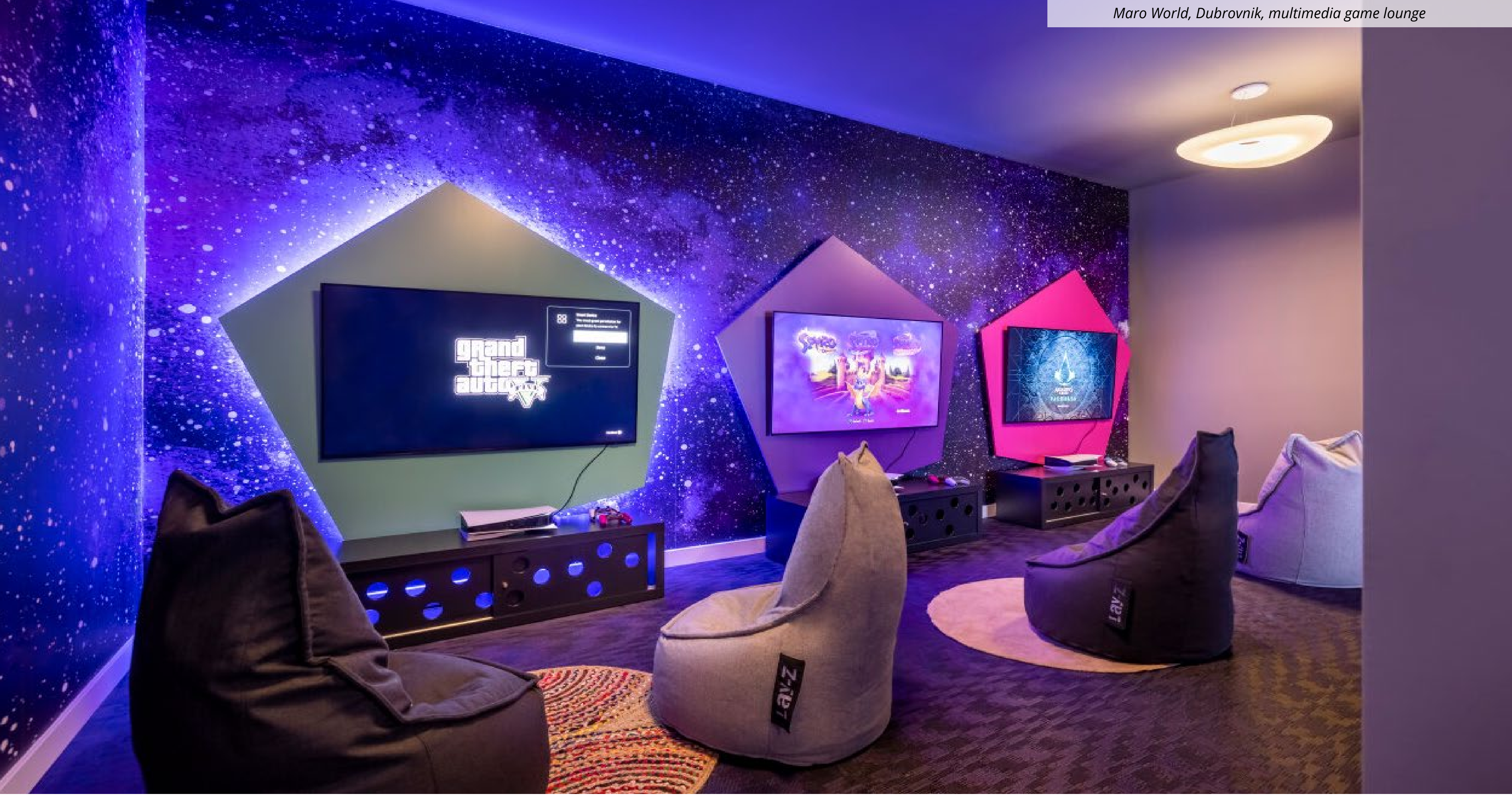
Maro World, Dubrovnik, multimedia game lounge



ANNUAL REPORT 2023

VALAMAR
All you can holiday

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ABOUT VALAMAR

Valamar is Croatia's leading tourism company operating in prime destinations – Istria, the islands of Krk, Rab and Hvar, Makarska, Dubrovnik, and Obertauern in Austria. With over 21,000 commercial keys, Valamar's 37 hotels and resorts and 15 camping resorts can welcome around 58,000 guests daily. Valamar creates authentic guest experiences in partnership with its destinations, and with investments around EUR 915 million in the last 20 years, Valamar is one of the top Croatian and regional investors in tourism.

Valamar is Croatia's TOP employer in tourism, focused on creating a stimulating corporate culture where guests and employees come first. Valamar leads the innovative management of leisure tourism and creates new value for guests, employees, shareholders and local communities in in its destinations.

Valamar Group consists of following companies: Valamar Riviera d.d. (Parent company), Imperial Riviera d.d. (a subsidiary in 46.27% ownership) and Bugenvilia d.o.o. (100% owned subsidiary). Valamar holds minority ownership positions in following companies: Helios Faros d.d. (20% owned) and Valamar A GmbH (24.54% owned).

Tourism portfolio of Valamar Group

KEY MESSAGES

In 2023, Valamar Group once again delivered strong business results. This enabled the Group to additionally invest in guest satisfaction and service quality increase as the fundamental drivers of business growth in the years to come. Operating revenues increased 14.4% mainly due to increased average prices of 13.5% following previous significant investments in portfolio development. Adjusted EBITDA was 6.2% higher despite continued strong inflationary pressures in the segment of main inputs. Premium products and services and the camping segment recorded excellent results, especially in the northern destinations. The Group's customer structure, with guests from Germany and Austria accounting for almost half of total overnights, remains stable.

OVERNIGHTS, OPERATING INCOME AND OPERATING PROFIT HIGHER COMPARED TO 2022

Sustainable tourism is one of Valamar's strategic priorities and the area in which we invest exceptional efforts for many years now. We are happy that our efforts have been recognised once more and we have recently received two prominent recognitions in this area. The first recognition, a silver medal, has been awarded by EcoVadis, a global sustainability ratings agency, making Valamar the first and only Croatian tourism company whose sustainability practices have been recognised globally. The second one has been given by Bloomberg. According to Bloomberg's analysis, Valamar has achieved the best ESG rating of all observed companies in Croatia.

REGULATIONS DEFINING THE COST OF LEASING TOURIST LAND ADOPTED

Valamar has invested in the 2022/23 season the total amount of EUR 58 million. The largest investment of EUR 32 million has been done in Dubrovnik. Intense investment preparations for the construction of hotel Pical in Poreč (over 500 accommodation units at the level of 5*), the largest single investment project in Croatian tourism, are underway.

These have been achieved despite some adverse macroeconomic developments in our main source markets, continued inflationary pressures and decreased arrivals and flights in Dubrovnik destination compared to pre-crisis period. Investments in Dubrovnik in three hotels and the children's animation complex Maro World were very well accepted, creating significant growth in family guests and positioning Dubrovnik well for future growth. We are also pleased to see an exceptional increase in the number of overnights of guests from the United States and the Far East compared to last year. Also, Dubrovnik saw an increase in hotel guests overnights of 13.5% and average prices of 12.5% signifying an ongoing recovery.

Successful employment and training for almost 8,100 employees across all Valamar managed properties is another large achievement in 2023, especially given significant challenges in the labour market.

We welcome the adoption of regulations for leasing tourist land enabling us in the tourism sector to plan investments accurately. We believe the benefits of having certainty will significantly outweigh the additional cost.

BUSINESS RESULTS

In 2023 Valamar has capitalized on the ongoing global trend of high travel demand, excellent positioning of invested properties in Valamar's portfolio as well as strong direct sales. The Group realised 6.5 million overnights (+2.0% compared to the last year) and operating income of EUR 372.2 million (+14,4% compared to the last year).

The average price (ARR) for the period observed is 13.5% higher and amounts to EUR 119. The best results were again achieved by hotels and campsites within the invested premium properties segment. These properties have also been continuously achieving excellent results in guest satisfaction overall. Northern destinations continue to enjoy higher demand than southern Croatia. Direct sales have continuously had excellent performance increasing to the level of EUR 188.6 million, achieving a total of 63% of board revenues compared to 62% for 2022. Growth in the direct sales channel has a positive contribution to Valamar's operating profit.

Operating expenses have increased by 11.4% to EUR 250.5 million, following continued significant investments in employees (labour costs have increased by EUR 17.8 million or 16.3% compared to 2022.), significantly increased food costs and other purchasing costs due to continued intense inflationary pressures (maintenance costs, consumables, small inventory, textile accessories, etc.). Postings related to the lease of tourist land also had an additional negative impact (explained below). Operating profit (adjusted EBITDA) reached EUR 109.4 million, 6.2% higher than in 2022. Adjusted EBITDA margin amounts to 29.4% and is by 2.3 percentage points lower.

ADJUSTED EBITDA AMOUNTS TO EUR 109 MILLION WITH THE MARGIN OF 29.4%

As at 31 December 2023, the Group's net debt amounts to EUR 217.8 million, a decrease of 10.2% in the period observed, reflecting a strong deleveraging trend. Loans mostly have a fixed interest rate or are protected by interest rate swaps, thus largely eliminating the interest rate risk. For 2023, all financial and other covenants from loan agreements have been satisfied.

In May 2023, a dividend of EUR 0.20 per share (dividend yield of 4.5%) or a total of EUR 24.4 million was paid. In addition, the Management Board and the Supervisory Board adopted a proposal for the next General Assembly of the Company on the payment of dividend in the amount of 0.22 euro per share. According to the proposal, the dividend should be paid to all shareholders in May 2024.

For the purposes of the LTIP (long-term incentive plan for key executives in the Company's shares in the period from 2023 to 2026), the Company acquired 415,980 own shares in 2023, i.e. 0.33% of the capital. On 31.12.2023. the Company has a total of 3,417,022 own shares or 2.71% of the Company's capital.

SUCCESSFULLY COMPLETED INVESTMENTS IN THE 2022/23 SEASON IN THE AMOUNT OF EUR 58 MILLION

INVESTMENTS

In 2022/23 season we invested EUR 58 million. The investments represent an important step in further improvement of service quality.

The investments in Istra Premium Camping Resort further improved the premium segment through an expansion of various types of accommodation units in the camping zone Orlandin (10 new mobile homes). They also covered an expansion of Zone C with 18 new villas with a swimming pool, a new restaurant called Tuna Bay Grill, the finalisation of Fonte restaurant, an upgrade of the supermarket and outdoor wellness and an expansion of the parking and charging stations for electric vehicles.

With respect to Valamar Lacroma Hotel, investments were aimed at improving quality and interior redesign of the hotel. Investments encompassed 48 hotel's accommodation units, public spaces with an emphasis on the F&B segment, indoor pool and wellness zone, the new outdoor Mezzino bar, and a swimming pool complex with slides and a sunbathing area.

The investment in Valamar Club Dubrovnik Hotel has been completed. It included a complete renovation of 102 and a partial renovation of 199 accommodation units. The entrance to the hotel and the driveway have been also been renovated. The hotel reception, lobby and entire restaurant have been refurbished. With this investment, the hotel has been repositioned to Club Dubrovnik Sunny Hotel by Valamar.

The investments in our portfolio in Obertauern (Austria) mostly related to the repositioning of the Hotel Marrieta in the Places brand. Obertauern [PLACESHOTEL] 4* Superior was opened at the beginning of December 2023, and attracts guests interested in lifestyle products. An additional investment was the construction of the underground garage of the Kesselspitze Valamar Collection Hotel.

Helios Faros investments were focused on 11 new Eco Villas and project technical documentation related to Valamar Amicor Green Resort. It is the first eco resort in Croatia, opened in 2022. It was built in accordance with principles of sustainable development and designed according to the nZEB standard, which implies almost zero energy consumption. Amicor Green Resort was a finalist in the European Hotel Innovation Awards for sustainability achievements in 2023.

The investment in the construction of the Pical hotel started in 2019 and suspended due to the pandemic in 2020, is under preparation to be relaunched, carrying investment value of approximately EUR 140 million. We envisage the construction of Pical Valamar Collection Resort, a five-star luxury all-year resort in the Pical zone in Poreč, with a capacity of over 500 accommodation units and a range of amenities for high-quality year-round tourism. This Valamar investment represents the largest and most significant single investment in Croatian tourism, making Pical one of the most attractive tourist zones in the Republic of Croatia.

HUMAN RESOURCES

In 2023, Valamar, as the most desirable employer in the Croatian tourism industry, invested an additional more than EUR 25 million in workers' wages. Salaries paid in peak season, i.e. in June, July and August for professional occupations - including chefs, waiters and receptionists in Valamar hotels, campings and resorts were between EUR 1,200 and 1,800 net, and for housekeepers, assistant chefs, assistant waiters, kitchen workers, servers and a number of other occupations were between EUR 1,000 and 1,200 net. Valamar continues with its award programs to motivate loyalty, focus and achieving business goals.

VALAMAR IS AMONG THE TOP 10 MOST DESIRABLE CROATIAN EMPLOYERS

ESG RATING: VALAMAR HAS BEEN AWARDED THE SILVER MEDAL BY ECOVADIS

SUSTAINABILITY

Valamar has been awarded the silver medal by EcoVadis, a global agency for rating a wide range of business sustainability practices. By obtaining an ESG rating, Valamar became the first Croatian tourism company whose sustainable practices have been recognised worldwide. EcoVadis evaluates environmental impacts, labour and human rights, ethics and sustainable procurement and their assessment is globally recognised by international institutions, investors and banks. Only the top 15% of companies rated by EcoVadis achieve the silver level.

In January, Valamar Riviera also got the best ESG rating in Croatia according to Bloomberg Adria, which analysed the largest Croatian companies on the Zagreb Stock Exchange. Valamar stands out with the highest total ESG score of 4.41, as the only tourist company on the list and as the only company that achieved a total score above 4. Valamar achieved excellent results in all categories: Environment, Social and Governance.

In 2024, Valamar continues to invest heavily in strategic projects and initiatives within its ESG strategy. Investments in reducing the carbon footprint relate to further decarbonisation, investing in renewable energy sources with a focus on solar energy, electric vehicles, bio-composting and others. We encourage biodiversity through our afforestation projects and taking care of 80,000 trees, so an additional 883 trees will be planted at Valamar, and we plan to plant a total of 10,000 trees in Croatia together with our guests. We continue our partnerships with local food producers and our focus is also on improving further cooperation with our suppliers in sustainable business practices. This is why this year we are introducing corporate social responsibility practices to increase the number of sustainable suppliers. Our total investments in employee development and rewards programmes in 2024 will amount to approximately EUR 20 million. This includes numerous trainings, development and rewards programmes as well as incentives for living in our destinations. In all destinations, we have continued our investments in tourist infrastructure such as promenades, cycling paths, playgrounds and beaches. We have also continued our investments in destination events and support to the community and local socially responsible organisations, and we have continued with the projects of Valfresco School in Labin and Kindergarten for Valamar Employees in Poreč. Valamar has also joined key global initiatives for sustainable development, the Science Based Targets initiative and has become a member of the UN Global Compact.

CONTINUATION OF FURTHER INVESTMENTS IN STRATEGIC PROJECTS AND INITIATIVES WITHIN ESG STRATEGY

Obertauern [PLACESHOTEL] by Valamar 4, Obertauern*

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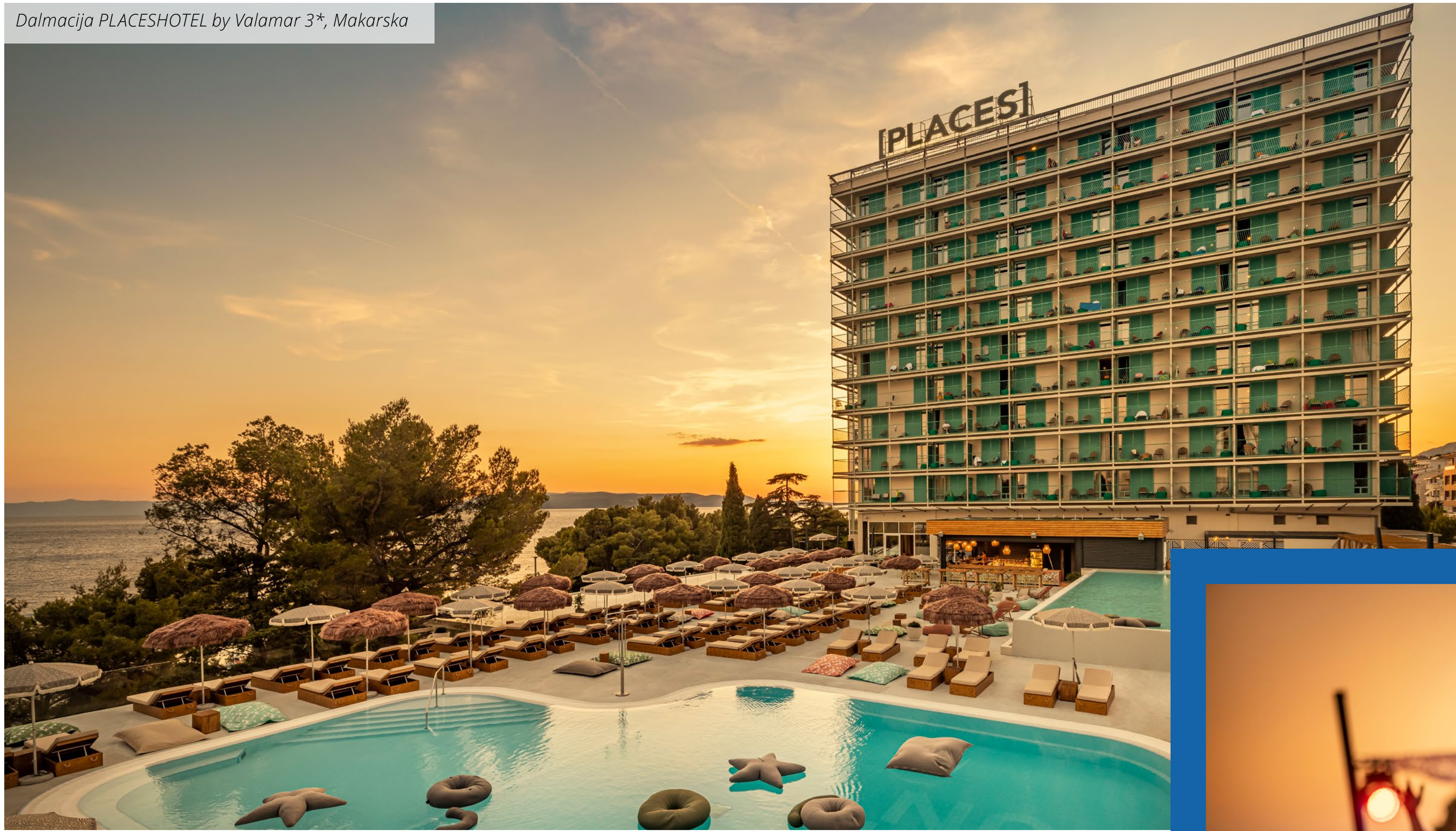
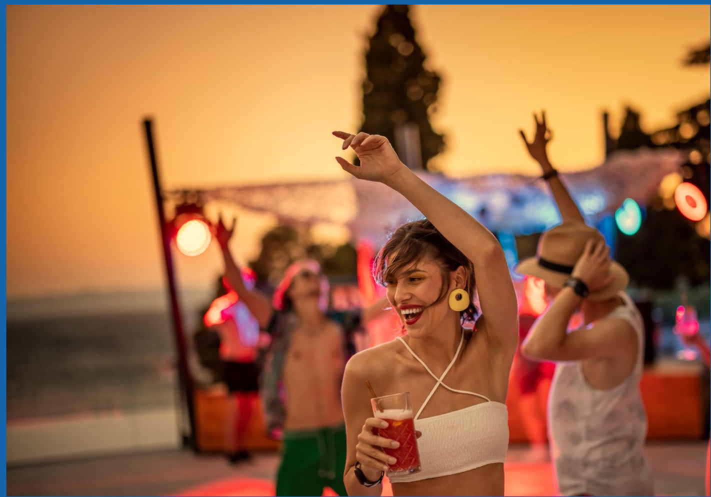
Ježevac Premium Camping Resort 4, Krk Island*

Dalmacija PLACESHOTEL by Valamar 3*, Makarska





Significant Business Events

TOURIST LAND

After the transition from social to private ownership, i.e. transformation and privatisation, certain ambiguities and disputes arose regarding the ownership of a part of the land of which the majority of the tourism sector companies in the Republic of Croatia are comprised. To regulate these property rights relations more precisely, the Act on Unappraised Building Land was adopted and it entered into force on 2 May 2020 (hereinafter: the 'AUBL'). The Act on Tourist Land and Other Building Land Unappraised in the Procedure of Transformation and Privatisation (hereinafter: the 'AOTL'), which had been in force from 1 August 2010, thus ceased to be valid.
On 8 February 2024, the Government of the Republic of Croatia passed two regulations laying down the rules on tourist land: (1) the Regulation on the Method of Determining the Unit Amount of the Lease for Tourist Land on which a Hotel and Tourist Resort Are Built, the Method of Calculating the Lease and Other Fees and the Mandatory Content of the Lease Agreement and (2) the Regulation Determining the Initial Unit Price Amount for the Lease of the Tourist Land in a Campsite, the Method of Calculating the Lease and Other Fees and the Mandatory Content of the Lease Agreement (hereinafter: the 'Regulations').

These Regulations set the prices of leasing tourist land for 50 years after the entry into force of the AUBL and define the legal framework that enables companies in the tourism sector to make concrete strategic planning and prepare investments and long-term development. The positive effects of this particularly relate to the camping segment where most of the tourist land is situated. Also, this will significantly reduce the challenges of the legal uncertainty concerning tourist land and disposing of tourist land and catering facilities (e.g. purchasing and mortgaging). All of this contributes to the overall improvement in quality level and services enhancement, and thus to the development of sustainable tourism products with high added value. In addition, we believe that this is the beginning of a better regulation of the relations among tourism companies, the Republic of Croatia and the local communities.

Since the above Regulations (which, among others, regulate the unit cost of the lease per square meter) were adopted only in 2024, the Group, as a precaution, had already made provisions for the corresponding lease expenses for the period from the entry into force of the AUBL, i.e. May 2020, until the end of 2022. After the passing of these Regulations, in its financial statements for 2023, Valamar cancelled all provisions from previous years (2020-2022). Valamar stated the amount of the lease expenses at new prices following the Regulations, including the expenses for 2023. The net effect of these transactions in 2023 amounts to EUR -4.7 million. This did not significantly impact the previously published outlook on Group's operating income and adjusted EBITDA for 2023. Namely, the assumptions for this outlook had already taken into account the passing of the above Regulations. We expect that the rent under the new law (AUBL) will be at least twice as high as until now under the old law (AOTL).

POSITIVE EFFECTS OF THE DEFINED BUSINESS CONDITIONS AND USE OF TOURIST LAND ARE EXPECTED IN THE LONG TERM DESPITE THE INCREASED RENT

IN ITS FINANCIAL STATEMENTS FOR 2023, VALAMAR CANCELLED ALL PROVISIONS FROM PREVIOUS YEARS (2020-2022) AND BOOKED THE AMOUNT OF THE RENT EXPENSES AT NEW PRICES

Given the current accounting policies and standards, the Group is allowed to capitalise the majority (about 80%) of the lease in the future, starting from the beginning of 2024. From the date of the entry into force of the AUBL until the date of the conclusion of the agreement, the lease is to be charged for a maximum of 50% of the surface. After the conclusion of the agreement, the payment of all unpaid (but booked) liabilities from previous periods will be regulated.

The rent is paid monthly, calculated as one-twelfth of the annual rent. The unit rent amount is revised every three years based on annual inflation rates published by the Croatian Bureau of Statistics.
Each municipality or city is responsible for determining the appropriate amount of rent for hotels and tourist resorts in their respective areas. In coastal regions, annual rent must fall between EUR 1.50 and EUR 3.00 per square meter of land annually. When renting land for camping, the fixed price is EUR 2.00 per square meter per year. The final price is determined by adjusting the initial unit price with a coefficient of economic profitability based on the county. The coefficients are as follows: 1 for Istra and Primorsko-goranska counties, 0.9 for Zadar and Šibenik-Knin counties, 0.8 for Split-Dalmatia and Dubrovnik-Neretva counties, and 0.7 for Lika-Senj County, continental counties, and islands. For camping that is categorised with 4*, the unit rental price is reduced by an additional 5%, and for camping that is categorized with 5*, it is reduced by an additional 10%.

When leasing tourism land, the highest yearly rent payment cannot exceed 4% of the previous year's hotel, camping, or tourist resort revenue. If the rent calculated by the cost per square meter of land surpasses this limit, the rent will be set at 4% of the previous year's revenue. The tourism companies are responsible for proving that the rent surpasses 4% of the turnover the hotel, camping, or tourist resort earned in the previous year. This can be established through tax returns, business books, and financial expertise, which the lessee will be responsible for covering.

Income from hotel and tourist resort rent is divided among the municipality/city (40%), County (20%), and fund for tourism (40%). Income from camping rent is divided among the municipality/city (20%), County (10%), state budget (30%) and fund for tourism (40%).

According to the AOTL, the Valamar Group reported the use of 3.4 million m2 of tourist land, based on which the so-called prepayment of the concession fee had been calculated until the entry into force of the AUBL. After having made alignments based on geodetic surveys and other business documents, the Group currently estimates that it will use approximately 2.8 million m2 of tourist land in the future.

INVESTMENT IN SUSTAINABLE PROJECT ISTRA PREMIUM CAMPING RESORT 5* IN FUNTANA FINALIZED

After seven years of continuous investments in the total amount of EUR 81 million, we have now finalised this profitable and sustainable high-quality product. Istra Premium Camping Resort 5* adds a lot of value to both Valamar and the local community. Out of the total invested amount, more than EUR 7 million have been invested in the improvement of public tourism infrastructure such as the arrangement of beaches, promenades, roads, playgrounds and other facilities open for use by the entire local community. Driven by our guests' demand for local products, souvenirs and gastronomic services, this campsite enhances the business of local crafts, shops and restaurants. This campsite is open for the most of year round and around half of its employees are locals.

TOTAL INVESTMENT IN CAMP ISTRA WORTH 81 MILLION EUROS

PROJECT CAMP ISTRA IS ALSO OF GREAT IMPORTANCE FOR THE LOCAL COMMUNITY

Istra Premium Camping Resort 5* regularly wins numerous domestic and foreign awards due to its continuous excellence and the first-class reputation of its services and amenities. It is one of the best campsites in the Mediterranean. It is the first large 5* campsite in Istria. It currently has 962 accommodation units (pitches with sea view, modern camping homes, glamping tents and properties with swimming pools). This superb camping resort is distinguished by its high accommodation quality and the premium family water park Aquamar, which covers 1,000 m2. Aquamar boasts several water slides and water attractions as well as children's playrooms, restaurants, bars, shops and numerous sports facilities.

Istra Premium Camping Resort has become synonymous with responsible and sustainable tourism. Among its many achievements and good practices, we highlight the following:
- The European Commission's Ecolabel confirming that Valamar's products and services carrying this label meet the environmental protection standards
- The campsite gets 100 per cent of its electricity from renewable sources, thereby reducing its greenhouse gas emissions
- We have 60 electric vehicles for the transport of our guests within the campsite
- Charging stations for electric vehicles have been installed
- Thermal solar collectors are used to generate hot water in the campsite's sanitary blocks
- The campsite has its own recycling yard
- A system for digital monitoring and comparison of water consumption has been installed
- An advanced water consumption system for irrigation has been installed. The system is based on the meteorological data collected from the campsite's meteorological station and evapotranspiration of the soil
- Currently, the construction of a desalination system for brackish groundwater is being prepared so that it can generate process water for the irrigation of the campsite's green spaces.

LIFESTYLE [PLACES] BY VALAMAR BRAND INTRODUCED TO OBERTAUERN

After being rented by a third-party last season, the former Marietta Hotel 4* (120 keys, acquired at the end of 2021) has been renovated and rebranded for the winter season 2023/2024 according to the guidelines of the lifestyle [PLACES] brand. It is called Obertauern [PLACESHOTEL] 4* Superior. In addition to this hotel, Valamar's portfolio in Obertauern (Austria) includes Kesselspitze Valamar Collection Hotel (Valamar Collection brand) and Valamar Obertauern Hotel (Valamar Hotels & Resorts brand).

OBERTAUERN [PLACESHOTEL] 4* SUPERIOR OPENED IN DECEMBER 2023

The [PLACES] brand has been designed with the emphasis on an individualistic and unconventional concept, intended for the urban generation growing up in a global, digital age. Millennials and all those who feel that way are its main target group. The entire hotel branding and verbal expression have been fully adapted to the Alpine environment and the German-speaking area. Interiors reflect the Alpine-chic style with elements of modern style. Natural and eco materials have been used and the focus is on digital technology and contactless payment, as well as on flexibility and the freedom of choice when it comes to F&B services.

This hotel also offers a variety of indoor entertainment facilities for all age groups and for our guests' complete relaxation, we have an indoor swimming pool and a wellness & spa oasis filled with the scents of Alpine plants.

VALAMAR RIVIERA'S GENERAL ASSEMBLY

The General Assembly of the Company was held on 24 April 2023. It passed the decision on the distribution of profit realised in 2022, the decision on giving the approval of actions to members of the Management Board and Supervisory Board, and approved the remuneration report for members of the Management Board and Supervisory Board for 2022. Also, auditors Ernst & Young d.o.o. za reviziju and UHY RUDAN d.o.o. were appointed to do the audit of the company Valamar Riviera d.d. in 2023.

Besides the stated decisions, the General Assembly adopted the decision on the alignment of the share capital which now amounts to 221,915,350.00 euro and the decision on amendments to the Articles of Association of the Company. These two decisions relate to the introduction of the euro as the official currency of the Republic of Croatia. The General Assembly also passed the decision on the pay-out of the dividend in the amount of EUR 0.20 per share (dividend yield of 4.5%), or a total of EUR 24,377,581.40. The dividend was paid out on 10 May 2023 from retained earnings in 2019. Ex-date, i.e. the date from which the Company's shares are traded without the right to dividend pay-out, was 27 April 2023.

AWARDS AND RECOGNITIONS

VALAMAR WAS AWARDED NUMEROUS RECOGNITIONS IN 2023

In 2023, the Valamar Group continued to achieve top results and recognitions, receiving over 100 awards. Our commitment to sustainable tourism and outstanding services has been recognised on the market by both our guests and the industry experts.

A total of 11 of Valamar's campsites have been evaluated as Croatia's Best Campsites for 2024. Both Istra Premium Camping Resort and Lanterna Premium Camping Resort received the prestigious INOV CAMP 2023 award presented by the Croatian Camping Association for innovative camping solutions, namely Histri Island Edutainment Park. Additionally, four of our campsites have been awarded with the ADAC - Superplatz 2024 award, while another four have earned the esteemed ANWB - Top 2024 award. At Croatian Tourism Days, Istra Premium Camping Resort was proclaimed as the Campsite of the Year, while our properties in Poreč, Rabac, Hvar, Makarska, and Dubrovnik won an impressive 17 TripAdvisor Travelers' Choice Awards for 2023.

International recognitions from the World Travel Awards are equally noteworthy. Our hotels have been declared as best hotels in different categories, including Dubrovnik President Valamar Collection Hotel 5* as the best luxury beach resort in Croatia, Isabella Valamar Collection Island Resort 4*/5* as the best luxury island resort and Marea Valamar Collection Suites 5* as the best luxury family hotel in Southeast Europe. Kesselspitze Valamar Collection Hotel has been recognised as the best luxury ski hotel in Austria. On HolidayCheck, the largest independent German-language accommodation booking platform, seven of our hotels have been named among the best in Croatia, affirming our commitment to exceptional service and accommodation quality.

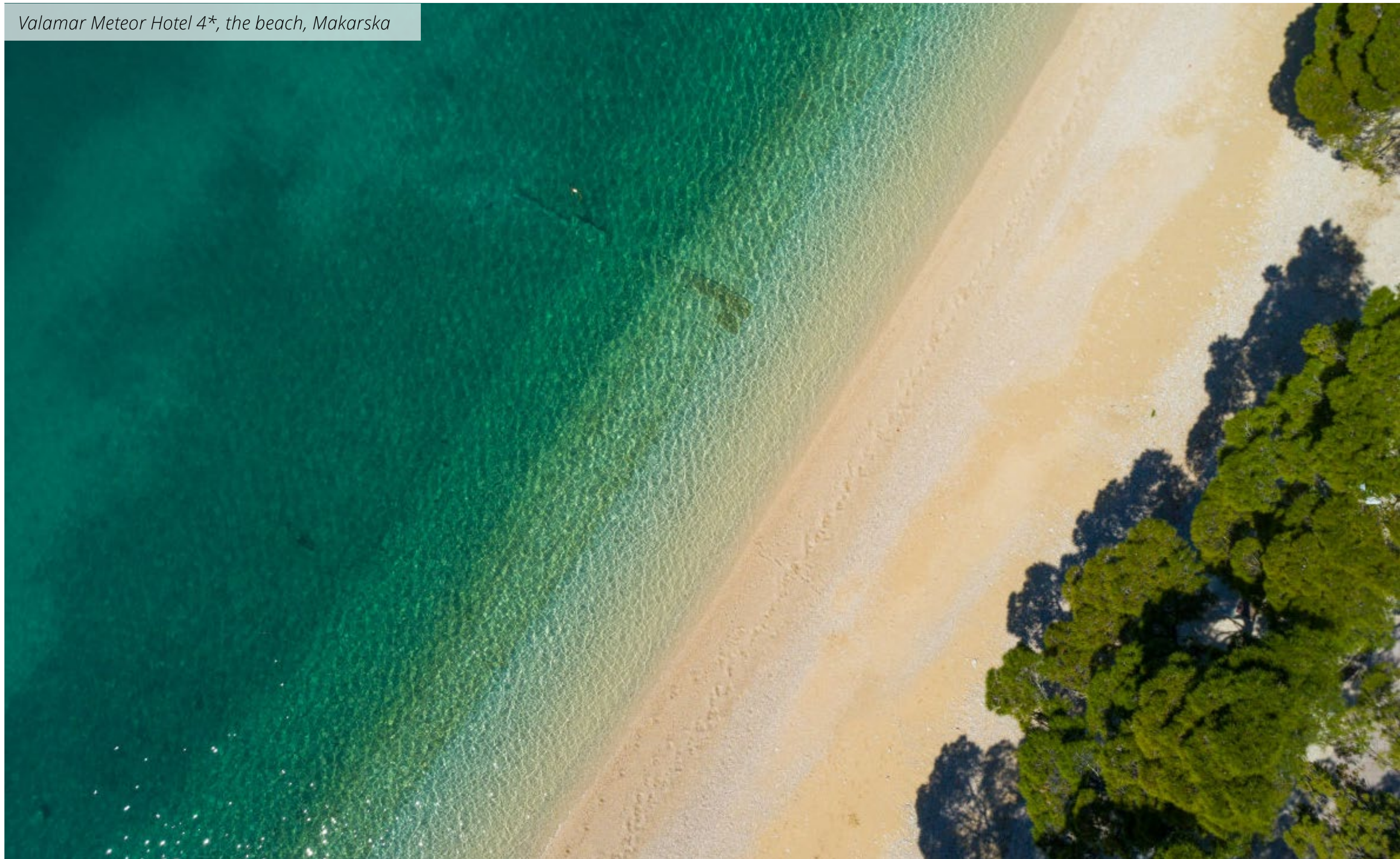
We would also like to highlight the awards received by our employees for their exceptional dedication and contribution to our properties' operations and guest satisfaction. At Croatian Tourism Days, two of our employees won the Employee of the Year award from the Croatian National Tourist Board while Ms. Belinda Lorraine Božanja received the prestigious Best Hotel Director in 2023 award from UPUHH with a special recognition for commitment to service excellence.

In our ongoing commitment to sustainability, 15 of our beaches have been awarded the prestigious Blue Flag certification by FEE (Foundation for Environmental Education) while 28 of our properties have received the Travelife sustainability certification. Additionally, in collaboration with UPUHH, seven of our properties have been recognized for sustainability excellence. We're particularly proud to have received the National Environmental Award 2023 - Green Prix from the Ministry of Economy and Sustainable Development, in the Community Impact category. Furthermore, our Valamar Amicor Green Resort on Hvar Island has been acknowledged as a sustainability leader in Europe, winning 3rd place at the Hotel Innovation Award.

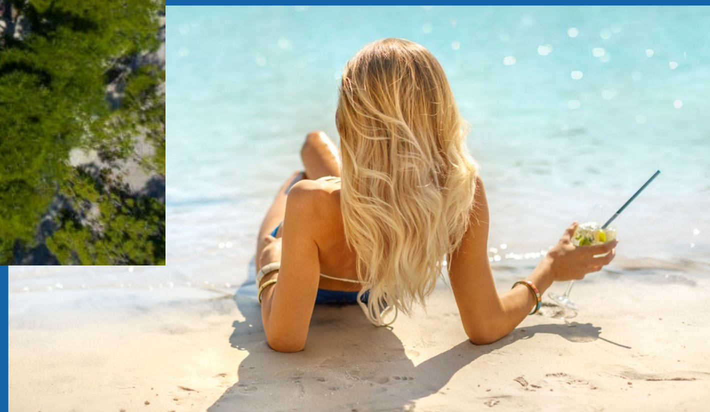
Sustainable tourism remains one of Valamar's strategic priorities. Our efforts have been recognized by EcoVadis and Bloomberg, winning the silver medal from EcoVadis and being named Croatia's best company in ESG rating by Bloomberg. Our commitment to transparency and open communication has also been acknowledged with the prestigious Building Public Trust Award from PwC Croatia and the Zagreb Stock Exchange. Once again, our success in Investor Relations has been recognized, earning us yet another award (third prize) from Poslovni dnevnik and the Zagreb Stock Exchange.

All these prestigious awards and recognitions are a testament to our strong commitment to excellence in all aspects of our business, confirming our market position and reputation. They serve as a powerful motivation for us to continue delivering unforgettable experiences for our employees, community, guests, and investors.

VALAMAR RECEIVED 'BUILDING PUBLIC TRUST AWARD' FROM PWC CROATIA AND THE ZAGREB STOCK EXCHANGE



Valamar Meteor Hotel 4*, the beach, Makarska



Results of the Group

ANNUAL AUDITED FINANCIAL STATEMENTS

The Management Board of the Company presents the audited annual financial statements for the business operations in the year 2023.

The Group's profit and loss account for the period considered consolidates the data from the following companies: Valamar Riviera d.d. (Parent Company), Imperial Riviera d.d. (a subsidiary 46.27% owned by Valamar Riviera d.d.), Magične stijene d.o.o.* (100% owned) and Bugenvilia d.o.o. (100% owned).

The investments in the company Helios Faros d.d. (20% owned) and Valamar A GmbH (24,54% owned) are reported according to the equity method since Valamar Riviera d.d. does not exercise control but a significant influence over them.

* The company was deleted from the court register on August 3, 2023

The Management Board presents the annual audited financial statements for the 2023


Krk Premium Camping Resort 4, Krk island*

KEY FINANCIAL INDICATORS[1]

	2022	2023	22/23
Total revenues	331,962,715	375,406,296	13.1%
Operating income	325,334,919	372,208,414	14.4%
Sales revenues	319,483,709	365,719,180	14.5%
Board revenues (accommodation and board revenues)[2]	264,457,810	304,258,117	15.0%
Operating costs[3]	224,773,497	250,480,269	11.4%
EBITDA[4]	96,613,143	108,216,451	12.0%
Extraordinary operations result and one-off items[5]	-6,390,518	-1,171,512	-81.7%
Adjusted EBITDA[6]	103,003,661	109,387,963	6.2%
EBIT	30,522,029	42,401,589	38.9%
Adjusted EBIT[6]	36,912,547	43,573,101	18.0%
EBT	26,792,943	33,440,643	24.8%
Net profit	21,287,568	33,667,325	58.2%
EBT margin	8.2%	9.0%	0.7pp
EBITDA margin	29.7%	29.1%	-0.6pp
Adjusted EBITDA margin[6]	31.7%	29.4%	-2.3pp

	31/12/2022	31/12/2023	22/23
Net debt[7]	242,529,080	217,762,850	-10.2%
Net debt / Adjusted EBITDA	2.4	2.0	-15.5%
Cash and cash equivalents	89,299,582	55,185,359	-38.2%
Capital investments (details in chapter "2020 Investments")	42,111,057	58,603,851	39.2%
ROE[8]	4.4%	6.0%	1.6pp
Adjusted ROCE[9]	5.3%	6.3%	1.1pp
Market capitalization[10]	510,165,244	594,849,998	16.6%
EV[11]	887,143,152	951,166,260	7.2%
Share price	4.05	4.72	16.6%
EPS[12]	0.16	0.22	37.5%
DPS[13]	0.16	0.20	25.0%

KEY BUSINESS INDICATORS[14]

	2022	2023	22/23
Number of accommodation units (capacity)	20,093	20,087	0.0%
Number of beds	56,142	56,354	0.4%
Full occupancy days	126	127	1.0%
Annual occupancy (%)	35	35	0.0%
Accommodation units sold	2,531,572	2,557,292	1.0%
Overnights	6,358,158	6,482,614	2.0%
ARR[15] (in HRK)	104	119	13.5%
RevPAR[16] (in HRK)	13,165	15,101	14.7%
EBITDA PAR	4,908	5,536	12.8%

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

2 In compliance with the classification under the USALI international standard for reporting in hotel industry (Uniform System of Accounts for the Lodging Industry). Non-commercial properties/data excluded.

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

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

5 Adjustments were made for (i) extraordinary income (in the amount of HRK 28.5 million in 2022, and HRK 30.2 million in 2021), (ii) extraordinary expenses (in the amount of HRK 74.2 million in 2022 (of which HRK 49 million refers to RDP), and HRK 55.8 million in 2021), and (iii) termination benefit costs (in the amount of HRK 2.2 million in 2022, and HRK 1.8 million in 2021).

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

7 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.

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

9 Adjusted ROCE refers to return on capital employed; calculated as: adjusted EBIT / (capital and reserves at the end of the period + noncurrent and current liabilities to banks and other financial institutions + other liabilities according to IFRS 16 (leases) - cash and cash equivalents - long-term and short-term investments in securities - loans given, deposits, etc.).

10 Market capitalization is calculated as the total number of shares multiplied by the last share price at the end of period.

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

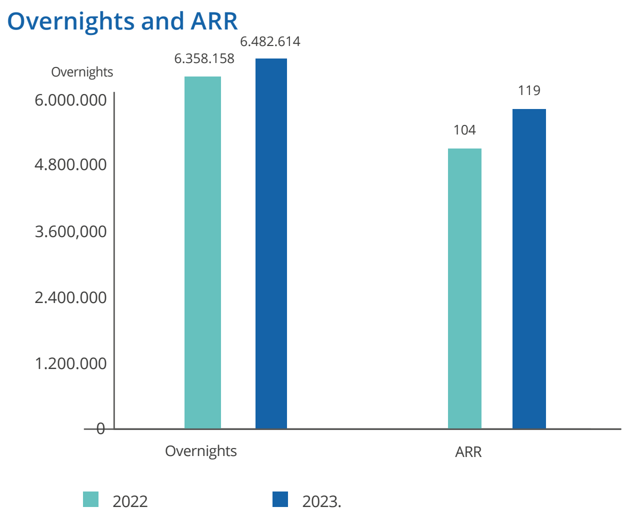
12 EPS refers to earnings per share calculated on the basis of net profit attributable to the owners of the parent company. Weighted average number of shares in 2022: 121,887,907. Weighted average number of shares in 2021: 121,887,907.

