in 2015: HRK 1.7 million) for the Group.

On 31 December 2016 the related-party receivables and payables balance totaled HRK 138.5 million[28] for the Company (at year-end 2015: HRK 165.0 million[28]), while for the Group there was none (at year-end 2015: HRK 2 thousand). Liabilities for the Company totaled HRK 279 thousand (at year-end 2015: HRK 314 thousand), and HRK 154 thousand for the Group (at the end of 2015: HRK 413 thousand).

In accordance with the provision of Article 497 of the Companies Act, on 22 February 2017 the Management Board has prepared a separate report on the Company's related-party transactions and in accordance with Paragraph 3 of Article 497 it states that the Company, in line with circumstances management was aware of at the time a legal activity or an action related to the company was performed, received an appropriate consideration, without any damage to the Company.

Upon completion of the audit of the Management Board's Report on Related Parties, the company's auditor, KPMG Croatia d.o.o. has issued the statement pursuant to Article 498 of the Companies Law and has confirmed the following: (1) the statements in the Report are correct; (2) in the business transactions mentioned in the Report and based on the circumstances that were known when those transactions were undertaken, the value of the Company's consideration was not inappropriately high, or any difference in value was compensated; (3) in relation to the measures outlined in the Report, there were no circumstances which could lead one to make a materially different decision than the one that was made by the Management.

Branch Offices of the Company

The following branch offices were registered on 2 September 2011: Podružnica za turizam RABAC (branch office for tourism), with registered office in Rabac, Slobode 80, Podružnica za turizam ZLATNI OTOK (branch office for tourism), with registered office in Krk, Vršanska 8. Podružnica za turizam DUBROVNIK-BABIN KUK (branch office for tourism), with registered office in Dubrovnik, Dr. Ante Starčevića 45, was registered on 4 October 2013, and on 1 October 2014 Podružnica za savjetovanje u vezi s poslovanjem i upravljanjem ZAGREB (Branch Office for Business and Management Consulting), with registered office in Zagreb, Miramarska 24. The Rabac, Zlatni otok and Dubrovnik-Babin kuk branch offices, as economic drivers of their local communities, continue to operate in their destinations supporting their development by promoting further investments,hospitality development and participation in social and business activities.

[28] 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.

Valamar Riviera Share

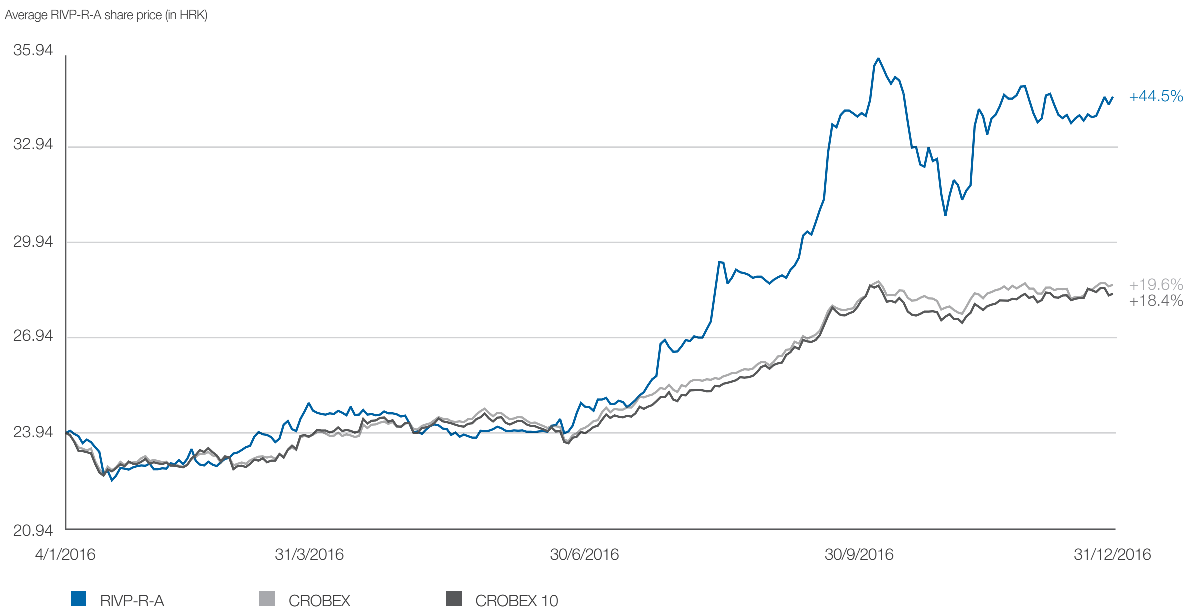
In 2016, the Company acquired 1,906,718 treasury shares, out of which 1,473,776 shares were acquired on the regulated market at a total acquisition cost of HRK 36,708,366 which represents 1.17% of the share capital. It also acquired 432,942 shares in the Bastion upravljanje d.o.o. merger which represents 0.34% of the share capital. In that period the Company released 1,454,078 treasury shares, representing 1.15% of the share capital, out of which 1,435,401 as dividend payment. On 31 December 2016, the Company held in total 1,857,034 treasury shares, or 1.47% of the share capital.

In the period from 1 January 2016 to 31 December 2016, the highest recorded share price in regular trading on the regulated market was HRK 36.25, while the lowest was HRK 22.30. The Company's share price increased by 44.5%, exceeding both CROBEX and CROBEX 10 indices trends, which recorded a growth of 19.6%, and 18.4% respectively. With a regular trading turnover of HRK 931 thousand a day[29], 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 (CROX[30] and SETX[31]), and SEE Link indices[32] (SEELinX and SEELinX EWI). Zagrebačka banka d.d.and Interkapital vrijednosni papiri d.o.o. perform specialist tasks of ordinary shares of the Company listed in the Official Market of Zagrebačka burza d.d. They provide support to Valamar Riviera's share turnover, which in the period under review was an average 40.5%[33].

The Company actively holds meetings and conference calls with domestic and foreign investors, as well as presentations for investors thus providing support to high-level transparency, creation of additional liquidity, increase of share value, and involvement of potential investors. In pursuing such an approach, Valamar Riviera can contribute to the Company's value further growth for the benefit of all stakeholders, aiming at making the share recognizable as the leading Croatian tourism share.

