



## BUSINESS RESULTS 1/1/2021 - 31/3/2021



**VALAMAR**  
All you can holiday

## ABOUT VALAMAR RIVIERA

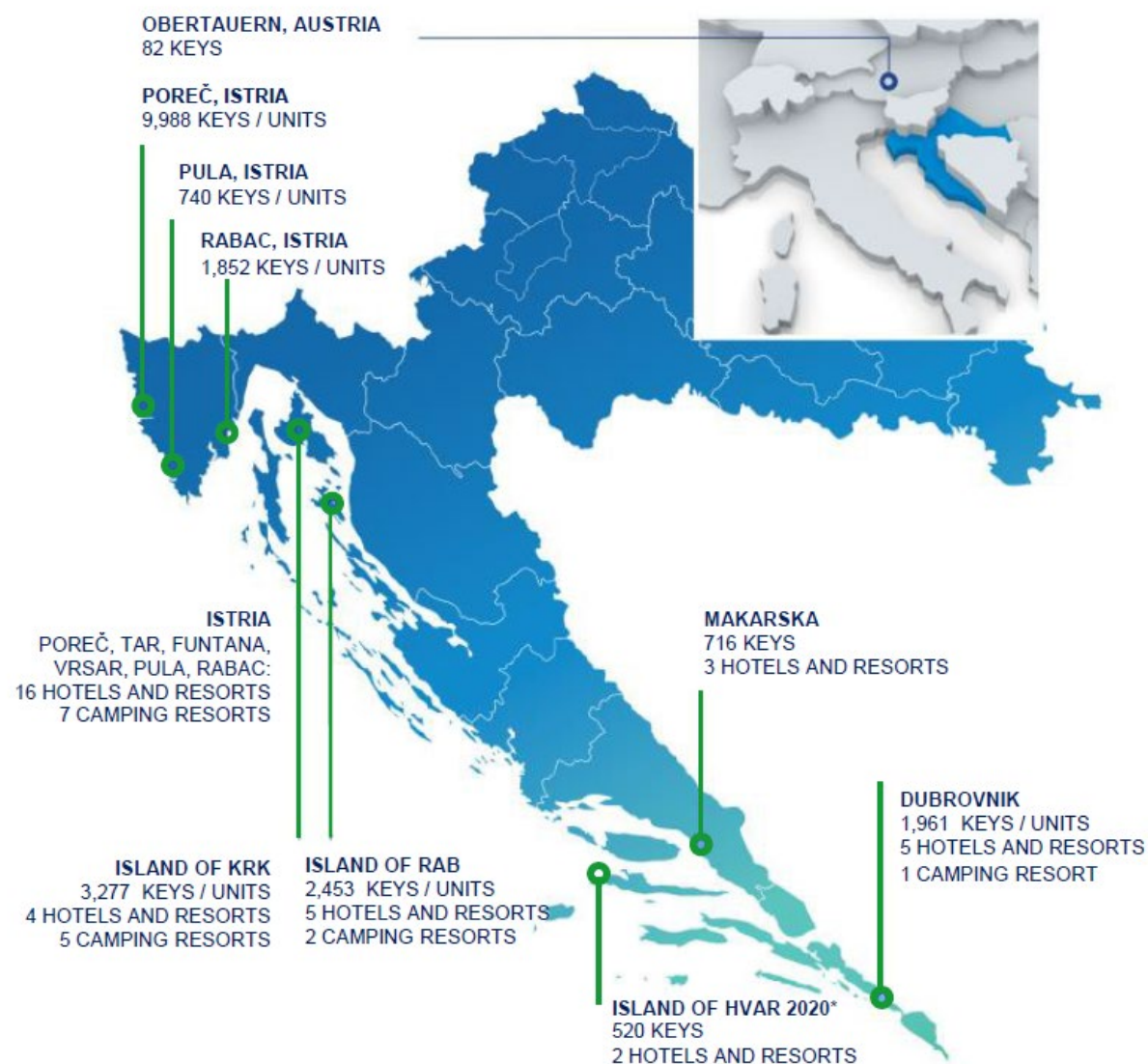
Valamar Riviera is Croatia's leading tourism company operating hotels, resorts and camping resorts in prime destinations – Istria, the islands of Krk, Rab and Hvar, Makarska, Dubrovnik, and Obertauern in Austria. With over 21,000 keys, Valamar's 36 hotels and resorts and 15 camping resorts can welcome around 58,000 guests daily and provide perfect holidays and authentic experiences for each guest.

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

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

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

Tourism portfolio of Valamar Riviera Group



\*Valamar Riviera provides the management of Helios Faros's properties and services.

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Istra Premium Camping Resort 5\*, Poreč



Lanterna Premium Camping Resort 5\*, Poreč



# Significant Business Events

## BUSINESS TRENDS

Despite the strong impact of the COVID-19 pandemic in the first quarter of 2021 and the consequent decline in the number of overnights, by timely adjustment of business and firm rationalization of its activities, Valamar Group improved its operating result (EBITDA), successfully prepared new tourist season and preserved jobs.

In general, first quarters have a very small share in the Group's annual revenues due to the high seasonality of Croatian tourism. In 2020, first quarter revenues were very good until the start of the COVID-19 pandemic, which culminated in the closure of all Group facilities on March 15, 2020 and strict travel restrictions. On the other hand, the pandemic affected the entire first quarter of 2021, which was marked by local restrictions on catering services and extensive travel restrictions within the EU and around the world. As expected in such conditions, in the first quarter of 2021 there was a decline in overnight stays and sales, a decline of 45% and 52% respectively, compared to the same period in 2020.

In the first three months of 2021, Valamar Diamant Hotel & Residence was opened, which tactically shifted from the regional to the Croatian market, especially weekend stays and focused on professional domestic and foreign sports groups that did not have indoor training bans (1st and 2nd rank competitions) and cycling groups in the region. A significant contribution to overnight stays in hotel accommodation was made by professional athletes from the wider region, the Middle East and Croatia, both because of our sports-oriented offer in the properties and because of the special more liberal travel conditions enjoyed by professional athletes. Germany had a particularly high share in the structure of guests because Istria was positioned as a green zone by German government. Valamar Obertauern Hotel in Austria has been completely closed all last season (ski tourism).

In the same period, two camps were opened for year-round operations after the introduction of a special offer "extended stay" (14 and 30 days) targeting families and individuals with the possibility of work / schooling from a remote location. The offer had a very good response on the Croatian market with a share of over 50% of sales on the domestic market.

TIMELY  
ADJUSTMENT  
OF BUSINESS  
ENSURED BETTER  
OPERATING  
RESULT,  
SUCCESSFUL  
PREPARATIONS  
FOR THE NEW  
TOURIST SEASON  
AND JOB  
PRESERVATION

## CRISIS MANAGEMENT DURING COVID-19

Uncertainty related to the global pandemic persists and further significant disruptions in tourist flows are possible in 2021, which may negatively affect the Group's business results. Tourist industry is pinning its hopes on the growing vaccination of the population and more favourable weather conditions during spring and summer. Also, the planned introduction of vaccine passports at EU level for mid-June 2021 should make it easier to cross borders and travel for tourists and others. Vaccine passports would be a document with a digital record that the traveller has been vaccinated, recovered from COVID-19 or the record of his/her test results.

However, at this moment it is still premature to give quantitative estimates related to the negative impact of COVID-19 on Valamar's business in the coming period, and it is expected that the tourism sector will continue to be affected by the crisis in the rest of 2021, while returning to normal business is expected in 2022 and 2023.

A great advantage of Istria and the northern Adriatic, where most of the Group's facilities are located, is that they are traditional car destinations for our main emitting markets (Italy, Slovenia, Austria, Germany, the Netherlands, the Czech Republic, Hungary, etc.). Our camping resorts are also playing an increasing role in attracting guests, proving to be the first choice for many tourists not only because of the perceived lower risk of COVID-19, but also because of the increasing level of service and quality of facilities as a result of significant investments in recent years.

The health and sense of security of our guests is our top priority. We introduced key innovations last season the V Health & Safety program comprised of health, safety and environmental standards, "CleanSpace - 100% privacy", an enhanced cleaning system, online reception, hotel service "Bed & Brunch", and Valfresco Direkt online food shopping and delivery service by which Valamar has reinforced the market position of small producers and local family farms. This season, a concept of V care guarantee was also introduced providing for all necessary healthcare services during guest stay (and in the case of COVID-19). For the guests who booked their accommodation directly through valamar.com or the Valamar Reservation centre it includes for example free consultation with a doctor via telephone (telephone or video call) 24 hours a day, antigen testing at hotel or camping

resort and PCR testing at designated locations in all Valamar destinations. In addition, Valamar will cover the costs in case there is a need for extending the stay of persons infected with COVID-19 and everyone included in their reservation for up to 14 days as well as reimburse travel expenses for the return journey of persons infected with COVID-19 if the return dates are different from the regularly scheduled return dates.

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

During 2020 necessary liquidity for the next period was provided through operational savings plans, investment savings, payment delays and agreements with banks and other investors. Valamar has deferred the vast majority of credit liabilities for 2020 and for the first half of 2021 and secured additional medium-term liquidity through a loan contract with a club of banks in the amount of EUR 66 million. During the first quarter of 2021, the Group regularly serviced its credit obligations in accordance with the agreed moratoriums in 2020. The Group's cash balance at the end of the first quarter was HRK 461 million.

The social partners of Valamar Riviera, led by the Labour Union of Tourism and Services of Croatia and the Labour Union of Istria, Kvarner and Dalmatia, supported the continuation of the Valamar program "Pause, Restart" for job preservation, which has been in force since March last year with the support of social partners and Government measures. The new agreement was signed for one year and will be in force from April 1, 2021 to March 31, 2022. The "Pause, Restart" program provides compensation in the amount of 60% of regular income, i.e. a minimum of HRK 4,250 net for all Valamar

IMPROVED  
ADJUSTED EBITDA  
COMPARED TO  
THE COMPARABLE  
PERIOD IN 2020

GROUP'S CASH  
BALANCE AS OF 31  
MARCH 2021 AT  
HRK 461 MILLION

employees who are on hold or a break due to business restrictions due to the pandemic, relying on current government measures.

Government support measures were key to preserving jobs in tourism last season and provided a strong incentive for all tourism companies to successfully cope with the emergency, until economic and tourism flows return to normal. The most significant measure is the preservation of jobs in the sectors affected by coronavirus (HRK 3,250 per employee for salary in March, or HRK 4,000 for salaries from April to December 2020). The Government of the Republic of Croatia continued with the measures for the preservation of jobs for the period January-April 2021, while the announced Government's plan for the extension of the measures for the following periods is still under discussion.

## FINANCIAL RESULT

Disturbances in tourist flows due to the COVID-19 pandemic were also strongly present in the first quarter of 2021, when the number of overnight stays decreased by 45.3% compared to the same period last year, which resulted in a decrease in sales revenue of 52.1 %.

Negative adjusted EBITDA in the amount of HRK -39.8 million was realized, which is an improvement of 61% (i.e., an improvement of HRK 62.1 million) compared to the negative adjusted EBITDA realized in the first quarter of 2020 in the amount of HRK -101.9 million. The main reasons for this are: more cost-intensive preparation of the season in the first quarter of 2020 when the risk of a pandemic did not seem so great, adjustment of work to pandemic conditions within the Group in the first quarter of 2021, which includes general business rationalization and internal savings measures, the introduction of the "Pause, restart program" in April 2020 and the use of support measures of the Government of the Republic of Croatia for the preservation of jobs.

Despite the challenging circumstances that mark the year 2020 and first quarter of 2021, thanks to Valamar's proven successful business philosophy, a success formula consisting of continuous investment in employees, products and destinations, with high concern for sustainable business continuity and corporate social responsibility, we consider that the Valamar

Riviera Group is in a stable position to withstand the eventual exceptional decline in business activities during 2021<sup>1</sup>.

## INVESTMENTS AND PRODUCT AND PORTFOLIO DEVELOPMENT

Valamar has launched a new lifestyle brand called [PLACES] by Valamar, for guests seeking freedom of choice, modern designs and authentic destination experiences with full respect for nature and the environment. Lifestyle hotels are a recent trend in the hospitality industry because they push the boundaries of traditional hospitality products and services. Lifestyle hotels focus on creating unique experiences and providing authentic services, i.e. interpret the most valuable aspect of a destination to attract modern and younger travellers. These travelers are primarily millennials who are venturous and enjoy encounters with like-minded people, natural foods and dishes and care for environmental sustainability. The first Valamar hotel under the new brand is HVAR [PLACESHOTEL] by Valamar in Stari Grad on Hvar (ex hotel Lavanda). It has been invested close to HRK 53 million in the hotel's reconstruction scheduled to open mid-May.

With the completion of the second phase of investments that Imperial Riviera started in 2019, Valamar Meteor Hotel 4\* in Makarska was successfully reconstructed and renovated. This investment is worth HRK 85 million, and the hotel received a number of new facilities and higher quality accommodation. The Valamar Meteor Hotel is market-oriented towards families with children, guests seeking an active vacation and athletes. The Valamar Meteor Hotel investments included the construction of a new outdoor pool and the expansion of the existing one with new facilities and attractions adapted to family needs, as well as the renovation of the indoor pool with a wellness center according to the Valamar Sun & Spa concept. In the first phase a number of 111 rooms were renovated, while the remaining 160 rooms were completely refurbished in the second phase.

Valamar Riviera's Supervisory Board approved 2021 investments in the amount of HRK 123 million for the completion of earlier initiated investments (Istra Premium Camping resort 5\* and the accommodation for employees

PRODUCT AND  
PORTFOLIO  
DEVELOPMENT  
CONTINUES:  
BRAND PLACES  
BY VALAMAR  
LAUNCHED

in Dubrovnik) and the completion of the first investment phase in Valamar Pinea Collection Resort as well as digitalization projects, and future projects. Minimum planned investments for 2021 are focused on completing initiated projects and preparing projects for new growth and development when conditions are met by stabilizing tourist flows.

In accordance with the Group Investment Policies, the Supervisory Board of Imperial Riviera approved investments in the amount of HRK 41 million, primarily focused on the completion of investments in Valamar Meteor 4\* hotels in Makarska and Valamar Parentino 4\* hotels in Poreč to be ready for the 2021 season.

All works in the first quarter are proceeding according to plan.

## VALAMAR RIVIERA'S GENERAL ASSEMBLY

On April 21, 2021, the regular General Assembly of the Company was held at which decisions were made according to the decisions proposed by the Management Board and the Supervisory Board of the Company contained in the invitation to the General Assembly and published in its prescribed content on the website of the Zagreb Stock Exchange, as well as on the Company's website.

The following decisions were reached: decision on coverage of loss, decision on granting discharge to members of the Management Board, decision on granting discharge to members of the Supervisory Board, decision on appointment of auditors and decision on election of members of the Supervisory Board. The Report on Receipts of Members of the Management Board and the Supervisory Board for 2020 was also discussed.

As decided by the General Assembly, for a new 4-year term starting on 16 June 2021 six supervisory board members were elected as follows: Mr. Gustav Wurmböck, Mr. Franz Lanschützer, Mr. Mladen Markoč, Mr. Georg Eltz (previous members) and Mr. Boris Galić and Mr. Daniel Goldscheider. President and vicepresidents will be elected at the constituent meeting of the supervisory board which will be held on 16 June 2021 upon the beginning of a new term.

<sup>1</sup> We refer to the Disclaimer on page 43 of this report

Ježevac Premium Camping Resort 4\*, Krk island



# Results of the Group



## QUARTERLY FINANCIAL STATEMENTS

The Management Board hereby presents the unaudited quarterly financial statements for the period from 1 January 2021 to 31 March 2021. The Group's income statement for the reported and previous period includes the following companies: Imperial Riviera d.d.<sup>2</sup>, Valamar A GmbH, Valamar Obertauern GmbH, Palme Turizam d.o.o., Magične stijene d.o.o., Pogača Babin Kuk d.o.o. and Bugenvilia d.o.o.

The Group's balance sheet for the reviewed period as at 31 December 2020 and as at 31 March 2021 includes the aforementioned companies.

The investment in company Helios Faros d.d. is conducted according to the equity method, since Valamar Riviera has no control over it, but significant influence.