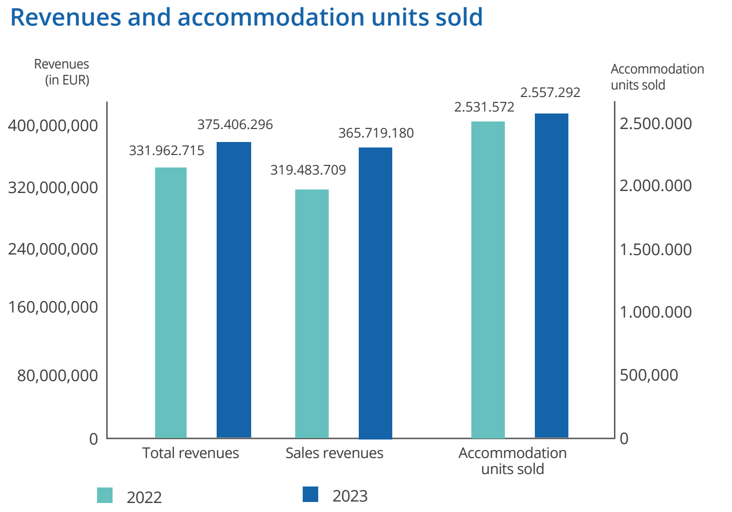
13 DPS refers to dividends per share.

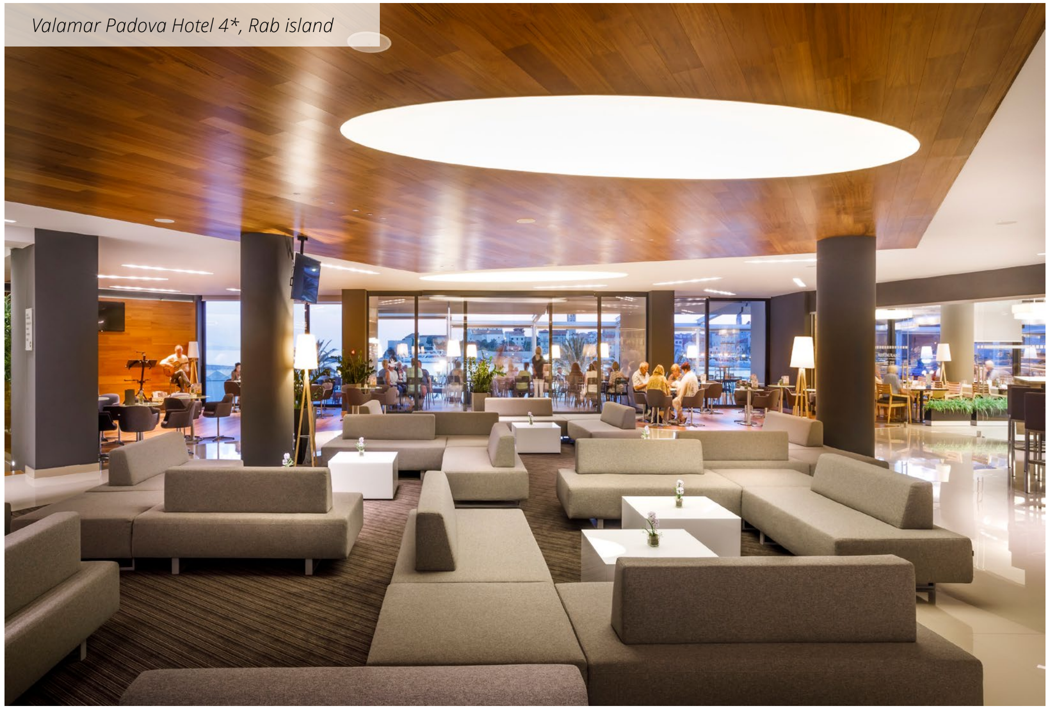
14 Data for Helios Faros and Valamar A GmbH are not included. Non-commercial properties/data excluded.

15 Average rate is recorded on the basis of cumulative board revenues (accommodation and board's food and beverage revenues).

16 Revenue per accommodation unit is recorded on the basis of cumulative board revenues (accommodation and board's food and beverage revenues).







Valamar Padova Hotel 4, Rab island*

Despite a somewhat lower number of average operating days (2023: 186 and 2022: 188), unfavourable macroeconomic developments on our main source markets, continuing strong inflationary pressures and a somewhat weaker result of the Dubrovnik destination (due to a lower number of flights, this season Dubrovnik has not fully recovered compared to the pre-COVID period), overnights (+2%), operating revenues (+14%) and operating profit (+6%) of the Group exceed the year 2022.

REVENUES

The total revenues in 2023 amount to EUR 375.4 million, which is an increase of 13.1% (EUR 43.4 million). The total generated revenues have been influenced by:

a) the growth in sales revenues by 14.5% (EUR 46.2 million) to EUR 365.7 million, primarily from board revenues (EUR 304.3 million). There has been a slight change in the revenue structure: the sales revenues from the domestic market amount to EUR 41.3 million and they account for 11.3% of sales revenues (vs. 10.4% in 2022). Compared to 2022, they are EUR 8.1 million higher. With an 88.7% share in sales revenues (vs. 89.6% for 2022), the sales revenues from foreign markets amount to EUR 324.4 million and are EUR 38.1 million higher.

b) the increase in other operating revenues of 10.5% compared to 2022, i.e., to EUR 6.4 million, mainly due to mainly due to the cancellation of litigation obligations.

c) financial revenues, which amount to EUR 3.2 million are 51.8% lower than in 2022. This is mainly due to the absence of unrealised gains on financial assets (based on the fair value of interest rate swaps).

Kesselspitze Valamar Collection Hotel, 5 Obertauern*

TOTAL OPERATING EXPENSES OF VALAMAR GROUP[17]

(in EUR)	2022	2023	23/22
Operating costs[18]	224,773,497	250,480,269	11.4%
Total operating expenses	294,812,890	329,806,825	11.9%
Material costs	103,272,959	118,247,660	14.5%
Staff cost	91,642,157	104,577,058	14.1%
Depreciation and amortisation	66,055,469	65,778,289	-0.4%
Other costs	29,812,219	36,168,890	21.3%
Provisions and value adjustments	2,683,266	1,593,802	-40.6%
Other operating expenses	1,346,820	3,441,126	155.5%

TOTAL OPERATING EXPENSES

The total operating expenses amount to EUR 329.8 million and are 11.9% higher than last year. The development of operating expenses is as follows:

a) material costs amount to EUR 118.2 million and are 14.5% higher mainly as a result of increased raw materials and material costs, maintenance, consumables and promotional activity costs as well as booked net effects related to the cancellation of provisions from previous years and posting of the cost of tourist land rent at new prices (explained earlier).

A new electricity supply contract for the period from 1 June 2023 to 31 May 2024 has been signed. Given the market developments, the contracted prices are lower than those from the contract signed for the period from 1 June 2022 to 31 May 2023. However, the prices are still higher compared to the period before the energy crisis, which culminated after the start of the war in Ukraine in February 2022. By concluding this contract, we have ensured our electricity supply and the stability of our electricity prices for one year. We would like to particularly highlight that the contracted prices include 100% of energy from renewable sources.

b) staff costs have increased 14.1% and amount to EUR 104.6 million after having made additional investments in salary increases and rewards to employees

c) depreciation amounts to EUR 65.8 million, which represents a 0.4% decrease

d) other costs have increased by 21.3% to EUR 36.2 million. This increase is mainly driven by increased employee transportation and accommodation reimbursements, expenditures for agency work, utilities charges and travel expenses reimbursements

e) other operating expenses amount to EUR 3.4 million, which represents a EUR 2.1 million increase.

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

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

EBITDA AND PROFIT FOR THE PERIOD

The operating revenues in 2023 amount to EUR 372.2 million and are 14.4% higher compared to 2022. On the other hand, operating expenses increased by 11.4% to EUR 250.5 million following continued significant investments in employees (total labour costs increased by EUR 17.8 million or 16.3%). The increase in numerous other costs due to inflationary pressures (maintenance costs, consumables, small inventory, textile accessories, etc.) is also the driver for the increase in operating expenses. The previously mentioned bookings related to the lease of tourist land had an additional negative impact. The decrease in electricity prices on the market has had a positive impact on the Group's financial result and the related costs are lower than comparable costs in 2022. An operating profit (adjusted EBITDA) of EUR 109.4 million has been generated, which is 6.2% higher than in 2022. Due to the already mentioned significant increase in operating expenses caused by inflationary pressures, the EBITDA margin dropped from 31.7% to 29.4%.

Considering approximately the equaldepreciation costs and a somewhat weaker net financial result (a detailed explanation follows in the upcoming section), earnings before tax (EBT) amount to EUR 33.4 million. This is an improvement of 24.8% compared to the last year.

The Group reported income tax in the amount of EUR -227 thousand as a result of the recognition of deferred tax in the amount of EUR -3,105 thousand and current tax of EUR 2,878 thousand. The Group's net profit for 2023 amounts EUR 33.7 million.

Valamar Carolina Hotel & Villas 4,Krk Island*

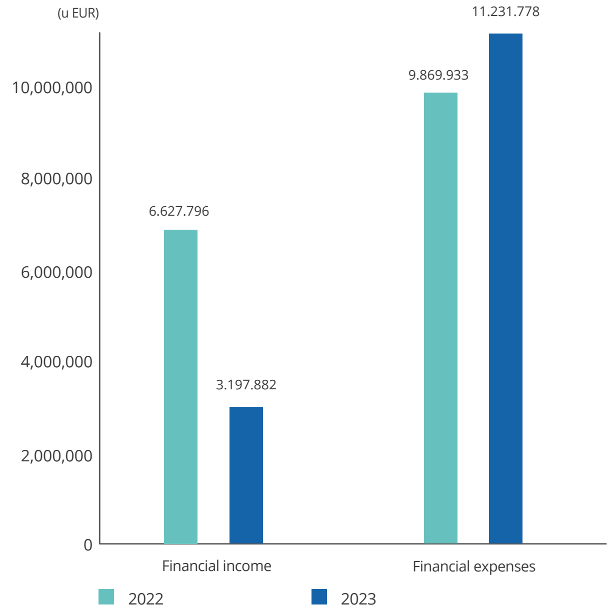
RESULT FROM FINANCIAL ACTIVITIES

The result of financial activities for 2023 is EUR -8.0 million, which is EUR 4.8 million lower compared to the 2022, when it amounted to EUR -3.2 million.

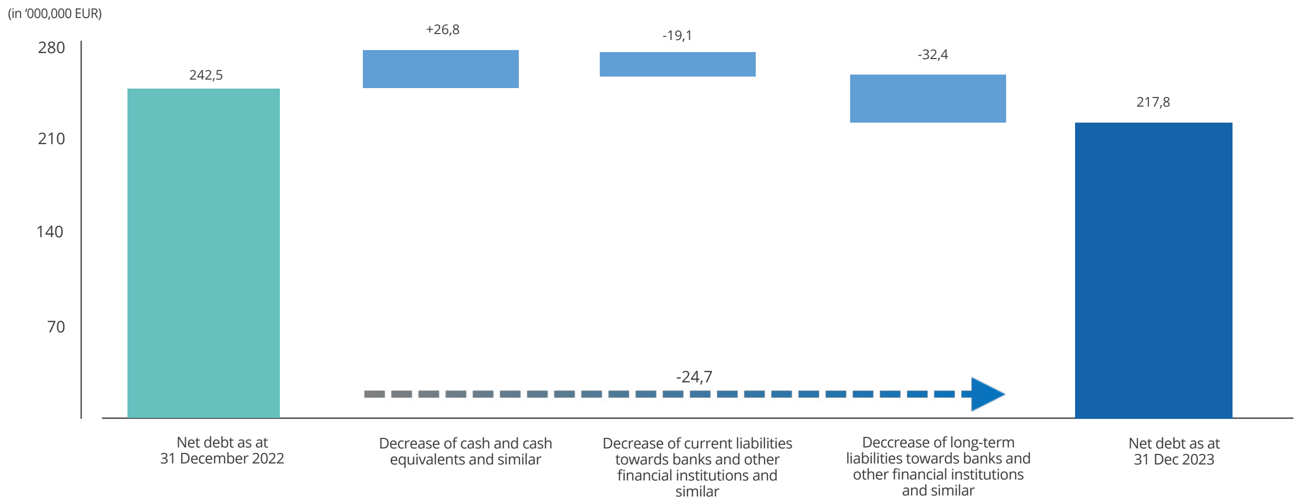
The weaker net financial result was mainly influenced by the decrease in unrealized income from financial assets (based on the fair value of interest rate swaps) by EUR 5.2 million compared to the last year and the increased interest expenses by EUR 0.7 million due to the increase in interest rates. The impact of the increase in interest costs was largely cancelled out by interest income from interest rate swaps, which in the twelve months of 2023 amounted to EUR 1.0 million.

On the other hand, due to the introduction of the euro, there were no exchange rate differences, which in last year amounted to a net of EUR -231 thousand and related mainly to long-term loans denominated in euros, while this year they amount to only EUR 3 thousand and refer to operational business with other foreign currencies. At the same time, due to the increase in interest rates on placements, other income from interest was higher by EUR 2.3 million.

Financial income and expenses



Net debt [19]



19 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

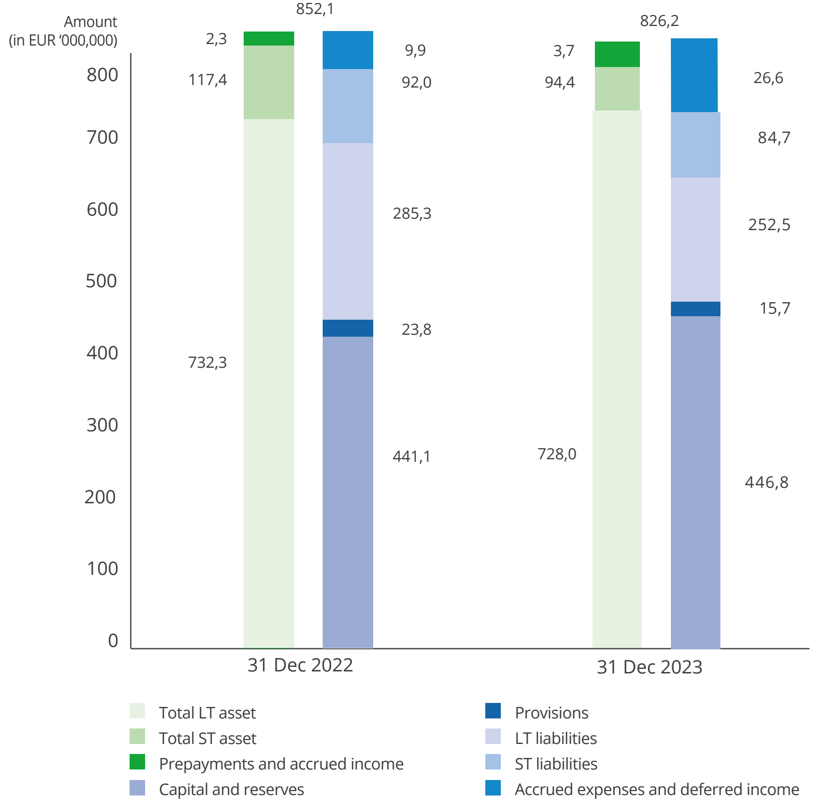
On 31 December 2023. the total value of the Group's assets is EUR 826.2 million, which is 3.0% lower than on 31 December 2022. years. Total share capital and reserves amount to EUR 446.8 million and are higher by 1.3% as a result of the achieved net profit for the period despite the dividend payment of EUR 24.4 million in May 2023.

Total long-term and short-term liabilities to banks and other financial institutions as of 31 December 2023 amount to EUR 294.0 million and are 15.0% lower than on 31 December 2022 as a result of loan repayment.

Most of the loan portfolio consists of long-term loans with an agreed fixed interest rate, i.e. loans protected by derivative instruments (IRS) for the purpose of protection against interest rate risk. This has largely eliminated the interest rate risk. Additionally, most of the Group's cash receipts are in euros, as is the entire credit portfolio, which largely eliminates currency risk.

On 31 December 2023. the Group's cash balance is EUR 55.2 million, which represents a decline of 38.2% compared to 31 December 2022. High cash balance of the Group together with i) the contracted credit lines, ii) valuable tourism assets and iii) a strong operational business model made the Group's balance sheet position stable.

Assets and liabilities



HOTEL AND CAMPING RESORTS OVERVIEW

HOTELS AND RESORTS OVERVIEW		LOCATION	KEYS
Hotels and Resorts			**9.214**
VALAMAR COLLECTION			**1.328**
Marea Valamar Collection Suites	5*	Poreč	108
Imperial Valamar Collection Hotel	4*	Island Rab	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
Kesselspitze Valamar Collection Hotel	4* Superior	Austrija	67
VALAMAR HOTELS & RESORTS			**3.759**
Valamar Riviera Hotel & Residence	4*	Poreč	130
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 Sanfior Hotel & Casa	4*	Rabac	242
Valamar Atrium Baška Residence & Villa Adria	4* / 5*	Island Krk	92
Valamar Carolina Hotel & Villas	4*	Island Rab	176
Valamar Padova Hotel	4*	Island Rab	175
Valamar Meteor Hotel	4*	Makarska	268
Valamar Argosy Hotel	4*	Dubrovnik	308
Valamar Lacroma Dubrovnik Hotel	4*	Dubrovnik	401
Valamar Tirena Hotel	4*	Dubrovnik	208
Valamar Obertauern Hotel	4*	Austria	82
Valamar Amicor Green Resort	4*	Island Hvar	97
[PLACES] by Valamar			**489**
Hvar [PLACESHOTEL] by Valamar	3*	Island Hvar	179
Dalmacija [PLACESHOTEL] by Valamar	3*	Makarska	190
Obertauern [PLACESHOTEL] by Valamar	4*	Austria	120
SUNNY BY VALAMAR			**3.638**
Lanterna Sunny Resort by Valamar	2*	Poreč	606
San Marino Sunny Resort by Valamar	3*	Island Rab	457
Rivijera Sunny Resort by Valamar	2*	Makarska	258
Arkada Sunny Hotel by Valamar	2*	Island Hvar	266
Club Dubrovnik Sunny Hotel	3*	Dubrovnik	338
Eva Sunny Hotel & Residence	2* /3*	Island Rab	284
Crystal Sunny Hotel by Valamar	4*	Poreč	223
Rubin Sunny Hotel by Valamar	3*	Poreč	253
Allegro Sunny Hotel & Residence by Valamar	3*	Rabac	168
Miramar Sunny Hotel & Residence by Valamar	3*	Rabac	165
Corinthia Baška Sunny Hotel by Valamar	3*	Island Krk	341
Zvonimir Sunny Hotel by Valamar	4*	Island Krk	85
Koralj Sunny Hotel by Valamar	3*	Island Krk	194

CAMPING RESORTS OVERVIEW		LOCATION	KEYS
Camping Resorts			**11.684**
CAMPING ADRIATIC BY VALAMAR - PREMIUM RESORTS			**5.469**
Istra Premium Camping Resort	5*	Poreč	962
Lanterna Premium Camping Resort	4*	Poreč	2.959
Krk Premium Camping Resort	5*	Island Krk	500
Ježevac Premium Camping Resort	4*	Island Krk	632
Padova Premium Camping Resort	4*	Island Rab	416
CAMPING ADRIATIC BY VALAMAR - RESORTS			**4.574**
Orsera Camping Resort	3*	Poreč	595
Solaris Camping Resort	3*	Poreč	1.825
Marina Camping Resort	4*	Rabac	329
Baška Beach Camping Resort	4*	Island Krk	601
Bunculuka Camping Resort	4*	Island Krk	414
San Marino Camping Resort	4*	Island Rab	810
CAMPING ADRIATIC BY VALAMAR - SUNNY			**1.641**
Brioni Sunny Camping	2*	Pula	725
Tunarica Sunny Camping	2*	Rabac	162
Škrila Sunny Camping	3*	Island Krk	349
Solitudo Sunny Camping	3*	Dubrovnik	405

Dubrovnik President Valamar Collection Hotel 5*, Dubrovnik

Results of the Company

In 2023, total revenues amounted to EUR 299.6 million, which is a decrease of 9.6% or EUR 31.6 million compared to the same period in 2022. The greatest contribution to the decrease in total revenues is the absence of income from the sale of assets. Namely, in the first quarter of 2022, the three hotels in Dubrovnik (Valamar Lacroma Dubrovnik Hotel, Club Dubrovnik Sunny Hotel by Valamar and Tirena Sunny Hotel by Valamar) were transferred from company Valamar Riviera to company Imperial Riviera. Consequently, Valamar Riviera d.d. generated net revenues, i.e. profit from the assets' sale in the amount of EUR 62.6 million shown in the item Other operating revenues with entrepreneurs within the group. This transaction had a significant impact on the Company's separate financial reports, while it had no impact on the Group's financial reports as it was an intragroup transaction.

Sales revenues amount to EUR 290.1 million and are 14.0% higher than the same period last year. Sales revenues in the country amount to EUR 44.4 million with a share of 15.3% in total sales revenues (14.0% in 2022). Revenues from sales on foreign markets amount to EUR 245.7 million with a share of 84.7% in total revenues (86.0% in 2022).

Material costs amount to EUR 97.2 million with a growth of 16.7% as a result of increased costs of raw materials and materials, maintenance, consumables, costs of promotional activities and booked net effects related to the cancellation of provisions from previous years and the posting of the rental cost of tourist land at new prices (explained earlier). Staff costs amount to EUR 83.4 million and are 12.6% higher compared to last year, after additional investments in salary increases and employee rewards. Depreciation amounts to EUR 47.2 million, which is 3.7% less than last year.

In 2023, the net financial result is EUR -1.3 million (EUR 1.8 million in 2022). The weaker net financial result was mostly influenced by the absence of unrealized income from financial assets, which was reported in 2022 in the amount of EUR 3.0 million (based on the fair value of interest rate swaps), while in 2023 it was reported at the level of EUR -0.3 million euros, as well as a lower dividend received from Imperial Riviera d.d. (4.9 million euros in 2022 and 2.2 million euros in 2023). On the other hand, the improvement of the net financial result of EUR 1.6 million was mostly influenced by other income based on interest after the increase in market interest rates on money placements.

TOTAL REVENUES SIGNIFICANTLY REDUCED DUE TO THE ABSENCE OF A HIGH INCOME REALIZED IN 2022 FROM THE SALE OF THREE IMPERIAL RIVIERA HOTELS

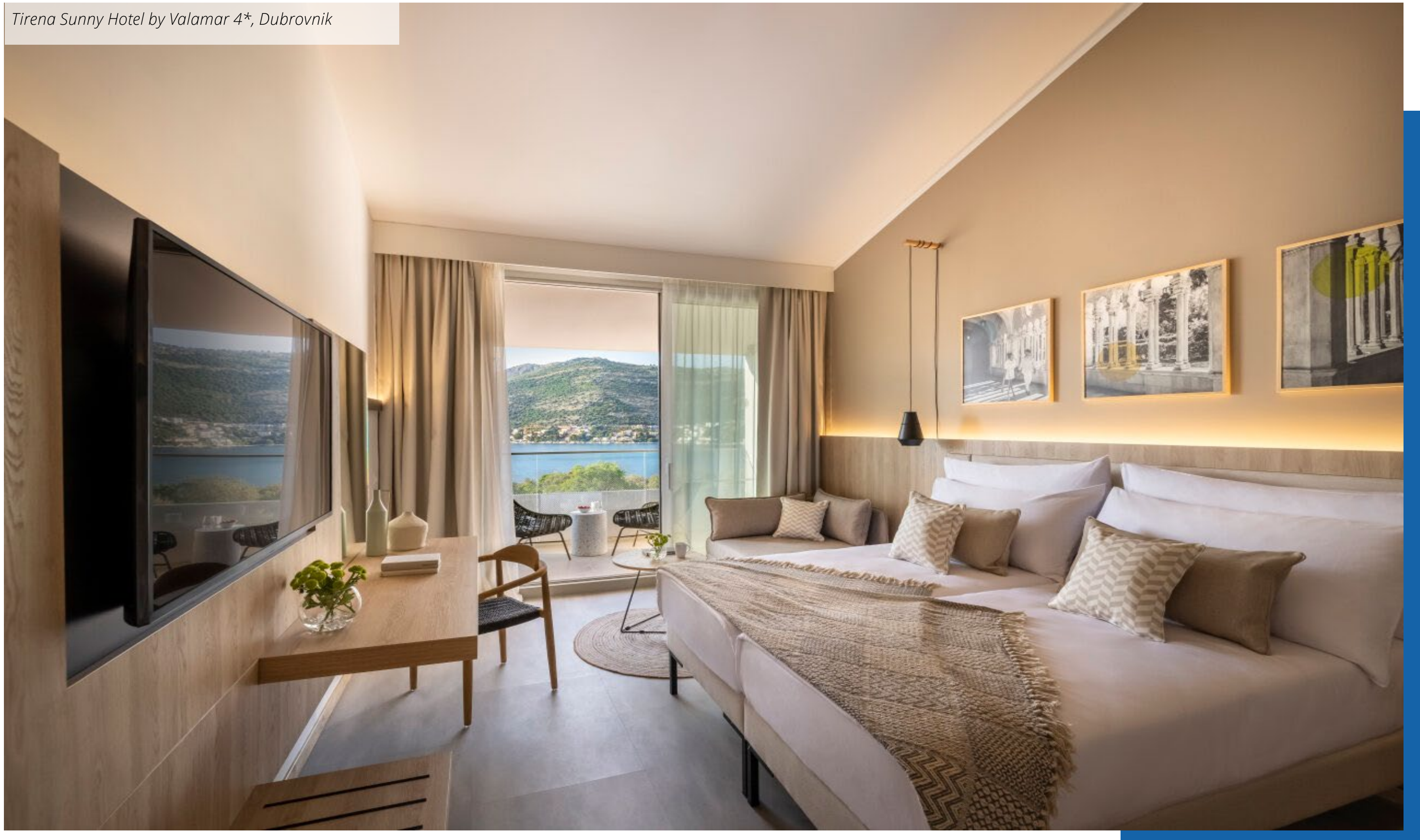
In 2023, an EBITDA of EUR 81.4 million has been generated, which represents a 40.3% decrease compared to the EBITDA generated in 2022. This is primarily due to the absence of the aforementioned profit from the sale of assets realised in 2022 in the amount of EUR 62.6 million. An additional impact comes from the increased investments in the total employee income and increased costs of raw materials and materials, maintenance, consumables, promotional activity costs and the previously mentioned postings related to the lease of tourist land. After 3.7% lower depreciation costs and the lower net financial result described above, the profit before tax (EBT) amounts to EUR 32.9 million.

STRONG CASH POSITION OF THE COMPANY AS AT 31 DECEMBER 2023 OF EUR 46 MILLION

The Company has reported income tax in the amount of EUR 8.0 million. With respect to previously recognized deferred tax assets based on tax losses and tax incentives, the Company will have an obligation to pay income tax (cash outflow) for about one third of the stated amount. The Company's net profit for the year 2023 amounts to EUR 24.9 million.

On 31 December 2023 the total value of the Company's assets is EUR 660.3 million, which is 4.7% lower than on 31 December 2022. Total share capital and reserves amount to EUR 407.6 million and are on the same level as in last year. On 31 December 2023 the balance of the Company's cash amounts to EUR 46.3 million, which represents a decrease of 21.9% compared to 31 December 2022.

Tirena Sunny Hotel by Valamar 4*, Dubrovnik



Investment cycle 2022/23

Total investments made by Valamar Group in the 2022/23 investment cycle amount to EUR 58 million.

VALAMAR RIVIERA

During the investment cycle of 2022/23, Valamar Riviera realized investments totalling EUR 26.0 million.
The investments primarily focused on energy efficiency and digitalization projects, with larger allocations towards enhancing the quality and improvement of the Istra Premium Camping Resort 5* in Poreč, further modernization and enhancement of the Corinthia Sunny Plus Hotel by Valamar 3* on the island of Krk, as well as investments in maintaining facilities and amenities for guests and accommodating seasonal employees across all destinations.
The biggest single capital investment in 2022/2023, amounting to EUR 7.6 million, was made in Istra Premium Camping Resort, the best Family Camping Resort in Croatia and one of the best campsites in the Mediterranean. Investments were realized, further enhancing quality and upgrading the premium segment through the expansion of various types of accommodation units in the Orlandin zone (10 new mobile houses), while the expansion of C zone included new villas with a swimming pools, and a new restaurant called Tuna Bay Grill. Additionally, the Fonte restaurant was finalized, the Oliva restaurant was further renovated, the supermarket and outdoor wellness area were upgraded, and the parking lot was expanded with the installation of electric vehicle charging stations. . The expansion of C zone was carried out over an area of 9,200 m2, accommodating 18 brand new villas with their own private pools (the area of the villa with terrace is 54m2 and the pool is 28m2). Besides a private pool with heated water and an outdoor shower, each villa will consist of a bedroom with a double bed, a children’s room with two beds, a bathroom with a shower, and a covered terrace. These investments further ensured the enhancement of the overall service quality and facilities within the camp. Another significant investment was directed to further modernisation and upgrade of Corinthia Sunny Plus Hotel by Valamar 3* on the island of

Istra Premium Camping Resort 5, Poreč*

Krk, where investments in room finalization, as well as the reconstruction of the buffet and pool terrace, were completed.

Valamar Riviera's constant focus on green projects, sustainability, and energy efficiency has been reaffirmed by investing nearly 10% of the total investment plan into sustainability projects. The units for organic waste and recycling have been upgraded, solar panels have been reconstructed, and electric vehicle chargers, as well as heat pumps, have been implemented, which are considered significant steps towards energy efficiency. Furthermore, new trees and greenery have been planted across all destinations.

Istra Premium Camping Resort 5, Poreč (new villa in C zone)*

IN 2022/23 CYCLE. VALAMAR RIVIERA'S INVESTMENTS WERE REALISED IN THE AMOUNT OF 26 MILLION, AND IMPERIAL RIVIERA'S 32 MILLION

EMPHASIS ON GROUP'S INVESTMENTS IN THE DESTINATION OF DUBROVNIK

Among the significant investments related to sustainability and energy efficiency, we can mention the refurbishment of the recycling yard in Rabac and desalinisation – the process of removing minerals from seawater. Demineralized water will be used for irrigating horticulture in the Istra Premium Camping Resort 5* in Poreč. These initiatives have ensured financial savings, reduced dependency on tap water and preserved it for the consumption of residents and guests of the area. An additional EUR 4 million have been invested in digitalisation and innovation projects aimed at continuously improving our service quality. The majority of the investment has been allocated to the redesign of the website, the MyValamar application, and projects to improve business security.

In addition to the environmental protection and energy efficiency, significant attention has been devoted to investment maintenance across all our destinations by investing in regular maintenance of facilities and amenities for guests, as well as investing in security measures. In the investment maintenance cycle of 2022/23 alone, Valamar Riviera has invested over EUR 9.5 million, with an additional half a million euros allocated to beach improvements and EUR 400 thousand towards enhancing guest security.

IMPERIAL RIVIERA

The company Imperial Riviera d.d. has successfully realised its 2022/2023 investment cycle in the amount of EUR 31.6 million. The most important investments related to the Dubrovnik destination, i.e. to Valamar Tirena Hotel 3*, Valamar Lacroma Hotel 4*, Valamar Club Dubrovnik 3*, and to the ancillary properties of Exodus and Popiva, now operating under the new name Maro World.

The largest investment, totalling EUR 15.8 million, was allocated to the reconstruction and repositioning project of the Valamar Tirena Hotel 3* in Dubrovnik. This project aimed to refurbish the hotel to enhance quality, modernize spaces, renovate worn-out equipment elements, and streamline operational processes, thereby elevating its category to four stars and repositioning it to Valamar Hotels & Resorts 4*. All accommodation units (208), public areas, and external hardware were completely refurbished, and new glass fences meeting safety standards were installed on balconies. The kitchen in the basement was reorganized in accordance with HACCP standards.

At the Valamar Lacroma Hotel 4* in Dubrovnik, an investment totalling EUR 3.4 million has been completed, focusing on enhancing quality and redesigning the interior spaces of the hotel. This includes refurbishing a portion of the accommodation units, public areas with a focus on the F&B segment, the indoor pool and wellness area, as well as the new outdoor Mezzino bar. The investment in the accommodation units involved interior redesigning with entirely new furnishings, built-in and movable furniture, and hotel equipment. Additionally, the Momenti restaurant, reception area, and lobby space have been renovated.

The investment in the Club Dubrovnik Sunny Hotel by Valamar 3* in Dubrovnik has been completed, totalling EUR 2.9 million. This investment encompassed the complete refurbishment of 102 accommodation units and partial refurbishment of 199 accommodation units. The entrance and access to the hotel have been renovated, and the reception area, lobby, entire restaurant, and pool area have been redesigned. With this investment, the hotel has been repositioned as the Club Dubrovnik Sunny Hotel by Valamar.

Furthermore, an investment of EUR 3.9 million has been completed, which involved two existing facilities, Popiva and Exodus, transforming them into a large children's entertainment complex with various amenities suitable for all ages, under the name Maro World. Complete reorganization of the facilities was carried out, and new facilities both inside and outside the buildings were constructed and equipped. Maro World has become a large thematic play area available to all our guests in the Dubrovnik destination.

Valamar Lacroma Dubrovnik Hotel 4, Dubrovnik*

Tirena Sunny Hotel by Valamar 3, Dubrovnik*

Investment cycle 2023/24

The continuous success and growth of Valamar Riviera is the result of investing in products, employees and tourist destinations, while always taking care of sustainable and socially responsible development through commitment to reducing the carbon footprint and constant investment in renewable energy sources. Along with enriching our tourist offer, we have developed Valamar service concepts to reach current market demands and guest expectations. We have thus respectively adjusted our planned portfolio development towards high added value offer and services, focused on the premium resorts and campsites segment, to the decreased investment intensity in the past couple of years. Simultaneously, we have prepared new growth and development projects for the future. In accordance with the harmonisation of our planned portfolio and development with the current tourist flows and a proactive approach to cash flow management and financing, we have primarily focused our investments in the 2023/2024 cycle on realising new investments. These investments are aimed at enhancing quality and guest satisfaction.

Total approved investments at the Valamar Group level for the 2023/24 investment cycle amount to 82 million euros. The investments largely focus on renovating accommodation units at hotels and campsites. In addition, Valamar actively invests in environmental protection and energy efficiency, safety, as well as digitalization and innovations for the new growth period.

VALAMAR RIVIERA

The planned investments of Valamar Riviera in the 2023/2024 cycle amount to EUR 43.1 million. Investments are aimed at improving business processes, enhancing business operations, raising the quality of facilities and services and increasing energy efficiency and digitalisation.

Istra Premium Camping Resort 5, Poreč*

The largest single capital investment in 2023/2024 amounting to EUR 8.2 million is aimed at investing in the renovation of 180 accommodation units at Allegro Sunny Hotel 3* in Rabac and 90 of the total 120 accommodation units at Miramar Sunny Hotel 3* in Rabac, while the remaining 30 accommodation units were already renovated in 2021. The merger of these two hotels creates a new Sunny brand product called Allegro Sunny Hotel & Residence 3*. In addition to the renovation of the rooms, this investment includes investing in children's facilities in both hotels, an outdoor trampoline park and the expansion and increase in the capacity of the restaurant for hotel guests by building an outdoor terrace with an additional 80 sitting places due to the increase in the hotel's total accommodation capacities. The F&B service concept will be a Sunny Breakfast & Brunch and Sunny Dinner. This unique Sunny brand product will provide accommodation in a fantastic location and will focus primarily on families.

The second significant investment, amounting to EUR 5.1 million, refers to the reconstruction of accommodation units at Koralj Sunny Hotel 3* on the island of Krk and the implementation of children's facilities.. This investment includes a complete renovation and redesign of 194 accommodation units and an increase in its bed capacity by 120, which will increase its capacities from 429 to 549 beds. The construction of children's facilities on the ground floor relates to a new playroom for children, a Multimedia Game Lounge, a Family Lounge, Maro Smart Play Rooms and an upgrade of the Chill and Play Zone.
The plans for Isabella Valamar Collection Island Resort 4*/5* hotel in Poreč include the raising of the level of its Oliva grill restaurant with an expansion of its outdoor terrace and kitchen, while the plan for Valamar Argosy Hotel 4* in Dubrovnik includes the covering of its Mezzino pool bar with a roof.

In addition to investing in hotels, Valamar has been actively investing in its campsites. Given the growing demand for camping tourism, in this investment cycle, we plan to invest more than EUR 2 million in expanding and improving the standards of our campsites and their facilities. At our Lanterna Premium Camping Resort 4* in Poreč, two markets, Valeta market and Tarska Vala market, as well as two sanitary blocks will be reconstructed, and quality improvement of 24 existing pitches in Zones A and C from Standard to Comfort will be done as well as quality improvement of 2 pitches in Zone K from Comfort Mare to Premium Mare. 12 new Premium mobile homes with terraces are planned to be set up at Marina Camping Resort 4* in Rabac, 7 new mobile homes will be set up in Zone B of Baška Beach Camping Resort 4* on the island of Krk, while 20 pitches for mobile homes and 5 Mega Comfort pitches will be built at Solaris Camping Resort 3* in Poreč. At Orsera Camping Resort 3* in Poreč, quality improvement for the 15 existing pitches in Zone A to Mega Comfort is planned as well as 10 pitches in Zones A and B in Istra Premium Camping Resort 5* in Poreč, and 7 Comfort pitches to Premium Mare pitches in Zone F of Škrila Sunny Camping 3* on the island of Krk .

IN 2023/24 CYCLE. VALAMAR RIVIERA'S INVESTMENTS ARE PLANNED IN THE AMOUNT OF 43 MILLION, AND IMPERIAL RIVIERA'S 38 MILLION

Valamar Riviera cares about the sustainability and corporate social responsibility of its business operations. Therefore, we have invested more than one million euros in various energy efficiency projects and EUR 3.7 million in sustainability projects by procuring electric vehicles, planting trees, recycling bio-waste and other projects.

In addition to environmental protection and energy efficiency, we pay special attention to the investment maintenance of all our destinations by investing in the regular maintenance of our properties and guest facilities and investing in security. In the 2023/2024 investment cycle, our maintenance investment amounts to EUR 12 million. Approximately EUR 600 thousand will be invested in the purchase of furniture and equipment, with an additional EUR 800 thousand in the improvement of beaches and over EUR 800 thousand in the improvement of safety.

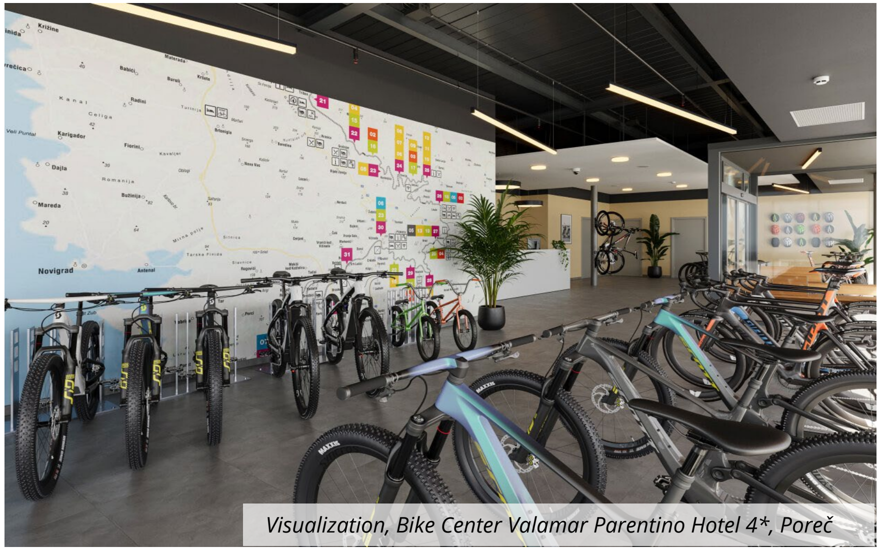
Through developing digitalisation, we aim to continuously improve the quality of our services. This is why, in this investment cycle, more than EUR 5.8 million are planned to be invested in digitalisation and innovation projects, with the plan to allocate the highest amount to the development of the Valamar.com website. Except for investing in digitalisation, an additional EUR 1.7 million has been invested in IT maintenance projects.

IMPERIAL RIVIERA

Imperial Riviera d.d. has started its 2023/2024 investment cycle in which it plans to invest EUR 38.4 million with the key goal of further improvement of the company's offer in all destinations.

The most significant investments are focused on repositioning and improving the quality of services, digitalisation, green building, sustainable energy sources and tourist infrastructure in all destinations. They mostly relate to the first phase of reconstruction of the existing tourist resort Suha Punta (Valamar Collection Rab Resort 4*/5*) in the destination of Rab, a multi-phase project whose goal is to firmly position this destination among the best destinations for family holidays in the Adriatic. Investments also include the refurbishment of the existing complex of Rivijera Sunny Resort by Valamar 2* (Makarska Sunny Resort 3*) in the destination of Makarska, where this complex will also be repositioned to the Sunny brand, which has already been recognised on the market as a brand that offers an economical and simple vacation with excellent service quality and value for money. Also, the construction of new hotel Bike Centre Valamar Parentino 4* in Poreč is planned, as well as further investments in improving the offer in the hotels Valamar Padova 4* and Imperial Valamar Collection 4*, in the campsite Padova Premium Camping Resort 4* in the destination of Rab and in the Valamar Lacroma 4* hotel in the destination of Dubrovnik, where the plan is to also build a new employee housing complex.

The company continues to work intensively on the preparation of project and spatial planning documentation for investments in the destination of Rab concerning the complex Suha Punta, San Marino Sunny Resort by Valamar 3* and San Marino Premium Camping Resort by Valamar 4*.



Visualization, Bike Center Valamar Parentino Hotel 4, Poreč*

ESG & Human resources

ESG STRATEGY

Since 2022, Valamar has been committed to Valamar's sustainability strategy and the 2025 ESG goals defined within our integrated report (available at the following link: Integrated Annual Reports | Valamar - All You Can Holiday. Leading Croatian tourist company (valamar-riviera.com). Valamar's sustainability strategy includes 12 key goals in the areas of Environment (E), Social (S) and Governance (G), which Valamar plans to achieve by 2025 through 6 strategic initiatives. Valamar is the first tourist company in Croatia that has integrated sustainable development into the management of its business operations and development and published its sustainability goals in line with the ESG framework.

VALAMAR JOINS MAJOR INTERNATIONAL SUSTAINABILITY INITIATIVES

In 2022, Valamar Riviera decided to join the UN Global Compact, the world's largest initiative for sustainable development and corporate sustainability, with over 15,000 members in 162 countries and 69 local networks around the world. With this partnership, Valamar is committed to doing business in compliance with the Ten Principles of the UN Global Compact, which take into account the fundamental responsibilities of business in the field of human rights, labor, the environment and the fight against corruption.

In 2023, Valamar joined the global „Science Based Targets" initiative, which brings together more than four thousand companies that have committed to reduce greenhouse gas emissions in line with the goals of the Paris Agreement and the latest scientific knowledge on climate. The initiative supports the global economy in achieving two goals – halving greenhouse gas emissions by 2030 and achieving a net-zero emission rate by 2050. By joining the SBT initiative, Valamar confirmed that, like other climate leaders in the world, it is taking concrete steps and achieving the necessary emission reductions on the path to carbon neutrality. In the past period (2015-2022), Valamar has reduced greenhouse gas emissions by 67 percent, reduced the amount of waste per night and installed photovoltaic power plants in hotels and resorts that produce 6% of its own electricity needs.

ESG STRATEGIC PLAN INCLUDES 12 KEY GOALS IN THE AREA OF ENVIRONMENT (E), SOCIETY (S) AND GOVERNANCE (G) TO BE REALIZED UNTIL 2025

VALAMAR JOINED THE UN GLOBAL COMPACT, THE WORLD'S LARGEST INITIATIVE FOR SUSTAINABLE DEVELOPMENT AND CORPORATE SUSTAINABILITY

The "Science Based Targets" initiative, of which the world's leading sustainability institutions are members including WWF and UN Global Compact, will provide support to Valamar, which is committed to significantly reducing greenhouse gas emissions and continuously investing in renewable energy, decarbonization, waste management and other sustainable practices in the supply chain.

ESG PROJECTS AND ACHIEVEMENTS

In November 2023, Valamar was awarded the silver medal by EcoVadis, a global business sustainability ratings agency. EcoVadis assesses environmental impacts, labour and human rights, ethics and sustainable procurement and their rating is recognised globally by international institutions, investors and banks. Only the TOP 15% of companies rated by EcoVadis reach the silver level. Valamar will continue to participate in the EcoVadis sustainability rating, and the goal is to get the gold medal by 2025.