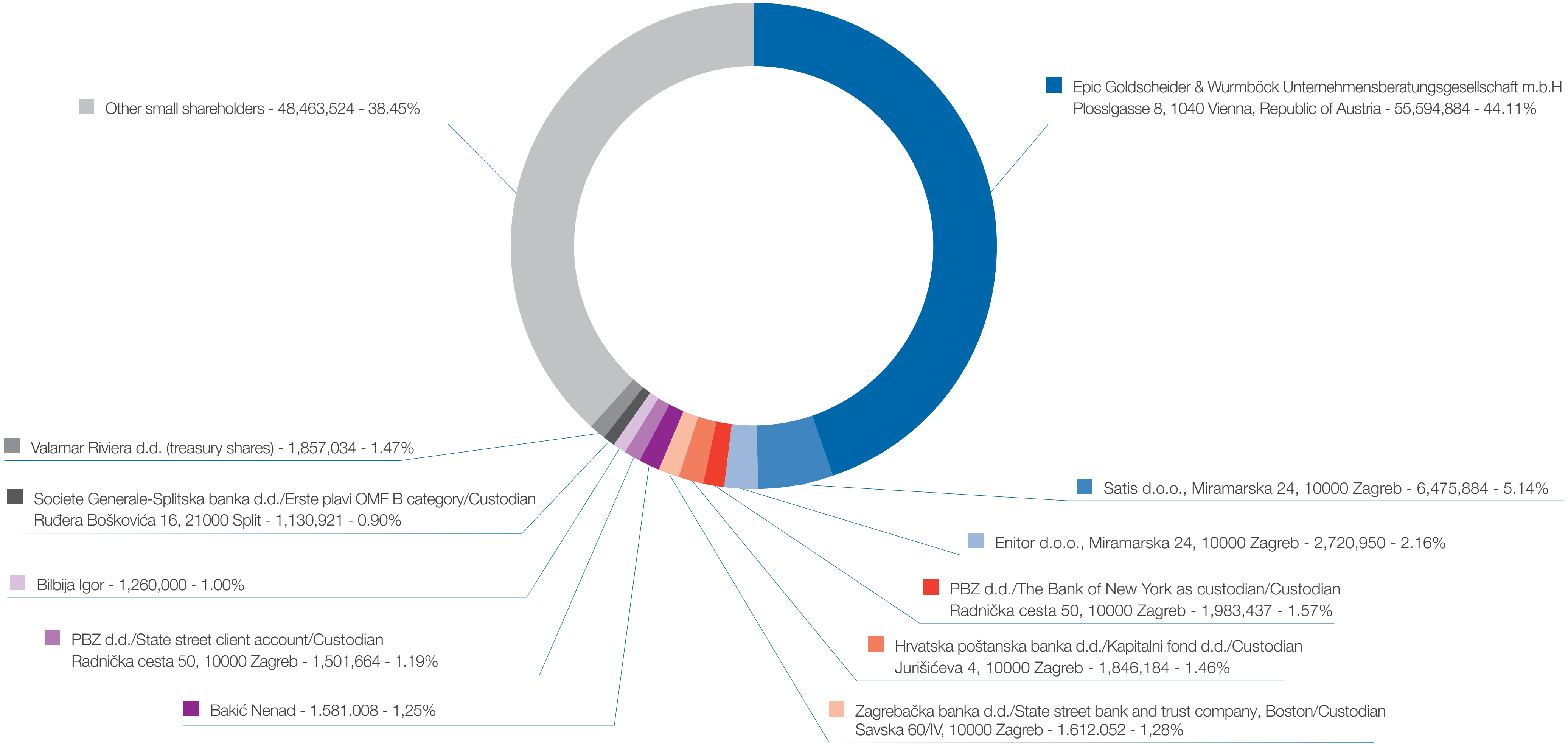
Performance of Valamar Riviera's share and CROBEX and CROBEX 10 indices



Analytical coverage of Valamar Riviera is provided by:
1) Addiko Bank d.d., Zagreb;
2) Alta invest d.d., Ljubljana;
3) ERSTE bank d.d., Zagreb;
4) FIMA vrijednosnice d.o.o., Varaždin;
5) Interkapital vrijednosni papiri d.o.o., Zagreb;
6) Raiffeisenbank Austria d.d., Zagreb;
7) UniCredit Group - Zagrebačka banka d.d., Zagreb.

29 Block transactions are excluded from the calculation.
30 Croatian Traded Index (CROX) is a capitalization-weighted price index and is made up of 12 most liquid and highest capitalized shares of Zagreb Stock Exchange.
31 South-East Europe Traded Index (SETX) is a capitalization-weighted price index consisting of blue chip stocks traded on stock exchanges in the region of South-eastern Europe (shares listed in Bucharest, Ljubljana, Sofia, Belgrade and Zagreb).
32 SEE Link is a regional platform for securities trading. It was founded by Bulgarian, Macedonian, and Zagreb Stock Exchange. SEE LinX and SEE LinX EWI are two "blue chip" regional indices composed of ten most liquid regional companies listed on three Stock Exchanges: five from Croatia, three from Bulgaria, and two from Macedonia.
33 Block transactions are excluded from the calculation. Data refers to the period 1/1 - 31/12/2016.

Overview of major shareholders as at 31 December 2016:



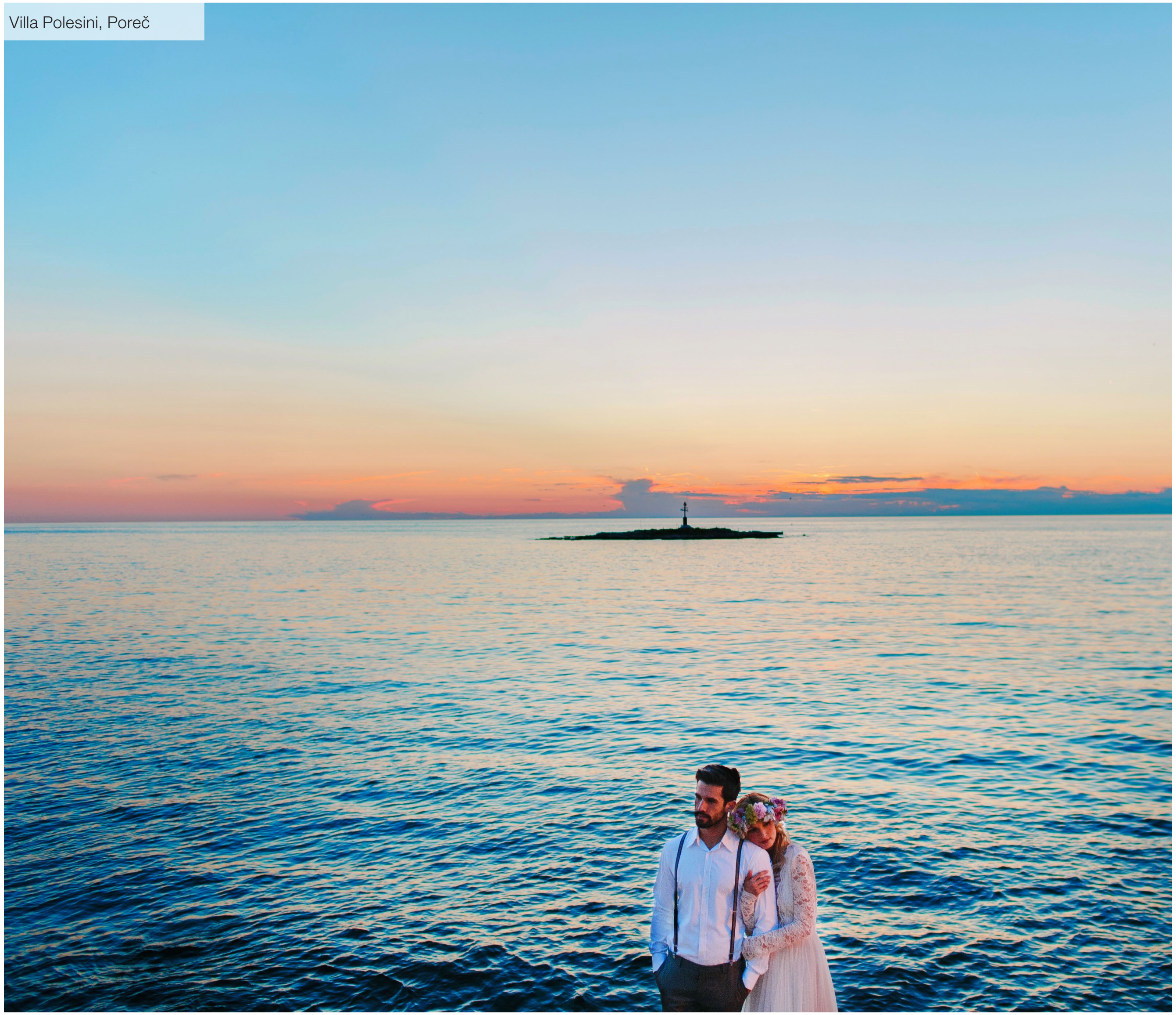
Additional Information

As one of the largest employers in Croatia (on 31 December 2016, the Company employed 2,184 employees, out of which 1,037 permanent ones), the Company and the Group systematically and continuously invest in the development of human resources. An integral strategic approach to human resources management and top practices applied include transparent hiring processes, clear objectives, measurement of employees' performance, rewarding systems, opportunities for employees' career advancements, investment in employees' development, and encouraging a two-way communication through various channels.

In the course of the fourth quarter of 2016 (including the period 1 January 2016 – 31 December 2016), 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 fourth quarter of 2016 (including the period 1 January 2016 to 31 December 2016) were adopted by the Management Board on 22 February 2017.

The Company's Management Board expresses its gratitude to all shareholders, business partners, and guests for their support and trust, and particularly to all employees for their contribution.

Management Board of the Company



Villa Polesini, Poreč

Responsibility for the quarterly Financial Statemetns

In Poreč, 22 February 2017

In accordance with provisions of Law on Capital Market, Marko Čižmek, Management board member responsible for finance, treasury and IT business as well as relations with institutional investors and Ljubica Grbac director of Department of Finance and Accounting, procurator and person responsible for finance and accounting, together as persons responsible for the preparation of quarterly and annual reports 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 set of audited, consolidated and unconsolidated financial statements for 2016 includes the quarterly reports for the fourth quarter of 2016, prepared in accordance with applicable standards of financial reporting gives a true and fair view of the assets and liabilities, profit and loss, financial position and operations of the Company and the companies included in consolidation.

- Report of the Company's Management board for the period from 1 January to 31 December 2016 including the period from 1 October to 31 December 2016 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 consolidation are exposed.

Marko Čižmek
Management Board Member

Ljubica Grbac
Director of Department of Finance
and Accounting

VALAMAR RIVIERA d.d.
POREČ (5)

Reporting period: from 1.1.2016 to 31.12.2016

Quarterly financial report TFI-POD

Tax number (MB):	**3474771**		
Company registration number (MBS):	**040020883**		
Personal identification number (OIB):	**36201212847**		
Issuing company:	**Valamar Riviera d.d.**		
Postal code and place	**52440**	**Poreč**	
Street and house number:	**Stancija Kaligari 1**		
E-mail address:	**uprava@riviera.hr**		
Internet address:	**www.valamar-riviera.com**		
Municipality/city code and name:	**348**	**Poreč**	
County code and name:	**18**	**Istarska**	Number of employees: (period end) **2.197**
			NKD code: **5510**
Consolidated report:	**YES**		

Companies of the consolidation subject (according to IFRS):	Seat:	MB:
Valamar hoteli i ljetovališta d.o.o.	Zagreb	01537369
Valamar hotels & resorts GmbH	Frankfurt	04724750667
Hoteli Baška d.d.	Baška	03035140
Mirta Bašćanska d.o.o.	Baška	01841017
Vala Bašćanska d.o.o.	Baška	02086131
Baškaturist d.o.o.	Baška	03849236
Puntižela d.o.o.	Pula	03203379
Citatis d.o.o.	Zagreb	02626969
Bastion upravljanje d.o.o.	Zagreb	01877453
Elafiti Babin kuk d.o.o.	Dubrovnik	01273094
Magične stijene d.o.o.	Dubrovnik	02315211
Palme turizam d.o.o.	Dubrovnik	02006103
Pogača Babin Kuk d.o.o.	Dubrovnik	02236346
Bugenvilia d.o.o.	Dubrovnik	02006120
Imperial d.d.	Rab	03044572

Bookkeeping service:			
Contact person:	**Sopta Anka** (only surname and name)		
Telephone:	**052/408 188**	Telefaks:	**052/408 110**
E-mail address:	**anka.sopta@riviera.hr**		
Family 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 31.12.2016)
Company: Valamar Riviera d.d.

Position	AOP	Previous period (according to GFI-POD)	Current period
1	2	3	4
ASSETS			
A) RECEIVABELS FOR SUBSCRIBED NOT PAID CAPITAL	**001**		
B) NON-CURRENT ASSETS (003+010+020+029+033)	**002**	**3.190.008.042**	**4.105.084.164**
I. INTANGIBLE ASSETS (004 to 009)	**003**	**17.006.943**	**24.080.361**
1. Expenditure for development	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	10.327.568	17.238.280
3. Goodwill	006	6.567.609	6.567.609
4. Advances for purchase of intangible assets	007		
5. Intangible assets in progress	008	111.766	274.472
6. Other intangible assets	009		
II. PROPERTY, PLANT AND EQUIPMENT (011 to 019)	**010**	**3.065.294.774**	**3.941.768.572**
1. Land	011	659.328.328	873.211.455
2. Buildings	012	2.052.868.793	2.522.990.552
3. Plant and equipement	013	203.822.037	225.945.122
4. Tools, working inventory and transportation assets	014	64.897.404	81.203.324
5. Biological assets	015		
6. Advances for purchase of tangible assets	016	5.072.180	31.783.971
7. Tangible assets in progress	017	32.731.559	168.568.553
8. Other tangible assets	018	24.833.592	27.197.353
9. Investment in real-estate	019	21.740.881	10.868.242
III. NON-CURRENT FINANCIAL ASSETS (021 to 028)	**020**	**46.547.373**	**6.601.376**
1. Share in related parties	021	1.241.421	1.365.316
2. Loans to related parties	022		
3. Participating interests (shares)	023	140.000	170.000
4. Loans to companies with participating interest	024		
5. Investments in securities	025	44.761.794	4.766.325
6. Loans, deposits, etc.	026	404.158	299.735
7. Other non-current financial assets	027		
8. Equity-accounted investments	028		
IV. RECEIVABLES (030 to 032)	**029**	**645.153**	**995.869**
1. Receivables from related parties	030		
2. Receivables arising from sales on credit	031	286.116	316.722
3. Other receivables	032	359.037	679.147
V. DEFERRED TAX ASSET	**033**	**60.513.799**	**131.637.986**
C) CURRENT ASSETS (035+043+050+058)	**034**	**355.363.412**	**336.880.206**
I. INVENTORIES (036 to 042)	**035**	**9.761.018**	**19.245.740**
1. Raw materials and supplies	036	8.951.383	18.967.510
2. Production in progress	037		
3. Finished products	038		
4. Merchandise	039	64.641	236.606
5. Advances for inventories	040		41.624
6. Long term assets held for sale	041	744.994	
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	**043**	**26.681.432**	**42.229.932**
1. Receivables from related parties	044	458	204
2. Receivables from end-customers	045	13.147.988	17.711.197
3. Receivables from participating parties	046	253	253
4. Receivables from employees and members of the company	047	485.727	657.014
5. Receivables from government and other institutions	048	9.285.057	21.012.831
6. Other receivables	049	3.761.949	2.848.433
III. CURRENT FINANCIAL ASSETS (051 to 057)	**050**	**165.680**	**753.886**
1. Share in related parties	051		
2. Loans to related parties	052		
3. Participating interests (shares)	053		
4. Loans to companies with participating interest	054		
5. Investments in securities	055		
6. Loans, deposits, etc.	056	24.845	753.886
7. Other financial assets	057	140.835	
IV. CASH AND CASH EQUIVALENTS	**058**	**318.755.282**	**274.650.648**
D) PREPAYMENTS AND ACCRUED INCOME	**059**	**21.247.239**	**23.369.940**
E) TOTAL ASSETS (001+002+034+059)	**060**	**3.566.618.693**	**4.465.334.310**
F) OFF BALANCE SHEET ITEMS	**061**	**54.717.679**	**54.631.638**

