



## BUSINESS RESULTS 1/1/2021 - 30/9/2021



**VALAMAR**  
All you can holiday

## 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. With over 21,000 keys, 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 growthdriving strategy focused on investments in high added-value products, talents, innovative services and destinations to maintain business continuity. The active promotion and advancement of these interests make Valamar Riviera a responsible and desirable employer and one of the top Croatian and regional investors in tourism with over HRK 6 billion invested in the last 17 years.

Steered by sustainability and social responsibility, Valamar leads the innovative management of leisure tourism and continuously creates new value for all our stakeholders.

Valamar Riviera's business success is based on longstanding partnerships and an open communication with its key stakeholders. Therefore, we have established policies at company level that represent our continuing commitment to be the hospitality market leader in Croatia in terms of service quality, guest and user satisfaction, caring for the interests of our employees, company and local community, environmental protection and resource management.

Tourism portfolio of Valamar Riviera Group





## KEY MESSAGES

### SEASON HIGHLIGHTS

In the first nine months of 2021, Valamar Riviera Group achieved a significant recovery of tourism business compared to crisis year 2020. Operating profit (EBITDA) in the first nine months of 2021 recovered to 93% of 2019 pre-crisis level while operating revenues in the same period amounted to HRK 1.5 billion, reaching 75% of 2019 revenues.

The first two quarters of 2021 were still strongly affected by the COVID-19 pandemic and travel restrictions, while the third quarter brought normalization of tourism activities in almost all destinations. Total number of overnights in the first nine months 2021, reached 75% of the comparable period in 2019, with an average price increase of 7%. The largest number of Valamar hotels opened in June while the usual peak season occupancy was reached by mid-July. Given high demand, Valamar achieved excellent results in northern destinations in the third quarter, especially in premium hotels and resorts which generated 10% more revenues than in 2019, and in the camping segment where revenues were 15% higher than in 2019. However, destination Dubrovnik and two to three-star properties did not achieve a significant business recovery during 2021 season.

The Group experienced favourable development of all major costs categories in pre-season following adjustment to the working conditions under pandemic which includes business rationalization and internal savings measures as well as the implementation of the 'Pause, Restart' job preservation programme. Furthermore, Government measures enabled the Group to maintain jobs and to be able to prepare 2021 tourist season efficiently.

Throughout the crisis, Valamar continued to invest in the portfolio and product development. Valamar completed Istra Premium Camping Resort 5\*, the largest camping development project in Croatia, having invested a total

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of HRK 455 million over the years. Investments in Valamar Parentino hotel in Poreč and Valamar Meteor hotel in Makarska, designed for family holidays, were successfully completed as well. On Hvar island Valamar launched its first lifestyle hotel [PLACES] by Valamar aimed at the YZ generation and has started construction of a new fully sustainable eco family resort. The resort will adhere to the highest green building standards, including using renewable energy sources and achieving high energy efficiency.

In addition, Valamar expanded its strategic cooperation with pension funds in 2021. Valamar and AZ pension funds agreed on the second recapitalization phase of Imperial Riviera worth HRK 690 million with the aim of further developing the portfolio in Dubrovnik, Makarska and on the island of Rab. Valamar has also embarked on an investment cycle on the island of Hvar with PBZ Croatia osiguranje pension funds worth HRK 300 million.

With the support of social partners and Government measures, Valamar has protected jobs during the crisis which has enabled solid summer season results. However, the corona crisis will continue to have a strong impact on leisure tourism and the economy in 2022. Despite positive financial results anticipated for 2021, the net loss of HRK 359 million from 2020 will largely not be compensated. Normalization of tourism business is expected to continue during 2022 and 2023.

Operating revenues in the first nine months of 2021 amount to HRK 1.5 billion and, in accordance with overnights development, are 25% lower than in 2019. The largest share of 84% in the structure of operating revenues belongs to board revenues, which amount to HRK 1.3 billion. They are decreased by 24% compared to revenues generated in 2019.

Following very good financial results, the Group's net debt fell by 28% compared to 31 December 2020 and as of 30 September 2021 amounted to HRK 2.1 billion. The Group continues to work on reducing indebtedness and meeting all financial covenants.

Valamar Riviera Group has stabilized its business and maintained its leading market position as a result of Valamar's confirmed and successful business philosophy, a formula for success consisting of socially responsible business and continuous investment in further development.

## OUTLOOK

In the business year 2021, Valamar Group expects to generate consolidated operating revenues ranging between HRK 1,625 million to HRK 1,655 million (HRK 2,208 million in 2019), achieving 73.6% to 75.0% of operating revenues in 2019.

In the business year 2021, expected EBITDA of Valamar Group will range from HRK 635 million to HRK 652 million (HRK 769 million in 2019), which represents 82.6% to 84.8% of the EBITDA from 2019.

Outlook statements are based on currently available information, current assumptions, forward-looking expectations and projections. This outlook is not a guarantee of future results and is subject to future events, risks, and uncertainties. Full Disclaimer text can be found on page 45.



# TABLE OF CONTENTS

Significant Business Events	6
Results of the Group	11
Results of the Company	21
Investments	23
The Risks of the Company and the Group	27
Corporate Governance	33
Related-party Transactions and Branch Offices	36
Valamar Share	38
Additional Information	42
Disclaimer	44
Responsibility for the Quarterly Financial Statements	46
TFI-POD Quarterly Financial Statements	47

Istra Premium Camping Resort 5\*, Poreč



Lanterna Premium Camping Resort 5\*, Poreč



# Significant Business Events

## RECOVERY OF TOURIST FLOWS

While the first two quarters of 2021 remained considerably affected by the COVID-19 pandemic and associated travel restrictions the third quarter of 2021 showed significant recovery in Croatian tourism as well as across Valamar portfolio and destinations. Most Valamar hotels and resorts opened in June, reaching normal high season occupancy by mid-July. In the first nine months of 2021, Valamar Riviera Group reached 4.8 million overnights, 25% less than in the first nine months of 2019, and an increase of 116% compared to the same period in 2020. The achieved results were primarily influenced by well-organized preparation and good realization of the season, as well as a number of well-designed projects (Stay Safe in Croatia, priority vaccination of tourism workers, support measures to directly affected sectors of the economy, etc.) by the Croatian Government.

The main season was very successful and in some properties, brands and portfolio segments it even surpassed the season from the record 2019. Hotels and resorts of the highest quality under the Valamar Collection brand achieved particularly strong results in the high season. The number of overnight stays in these properties in August and September 2021 increased by 2% compared to the same months of excellent 2019. Valamar's camping resorts also saw an excellent season. After significant investments over the past few years, the number of overnight stays in August and September in our camping resorts grew by almost 8% compared to the same period of 2019.

Due to an intense increase in the demand for our properties and the consequent growth in ADRs, the growth rates of revenues were even better than those of overnight stays.

Valamar's northern destinations, easily accessible by the road to our main emitting markets, also achieved a higher number of overnight stays in the observed two months than in 2019. Thus, Poreč, Rabac and the island of Krk together recorded an increase in overnight stays of 1%.

Unfortunately, the city of Dubrovnik, being primarily an airline destination, has been facing most challenges and uncertainties ever

REALIZED  
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since the pandemic started. As a consequence, it had the lowest results in the Group with -51% overnight stays in the two observed months of 2021 vs. the same period in 2019.

In 2021, out of a total of 36 hotels, 31 of our hotels have been open. The remaining 5 hotels of a lower service category have remained closed. At the same time all 15 camping resorts have been open. As for our guest structure, the German, Austrian and Croatian tourists were the most represented, followed by the Slovenian, Czech and Polish tourists.

## CRISIS MANAGEMENT DURING COVID-19

The global pandemic trends are still unpredictable, and a further significant disruption of the tourist traffic is possible, which may have an adverse impact to the business results of the Group. The increasing vaccination rates are helping the tourist industry as well as the introduction of the EU COVID-19 pass throughout Europe. At this point in time it would still be premature to make a quantitative assessment about the negative impact of COVID-19 to the business operations of Valamar in the upcoming period. A normalization of the hospitality industry is expected to happen in 2022 and 2023.

Istria and the northern Adriatic, where the majority of the Group's facilities are located, have a great advantage in the fact that they are the traditional drive tourism destination for our major source markets (Italy, Slovenia, Austria, Germany, the Netherlands, the Czech Republic, Hungary, etc.). Our camping resorts play a major role in attracting our guests and they have become the resorts of the first choice for many. It is not only so due to the fact that the risk of COVID-19 is being perceived as lower in these resorts, but also due to the fact that they offer an increased quality of service and facilities thanks to considerable investments over the last period.

The health of our guests and their feeling of being safe in our facilities is our utmost priority. Last season we introduced some key innovations, such as our V Health & Safety programme of comprehensive health, safety and ecology standards, an enhanced cleaning system 'CleanSpace - 100% privacy', the Online reception desk, the 'Bed & Brunch' hotel concept and the Valfresco Direkt online shopping and food delivery service. By introducing



these services, Valamar has also strengthened the market position of small manufacturers and local family farms. This season Valamar introduced the V-Care Guarantee concept, which enables the organization of all necessary health services during the guest's stay (and in case of COVID-19 infection as well). For the guests who have made their reservations directly at valamar.com or via the Valamar reservation centre, this includes e.g. free medical consultation by phone (phone or video call) 24/7, Antigen testing at the hotel or camping resort, and organizing PCR testing at designated locations in all Valamar destinations. Guests infected with COVID-19 and anyone included in their reservation will have their costs covered if they need to extend their stay up to 14 days. Also, the return trip travel expenses for guests infected with COVID-19 will be reimbursed, if the return dates are different than those originally scheduled.

Since the beginning of the COVID-19 crisis, the Valamar Riviera has had a proactive approach to decreasing and controlling potential risks. Therefore, Valamar has established a Risk Management Committee and adopted the Risk Management Regulations. The tasks and authorizations of the Risk Management Committee include assessing risk events and their impact to the company's business, guests and employees. Also, the Committee defines the measures for the protection of guests, staff and property and defines the organization of the business processes and operations. Depending on the circumstances and the intensity of the risk event, the Committee may decide on changing the financial, business and contingency plan, and activating escalation plans to preserve the company's liquidity, solvency and business continuity. The Committee may adopt other documents as may be needed according to their assessment of the status of bookings and revenues.

In 2020 and in the first half of 2021, Valamar ensured the necessary liquidity for the upcoming period through operational savings plans, savings in investments, payments deferral and arrangements with banks by which Valamar deferred most of its loan payments. Valamar also successfully ensured additional mid-term liquidity by concluding a loan facility agreement with a banking syndicate in the amount of EUR 66 million while, in order to improve the company's liquidity, the General Assembly in 2020 revoked the proposal of the Decision to pay out dividend. Upon the expiration of the moratorium in June 2021 the Group continued to regularly service its loan

INITIATED  
ACTIVITIES WITH  
THE GOAL OF  
RETAINING  
EMPLOYEES  
IN TOURISM  
AND EFFICIENT  
PREPARATION FOR  
SEASON 2022

obligations. The Group's cash balance as at end of September 2021 amounts to a high HRK 1.3 billion.

Valamar Riviera's social partners, headed by the Croatian Trade Union of Tourism and Services and the Trade Union of Istria, Kvarner and Dalmatia, supported the continuation of the Valamar job preservation programme 'Pause, Restart'. This programme is in force until 31 March 2022. The programme ensures the payment amounting to 60% of the regular salary, i.e. a minimum of HRK 4,250 net for all Valamar's employees who were furloughed due to the COVID-19 pandemic restrictions.

The government's support measures last and this season were of key importance for keeping jobs in the tourist industry. They were a key incentive for all tourist companies to successfully face these extraordinary circumstances until the economy and the tourist industry returns to normal. The most significant measure was the one aimed at preserving the jobs in the sectors most hardly hit by the coronavirus (HRK 3,250 per employee for the salary in March, i.e. HRK 4,000 for the salaries from April to December 2020). The Government of the Republic of Croatia approved these measures to protect jobs in the period from January – June 2021 as well.

On 23 July 2021, the Governing Council of the Croatian Employment Service passed the decision about a new measure – the Programme of Retention for Employees in Businesses with Reduced Business Activity for July 2021. The use of support from this measure depends on whether the employees have an EU digital COVID certificate or they have acquired the conditions for obtaining it. Valamar Group has received related subsidies for July for 56% of its employees.

## REWARDING EMPLOYEES IN VALAMAR

In cooperation with the trade unions, Valamar has agreed on this season's monetary rewards for its permanent and seasonal employees according to the months worked. The amount of HRK 1,300 net has already been paid for the successful opening and the preparation of the summer season under difficult circumstances. In agreement with the social partners, Valamar paid an additional reward amounting to HRK 1,200 in July. In September,

Valamar also paid rewards amounting to HRK 1,600 net for all its employees. Employees who are high performers can be additionally rewarded with up to HRK 1,000 per month. As is the case every year, the Valamar guarantee ensures a minimum net income of HRK 5,000 for all employees working full-time during a calendar month.

Payment of the 13th salary and additional rewards in the total amount of HRK 5,000 to 7,800 net, which will be received by more than 2,500 employees, are measures initiated by Valamar with the aim of retaining employees in tourism and efficient preparation for the next tourist season. This autumn, Valamar will also permanently employ 400 key seasonal employees, which will ensure them a stable income and a year-round job in tourism.

## INVESTMENTS AND PRODUCT AND PORTFOLIO DEVELOPMENT

Valamar Riviera's Supervisory Board approved investments for the 2020/21 cycle amounting to HRK 123 million. Thereby, Valamar intended to finalize some of its earlier investments (Istra Premium Camping Resort 5\* and accommodation facilities for its employees in Dubrovnik) as well as to invest in digitalization projects, servicing and maintenance, and preparation of some future projects once the stabilization of the tourist flows allows it.

In accordance with the Investment Policy, Supervisory Board of Imperial Riviera approved an investment amounting to HRK 41 million for the 2020/21 cycle. This investment was primarily aimed at finishing the investments into Valamar Meteor 4\* Hotel in Makarska and Valamar Parentino 4\* Hotel in Poreč so that they could be ready for the 2021 season.

All investments were completed within the planned deadlines.

Valamar launched a new lifestyle brand called [PLACES] by Valamar, intended for guests seeking freedom of choice, modern design and authentic destination experience with full respect for nature and the environment. The first Valamar's hotel under this new brand is HVAR [PLACESHOTEL] by Valamar in Stari Grad on the island of Hvar (the ex Lavanda hotel).

VALAMAR AND  
STRATEGIC  
PARTNERS  
CONTINUE WITH  
SIGNIFICANT  
INVESTMENTS IN  
CROATIAN  
TOURISM

Valamar invested close to HRK 53 million in its refurbishment, and it was opened mid of May 2021. The hotel has 179 rooms, which are a blend of the Mediterranean tradition and of the modern design.

After completing the second phase of the investment cycle initiated by Imperial Riviera in 2019, the Valamar Meteor 4\* Hotel in Makarska was successfully renovated and welcomed its guests. This perennial Imperial Riviera's investment was worth HRK 85 million in total, enabling the hotel to have a series of new amenities and offer higher quality accommodation. The offer of the Valamar Meteor Hotel is oriented primarily towards families with children, towards guests seeking an active vacation and athletes of all profiles. The investment into the Valamar Meteor Hotel included the construction of a new outdoor pool and an expansion of the current one with new amenities and attractions for family vacation. Its indoor pool with wellness was also renovated according to the Valamar Sun & Spa concept. 111 hotel rooms were refurbished in the first investment phase, while the remaining 160 rooms were refurbished in the second phase.

## VALAMAR AND AZ PENSION FUNDS CONTINUE THEIR JOINT INVESTMENTS IN TOURIST INDUSTRY THROUGH IMPERIAL RIVIERA

The first phase of capital investments into Imperial Riviera, member of the Valamar Group, by Valamar Riviera and AZ pension funds, in the amount of HRK 426 million was done in 2019. Investments were aimed at the renovation of the Parentino Hotel in Poreč, Meteor Hotel in Makarska and Premium Camping Padova on the island of Rab.

The General Assembly of Imperial Riviera, held on 10 September 2021, adopted the decision on the second phase of capital investments by increasing the share capital of the company by a total amount of HRK 690 million. Valamar Riviera participates in this investment by a contribution in kind, i.e. by investing their real estate worth HRK 353 million in total. The real estate is situated on the Babin Kuk peninsula in Dubrovnik. AZ pension funds invest the total amount of HRK 337 million in cash. This capital increase is aimed at a further development of the tourist portfolio in Dubrovnik, Makarska and on the island of Rab. After its completion, Valamar Riviera will

hold 46.27% of the Imperial Riviera shares, and AZ pension funds will hold 48.85%.

Besides the business expansion and growth of the Valamar Group, this transaction will also strengthen the balance sheet of the Group. Imperial Riviera will remain a joint venture for the investment and development of the tourist facilities in the region, while Valamar Riviera will still be in charge of managing its operational business. This was one of the goals of the cooperation established between Valamar and AZ pension funds.

## **VALAMAR AND PBZ/CO PENSION FUNDS CONTINUE THEIR JOINT INVESTMENTS ON THE ISLAND OF HVAR THROUGH HELIOS FAROS**

Valamar Riviera and PBZ Croatia osiguranje pension funds continue with significant portfolio investments in the amount of HRK 300 million aimed at repositioning properties in Stari Grad on the island of Hvar into 4 and 5-star properties. The largest part of the investments will be directed towards the construction of the first Valamar sustainable eco-resort, the completion of investments in Hvar [PLACESHOTEL] by Valamar, the construction of the Aquamar pool complex and the overall reconstruction of the resort area.

Nature resort is a new Valamar concept which includes a completely sustainable eco-resort positioned for family holidays. The construction of the resort will abide by the highest green building standards, which include environmentally friendly materials with minimal impact on the environment, the use of renewable energy sources and a high level of energy efficiency. Valamar nature resort on the island of Hvar is the first tourism project that will use prefabricated buildings and modular constructions designed according to Valamar accommodation quality standards.

The concept is inspired by nature and sustainable design. The resort's architecture blends into the island's natural environment, while the interior will be designed by local designers and artists with autochthonous tradition and materials in mind. There will be an emphasis on the island's local food

INVESTMENT  
IN THE FIRST  
VALAMAR NATURE  
RESORT HAS  
STARTED

and products, while digitalization projects will eliminate the use of paper throughout the hotel.

The business development plan of Helios Faros estimates investments in the total amount of around HRK 800 million aimed at sustainable high value-added tourism that will have a positive impact on the island's economic growth and development. The reconstruction and construction of three hotels and resorts in the 4 and 5-star category with 700 accommodation units is planned by 2025.

Valamar Riviera has a 20% ownership in Helios Faros and manages its hotel-tourism properties and amenities.



Ježevac Premium Camping Resort 4\*, Krk island



# Results of the Group



## QUARTERLY FINANCIAL STATEMENTS


The Management Board presents unaudited quarterly financial statements on business operations of the company for the third quarter and the first nine months of the year 2021.

The Group's income statement for this and the preceding period consolidates the data from the following companies: Imperial Riviera d.d.<sup>2</sup>, Valamar A GmbH, Valamar Obertauern GmbH, Palme Turizam d.o.o. (related party until 7 May 2021, when it was merged to Valamar Riviera d.d. with effect as of 8 May 2021), Magične stijene d.o.o., Pogača Babin Kuk d.o.o. and Bugenvilia d.o.o.

The Group's balance sheet for this period i.e., as at 31 December 2020 and as at 30 September 2021, consolidates the data on the above-mentioned companies.

Since Valamar Riviera does not exercise control over Helios Faros d.d. but only has significant impact to this company, its investment in Helios Faros d.d. is reported according to the equity method.

<sup>2</sup> On 28 June 2019 the company Hoteli Makarska was merged to the company Imperial Riviera.

