

# BUSINESS RESULTS

1/1/2020 -  
31/12/2020



**VALAMAR**  
All you can holiday



# EXECUTIVE SUMMARY

In 2020, Valamar Riviera Group total revenues amounted to HRK 697 million, or 31% of total revenues achieved in the same period last year. This is a result of closing properties from March to the end of May and significant disruptions in tourism flows caused by the global COVID-19 pandemic, which continued to affect business volumes in peak-season. During June, July and August a total of 24 hotels and resorts and 15 camping resorts opened in eight destinations on the Adriatic coast without a single reported case of virus transmission on-property. Even though the tourist season got off to a good start, many countries from our source markets (Italy, Slovenia, Austria, the Netherlands and partially Germany) issued travel warnings during August consequently hindering tourism flows towards Croatia and causing a significant drop in volume during the second half of August and in the shoulder season.

Despite unfavorable circumstances in 2020, overnights amounted to 2.3 million and a positive EBITDA of HRK 126 million was realized on Group level. Given the initially unpredictable final negative effect of the COVID-19 pandemic on tourism, economic and business flows, and consequently on the business of Valamar Riviera, we are satisfied with the achieved results and the opportunity to partially carry out the tourist season.

Valamar actively managed the crisis during 2020, and timely launched action plans to stabilize its operations. Business activities were successfully “paused” on March 15, all jobs were protected and Valamar

readily welcomed the opening of the summer season in June with modified products and services that additionally increased guest safety and service quality. Operating cost-savings plans, investment decrease, payment deferrals and agreements with banks and other investors have secured liquidity for the following period. Operating expenses were reduced by 62% compared to the same period last year, and Government measures supported employment levels while properties were closed.

Despite the crisis, Valamar Riviera confirmed its status as the best employer in tourism this year, ranking 6<sup>th</sup> on the list of the best employer in Croatia (up by one position since last year). Valamar Riviera also won the main CSR Index award in the category of large companies awarded by the Croatian Business Council for Sustainable Development and the Croatian Chamber of Commerce, by evaluating seven key areas - economic sustainability, inclusion of corporate social responsibility in business strategy, work environment, environmental protection, market relations, community relations and responsible diversity and human rights policies.

Valamar Riviera opened the doors of its properties in Istra Premium Camping Resort 5 \*, Ježevac Premium Camping Resort 4 \* and Hotel Valamar Sanfior 4 \* free of charge to families from Sisak, Glina, Petrinja and surrounding places whose homes were destroyed in the devastating earthquake (29 December 2020), and donated mobile homes to residents earthquake-stricken area.

# EXECUTIVE SUMMARY

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## EMPLOYMENT PROTECTION

Valamar implemented the “Pause, Restart Program” on April 1 with the support of social partners and government measures. The program ensures continued payouts to all “paused” employees waiting for work in the amount of at least 60% of their regular salary, but not less than HRK 4,250 net. In the period from March to June, over 90% of Valamar’s employees were waiting for work the cost of which was jointly borne by shareholders and the government support of payouts for employees. After opening most of its properties and the launch of the summer season, more than 4,400 of Valamar’s employees worked during the season. Valamar continues its “Pause, Restart program” during autumn and winter with the aim of protecting jobs until the spring of 2021, when the situation is expected to partially normalize.

## FINANCIAL STABILITY TO CONTINUE DEVELOPMENT

In addition to protecting jobs, Valamar needed to ensure sufficient liquidity during the crisis and enable the company to continue its growth path in 2021. In March, dividend payment proposal for 2019 was revoked while Supervisory Board members reduced their fees and management reduced their salaries up to 30%.

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.

By adjusting business operations and with the support of shareholders, banks and other stakeholders, Valamar has secured liquidity to weather the crisis over the following period. In the coming period, Valamar will be focused on digitalization projects, business transformation and preparing projects for future growth and development.

## INVESTMENTS MANAGEMENT

The initially planned investment cycle for 2020 amounted to over HRK 800 million, but was reduced by HRK 120 million to HRK 705 million by the end of June. Valamar also temporarily halted the construction of Valamar Pinea Collection Resort in Poreč (the largest single investment in Croatian tourism worth HRK 790 million for 12 to 24 months) hence postponing its completion. The investment in new accommodation units and services of the Valamar Parentino 4\* hotel in Poreč was successfully realized and the new family recorded good demand since its opening in the second half of July.



# EXECUTIVE SUMMARY

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Additionally, Valamar approached the completion of the initiated 2019 investment cycle, and its Supervisory Board approved investments for 2021 in the amount of HRK 132 million. The investments are aimed at the completion of earlier initiated investments (Istra Premium Camping Resort 5\* and the accommodation for employees in Dubrovnik) and the completion of the first investment phase in Valamar Pinea Collection Resort as well as digitalization projects. Lower investments planned for 2021 are focused on completing initiated projects and preparing projects for new growth and development when conditions are met. The priority will be maximizing free cash flow and reducing credit exposure in order to achieve a pre-COVID net debt / EBITDA ratio.

In accordance with Group investment policies, Imperial Riviera's Supervisory Board has given prior approval for investments in the amount of HRK 41 million aimed at completing investments in the Valamar Meteor 4\* hotel in Makarska and the Valamar Parentino hotel in Poreč for the coming 2021 season.

## PRODUCTS MODIFICATION IN THE 2020 SUMMER SEASON

In the second quarter of 2020, Valamar modified its products and accelerated the development of digitization projects in order to improve service quality and safety for the 2020 tourist season. Even more space has been provided for guests in restaurants, at the reception, swimming pools, on the beach and in other communal facilities, and promotional campaigns #stayinnature and "beachholidays" were launched.

Key innovations of this season include 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.

## OUTLOOK

With the support of all its stakeholders, Valamar has actively managed the crisis and the 2020 tourist season, and positioned itself well to successfully resume growth and development during 2021 and 2022.



# EXECUTIVE SUMMARY

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In the past period, Valamar has invested HRK 6 billion in tourism, and in the coming period the focus will be on maintaining an adequate level of liquidity, preserving jobs, adjusting the business model to the crisis and preparing projects for new growth and development when the conditions are met. Valamar expects the tourism sector to be affected by the crisis in 2021, while business normalization is expected in 2022 and 2023.

In 2021, Croatia has the opportunity to strengthen its position as a safe and desirable Mediterranean destination. In result, Croatia may achieve a stronger recovery and faster return of guests in 2021, providing the drop in Covid-19 cases, opening of borders and lifting of restrictions on movement especially within EU member states. Croatian tourism also has the opportunity to launch significant investments through European funds and resources that should be directed towards encouraging public and private strategic investments aimed at accelerating the recovery and increasing the competitiveness of Croatian tourism in the future.

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



Istra Premium Camping Resort 5\*, Poreč



# Significant Business Events



## 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 growth-driving 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.

## VALAMAR RIVIERA'S GENERAL ASSEMBLY

The extraordinary circumstances caused by the COVID-19 pandemic, made it impossible to hold the General Assembly scheduled for April 21, 2020. Hence, on March 25, 2020 the Company's Management Board passed the decision for the cancellation of the General Assembly and the revocation of the Decision on dividend payment proposal with the Supervisory Board's consent, all in accordance with the decisions of the Civil Protection Headquarters of the Republic of Croatia. After meeting certain preconditions, the General Assembly convened on September 24, 2020 and adopted all decisions proposed by the Management Board and Supervisory Board, contained in the invitation to the General Assembly and published on the website of the Court Register, Zagreb Stock Exchange and the Company's website.

## COVID-19 IMPACT ON VALAMAR RIVIERA'S BUSINESS

Due to the global scope of problems caused by the unpredictable spread of the COVID-19 virus, all relevant factors related to the COVID-19 impact on Valamar Riviera's business are explained in detail in the chapter "Business Management during COVID-19" on page 10 of this report.

## QUARTERLY FINANCIAL STATEMENTS

The Management Board hereby presents the quarterly unaudited financial statements for the fourth quarter of 2020 (the period 1 January 2020 – 31 December 2020 is also included). The Group income statement for the reviewed period includes the data of companies Imperial Riviera d.d.<sup>1</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 balance sheet for the reviewed period, as at 31 December 2020, as well as at 31 December 2019, includes data of the previously mentioned companies. 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.

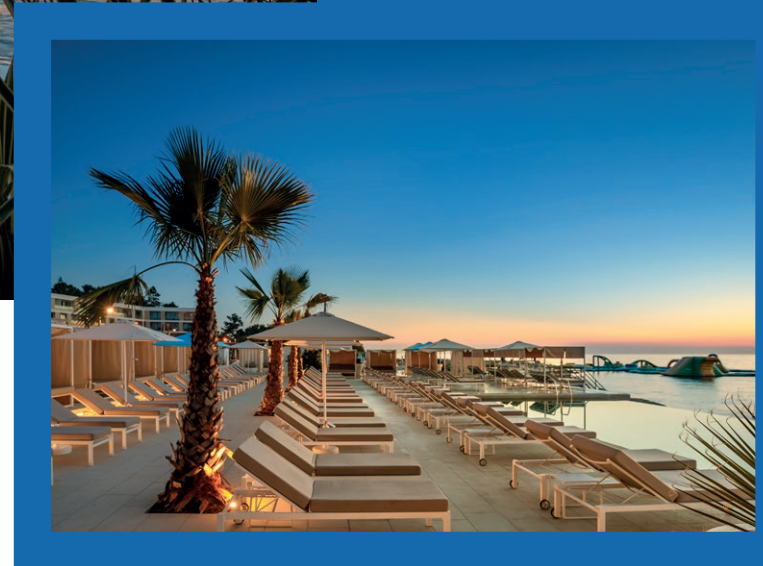
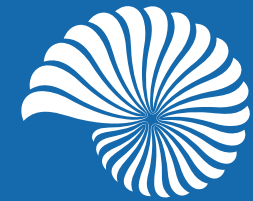
 *The Management Board presents  
the quarterly unaudited financial  
statements for the period from 1 January  
2020 to 31 December 2020.*



<sup>1</sup> On 28 June 2019 the company Hoteli Makarska was merged to the company Imperial Riviera.



Valamar Collection Marea Suites 5\*, Poreč



# Business Management during COVID-19



As the largest tourism company in Croatia, Valamar Riviera has carefully followed the development of the COVID-19 situation since its appearance. Valamar Riviera has engaged and focused all its resources towards implementing preventative measures to protect the health of guests and employees, activating full-scale standard operating procedures for dealing with crises and maintaining business continuity and job preservation. The extraordinary movement and gathering restrictions, partial restrictions concerning establishments in hospitality and shops, and restrictions regarding border crossings and border controls affect numerous economic sectors. Tourism and hospitality were especially hit as the new circumstances curtailed demand in national and international travel. This proves that the COVID-19 pandemic is a genuine operational and financial disruption to the global economy, especially tourism flows.

Lanterna Premium Camping Resort 4\*, Poreč



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

## RISK MANAGEMENT COMMITTEE

Since the beginning of the COVID-19 pandemic, Valamar Riviera has actively approached the mitigation and control of potential risks, established the Risk Management Committee, and adopted the Risk Management Regulation. The Board's tasks and powers include risk assessment and its impact on business, guests and employees, as well as determining measures to protect guests and employees, property and organizing business processes and operations. Depending on the circumstances and intensity of the risk event, the Board decides on changing the financial, business and contingency plan, activating escalation plans to preserve the company's liquidity, solvency, and maintaining business continuity, as well as other necessary acts in accordance with the assessment of bookings and revenues. Furthermore, comprehensive operational crisis management procedures have been developed and activated to protect the health of guests and employees. These include providing general information on the spread of COVID-19 and measures to prevent and control the spread of respiratory viruses.

Valamar Riviera has intensified its transparent and consistent crisis communication with all its stakeholders, especially with the competent state and local authorities whilst the coronavirus pandemic.

## PRODUCTS MODIFICATION

In the second quarter of 2020, Valamar modified its products and accelerated the development of digitization projects in order to improve service quality and safety for the 2020 tourist season. Even more space has been provided for guests in restaurants, at the reception, swimming pools, on the beach and in other communal facilities, and promotional campaigns #stayinnature and "beachholidays" have been launched. Key innovations of this season include 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. In addition, Valamar now also offers a "Workation Deal" for guests who wish to relocate their office to the coast. It is available in Istra Premium Camping Resort 5\* and Ježevac Premium Camping Resort 4\* as a long-stay service.

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

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

By accelerating digital development, Online reception is available to all hotel and camping guests in 2020. Valamar's Online reception enables

check-in and check-out via the Internet (web check-in and My Valamar application) and "self-check-in" points, thus simplifying arrival and departure.

Bed & Brunch is a new restaurant concept in the Old Town Holiday and Sunny B&B hotels, which, instead of the classic half board scenario, offers an extended breakfast and brunch that guests can enjoy from 07:00 to 13:00, which gives them even more space and simplifies meals and hotel stays.

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

## STATE MEASURES

The available measures to help the economy, along with the new credit lines adjusted to preserve economic activities and liquidity, represent a strong stimulus for all the tourism companies to tackle the current extraordinary situation until economic and tourism trends normalize. The Croatian government, Croatian National Bank, Croatian Bank for Reconstruction and Development, competent ministries as well as state and local authorities have adopted a set of measures to help the economy and mitigate the extraordinary circumstances caused by the COVID-19 pandemic. The measures aim to overcome short-term challenges in liquidity and support job preservation. Valamar Riviera has undertaken comprehensive activities to minimize the negative effects and protect its business, which among others include: 1) the use of grants for job preservation in COVID-19 affected sectors (HRK 3,250 per employee for March's salary; HRK 4,000 for salaries from April to December 2020), and

relief and deferral of tax liabilities and levies by which the total employee cost of 2020 was relieved by HRK 141.3 million, (Group: HRK 163.6 million) 2) reduction and deferred payment of concession fees on tourism land (relief in the amount of HRK 6 million; Group: HRK 6.4 million), 3) quarterly deferred payment of tourist board fees and, 4) the introduction of a loan moratoriums (details in section “Preserving Liquidity” of this chapter).

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

## IMPACT ON REVENUES AND BOOKINGS

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

Valamar Riviera’s diversified portfolio, the convenient geographic position of the northern region for guests travelling by car (destinations Poreč, Rabac, Krk Island, Rab Island), a highly developed inside direct

sales channel which accounted for 67% of Valamar’s revenues in 2020, along with the presented advantage of camping operations represents Valamar’s natural hedge against the current disruption in tourism flows and better resilience to the volatility of economic cycles.

## PAUSE, RESTART PROGRAM & EMPLOYMENT PROTECTION

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

While successfully “pausing” and preserving jobs, we have also prepared for our business “restart”, with the priorities being ensuring liquidity, adjusting products and services in order to increase guest safety and facilitating digitalization projects. After re-opening most of the properties and the summer season, the Group employs more than 4,400 people. With the aim of preserving jobs, the “Pause, Restart Program” shall continue during winter until spring 2021 when economic and tourism trends are expected to partially normalize.



## PRESERVING LIQUIDITY

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

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

As at 31 December 2020, the Group's cash and cash equivalents were HRK 665.9 million, and HRK 522.9 million for the Company. Together with valuable hospitality assets and a business model combining ownership and asset management, they form a stable balance position for the Group and Company. In the past two decades, Valamar has become the leading domestic tourism company building on the foundations of sustainable development and care for financial stability, successfully cooperating with a number of loan institutions. Valamar Riviera is carefully responding to challenges caused by this new situation, and pursuant to the adopted measures imposing a moratorium on the payment of credit liabilities. Valamar Riviera has deferred the payment of due liabilities related to long-term loans. Namely, the Group deferred the payment of principal in the total amount of HRK 349 million and the Company in the amount of HRK 325 million to commercial banks and the Croatian Bank for Reconstruction

and Development, of which HRK 272 million (Company: HRK 248 million) represents deferred payment of principal for 2020, HRK 49 million for the first quarter of 2021 and HRK 27 million for the second quarter of 2021.

We point out that the Croatian Bank for Reconstruction and Development has approved a moratorium on principal and interest to its clients, including Valamar Riviera, from and including 31 March 2020 to and including 30 June 2021 with the aim of preserving jobs, liquidity of economic entities and economic activities in Croatia. In addition, three other commercial banks approved a moratorium on interest of Valamar Riviera Company, while one commercial bank has approved a moratorium on Imperial Riviera's interest, bringing the total amount of interest in the moratorium to about HRK 47 million for the Group (Company: HRK 46 million). The financial ratios in arrangements with banks are mainly based on the usual indicators for servicing loan liabilities with defined maturities, according to which the Company and the Group have adjusted its actions in accordance with the terms of each arrangement and have received a waiver of financial covenant for 2020.

