



*Hotel Kesselspitze 5\*, Obertauern*



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

# ANNUAL REPORT 2022



## ABOUT VALAMAR

Valamar 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 commercial keys, Valamar's 37 hotels and resorts and 15 camping resorts can welcome around 58,000 guests daily and provide perfect holidays for each guest. Valamar creates authentic guest experiences in partnership with its destinations, and with investments over HRK 6.4 billion in the last 19 years, Valamar is one of the top Croatian and regional investors in tourism.

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

Tourism portfolio of Valamar Group





## KEY MESSAGES

After two years of the pandemic crisis Valamar Riviera achieved a full business recovery in 2022, including the highest ever revenues in Group history. In parallel, a significant increase in costs was borne as a result of the energy and inflationary crisis. The realised operating income amounts to HRK 2.45 billion, which is an 11% increase compared to the pre-crisis year 2019. This is first of all due to an average price increase of 19.2% and high occupancy in the summer months, enabled primarily by sustained investments and quality upgrades across Valamar's portfolio. Operating costs in 2022 grew by 22.2% compared to 2019 primarily due to a significant increase in electricity costs of 169.0% (or HRK 100 million) and an increase in other operating costs influenced by inflation. Operating profit (adjusted EBITDA) amounts to HRK 775.8 million, which represents a 2.3% increase compared to 2019.

The biggest growth and the highest demand were recorded by premium hotels and campsites, which confirmed the resilience of investments in tourism products and services providing high added value to guests. Northern destinations recorded more demand and a higher recovery rate than those in southern Croatia, although the hotels in Dubrovnik exceeded the 2019 turnover level during the high season.

2022 saw the achievement of exceptional results in terms of quality and guest satisfaction. Successful employment and training for more than 7,700 employees in the companies under Valamar's management is another significant achievement in 2022, especially given significant challenges in the labour market. A series of development projects were prepared, and new service concepts, such as Places and Sunny hotels, were realised.

The planned investments in the portfolio under Valamar's management were successfully completed and positioned on the market, supported by a strong demand for high-quality products and services in all of Valamar's destinations. A new sustainability strategy and 2025 ESG goals were adopted, while good business results allowed Valamar to make additional investments in the Group's employee salaries and awards.

AFTER TWO YEARS OF THE PANDEMIC CRISIS, VALAMAR GROUP'S BUSINESS FULLY RECOVERED

ADJUSTED EBITDA AMOUNTS TO HRK 776 MILLION AND IS 2.3% HIGHER THAN IN 2019; A SIGNIFICANT INCREASE IN COSTS DUE TO ENERGY AND INFLATIONARY CRISIS

## BUSINESS RESULTS

Thanks to invested properties, strong direct sales capabilities and an excellent service quality level, Valamar was able to take advantage of the significant increase in demand for travel and leisure following the easing of COVID-19 restrictions.

In 2022, Valamar Group realised 6.4 million overnights, i.e. 32.1% more than in 2021, and only 2.4% less than in 2019. Operating revenues increased by 11.0% compared to 2019. The increase in operating revenues was mainly driven by an increase in average prices, which are 19.2% higher compared to 2019 (and 11.6% higher compared to 2021). Revenues realized in the direct sales channel amount to more than HRK 1.2 billion, representing an increase of 57% compared to 2019. Direct sales thus achieved 62% of total board revenues compared to 45% in the same period of 2019, which further contributed to good business results. Northern destinations, especially Poreč, continue to enjoy higher demand than southern Croatia. In 2022, the group, allotment and MICE segments also began to recover, as well as the event industry.

Adjusted EBITDA amounting to HRK 775.8 million was realised in 2022, which represents a 2.3% increase compared to 2019. Adjusted EBITDA was also corrected (increased) for a one-off cost item of HRK 49 million. In accordance with the respective Supervisory Board's decision, this amount will be used to distribute company shares to the management and key employees of the Company as a reward for the extraordinary business results achieved in the three-year crisis period of 2020-2022. In order to additionally motivate key employees, the Supervisory Board adopted the RDP Programme (the Recovery & Development Programme), which encompasses more than 230 employees. These employees were especially committed to managing and developing business operations during the crisis to enable as fast a recovery of the business operations as possible. In view of the fact a full business recovery was achieved in 2022, the Supervisory Board passed the decision

to distribute company shares in 2023, and the provisions for this were made within the 2022 financial results. EBITDA (before correction for one-off items) amounts to HRK 727.9 million.

Adjusted EBITDA is by 2.3% higher than the one achieved in 2019. It was achieved despite a strong increase in electricity costs, additional investments in employees and a general increase in the prices of almost all inputs. For example, compared to 2019, electricity cost grew by HRK 100.0 million or 169.0%. A strong increase in costs was successfully neutralised by excellent sales results and high average prices. However, the increase in costs did impact margins. The EBITDA margin thus amounts to 31.6% and is by 2.7 percentage points lower than the EBITDA margin realised in 2019. Good business results of the Valamar Group enabled the payment of the reward for all employees in 2022 in the amount of up to HRK 12,000.

As at 31 December 2022, the net debt of the Group amounts to HRK 1.8 billion. In 2022, it was decreased by 7.4%, with cash and cash equivalents amounting to HRK 673 million. The net debt/adjusted EBITDA indicator was significantly improved and it amounts to 2.4. On 28 September 2022, Valamar paid a dividend amounting to HRK 1.2 per share, i.e. a total of HRK 146.3 million. In 2022, Imperial Riviera d.d. also paid a dividend to its shareholders in the total amount of HRK 79.6 million, of which HRK 36.8 to Valamar Riviera d.d.

## INVESTMENTS

The value of investments in hotels, resorts and campsites under the Valamar's management in 2021/2022 season amounted to approximately HRK 500 million. These investments represent an important driver for growth and positive expectations. Imperial Riviera's investment in Dalmacija [PLACESHOTEL] by Valamar in Makarska in the amount of HRK 67 million was one of the most significant investment projects in 2022. It enabled this hotel to become the second Valamar lifestyle hotel under the PLACES brand. The Helios Faros investments of approximately HRK 170 million were focused

TOTAL  
INVESTMENTS OF  
HRK 500 MILLION  
IN HOTELS,  
RESORTS AND  
CAMPS MANAGED  
BY VALAMAR  
COMPLETED

VALAMAR IS  
AMONG THE  
TOP 10 MOST  
DESIRABLE  
CROATIAN  
EMPLOYERS

on the construction of Valamar Amicor Green Resort and Aquamar pool complex on the island of Hvar. Valamar Amicor Green Resort is a new resort concept that follows the highest standards in green building, sustainable energy use and high energy efficiency level. Valamar Amicor Green Resort was opened in July this year. Investments also included the renovation and rebranding of Corinthia Hotel in Baška to the Sunny Plus brand, a certain offer improvement in Valamar Bellevue Hotel in Rabac, the construction of Padova beach on the island of Rab, and the continuation of investments in Istra Premium Camping Resort and Lanterna Premium Camping Resort. A new Valamar Staff Residence for accommodation of seasonal employees was opened in Dubrovnik, which is the fifth Valamar Staff Residence in our destinations. Our properties in Austria saw an investment of approximately HRK 20 million, of which the biggest was the investment in the Obertauern Hotel's swimming pool.

## HUMAN RESOURCES

According to the research conducted by the Moj posao (My Job) portal, Valamar is among the TOP 10 most desirable Croatian employers and has been the best rated employer in the tourism industry for five consecutive years. Valamar is also the largest employer in Croatian tourism, employing 7,700 employees this year, out of which 87% are domestic. In order to improve working conditions and retain local employees, more than EUR 15 million has been invested in salary increases and reward programmes this year. The salaries for professional positions, including chefs, waiters, specialist housekeepers and receptionists at Valamar have increased by an average of 14%, bringing their income this season to a monthly range of EUR 1,000 to 1,600 net. Valamar's minimum net salary guarantee for basic jobs such as housekeepers, assistant chefs, assistant waiters, kitchen workers, servers and others increased to a monthly amount of EUR 750 to 1,100 net. In addition to raising base wages, Valamar continues with its excellence rewarding programmes. In addition to investments in salaries and awards, over the last 5 years, HRK 140 million has been invested in constructing quality accommodations for seasonal employees.



## INTERNATIONALIZATION

Following the change in capital, ownership structure and the portfolio expansion in Obertauern, Austria in December 2021 to two properties, the Group no longer consolidates the results of the Austrian portfolio in which Valamar Riviera has a minority stake. In July 2022, the Austrian umbrella entity, Valamar A GmbH, finalized the acquisition of the third hotel in Obertauern - Hotel Kesselspitze. This is a 5\* hotel with 66 keys, which opened for the winter season 2022/2023 as Valamar Collection Kesselspitze Hotel.

Valamar currently manages two hotels in Obertauern (Valamar Obertauern Hotel and Valamar Collection Kesselspitze Hotel) while the third, Hotel Marietta, is leased to a third party until mid-2023. For the 2022/2023 season an investment of nearly 20 million HRK was directed toward Valamar hotels in Obertauern, mostly for the new pool in Valamar Obertauern Hotel. There are currently 84 Valamar employees employed in Valamar hotels in Obertauern, while around 160 employees are planned for next season.

## SUSTAINABILITY

Valamar presented our sustainability strategy and 2025 ESG goals at the end of June 2022, within the integrated report (available at the link: <https://valamar-riviera.com/media/451419/integrated-annual-report-and-sustainability-2021.pdf>). The strategic plan includes 12 key goals in the area of environment (E), society (S) and governance (G), which Valamar plans to realise until 2025 through 6 strategic initiatives. Among others, Valamar is to become a carbon neutral company in the next three years in scope 1 & 2 and invest more than 50 million euro in ESG projects and initiatives.

## NEW SUSTAINABILITY STRATEGY AND 2025 ESG GOALS

The integrated report for 2021, which includes a non-financial report, was compiled in line with the Global Reporting Initiative (GRI) Standards and the applicable EU taxonomy regulations. Valamar is the first hospitality company in Croatia that has integrated sustainable development goals in its business model and corporate governance, and has published clear sustainability goals in line with the ESG framework.

## OTHER

On 1 January 2023, the introduction of the euro and the entry of Croatia to the Schengen Area finally happened. They have already had a positive impact on Croatia's credit rating and will contribute to the perception of Croatia as a top European tourist destination.

A considerable part of our guests will no longer have to exchange currency during their stay in Croatia, which will save them cost and time. In some cases, a better understanding of prices will stimulate greater spending. Travellers coming from other Schengen countries will no longer have to stop at the state border now which will make the trips to and from our destinations faster and more comfortable.

However, very high inflationary pressures including enormous increases in energy prices, rising investments in payroll and employee programmes, price increases across all categories of goods and services as well as global geopolitical tensions negatively reflect on business performance of hospitality companies and represent risks for future business performance.

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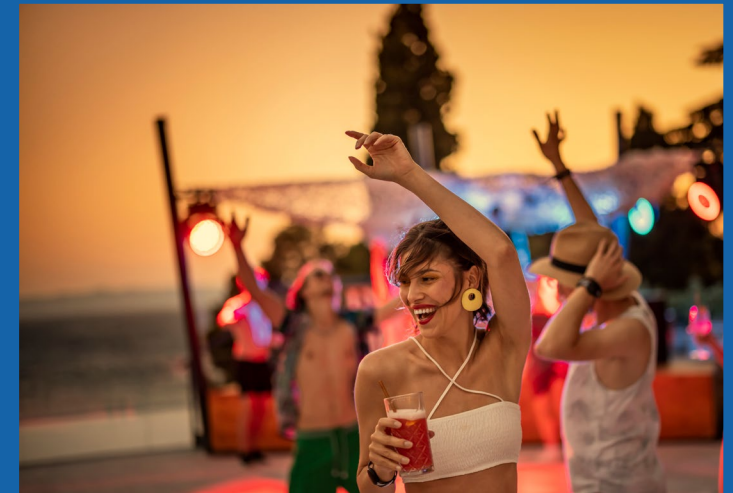
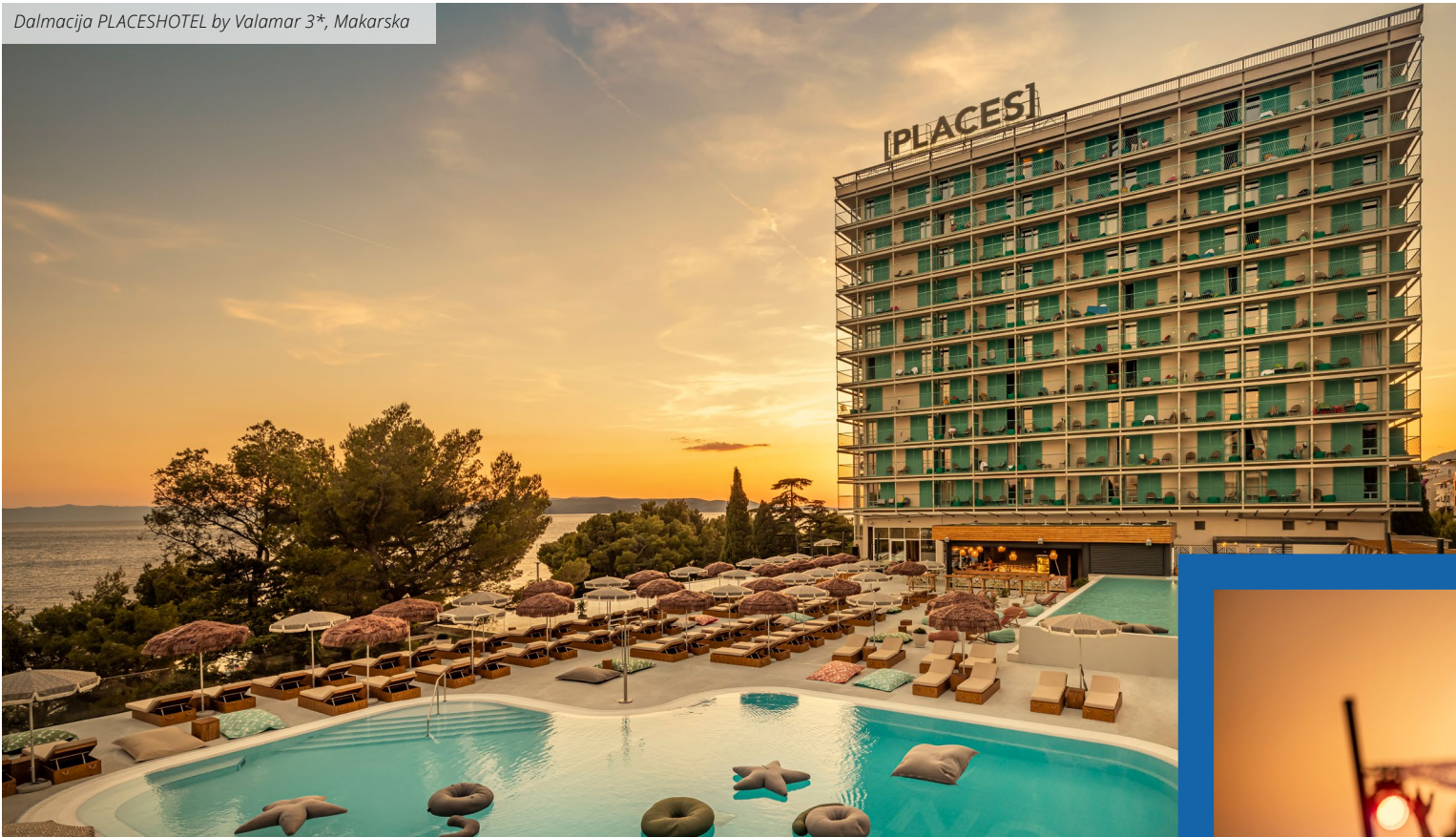
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Ježevac Premium Camping Resort 4\*, Krk Island





Dalmacija PLACESHOTEL by Valamar 3\*, Makarska



# Significant Business Events



## NORMALIZATION OF TOURISM BUSINESS

In 2022, COVID-19 pandemic significantly weakened both, globally and in Croatia. Related restrictions in Croatia have been lifted and everyday life and business are running almost completely normally, which allowed further normalization of tourism business. However, arrivals of guests from long-haul countries, especially Asian and American markets, have not yet recovered.

Istria and the northern Adriatic, where the majority of the Group's properties are located, have a great advantage in the fact that they are the traditional drive-in tourism destinations for our major source markets (Italy, Slovenia, Austria, Germany, the Netherlands, the Czech Republic, Hungary, etc.). Camping resorts play a major role in attracting guests and they have become the resorts of the first choice for many. This is due to shifting guest preferences favouring nature and privacy, but also due to the fact that they offer an increased quality of service and facilities thanks to considerable investments over the last period.

The health of our guests and their feeling of being safe in our properties is our utmost priority. In 2020 we introduced some key innovations, such as our V Health & Safety programme of comprehensive health, safety and ecology standards, an enhanced cleaning system 'CleanSpace – 100% privacy', the Online reception desk, the 'Bed & Brunch' hotel concept and the Valfresco Direkt online shopping and food delivery service. By introducing these services, Valamar has also strengthened the market position of small manufacturers and local family farms. In 2021 Valamar introduced the V-Care Guarantee concept, which enables the organization of all necessary health services during the guest's stay.

## VALAMAR AND PENSION FUNDS JOINT INVESTMENTS

In 2021, Valamar Riviera and AZ pension funds recapitalized Imperial Riviera by increasing the share capital of the Company with a total of HRK 690 million. Valamar Riviera participated in this investment by a contribution in kind, i.e. by investing real estate (land on the Babin Kuk peninsula in Dubrovnik), while AZ pension funds made a cash investment. This capital

FURTHER  
NORMALIZATION  
OF TOURISM  
BUSINESS DURING  
2022

AT THE BEGINNING  
OF 2022, THREE  
HOTELS IN  
DUBROVNIK WERE  
TRANSFERRED  
FROM VALAMAR  
RIVIERA TO  
IMPERIAL RIVIERA

increase is aimed at a further development of the portfolio in Dubrovnik, Makarska and on the island of Rab.

At the beginning of 2022, three hotels (Valamar Lacroma Dubrovnik Hotel, Club Dubrovnik Sunny Hotel by Valamar and Tirena Sunny Hotel by Valamar) in Dubrovnik were transferred from Valamar Riviera to Imperial Riviera. The acquisition value of cited hotels amounts to HRK 718 million. Financing for this transaction was secured largely by taking over Valamar Riviera's existing loan obligations by Imperial Riviera. These hotels in the area of Babin Kuk in Dubrovnik, together with the real estate contributed to Imperial in the process of the share capital increase represent strategically important asset and the backbone of future development. Imperial Riviera has thus become a multi-destination company present in Istria, Kvarner, Dalmatia and the city of Dubrovnik.

In accordance with a decision of the General Assembly of the company Helios Faros of 14 April 2022, Valamar Riviera and PBZ CO pension funds participated in the recapitalization of Helios Faros by a share capital increase totalling HRK 130 million, out of which Valamar Riviera paid in HRK 26 million.

## EXPANSION OF AUSTRIAN PORTFOLIO

Following a change in capital, ownership structure and expansion of the Austrian portfolio in Obertauern in December of 2021 to two properties, the Group no longer consolidates the results of the Austrian portfolio under Valamar A GmbH, where Valamar Riviera holds a minority share of 24.54%.

In June 2022 Valamar A was recapitalized to fund further expansion in Austria, in which Valamar Riviera participated with EUR 1.47 million. At the beginning of July Valamar A finalized the acquisition of the third hotel in Obertauern – Hotel Kesselspitze. Hotel Kesselspitze is a 5\* category hotel with 66 keys, a restaurant, a swimming pool and wellness facilities. It is situated in an excellent location with direct access to ski slopes. Respective management agreement was concluded mid of July 2022, whereby Valamar undertook the management of Hotel Kesselspitze, which has been repositioned in the Valamar Collection brand for the winter season 2022/2023.

This acquisition represents a new important step for Valamar in further internalization of business, with the aim of expanding the portfolio and managing hotels and resorts in the best winter holiday destinations, primarily in Austria and Italy.

## VALAMAR RIVIERA'S GENERAL ASSEMBLY

The General Assembly held two sessions in 2022, on 19 May and on 21 September.

Except for the regular decisions on the distribution of the profit realised in 2021, on giving the approval of actions to the members of the Management Board and Supervisory Board, and on appointing the auditors for 2022, the General Assembly, held on 19 May 2022, also passed the decision on amending a provision of the Articles of Association to increase the number of the Supervisory Board members from 7 to 9, and on electing two new female Supervisory Board members, Ms. Gudrun Kuffner and Ms. Petra Stolba.

Gudrun Kuffner graduated from the University of Vienna, Department of Economics and subsequently obtained her Master of International Affairs from the School of International and Public Affairs at Columbia University, New York. She has extensive business experience in performing leading functions in Austrian companies. Gudrun Kuffner is an independent member of the Supervisory Board and with her rich knowledge and expertise in the field of internal audit and finance, as well as a good knowledge of opportunities in the Company and in tourism, Ms. Kuffner will contribute to the work of the Supervisory Board.

Petra Stolba acquired valuable knowledge through her education at a technical High School followed by a certificate in Marketing and Sales at the Vienna University of Economics and Business and a diploma in business administration (specializing in tourism). In her work so far, she has gained extensive experience in the field of tourism and marketing and she is a member of Aiest, the International Organisation of Scientific Experts in Tourism. Since 2010, she has been a member of Future Mountain, the Alliance for Promoting the Development of Alpine Winter and Summer

## ACQUISITION OF THE THIRD HOTEL IN OBERTAUERN - HOTEL KESSELSPLITZE

## DIVIDEND OF HRK 1.2 PER SHARE PAID OUT TO SHAREHOLDERS

Tourism and has been appointed SDG Ambassador for Tourism. Petra Stolba is an independent member of the Supervisory Board and she will contribute with her vast experience and expertise in the field of tourism and marketing, to the work of the Supervisory Board.

On 21 September 2022, the General Assembly passed the Decision on the payment of dividends in the amount of HRK 1.20 per share, i.e. HRK 146.3 million in total, which represented a dividend yield of 3.6%. The dividends were paid out from the retained earnings realised in 2018 and 2019.

## LEADING MARKET POSITION AND RECOGNITIONS

In 2022, Valamar Group succeeded in maintaining its leading market position. This is the result of the recognised and successful Valamar's business philosophy, i.e. business success formula comprised of corporate social responsibility and continuous investment in further development.

Five Valamar's campsites are the winners of the ADAC Superplatz 2022. At the 16th Congress of Croatian Camping, three campsites received the Naj kamp Adria 2022 award based on the choice of Slovenian guests, and 11 campsites received a special quality recognition as Croatia's Best Campsites 2023, which is given by the Camping Association of Croatia. In addition to that, four Valamar's campsites received the ANWB Top Camping award, which is given by the renowned Dutch car club ANWB.

The world organisation World Luxury Hotel Awards gave awards to the most luxurious hotels. The Dubrovnik President Valamar Collection Hotel 5\* was recognised as the best Croatian Luxury Beach Resort, Isabella Valamar Collection Island Resort 4\*/5\* received the best European Luxury Island Resort award, and Marea Valamar Collection Suites 5\* won the best Luxury Family Hotel award for southern Europe.

As many as three Valamar's hotels received the world's most prestigious tourism industry award – World Travel Award. One more time, Valamar Riviera Hotel & Residence 4\* in Poreč was awarded as Croatia's Leading Boutique Hotel, while Valamar Padova Hotel 4\* on the island of Rab was recognised as Croatia's Leading Seafront Hotel. The Dubrovnik President

Valamar Collection Hotel 5\* again received the title of the Leading Hotel in Croatia.

At Days of Croatian Tourism 2022, Valamar Riviera won several awards and received special recognition for its excellence in the implementation of sustainable tourism principles. Valamar Tamaris Resort received the Croatian Tourist Flower quality award for the Family Vacation Hotel category, while Istra Premium Camping Resort by Valamar was awarded as the Campsite of the Year and the best in the Large Campsite category. Our sustainability results have been noticed globally – the Financial Times has recognised Valamar as one of the European climate leaders for 2022. On the list of European climate leaders, chosen this year among a total of 4,000 companies from 33 European countries, Valamar entered as one of only six European companies from the hospitality sector and one of two Croatian companies.

VALAMAR WAS  
AWARDED  
NUMEROUS  
RECOGNITIONS IN  
2022

Moreover, in 2022, Valamar Riviera and E.ON Croatia won the 2022 national environmental award Green Prix in the Decarbonise the Community category. This award is given to natural and legal persons whose project activities contributed to achieving the climate goals in the wider community.

Valamar Riviera also received the 2022 Charter for Quality Improvement in the Croatian Economy, which is awarded by the Croatian Society for Quality (HDK).



Istra Premium Camping Resort 5\*, Poreč



# Results of the Group


## ANNUAL AUDITED FINANCIAL STATEMENTS

The Management Board of the Company presents the audited annual financial statements for the business operations in the year 2022.

The Group's profit and loss account for the period considered consolidates the data from the following companies (for the period when they were subsidiaries of Valamar Riviera d.d.): Imperial Riviera d.d. (a subsidiary 46.27% owned by Valamar Riviera d.d.), Valamar A GmbH (until 29 November 2021, 100% owned, and from 29 November 2021, 24.54% owned), Valamar Obertauern GmbH (10% directly owned and, until 29 November, 90% indirectly owned by Valamar Riviera d.d. and afterwards, 22.08% indirectly owned by Valamar Riviera d.d.), Palme Turizam d.o.o. (until 7 May 2021, when it was merged to Valamar Riviera d.d., 100% owned), Magične stijene d.o.o. (100% owned) and Bugenvilia d.o.o. (100% owned).

The Group's balance sheet as at 31 December 2021 and 31 December 2022 consolidate the data for the following companies: Valamar Riviera d.d. (Parent Company), Imperial Riviera d.d., Magične stijene d.o.o. and Bugenvilia d.o.o.

The investments in the company Helios Faros d.d. and Valamar A GmbH are reported according to the equity method since Valamar Riviera d.d. does not exercise control but a significant influence over them.

 *The Management Board  
presents the annual audited financial  
statements for the 2022*





## KEY FINANCIAL INDICATORS<sup>1</sup> IN HRK

	2019	2021	2022	22/19	22/21
Total revenues	2,218,828,166	1,679,909,675	2,501,173,072	12.7%	48.9%
Operating income	2,207,678,790	1,644,008,023	2,451,235,943	11.0%	49.1%
Sales revenues	2,139,319,744	1,605,127,860	2,407,150,006	12.5%	50.0%
Board revenues (accommodation and board revenues) <sup>2</sup>	1,779,214,546	1,344,329,298	1,991,786,473	11.9%	48.2%
Operating costs <sup>3</sup>	1,385,486,291	938,294,335	1,692,900,701	22.2%	80.4%
EBITDA <sup>4</sup>	768,955,392	645,980,279	727,931,724	-5.3%	12.7%
Extraordinary operations result and one-off items <sup>5</sup>	10,853,838	-27,545,361	-47,849,103	-540.8%	73.7%
Adjusted EBITDA <sup>6</sup>	758,101,554	673,525,640	775,780,827	2.3%	15.2%
EBIT	293,853,214	136,974,626	229,968,226	-21.7%	67.9%
Adjusted EBIT <sup>6</sup>	282,999,376	164,519,987	277,817,329	-1.8%	68.9%
EBT	232,471,771	101,475,233	201,871,429	-13.2%	98.9%
Net profit	305,851,680	108,707,246	160,391,185	-47.6%	47.5%
EBT margin	10.5%	6.2%	8.2%	-2.3%	2.1pp
EBITDA margin	34.8%	39.3%	29.7%	-5.1%	-9.6pp
Adjusted EBITDA margin <sup>6</sup>	34.3%	41.0%	31.6%	-2.7%	-9.3pp
	<b>31/12/2019</b>	<b>31/12/2021</b>	<b>31/12/2022</b>	<b>22/19</b>	<b>22/21</b>
Net debt <sup>7</sup>	2,195,286,284	1,973,103,640	1,827,335,355	-16.8%	-7.4%
Net debt / Adjusted EBITDA	2.9	2.9	2.4	-18.8%	-19.6%
Cash and cash equivalents	550,142,638	1,115,257,824	672,827,699	22.3%	-39.7%
Capital investments (details in chapter "2020 Investments")	954,590,000	115,355,120	317,285,761	-66.8%	175.1%
ROE <sup>8</sup>	8.8%	3.2%	4.4%	-4.4%	1.3pp
Adjusted ROCE <sup>9</sup>	5.2%	3.1%	5.3%	0.1%	2.2pp
Market capitalization <sup>10</sup>	4,728,031,913	4,158,908,886	3,843,840,031	-18.7%	-7.6%
EV <sup>11</sup>	7,654,341,409	7,175,077,019	6,684,180,084	-12.7%	-6.8%
EPS <sup>12</sup>	2.32	0.86	1.21	-47.8%	41.4%
DPS <sup>13</sup>	1.0	0.0	1.2	20.0%	-

## KEY BUSINESS INDICATORS<sup>14</sup>

	2019	2021	2022	22/19	22/21
Number of accommodation units (capacity)	20,430	20,159	20,093	-1.6%	-0.3%
Number of beds	56,591	56,157	56,142	-0.8%	0.0%
Full occupancy days	132	95	126	-4.5%	32.6%
Annual occupancy (%)	36	26	35	-2.8%	34.6%
Accommodation units sold	2,695,268	1,905,663	2,531,572	-6.1%	32.8%
Overnights	6,517,796	4,811,722	6,358,158	-2.4%	32.1%
ARR <sup>15</sup> (in HRK)	660	705	787	19.2%	11.6%
RevPAR <sup>16</sup> (in HRK)	87,088	66,686	99,128	13.8%	48.6%

- Classified according to the Annual Financial Statement (GFI POD-RDG). EBIT, EBITDA and their adjusted values and respective margins are recorded on the basis of operating income.
- In compliance with the classification under the USALI international standard for reporting in hotel industry (Uniform System of Accounts for the Lodging Industry). Non-commercial properties/data excluded.
- Operating costs include material costs, staff costs, other costs, and other operating costs reduced by extraordinary expenses and one-off items.
- EBITDA (eng. earnings before interest, taxes, depreciation and amortization) is calculated as: operating income - total operating costs + depreciation and amortisation + value adjustments.
- Adjustments were made for (i) extraordinary income (in the amount of HRK 28.5 million in 2022, and HRK 30.2 million in 2021), (ii) extraordinary expenses (in the amount of HRK 74.2 million in 2022 (of which HRK 49 million refers to RDP), and HRK 55.8 million in 2021), and (iii) termination benefit costs (in the amount of HRK 2.2 million in 2022, and HRK 1.8 million in 2021).
- Adjusted by the result of extraordinary operations and one-off items.
- 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.
- ROE refers to return on equity; calculated as: profit for the period / (capital and reserves).
- Adjusted ROCE refers to return on capital employed; calculated as: adjusted EBIT / (capital and reserves at the end of the period + noncurrent and current liabilities to banks and other financial institutions + other liabilities according to IFRS 16 (leases) - cash and cash equivalents - long-term and short-term investments in securities - loans given, deposits, etc.).
- Market capitalization is calculated as the total number of shares multiplied by the last share price on 31/12 of a particular year.
- EV refers to enterprise value; calculated as market capitalization + net debt + minority interest.
- EPS refers to earnings per share calculated on the basis of net profit attributable to the owners of the parent company. Weighted average number of shares in 2022: 121,887,907. Weighted average number of shares in 2021: 121,887,907.
- DPS refers to dividends per share.
- Data for Helios Faros and Valamar Obertauern (after 29 November 2021) are not included. Non-commercial properties/data excluded.
- Average rate is recorded on the basis of cumulative board revenues (accommodation and board's food and beverage revenues).
- Revenue per accommodation unit is recorded on the basis of cumulative board revenues (accommodation and board's food and beverage revenues).



## KEY FINANCIAL INDICATORS<sup>1</sup> IN EUR

	2019	2021	2022	22/19	22/21
Total revenues	299,291,393	223,268,051	332,091,196	11.0%	48.7%
Operating income	297,787,485	218,496,549	325,460,835	9.3%	49.0%
Sales revenues	288,566,729	213,329,189	319,607,361	10.8%	49.8%
Board revenues (accommodation and board revenues) <sup>2</sup>	239,993,167	178,667,810	264,457,810	10.2%	48.0%
Operating costs <sup>3</sup>	186,884,288	124,703,816	224,773,497	20.3%	80.2%
EBITDA <sup>4</sup>	103,722,196	85,853,877	96,650,536	-6.8%	12.6%
Extraordinary operations result and one-off items <sup>5</sup>	1,464,043	-3,660,911	-6,353,125	-533.9%	73.5%
Adjusted EBITDA <sup>6</sup>	102,258,153	89,514,787	103,003,661	0.7%	15.1%
EBIT	39,637,021	18,204,585	30,533,842	-23.0%	67.7%
Adjusted EBIT <sup>6</sup>	38,172,977	21,865,495	36,886,967	-3.4%	68.7%
EBT	31,357,453	13,486,545	26,803,313	-14.5%	98.7%
Net profit	41,255,459	14,447,714	21,295,808	-48.4%	47.4%
EBT margin	10.5%	6.2%	8.2%	-2.3%	2.1pp
EBITDA margin	34.8%	39.3%	29.7%	-5.1%	-9.6pp
Adjusted EBITDA margin <sup>6</sup>	34.3%	41.0%	31.6%	-2.7%	-9.3pp
	<b>31/12/2019</b>	<b>31/12/2021</b>	<b>31/12/2022</b>	<b>22/19</b>	<b>22/21</b>
Net debt <sup>7</sup>	294,963,075	262,479,442	242,529,080	-17.8%	-7.6%
Net debt / Adjusted EBITDA	2.9	2.9	2.4	-18.8%	-19.6%
Cash and cash equivalents	73,918,270	148,361,316	89,299,582	20.8%	-39.8%
Capital investments (details in chapter "2020 Investments")	128,761,918	15,331,249	42,127,356	-67.3%	174.8%
ROE <sup>8</sup>	8.8%	3.2%	4.3%	-4.5%	1.2pp
Adjusted ROCE <sup>9</sup>	5.2%	3.1%	5.3%	0.1%	2.2pp
Market capitalization <sup>10</sup>	635,267,866	553,254,306	510,165,244	-19.7%	-7.8%
EV <sup>11</sup>	1,028,452,688	954,491,278	887,143,153	-13.7%	-7.1%
EPS <sup>12</sup>	0.31	0.11	0.16	-48.6%	41.2%
DPS <sup>13</sup>	0.13	0.00	0.16	18.1%	-

## KEY BUSINESS INDICATORS<sup>14</sup>

	2019	2021	2022	22/19	22/21
Number of accommodation units (capacity)	20,430	20,159	20,093	-1.6%	-0.3%
Number of beds	56,591	56,157	56,142	-0.8%	0.0%
Full occupancy days	132	95	126	-4.5%	32.6%
Annual occupancy (%)	36	26	35	-2.8%	34.6%
Accommodation units sold	2,695,268	1,905,663	2,531,572	-6.1%	32.8%
Overnights	6,517,796	4,811,722	6,358,158	-2.4%	32.1%
ARR <sup>15</sup> (in EUR)	89	94	104	17.4%	11.5%
RevPAR <sup>16</sup> (in EUR)	11,747	8,863	13,162	12.0%	48.5%

1 Classified according to the Annual Financial Statement (GFI POD-RDG). EBIT, EBITDA and their adjusted values and respective margins are recorded on the basis of operating income. For P&L items, the average exchange rate HRK/EUR for the period was used, and for the balance sheet items the last daily exchange rate in the period.

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

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

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

5 Adjustments were made for (i) extraordinary income (in the amount of EUR 3.8 million in 2022, and EUR 4.0 million in 2021), (ii) extraordinary expenses (in the amount of EUR 9.9 million in 2022 (of which EUR 6.5 million refers to RDP), and EUR 7.4 million in 2021), and (iii) termination benefit costs (in the amount of EUR 0.3 million in 2022, and EUR 0.2 million in 2021).