 *The Management Board presents the quarterly financial statements for the third quarter and the first nine months of 2021.*



## KEY FINANCIAL INDICATORS<sup>3</sup>

	1 - 9/2020	1 - 9/2021	2021/2020
Total revenues	672.987.263	1.563.581.639	132,3%
Operating income	653.146.466	1.537.855.028	135,5%
Sales revenues	634.422.045	1.513.928.186	138,6%
Board revenues (accommodation and board revenues) <sup>4</sup>	523.214.880	1.290.161.324	146,6%
Operating costs <sup>5</sup>	471.844.259	983.065.550	108,3%
EBITDA <sup>6</sup>	174.674.389	818.329.678	368,5%
Extraordinary operations result and one-off items <sup>7</sup>	54.624	11.919.567	-
Adjusted EBITDA <sup>8</sup>	174.619.765	806.410.111	361,8%
EBIT	-202.812.316	435.791.607	-
Adjusted EBIT <sup>3</sup>	-202.866.940	423.872.040	-
EBT	-292.963.524	410.422.236	-
	<b>31/12/2020</b>	<b>30/9/2021</b>	<b>2021/2020</b>
Net debt <sup>9</sup>	2.851.116.054	2.053.058.194	-28,0%
Cash and cash equivalents	665.932.900	1.319.127.932	98,1%
Market capitalization <sup>10</sup>	3.730.415.243	3.780.826.260	1,4%
EV <sup>11</sup>	7.283.342.226	6.572.166.958	-9,8%

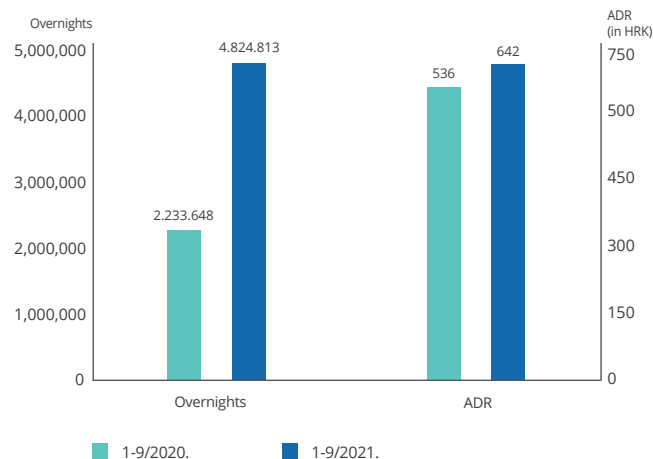
## KEY BUSINESS INDICATORS<sup>12</sup>

	1 - 9/2020	1 - 9/2021	2021/2020
Number of accommodation units (capacity)	21.247	21.923	3,2%
Number of beds	58.492	59.884	2,4%
Accommodation units sold	975.749	2.009.900	106,0%
Overnights	2.233.648	4.824.813	116,0%
ADR <sup>13</sup> (in HRK)	536	657	22,6%

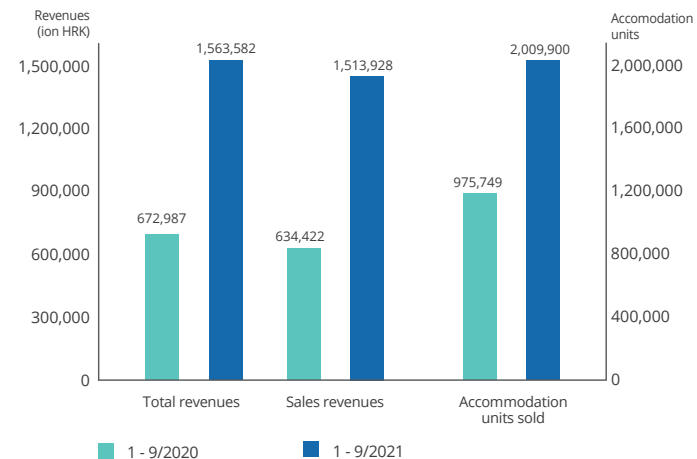
- 3 Classified according to Quarterly Financial Statement standard (TFI POD-RDG). EBIT, EBITDA and their adjusted values and respective margins are recorded on the basis of operating income.
- 4 In compliance with the classification under the USALI international standard for reporting in hotel industry (Uniform System of Accounts for the Lodging Industry).
- 5 Operating costs include material costs, staff costs, other costs, and other operating costs reduced by extraordinary expenses and one-off items.
- 6 EBITDA (earnings before interest, taxes, depreciation and amortization) is calculated as: operating income - total operating costs + depreciation and amortisation + value adjustments
- 7 Adjustments were made for (i) extraordinary income (in the amount of HRK 19.6 million in 2021, and HRK 7.6 million in 2020), (ii) extraordinary expenses (in the amount of HRK 6.8 million in 2021, and HRK 6.7 million in 2020), and (iii) termination benefit costs (in the amount of HRK 0.9 million in 2021, and HRK 0.8 million in 2020).
- 8 Adjusted by the result of extraordinary operations and one-off items.
- 9 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.
- 10 Market capitalization represents the total number of shares of the Company multiplied by the last price on the last day of each period
- 11 EV refers to enterprise value; calculated as market capitalization + net debt + minority interest.
- 12 Data for Helios Faros are not included.
- 13 Average daily rate is recorded on the basis of board revenues (accommodation and board's food and beverage revenues).



### Overnights and ADR



### Revenues and accommodation units sold



In the first nine months of 2021, Valamar Riviera Group realized 4.8 million overnights, which is still a decrease of 25% compared to 2019 and an increase of 116% compared to the same period in 2020.

In the first quarter of 2021, the number of overnights was very low with only one open hotel -Valamar Diamant Hotel & Residence. Valamar Diamant Hotel & Residence shifted from the regional to the Croatian market, with special focus on weekend stays, professional national and foreign sports groups without indoor training bans and regional cyclists groups. Valamar Obertauern Hotel in Austria was closed for the entire 2020/21 ski season. In the same period, two camping resort were opened year-round with a special "extended stay" offer (14 and 30 days), focusing on families and individuals who were able to work/study remotely.

In the second quarter, the trend was reversed and a noticeable increase in the number of overnights was achieved, although measures

related to the COVID-19 pandemic in Europe were still in force. This is primarily due to the great desire to travel after a long period of restrictions and a somewhat less restrictive policy of crossing state borders. Our northern destinations were the most visited: Poreč, Rabac and the islands of Krk and Rab, while southern destinations Makarska, Hvar and Dubrovnik reported lower occupancy rates due to the lack of flights and a slightly greater distance from source markets.

As explained earlier, the third quarter was marked by an almost complete recovery in tourist traffic at a large number of our properties, although the real main tourist season began only in mid-July.

## REVENUES

In the first nine months of 2021, total revenues amounted to HRK 1,563.6 million, which is an increase of 132.3% (HRK 890.6 million). The realized total revenues were influenced by:

**a) increase in sales revenues** by 138.6% (HRK 879.5 million) to the amount of HRK 1,513.9 million, which consists primarily of board revenues (HRK 1,290.2 million) after a significant improvement in tourist flows as previously explained.

There has been a slight change in the revenue structure. Sales revenues in the country amount to HRK 137.2 million with a share of 9.1% in total sales revenues (12.9% in the same period in 2020) and are HRK 55.2 million higher than in the comparable period of 2020. With a share of 90.9% in total sales revenues (87.1% in the same period in 2020), sales revenues on foreign markets amount to HRK 1,376.7 million and are higher by HRK 824.3 million.

**b) an increase in other operating revenues** of 29.1% to HRK 23.7 million compared to the same period in 2020, mainly due to higher revenues from the cancellation of provisions for litigation and received COVID grants by Valamar Obertauern GmbH

**c) financial income** amounts to HRK 25.3 million and is higher by 27.7% than those realized in the same period in 2020 as a result of the increase in net positive exchange rate differences on long-term loans.

Valamar Argosy Hotel 4\*, Dubrovnik



## TOTAL OPERATING EXPENSES OF VALAMAR RIVIERA GROUP<sup>14</sup>

(in HRK)	1 - 9/2020	1 - 9/2021	2021/2020
Operating costs <sup>15</sup>	471.844.259	983.065.550	108,3%
Total operating expenses	855.958.782	1.102.063.421	28,8%
Material costs	214.107.881	376.333.977	75,8%
Staff cost	181.717.839	240.794.463	32,5%
Depreciation and amortisation	376.641.378	382.519.001	1,6%
Other costs	78.044.495	95.925.237	22,9%
Provisions and value adjustments	845.327	19.070	-97,7%
Other operating expenses	4.601.862	6.471.673	40,6%

### TOTAL OPERATING EXPENSES

Total operating expenses in the first nine months of 2021 amounted to HRK 1,102.1 million, which is 28.8% more than in the same period last year. Development of operating expenses:

**a) material costs** amount to HRK 376.3 million and are higher by 75.8% as a result of increased costs of raw materials, costs of promotional activities and other direct costs in accordance with the increased business volume.

**b) staff costs** increased by 32.5% and amount to HRK 240.8 million, also after the increased business volume and the need for workforce  
Total COVID grants related to employee cost subsidies are included in the amount of HRK 101.3 million for the Group (same period 2020: HRK 96.4 million) and HRK 84.1 million for the Company: same period 2020: HRK 83.9 million).

**c) depreciation** amounts to HRK 382.5 million, which represents an increase of 1.6%

**d) other expenses** increased by 22.9% to HRK 95.9 million. The increase is due to increased employee transportation fees and employee rewards, as well as higher expenses for student workers

**e) provisions and value adjustments** amount to HRK 19 thousand.

**f) other operating expenses** amount to HRK 6.5 million, which is an increase of 40.6%.

<sup>14</sup> Classified according to Quarterly Financial Statements standard (TFI POD-RDG).

<sup>15</sup> Operating costs include material costs, staff costs, other costs, and other operating costs reduced by extraordinary expenses and one-off items.



## EBITDA AND EBT

Adjusted EBITDA amounts to HRK 806.4 million, which is an improvement of HRK 631.8 million compared to adjusted EBITDA realized in the first nine months of 2020 in the amount of HRK 174.6 million. The main reasons for this are very strong demand for most of our properties in the high season, which has led to a significant increase in the number of overnight stays and a significant increase in ADRs. In addition, the Group recorded a favourable development of all major cost categories in the pre-season after adjusting to pandemic working conditions, which includes the general rationalization of operations and internal savings measures as well as the implementation of "Pause, restart program". Furthermore, the use of support measures by the Government of the Republic of Croatia, enabled the Group to preserve jobs and to be able to prepare 2021 tourist season efficiently.

After the above-described increase in EBITDA and better net financial result in the first nine months of 2021 related to exchange rate movements (explained in more detail in the next section), a significant improvement in profit before tax (EBT) was achieved in the amount of HRK 703.4 million. Thus, EBT in the first nine months of 2021 amounted to HRK 410.4 million after a negative EBT of HRK -293.0 million in the same period in 2020.

Baška Beach Camping Resort 4\*, Krk island

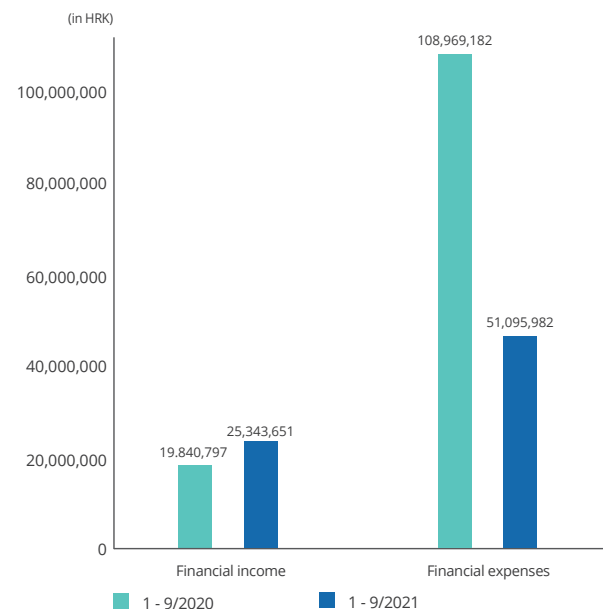


## RESULT FROM FINANCIAL ACTIVITIES

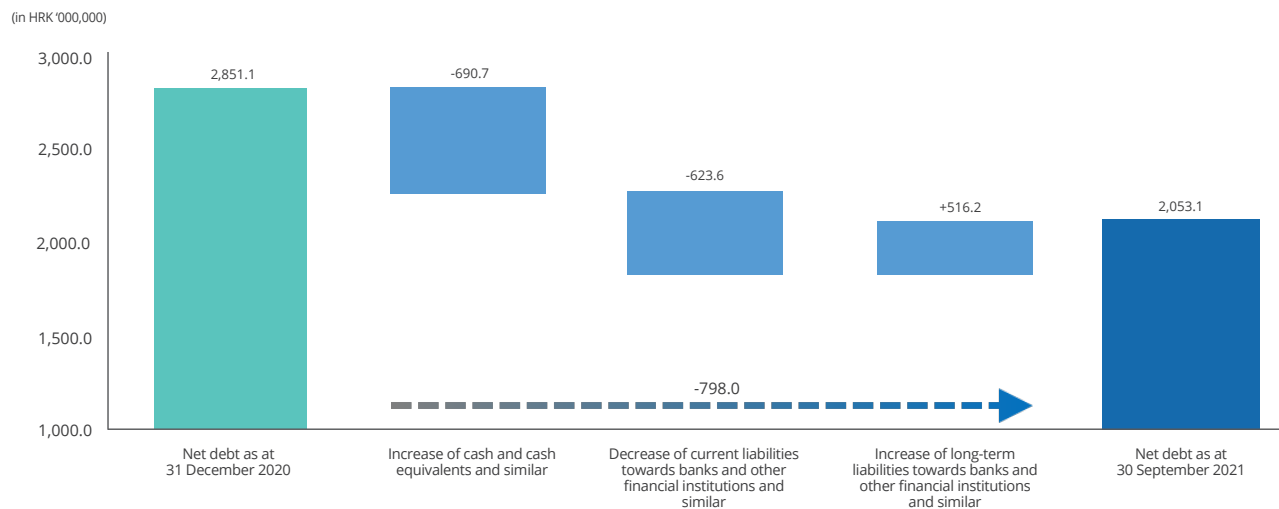
In the first nine months of 2021, net financial result amounts to HRK -25.8 million (HRK -89.1 million in 2020). The main reason for HRK 63.3 million better financial result compared to the previous comparable period is primarily the increase in net foreign exchange gains (primarily unrealized on long-term loans) by HRK 61.5 million, given that in the first nine months of 2021 there was no strong depreciation of the kuna against euro as recorded in the same comparable period previous year.

On the other hand, interest on long-term and short-term loans increased by HRK 3.1 million due to new liquidity sources.

## Financial income and expenses



## Net debt <sup>16</sup>



<sup>16</sup> 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.

## ASSETS AND LIABILITIES

On 30 September 2021, total value of Group's assets amount to HRK 7,230.2 million, which is 5.1% increase compared to 31 December 2020. Total share capital and reserves amount to HRK 3,224.0 million and are higher by 12.6% as a result of the realized profit in the first nine months of 2021.

Total long-term and short-term liabilities to banks and other financial institutions as at 30 September 2021 amount to HRK 3,398.0 million and are lower by 3.0% compared to 31 December 2020 as a result of repayment of short-term loans. A large part of the loan portfolio (85%) consists of long-term loans with contracted fixed interest rate and loans protected by derivative instruments (IRS) for the purpose of hedging against interest rate risk. In 2020, the Group deferred the payment of a total of HRK 349 million of principal to commercial banks and the Croatian Bank for Reconstruction and Development, of which HRK 272 million represents deferred principal payment for 2020, HRK 49 million for the first quarter of 2021 and HRK 27 million kuna for the second quarter of 2021. In addition, the payment of interest in the total amount of around HRK 47 million was postponed.

On 30 June, after the expiration of the moratorium period with commercial banks, the Group began regular repayment of credit liabilities.

### Assets and liabilities



On 30 September 2021 the Group's cash balance amounted to HRK 1,319.1 million (an increase of 98.1% compared to 31 December 2020), which together with i) the agreed credit lines, ii) valuable tourist assets and iii) a strong operating business model make Group's stable balance sheet.

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



## HOTEL AND CAMPING RESORTS OVERVIEW

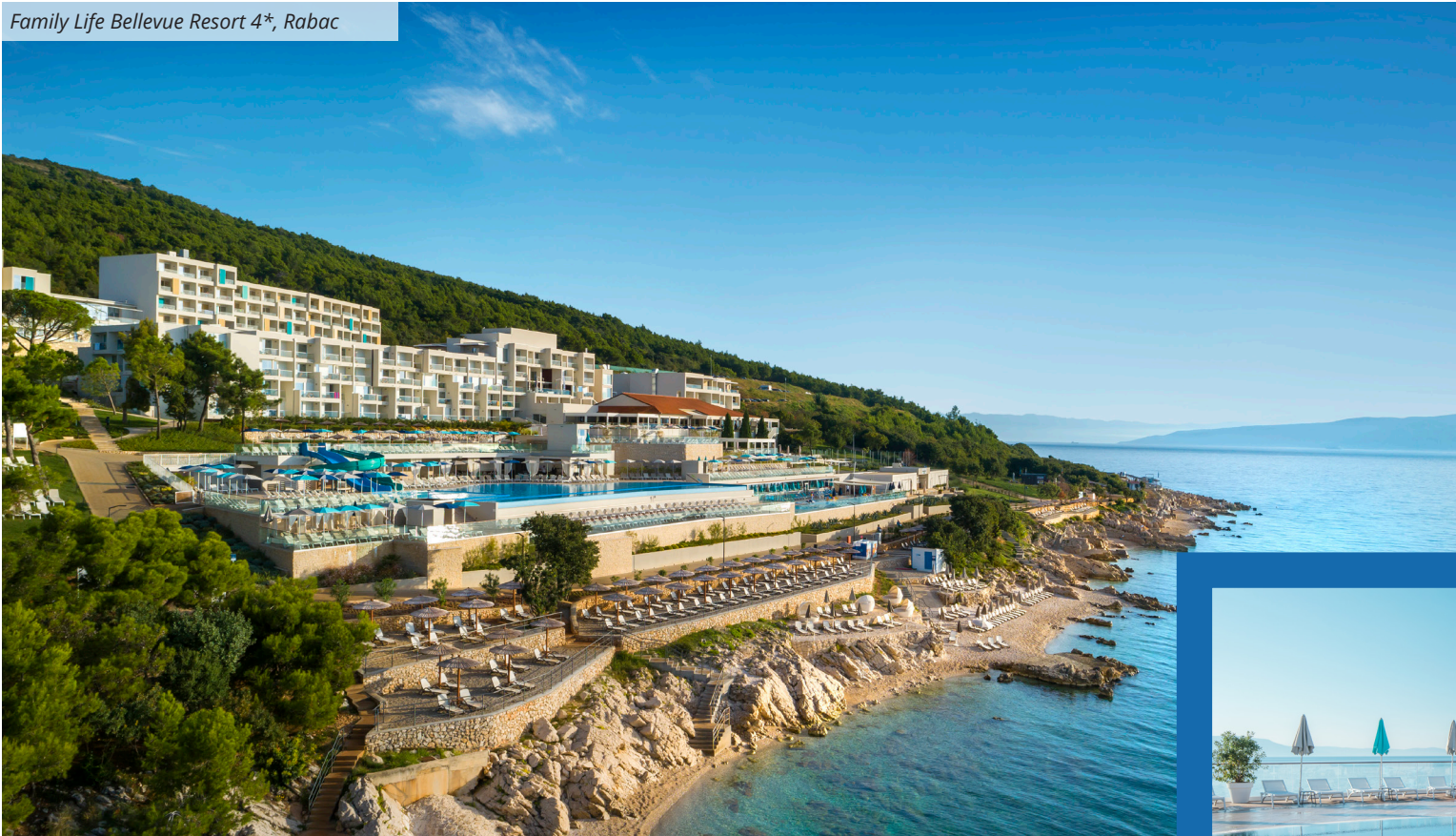
HOTELS AND RESORTS OVERVIEW		LOCATION	KEYS
Hotels and Resorts			9.292
VALAMAR COLLECTION			1.261
Marea Valamar Collection Suites	5*	Poreč	108
Imperial Valamar Collection Hotel	4*	Rab Island	136
Dubrovnik President Valamar Collection Hotel	5*	Dubrovnik	292
Isabella Valamar Collection Island Resort	4* / 5*	Poreč	334
Girandella Valamar Collection Resort	4* / 5*	Rabac	391
Pinea Valamar Collection Resort	5*	Poreč	0
VALAMAR HOTELS & RESORTS			3.964
Valamar Riviera Hotel & Residence	4*	Poreč	132
Valamar Tamaris Resort	4*	Poreč	507
Valamar Parentino Hotel	4*	Poreč	329
Valamar Bellevue Resort	4*	Rabac	372
Valamar Diamant Hotel & Residence	3*/4*	Poreč	372
Valamar Pinia Hotel	3*	Poreč	170
Valamar Sanfior Hotel & Casa	4*	Rabac	242
Valamar Atrium & Villa Adria	4* / 5*	Krk Island	92
Valamar Carolina Hotel & Villas	4*	Rab Island	176
Valamar Padova Hotel	4*	Rab Island	175
Valamar Meteor Hotel	4*	Makarska	268
Valamar Argosy Hotel	4*	Dubrovnik	308
Valamar Lacroma Dubrovnik Hotel	4*	Dubrovnik	401
Valamar Club Dubrovnik Hotel	3*	Dubrovnik	338
Valamar Obertauern Hotel	4*	Austria	82
[PLACES] by Valamar			179
Hvar [PLACESHOTEL] by Valamar	3*	Hvar Islan.	179
SUNNY BY VALAMAR			3.888
Lanterna Sunny Resort by Valamar	2*	Poreč	606
Allegro Sunny Hotel & Residence by Valamar	3*	Rabac	180
Corinthia Baška Sunny Hotel by Valamar	3*	Krk Island	431
San Marino Sunny Resort by Valamar	3*	Rab Island	457
Eva Sunny Hotel & Residence	2*	Rab Island	284
Dalmacija Sunny Hotel by Valamar	3*	Makarska	190
Rivijera Sunny Resort by Valamar	2*	Makarska	258
Tirena Sunny Hotel by Valamar	3*	Dubrovnik	208
Trim & Helios Sunny Apartments by Valamar	2*	Hvar Islan.	85
Crystal Sunny Hotel by Valamar	4*	Poreč	223
Rubin Sunny Hotel by Valamar	3*	Poreč	253
Miramar Sunny Hotel & Residence by Valamar	3*	Rabac	178
Zvonimir Sunny Hotel by Valamar	4*	Krk Island	85
Koralj Sunny Hotel by Valamar	3*	Krk Island	194
Arkada Sunny Hotel by Valamar	2*	Hvar Islan.	256

CAMPING RESORTS OVERVIEW		LOCATION	KEYS
Camping Resorts			11.557
CAMPING ADRIATIC BY VALAMAR - PREMIUM RESORTS			5.352
Istra Premium Camping Resort by Valamar	5*	Poreč	874
Lanterna Premium Camping Resort by Valamar	4*	Poreč	2.930
Krk Premium Camping Resort by Valamar	5*	Krk Island	500
Ježevac Premium Camping Resort by Valamar	4*	Krk Island	632
Padova Premium Camping Resort by Valamar	4*	Rab Island	416
CAMPING ADRIATIC BY VALAMAR - RESORTS			4.555
Orsera Camping Resort by Valamar	3*	Poreč	592
Solaris Camping Resort by Valamar	3*	Poreč	1.824
Marina Camping Resort by Valamar	4*	Rabac	329
Baška Beach Camping Resort by Valamar	4*	Krk Island	593
Bunculuka Camping Resort by Valamar	4*	Krk Island	408
San Marino Camping Resort by Valamar	4*	Rab Island	809
CAMPING ADRIATIC BY VALAMAR - SUNNY			1.650
Brioni Sunny Camping by Valamar	2*	Pula	734
Tunarića Sunny Camping by Valamar	2*	Rabac	160
Škrila Sunny Camping by Valamar	3*	Krk Island	342
Solitude Sunny Camping by Valamar	3*	Dubrovnik	414

54%  
OF  
ACCOMMODATION  
UNITS ARE IN THE  
PREMIUM AND  
UPSCALE SEGMENT



Family Life Bellevue Resort 4\*, Rabac



# Results of the Company

In the first nine months of 2021, total revenues increased by 127.6% to the amount of HRK 1,305.4 million.