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

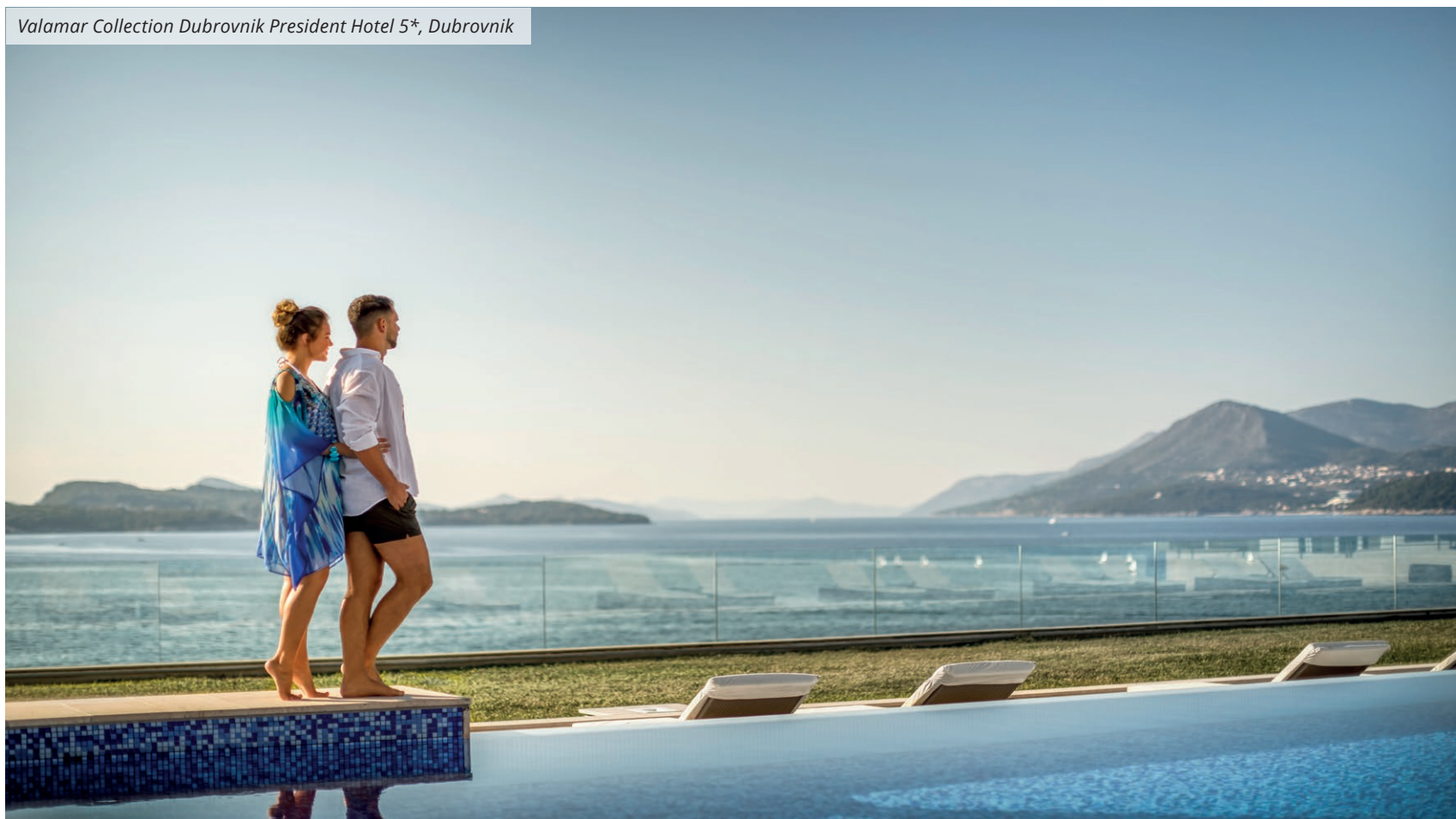
As a tourism company with strong positive net asset value that owns and manages valuable tourism properties and amenities coupled with the agreed credit lines and moratoriums on loan obligations, Valamar does not anticipate challenges in preparing for business normalization next year, as well as overcoming possible and further reduction in business activities. In addition, the Company and the Group have undergone impairment tests in accordance with the International accounting

standard 36 and have proven that there are is no obligation of reducing the value of tangible and intangible assets.

Given the global reach of problems caused by the unpredictable spread of the COVID-19 virus, a number of obstacles to the free transfer of passengers, goods and services in many important source markets, and the consequent slowdown in entire industries, it is still premature to make definitive quantitative assessments concerning the negative impact of COVID-19 on Valamar's operations in the coming period.

Valamar Riviera emphasizes that these are conclusions based on the facts, knowledge and circumstances currently available, and the related estimates. However, due to the expected further objective development of events beyond the Company's influence, further changes in relevant circumstances can be expected. Valamar will publish all relevant information regarding the impact of COVID-19 on underlying factors, prospects or financial stability in accordance with the relevant regulations.

*Valamar Collection Dubrovnik President Hotel 5\*, Dubrovnik*





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



# Results of the Group



KEY FINANCIAL INDICATORS<sup>2</sup>

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

KEY BUSINESS INDICATORS<sup>15</sup>

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

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

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

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

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

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

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

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

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

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

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

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

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

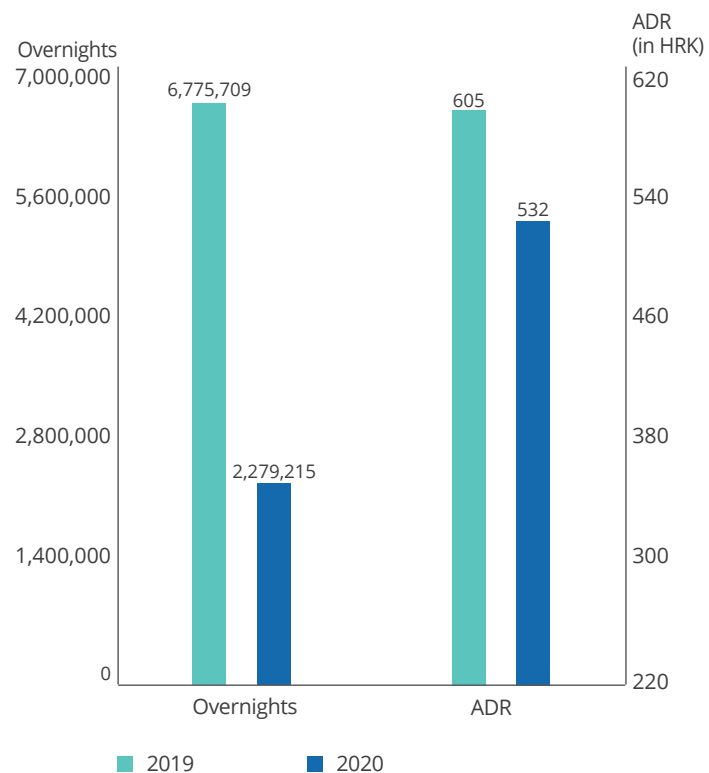
14 DPS refers to dividends per share.

15 Data for Helios Faros are not included.

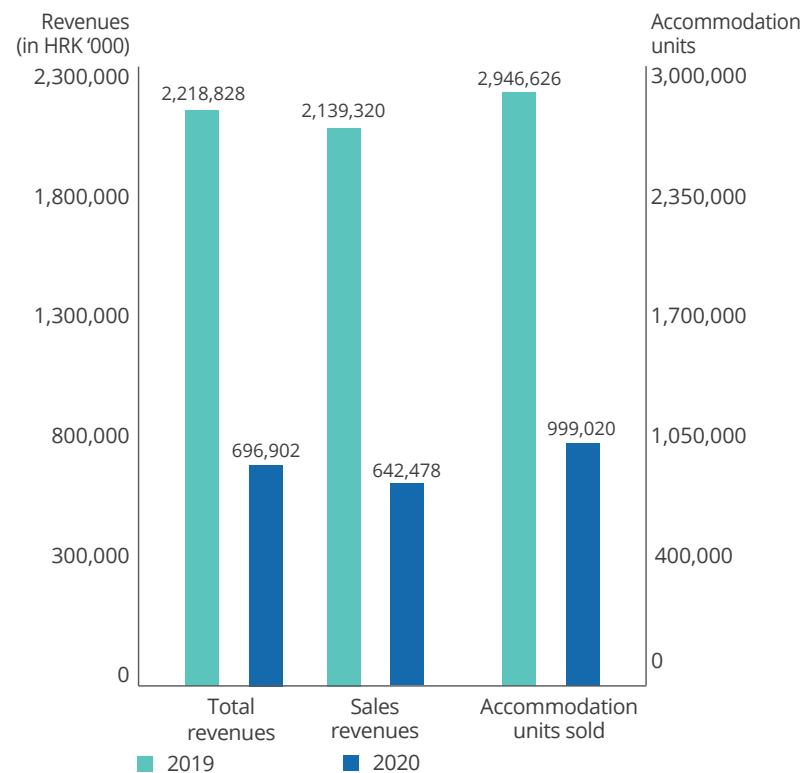
16 Average daily rate is recorded on the basis of cumulative board revenues (accommodation and board's food and beverage revenues).

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

### Overnights and ADR



### Revenues and accommodation units sold



Padova Premium Camping Resort 4\*, island of Rab



## REVENUES

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

**a) decrease in sales revenues**, in the amount of 70.0% (HRK -1,496.8 million) to HRK 642.5 million. The decrease was largely driven by board revenues (-70.2%; HRK -1,250.0 million). With careful preparation of various additions to the guest products and experiences, Valamar Riviera has, until the closure of tourist properties on March 15 due to the strengthening of general COVID-19 prevention measures by the competent authorities, recorded better business results compared to the comparative period last year. January was marked by strong entrances to the direct channel, especially at the Valamar Obertauern Hotel 4\*, while the increase in board revenues in February was contributed by the excellent response of the group channel. The closure of tourist properties resulted in the cancellation of group and M.I.C.E. placements, and reported a HRK 11 million decline in board revenues in March. In April, all tourism properties were closed. Lanterna Premium Camping Resort 4\* was the first to open on 22 May 2020 when the restart of business and the opening of the tourist season in Croatia began as arranged by the Ministry of Tourism through the easement of the border crossing regime from June onwards. Thus, by the end of May, a total of 13 out of 15 camping resorts were opened, while Istra Premium Camping Resort 5\* opened in mid-June. During June, July and August a total of 24 hotels and resorts (out of 36) and all 15 camping resorts opened in eight destinations on the Adriatic coast in accordance with increased demand and a stronger entry of new booking reservations due to the partial normalization of tourism flows. Even though the tourist season got off to a good start, many countries issued travel warnings during August consequently hindering tourism flows towards Croatia and causing a significant drop in volume during the second half of August and in the shoulder season. All tourism properties were closed in shoulder season, excluding Valamar Diamant Hotel 4\*, Istra Premium Camping Resort 5\* and Ježevac Premium Camping Resort 4\* where Valamar implemented the „Workation Deal“ concept for guests who wish to relocate their office to the Adriatic coast.

However, despite unfavorable circumstances in 2020, overnights amounted to 2,279.215 (-66.4%), which is a considerable success given

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



the adversities that the tourism industry faces globally. ADR is down by 12.0% to HRK 532 due to the closure of hotel properties that carry a higher average price compared to camping resorts. However, at a comparable level of open tourist properties the average daily price has shown a positive trend. Average daily prices of hotels and resorts and camping resort alike recorded an 11.1%, i.e. a 6.3% increase. Moreover, camping resorts recorded strong demand with an almost 50% share in total board revenues compared to last year's 24% share.

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

**b) other operating revenues**<sup>18</sup> which decreased by HRK 35.2 million to HRK 33.1 million primarily as a result of the absence of last year's one-off income from out-of-group sales of long-term tangible non-operating assets.

**c) an increase in financial income** in the amount of HRK 10.6 million to the level of HRK 21.3 million is primarily due to the increase in other financial income due to the derecognition of negative fair value (liabilities) under forward contracts.

Other operating and financial income account for 7.8% of total revenues (3.6% in 2019).

<sup>18</sup> Other operating revenues include revenues from the usage of own products, goods and services.



## TOTAL OPERATING EXPENSES OF VALAMAR RIVIERA GROUP<sup>19</sup>

(in HRK)	2019	2020	2020/2019
Operating costs <sup>20</sup>	1,385,486,291	530,527,177	-61.7%
Total operating expenses	1,913,825,576	1,070,375,000	-44.1%
Material costs	609,249,061	254,642,998	-58.2%
Staff cost	583,409,043	189,951,093	-67.4%
Depreciation and amortisation	474,514,405	496,444,044	4.6%
Other costs	197,392,249	89,097,655	-54.9%
Provisions and value adjustments	9,415,580	30,223,911	221.0%
Other operating expenses	39,845,238	10,015,299	-74.9%

### TOTAL OPERATING EXPENSES

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

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

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

the monthly bonus calculation for 2020.

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

**d) other costs** had a share of 8.3% in total operating expenses (10.3% in 2019). The 54.9% drop (HRK -108.3 million) to the amount of HRK 89.1 million is primarily the result of the reduced business volume, as well as lower costs of accommodation, meals, transportation and daily allowances for employees due to their small number.

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

**f) other operating expenses** with a share of 0.9% (2.1% in 2019). The HRK 29.8 million decrease to

<sup>19</sup> Classified according to Quarterly Financial Statements standard (TFI POD-RDG).

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

HRK 10.0 million is mainly a consequence of lower undepreciated value of the disposed assets.

## OPERATING COSTS<sup>20</sup>

Operating costs amounted to HRK 530.5 million with a decline of 61.7% vs the comparable period of 2019. The reasons behind the HRK 855.0 million decrease are found in decreased business volume and activation of comprehensive savings measures and activities (more detailed in chapter "Business Management during COVID-19") considering the problems caused by the global impact of the COVID-19 pandemic.

## EBITDA AND EBT

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

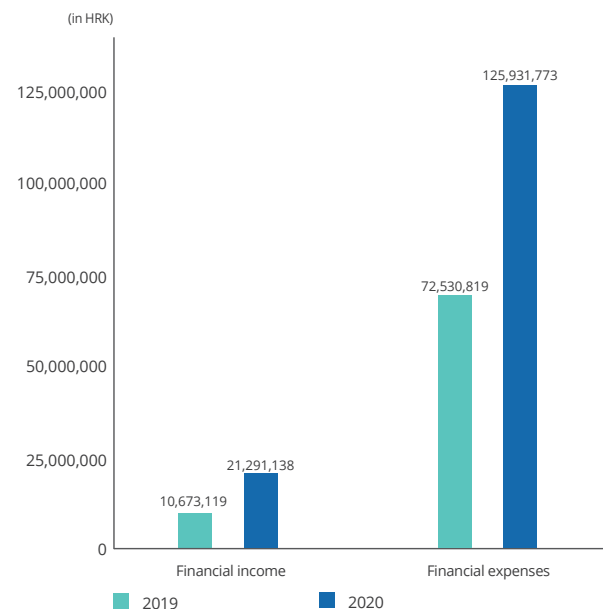
With regards to last year's comparable period, the profit before taxes decreased by HRK 733.5 million to a loss of HRK -501.0 million due to the earlier mentioned EBITDA decrease, lower financial business results (HRK -42.8 million; details on the next page) and increased amortization cost (HRK +21.9 million). The Group's 2020 net loss amounts to HRK 358.8 million (net profit of HRK 305.9 million in 2019).



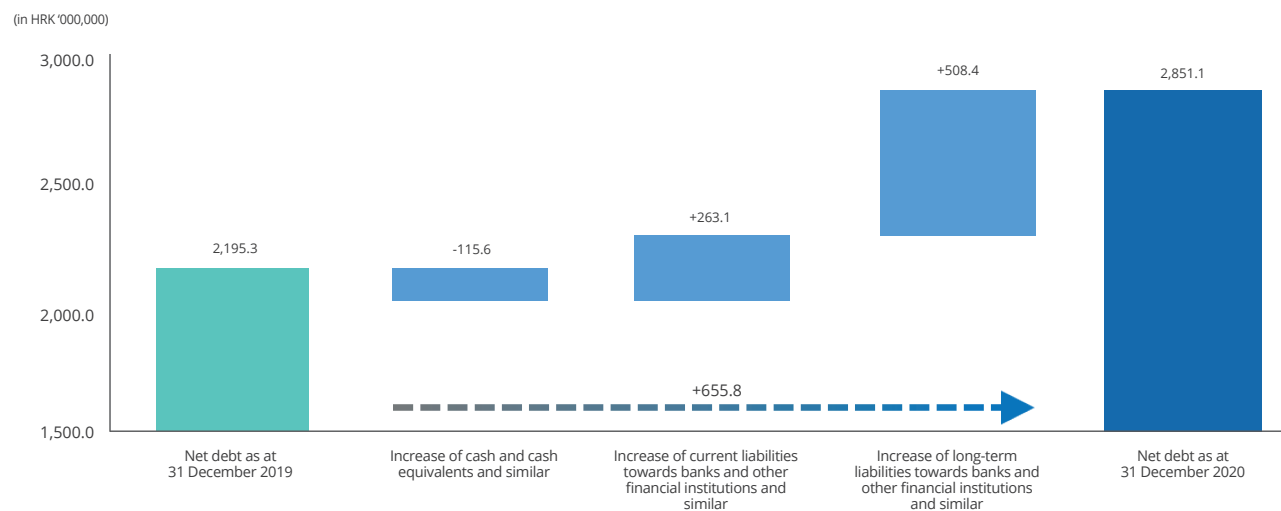
## FINANCIAL RESULT

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

## Financial income and expenses



## Net debt<sup>21</sup>



<sup>21</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. Includes the effects of unrealized exchange rate differences on long-term loans.