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

 *The Management Board presents the quarterly financial statements for the first quarter of 2021.*



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

	1 - 3/2020	1 - 3/2021	2021/2020
Total revenues	49,428,623	34,153,864	-30.9%
Operating income	44,980,050	30,169,689	-32.9%
Sales revenues	41,384,174	19,822,251	-52.1%
Board revenues (accommodation and board revenues) <sup>4</sup>	26,639,914	9,171,202	-65.6%
Operating costs <sup>5</sup>	145,415,945	60,543,637	-58.4%
EBITDA <sup>6</sup>	-104,496,591	-34,147,281	-67.3%
Extraordinary operations result and one-off items <sup>7</sup>	-2,575,125	5,616,546	-318.1%
Adjusted EBITDA <sup>7,8</sup>	-101,921,466	-39,763,827	-61.0%
EBIT	-230,176,574	-159,165,686	-30.9%
Adjusted EBIT <sup>8</sup>	-227,601,449	-164,782,232	-27.6%
EBT	-314,886,306	-186,734,431	-40.7%
	<b>31/12/2020</b>	<b>31/3/2021</b>	<b>2021/2020</b>
Net debt <sup>9</sup>	2,851,116,054	2,924,841,969	2.6%
Cash and cash equivalents	665,932,900	461,259,811	-30.7%
Market capitalization <sup>10</sup>	3,730,415,243	3,629,593,210	-2.7%
EV <sup>11</sup>	7,283,342,226	7,244,084,039	-0.5%

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

	1 - 3/2020	1 - 3/2021	2021/2020
Number of accommodation units (capacity)	21,528	21,328	-0.9%
Number of beds	59,529	58,617	-1.5%
Accommodation units sold	50,570	22,257	-56.0%
Overnights	92,161	50,452	-45.3%
ADR <sup>13</sup> (in HRK)	528	412	-22.0%

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

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

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

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

7 Adjustments were made for (i) extraordinary income (in the amount of HRK 8.4 million in 2021, and HRK 1.8 million in 2020), (ii) extraordinary expenses (in the amount of HRK 3.4 million in 2021, and HRK 3.5 million in 2020), and (iii) termination benefit costs (in the amount of HRK 0.4 million in 2021, and HRK 0.5 million in 2020).

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

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

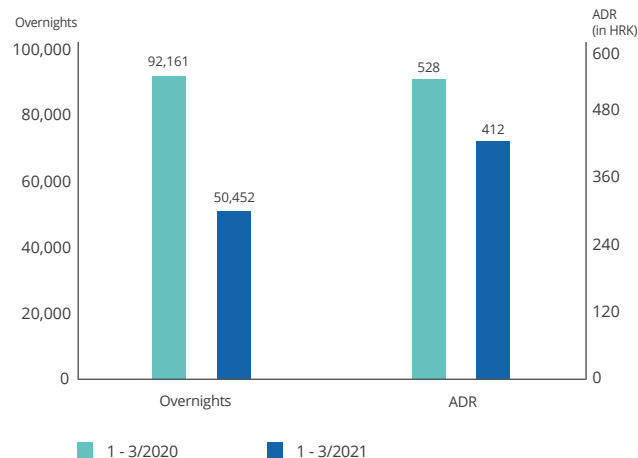
10 Market capitalization represents the total number of shares of the Company multiplied by the last price on the last day of each period

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

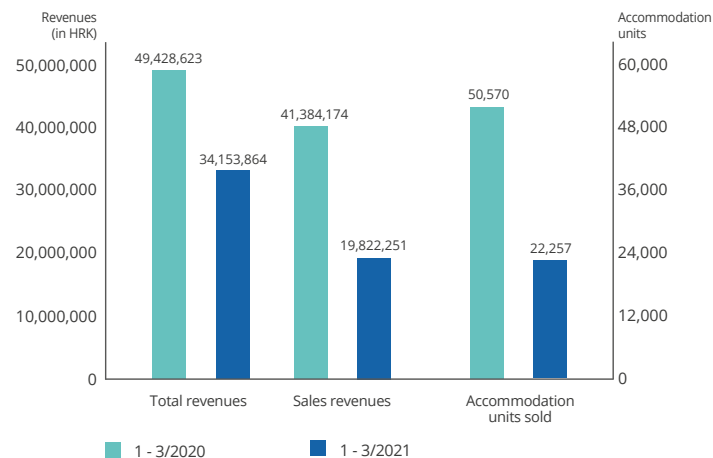
12 Data for Helios Faros are not included.

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

### Overnights and ADR



### Revenues and accommodation units sold



Valamar Obertauern Hotel 4\*, Obertauern



The first quarter of 2021 was strongly affected by the COVID-19 pandemic and the number of overnight stays decreased by 45% (to 50,452) compared to the comparable period of 2020. In the first three months of 2021, one hotel (Valamar Diamant Hotel & Residence) was opened while Valamar Obertauern Hotel in Austria has been completely closed all last season (ski tourism). In the same period, two camps were opened for year-round operations after the introduction of a special offer "extended stay", which were not working in the same period last year. As a result of opening of these capacities in the first quarter of 2021, with lower average prices, ADR fell 22% to HRK 412.

## REVENUES

In the first quarter of 2021, total revenues amounted to HRK 34.1 million with a decrease of 30.9% (HRK -15.3 million). The total realized revenues were affected by:

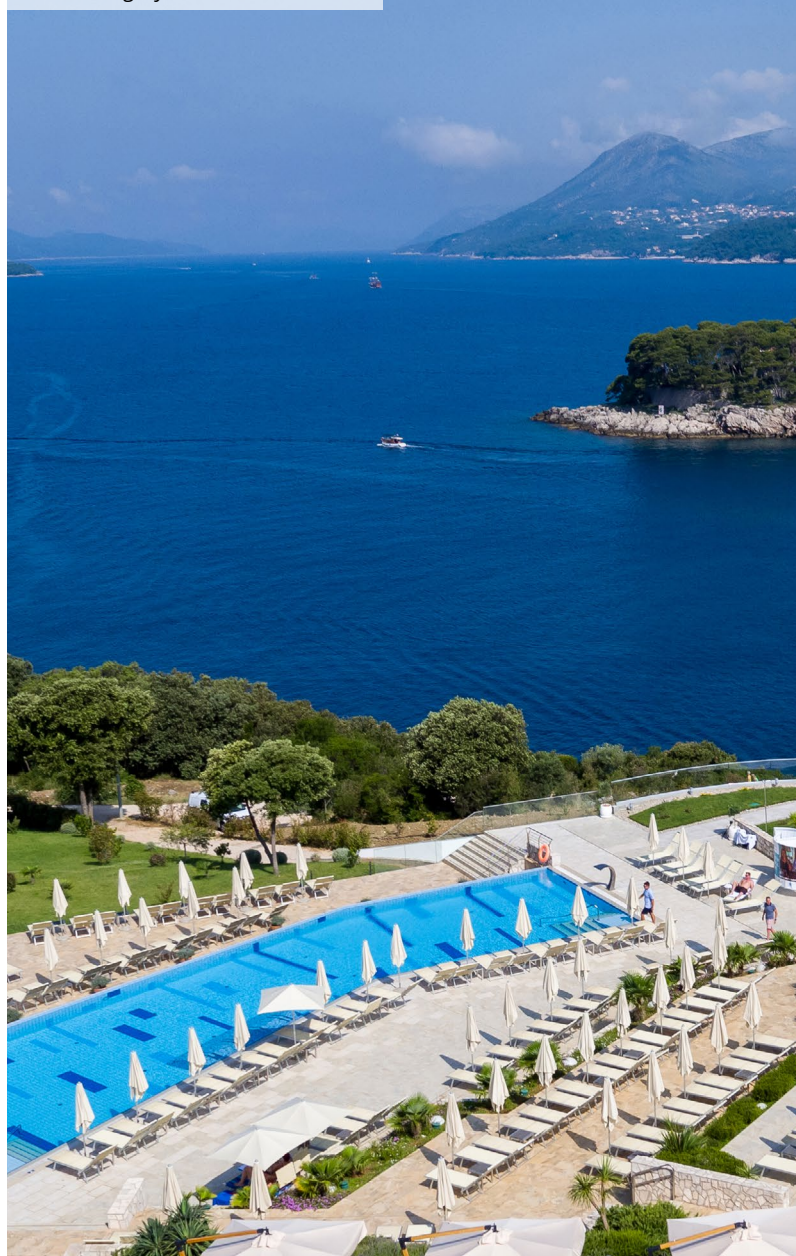
a) **decrease in sales revenue** down by 52.1% (HRK -21.6 million) to HRK 19.8 million, mainly consisting of board revenues (HRK 9.2 million). Disruptions of tourism flows caused by the COVID-19 pandemic were strongly present in the first quarter of 2021, which recorded a drop in overnights (45.3%) compared to the same period last year. The only open hotel, Valamar Diamant Hotel & Residence 3\*/4\*, in Poreč achieved good results, attracting mostly domestic weekend guests and domestic and foreign athletes. Two camps were opened with special "extended stay" offers (14 and 30 days) focused on families and individuals who could work/attend school remotely, with a very good response on the Croatian market. The average daily price decreased by 22.0% to the level of HRK 412.

The above-mentioned offers, which largely attracted domestic guests, also influenced the change in the revenue structure. Thus, sales revenues in the country amount to HRK 15.0 million with a share of 75.6% in sales revenues (29.3% in the same period in 2020) and are 2.9 million higher than in the comparable period of 2020. With a share of 24.4% in sales revenues (70.7% in the same period in 2020), foreign sales revenues amounted to HRK 4.8 million, a decrease of HRK 24.4 million.

b) **increase in other operating revenues** of 187.8% to HRK 10.3 million compared to the same period of 2020 mainly due to higher revenue from the cancellation of provisions for litigations.

c) **the decrease in financial income** of 10.4% to the level of HRK 4.0 million is primarily due to the decrease in other financial income, i.e. income from cassa sconta.

Valamar Argosy Hotel 4\*, Dubrovnik



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

(in HRK)	1 - 3/2020	1 - 3/2021	2021/2020
Operating costs <sup>15</sup>	145.415.945	60.543.637	-58.4%
Total operating expenses	275.156.624	189.335.375	-31.2%
Material costs	48.540.715	25.357.804	-47.8%
Staff cost	68.952.553	24.152.815	-65.0%
Depreciation and amortisation	125.476.175	125.010.425	-0.4%
Other costs	29.240.902	12.369.694	-57.7%
Provisions and value adjustments	203.808	7.980	-96.1%
Other operating expenses	2.742.471	2.436.657	-11.2%

### TOTAL OPERATING EXPENSES

Total operating expenses amounted to HRK 60.5 million and decreased by 31.2% (HRK-85.8 million) compared to the same period in 2020, in accordance with revenue decrease. Breakdown of total operating expenses:

**a) material costs** with a share of 13.4% (17.6% in the same period in 2020). There was a decrease of 47.8% to the level of HRK 25.3 million, primarily due to reduced direct costs of raw materials and supplies as well as costs related to promotional and marketing activities, in line with the reduced business volume.

**b) staff costs** with a decline in the share of total operating expenses, from 25.1% in the first quarter of 2020 to 12.8% in the first quarter of 2021. Staff costs amount to HRK 24.1 million and represent a decrease of 65.0% compared to the same period last year. This decline is the result of lower need for workforce, the introduction of the "Pause, restart program" in April 2020 and Government grants for job preservation.

Total COVID grants related to employee cost subsidies are included in the amount of HRK 38.8 million for the Group (same period 2020: HRK 0) and HRK 31.8 million for the Company (same period 2020: HRK 0).

**c) depreciation** in the amount of HRK 125.0 million or a decrease of 0.4%

**d) other expenses** with a decrease of 57.7% to the amount of HRK 12.4 million (share of 6.5% in total operating expenses). The decrease is primarily due to the Group's savings measures and the lower cost of accommodation, meals, transportation and daily allowances for employees due to the reduced business volume. The lower amount of other costs was also affected by the postponement of certain projects and lower costs of property insurance this year because last year the total cost for the entire 2020 was booked in the first quarter of 2020 when payment was made.

**e) provisions** and value adjustments with a decrease of HRK 0.2 million to the amount of HRK 8 thousand.

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

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

**f) other operating expenses** with a share of 1.3% (1.0% in the same period in 2020). The decrease of HRK 0.3 million to the level of HRK 2.4 million is the result of lower costs from previous years.

## EBITDA AND EBT

The first quarter generally carries a characteristic negative EBITDA due to the significantly less volume of seasonal operations. Thus, in the first quarter of 2021, the negative adjusted EBITDA amounted to HRK -39.8 million, which is an improvement of 61% (or an improvement of HRK 62.1 million) compared to the negative adjusted EBITDA realized in the first quarter of 2020 in the amount of HRK -101.9 million. The main reasons for this are: more cost-intensive preparations for the season in the first quarter of 2020 when the risk of a pandemic did not seem so great, adjustment of work to pandemic conditions within the Group in the first quarter of 2021, which includes general business rationalization and internal savings, the introduction of the "Pause, restart program" in April 2020 and the use of state grants for the preservation of jobs.

After lower financial expenses in the first quarter of 2021 related to exchange rate changes (explained in more detail in the next section), a significant improvement in EBT was achieved in the amount of HRK 128.1 million. Thus, the negative realized EBT in 2021 amounted to HRK -186.7 million after the negative EBT of HRK -314.9 million realized in 2020.

*Baška Beach Camping Resort 4\*, Krk island*

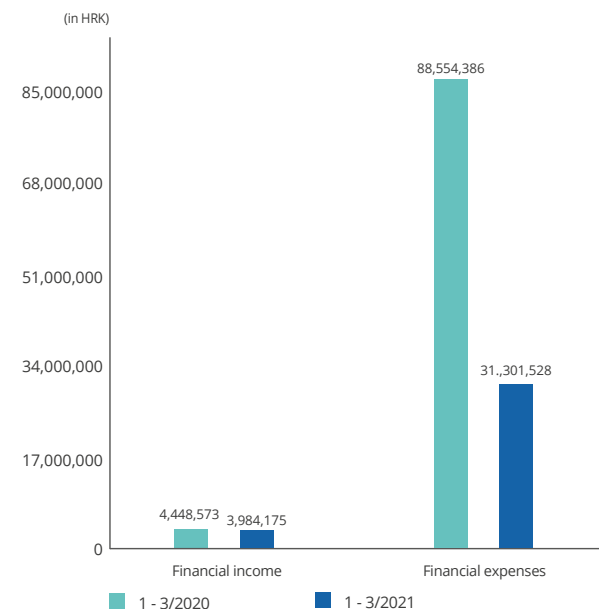


## RESULT FROM FINANCIAL ACTIVITIES

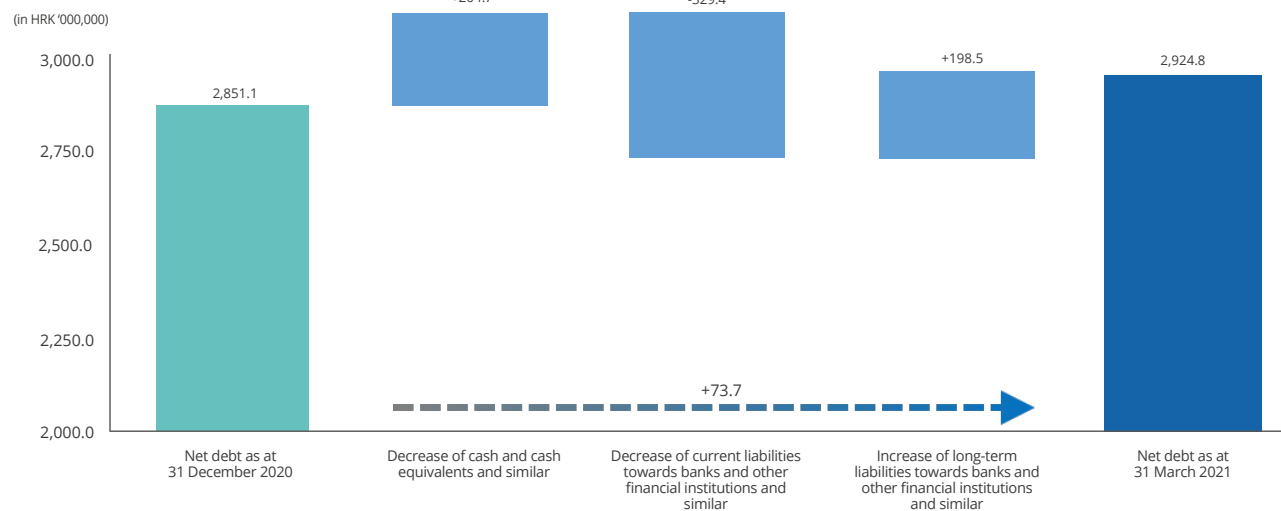
In the first quarter of 2021, the net financial result amounted to HRK -27.3 million (HRK -84.1 million in 2020).

The main reasons for the HRK 56.8 million improved financial result compared to the previous comparative period are found in the decrease in net negative exchange rate differences (primarily unrealized on long-term loans) by HRK 46.6 million, given that the first quarter of 2020 was marked by strong kuna depreciation against the euro.

## Financial income and expenses



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



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

## ASSETS AND LIABILITIES

On 31 March 2021, the total value of the Group's assets amounted to HRK 6,549.3 million, down by 4.8% compared to 31 December 2020.

Total share capital and reserves amount to HRK 2,688.1 million and are lower by 6.1% as a result of the usual loss in the first quarter of the year.

Total long-term and short-term liabilities to banks and other financial institutions as at 31 March, 2021 amount to HRK 3,372.2 million and are down by 3.7% compared to 31 December, 2020 as a result of repayment of short-term loans to two banks.