Balance Sheet (as of 31.12.2016) (continued)
Company: Valamar Riviera d.d.

Position	AOP	Previous period (according to GFI-POD)	Current period
1	2	3	4
EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	**062**	**1.901.690.680**	**2.373.637.039**
I. SUBSCRIBED SHARE CAPITAL	**063**	**1.672.021.210**	**1.672.021.210**
II. CAPITAL RESERVES	**064**	**-373.815**	**2.204.690**
III.RESERVES FROM PROFIT (066+067-068+069+070)	**065**	**62.737.202**	**84.401.862**
1. Legal reserves	066	61.906.040	67.198.750
2. Reserve for own shares	067	34.344.407	44.815.284
3. Treasury shares and shares (deductible items)	068	33.513.245	37.141.295
4. Statutory reserves	069		
5. Other reserves	070		9.529.123
IV. REVALUATION RESERVES	**071**	**31.189.526**	**273.313**
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	**072**	**30.576.912**	**36.580.064**
1. Retained earnings	073	30.576.912	36.580.064
2. Loss carried forward	074		
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	**075**	**105.441.776**	**342.313.777**
1. Net profit for the period	076	105.441.776	342.313.777
2. Net loss for the period	077		
VII. MINORITY INTEREST	**078**	**97.869**	**235.842.123**
B) PROVISIONS (080 to 082)	**079**	**31.101.065**	**26.654.212**
1. Provisions for pensions, severance pay and similar liabilities	080		
2. Provisions for tax liabilities	081	16.011	37.616
3. Other provisions	082	31.085.054	26.616.596
C) NON-CURRENT LIABILITIES (084 to 092)	**083**	**1.331.861.034**	**1.556.069.066**
1. Liabilites to related parties	084		
2. Liabilities for loans, deposits, etc.	085		9.149.000
3. Liabilities to banks and other financial institutions	086	1.306.223.976	1.488.677.568
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	2.833.087	2.044.339
9. Deferred tax liabilities	092	22.803.971	56.198.159
D) CURRENT LIABILITIES (094 to 105)	**093**	**229.556.759**	**394.111.168**
1. Liabilites to related parties	094	70.585	70.197
2. Liabilities for loans, deposits, etc.	095		103.000
3. Liabilities to banks and other financial institutions	096	139.838.023	180.344.025
4. Liabilities for advances	097	14.788.881	23.380.655
5. Trade payables	098	47.731.018	154.542.693
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to emloyees	101	15.738.902	20.674.590
9. Taxes, contributions and similar liabilities	102	7.870.246	11.615.356
10. Liabilities arising from share in the result	103	45.653	235.003
11. Liabilities arising from non-current assets held for sale	104	2.832	
12. Other current liabilities	105	3.470.619	3.145.649
E) ACCRUED EXPENSES AND DEFERRED INCOME	**106**	**72.409.155**	**114.862.825**
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	**107**	**3.566.618.693**	**4.465.334.310**
G) OFF BALANCE SHEET ITEMS	**108**	**54.717.679**	**54.631.638**
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
A) ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109	1.901.592.811	2.137.794.916
2. Attributable to minority interest	110	97.869	235.842.123

Income statement (period 1.1.2016 to 31.12.2016)
Company: Valamar Riviera d.d.

Position	AOP	Previous period (according to GFI-POD)		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112 to 113)	**111**	**1.294.036.934**	**71.104.167**	**1.488.610.601**	**82.698.503**
1. Sales revenues	112	1.268.724.937	64.362.245	1.454.867.739	72.370.968
2. Other operating revenues	113	25.311.997	6.741.922	33.742.862	10.327.535
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	**114**	**1.122.244.561**	**276.553.036**	**1.241.906.079**	**295.592.385**
1. Change in inventories of work in progress	115				
2. Material expenses (117 to 119)	116	398.167.101	65.216.857	450.374.430	90.428.326
a) Costs of raw materials	117	210.542.502	25.379.274	247.421.054	39.546.162
b) Cost of goods sold	118	1.438.513	68.269	2.417.204	181.289
c) Other material expenses	119	186.186.086	39.769.314	200.536.172	50.700.875
3. Employee benefits expenses (121 to 123)	120	327.901.582	89.387.072	371.316.789	82.344.500
a) Net salaries	121	195.479.135	52.265.815	222.429.876	41.321.323
b) Tax and contributions from salary expenses	122	86.030.732	24.624.493	94.779.650	26.650.228
c) Contributions on salary	123	46.391.715	12.496.764	54.107.263	14.372.949
4. Depreciation and amortisation	124	232.922.484	54.973.124	265.188.188	68.084.255
5. Other expenses	125	124.793.680	37.769.639	128.500.052	38.636.265
6. Write down of assets (127+128)	126	18.650.013	17.938.304	690.979	419.496
a) non-current assets (except financial assets)	127	16.839.165	16.839.165		
b) current assets (except financial assets)	128	1.810.848	1.099.139	690.979	419.496
7. Provisions	129	5.353.888	5.353.888	1.854.405	1.854.405
8. Other operating costs	130	14.455.813	5.914.152	23.981.236	13.825.138
III. FINANCIAL INCOME (132 to 136)	**131**	**39.456.545**	**9.115.766**	**90.889.299**	**9.435.420**
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	32.029.548	7.112.557	43.399.550	7.804.905
3. Income from investments in associates and joint ventures	134				
4. Unrealised gains (income) from financial assets	135	5.496.413	1.436.469	9.107.883	957.141
5. Other financial income	136	1.930.584	566.740	38.381.866	673.374
IV. FINANCIAL EXPENSES (138 to 141)	**137**	**78.322.140**	**15.633.276**	**65.684.632**	**21.876.845**
1. Interest, foreign exchange differences, dividends and similar expenses from related parties	138				
2. Interest, foreign exchange differences, dividends and similar expenses from third parties	139	72.055.572	14.247.404	53.227.381	20.144.686
3. Unrealised losses (expenses) from financial assets	140	4.722.854	272.145	8.256.519	962.763
4. Other financial expenses	141	1.543.714	1.113.727	4.200.732	769.396
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	**142**				
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	**143**				
VII. EXTRAORDINARY - OTHER INCOME	**144**				
VIII. EXTRAORDINARY - OTHER EXPENSES	**145**				
IX. TOTAL INCOME (111+131+142+144)	**146**	**1.333.493.479**	**80.219.933**	**1.579.499.900**	**92.133.923**
X. TOTAL EXPENSES (114+137+143+145)	**147**	**1.200.566.701**	**292.186.312**	**1.307.590.711**	**317.469.230**
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	**148**	**132.926.778**	**-211.966.379**	**271.909.189**	**-225.335.307**
1. Profit before taxes (146-147)	149	132.926.778	0	271.909.189	0
2. Loss before taxes (147-146)	150	0	211.966.379	0	225.335.307
XII. TAXATION	**151**	**27.465.300**	**28.102.638**	**-70.404.588**	**-68.444.935**
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	**152**	**105.461.478**	**-240.069.017**	**342.313.777**	**-156.890.372**
1. Profit for the period (149-151)	153	105.461.478	0	342.313.777	0
2. Loss for the period (151-148)	154	0	240.069.017	0	156.890.372

