

# BUSINESS RESULTS

1/1/2020 -  
30/9/2020



**VALAMAR**  
All you can holiday

## EXECUTIVE SUMMARY

In the first nine months of 2020, Valamar Riviera Group total revenues amounted to HRK 673 million, or 33% 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 the first nine months 2020, overnights amounted to 2.2 million and a positive EBITDA of HRK 175 million was realized, which is a success given the adversities that the tourism industry faces globally. 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 carry out the tourist season. However, given Croatia's attractive geographical

location and high safety level, did not take full advantage of the great potential in tourist demand due to the high increase in COVID-19 cases during August and travel restrictions from its source markets. This has deprived the tourism sector, as well as the entire Croatian economy of billions in foreign tourist expenditure.

Valamar actively managed the crisis in the first nine months of 2020, and 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 59% 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).

# 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 will continue 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 also introduced policies and mechanisms to defer payment for 6 to 12 months with other stakeholders including suppliers, contractors, banks and others with the aim of a balanced approach to crisis management and achieving business sustainability in times of crisis.

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 investors, 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 125 million by the end of June. Valamar also temporarily halted the construction of Valamar Pinea Collection

# EXECUTIVE SUMMARY

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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.

Additionally, Valamar approached the completion and partial pausing of the initiated 2019 investment cycle, and its Supervisory Board approved investments for 2021 in the amount of HRK 70 million. The investments are aimed at the completion of earlier initiated investments (the accommodation for employees in Dubrovnik) and pausing i.e. completing the Valamar Pinea Collection Resort's first construction phase. Investment projects in 2021 will be reduced to a minimum level, focusing 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 the target net debt / EBITDA ratio below 3.0x as soon as possible.

In accordance with Group investment policies, Imperial Riviera's Supervisory Board has given prior approval for the continuation of investments in the amount of HRK 36 million to complete investments in the Valamar Meteor hotels in Makarska and the Valamar Parentino hotel in Poreč coming autumn for the 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

In the 2020 business year, the Group expects to generate consolidated operating revenues in the range of HRK 660 million to HRK 680 million (HRK 2.208 million in 2019), which represents 29.9% to 30.8% of 2019 total revenues.

In the 2020 business year, the Group's expected EBITDA will range between HRK 100 million and HRK 115 million (HRK 769 million in 2019). The Group will record net loss in 2020 due to the influence of the COVID-19 crisis.

The disclaimer can be found on page 48 of this report.

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. 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.

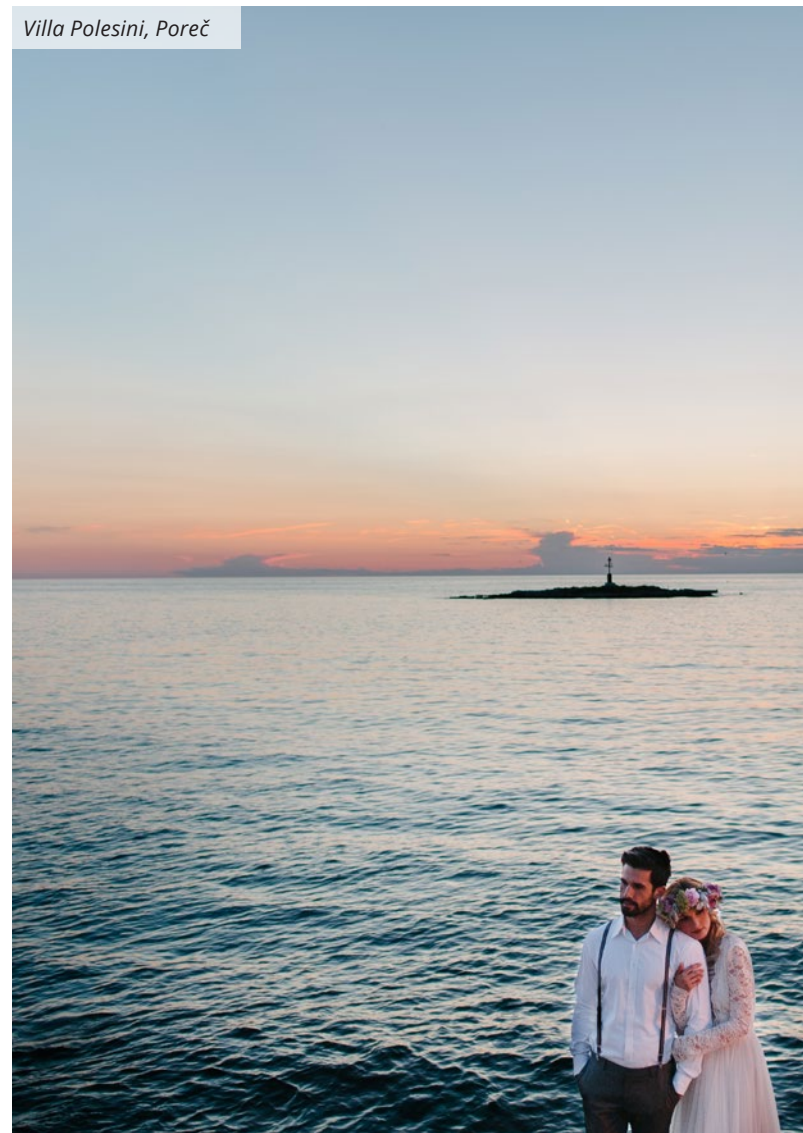
Considering its high safety level, desirable geographical and political location in Europe, Croatia has the unique opportunity to establish itself as the most desirable destination in the Mediterranean and achieve strong growth and guest returns in 2021.

Croatia's Government needs to maintain focus on key resources, especially job protection. It also needs to promote Croatia as a safe and attractive tourist destination in these new circumstances, and strongly encourage large public and private investments in tourism using the new Next Generation EU support instrument for overcoming the economic and social consequences of the COVID-19 pandemic in accordance with the Recovery Plan for Europe. By focusing on key resources and encouraging investments in tourism, the foundations for a quick recovery from the current crisis will be laid. It will stimulate the increase of the total Croatian GDP and strengthen the competitiveness of the Croatian tourism sector in the future.

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*Villa Polesini, Poreč*



TUI Family Life Bellevue Resort 4\*, Rabac



# 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 so far. 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.

## VALAMAR RIVIERA'S GENERAL ASSEMBLY

The extraordinary circumstances caused by the COVID-19 pandemic, made it impossible to hold the

Tourism portfolio of Valamar Riviera Group



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



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

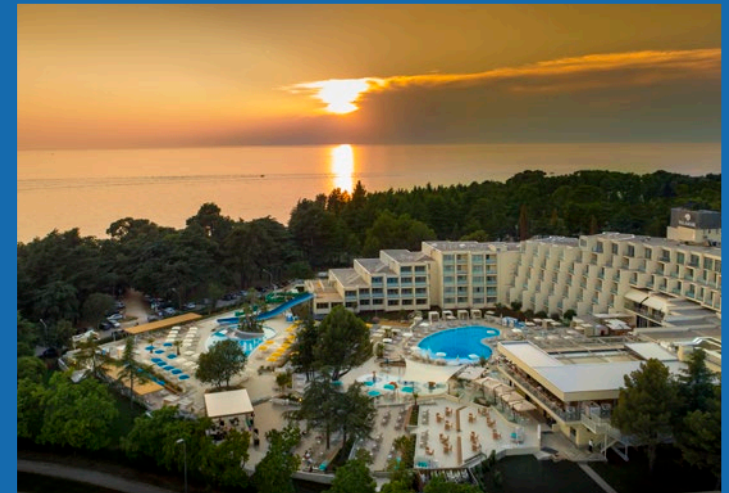
The Management Board hereby presents the unaudited quarterly financial statements for the third quarter of 2020 and for the first nine months of 2020. The Group's income statement for the reported and previous period includes the following companies: Imperial Riviera d.d.<sup>1</sup>, Valamar A GmbH, 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's balance sheet for the reviewed period as at 31 December 2019 and as at 30 September 2020 includes the aforementioned companies. The investment in Helios Faros d.d. is conducted according to the equity method, since Valamar Riviera has no control over it, but significant influence. Please note that the presented TFI-POD financial statements for the third quarter of and the first nine months of 2019 are not entirely comparable to last's years disclosed TFI-POD financial statements for the third quarter and first nine months of 2019 (for detailed descriptions of adjustments, see the "Notes" page of the TFI-POD financial statements).

 *The Management Board presents the quarterly financial statements for the third quarter and the first nine months of 2020.*



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

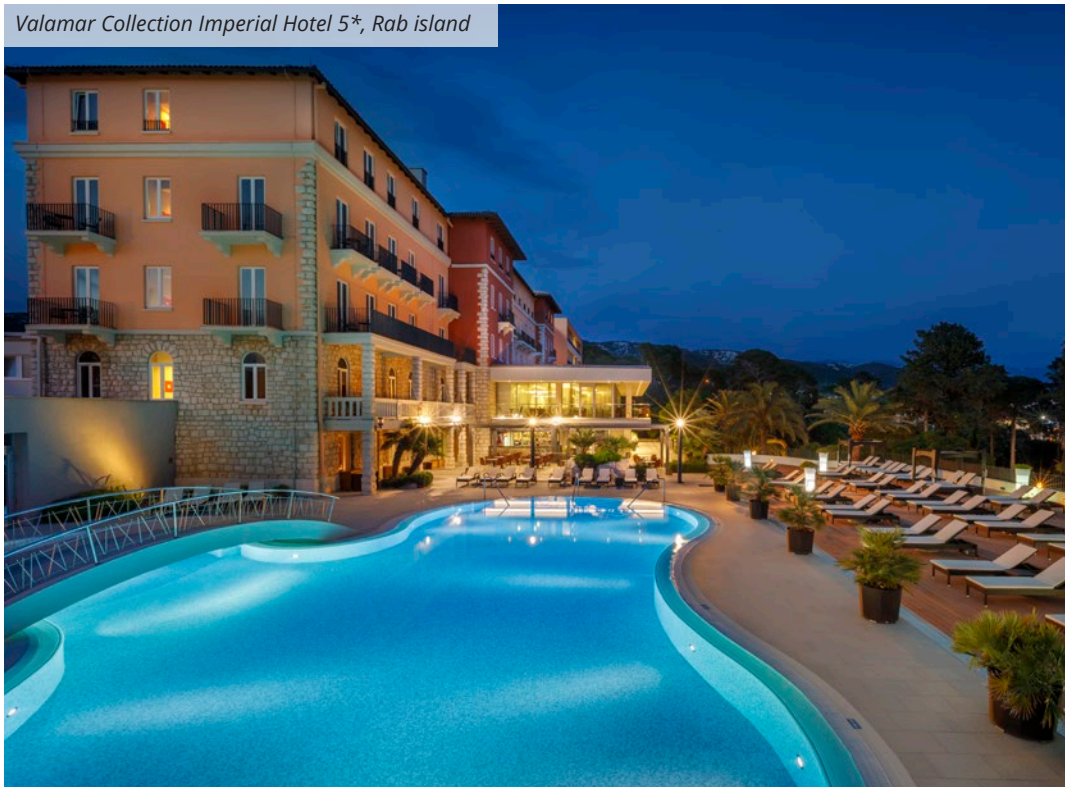
Valamar Parentino Hotel 4\*, Poreč



# 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, potential 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.

Valamar Collection Imperial Hotel 5\*, Rab island



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 in the first nine months. The company has ensured business stabilization to maintain 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.

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 Croatian government, Croatian National Bank, Croatian Bank for Reconstruction and Development, competent ministries as well as state and local authorities have adopted a set of measures to help the economy and mitigate the extraordinary circumstances caused by the COVID-19 epidemic. The measures aim to overcome short-term challenges in liquidity and support job 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 August), and relief and deferral of tax liabilities and levies by which the total employee cost in the first nine months of 2020 was relieved by HRK 97 million, 2) reduction and deferred payment of concession fees on tourism land (relief in the amount of HRK 6 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 until the end of 2020. 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. The available measures to help the economy, along with the new credit lines adjusted to preserve economic activities and liquidity, represent an additional stimulus for all the companies in tourism to tackle the current extraordinary situation until economic and tourism trends normalize.

### IMPACT ON REVENUES AND BOOKINGS

The disruptions in European and global tourism flows negatively impacted arrivals from April to September, and the decrease in business volume and revenues is expected in the following period, as well as a stronger volatility of new booking entries for 2021. The current precarious situation concerning the development of the COVID-19 pandemic and the free movement of persons, prevents 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 45% of Valamar's revenues in 2019, 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 autumn and 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 during the second half of 2020 and 2021, the transfer of contracted M.I.C.E. and group events in the second year-half or next year, negotiations with tour operators regarding the timeframe for advance payments usage, more flexible payment policies, negotiations with suppliers, etc.

As at 30 September 2020, the Group's cash and cash equivalents were HRK 849 million, and HRK 659 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 Company deferred the payment of principal in the amount of HRK 310 million to commercial banks and the Croatian Bank for Reconstruction and Development, of which HRK

249 million represents deferred payment of principal for 2020, HRK 33 million for the first quarter of 2021 and HRK 28 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, bringing the total amount of interest in the moratorium to about 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 Valamar has adjusted its actions in accordance with the terms of each arrangement.