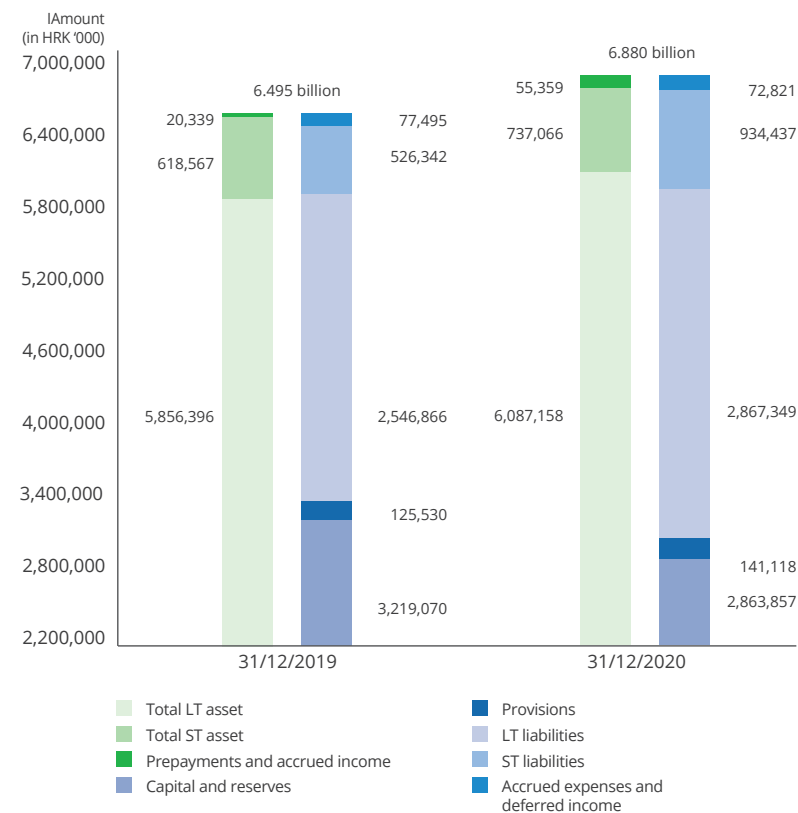
## ASSETS AND LIABILITIES

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

Total share capital and reserves decreased by 11.0% to the amount of HRK 2,863.9 million as a result of loss in the business year. Total long-term liabilities grew from HRK 2,546.9 million to HRK 2,867.3 million due to loans contracted to finance this year's investment cycle and the transfer of a part of the deferred current portion of long-term debt from short-term liabilities to long-term with regards to the contracted moratoriums with commercial banks and the Croatian Bank for Reconstruction and Development (details in the chapter "Business Management during COVID-19"). Almost the entire loan portfolio (80%) is comprised of long-term fixed interest loans or, respectively, loans hedged by a derivative instruments (IRS) for protection against interest rate risk.

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

## Assets and liabilities



Marina Camping Resort 4\*, Rabac

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

## HOTELS AND RESORTS OVERVIEW

	Categorization		Segment		Destination
	2019	2020	2019	2020	
Valamar Collection Dubrovnik President Hotel	*****	*****	Premium	Premium	Dubrovnik
Valamar Collection Isabella Island Resort	**** / *****	**** / *****	Premium	Premium	Poreč
Valamar Collection Girandella Resort	****/*****	****/*****	Premium	Premium	Rabac
Valamar Collection Imperial Hotel	****	****	Premium	Premium	Rab Island
Valamar Collection Marea Suites	*****	*****	Premium	Premium	Poreč
Valamar Lacroma Dubrovnik Hotel	****+	****+	Premium	Premium	Dubrovnik
Valamar Tamaris Resort	****	****	Upscale	Upscale	Poreč
Valamar Riviera Hotel & Residence	****	****	Upscale	Upscale	Poreč
Valamar Zagreb Hotel	****	****	Upscale	Upscale	Poreč
Valamar Sanflor Hotel & Casa	****	****	Upscale	Upscale	Rabac
Valamar Argosy Hotel	****	****	Upscale	Upscale	Dubrovnik
Valamar Padova Hotel	****	****	Upscale	Upscale	Rab Island
TUI Family Life Bellevue Resort	****	****	Upscale	Upscale	Rabac
TUI Sensimar Carolina Resort by Valamar	****	****	Upscale	Upscale	Rab Island
Valamar Obertauern Hotel	****	****	Upscale	Upscale	Obertauern, Austria
Valamar Diamant Hotel & Residence	*** / ****	*** / ****	Midscale	Midscale	Poreč
Valamar Crystal Hotel	****	****	Midscale	Midscale	Poreč
Valamar Pinia Hotel	***	***	Midscale	Midscale	Poreč
Rubin Sunny Hotel	***	***	Midscale	Midscale	Poreč
Allegro Sunny Hotel & Residence	***	***	Midscale	Midscale	Rabac
Miramar Sunny Hotel & Residence	***	***	Midscale	Midscale	Rabac
Corinthia Baška Sunny Hotel	***	***	Midscale	Midscale	Krk Island
Valamar Atrium Baška Residence	**** / *****	**** / *****	Midscale	Midscale	Krk Island
Valamar Zvonimir Hotel & Villa Adria	****	****	Midscale	Midscale	Krk Island
Valamar Koralj Hotel	***	***	Midscale	Midscale	Krk Island
Valamar Club Dubrovnik Hotel	***	***	Midscale	Midscale	Dubrovnik
San Marino Sunny Resort	***	***	Midscale	Midscale	Rab Island
Valamar Meteor Hotel	****	****	Midscale	Midscale	Makarska
Dalmacija Sunny Hotel	***	***	Midscale	Midscale	Makarska
Pical Sunny Hotel	**	-	Economy	-	Poreč
Tirena Sunny Hotel	***	***	Economy	Economy	Dubrovnik
Lanterna Sunny Resort	**	**	Economy	Economy	Poreč
Eva Sunny Hotel & Residence	**	**	Economy	Economy	Rab Island
Riviera Sunny Resort	**	**	Economy	Economy	Makarska

## CAMPING RESORTS OVERVIEW

	Categorization		Segment		Destination
	2019	2020	2019	2020	
Istra Premium Camping Resort	*****	*****	Premium	Premium	Poreč
Krk Premium Camping Resort	*****	*****	Premium	Premium	Krk Island
Ježevac Premium Camping Resort	****	****	Premium	Premium	Krk Island
Lanterna Premium Camping Resort	****	****	Premium	Premium	Poreč
Padova Premium Camping Resort	****	****	Premium	Premium	Rab Island
Marina Camping Resort	****	****	Upscale	Upscale	Rabac
Bunculuka Camping Resort	****	****	Upscale	Upscale	Krk Island
Baška Beach Camping Resort	****	****	Upscale	Upscale	Krk Island
San Marino Camping Resort	****	****	Upscale	Upscale	Rab Island
Orsera Camping Resort	***	***	Midscale	Midscale	Poreč
Solaris Camping Resort	***	***	Midscale	Midscale	Poreč
Škrila Sunny Camping	***	***	Midscale	Midscale	Krk Island
Solitude Sunny Camping	***	***	Midscale	Midscale	Dubrovnik
Brioni Sunny Camping	**	**	Economy	Economy	Pula - Puntizela
Tunarica Sunny Camping	**	**	Economy	Economy	Rabac

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



Ježevac Premium Camping Resort 4\*, island of Krk



# Results of the Company



Total revenues decreased by HRK 591.8 million (-71%) in 2020, to HRK 573.6 million. Total sales revenues amounted to HRK 547.0 million with a 92% share in total revenues (90% in 2019). They decreased by 71%, i.e. by HRK 1,327.5 million compared to the same period last year as a consequence of a highly reduced business volume caused by the COVID-19 pandemic and the disruption of tourism.

Sales revenues between the Group undertakings were HRK 6.6 million (HRK 31.2 million in 2019) and they mainly represented the property management fee for Imperial Riviera, Valamar Obertauern and Helios Faros. Sales revenues outside the Group amounted to HRK 540.4 million (HRK 1,843.3 million in 2019). Domestic sales revenues amounted to HRK 67.8 million, i.e. 11% of total revenues (9% in 2019), down by 63% in relation to the previous comparable period. International sales revenues amounted to HRK 479.2 million and represented 81% of total revenues (81% in 2019). They fell by 72% compared to the previous comparable period. Other operating revenues represent 4% of total revenues (9% in 2019) and they decreased by HRK 155.9 million to HRK 24.9 million as a result of the absence of one-time income from the sale of long-term tangible non-operating assets. Other operating and financial income represented 8% of total revenues (10% in 2019).

Material costs totaled HRK 224.0 million with a drop in share in total operating expenses to 25% (33% in 2019). The HRK 316.9 million decrease is primarily a result of a reduced volume of business caused by the COVID-19 pandemic disruption of tourism flows.

Staff costs amount to HRK 162.8 million with a share of 18% of total operating expenses (31% in 2019). They decreased by HRK 343.3 million compared to the same period last year. The reasons for the reduction of staff costs are found in i) the closure of tourism properties from March 15 to May 22, 2020 and their gradual opening during peak-season and shoulder season, ii) the decreased need for workforce, especially seasonal, iii) state grants for job preservation (total positive effect on staff costs is HRK 141,3 million), iv) the abolition of the monthly bonus calculation for 2020, and v) the sale of Valamar Parentino Hotel (ex Valamar Hotel Zagreb) to Imperial Riviera whereby a number of employees were transferred to Imperial.

The depreciation and amortisation represented 44% of operating expenses (23% in 2019) and totaled HRK 392.0 million (HRK 380.1 million in 2019). The 3% growth is the result of the earlier large investment cycle that had been carried out.

Other costs totaled HRK 75.4 million with a 57% decrease as a result of more frugal operations and the related reduction in accommodation, food, travel, subsistence, and other employee services considering the decreased number of employees. Value adjustments and provisions amounted to HRK 27.0 million. The HRK 18.2 million increase in due to provisions for legal disputes and long-term provisions for gratuities for regular retirements and jubilee awards. Other operating expenses amounted to HRK 9.2 million and they are lower by HRK 21.4 million, mainly as a result the lower carrying amount of depreciated assets.

In 2020, the financial result was HRK -95.1 million (HRK -48.0 million in 2019). The main reasons for the HRK 47.1 million lower financial result compared to the previous comparative period were primarily due to i) an increase in net foreign exchange losses (primarily unrealized ones on long-term loans) by HRK 36.9 million due to the strong depreciation of the kuna against the euro in the first quarter of 2020, and ii) reduction of income from investments in shares of businesspersons within the group by HRK 8.7 million due to the absence of dividends of the associated company Imperial Riviera in 2020.

Recorded EBITDA in the amount of HRK 74.9 million (HRK -720.2 million compared to last year's comparable period) is the result of disruptions and restrictions in global and European tourism flows and the closure of properties caused by the COVID-19 pandemic. With regards to the last year's comparable period, the loss before taxes was decreased by HRK 780.0 million to a loss of HRK -413.5 million due to the earlier mentioned drop in operating results (EBITDA), lower results from financial operations (HRK -47.1 million), and increased amortization costs (HRK +11.9 million). In 2020, the Company's net loss was HRK 308.6 million (net loss of HRK 377.0 million in 2019).

As at 31 December 2020, the total Company assets amounted to HRK 5,954.1 million, an increase of 8% compared to 31 December 2019.

Valamar Parentino Hotel 4\*, Poreč



# Investments



Valamar strives to develop high added-value products and services in tourism to drive growth and sustainable business continuity. The key part of Valamar's development strategy defines ambitious plans for innovative upgrades of services and products, focusing on upscale and premium hotels, resorts and camping resorts. Simultaneously, the development of Valamar's service concepts is an ongoing, continual process reflecting the latest market trends and guests' expectations.

In 2020, the Group's planned investments were worth over HRK 800 million, focusing on further portfolio repositioning towards high value-added products and services, especially in premium resorts and camping in Istria. Valamar Riviera reassessed the timeframe and financial CAPEX planning due to the extraordinary circumstances caused by the COVID-19 pandemic. The focus was on protecting the health of workers and partners, prudent cash flow management and defining only necessary works for finalizing season preparations since many construction sites are near completion, thus the Group's 2019/20 investment cycle was successfully reduced by HRK 120 million to HRK 705 million<sup>22</sup>. The reduction was achieved by completing the necessary works needed for opening fully ready properties with a minimal impact on the service and accommodation quality.

Krk Premium Camping Resort 5\*, island of Krk



<sup>22</sup> During 2020, HRK 596 million of investments were capitalized in the portfolio of tangible and intangible assets, which represents the total recorded increase in tangible and intangible assets during 2020, including, in addition to the investment cycle in 2019/20, other cycles as well. The difference in relation to the HRK 705 million investment cycle 2019/20 is primarily due to assets in preparation booked during 2019.



## VALAMAR RIVIERA

Valamar temporarily halted the construction of Valamar Pinea Collection Resort in Poreč, the largest single investment in Croatian tourism worth HRK 790 million, and postponed its completion.

In 2020, the realization of the third phase of investment in Istra Premium Camping Resort 5\* in Funtana was completed, and it became the largest five-star campsite in Croatia in 2019, has been completed. Investments included new premium camping homes (200), glamping tents (43) and new and upgraded camping pitches (170), as well as a further increase in the quality of beaches, promenades and sanitary facilities.

Lanterna Premium Camping Resort 4\* was successfully developed its premium accommodation segment by raising the quality, adding camping homes (3) and improving the existing camping homes (64), as well as by improving new camping pitches (16).

In May 2020, Vinež Central Kitchen became the cornerstone of Valamar's new project Valfresco Direkt, an online store that brings together local wine, olive oil, fresh fruits, vegetables, meat and fish producers, with a long tradition in producing healthy and quality products. The central kitchen and distribution center Vinež is the main location for purchasing and processing fresh local food, as well as preparing finished and semi-finished food products. This modern facility equipped with the latest technology covering an area of 3,400 m<sup>2</sup>, ensures faster and easier food preparation while relieving hotel kitchens at Valamar properties, especially in terms of processing fresh food, in addition to achieving uniform quality, energy savings and lower procurement costs. The Vinež Central Kitchen can prepare up to 25,000 meals a day following the highest food health and safety standards. More than a hundred employees work at Vinež Central Kitchen in two shifts, seven days a week, which ensures high productivity.

Other investment projects concerning products and facilities for guests in all destinations with the aim of raising the competitiveness and quality of products, as well as energy efficiency projects and digitalization projects, have been completed. By actively attending to the needs of employees,

investments in raising accommodation quality for seasonal employees continued in 2020.

Valamar Riviera's Supervisory Board approved 2021 investments in the amount of HRK 132 million for the completion of earlier initiated investments (Istra Premium Camping resort 5\* and the accommodation for employees 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. The priority will be maximizing free cash flow and reducing credit exposure in order to achieve a pre-COVID net debt / EBITDA ratio.



Istra Premium Camping Resort 5\*, Poreč

## IMPERIAL RIVIERA

Over HRK 225 million was intended for Imperial Riviera's investments for the 2020 tourist season with the focus on the further upgrades of services and amenities. Because of the extraordinary circumstances caused by the COVID-19 pandemic, the 2019/20 pool and sundeck area expansion, water slides, and F&B upgrades. Valamar Meteor Hotel 4\* finished the second investment phase focusing on the refurbishment of the remaining accommodation units (166), reception and lobby, as well as a pool and spa area upgrade, Maro club construction and congress area refurbishment. Padova Premium Camping Resort 4\* finished its third investment phase by improving two camping zones with 55 new camping homes and repositioning camping plots towards the premium segment. Additionally, a multi-purpose sports playground, sanitary block and reception area as well as the landscape design of the whole campsite have been finished.