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

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

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

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

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

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

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

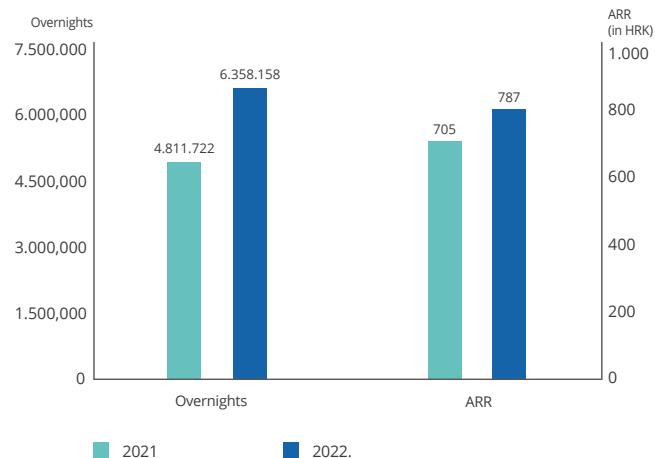
13 DPS refers to dividends per share.

14 Data for Helios Faros and Valamar Obertauern (after 29 November 2021) are not included. Non-commercial properties/data excluded.

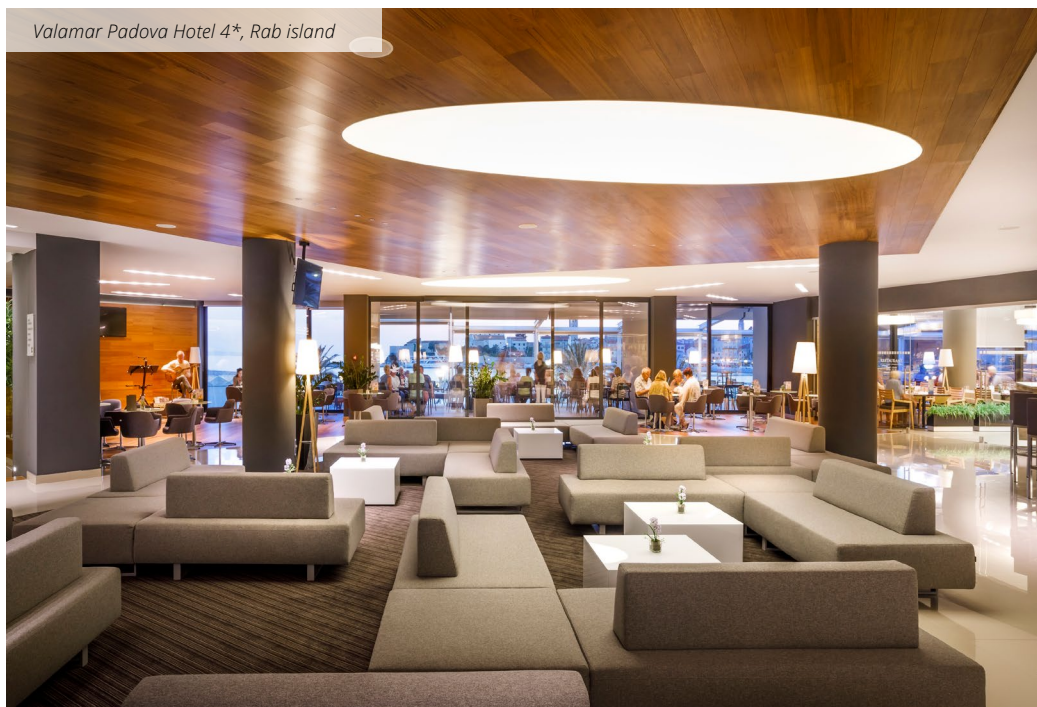
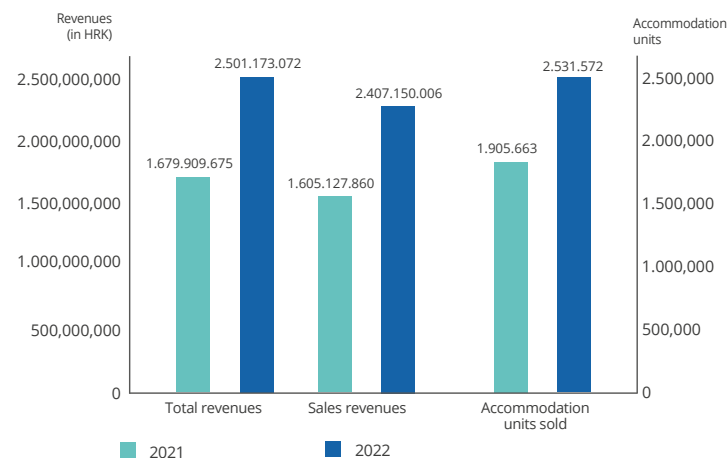
15 Average rate is recorded on the basis of cumulative board revenues (accommodation and board's food and beverage revenues).

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

## Overnights and ARR



## Revenues and accommodation units sold



Both overnights and revenues are significantly higher than in 2021. Four Group's hotels and two campsites were open during the whole of the first quarter, while additional five hotels opened during February and March. The second quarter saw the opening of all other commercial properties. New Valamar Amicor Green Resort on the island of Hvar was opened mid of July after works had finished.

The beginning of the year was marked by excellent trends in accommodation reservations. However, these trends slowed down after the commencement of the war in Ukraine at the end of February. This situation had lasted for approximately a month. Immediately after that, reservations quite recovered and the markets started again showing a positive sentiment and a strong desire to travel. Preseason saw an almost complete recovery of operations, while the results of some business segments for the high season were even better than those in 2019. The postseason was marked by the earlier closing of a large part of the facilities due to very high electricity costs and the preservation of profitability.

## REVENUES

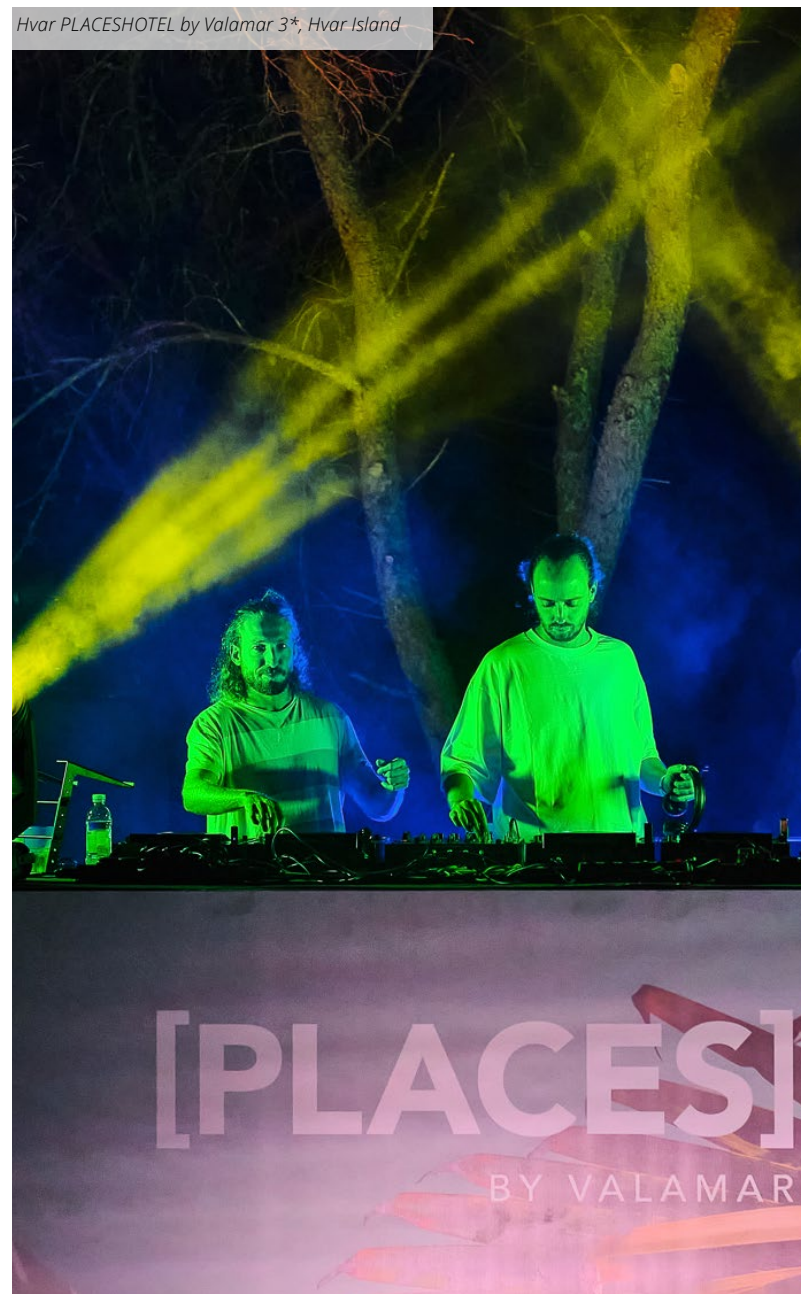
In 2022, the total revenues amounted to HRK 2,501.2 million, which is an increase of 48.9% (HRK 821.3 million). The realized total revenues have been influenced by:

a) increase in sales revenues by 50.0% (HRK 802.0 million) to the amount of HRK 2,407.2 million. This amount primarily consists of board revenues due to a significant improvement in tourist flows following a significantly smaller impact of the COVID-19 pandemic in 2022. There was no significant change in the revenue structure: the sales revenues on the domestic market amount to HRK 250.1 million and make up 10.4% of sales revenues (vs. 10.8% in 2021). Compared to 2021, they are by HRK 76.5 million higher. With an 89.6% share in sales revenues (vs. 89.2% for the 2021), the sales revenues on foreign markets amount to HRK 2,157.1 million and are by HRK 725.6 million higher.

b) rise in other operating revenues of 13.3% to HRK 43.7 million compared to 2021, mainly due to higher income from the sale of long-term assets.

c) financial income amounts to HRK 49.9 million and is by 41.3% higher than those realized in 2021 as a result of the increase in unrealized gains on financial assets (positive fair value of interest rate swaps).

Hvar PLACESHOTEL by Valamar 3\*, Hvar Island





**TOTAL OPERATING EXPENSES OF VALAMAR GROUP<sup>17</sup>**

(in HRK)	2021	2022	2022/2021
Operating costs <sup>18</sup>	938,294,335	1,692,900,701	80.4%
Total operating expenses	1,507,033,397	2,221,267,717	47.4%
Material costs	458,262,170	778,110,109	69.8%
Staff cost	353,175,910	690,477,834	95.5%
Depreciation and amortisation	507,335,969	497,694,931	-1.9%
Other costs	134,450,892	224,620,163	67.1%
Provisions and value adjustments	41,982,841	20,217,068	-51.8%
Other operating expenses	11,825,615	10,147,612	-14.2%

**TOTAL OPERATING EXPENSES**

The total operating expenses amount to HRK 2,221.3 million and are by 47.4% higher than last year:

a) material costs amount to HRK 778.1 million and are by 69.8% higher as a result of increased raw material costs, electricity, maintenance, promotional costs and other direct costs in accordance with the increased volume of operations

Electricity costs in 2022 amount to HRK 159.2 million and they are HRK 100.0 million higher compared to 2019. The unit price of electricity for Valamar in 2019 was approximately at the same level as in 2021, while in 2022 a new contract for the purchase of electricity was signed for the period from June 1, 2022 to May 31, 2023 with an increase in the price of electricity per kWh of 220% compared to the previous period.

In September the Government of Croatia announced various support measures for the economy aimed at price control of key energy and food goods. For Valamar, as a large company, electricity price is capped at 230 euro per MWh. It is slightly below our contracted price for the period 1 June 2022 – 31 May 2023. The Government measures are in effect from 1 October 2022 until 31 March 2023. In 2022, the Group recognized subsidies for electricity in the amount of HRK 3.0 million.

b) staff costs have increased by 95.5% and amount to HRK 690.5 million. This has also been caused by the increased volume of operations and the need for workforce, as well as due to abolishing of the COVID grants for employee cost subsidies (which in 2021 amounted HRK 102.1 million for the Group and HRK 84.6 million for the Company and were booked as a decrease in labor costs).

c) depreciation amounts to HRK 497.7 million, which represents a 1.9% decrease

d) other costs have increased by 67.0% to the amount of HRK 224.6 million. The increase is mainly driven by increased employee transportation and accommodation reimbursements, expenses for work through the agency, employee awards, utilities charges and travel expenses reimbursements

e) other business expenses amount to HRK 10.1 million, which represents a 14.9% decrease.

<sup>17</sup> Classified according to Annual Financial Statements standard (GFI POD-RDG).

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

## EBITDA AND PROFIT FOR THE PERIOD

Operating income increased by 49.1% compared to 2021. Adjusted EBITDA amounts to HRK 775.8 million and is 15.2% higher than in 2021. Increased costs, especially electricity, labour and foodstuffs, as well as the absence of COVID grants, had an impact on EBITDA.

By comparing these financial results to the pre-crisis year, i.e. 2019, which had roughly an equal number of overnights, it is evident that our costs have significantly increased (explained in more detail on the previous page). However, due to a significant increase in the average prices of the Group, the adjusted EBITDA for 2022 amounts to HRK 775.8 million, which is a 2.3% increase compared to 2019.

Following 1.9% lower depreciation costs and a somewhat better net financial result (a detailed explanation follows in the section below), earnings before tax (EBT) amount to HRK 201.9 million. This is an improvement of 98.9% compared to the last year.

The Group reported income tax in the amount of HRK 41.5 million. With respect to previously recognized deferred tax assets based on tax losses and tax incentives, for the Company and the Group in 2022, there is no obligation to pay income tax. The aforementioned income tax includes the amount of HRK 3.7 million in accordance with the Act on Additional Profit Tax, which is entirely related to Imperial Riviera d.d. The Group's net profit for 2022 amounts to HRK 160.4 million.

Valamar Carolina Hotel & Villas 4\*, Krk Island



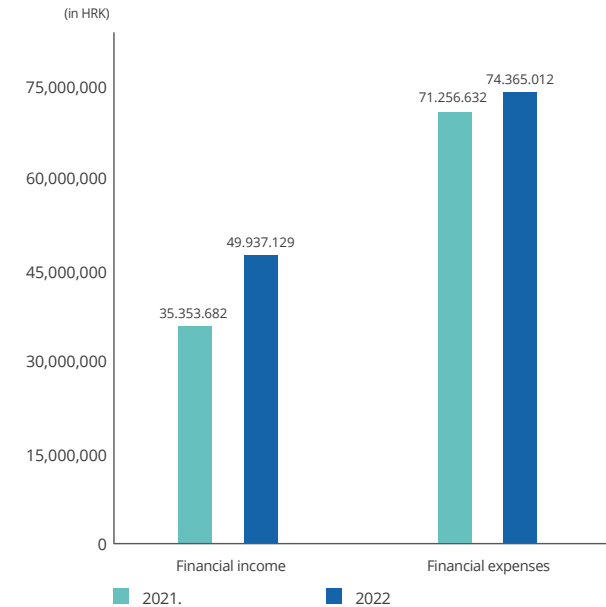
## RESULT FROM FINANCIAL ACTIVITIES

The result from financial activities 2022 amounts to HRK -24.4 million and is HRK 11.5 million improved compared to the 2021 when it amounted to HRK -35.9 million.

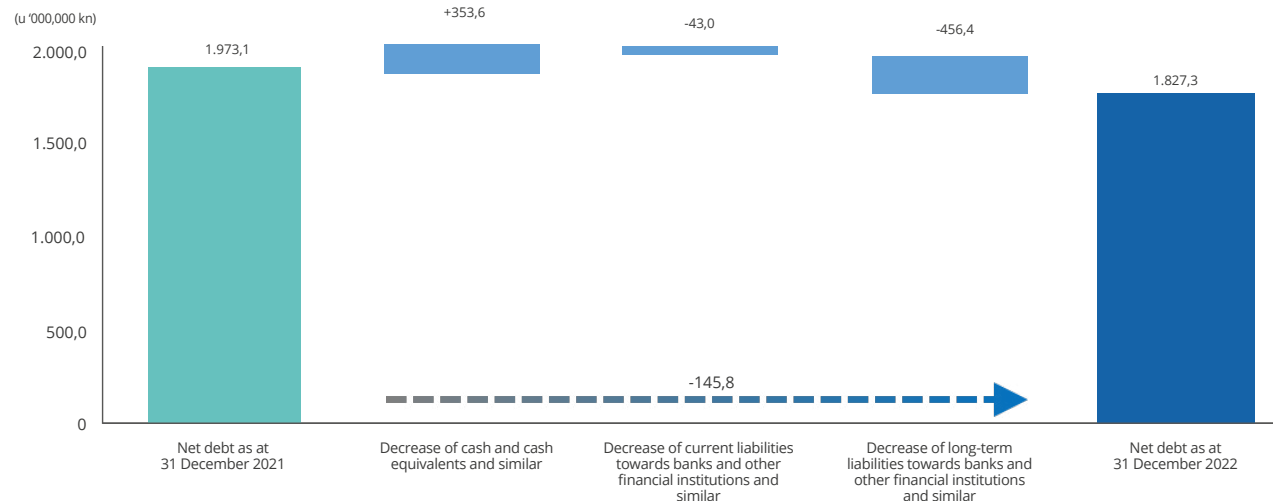
The increase in unrealised gains from financial assets, amounting to HRK 34.5 million, had the biggest impact on the improvement of the net financial result. This was mostly related to positive fair value of interest rate swaps caused by an increase in the reference interest rates on the financial market. Additionally, lower interest expenses on loans in the amount of HRK 6.7 million have also had an impact on the improvement in the net financial result (lower loan obligations).

At the same time, net exchange rate differences had the biggest negative impact, decreasing thus the financial result by HRK 13.4 million net. This was mainly due to an increase in negative exchange rate differences of almost HRK 7.2 million, while positive exchange rate differences were decreased by HRK 6.2 million. Also, other financial income in 2022 is HRK 13.7 million lower than in 2021, mostly due to the absence of the one-time effect of income from the deconsolidation of Austrian companies that was reported in 2021.

## Financial income and expenses



## Net debt <sup>19</sup>



<sup>19</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.



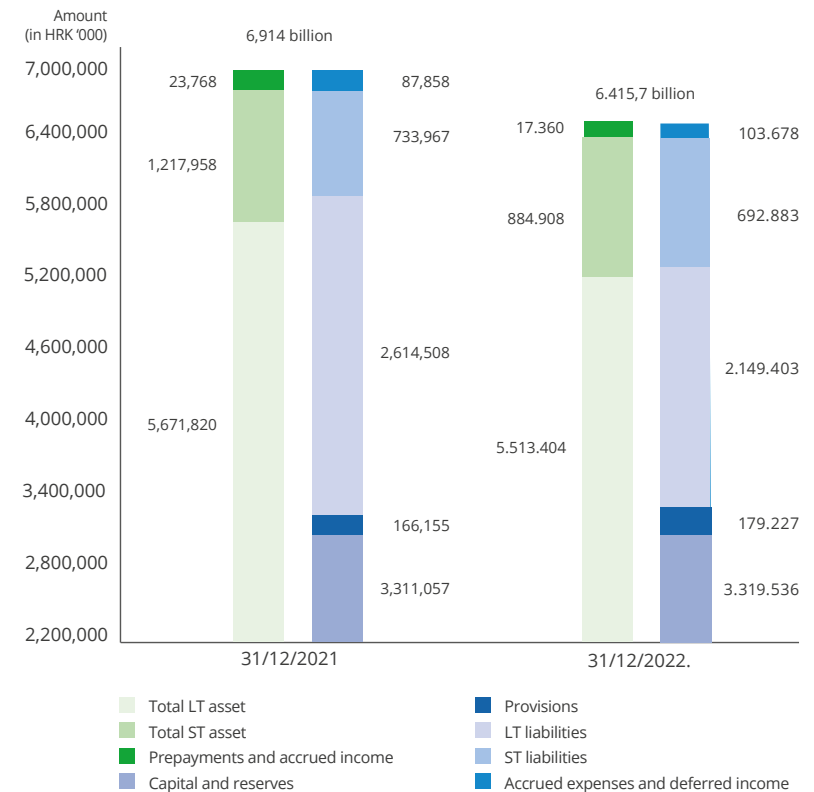
## ASSETS AND LIABILITIES

As at 31 December 2022, the total Group's assets decreased by 7.1% compared to 31 December 2021, and it amounts to HRK 6,419.8 million. The total share capital and reserves amount to HRK 3,323.7 million and are at the same level as at the end of 2022.

The total long-term and short-term liabilities to banks and other financial institutions as at 31 December 2022 amount to HRK 2,604.4 million. They are lower by 16.3% compared to 31 December 2021 as a result of Group's deleveraging.

A large part of the credit portfolio (89.7%) consists of long-term loans with contracted fixed interest rates and loans protected by derivative instruments (IRS) for the purpose of hedging against interest rate risk.

## Assets and liabilities



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

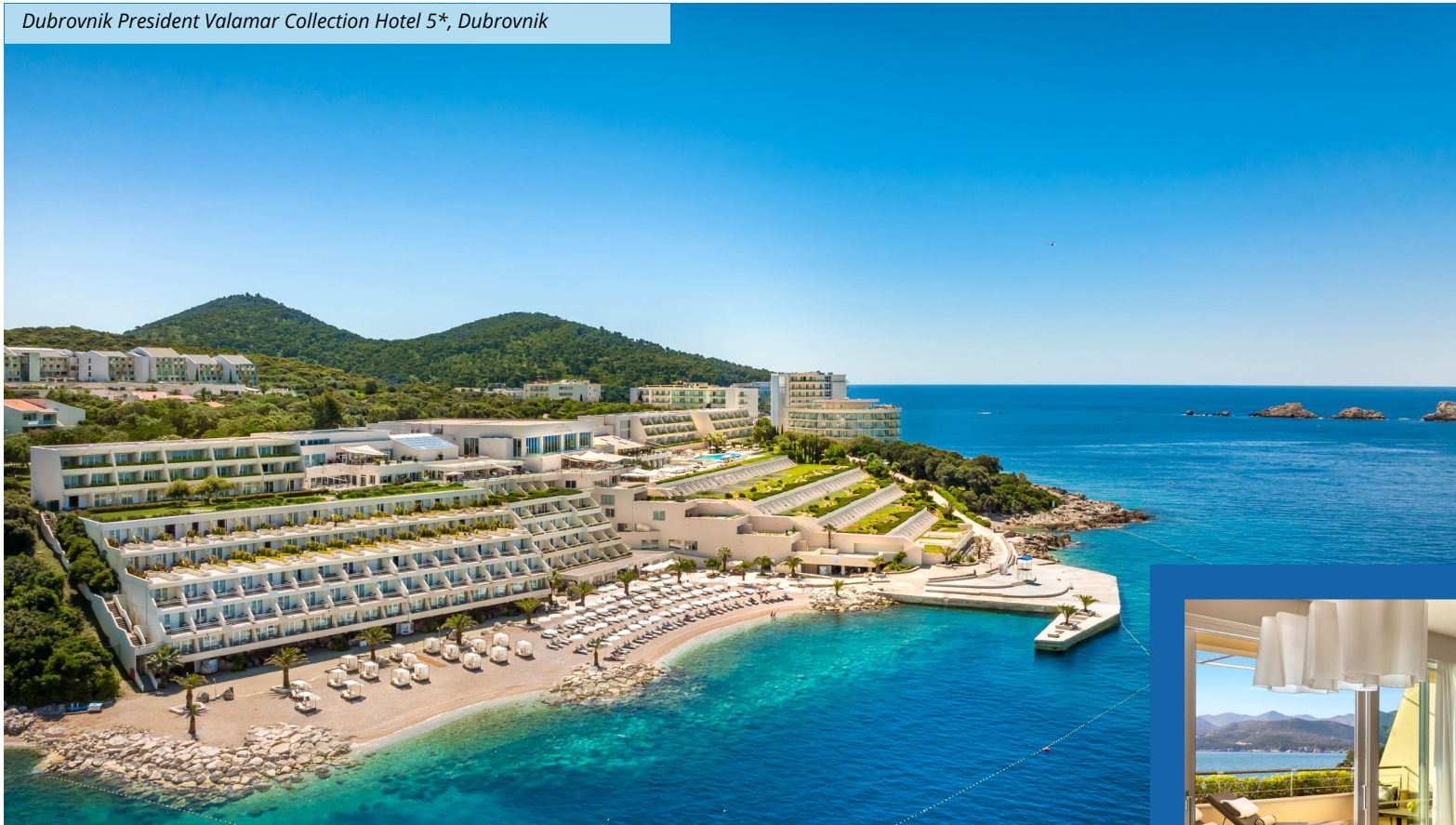
As at 31 December 2022, the Group's cash balance amounted to HRK 672.8 million (decrease of 39.7% compared to 31 December 2021), which together with i) contracted credit lines, ii) valuable tourism assets and iii) a strong operational business model make the Group's balance sheet position stable.

## HOTEL AND CAMPING RESORTS OVERVIEW<sup>20</sup>

HOTELS AND RESORTS OVERVIEW		LOCATION	KEYS	CAMPING RESORTS OVERVIEW		LOCATION	KEYS
<b>Hotels and Resorts</b>			<b>9.077</b>	<b>Camping Resorts</b>			<b>11.651</b>
<b>VALAMAR COLLECTION</b>			<b>1.328</b>	<b>CAMPING ADRIATIC BY VALAMAR - PREMIUM RESORTS</b>			<b>5.435</b>
Marea Valamar Collection Suites	5*	Poreč	108	Istra Premium Camping Resort	5*	Poreč	928
Imperial Valamar Collection Hotel	4*	Island Rab	136	Lanterna Premium Camping Resort	4*	Poreč	2.959
Dubrovnik President Valamar Collection Hotel	5*	Dubrovnik	292	Krk Premium Camping Resort	5*	Island Krk	500
Isabella Valamar Collection Island Resort	4* / 5*	Poreč	334	Ježevac Premium Camping Resort	4*	Island Krk	632
Girandella Valamar Collection Resort	4* / 5*	Rabac	391	Padova Premium Camping Resort	4*	Island Rab	416
Kesselspitze Valamar Collection Hotel	5*	Austria	67				
<b>VALAMAR HOTELS &amp; RESORTS</b>			<b>3.512</b>	<b>CAMPING ADRIATIC BY VALAMAR - RESORTS</b>			<b>4.556</b>
Valamar Riviera Hotel & Residence	4*	Poreč	132	Orsera Camping Resort	3*	Poreč	592
Valamar Tamaris Resort	4*	Poreč	507	Solaris Camping Resort	3*	Poreč	1.824
Valamar Parentino Hotel	4*	Poreč	329	Marina Camping Resort	4*	Rabac	329
Valamar Bellevue Resort	4*	Rabac	372	Baška Beach Camping Resort	4*	Island Krk	593
Valamar Diamant Hotel & Residence	3*/4*	Poreč	372	Bunculuka Camping Resort	4*	Island Krk	408
Valamar Sanfior Hotel & Casa	4*	Rabac	242	San Marino Camping Resort	4*	Island Rab	810
Valamar Atrium Baška Residence & Villa Adria	4* / 5*	Island Krk	92				
Valamar Carolina Hotel & Villas	4*	Island Rab	176	<b>CAMPING ADRIATIC BY VALAMAR - SUNNY</b>			<b>1.660</b>
Valamar Padova Hotel	4*	Island Rab	175	Brioni Sunny Camping	2*	Pula	740
Valamar Meteor Hotel	4*	Makarska	268	Tunarica Sunny Camping	2*	Rabac	160
Valamar Argosy Hotel	4*	Dubrovnik	308	Škriła Sunny Camping	3*	Island Krk	342
Valamar Lacroma Dubrovnik Hotel	4*	Dubrovnik	401	Solitude Sunny Camping	3*	Dubrovnik	418
Valamar Obertauern Hotel	4*	Austria	82				
Valamar Amicor Green Resort	4*	Island Hvar	56				
<b>[PLACES] by Valamar</b>			<b>369</b>				
Hvar [PLACESHOTEL] by Valamar	3*	Island Hvar	179				
Dalmacija [PLACESHOTEL] by Valamar	3*	Makarska	190				
<b>SUNNY BY VALAMAR</b>			<b>3.868</b>				
Lanterna Sunny Resort by Valamar	2*	Poreč	606				
San Marino Sunny Resort by Valamar	3*	Island Rab	457				
Rivijera Sunny Resort by Valamar	2*	Makarska	258				
Arkada Sunny Hotel by Valamar	2*	Island Hvar	251				
Tirena Sunny Hotel by Valamar	3*	Dubrovnik	208				
Club Dubrovnik Sunny Hotel	3*	Dubrovnik	338				
Eva Sunny Hotel & Residence	2* / 3*	Island Rab	284				
Crystal Sunny Hotel by Valamar	4*	Poreč	223				
Rubin Sunny Hotel by Valamar	3*	Poreč	253				
Allegro Sunny Hotel & Residence by Valamar	3*	Rabac	180				
Miramar Sunny Hotel & Residence by Valamar	3*	Rabac	178				
Corinthia Baška Sunny Hotel by Valamar	3*	Island Krk	353				
Zvonimir Sunny Hotel by Valamar	4*	Island Krk	85				
Koralj Sunny Hotel by Valamar	3*	Island Krk	194				
<b>NEW ACQUISITION'S</b>			<b>129</b>				
Hotel Marietta	4*	Austria	129				

<sup>20</sup> Hotel Marietta in Obertauern, Austria, acquired by Valamar A GmbH in December 2021 and leased to a third party until mid-2023. It is not currently under the management of Valamar Riviera. Hotel Kesselspitze in Obertauern was acquired by Valamar A GmbH at the beginning of July 2022 and is under the management of Valamar Riviera.

Dubrovnik President Valamar Collection Hotel 5\*, Dubrovnik



# Results of the Company



At the beginning of 2022 three hotels in Dubrovnik (Valamar Lacroma Dubrovnik Hotel, Club Dubrovnik Sunny Hotel by Valamar and Tirena Sunny Hotel by Valamar) were sold to the company Imperial Riviera d.d. Consequently, Valamar Riviera d.d. generated net revenues, i.e. profit from the assets' sale in the amount of HRK 471.9 million shown in the item Other operating revenues with entrepreneurs within the group. This transaction had a significant impact on the Company's separate financial reports, while it had no impact on the Group's financial reports as it was an intragroup transaction.

In 2022, total revenues amounted to HRK 2,495.4 million, which is an increase of 47.5% or HRK 803.9 million compared to 2021. The increase in total revenues is due to the above-mentioned revenues from the assets' sale and higher sales revenues from the core hospitality business.

Sales revenues amounted to HRK 1,917.3 million, increasing by 40.9% compared to the same period last year. The increase is a result of significant improvements in tourism flows following the considerably lower impact of the COVID-19 pandemic in 2022. Domestic sales revenues were HRK 268.4 million and represented 14.0% of total sales revenues (13.3% in 2021). Foreign sales revenues amount to HRK 1,648.9 million with a share of 86.0% in total revenues (86.7% in 2021).

Material costs amount to HRK 627.3 million and are up by 58.4% as a result of increased raw material costs, electricity, maintenance costs, promotional costs and other direct costs in line with the increased volume of operations. Staff costs amount to HRK 557.6 million and are up by 85.1% compared to last year, also due to increased business volume and the need for labor, as well as due to the abolition of COVID grants related to employee cost subsidies. Depreciation amounts to HRK 369.4 million and is down by 7.1% compared to last year, mainly due to the above-mentioned transfer of assets. Value adjustments and provisions amount to HRK 19.1 million and are 50.2% lower than last year.

The net financial result in 2022 amounts to HRK 13.9 million and is HRK 57.8 million higher compared to 2021 (when it amounted to HRK -43.9 million). The biggest contributor to this increase was the dividend income

HIGH PROFIT  
FROM THE SALE OF  
THREE HOTELS TO  
IMPERIAL RIVIERA  
ACHIEVED

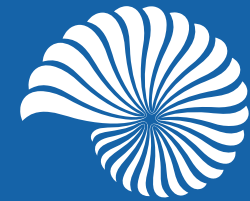
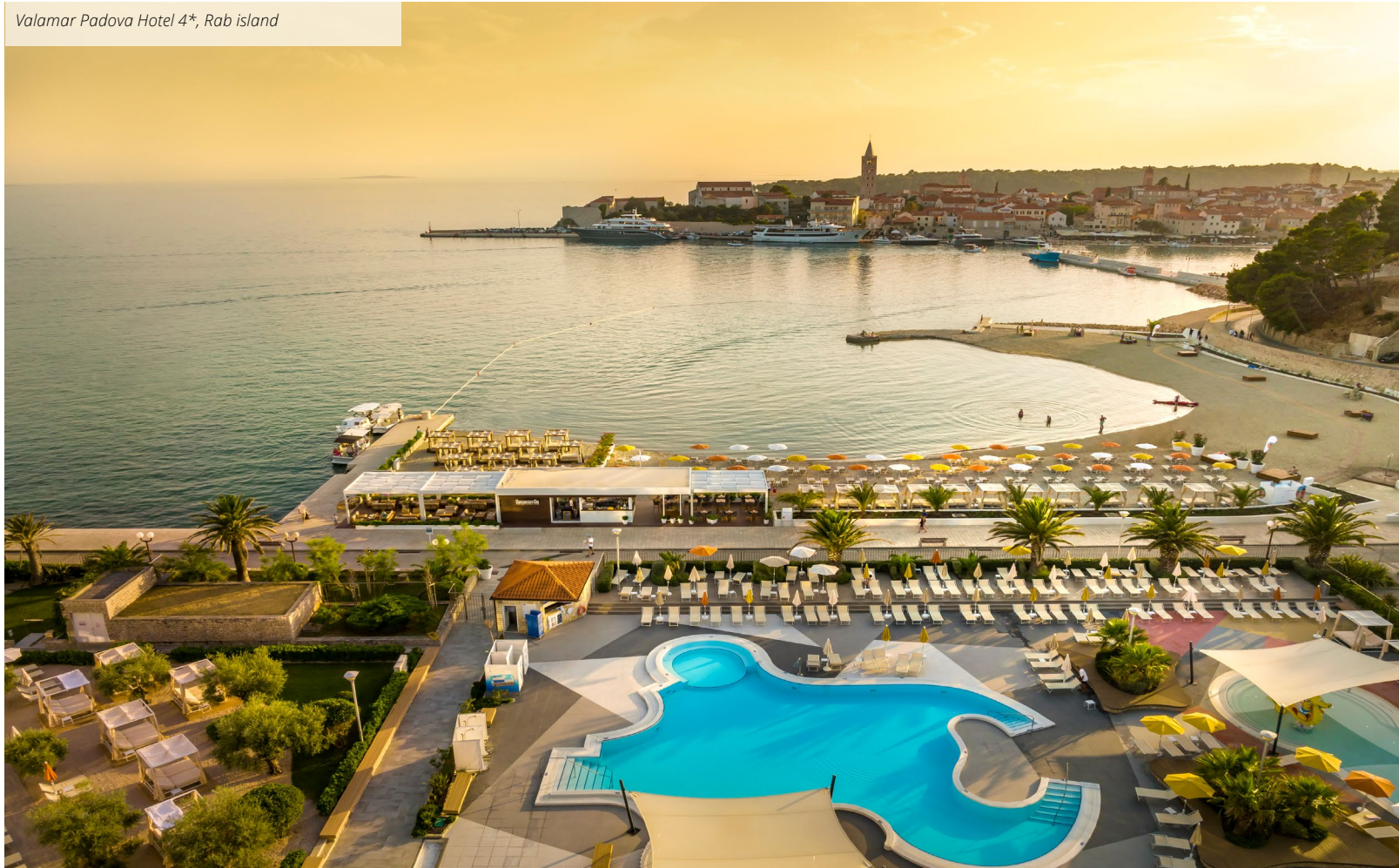
STRONG CASH  
POSITION OF THE  
COMPANY AS AT  
31 DECEMBER  
2022 OF HRK 447  
MILLION

from Imperial Riviera d.d. amounting to HRK 36.8 million, which was not the case in 2021. In addition, the increase in unrealised gains on financial assets (based on the fair value of interest rate swaps), amounting to HRK 18.5 million net, had an impact on the improvement in the net financial result. On the other hand, the decrease in positive and the increase in negative exchange rate differences had the biggest impact on the decrease in the net financial result, amounting to HRK 12.6 million net. This was primarily related to unrealised exchange rate differences on long-term loans.