Income statement (period 1.1.2016 to 31.12.2016) (continued)
Company: Valamar Riviera d.d.

Position	AOP	Previous period (according to GFI-POD)		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	105.441.776	-238.782.029	342.313.777	-156.890.372
2. Attributable to minority interest	156	19.702	-1.286.988	0	0
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	**157**	**105.461.478**	**-240.069.017**	**342.313.777**	**-156.890.372**
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 to 165)	**158**	**2.203.517**	**2.203.517**	**-33.642.778**	**-33.642.778**
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	2.203.517	2.203.517	-33.642.778	-33.642.778
4. Profit or loss from cash flow hedging	162				
5. Profit or loss from hedging of foreign investments	163				
6. Share of other comprehensive income/loss from associated companies	164				
7. Actuarial gains/losses from defined benefit plans	165				
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**166**	**427.734**	**427.734**	**-2.726.564**	**-2.726.564**
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158-166)	**167**	**1.775.783**	**1.775.783**	**-30.916.214**	**-30.916.214**
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	**168**	**107.237.261**	**-238.293.234**	**311.397.563**	**-187.806.586**
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	107.217.559	-237.006.246	311.397.563	-187.806.586
2. Attributable to minority interest	170	19.702	-1.286.988	0	0

Cash flow statement - indirect method (period 1.1.2016 to 31.12.2016)
Company: Valamar Riviera d.d.

Position	AOP	Previous period (according to GFI-POD)	Current period
1	2	3	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	001	132.926.778	271.909.189
2. Depreciation and amortisation	002	232.922.484	265.188.188
3. Increase of current liabilities	003		49.286.257
4. Decrease of current receivables	004	8.207.271	
5. Decrease of inventories	005		
6. Other cash flow increases	006	44.394.172	28.321.889
I. Total increase of cash flow from operating activities (001 to 006)	**007**	**418.450.705**	**614.705.523**
1. Decrease of current liabilities	008	25.937.989	
2. Increase of current receivables	009		14.783.702
3. Increase of inventories	010	2.482.530	8.492.552
4. Other cash flow decreases	011	27.531.273	7.465.150
II. Total decrease of cash flow from operating activities (008 to 011)	**012**	**55.951.792**	**30.741.404**
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	**013**	**362.498.913**	**583.964.119**
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	**014**	**0**	**0**
CASH FLOW FROM INVESTING ACTIVITIES			
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	22.713.290	24.199.546
III. Total cash inflows from investing activities (015 to 019)	**020**	**22.713.290**	**24.199.546**
1. Purchase of non-current assets	021	691.316.823	353.865.885
2. Purchase of non-current financial assets	022		
3. Other cash outflows from investing activities	023	3.115.305	258.627.588
IV. Total cash outflows from investing activities (021 to 023)	**024**	**694.432.128**	**612.493.473**
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES (020-024)	**025**	**0**	**0**
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES (024-020)	**026**	**671.718.838**	**588.293.927**
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	027	6.763	
2. Proceeds from loans and borrowings	028	520.084.123	689.895.055
3. Other proceeds from financing activities	029	1.706.281	
V. Total cash inflows from financing activities (027 to 029)	**030**	**521.797.167**	**689.895.055**
1. Repayment of loans and bonds	031		619.590.521
2. Dividends paid	032	68.922.466	38.048.245
3. Repayment of finance lease	033		
4. Purchase of treasury shares	034	20.100.998	36.708.611
5. Other cash outflows from financing activities	035		35.322.504
VI. Total cash outflows from financing activities (031 to 035)	**036**	**89.023.464**	**729.669.881**
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	**037**	**432.773.703**	**0**
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	**038**	**0**	**39.774.826**
Total increases of cash flows (013-014+025-026+037-038)	039	123.553.778	0
Total decreases of cash flows (014-013+026-025+038-037)	040	0	44.104.634
Cash and cash equivalents at the beginning of period	041	195.201.504	318.755.282
Increase of cash and cash equivalents	042	123.553.778	
Decrease of cash and cash equivalents	043		44.104.634
Cash and cash equivalents at the end of period	044	318.755.282	274.650.648

Statement of changes in equity (period 1.1.2016 to 31.12.2016)
Company: Valamar Riviera d.d.

Position	AOP	Previous period (according to GFI-POD)	Current period
1	2	3	4
1. Subscribed share capital	001	1.672.021.210	1.672.021.210
2. Capital reserves	002	-373.815	2.204.690
3. Reserves from profit	003	62.737.202	84.401.862
4. Retained earnings or loss carried forward	004	30.576.912	36.580.064
5. Net profit or loss for the period	005	105.441.776	342.313.777
6. Revaluation of tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of available for sale assets	008	31.189.526	273.313
9. Other revaluation	009		
10. Total equity and reserves (AOP 001 to 009)	**010**	**1.901.592.811**	**2.137.794.916**
11. Foreign exchange differences from foreign investments	011		
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Change of accounting policies	014		
15. Correction of significant mistakes of prior period	015		
16. Other changes	016		
17.Total increase or decrease of equity (AOP 011 to 016)	**017**	**0**	**0**
17 a. Attributable to majority owners	018	1.901.592.811	2.137.794.916
17 b. Attributable to minority interest	019	97.869	235.842.123

Notes to Financial Statements

(1) The notes to financial statements include additional and supplemental information not presented in the Balance Sheet, Income Statement, Cash Flow Statement or the Statement of Changes in Equity in accordance with the provisions of the relevant financial reporting standards.