Environment

Reducing greenhouse gas emissions is one of the 12 ESG goals defined by Valamar's ESG strategy. We have been continuously reducing our carbon footprint by replacing fossil fuels with electricity from renewable sources, installing heat pumps and other energy efficiency measures. With the construction of photovoltaic power plants on tourist properties in cooperation with E.ON, we have covered 6% of Valamar's total electricity needs. In 2024, we continue to invest in LED lighting, electric cars and further decarbonisation and ensure that 100% of our electricity needs are covered by renewable sources. We have continued with the measuring of the third Scope emissions and have defined measures to achieve carbon neutrality in Scope 1 and 2 until 2025. In 2022, Valamar was the winner of the Green Prix national award for decarbonising the community and for environmental impact. Valamar continues to invest in its Valfresco Direct platform, our online one-stop shop offering produce from family farms, winemakers, olive growers and other local producers. By promoting local produce and food, Valamar preserves the biodiversity of the environment in which it operates and promotes socio-economic sustainability.

Society

In 2023, Valamar Riviera celebrated the 70th anniversary of its business operations. Over the past 70 years, Valamar Riviera has strongly shaped the development of tourism and has become the leader in economic and social development in the most successful tourist destinations in Croatia. In its beginnings, in 1953, the then Riviera Poreč operated with only approximately two hundred beds and twenty employees. Today, Valamar employs more than 8,000 employees in 36 hotels and resorts and 15 campsites along the Adriatic coast, and, in the last five years, has expanded its business to include winter tourism in Austria.

Valamar is the largest investor in Croatian tourism with more than one billion euros invested in the last approximately twenty years, thus strongly repositioning its portfolio toward high-quality and added-value tourism. In the last seven years, Valamar has been recognised as the best employer in the tourism sector in Croatia. This year alone, an additional EUR 25 million has been invested in the salaries and rewards of its employees. Investments in corporate social responsibility make up 3-5% of Valamar's annual revenues with an emphasis on employee development, student scholarships, investments in tourist infrastructure such as promenades, cycling paths, playgrounds and beaches, support for cultural and sports events in its destinations and numerous initiatives aimed at raising the quality of life in the local communities. Valamar has received numerous environmental and energy transition awards and has been recognised at the European level as one of the climate leaders in the tourism industry.

One of the most important activities in 2023 was the 'Valamar Takes Care about Delicious Lunches' project. Within this project, the company donated healthy and local Valfresco lunches to Matija Vlačić Elementary School and Liče Faraguna Centre in Labin during the entire school year.

The important socially responsible project that marked 2023 was the long-term extension of the local kindergarten capacities in Poreč. This project has ensured additional kindergarten places for children of the families living in Poreč in the Radost Kindergarten, situated in the renovated premises of hotel Pinia. Valamar has also equipped a children's playground in the kindergarten in Žbandaj. In cooperation with the 'Our Children' Association and the City of Poreč, for a third year in a row, Valamar has organised a camp at the City Bathing Area and the beach of hotel Pinia. Besides that, Valamar has given a donation to a new city kindergarten in Dubrovnik, and Imperial Riviera and Valamar in Makarska have enabled the refurbishment of a children's playground and handed it over for use to the City of Makarska.

VALAMAR IS THE HOLDER OF NUMEROUS AWARDS FROM ESG

SPECIAL ATTENTION IS GIVEN TO THE EMPLOYEES AND THE LOCAL COMMUNITY

In 2023, Valamar carried out the tenth season of its humanitarian programme 'One Thousand Days on the Adriatic Sea' aimed at children without parental care, children from low-income families and children with special needs and health problems. Over the past ten years, this project has hosted more than four thousand children and young people, making their stay at Valamar's properties the first time for many of them to visit the sea.

The company held its 39th Riviera painting colony, which hosted renowned artists from all over Europe for a seven-day stay at Isabella Valamar Collection Island Resort. The art colony was founded in 1983 and has traditionally been held at Valamar hotels in Poreč. In 2023, Valamar also sponsored the manifestation of Four Hundred Years of the Bell Tower of St. Justus in Labin.

Valamar has been continuously investing in public tourist infrastructure such as promenades, cycling paths, playgrounds and beaches and in local cultural and sports events in its destinations. Besides that, in 2023, Valamar donated to support the works on the reconstruction of the road Ponte Porton – Buzet.

Last year Valamar actively joined and strongly supported the Croatian Tourist Card initiative, a project of the Government of the Republic of Croatia and the Ministry of Tourism and Sport. Within its favourable prices programme Valamar Family & Friends, Valamar initiated cooperation with its business partners and suppliers, enabling the employees of these companies to have up to 50% discount when using the Croatian Tourist Card for their private stay at Valamar's hotels, campsites and resorts throughout Croatia.

Governance

Valamar's commitment to sustainability has been confirmed by certification bodies and organisations that have awarded the Valamar Group companies and tourist properties with numerous certificates and sustainability labels. According to Bloomberg Adria, in January 2024, Valamar Riviera achieved the highest ESG score in Croatia of 4.9.
Sustainability certificates are an independent confirmation that Valamar operates by high environmental protection and corporate social responsibility standards, i.e., when making business decisions and in its everyday work, Valamar takes care of ecology, health and safety protection, labour and human rights and the local community.

Valamar has confirmed its ISO 9001 quality certification, its environmental protection certification ISO 14001 as well as its energy management certification ISO 50001 for all of its properties, the sustainability Travelife certification for 28 hotels and the EU Ecolabel for 6 campsites, as well as 16 Blue Flag certifications for its beaches.

In 2024, Valamar will continue the cooperation with its suppliers according to sustainability criteria, such as measuring and measures to reduce greenhouse gas emissions, use and reduced use of water, energy efficiency, waste management, impact on biodiversity, inclusion in improving the quality of life in local communities, employee relations, sustainability reporting, adoption of relevant policies and other. Based on the answers collected, Valamar develops criteria, policies and cooperations whereby it aims to achieve that, by 2025, 80% of the value of its procurement comes from socially responsible and sustainable suppliers. A Code of Conduct for Valamar's suppliers has been developed for this purpose, providing the basic guidelines for the ethical conduct of Valamar partners in terms of doing business responsibly and contributing to the realisation of sustainability goals.

ACCORDING TO BLOOMBERG ADRIA, VALAMAR RIVIERA ACHIEVED THE HIGHEST ESG RATING IN CROATIA

BY 2025, VALAMAR WANTS TO ACHIEVE THAT 80% OF THE PROCUREMENT VALUE COMES FROM RESPONSIBLE AND SUSTAINABLE SUPPLIERS

In December 2023, Valamar received the prestigious 'Building Public Trust Award', i.e. an award for building trust of the public given by PwC Croatia and the Zagreb Stock Exchange. This award recognises outstanding contributions to transparency and open communication with stakeholders, which further confirms that Valamar adheres to the highest corporate reporting standards. Valamar continues to build the trust of the public, employees, investors, institutions and partners through its open communication and corporate social responsibility. The support from Valamar's key stakeholders was particularly important during the crisis period when Valamar managed to preserve all jobs to ensure the long-term sustainability of its business operations.

Valamar will publish its integrated report for 2023 within the legal timeframe, in the first half of 2024, and the report will be available at the link: https://valamar-riviera.com/en/media/integrated-annual-reports/.

HUMAN RESOURCES

Valamar is one of the largest employers in Croatia. As at 31 December 2023, Valamar Group employs a total of 3,298 employees, of which 2,520 permanent employees and an additional number of 539 employees with year-round income within the permanent seasonal employee measure who have a with fixed-term contract. The Company employs 2,531 of which 1,977 permanent and an additional number of 374 employees with year-round income.

The Company and the Group have been systematically and continuously investing in the development of their human resources through a comprehensive strategic approach to human resources management. This includes a transparent recruitment process, clear goals, measuring employee performance and investing in employee development and careers, and encouraging two-way communication.

In 2023, Valamar Riviera invested an additional more than EUR 25 million in the remuneration of its workers. In agreement with its social partners, Valamar Riviera increased the salaries in its hotel operations, whereby the remunerations at Valamar for the high season were adjusted to European salaries.

The salaries for professional jobs - cooks, waiters and receptionists at Valamar's hotels, campsites and resorts to be paid in the high season, i.e. in June, July and August, ranged from EUR 1,200 to 1,800 net. In the high season, the salaries for housekeepers, assistant chefs, assistant waiters, kitchen workers, waiters and many others ranged from EUR 1,000 to 1,200 net. Additionally, from 1 May, coefficients increased for as many as 129 jobs, whereby the basic salary of 2,800 employees increased.

Valamar continues with a number of its reward programmes that are particularly designed for rewarding excellence, commitment and outstanding results. Valamar Riviera thus confirms its title as the TOP employer in the Croatian tourism industry. This is the title that has been awarded to Valamar for many years now.

CONTINUATION OF ADDITIONAL INVESTMENTS OF 25 MILLION EURO IN EMPLOYEE BENEFITS IN 2023

VALAMAR GROUP ON 31 DECEMBER 2023 EMPLOYED ALMOST 3,300 EMPLOYEES

Except for the increase in salaries, several initiatives have been launched to improve the working conditions in tourism and align the jobs at Valmar to new trends and requirements. The 'Live the Destination' programme thus offers other benefits such as discounts at more than three hundred points of sale.

Valamar takes special care about families. This season, it has met the needs of parents of kindergarten children in Poreč. In cooperation with the kindergarten Radost, in its Valamar Pinia Hotel Valamar opened one kindergarten and one nursery group for the children of its employees.

In the last 5 years, EUR 18.5 million has been invested in the construction of quality accommodation for seasonal employees under the name of Valamar House. This investment enabled the opening of five such staff residences for seasonal employees, two of which in Poreč, one on the island of Krk, one in Rabac and one in Dubrovnik. Year after year, Valamar has been investing in that project. This concept of ensuring modern and quality accommodation and meals for seasonal employees during their stay in the destination where they work has been continuously improving. The modern Valamar Houses offer single and double bedrooms, free internet, relaxation areas and quality meals.

Valamar has introduced a new benefit for its employees, which deals with flat rental subsidy programme, called 'Roof Over Your Head'. It offers its permanent employees, fixed-term employees and permanent seasonal employees in the V +3 programme the possibility to have their flat rental costs in the destination of their employment subsidised. The amount of monthly subsidy is up to EUR 500. The programme is intended for employees and their families who live or want to live in the destination throughout the year, and who were so far unable to afford adequate housing due to high rental prices in tourist destinations. Securing the space for living is extremely important to retain and attract key employees in the tourism sector as well as retain the domestic workforce in Croatia.

Through Valamar's year-round income programmes, seasonal employees are employed at least 6 to 9 months a year and are eligible to participate in the ‘permanent seasonal employee’ measure that is implemented by Valamar. In the months in which such ‘permanent seasonal employees’ do not work, they receive a pension insurance payment and financial support. This is how the terms and conditions of ‘permanent seasonal employees’ are aligned with the conditions of permanent employees as much as possible.

Valamar has been included in the Programme of Supporting the Education of Professionals in Hospitality and Tourism, implemented by the Ministry of Tourism and Sports, from its very beginning. Through this Programme, Valamar has been co-financing the scholarships for pupils of vocational tourism schools. Valamar is the largest scholarship provider in Croatia, and it provides scholarships for 156 pupils and 37 students in the school year 2023/20243.

As an employer, Valamar is included in a series of other activities to increase pupils’ motivation for tourism jobs, such as holding presentations to pupils and presenting tourism jobs and career development. Valamar actively participates in increasing the quality of tourism education. Valamar’s specialists and mentors hold lectures in schools, and pupils visit Valamar’s hotels and campsites and thus become acquainted with the actual requirements of the job.

Although the lack of workforce is growing at the national and global level and poses a significant challenge for the tourism sector, Valamar, being a socially responsible employer and the leading tourism company, uses a strategic approach to managing these risks. Valamar keeps systematically working to ensure the best working conditions for its employees as well as sustainable development of its destinations and takes care that the local communities in which it operates prosper. This is reflected in the high share of domestic workers in the high season, being as high as 83%.

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 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's control;

• Compliance risks - can arise from failure to comply with state laws and local regulations; risks related to changes in tax and other regulations.

FINANCIAL RISKS

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

1) Foreign exchange risk;
2) Interest rate risk;
3) Credit risk;
4) Price risk;
5) Liquidity risk;
6) Share-related risks;
7) Risk of inflation and increase in prices of purchased goods.

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 the Group operate internationally and are exposed to currency risks. Until 1.1.2023, the currency risk was mainly due to the changes in the nominal exchange rate of euro/kuna. Namely, a large part of liabilities was expressed in euros, while most sales revenues were historically realised in euros as well. At the level of the Company and the Group, the business with other currencies accounts for less than 1% of the total turnover. After the introduction of the euro as the national currency, a significant currency risk exposure is no longer expected.

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 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 almost entire Group's loan portfolio is made up of long-term fixed-rate loans or 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, inflationary development and the growth of interest rates on the customers of the Company and the Group, especially tour operators and travel agencies, the impact of the currently unfavourable 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 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 current accounts, time deposits, money market deposit accounts and marketable securities. Only instruments with suitable maturities and sufficient liquidity are selected, according to the forecast needs for liquid funds.

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

7) Risk of inflation and increase in prices of purchased goods
COVID-19 pandemic and related movement restrictions as well as supply disruptions, along with strong rising energy prices and the war in Ukraine, have induced global inflation and rising prices at the end of 2021, with a noticeable influence to this day.

Beginning of February 2024, the Croatian Bureau of Statistics (CBS) published that the inflation rate in January in Croatia, as measured by the Consumer Price Index, slowed down to 4.1 per cent year-on-year. This is the lowest inflation rate since October 2021, when it amounted to 3.8 per cent.

This year, the CNB expects inflation to continue to slow down so it could average 3.5%. It is also expected that the inflation of the prices of all the main components will decrease, mainly of food and core inflation, as a result of the continued spill-over of lower energy, food and other raw materials to prices of goods and services. At the same time, inflationary pressures due to the expected strong growth in wages and a solid demand could somewhat offset the intensity of the inflation decrease.

Inflation and rising prices of purchased goods may have an effect on the purchasing power of foreign and domestic guests, as well as on the level of our selling prices. The Company and the Group have also been exposed to the impact of the changes in the purchase prices for energy products (especially electrical energy) as well as prices for food and beverages and consumables. The Company and the Group have been continually making considerable investments in energy efficiency and renewables in order to mitigate the impact of a possible increase in energy prices as well as to decrease their dependence on suppliers. The Company and the Group have a very high share of direct channels and other online channels in total sales, and sales prices are largely formed dynamically, during the year. Accordingly, the Company and the Group have the flexibility to manage selling price levels.

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 in the demanding Mediterranean market. These positive trends are expected to continue in the future through a prudent long-term strategic management.

Around 90% of Valamar'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 in one of our properties.

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 labour 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.

The Company is the respondent in two court proceedings from which potentially significant financial obligations for the Company may arise. So far, the Company has not made provisions but will continue closely monitoring and reviewing the respective cases.

The first lawsuit from 2010 is related to the payment for the works on the Company's hotel during its reconstruction and extension. In 2013, the Commercial Court issued a verdict rejecting the plaintiffs' claims in their entirety. In 2020, the High Commercial Court of the Republic of Croatia overturned the first-instance verdict, and the case was returned for retrial. In the repeated proceedings, the Commercial Court, by the verdict from May 2023, largely accepted the claim and the Company is charged with the payment of principal in the amount of EUR 2,264,861.17 and litigation costs in the amount of EUR 702,752.22 as well as the corresponding statutory default interest. An appeal procedure before the High Commercial Court is in progress.

The second lawsuit from 2012 also refers to the payment for the works on the Company's hotel. The first-instance verdict of the Commercial Court of 2015, later confirmed by the second instance High Commercial Court in 2019, rejected the plaintiff's claim. However, in July 2023, the Supreme Court of the Republic of Croatia overturned the verdict of the Commercial Court and the High Commercial Court and returned the case for retrial. Based on the claims, the principal in this case amounts to EUR 1,498,608.42.

In February 2024, in a repeated proceeding, the Commercial Court in Dubrovnik passed the first-instance judgment in favour of the Company. Until now, the Company has not made a provision in its business books for the two disputes mentioned above.

The Ministry of the Sea, Transport and Infrastructure is in the process of inspection due to the suspicion that in the period from 2013 to 31 August 2023, Valamar has economically used the maritime domain in Ježevac Caping without a legal basis. Following that procedure, the Company expects further initiation of administrative proceedings by the Ministry of Finance against the Company in order to collect the concession fee and return the economic benefits gained. By the date of this report, the Company has not received neither a decision nor a misdemeanour order from the relevant administrative body. In the fourth quarter of 2023, the Company made provision amounting to EUR 130,000 and will actively participate in the future legal process.

OPERATIONAL RISKS

Operational risks are risks connected with direct or indirect losses that arise form inadequate or wrong internal or external processes within the Company and the Group. They include the creation 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 and protective mechanisms 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 economic and financial crisis which reduce the purchasing power of the travelling-prone population;
• Security and political issues related to global terrorism threats;
• Security and political instability in the immediate environment of the neighbouring countries.
• geopolitical risks connected with the Russian invasion of Ukraine in February 2022.

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 were 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.

The risks related to Russia's invasion of Ukraine in February 2022 are still present. The source Russian and Ukrainian markets historically made up a maximum of 2% of Valamar's turnover so their disappearance has been compensated by other source markets.

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.

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. One of the recent examples is the introduction of the Law on Additional Profit Tax from December 2022.

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 4*, 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 Corporate Governance Code.

The Company complies with and implements the prescribed corporate governance measures, as reported in more detail in the annual questionnaire published on the Zagreb Stock Exchange and Valamar Riviera websites as prescribed (2022 questionnaire available at https://valamar-riviera.com/en/investors/corporate-governance/). The Company adopted its Code of Business Conduct and policies that make an integral part of this Code, whereby it aligned its internal corporate governance rules with the Zagreb Stock Exchange Corporate Governance Code. The Code of Business Conduct is available at the Company's corporate website (https://valamar-riviera.com/media/467902/code-of-business-conduct-valamar-riviera-dd.pdf).

According to the data from the Central Depository and Clearing Company, significant direct holders of the Company's shares and the holders of shares who are also members of the Management Board and members of the Supervisory Board of the Company are the following persons: Supervisory Board Chairman Mr. Franz Lanschützer, who is the holder of 4,448,000 shares; Deputy Chairman of the Supervisory Board Mr. Mladen Markoč, who is the holder of 46,267 shares; Member of the Supervisory Board Mr. Gustav Wurmböck, who is the holder of a 100% stake in the company Wurmböck Beteiligungs GmbH, which is the holder of 25,040,000 shares; Member of the Supervisory Board Mr. Georg Eltz, who is the holder of a total of 6,630,511 shares, of which he directly holds 20,463 shares, and indirectly, through a stake in the company Satis d.o.o., 6,610,048 shares; Member of the Supervisory Board Mr. Boris Galić, who is the holder of 10,000 shares; Member of the Supervisory Board Mr. Ivan Ergović, who is the holder of 3,579 shares; Member of the Supervisory Board, Ms. Gudrun Kuffner, who is holder of 3,000 shares; President of the Management Board Mr. Željko Kukurin, who is the holder of 160,834 shares; Member of the Management Board Mr. Marko Čižmek, who is the holder of 89,725 shares; and Member of the Management Board Ms. Ivana Budin Arhanić, who is the holder of 56,681 shares.

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

The Company defined the process of preparing and publishing its financial statements in a detailed internal document. Within this document, the financial reporting procedure is set within a system of internal review and risk management. Additionally, in order to monitor and mitigate the financial reporting risk, the Company uses the measures described in the chapter '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 pay-out in rights - Company share to the equity holders.
In accordance with the decision of the Supervisory Board, at the beginning of July 2023, management and key employees were rewarded with company shares for exceptional business results achieved in the three-year crisis period 2020-2022. (COVID-19 pandemic and geopolitical tensions) with a total cost of 6.4 million euros (including taxes and contributions). Namely, in order to additionally motivate key employees, the Supervisory Board adopted the RDP Programme (the Recovery & Development Programme), which encompasses more than 230 employees. These employees were especially committed to managing and developing business operations during the crisis to enable as fast a recovery of the business operations as possible. In view of the fact a full business recovery was achieved in 2022, the Supervisory Board passed the decision to distribute company shares in 2023, and the provisions for this were fully made within the 2022 financial results. On 4 July 2023, a total of 1,137,312 shares were disposed of for the payment of rewards to the management and key personnel. The Company has publicly announced all individual acquisitions and disposals of the treasury shares during the 2023 year. After the disposal and acquisition of treasury shares during the year, the Company holds 3,417,022 shares in total, which is 2.7113% of its share capital.

THE COMPANY'S CORPORATE BODIES ARE:

Management Board: Mr. Željko Kukurin, CEO, and Mr. Marko Čižmek and Ms. Ivana Budin Arhanić, members.

The Company appointed senior executives, who are the Company's key management, in accordance with the provisions of the Capital Markets Acts and the EU Regulation No. 596/2014. The Company's senior executives are the following – 3 Senior Vice Presidents: Alen Benković, Davor Brenko and David Poropat; 2 Vice Presidents: Ines Damjanić and Sebastian Palma; and 26 Sector Directors and Heads: Tomislav Dumančić, Mauro Teković, Bruno Radoš, Sandi Sinožić, Andrea Štifanić, Željko Jurcan, Ivan Karlić, Mario Skopljaković, Dario Kinkela, Mile Pavlica, Tomislav Poljuha, Dragan Vlahović, Flavio Gregorović, Martina Šolić, Vedrana Ambrosi Barbalić, Mirella Premeru, Ivica Vrkić, Giorgio Cadum, Vlastimir Ivančić, Lea Sošić, Roberto Gobo, Ivan Polak, Karmela Višković, Denis Prevolšek, Marko Vusić and Vlatka Kocijan.

Supervisory Board: Mr. Franz Lanschützer, Deputy Chairman until 27 June 2023, and as of 28 June 2023 Chairman, Mr. Mladen Markoč, Deputy Chairman, Mr. Daniel Goldscheider, until 27 June 2023 Member, and as of 28 June 2023 Deputy Chairman, Mr. Gustav Wurmböck, until 27 June 2023 Chairman, and as of 28 June 2023 Member, Ms. Gudrun Kuffner, Member, Ms. Petra Stolba, Member, Mr. George Eltz, Member, Mr. Boris Galić, Member and Mr. Ivan Ergović, Member (workers' representative).

In order to perform its functions more efficiently, as well as to do the tasks prescribed by the provisions of the Audit Act and the Corporate Governance Code, the Supervisory Board appointed the following bodies:

Presidum, until 27 June 2023 comprised of: Mr. Gustav Wurmböck, Chairman, and Mr. Franz Lanschützer, Mr. Markoč and Mr. Daniel Goldscheider, members. Presidium, since 28 June 2023 comprised of: Mr. Franz Lanschützer, Chairman, and Mr. Mladen Markoč and Mr. Daniel Goldscheider, Deputy Chairmen.

Audit Committee, until 27 June 2023 comprised of: Mr. Georg Eltz, Committee Chairman, and Mr. Mladen Markoč, Mr. Boris Galić, Ms. Gudrun Kuffner, members. Audit Committee, since 28 June 2023 comprised of: Mr. Georg Eltz, Committee Chairman and Mr. Gustav Wurmböck, Mr. Mladen Markoč, Mr. Boris Galić and Ms. Gudrun Kuffner, members. and from 24 October 2023: Mrs. Gudrun Kuffner, president and members Mr. Georg Eltz, Mr. Gustav Wurmböck, Mr. Mladen Markoč and Mr. Boris Galić.

Investment Committee, until 27 June 2023 comprised of: Mr. Franz Lanschützer, Chairman, and Mr. George Eltz, Mr. Gustav Wurmböck and Ms. Gudrun Kuffner, members. Investment Committee, since 28 June 2023 comprised of: Mr. Daniel Goldscheider, Chairman, and Mr. Franz Lanschützer and Ms. Gudrun Kuffner, members.

Digitalization and Sustainability Committee, until 27 June 2023 comprised of: Mr. Daniel Goldscheider, Chairman, and Mr. Franz Lanschützer, Mr. Gustav Wurmböck and Ms. Petra Stolba, members. Digitalization and Sustainability Committee, since 28 June 2023 comprised of: Ms. Petra Stolba, Chairwomen, and Mr. Franz Lanschützer and Mr. Daniel Goldscheider, members.

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 (from 1 January 2022 to 31 December 2026), and only one member of the Supervisory Board, employee representative, has an employment contract for an indefinite period.

Maro World, Dubrovnik

Related-party Transactions & Branch Offices

RELATED-PARTY TRANSACTIONS

Related party transactions among the Group companies are carried out according to usual commercial terms and conditions and deadlines and under market prices.

In the year of 2023, EUR 17.1 million of revenue from transactions with related parties was generated (EO 2022: EUR 76 million, primarily driven by gains from real estate sales[20]) for the Company and EUR 2.8 million (EO 2022: 1.9 million) for the Group. Expenses amounted to EUR 2.2 million (EO 2022: EUR 1.6 million) for the Company and EUR 232 thousand for the Group (EO 2022: EUR 205 thousand). On May 10, 2023, the Company received a dividend from Imperial Riviera d.d. in the amount of EUR 2.2 million.

As of 31 December 2023, receivables and liabilities toward related parties are as follows: Company's receivables amount to EUR 4.7 million (vs. EUR 3.2 million EO 2022), and Group's receivables amount to EUR 2.3 million (vs. EUR 1.1 million EO 2022). Company's liabilities amount to EUR 90 thousand (vs. EUR 42 thousand EO 2022), and Group's liabilities amount to EUR 48 thousand (vs. EUR 13 thousand EO 2022).

20 The most significant transaction of the Company in 2022 relates to the sale of three hotels to the related party Imperial Riviera d.d. Valamar Lacroma Dubrovnik Hotel, Dubrovnik Club Sunny Hotel by Valamar, and Tirena Sunny Hotel by Valamar were sold with an acquisition value of EUR 95.3 million.

TRANSACTIONS WITH RELATED PARTIES UNDER USUAL COMMERCIAL TERMS AND CONDITIONS

BRANCH OFFICES OF THE COMPANY

The Company has several branch offices, where it performs its business activities outside of its headquarters: Branch Office for Tourism RABAC, with the seat in Rabac, Slobode 80; Branch Office for Tourism ZLATNI OTOK, with the seat in Krk, Vršanska 8; Branch Office for Tourism DUBROVNIK-BABIN KUK, with the seat in Dubrovnik, Vatroslava Lisinskog 15a; Branch Office for Business and Administration Consulting ZAGREB, with the seat in Zagreb, Miramarska cesta 24; Branch Office for Tourism BRIONI, with the seat in Pula, Puntižela 155 and the Austria Branch Office, with headquarters in Austria, Obertauern, Gamsleitenstrasse 6.

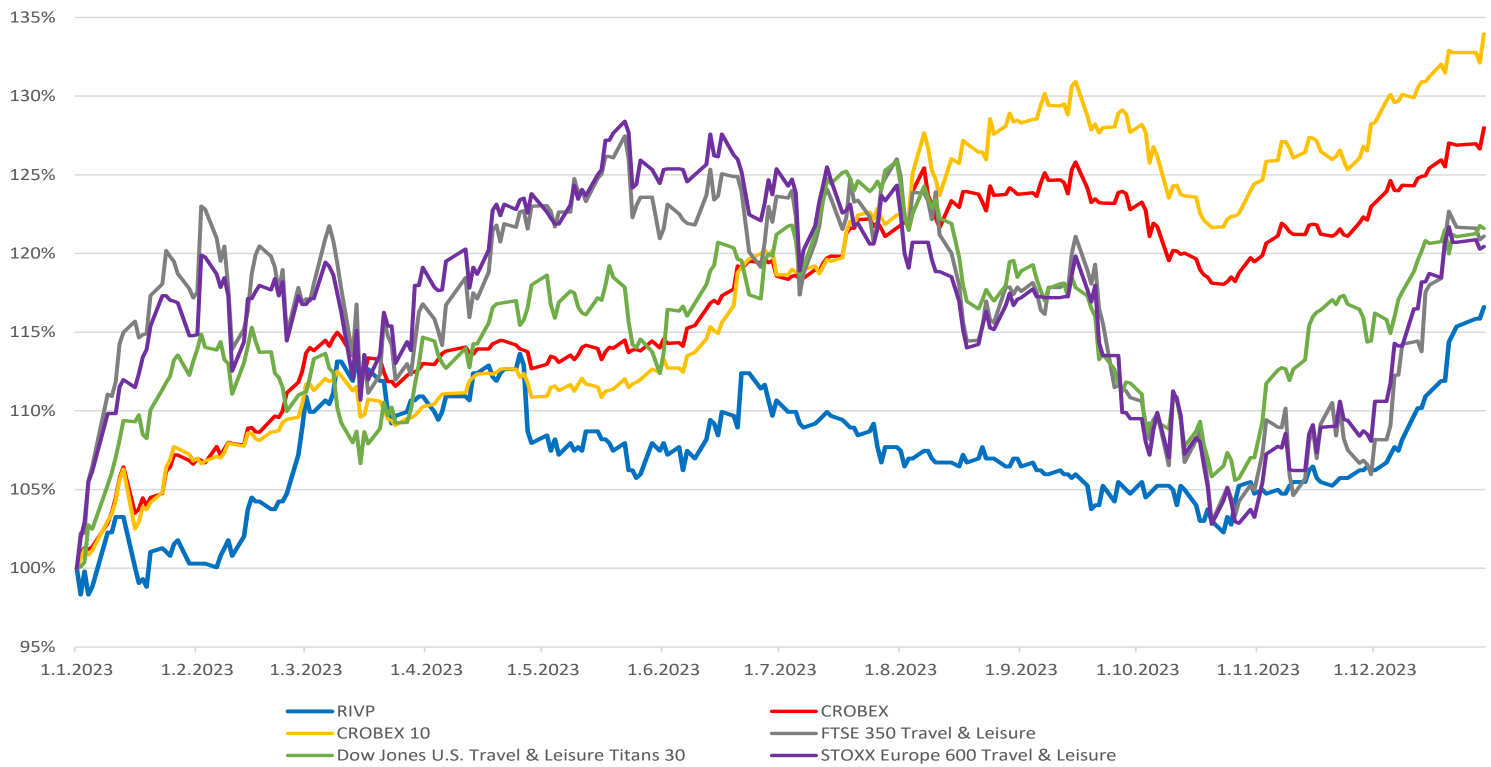
The branch offices of Rabac, Zlatni otok, Dubrovnik-Babin Kuk and Brioni are the drivers of economic growth in their local communities. They operate in their destinations and support their development by promoting further investments and the development of tourism while participating in social and business activities. The branch offices in Zagreb and Austria ensure that the business operations of the Company in these destinations are carried out in accordance with respective regulations.

Except for the branch offices with the registered seat in Croatia and Austria, the Company also established offices on the island of Rab, in Makarska, in Stari Grad on the island of Hvar and in Obertauern in Austria to increase the efficiency and streamline the management of operations of the companies Imperial Riviera d.d., Helios Faros d.d., Valamar Obertauern GmbH, and of the company Kesselspitze GmbH & Co KG, and from March 1, 2023 of the Company Valamar Marietta Gmbh, all in line with the provisions of the concluded hotel management contracts.


Hvar [PLACESHOTEL] by Valamar 3*, Hvar island

Valamar Share

Performance of Valamar Riviera's share and Zagreb Stock Exchange and travel and leisure indices in 2023



During 2023, the highest achieved share price in regular trading on the regulated market was EUR 4.72, and the lowest EUR 3.97. On 31 December 2023 the price was EUR 4.72 which represents an increase of 16.6% compared to the last price in 2022. With a total turnover of EUR 23.8 million[21] Valamar Riviera share was the third share on the Zagreb Stock Exchange in terms of turnover during the 2023.

In addition to the Zagreb Stock Exchange index, the joint stock index of the Zagreb and Ljubljana stock exchanges ADRIAprime, the stock is also a component of the Vienna Stock Exchange index (CROX[22] and SETX[23]) and the Warsaw Stock Exchange (CEEplus[24]), the SEE Link regional platform index (SEELinX and SEELinX EWI)[25] and the MSCI Frontier Markets Index[26].

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.

As part of the RDP program (Recovery&Development program, described earlier), the Company released 1,138,593 own shares, most of them at the beginning of July 2023. For the purposes of the LTIP (long-term incentive plan for key executives in the Company's shares in the period from 2023 to 2026), the Company acquired 415,980 own shares in the last four months of 2023 on the Zagreb Stock Exchange. On 31 December 2023 the Company has a total of 3,417,022 own shares or 2.71% of the Company's capital.

21 Block transactions are excluded from the calculation.

22 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.

23 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).

24 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.

25 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.

26 The MSCI Frontier Markets Index captures large and mid-cap representation across 29 Frontier Markets countries

Valamar Riviera actively holds meetings and conference calls with domestic and foreign investors, as well as presentations for investors, providing support for 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 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.

3rd

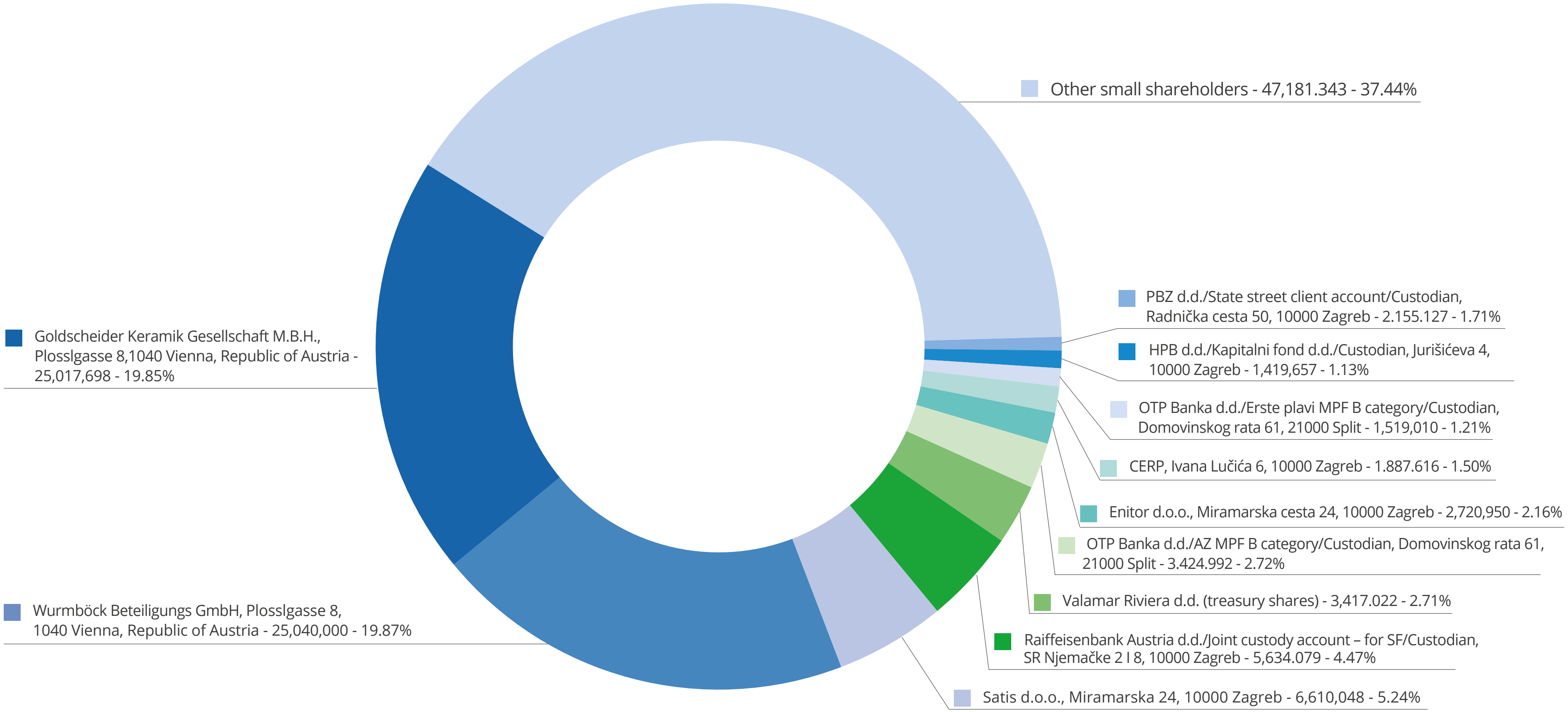
MOST ACTIVELY TRADED SHARE BY REGULAR TURNOVER ON THE ZAGREB STOCK EXCHANGE IN 2023

Analytical coverage of Valamar Riviera is provided by: 1) ERSTE bank d.d., Zagreb; 2) Interkapital vrijednosni papiri d.o.o., Zagreb; 3) Raiffeisenbank Austria d.d., Zagreb; 4) Zagrebačka banka d.d., Zagreb.

At the "Challenge of Change" conference of the Zagreb Stock Exchange and the fund industry held in October 2023, Valamar won the third prize for Investor Relations.

Lanterna Premium Camping Resort 4, Poreč*

OVERVIEW OF MAJOR SHAREHOLDERS AS AT 31 DECEMBER 2023:



Hotel Kesselspitze 5*, Obertauern

Additional Information

Marea Valamar Collection Suites 5*, 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

In the course of 2023, the Company's Management Board performed the actions provided by law and the Articles of Association and regarding the management and representation of the Company and planned a business policy that was implemented with prudent care. The Company's Management Board will continue to undertake all the necessary measures in order to ensure sustainability and business growth.

The Management Board adopted the audited annual financial report for 2023 on 14 February 2024.

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	**Marko Čižmek**	**Ivana Budin Arhanić**
Management Board President	Management Board Member	Management Board Mem

Valamar Collection Girandella Resort 4*/5*, Rabac

Disclaimer

This report may contain 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 2023; b) operating results achieved by 25 February 2024; c) current booking status; d) 2024 business results forecast; e) 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:

- 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;
- 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.
- Regional and global geopolitical uncertainties and wars.

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 ANNUAL FINANCIAL STATEMENTS

In Poreč, 28 February 2024

In accordance with provisions of Law on Capital Market, Marko Čižmek, Management board member and CFO, and Vedrana Ambrosi Barbalić, director of Department of Finance and Accounting, procurator, 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:

- Annual consolidated and unconsolidated financial statements for 2023, are prepared in accordance with applicable standards of financial reporting and give 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 (Group);

- Report of the Company's Management board for the period from 1 January to 31 December 2023 contains the true presentation of development, results and position of the Company and companies included in the consolidation, with description of significant risks and uncertainties which the Company and companies included in consolidation are exposed.

Marko Čižmek
Management Board Member

Vedrana Ambrosi Barbalić
Director of Department of Finance and Accounting / Procurator

VALAMAR
VALAMAR RIVIERA D.D.
POREČ (4)

Reporting period: from 01.01.2023 to 31.12.2023

Annual financial statement

Registration number (MB):	3474771	Issuer's Home Member state code:	HR
Entity's registration number (MBS):	40020883		
Personal identification number (OIB):	36201212847	LEI:	529900DUWS1DGNEK4C68
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):	3319		
Consolidated report:	KD	(KN-non consolidated/KD-consolidated)	
Audited:	RD	(RN-non audited/RD-audited)	

Names of subsidiaries (according to IFRS):	Registered office:	MB:
Magične stijene d.o.o.	Dubrovnik	2315211
Bugenvilia d.o.o.	Dubrovnik	2006120
Imperial Riviera d.d.	Rab	3044572

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:	Ernst & Young d.o.o., UHY Rudan d.o.o. (name of the audit firm)
Certified auditor:	Berislav Horvat, Vedrana Miletić (name and surname)

VALAMAR
VALAMAR RIVIERA D.D.
POREČ (4)

(authorized representative's signature)

L.S.