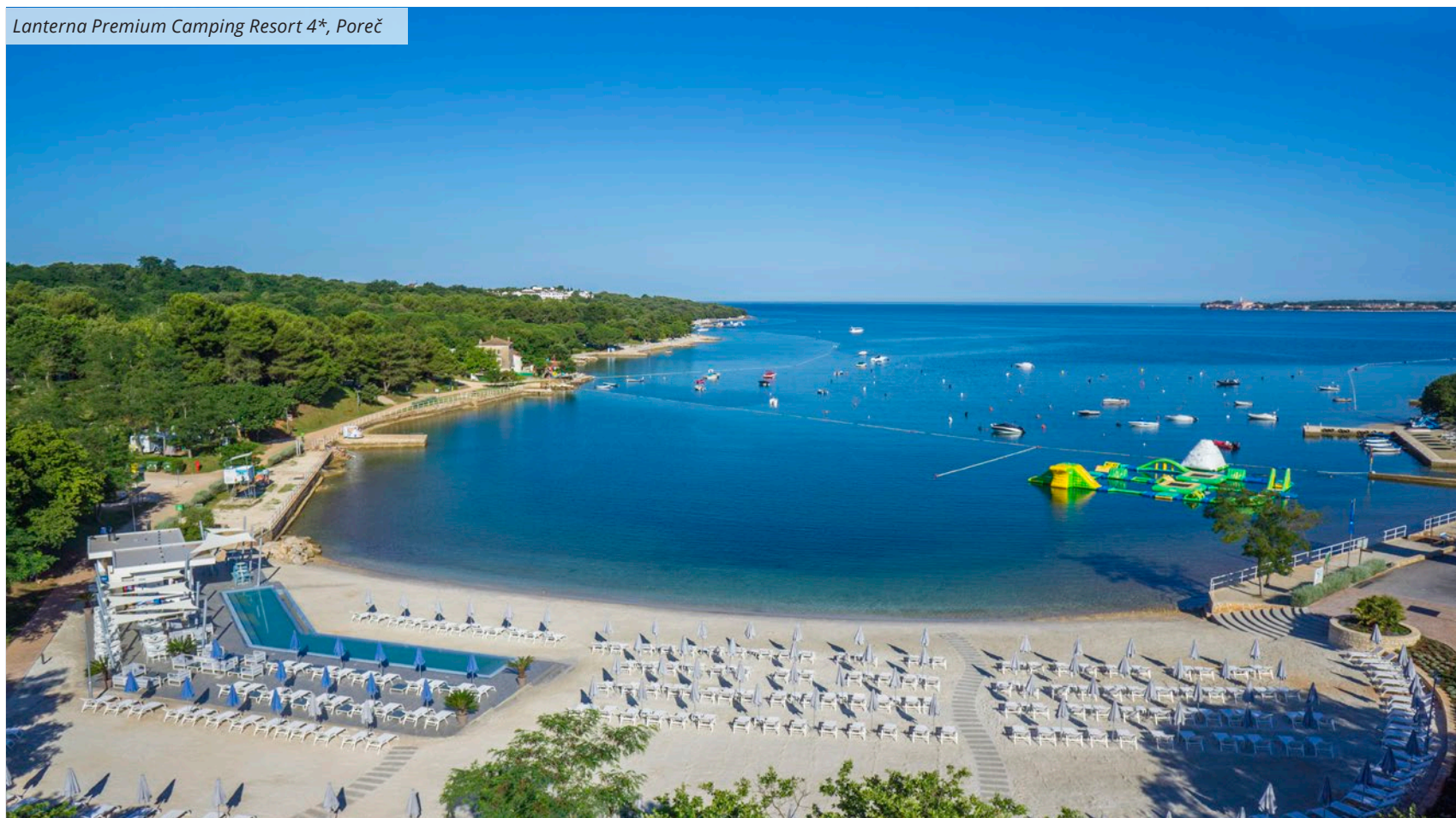
On 5 October 2020, Valamar concluded negotiations with domestic commercial banks (Privredna banka Zagreb d.d., Zagrebačka banka d.d. and Sberbank d.d.) and the Croatian Bank for Reconstruction and Development and contracted additional medium-term liquidity in the amount of EUR 66 million in accordance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

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.

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. A disclaimer can be found on page 48 of this report.

*Lanterna Premium Camping Resort 4\*, Poreč*



Ježevac Premium Camping Resort 4\*, Krk island



# Results of the Group



## KEY FINANCIAL INDICATORS<sup>2</sup>

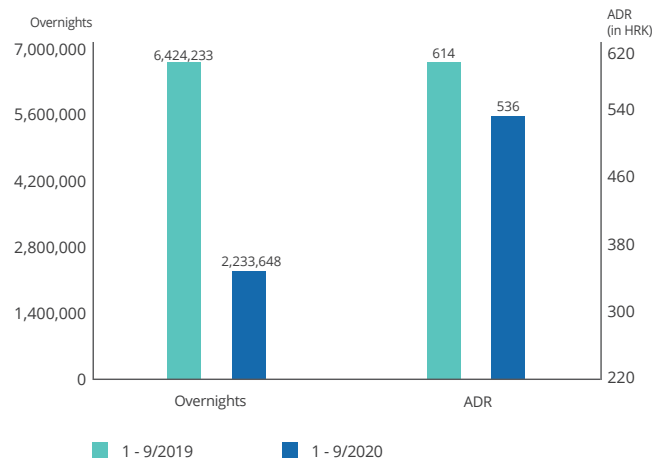
	1 - 9/2019	1 - 9/2020	2020/2019
Total revenues	2,056,382,742	672,987,263	-67.3%
Operating income	2,037,464,636	653,146,466	-67.9%
Sales revenues	2,017,592,971	634,422,045	-68.6%
Board revenues (accommodation and board revenues) <sup>3</sup>	1,692,114,823	523,214,880	-69.1%
Operating costs <sup>4</sup>	1,146,293,269	471,844,259	-58.8%
EBITDA <sup>5</sup>	880,177,008	174,674,389	-80.2%
Extraordinary operations result and one-off items <sup>6</sup>	3,734,670	54,624	-98.5%
Adjusted EBITDA <sup>7</sup>	876,442,338	174,619,765	-80.1%
EBIT	523,239,100	-202,812,316	-138.8%
Adjusted EBIT <sup>7</sup>	519,504,430	-202,866,940	-139.1%
EBT	482,318,560	-292,963,524	-160.7%
	<b>31/12/2019</b>	<b>30/9/2020</b>	<b>2020/2019</b>
Net debt <sup>8</sup>	2,195,286,284	2,544,309,562	15.9%
Cash and cash equivalents	550,142,638	848,945,807	54.3%
Market capitalization <sup>9</sup>	4,888,608,354	2,999,455,500	-38.6%
EV <sup>10</sup>	7,814,917,851	6,257,176,664	-19.9%

## KEY BUSINESS INDICATORS<sup>11</sup>

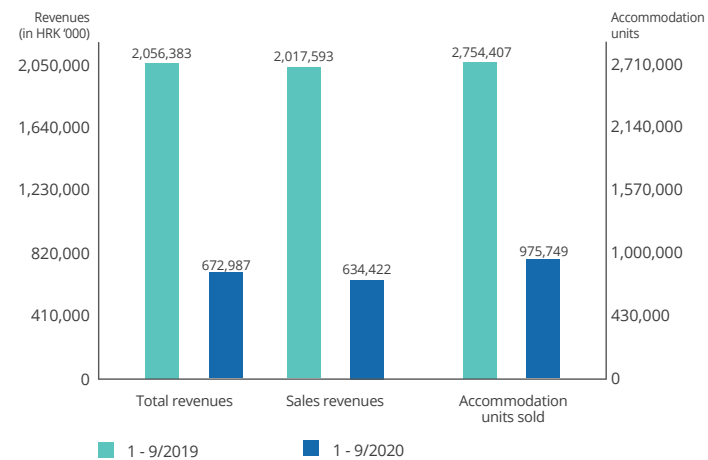
	1 - 9/2019	1 - 9/2020	2020/2019
Number of accommodation units (capacity)	21,266	21,247	-0.1%
Number of beds	58,417	58,492	0.1%
Accommodation units sold	2,754,407	975,749	-64.6%
Overnights	6,424,233	2,233,648	-65.2%
ADR <sup>12</sup> (in HRK)	614	536	-12.7%

- 2 Classified according to Quarterly Financial Statement standard (TFI POD-RDG). EBIT, EBITDA and their adjusted values and respective margins are recorded on the basis of operating income.
- 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 (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 7.6 million in 2020, and HRK 17.0 million in 2019), (ii) extraordinary expenses (in the amount of HRK 6.7 million in 2020, and HRK 12.8 million in 2019), and (iii) termination benefit costs (in the amount of HRK 0.8 million in 2020, and HRK 1.0 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 Market capitalization is calculated as total number of shares multiplied by the average share price on 30 September 2020 and 31 December 2019, respectively.
- 10 EV refers to enterprise value; calculated as market capitalization + net debt + minority interest.
- 11 Data for Helios Faros is not included.
- 12 Average daily rate is recorded on the basis of board revenues (accommodation and board's food and beverage revenues).

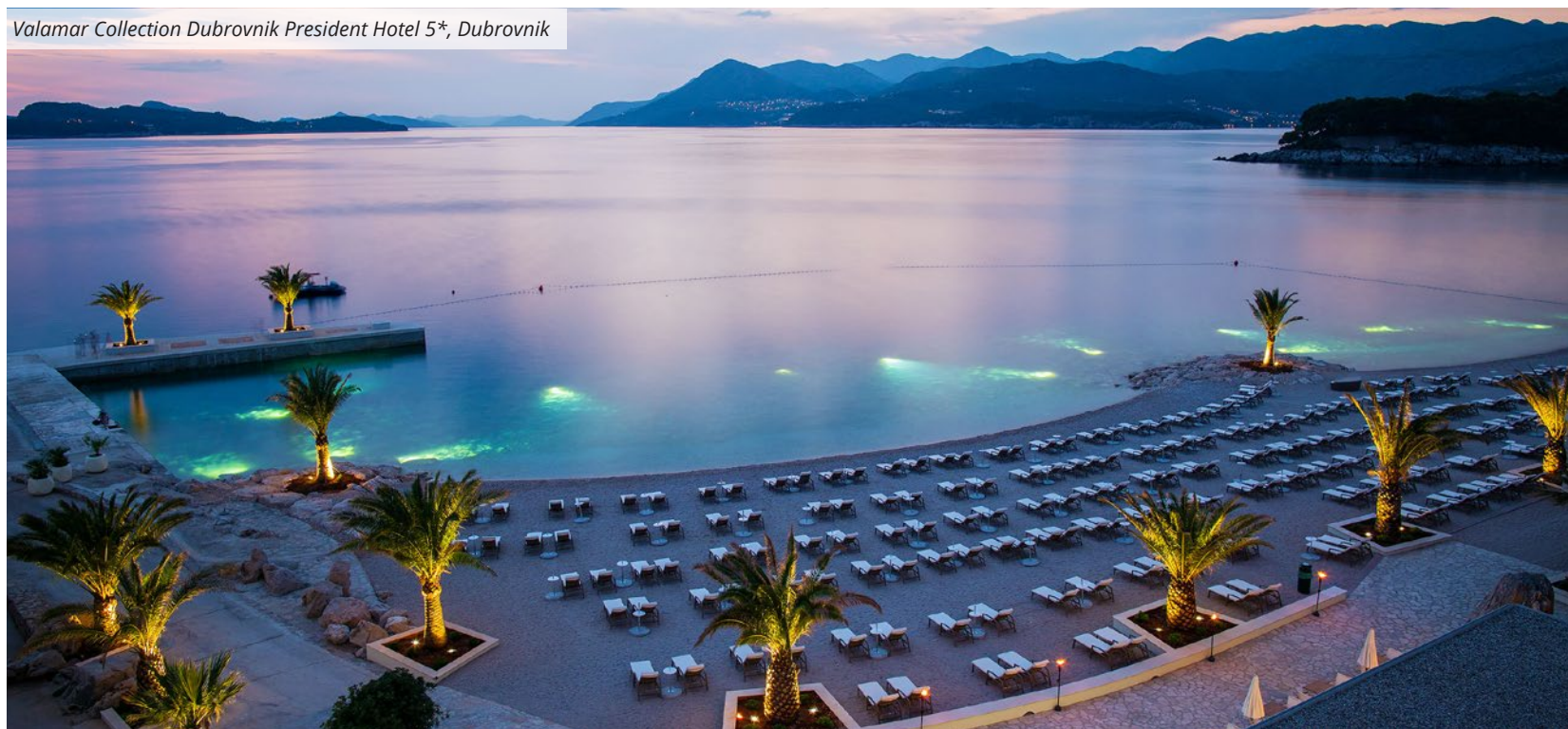
### Overnights and ADR



### Revenues and accommodation units sold



Valamar Collection Dubrovnik President Hotel 5\*, Dubrovnik



## REVENUES

In the first nine months of 2020, total revenues amounted to HRK 673.0 million down by 67.3% (HRK -1.383,4 million). Total realized revenues were affected by:

**a) decrease in sales revenues**, in the amount of 68.6% (HRK -1,383.2 million) to HRK 634.4 million. The decrease was largely driven by board revenues (-69.1%; HRK -1,168.9 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. However, despite unfavorable circumstances in the first nine months of 2020, overnights amounted to 2,233,648 (-65.2%), which is a considerable success given the adversities that the tourism industry faces globally. ADR is down by 12.7% to HRK 536 due to the closure of hotel properties that carry a higher average price compared to camping resorts. However,

Istra Premium Camping Resort 5\*, Poreč



at a comparable level of open tourist properties the average daily price has shown a positive trend. Moreover, camping resorts recoded strong demand with an almost 50% share in total board revenues compared to last year's 25% share.

Domestic sales revenues were HRK 82.0 million and represented 12.2% of total revenues (8.3% in 2019). They decreased by HRK 89.1 million with respect to the previous comparable period. International sales revenues were HRK 552.4 million, down by HRK 1,294.1 million and represented by 82.1% (89.8% in 2019) of total revenues.

**b) other operating revenues<sup>13</sup>** which decreased by HRK 1.1 million to HRK 18.7 million primarily as a result of lower insurance revenues.

**c) an increase in financial income** in the amount of HRK 4.1 million to the level of HRK 19.8 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 5.7% of total revenues (1.7% in 2019).

<sup>13</sup> Other operating revenues include revenues from the usage of own products, goods and services.

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

(in HRK)	1 - 9/2019	1 - 9/2020	2020/2019
Operating costs <sup>15</sup>	1,146,293,269	471,844,259	-58.8%
Total operating expenses	1,514,225,536	855,958,782	-43.5%
Material costs	527,755,568	214,107,881	-59.4%
Staff cost	484,727,944	181,717,839	-62.5%
Depreciation and amortisation	356,891,473	376,641,378	5.5%
Other costs	133,838,339	78,044,495	-41.7%
Provisions and value adjustments	124,833	845,327	577.2%
Other operating expenses	10,887,379	4,601,862	-57.7%

### TOTAL OPERATING EXPENSES

Total operating expenses amounted to HRK 856.0 million with a decrease of 43.5% (HRK -658.3 million). Breakdown of total operating expenses:

**a) material costs** represented 25.0% (34.9% in 2019). The 59.4% drop (HRK -313.6 million) to HRK 214.1 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 (21.2%) compared to the previous comparable period (32.0% in 2019). The reasons for the 62.5% decrease (HRK-303.0 million) to the amount of HRK 181.7 million can be found in i) the tourism properties closure from March 15, 2020 until May 22, 2020 and their gradual opening during June and peak-season, ii) the consequent lower need for workforce, especially seasonal, iii) state grants for job preservation (the total positive impact on staff costs amounts to HRK 96.8 million) and iv) the abolition of the monthly bonus calculation for 2020.