Companies of the consolidation subject	Balance sheet-previous period 31.12.2015.	Balance sheet-current period 31.12.2016.
Valamar hoteli i ljetovališta d.o.o.	Yes (merged to Valamar Riviera d.d. 27.2.2015.)	
Citatis d.o.o.	Yes (merged to Bastion d.o.o. 12.11.2015.)	
Mirta Bašćanska d.o.o.	Yes (merged to Hoteli Baška d.d. 13.1.2016.)	
Vala Bašćanska d.o.o.	Yes (merged to Hoteli Baška d.d. 13.1.2016.)	
Baškaturist d.o.o.	Yes (merged to Hoteli Baška d.d. 13.1.2016.)	
Hoteli Baška d.d.	Yes (merged to Valamar Riviera d.d. 31.3.2016.)	
Bastion upravljanje d.o.o.	Yes (merged to Valamar Riviera d.d. 30.6.2016.)	
Valamar hotels & resorts GmbH	Yes	Yes
Elafiti Babin kuk d.o.o.	Yes	Yes
Magične stijene d.o.o.	Yes	Yes
Palme turizam d.o.o.	Yes	Yes
Pogača Babin Kuk d.o.o.	Yes	Yes
Bugenvilia d.o.o.	Yes	Yes
Puntižela d.o.o.	Yes	Yes
Imperial d.d.	No	Yes

Companies of the consolidation subject:	Income statment-previous period 31.12.2015.	Income statment-current period 31.12.2016.
Valamar hoteli i ljetovališta d.o.o.	1.1.-27.2. (merged to Valamar Riviera d.d. 27.2.2015.)	-
Citatis d.o.o.	01.1.-12.11. (merged to Bastion d.o.o. 12.11.2015.)	-
Mirta Bašćanska d.o.o.	18.6.-31.12.	1.1.-13.1. (merged to Hoteli Baška d.d. 13.1.2016.)
Vala Bašćanska d.o.o.	18.6.-31.12.	1.1.-13.1. (merged to Hoteli Baška d.d. 13.1.2016.)
Baškaturist d.o.o.	18.6.-31.12.	1.1.-13.1. (merged to Hoteli Baška d.d. 13.1.2016.)
Hoteli Baška d.d.	18.6.-31.12.	1.1.-31.3. (merged to Valamar Riviera d.d. 31.3.2016.)
Valamar hotels & resorts GmbH	1.1.-31.12.	1.1.-31.1.
Bastion upravljanje d.o.o.	1.1.-31.12.	1.1.-30.6. (merged to Valamar Riviera d.d. 30.6.2016.)
Elafiti Babin kuk d.o.o.	1.1.-31.12.	1.1.-31.12.
Magične stijene d.o.o.	1.1.-31.12.	1.1.-31.12.
Palme turizam d.o.o.	1.1.-31.12.	1.1.-31.12.
Pogača Babin Kuk d.o.o.	1.1.-31.12.	1.1.-31.12.
Bugenvilia d.o.o.	1.1.-31.12.	1.1.-31.12.
Puntižela d.o.o.	1.1.-31.12.	1.1.-31.12.
Imperial d.d.	-	-

Reporting period: from 1.1.2016 to 31.12.2016

Quarterly financial report TFI-POD

Tax number (MB):	3474771			
Company registration number (MBS):	040020883			
Personal identification number (OIB):	36201212847			
Issuing company:	Valamar Riviera d.d.			
Postal code and place	52440	Poreč		
Street and house number:	Stancija Kaligari 1			
E-mail address:	uprava@riviera.hr			
Internet address:	www.valamar-riviera.com			
Municipality/city code and name:	348	Poreč		
County code and name:	18	Istarska	Number of employees: (period end)	2.184
			NKD code:	5510
Consolidated report:	NO			
Companies of the consolidation subject (according to IFRS):	Seat:		MB:	

Bookkeeping service:		
Contact person:	Sopta Anka (only surname and name)	
Telephone:	052/408 188	Telefaks: 052/408 110
E-mail address:	anka.sopta@riviera.hr	
Family 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 31.12.2016)
Company: Valamar Riviera d.d.

Position	AOP	Previous period (according to GFI-POD)	Current period
1	2	3	4
ASSETS			
A) RECEIVABELS FOR SUBSCRIBED NOT PAID CAPITAL	**001**		
B) NON-CURRENT ASSETS (003+010+020+029+033)	**002**	**3.171.672.610**	**3.806.830.512**
I. INTANGIBLE ASSETS (004 to 009)	**003**	**9.202.261**	**17.342.793**
1. Expenditure for development	004		
2. Concessions, patents, licenses, trademarks, service marks, software and other rights	005	9.090.495	17.068.321
3. Goodwill	006		
4. Advances for purchase of intangible assets	007		
5. Intangible assets in progress	008	111.766	274.472
6. Other intangible assets	009		
II. PROPERTY, PLANT AND EQUIPMENT (011 to 019)	**010**	**2.379.794.741**	**2.906.793.288**
1. Land	011	519.577.779	595.574.908
2. Buildings	012	1.525.902.691	1.805.980.339
3. Plant and equipement	013	189.682.352	207.011.662
4. Tools, working inventory and transportation assets	014	63.877.369	62.668.696
5. Biological assets	015		
6. Advances for purchase of tangible assets	016	5.072.180	29.697.670
7. Tangible assets in progress	017	32.557.369	167.870.168
8. Other tangible assets	018	24.663.310	27.121.603
9. Investment in real-estate	019	18.461.691	10.868.242
III. NON-CURRENT FINANCIAL ASSETS (021 to 028)	**020**	**625.876.740**	**675.525.760**
1. Share in related parties	021	584.753.048	670.319.700
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	40.983.692	4.766.325
6. Loans, deposits, etc.	026		299.735
7. Other non-current financial assets	027		
8. Equity-accounted investments	028		
IV. RECEIVABLES (030 to 032)	**029**	**136.460.510**	**113.553.484**
1. Receivables from related parties	030	135.815.357	113.247.689
2. Receivables arising from sales on credit	031	286.116	229.222
3. Other receivables	032	359.037	76.573
V. DEFERRED TAX ASSET	**033**	**20.338.358**	**93.615.187**
C) CURRENT ASSETS (035+043+050+058)	**034**	**363.445.425**	**319.356.014**
I. INVENTORIES (036 to 042)	**035**	**9.604.766**	**18.253.553**
1. Raw materials and supplies	036	8.810.975	18.026.040
2. Production in progress	037		
3. Finished products	038		
4. Merchandise	039	48.797	227.513
5. Advances for inventories	040		
6. Long term assets held for sale	041	744.994	
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	**043**	**51.857.599**	**62.728.000**
1. Receivables from related parties	044	29.181.921	25.253.754
2. Receivables from end-customers	045	12.765.099	16.702.108
3. Receivables from participating parties	046		
4. Receivables from employees and members of the company	047	485.286	649.460
5. Receivables from government and other institutions	048	7.009.354	18.294.802
6. Other receivables	049	2.415.939	1.827.876
III. CURRENT FINANCIAL ASSETS (051 to 057)	**050**	**185.980**	**726.764**
1. Share in related parties	051		
2. Loans to related parties	052	20.300	23.800
3. Participating interests (shares)	053		
4. Loans to companies with participating interest	054		
5. Investments in securities	055		
6. Loans, deposits, etc.	056	24.845	702.964
7. Other financial assets	057	140.835	
IV. CASH AND CASH EQUIVALENTS	**058**	**301.797.080**	**237.647.697**
D) PREPAYMENTS AND ACCRUED INCOME	**059**	**20.594.349**	**21.820.614**
E) TOTAL ASSETS (001+002+034+059)	**060**	**3.555.712.384**	**4.148.007.140**
F) OFF BALANCE SHEET ITEMS	**061**	**54.717.679**	**54.631.638**

Balance Sheet (as of 31.12.2016) (continued)
Company: Valamar Riviera d.d.