The 2021 investment cycle includes HRK 41 million of planned investments mainly aimed at the final phase of investment projects in Valamar Meteor Hotel and Valamar Parentino Hotel which were postponed because of earlier mentioned extraordinary circumstances caused by the COVID-19 pandemic.

Padova Premium Camping Resort 4\*, island of Rab





Arkada Sunny Hotel, island of Hvar



# 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.

Valamar Meteor Hotel 4\*, Makarska



## 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 nine months 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 pre-committed hedged part of the loan principal. Therefore, a major part of the loan portfolio (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 (80%) 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 uncollectibility 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. This year's 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 (more details in the chapter "Business Management during COVID-19" on page 10 of this report).

#### **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, trading volume, 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 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. Details of measures to mitigate and control this risk can be found in the chapter "COVID-19 / Expectations" on page 10 of this report.

### **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, i.e. lease contributions 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.

Škrila Sunny Camping 3\*, island of Krk



# 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 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).

Due to special circumstances caused by the COVID-19 pandemic and restrictions imposed by the National Civil Protection Authority banning travel outside permanent places of residence and prescribing strict social distancing, the General Assembly (scheduled on 21 April 2020) was cancelled. The Management Board has, in cooperation with the Supervisory Board, reconvened the General Assembly on 24 September 2020 and announced the adopted decisions according to relevant regulations.

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 2020 the Company wasn't involved in treasury shares acquisition.

### 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:

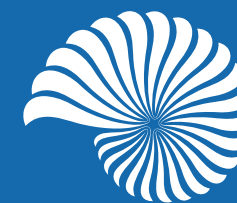
**Presidium of the Supervisory Board:** Mr. Gustav Wurmböck - Chairman, and members: Mr. Franz Lanschützer and Mr. Mladen Markoč.

**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 Dubrovnik President Hotel 5\*, Dubrovnik



# Related-party Transactions & Subsidiaries



## RELATED-PARTY TRANSACTIONS

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

In the reviewed period, revenues from related party transactions totaled HRK 8.7 million<sup>23</sup> (2019: HRK 158.9 million<sup>24</sup>) for the Company, and HRK 1.9 million (2019: HRK 4.9 million) for the Group. Costs were HRK 1.4 million (2019: HRK 8.2 million) for the Company, and HRK 235 thousand for the Group (2019: HRK 549 thousand).

As at 31 December 2020, related-party receivables and payables were as follows: receivables totaled HRK 546 thousand for the Company (year-end 2019: HRK 2.6 million), and HRK 331 thousand for the Group (year-end 2019: HRK 24 thousand). Payables totaled HRK 220 thousands (year-end 2019: HRK 241 thousand) for the Company, and HRK 84 thousands for the Group (year-end 2019: HRK 18 thousand).

In accordance with the provision of Article 497 of the Companies Act, on 18 February 2021 the Management Board adopted a separate report on the Company's related-party transactions and in accordance with Paragraph 3 of Article 497, the Management Board declares that in line with circumstances known at the time when certain legal transactions or actions were undertaken, the Company received suitable consideration and was not harmed.

<sup>23</sup> The most part represents the fee regarding the management of Imperial Riviera's, Helios Faros' and Valamar Obertauern's properties and services.

<sup>24</sup> HRK 122 million relates to the sale of Valamar Hotel Zagreb to the company Imperial Riviera, while the rest primarily relates to the fee based on the Agreement on the management of hotel and tourist facilities and facilities of the companies Imperial Riviera d.d. and Valamar Obertauern GmbH.

## 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.

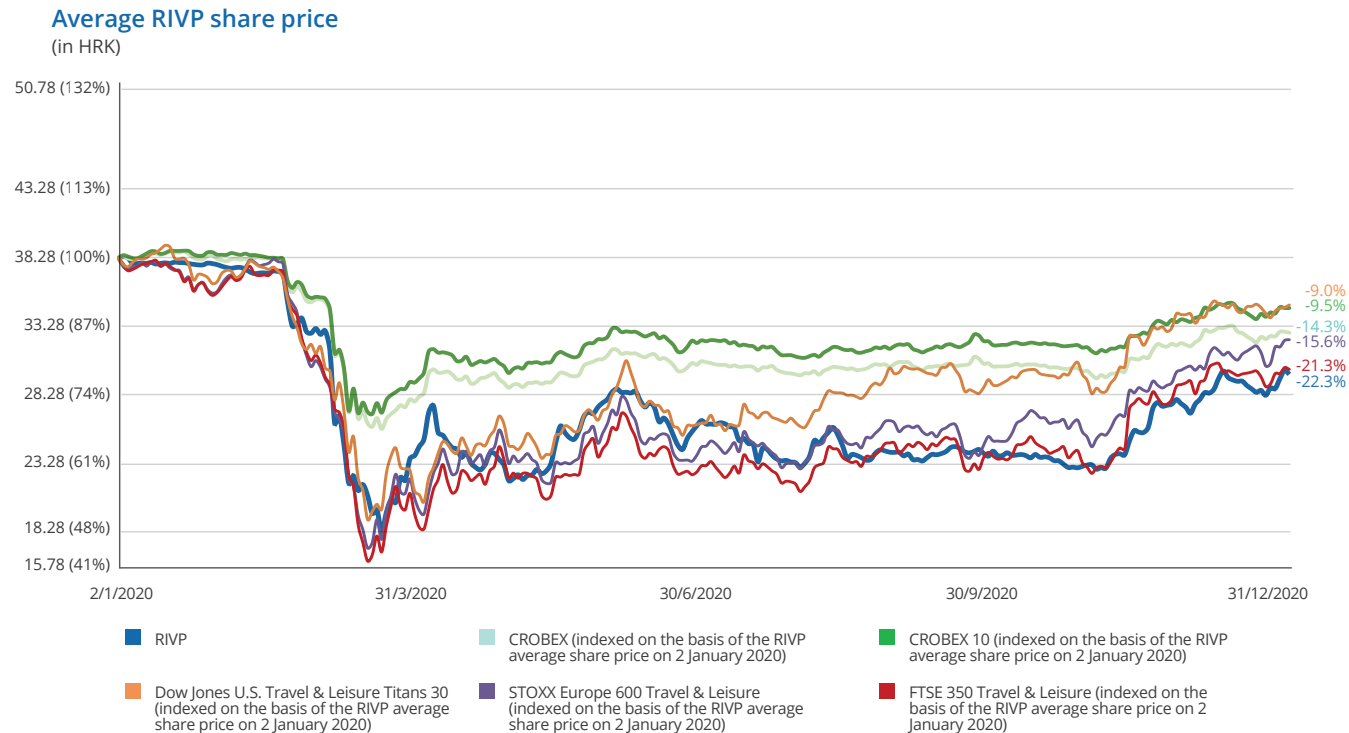
The Company also established offices on Rab island, in Makarska and in Stari Grad on the Hvar island to increase the efficiency and streamline the management of operations as determined by the provisions of the concluded Hotel management contracts with Imperial Riviera d.d. and Helios Faros d.d.

Family Life Bellevue Resort 4\*, Rabac



# Valamar Share

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



Valamar Riviera has not acquired or released its treasury shares in the period from 1 January 2020, to 31 December 2020. On 31 December 2020, the Company held in total 4,139,635 treasury shares, or 3.28% of the share capital.

During the year 2020, the highest achieved share price in regular trading on the regulated market was HRK 39.00, while the lowest was HRK 18.00. Simultaneously with strong negative trends arisen in the global capital markets in the wake of the COVID-19 pandemic, Valamar Riviera share price fell by 22%. With the average regular turnover of HRK

1.3 million per day<sup>25</sup>, Valamar Riviera was the second most traded share on the Zagreb Stock Exchange in the year 2020.

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>26</sup> and SETX<sup>27</sup>) and Warsaw Stock Exchange index (CEEplus<sup>28</sup>), the regional SEE Link indices (SEELinX and SEELinX EWI)<sup>29</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. They provide support to the Valamar Riviera share turnover, which in the period under review averaged 27.6%<sup>30</sup>.

<sup>25</sup> Block transactions are excluded from the calculation.

<sup>26</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>27</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>28</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>29</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.

<sup>30</sup> Block transactions are excluded from the calculation. Data refers to the period 1/1 - 31/12/2020.



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

2<sup>nd</sup>

MOST ACTIVE  
TRADED SHARE  
ON ZAGREB STOCK  
EXCHANGE

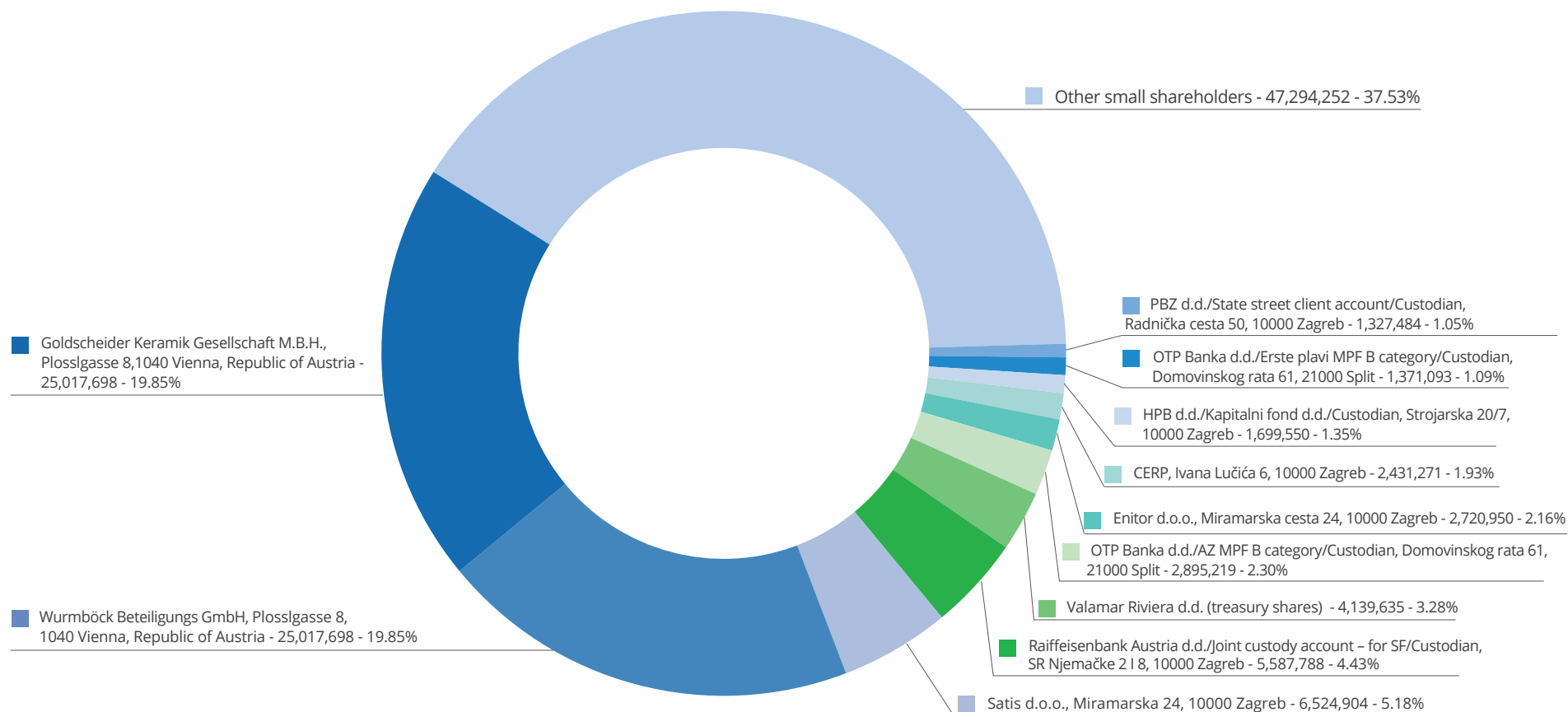
The analytical coverage of Valamar Riviera is provided by:

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

Valamar Collection Imperial Hotel 5\*, island of Rab

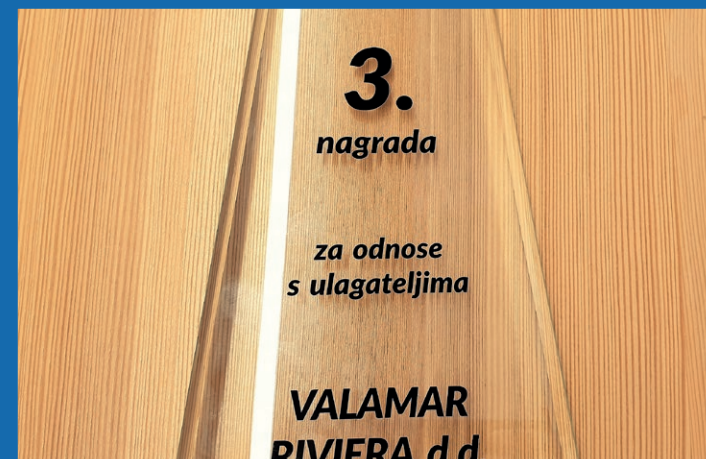


## OVERVIEW OF MAJOR SHAREHOLDERS AS AT 31 DECEMBER 2020:





Valamar Obertauern Hotel 4\*, Obertauern




Valmar Riviera was ranked third in the 2020 Investor Relations Award

# Additional Information





 *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.*

The 2019 Integrated Report and Corporate Social Responsibility (including non-financial report) was published on 28 August 2020<sup>31</sup>. The main aim of the report made according to G4 GRI guidelines was to present a strategic and long-term insight into the Company's business to all key stakeholders, including shareholders, employees, partners, guests and the community, focusing especially on CSR as the foundation of the Company's sustainable business and future development. The report includes ecological, social and management factors in accordance with the ESG components of responsible investing. The report is available on the Zagreb Stock Exchange website and [www.valamar-riviera.com](http://www.valamar-riviera.com).

As one of the largest employers in Croatia (as at 31 December 2020, the Group employed 2,620 people of which 2,005 were permanent employees; the Company employed 2,121 people of which 1,650 were permanent employees), Valamar systematically and continuously invest in the development of human resources. An integral strategic approach to human resources management and top practices applied include transparent hiring processes, clear objectives and employees' performance measurement, rewarding systems, opportunities for career advancement, investment in employees' development and encouraging two-way communication.

In the course of the fourth quarter of 2020 (including the period 1 January 2020 – 31 December 2020), 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 fourth quarter of 2020 (including the period 1 January 2020 to 31 December 2020) were adopted by the by the Management Board on 18 February 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**  
Management Board President

**Marko Čižmek**  
Management Board Member

<sup>31</sup> The 2020 non-financial report will be published within the deadlines prescribed by law (in the next 6 months) on the Zagreb Stock Exchange website and [www.valamar-riviera.com](http://www.valamar-riviera.com).

# RESPONSIBILITY FOR THE QUARTERLY FINANCIAL STATEMENTS

In Poreč, 18 February 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:

- the annual consolidated and unconsolidated financial statements for 2020, including the quarterly reports for the four quarter of 2020, are prepared in accordance with applicable standards of financial reporting and give true and fair view of the assets and liabilities, profit and loss, financial position and operations of the Company and the companies included in consolidation (Group);
- Report of the Company's Management board for the period from 1 January to 31 December 2020, including the period from 1 October to 31 December 2020, contains the true presentation of development, results and position of the Company and companies included in the consolidation, with description of significant risks and uncertainties which the Company and companies included in consolidation are exposed.