**c) amortization costs** represented 44.0% (23.6% in 2019). The amortization growth of 5.5% (HRK +19.7 million) to HRK 376.6 million is a result of the Group's earlier intensive investment cycle.

**d) other costs** had a share of 9.1% in total operating expenses (8.8% in 2019). The 41.7% decrease (HRK -55.8 million) to the amount of HRK 78.0 million is due to lower costs of accommodation, meals, transportation and daily allowances for employees due to the reduced business volume.

**e) provisions and value adjustments** resulted in HRK 0.7 million growth to HRK 0.8 million.

**f) other operating expenses** with a share of 0.5% (0.7% in 2019). The HRK 6.3 million decrease to HRK 4.6 million is mainly a consequence of lower business related costs from the previous years and lower undepreciated value of the disposed assets.

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

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

## OPERATING COSTS<sup>12</sup>

Operating costs amounted to HRK 471.8 million with a decline of 58.8% vs the comparable period of 2019. The reasons behind the HRK 674.4 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 achieved EBITDA in the amount of HRK 174.7 million (HRK -705.5 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 loss before taxes increased by HRK 775.3 million to HRK -293.0 million due to the earlier mentioned EBITDA decrease, lower financial business results (HRK -45.0 million; details on the next page) and increased amortization cost (HRK +19.7 million). The Group’s gross margin amounts to -45% (24% in 2019).

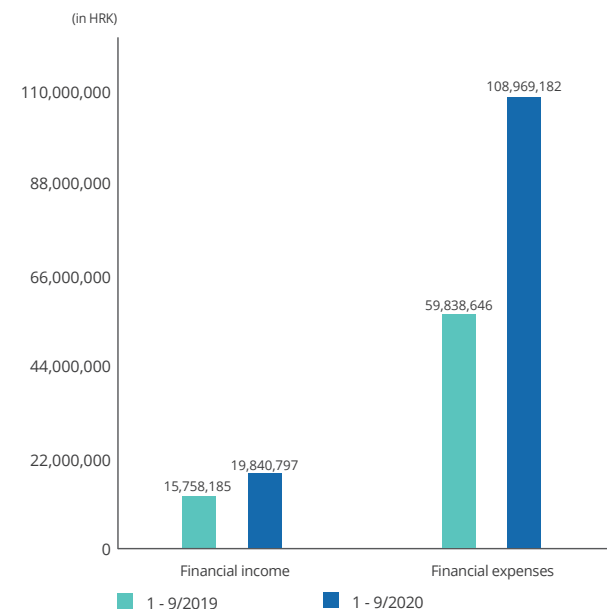
Valamar Diamant Hotel & Residence 4\*, Poreč



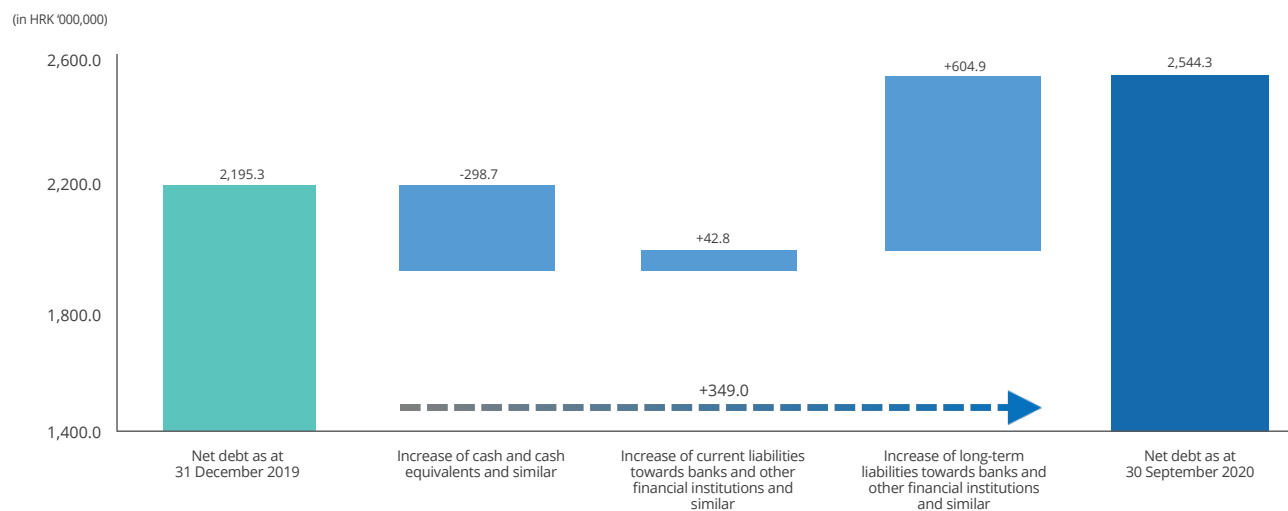
## FINANCIAL RESULT

In the first nine months of 2020, the financial result is HRK -89.1 million (HRK -44.1 million in 2019). The main reasons for the HRK 45.0 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 53.8 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>16</sup>



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

## ASSETS AND LIABILITIES

As at 30 September 2020, the total value of the Group's assets amounted to HRK 7,041.5 million, up by 8.4% compared to 31 December 2019.

Total share capital and reserves decreased by 6.5% to the amount of HRK 3,010.7 million as a result of loss in the business year. Total long-term liabilities grew from HRK 2,546.9 million to HRK 3,151.6 million due to loans contracted to finance this year's investment cycle and the transfer of a part of the current portion of long-term debt from short-term liabilities to long-term with regards to the contracted moratoriums with commercial banks and the Croatian Bank for Reconstruction and Development (details in the chapter "Business Management during COVID-19"). Almost the entire loan portfolio (84%) 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 678.2 million, up by 28.9% (HRK +151.9 million) compared to 31 December 2019. The aforementioned is mainly a result of i) usually higher liabilities related to guests' advance payments (HRK +40.9 million), ii) withdrawals of short-term credit lines (HRK +330 million), and iii) the transfer of a part of the current portion long-term debt from short-term liabilities to long-term (HRK 273 million).

### Assets and liabilities



Cash and cash equivalents as at 30 September 2020 amount to HRK 848.9 million (HRK +298.8 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
Rivijera 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



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



# Results of the Company

Total revenues decreased by HRK 573.6 million (-68%) in the first nine months of 2020, to HRK 573.6 million. Total sales revenues amounted to HRK 539.2 million with a 94% share in total revenues (98% in 2019). They decreased by 69%, i.e. by HRK 1,224.7 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 7.3 million (HRK 25.3 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 531.9 million (HRK 1,738.6 million in 2019).

Domestic sales revenues amounted to HRK 66.9 million, i.e. 12% of total revenues (9% in 2019), down by 57% in relation to the previous comparable period. International sales revenues amounted to HRK 472.2 million and represented 82% of total revenues (89% in 2019). They fell by 71% compared to the previous comparable period. Other operating revenues represent 3% of total revenues (1% in 2019) and they increased by HRK 2.8 million to HRK 16.0 million as a result of the relief on the variable part of the concession fee for tourism land. Other operating and financial income represented 6% of total revenues (2% in 2019).

Material costs totaled HRK 186.7 million with a drop in share in total operating expenses to 26% (36% in 2019). The HRK 274.9 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 158.0 million with a share of 22% of total operating expenses (32% in 2019). They decreased by HRK 263.7 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 in June and peak-season, ii) the decreased need for workforce, especially seasonal, iii) state grants for job preservation (total positive effect on staff costs is HRK 83.9 million), iv) the abolition of the monthly bonus calculation for 2020, and v) the sale of Valamar Riviera Valamar Parentino Hotel (ex Valamar

Hotel Zagreb) to Imperial Riviera whereby a number of employees were transferred to Imperial.

The amortization represented 42% of operating expenses (22% in 2019) and totaled HRK 298.9 million (HRK 11.8 million in 2019). The 4% growth is the result of the earlier large investment cycle that had been carried out.

Other costs totaled HRK 67.6 million with a 45% 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 0.8 million. Other operating expenses amounted to HRK 3.8 million and they are lower by HRK 2.6 million, mainly as a result of lower business-related costs from the previous years.

In the first nine months of 2020, the financial result is HRK -81.1 million (HRK -30.7 million in 2019). The main reasons for the HRK 50.5 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 50.2 million due to the strong depreciation of the kuna against the euro in the first quarter of 2020.

Recorded EBITDA in the amount of HRK 139.0 million (HRK -625.1 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 increased by HRK 688.2 million to HRK -241.8 million due to the earlier mentioned drop in operating results (EBITDA), lower results from financial operations (HRK -50.5 million), and increased amortization costs (HRK +11.8 million). The Company's gross margin is -44% (25% in 2019).

As at 30 September 2020, the total Company assets amounted to HRK 6,092.5 million, an increase of 11% compared to 31 December 2019.

Valamar Collection Pinea Resort 5\*, Poreč (rendering)



# 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 investment cycle was successfully reduced by HRK 125 million to HRK 700 million<sup>17</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.

Valamar Collection Marea Suites 5\*, Poreč



17 A portion already recorded in 2019.

## VALAMAR RIVIERA

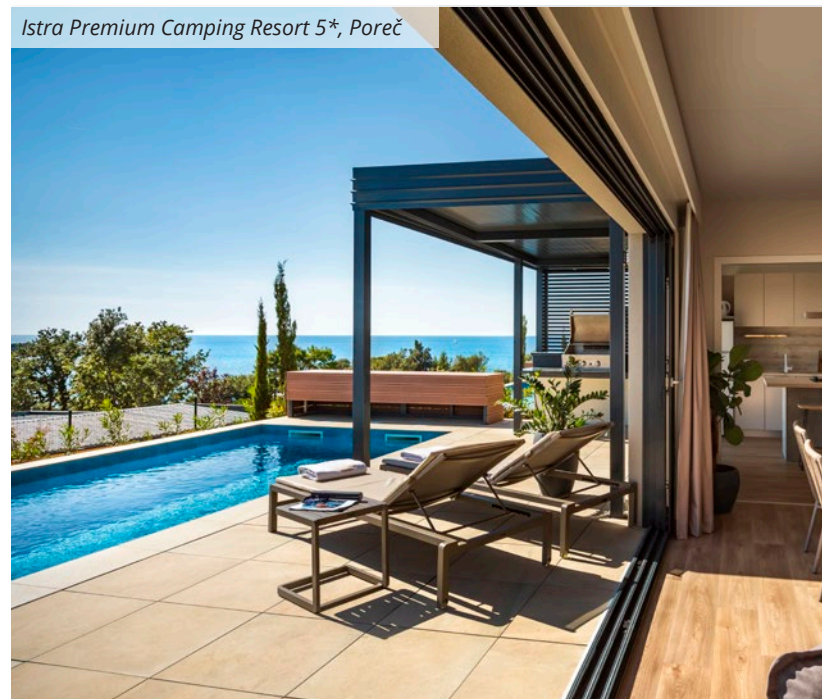
Valamar temporarily delayed the construction of Valamar Pinea Collection Resort in Poreč, the largest single investment in Croatian tourism worth HRK 790 million, and postponed its completion.

The realization of the third phase of investment in Istra Premium Camping Resort 5\* in Funtana, which 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\* successfully continued the development of 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, 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.

Additionally, Valamar Riviera's Supervisory Board approved 2021 investments in the amount of HRK 70 million. The investments are aimed at the completion of earlier initiated investments (the accommodation for employees in Dubrovnik) and pausing i.e. completing the Valamar Pinea Collection Resort's first construction phase. Investment projects in 2021 will be reduced to a minimum level, focusing 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 the target net debt / EBITDA ratio below 3.0x as soon as possible.



## 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 investment cycle amount has been reduced to HRK 191 million with the remaining HRK 35 million (unrealized part of the investment plan) to be realized as part of the 2020/21 investment cycle.

With the Valamar's sale of Valamar Zagreb Hotel 4\* to Imperial Riviera, it has repositioned the hotel for the 2020 season through investments in new capacities and amenities. Valamar Zagreb Hotel 4\* became Valamar Parentino Hotel 4\*, with Maro Holiday features and accommodation for families. The investment includes additional accommodation units (99), Maro club product upgrade, 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.

Valamar Parentino Hotel 4\*, Poreč



Arkada Sunny Hotel, Hvar island



# The Risks of the Company and the Group

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

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

## 5

### KEY STEPS IN RISK MANAGEMENT PROCESS

There are five key steps in a risk management process:

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

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

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

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 (84%) is comprised of long-term fixed interest loans or, respectively, loans hedged by a derivative instruments (IRS). The Company and Group have interest-bearing assets (cash assets and deposits) so their revenue and cash flow depend on changes in market interest rates. This becomes evident especially during the season when the Company and Group have significant cash surpluses at their disposal. The Company and the Group expect a limited impact from the increased interest rate volatility consequent to the recent coronavirus pandemic, since a large portion of the Group's loan portfolio (84%) is made up of long-term fixed-rate loans, i.e. loans protected by derivative instruments (IRS).

### 3) Credit risk

Credit risk arises from cash assets, time deposits and receivables. According to the Company and Group sales policy, business transactions are conducted only with customers with suitable credit history, i.e. by agreeing advances, bank securities and (for individual customers) payments made through major credit card companies. In order to reduce credit risk, the Company and the Group continuously monitor their exposure to the business parties and their creditworthiness, obtain instruments for securing receivables (bills of exchange, debentures and guarantees), thus reducing the risks of 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.

### COMPLIANCE RISKS

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

- In March 2012 the standard VAT rate grew from 23% to 25%, in January 2013 a new 10% VAT rate was introduced only to be replaced within a year by a 13% VAT rate applicable to the tourism and hospitality industry (January 2014), while in January 2017 a new 25% VAT rate was introduced for F&B (a la carte) services;
- In May 2012 the health insurance employer contribution rate fell from 15% to 13% and then in April 2014 it grew back to 15%;
- Frequent increases in various fees and charges regarding water distribution, waste disposal and the like;
- Tourist tax increase in 2018 ranging between HRK 2.5 and HRK 8.0 per person per overnight, depending on the class of the destination and utilization period;
- In January 2020 the VAT rate for a la carte food services was reduced from 25% to 13%.

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

TUI Sensimar Carolina Resort by Valamar 4\*, Rab island



# Corporate Governance

The Company and the Group continuously strive to develop and operate according to good practices of corporate governance. The business strategy, corporate policy, key corporate regulations and business practice are all geared towards creating a transparent and efficient business operation while forging solid bonds with the local community. In order to foster further growth and set high corporate governance standards, the Company adopted its own Corporate Governance Code in 2008 and the Management Board fully complies with its provisions. 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.

