

An aerial photograph of a beach scene. The top half of the image shows clear, turquoise water meeting a sandy shore. Below the water, several white lounge chairs with blue cushions are arranged on the sand. Two large beach umbrellas are open: one with a blue and white concentric circle pattern, and another solid blue. In the bottom right corner, two people are walking away from the camera along the beach. The overall scene is bright and sunny, with shadows cast on the sand.

2020

INTEGRATED ANNUAL REPORT AND CORPORATE SOCIAL RESPONSIBILITY

VALAMAR RIVIERA d.d.



VALAMAR
All you can holiday

MESSAGE FROM THE CHAIRMAN



GUSTAV WURMBÖCK,
Supervisory Board
Chairman

This sixth Valamar Riviera annual integrated report presents the activities in 2020, which ensured Valamar's business stability. The reported year has globally affected the lives of many people and has made an adverse impact on the tourism sector, which has sustained unprecedented losses.

In 2020, Valamar Riviera prioritized active crisis management and strategic planning. The results were not lacking - we are proud of our employment protection program "Pause, Restart", which enabled us to keep all jobs in Valamar. Management and employees have jointly supported this program on company level, and Valamar Riviera will continue to implement it in the coming year. Shareholders and Supervisory Board members waived dividend payments, while management as well as Supervisory Board members reduced their fees and salaries by up to 30%. With the support of shareholders, banks and other investors, Valamar Riviera managed the crisis and maintained liquidity and financial stability. If we had to choose one word to describe 2020, I believe "resilient" would be the most appropriate.

In addition to business stabilization, Valamar encouraged innovation advancement and modified products and services to new demands before the 2020 summer season. Valamar also accelerated the development of digitization projects with the aim of improving service safety in the 2020 tourist season. The key innovations of the 2020 season include the V Health & Safety program of comprehensive health, safety and environmental standards, the "CleanSpace - 100% privacy" enhanced cleaning system, Online reception, new hotel concepts and other innovative steps described in this report. Valamar has also developed Valfresco Direkt, an online shopping and delivery service that provides fresh regional products in our destinations and properties as well as employment for many Valamar employees. Thus, it strengthened the market position of small producers and local family farms, confirming Valamar's commitment to corporate social responsibility in challenging business circumstances.

The Valamar Riviera Supervisory Board approved investments for 2021 in the amount of HRK 132 million for the finalization of previously initiated investments in Istra Premium Camping Resort 5 * employee accommodation in Dubrovnik, the

completion of the first investment phase of Valamar Pinea Collection Resort, numerous digitalization and innovation projects, investment maintenance and preparation of future investments.

In 2020, Valamar Riviera adhered to the principles of proper corporate governance, quality human resource management, transparency in stakeholder relations and commitment to sustainable development. I am especially proud that in 2020, Valamar received Croatia's CSR Index award as the best large company in Croatia based on its responsible business practices. We will continue to adhere to the abovementioned principles in the coming years.

We expect the tourism sector to be affected by the crisis in 2021. However, we are also cautiously optimistic and anticipate better results in the 2021 season. It is too early to consider a complete recovery and return to "old" as well as record tourism results. However, we do believe that Croatia's status as a safe tourist destination will bring better results in accordance with market opportunities this year.

MESSAGE FROM THE CEO



ŽELJKO KUKURIN,
Management Board
President and CEO

2020 will be remembered as the year of the greatest crisis in the history of tourism, in which crisis management was the main focus of business management. At Valamar, we actively managed the crisis - we reacted quickly, halted investments and closed properties, and immediately launched action plans to stabilize our business. The main goals of crisis management were job protection, increasing liquidity, ensuring guest and employee safety, and preparing for the restart of business.

Despite the crisis, we managed to protect all jobs in 2020. Valamar implemented the "Pause, Restart Program" on April 1, 2020 with the support of Government measures and social partners. The program ensures continued payouts to all furloughed employees waiting for work in the amount of at least 60% of their regular salary, but not less than HRK 4,250 net. In the period from March to June, over 90% of Valamar's employees were waiting for work. With the support of Valamar Riviera social partners, the "Pause, Restart" program has been extended to the summer season of 2022 when business stabilization is expected.

Valamar welcomed the opening of the 2020 season during June with modified products and services that enhanced guest safety and modified service standards. While nearly 300,000 guests stayed in Valamar properties, generating 2.2 million overnights, not a single case of coronavirus transmission was recorded in Valamar properties. Valamar employed more than 4.000 people during the summer season who showed an exceptionally high level of professionalism towards guests and solidarity with colleagues despite extraordinary circumstances.

In the year marked by the largest crisis in tourism, Valamar Riviera achieved 2.3 million overnights and a positive EBITDA of HRK 126 million on Group level. In addition, Valamar increased liquidity through operational cost-savings, investment savings, and agreements with banks and other investors. Valamar ended the year with more than HRK 600 million in liquidity ensuring financial stability in the coming period. Operating expenses were reduced by 62% or HRK 850 million compared to the same period in the previous year. Construction works on the Valamar Pinea Collection Resort in Poreč were suspended and planned investments for 2020

moved to 2021. During 2021, investment projects in progress will be finalized, primarily investments in camp Istra and the completion of family hotels Valamar Parentino in Poreč and Valamar Meteor in Makarska.

Our strive for excellence has not diminished under the difficult circumstances caused by the pandemic. In 2020, Valamar Riviera confirmed its status of the best employer in tourism and was sixth on the list of the best employers in Croatia, after ranking seventh in 2019. Valamar Riviera won the main CSR Index Award in the category of large companies awarded by the Croatian Business Council for Sustainable Development and the Croatian Chamber of Commerce. The CSR Index evaluates seven key areas - economic sustainability, inclusion of corporate social responsibility in business strategy, work environment, environmental protection, market relations, community relations and responsible diversity and human rights policies.

Today, Valamar Riviera is a strong and stable company focused on maintaining liquidity, protecting employment, fulfilling investors' expectations, and preparing future growth and development projects for the post-pandemic period. As a tourist destination, Croatia has all the preconditions to restore its tourism business activities, and I am convinced Valamar's business will return to normal with support of all stakeholders. The time of crisis is an opportunity to transform the company and accelerate business normalization while preparing for the following period of growth and development.

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1 ABOUT THIS INTEGRATED REPORT

This integrated report refers to the reporting period from the 1st of January to the 31st of December 2020. It is based on the Annual Report of Valamar Riviera Group* published on the 26th of February 2021.*

For the sixth consecutive year, Valamar has integrated business reporting with sustainability reporting i.e. non-financial information on the company's environmental and social impacts into this report, using the new GRI Standards (core option) as general guidelines. The report presents information on how the company affects its natural, social and economic environment and how this impact is managed in the long term. Corporate social responsibility is approached comprehensively with key stakeholders in mind. The company develops continual communication with

them as part of Valamar's strategy where sustainable destination development, support to the local community and care for the environment are included in everyday business operations. As the largest employer in Croatian tourism, Valamar focuses on investing in the constant development of human resources to maintain its leadership and status as a company providing the best conditions and overall care for its employees.

The report is available at www.valamar-riviera.com. We invite all stakeholders to

submit their comments and suggestions at integratedreport@valamar.com.

To make the presented data more relevant, the end of the report contains the opinion and recommendations for future reporting given by the Croatian Business Council for Sustainable Development (HR PSOR).

* Valamar Riviera Group (hereinafter: company, group, Valamar Group, Valamar, Valamar Riviera) in 2019 included the following entities: Valamar Riviera d.d., Valamar hotels & resorts GmbH, Magične stijene d.o.o., Palme turizam d.o.o., Bugenvilla d.o.o., Imperial Riviera d.d., Valamar A GmbH, Valamar Obertauern GmbH.



Isabella
Valamar Collection
Island Resort 4/5*, Poreč*

2 ABOUT VALAMAR RIVIERA

Valamar Riviera is Croatia's leading tourism company operating hotels, resorts and camping resorts in prime destinations – Istria, the islands of Krk, Rab and Hvar, Makarska, Dubrovnik, and Obertauern in Austria.



VALAMAR
All you can holiday

Valamar's 36 hotels and resorts and 15 camping resorts can welcome around 58.000 guests daily and provide perfect holidays and authentic experiences for each guest.

The company believes in a growth-driving strategy focused on investments in high added-value products, talents, innovative services and destination development. Valamar Riviera is a responsible and desirable employer and one of the top Croatian and regional investors in tourism.

Steered by sustainability and social responsibility, Valamar leads the innovative management of leisure tourism and creates new value for guests, employees, shareholders and local communities in partnership with its destinations.



*Girandella
Valamar Collection
Resort 4*/5*, Rabac*

VALAMAR RIVIERA D.D.

Stancija Kaligari 1, 52440 Poreč, Croatia

Business activity:

Hospitality and tourism (core activities) and other associated activities related to the performance of core activities.

Primary brands:

Valamar All you can holiday
Valamar Collection
Valamar Hotels & Resorts
[PLACES] by Valamar
Sunny by Valamar
Camping Adriatic by Valamar

Portfolio:

36 hotels and resorts
and 15 camping resorts.

Land surface:

607 hectares,
294 ha or 48% owned and
313 ha or 52% under concession

Shoreline: 38 km

SOURCE MARKETS

* Only includes commercial overnights.

KEY INDICATORS

	2018	2019	2019/ 2018	2019	2020	2020/ 2019
Total revenues (HRK bn)	2.02	2.2	10%	2.2	0.7	-69%
EBITDA (HRK mn)	693.2	769	11%	769.0	103	-87%
Net debt / adjusted EBITDA	3.1	2.9	-6%	2.9	22.6	679%
Employees (peak season)*	6,739	7,068	5%	7,068	4,447	-37%
Capital investments (HRK mn)	703.6	954.6	36%	954.6	595.9	-38%
Guests**	1,077,697	1,179,832	9%	1,179,832	345,347	-71%
Beds**	58,023	58,216	0.30%	58,216	58,492	0%
Overnights**	6,459,734	6,775,709	5%	6,775,709	2,279,215	-66%
Keys**	21,371	21,266	-0.50%	21,266	21,247	0%
Book value of long-term assets (HRK mn)	5.3	5.9	11%	5.9	6.1	4%
Market capitalization as at 31/12 (HRK bn)***	4.5	4.7	6%	4.7	3.7	-23%
Shareholders as at 31/12	21,759	21,164	-3%	21,164	21,100	0%

* Employment data in peak season includes Imperial Riviera d.d.

** Data for House Valamar (accommodation for seasonal employees) included.

*** In 2020, the formula for calculating the market capitalization was changed in such a way that treasury shares are included in the market capitalization, which was not the case before.

NET OPERATING REVENUE (HRK mn)

	2017 ²	2018 ³	2019 ⁴	2020	2020/2019	2020/2018	2020/2017
Hotels and resorts	1,319	1,453	1,565	341	-78%	-77%	-74%
Camping resorts	400	467	539	306	-43%	-34%	-24%
Other ¹	49	47	47	13	-72%	-72%	-73%
Total	1,769	1,967	2,151	660	-69%	-66%	-63%

¹ Leasing, laundry, and other operating revenues included.

² Imperial Riviera d.d. included.

³ Imperial Riviera d.d. and Valamar Obertauern Hotel included.

⁴ Valamar Riviera d.d., Imperial Riviera d.d. and Valamar Obertauern Hotel included.

OPERATING REVENUES (HRK mn)

* Imperial d.d. and Hoteli Makarska d.d. included as of 2017, i.e. as of August 2018.

2021 PORTFOLIO OVERVIEW (by keys/pitches)

	Keys
Poreč	9,988
Rabac	1,852
Krk Island	3,277
Rab Island	2,453
Makarska	716
Dubrovnik	1,961
Hvar Island	520
Austria	82
Total VR commercial	20,849
VR Non commercial	1,074
TOTAL	21,923



VALAMAR BRANDS 2021

			Keys	No. of properties	Capacity share
VALAMAR RIVIERA – TOTAL			21,923	51	100%
VALAMAR RIVIERA – NON COMMERCIAL			1,074		4.9%
VALAMAR RIVIERA – COMMERCIAL			20,849	51	95.1%
HOTELS AND RESORTS			9,292	36	42.4%
VALAMAR COLLECTION			1,261	5	5.8%
Marea Valamar Collection Suites	★★★★★	Poreč	108	1	8.6%
Imperial Valamar Collection Hotel	★★★★	Rab Island	136	1	10.8%
Dubrovnik President Valamar Collection Hotel	★★★★★	Dubrovnik	292	1	23.2%
Isabella Valamar Collection Island Resort	★★★★★ (4/5)	Poreč	334	1	26.4%
Girandella Valamar Collection Resort	★★★★★ (4/5)	Rabac	391	1	31.0%
Pinea Valamar Collection Resort	★★★★★	Poreč	0	0	
VALAMAR HOTELS & RESORTS			3,964	15	18.1%
Valamar Riviera Hotel & Residence	★★★★	Poreč	132	1	3.3%
Valamar Tamaris Resort	★★★★	Poreč	507	1	12.8%
Valamar Parentino Hotel	★★★★	Poreč	329	1	8.3%
Valamar Bellevue Resort	★★★★	Rabac	372	1	9.4%
Valamar Diamant Hotel & Residence	★★★★ (3/4)	Poreč	372	1	9.4%
Valamar Pinia Hotel	★★★	Poreč	170	1	4.3%
Valamar Sanfior Hotel & Casa	★★★★	Rabac	242	1	6.1%
Valamar Atrium & Villa Adria	★★★★★ (4/5)	Krk Island	92	1	2.3%
Valamar Carolina Hotel & Villas	★★★★	Rab Island	176	1	4.4%
Valamar Padova Hotel	★★★★	Rab Island	175	1	4.4%
Valamar Meteor Hotel	★★★★	Makarska	268	1	6.8%
Valamar Argosy Hotel	★★★★	Dubrovnik	308	1	7.8%
Valamar Lacroma Dubrovnik Hotel	★★★★	Dubrovnik	401	1	10.1%
Valamar Club Dubrovnik Hotel	★★★	Dubrovnik	338	1	8.5%
Valamar Obertauern Hotel	★★★★	Austria	82	1	2.1%
[PLACES] BY VALAMAR			179	1	0.8%
Hvar [PLACESHOTEL] by Valamar	★★★	Hvar Island	179	1	100%

			Keys	No. of properties	Capacity share
SUNNY BY VALAMAR			3,888	15	17.7%
Lanterna Sunny Resort by Valamar	★★	Poreč	606	1	15.6%
Allegro Sunny Hotel & Residence by Valamar	★★★	Rabac	180	1	4.6%
Corinthia Baška Sunny Hotel by Valamar	★★★	Krk Island	431	1	11.1%
San Marino Sunny Resort by Valamar	★★★	Rab Island	457	1	11.8%
Eva Sunny Hotel & Residence	★★★ (2/3)	Rab Island	284	1	7.3%
Dalmacija Sunny Hotel by Valamar	★★★	Makarska	190	1	4.9%
Rivijera Sunny Resort by Valamar	★★	Makarska	258	1	6.6%
Tirena Sunny Hotel by Valamar	★★★	Dubrovnik	208	1	5.3%
Trim & Helios Sunny Apartments by Valamar	★★	Hvar Island	85	1	2.2%
Crystal Sunny Hotel by Valamar	★★★★	Poreč	223	1	5.7%
Rubin Sunny Hotel by Valamar	★★★	Poreč	253	1	6.5%
Miramar Sunny Hotel & Residence by Valamar	★★★	Rabac	178	1	4.6%
Zvonimir Sunny Hotel by Valamar	★★★★	Krk Island	85	1	2.2%
Koralj Sunny Hotel by Valamar	★★★	Krk Island	194	1	5.0%
Arkada Sunny Hotel by Valamar	★★	Hvar Island	256	1	6.6%
CAMPING RESORT			11,557	15	52.7%
CAMPING ADRIATIC BY VALAMAR – PREMIUM RESORTS			5,352	5	24.4%
Istra Premium Camping Resort by Valamar	★★★★★	Poreč	874	1	16.3%
Lanterna Premium Camping Resort by Valamar	★★★★	Poreč	2,930	1	54.8%
Krk Premium Camping Resort by Valamar	★★★★★	Krk Island	500	1	9.3%
Ježevac Premium Camping Resort by Valamar	★★★★	Krk Island	632	1	11.8%
Padova Premium Camping Resort by Valamar	★★★★	Rab Island	416	1	7.8%
CAMPING ADRIATIC BY VALAMAR – RESORTS			4,555	6	20.8%
Orsera Camping Resort by Valamar	★★★	Poreč	592	1	13.0%
Solaris Camping Resort by Valamar	★★★	Poreč	1,824	1	40.0%
Marina Camping Resort by Valamar	★★★★	Rabac	329	1	7.2%
Baška Beach Camping Resort by Valamar	★★★★	Krk Island	593	1	13.0%
Bunculuka Camping Resort by Valamar	★★★★	Krk Island	408	1	9.0%
San Marino Camping Resort by Valamar	★★★★	Rab Island	809	1	17.8%
CAMPING ADRIATIC BY VALAMAR – SUNNY			1,650	4	7.5%
Brioni Sunny Camping by Valamar	★★	Pula	734	1	44.5%
Tunarica Sunny Camping by Valamar	★★	Rabac	160	1	9.7%
Škrila Sunny Camping by Valamar	★★★	Krk Island	342	1	20.7%
Solitudo Sunny Camping by Valamar	★★★	Dubrovnik	414	1	25.1%

VALAMAR'S CORPORATE STRATEGY

Vision

Perfect holiday, every day,
for every guest.

Mission

LEADERS IN HOLIDAY TOURISM

To be the leader in leisure tourism and to create authentic guest experiences in partnership with our tourist destinations.

EMPLOYEES AND GUESTS ALWAYS COME FIRST

To develop a stimulating corporate culture where guests and employees come first.

AN ADDED VALUE FOR ALL STAKEHOLDERS

To deliver added value for shareholders through corporate responsibility by promoting sustainable development and supporting local communities.

Values



WELCOMING

We make our guests feel welcome and highly appreciated.



AMBITIOUS

We set ourselves challenging goals and strive for excellence in everything we do.



RESPONSIBLE

We are a trustworthy business partner and a caring employer dedicated to the local community and the environment.



INNOVATIVE

We engage in collaborative innovation to improve our performance, stay alert and open to change.



PROUD

We take pride in our destinations and in being part of the successful Valamar family.



VALAMAR
All you can holiday



The beginning of tourism in Poreč

1910
opening of the Riviera hotel (the company was named after it)



1953
Riviera established, the company-predecessor of Valamar Riviera d.d.
20 people employed in the first season of operation



1970
Kristal hotel built
Dynamic growth in tourism and intensive construction of hotels, apartments and campsites



1999
establishment of Dom fond, the largest privatization investment fund

1895

1950

Tourism developing along the Croatian Adriatic coast
Public bathing areas became favorite spots for the first tourists

1950

1965

Management of hotels, bungalows and restaurants in Poreč and on Sveti Nikola Island

1965

1990

1979 – Pical hotel (the first high-category hotel in Poreč)
1986 – Fortuna hotel built on Sveti Nikola Island

1990

2000

Privatization and ownership transformation: economic processes in the war's aftermath

Valamar timeline





Introduction of the first brands for hotels and campsites: Valamar Hotels & Resorts and Camping on the Adriatic

Management and portfolio consolidation

the company started operating as Valamar Riviera d.d. and was listed on the official market of the Zagreb Stock Exchange in December 2014

New stage in growth and acquisitions:

- 2015**
Opening of Isabella Valamar Collection Island Resort 4*/5*
- 2017**
Opening of the largest investment in Croatian tourism: Girandella Valamar Collection Resort 4*/5* and TUI Blue Bellevue Resort 4*
- 2018**
Valamar presented the new brand strategy and brand identity named "All you can holiday" featuring five new product brands

- 2019**
Opening of Istra Premium Camping Resort 5* – first large five star camping resort in Istria
- 2019**
Opening of Valamar Collection Marea Suites 5* – expanded offer of premium family holiday in Poreč

In 2020 Valamar maintained: Employment and business stability

Valamar managed to achieve long-term business sustainability with the support of key stakeholders and managed the crisis as well as the tourist season during 2020

All jobs were protected with the aid of Government measures and the support of social partners through the "Pause, Restart" program

2000
—
2010

2010
—
2015

2015
—
2018

2019
—

2020
—

Valamar hoteli i ljetovališta starts managing hospitality operations

Business growth and portfolio investments: improving the quality of properties and services

Mergers and acquisitions:

- 2011** – Zlatni otok d.d. (est. 1956), Rabac d.d. (est.1961)
- 2013** – Dubrovnik-Babin Kuk d.d. (est. 1971)
- 2014** – Valamar Adria holding d.d. (est. 2003), Valamar grupa d.d. (est. 2005)

Mergers and acquisitions:

- 2015** – Hoteli Baška d.d. (est. 1949)
- 2016** – Imperial d.d. (est. 1965) in partnership with AZ pension fund
- 2018** – Hoteli Makarska d.d. (est.1952) in partnership with AZ mandatory pension funds
- Valamar acquires a hotel in Obertauern, Austria as its first step in internationalization
- Repositioning Valamar Argosy Hotel in Dubrovnik and renovating Valamar Collection Imperial Hotel on Rab; the first Kinderhotel in Valamar's portfolio – Valamar Girandella Maro Suites opened in Rabac
- Further investments in the camping segment focusing on camping resorts in Istria and Krk Island; Valamar recognized as the best employer in tourism and the only tourism company among the top 20 employers in Croatia
- Valamar Riviera's 65th anniversary ceremony

Mergers and acquisitions:

- The merger of Hoteli Makarska and Imperial on Rab - the establishment of Imperial Riviera d.d. with the aim of further business expansion in Croatia and the region
- The acquisition of Helios Faros on the island of Hvar through a partnership between Valamar and PBZ CO pension funds
- Start of investments in Pical Riviera, including hotel Pinea in Poreč
- Valamar Riviera named the best employer in Croatian tourism
- Valamar achieved its three-year strategic investment plan of HRK 2,402 billion

2020

Investment projects and construction works were temporarily halted for 12 to 24 months including Valamar Pinea Collection Resort in Poreč

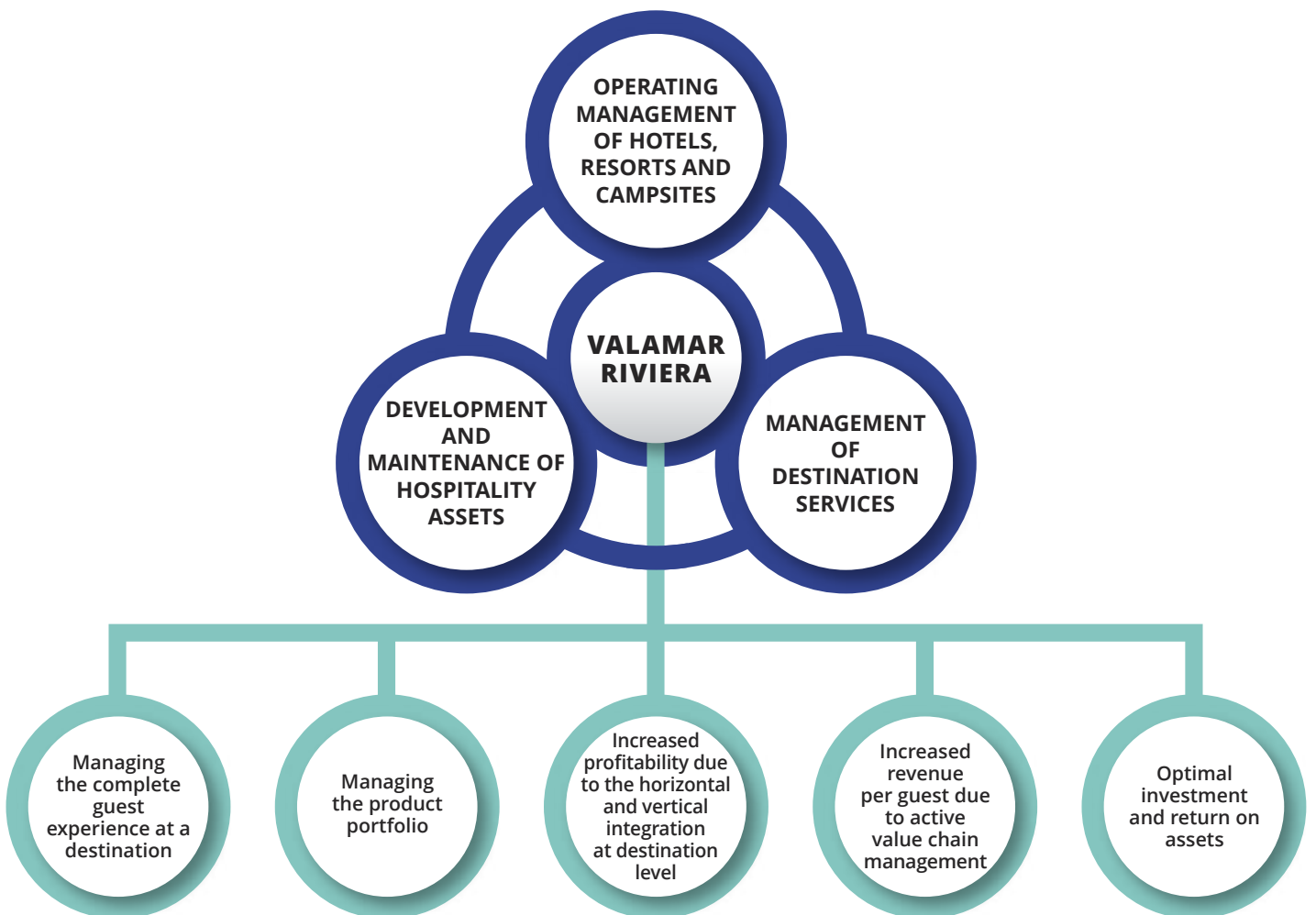
In 2020, Valamar won the main Corporate Social Responsibility Index Award



VALAMAR RIVIERA BUSINESS MODEL

Valamar manages the complete guest experience. It includes the development and maintenance of our hospitality assets, operating management of hotels, campsites and resorts and the improvement of the tourism offering at a destination.

We manage the entire destination value chain: our business excellence and destination partnerships produce high quality service, optimize operations and secure a high return on investment.



ASSET MANAGEMENT AND LONG-TERM ASSETS OWNED

Valamar Riviera manages assets on 607 hectares of land, which includes 38 km of maritime domain.

LONG-TERM ASSETS VALAMAR RIVIERA GROUP

Hotels and resorts	58%
Campsites	25%
Other	17%
TOTAL	HRK 6 billion

Shoreline
38 km



LAND SURFACE

607 ha

52%
313 ha
under
concession



48%
294 ha
owned



*Isabella
Valamar Collection
Island Resort 4*/5*, Poreč*

3 THE HOSPITALITY INDUSTRY IN CROATIA 2020

VALAMAR RIVIERA D.D. CONVEYS THE EXPERT REVIEW OF THE CROATIAN TOURISM ASSOCIATION



VELJKO OSTOJIĆ,
director of the
Croatian Tourism
Association

The Covid-19 pandemic in 2020 has obstructed economic activity worldwide, and tourism was one of the most affected sectors. Every segment of tourism felt the impact of the covid crisis. From hotel companies, camps, restaurants and agencies to transportation, transfer and excursion companies.

The focus of the tourism sector in 2020 was maintaining stability and liquidity while protecting employment, which was all-necessary for the continuation of business. All major investments were halted, while operating costs increased significantly due to the necessary strengthening of hygiene and safety standards. All travel companies were forced to seriously revise their plans, refinance and seek additional liquidity.

EU member states, including Croatia, provided incentives to support the tourism sector in

maintaining stability and preserving valuable knowledge and experience, which puts Europe and Croatia among the world leaders in the hospitality industry.

In 2020, Croatia established itself as one of the most successful tourist destinations on the Mediterranean with its achieved arrivals and overnights. Croatia had a favorable epidemiological situation, quickly adapted to the new circumstances and provided safe products and services.

It is important to emphasize that Croatia was one of the few European countries that enabled the hotel sector to keep its doors open throughout the year. When the European Union was in its strictest lockdown during March and April, certain hotels in the largest Croatian destinations remained open for overnight stays.



7.8 million
guest arrivals in 2020

(37 percent of the results from 2019)

6.1 million
foreign guest arrivals

(33 percent of the results from 2019)

1.7 million
domestic guest arrivals

(68 percent of the results from 2019)



*Dubrovnik President Valamar
Collection Hotel 5*, Dubrovnik*

Compared to the results of EU member states most affected by the crisis, such as Cyprus, Greece, Malta and Spain where tourist overnights fell by 70 to 80 percent in 2020 (compared to 2019), Croatia and its minus 49.95 percent of overnights in 2020 is a very good result. Croatia recorded more than 7.8 million arrivals and almost 54.4 million tourist overnights. Foreign guests made 6.1 million arrivals and over 43 million overnight stays.

Employees in the hospitality industry will long remember the year 2020. After record results in 2019, there were ambitious expectations for the 2020 season. However, it became very clear that the Covid-19 pandemic would cause immense problems for the entire sector. After the first confirmed Covid-19 case in Croatia and the closing of borders within the European Union, uncertainty became a recurrent sentiment. All plans and expectations were set aside, and forecasting in those conditions became impossible.

Croatia successfully managed the epidemiological situation owing to the quality work of the National and County Civil Protection Headquarters, the epidemiological professionals and the Government of the Republic of Croatia. In addition, the tourism

sector has established itself as a relevant negotiator to key government structures primarily through the Croatian Tourism Association (HUT), the Association of Employers in Croatian Hospitality (UPUHH) and the Croatian Camping Union (KUH). As a result, Croatia was among the first EU countries to open its borders to passengers from other member states at the end of May, before the main tourist season.

Croatia's good epidemiological situation soon led to the relaxation of travel restrictions by other EU members.

The favorable epidemiological situation in Croatia and its proximity as a popular drive-in destination, as well as the implemented safety measures resulted in more foreign tourists from emitting countries in June. While other Mediterranean countries were just opening their borders, Croatia hosted about 722,000 foreign guests in June.

The favorable epidemiological situation continued in both July and the first week of August, but the situation changed rapidly after several Covid-19 outbreaks. The location of the outbreaks were mainly inland, beyond the most frequented destinations. However,



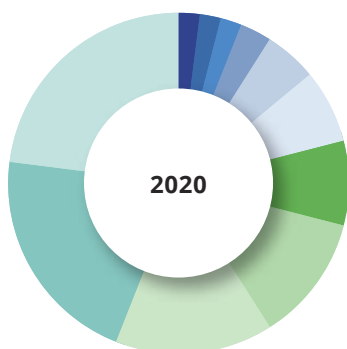
54.4 million
overnights total in 2020
(50 percent of the results from 2019)

43.1 million
foreign guests overnights
(45 percent of the results from 2019)

11.3 million
domestic guests overnights
(82 percent of the results from 2019)

SHARE OF KEY MARKETS IN THE TOTAL NUMBER OF TOURIST OVERNIGHTS IN 2020 (%)

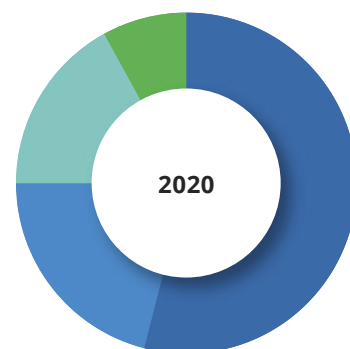
Bosnia and Herzegovina	2%	Poland	8%
Slovakia	2%	Other markets	12%
Hungary	2%	Slovenia	15%
Italy	3%	Croatia	21%
Austria	5%	Germany	23%
Czech Republic	7%		



Source: HTZ (eVisitor + integrated eCrew data).