**Marko Čižmek**  
Management Board Member



**Ljubica Grbac**  
Director of Department of  
Finance and Accounting /  
Procurator

## Reporting period: from 01.01.2020 to 31.12.2020

### Quarterly financial statements

Year:	<u>2020</u>	
Quarter:	<u>4</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>2620</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>Hoteli Makarska d.d.</u>	<u>Makarska</u>	<u>3324877</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>
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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)	
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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 31.12.2020 )

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>5.856.396.314</b>	<b>6.087.157.859</b>
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>56.189.081</b>	<b>46.400.186</b>
1 Research and development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	48.975.762	37.551.928
3 Goodwill	006	6.567.609	6.567.609
4 Advances for the purchase of intangible assets	007		
5 Intangible assets in preparation	008	645.710	2.280.649
6 Other intangible assets	009		
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>5.558.203.413</b>	<b>5.662.917.241</b>
1 Land	011	977.452.631	976.429.207
2 Buildings	012	3.587.267.668	3.560.463.801
3 Plant and equipment	013	516.603.969	488.743.200
4 Tools, working inventory and transportation assets	014	145.663.553	116.542.756
5 Biological assets	015		
6 Advances for the purchase of tangible assets	016	2.947.521	988.061
7 Tangible assets in preparation	017	247.269.828	443.016.063
8 Other tangible assets	018	74.548.777	72.791.725
9 Investment property	019	6.449.466	3.942.428
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>48.171.781</b>	<b>46.430.294</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	47.667.787	46.054.207
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	220.656	147.054
8 Loans, deposits, etc. given	028	113.338	89.033
9 Other investments accounted for using the equity method	029		
10 Other fixed financial assets	030	170.000	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>193.832.039</b>	<b>331.410.138</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>618.567.076</b>	<b>737.066.269</b>
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>25.825.011</b>	<b>30.335.208</b>
1 Raw materials and consumables	039	25.557.290	29.329.354
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	221.443	973.867
5 Advances for inventories	043	46.278	31.987
6 Fixed assets held for sale	044		
7 Biological assets	045		
<b>II RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>41.771.516</b>	<b>40.184.920</b>
1 Receivables from undertakings within the group	047	383	
2 Receivables from companies linked by virtue of participating interests	048	2.382.857	1.598.603
3 Customer receivables	049	18.474.596	23.776.150
4 Receivables from employees and members of the undertaking	050	936.299	297.549
5 Receivables from government and other institutions	051	18.377.083	10.162.443
6 Other receivables	052	1.600.298	4.350.175
<b>III CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>827.911</b>	<b>613.241</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	687.761	613.241
9 Other financial assets	062	140.150	
<b>IV CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>550.142.638</b>	<b>665.932.900</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>20.339.193</b>	<b>55.358.952</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>6.495.302.583</b>	<b>6.879.583.080</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>54.355.927</b>	<b>54.261.380</b>

**BALANCE SHEET** (as at 31.12.2020) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item 1	ADP code 2	Last day of the pre- ceding business year 3	At the reporting date of the current period 4
<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES</b> (ADP 068 to 070+076+077+081+084+087)	<b>067</b>	<b>3.219.069.759</b>	<b>2.863.857.326</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>95.998.078</b>	<b>98.511.512</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
<b>IV REVALUATION RESERVES</b>	<b>076</b>		
<b>V FAIR VALUE RESERVE</b> (ADP 078 to 080)	<b>077</b>	<b>61.474</b>	<b>872</b>
1 Fair value of financial assets available for sale	078	61.474	872
2 Cash flow hedge - effective portion	079		
3 Hedge of a net investment in a foreign operation - effective portion	080		
<b>VI RETAINED PROFIT OR LOSS BROUGHT FORWARD</b> (ADP 082-083)	<b>081</b>	<b>430.206.412</b>	<b>715.882.878</b>
1 Retained profit	082	430.206.412	715.882.878
2 Loss brought forward	083		
<b>VII PROFIT OR LOSS FOR THE BUSINESS YEAR</b> (ADP 085-086)	<b>084</b>	<b>284.535.940</b>	<b>-329.593.506</b>
1 Profit for the business year	085	284.535.940	
2 Loss for the business year	086		329.593.506
<b>VIII MINORITY (NON-CONTROLLING) INTEREST</b>	<b>087</b>	<b>731.023.213</b>	<b>701.810.928</b>
<b>B) PROVISIONS</b> (ADP 089 to 094)	<b>088</b>	<b>125.529.523</b>	<b>141.118.430</b>
1 Provisions for pensions, termination benefits and similar obligations	089	13.875.517	26.089.854
2 Provisions for tax liabilities	090		
3 Provisions for ongoing legal cases	091	51.607.209	57.420.166
4 Provisions for renewal of natural resources	092		
5 Provisions for warranty obligations	093		
6 Other provisions	094	60.046.797	57.608.410
<b>C) LONG-TERM LIABILITIES</b> (ADP 096 to 106)	<b>095</b>	<b>2.546.866.358</b>	<b>2.867.349.347</b>
1 Liabilities to undertakings within the group	096		
2 Liabilities for loans, deposits, etc. of undertakings within the group	097		
3 Liabilities to companies linked by virtue of participating interests	098		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	099		
5 Liabilities for loans, deposits etc.	100	2.652.000	
6 Liabilities to banks and other financial institutions	101	2.443.662.677	2.770.275.555
7 Liabilities for advance payments	102		
8 Liabilities to suppliers	103		
9 Liabilities for securities	104		
10 Other long-term liabilities	105	37.505.640	38.781.433
11 Deferred tax liability	106	63.046.041	58.292.359
<b>D) SHORT-TERM LIABILITIES</b> (ADP 108 to 121)	<b>107</b>	<b>526.341.998</b>	<b>934.437.190</b>
1 Liabilities to undertakings within the group	108	23.725	
2 Liabilities for loans, deposits, etc. of undertakings within the group	109		
3 Liabilities to companies linked by virtue of participating interests	110		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	111		
5 Liabilities for loans, deposits etc.	112	2.755.000	5.304.000
6 Liabilities to banks and other financial institutions	113	285.262.246	733.061.607
7 Liabilities for advance payments	114	38.363.694	69.608.737
8 Liabilities to suppliers	115	145.722.270	61.808.783
9 Liabilities for securities	116		6.625.196
10 Liabilities to employees	117	29.133.042	19.186.775
11 Taxes, contributions and similar liabilities	118	12.309.349	6.130.006
12 Liabilities arising from the share in the result	119	389.276	389.276
13 Liabilities arising from fixed assets held for sale	120		
14 Other short-term liabilities	121	12.383.396	32.322.810
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>122</b>	<b>77.494.945</b>	<b>72.820.787</b>
<b>F) TOTAL - LIABILITIES</b> (ADP 067+088+095+107+122)	<b>123</b>	<b>6.495.302.583</b>	<b>6.879.583.080</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>124</b>	<b>54.355.927</b>	<b>54.261.380</b>

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2020 to 31.12.2020)

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 126 to 130)	<b>125</b>	<b>2.207.678.790</b>	<b>170.214.155</b>	<b>675.610.635</b>	<b>22.464.169</b>
1 Income from sales with undertakings within the group	126				
2 Income from sales (outside group)	127	2.139.319.744	121.726.773	642.478.457	8.056.412
3 Income from the use of own products, goods and services	128	510.082	130.838	460.699	87.347
4 Other operating income with undertakings within the group	129				
5 Other operating income (outside the group)	130	67.848.964	48.356.544	32.671.479	14.320.410
<b>II OPERATING EXPENSES</b> (ADP 132+133+137+141+142+143+146+153)	<b>131</b>	<b>1.913.825.576</b>	<b>399.600.042</b>	<b>1.070.375.000</b>	<b>214.416.217</b>
1 Changes in inventories of work in progress and finished goods	132				
2 Material costs (ADP 134 to 136)	133	609.249.061	81.493.493	254.642.998	40.535.117
a) Costs of raw materials and consumables	134	364.623.025	40.181.243	136.855.464	14.448.099
b) Costs of goods sold	135	4.812.122	145.550	4.306.456	1.078.701
c) Other external costs	136	239.813.914	41.166.700	113.481.078	25.008.317
3 Staff costs (ADP 138 to 140)	137	583.409.043	98.681.099	189.951.093	8.233.254
a) Net salaries and wages	138	363.407.404	67.131.213	122.043.480	15.515.536
b) Tax and contributions from salary costs	139	144.444.646	18.933.389	46.270.696	-3.660.131
c) Contributions on salaries	140	75.556.993	12.616.497	21.636.917	-3.622.151
4 Depreciation	141	474.514.405	117.622.932	496.444.044	119.802.666
5 Other costs	142	197.392.249	63.553.911	89.097.655	11.053.160
6 Value adjustments (ADP 144+145)	143	587.773	541.338	1.509.899	664.572
a) fixed assets other than financial assets	144				
b) current assets other than financial assets	145	587.773	541.338	1.509.899	664.572
7 Provisions (ADP 147 to 152)	146	8.827.807	8.749.409	28.714.012	28.714.012
a) Provisions for pensions, termination benefits and similar obligations	147	4.890.058	4.890.058	19.091.188	19.091.188
b) Provisions for tax liabilities	148				
c) Provisions for ongoing legal cases	149	3.937.749	3.859.351	9.622.824	9.622.824
d) Provisions for renewal of natural resources	150				
e) Provisions for warranty obligations	151				
f) Other provisions	152				
8 Other operating expenses	153	39.845.238	28.957.860	10.015.299	5.413.436
<b>III. FINANCIAL INCOME</b> (ADP 155 to 164)	<b>154</b>	<b>10.673.119</b>	<b>9.053.420</b>	<b>21.291.138</b>	<b>5.055.699</b>
1 Income from investments in holdings (shares) of undertakings within the group	155				
2 Income from investments in holdings (shares) of companies linked by virtue of participating interests	156				
3 Income from other long-term financial investment and loans granted to undertakings within the group	157				
4 Other interest income from operations with undertakings within the group	158				
5 Exchange rate differences and other financial income from operations with undertakings within the group	159				
6 Income from other long-term financial investments and loans	160				
7 Other interest income	161	654.052	237.683	674.539	479.063
8 Exchange rate differences and other financial income	162	4.215.065	2.155.839	889.846	3.063.357
9 Unrealised gains (income) from financial assets	163		5.759.796		
10 Other financial income	164	5.804.002	900.102	19.726.753	1.513.279
<b>IV FINANCIAL EXPENSES</b> (ADP 166 to 172)	<b>165</b>	<b>72.530.819</b>	<b>26.830.658</b>	<b>125.931.773</b>	<b>20.567.950</b>
1 Interest expenses and similar expenses with undertakings within the group	166				
2 Exchange rate differences and other expenses from operations with undertakings within the group	167				
3 Interest expenses and similar expenses	168	55.020.340	12.995.682	63.062.608	17.812.387
4 Exchange rate differences and other expenses	169	4.868.851	13.149.430	41.917.880	588.209
5 Unrealised losses (expenses) from financial assets	170	10.651.214		17.843.787	75.960
6 Value adjustments of financial assets (net)	171	1.690			
7 Other financial expenses	172	1.988.724	685.546	3.107.498	2.091.394
<b>V SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VIRTUE OF PARTICIPATING INTERESTS</b>	<b>173</b>	<b>476.257</b>	<b>-2.683.664</b>		
<b>VI SHARE IN PROFIT FROM JOINT VENTURES</b>	<b>174</b>				
<b>VII. SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>175</b>			<b>1.643.580</b>	<b>620.757</b>
<b>VIII SHARE IN LOSS OF JOINT VENTURES</b>	<b>176</b>				
<b>IX TOTAL INCOME</b> (ADP 125+154+173+174)	<b>177</b>	<b>2.218.828.166</b>	<b>176.583.911</b>	<b>696.901.773</b>	<b>27.519.868</b>
<b>X TOTAL EXPENDITURE</b> (ADP 131+165+175+176)	<b>178</b>	<b>1.986.356.395</b>	<b>426.430.700</b>	<b>1.197.950.353</b>	<b>235.604.924</b>
<b>XI PRE-TAX PROFIT OR LOSS</b> (ADP 177-178)	<b>179</b>	<b>232.471.771</b>	<b>-249.846.789</b>	<b>-501.048.580</b>	<b>-208.085.056</b>
1 Pre-tax profit (ADP 177-178)	180	232.471.771			
2 Pre-tax loss (ADP 178-177)	181		-249.846.789	-501.048.580	-208.085.056
<b>XII INCOME TAX</b>	<b>182</b>	<b>-73.379.909</b>	<b>-71.565.811</b>	<b>-142.242.789</b>	<b>-61.281.055</b>
<b>XIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 179-182)	<b>183</b>	<b>305.851.680</b>	<b>-178.280.978</b>	<b>-358.805.791</b>	<b>-146.804.001</b>
1. Profit for the period (ADP 179-182)	184	305.851.680			
2. Loss for the period (ADP 182-179)	185		-178.280.978	-358.805.791	-146.804.001



**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2020 to 31.12.2020) (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>DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)</b>					
<b>XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS</b> (ADP 187-188)	<b>186</b>				
1 Pre-tax profit from discontinued operations	187				
2 Pre-tax loss on discontinued operations	188				
<b>XV INCOME TAX OF DISCONTINUED OPERATIONS</b>	<b>189</b>				
1 Discontinued operations profit for the period (ADP 186-189)	190				
2 Discontinued operations loss for the period (ADP 189-186)	191				

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

<b>XVI PRE-TAX PROFIT OR LOSS</b> (ADP 179+186)	<b>192</b>				
1 Pre-tax profit (ADP 192)	193				
2 Pre-tax loss (ADP 192)	194				
<b>XVII INCOME TAX</b> (ADP 182+189)	<b>195</b>				
<b>XVIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 192-195)	<b>196</b>				
1 Profit for the period (ADP 192-195)	197				
2 Loss for the period (ADP 195-192)	198				

**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 200+201)	<b>199</b>	<b>305.851.680</b>	<b>-178.280.978</b>	<b>-358.805.791</b>	<b>-146.804.001</b>
1 Attributable to owners of the parent	200	284.535.940	-178.642.645	-329.593.506	-135.203.327
2 Attributable to minority (non-controlling) interest	201	21.315.740	361.667	-29.212.285	-11.600.674

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

<b>I PROFIT OR LOSS FOR THE PERIOD</b>	<b>202</b>	<b>305.851.680</b>	<b>-178.280.978</b>	<b>-358.805.791</b>	<b>-146.804.001</b>
<b>II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX</b> (ADP 204 to 211)	<b>203</b>	<b>-1.060.800</b>	<b>-21.600</b>	<b>-73.904</b>	<b>-18.286</b>
1 Exchange rate differences from translation of foreign operations	204				
2 Changes in revaluation reserves of fixed tangible and intangible assets	205				
3 Profit or loss arising from subsequent measurement of financial assets available for sale	206	-1.060.800	-21.600	-73.904	-18.286
4 Profit or loss arising from effective cash flow hedging	207				
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208				
6 Share in other comprehensive income/loss of companies linked by virtue of participating interests	209				
7 Actuarial gains/losses on the defined benefit obligation	210				
8 Other changes in equity unrelated to owners	211				
<b>III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>212</b>	<b>-216.991</b>	<b>-3.888</b>	<b>-13.302</b>	<b>-3.291</b>
<b>IV NET OTHER COMPREHENSIVE INCOME OR LOSS</b> (ADP 203-212)	<b>213</b>	<b>-843.809</b>	<b>-17.712</b>	<b>-60.602</b>	<b>-14.995</b>
<b>V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 202+213)	<b>214</b>	<b>305.007.871</b>	<b>-178.298.690</b>	<b>-358.866.393</b>	<b>-146.818.996</b>

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

<b>VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 216+217)	<b>215</b>	<b>305.007.871</b>	<b>-178.298.690</b>	<b>-358.866.393</b>	<b>-146.818.996</b>
1 Attributable to owners of the parent	216	283.692.131	-178.660.357	-329.654.108	-135.218.322
2 Attributable to minority (non-controlling) interest	217	21.315.740	361.667	-29.212.285	-11.600.674

**STATEMENT OF CASH FLOWS - indirect method** (for the period 01.01.2020 to 31.12.2020)**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	232.471.771	-501.048.580
2 Adjustments (ADP 003 to 010):	002	522.775.137	627.709.571
a) Depreciation	003	474.514.405	496.444.044
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-10.784.061	-3.245.751
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	143.240	
d) Interest and dividend income	006	-341.761	-513.802
e) Interest expenses	007	56.867.514	68.613.120
f) Provisions	008	-11.828.932	22.152.112
g) Exchange rate differences (unrealised)	009	4.868.877	41.917.849
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	9.335.855	2.341.999
<b>I Cash flow increase or decrease before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>755.246.908</b>	<b>126.660.991</b>
3 Changes in the working capital (ADP 013 to 016)	012	92.191.314	-133.339.351
a) Increase or decrease in short-term liabilities	013	74.485.565	-82.313.496
b) Increase or decrease in short-term receivables	014	18.083.409	-46.515.658
c) Increase or decrease in inventories	015	-377.660	-4.510.197
d) Other increase or decrease in working capital	016		
<b>II Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>847.438.222</b>	<b>-6.678.360</b>
4 Interest paid	018	-57.152.922	-34.290.832
5 Income tax paid	019	-5.372.100	3.491.984
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>784.913.200</b>	<b>-37.477.208</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	56.786.329	9.326.474
2 Cash receipts from sales of financial instruments	022	1.437.948	
3 Interest received	023	382.503	495.675
4 Dividends received	024	115.822	
5 Cash receipts from repayment of loans and deposits	025	10.879.251	324.339
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>69.601.853</b>	<b>10.146.488</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-954.589.856	-595.870.921
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030	-10.770.778	-225.514
4 Acquisition of a subsidiary, net of cash acquired	031		
5 Other cash payments from investment activities	032	-47.667.787	
<b>IV Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-1.013.028.421</b>	<b>-596.096.435</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-943.426.568</b>	<b>-585.949.947</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	742.204.883	785.615.083
4 Other cash receipts from financing activities	038	329.030.148	3.389.998
<b>V Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>1.071.235.031</b>	<b>789.005.081</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-450.552.945	-46.038.888
2 Cash payments for dividends	041	-130.151.483	
3 Cash payments for finance lease	042		-72.300
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043	-39.436.690	
5 Other cash payments from financing activities	044	-4.280.260	-3.676.476
<b>VI Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-624.421.378</b>	<b>-49.787.664</b>
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>446.813.653</b>	<b>739.217.417</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>288.300.285</b>	<b>115.790.262</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>	<b>261.842.353</b>	<b>550.142.638</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>	<b>550.142.638</b>	<b>665.932.900</b>