The major direct shareholders according to the Central Depository and Clearing Company data are presented in the overview in the "Valamar Share" section. 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". Due to the current special circumstances in the wake of the COVID-19 pandemic, the Company temporarily suspended adjusting corporate governance records to the new Corporate Governance Code.

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

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 for 24 September 2020 and publicly announced the invitation to shareholders in the prescribed content.

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 programme 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 senior management, consisting of the key company management: four vice presidents: Alen Benković, Davor Brenko, Ivana Budin Arhanić and David Poropat; and 20 sector directors: Ines Damjanić Šturman, Tomislav Dumančić, Ljubica Grbac, Flavio Gregorović, Marin Gulan, Vlastimir Ivančić, Željko Jurcan, Ivan Karlič, Dario Kinkela, David Manojlović, Mile Pavlica, Tomislav Poljuha, Mirella Premeru, Bruno Radoš, Sandi Sinožić, Martina Šolić, Andrea Štifanić, Mauro Teković, Dragan Vlahović and Ivica Vrkić.

**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, the Supervisory Board has formed the following bodies:

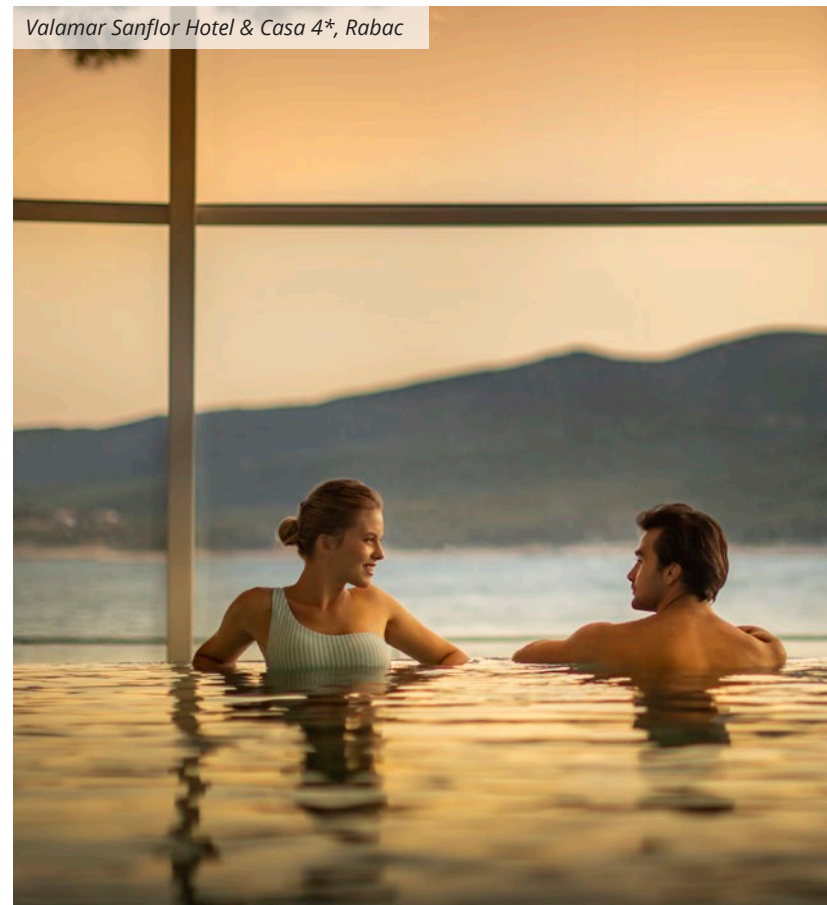
**Presidium of the Supervisory Board:** Mr. Gustav Wurmböck - Chairman, and members: Mr. Franz Lanschützer and Mr. Mladen Markoč.

**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.

Valamar Sanflor Hotel & Casa 4\*, Rabac



Valamar Collection Dubrovnik President Hotel 5\*, Dubrovnik



# Related-party Transactions & Branch Offices



## 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 7.7 million<sup>18</sup> (2019: HRK 20.2 million) for the Company, and HRK 1.6 million (2019: HRK 4 thousand) for the Group. Costs were HRK 1.0 million (2019: HRK 6.6 million) for the Company, and HRK 120 thousand for the Group (2019: HRK 436 thousand).

As at 30 September 2020, related-party receivables and payables were as follows: receivables totaled HRK 2.9 million for the Company (year-end 2019: HRK 2.6 million), and HRK 1.7 million the Group (year-end 2019: HRK 24 thousand). Payables totaled HRK 396 thousand (year-end 2019: HRK 241 thousand) for the Company, and HRK 19 thousand for the Group (year-end 2019: HRK 18 thousand).

<sup>18</sup> The most part represents the fee regarding the management of Imperial Riviera's, Helios Faros' and Valamar Obertauern's properties and services.

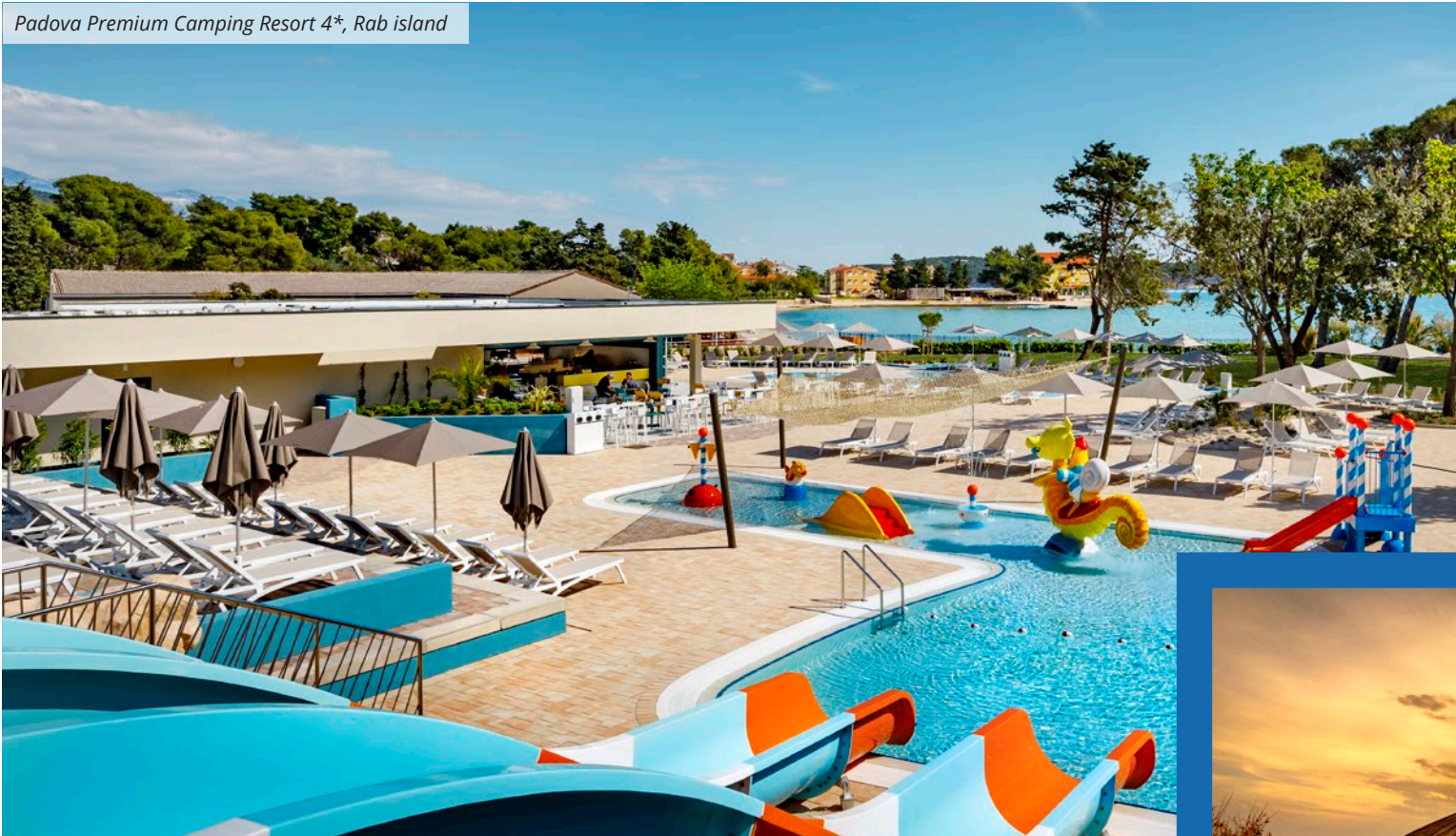
## BRANCH OFFICES OF THE COMPANY

The following branch offices 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, Dr. Ante Starčevića 45. 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 branch offices 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.

Padova Premium Camping Resort 4\*, Rab island



# Valamar Share

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

### Average RIVP share price

(in HRK)



Valamar Riviera has not acquired or released its treasury shares in the period from 1 January 2020, to 30 September 2020. On 30 September 2020, the Company held in total 4,139,635 treasury shares, or 3.28% of the share capital.

During the first nine months of 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 38%. With the average regular turnover of HRK 1.5 million per day<sup>19</sup>, Valamar Riviera

was the second most traded share on the Zagreb Stock Exchange in the first nine months of 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>20</sup> and SETX<sup>21</sup>) and Warsaw Stock Exchange index (CEEplus<sup>22</sup>), the regional SEE Link indices (SEELinX and SEELinX EWI)<sup>23</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 27.2%<sup>24</sup>.

<sup>19</sup> Block transactions are excluded from the calculation.

<sup>20</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>21</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>22</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>23</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>24</sup> Block transactions are excluded from the calculation. Data refers to the period 1/1 - 30/9/2020.

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

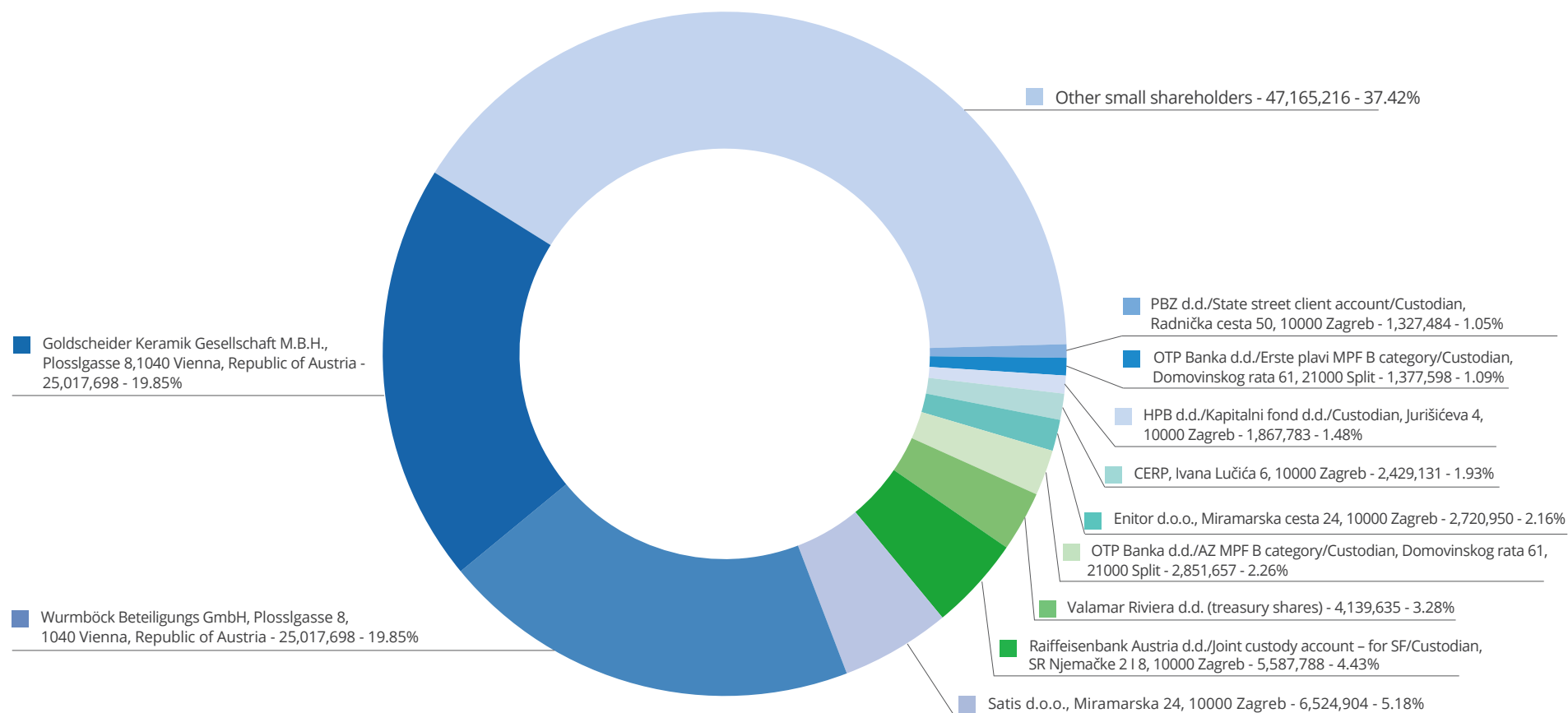
The analytical coverage of Valamar Riviera is provided by:

- 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.