BALANCE SHEET (as at 31.12.2023)
Submitter: Valamar Riviera d.d.

in EUR

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	**001**		
B) FIXED ASSETS (ADP 003+010+020+031+036)	**002**	**732.302.923**	**728.032.913**
I. INTANGIBLE ASSETS (ADP 004 to 009)	**003**	**5.389.946**	**7.113.034**
1 Research and Development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	4.053.162	5.327.241
3 Goodwill	006	871.672	871.672
4 Advance payments for purchase of intangible assets	007	24.300	
5 Intangible assets in preparation	008	440.812	914.121
6 Other intangible assets	009		
II. TANGIBLE ASSETS (ADP 011 to 019)	**010**	**670.163.427**	**662.329.502**
1 Land	011	130.045.135	129.883.886
2 Buildings	012	426.366.730	412.109.694
3 Plants and equipment	013	54.661.538	57.687.356
4 Tools, working inventory and transportation assets	014	13.024.865	14.412.117
5 Biological asset	015		
6 Advance payments for purchase of tangible assets	016	343.333	117.031
7 Tangible assets in preparation	017	38.988.417	41.738.408
8 Other tangible assets	018	6.348.230	6.032.708
9 Investments property	019	385.179	348.302
III. FIXED FINANCIAL ASSETS (ADP 021 to 030)	**020**	**19.155.575**	**18.469.932**
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 given to undertakings in a group	023		
4 Investments in holdings (shares) of companies linked by virtue of participating interest	024	14.591.064	16.254.440
5 Investment in other securities of companies linked by virtue of participating interest	025		
6 Loans, deposits etc. given to companies linked by virtue of participating interest	026	414.139	795.420
7 Investments in securities	027	25.746	135.827
8 Loans, deposits, etc. given	028	556.747	590.532
9 Other investments accounted for using the equity method	029		
10 Other fixed financial assets	030	3.567.879	693.713
IV. RECEIVABLES (ADP 032 to 035)	**031**		
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		
V. DEFERRED TAX ASSETS	**036**	**37.593.975**	**40.120.445**
C) CURENT ASSETS (ADP 038+046+053+063)	**037**	**117.447.470**	**94.414.531**
I. INVENTORIES (ADP 039 to 045)	**038**	**5.498.367**	**7.386.812**
1 Raw materials	039	5.289.483	6.971.251
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	204.127	412.423
5 Advance payments for inventories	043	4.757	3.138
6 Fixed assets held for sale	044		
7 Biological asset	045		
II. RECEIVABLES (ADP 047 to 052)	**046**	**4.768.259**	**6.200.436**
1 Receivables from undertakings within the group	047		
2 Receivables from companies linked by virtue of participating interest	048	1.064.950	1.373.496
3 Customer receivables	049	2.308.619	2.436.265
4 Receivables from employees and members of the undertaking	050	47.066	109.278
5 Receivables from government and other institutions	051	1.003.633	1.942.981
6 Other receivables	052	343.991	338.416
III. SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	**053**	**17.881.262**	**25.641.924**
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 interest	057		
5 Investment in other securities of companies linked by virtue of participating interest	058		
6 Loans, deposits etc. given to companies linked by virtue of participating interest	059		
7 Investments in securities	060		
8 Loans, deposits, etc. given	061	16.833.993	24.035.528
9 Other financial assets	062	1.047.269	1.606.396
IV. CASH AT BANK AND IN HAND	**063**	**89.299.582**	**55.185.359**
D) PREPAID EXPENSES AND ACCRUED INCOME	**064**	**2.304.101**	**3.763.787**
E) TOTAL ASSETS (ADP 001+002+037+064)	**065**	**852.054.494**	**826.211.231**
F) OFF-BALANCE SHEET ITEMS	**066**	**7.183.695**	**7.179.343**

BALANCE SHEET (as at 31.12.2023) (continued)
Submitter: Valamar Riviera d.d.

in EUR

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+083+086+089)	**067**	**441.126.555**	**446.821.035**
I. INITIAL (SUBSCRIBED) CAPITAL	**068**	**221.915.351**	**221.915.350**
II. CAPITAL RESERVES	**069**	**693.268**	**1.218.381**
III. RESERVES FROM PROFIT (ADP 071+072-073+074+075)	**070**	**17.855.423**	**15.901.347**
1 Legal reserves	071	11.095.768	11.095.768
2 Reserves for treasury share	072	18.158.509	18.158.509
3 Treasury shares and holdings (deductible item)	073	-16.513.142	-13.743.570
4 Statutory reserves	074		
5 Other reserves	075	5.114.288	390.640
IV. REVALUATION RESERVES	**076**		
V. FAIR VALUE RESERVES AND OTHER (ADP 078 to 082)	**077**	**7.845**	**39.878**
1 Financial assets at fair value through other comprehensive income (i.e. available for sale)	078	7.845	39.878
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		
VI. RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 084-085)	083	**46.604.740**	**42.165.052**
1 Retained profit	084	46.604.740	42.165.052
2 Loss brought forward	085		
VII. PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 087-088)	**086**	**19.601.100**	**27.027.615**
1 Profit for the business year	087	19.601.100	27.027.615
2 Loss for the business year	088		
VIII. MINORITY (NON-CONTROLLING) INTEREST	**089**	**134.448.828**	**138.553.412**
B) PROVISIONS (ADP 091 to 096)	**090**	**23.787.458**	**8.330.408**
1 Provisions for pensions, termination benefits and similar obligations	091	3.484.945	4.156.621
2 Provisions for tax liabilities	092		
3 Provisions for ongoing legal cases	093	6.667.273	4.102.327
4 Provisions for renewal of natural resources	094		
5 Provision for warranty obligations	095		
6 Other provisions	096	13.635.240	71.460
C) LONG-TERM LIABILITIES (ADP 098 to 108)	**097**	**285.270.720**	**264.707.353**
1 Liabilities towards undertakings within the group	098		
2 Liabilities for loans, deposits, etc. to companies within the group	099		
3 Liabilities towards companies linked by virtue of participating interest	100		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	101		
5 Liabilities for loans, deposits etc.	102		
6 Liabilities towards banks and other financial institutions	103	276.528.538	244.200.777
7 Liabilities for advance payments	104		
8 Liabilities towards suppliers	105		
9 Liabilities for securities	106		
10 Other long-term liabilities	107	2.452.171	14.787.692
11 Deferred tax liability	108	6.290.011	5.718.884
D) SHORT-TERM LIABILITIES (ADP 110 to 123)	**109**	**91.965.495**	**84.649.099**
1 Liabilities towards undertakings within the group	110		
2 Liabilities for loans, deposits, etc. to companies within the group	111		
3 Liabilities towards companies linked by virtue of participating interest	112	2.423	31.800
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	113		
5 Liabilities for loans, deposits etc.	114		
6 Liabilities towards banks and other financial institutions	115	69.136.281	49.774.765
7 Liabilities for advance payments	116	4.531.975	6.573.592
8 Liabilities towards suppliers	117	10.566.240	16.924.444
9 Liabilities for securities	118		
10 Liabilities towards employees	119	4.239.229	4.789.942
11 Taxes, contributions and similar liabilities	120	1.769.858	4.624.581
12 Liabilities arising from the share in the result	121	50.392	49.388
13 Liabilities arising from fixed assets held for sale	122		
14 Other short-term liabilities	123	1.669.097	1.880.587
E) ACCRUALS AND DEFERRED INCOME	**124**	**9.904.266**	**21.703.336**
F) TOTAL – LIABILITIES (ADP 067+090+097+109+124)	**125**	**852.054.494**	**826.211.231**
G) OFF-BALANCE SHEET ITEMS	**126**	**7.183.695**	**7.179.343**

STATEMENT OF PROFIT OR LOSS (for 01.01.2023 to 31.12.2023)
Submitter: Valamar Riviera d.d.

in EUR

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
I. OPERATING INCOME (ADP 002 to 006)	**001**	**325.334.919**	**372.208.414**
1 Income from sales with undertakings within the group	002		
2 Income from sales (outside group)	003	319.483.709	365.719.180
3 Income from the use of own products, goods and services	004	55.665	83.740
4 Other operating income with undertakings within the group	005		
5 Other operating income (outside the group)	006	5.795.545	6.405.494
II. OPERATING EXPENSES (ADP 008+009+013+017+018+019+022+029)	**007**	**294.812.890**	**329.806.825**
1 Changes in inventories of work in progress and finished goods	008		
2 Material costs (ADP 010 to 011)	009	103.272.959	118.247.660
a) Costs of raw material	010	65.490.646	69.301.049
b) Costs of goods sold	011	2.224.501	2.690.545
c) Other external costs	012	35.557.812	46.256.066
3 Staff costs (ADP 014 to 016)	013	91.642.157	104.577.058
a) Net salaries and wages	014	59.340.875	65.192.504
b) Tax and contributions from salaries expenses	015	21.287.275	25.746.359
c) Contributions on salaries	016	11.014.007	13.638.195
4 Depreciation	017	66.055.469	65.778.289
5 Other expenses	018	29.812.219	36.168.890
6 Value adjustments (ADP 020+021)	019	35.645	36.573
a) fixed assets other than financial assets	020		
b) current assets other than financial assets	021	35.645	36.573
7 Provisions (ADP 023 to 028)	022	2.647.621	1.557.229
a) Provisions for pensions, termination benefits and similar obligations	023	390.819	1.294.383
b) Provisions for tax liabilities	024		
c) Provisions for ongoing legal cases	025	163.879	262.846
d) Provisions for renewal of natural resources	026		
e) Provisions for warranty obligations	027		
f) Other provisions	028	2.092.923	
8 Other operating expenses	029	1.346.820	3.441.126
III. FINANCIAL INCOME (ADP 031 to 040)	**030**	**6.627.796**	**3.124.743**
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 interest	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	32.948	2.381.463
8 Exchange rate differences and other financial income	038	728.936	2.873
9 Unrealised gains (income) from financial assets	039	5.178.202	
10 Other financial income	040	687.710	740.407
IV. FINANCIAL EXPENDITURE (ADP 042 to 048)	**041**	**9.869.933**	**11.158.639**
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	7.898.244	8.621.199
4 Exchange rate differences and other expenses	045	960.284	
5 Unrealised losses (expenses) from financial assets	046		1.145.636
6 Value adjustments of financial assets (net)	047		
7 Other financial expenses	048	1.011.405	1.391.804
V. SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	**049**		
VI. SHARE IN PROFIT FROM JOINT VENTURES	**050**		
VII. SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	**051**	**486.949**	**927.050**
VIII. SHARE IN LOSS OF JOINT VENTURES	**052**		
IX. TOTAL INCOME (ADP 001+030+049 +050)	**053**	**331.962.715**	**375.333.157**
X. TOTAL EXPENDITURE (ADP 007+041+051+052)	**054**	**305.169.772**	**341.892.514**
XI. PRE-TAX PROFIT OR LOSS (ADP 053-054)	**055**	**26.792.943**	**33.440.643**
1 Pre-tax profit (ADP 053-054)	056	26.792.943	33.440.643
2 Pre-tax loss (ADP 054-053)	057		
XII. INCOME TAX	**058**	**5.505.375**	**-226.683**
XIII. PROFIT OR LOSS FOR THE PERIOD (ADP 055-059)	**059**	**21.287.568**	**33.667.326**
1 Profit for the period (ADP 055-059)	060	21.287.568	33.667.326
2 Loss for the period (ADP 059-055)	061		

STATEMENT OF PROFIT OR LOSS (for 01.01.2023 to 31.12.2023) (continued)
Submitter: Valamar Riviera d.d.

in EUR

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)			
XIV. PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 063-064)	**062**		
1 Pre-tax profit from discontinued operations	063		
2 Pre-tax loss on discontinued operations	064		
XV. INCOME TAX OF DISCONTINUED OPERATIONS	**065**		
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)			
XVI. PRE-TAX PROFIT OR LOSS (ADP 055+062)	**068**		
1 Pre-tax profit (ADP 068)	069		
2 Pre-tax loss (ADP 068)	070		
XVII. INCOME TAX (ADP 058+065)	**071**		
XVIII. PROFIT OR LOSS FOR THE PERIOD (ADP 068-071)	**072**		
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)			
XIX. PROFIT OR LOSS FOR THE PERIOD (ADP 076+077)	**075**	**21.287.568**	**33.667.326**
1 Attributable to owners of the parent	076	19.601.100	27.027.615
2 Attributable to minority (non-controlling) interest	077	1.686.468	6.639.711
STATEMENT OF OTHER COMPRHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I. PROFIT OR LOSS FOR THE PERIOD	**078**	**21.287.568**	**33.667.326**
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX (ADP 080+087)	**079**	**-3.561**	**39.065**
III. ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS (ADP 081 to 085)	**080**	**-3.561**	**39.065**
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	-3.561	39.065
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	-641	7.032
IV. ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS (ADP 088 to 095)	**087**		
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		
V. NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 080+087-086-096)	**097**	**-2.920**	**32.033**
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 078+097)	**098**	**21.284.648**	**33.699.359**
APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)			
VII. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 100+101)	**099**	**21.284.648**	**33.699.359**
1 Attributable to owners of the parent	100	19.598.180	27.059.648
2 Attributable to minority (non-controlling) interest	101	1.686.468	6.639.711

STATEMENT OF CASH FLOWS - indirect method (for the period 01.01.2023 to 31.12.2023)
Submitter: Valamar Riviera d.d.

in EUR

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1 Pre-tax profit	001	26.792.943	33.440.643
2 Adjustments (ADP 003 to 010)	002	75.504.364	69.731.646
a) Depreciation	003	66.055.469	65.778.289
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-1.596.321	960.281
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005		
d) Interest and dividend income	006	-12.008	-2.379.352
e) Interest expenses	007	8.508.006	8.832.617
f) Provisions	008	1.480.094	-6.410.463
g) Exchange rate differences (unrealised)	009	960.284	
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	108.840	2.950.274
I. Cash flow increase or decrease before changes in the working capital (ADP 001+002)	**011**	**102.297.307**	**103.172.289**
3 Changes in the working capital (ADP 013 to 016)	012	1.331.243	18.458.416
a) Increase or decrease in short-term liabilities	013	2.502.534	23.220.896
b) Increase or decrease in short-term receivables	014	835.130	-2.874.035
c) Increase or decrease in inventories	015	-2.006.421	-1.888.445
d) Other increase or decrease in the working capital	016		
II. Cash from operations (ADP 011+012)	**017**	**103.628.550**	**121.630.705**
4 Interest paid	018	-11.480.555	-8.342.406
5 Income tax paid	019	-815	-1.085
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	**020**	**92.147.180**	**113.287.214**
CASH FLOW FROM INVESTMENT ACTIVITIES			
1 Cash receipts from sales of fixed tangible and intangible assets	021	2.370.665	180.068
2 Cash receipts from sales of financial instruments	022	39.820	536.796
3 Interest received	023	10.857	1.858.239
4 Dividends received	024	1.147	2.160
5 Cash receipts from repayment of loans and deposit	025	23.610	
6 Other cash receipts from investment activities	026		
III. Total cash receipts from investment activities (ADP 021 to 026)	**027**	**2.446.099**	**2.577.263**
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-42.111.057	-58.603.851
2 Cash payments for the acquisition of financial instruments	029	-191.898	
3 Cash payments for loans and deposits for the period	030	-11.811.810	-7.200.000
4 Acquisition of a subsidiary, net of cash acquired	031		
5 Other cash payments from investment activities	032	-5.455.406	-3.022.425
IV. Total cash payments from investment activities (ADP 028 to 032)	**033**	**-59.570.171**	**-68.826.276**
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)	**034**	**-57.124.072**	**-66.249.013**
CASH FLOW FROM FINANCING ACTIVITIES			
1 Cash receipts from the increase of 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	7.986.429	17.370.731
4 Other cash receipts from financing activities	038	363.583	336.793
V. Total cash receipts from financing activities (ADP 035 to 038)	**039**	**8.350.012**	**17.707.524**
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-76.386.728	-69.465.794
2 Dividends paid	041	-25.088.855	-26.912.708
3 Cash payments for finance lease	042	-5.050	-5.470
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043		-1.772.315
5 Other cash payments from financing activities	044	-613.056	-703.661
VI. Total cash payments from financing activities (ADP 040 to 044)	**045**	**-102.093.689**	**-98.859.948**
C) NET CASH FLOW FROM FINANCIAL ACTIVITIES (ADP 039+045)	**046**	**-93.743.677**	**-81.152.424**
1 Unrealised exchange rate differences in cash and cash equivalents	047		
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)	**048**	**-58.720.569**	**-34.114.223**
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**049**	**148.020.151**	**89.299.582**
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 048+049)	**050**	**89.299.582**	**55.185.359**

STATEMENT OF CHANGES IN EQUITY (for the period 01.01.2023 to 31.12.2023)
Submitter: Valamar Riviera d.d.

in EUR

		Attributable to owners of the parent																	
Item	ADP code	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	Total capital and reserves
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18 (3 do 6 - 7 + 8 do 17)	19	20 (18+19)
Previous period																			
1 Balance on the first day of the previous business year	**01**	**221.915.351**	**693.268**	**11.095.768**	**18.158.509**	**16.513.142**		**298.556**		**10.765**					**51.502.476**	**13.852.891**	**301.014.442**	**138.438.449**	**439.452.891**
2 Changes in accounting policies	02																		
3 Correction of errors	03																		
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	**04**	**221.915.351**	**693.268**	**11.095.768**	**18.158.509**	**16.513.142**		**298.556**		**10.765**					**51.502.476**	**13.852.891**	**301.014.442**	**138.438.449**	**439.452.891**
5 Profit/loss of the period	05															19.601.100	19.601.100	1.686.468	21.287.568
6 Exchange rate differences from translation of foreign operations	06																		
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									-3.561							-3.561		-3.561
9 Gains or losses on efficient cash flow hedging	09																		
10 Gains or losses 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 interest	11																		
12 Actuarial gains/losses on defined benefit plans	12																		
13 Other changes in equity unrelated to owners	13																		
14 Tax on transactions recognised directly in equity	14									641							641		641
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15																		
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 Payment of share in profit/dividend	19																		
20 Other distribution to owners	20														-19.412.766		-19.412.766	-5.676.089	-25.088.855
21 Other distributions and payments to members/shareholders	21							5.114.288							363.583		5.477.871		5.477.871
22 Transfer to reserves according to the annual schedule	22							-298.556							14.151.447	-13.852.891			
23 Increase in reserves arising from the pre-bankruptcy settlement procedure	23																		
24 Balance on the last day of the previous business year reporting period (ADP 04 to 23)	**24**	**221.915.351**	**693.268**	**11.095.768**	**18.158.509**	**16.513.142**		**5.114.288**		**7.845**					**46.604.740**	**19.601.100**	**306.677.727**	**134.448.828**	**441.126.555**
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																			
I. OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)	**25**									**-2.920**							**-2.920**		**-2.920**
II. COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05 to 25)	**26**									**-2.920**						**19.601.100**	**19.598.180**	**1.686.468**	**21.284.648**
III. TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 23)	**27**							**4.815.732**							**-4.897.736**	**-13.852.891**	**-13.934.895**	**-5.676.089**	**-19.610.984**
Current period																			
1 Balance on the first day of the previous business year	**28**	**221.915.351**	**693.268**	**11.095.768**	**18.158.509**	**16.513.142**		**5.114.288**		**7.845**					**46.604.740**	**19.601.100**	**306.677.727**	**134.448.828**	**441.126.555**
2 Changes in accounting policies	29																		
3 Correction of errors	30																		
4 Balance on the first day of the current business year (restated) (ADP 28 to 30)	**31**	**221.915.351**	**693.268**	**11.095.768**	**18.158.509**	**16.513.142**		**5.114.288**		**7.845**					**46.604.740**	**19.601.100**	**306.677.727**	**134.448.828**	**441.126.555**
5 Profit/loss of the period	32															27.027.615	27.027.615	6.639.711	33.667.326
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									39.065							39.065		39.065
9 Gains or losses on efficient cash flow hedging	36																		
10 Gains or losses 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 interest	38																		
12 Actuarial gains/losses on defined benefit plans	39																		
13 Other changes in equity unrelated to owners	40																		
14 Tax on transactions recognised directly in equity	41									-7.032							-7.032		-7.032
15 Decrease in initial (subscribed) capital (other than arising from the pre-bankruptcy settlement procedure or from the reinvestment of profit)	42	-1	1																
16 Decrease in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43																		
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	44																		
18 Redemption of treasury shares/holdings	45					1.772.315											-1.772.315		-1.772.315
19 Payments from members/shareholders	46																		
20 Payment of share in profit/dividend	47														-24.377.581		-24.377.581	-2.535.127	-26.912.708
21 Other distributions and payments to members/shareholders	48		525.112			-4.541.887		-4.723.648							336.793		680.144		680.144
22 Carryforward per annual plan	49														19.601.100	-19.601.100			
23 Increase in reserves arising from the pre-bankruptcy settlement procedure	50																		
24 Balance on the last day of the current business year reporting period (ADP 31 to 50)	**51**	**221.915.350**	**1.218.381**	**11.095.768**	**18.158.509**	**13.743.570**		**390.640**		**39.878**					**42.165.052**	**27.027.615**	**308.267.623**	**138.553.412**	**446.821.035**
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																			
I. OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 33 to 41)	**52**									**32.033**							**32.033**		**32.033**
II. COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 32 to 52)	**53**									**32.033**						**27.027.615**	**27.059.648**	**6.639.711**	**33.699.359**
III. TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 42 to 50)	**54**	**-1**	**525.113**			**-2.769.572**		**-4.723.648**							**-4.439.688**	**-19.601.100**	**-25.469.752**	**-2.535.127**	**-28.004.879**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - GFI

Name of the issuer:
Valamar Riviera d.d.

Personal identification number OIB: **36201212847**

Reporting period:
01.01.2023 to 31.12.2023

Notes to the financial statements are to be drawn up in accordance with the International Financial Reporting Standards (hereinafter: IFRS) in such a way that they:

a) present information about the basis for the preparation of the financial statements and the specific accounting policies used in accordance with the International Accounting Standard 1 (IAS 1),

b) disclose any information required by IFRSs that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity,

c) provide additional information that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity, but is relevant for understanding any of them.

d) In the notes to the financial statements, in addition to the information stated above, information in respect of the following matters shall be disclosed:

1. issuer's name, registered office (address), legal form, country of establishment, entity's registration number and, if applicable, the indication whether the issuer is undergoing liquidation, bankruptcy proceedings, shortened termination proceedings or extraordinary administration
2. adopted accounting policies
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 issuer within the group or company linked by virtue of participating interest shall be disclosed separately
4. the amount of advances and credits granted to the members of the administrative, managerial and supervisory bodies, with indications of the interest rates, main conditions and any amounts repaid, written-off or revoked, as well as commitments entered into on their behalf by way of guarantees of any kind, with an indication of the total for each category
5. the amount and nature of individual items of income or expenditure which are of exceptional size or incidence
6. amounts owed by the issuer and falling due after more than five years, as well as the total debts of the issuer covered by valuable security furnished by the issuer, specifying the type and form of security
7. average number of employees during the financial year
8. where, in accordance with the regulations, the issuer 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
9. the amount of the emoluments granted in respect of the financial year to the members of the administrative, managerial and supervisory bodies by reason of their responsibilities, and any commitments arising or entered into in respect of retirement pensions for former members of those bodies, with an indication of the total for each category
10. the average number of persons employed during the financial year, broken down by categories and, if they are not disclosed separately in the profit and loss account, the staff costs relating to the financial year, broken down between net salaries and wages, tax costs and contributions from salaries, contributions on salaries and other salary costs, excluding cost allowances
11. 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
12. the name and registered office of each of the companies in which the issuer, either itself or through a person acting in their own name but on the issuer'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 company concerned for which financial statements have been adopted; the information concerning capital and reserves and the profit or loss may be omitted where the company concerned does

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - GFI (continued)

not publish its balance sheet and is not controlled by another company

13. 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
14. where there is more than one class of shares, the number and the nominal value or, in the absence of a nominal value, the accounting value for each class
15. 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
16. the name, registered office and legal form of each of the companies of which the issuer is a member having unlimited liability
17. the name and registered office of the company which draws up the consolidated financial statements of the largest group of companies of which the issuer forms part as a controlled group member
18. the name and registered office of the company which draws up the consolidated financial statements of the smallest group of companies of which the issuer forms part as a controlled group member and which is also included in the group of companies referred to in point 17.
19. the place where copies of the consolidated financial statements referred to in points 17 and 18 may be obtained, provided that they are available
20. the proposed appropriation of profit or treatment of loss, or where applicable, the appropriation of the profit or treatment of the loss
21. the nature and business purpose of the company's arrangements that are not included in the balance sheet and the financial impact on the company 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 company
22. 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
23. the net income broken down by categories of activity and into geographical markets, in so far as those categories and markets differ substantially from one another, taking account of the manner in which the sale of products and the provision of services are organised
24. the total fees for the financial year charged by each statutory auditor or audit firm for the statutory audit of the annual financial statements, i.e. annual consolidated financial statements, the total fees charged for other assurance services, the total fees charged for tax advisory services and the total fees charged for other non-audit services, total research and development expenditure as the basis for granting state aid.

For the year ending 31 december 2022 item of GFI-POD balance Other provisions (ADP 096) contained a liability for leases on tourist land according to the Act on Tourist and Other Construction Land not appraised in the transformation and privatisation process („the ZOTZ") in the amount of EUR 7,958,831 and concession fee for the use of tourist land since the Act on unappraised land („the ZNGZ") is in the force, in the amount of EUR 5,581,129 and other provisions in the amount EUR 95,280. The adoption of two Regulations in Februrary 2024 with which was defined the uniform amount of rent of tourist land and thus the total cost of rent, led to the abolition of the above mentioned reservations. The concession liability has been reduced due to the reduction of the lease area of tourist land (explained in more detail in the Annual Report for 2023). The remaining amount of the liability for the conession in the amount of EUR 6,277,106 was reclassified from Other provisions (ADP 096) in items Other long-term liabilities (ADP 107).

Detailed information on financial statements are available in PDF document „Annual report 2023" which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

Detailed information on the preparation of financial statements and certain accounting policies are available in PDF document „Annual report 2023" which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

Group Valamar Riviera below presents comparison tables of items in GFI POD financial statements and audited Notes for 2023.

Summary of adjustments of GFI-POD balance sheet and consolidated balance sheet from Audited report for 2023

GFI-POD item “Tangible assets” (ADP 010; EUR 662,330 thous.) is in Audited report presented under items “Property, plant and equipment” (EUR 658,450 thous.), “Investment property” (EUR 348 thous.) and “Right-of-use assets” (EUR 3,532 thous.).

GFI-POD item “Fixed financial assets” (ADP 020; EUR 18,469 thous.) is in Audited report presented under items “Investment in associated” (EUR 16,250 thous.), “Financial assets” (EUR 158 thous.), the non-current part of the item “Derivative financial instruments” (EUR 675 thous.) and non-current part of the item “Loans and deposits” (EUR 1,386 thous.).

GFI-POD item “Receivables” (ADP 046; EUR 6,201 thous.) and GFI-POD item “Prepaid expenses and accrued income” (ADP 064; EUR 3,764 thous.) are in Audited report presented under items “Trade and other receivables” (EUR 9,965 thous.).

GFI-POD item “Shot-term financial assets” (ADP 053; EUR 25,642 thous.) are in Audited report presented under item “Loans and deposits” - current part (EUR 24,036 thous.) and current part of item “Derivative financial instruments” (EUR 1,606 thous.).

GFI-POD item “Cash in hand and in bank” (ADP 063; EUR 55,185 thous.) is in Audited report presented under item “Cash and cash equivalents” (EUR 55,185 thous.).

GFI-POD item “Capital and reserves” (ADP 067; EUR 446,821 thous.) is in Audited report presented under item “Share capital” (EUR 446,821 thous.).

GFI-POD item “Provisions” (ADP 090; EUR 8,330 thous.) is in Audited report presented under non-current liabilities in item “Provisions” (EUR 8,330 thous.).

GFI-POD item “Long-term liabilites” (ADP 097; EUR 264,708 thous.) is in Audited report presented under non-current liabilities “Borrowings” (EUR 244,201 thous.), “Lease liabilities” (EUR 2,551 thous.), “Trade and other payables” (EUR 12,237 thous.) and “Deffered tax liabilities” (EUR 5,719) thous.).

GFI-POD item “Short-term liabilities” (ADP 109; EUR 84,649 thous.) and GFI-POD item “Accruals and deferred income” (ADP 124; EUR 21,703 thous.) are in Audited report presented under item of short-term part item “Borrowings” (EUR 49,938 thous.), “Lease liabilities” (EUR 593 thous.), “Trade and other payables” (EUR 47,088 thous.), “Income tax liability” (EUR 2,877 thous.), “Provisions” (EUR 5,855 thous.).

Summary of adjustments of GFI-POD reclassified income statement and consolidated statement of comprehensive income from Audited report for 2023

GFI-POD item “Operating income” (ADP 001; EUR 372,208 thous.) is in Audited report presented under items “Sales revenue” (EUR 365,719 thous.), “Other income” (EUR 6,371 thous.), and “Other gains/(losses) - net” (EUR 118 thous.).

GFI-POD item “Operating expenses” (ADP 007; EUR 329,806 thous.) are in Audited report presented under items “Cost of materials and services” (EUR 118,248 tis.), “Staff costs” (EUR 128,621 tis.), “Depreciation and amortisation” (EUR 65,778 thous.) and “Other operating expenses” (EUR 17,159 thous.).

GFI-POD item “Material costs” (ADP 009; EUR 118,248 thous.) are in Audited report presented under item “Cost of materials and services” (EUR 118,248 thous.).

Summary of adjustments of GFI-POD reclassified income statement and consolidated statement of comprehensive income from Audited report for 2023 (continued)

GFI-POD item "Staff costs" (ADP 013; EUR 104,577 thous.) is in Audited report presented under item "Staff costs" (EUR 128,621 thous.). The rest of the amount EUR 24,044 thous. is presented under GFI-POD item: "Other expenses" (ADP 018; EUR 22,750 thous. and relates mainly to transport and other employee benefits and student costs) and "Provisions" (ADP 022; EUR 1,294 thous. and is related to provisions for emplyees).

GFI-POD items "Other expenses" (ADP 018; EUR 36,169 thous.) and "Other operating expenses" (ADP 029; EUR 3,441 thous.) is in Audited report presented under item "Other operating expenses" (EUR 16,860 thous.) The rest of the amount EUR 22,750 thous. is previously explained under staff costs.

GFI-POD item "Value adjustments" (ADP 019; EUR 37 thous.) is in Audited report presented under item "Other operating expenses" (EUR 37 thous.).

GFI-POD item "Provisions" (ADP 022; EUR 1,557 thous.) is in Audited report presented under item "Other operating expenses" (EUR 263 thous.) and in the part of the item "Staff costs" (EUR 1,294 thous.).

GFI-POD item "Financial income" (ADP 030; EUR 3,125 thous.) is in Audited report presented under item "Finance result - net" presented under part of financial income (EUR 3,125 thous.).

GFI-POD item "Financial costs" (ADP 041; EUR 11,159 thous.) is in Audited report presented under item "Finance result - net" presented under part of financial expenses (EUR 11,159 thous.).

Summary of adjustments of GFI-POD cash flow statement and consolidated cash flow statement from Audited report for 2023

GFI-POD item "Net cash flow from operating activities" (ADP 020; EUR 113,287 thous.) is in Audited report presented in items "Net cash inflow from operating activities" in comparable amount of EUR 121,630 thous. and item "Interest paid" (Net cash inflow from financing activities) in the amount of EUR -8,343 thous.

GFI-POD item "Net cash outflow from investment activities" (ADP 034; EUR -66,249 thous.) is in Audited report presented in item "Net cash outflow from investment activities" in comparable amount of EUR -66,249 thous.

GFI-POD item "Net cash flow from financing activities" (ADP 046; EUR -81,153 thous.) is in Audited report presented in item "Net cash inflow from financing activities" in comparable amount of EUR -89,496 thous. increased for the item "Interest paid" in the amount of EUR 8,343 thous.

Summary of adjustments of GFI-POD statement of changes in equity and consolidated statement of changes in shareholder's equity from Audited report for 2023

GFI-POD item "Capital and reserves" (ADP 067; EUR 446,821 thous.) is in Audited report presented in items "Share capital" (EUR 221,915 thous.), "Treasury shares" (EUR -13,743 thous.), "Capital reserves" (EUR 1,219 thous.), "Legal reserves" (EUR 11,096 thous.), "Fair value reserves" (EUR 40 thous.), "Other reserves" (EUR 22,123 thous.), "Retained earnings" (EUR 65,618 thous.) and "Non-controlling interest" (EUR 138,553 thous.). Other reserves in Audited report consist of reserve for treasury shares in the amount of EUR 18,158 thous., other reserves in the amount of EUR 391 thous. as a result of the recognition of the salary costs for payments based on shares in principal instruments, and the remaining amount consists of the effects of consolidation. Retained earnings from the Audited report comes from the regular business result.

Reporting period: from 01.01.2023 to 31.12.2023

Annual financial statement

Registration number (MB):	3474771	Issuer's home Member State code	HR
Entity's registration number (MBS):	40020883		
Personal identification number (OIB):	36201212847	LEI	529900DUWS1DGNEK4C68
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):	2541		
Consolidated report:	KN	(KN-non consolidated/KD-consolidated)	
Audited:	RD	(RN-non audited/RD-audited)	

Names of subsidiaries (according to IFRS): 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:	Ernst & Young d.o.o., UHY Rudan d.o.o. (name of the audit firm)	
Certified auditor:	Berislav Horvat, Vedrana Miletić (name and surname)	

VALAMAR
VALAMAR RIVIERA D.D.
POREČ
(4)

(authorized representative's signature)

L.S.

BALANCE SHEET (as at 31.12.2023)
Submitter: Valamar Riviera d.d.

in EUR

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	**001**		
B) FIXED ASSETS (ADP 003+010+020+031+036)	**002**	**621.286.023**	**597.799.951**
I. INTANGIBLE ASSETS (ADP 004 to 009)	**003**	**4.865.723**	**6.565.018**
1 Research and Development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	3.560.892	4.779.225
3 Goodwill	006	871.672	871.672
4 Advance payments for purchase of intangible assets	007	24.300	
5 Intangible assets in preparation	008	408.859	914.121
6 Other intangible assets	009		
II. TANGIBLE ASSETS (ADP 011 to 019)	**010**	**467.916.828**	**446.642.084**
1 Land	011	70.829.316	70.644.262
2 Buildings	012	305.822.039	287.897.269
3 Plants and equipment	013	42.008.561	38.770.695
4 Tools, working inventory and transportation assets	014	8.783.891	7.487.134
5 Biological asset	015		
6 Advance payments for purchase of tangible assets	016	343.333	69.958
7 Tangible assets in preparation	017	34.020.179	36.238.653
8 Other tangible assets	018	5.724.330	5.185.811
9 Investments property	019	385.179	348.302
III. FIXED FINANCIAL ASSETS (ADP 021 to 030)	**020**	**141.766.544**	**143.056.928**
1 Investments in holdings (shares) of undertakings within the group	021	124.998.864	124.258.659
2 Investments in other securities of undertakings within the group	022		
3 Loans, deposits etc given to undertakings in a Group	023		
4 Investments in holdings (shares) of companies linked by virtue of participating interest	024	14.225.832	16.816.257
5 Investment in other securities of companies linked by virtue of participating interest	025		
6 Loans, deposits etc. given to companies linked by virtue of participating interest	026	414.139	795.420
7 Investments in securities	027	25.522	135.603
8 Loans, deposits, etc. given	028	556.747	590.532
9 Other investments accounted for using the equity method	029		
10 Other fixed financial assets	030	1.545.440	460.457
IV. RECEIVABLES (ADP 032 to 035)	**031**		
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		
V. DEFERRED TAX ASSETS	**036**	**6.736.928**	**1.535.921**
C) CURENT ASSETS (ADP 038+046+053+063)	**037**	**69.783.079**	**59.905.492**
I. INVENTORIES (ADP 039 to 045)	**038**	**4.292.120**	**5.945.539**
1 Raw materials	039	4.126.734	5.587.078
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	165.386	358.461
5 Advance payments for inventories	043		
6 Fixed assets held for sale	044		
7 Biological asset	045		
II. RECEIVABLES (ADP 047 to 052)	**046**	**5.248.727**	**6.851.328**
1 Receivables from undertakings within the group	047	2.089.815	2.340.631
2 Receivables from companies linked by virtue of participating interest	048	1.064.950	1.373.496
3 Customer receivables	049	1.633.854	1.909.335
4 Receivables from employees and members of the undertaking	050	39.032	88.956
5 Receivables from government and other institutions	051	270.201	893.990
6 Other receivables	052	150.875	244.920
III. SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	**053**	**973.760**	**821.086**
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 interest	057		
5 Investment in other securities of companies linked by virtue of participating interest	058		
6 Loans, deposits etc. given to companies linked by virtue of participating interest	059		
7 Investments in securities	060		
8 Loans, deposits, etc. given	061	33.993	35.528
9 Other financial assets	062	939.767	785.558
IV. CASH AT BANK AND IN HAND	**063**	**59.268.472**	**46.287.539**
D) PREPAID EXPENSES AND ACCRUED INCOME	**064**	**2.169.900**	**2.611.402**
E) TOTAL ASSETS (ADP 001+002+037+064)	**065**	**693.239.002**	**660.316.845**
F) OFF-BALANCE SHEET ITEMS	**066**	**7.183.695**	**7.179.343**

BALANCE SHEET (as at 31.12.2023) (continued)
Submitter: Valamar Riviera d.d.

in EUR

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+083+086+089)	**067**	**408.116.037**	**407.623.536**
I. INITIAL (SUBSCRIBED) CAPITAL	**068**	**221.915.351**	**221.915.350**
II. CAPITAL RESERVES	**069**	**757.922**	**1.283.035**
III. RESERVES FROM PROFIT (ADP 071+072-073+074+075)	**070**	**17.855.423**	**15.901.347**
1 Legal reserves	071	11.095.768	11.095.768
2 Reserves for treasury share	072	18.158.509	18.158.509
3 Treasury shares and holdings (deductible item)	073	-16.513.142	-13.743.570
4 Statutory reserves	074		
5 Other reserves	075	5.114.288	390.640
IV. REVALUATION RESERVES	**076**		
V. FAIR VALUE RESERVES AND OTHER (ADP 078 to 082)	**077**	**7.845**	**39.878**
1 Financial assets at fair value through other comprehensive income (i.e. available for sale)	078	7.845	39.878
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		
VI. RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 084-085)	083	**93.163.896**	**143.538.707**
1 Retained profit	084	93.163.896	143.538.707
2 Loss brought forward	085		
VII. PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 087-088)	**086**	**74.415.600**	**24.945.219**
1 Profit for the business year	087	74.415.600	24.945.219
2 Loss for the business year	088		
VIII. MINORITY (NON-CONTROLLING) INTEREST	**089**		
B) PROVISIONS (ADP 091 to 096)	**090**	**19.626.864**	**6.284.948**
1 Provisions for pensions, termination benefits and similar obligations	091	2.866.868	3.342.017
2 Provisions for tax liabilities	092		
3 Provisions for ongoing legal cases	093	3.811.142	2.942.931
4 Provisions for renewal of natural resources	094		
5 Provision for warranty obligations	095		
6 Other provisions	096	12.948.854	
C) LONG-TERM LIABILITIES (ADP 098 to 108)	**097**	**188.304.205**	**166.870.642**
1 Liabilities towards undertakings within the group	098		
2 Liabilities for loans, deposits, etc. to companies within the group	099		
3 Liabilities towards companies linked by virtue of participating interest	100		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	101		
5 Liabilities for loans, deposits etc.	102		
6 Liabilities towards banks and other financial institutions	103	184.411.990	151.652.565
7 Liabilities for advance payments	104		
8 Liabilities towards suppliers	105		
9 Liabilities for securities	106		
10 Other long-term liabilities	107	2.355.185	13.789.397
11 Deferred tax liability	108	1.537.030	1.428.680
D) SHORT-TERM LIABILITIES (ADP 110 to 123)	**109**	**69.307.740**	**61.443.224**
1 Liabilities towards undertakings within the group	110	29.361	48.042
2 Liabilities for loans, deposits, etc. to companies within the group	111		
3 Liabilities towards companies linked by virtue of participating interest	112	2.423	31.800
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	113		
5 Liabilities for loans, deposits etc.	114		
6 Liabilities towards banks and other financial institutions	115	51.123.196	33.001.611
7 Liabilities for advance payments	116	3.847.550	5.060.911
8 Liabilities towards suppliers	117	7.770.250	13.335.698
9 Liabilities for securities	118		
10 Liabilities towards employees	119	3.443.950	3.834.829
11 Taxes, contributions and similar liabilities	120	1.395.590	4.232.394
12 Liabilities arising from the share in the result	121		
13 Liabilities arising from fixed assets held for sale	122		
14 Other short-term liabilities	123	1.695.420	1.897.939
E) ACCRUALS AND DEFERRED INCOME	**124**	**7.884.156**	**18.094.495**
F) TOTAL – LIABILITIES (ADP 067+090+097+109+124)	**125**	**693.239.002**	**660.316.845**
G) OFF-BALANCE SHEET ITEMS	**126**	**7.183.695**	**7.179.343**

STATEMENT OF PROFIT OR LOSS (for 01.01.2023 to 31.12.2023)
Submitter: Valamar Riviera d.d.

in EUR

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
I. OPERATING INCOME (ADP 002 to 006)	**001**	**321.774.264**	**294.475.295**
1 Income from sales with undertakings within the group	002	10.699.520	13.266.380
2 Income from sales (outside group)	003	243.768.084	276.816.723
3 Income from the use of own products, goods and services	004	53.775	81.930
4 Other operating income with undertakings within the group	005	62.971.006	219.627
5 Other operating income (outside the group)	006	4.281.879	4.090.635
II. OPERATING EXPENSES (ADP 008+009+013+017+018+019+022+029)	**007**	**234.388.575**	**260.298.742**
1 Changes in inventories of work in progress and finished goods	008		
2 Material costs (ADP 010 to 011)	009	83.255.558	97.191.203
a) Costs of raw material	010	50.466.009	54.197.430
b) Costs of goods sold	011	2.374.184	2.592.001
c) Other external costs	012	30.415.365	40.401.772
3 Staff costs (ADP 014 to 016)	013	74.009.748	83.363.542
a) Net salaries and wages	014	48.003.291	51.949.966
b) Tax and contributions from salaries expenses	015	17.252.761	20.616.001
c) Contributions on salaries	016	8.753.696	10.797.575
4 Depreciation	017	49.029.578	47.224.180
5 Other expenses	018	24.579.704	29.359.538
6 Value adjustments (ADP 020+021)	019	32.859	36.573
a) fixed assets other than financial assets	020		
b) current assets other than financial assets	021	32.859	36.573
7 Provisions (ADP 023 to 028)	022	2.497.249	1.324.721
a) Provisions for pensions, termination benefits and similar obligations	023	388.798	1.097.855
b) Provisions for tax liabilities	024		
c) Provisions for ongoing legal cases	025	131.269	226.866
d) Provisions for renewal of natural resources	026		
e) Provisions for warranty obligations	027		
f) Other provisions	028	1.977.182	
8 Other operating expenses	029	983.879	1.798.985
III. FINANCIAL INCOME (ADP 031 to 040)	**030**	**9.416.332**	**5.013.112**
1 Income from investments in holdings (shares) of undertakings within the group	031	4.888.327	2.183.287
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	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	189.025	178.578
6 Income from other long-term financial investments and loans	036		
7 Other interest income	037	30.782	1.655.236
8 Exchange rate differences and other financial income	038	589.065	2.160
9 Unrealised gains (income) from financial assets	039	3.048.261	
10 Other financial income	040	670.872	993.851
IV. FINANCIAL EXPENDITURE (ADP 042 to 048)	**041**	**7.575.214**	**6.287.039**
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	5.775.482	4.882.765
4 Exchange rate differences and other expenses	045	825.812	2.609
5 Unrealised losses (expenses) from financial assets	046		299.425
6 Value adjustments of financial assets (net)	047		
7 Other financial expenses	048	973.920	1.102.240
V. SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	**049**		
VI. SHARE IN PROFIT FROM JOINT VENTURES	**050**		
VII. SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	**051**		
VIII. SHARE IN LOSS OF JOINT VENTURES	**052**		
IX. TOTAL INCOME (ADP 001+030+049 +050)	**053**	**331.190.596**	**299.488.407**
X. TOTAL EXPENDITURE (ADP 007+041+051+052)	**054**	**241.963.789**	**266.585.781**
XI. PRE-TAX PROFIT OR LOSS (ADP 053-054)	**055**	**89.226.807**	**32.902.626**
1 Pre-tax profit (ADP 053-054)	056	89.226.807	32.902.626
2 Pre-tax loss (ADP 054-053)	057		
XII. INCOME TAX	**058**	**14.811.207**	**7.957.407**
XIII. PROFIT OR LOSS FOR THE PERIOD (ADP 055-059)	**059**	**74.415.600**	**24.945.219**
1 Profit for the period (ADP 055-059)	060	74.415.600	24.945.219
2 Loss for the period (ADP 059-055)	061		

STATEMENT OF PROFIT OR LOSS (for 01.01.2023 to 31.12.2023) (continued)
Submitter: Valamar Riviera d.d.

in EUR

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)			
XIV. PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 063-064)	**062**		
1 Pre-tax profit from discontinued operations	063		
2 Pre-tax loss on discontinued operations	064		
XV. INCOME TAX OF DISCONTINUED OPERATIONS	**065**		
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)			
XVI. PRE-TAX PROFIT OR LOSS (ADP 055+062)	**068**		
1 Pre-tax profit (ADP 068)	069		
2 Pre-tax loss (ADP 068)	070		
XVII. INCOME TAX (ADP 058+065)	**071**		
XVIII. PROFIT OR LOSS FOR THE PERIOD (ADP 068-071)	**072**		
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)			
XIX. PROFIT OR LOSS FOR THE PERIOD (ADP 076+077)	**075**		
1 Attributable to owners of the parent	076		
2 Attributable to minority (non-controlling) interest	077		
STATEMENT OF OTHER COMPRHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I. PROFIT OR LOSS FOR THE PERIOD	**078**	**74.415.600**	**24.945.219**
II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX (ADP 080+087)	**079**	**-3.561**	**39.065**
III. ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS (ADP 081 to 085)	**080**	**-3.561**	**39.065**
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	-3.561	39.065
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	-641	7.032
IV. ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS (ADP 088 to 095)	**087**		
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		
V. NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 080+087-086-096)	**097**	**-2.920**	**32.033**
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 078+097)	**098**	**74.412.680**	**24.977.252**
APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)			
VII. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 100+101)	**099**		
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 01.01.2023 to 31.12.2023)
Submitter: Valamar Riviera d.d.

in EUR

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1 Pre-tax profit	001	89.226.807	32.902.626
2 Adjustments (ADP 003 to 010)	002	-8.959.140	44.192.553
a) Depreciation	003	49.029.578	47.224.180
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-63.527.744	734.727
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005		
d) Interest and dividend income	006	-4.898.222	-3.836.412
e) Interest expenses	007	6.347.758	5.034.255
f) Provisions	008	1.513.859	-5.626.693
g) Exchange rate differences (unrealised)	009	825.812	
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	1.749.819	662.496
I. Cash flow increase or decrease before changes in the working capital (ADP 001+002)	**011**	**80.267.667**	**77.095.179**
3 Changes in the working capital (ADP 013 to 016)	012	1.066.689	17.814.562
a) Increase or decrease in short-term liabilities	013	456.477	21.576.758
b) Increase or decrease in short-term receivables	014	1.767.517	-2.108.775
c) Increase or decrease in inventories	015	-1.157.305	-1.653.421
d) Other increase or decrease in the working capital	016		
II. Cash from operations (ADP 011+012)	**017**	**81.334.356**	**94.909.741**
4 Interest paid	018	-9.351.837	-4.790.078
5 Income tax paid	019		
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	**020**	**71.982.519**	**90.119.663**
CASH FLOW FROM INVESTMENT ACTIVITIES			
1 Cash receipts from sales of fixed tangible and intangible assets	021	6.780.640	123.976
2 Cash receipts from sales of financial instruments	022	39.820	536.796
3 Interest received	023	8.744	1.353.426
4 Dividends received	024	4.889.474	2.185.447
5 Cash receipts from repayment of loans and deposit	025	27.367	
6 Other cash receipts from investment activities	026		1.011.673
III. Total cash receipts from investment activities (ADP 021 to 026)	**027**	**11.746.045**	**5.211.318**
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-25.968.254	-27.368.385
2 Cash payments for the acquisition of financial instruments	029	-191.898	
3 Cash payments for loans and deposits for the period	030	-312	
4 Acquisition of a subsidiary, net of cash acquired	031		
5 Other cash payments from investment activities	032	-5.455.406	-3.022.425
IV. Total cash payments from investment activities (ADP 028 to 032)	**033**	**-31.615.870**	**-30.390.810**
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)	**034**	**-19.869.825**	**-25.179.492**
CASH FLOW FROM FINANCING ACTIVITIES			
1 Cash receipts from the increase of 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	7.986.429	
4 Other cash receipts from financing activities	038	363.583	336.793
V. Total cash receipts from financing activities (ADP 035 to 038)	**039**	**8.350.012**	**336.793**
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-58.327.852	-51.286.806
2 Dividends paid	041	-19.412.766	-24.377.582
3 Cash payments for finance lease	042		
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043		-1.772.315
5 Other cash payments from financing activities	044	-716.843	-821.195
VI. Total cash payments from financing activities (ADP 040 to 044)	**045**	**-78.457.461**	**-78.257.897**
C) NET CASH FLOW FROM FINANCIAL ACTIVITIES (ADP 039+045)	**046**	**-70.107.449**	**-77.921.104**
1 Unrealised exchange rate differences in cash and cash equivalents	047		
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)	**048**	**-17.994.755**	**-12.980.933**
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**049**	**77.263.227**	**59.268.472**
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 048+049)	**050**	**59.268.472**	**46.287.539**

STATEMENT OF CHANGES IN EQUITY (for the period 01.01.2023 to 31.12.2023)
Submitter: Valamar Riviera d.d.

in EUR

		Attributable to owners of the parent																	
Item	ADP code	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	Total capital and reserves
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18 (3 do 6 - 7 + 8 do 17)	19	20 (18+19)
Previous period																			
1. Balance on the first day of the previous business year	**01**	**221.915.351**	**757.922**	**11.095.768**	**18.158.509**	**16.513.142**		**298.556**		**10.765**					**71.486.385**	**40.428.138**	**347.638.252**		**347.638.252**
2 Changes in accounting policies	02																		
3 Correction of errors	03																		
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	**04**	**221.915.351**	**757.922**	**11.095.768**	**18.158.509**	**16.513.142**		**298.556**		**10.765**					**71.486.385**	**40.428.138**	**347.638.252**		**347.638.252**
5 Profit/loss of the period	05															74.415.600	74.415.600		74.415.600
6 Exchange rate differences from translation of foreign operations	06																		
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									-3.561							-3.561		-3.561
9 Gains or losses on efficient cash flow hedging	09																		
10 Gains or losses 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 interest	11																		
12 Actuarial gains/losses on defined benefit plans	12																		
13 Other changes in equity unrelated to owners	13																		
14 Tax on transactions recognised directly in equity	14									641							641		641
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15																		
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 Payment of share in profit/dividend	19																		
20 Other distribution to owners	20														-19.412.766		-19.412.766		-19.412.766
21 Other distributions and payments to members/shareholders	21							5.114.288							363.583		5.477.871		5.477.871
22 Transfer to reserves according to the annual schedule	22							-298.556							40.726.694	-40.428.138			
23 Increase in reserves arising from the pre-bankruptcy settlement procedure	23																		
24 Balance on the last day of the previous business year reporting period (ADP 04 to 23)	**24**	**221.915.351**	**757.922**	**11.095.768**	**18.158.509**	**16.513.142**		**5.114.288**		**7.845**					**93.163.896**	**74.415.600**	**408.116.037**		**408.116.037**
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																			
I. OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)	**25**									**-2.920**							**-2.920**		**-2.920**
II. COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05 to 25)	**26**									**-2.920**						**74.415.600**	**74.412.680**		**74.412.680**
III. TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 23)	**27**							**4.815.732**							**21.677.511**	**-40.428.138**	**-13.934.895**		**-13.934.895**
Current period																			
1. Balance on the first day of the previous business year	**28**	**221.915.351**	**757.922**	**11.095.768**	**18.158.509**	**16.513.142**		**5.114.288**		**7.845**					**93.163.896**	**74.415.600**	**408.116.037**		**408.116.037**
2 Changes in accounting policies	29																		
3 Correction of errors	30																		
4 Balance on the first day of the current business year (restated) (ADP 28 to 30)	**31**	**221.915.351**	**757.922**	**11.095.768**	**18.158.509**	**16.513.142**		**5.114.288**		**7.845**					**93.163.896**	**74.415.600**	**408.116.037**		**408.116.037**
5 Profit/loss of the period	32															24.945.219	24.945.219		24.945.219
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									39.065							39.065		39.065
9 Gains or losses on efficient cash flow hedging	36																		
10 Gains or losses 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 interest	38																		
12 Actuarial gains/losses on defined benefit plans	39																		
13 Other changes in equity unrelated to owners	40																		
14 Tax on transactions recognised directly in equity	41									-7.032							-7.032		-7.032
15 Decrease in initial (subscribed) capital (other than arising from the pre-bankruptcy settlement procedure or from the reinvestment of profit)	42	-1	1																
16 Decrease in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43																		
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	44																		
18 Redemption of treasury shares/holdings	45					1.772.315											-1.772.315		-1.772.315
19 Payments from members/shareholders	46																		
20 Payment of share in profit/dividend	47														-24.377.582		-24.377.582		-24.377.582
21 Other distributions and payments to members/shareholders	48		525.112			-4.541.887		-4.723.648							336.793		680.144		680.144
22 Carryforward per annual plan	49														74.415.600	-74.415.600			
23 Increase in reserves arising from the pre-bankruptcy settlement procedure	50																		
24 Balance on the last day of the current business year reporting period (ADP 31 to 50)	**51**	**221.915.350**	**1.283.035**	**11.095.768**	**18.158.509**	**13.743.570**		**390.640**		**39.878**					**143.538.707**	**24.945.219**	**407.623.536**		**407.623.536**
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																			
I. OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 33 to 41)	**52**									**32.033**							**32.033**		**32.033**
II. COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 32 to 52)	**53**									**32.033**						**24.945.219**	**24.977.252**		**24.977.252**
III. TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 42 to 50)	**54**	**-1**	**525.113**			**-2.769.572**		**-4.723.648**							**50.374.811**	**-74.415.600**	**-25.469.753**		**-25.469.753**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - GFI

Name of the issuer:
Valamar Riviera d.d.