TURNOVER BY KEY GROUPS PER ACCOMMODATION TYPE - COMMERCIAL ACCOMMODATION (share in overnights)

Family accommodation	54%
Hotel capacities	17%
Other	8%
Camps	21%



Source: HTZ (eVisitor + integrated eCrew data).

the deterioration of the epidemiological situation resulted in travel restrictions for the citizens of Italy, Slovenia and Austria, which significantly affected the results of peak season and shoulder season.

The key message that the hospitality industry in Croatia needed to communicate to both domestic and foreign markets at the time was the fact that there was not a single recorded case of infection in commercial accommodation properties. Guests from countries that did not impose travel restrictions at the time, such as Germany, Poland, Slovakia, the Czech Republic and Hungary, reacted positively to the notion. The result was an increase in the relative importance of guests from these countries in the total arrivals of foreign guests.

Although Croatia regrettably did not have a shoulder season in 2020, persons employed in the hospitality industry should be proud of the results, which were achieved in very difficult circumstances.

It is important to emphasize that despite numerous exceptions, 2020 confirmed some important trends in Croatian tourism. First, it has confirmed that tourism is essential to the entire Croatian economy, not only for its nominal share in GDP, but also for its foreign exchange income and the large multiplier effect it has on the rest of the economy. Secondly, the Croatian tourism sector has the knowledge, experience and responsibility to achieve extraordinary results even in such extraordinary situations. Thirdly, investing in service quality is worthwhile, which is evident from the results achieved in properties of higher categorization, including all categories.



ANNUAL ESTIMATES - PERCENTAGE CHANGE IN THE NUMBER OF NIGHTS SPENT IN TOURIST ACCOMMODATION BY NON-RESIDENTS, 2020 COMPARED TO 2019 (%)

EU	-68%	
Austria	-44%	
Luxembourg	-51%	
Croatia	-59%	
Netherlands	-59%	
Latvia	-61%	
Denmark	-63%	
Slovakia	-63%	
Germany	-64%	
Poland	-64%	
Finland	-67%	
Estonia	-67%	
Belgium	-69%	
Italy	-70%	
Slovenia	-71%	
Sweden	-71%	
Lithuania	-72%	
Czech Republic	-72%	
Bulgaria	-73%	
Portugal	-74%	
Malta	-75%	
Hungary	-76%	
Greece	-78%	
Spain	-80%	
Romania	-81%	
Cyprus	-83%	
Liechtenstein	-29%	
Norway	-79%	
Iceland	-79%	
Albania	-63%	
Serbia	-68%	
North Macedonia	-84%	

Note: No data available for Ireland and France
Source: Eurostat (online data code: tour_occ_nim)

4 ENGAGEMENT OF KEY STAKEHOLDERS AND MATERIAL ASPECTS

Valamar Riviera's business success is based on long-standing partnerships and open communication with its key stakeholders. Valamar continuously improves its communication with stakeholders as an important part of its corporate social responsibility integrated into long-term sustainable growth.

During the preparation of this report, we have consulted the Croatian Business Council for Sustainable Development (HR PSOR). A continuous dialogue with stakeholders is an important part of Valamar corporate social responsibility efforts integrated into our business strategy. We have established policies at the company level that represent our commitment to being the hospitality market leader in Croatia in terms of service quality, guest and user satisfaction, caring for the interests of our employees, company and the local community, environmental protection and resource management.

Hence, Valamar Riviera has adopted the Quality and Sustainable Business Policy that focuses especially on the following aspects:

- ▶ ensuring the satisfaction, health and safety of guests and employees,
- ▶ compliance with legal and other requirements,
- ▶ pollution prevention as a fundamental approach in environmental management,
- ▶ reduction of waste and adequate waste management,
- ▶ the continuous improvement of quality, environmental and energy performances and management systems,
- ▶ conservation and rational use of natural resources,
- ▶ procurement of energy efficient products and services and supporting design activities which focus on improving energy efficiency,
- ▶ ensuring the availability of information and resources to achieve our general and individual quality, environmental, energy, health and safety goals,
- ▶ application of labor rights and care for its employees and ensuring a healthy working environment,
- ▶ respecting the interests and providing support to the local community,
- ▶ child protection.



*Imperial Valamar Collection
Hotel 4*, Rab Island*

COMMUNICATION WITH KEY STAKEHOLDERS

GUESTS

- ▶ surveys/guest opinion research
- ▶ raising awareness about environmental issues
- ▶ involvement in charity events
- ▶ newsletters

EMPLOYEES

- ▶ surveys/corporate culture and climate research
- ▶ communication through the monthly VIV corporate magazine and VIV blog
- ▶ daily, weekly and monthly department meetings
- ▶ workers' meetings
- ▶ annual party
- ▶ ongoing performance feedback
- ▶ ValamArtist application for employees

SHAREHOLDERS

- ▶ annual Shareholders' General Assembly
- ▶ financial reports
- ▶ corporate web site
- ▶ VIV magazine

LOCAL COMMUNITY AND DESTINATIONS

- ▶ Valamar's participation in the work of tourist boards
- ▶ collaboration in the organization of destination events and investment projects
- ▶ active participation in charity activities

COMMUNICATION WITH ASSOCIATED STAKEHOLDERS

TRADE UNIONS

- ▶ collective agreement signed
- ▶ collaboration with the Workers' Council regarding all key issues related to employees' rights and privileges

PROFESSIONAL ASSOCIATIONS

- ▶ promoting professional interests as a member of various professional organizations (Croatian Tourism Association, Croatian Employers' Association, Croatian Chamber of Economy, Croatian Business Council for Sustainable Development, American Chamber of Commerce in Croatia and others)

SUPPLIERS

- ▶ long-term collaboration and partnership
- ▶ quality assurance requirements for each product category

INVESTMENT COMMUNITY

- ▶ transparent communication with all investors in the capital market (non-deal roadshows, meetings and conferences, Investors Day, corporate web site)
- ▶ collaboration with development banks and commercial banks and creditors, proactive communication with analysts
- ▶ financial reports and immediate notification of all material facts for investors

PUBLIC ADMINISTRATION BODIES




- ▶ collaboration in the development and preparation of investment projects, student scholarships and dialogue related to legislative initiatives

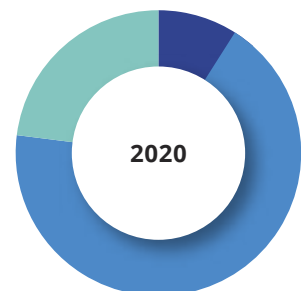
GENERAL PUBLIC

- ▶ press releases
- ▶ corporate website
- ▶ VIV magazine

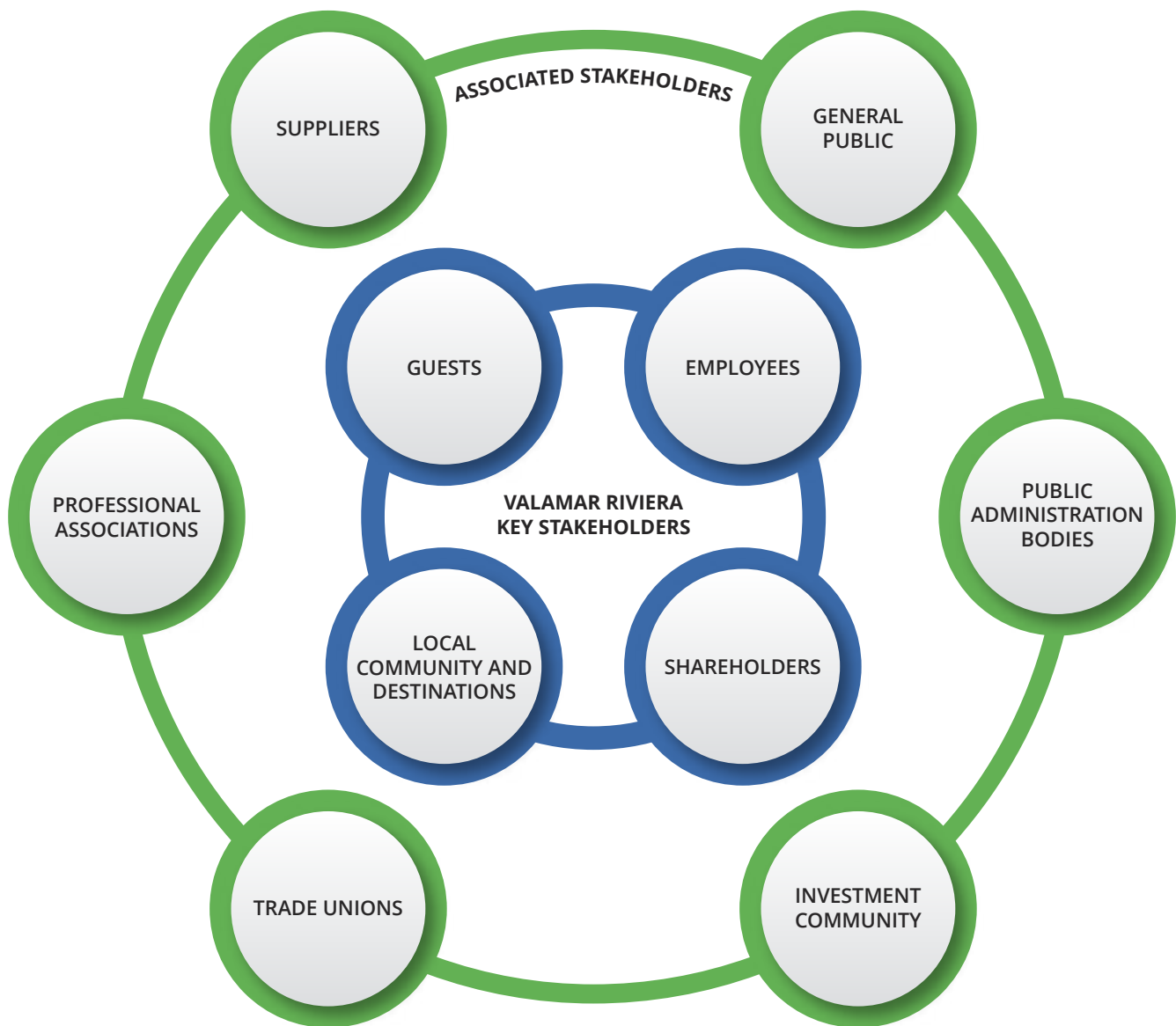
2020 SHARE OF DOMESTIC FOOD AND BEVERAGE PRODUCTION AND LOCAL PRODUCTS

Domestic production and local products that make Valamar services and products more authentic represent a large share in the food and beverage segment at Valamar Riviera. By promoting local products, Valamar enriches its offering and develops a long-term collaboration with local producers.

	Croatian products that may contain imported raw material	9%
	Croatian products that contain only domestic raw material	68%
	Imported product	23%



VALAMAR RIVIERA KEY STAKEHOLDERS AND ASSOCIATED STAKEHOLDERS



VALAMAR RIVIERA CONTRIBUTION TO THE DEVELOPMENT AND PROMOTION OF TOURISM THROUGH ITS MEMBERSHIP IN SECTOR ORGANIZATIONS AND INSTITUTIONS

Valamar is involved in the activities of organizations and institutions, which contribute to destination development and the increase of service standards in general.

Valamar has its representatives in all assemblies, tourist councils and/or supervisory boards in the following tourist boards:

- ▶ Croatian Tourist Board
- ▶ Tourist Board Makarska
- ▶ Tourist Board of Istria
- ▶ Tourist Board Kvarner
- ▶ Tourist Board Poreč
- ▶ Tourist Board Vrsar
- ▶ Tourist Board Funtana
- ▶ Tourist Board Tar-Vabriga
- ▶ Tourist Board Labin
- ▶ Tourist Board Raša
- ▶ Tourist Board Krk
- ▶ Tourist Board Baška
- ▶ Tourist Board Punat
- ▶ Tourist Board Dubrovnik
- ▶ Tourist Board Lopar
- ▶ Tourist Board Rab
- ▶ Tourist Board Stari Grad

In addition to tourist boards, Valamar is a member of the following organizations:

- ▶ American Chamber of Commerce in Croatia
- ▶ Croatian Business Council for Sustainable Development
- ▶ Croatian Tourism Association
- ▶ Croatian Camping Association
- ▶ German-Croatian Chamber of Industry and Commerce
- ▶ Association of Employers in Croatian Hospitality

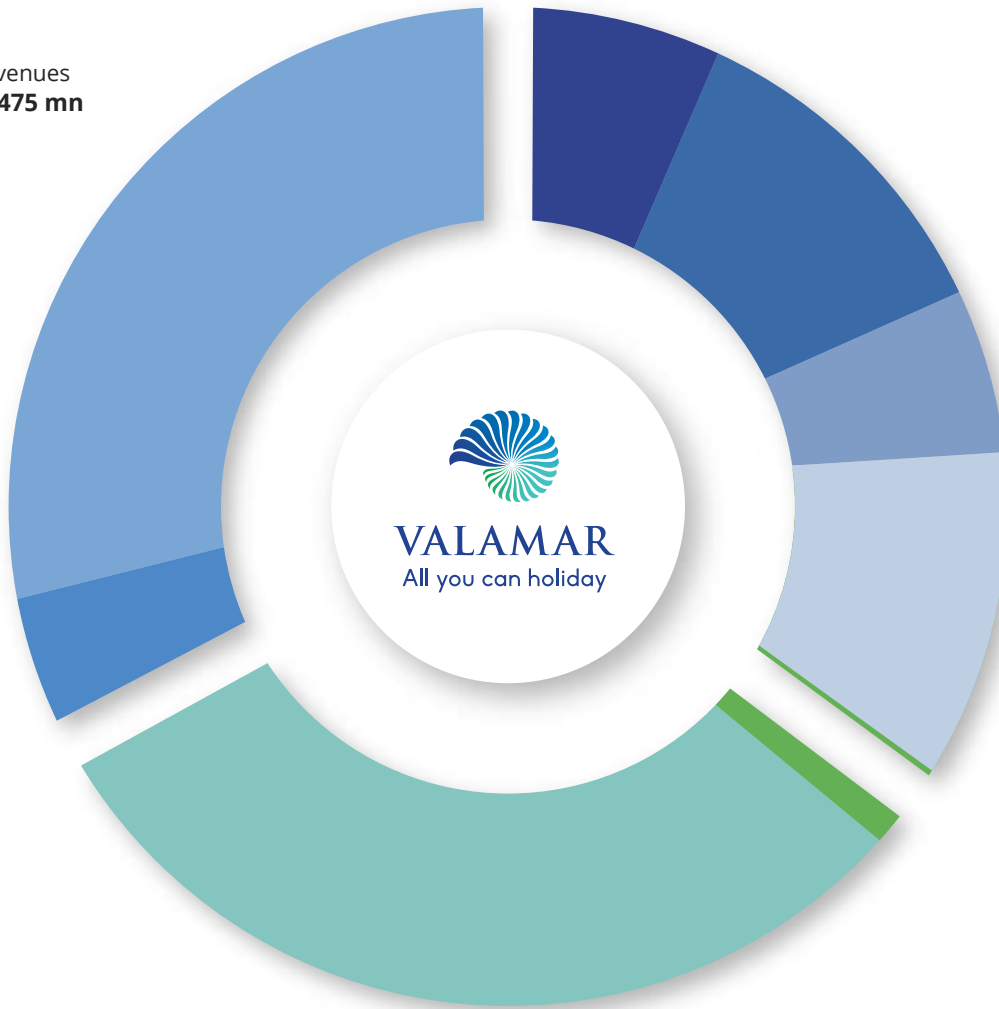
VALAMAR RIVIERA CONTRIBUTION TO ECONOMIC DEVELOPMENT IN 2020

**DIRECT ECONOMIC VALUE GENERATED
HRK 735.9 mn**

- Guests
HRK 642.478 mn
- Other revenues
HRK 93.475 mn

**ECONOMIC VALUE DISTRIBUTED
HRK 776.916 mn**

- Employees*
HRK 144.078 mn
- Suppliers
HRK 263.003 mn
- Shareholders
HRK 0
- Banks and creditors
HRK 125.947 mn
- Public administration
HRK 243.888 mn
- Community
HRK 200 thou



- INVESTMENTS
HRK 708.855 mn**
- 9 CSR umbrella programs
HRK 22.8 mn
- Portfolio investments
HRK 686.057 mn

* Government grants in the amount of HRK 164 mn reduced the total amount of HRK 308 mn paid to employees to HRK 144 mn.

Direct economic value generated	HRK 735.953 mn
Economic value distributed	HRK 776.916 mn
Economic value retained	HRK -40.963 mn
Total investments	HRK 708.855 mn

IDENTIFICATION OF MATERIAL ASPECT AND BOUNDARIES

By identifying and quantifying the impact that our business operations have on the environment, the local community, our employees and society, we can thoroughly consider our operations in order to achieve long-term efficiency and socially responsible business.

In 2020 the determined material aspects were confirmed according to the sustainability principle and taking into account Valamar's impact on the environment, the local community, its employees and the general public. Through joint workshops and selective in-depth interviews with the company's key internal stakeholders and the top management, we carried out a joint determination of the material aspects within the organization that are not only key for the company but are also part of our corporate strategy. Valamar's

Business Experience Committee led the process of reaffirming the previously approved materiality matrix. Key indicators at Valamar Riviera level were confirmed for each division and sector.

In 2020, we particularly consulted our employees as key stakeholders of the company. Through consultations carried out in all sectors, and through the annual corporate culture and climate survey, discussions during workers' meetings and meetings with the Workers' Council, we determined the areas that we will improve further and continually monitor their results through annual surveys for all employees. In addition, we continued developing two-way communication with other key stakeholders to additionally improve the quality of integrated reporting, which will be among our concerns in the forthcoming period.



*Dalmacija Sunny Hotel
by Valamar 3*, Makarska*

MATERIALITY MATRIX

The Valamar Riviera materiality matrix has been developed in accordance with GRI requirements and is the result of stakeholder involvement, and has helped to identify material reporting topics and to define the boundaries of the sustainability report.

Given the specifics of the industry and trends in the environment, the material areas and materiality limits of individual topics remained unchanged compared to the previous reporting period. In the next period, Valamar will approach a new consideration of the materiality matrix, and the existing matrix was used for the previous reporting period. Material topics are closely related to the goals of sustainable

development and business goals of Valamar Riviera. Impact on business and sustainability and other important topics are communicated with stakeholders through meetings, consultations and opinion polls, all with the aim of achieving the best possible relationship with stakeholders. In 2020, Valamar Riviera expanded its annual corporate climate and culture survey (which includes all Valamar employees) with additional questions concerning corporate social responsibility and the importance of certain reported topics. In addition to communicating with its stakeholders and consulting with key stakeholders, Valamar Riviera is continuously open to all comments regarding business, especially when it comes to suggestions for improvement.



ENVIRONMENTAL ASPECTS

- 1 Inspiring guests, employees and destination to be involved in environmental preservation
- 2 Biodiversity
- 3 Recycled water use
- 4 Transport
- 5 Emissions
- 6 Improving energy efficiency and using renewable energy sources
- 7 Energy
- 8 Continual GHG reduction
- 9 Using environmentally friendly materials
- 10 Waste reduction and adequate waste management
- 11 Wastewater and waste
- 12 Water



ECONOMIC ASPECTS

- 13 Indirect economic impact
- 14 Economic performance
- 15 Market presence



RESPONSIBILITY TO PRODUCT AND SERVICE

- 16 Raising awareness and including buyers with ethical obligations (environment)
- 17 Buyers' health and safety
- 18 Service excellence
- 19 Innovative products and services
- 20 Guest-oriented services



RELATIONS WITH EMPLOYEES

- 21 Contribution to the community (economic and social contribution and employment opportunities)
- 22 Dialogue with employee representatives
- 23 Workplace health and safety
- 24 Increase in the local employment rate – focus on permanent seasonal workforce
- 25 Employee training and education
- 26 Creating competitive working conditions



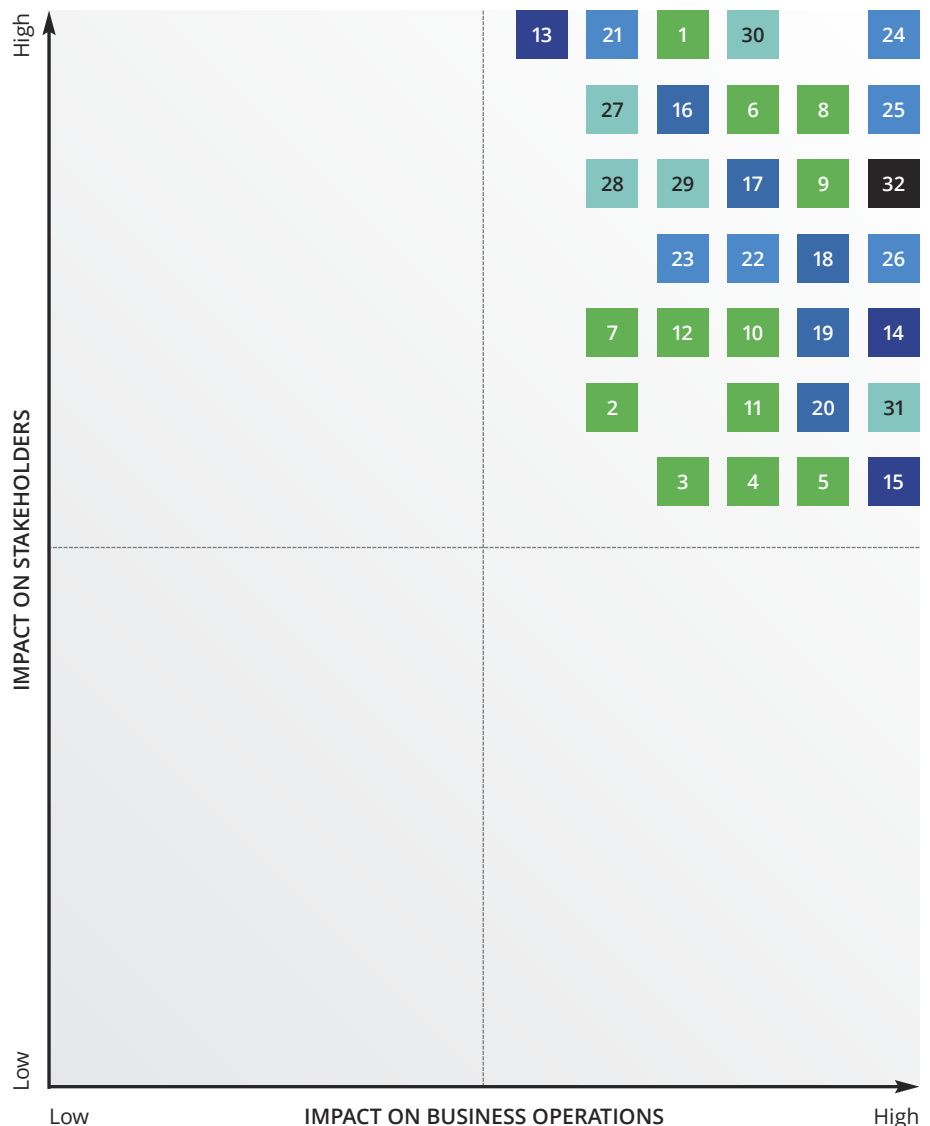
HUMAN RIGHTS

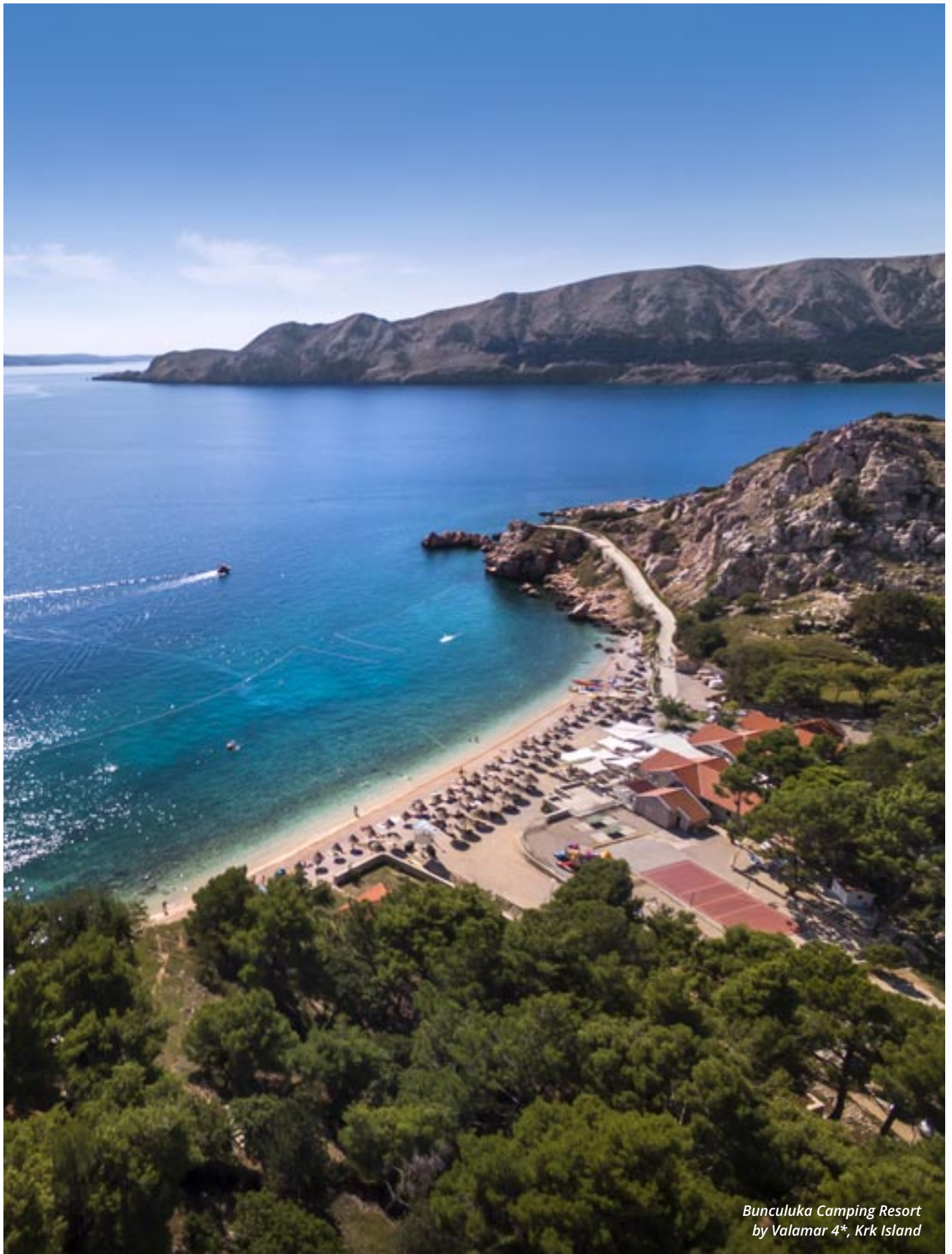
- 27 Ethical commitment and transparency
- 28 Responsible tourism development
- 29 Innovation and transparency with suppliers
- 30 Dialogue with stakeholders
- 31 Development of tourism destinations



SOCIAL ASPECTS

- 32 Local communities





*Bunculuka Camping Resort
by Valamar 4*, Krk Island*

5 REPORTS

BUSINESS RESULTS 2020

Despite the challenging conditions caused by the global pandemic in 2020, Valamar Riviera Group confirmed its leading market position while maintaining financial stability.

The Group's long-standing successful business development model has three basic objectives: constant significant portfolio investments, acquisitions and partnerships, and employee and destination development. The Group's business activities are guided by the principles of corporate social responsibility and based on sustainable growth and development.





*Valamar
Argosy Hotel 4*,
Dubrovnik*

KEY FINANCIAL INDICATORS²

	2019	2020	2020/2019
Total revenues	2,218,828,166	696,901,773	-68.6%
Operating income	2,207,678,790	675,610,635	-69.4%
Sales revenues	2,139,319,744	642,478,457	-70.0%
Board revenues (accommodation and board revenues) ³	1,781,619,705	531,636,818	-70.2%
Operating costs ⁴	1,385,486,291	530,527,177	-61.7%
EBITDA ⁵	768,955,392	103,189,578	-86.6%
Extraordinary operations result and one-off items ⁶	10,853,838	-23,242,050	/
Adjusted EBITDA ⁷	758,101,554	126,431,628	-83.3%
EBIT	293,853,214	-394,764,365	/
Adjusted EBIT ⁷	282,999,376	-371,522,315	/
EBT	232,471,771	-501,048,580	/
Net profit	305,851,680	-358,805,791	/
EBT margin	10.5%	-74.2%	-8,470 bp
EBITDA margin	34.8%	15.3%	-1,950 bp
Adjusted EBITDA margin ⁷	34.3%	18.7%	-1,560 bp
	31/12/2019	31/12/2020	2020/2019
Net debt ⁸	2,195,286,284	2,851,116,054	29.9%
Net debt / Adjusted EBITDA	2.90	22.55	678.7%
Cash and cash equivalents	550,142,638	665,932,900	21.0%
Capital investments (details in chapter "2020 Investments")	954,590,000	595,871,000	-37.6%
ROE ⁹	8.8%	-11.5%	-2,030 bp
Adjusted ROCE ¹⁰	5.2%	-6.5%	-1,170 bp
Market capitalization ¹¹	4,888,608,354	3,750,579,650	-23.3%
EV ¹²	7,814,917,851	7,303,506,632	-6.5%
EPS ¹³	2.32	-2.70	/
DPS ¹⁴	1.00	0	/

² Classified according to the Annual Financial Statement (GFI POD-RDG). EBIT, EBITDA and their adjusted values and respective margins are recorded on the basis of operating income.

³ In compliance with the classification under the USALI international standard for reporting in hotel industry (Uniform System of Accounts for the Lodging Industry).

⁴ Operating costs include material costs, staff costs, other costs, and other operating costs reduced by extraordinary expenses and one-off items.

⁵ EBITDA (eng. earnings before interest, taxes, depreciation and amortization) is calculated as: operating income - total operating costs + depreciation and amortisation + value adjustments.

⁶ Adjustments were made for (i) extraordinary income (in the amount of HRK 20.3 million in 2020, and HRK 63.9 million in 2019), (ii) extraordinary expenses (in the amount of HRK 42.3 million in 2020, and HRK 50.7 million in 2019), and (iii) termination benefit costs (in the amount of HRK 1.2 million in 2020, and HRK 2.4 million in 2019).

⁷ Adjusted by the result of extraordinary operations and one-off items.

⁸ Net debt: non-current and current liabilities to banks and other financial institutions + liabilities for loans, deposits and other + other liabilities according to IFRS 16 (leases) - cash and cash equivalents - long-term and short-term investments in securities - current loans given, deposits, etc.

⁹ ROE refers to return on equity; calculated as: profit for the period / (capital and reserves).

¹⁰ 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 + other liabilities according to IFRS 16 (leases) - cash and cash equivalents - long-term and short-term investments in securities - loans given, deposits, etc.).

¹¹ Market capitalization is calculated as the total number of shares multiplied by the average share price on 31/12 of a particular year.