Position	AOP	Previous period (according to GFI-POD)	Current period
1	2	3	4
EQUITY AND LIABILITIES			
A) ISSUED CAPITAL AND RESERVES (063+064+065+071+072+075+078)	**062**	**2.088.581.493**	**2.324.082.480**
I. SUBSCRIBED SHARE CAPITAL	**063**	**1.672.021.210**	**1.672.021.210**
II. CAPITAL RESERVES	**064**	**109.139**	**2.204.690**
III.RESERVES FROM PROFIT (066+067-068+069+070)	**065**	**67.203.861**	**84.401.862**
1. Legal reserves	066	61.906.040	67.198.750
2. Reserve for own shares	067	34.344.407	44.815.284
3. Treasury shares and shares (deductible items)	068	29.046.586	37.141.295
4. Statutory reserves	069		
5. Other reserves	070		9.529.123
IV. REVALUATION RESERVES	**071**	**31.431.842**	**273.313**
V. RETAINED EARNINGS OR LOSS CARRIED FORWARD (073-074)	**072**	**211.961.240**	**228.523.684**
1. Retained earnings	073	211.961.240	228.523.684
2. Loss carried forward	074		
VI. NET PROFIT OR LOSS FOR THE PERIOD (076-077)	**075**	**105.854.201**	**336.657.721**
1. Net profit for the period	076	105.854.201	336.657.721
2. Net loss for the period	077		
VII. MINORITY INTEREST	**078**		
B) PROVISIONS (080 to 082)	**079**	**31.013.879**	**26.578.807**
1. Provisions for pensions, severance pay and similar liabilities	080		
2. Provisions for tax liabilities	081		
3. Other provisions	082	31.013.879	26.578.807
C) NON-CURRENT LIABILITIES (084 to 092)	**083**	**1.164.439.231**	**1.351.548.203**
1. Liabilites to related parties	084		
2. Liabilities for loans, deposits, etc.	085		
3. Liabilities to banks and other financial institutions	086	1.158.888.007	1.332.585.946
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	2.833.086	2.044.339
9. Deferred tax liabilities	092	2.718.138	16.917.918
D) CURRENT LIABILITIES (094 to 105)	**093**	**205.346.633**	**361.331.313**
1. Liabilites to related parties	094	204.906	195.394
2. Liabilities for loans, deposits, etc.	095		
3. Liabilities to banks and other financial institutions	096	125.355.698	159.263.170
4. Liabilities for advances	097	12.944.972	22.878.112
5. Trade payables	098	43.376.126	150.726.630
6. Commitments on securities	099		
7. Liabilities to companies with participating interest	100		
8. Liabilities to emloyees	101	14.943.850	18.821.064
9. Taxes, contributions and similar liabilities	102	6.643.162	7.640.156
10. Liabilities arising from share in the result	103		59.985
11. Liabilities arising from non-current assets held for sale	104		
12. Other current liabilities	105	1.877.919	1.746.802
E) ACCRUED EXPENSES AND DEFERRED INCOME	**106**	**66.331.148**	**84.466.337**
F) TOTAL EQUITY AND LIABILITIES (062+079+083+093+106)	**107**	**3.555.712.384**	**4.148.007.140**
G) OFF BALANCE SHEET ITEMS	**108**	**54.717.679**	**54.631.638**
ADDITION TO BALANCE SHEET (only for consolidated financial statements)			
A) ISSUED CAPITAL AND RESERVES			
1. Attributable to majority owners	109		
2. Attributable to minority interest	110		

Income statement (period 1.1.2016 to 31.12.2016)
Company: Valamar Riviera d.d.

Position	AOP	Previous period (according to GFI-POD)		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
I. OPERATING INCOME (112 to 113)	**111**	**1.204.969.547**	**66.899.401**	**1.470.965.788**	**82.564.374**
1. Sales revenues	112	1.183.210.564	61.665.828	1.440.427.303	72.135.117
2. Other operating revenues	113	21.758.983	5.233.573	30.538.485	10.429.257
II. OPERATING COSTS (115+116+120+124+125+126+129+130)	**114**	**1.071.439.889**	**258.034.619**	**1.233.233.856**	**296.069.014**
1. Change in inventories of work in progress	115				
2. Material expenses (117 to 119)	116	409.536.254	66.669.912	474.135.719	96.959.546
a) Costs of raw materials	117	196.614.988	19.181.240	245.716.305	39.412.456
b) Cost of goods sold	118	1.434.435	68.268	2.417.204	181.289
c) Other material expenses	119	211.486.831	47.420.404	226.002.210	57.365.801
3. Employee benefits expenses (121 to 123)	120	307.624.037	82.376.312	365.349.927	81.735.791
a) Net salaries	121	183.152.101	47.620.582	219.441.890	40.956.230
b) Tax and contributions from salary expenses	122	80.386.936	22.897.173	93.854.219	26.650.228
c) Contributions on salary	123	44.085.000	11.858.557	52.053.818	14.129.333
4. Depreciation and amortisation	124	206.773.719	45.881.991	243.228.097	62.979.843
5. Other expenses	125	116.191.214	35.335.528	126.732.255	38.362.661
6. Write down of assets (127+128)	126	18.650.013	17.938.304	690.979	419.496
a) non-current assets (except financial assets)	127	16.839.165	16.839.165		
b) current assets (except financial assets)	128	1.810.848	1.099.139	690.979	419.496
7. Provisions	129	4.958.192	4.958.192	1.854.405	1.854.405
8. Other operating costs	130	7.706.460	4.874.380	21.242.474	13.757.272
III. FINANCIAL INCOME (132 to 136)	**131**	**64.297.030**	**8.371.090**	**88.144.060**	**9.420.273**
1. Interest, foreign exchange differences, dividends and similar income from related parties	132	26.181.223			
2. Interest, foreign exchange differences, dividends and similar income from third parties	133	31.071.703	6.750.774	41.052.317	7.789.757
3. Income from investments in associates and joint ventures	134				
4. Unrealised gains (income) from financial assets	135	5.496.413	1.436.469	9.107.883	957.141
5. Other financial income	136	1.547.691	183.847	37.983.860	673.375
IV. FINANCIAL EXPENSES (138 to 141)	**137**	**71.017.461**	**12.443.832**	**60.817.483**	**21.113.772**
1. Interest, foreign exchange differences, dividends and similar expenses from related parties	138				
2. Interest, foreign exchange differences, dividends and similar expenses from third parties	139	64.938.151	11.245.218	49.480.811	19.568.871
3. Unrealised losses (expenses) from financial assets	140	4.722.854	272.145	8.256.519	962.763
4. Other financial expenses	141	1.356.456	926.469	3.080.153	582.138
V. SHARE OF PROFIT FROM ASSOCIATED COMPANIES	**142**				
VI. SHARE OF LOSS FROM ASSOCIATED COMPANIES	**143**				
VII. EXTRAORDINARY - OTHER INCOME	**144**				
VIII. EXTRAORDINARY - OTHER EXPENSES	**145**				
IX. TOTAL INCOME (111+131+142+144)	**146**	**1.269.266.577**	**75.270.491**	**1.559.109.848**	**91.984.647**
X. TOTAL EXPENSES (114+137+143+145)	**147**	**1.142.457.350**	**270.478.451**	**1.294.051.339**	**317.182.786**
XI. PROFIT OR LOSS BEFORE TAXES (146-147)	**148**	**126.809.227**	**-195.207.960**	**265.058.509**	**-225.198.139**
1. Profit before taxes (146-147)	149	126.809.227	0	265.058.509	0
2. Loss before taxes (147-146)	150	0	195.207.960	0	225.198.139
XII. TAXATION	**151**	**20.955.026**	**20.955.026**	**-71.599.212**	**-71.599.212**
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	**152**	**105.854.201**	**-216.162.986**	**336.657.721**	**-153.598.927**
1. Profit for the period (149-151)	153	105.854.201	0	336.657.721	0
2. Loss for the period (151-148)	154	0	216.162.986	0	153.598.927