**STATEMENT OF CHANGES IN EQUITY** (for the period 01.01.2020 to 31.12.2020)  
**Submitter: Valamar Riviera d.d.**

in HRK

Item	ADP code	Attributable to owners of the parent														Minority (non-controlling) interest	Total capital and reserves	
		Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)	
<b>Previous period</b>																		
<b>1 Balance on the first day of the previous business year</b>	<b>01</b>	<b>1.672.021.210</b>	<b>5.304.283</b>	<b>83.601.061</b>	<b>96.815.284</b>	<b>86.119.149</b>				<b>905.282</b>			<b>348.674.430</b>	<b>235.337.282</b>	<b>2.356.539.683</b>	<b>231.125.940</b>	<b>2.587.665.623</b>	
2 Changes in accounting policies	02																	
3 Correction of errors	03																	
<b>4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)</b>	<b>04</b>	<b>1.672.021.210</b>	<b>5.304.283</b>	<b>83.601.061</b>	<b>96.815.284</b>	<b>86.119.149</b>				<b>905.282</b>			<b>348.674.430</b>	<b>235.337.282</b>	<b>2.356.539.683</b>	<b>231.125.940</b>	<b>2.587.665.623</b>	
5 Profit/loss of the period	05													284.535.940	284.535.940	21.315.740	305.851.680	
6 Exchange rate differences from translation of foreign operations	06																	
7 Changes in revaluation reserves of fixed tangible and intangible assets	07																	
8 Profit or loss arising from subsequent measurement of financial assets available for sale	08									-1.060.800					-1.060.800		-1.060.800	
9 Profit or loss arising from effective cash flow hedge	09																	
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	10																	
11 Share in other comprehensive income/loss of companies linked by virtue of participating interests	11																	
12 Actuarial gains/losses on the defined benefit obligation	12																	
13 Other changes in equity unrelated to owners	13		-487.131										487.131					
14 Tax on transactions recognised directly in equity	14									216.992					216.992		216.992	
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15																	
16 Increase in initial (subscribed) capital arising from the reinvestment of profit	16																	
17 Increase in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	17																	
18 Redemption of treasury shares/holdings	18					39.396.090									-39.396.090		-39.396.090	
19 Payment of share in profit/dividend	19		406.280			-1.096.972							-122.586.614		-121.083.362		-121.083.362	
20 Other distribution to owners	20																	
21 Transfer to reserves according to the annual schedule	21				40.000.000									203.631.465	-235.337.282	8.294.183	478.581.533	
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22																	
<b>23 Balance on the last day of the previous business year reporting period (ADP 04 to 22)</b>	<b>23</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>				<b>61.474</b>			<b>430.206.412</b>	<b>284.535.940</b>	<b>2.488.046.546</b>	<b>731.023.213</b>	<b>3.219.069.759</b>	
<b>APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)</b>																		
<b>I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)</b>	<b>24</b>		<b>-487.131</b>							<b>-843.808</b>			<b>487.131</b>		<b>-843.808</b>		<b>-843.808</b>	
<b>II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)</b>	<b>25</b>		<b>-487.131</b>							<b>-843.808</b>			<b>487.131</b>	<b>284.535.940</b>	<b>283.692.132</b>	<b>21.315.740</b>	<b>305.007.872</b>	
<b>III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)</b>	<b>26</b>		<b>406.280</b>		<b>40.000.000</b>	<b>38.299.118</b>							<b>81.044.851</b>	<b>-235.337.282</b>	<b>-152.185.269</b>	<b>478.581.533</b>	<b>326.396.264</b>	
<b>Current period</b>																		
<b>1 Balance on the first day of the current business year</b>	<b>27</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>				<b>61.474</b>			<b>430.206.412</b>	<b>284.535.940</b>	<b>2.488.046.546</b>	<b>731.023.213</b>	<b>3.219.069.759</b>	
2 Changes in accounting policies	28																	
3 Correction of errors	29																	
<b>4 Balance on the first day of the current business year (restated) (ADP 27 to 29)</b>	<b>30</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>				<b>61.474</b>			<b>430.206.412</b>	<b>284.535.940</b>	<b>2.488.046.546</b>	<b>731.023.213</b>	<b>3.219.069.759</b>	
5 Profit/loss of the period	31													-329.593.506	-329.593.506	-29.212.285	-358.805.791	
6 Exchange rate differences from translation of foreign operations	32							263.962							263.962		263.962	
7 Changes in revaluation reserves of fixed tangible and intangible assets	33																	
8 Profit or loss arising from subsequent measurement of financial assets available for sale	34									-73.904					-73.904		-73.904	
9 Profit or loss arising from effective cash flow hedge	35																	
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	36																	
11 Share in other comprehensive income/loss of companies linked by virtue of participating interests	37																	
12 Actuarial gains/losses on the defined benefit obligation	38																	
13 Other changes in equity unrelated to owners	39																	
14 Tax on transactions recognised directly in equity	40														13.302		13.302	
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	41																	
16 Increase in initial (subscribed) capital arising from the reinvestment of profit	42																	
17 Increase in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43																	
18 Redemption of treasury shares/holdings	44																	
19 Payment of share in profit/dividend	45																	
20 Other distribution to owners	46								2.249.472				1.140.526		3.389.998		3.389.998	
21 Transfer to reserves according to the annual schedule	47												284.535.940	-284.535.940				
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48																	
<b>23. Balance as at 31 December of the current period (ADP 30 to 48)</b>	<b>49</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>			<b>2.513.434</b>	<b>872</b>			<b>715.882.878</b>	<b>-329.593.506</b>	<b>2.162.046.398</b>	<b>701.810.928</b>	<b>2.863.857.326</b>	
<b>APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)</b>																		
<b>I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)</b>	<b>50</b>								<b>263.962</b>	<b>-60.602</b>					<b>203.360</b>		<b>203.360</b>	
<b>II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31 + 50)</b>	<b>51</b>								<b>263.962</b>	<b>-60.602</b>				<b>-329.593.506</b>	<b>-329.390.146</b>	<b>-29.212.285</b>	<b>-358.602.431</b>	
<b>III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)</b>	<b>52</b>								<b>2.249.472</b>				<b>285.676.466</b>	<b>-284.535.940</b>	<b>3.389.998</b>		<b>3.389.998</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:

**01.01.2020. to 31.12.2020.**

Notes to financial statements for quarterly periods include:

- a) an explanation of business events relevant to understanding changes in the statement of financial position and financial performance for the quarterly reporting 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,
- 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 quarterly reporting period,
- c) a statement explaining that the same accounting policies are applied while drawing up financial statements for the quarterly 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,
- d) a description of the financial performance in the case of the issuer whose business is seasonal.

Detailed information on financial performance and events relevant to understanding changes in financial statements are available in PDF document „Business results 1/1/2020 – 31/12/2020“ which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages and in Notes below.

Detailed information on the preparation of financial statements and certain accounting policies are available in PDF document „Annual report 2020“ which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020

### NOTE 1 – GENERAL INFORMATION

Valamar Riviera d.d., Poreč ("the Company") has been registered in accordance with Croatian laws and regulations. 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. Group's business is of seasonal character. The registered office of Valamar Riviera d.d. is in Poreč, Stancija Kaligari 1.

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. since 29 June 2019 (merger with Hoteli Makarska d.d.)
- Hoteli Makarska d.d., Makarska, 46.93% ownership with the subsidiary Praona d.o.o. until 28 June 2019 when it was merged with Imperial Riviera d.d.
- 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 financial statements for the fourth quarter ended 31 December 2020 were approved by the Management Board in Poreč on 18 February 2021.

The consolidated financial statements for the fourth quarter have not been audited.

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The consolidated financial statements for the fourth quarter ended on 31 December 2020 have been prepared in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting. The consolidated financial statements for the fourth quarter period do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated 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

Group's fourth quarter financial statements have been prepared on a going concern basis. Based on current expectations, Management believes, although potentially negative short-term effects on Group's revenues and cash inflows are expected, it is not probable that the situation will have significant negative impact on the Group's ability to fulfil its obligations nor prolonged impact on Group's revenues and overall business which can affect the 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 December 2020 comparing to those used for the preparation of the annual financial statements for the year ended 31 December 2019. Given the significant impact of COVID-19 pandemic on the business of the Group in 2020 and the absence of operating profit or overall business in certain cash generating units, the Group assessed that there are potential indicators of impairment and in accordance with IAS-36, they approached the impairment test of units that generate money, i.e. profit centres (PCGM). The application of IAS 36 – Impairment Test observes the relationship between the carrying amount, i.e. book value of an asset and its recoverable amount, where the impairment does not exist if the recoverable amount is equal to or greater than the carrying amount. The recoverable amount is determined using the higher of an asset's fair value less costs to dispose and its value in use. By performing impairment tests for the year ending 31 December 2020, non-current tangible and intangible assets (including goodwill) do not have to be impaired, in accordance with the determined values in use and for a part of facilities according to the fair value confirmed by a certified expert.

### 2.4 Significant accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements for the fourth quarter are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except in the part as it is mentioned below.

According to the International Accounting Standard 20 – Government grants („IAS 20“), government grants are recognised when there is reasonable assurance that the grant will be received and any conditions attached to them have been fulfilled.

Due to the new circumstances caused by the COVID-19 pandemic, the Republic of Croatia has adopted a package of measures to preserve jobs in industries that are strongly affected by the pandemic, including government grants in the form of payment and/or liability reduction. The Group is a recipient of certain government grants within the abovementioned package of measures in significant amounts. Hence, an accounting policy concerning the presentment of government grants has been adopted in accordance with IAS 20.

The Group has selected to present the grants related to income as a deducted item of reported related costs in the same period. This approach is consistently applied to all similar government grants.

In addition to grants related to income for which the presenting policy was previously defined, the Group is a recipient of grants related to assets. The Group has selected to present grants related to assets, as a deferred credit to be released to the profit or loss over the periods necessary to match the related depreciation charges, according to IAS 20. This approach is consistently applied to all similar government grants.

Grants that are related to the liabilities write-offs which are presented in the profit and loss account of the previous year are presented as revenues. Grants for lost income compensation and all other grants that do not have a related cost in the profit and loss account are also recognized as revenues.

The total amount of government grants related to the impact of the pandemic during the year period ended 31 December 2020, amounts to HRK 174,256 thousand for the Group.



### NOTE 3 – SEGMENT INFORMATION

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

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

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

The segment information related to reportable segments for the nine months ended 31 December 2019 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	1.577.913	513.759	171.666	2.263.338
Inter-segment revenue	(1.969)	(144)	(121.907)	(124.018)
Revenue from external customers	<b>1.575.946</b>	<b>513.615</b>	<b>49.759</b>	<b>2.139.320</b>
Depreciation and amortisation	312.459	108.694	53.361	474.514
Net finance income/(expense) net	(38.815)	(17.666)	(5.377)	(61.858)
Write-off of fixed assets	25.149	5.786	1.036	31.971
Profit/(loss) of segment	807.708	345.499	(315.977)	837.230
<b>Total assets</b>	<b>3.499.357</b>	<b>1.480.754</b>	<b>682.100</b>	<b>5.662.211</b>
<b>Total liabilities</b>	<b>1.860.939</b>	<b>801.511</b>	<b>390.590</b>	<b>3.053.040</b>

**NOTE 3 - SEGMENT INFORMATION / CONTINUED**

The segment information related to reportable segments for the nine months ended 31 December 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	338.572	292.000	53.849	684.422
Inter-segment revenue	(681)	(29)	(41.233)	(41.943)
Revenue from external customers	<b>337.891</b>	<b>291.971</b>	<b>12.616</b>	<b>642.479</b>
Depreciation and amortisation	314.882	127.271	54.291	496.444
Net finance income/(expense) net	(55.805)	(26.786)	(22.050)	(104.641)
Write-off of fixed assets	1.119	208	205	1.532
Profit/(loss) of segment	128.074	209.664	(158.407)	179.331
<b>Total assets</b>	<b>3.537.741</b>	<b>1.515.516</b>	<b>714.073</b>	<b>5.767.330</b>
<b>Total liabilities</b>	<b>2.275.139</b>	<b>1.020.575</b>	<b>508.117</b>	<b>3.803.831</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.

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

<b>GROUP</b>		
(in thousands of HRK)	<b>2019</b>	<b>2020</b>
<b>Revenue</b>		
Revenue from segments	2.263.338	684.422
Inter-segment revenue	(124.018)	(41.943)
<b>Total revenue</b>	<b>2.139.320</b>	<b>642.479</b>
<b>Profit</b>		
Profit from segments	837.230	179.331
Other unallocated expenses	(555.421)	(553.841)
Profit/(loss) from financial and extraordinary activities	(49.337)	(126.539)
<b>Total profit before tax</b>	<b>232.472</b>	<b>(501.049)</b>

**NOTE 3 - SEGMENT INFORMATION / CONTINUED**

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

**GROUP**

(in thousands of HRK)

	As at 31 December 2019		As at 31 December 2020	
	Assets	Liabilities	Assets	Liabilities
<b>Segment assets/liabilities</b>	<b>5.662.211</b>	<b>3.053.040</b>	<b>5.767.330</b>	<b>3.803.832</b>
Hotels and apartments segment	3.499.357	1.860.939	3.537.741	2.275.139
Camps segment	1.480.754	801.511	1.515.516	1.020.575
Other business segment	682.100	390.590	714.073	508.118
<b>Unallocated</b>	<b>833.091</b>	<b>223.192</b>	<b>1.112.253</b>	<b>211.894</b>
Investments in associate	47.668	-	46.024	-
Other financial assets	391	-	317	-
Loans and deposits	801	-	702	-
Cash and cash equivalents	550.143	-	665.933	-
Income tax receivable	4.258	-	733	-
Other receivables	35.858	-	67.134	-
Deferred tax assets/liabilities	193.832	63.046	331.410	58.292
Other liabilities	-	71.822	-	65.206
Liabilities for investments in associate	-	18.294	-	13.994
Derivative financial assets/ liabilities	140	17.048	-	16.982
Provisions	-	52.982	-	57.420
<b>Total</b>	<b>6.495.302</b>	<b>3.276.232</b>	<b>6.879.583</b>	<b>4.015.726</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.



**NOTE 3 - SEGMENT INFORMATION / CONTINUED****GROUP**

(in thousands of HRK)	2019	2020
Revenue from sales to domestic customers	199.586	82.721
Revenue from sales to foreign customers	1.939.734	559.758
	<b>2.139.320</b>	<b>642.479</b>

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

**Sales to foreign customers**

(in thousands of HRK)	GRUPA			
	2019	%	2020	%
EU members	1.709.607	88,14	503.445	89,94
Other	230.127	11,86	56.313	10,06
	<b>1.939.734</b>	<b>100,00</b>	<b>559.758</b>	<b>100,00</b>

**NOTE 4 - NON CURRENT TANGIBLE AND INTANGIBLE ASSETS**

During the year ended 31 December 2020, the Group acquired assets in the amount of HRK 595,282 thousand and disposed the assets with a net book value of HRK 4,549 thousand, resulting in a net gain on disposal of HRK 4,647 thousand.

## NOTE 5 – 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 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 Group uses 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 Group for similar financial instruments.

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

<b>GRUPA</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 2019</b>					
<b>Assets measured at fair value</b>					
Financial assets - equity securities		391	-	-	391
Derivative financial instruments		-	140	-	140
<b>Total assets measured at fair value</b>		<b>391</b>	<b>140</b>	<b>-</b>	<b>531</b>
<b>Liabilities measured at fair value</b>					
Derivative financial instruments		-	17.048	-	17.048
<b>Total liabilities measured at fair value</b>		<b>-</b>	<b>17.048</b>	<b>-</b>	<b>17.048</b>
<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>

### *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 Group'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 6 - INCOME TAX

During the period in 2020, the Group calculates the period income tax expense using the tax rate that is applicable to the total annual earnings, according to the IAS 34.