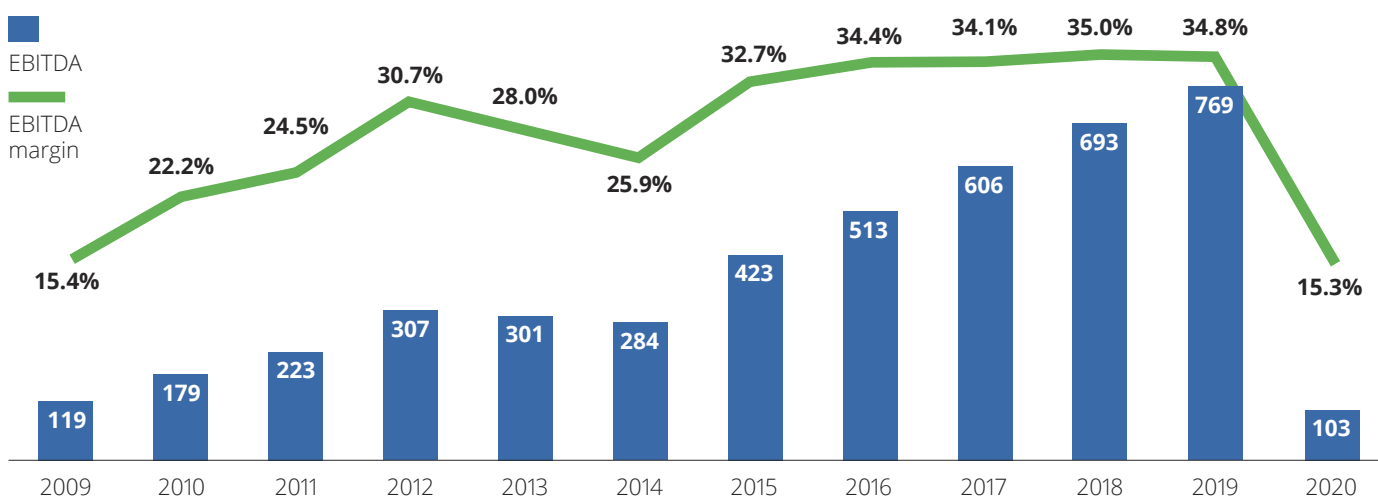
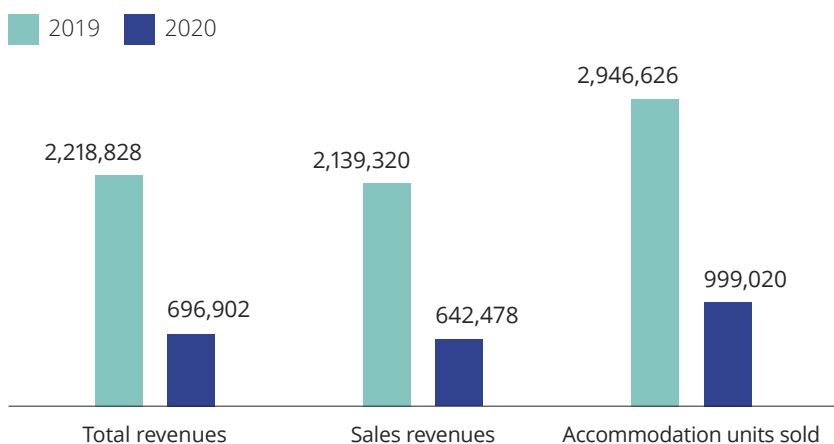
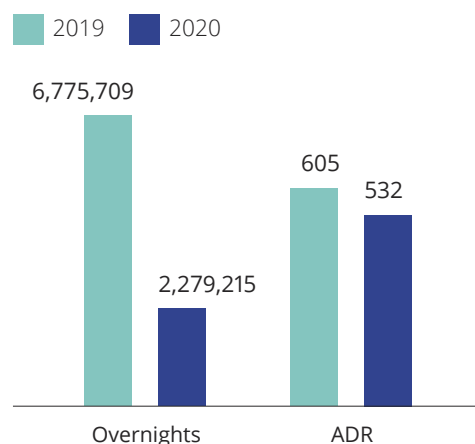
¹² EV refers to enterprise value; calculated as market capitalization + net debt + minority interest.

¹³ EPS refers to earnings per share calculated on the basis of net profit attributable to the owners of the parent company. Weighted average number of shares in 2020: 121,887,907. Weighted average number of shares in 2019: 122,507,835.

¹⁴ DPS refers to dividends per share.

KEY BUSINESS INDICATORS¹⁵

	2019	2020	2020/2019
Number of accommodation units (capacity)	21,266	21,247	-0.1%
Number of beds	58,216	58,492	0.5%
Full occupancy days	139	47	-66.1%
Annual occupancy (%)	38%	13%	-2,500 bp
Accommodation units sold	2,946,626	999,020	-66.1%
Overnights	6,775,709	2,279,215	-66.4%
ADR ¹⁶ (in HRK)	605	532	-12.0%
RevPAR ¹⁷ (in HRK)	83,778	25,021	-70.1%

OPERATING EFFICIENCY¹⁸ (mil. HRK)**REVENUES** (in HRK thousand) **AND ACCOMMODATION UNITS SOLD IN 2020****OVERNIGHTS AND ADR** (in HRK)¹⁵ Data for Helios Faros are not included.¹⁶ Average daily rate is recorded on the basis of cumulative board revenues (accommodation and board's food and beverage revenues).¹⁷ Revenue per accommodation unit is recorded on the basis of cumulative board revenues (accommodation and board's food and beverage revenues).

REVENUES

In 2020, total revenues amounted to HRK 696.9 million down by 68.6% (HRK -1,521.9 million). Total realized revenues were affected by:

a) a decrease in sales revenues, for 70.0% (HRK -1,496.8 million) to HRK 642.5 million. The decrease was largely driven by board revenues (-70.2%; HRK -1,250.0 million). With careful preparation of various travel motives for guests, Valamar Riviera has, until the closure of tourist properties on March 15 due to the strengthening of general COVID-19 prevention measures by the competent authorities, recorded better business results compared to the comparative period last year. The closure of tourist properties resulted in a HRK 11 million decline in board revenues in March. In April, all tourism properties were closed. Lanterna Premium Camping Resort 4* was the first to open on May 22, 2020 when the restart of business and the opening of the tourist season in Croatia began as arranged by the Ministry of Tourism and Sports through the easement of the border crossing regime from June onwards. Thus, by the end of May, a total of 13 out of 15 camping resorts were opened, while Istra Premium Camping Resort 5* opened mid-June.

During June, July and August a total of 24 hotels and resorts (out of 36) and all 15 camping resorts opened in eight destinations on the Adriatic coast in accordance with increased demand and a stronger entry of new booking reservations due to the partial normalization of tourism flows. Even though the tourist season got off to a good start, many countries issued travel warnings during August consequently hindering tourism flows towards Croatia and causing a significant drop in volume during the second half of August and in the shoulder season. All tourism properties were closed in shoulder season, excluding Valamar Diamant Hotel 4*, Istra Premium Camping Resort 5* and Ježevac

Premium Camping Resort 4* where Valamar focused on the Croatian market; weekend family holidays, athletes and a long-stay offer.

However, despite unfavorable circumstances in 2020, overnights amounted to 2,279.215 (-66.4%), which is a considerable success given the adversities that the tourism industry faces globally. ADR is down by 12.0% to HRK 532 due to the closure of hotel properties that carry a higher average price compared to camping resorts. However, camping resorts recorded strong demand with an almost 50% share in total board revenues compared to last year's 24% share. Additionally, average daily prices of hotels and resorts and camping resorts alike recorded an 11.1%, i.e. a 6.3% increase.

Domestic sales revenues were HRK 199.6 million and represented 11.9% of total revenues (9.0% in 2019). They decreased by HRK 116.9 million with respect to the previous comparable period. International sales revenues were HRK 559.8 million, down by HRK 1,380.0 million and represented by 80.3% (87.4% in 2019) of total revenues.

b) other operating revenues¹⁸ which decreased by HRK 35.2 million to HRK 33.1 million primarily as a result of the absence of last year's one-off income from out-of-group sales of long-term tangible non-operating assets.

c) an increase in financial income in the amount of HRK 10.6 million to the level of HRK 21.3 million is primarily due to the increase in other financial income due to the derecognition of negative fair value (liabilities) under forward contracts. Other operating and financial income account for 7.8% of total revenues (3.6% in 2019).

TOTAL OPERATING EXPENSES

Total operating expenses amounted to HRK 1,070.4 million with a decrease of 44.1% (HRK -843.5 million). Breakdown of total operating expenses:

a) material costs represented 23.8% (31.8% in 2019). The 58.2% drop (HRK -354.6 million) to HRK 254.6 million is a consequence of reduced business volume caused by the COVID-19 pandemic, which disrupted tourism flows.

b) staff costs with a high decline in the share of total operating expenses (17.7%) compared to the previous comparable period (30.5% in 2019). The reasons for the 67.4% decrease (HRK -393.5 million) to the amount of HRK 190.0 million can be found in i) the tourism properties closure from March 15, 2020 until May 22, 2020 and their gradual opening during June and peak-season, ii) the consequent lower need for workforce, especially seasonal, iii) state grants for job preservation (the total positive impact on staff costs amounts to HRK 163.6 million) and iv) the abolition of the monthly bonus calculation for 2020.

c) amortization costs represented 46.4% (24.8% in 2019). The amortization growth of 4.6% (HRK +21.9 million) to HRK 496.4 million is a result of the Group's earlier intensive investment cycle.

d) other costs had a share of 8.3% in total operating expenses (10.3% in 2019). The 54.9% decrease (HRK -108.4 million) to the amount of HRK 89.1 million is due to lower costs of accommodation, meals, transportation and daily allowances for employees due to the reduced business volume.

e) provisions and value adjustments resulted in HRK 20.8 million growth to HRK 30.2 million due to provisions for legal disputes and long-term provisions for gratuities for regular retirement and jubilee awards.

f) other operating expenses with a share of 0.9% (2.1% in 2019). The HRK 29.8 million decrease to HRK 10.0 million is mainly a consequence of lower business related costs from the previous years and lower undepreciated value of the disposed assets.

¹⁸ Other operating revenues include revenues based on utilizing own products, merchandise and services, as well as other other operating revenues.

TOTAL OPERATING EXPENSES OF VALAMAR RIVIERA¹⁹ (in HRK)

	2019	2020	2020/2019
Operating costs²⁰	1,385,486,291	530,527,177	-61.7%
Total operating expenses	1,913,825,576	1,070,375,000	-44.1%
▶ Material costs	609,249,061	254,642,998	-58.2%
▶ Staff cost	583,409,043	189,951,093	-67.4%
▶ Depreciation and amortisation	474,514,405	496,444,044	4.6%
▶ Other costs	197,392,249	89,097,655	-54.9%
▶ Provisions and value adjustment	9,415,580	30,223,911	221.0%
▶ Other operating expenses	39,845,238	10,015,299	-74.9%

OPERATING EXPENSES²⁰

Operating costs amounted to HRK 530.5 million with a decline of 61.7% vs the comparable period of 2019.

The reasons behind the HRK 855.0 million decrease are found in decreased business volume and activation of comprehensive savings measures and activities considering the problems caused by the global impact of the COVID-19 pandemic.

EBITDA AND EBT

The adjusted EBITDA in the amount of HRK 126.4 million (HRK -631.7 million with respect to the last comparable period) is a result of disruptions and restricted global and European tourism flows and closure of tourism properties caused by the COVID-19 pandemic.

With regards to last year's comparable period, the profit before taxes decreased by HRK 733.5 million to a loss of HRK -501.0 million due to the earlier mentioned EBITDA decrease, lower financial business results (HRK -42.8 million) and increased amortization cost (HRK +21.9 million). The Group's net loss amounts to HRK 358.8 million (net profit of HRK 305.9 in 2019).



¹⁹ Classified according to Annual Financial Statements standard (GFI POD-RDG).

²⁰ Operating costs include material costs, staff costs, other costs, and other operating costs reduced by extraordinary expenses and one-off items.

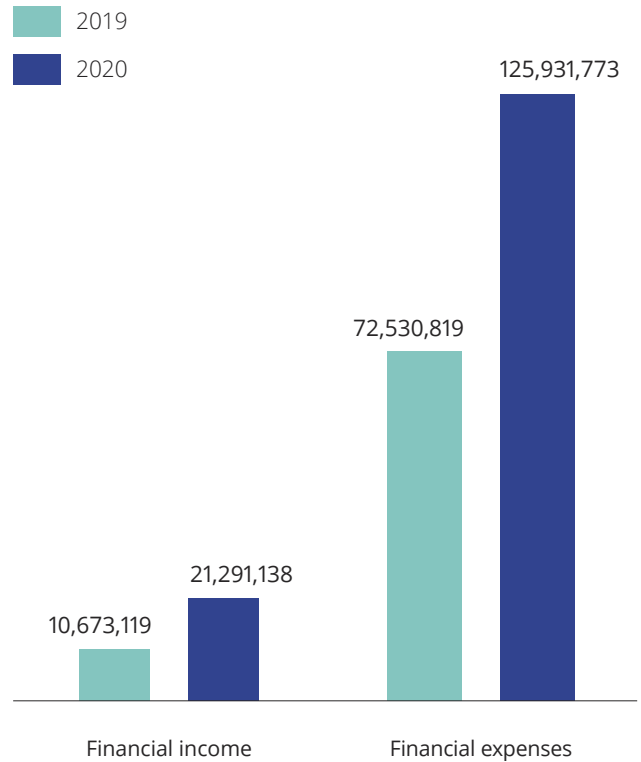
FINANCIAL RESULTS

In 2020, the financial result is HRK -104.6 million (HRK -61.9 million in 2019). The main reasons for the HRK 42.7 million lower financial result compared to the previous comparative period are primarily due to an increase in net foreign exchange losses (primarily unrealized ones on long-term loans) by HRK 40.4 million due to the strong depreciation of the kuna against the euro in the first quarter of 2020.



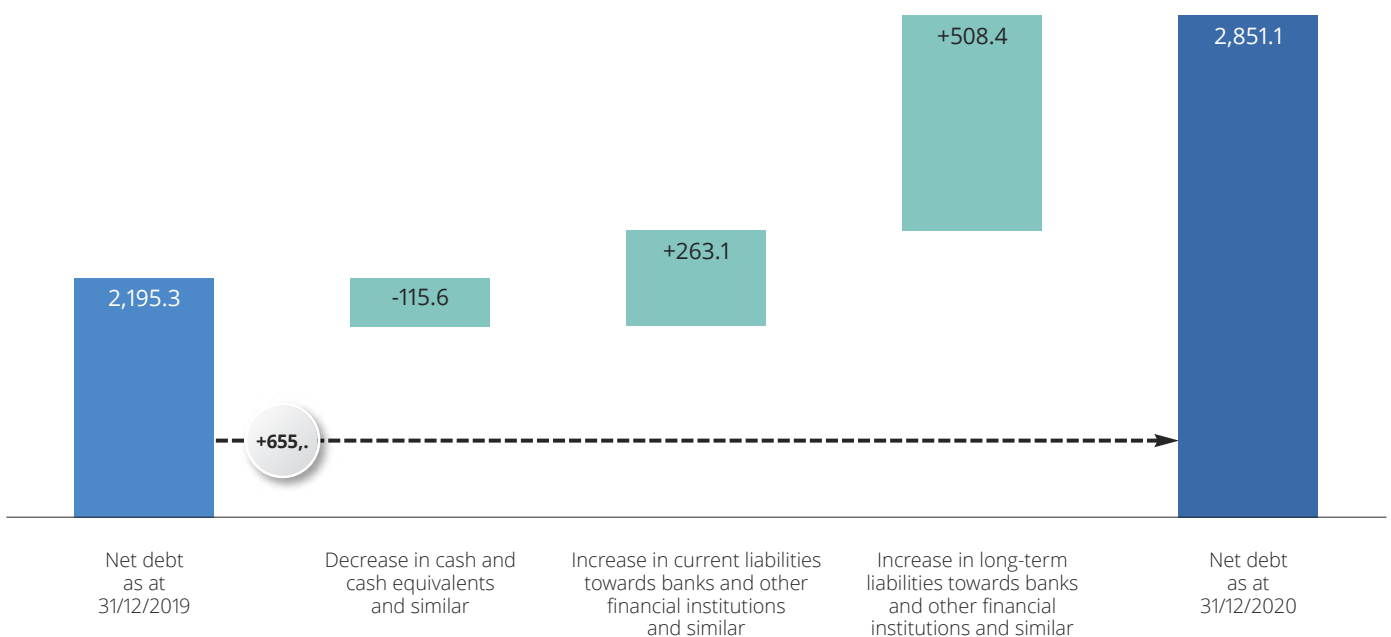
FINANCIAL INCOME AND EXPENSES

(in HRK '000)



NET DEBT²¹

(in HRK million)



²¹ Net debt: non-current and current liabilities to banks and other financial institutions + liabilities for loans, deposits and other + other liabilities according to IFRS 16 (leases) – cash and cash equivalents – long-term and short-term investments in securities – current loans given, deposits, etc. Includes the effects of unrealized exchange rate differences on long-term loans.

ASSETS AND LIABILITIES

As at 30 September 2020, the total value of the Group's assets amounted to HRK 6,879.6 million, up by 5.9% compared to 31 December 2019.

Total share capital and reserves decreased by 11.0% to the amount of HRK 2,863.9 million as a result of loss in the business year. Total long-term liabilities grew from HRK 2,546.9 million to HRK 2,867.3 million due to loans contracted to finance this year's investment cycle and the transfer of a part of the current portion of long-term debt from short-term liabilities to long-term with regards to the contracted moratoriums with commercial banks and the Croatian Bank for Reconstruction and Development. Almost the entire loan portfolio (80%) is comprised of long-term fixed interest loans or, respectively, loans hedged by a derivative instruments (IRS) for protection against interest rate risk.

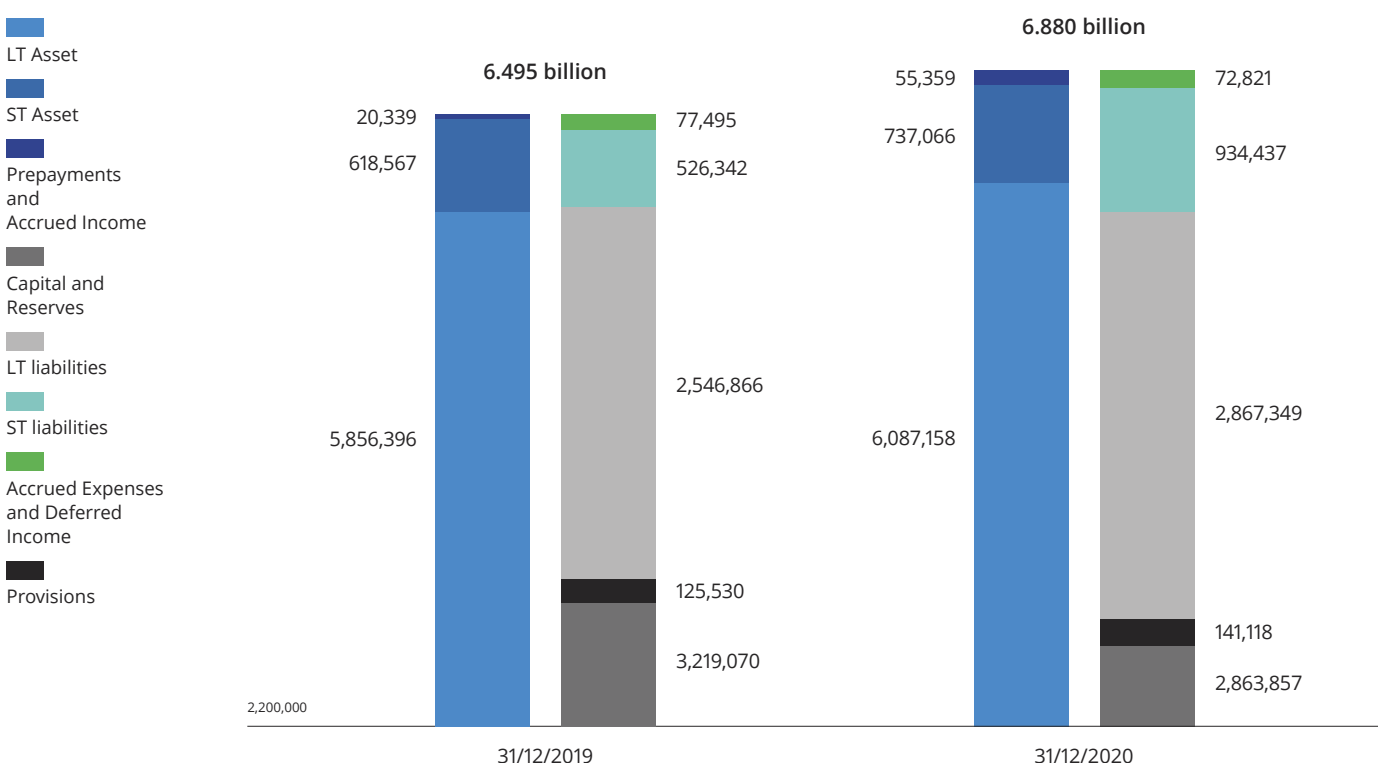
Total short-term liabilities amounted to HRK 934.4 million, up by 77.5% (HRK +408.1 million) compared to 31 December 2019. The aforementioned is mainly a result of withdrawing short-term loans (HRK 298 million).

Cash and cash equivalents as at 30 September 2020 amount to HRK 665.9 million (HRK +115.8 million compared to 31 December 2019), which together with i) the agreed credit lines and moratoriums on loan obligations, ii) valuable tourism assets and iii) ownership-asset management business model, create a stable balance position for the Group for an eventual further decrease in business activities.



ASSETS AND LIABILITIES

(in HRK '000)



GROWTH THROUGH BUSINESS COOPERATION AND NEW DEVELOPMENT CYCLES

IMPERIAL RIVIERA D.D. NEW BUSINESS STRATEGY

Following the recapitalization of Imperial Riviera d.d. from 2019 with the participation of AZ mirovinski fondovi, Valamar Riviera, Allianz Croatia d.d. and Allianz Invest d.o.o. in the amount of HRK 426 million, Imperial launched the company's largest investment cycle. The company's most important investments were the Valamar Parentino Hotel in Poreč, Valamar Meteor Hotel in Makarska, and Padova Premium Camping

Resort By Valamar in Rab. The total investment of HRK 188 million, has been partially postponed to 2021 due to the extraordinary circumstances caused by the COVID-19 pandemic.

The investments in 2020 are part of the Imperial Riviera five-year business plan, which outlines investment and development activities in Imperial's current destinations as

well as new destinations with the aim of expanding the portfolio managed by Valamar. Expecting the recovery of Croatia's hospitality industry after the worldwide crisis caused by the COVID-19 pandemic, Valamar and Imperial have initiated preparations for new investments and the further strategic development of Imperial Riviera d.d.

THE FIRST HOTEL OF THE NEW VALAMAR BRAND [PLACES] ON HVAR ISLAND

After the 2019 successful a) acquisition of the majority of the share capital in Helios Faros d.d. completed by Valamar Riviera in partnership with PBZ Croatia osiguranje d.d. for managing mandatory pension funds, b) the contracted management Agreement with Valamar for the management of hotel and tourist properties and facilities, and c) the recapitalization in the amount of HRK 139.4 million, followed by Valamar holding 20%

and PBZ Croatia osiguranje pension funds 77.73%, 2020 was marked by the first large investment cycle in Helios Faros, most notably the investment in ex hotel Lavanda 3* in the amount of HRK 53 million.

After the completion of the second investment phase in spring 2021, the hotel will continue to operate under the name Hvar [PlacesHotel] and will be the first property to embody the new Valamar

brand [PLACES] for the modern travelers interested in the Mediterranean lifestyle.

The transformation of this hotel will contribute to repositioning the destination of Stari Grad towards higher added value services and will further the development of tourism on the island of Hvar. Valamar partners will continue to prepare further investments in destination Stari Grad for the upcoming investment periods.



Hvar [PLACESHOTEL]
by Valamar 3*, Hvar Island

INVESTOR RELATIONS AND THE VALAMAR RIVIERA SHARE

Our investor relations are based on quality and high transparency in business and financial communication when promoting Valamar Riviera as the leading Croatian share and one of the leading shares in the CEE region. This is how we actively support liquidity, growth in share value and the involvement of investors who can contribute to Valamar Riviera's further value growth for all stakeholders.

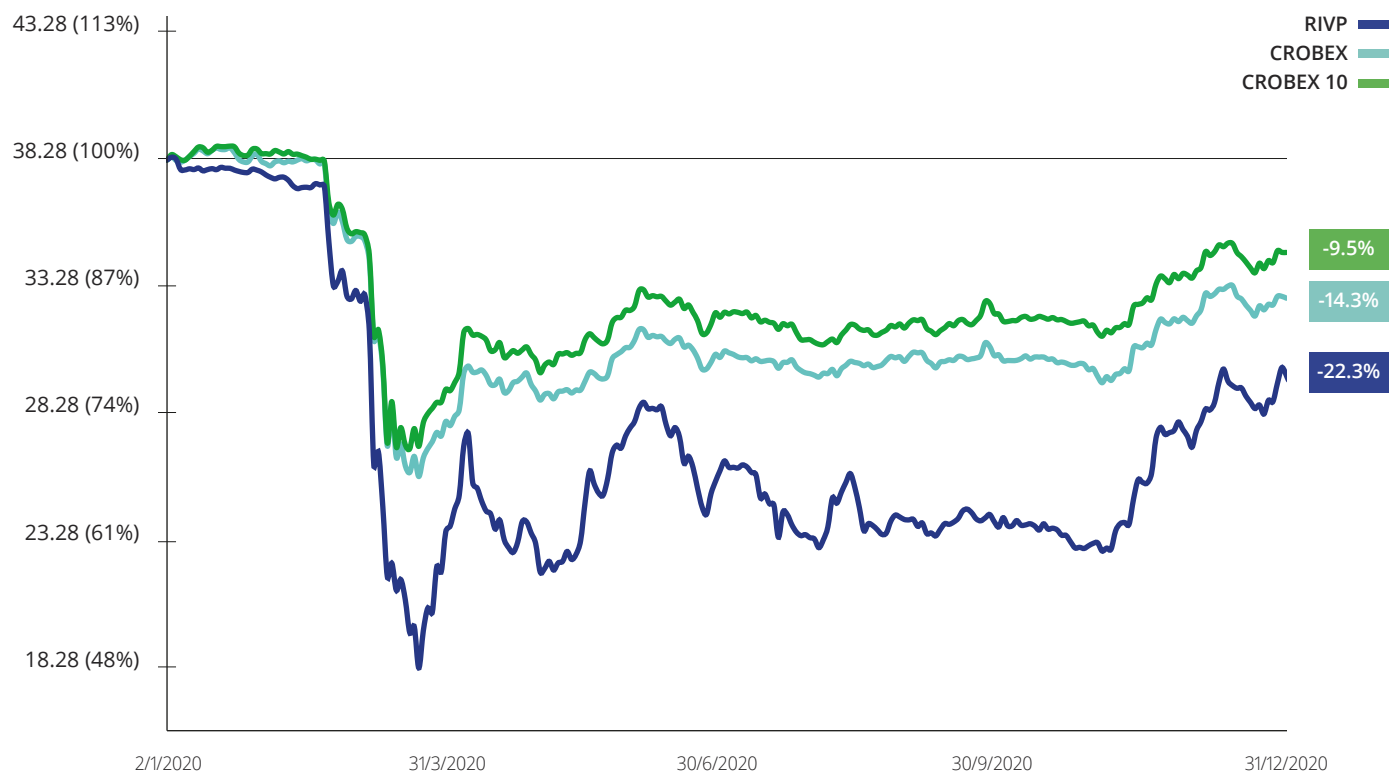
After integrating Valamar Riviera's management, portfolio and shareholder structure in October 2014, we created the leading share on the Croatian capital market, offering considerable exposure to the growing tourism sector. On 17 November 2014, the

General Assembly of Valamar Riviera decided to list Valamar Riviera's shares on the Official Market of the Zagreb Stock Exchange. The first day of trading was 17 December 2014. On 26 April 2019 the Zagreb Stock Exchange approved Valamar Riviera's request of transitioning 126,027,542 of the Group's ordinary shares from the Official to the Prime Market of Zagreb Stock Exchange. Valamar Riviera values a high level of transparency and quality of business and financial communication. Admission to the most demanding listing of the Zagreb Stock Exchange, Valamar Riviera will aim to increase the share's recognition and positively influence the price and liquidity as the best example of market practice. The first day of the Group's trading on the Prime Market was 29 April 2019.

During 2020, the highest achieved share price in regular trading on the regulated market was HRK 39.00, and the lowest HRK 18.00. Following the strong negative trends on world capital markets caused by the extraordinary circumstances of the COVID-19 pandemic, Valamar Riviera's share price fell by 22%.

With an average regular turnover of HRK 1.3 million per day²², the Valamar Riviera share was the second most traded share on the Zagreb Stock Exchange during 2020. In addition to the Zagreb Stock Exchange index, the joint stock index of the Zagreb and Ljubljana stock exchanges ADRIAprime, the share is also listed in the Vienna Stock Exchange index (CROX²³ and SETX²⁴) and the

THE PERFORMANCE OF VALAMAR RIVIERA SHARE AND NATIONAL AND INTERNATIONAL INDICES



²² Block transactions are excluded from the calculation.

²³ Croatian Traded Index (CROX) is a capitalization-weighted price index and is made up of the 12 most liquid and highest capitalized shares of the Zagreb Stock Exchange.

²⁴ 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 East Europe (shares listed in Bucharest, Ljubljana, Sofia, Belgrade and Zagreb).

Warsaw Stock Exchange (CEEplus²⁵), the SEE Link regional platform index (SEELinX and SEELinX EWI)²⁶ and the MSCI Frontier Markets Index. Zagrebačka banka d.d. and Interkapital vrijednosni papiri d.o.o. are responsible for the market making in ordinary Valamar Riviera shares and provide support Valamar's share turnover, which in the period under review averaged 27.6%²⁷.

Valamar Riviera's analyst coverage is provided by:

- 1) ERSTE Bank d.d., Zagreb
- 2) Fima vrijednosnice bank d.o.o., Varaždin
- 3) Interkapital vrijednosni papiri d.o.o., Zagreb
- 4) Raiffeisenbank Austria d.d., Zagreb
- 5) Zagrebačka banka d.d., Zagreb

The Company did not acquire or dispose of its own shares in the period from January 1, 2020 to December 31, 2020. As of December 31, 2020 the Company holds 4,139,635 treasury shares, which is 3.28% of the share capital.