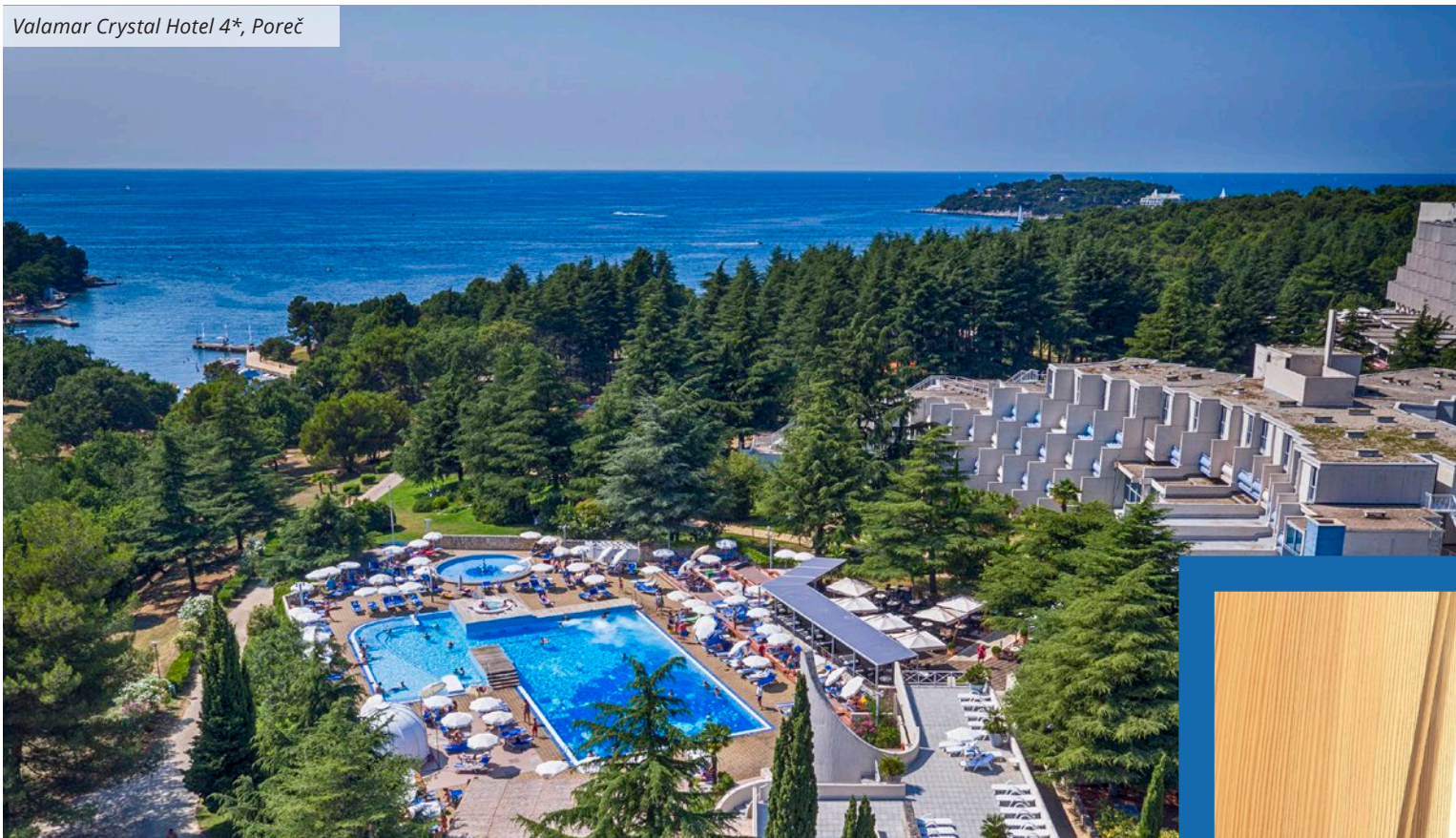
Valamar Isabella Collection Resort 4\*/5\*, Poreč



## OVERVIEW OF MAJOR SHAREHOLDERS AS AT 30 SEPTEMBER 2020:



Valamar Crystal Hotel 4\*, Poreč




# Additional Information

**3.**  
nagrada

za odnose  
s ulagateljima

VALAMAR  
RIVIERA d.d.



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

## ADDITIONAL INFORMATION

The 2019 Integrated Report and Corporate Social Responsibility was published on 28 August 2020. 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 corporate social responsibility as the foundation of the Company's sustainable business and future development. 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 30 September 2020, the Group employed 4,076 people of which 2,010 were permanent employees; the Company employed 3,439 people of which 1,645 were permanent employees), the Company and the Group 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 third quarter of 2020 and the first nine months of 2020, the Company's Management Board performed the actions provided by law and the Articles of Association and regarding the management and representation of the Company and planned a business policy that was implemented with prudent care. The Company's Management Board will continue to undertake all the necessary measures in order to ensure sustainability and business growth. The Management Board adopted the quarterly separate and consolidated financial statements for the third quarter of 2020 and the interim report of the Company's Management Board covering the period from 1 January 2020 to 30 September 2020, on 28 October 2020.

Management Board of the Company

  
**Željko Kukurin**  
 Management Board President



  
**Marko Čižmek**  
 Management Board Member

Valamar Obertauern Hotel 4\*, Obertauern



# Disclaimer



Outlook statements are based on currently available information, current assumptions, forward-looking expectations and projections. This outlook is not a guarantee of future results and is subject to future events, risks, and uncertainties, many of which are beyond the control of, or currently unknown to Valamar Riviera, as well as potentially incorrect assumptions that could cause the actual results to materially differ from the said expectations and forecasts. Risks and uncertainties include, but are not limited to those described in the chapter "Risks of the Company and the Group". Materially significant deviations from the outlook may arise from changes in circumstances, assumptions not being realized, as well as other risks, uncertainties, and factors, including, but not limited to:

- Recall of aid measures currently adopted by the Croatian government, Croatian National Bank, Croatian Bank for Reconstruction and Development, competent ministries as well as state and local authorities to help the economy and mitigate the extraordinary circumstances caused by the COVID-19 pandemic;
- Macro-economic trends in the Republic of Croatia and in the source markets, including currency exchange rates fluctuations and prices of goods and services, deflation and inflation, unemployment, trends in the gross domestic product and industrial production, as well as other trends having a direct or indirect impact on the purchasing power of Valamar Riviera's guests;
- Economic conditions, security and political conditions, trends and events in the capital markets of the Republic of Croatia and Valamar Riviera's source markets;
- Spending and disposable income of guests, as well as guests' preferences, trust in and satisfaction with Valamar Riviera's products and services;
- Trends in the number of overnights, bookings, and average daily rates of accommodation at Valamar Riviera's properties;
- Trends in the Croatian Kuna exchange rate in relation to world currencies (primarily the Euro), change in market interest rates and the price of equity securities, and other financial risks to which Valamar Riviera is exposed;
- Labor force availability and costs, transport, energy, and utilities costs, selling prices of fuel and other goods and services, as well as supply chain disruptions;
- Changes in accounting policies and findings of financial report audits,

as well as findings of tax and other business audits;

- Outcomes and costs of judicial proceedings to which Valamar Riviera is a party;
- Loss of competitive strength and reduced demand for products and services of Croatian tourism and Valamar Riviera under the impact of weather conditions and seasonal movements;
- Reliability of IT business solutions and cyber security of Valamar Riviera's business operations, as well as related costs;
- Changes of tax and other regulations and laws, trade restrictions, and rates of customs duty;
- Adverse climatic events, environmental risks, disease outbreaks and pandemics.

Valamar Riviera would like to emphasize that these are conclusions based on currently available facts, knowledge, circumstances and estimates thereof. Also, due to the expected further objective development of events which are beyond the control of Valamar Riviera, further changes in relevant circumstances can be expected. Valamar will disclose all the relevant significant information regarding the effect of COVID-19 on basic factors, outlook or financial stability pursuant to relevant regulations.

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

# RESPONSIBILITY FOR THE QUARTERLY FINANCIAL STATEMENTS

In Poreč, 28 October 2020

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 consolidated and unconsolidated financial statements for the third quarter of 2020 are prepared in accordance with applicable standards of financial reporting gives a true and fair view of the assets and liabilities, profit and loss, financial position and operations of the Company and the companies included in consolidation;
- Report of the Company's Management board for the period from 1 January to 30 September 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 Finance and  
Accounting Sector / Procurator



**Reporting period: from 01.01.2020 to 30.09.2020****Quarterly financial statements**

Year:	2020	
Quarter:	3	
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):	4076	
Consolidated report:	KD	(KN-not consolidated/KD-consolidated)
Audited:	RN	(RN-not audited/RD-audited)
Names of subsidiaries (according to IFRS):	Registered office:	MB:
Valamar Obertauern GmbH	Obertauern	195893 D
Valamar A GmbH	Tamsweg	486431 S
Hoteli Makarska d.d.	Makarska	3324877
Palme Turizam d.o.o.	Dubrovnik	2006103
Magične stijene d.o.o.	Dubrovnik	2315211
Bugenvilia d.o.o.	Dubrovnik	2006120
Imperial Riviera d.d.	Rab	3044572
Bookkeeping firm:	No	
Contact person:	Sopta Anka	(only name and surname of the contact person)
Telephone:	052 408 188	
E-mail address:	anka.sopta@riviera.hr	
Audit firm:	(name of the audit firm)	
Certified auditor:	(name and surname)	



L.S.

(authorized representative's signature)

**BALANCE SHEET** (balance as at 30.09.2020)

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>6.116.769.606</b>
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>56.189.081</b>	<b>44.730.238</b>
1 Research and development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	48.975.762	30.508.420
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	7.654.209
6 Other intangible assets	009		
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>5.558.203.413</b>	<b>5.753.700.514</b>
1 Land	011	977.452.631	976.426.979
2 Buildings	012	3.587.267.668	3.396.733.952
3 Plant and equipment	013	516.603.969	473.568.322
4 Tools, working inventory and transportation assets	014	145.663.553	126.952.472
5 Biological assets	015		
6 Advances for the purchase of tangible assets	016	2.947.521	22.562.880
7 Tangible assets in preparation	017	247.269.828	672.603.696
8 Other tangible assets	018	74.548.777	78.456.542
9 Investment property	019	6.449.466	6.395.671
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>48.171.781</b>	<b>47.079.829</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	46.674.964
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	165.362
8 Loans, deposits, etc. given	028	113.338	99.503
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			
4 Other receivables	035		
<b>V DEFERRED TAX ASSETS</b>	<b>036</b>	<b>193.832.039</b>	<b>271.259.025</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>618.567.076</b>	<b>899.772.421</b>
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>25.825.011</b>	<b>25.239.965</b>
1 Raw materials and consumables	039	25.557.290	24.366.304
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	221.443	841.546
5 Advances for inventories	043	46.278	32.115
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>24.939.254</b>
1 Receivables from undertakings within the group	047	383	
2 Receivables from companies linked by virtue of participating interests	048	2.382.857	2.942.733
3 Customer receivables	049	18.474.596	16.285.288
4 Receivables from employees and members of the undertaking	050	936.299	1.214.873
5 Receivables from government and other institutions	051	18.377.083	3.195.069
6 Other receivables	052	1.600.298	1.301.291
<b>III CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>827.911</b>	<b>647.395</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	647.395
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>848.945.807</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>20.339.193</b>	<b>24.992.652</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>6.495.302.583</b>	<b>7.041.534.679</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>54.355.927</b>	<b>54.274.242</b>

**BALANCE SHEET** (as at 30.09.2020) (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>3.010.724.473</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>98.559.663</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		2.561.585
<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>15.867</b>
1 Fair value of financial assets available for sale	078	61.474	15.867
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>-194.390.179</b>
1 Profit for the business year	085	284.535.940	
2 Loss for the business year	086		194.390.179
<b>VIII MINORITY (NON-CONTROLLING) INTEREST</b>	<b>087</b>	<b>731.023.213</b>	<b>713.411.602</b>
<b>B) PROVISIONS</b> (ADP 089 to 094)	<b>088</b>	<b>125.529.523</b>	<b>131.795.957</b>
1 Provisions for pensions, termination benefits and similar obligations	089	13.875.517	13.875.517
2 Provisions for tax liabilities	090		
3 Provisions for ongoing legal cases	091	51.607.209	51.500.076
4 Provisions for renewal of natural resources	092		
5 Provisions for warranty obligations	093		
6 Other provisions	094	60.046.797	66.420.364
<b>C) LONG-TERM LIABILITIES</b> (ADP 096 to 106)	<b>095</b>	<b>2.546.866.358</b>	<b>3.151.606.355</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	5.304.000
6 Liabilities to banks and other financial institutions	101	2.443.662.677	3.044.426.476
7 Liabilities for advance payments	102		
8 Liabilities to suppliers	103		136.618
9 Liabilities for securities	104		
10 Other long-term liabilities	105	37.505.640	42.265.524
11 Deferred tax liability	106	63.046.041	59.473.737
<b>D) SHORT-TERM LIABILITIES</b> (ADP 108 to 121)	<b>107</b>	<b>526.341.998</b>	<b>678.211.913</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		919
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	
6 Liabilities to banks and other financial institutions	113	285.262.246	333.881.788
7 Liabilities for advance payments	114	38.363.694	79.241.964
8 Liabilities to suppliers	115	145.722.270	189.983.477
9 Liabilities for securities	116		74.649
10 Liabilities to employees	117	29.133.042	28.305.478
11 Taxes, contributions and similar liabilities	118	12.309.349	33.112.821
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	13.221.541
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>122</b>	<b>77.494.945</b>	<b>69.195.981</b>
<b>F) TOTAL - LIABILITIES</b> (ADP 067+088+095+107+122)	<b>123</b>	<b>6.495.302.583</b>	<b>7.041.534.679</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>124</b>	<b>54.355.927</b>	<b>54.274.242</b>

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2020 to 30.09.2020)