Following considerably increased volume of operations compared to 2021 and the previously mentioned profit from the sale of assets in the amount of HRK 471.9 million, an EBITDA amounting to HRK 1,028.1 million has been realised. This is an increase of HRK 213.8 million compared to 2021 when an EBITDA of HRK 814.3 million was achieved. Following 8.7% lower depreciation costs and the better net financial result as described above, the earnings before tax (EBT) amount to HRK 672.3 million. This is an improvement of HRK 301.2 million compared to the same period last year. The Company has reported income tax in the amount of HRK 115.7 million. With respect to previously recognized deferred tax assets based on tax losses and tax incentives, for the Company in 2022, there is no obligation to pay income tax. The net profit 2022 amounts to HRK 556.6 million.

As at 31 December 2022, the total Company's assets amounted to HRK 5,223.2 million a decrease by 10.4% compared to 31 December 2021, primarily as a result of selling three hotels to Imperial Riviera and dividend payment. The total share capital and reserves amount to HRK 3,075.0 million, up by 17.4% as a result of the realized net profit. As at 31 December 2022, the cash balance of the Company amounts to HRK 446.6 million, which represents a decrease of 23.3% compared to 31 December 2021.

Valamar Padova Hotel 4\*, Rab island



# Investment cycle 2021/22



## VALAMAR RIVIERA

In the 2021/22 investment cycle Valamar Riviera realized investments in the amount of HRK 189 million.

Corinthia Hotel has been the favorite choice of all Valamar's guests in the destination of Baška. The upgrade of the quality of this hotel to the Sunny Plus brand level has been realized through an investment aimed at its renovation and rebranding. It includes the redesign and refurbishment of 340 rooms and the renovation of the current Lobby zone to Sunny Lounge, which will house an additional Chill & Play zone and a digital library. It also covers the redesign of the main restaurant and its upgrade to the Sunny Plus standard. The investment further includes the renovation and upgrade of kids' facilities, the introduction of the multimedia room, renovation and remodeling of the wellness area, the renovation of installations, and the transformation of 78 units into rooms for staff and other employees.

By continuing investments in Istra Premium Camping Resort, one of the best campsites in the Mediterranean, the premium segment accommodation is additionally upgraded and its quality improved. A further upgrade of its products and services includes an additional expansion of the interior of the Grano Duro restaurant which offers a wide selection of Italian cuisine specialties. The Bokoon tavern, which offers authentic traditional Istrian dishes, and which has been recognized and favored by both tourists and the local population, will undergo various improvements. Investments also include the opening of the new Fonte restaurant with a covered terrace, a new multifunctional sports court, additional interactive content for children, an additional beach on the northern side, improvement of accommodation, and upgrade of the Sunset & A Zone pitches as well as the expansion of the Orlandin zone with 33 new mobile houses, ten of which luxurious premium villas with a private swimming pool.

Istra Premium Camping Resort 5\*, Poreč





The investments in Lanterna Premium Camping Resort ensure a quality level upgrade for all facilities in this campsite as well as additional horticultural landscaping and a general service improvement. The Punto Blue zone was finalized – a completely new, exclusive, and sustainable premium zone consisting of 30 elegant premium camping homes and two swimming pools with a spectacular view of Tar Bay and the city of Novigrad. Solar collectors were placed at the top of the new roof covers, charging stations for electric cars were installed, and two sanitary facilities were completely reconstructed. The Valamar Bellevue Hotel by the sea has proven to be the perfect choice for families due to its numerous kid facilities. Investments enabled the achievement of its repositioning, including F&B upgrade and rebranding, the implementation of the Maro Smart Play, and an upgrade of 26 family accommodation units. The Sunny Plus concept was implemented in the Allegro Sunny Hotel to be able to offer our guests an even more fulfilling experience. It includes a digital library, the Chill & Play zone, and the Valfresco food display cabinet available 24/7. Also, the quality of the restaurant, sunbathing area, and swimming pool has been improved.

Besides investing in hotels and campsites, Valamar has been actively investing in maintenance, furniture as well as in IT maintenance and equipment. Within other investments, Valamar is also investing in the digitalization and business transformation for the new growth period and in the implementation of digital and innovative projects. Investments also includes an upgrade of the beaches in its destinations, brand implementation and updating of the Valamar's web for the year 2022.

## IMPERIAL RIVIERA

Imperial Riviera d.d. 2021/22 investment cycle amounted to HRK 125 million.

An investment amounting to HRK 67.1 million in the existing Dalmacija Sunny Hotel by Valamar in the destination of Makarska is completed, which was repositioned to Dalmacija [PLACESHOTEL] by Valamar. This investment includes the reconstruction of the existing and the construction of a new swimming pool, the arrangement of sundecks

IN 2021/22 CYCLE  
VALAMAR RIVIERA'S  
INVESTMENTS  
AMOUNT TO HRK  
189 MILLION, AND  
IMPERIAL RIVIERA'S  
125 MILLION

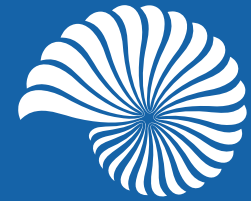
ALL  
INVESTMENTS  
COMPLETED  
ACCORDING TO  
PLAN

and a new swimming pool bar, the renovation of 190 accommodation units and other joint spaces at the level of lifestyle design with an emphasis on digitalization and quality, as well as the renovation of bathrooms. The renovation of the existing main restaurant, which makes part of the Lobby zone (Flexi board concept), is also underway. The ground floor and Lobby have been designed as one unit, thematically separated by zones (Lobby Bar/Reception, Digital Library, Pop Up Store, and Game Room). The existing Wellness is branded into Places Spa. The idea behind this new concept is to be able to offer to our guests, via the new [PLACES] hotel concept, a wider range of services as well as the possibility to truly get to know the local Mediterranean lifestyle of this destination. The works on the hotel renovation were finalized and executed according to the planned dynamics. The hotel was opened in mid-May. The beach restaurant below the Dalmacija [PLACESHOTEL] by Valamar, currently named Il Golfo, is being repositioned. The key interventions are the renovation and arrangement of the terrasse, new bar and counter, the arrangement of the interior and kitchen, furnishing with new seating furniture and beach amenities, and installing sunshades. Additional investment in the Valamar Meteor Hotel was also finalized, including new sundecks with attractions for kids in front of the Mediterraneo restaurant where the works will be realized in autumn and will be finished by the end of the year, while on the Lobby terrace a sundeck has been added. Likewise, there was an upgrade of the existing family rooms, restaurant, swimming pool and sundeck, sports facilities and animation, which were all completed.

In the destination of Rab, the construction and furnishing of the Padova I beach has been completed, as well as the construction and furnishing of the associated hospitality facility called The Beat Beach Club and the sanitary facilities. The purpose of this investment is to increase service quality and expand business activities on the future Padova beach. The northern Valamar Padova Sandy Beach and the southern entrance is being branded and marked, and new signaling is installed on the promenade and the beach.

Besides investing in facilities, Imperial Riviera d.d. has been actively investing in maintenance, furniture, IT maintenance and equipment as well as in energy efficiency increase projects.

Tirena Sunny Hotel by Valamar 3\*, Dubrovnik



# Investment cycle 2022/23



The continuous success and growth of Valamar Riviera rest on investing in products, employees and tourist destinations. Through its commitment to reducing carbon footprint and its continued renewable energy investments, Valamar Riviera always takes care to ensure sustainable and socially responsible development. Along with enriching our tourist offer, we have developed Valamar service concepts to reach current market demands and guest expectations. We have thus respectively adjusted our planned portfolio development towards high added value offer and services, focused on the premium resorts and campsites segment, to the decreased investment intensity in the past couple of years. Simultaneously, we have prepared new growth and development projects for the future. In accordance with the harmonisation of our planned portfolio and development with the current tourist flows and a proactive approach to cash flow management and financing, we have primarily focused our investments in the 2022/2023 cycle on finalising the commenced projects and realising new investments. These investments are aimed at enhancing quality and guest satisfaction.

The approved investments for the 2022/2023 cycle at Valamar Group amount to a total of EUR 58 million. The Group has continued aligning its products and developing digitalisation projects to boost its service quality and improve guests' safety for the upcoming tourist season. These investments mostly relate to financing the improvement and quality upgrade of Istra Premium Camping Resort, the repositioning of the Valamar Tirena Hotel to the VHR 4\* category, the building of the Maro World in Babin Kuk and the repositioning of the Club Dubrovnik Sunny Hotel to the Sunny Plus concept.

Besides investing in hotels and campsites, Valamar has also been actively investing in digitalisation and innovation for the new growth period.

*Istra Premium Camping Resort 5\*, Poreč*





## VALAMAR RIVIERA

The planned investments of Valamar Riviera for the 2022/2023 cycle amount to EUR 26.0 million. Besides continuing to invest in energy efficiency and digitalisation projects, these investments mostly relate to the projects of quality upgrade and improvement of Istra Premium Camping Resort 5\*, a further upgrade and improvement of the Corinthia Sunny Plus Hotel by Valamar 3\*, projects of investing in the maintenance of properties and guest facilities and in accommodation of seasonal employees in all destinations.

The biggest individual capital investment in 2022/2023, amounting to EUR 7.5 million, relates to Istra Premium Camping Resort, the best Family Camping Resort in Croatia and one of the best campsites in the Mediterranean. This investment is focused on additional quality upgrades and premium segment improvements. It includes an expansion of the Orlandin zone (10 new mobile houses), an expansion of the C zone including 18 new villas with a swimming pool, a new restaurant called Tuna Bay Grill, the finalisation of the Fonte restaurant, an upgrade of the supermarket and outdoor wellness, and an expansion of the parking lot and charging stations. The C zone will be expanded to an area of 9,200 m<sup>2</sup> that will accommodate 18 brand new villas with a private swimming pool. Besides a private pool with heated water and an outdoor shower, each villa will consist of a bedroom with a double bed, a children's room with two beds, a bathroom with a shower, and a covered terrace. These investments will also ensure an additional quality upgrade of all campsite facilities and an overall service uplift.

Valamar Riviera is continually focused on green projects, sustainability and energy efficiency. In this investment cycle, Valamar Riviera has invested in sustainability projects almost 10% of its total current investment plan. We have upgraded our bio-waste and recycling units, reconstructed our solar panels, installed electric vehicle chargers, and planted new trees and greenery in all of our destinations. We have made an additional investment of EUR 4 million in digitalisation and innovation projects that serve to continually improve our service quality.

IN THE 2022/23  
CYCLE,  
VALAMAR  
RIVIERA'S  
INVESTMENTS  
ARE PLANNED  
IN THE AMOUNT  
OF 26 MILLION,  
AND IMPERIAL  
RIVIERA'S 32  
MILLION

EMPHASIS  
ON GROUP'S  
INVESTMENTS  
IN THE  
DESTINATION  
OF DUBROVNIK

Besides environmental protection and energy efficiency, we pay particular attention to investing in the maintenance of all of our destinations. We do so by investing in the regular maintenance of properties and guest facilities and by investing in safety. Taking into account the 2022/2023 investment cycle only, Valamar Riviera has invested in maintenance more than EUR 9 million. We have made additional investments amounting to more than EUR half a million in the upgrade of beaches and over EUR 400 thousand in the improvement of guests' safety.

## IMPERIAL RIVIERA

The company Imperial Riviera d.d. has commenced its 2022/2023 investment cycle, and plans to invest EUR 31.6 million. The most important investments relate to the Dubrovnik destination, i.e. to the Valamar Tirena Hotel, Valamar Lacroma Hotel, Club Dubrovnik Sunny Hotel, and to the ancillary properties of Exodus and Popiva, i.e. the future Maro World.

The investment in the Valamar Tirena Hotel has begun. This project is aimed at refurbishing this hotel to make quality upgrades and modernise the hotel premises, renovate old equipment parts and update the working processes. These investments will also be utilised to upgrade this hotel to the four-star quality level, i.e. to reposition it to Valamar Hotels & Resorts 4\*. All of 208 accommodation units and all public area hallways are being fully renovated, and the entire outdoor hardware is being replaced. New glass balcony fences are being installed to meet the safety requirements. The reorganisation of the kitchen on the ground floor in accordance with the provisions of the HACCAP standard is also planned. The cafeteria and the backdoor space will be arranged as well. This investment will also include a redesign of the main roof cover, a remodelling of the hotel entrance and of all public areas, of the lobby and the reception. The planned investment amounts to EUR 13.6 million.

The investment in the Valamar Lacroma Hotel has commenced as well. This investment covers quality upgrades and a redesign of the hotel's interior, including accommodation units, public areas with an emphasis on the F&B segment, the indoor swimming pool and wellness zone, a new outdoor Mezzino bar, and the swimming pool complex with water slides and the accompanying sun deck. The investment in the accommodation units includes a redesign of their interior with fully new furnishings, fitted and moveable furniture and hotel equipment. The planned investment amounts to EUR 4.7 million.

The investment in the Club Dubrovnik Sunny Hotel has begun too, including a complete remodelling of 102 accommodation units. Everything except bathrooms in 199 accommodation units is also being remodelled, which includes new floor coverings, beds, furniture and lighting. The hotel's entrance and driveway are being remodelled as well, along with the interior redesign of the reception, lobby and the entire restaurant. A new water slide is being installed in the outdoor swimming pool zone, and the procurement of the new equipment for the sun deck and the swimming pool zone is underway. This investment will reposition this hotel to the Club Dubrovnik Sunny Hotel by Valamar. The planned investment amounts to EUR 3.1 million.

The investment relating to two existing properties, Popiva and Exodus, has also begun. After it is finalised, this area will become a large children's complex with various facilities for all ages under the name of Maro World. The investment will include a complete reconstruction of the property and the construction and refurbishing of new facilities within and outside the properties. Maro World is designed to be a large theme playground at the disposal of all children in Imperial Riviera properties. The planned investment amounts to EUR 3.8 million.

Except for investing in properties, Imperial Riviera d.d. actively invests in maintenance, furniture, IT equipment, and energy efficiency increase projects.

Additional infrastructural solutions are also planned within investments in software integrations, WiFi projects, video surveillance and smart rooms.

The preparation of the project documentation for San Marino Sunny Resort by Valamar, San Marino Premium Camping Resort by Valamar, and Valamar Collection Suha Punta Resort is underway. The zoning plan documentation for the realisation of future investments is being actively prepared as well.

Activities for future developmental projects in all of the Company's destinations are also underway. These projects are aimed at increasing service quality and energy efficiency, about which concrete investment decisions are yet to be made.



*Valamar Lacroma Dubrovnik Hotel 4\*, Dubrovnik*



Valamar Amicor Green Resort 4\*, Hvar island



# ESG & Human resources



## ESG STRATEGY AND GOALS

At the end of June 2022, Valamar presented a new sustainability strategy and ESG targets by 2025 in an integrated report (available at the link: <https://valamar-riviera.com/pdfjs/viewer.html?file=/media/451419/integrated-annual-report-and-sustainability-2021.pdf> ). It is a strategic plan that combines 12 key environmental (E), social (S) and governance (G) goals that Valamar plans to achieve through 6 strategic initiatives by 2025. The 2021 Integrated Report, which also includes a non-financial report is in accordance with the Standards of the Global Reporting Initiative (GRI) as well as the applicable regulations related to the EU taxonomy. Valamar is the first tourism company in Croatia to integrate sustainable development into business and development management and to announce sustainability goals according to the ESG framework.

The comprehensive sustainability strategy focuses on six strategic initiatives to achieve the ESG targets by 2025 and position Valamar as a sustainability leader among European hotel and tourism companies. The ESG strategy includes Valamar's entire value chain from suppliers, employees and operations, to guests and destinations. Valamar is committed to sustainable use of natural resources and a positive impact on the destinations and society in which it operates.

As the leading tourism company in Croatia, Valamar has invested almost 65 million euros in various sustainability and social responsibility programs since 2015. These programs include investments in renewable energy and energy efficiency, tourism infrastructure, as well as numerous programs for employees, social and philanthropic programs. Valamar presented a new sustainability strategy and ESG goals by 2025. Valamar Riviera plans to become a carbon neutral company in the first and second scope in the next three years and will invest EUR 50 million in destination development and sustainability projects.

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

FINANCIAL TIMES LISTED VALAMAR AS ONE OF THE CLIMATE LEADERS IN EUROPE FOR 2022

## 2025 ESG GOALS

- 1. CARBON NEUTRALITY BY 2025 (first and second scope)**  
Valamar will continue to reduce its greenhouse gas emissions and achieve carbon neutrality at company and portfolio level owned and operated by 2025.
- 2. 15% OF SOLAR ELECTRICITY**  
Valamar will significantly increase the share of electricity from renewable sources, i.e. solar energy produced at Valamar properties, and will continue to invest in renewable energy sources through long-term partnerships.
- 3. HIGHEST SEA WATER QUALITY IN ALL VALAMAR DESTINATIONS**  
Valamar will continue to protect and manage the quality of the sea in all its destinations measured by the Blue Flag, the world-famous label that ensures the ecological management of beaches and marinas.
- 4. REFORESTATION AND 80,000 TREES**  
Valamar is committed to reforestation and sustainable management of 80,000 trees and hundreds of hectares of greenery in and around Valamar's properties, especially on the Adriatic coast.
- 5. WASTE RECYCLING RATE BETTER THAN EU AVERAGE**  
Valamar will continue to achieve higher recycling rates than the EU average.
- 6. LOW WATER WITHDRAWAL**  
Valamar will keep the water withdrawal intensity below 0.55 m<sup>3</sup> per occupied room and focus on the use of treated wastewater and optimization of water consumption.
- 7. ZERO SINGLE-USE PLASTIC**  
Valamar strives to replace or dispose of single-use plastic packaging in its properties.
- 8. 70% OF DOMESTIC EMPLOYEES**  
Valamar employs and retains local employees. The company provides

## ESG ACHIEVEMENTS 2022

<b>ENVIRONMENT</b>	ZelEn CERTIFICATE FOR USING ELECTRICITY ENERGY FROM RENEWABLE SOURCES	70% DECREASE IN CO2E INTENSITY (VS.2015 BASELINE)	FINANCIAL TIMES CLIMATE LEADER COMPANY (TOP 30 IN EUROPE)	INSTALLED SOLAR POWER PLANTS FOR 6% OF TOTAL ANNUAL ELECTRICITY CONSUMPTION	GREEN PRIX NATIONAL AWARD FOR DECARBONISATION	3.100 TREES PLANTED THROUGH GUEST DONATIONS IN CROATIA & 274 TREES PLANTED IN VALAMAR
<b>SOCIETY</b>	EUR 10 MILLION INVESTED INTO OUR DESTINATIONS AND SOCIAL IMPACT SINCE 2015	TOP EMPLOYER IN CROATIAN TOURISM	MAJORITY OF FOOD & BEVERAGE LOCALLY PRODUCED	FOCUS ON DOMESTIC EMPLOYEES	NATIONAL AWARDS FOR SUSTAINABILITY FROM MINISTRY OF TOURISM	REDUCTION IN FOOD WASTE THROUGH BIOCOMPOST
<b>GOVERNANCE</b>	DEVELOPED ESG STRATEGY WITH FORMULATED ESG TARGETS	CHARTER FOR IMPROVING QUALITY IN THE CROATIAN ECONOMY 1ST PLACE	26 HOTELS WITH TRAVELIFE CERTIFICATE & 6 CAMPSITES WITH EU ECOLABEL CERTIFICATE	VALAMAR PROPERTIES ISO 14001 & ISO 50001 CERTIFIED	15 BLUE FLAG CERTIFIED BEACHES	VALAMAR AMICOR GREEN RESORT 1ST ECO RESORT

numerous opportunities for personal and professional development of employees through education and training programs.

#### 9. LOCAL FOOD SHARE 80%

Valamar has a high share of domestic production and local products in the food and beverage segment. By promoting indigenous products, Valamar provides authentic experiences and develops long-term partnerships with local producers.

#### 10. EUR 50 MILLION INVESTED IN ESG

Valamar will continue to invest in carbon neutrality, biodiversity, employees, destination development, tourism infrastructure and local communities for the benefit of all stakeholders.

#### 11. RESPONSIBLE SUPPLIERS' VALUE SHARE 80%

In order to have a greater positive impact on the environment and the destinations in which it operates, Valamar engages and motivates its strategic suppliers to transition towards sustainable business practices.

#### 12. 100% OF PROPERTIES WITH SUSTAINABILITY CERTIFICATES

Valamar's commitment to sustainability is recognized by professional organizations and a large number of Valamar properties hold these certificates.

During 2022, Valamar has taken certain steps towards achieving the set goals. Fifteen blue flags are found in Valamar destinations, and 78% of food and beverages are locally produced. Valamar will plant almost three thousand new trees in Split-Dalmatia and Karlovac County by mid-December. In 2022, 100% of Valamar's properties earned ISO 14001 and 50001 certificate, and 34 properties have sustainability certificates.

IN 2022, VALAMAR SIGNIFICANTLY INCREASED SALARIES AND REWARDS FOR ALL OF ITS EMPLOYEES. AS THE FIRST TOURISM COMPANY IN CROATIA, IT STARTED THE PROCESS OF ALIGNING SALARIES WITH THE LEVEL OF SALARIES IN THE EUROPEAN TOURISM INDUSTRY.

## CLIMATE CHANGE MITIGATION

In the period from 2015 to 2022, Valamar reduced its carbon footprint by 70%. In 2022, more than 80% of electricity comes from renewable sources, and Valamar properties have installed solar power plants, which provide 6% of the total annual consumption.

The results were also observed globally, and the Financial Times recognized Valamar as one of the climate leaders in Europe for 2022.

In 2022, Valamar Riviera and E.ON Croatia received the National Environmental Award 2022 – Green Prix in the category 'Decarbonize the community', which represents an award for natural and legal persons who contributed to the achievement of climate goals in the wider community through their project activities in the period from 2021 to 2022. At the Days of Croatian Tourism in October 2022, Valamar was awarded a special Recognition for excellence in the application of the principle of sustainable tourism.

Find more information about Valamar Riviera's ESG goals and initiatives on <https://esg.valamar-riviera.com/>.

Valamar will publish its integrated report for 2022 within the legal timeframe, in the first half of 2023, and the report will be available at the link: <https://valamar-riviera.com/en/media/integrated-annual-reports/>.

## VALAMAR RIVIERA AND IMPERIAL RIVIERA ENVIRONMENTAL AND SUSTAINABLE CERTIFICATES IN YEAR 2022

Valamar's commitment to sustainability has been confirmed by certification bodies and organizations that have awarded numerous sustainability certificates and labels to Valamar Group companies and tourist accommodation facilities.

Sustainability certificates are independent confirmation that Valamar operates in accordance with high standards of environmental protection



and social responsibility, i.e. that we take care about ecology, health and safety, labour and human rights, as well as the local community when making business decisions and during operations.

Below are presented the certificates and labels of sustainability pillars that are awarded to Valamar.



**ISO 14001 Environmental Management System**  
Certified all tourist accommodations of Valamar Riviera & Imperial Riviera



**Travelife Sustainable Hotel Certificate**  
Certified 26 hotels and resorts of Valamar Riviera & Imperial Riviera



**BLUE FLAG**  
Environmental program for beaches protection  
Awarded to 15 of our beaches



**EU Ecolabel - Environmental label**  
Awarded to 6 Valamar Riviera campsites



**Sustainable Hotel Certificate - UPUHH**  
Certificated 7 hotels of Valamar Riviera & Imperial Riviera



**ISO 5001 Energy Management System**  
Certified all tourist accommodations of Valamar Riviera & Imperial Riviera



**ConsumlessMed**  
Sustainable label  
Awarded to 9 hotels of Valamar Riviera in Istria

## HUMAN RESOURCES

Valamar is one of the largest employers in Croatia. In the peak of the season on 31 July 2022 Valamar Group employed a total of 7,447 employees, of which 2,416 were permanent.

As at 31 December 2022, the Group had a total of 3,222 employees, of which 2,370 were permanent, and the Company had 2,457 employees, out of which 1,849 were permanent.

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

Despite the crisis which had marked the two preceding years, in 2022, Valamar significantly increased salaries and rewards for all of its employees. As the first tourism company in Croatia, it started the process of aligning salaries with the level of salaries in the European tourism industry. Salaries for professional occupations were raised by an average of 14%, and in 2022 they amounted to 1,000 to 1,600 euros per month net. A guarantee was introduced that, starting from the 2022 season, guaranteed employees a minimum net income of 750 to 1,100 euros for the full amount of hours worked. More than 15 million euros were invested in salary increases and reward programs for 7,000 employees. Aiming to ensure a year-round income to as many employees as possible, this year Valamar offered 200 new permanent contracts. Its additional portfolio expansion in Austria has increased the number of employees to whom Valamar is able to offer the opportunity to work in its winter destinations.

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

at more than three hundred points of sale and flexible forms of work to best support the life-work balance.

In the last 5 years, HRK 140 million has been invested in the construction of quality accommodation for seasonal employees under the name of Valamar House. This investment enabled the opening of five such staff residences for seasonal employees, two of which in Poreč, one on the island of Krk, one in Rabac and one in Dubrovnik. Year after year, Valamar has been investing in that project. This concept of ensuring modern and quality accommodation and meals for seasonal employees during their stay in the destination where they work has been continuously improving. The goal of the Valamar House concept is to provide seasonal employees with excellent accommodation and meals in all of Valamar's destinations. The modern Valamar Houses offer single and double bedrooms, free internet, relaxation areas and quality meals.

Besides its numerous reward programmes, at the end of each year, Valamar additionally recognises and rewards its employees for their extraordinary achievements in the current year. In 2022, 450 employees who had demonstrated excellence in various categories, either individually or as a team, were rewarded. Rewards were given e.g. to employees who had achieved extraordinary results with their teams and in their properties, to managers whose teams had the biggest employee satisfaction and to Valamar ambassadors who had achieved excellent results in the state and world competitions.

Valamar has developed numerous programmes for the education and development of its employees at all jobs, including Valamar Excellence, an umbrella life-long learning programme. In 2022, this programme enabled employees to gain top knowledge about business operations in tourism and hospitality, i.e. Valamar Educations (V-Professional programmes) and Valamar Trainings (V-Academy, V-Lead, V-Start and V-Intern programmes).

Being continuously dedicated to providing top service, Valamar held its UP!lifting workshops in 2022 as well. These workshops aim to create a top service excellence culture and motivate employees to dedicate their potential to uplifting service excellence.

NUMEROUS  
PROGRAMS  
FOR EMPLOYEE  
EDUCATION  
AND  
DEVELOPMENT  
HAVE BEEN  
DEVELOPED

Valamar has been included in the Programme of Supporting the Education of Professionals in Hospitality and Tourism, implemented by the Ministry of Tourism and Sports, from its very beginning. Through this Programme, Valamar has been co-financing the scholarships for pupils of vocational tourism schools. Valamar is the largest scholarship provider in Croatia, and it provides scholarships for 111 pupils in the school year 2022/2023.

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

Valamar also participates as a partner to three regional tourism competence centres and, together with the academic community, develops new curricula and job standards.

Besides salary level and other benefits offered, as the best rated employer in the tourism industry for five consecutive years, Valamar recognises the importance of harmonious relations at the workplace, job security and employer's social responsibility as crucial factors in the choice of employer. Employees themselves have also recognised Valamar's employee care. In the regular survey of the corporate culture and atmosphere carried out in 2022, employees highlighted precisely Valamar's corporate culture and atmosphere as its greatest values.

Bunculuka Camping Resort 4\*, Krk island



# The Risks of the Company and the Group



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

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

## 5

### KEY STEPS IN RISK MANAGEMENT PROCESS

There are five key steps in a risk management process:

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

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

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



## FINANCIAL RISKS

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

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

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

### 1) Foreign exchange risk

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

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

### 2) Interest rate risk

Variable rate loans expose the Company and Group to cash flow interest rate risk. Actively, the Company and Group resort to derivative instruments in order to hedge cash flow and interest rate by applying interest rate swaps. The economic effect of such swaps is the conversion of variable interest rate loans into fixed interest rate loans for a precommitted hedged part of the loan principal. Therefore, a major part of the loan portfolio 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 (89.7%) is made up of long-term fixed-rate loans, i.e. loans protected by derivative instruments (IRS).

### 3) Credit risk

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

### 4) Price risk

The Company and Group hold equity securities and are exposed to equity price

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

#### 5) Liquidity risk

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

#### 6) Share-related risks

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

#### 7) Risk of inflation and increase in prices of purchased goods

COVID-19 pandemic and related movement restrictions as well as supply

disruptions, along with strong rising energy prices and the war in Ukraine, have induced global inflation and rising prices at the end of 2021 and throughout 2022.

The Croatian Bureau of Statistics (DZS) announced in January 2023 that, measured by the consumer price index, the prices of goods and services for personal consumption in December 2022 compared to December 2021, i.e. at the annual level, increased by 13.1% on average.

According to Croatian National Bank's (HNB) press release from December 2022, the faster increase in prices in 2022 is largely the result of surges in the prices of energy products and food and industrial raw materials in the world market. The faster increase in inflation was also driven by the strong demand for services following the lifting of pandemic containment measures, amid the lack of qualified labour force and the rise in wages in the hotels and restaurants sector. By contrast, inflation growth was somewhat mitigated by the restriction on the prices of some energy products and basic food products. Considerably higher inflation in Croatia compared to that in the euro area stems from a sharp increase in the non-resident demand for tourist services, stronger economic recovery, lower competition in the domestic market and differences in the consumer basket structure with a larger share of food and accommodation services in 2022. HNB expects that the inflation in Croatia will slow down in 2023.

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



## BUSINESS RISK

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

Around 90% of Valamar's guests come from other countries and they are very careful when choosing their vacation destination in the competitive Mediterranean environment. Stable domicile countries macroeconomic indicators are important decision-making factors especially those relating to exchange rates and the price of goods and services because they directly affect the guests' purchasing power.

However small, the share of domestic guests is also important; it is a segment directly influenced by various other macroeconomic indicators: employment/unemployment rate, GNP rise/ fall, industrial production and others. They all have a direct impact not only on the purchasing power of Croatian residents but they also determine whether they will choose to spend their vacation in one of our properties.

When considering risks related to the tourism and hospitality industry, in previous years, the Croatian economy has been afflicted by the consequences of a global financial crisis and economic standstill. In this period, the tourism and hospitality industry has been among the rare growing industries in Croatia. Moreover, the marked seasonality of this industry leads to insufficient use of the Company and Group's resources. After joining the European Union, the Croatian market became part of a large European market, while safety risks decreased after joining the NATO. Good management of human resources is vital for the future growth of the Company and Group. Risks related to shortages of specific skills, expertise and jobs are connected with the opening and expansion of the 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 economic and financial crisis which reduce the purchasing power

of the travelling-prone population;

- Security and political issues related to global terrorism threats;
- Security and political instability in the immediate environment of the neighbouring countries.
- geopolitical risks connected with the Russian invasion of Ukraine in February 2022.

Environmental risks can also have an adverse effect on the Company and Group's business results, primarily in terms of customer satisfaction with the whole experience while staying at one of Valamar's properties and this can affect the number of arrivals. The possible risks can include: sea pollution (caused by oil or chemical spillage), but also long-term water quality reduction and coast pollution due to inadequate waste disposal and waste water treatment as well as extensive use of agricultural fertilizers. Other environmental conditions typical for climate changes such as long drought periods or long rainy periods can directly influence the guests' length of stay in the hotels and campsites as well as increasing the operating costs. A number of other natural disasters and calamities (earthquakes, fires, floods and rainstorms), air pollution caused by toxic gas emissions from industrial plants and vehicles, as well as excessive urbanization and the introduction of plant and animal invasive species should also be taken into consideration. Likewise, disease outbreaks and pandemics can adversely affect Valamar's business results. In order to minimize their impact, Valamar is actively tracking pandemic and health risk levels worldwide, especially on its source markets, and taking proactive steps in their management. The COVID-19 pandemic is a recent example of the operational and financial disruption to the global economy, especially tourism flows, since almost all global destinations were blocked by travel restrictions. The emergence of exceptional circumstances in the Republic of Croatia and the introduction of extraordinary measures to prohibit gatherings, movements and the operation of restaurants and shops, all with the primary objective of protecting the population from the risk of contagion, resulted in the expected consequential and immediate disruption of the Company's and the Group's operations, cancellation of accommodation and other contracted services by partner agencies and guests.

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

## REGULATORY RISKS

Changes in tax laws and other regulations pose a very serious threat and represent a demanding segment in risk management because in this particular situation the possibilities for the Company and Group are limited.

Frequent changes in laws regulating taxes and parafiscal charges often take place only after the business policy and budget for the next financial year have been approved and commercial terms and conditions with partners agreed. All this jeopardizes the Company and Group financial position and future investment plans as well as credibility towards shareholders. One of the recent examples is the introduction of the Law on Additional Profit Tax from December 2022.

The Company and Group are also threatened by changes in regulations governing concession fees for maritime domain and tourism land use, the latter still presenting unresolved legal issues. Given the nature of the Company and Group's business, the right to use parts of the maritime domain as well as land for tourism purposes is of vital importance for future growth, especially for campsite-related operations.

Valamar Collection Imperial Hotel 4\*, Rab island



# Corporate Governance



The Company and the Group continuously strive to develop and operate according to good practices of corporate governance. The business strategy, corporate policy, key corporate regulations and business practice have set a high standard of corporate governance and are all geared towards creating a transparent and efficient business operation while forging solid bonds with the local community. The Management Board fully complies with the provisions of the adopted Corporate Governance Act. After the company was listed on the regulated market of the Zagreb Stock Exchange, the Company has also complied with the Zagreb Stock Exchange Corporate Governance Code (Compliance questionnaire for 2021 is available at <https://valamar-riviera.com/media/451413/compliance-questionnaire-2021-pdf.pdf>).

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

To ensure a safe consumer environment and enable a reliable and transparent introduction of the euro in the Republic of Croatia, on 19 October 2022, the Company joined the Code of Ethics – Euro – an initiative of the Ministry of Economy and Sustainable Development.

The major direct Company's shareholders according to the Central Depository and Clearing Company data and the shareholders whom are Company's Management Board and Supervisory Board members are as follows: the Chairman of the Supervisory Board, Mr. Gustav Wurmböck, holds a 100% stake in Wurmböck Beteiligungs GmbH, which holds 25,017,698 shares; the Deputy Chairman of the Supervisory Board, Mr. Franz Lanschuetzer, holds 4,443,000 shares; the Deputy Chairman of the Supervisory Board, Mr. Mladen Markoč, holds 30,618 shares; the Member of the Supervisory Board Mr. Georg Eltz holds a total of 6,630,511 shares, of which directly 20,463 shares, and indirectly through a stake in company Satis d.o.o. 6,610,048 shares; the Member of the Supervisory Board Mr. Boris Galić holds a total of 10,000 shares,

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

the President of the Management Board, Mr. Željko Kukurin, holds 139,360 A shares; the Member of the Management Board Mr. Marko Čizmek holds 68,251 shares and the Member of the Management Board Ms. Ivana Budin Arhanić holds 35,529 shares .

The Company defined the process of preparing and publishing its financial statements in a detailed internal document. Within this document, the financial reporting procedure is set within a system of internal review and risk management. Additionally, in order to monitor and mitigate the financial reporting risk, the Company uses the measures described in the chapter 'The Risks of the Company and the Group'.

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

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

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

rewarding the Management and key managers pursuant to the Company acts on the long-term reward plan and for the purpose of dividend payout in rights - Company share to the equity holders. During 2022 the Company wasn't involved in treasury shares acquisition neither disposal of its own shares.

In accordance with the decision of the Supervisory Board, the Company's shares amounting to HRK 49 million will be awarded to the management and key employees for exceptional business results achieved in the three-year crisis period 2020-2022. (i.e. during the COVID-19 pandemic and geopolitical tensions). Namely, in order to additionally motivate key employees, the Supervisory Board adopted the RDP Programme (the Recovery & Development Programme), which encompasses more than 230 employees. These employees were especially committed to managing and developing business operations during the crisis to enable as fast a recovery of the business operations as possible. In view of the fact a full business recovery was achieved in 2022, the Supervisory Board passed the decision to distribute company shares in 2023, and the provisions for this were made within the 2022 financial results.

### THE COMPANY'S CORPORATE BODIES ARE:

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

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

Cadum, Vlastimir Ivančić, Lea Sošić, Roberto Gobo, Ivan Polak, Karmela Višković, Denis Prevolšek, Marko Vusić and Vlatka Kocijan.

Supervisory Board: Mr. Gustav Wurmböck, president, Mr. Franz Lanschützer and Mr. Mladen Markoč, deputy presidents and members: Mrs. Gudrun Kuffner, Mrs. Peter Stolba, Mr. Georg Eltz, Mr. Daniel Goldscheider, Mr. Boris Galić and Mr. Ivan Ergović (employee representative).