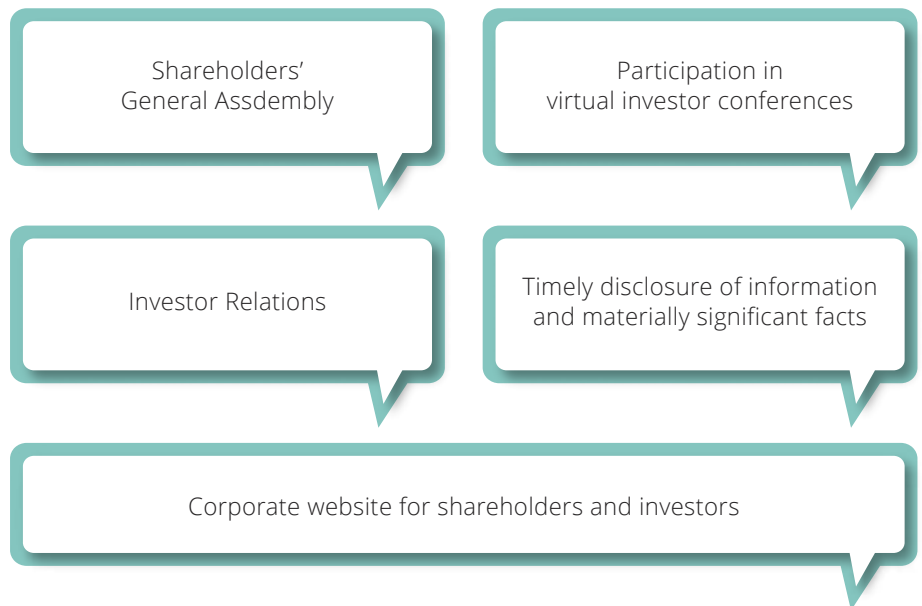
AWARDS IN 2020

Business paper Poslovni dnevnik and the Zagreb Stock Exchange awarded Valamar Riviera with the third place in the category of The Best Investor Relations award in Croatia.

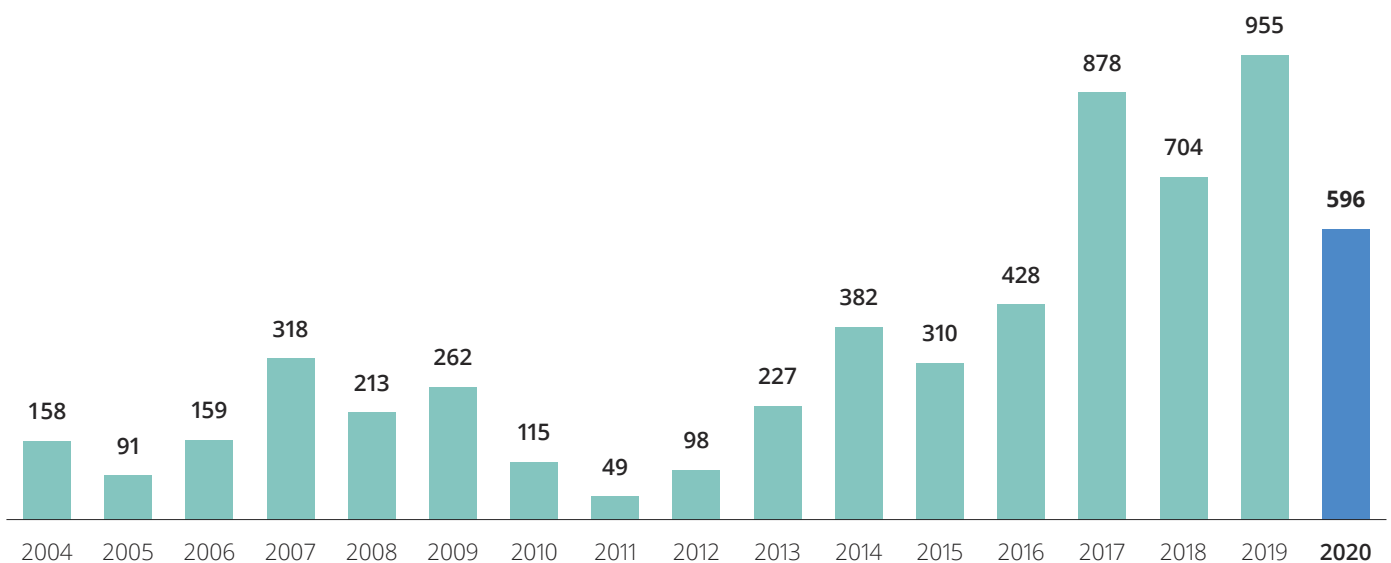
MEETINGS WITH INVESTORS IN 2020

Unfortunately, due to the pandemic, numerous live conferences and meetings with investors were postponed and replaced by virtual investor conferences. Valamar has participated in several such conferences, organized by the Ljubljana and Zagreb Stock Exchanges, Erste Group, Raiffeisen Bank International, Auerbach Grayson and WOOD & Company.

COMMUNICATION WITH SHAREHOLDERS AND THE INVESTMENT COMMUNITY IN 2020



INVESTMENT CYCLE (capitalized investments, HRK mn)



²⁵ CEEplus is a stock index that will be composed of the highest liquid shares listed on stock exchanges in countries of the Visegrad Group (Poland, Czech Republic, Slovakia, and Hungary) and Croatia, Romania and Slovenia.

²⁶ SEE Link is a regional platform for securities trading. It was founded by the Bulgarian, Macedonian, and Zagreb Stock Exchange. SEE LinX and SEE LinX EWI are two "blue-chip" regional indices composed of the ten highest liquid regional companies listed on three stock exchanges: five from Croatia, three from Bulgaria, and two from Macedonia.

²⁷ Period: 1 January – 31 December 2020; block transactions are excluded from the calculation.



*Marea Valamar
Collection Suites 5*, Poreč*

SALES PERFORMANCE

VALAMAR MARKET SEGMENTS: HOTELS AND RESORTS

	2016	2017	2018	2019	2020
Families	34%	35%	35%	35%	41%
Adults and couples	29%	29%	30%	30%	34%
Seniors	13%	13%	12%	11%	7%
Active guests	13%	14%	14%	15%	14%
MICE	7%	5%	5%	5%	1%
Leisure groups and tours	4%	4%	4%	4%	3%



VALAMAR MARKET SEGMENTS: CAMPSITES

	2016	2017	2018	2019	2020
Families	42%	40%	39%	38%	41%
Adults and couples	20%	20%	19%	18%	19%
Luxury camping	18%	20%	22%	25%	25%
Active guests	7%	7%	7%	7%	6%
Seniors	7%	7%	7%	6%	4%
Short stay	6%	6%	6%	6%	5%



INCREASE IN DIRECT BOOKING AND GUEST LOYALTY

The Valamar Riviera loyalty program is a process of creating added value for returning guests to increase revenues and the share of direct booking.

The share of returning guests in Valamar Riviera in 2020 is 31.7 percent. During 2020 Valamar Riviera achieved 67.4 percent of revenues via direct distribution channels: call center, direct online booking, mobile platform, and loyalty program. The loyalty program will continue to develop to create added value for clients, along with the development of websites, e-marketing, and technology.

The share of loyalty member revenue in total direct booking in 2020 reached:

hotels **87%**



campsites **76%**



OCCUPANCY ON OPERATING DAYS (UNITS) 2020

Valamar Collection Hotels	50.6%	123
Valamar Collection Resorts	59.0%	107
Valamar Hotels & Resorts	51.3%	76
Sunny by Valamar	38.5%	56
Hoteli&App	48.8%	74
Camping Adriatic by Valamar - Premium Resorts	44.9%	150
Camping Adriatic by Valamar - Resorts	44.6%	124
Camping Adriatic by Valamar - Sunny	41.6%	106
Camping	44.4%	134
VALAMAR GROUP TOTAL	51.5%	98

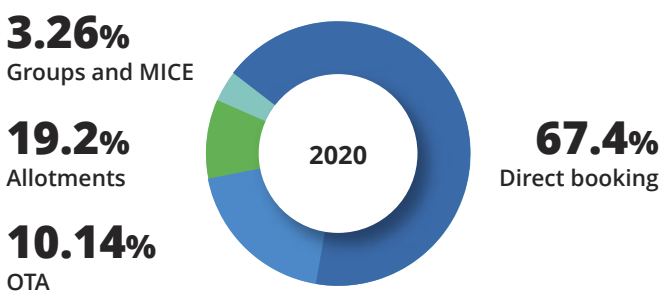
* Based on open properties.



Lanterna Premium Camping
Resort by Valamar 4*, Poreč

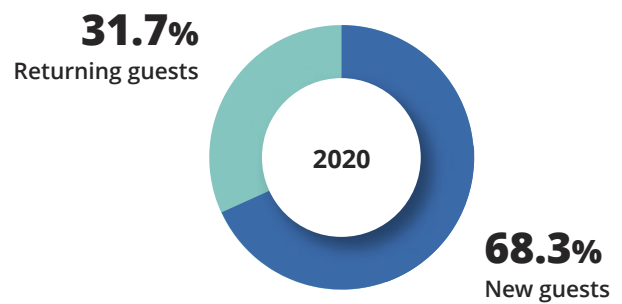
DISTRIBUTION CHANNELS IN 2020

(by revenue*)



SHARE OF RETURNING GUESTS

(in relation to the total number of guests)



* Valamar Riviera, Imperial Riviera, Valamar Obertauern Hotel, excluding Helios Faros.

SERVICE EXCELLENCE

STRATEGIC QUALITY MODEL 2020

The strategic model of quality management at Valamar is designed to enable the success of the whole organization through our focus on the guest and our consistent provision of unbelievable service.

The quality management model enables a 360-degree approach that is primarily focused on measuring guest satisfaction, the successful implementation of top internal and external industry standards, and building Up!Lifting service excellence culture towards guests and employees alike.



STANDARDS AND CERTIFICATES

Valamar Riviera services comply with the highest standards of quality, safety and health, and have the following standards and certificates:

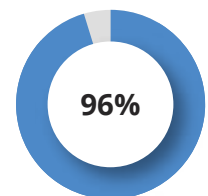
- ▶ HACCP (Food safety management system)
- ▶ ISO 9001 (Quality management system)
- ▶ ISO 14001 (Environment management system)
- ▶ ISO 50001 (Energy management system)
- ▶ ISO 45001 (Occupational health and safety management system)
- ▶ EN 14065 (Microbiological contamination laundry control system)
- ▶ „Q“ Quality label, Ministry of Tourism and Sports
- ▶ Blue flag – FEE (Foundation for Environmental Education)
- ▶ Sustainable Hotels
- ▶ Travelife Gold Award
- ▶ EU Ecolabel

Complying with regulations and voluntary codes is the company's priority when communicating with guests, including marketing communication such as advertising, promotion and sponsorships. Valamar has not registered a single instance of violation regarding regulations or voluntary codes.

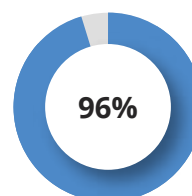
UP!LIFTING SERVICE CULTURE

The Up!Lifting index in Valamar is 96 percent, in hotels 96 percent and 95 percent in campings. In 2020, there were over 1,000 training sessions organized at our properties.

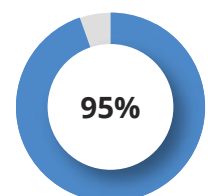
TOTAL UP!LIFTING INDEX



UP!LIFTING INDEX IN HOTELS

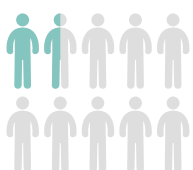


UP!LIFTING INDEX IN CAMPINGS



VALAMAR GUEST SATISFACTION SURVEY 2020 RESULTS

NUMBER OF COMPLETED SURVEYS



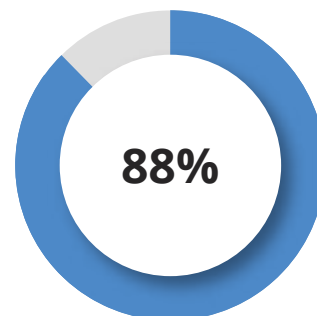
15%
of our guests completed the survey or left an online review.



OVERALL GUEST SATISFACTION 2020

Overall guest satisfaction is based on 44.695 submitted surveys and online posts made by our guests. The total result for hotels was 89% and 87% for campsites.

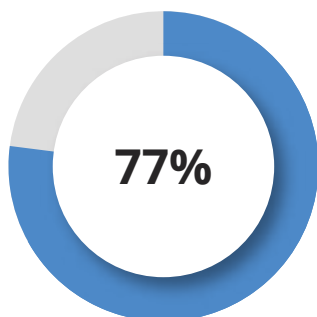
Collection properties reported the best results (93%).



UNBELIEVABLE INDEX

Unbelievable Index – the percentage of guests who gave our staff the best rating possible – “unbelievable”.

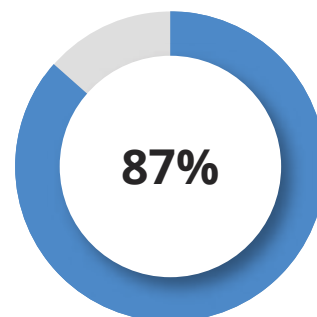
In 2020 it was 77%.



ONLINE GUEST SATISFACTION AVERAGE

The online guest satisfaction average refers to the overall online score in the last 24 months on all web portals.

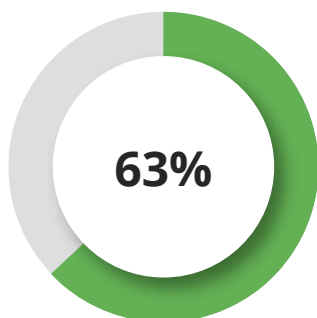
It was 87% in 2020, an increase of 1pp compared to 2019.



NPS - NET PROMOTER SCORE

We ask our guest one question to obtain our NPS: “Would you recommend us to a friend or colleague?”

In 2020 it was a high 63%.



How is NPS calculated



Net Promoter Score = % Promoters - % Detractors

V HEALTH & SAFETY

The Valamar V Health & Safety is a comprehensive program of health, safety and environmental standards, as well as advanced cleaning protocols aimed at the further enhancement of hygiene standards that Valamar applies in its properties. It was introduced in 2020 and covers three key areas.

V Health & Safety CleanSpace



V Health & Safety CleanSpace includes enhanced protocols for cleaning accommodation and communal areas in accordance with WHO and ECDC recommendations. The cleaning protocols are verified by the certified ISO 9001 quality system and are implemented by using products of the leading cleaning brands, Ecolab and Johnson-Diversey.

In 2020, Valamar implemented a new 100% CleanSpace Seal cleaning system that ensures complete disinfection of rooms, apartments and mobile homes before the guests' arrival, and introduced enhanced standards for cleaning communal areas.

V Health & Safety Food



V Health & Safety Food ensures maximum food and beverage safety in all restaurants and bars. The V Health & Safety Food standard controls all food & beverage processes (production, delivery, preparation, and serving). Our food & beverage management protocols have the HACCP certificate approved by SGS, the world's leading inspection, verification, testing and certification company.

All Valamar Riviera employees have the required health certificates and undergo various trainings to ensure the highest standards of safety and quality.

V Health & Safety Management



V Health & Safety Management incorporates managing the safety of guests during their stay in Valamar properties, which includes the implementation of world standards and control of children's playgrounds, swimming pools, beaches and other facilities in hotels, resorts and camps. Every Valamar property has a V Health & Safety Manager, available to guests 24/7 throughout their stay.

The V Health & Safety Manager also manages the guest's health insurance in case of need in cooperation with the Croatian health care system.



MORE SPACE

Valamar has adapted the capacities of hotel and camping pools, Spa and Fitness centers, Maro clubs and other facilities for the safety and comfort of its guests.



*Valamar Diamant Hotel &
Residence 3*/4*, Poreč*

EMPLOYEES AND ORGANIZATION

In 2020, despite the difficult circumstances caused by the COVID-19 pandemic, which affected business activities, Valamar Riviera ranked sixth on the list of the top employers in Croatia, which is one place higher compared to 2019.

Valamar is the only tourism company among the top 20 employers in Croatia for the third consecutive year. This is the result of the survey including almost 20,000 respondents conducted by MojPosao portal

in 2019 and at the beginning of 2020. Major factors in choosing the top employer were harmonious workplace relationships, job security and employer social responsibility.

Such a high result at a time of a global crisis that has affected the entire industry indicates that employees are satisfied with management policies Valamar has adapted, as well as with the transparent and timely communication of key information.

RESPONSIBLE MANAGEMENT OF HUMAN RESOURCES

As the largest tourism company and investor in Croatia, Valamar is aware of its impact and regards investing in its employees as one of its primary business goals. In terms of seasonality as one of the important characteristics of holiday tourism and the tourism sector in general, Valamar addresses various initiatives and programs to extend the tourist season in its destinations and to secure year-round income through permanent employment and the permanent seasonal employee program.

The COVID-19 pandemic caused disruptions in tourism flows mid-March 2020. The closing of catering services and other tourist facilities, as well as travel restrictions between countries, border closures and the significant drop in overnights seriously reflected on the business activities of Valamar Riviera.

Valamar is a responsible employer that puts its employees first even in the most difficult circumstances and job protection has been a priority since the onset of the crisis in order to ensure full employment. Enabling the employment of more than 7,000 workers and students is a feature that has so far made Valamar Riviera the largest employer in tourism, the flagship of growth and the promotion of Croatian tourism. Valamar Riviera has been the leader in leisure tourism in Croatia for over two decades, guided by sustainable development, striving to respect all financial and wider social obligations. The growth of all business performances was accompanied by the desired and expected growth in the number of workers and their incomes, which Valamar is extremely proud of and is ready to continue with the same successful practice of human resources management and employee satisfaction.

In 2020, Valamar continued to implement the permanent seasonal measure and the Valamar +3 program, which provides year-round income to the most loyal permanent seasonal workers. The program included nearly 900 seasonal employees. Valamar has also invested in accommodation for employees called "House Valamar", where employees from different parts of Croatia have secured accommodation. In addition, employees are also provided with hot meals.

During 2020, the extraordinary situation demanded more focus on the health and safety of both employees and guests. Hence, Valamar developed and implemented V-Health & Safety, a program of health, hygiene, safety and environmental standards to secure a high level of safety for both guests and employees.



“PAUSE, RESTART” PROGRAM

On April 1, Valamar launched the "Pause, Restart" program with the aim of protecting the jobs of all employees and readily welcomed the season opening at the end of May, with modified products and services that increased guest safety and service quality.

The program was implemented with the support of social partners with whom an agreement was signed for the period from April 1, 2020 to March 31, 2021, provided that the Government's measures to protect jobs continue for the same period until the end of March 2021. In cooperation with institutions and professional associations, Valamar actively proposed job protection measures to the Government as well as other measures to support tourism, which were all well received. The government has decided to extend employment protection measures in coronavirus-affected industries until the end of the year. Compensation in the amount of HRK 4,000 per employee was provided in the months which recorded a drop in turnover of at least 60% compared to the same month or quarter in 2019 with the write-off of contributions to the stated amount of support.

The "Pause, Restart" program provides all Valamar employees waiting for work with a salary compensation in the amount of 60% of their individually contracted salary for an indefinite period of time, but not less than HRK 4,250 net. After the end of their contractual obligation for the season, permanent seasonal workers are allowed to continue their status under the permanent seasonal measure in order to receive compensation during the winter and extended pension insurance through the Croatian Employment Service. These workers also have the security of working in Valamar in 2021.

After the start of the season at the end of May and the opening of a number of properties, all employees were offered work and most returned to work, while only 1% of employees remained "on pause". Since certain properties remained closed throughout the season, mostly in destination Dubrovnik, a number of 146 workers from operations and the horticulture and technical maintenance department from Dubrovnik were allowed to work in destinations Poreč and the island of Krk from mid-June to early September.

In addition, corporate employees were given the option of temporary rotation to jobs in operations and other departments with increased business needs. Permanent seasonal workers and seasonal returnees had an advantage in employment in 2020, and almost all permanent seasonal workers were employed.

In addition to preserving jobs, Valamar focused on maintaining liquidity to whether the crisis and continue development in 2021. In March, the decision regarding dividend payment for 2019 was revoked, and Supervisory Board members waived payment from March to August and reduced their fees by 30%, while senior management salaries were reduced up to 30%. Other working employees receive their regular salary according to their employment contract.

Taking into account the situation in the Republic of Croatia and the global impact of the corona crisis, as well as the measures from competent authorities, Valamar established the Risk Management Committee at the end of February. The Committee monitored the situation daily and its effect on business operations with the aim of reducing and controlling potential risks. In addition, Valamar activated comprehensive standard operational procedures for crisis management to protect the health of workers, guests and business partners, as well as escalation plans for measures to preserve liquidity and solvency of the Company and maintain business continuity, including escalation plans to protect the jobs of all employees.

Valamar also needed to ensure the greatest possible business engagement of employees in this challenging year. One of the projects which enabled employees to collect as many monthly working hours as possible was the engagement in jobs such as property maintenance like cleaning air conditioners, environmental maintenance, translation of texts into foreign languages, development of marketing materials or jobs usually performed in part by external partners. Valamar is also proud of Valfresco Direkt - an online service that has successfully expanded from Istria to Rijeka and its surroundings and the island of Krk in only a few months. Valfresco Direkt gave the opportunity to engage many Valamar employees in the central food preparation facility, as well as in logistics and transport.

SALARY POLICY

Despite the crisis, Valamar Riviera maintained the "Valamar guarantee" program in 2020, which guarantees a minimum net income of HRK 5,000 for all employees working full-time during the month. The remaining 21 reward programs are suspended until business normalization.

Regardless of the difficulties in 2020, as a sign of gratitude for their unity and solidarity and excellent services provided to guests in

Valamar hotels, resorts and camping resorts, Valamar provided all permanent employees (employed on December 1, 2020) with support in the amount of HRK 1,000, in the form of a cash grant of HRK 600 and a Valfresco Direkt voucher of HRK 400. Valfresco Direct supports more than 100 domestic producers and family farms.

At a yearly level, salaries in Valamar were 23,35% higher than the Croatian average and the industry or sector average. Namely, the

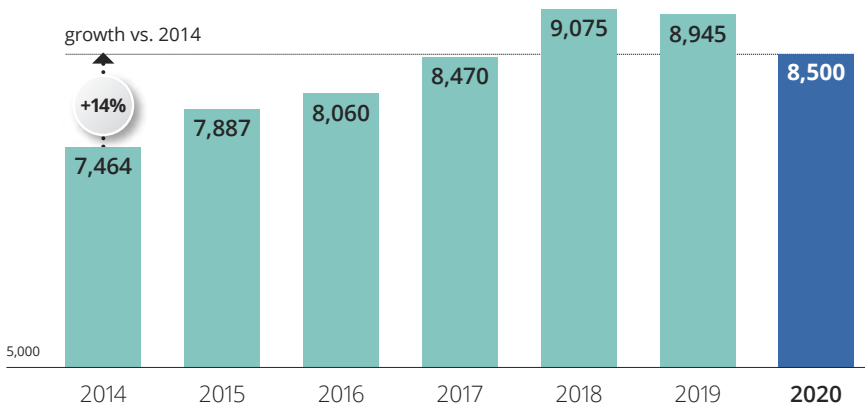
average gross 1 salary for 2020 in Valamar Riviera was HRK 8,500, while the average salary in industry was HRK 6,891 gross 1.

Under the extraordinary circumstances of 2020, Valamar had a slightly lower average salary compared to the average salary of the Republic of Croatia, which in 2020 amounted to HRK 9,216 (-7.7%).

Since 2014, the growth of the average gross 1 salary has been 14%.

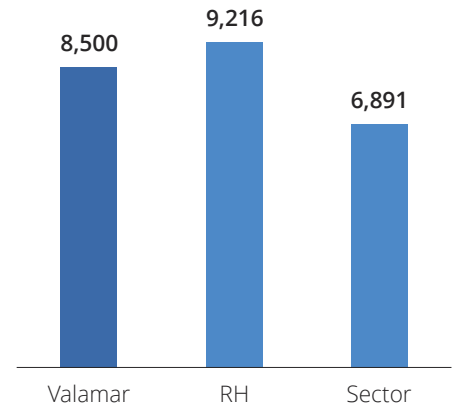
AVERAGE GROSS WAGE GROWTH IN 2020 COMPARED TO 2014 (HRK)

(HRK)



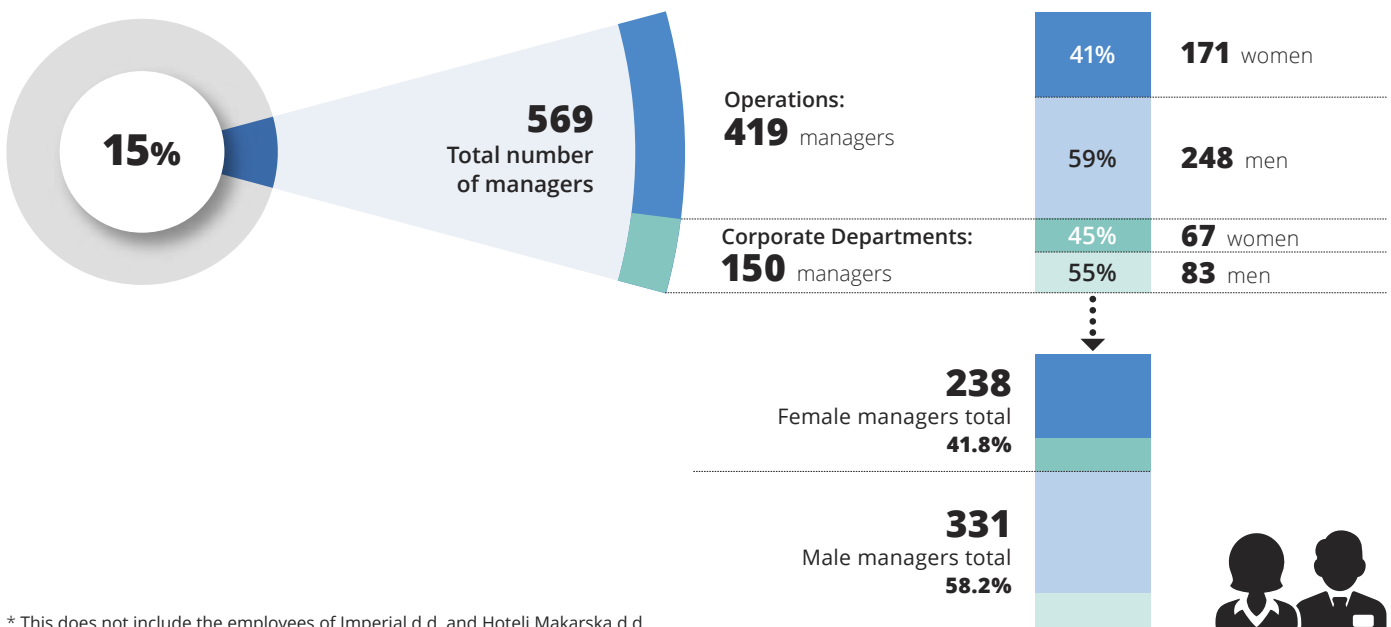
AVERAGE GROSS 1 SALARY 2020

Croatia, Valamar and hospitality industry/sector



SHARE OF MANAGERS IN THE TOTAL NUMBER OF EMPLOYEES IN 2020 AT VALAMAR RIVIERA

The number of managers compared to 2019 decreased by 14, but due to a significant decrease in the total number of employees, the percentage of managers in the total number of employees increased from 9.61% in 2019 to 15% in 2020.



* This does not include the employees of Imperial d.d. and Hoteli Makarska d.d.

AVERAGE EMPLOYMENT BASED ON HOURS WORKED IN 2020



2,611

the average employment based on hours worked in 2020 in Valamar Riviera



3,062

the average employment based on hours worked in 2020 in the Valamar Group

EMPLOYEE TURNOVER RATE

The employee turnover rate per permanent employees is 7%.

EMPLOYEE TURNOVER RATE IN 2020 – AVERAGE NUMBER OF PERMANENT EMPLOYEES

	M	F	Grand Total	Permanent employees	Turnover rate
Baška	2	6	8	89	9%
Dubrovnik	9	9	18	323	6%
Krk	2	5	7	78	9%
Poreč	26	40	66	921	7%
Rabac	5	5	10	275	4%
Rab	8	8	16	224	7%
Makarska	4	3	7	113	6%
Grand Total	56	76	132	2023	7%

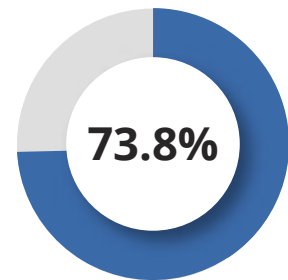
EMPLOYEES BY CONTRACT TYPE IN VALAMAR RIVIERA AND IMPERIAL RIVIERA

	31/07/2020	31/08/2012	Variation 2020-2012	% increase
Permanent employees	2023	1087	936	86%
Employees with year-long income	1033	131	902	689%
Seasonal	1042	1709	-667	-39%
Fixed-term work/other	226	62	164	265%
Students	123	474	-351	-74%
Total	4447	3463	984	28%

YEAR-LONG EMPLOYMENT INDEX

The year-long employment index in 2020 was 73.8% at the group level.

The significant increase in the index is the result of a decrease in the number of employed seasonal workers.



EMPLOYEE BENEFITS

Valamar Riviera continues with the project called "My Benefits" which provides all employees with the largest system of material and non-material benefits.

To receive the benefits, employees need a ValamArtist card they receive upon employment or a certificate of employment issued by the Valamar Human Resources Department. Employees can enjoy various benefits and discounts with more than 50 partners in all destinations and throughout Croatia.

Discounts and benefits cover various services, i.e. various health, cosmetic, hairdressing, ophthalmological, car mechanic services, as well as discounts on education, tools and tickets. In addition, employees can receive more favorable accommodation services in Valamar's properties.*

Valamar employees are also provided with a discount on catering services in certain Valamar catering facilities and the list of benefits that ValamArtists can utilize include more favorable credit and banking services with partner banks.

* The stated benefits also apply to Imperial Riviera employees.

CRISIS COMMUNICATION MANAGEMENT DURING 2020

From the onset of the crisis caused by the Covid-19 pandemic, Valamar successfully protected all jobs, maintained liquidity and business sustainability. Valamar employees showed unity and solidarity through the challenges, providing excellent services to guests in Valamar hotels, resorts and camping resorts.

Since the beginning of the crisis, Valamar has been continuously communicating with employees through internal communication channels with the aim of providing support, educating on the implementation of necessary epidemiological measures within the V Health & Safety program and timely notification of relevant information concerning the company's business. The President of the Valamar Riviera Management Board, Željko Kukurin, addressed all employees several times via video link and letter, thanked them for their support and informed them about the company's

operations. Employees were continuously informed via internal newsletters "News from Valamar", special online editions of VIV magazine, the Facebook page "Good job at Valamar" as well as through the internal application ValamArtist app.

Valamar's traditional annual gathering was held virtually in 2020. More than 2,000 ValamArtists from all Valamar destinations were invited to the virtual gathering via video link, and although it was organized in different circumstances, it was the largest gathering so far. The official program was broadcast live from the Headquarters in Poreč, and employees were addressed by the President of the Management Board Željko Kukurin and the President of the Supervisory Board Gustav Wurmböck.

TALENT MANAGEMENT AND CAREER DEVELOPMENT

Valamar Riviera aims at increasing overall customer service as well as creating a motivating work environment. From fundamental occupations in tourism to professionals in IT, controlling, marketing, sales and a number of other fields, one of the Company's strategic goals is to development educated and satisfied employees who can have a successful career in tourism.

All employees are involved in annual performance and potential assessments, regardless of whether they work in operation or in corporate functions. Such an approach enables timely planning of promotions, rotations and succession of key positions within the

company. Individual development plans allow employees to plan the long-term development of their careers.

Valamar Riviera consistently monitors the work of its employees to fully utilize their potential. Based on the results, the company invests in their education and guides them in further work depending on their capabilities, knowledge and affinities. Valamar Riviera recruits candidates of different profiles and experience, giving everyone the opportunity to thrive and grow within their company. Particular attention is given to career development, education and training.



LIFELONG LEARNING AND TRAINING

2020 brought new challenges and solutions in order to overcome the year in which the funds for education and development were significantly reduced compared to 2019.