Sales revenues amount to HRK 1,263.7 million with a 96.8% share in total revenues. Compared to the same period last year, they are higher by 134.4% as a result of increased business volume.

Sales revenues in the country amount to HRK 128.3 million with a share of 10.2% in total sales revenues (12.4% in 2020) and are higher by HRK 61.4 million compared to the previous year. Revenues from sales on foreign markets amount to HRK 1,135.3 million with a share of 89.8% in total revenues (87.6% in 2020). Compared to the previous comparable period, they are higher by HRK 663.1 million.

Material costs amount to HRK 327.1 million with a growth of 75.3% after increased business volume. Staff costs amount to HRK 205.4 million and are 29.9% higher than in the same period last year, also due to the increased volume of business and the need for workforce.

Depreciation amounts to HRK 299.9 million and is higher by 0.3% compared to the same period last year. Value adjustments and provisions amount to HRK 19.1 thousand.

In the first nine months of 2021, net financial result amounts to HRK -22.1 million (HRK -81.1 million in 2020). The main reason for HRK 59.0 million better financial result compared to the previous year is primarily the increase in net foreign exchange gains (primarily unrealized on long-term loans) by HRK 57.1 million, given that in the first nine months of 2021 there was no strong depreciation of the kuna against euro as recorded in the same comparable period previous year.

On the other hand, interest on long-term and short-term loans increased by HRK 3.1 million due to new liquidity sources.

EBITDA amounted to HRK 663.1 million, which is an improvement of HRK 524.1 million compared to EBITDA realized in the first nine months of 2020 at the level of HRK 139.0 million. The main reasons for this are

#### IMPROVEMENT OF EBITDA COMPARED TO THE SAME PERIOD IN 2020

very strong demand for most of our properties in the high season, which has led to a significant increase in the number of overnight stays and a significant increase in ADRs. In addition, the Company recorded a favourable development of all major cost categories in the pre-season after adjusting to pandemic working conditions, which includes general business rationalization and internal savings measures taken as well as the implementation of "Pause, restart program".

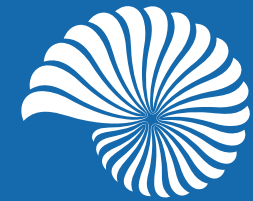
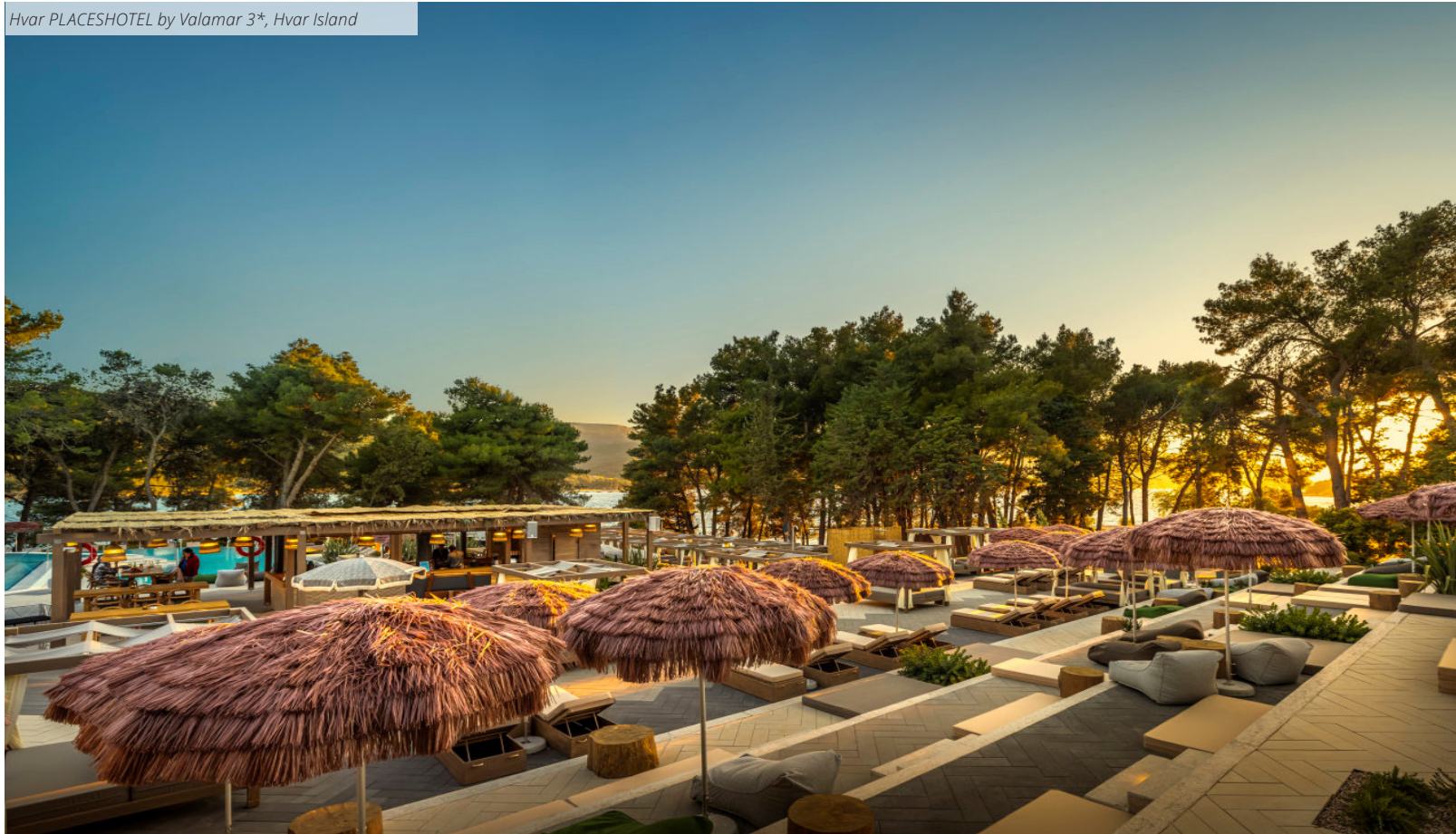
Furthermore, the use of support measures by the Government of the Republic of Croatia, enabled the Group to preserve jobs and to be able to prepare 2021 tourist season efficiently.

Total assets of the Company on 30 September 2021 amounted to HRK 6,157.8 million and were higher by 3.4% compared to 31 December 2020. Total share capital and reserves amount to HRK 2,609.3 million and are higher by 9.4% as a result of the realized profit in the first nine months of 2021.

On 30 September 2021 the Company's cash balance amounts to HRK 1,068.1 million, which is an increase of 104.2% compared to 31 December 2020.



Hvar PLACESHOTEL by Valamar 3\*, Hvar Island



# 2021 Investments

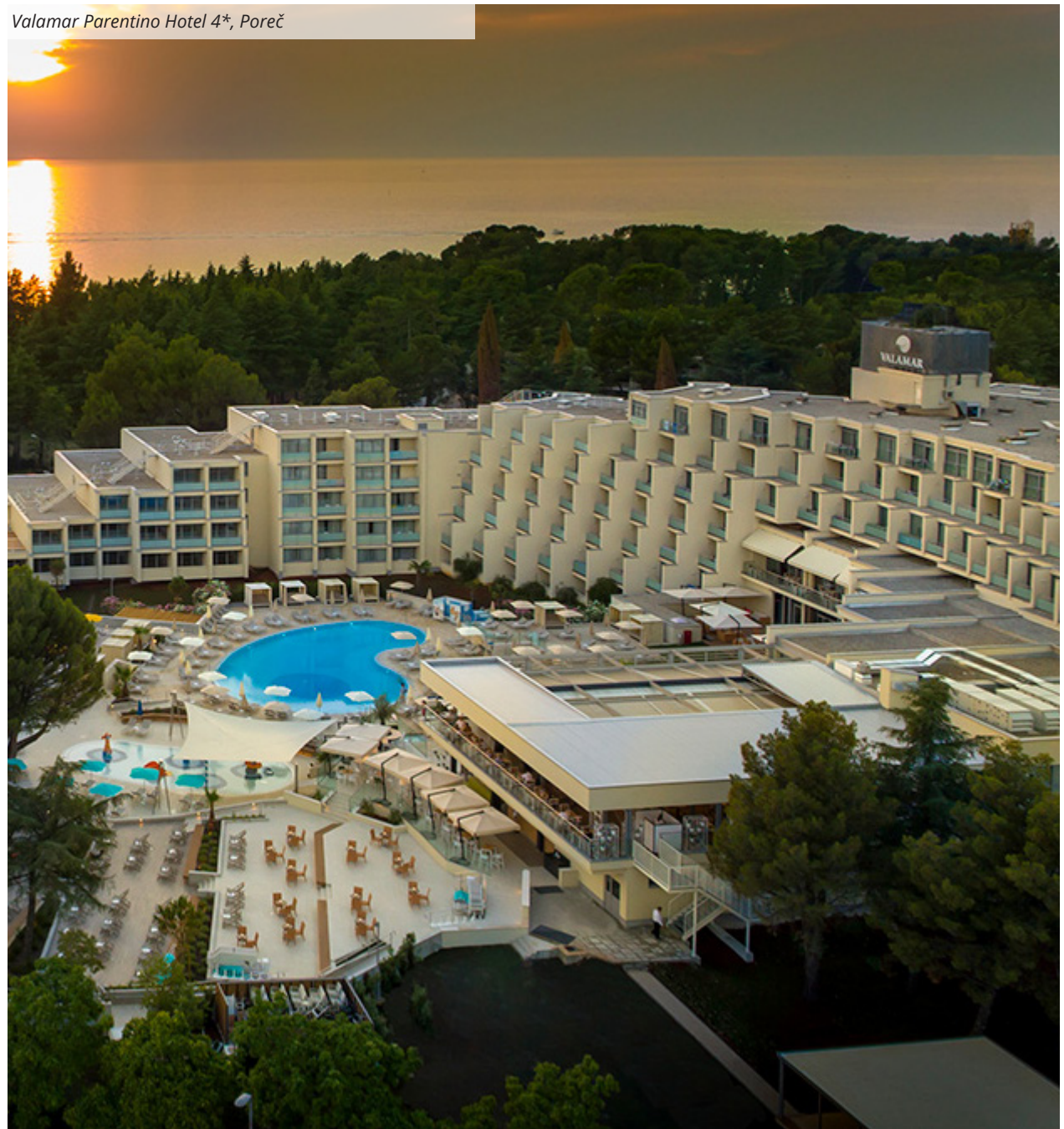


Valamar's strategy for the development of tourism products and high added-value amenities is one of the main drivers of growth and sustainable business continuity. The strategy is steered by sustainability and social responsibility while investing in products, employees and tourist destinations. Furthermore, Valamar's service concepts are continuously being developed to align the offer with current market requirements, primarily guests' trends and expectations. With a timely and thorough approach to mitigating and controlling the adverse effects caused by the COVID-19 pandemic, a customized business plan was introduced in all business segments, including investments.

The planned portfolio repositioning and development of high added-value products and services, with emphasis on the premium segment of resorts and camping resorts, has been adjusted by reducing investment intensity all while preparing new growth and development projects when the conditions are met. In order to align the hospitality portfolio plan and development with the current tourism flows and the proactive approach to cash flow management and financing, the investments in 2021 will mostly be focused on the completion of projects and raising service quality and guest satisfaction.

Considering the reduced investment intensity, the total approved investments of the Valamar Group in the 2020/2021 investment cycle amounts to HRK 164 million in 2021. As last year, the Valamar Group will continue to adapt its products and develop digitization digitalization projects to further enhance service quality and guest safety in the upcoming tourist season. At the Group level, a total of HRK 16 million has been provided for health and safety, as well as digitalization and innovation projects. Investments in this segment include the continuation of projects from 2020, and relate to the automation of processes and systems such as improving the Online Reception and "self check-in" system, automating gate

Valamar Parentino Hotel 4\*, Poreč



barriers, improving Valfresco Direkt online store services and other similar projects aimed at enhancing our guest's health and safety services for our guests. HRK 17 million has been provided for smaller investments and the purchase of new equipment and furniture, while the remaining amount has been directed towards the completion of initiated investments in construction works and the preparation of future investments. All investments were completed within the planned deadlines.

## VALAMAR RIVIERA

Valamar Riviera provided HRK 123 million for the 2020/2021 investment cycle, and in addition to investments aimed at enhancing and implementing the program for guests' health and safety, the company focused on investments in Istra Premium Camping Resort 5\*. Considering the current consumer trends and preferences, this is a particularly attractive accommodation category, which represents a specific product of high guest loyalty, especially due to the perception of reduced health risks. Given the high occupancy rate of Istra Premium Camping Resort 5\* in 2020 despite the unfavorable circumstances, the amount of HRK 10 million has been invested in enhancing service quality in 2021, mostly in the Glamping zone and food and beverages facilities.

Service quality has also been enhanced through targeted investments in three Valamar hotels. These include improvements of the exterior and interior of the Champagne Breakfast & Brunch restaurant and Spinnaker

IN YEAR 2021  
INVESTMENTS  
ARE FOCUSED ON  
COMPLETION OF  
STARTED PROJECTS

ALL INVESTMENTS  
WERE COMPLETED  
WITHIN THE  
PLANNED  
DEADLINES

restaurant at the Valamar Riviera Hotel, situated at the old town waterfront in of Poreč, which will enhance the new Old Town Holiday label within the Valamar Hotels & Resorts brand. Investments in this category include the promotion of the Sunny by Valamar economy brand. As part of its rebranding, the Miramar Sunny Hotel has improved Breakfast & Lunch services, introduced the Valfresco 24/7 service with a rich menu available to guests, a digital library and the Chill & Play Zone, which makes digital books and fun games available to our guests. In addition to the above, the investment includes a self-service laundry and 30 rearranged accommodation units. Investments in the Rubin Sunny Hotel are focused on renovating its interior public spaces.

Valamar launched a new lifestyle brand called [PLACES] by Valamar, intended for guests seeking freedom of choice, modern design and authentic destination experience with full respect for nature and the environment. Lifestyle hotels have become a trend in the global hotel industry recently because they go beyond the limits of the traditional hospitality industry. They are focused on creating unique experiences and offering authentic services, i.e. on presenting the most

Istra Premium Camping Resort 5\*, Poreč





valuable things in a destination. Thus they are able to attract modern and young travellers, especially Millennials who particularly enjoy such type of travelling, including encounters with like-minded people, tasting natural foods and dishes and who care about environmental sustainability. The first Valamar's hotel under this new brand is HVAR [PLACESHOTEL] by Valamar in Stari Grad on the island of Hvar (the ex Lavanda hotel). Valamar invested close to HRK 53 million in its refurbishment, and it was opened mid of May 2021. The hotel has 179 rooms, which are a blend of the Mediterranean tradition and of the modern design.

Considering the aforementioned optimized investment plan in accordance with the current circumstances, sufficient funds have been provided in this investment cycle for the completion of the first phase of investment in Valamar Pinea Collection Resort, while the accommodation for employees in Dubrovnik has been completed.

## IMPERIAL RIVIERA

Planned investments in the 2020/2021 cycle at the level of Imperial Riviera amount to HRK 41 million and mostly relate to the final phases of investment projects in the Valamar Meteor Hotel and the Valamar Parentino Hotel, which were postponed due to the previously mentioned extraordinary circumstances caused by the COVID-19 pandemic.

By investing in the Valamar Parentino Hotel, the main finalized projects include the renovation of 40 accommodation units, a children's playground, a pool bar, parking lot and landscape design. The investment in the Valamar Meteor Hotel was worth HRK 85 million in total, enabling the hotel to have a series of new amenities and offer higher quality accommodation. The offer of the Valamar Meteor Hotel is oriented primarily towards families with children, towards guests seeking an active vacation and athletes of all profiles. The investment into the Valamar Meteor Hotel included the construction of a new outdoor pool and an expansion of the current one with new amenities and attractions for family vacation. Its indoor pool with wellness was also renovated according to the Valamar Sun & Spa concept. 111 hotel rooms were refurbished in the first investment phase, while the remaining 160 rooms were refurbished in the second phase.

*Valamar Meteor Hotel 4\*, Makarska*





Bunculuka Camping Resort 4\*, Krk island



# The Risks of the Company and the Group



Tourism is a global industry, closely connected with the real and financial economy, geopolitical position and environmental sustainability. The integrity of this industry will determine its future growth. 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.

## 5

### KEY STEPS IN RISK MANAGEMENT PROCESS

There are five key steps in a risk management process:

- 1) Identifying potential risks;
- 2) Assessing identified risks;
- 3) Determining actions and responsibilities for efficient risk management;
- 4) Monitoring and overseeing preventive actions;
- 5) Exchanging information on risk management results conducted by the Management board.

The different types of risks facing Valamar Riviera can be classified into the following groups:

- Financial risks - related to financial variables, can have a negative impact on meeting liabilities for the company and the Group, liquidity, debt management etc.;
- Business risks - related to the way company business is conducted in terms of supply and demand, competition, adapting to market trends, investments, growth etc.;
- Operational risks - can arise from inadequate use of information, errors in business operations, non-compliance with internal procedures, human error, IT system, financial reporting and related risks, etc.;
- Global risks - can arise from natural disasters, pandemics, food shortage, social unrest, wars and other force majeure events beyond Valamar Riviera's control;
- Compliance risks - can arise from failure to comply with state laws and local regulations; risks related to changes in tax and other regulations.

Destination Poreč



## FINANCIAL RISKS

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

- 1) Foreign exchange risk;
- 2) Interest rate risk;
- 3) 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. Historically, most of our foreign revenue has been in euros, the currency in which the majority of our long-term debt is denominated. Hence, for the most part the Company and Group are naturally hedged from exchange rate risks. Since some liabilities are contracted 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 cash flows are protected from the risk impact. Due to the emergence of exceptional circumstances caused by the COVID-19 pandemic in the first quarter of 2020, potentially strong depreciation pressures against the kuna/ euro currency pair affect the value of euro-denominated long-term debt and contractual forward transactions whose potential negative effects are sought to be controlled by the proactive management of agreed derivative financial instruments. In the event of a drastic decrease of euro inflows, the Company and the Group will use existing euro liquidity reserves to service the long term debt repayments and make adequate use of financial

protection instruments, in accordance with the current state and future assessment of the Company's and the Group's foreign exchange position, expectations of movements in the value of the kuna/euro currency pair as well as other intercurrent relationships among world currencies.

### 2) Interest rate risk

Variable rate loans expose the Company and Group to cash flow interest rate risk. Actively, the Company and Group resort to derivative instruments in order to hedge cash flow and interest rate by applying interest rate swaps. The economic effect of such swaps is the conversion of variable interest rate loans into fixed interest rate loans for a precommitted hedged part of the loan principal. Therefore, a major part of the loan portfolio (over 80%) is comprised of long-term fixed interest loans or, respectively, loans hedged by a derivative instruments (IRS). 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 from the increased interest rate volatility consequent to the recent coronavirus pandemic, since a large portion of the Group's loan portfolio (85%) is made up of long-term fixed-rate loans, i.e. loans protected by derivative instruments (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. In order to reduce credit risk, the Company and the Group continuously monitor their exposure to the business parties and their creditworthiness, obtain instruments for securing receivables (bills of exchange, debentures and guarantees), thus reducing the risks of uncollectability of their receivables for the services provided. In view of the negative effects of COVID-19 on the customers of the Company and the Group, especially tour operators and travel agencies, the impact of the currently unfavorable circumstances on the related parties is being closely monitored, while actively reviewing the credit ratings 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. Valamar Riviera is not an active participant in the market trade in terms of trading in equity and debt securities. However, with investments in buying Imperial Riviera and Helios Faros shares, the company is exposed to the said risk to a certain extent.

#### 5) Liquidity risk

The Company and Group have a sound liquidity risk management. Sufficient funds for meeting liabilities are available at any given moment through adequate amounts from contracted credit lines and by ensuring credit line availability in the future. Liquidity risk is managed by generating strong positive net operating cash flows, while capital investments are financed by credit lines. Credit lines for 2020 and 2021 have been contracted with reputable financial institutions, while credit repayments in general are in line with the period of significant cash inflows from operating activities. The repayment of the major credit lines coincides with periods of strong cash inflows from operations. The Company and Group monitor the level of available funds through daily cash and debt reports. Long-term cash flow forecasts as well as annual (monthly) forecasts are based on the set budget. After meeting the needs of working capital management the surplus is deposited in the treasury. From there the funds are invested in interest-bearing current accounts, time deposits, money market deposit accounts and marketable securities. Only instruments with suitable maturities and sufficient liquidity are selected, according to the forecast needs for liquid funds.

COVID-19 pandemic, as an external stressor to the operations of the Company and the Group, will create uncertain pressures on operating cash flow. In accordance with prudent management of the now increased liquidity risk, escalation plans for minimizing costs, maintaining liquidity, solvency of the company and maintaining business continuity were developed and activated, together with applications for support measures and assistance to the economy and the tourism sector, including temporary deferral of payment of overdue principal on long-term loans in accordance with the given opportunity of a moratorium on the repayment of credit obligations.

#### 6) Share-related risks

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

### BUSINESS RISK

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

Over 95% of Valamar Riviera's guests come from other countries and they are very careful when choosing their vacation destination in the competitive Mediterranean environment. Stable 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 the NATO.