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

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

Audit Committee: Mr. Georg Eltz - Chairman, and members: Mr. Mladen Markoč, Mr. Boris Galić and from 29 June 2022 Mrs. Gudrun Kuffner.

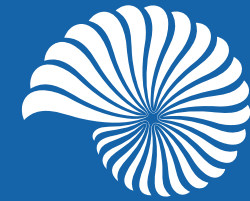
Investment Committee: Mr. Franz Lanschützer - Chairman and members: Mr. Georg Eltz and Mr. Gustav Wurmböck.

Committee on Digitization and Sustainability: Mr Daniel Goldscheider, Chairman and members: Mr Franz Lanschützer, Mr Gustav Wurmböck and from 29 June 2022 Mrs. Petar Stolba.

At its session, held on 6 December 2022 and effective as of 1 January 2023, the Supervisory Board appointed Mr. Daniel Goldscheider as a new member of its Presidium and Ms. Gudrun Kuffner as a new member of its Investment Committee.

Compliant to effective regulations and Company by laws, the Management and Supervisory Board primarily act through meetings and by correspondence in their decision-making. The Company has concluded Employment contracts with the President and a member of the Management Board for the duration of the term (from 1 January 2022 to 31 December 2026), and only one member of the Supervisory Board, employee representative, has an employment contract for an indefinite period.

Valamar Amicor Green Resort, Hvar island



# 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 year of 2022, HRK 572.8 million of sale of goods and services from transactions with related parties was generated (EO 2021: HRK 321.5 million) for the Company and HRK 14.2 million (EO 2021: HRK 8.6 million) for the Group. Expenses amounted to HRK 11.8 million (EO 2021: HRK 4.5 million) for the Company and HRK 1.5 million for the Group (EO 2021: HRK 719 thousand).

As of 31 December 2022, receivables and liabilities toward related parties are as follows: company's receivables amount to HRK 23.8 million (vs. HRK 27.0 million EO 2021), and Group's receivables amount to HRK 8,0 million (vs. HRK 7.3 million EO 2021). Company's liabilities amount to HRK 318 thousand (vs. HRK 131 thousand EO 2021), and Group's liabilities amount to HRK 97 thousand (vs. HRK 63 thousand EO 2021).

The most significant transaction of the Company in the year of 2022 relates to the sale of three hotels to the related party Imperial Riviera d.d. Valamar Lacroma Dubrovnik Hotel, Dubrovnik Club Sunny Hotel by Valamar and Tirena Sunny Hotel by Valamar were sold with a transaction value of HRK 717,766 thousand.

TRANSACTIONS  
WITH RELATED  
PARTIES  
UNDER USUAL  
COMMERCIAL  
TERMS AND  
CONDITIONS

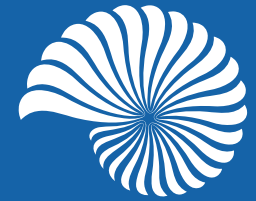
## BRANCH OFFICES OF THE COMPANY

The Company has several branch offices, where it performs its business activities outside of its headquarters: Branch Office for Tourism RABAC, with the seat in Rabac, Slobode 80; Branch Office for Tourism ZLATNI OTOK, with the seat in Krk, Vršanska 8; Branch Office for Tourism DUBROVNIK-BABIN KUK, with the seat in Dubrovnik, Vatroslava Lisinskog 15a; Branch Office for Business and Administration Consulting ZAGREB, with the seat in Zagreb, Miramarska cesta 24; Branch Office for Tourism BRIONI, with the seat in Pula, Puntičela 155 and from 28 June 2022, the Austria Branch Office, with headquarters in Austria, Obertauern, Gamsleitenstrasse 6.

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

Except for the branch offices with the registered seat in Croatia and Austria, the Company also established offices on the island of Rab, in Makarska, in Stari Grad on the island of Hvar and in Obertauern in Austria to increase the efficiency and streamline the management of operations of the companies Imperial Riviera d.d., Helios Faros d.d., Valamar Obertauern GmbH, and, as of 12 July 2022 of the company Kesselspitze GmbH & Co KG, all in line with the provisions of the concluded hotel management contracts.

Hvar [PLACESHOTEL] by Valamar 3\*, Hvar island



# Valamar Share



Performance of Valamar Riviera's share and Zagreb Stock Exchange and travel and leisure indices in 2022



During 2022, the highest achieved share price in regular trading on the regulated market was HRK 36.00, and the lowest HRK 28.00. On 31 December 2022 the price was HRK 30.50 which represents a decrease of 7.6% compared to the last price in 2021. With a total turnover of HRK 163.4 million<sup>21</sup> Valamar Riviera share was the third share on the Zagreb Stock Exchange in terms of turnover during 2022.

In addition to the Zagreb Stock Exchange index, the joint stock index of the Zagreb and Ljubljana stock exchanges ADRIAprime, the stock is also a component of the Vienna Stock Exchange index (CROX<sup>22</sup> and SETX<sup>23</sup>) and the Warsaw Stock Exchange (CEEplus<sup>24</sup>), the SEE Link regional platform index (SEELinX and

SEELinX EWI)<sup>25</sup> and the MSCI Frontier Markets Index. Zagrebačka banka d.d. and Interkapital vrijednosni papiri d.o.o. perform the activities of market makers with ordinary shares of Valamar Riviera listed on the Leading Market of the Zagreb Stock Exchange d.d.

The Company did not acquire or dispose of its own shares in the period from 1 January 2022 to 31 December 2022. As of 31 December 2022 the Company holds 4,139,635 treasury shares, which is 3.28% of the share capital.

Valamar Riviera actively holds meetings and conference calls with domestic and foreign investors, as well as presentations for investors, providing support for the highest possible level of transparency, creating additional liquidity, increasing share value and involving potential investors. By continuing to actively represent Valamar Riviera, we will

<sup>21</sup> Block transactions are excluded from the calculation.

<sup>22</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>23</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>24</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>25</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.



strive to contribute to further growth in value for all stakeholders with the intention of recognizing the Company's share as one of the leaders on the Croatian capital market and one of the leaders in the CEE region. Analytical coverage of Valamar Riviera is provided by: 1) ERSTE bank d.d., Zagreb; 2) Interkapital vrijednosni papiri d.o.o., Zagreb; 3) Raiffeisenbank Austria d.d., Zagreb; 4) Zagrebačka banka d.d., Zagreb.

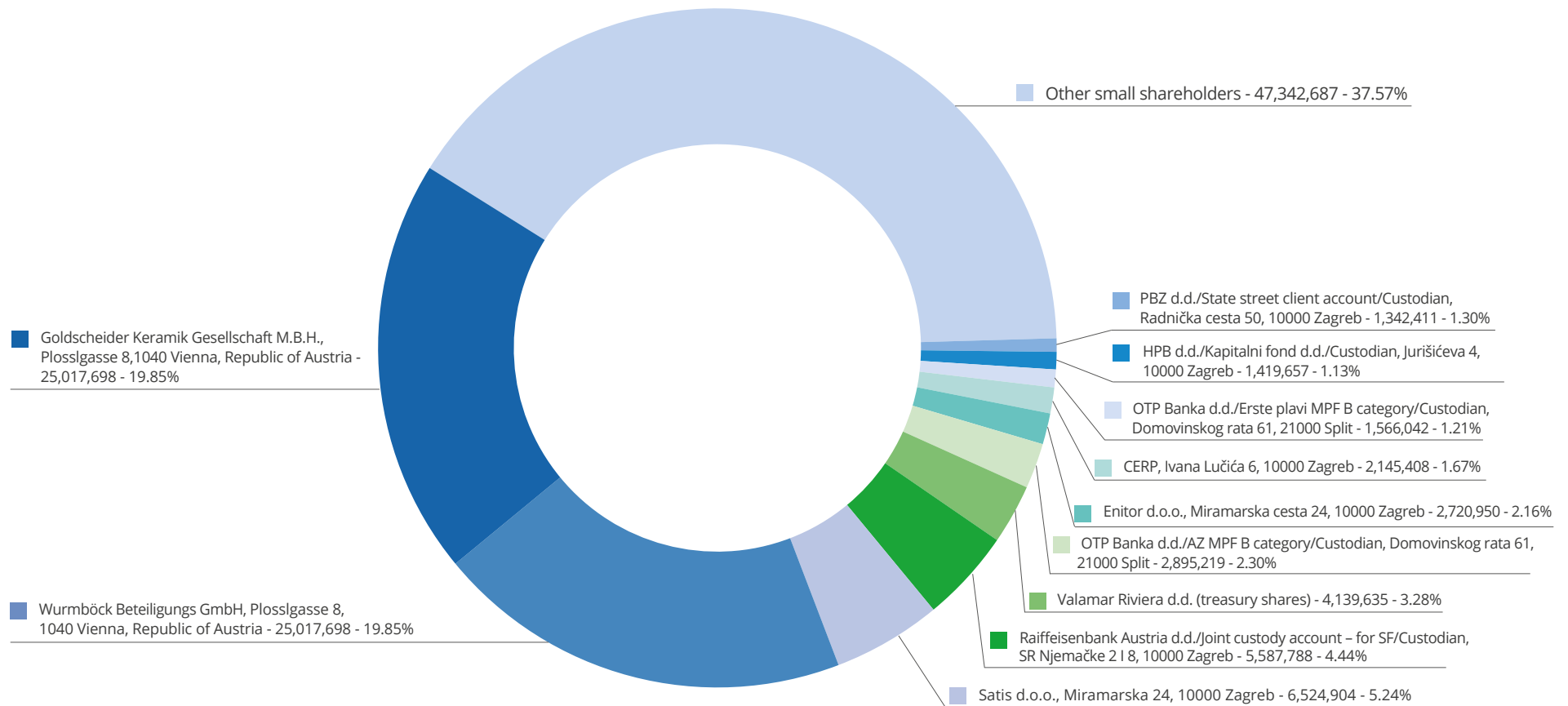
3<sup>rd</sup>

MOST ACTIVELY  
TRADED SHARE  
BY REGULAR  
TURNOVER ON THE  
ZAGREB STOCK  
EXCHANGE IN 2022

Lanterna Premium Camping Resort 4\*, Poreč



## OVERVIEW OF MAJOR SHAREHOLDERS AS AT 31 DECEMBER 2022:





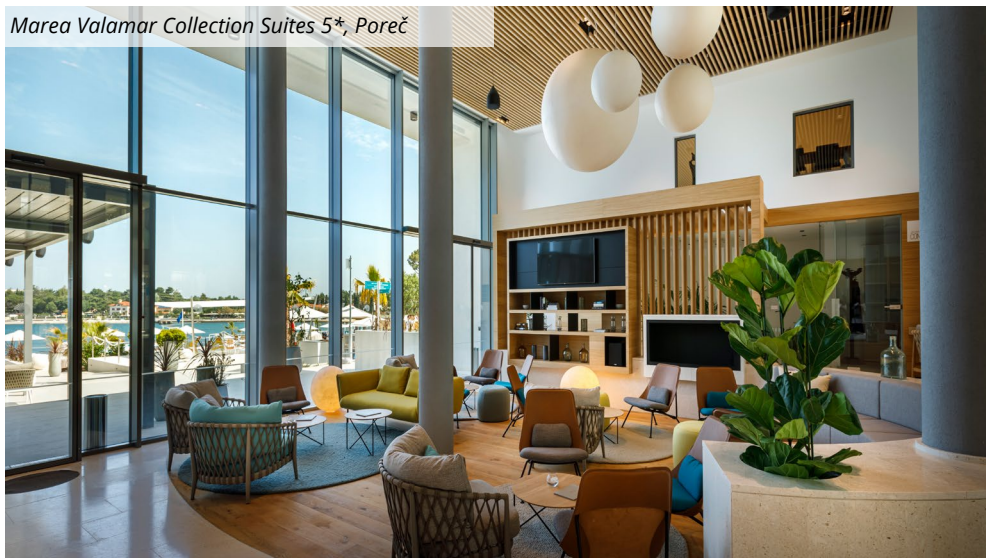
Hotel Kesselspitze 5\*, Obertauern




# Additional Information



Marea Valamar Collection Suites 5\*, Poreč



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

## ADDITIONAL INFORMATION

In the course of 2022, the Company's Management Board performed the actions provided by law and the Articles of Association and regarding the management and representation of the Company and planned a business policy that was implemented with prudent care. The Company's Management Board will continue to undertake all the necessary measures in order to ensure sustainability and business growth.

The Management Board adopted the audited annual financial report for 2022 on 16 February 2023.

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

Management Board of the Company

**Željko Kukurin**  
Management Board  
President

A blue ink signature of Željko Kukurin, written in a cursive style.

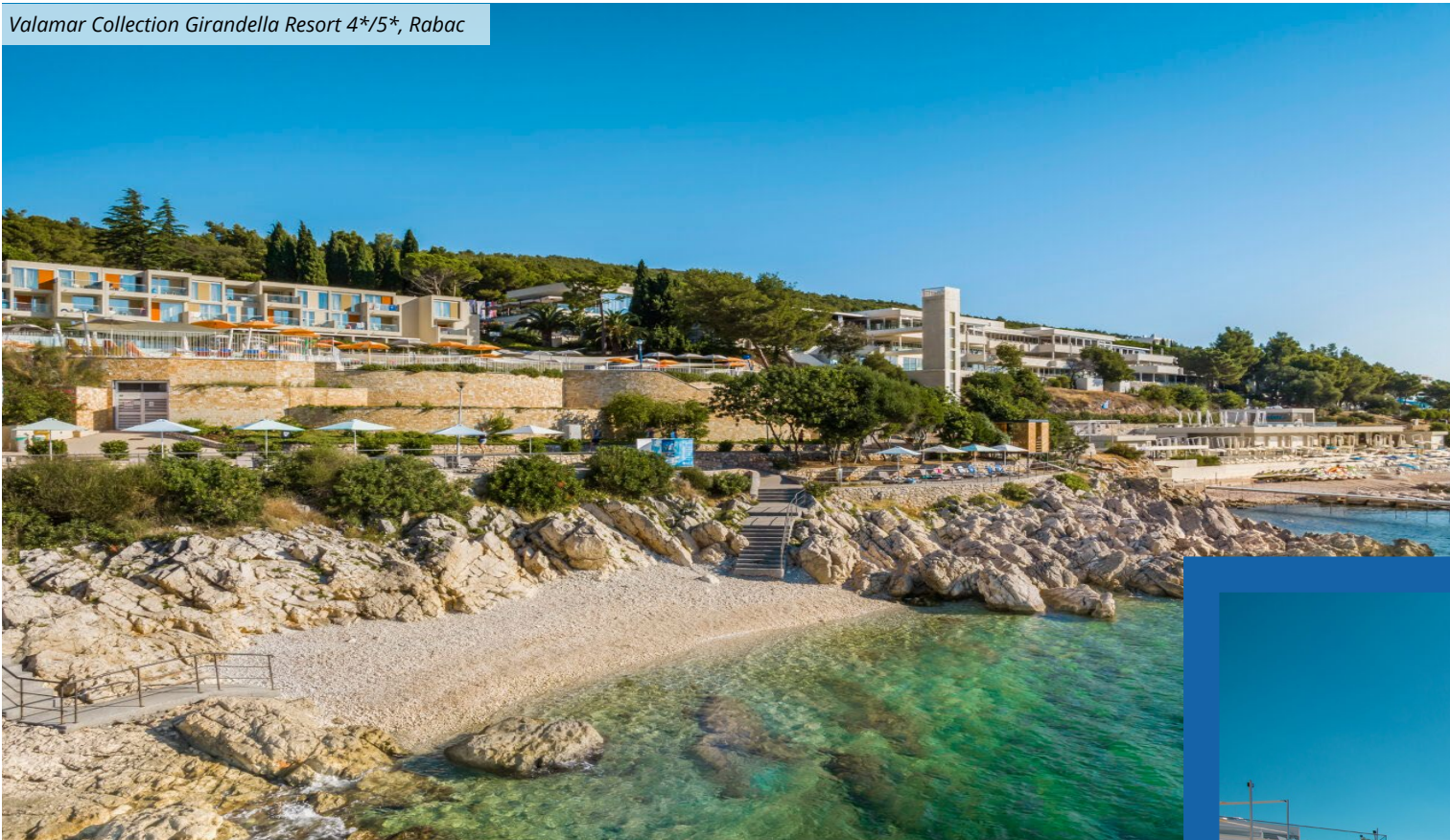
**Marko Čižmek**  
Management Board  
Member

A blue ink signature of Marko Čižmek, written in a cursive style.

**Ivana Budin Arhanić**  
Management Board  
Mem

A blue ink signature of Ivana Budin Arhanić, written in a cursive style.

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



# Disclaimer

This report may contain certain outlook based on currently available facts, findings and circumstances and estimates in this regard. Our outlook is based including, but not limited on a) results achieved in 2022; b) operating results achieved by 24 February 2023; c) current booking status; d) 2023 year end business results forecast; e) the absence of further significant negative effects of the risks to which the Company and the Group are exposed.

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

- Cancellation of all measures to support the economy as a protection against the increase in the prices of energy products adopted for the period from 1 October 2022 – 31 March 2023;
- Macro-economic trends in the Republic of Croatia and in the source markets, including currency exchange rates fluctuations and prices of goods and services, deflation and inflation, unemployment, trends in the gross domestic product and industrial production, as well as other trends having a direct or indirect impact on the purchasing power of Valamar Riviera's guests;
- Economic conditions, security and political conditions, trends and events in the capital markets of the Republic of Croatia and Valamar Riviera's source markets;
- Spending and disposable income of guests, as well as guests' preferences, trust in and satisfaction with Valamar Riviera's products and services;
- Trends in the number of overnights, bookings, and average daily rates of accommodation at Valamar Riviera's properties;
- Change in market interest rates and the price of equity securities, and other financial risks to which Valamar Riviera is exposed;
- Labor force availability and costs, transport, energy, and utilities costs, selling prices of fuel and other goods and services, as well as supply chain disruptions;

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

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



# RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

In Poreč, 28 February 2023

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 Vedrana Ambrosi Barbalić, 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:

- annual consolidated and unconsolidated financial statements for 2022, are prepared in accordance with applicable standards of financial reporting and give true and fair view of the assets and liabilities, profit and loss, financial position and operations of the Company and the companies included in consolidation (Group);
- Report of the Company's Management board for the period from 1 January to 31 December 2022 contains the true presentation of development, results and position of the Company and companies included in the consolidation, with description of significant risks and uncertainties which the Company and companies included in consolidation are exposed.



**Marko Čižmek**  
Management Board Member



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



**Reporting period: from 01.01.2022 to 31.12.2022****Annual financial statement**

Registration number (MB):	<u>3474771</u>	Issuer's Home Member state code:	<u>HR</u>
Entity's registration number (MBS):	<u>40020883</u>		
Personal identification number (OIB):	<u>36201212847</u>	LEI:	<u>529900DUWS1DGNEK4C68</u>
Institution code:	<u>30577</u>		
Name of the issuer:	<u>Valamar Riviera d.d.</u>		
Postcode and town:	<u>52440</u>	<u>Poreč</u>	
Street and house number:	<u>Stancija Kaligari 1</u>		
E-mail address:	<u>uprava@riviera.hr</u>		
Web address:	<u>www.valamar-riviera.com</u>		
Number of employees (end of the reporting period):	<u>3227</u>		
Consolidated report:	<u>KD</u>	(KN-non consolidated/KD-consolidated)	
Audited:	<u>RD</u>	(RN-non audited/RD-audited)	

Names of subsidiaries (according to IFRS):	Registered office:	MB:
<u>Palme Turizam d.o.o.</u>	<u>Dubrovnik</u>	<u>2006103</u>
<u>Magične stijene d.o.o.</u>	<u>Dubrovnik</u>	<u>2315211</u>
<u>Bugenvilia d.o.o.</u>	<u>Dubrovnik</u>	<u>2006120</u>
<u>Imperial Riviera d.d.</u>	<u>Rab</u>	<u>3044572</u>
<u>Valamar Obertauern GmbH</u>	<u>Obertauern</u>	<u>195893 D</u>
<u>Valamar A GmbH</u>	<u>Tamsweg/Vienna</u>	<u>486431 S</u>

Bookkeeping firm:	<u>No</u>
Contact person:	<u>Sopta Anka</u> (only name and surname of the contact person)
Telephone:	<u>052 408 188</u>
E-mail address:	<u>anka.sopta@riviera.hr</u>
Audit firm:	<u>Ernst &amp; Young d.o.o., UHY Rudan d.o.o.</u> (name of the audit firm)
Certified auditor:	<u>Berislav Horvat, Vedrana Miletić</u> (name and surname)

(authorized representative's signature)

**BALANCE SHEET (as at 31.12.2022)****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>5.671.819.566</b>	<b>5.517.536.368</b>
<b>I. INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>39.086.495</b>	<b>40.610.545</b>
1 Research and Development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	30.356.827	30.538.552
3 Goodwill	006	6.567.609	6.567.609
4 Advance payments for purchase of intangible assets	007		183.088
5 Intangible assets in preparation	008	2.162.059	3.321.296
6 Other intangible assets	009		
<b>II. TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>5.221.568.500</b>	<b>5.049.346.343</b>
1 Land	011	980.924.514	979.825.072
2 Buildings	012	3.363.126.345	3.212.460.124
3 Plants and equipment	013	432.241.488	411.847.356
4 Tools, working inventory and transportation assets	014	100.025.874	98.135.847
5 Biological asset	015		
6 Advance payments for purchase of tangible assets	016	42.528	2.586.845
7 Tangible assets in preparation	017	288.533.889	293.758.226
8 Other tangible assets	018	53.493.881	47.830.741
9 Investments property	019	3.179.981	2.902.132
<b>III. FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>82.071.741</b>	<b>144.327.678</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 given to undertakings in a group	023		
4 Investments in holdings (shares) of companies linked by virtue of participating interest	024	76.533.067	109.936.373
5 Investment in other securities of companies linked by virtue of participating interest	025		
6 Loans, deposits etc. given to companies linked by virtue of participating interest	026		3.120.329
7 Investments in securities	027	220.812	193.984
8 Loans, deposits, etc. given	028	5.177.862	4.194.812
9 Other investments accounted for using the equity method	029		
10 Other fixed financial assets	030	140.000	26.882.180
<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>329.092.830</b>	<b>283.251.802</b>
<b>C) CURENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>1.217.957.755</b>	<b>884.907.966</b>
<b>I. INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>26.310.071</b>	<b>41.427.453</b>
1 Raw materials	039	25.050.909	39.853.612
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	1.230.618	1.537.997
5 Advance payments for inventories	043	28.544	35.844
6 Fixed assets held for sale	044		
7 Biological asset	045		
<b>II. RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>38.388.235</b>	<b>35.926.443</b>
1 Receivables from undertakings within the group	047		
2 Receivables from companies linked by virtue of participating interest	048	7.293.712	8.023.863
3 Customer receivables	049	17.995.662	17.394.293
4 Receivables from employees and members of the undertaking	050	738.835	354.617
5 Receivables from government and other institutions	051	9.116.616	7.561.871
6 Other receivables	052	3.243.410	2.591.799
<b>III. SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>38.001.625</b>	<b>134.726.371</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 interest	057		
5 Investment in other securities of companies linked by virtue of participating interest	058		
6 Loans, deposits etc. given to companies linked by virtue of participating interest	059		
7 Investments in securities	060		
8 Loans, deposits, etc. given	061	38.001.625	126.835.722
9 Other financial assets	062		7.890.649
<b>IV. CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>1.115.257.824</b>	<b>672.827.699</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>23.768.145</b>	<b>17.360.249</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>6.913.545.466</b>	<b>6.419.804.583</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>54.173.148</b>	<b>54.125.549</b>



**BALANCE SHEET (as at 31.12.2022) (continued)**  
**Submitter: Valamar Riviera d.d.**

Item 1	ADP code 2	in HRK	
		Last day of the preceding business year 3	At the reporting date of the current period 4
<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+083+086+089)</b>	<b>067</b>	<b>3.311.057.807</b>	<b>3.323.668.033</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 (ADP 071+072-073+074+075)</b>	<b>070</b>	<b>98.247.550</b>	<b>134.531.678</b>
1 Legal reserves	071	83.601.061	83.601.061
2 Reserves for treasury share	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	2.249.472	38.533.600
<b>IV. REVALUATION RESERVES</b>	<b>076</b>		
<b>V. FAIR VALUE RESERVES AND OTHER (ADP 078 to 082)</b>	<b>077</b>	<b>81.109</b>	<b>59.111</b>
1 Financial assets at fair value through other comprehensive income (i.e. available for sale)	078	81.109	59.111
2 Cash flow hedge - effective portion	079		
3 Hedge of a net investment in a foreign operation - effective portion	080		
4 Other fair value reserves	081		
5 Exchange differences arising from the translation of foreign operations (consolidation)	082		
<b>VI. RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 084-085)</b>	<b>083</b>	<b>388.045.406</b>	<b>351.143.413</b>
1 Retained profit	084	388.045.406	351.143.413
2 Loss brought forward	085		
<b>VII. PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 087-088)</b>	<b>086</b>	<b>104.374.607</b>	<b>147.684.491</b>
1 Profit for the business year	087	104.374.607	147.684.491
2 Loss for the business year	088		
<b>VIII. MINORITY (NON-CONTROLLING) INTEREST</b>	<b>089</b>	<b>1.043.064.493</b>	<b>1.013.004.698</b>
<b>B) PROVISIONS (ADP 091 to 096)</b>	<b>090</b>	<b>166.154.627</b>	<b>179.226.601</b>
1 Provisions for pensions, termination benefits and similar obligations	091	29.827.505	26.257.320
2 Provisions for tax liabilities	092		
3 Provisions for ongoing legal cases	093	50.117.237	50.234.566
4 Provisions for renewal of natural resources	094		
5 Provision for warranty obligations	095		
6 Other provisions	096	86.209.885	102.734.715
<b>C) LONG-TERM LIABILITIES (ADP 098 to 108)</b>	<b>097</b>	<b>2.614.508.279</b>	<b>2.149.372.240</b>
1 Liabilities towards undertakings within the group	098		
2 Liabilities for loans, deposits, etc. to companies within the group	099		
3 Liabilities towards companies linked by virtue of participating interest	100		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	101		
5 Liabilities for loans, deposits etc.	102		
6 Liabilities towards banks and other financial institutions	103	2.547.107.295	2.083.504.270
7 Liabilities for advance payments	104		
8 Liabilities towards suppliers	105		
9 Liabilities for securities	106		
10 Other long-term liabilities	107	15.636.060	18.475.881
11 Deferred tax liability	108	51.764.924	47.392.089
<b>D) SHORT-TERM LIABILITIES (ADP 110 to 123)</b>	<b>109</b>	<b>733.966.582</b>	<b>692.914.015</b>
1 Liabilities towards undertakings within the group	110		
2 Liabilities for loans, deposits, etc. to companies within the group	111		
3 Liabilities towards companies linked by virtue of participating interest	112	39.205	18.253
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	113		
5 Liabilities for loans, deposits etc.	114		
6 Liabilities towards banks and other financial institutions	115	565.523.996	520.907.308
7 Liabilities for advance payments	116	40.344.672	34.146.166
8 Liabilities towards suppliers	117	67.470.609	79.611.333
9 Liabilities for securities	118		
10 Liabilities towards employees	119	28.794.007	31.940.470
11 Taxes, contributions and similar liabilities	120	16.508.477	13.334.998
12 Liabilities arising from the share in the result	121	379.676	379.676
13 Liabilities arising from fixed assets held for sale	122		
14 Other short-term liabilities	123	14.905.940	12.575.811
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>124</b>	<b>87.858.171</b>	<b>74.623.694</b>
<b>F) TOTAL - LIABILITIES (ADP 067+090+097+109+124)</b>	<b>125</b>	<b>6.913.545.466</b>	<b>6.419.804.583</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>126</b>	<b>54.173.148</b>	<b>54.125.549</b>

**STATEMENT OF PROFIT OR LOSS** (for 01.01.2022 to 31.12.2022)**Submitter: Valamar Riviera d.d.**

Item 1	ADP code 2	Same period of the previous year 3	in HRK
			Current period 4
<b>I. OPERATING INCOME</b> (ADP 002 to 006)	<b>001</b>	<b>1.644.008.023</b>	<b>2.451.235.943</b>
1 Income from sales with undertakings within the group	002		
2 Income from sales (outside group)	003	1.605.127.860	2.407.150.006
3 Income from the use of own products, goods and services	004	325.986	419.405
4 Other operating income with undertakings within the group	005		
5 Other operating income (outside the group)	006	38.554.177	43.666.532
<b>II. OPERATING EXPENSES</b> (ADP 008+009+013+017+018+019+022+029)	<b>007</b>	<b>1.507.033.397</b>	<b>2.221.267.717</b>
1 Changes in inventories of work in progress and finished goods	008		
2 Material costs (ADP 010 to 011)	009	458.262.170	778.110.109
a) Costs of raw material	010	252.132.447	493.439.270
b) Costs of goods sold	011	10.440.758	16.760.506
c) Other external costs	012	195.688.965	267.910.333
3 Staff costs (ADP 014 to 016)	013	353.175.910	690.477.834
a) Net salaries and wages	014	218.086.856	447.103.825
b) Tax and contributions from salaries expenses	015	88.789.363	160.388.972
c) Contributions on salaries	016	46.299.691	82.985.037
4 Depreciation	017	507.335.969	497.694.931
5 Other expenses	018	134.450.892	224.620.163
6 Value adjustments (ADP 020+021)	019	1.669.684	268.567
a) fixed assets other than financial assets	020		
b) current assets other than financial assets	021	1.669.684	268.567
7 Provisions (ADP 023 to 028)	022	40.313.157	19.948.501
a) Provisions for pensions, termination benefits and similar obligations	023	9.404.520	2.944.626
b) Provisions for tax liabilities	024		
c) Provisions for ongoing legal cases	025	2.744.361	1.234.743
d) Provisions for renewal of natural resources	026		
e) Provisions for warranty obligations	027		
f) Other provisions	028	28.164.276	15.769.132
8 Other operating expenses	029	11.825.615	10.147.612
<b>III. FINANCIAL INCOME</b> (ADP 031 to 040)	<b>030</b>	<b>35.353.682</b>	<b>49.937.129</b>
1 Income from investments in holdings (shares) of undertakings within the group	031		
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	032		
3 Income from other long-term financial investment and loans granted to undertakings within the group	033		
4 Other interest income from operations with undertakings within the group	034		
5 Exchange rate differences and other financial income from operations with undertakings within the group	035		
6 Income from other long-term financial investments and loans	036		
7 Other interest income	037	307.295	248.244
8 Exchange rate differences and other financial income	038	11.680.384	5.492.167
9 Unrealised gains (income) from financial assets	039	4.503.563	39.015.165
10 Other financial income	040	18.862.440	5.181.553
<b>IV. FINANCIAL EXPENDITURE</b> (ADP 042 to 048)	<b>041</b>	<b>71.256.632</b>	<b>74.365.012</b>
1 Interest expenses and similar expenses with undertakings within the group	042		
2 Exchange rate differences and other expenses from operations with undertakings within the group	043		
3 Interest expenses and similar expenses	044	66.258.463	59.509.318
4 Exchange rate differences and other expenses	045		7.235.259
5 Unrealised losses (expenses) from financial assets	046		
6 Value adjustments of financial assets (net)	047		
7 Other financial expenses	048	4.998.169	7.620.435
<b>V. SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>049</b>	<b>547.970</b>	
<b>VI. SHARE IN PROFIT FROM JOINT VENTURES</b>	<b>050</b>		
<b>VII. SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>051</b>	<b>144.413</b>	<b>3.668.914</b>
<b>VIII. SHARE IN LOSS OF JOINT VENTURES</b>	<b>052</b>		
<b>IX. TOTAL INCOME</b> (ADP 001+030+049 +050)	<b>053</b>	<b>1.679.909.675</b>	<b>2.501.173.072</b>
<b>X. TOTAL EXPENDITURE</b> (ADP 007+041+051+052)	<b>054</b>	<b>1.578.434.442</b>	<b>2.299.301.643</b>
<b>XI. PRE-TAX PROFIT OR LOSS</b> (ADP 053-054)	<b>055</b>	<b>101.475.233</b>	<b>201.871.429</b>
1 Pre-tax profit (ADP 053-054)	056	101.475.233	201.871.429
2 Pre-tax loss (ADP 054-053)	057		
<b>XII. INCOME TAX</b>	<b>058</b>	<b>-7.232.013</b>	<b>41.480.244</b>
<b>XIII. PROFIT OR LOSS FOR THE PERIOD</b> (ADP 055-059)	<b>059</b>	<b>108.707.246</b>	<b>160.391.185</b>
1 Profit for the period (ADP 055-059)	060	108.707.246	160.391.185
2 Loss for the period (ADP 059-055)	061		

**STATEMENT OF PROFIT OR LOSS** (for 01.01.2022 to 31.12.2022) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
<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 063-064)	<b>062</b>		
1 Pre-tax profit from discontinued operations	063		
2 Pre-tax loss on discontinued operations	064		
<b>XV. INCOME TAX OF DISCONTINUED OPERATIONS</b>	<b>065</b>		
1 Discontinued operations profit for the period (ADP 062-065)	066		
2 Discontinued operations loss for the period (ADP 065-062)	067		
<b>TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)</b>			
<b>XVI. PRE-TAX PROFIT OR LOSS</b> (ADP 055+062)	<b>068</b>		
1 Pre-tax profit (ADP 068)	069		
2 Pre-tax loss (ADP 068)	070		
<b>XVII. INCOME TAX</b> (ADP 058+065)	<b>071</b>		
<b>XVIII. PROFIT OR LOSS FOR THE PERIOD</b> (ADP 068-071)	<b>072</b>		
1 Profit for the period (ADP 068-071)	073		
2 Loss for the period (ADP 071-068)	074		
<b>APPENDIX to the P&amp;L (to be filled in by undertakings that draw up consolidated annual financial statements)</b>			
<b>XIX. PROFIT OR LOSS FOR THE PERIOD</b> (ADP 076+077)	<b>075</b>	<b>108.707.246</b>	<b>160.391.185</b>
1 Attributable to owners of the parent	076	104.374.607	147.684.491
2 Attributable to minority (non-controlling) interest	077	4.332.639	12.706.694
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)</b>			
<b>I. PROFIT OR LOSS FOR THE PERIOD</b>	<b>078</b>	<b>108.707.246</b>	<b>160.391.185</b>
<b>II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX</b> (ADP 080+087)	<b>079</b>	<b>97.850</b>	<b>-26.827</b>
<b>III. ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</b> (ADP 081 to 085)	<b>080</b>	<b>97.850</b>	<b>-26.827</b>
1 Changes in revaluation reserves of fixed tangible and intangible assets	081		
2 Gains or losses from subsequent measurement of equity instruments at fair value through other comprehensive income	082	97.850	-26.827
3 Fair value changes of financial liabilities at fair value through statement of profit or loss, attributable to changes in their credit risk	083		
4 Actuarial gains/losses on the defined benefit obligation	084		
5 Other items that will not be reclassified	085		
6 Income tax relating to items that will not be reclassified	086	17.613	-4.829
<b>IV. ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS</b> (ADP 088 to 095)	<b>087</b>		
1 Exchange rate differences from translation of foreign operations	088		
2 Gains or losses from subsequent measurement of debt securities at fair value through other comprehensive income	089		
3 Profit or loss arising from effective cash flow hedging	090		
4 Profit or loss arising from effective hedge of a net investment in a foreign operation	091		
5 Share in other comprehensive income/loss of companies linked by virtue of participating interests	092		
6 Changes in fair value of the time value of option	093		
7 Changes in fair value of forward elements of forward contracts	094		
8 Other items that may be reclassified to profit or loss	095		
9 Income tax relating to items that may be reclassified to profit or loss	096		
<b>V. NET OTHER COMPREHENSIVE INCOME OR LOSS</b> (ADP 080+087-086-096)	<b>097</b>	<b>80.237</b>	<b>-21.998</b>
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 078+097)	<b>098</b>	<b>108.787.483</b>	<b>160.369.187</b>
<b>APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)</b>			
<b>VII. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b> (ADP 100+101)	<b>099</b>	<b>108.787.483</b>	<b>160.391.185</b>
1 Attributable to owners of the parent	100	104.454.844	147.662.493
2 Attributable to minority (non-controlling) interest	101	4.332.639	12.706.694