Valamar Riviera initiated the digitalization of educational programs and adapted the system to new needs, online seminars, webinars, and virtual classrooms. In 2020, Valamar continued to provide its employees with education and training through the educational platform for employee development and education, Valamar Excellence. It is an in-house life-long education program for gaining professional knowledge and skills in the tourism and hospitality industry. It is divided into two main parts:

- ▶ **Valamar Education** – specialist programs for jobs in tourism, consisting of two sub-programs (V-Executive and V-Professional)
- ▶ **Valamar Trainings** – training programs that include individual work with mentors and professional development based on best practices in the company (V-ACADEMY, V-LEAD, V-INTERN, V-START)

The first trainings within the V-Executive program were held in early 2020. In the first

quarter, more than 100 Valamar Riviera employees attended the first modules of this commendable program. The first thematic unit "Trends in Tourism and Hospitality" and "Digital Transformation" were completed. The combination of the academic knowledge of renowned experts and examples from experienced colleagues, proved to be a winning combination that justified and increased interest in this program both inside and outside the company.

V-LEAD – This in-house professional development program for future profit center/sector managers/directors and potential successors to senior management positions in operations and corporate departments, was launched in 2019. This one year program has enrolled 23 colleagues. In the first part of the program, they went through several trainings aimed at sharpening leadership skills, and during the continuation of the program, participants had the opportunity to see some of the best practices of other companies and present their own projects to the company's management.

V-ACADEMY – In 2020, Valamar enrolled the second generation of V-Academy students. There was a total of 104 participants, of which 78 from hotel



operations and 26 from corporate departments. In the first quarter of 2020, most of the training programs, workshops and in-house lectures were completed. V-Academy is a training program aimed at enriching corporate knowledge and professional development on the principle of sharing the best practices and knowledge from mentor to student. It is intended for all employees who wish to invest in their knowledge, competencies and skills required for their everyday tasks. The Academy is further divided into six sections and after general education and training, the attendees focus on education and training in their field of work.

V-ACADEMY DIGITALIZATION PROCESS

In 2020, Valamar Riviera initiated the digitalization of internal knowledge. In that process, first in line was the V-Academy and the digitalization of the knowledge of internal lecturers, covering all important topics of corporate services and operations.

Every education and training is very important in the career development of every employee. Valamar has accumulated rich and valuable knowledge and experience from its employees and colleagues, which is not only useful, but also necessary for mastering business processes and understanding the broader picture of the company's business. Lectures by internal lecturers will be recorded as well distributed through an online system, and with the digitalization of education, internal knowledge will be more available to Valamar Riviera employees at any moment.



HRK 1,814,275

invested in educational programs in 2020

GENDER EQUALITY IN THE WORKPLACE

At the end of July 2020, Valamar organized a workshop for directors of all sectors on the topic of "Gender Equality in the Workplace".

Participants had the opportunity to be better acquainted with the concepts of indirect discrimination, multiple discrimination and positive measures to prevent discrimination, as well as laws concerning gender equality. The law explicitly prohibits direct or indirect discrimination against an employment candidate or employed person on the grounds of race, color, sex, marital status, age, language, religion, or any other ground. Discrimination is equally prohibited in both the public and private sectors.



37,771 hours

of education in the Valamar Excellence program, 2020

INVESTING IN FUTURE STAFF AND PROMOTING JOBS IN TOURISM

Valamar is the largest single scholarship provider in Croatia, offering unique opportunities each year for scholarships, internships and first-time employment, resulting in high student interest. The Valamar human resources sector continued the long-standing practice of scholarships for students and provided scholarships to pupils and students in 2020/2021 in cooperation with the Ministry of Tourism and Sports.

Valamar has a long-standing tradition of providing scholarships to young people training for high-demand jobs in hospitality, and has been the largest partner to the Ministry of Tourism so far. Students have the opportunity to gain work experience in Valamar hotels, camps and resorts, and are offered a job with the leading employer in tourism in Croatia upon graduation. It is the obligation of all scholarship holders to regularly attend classes, enroll in the school year and graduate properly during the scholarship. All scholarship holders are required to attend classes regularly, enroll in the school year and duly graduate, while scholarship holders from other destinations are provided with housing and meals at the expense of the employer. This approach contributes to encouraging and supporting young people to enroll and complete education for hospitality professions, better connecting Valamar as an employer with secondary vocational and hospitality schools across Croatia, raising the overall quality of Croatian tourism, as well as the quality of staff in the hospitality and tourism industry.

Students of tourism and catering vocations (chef, waiter, pastry chef, hotel and tourism commercialist) are offered an attractive scholarship program worth HRK 1,200 per month during the school year for 10 months until the end of schooling. In 2020, Valamar provided scholarships for 243 students. Most scholarship recipients came from the continental part and 76% came from outside Valamar's destinations. Of the total number of scholarship recipients, 9% are Valamar's future chefs.

IN 2020, VALAMAR PROVIDED SCHOLARSHIPS FOR 243 STUDENTS*

	Local	From other regions	Total
Graduates	25	97	122
Other grades	55	66	121
Total	80	163	243

* Valamar Riviera and Imperial Riviera.

COOPERATION WITH REGIONAL COMPETENCE CENTERS

The European Social Fund (ESF) is fundamental for the European Union's cohesion policy and supports investing in human capital and the strengthening of competitiveness of the European economy. Activities funded by the European Social Fund help people improve their skills and integrate into the labor market with ease.

The Ministry of Tourism has recognized centers of vocational competence in the tourism and hospitality sector as a medium to improve the quality of vocational education for tourism and hospitality jobs and adapt it to the needs of the labor market in order to strengthen the competitiveness of human resources in tourism and hospitality. At the end of 2019, Valamar Riviera signed the Strategic Partnership Agreements with the Regional Competence Centers in Pula, Opatija and Dubrovnik for a 4-year project "Establishing Regional Competence Centers in the Tourism and Hospitality Sector". The partnership commits us to collaboration and engagement on three

priority project tasks: strengthening vocational education and training systems and their quality, including mechanisms for anticipating skills, adapting curricula and introducing and developing work-based learning systems, including dual learning systems and apprenticeship programs, modernizing and improving the quality of vocational training with the purpose of increasing student employability as well as opportunities for further education and lifelong learning.

In 2020, the work of the Regional Competence Centers has adapted to the new situation. Activities were focused on educational programs for partners in culinary and gastronomy projects. Various meetings and focus groups were held through online platforms related to the proposal for choosing a name for a new profession of Chef, a four-year education program, harmonizing and developing the occupational standards, qualifications and curriculum standards, exchanging information and experiences with all project participants, and visits by colleagues from the Basque Culinary Center. According to the Vocational Education Act from 2018, Competence Centers are work-based vocational education and training locations, which also propose and select their partners like businessmen and tourism companies that are the leaders in creating service excellence as well as programs and practices for the development of human resources. In partnership with Valamar and other partners in the tourism sector, the Centers of Competence, carry out specialized and differentiated activities for the development of new curricula, the adaptation of the curriculum to the needs of the labor market, and the professional development of teachers, teaching assistants and mentors as well as training mentors in the workplace. The 2020-2023 Strategic Partnership will also enable Valamar to exchange knowledge and practice with similar centers in other countries, as well as increase its corporate competence through the mobility of students, grantees, mentors and specialists.

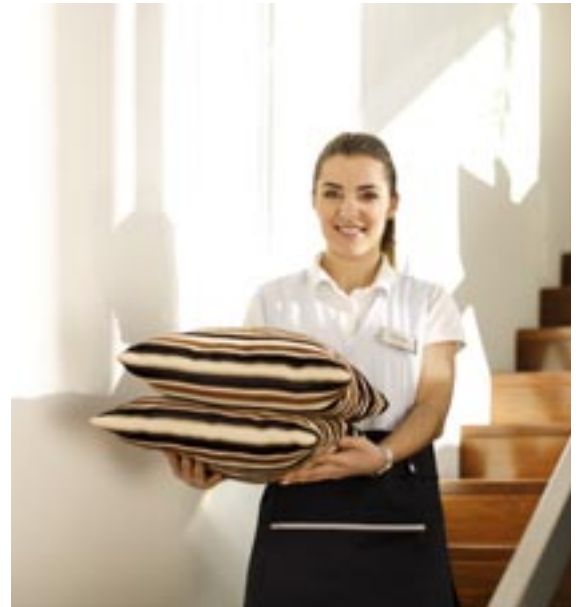


SEASONAL EMPLOYMENT

Due to the occurrence of extraordinary circumstances caused by the pandemic, the course of seasonal employment was changed and disrupted. With the complete closure of all properties mid-March 2020, the employment process for the pre-season was completely halted, and only at the end of May, i.e. with the partial opening of properties, did seasonal employment start again.

Permanent seasonal workers and seasonal returnees had an advantage in employment throughout the season. Some hotels, resorts and catering facilities were not even opened during 2020, and for this reason the number of seasonal workers engaged in the season was significantly lower than in previous years. 2020 was marked by an extremely short season compared to the usual years, given that Croatia was on the red list mid-August in most emitting countries. This led to the immediate cancellation of accommodation and other services, and the sudden departure of guests, thus eliminating the need for most seasonal workers.

Despite the above, almost all permanent seasonal employees were employed in 2020, and an exceptional number of seasonal returnees was recorded. This was influenced by the positive policy of maintaining the Valamar guarantee program, providing quality accommodation, meals and other benefits for employees.



VALAMAR+3 PROGRAM

Valamar Riviera secures the stability and continuity of year-long income through the Permanent Seasonal Worker measure and Valamar + 3 program in 2020, as part of an active employment policy implemented since 2016.

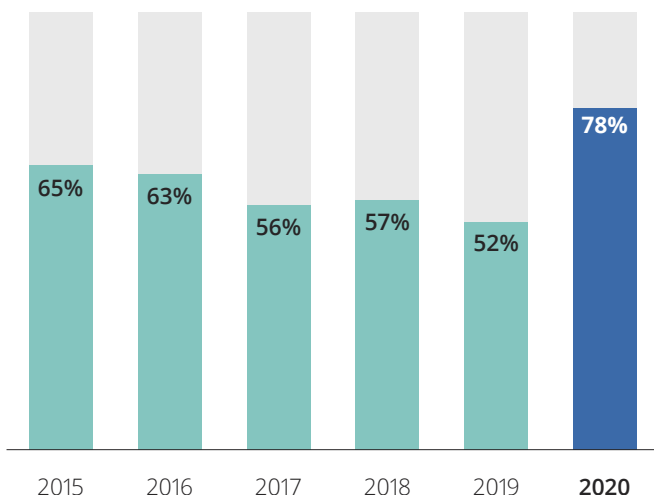
The employees were thus provided with 6 months of work, and the employees in the Valamar + 3 program were provided with 9 months of work. The number three in the name of the Valamar + 3 program means employee job security through three

seasons and numerous other benefits. Throughout the three-year contract period, permanent seasonal workers enjoy employment status and priority for employment at Valamar.

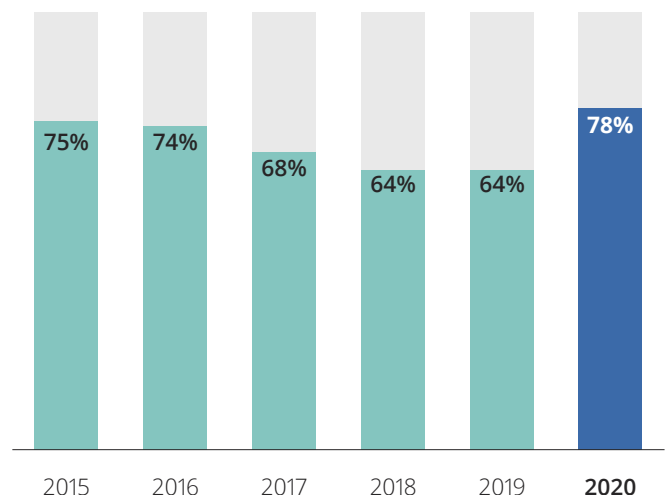
PERCENTAGE OF RETURNING SEASONAL WORKERS

Due to the reduction of the need for new employees, the percentage of returns of seasonal workers is at a record high level, compared to 2019. An increase of 26 pp was recorded.

PERCENTAGE OF RETURNING SEASONAL WORKERS



SHARE OF LOCAL EMPLOYEES





HOUSE VALAMAR

Valamar Riviera provides all its employees who work in Valamar destinations but are from other parts of Croatia and the region with quality accommodation and warm meals.

In the modern Valamar Houses, seasonal employees have single and double rooms with private bathroom and toilet at their disposal, free internet, relaxation areas and quality food. House Valamar represents the concept of quality accommodation and food for seasonal workers during their stay in the destination where they work.

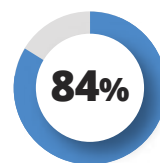
Valamar invests to ensure excellent accommodation and food conditions with the Valamar House concept in all its destinations. Valamar houses are available in the destinations of Poreč, Krk, Rabac, and in 2020 a Valamar House was built in Dubrovnik. The kitchen and dining room are fully equipped with a stove, refrigerator with freezer, microwave and a range of other equipment. There is also a special room equipped with washing, drying and ironing machines, the use of which is free for workers who live there.

CORPORATE CULTURE AND CLIMATE - RESULTS 2020

Due to the specific business circumstances caused by the pandemic, a new category "Pause, Restart" was added to the survey this year, which examines the corporate climate and culture.

The goal was to obtain feedback on employee satisfaction with the said program, which was launched with the aim of stabilizing business, preserving jobs and protecting employee health. It is important for Valamar Riviera to hear employees' opinions about the program itself; whether they received timely information related to the situation within the company and whether they felt protected in their workplace. A high score of 4.01 for this category of questions indicates a high understanding of the situation and the adaptability of each worker to the new way of working.

Due to the impossibility of conducting education and career development to the extent planned for 2020, the measurements for this segment were omitted. The survey was completed by 84% of employees in 2020, and the overall rating at the level of Valamar Riviera was 4.00, or 2.8% more than in 2019, which shows the adaptability and understanding of the new conditions. The categories Work Organization, Leadership, Work Environment and Team Relations, Balance Life Work and Pause, Restart were rated higher than 4.00. For several years now, Valamar Riviera has been measuring eNPS, i.e. the employee Net Promoter Score. This year, that indicator was 14, which is an increase of 3 points compared to 2019.



84% OF EMPLOYEES COMPLETED THE SURVEY IN 2020

A high score of 4.01 received a new category "Pause, Restart"



4.0 TOTAL EMPLOYEE SATISFACTION RATING

Rated higher than 4.0 are categories: Work Organization, Leadership, Work Environment and Team Relations, Balance Life Work

14 this year's Net Promoter Score, which is an increase of 3 points compared to 2019



*Zvonimir Sunny Hotel by
Valamar 4*, Krk Island*

RESPONSIBILITY TO THE LOCAL COMMUNITY AND THE ENVIRONMENT



ENRICHING THE DESTINATION



LITTLE TOURISM



BUILDING TOURISM INFRASTRUCTURE



VALAMAR'S BIG HEART



GOOD JOB AT VALAMAR



OUR RETIRED COLLEAGUES



VALAMART



GREEN VALAMAR



PROMOTING SPORTS

Valamar Riviera in 2020:

HRK 23 million

total investment in corporate social responsibility (CSR)

3.3%

the share of CSR in revenue

RESPONSIBILITY TO THE ENVIRONMENT

Natural resources are limited and the activity of each individual and organization should be directed towards their safeguarding.

The environment represents the key resource in tourism, so environmental awareness is crucial in this sector due to its volume and intensity. As the leading tourism company in Croatia, Valamar Riviera is aware of its responsibility to systematically apply high standards to safeguard the environment – the key resource in tourism. Responsibility towards the environment is one of the pillars of sustainability, which Valamar Riviera has incorporated into its Quality and Sustainable Business Policy as well as Strategic goals.

- ▶ HRK 9.5 million – invested in energy efficiency projects in 2020
- ▶ 100 percent electrical energy – comes from renewables in all Valamar Riviera properties and in Valamar Obertauern Hotel

- ▶ HRK 1.9 million – total amount allocated for the purchase of 13 new electric vehicles, 3 electric scooters and 1 electric carts in 2020
- ▶ HRK 300 thousand – the total invested in the replacement of classic street lamps with highly efficient LED lights
- ▶ More than 70 percent – reduction of direct and indirect Greenhouse gas emissions from the first and second volume in the period from 2015 to 2020. Reduction is mainly due to switching to renewable electrical energy, replacing fuel oil boilers with gas boilers, utilizing heat pumps and other measures described in this Report.



Total number of charging stations

SUSTAINABLE HOTEL CERTIFICATE

Valamar Sanfior Hotel & Casa ★★★★★

Valamar Koralj Hotel ★★★

Valamar Collection
Dubrovnik President Hotel ★★★★★

Valamar Parentino Hotel ★★★★★

Valamar Carolina Hotel & Villas ★★★★★

Valamar Bellevue Resort ★★★★★

Valamar Padova Hotel ★★★★★

**IN BUSINESS VALAMAR
IS FOCUSED ON:**



- ▶ Reducing fossil fuel consumption
- ▶ Reducing drinking water consumption
- ▶ Reducing electric energy consumption

2020 GREENHOUSE GAS EMISSION REPORT

The methodology of The Hotel Carbon Measurement Initiative (HCMI), published by the WTTC, is used to calculate greenhouse gas emissions.

Since 2020, a factor of 0 has been used for CO₂e/kWh emissions from electricity from renewable sources. In order to make the data comparable, the previous years were recalculated to the same factor. In previous years, a factor of 0.024 CO₂e/kWh was used, which includes input emissions. According to the Greenhouse Gas Protocol, scope 2 only includes part of the direct emissions from the generation of electricity, excluding therefore, elements of scope 3.

As of 2020, Helios Faros d.d. is included in the calculation and the data from 2016 has since been corrected. However, the data for Helios Faros d.d. from 2016 to 2018 are estimates, since it was not possible to obtain the actual values of energy consumption. In 2020, a significant reduction in greenhouse gas emissions was recorded in absolute terms. A significant drop in overnight stays due to the pandemic understandably caused the reduction. However, we record an increase in emissions per night, given that energy consumption is less efficient when the guest number is lower, since the common areas of the properties are heated, cooled and lit as usual, regardless of the number of guests. Also, guest transportation was organized following the prescribed distancing measures, with consequent lower energy efficiency.

VALAMAR RIVIERA: GREENHOUSE GAS EMISSION COMPARISON

	kg/overnight	CHANGE VS. PREVIOUS YEAR: (t)	kg/overnight
2015	4.29		
2016	1.03	↓ 73.98%	↓ 76.01%
2017	0.97	↓ 3.49%	↓ 5.78%
2018	1.04	↑ 9.27%	↑ 7.03%
2019	0.91	↓ 9.30%	↓ 11.92%
2020	1.10	↓ 59.36%	↑ 19.92%
2015/2020			↓ 74.45%

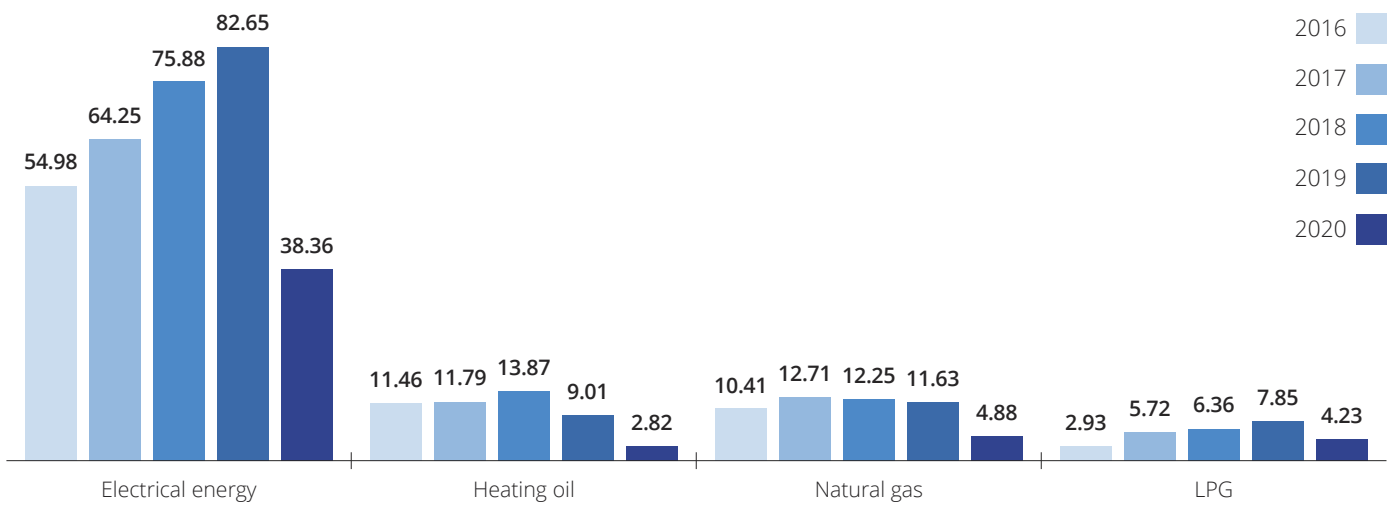
VALAMAR RIVIERA GROUP: GREENHOUSE GAS EMISSION COMPARISON

	kg/overnight	CHANGE VS. PREVIOUS YEAR: (t)	kg/overnight
2016	1.68		
2017	1.50	↑ 2.47%	↓ 0.25%
2018	1.61	↑ 9.47%	↑ 7.42%
2019	1.06	↓ 32.31%	↓ 33.93%
2020	1.25	↓ 60.22%	↑ 17.19%

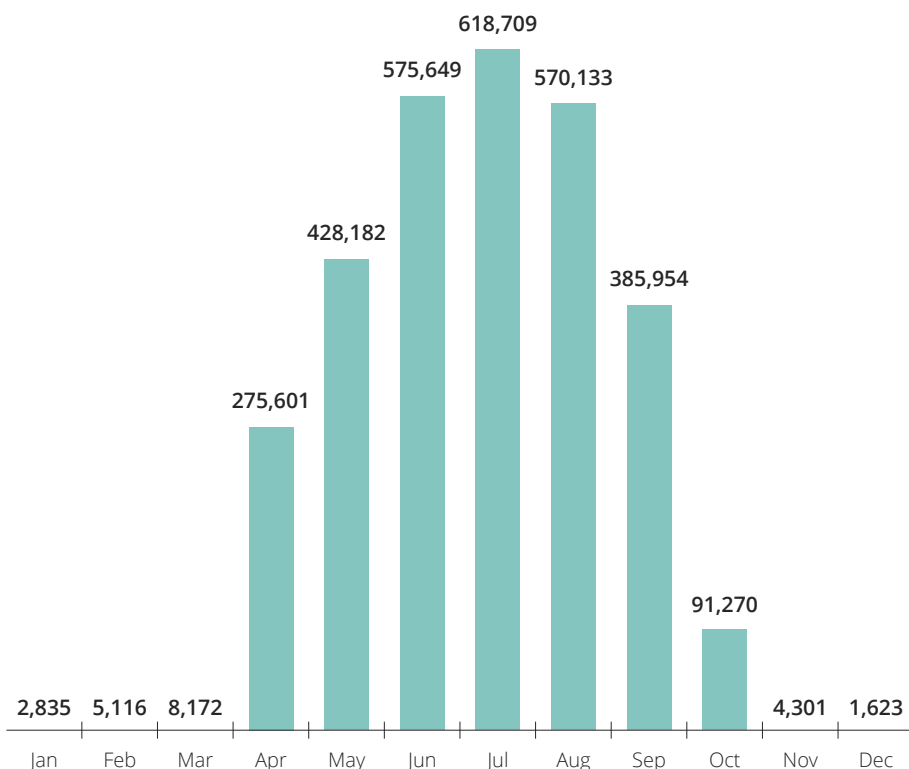
* Since 2017 the calculations include Valamar Obertauern Hotel.

ENERGY EFFICIENCY

CONSUMPTION OF ENERGY PRODUCTS - COMPARISON 2016 - 2020 (GWh)



ENERGY SENT INTO THE SYSTEM FROM QSOL SOLAR COLLECTORS IN 2020 (kWh)



ENERGY CONSUMPTION, AS SHOWN BY THE FOLLOWING ITEMS

- a) Total consumption of energy from non-renewable sources: 14,012,894 kWh
- b) Total consumption of energy from renewable sources: 38,362,717 kWh
- c) Total consumption of electrical energy: 38,362,717 kWh
- d) Total consumption of energy in joules or their derived units: 188,522,202 MJ

ENERGY INTENSITY, AS SHOWN BY THE FOLLOWING ITEMS

- a) energy intensity ratio (sum of all energy in kWh/overnight): 22.98 kWh/overnight
- b) types of energy included in the ratio: electrical energy, heating oil, motor fuel, natural gas and LPG

CONSUMPTION OF ENERGY PRODUCTS IN 2020

	Consumption in unit of measurement	kWh	GWh	kWh/overnight
Electrical energy	38,362,717	38,362,717	38.36	16.83
Heating oil	282,099	2,820,994	2.82	1.24
Motor fuel	208,253	2,082,526	2.08	0.91
Natural gas	4,876,617	4,876,617	4.88	2.14
LPG	330,684	4,232,756	4.23	1.86
TOTAL		52,375,612	52.38	22.98

ENERGY INTENSITY AS SHOWN BY THE FOLLOWING ITEMS 2016-2020

kWh	2016	2017	2018	2019	2020
Electrical energy	54,978,106	64,252,478	75,876,183	82,647,463	38,362,717
Heating oil	11,463,985	11,787,966	13,867,850	9,013,841	2,820,994
Motor fuel	2,160,084	2,965,429	3,116,872	3,252,244	2,082,526
Natural gas	10,408,564	12,713,001	12,247,836	11,632,414	4,876,617
LPG	2,931,127	5,724,582	6,364,228	7,851,267	4,232,756
TOTAL	81,941,866	97,443,456	111,472,969	114,397,230	52,375,612

kWh/overnight	2016	2017	2018	2019	2020
Electrical energy	10.69	10.41	11.52	12.20	16.83
Heating oil	2.23	1.91	2.11	1.33	1.24
Motor fuel	0.42	0.48	0.47	0.48	0.91
Natural gas	2.02	2.06	1.86	1.72	2.14
LPG	0.57	0.93	0.97	1.16	1.86
TOTAL	15.93	15.79	16.93	16.88	22.98

* Data includes Valamar Riviera, Imperial Riviera and Valamar Obertauern Hotel.

PROJECT TO INCREASE ENERGY EFFICIENCY ON KRK WORTH HRK 10.6 MILLION

In 2020, Valamar Riviera successfully implemented a project aimed at increasing energy efficiency in the Corinthia Baška hotel complex on Krk, with a total value of HRK 10.6 million, of which HRK 5.4 million were grants provided by the Ministry of Economy and Sustainable Development.

As part of the project, fuel oil boilers and the existing cooler were replaced with highly efficient air/water heat pumps. In addition, the investment included a partial modernization of the indoor pool air conditioning and the replacement of outdoor lighting with highly efficient LED lighting. In the past three years, Valamar has invested almost HRK 100 million in numerous environmental protection initiatives within the Green Valamar corporate social responsibility program, including this project.

SOLAR SYSTEMS AT 26 VALAMAR PROPERTIES

Valamar Riviera and E.ON Solar, the leading Croatian company for the design and construction of solar power plants, agreed on a unique project in Croatia, which included solar systems for 26 tourism properties along the coast according to the ESCO model.

It is a model whereby customers recompense the solar power plant exclusively through electricity consumption over a ten-year period and take ownership without any additional costs.



WASTE DISPOSAL

WATER RECYCLING

	2019	2020
Total water consumption (m ³)	1,796,735	787,419
Amount of recycled water for irrigation (m ³)	7,696	7,847
Poreč laundry facility (m ³)	28,582	13,958
% of used recycled water (out of total consumption)	2.02%	2.77%

GROUNDWATER AND WATER FROM LOCAL OR OTHER WATER SUPPLY SYSTEMS

Groundwater supply system (m ³)	25,764	16,758
Local or other water supply systems (m ³)	1,770,971	770,662

WATER DISCHARGE PER DESTINATION

Public sewage system (m ³)	1,542,654	676,068
Sea (m ³)	85,492	62,672
Discharge to surrounding terrain (m ³)	8,441	8,342

TOTAL WEIGHT OF HAZARDOUS, NON-HAZARDOUS AND MIXED MUNICIPAL WASTE* (t)

	2016	2017	2018	2019	2020
NON-HAZARDOUS					
Paper and cardboard	459	598	671	661	290
Glass	211	285	312	319	117
Plastic	160	255	285	283	108
Wood	478	469	42	45	8
Biodegradable waste	625	1,533	1,759	2,527	819
Used cooking oil	20	32	28	21	5
FOG separator waste	712	758	691	480	287
Metals	35	14	12	7	29
Bulky waste	139	306	102	246	242
Other non-hazardous waste	45	6	13	6	2
TOTAL	2,884	4,256	3,915	4,595	1,907
HAZARDOUS WASTE					
Asbestos	-	22	-	-	0
Electric and electronic waste	7	6	18	7	4
Contaminated packaging	5	9	8	4	1
Other hazardous waste	7	2	14	11	1
TOTAL	19	39	40	22	6
Mixed municipal waste	4,292	5,117	5,013	5,080	2,014
Total waste generated	7,195	9,412	8,967	9,697	3,927

* The total amount of generated waste in 2020 is 3.927 tons compared to 9.679 tons in 2019 which is a 60% decrease due to significantly lower number of overnights and operating days.

* The amount of sorted waste including paper, cardboard, glass, plastic and biodegradable waste has decreased in accordance with achieved overnights.

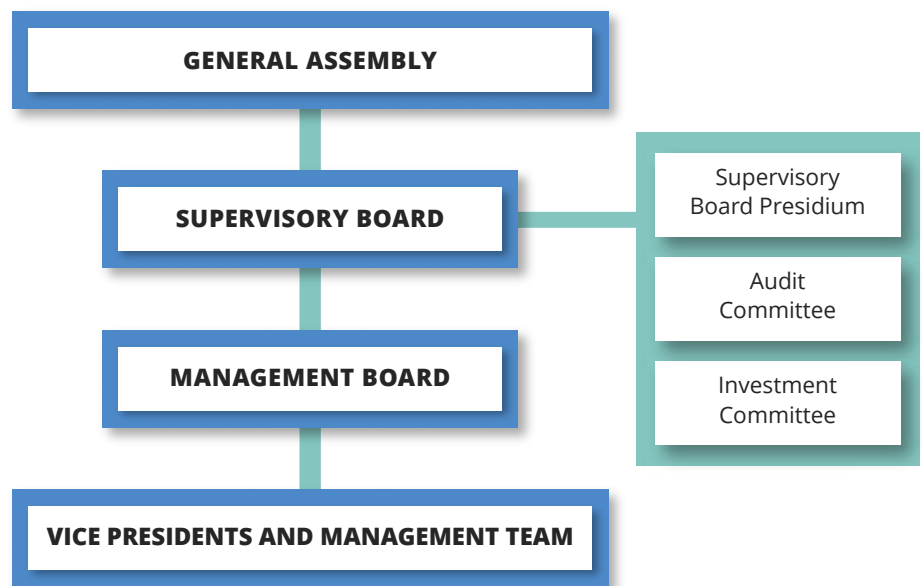
* The produced quantities of bulky waste did not decrease in accordance with overnights, due to the amount of spent funds and changes in the calculation methodology.