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

### 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 to a certain extent investments into tourism and hospitality, there are challenges that the Croatian tourism has to face, such as:

- Periods of global financial crisis which reduce the purchasing power of the travelling-prone population;
- Security 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 waste water treatment as well as extensive use of agricultural fertilizers. Other environmental conditions typical for climate changes such as long drought periods or long rainy periods can directly influence the guests' length of stay in the hotels and campsites as well as increasing the operating costs. A number of other natural disasters and calamities (earthquakes, fires, floods and rainstorms), air pollution caused by toxic gas emissions from industrial plants and vehicles, as well excessive

urbanization and the introduction of plant and animal invasive species should also be taken into consideration. Likewise, disease outbreaks and pandemics can adversely affect Valamar's business results. In order to minimize their impact, Valamar is actively tracking pandemic and health risk levels worldwide, especially on its source markets, and taking proactive steps in their management. The COVID-19 pandemic is a recent example of the operational and financial disruption to the global economy, especially tourism flows, since almost all global destinations are blocked by travel restrictions. The emergence of exceptional circumstances in the Republic of Croatia and the introduction of extraordinary measures to prohibit gatherings, movements and the operation of restaurants and shops, all with the primary objective of protecting the population from the risk of contagion, resulted in the expected consequential and immediate disruption of the Company's and the Group's operations, cancellation of accommodation and other contracted services by partner agencies and guests.

## REGULATORY RISKS

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

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

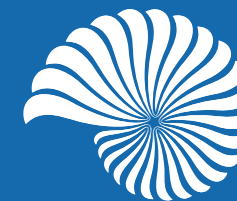
per person per overnight, depending on the class of the destination and utilization period;

- In January 2020 the VAT rate for a la carte food services was reduced from 25% to 13%.

Such frequent changes in laws regulating taxes and parafiscal charges often take place only after the business policy and budget for the next financial year have been approved and commercial terms and conditions with partners agreed. All this jeopardizes the Company and Group financial position and future investment plans as well as credibility towards shareholders. The Company and Group are also threatened by changes in regulations governing concession fees for maritime domain and tourism land use, the latter still presenting unresolved legal issues. Given the nature of the Company and Group's business, the right to use parts of the maritime domain as well as land for tourism purposes is of vital importance for future growth, especially for campsite-related operations.



Valamar Collection Imperial Hotel 5\*, Rab island



# Corporate Governance

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

Since the beginning of the COVID-19 pandemic, Valamar Riviera has actively engaged in mitigating and controlling potential risks. On 2 March 2020 it formed the Risk Management Committee and adopted the Risk Management Rules. The Committee, tasked with assessing risk events and impacts on operations, guests and employees, determines the measures necessary to protect guests, employees and assets and organize business processes and operations. Depending on circumstances and risk intensity, the Committee decides on: adjusting the financial, business and contingency plan, the activation of escalation plans to safeguard company liquidity and solvency and maintain business continuity, and on other measures according to booking and revenue estimates. The Supervisory Board Presidium receives the Committee's reports on the current state, activities and estimated risk impact on the Company's operations at least once a month or more often as circumstances dictate. The Risk Management Committee consists of the Management Board (Željko Kukurin, President and Marko Čižmek, Member), Division Vice Presidents (Alen Benković, Davor Brenko, Ivana Budin Arhanić and David Poropat), Human Resources Director (Ines Damjanić Šturman) and Legal Affairs Head (Vesna Tomić).

The major direct Valamar's shareholders according to the Central Depository and Clearing Company data and the shareholders whom are Valamar's Management Board and Supervisory Board members are as follows: the Chairman of the Supervisory Board, Mr. Gustav Wurmboeck, holds a 100% stake in Wurmboeck Beteiligungs GmbH, which holds 25,017,698 RIVP-R-A shares; the Deputy

THE GROUP HAS  
ESTABLISHED  
HIGH STANDARDS  
OF CORPORATE  
GOVERNANCE  
IN ORDER  
TO OPERATE  
TRANSPARENTLY  
AND EFFICIENTLY

Chairman of the Supervisory Board, Mr. Franz Lanschuetzer, holds 4,437,788 RIVP-R-A shares; the Deputy Chairman of the Supervisory Board, Mr. Mladen Markoč, holds 30,618 RIVP-R-A shares; the Member of the Supervisory Board Mr. Georg Eltz holds a total of 6,545,367 RIVP-R-A shares, of which directly 20,463 RIVP-R-A shares, and indirectly through a 100% stake in company Satis d.o.o. 6,524,904 RIVP-R-A shares; the President of the Management Board, Mr. Željko Kukurin, holds 126,360 RIVP-R-A shares; and the Member of the Management Board Mr. Marko Čižmek holds 53,128 RIVP-R-A shares. The Company defined the process of preparing and disclosing financial reports in a detailed internal document. With this, the financial reporting procedure is set within a system of internal review and risk management. Moreover, in order to monitor and mitigate the financial reporting risk, the Company uses the measures described in "The Risks of the Company and the Group".

The Companies Act and the Company Statute define the General Assembly's authority and prescribe how it meets and works. The meeting invitation, proposals and the adopted resolutions are made public according to the provisions of the Companies Act, Capital Market Act and the Zagreb Stock Exchange Rules. There is a time limit related to the voting right at the General Assembly: according to the provisions of the Croatian Companies Act, shareholders are required to register their participation within the prescribed time limit in order to attend the General Assembly. Under no circumstances can the financial right arising from securities be separated from holding the securities. There are no securities with special control rights nor are there any limitations to voting rights at the Company (one share, one vote).

The Company Statute complies with the Croatian Companies Act and the provisions of the Procedure of appointment, i.e. the election and profile of the Management Board and the Supervisory Board and defines the procedure of appointing and recalling members of the Management Board and Supervisory Board. There are no limitations based on gender, age, education, profession or similar. The Companies Act determines any amendments to the Company Statute, without any additional limitations. The Management Board members' authority fully complies with the regulations prescribed by the Companies Act.

The Company acquires treasury shares based on and in accordance with the conditions determined by the General Assembly's decision on acquisition of treasury shares dated on 9 May 2019 which is in force as of 17 November 2019.



The Company does not have a share-buyback program or an employee share ownership plan. The Company holds and acquires treasury shares as a form of rewarding the Management and key managers pursuant to the Company acts on the long-term reward plan and for the purpose of dividend payout in rights - Company share to the equity holders. During first half of 2021 the Company wasn't involved in treasury shares acquisition neither disposal of its own shares.

### THE COMPANY'S CORPORATE BODIES ARE:

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

Pursuant to the provisions of the Capital Market Act and Regulation (EU) no. 596/2014, the Company has determined its key management: four vice presidents: Alen Benković, Davor Brenko, Ivana Budin Arhanić and David Poropat; and 23 sector directors and managers: Ines Damjanić Šturman, Tomislav Dumančić, Ljubica Grbac, Flavio Gregorović, Marin Gulan, Vlastimir Ivančić, Željko Jurcan, Ivan Karlić, Dario Kinkela, Mauro Teković, Mile Pavlica, Tomislav Poljuha, Mirella Premeru, Bruno Radoš, Sandi Sinožić, Martina Šolić, Andrea Štifanić, Mauro Teković, Dragan Vlahović, Ivica Vrkić, Mario Skopljaković, Marko Vusić i Vesna Tomić.

**Supervisory Board:** Mr. Gustav Wurmböck - Chairman, Mr. Franz Lanschützer - Deputy Chairman, Mr. Mladen Markoč - Deputy Chairman, and members: Mr. Georg Eltz, Mr. Daniel Goldscheider, Mr. Boris Galić and Mr. Ivan Ergović (employee representative).

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

**Presidium:** Mr. Gustav Wurmböck - Chairman, and members: Mr. Franz Lanschützer and Mr. Mladen Markoč.

**Audit Committee:** Mr. Georg Eltz - Chairman, and members: Mr. Mladen Markoč, and Mr. Boris Galić

**Investment Committee:** Mr. Franz Lanschützer - Chairman and members: Mr. Georg Eltz and Mr. Gustav Wurmböck.

**Committee on Digitization and Sustainability:** Mr Daniel Goldscheider, Chairman and members: Mr Franz Lanschützer and Mr Gustav Wurmböck

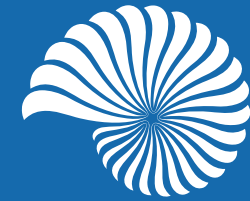
Compliant to effective regulations and Company by laws, the Management and Supervisory Board primarily act through meetings and by correspondence in their decision-making.

The Company has concluded Employment contracts with the President and a member of the Management Board for the duration of the term for which they were appointed, and a member of the Supervisory Board, employee representative, has an employment contract for an indefinite period. Board and the Company no other contracts or agreements have been concluded.





Valamar Collection Dubrovnik President Hotel 5\*, Dubrovnik



# Related-party Transactions & Branch Offices

## RELATED-PARTY TRANSACTIONS

Related parties' transactions within the Group are undertaken under usual commercial terms, deadlines and market prices.

In the period from 1 January 2021 until 30 September 2021, the company's revenues from related parties' transactions amounted to HRK 17.5 million (vs. HRK 7.7 million for the same period of 2020), while the Group's revenues amounted to HRK 2.2 million (vs. HRK 1.6 million for the same period of 2020). Company's expenses amounted to HRK 3.7 million (vs. HRK 1.0 million for the same period of 2020), and Group's expenses amounted to HRK 535 thousand (vs. HRK 120 thousand for the same period of 2020).

As at 30 September 2021, receivables and liabilities toward related parties are as follows: company's receivables amount to HRK 3.4 million (vs. HRK 546 thousand EO 2020), and Group's receivables amount to HRK 251 thousand (vs. HRK 331 thousand EO 2020). Company's liabilities amount to HRK 1.1 million (vs. HRK 220 thousand EO 2020), and Group's receivables amount to HRK 26 thousand (vs. HRK 84 thousand EO 2020).

The Company's receivables in the amount of HRK 3.4 million mostly relate to the Agreements on the management of hotel-tourism properties and amenities with Imperial Riviera d.d. and Helios Faros d.d. (eg management services and reservation centre services) and other separate contracts (eg investment project consulting and management services, rental services, laundry processing and transport services, technical maintenance and environmental maintenance services, grocery sales services, food preparation and production from central kitchens, etc.).

The Company's liabilities in the amount of HRK 1.1 million mainly relate to laundry processing services by Praona doo (a member of the Imperial Group) and office space rental services on Rab, Makarska and Poreč for the needs of Valamar Riviera employees who, in accordance with

the Agreements on the management of hotel-tourism properties and amenities manage hotel operations, business of hotel-tourism properties as well as sales and marketing in Imperial Riviera.

## BRANCH OFFICES OF THE COMPANY

The following subsidiaries were registered on 2 September 2011: Podružnica za turizam RABAC, with registered office in Rabac, Slobode 80, Podružnica za turizam ZLATNI OTOK, with registered office in Krk, Vršanska 8. The following branch office was registered on 4 October 2013: Podružnica za turizam DUBROVNIK BABIN KUK, with registered office in Dubrovnik, Vatroslava Lisinskog 15a. The following branch office was registered on 1 October 2014: Podružnica za savjetovanje u vezi s poslovanjem i upravljanjem ZAGREB, with registered office in Zagreb, Miramarska 24. The following branch office was registered on 1 April 2017: Podružnica za turizam BRIONI, with registered office in Pula, Puntičela 155.

The subsidiaries of Rabac, Zlatni otok, Dubrovnik-Babin kuk and Brioni are the drivers of economic growth in their local communities. They operate at their destinations and support their development by promoting further investments and the development of tourism while participating in social and business activities.

The Company also established offices on Rab island, in Makarska and in Stari Grad on the Hvar island to increase the efficiency and streamline the management of operations as determined by the provisions of the concluded Hotel management contracts with Imperial Riviera d.d. and Helios Faros d.d



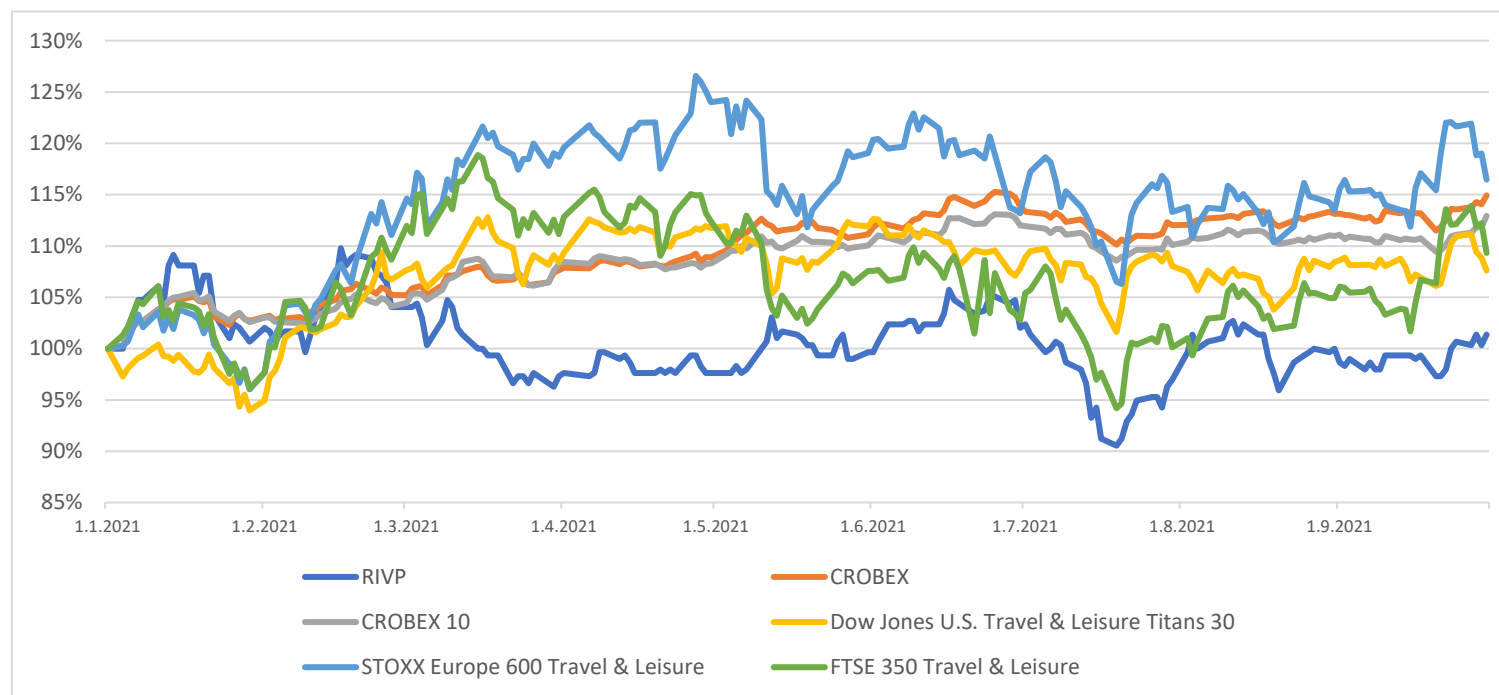
Valamar Collection Marea Suites 5\*, Poreč



# Valamar Share



Performance of Valamar Riviera's share and Zagreb Stock Exchange and travel and leisure indices in first nine months of 2021.



During the first nine months of 2021, the highest achieved share price in regular trading on the regulated market was HRK 32.60, and the lowest HRK 26.50. On 30 September 2021 the price was HRK 30.00 which represents a increase of 1.4% compared to the last price in 2020. With a total turnover of HRK 126.3 million<sup>17</sup>, Valamar Riviera share was the third share on the Zagreb Stock Exchange in terms of turnover during the first nine months of 2021.

In addition to the Zagreb Stock Exchange index, the joint stock index of the Zagreb and Ljubljana stock Stock exchanges Exchanges ADRIAprime, the stock is also a component of the Vienna Stock Exchange index (CROX<sup>18</sup> and SETX<sup>19</sup>) and the Warsaw Stock

Exchange (CEEplus<sup>20</sup>), the SEE Link regional platform index (SEELinX and SEELinX EWI)<sup>21</sup> and the MSCI Frontier Markets Index. Zagrebačka banka d.d. and Interkapital vrijednosni papiri d.o.o. perform the activities of market makers with ordinary shares of Valamar Riviera listed on the Leading Market of the Zagreb Stock Exchange d.d.

The Company did not acquire or dispose of its own shares in the period from 1 January 2021 to 30 September 2021. As of 30 September 2021, the Company holds 4,139,635 treasury shares, which is 3.28% of the share capital.

<sup>17</sup> Block transactions are excluded from the calculation.

<sup>18</sup> Croatian Traded Index (CROX) is a capitalization-weighted price index and is made up of 12 most liquid and highest capitalized shares of Zagreb Stock Exchange.

<sup>19</sup> South-East Europe Traded Index (SETX) is a capitalization-weighted price index consisting of blue chip stocks traded on stock exchanges in the region of South-eastern Europe (shares listed in Bucharest, Ljubljana, Sofia, Belgrade and Zagreb).

<sup>20</sup> CEEplus is a stock index that comprise the most liquid stocks listed on stock exchanges in the Visegrad Group countries (Poland, Czech Republic, Slovakia, Hungary) and Croatia, Romania and Slovenia.

<sup>21</sup> SEE Link is a regional platform for securities trading. It was founded by Bulgarian, Macedonian, and Zagreb Stock Exchange. SEE LinX and SEE LinX EWI are two "blue chip" regional indices composed of ten most liquid regional companies listed on three Stock Exchanges: five from Croatia, three from Bulgaria, and two from Macedonia.

Valamar Riviera actively holds meetings and conference calls with domestic and foreign investors, as well as presentations for investors, providing support for facilitating the highest possible level of transparency, creating additional liquidity, increasing share value and involving potential investors. By continuing to actively represent Valamar Riviera, we will strive to contribute to a further growth in value for all stakeholders with the intention of recognizing the Company's share as one of the leaders on the Croatian capital market and one of the leaders in the CEE region.

Analytical coverage of Valamar Riviera is provided by: 1) ERSTE bank d.d., Zagreb; 2) Interkapital vrijednosni papiri d.o.o., Zagreb; 3) Raiffeisenbank

3<sup>rd</sup>

MOST ACTIVELY  
TRADED SHARE  
ON THE ZAGREB  
STOCK EXCHANGE  
IN THE FIRST NINE  
MONTHS OF 2021

Austria d.d., Zagreb; 4) Zagrebačka banka d.d., Zagreb.

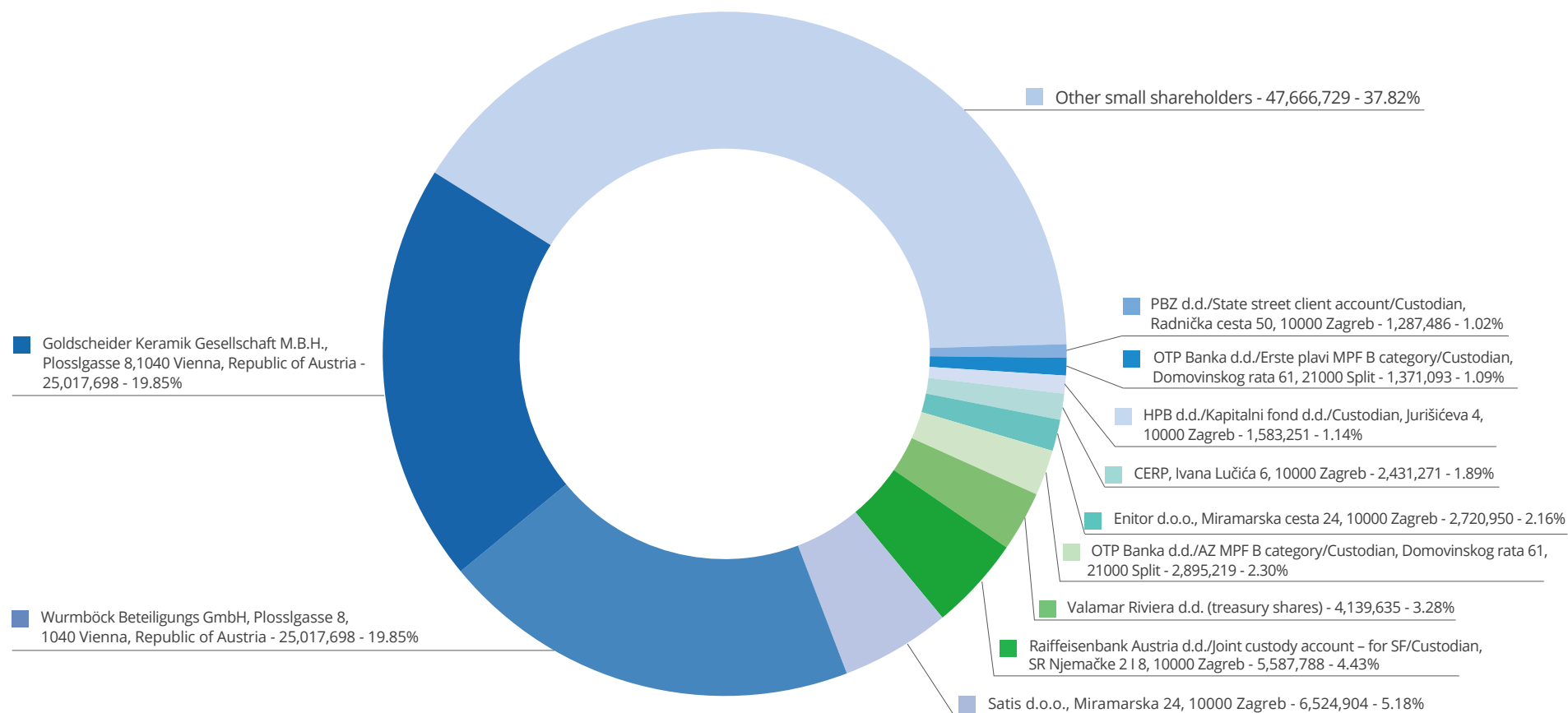
In October, at a conference of the Zagreb Stock Exchange and Croatian pension investment fund industry, Valamar was ranked third in the Investor Relations Award in Croatia in 2021. The conference is sponsored by business newspaper Poslovni dnevnik.