**STATEMENT OF CASH FLOWS - indirect method (for the period 01.01.2022 to 31.12.2022)**  
**Submitter: Valamar Riviera d.d.**

Item	in HRK		
	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	101.475.233	201.871.429
2 Adjustments (ADP 003 to 010)	002	577.223.786	568.887.636
a) Depreciation	003	507.335.969	497.694.931
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	2.071.836	-12.027.479
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	-13.315.806	
d) Interest and dividend income	006	-86.145	-90.476
e) Interest expenses	007	71.256.632	64.103.572
f) Provisions	008	25.063.623	11.151.772
g) Exchange rate differences (unrealised)	009	-8.096.392	7.235.259
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	-7.005.931	820.057
<b>I. Cash flow increase or decrease before changes in the working capital (ADP 001+002)</b>	<b>011</b>	<b>678.699.019</b>	<b>770.759.065</b>
3 Changes in the working capital (ADP 013 to 016)	012	1.277.569	10.030.246
a) Increase or decrease in short-term liabilities	013	-22.602.337	18.855.342
b) Increase or decrease in short-term receivables	014	20.098.142	6.292.286
c) Increase or decrease in inventories	015	3.781.764	-15.117.382
d) Other increase or decrease in the working capital	016		
<b>II. Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>679.976.588</b>	<b>780.789.311</b>
4 Interest paid	018	-70.643.388	-86.500.245
5 Income tax paid	019	705.192	-6.143
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>610.038.392</b>	<b>694.282.923</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	3.783.014	17.861.776
2 Cash receipts from sales of financial instruments	022		300.024
3 Interest received	023	98.094	81.804
4 Dividends received	024	3.709	8.640
5 Cash receipts from repayment of loans and deposit	025	224.099	177.893
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>4.108.916</b>	<b>18.430.137</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-115.355.120	-317.285.761
2 Cash payments for the acquisition of financial instruments	029		-1.445.856
3 Cash payments for loans and deposits for the period	030	-42.722.870	-88.996.079
4 Acquisition of a subsidiary, net of cash acquired	031		
5 Other cash payments from investment activities	032	-3.203.421	-41.103.759
<b>IV. Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-161.281.411</b>	<b>-448.831.455</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-157.172.495</b>	<b>-430.401.318</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1 Cash receipts from the increase of initial (subscribed) capital	035		
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036		
3 Cash receipts from credit principals, loans and other borrowings	037	379.850.628	60.173.752
4 Other cash receipts from financing activities	038	338.676.960	2.739.417
<b>V. Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>718.527.588</b>	<b>62.913.169</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-718.135.038	-575.535.803
2 Dividends paid	041		-189.031.977
3 Cash payments for finance lease	042	-76.794	-38.050
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043		
5 Other cash payments from financing activities	044	-3.856.729	-4.619.069
<b>VI. Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-722.068.561</b>	<b>-769.224.899</b>
<b>C) NET CASH FLOW FROM FINANCIAL ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>-3.540.973</b>	<b>-706.311.730</b>
1 Unrealised exchange rate differences in cash and cash equivalents	047		
<b>D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)</b>	<b>048</b>	<b>449.324.924</b>	<b>-442.430.125</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>	<b>049</b>	<b>665.932.900</b>	<b>1.115.257.824</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 048+049)</b>	<b>050</b>	<b>1.115.257.824</b>	<b>672.827.699</b>

## STATEMENT OF CHANGES IN EQUITY (for the period 01.01.2022 to 31.12.2022)

Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Attributable to owners of the parent																	Total capital and reserves
		Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets through other comprehensive income (available for sale)	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Other fair value reserves	Exchange rate differences from translation of foreign operations	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent	Minority (non-controlling) interest	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18 (3 do 6 - 7 + 8 do 17)	19	20 (18+19)
<b>Previous period</b>																			
<b>1 Balance on the first day of the previous business year</b>	<b>01</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>		<b>2.513.434</b>		<b>872</b>					<b>715.882.878</b>	<b>-329.593.506</b>	<b>2.162.046.398</b>	<b>701.810.928</b>	<b>2.863.857.326</b>
2 Changes in accounting policies	02																		
3 Correction of errors	03																		
<b>4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)</b>	<b>04</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>		<b>2.513.434</b>		<b>872</b>					<b>715.882.878</b>	<b>-329.593.506</b>	<b>2.162.046.398</b>	<b>701.810.928</b>	<b>2.863.857.326</b>
5 Profit/loss of the period	05															104.374.607	104.374.607	4.332.639	108.707.246
6 Exchange rate differences from translation of foreign operations	06							-263.962									-263.962		-263.962
7 Changes in revaluation reserves of fixed tangible and intangible assets	07																		
8 Gains or losses from subsequent measurement of financial assets at fair value through other comprehensive income (available for sale)	08									97.850							97.850		97.850
9 Gains or losses on efficient cash flow hedging	09																		
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	10																		
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	11																		
12 Actuarial gains/losses on defined benefit plans	12																		
13 Other changes in equity unrelated to owners	13																		
14 Tax on transactions recognised directly in equity	14									-17.613							-17.613		-17.613
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15																		
16 Decrease in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	16																		
17 Decrease in initial (subscribed) capital arising from the reinvestment of profit	17																		
18 Redemption of treasury shares/holdings	18																		
19 Payment of share in profit/dividend	19																	336.920.926	336.920.926
20 Other distribution to owners	20																		
21 Other distributions and payments to members/shareholders	21														1.756.034		1.756.034		1.756.034
22 Transfer to reserves according to the annual schedule	22														-329.593.506	329.593.506			
23 Increase in reserves arising from the pre-bankruptcy settlement procedure	23																		
<b>24 Balance on the last day of the previous business year reporting period (ADP 04 to 23)</b>	<b>24</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>		<b>2.249.472</b>		<b>81.109</b>					<b>388.045.406</b>	<b>104.374.607</b>	<b>2.267.993.314</b>	<b>1.043.064.493</b>	<b>3.311.057.807</b>
<b>APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)</b>																			
<b>I. OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)</b>	<b>25</b>							<b>-263.962</b>		<b>80.237</b>							<b>-183.725</b>		<b>-183.725</b>
<b>II. COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05 to 25)</b>	<b>26</b>							<b>-263.962</b>		<b>80.237</b>						<b>104.374.607</b>	<b>104.190.882</b>	<b>4.332.639</b>	<b>108.523.521</b>
<b>III. TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 23)</b>	<b>27</b>														<b>-327.837.472</b>	<b>329.593.506</b>	<b>1.756.034</b>	<b>336.920.926</b>	<b>338.676.960</b>
<b>Current period</b>																			
<b>1 Balance on the first day of the previous business year</b>	<b>28</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>		<b>2.249.472</b>		<b>81.109</b>					<b>388.045.406</b>	<b>104.374.607</b>	<b>2.267.993.314</b>	<b>1.043.064.493</b>	<b>3.311.057.807</b>
2 Changes in accounting policies	29																		
3 Correction of errors	30																		
<b>4 Balance on the first day of the current business year (restated) (ADP 28 to 30)</b>	<b>31</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>		<b>2.249.472</b>		<b>81.109</b>					<b>388.045.406</b>	<b>104.374.607</b>	<b>2.267.993.314</b>	<b>1.043.064.493</b>	<b>3.311.057.807</b>
5 Profit/loss of the period	32															147.684.491	147.684.491	12.706.694	160.391.185
6 Exchange rate differences from translation of foreign operations	33																		
7 Changes in revaluation reserves of fixed tangible and intangible assets	34																		
8 Gains or losses from subsequent measurement of financial assets at fair value through other comprehensive income (available for sale)	35									-26.827							-26.827		-26.827
9 Gains or losses on efficient cash flow hedging	36																		
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	37																		
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	38																		
12 Actuarial gains/losses on defined benefit plans	39																		
13 Other changes in equity unrelated to owners	40																		
14 Tax on transactions recognised directly in equity	41									4.829							4.829		4.829
15 Decrease in initial (subscribed) capital (other than arising from the pre-bankruptcy settlement procedure or from the reinvestment of profit)	42																		
16 Decrease in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43																		
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	44																		
18 Redemption of treasury shares/holdings	45																		
19 Payments from members/shareholders	46																		
20 Payment of share in profit/dividend	47														-146.265.489		-146.265.489	-42.766.489	-189.031.978
21 Other distributions and payments to members/shareholders	48									38.533.600					2.739.417		41.273.017		41.273.017
22 Carryforward per annual plan	49									-2.249.472					106.624.079	-104.374.607			
23 Increase in reserves arising from the pre-bankruptcy settlement procedure	50																		
<b>24 Balance on the last day of the current business year reporting period (ADP 31 to 50)</b>	<b>51</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>		<b>38.533.600</b>		<b>59.111</b>					<b>351.143.413</b>	<b>147.684.491</b>	<b>2.310.663.335</b>	<b>1.013.004.698</b>	<b>3.323.668.033</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 33 to 41)</b>	<b>52</b>									<b>-21.998</b>							<b>-21.998</b>		<b>-21.998</b>
<b>II. COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 32 to 52)</b>	<b>53</b>									<b>-21.998</b>						<b>147.684.491</b>	<b>147.662.493</b>	<b>12.706.694</b>	<b>160.369.187</b>
<b>III. TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 42 to 50)</b>	<b>54</b>							<b>36.284.128</b>							<b>-36.901.993</b>	<b>-104.374.607</b>	<b>-104.992.472</b>	<b>-42.766.489</b>	<b>-147.758.961</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - GFI

Name of the issuer:

**Valamar Riviera d.d.**

Personal identification

number OIB: **36201212847**

Reporting period:

**01.01.2022 to 31.12.2022**

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

- a) present information about the basis for the preparation of the financial statements and the specific accounting policies used in accordance with the International Accounting Standard 1 (IAS 1),
- b) disclose any information required by IFRSs that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity,
- c) provide additional information that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity, but is relevant for understanding any of them.
- d) In the notes to the financial statements, in addition to the information stated above, information in respect of the following matters shall be disclosed:
  1. issuer's name, registered office (address), legal form, country of establishment, entity's registration number and, if applicable, the indication whether the issuer is undergoing liquidation, bankruptcy proceedings, shortened termination proceedings or extraordinary administration
  2. adopted accounting policies
  3. the total amount of any financial commitments, guarantees or contingencies that are not included in the balance sheet, and an indication of the nature and form of any valuable security which has been provided; any commitments concerning pensions of the issuer within the group or company linked by virtue of participating interest shall be disclosed separately
  4. the amount of advances and credits granted to the members of the administrative, managerial and supervisory bodies, with indications of the interest rates, main conditions and any amounts repaid, written-off or revoked, as well as commitments entered into on their behalf by way of guarantees of any kind, with an indication of the total for each category
  5. the amount and nature of individual items of income or expenditure which are of exceptional size or incidence
  6. amounts owed by the issuer and falling due after more than five years, as well as the total debts of the issuer covered by valuable security furnished by the issuer, specifying the type and form of security
  7. average number of employees during the financial year
  8. where, in accordance with the regulations, the issuer capitalised on the cost of salaries in part or in full, information on the amount of the total cost of employees during the year broken down into the amount directly debiting the costs of the period and the amount capitalised on the value of the assets during the period, showing separately the total amount of net salaries and the amount of taxes, contributions from salaries and contributions on salaries
  9. the amount of the emoluments granted in respect of the financial year to the members of the administrative, managerial and supervisory bodies by reason of their responsibilities, and any commitments arising or entered into in respect of retirement pensions for former members of those bodies, with an indication of the total for each category
  10. the average number of persons employed during the financial year, broken down by categories and, if they are not disclosed separately in the profit and loss account, the staff costs relating to the financial year, broken down between net salaries and wages, tax costs and contributions from salaries, contributions on salaries and other salary costs, excluding cost allowances
  11. where a provision for deferred tax is recognised in the balance sheet, the deferred tax balances at the end of the financial year, and the movement in those balances during the financial year
  12. the name and registered office of each of the companies in which the issuer, either itself or through a person acting in their own name but on the issuer's



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - GFI (continued)

behalf, holds a participating interest, showing the proportion of the capital held, the amount of capital and reserves, and the profit or loss for the latest financial year of the company concerned for which financial statements have been adopted; the information concerning capital and reserves and the profit or loss may be omitted where the company concerned does not publish its balance sheet and is not controlled by another company

13. the number and the nominal value or, in the absence of a nominal value, the accounting par value of the shares subscribed during the financial year within the limits of the authorised capital
14. where there is more than one class of shares, the number and the nominal value or, in the absence of a nominal value, the accounting value for each class
15. the existence of any participation certificates, convertible debentures, warrants, options or similar securities or rights, with an indication of their number and the rights they confer
16. the name, registered office and legal form of each of the companies of which the issuer is a member having unlimited liability
17. the name and registered office of the company which draws up the consolidated financial statements of the largest group of companies of which the issuer forms part as a controlled group member
18. the name and registered office of the company which draws up the consolidated financial statements of the smallest group of companies of which the issuer forms part as a controlled group member and which is also included in the group of companies referred to in point 17.
19. the place where copies of the consolidated financial statements referred to in points 17 and 18 may be obtained, provided that they are available
20. the proposed appropriation of profit or treatment of loss, or where applicable, the appropriation of the profit or treatment of the loss
21. the nature and business purpose of the company's arrangements that are not included in the balance sheet and the financial impact on the company of those arrangements, provided that the risks or benefits arising from such arrangements are material and in so far as the disclosure of such risks or benefits is necessary for the purposes of assessing the financial position of the company
22. the nature and the financial effect of material events arising after the balance sheet date which are not reflected in the profit and loss account or balance sheet
23. the net income broken down by categories of activity and into geographical markets, in so far as those categories and markets differ substantially from one another, taking account of the manner in which the sale of products and the provision of services are organised
24. the total fees for the financial year charged by each statutory auditor or audit firm for the statutory audit of the annual financial statements, i.e. annual consolidated financial statements, the total fees charged for other assurance services, the total fees charged for tax advisory services and the total fees charged for other non-audit services, total research and development expenditure as the basis for granting state aid.

Detailed information on financial statements are available in PDF document „Annual report 2022“ which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

Detailed information on the preparation of financial statements and certain accounting policies are available in PDF document „Annual report 2022“ which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

Group Valamar Riviera below presents comparison tables of items in GFI POD financial statements and audited Notes for 2021 and 2022.

## Summary of adjustments of GFI-POD balance sheet and consolidated balance sheet from Audited report for 2022 / GROUP

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2022	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>NON-CURRENT ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>14+15+16+ 17+ part of 18+ 20+ part of 21+ part of 23+ 25+ part of 30</b>	<b>5.517.535</b>	<b>5.517.535</b>	<b>0</b>	
I. Intangible assets	003	16	40.611	40.611	0	
II. Tangible assets	010	14+ 15+ part of 30	5.049.346	5.049.346	0	GFI-POD item "Tangible assets" (ADP 010; HRK 5,049,346 thous.) is in Audited report presented under items "Property, plant and equipment" (Note 14 in comparable amount of HRK 5,019,770 thous.), "Investment property" (Note 15 in comparable amount of HRK 2,902 thous.), and "Right-of-use assets" (Note 30 in comparable amount of HRK 26,674 thous.).
III. Non-current financial assets	020	17+ part of 18+ 20+ part of 21	144.327	144.327	0	GFI-POD item "Financial assets" (ADP 020; HRK 144,328 thous.) is in "Investment in associated entity" (Note 18 in comparable amount of HRK 109,906 thous. (presented in balance sheet as a separate line)), "Financial assets" (Note 20 in comparable amount of HRK 364 thous.), in the non-current part of item "Loans and deposits" (Note 21 in comparable amount of HRK 7,315 thous.) and part of items "Derivative financial instruments" (Note 24 in comparable amount of HRK 26,742 thous.).
IV. Deferred tax assets	036	25	283.251	283.251	0	
<b>CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>Part of 21+ 22+ part of 23+ 26</b>	<b>884.909</b>	<b>884.909</b>	<b>0</b>	<b>Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current assets" (ADP 037; HRK 884,909 thous.) and "Prepayments and accrued income" (ADP 064; HRK 17,360 thous.) in relation to item "Current assets" of Audited report (HRK 902,269 thous.).</b>
I. Inventories	038	22	41.427	41.427	0	
II. Receivables	046	Part of 23	35.927	35.927	0	GFI-POD item "Receivables" (ADP 046; HRK 35,926 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Trade receivables - net" HRK 25,418 thous., "VAT receivable" HRK 6,625 thous., "Advances to suppliers" HRK 1,302 thous., "Receivables from employees" HRK 355 thous., "Receivables from state institutions" HRK 937 thous., part of "Other current liabilities" HRK 1,290 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 53,287 thous. and is presented in items "Receivables" (ADP 046; HRK 35,927 thous.) and "Prepayments and accrued income" (ADP 064; HRK 17,360 thous.).
III. Current financial assets	053	Part of 21	134.727	134.727	0	GFI-POD item "Financial assets" (ADP 053; HRK 134,726 thous.) is in Audited report presented under item "Loans and deposits" - current part (Note 21 in comparable amount of HRK 126,836 thous.) and part of items "Derivative financial instruments" (Note 24 in comparable amount of HRK 7,891 thous.).
IV. Cash and cash equivalents	063	26	672.828	672.828	0	GFI-POD item "Cash and cash equivalents" (ADP 063; HRK 672,828 thous.) is in Audited report presented under item "Cash and cash equivalents" (Note 26 in comparable amount of HRK 672,828 thous.).
<b>PREPAYMENTS AND ACCRUED INCOME</b>	<b>064</b>	<b>Part of 23</b>	<b>17.360</b>	<b>17.360</b>	<b>0</b>	<b>GFI-POD item "Prepayments and accrued income" (ADP 064; HRK 17,360 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Accrued income" HRK 4,221 thous., "Interest receivables" HRK 27 thous., "Prepaid expenses" HRK 19,837 thous., "Prepaid costs" HRK 13,094 thous. and part of "Other current liabilities" HRK 1.290 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 53,287 thous. and is presented in items "Receivables" (ADP 046; HRK 35,926 thous.) and "Prepayments and accrued income" (ADP 064; HRK 17,360 thous.).</b>
<b>TOTAL ASSETS</b>	<b>065</b>		<b>6.419.804</b>	<b>6.419.804</b>	<b>0</b>	

## Summary of adjustments of GFI-POD balance sheet and consolidated balance sheet from Audited report for 2022 / GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2022	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>CAPITAL AND RESERVES</b>	<b>067</b>	<b>27+28</b>	<b>3.323.669</b>	<b>3.323.669</b>	<b>0</b>	GFI-POD item "Capital and reserves" (ADP 067; HRK 3,323,669 thous.) is in Audited report presented under item "Share capital" (Notes 27 and 28 in comparable amount of HRK 3,323,669 thous.).
<b>PROVISIONS</b>	<b>090</b>	<b>Part of 32+ part of 31</b>	<b>179.227</b>	<b>179.227</b>	<b>0</b>	GFI-POD item "Provisions" (ADP 090; HRK 179,227 thous.) is in Audited report presented under non-current liabilities in item "Provisions" (Note 32 item "Severance pay and jubilee awards" in the amount HRK 26,257 thous., item "Legal Disputes" in a comparable amount HRK 50,235 thous. and "Other" HRK 42,769 thous.) and non-current liabilities under item "Concession fee" (Note 31 in comparable amount of HRK 59,966 thous.).
<b>NON-CURRENT LIABILITIES (ADP 103+107+108)</b>	<b>097</b>	<b>25+ 29+ part of 30</b>	<b>2.149.373</b>	<b>2.149.373</b>	<b>0</b>	<b>Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Non-current liabilities" (ADP 097; HRK 2,149,373 thous.) and "Provisions" (ADP 090; HRK 179,227 thous.) in relation to item "Non-current liabilities" of Audited report (HRK 2,328,600 thous.).</b>
I. Liabilities to banks and other financial institutions	103	Part of 29	2.083.505	2.083.505	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 103; HRK 2,083,505 thous.) is in Audited report presented under non-current part of item "Borrowings" (Note 29 in comparable amount of HRK 2,083,505 thous.).
II. Other non-current liabilities	107	Part of 30	18.476	18.476	0	GFI-POD item "Other non-current liabilities" (ADP 107; HRK 18,476 thous.) is in Audited report presented under non-current part of item "Lease liabilities" (Note 30 in comparable amount of HRK 18,476 thous.).
III. Deferred tax liabilities	108	25	47.392	47.392	0	
<b>CURRENT LIABILITIES (ADP 110+112+115+116+117+118+119+120+121 +123)</b>	<b>109</b>	<b>Part of 29+ part of 30+ part of 31+ part of 32</b>	<b>692.912</b>	<b>692.912</b>	<b>0</b>	<b>Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current liabilities" (ADP 109; HRK 692,912 thous.) and "Accrued expenses and deferred income" (ADP 124; HRK 74,624 thous.) in relation to item "Current liabilities" of Audited report (HRK 767,536 thous.).</b>
I. Liabilities to banks and other financial institutions	115	Part of 29	520.907	520.907	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 115; HRK 520,907 thous.) is in Audited report presented under current part of item "Borrowings" (Note 29; "Bank borrowings" in comparable amount of HRK 520,907 thous.).
II. Amounts payable for prepayment	116	Part of 31	34.146	34.146	0	GFI-POD item "Amounts payable for prepayment" (ADP 116; HRK 34,146 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Advances received" in comparable amount of HRK 34,146 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 241,504 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 34,146 thous.), "Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 112 and 117; HRK 79,629 thous.), "Liabilities to employees" (ADP 119; HRK 31,940 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 13,334 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.), part of the item "Other current liabilities" (ADP 123; HRK 8,270 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 73,804 thous.).



## Summary of adjustments of GFI-POD balance sheet and consolidated balance sheet from Audited report for 2022 / GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2022	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
III. Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers	110, 112 and 117	Part of 31	79.629	79.629	0	GFI-POD items "Liabilities towards companies linked by virtue of participating interest" (ADP 112; HRK 18 thous.) and "Trade payables" (ADP 117; HRK 79,611 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Trade payables" HRK 79,532 thous., "Trade payables - related parties" HRK 97 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 241,504 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 34,146 thous.), "Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 112 and 117; HRK 79,629 thous.), "Liabilities to employees" (ADP 119; HRK 31,940 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 13,334 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.), part of the item "Other current liabilities" (ADP 123; HRK 8,270 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 73,804 thous.).
IV. Liabilities to employees	119	Part of 31	31.940	31.940	0	GFI-POD items "Liabilities to employees" (ADP 119; HRK 31,940 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities to employees" in comparable amount HRK 31,940 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 241,504 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 34,146 thous.), "Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 112 and 117; HRK 79,629 thous.), "Liabilities to employees" (ADP 119; HRK 31,940 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 13,334 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.), part of the item "Other current liabilities" (ADP 123; HRK 8,270 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 73,804 thous.).
V. Taxes, contributions and similar liabilities	120	Part of 31	13.334	13.334	0	GFI-POD item "Taxes, contributions and similar liabilities" (ADP 120; HRK 13,334 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities for taxes and contributions and similar charges" in comparable amount of HRK 13,334 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 241,504 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 34,146 thous.), "Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 112 and 117; HRK 79,629 thous.), "Liabilities to employees" (ADP 119; HRK 31,940 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 13,334 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.), part of the item "Other current liabilities" (ADP 123; HRK 8,270 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 73,804 thous.).

## Summary of adjustments of GFI-POD balance sheet and consolidated balance sheet from Audited report for 2022 / GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2022	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
VI. Liabilities arising from share in the result and other current liabilities	121 and 123	Part of 30+ part of 31	12.956	12.956	0	GFI-POD item "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.) "Other current liabilities" (ADP 123; HRK 12,576 thous.) is in Audited report presented under current part of items "Trade and other payables" (Note 31; "Dividend liability" HRK 380 thous., part of "Other liabilities" HRK 8,270 thous.), and "Lease liabilities" (Note 30 in comparable amount of HRK 4,305 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 241,504 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 34,146 thous.), "Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 112 and 117; HRK 79,629 thous.), "Liabilities to employees" (ADP 119; HRK 31,940 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 13,334 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.), part of the item "Other current liabilities" (ADP 123; HRK 8,270 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 73,804 thous.).
<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>124</b>	<b>Part of 31+ part of 32</b>	<b>74.624</b>	<b>74.624</b>	<b>0</b>	<b>GFI-POD item "Accrued expenses and deferred income" (ADP 124; HRK 74,624 thous.) is in Audited report presented under items "Trade and other payables" (Note 31; "Interest payable" HRK 2,326 thous., "Liabilities for calculated vacation and redistribution hours" HRK 19,179 thous., "Accrued VAT liabilities in unrealized income" HRK 562 thous., "Liabilities for calculated costs" HRK 37,709 thous., obligations for calculated tax for remuneration of workers" HRK 10,630 and part of "Other current liabilities" HRK 3,398 thous.) and current part of items "Provisions" (Note 32; current item "Termination benefits and jubilee awards" HRK 820 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 241,504 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 34,146 thous.), "Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 112 and 117; HRK 79,629 thous.), "Liabilities to employees" (ADP 119; HRK 31,940 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 13,334 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.), part of the item "Other current liabilities" (ADP 123; HRK 8,270 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 73,804 thous.).</b>
<b>TOTAL LIABILITIES</b>	<b>125</b>		<b>6.419.804</b>	<b>6.419.804</b>	<b>0</b>	

## Summary of adjustments of GFI-POD income statement and consolidated statement of comprehensive income from Audited report for 2022 / GROUP

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2022 to 31 December 2022	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>OPERATING INCOME (ADP 002+003+004+005+006)</b>	<b>001</b>		<b>2.451.236</b>	<b>2.451.236</b>	<b>0</b>	
I. Revenues from sales with undertakings in a Group and sales revenues (outside the Group)	002+003	5	2.407.150	2.407.150	0	
II. Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)	004+005+006	Part of 6+ part of 10	44.085	44.085	0	GFI-POD items "Revenues from use of own products, goods and services" (ADP 004; HRK 419 thous.), "Other operating revenues (outside the Group)" (ADP 006; HRK 43,667 thous.) are in Audited report presented under items "Other income" (Note 6; "Income from donations and other" HRK 3,819 thous., "Income from provision release" HRK 7,502 thous., "Reimbursed costs" HRK 3,251 thous., "Income from insurance and legal claims" HRK 3,692 thous., "Income from own consumption" HRK 419 thous., "Collection of written-off receivables" HRK 2,177 thous., "Other income" HRK 7,429 thous.), and "Other gains/(losses) - net" (Note 10; "Net gains on sale of property, plant and equipment" HRK 15,796 thous.). Comment: The total amount of item "Other income" in Audited report (Note 6) is HRK 28,289 thous. and is presented in items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 004 and 006; HRK 28,289 thous.). The total amount of item "Other gains/(losses) - net" in Audited report (Note 10) is 15,796 thous. and is presented in item "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 006, HRK 15,796 thous.).
<b>OPERATING EXPENSES (ADP 009+013+017+018+019+022+029)</b>	<b>007</b>		<b>2.221.267</b>	<b>2.221.267</b>	<b>0</b>	<b>Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Staff costs" (ADP 013; HRK 690,477 thous.), "Other expenditures" (ADP 018; HRK 224,352 thous.), "Value adjustment" (ADP 019; HRK 269 thous.), "Provisions" (ADP 022; HRK 19,949 thous.) and "Other operating expenses" (ADP 029; HRK 10,186 thous.) in relation to items "Staff costs" (Note 8; HRK 826,716 thous.) and "Other operating expenses" (Note 9; HRK 118,517 thous.) of Audited report.</b>
I. Material costs	009	7	778.110	778.110	0	GFI-POD item "Material costs" (ADP 009; HRK 778,110 thous.) is in Audited report presented under item "Cost of materials and services" (Note 7 in comparable amount of HRK 478,110 thous.).
II. Staff costs	013	Part of 8	690.478	690.478	0	GFI-POD item "Staff costs" (ADP 013; HRK 690,478 thous.) is in Audited report presented under item "Staff costs" (Note 8; "Net salaries" HRK 444,413 thous., "Pension contributions and contributions and taxes" HRK 161,730 thous., "Health insurance contributions" HRK 84,335 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 826,762 thous. and is presented in "Staff costs" (ADP 013; HRK 690,478 thous.), "Other expenditures" (ADP 018; HRK 133,340 thous.) and "Provisions" (ADP 022; HRK 2,944 thous.).
III. Depreciation and amortisation	017	14+15+16+30	497.695	497.695	0	
IV. Other expenditures	018	Part of 8+ part of 9	224.619	224.619	0	GFI-POD item "Other expenditures" (ADP 018; HRK 224,620 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Termination benefits" HRK 969 thous., "Other staff costs" HRK 132,371 thous.) and "Other operating expenses" (Note 9; "Municipal charges, concessions and other" HRK 42,436 thous., "Professional services" HRK 30,062 thous., "Entertainment" HRK 6,781 thous., "Insurance premiums" HRK 8,170 thous., "Bank charges" HRK 1,666 thous., "Membership fee to associations and other administrative expenses" HRK 2,164 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 826,762 thous. and is presented in "Staff costs" (ADP 013; HRK 690,478 thous.), "Other expenditures" (ADP 018; HRK 133,340 thous.) and "Provisions" (ADP 022; HRK 2,944 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 118,700 thous. and is presented in items "Other expenditures" (ADP 018; HRK 91,279 thous.), "Value adjustment" (ADP 019; HRK 269 thous.), "Provisions" (ADP 022; HRK 17,004 thous.) and "Other operating expenses" (ADP 029; HRK 10,148 thous.).



## Summary of adjustments of GFI-POD income statement and consolidated statement of comprehensive income from Audited report for 2022 / GROUP (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2022 to 31 December 2022	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
V. Value adjustment	019	Part of 9	269	269	0	GFI-POD item "Value adjustment" (ADP 019; HRK 269 thous.) is in Audited report presented under item "Other operating expenses" (Note 9; "Value adjustment of assets" in comparable amount of HRK 269 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 118,700 thous. and is presented in items "Other expenditures" (ADP 018; HRK 91,279 thous.), "Value adjustment" (ADP 019; HRK 269 thous.), "Provisions" (ADP 022; HRK 17,004 thous.) and "Other operating expenses" (ADP 029; HRK 10,148 thous.).
VI. Provisions	022	Part of 8+ part of 9	19.948	19.948	0	GFI-POD item "Provisions" (ADP 022; HRK 19,949 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Provisions for termination benefits and jubilee awards" HRK 2,944 thous.), "Other operating expenses" (Note 9; "Provisions for legal proceedings" HRK 1,235 thous., "Provisions for tourist land lease and other" HRK 15,769 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 826,762 thous. and is presented in "Staff costs" (ADP 013; HRK 690,478 thous.), "Other expenditures" (ADP 018; HRK 133,340 thous.) and "Provisions" (ADP 022; HRK 2,944 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 118,700 thous. and is presented in items "Other expenditures" (ADP 018; HRK 91,279 thous.), "Value adjustment" (ADP 019; HRK 269 thous.), "Provisions" (ADP 022; HRK 17,004 thous.) and "Other operating expenses" (ADP 029; HRK 10,148 thous.).
VII. Other operating expenses	029	Part of 9	10.148	10.148	0	GFI-POD item "Other operating expenses" (ADP 029; HRK 10,148 thous.) is in Audited report presented under items "Other operating expenses" (Note 9; "Write-off of property, plant and equipment" HRK 3,769 thous., "Other operating expenses" HRK 6,379 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 118,700 thous. and is presented in items "Other expenditures" (ADP 018; HRK 91,279 thous.), "Value adjustment" (ADP 019; HRK 269 thous.), "Provisions" (ADP 022; HRK 17,004 thous.) and "Other operating expenses" (ADP 029; HRK 10,148 thous.).
<b>FINANCIAL INCOME</b>	<b>030</b>	<b>11</b>	<b>49.937</b>	<b>49.937</b>	<b>0</b>	GFI-POD item "Financial income" (ADP 030; HRK 49,937 thous.) is in Audited report presented under items "Financial income/(loss) - net" in part of financial income (Note 11; "Interest income" HRK 82 thous., "Net foreign exchange gains/(losses) - other" HRK 5,484 thous., "Realised and change of net gains/(losses) from changes in value of forwards and interest rate swaps" HRK 42,382 thous., "Income from cassa sconto" HRK 1,815 thous. and other financial income HRK 175 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 24,428 thous. and is presented in items "Financial income" (ADP 030; HRK 49,937 thous.) and "Financial costs" (ADP 041; HRK 74,366 thous.).
<b>FINANCIAL COSTS</b>	<b>041</b>	<b>11</b>	<b>74.366</b>	<b>74.366</b>	<b>0</b>	GFI-POD item "Financial costs" (ADP 041; HRK 74,366 thous.) is in Audited report presented under item "Finance income/(expense) - net" in part of financial expenses (Note 11; "Interest expense" HRK 64,105 thous., "Expenses of financial instruments" HRK 1,146 thous., Other financial costs HRK 1,880 thous. and "Net negative exchange rate differences from financial activities" HRK 7,235 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 24,428 thous. and is presented in items "Financial income" (ADP 030; HRK 49,937 thous.) and "Financial costs" (ADP 041; HRK 74,366 thous.).
<b>SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>051</b>	<b>18</b>	<b>3.669</b>	<b>3.669</b>	<b>0</b>	The GFI-POD item "Share in loss from companies related to participating interests" (ADP 051; HRK 3,669 thous.) is stated in the Audited Report in the comparable amount of HRK 3,669 thous.).
<b>TOTAL INCOME (ADP 001+030)</b>	<b>053</b>		<b>2.501.173</b>	<b>2.501.173</b>	<b>0</b>	
<b>TOTAL COSTS (ADP 007+041)</b>	<b>054</b>		<b>2.299.301</b>	<b>2.299.301</b>	<b>0</b>	
<b>PROFIT OR LOSS BEFORE TAX (ADP 053-054)</b>	<b>055</b>		<b>201.871</b>	<b>201.871</b>	<b>0</b>	
<b>INCOME TAX EXPENSE</b>	<b>058</b>		<b>41.480</b>	<b>41.480</b>	<b>0</b>	
<b>PROFIT OR LOSS FOR THE PERIOD (ADP 055-058)</b>	<b>059</b>		<b>160.391</b>	<b>160.391</b>	<b>0</b>	

## Summary of adjustments of GFI-POD balance sheet and consolidated balance sheet from Audited Report for 2021 / GROUP

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>NON-CURRENT ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>14+15+16+17+ part of 18+ 20+ part of 21+ part of 23+25+ part of 30</b>	<b>5.671.820</b>	<b>5.671.820</b>	<b>0</b>	
I. Intangible assets	003	16	39.087	39.087	0	
II. Tangible assets	010	14+ 15+ part of 30	5.221.568	5.221.568	0	GFI-POD item "Tangible assets" (ADP 010; HRK 5,221,568 thous.) is in Audited report presented under items "Property, plant and equipment" (Note 14 in comparable amount of HRK 5,201,748 thous.), "Investment property" (Note 15 in comparable amount of HRK 3,180 thous.), and "Right-of-use assets" (Note 30 in comparable amount of HRK 16,640 thous.).
III. Non-current financial assets	020	17+ part of 18+ 20+ part of 21	82.072	82.072	0	GFI-POD item "Financial assets" (ADP 020; HRK 82,072 thous.) is in "Investment in associated entity" (Note 18 in comparable amount of HRK 76,503 thous. (presented in balance sheet as a separate line)), "Financial assets" (Note 20 in comparable amount of HRK 391 thous.) and in the non-current part of item "Loans and deposits" (Note 21 in comparable amount of HRK 5,178 thous.).
IV. Deferred tax assets	036	25	329.093	329.093	0	
<b>CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>Part of 21+ 22+ part of 23+ 26</b>	<b>1.217.958</b>	<b>1.217.958</b>	<b>0</b>	<b>Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current assets" (ADP 037; HRK 1,217,958 thous.) and "Prepayments and accrued income" (ADP 064; HRK 23,769 thous.) in relation to item "Current assets" of Audited report (HRK 1,241,727 thous.).</b>
I. Inventories	038	22	26.310	26.310	0	
II. Receivables	046	Part of 23	38.388	38.388	0	GFI-POD item "Receivables" (ADP 046; HRK 38,388 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Trade receivables – net" HRK 25,289 thous., "VAT receivable" HRK 8,002 thous., "Advances to suppliers" HRK 668 thous., "Receivables from employees" HRK 739 thous., "Receivables from state institutions" HRK 1,113 thous., part of "Other current liabilities" HRK 2,575 thous. and "Income tax receivable" HRK 2 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 62,155 thous. and is presented in items "Receivables" (ADP 046; HRK 38,386 thous.) and "Prepayments and accrued income" (ADP 064; HRK 23,769 thous.).
III. Current financial assets	053	Part of 21	38.002	38.002	0	GFI-POD item "Financial assets" (ADP 053; HRK 38,002 thous.) is in Audited report presented under item "Loans and deposits" - current part (Note 21 in comparable amount of HRK 38,002 thous.).
IV. Cash and cash equivalents	063	26	1.115.258	1.115.258	0	GFI-POD item "Cash and cash equivalents" (ADP 063; HRK 1,115,258 thous.) is in Audited report presented under item "Cash and cash equivalents" (Note 26 in comparable amount of HRK 1,115,258 thous.).
<b>PREPAYMENTS AND ACCRUED INCOME</b>	<b>064</b>	<b>Part of 23</b>	<b>23.769</b>	<b>23.769</b>	<b>0</b>	<b>GFI-POD item "Prepayments and accrued income" (ADP 064; HRK 23,769 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Accrued income" HRK 3,889 thous., "Interest receivables" HRK 27 thous., "Prepaid expenses" HRK 19,837 thous. and part of "Other current liabilities" HRK 16 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 62,155 thous. and is presented in items "Receivables" (ADP 046; HRK 38,386 thous.) and "Prepayments and accrued income" (ADP 064; HRK 23,769 thous.).</b>
<b>TOTAL ASSETS</b>	<b>065</b>		<b>6.913.547</b>	<b>6.913.547</b>	<b>0</b>	