A large part of the loan portfolio (80%) consists of long-term loans with an agreed fixed interest rate, i.e. loans protected by derivative instruments (IRS) for the purpose of hedging against interest rate risk. In 2020, the Group deferred the payment of a total of HRK 349 million of principal to commercial banks and the Croatian Bank for Reconstruction and Development, of which HRK 272 million is deferred payment of principal for 2020, HRK 49 million for the first quarter of 2021 and HRK 27 million kuna for the second quarter of 2021. In addition, the payment of interest in the total amount of around HRK 47 million was postponed.

## Assets and liabilities



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



On 31 March 2021, the Group's cash balance amounted to HRK 461.3 million (+ HRK 204.7 million compared to 31 December 2020), together with i) agreed credit lines and moratoriums on credit obligations, ii) valuable tourist assets and iii) ownership-operational business model stable balance sheet position of the Group.



## HOTELS AND RESORTS OVERVIEW

LOCATION KEYS

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

## CAMPING RESORTS OVERVIEW

LOCATION KEYS

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

TUI Family Life Bellevue Resort 4\*, Rabac



# Results of the Company

In the first quarter of 2021, total revenues decreased by 15.3% to HRK 32.0 million. Total sales revenues amount to HRK 18.9 million with a share in total revenues of 59 (83% in 2020). Compared to the same period last year, they are lower by 40.0% as a result of disruptions in tourist flows due to the COVID-19 pandemic, which were strongly present in the first quarter of 2021.

Revenues from sales with entrepreneurs within the group amount to HRK 1.2 million (HRK 5.6 million in 2020) while revenues from sales outside the group amount to HRK 17.7 million (HRK 25.8 million in 2020). Sales revenues in the country amount to HRK 14.1 million with a share of 74% in total revenues (48% in 2020) and are lower by 7% compared to the previous comparable period. Revenues from sales on foreign markets amount to HRK 4.8 million with a share of 25% in total revenues (52% in 2020). Compared to the previous comparative period, they are lower by 71%.

Material costs amounted to HRK 23.7 million with a decrease of 43.9% as a result of reduced business volume caused by the COVID-19 pandemic. Staff costs amounted to HRK 22.1 million, which is 62.8% less than in the same period last year. The reasons for the decline are lower labor needs, the introduction of "Pause, restart program" in April 2020 and measures of the Government of the Republic of Croatia to preserve jobs.

Depreciation amounts to HRK 98.1 million (HRK 99.6 million in 2020) and is lower by 1.5% compared to the comparable period last year. Value adjustments and provisions amount to a negligible HRK 8 thousand and are lower by 92.7% compared to the first quarter of 2020 when they amounted to HRK 110 thousand.

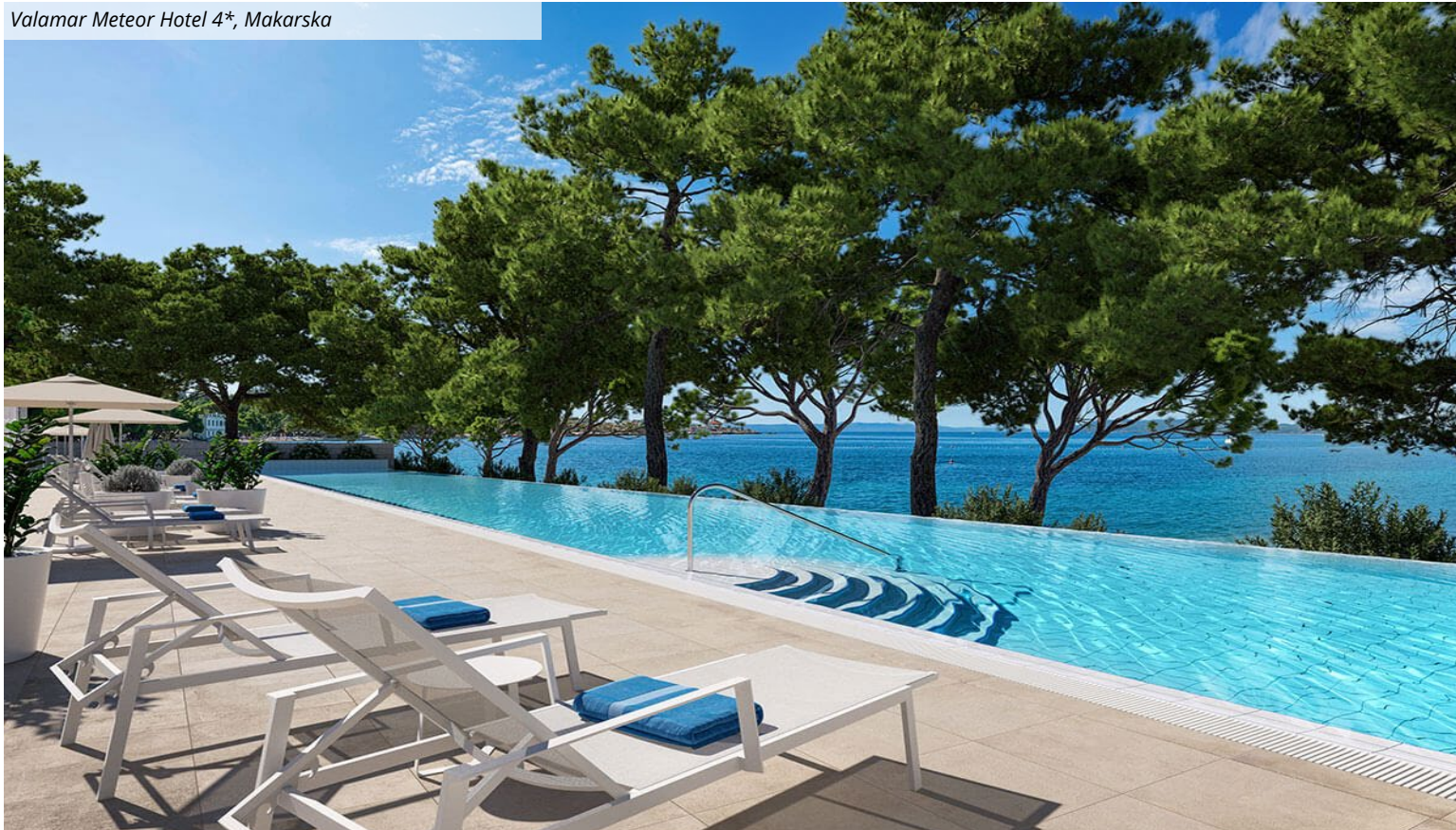
In the first quarter of 2021, the financial result amounted to HRK -25 million (HRK -77.3 million in 2020). The main reasons for the HRK 52.3 million better financial result compared to the previous comparative period are primarily the decrease in net negative exchange rate differences (primarily unrealized on long-term loans) by HRK 43.9 million, given that there was no strong depreciation of the kuna against the euro in the first quarter of 2021.

IMPROVEMENT  
OF EBITDA  
COMPARED TO  
THE COMPARABLE  
PERIOD IN 2020

The first quarter generally carries a characteristic negative EBITDA due to the volume of significantly less seasonal operations. Thus, in the first quarter of 2021, negative EBITDA in the amount of HRK -29.8 million was realized, which is an improvement of 69% (ie an improvement of HRK 66.6 million) compared to negative EBITDA realized in the first quarter of 2020 in the amount of - HRK 96.4 million. The main reasons for this are: more cost-intensive preparation of the season in the first quarter of 2020, when the risk of a pandemic did not seem so high, adjustment of work to pandemic conditions within the Group in the first quarter of 2021, which includes general business rationalization and internal savings measures, the introduction of the "Pause, restart program" in April 2020 and the use of support measures of the Government of the Republic of Croatia for the preservation of jobs.

Total assets of the Company as at 31.3.2021. amounted to HRK 5,702.0 million and was lower by 4% compared to 31.12.2020.

Valamar Meteor Hotel 4\*, Makarska



# 2021 Investments

Valamar's strategy for the development of tourism products and high added-value amenities is one of the main drivers of growth and sustainable business continuity. The strategy is steered by sustainability and social responsibility while investing in products, employees and tourist destinations. Furthermore, Valamar's service concepts are continuously being developed to align the offer with current market requirements, primarily guests' trends and expectations. With a timely and thorough approach to mitigating and controlling the adverse effects caused by the COVID-19 pandemic, a customized business plan was introduced in all business segments, including investments. The structure and intensity of the Valamar Group projects was adjusted to the new extraordinary circumstances caused by the COVID-19 pandemic. The planned portfolio repositioning and development of high added-value products and services, with emphasis on the premium segment of resorts and camping resorts, has been adjusted by reducing investment intensity all while preparing new growth and development projects when the conditions are met. In order to align the hospitality portfolio plan and development with the current tourism flows and the proactive approach to cash flow management and financing, the investments in 2021 will mostly be focused on the completion of projects and raising service quality and guest satisfaction.

Considering the reduced investment intensity, the total approved investments of the Valamar Group amounts to HRK 164 million in 2021. As last year, Valamar Group will continue to adapt its products and develop digitization projects to further enhance service quality and guest safety in the upcoming tourist season. At Group level, a total of HRK 16 million has been provided for health and safety, as well as digitalization and innovation projects. Investments in this segment include the continuation

Valamar Parentino Hotel 4\*, Poreč



of projects from 2020, and relate to the automation of processes and systems such as improving the Online Reception and “self check-in” system, automating gate barriers, improving Valfresco Direkt online store services and other similar projects aimed at enhancing guest’s health and safety services. HRK 17 million will be provided for smaller investments and the purchase of new equipment and furniture, while the remaining amount will be directed towards the completion of initiated investments in construction works and the preparation of future investments.

## VALAMAR RIVIERA

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

Service quality will also be enhanced through targeted investments in three Valamar hotels. These include improvements of the exterior

IN YEAR 2021  
INVESTMENTS  
ARE FOCUSED ON  
COMPLETION OF  
STARTED PROJECTS

and interior of the Champagne Breakfast & Brunch restaurant and Spinnaker restaurant at the Valamar Riviera Hotel in Poreč, which will enhance the new Old Town Holiday label within the Valamar Hotels & Resorts brand. Investments in this category include the promotion of the Sunny by Valamar economy brand, which is part of the midscale and the economy segment of the portfolio. As part of its rebranding, the Miramar Sunny Hotel will have improved Breakfast & Lunch services, the Valfresco 24/7 service available to guests, a digital library and the Chill & Play Zone which will make digital books and fun games available to guests. In addition to the above, the investment includes a self-service laundry and 30 rearranged accommodation units. Investments in the Rubin Sunny Hotel are focused on renovating interior public spaces.

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

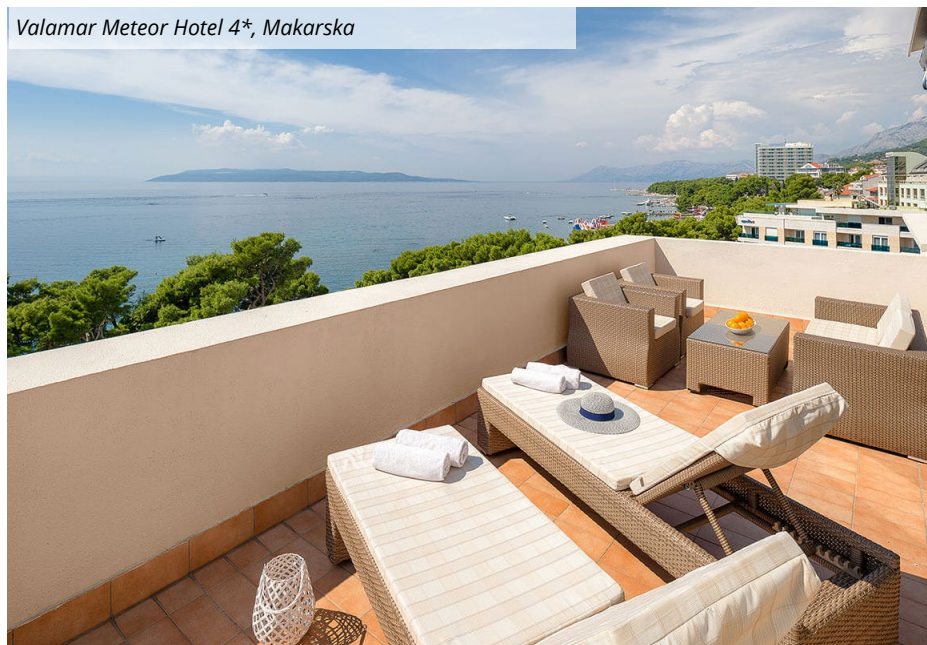
*Istra Premium Camping Resort 5\*, Poreč*



## IMPERIAL RIVIERA

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

By investing in the Valamar Parentino Hotel, the main finalized projects include the renovation of 40 accommodation units, a children's playground, a pool bar, parking lot and landscape design. The investment in Valamar Meteor Hotel was marked by the completion of the second phase of investment, which mainly includes the renovation of 166 accommodation units, corridors and stairs, the refurbishing of the Reception and Lobby area, the construction of a new outdoor pool complex, renovation of the indoor pool area, as well as the MICE zone and VIP parking lots.



Bunculuka Camping Resort 4\*, Krk island



# The Risks of the Company and the Group



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

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

## 5

### KEY STEPS IN RISK MANAGEMENT PROCESS

There are five key steps in a risk management process:

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

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

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

Destination Poreč



## FINANCIAL RISKS

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

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

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

### 1) Foreign exchange risk

The Company and Group conduct their business operations across national borders and are exposed to foreign exchange risks. They mainly result from changes in the euro/ kuna exchange rate. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. Historically, most of our foreign revenue has been in euros, the currency in which the majority of our long-term debt is denominated. Hence, for the most part the Company and Group are naturally hedged from exchange rate risks. Since some liabilities are denominated in kunas, the Company and Group actively manage risks by using derivative instruments available on the financial market. The instruments are used according to operating assessments and expected market trends. In this way the assets, liabilities and cash flow are protected from the risk impact. Due to the emergence of exceptional circumstances caused by the COVID-19 pandemic in the first quarter of 2020, potentially strong depreciation pressures against the kuna/ euro currency pair affect the value of euro-denominated long-term debt and contractual forward transactions whose potential negative effects are sought to be controlled by the proactive management of agreed derivative financial instruments. In the event of a drastic decrease of euro inflows, the Company and the Group will use existing euro liquidity reserves to service the long term debt repayments and make adequate use of financial

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

### 2) Interest rate risk

Variable rate loans expose the Company and Group to cash flow interest rate risk. Actively, the Company and Group resort to derivative instruments in order to hedge cash flow and interest rate by applying interest rate swaps. The economic effect of such swaps is the conversion of variable interest rate loans into fixed interest rate loans for a precommitted hedged part of the loan principal. Therefore, a major part of the loan portfolio (over 80%) is comprised of long-term fixed interest loans or, respectively, loans hedged by a derivative instruments (IRS). The Company and Group have interest-bearing assets (cash assets and deposits) so their revenue and cash flow depend on changes in market interest rates. This becomes evident especially during the season when the Company and Group have significant cash surpluses at their disposal. The Company and the Group expect a limited impact from the increased interest rate volatility consequent to the recent coronavirus pandemic, since a large portion of the Group's loan portfolio (84%) is made up of long-term fixed-rate loans, i.e. loans protected by derivative instruments (IRS).

### 3) Credit risk

Credit risk arises from cash assets, time deposits and receivables. According to the Company and Group sales policy, business transactions are conducted only with customers with suitable credit history, i.e. by agreeing advances, bank securities and (for individual customers) payments made through major credit card companies. In order to reduce credit risk, the Company and the Group continuously monitor their exposure to the business parties and their creditworthiness, obtain instruments for securing receivables (bills of exchange, debentures and guarantees), thus reducing the risks of uncollectability of their receivables for the services provided. In view of the negative effects of COVID-19 on the customers of the Company and the Group, especially tour operators and travel agencies, the impact of the currently unfavorable circumstances on the related parties is being closely monitored, while actively reviewing the credit ratings and their potential to overcome current challenges.

#### **4) Price risk**

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

#### **5) Liquidity risk**

The Company and Group have a sound liquidity risk management. Sufficient funds for meeting liabilities are available at any given moment through adequate amounts from contracted credit lines and by ensuring credit line availability in the future. Liquidity risk is managed by generating strong positive net operating cash flows, while capital investments are financed by credit lines. Credit lines for 2020 have been contracted with reputable financial institutions, while credit repayments in general are in line with the period of significant cash inflows from operating activities. The repayment of the major credit lines coincides with periods of strong cash inflows from operations. The Company and Group monitor the level of available funds through daily cash and debt reports. Long-term cash flow forecasts as well as annual (monthly) forecasts are based on the set budget. After meeting the needs of working capital management the surplus is deposited in the treasury. From there the funds are invested in interest-bearing current accounts, time deposits, money market deposit accounts and marketable securities. Only instruments with suitable maturities and sufficient liquidity are selected, according to the forecast needs for liquid funds. COVID-19 pandemic, as an external stressor to the operations of the Company and the Group, will create uncertain pressures on operating cash flow. In accordance with prudent management of the now increased liquidity risk, escalation plans for minimizing costs, maintaining liquidity, solvency of the company and maintaining business continuity were developed and activated, together with applications for support measures and assistance to the economy and the tourism sector, including temporary deferral of payment of overdue principal on long-term loans in accordance with the given opportunity of a moratorium on the repayment of credit obligations.