Valamar Obertauern Hotel 4\*, Obertauern





## OVERVIEW OF MAJOR SHAREHOLDERS AS AT 30 SEPTEMBER 2021:





Padova Premium Camping Resort 4\*, Rab island




# Additional Information



Lanterna Premium Camping Resort 4\*, Poreč



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

## ADDITIONAL INFORMATION

On 20 April 2021 Integrated Annual Report and Corporate Social Responsibility for 2020 was published, which also includes a non-financial report. The main goal of the report, prepared in accordance with the Standards of the Global Reporting Initiative (GRI), is to further present the strategic and long-term insight into the company's operations to all key stakeholders, including shareholders, employees, partners, guests and the wider community with special focus on sustainable business as a basis for further development of the company. The report also includes environmental, social and management factors in line with the ESG components of responsible investment. The report is available on the websites of the Zagreb Stock Exchange and Valamar Riviera: [www.valamar-riviera.com](http://www.valamar-riviera.com).

As one of the largest employers in Croatia (as of 30 September 2021, the Group employed a total of 4,996 employees, of which 1,936 permanent, and the Company 4,090 employees, of which 1,578 permanent), the Company and the Group systematically and continuously invest in the development of their human resources through a comprehensive strategic approach to their management that includes a transparent recruitment process, clear goals, measuring employee performance and investing in employee development, as well as their careers, and encouraging two-way communication.

In the course of the first nine months of 2021 the Company's Management Board managed and represented the company pursuant to regulations and the provisions of the Company Statute, and planned a business policy that was implemented with prudent care. The Company's Management Board will continue to undertake all the necessary measures in order to ensure sustainability and business growth. The quarterly separate and consolidated financial statements for the first nine months of 2021 were adopted by the by the Management Board on 25 October 2021. The Management Board expresses its gratitude to all shareholders, business partners, and guests for their support and trust, and particularly to all employees for their contribution.

Management Board of the Company

**Željko Kukurin**  
Predsjednik Uprave



**Marko Čizmek**  
Član Uprave



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



**Disclaimer**



This report contains certain outlook based on currently available facts, findings and circumstances and estimates in this regard. Our outlook is based including, but no limited on a) results achieved in the first nine months of 2021; b) operating results achieved by 28 October 2021; c) current booking status; d) 2021 year end business results forecast; e) temporary business suspension (Pause, restart); f) currently adopted set of support measures by the Croatian government, Croatian National Bank, Croatian Bank for Reconstruction and Development, competent ministries as well as state and local authorities; g) the absence of further significant negative effects of the risks to which the Company and the Group are exposed.

Outlook statements are based on currently available information, current assumptions, forward-looking expectations and projections. This outlook is not a guarantee of future results and is subject to future events, risks, and uncertainties, many of which are beyond the control of, or currently unknown to Valamar Riviera, as well as potentially incorrect assumptions that could cause the actual results to materially differ from the said expectations and forecasts. Risks and uncertainties include, but are not limited to those described in the chapter "Risks of the Company and the Group". Materially significant deviations from the outlook may arise from changes in circumstances, assumptions not being realized, as well as other risks, uncertainties, and factors, including, but no limited to:

- Recall of aid measures adopted by the Croatian government, Croatian National Bank, Croatian Bank for Reconstruction and Development, competent ministries as well as state and local authorities to help the economy and mitigate the extraordinary circumstances caused by the COVID-19 pandemic;
- Macro-economic trends 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, trends in the gross domestic product and industrial production, as well as other trends having a direct or indirect impact on the purchasing power of Valamar Riviera's guests;
- Economic conditions, security and political conditions, trends and events in the capital markets of the Republic of Croatia and Valamar Riviera's source markets;

- 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 at Valamar Riviera's properties;
- Trends in the Croatian Kuna exchange rate in relation to world currencies (primarily the Euro), change in market interest rates and the price of equity securities, and other financial risks to which Valamar Riviera is exposed;
- Labor force availability 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 audits;
- 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;
- Reliability of IT business solutions and cyber security of Valamar Riviera's business operations, as well as related costs;
- Changes of tax and other regulations and laws, trade restrictions, and rates of customs duty;
- Adverse climatic events, environmental risks, disease outbreaks and pandemics.

Should materially significant changes to the stated outlook occur, Valamar Riviera shall immediately inform the public thereof, in compliance with Article 459 of the Capital Market Act. The given outlook statements are not an outright recommendation to buy, hold or sell Valamar Riviera's shares.

# RESPONSIBILITY FOR THE QUARTERLY FINANCIAL STATEMENTS

In Poreč, 29 October 2021

In accordance with provisions of Law on Capital Market, Marko Čižmek, Management board member responsible for finance, treasury and IT business as well as relations with institutional investors and Ljubica Grbac director of Department of Finance and Accounting, procurator and person responsible for finance and accounting, together as persons responsible for the preparation of quarterly financial reports of the company VALAMAR RIVIERA d.d. seated in Poreč, Stancija Kaligari 1, OIB 36201212847 (hereinafter: Company), hereby make the following

## STATEMENT

According to our best knowledge:

- consolidated and unconsolidated financial statements for the first nine months of 2021 are prepared in accordance with applicable standards of financial reporting and give a true and fair view of the assets and liabilities, profit and loss, financial position and operations of the Company and the companies included in consolidation;
- Report of the Company's Management board for the period from 1 January to 30 September 2021 contains a true presentation of development, results and position of the Company and companies included in the consolidation, with description of significant risks and uncertainties which the Company and companies included in the consolidation are exposed.



**Marko Čižmek**  
Član Uprave



**Ljubica Grbac**  
Direktor Sektora / Prokurist







**BALANCE SHEET** (balance as at 30.09.2021)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>		
<b>B) FIXED ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>6.087.157.859</b>	<b>5.724.497.636</b>
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>46.400.186</b>	<b>40.365.876</b>
1 Research and development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	37.551.928	28.866.090
3 Goodwill	006	6.567.609	6.567.609
4 Advances for the purchase of intangible assets	007		
5 Intangible assets in preparation	008	2.280.649	4.932.177
6 Other intangible assets	009		
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>5.662.917.241</b>	<b>5.361.126.658</b>
1 Land	011	976.429.207	983.018.247
2 Buildings	012	3.560.463.801	3.383.731.888
3 Plant and equipment	013	488.743.200	438.657.713
4 Tools, working inventory and transportation assets	014	116.542.756	96.231.791
5 Biological assets	015		
6 Advances for the purchase of tangible assets	016	988.061	31.695
7 Tangible assets in preparation	017	443.016.063	394.575.273
8 Other tangible assets	018	72.791.725	61.367.937
9 Investment property	019	3.942.428	3.512.114
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>46.430.294</b>	<b>46.953.967</b>
1 Investments in holdings (shares) of undertakings within the group	021		
2 Investments in other securities of undertakings within the group	022		
3 Loans, deposits, etc. to undertakings within the group	023		
4 Investments in holdings (shares) of companies linked by virtue of participating interests	024	46.054.207	46.437.168
5 Investment in other securities of companies linked by virtue of participating interests	025		
6 Loans, deposits etc. to companies linked by virtue of participating interests	026		
7 Investments in securities	027	147.054	300.062
8 Loans, deposits, etc. given	028	89.033	76.737
9 Other investments accounted for using the equity method	029		
10 Other fixed financial assets	030	140.000	140.000
<b>IV RECEIVABLES (ADP 032 to 035)</b>	<b>031</b>		<b>99.988</b>
1 Receivables from undertakings within the group	032		
2 Receivables from companies linked by virtue of participating interests	033		
3 Customer receivables	034		
4 Other receivables	035		99.988
<b>V DEFERRED TAX ASSETS</b>	<b>036</b>	<b>331.410.138</b>	<b>275.951.147</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>737.066.269</b>	<b>1.452.712.289</b>
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>30.335.208</b>	<b>23.966.163</b>
1 Raw materials and consumables	039	29.329.354	22.884.120
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	973.867	1.056.476
5 Advances for inventories	043	31.987	25.567
6 Fixed assets held for sale	044		
7 Biological assets	045		
<b>II RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>40.184.920</b>	<b>71.651.682</b>
1 Receivables from undertakings within the group	047		
2 Receivables from companies linked by virtue of participating interests	048	1.598.603	1.159.897
3 Customer receivables	049	23.776.150	56.471.985
4 Receivables from employees and members of the undertaking	050	297.549	2.861.795
5 Receivables from government and other institutions	051	10.162.443	7.421.546
6 Other receivables	052	4.350.175	3.736.459
<b>III CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>613.241</b>	<b>37.966.512</b>
1 Investments in holdings (shares) of undertakings within the group	054		
2 Investments in other securities of undertakings within the group	055		
3 Loans, deposits, etc. to undertakings within the group	056		
4 Investments in holdings (shares) of companies linked by virtue of participating interests	057		
5 Investment in other securities of companies linked by virtue of participating interests	058		
6 Loans, deposits etc. to companies linked by virtue of participating interests	059		
7 Investments in securities	060		
8 Loans, deposits, etc. given	061	613.241	37.966.512
9 Other financial assets	062		
<b>IV CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>665.932.900</b>	<b>1.319.127.932</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>55.358.952</b>	<b>52.964.802</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>6.879.583.080</b>	<b>7.230.174.727</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>54.261.380</b>	<b>54.190.781</b>

**BALANCE SHEET** (balance as at 30.09.2021) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES</b> (ADP 068 to 070+076+077+083+086+089)	<b>067</b>	<b>2.863.857.326</b>	<b>3.223.992.857</b>
<b>I INITIAL (SUBSCRIBED) CAPITAL</b>	<b>068</b>	<b>1.672.021.210</b>	<b>1.672.021.210</b>
<b>II CAPITAL RESERVES</b>	<b>069</b>	<b>5.223.432</b>	<b>5.223.432</b>
<b>III RESERVES FROM PROFIT</b> (ADP 071+072-073+074+075)	<b>070</b>	<b>98.511.512</b>	<b>98.247.550</b>
1 Legal reserves	071	83.601.061	83.601.061
2 Reserves for treasury shares	072	136.815.284	136.815.284
3 Treasury shares and holdings (deductible item)	073	-124.418.267	-124.418.267
4 Statutory reserves	074		
5 Other reserves	075	2.513.434	2.249.472
<b>IV REVALUATION RESERVES</b>	<b>076</b>		
<b>V FAIR VALUE RESERVES AND OTHER</b> (ADP 078 to 082)	<b>077</b>	<b>872</b>	<b>303.372</b>
1 Financial assets at fair value through other comprehensive income (i.e. available for sale)	078	872	126.446
2 Cash flow hedge - effective portion	079		
3 Hedge of a net investment in a foreign operation - effective portion	080		
4 Other fair value reserves	081		
5 Exchange differences arising from the translation of foreign operations (consolidation)	082		176.926
<b>VI RETAINED PROFIT OR LOSS BROUGHT FORWARD</b> (ADP 084-085)	<b>083</b>	<b>715.882.878</b>	<b>388.045.406</b>
1 Retained profit	084	715.882.878	388.045.406
2 Loss brought forward	085		
<b>VII PROFIT OR LOSS FOR THE BUSINESS YEAR</b> (ADP 087-088)	<b>086</b>	<b>-329.593.506</b>	<b>321.869.383</b>
1 Profit for the business year	087		321.869.383
2 Loss for the business year	088	329.593.506	
<b>VIII MINORITY (NON-CONTROLLING) INTEREST</b>	<b>089</b>	<b>701.810.928</b>	<b>738.282.504</b>
<b>B) PROVISIONS</b> (ADP 091 to 096)	<b>090</b>	<b>141.118.430</b>	<b>132.718.654</b>
1 Provisions for pensions, termination benefits and similar obligations	091	26.089.854	26.089.854
2 Provisions for tax liabilities	092		
3 Provisions for ongoing legal cases	093	57.420.166	49.020.390
4 Provisions for renewal of natural resources	094		
5 Provisions for warranty obligations	095		
6 Other provisions	096	57.608.410	57.608.410
<b>C) LONG-TERM LIABILITIES</b> (ADP 098 to 108)	<b>097</b>	<b>2.867.349.347</b>	<b>3.375.226.134</b>
1 Liabilities to undertakings within the group	098		
2 Liabilities for loans, deposits, etc. of undertakings within the group	099		
3 Liabilities to companies linked by virtue of participating interests	100		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	101		
5 Liabilities for loans, deposits etc.	102		
6 Liabilities to banks and other financial institutions	103	2.770.275.555	3.281.143.884
7 Liabilities for advance payments	104		
8 Liabilities to suppliers	105		45.615
9 Liabilities for securities	106		
10 Other long-term liabilities	107	38.781.433	39.084.074
11 Deferred tax liability	108	58.292.359	54.952.561
<b>D) SHORT-TERM LIABILITIES</b> (ADP 110 to 123)	<b>109</b>	<b>934.437.190</b>	<b>392.491.458</b>
1 Liabilities to undertakings within the group	110		
2 Liabilities for loans, deposits, etc. of undertakings within the group	111		
3 Liabilities to companies linked by virtue of participating interests	112		25.653
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	113		
5 Liabilities for loans, deposits etc.	114	5.304.000	
6 Liabilities to banks and other financial institutions	115	733.061.607	116.865.258
7 Liabilities for advance payments	116	69.608.737	63.744.602
8 Liabilities to suppliers	117	61.808.783	119.188.621
9 Liabilities for securities	118	6.625.196	
10 Liabilities to employees	119	19.186.775	37.059.437
11 Taxes, contributions and similar liabilities	120	6.130.006	37.644.502
12 Liabilities arising from the share in the result	121	389.276	379.676
13 Liabilities arising from fixed assets held for sale	122		
14 Other short-term liabilities	123	32.322.810	17.583.709
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>124</b>	<b>72.820.787</b>	<b>105.745.624</b>
<b>F) TOTAL – LIABILITIES</b> (ADP 067+090+097+109+124)	<b>125</b>	<b>6.879.583.080</b>	<b>7.230.174.727</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>126</b>	<b>54.261.380</b>	<b>54.190.781</b>

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2021 to 30.09.2021)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>I OPERATING INCOME</b> (ADP 002 to 006)	<b>001</b>	<b>653.146.466</b>	<b>528.946.753</b>	<b>1.537.855.028</b>	<b>1.271.454.305</b>
1 Income from sales with undertakings within the group	002				
2 Income from sales (outside group)	003	634.422.045	525.173.045	1.513.928.186	1.264.894.102
3 Income from the use of own products, goods and services	004	373.352	73.737	235.823	80.226
4 Other operating income with undertakings within the group	005				
5 Other operating income (outside the group)	006	18.351.069	3.699.971	23.691.019	6.479.977
<b>II OPERATING EXPENSES</b> (ADP 008+009+013+017+018+019+022+029)	<b>007</b>	<b>855.958.782</b>	<b>373.395.324</b>	<b>1.102.063.421</b>	<b>611.035.420</b>
1 Changes in inventories of work in progress and finished goods	008				
2 Material costs (ADP 010 to 012)	009	214.107.881	130.947.065	376.333.977	258.941.588
a) Costs of raw materials and consumables	010	122.407.365	79.126.953	220.403.874	153.872.064
b) Costs of goods sold	011	3.227.755	2.775.167	8.425.717	6.076.095
c) Other external costs	012	88.472.761	49.044.945	147.504.386	98.993.429
3 Staff costs (ADP 014 to 016)	013	181.717.839	84.721.615	240.794.463	159.646.057
a) Net salaries and wages	014	106.527.944	54.212.328	146.076.908	100.161.632
b) Tax and contributions from salary costs	015	49.930.827	19.948.142	63.399.022	38.709.389
c) Contributions on salaries	016	25.259.068	10.561.145	31.318.533	20.775.036
4 Depreciation	017	376.641.378	126.486.922	382.519.001	132.010.633
5 Other costs	018	78.044.495	30.018.368	95.925.237	58.627.351
6 Value adjustments (ADP 020+021)	019	845.327	571.231	19.070	
a) fixed assets other than financial assets	020				
b) current assets other than financial assets	021	845.327	571.231	19.070	
7 Provisions (ADP 023 to 028)	022				
a) Provisions for pensions, termination benefits and similar obligations	023				
b) Provisions for tax liabilities	024				
c) Provisions for ongoing legal cases	025				
d) Provisions for renewal of natural resources	026				
e) Provisions for warranty obligations	027				
f) Other provisions	028				
8 Other operating expenses	029	4.601.862	650.123	6.471.673	1.809.791
<b>III. FINANCIAL INCOME</b> (ADP 031 to 040)	<b>030</b>	<b>19.840.797</b>	<b>11.056.353</b>	<b>25.343.651</b>	<b>2.370.695</b>
1 Income from investments in holdings (shares) of undertakings within the group	031				
2 Income from investments in holdings (shares) of companies linked by virtue of participating interests	032				
3 Income from other long-term financial investment and loans granted to undertakings within the group	033				
4 Other interest income from operations with undertakings within the group	034				
5 Exchange rate differences and other financial income from operations with undertakings within the group	035				
6 Income from other long-term financial investments and loans	036				
7 Other interest income	037	195.476	133.078	144.869	104.768
8 Exchange rate differences and other financial income	038	1.431.847	697.004	18.031.745	958.738
9 Unrealised gains (income) from financial assets	039			2.963.572	343.192
10 Other financial income	040	18.213.474	10.226.271	4.203.465	963.997
<b>IV FINANCIAL EXPENSES</b> (ADP 042 to 048)	<b>041</b>	<b>108.969.182</b>	<b>17.090.048</b>	<b>51.095.982</b>	<b>18.482.461</b>
1 Interest expenses and similar expenses with undertakings within the group	042				
2 Exchange rate differences and other expenses from operations with undertakings within the group	043				
3 Interest expenses and similar expenses	044	45.250.221	15.418.161	48.353.598	16.297.099
4 Exchange rate differences and other expenses	045	44.935.030	102.244	71.380	1.463.215
5 Unrealised losses (expenses) from financial assets	046	17.767.827	1.488.938		
6 Value adjustments of financial assets (net)	047				
7 Other financial expenses	048	1.016.104	80.705	2.671.004	722.147
<b>V SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VIRTUE OF PARTICIPATING INTERESTS</b>	<b>049</b>		<b>89.627</b>	<b>382.960</b>	<b>1.995.831</b>
<b>VI SHARE IN PROFIT FROM JOINT VENTURES</b>	<b>050</b>				
<b>VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>051</b>	<b>1.022.823</b>			
<b>VIII SHARE IN LOSS OF JOINT VENTURES</b>	<b>052</b>				
<b>IX TOTAL INCOME</b> (ADP 001+030+049+050)	<b>053</b>	<b>672.987.263</b>	<b>540.092.733</b>	<b>1.563.581.639</b>	<b>1.275.820.831</b>
<b>X TOTAL EXPENDITURE</b> (ADP 007+041+051+052)	<b>054</b>	<b>965.950.787</b>	<b>390.485.372</b>	<b>1.153.159.403</b>	<b>629.517.881</b>
<b>XI PRE-TAX PROFIT OR LOSS</b> (ADP 053-054)	<b>055</b>	<b>-292.963.524</b>	<b>149.607.361</b>	<b>410.422.236</b>	<b>646.302.950</b>
1 Pre-tax profit (ADP 053-054)	056		149.607.361	410.422.236	646.302.950
2 Pre-tax loss (ADP 054-053)	057	-292.963.524			



**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2021 to 30.09.2021) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>XII INCOME TAX</b>	<b>058</b>	<b>-80.961.734</b>	<b>40.235.933</b>	<b>52.081.277</b>	<b>111.609.241</b>
<b>XIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 055-059)	<b>059</b>	<b>-212.001.790</b>	<b>109.371.428</b>	<b>358.340.959</b>	<b>534.693.709</b>
1. Profit for the period (ADP 055-059)	060		109.371.428	358.340.959	534.693.709
2. Loss for the period (ADP 059-055)	061	-212.001.790			

**DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)**

<b>XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS</b> (ADP 063-064)	<b>062</b>				
1 Pre-tax profit from discontinued operations	063				
2 Pre-tax loss on discontinued operations	064				
<b>XV INCOME TAX OF DISCONTINUED OPERATIONS</b>	<b>065</b>				
1 Discontinued operations profit for the period (ADP 062-065)	066				
2 Discontinued operations loss for the period (ADP 065-062)	067				

**TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)**

<b>XVI PRE-TAX PROFIT OR LOSS</b> (ADP 055+062)	<b>068</b>				
1 Pre-tax profit (ADP 068)	069				
2 Pre-tax loss (ADP 068)	070				
<b>XVII INCOME TAX</b> (ADP 058+065)	<b>071</b>				
<b>XVIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 068-071)	<b>072</b>				
1 Profit for the period (ADP 068-071)	073				
2 Loss for the period (ADP 071-068)	074				

**APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)**

<b>XIX PROFIT OR LOSS FOR THE PERIOD</b> (ADP 076+077)	<b>075</b>	<b>-212.001.790</b>	<b>109.371.428</b>	<b>358.340.959</b>	<b>534.693.709</b>
1 Attributable to owners of the parent	076	-194.390.179	104.362.580	321.869.383	479.983.088
2 Attributable to minority (non-controlling) interest	077	-17.611.611	5.008.848	36.471.576	54.710.621

**STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)**

<b>I PROFIT OR LOSS FOR THE PERIOD</b>	<b>078</b>	<b>-212.001.790</b>	<b>109.371.428</b>	<b>358.340.959</b>	<b>534.693.709</b>
<b>II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX</b> (ADP 080 to 087)	<b>079</b>	<b>-55.618</b>	<b>12.206</b>	<b>153.139</b>	<b>27.630</b>
<b>III ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</b> (ADP 081 to 085)	<b>080</b>	<b>-55.618</b>	<b>12.206</b>	<b>153.139</b>	<b>27.630</b>
1 Changes in revaluation reserves of fixed tangible and intangible assets	081				
2 Gains or losses from subsequent measurement of equity instruments at fair value through other comprehensive income	082	-55.618	12.206	153.139	27.630
3 Fair value changes of financial liabilities at fair value through statement of profit or loss, attributable to changes in their credit risk	083				
4 Actuarial gains/losses on the defined benefit obligation	084				
5 Other items that will not be reclassified	085				
6 Income tax relating to items that will not be reclassified	086	-10.011	2.197	27.565	4.974
<b>IV ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS</b> (ADP 088 to 095)	<b>087</b>				
1 Exchange rate differences from translation of foreign operations	088				
2 Gains or losses from subsequent measurement of debt securities at fair value through other comprehensive income	089				
3 Profit or loss arising from effective cash flow hedging	090				
4 Profit or loss arising from effective hedge of a net investment in a foreign operation	091				
5 Share in other comprehensive income/loss of companies linked by virtue of participating interests	092				
6 Changes in fair value of the time value of option	093				
7 Changes in fair value of forward elements of forward contracts	094				
8 Other items that may be reclassified to profit or loss	095				
9 Income tax relating to items that may be reclassified to profit or loss	096				

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2021 to 30.09.2021) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>V NET OTHER COMPREHENSIVE INCOME OR LOSS</b> (ADP 080+087- 086 - 096)	<b>097</b>	<b>-45.607</b>	<b>10.009</b>	<b>125.574</b>	<b>22.656</b>
<b>VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 078+097)	<b>098</b>	<b>-212.047.397</b>	<b>109.381.437</b>	<b>358.466.533</b>	<b>534.716.365</b>
<b>APPENDIX to the Statement on comprehensive income (to be filled in by undertakings that draw up consolidated statements)</b>					
<b>VII COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 100+101)	<b>099</b>	<b>-212.047.397</b>	<b>109.381.437</b>	<b>358.466.533</b>	<b>534.716.365</b>
1 Attributable to owners of the parent	100	-194.435.786	104.372.589	321.994.957	480.005.744
2 Attributable to minority (non-controlling) interest	101	-17.611.611	5.008.848	36.471.576	54.710.621

**STATEMENT OF CASH FLOWS - indirect method** (for the period 01.01.2021 to 30.09.2021)**Submitter: Valamar Riviera d.d.**

in HRK

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1 Pre-tax profit	001	-292.963.524	410.422.236
2 Adjustments (ADP 003 to 010):	002	461.892.472	399.752.789
a) Depreciation	003	376.641.378	382.519.001
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-1.351.754	-1.087.266
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005		
d) Interest and dividend income	006	-90.684	-39.877
e) Interest expenses	007	46.293.370	51.024.603
f) Provisions	008	-107.133	-8.399.775
g) Exchange rate differences (unrealised)	009	38.307.851	-17.209.930
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	2.199.444	-7.053.967
<b>I Cash flow increase or decrease before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>168.928.948</b>	<b>810.175.025</b>
3 Changes in the working capital (ADP 013 to 016)	012	100.224.595	86.011.974
a) Increase or decrease in short-term liabilities	013	87.779.483	113.290.992
b) Increase or decrease in short-term receivables	014	11.860.066	-33.648.062
c) Increase or decrease in inventories	015	585.046	6.369.044
d) Other increase or decrease in working capital	016		
<b>II Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>269.153.543</b>	<b>896.186.999</b>
4 Interest paid	018	-22.183.346	-43.259.518
5 Income tax paid	019	-725.000	707.824
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>246.245.197</b>	<b>853.635.305</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	3.262.342	3.550.052
2 Cash receipts from sales of financial instruments	022		
3 Interest received	023	115.183	78.794
4 Dividends received	024		3.709
5 Cash receipts from repayment of loans and deposits	025	219.322	168.974
6 Other cash receipts from investment activities	026		
<b>III Total cash receipts from investment activities (ADP 021 to 026)</b>	<b>027</b>	<b>3.596.847</b>	<b>3.801.529</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-562.590.224	-71.465.135
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030	-165.121	-37.509.795
4 Acquisition of a subsidiary, net of cash acquired	031		
5 Other cash payments from investment activities	032		
<b>IV Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-562.755.345</b>	<b>-108.974.930</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-559.158.498</b>	<b>-105.173.401</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1 Cash receipts from the increase in initial (subscribed) capital	035		
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036		
3 Cash receipts from credit principals, loans and other borrowings	037	620.401.970	379.850.628
4 Other cash receipts from financing activities	038	3.389.999	1.756.034
<b>V Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>623.791.969</b>	<b>381.606.662</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-9.429.480	-474.281.750
2 Cash payments for dividends	041		
3 Cash payments for finance lease	042		-63.662
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043		
5 Other cash payments from financing activities	044	-2.646.019	-2.528.122
<b>VI Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-12.075.499</b>	<b>-476.873.534</b>
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>611.716.470</b>	<b>-95.266.872</b>
1 Unrealised exchange rate differences in respect of cash and cash equivalents	047		
<b>D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020+034+046+047)</b>	<b>048</b>	<b>298.803.169</b>	<b>653.195.032</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>	<b>550.142.638</b>	<b>665.932.900</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>	<b>848.945.807</b>	<b>1.319.127.932</b>



**STATEMENT OF CHANGES IN EQUITY** (for the period 01.01.2021 to 30.09.2021)  
**Submitter: Valamar Riviera d.d.**

in HRK

Item	ADP code	Attributable to owners of the parent																	Total capital and reserves
		Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets through other comprehensive income (available for sale)	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Other fair value reserves	Exchange rate differences from translation of foreign operations	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent	Minority (non-controlling) interest	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18 (3 to 6 - 7 + 8 to 17)	19	20 (18+19)
<b>Previous period</b>																			
<b>1 Balance on the first day of the previous business year</b>	<b>01</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>													
2 Changes in accounting policies	02																		
3 Correction of errors	03																		
<b>4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)</b>	<b>04</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>													
5 Profit/loss of the period	05																		
6 Exchange rate differences from translation of foreign operations	06							263.962											
7 Changes in revaluation reserves of fixed tangible and intangible assets	07																		
8 Gains or losses from subsequent measurement of financial assets at fair value through other comprehensive income (available for sale)	08									-73.904									
9 Profit or loss arising from effective cash flow hedge	09																		
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	10																		
11 Share in other comprehensive income/loss of companies linked by virtue of participating interests	11																		
12 Actuarial gains/losses on the defined benefit obligation	12																		
13 Other changes in equity unrelated to owners	13																		
14 Tax on transactions recognised directly in equity	14																		
15 Decrease in initial (subscribed) capital (other than arising from the pre-bankruptcy settlement procedure or from the reinvestment of profit)	15										13.302								
16 Decrease in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	16																		
17 Decrease in initial (subscribed) capital arising from the reinvestment of profit	17																		
18 Redemption of treasury shares/holdings	18																		
19 Payments from members/shareholders	19																		
20 Payment of share in profit/dividend	20																		
21 Other distributions and payments to members/shareholders	21							2.249.472							1.140.526			3.389.998	
22 Transfer to reserves according to the annual schedule	22														284.535.940	-284.535.940			
23 Increase in reserves arising from the pre-bankruptcy settlement procedure	23																		
<b>24 Balance on the last day of the previous business year reporting period (ADP 04 to 23)</b>	<b>24</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>		<b>2.513.434</b>		<b>872</b>					<b>715.882.878</b>	<b>-329.593.506</b>	<b>2.162.046.398</b>	<b>701.810.928</b>	<b>2.863.857.326</b>
<b>APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)</b>																			
<b>I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)</b>	<b>25</b>									<b>263.962</b>								<b>203.360</b>	<b>203.360</b>
<b>II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+25)</b>	<b>26</b>									<b>263.962</b>								<b>-329.593.506</b>	<b>-329.593.506</b>
<b>III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 23)</b>	<b>27</b>									<b>2.249.472</b>								<b>3.389.998</b>	<b>3.389.998</b>
<b>Current period</b>																			
<b>1 Balance on the first day of the previous business year</b>	<b>28</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>		<b>2.513.434</b>		<b>872</b>								<b>715.882.878</b>	<b>-329.593.506</b>
2 Changes in accounting policies	29																		
3 Correction of errors	30																		
<b>4 Balance on the first day of the previous business year (restated) (ADP 28 to 30)</b>	<b>31</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>		<b>2.513.434</b>		<b>872</b>								<b>715.882.878</b>	<b>-329.593.506</b>
5 Profit/loss of the period	32																		
6 Exchange rate differences from translation of foreign operations	33																		
7 Changes in revaluation reserves of fixed tangible and intangible assets	34																		
8 Gains or losses from subsequent measurement of financial assets at fair value through other comprehensive income (available for sale)	35																		
9 Profit or loss arising from effective cash flow hedge	36																		
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	37																		
11 Share in other comprehensive income/loss of companies linked by virtue of participating interests	38																		
12 Actuarial gains/losses on the defined benefit obligation	39																		
13 Other changes in equity unrelated to owners	40																		
14 Tax on transactions recognised directly in equity	41																		
15 Decrease in initial (subscribed) capital (other than arising from the pre-bankruptcy settlement procedure or from the reinvestment of profit)	42																		
16 Decrease in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43																		
17 Decrease in initial (subscribed) capital arising from the reinvestment of profit	44																		
18 Redemption of treasury shares/holdings	45																		
19 Payments from members/shareholders	46																		
20 Payment of share in profit/dividend	47																		
21 Other distributions and payments to members/shareholders	48																		
22 Carryforward per annual plane	49																		
23 Increase in reserves arising from the pre-bankruptcy settlement procedure	50																		
<b>24 Balance on the last day of the previous business year reporting period (ADP 31 to 50)</b>	<b>51</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>		<b>2.249.472</b>		<b>126.446</b>					<b>176.926</b>	<b>388.045.406</b>	<b>321.869.383</b>	<b>2.485.710.353</b>	<b>738.282.504</b>
<b>APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)</b>																			
<b>I OTHER COMPREHENSIVE INCOME OF THE CURRENT PERIOD, NET OF TAX (ADP 33 to 41)</b>	<b>52</b>									<b>-263.962</b>					<b>176.926</b>			<b>38.538</b>	<b>38.538</b>
<b>II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 32 to 52)</b>	<b>53</b>									<b>-263.962</b>					<b>176.926</b>			<b>321.869.383</b>	<b>321.907.921</b>
<b>III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 42 to 50)</b>	<b>54</b>																	<b>-327.837.472</b>	<b>329.593.506</b>

## NOTES TO FINANCIAL STATEMENTS - TFI

(drawn up for quarterly reporting periods)

Name of the issuer:

**Valamar Riviera d.d.**

Personal identification

number OIB: **36201212847**

Reporting period:

**01.01.2021. to 30.09.2021.**

Notes to financial statements for quarterly periods include:

- a) explanation of business events relevant to understanding changes in the statement of financial position and financial performance for the reporting semi-annual period of the issuer with respect to the last business year: information is provided regarding these events and relevant information published in the last annual financial statement is updated (items 15 to 15C IAS 34 - Interim financial reporting)
- b) information on the access to the latest annual financial statements, for the purpose of understanding information published in the notes to financial statements drawn up for the semi-annual reporting period
- c) a statement explaining that the same accounting policies are applied while drawing up financial statements for the semi-annual reporting period as in the latest annual financial statements or, in the case where the accounting policies have changed, a description of the nature and effect of the changes (item 16.A (a) IAS 34 - Interim financial reporting)
- d) a description of the financial performance in the case of the issuer whose business is seasonal (items 37 and 38 IAS 34 - Interim financial reporting)
- e) other comments prescribed by IAS 34 - Interim financial reporting
- f) in the notes to quarterly periods financial statements, in addition to the information stated above, information in respect of the following matters shall be disclosed:
  1. undertaking's name, registered office (address), legal form, country of establishment, entity's registration number and, if applicable, the indication whether the undertaking is undergoing liquidation, bankruptcy proceedings, shortened termination proceedings or extraordinary administration
  2. adopted accounting policies (only an indication of whether there has been a change from the previous period)
  3. the total amount of any financial commitments, guarantees or contingencies that are not included in the balance sheet, and an indication of the nature and form of any valuable security which has been provided; any commitments concerning pensions of the undertaking within the group or company linked by virtue of participating interest shall be disclosed separately
  4. the amount and nature of individual items of income or expenditure which are of exceptional size or incidence
  5. amounts owed by the undertaking and falling due after more than five years, as well as the total debts of the undertaking covered by valuable security furnished by the undertaking, specifying the type and form of security
  6. average number of employees during the financial year
  7. where, in accordance with the regulations, the undertaking capitalised on the cost of salaries in part or in full, information on the amount of the total cost of employees during the year broken down into the amount directly debiting the costs of the period and the amount capitalised on the value of the assets during the period, showing separately the total amount of net salaries and the amount of taxes, contributions from salaries and contributions on salaries
  8. where a provision for deferred tax is recognised in the balance sheet, the deferred tax balances at the end of the financial year, and the movement in those balances during the financial year
  9. the name and registered office of each of the undertakings in which the undertaking, either itself or through a person acting in their own name but on the undertaking's behalf, holds a participating interest, showing the proportion of the capital held, the amount of capital and reserves, and the profit or loss for the latest financial year of the undertaking concerned for which financial

**NOTES TO FINANCIAL STATEMENTS - TFI (continued)**

(drawn up for quarterly reporting periods)

- statements have been adopted; the information concerning capital and reserves and the profit or loss may be omitted where the undertaking concerned does not publish its balance sheet and is not controlled by another undertaking
10. the number and the nominal value or, in the absence of a nominal value, the accounting par value of the shares subscribed during the financial year within the limits of the authorised capital
  11. the existence of any participation certificates, convertible debentures, warrants, options or similar securities or rights, with an indication of their number and the rights they confer
  12. the name, registered office and legal form of each of the undertakings of which the undertaking is a member having unlimited liability
  13. the name and registered office of the undertaking which draws up the consolidated financial statements of the largest group of undertakings of which the undertaking forms part as a controlled group member
  14. the name and registered office of the undertaking which draws up the consolidated financial statements of the smallest group of undertakings of which the undertaking forms part as a controlled group member and which is also included in the group of undertakings referred to in point 13
  15. the place where copies of the consolidated financial statements referred to in points 13 and 14 may be obtained, provided that they are available
  16. the nature and business purpose of the undertaking's arrangements that are not included in the balance sheet and the financial impact on the undertaking of those arrangements, provided that the risks or benefits arising from such arrangements are material and in so far as the disclosure of such risks or benefits is necessary for the purposes of assessing the financial position of the undertaking
  17. the nature and the financial effect of material events arising after the balance sheet date which are not reflected in the profit and loss account or balance sheet

Notes to financial statements for the three month period together with detailed information on financial performance and events relevant to understanding changes in financial statements are available in PDF document „Business results 1/1/2021 – 30/9/2021“ which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.



**Reporting period: from 01.01.2021 to 30.09.2021****Quarterly financial statements**

Year:	2021	
Quarter:	3	
Registration number (MB):	3474771	Issuer's home Member State code: <u>HR</u>
Entity's registration number (MBS):	40020883	
Personal identification number (OIB):	36201212847	LEI: <u>529900DUWS1DGNEK4C68</u>
Institution code:	30577	
Name of the issuer:	Valamar Riviera d.d.	
Postcode and town:	52440	Poreč
Street and house number:	Stancija Kaligari 1	
E-mail address:	uprava@riviera.hr	
Web address:	www.valamar-riviera.com	
Number of employees (end of the reporting period):	4090	
Consolidated report:	KN	(KN-not consolidated/KD-consolidated)
Audited:	RN	(RN-not audited/RD-audited)

Names of subsidiaries (according to IFRS):

Registered office:

MB:

Bookkeeping firm:

No

Contact person:

Sopta Anka

(only name and surname of the contact person)

Telephone:

052 408 188

E-mail address:

anka.sopta@riviera.hr

Audit firm:

(name of the audit firm)

Certified auditor:

(name and surname)



M.P.

(potpis osobe ovlaštene za zastupanje)

**BALANCE SHEET** (balance as at 30.09.2021)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>		
<b>B) FIXED ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>5.324.136.157</b>	<b>4.958.351.021</b>
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>42.275.329</b>	<b>35.686.601</b>
1 Research and development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	35.550.820	24.799.212
3 Goodwill	006	6.567.609	6.567.609
4 Advances for the purchase of intangible assets	007		
5 Intangible assets in preparation	008	156.900	4.319.780
6 Other intangible assets	009		
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>4.292.520.443</b>	<b>4.079.623.193</b>
1 Land	011	629.012.020	660.815.217
2 Buildings	012	2.722.066.344	2.543.979.492
3 Plant and equipment	013	409.245.659	355.120.513
4 Tools, working inventory and transportation assets	014	91.158.729	67.486.873
5 Biological assets	015		
6 Advances for the purchase of tangible assets	016	159.973	31.695
7 Tangible assets in preparation	017	366.577.576	390.559.724
8 Other tangible assets	018	70.357.714	58.117.565
9 Investment property	019	3.942.428	3.512.114
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>774.869.872</b>	<b>659.562.695</b>
1 Investments in holdings (shares) of undertakings within the group	021	727.328.038	611.880.018
2 Investments in other securities of undertakings within the group	022		
3 Loans, deposits, etc. to undertakings within the group	023		
4 Investments in holdings (shares) of companies linked by virtue of participating interests	024	47.191.530	47.191.530
5 Investment in other securities of companies linked by virtue of participating interests	025		
6 Loans, deposits etc. to companies linked by virtue of participating interests	026		
7 Investments in securities	027	121.271	274.410
8 Loans, deposits, etc. given	028	89.033	76.737
9 Other investments accounted for using the equity method	029		
10 Other fixed financial assets	030	140.000	140.000
<b>IV RECEIVABLES (ADP 032 to 035)</b>	<b>031</b>		
1 Receivables from undertakings within the group	032		
2 Receivables from companies linked by virtue of participating interests	033		
3 Customer receivables	034		
4 Other receivables	035		
<b>V DEFERRED TAX ASSETS</b>	<b>036</b>	<b>214.470.513</b>	<b>183.478.532</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>583.232.857</b>	<b>1.151.464.062</b>
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>27.296.274</b>	<b>21.334.540</b>
1 Raw materials and consumables	039	26.356.791	20.349.847
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	939.483	984.693
5 Advances for inventories	043		
6 Fixed assets held for sale	044		
7 Biological assets	045		
<b>II RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>32.385.214</b>	<b>61.516.925</b>
1 Receivables from undertakings within the group	047	186.829	3.144.475
2 Receivables from companies linked by virtue of participating interests	048	330.822	251.007
3 Customer receivables	049	23.158.299	46.710.630
4 Receivables from employees and members of the undertaking	050	277.464	2.758.799
5 Receivables from government and other institutions	051	4.795.299	4.993.740
6 Other receivables	052	3.636.501	3.658.274
<b>III CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>578.131</b>	<b>482.054</b>
1 Investments in holdings (shares) of undertakings within the group	054		
2 Investments in other securities of undertakings within the group	055		
3 Loans, deposits, etc. to undertakings within the group	056	28.300	28.300
4 Investments in holdings (shares) of companies linked by virtue of participating interests	057		
5 Investment in other securities of companies linked by virtue of participating interests	058		
6 Loans, deposits etc. to companies linked by virtue of participating interests	059		
7 Investments in securities	060		
8 Loans, deposits, etc. given	061	549.831	453.754
9 Other financial assets	062		
<b>IV CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>522.973.238</b>	<b>1.068.130.543</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>46.702.706</b>	<b>47.947.852</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>5.954.071.720</b>	<b>6.157.762.935</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>54.261.380</b>	<b>54.190.781</b>

**BALANCE SHEET** (balance as at 30.09.2021) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES</b> (ADP 068 to 070+076+077+083+086+089)	<b>067</b>	<b>2.385.224.020</b>	<b>2.609.326.506</b>
<b>I INITIAL (SUBSCRIBED) CAPITAL</b>	<b>068</b>	<b>1.672.021.210</b>	<b>1.672.021.210</b>
<b>II CAPITAL RESERVES</b>	<b>069</b>	<b>5.710.563</b>	<b>5.710.563</b>
<b>III RESERVES FROM PROFIT</b> (ADP 071+072-073+074+075)	<b>070</b>	<b>98.247.551</b>	<b>98.247.551</b>
1 Legal reserves	071	83.601.061	83.601.061
2 Reserves for treasury shares	072	136.815.284	136.815.284
3 Treasury shares and holdings (deductible item)	073	-124.418.266	-124.418.266
4 Statutory reserves	074		
5 Other reserves	075	2.249.472	2.249.472
<b>IV REVALUATION RESERVES</b>	<b>076</b>		
<b>V FAIR VALUE RESERVES AND OTHER</b> (ADP 078 to 082)	<b>077</b>	<b>872</b>	<b>126.446</b>
1 Financial assets at fair value through other comprehensive income (i.e. available for sale)	078	872	126.446
2 Cash flow hedge - effective portion	079		
3 Hedge of a net investment in a foreign operation - effective portion	080		
4 Other fair value reserves	081		
5 Exchange differences arising from the translation of foreign operations (consolidation)	082		
<b>VI RETAINED PROFIT OR LOSS BROUGHT FORWARD</b> (ADP 084-085)	<b>083</b>	<b>917.793.503</b>	<b>538.614.166</b>
1 Retained profit	084	917.793.503	538.614.166
2 Loss brought forward	085		
<b>VII PROFIT OR LOSS FOR THE BUSINESS YEAR</b> (ADP 087-088)	<b>086</b>	<b>-308.549.679</b>	<b>294.606.570</b>
1 Profit for the business year	087		294.606.570
2 Loss for the business year	088	308.549.679	
<b>VIII MINORITY (NON-CONTROLLING) INTEREST</b>	<b>089</b>		
<b>B) PROVISIONS</b> (ADP 091 to 096)	<b>090</b>	<b>113.213.704</b>	<b>104.837.936</b>
1 Provisions for pensions, termination benefits and similar obligations	091	21.180.405	21.180.405
2 Provisions for tax liabilities	092		
3 Provisions for ongoing legal cases	093	36.378.988	28.003.220
4 Provisions for renewal of natural resources	094		
5 Provisions for warranty obligations	095		
6 Other provisions	096	55.654.311	55.654.311
<b>C) LONG-TERM LIABILITIES</b> (ADP 098 to 108)	<b>097</b>	<b>2.524.889.178</b>	<b>2.997.802.820</b>
1 Liabilities to undertakings within the group	098		
2 Liabilities for loans, deposits, etc. of undertakings within the group	099		
3 Liabilities to companies linked by virtue of participating interests	100		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	101		
5 Liabilities for loans, deposits etc.	102		
6 Liabilities to banks and other financial institutions	103	2.474.586.439	2.945.905.622
7 Liabilities for advance payments	104		
8 Liabilities to suppliers	105		
9 Liabilities for securities	106		
10 Other long-term liabilities	107	36.995.567	39.214.913
11 Deferred tax liability	108	13.307.172	12.682.285
<b>D) SHORT-TERM LIABILITIES</b> (ADP 110 to 123)	<b>109</b>	<b>865.350.845</b>	<b>352.518.870</b>
1 Liabilities to undertakings within the group	110	135.664	1.056.466
2 Liabilities for loans, deposits, etc. of undertakings within the group	111		
3 Liabilities to companies linked by virtue of participating interests	112		25.653
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	113		
5 Liabilities for loans, deposits etc.	114		
6 Liabilities to banks and other financial institutions	115	693.967.037	112.489.100
7 Liabilities for advance payments	116	61.767.845	54.792.385
8 Liabilities to suppliers	117	49.993.663	106.654.063
9 Liabilities for securities	118	6.625.196	
10 Liabilities to employees	119	15.921.399	31.136.064
11 Taxes, contributions and similar liabilities	120	4.664.984	29.481.614
12 Liabilities arising from the share in the result	121	9.600	
13 Liabilities arising from fixed assets held for sale	122		
14 Other short-term liabilities	123	32.265.457	16.883.525
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>124</b>	<b>65.393.973</b>	<b>93.276.803</b>
<b>F) TOTAL - LIABILITIES</b> (ADP 067+090+097+109+124)	<b>125</b>	<b>5.954.071.720</b>	<b>6.157.762.935</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>126</b>	<b>54.261.380</b>	<b>54.190.781</b>