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>2.037.464.636</b>	<b>1.360.880.705</b>	<b>653.146.466</b>	<b>528.946.753</b>
1 Income from sales with undertakings within the group	126				
2 Income from sales (outside group)	127	2.017.592.971	1.354.938.794	634.422.045	525.173.045
3 Income from the use of own products, goods and services	128	379.244	84.768	373.352	73.737
4 Other operating income with undertakings within the group	129				
5 Other operating income (outside the group)	130	19.492.421	5.857.143	18.351.069	3.699.971
<b>II OPERATING EXPENSES</b> (ADP 132+133+137+141+142+143+146+153)	<b>131</b>	<b>1.514.225.536</b>	<b>684.608.725</b>	<b>855.958.782</b>	<b>373.395.324</b>
1 Changes in inventories of work in progress and finished goods	132				
2 Material costs (ADP 134 to 136)	133	527.755.568	288.148.245	214.107.881	130.947.065
a) Costs of raw materials and consumables	134	324.441.782	171.762.378	122.407.365	79.126.953
b) Costs of goods sold	135	4.666.572	3.453.302	3.227.755	2.775.167
c) Other external costs	136	198.647.214	112.932.565	88.472.761	49.044.945
3 Staff costs (ADP 138 to 140)	137	484.727.944	214.316.363	181.717.839	84.721.615
a) Net salaries and wages	138	296.276.191	130.694.246	106.527.944	54.212.328
b) Tax and contributions from salary costs	139	125.511.257	55.732.815	49.930.827	19.948.142
c) Contributions on salaries	140	62.940.496	27.889.302	25.259.068	10.561.145
4 Depreciation	141	356.891.473	119.204.449	376.641.378	126.486.922
5 Other costs	142	133.838.339	61.088.170	78.044.495	30.018.368
6 Value adjustments (ADP 144+145)	143	46.435		845.327	571.231
a) fixed assets other than financial assets	144				
b) current assets other than financial assets	145	46.435		845.327	571.231
7 Provisions (ADP 147 to 152)	146	78.398	78.398		
a) Provisions for pensions, termination benefits and similar obligations	147				
b) Provisions for tax liabilities	148				
c) Provisions for ongoing legal cases	149	78.398	78.398		
d) Provisions for renewal of natural resources	150				
e) Provisions for warranty obligations	151				
f) Other provisions	152				
8 Other operating expenses	153	10.887.379	1.773.100	4.601.862	650.123
<b>III. FINANCIAL INCOME</b> (ADP 155 to 164)	<b>154</b>	<b>15.758.185</b>	<b>3.382.737</b>	<b>19.840.797</b>	<b>11.056.353</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	416.369	266.820	195.476	133.078
8 Exchange rate differences and other financial income	162	10.437.916	2.123.949	1.431.847	697.004
9 Unrealised gains (income) from financial assets	163				
10 Other financial income	164	4.903.900	991.968	18.213.474	10.226.271
<b>IV FINANCIAL EXPENSES</b> (ADP 166 to 172)	<b>165</b>	<b>59.838.646</b>	<b>19.814.808</b>	<b>108.969.182</b>	<b>17.090.048</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	42.024.658	13.822.012	45.250.221	15.418.161
4 Exchange rate differences and other expenses	169	98.110	1.234.647	44.935.030	102.244
5 Unrealised losses (expenses) from financial assets	170	16.411.010	3.846.662	17.767.827	1.488.938
6 Value adjustments of financial assets (net)	171	1.690			
7 Other financial expenses	172	1.303.178	911.487	1.016.104	80.705
<b>V SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VIRTUE OF PARTICIPATING INTERESTS</b>	<b>173</b>	<b>3.159.921</b>	<b>3.159.921</b>		<b>89.627</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>1.022.823</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>2.056.382.742</b>	<b>1.367.423.363</b>	<b>672.987.263</b>	<b>540.092.733</b>
<b>X TOTAL EXPENDITURE</b> (ADP 131+165+175+176)	<b>178</b>	<b>1.574.064.182</b>	<b>704.423.533</b>	<b>965.950.787</b>	<b>390.485.372</b>
<b>XI PRE-TAX PROFIT OR LOSS</b> (ADP 177-178)	<b>179</b>	<b>482.318.560</b>	<b>662.999.830</b>	<b>-292.963.524</b>	<b>149.607.361</b>
1 Pre-tax profit (ADP 177-178)	180	482.318.560	662.999.830		149.607.361
2 Pre-tax loss (ADP 178-177)	181			-292.963.524	
<b>XII INCOME TAX</b>	<b>182</b>	<b>-1.814.098</b>	<b>-992.147</b>	<b>-80.961.734</b>	<b>40.235.933</b>
<b>XIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 179-182)	<b>183</b>	<b>484.132.658</b>	<b>663.991.977</b>	<b>-212.001.790</b>	<b>109.371.428</b>
1. Profit for the period (ADP 179-182)	184	484.132.658	663.991.977		109.371.428
2. Loss for the period (ADP 182-179)	185			-212.001.790	

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2020 to 30.09.2020) (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

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

<b>XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS</b> (ADP 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>484.132.658</b>	<b>663.991.977</b>	<b>-212.001.790</b>	<b>109.371.428</b>
1 Attributable to owners of the parent	200	463.178.585	623.628.076	-194.390.179	104.362.580
2 Attributable to minority (non-controlling) interest	201	20.954.073	40.363.901	-17.611.611	5.008.848

**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>484.132.658</b>	<b>663.991.977</b>	<b>-212.001.790</b>	<b>109.371.428</b>
<b>II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX</b> (ADP 204 to 211)	<b>203</b>	<b>-1.039.200</b>	<b>-1.039.200</b>	<b>-55.618</b>	<b>12.206</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	-1.039.200	-1.039.200	-55.618	12.206
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>-213.103</b>	<b>-213.103</b>	<b>-10.011</b>	<b>2.197</b>
<b>IV NET OTHER COMPREHENSIVE INCOME OR LOSS</b> (ADP 203-212)	<b>213</b>	<b>-826.097</b>	<b>-826.097</b>	<b>-45.607</b>	<b>10.009</b>
<b>V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 202+213)	<b>214</b>	<b>483.306.561</b>	<b>663.165.880</b>	<b>-212.047.397</b>	<b>109.381.437</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>483.306.561</b>	<b>663.165.880</b>	<b>-212.047.397</b>	<b>109.381.437</b>
1 Attributable to owners of the parent	216	462.352.488	622.801.979	-194.435.786	104.372.589
2 Attributable to minority (non-controlling) interest	217	20.954.073	40.363.901	-17.611.611	5.008.848

**STATEMENT OF CASH FLOWS - indirect method** (for the period 01.01.2020 to 30.09.2020)**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	482.318.560	-292.963.524
2 Adjustments (ADP 003 to 010):	002	389.909.976	461.892.472
a) Depreciation	003	356.891.473	376.641.378
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-1.689.815	-1.351.754
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	-1.274.761	
d) Interest and dividend income	006	-533.930	-90.684
e) Interest expenses	007	42.057.835	46.293.370
f) Provisions	008	-15.138.449	-107.133
g) Exchange rate differences (unrealised)	009	-5.680.613	38.307.851
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	15.278.236	2.199.444
<b>I Cash flow increase or decrease before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>872.228.536</b>	<b>168.928.948</b>
3 Changes in the working capital (ADP 013 to 016)	012	40.024.304	100.224.595
a) Increase or decrease in short-term liabilities	013	98.491.246	87.779.483
b) Increase or decrease in short-term receivables	014	-103.047.612	11.860.066
c) Increase or decrease in inventories	015	393.235	585.046
d) Other increase or decrease in working capital	016	44.187.435	
<b>II Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>912.252.840</b>	<b>269.153.543</b>
4 Interest paid	018	-40.379.715	-22.183.346
5 Income tax paid	019	-1.912.897	-725.000
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>869.960.228</b>	<b>246.245.197</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	7.375.917	3.262.342
2 Cash receipts from sales of financial instruments	022	4.360.605	
3 Interest received	023	293.050	115.183
4 Dividends received	024	87.080	
5 Cash receipts from repayment of loans and deposits	025	125.002	219.322
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>12.241.654</b>	<b>3.596.847</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-758.363.356	-562.590.224
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030	-10.726.104	-165.121
4 Acquisition of a subsidiary, net of cash acquired	031	-25.959.921	
5 Other cash payments from investment activities	032	-17.226.929	
<b>IV Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-812.276.310</b>	<b>-562.755.345</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-800.034.656</b>	<b>-559.158.498</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	475.251.774	620.401.970
4 Other cash receipts from financing activities	038	3.481.223	3.389.999
<b>V Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>478.732.997</b>	<b>623.791.969</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-284.934.431	-9.429.480
2 Cash payments for dividends	041	-128.787.372	
3 Cash payments for finance lease	042		
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043	-22.636.483	
5 Other cash payments from financing activities	044		-2.646.019
<b>VI Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-436.358.286</b>	<b>-12.075.499</b>
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>42.374.711</b>	<b>611.716.470</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>112.300.283</b>	<b>298.803.169</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>374.142.636</b>	<b>848.945.807</b>



**STATEMENT OF CHANGES IN EQUITY (for the period 01.01.2020 to 30.09.2020)**  
**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	486.875.716	
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													-194.390.179	-194.390.179	-17.611.611	-212.001.790	
6 Exchange rate differences from translation of foreign operations	32							312.113							312.113		312.113	
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									-55.618					-55.618		-55.618	
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									10.011					10.011		10.011	
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																	
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48												284.535.940	-284.535.940				
<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>2.561.585</b>	<b>15.867</b>			<b>715.882.878</b>	<b>-194.390.179</b>	<b>2.297.312.871</b>	<b>713.411.602</b>	<b>3.010.724.473</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>312.113</b>	<b>-45.607</b>					<b>266.506</b>		<b>266.506</b>	
<b>II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31 + 50)</b>	<b>51</b>								<b>312.113</b>	<b>-45.607</b>				<b>-194.390.179</b>	<b>-194.123.673</b>	<b>-17.611.611</b>	<b>-211.735.284</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:

**1.1.2020. to 30.9.2020.**

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 – 30/9/2020“ which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages and in the Notes below.

Group Valamar Riviera d.d. below presents comparison table of items in TFI POD financial statements according to net methodology for 2019.

## Summary of adjustments of TFI-POD income statement for the third quarter of 2019 GROUP

in thousands of HRK

TFI-POD INCOME STATEMENT for the period from 1 January 2019 to 30 September 2019	ADP code	TFI-POD Cumulative published	TFI-POD Cumulative reclassified	Difference	Explanation
<b>OPERATING INCOME (ADP 126+127+128+129+130)</b>	<b>125</b>	<b>2.039.741</b>	<b>2.037.465</b>	<b>-2.276</b>	
I. Income from sales with undertakings within the group and sales (outside group)	126+127	2.017.593	2.017.593	0	
II. Income from the use of own products, goods and services, other operating income with undertakings within the group and other operating income (outside the group)	128+129 +130	22.148	19.872	-2.276	HRK 2.276 thous. represents presenting of income/costs from sales of assets included in the item "Other operating revenues (outside the Group)" (ADP 130) according to the net methodology. Comment: Previously presented under gross methodology with counter item of "Other operating expenses" (ADP 153).
<b>OPERATING EXPENSES (ADP 133+137+141+142+143+146+153)</b>	<b>131</b>	<b>1.516.501</b>	<b>1.514.225</b>	<b>-2.276</b>	
I. Material costs	133	522.288	527.756	5.468	HRK 5.468 thous. represents reclassified part of item "Other costs" (ADP 142) to item "Material costs" (ADP 133).
II. Staff costs	137	484.728	484.728	0	
III. Depreciation	141	356.892	356.892	0	
IV. Other costs	142	139.306	133.838	-5.468	HRK 5.468 thous. represents reclassified part of item "Other costs" (ADP 142) to item "Material costs" (ADP 133).
V. Value adjustments	143	46	46	0	
VI. Provisions	146	78	78	0	
VIII. Other operating expenses	153	13.163	10.887	-2.276	HRK 2.276 thous. represents presenting of income/costs from sales of assets according to the net methodology. Comment: Previously presented under gross methodology with counter item of "Other operating revenues (outside the Group)" (ADP 130).
<b>FINANCIAL INCOME</b>	<b>154</b>	<b>25.102</b>	<b>15.758</b>	<b>-9.344</b>	<b>HRK 9.344 thous. represents presenting items according to net methodology "Exchange rate differences and other financial income" (ADP 162; HRK 6.664 thous.) and "Unrealised gains (income) from financial assets" (ADP 163; HRK 3.358 thous.). HRK 678 thous. represents reclassified part of item "Unrealised gains (income) from financial assets" (ADP 163) to item "Other financial income" (ADP 164). Comment: Previously presented under gross methodology with counter items "Exchange rate differences and other expenses" (ADP 169) and "Unrealised losses (expenses) from financial assets" (ADP 170).</b>

## Summary of adjustments of TFI-POD income statement for the third quarter of 2019

### GROUP (continued)

in thousands of HRK

TFI-POD INCOME STATEMENT for the period from 1 January 2019 to 30 September 2019	ADP code	TFI-POD Cumulative published	TFI-POD Cumulative reclassified	Difference	Explanation
<b>FINANCIAL EXPENSES</b>	<b>165</b>	<b>69.183</b>	<b>59.839</b>	<b>-9.344</b>	HRK 9.344 thous. represents presenting items according to net methodology "Exchange rate differences and other expenses" (ADP 169; HRK 6.732 thous.) and "Unrealised losses (expenses) from financial assets" (ADP 170; HRK 2.680 thous.). HRK 68 thous. represents reclassified part of item "Exchange rate differences and other expenses" (ADP 169) to item "Interest expenses and similar expenses" (ADP 168). Comment: Previously presented under gross methodology with counter items "Exchange rate differences and other financial income" (ADP 162) and "Unrealised gains (income) from financial assets" (ADP 163).
<b>SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VIRTUE OF PARTICIPATING INTERESTS</b>	<b>173</b>	<b>3.160</b>	<b>3.160</b>	<b>0</b>	
<b>TOTAL INCOME (ADP 125+154)</b>	<b>177</b>	<b>2.068.003</b>	<b>2.056.383</b>	<b>-11.620</b>	HRK 11.620 thous. represents presenting of certain items according to the net methodology (previously explained in detail).
<b>TOTAL EXPENDITURE (ADP 131+165)</b>	<b>178</b>	<b>1.585.684</b>	<b>1.574.064</b>	<b>-11.620</b>	HRK 11.620 thous. represents presenting of certain items according to the net methodology (previously explained in detail).
<b>PRE-TAX PROFIT OR LOSS (ADP 177-178)</b>	<b>179</b>	<b>482.319</b>	<b>482.319</b>	<b>0</b>	
<b>INCOME TAX EXPENSE</b>	<b>182</b>	<b>-1.814</b>	<b>-1.814</b>	<b>0</b>	
<b>PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)</b>	<b>184</b>	<b>484.133</b>	<b>484.133</b>	<b>0</b>	

## Summary of adjustments of TFI-POD Statment of cash flows for the third quarter of 2019 GROUP

in thousands of HRK

TFI-POD STATEMENT OF CASH FLOWS for the period from 1 January 2019 to 30 September 2019	ADP code	TFI-POD published	TFI-POD reclassified	Difference	Explanation
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>020</b>	<b>861.257</b>	<b>869.960</b>	<b>8.703</b>	HRK 8.703 thous. represents presenting of dividend income included in the item "Interest and dividend income" (ADP 006) according to the net methodology. Comment: Previously presented in the amount of HRK 8.703 thous. under gross methodology with counter item of "Dividends received" (ADP 024).
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>034</b>	<b>-791.331</b>	<b>-800.034</b>	<b>-8.703</b>	HRK 8.703 thous. represents presenting of dividends received included in the item "Dividends received" (ADP 024) according to the net methodology. Comment: Previously presented in the amount of HRK 8.703 thous. under gross methodology with counter item of "Interest and dividend income" (ADP 006).
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>046</b>	<b>42.375</b>	<b>42.375</b>	<b>0</b>	
<b>D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020+034+046)</b>	<b>048</b>	<b>112.301</b>	<b>112.301</b>	<b>0</b>	
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>	<b>261.842</b>	<b>261.842</b>	<b>0</b>	
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>	<b>374.143</b>	<b>374.143</b>	<b>0</b>	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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. 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

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements for the nine months ended on 30 September 2020 have been prepared in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting. The consolidated financial statements for the nine month period do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019 which are available on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Group's web pages.