#### **6) Share-related risks**

The market value of shares is the riskiest asset class due to its volatility resulting from the volatile nature of the whole capital market,

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

### **BUSINESS RISK**

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

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

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

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

## OPERATIONAL RISKS

Operational risks are risks connected with direct or indirect losses that arise from inadequate or wrong internal or external processes within the Company and the Group. They include the creation and analysis of financial reporting data (also known as "financial reporting risk") and also the potential insufficient and inadequate internal and external information

sharing. When implementing the system of operational risk management, the Company and Group focused on its continuity and complexity due to the size of the organization. The benefits of the system include i) defining and identifying the Company and Group risk profile in relation to the operating risk ii) identifying and managing the known risk occurrences in order to decrease the Company and Group costs and iii) data analysis which indicates the business trends for the Company and Group and trends in the domestic economy.

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

## GLOBAL RISKS

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

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

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

periods or long rainy periods can directly influence the guests' length of stay in the hotels and campsites as well as increasing the operating costs. A number of other natural disasters and calamities (earthquakes, fires, floods and rainstorms), air pollution caused by toxic gas emissions from industrial plants and vehicles, as well excessive urbanization and the introduction of invasive species should also be taken into consideration. Likewise, disease outbreaks and pandemics can adversely affect Valamar's business results. In order to minimize their impact, Valamar is actively tracking pandemic and health risk levels worldwide, especially on its source markets, and taking proactive steps in their management. The COVID-19 pandemic is a recent example of the operational and financial disruption to the global economy, especially tourism flows, since almost all global destinations are blocked by restrictions or complete travel bans. The emergence of exceptional circumstances in the Republic of Croatia and the introduction of extraordinary measures to prohibit gatherings, movements and the operation of restaurants and shops, all with the primary objective of protecting the population from the risk of contagion, resulted in the expected consequential and immediate disruption of the Company's and the Group's operations, cancellation of accommodation and other contracted services by partner agencies and guests.

## REGULATORY RISKS

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

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

15% to 13% and then in April 2014 it grew back to 15%;

- Frequent increases in various fees and charges regarding water distribution, waste disposal and the like;
- Tourist tax increase in 2018 ranging between HRK 2.5 and HRK 8.0 per person per overnight, depending on the class of the destination and utilization period;
- In January 2020 the VAT rate for a la carte food services was reduced from 25% to 13%.

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

Valamar Collection Imperial Hotel 5\*, Rab island



# Corporate Governance

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

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

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

TIMELY AND  
ACTIVE APPROACH  
TO CRISIS  
MANAGEMENT  
CAUSED BY  
THE COVID-19  
PANDEMIC

Chairman of the Supervisory Board, Mr. Franz Lanschuetzer, holds 4,437,788 RIVP-R-A shares; the Deputy Chairman of the Supervisory Board, Mr. Mladen Markoč, holds 17,000 RIVP-R-A shares; the Member of the Supervisory Board Mr. Georg Eltz holds a total of 6,545,367 RIVP-R-A shares, of which directly 20,463 RIVP-R-A shares, and indirectly through a 100% stake in company Satis d.o.o. 6,524,904 RIVP-R-A shares; the President of the Management Board, Mr. Željko Kukurin, holds 126,360 RIVP-R-A shares; and the Member of the Management Board Mr. Marko Čižmek holds 53,128 RIVP-R-A shares. The Company defined the process of preparing and disclosing financial reports in a detailed internal document. With this, the financial reporting procedure is set within a system of internal review and risk management. Moreover, in order to monitor and mitigate the financial reporting risk, the Company uses the measures described in "The Risks of the Company and the Group".

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

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

The Company acquires treasury shares based on and in accordance with the conditions determined by the General Assembly's decision on acquisition of treasury shares dated on 9 May 2019 which is in force as of 17 November 2019. The Company does not have a share-buyback program or an employee share ownership plan. The Company holds and acquires treasury shares as a form of

rewarding the Management and key managers pursuant to the Company acts on the long-term reward plan and for the purpose of dividend payout in rights - Company share to the equity holders. During first quarter of 2021 the Company wasn't involved in treasury shares acquisition neither disposal of its own shares.

### THE COMPANY'S CORPORATE BODIES ARE:

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

Pursuant to the provisions of the Capital Market Act and Regulation (EU) no. 596/2014, the Company has determined its 2020 senior management, consisting of the key company management: four vice presidents: Alen Benković, Davor Brenko, Ivana Budin Arhanić and David Poropat; and 23 sector directors and managers: Ines Damjanić Šturman, Tomislav Dumančić, Ljubica Grbac, Flavio Gregorović, Marin Gulan, Vlastimir Ivančić, Željko Jurcan, Ivan Karlić, Dario Kinkela, David Manojlović, Mile Pavlica, Tomislav Poljuha, Mirella Premeru, Bruno Radoš, Sandi Sinožić, Martina Šolić, Andrea Štifanić, Mauro Teković, Dragan Vlahović, Ivica Vrkić, Mario Skopljaković, Marko Vusić i Vesna Tomić.

**Supervisory Board:** Mr. Gustav Wurmböck - Chairman, Mr. Franz Lanschützer - Deputy Chairman, Mr. Mladen Markoč - Deputy Chairman, and members: Mr. Georg Eltz, Mr. Hans Dominik Turnovszky, Mr. Vicko Ferić, and Mr. Valter Knapić (employee representative).

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

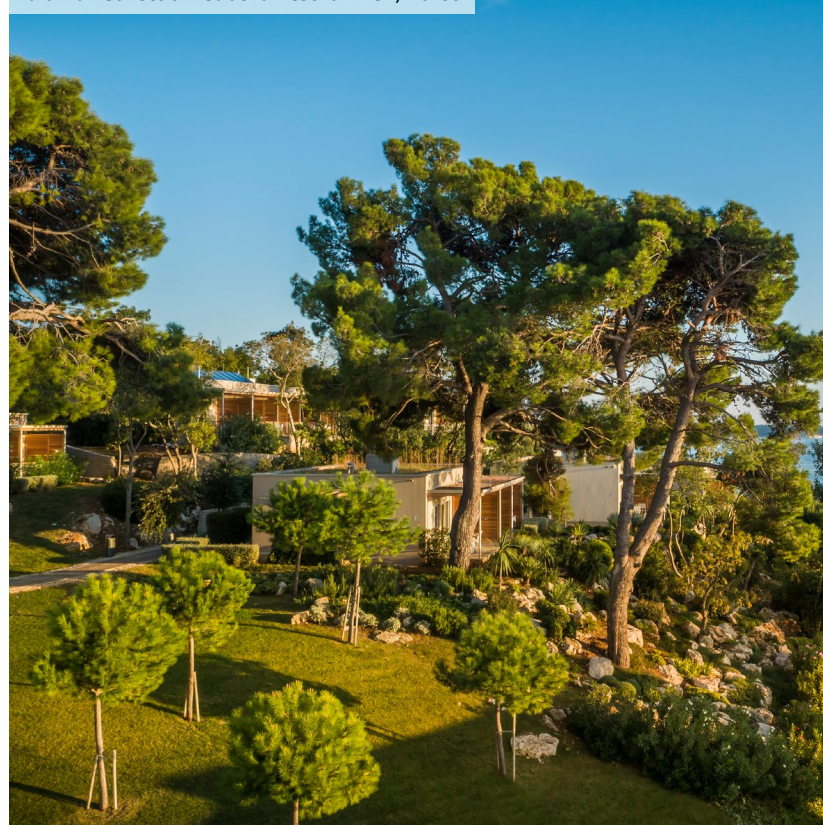
**Presidium of the Supervisory Board:** Mr. Gustav Wurmböck - Chairman, and members: Mr. Franz Lanschützer and Mr. Mladen Markoč.

**Audit Committee:** Mr. Georg Eltz - Chairman, and members: Mr. Franz Lanschützer, Mr. Mladen Markoč, Mr. Vicko Ferić, Mr. Gustav Wurmböck and Mr. Hans Dominik Turnovszky.

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

Compliant to effective regulations and Company by laws, the Management and Supervisory Board primarily act through meetings and by correspondence in their decision-making. A more detailed overview of the meetings of the Supervisory Board and the Committees of the Supervisory Board and reports on their work are presented in the Report to the General Assembly of Valamar Riviera on the performed supervision of business operations for 2020. In addition to the employment contract of the President and member of the Management Board with the Company concluded in 2018 for the term of office and the employment contract of the Supervisory Board member, employee representative, with the Company concluded for an indefinite period, between members of the Management Board and between members of the Supervisory Board and the Company no other contracts or agreements have been concluded.

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





Valamar Collection Dubrovnik President Hotel 5\*, Dubrovnik



# Related-party Transactions & Branch Offices

## RELATED-PARTY TRANSACTIONS

Transactions with affiliated companies within the Group are carried out under normal commercial conditions and terms and with the application of market prices.

In the first quarter of 2021, HRK 1.5 million of revenue from transactions with related parties was generated (HRK 5.2 million in 2020) for the Company and HRK 238 thousand (HRK 208 in 2020) for the Group. Expenses amounted to HRK 241 thousand (2020: HRK 267 thousand) for the Company and HRK 133 thousand for the Group. (2020 HRK 28 thousand).

Balance of receivables and liabilities to related parties as at 31.3.2021. amounts to: receivables for the Company HRK 872 thousand (end of 2020 HRK 546 thousand) and HRK 186 thousand for the Group (end of 2020 HRK 331 thousand). Liabilities for the Company amount to HRK 166 thousand (HRK 220 thousand at the end of 2020) while there were none for the Group (HRK 84 thousand at the end of 2020).

## SUBSIDIARIES OF THE COMPANY

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

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

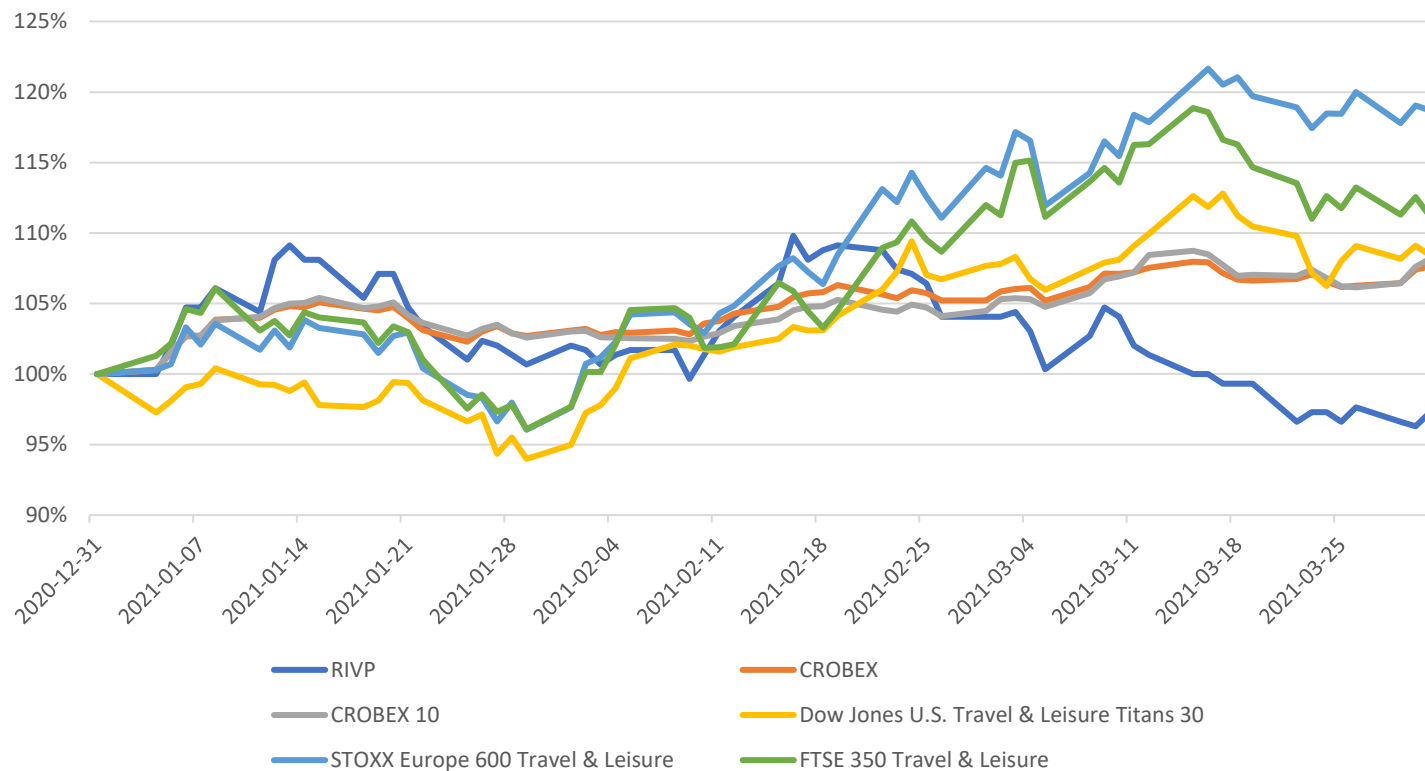
The Company also established offices on Rab island, in Makarska and in Stari Grad on the Hvar island to increase the efficiency and streamline the management of operations as determined by the provisions of the concluded Hotel management contracts with Imperial Riviera d.d. and Helios Faros d.d

Valamar Collection Marea Suites 5\*, Poreč



# Valamar Share

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



During the first quarter of 2021, the highest achieved share price in regular trading on the regulated market was HRK 32.60 and the lowest HRK 28.20. Although by mid-January RIVP shares recorded the largest growth compared to all indices shown in the graph, the rest of the quarter was marked by pressure on the share price as a result of further uncertainties regarding the COVID-19 pandemic. Thus, the RIVP share closed the first quarter at the level of HRK 28.80, which is a decrease of 2.7% compared to the last price on 31 December 2020. With an average regular turnover of HRK 0.8 million per day<sup>17</sup>, the Valamar Riviera share was the most traded share on the Zagreb Stock Exchange during the first quarter of 2021.

Apart from the Zagreb Stock Exchange indices and ADRIAprime joint Zagreb and Ljubljana Stock Exchanges equity index, the share is also part of the Vienna Stock Exchange indices (CROX<sup>18</sup> and SETX<sup>19</sup>) and Warsaw Stock Exchange index (CEEplus<sup>20</sup>), the regional SEE Link indices (SEELinX and SEELinX EWI)<sup>21</sup> and the world's MSCI Frontier Markets Index. Zagrebačka banka d.d. and Interkapital vrijednosni papiri d.o.o. are responsible for the market making in ordinary Valamar Riviera shares listed on the Prime Market of the Zagreb Stock Exchange.

The Company did not acquire or dispose of its own shares in the period from January 1, 2021 to March 31, 2021. As of March 31, 2021 the Company holds 4,139,635 treasury shares, which is 3.28% of the share capital.

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

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

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

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

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

Valamar Riviera is active in holding meetings, presentations and conference calls with domestic and foreign investors. This approach supports high-level transparency, creates additional liquidity, increases share value and the involvement of potential investors. Valamar Riviera will continue with this active approach to grow further value for all its stakeholders so the Company's share can be recognized as one of the

1<sup>st</sup>  
MOST ACTIVE  
TRADED SHARE  
ON ZAGREB STOCK  
EXCHANGE

market leaders on the Croatian capital market and in the CEE region.