Personal identification number OIB: **36201212847**

Reporting period:
01.01.2023 to 31.12.2023

Notes to the financial statements are to be drawn up in accordance with the International Financial Reporting Standards (hereinafter: IFRS) in such a way that they:

a) present information about the basis for the preparation of the financial statements and the specific accounting policies used in accordance with the International Accounting Standard 1 (IAS 1),

b) disclose any information required by IFRSs that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity,

c) provide additional information that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity, but is relevant for understanding any of them.

d) In the notes to the financial statements, in addition to the information stated above, information in respect of the following matters shall be disclosed:

1. issuer's name, registered office (address), legal form, country of establishment, entity's registration number and, if applicable, the indication whether the issuer is undergoing liquidation, bankruptcy proceedings, shortened termination proceedings or extraordinary administration
2. adopted accounting policies
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 issuer within the group or company linked by virtue of participating interest shall be disclosed separately
4. the amount of advances and credits granted to the members of the administrative, managerial and supervisory bodies, with indications of the interest rates, main conditions and any amounts repaid, written-off or revoked, as well as commitments entered into on their behalf by way of guarantees of any kind, with an indication of the total for each category
5. the amount and nature of individual items of income or expenditure which are of exceptional size or incidence
6. amounts owed by the issuer and falling due after more than five years, as well as the total debts of the issuer covered by valuable security furnished by the issuer, specifying the type and form of security
7. average number of employees during the financial year
8. where, in accordance with the regulations, the issuer 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
9. the amount of the emoluments granted in respect of the financial year to the members of the administrative, managerial and supervisory bodies by reason of their responsibilities, and any commitments arising or entered into in respect of retirement pensions for former members of those bodies, with an indication of the total for each category
10. the average number of persons employed during the financial year, broken down by categories and, if they are not disclosed separately in the profit and loss account, the staff costs relating to the financial year, broken down between net salaries and wages, tax costs and contributions from salaries, contributions on salaries and other salary costs, excluding cost allowances
11. 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
12. the name and registered office of each of the companies in which the issuer, either itself or through a person acting in their own name but on the issuer'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 company concerned for which financial statements have been adopted; the information concerning capital and reserves and the profit or loss may be omitted where the company concerned does

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - GFI (continued)

not publish its balance sheet and is not controlled by another company

13. 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
14. where there is more than one class of shares, the number and the nominal value or, in the absence of a nominal value, the accounting value for each class
15. 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
16. the name, registered office and legal form of each of the companies of which the issuer is a member having unlimited liability
17. the name and registered office of the company which draws up the consolidated financial statements of the largest group of companies of which the issuer forms part as a controlled group member
18. the name and registered office of the company which draws up the consolidated financial statements of the smallest group of companies of which the issuer forms part as a controlled group member and which is also included in the group of companies referred to in point 17.
19. the place where copies of the consolidated financial statements referred to in points 17 and 18 may be obtained, provided that they are available
20. the proposed appropriation of profit or treatment of loss, or where applicable, the appropriation of the profit or treatment of the loss
21. the nature and business purpose of the company's arrangements that are not included in the balance sheet and the financial impact on the company 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 company
22. 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
23. the net income broken down by categories of activity and into geographical markets, in so far as those categories and markets differ substantially from one another, taking account of the manner in which the sale of products and the provision of services are organised
24. the total fees for the financial year charged by each statutory auditor or audit firm for the statutory audit of the annual financial statements, i.e. annual consolidated financial statements, the total fees charged for other assurance services, the total fees charged for tax advisory services and the total fees charged for other non-audit services, total research and development expenditure as the basis for granting state aid.

For the year ending 31 december 2022 item of GFI-POD balance Other provisions (ADP 096) contained a liability for leases on tourist land according to the Act on Tourist and Other Construction Land not appraised in the transformation and privatisation process („the ZOTZ“) in the amount of EUR 7,676,370 and concession fee for the use of tourist land since the Act on unappraised land („the ZNGZ“) is in the force, in the amount of EUR 5,272,484. The adoption of two Regulations in Februrary 2024 with which was defined the uniform amount of rent of tourist land and thus the total cost of rent, led to the abolition of the above mentioned reservations. The concession liability has been reduced due to the reduction of the lease area of tourist land (explained in more detail in the Annual Report for 2023). The remaining amount of the liabily for the conession in the amount of EUR 5,994,645 was reclassified from Other provisions (ADP 096) in items Other long-term liabilities (ADP 107).

Detailed information on financial statements are available in PDF document „Annual report 2023“ which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

Detailed information on the preparation of financial statements and certain accounting policies are available in PDF document „Annual report 2023“ which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

Company Valamar Riviera d.d. below presents comparison tables of items in GFI POD financial statements and audited Notes for 2023.

Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2023

GFI-POD item “Tangible assets” (ADP 010; EUR 446,642 thous.) is in Audited report presented under items “Property, plant and equipment” (EUR 442,879 thous.), “Investment property” (EUR 348 thous.) and “Right-of-use assets” (EUR 3,415 thous.).

GFI-POD item “Fixed financial assets” (ADP 020; EUR 143,057 thous.) is in Audited report presented under items “Investment in subsidiaries” (EUR 124,259 thous.), “Investment in associate”(EUR 16,816 thous.), “Financial assets” (EUR 154 thous.), in the non-current part of the item “Derivative financial instruments”(EUR 442 thous.) and non-current part of item “Loans and deposits” (EUR 1,386 thous.).

GFI-POD item “Receivables” (ADP 046; EUR 6,851 thous.) and GFI-POD item “Prepaid expenses and accrued income” (ADP 064; EUR 2,612 thous.) is in Audited report presented under items “Trade and other receivables” (EUR 9,463 thous.).

GFI-POD item “Shot-term financial assets” (ADP 053; EUR 821 thous.) is in Audited report presented under item “Loans and deposits” - current part (EUR 35 thous.) and current part of the item “Derivative financial instruments” (EUR 786 thous.).

GFI-POD item “Cash in hand and in bank” (ADP 063; EUR 46,287 thous.) is in Audited report presented under item “Cash and cash equivalents” (EUR 46,287 thous.).

GFI-POD item “Capital and reserves” (ADP 067; EUR 407,623 thous.) is in Audited report presented under item “Share capital” (EUR 407,623 thous.).

GFI-POD item “Provisions” (ADP 090; EUR 6,285 thous.) is in Audited report presented under non-current liabilities in item “Provisions” (EUR 6,285 thous.).

GFI-POD item “Long-term leabilities” (ADP 097; EUR 166,871 thous.) is in Audited report presented under non-current liabilities in the item sectione “Borrowings” (EUR 151,653 thous.), “Lease liabilities” (EUR 2,379 thous.), “Trade and other payables” (EUR 11,410 thous.) and “Deffered tax liabilities” (EUR 1,429 thous.).

GFI-POD item “Short-term leabilities” (ADP 109; EUR 61,443 thous.) and GFI-POD item “Accruals and deferred income” (ADP 124; EUR 18,095 thous.) are in Audited report presented under item of short-term part item “Borrowings” (EUR 33,002 thous.), “Lease liabilities” (EUR 657 thous.), “Trade and other payables” (EUR 38,017 thous.), “Income tax liability” (EUR 2,872 thous.), “Provisions” (EUR 4,990 thous.).

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated statement of comprehensive income from Audited report for 2023

GFI-POD item “Operating income” (ADP 001; EUR 294,475 thous.) is in Audited report presented under item “Sales revenue” (EUR 290,083 thous.), “Other income” (EUR 4,302 thous.), and “Other gains/(losses) – net” (EUR 90 thous.).

GFI-POD item “Operating expenses” (ADP 007; EUR 260,298 thous.) is in Audited report presented under item “Cost of materials and services” (EUR 97,191 thous.), “Staff costs” (EUR 103,056 thous.), “Depreciation and amortisation” (EUR 47,224 thous.) and “Other operating expenses” (EUR 12,827 thous.).

GFI-POD item “Material costs” (ADP 009; EUR 97,191 thous.) is in Audited report presented under item “Cost of materials and services” (EUR 97,191 thous.).

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated statement of comprehensive income from Audited report for 2023 (continued)

GFI-POD item "Staff costs" (ADP 013; EUR 83,364 thous.) is in Audited report presented under item "Staff costs" (EUR 103,056 thous.). The rest of the amount EUR 19,692 thous. is presented under GFI-POD item: "Other expenses" (ADP 018; EUR 18,594 thous.) and relates mainly to transport and other employee benefits and student costs) and "Provisions" (ADP 022; EUR 1,098 thous. and is related to provisions for emplyees).

GFI-POD item "Other expenses" (ADP 018; EUR 29,359 thous.) and "Other operating expenses" (ADP 029; EUR 1,799 thous.) is in Audited report presented under items "Other operating expenses" (EUR 12,563 thous.). The rest of the amount EUR 18,594 thous. is previously explained under staff costs.

GFI-POD item "Value adjustment" (ADP 019; EUR 37 thous.) is in Audited report presented under item "Other operating expenses" (EUR 37 thous.).

GFI-POD item "Provisions" (ADP 022; EUR 1,325 thous.) is in Audited report presented under items "Other operating expenses" (EUR 227 thous.) and in the part of the item "Staff costs" (EUR 1,098 thous.).

GFI-POD item "Financial income" (ADP 030; EUR 5,013 thous.) is in Audited report presented under item "Finance result – net" presented under part of financial income (EUR 5,013 thous.).

GFI-POD item "Financial costs" (ADP 041; EUR 6,287 thous.) is in Audited report presented under item "Finance result – net" presented under part of financial expenses (EUR 6,287 thous.).

Summary of adjustments of GFI-POD cash flow statement and unconsolidated cash flow statement from Audited report for 2023

GFI-POD item "Net cash flow from operating activities" (ADP 020; EUR 90,118 thous.) is in Audited report presented in item "Cash flow generated from operating activities" in comparable amount of EUR 94,908 thous. and item "Interest paid" (Net cash inflow from financing activities) in the amount of EUR -4,790 thous.

GFI-POD item "Net cash flow from investment activities" (ADP 034; EUR -25,180 thous.) is in Audited report presented in item "Net cash outflow from investment activities" in comparable amount of EUR -25,180 thous.

GFI-POD item "Net cash flow from financing activities" (ADP 046; EUR -77,919 thous.) is in Audited report presented in item "Cash flow from financing activities" in comparable amount of EUR -82,709 thous. increased for the item "Interest paid" in the amount of EUR -4,790 thous.

Summary of adjustments of GFI-POD statement of changes in equity and unconsolidated statement of changes in shareholder's equity from Audited report for 2023

GFI-POD item "Capital and reserves" (ADP 067; EUR 407,623 thous.) is in Audited report presented in items "Share capital" (EUR 221,915 thous.), "Treasury shares" (EUR -13,743 thous.), "Capital reserves" (EUR 1,283 thous.), "Fair value reserves" (EUR 40 thous.), "Legal reserves" (EUR 11,096 thous.), "Other reserves" (EUR 23,662 thous.) and "Retained earnings" (EUR 163,370 thous.). Other reserves items of Audited report consist of reserve for treasury shares in the amount of EUR 18,158 thous., other reserves in the amount of EUR 391 thous. as a result of the recognition of the salary costs for payments based on shares in principal instruments, and other reserves in the amount of EUR 5,112 thous. from mergers of subsidiaries. Retained earnings from the Audited report comes from the regular business result.

MANAGEMENT BOARD'S DECISION ON ESTABLISHING THE ANNUAL FINANCIAL STATEMENTS

Valamar Riviera d.d.
MANAGEMENT BOARD

Number: 11-1/24
Poreč, February 14, 2024

Pursuant to Articles 250.a, 250.b, 300.a and 300.b of the Companies Act, Articles 462 and 463 of the Capital Market Act, Articles 3 and 4 of the Content and structure of the Issuer's annual report and form and manner of delivering it to the Croatian Financial Services Supervisory Agency Regulation and Articles 19, 20, 21 and 24 of the Accounting Act, at its meeting held on February 14, 2024, the Management Board of Valamar Riviera d.d. from Poreč, Stancija Kaligari 1 (hereinafter: Valamar Riviera d.d. or the Company) rendered the following

DECISION

I

The Annual Report of Valamar Riviera d.d. is hereby determined as stated in the text of the enclosed "2023 ANNUAL REPORT".

II

The audited non-consolidated and consolidated Annual financial reports for the year 2023 are hereby determined, and consist of the following: Statement of Financial Position (Balance Sheet), Income Statement, Statement of Other Comprehensive Income, Statement of Cash Flow, Statement of Changes in Equity and Notes to Financial Reports, as stated in the text that is an integral part of the Report from point I of this decision.

III

It is hereby determined that the Auditors, Ernst & Young d.o.o. from Zagreb, Radnička cesta 50, personal identification number (OIB): 58960122779 and UHY RUDAN d.o.o. za porezno savjetovanje i reviziju from Zagreb, Ilica 213, personal identification number (OIB): 71799539000, produced the Auditor's report for 2023, as stated in the text that is an integral part of the Report from point I of this decision.

IV

The Management Board's Report on the Company's status for the period from 01/01/2023 to 31/12/2023 is hereby determined, as stated in the text that is an integral part of the Report from point I of this decision.

V

The proposed decision to distribute the Company's realized profits in 2023 totaling EUR 24,945,219.25 to the Company's retained profits is hereby determined.

VI

Pursuant to Article 300.b of the Companies Act:

1. the reports mentioned in points II and IV of this Decision are submitted to the Supervisory Board for examination. It is proposed that the Supervisory Board approves the said reports,
2. the Auditor's Report mentioned in point III of this Decision is submitted to the Supervisory Board for approval
3. It is proposed that the Supervisory Board approves the proposed pursuant to point V of this Decision, and to pass it as such to be adopted at the General Assembly.

VII

Pursuant to Article 133 of the Zagreb Stock Exchange Rules, the Zagreb Stock Exchange shall be informed of this Decision.

After the Supervisory Board decides on the matters presented in point VI, the Reports determined in this Decision along with the decision proposal for the distribution of profits from point V will be published in the prescribed period, pursuant to Article 462 and Article 463 of the Capital Market Act and Article 4 of the Content and structure of the Issuer's annual report and form and manner of delivering it to the Croatian Financial Services Supervisory Agency Regulation.

VIII

This Decision, along with the proposed decision on the distribution of profit from point V, the Reports determined by this Decision and the decisions of the Supervisory Board from point VI of this decision will be submitted within the prescribed period to the Financial Agency for publication upon their adoption, all in accordance with the provisions of Article 30 of the Accounting Act.

Deliver to:

1. Supervisory Board
2. HANFA - Official registry of regulated information, pursuant to point VII
3. Zagreb Stock Exchange, pursuant to point VII
4. FINA-Financial Agency, pursuant to point VIII
5. Archive

Željko Kukurin
Management Board President

VALAMAR
VALAMAR RIVIERA D.D.
POREČ (4)

SUPERVISORY BOARD'S DECISION ON APPROVING THE ANNUAL FINANCIAL STATEMENTS

Valamar Riviera d.d.
SUPERVISORY BOARD

Number: 13-1/24
Zagreb, 28/02/2024

Pursuant to the Article 300.d, and Article 300.c of the Companies Act and Management Board Decision no. 11-1/24 from February 14, 2024, at its meeting held on February 28, 2024, the Supervisory Board of Valamar Riviera d.d. from Poreč rendered the following

DECISION

I

The Supervisory Board hereby approves the 2023 ANNUAL REPORT of Valamar Riviera d.d. that also includes the following:

1. Annual Financial Reports for the Year 2023, non-consolidated and consolidated, consisting of: the Statement of Financial Position (Balance Sheet), Income Statement, Statement of Other Comprehensive Income, Statement of Cash Flow, Statement of Changes in Equity and Notes to Financial Reports;
2. Report on the performed audit by Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. za porezno savjetovanje i reviziju from Zagreb;
3. Annual Management Report on the Company's status / Management Report.

II

Pursuant to the Article 300.d of the Companies Act, by granting approval as stated in point I of this Decision, the 2023 Annual Financial Reports of Valamar Riviera d.d. from Poreč are considered to be approved both by the Management Board and by the Supervisory Board.

Franz Lanschützer
Supervisory Board Chairman

VALAMAR
VALAMAR RIVIERA D.D.
POREČ (4)

SUPERVISORY BOARD'S REPORT TO THE GENERAL ASSEMBLY OF THE COMPANY

Valamar Riviera d.d.
SUPERVISORY BOARD

Number: 13-3/24
Zagreb, February 28, 2024

Pursuant to the provision of Article 17 of the Rules of procedures of Supervisory Board and regarding to the provision of Article 10 of the Rules of procedures of Management Board, pursuant to the provisions of Article 263, paragraph 3 and Article 300.c, paragraph 3 of the Companies Act, at its meeting held on February 28, 2024, the Supervisory Board of Valamar

A)

The Supervisory Board takes note of the Management Board's conclusion Number: 11-4/24 dated February 14, 2024 on evaluation of the effectiveness of the Management Board in 2023.

B)

The Supervisory Board has independently evaluated its effectiveness and composition, as well as the effectiveness and composition of its boards and committees and the individual results of its members. The evaluation was led by the Chairman of the Supervisory Board through a transparent discussion with all members of the Supervisory Board. The results of the evaluation are included in the Report on the performed supervision of the Company's business management in 2023.

C)

The report to the General Assembly of Valamar Riviera d.d. from Poreč on performed supervision of the Company's business management in 2023 is determined, all in the following text.

REPORT TO THE GENERAL ASSEMBLY OF VALAMAR RIVIERA D.D. FROM POREČ ON THE PERFORMED SUPERVISION OF BUSINESS MANAGEMENT FOR 2023

I

In the course of the reporting period of 2023, until June 27, 2023, the Supervisory Board was composed of nine (9) members: Gustav Wurmböck, Chairman, Franz Lanshützer and Mladen Markoč, Deputy Chairmen and members as follows: Georg Eltz, Boris Galić, Daniel Goldscheider, Petra Stolba, Gudrun Kuffner and Ivan Ergović. At the Supervisory Board meeting held on June 27, 2023, by amending the Rules of procedures of Supervisory Board, the current Chairman of the Supervisory Board and its Deputy Chairman were discharged of their duties and the new Chairman and Deputy Chairman were elected on these functions. Thus, starting of June 28, 2023, the Supervisory Board consisted of nine (9) members: Franz Lanshützer, Chairman, Mladen Markoč and Daniel Goldscheider, Deputy Chairmen and members as follows: Gustav Wurmböck, Georg Eltz, Boris Galić, Petra Stolba, Gudrun Kuffner and Ivan Ergović, worker's representative.
In addition to the Supervisory Board, the members of the Supervisory Board also worked in four boards and committees of the Supervisory Board as follows:
- Presidium of the Supervisory Board, which until June 27, 2023, was

composed of: Gustav Wurmböck, Chairman, Franz Lanschützer and Mladen Markoč, Deputy Chairmen of the Supervisory Board and Daniel Goldscheider, member of the Supervisory Board. As of June 28, 2023, the Presidium of the Supervisory Board is composed of: Franz Lanschützer, Chairman, Mladen Markoč and Daniel Goldscheider as Deputy Chairmen. According to its scope of work, the Presidium of the Supervisory Board is both the nomination committee and the remuneration committee in terms of the provisions of the relevant regulations and recommendations/standards of corporate governance;

- Audit Committee, which until October 23, 2023, was composed of: Georg Eltz, Chairman of the board and members Gustav Wurmböck, Mladen Markoč, Boris Galić and Gudrun Kuffner and from October 24, 2023 is composed of: Gudrun Kuffner, Chairwoman of the board and members Georg Eltz, Gustav Wurmböck, Mladen Markoč and Boris Galić.
- Investment Committee which until June 27, 2023 was composed of: Franz Lanschützer, Chairman of the board and members, Georg Eltz, Gustav Wurmböck and Gudrun Kuffner, and from June 28, 2023 is composed of: Daniel Goldscheider, Chairman of the board and members Franz Lanschützer and Gudrun Kuffner.
- Digitalization and Sustainability Committee which until June 27, 2023 was composed of: Daniel Goldscheider, Chairman of the board and members Franz Lanschützer, Gustav Wurmböck and Petra Stolba and from June 28, 2023 is composed of: Petra Stolba, Chairwoman of the board and members Daniel Goldscheider and Franz Lanschützer.

II

During 2023, the Supervisory Board held ten (10) meetings, of which five (5) by correspondence, at which it discussed many issues related to the Company's business and supervised the business management of the Company, all in accordance with the Company's Articles of Association and Rules of Procedure of the Supervisory Board. All members of the Supervisory Board participated in the work of the Supervisory Board at ten meetings, five of which by correspondence using appropriate electronic communication, while in part of three meetings in terms of paragraph 2 of Article 263.b of the Companies Act, Gustav Wurmböck was excluded from participating.
Boards and committees of the Supervisory Board are the following: Presidium, Audit Committee, Investment Committee and Digitalization and Sustainability Committee held eighteen (18) meetings in 2023, of which Presidium held ten (10) meetings, Audit Committee four (4) meetings, Investment Committee two (2) meetings and Digitalization and Sustainability Committee held two (2) meetings. All members of the Presidium participated in eight (8) Presidium meetings, while Mladen Markoč did not participate in two (2) meetings. All members of the Audit Committee participated in all Audit Committee meetings. In the meetings of the Investment Committee and the Digitalization and Sustainability Committee, all members of mentioned committees participated in all meetings.

III

During 2023, the Supervisory Board regularly received written business reports and other reports and proposals of the Management Board, as well as Management Board's decisions which, in accordance with regulations, the Articles of Association and acts of the Company, it considered and decided on.
The year of 2023 was the year of the global recovery in travel demands and the year of successful recovery of the Company's business through the return of guests despite certain unfavorable macroeconomic trends in the main emitting markets, continuous inflationary pressures and reduced number of arrivals to Dubrovnik destination. The Company's business activity in 2023 continued with the growth of operating costs and challenges in securing the necessary human resources to provide appropriate services in accordance with the Company's standards. Changes in regulations related to obligation of non-financial reporting for future periods presented a significant challenge.
Such circumstances conditioned the special attention of the members of the Supervisory Board in supervising and directing the finding of activities and measures in order to conduct business as successfully as possible and generate as much income in such conditions. At the meetings of the Presidium of the Supervisory Board, the members, together with the Management Board, responsible persons and experts of the Company, regularly previously discussed all materials and decision proposals which were then subject to decision-making or approval of the Supervisory Board, all for the timely preparation and the efficient functioning of the Supervisory Board in supervision of the Company's business management. Thus, the members of the Presidium previously discussed the conditions for concluding legal transactions in the area of the Company's business and real estate, as well as approving the conditions for legal transactions related to

loans and other relations with banks; they also considered business plans and reports as well as information on the course of business and operations of each property individually and of the Company as a whole. In 2023, members of the Presidium paid special attention to monitoring the financial and cash flow during 2023 as well as monitoring the measures taken by the Management Board to find and maintain the necessary structure and number of employees in the peak season, as well as ensure the necessary goods and services in conditions of disruption of economic flows, inflation conditions and increase in energy products costs and consequently other costs of goods, especially food, all with the basic goal of generating as much income as possible.

At the meetings of the Audit Committee, the members discussed, proposed and took positions in accordance with the function determined by the relevant regulations and general acts of the Company. Thus, the Audit Committee considered the processes related to the creation of the risk matrix, new risks in 2023, the plan and realization of internal audit work, submitted internal audit reports, both implemented in accordance with the annual plan, and those carried out by internal regulations (especially by the Code of Business Conduct). In addition to the above, the Audit Committee acted in accordance with the adopted Code of Business Conduct, i.e. the adopted policies that are an integral part of it. Particular attention was paid to the implementation of the Risk Management Policy and Conflict of the Interest Management Policy, as well as to the Policies and procedures for approving and publishing transactions with related parties. Furthermore, during 2023, the Audit Committee considered transactions related to the lease of the Company's real estate in the previous period and made a recommendation to change the value of transactions that require the Supervisory Board's approval. The Audit Committee also considered the audited financial reports of the Company, made a recommendation to the Supervisory Board on the selection of auditors and performed all other activities in accordance with relevant regulations and internal acts, which relate to the work of auditors of financial statements. In addition, the Audit Committee considered, on several occasions, the risks related to so called black-out scenario, compliance with General Data Protection Regulation, children playgrounds and information security. During 2023, the report on a part of procurement activities in 2022 (Opex segment, costs), business compliance with prescribed procedures, inflationary trends and their impact on business costs, price movements of key items, contracting process and problems with supply chains were also discussed. In the end, the Audit Committee made certain recommendations regarding the comprehensiveness of supplier evaluation.

At the meetings of the Investment Committee, the members, together with the Management Board, responsible persons and experts of the Company, previously discussed the realization of previously approved investments and thus discussed and proposed to the Supervisory Board preliminary investment approvals for 2024 in order for their timely preparation. They also proposed final investment proposals for 2024 both for the Company and for the facilities and amenities of the companies under the management of the Company.

At the meetings of the Digitalization and Sustainability Committee, the members, together with the management, responsible persons and experts of the Company, previously discussed the digitalization and sustainability strategies and projects for 2024, including neutrality of greenhouse gases until 2025.

IV

In accordance with its obligations, the Supervisory Board performed its supervisory role through meetings, boards and committees as well as through the acts and detailed information received from the Management Board throughout 2023, and thus

determined

that Valamar Riviera d.d. from Poreč operates in accordance with the relevant regulations, the Articles of Association and other general acts and decisions of the Company.

V

The Supervisory Board examined in particular the reports and proposals for decisions submitted to it by the Management Board, as follows:

1. 2023 ANNUAL REPORT of the company Valamar Riviera d.d., that also includes the following:

- Annual Financial Reports for the Year 2023, non-consolidated and consolidated, consisting of: the Statement of Financial Position (Balance Sheet), Income Statement, Statement of Other Comprehensive Income, Statement of Cash Flow, Statement of Changes in Equity and Notes to Financial Reports;
- Report on the performed audit by Ernst & Young d.o.o. from Zagreb

and UHY RUDAN d.o.o. za porezno savjetovanje i reviziju from Zagreb;
- Annual Management Report on the Company's status / Management Report,

2. Proposal of decision on distribution of profit realized in 2023,
3. Report on related party transactions for 2023 with the Auditor's Report.

Both the Audit Committee at its meeting held in the presence of auditors from the auditing company Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. from Zagreb, and the Supervisory Board at its meeting, examined the submitted Annual Financial Reports for 2023 and determined that the Annual Financial Reports have been prepared in accordance with the balance in the Company's business books and show the correct property and business condition of the Company, and that there are no objections to them.

The Supervisory Board, in accordance with the previously submitted opinion of the Audit Committee, has no objections to the Auditor's Report on the performed audit. Also, the Supervisory Board has no objections to the Annual Report of the Management Board on the state of the Company.

The Supervisory Board also examined the previously submitted Report of the Management Board on related-parties relations with the Auditor's Report, to which there are no objections.

VI

In addition to the examinations presented in the previous item, the Supervisory Board supervised the management of the Company's business in accordance with the provisions of the Company's Articles of Association in terms of prior consideration of proposed decisions of the Company's Management Board, the valid adoption of which requires the consent of the Supervisory Board. In this part, the Supervisory Board paid special attention to the approval of the conditions for concluding legal transactions in the area of the Company's business activities, especially in relation to transactions with significant agencies and electricity suppliers, legal affairs in relation to the disposal of the real estate as well as the approval of conditions for legal affairs related to loans and other relation with banks. The Supervisory Board also regularly monitored the financial and cash flows of the Company.

Apart from the above mentioned, the Supervisory Board regularly considered the booking status and preparations for the tourist season, the monthly business results of each business facility individually and the Company as a whole, in relation to previously adopted business plans. In this area, the Supervisory Board paid special attention to the business plan for 2024.

In 2023, the Supervisory Board continued to carefully supervise the Managament Board in managing hotel and tourist facilities and amenities of Imperial Riviera d.d., Helios Faros d.d., Valamar Obertauern GmbH, Kesselspitze GmbH & Co KG and Valamar Marietta GmbH in accordance with the provisions of previously concluded Agreements regarding the management of hotel and tourist facilities and amenities of those companies.

The Supervisory Board also considered and approved Business Plan of the company Valamar A GmbH. In accordance with the relevant provisions of law, the member of the Supervisory Board Gustav Wurmböck was exempted from discussion and decision-making.

Furthermore, the Supervisory Board, together with the Company's Management Board, in accordance with the relevant regulations, determined the Report on Remuneration of Members of the Management Board and the Supervisory Board for 2023, which Report shall be submitted to the General Assembly for approval.

Finally, The Supervisory Board has independently evaluated its effectiveness and composition, as well as the effectiveness and composition of its boards and committees and the individual results of its members. The evaluation was led by the Chairman of the Supervisory Board through a transparent discussion with all members of the Supervisory Board at the meeting held on February 28, 2024, within the agenda item at which this Report was determined. In doing so, the Supervisory Board concluded that it effectively supervises the conduct of the Company's business management. It also concluded that the boards and the committee of the Supervisory Board effectively and professionally prepare proposals and recommendations to the Supervisory Board and that these preparations, i.e. previous discussions and deliberations with the Management Board, responsible persons and experts in the Company regarding all materials and proposals which the Management Board directs to the Supervisory Board, contribute to its efficient supervision of the Company's business management. The Supervisory Board also concluded that the members of the Supervisory Board and the members of its boards and committees use their education, knowledge and experience at the highest possible level in order to ensure the best possible results of the Supervisory Board's work. In this way, the members of the Supervisory Board contribute to the results of the Company's operations, as well as to the protection of the Company's interests. In this sense, there is no need for improvements in the profile of the Supervisory Board nor for changes in its overall size and composition, except those executed during 2023 and there is no need for improvements in the functioning and preparation of meetings.

The Supervisory Board also assessed the effectiveness of cooperation between the Supervisory Board and the Management Board and concluded that mutual cooperation is good, that the Management Board and persons in charge of the Company provide adequate support to members of the Supervisory Board in performing their functions, that the Management Board regularly and adequately provides information, proposals, reports and other materials to the Supervisory Board and its boards and committee regarding the Company's operations in accordance with the relevant regulations and acts of the Company, providing the Supervisory Board with overall supervision over the conduct of the Company's affairs.
The Supervisory Board will continue to conduct such an assessment, at least once a year, as a rule when considering the audited annual financial statements for the previous year.

VII

Based on all the above said, and in accordance with the overall knowledge from the supervision of the Company and the information obtained during the work of the Supervisory Board and the work of boards and committees of the Supervisory Board in the period from January 1, 2023 to December 31, 2023, and conducted surveys given in point V of this Report, the Supervisory Board at its meeting held on February 28, 2024:

A)

gave its consent to
1. 2023 ANNUAL REPORT of the company Valamar Riviera d.d., that also includes the following:

- Annual Financial Reports for the Year 2023, non-consolidated and consolidated, consisting of: the Statement of Financial Position (Balance Sheet), Income Statement, Statement of Other Comprehensive Income, Statement of Cash Flow, Statement of Changes in Equity and Notes to Financial Reports;
- Report on the performed audit by Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. za porezno savjetovanje i reviziju from Zagreb;
- Annual Management Report on the Company's status / Management Report,

2. Proposal of decision on distribution of profit realized in 2023,
and thus, in accordance with Article 300. d of the Companies Act, the Annual Financial Reports of Valamar Riviera d.d. from Poreč for 2023 are considered determined by the Management Board and the Supervisory Board.

B)

has no objection
to the statement of the Management Board issued pursuant to the provision of Article 497, paragraph 3 of the Companies Act in the Report on related party transactions for 2023
and
issued its agreement with
the report of the auditors Ernst & Young d.o.o and UHY RUDAN d.o.o given on the Report of the Management Board on related party transactions for 2023.

Franz Lanschützer
Supervisory Board Chairman

VALAMAR
VALAMAR RIVIERA D.D.
POREČ (4)

SUPERVISORY BOARD'S DECISION ON ALLOCATION OF PROFIT

Valamar Riviera d.d.
SUPERVISORY BOARD

Number: 13-2/24
Zagreb, 28/02/2024

Pursuant to Article 300.b, and Article 300.c of the Companies Act and the Management Board Decision no. 11-1/24 dated February 14, 2024, at its meeting held on February 28, 2024, the Supervisory Board of Valamar Riviera d.d. from Poreč rendered the following

DECISION

I
The proposal to distribute EUR 24,945,219.25 of the Company's achieved profit in 2023 in the Company's retained profit is hereby determined.

II
It is proposed that the General Assembly accepts the proposal determined in point I of this decision that was previously approved by the Supervisory and Management Board.

Franz Lanschützer
Supervisory Board Chairman

VALAMAR
VALAMAR RIVIERA D.D.
POREČ (4)

Annual Financial Statements including the independent Auditors' Report for the year ended on 31 December 2023

This version of the financial statements is a translation from the Croatian language original. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

CONTENT

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Pursuant to the Croatian Accounting Law, the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, which give a true and fair view of the state of affairs and results of Valamar Riviera d.d. (˝the Company˝) and its subsidiaries (˝the Group˝) for that period.

After making enquiries, the Management Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing consolidated and separate financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed;
- the financial statements are prepared on the going concern basis.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group, and must also ensure that the financial statements comply with the Croatian Accounting Law. The Management Board is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed by the Management Board on 14 February 2024:

Željko Kukurin
President of the
Management Board

Marko Čižmek
Member of the
Management Board

Ivana Budin Arhanić
Member of the
Management Board

VALAMAR
VALAMAR RIVIERA D.D.
POREČ (4)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF VALAMAR RIVIERA D.D.

REPORT ON THE AUDIT OF THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of Valamar Riviera d.d. (the Company), and consolidated financial statements of Valamar Riviera d.d. and its subsidiaries (together- the Group), which comprise the separate and consolidated statement of financial position as at 31 December 2023, separate and consolidated statement of comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group as at 31 December 2023 and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the separate and consolidated financial statements* section of our report.

We are independent of the Company and the Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Republic of Croatia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the separate and consolidated financial statements* section of our report, including in relation to this matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate and consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying separate and consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF VALAMAR RIVIERA D.D. / CONTINUED

KEY AUDIT MATTER

Impairment of the tourism property

Refer to Notes 2.6. Property, plant and equipment and 2.8. Impairment of non-financial assets, Note 4 (a) Impairment of non-financial assets, and Note 14 on Property, Plant and Equipment of the separate and consolidated financial statements.

The carrying amount of property, plant and equipment of the Company as at 31 December 2023 was EUR 442,879 thousand (Group: EUR 658,450 thousand) and it represented approximately 67% and 80% of the total assets of the Company and the Group, respectively.

Property, plant and equipment mostly consists of tourism properties and related assets and is included in the separate and consolidated statements of financial position at historical cost less accumulated depreciation and impairment, where required. Assets that are depreciated are examined for a potential impairment when events or changed circumstances indicate that the book value may not be recoverable.

The estimation process is complex and highly subjective and is based on the assumptions. Due to the above factors impairment of tourism properties was determined as a key audit matter.

HOW WE ADDRESSED THE KEY AUDIT MATTER

Our audit procedures related to impairment of property, plant and equipment included, among others, assessing the appropriateness of the methodology used for the impairment testing and testing of key Management's estimates used to determine if there are impairment indicators.

We reviewed relevant internal reports prepared by the Company and the Group. We compared the projections used in the impairment model for cash generating units with the historical data, including, among others, a comparison of gross operating profit, occupancy rates, average daily rate, and revenue per available room. We also performed audit procedures on the mathematical correctness of calculations used in these models.

We compared actual results with the figures included in the forecasts to evaluate assumptions used. We also compared management's key assumptions for long-term growth rate by comparing it to historical growth results and market data.

Additionally, for the assets with indicators of impairment the Group provided us with internal assessments of the market value or reports from the external valuers. We have reviewed the valuation reports and we have tested, on the sample basis, the correctness of the input data.

We also assessed the adequacy of related disclosures in the Notes 2.6. Property, plant and equipment and 2.8. Impairment of non-financial assets, Note 4 (a) Impairment of non-financial assets, and Note 14 Property, Plant and Equipment of the separate and consolidated financial statements and their compliance with IFRS as adopted by EU.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF VALAMAR RIVIERA D.D. / CONTINUED

Other information

Management is responsible for the other information. Other information comprises the Management Report, and Corporate Governance Statement included in the Company's and Group's Annual Report, but does not include separate and consolidated financial statements and our auditor's report thereon. Our opinion on the separate and consolidated financial statements does not cover the other information.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Management Report, and Corporate Governance Statement, we also performed procedures required by the Accounting Act. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 and 24 of the Accounting Act, and whether the Corporate Governance Statement includes the information specified in Article 22 and 24 of the Accounting Act.

Based on the procedures undertaken, to the extent we are able to assess it, we report that:

1. the information given in the enclosed Management Report and Corporate Governance Statement is consistent, in all material respects, with the enclosed separate and consolidated financial statements;
2. the enclosed Management Report is prepared in accordance with requirements of Article 21 and 24 of the Accounting Act;
3. the enclosed Corporate Governance Statement includes the information specified in Article 22 and 24 of the Accounting Act.

In the light of the knowledge and understanding of the Company and Group and its environment obtained in the course of the audit of separate and consolidated financial statements, we are also required to report if we have identified material misstatements in the Management Report, and Corporate Governance Statement. We have nothing to report in this respect.

Responsibilities of management and Audit Committee for the separate and consolidated financial statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the separate and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of ISAs:

Appointment of Auditor and Period of Engagement

Ernst & Young was initially appointed as auditors of the Company on 4 May 2017. This appointment has been renewed annually by General Assembly of Shareholders, with the most recent reappointment on 24 April 2023, representing a total period of uninterrupted engagement appointment of seven years.

UHY RUDAN d.o.o. was initially appointed as auditors of the Company on 9 May 2019. This appointment has been renewed annually by General Assembly by Shareholders, with the most recent reappointment on 24 April 2023, representing a total period of uninterrupted engagement appointment of five years.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 22 February 2024 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company and its controlled undertakings within the European Union. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the separate and consolidated financial statements.

Report based on Delegated Regulation (EU) 2018/815 on supplementing Directive 2004/109/EZ of European parliament and Council related to regulatory technical standard for specification of single electronic reporting format of reporting

Independent report on the compliance of separate and consolidated financial statements prepared pursuant to Article 462 (5) of the Capital Market Act (Official Gazette 65/18, 17/20, 83/21 and 151/22) applying the requirements of the Delegated Regulation (EU) 2018 / 815 on establishing of single electronic reporting format for issuers (the ESEF Regulation).