### 2.2 Going concern

Group's nine month financial statements have been prepared on a going concern basis.

- 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 nine month period ended 30 September 2020 were approved by the Management Board in Poreč on 28 October 2020.

The consolidated financial statements have not been audited.

### 2.3 Critical accounting estimates

There were no changes in critical accounting estimates used for preparation of financial statements for the period ended 30 September 2020 comparing to those used for the preparation of the annual financial statements for the year ended 31 December 2019. At the end of the tourist season and by the end of the financial year, the Group will make an assessment of existing indications of impairment of non-current tangible and intangible assets.

### 2.4 Significant accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements 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"),

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

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. The total amount of government grants related to the impact of the pandemic during the nine month period ended 30 September 2020, amounts to HRK 102,785 thousand for the Group.

In addition to grants related to income for which the presenting policy was previously defined, the Group and the Company are recipients of grants related to assets. The Group and the Company have 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.

## 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 30 September 2019 is as follows:

<b>GROUP</b>	<b>Hotels and apartments</b>	<b>Camps</b>	<b>Other business segments</b>	<b>Total</b>
(in thousands of HRK)				
Total sales	1.467.290	506.906	146.277	2.120.473
Inter-segment revenue	(1.562)	(24)	(101.292)	(102.878)
Revenue from external customers	<b>1.465.728</b>	<b>506.882</b>	<b>44.983</b>	<b>2.017.595</b>
Depreciation and amortisation	236.922	80.533	39.436	356.891
Net finance income/(expense) net	(22.682)	(10.574)	(10.824)	(44.080)
Write-off of fixed assets	3.799	120	35	3.954
Profit/(loss) of segment	815.884	357.745	(229.621)	944.008

**NOTE 3 - SEGMENT INFORMATION / CONTINUED**

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

<b>GROUP</b>				
(in thousands of HRK)	<b>Hotels and apartments</b>	<b>Camps</b>	<b>Other business segments</b>	<b>Total</b>
Total sales	329.438	287.837	53.025	670.300
Inter-segment revenue	(566)	(20)	(35.292)	(35.878)
Revenue from external customers	<b>328.874</b>	<b>287.817</b>	<b>17.731</b>	<b>634.422</b>
Depreciation and amortisation	232.764	97.848	46.029	376.641
Net finance income/(expense) net	(45.720)	(22.942)	(20.466)	(89.128)
Write-off of fixed assets	135	41	19	195
Profit/(loss) of segment	131.220	211.683	(118.192)	224.711

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

<b>GROUP</b>				
(in thousands of HRK)	<b>Hotels and apartments</b>	<b>Camps</b>	<b>Other business segments</b>	<b>Total</b>
<b>As at 31 December 2019</b>				
Total assets	3.499.357	1.480.754	682.100	<b>5.662.211</b>
Total liabilities	1.860.939	801.511	390.590	<b>3.053.040</b>
<b>As at 30 September 2020</b>				
Total assets	3.592.208	1.533.828	717.067	<b>5.843.103</b>
Total liabilities	2.053.141	1.025.761	716.398	<b>3.795.301</b>

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



## NOTE 3 - SEGMENT INFORMATION / CONTINUED

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

<b>GROUP</b>	<b>January - September 2019</b>	<b>January - September 2020</b>
(in thousands of HRK)		
<b>Revenue</b>		
Revenue from segments	2.120.471	670.300
Inter-segment revenue	(102.878)	(35.878)
<b>Total revenue</b>	<b>2.017.593</b>	<b>634.422</b>
<b>Profit</b>		
Profit from segments	944.008	224.712
Other unallocated expenses	(420.351)	(430.023)
Elimination of inter-segment profit/(loss)	(41.338)	(87.651)
<b>Total profit before tax</b>	<b>482.319</b>	<b>(292.964)</b>

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

<b>GROUP</b>	<b>As at 31 December 2019</b>		<b>As at 30 September 2020</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
(in thousands of HRK)				
<b>Segment assets/liabilities</b>	<b>5.662.211</b>	<b>3.053.040</b>	<b>5.843.103</b>	<b>3.795.301</b>
Hotels and apartments segment	3.499.357	1.860.939	3.592.208	2.053.141
Camps segment	1.480.754	801.511	1.533.828	1.025.761
Other business segment	682.100	390.590	717.067	716.399
<b>Unallocated</b>	<b>833.091</b>	<b>223.192</b>	<b>1.198.432</b>	<b>235.508</b>
Investments in associate	47.668	-	46.675	-
Other financial assets	391	-	305	-
Loans and deposits	801	-	747	-
Cash and cash equivalents	550.143	-	848.946	-
Income tax receivable	4.258	-	753	-
Other receivables	35.858	-	29.747	-
Deferred tax assets/liabilities	193.832	63.046	271.259	59.475
Other liabilities	-	71.822	-	48.101
Liabilities for investments in associate	-	18.294	-	15.794
Derivative financial assets/ liabilities	140	17.048	-	60.640
Provisions	-	52.982	-	51.500
<b>Total</b>	<b>6.495.302</b>	<b>3.276.232</b>	<b>7.041.535</b>	<b>4.030.809</b>

**NOTE 3 - SEGMENT INFORMATION / CONTINUED**

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

<b>GROUP</b>			
(in thousands of HRK)	<b>January - September 2019</b>		<b>January - September 2020</b>
Revenue from sales to domestic customers	171.041		81.979
Revenue from sales to foreign customers	1.846.552		552.443
	<b>2.017.593</b>		<b>634.422</b>

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

<b>Sales to foreign customers</b>	<b>GROUP</b>			
	<b>January - September 2019</b>	<b>%</b>	<b>January - September 2020</b>	<b>%</b>
EU members	1.640.953	88,87	497.066	89,98
Other	205.599	11,13	55.377	10,02
	<b>1.846.552</b>	<b>100,00</b>	<b>552.443</b>	<b>100,00</b>

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

During the nine months ended 30 September 2020, the Group acquired assets in the amount of HRK 562,179 thousand and disposed the assets with a net book value of HRK 2,338 thousand, resulting in a net gain on disposal of HRK 1,525 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.

### *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).

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

GROUP	Level 1	Level 2	Level 3	Total
(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 30 September 2020</b>				
<b>Assets measured at fair value</b>				
Financial assets - equity securities	335	-	-	335
<b>Total assets measured at fair value</b>	<b>335</b>	<b>-</b>	<b>-</b>	<b>335</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	-	18.109	-	18.109
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>18.109</b>	<b>-</b>	<b>18.109</b>

## NOTE 6 - INCOME TAX

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

Income tax comprise:

	<b>GROUP</b>
(in thousands of HRK)	<b>January - September 2020</b>
Current tax	-
Deferred tax	(80.962)
<b>Tax (income)/expense</b>	<b>(80.962)</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 Company 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>
(in thousands of HRK)	<b>January - September 2020</b>
Profit/(loss) attributable to equity holders (in thousands of HRK)	(194.390)
Weighted average number of shares	121.887.907
<b>Basic/diluted earnings/(loss) per share (in HRK)</b>	<b>(1,59)</b>

## NOTE 8 - CONTINGENCIES AND COMMITMENTS

The contracted capital commitments of the Group in respect to investments in tourism facilities as at 30 September 2020 amounted to HRK 535,819 thousand.

**NOTE 9 - RELATED PARTY TRANSACTIONS**

Related party transactions were as follows:

<b>GROUP</b>	<b>January - September 2019</b>	<b>January - September 2020</b>
(in thousands of HRK)		
<b>Sale of services</b>		
Other related parties to the owners and corporate governance bodies	4	1
Undertakings with participating interest	-	1.648
	<b>4</b>	<b>1.649</b>
<b>Purchase of services</b>		
Other related parties to the owners and corporate governance bodies	436	104
Undertakings with participating interest	-	16
	<b>436</b>	<b>120</b>
	<b>As at 31 December 2019</b>	<b>As at 30 September 2020</b>
<b>Trade and other receivable</b>		
Undertakings with participating interest	24	1.740
	<b>24</b>	<b>1.740</b>
<b>Liabilities</b>		
Other related parties to the owners and corporate governance bodies	18	19
	<b>18</b>	<b>19</b>



**BALANCE SHEET** (balance as at 30.09.2020)

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>5.368.909.078</b>
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>54.104.271</b>	<b>42.487.291</b>
1 Research and development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	46.920.962	28.570.238
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	7.349.444
6 Other intangible assets	009		
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>4.247.236.790</b>	<b>4.381.786.047</b>
1 Land	011	630.175.338	629.012.019
2 Buildings	012	2.765.966.791	2.604.750.095
3 Plant and equipment	013	441.226.355	397.663.956
4 Tools, working inventory and transportation assets	014	112.390.110	97.738.141
5 Biological assets	015		
6 Advances for the purchase of tangible assets	016	1.957.700	21.577.003
7 Tangible assets in preparation	017	217.024.655	549.067.248
8 Other tangible assets	018	72.046.375	75.581.914
9 Investment property	019	6.449.466	6.395.671
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>774.968.081</b>	<b>774.898.627</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	139.556
8 Loans, deposits, etc. given	028	113.338	99.503
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>169.737.113</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>299.370.071</b>	<b>700.119.274</b>
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>22.384.906</b>	<b>21.889.245</b>
1 Raw materials and consumables	039	22.202.305	21.078.511
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	182.601	810.734
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>18.383.419</b>
1 Receivables from undertakings within the group	047	2.556.854	1.069.477
2 Receivables from companies linked by virtue of participating interests	048	23.688	1.740.725
3 Customer receivables	049	13.342.394	12.937.316
4 Receivables from employees and members of the undertaking	050	911.253	1.125.552
5 Receivables from government and other institutions	051	10.124.258	357.704
6 Other receivables	052	1.506.026	1.152.645
<b>III CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>671.420</b>	<b>571.945</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	543.645
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>659.274.665</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>17.874.753</b>	<b>23.442.152</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>5.503.912.108</b>	<b>6.092.470.504</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>54.355.927</b>	<b>54.274.242</b>

**BALANCE SHEET** (balance as at 30.09.2020) (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>2.512.039.784</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>15.866</b>
1 Fair value of financial assets available for sale	078	61.473	15.866
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>-181.748.909</b>
1 Profit for the business year	085	377.006.905	
2 Loss for the business year	086		181.748.909
<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>105.583.275</b>
1 Provisions for pensions, termination benefits and similar obligations	089	11.847.096	11.847.096
2 Provisions for tax liabilities	090		
3 Provisions for ongoing legal cases	091	30.791.013	30.725.659
4 Provisions for renewal of natural resources	092		
5 Provisions for warranty obligations	093		
6 Other provisions	094	56.453.414	63.010.520
<b>C) LONG-TERM LIABILITIES</b> (ADP 096 to 106)	<b>095</b>	<b>2.199.023.800</b>	<b>2.767.351.748</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	2.711.304.220
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	42.530.843
11 Deferred tax liability	106	14.190.411	13.516.685
<b>D) SHORT-TERM LIABILITIES</b> (ADP 108 to 121)	<b>107</b>	<b>463.253.429</b>	<b>643.476.110</b>
1 Liabilities to undertakings within the group	108	218.328	376.859
2 Liabilities for loans, deposits, etc. of undertakings within the group	109		
3 Liabilities to companies linked by virtue of participating interests	110		919
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	333.869.859
7 Liabilities for advance payments	114	31.610.147	70.094.701
8 Liabilities to suppliers	115	127.477.774	172.684.116
9 Liabilities for securities	116		74.649
10 Liabilities to employees	117	24.837.226	24.189.003
11 Taxes, contributions and similar liabilities	118	10.114.318	29.505.451
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	12.670.953
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>122</b>	<b>52.099.054</b>	<b>64.019.587</b>
<b>F) TOTAL - LIABILITIES</b> (ADP 067+088+095+107+122)	<b>123</b>	<b>5.503.912.108</b>	<b>6.092.470.504</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>124</b>	<b>54.355.927</b>	<b>54.274.242</b>



**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2020 to 30.09.2020)

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>1.777.117.905</b>	<b>1.180.066.937</b>	<b>555.160.261</b>	<b>449.124.023</b>
1 Income from sales with undertakings within the group	126	25.330.350	10.537.227	7.280.212	1.169.274
2 Income from sales (outside group)	127	1.738.566.638	1.164.020.476	531.872.251	444.597.003
3 Income from the use of own products, goods and services	128	168.774	55.513	156.226	52.347
4 Other operating income with undertakings within the group	129	142.461	9.792	717.463	666.143
5 Other operating income (outside the group)	130	12.909.682	5.443.929	15.134.109	2.639.256
<b>II OPERATING EXPENSES</b> (ADP 132+133+137+141+142+143+146+153)	<b>131</b>	<b>1.300.082.116</b>	<b>588.255.646</b>	<b>715.815.963</b>	<b>312.906.091</b>
1 Changes in inventories of work in progress and finished goods	132				
2 Material costs (ADP 134 to 136)	133	461.588.492	250.538.701	186.666.774	113.047.036
a) Costs of raw materials and consumables	134	278.634.852	145.814.342	105.962.165	66.864.514
b) Costs of goods sold	135	4.481.893	3.321.495	3.140.089	2.709.923
c) Other external costs	136	178.471.747	101.402.864	77.564.520	43.472.599
3 Staff costs (ADP 138 to 140)	137	421.705.053	183.393.106	158.024.021	73.241.145
a) Net salaries and wages	138	255.987.335	111.044.684	90.989.084	45.548.083
b) Tax and contributions from salary costs	139	110.724.622	48.554.115	44.364.350	18.170.241
c) Contributions on salaries	140	54.993.096	23.794.307	22.670.587	9.522.821
4 Depreciation	141	287.071.372	95.536.402	298.915.082	99.757.135
5 Other costs	142	123.174.895	57.100.910	67.627.491	25.740.588
6 Value adjustments (ADP 144+145)	143	46.436		751.490	571.231
a) fixed assets other than financial assets	144				
b) current assets other than financial assets	145	46.436		751.490	571.231
7 Provisions (ADP 147 to 152)	146				
a) Provisions for pensions, termination benefits and similar obligations	147				
b) Provisions for tax liabilities	148				
c) Provisions for ongoing legal cases	149				
d) Provisions for renewal of natural resources	150				
e) Provisions for warranty obligations	151				
f) Other provisions	152				
8 Other operating expenses	153	6.495.868	1.686.527	3.831.105	548.956
<b>III. FINANCIAL INCOME</b> (ADP 155 to 164)	<b>154</b>	<b>23.910.339</b>	<b>3.141.163</b>	<b>18.488.917</b>	<b>9.726.441</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	404.666	266.538	189.712	132.972
8 Exchange rate differences and other financial income	162	10.035.614	1.962.413	1.296.418	357.076
9 Unrealised gains (income) from financial assets	163				
10 Other financial income	164	4.579.817	912.212	17.002.787	9.236.393
<b>IV FINANCIAL EXPENSES</b> (ADP 166 to 172)	<b>165</b>	<b>54.585.921</b>	<b>18.183.166</b>	<b>99.624.810</b>	<b>14.360.085</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	36.968.268	12.506.585	40.501.172	13.644.598
4 Exchange rate differences and other expenses	169		966.122	41.470.690	65.708
5 Unrealised losses (expenses) from financial assets	170	16.411.010	3.846.662	16.756.851	602.079
6 Value adjustments of financial assets (net)	171				
7 Other financial expenses	172	1.206.643	863.797	896.097	47.700
<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>1.801.028.244</b>	<b>1.183.208.100</b>	<b>573.649.178</b>	<b>458.850.464</b>
<b>X TOTAL EXPENDITURE</b> (ADP 131+165+175+176)	<b>178</b>	<b>1.354.668.037</b>	<b>606.438.812</b>	<b>815.440.773</b>	<b>327.266.176</b>
<b>XI PRE-TAX PROFIT OR LOSS</b> (ADP 177-178)	<b>179</b>	<b>446.360.207</b>	<b>576.769.288</b>	<b>-241.791.595</b>	<b>131.584.288</b>
1 Pre-tax profit (ADP 177-178)	180	446.360.207	576.769.288		131.584.288
2 Pre-tax loss (ADP 178-177)	181			-241.791.595	
<b>XII INCOME TAX</b>	<b>182</b>			<b>-60.042.686</b>	<b>28.540.394</b>
<b>XIII PROFIT OR LOSS FOR THE PERIOD</b> (ADP 179-182)	<b>183</b>	<b>446.360.207</b>	<b>576.769.288</b>	<b>-181.748.909</b>	<b>103.043.894</b>
1. Profit for the period (ADP 179-182)	184	446.360.207	576.769.288		103.043.894
2. Loss for the period (ADP 182-179)	185			-181.748.909	