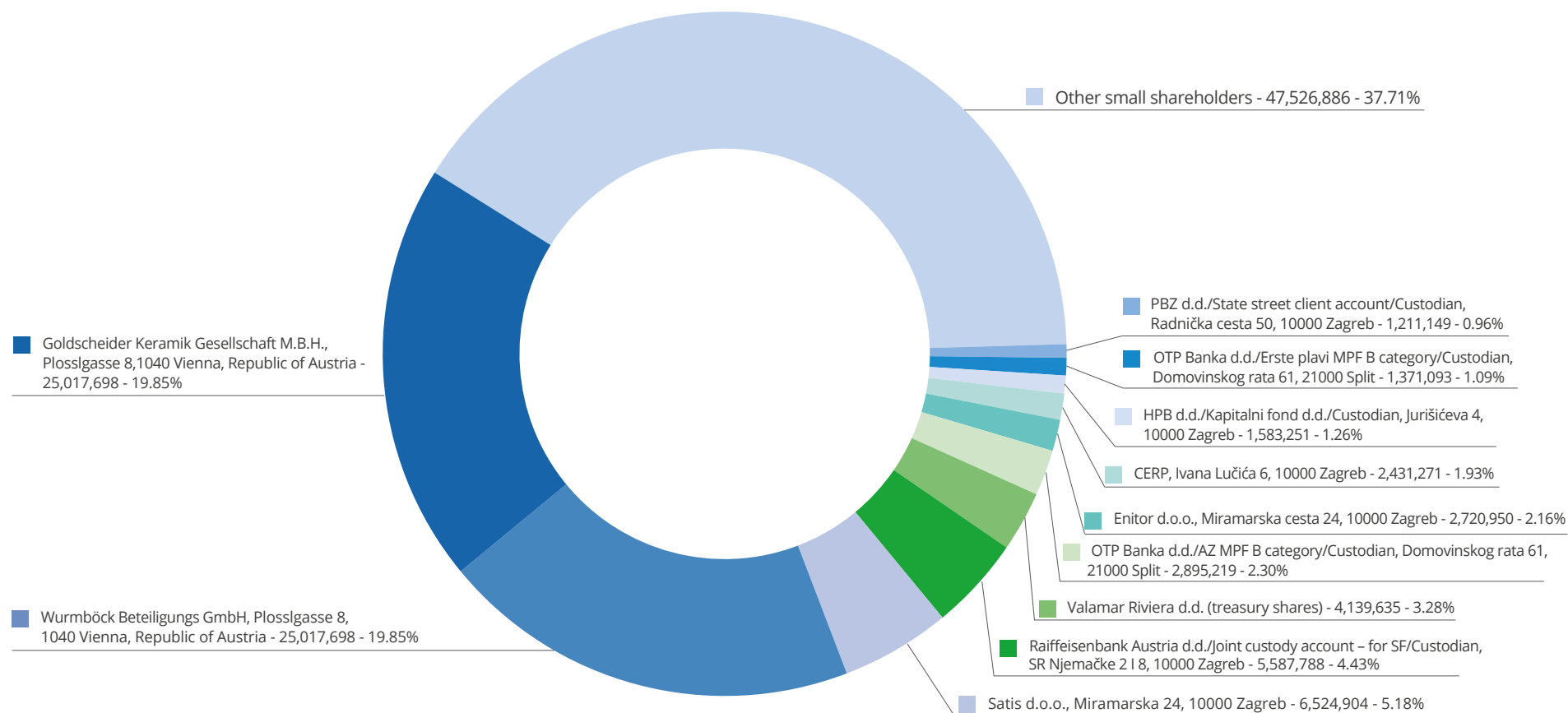
The analytical coverage of Valamar Riviera is provided by:

- 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.

Valamar Obertauern Hotel 4\*, Obertauern



## OVERVIEW OF MAJOR SHAREHOLDERS AS AT 31 MARCH 2021:




Padova Premium Camping Resort 4\*, Rab island



# Additional Information

Lanterna Premium Camping Resort 4\*, Poreč



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

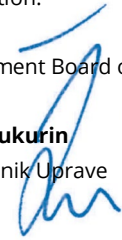
## ADDITIONAL INFORMATION

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

As one of the largest employers in Croatia (as of March 31, 2021, the Group employed a total of 2,241 employees, of which 1,995 permanent, and the Company 1,839 employees, of which 1,629 permanent), the Company and the Group systematically and continuously invest in the development of their human resources through a comprehensive strategic approach to their management that includes a transparent recruitment process, clear goals, measuring employee performance and investing in employee development, as well as their careers, and encouraging two-way communication.

In the course of the first quarter of 2021 the Company's Management Board managed and represented the company pursuant to regulations and the provisions of the Company Statute, and planned a business policy that was implemented with prudent care. The Company's Management Board will continue to undertake all the necessary measures in order to ensure sustainability and business growth. The quarterly separate and consolidated financial statements for the first quarter of 2021 were adopted by the by the Management Board on 28 April 2021. The Management Board expresses its gratitude to all shareholders, business partners, and guests for their support and trust, and particularly to all employees for their contribution.

Management Board of the Company

  
**Željko Kukurin**  
Predsjednik Uprave



  
**Marko Čizmek**  
Član Uprave



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



**Disclaimer**

This report contains certain outlook based on currently available facts, findings and circumstances and estimates in this regard. Our outlook is based on a) results achieved in the first three months of 2021; b) operating results achieved by 28 April 2021; c) current booking status; d) April-May business results forecast; e) temporary business suspension up to end of May; f) currently adopted set of aid measures by the Croatian government, Croatian National Bank, Croatian Bank for Reconstruction and Development, competent ministries as well as state and local authorities; g) the absence of further significant negative effects of the risks to which the Company and the Group are exposed.

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

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

preferences, trust in and satisfaction with Valamar Riviera's products and services;

- Trends in the number of overnights, bookings, and average daily rates of accommodation at Valamar Riviera's properties;
- Trends in the Croatian Kuna exchange rate in relation to world currencies (primarily the Euro), change in market interest rates and the price of equity securities, and other financial risks to which Valamar Riviera is exposed;
- Labor force availability and costs, transport, energy, and utilities costs, selling prices of fuel and other goods and services, as well as supply chain disruptions;
- Changes in accounting policies and findings of financial report audits, as well as findings of tax and other business audits;
- Outcomes and costs of judicial proceedings to which Valamar Riviera is a party;
- Loss of competitive strength and reduced demand for products and services of Croatian tourism and Valamar Riviera under the impact of weather conditions and seasonal movements;
- Reliability of IT business solutions and cyber security of Valamar Riviera's business operations, as well as related costs;
- Changes of tax and other regulations and laws, trade restrictions, and rates of customs duty;
- Adverse climatic events, environmental risks, disease outbreaks and pandemics.

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

# RESPONSIBILITY FOR THE QUARTERLY FINANCIAL STATEMENTS

In Poreč, 28 April 2021

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

## STATEMENT

According to our best knowledge:

- consolidated and unconsolidated financial statements for the first quarter of 2021 are prepared in accordance with applicable standards of financial reporting and give a true and fair view of the assets and liabilities, profit and loss, financial position and operations of the Company and the companies included in consolidation;
- Report of the Company's Management board for the period from 1 January to 31 March 2021 contains a true presentation of development, results and position of the Company and companies included in the consolidation, with description of significant risks and uncertainties which the Company and companies included in the consolidation are exposed.

**Marko Čižmek**  
Član Uprave

**Ljubica Grbac**  
Direktor Sektora / Prokurist



## Reporting period: from 01.01.2021 to 31.03.2021

### Quarterly financial statements

Year:	<u>2021</u>	
Quarter:	<u>1</u>	
Registration number (MB):	<u>3474771</u>	Issuer's home Member State code: <u>HR</u>
Entity's registration number (MBS):	<u>40020883</u>	
Personal identification number (OIB):	<u>36201212847</u>	LEI: <u>529900DUWS1DGNEK4C68</u>
Institution code:	<u>30577</u>	
Name of the issuer:	<u>Valamar Riviera d.d.</u>	
Postcode and town:	<u>52440</u>	<u>Poreč</u>
Street and house number:	<u>Stancija Kaligari 1</u>	
E-mail address:	<u>uprava@riviera.hr</u>	
Web address:	<u>www.valamar-riviera.com</u>	
Number of employees (end of the reporting period):	<u>2243</u>	
Consolidated report:	<u>KD</u>	(KN-not consolidated/KD-consolidated)
Audited:	<u>RN</u>	(RN-not audited/RD-audited)
Names of subsidiaries (according to IFRS):	Registered office:	MB:
<u>Valamar Obertauern GmbH</u>	<u>Obertauern</u>	<u>195893 D</u>
<u>Valamar A GmbH</u>	<u>Tamsweg</u>	<u>486431 S</u>
<u>Palme Turizam d.o.o.</u>	<u>Dubrovnik</u>	<u>2006103</u>
<u>Magične stijene d.o.o.</u>	<u>Dubrovnik</u>	<u>2315211</u>
<u>Bugenvilia d.o.o.</u>	<u>Dubrovnik</u>	<u>2006120</u>
<u>Imperial Riviera d.d.</u>	<u>Rab</u>	<u>3044572</u>
Bookkeeping firm:	<u>No</u>	
Contact person:	<u>Sopta Anka</u> (only name and surname of the contact person)	
Telephone:	<u>052 408 188</u>	
E-mail address:	<u>anka.sopta@riviera.hr</u>	
Audit firm:		
	(name of the audit firm)	
Certified auditor:		
	(name and surname)	



Two handwritten signatures in blue ink. The first signature is a stylized, cursive name, and the second is a more fluid, sweeping signature.

M.P.

(potpis osobe ovlaštene za zastupanje)

**BALANCE SHEET** (balance as at 31.03.2021)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>		
<b>B) FIXED ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>6.087.157.859</b>	<b>6.033.098.018</b>
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>46.400.186</b>	<b>43.390.899</b>
1 Research and development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	37.551.928	33.885.470
3 Goodwill	006	6.567.609	6.567.609
4 Advances for the purchase of intangible assets	007		
5 Intangible assets in preparation	008	2.280.649	2.937.820
6 Other intangible assets	009		
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>5.662.917.241</b>	<b>5.553.940.930</b>
1 Land	011	976.429.207	983.239.748
2 Buildings	012	3.560.463.801	3.478.932.030
3 Plant and equipment	013	488.743.200	464.711.846
4 Tools, working inventory and transportation assets	014	116.542.756	107.621.007
5 Biological assets	015		
6 Advances for the purchase of tangible assets	016	988.061	592.074
7 Tangible assets in preparation	017	443.016.063	453.563.811
8 Other tangible assets	018	72.791.725	61.768.300
9 Investment property	019	3.942.428	3.512.114
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>46.430.294</b>	<b>46.201.064</b>
1 Investments in holdings (shares) of undertakings within the group	021		
2 Investments in other securities of undertakings within the group	022		
3 Loans, deposits, etc. to undertakings within the group	023		
4 Investments in holdings (shares) of companies linked by virtue of participating interests	024	46.054.207	45.802.816
5 Investment in other securities of companies linked by virtue of participating interests	025		
6 Loans, deposits etc. to companies linked by virtue of participating interests	026		
7 Investments in securities	027	147.054	174.031
8 Loans, deposits, etc. given	028	89.033	84.217
9 Other investments accounted for using the equity method	029		
10 Other fixed financial assets	030	140.000	140.000
<b>IV RECEIVABLES (ADP 032 to 035)</b>	<b>031</b>		
1 Receivables from undertakings within the group	032		
2 Receivables from companies linked by virtue of participating interests	033		
3 Customer receivables	034		
4 Other receivables	035		
<b>V DEFERRED TAX ASSETS</b>	<b>036</b>	<b>331.410.138</b>	<b>389.565.125</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>737.066.269</b>	<b>522.680.836</b>
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>30.335.208</b>	<b>32.152.094</b>
1 Raw materials and consumables	039	29.329.354	31.284.027
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	973.867	830.509
5 Advances for inventories	043	31.987	37.558
6 Fixed assets held for sale	044		
7 Biological assets	045		
<b>II RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>40.184.920</b>	<b>28.644.637</b>
1 Receivables from undertakings within the group	047		
2 Receivables from companies linked by virtue of participating interests	048	1.598.603	185.750
3 Customer receivables	049	23.776.150	22.230.753
4 Receivables from employees and members of the undertaking	050	297.549	640.583
5 Receivables from government and other institutions	051	10.162.443	2.288.842
6 Other receivables	052	4.350.175	3.298.709
<b>III CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>613.241</b>	<b>624.294</b>
1 Investments in holdings (shares) of undertakings within the group	054		
2 Investments in other securities of undertakings within the group	055		
3 Loans, deposits, etc. to undertakings within the group	056		
4 Investments in holdings (shares) of companies linked by virtue of participating interests	057		
5 Investment in other securities of companies linked by virtue of participating interests	058		
6 Loans, deposits etc. to companies linked by virtue of participating interests	059		
7 Investments in securities	060		
8 Loans, deposits, etc. given	061	613.241	583.117
9 Other financial assets	062		41.177
<b>IV CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>665.932.900</b>	<b>461.259.811</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>55.358.952</b>	<b>41.031.628</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>6.879.583.080</b>	<b>6.596.810.482</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>54.261.380</b>	<b>54.234.377</b>

**BALANCE SHEET** (balance as at 31.03.2021) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES</b> (ADP 068 to 070+076+077+083+086+089)	<b>067</b>	<b>2.863.857.326</b>	<b>2.736.466.652</b>
<b>I INITIAL (SUBSCRIBED) CAPITAL</b>	<b>068</b>	<b>1.672.021.210</b>	<b>1.672.021.210</b>
<b>II CAPITAL RESERVES</b>	<b>069</b>	<b>5.223.432</b>	<b>5.223.432</b>
<b>III RESERVES FROM PROFIT</b> (ADP 071+072-073+074+075)	<b>070</b>	<b>98.511.512</b>	<b>98.247.550</b>
1 Legal reserves	071	83.601.061	83.601.061
2 Reserves for treasury shares	072	136.815.284	136.815.284
3 Treasury shares and holdings (deductible item)	073	-124.418.267	-124.418.267
4 Statutory reserves	074		
5 Other reserves	075	2.513.434	2.249.472
<b>IV REVALUATION RESERVES</b>	<b>076</b>		
<b>V FAIR VALUE RESERVES AND OTHER</b> (ADP 078 to 082)	<b>077</b>	<b>872</b>	<b>365.209</b>
1 Financial assets at fair value through other comprehensive income (i.e. available for sale)	078	872	22.909
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		342.300
<b>VI RETAINED PROFIT OR LOSS BROUGHT FORWARD</b> (ADP 084-085)	<b>083</b>	<b>715.882.878</b>	<b>386.289.372</b>
1 Retained profit	084	715.882.878	386.289.372
2 Loss brought forward	085		
<b>VII PROFIT OR LOSS FOR THE BUSINESS YEAR</b> (ADP 087-088)	<b>086</b>	<b>-329.593.506</b>	<b>-116.451.834</b>
1 Profit for the business year	087		
2 Loss for the business year	088	329.593.506	116.451.834
<b>VIII MINORITY (NON-CONTROLLING) INTEREST</b>	<b>089</b>	<b>701.810.928</b>	<b>690.771.713</b>
<b>B) PROVISIONS</b> (ADP 091 to 096)	<b>090</b>	<b>141.118.430</b>	<b>135.128.075</b>
1 Provisions for pensions, termination benefits and similar obligations	091	26.089.854	26.089.854
2 Provisions for tax liabilities	092		
3 Provisions for ongoing legal cases	093	57.420.166	51.429.811
4 Provisions for renewal of natural resources	094		
5 Provisions for warranty obligations	095		
6 Other provisions	096	57.608.410	57.608.410
<b>C) LONG-TERM LIABILITIES</b> (ADP 098 to 108)	<b>097</b>	<b>2.867.349.347</b>	<b>3.066.420.865</b>
1 Liabilities to undertakings within the group	098		
2 Liabilities for loans, deposits, etc. of undertakings within the group	099		
3 Liabilities to companies linked by virtue of participating interests	100		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	101		
5 Liabilities for loans, deposits etc.	102		
6 Liabilities to banks and other financial institutions	103	2.770.275.555	2.973.115.928
7 Liabilities for advance payments	104		
8 Liabilities to suppliers	105		98.920
9 Liabilities for securities	106		
10 Other long-term liabilities	107	38.781.433	36.013.074
11 Deferred tax liability	108	58.292.359	57.192.943
<b>D) SHORT-TERM LIABILITIES</b> (ADP 110 to 123)	<b>109</b>	<b>934.437.190</b>	<b>584.741.066</b>
1 Liabilities to undertakings within the group	110		
2 Liabilities for loans, deposits, etc. of undertakings within the group	111		
3 Liabilities to companies linked by virtue of participating interests	112		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	113		
5 Liabilities for loans, deposits etc.	114	5.304.000	5.304.000
6 Liabilities to banks and other financial institutions	115	733.061.607	399.082.234
7 Liabilities for advance payments	116	69.608.737	86.399.249
8 Liabilities to suppliers	117	61.808.783	45.640.572
9 Liabilities for securities	118	6.625.196	
10 Liabilities to employees	119	19.186.775	17.190.852
11 Taxes, contributions and similar liabilities	120	6.130.006	5.451.422
12 Liabilities arising from the share in the result	121	389.276	379.676
13 Liabilities arising from fixed assets held for sale	122		
14 Other short-term liabilities	123	32.322.810	25.293.061
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>124</b>	<b>72.820.787</b>	<b>74.053.824</b>
<b>F) TOTAL – LIABILITIES</b> (ADP 067+090+097+109+124)	<b>125</b>	<b>6.879.583.080</b>	<b>6.596.810.482</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>126</b>	<b>54.261.380</b>	<b>54.234.377</b>