Income statement (period 1.1.2016 to 31.12.2016) (continued)
Company: Valamar Riviera d.d.

Position	AOP	Previous period (according to GFI-POD)		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	105.854.201	-216.162.986	336.657.721	-153.598.927
2. Attributable to minority interest	156				
STATEMENT OF OTHER COMPREHENSIVE INCOME (only for IFRS adopters)					
I. PROFIT OR LOSS FOR THE PERIOD (=152)	**157**	**105.854.201**	**-216.162.986**	**336.657.721**	**-153.598.927**
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAXES (159 to 165)	**158**	**2.101.424**	**2.101.424**	**-34.190.767**	**-34.190.767**
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	2.101.424	2.101.424	-34.190.767	-34.190.767
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 associ atied companies	164				
7. Actuarial gains/losses from defined benefit plans	165				
III. TAXATION OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**166**	**420.285**	**420.285**	**-2.726.295**	**-2.726.295**
IV. NET OTHER COMPREHENSIVE INCOME FOR THE PERIOD (158-166)	**167**	**1.681.139**	**1.681.139**	**-31.464.472**	**-31.464.472**
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	**168**	**107.535.340**	**-214.481.847**	**305.193.249**	**-185.063.399**
ADDITION TO STATEMENT OF OTHER COMPREHENSIVE INCOME (only for consolidated financial statements)					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributable to majority owners	169				
2. Attributable to minority interest	170				

Cash flow statement - indirect method (period 1.1.2016 to 31.12.2016)
Company: Valamar Riviera d.d.

Position	AOP	Previous period (according to GFI-POD)	Current period
1	2	3	4
CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	001	126.809.227	265.058.509
2. Depreciation and amortisation	002	206.773.719	243.228.097
3. Increase of current liabilities	003		46.934.088
4. Decrease of current receivables	004	9.160.098	14.593.148
5. Decrease of inventories	005		
6. Other cash flow increases	006	51.347.122	25.127.818
I. Total increase of cash flow from operating activities (001 to 006)	**007**	**394.090.166**	**594.941.660**
1. Decrease of current liabilities	008	34.003.715	
2. Increase of current receivables	009		
3. Increase of inventories	010	2.480.523	8.492.350
4. Other cash flow decreases	011	919.822	6.570.060
II. Total decrease of cash flow from operating activities (008 to 011)	**012**	**37.404.060**	**15.062.410**
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	**013**	**356.686.106**	**579.879.250**
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	**014**	**0**	**0**
CASH FLOW FROM INVESTING ACTIVITIES			
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		26.295.898
III. Total cash inflows from investing activities (015 to 019)	**020**	**0**	**26.295.898**
1. Purchase of non-current assets	021	305.918.626	343.698.596
2. Purchase of non-current financial assets	022		
3. Other cash outflows from investing activities	023	183.833.489	293.121.185
IV. Total cash outflows from investing activities (021 to 023)	**024**	**489.752.115**	**636.819.781**
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES (020-024)	**025**	**0**	**0**
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES (024-020)	**026**	**489.752.115**	**610.523.883**
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	027		
2. Proceeds from loans and borrowings	028	367.988.170	618.507.365
3. Other proceeds from financing activities	029		
V. Total cash inflows from financing activities (027 to 029)	**030**	**367.988.170**	**618.507.365**
1. Repayment of loans and bonds	031		546.673.519
2. Dividends paid	032	68.922.466	38.297.245
3. Repayment of finance lease	033		
4. Purchase of treasury shares	034	21.140.090	36.708.367
5. Other cash outflows from financing activities	035	9.251.135	30.332.984
VI. Total cash outflows from financing activities (031 to 035)	**036**	**99.313.691**	**652.012.115**
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	**037**	**268.674.479**	**0**
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	**038**	**0**	**33.504.750**
Total increases of cash flows (013-014+025-026+037-038)	039	135.608.470	0
Total decreases of cash flows (014-013+026-025+038-037)	040	0	64.149.383
Cash and cash equivalents at the beginning of period	041	166.188.610	301.797.080
Increase of cash and cash equivalents	042	135.608.470	
Decrease of cash and cash equivalents	043		64.149.383
Cash and cash equivalents at the end of period	044	301.797.080	237.647.697

Statement of changes in equity (period 1.1.2016 to 31.12.2016)
Company: Valamar Riviera d.d.

Position	AOP	Previous period (according to GFI-POD)	Current period
1	2	3	4
1. Subscribed share capital	001	1.672.021.210	1.672.021.210
2. Capital reserves	002	109.139	2.204.690
3. Reserves from profit	003	67.203.861	84.401.862
4. Retained earnings or loss carried forward	004	211.961.240	228.523.684
5. Net profit or loss for the period	005	105.854.201	336.657.721
6. Revaluation of tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of available for sale assets	008	31.431.842	273.313
9. Other revaluation	009		
10. Total equity and reserves (AOP 001 to 009)	**010**	**2.088.581.493**	**2.324.082.480**
11. Foreign exchenge differences from foreign investments	011		
12. Current and deferred taxes	012		
13. Cash flow hedge	013		
14. Change of accounting policies	014		
15. Correction of significant mistakes of prior period	015		
16. Other changes	016		
17.Total increase or decrease of equity (AOP 011 to 016)	**017**	**0**	**0**
17 a. Attributable to majority owners	018		
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@valamar.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