We have conducted a reasonable assurance engagement on whether the separate and consolidated financial statements, as contained in the attached electronic file [Valamar_Riviera_dionicko_drustvo_za_turizam_eng_2023], are prepared, for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, in all material respects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the management and Audit Committee

Management is responsible for the preparation of the separate and consolidated financial statements in accordance with ESEF Regulation. Furthermore, management is responsible for maintaining an internal control system that reasonably ensures the preparation of separate and consolidated financial statements without material non-compliances with ESEF Regulation requirements, whether due to fraud or error.

Management is also responsible for:

- the public disclosure of separate and consolidated financial statements included in the annual report, in XHTML format and selecting and using XBLR codes in accordance with ESEF regulation

Audit Committee is responsible for overseeing the preparation of the separate and consolidated financial statements in ESEF format as part of the financial reporting process.

Auditor's responsibilities

Our responsibility is to express a conclusion, based on the audit evidence gathered, as to whether the separate and consolidated financial statements are free from material non-compliances with the requirements of the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with International Standard for Assurance Engagements ISAE 3000 (revised)- Assurance engagements other than audits or reviews of historical financial information.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF VALAMAR RIVIERA D.D. / CONTINUED

Work performed

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high degree of assurance, however it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with ESEF regulation.

In respect of the subject matter, we have performed the following procedures:

- we read the requirements of the ESEF Regulation,
- we have gained an understanding of the Company's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or error; and
- Based on this, devise and implement procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

- the separate and consolidated financial statements, which are included in the annual report, are prepared in the relevant XHTML format,
- the information contained in the separate and consolidated financial statements required by the ESEF Regulation is marked and all markings meet the following requirements:
    - the XBRL markup language was used,
    - the basic taxonomy elements listed in the ESEF Regulation with the closest accounting significance have been used, unless an additional taxonomy element has been created in accordance with Annex IV. ESEF Regulation,
    - the labeled elements comply with the common labeling rules under the ESEF Regulation.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on the procedures performed and evidence gathered, the separate and consolidated financial statements presented in ESEF format for the year ended on 31 December 2023, contained in the aforementioned attached electronic file and prepared pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, are prepared in all material respects in line with the requirements of Articles 3, 4 and 6 of the ESEF Regulation.

Further to this conclusion, as well as the opinion contained in this independent auditor's report related to accompanying separate and consolidated financial statements and annual report for the year ended 31 December 2023, we do not express any opinion on the information contained in these presentations or on any other information contained in the aforementioned file.

The partners in charge of the audit resulting in this independent auditor's report are Berislav Horvat for Ernst & Young d.o.o. and Vedrana Miletić for UHY RUDAN d.o.o.

ERNST & YOUNG
d.o.o.
Zagreb, Radnička cesta 50

Berislav Horvat,
President of the Board
and Certified auditor

28 February 2024
Ernst & Young d.o.o
Radnička cesta 50
Zagreb
Republic of Croatia

UHY RUDAN d.o.o.
za porezno savjetovanje i reviziju
ZAGREB, Ilica 213

Vedrana Miletić,
Director and
Certified auditor

28 February 2024
UHY RUDAN d.o.o.
Ilica 213/IV
Zagreb
Republic of Croatia

CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023		GROUP		COMPANY	
(all amounts in thousands of EUR)	**Note**	**2022**	**2023**	**2022**	**2023**
Sales revenue	5	319,484	365,719	254,468	290,083
Other income	6	3,755	6,371	3,546	4,302
Cost of materials and services	7	(103,274)	(118,248)	(83,256)	(97,191)
Staff costs	8	(109,731)	(128,621)	(89,242)	(103,056)
Depreciation and amortisation	14,15,27	(66,055)	(65,778)	(49,030)	(47,224)
Other operating expenses	9	(15,754)	(17,159)	(12,861)	(12,827)
Other gains/(losses) – net	10	2,097	118	63,761	90
Operating profit/(loss)		**30,522**	**42,402**	**87,386**	**34,177**
Finance result – net	11	**(3,242)**	**(8,034)**	**1,841**	**(1,274)**
Share of net profit/(loss) of associate	17	**(487)**	**(927)**	**-**	**-**
Profit/(loss) before tax		**26,793**	**33,441**	**89,227**	**32,903**
Income tax	12	(5,505)	227	(14,811)	(7,958)
Profit/(loss) for the year		**21,288**	**33,668**	**74,416**	**24,945**
Other comprehensive income					
Items that cannot be reclassified to P&L account					
Change in financial assets value		(4)	39	(4)	39
Tax on other comprehensive income	12	1	(7)	1	(7)
Total comprehensive income for the year		**21,285**	**33,700**	**74,413**	**24,977**
Profit/(loss) attributable to:					
Owners of the Parent Company		19,601	27,028	-	-
Non-controlling interests		1,687	6,640	-	-
		21,288	**33,668**	**-**	**-**
Total comprehensive income attributable to:					
Owners of the Parent Company		19,598	27,060	-	-
Non-controlling interests		1,687	6,640	-	-
		21,285	**33,700**	**-**	**-**
Earnings per share (in EUR) attributable to equity holders of the Group during the year:					
- basic and diluted	13	**0.16**	**0.22**	**-**	**-**

These financial statements were approved by the Management Board of the Company on 14 February 2024.

President of the Management Board:
Željko Kukurin

Member of the Management Board:
Marko Čižmek

Member of the Management Board:
Ivana Budin Arhanić

VALAMAR RIVIERA D.D.
POREČ (4)

The notes below form an integral parts of these financial statements.

CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

		GROUP		COMPANY	
		31 December		31 December	
(all amounts in thousands of EUR)	**Note**	**2022**	**2023**	**2022**	**2023**
ASSETS					
Non-current assets					
Property, plant and equipment	14	666,238	658,450	464,000	442,879
Investment property		385	348	385	348
Right-of-use assets	27	3,540	3,532	3,531	3,415
Intangible assets	15	5,391	7,113	4,866	6,565
Investment in subsidiaries	16	-	-	124,999	124,259
Investment in associate	17	14,587	16,250	14,226	16,816
Deferred tax assets	12	37,594	40,120	6,737	1,536
Financial assets		48	158	44	154
Derivative financial instruments	22	3,549	675	1,527	442
Loans and deposits	19	971	1,386	971	1,386
		732,303	**728,032**	**621,286**	**597,800**
Current assets					
Inventories	20	5,498	7,387	4,292	5,946
Trade and other receivables	21	7,072	9,965	7,419	9,463
Loans and deposits	19	16,834	24,036	34	35
Derivative financial instruments	22	1,047	1,606	940	786
Cash and cash equivalents	23	89,300	55,185	59,268	46,287
		119,751	**98,179**	**71,953**	**62,517**
Total assets		**852,054**	**826,211**	**693,239**	**660,317**

The notes below form an integral parts of these financial statements.

CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION / CONTINUED

		GROUP		COMPANY	
		31 December		31 December	
(all amounts in thousands of EUR)	**Note**	**2022**	**2023**	**2022**	**2023**
EQUITY AND LIABILITIES					
Share capital	25	221,915	221,915	221,915	221,915
Treasury shares	25	(16,513)	(13,743)	(16,513)	(13,743)
Capital reserves	25	694	1,219	758	1,283
Fair value reserves	25	8	40	8	40
Legal reserves	25	11,096	11,096	11,096	11,096
Other reserves	25	26,847	22,123	28,386	23,662
Retained earnings	25	62,631	65,618	162,466	163,370
		306,678	**308,268**	**408,116**	**407,623**
Non-controlling interest		134,449	138,553	-	-
Total equity		**441,127**	**446,821**	**408,116**	**407,623**
LIABILITIES					
Non-current liabilities					
Borrowings	26	276,529	244,201	184,412	151,653
Lease liabilities	27	2,452	2,551	2,355	2,379
Trade and other payables	28	7,959	12,237	7,677	11,410
Deferred tax liabilities	12	6,290	5,719	1,537	1,429
Provisions	29	15,829	8,330	11,950	6,285
		309,059	**273,038**	**207,931**	**173,156**
Current liabilities					
Borrowings	26	69,136	49,938	51,123	33,002
Lease liabilities	27	571	593	671	657
Trade and other payables	28	32,052	47,089	25,398	38,017
Income tax liability	12	-	2,877	-	2,872
Provisions	29	109	5,855	-	4,990
		101,868	**106,352**	**77,192**	**79,538**
Total liabilities		**410,927**	**379,390**	**285,123**	**252,694**
Total equity and liabilities		**852,054**	**826,211**	**693,239**	**660,317**

The notes below form an integral parts of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

GROUP FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousands of EUR)	Note	Share capital	Treasury shares	Capital reserves	Legal reserves	Fair value reserves	Other reserves	Retained earnings	Total	Non-controlling interests	Total
Balance as at 1 January 2022		**221,915**	**(16,513)**	**694**	**11,096**	**11**	**21,733**	**62,079**	**301,015**	**138,438**	**439,453**
Profit/loss for the year		-	-	-	-	-	-	19,601	19,601	1,687	**21,288**
Other comprehensive income/loss	25	-	-	-	-	(3)	-	-	(3)	-	**(3)**
Total comprehensive income/loss		**-**	**-**	**-**	**-**	**(3)**	**-**	**19,601**	**19,598**	**1,687**	**21,285**
Return of uncollected dividend	25	-	-	-	-	-	-	364	364	-	**364**
Dividend	25	-	-	-	-	-	-	(19,413)	(19,413)	(5,676)	**(25,089)**
Reserves for payments with equity instruments	25	-	-	-	-	-	5,114	-	5,114	-	**5,114**
Total contributions by and distributions to company owners, recognised directly in equity		**-**	**-**	**-**	**-**	**-**	**5,114**	**(19,049)**	**(13,935)**	**(5,676)**	**(19,611)**
Balance at 31 December 2022		**221,915**	**(16,513)**	**694**	**11,096**	**8**	**26,847**	**62,631**	**306,678**	**134,449**	**441,127**
Profit/loss for the year		-	-	-	-	-	-	27,028	27,028	6,640	**33,668**
Other comprehensive income/loss	25	-	-	-	-	32	-	-	32	-	**32**
Total comprehensive income/loss for the year		**-**	**-**	**-**	**-**	**32**	**-**	**27,028**	**27,060**	**6,640**	**33,700**
Treasury shares acquired	25	-	(1,772)	-	-	-	-	-	(1,772)	-	**(1,772)**
Return of uncollected dividend	25	-	-	-	-	-	-	337	337	-	**337**
Dividend	25	-	-	-	-	-	-	(24,378)	(24,378)	(2,536)	**(26,914)**
Reserves for payments with equity instruments	25	-	4,542	525	-	-	(4,724)	-	343	-	**343**
Total contributions by and distributions to company owners, recognised directly in equity		**-**	**2,770**	**525**	**-**	**-**	**(4,724)**	**(24,041)**	**(25,470)**	**(2,536)**	**(28,006)**
Balance at 31 December 2023		**221,915**	**(13,743)**	**1,219**	**11,096**	**40**	**22,123**	**65,618**	**308,268**	**138,553**	**446,821**

The notes below form an integral parts of these financial statements.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

COMPANY									FOR THE YEAR ENDED 31 DECEMBER 2023
(in thousands of EUR)	**Note**	**Share capital**	**Treasury shares**	**Capital reserves**	**Legal reserves**	**Fair value reserves**	**Other reserves**	**Retained earnings**	**Total**
Balance as at 1 January 2022		**221,915**	**(16,513)**	**758**	**11,096**	**11**	**14,049**	**116,322**	**347,638**
Profit/loss for the year		-	-	-	-	-	-	74,416	74,416
Other comprehensive income/loss	25	-	-	-	-	(3)	-	-	(3)
Total comprehensive income/loss		**-**	**-**	**-**	**-**	**(3)**	**-**	**74,416**	**74,413**
Transfer to other reserves	25	-	-	-	-	-	9,223	(9,223)	-
Return of uncollected dividend	25	-	-	-	-	-	-	364	364
Dividend	25	-	-	-	-	-	-	(19,413)	(19,413)
Reserves for payments with equity instruments	25	-	-	-	-	-	5,114	-	5,114
Total contributions by and distributions to company owners, recognised directly in equity		**-**	**-**	**-**	**-**	**-**	**14,337**	**(28,272)**	**(13,935)**
Balance at 31 December 2022		**221,915**	**(16,513)**	**758**	**11,096**	**8**	**28,386**	**162,466**	**408,116**
Profit/loss for the year		**-**	**-**	**-**	**-**	**-**	-	24,945	24,945
Other comprehensive income/loss	25	**-**	**-**	**-**	**-**	32	-	-	32
Total comprehensive income/loss for the year		**-**	**-**	**-**	**-**	**32**	**-**	**24,945**	**24,977**
Treasury shares acquired	25	-	(1,772)	-	-	-	-	-	(1,772)
Return of uncollected dividend	25	-	-	-	-	-	-	337	337
Dividend	25	-	-	-	-	-	-	(24,378)	(24,378)
Reserves for payments with equity instruments	25	-	4,542	525	-	-	(4,724)	-	343
Total contributions by and distributions to company owners, recognised directly in equity	25	**-**	**2,770**	**525**	**-**	**-**	**(4,724)**	**(24,041)**	**(25,470)**
Balance at 31 December 2023		**221,915**	**(13,743)**	**1,283**	**11,096**	**40**	**23,662**	**163,370**	**407,623**

The notes below form an integral parts of these financial statements.

CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023		GROUP		COMPANY	
(all amounts in thousands of EUR)	**Note**	**2022**	**2023**	**2022**	**2023**
Cash flow generated from operating activities					
Cash from operations	31	103,629	121,631	81,334	94,908
Income tax (paid)/received		(1)	(1)	-	-
Net cash inflow/(outflow) from operating activities		**103,628**	**121,630**	**81,334**	**94,908**
Cash flow from investment activities					
Investment in associate	17	(4,920)	(2,590)	(4,920)	(2,590)
Cash from merger of subsidiary		-	-	-	1,012
Purchase of property, plant, equipment and intangible assets		(42,111)	(58,604)	(25,968)	(27,368)
Proceeds from disposal of property, plant and equipment		2,371	180	6,781	123
Proceeds of derivative financial instruments (IRS)		40	537	40	537
Costs of derivative financial instruments (IRS)		(192)	-	(192)	-
Deposits granted		(12,347)	(7,632)	(535)	(432)
Loans and deposits repayments received		24	-	27	-
Dividend received		1	2	4,889	2,185
Interest received		11	1,858	9	1,353
Net cash outflow from investment activities		**(57,123)**	**(66,249)**	**(19,869)**	**(25,180)**
Cash flow from financing activities					
Dividend paid		(25,089)	(26,914)	(19,413)	(24,378)
Treasury shares acquired		-	(1,772)	-	(1,772)
Interest paid		(11,481)	(8,343)	(9,352)	(4,790)
Proceeds from borrowings		7,986	17,371	7,986	-
Repayments of borrowings		(76,392)	(69,471)	(58,328)	(51,285)
Lease costs (principal portion of IFRS 16)	27	(613)	(704)	(717)	(821)
Return of uncollected dividend	25	364	337	364	337
Net cash inflow/(outflow) from financing activities		**(105,225)**	**(89,496)**	**(79,460)**	**(82,709)**
Net increase/(decrease) in cash and cash equivalents		**(58,720)**	**(34,115)**	**(17,995)**	**(12,981)**
Cash and cash equivalents at beginning of year		148,020	89,300	77,263	59,268
Cash and cash equivalents at year end	23	**89,300**	**55,185**	**59,268**	**46,287**

The notes below form an integral parts of these financial statements.

NOTE 1 – GENERAL INFORMATION

Valamar Riviera d.d., Poreč ("the Company") has been 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. The registered office of Valamar Riviera d.d. is in Poreč, Stancija Kaligari 1.

The share capital of the Company is in the amount of EUR 221,915,350 and is divided on 126,027,542 of regular shares, without the nominal value. According to the regulations of the Law on the Introduction of the euro as a official currency in Republic of Croatia and the new Act on Amendments of the Companies Act, and based on the decision of the General Assembly on the adjustment of the share capital on 24 April 2023, the share capital of the Company, with the application of the fixed exchange conversion rate from kuna to euro is recalculated in euro. On June 28, 2022, a branch of the Company was established in Austria under the name Valamar Riviera d.d., Zweigniederlassung Austria.

The shares of the Company are registered on the leading market of the Zagreb stock exchange d.d. In 2023 shares were traded in an organized market in compliance with the relevant regulations.

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:

- Magične stijene d.o.o., Dubrovnik 100% ownership; until 3 August 2023 when the Company Magične stijene d.o.o. was deleted from the court register;
- Bugenvilia d.o.o., Dubrovnik, 100% ownership;
- Imperial Riviera d.d., Rab, 46.27% ownership with the subsidiary Praona d.o.o., Makarska.

Associated Companies make:

- Helios Faros d.d., Stari grad 20% of ownership;
- Valamar A GmbH, Vienna, Austria 24.54% of ownership, along with dependent companies WBVR Beteiligungs GmbH, Vienna, Austria, Valamar Marietta GmbH Obertauern, Austria, ContiEstates AG, Zug, Switzerland until 28 September 2022 when it was associated with the Company Valamar Marietta GmbH, Obertauern, Austria, Kesselspitze GmbH, Obertauern, Austria and Kesselspitze GmbH & Co KG, Obertauern, Austria;
- Valamar Obertauern GmbH, Obertauern, Austria 10% indirect ownership and 22.08% direct ownership.

At the beginning of 2022, three hotels (Valamar Lacroma Dubrovnik Hotel, Club Dubrovnik Sunny Hotel by Valamar and Tirena Sunny Hotel by Valamar) in Dubrovnik were transferred from Valamar Riviera to Imperial Riviera. The acquisition value of cited hotels amounts to EUR 95.3 million and the financing for a major part of this transaction is ensured by taking over Valamar Riviera's existing loan obligations by Imperial Riviera. These hotels in the area of Babin Kuk in Dubrovnik, together with the real estate being previously entered in Imperial Riviera in the process of its share capital increase will represent sustainable and strategically important technological unit. Imperial Riviera is thus becoming a multi-destination company present in Istria, Kvarner, Dalmatia and the city of Dubrovnik.

Pursuant to the decision of Helios Faros d.d. General Assembly from 14 April 2022 the share capital of the Company Helios Faros d.d. was increased by issuing new shares with the stakes in cash from two biggest shareholders of the Company Helios Faros d.d., PBZ Croatia osiguranje d.d. za upravljanje obveznim mirovinskim fondovima acting in its own name and on behalf of PBZ Croatia obvezni mirovinski fond kategorije A and PBZ Croatia obvezni mirovinski fond kategorije B for EUR 13,803,172 and Valamar Riviera d.d. for EUR 3,450,793.

At the General Assembly of the Company Helios Faros d.d. held on 12 October 2023 the Decision on increasing the share capital by issuing new shares with stakes in cash with partial exclusion of priority rights for existing shareholders was made by investor PBZ Croatia osiguranje d.d. za upravljanje obveznim mirovinskim fondovima acting in its own name and on behalf of PBZ Croatia obvezni mirovinski fond kategorije A and PBZ Croatia obvezni mirovinski fond kategorije B in the total amount of EUR 6,435,303 for 4,838,574 shares and Valamar Riviera d.d. in the amount of EUR 1,608,825 for 1,209,643 shares.

In order to acquire the Kesselspitze Hotel in Obertauern, on 3 June 2022, an Agreement on the purchase and transfer of all business shares in the company Kesselspitze GmbH, Obertauern, Austria and the company Kesselspitze GmbH & Co KG, Obertauern, Austria, was concluded between the buyer Valamar A GmbH and Seller: Lürzer Obertauern GmbH & Co KG, Mr. Heribert Lürzer, Mr. Gerhard Lürzer and Mr. Harald Lürzer. The members of Valamar A GmbH paid the amount of EUR 6,000,000 into the capital reserves of Valamar A GmbH, in proportion to their business shares as follows, Valamar Riviera d.d. as the owner of a business share of EUR 35,000, which corresponds to 24.54% of the share capital of Valamar A GmbH, paid the amount of EUR 1,472,400, and Wurmböck Beteiligungs GmbH, as the owner of a business share of EUR 107,624, which corresponds to 75.46% of the share capital Valamar A GmbH paid the amount of EUR 4,527,600.

On 1 February 2022, the companies Valamar A GmbH and WBVR Beteiligungs GmbH founded the company Valamar Marietta GmbH with headquarters in Klagenfurt am Wörthersee, Austria, to which company ContiEstates AG, Zug, Switzerland, was merged on 28 September 2022.

Member of the Company Valamar A GmbH made in 2023 a payment in the amount of EUR 4,000,000 in capital reserves of the Company Valamar A GmbH and proportionate to its business shares as follows, Valamar Riviera d.d. paid the amount of EUR 981,600 and Wurmböck Beteilgungs GmbH paid the amount of EUR 3,018,400.

Based on the decision from the General Assembly on 24 April 2023 the Company paid the dividend in the amount of EUR 0.20 for each share and that in total amount of EUR 24,378 thousand.

NOTE 2 – SUMMARY OF MATERIAL INFORMATION ON THE ACCOUNTING POLICIES

Material information on the accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented herein.

2.1 Basis of preparation

These financial statements represent the unconsolidated and consolidated financial position and results of the Company and the Group, respectively.

(a) Statement of compliance

The financial statements of the Company and Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). 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.

(b) Significant accounting estimates

The preparation of financial statements in accordance with IFRS requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's and Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are relevant to the financial statements, are disclosed in the notes.

(c) Functional currency and presentation currency

The items included in the Company's and Group's financial statements are expressed in the currency of the primary economic environment in which the Company and the Group operate (functional currency). Given that the Republic of Croatia introduced the euro as the official currency on January 1, 2023, in accordance with the Law on the Introduction of the Euro as the official currency in the Republic of Croatia, the Company and the Group changed the presentation currency for the purposes of preparing financial statements for the year ended December 31, 2023 from kuna to euros, and the financial statements for the year ended December 31, 2023 were first time prepared in euros. From January 1, 2023, the euro is also the functional currency of the Company and the Group (until January 1, 2023, it was kuna). Although the change in the presentation currency in the financial statements represents a change in accounting policy that requires retroactive application, the Company and the Group did not publish the third balance sheet in the financial statements for the year ended December 31, 2023 in accordance with International Accounting Standard 8 (IAS) Accounting Policies, Changes in Accounting Estimates and Errors, given that it has determined that the change in the presentation currency has no significant impact on the Company's and Group's financial statements, due to the stable HRK/EUR exchange rate over the past few years.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (incl. special purpose companies) in which the Group has control over the financial and operating policies, which generally goes hand in hand with holding more than half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or exchangeable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is effectively transferred to the Group. They are de-consolidated from the date such control ceases.

In the consolidated financial statements, all within-Group transactions, balances and unrealised gains and losses on transactions between the Group companies are eliminated. Where necessary, accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling shareholders that do not result in loss of control are accounted for by the Group as equity transactions – that is, as transactions with the majority owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Associates

Associate is a company in which the group has significant influence, but it is not included in joint venture. The significant influence refers to the power to participate in the decision making of financial and business policies of the company that is the subject of investment, but does not have the control over those policies.

The Group's shares at the associate are presented using the equity method. Under this method, share in an associate is initially recognized by cost and subsequently adjusted by changes related to acquisition of share in net assets of the associate. On acquisition, any difference between acquisition cost and the investor's share in net fair value of assets and liabilities is calculates as follows:

- goodwill that relates to a company is included in the carrying amount of the acquisition,
- every surplus of the investor's share in the net fair value of assets and liabilities above the acquisition cost is included in income.

Group's gains or losses include Group's share of the associate's gains and losses. Company's share in the associate is presented at cost less impairment, in separate financial statements.

2.2.1 Subsidiaries in separate financial statements

The Company discloses its subsidiaries in the separate financial statements at cost value less impairment (Note 16 – *Investment in subsidiaries*).

2.3 Merger of entities and transactions with companies under common control

Merger of entities classified as companies from parties under common control are accounted for using book values (carryover basis accounting). Under this method, the assets and liabilities of the entities under common control are transferred to the predecessor entities' carrying amounts. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these financial statements. Any difference between the carrying amount of the net assets and the consideration paid is accounted for in these financial statements as an adjustment to equity.

2.4 Segment reporting

The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is a person or group responsible for allocating the resources and assessing the performance of the operating segments. The chief operating decision-makers are the Company and Group Management, which are in charge of managing the hotel and tourist properties and facilities.

2.5 Foreign currencies

Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions and assets and liabilities denominated in foreign currencies are translated into the functional currency at the middle exchange rate of the Croatian National Bank valid on the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses relating to borrowings and cash and cash equivalents are recorded in the statement of comprehensive income within 'finance income/(costs) – net'.

2.6 Property, plant and equipment

Property, plant and equipment are included in the statement of financial position at historical cost less the accumulated depreciation and impairment, where required. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item shall flow to the Company and Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they incurred. The cost of replacement of larger items of property, plant and equipment is capitalised, and the carrying amount of replaced parts is derecognised.

Land, arts and assets under construction are not depreciated. Depreciation of other items of property, plant and equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Buildings	10-25 years
Plant and equipment	4-10 years
Furniture, tools and horticulture	3-10 years

Depreciation is calculated for each asset until the asset is fully depreciated or to its residual values if significant. The residual value of an asset is the estimated amount that the Company and Group would currently obtain from disposal of the asset less the estimated costs of disposal if the asset were already of the age and in the condition expected at the ed of its useful life. The residual value of an asset is zero if the Company and Group expect to use the asset until the end of its physical life.

The operating assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Recoverable amount of the cash-generating units is determined on the basis of a calculation of value in use based on an estimate of future income discounted by weighted average cost of capital. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Software

Separately acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of up to 4 years.

2.8 Impairment of non-financial assets

The Company determines the impairment indicators of the property, plant and equipment identified as separate cash generating units by using the GOP multiplicator and segment carrying net book values, which is determined by comparing the individual property segment (identified as separate cash generating units' ("CGUs") carrying values with the gross operating profit ("GOP").

If the determined ratios and multiples are not in line with expected amounts or targeted levels (at individual cash generating unit level), the recoverable amount is based as the higher amount of fair value less the costs of disposal and its value in use.

Determination of impairment indicators, determination of the fair value of assets (or group of assets), and estimation of future cash flows, which are based on the projections of expected cash flows, applicable discount rates, useful lives and remaining values require significant judgement by the management.

Determination of fair value less the costs of disposal is based on the market approach, which uses the prices and other relevant information generated by the market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business. The Company and Group use internal and external valuations.

2.9 Financial assets

2.9.1 Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income (OCI), and financial assets at amortised cost. The classification depends on the purpose for which the financial assets were acquired. The Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category includes financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the Management. Assets in this category are classified as current assets except derivative financial instruments.

(b) Financial assets at fair value through other comprehensive income (OCI)

The Company measures financial assets at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of holding the financial assets to collect and selling contractual cash flows,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of the principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for the financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is reclassified to profit or loss.

Changes in the fair value of equity instruments are recognized in other comprehensive income. After derecognition, the cumulative change in fair value in other comprehensive income is not recycled through profit or loss.

(c) Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective of holding financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Financial assets at amortised cost include trade receivables.

2.9.2 Measurement and recognition

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company committed to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. For trade receivables and contractual assets, the Company applies a simplified approach in the calculation of expected credit losses. The Company does not monitor changes in credit risk but recognizes impairment based on lifetime expected credit loss at the end of each reporting period. Financial assets are written off when there is no reasonable expectation of payment collection.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of comprehensive income within 'other (losses)/gains – net' in the period in which they arise.

The interest on securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on equity instruments are recognised in the statement of comprehensive income as part of other income when the right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions and references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.9.3 Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.10 Derivative financial instruments

Derivative financial instruments include forward contracts in foreign currencies and interest rate swaps. Derivative financial instruments are recognised in the statement of financial position at fair value. The fair value is determined according to the market value, if appropriate. All derivatives are recorded in the statement of financial position as assets when their fair value is positive, and as liabilities when their fair value is negative. These derivatives do not classify as hedge accounting and are recognised as derivatives held for trading.

2.11 Leases

At the beginning of the contract, the Company and the Group assess whether the contract contains a lease, that is, whether the contract has the right to control the use of the asset concerned over a specified period in exchange for remuneration, in accordance to IFRS 16 Leases.

The Company and the Group as lessees

The Company and the Group apply a single recognition and measurement approach for all leases, except for short-term leases, leases of low-value assets and leases that cannot be considered leases under IFRS 16, which includes leases of exchangeable property, "ad hoc" leases (e.g. providing one-day hall rental services), licenses, etc.

(i) Right-of-use assets

The Company and the Group recognize the right-of-use assets on the lease's commencement (i.e., the date when the property in question is ready for use). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and is reconciled with any remeasurement of the lease liabilities. The cost of right-of-use assets includes the amount of recognized lease obligations, the initial direct costs, and all lease payment incurred on or before the lease commences, less any received rental incentives, if any. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.8 – *Impairment of non-financial assets*.

(ii) Lease liabilities

At the beginning of the lease period, the Company and the Group recognize lease liability, measured at the present value of future lease payments over the period. The lease payments include fixed payments, variable lease payments that depend on the index or rate, and the amount expected to be paid under the residual value guarantee, if any. If included in the contract, lease payments also include the purchase price for which it is reasonably certain that the Company and the Group will use, and the payment of penalties for termination of the lease, if it is reasonably certain that the Company and the Group will exercise the option of terminating the lease. Variable lease payments that do not depend on an index or rate are recognised as expenses in the period in which they are incurred. In calculating the present value of lease payments, the Company and the Group use their incremental borrowing rate at the lease's commencement if the lease interest rate is not easily determined. The carrying amount of lease liabilities is remeasured if a change in the lease term occurs.

(iii) Short-term leases and leases of low-value assets

The Company and the Group apply an exemption for the recognition of short-term leases for short-term leases (i.e. leases that have a lease term of 12 months or less from the commencement date and do not include a purchase option). The Company and the Group also recognize the exemption for the recognition of leases of low value assets. Payments for short-term and low-value assets leases are recognised as an expense on a straight-line basis over the lease term.

The Company and the Group as lessors

Leases in which the Company and the Group do not transfer substantially all the risks and rewards of asset ownership are classified as operating leases. Rental income is calculated on a straight-line basis in accordance with lease terms and is included in revenue in the Statement of comprehensive income due to its operational nature.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

Small inventory is written-off in full at the moment of commencement of the use (porcelain, glass, metal, kitchen appliances, sports inventory, work clothing and other small items), except of the part of small inventory (linens, sheets and towels) for which the useful life is estimated up to 3 years.

2.13 Trade receivables

Trade receivables are amounts due from the customers for the services provided in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less the impairment.

2.14 Loans and deposits

Provided loans and deposits represent non-derivative financial asset with fixed or determinable payments. It is included in current assets, except for assets with a maturity of more than 12 months after the balance sheet date. Such assets are classified as non-current assets. A discount rate that corresponds to the cost of borrowings to invest in the asset of same type, risk and maturity is used to calculate fair value of loans and deposits.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid instruments with original maturities of three months or less.

2.16 Share capital

Ordinary shares are classified as equity. Where the Company and the Group purchase their equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from the equity attributable to the Company and Group equity holders until the shares are issued or purchased. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included into the equity attributable to the Company and Group equity holders.

2.17 Borrowings

Borrowings are recognised initially at nominal value, net of transaction costs incurred which is fair value. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility shall be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility shall be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it refers.

Borrowings are classified as current liabilities unless the Company and the Group have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired, i.e. provided in the ordinary course of business from, i.e. by the suppliers. Accounts payable are classified as current liabilities if the payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income or loss, except to the extent in which it refers to items recognised in equity.

Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting nor the taxable profit or loss.

Deferred income tax is determined using tax rates (and tax acts) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit shall be available, against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the temporary difference reversal is controlled by the Company and the Group and it is probable that the temporary difference shall not be reversed in the foreseeable future.

Investment tax credits

Investment tax credits are incentives arising from government incentive schemes, which enable the Company and the Group to reduce their income tax liability or liabilities arising from other specified taxes in future periods, and are linked to the construction or acquisition of certain assets and / or the performance of certain activities and / or the fulfilment of certain specific conditions prescribed in the relevant regulation on investment incentives adopted by the relevant authorities. Tax investment credits are recognised as a deferred tax asset and an income tax benefit when the criteria for recognition is fulfilled (Note 12 – *Income Tax*) in the amount which the Company and the Group shall be able to utilize until the incentive expires. Deferred tax assets recognised as a result of investment tax credits is utilised during the period of the incentive, i.e. until the expiration of the credits (if so specified) in accordance with and subject to the availability of the tax obligations in the future years, against which the credits can be offset.

2.20 Employee benefits

(a) Pension obligations and post-employment benefits

In the normal course of business, the Company and the Group make payments to mandatory pension funds on behalf of their employees through salary deductions as required by law. All contributions made to the mandatory pension funds are recorded as salaries expense when incurred. The Company and the Group do not have any other pension scheme and, consequently, have no other obligations in respect of employee pensions. In addition, the Company and the Group are not obliged to provide any other post-employment benefits.

(b) Termination benefits

Termination benefits are recognized when the Company and the Group terminate employment contracts of employees before their normal retirement date in accordance with pension and labour regulations. The Company and the Group recognize termination benefits when they have made an individual decision on the termination of an employment agreement due to business or personal reasons, whereby the liability to pay termination benefits are objectively determined, in accordance with regulations and by-laws.

(c) Short-term employee benefits

The Company and the Group recognise a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. In addition, the Company and the Group recognise a liability for accumulated compensated absences based on unused vacation days at the reporting date and if the liability can be reliably estimated.

(d) Long-term employee benefits

The Company and the Group recognise the obligation for long-term employee benefits (severance retirement payments and jubilee awards) evenly over the period in which the benefit is realised, based on the actual number of years of service. The long-term employee benefit obligation includes the assumptions on the number of employees to whom the benefits should be paid, the estimated cost of the benefits and the discount rate.

(e) Employee benefits in the form of own shares

The cost of transactions that are settled to employees with equity instruments is recognized as an expense in the vesting period. The total employee cost is determined according to a predefined award fund for each employee and the number of shares awarded depends on the share fer value on the date of award.

Employee benefits in the form of shares are presented within salaries and other employee costs (Note 8 – *Staff costs*), together with a corresponding increase within equity for the shares value (as part of Other reserves - Note 25 – *Reserves and retained earnings*) and Liabilities for calculated tax - rewarding in shares (Note 28 – *Trade and other payables*).

2.21 Provisions

Provisions are recognised when: the Company and the Group have a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources shall be required to settle the obligation; and the amount has been reliably estimated.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

The amount of provisions is increased in each period to reflect the past period. The increase in the provision due to the passage of time is recognised as interest expense.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of Company's and Group's activities. Revenue is shown net of value-added tax. Group's revenues are shown after eliminating sales within the Group.

The Company and the Group recognise revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits shall flow to the entity and when specific criteria have been met for each of the Company's and Group's activities as described below.

(a) Sales of services

Revenue from hotel and tourist services is recognised in the period in which the services are provided.

(b) Rental of services

Revenue for rental services is generally recognised in the period in which the services are provided using a straight-line basis over the terms of contracts with lesser and presented in Statement of comprehensive income within 'Sales revenue'.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company and the Group reduce the carrying amount to its recoverable amount being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.23 Earnings/(loss) per share

Earnings/(loss) per share are determined by dividing the profit or loss attributable to equity holders of the Group by the weighted average number of participating shares outstanding during the reporting year less ordinary shares purchased by the Company, which are hold as treasury shares.

2.24 Value added tax

The Tax Authorities require the settlement of VAT on a net basis. VAT related to sales and purchases is recognised and disclosed in the statement of financial position on a net basis. Where a provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

2.25 New and amended standards and interpretations

2.25.1 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2023:

- **Amendments to IAS 12** *Income Taxes*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, issued on 7 May 2021 (effective date for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 12** *Income taxes*: International Tax Reform – Pillar Two Model Rules, issued on 23 May 2023 (effective date for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 1** *Presentation of Financial Statements* and IFRS Practice Statement 2: Disclosure of Accounting policies, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 8** *Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).

The adoption of these Standards and Interpretations had no significant impact on the financial statements of the Company and the Group.

2.25.2 Standards issued but not yet effective and not early adopted

- **Amendments to IAS 1** *Presentation of Financial Statements:* Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date, issued on 23 January 2020 and 15 July 2020 respectively (effective date for annual periods beginning on or after 1 January 2024).
- **Amendments to IFRS 16** *Leases*: Lease Liability in a Sale and Leaseback, issued on 22 September 2022 (effective date for annual periods beginning on or after 1 January 2024).

2.25.3 Standards and Interpretations issued by IASB but not yet adopted by the EU

At the date of authorization of these financial statements the following standards, revisions and interpretations were in issue by the International Accounting Standards Board but not yet adopted by the EU:

- **Amendments to IAS 21** *The Effects of Changes in Foreign Exchange Rates:* Lack of Exchangeability (issued on 15 August 2023).
- **Amendments to IAS 7** *Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures:* Supplier Finance Arrangements (issued on 25 May 2023).

The Company and the Group does not anticipate that the adoption of these Standards and Interpretations will have a significant impact on the financial statements of the Company and the Group.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

In their day-to-day business activities, the Company and the Group face a number of financial risks, especially market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company and the Group have a proactive approach in mitigating the interest rate risks by using available market instruments. Internal risk management goals and policies aim at protecting partial interest hedging of the principal loan amount.

(a) Market risk

(i) Foreign exchange risk

With the entry of the Republic of Croatia to Eurozone on 1 January 2023, the majority of the exposure to the foreign exchange risk of the Company and the Group disappeared, given that the business with other currencies makes less than 1% of total turnover, i.e. it is not materially significant.

(ii) Interest rate risk

Variable rate loans expose the Company and the Group to cash flow interest rate risk. Periodically, the Company and the Group use derivative instruments in order to hedge cash flow and interest rate by applying interest rate swaps. The economic effect of such swaps is the conversion of variable interest rate loans into fixed interest rate loans for a pre-committed hedged part of the loan principal. The Company and the Group have interest-bearing assets (cash 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 the Group have significant cash surpluses at their disposal.

During 2023 on the level of the Group the loans with the variable interest rate were repaid, i.e. the protection on them with derivative instruments (IRS) has expired. The Company and the Group don't expect a significant impact of the increased volatility of interest rates, i.e. the recent rise in interest rates on loans, considering that the Group's loan portfolio consists of long-term fixed rate loans and with the most part are protected with derivative loans (IRS).

(iii) Price risk

The Company and the Group hold equity and debt securities listed on the Zagreb Stock Exchange and are exposed to equity price risk due to price volatility. The Company and the Group are not active participants in the market trade in terms of trading with equity and debt securities.

With the EUR 119.1 million invested in acquiring shares of Imperial Riviera d.d., Rab and EUR 11.3 million in acquiring shares of Helios Faros d.d., the Company is exposed to the said risk to a certain extent.

As at 31 December 2023, if the indices of the ZSE had been higher/(lower) by 14.78% for 2023 (which was the average index movement), with all other variables held constant, reserves of the Group within equity and other comprehensive income would have been EUR 16 thousand higher/(lower) as a result of gains/(losses) on equity securities available for sale.

(b) Credit risk

Credit risk arises from cash, time deposits and receivables. According to the Company's and Group's sales policy, business transactions are conducted only with customers with suitable creditworthiness, i.e. by agreeing advances, bank securities and payments made through credit card companies. The Company and the Group continuously monitor their exposure towards customers and their credit rating as well as obtain security instruments in order to reduce bad debt risks related to services provided.

(c) Liquidity risk

The Company and the Group have a sound liquidity risk management. Sufficient funds for meeting the 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. As at 31 December 2023, the Company has contracted unused credit lines with financial institutions for 2024 in the total amount of EUR 29,000 thousand, and the Group in the total amount of EUR 36,795 thousand. The repayment of the major credit lines coincides with periods of strong cash inflows from operations. The Company and the 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 requirements of working capital management, the surplus is deposited in the Company's and Group's treasury. From there the funds are invested in interest-bearing current accounts, time deposits, money market deposits accounts and marketable securities. Only instruments with suitable maturities and sufficient liquidity are selected, according to the forecasted requirements for liquid funds. During 2023, the Company and the Group had a time deposit of part of the surplus funds.

NOTE 3 – FINANCIAL RISK MANAGEMENT / CONTINUED

3.1 Financial risk factors / CONTINUED

c) Liquidity risk / CONTINUED

The expected contractual cash flows for financial liabilities of the Group and the Company are analysed in the table below. The amounts stated below include interest, if applicable, and represent undiscounted cash flows.

GROUP

(in thousands of EUR)	**Less than 3 months**	**3 months -1 year**	**1-3 years**	**3-6 years**	**Over 6 years**
As at 31 December 2022					
Trade and other payables	10,444	434	7,959	-	-
Borrowings	15,681	61,404	108,900	107,481	85,771
Lease liabilities	74	498	748	959	744
Total liabilities (contractual maturities)	**26,199**	**62,336**	**117,607**	**108,440**	**86,515**
As at 31 December 2023					
Trade and other payables	16,599	6,599	-	11,955	-
Borrowings	10,499	46,468	97,668	107,379	59,989
Lease liabilities	118	475	1,318	797	435
Total liabilities (contractual maturities)	**27,216**	**53,542**	**98,986**	**120,131**	**60,424**

COMPANY

(in thousands of EUR)	**Less than 3 months**	**3 months -1 year**	**1-3 years**	**3-6 years**	**Over 6 years**
As at 31 December 2022					
Trade and other payables	7,661	434	7,676	-	-
Borrowings	12,580	43,219	74,939	61,873	64,309
Lease liabilities	76	595	797	920	638
Total liabilities (contractual maturities)	**20,317**	**44,248**	**83,412**	**62,793**	**64,947**
As at 31 December 2023					
Trade and other payables	13,059	5,773	-	11,411	-
Borrowings	7,093	29,751	58,969	57,008	48,518
Lease liabilities	133	524	1,318	736	324
Total liabilities (contractual maturities)	**20,285**	**36,048**	**60,287**	**69,155**	**48,842**

3.2 Capital management

The Company's and Group's objectives when managing capital are to safeguard the Company's and Group's ability to continue as a going concern in order to provide returns for the owner and to maintain an optimum capital structure to reduce the cost of capital.

3.3 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.

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 – FINANCIAL RISK MANAGEMENT / CONTINUED

3.3. Fair value estimation / CONTINUED

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

GROUP

(in thousands of EUR)	Level 1	Level 2	Level 3	Total
As at 31 December 2022				
Assets measured at fair value				
Financial assets - equity securities	48	-	-	48
Derivative financial instruments	-	4,597	-	4,597
Total assets measured at fair value	**48**	**4,597**	**-**	**4,645**
As at 31 December 2023				
Assets measured at fair value				
Financial assets - equity securities	158	-	-	158
Derivative financial instruments	-	2,282	-	2,282
Total assets measured at fair value	**158**	**2,282**	**-**	**2,440**

COMPANY

(in thousands of EUR)	Level 1	Level 2	Level 3	Total
As at 31 December 2022				
Assets measured at fair value				
Financial assets - equity securities	44	-	-	44
Derivative financial instruments	-	2,467	-	2,467
Total assets measured at fair value	**44**	**2,467**	**-**	**2,511**
As at 31 December 2023				
Assets measured at fair value				
Financial assets - equity securities	154	-	-	154
Derivative financial instruments	-	1,227	-	1,227
Total assets measured at fair value	**154**	**1,227**	**-**	**1,381**

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

The Company and the Group make estimates and assumptions about uncertain events, including estimates and assumptions about the future. Such accounting assumptions and estimates are regularly evaluated, and are based on historical experience and other factors such as the expected flow of future events that can be rationally assumed in existing circumstances, but nevertheless necessarily represent the sources of estimation uncertainty. These and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Impairment of non-financial assets

In general, the Company determines the impairment indicators of property, plants and equipment by applying the multiplicators of segment net book value and operating profit, whereby the net book values of individual property segments (identified as separate cash generating units -"CGUs") are compared with the operating profit achieved.