CORPORATE GOVERNANCE

CORPORATE STRUCTURE

As a joint-stock company with more than 21 thousand shareholders, Valamar Riviera is committed to the highest principles of good corporate governance and regulatory compliance.

A well-defined and clear corporate structure is the foundation for the effective strategic and operational management of the company. The key governing bodies of Valamar Riviera d.d. are the General Assembly, the Supervisory Board with its corresponding delegate committees and the Management Board led by the President of the Management Board or CEO of Valamar Riviera. The specific governance authorities and responsibilities of these governing bodies are regulated by the relevant Croatian legislation, Company Statute and other corporate governance codes, regulations or prescribed procedures.



SUPERVISORY BOARD

The Supervisory Board consists of 7 members, of whom one are independent and one is an employee representative.

The Supervisory Board meets at least 4 times per year. The Supervisory Board is actively engaged in key management decisions through corresponding delegate committees that meet more often to manage key strategic initiatives and support the Supervisory Board in the decision-making process and supervising the Company's business in correspondence with relevant regulations and acts.

Term of office from 7/7/2017 to 6/7/2021			Supervisory Board	Supervisory Board Presidium	Audit Committee	Investment Committee
Gustav Wurmböck	Chairman	Proprietary	■	■	■	■
Franz Lanschützer	Deputy Chairman	Proprietary	■	■	■	■
Mladen Markoč	Deputy Chairman	Proprietary	■	■	■	
Georg Eltz Vukovarski	Member	Proprietary	■		■	■
Vicko Ferić	Member	Proprietary	■		■	■
Hans Dominik Turnovszky	Member	Independent	■		■	■
Valter Knapić	Member	Employee Representative	■			
Meetings held in 2020			13*	13	5	1

* The Supervisory Board held thirteen (13) meetings in the course of 2020, out of which eight (8) were held via correspondence, according to the Company's Statute.

MANAGEMENT BOARD

The Management Board consists of two members:

- ▶ Management Board President: Željko Kukurin
- ▶ Management Board Member: Marko Čižmek

The Management Board President is primarily responsible for formulating and managing the company's strategic, operating and financial activities.

In addition, the President individually leads the following areas: hotel operations, marketing & sales, human resources, destination management, purchasing, investment and

asset development, external affairs and public relations, quality management, internal audit and project management, controlling, legal and general affairs.

Marko Čižmek, Management Board Member, is primarily and individually responsible for finance, accounting, treasury, IT and institutional investor relations.

SENIOR MANAGEMENT

The strategic corporate business functions are organized in 4 divisions that are led by four vice presidents:

- ▶ Sales & Marketing – VP Davor Brenko
- ▶ Operations – VP David Poropat
- ▶ Asset Development, Maintenance & Technical Services – VP Alen Benković
- ▶ Business Development and Corporate Affairs – VP Ivana Budin Arhanić

The senior management team or division vice presidents are responsible for managing specific functional business areas and activities. In addition, the senior management team is tasked with cross-functional steering and leadership, implementing the corporate strategy and providing management support to the CEO. Hence, the senior management team works closely with the Management

Board and performs relevant corporate functions through business committees that are focused on those strategic activities at the Company that require a high degree of cross-functional involvement:

- ▶ **CAPEX Committee** (capital investment projects)
- ▶ **Project Committee** (steering the project management organization)
- ▶ **Business strategy, human resources and service excellence Committee** (business expansion, loyalty and CRM, quality management & service excellence, corporate social responsibility, human resource strategies and policies)
- ▶ **Purchasing & Partnerships Committee** (strategic partnerships and purchasing agreements)

- ▶ **HR Development and Business Excellence Committee** (investment strategy for human resource development and education)
- ▶ **Digital strategy and digital projects Committee.**

	Position	CAPEX Committee	Project Committee	Business Experience Committee	Purchasing & Partnerships Committee	HR Development and Business Excellence Committee	Digital strategy and digital projects Committee
Željko Kukurin	Management Board President	■	■	■	■	■	■
Marko Čižmek	Management Board Member		■		■		■
Alen Benković	Vice president	■	■	■	■	■	■
David Poropat	Vice president	■	■	■	■	■	■
Davor Brenko	Vice president	■	■	■		■	■
Ivana Budin Arhanić	Vice president		■	■		■	■
Sebastian Palma	Consultant to the Management Board	■					
Andrea Štifić	Director of Asset Management and General Affairs	■			■		
Marko Vušić	Director of Internal Audit and Project Management		■				
Dragan Vlahović	Director of Purchasing				■		
Ines Damjanić Šturman	Director of Human Resources			■			
Tea Cergna	Director of Human Resource Development					■	
Dario Kinkela	Director of Food&Beverages				■		
Roberto Gobo	Director of Digitalization						■

BUSINESS COMMITTEES

BUSINESS STRATEGY, HUMAN RESOURCES AND SERVICE EXCELLENCE COMMITTEE

Željko Kukurin, Committee President

Ivana Budin Arhanić, Committee Vice President

David Poropat, Member

Davor Brenko, Member

Alen Benković, Member

Ines Damjanić Šturman, Member

TASKS OF THE COMMITTEE:

- ▶ analyzing the reports on quality and formulating proposals for improving the Valamar experience
- ▶ monitoring the CRM, managing the client database, loyalty and direct communication with guests
- ▶ analyzing possible acquisitions, strategic partnerships and mergers, analyzing the cost-effectiveness and assessing the risks of acquisitions and/or partnerships or investments
- ▶ analyzing activities and monitoring the development of destination marketing and destination products
- ▶ deciding on strategy and analysis of investment success
- ▶ managing the portfolio, service concepts and brands
- ▶ analyzing other strategically important activities and projects

CAPEX COMMITTEE

Željko Kukurin, Committee President

Alen Benković, Committee Vice President

David Poropat, Member

Davor Brenko, Member

Andrea Štifanić, Member

Sebastian Palma, Member

TASKS OF THE COMMITTEE:

- ▶ preparing the concept, analyzing the cost effectiveness, and assessing the risks of investing in certain projects
- ▶ outlining proposals for project selection and preparing the annual investment plan
- ▶ monitoring the investment process: planning, choosing contractors and materials, execution
- ▶ pre-opening and post-opening
- ▶ analyzing the success of the investment

PROJECT COMMITTEE

Željko Kukurin, Committee President

Marko Vusić, Committee Vice President

Marko Čižmek, Member

Ivana Budin Arhanić, Member

David Poropat, Member

Davor Brenko, Member

Alen Benković, Member

TASKS OF THE COMMITTEE:

- ▶ analyzing and formulating proposals for selecting development projects that are of importance for the company
- ▶ outlining proposals for projects and necessary resources
- ▶ monitoring project implementation
- ▶ outlining proposals for project ending and monitoring of the results



Valamar Bellevue
Resort 4*, Rabac

PURCHASING AND PARTNERSHIP COMMITTEE

Željko Kukurin, Committee President

David Poropat, Committee Vice President

Marko Čižmek, Member

Dragan Vlahović, Member

Alen Benković, Member

Andrea Štifanić, Member

Dario Kinkela, Member

TASKS OF THE COMMITTEE:

- ▶ preparing purchasing guidelines and policies
- ▶ analyzing tender results and selection of key suppliers
- ▶ analyzing the purchasing process and preparing improvement recommendations
- ▶ preparing and developing guidelines for the outlet management strategy
- ▶ analyzing and developing guidelines for the leasing policy

HR DEVELOPMENT AND BUSINESS EXCELLENCE COMMITTEE

Željko Kukurin, Committee President

Tea Cergna, Committee Vice President

Ivana Budin Arhanić, Member

David Poropat, Member

Davor Brenko, Member

Alen Benković, Member

TASKS OF THE COMMITTEE:

- ▶ creating 3- and 5-year strategies and plans for investing in human resource development and education
- ▶ defining the annual education and training budget
- ▶ adopting education and training programs as well as business course programs
- ▶ selection and confirmation of candidates to be enrolled in a program
- ▶ strategic collaboration

DIGITAL STRATEGY AND DIGITAL PROJECTS COMMITTEE

Željko Kukurin, Committee President

Ivana Budin Arhanić, Committee Vice President

Marko Čižmek, Member

David Poropat, Member

Davor Brenko, Member

Alen Benković, Member

Roberto Gobo, Member

TASKS OF THE COMMITTEE:

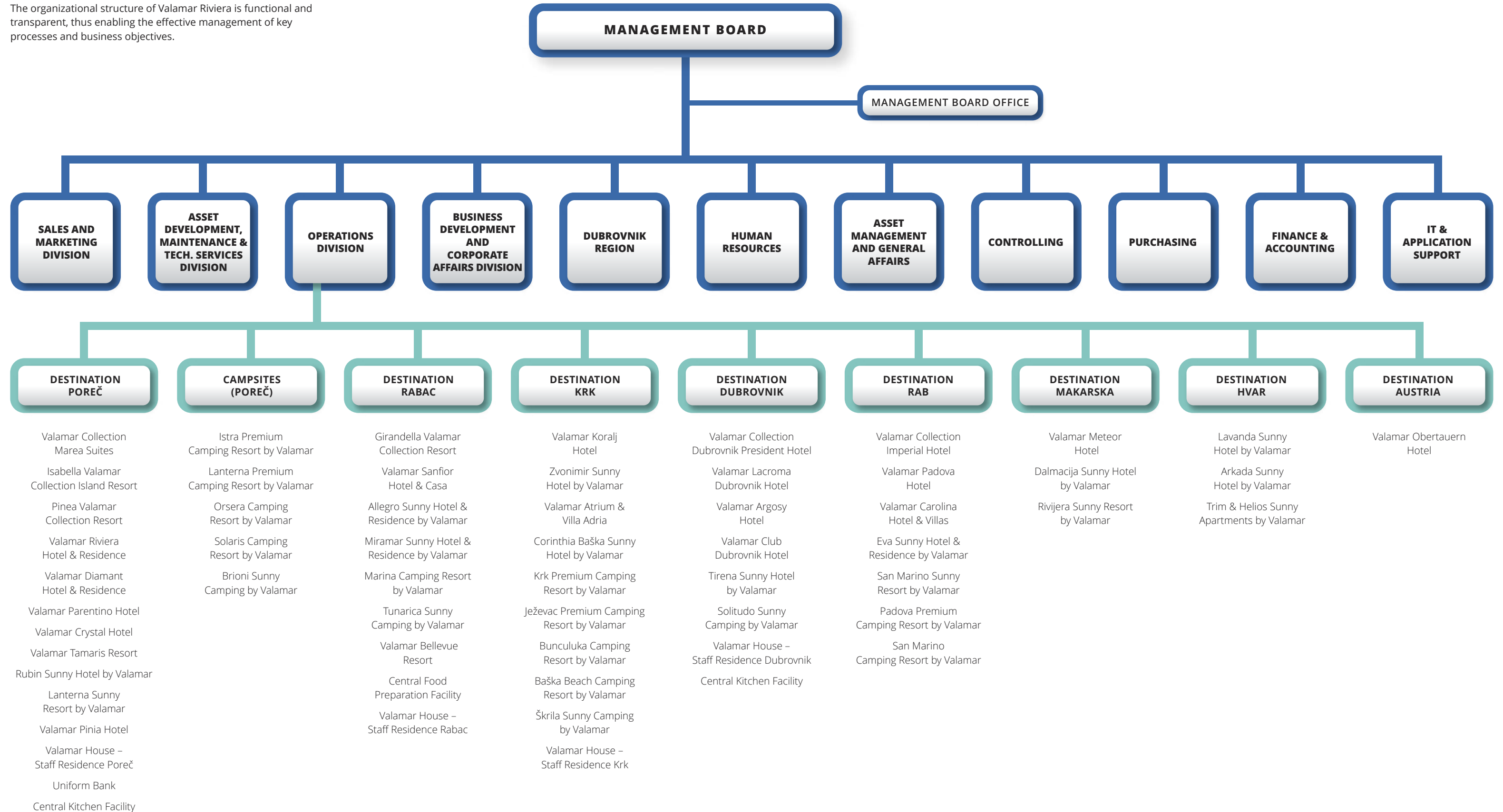
- ▶ adopting and implementing Valamar digitalization strategies
- ▶ defining annual CAPEX Digitalization budget
- ▶ monitoring digital projects with focus on revolutionary projects
- ▶ monitoring key digital technologies for the digitalization of Valamar Riviera business processes
- ▶ analyzing other activities of strategic importance for the Group's digitalization process



*Padova Premium Camping
Resort by Valamar 4*, Rab Island*

ORGANIZATIONAL STRUCTURE OF VALAMAR RIVIERA

The organizational structure of Valamar Riviera is functional and transparent, thus enabling the effective management of key processes and business objectives.





*Corinthia Baška Sunny
Hotel by Valamar 3*,
Krk Island*

MEMBERS OF THE SUPERVISORY BOARD

GUSTAV WURMBÖCK, Supervisory Board Chairman



Gustav Wurmböck graduated from the Universities of Vienna and Innsbruck in Business and Finance. Before founding EPIC in 1991, Mr. Wurmböck has held various positions in prestigious companies such as IFC in Washington D.C. (International Finance Corporation - World Bank Group), DEG (Deutsche Investitions und Entwicklungsgesellschaft) in Cologne, Germany, and was head of the International Department of

Länderbank in Vienna (today's Bank Austria).

Mr. Wurmböck is one of the co-founders and managing partners of EPIC in Vienna, which is one of the leading investment and advisory firms in CEE. At EPIC, he has led many large privatization and corporate finance transactions in the areas of energy, telecommunications, brewing and the hotel industry.

Mr. Wurmböck was management board president at Valamar grupa d.d. from 2005 to 2010, and is Chairman of the Supervisory Board of Valamar Riviera d.d since 2014.

GEORG ELTZ VUKOVARSKI, Supervisory Board Member



Georg Eltz Vukovski was educated in Switzerland and Germany where he majored in economics, history and philosophy. He graduated from the University of St. Gallen with a degree in Business Administration. Before moving to Croatia in 1994, he was a management board member and marketing chief of a major Swiss corporation, and CEO of its Canadian subsidiary. He co-founded Valamar Adria holding (as PIF Dom fond d.d.) in 1998 and served as president of its

management board before it was merged to Valamar Riviera d.d. in 2014. In the years between, he served as president and member of management boards and supervisory boards of several affiliated companies. Currently, he is managing director of SATIS d.o.o. and of its parent company ELADCO Invest GmbH. Apart from being a member of Valamar Riviera's supervisory board, he served on the boards of both the German-Croatian Chamber of Industry & Commerce, and the Croatian-Austrian Chamber of Commerce. As co-founder of "Zaklada znanje na djelu - Stiftung Wissen am Werk", he also is a member of its supervisory board.

FRANZ LANSCHÜTZER, Supervisory Board Deputy Chairman



Franz Lanschützer received his MBA from the Vienna University of Economics and his Ph.D. from the University of Budapest. He has gained extensive experience in the areas of corporate finance and asset management in Central and Eastern Europe.

Dr. Lanschützer is a managing partner at EPIC Goldscheider und Wurmböck Unternehmensberatungsgesellschaft m.b.H. from Vienna. For the last thirty

years, Dr. Lanschützer has been working in the field of mergers, acquisitions and corporate finance, as well as providing consulting services in Austria, the Czech Republic, Poland, Croatia, and some other countries of the former Yugoslavia. He has also set up and run investment privatization funds in the Czech Republic and Croatia. Dr. Lanschützer held executive positions at major financial advisory and auditing companies such as Ernst&Young and Price Waterhouse before joining EPIC.

He has also held executive positions at Valamar Group since 1999, including CEO and management board president at Valamar Group d.d. (2011-2014) and holds the position of Supervisory Board deputy chairman at Valamar Riviera d.d. since June 2015.

HANS DOMINIK TURNOVSZKY, Supervisory Board Member



Hans Dominik Turnovszky was educated in Austria and Germany and has a degree from the renowned Cornell School of Hotel Administration. He has built a long and successful career as a manager in the hotel industry with more than forty years of experience in the operational, development, and administrative sectors.

He has gained basic professional knowledge and experience in his home country as well as Great Britain, Ireland,

Africa, Asia, and the United States. He has held executive positions in various companies, such as Kempinski, Regent, Rafael Hotels, Mandarin Oriental, Austria Hotels International, ANA Grand Hotel in Vienna, the Lodge at Vail in Colorado and the Phoenician Resort in Scottsdale, Arizona. Mr. Turnovszky was a member of the management board and several committees at the Austrian Hotel Association. He currently serves as member of the Five-star Commission of the Austrian Federal Chamber of Commerce. He was a member of the supervisory boards at Valamar Grupa d.d. and Valamar Adria holding d.d. and is currently a Member of the Supervisory Board of Valamar Riviera d.d.

MLADEN MARKOČ,
Supervisory Board Deputy Chairman



Mladen Markoč graduated from the Faculty of Law of the University of Zagreb. He specialises in company law, securities law, and commercial law. Mr. Markoč has been a consultant in numerous important transactions in the Croatian and foreign capital markets and has been a regular speaker at the Zagreb Stock Exchange Academy and, occasionally, at the Judicial Academy. He started his career in law in 1988 as a legal apprentice. He was a corporate secretary at the pharmaceutical

company PLIVA d.d. from 1990 to 1997, partner at the law firm Bogdanović, Dolički & Partners from 1997 to 2007, and management board member at ICF Grupa d.o.o. in 2008. He served as an attorney at the Mladen Markoč law office from 2010 to 2013, then at the joint law office of Mladen Markoč and Ivan-Krešimir Tomić, which is today known as the joint law office of Mladen Markoč, and Relja Pečina. He is vice president of the Association of Business Lawyers of Zagreb. He was also a supervisory board member at Valamar Adria holding d.d. (2011 – 2014), and is currently a member of the supervisory boards of Valamar Riviera d.d., Imperial Riviera d.d., Helio Faros d.d., Ingra d.d., ICF d.d., Hotel Laguna d.d. and Proficio d.d. He is member of the management board of the Magdalena Clinic for Cardiovascular Diseases at the Faculty of Medicine of J.J. Strossmayer University in Osijek.

VALTER KNAPIĆ,
Supervisory Board Member



Valter Knapić graduated from an electrical engineering vocational school. He has been with Valamar Riviera since 1986 and has held various positions in the company.

He currently serves as the front office assistant manager. He has been a member of the Workers' Council for the last 23 years. He has served as the head delegate of the Tourism and Services Trade Union of Croatia (STUH) at Valamar Riviera

d.d. since 2008, with a new term of office from 2016 to 2021. He has also been a member of the STUH Presidium since 2011 and has been re-elected for the new 2016-2021 term of office.

Valter Knapić is a member of the Business Premises, Public Areas and Real Estate Sales Committee and of the Spatial Planning, Municipal Economy, Ecology and Environmental Protection Board and also councilman of the Municipality of Tar-Vabriga – Torre-Abrega.

VICKO FERİĆ,
Supervisory Board Member



Vicko Ferić graduated from the Faculty of Economics and Business at the University of Zagreb in 1974. He started his professional career working for the Organic Petrochemical Company (currently Dioki d.d.), and then he joined INA d.d. where he held management positions in the finance department and later became assistant chief financial officer until 1998. By the end of 1998, he joined EPIC.

From 2003 until 2005 he was appointed management board president of SN holding d.d. From 2005 until 2011 he was a management board president at Valamar Adria holding d.d. (former Dom holding d.d.), as well as an executive manager at EPIC Zagreb d.o.o. From 2011 until 2014 he was a management board member at Valamar Grupa d.d. He has also been involved in numerous important investment projects in the oil and tourism industries, the gasification process in Croatia, privatizations of Hrvatske telekomunikacije d.d., Croatia osiguranje d.d., Dresdner Bank Croatia d.d., and the restructuring and sale of several companies from the Dom Fond d.d. portfolio. He has been either a member or chairman of numerous companies, such as Petrokemija, Poljoopskrba, Svetice građenje, Instrumentaria, Rabac, Vrboska, Koestlin, Belvedere, Brodospas, Končar-Elektroindustrija and others. He is currently a member of the supervisory boards at Valamar Riviera d.d.

MANAGEMENT BOARD

ŽELJKO KUKURIN, President and CEO



Željko Kukurin was born in 1974 in Zagreb. He graduated from the Faculty of Economics and Business in Zagreb where he received his Master of Science degree in Marketing. In 2010 he received his EMBA degree in International Management from the Bocconi University in Milan in 2010. In 2020, he received his Doctor of Economics degree at the Faculty of Economics and Business in Pula on the topic of investments in the hospitality

industry. In 2000 he began his career as an intern at Riviera Poreč, a member of Valamar Group.

From 2003 to 2009, he held various managing positions in Sales and Marketing, and he was responsible for developing several strategic projects within the group. From 2010 to 2014 he was the management board president at Istraturist d.d., owned by Zaba Unicredit Group and cooperated with Meliá Hotels International in managing the hospitality portfolio in Umag. After restructuring business operations and increasing enterprise value, in 2014 he participated in the EUR 120 million sale of the company.

In June 2015, Mr. Kukurin was appointed President of the Management Board of Valamar Riviera where he has led a strong development and investment cycle over the past 5 years, worth a total of HRK 4 billion. During this period, Valamar Riviera's portfolio has been repositioned towards higher quality products, expanded through acquisitions in Croatia and the first international acquisition in Austria, various strategic partnerships with pension funds have been established for joint investments in tourism, while enterprise value grew. Valamar Riviera is the best employer in tourism for the third consecutive year, and Mr. Kukurin was businessperson of the year in 2017.

He also serves as deputy Supervisory Board Chairman at Imperial Riviera d.d., and holds numerous important positions in Croatian tourism; he is chairman of the Hospitality and Tourism branch of the Croatian Employers' Association, deputy chairman of the Croatian Tourism Association and member of the Croatian National Tourist Board Council and the Istrian Tourist Board Council. In addition, he is involved in various national professional associations.

MARKO ČIŽMEK, Management Board Member



Marko Čížmek graduated from the Faculty of Economics and Business in Zagreb. He has qualified as a broker and investment advisor. He started his career in 1996 at the Croatian National Bank. He spent several years working in corporate finance at Investmentbank Austria and ICF. In the period from 2001 to 2004, he was a management board member at EURO Invest, an investment fund management company.

Mr. Čížmek has held numerous managing positions at companies that have been merged to the present Valamar Riviera: he was management board member at Rabac d.d. (2004-2011), management board member at Dubrovnik-Babin kuk d.d. (2009-2013) and a management board member at Valamar Adria holding d.d. (2008-2013), general manager at Epima d.o.o. (2008-2014), supervisory board member at Zlatni otok d.d. (2002-2011) and Rabac d.d. (2000-2004).

Mr. Čížmek started serving as Management Board Member at Valamar Riviera in 2011 where he is responsible for finances, accounting, the treasury, capital markets and investor relations, as well as information technology.

He is also a management board member at the Croatian Association of Financial Analysts and the Croatian Association of Corporate Treasurers, and the deputy chairman of the supervisory board at Helios Faros d.d. since 2019.

DIVISION VICE PRESIDENTS AT VALAMAR RIVIERA

ALEN BENKOVIĆ, Vice President of Asset Development, Maintenance & Technical Services



After graduating from the Faculty of Economics in Pula, Alen Benković began his career in 1999 as an intern at the former Riviera, where he held several important positions including assistant general manager at Funtana campsite, assistant general manager at Lanterna campsite and general manager at the Neptun Hotel – today's Valamar Riviera 4* in Poreč. He continued his career at the municipal company Parentium, which manages investments for the Town of Poreč, where he worked on the construction project of the Žatika Sport Hall (the largest investment in the city of Poreč in the last decade). From 2011 till 2015 he was the director of asset development, maintenance and technical services in Istraturist and managed the investments in tourism assets worth over HRK 350 million.

In 2015, he joined Valamar Riviera d.d. as Vice President of Asset Development, Maintenance and Technical Services, where he is responsible for managing portfolio investments and planning further asset development. One of the largest investment projects in the history of Valamar was finished in merely 7 months – the reconstruction of hotels Bellevue and Girandella with a total of 763 keys, worth nearly EUR 60 million repositioned destination Rabac towards high added value tourism.

DAVOR BRENKO, Vice President Of Sales And Marketing



Davor Brenko graduated from the Faculty of Economics in Rijeka and began his professional career in 2000 at the former Riviera hoteli i ljetovališta, in Sales and Marketing. In 2002 he became project manager for research into guest satisfaction and guest relations management, while in 2004 he oversaw Direct Sales, which quickly became the strongest sales channel in Valamar. In 2009, Mr. Brenko was promoted to the position of Valamar's head of Direct Sales and Marketing and as such has participated in creating developmental projects which resulted in upgrading sales, marketing and business development. At the beginning of 2010, he joined Istraturist Umag d.d., where he headed Business Development and implemented strategic marketing and destination management initiatives, aimed at raising the quality and competitiveness of the company and its destination.

As of 2015, Davor Brenko has been appointed Vice President of Sales and Marketing at Valamar Riviera d.d., where he achieved a double-digit growth in sales income, and has advanced the development of the direct channel. He has also launched a new loyalty program and re-branded the portfolio under the umbrella brand Valamar All you can holiday. Mr. Brenko has concluded partnerships with certain global tour operators and Valamar launched new markets for guests arriving by plane in north Adriatic destinations. He is responsible for numerous projects aimed at strengthening the tourism offer, destination management and raising the attractiveness of Valamar's destinations for visitors.

IVANA BUDIN ARHANIĆ, Vice President of Business development and Corporate affairs



Ms. Budin Arhanić received her economics degree from Middlebury College (USA) in 1999 and an MBA from Harvard Business School in 2007. After completing her studies, she spent three years as a strategy management consultant in Boston and New York. Following this, she successfully led Lura d.d. group expansion on the Serbian market. In 2007, she joined Valamar Group where she served as a management board member at Valamar grupa d.d., Valamar Adria holding d.d. and Valamar Riviera d.d. Ms. Budin Arhanić became Vice President of Business Development and Corporate Affairs at Valamar Riviera in 2015. At Valamar she is responsible for acquisitions and expansion, strategic development through digitalization and innovation, service quality management, corporate social responsibility, corporate communications and relations with industry associations and the public sector. In 2013, she developed a framework for achieving high quality service at Valamar that enabled a continual growth in guest satisfaction and the creation of a unique service excellence culture. She also led a number of initiatives to grow the tourism portfolio through acquisitions, including Valamar's first international acquisition in Austria. Since 2015, Valamar has received numerous awards for corporate social responsibility practices such as Ponos Hrvatske and CSR Index and two Grand Prix awards for excellence in corporate communication.

DAVID POROPAT, Vice President of Operations



David Poropat, D.Sc. graduated in 1993 from the University of Rijeka's Hotel Management Faculty in Opatija. In 2007, he completed his postgraduate study at the Faculty of Tourism and Hotel Management in Opatija, where he completed a doctoral course in 2013. He started his career in 1993 as Sales and Marketing intern at the former Jadran turist d.d. in Rovinj, where he continued his career in charge of the western market in Sales, and then as planner and analyst in the Controlling Department. From 1996 to 2002, he was the general manager of Sol Park, one of Jadran turist's hotels, managed at the time by the Spanish company Sol Meliá. In March 2002, he joined the company Riviera Holding d.d. in Poreč as Head of Operations and until 2006 he was in charge of all Valamar tourism properties. From 2007 to 2011, he served as a management board member at Valamar hoteli i ljetovališta d.o.o., and from 2012 to 2014 he headed Valamar poslovni razvoj d.o.o. At the end of 2014 he became Vice President of Operations at the leading Croatian tourism company Valamar Riviera d.d. where he manages 36 hotels and 15 campsites which can accommodate up to 58,000 guests daily. He is responsible for service management and operations in all areas of hotel and camping operations like property management, including accommodation, food and beverage, sport, pools, beaches, wellness, entertainment and animation in which Valamar implemented numerous innovations through new service concepts for which Valamar has received a number of guest and trade awards. He is also responsible for service management and operations in destinations Rab, Hvar, Makarska and Obertauern. Mr. Poropat has also held various important positions in trade associations, and actively participated in dozens of business projects that particularly broadened his business experience. He has published a number of expert and scientific papers.

INTERNAL AUDITS, CONTROLS AND PROJECT MANAGEMENT OFFICE WITHIN VALAMAR RIVIERA

The company conducts its business in an open, and ethical manner, recognizing the importance of protecting its entire human, financial, physical, informational, social, environmental and reputational assets.

Valamar Riviera's Internal Audit and Control and the Audit Committee are focused on maintaining the highest standards of integrity and corporate governance practices in order to maintain excellence in its operations and promote trust in its governance systems. The Project Management Office (PMO) supports the Project Committee and continually works on the standardization of the reporting process and the management of the project portfolio.

The Audit Committee assists the Supervisory Board in overseeing the adequacy and integrity of the company's financial reporting processes and procedures, the integrity of the company's financial statements, the company's compliance with legal and regulatory requirements. The Valamar Audit Committee is an independent, internal body that

ensures the enforcement of internal audits and controls, as well as the increase of business efficiency. The Audit Committee meets four times per year or more frequently if circumstances dictate. The Audit plan is based on the systematic assessment of key risks, which are then separately quantified and ranked through a corporate risk matrix. Each risk suggested by a business stakeholder, especially Management or Audit Committee is evaluated by assessing the probability of an event occurring an affecting business, thus creating the base of the revision plan. Although every audit project is unique, the audit process is similar for most engagements and usually consists of four stages:

- ▶ planning
- ▶ audit work (initial interview, fieldwork, exit interview)
- ▶ audit report
- ▶ follow-up review

During 2020, Internal Audit and PMO continued with the processes of digitalization especially in the segment of internal audit and the follow-up process of policies and rules.

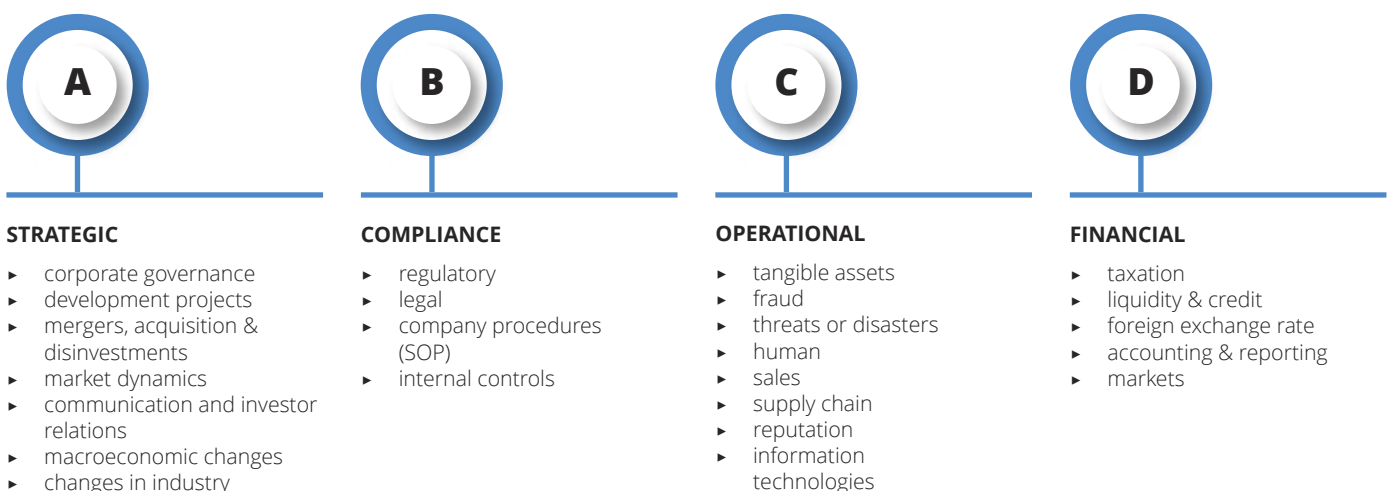
Internal audit activities are performed within organization units that vary in purpose, size, complexity, and structure and involvement of persons.