Income tax comprise:

<b>GROUP</b>	<b>2020</b>
(in thousands of HRK)	
Current tax	48
Deferred tax	(142.291)
<b>Tax (income)/expense</b>	<b>(142.243)</b>

## NOTE 7 - 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 Group 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.

<b>GROUP</b>	<b>2020</b>
Profit/(loss) attributable to equity holders (in thousands of HRK)	(329.594)
Weighted average number of shares	121.887.907
<b>Basic/diluted earnings/(loss) per share (in HRK)</b>	<b>(2,70)</b>



## NOTE 8 - CONTINGENCIES AND COMMITMENTS

The contracted capital commitments of the Group in respect to investments in tourism facilities as at 31 December 2020 amounted to HRK 535,627 thousand.

## NOTE 9 - RELATED PARTY TRANSACTIONS

Related party transactions were as follows:

<b>GROUP</b>	<b>2019</b>	<b>2020</b>
(in thousands of HRK)		
<b>Sale of services</b>		
Other related parties to the owners and corporate governance bodies	4.883	1
Undertakings with participating interest	-	1.918
	<b>4.883</b>	<b>1.919</b>
<b>Purchase of services</b>		
Other related parties to the owners and corporate governance bodies	549	217
Undertakings with participating interest	-	18
	<b>549</b>	<b>235</b>
	<b>As at</b>	<b>As at</b>
	<b>31 December 2019</b>	<b>31 December 2020</b>
<b>Trade and other receivable</b>		
Undertakings with participating interest	24	331
	<b>24</b>	<b>331</b>
<b>Liabilities</b>		
Other related parties to the owners and corporate governance bodies	18	84
	<b>18</b>	<b>84</b>

### Explanation of positions in Statement of profit or loss

During 2020 the Group was a recipient of grants related to net salaries compensation with related tax and contribution write-offs according to revenue decline, and due to the booking dynamic of received grants certain positions in Statement of profit or loss for fourth quarter are presented with negative sign.

**Reporting period: from 01.01.2020 to 31.12.2020****Quarterly financial statements**

Year: 2020

Quarter: 4

Registration number (MB): 3474771 Issuer's home Member State code: HR

Entity's registration number (MBS): 40020883

Personal identification number (OIB): 36201212847 LEI: 529900DUWS1DGNEK4C68

Institution code: 30577

Name of the issuer: Valamar Riviera d.d.

Postcode and town: 52440 Poreč

Street and house number: Stancija Kaligari 1

E-mail address: uprava@riviera.hr

Web address: www.valamar-riviera.com

Number of employees (end of the reporting period): 2121

Consolidated report: KN (KN-not consolidated/KD-consolidated)

Audited: RN (RN-not audited/RD-audited)

Names of subsidiaries  
(according to IFRS):

Registered office:

MB:

Bookkeeping firm:

No

Contact person:

Sopta Anka

(only name and surname of the contact person)

Telephone:

052 408 188

E-mail address:

anka.sopta@riviera.hr

Audit firm:

(name of the audit firm)

Certified auditor:

(name and surname)



M.P.

(potpis osobe ovlaštene za zastupanje)

**BALANCE SHEET** (balance as at 31.12.2020)

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>5.186.667.284</b>	<b>5.324.136.157</b>
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>54.104.271</b>	<b>42.275.329</b>
1 Research and development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	46.920.962	35.550.820
3 Goodwill	006	6.567.609	6.567.609
4 Advances for the purchase of intangible assets	007		
5 Intangible assets in preparation	008	615.700	156.900
6 Other intangible assets	009		
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>4.247.236.790</b>	<b>4.292.520.443</b>
1 Land	011	630.175.338	629.012.020
2 Buildings	012	2.765.966.791	2.722.066.344
3 Plant and equipment	013	441.226.355	409.245.659
4 Tools, working inventory and transportation assets	014	112.390.110	91.158.729
5 Biological assets	015		
6 Advances for the purchase of tangible assets	016	1.957.700	159.973
7 Tangible assets in preparation	017	217.024.655	366.577.576
8 Other tangible assets	018	72.046.375	70.357.714
9 Investment property	019	6.449.466	3.942.428
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>774.968.081</b>	<b>774.869.872</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	195.175	121.271
8 Loans, deposits, etc. given	028	113.338	89.033
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>110.358.142</b>	<b>214.470.513</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>299.370.071</b>	<b>583.232.857</b>
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>22.384.906</b>	<b>27.296.274</b>
1 Raw materials and consumables	039	22.202.305	26.356.791
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	182.601	939.483
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>28.464.473</b>	<b>32.385.214</b>
1 Receivables from undertakings within the group	047	2.556.854	186.829
2 Receivables from companies linked by virtue of participating interests	048	23.688	330.822
3 Customer receivables	049	13.342.394	23.158.299
4 Receivables from employees and members of the undertaking	050	911.253	277.464
5 Receivables from government and other institutions	051	10.124.258	4.795.299
6 Other receivables	052	1.506.026	3.636.501
<b>III CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>671.420</b>	<b>578.131</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	502.970	549.831
9 Other financial assets	062	140.150	
<b>IV CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>247.849.272</b>	<b>522.973.238</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>17.874.753</b>	<b>46.702.706</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>5.503.912.108</b>	<b>5.954.071.720</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>54.355.927</b>	<b>54.261.380</b>



**BALANCE SHEET** (balance as at 31.12.2020) (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+081+084+087)	<b>067</b>	<b>2.690.444.302</b>	<b>2.385.224.020</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>95.998.079</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
<b>IV REVALUATION RESERVES</b>	<b>076</b>		
<b>V FAIR VALUE RESERVE</b> (ADP 078 to 080)	<b>077</b>	<b>61.473</b>	<b>872</b>
1 Fair value of financial assets available for sale	078	61.473	872
2 Cash flow hedge - effective portion	079		
3 Hedge of a net investment in a foreign operation - effective portion	080		
<b>VI RETAINED PROFIT OR LOSS BROUGHT FORWARD</b> (ADP 082-083)	<b>081</b>	<b>539.646.072</b>	<b>917.793.503</b>
1 Retained profit	082	539.646.072	917.793.503
2 Loss brought forward	083		
<b>VII PROFIT OR LOSS FOR THE BUSINESS YEAR</b> (ADP 085-086)	<b>084</b>	<b>377.006.905</b>	<b>-308.549.679</b>
1 Profit for the business year	085	377.006.905	
2 Loss for the business year	086		308.549.679
<b>VIII MINORITY (NON-CONTROLLING) INTEREST</b>	<b>087</b>		
<b>B) PROVISIONS</b> (ADP 089 to 094)	<b>088</b>	<b>99.091.523</b>	<b>113.213.704</b>
1 Provisions for pensions, termination benefits and similar obligations	089	11.847.096	21.180.405
2 Provisions for tax liabilities	090		
3 Provisions for ongoing legal cases	091	30.791.013	36.378.988
4 Provisions for renewal of natural resources	092		
5 Provisions for warranty obligations	093		
6 Other provisions	094	56.453.414	55.654.311
<b>C) LONG-TERM LIABILITIES</b> (ADP 096 to 106)	<b>095</b>	<b>2.199.023.800</b>	<b>2.524.889.178</b>
1 Liabilities to undertakings within the group	096		
2 Liabilities for loans, deposits, etc. of undertakings within the group	097		
3 Liabilities to companies linked by virtue of participating interests	098		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	099		
5 Liabilities for loans, deposits etc.	100		
6 Liabilities to banks and other financial institutions	101	2.146.746.486	2.474.586.439
7 Liabilities for advance payments	102		
8 Liabilities to suppliers	103		
9 Liabilities for securities	104		
10 Other long-term liabilities	105	38.086.903	36.995.567
11 Deferred tax liability	106	14.190.411	13.307.172
<b>D) SHORT-TERM LIABILITIES</b> (ADP 108 to 121)	<b>107</b>	<b>463.253.429</b>	<b>865.350.845</b>
1 Liabilities to undertakings within the group	108	218.328	135.664
2 Liabilities for loans, deposits, etc. of undertakings within the group	109		
3 Liabilities to companies linked by virtue of participating interests	110		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	111		
5 Liabilities for loans, deposits etc.	112		
6 Liabilities to banks and other financial institutions	113	257.433.437	693.967.037
7 Liabilities for advance payments	114	31.610.147	61.767.845
8 Liabilities to suppliers	115	127.477.774	49.993.663
9 Liabilities for securities	116		6.625.196
10 Liabilities to employees	117	24.837.226	15.921.399
11 Taxes, contributions and similar liabilities	118	10.114.318	4.664.984
12 Liabilities arising from the share in the result	119	9.600	9.600
13 Liabilities arising from fixed assets held for sale	120		
14 Other short-term liabilities	121	11.552.599	32.265.457
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>122</b>	<b>52.099.054</b>	<b>65.393.973</b>
<b>F) TOTAL - LIABILITIES</b> (ADP 067+088+095+107+122)	<b>123</b>	<b>5.503.912.108</b>	<b>5.954.071.720</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>124</b>	<b>54.355.927</b>	<b>54.261.380</b>

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2020 to 31.12.2020)

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 126 to 130)	<b>125</b>	<b>2.055.240.465</b>	<b>278.122.560</b>	<b>571.818.875</b>	<b>16.658.614</b>
1 Income from sales with undertakings within the group	126	31.164.184	5.833.834	6.559.169	-764.643
2 Income from sales (outside group)	127	1.843.331.491	104.764.853	540.402.390	8.573.739
3 Income from the use of own products, goods and services	128	218.490	49.716	208.649	52.424
4 Other operating income with undertakings within the group	129	122.524.005	122.381.544	269.761	-425.661
5 Other operating income (outside the group)	130	58.002.295	45.092.613	24.378.906	9.222.755
<b>II OPERATING EXPENSES</b> (ADP 132+133+137+141+142+143+146+153)	<b>131</b>	<b>1.640.753.043</b>	<b>340.670.926</b>	<b>890.254.827</b>	<b>174.438.864</b>
1 Changes in inventories of work in progress and finished goods	132				
2 Material costs (ADP 134 to 136)	133	540.847.277	79.258.784	223.980.434	37.313.660
a) Costs of raw materials and consumables	134	313.355.800	34.720.948	118.752.994	12.790.829
b) Costs of goods sold	135	4.561.489	79.596	4.218.790	1.078.701
c) Other external costs	136	222.929.988	44.458.240	101.008.650	23.444.130
3 Staff costs (ADP 138 to 140)	137	506.079.536	84.374.483	162.756.912	4.732.891
a) Net salaries and wages	138	313.346.838	57.359.503	103.705.374	12.716.290
b) Tax and contributions from salary costs	139	126.884.338	16.159.716	40.219.038	-4.145.312
c) Contributions on salaries	140	65.848.360	10.855.264	18.832.500	-3.838.087
4 Depreciation	141	380.123.705	93.052.333	391.987.115	93.072.033
5 Other costs	142	174.347.691	51.172.796	75.372.719	7.745.228
6 Value adjustments (ADP 144+145)	143	543.947	497.511	1.394.462	642.972
a) fixed assets other than financial assets	144				
b) current assets other than financial assets	145	543.947	497.511	1.394.462	642.972
7 Provisions (ADP 147 to 152)	146	8.235.940	8.235.940	25.566.223	25.566.223
a) Provisions for pensions, termination benefits and similar obligations	147	4.683.291	4.683.291	16.210.160	16.210.160
b) Provisions for tax liabilities	148				
c) Provisions for ongoing legal cases	149	3.552.649	3.552.649	9.356.063	9.356.063
d) Provisions for renewal of natural resources	150				
e) Provisions for warranty obligations	151				
f) Other provisions	152				
8 Other operating expenses	153	30.574.947	24.079.079	9.196.962	5.365.857
<b>III. FINANCIAL INCOME</b> (ADP 155 to 164)	<b>154</b>	<b>18.969.797</b>	<b>8.739.437</b>	<b>19.931.425</b>	<b>4.781.623</b>
1 Income from investments in holdings (shares) of undertakings within the group	155	8.703.256			
2 Income from investments in holdings (shares) of companies linked by virtue of participating interests	156				
3 Income from other long-term financial investment and loans granted to undertakings within the group	157				
4 Other interest income from operations with undertakings within the group	158	186.986			
5 Exchange rate differences and other financial income from operations with undertakings within the group	159				
6 Income from other long-term financial investments and loans	160				
7 Other interest income	161	642.261	237.594	639.146	449.435
8 Exchange rate differences and other financial income	162	3.713.047	1.597.617	824.514	2.867.211
9 Unrealised gains (income) from financial assets	163		5.759.796		
10 Other financial income	164	5.724.247	1.144.430	18.467.765	1.464.977
<b>IV FINANCIAL EXPENSES</b> (ADP 166 to 172)	<b>165</b>	<b>66.983.683</b>	<b>26.077.743</b>	<b>115.027.459</b>	<b>18.741.765</b>
1 Interest expenses and similar expenses with undertakings within the group	166				
2 Exchange rate differences and other expenses from operations with undertakings within the group	167				
3 Interest expenses and similar expenses	168	49.875.564	12.907.297	56.628.643	16.127.471
4 Exchange rate differences and other expenses	169	4.622.702	12.542.886	38.603.478	471.904
5 Unrealised losses (expenses) from financial assets	170	10.651.214		16.832.811	75.960
6 Value adjustments of financial assets (net)	171				
7 Other financial expenses	172	1.834.203	627.560	2.962.527	2.066.430
<b>V SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VIRTUE OF PARTICIPATING INTERESTS</b>	<b>173</b>				
<b>VI SHARE IN PROFIT FROM JOINT VENTURES</b>	<b>174</b>				
<b>VII. SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>175</b>				
<b>VIII SHARE IN LOSS OF JOINT VENTURES</b>	<b>176</b>				
<b>IX TOTAL INCOME</b> (ADP 125+154+173+174)	<b>177</b>	<b>2.074.210.262</b>	<b>286.861.997</b>	<b>591.750.300</b>	<b>21.440.237</b>
<b>X TOTAL EXPENDITURE</b> (ADP 131+165+175+176)	<b>178</b>	<b>1.707.736.726</b>	<b>366.748.669</b>	<b>1.005.282.286</b>	<b>193.180.629</b>
<b>XI PRE-TAX PROFIT OR LOSS</b> (ADP 177-178)	<b>179</b>	<b>366.473.536</b>	<b>-79.886.672</b>	<b>-413.531.986</b>	<b>-171.740.392</b>
1 Pre-tax profit (ADP 177-178)	180	366.473.536			
2 Pre-tax loss (ADP 178-177)	181		-79.886.672	-413.531.986	-171.740.392
<b>XII INCOME TAX</b>	<b>182</b>	<b>-10.533.369</b>	<b>-10.533.369</b>	<b>-104.982.307</b>	<b>-44.939.621</b>
<b>XIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 179-182)	<b>183</b>	<b>377.006.905</b>	<b>-69.353.303</b>	<b>-308.549.679</b>	<b>-126.800.771</b>
1. Profit for the period (ADP 179-182)	184	377.006.905			
2. Loss for the period (ADP 182-179)	185		-69.353.303	-308.549.679	-126.800.771

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2020 to 31.12.2020) (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>DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)</b>					
<b>XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS</b> (ADP 187-188)	<b>186</b>				
1 Pre-tax profit from discontinued operations	187				
2 Pre-tax loss on discontinued operations	188				
<b>XV INCOME TAX OF DISCONTINUED OPERATIONS</b>	<b>189</b>				
1 Discontinued operations profit for the period (ADP 186-189)	190				
2 Discontinued operations loss for the period (ADP 189-186)	191				

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

<b>XVI PRE-TAX PROFIT OR LOSS</b> (ADP 179+186)	<b>192</b>				
1 Pre-tax profit (ADP 192)	193				
2 Pre-tax loss (ADP 192)	194				
<b>XVII INCOME TAX</b> (ADP 182+189)	<b>195</b>				
<b>XVIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 192-195)	<b>196</b>				
1 Profit for the period (ADP 192-195)	197				
2 Loss for the period (ADP 195-192)	198				

**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 200+201)	<b>199</b>	<b>377.006.905</b>	<b>-69.353.303</b>	<b>-308.549.679</b>	<b>-126.800.771</b>
1 Attributable to owners of the parent	200	377.006.905	-69.353.303	-308.549.679	-126.800.771
2 Attributable to minority (non-controlling) interest	201				