**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2021 to 30.09.2021)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>I OPERATING INCOME</b> (ADP 002 to 006)	<b>001</b>	<b>555.160.261</b>	<b>449.124.023</b>	<b>1.281.272.343</b>	<b>1.051.030.177</b>
1 Income from sales with undertakings within the group	002	7.280.212	1.169.274	14.417.816	10.436.625
2 Income from sales (outside group)	003	531.872.251	444.597.003	1.249.254.951	1.034.206.089
3 Income from the use of own products, goods and services	004	156.226	52.347	167.557	58.908
4 Other operating income with undertakings within the group	005	717.463	666.143	713.448	404.947
5 Other operating income (outside the group)	006	15.134.109	2.639.256	16.718.571	5.923.608
<b>II OPERATING EXPENSES</b> (ADP 008+009+013+017+018+019+022+029)	<b>007</b>	<b>715.815.963</b>	<b>312.906.091</b>	<b>918.049.243</b>	<b>508.207.851</b>
1 Changes in inventories of work in progress and finished goods	008				
2 Material costs (ADP 010 to 012)	009	186.666.774	113.047.036	327.141.488	221.087.683
a) Costs of raw materials and consumables	010	105.962.165	66.864.514	186.679.716	127.920.722
b) Costs of goods sold	011	3.140.089	2.709.923	8.218.792	5.895.258
c) Other external costs	012	77.564.520	43.472.599	132.242.980	87.271.703
3 Staff costs (ADP 014 to 016)	013	158.024.021	73.241.145	205.350.496	133.057.751
a) Net salaries and wages	014	90.989.084	45.548.083	124.021.730	83.286.856
b) Tax and contributions from salary costs	015	44.364.350	18.170.241	54.680.889	32.583.527
c) Contributions on salaries	016	22.670.587	9.522.821	26.647.877	17.187.368
4 Depreciation	017	298.915.082	99.757.135	299.866.345	103.470.558
5 Other costs	018	67.627.491	25.740.588	80.600.620	49.488.424
6 Value adjustments (ADP 020+021)	019	751.490	571.231	19.070	
a) fixed assets other than financial assets	020				
b) current assets other than financial assets	021	751.490	571.231	19.070	
7 Provisions (ADP 023 to 028)	022				
a) Provisions for pensions, termination benefits and similar obligations	023				
b) Provisions for tax liabilities	024				
c) Provisions for ongoing legal cases	025				
d) Provisions for renewal of natural resources	026				
e) Provisions for warranty obligations	027				
f) Other provisions	028				
8 Other operating expenses	029	3.831.105	548.956	5.071.224	1.103.435
<b>III. FINANCIAL INCOME</b> (ADP 031 to 040)	<b>030</b>	<b>18.488.917</b>	<b>9.726.441</b>	<b>24.091.578</b>	<b>2.181.791</b>
1 Income from investments in holdings (shares) of undertakings within the group	031				
2 Income from investments in holdings (shares) of companies linked by virtue of participating interests	032				
3 Income from other long-term financial investment and loans granted to undertakings within the group	033				
4 Other interest income from operations with undertakings within the group	034				
5 Exchange rate differences and other financial income from operations with undertakings within the group	035				
6 Income from other long-term financial investments and loans	036				
7 Other interest income	037	189.712	132.972	129.525	104.717
8 Exchange rate differences and other financial income	038	1.296.418	357.076	16.904.500	838.492
9 Unrealised gains (income) from financial assets	039	0	0	2.963.572	343.192
10 Other financial income	040	17.002.787	9.236.393	4.093.981	895.390
<b>IV FINANCIAL EXPENSES</b> (ADP 042 to 048)	<b>041</b>	<b>99.624.810</b>	<b>14.360.085</b>	<b>46.227.118</b>	<b>16.781.985</b>
1 Interest expenses and similar expenses with undertakings within the group	042				
2 Exchange rate differences and other expenses from operations with undertakings within the group	043				
3 Interest expenses and similar expenses	044	40.501.172	13.644.598	43.639.971	14.724.396
4 Exchange rate differences and other expenses	045	41.470.690	65.708		1.362.251
5 Unrealised losses (expenses) from financial assets	046	16.756.851	602.079		
6 Value adjustments of financial assets (net)	047				
7 Other financial expenses	048	896.097	47.700	2.587.147	695.338
<b>V SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VIRTUE OF PARTICIPATING INTERESTS</b>	<b>049</b>				
<b>VI SHARE IN PROFIT FROM JOINT VENTURES</b>	<b>050</b>				
<b>VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>051</b>				
<b>VIII SHARE IN LOSS OF JOINT VENTURES</b>	<b>052</b>				
<b>IX TOTAL INCOME</b> (ADP 001+030+049+050)	<b>053</b>	<b>573.649.178</b>	<b>458.850.464</b>	<b>1.305.363.921</b>	<b>1.053.211.968</b>
<b>X TOTAL EXPENDITURE</b> (ADP 007+041+051+052)	<b>054</b>	<b>815.440.773</b>	<b>327.266.176</b>	<b>964.276.361</b>	<b>524.989.836</b>
<b>XI PRE-TAX PROFIT OR LOSS</b> (ADP 053-054)	<b>055</b>	<b>-241.791.595</b>	<b>131.584.288</b>	<b>341.087.560</b>	<b>528.222.132</b>
1 Pre-tax profit (ADP 053-054)	056		131.584.288	341.087.560	528.222.132
2 Pre-tax loss (ADP 054-053)	057	-241.791.595			

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2021 to 30.09.2021) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>XII INCOME TAX</b>	<b>058</b>	<b>-60.042.686</b>	<b>28.540.394</b>	<b>46.480.990</b>	<b>93.045.014</b>
<b>XIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 055-059)	<b>059</b>	<b>-181.748.909</b>	<b>103.043.894</b>	<b>294.606.570</b>	<b>435.177.118</b>
1. Profit for the period (ADP 055-059)	060		103.043.894	294.606.570	435.177.118
2. Loss for the period (ADP 059-055)	061	-181.748.909			

**DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)**

<b>XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS</b> (ADP 063-064)	<b>062</b>				
1 Pre-tax profit from discontinued operations	063				
2 Pre-tax loss on discontinued operations	064				
<b>XV INCOME TAX OF DISCONTINUED OPERATIONS</b>	<b>065</b>				
1 Discontinued operations profit for the period (ADP 062-065)	066				
2 Discontinued operations loss for the period (ADP 065-062)	067				

**TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)**

<b>XVI PRE-TAX PROFIT OR LOSS</b> (ADP 055+062)	<b>068</b>				
1 Pre-tax profit (ADP 068)	069				
2 Pre-tax loss (ADP 068)	070				
<b>XVII INCOME TAX</b> (ADP 058+065)	<b>071</b>				
<b>XVIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 068-071)	<b>072</b>				
1 Profit for the period (ADP 068-071)	073				
2 Loss for the period (ADP 071-068)	074				

**APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)**

<b>XIX PROFIT OR LOSS FOR THE PERIOD</b> (ADP 076+077)	<b>075</b>				
1 Attributable to owners of the parent	076				
2 Attributable to minority (non-controlling) interest	077				

**STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)**

<b>I PROFIT OR LOSS FOR THE PERIOD</b>	<b>078</b>	<b>-181.748.909</b>	<b>103.043.894</b>	<b>294.606.570</b>	<b>435.177.118</b>
<b>II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX</b> (ADP 080 to 087)	<b>079</b>	<b>-55.618</b>	<b>12.206</b>	<b>153.139</b>	<b>27.630</b>
<b>III ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</b> (ADP 081 to 085)	<b>080</b>	<b>-55.618</b>	<b>12.206</b>	<b>153.139</b>	<b>27.630</b>
1 Changes in revaluation reserves of fixed tangible and intangible assets	081				
2 Gains or losses from subsequent measurement of equity instruments at fair value through other comprehensive income	082	-55.618	12.206	153.139	27.630
3 Fair value changes of financial liabilities at fair value through statement of profit or loss, attributable to changes in their credit risk	083				
4 Actuarial gains/losses on the defined benefit obligation	084				
5 Other items that will not be reclassified	085				
6 Income tax relating to items that will not be reclassified	086	-10.011	2.198	27.565	4.974
<b>IV ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS</b> (ADP 088 to 095)	<b>087</b>				
1 Exchange rate differences from translation of foreign operations	088				
2 Gains or losses from subsequent measurement of debt securities at fair value through other comprehensive income	089				
3 Profit or loss arising from effective cash flow hedging	090				
4 Profit or loss arising from effective hedge of a net investment in a foreign operation	091				
5 Share in other comprehensive income/loss of companies linked by virtue of participating interests	092				
6 Changes in fair value of the time value of option	093				
7 Changes in fair value of forward elements of forward contracts	094				
8 Other items that may be reclassified to profit or loss	095				
9 Income tax relating to items that may be reclassified to profit or loss	096				

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2021 to 30.09.2021) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>V NET OTHER COMPREHENSIVE INCOME OR LOSS</b> (ADP 080+087- 086 - 096)	<b>097</b>	<b>-45.607</b>	<b>10.008</b>	<b>125.574</b>	<b>22.656</b>
<b>VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 078+097)	<b>098</b>	<b>-181.794.516</b>	<b>103.053.902</b>	<b>294.732.144</b>	<b>435.199.774</b>

**APPENDIX to the Statement on comprehensive income (to be filled in by undertakings that draw up consolidated statements)**

<b>VII COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 100+101)	<b>099</b>
1 Attributable to owners of the parent	100
2 Attributable to minority (non-controlling) interest	101



**STATEMENT OF CASH FLOWS - indirect method** (for the period 01.01.2021 to 30.09.2021)**Submitter: Valamar Riviera d.d.**

in HRK

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1 Pre-tax profit	001	-241.791.595	341.087.559
2 Adjustments (ADP 003 to 010):	002	373.896.675	313.786.810
a) Depreciation	003	298.915.082	299.866.345
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-1.777.417	-1.154.033
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005		
d) Interest and dividend income	006	-84.934	-24.533
e) Interest expenses	007	41.397.269	46.227.118
f) Provisions	008	-65.354	-8.375.769
g) Exchange rate differences (unrealised)	009	34.428.328	-16.081.311
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	1.083.701	-6.671.007
<b>I Cash flow increase or decrease before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>132.105.080</b>	<b>654.874.369</b>
3 Changes in the working capital (ADP 013 to 016)	012	109.150.846	71.413.077
a) Increase or decrease in short-term liabilities	013	104.985.173	97.487.069
b) Increase or decrease in short-term receivables	014	3.670.012	-32.035.726
c) Increase or decrease in inventories	015	495.661	5.961.734
d) Other increase or decrease in working capital	016		
<b>II Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>241.255.926</b>	<b>726.287.446</b>
4 Interest paid	018	-17.152.992	-38.750.933
5 Income tax paid	019		
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>224.102.934</b>	<b>687.536.513</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	3.688.006	3.514.561
2 Cash receipts from sales of financial instruments	022		
3 Interest received	023	109.434	63.449
4 Dividends received	024		3.709
5 Cash receipts from repayment of loans and deposits	025	138.281	138.373
6 Other cash receipts from investment activities	026		1.110.110
<b>III Total cash receipts from investment activities (ADP 021 to 026)</b>	<b>027</b>	<b>3.935.721</b>	<b>4.830.202</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-423.757.948	-51.229.836
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030	-165.121	-30.000
4 Acquisition of a subsidiary, net of cash acquired	031		
5 Other cash payments from investment activities	032		
<b>IV Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-423.923.069</b>	<b>-51.259.836</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-419.987.348</b>	<b>-46.429.634</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1 Cash receipts from the increase in initial (subscribed) capital	035		
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036		
3 Cash receipts from credit principals, loans and other borrowings	037	612.921.516	344.850.628
4 Other cash receipts from financing activities	038	3.389.999	1.756.034
<b>V Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>616.311.515</b>	<b>346.606.662</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-6.355.689	-439.641.039
2 Cash payments for dividends	041		
3 Cash payments for finance lease	042		
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043		
5 Other cash payments from financing activities	044	-2.646.019	-2.915.197
<b>VI Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-9.001.708</b>	<b>-442.556.236</b>
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>607.309.807</b>	<b>-95.949.574</b>
1 Unrealised exchange rate differences in respect of cash and cash equivalents	047		
<b>D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020+034+046+047)</b>	<b>048</b>	<b>411.425.393</b>	<b>545.157.305</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>	<b>247.849.272</b>	<b>522.973.238</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>	<b>659.274.665</b>	<b>1.068.130.543</b>



## NOTES TO FINANCIAL STATEMENTS - TFI

(drawn up for quarterly reporting periods)

Name of the issuer:

**Valamar Riviera d.d.**

Personal identification

number OIB: **36201212847**

Reporting period:

**01.01.2021. to 30.09.2021.**

Notes to financial statements for quarterly periods include:

- a) explanation of business events relevant to understanding changes in the statement of financial position and financial performance for the reporting semi-annual period of the issuer with respect to the last business year: information is provided regarding these events and relevant information published in the last annual financial statement is updated (items 15 to 15C IAS 34 - Interim financial reporting)
- b) information on the access to the latest annual financial statements, for the purpose of understanding information published in the notes to financial statements drawn up for the semi-annual reporting period
- c) a statement explaining that the same accounting policies are applied while drawing up financial statements for the semi-annual reporting period as in the latest annual financial statements or, in the case where the accounting policies have changed, a description of the nature and effect of the changes (item 16.A (a) IAS 34 - Interim financial reporting)
- d) a description of the financial performance in the case of the issuer whose business is seasonal (items 37 and 38 IAS 34 - Interim financial reporting)
- e) other comments prescribed by IAS 34 - Interim financial reporting
- f) in the notes to quarterly periods financial statements, in addition to the information stated above, information in respect of the following matters shall be disclosed:
  1. undertaking's name, registered office (address), legal form, country of establishment, entity's registration number and, if applicable, the indication whether the undertaking is undergoing liquidation, bankruptcy proceedings, shortened termination proceedings or extraordinary administration
  2. adopted accounting policies (only an indication of whether there has been a change from the previous period)
  3. the total amount of any financial commitments, guarantees or contingencies that are not included in the balance sheet, and an indication of the nature and form of any valuable security which has been provided; any commitments concerning pensions of the undertaking within the group or company linked by virtue of participating interest shall be disclosed separately
  4. the amount and nature of individual items of income or expenditure which are of exceptional size or incidence
  5. amounts owed by the undertaking and falling due after more than five years, as well as the total debts of the undertaking covered by valuable security furnished by the undertaking, specifying the type and form of security
  6. average number of employees during the financial year
  7. where, in accordance with the regulations, the undertaking capitalised on the cost of salaries in part or in full, information on the amount of the total cost of employees during the year broken down into the amount directly debiting the costs of the period and the amount capitalised on the value of the assets during the period, showing separately the total amount of net salaries and the amount of taxes, contributions from salaries and contributions on salaries
  8. where a provision for deferred tax is recognised in the balance sheet, the deferred tax balances at the end of the financial year, and the movement in those balances during the financial year
  9. the name and registered office of each of the undertakings in which the undertaking, either itself or through a person acting in their own name but on the undertaking's behalf, holds a participating interest, showing the proportion of the capital held, the amount of capital and reserves, and the profit or loss for the latest financial year of the undertaking concerned for which financial



**NOTES TO FINANCIAL STATEMENTS - TFI (continued)**

(drawn up for quarterly reporting periods)

- statements have been adopted; the information concerning capital and reserves and the profit or loss may be omitted where the undertaking concerned does not publish its balance sheet and is not controlled by another undertaking
10. the number and the nominal value or, in the absence of a nominal value, the accounting par value of the shares subscribed during the financial year within the limits of the authorised capital
  11. the existence of any participation certificates, convertible debentures, warrants, options or similar securities or rights, with an indication of their number and the rights they confer
  12. the name, registered office and legal form of each of the undertakings of which the undertaking is a member having unlimited liability
  13. the name and registered office of the undertaking which draws up the consolidated financial statements of the largest group of undertakings of which the undertaking forms part as a controlled group member
  14. the name and registered office of the undertaking which draws up the consolidated financial statements of the smallest group of undertakings of which the undertaking forms part as a controlled group member and which is also included in the group of undertakings referred to in point 13
  15. the place where copies of the consolidated financial statements referred to in points 13 and 14 may be obtained, provided that they are available
  16. the nature and business purpose of the undertaking's arrangements that are not included in the balance sheet and the financial impact on the undertaking of those arrangements, provided that the risks or benefits arising from such arrangements are material and in so far as the disclosure of such risks or benefits is necessary for the purposes of assessing the financial position of the undertaking
  17. the nature and the financial effect of material events arising after the balance sheet date which are not reflected in the profit and loss account or balance sheet

Notes to financial statements for the three month period together with detailed information on financial performance and events relevant to understanding changes in financial statements are available in PDF document „Business results 1/1/2021 – 30/9/2021“ which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

## NOTES TO FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

### NOTE 1 – GENERAL INFORMATION

Valamar Riviera d.d., Poreč ("the Company") has been established and registered in accordance with Croatian laws and regulations. The Company is registered with the Commercial Court in Pazin. The principle activity of the Company is the provision of accommodation in hotels, resorts and campsites, food preparation and catering services as well as the preparation and serving of beverages. Company's business is of seasonal character. Company's registration number (MBS) is: 040020883, while the Company's personal identification number (OIB) is: 36201212847. The registered office of Valamar Riviera d.d. is in Poreč, Stancija Kaligari 1. Company's share capital amounts to HRK 1,672,021 thousand and comprises 126,027,542 ordinary shares with no prescribed nominal value.

Valamar Riviera Group consists of Valamar Riviera d.d., Poreč, joint-stock company for tourism services (the Parent Company) and its subsidiaries (the Group) as follows:

- Palme turizam d.o.o., Dubrovnik, 100% ownership (subsidiary until 7 May 2021, date of merger into the Parent Company taking effect on 8 May 2021)
- Magične stijene d.o.o., Dubrovnik, 100% ownership
- Bugenvilia d.o.o., Dubrovnik, 100% ownership
- Imperial Riviera d.d., Rab, 43.68% ownership with the subsidiary Praona d.o.o., Makarska

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The Company's and Group's financial statements for the nine-month ended on 30 September 2021 have been prepared in accordance with International Accounting Standard (IAS) 34 – *Interim Financial Reporting*. The financial statements have been prepared under the historical cost method, except for the financial assets at fair value through profit or loss and financial assets. The consolidated and unconsolidated financial

- Valamar A GmbH, Tamsweg, 100% ownership
- Valamar Obertauern GmbH, Obertauern, 10% direct ownership and 90% indirect ownership (90% share owned by Valamar A GmbH).

The merger of Palme turizam d.o.o. Dubrovnik into Valamar Riviera d.d. was entered in the court register on 7 May 2021, pursuant to the Decision of the Commercial Court in Pazin No. Tt-21/2510-3 dated 7-5-2021. The legal effect of the said merger started as of 8 May 2021, when Valamar Riviera d.d. became the universal legal successor of Palme turizam d.o.o. (Note 14).

The Company participates in capital increase of subsidiary Imperial Riviera d.d. according to the General Assembly decision, held on 10 September 2021. Subsidiary's share capital increase amounts to HRK 690 million. Company participates by a contribution in kind, i.e. by investing their real estate worth HRK 353 million in total. After its completion, Company will hold 46.27% of the subsidiary's shares.

The consolidated and unconsolidated financial statements for the nine-month period ended 30 September 2021 were approved by the Management Board in Poreč on 25 October 2021. The consolidated and unconsolidated financial statements for the nine-month period ended 30 September 2021, have not been audited.

statements for the nine-month period do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's and Group's annual financial statements as at 31 December 2020 which are available on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Group's web pages.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.2 Going concern

Company's and Group's nine-month financial statements have been prepared on a going concern basis. Based on current expectations, Management believes, although potentially negative short-term effects on Company's and Group's revenues and cash inflows are expected, it is not probable that the situation will have significant negative impact on the Company's and Group's ability to fulfil its obligations nor prolonged impact on Company's and Group's revenues and overall business which can affect the Company's and Group's ability to continue as a going concern in the foreseeable future.