## Summary of adjustments of GFI-POD balance sheet and consolidated balance sheet from Audited Report for 2021 / GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>CAPITAL AND RESERVES</b>	<b>067</b>	<b>27+ 28</b>	<b>3.311.059</b>	<b>3.311.059</b>	<b>0</b>	<b>GFI-POD item "Capital and reserves" (ADP 067; HRK 3,311,059 thous.) is in Audited report presented under item "Share capital" (Notes 27 and 28 in comparable amount of HRK 3,311,059 thous.).</b>
<b>PROVISIONS</b>	<b>090</b>	<b>Part of 32 + part of 31</b>	<b>166.156</b>	<b>166.156</b>	<b>0</b>	<b>GFI-POD item "Provisions" (ADP 090; HRK 166,156 thous.) is in Audited report presented under non-current liabilities in item "Provisions" (Note 32 part of the item "Severance pay and jubilee awards" in the amount HRK 29,829 thous. with the item "Legal Disputes" in a comparable amount HRK 50,117 thous. and "Other" HRK 28,164 thous.) and non-current liabilities under item "Concession fee" (Note 31 in comparable amount of HRK 58,046 thous.).</b>
<b>NON-CURRENT LIABILITIES (ADP 103+107+108)</b>	<b>097</b>	<b>Part of 24+ 25+ part of 29+ part of 30+ part of 31+ part of 32</b>	<b>2.614.508</b>	<b>2.614.508</b>	<b>0</b>	<b>Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Non-current liabilities" (ADP 097; HRK 2,614,508 thous.) and "Provisions" (ADP 090; HRK 166,156 thous.) in relation to item "Non-current liabilities" of Audited report (HRK 2,780,664 thous.).</b>
I. Liabilities to banks and other financial institutions	103	Part of 29	2.547.107	2.547.107	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 103; HRK 2,547,107 thous.) is in Audited report presented under non-current part of item "Borrowings" (Note 29 in comparable amount of HRK 2,547,107 thous.).
II. Other non-current liabilities	107	Part of 24+ part of 30 + part of 32	15.636	15.636	0	GFI-POD item "Other non-current liabilities" (ADP 107; HRK 15,636 thous.) is in Audited report presented under non-current part of item "Derivative financial instruments" (Note 24 in comparable amount of 4,362 thous.), "Lease liabilities" (Note 30 in comparable amount of HRK 11,273 thous.) and part of long-term liabilities in the item "Provisions" (Note 32 "Severance pay and jubilee awards" HRK 1 thous.). Comment: The total amount of item "Derivative financial instruments" in Audited report (Note 24) is 7,749 thous. and is presented in items "Other non-current liabilities" (ADP 107; HRK 4,362 thous.) and "Other current liabilities" (ADP 123; HRK 3,387 thous.).
III. Deferred tax liabilities	108	25	51.765	51.765	0	
<b>CURRENT LIABILITIES (ADP 110+112+115+116+117+118+119+120+121+123)</b>	<b>109</b>	<b>Part of 24+ 29+ part of 30+ part of 31+ part of 32</b>	<b>733.966</b>	<b>733.966</b>	<b>0</b>	<b>Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current liabilities" (ADP 109; HRK 733,966 thous.) and "Accrued expenses and deferred income" (ADP 124; HRK 87,858 thous.) in relation to item "Current liabilities" of Audited report (HRK 821,824 thous.).</b>
I. Liabilities to banks and other financial institutions	115	Part of 29	565.524	565.524	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 115; HRK 565,524 thous.) is in Audited report presented under current part of item "Borrowings" (Note 29; "Bank borrowings" in comparable amount of HRK 565,524 thous.).
II. Amounts payable for prepayment	116	Part of 31	40.344	40.344	0	GFI-POD item "Amounts payable for prepayment" (ADP 116; HRK 40,344 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Advances received" in comparable amount of HRK 40,344 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 229,319 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 40,344 thous.), "Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 112 and 117; HRK 67,510 thous.), "Liabilities to employees" (ADP 119; HRK 28,794 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 16,509 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.), "Other current liabilities" (ADP 123; HRK 8,839 thous.) and item "Accrued expenses and deferred income" (ADP 124; HRK 66,943 thous.).



## Summary of adjustments of GFI-POD balance sheet and consolidated balance sheet from Audited Report for 2021 / GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
III. Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers	110, 112 and 117	Part of 31	67.510	67.510	0	GFI-POD items "Liabilities towards companies linked by virtue of participating interest" (ADP 112; HRK 39 thous.) and "Trade payables" (ADP 117; HRK 67,471 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Trade payables" HRK 67,447 thous., "Trade payables – related parties" HRK 63 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 229,319 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 40,344 thous.), "Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 112 and 117; HRK 67,510 thous.), "Liabilities to employees" (ADP 119; HRK 28,794 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 16,509 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.), "Other current liabilities" (ADP 123; HRK 8,839 thous.) and item "Accrued expenses and deferred income" (ADP 124; HRK 66,943 thous.).
IV. Liabilities to employees	119	Part of 31	28.794	28.794	0	GFI-POD items "Liabilities to employees" (ADP 119; HRK 28,794 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities to employees" in comparable amount HRK 28,794 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 229,319 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 40,344 thous.), "Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 112 and 117; HRK 67,510 thous.), "Liabilities to employees" (ADP 119; HRK 28,794 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 16,509 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.), "Other current liabilities" (ADP 123; HRK 8,839 thous.) and item "Accrued expenses and deferred income" (ADP 124; HRK 66,943 thous.).
V. Taxes, contributions and similar liabilities	120	Part of 31	16.509	16.509	0	GFI-POD item "Taxes, contributions and similar liabilities" (ADP 120; HRK 16,509 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities for taxes and contributions and similar charges" in comparable amount of HRK 16,509 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 229,319 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 40,344 thous.), "Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 112 and 117; HRK 67,510 thous.), "Liabilities to employees" (ADP 119; HRK 28,794 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 16,509 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.), "Other current liabilities" (ADP 123; HRK 8,839 thous.) and item "Accrued expenses and deferred income" (ADP 124; HRK 66,943 thous.).

## Summary of adjustments of GFI-POD balance sheet and consolidated balance sheet from Audited Report for 2021 / GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
VI. Liabilities arising from share in the result and other current liabilities	121 and 123	Part of 24+ part of 30+ part of 31	15.286	15.286	0	GFI-POD item "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.) "Other current liabilities" (ADP 123; HRK 14,906 thous.) is in Audited report presented under current part of items "Trade and other payables" (Note 31; "Dividend liability" HRK 380 thous., part of "Other liabilities" HRK 8,839 thous.), "Derivative financial instruments" (Note 24 in comparable amount of HRK 3,387 thous.) and "Lease liabilities" (Note 30 in comparable amount of HRK 2,680 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 229,319 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 40,344 thous.), "Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 112 and 117; HRK 67,510 thous.), "Liabilities to employees" (ADP 119; HRK 28,794 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 16,509 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.), "Other current liabilities" (ADP 123; HRK 8,839 thous.) and item "Accrued expenses and deferred income" (ADP 124; HRK 66,943 thous.). The total amount of item "Derivative financial instruments" in Audited report (Note 24) is 3,387 thous. is presented in items "Other current liabilities" (ADP 123; HRK 3,387 thous.).
<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>124</b>	<b>Part of 31+ part of 32</b>	<b>87.858</b>	<b>87.858</b>	<b>0</b>	<b>GFI-POD item "Accrued expenses and deferred income" (ADP 124; HRK 87,858 thous.) is in Audited report presented under items "Trade and other payables" (Note 31; "Interest payable" HRK 29,168 thous., current part of item "Concession fees payable" HRK 1,920 thous., "Liabilities for calculated vacation and redistribution hours" HRK 10,908 thous., "Accrued VAT liabilities in unrealized income" HRK 483 thous., "Liabilities for calculated costs" HRK 22,605 thous. and part of "Other current liabilities" HRK 1,859 thous.) and current part of items "Provisions" (Note 32; current item "Termination benefits and jubilee awards" HRK 1,164 thous. and "Bonuses" HRK 19,751 thous.).</b> Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 229,319 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 40,344 thous.), "Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 112 and 117; HRK 67,510 thous.), "Liabilities to employees" (ADP 119; HRK 28,794 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 16,509 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.), "Other current liabilities" (ADP 123; HRK 8,839 thous.) and item "Accrued expenses and deferred income" (ADP 124; HRK 66,943 thous.). The total short-term part of the item "Provisions" of the Audited Report (Note 32) in the amount of 20,914 thous. in the item "Deferred payment of expenses and income for the future period" (ADP 124; HRK 20,914 thous.).
<b>TOTAL LIABILITIES</b>	<b>125</b>		<b>6.913.547</b>	<b>6.913.547</b>	<b>0</b>	

## Summary of adjustments of GFI-POD income statement and consolidated statement of comprehensive income from Audited report for 2021 / GROUP

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2021 to 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>OPERATING INCOME (ADP 002+003+004+005+006)</b>	<b>001</b>		<b>1.644.008</b>	<b>1.644.008</b>	<b>0</b>	
I. Revenues from sales with undertakings in a Group and sales revenues (outside the Group)	002+ 003	5	1.605.128	1.605.128	0	
II. Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)	004+ 005+ 006	Part of 6+ part of 10	38.880	38.880	0	GFI-POD items "Revenues from use of own products, goods and services" (ADP 004; HRK 326 thous.), "Other operating revenues (outside the Group)" (ADP 006; HRK 38,554 thous.) are in Audited report presented under items "Other income" (Note 6; "Income from donations and other" HRK 7,713 thous., "Income from provision release" HRK 14,027 thous., "Reimbursed costs" HRK 1,492 thous., "Income from insurance and legal claims" HRK 8,118 thous., "Income from own consumption" HRK 326 thous., "Collection of written-off receivables" HRK 53 thous., "Other income" HRK 5,330 thous.), and "Other gains/(losses) - net" (Note 10; "Net gains on sale of property, plant and equipment" HRK 1,820 thous.). Comment: The total amount of item "Other income" in Audited report (Note 6) is HRK 37,060 thous. and is presented in items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 004 and 006; HRK 37,060 thous.). The total amount of item "Other gains/(losses) - net" in Audited report (Note 10) is 1,820 thous. and is presented in item "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 004 and 006, HRK 1,820 thous.).
<b>OPERATING EXPENSES (ADP 009+013+017+018+019+022+029)</b>	<b>007</b>		<b>1.507.033</b>	<b>1.507.033</b>	<b>0</b>	<b>Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Staff costs" (ADP 013; HRK 353,176 thous.), "Other expenditures" (ADP 018; HRK 134,451 thous.), "Value adjustment" (ADP 019; HRK 1,670 thous.), "Provisions" (ADP 022; HRK 40,313 thous.) and "Other operating expenses" (ADP 029; HRK 11,826 thous.) in relation to items "Staff costs" (Note 8; HRK 439,531 thous.) and "Other operating expenses" (Note 9; HRK 101,905 thous.) of Audited report.</b>
I. Material costs	009	7	458.262	458.262	0	GFI-POD item "Material costs" (ADP 009; HRK 458,262 thous.) is in Audited report presented under item "Cost of materials and services" (Note 7 in comparable amount of HRK 458,262 thous.).
II. Staff costs	013	Part of 8	353.176	353.176	0	GFI-POD item "Staff costs" (ADP 013; HRK 353,176 thous.) is in Audited report presented under item "Staff costs" (Note 8; "Net salaries" HRK 218,087 thous., "Pension contributions" HRK 66,349 thous., "Health insurance contributions" HRK 46,430 thous., "Other (contributions and taxes)" HRK 22,310 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 439,531 thous. and is presented in "Staff costs" (ADP 013; HRK 353,176 thous.), "Other expenditures" (ADP 018; HRK 76,950 thous.) and "Provisions" (ADP 022; HRK 9,405 thous.).
III. Depreciation and amortisation	017	14+15+16+30	507.336	507.336	0	



## Summary of adjustments of GFI-POD income statement and consolidated statement of comprehensive income from Audited report for 2021 / GROUP (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2021 to 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
IV. Other expenditures	018	Part of 8+ part of 9	134.451	134.451	0	GFI-POD item "Other expenditures" (ADP 018; HRK 134,451 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Termination benefits" HRK 471 thous., "Other staff costs" HRK 76,479 thous.) and "Other operating expenses" (Note 9; "Municipal charges, concessions and other" HRK 25,624 thous., "Professional services" HRK 19,260 thous., "Entertainment" HRK 3,706 thous., "Insurance premiums" HRK 6,805 thous., "Bank charges" HRK 1,093 thous., "Membership fee to associations and other administrative expenses" HRK 1,012 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 439,531 thous. and is presented in "Staff costs" (ADP 013; HRK 353,176 thous.), "Other expenditures" (ADP 018; HRK 76,950 thous.) and "Provisions" (ADP 022; HRK 9,405 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 101,905 thous. and is presented in items "Other expenditures" (ADP 018; HRK 53,051 thous.), "Value adjustment" (ADP 019; HRK 1,670 thous.), "Provisions" (ADP 022; HRK 35,358 thous.) and "Other operating expenses" (ADP 029; HRK 11,826 thous.).
V. Value adjustment	019	Part of 9	1.670	1.670	0	GFI-POD item "Value adjustment" (ADP 019; HRK 1,670 thous.) is in Audited report presented under item "Other operating expenses" (Note 9; "Value adjustment of assets" in comparable amount of HRK 1,670 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 101,905 thous. and is presented in items "Other expenditures" (ADP 018; HRK 53,051 thous.), "Value adjustment" (ADP 019; HRK 1,670 thous.), "Provisions" (ADP 022; HRK 35,358 thous.) and "Other operating expenses" (ADP 029; HRK 11,826 thous.).
VI. Provisions	022	Part of 8+ part of 9	40.313	40.313	0	GFI-POD item "Provisions" (ADP 022; HRK 40,313 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Provisions for termination benefits and jubilee awards" HRK 9,405 thous.), "Other operating expenses" (Note 9; "Provisions for legal proceedings" HRK 2,744 thous., "Provisions for tourist land lease and other" HRK 28,164 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 435,081 thous. and is presented in "Staff costs" (ADP 013; HRK 353,176 thous.), "Other expenditures" (ADP 018; HRK 76,950 thous.) and "Provisions" (ADP 022; HRK 9,405 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 101,905 thous. and is presented in items "Other expenditures" (ADP 018; HRK 53,051 thous.), "Value adjustment" (ADP 019; HRK 1,670 thous.), "Provisions" (ADP 022; HRK 35,358 thous.) and "Other operating expenses" (ADP 029; HRK 11,826 thous.).
VII. Other operating expenses	029	Part of 9	11.826	11.826	0	GFI-POD item "Other operating expenses" (ADP 029; HRK 11,826 thous.) is in Audited report presented under items "Other operating expenses" (Note 9; "Write-off of property, plant and equipment" HRK 3,892 thous., "Other operating expenses" HRK 7,934 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 101,905 thous. and is presented in items "Other expenditures" (ADP 018; HRK 53,051 thous.), "Value adjustment" (ADP 019; HRK 1,670 thous.), "Provisions" (ADP 022; HRK 35,358 thous.) and "Other operating expenses" (ADP 029; HRK 11,826 thous.).

## Summary of adjustments of GFI-POD income statement and consolidated statement of comprehensive income from Audited report for 2021 / GROUP (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2021 to 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>FINANCIAL INCOME</b>	<b>030</b>	<b>11</b>	<b>35.354</b>	<b>35.354</b>	<b>0</b>	GFI-POD item "Financial income" (ADP 030; HRK 35,354 thous.) is in Audited report presented under items "Financial income/(loss) - net" in part of financial income (Note 11; "Interest income" HRK 83 thous., "Net foreign exchange gains/(losses) - other" HRK 11,676 thous., "Realised and change of net gains/(losses) from changes in value of forwards and interest rate swaps" HRK 9,233 thous., "Termination of control over the subsidiary" HRK 13,316 thous., "Income from cassa sconto" HRK 817 thous. and other financial income HRK 229 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 35,903 thous. and is presented in items "Financial income" (ADP 030; HRK 35,354 thous.) and "Financial costs" (ADP 041; HRK 71,257 thous.).
<b>FINANCIAL COSTS</b>	<b>041</b>	<b>11</b>	<b>71.257</b>	<b>71.257</b>	<b>0</b>	GFI-POD item "Financial costs" (ADP 041; HRK 71,257 thous.) is in Audited report presented under item "Finance income/(expense) - net" in part of financial expenses (Note 11; "Interest expense" HRK 71,257 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 35,903 thous. and is presented in items "Financial income" (ADP 030; HRK 35,354 thous.) and "Financial costs" (ADP 041; HRK 71,257 thous.).
<b>SHARE IN PROFIT OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>049</b>	<b>18</b>	<b>548</b>	<b>548</b>	<b>0</b>	The GFI-POD item "Share in profit from companies related to participating interests" (ADP 049; HRK 548 thous.) is stated in the Audited Report in the comparable amount of HRK 548 thous.).
<b>SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>051</b>	<b>18</b>	<b>144</b>	<b>144</b>	<b>0</b>	The GFI-POD item "Share in loss from companies related to participating interests" (ADP 051; HRK 144 thous.) is stated in the Audited Report in the comparable amount of HRK 144 thous.).
<b>TOTAL INCOME (ADP 001+030)</b>	<b>053</b>		<b>1.679.910</b>	<b>1.679.910</b>	<b>0</b>	
<b>TOTAL COSTS (ADP 007+041)</b>	<b>054</b>		<b>1.578.434</b>	<b>1.578.434</b>	<b>0</b>	
<b>PROFIT OR LOSS BEFORE TAX (ADP 053-054)</b>	<b>055</b>		<b>101.476</b>	<b>101.476</b>	<b>0</b>	
<b>INCOME TAX EXPENSE</b>	<b>058</b>		<b>-7.232</b>	<b>-7.232</b>	<b>0</b>	
<b>PROFIT OR LOSS FOR THE PERIOD (ADP 055-058)</b>	<b>059</b>		<b>108.708</b>	<b>108.708</b>	<b>0</b>	

## Summary of adjustments of GFI-POD cash flow statement and consolidated cash flow statement from Audited report for 2022 / GROUP

in thousands of HRK

GFI-POD CASH FLOW STATEMENT for the period from 1 January 2022 to 31 December 2022	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	Audited report	Difference	Explanation
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>020</b>		<b>694.283</b>	<b>694.283</b>	<b>0</b>	GFI-POD item "Net cash flow from operating activities" (ADP 020; HRK 694,283 thous.) is in Audited report presented in items "Net cash inflow from operating activities" in comparable amount of HRK 780,783 thous. and item "Interest paid" (Net cash inflow from financing activities) in the amount of HRK -86,500 thous.
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>034</b>		<b>-430.400</b>	<b>-430.400</b>	<b>0</b>	GFI-POD item "Net cash outflow from investment activities" (ADP 034; HRK -430,400 thous.) is in Audited report presented in item "Net cash outflow from investment activities" in comparable amount of HRK -430,400 thous.
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>046</b>		<b>-706.313</b>	<b>-706.313</b>	<b>0</b>	GFI-POD item "Net cash flow from financing activities" (ADP 046; HRK -706,313 thous.) is in Audited report presented in item "Net cash inflow from financing activities" in comparable amount of HRK -792,813 thous. increased for the item "Interest paid" in the amount of HRK 86,500 thous.
<b>D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046)</b>	<b>048</b>		<b>-442.430</b>	<b>-442.430</b>	<b>0</b>	
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>		<b>1.115.258</b>	<b>1.115.258</b>	<b>0</b>	
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>		<b>672.828</b>	<b>672.828</b>	<b>0</b>	

## Summary of adjustments of GFI-POD cash flow statement and consolidated cash flow statement from Audited report for 2021 / GROUP

in thousands of HRK

GFI-POD CASH FLOW STATEMENT for the period from 1 January 2021 to 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	Audited report	Difference	Explanation
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>020</b>		<b>610.039</b>	<b>610.039</b>	<b>0</b>	GFI-POD item "Net cash flow from operating activities" (ADP 020; HRK 610,039 thous.) is in Audited report presented in items "Net cash inflow from operating activities" in comparable amount of HRK 680,682 thous. and item "Interest paid" (Net cash inflow from financing activities) in the amount of HRK -70,643 thous.
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>034</b>		<b>-157.173</b>	<b>-157.173</b>	<b>0</b>	GFI-POD item "Net cash outflow from investment activities" (ADP 034; HRK -157,173 thous.) is in Audited report presented in item "Net cash outflow from investment activities" in comparable amount of HRK -157,173 thous.
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>046</b>		<b>-3.541</b>	<b>-3.541</b>	<b>0</b>	GFI-POD item "Net cash flow from financing activities" (ADP 046; HRK -3,541 thous.) is in Audited report presented in item "Net cash inflow from financing activities" in comparable amount of HRK -74,184 thous. increased for the item "Interest paid" in the amount of HRK 70,643 thous.
<b>D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046)</b>	<b>048</b>		<b>449.325</b>	<b>449.325</b>	<b>0</b>	
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>		<b>665.933</b>	<b>665.933</b>	<b>0</b>	
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>		<b>1.115.258</b>	<b>1.115.258</b>	<b>0</b>	



## Summary of adjustments of GFI-POD statement of changes in equity and consolidated statement of changes in shareholder's equity from Audited report for 2022 / GROUP

in thousands of HRK

GFI-POD STATEMENT OF CHANGES IN EQUITY for the period from 1 January 2022 to 31 December 2022	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	Audited report	Difference	Explanation
<b>CAPITAL AND RESERVES (ADP 31 to 50)</b>	<b>51</b>	<b>27+28+33</b>	<b>3.323.669</b>	<b>3.323.669</b>	<b>0</b>	GFI-POD item "Capital and reserves" (ADP 067; HRK 3,323,669 thous.) is in Audited report presented in items "Share capital" (Note 27 in comparable amount of HRK 1,672,021 thous.), "Treasury shares" (Note 27 in comparable amount of HRK -124,418 thous.), "Capital reserves" (Note 28 in comparable amount of HRK 5,224 thous.), "Fair value reserves" (Note 28 in comparable amount of HRK 59 thous.), "Legal reserves" (Note 28 in comparable amount of HRK 83,601 thous.), "Other reserves" (Note 28 in comparable amount of HRK 202,283 thous.) and "Retained earnings" (Note 28 in comparable amount of HRK 471,895 thous.) and "Non-controlling interest" (Note 33 in the comparable amount of HRK 1,013,004 thous.). Comment: To be fully compliant, the following items should be viewed as follows: the "Other reserves" item of Audited report (Note 28; HRK 202,283 thous.) matches the GFI POD item "Reserves for own shares" (ADP 072; HRK 136,815 thous.) and part of GFI POD item "Retained earnings" (ADP 083; HRK 26,934 thous.) and GFI POD items "Other reserves" (ADP 075; HRK 38,534 thous.). The "Retained earnings" item of Audited report (Note 28; HRK 471,895 thous.) matches the sum of GFI POD items "Profit for the financial year" (ADP 086; HRK 147,683 thous.) and part of "Retained earnings" (ADP 083; HRK 324,211 thous.).

## Summary of adjustments of GFI-POD statement of changes in equity and consolidated statement of changes in shareholder's equity from Audited report for 2021 / GROUP

in thousands of HRK

GFI-POD STATEMENT OF CHANGES IN EQUITY for the period from 1 January 2021 to 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	Audited report	Difference	Explanation
<b>CAPITAL AND RESERVES (ADP 31 to 50)</b>	<b>51</b>	<b>27+28+33</b>	<b>3.311.059</b>	<b>3.311.059</b>	<b>0</b>	GFI-POD item "Capital and reserves" (ADP 067; HRK 3,311,059 thous.) is in Audited report presented in items "Share capital" (Note 27 in comparable amount of HRK 1,672,021 thous.), "Treasury shares" (Note 27 in comparable amount of HRK -124,418 thous.), "Capital reserves" (Note 28 in comparable amount of HRK 5,224 thous.), "Fair value reserves" (Note 28 in comparable amount of HRK 81 thous.), "Legal reserves" (Note 28 in comparable amount of HRK 83,601 thous.), "Other reserves" (Note 28 in comparable amount of HRK 163,749 thous.) and "Retained earnings" (Note 28 in comparable amount of HRK 467,737 thous.) and "Non-controlling interest" (Note 33 in the comparable amount of HRK 1,043,064 thous.). Comment: To be fully compliant, the following items should be viewed as follows: the "Other reserves" item of Audited report (Note 28; HRK 163,749 thous.) matches the GFI POD item "Reserves for own shares" (ADP 072; HRK 136,815 thous.) and part of GFI POD item "Retained earnings" (ADP 083; HRK 24,684 thous.) and GFI POD items "Other reserves" (ADP 075; HRK 2,250 thous.). The "Retained earnings" item of Audited report (Note 28; HRK 467,737 thous.) matches the sum of GFI POD items "Profit for the financial year" (ADP 086; HRK 104,375 thous.) and part of "Retained earnings" (ADP 083; HRK 363,362 thous.).

Reporting period: from 01.01.2022 to 31.12.2022

Annual financial statement

Registration number (MB):	<u>3474771</u>	Issuer's home Member State code	<u>HR</u>
Entity's registration number (MBS):	<u>40020883</u>		
Personal identification number (OIB):	<u>36201212847</u>	LEI	<u>529900DUWS1DGNEK4C68</u>
Institution code:	<u>30577</u>		
Name of the issuer:	<u>Valamar Riviera d.d.</u>		
Postcode and town:	<u>52440</u>	<u>Poreč</u>	
Street and house number:	<u>Stancija Kaligari 1</u>		
E-mail address:	<u>uprava@riviera.hr</u>		
Web address:	<u>www.valamar-riviera.com</u>		
Number of employees (end of the reporting period):	<u>2460</u>		
Consolidated report:	<u>KN</u>	(KN-non consolidated/KD-consolidated)	
Audited:	<u>RD</u>	(RN-non audited/RD-audited)	
Names of subsidiaries (according to IFRS):		MB:	
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
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_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Bookkeeping firm:	<u>No</u>
Contact person:	<u>Sopta Anka</u> <small>(only name and surname of the contact person)</small>
Telephone:	<u>052 408 188</u>
E-mail address:	<u>anka.sopta@riviera.hr</u>
Audit firm:	<u>Ernst &amp; Young d.o.o., UHY Rudan d.o.o.</u> <small>(name of the audit firm)</small>
Certified auditor:	<u>Berislav Horvat, Vedrana Miletić</u> <small>(name and surname)</small>

(authorized representative's signature)



L.S.

**BALANCE SHEET** (as at 31.12.2022)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>5.152.301.804</b>	<b>4.681.079.535</b>
<b>I. INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>34.640.301</b>	<b>36.660.787</b>
1 Research and Development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	26.854.197	26.829.540
3 Goodwill	006	6.567.609	6.567.609
4 Advance payments for purchase of intangible assets	007		183.088
5 Intangible assets in preparation	008	1.218.495	3.080.550
6 Other intangible assets	009		
<b>II. TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>3.936.984.239</b>	<b>3.525.519.338</b>
1 Land	011	593.370.669	533.663.478
2 Buildings	012	2.593.423.408	2.304.216.155
3 Plants and equipment	013	355.975.206	316.513.500
4 Tools, working inventory and transportation assets	014	72.736.320	66.182.224
5 Biological asset	015		
6 Advance payments for purchase of tangible assets	016	42.528	2.586.845
7 Tangible assets in preparation	017	267.938.392	256.325.036
8 Other tangible assets	018	50.317.735	43.129.968
9 Investments property	019	3.179.981	2.902.132
<b>III. FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>1.017.453.237</b>	<b>1.068.140.025</b>
1 Investments in holdings (shares) of undertakings within the group	021	941.803.942	941.803.942
2 Investments in other securities of undertakings within the group	022		
3 Loans, deposits etc given to undertakings in a Group	023		
4 Investments in holdings (shares) of companies linked by virtue of participating interest	024	70.112.312	107.184.532
5 Investment in other securities of companies linked by virtue of participating interest	025		
6 Loans, deposits etc. given to companies linked by virtue of participating interest	026		3.120.329
7 Investments in securities	027	219.121	192.294
8 Loans, deposits, etc. given	028	5.177.862	4.194.812
9 Other investments accounted for using the equity method	029		
10 Other fixed financial assets	030	140.000	11.644.116
<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>163.224.027</b>	<b>50.759.385</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>656.422.372</b>	<b>525.780.603</b>
<b>I. INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>23.619.254</b>	<b>32.338.973</b>
1 Raw materials	039	22.520.626	31.092.875
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	1.098.628	1.246.098
5 Advance payments for inventories	043		
6 Fixed assets held for sale	044		
7 Biological asset	045		
<b>II. RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>50.219.276</b>	<b>39.546.531</b>
1 Receivables from undertakings within the group	047	19.738.193	15.745.709
2 Receivables from companies linked by virtue of participating interest	048	7.293.713	8.023.863
3 Customer receivables	049	16.667.610	12.310.275
4 Receivables from employees and members of the undertaking	050	625.968	294.087
5 Receivables from government and other institutions	051	3.070.818	2.035.828
6 Other receivables	052	2.822.974	1.136.769
<b>III. SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>444.055</b>	<b>7.336.795</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	
4 Investments in holdings (shares) of companies linked by virtue of participating interest	057		
5 Investment in other securities of companies linked by virtue of participating interest	058		
6 Loans, deposits etc. given to companies linked by virtue of participating interest	059		
7 Investments in securities	060		
8 Loans, deposits, etc. given	061	415.755	256.122
9 Other financial assets	062		7.080.673
<b>IV. CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>582.139.787</b>	<b>446.558.304</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>21.272.442</b>	<b>16.349.109</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>5.829.996.618</b>	<b>5.223.209.247</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>54.173.148</b>	<b>54.125.549</b>



**BALANCE SHEET (as at 31.12.2022) (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 (ADP 068 to 070+076+077+083+086+089)</b>	<b>067</b>	<b>2.619.280.406</b>	<b>3.074.950.277</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 (ADP 071+072-073+074+075)</b>	<b>070</b>	<b>98.247.551</b>	<b>134.531.679</b>
1 Legal reserves	071	83.601.061	83.601.061
2 Reserves for treasury share	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	38.533.600
<b>IV. REVALUATION RESERVES</b>	<b>076</b>		
<b>V. FAIR VALUE RESERVES AND OTHER (ADP 078 to 082)</b>	<b>077</b>	<b>81.109</b>	<b>59.111</b>
1 Financial assets at fair value through other comprehensive income (i.e. available for sale)	078	81.109	59.111
2 Cash flow hedge - effective portion	079		
3 Hedge of a net investment in a foreign operation - effective portion	080		
4 Other fair value reserves	081		
5 Exchange differences arising from the translation of foreign operations (consolidation)	082		
<b>VI. RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 084-085)</b>	<b>083</b>	<b>538.614.167</b>	<b>701.943.373</b>
1 Retained profit	084	538.614.167	701.943.373
2 Loss brought forward	085		
<b>VII. PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 087-088)</b>	<b>086</b>	<b>304.605.806</b>	<b>560.684.341</b>
1 Profit for the business year	087	304.605.806	560.684.341
2 Loss for the business year	088		
<b>VIII. MINORITY (NON-CONTROLLING) INTEREST</b>	<b>089</b>		
<b>B) PROVISIONS (ADP 091 to 096)</b>	<b>090</b>	<b>134.552.238</b>	<b>147.878.611</b>
1 Provisions for pensions, termination benefits and similar obligations	091	24.962.956	21.600.419
2 Provisions for tax liabilities	092		
3 Provisions for ongoing legal cases	093	28.843.417	28.715.050
4 Provisions for renewal of natural resources	094		
5 Provision for warranty obligations	095		
6 Other provisions	096	80.745.865	97.563.142
<b>C) LONG-TERM LIABILITIES (ADP 098 to 108)</b>	<b>097</b>	<b>2.331.903.180</b>	<b>1.418.778.030</b>
1 Liabilities towards undertakings within the group	098		
2 Liabilities for loans, deposits, etc. to companies within the group	099		
3 Liabilities towards companies linked by virtue of participating interest	100		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	101		
5 Liabilities for loans, deposits etc.	102		
6 Liabilities towards banks and other financial institutions	103	2.303.872.723	1.389.452.135
7 Liabilities for advance payments	104		
8 Liabilities towards suppliers	105		
9 Liabilities for securities	106		
10 Other long-term liabilities	107	15.575.274	17.745.142
11 Deferred tax liability	108	12.455.183	11.580.753
<b>D) SHORT-TERM LIABILITIES (ADP 110 to 123)</b>	<b>109</b>	<b>665.431.238</b>	<b>522.199.157</b>
1 Liabilities towards undertakings within the group	110	101.669	221.217
2 Liabilities for loans, deposits, etc. to companies within the group	111		
3 Liabilities towards companies linked by virtue of participating interest	112	7.389	18.253
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	113		
5 Liabilities for loans, deposits etc.	114		
6 Liabilities towards banks and other financial institutions	115	523.630.896	385.187.718
7 Liabilities for advance payments	116	36.066.605	28.989.366
8 Liabilities towards suppliers	117	51.117.222	58.544.950
9 Liabilities for securities	118		
10 Liabilities towards employees	119	24.804.908	25.948.438
11 Taxes, contributions and similar liabilities	120	14.661.562	10.515.075
12 Liabilities arising from the share in the result	121		
13 Liabilities arising from fixed assets held for sale	122		
14 Other short-term liabilities	123	15.040.987	12.774.140
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>124</b>	<b>78.829.556</b>	<b>59.403.172</b>
<b>F) TOTAL - LIABILITIES (ADP 067+090+097+109+124)</b>	<b>125</b>	<b>5.829.996.618</b>	<b>5.223.209.247</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>126</b>	<b>54.173.148</b>	<b>54.125.549</b>