Key documents regulating the area of Internal Audit at Valamar are:

- ▶ Internal Audit Department Charter
- ▶ Standards for Internal Auditing
- ▶ Code of Ethics
- ▶ Audit Committee Charter



KEY RISK TYPES AND CLASSIFICATION



INTERNAL AUDIT KEY ACTIVITIES DURING 2020

The key audited business segments during 2020 were related to operations and processes related to marketing activities, hotel operations and sales. The key audited business areas during 2020 relate to business and processes related to marketing, hotel operations and sales activities. Also, during 2020, the internal audit adjusted its operations and work plan to the new circumstances and directed the existing resources to the overall transformation of the Company's activities.

The Annual Audit Plan for 2020 was adjusted to the business conditions in such a way that a number of audit engagements were suspended, while certain activities continued, especially those based on the ad hoc requirements of the Audit Committee, based on new conditions and business practices. Furthermore, Internal Audit gave its contribution to ensuring business continuity, further understanding of key risks and adjustment of work, and especially by performing the

work of the so-called of a non-audit nature. Furthermore, in synergy with external auditors, and with the support and understanding of the Audit Committee, additional platforms for cooperation were found, all with the aim of optimization. The audits started in the second half of 2019 continued and ended during the first half of 2020, and new audit engagements began in the third quarter of 2020.

During the transformation and adaptation to the new circumstances, the existing resources were used for additional digitalization and automation of business, which will have its full effect by returning to the previous dynamics and volume of work. Internal audit provided support in the work of the Audit Committee, especially during the implementation of the so-called joint audits, as a new concept based on a legal obligation. A special contribution was made in 2020, through audit engagements, together with internal audit clients in the segments of hotel operations, as well as digital marketing.

THE RISK 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.

Given the importance of tourism and its overall impact on society, the Company and the 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:



THE DIFFERENT TYPES OF RISK FACING VALAMAR RIVIERA CAN BE CLASSIFIED INTO THE FOLLOWING GROUPS:



FINANCIAL RISK

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) Credit risk;
- 4) Price 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 the sales revenue generated abroad is denominated in euros, and so is the major part of long-term debt. 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 Company and Group's assets, liabilities and cash flow are protected from the risk impact.

Due to the extraordinary circumstances caused by the COVID-19 pandemic in the first quarter of 2020, potentially stronger depreciation pressures on the kuna against the euro affect the value of long-term credit debt denominated in euros and contracted forward transactions whose potential negative effects are sought to be controlled through proactive management of concluded derivative financial instruments.

In case of an exceptional reduction of euro inflows, the Company and the Group will use existing euro liquidity reserves to service long-term debt repayments and access adequate use of financial hedging instruments, following the current situation and future assessment of the Company's and Group's foreign exchange position, the expected movements in value of the kuna/euro currency pair, as well as other intercurrency relations among world currencies.

2) INTEREST RATE RISK

Variable rate bank loans expose the Company and Group to cash flow interest rate risk. The Company and the Group actively 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.

The Company and the Group expect a limited impact of increased interest rate volatility due to the recent Coronavirus pandemic, given that a large part of the Group's loan portfolio (80%) is comprised of long-term fixed interest loans or, respectively, loans hedged by a derivative instrument (IRS).

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 and guarantees) in order to reduce bad debt risks related to services provided.

Given the negative consequences of COVID-19 on the Company and Group's customers, especially tour operators and travel agencies, special attention is paid to the impact of currently unfavorable circumstances on related parties with active verification of creditworthiness and their potential to overcome current challenges

4) PRICE RISK

The Company and Group hold equity securities and are exposed to equity price risk due to security price volatility on the stock market. The Company and Group are not an active participant in the market trade in terms of trading in equity and debt securities. However, with investments in buying Imperial and Helios Faros shares, the Company is exposed to the said risk to a certain extent.

BUSINESS RISKS

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

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. Credit lines for 2020 and 2021 were arranged with reputable financial institutions, while 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.

This year's COVID-19 pandemic, as an external stressor to the Company and the Group's business activities, will create uncertain pressures on operating cash flow. Following the sound management of the now increased liquidity risk, escalation plans have been developed and activated to minimize costs, preserve liquidity and solvency, and maintain business continuity as well as applying for measures of support and assistance in the economy and tourism sector, including immediate payment deferral of due principal on long-term loans by the given possibility of a moratorium on loan repayment. The Treasury invests surplus cash in accounts that bear interest, fixed-term deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity in accordance with demand projections for liquidity resources.

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.

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 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 domicile countries' 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 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 also the most desirable employer in Croatian tourism. It continually invests in employee education and training as well as the development of its employees. We determine the need 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.

OPERATIONAL RISKS

Operational risks are risks connected with direct or indirect losses that arise from inadequate or wrong internal or external processes within the Company and the Group.

They include the creation and analysis of financial reporting data (also known as "financial reporting risk") and also the potential insufficient and inadequate internal and external information sharing. 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, 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 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 traveling-prone population;
- ▶ Security and political 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 wastewater 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 and calamities (earthquakes, fires, floods and rainstorms), air pollution caused by toxic gas emissions from industrial plants and vehicles, as well as excessive urbanization and the introduction of invasive species should also be taken into consideration. Likewise, disease epidemics and pandemics can affect Valamar's business results. In order to minimize their impact, Valamar actively monitors the risk levels of epidemics and pandemics around the world, especially in leading source markets, and takes proactive steps in managing them.

The COVID-19 pandemic is a recent example of the operational and financial disruption of the global economy, especially tourist flows given that almost all global destinations have restrictions or complete travel bans. The extraordinary circumstances in the Republic of Croatia and the introduction of preventive measures prohibiting social gatherings, closing restaurants and shops, with goal of protecting the population from the risk of infection caused expected consequential and immediate disruption of business operations within the Company and Group due to cancellations of contracted services by partner agencies and guests.

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:

- ▶ The standard VAT rate grew from 23% to 25% (March 2012), the proposed VAT rate fell from 25% to 10% (January 2013), the VAT rate applicable to the tourism and hospitality industry grew from 10% to 13% (January 2014), and the VAT rate applicable for F&B (a la carte) services grew from 13% to 25% (January 2017);
- ▶ The health insurance employer contribution rate fell from 15% to 13% (May 2012) and increased from 13 to 15 percent after two years (April 2014);
- ▶ Frequent increases in various fees and charges regarding water distribution, waste disposal and the like;

- ▶ Tourist tax increase in 2018 ranging between HRK 2.5 and HRK 8.0 per person per overnight, depending on the class of the destination and utilization period.
- ▶ VAT rate for catering services at hospitality properties fell from 25% to 13% (January 2020).

Such frequent changes in laws regulating taxes and para fiscal 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.

BUSINESS MANAGEMENT DURING THE COVID-19 PANDEMIC

As the largest tourism company in Croatia, Valamar Riviera has monitored the development of the COVID-19 situation since the beginning. Valamar Riviera has engaged and focused all its resources towards implementing preventive measures to protect the health of guests and employees, activating full-scale standard operating procedures for crisis management while maintaining business continuity and protecting employment. The extraordinary constrictions regarding the free movement and gathering of persons, partial restrictions concerning the business activities of the hospitality industry and shops, and restrictions regarding border crossings and border controls affected numerous economic sectors. Tourism and hospitality were largely impacted as the new circumstances curtailed demand in national and international travel.

Despite the challenges posed by the extraordinary and unpredictable final impact of the COVID-19 pandemic on business activities, Valamar Riviera has successfully secured sufficient liquidity, protected jobs and restarted operations during 2020. The company has ensured partial business stabilization in 2021 with comprehensive measures and activities, which are explained in detail below.

RISK MANAGEMENT COMMITTEE

Since the beginning of the COVID-19 pandemic, Valamar Riviera has actively approached the mitigation and control of potential risks, established the Risk Management Committee, and adopted the Risk Management Regulation. The Board's tasks and powers include risk assessment and its impact on business, guests and employees, as well as determining measures to protect guests and employees, property and organizing business processes and operations. Depending on the circumstances and intensity of the risk event, the Board decides on changing the financial, business and contingency plan, activating escalation plans to preserve the company's liquidity, solvency, and maintaining business continuity, as well as other necessary acts in accordance with the assessment of bookings and revenues. Valamar Riviera has intensified its transparent and consistent crisis communication with all its stakeholders, especially with the competent state and local authorities whilst the coronavirus pandemic.

PRODUCTS MODIFICATION

In the second quarter of 2020, Valamar modified its products and accelerated the development of digitization projects in order to improve service quality and safety for the 2020 tourist season. Valamar provided even more space for guests in restaurants, at the reception, swimming pools, on the beach and in other communal areas, and launched promotional campaigns #stayinnature and "beachholidays". Key innovations of the season included the V Health & Safety program comprised of health, safety and environmental standards, "CleanSpace - 100% privacy", an enhanced cleaning system, online reception, hotel service "Bed & Brunch", and the Valfresco Direkt online food shopping and delivery service. In addition, Valamar now also offers a "Workation Deal" for guests who wish to relocate their office to the coast. It is available in Istra Premium Camping Resort 5* and Ježevac Premium Camping Resort 4* as a long-stay service.

V Health & Safety is a comprehensive program of health, safety and environmental standards, as well as a set of advanced cleaning protocols aimed at the further enhancement of hygiene standards that Valamar applies in its properties. V Health & Safety protocols are aligned with the safety recommendations of the World Health Organization, the European Center for Disease Prevention and Control, the Croatian Institute of Public Health, as well as relevant standards and certificates such as HACCP and ISO standards. As of 2020, every property in Valamar will have a V Health & Safety Manager, available to guests 24/7 throughout their stay. In case of need, he manages health insurance for guests in cooperation with the Croatian health care system.

"CleanSpace - 100% privacy" is a service, which guarantees that key points of contact in rooms and mobile homes are thoroughly cleaned and disinfected, and that no one enters the accommodation unit before the scheduled guest arrives. In addition, it offers complete room privacy throughout the stay with the guarantee that staff will enter the accommodation unit only at the invitation of the guest themselves.

As part of the restart preparations, Valamar has developed a new service called Valfresco Direkt, which was officially launched on June 8, 2020. It is a new online store that combines a wide range of local, home-made and fresh products from the best family farms in Istria. In addition to locally produced and fresh products, Valfresco Direkt also delivers ready-made and semi-ready dishes from the Valfresco cuisine, as well as wine, beer, olive oils and other necessities. In cooperation with local family farms, Valamar's new project aims to diversify business, strengthen local production and the market position of small producers and offer them a wider presence and availability.

STATE MEASURES

Available measures aimed at supporting the economy, together with new credit lines adapted to the preservation of economic activity and liquidity, represent a strong incentive for all tourism companies to successfully cope with the current extraordinary situation, until economic and tourism flows return to normal. The Croatian government, Croatian National Bank, Croatian Bank for Reconstruction and Development, competent ministries as well as state and local authorities have adopted a set of measures to help the economy and mitigate the extraordinary circumstances caused by the COVID-19 epidemic. The measures aim to overcome short-term challenges in liquidity and support job protection. Valamar Riviera has undertaken comprehensive activities to minimize the negative effects and protect its business, which among others include: 1) the use of grants to protect employment in COVID-19 affected sectors (HRK 3,250 per employee for March's salary; HRK 4,000 for salaries from April to December 2020), and relief and deferral of tax liabilities and levies by which the total employee cost of 2020 was relieved by HRK 141.3 million (Group: HRK 163.6 million), 2) reduction and deferred payment of concession fees on tourism land (relief in the amount of HRK 6 million; Group: HRK 6.4 million), 3) quarterly deferred payment of tourist board fees and, 4) the introduction of a loan moratoriums.

The Croatian Government will continue to implement job preservation measures during 2021 (the duration of which will be determined by decision of the Croatian Government). The measures include financial support to employers for working hours reduction, as well as support per employee (according to a drop in turnover rating-system) in the maximum amount of HRK 4,000 for a 60% or more drop in turnover.

IMPACT ON REVENUES AND BOOKINGS

The disruptions in European and global tourism flows had a negative impact on arrivals from April until the end of 2020, and the decrease in business volume and revenues is expected in the following period, as well as a stronger volatility of new booking entries for 2021. The current precarious situation concerning the development of the COVID-19 pandemic and the free movement of persons, prevents the prediction of the final negative effect of slower new booking trends on business, especially because of the pronounced "last minute" booking trend and the simpler booking cancellation policy. It is important to note that our records show that the slower dynamics of booking entries are mostly related to hotels and resorts, while camping resorts show lesser impact on occupancy and new booking entries. Camping resorts are a specific product characterized by high guest loyalty. Guests from Germany, Austria, Slovenia, Italy, Denmark and the Netherlands find them attractive as they are easily reachable by car and are considered much safer than other options due to the far smaller number of shared spaces.

PAUSE, RESTART PROGRAM & EMPLOYMENT PROTECTION

In the past two decades, Valamar has become the leading domestic tourism company building on the foundations of sustainable development. Considering the national economic development, the overall performance growth was followed the targeted and expected growth in the number of employees and their salaries - something Valamar is very proud of. In order to maintain business continuity as well as the Group's liquidity and solvency, Valamar implemented the "Pause, Restart Program" in April 2020, including all employees and ensuring job preservation without lay-offs. All employees who cannot do their jobs due to extraordinary circumstances are furloughed while being secured at least 60% of their regular salary, but no less than HRK 4,250 (net). In the period from March to June, over 90% of Valamar's employees were on "pause", the cost of which was jointly covered by shareholders and the state's employment protection grants. This measure includes both workers and managers, including seasonal workers and permanent seasonal workers already employed. Standby operations, which lasted until mid-May, involved those employees and management in charge of crisis management and administration, employees in charge of maintenance, preservation and security at properties and employees in charge of communication with guests and partners.

PRESERVING LIQUIDITY

Due to before mentioned disruptions in the Republic of Croatia and our source markets, Valamar Riviera has implemented overall financial cost-saving measures to reduce costs, preserve solvency and liquidity while also securing undisrupted business continuity.

The cash outflow plans have been adjusted to crisis management measures and include high-level cost-saving in direct and operating costs due to smaller business volumes and the minimization of else fixed costs due to the temporary closure of properties and other services in tourism ("Pause, Restart Program"). The additional cost-saving measures are focused on suspending employee rewards, bonuses, and the overall reduction of staff-related costs, the suspension and reduction of fees for Supervisory Board members and all non-essential costs, which are not strictly necessary for this business program. In order to boost Valamar's financial flexibility, the decision on dividend payout has been cancelled while several adjusted business policies have been adopted, such as: the option to exchange individual bookings for vouchers that can be used in 2021, the transfer of contracted M.I.C.E. and group events in 2021, negotiations with tour operators regarding the timeframe for advance payments usage, more flexible payment policies, negotiations with suppliers, etc.

As at 31 December 2020, the Group's cash and cash equivalents were HRK 665.9 million, and HRK 522.9 million for the Company. Together with valuable hospitality assets and a business model combining ownership and asset management, they form a stable balance position for the Group and Company. In the past two decades, Valamar has become the leading domestic tourism company building on the foundations of sustainable development and care for financial stability, successfully cooperating with a number of loan institutions. Valamar Riviera is carefully responding to challenges caused by this new situation, and pursuant to the adopted measures imposing a moratorium on the payment of credit liabilities. Valamar Riviera has deferred the payment of due liabilities related to long-term loans. Namely, the Group deferred the payment of principal in the total

amount of HRK 349 million and the Company in the amount of HRK 325 million to commercial banks and the Croatian Bank for Reconstruction and Development, of which HRK 272 million (Company: HRK 248 million) represents deferred payment of principal for 2020, HRK 49 million for the first quarter of 2021 and HRK 27 million for the second quarter of 2021.

We point out that the Croatian Bank for Reconstruction and Development has approved a moratorium on principal and interest to its clients, including Valamar Riviera, from and including 31 March 2020 to and including 30 June 2021 with the aim of preserving jobs, liquidity of economic entities and economic activities in Croatia. In addition, three other commercial banks approved a moratorium on interest of Valamar Riviera Company, while one commercial bank has approved a moratorium on Imperial Riviera's interest, bringing the total amount of interest in the moratorium to about HRK 47 million for the Group (Company: HRK 46 million). The financial ratios in arrangements with

banks are mainly based on the usual indicators for servicing loan liabilities with defined maturities, according to which the Company and the Group have adjusted its actions in accordance with the terms of each arrangement and have received a waiver of financial covenant for 2020.

On 5 October, 2020, Valamar concluded negotiations with domestic commercial banks (Privredna banka Zagreb d.d., Zagrebačka banka d.d. and Sberbank d.d.) and the Croatian Bank for Reconstruction and Development and contracted additional medium-term liquidity in the amount of EUR 66 million in accordance with the programs "Working capital (COVID-19 measure)" and "Insurance of exporters' liquidity loan portfolio COVID-19 measure" from the Croatian Bank for Reconstruction and Development. The successful conclusion of this legal deal is an affirmation of the unreserved support from investors and financiers for the growth, development and sustainable business continuity of Valamar's entire portfolio.

PRECAUTIONARY PRINCIPLE

To minimize the risks to the environment, the local community and society, Valamar Riviera actively manages risks in all aspects of its business, which is a prerequisite for responsible tourism and destination development. According to the precautionary principle, Valamar Riviera meets very high standards of environmental protection, the protection of the local community and society and continuously monitors and manages the risks that affect the company's strategy of socially responsible business conduct.

ETHICS AND INTEGRITY

The fundamental characteristics of corporate culture and everyday work and business management at Valamar Riviera are integrity and ethics. Transparent conduction of business is the company's highest priority. Valamar Riviera complies with the Zagreb Stock Exchange Corporate Governance Code to promote corporate governance culture and business transparency, as evidenced by the annual corporate governance survey. The fundamental approach of Valamar Riviera's corporate culture includes protecting human rights, promoting fair employment conditions, safe working conditions, responsible environmental management and high ethical standards. Valamar Riviera also complies with its own Code of Ethics in everyday work. It determines conduct guidelines for all employees (including corruption prevention) to promote the common good and public interest.

The fundamental principles of Valamar Riviera's business and everyday operations are ethical business, equal opportunities and conditions for all employees, equality and protection of human rights and fostering the culture of diversity. Basic human rights and their protection, including the protection of life, health, dignity and privacy, as well as the prevention of discrimination, have all been built into the existing legal employment regulations of the Republic of Croatia. Valamar Riviera complies with and implements them and they have been integrated into the collective agreement that Valamar concluded with the trade unions

active at the company. We are committed to implementing the UN principles for business and human rights as well as the fundamental conventions of the International Labor Organization. We are also determined to act in a way that will never have misuse of human rights as its consequence. Valamar Riviera's basic values include responsibility and credibility towards business partners, caring for employees, and support for the community and commitment to environmental preservation.

Valamar Riviera was among the first companies in Croatia to sign the Diversity Charter in October 2017 during an event organized by the Croatian Business Council for Sustainable Development. The Diversity Charter is a document signed by enterprises and other organizations that commit to enforcing workplace diversity and non-discrimination policies. Valamar Riviera has integrated these principles into its policies of diversity and non-discrimination. With diversity being among the most important values in modern society, Valamar Riviera adopted its Diversity policy in 2018 in line with the signed Charter, and in 2019, it was included in standard employee education held throughout the year. Diversity enables the achievement of one's full potential, and policies supporting workplace diversity and nondiscrimination are the precondition for developing individual talents, creativity and innovation. Valamar Riviera firmly believes that with their diversity, skills, creativity and innovation, female and male employees are the key to each organization's success in the long term.

DECISIONS REGARDING VALAMAR RIVIERA ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACT

The members of the Management Board of Valamar Riviera and division vice presidents are responsible for making decisions regarding Valamar Riviera's economic, environmental and social impact. The Business Development and Corporate Affairs Division is tasked with the coordination of the CSR umbrella programs and reporting on them.

6 ACHIEVEMENTS IN CORPORATE SOCIAL RESPONSIBILITY 2020

DEVELOPMENT OF TOURIST DESTINATIONS AND RESPONSIBILITY TOWARDS THE COMMUNITY

Despite the crisis in 2020, Valamar continued to be actively involved in the community and helped within its means.

Valamar provided accommodation for the Dubrovnik General Hospital medical staff, sent donations in food and supplies in cooperation with the Red Cross and Caritas, helped with the purchase of protective visors for school teachers and organized a humanitarian action "Valamar's Big Heart" which included guest donations from Valamar properties. Valamar assisted families

affected by the earthquake in Petrinja and Sisak by donating accommodation in Valamar properties in Istria and Kvarner for a large number of people.

Valamar also joined the initiative of the Croatian Tourism Association (HUT) and the Ministry of Tourism and Sports (MINTS), making mobile homes available to help those in need in the field.



*Istra Premium Camping
Resort by Valamar 5*, Poreč*

VALAMAR IS THE BEST LARGE COMPANY IN CROATIA ACCORDING TO THE CSR INDEX

Valamar Riviera received the main CSR Index award in the category of large companies awarded by the Croatian Business Council for Sustainable Development and the Croatian Chamber of Commerce. The Corporate Social Responsibility Index (CSR Index) evaluates the practices of the most successful companies in Croatia, taking into account seven key areas - economic sustainability, including corporate social responsibility in business strategy, work environment, environmental protection, market relations, community relations and responsible diversity and human rights policies.

Around HRK 97 million has been invested in the "Green Valamar" program in the past 5 years, and 100 percent of the electricity used in Valamar hotels, resorts and camping resorts comes from renewable sources. Over a period of several years, Valamar has managed to reduce direct and indirect greenhouse gas emissions by as much as 70 percent, and has also implemented a number of photovoltaic power plants at many Valamar properties. In the following period, Valamar will continue to focus on renewable energy sources and cooperating with local suppliers. Valamar is already an important partner to local producers through the Valfresco Direkt online store, which includes more than 100 small producers and family farms across Croatia. Valamar will continue with the "plastic free" initiative by replacing disposable plastic packaging with environmentally friendly alternatives, as well as other initiatives aimed at significantly reducing our carbon footprint, contributing to responsible destination development and supporting sustainable tourism development in Croatia.



Support for the work of the Red Cross

VALAMAR RIVIERA IS THE 6TH MOST DESIRABLE EMPLOYER

Valamar Riviera ranks 6th on the list of the most desirable employers in Croatia, which is one place higher compared to last year. According to a research conducted by the MojPosao web portal on almost 20.000 subjects in 2019 and 2020, Valamar Riviera was the only tourism company among the top 20 employers in Croatia.

In 2020, Valamar focused on managing the crisis caused by the COVID-19 pandemic. Business was successfully "paused", all jobs in have been preserved and the company has been preparing its "restart". The priorities were modifying products and services to increase guest safety and accelerating digitalization projects. Being and remaining the most desirable employer in tourism is one of the strategic goals of Valamar Riviera.

EARTHQUAKE RELIEF

Valamar Riviera opened the doors of its properties in Istra Premium Camping Resort 5 *, Ježevac Premium Camping Resort 4 * and Hotel Valamar Sanfior 4 * free of charge to families from Sisak, Glina, Petrinja and the surrounding areas whose homes were destroyed in the devastating earthquake on December 29, 2020, and donated mobile homes to residents of the earthquake-stricken area. With this initiative, Valamar donated accommodation for almost 2,000 people affected by the earthquake in the areas of the Sisak-Moslavina County.

Given the large number of damaged homes, Valamar decided to help and donate 10 camping caravans. An additional 49 camping caravans were made available within the initiative of the Ministry of Tourism and Sports, the Croatian Tourism Association and the Croatian Camping Association. Our Valamar team handled the entire preparation of the caravans and managed to have them ready in only a few days so they could be delivered to the families in need.

SUPPORT FOR THE WORK OF THE RED CROSS

Valamar hotels and camps in Poreč, Rabac, Krk, Rab, Makarska and Dubrovnik donated groceries and other necessities to the Red Cross city offices and soup kitchens in an effort to provide support to those in need in the community.



*Valamar Sanfior
Hotel & Casa 4*, Rabac*

HEROES OF JEŽEVAC PREMIUM RESORT

Valamar employees from Ježevac Premium Camping Resort on Krk witnessed an accident at sea in early October 2020. Two people battled the high waves, and camp staff created a human chain on shore as an educated lifeguard jumped into the sea. The lifeguard pulled two injured people ashore, and the rescuers of the Krk Public Fire Department arrived soon afterwards. Unfortunately, the third person could not be saved, and the employees of Ježevac Premium Camping Resort continued to care for the two injured swimmers until late in the evening.

Krk mayor Darijo Vasilčić received Valamar's employees and two men they saved in mid-October. Valamar employees were awarded the Order of the City of Krk for their courageous act which saved two lives.



Heroes of Ježevac Premium Resort

VALAMAR HOSTED THE DRUŠTVO NAŠA DJECA SOCIETY FROM POREČ

In 2020, Valamar hosted the most famous Poreč summer program for children - the Summer Camp of the City of Poreč and the Fun Summer Base of the Društvo Naša djeca society. Valamar has opened the doors of the Valamar Pinia Hotel and the beach within the hotel for a number of program activities. Thus, arranged in four shifts, the children played in the playroom, the softplay playroom and on the children's playground. The coaches and volunteers organized various activities as well as excursions, workshops and competitions. Valamar has been cooperating with the Društvo Naša djeca society for years, recognizing the importance and value of their programs in the local community.

VALFRESCO DIREKT VOUCHERS FOR RETIREES

Valamar has provided a voucher in the amount of HRK 200 for almost 250 of its retired colleagues in Istria to buy products in Valamar's new Valfresco Direkt web store, which also offers delivery directly to the doorstep, which is an additional benefit of this service especially for our senior citizens. This initiative is part of Valamar's socially responsible business program Our Retirees, which provides support and nurtures long-term relationships with retired employees, primarily as a sign of gratitude for their contribution during their working lives.

VALAMAR HELPED THE DUBROVNIK GENERAL HOSPITAL

Valamar Riviera provided the Dubrovnik General Hospital with accommodation for hospital staff in 12 mobile homes. Accommodation was provided for 32 hospital employees in Valamar Solitudo Sunny Camping in Babin Kuk.

In addition to giving the hospital staff mobile homes free of charge, Valamar also covered overhead costs.

VALAMAR DONATES 160 FACE VISORS TO TEACHING STAFF IN POREČ PRIMARY SCHOOLS

Valamar Riviera donated 160 face visors to primary school employees in Poreč including teachers and teaching assistants. This donation will ensure safer and easier teaching, while respecting the instructions of the Ministry of Science and Education and the Croatian Institute of Public Health. "The principals of Poreč primary schools have expressed their need for transparent visors that cover only half of the face.

The principals note that these visors are more appropriate for teaching as children can see the teacher's mouth and facial expressions and understand the lesson easier. Also, these visors are more comfortable to wear and allow easier speech.



*Ježevac Premium Camping
Resort by Valamar 5*, Krk Island*

INNOVATION AND DIGITALIZATION

Agility, innovation and advanced technologies make Valamar Riviera and the Croatian tourism industry more competitive.

Valamar's digital vision implies providing quality personalized services and improving operational efficiency through continuous innovation and use of digital technologies. Valamar's digital strategy enables the transformation of the entire organization while maintaining focus on the guest. Major strategic guidelines through digital projects and pilot initiatives validating technology or technological solutions have been developing throughout 2020.

VALAMAR DIGITAL DEPARTMENT

The Valamar Digital Department (VALDI - Valamar Digital & Innovation) has continued to promote its digital strategy with the goals of providing practical support for digital projects, encouraging the implementation of Valamar's digital strategy, transforming the company and promoting a more agile work mode.

THERE ARE FOUR MAIN STRATEGIC GUIDELINES:



GUEST ATTRACTION AND LOYALTY



GUEST INVOLVEMENT



BUSINESS PROCESSES AND IT



EMPLOYEES: ORGANIZATION AND CULTURE

DIGITAL & INNOVATION PROJECTS

VALFRESCO DIREKT

Valfresco Direkt, an online delivery service that offers products from family farms, winemakers, olive growers and many other local producers who offer healthy and quality food, as well as traditional dishes and desserts, was launched in the beginning of June 2020. Valfresco Direkt service was first presented to citizens and tourists in Istria, and shortly afterwards it was expanded for guests in Valamar camps on the island of Krk. Then the service was extended to the residents of the area of Rijeka and the Opatija Riviera, and from October to the entire island of Krk.

Valfresco Direct is a real example of the company's digital transformation in the development of new digital products/platforms, marking a milestone in the way digital projects are carried out. The Valfresco platform has reduced development time from the usual 12 to 14 months to two months from initial idea to realization. The first meeting was held on April 6, 2020, and the platform was launched on June 5, 2020, while the first delivery was made on June 8, 2020. The Valfresco online platform consists of an e-commerce platform, web shop, retail platform, and central kitchen. Valfresco was developed in an agile way, iteratively. The VALDI digital team managed the development of the platform, with architecture, data models and provided in-house development engineers with partner resources who participated in the development and integration. The e-commerce platform is a central component of Valfresco Direkt and contains products, descriptions, images, prices, quantities, categories, labels, orders, invoices, customers, partners, business rules and receives and sends data to other parts.. Valfresco e-commerce is integrated with the Virga retail, Web shop, CRM, Payment gateway, Central kitchen and HR system.

VALAMAR QUALITY AND SAFETY GUARANTEE

Valfresco Direkt offers a wide range of ready and semi-ready meals made according to traditional recipes in the Valamar central kitchen and distribution center in Vinež, as well as numerous products usually available in stores. Valfresco Direkt customers can receive superbly prepared autochthonous dishes from fresh ingredients at their doorsteps the day after the order has been placed. The preparation and packaging of these products is carried out to the highest food health and safety standards. The Valamar quality and safety guarantee derives from the application of a number of certificates and quality standards, like the HACCP control system for food preparation processes including production, delivery and serving.

CENTRAL KITCHEN AND DISTRIBUTION CENTER VINEŽ

In June 2020, Valamar Riviera opened a unique Central Kitchen in Vinež near Labin, which consists of the largest production plant and distribution center for hotels and restaurants in Croatia. Last winter,



Valamar invested about HRK 29 million in this innovative and technologically advanced project, which will supply as many as twenty Valamar hotels and nine camping resorts with associated catering facilities in destinations Poreč, Rabac and Krk. Vinež Central Kitchen has also become the backbone of Valamar's new project Valfresco Direkt, an online store that offers a variety of products from local producers. The central kitchen and distribution center Vinež is the main location for purchasing and processing fresh local food, as well as preparing finished and semi-finished food products. This modern facility equipped with the latest technology covering an area of 3,400 m2, ensures faster and easier food preparation while relieving hotel kitchens at Valamar properties, especially in terms of processing fresh food, in addition to achieving uniform quality, energy savings and lower procurement costs. The Vinež Central Kitchen can prepare up to 25,000 meals a day following the highest food health and safety standards.

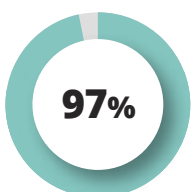
As a socially responsible company, Valamar is focused on sustainability, so the entire production facility has an environmentally conscious design within the Green Valamar initiative. Central Kitchen Vinež uses a cooling chamber monitoring system with environmentally friendly CO2 instead of Freon, a sustainable system of central water preparation and softening, and selective waste sorting and recycling. Providing authentic

experiences is one of the Company's strategic goals, where it is important to invest in quality, the production and supply of local food and beverages. Valamar's latest investment encourages a stronger connection between tourism and agriculture and facilitates product placement for local producers towards domestic and foreign guests.