If the determined ratios are not in line with targeted levels (at individual cash generating unit level), the recoverable amount is determined based on fair value less the costs of disposal or value in use, whichever is greater. Furthermore, the recoverable amount is determined for newly acquired property (including property acquired through business combinations). To determine the recoverable amount, the Company and Group use internal and external valuations.

Determination of impairment indicators, determination of the fair value of assets (or group of assets), and estimation of future cash flows require significant judgement by the management while recognizing and assessing the impairment indicators, expected cash flows, future investments, applicable discount rates, useful lives and remaining values. When determining the recoverable amount, the management considers various indicators such as occupancy of properties, revenue per unit, expected market growth in the hotel industry, etc. The calculation of fair value less the costs of disposal is based on the market approach, which uses the prices and other relevant information generated by the market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as business activity segments.

It was estimated that there are no indicators of impairment for profit centers in the Company, while for several profit centers that generate money (PCGM) in the subsidiary there are potential indicators of impairment, and an assessment based on value in use was approached. PCGM is a group of assets of the lowest organizational unit that generates mostly independent cash inflows and on the basis of which performance is monitored and decisions are made on the acquisition and disposal of related assets, as well as operations.

The application of IAS 36 – Impairment Test observes the relationship between the carrying amount, i.e. book value of an asset and its recoverable amount, where the impairment does not exist if the recoverable amount is equal to or greater than the carrying amount. The recoverable amount is determined using the higher of an asset's fair value less costs to dispose and its value in use.

The following are significant assumptions applied in determining the recoverable amount:

SIGNIFICANT ASSUMPTION	HOW IT IS DETERMINED
Calculation of recoverable amount	The recoverable amounts of PCGMs were determined based on their value in use. Value in use is determined by discounting future cash flows. For PCGMs depleted by many years of exploitation, which value in use determined by DCF is not greater than recoverable amount, in the absence of significant investment interventions in their reconstruction and modernization, the fair value method less the cost of disposal estimated by a certified expert was used.
Cash flow projection period	For the purposes of performing the impairment test, the cash flow projection period is 5 years, with the last (5th) year used to calculate the residual value.
Cash flow	Projected cash flows are based on the best knowledge and beliefs of the Group in accordance with historical and expected future growth rates. For PCGMs which have recently been invested in, thus featuring market-upgraded accommodation and service quality standards, the growth rate used for cash flow extrapolation is 6%, based on historically comparable long-term compound average growth rates of revenues and EBITDA of companies within the Group, or growth rates based on current feasibility studies. The growth rate of 6% used does not exceed the comparable three-year, five-year, seven-year and ten-year complex average growth rates of revenue and EBITDA. Cash outflows also include capital expenditures and maintenance costs of hotels and resorts and camping resorts. To calculate the residual value of each individual PCGM the Group used a constant growth rate corresponding to the previously mentioned growth rates. Management considers this assumption reasonable, as it does not exceed the long-term average growth rates of companies in the Group, as explained earlier.
Discount rate	The annual pre-tax discount rate used to discount the projected cash flows of PCGMs is 9.46% (2022: 10.29%) and reflect the market estimate of the weighted average cost of capital of the Group.
Sensitivity to significant changes in assumptions	The residual year in the impairment test is reported based on the business performance of PCGMs applying the aforementioned growth rates. The residual year has a significant impact on the determination of the recoverable amount and the resulting positive difference between the recoverable amount and the carrying amount of PCGMs. Possible reasonable changes, are unlikely to result with significant effect on determined results and subsequently with the need to decrease in the value of PCGMs.

By performing impairment tests in 2023, the Group have proven that non-current tangible and intangible assets (including goodwill) do not have to be impaired, in accordance with the determined values in use and for a part of facilities according to the fair value confirmed by a certified expert.

(b) Estimated useful lives

By using a certain asset, the Company and the Group use the economic benefits contained in this asset, which diminish more intensely with economic and technological aging. Consequently, in the process of determining the useful life of an asset, in addition to assessing the expected physical utilisation, it is necessary to consider the changes in demand on the tourist market, which shall cause a faster economic obsolescence as well as a more intense development of new technologies. Current business operations in the hotel industry impose the need for more frequent investments, and this circumstance contributes to the fact that the useful life of an asset is decreasing.

Based on historical information, and in line with the technical department, the useful life of buildings components was assessed by the Management to be 10 to 25 years. The useful lives of equipment and other assets have also been assessed.

The useful life of property, plant and equipment shall be periodically revised to reflect any changes in circumstances since the previous assessment. Changes in estimate, if any, shall be reflected prospectively in a revised depreciation charge over the remaining, revised useful life.

(c) Recognition of deferred tax assets

Deferred tax assets represent amount of corporate income tax that are recoverable based on future deductions of taxable income and are recognized in the statement of financial position. Deferred tax assets are recognized to the amount of tax revenue that is probable that it will be realized. In determining future taxable profit and the amount of tax revenue that is probable to be realized in the future, the management makes judgments and estimates based on previous years' taxable profit and expectations of future income that are considered reasonable in the existing circumstances.

Incentives for investments are realized on the basis of regulations on stimulation of investments and improving the investment environment based on the application of a specific project to the Ministry of Economy, which issues a decision on gaining the status of incentive holder for investments and calculation of maximum incentive amount when a company meets the required conditions.

Each project involves investments in a three-year cycle that begins with acquiring incentive holder status. The competent ministry is informed about the annual investments made, and the incentives enable the tax liability to be reduced from the moment of the investment to the expiry of 10 years. Tax assets and tax revenue are recognized on the investment made when the conditions are met, and previously recognized tax assets are derecognized during the period of the incentive measure, i.e. until the expiration of the incentive. Explained detailed in Note 12 – *Income tax*.

(d) Consolidation

The Valamar Riviera Group consists of Valamar Riviera d.d. (parent company) and its subsidiaries (the Group) as it is presented in Note 1 – *General information*. The assets and liabilities of subsidiaries are fully included in the consolidated statement of financial position of the Group as at 31 December 2023, eliminating the parent company's share in subsidiaries and the position of capital and reserves of subsidiaries and mutual receivables and liabilities. Mutual transactions are excluded from the consolidated statement of financial position and the consolidated statement of comprehensive income.

Valamar Riviera d.d. is a holder of 1,054,728 (46.27% of voting rights) shares and the Company has control of Imperial Riviera d.d. Valamar Riviera d.d. has significant share of 46.27% voting rights, has the power to manage financial and business policies of Imperial Riviera d.d., and in order to benefit from its activities, primarily though Board, but also key management of Imperial Riviera d.d. Valamar Riviera d.d. has to right to appoint, relocate and recall key management, that is, persons who are authorised and responsible for strategic and ongoing business planning and direction, and current or former employees of Valamar Riviera d.d. were appointed to the Board of Imperial Riviera d.d. and have the ability to manage business in accordance with the provisions of ZTD. Imperial Riviera d.d. in a significant part of business depends on Valamar Riviera d.d., which is in charge of managing core business, and depends on intellectual property rights, including trademarks and brands of Valamar Riviera d.d.

Valamar Riviera d.d. significantly influences the business of Imperial Riviera d.d. through the operational management of hotel and tourist facilities, and in addition to dividend rights, it is also entitled to management fees and therefore the exposure of Valamar Riviera d.d. to returns is significantly higher than the return related to voting rights. A combination of all of the above factors indicates control of Valamar Riviera d.d. over a subsidiary in accordance to IFRS 10.

During 2023, there was no changes in the structure of the Group.

(e) Leases

New significant evaluations are related to the introduction of IFRS 16 Leases and mostly relate to estimates of lease term, discount rate and whether contract includes a lease.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Company and the Group determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company and the Group have several lease contracts that include extension and termination options. The Company and the Group apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, consider all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company and the Group reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., significant customisation to the leased asset).

The Company and the Group have several leases that are expected to be extended, however the Company and the Group do not expect to terminate the contracts before the lease term expiry. The Company and the Group have included the extension term in the lease term for term that have shorter non-cancellable term (e.g. 2-3 years). The Company and the Group mainly expect to extend the leases that would have negative effect on business if a replacement asset is not readily available.

Refer to Note 27 – *Rights-of-use assets and lease liabilities* for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Property lease classification – the Company and the Group as lessor

The Company and the Group have entered into commercial property leases on its investment property portfolio. The Company and the Group have determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Leases – Estimating the incremental borrowing rate

The Company and the Group cannot readily determine the interest rate implicit in the lease, therefore, they use theirs incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company and the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Company and the Group estimate the IBR based on several inputs. Interest rate that is applied on lease contract presents the lessee's credit rating, lease term, security and economic environment. Interest rate is calculated based on comparable transactions. Information used by the Company to determine the IBR are changed annually at least or in the event of significant changes in the Company's credit rating.

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

Due to the transition from public to private ownership, e.g. in the transformation and privatisation process and the fact that the properties of the Company and the Group that were used in the transformation process were appraised in the share capital of the Company, and a part was not appraised, there are certain ambiguities and proceedings regarding the ownership of a part of the land within the majority of tourist companies, as well as Company and the Group. A more detailed description of proceedings and unsolved situations for properties of the Company are disclosed in the Note 31 – *Contingencies and commitments*. According to the Act on Tourist and Other Construction Land not appraised in the transformation and privatisation process ("the ZOTZ"), which entered into force on August 1, 2010, a concession fee for the use of tourist land with an area of 3.29 mn m^2 was calculated for the Company and 3.47 mn m^2 for the Group. With the entry into force of the Act on unappraised land ("the ZNGZ") on May 2, 2020, the ZOTZ ceased to be valid.

The ZNGZ prescribes the obligation to determine and form buildings on appraised parts of campsites, hotels, tourist resorts and other construction land as ownership of the Company and the Group and buildings on unappraised parts of campsites, hotels, tourist resorts and other construction land as ownership of Republic of Croatia or local governments. For parts of a land owned by the Republic of Croatia or local governments, the Company and the Group will enter into lease agreements for a period of 50 years.

From the entry into force of the ZNGZ until the day of signing the lease agreement, the rent will be paid according to the area of the tourist land for which the concession fee has been calculated based on the ZOTZ, in the amount of 50% of the fee until the final resolution of property legal relations. The unit amount of rent and the method and terms of payment will be determinated by Regulations from Goverment.

As by the end of 2022, the Regulations have not been adopted, the Company and the Group have estimated the cost of leasing the land and posted provision. On February 8, 2024, the Government of the Republic of Croatia adopted two Regulations on tourist lands: (1) the Regulation on the method of determining the unit of lease for tourist land on which the hotel has been built and the tourist estate, the method of calculation for lease and other fees and mandatory content of the lease agreement and (2) the Regulation on determining the initial amount of the unit price of the lease for the tourist land in camp, the method of calculation of lease and other fees and mandatory content of the lease agreement (hereinafter: the Regulations).

After the adopted Regulations, the Company and the Group revised the areas of tourist land and estimated that in the future the Company will use 2.6 mn m^2 and the Group 2.8 mn m^2. After the adoption of the Regulations, the Company and the Group in 2023 cancelled all provisions from the previous years (2020-2022), posted the amount of the rental cost for new areas and prices in accordance with the provisions of the Regulations, including the cost related to the year 2023, and corrected obligation for concessions for new areas for the period 2010-2020. The net effect of these transactions in 2023 is shown in Note 7 – *Cost of materials and services*.

The estimated annual amount of rent for tourist land according to the new law (ZNGZ) is EUR 4.2 million for the Company and EUR 4.6 million for the Group. Given that the Regulations entered into force in February 2024, the Company and the Group estimate that the largest part of the rent calculated at a fixed price will from January 1, 2024 be calculated in accordance with the provisions of IFRS 16.

Assuming an initial unit price of EUR 2/m^2, a discount rate of 5.76%, along with revised areas that will be leased, the Company and the Group performed an assessment of the value of assets and liabilities with the right of use in accordance with IFRS 16 on January 1 2024 in the amount of EUR 51,716 thousand for the Company and in the amount of EUR 57,615 thousand for the Group.

NOTE 5 – 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, agency revenue and revenue from the accommodation of employees.

The segment information related to reportable segments for the year ended 31 December 2022 is as follows:

GROUP

(in thousands of EUR)	**Hotels and apartments**	**Campsites**	**Other business segments**	**Total**
Revenue from segments	212,924	96,028	34,687	343,639
Inter-segment revenue	(721)	(82)	(23,352)	(24,155)
Sales revenue	**212,203**	**95,946**	**11,335**	**319,484**
Depreciation and amortisation	41,206	17,511	7,338	66,055
Net finance income/(expense)	(5,986)	(1,842)	4,586	(3,242)
Write-off of fixed assets	324	73	103	500
Profit/(loss) of segment	96,032	61,428	(52,703)	104,757
Total assets	459,312	178,562	46,725	**684,599**
Total liabilities	249,598	94,909	34,551	**379,058**

All hotels, apartments and campsites (operating assets) are located in the Republic of Croatia.

The segment information related to reportable segments for the year ended 31 December 2023 is as follows:

GROUP

(in thousands of EUR)	**Hotels and apartments**	**Campsites**	**Other business segments**	**Total**
Revenue from segments	239,363	111,105	46,677	397,145
Inter-segment revenue	(1,284)	(86)	(30,056)	(31,426)
Sales revenue	**238,079**	**111,019**	**16,621**	**365,719**
Depreciation and amortisation	40,138	17,619	8,021	65,778
Net finance income/(expense)	(6,780)	(1,392)	138	(8,034)
Write-off of fixed assets	514	167	397	1,078
Profit/(loss) of segment	110,614	71,213	(59,524)	122,303
Total assets	409,330	178,780	92,620	**680,730**
Total liabilities	227,543	92,153	32,425	**352,121**

All hotels, apartments and campsites (operating assets) are located in the Republic of Croatia.

NOTE 5 – SEGMENT INFORMATION / CONTINUED

Reconciliation of the profit per segment with profit/(loss) before tax is as follows:

GROUP

(in thousands of EUR)	2022	2023
Revenue		
Revenue from segments	343,639	397,145
Inter-segment revenue elimination	(24,155)	(31,426)
Total revenue	**319,484**	**365,719**
Profit		
Profit from segments	104,757	122,303
Other unallocated expenses	(74,787)	(79,239)
Profit/(loss) from financial and extraordinary activities	(3,177)	(9,623)
Total profit/(loss) before tax	**26,793**	**33,441**

NOTE 5 – SEGMENT INFORMATION / CONTINUED

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

GROUP

(in thousands of EUR)	2022		2023	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Segment assets/liabilities	**684,599**	**379,058**	**680,730**	**352,121**
Hotels and apartments segment	459,312	249,598	409,330	227,543
Campsites segment	178,562	94,909	178,780	92,153
Other business segment	46,725	34,551	92,620	32,425
Unallocated	**167,455**	**31,869**	**145,481**	**27,269**
Investments in associate	14,587	-	16,250	-
Other financial assets	48	-	158	-
Loans and deposits	17,805	-	25,422	-
Cash and cash equivalents	89,300	-	55,185	-
Other receivables	3,525	-	6,065	-
Deferred tax assets/liabilities	37,594	6,290	40,120	5,719
Other liabilities	-	13,235	-	17,376
Derivative financial assets/liabilities	4,596	-	2,281	-
Provisions	-	12,344	-	4,174
Total	**852,054**	**410,927**	**826,211**	**379,390**

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

GROUP

(in thousands of EUR)	**2022**	**%**	**2023**	**%**
Revenue from sales to domestic customers	33,193	10.39	41,276	11.29
Revenue from sales to foreign customers	286,291	89.61	324,443	88.71
	319,484	**100.00**	**365,719**	**100.00**

NOTE 5 – SEGMENT INFORMATION / CONTINUED

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

	GROUP			
Sales to foreign customers	**2022**	**%**	**2023**	**%**
EU members	242,653	84.76	270,012	83.22
Other	43,638	15.24	54,431	16.78
	286,291	**100.00**	**324,443**	**100.00**

NOTE 6 – OTHER INCOME

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Income from donations and other	507	434	374	336
Income from provision release /i/	996	3,109	841	1,353
Reimbursed costs	432	281	758	481
Income from insurance and legal claims	490	802	381	677
Income from own consumption	56	84	54	82
Collection of receivables previously written-off	289	210	285	206
Other income	985	1,451	853	1,167
	3,755	**6,371**	**3,546**	**4,302**

/i/ Income from provision release of the Company and the Group mostly refer to the cancellation of provisions for legal cases.

NOTE 7 – COST OF MATERIALS AND SERVICES

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Raw materials and supplies				
Raw materials and supplies used /i/	34,217	39,814	26,978	31,401
Energy and water used /ii/	28,115	23,043	21,689	17,951
Small inventory	2,483	4,546	1,963	3,833
	64,815	**67,403**	**50,630**	**53,185**
External services				
Maintenance	9,598	13,987	7,926	11,877
Commission fees (tourist agencies and credit cards)	6,553	6,290	4,231	3,986
Marketing, promotion and fairs	5,359	6,528	4,969	6,133
Communal fees /iii/	5,619	7,087	4,869	6,233
Telecommunication and transport	2,510	2,703	2,199	2,304
Rent /iv/	2,177	6,760	1,924	5,759
Recreation services	1,434	1,606	933	1,052
Laundry services	1,037	1,180	1,934	2,240
Services of arrangement and other contents	727	574	500	405
Informatics services	1,049	1,355	1,019	1,319
Protection services	724	827	601	679
Other services /v/	1,672	1,948	1,521	2,019
	38,459	**50,845**	**32,626**	**44,006**
	103,274	**118,248**	**83,256**	**97,191**

/i/ Cost of materials and services of the Company is comprised of raw materials and supplies used of EUR 4,478 thousand (2022: EUR 3,965 thousand), food and beverage costs of EUR 22,922 thousand (2022: EUR 19,481 thousand) and other materials and supplies used of EUR 4,001 thousand (2022: EUR 3,532 thousand).

/ii/ In 2023, according to the Government Decree of the Republic of Croatia regulating the price of electricity, the Company reduced total cost of electricity for EUR 160 thousand (2022: EUR 268 thousand) and the Group for EUR 265 thousand (2022: EUR 402 thousand).

/iii/ Communal fees are related to sewage water disposal services, disposal and collection of bio-waste, communal waste and similar.

/iv/ The most significant item of rent cost refers to the cost of tourist land lease determined in accordance with the ZNGZ and adopted Regulations for the period 2020-2023 in the amount of EUR 10,832 thousand for the Company and EUR 11,920 thousand for the Group. The cost is reduced for the cancelled provisions for tourist land in the period 2020-2022 in the amount of EUR 5,272 thousand for the Company and EUR 5,581 thousand for the Group, and for the determined income as a result of the reduction of the area of tourist land leased according to the ZOTZ for the period 2011-2020 in the amount of EUR 1,682 thousand for the Company. Expenses related to Company's and Group's short-term leases and low-value asset leases (exemptions according to IFRS 16) are included in Rent, as well as variable leases and leases that do not meet the classification criteria according to IFRS 16.

/v/ Other services mainly comprise of useful waste collection costs of EUR 277 thousand (2022: EUR 297 thousand), provision costs of EUR 271 thousand (2022: EUR 243 thousand), health and safety testing costs of EUR 184 thousand (2022: EUR 113 thousand), costs of water rescue services EUR 123 thousand (2022: EUR 110 thousand) and market research services EUR 43 thousand (2022: EUR 71 thousand).

NOTE 8 – STAFF COSTS

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Net salaries /i/	58,983	65,193	48,002	51,950
Pension and taxes contributions /i/	21,465	25,746	17,253	20,616
Health insurance contributions /i/	11,193	13,638	8,754	10,798
Termination benefits	129	103	60	70
Provisions for staff /ii/	391	1,294	389	1,098
Other staff costs /iii/	17,570	22,647	14,784	18,524
	109,731	**128,621**	**89,242**	**103,056**
Number of employees at 31 December	**3,227**	**3,319**	**2,460**	**2,541**

/i/ In 2022, the included cost of bonus in shares amounts to EUR 5,913 thousand for the Company and EUR 6,503 thousand for the Group while in 2023 these costs amounts EUR 468 thousand for the Company and EUR 514 thousand for the Group.

/ii/ Provisions for staff are related to long-term employee benefits (termination benefits and jubilee awards).

/iii/ Other staff costs comprise non-taxable receipts (accommodation and meals for employees, Christmas bonuses, regress, awards and similar) in the amount of EUR 13,414 thousand (2022: EUR 9,181 thousand) for the Group and EUR 10,587 thousand for the Company (2022: EUR 7,407 thousand), remunerations for student temporary services in the amount of EUR 2,849 thousand (2022: EUR 3,118 thousand) for the Group and EUR 2,316 thousand for the Company (2022: EUR 2,552 thousand), transportation costs in the amount of EUR 3,322 thousand (2022: EUR 3,184 thousand) for the Group and EUR 2,794 thousand for the Company (2022: EUR 2,788 thousand) and other.

The Company capitalised net salaries cost in the amount of EUR 813 thousand (2022: EUR 712 thousand), cost of contributions and tax from salaries in the amount of EUR 338 thousand (2022: EUR 287 thousand) and cost of contributions on salaries in the amount of EUR 154 thousand (2022: EUR 128 thousand). During the year the Company's average number of employees is 3,628 (2022: 3,517).

The Group capitalised net salaries cost in the amount of EUR 1,150 thousand (2022: EUR 886 thousand), cost of contributions and tax from salaries in the amount of EUR 482 thousand (2022: EUR 365 thousand) and cost of contributions on salaries in the amount of EUR 232 thousand (2022: EUR 170 thousand). During the year the Group's average number of employees is 4,776 (2022: 4,536).

NOTE 9 – OTHER OPERATING EXPENSES

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Municipal and other charges	5,632	6,047	4,305	4,748
Professional and other services /i/	3,990	4,462	3,333	3,557
Insurance premiums	1,084	1,175	867	948
Write-off of property, plant and equipment /ii/	500	1,078	232	825
Entertainment	900	1,209	852	1,106
Bank charges	221	156	166	113
Provisions for legal proceedings	164	263	131	227
Provisions for tourist land lease and other /iii/	2,093	-	1,977	-
Value adjustment of assets	36	37	33	36
Membership fee to associations and other administrative expenses	287	369	213	293
Other	847	2,363	752	974
	15,754	**17,159**	**12,861**	**12,827**

/i/ Professional and other services of the Group and the Company are mostly related to consulting services in the amount of EUR 846 thousand (2022: EUR 776 thousand) for the Group and EUR 783 thousand for the Company (2022: EUR 763 thousand), Supervisory Board fees in the amount of EUR 826 thousand (2022: EUR 750 thousand) for the Group and EUR 530 thousand for the Company (2022: EUR 446 thousand), students and scholarships fees in the amount of EUR 654 thousand (2022: EUR 600 thousand) for the Group and EUR 439 thousand for the Company (2022: EUR 479 thousand), lawyer fees in the amount of EUR 385 thousand (2022: EUR 387 thousand) for the Group and EUR 306 thousand for the Company (2022: EUR 333 thousand) and audit fees in the amount of EUR 156 thousand (2022: EUR 157 thousand) for the Group and EUR 108 thousand for the Company (2022: EUR 98 thousand).

/ii/ Write-off of property, plant and equipment relates to demolition of parts of buildings as a part of new investments. Demolition of buildings amounts to EUR 591 thousand (2022: EUR 245 thousand) for the Group and EUR 497 thousand (2022: EUR 107 thousand) for the Company, and other write-offs amounts to EUR 487 thousand (2022: EUR 255 thousand) for the Group and EUR 328 thousand (2022: EUR 125 thousand) for the Company.

/iii/ Provisions for tourist land lease and other on the Group and the Company consists of costs for tourist land lease explained in the Note 4 – *Critical accounting estimates - (e) Leases.*

NOTE 10 – OTHER GAINS/(LOSSES) – NET

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Net gains on sale of property, plant and equipment /i/	2,097	118	63,761	90
	2,097	**118**	**63,761**	**90**

/i/ The most significant Company's transaction in 2022 relates to the sales of three hotels to the related-party Imperial Riviera d.d. More precisely, it is the sales of hotels Valamar Lacroma Dubrovnik Hotel, Club Dubrovnik Sunny Hotel by Valamar and Tirena Sunny Hotel by Valamar with sales value of EUR 95,264 thousand.

NOTE 11 – FINANCE INCOME/(EXPENSE) – NET

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Interest income	11	2,377	9	1,651
Net foreign exchange gains from financing activities	-	537	-	537
Net foreign exchange gains - other	728	1	588	-
Realised net gains from changes in value of interest rate swaps	447	-	447	-
Realised net gains from changes in value of interest rate swaps	5,178	-	3,048	-
Subsidiary liquidation	-	-	-	271
Income from cassa sconto	241	204	224	186
Dividend income	1	2	4,889	2,185
Other financial gains	22	4	211	183
Total financial income	**6,628**	**3,125**	**9,416**	**5,013**
Interest expense	(8,508)	(8,833)	(6,348)	(5,034)
Net foreign exchange losses - other	-	-	-	(3)
Net foreign exchange losses from financing activities	(960)	-	(826)	-
Realised net losses from changes in value of interest rate swaps	-	(1,169)	-	(940)
Realised net losses from changes in value of interest rate swaps	-	(1,146)	-	(299)
Net foreign exchange losses from financing activities	(152)	-	(152)	-
Other financial losses	(250)	(11)	(249)	(11)
Total financial expense	**(9,870)**	**(11,159)**	**(7,575)**	**(6,287)**
Financial expense - net	**(3,242)**	**(8,034)**	**1,841**	**(1,274)**

NOTE 12 – INCOME TAX

Income tax comprise:

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Current tax	1	2,878	-	2,872
Deferred tax	5,504	(3,105)	14,811	5,086
Tax (income)/expense	**5,505**	**(227)**	**14,811**	**7,958**

Reconciliation of the effective tax rate:

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Profit/(loss) before tax /i/	27,004	33,882	89,436	33,344
Income tax	4,737	5,969	16,099	6,002
Tax exempt income	(57)	(88)	(915)	(445)
Non-deductible expenses	341	460	175	181
Investment tax credits	(194)	(6,568)	(548)	2,220
Recognition of other deferred tax assets	188	-	-	-
Tax incentives usage for additional income tax	490	-	-	-
Tax (income)/expense	**5,505**	**(227)**	**14,811**	**7,958**
Effective tax rate	**20.39%**	**-**	**16.56%**	**23.86%**

/i/ The gross profit of the Company and the Group less the gross profit of the Subsidiary liable to pay profit tax in Austria.

Croatian tax legislation does not allow tax losses to be transferred among group companies. In accordance with the regulations of the Republic of Croatia, the Tax Authority may at any time inspect the Group Company's books and records within three years following the year in which the tax liability was reported, and may impose additional tax assessments and penalties. The Company has no cash outflows based on tax payments.

Income tax is calculated using the legal income tax rate of 18% in the Republic of Croatia. The Law on Additional Income Tax, which prescribes additional income tax for 2022, has no effect on the increase in the Company's income tax liability, and the Group's tax liability has therefore increased by EUR 490 thousand.

Established branch Valamar Riviera d.d., Zweigniederlassung Austria is an Austrian taxpayer with income tax rate of 25%.

The profit tax supervision for the year 2021 is currently in progress, and at this moment the Company does not expect a negative impact on the financial statements of the Company and the Group.

Incentives in Valamar Riviera d.d.

Pursuant to the Investment Promotion and Investment Environment Improvement Act of 2012 (NN 111/12), the amendment of the 2013 Act (NN 111/12, 28/13) and the Investment Promotion and Investment Environment Improvement Regulation of 2013 (NN 40/13), in 2014, the Company acquired the status of incentive measure for investments holder according to the submitted project at Valamar Isabella Resort and investments in Family Life Bellevue Resort and Valamar Girandella Resort in Rabac for the period from 18 March 2014 until 17 March 2017.

During the period of the holder of incentive measures, the Company realized a total of EUR 19,371 thousand of tax incentives for investments made according to the above mentioned application, which was fully used.

For the received tax incentives the Company disclosed deferred tax asset.

Pursuant to the Investment Promotion Act of 2015 (NN 102/15), amendments to the 2018 Act (NN 102/15, 25/18, 114/18) and the 2020 (NN 102/15, 25/18, 114/18, 32/20), and the Investment Promotion Regulation of 2016 (NN 31/16), the amendment of the 2019 Regulation (NN 31/16, 2/19), the Company has submitted a new project for the reconstruction and repositioning of accommodation properties (Camping Istra 5*, Valamar Collection Marea Suites 5* and Valamar Collection Pinea Resort 5*) for the period from 22 September 2017 and acquired the status of investment incentive holder. The Company concluded its second three-year investment cycle on 21 September 2020.

During the period of the holder of incentive measures, the Company realized a total of EUR 18,507 thousand of tax incentives for investments made according to above mentioned, for witch disclosed deferred tax asset and on December 31, 2023, they are spent entirely.

Incentives in subsidiary Imperial Riviera d.d., Rab

Based on the application to the Ministry of Economy of the Republic of Croatia for a three-year investment cycle 2019-2021, in January 2020 the company Imperial Riviera d.d. received a confirm on the basis of which it is able to use tax incentives in the next ten years in the amount of up to EUR 10,618 thousand. For investments made up to and including December 31, 2023, the Company posted in its books the corresponding tax incentives in the amount of EUR 8,086 thousand, of which a total of EUR 795 thousand was used until 31 December 2023.

Based on the application to the Ministry of Economy of the Republic of Croatia for a three-year investment cycle 2022-2024, the company Imperial Riviera d.d. disclosed in its books deferred tax assets in the name of tax incentives in the amount of EUR 8,838 thousand.

DEFERRED TAX ASSET

GROUP

(in thousands of EUR)	Property, plant and equipment	Financial assets	Trade receivables and inventories	Provisions	Tax losses	Tax incentive for investment	Total
As at 1 January 2022	**4,415**	**249**	**433**	**2,454**	**12,678**	**23,449**	**43,678**
Reclassification	-	-	-	-	1,016	(1,016)	-
Adjustment of deferred tax assets in profit and loss related to inter-group transaction	2,011	-	-	-	823	7,830	10,664
Credited to the income	5	-	-	467	-	548	1,020
Debited to the income	(2,266)	(140)	(2)	(666)	(6,020)	(8,674)	(17,768)
As at 31 December 2022	**4,165**	**109**	**431**	**2,255**	**8,497**	**22,137**	**37,594**
Adjustment of deferred tax assets in profit and loss related to inter-group transaction	-	-	-	-	(192)	(31)	(223)
Credited to the income	6	15	-	254	-	8,838	9,113
Debited to the income	(2)	(12)	(11)	(1,279)	(943)	(4,117)	(6,364)
As at 31 December 2023	**4,169**	**112**	**420**	**1,230**	**7,362**	**26,827**	**40,120**

COMPANY

(in thousands of EUR)	Property, plant and equipment	Financial assets	Trade receivables and inventories	Provisions	Tax losses	Tax incentive for investment	Total
As at 1 January 2022	**2,059**	**384**	**433**	**2,095**	**10,813**	**5,880**	**21,664**
Reclassification	-	-	-	-	(5,469)	5,469	-
Credited to the income	5	-	-	441	-	548	994
Debited to the income	(2,012)	(140)	(2)	(592)	(5,344)	(7,831)	(15,921)
As at 31 December 2022	**52**	**244**	**431**	**1,944**	**-**	**4,066**	**6,737**
Credited to the income	6	15	-	214	-	-	235
Debited to the income	(2)	(147)	(11)	(1,210)	-	(4,066)	(5,436)
As at 31 December 2023	**56**	**112**	**420**	**948**	**-**	**-**	**1,536**

DEFERRED TAX LIABILITY

GROUP

(in thousands of EUR)	Financial assets held for sale	Fair value of land and buildings	Total
As at 1 January 2023	**3**	**6,287**	**6,290**
Debited to the income	-	(578)	(578)
Debited to the other comprehensive income	7	-	7
As at 31 December 2023	**10**	**5,709**	**5,719**

COMPANY

(in thousands of EUR)	Financial assets held for sale	Fair value of land and buildings	Total
As at 1 January 2023	**1**	**1,536**	**1,537**
Debited to the income	-	(115)	(115)
Debited to the other comprehensive income	7	-	7
As at 31 December 2023	**8**	**1,421**	**1,429**

NOTE 13 – EARNINGS/(LOSS) PER SHARE

Basic

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) for the year of the Group by the weighted average number of shares ordinary in issue during the year, 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/Company did not have any convertible instruments and share options outstanding during both years.

GROUP

	2022	2023
Profit/(loss) attributable to equity holders (in thousands of EUR)	19,601	27,028
Weighted average number of shares	121,887,907	122,714,818
Basic/diluted earnings per share (in EUR)	**0.16**	**0.22**

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

GROUP

(in thousands of EUR)	Land	Buildings	Plant and equipment	Furniture, tools and horticulture	Assets under construction	Total
As at 1 January 2022						
Cost	128,998	943,471	151,954	60,295	38,301	1,323,019
Accumulated depreciation and impairment	-	(497,900)	(94,586)	(40,142)	-	(632,628)
Carrying amount	**128,998**	**445,571**	**57,368**	**20,153**	**38,301**	**690,391**
Year ended 31 December 2022						
Opening carrying amount	128,998	445,571	57,368	20,153	38,301	690,391
Transfer within the assets	27	23,264	10,137	4,602	(38,030)	-
Additions	-	-	3	-	39,061	39,064
Disposals and write-offs	(341)	(216)	(122)	(57)	-	(736)
Depreciation	-	(44,241)	(12,724)	(5,516)	-	(62,481)
Carrying amount at year end	**128,684**	**424,378**	**54,662**	**19,182**	**39,332**	**666,238**
As at 31 December 2022						
Cost	128,684	969,770	160,878	62,953	39,332	1,361,617
Accumulated depreciation and impairment	-	(545,392)	(106,216)	(43,771)	-	(695,379)
Carrying amount	**128,684**	**424,378**	**54,662**	**19,182**	**39,332**	**666,238**
Year ended 31 December 2023						
Opening carrying amount	128,684	424,378	54,662	19,182	39,332	666,238
Transfer within the assets	-	30,525	15,849	6,563	(52,937)	-
Additions	-	265	4	-	55,461	55,730
Disposals and write-offs	(34)	(572)	(62)	(78)	-	(746)
Depreciation	-	(44,687)	(12,764)	(5,321)	-	(62,772)
Carrying amount at year end	**128,650**	**409,909**	**57,689**	**20,346**	**41,856**	**658,450**
As at 31 December 2023						
Cost	128,650	994,340	172,961	67,564	41,856	1,405,371
Accumulated depreciation and impairment	-	(584,431)	(115,272)	(47,218)	-	(746,921)
Carrying amount	**128,650**	**409,909**	**57,689**	**20,346**	**41,856**	**658,450**

As at 31 December 2023, the carrying amount of land, buildings and movable assets of the Group pledged as collateral for borrowings amounted to EUR 304,937 thousand (2022: EUR 286,672 thousand).

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT / CONTINUED

COMPANY

(in thousands of EUR)	Land	Buildings	Plant and equipment	Furniture, tools and horticulture	Assets under construction	Total
As at 1 January 2022						
Cost	77,618	785,927	133,745	55,529	35,567	1,088,386
Accumulated depreciation and impairment	-	(442,613)	(86,499)	(39,407)	-	(568,519)
Carrying amount	**77,618**	**343,314**	**47,246**	**16,122**	**35,567**	**519,867**
Year ended 31 December 2022						
Opening carrying amount	77,618	343,314	47,246	16,122	35,567	519,867
Transfer within the assets	-	15,257	5,699	2,986	(23,942)	-
Additions	-	-	3	-	23,059	23,062
Disposals and write-offs	(7,945)	(23,820)	(831)	(445)	(322)	(33,363)
Depreciation	-	(31,121)	(10,108)	(4,337)	-	(45,566)
Carrying amount at year end	**69,673**	**303,630**	**42,009**	**14,326**	**34,362**	**464,000**
As at 31 December 2022						
Cost	69,673	730,874	128,197	53,533	34,362	1,016,639
Accumulated depreciation and impairment	-	(427,244)	(86,188)	(39,207)	-	(552,639)
Carrying amount	**69,673**	**303,630**	**42,009**	**14,326**	**34,362**	**464,000**
Year ended 31 December 2023						
Opening carrying amount	69,673	303,630	42,009	14,326	34,362	464,000
Transfer within the assets	-	13,104	6,353	2,120	(21,577)	-
Additions	-	267	4	-	23,523	23,794
Disposals and write-offs	(34)	(477)	(24)	(6)	-	(541)
Depreciation	-	(30,941)	(9,571)	(3,862)	-	(44,374)
Carrying amount at year end	**69,639**	**285,583**	**38,771**	**12,578**	**36,308**	**442,879**
As at 31 December 2023						
Cost	69,639	742,198	133,735	54,927	36,308	1,036,807
Accumulated depreciation and impairment	-	(456,615)	(94,964)	(42,349)	-	(593,928)
Carrying amount	**69,639**	**285,583**	**38,771**	**12,578**	**36,308**	**442,879**

As at 31 December 2023, the carrying amount of land, buildings and movable assets of the Company pledged as collateral for borrowings amounted to EUR 136,239 thousand (2022: EUR 185,915 thousand).

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT / CONTINUED

Assets under construction of the Group in the amount of EUR 41,855 thousand mainly refer to the investment in hotels and apartments of EUR 37,964 thousand, investment in camping of EUR 2,443 thousand and the reconstruction, extension and adaptation of other buildings of EUR 1,331 thousand.

Out of the Group's total value of equipment, leased equipment under operating leases is as follows:

(in thousands of EUR)	2022	2023
Cost	20,423	24,369
Accumulated depreciation as at 1 January	(14,839)	(18,265)
Depreciation charge for the year	(599)	(672)
Carrying amount	**(4,985)**	**5,432**

The operating lease mostly relates to the lease of hospitality and shops to third parties, and other relates to service activities, sport and recreation and similar. During 2023, the Group realised rental income of EUR 6,685 thousand (2022: EUR 6,459 thousand), where fixed amount is EUR 6,370 thousand (2022: EUR 6,021 thousand), while variable is EUR 316 thousand (2022: EUR 438 thousand). All lease agreements are renewable, usually for period of 1 to 3 years and there is no purchase option. In the contracts, the Group obliges the lessees to submit the subject of the operating lease in the condition in which it was received.

Undiscounted future payments on 31 December 2023:

(in thousands of EUR)	Up to 1 year	More than 1, but less than 5 years	More than 5 years
Company	1,902	1,856	133
Group	2,767	2,145	133

NOTE 15 – INTANGIBLE ASSETS

GROUP

(in thousands of EUR)	**Goodwill /i/**	**Software**	**Total**
As at 1 January 2022			
Cost	872	17,196	18,068
Accumulated amortisation	-	(12,880)	(12,880)
Carrying amount	**872**	**4,316**	**5,188**
Year ended 31 December 2022			
Opening carrying amount	872	4,316	5,188
Additions	-	3,047	3,047
Amortisation	-	(2,844)	(2,844)
Carrying amount at year end	**872**	**4,519**	**5,391**
As at 31 December 2022			
Cost	872	20,130	21,002
Accumulated amortization	-	(15,611)	(15,611)
Carrying amount	**872**	**4,519**	**5,391**
Year ended 31 December 2023			
Opening carrying amount	872	4,519	5,391
Additions	-	3,948	3,948
Disposals and write-offs	-	(2,226)	(2,226)
Carrying amount at year end	**872**	**6,241**	**7,113**
As at 31 December 2023			
Cost	872	24,054	24,926
Accumulated amortisation	-	(17,813)	(17,813)
Carrying amount	**872**	**6,241**	**7,113**

/i/ Impairment tests for goodwill

Goodwill is allocated to the cash-generating unit (CGUs) Camping Brioni, Pula. The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations.

NOTE 15 – INTANGIBLE ASSETS / CONTINUED

COMPANY

(in thousands of EUR)	Goodwill /i/	Software	Total
As at 1 January 2022			
Cost	872	16,915	17,787
Accumulated amortisation	-	(13,189)	(13,189)
Carrying amount	**872**	**3,726**	**4,598**
Year ended 31 December 2022			
Opening carrying amount	872	3,726	4,598
Additions	-	2,903	2,903
Disposals and write-offs	-	(13)	(13)
Amortisation	-	(2,622)	(2,622)
Carrying amount at year end	**872**	**3,994**	**4,866**
As at 31 December 2022			
Cost	872	19,450	20,322
Accumulated amortisation	-	(15,456)	(15,456)
Carrying amount	**872**	**3,994**	**4,866**
Year ended 31 December 2023			
Opening carrying amount	872	3,994	4,866
Additions	-	3,655	3,655
Amortisation	-	(1,956)	(1,956)
Carrying amount at year end	**872**	**5,693**	**6,565**
As at 31 December 2023			
Cost	872	23,103	23,975
Accumulated amortisation	-	(17,410)	(17,410)
Carrying amount	**872**	**5,693**	**6,565**

/i/ Impairment tests for goodwill

Goodwill is allocated to the cash-generating unit (CGUs) Camping Brioni, Pula. The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations.

NOTE 16 – INVESTMENT IN SUBSIDIARIES

COMPANY

(in thousands of EUR)	**2022**	**2023**
At beginning of the year	**124,999**	**124,999**
Subsidiary liquidation	-	(740)
At year end	**124,999**	**124,259**

(in thousands of EUR)	**2022**	**2023**
Magične stijene d.o.o., Dubrovnik	740	-
Bugenvilia d.o.o., Dubrovnik	5,115	5,115
Imperial Riviera d.d., Rab	119,144	119,144
	124,999	**124,259**

The subsidiaries Bugenvilia d.o.o. generate revenue from rent of property to the Company. Subsidiary Imperial Riviera d.d. generate revenues from performing their registered activities, primarily from hospitality activities (services of accommodation, food and drinks in hotels, tourist resorts and campings).

NOTE 17A – INTEREST IN ASSOCIATE HELIOS FAROS D.D.

The Company holds 8,528,796 shares (20%) of shares, i.e. voting rights of the company Helios Faros d.d., acquired in the period from 2019 to 2023 by participating in the investment and recapitalization of the company Helios Faros d.d., in bankruptcy, from 6 May 2019 in partnership with PBZ Croatia osiguranje d.d. za upravljanje obveznim mirovinskim fondovima acting in its own name and on behalf of PBZ Croatia obvezni mirovinski fond kategorije A and PBZ Croatia obvezni mirovinski fond kategorije B from Zagreb, and by participating in the share capital increase according to the decisions of the General Assembly of Helios Faros d.d. from 26 November 2019, from 14 April 2022 and from 12 October 2023. The Company paid in 2022, according to the decision of General Assembly of the company Helios Faros from April 14, 2022, EUR 3,450,793 and in 2023 based on decision made of General Assembly of the company Helios Faros from 12 October 2023, the Company paid EUR 1,608,825. In accordance with IAS 28, the Company has a significant impact since it holds 20% of the voting rights and participates in policy-making, including participation in dividend decisions or other distributions. The data shown below is taken from the unaudited financial statements of the company Helios Faros d.d. on 31 December 2023.