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2021 to 31.03.2021)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>I OPERATING INCOME</b> (ADP 002 to 006)	<b>001</b>	<b>44.980.050</b>	<b>44.980.050</b>	<b>30.169.689</b>	<b>30.169.689</b>
1 Income from sales with undertakings within the group	002				
2 Income from sales (outside group)	003	41.384.174	41.384.174	19.822.251	19.822.251
3 Income from the use of own products, goods and services	004	224.405	224.405	73.571	73.571
4 Other operating income with undertakings within the group	005				
5 Other operating income (outside the group)	006	3.371.471	3.371.471	10.273.867	10.273.867
<b>II OPERATING EXPENSES</b> (ADP 008+009+013+017+018+019+022+029)	<b>007</b>	<b>275.156.624</b>	<b>275.156.624</b>	<b>189.335.375</b>	<b>189.335.375</b>
1 Changes in inventories of work in progress and finished goods	008				
2 Material costs (ADP 010 to 012)	009	48.540.715	48.540.715	25.357.804	25.357.804
a) Costs of raw materials and consumables	010	22.563.650	22.563.650	12.008.385	12.008.385
b) Costs of goods sold	011	41.570	41.570	770.184	770.184
c) Other external costs	012	25.935.495	25.935.495	12.579.235	12.579.235
3 Staff costs (ADP 014 to 016)	013	68.952.553	68.952.553	24.152.815	24.152.815
a) Net salaries and wages	014	44.376.439	44.376.439	12.058.805	12.058.805
b) Tax and contributions from salary costs	015	16.010.002	16.010.002	8.789.853	8.789.853
c) Contributions on salaries	016	8.566.112	8.566.112	3.304.157	3.304.157
4 Depreciation	017	125.476.175	125.476.175	125.010.425	125.010.425
5 Other costs	018	29.240.902	29.240.902	12.369.694	12.369.694
6 Value adjustments (ADP 020+021)	019	203.808	203.808	7.980	7.980
a) fixed assets other than financial assets	020				
b) current assets other than financial assets	021	203.808	203.808	7.980	7.980
7 Provisions (ADP 023 to 028)	022				
a) Provisions for pensions, termination benefits and similar obligations	023				
b) Provisions for tax liabilities	024				
c) Provisions for ongoing legal cases	025				
d) Provisions for renewal of natural resources	026				
e) Provisions for warranty obligations	027				
f) Other provisions	028				
8 Other operating expenses	029	2.742.471	2.742.471	2.436.657	2.436.657
<b>III. FINANCIAL INCOME</b> (ADP 031 to 040)	<b>030</b>	<b>4.448.573</b>	<b>4.448.573</b>	<b>3.984.175</b>	<b>3.984.175</b>
1 Income from investments in holdings (shares) of undertakings within the group	031				
2 Income from investments in holdings (shares) of companies linked by virtue of participating interests	032				
3 Income from other long-term financial investment and loans granted to undertakings within the group	033				
4 Other interest income from operations with undertakings within the group	034				
5 Exchange rate differences and other financial income from operations with undertakings within the group	035				
6 Income from other long-term financial investments and loans	036				
7 Other interest income	037	44.383	44.383	26.579	26.579
8 Exchange rate differences and other financial income	038	2.193.508	2.193.508	1.257.055	1.257.055
9 Unrealised gains (income) from financial assets	039			1.200.566	1.200.566
10 Other financial income	040	2.210.682	2.210.682	1.499.975	1.499.975
<b>IV FINANCIAL EXPENSES</b> (ADP 042 to 048)	<b>041</b>	<b>88.554.386</b>	<b>88.554.386</b>	<b>31.301.528</b>	<b>31.301.528</b>
1 Interest expenses and similar expenses with undertakings within the group	042				
2 Exchange rate differences and other expenses from operations with undertakings within the group	043				
3 Interest expenses and similar expenses	044	5.914.754	5.914.754	15.609.099	15.609.099
4 Exchange rate differences and other expenses	045	61.804.791	61.804.791	14.231.918	14.231.918
5 Unrealised losses (expenses) from financial assets	046	19.277.964	19.277.964		
6 Value adjustments of financial assets (net)	047				
7 Other financial expenses	048	1.556.877	1.556.877	1.460.511	1.460.511
<b>V SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VIRTUE OF PARTICIPATING INTERESTS</b>	<b>049</b>				
<b>VI SHARE IN PROFIT FROM JOINT VENTURES</b>	<b>050</b>				
<b>VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>051</b>	<b>603.919</b>	<b>603.919</b>	<b>251.392</b>	<b>251.392</b>
<b>VIII SHARE IN LOSS OF JOINT VENTURES</b>	<b>052</b>				
<b>IX TOTAL INCOME</b> (ADP 001+030+049+050)	<b>053</b>	<b>49.428.623</b>	<b>49.428.623</b>	<b>34.153.864</b>	<b>34.153.864</b>
<b>X TOTAL EXPENDITURE</b> (ADP 007+041+051+052)	<b>054</b>	<b>364.314.929</b>	<b>364.314.929</b>	<b>220.888.295</b>	<b>220.888.295</b>
<b>XI PRE-TAX PROFIT OR LOSS</b> (ADP 053-054)	<b>055</b>	<b>-314.886.306</b>	<b>-314.886.306</b>	<b>-186.734.431</b>	<b>-186.734.431</b>
1 Pre-tax profit (ADP 053-054)	056				
2 Pre-tax loss (ADP 054-053)	057	-314.886.306	-314.886.306	-186.734.431	-186.734.431

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2021 to 31.03.2021) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>XII INCOME TAX</b>	<b>058</b>			<b>-59.243.382</b>	<b>-59.243.382</b>
<b>XIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 055-059)	<b>059</b>	<b>-314.886.306</b>	<b>-314.886.306</b>	<b>-127.491.049</b>	<b>-127.491.049</b>
1. Profit for the period (ADP 055-059)	060				
2. Loss for the period (ADP 059-055)	061	-314.886.306	-314.886.306	-127.491.049	-127.491.049

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

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

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

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

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

<b>XIX PROFIT OR LOSS FOR THE PERIOD</b> (ADP 076+077)	<b>075</b>	<b>-314.886.306</b>	<b>-314.886.306</b>	<b>-127.491.049</b>	<b>-127.491.049</b>
1 Attributable to owners of the parent	076	-289.721.413	-289.721.413	-116.451.834	-116.451.834
2 Attributable to minority (non-controlling) interest	077	-25.164.893	-25.164.893	-11.039.215	-11.039.215

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

<b>I PROFIT OR LOSS FOR THE PERIOD</b>	<b>078</b>	<b>-314.886.306</b>	<b>-314.886.306</b>	<b>-127.491.049</b>	<b>-127.491.049</b>
<b>II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX</b> (ADP 080 to 087)	<b>079</b>	<b>38.775</b>	<b>38.775</b>	<b>105.212</b>	<b>105.212</b>
<b>III ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</b> (ADP 081 to 085)	<b>080</b>	<b>-92.880</b>	<b>-92.880</b>	<b>26.874</b>	<b>26.874</b>
1 Changes in revaluation reserves of fixed tangible and intangible assets	081				
2 Gains or losses from subsequent measurement of equity instruments at fair value through other comprehensive income	082				
3 Fair value changes of financial liabilities at fair value through statement of profit or loss, attributable to changes in their credit risk	083	-92.880	-92.880	26.874	26.874
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	-16.718	-16.718	4.837	4.837
<b>IV ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS</b> (ADP 088 to 095)	<b>087</b>	<b>131.655</b>	<b>131.655</b>	<b>78.338</b>	<b>78.338</b>
1 Exchange rate differences from translation of foreign operations	088	131.655	131.655	78.338	78.338
2 Gains or losses from subsequent measurement of debt securities at fair value through other comprehensive income	089				
3 Profit or loss arising from effective cash flow hedging	090				
4 Profit or loss arising from effective hedge of a net investment in a foreign operation	091				
5 Share in other comprehensive income/loss of companies linked by virtue of participating interests	092				
6 Changes in fair value of the time value of option	093				
7 Changes in fair value of forward elements of forward contracts	094				
8 Other items that may be reclassified to profit or loss	095				
9 Income tax relating to items that may be reclassified to profit or loss	096				



**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2021 to 31.03.2021) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>V NET OTHER COMPREHENSIVE INCOME OR LOSS</b> (ADP 080+087- 086 - 096)	<b>097</b>	<b>55.493</b>	<b>55.493</b>	<b>100.375</b>	<b>100.375</b>
<b>VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 078+097)	<b>098</b>	<b>-314.830.813</b>	<b>-314.830.813</b>	<b>-127.390.674</b>	<b>-127.390.674</b>
<b>APPENDIX to the Statement on comprehensive income (to be filled in by undertakings that draw up consolidated statements)</b>					
<b>VII COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 100+101)	<b>099</b>	<b>-314.830.813</b>	<b>-314.830.813</b>	<b>-127.390.674</b>	<b>-127.390.674</b>
1 Attributable to owners of the parent	100	-289.665.920	-289.665.920	-116.351.459	-116.351.459
2 Attributable to minority (non-controlling) interest	101	-25.164.893	-25.164.893	-11.039.215	-11.039.215

**STATEMENT OF CASH FLOWS - indirect method** (for the period 01.01.2021 to 31.03.2021)**Submitter: Valamar Riviera d.d.**

in HRK

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1 Pre-tax profit	001	-314.886.306	-186.734.431
2 Adjustments (ADP 003 to 010):	002	212.245.512	146.862.778
a) Depreciation	003	125.476.175	125.010.425
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-325.923	-971.047
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	-13.959	
d) Interest and dividend income	006	-21.094	-19.103
e) Interest expenses	007	7.264.827	17.069.611
f) Provisions	008	-35.692	-5.990.355
g) Exchange rate differences (unrealised)	009	61.872.012	14.231.918
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	18.029.166	-2.468.671
<b>I Cash flow increase or decrease before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>-102.640.794</b>	<b>-39.871.653</b>
3 Changes in the working capital (ADP 013 to 016)	012	103.617.365	426.428
a) Increase or decrease in short-term liabilities	013	98.140.228	-20.244.744
b) Increase or decrease in short-term receivables	014	10.208.309	22.488.059
c) Increase or decrease in inventories	015	-5.246.097	-1.816.887
d) Other increase or decrease in working capital	016	514.925	0
<b>II Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>976.571</b>	<b>-39.445.225</b>
4 Interest paid	018	-6.088.673	-8.389.842
5 Income tax paid	019	-682.617	0
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>-5.794.719</b>	<b>-47.835.067</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021		2.833.916
2 Cash receipts from sales of financial instruments	022	12.621	
3 Interest received	023	23.867	24.185
4 Dividends received	024		
5 Cash receipts from repayment of loans and deposits	025	6.087	34.858
6 Other cash receipts from investment activities	026		
<b>III Total cash receipts from investment activities (ADP 021 to 026)</b>	<b>027</b>	<b>42.575</b>	<b>2.892.959</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-291.535.115	-13.507.884
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030	-55.486	
4 Acquisition of a subsidiary, net of cash acquired	031		
5 Other cash payments from investment activities	032		
<b>IV Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-291.590.601</b>	<b>-13.507.884</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-291.548.026</b>	<b>-10.614.925</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1 Cash receipts from the increase in initial (subscribed) capital	035		
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036		
3 Cash receipts from credit principals, loans and other borrowings	037	371.558.876	
4 Other cash receipts from financing activities	038	1.598.722	
<b>V Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>373.157.598</b>	
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-2.115.264	-145.770.089
2 Cash payments for dividends	041		
3 Cash payments for finance lease	042		-22.102
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043		
5 Other cash payments from financing activities	044	-949.155	-430.906
<b>VI Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-3.064.419</b>	<b>-146.223.097</b>
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>370.093.179</b>	<b>-146.223.097</b>
1 Unrealised exchange rate differences in respect of cash and cash equivalents	047		
<b>D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020+034+046+047)</b>	<b>048</b>	<b>72.750.434</b>	<b>-204.673.089</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>	<b>550.142.638</b>	<b>665.932.900</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>	<b>622.893.072</b>	<b>461.259.811</b>



## NOTES TO FINANCIAL STATEMENTS - TFI

(drawn up for quarterly reporting periods)

Name of the issuer:

**Valamar Riviera d.d.**

Personal identification

number OIB: **36201212847**

Reporting period:

**01.01.2021. to 31.03.2021.**

Notes to financial statements for quarterly periods include:

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

## NOTES TO FINANCIAL STATEMENTS - TFI (continued)

(drawn up for quarterly reporting periods)

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

Notes to financial statements for the three month period together with detailed information on financial performance and events relevant to understanding changes in financial statements are available in PDF document „Business results 1/1/2021 – 31/3/2021“ which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

**Reporting period: from 01.01.2021 to 31.03.2021****Quarterly financial statements**

Year:	<u>2021</u>	
Quarter:	<u>1</u>	
Registration number (MB):	<u>3474771</u>	Issuer's home Member State code: <u>HR</u>
Entity's registration number (MBS):	<u>40020883</u>	
Personal identification number (OIB):	<u>36201212847</u>	LEI: <u>529900DUWS1DGNEK4C68</u>
Institution code:	<u>30577</u>	
Name of the issuer:	<u>Valamar Riviera d.d.</u>	
Postcode and town:	<u>52440</u>	<u>Poreč</u>
Street and house number:	<u>Stancija Kaligari 1</u>	
E-mail address:	<u>uprava@riviera.hr</u>	
Web address:	<u>www.valamar-riviera.com</u>	
Number of employees (end of the reporting period):	<u>1839</u>	
Consolidated report:	<u>KN</u>	(KN-not consolidated/KD-consolidated)
Audited:	<u>RN</u>	(RN-not audited/RD-audited)
Names of subsidiaries (according to IFRS):	Registered office:	MB:
<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>
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<u></u>	<u></u>	<u></u>
Bookkeeping firm:	<u>No</u>	
Contact person:	<u>Sopta Anka</u>	
	(only name and surname of the contact person)	
Telephone:	<u>052 408 188</u>	
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Audit firm:	<u></u>	
	(name of the audit firm)	
Certified auditor:	<u></u>	
	(name and surname)	



M.P.

(potpis osobe ovlaštene za zastupanje)

**BALANCE SHEET** (balance as at 31.03.2021)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>		
<b>B) FIXED ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>5.324.136.157</b>	<b>5.283.168.000</b>
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>42.275.329</b>	<b>39.268.924</b>
1 Research and development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	35.550.820	32.033.223
3 Goodwill	006	6.567.609	6.567.609
4 Advances for the purchase of intangible assets	007		
5 Intangible assets in preparation	008	156.900	668.092
6 Other intangible assets	009		
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>4.292.520.443</b>	<b>4.205.713.651</b>
1 Land	011	629.012.020	636.325.770
2 Buildings	012	2.722.066.344	2.661.617.594
3 Plant and equipment	013	409.245.659	389.193.355
4 Tools, working inventory and transportation assets	014	91.158.729	84.158.898
5 Biological assets	015		
6 Advances for the purchase of tangible assets	016	159.973	56.964
7 Tangible assets in preparation	017	366.577.576	372.892.671
8 Other tangible assets	018	70.357.714	57.956.285
9 Investment property	019	3.942.428	3.512.114
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>774.869.872</b>	<b>774.891.929</b>
1 Investments in holdings (shares) of undertakings within the group	021	727.328.038	727.328.038
2 Investments in other securities of undertakings within the group	022		
3 Loans, deposits, etc. to undertakings within the group	023		
4 Investments in holdings (shares) of companies linked by virtue of participating interests	024	47.191.530	47.191.530
5 Investment in other securities of companies linked by virtue of participating interests	025		
6 Loans, deposits etc. to companies linked by virtue of participating interests	026		
7 Investments in securities	027	121.271	148.144
8 Loans, deposits, etc. given	028	89.033	84.217
9 Other investments accounted for using the equity method	029		
10 Other fixed financial assets	030	140.000	140.000
<b>IV RECEIVABLES (ADP 032 to 035)</b>	<b>031</b>		
1 Receivables from undertakings within the group	032		
2 Receivables from companies linked by virtue of participating interests	033		
3 Customer receivables	034		
4 Other receivables	035		
<b>V DEFERRED TAX ASSETS</b>	<b>036</b>	<b>214.470.513</b>	<b>263.293.496</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>583.232.857</b>	<b>382.869.999</b>
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>27.296.274</b>	<b>28.917.145</b>
1 Raw materials and consumables	039	26.356.791	28.121.448
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	939.483	795.697
5 Advances for inventories	043		
6 Fixed assets held for sale	044		
7 Biological assets	045		
<b>II RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>32.385.214</b>	<b>24.359.040</b>
1 Receivables from undertakings within the group	047	186.829	657.689
2 Receivables from companies linked by virtue of participating interests	048	330.822	185.750
3 Customer receivables	049	23.158.299	19.900.198
4 Receivables from employees and members of the undertaking	050	277.464	621.306
5 Receivables from government and other institutions	051	4.795.299	175.598
6 Other receivables	052	3.636.501	2.818.499
<b>III CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>578.131</b>	<b>619.308</b>
1 Investments in holdings (shares) of undertakings within the group	054		
2 Investments in other securities of undertakings within the group	055		
3 Loans, deposits, etc. to undertakings within the group	056	28.300	28.300
4 Investments in holdings (shares) of companies linked by virtue of participating interests	057		
5 Investment in other securities of companies linked by virtue of participating interests	058		
6 Loans, deposits etc. to companies linked by virtue of participating interests	059		
7 Investments in securities	060		
8 Loans, deposits, etc. given	061	549.831	549.831
9 Other financial assets	062		41.177
<b>IV CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>522.973.238</b>	<b>328.974.506</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>46.702.706</b>	<b>35.933.995</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>5.954.071.720</b>	<b>5.701.971.994</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>54.261.380</b>	<b>54.234.377</b>