**STATEMENT OF PROFIT OR LOSS** (for the period 01.01.2020 to 30.09.2020) (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>				
1 Attributable to owners of the parent	200				
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>446.360.207</b>	<b>576.769.288</b>	<b>-181.748.909</b>	<b>103.043.894</b>
<b>II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX</b> (ADP 204 to 211)	<b>203</b>	<b>-1.039.200</b>	<b>-1.039.200</b>	<b>-55.618</b>	<b>12.206</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	-1.039.200	-1.039.200	-55.618	12.206
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>-213.103</b>	<b>-213.103</b>	<b>-10.011</b>	<b>2.198</b>
<b>IV NET OTHER COMPREHENSIVE INCOME OR LOSS</b> (ADP 203-212)	<b>213</b>	<b>-826.097</b>	<b>-826.097</b>	<b>-45.607</b>	<b>10.008</b>
<b>V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 202+213)	<b>214</b>	<b>445.534.110</b>	<b>575.943.191</b>	<b>-181.794.516</b>	<b>103.053.902</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 30.09.2020)****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	446.360.207	-241.791.595
2 Adjustments (ADP 003 to 010):	002	322.058.200	373.896.675
a) Depreciation	003	287.071.372	298.915.082
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-1.392.871	-1.777.417
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	-1.300.968	
d) Interest and dividend income	006	-9.195.002	-84.934
e) Interest expenses	007	36.968.268	41.397.269
f) Provisions	008		-65.354
g) Exchange rate differences (unrealised)	009	-5.370.835	34.428.328
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	15.278.236	1.083.701
<b>I Cash flow increase or decrease before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>768.418.407</b>	<b>132.105.080</b>
3 Changes in the working capital (ADP 013 to 016)	012	28.664.001	109.150.846
a) Increase or decrease in short-term liabilities	013	78.573.730	104.985.173
b) Increase or decrease in short-term receivables	014	-76.464.059	3.670.012
c) Increase or decrease in inventories	015	-1.196.619	495.661
d) Other increase or decrease in working capital	016	27.750.949	
<b>II Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>797.082.408</b>	<b>241.255.926</b>
4 Interest paid	018	-36.978.602	-17.152.992
5 Income tax paid	019	9.342	
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>760.113.148</b>	<b>224.102.934</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	2.696.133	3.688.006
2 Cash receipts from sales of financial instruments	022	4.058.423	
3 Interest received	023	250.867	109.434
4 Dividends received	024	8.790.336	
5 Cash receipts from repayment of loans and deposits	025	112.502	138.281
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>15.908.261</b>	<b>3.935.721</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-585.596.346	-423.757.948
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030	-10.726.104	-165.121
4 Acquisition of a subsidiary, net of cash acquired	031	-25.267.831	
5 Other cash payments from investment activities	032	-17.226.929	
<b>IV Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-638.817.210</b>	<b>-423.923.069</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-622.908.949</b>	<b>-419.987.348</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	356.079.343	612.921.516
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>356.079.343</b>	<b>616.311.515</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-244.986.843	-6.355.689
2 Cash payments for dividends	041	-121.083.363	
3 Cash payments for finance lease	042		
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043	-22.636.483	
5 Other cash payments from financing activities	044		-2.646.019
<b>VI Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-388.706.689</b>	<b>-9.001.708</b>
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>-32.627.346</b>	<b>607.309.807</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>104.576.853</b>	<b>411.425.393</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>273.109.999</b>	<b>659.274.665</b>

**STATEMENT OF CHANGES IN EQUITY** (for the period 01.01.2020 to 30.09.2020)  
**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>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		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																
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													-181.748.909	-181.748.909		-181.748.909
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									-55.618					-55.618		-55.618
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									10.011					10.011		10.011
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>15.866</b>			<b>917.793.503</b>	<b>-181.748.909</b>	<b>2.512.039.784</b>		<b>2.512.039.784</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>-45.607</b>					<b>-45.607</b>		<b>-45.607</b>
<b>II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31 + 50)</b>	<b>51</b>									<b>-45.607</b>				<b>-181.748.909</b>	<b>-181.794.516</b>		<b>-181.794.516</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:

**1.1.2020. to 30.9.2020.**

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 – 30/9/2020“ which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages and in the Notes below.

Company Valamar Riviera d.d. below presents comparison table of items in TFI POD financial statements according to net methodology for 2019.

## Summary of adjustments of TFI-POD income statement for the third quarter of 2019 COMPANY

in thousands of HRK

TFI-POD INCOME STATEMENT for the period from 1 January 2019 to 30 September 2019	ADP code	TFI-POD Cumulative published	TFI-POD Cumulative reclassified	Difference	Explanation
<b>OPERATING INCOME (ADP 125+126+127+128+129+130)</b>	<b>125</b>	<b>1.777.128</b>	<b>1.777.118</b>	<b>-10</b>	
I. Income from sales with undertakings within the group and sales (outside group)	126+127	1.763.897	1.763.897	0	
II. Income from the use of own products, goods and services, other operating income with undertakings within the group and other operating income (outside the group)	128+129 +130	13.231	13.221	-10	HRK 10 thous. represents presenting of income/costs from sales of assets included in the item "Other operating revenues (ADP 130) according to the net methodology. Comment: Previously presented under gross methodology with counter item of "Other operating expenses" (ADP 153).
<b>OPERATING EXPENSES (ADP 133+137+141+142+143+146+153)</b>	<b>131</b>	<b>1.300.092</b>	<b>1.300.082</b>	<b>-10</b>	
I. Material costs	133	456.117	461.589	5.472	HRK 5.472 thous. represents reclassified part of item "Other costs" (ADP 142) to item "Material costs" (ADP 133).
II. Staff costs	137	421.705	421.705	0	
III. Depreciation	141	287.071	287.071	0	
IV. Other costs	142	128.647	123.175	-5.472	HRK 5.472 thous. represents reclassified part of item "Other costs" (ADP 142) to item "Material costs" (ADP 133).
V. Value adjustment	143	46	46	0	
VI. Provisions	146	0	0	0	
VIII. Other operating expenses	153	6.506	6.496	-10	HRK 10 thous. represents presenting of income/costs from sales of assets included in the item "Other operating expenses" (ADP 153) according to the net methodology. Comment: Previously presented under gross methodology with counter item of "Other operating revenue" (ADP 130).
<b>FINANCIAL INCOME</b>	<b>154</b>	<b>32.730</b>	<b>23.910</b>	<b>-8.820</b>	<b>HRK 8.820 thous. represents presenting items according to net methodology "Exchange rate differences and other financial income" (ADP 162; HRK 6.140 thous.) and "Unrealised gains (income) from financial assets" (ADP 163; HRK 3.358 thous.). HRK 678 thous. represents reclassified part of item "Unrealised gains (income) from financial assets" (ADP 163) to item "Other financial income" (ADP 164). Comment: Previously presented under gross methodology with counter items "Exchange rate differences and other expenses" (ADP 169) and "Unrealised losses (expenses) from financial assets" (ADP 170).</b>
<b>FINANCIAL EXPENSES</b>	<b>165</b>	<b>63.406</b>	<b>54.586</b>	<b>-8.820</b>	<b>HRK 8.820 thous. represents presenting items according to net methodology "Exchange rate differences and other expenses" (ADP 169; HRK 6.140 thous.) and "Unrealised losses (expenses) from financial assets" (ADP 170; HRK 2.680 thous.). Comment: Previously presented under gross methodology with counter items "Exchange rate differences and other financial income" (ADP 162) and "Unrealised gains (income) from financial assets" (ADP 163).</b>
<b>TOTAL INCOME (ADP 125+154)</b>	<b>177</b>	<b>1.809.858</b>	<b>1.801.028</b>	<b>-8.830</b>	<b>HRK 8.830 thous. represents presenting of certain items according to the net methodology (previously explained in detail).</b>
<b>TOTAL EXPENDITURE (ADP 131+165)</b>	<b>178</b>	<b>1.363.498</b>	<b>1.354.668</b>	<b>-8.830</b>	<b>HRK 8.830 thous. represents presenting of certain items according to the net methodology (previously explained in detail).</b>
<b>PRE-TAX PROFIT OR LOSS (ADP 177-178)</b>	<b>179</b>	<b>446.360</b>	<b>446.360</b>	<b>0</b>	
<b>INCOME TAX</b>	<b>182</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)</b>	<b>184</b>	<b>446.360</b>	<b>446.360</b>	<b>0</b>	

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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. The registered office of Valamar Riviera d.d. is in Poreč, Stancija Kaligari 1.

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The unconsolidated financial statements for the nine months ended on 30 September 2020 have been prepared in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting. The unconsolidated financial statements for the nine month period do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual unconsolidated financial statements as at 31 December 2019 which are available on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Company’s web pages.

#### 2.2 Going concern

Company’s nine month financial statements have been prepared on a going concern basis.

#### 2.3 Critical accounting estimates

There were no changes in critical accounting estimates used for preparation of financial statements for the period ended 30 September 2020 comparing to those used for the preparation of the annual financial statements for the year ended 31 December 2019. At the end of the tourist season and by the end of the financial year, the Company will

The unconsolidated financial statements for the nine month period ended 30 September 2020 were approved by the Management Board in Poreč on 28 October 2020.

The unconsolidated financial statements have not been audited.

make an assessment of existing indications of impairment of non-current tangible and intangible assets.

#### 2.4 Significant accounting policies

The accounting policies adopted in the preparation of the unconsolidated financial statements 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.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

The Company 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. The total amount of government grants related to the impact of the pandemic during the nine month period ended 30 September 2020, amounts HRK 89,900 thousand for the Company.

In addition to grants related to income for which the presenting policy was previously defined, the Group and the Company are recipients of grants related to assets. The

Group and the Company have 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.

## NOTE 3 – NON CURRENT TANGIBLE AND INTANGIBLE ASSETS

During the nine months ended 30 September 2020, the Company acquired assets in the amount of HRK 422,747 thousand and disposed the assets with a net book value of HRK 1,541 thousand, resulting in a net gain on disposal of HRK 1,966 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 and the Group is the current bid price. The fair value of financial instruments that are not traded in the active market is determined by using valuation techniques. The Company 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.

### *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).

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

### COMPANY

(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 30 September 2020</b>				
<b>Assets measured at fair value</b>				
Financial assets - equity securities	280	-	-	280
<b>Total assets measured at fair value</b>	<b>280</b>	<b>-</b>	<b>-</b>	<b>280</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	-	18.068	-	18.068
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>18.068</b>	<b>-</b>	<b>18.068</b>

**NOTE 5 - INCOME TAX**

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

Income tax comprise:

	<b>COMPANY</b>
(in thousands of HRK)	<b>January - September 2020</b>
Current tax	-
Deferred tax	(60.043)
<b>Tax (income)/expense</b>	<b>(60.043)</b>

**NOTE 6 - CONTINGENCIES AND COMMITMENTS**

The contracted capital commitments of the Company in respect to investments in tourism facilities as at 30 September 2020 amounted to HRK 510,030 thousand.

**NOTE 7 - RELATED PARTY TRANSACTIONS**

Related party transactions were as follows:

<b>COMPANY</b>		<b>January - September 2019</b>	<b>January - September 2020</b>
(in thousands of HRK)			
<b>Sale of services</b>			
Subsidiaries		20.186	6.023
Other related parties to the owners and corporate governance bodies		4	1
Undertakings with participating interest		-	1.648
		<b>20.190</b>	<b>7.672</b>
<b>Purchase of services</b>			
Subsidiaries		6.212	895
Other related parties to the owners and corporate governance bodies		436	104
Undertakings with participating interest		-	16
		<b>6.648</b>	<b>1.015</b>
<b>Dividend income</b>			
Subsidiaries		8.703	-
		<b>8.703</b>	<b>-</b>
		<b>As at 31 December 2019</b>	<b>As at 30 September 2020</b>
<b>Trade and other receivable</b>			
Subsidiaries		2.563	1.098
Undertakings with participating interest		24	1.740
		<b>2.587</b>	<b>2.838</b>
<b>Other receivables</b>			
Subsidiaries		26	26
		<b>26</b>	<b>26</b>
<b>Trade and other payables</b>			
Subsidiaries		223	377
Other related parties to the owners and corporate governance bodies		18	19
		<b>241</b>	<b>396</b>
<b>Loans given</b>			
Subsidiaries		28	28
		<b>28</b>	<b>28</b>

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