GROUP

(in thousands of EUR)	**2022**	**2023**
At beginning of period at acquisition cost	6,180	9,377
Share increase through capital increase	3,451	1,609
Share in net profit/(loss) at 31 December	(254)	(293)
At end of year on equity basis	**9,377**	**10,693**
Adjustment of share and share in net asset on 31 December		
Net asset at the beginning of the period	29,917	45,901
Capital increase	17,254	8,044
Profit/(loss) before tax	(1,270)	(1,467)
Net asset at the end of the period	**45,901**	**52,478**
Share in net asset at the end of the period (20%)	9,179	10,495
Adjustment for goodwill (20%)	198	198
At the end of the period	**9,377**	**10,693**

NOTE 17A – INTEREST IN ASSOCIATE HELIOS FAROS D.D. / CONTINUED

HELIOS FAROS d.d. 100%

(in thousands of EUR)	31 December 2022	31 December 2023
Assets:		
Non-current assets	45,399	51,697
Current assets	2,656	8,253
	48,055	**59,950**
Liabilities:		
Long-term liabilities	180	4,900
Short-term liabilities	1,974	2,572
	2,154	**7,472**
Net assets	**45,901**	**52,478**
Income	6,980	10,002
Expenses	8,200	11,469
Profit/(loss) before tax	**(1,220)**	**(1,467)**
Income tax	(50)	-
Profit/(loss) after tax	**(1,270)**	**(1,467)**
Share in profit/(loss) by equity method (20%)	**(254)**	**(293)**

NOTE 17B – INTEREST IN ASSOCIATE VALAMAR A GMBH AND VALAMAR OBERTAUERN GMBH

Valamar Obertauern GmbH /i/

(in thousands of EUR)	**31 December 2022**	**31 December 2023**
Share at beginning of period	395	390
Share in net profit/(loss) /ii/	(5)	(27)
At the end of the period	**390**	**363**
Net asset at the end of the period	3,907	3,641
Share in net asset (direct ownership 10%)	391	364
Share in net asset (indirect ownership 24.54% from 90%)	862	804
At the end of the period	**1,253**	**1,168**

Valamar A GmbH /i/

(in thousands of EUR)	**31 December 2022**	**31 December 2023**
Share at beginning of period	3,577	4,806
Capital increase	1,470	982
Share in net profit/(loss) /ii/	(241)	(595)
At the end of the period	**4,806**	**5,193**
Net asset at the end of the period	16,069	17,885
Share in net asset (24.54%)	**3,943**	**4,389**

Valamar Obertauern i Valamar A /i/

(in thousands of EUR)	**31 December 2022**	**31 December 2023**
Share in Valamar A at the end of the period	4,806	5,193
Share in Valamar Obertauern at the end of the period	391	364
At the end of the period	**5,197**	**5,557**
Share in net asset Valamar A 24.54%	3,943	4,389
Share in net asset Valamar Obertauern (direct and indirect) /i/	1,254	1,168
At the end of the period	**5,197**	**5,557**

/i/ Explained detailed in Note 1 – *General information*.

/ii/ The share in the result consists of the share in the result of Valamar Obertauern GmbH (reduced by 10% for minority interest) and in the result of Valamar A GmbH. Associated Austrian companies are not subject to audit. The business year of mentioned companies lasts from 1.11. – 31.10., but for the purposes of financial reporting, it was adjusted to the duration of the Group's business year.

NOTE 17B – INTEREST IN ASSOCIATE VALAMAR A GMBH AND VALAMAR OBERTAUERN GMBH / CONTINUED

	Valamar Obertauern GmbH	Valamar A GmbH	Valamar Obertauern GmbH	Valamar A GmbH
(in thousands of EUR)	**31 December 2022**	**31 December 2022**	**31 December 2023**	**31 December 2023**
Assets:				
Non-current assets	11,639	39,877	12,268	49,449
Current assets	1,513	2,567	643	2,741
	13,152	**42,444**	**12,911**	**52,190**
Liabilities:				
Long-term liabilities	7,798	24,128	7,577	31,624
Short-term liabilities	1,447	2,247	1,693	2,681
	9,245	**26,375**	**9,270**	**34,305**
Net assets	**3,907**	**16,069**	**3,641**	**17,885**
Income	3,067	2,024	3,627	5,266
Expenses	(3,146)	(2,931)	(3,935)	(7,425)
Profit/(loss) before tax	**(79)**	**(907)**	**(308)**	**(2,159)**
Income tax	31	(28)	41	(24)
Profit/(loss) after tax	**(48)**	**(935)**	**(267)**	**(2,183)**
Minority interest 10%	(5)	-	(27)	-
Profit/(loss) after tax which belongs to Valamar A	**(43)**	**(935)**	**(240)**	**(2,183)**
Share in profit/(loss) in Valamar A by equity method (24.54%) /i/	**(10)**	**(229)**	**(59)**	**(536)**

/i/ The share in the result consists of the share in the result of Valamar Obertauern GmbH (reduced by 10% for minority interest) and the result of Valamar A GmbH. Associated Austrian companies are not subject to audit. The business year of mentioned companies lasts from 1.11. – 31.10., but for the purposes of financial reporting, it was adjusted to the duration of the Group's business year.

NOTE 18 – FINANCIAL INSTRUMENTS BY CATEGORY

GROUP

(in thousands of EUR)	**Cash, loans and receivables**	**Financial assets**	**Financial assets through comprehensive income**	**Total**
31 December 2022				
Assets at the reporting date				
Financial assets not measured at fair value				
Trade receivables	3,937	-	-	3,937
Loans and deposits	17,805	-	-	17,805
Cash and cash equivalents	89,300	-	-	89,300
Financial assets measured at fair value				
Financial assets	-	48	-	48
Derivative financial instruments	**-**	-	4,597	4,597
Total	**111,042**	**48**	**4,597**	**115,687**

(in thousands of EUR)	**Cash, loans and receivables**	**Financial assets**	**Financial assets through comprehensive income**	**Total**
31 December 2023				
Assets at the reporting date				
Financial assets not measured at fair value				
Trade receivables	5,290	-	-	5,290
Loans and deposits	25,421	-	-	25,421
Cash and cash equivalents	55,185	-	-	55,185
Financial assets measured at fair value				
Financial assets	-	158	-	158
Derivative financial instruments	**-**	-	2,282	2,282
Total	**85,896**	**158**	**2,282**	**88,336**

The above-mentioned amounts of financial assets represent the Group's maximum exposure to credit risk at the reporting date. The carrying values approximate their fair value due to their short-term maturity.

NOTE 18 – FINANCIAL INSTRUMENTS BY CATEGORY / CONTINUED

COMPANY

(in thousands of EUR)	Cash, loans and receivables	Financial assets	Financial assets through comprehensive income	Total
31 December 2022				
Assets at the reporting date				
Financial assets not measured at fair value				
Trade receivables	5,110	-	-	5,110
Loans and deposits	1,005	-	-	1,005
Cash and cash equivalents	59,268	-	-	59,268
Financial assets measured at fair value				
Financial assets	-	44	-	44
Derivative financial instruments	-	-	2,467	2,467
Total	**65,383**	**44**	**2,467**	**67,894**

(in thousands of EUR)	Cash, loans and receivables	Financial assets	Financial assets through comprehensive income	Total
31 December 2023				
Assets at the reporting date				
Financial assets not measured at fair value				
Trade receivables	6,477	-	-	6,477
Loans and deposits	1,421	-	-	1,421
Cash and cash equivalents	46,287	-	-	46,287
Financial assets measured at fair value				
Financial assets	-	154	-	154
Derivative financial instruments	-	-	1,227	1,227
Total	**54,185**	**154**	**1,227**	**55,566**

NOTE 18 – FINANCIAL INSTRUMENTS BY CATEGORY / CONTINUED

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Liabilities at reporting date				
Financial liabilities – at amortised cost:				
Trade and other payables	18,836	35,153	15,771	30,242
Borrowings	345,665	294,139	235,535	184,654
	364,501	**329,292**	**251,306**	**214,896**

NOTE 19 – LOANS AND DEPOSITS

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Deposits given to financial institutions	17,349	17,785	549	584
Deposits given to non financial institutions	448	7,631	448	831
Total deposits	**17,797**	**25,416**	**997**	**1,415**
Loans	8	6	8	6
Total loans and deposits	**17,805**	**25,422**	**1,005**	**1,421**
Non-current part	971	1,386	971	1,386
Current portion	16,834	24,036	34	35

The fair value of the Company's long-term deposits given to non financial institutions is calculated based on the discounted cash flow by applying the interest rate on the bonds of the Republic of Croatia in the range of 3.17% - 3.24% depending on the maturity of the deposit. The carrying amounts of other loans and deposits approximate their fair value.

NOTE 20 – INVENTORIES

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Raw materials and supplies	4,105	5,546	3,283	4,510
Trade goods, small inventory and packaging material	1,393	1,841	1,009	1,436
	5,498	**7,387**	**4,292**	**5,946**

NOTE 21 – TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Domestic receivables	2,485	2,636	2,002	2,074
Foreign receivables	398	180	118	118
Related parties receivables	1,065	1,374	3,155	3,714
Provision for impairment of trade receivables	(575)	(380)	(486)	(282)
Trade receivables – net	3,373	3,810	4,789	5,624
Accrued income	560	958	318	552
Interest receivables	4	523	4	301
Total trade receivables	**3,937**	**5,291**	**5,111**	**6,477**
Prepaid expenses and accrued income /i/	1,738	2,231	1,846	1,706
VAT receivable	879	1,760	192	828
Advances to suppliers	173	89	12	24
Receivables from employees	47	109	39	89
Receivables from state institutions	124	183	79	66
Other receivables	174	302	140	273
Total other receivables	**3,135**	**4,674**	**2,308**	**2,986**
Total trade and other receivables	**7,072**	**9,965**	**7,419**	**9,463**

/i/ The Company calculated loan fees in the amount of EUR 710 thousand (2022: EUR 843 thousand) and the Group in the amount of EUR 946 thousand (2022: EUR 1,100 thousand).

NOTE 21 – TRADE AND OTHER RECEIVABLES / CONTINUED

Movement of provisions for impairment of trade and other receivables:

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
At 1 January	**865**	**575**	**779**	**486**
Increase of impairment	44	52	38	37
Collected receivables	(313)	(167)	(309)	(165)
Receivables written-off	(21)	(80)	(22)	(76)
At 31 December	**575**	**380**	**486**	**282**

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Trade receivables:				
Neither past due nor impaired	2,737	3,547	4,288	5,131
Past due, but not impaired	636	263	501	493
	3,373	**3,810**	**4,789**	**5,624**

As at 31 December 2023, the maturities of the trade receivables, which are past due, but not impaired are as follows:

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Up to one month	190	178	336	181
One to two months	213	40	102	15
Two to three months	108	21	35	3
Over three months up to 1 year	125	24	28	294
	636	**263**	**501**	**493**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group holds advances, bank guarantees and promissory notes, and periodically mortgage as collection security. The carrying amounts of trade and other receivables approximate their fair value since they are short-term.

NOTE 22 – DERIVATIVE FINANCIAL INSTRUMENTS

Receivables by derivative financial instruments:

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Fair value of interest rate swap	**4,596**	**2,281**	**2,467**	**1,228**
Non-current portion	3,549	675	1,527	442
Current portion	1,047	1,606	940	786

Interest rate swaps

As at 31 December 2023, the contracted value of outstanding interest rate swaps for the Company amounts to EUR 32,686 thousand (2022: EUR 44,265 thousand), and for the Group amounts to EUR 82,686 thousand (2022: EUR 96,487 thousand).

As at 31 December 2023, the weighted average fixed interest rate from the interest rate swap contract is 0.51% for the Company, while the variable interest rate (EURIBOR) is 3.91%. As at 31 December 2023, the weighted average base interest rate fixed by the interest rate swap contract for a loan in EUR 1.16% for the Group, while the base variable interest rate (EURIBOR) is 3.91% the Group. Fair value gains and losses on interest rate swaps are recognised directly in the Statement of comprehensive income within the finance costs until the repayment of borrowings with a final maturity as at 29 March 2030.

NOTE 23 – CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Giro-accounts and current accounts	68,958	1,052	39,021	496
Cash in hand	19	4	-	-
Foreign currency accounts	323	311	247	143
Time deposits up to three month	20,000	53,818	20,000	45,648
	89,300	**55,185**	**59,268**	**46,287**

The interest rate on cash and cash equivalents is up to 3.85% (2022: up to 1.5%).

NOTE 24 – SHARE CAPITAL

The authorised and registered share capital of the Company in 2023 amounts to EUR 221,915 thousand (2022: EUR 221,915 thousand) and comprises 126,027,542 ordinary shares (2022: 126,027,542) with no prescribed nominal value. All the shares are fully paid.

The ownership structure as at 31 December is as follows:

2022	Number of shares	%
Goldscheider Keramik Gesellschaft M.B.H., Vienna	25,017,698	19.85
Wurmbock Beteiligungs GMBH, Vienna	25,017,698	19.85
Satis d.o.o., Zagreb	6,610,048	5.24
Raiffeisenbank Austria d.d./Zbirni skrbnički račun – za SF/Skrbnik, Zagreb	5,593,000	4.44
OTP Banka d.d./AZ OMF kategorije B/Skrbnik, Split	2,895,219	2.30
Enitor d.o.o., Zagreb	2,720,950	2.16
CERP, Zagreb	2,108,421	1.67
Privredna banka Zagreb d.d./Skrbnički zbirni račun klijenta/Skrbnik, Zagreb	1,643,519	1.30
OTP Banka d.d./Erste plavi OMF kategorije B /Skrbnik, Split	1,519,010	1.21
HPB d.d./Kapitalni fond d.d./Skrbnik, Zagreb	1,419,657	1.13
Treasury shares	4,139,635	3.28
Other shareholders - free float	47,342,687	37.57
Total	**126,027,542**	**100.00**

2023	Number of shares	%
Wurmbock Beteiligungs GMBH, Vienna	25,040,000	19.87
Goldscheider Keramik Gesellschaft M.B.H., Vienna	25,017,698	19.85
Satis d.o.o., Zagreb	6,610,048	5.24
Raiffeisenbank Austria d.d./Zbirni skrbnički račun – za SF/Skrbnik, Zagreb	5,634,079	4.47
OTP Banka d.d./AZ OMF kategorije B/Skrbnik, Split	3,424,992	2.72
Enitor d.o.o., Zagreb	2,720,950	2.16
Privredna banka Zagreb d.d./Skrbnički zbirni račun klijenta/Skrbnik, Zagreb	2,155,127	1.71
CERP, Zagreb	1,887,616	1.50
OTP Banka d.d./Erste plavi OMF kategorije B /Skrbnik, Split	1,519,010	1.21
HPB d.d./Kapitalni fond d.d./Skrbnik, Zagreb	1,419,657	1.13
Treasury shares	3,417,022	2.71
Other shareholders - free float	47,181,343	37.44
Total	**126,027,542**	**100.00**

NOTE 24 – SHARE CAPITAL / CONTINUED

According to the regulations of the Law on the Introduction of the euro as a official currency in Republic of Croatia and the new Act on Amendments of the Companies Act, and based on the decision of the General Assembly on the adjustment of the share capital on 24 April 2023, the share capital of the Company, with the application of the fixed exchange conversion rate from kuna to euro is recalculated in euro and reduced for the amount of 0.72 euro in measure needed for the adjustment with the relevant regulations in a simplified manner, in favor of capital reserves.

As previously reported, based on the decision adopted by the Company's General Assembly held on 24 July 2013, the registered capital was increased by a conversion of the reinvested profit of the year 2012 by EUR 6,928 thousand. The distribution of the reinvested profit of EUR 6,928 thousand in future periods may result in tax obligations given it is based on a tax incentive.

The Company acquired and released treasury shares during 2023. The Company acquired 415,980 shares which represents 0.33% of share capital in the total amount of EUR 1,772 thousand and released 1,138,593 of treasury shares which represents 0.9% of share capital, all for the purpose of paying the rewards to employees which were making a team for the economic recovery of the Company and Companies of Valamar Group in a three year crisis period from 2020 till 2022, all in accordance with the regulations of the Directive for rewarding with shares of the Company – Recovery & Development Program. As at 31 December 2023, the Company owned 3,417,022 of their treasury shares (2022: 4,139,635), which represents 2.71% (2022: 3.28%) of the Company's registered capital.

NOTE 25 – RESERVES AND RETAINED EARNINGS

a) Capital reserves

As at 31 December 2023, the capital reserves of the Group amounted to EUR 1,218 thousand (2022: EUR 693 thousand). As at 31 December 2023, the capital reserves of the Company amounted to EUR 1,283 thousand (2022: EUR 758 thousand).

b) Reserves and retained earnings

GROUP

(in thousands of EUR)	**2022**	**2023**
Legal reserves	11,096	11,096
Fair value reserves	8	40
Other reserves	26,847	22,123
Retained earnings	62,631	65,618
	100,582	**98,877**
Changes in reserves:		
Legal reserves		
At beginning of the year	11,096	11,096
At year end	**11,096**	**11,096**
Fair value reserves		
At beginning of the year	11	8
Change in fair value financial assets	(3)	32
At year end	**8**	**40**
Other reserves		
At beginning of the year	21,733	26,847
Reserves for payments with equity instruments /i/	5,114	(4,724)
At year end	**26,847**	**22,123**
Retained earnings		
At beginning of the year	62,079	62,631
Result for the year	19,601	27,028
Return of uncollected dividend from retained earnings	364	337
Dividends	(19,413)	(24,378)
At year end	**62,631**	**65,618**

/i/ Explained in Note 2.20 – *Employee benefits - (e) Employee benefits in the form of own shares.*

NOTE 25 – RESERVES AND RETAINED EARNINGS / CONTINUED

b) Reserves and retained earnings / CONTINUED

COMPANY

(in thousands of EUR)	**2022**	**2023**
Legal reserves	11,096	11,096
Fair value reserve	8	40
Other reserves	28,386	23,662
Retained earnings	162,466	163,370
	201,956	**198,168**
Changes in reserves:		
Legal reserves		
At beginning of the year	11,096	11,096
At year end	**11,096**	**11,096**
Fair value reserves		
At beginning of the year	11	8
Change in fair value financial assets	(3)	32
At year end	**8**	**40**
Other reserves		
At beginning of the year	14,049	28,386
Transfer to other reserves /i/	9,223	-
Reserves for payments with equity instruments /ii/	5,114	(4,724)
At year end	**28,386**	**23,662**
Retained earnings		
At beginning of the year	116,322	162,466
Result for the year	74,416	24,945
Transfer to other reserves /i/	(9,223)	-
Return of uncollected dividend from retained earnings	364	337
Dividends	(19,413)	(24,378)
At year end	**162,466**	**163,370**

/i/ Loss coverage from merger of subsidiary.
/ii/ Explained in Note 2.20 – *Employee benefits - (e) Employee benefits in the form of own shares*.

NOTE 25 – RESERVES AND RETAINED EARNINGS / CONTINUED

Legal reserves

The legal reserve is required under Croatian law and shall be built up at a minimum of 5% of the profit for the year until the total legal reserve together with capital reserves reach 5% of the Company's share capital. As at 31 December 2023, the legal reserves of the Group and the Company amounted to EUR 11,096 thousand or 5% of the share capital (2022: EUR 11,096 thousand or 5% of the share capital). This reserve is not distributable.

Other reserves

As at December 31, 2023, the Group's other reserves amounted to EUR 22,124 thousand, which comprise reserves for treasury shares in the amount of EUR 18,158 thousand, other reserves in the amount of EUR 391 thousand as a result of the recognition of the salary costs for payments based on shares in principal instruments, and the remaining amount consists of the effects of consolidation.

As at 31 December 2023, the Company's other reserves amounted to EUR 23,661 thousand, which comprise the reserves for treasury shares in the amount of EUR 18,158 thousand, other reserves in the amount of EUR 391 thousand as a result of the recognition of the salary costs for payments based on shares in principal instruments, and other reserves in the amount of EUR 5,112 thousand from mergers of subsidiaries.

The Company, according to the decision of the General Assembly, acquires its own shares for which it creates reserves in accordance with the regulations. Reserves for shares owned as at December 31, 2023 amount to EUR 18,158 thousand.

According to the decision of the General Assembly of 23 April 2023, the Company paid a dividend in the amount of EUR 0.20 per share, in the total amount of EUR 24,378 thousand.

Fair value reserves

As at 31 December 2023, the fair value reserves of the Company and the Group amounted to EUR 40 thousand. These reserves are not distributable and relate to the fair value of financial assets.

NOTE 26 – BORROWINGS

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Bank borrowings				
Current	69,136	49,938	51,123	33,002
Non-current	276,529	244,201	184,412	151,653
Total borrowings	**345,665**	**294,139**	**235,535**	**184,655**

Non-current bank borrowings are secured with a pledge over Group's property facilities and movable property with a net book value of EUR 304,937 thousand (2022: EUR 286,672 thousand) (Note 14 – *Property, plant and equipment*).

Non-current bank borrowings are secured with a pledge over Company's property facilities and movable property with a net book value of EUR 136,239 thousand (2022: EUR 185,915 thousand) (Note 14 – *Property, plant and equipment*).

As at 31 December 2023, the Company had unused lines of credit contracted with financial institutions for 2023 in the total amount of EUR 29,000 thousand, and the Group in the total amount of EUR 36,795 thousand.

NOTE 26 – BORROWINGS / CONTINUED

The carrying amount of borrowings is denominated in EUR. Effective interest rates at the reporting date were as follows:

GROUP

	2022		2023	
Borrowings:	*(in thousands of EUR)*	**%**	*(in thousands of EUR)*	**%**
EUR	345,665	0.71% - 7.13%	294,139	0% - 5.21%

COMPANY

	2022		2023	
Borrowings:	*(in thousands of EUR)*	**%**	*(in thousands of EUR)*	**%**
EUR	235,535	1% - 7.13%	184,655	1% - 3%

The highest interest rate for loans of the Company in 2023 is 3%. The highest interest rate for loans of the Group in 2023 is 5.21% and is based on the loan which will be protected with interest rate swap (IRS) from March 2024, after which the hedge interest rate for the specific loan will be 2.12%.

NOTE 26 – BORROWINGS / CONTINUED

Maturities of non-current borrowings are as follows:

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
1-3 years	97,444	87,621	68,000	53,455
3-6 years	97,690	99,267	55,730	52,050
Over 6 years	81,395	57,313	60,682	46,148
	276,529	**244,201**	**184,412**	**151,653**

The carrying amounts and fair value of non-current borrowings are as follows:

	Carrying amounts		Fair value	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Group	276,529	244,201	244,997	215,280
Company	184,412	151,653	162,671	135,798

The fair value is based on discounted cash flows discounted using a rate based on the weighted average interest rate on Group's borrowings of 2.69% (2022: 2.39%). The carrying amounts of current portion of non-current borrowings approximate their fair value due to short term maturity.

NOTE 27 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company and the Group have leases for properties, motor vehicles and land used for their business within the scope of IFRS 16 Leases. The lease term for most contracts is between 3 and 5 years, with the exception of several leases with a tenancy of more than 10 years. The Company and the Group have a restriction regarding the lease of certain lease subjects to sublease them.

Recognised right-of-use assets and the movements during the period:

GROUP

(in thousands of EUR)	**Property**	**Land**	**Motor vehicles**	**Total**
As at January 2022	**794**	**1,192**	**222**	**2,208**
Additions	1,526	408	91	2,025
Depreciation	(230)	(340)	(123)	(693)
As at 31 December 2022	**2,090**	**1,260**	**190**	**3,540**
Additions	451	284	-	735
Depreciation	(304)	(347)	(92)	(743)
As at 31 December 2023	**2,237**	**1,197**	**98**	**3,532**

COMPANY

(in thousands of EUR)	**Property**	**Land**	**Motor vehicles**	**Total**
As at January 2022	**893**	**1,136**	**210**	**2,239**
Additions	1,591	415	91	2,097
Depreciation	(292)	(394)	(119)	(805)
As at 31 December 2022	**2,192**	**1,157**	**182**	**3,531**
Additions	506	235	-	741
Depreciation	(384)	(386)	(87)	(857)
As at 31 December 2023	**2,314**	**1,006**	**95**	**3,415**

NOTE 27 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES / CONTINUED

Lease liabilities and the movements during the period:

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
As at 1 January	**1,852**	**3,024**	**1,881**	**3,026**
Additions	1,710	720	1,784	728
Accretion of interest	74	104	78	103
Payments	(613)	(704)	(717)	(821)
As at 31 December	**3,023**	**3,144**	**3,026**	**3,036**
Current assets	571	593	671	657
Non-current assets	2,452	2,551	2,355	2,379

Leases in profit and loss:

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Depreciation expense of right-of use assets	693	755	804	858
Interest expense on lease liabilities	74	104	78	103
Expense relating to short-term leases	17	8	17	8
Variable lease payments	276	21	276	21
Total	**1,060**	**888**	**1,175**	**990**

Depreciation expense of right-of-use assets are included in Depreciation and amortization within the *Statement of comprehensive income*, while the Interest expense on lease liabilities is included in Note 11 – *Finance income/(expense) - net - item Interest expense*. Expense relating to short-term leases are included in Note 7 – *Cost of materials and services* – item *Rent*. Variable lease payments are included in Note 7 – *Cost of materials and services* – item *Rent*.

NOTE 27 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES / CONTINUED

In 2023 total cash outflows for amounted to EUR 850 thousand (2022: EUR 1,010 thousand) for the Company and EUR 733 thousand (2022: EUR 906 thousand) for the Group (including cash outflows for short-term leases and variable lease payments).

Undiscounted future cash outflows for the leases on 31 December 2023 to which the Company and the Group are potentially exposed that are not reflected in the measurement of lease liabilities (not included in calculation of the assets and liabilities present value):

(in thousands of EUR)	GROUP	COMPANY
Extension – not certain	394	311
Leases not yet commenced to which the lessee is committed	1	1

NOTE 28 – TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Trade payables	10,556	16,908	7,760	13,326
Trade payables – related parties	13	48	42	90
Interest payable	309	-	293	-
Tourist land rental fee /i/	7,959	18,197	7,677	16,827
	18,837	35,153	15,772	30,243
Minus: non-current part /i/	(7,959)	(12,237)	(7,677)	(11,410)
Current part	**10,878**	**22,916**	**8,095**	**18,833**
Liabilities for dividend	50	49	-	-
Liabilities to employees	4,239	4,790	3,444	3,835
Liabilities for calculated vacation and redistribution hours	2,545	3,054	1,999	2,387
Liabilities for taxes and contributions and similar charges	1,770	1,748	1,396	1,361
Accrued VAT liabilities in unrealized income	75	121	38	73
Advances received	4,531	6,574	3,848	5,061
Liabilities for calculated costs	5,004	5,827	4,324	5,116
Liabilities for calculated tax - rewarding in shares	1,411	123	1,231	112
Other liabilities	1,549	1,887	1,023	1,239
Other current liabilities	**32,052**	**47,089**	**25,398**	**38,017**
Total trade payables and other liabilities	**40,011**	**59,326**	**33,075**	**49,427**

/i/ Separated long-term obligation part for a concession fee for tourist land.

NOTE 29 – PROVISIONS AND OTHER ACCRUED EXPENSES

GROUP

(in thousands of EUR)	Termination benefits and jubilee awards	Legal proceedings	Bonuses	Other provisions /i/	Total
As at 1 January 2023	**3,594**	**6,667**	**-**	**5,676**	**15,937**
Additional provisions	1,380	263	5,756	-	7,399
Used during year	(95)	(273)	-	(24)	(392)
Reversed during year	(623)	(2,555)	-	(5,581)	(8,759)
As at 31 December 2023	**4,256**	**4,102**	**5,756**	**71**	**14,185**
2023					
Current part	99	-	5,756	-	**5,855**
Non-current part	4,157	4,102	-	71	**8,330**

COMPANY

(in thousands of EUR)	Termination benefits and jubilee awards	Legal proceedings	Bonuses	Other provisions /i/	Total
As at 1 January 2023	**2,867**	**3,811**	**-**	**5,272**	**11,950**
Additional provisions	1,102	227	4,986	-	6,315
Used during year	-	(190)	-	-	(190)
Reversed during year	(623)	(905)	-	(5,272)	(6,800)
As at 31 December 2023	**3,346**	**2,943**	**4,986**	**-**	**11,275**
2023					
Current part	4	-	4,986	-	**4,990**
Non-current part	3,342	2,943	-	-	**6,285**

/i/ Other provisions for the Group and the Company mostly relate to the lease of tourist land explained in the Note 4 – *Critical accounting estimates*.

Legal cases of the Company

Provisions for litigation mostly relate to:

1. Real estate in Dubrovnik in the amount of EUR 2,268 thousand, as follows:
   a) on the sold construction land from 1996 with a total area of 10,441 m^2 which was not included in the estimated value during the transformation and privatization of the company Dubrovnik - Babin kuk d.d. Due to the impossibility of registering ownership, some buyers filed a lawsuit with the Municipal Court in Dubrovnik with a request to terminate the sales contract, so a provision was made for future payments according to the sale prices of land from sales contracts and interest;
   b) a dispute over damages in the name of sold business premises in Dubrovnik from 1999 for which the buyer/plaintiff is still not registered in the land register.

2. Real estate on the island of Krk in the amount of EUR 151 thousand, as follows:
   a) to the property-legal claims regarding the real estate in the Bunculuka camp in Baška, and
   b) to the property-legal request from the Company for resolving land status of the administrative building of the Krk Branch.

Legal cases of the Group

Legal cases of the Group include Company's land ownership disputes and legal proceedings of Imperial Riviera d.d.

The increase in the Group's legal cases provision during 2023 is the result of additional provisions made on the basis of legal advisors, Management Board and legal affairs department estimations regarding the land ownership disputes and outcomes of ongoing legal cases.

NOTE 30 – CONSOLIDATED SUBSIDIARIES

		OWNERSHIP AT 31 DECEMBER	
	Country	**2022**	**2023**
Magične stijene d.o.o.	Croatia	100.00%	-
Bugenvilia d.o.o.	Croatia	100.00%	100.00%
Imperial Riviera d.d.	Croatia	46.27%	46.27%

NOTE 31 – CONTINGENCIES AND COMMITMENTS

Legal proceedings

In the ordinary course of business, the Company is plaintiff and defendant in various legal actions. In the financial statements for the year ended on 31 December 2023, provisions for certain legal proceedings have been made for which the Company anticipates outflows of EUR 2,943 thousand. The Company and the Group do not anticipate other contingent liabilities based on legal disputes.

Transformation and privatisation audit and land ownership

A transformation and privatisation audit were carried out for the Company during 2002 and 2003, with a separate audit for Riviera Poreč d.d. (formerly Riviera Holding d.d., Riviera Adria d.d., now Valamar Riviera d.d.) and for companies merged into Valamar Riviera d.d.: Rabac d.d., Zlatni Otok d.d. and Dubrovnik Babin kuk d.d. The reports claim that the transformation and privatisation process had not been performed entirely in accordance with legal regulations, primarily in relation to properties that are not appraised in the Company's equity, but are owned by the Company and are partly recorded in the land records, as well as properties that are reported in the Company's equity, but have not yet been recorded in the land registry. The Company, as well as its legal predecessors, submitted timely objections to the transformation and privatisation audit reports to the State Audit Office, but at the date of issue of these financial statements, they had not received any response from the State Audit Office with respect to the objection of the Company and/or the legal predecessors of the Company.

The outcome of these proceedings is not expected to have a significant impact on the financial position or results of the Company or the Group.

To protect their interests, the Company is conducting a number of legal and/or administrative procedures, which primarily refer to land excluded from the valuation in the process of transformation and privatisation, but partially registered by the Company and to a portion on which catering and other facilities have been built or are in function (in the Lanterna and Solaris resorts and the Lanterna, Solaris and Istra camping grounds) as well as procedures in relation to land in Dubrovnik, which was appraised, but not registered, and land which has been sold, but was not appraised. The outcome and the result of the legal and other proceedings cannot be predicted with any degree of certainty, but a resolution was expected in accordance with the Act on Tourist and Other Construction Land not Appraised in Transformation and Privatisation Processes ("the ZOTZ"), and in relation to land in the area of Dubrovnik, through settlement. On 1 August 2010, the ZOTZ entered into force, on the basis of the provisions of which the ownership and co-ownership over land not appraised in the transformation and privatisation processes should have been finally be determined, and in the spirit of the provisions of which all disputes that were ongoing in relation to unappraised tourist land, primarily the land in the area of Poreč, Rabac and Krk, should have been resolved. The Company initiated procedures in accordance with the provisions of the ZOTZ within the prescribed period, through submission of a request on 31 January 2011 for concessions on tourist land in camping grounds and tourist land in tourist resorts, as well as requests for verification of plots/land ground-plan surface area of appraised buildings (hotels, apartments and other appraised buildings) and other prescribed requests. The ownership and/or co-ownership by the Company of the portion of land not appraised in the transformation and privatisation procedures should have been determined by the outcome of these procedures. With the Act on unappraised land ("the ZNGZ") entered into force on 2 May 2020, the procedures for obtaining a concession initiated under the provisions of the ZOTZ have been suspended and further assessment of the court and administrative proceedings related to unappraised land can be predicted only after resolving property relations ad determining the actual owners of tourist land, according to provisions of the ZNGZ.

The outcome of these procedures is not expected to have a significant impact on the financial statements or results of the Company or the Group.

The Company is a defendant in two legal proceedings, from which potentially significant financial obligations for the Company may arise. The first lawsuit from 2010 is related to the payment of an amount for work on the Company's hotel during its reconstruction and extension. In 2013, the Commercial Court issued a verdict rejecting the plaintiff's claims in their entirety. In 2020, the High Commercial Court of the Republic of Croatia annulled the first-instance verdict and the case was sent back for retrial. In the repeated proceedings, the Commercial Court, with its judgment from May 2023, accepted the claim for the most part, and the Company is charged with the payment of the principal in the amount of EUR 2,265 thousand and litigation costs in the amount of EUR 703 thousand and the corresponding statutory default interest.

The appellate procedure for the Company's appeal at the High Commercial Court is ongoing. The second lawsuit from 2012 also refers to the payment of an amount for the works on the Company's hotel. The first-instance verdict of the Commercial Court from 2015, confirmed in the second instance by the High Commercial Court in 2019, rejected the plaintiff's claim, but the Supreme Court of the Republic of Croatia on July 4, 2023, annulled the verdicts of the Commercial Court and the High Commercial Court and case sent back for retrial. In February 2024, the Commercial Court in Dubrovnik issued a first-instance verdict in favor of the Company in the repeated proceedings. Based on the claims from the lawsuit, the principal in this case amounts to EUR 1,499 thousand. Until now, the Company has not posted a provisoion in its business books for both of these cases, as it assesses the low probability of losing them.

The inspection procedure by the Ministry of the Sea, Transport and Infrastructure is ongoing due to the doubt that the Company, in the period from 2011 to August 31, 2023, used the maritime asset economically, built and restricted the general use of the maritime asset in Camping Ježevac without a legal basis. From the mentioned procedure, it is expected that further administrative procedures will be initiated by the Ministry of Finance against the Company, in order to collect the concession fee and return the realized benefit. At the beginning of February 2024, a notification about tax supervision was delivered by the Ministry of Finance, which begins on February 27, 2024. The Company did not posted a provision in its business books because, based on the facts and allegations presented so far, it is not possible to assess the eventual degree of responsibility of the Company that will continue to actively participate in the initiated procedure.

Capital commitments

The contracted capital commitments of the Company in respect to investments in tourism facilities at 31 December 2023 amount to EUR 73,743 thousand (2022: EUR 73,903 thousand). The contracted capital commitments of the Group in respect to investments in tourism facilities at 31 December 2023 amount to EUR 84,299 thousand (2022: EUR 88,870 thousand).

The company is the guarantor of the loan related-party Valamar Obertauern GmbH. The estimated maximum amount of the guarantee that can be realized is EUR 5,783 thousand. The loan of the related-party is secured by mortgages on the real estate of Valamar Obertauern GmbH. The Company estimates the very low probability of incurring an actual obligation under the guarantee.

The Company is the guarantor of the loan of related-party Imperial Riviera d.d. in the amount EUR 51,111 thousand, and to secure the claim a pledge over Imperial Riviera’s property facilities was established in the amount of the claim. The Company estimates the very low probability of incurring an actual obligation under the guarantee.

NOTE 32 – CASH GENERATED FROM OPERATIONS

Adjustment of profit with cash generated from operations:

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Profit/(loss) before taxation	26,793	33,441	89,227	32,903
Adjustment for:				
Depreciation and amortisation	66,055	65,778	49,030	47,224
Net gains on sale of property, plant and equipment and intangible assets	(2,097)	(118)	(63,761)	(90)
Write-off of property, plant and equipment	500	1,078	232	825
Provision for impairment of trade and other receivables - net	(269)	(115)	(271)	(128)
Finance costs - net	9,456	6,453	2,275	1,198
Fair value gains/(loss) from financial instruments - net and financial assets	(5,223)	1,794	(3,094)	718
Share in net profit/(loss) of associates	487	927	-	-
Subsidiary liquidation effect	-	-	-	(271)
Reserves for payments with equity instruments	5,114	343	5,114	343
Increase in provisions - net	1,480	(6,410)	1,514	(5,627)
Changes in:				
- Trade and other receivables	835	(2,873)	1,768	(2,110)
- Inventories	(2,006)	(1,888)	(1,157)	(1,653)
- Trade and other payables	2,504	23,221	457	21,576
Cash generated from operations	**103,629**	**121,631**	**81,334**	**94,908**

NOTE 33 – RELATED PARTY TRANSACTIONS

Related parties are those companies, which have the power to exercise control over the other party or are under common control or which have a significant influence on the other party in doing business or making financial decisions or is directly or indirectly involved in the management or supervision.

The related parties in the Valamar Group in 2022 and 2023 are: Epic Goldscheider & Wurmböck Unternehmensberatungsgesellschaft m.b.H, Vienna, Wurmböck Beteiligungs GmbH, Vienna, Bugenvilia d.o.o., Dubrovnik, Satis d.o.o., Zagreb, Casatis d.o.o., Zagreb, Eladco Invest GmbH, Kraubath an der Mur (Austria), I.Q.M. d.o.o., Poreč, Magične stijene d.o.o. (until 3 August 2023 when the decision of the Commercial court in Dubrovnik on the registration of deletion of the entity Magične stijene d.o.o. became final), Dubrovnik, Imperial Riviera d.d., Rab, with subsidiary Praona d.o.o., Makarska, Valamar A GmbH, Tamsweg/Vienna with subsidiaries Kesselspitze GmbH, Obertauern, Kesselspitze GmbH & Co KG, Obertauern, WBVR Beteiligungs GmbH, Vienna, Valamar Marietta GmbH, Obertauern and ContiEstates AG, Zug Switzerland (until 28 September 2022 when it was merged with Valamar Marietta GmbH), Valamar Obertauern GmbH, Obertauern, Helios Faros d.d., Stari Grad, Kamenolom Pridraga d.o.o., Pridraga, Flexi Oscar d.o.o., Zagreb, DPN JEDAN d.o.o. Zagreb, B10 Istrian fusion d.o.o., Grožnjan, YES International AG, Lachen, Switzerland yes.com AG, Lachen, Switzerland (until 31 December 2022 when the member of Supervisory Board sold all the shares in this Company), dieTShirt AG, Lachen, Switzerland, NEOLITIKA d.o.o., Rovinj, Z I M – PLAN d.o.o., Zagreb and Künz Holding GmbH, Hard, Austria. Related party are also lawyers Mladen Markoč, Relja Pećina and Fran Kušeta Zagreb and Obrt za poduku Bucolaj, Novigrad.

Management Agreement

As of 28 November 2019, a new Agreement was concluded between Imperial Riviera d.d. and Valamar Riviera d.d. in relation to the management of hotel and tourist facilities, based on the Decision of the General Assembly of Imperial Riviera d.d. of 29 October 2019 (hereinafter the Contract). The subject of the Contract is the provision of management and business activities related to hotels, apartments, resorts and/or camping grounds, and other immovable or movable property. A common name for this type of contract is a hotel management agreement or hotel management contract. For the management services provided, Valamar Riviera d.d. is entitled to compensation for management services consisting of basic and incentive fees, and fees for advisory in respect of the management and implementation of investments (CAPEX fee), reservation centre fees, which are determined as a specified amount (percentage) of the total value of realised reservations. Additionally, for the initial and "pre-opening" services executed before the opening of fully renovated and rebranded facilities, Valamar Riviera d.d. is entitled to a compensation the amount of which depends on the accommodation type and size. The contract was concluded for a period of 25 years with the possibility of termination or extension.

As of 2 September 2019 the Agreement between Valamar Riviera d.d. and Helios Faros d.d. in relation to the management of the hotel and tourist facilities and amenities is valid. The contract was concluded for a period of 10 years, on 19 July 2023 Addition to the Contract has been concluded in relation to the management of the hotel and tourist facilities and amenities between Valamar Riviera d.d. and Helios Faros d.d. for which the contract has been extended until 2035.

As of 1 June 2022 a new Agreement between Valamar Riviera d.d. and Valamar Obertauern GmbH in relation to the management of the hotel and tourist facilities and amenities is valid. The contract was concluded for a period of 25 years, and as of July 12, 2022, the Agreement between Valamar Riviere d.d. and Kesselspitze GmbH & Co KG in relation to the management of hotel and tourist facilities and facilities which was concluded for a period of 25 years.

As of 1 March 2023 new Agreements in relation to the management of the hotel and tourist facilities and amenities with Companies Valamar Obertauern GmbH and Kesselspirze GmbH & Co K are valid, and also an Agreement between Valamar Riviera d.d. and Valamar Marietta GmbH in relation to the management of the hotel and tourist facilities and amenities are concluded, all for the a period of 25 years.

The subject of these contracts, as with the contract concluded with Imperial Riviera d.d., is the provision of management services and the performance of business activities in connection with hotels, apartments, settlements and/or campsites and other immovable or movable assets of an individual company. A common name for this type of contract is a hotel management agreement or hotel management contract. For the management services provided, Valamar Riviera d.d. is entitled to compensation for management services consisting of basic and incentive fees, and fees for advisory services in respect of the conceptualisation and structuration of investments to implement VALAMAR brand(s) (CAPEX fee). The contract also stipulates reservation centre fees, which are determined as a specified amount (percentage) of the total value of realised reservations. Additionally, for the initial and "pre-opening" services executed before the opening of fully renovated and rebranded facilities, Valamar Riviera d.d. is entitled to a compensation the amount of which depends on the accommodation type and size.

NOTE 33 – RELATED PARTY TRANSACTIONS / CONTINUED

Related party transactions were as follows:

GROUP

(in thousands of EUR)	**2022**	**2023**
Sale of services		
Associate with participating interest	1,884	2,835
	1,884	**2,835**
Purchase of services		
Associate with participating interest	93	194
Other parties related to the owners and corporate governance bodies	112	38
	205	**232**
Trade and other receivable		
Associate with participating interest	1,065	1,374
	1,065	**1,374**
Liabilities		
Associate with participating interest	2	32
Other parties related to the owners and corporate governance bodies	11	16
	13	**48**
Deposits given		
Associate with participating interest	-	968
	-	**968**

NOTE 33 – RELATED PARTY TRANSACTIONS / CONTINUED

COMPANY

(in thousands of EUR)	2022	2023
Sale of services		
Subsidiaries /i/	74,137	14,215
Associate with participating interest	1,884	2,835
	76,021	**17,050**
Purchase of services		
Subsidiaries	1,384	1,941
Associate with participating interest	93	194
Other parties related to the owners and corporate governance bodies	94	32
	1,571	**2,167**
Dividend income		
Subsidiaries	4,888	2,183
	4,888	**2,183**
Trade and other receivable		
Subsidiaries	2,090	2,341
Associate with participating interest	1,065	1,373
	3,155	**3,714**
Trade and other payables		
Subsidiaries	30	48
Associate with participating interest	2	32
Other parties related to the owners and corporate governance bodies	10	10
	42	**90**
Deposits given		
Associate with participating interest	-	968
	-	**968**

/i/ Explained detailed in Note 10 – *Other gains/(losses) – net*.

NOTE 33 – RELATED PARTY TRANSACTIONS / CONTINUED

Board personnel compensation

	GROUP		COMPANY	
(in thousands of EUR)	**2022**	**2023**	**2022**	**2023**
Salaries	892	1.004	670	850
Pension contributions	95	126	55	86
Health insurance contribution	132	223	99	190
Other costs (contribution and taxes)	306	356	241	320
	1.425	**1.709**	**1.065**	**1.446**

In 2023, Board personnel compensation are related to 6 Group Board members (2022: 6 Board members), and for the Company 3 members (2022: 3 members).

Company's Supervisory Board fees during 2023 amounted to EUR 530 thousand (2022: EUR 446 thousand).

NOTE 34 – AUDIT FEES

The fees for audit of the financial statements of the Group amounted to EUR 156 thousand (2022: EUR 137 thousand), while the audit fees for other services amounted to EUR 24 thousand (2022: EUR 18 thousand).

Other audit services in 2022 and 2023 are mostly related to audit of Report on Board and Supervisory Board personnel compensation.

NOTE 35 – SUBSEQUENT EVENTS

On February 8, 2024 the Government of the Republic of Croatia adopted Regulations related to the Act on unappraised land: the Regulation on the method of determining the unit of lease for tourist land on which the hotel has been built and the tourist estate, the method of calculation for lease and other fees and mandatory content of the lease agreement and the Regulation on determining the initial amount of the unit price of the lease for the tourist land in camp, the method of calculation of lease and other fees and mandatory content of the lease agreement (explained in Note 4 – *Critical accounting estimates - (e) Leases*).

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