**BALANCE SHEET** (balance as at 31.03.2021) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES</b> (ADP 068 to 070+076+077+083+086+089)	<b>067</b>	<b>2.385.224.020</b>	<b>2.281.279.205</b>
<b>I INITIAL (SUBSCRIBED) CAPITAL</b>	<b>068</b>	<b>1.672.021.210</b>	<b>1.672.021.210</b>
<b>II CAPITAL RESERVES</b>	<b>069</b>	<b>5.710.563</b>	<b>5.710.563</b>
<b>III RESERVES FROM PROFIT</b> (ADP 071+072-073+074+075)	<b>070</b>	<b>98.247.551</b>	<b>98.247.551</b>
1 Legal reserves	071	83.601.061	83.601.061
2 Reserves for treasury shares	072	136.815.284	136.815.284
3 Treasury shares and holdings (deductible item)	073	-124.418.266	-124.418.266
4 Statutory reserves	074		
5 Other reserves	075	2.249.472	2.249.472
<b>IV REVALUATION RESERVES</b>	<b>076</b>		
<b>V FAIR VALUE RESERVES AND OTHER</b> (ADP 078 to 082)	<b>077</b>	<b>872</b>	<b>22.909</b>
1 Financial assets at fair value through other comprehensive income (i.e. available for sale)	078	872	22.909
2 Cash flow hedge - effective portion	079		
3 Hedge of a net investment in a foreign operation - effective portion	080		
4 Other fair value reserves	081		
5 Exchange differences arising from the translation of foreign operations (consolidation)	082		
<b>VI RETAINED PROFIT OR LOSS BROUGHT FORWARD</b> (ADP 084-085)	<b>083</b>	<b>917.793.503</b>	<b>609.243.824</b>
1 Retained profit	084	917.793.503	609.243.824
2 Loss brought forward	085		
<b>VII PROFIT OR LOSS FOR THE BUSINESS YEAR</b> (ADP 087-088)	<b>086</b>	<b>-308.549.679</b>	<b>-103.966.852</b>
1 Profit for the business year	087		
2 Loss for the business year	088	308.549.679	103.966.852
<b>VIII MINORITY (NON-CONTROLLING) INTEREST</b>	<b>089</b>		
<b>B) PROVISIONS</b> (ADP 091 to 096)	<b>090</b>	<b>113.213.704</b>	<b>107.223.349</b>
1 Provisions for pensions, termination benefits and similar obligations	091	21.180.405	21.180.405
2 Provisions for tax liabilities	092		
3 Provisions for ongoing legal cases	093	36.378.988	30.388.633
4 Provisions for renewal of natural resources	094		
5 Provisions for warranty obligations	095		
6 Other provisions	096	55.654.311	55.654.311
<b>C) LONG-TERM LIABILITIES</b> (ADP 098 to 108)	<b>097</b>	<b>2.524.889.178</b>	<b>2.720.595.102</b>
1 Liabilities to undertakings within the group	098		
2 Liabilities for loans, deposits, etc. of undertakings within the group	099		
3 Liabilities to companies linked by virtue of participating interests	100		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	101		
5 Liabilities for loans, deposits etc.	102		
6 Liabilities to banks and other financial institutions	103	2.474.586.439	2.671.054.324
7 Liabilities for advance payments	104		
8 Liabilities to suppliers	105		
9 Liabilities for securities	106		
10 Other long-term liabilities	107	36.995.567	36.446.253
11 Deferred tax liability	108	13.307.172	13.094.525
<b>D) SHORT-TERM LIABILITIES</b> (ADP 110 to 123)	<b>109</b>	<b>865.350.845</b>	<b>524.961.185</b>
1 Liabilities to undertakings within the group	110	135.664	166.117
2 Liabilities for loans, deposits, etc. of undertakings within the group	111		
3 Liabilities to companies linked by virtue of participating interests	112		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	113		
5 Liabilities for loans, deposits etc.	114		
6 Liabilities to banks and other financial institutions	115	693.967.037	365.518.274
7 Liabilities for advance payments	116	61.767.845	75.026.996
8 Liabilities to suppliers	117	49.993.663	39.794.355
9 Liabilities for securities	118	6.625.196	
10 Liabilities to employees	119	15.921.399	14.779.679
11 Taxes, contributions and similar liabilities	120	4.664.984	4.233.065
12 Liabilities arising from the share in the result	121	9.600	
13 Liabilities arising from fixed assets held for sale	122		
14 Other short-term liabilities	123	32.265.457	25.442.699
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>124</b>	<b>65.393.973</b>	<b>67.913.153</b>
<b>F) TOTAL - LIABILITIES</b> (ADP 067+090+097+109+124)	<b>125</b>	<b>5.954.071.720</b>	<b>5.701.971.994</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>126</b>	<b>54.261.380</b>	<b>54.234.377</b>



**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2021 to 31.03.2021)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>I OPERATING INCOME</b> (ADP 002 to 006)	<b>001</b>	<b>33.666.486</b>	<b>33.666.486</b>	<b>28.149.416</b>	<b>28.149.416</b>
1 Income from sales with undertakings within the group	002	5.624.519	5.624.519	1.208.798	1.208.798
2 Income from sales (outside group)	003	25.830.574	25.830.574	17.661.044	17.661.044
3 Income from the use of own products, goods and services	004	51.374	51.374	51.447	51.447
4 Other operating income with undertakings within the group	005	11.862	11.862	53.750	53.750
5 Other operating income (outside the group)	006	2.148.157	2.148.157	9.174.377	9.174.377
<b>II OPERATING EXPENSES</b> (ADP 008+009+013+017+018+019+022+029)	<b>007</b>	<b>229.821.965</b>	<b>229.821.965</b>	<b>156.140.684</b>	<b>156.140.684</b>
1 Changes in inventories of work in progress and finished goods	008				
2 Material costs (ADP 010 to 012)	009	42.286.760	42.286.760	23.722.087	23.722.087
a) Costs of raw materials and consumables	010	20.065.489	20.065.489	11.284.497	11.284.497
b) Costs of goods sold	011	22.401	22.401	770.184	770.184
c) Other external costs	012	22.198.870	22.198.870	11.667.406	11.667.406
3 Staff costs (ADP 014 to 016)	013	59.343.367	59.343.367	22.098.277	22.098.277
a) Net salaries and wages	014	37.839.985	37.839.985	11.050.269	11.050.269
b) Tax and contributions from salary costs	015	13.939.013	13.939.013	8.015.801	8.015.801
c) Contributions on salaries	016	7.564.369	7.564.369	3.032.207	3.032.207
4 Depreciation	017	99.632.860	99.632.860	98.147.873	98.147.873
5 Other costs	018	25.830.895	25.830.895	9.976.868	9.976.868
6 Value adjustments (ADP 020+021)	019	109.971	109.971	7.980	7.980
a) fixed assets other than financial assets	020				
b) current assets other than financial assets	021	109.971	109.971	7.980	7.980
7 Provisions (ADP 023 to 028)	022				
a) Provisions for pensions, termination benefits and similar obligations	023				
b) Provisions for tax liabilities	024				
c) Provisions for ongoing legal cases	025				
d) Provisions for renewal of natural resources	026				
e) Provisions for warranty obligations	027				
f) Other provisions	028				
8 Other operating expenses	029	2.618.112	2.618.112	2.187.599	2.187.599
<b>III. FINANCIAL INCOME</b> (ADP 031 to 040)	<b>030</b>	<b>4.185.235</b>	<b>4.185.235</b>	<b>3.895.125</b>	<b>3.895.125</b>
1 Income from investments in holdings (shares) of undertakings within the group	031				
2 Income from investments in holdings (shares) of companies linked by virtue of participating interests	032				
3 Income from other long-term financial investment and loans granted to undertakings within the group	033				
4 Other interest income from operations with undertakings within the group	034				
5 Exchange rate differences and other financial income from operations with undertakings within the group	035				
6 Income from other long-term financial investments and loans	036				
7 Other interest income	037	39.318	39.318	11.426	11.426
8 Exchange rate differences and other financial income	038	1.943.833	1.943.833	1.188.985	1.188.985
9 Unrealised gains (income) from financial assets	039			1.200.566	1.200.566
10 Other financial income	040	2.202.084	2.202.084	1.494.148	1.494.148
<b>IV FINANCIAL EXPENSES</b> (ADP 042 to 048)	<b>041</b>	<b>81.482.800</b>	<b>81.482.800</b>	<b>28.911.176</b>	<b>28.911.176</b>
1 Interest expenses and similar expenses with undertakings within the group	042				
2 Exchange rate differences and other expenses from operations with undertakings within the group	043				
3 Interest expenses and similar expenses	044	4.500.161	4.500.161	14.120.487	14.120.487
4 Exchange rate differences and other expenses	045	57.284.316	57.284.316	13.354.599	13.354.599
5 Unrealised losses (expenses) from financial assets	046	18.168.522	18.168.522		
6 Value adjustments of financial assets (net)	047				
7 Other financial expenses	048	1.529.801	1.529.801	1.436.090	1.436.090
<b>V SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VIRTUE OF PARTICIPATING INTERESTS</b>	<b>049</b>				
<b>VI SHARE IN PROFIT FROM JOINT VENTURES</b>	<b>050</b>				
<b>VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>051</b>				
<b>VIII SHARE IN LOSS OF JOINT VENTURES</b>	<b>052</b>				
<b>IX TOTAL INCOME</b> (ADP 001+030+049+050)	<b>053</b>	<b>37.851.721</b>	<b>37.851.721</b>	<b>32.044.541</b>	<b>32.044.541</b>
<b>X TOTAL EXPENDITURE</b> (ADP 007+041+051+052)	<b>054</b>	<b>311.304.765</b>	<b>311.304.765</b>	<b>185.051.860</b>	<b>185.051.860</b>
<b>XI PRE-TAX PROFIT OR LOSS</b> (ADP 053-054)	<b>055</b>	<b>-273.453.044</b>	<b>-273.453.044</b>	<b>-153.007.319</b>	<b>-153.007.319</b>
1 Pre-tax profit (ADP 053-054)	056				
2 Pre-tax loss (ADP 054-053)	057	-273.453.044	-273.453.044	-153.007.319	-153.007.319

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2021 to 31.03.2021) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>XII INCOME TAX</b>	<b>058</b>			<b>-49.040.467</b>	<b>-49.040.467</b>
<b>XIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 055-059)	<b>059</b>	<b>-273.453.044</b>	<b>-273.453.044</b>	<b>-103.966.852</b>	<b>-103.966.852</b>
1. Profit for the period (ADP 055-059)	060				
2. Loss for the period (ADP 059-055)	061	-273.453.044	-273.453.044	-103.966.852	-103.966.852

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

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

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

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

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

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

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

<b>I PROFIT OR LOSS FOR THE PERIOD</b>	<b>078</b>	<b>-273.453.044</b>	<b>-273.453.044</b>	<b>-103.966.852</b>	<b>-103.966.852</b>
<b>II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX</b> (ADP 080 to 087)	<b>079</b>	<b>-92.880</b>	<b>-92.880</b>	<b>26.874</b>	<b>26.874</b>
<b>III ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</b> (ADP 081 to 085)	<b>080</b>	<b>-92.880</b>	<b>-92.880</b>	<b>26.874</b>	<b>26.874</b>
1 Changes in revaluation reserves of fixed tangible and intangible assets	081				
2 Gains or losses from subsequent measurement of equity instruments at fair value through other comprehensive income	082	-92.880	-92.880	26.874	26.874
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	-16.719	-16.719	4.837	4.837
<b>IV ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS</b> (ADP 088 to 095)	<b>087</b>				
1 Exchange rate differences from translation of foreign operations	088				
2 Gains or losses from subsequent measurement of debt securities at fair value through other comprehensive income	089				
3 Profit or loss arising from effective cash flow hedging	090				
4 Profit or loss arising from effective hedge of a net investment in a foreign operation	091				
5 Share in other comprehensive income/loss of companies linked by virtue of participating interests	092				
6 Changes in fair value of the time value of option	093				
7 Changes in fair value of forward elements of forward contracts	094				
8 Other items that may be reclassified to profit or loss	095				
9 Income tax relating to items that may be reclassified to profit or loss	096				

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2021 to 31.03.2021) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year		Current period	
		Cummulative	Quarter	Cummulative	Quarter
1	2	3	4	5	6
<b>V NET OTHER COMPREHENSIVE INCOME OR LOSS</b> (ADP 080+087- 086 - 096)	<b>097</b>	<b>-76.161</b>	<b>-76.161</b>	<b>22.037</b>	<b>22.037</b>
<b>VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 078+097)	<b>098</b>	<b>-273.529.205</b>	<b>-273.529.205</b>	<b>-103.944.815</b>	<b>-103.944.815</b>

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

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

**STATEMENT OF CASH FLOWS - indirect method** (for the period 01.01.2021 to 31.03.2021)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1 Pre-tax profit	001	-273.453.044	-153.007.319
2 Adjustments (ADP 003 to 010):	002	179.728.180	117.379.295
a) Depreciation	003	99.632.860	98.147.873
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	20.834	-962.797
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	-107.795	
d) Interest and dividend income	006	-16.030	-3.949
e) Interest expenses	007	6.029.963	15.556.577
f) Provisions	008	-35.692	-5.990.355
g) Exchange rate differences (unrealised)	009	57.284.316	13.352.009
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	16.919.724	-2.720.063
<b>I Cash flow increase or decrease before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>-93.724.864</b>	<b>-35.628.024</b>
3 Changes in the working capital (ADP 013 to 016)	012	84.889.775	891.423
a) Increase or decrease in short-term liabilities	013	80.338.497	-14.906.396
b) Increase or decrease in short-term receivables	014	9.495.027	17.418.690
c) Increase or decrease in inventories	015	-5.011.387	-1.620.871
d) Other increase or decrease in working capital	016	67.638	
<b>II Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>-8.835.089</b>	<b>-34.736.601</b>
4 Interest paid	018	-4.845.769	-7.187.433
5 Income tax paid	019		
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>-13.680.858</b>	<b>-41.924.034</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021		2.825.666
2 Cash receipts from sales of financial instruments	022	12.621	
3 Interest received	023	18.803	9.031
4 Dividends received	024		
5 Cash receipts from repayment of loans and deposits	025	6.087	4.816
6 Other cash receipts from investment activities	026		
<b>III Total cash receipts from investment activities (ADP 021 to 026)</b>	<b>027</b>	<b>37.511</b>	<b>2.839.513</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-224.484.629	-9.018.102
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030	-55.486	
4 Acquisition of a subsidiary, net of cash acquired	031		
5 Other cash payments from investment activities	032		
<b>IV Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-224.540.115</b>	<b>-9.018.102</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-224.502.604</b>	<b>-6.178.589</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1 Cash receipts from the increase in initial (subscribed) capital	035		
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036		
3 Cash receipts from credit principals, loans and other borrowings	037	364.676.597	
4 Other cash receipts from financing activities	038	1.598.721	
<b>V Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>366.275.318</b>	
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-302.288	-145.332.887
2 Cash payments for dividends	041		
3 Cash payments for finance lease	042		
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043		
5 Other cash payments from financing activities	044	-949.155	-563.222
<b>VI Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-1.251.443</b>	<b>-145.896.109</b>
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>365.023.875</b>	<b>-145.896.109</b>
1 Unrealised exchange rate differences in respect of cash and cash equivalents	047		
<b>D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020+034+046+047)</b>	<b>048</b>	<b>126.840.413</b>	<b>-193.998.732</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>	<b>247.849.272</b>	<b>522.973.238</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>	<b>374.689.685</b>	<b>328.974.506</b>



## NOTES TO FINANCIAL STATEMENTS - TFI

(drawn up for quarterly reporting periods)

Name of the issuer:

**Valamar Riviera d.d.**

Personal identification

number OIB: **36201212847**

Reporting period:

**01.01.2021. to 31.03.2021.**

Notes to financial statements for quarterly periods include:

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

## NOTES TO FINANCIAL STATEMENTS - TFI (continued)

(drawn up for quarterly reporting periods)

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

Notes to financial statements for the three month period together with detailed information on financial performance and events relevant to understanding changes in financial statements are available in PDF document „Business results 1/1/2021 – 31/3/2021“ which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

## NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

### NOTE 1 – GENERAL INFORMATION

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

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

- Palme turizam d.o.o., Dubrovnik, 100% ownership
- Magične stijene d.o.o., Dubrovnik, 100% ownership
- Bugenvilia d.o.o., Dubrovnik, 100% ownership
- Imperial Riviera d.d., Rab, 43.68% ownership with the subsidiary Praona d.o.o., Makarska
- Valamar A GmbH, Tamsweg, 100% ownership
- Valamar Obertauern GmbH, Obertauern, 10% direct ownership and 90% indirect ownership (90% share owned by Valamar A GmbH).