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

<b>I PROFIT OR LOSS FOR THE PERIOD</b>	<b>202</b>	<b>377.006.905</b>	<b>-69.353.303</b>	<b>-308.549.679</b>	<b>-126.800.771</b>
<b>II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX</b> (ADP 204 to 211)	<b>203</b>	<b>-1.060.800</b>	<b>-21.600</b>	<b>-73.904</b>	<b>-18.286</b>
1 Exchange rate differences from translation of foreign operations	204				
2 Changes in revaluation reserves of fixed tangible and intangible assets	205				
3 Profit or loss arising from subsequent measurement of financial assets available for sale	206	-1.060.800	-21.600	-73.904	-18.286
4 Profit or loss arising from effective cash flow hedging	207				
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208				
6 Share in other comprehensive income/loss of companies linked by virtue of participating interests	209				
7 Actuarial gains/losses on the defined benefit obligation	210				
8 Other changes in equity unrelated to owners	211				
<b>III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>212</b>	<b>-216.991</b>	<b>-3.888</b>	<b>-13.303</b>	<b>3.292</b>
<b>IV NET OTHER COMPREHENSIVE INCOME OR LOSS</b> (ADP 203-212)	<b>213</b>	<b>-843.809</b>	<b>-17.712</b>	<b>-60.601</b>	<b>-21.578</b>
<b>V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 202+213)	<b>214</b>	<b>376.163.096</b>	<b>-69.371.015</b>	<b>-308.610.280</b>	<b>-126.822.349</b>

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

<b>VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 216+217)	<b>215</b>				
1 Attributable to owners of the parent	216				
2 Attributable to minority (non-controlling) interest	217				



**STATEMENT OF CASH FLOWS - indirect method** (for the period 01.01.2020 to 31.12.2020)

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	366.473.536	-413.531.986
2 Adjustments (ADP 003 to 010):	002	314.542.033	509.075.504
a) Depreciation	003	380.123.705	391.987.115
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-137.506.122	-3.978.000
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	141.550	
d) Interest and dividend income	006	-516.939	-507.817
e) Interest expenses	007	51.568.217	62.034.183
f) Provisions	008	6.938.793	20.421.285
g) Exchange rate differences (unrealised)	009	4.622.702	38.603.447
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	9.170.127	515.291
<b>I Cash flow increase or decrease before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>681.015.569</b>	<b>95.543.518</b>
3 Changes in the working capital (ADP 013 to 016)	012	59.705.723	-105.109.538
a) Increase or decrease in short-term liabilities	013	45.682.363	-58.984.649
b) Increase or decrease in short-term receivables	014	13.508.480	-41.213.521
c) Increase or decrease in inventories	015	514.880	-4.911.368
d) Other increase or decrease in working capital	016		
<b>II Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>740.721.292</b>	<b>-9.566.020</b>
4 Interest paid	018	-49.590.156	-27.934.882
5 Income tax paid	019	9.342	
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>691.140.478</b>	<b>-37.500.902</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	241.471.194	8.932.090
2 Cash receipts from sales of financial instruments	022	1.430.785	
3 Interest received	023	557.681	489.691
4 Dividends received	024	8.790.336	
5 Cash receipts from repayment of loans and deposits	025	60.931.237	189.339
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>313.181.233</b>	<b>9.611.120</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-753.941.548	-428.835.136
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030	-60.957.764	-211.896
4 Acquisition of a subsidiary, net of cash acquired	031	-111.127.097	
5 Other cash payments from investment activities	032	-47.191.530	
<b>IV Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-973.217.939</b>	<b>-429.047.032</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-660.036.706</b>	<b>-419.435.912</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	519.662.929	776.471.599
4 Other cash receipts from financing activities	038		3.389.999
<b>V Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>519.662.929</b>	<b>779.861.598</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-304.739.929	-43.659.164
2 Cash payments for dividends	041	-122.586.614	
3 Cash payments for finance lease	042		
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043	-39.396.089	
5 Other cash payments from financing activities	044	-4.727.943	-4.141.654
<b>VI Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-471.450.575</b>	<b>-47.800.818</b>
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>48.212.354</b>	<b>732.060.780</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>79.316.126</b>	<b>275.123.966</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>	<b>168.533.146</b>	<b>247.849.272</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>	<b>247.849.272</b>	<b>522.973.238</b>

**STATEMENT OF CHANGES IN EQUITY** (for the period 01.01.2020 to 31.12.2020)  
**Submitter: Valamar Riviera d.d.**

in HRK

Item	ADP code	Attributable to owners of the parent														Total capital and reserves		
		Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent		Minority (non-controlling) interest	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)	
<b>Previous period</b>																		
<b>1 Balance on the first day of the previous business year</b>	<b>01</b>	<b>1.672.021.210</b>	<b>5.304.283</b>	<b>83.601.061</b>	<b>96.815.284</b>	<b>86.119.149</b>				<b>905.282</b>			<b>462.953.210</b>	<b>239.279.476</b>	<b>2.474.760.657</b>		<b>2.474.760.657</b>	
2 Changes in accounting policies	02																	
3 Correction of errors	03																	
<b>4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)</b>	<b>04</b>	<b>1.672.021.210</b>	<b>5.304.283</b>	<b>83.601.061</b>	<b>96.815.284</b>	<b>86.119.149</b>				<b>905.282</b>			<b>462.953.210</b>	<b>239.279.476</b>	<b>2.474.760.657</b>		<b>2.474.760.657</b>	
5 Profit/loss of the period	05													377.006.905	377.006.905		377.006.905	
6 Exchange rate differences from translation of foreign operations	06																	
7 Changes in revaluation reserves of fixed tangible and intangible assets	07																	
8 Profit or loss arising from subsequent measurement of financial assets available for sale	08										-1.060.800				-1.060.800		-1.060.800	
9 Profit or loss arising from effective cash flow hedge	09																	
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	10																	
11 Share in other comprehensive income/loss of companies linked by virtue of participating interests	11																	
12 Actuarial gains/losses on the defined benefit obligation	12																	
13 Other changes in equity unrelated to owners	13																	
14 Tax on transactions recognised directly in equity	14														216.991		216.991	
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15										216.991						216.991	
16 Increase in initial (subscribed) capital arising from the reinvestment of profit	16																	
17 Increase in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	17																	
18 Redemption of treasury shares/holdings	18					39.396.089									-39.396.089		-39.396.089	
19 Payment of share in profit/dividend	19		406.280			-1.096.972								-122.586.614		-121.083.362	-121.083.362	
20 Other distribution to owners	20																	
21 Transfer to reserves according to the annual schedule	21				40.000.000									199.279.476	-239.279.476			
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22																	
<b>23 Balance on the last day of the previous business year reporting period (ADP 04 to 22)</b>	<b>23</b>	<b>1.672.021.210</b>	<b>5.710.563</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.266</b>				<b>61.473</b>			<b>539.646.072</b>	<b>377.006.905</b>	<b>2.690.444.302</b>		<b>2.690.444.302</b>	
<b>APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)</b>																		
<b>I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)</b>	<b>24</b>									<b>-843.809</b>					<b>-843.809</b>		<b>-843.809</b>	
<b>II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)</b>	<b>25</b>									<b>-843.809</b>				<b>377.006.905</b>	<b>376.163.096</b>		<b>376.163.096</b>	
<b>III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)</b>	<b>26</b>		<b>406.280</b>		<b>40.000.000</b>	<b>38.299.117</b>							<b>76.692.862</b>	<b>-239.279.476</b>	<b>-160.479.451</b>		<b>-160.479.451</b>	
<b>Current period</b>																		
<b>1 Balance on the first day of the current business year</b>	<b>27</b>	<b>1.672.021.210</b>	<b>5.710.563</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.266</b>				<b>61.473</b>			<b>539.646.072</b>	<b>377.006.905</b>	<b>2.690.444.302</b>		<b>2.690.444.302</b>	
2 Changes in accounting policies	28																	
3 Correction of errors	29																	
<b>4 Balance on the first day of the current business year (restated) (ADP 27 to 29)</b>	<b>30</b>	<b>1.672.021.210</b>	<b>5.710.563</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.266</b>				<b>61.473</b>			<b>539.646.072</b>	<b>377.006.905</b>	<b>2.690.444.302</b>		<b>2.690.444.302</b>	
5 Profit/loss of the period	31													-308.549.679	-308.549.679		-308.549.679	
6 Exchange rate differences from translation of foreign operations	32																	
7 Changes in revaluation reserves of fixed tangible and intangible assets	33																	
8 Profit or loss arising from subsequent measurement of financial assets available for sale	34										-73.904				-73.904		-73.904	
9 Profit or loss arising from effective cash flow hedge	35																	
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	36																	
11 Share in other comprehensive income/loss of companies linked by virtue of participating interests	37																	
12 Actuarial gains/losses on the defined benefit obligation	38																	
13 Other changes in equity unrelated to owners	39																	
14 Tax on transactions recognised directly in equity	40														13.303		13.303	
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	41																	
16 Increase in initial (subscribed) capital arising from the reinvestment of profit	42																	
17 Increase in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43																	
18 Redemption of treasury shares/holdings	44																	
19 Payment of share in profit/dividend	45																	
20 Other distribution to owners	46								2.249.472				1.140.526		3.389.998		3.389.998	
21 Transfer to reserves according to the annual schedule	47												377.006.905	-377.006.905				
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48																	
<b>23. Balance as at 31 December of the current period (ADP 30 to 48)</b>	<b>49</b>	<b>1.672.021.210</b>	<b>5.710.563</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.266</b>			<b>2.249.472</b>	<b>872</b>			<b>917.793.503</b>	<b>-308.549.679</b>	<b>2.385.224.020</b>		<b>2.385.224.020</b>	
<b>APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)</b>																		
<b>I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)</b>	<b>50</b>									<b>-60.601</b>					<b>-60.601</b>		<b>-60.601</b>	
<b>II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31 + 50)</b>	<b>51</b>									<b>-60.601</b>				<b>-308.549.679</b>	<b>-308.610.280</b>		<b>-308.610.280</b>	
<b>III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)</b>	<b>52</b>								<b>2.249.472</b>				<b>378.147.431</b>	<b>-377.006.905</b>	<b>3.389.998</b>		<b>3.389.998</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:

**01.01.2020. to 31.12.2020.**

Notes to financial statements for quarterly periods include:

- a) an explanation of business events relevant to understanding changes in the statement of financial position and financial performance for the quarterly reporting 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,
- 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 quarterly reporting period,
- c) a statement explaining that the same accounting policies are applied while drawing up financial statements for the quarterly 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,
- d) a description of the financial performance in the case of the issuer whose business is seasonal.

Detailed information on financial performance and events relevant to understanding changes in financial statements are available in PDF document „Business results 1/1/2020 – 31/12/2020“ which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages and in Notes below.

Detailed information on the preparation of financial statements and certain accounting policies are available in PDF document „Annual report 2020“ which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020

### NOTE 1 – GENERAL INFORMATION

Valamar Riviera d.d., Poreč (“the Company”) has been registered in accordance with Croatian laws and regulations. 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. The registered office of Valamar Riviera d.d. is in Poreč, Stancija Kaligari 1.

The unconsolidated financial statements for the fourth quarter ended 31 December 2020 were approved by the Management Board in Poreč on 18 February 2021.

The unconsolidated financial statements for the fourth quarter have not been audited.

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The unconsolidated financial statements for the fourth quarter ended on 31 December 2020 have been prepared in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting. The unconsolidated financial statements for the fourth quarter 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 annual unconsolidated financial statements as at 31 December 2020 which are available on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Company’s web pages.

#### 2.2 Going concern

Company’s fourth quarter 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 revenues and cash inflows are expected, it is not probable that the situation will have significant negative impact on the Company’s ability to fulfil its obligations nor prolonged impact on Company’s revenues and overall

business which can affect the Company’s ability to continue as a going concern in the foreseeable future.

#### 2.3 Critical accounting estimates

There were no changes in critical accounting estimates used for preparation of financial statements for the period ended 31 December 2020 comparing to those used for the preparation of the annual financial statements for the year ended 31 December 2019. Given the significant impact of COVID-19 pandemic on the business of the Company in 2020 and the absence of operating profit or overall business in certain cash generating units, the Company assessed that there are potential indicators of impairment and in accordance with IAS-36, they approached the impairment test of units that generate money, i.e. profit centres (PCGM). The application of IAS 36 – Impairment Test observes the relationship between the carrying amount, i.e. book value of an asset and its recoverable amount, where the impairment does not exist if the recoverable amount is equal to or greater than the carrying amount. The recoverable amount is determined using the higher of an asset’s fair value less costs to dispose and its value in use. By performing impairment tests for the year ending 31 December 2020,

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

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

### 2.4 Significant accounting policies

The accounting policies adopted in the preparation of the unconsolidated financial statements for the fourth quarter are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019, except in the part as it is mentioned below.

According to the International Accounting Standard 20 – Government grants („IAS 20“), government grants are recognised when there is reasonable assurance that the grant will be received and any conditions attached to them have been fulfilled.

Due to the new circumstances caused by the COVID-19 pandemic, the Republic of Croatia has adopted a package of measures to preserve jobs in industries that are strongly affected by the pandemic, including government grants in the form of payment and/or liability reduction. The Company is a recipient of certain government grants

within the abovementioned package of measures in significant amounts. Hence, an accounting policy concerning the presentment of government grants has been adopted in accordance with IAS 20.

The Company has selected to present the grants related to income as a deducted item of reported related costs in the same period.

In addition to grants related to income for which the presenting policy was previously defined, the Company is recipient of grants related to assets.

The Company has selected to present grants related to assets, as a deferred credit to be released to the profit or loss over the periods necessary to match the related depreciation charges, according to IAS 20. This approach is consistently applied to all similar government grants.

Grants that are related to the liabilities write-offs which are presented in the profit and loss account of the previous year are presented as revenues.

This approach is consistently applied to all similar government grants. The total amount of government grants related to the impact of the pandemic during the year period ended 31 December 2020, amounts HRK 147,223 thousand for the Company.

## NOTE 3 – NON CURRENT TANGIBLE AND INTANGIBLE ASSETS

During the year ended 31 December 2020, the Company acquired assets in the amount of HRK 428,118 thousand and disposed the assets with a net book value of HRK 3,752 thousand, resulting in a net gain on disposal of HRK 5,087 thousand.

## NOTE 4 – 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 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 uses 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 for similar financial instruments.

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

<b>COMPANY</b>				
(in thousands of HRK)	Level 1	Level 2	Level 3	Total
<b>As at 31 December 2019</b>				
<b>Assets measured at fair value</b>				
Financial assets - equity securities	335	-	-	335
Derivative financial instruments	-	140	-	140
<b>Total assets measured at fair value</b>	<b>335</b>	<b>140</b>	<b>-</b>	<b>475</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	-	17.048	-	17.048
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>17.048</b>	<b>-</b>	<b>17.048</b>
<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>

### *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 5 - INCOME TAX**

During the period in 2020, the Company calculates the period income tax expense using the tax rate that is applicable to the total annual earnings, according to the IAS 34.

Income tax comprise:

<b>COMPANY</b>	<b>2020</b>
(in thousands of HRK)	
Current tax	-
Deferred tax	(104.982)
<b>Tax (income)/expense</b>	<b>(104.982)</b>

**NOTE 6 - CONTINGENCIES AND COMMITMENTS**

The contracted capital commitments of the Company in respect to investments in tourism facilities as at 31 December 2020 amounted to HRK 515,432 thousand.

**NOTE 7 - RELATED PARTY TRANSACTIONS**

Related party transactions were as follows:

<b>COMPANY</b>	<b>2019</b>	<b>2020</b>
(in thousands of HRK)		
<b>Sale of services</b>		
Subsidiaries	153.902	6.829
Other related parties to the owners and corporate governance bodies	76	1.918
Undertakings with participating interest	4.883	1
	<b>158.861</b>	<b>8.748</b>
<b>Purchase of services</b>		
Subsidiaries	7.621	1.136
Other related parties to the owners and corporate governance bodies	-	18
Undertakings with participating interest	549	217
	<b>8.170</b>	<b>1.371</b>
<b>Dividend income</b>		
Subsidiaries	8.703	-
	<b>8.703</b>	<b>-</b>
	<b>As at</b>	<b>As at</b>
	<b>31 December 2019</b>	<b>31 December 2020</b>
<b>Trade and other receivable</b>		
Subsidiaries	2.563	161
Undertakings with participating interest	24	331
	<b>2.587</b>	<b>492</b>
<b>Other receivables</b>		
Subsidiaries	26	26
	<b>26</b>	<b>26</b>
<b>Trade and other payables</b>		
Subsidiaries	223	136
Other related parties to the owners and corporate governance bodies	18	84
	<b>241</b>	<b>220</b>
<b>Loans given</b>		
Subsidiaries	28	28
	<b>28</b>	<b>28</b>

**Explanation of positions in Statement of profit or loss**

In fourth quarter the Company reclassified operating income in Statement of profit or loss and therefore certain positions are presented with negative sign.

During 2020 the Company was a recipient of grants related to net salaries compensation with related tax and contribution write-offs according to revenue decline, and due to the booking dynamic of received grants certain positions in Statement of profit or loss for fourth quarter are presented with negative sign.

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