**STATEMENT OF PROFIT OR LOSS** (for 01.01.2022 to 31.12.2022)**Submitter: Valamar Riviera d.d.**

Item 1	ADP code 2	Same period of the previous year 3	in HRK
			Current period 4
<b>I. OPERATING INCOME</b> (ADP 002 to 006)	<b>001</b>	<b>1.670.374.528</b>	<b>2.424.408.191</b>
1 Income from sales with undertakings within the group	002	31.631.791	80.615.533
2 Income from sales (outside group)	003	1.329.300.465	1.836.670.630
3 Income from the use of own products, goods and services	004	233.998	405.167
4 Other operating income with undertakings within the group	005	281.037.544	474.455.043
5 Other operating income (outside the group)	006	28.170.730	32.261.818
<b>II. OPERATING EXPENSES</b> (ADP 008+009+013+017+018+019+022+029)	<b>007</b>	<b>1.255.329.580</b>	<b>1.766.000.713</b>
1 Changes in inventories of work in progress and finished goods	008		
2 Material costs (ADP 010 to 011)	009	396.119.584	627.288.999
a) Costs of raw material	010	211.804.737	380.236.141
b) Costs of goods sold	011	10.230.447	17.888.287
c) Other external costs	012	174.084.400	229.164.571
3 Staff costs (ADP 014 to 016)	013	301.251.199	557.626.443
a) Net salaries and wages	014	185.544.244	361.680.797
b) Tax and contributions from salaries expenses	015	76.418.573	129.990.926
c) Contributions on salaries	016	39.288.382	65.954.720
4 Depreciation	017	397.597.196	369.413.354
5 Other expenses	018	113.160.696	185.195.783
6 Value adjustments (ADP 020+021)	019	1.646.054	247.576
a) fixed assets other than financial assets	020		
b) current assets other than financial assets	021	1.646.054	247.576
7 Provisions (ADP 023 to 028)	022	36.609.347	18.815.525
a) Provisions for pensions, termination benefits and similar obligations	023	9.293.175	2.929.400
b) Provisions for tax liabilities	024		
c) Provisions for ongoing legal cases	025	2.487.712	989.049
d) Provisions for renewal of natural resources	026		
e) Provisions for warranty obligations	027		
f) Other provisions	028	24.828.460	14.897.076
8 Other operating expenses	029	8.945.504	7.413.033
<b>III. FINANCIAL INCOME</b> (ADP 031 to 040)	<b>030</b>	<b>21.059.327</b>	<b>70.947.352</b>
1 Income from investments in holdings (shares) of undertakings within the group	031		36.831.102
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	032		
3 Income from other long-term financial investment and loans granted to undertakings within the group	033		
4 Other interest income from operations with undertakings within the group	034		
5 Exchange rate differences and other financial income from operations with undertakings within the group	035		1.424.210
6 Income from other long-term financial investments and loans	036		
7 Other interest income	037	291.847	231.926
8 Exchange rate differences and other financial income	038	10.791.830	4.438.307
9 Unrealised gains (income) from financial assets	039	4.503.562	22.967.126
10 Other financial income	040	5.472.088	5.054.681
<b>IV. FINANCIAL EXPENDITURE</b> (ADP 042 to 048)	<b>041</b>	<b>64.980.124</b>	<b>57.075.448</b>
1 Interest expenses and similar expenses with undertakings within the group	042		
2 Exchange rate differences and other expenses from operations with undertakings within the group	043		
3 Interest expenses and similar expenses	044	60.092.169	43.515.369
4 Exchange rate differences and other expenses	045		6.222.081
5 Unrealised losses (expenses) from financial assets	046		
6 Value adjustments of financial assets (net)	047		
7 Other financial expenses	048	4.887.955	7.337.998
<b>V. SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>049</b>		
<b>VI. SHARE IN PROFIT FROM JOINT VENTURES</b>	<b>050</b>		
<b>VII. SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>051</b>		
<b>VIII. SHARE IN LOSS OF JOINT VENTURES</b>	<b>052</b>		
<b>IX. TOTAL INCOME</b> (ADP 001+030+049 +050)	<b>053</b>	<b>1.691.433.855</b>	<b>2.495.355.543</b>
<b>X. TOTAL EXPENDITURE</b> (ADP 007+041+051+052)	<b>054</b>	<b>1.320.309.704</b>	<b>1.823.076.161</b>
<b>XI. PRE-TAX PROFIT OR LOSS</b> (ADP 053-054)	<b>055</b>	<b>371.124.151</b>	<b>672.279.382</b>
1 Pre-tax profit (ADP 053-054)	056	371.124.151	672.279.382
2 Pre-tax loss (ADP 054-053)	057		
<b>XII. INCOME TAX</b>	<b>058</b>	<b>66.518.345</b>	<b>111.595.041</b>
<b>XIII. PROFIT OR LOSS FOR THE PERIOD</b> (ADP 055-059)	<b>059</b>	<b>304.605.806</b>	<b>560.684.341</b>
1 Profit for the period (ADP 055-059)	060	304.605.806	560.684.341
2 Loss for the period (ADP 059-055)	061		

**STATEMENT OF PROFIT OR LOSS** (for 01.01.2022 to 31.12.2022) (continued)

Submitter: Valamar Riviera d.d.

in HRK

Item 1	ADP code 2	Same period of the previous year 3	Current period 4
<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 (ADP 063-064)</b>	<b>062</b>		
1 Pre-tax profit from discontinued operations	063		
2 Pre-tax loss on discontinued operations	064		
<b>XV. INCOME TAX OF DISCONTINUED OPERATIONS</b>	<b>065</b>		
1 Discontinued operations profit for the period (ADP 062-065)	066		
2 Discontinued operations loss for the period (ADP 065-062)	067		
<b>TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)</b>			
<b>XVI. PRE-TAX PROFIT OR LOSS (ADP 055+062)</b>	<b>068</b>		
1 Pre-tax profit (ADP 068)	069		
2 Pre-tax loss (ADP 068)	070		
<b>XVII. INCOME TAX (ADP 058+065)</b>	<b>071</b>		
<b>XVIII. PROFIT OR LOSS FOR THE PERIOD (ADP 068-071)</b>	<b>072</b>		
1 Profit for the period (ADP 068-071)	073		
2 Loss for the period (ADP 071-068)	074		
<b>APPENDIX to the P&amp;L (to be filled in by undertakings that draw up consolidated annual financial statements)</b>			
<b>XIX. PROFIT OR LOSS FOR THE PERIOD (ADP 076+077)</b>	<b>075</b>		
1 Attributable to owners of the parent	076		
2 Attributable to minority (non-controlling) interest	077		
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)</b>			
<b>I. PROFIT OR LOSS FOR THE PERIOD</b>	<b>078</b>	<b>304.605.806</b>	<b>560.684.341</b>
<b>II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX (ADP 080+087)</b>	<b>079</b>	<b>97.850</b>	<b>-26.827</b>
<b>III. ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS (ADP 081 to 085)</b>	<b>080</b>	<b>97.850</b>	<b>-26.827</b>
1 Changes in revaluation reserves of fixed tangible and intangible assets	081		
2 Gains or losses from subsequent measurement of equity instruments at fair value through other comprehensive income	082	97.850	-26.827
3 Fair value changes of financial liabilities at fair value through statement of profit or loss, attributable to changes in their credit risk	083		
4 Actuarial gains/losses on the defined benefit obligation	084		
5 Other items that will not be reclassified	085		
6 Income tax relating to items that will not be reclassified	086	17.613	-4.829
<b>IV. ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS (ADP 088 to 095)</b>	<b>087</b>		
1 Exchange rate differences from translation of foreign operations	088		
2 Gains or losses from subsequent measurement of debt securities at fair value through other comprehensive income	089		
3 Profit or loss arising from effective cash flow hedging	090		
4 Profit or loss arising from effective hedge of a net investment in a foreign operation	091		
5 Share in other comprehensive income/loss of companies linked by virtue of participating interests	092		
6 Changes in fair value of the time value of option	093		
7 Changes in fair value of forward elements of forward contracts	094		
8 Other items that may be reclassified to profit or loss	095		
9 Income tax relating to items that may be reclassified to profit or loss	096		
<b>V. NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 080+087-086-096)</b>	<b>097</b>	<b>80.237</b>	<b>-21.998</b>
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 078+097)</b>	<b>098</b>	<b>304.686.043</b>	<b>560.662.343</b>
<b>APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)</b>			
<b>VII. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 100+101)</b>	<b>099</b>		
1 Attributable to owners of the parent	100		
2 Attributable to minority (non-controlling) interest	101		



## STATEMENT OF CASH FLOWS - indirect method (for the period 01.01.2022 to 31.12.2022)

### Submitter: Valamar Riviera d.d.

Item	in HRK		
	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	371.124.151	672.279.382
2 Adjustments (ADP 003 to 010)	002	190.749.080	-67.502.629
a) Depreciation	003	397.597.196	369.413.354
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-279.190.767	-478.649.784
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005		
d) Interest and dividend income	006	-70.802	-36.905.652
e) Interest expenses	007	64.980.125	47.827.185
f) Provisions	008	21.540.065	11.406.173
g) Exchange rate differences (unrealised)	009	-7.490.750	6.222.081
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	-6.615.987	13.184.014
<b>I. Cash flow increase or decrease before changes in the working capital (ADP 001+002)</b>	<b>011</b>	<b>561.873.231</b>	<b>604.776.753</b>
3 Changes in the working capital (ADP 013 to 016)	012	-23.892.406	8.036.969
a) Increase or decrease in short-term liabilities	013	-28.430.139	3.439.327
b) Increase or decrease in short-term receivables	014	860.713	13.317.360
c) Increase or decrease in inventories	015	3.677.020	-8.719.718
d) Other increase or decrease in the working capital	016		
<b>II. Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>537.980.825</b>	<b>612.813.722</b>
4 Interest paid	018	-64.432.651	-70.461.419
5 Income tax paid	019		
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>473.548.174</b>	<b>542.352.303</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	3.647.864	51.088.729
2 Cash receipts from sales of financial instruments	022		300.024
3 Interest received	023	82.752	65.878
4 Dividends received	024	3.709	36.839.742
5 Cash receipts from repayment of loans and deposit	025	182.247	206.193
6 Other cash receipts from investment activities	026	1.110.110	
<b>III. Total cash receipts from investment activities (ADP 021 to 026)</b>	<b>027</b>	<b>5.026.682</b>	<b>88.500.566</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-77.557.476	-195.657.809
2 Cash payments for the acquisition of financial instruments	029		-1.445.856
3 Cash payments for loans and deposits for the period	030	-5.137.000	-2.349
4 Acquisition of a subsidiary, net of cash acquired	031		
5 Other cash payments from investment activities	032		-41.103.759
<b>IV. Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-82.694.476</b>	<b>-238.209.773</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-77.667.794</b>	<b>-149.709.207</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1 Cash receipts from the increase of initial (subscribed) capital	035		
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036		
3 Cash receipts from credit principals, loans and other borrowings	037	344.850.628	60.173.752
4 Other cash receipts from financing activities	038	1.756.034	2.739.417
<b>V. Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>346.606.662</b>	<b>62.913.169</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-679.122.703	-439.471.201
2 Dividends paid	041		-146.265.488
3 Cash payments for finance lease	042		
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043		
5 Other cash payments from financing activities	044	-4.197.790	-5.401.059
<b>VI. Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-683.320.493</b>	<b>-591.137.748</b>
<b>C) NET CASH FLOW FROM FINANCIAL ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>-336.713.831</b>	<b>-528.224.579</b>
1 Unrealised exchange rate differences in cash and cash equivalents	047		
<b>D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)</b>	<b>048</b>	<b>59.166.549</b>	<b>-135.581.483</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>	<b>049</b>	<b>522.973.238</b>	<b>582.139.787</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 048+049)</b>	<b>050</b>	<b>582.139.787</b>	<b>446.558.304</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - GFI

Name of the issuer:

**Valamar Riviera d.d.**

Personal identification

number OIB: **36201212847**

Reporting period:

**01.01.2022 to 31.12.2022**

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

- a) present information about the basis for the preparation of the financial statements and the specific accounting policies used in accordance with the International Accounting Standard 1 (IAS 1),
- b) disclose any information required by IFRSs that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity,
- c) provide additional information that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity, but is relevant for understanding any of them.
- d) In the notes to the financial statements, in addition to the information stated above, information in respect of the following matters shall be disclosed:
  1. issuer's name, registered office (address), legal form, country of establishment, entity's registration number and, if applicable, the indication whether the issuer is undergoing liquidation, bankruptcy proceedings, shortened termination proceedings or extraordinary administration
  2. adopted accounting policies
  3. the total amount of any financial commitments, guarantees or contingencies that are not included in the balance sheet, and an indication of the nature and form of any valuable security which has been provided; any commitments concerning pensions of the issuer within the group or company linked by virtue of participating interest shall be disclosed separately
  4. the amount of advances and credits granted to the members of the administrative, managerial and supervisory bodies, with indications of the interest rates, main conditions and any amounts repaid, written-off or revoked, as well as commitments entered into on their behalf by way of guarantees of any kind, with an indication of the total for each category
  5. the amount and nature of individual items of income or expenditure which are of exceptional size or incidence
  6. amounts owed by the issuer and falling due after more than five years, as well as the total debts of the issuer covered by valuable security furnished by the issuer, specifying the type and form of security
  7. average number of employees during the financial year
  8. where, in accordance with the regulations, the issuer capitalised on the cost of salaries in part or in full, information on the amount of the total cost of employees during the year broken down into the amount directly debiting the costs of the period and the amount capitalised on the value of the assets during the period, showing separately the total amount of net salaries and the amount of taxes, contributions from salaries and contributions on salaries
  9. the amount of the emoluments granted in respect of the financial year to the members of the administrative, managerial and supervisory bodies by reason of their responsibilities, and any commitments arising or entered into in respect of retirement pensions for former members of those bodies, with an indication of the total for each category
  10. the average number of persons employed during the financial year, broken down by categories and, if they are not disclosed separately in the profit and loss account, the staff costs relating to the financial year, broken down between net salaries and wages, tax costs and contributions from salaries, contributions on salaries and other salary costs, excluding cost allowances
  11. where a provision for deferred tax is recognised in the balance sheet, the deferred tax balances at the end of the financial year, and the movement in those balances during the financial year
  12. the name and registered office of each of the companies in which the issuer, either itself or through a person acting in their own name but on the issuer's



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - GFI (continued)

behalf, holds a participating interest, showing the proportion of the capital held, the amount of capital and reserves, and the profit or loss for the latest financial year of the company concerned for which financial statements have been adopted; the information concerning capital and reserves and the profit or loss may be omitted where the company concerned does not publish its balance sheet and is not controlled by another company

13. the number and the nominal value or, in the absence of a nominal value, the accounting par value of the shares subscribed during the financial year within the limits of the authorised capital
14. where there is more than one class of shares, the number and the nominal value or, in the absence of a nominal value, the accounting value for each class
15. the existence of any participation certificates, convertible debentures, warrants, options or similar securities or rights, with an indication of their number and the rights they confer
16. the name, registered office and legal form of each of the companies of which the issuer is a member having unlimited liability
17. the name and registered office of the company which draws up the consolidated financial statements of the largest group of companies of which the issuer forms part as a controlled group member
18. the name and registered office of the company which draws up the consolidated financial statements of the smallest group of companies of which the issuer forms part as a controlled group member and which is also included in the group of companies referred to in point 17.
19. the place where copies of the consolidated financial statements referred to in points 17 and 18 may be obtained, provided that they are available
20. the proposed appropriation of profit or treatment of loss, or where applicable, the appropriation of the profit or treatment of the loss
21. the nature and business purpose of the company's arrangements that are not included in the balance sheet and the financial impact on the company of those arrangements, provided that the risks or benefits arising from such arrangements are material and in so far as the disclosure of such risks or benefits is necessary for the purposes of assessing the financial position of the company
22. the nature and the financial effect of material events arising after the balance sheet date which are not reflected in the profit and loss account or balance sheet
23. the net income broken down by categories of activity and into geographical markets, in so far as those categories and markets differ substantially from one another, taking account of the manner in which the sale of products and the provision of services are organised
24. the total fees for the financial year charged by each statutory auditor or audit firm for the statutory audit of the annual financial statements, i.e. annual consolidated financial statements, the total fees charged for other assurance services, the total fees charged for tax advisory services and the total fees charged for other non-audit services, total research and development expenditure as the basis for granting state aid.

Detailed information on financial statements are available in PDF document „Annual report 2022“ which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

Detailed information on the preparation of financial statements and certain accounting policies are available in PDF document „Annual report 2022“ which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

Company Valamar Riviera d.d. below presents comparison tables of items in GFI POD financial statements and audited Notes for 2021 and 2022.

## Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2022 / COMPANY

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2022	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>NON-CURRENT ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>14+15+16+17+ part of 18+20+ part of 21+ part of 23+ part of 24+ 25+ part of 30</b>	<b>4.681.079</b>	<b>4.681.079</b>	<b>0</b>	
I. Intangible assets	003	16	36.661	36.661	0	
II. Tangible assets	010	14+ 15+ part of 30	3.525.519	3.525.519	0	GFI-POD item "Tangible assets" (ADP 010; HRK 3,525,519 thous.) is in Audited report presented under items "Property, plant and equipment" (Note 14 in comparable amount of HRK 3,496,015 thous.), "Investment property" (Note 15 in comparable amount of HRK 2,902 thous.), and "Right-of-use assets" (Note 30 in comparable amount of HRK 26,602 thous.).
III. Non-current financial assets	020	17+ part of 18+ 20+ part of 21+ part of 24	1.068.140	1.068.140	0	GFI-POD item "Financial assets" (ADP 020; HRK 1,068,140 thous.) is in Audited report presented under items "Investment in subsidiaries" (Note 17 in comparable amount of 941,804 thous.), "Investment in associated entity" (Note 18 in comparable amount of HRK 107,185 thous. (presented in balance sheet as a separate line), "Financial assets" (Note 20 in comparable amount of HRK 332 thous.), in the non-current part of item "Loans and deposits" (Note 21 in comparable amount of HRK 7,315 thous.) and in the non-current part of the item "Derivative financial instruments" (Note 24 in comparable amount of 11,504 thous.) Comment: The total amount of item "Derivative financial instruments" of the Audited report (Note 24) in the amount of 18,585 thous. is presented in the items "Non-current financial assets" (ADP 020; HRK 11,504 thous.) and "Current financial assets" (ADP 053; HRK 7,081 thous.)
IV. Deferred tax assets	036	25	50.759	50.759	0	
<b>CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>Part of 21+ 22+ part of 23+ part of 24+26</b>	<b>525.781</b>	<b>525.781</b>	<b>0</b>	<b>Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current assets" (ADP 037; HRK 525,781 thous.) and "Prepayments and accrued income" (ADP 064; HRK 16,349 thous.) in relation to item "Current assets" of Audited report (HRK 542,130 thous.).</b>
I. Inventories	038	22	32.339	32.339	0	
II. Receivables	046	Part of 23	39.547	39.547	0	GFI-POD item "Receivables" (ADP 046; HRK 39,547 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Trade receivables - net" HRK 36,080 thous., "VAT receivable" HRK 1,444 thous., "Advances to suppliers" HRK 91 thous., "Receivables from employees" HRK 294 thous., "Receivables from state institutions" HRK 592 thous. and part of "Other current liabilities" HRK 1,046 thous.) Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 55,896 thous. and is presented in items "Receivables" (ADP 046; HRK 39,547 thous.) and "Prepayments and accrued income" (ADP 064; HRK 16,349 thous.).
III. Current financial assets	053	Part of 21+ part of 24	7.337	7.337	0	GFI-POD item "Financial assets" (ADP 053; HRK 7,337 thous.) is in Audited report presented under item "Loans and deposits" - current part (Note 21 in comparable amount of HRK 256 thous.) and in the current part of the item "Derivative financial instruments" (Note 24 in comparable amount of 7,081 thous.) Comment: The total amount of item "Derivative financial instruments" of the Audited report (Note 24) in the amount of 18,585 thous. is presented in the items "Non-current financial assets" (ADP 020; HRK 11,504 thous.) and "Current financial assets" (ADP 053; HRK 7,081 thous.)
IV. Cash and cash equivalents	063	26	446.558	446.558	0	GFI-POD item "Cash and cash equivalents" (ADP 063; HRK 446,558 thous.) is in Audited report presented under item "Cash and cash equivalents" (Note 26 in comparable amount of HRK 446,558 thous.).

## Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2022 / COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2022	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>PREPAYMENTS AND ACCRUED INCOME</b>	<b>064</b>	<b>Part of 23</b>	<b>16.349</b>	<b>16.349</b>	<b>0</b>	GFI-POD item "Prepayments and accrued income" (ADP 064; HRK 16,349 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Accrued income" HRK 2,394 thous., "Interest receivables" HRK 27 thous., "Prepaid expenses" HRK 13,913 thous. and part of "Other current liabilities" HRK 15 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 55,896 thous. and is presented in items "Receivables" (ADP 046; HRK 39,547 thous.) and "Prepayments and accrued income" (ADP 064; HRK 16,349 thous.).
<b>TOTAL ASSETS</b>	<b>065</b>		<b>5.223.209</b>	<b>5.223.209</b>	<b>0</b>	
<b>CAPITAL AND RESERVES</b>	<b>067</b>	<b>27+28</b>	<b>3.074.952</b>	<b>3.074.952</b>	<b>0</b>	GFI-POD item "Capital and reserves" (ADP 067; HRK 3,074,952 thous.) is in Audited report presented under item "Share capital" (Notes 27 and 28 in comparable amount of HRK 3,074,952 thous.).
<b>PROVISIONS</b>	<b>090</b>	<b>32+ part of 31</b>	<b>147.878</b>	<b>147.878</b>	<b>0</b>	GFI-POD item "Provisions" (ADP 090; HRK 147,878 thous.) is in Audited report presented under non-current liabilities in item "Provisions" (Note 32 part of the item "Severance pay and jubilee awards" in the amount HRK 21,600 thous. with the item "Legal Disputes" in a comparable amount HRK 28,715 thous. and "Other" HRK 39,725 thous.) and non-current liabilities under item "Concession fee" (Note 31 in comparable amount of HRK 57,837 thous.).
<b>NON-CURRENT LIABILITIES (ADP 103+107+108)</b>	<b>097</b>	<b>25+ part of 29+ part of 30</b>	<b>1.418.778</b>	<b>1.418.778</b>	<b>0</b>	Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Non-current liabilities" (ADP 097; HRK 1,418,778 thous.) and "Provisions" (ADP 090; HRK 147,878 thous.) in relation to item "Non-current liabilities" of Audited report (HRK 1,566,655 thous.).
I. Liabilities to banks and other financial institutions	103	Part of 29	1.389.452	1.389.452	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 103; HRK 1,389,452 thous.) is in Audited report presented under non-current part of item "Borrowings" (Note 29 in comparable amount of HRK 1,389,452 thous.).
II. Other non-current liabilities	107	Part of 30	17.745	17.745	0	GFI-POD item "Other non-current liabilities" (ADP 107; HRK 17,745 thous.) is in Audited report presented under non-current part of item "Lease liabilities" (Note 30 in comparable amount of HRK 17,745 thous.).
III. Deferred tax liabilities	108	25	11.581	11.581	0	
<b>CURRENT LIABILITIES (ADP 110+112+115+116+117+118+119+121+123)</b>	<b>109</b>	<b>Part of 29+ part of 30+ part of 31</b>	<b>522.198</b>	<b>522.198</b>	<b>0</b>	Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current liabilities" (ADP 109; HRK 522,198 thous.) and "Accrued expenses and deferred income" (ADP 124; HRK 59,403 thous.) in relation to item "Current liabilities" of Audited report (HRK 581,602 thous.).
I. Liabilities to banks and other financial institutions	115	Part of 29	385.187	385.187	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 115; HRK 385,187 thous.) is in Audited report presented under current part of item "Borrowings" (Note 29; "Bank borrowings" in comparable amount of HRK 385,187 thous.).



## Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2022 / COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2022	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
II. Amounts payable for prepayment	116	Part of 31	28.989	28.989	0	GFI-POD item "Amounts payable for prepayment" (ADP 116; HRK 28,989 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Advances received" in comparable amount of HRK 28,989 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 191,357 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 28,989 thous.), "Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 110, 112 and 117; HRK 58,784 thous.), "Liabilities to employees" (ADP 119; HRK 25,948 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 10,515 thous.), "Liabilities arising from share in the result" (ADP 123; HRK 7,718 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 59,403 thous.).
III. Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers	110, 112 and 117	Part of 31	58.784	58.784	0	GFI-POD items "Liabilities to undertakings in a Group" (ADP 110; HRK 221 thous.), "Liabilities towards companies linked by virtue of participating interest" (ADP 112; HRK 18 thous.) and "Trade payables" (ADP 117; HRK 58,545 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Trade payables" HRK 58,466 thous., "Trade payables - related parties" HRK 318 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 191,357 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 28,989 thous.), "Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 110, 112 and 117; HRK 58,784 thous.), "Liabilities to employees" (ADP 119; HRK 25,948 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 10,515 thous.), "Liabilities arising from share in the result" (ADP 123; HRK 7,718 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 59,403 thous.).
IV. Liabilities to employees	119	Part of 31	25.948	25.948	0	GFI-POD items "Liabilities to employees" (ADP 119; HRK 25,948 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities to employees" in comparable amount HRK 25,948 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 191,357 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 28,989 thous.), "Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 110, 112 and 117; HRK 58,784 thous.), "Liabilities to employees" (ADP 119; HRK 25,948 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 10,515 thous.), "Liabilities arising from share in the result" (ADP 123; HRK 7,718 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 59,403 thous.).
V. Taxes, contributions and similar liabilities	120	Part of 31	10.515	10.515	0	GFI-POD item "Taxes, contributions and similar liabilities" (ADP 120; HRK 10,515 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities for taxes and contributions and similar charges" in comparable amount of HRK 10,515 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 191,357 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 28,989 thous.), "Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 110, 112 and 117; HRK 58,784 thous.), "Liabilities to employees" (ADP 119; HRK 25,948 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 10,515 thous.), "Liabilities arising from share in the result" (ADP 123; HRK 7,718 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 59,403 thous.).

## Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2022 / COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2022	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
VI. Other current liabilities	123	Part of 30+ part of 31	12.775	12.775	0	GFI-POD item "Other current liabilities" (ADP 123; HRK 12,775 thous.) is in Audited report presented under current part of items "Trade and other payables" (Note 31; "Other liabilities" HRK 7,718 thous.) and "Lease liabilities" (Note 30 in comparable amount of HRK 5,058 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 191,357 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 28,989 thous.), "Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 110, 112 and 117; HRK 58,784 thous.), "Liabilities to employees" (ADP 119; HRK 25,948 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 10,515 thous.), "Liabilities arising from share in the result" (ADP 123; HRK 7,718 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 59,403 thous.).
<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>124</b>	<b>Part of 31</b>	<b>59.403</b>	<b>59.403</b>	<b>0</b>	GFI-POD item "Accrued expenses and deferred income" (ADP 124; HRK 59,403 thous.) is in Audited report presented under items "Trade and other payables" (Note 31; "Interest payable" HRK 2,205 thous., "Liabilities for calculated vacation and redistribution hours" HRK 15,058 thous., "Accrued VAT liabilities in unrealized income" HRK 289 thous., "Liabilities for calculated costs" HRK 32,575 thous. and "Liabilities for the calculation of taxes for staff rewarding" HRK 9,276 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 191,357 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 28,989 thous.), "Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 110, 112 and 117; HRK 58,784 thous.), "Liabilities to employees" (ADP 119; HRK 25,948 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 10,515 thous.), "Liabilities arising from share in the result" (ADP 123; HRK 7,718 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 59,403 thous.).
<b>TOTAL LIABILITIES</b>	<b>125</b>		<b>3.223.209</b>	<b>3.223.209</b>	<b>0</b>	

## Summary of adjustments of GFI-POD income statement and unconsolidated statement of comprehensive income from Audited report for 2022 / COMPANY

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2022 to 31 December 2022	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>OPERATING INCOME (ADP 002+003+004+005+006)</b>	<b>001</b>	<b>5+6+10</b>	<b>2.424.408</b>	<b>2.424.408</b>	<b>0</b>	
I. Revenues from sales with undertakings in a Group and sales revenues (outside the Group)	002+003	5	1.917.286	1.917.286	0	
II. Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)	004+005+006	6+10	507.122	507.122	0	GFI-POD items "Revenues from use of own products, goods and services" (ADP 004; HRK 405 thous.), "Other operating revenues with undertakings in a Group" (ADP 005; HRK 474,455 thous.) and "Other operating revenues (outside the Group)" (ADP 006; HRK 32,262 thous.) are in Audited report presented under items "Other income" (Note 6; "Income from donations and other" HRK 2,816 thous., "Income from provision release" HRK 6,341 thous., "Reimbursed costs" HRK 5,710 thous., "Income from insurance and legal claims" HRK 2,874 thous., "Income from own consumption" HRK 405 thous., "Collection of receivables previously written-off" HRK 2,146 thous., "Other income" HRK 6,431 thous.), and "Other gains/(losses) - net" (Note 10; "Net gains on sale of property, plant and equipment" HRK 480,399 thous.).
<b>OPERATING EXPENSES (ADP 009+013+017+018+019+022+029)</b>	<b>007</b>	<b>7+8+9+14+15+16+30</b>	<b>1.766.000</b>	<b>1.766.000</b>	<b>0</b>	<b>Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Staff costs" (ADP 013; HRK 557,627 thous.), "Other expenditures" (ADP 018; HRK 185,195 thous.), "Value adjustment" (ADP 019; HRK 248 thous.), "Provisions" (ADP 022; 18,815 thous.) and "Other operating expenses" (ADP 029; HRK 7,413 thous.) in relation to items "Staff costs" (Note 8; HRK 672,395 thous.) and "Other operating expenses" (Note 9; HRK 96,903 thous.) of Audited report.</b>
I. Material costs	009	7	627.289	627.289	0	GFI-POD item "Material costs" (ADP 009; HRK 627,289 thous.) is in Audited report presented under item "Cost of materials and services" (Note 7 in comparable amount of HRK 627,289 thous.).
II. Staff costs	013	Part of 8	557.627	557.627	0	GFI-POD item "Staff costs" (ADP 013; HRK 557,627 thous.) is in Audited report presented under item "Staff costs" (Note 8; "Net salaries" HRK 361,681 thous., "Pension and taxes contributions" HRK 129,991 thous., "Health insurance contributions" HRK 65,955 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 672,395 thous. and is presented in "Staff costs" (ADP 013; HRK 557,627 thous.), "Other expenditures" (ADP 018; HRK 111,839 thous.) and "Provisions" (ADP 022; HRK 2,929 thous.).
III. Depreciation and amortisation	017	14+15+16+30	369.413	369.413	0	
IV. Other expenditures	018	Part of 8+ part of 9	185.195	185.195	0	GFI-POD item "Other expenditures" (ADP 018; HRK 185,195 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Termination benefits" HRK 451 thous., "Other staff costs" HRK 111,388 thous.) and "Other operating expenses" (Note 9; "Municipal charges, concessions and other" HRK 32,433 thous., "Professional services" HRK 25,113 thous., "Entertainment" HRK 6,422 thous. HRK, "Insurance premiums" HRK 6,533 thous., "Bank charges" HRK 1,252 thous., "Subscription to magazines and other administrative expenses" HRK 1,603 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 672,395 thous. and is presented in "Staff costs" (ADP 013; HRK 557,627 thous.), "Other expenditures" (ADP 018; HRK 111,839 thous.) and "Provisions" (ADP 022; HRK 2,929 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 96,903 thous. and is presented in items "Other expenditures" (ADP 018; HRK 73,356 thous.), "Value adjustment" (ADP 019; HRK 248 thous.), "Provisions" (ADP 022; HRK 15,886 thous.) and "Other operating expenses" (ADP 029; HRK 7,413 thous.).

## Summary of adjustments of GFI-POD income statement and unconsolidated statement of comprehensive income from Audited report for 2022 / COMPANY (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2022 to 31 December 2022	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
V. Value adjustment	019	Part of 9	248	248	0	GFI-POD item "Value adjustment" (ADP 019; HRK 248 thous.) is in Audited report presented under item "Other operating expenses" (Note 9; "Impairment of assets" in comparable amount of HRK 248 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 96,903 thous. and is presented in items "Other expenditures" (ADP 018; HRK 73,356 thous.), "Value adjustment" (ADP 019; HRK 248 thous.), "Provisions" (ADP 022; HRK 15,886 thous.) and "Other operating expenses" (ADP 029; HRK 7,413 thous.).
VI. Provisions	022	Part of 8+ part of 9	18.815	18.815	0	GFI-POD item "Provisions" (ADP 022; HRK 18,815 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Provisions for termination benefits and jubilee awards" HRK 2,929 thous.), "Other operating expenses" (Note 9; "Provisions" HRK 989 thous. and "Reservations for tourist land" HRK 14,897 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 672,395 thous. and is presented in "Staff costs" (ADP 013; HRK 557,627 thous.), "Other expenditures" (ADP 018; HRK 111,839 thous.) and "Provisions" (ADP 022; HRK 2,929 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 96,903 thous. and is presented in items "Other expenditures" (ADP 018; HRK 73,356 thous.), "Value adjustment" (ADP 019; HRK 248 thous.), "Provisions" (ADP 022; HRK 15,886 thous.) and "Other operating expenses" (ADP 029; HRK 7,413 thous.).
VII. Other operating expenses	029	Part of 9	7.413	7.413	0	GFI-POD item "Other operating expenses" (ADP 029; HRK 7,413 thous.) is in Audited report presented under items "Other operating expenses" (Note 9; "Write-off of property, plant and equipment" HRK 1,749 thous., "Other operating expenses" HRK 5,664 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 96,903 thous. and is presented in items "Other expenditures" (ADP 018; HRK 73,356 thous.), "Value adjustment" (ADP 019; HRK 248 thous.), "Provisions" (ADP 022; HRK 15,886 thous.) and "Other operating expenses" (ADP 029; HRK 7,413 thous.).
<b>FINANCIAL INCOME</b>	<b>030</b>	<b>11</b>	<b>70.947</b>	<b>70.947</b>	<b>0</b>	<b>GFI-POD item "Financial income" (ADP 030; HRK 70,947 thous.) is in Audited report presented under items "Financial income/(loss) - net" in part of financial income (Note 11; "Interest income" HRK 66 thous., "Net foreign exchange gains/(losses) - other" HRK 4,429 thous., "Realised net gains/(losses) from changes in value of forwards and interest rate swaps" HRK 3,367 thous., "Income from cassa sconto" HRK 1,688 thous., "Dividend income and other financial income" HRK 38,430 thous. and "Change in the value of currency forward contracts and interest rate swaps" HRK 22,967 thous.).</b> <b>Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 13,872 thous. and is presented in items "Financial income" (ADP 030; HRK 70,947 thous.) and "Financial costs" (ADP 041; HRK 57,075 thous.).</b>
<b>FINANCIAL COSTS</b>	<b>041</b>	<b>11</b>	<b>57.075</b>	<b>57.075</b>	<b>0</b>	<b>GFI-POD item "Financial costs" (ADP 041; HRK 57,075 thous.) is in Audited report presented under item "Finance income/(expense) - net" in part of financial expenses (Note 11; "Interest expense" HRK 47,827 thous., "Expenses of financial instruments" HRK 1,146 thous., Other financial costs HRK 1,880 thous. and "Net negative exchange rate differences from financial activities" HRK 6,222 thous.).</b> <b>Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 13,872 thous. and is presented in items "Financial income" (ADP 030; HRK 70,947 thous.) and "Financial costs" (ADP 041; HRK 57,075 thous.).</b>
<b>TOTAL INCOME (ADP 001+030)</b>	<b>053</b>		<b>2.495.355</b>	<b>2.495.355</b>	<b>0</b>	
<b>TOTAL COSTS (ADP 007+041)</b>	<b>054</b>		<b>1.823.076</b>	<b>1.823.076</b>	<b>0</b>	
<b>PROFIT OR LOSS BEFORE TAX (ADP 053-054)</b>	<b>055</b>		<b>672.279</b>	<b>672.279</b>	<b>0</b>	
<b>INCOME TAX EXPENSE</b>	<b>058</b>		<b>111.595</b>	<b>111.595</b>	<b>0</b>	
<b>PROFIT OR LOSS FOR THE PERIOD (ADP 055-058)</b>	<b>059</b>		<b>560.684</b>	<b>560.684</b>	<b>0</b>	



## Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited Report for 2021 / COMPANY