The consolidated and unconsolidated financial statements for the three month period ended 31 March 2021 were approved by the Management Board in Poreč on 28 April 2021.

The consolidated and unconsolidated financial statements for the three month period have not been audited.

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The Company’s and Group’s financial statements for the three months ended on 31 March 2021 have been prepared in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting. The financial statements have been prepared under the historical cost method, except for the financial assets at fair value through profit or loss and financial assets. The consolidated and unconsolidated financial statements for the three month period do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s and Group’s annual financial statements as at 31 December 2020 which are available on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Group’s web pages.

#### 2.2 Going concern

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



## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.3 Critical accounting estimates

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

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

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

The Company and the Group need to determine the ownership status for cca 3.24 million m<sup>2</sup> and cca 3.54 million m<sup>2</sup> respectively, pursuant to the provisions of the Act on unappraised land (hereinafter: the Act), that entered into force on 2 May 2020. The Act lays down the obligation to determine and establish, within the prescribed deadlines, real estate on the assessed parts of the camp, hotel, tourist complexes and other building land as the subject matter of the right of ownership of the Company and the Group; and real estate on the parts of the camp, hotel, tourist complexes and other building land that have not been assessed as the subject matter of the right of ownership of the Republic of Croatia or local governments. As regards the parts of land owned by the Republic of Croatia or local governments, the Company and the Group will conclude a lease agreement for a period of 50 years. The unit amount of the rent and the manner of and deadlines for the payment will be laid down by a regulation adopted

by the Government. At the moment of creating this document, the regulation has not been adopted yet; therefore it has not been possible to determine right-of-use assets and liabilities since the entry into force of the Act, i.e. since 2 May 2020. After the adoption of the regulation on prices, the Company and the Group will revise total surface areas that will be the subject matter of the lease agreement and they will assess the value of the right-of-use assets and liabilities in accordance with the provisions of IFRS 16. In 2020 and the first three month period ended 31 March 2021, the Company and the Group were not able to determine the object of the lease and the value of the lease.

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

### 2.4 Significant accounting policies

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

### NOTE 3 – FAIR VALUE ESTIMATION

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

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

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

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

<b>GROUP</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
(in thousands of HRK)					
<b>As at 31 December 2020</b>					
<b>Assets measured at fair value</b>					
Financial assets - equity securities		317	-	-	317
<b>Total assets measured at fair value</b>		<b>317</b>	<b>-</b>	<b>-</b>	<b>317</b>
<b>Liabilities measured at fair value</b>					
Derivative financial instruments		-	16,982	-	16,982
<b>Total liabilities measured at fair value</b>		<b>-</b>	<b>16,982</b>	<b>-</b>	<b>16,982</b>
<b>As at 31 March 2021</b>					
<b>Assets measured at fair value</b>					
Financial assets - equity securities		344	-	-	344
Derivative financial instruments		-	41	-	41
<b>Total assets measured at fair value</b>		<b>344</b>	<b>41</b>	<b>-</b>	<b>385</b>
<b>Liabilities measured at fair value</b>					
Derivative financial instruments		-	14,368	-	14,368
<b>Total liabilities measured at fair value</b>		<b>-</b>	<b>14,368</b>	<b>-</b>	<b>14,368</b>

#### *Fair value hierarchy*

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

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

## NOTE 3 – FAIR VALUE ESTIMATION / CONTINUED

**COMPANY**

(in thousands of HRK)

	Level 1	Level 2	Level 3	Total
<b>As at 31 December 2020</b>				
<b>Assets measured at fair value</b>				
Financial assets - equity securities	261	-	-	261
<b>Total assets measured at fair value</b>	<b>261</b>	<b>-</b>	<b>-</b>	<b>261</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	-	16,982	-	16,982
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>16,982</b>	<b>-</b>	<b>16,982</b>
<b>As at 31 March 2021</b>				
<b>Assets measured at fair value</b>				
Financial assets - equity securities	288	-	-	288
Derivative financial instruments	-	41	-	41
<b>Total assets measured at fair value</b>	<b>288</b>	<b>41</b>	<b>-</b>	<b>329</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	-	14,368	-	14,368
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>14,368</b>	<b>-</b>	<b>14,368</b>

## NOTE 4 - SEGMENT INFORMATION

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

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

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

The segment information related to reportable segments for the three months ended 31 March 2020 is as follows:

<b>GROUP</b>				
(in thousands of HRK)	<b>Hotels and apartments</b>	<b>Camps</b>	<b>Other business segments</b>	<b>Total</b>
Total sales	35,641	2,714	14,276	52,631
Inter-segment revenue	(125)	(4)	(11,118)	(11,247)
Revenue from external customers	<b>35,516</b>	<b>2,710</b>	<b>3,158</b>	<b>41,384</b>
Depreciation and amortisation	78,772	31,299	15,405	125,476
Net finance income/(expense) net	(35,507)	(17,852)	(30,746)	(84,105)
Write-off of fixed assets	21	-	2	23
Profit/(loss) of segment	(21,877)	(6,936)	(53,622)	(82,435)

**NOTE 4 - SEGMENT INFORMATION / CONTINUED**

The segment information related to reportable segments for the three months ended 31 March 2021 is as follows:

<b>GROUP</b>				
(in thousands of HRK)	<b>Hotels and apartments</b>	<b>Camps</b>	<b>Other business segments</b>	<b>Total</b>
Total sales	11,152	4,924	8,304	24,380
Inter-segment revenue	(80)	(8)	(4,470)	(4,558)
Revenue from external customers	<b>11,072</b>	<b>4,916</b>	<b>3,834</b>	<b>19,822</b>
Depreciation and amortisation	78,039	33,024	13,948	125,011
Net finance income/(expense) net	(17,366)	(7,213)	(2,739)	(27,318)
Write-off of fixed assets	-	83	-	83
Profit/(loss) of segment	(4,509)	(1,225)	(24,997)	(30,731)

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

<b>GROUP</b>				
(in thousands of HRK)	<b>Hotels and apartments</b>	<b>Camps</b>	<b>Other business segments</b>	<b>Total</b>
<b>As at 31 December 2020</b>				
Total assets	3,537,741	1,515,516	714,073	<b>5,767,330</b>
Total liabilities	2,275,139	1,020,575	508,117	<b>3,803,831</b>
<b>As at 31 March 2021</b>				
Total assets	3,470,200	1,485,849	697,073	<b>5,653,122</b>
Total liabilities	2,199,345	1,013,321	457,814	<b>3,670,480</b>

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

**NOTE 4 - SEGMENT INFORMATION / CONTINUED**

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

<b>GROUP</b>	<b>January -March 2020</b>	<b>January -March 2021</b>
(in thousands of HRK)		
<b>Revenue</b>		
Revenue from segments	52,631	24,380
Inter-segment revenue	(11,247)	(4,558)
<b>Total revenue</b>	<b>41,384</b>	<b>19,822</b>
<b>Profit</b>		
Profit from segments	(82,434)	(30,731)
Other unallocated expenses	(146,817)	(134,116)
Elimination of inter-segment profit/(loss)	(85,568)	(21,888)
<b>Total profit before tax</b>	<b>(314,819)</b>	<b>(186,735)</b>

**NOTE 4 - SEGMENT INFORMATION / CONTINUED**

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

<b>GROUP</b> (in thousands of HRK)	<b>As at 31 December 2020</b>		<b>As at 31 March 2021</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>Segment assets/liabilities</b>	<b>5,767,330</b>	<b>3,803,832</b>	<b>5,653,122</b>
Hotels and apartments segment	3,537,741	2,275,139	3,470,200	2,199,345
Camps segment	1,515,516	1,020,575	1,485,849	1,013,321
Other business segment	714,073	508,118	697,073	457,814
<b>Unallocated</b>	<b>1,112,253</b>	<b>211,894</b>	<b>943,689</b>	<b>189,864</b>
Investments in associate	46,024	-	45,803	-
Other financial assets	317	-	314	-
Loans and deposits	702	-	709	-
Cash and cash equivalents	665,933	-	461,260	-
Income tax receivable	733	-	-	-
Other receivables	67,134	-	46,038	-
Deferred tax assets/liabilities	331,410	58,292	389,565	57,193
Other liabilities	-	65,206	-	52,879
Liabilities for investments in associate	-	13,994	-	13,994
Derivative financial assets/ liabilities	-	16,982	-	14,368
Provisions	-	57,420	-	51,430
<b>Total</b>	<b>6,879,583</b>	<b>4,015,726</b>	<b>6,596,810</b>	<b>3,860,344</b>

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

<b>GROUP</b> (in thousands of HRK)	<b>January -March 2020</b>	<b>January -March 2021</b>
Revenue from sales to domestic customers	12.112	14.982
Revenue from sales to foreign customers	29.272	4.840
	<b>41.384</b>	<b>19.822</b>

**NOTE 4 - SEGMENT INFORMATION / CONTINUED**

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

(in thousands of HRK)	GROUP			
	January -March 2020	%	January -March 2021	%
EU members	24,529	83.80	4,138	85.49
Other	4,743	16.20	702	14.51
	<b>29,272</b>	<b>100.00</b>	<b>4,840</b>	<b>100.00</b>

**NOTE 5 - GOVERNMENT GRANTS**

The total amount of government grants related to the impact of the pandemic during the three month period ended 31 March 2021, amounting to HRK 39,611 thousand for the Group, and HRK 31,848 thousand for the Company.



## NOTE 6 – STAFF COSTS

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

(in thousands of HRK)	GROUP		COMPANY	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
<b>Staff costs for the period /i/</b>	<b>68,953</b>	<b>24,153</b>	<b>59,343</b>	<b>22,098</b>
Net salaries	44,376	12,059	37,840	11,050
Tax and contributions from salary costs	16,010	8,790	13,939	8,016
Contributions on salaries	8,566	3,304	7,564	3,032
<b>Capitalised salaries costs</b>	<b>2,230</b>	<b>2,001</b>	<b>1,747</b>	<b>1,820</b>
Net salaries	1,387	1,279	1,085	1,170
Tax and contributions from salary costs	588	499	465	451
Contributions on salaries	255	223	197	199
<b>Total staff costs</b>	<b>71,183</b>	<b>26,154</b>	<b>61,090</b>	<b>23,918</b>

/i/ Total Covid-19 grants related to net salaries compensation are included in the staff cost of the Group in the amount of HRK 38,802 thousand (31 March 2020: HRK 0) and for the Company HRK 31,848 thousand (31 March 2020: HRK 0).

During the three months period of 2021 Company's average number of employees is 1,841 (31 March 2020: 1,810), while the Group's average number of employees is 2,247 (31 March 2020: 2,120).

## NOTE 7 - INCOME TAX

During the period in 2021 the Company and the Group calculate the period income tax expense using the tax rate that would be applicable to the expected total annual earnings, according to the IAS 34.

Income tax comprise:

	<b>GROUP</b>	<b>COMPANY</b>
(in thousands of HRK)	<b>January -March 2020</b>	<b>January -March 2021</b>
Current tax	-	-
Deferred tax	(59,243)	(49,040)
<b>Tax (income)/expense</b>	<b>(59,243)</b>	<b>(49,040)</b>

Movement overview of deferred tax assets and liabilities in 2021:

### DEFERRED TAX ASSET

(in thousands of HRK)	<b>GROUP</b>	<b>COMPANY</b>
As at 1 January 2021	331,410	214,471
Credited/(debited) to the income	58,125	48,823
Credite/ (debited) to the other comprehensive income	30	-
<b>As at 31 March 2021</b>	<b>389,565</b>	<b>263,294</b>

### DEFERRED TAX LIABILITIES

(in thousands of HRK)	<b>GROUP</b>	<b>COMPANY</b>
As at 1 January 2021	58,292	13,307
Credited/(debited) to the income	(1,118)	(217)
Credite/ (debited) to the other comprehensive income	19	5
<b>As at 31 March 2021</b>	<b>57,193</b>	<b>13,095</b>

## NOTE 8 – EARNINGS/(LOSS) PER SHARE

### Basic

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

### Diluted

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

### GROUP

	<b>January -March 2021</b>
Profit/(loss) attributable to equity holders (in thousands of HRK)	(116,452)
Weighted average number of shares	121,887,907
<b>Basic/diluted earnings/(loss) per share (in HRK)</b>	<b>(0.96)</b>

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

During the three months ended 31 March 2021, the Group acquired assets in the amount of HRK 13,508 thousand, while the Company acquired assets in the amount of HRK 9,018 thousand.

During the three months ended 31 March 2021, the Group and Company disposed the assets with a net book value of HRK 1,863 thousand, resulting in a net gain on disposal of HRK 971 thousand.

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

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

(in thousands of HRK)	GROUP		COMPANY	
	Total liabilities on 31 March 2021	Maturity over 5 years	Total liabilities on 31 March 2021	Maturity over 5 years
Bank borrowings	3,377,502	1,413,361	3,036,573	1,247,296
Lease liabilities under IFRS 16	9,357	2,568	10,149	2,459
	<b>3,386,859</b>	<b>1,415,929</b>	<b>3,046,722</b>	<b>1,249,755</b>

As at 31 March 2021 non-current and current bank borrowings of the Company amounted HRK 3,036,573 thousand of which HRK 2,883,308 thousand is secured with a pledge over property facilities and movable property, while the rest of HRK 153,265 thousand is secured with Company's promissory notes.

As at 31 March 2021 non-current and current bank borrowings of the Group amounted HRK 3,377,502 thousand of which HRK 3,216,571 thousand is secured with a pledge over property facilities and movable property, while the rest of HRK 160,931 thousand is secured primarily with Group's promissory notes.

### Non-current part of borrowings - waivers after balance sheet date 31 March 2021

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

## NOTE 11 – CONTINGENCIES AND COMMITMENTS

The contracted capital commitments of the Company in respect to investments in tourism facilities as at 31 March 2021 amounted to HRK 513,378 thousand, while for the Group amounted to HRK 533,278 thousand.

The company is a loan guarantor to subsidiary Valamar Obertauern GmbH. The maximum estimated amount of the guarantee that can be realized is HRK 50,703 thousand. The subsidiary loan is secured with a pledge over Valamar Obertauern GmbH property facilities. The Company estimates the minimum possibility of realization of the guarantee.

## NOTE 12 – ASSOCIATES

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

(in thousands of HRK)

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

## NOTE 13 – RELATED PARTY TRANSACTIONS

Related party transactions were as follows:

GROUP	January -March 2020	January -March 2021
(in thousands of HRK)		
<b>Sale of services</b>		
Associate with participating interest	-	238
	-	<b>238</b>
<b>Purchase of services</b>		
Other related parties to the owners and corporate governance bodies	28	133
	<b>28</b>	<b>133</b>
	<b>As at 31 December 2020</b>	<b>As at 31 March 2021</b>
<b>Trade and other receivable</b>		
Associate with participating interest	331	186
	<b>331</b>	<b>186</b>
<b>Liabilities</b>		
Other related parties to the owners and corporate governance bodies	84	-
	<b>84</b>	<b>-</b>

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

Related party transactions were as follows:

**COMPANY**

(in thousands of HRK)

	January -March 2020	January -March 2021
<b>Sale of services</b>		
Subsidiaries	5,172	1,225
Associate with participating interest	-	238
	<b>5,172</b>	<b>1,462</b>
<b>Purchase of services</b>		
Subsidiaries	239	108
Other related parties to the owners and corporate governance bodies	28	133
	<b>267</b>	<b>241</b>
	<b>As at 31 December 2020</b>	<b>As at 31 March 2021</b>
<b>Trade and other receivable</b>		
Subsidiaries	161	632
Associate with participating interest	331	186
	<b>492</b>	<b>817</b>
<b>Other receivables</b>		
Subsidiaries	26	26
	<b>26</b>	<b>26</b>
<b>Trade and other payables</b>		
Subsidiaries	136	166
Other related parties to the owners and corporate governance bodies	84	-
	<b>220</b>	<b>166</b>
<b>Loans given</b>		
Subsidiaries	28	28
	<b>28</b>	<b>28</b>

**NOTE 14 – SUBSEQUENT EVENTS**

The process of merging Palme turizam d.o.o. to Valamar Riviera d.d. is in progress, which is expected to end in mid-May 2021.

**Valamar Riviera d.d.**

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