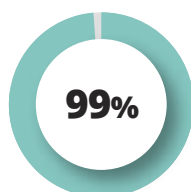
COOPERATION WITH PARTNERS

In cooperation with local family farms, the new Valamar project aims to diversify business, strengthen local production and the market position of small producers and offer them a wider presence and availability. Valamar cooperates with more than a hundred local partners and suppliers from Istria and Kvarner, as well as Slavonia and Dalmatia, with the aim of expanding cooperation to interested partners from any region in Croatia. This partnership helps local producers to promote their products directly to the end customer who can be sure to receive quality local food and dishes prepared to the highest catering standards and Valamar quality guarantee. The Valfresco Direkt service has established a new link between inland and coastal Croatia and is an excellent example of how tourism can provide significant support in the development of local agriculture, family farms, food processing, winemaking, olive growing and many other related activities.

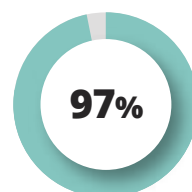
CUSTOMERS ABOUT VALAMAR ONLINE STORE VALFRESCO DIREKT



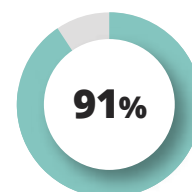
EXTREMELY SATISFIED CUSTOMERS



RATING OF EMPLOYEE KINDNESS



TOTAL EXPERIENCE



TOTAL SALES RANGE

DIGITAL & INNOVATION PROJECTS

ONLINE RECEPTION

Valamar Online reception service has expanded its availability to all hotel and camping guests. Valamar's Online reception enables check-in and check-out via the Internet (web check-in and My Valamar application) and "self check-in" points, thus simplifying arrival and departure.

Guests have kiosks on arrival at seven properties where they can check in independently, get a coded card for the accommodation unit and thus avoid going to the reception. Guests who prefer to register in person at the reception desk can use an electronic registration card generated from Opera which the guest, the reservation holder, signs electronically via tablet.

EMPLOYEE DATA HUB

Towards the end of 2020, the first prototype of the Employee Data Platform was developed and set up. It enables the storage of employee data and events in one place and the transfer of data in real time from data sources to other data user platforms.

At Valamar, 3 platforms generate data on employees and at least 5 platforms consume and use that data. Instead of creating 15 different integrations (point-to-point) between each platform, an integration streaming platform and data hub was set up, which allows real-time data to be transferred to the data-hub with each change and then directly to the applications that consume that data.

ADVANTAGES OF EMPLOYEE DATAHUB PLATFORM:

- ▶ Reduced cost of point-to-point integrations.
- ▶ Standardized data access method (stream or API).
- ▶ Each platform receives only the employee data that it needs.
- ▶ The data reaches the client platform, at the moment the employee has changed.
- ▶ Each new platform does not integrate with 3 data sources but only with the Data Hub.
- ▶ Data arrives in near real time from the source where the data originated to the platform that consumes that data.

TA POINT TECHNOLOGY EXTENDED TO ALL PROPERTIES

TA point is a communication technology for communication within a property based on QR codes and NFC contactless access from the guest's telephone.

In addition to accessing information of the info-map, guests can now also request housekeeping and reception desk services, report a technical malfunction, access the Valfresco Direkt web shop, fill out the In stay survey and access the VEC web shop via the TA point. Valamar beach bars also utilize the TA point (at

locations that cover a large area) allowing guest to call the waiter and order drinks without contact. The TA point application is integrated with the housekeeping and maintenance system, so every request is send to employees in real time. In the period from June 1 to August 25, 24,000 interactions were recorded via the TA point, of which 1,300 requests to housekeeping, 2,000 malfunction reports and 1,200 accesses to the Valamar H&S program.

ARTIFICIAL INTELLIGENCE EDUCATION "ELEMENTS OF AI"

Valamar Riviera invited all its employees to join the "Elements of AI" project, which is considered the best program for mastering the basics of artificial intelligence in the world. This free training was launched by Finland in cooperation with the European Commission to share and bring the topic of artificial intelligence closer to the general public. Croatia is the first country in the region to translate the course making it available to its citizens. "Elements of AI" was developed by the University of Helsinki and the technology company Reaktor. The University of Zagreb is the partner for Croatia and the project holder is the association CroAI with the agency 4040 as its communication partner.

No prior knowledge of artificial intelligence was required for this educational program. It is completely free for participants and is available in Croatian. The entire program is online and individual so that each participant can go through any part of the content at any time and at their own pace. "Elements of AI" consists of six

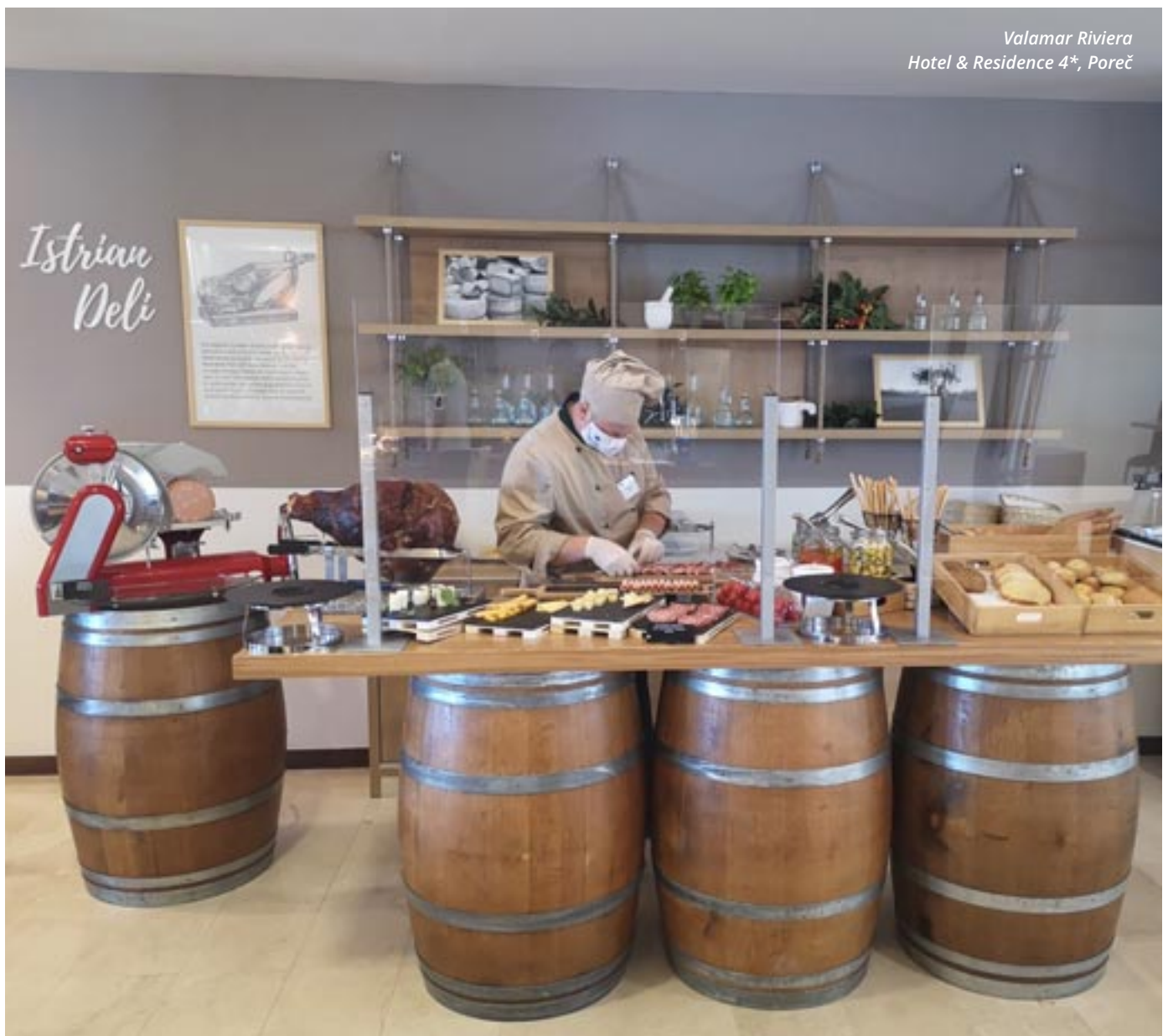
chapters and 25 exercises that require an average of 25 hours. Participants are not required to have any prior knowledge in the field of mathematics and programming. It is a unique opportunity to acquire new digital skills through this program that the world media and experts place ahead of similar programs at Harvard, Stanford and MIT. Valamar applies advanced technologies in various business areas such as sales, marketing and hotel operations.

The company enables its employees to communicate and learn via digital platforms, improves business processes and supports an organizational culture to innovate through new technologies. Valamar has about 50 digital and innovation projects underway, several of which are already applying artificial intelligence technologies.

BED & BRUNCH

Valamar developed a new innovative concept called Bed & Brunch, which includes a number of novelties. Valamar developed the most affordable holiday concept under the new label "Old Town Holiday" within the brand Valamar Hotels & Resorts, and Sunny B&B within the brand Sunny by Valamar whereby guests can enjoy an extended breakfast or brunch with a varied choice of dishes until 1 p.m.

Hotels with the Old Town Holiday label also offer a "Champagne Breakfast & Brunch" with a selection of sparkling wines during breakfast and lunch. Guests can enjoy breakfast until 11 a.m. which then turns into brunch, offering hot appetizers and meals up to 1 p.m. Guests can use one or both services from 7 a.m. to 1 p.m., and have the freedom to organize their morning and mid-day.



*Valamar Riviera
Hotel & Residence 4*, Poreč*

AWARDS AND RECOGNITION

Valamar Riviera's strategy is to continuously invest and improve its properties and service concepts, which is evident from the numerous awards and recognitions received in 2020.

In 2020, Valamar Riviera has ranked 6th on the list of the most desirable employers in Croatia, which is one place higher compared to last year. Valamar Riviera also won the third prize for the best investor relations awarded by Poslovni dnevnik and the Zagreb Stock Exchange.

In 2020, as many as fifteen Valamar hotels and resorts received the Travelers' Choice Award given by the world's largest travel portal - TripAdvisor. The selection of the best accommodations, attractions and restaurants is based on continuous excellent reviews from the global travel community. The top rated properties account for the best 10% on TripAdvisor.

CSR INDEX AWARD

In 2020, Valamar Riviera received the main CSR Index award in the category of large companies awarded by the Croatian Business Council for Sustainable Development and the Croatian Chamber of Commerce. The Corporate Social Responsibility Index (CSR Index) evaluates the practices of the most successful companies in Croatia, taking into account seven key areas - economic sustainability, including corporate social responsibility in business strategy, work environment, environmental protection, market relations, community relations and responsible diversity and human rights policies.



*Dubrovnik President Valamar
Collection Hotel 5*, Dubrovnik*

TRAVELIFE GOLD AWARD

A number of 22 Valamar hotels and resorts hold this prestigious and binding certificate in 2020.

Travelife is an international certification system that promotes sustainability in the hospitality industry and helps tour operators, hotels and other accommodations manage and monitor their social and environmental impact, as well as inform their guests and partners about their achievements. The Travelife Gold Award recognizes hotels that meet the strictest sustainability criteria to the fullest. The strategic goal of the certification project is to introduce green business practices, i.e. to achieve a balance between economic progress, environmental care in the broadest sense, and social inclusion in the wider community. In Valamar, 95% of accommodation units hold the ISO 14001 environmental management certification and 71% of hotel and resort accommodation units have one of the sustainable business certifications.



LIST OF HOTELS AND RESORTS WHICH HOLD THE TRAVELIFE CERTIFICATE

Allegro Sunny Hotel & Residence by Valamar	★★★	Rabac
Valamar Sanfior Hotel & Casa	★★★★	Rabac
Miramar Sunny Hotel & Residence by Valamar	★★★	Rabac
Valamar Argosy Hotel	★★★★	Dubrovnik
Valamar Bellevue Resort	★★★★	Rabac
Valamar Tamaris Resort	★★★★	Poreč
Crystal Sunny Hotel by Valamar	★★★★	Poreč
Valamar Diamant Hotel & Residence	★★★★ (3/4)	Poreč
Dubrovnik President Valamar Collection Hotel	★★★★★	Dubrovnik
Isabella Valamar Collection Island Resort	★★★★★ (4/5)	Poreč
Koralj Sunny Hotel by Valamar	★★★	Krk Island
Valamar Lacroma Dubrovnik Hotel	★★★★	Dubrovnik
Valamar Pinia Hotel	★★★	Poreč
Valamar Riviera Hotel & Residence	★★★★	Poreč
Rubin Sunny Hotel by Valamar	★★★	Poreč
Valamar Parentino Hotel	★★★★	Poreč
Valamar Club Dubrovnik Hotel	★★★	Dubrovnik
Tirena Sunny Hotel by Valamar	★★★	Dubrovnik
Girandella Valamar Collection Resort	★★★★★ (4/5)	Rabac
Zvonimir Sunny Hotel by Valamar	★★★★	Krk Island
Marea Valamar Collection Suites	★★★★★	Poreč
Lanterna Sunny Resort by Valamar	★★	Poreč

NATIONAL AWARDS AND RECOGNITIONS 2020

Moj Posao	The Best Employer in Tourism, 6 th most desirable company in Croatia	Valamar Riviera d.d.
Poslovni dnevnik and Zagreb Stock Exchange	The Best Relations with Investors, 3 rd place	Valamar Riviera d.d.
Croatian Business Council for Sustainable Development and Croatian Chamber of Commerce	Main CSR Index award in the category of large companies	Valamar Riviera d.d.

INTERNATIONAL AWARDS AND RECOGNITIONS 2020

ANWB	ANWB Top Camping 2020	Lanterna Premium Camping Resort by Valamar Krk Premium Camping Resort by Valamar Solaris Camping Resort by Valamar
ADAC	ADAC Superplatz 2020	Lanterna Premium Camping Resort by Valamar Krk Premium Camping Resort by Valamar Istra Premium Camping Resort by Valamar Baška Beach Camping Resort by Valamar
World Travel Awards	Croatia's Leading Resort	Girandella Valamar Collection Resort
	Croatia's Leading Boutique Hotel	Valamar Riviera Hotel & Residence
	Croatia's Leading Business Hotel	Valamar Lacroma Dubrovnik Hotel
	Croatia's Leading Hotel	Dubrovnik President Valamar Collection Hotel
	Croatia's Leading Seafront Hotel	Isabella Valamar Collection Island Resort
World Luxury Hotel Awards	Luxury Beach Resort	Dubrovnik President Valamar Collection Hotel
	Luxury Island Resort	Isabella Valamar Collection Island Resort
	Luxury Historical Hotel	Imperial Valamar Collection Hotel
TripAdvisor	Traveler's Choice 2020	Valamar Riviera Hotel & Residence
		Isabella Valamar Collection Island Resort
		Marea Valamar Collection Suites
		Crystal Sunny Hotel by Valamar
		Valamar Parentino Hotel
		Girandella Valamar Collection Resort
		Valamar Sanfior Hotel & Casa
		Valamar Carolina Hotel & Villas
		Imperial Valamar Collection Hotel
		Valamar Padova Hotel
		Valamar Argosy Hotel
		Valamar Lacroma Dubrovnik Hotel
		Dubrovnik President Valamar Collection Hotel
Valamar Meteor Hotel		
Valamar Obertauern Hotel		
The Golden City Gate	Tourism Multimedia Award, category hotels – 2nd place	Marea Valamar Collection Suites
Hotels.com	Loved by Guests	Valamar Argosy Hotel
Leading Campings of Europe	Leading Campings of Europe	Lanterna Premium Camping Resort by Valamar
		Krk Premium Camping Resort by Valamar

CERTIFICATES AND SAFETY AND SUSTAINABILITY STANDARDS IN 2020

SGS	HACCP	Valamar Diamant Hotel & Residence Crystal Sunny Hotel by Valamar Rubin Sunny Hotel by Valamar Isabella Valamar Collection Island Resort Marea Valamar Collection Suites Valamar Riviera Hotel & Residence Valamar Tamaris Resort Solaris Camping Resort by Valamar Valamar Sanfior Hotel & Casa Girandella Valamar Collection Resort Valamar Bellevue Resort Koralj Sunny Hotel by Valamar Valamar Parentino Hotel Valamar Lacroma Dubrovnik Hotel Dubrovnik President Valamar Collection Hotel Valamar Argosy Hotel Bunculuka Camping Resort by Valamar Marina Camping Resort by Valamar Padova Premium Camping Resort by Valamar Imperial Valamar Collection Hotel Valamar Carolina Hotel & Villas Eva Sunny Hotel & Residence San Marino Sunny Resort by Valamar Zvonimir Sunny Hotel by Valamar Valamar Atrium Baška Residence Corinthia Baška Sunny Hotel by Valamar Lanterna Premium Camping Resort by Valamar
SGS	ISO 14001*	94.8% of properties
	ISO 9001*	94.8% of properties
QUALITY AUSTRIA	ISO 50001*	96.4% of properties
	ISO 45001	Istra Premium Camping Resort by Valamar
	EN 14065	Valamar laundry facility Poreč, Valamar laundry facility Makarska
Ministry of Tourism and Sports	"Q" quality Label	Valamar Lacroma Dubrovnik Hotel, Valamar Riviera Hotel & Residence
Ministry of Economy and Sustainable Development	EU Ecolabel	Istra Premium Camping Resort by Valamar Ježevac Premium Camping Resort by Valamar Krk Premium Camping Resort by Valamar Lanterna Premium Camping Resort by Valamar Solaris Camping Resort by Valamar Orsera Camping Resort by Valamar

* All Valamar Group companies are included in the calculation.

OPINION OF THE MANAGEMENT BOARD COMMITTEE OF THE CROATIAN BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT ON THE 2020 INTEGRATED REPORT OF VALAMAR RIVIERA

The expert committee for non-financial reporting has reviewed the new sixth Integrated report of Valamar Riviera d.d. for 2020 which contains business reports, sustainability reports including the company's impact on the environment and society. We confirm that the Report contains all the elements required by the core options of GRI standards.

In addition to meeting the requirements of the Global Reporting Initiative Standard on Sustainability, the Integrated Annual Report of Valamar Riviera d.d. for 2020 also satisfies the legislation of the Republic of Croatia prescribing the scope, content and deadlines of the annual report (Companies Act, Capital Market Act and Accounting Act). The tourism sector was strongly affected by the COVID-19 virus pandemic that marked 2020. Therefore, as expected, business indicators deviate significantly compared to previous years, as well as from previous plans. For example, in 2020, due to the decline in overnights, Valamar total revenues were down by 69%. Nevertheless, Valamar has managed to protect employment and business stability by implementing various measures.

Valamar implemented the "Pause, Restart Program" on April 1, 2020 with the support of Government measures and social partners. The program ensures continued payouts to all "paused" employees waiting for work in the amount of at least 60% of their regular salary, but not less than HRK 4,250 net. Valamar Riviera was 6th on the list of the most desirable employers in Croatia, which is a higher ranking compared to last year. Valamar is the only tourism company among the top 20 employers in Croatia. We believe that this high rating can be partly attributed to the measures adopted during the crisis with the aim of protecting jobs.

Valamar has also protected the jobs of its employees through innovative projects such as Valfresco Direkt. It is an online delivery service that offers products from family farms, winemakers, olive growers and many other local producers who offer healthy and quality food, as well as traditional dishes and desserts produced in the central kitchen and distribution center in Vinež. Its services are available from Istria to Rijeka and on the island of Krk.

Apart from Valfresco Direkt, which conducts business with local suppliers, 77% of Valamar's food and beverages share consists of Croatian products, most of which contain exclusively local produce.

As every year, Valamar products and services meet the guests' expectations and the high level of satisfaction is reflected in guest satisfaction surveys. Special attention is given to the safety and protection of children. The responsibility to the community and the environment can be observed in an overview of investments in energy efficiency and greenhouse gas reduction projects, a report on greenhouse gas emissions, a report on energy consumption, data on waste management, and data on water management. In 2020, Valamar invested HRK 9,5 million in energy efficiency projects, and the purchased electricity was exclusively from renewable sources. Valamar reduced more than 70% of direct and indirect greenhouse gas emissions from the 1st and 2nd ranges. New electric vehicles



were procured and the replacement of classic lighting fixtures with LED lighting was carried out. Greenhouse gas emission values are significantly lower than in the previous year, while at the same time emissions per night increased. This is understandable, since in 2020 there were significantly fewer guests than in the previous year, so total energy consumption is reduced, but there is a high share of fixed cost in total emissions which causes more emissions per night. Due to such a drastic change in the characteristics of the season, it is excessive to compare the values of this (as well as other) indicators with previous years. In any case, the company remains committed to reducing the consumption of fossil fuels, especially fuel oil, reducing drinking water consumption and reducing electricity consumption.

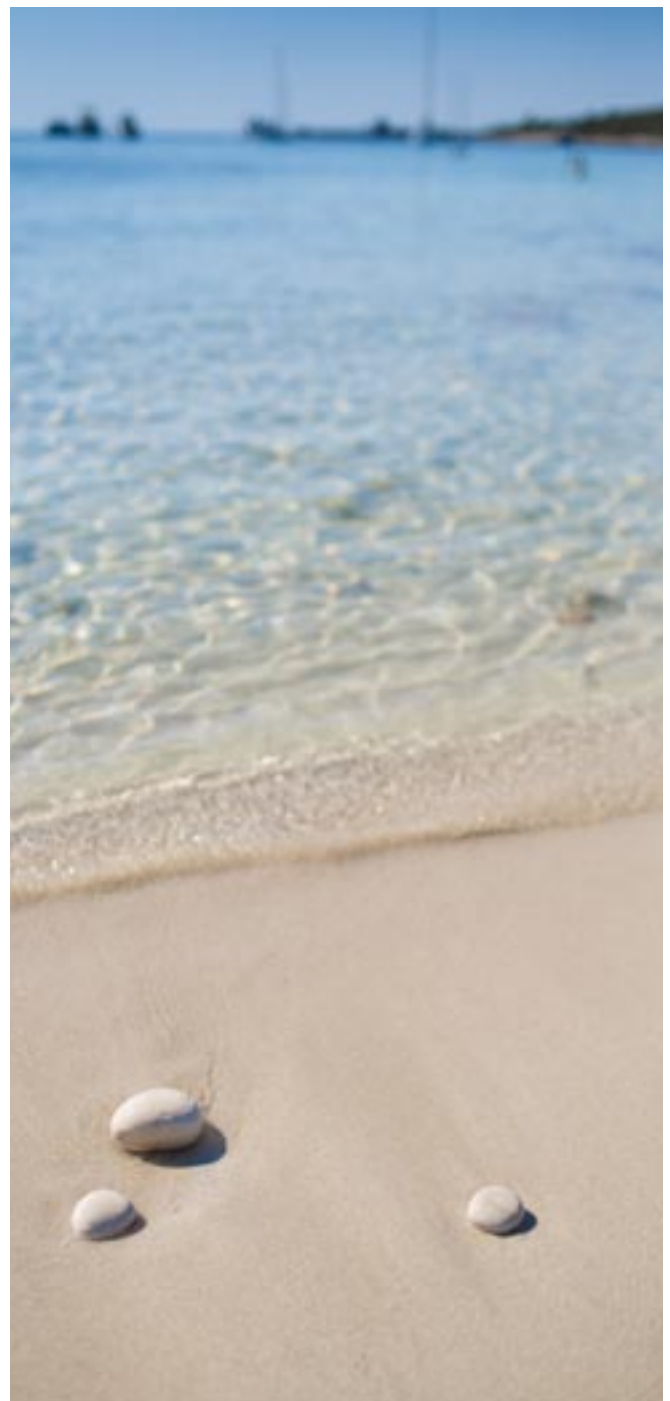
Waste is largely collected separately, and the share of mixed municipal waste (which is disposed of in landfills) in total waste is slightly lower than in the previous year. Total water consumption, as expected, has been significantly reduced under the circumstances of 2020.

Valamar Riviera won the main CSR Index award in the category of large companies awarded by the Croatian Business Council for Sustainable Development and Croatian Chamber of Commerce which evaluate socially responsible practices of the most successful companies. In addition to the CSR Index award, and as in previous years, this company boasts a number of awards and certificates that reward service and destination quality, business sustainability and environmental responsibility.

This Integrated Annual Report is in line with the reporting principles of the GRI Standards and indicates both positive and negative business impacts, while also presenting data and trends where possible. The report is characterized by clarity and simplicity, and the text is understandable to a reader who possesses a moderate understanding of business and context.

Valamar has an exceptional level of two-way communication with its employees and guests, but it should be possible to present the communication with other stakeholders in more detail, especially in the area of defining material topics. We also suggest a more detailed presentation of the limits of the influence of material themes. With these remarks, we can conclude that the new report of Valamar Riviera d.d. met all the expectations of the expert committee. Valamar has taken a step forward in the reporting process concerning the quality of presenting impact results, but more importantly, it shows an exceptional level of business responsibility in this extremely challenging year.

**Croatian Business Council for Sustainable Development,
Expert Committee**



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GRI 417: MARKETING AND LABELING		
Disclosure 417-3 Incidents of non-compliance concerning marketing communications	Service Excellence	46 – 49

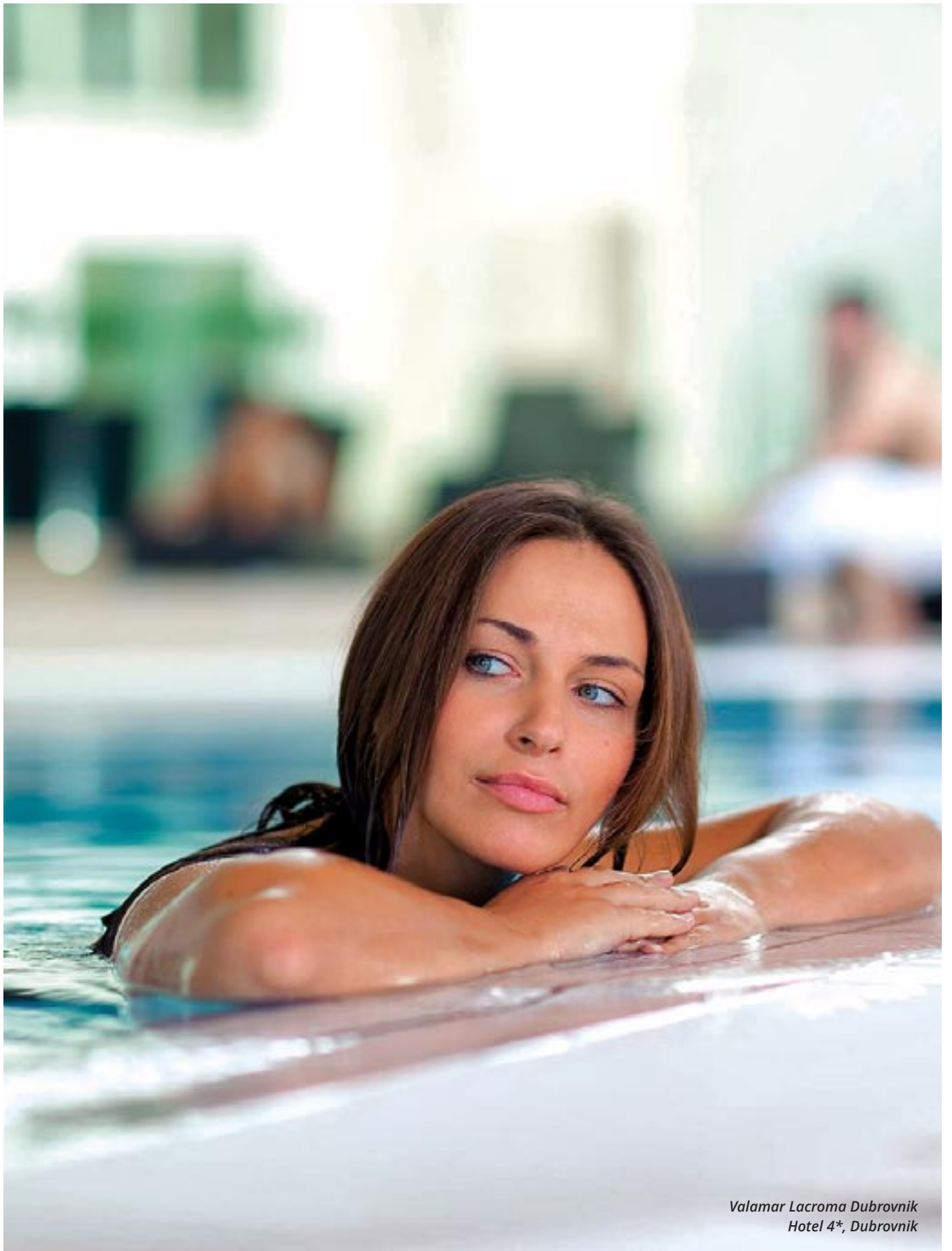
DISCLAIMER

The strategic goals presented in this report represent the intention of the Management Board and are based on currently available information, current assumptions, and forward-looking expectations and projections. The strategic goals 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 to potentially incorrect assumptions that could cause the actual results to materially differ from the strategic goals. In addition, the level of capital investments in any given year is subject to specific proposals of the Management Board to the Supervisory Board, each board may elect to deviate from this policy if appropriate under the prevailing circumstances.

Risks and uncertainties include, but are not limited to the ones described in the part "Company and Group Risks". Materially significant deviations from the strategic goals may arise from changes in circumstances, assumptions not being realized, as well as other risks, uncertainties, and factors, including:

- ▶ Macro-economic developments in the Republic of Croatia and in the source markets, including currency exchange rates fluctuations and prices of goods and services, deflation and inflation, unemployment, developments of the gross domestic product and industrial production, as well as other developments having a direct or indirect impact on the purchasing power of Valamar Riviera's guests;
- ▶ Economic conditions, security and political conditions, developments and events in the capital markets of the Republic of Croatia and in the source markets of Valamar Riviera;
- ▶ Spending and disposable income of guests, as well as guests' preferences, trust in and satisfaction with Valamar Riviera's products and services;
- ▶ Trends in the number of overnights, bookings, and average daily rates of accommodation in Valamar Riviera's properties;
- ▶ Trends of the Croatian kuna exchange rate in relation to world currencies (primarily euro), changes in market interest rates and the price of equity securities, and other financial risks to which Valamar Riviera is exposed;
- ▶ Labor force availability, mobility and costs, transport, energy, and utilities costs, selling prices of fuel and other goods and services, as well as supply chain disruptions;
- ▶ Changes in accounting policies and findings of financial report audits, as well as findings of tax and other business controls;
- ▶ Outcomes and costs of judicial proceedings to which Valamar Riviera is a party;
- ▶ Loss of competitive strength and reduced demand for products and services of Croatian tourism and Valamar Riviera under the impact of weather conditions and seasonal movements;
- ▶ Development of new technologies, reliability of IT business solutions and cyber security of Valamar Riviera's business operations, as well as related costs;
- ▶ Issues with construction companies, subcontractors, permits and permissions, weather, prices of goods and services in the course of realizing investments in Valamar's portfolio;
- ▶ Changes of tax and other regulations and laws, trade restrictions, and rates of customs duty;
- ▶ Adverse climatic events and environmental risks. The strategic goals presented herein are not an outright recommendation to buy, hold or sell Valamar Riviera's shares.

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