### 2.3 Critical accounting estimates

There were no changes in critical accounting estimates used for preparation of financial statements for the nine-month period ended 30 September 2021 comparing to those used for the preparation of the annual financial statements for the year ended 31 December 2020.

At the end of the tourist season and until the preparation of the annual financial statements for 2021, the Company and the Group will make an assessment of existing indications of impairment of non-current tangible and intangible assets.

#### **The Company and the Group, as the lessees as regards the tourist land**

The Company and the Group need to determine the ownership status for cca 3.24 million m<sup>2</sup> and cca 3.54 million m<sup>2</sup> respectively, pursuant to the provisions of the Act on unappraised land (hereinafter: the Act), that entered into force on 2 May 2020. The Act lays down the obligation to determine and establish, within the prescribed deadlines, real estate on the assessed parts of the camp, hotel, tourist complexes and other building land as the subject matter of the right of ownership of the Company and the Group; and real estate on the parts of the camp, hotel, tourist complexes and other building

land that have not been assessed as the subject matter of the right of ownership of the Republic of Croatia or local governments. As regards the parts of land owned by the Republic of Croatia or local governments, the Company and the Group will conclude a lease agreement for a period of 50 years. The unit amount of the rent and the manner of and deadlines for the payment will be laid down by a regulation adopted by the Government. At the moment of creating this document, the regulation has not been adopted yet; therefore it has not been possible to determine right-of-use assets and liabilities since the entry into force of the Act, i.e. since 2 May 2020. After the adoption of the regulation on prices, the Company and the Group will revise total surface areas that will be the subject matter of the lease agreement and they will assess the value of the right-of-use assets and liabilities in accordance with the provisions of IFRS 16. In 2020 and the nine-month period ended 30 September 2021, the Company and the Group were not able to determine the object of the lease and the value of the lease.

Under the assumption of the lowest/highest price spread reaching HRK 6/12/m<sup>2</sup>, lowest/highest discount rate reaching 4/8% and with the correction of surface areas that will be subject to the lease +/- 10%, the Company and the Group assessed the value of the right-of-use assets and liabilities on the day of the entry into force of the Act, which would amount to a range from cca HRK 212,522 thousand to cca HRK 921,895 thousand for the Company, while the assessment for the Group would range from cca HRK 224,536 thousand to cca HRK 974,010 thousand.

### 2.4 Significant accounting policies

The accounting policies adopted in the preparation of the financial statements for the nine-month period ended 30 September 2021 are consistent with those followed in the preparation of the Company's and Group's annual financial statements for the year ended 31 December 2020.



### NOTE 3 – FAIR VALUE ESTIMATION

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company and the Group is the current bid price. The fair value of financial instruments that are not traded in the active market is determined by using valuation techniques. The Company and the Group use a variety of methods and make assumptions that are based on market conditions existing at each reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Quoted market prices for similar instruments are used for long-term debt. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company and the Group for similar financial instruments.

The following table presents assets measured at fair value as at:

<b>GROUP</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
(in thousands of HRK)					
<b>As at 31 December 2020</b>					
<b>Assets measured at fair value</b>					
Financial assets - equity securities		317	-	-	317
<b>Total assets measured at fair value</b>		<b>317</b>	<b>-</b>	<b>-</b>	<b>317</b>
<b>Liabilities measured at fair value</b>					
Derivative financial instruments		-	16,982	-	16,982
<b>Total liabilities measured at fair value</b>		<b>-</b>	<b>16,982</b>	<b>-</b>	<b>16,982</b>
<b>As at 30 September 2021</b>					
<b>Assets measured at fair value</b>					
Financial assets - equity securities		470	-	-	470
<b>Total assets measured at fair value</b>		<b>470</b>	<b>-</b>	<b>-</b>	<b>470</b>
<b>Liabilities measured at fair value</b>					
Derivative financial instruments		-	10,497	-	10,497
<b>Total liabilities measured at fair value</b>		<b>-</b>	<b>10,497</b>	<b>-</b>	<b>10,497</b>

#### *Fair value hierarchy*

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## NOTE 3 – FAIR VALUE ESTIMATION / CONTINUED

## COMPANY

(in thousands of HRK)

	Level 1	Level 2	Level 3	Total
<b>As at 31 December 2020</b>				
<b>Assets measured at fair value</b>				
Financial assets - equity securities	261	-	-	261
<b>Total assets measured at fair value</b>	<b>261</b>	<b>-</b>	<b>-</b>	<b>261</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	-	16,982	-	16,982
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>16,982</b>	<b>-</b>	<b>16,982</b>
<b>As at 30 September 2021</b>				
<b>Assets measured at fair value</b>				
Financial assets - equity securities	414	-	-	414
<b>Total assets measured at fair value</b>	<b>414</b>	<b>-</b>	<b>-</b>	<b>414</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	-	10,497	-	10,497
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>10,497</b>	<b>-</b>	<b>10,497</b>

## NOTE 4 - SEGMENT INFORMATION

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group's Management (the chief operating decision-makers) who are responsible for allocating resources to the reportable segments and assessing its performance.

The Group records operating revenues and expenses by types of services rendered in three basic segments: hotels and apartments, camping and other business segments.

Revenue was divided between segments according to the organisational principle, where all of the income generated from camping profit centres was reported in the camping segment, and all of the income generated from hotel and apartment profit centres was reported in that segment. Other business segments include revenue from laundry services, other rentals of properties, revenue generated from the central services and central kitchens, revenue from retail, agency revenue and revenue from the accommodation of employees.

The segment information related to reportable segments for the nine-month period ended 30 September 2020 is as follows:

<b>GROUP</b>				
(in thousands of HRK)	<b>Hotels and apartments</b>	<b>Camps</b>	<b>Other business segments</b>	<b>Total</b>
Total sales	329,438	287,837	53,025	670,300
Inter-segment revenue	(566)	(20)	(35,292)	(35,878)
Revenue from external customers	<b>328,874</b>	<b>287,817</b>	<b>17,731</b>	<b>634,422</b>
Depreciation and amortisation	232,764	97,848	46,029	376,641
Net finance income/(expense) net	(45,720)	(22,942)	(20,466)	(89,128)
Write-off of fixed assets	135	41	19	195
Profit/(loss) of segment	131,220	211,683	(118,192)	224,711



**NOTE 4 - SEGMENT INFORMATION / CONTINUED**

The segment information related to reportable segments for the nine-month period ended 30 September 2021 is as follows:

<b>GROUP</b>				
(in thousands of HRK)	<b>Hotels and apartments</b>	<b>Camps</b>	<b>Other business segments</b>	<b>Total</b>
Total sales	942,352	533,509	101,428	1,577,289
Inter-segment revenue	(967)	(21)	(62,373)	(63,361)
Revenue from external customers	<b>941,385</b>	<b>533,488</b>	<b>39,055</b>	<b>1,513,928</b>
Depreciation and amortisation	236,484	99,318	46,717	382,519
Net finance income/(expense) net	(20,177)	(8,407)	2,832	(25,752)
Write-off of fixed assets	67	113	571	751
Profit/(loss) of segment	576,149	403,106	(138,846)	840,409

The segment information related to total assets and liabilities by reportable segments are as follows:

<b>GROUP</b>				
(in thousands of HRK)	<b>Hotels and apartments</b>	<b>Camps</b>	<b>Other business segments</b>	<b>Total</b>
<b>As at 31 December 2020</b>				
Total assets	3,537,741	1,515,516	714,073	<b>5,767,330</b>
Total liabilities	2,275,139	1,020,575	508,117	<b>3,803,831</b>
<b>As at 30 September 2021</b>				
Total assets	3,376,703	1,434,218	673,397	<b>5,484,318</b>
Total liabilities	2,335,727	954,163	469,499	<b>3,759,389</b>

All hotels, apartments and camps (operating assets) are located in the Republic of Croatia, except the hotel owned by the company Valamar Obertauern GmbH located in Austria.

**NOTE 4 - SEGMENT INFORMATION / CONTINUED**

Reconciliation of the profit per segment with profit before tax is as follows:

**GROUP**

(in thousands of HRK)

	<b>January - September 2020</b>	<b>January - September 2021</b>
<b>Revenue</b>		
Revenue from segments	670,300	1,577,289
Inter-segment revenue	(35,878)	(63,361)
<b>Total revenue</b>	<b>634,422</b>	<b>1,513,928</b>
<b>Profit</b>		
Profit from segments	224,712	840,408
Other unallocated expenses	(430,023)	(414,208)
Profit/(loss) from financial and extraordinary activities	(87,651)	(15,778)
<b>Total profit before tax</b>	<b>(292,964)</b>	<b>410,422</b>

**NOTE 4 - SEGMENT INFORMATION / CONTINUED**

The reconciliation of segment assets and liabilities with the Group's assets and liabilities is as follows:

GROUP (in thousands of HRK)	As at 31 December 2020		As at 30 September 2021	
	Assets	Liabilities	Assets	Liabilities
	<b>Segment assets/liabilities</b>	<b>5,767,330</b>	<b>3,803,832</b>	<b>5,484,318</b>
Hotels and apartments segment	3,537,741	2,275,139	3,376,703	2,335,727
Camps segment	1,515,516	1,020,575	1,434,218	954,163
Other business segment	714,073	508,118	673,397	469,499
<b>Unallocated</b>	<b>1,112,253</b>	<b>211,894</b>	<b>1,745,856</b>	<b>246,793</b>
Investments in associate	46,024	-	46,407	-
Other financial assets	317	-	470	-
Loans and deposits	702	-	38,043	-
Cash and cash equivalents	665,933	-	1,319,128	-
Income tax receivable	733	-	2	-
Other receivables	67,134	-	65,855	-
Deferred tax assets/liabilities	331,410	58,292	275,951	54,953
Other liabilities	-	65,206	-	127,079
Liabilities for investments in associate	-	13,994	-	5,244
Derivative financial assets/ liabilities	-	16,982	-	10,497
Provisions	-	57,420	-	49,020
<b>Total</b>	<b>6,879,583</b>	<b>4,015,726</b>	<b>7,230,174</b>	<b>4,006,182</b>

The Group's hospitality services are provided in Croatia and Austria to domestic and foreign customers. The Group's sales revenues are classified according to the customers' origin.

GROUP (in thousands of HRK)	January -	January -
	September 2020	September 2021
Revenue from sales to domestic customers	81,979	137,226
Revenue from sales to foreign customers	552,443	1,376,702
	<b>634,422</b>	<b>1,513,928</b>



**NOTE 4 - SEGMENT INFORMATION / CONTINUED**

Foreign sales revenues can be classified according to the number of overnights based on the customers' origin, as follows:

(in thousands of HRK)	GROUP			
	January - September 2020	%	January - September 2021	%
EU members	497,066	89.98	1,217,498	88.44
Other	55,377	10.02	159,204	11.56
	<b>552,443</b>	<b>100.00</b>	<b>1,376,702</b>	<b>100.00</b>

**NOTE 5 - GOVERNMENT GRANTS**

The total amount of government grants related to the impact of the pandemic during the nine-month period ended 30 September 2021, amounting to HRK 103,743 thousand for the Group (nine-month period 2020: HRK 102,785 thousand), and HRK 84,064 thousand for the Company (nine-month period 2020: HRK 89,900 thousand).

## NOTE 6 – STAFF COSTS

The following table shows the information of the total cost of employees during the period:

(in thousands of HRK)	GROUP		COMPANY	
	January – September 2020	January – September 2021	January – September 2020	January – September 2021
Net salaries	106,528	146,077	90,989	124,022
Tax and contributions from salary costs	49,931	63,399	44,364	54,681
Contributions on salaries	25,259	31,319	22,671	26,648
<b>Total /i/</b>	<b>181,718</b>	<b>240,795</b>	<b>158,024</b>	<b>205,350</b>

/i/ Total Covid-19 grants for the nine-month period related to net salaries compensation are included in the staff cost of the Group in the amount of HRK 101,297 thousand (nine-month period 2020: HRK 96,370 thousand) and for the Company HRK 84,064 thousand (nine-month period 2020: HRK 83,935 thousand).

During the nine-month period of 2021 Company's average number of employees is 3,380 (nine-month period 2020: 2,816), while the Group's average number of employees is 4,107 (nine-month period 2020: 3,291).

The following table shows the amount of cost of employees capitalised on the value of the assets during the period:

(in thousands of HRK)	GROUP		COMPANY	
	January – September 2020	January – September 2021	January – September 2020	January – September 2021
Net salaries	2,243	3,378	2,449	3,386
Tax and contributions from salary costs	1,141	1,424	1,036	1,379
Contributions on salaries	388	656	433	656
<b>Total</b>	<b>3,772</b>	<b>5,458</b>	<b>3,918</b>	<b>5,420</b>

## NOTE 7 - INCOME TAX

During the period in 2021 the Company and the Group estimate the period income tax expense according to the IAS 34 provisions.

Income tax comprise:

(in thousands of HRK)	GROUP		COMPANY	
	January - September 2020	January - September 2021	January - September 2020	January - September 2021
Current tax	-	5	-	-
Deferred tax	(80,962)	52,076	(60,043)	46,481
<b>Tax (income)/expense</b>	<b>(80,962)</b>	<b>52,081</b>	<b>(60,043)</b>	<b>46,481</b>

Movement overview of deferred tax assets and liabilities in 2021:

### DEFERRED TAX ASSET

(in thousands of HRK)	GROUP	COMPANY
As at 1 January 2021	331,410	214,471
Increase of tax assets – merger effect (Note 14)	-	16,141
Credited/(debited) to the income	(55,431)	(47,133)
Credited/ (debited) to the other comprehensive income	(28)	-
<b>As at 30 September 2021</b>	<b>275,951</b>	<b>183,479</b>

### DEFERRED TAX LIABILITIES

(in thousands of HRK)	GROUP	COMPANY
As at 1 January 2021	58,292	13,307
Credited/(debited) to the income	(3,355)	(653)
Credited/ (debited) to the other comprehensive income	15	28
<b>As at 30 September 2021</b>	<b>54,952</b>	<b>12,682</b>



## NOTE 8 – EARNINGS/(LOSS) PER SHARE

### Basic

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) for the period of the Group by the weighted average number of shares ordinary in issue during the period, excluding the ordinary shares purchased by the Company and held as treasury shares.

### Diluted

Diluted earnings/(loss) per share are equal to basic, since the Group did not have any convertible instruments and share options outstanding during both periods.

### GROUP

	January - September 2020	January - September 2021
Profit/(loss) attributable to equity holders (in thousands of HRK)	(194,390)	321,869
Weighted average number of shares	121,887,907	121,887,907
<b>Basic/diluted earnings/(loss) per share (in HRK)</b>	<b>(1.59)</b>	<b>2.64</b>

## NOTE 9 – NON-CURRENT TANGIBLE AND INTANGIBLE ASSETS

During the nine-month ended 30 September 2021, the Group acquired assets in the amount of HRK 71,465 thousand (nine-month period 2020: HRK 562,179 thousand), while the Company acquired assets in the amount of HRK 51,230 thousand (nine-month period 2020: HRK 422,747 thousand).

During the nine-month ended 30 September 2021, the Group disposed the assets with a net book value of HRK 2,366 thousand (nine-month period 2020: HRK 2,338 thousand), resulting in a net gain on disposal of HRK 1,184 thousand (nine-month period 2020: HRK 1,525 thousand).

During the nine-month ended 30 September 2021, the Company disposed the assets with a net book value of HRK 2,361 thousand (nine-month period 2020: HRK 1,541 thousand), resulting in a net gain on disposal of HRK 1,154 thousand (nine-month period 2020: HRK 1,966 thousand).

## NOTE 10 – LIABILITIES FOR BORROWINGS AND LEASES UNDER IFRS 16

The following table shows bank borrowings and lease liabilities (IFRS 16) by maturity:

(in thousands of HRK)	GROUP		COMPANY	
	Total liabilities on 30 September 2021	Maturity over 5 years	Total liabilities on 30 September 2021	Maturity over 5 years
Bank borrowings	3,398,009	1,254,457	3,058,395	1,113,832
Lease liabilities under IFRS 16	12,444	4,341	12,628	4,240
<b>Total</b>	<b>3,410,453</b>	<b>1,258,798</b>	<b>3,071,023</b>	<b>1,118,072</b>

As at 30 September 2021 non-current and current bank borrowings of the Company amounted HRK 3,058,395 thousand all secured with a pledge over Company's property facilities and movable property.

As at 30 September 2021 non-current and current bank borrowings of the Group amounted HRK 3,398,009 thousand of which HRK 3,395,704 thousand is secured with a pledge over property facilities and movable property, while the rest of HRK 2,305 thousand is secured primarily with Group's promissory notes.

The Company and the Group need to determine the ownership status for cca 3.24 million m2 and cca 3.54 million m2 respectively, pursuant to the provisions of the Act on unappraised land (hereinafter: the Act), that entered into force on 2 May 2020. As regards the parts of land owned by the Republic of Croatia or local governments, the Company and the Group will conclude a lease agreement for a period of 50 years, on which IFRS

16 will be applied. The unit amount of the rent and the manner of and deadlines for the payment will be laid down by a regulation adopted by the Government. At the moment of creating this document, the regulation has not been adopted yet; therefore it has not been possible to apply IFRS 16. The range of potential impact of IFRS 16 on the Company's and Group's financial statements is presented in Note 2.3.

### Non-current part of borrowings - waivers after balance sheet date 31 December 2020

As at 31 December 2020 in current borrowings is presented the part of non-current borrowings in the amount of HRK 185,009 thousand for which the Company and the Group received waiver for 2020 after balance sheet date, in accordance with IAS 1. Due to that, in the reports for 2021 current borrowings are presented as a part of non-current borrowings.

## NOTE 11 – CONTINGENCIES AND COMMITMENTS

The contracted capital commitments of the Company in respect to investments in tourism facilities as at 30 September 2021 amounted to HRK 514,694 thousand (30 September 2020: HRK 510,030 thousand), while for the Group amounted to HRK 557,246 thousand (30 September 2020: HRK 535,819 thousand).

The company is a loan guarantor to subsidiary Valamar Obertauern GmbH. The maximum estimated amount of the guarantee that can be realized is HRK 50,609 thousand. The subsidiary loan is secured with a pledge over Valamar Obertauern GmbH property facilities. The Company estimates the minimum possibility of realization of the guarantee.

## NOTE 12 – ASSOCIATES

The following table shows total capital and reserves and profit or loss for the last business year of associate as at 31 December 2020:

(in thousands of HRK)				
ASSOCIATE	Country	Ownership	Total capital and reserves	Profit/(loss) for the year
Helios Faros d.d., Hvar	Croatia	20.00%	222,671	(8,218)

## NOTE 13 – RELATED PARTY TRANSACTIONS

Related party transactions were as follows:

GROUP	January – September 2020	January – September 2021
(in thousands of HRK)		
<b>Sale of services</b>		
Associate with participating interest	1,648	2,168
Other related parties to the owners and corporate governance bodies	1	-
	<b>1,649</b>	<b>2,168</b>
<b>Purchase of services</b>		
Associate with participating interest	16	223
Other related parties to the owners and corporate governance bodies	104	312
	<b>120</b>	<b>535</b>
	<b>As at 31 December 2020</b>	<b>As at 30 September 2021</b>
<b>Trade and other receivable</b>		
Associate with participating interest	331	251
	<b>331</b>	<b>251</b>
<b>Liabilities</b>		
Associate with participating interest	-	26
Other related parties to the owners and corporate governance bodies	84	-
	<b>84</b>	<b>26</b>

**NOTE 13 – RELATED PARTY TRANSACTIONS / CONTINUED**

Related party transactions were as follows:

**COMPANY**

(in thousands of HRK)

	January - September 2020	January - September 2021
<b>Sale of services</b>		
Subsidiaries	6,023	15,375
Associate with participating interest	1,648	2,168
Other related parties to the owners and corporate governance bodies	1	-
	<b>7,672</b>	<b>17,543</b>
<b>Purchase of services</b>		
Subsidiaries	895	3,195
Associate with participating interest	16	223
Other related parties to the owners and corporate governance bodies	104	312
	<b>1,015</b>	<b>3,730</b>
	<b>As at 31 December 2020</b>	<b>As at 30 September 2021</b>
<b>Trade and other receivable</b>		
Subsidiaries	161	3,118
Associate with participating interest	331	251
	<b>492</b>	<b>3,369</b>
<b>Other receivables</b>		
Subsidiaries	26	26
	<b>26</b>	<b>26</b>
<b>Trade and other payables</b>		
Subsidiaries	136	1,056
Associate with participating interest	-	26
Other related parties to the owners and corporate governance bodies	84	-
	<b>220</b>	<b>1,082</b>
<b>Loans given</b>		
Subsidiaries	28	28
	<b>28</b>	<b>28</b>



## NOTE 14 – MERGER OF SUBSIDIARY

The merger of Palme turizam d.o.o. into the Company was entered in the court register on 7 May 2021. The legal effect of the merger started as of 8 May 2021. After the registration of the merger, Palme turizam d.o.o. ceased to exist and the Company became the universal legal successor of the merged company: all the assets, rights and liabilities of Palme turizam d.o.o. were transferred to the Company.

Statement of comprehensive income of the Group includes the results of the merged companies for the whole current year. Statement of comprehensive income of the Company includes the results of the merged companies from the merger date.

Assets and liabilities in 2021 at merger date are:

### PALME TURIZAM D.O.O.

(in thousands of HRK)

7 May 2021

#### Assets

Property, plant and equipment	25,753
Deferred tax assets (Note 7)	16,141
Trade and other receivables	72
Cash and cash equivalents	1,110

#### Liabilities

Payables and other liabilities	(14)
--------------------------------	------

#### Net assets acquired

43,062

#### Less: elimination of the Company's share in subsidiary

(115,448)

#### Net effect on equity at merger

(72,386)

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