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>NON-CURRENT ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>14+15+16+ 17+ part of 18+ 20+ part of 21+ part of 23+ 25+ part of 30</b>	<b>5.152.302</b>	<b>5.152.302</b>	<b>0</b>	
I. Intangible assets	003	16	34.640	34.640	0	
II. Tangible assets	010	14+ 15+ part of 30	3.936.985	3.936.985	0	GFI-POD item "Tangible assets" (ADP 010; HRK 3,936,985 thous.) is in Audited report presented under items "Property, plant and equipment" (Note 14 in comparable amount of HRK 3,916,939 thous.), "Investment property" (Note 15 in comparable amount of HRK 3,180 thous.), and "Right-of-use assets" (Note 30 in comparable amount of HRK 16,866 thous.).
III. Non-current financial assets	020	17+ part of 18+ 20+ part of 21	1.017.453	1.017.453	0	GFI-POD item "Financial assets" (ADP 020; HRK 1,017,453 thous.) is in Audited report presented under items "Investment in subsidiaries" (Note 17 in comparable amount of 941,804 thous.), "Investment in associated entity" (Note 18 in comparable amount of HRK 70,112 thous. (presented in balance sheet as a separate line)), "Financial assets" (Note 20 in comparable amount of HRK 359 thous.) and in the non-current part of item "Loans and deposits" (Note 21 in comparable amount of HRK 5,178 thous.).
IV. Deferred tax assets	036	25	163.224	163.224	0	
<b>CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>Part of 21+ 22+ part of 23+ 26</b>	<b>656.422</b>	<b>656.422</b>	<b>0</b>	<b>Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current assets" (ADP 037; HRK 656,422 thous.) and "Prepayments and accrued income" (ADP 064; HRK 21,273 thous.) in relation to item "Current assets" of Audited report (HRK 677,695 thous.).</b>
I. Inventories	038	22	23.619	23.619	0	
II. Receivables	046	Part of 23	50.219	50.219	0	GFI-POD item "Receivables" (ADP 046; HRK 50,219 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Trade receivables – net" HRK 43,673 thous., "VAT receivable" HRK 2,235 thous., "Advances to suppliers" HRK 457 thous., "Receivables from employees" HRK 626 thous., "Receivables from state institutions" HRK 834 thous., part of "Other current liabilities" HRK 2,392 thous. and "Income tax receivable" HRK 2 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 71,490 thous. and is presented in items "Receivables" (ADP 046; HRK 50,217 thous.) and "Prepayments and accrued income" (ADP 064; HRK 21,273 thous.).
III. Current financial assets	053	Part of 21	444	444	0	GFI-POD item "Financial assets" (ADP 053; HRK 444 thous.) is in Audited report presented under item "Loans and deposits" - current part (Note 21 in comparable amount of HRK 444 thous.).
IV. Cash and cash equivalents	063	26	582.141	582.141	0	GFI-POD item "Cash and cash equivalents" (ADP 063; HRK 582,141 thous.) is in Audited report presented under item "Cash and cash equivalents" (Note 26 in comparable amount of HRK 582,141 thous.).
<b>PREPAYMENTS AND ACCRUED INCOME</b>	<b>064</b>	<b>Part of 23</b>	<b>21.273</b>	<b>21.273</b>	<b>0</b>	<b>GFI-POD item "Prepayments and accrued income" (ADP 064; HRK 21,273 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Accrued income" HRK 2,398 thous., "Interest receivables" HRK 27 thous., "Prepaid expenses" HRK 18,818 thous. and part of "Other current liabilities" HRK 30 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 71,490 thous. and is presented in items "Receivables" (ADP 046; HRK 50,217 thous.) and "Prepayments and accrued income" (ADP 064; HRK 21,273 thous.).</b>
<b>TOTAL ASSETS</b>	<b>065</b>		<b>5.829.997</b>	<b>5.829.997</b>	<b>0</b>	

## Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited Report for 2021 / COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>CAPITAL AND RESERVES</b>	<b>067</b>	<b>27+28</b>	<b>2.619.280</b>	<b>2.619.280</b>	<b>0</b>	GFI-POD item "Capital and reserves" (ADP 067; HRK 2,619,280 thous.) is in Audited report presented under item "Share capital" (Notes 27 and 28 in comparable amount of HRK 2,619,280 thous.).
<b>PROVISIONS</b>	<b>090</b>	<b>Part of 32 + part of 31</b>	<b>134.552</b>	<b>134.552</b>	<b>0</b>	GFI-POD item "Provisions" (ADP 090; HRK 134,552 thous.) is in Audited report presented under non-current liabilities in item "Provisions" (Note 32 part of the item "Severance pay and jubilee awards" in the amount HRK 24,964 thous. with the item "Legal Disputes" in a comparable amount HRK 28,843 thous. and "Other" HRK 24,828 thous.) and non-current liabilities under item "Concession fee" (Note 31 in comparable amount of HRK 55,917 thous.).
<b>NON-CURRENT LIABILITIES (ADP 103+107+108)</b>	<b>097</b>	<b>Part of 24+25+ part of 29+ part of 30+ part of 31+ part of 32</b>	<b>2.331.904</b>	<b>2.331.904</b>	<b>0</b>	<b>Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Non-current liabilities" (ADP 097; HRK 2,331,904 thous.) and "Provisions" (ADP 090; HRK 134,552 thous.) in relation to item "Non-current liabilities" of Audited report (HRK 2,466,456 thous.).</b>
I. Liabilities to banks and other financial institutions	103	Part of 29	2.303.873	2.303.873	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 103; HRK 2,303,873 thous.) is in Audited report presented under non-current part of item "Borrowings" (Note 29 in comparable amount of HRK 2,303,873 thous.).
II. Other non-current liabilities	107	Part of 24+ part of 30+ part of 32	15.575	15.575	0	GFI-POD item "Other non-current liabilities" (ADP 107; HRK 15,575 thous.) is in Audited report presented under non-current part of item "Derivative financial instruments" (Note 24 in comparable amount of 4,362 thous.), "Lease liabilities" (Note 30 in comparable amount of HRK 11,212 thous.) and part of long-term liabilities in the item "Provisions" (Note 32 "Severance pay and jubilee awards" HRK 1 thous.). Comment: The total amount of item "Derivative financial instruments" in Audited report (Note 24) is 7,749 thous. and is presented in items "Other non-current liabilities" (ADP 107; HRK 4,362 thous.) and "Other current liabilities" (ADP 123; HRK 3,387 thous.).
III. Deferred tax liabilities	108	25	12.455	12.455	0	
<b>CURRENT LIABILITIES (ADP 110+112+115+116+117+118+119+121+123)</b>	<b>109</b>	<b>Part of 24+ part of 29+ part of 30+ part of 31</b>	<b>665.431</b>	<b>665.431</b>	<b>0</b>	<b>Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current liabilities" (ADP 109; HRK 665,431 thous.) and "Accrued expenses and deferred income" (ADP 124; HRK 78,830 thous.) in relation to item "Current liabilities" of Audited report (HRK 744,261 thous.).</b>
I. Liabilities to banks and other financial institutions	115	Part of 29	523.631	523.631	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 115; HRK 523,631 thous.) is in Audited report presented under current part of item "Borrowings" (Note 29; "Bank borrowings" in comparable amount of HRK 523,631 thous.).
II. Amounts payable for prepayment	116	Part of 31	36.065	36.065	0	GFI-POD item "Amounts payable for prepayment" (ADP 116; HRK 36,065 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Advances received" in comparable amount of HRK 36,065 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 195,893 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 36,065 thous.), "Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 110, 112 and 117; HRK 51,226 thous.), "Liabilities to employees" (ADP 119; HRK 24,805 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 14,662 thous.), "Liabilities arising from share in the result" (ADP 123; HRK 8,685 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 60,449 thous.).

## Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited Report for 2021 / COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
III. Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers	110, 112 and 117	Part of 31	51.226	51.226	0	GFI-POD items "Liabilities to undertakings in a Group" (ADP 110; HRK 102 thous.), "Liabilities towards companies linked by virtue of participating interest" (ADP 112; HRK 7 thous.) and "Trade payables" (ADP 117; HRK 51,117 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Trade payables" HRK 51,095 thous., "Trade payables – related parties" HRK 131 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 195,893 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 36,065 thous.), "Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 110, 112 and 117; HRK 51,226 thous.), "Liabilities to employees" (ADP 119; HRK 24,805 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 14,662 thous.), "Liabilities arising from share in the result" (ADP 123; HRK 8,685 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 60,449 thous.).
IV. Liabilities to employees	119	Part of 31	24.805	24.805	0	GFI-POD items "Liabilities to employees" (ADP 119; HRK 24,805 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities to employees" in comparable amount HRK 24,805 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 195,893 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 36,065 thous.), "Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 110, 112 and 117; HRK 51,226 thous.), "Liabilities to employees" (ADP 119; HRK 24,805 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 14,662 thous.), "Liabilities arising from share in the result" (ADP 123; HRK 8,685 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 60,449 thous.).
V. Taxes, contributions and similar liabilities	120	Part of 31	14.662	14.662	0	GFI-POD item "Taxes, contributions and similar liabilities" (ADP 120; HRK 14,662 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities for taxes and contributions and similar charges" in comparable amount of HRK 14,662 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 195,893 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 36,065 thous.), "Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 110, 112 and 117; HRK 51,226 thous.), "Liabilities to employees" (ADP 119; HRK 24,805 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 14,662 thous.), "Liabilities arising from share in the result" (ADP 123; HRK 8,685 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 60,449 thous.).

## Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited Report for 2021 / COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
VI. Other current liabilities	123	Part of 24+ part of 30+ part of 31	15.041	15.041	0	GFI-POD item "Other current liabilities" (ADP 123; HRK 15,041 thous.) is in Audited report presented under current part of items "Trade and other payables" (Note 31; "Other liabilities" HRK 8,685 thous.), "Derivative financial instruments" (Note 24 in comparable amount of HRK 3,387 thous.) and "Lease liabilities" (Note 30 in comparable amount of HRK 2,969 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 195,893 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 36,065 thous.), "Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 110, 112 and 117; HRK 51,226 thous.), "Liabilities to employees" (ADP 119; HRK 24,805 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 14,662 thous.), "Liabilities arising from share in the result" (ADP 123; HRK 8,685 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 60,449 thous.). The total amount of item "Derivative financial instruments" in Audited report (Note 24) is 7,749 thous. and is presented in items "Other non-current liabilities" (ADP 107; HRK 4,362 thous.) and "Other current liabilities" (ADP 123; HRK 3,387 thous.).
<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>124</b>	<b>Part of 31+ part of 32</b>	<b>78.830</b>	<b>78.830</b>	<b>0</b>	<b>GFI-POD item "Accrued expenses and deferred income" (ADP 124; HRK 78,830 thous.) is in Audited report presented under items "Trade and other payables" (Note 31; "Interest payable" HRK 29,002 thous., current part of item "Concession fees payable" HRK 1,920 thous., "Liabilities for calculated vacation and redistribution hours" HRK 9,379 thous., "Accrued VAT liabilities in unrealized income" HRK 295 thous., "Liabilities for calculated costs" HRK 19,853 thous.) and current part of items "Provisions" (Note 32; current item "Termination benefits and jubilee awards" HRK 818 thous. and "Bonuses" HRK 17,563 thous.).</b> Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 195,893 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 36,065 thous.), "Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 110, 112 and 117; HRK 51,226 thous.), "Liabilities to employees" (ADP 119; HRK 24,805 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 14,662 thous.), "Liabilities arising from share in the result" (ADP 123; HRK 8,685 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 60,449 thous.). The total short-term part of the item "Provisions" of the Audited Report (Note 32) in the amount of 18,381 thous. in the item "Deferred payment of expenses and income for the future period" (ADP 124; HRK 18,381 thous.).
<b>TOTAL LIABILITIES</b>	<b>125</b>		<b>5.829.997</b>	<b>5.829.997</b>	<b>0</b>	



## Summary of adjustments of GFI-POD income statement and unconsolidated statement of comprehensive income from Audited report for 2021 / COMPANY

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2021 to 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>OPERATING INCOME (ADP 002+003+004+005+006)</b>	<b>001</b>		<b>1.670.375</b>	<b>1.670.375</b>	<b>0</b>	
I. Revenues from sales with undertakings in a Group and sales revenues (outside the Group)	002+003	5	1.360.932	1.360.932	0	
II. Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)	004+005+006	Part of 6+ part of 10	309.442	309.442	0	GFI-POD items "Revenues from use of own products, goods and services" (ADP 004; HRK 234 thous.), "Other operating revenues with undertakings in a Group" (ADP 005; HRK 281,038 thous.) and "Other operating revenues (outside the Group)" (ADP 006; HRK 28,171 thous.) are in Audited report presented under items "Other income" (Note 6; "Income from donations and other" HRK 2,104 thous., "Income from provision release" HRK 14,004 thous., "Reimbursed costs" HRK 2,470 thous., "Income from insurance and legal claims" HRK 4,531 thous., "Income from own consumption" HRK 234 thous., "Collection of receivables previously written-off" HRK 34 thous., "Other income" HRK 4,363 thous.), and "Other gains/(losses) - net" (Note 10; "Net gains on sale of property, plant and equipment" HRK 281,702 thous.). Comment: The total amount of item "Other income" in Audited report (Note 6) is HRK 27,740 thous. and is presented in items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 004, 005 and 006; HRK 27,740 thous.). The total amount of item "Other gains/(losses) - net" in Audited report (Note 10) is 281,702 thous. and is presented in item "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 004, 005 and 006; HRK 281,702 thous.).
<b>OPERATING EXPENSES (ADP 009+013+017+018+019+022+029)</b>	<b>007</b>		<b>1.255.330</b>	<b>1.255.330</b>	<b>0</b>	<b>Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Staff costs" (ADP 013; HRK 301,251 thous.), "Other expenditures" (ADP 018; HRK 113,161 thous.), "Value adjustment" (ADP 019; HRK 1,646 thous.), "Provisions" (ADP 022; 36,609 thous.) and "Other operating expenses" (ADP 029; HRK 8,946 thous.) in relation to items "Staff costs" (Note 8; HRK 376,046 thous.) and "Other operating expenses" (Note 9; HRK 85,566 thous.) of Audited report.</b>
I. Material costs	009	7	396.120	396.120	0	GFI-POD item "Material costs" (ADP 009; HRK 396,120 thous.) is in Audited report presented under item "Cost of materials and services" (Note 7 in comparable amount of HRK 396,120 thous.).
II. Staff costs	013	Part of 8	301.251	301.251	0	GFI-POD item "Staff costs" (ADP 013; HRK 301,251 thous.) is in Audited report presented under item "Staff costs" (Note 8; "Net salaries" HRK 185,544 thous., "Pension contributions" HRK 53,978 thous., "Health insurance contributions" HRK 39,419 thous., "Other (contributions and taxes)" HRK 22,310 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 376,046 thous. and is presented in "Staff costs" (ADP 013; HRK 301,251 thous.), "Other expenditures" (ADP 018; HRK 65,502 thous.) and "Provisions" (ADP 022; HRK 9,293 thous.).
III. Depreciation and amortisation	017	14+15+16+30	397.597	397.597	0	

## Summary of adjustments of GFI-POD income statement and unconsolidated statement of comprehensive income from Audited report for 2021 / COMPANY (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2021 to 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
IV. Other expenditures	018	Part of 8+ part of 9	113.161	113.161	0	GFI-POD item "Other expenditures" (ADP 018; HRK 113,161 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Termination benefits" HRK 277 thous., "Other staff costs" HRK 65,225 thous.) and "Other operating expenses" (Note 9; "Municipal charges, concessions and other" HRK 21,697 thous., "Professional services" HRK 15,324 thous., "Entertainment" HRK 3,490 thous., "Insurance premiums" HRK 5,492 thous., "Bank charges" HRK 778 thous., "Subscription to magazines and other administrative expenses" HRK 877 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 376,046 thous. and is presented in "Staff costs" (ADP 013; HRK 301,251 thous.), "Other expenditures" (ADP 018; HRK 65,502 thous.) and "Provisions" (ADP 022; HRK 9,293 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 85,566 thous. and is presented in items "Other expenditures" (ADP 018; HRK 47,658 thous.), "Value adjustment" (ADP 019; HRK 1,646 thous.), "Provisions" (ADP 022; HRK 27,316 thous.) and "Other operating expenses" (ADP 029; HRK 8,946 thous.).
V. Value adjustment	019	Part of 9	1.646	1.646	0	GFI-POD item "Value adjustment" (ADP 019; HRK 1,646 thous.) is in Audited report presented under item "Other operating expenses" (Note 9; "Impairment of assets" in comparable amount of HRK 1,646 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 85,566 thous. and is presented in items "Other expenditures" (ADP 018; HRK 47,658 thous.), "Value adjustment" (ADP 019; HRK 1,646 thous.), "Provisions" (ADP 022; HRK 27,316 thous.) and "Other operating expenses" (ADP 029; HRK 8,946 thous.).
VI. Provisions	022	Part of 8+ part of 9	36.609	36.609	0	GFI-POD item "Provisions" (ADP 022; HRK 36,609 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Provisions for termination benefits and jubilee awards" HRK 9,293 thous.), "Other operating expenses" (Note 9; "Provisions" HRK 2,488 thous. and "Reservations for tourist land" HRK 24,828 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 376,046 thous. and is presented in "Staff costs" (ADP 013; HRK 301,251 thous.), "Other expenditures" (ADP 018; HRK 65,502 thous.) and "Provisions" (ADP 022; HRK 9,293 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 85,566 thous. and is presented in items "Other expenditures" (ADP 018; HRK 47,658 thous.), "Value adjustment" (ADP 019; HRK 1,646 thous.), "Provisions" (ADP 022; HRK 27,316 thous.) and "Other operating expenses" (ADP 029; HRK 8,946 thous.).
VII. Other operating expenses	029	Part of 9	8.946	8.946	0	GFI-POD item "Other operating expenses" (ADP 029; HRK 8,946 thous.) is in Audited report presented under items "Other operating expenses" (Note 9; "Write-off of property, plant and equipment" HRK 2,511 thous., "Other operating expenses" HRK 6,435 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 85,566 thous. and is presented in items "Other expenditures" (ADP 018; HRK 47,658 thous.), "Value adjustment" (ADP 019; HRK 1,646 thous.), "Provisions" (ADP 022; HRK 27,316 thous.) and "Other operating expenses" (ADP 029; HRK 8,946 thous.).
<b>FINANCIAL INCOME</b>	<b>030</b>	<b>11</b>	<b>21.059</b>	<b>21.059</b>	<b>0</b>	<b>GFI-POD item "Financial income" (ADP 030; HRK 21,059 thous.) is in Audited report presented under items "Financial income/(loss) - net" in part of financial income (Note 11; "Interest income" HRK 67 thous., "Net foreign exchange gains/(losses) - other" HRK 3,312 thous., "Realised net gains/(losses) from changes in value of forwards and interest rate swaps" HRK 4,729 thous., "Income from cassa sconto" HRK 743 thous., "Dividend income and other financial income" HRK 229 thous., "Net foreign exchange gains from financial activities" HRK 7,475 thous. and "Change in the value of currency forward contracts and interest rate swaps" HRK 4,504 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 43,921 thous. and is presented in items "Financial income" (ADP 030; HRK 21,059 thous.) and "Financial costs" (ADP 041; HRK 64,980 thous.).</b>

## Summary of adjustments of GFI-POD income statement and unconsolidated statement of comprehensive income from Audited report for 2021 / COMPANY (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2021 to 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>FINANCIAL COSTS</b>	<b>041</b>	<b>11</b>	<b>64.980</b>	<b>64.980</b>	<b>0</b>	GFI-POD item "Financial costs" (ADP 041; HRK 64,980 thous.) is in Audited report presented under item "Finance income/(expense) - net" in part of financial expenses (Note 11; "Interest expense" HRK 64,980 thous.) Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 43,921 thous. and is presented in items "Financial income" (ADP 030; HRK 21,059 thous.) and "Financial costs" (ADP 041; HRK 64,980 thous.).
<b>TOTAL INCOME (ADP 001+030)</b>	<b>053</b>		<b>1.691.434</b>	<b>1.691.434</b>	<b>0</b>	
<b>TOTAL COSTS (ADP 007+041)</b>	<b>054</b>		<b>1.320.310</b>	<b>1.320.310</b>	<b>0</b>	
<b>PROFIT OR LOSS BEFORE TAX (ADP 053-054)</b>	<b>055</b>		<b>371.124</b>	<b>371.124</b>	<b>0</b>	
<b>INCOME TAX EXPENSE</b>	<b>058</b>		<b>66.518</b>	<b>66.518</b>	<b>0</b>	
<b>PROFIT OR LOSS FOR THE PERIOD (ADP 055-058)</b>	<b>059</b>		<b>304.606</b>	<b>304.606</b>	<b>0</b>	

## Summary of adjustments of GFI-POD cash flow statement and unconsolidated cash flow statement from Audited report for 2022 / COMPANY

in thousands of HRK

GFI-POD CASH FLOW STATEMENT for the period from 1 January 2022 to 31 December 2022	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	Audited report	Difference	Explanation
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>020</b>		<b>542.352</b>	<b>542.352</b>	<b>0</b>	GFI-POD item "Net cash flow from operating activities" (ADP 020; HRK 542,352 thous.) is in Audited report presented in items "Net cash inflow from operating activities" in comparable amount of HRK 612,814 thous. and item "Interest paid" (Net cash inflow from financing activities) in the amount of HRK -70,462 thous.
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>034</b>		<b>-149.710</b>	<b>-149.710</b>	<b>0</b>	GFI-POD item "Net cash flow from investment activities" (ADP 034; HRK -149,710 thous.) is in Audited report presented in item "Net cash outflow from investment activities" in comparable amount of HRK -149,710 thous.
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>046</b>		<b>-528.225</b>	<b>-528.225</b>	<b>0</b>	GFI-POD item "Net cash flow from financing activities" (ADP 046; HRK -528,225 thous.) is in Audited report presented in item "Net cash inflow from financing activities" in comparable amount of HRK -457,764 thous. increased for the item "Interest paid" in the amount of HRK -70,462 thous.
<b>D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046)</b>	<b>048</b>		<b>-135.583</b>	<b>-135.583</b>	<b>0</b>	
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>		<b>582.141</b>	<b>582.141</b>	<b>0</b>	
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>		<b>446.558</b>	<b>446.558</b>	<b>0</b>	

## Summary of adjustments of GFI-POD cash flow statement and unconsolidated cash flow statement from Audited report for 2021 / COMPANY

in thousands of HRK

GFI-POD CASH FLOW STATEMENT for the period from 1 January 2021 to 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	Audited report	Difference	Explanation
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>020</b>		<b>473.548</b>	<b>473.548</b>	<b>0</b>	GFI-POD item "Net cash flow from operating activities" (ADP 020; HRK 473,548 thous.) is in Audited report presented in items "Net cash inflow from operating activities" in comparable amount of HRK 537,980 thous. and item "Interest paid" (Net cash inflow from financing activities) in the amount of HRK -64,432 thous.
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>034</b>		<b>-77.667</b>	<b>-77.667</b>	<b>0</b>	GFI-POD item "Net cash flow from investment activities" (ADP 034; HRK -77,667 thous.) is in Audited report presented in item "Net cash outflow from investment activities" in comparable amount of HRK -77,667 thous.
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>046</b>		<b>-336.714</b>	<b>-336.714</b>	<b>0</b>	GFI-POD item "Net cash flow from financing activities" (ADP 046; HRK -336,714 thous.) is in Audited report presented in item "Net cash inflow from financing activities" in comparable amount of HRK -272,282 thous. increased for the item "Interest paid" in the amount of HRK -64,432 thous.
<b>D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046)</b>	<b>048</b>		<b>59.167</b>	<b>59.167</b>	<b>0</b>	
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>		<b>522.973</b>	<b>522.973</b>	<b>0</b>	
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>		<b>582.141</b>	<b>582.141</b>	<b>0</b>	



## Summary of adjustments of GFI-POD statement of changes in equity and unconsolidated statement of changes in shareholder's equity from Audited report for 2022 / COMPANY

in thousands of HRK

GFI-POD STATEMENT OF CHANGES IN EQUITY for the period from 1 January 2022 to 31 December 2022	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	Audited report	Difference	Explanation
<b>CAPITAL AND RESERVES (ADP 31 to 50)</b>	<b>51</b>	<b>27+28</b>	<b>3,074,952</b>	<b>3,074,952</b>	<b>0</b>	GFI-POD item "Capital and reserves" (ADP 067; HRK 3,074,952 thous.) is in Audited report presented in items "Share capital" (Note 27 in comparable amount of HRK 1,672,021 thous.), "Treasury shares" (Note 27 comparable amount of HRK -124,418 thous.), "Capital reserves" (Note 28 in comparable amount of HRK 5,711 thous.), "Fair value reserves" (Note 28 in comparable amount of HRK 59 thous.), "Legal reserves" (Note 28 in comparable amount of HRK 83,601 thous.), "Other reserves" (Note 28 in comparable amount of HRK 213,869 thous.) and "Retained earnings" (Note 28 in comparable amount of HRK 1,224,109 thous.). Comment: To be fully compliant, the following items should be viewed as follows: the "Other reserves" item of Audited report (Note 28; HRK 213,869 thous.) matches the GFI POD item "Reserves for own shares" (ADP 072; HRK 136,815 thous.) and part of GFI POD item "Retained earnings" (ADP 083; HRK -38,520 thous.) and GFI POD items "Other reserves" (ADP 075 HRK 38,534 thous.). The "Retained earnings" item of Audited report (Note 28; HRK 1,224,109 thous.) matches the sum of GFI POD items "Profit for the financial year" (ADP 086; HRK 560,684 thous.) and part of "Retained earnings" (ADP 083; HRK 663,425 thous.).

## Summary of adjustments of GFI-POD statement of changes in equity and unconsolidated statement of changes in shareholder's equity from Audited report for 2021 / COMPANY

in thousands of HRK

GFI-POD STATEMENT OF CHANGES IN EQUITY for the period from 1 January 2021 to 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	GFI-POD	Audited report	Difference	Explanation
<b>CAPITAL AND RESERVES (ADP 31 to 50)</b>	<b>51</b>	<b>27+28</b>	<b>2.619.280</b>	<b>2.619.280</b>	<b>0</b>	GFI-POD item "Capital and reserves" (ADP 067; HRK 2,619,280 thous.) is in Audited report presented in items "Share capital" (Note 27 in comparable amount of HRK 1,672,021 thous.), "Treasury shares" (Note 27 comparable amount of HRK -124,418 thous.), "Capital reserves" (Note 28 in comparable amount of HRK 5,711 thous.), "Fair value reserves" (Note 28 in comparable amount of HRK 81 thous.), "Legal reserves" (Note 28 in comparable amount of HRK 83,601 thous.), "Other reserves" (Note 28 in comparable amount of HRK 105,846 thous.) and "Retained earnings" (Note 28 in comparable amount of HRK 876,438 thous.). Comment: To be fully compliant, the following items should be viewed as follows: the "Other reserves" item of Audited report (Note 28; HRK 105,846 thous.) matches the GFI POD item "Reserves for own shares" (ADP 072; HRK 136,815 thous.) and part of GFI POD item "Retained earnings" (ADP 083; HRK -33,219 thous.) and GFI POD items "Other reserves" (ADP 075 HRK 2,250 thous.). The "Retained earnings" item of Audited report (Note 28; HRK 876,438 thous.) matches the sum of GFI POD items "Profit for the financial year" (ADP 086; HRK 304,605 thous.) and part of "Retained earnings" (ADP 083; HRK 571,833 thous.).

# MANAGEMENT BOARD'S DECISION ON ESTABLISHING THE ANNUAL FINANCIAL STATEMENTS

Valamar Riviera d.d.  
MANAGEMENT BOARD

Number: 8-1/23  
Poreč, 16 February 2023

Pursuant to Articles 250a, 250b, 300a and 300b of the Companies Act, Articles 462 and 463 of the Capital Market Act, Articles 3 and 4 of the Content and structure of the Issuer's annual report and form and manner of delivering it to the Croatian Financial Services Supervisory Agency Regulation and Articles 19, 20, 21 and 24 of the Accounting Act, at its meeting held on 16 February 2023, the Management Board of Valamar Riviera d.d. from Poreč, Stancija Kaligari 1 (hereinafter: Valamar Riviera d.d. or the Company) rendered the following

## DECISION

I

The Annual Report of Valamar Riviera d.d. is hereby determined as stated in the text of the enclosed "2022 ANNUAL REPORT".

II

The audited non-consolidated and consolidated Annual financial statements for the year 2022 are hereby determined, and consist of the following: Statement of Financial Position (Balance Sheet), Income Statement, Statement of Other Comprehensive Income, Statement of Cash Flow, Statement of Changes in Equity and Notes to Financial Statements, as stated in the text that is an integral part of the Report from point I of this decision.

III

It is hereby determined that the Auditor, Ernst & Young d.o.o. from Zagreb,

Radnička cesta 50, personal identification number (OIB): 58960122779 and UHY RUDAN d.o.o. za porezno savjetovanje i reviziju from Zagreb, Ilica 213, personal identification number (OIB): 71799539000, produced the Auditor's report for 2022, as stated in the text that is an integral part of the Report from point I of this decision.

IV

The Management Report on the Company's status for the period from 01/01/2022 to 31/12/2022 is hereby determined, as stated in the text that is an integral part of the Report from point I of this decision.

V

The proposed decision to distribute the Company's realized profits in 2022 totaling HRK 560,684,341.49 to the Company's retained profits is hereby determined.

## VI

Pursuant to Article 300b of the Companies Act:

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

## VII

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

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

## VIII

Upon their adoption, the following decisions and reports will be submitted to the Financial Agency to be disclosed in the prescribed period, pursuant to Article 30 of the Accounting Act: this Decision together with the proposed decision on the distribution of profits in point V, the reports determined by this Decision and the decisions rendered by the Supervisory board in point VI.

For the attention of:

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



**Željko Kukurin**  
Management Board President



# SUPERVISORY BOARD'S DECISION ON APPROVING THE ANNUAL FINANCIAL STATEMENTS

Valamar Riviera d.d.  
SUPERVISORY BOARD

Number: 9-1/23  
Zagreb, 28/02/2023

Pursuant to Article 300d, and Article 300c of the Companies Act and Management Board Decision no. 8-1/23 dated 16 February 2023, at its meeting held on 28 February 2023, the Supervisory Board of Valamar Riviera d.d. from Poreč rendered the following

## DECISION

I  
The Supervisory Board hereby approves the 2022 ANNUAL REPORT of Valamar Riviera d.d. that also includes the following:

1. Annual Financial Statements for the Year 2022, non-consolidated and consolidated, consisting of the Statement of Financial Position (Balance Sheet), Income Statement, Statement of Other Comprehensive Income, Statement of Cash Flow, Statement of Changes in Equity and Notes to Financial Statements;
2. Report on the performed audit by Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. za porezno savjetovanje i reviziju from Zagreb;
3. Annual Management Report on the Company's status / Management Report.

II  
Pursuant to Article 300d of the Companies Act, by granting approval as stated in point I of this Decision, the 2022 Annual Financial Statements of Valamar Riviera d.d. from Poreč are considered to be approved both by the Management Board and by the Supervisory Board.



**Gustav Wurmböck**  
Supervisory Board Chairman





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

Valamar Riviera d.d.  
SUPERVISORY BOARD

Number: 9-2/23  
Zagreb, 28/02/2023

Pursuant to the provisions of Article 263 paragraph 3 and Article 300c paragraph 3 of the Companies Act, the Supervisory Board of Valamar Riviera d.d. from Poreč, at its meeting held on 28 February 2023 determined and submitted the following

## REPORT TO THE GENERAL ASSEMBLY OF VALAMAR RIVIERA D.D. FROM POREČ ON THE PERFORMED SUPERVISION OF BUSINESS MANAGEMENT FOR 2022

I

In the course of the reporting period of 2022, until June 22, 2022, the Supervisory Board consisted of seven (7) members: Gustav Wurmböck, Chairman, Mladen Markoč and Franz Lanschützer, Deputy Chairmen and members: Georg Eltz, Boris Galić, Daniel Goldscheider and Ivan Ergović. At the General Assembly held on May 19, 2022 the Articles of Association were amended, the number of the Supervisory Board members was increased from seven (7) to nine (9) and two new members were elected. Thus, starting as of June 23, 2022 the Supervisory Board consisted of nine (9) members: Gustav Wurmböck, Chairman, Mladen Markoč and Franz Lanschützer, Deputy Chairmen and members: Georg Eltz, Boris Galić, Daniel Goldscheider, Petra Stolba, Gudrun Kuffner and Ivan Ergović worker's representative.

In addition to the Supervisory Board, the members of the Supervisory Board also worked in their four committees:

- Presidium of the Supervisory Board composed of: Chairman Gustav Wurmböck and Deputy Chairmen of the Supervisory Board Franz Lanschützer and Mladen Markoč. The Supervisory Board Presidium is,

by its scope of work, the nomination committee and the remuneration committee in terms of the provisions of the relevant regulations and recommendations/standards of corporate governance;

- Audit Committee until 28 June 2022, composed of: Georg Eltz, chairman of the board and members Mladen Markoč and Boris Galić and as from June 29, 2022 composed of: Georg Eltz, chairman of the board and members Mladen Markoč, Boris Galić and Gudrun Kuffner.

- Investment Committee composed of: Franz Lanschützer, chairman of the board and members, Georg Eltz and Gustav Wurmböck.

- Digitalization and Sustainability Committee until 28 June 2022, composed of: Daniel Goldscheider, chairman of the board and members Franz Lanschützer and Gustav Wurmböck, and as from 29 June 2022, composed of: Daniel Goldscheider, chairman of the board and members Franz Lanschützer, Gustav Wurmböck and Petra Stolba.

II

During 2022, the Supervisory Board held ten (10) meetings, of which six (6) by correspondence, at which it discussed many issues related to the Company's business and supervised the business management of the Company, all in accordance with the Company's Articles of Association and Rules of Procedure of the Supervisory Board. All members of the Supervisory Board participated in the work of the Supervisory Board at

ten sessions, six of which by correspondence using appropriate electronic communication, while in part of three session in terms of paragraph 2 of Article 263b of the Companies Act, Gustav Wurmböck was excluded from participating. At sessions where additional members of the Supervisory Board's committees and boards were appointed: Gudrun Kuffner was excluded in part of two sessions, Petra Stolba was excluded in part of one session, and Daniel Goldscheider was excluded in part of one session.

Boards and committees of the Supervisory Board: The Presidium the Audit Committee, the Investment Committee and the Digitalization and Sustainability Committee held sixteen (16) sessions in 2022, of which the Presidium had eight (8) sessions, the Audit Committee four (4) sessions, the Investment Committee two (2) and the Digitalization and Sustainability Committee held two (2) session. All members participated in seven Presidium sessions, while Gustav Wurmböck and M. Markoč did not participate in one session, but in accordance with the acts of the Company, they authorized the member, F. Lanschützer, to participate in the debate on all topics and to propose conclusions and any decisions proposed to the Supervisory Board for adoption. All members participated in three Audit Committee sessions, while Boris Galić did not participate in one session, but he declared on all topics by correspondence. In the work of the Investment Committee and the Digitalization and Sustainability Committee, all members of these boards and the committee participated in all sessions.

### III

During 2022, the Supervisory Board regularly received written business reports and other reports and proposals of the Management Board, as well as management decisions which, in accordance with regulations, the Articles of Association and acts of the Company, it considered and decided on. The Company's business in 2022 gradually recovered with the return of guests from emitting markets after two years of difficult, uncertain and disrupted business as a result of the crisis caused by the corona virus pandemic (COVID 19). However, uncertain conditions of the Company's business processes and activities continued in 2022 due to the consequences of the COVID 19 pandemic and the Russian-Ukrainian crisis, primarily in the difficulty of securing the necessary human resources to provide adequate services according to the Company's standards, especially in relation to inflation and energy crisis that are already seriously

disrupting the business results of the tourism sector and significantly reducing investment opportunities in the coming year. In addition, a significant challenge was presented by changes in tax regulations – the additional income tax introduced at the end of 2022 for the year 2022. Such circumstances have conditioned the special attention of the members of the Supervisory Board in supervising and directing the finding of activities and measures in order to do business as well as possible and generate as much revenue in such conditions.

At the sessions of the Presidium of the Supervisory Board, the members, together with the Management Board, responsible persons and experts of the Company, regularly discussed all materials and proposed decisions which were then subject to decision-making or approval of the Supervisory Board, all for the timely preparation and the efficient supervision of the Company's management. Thus, the members of the Presidium previously discussed the conditions for concluding legal transactions in the area of the Company's business and real estate, as well as approving the conditions for legal transactions related to loan and other relations with banks; considered business plans and business reports and information on the course of business and operations of each property individually and the Company as a whole. Since the Company in 2022 continued to operate in uncertainty conditions due to the consequences of the COVID-19 pandemic, as well as the Russian-Ukrainian crisis, in 2022 the members of the Presidium paid special attention to monitoring, preliminary consideration and analysis of activities and measures taken by the Management Board in relation to Company's liquidity in 2022 and they approved the cash flow projection (regular and additional liquidity) for 2022. In the second half of 2022, this was especially related to monitoring the measures taken by the management to find and maintain the necessary structure and number of workers in the peak season, as well as providing necessary goods and services in conditions of disrupted economic flows, inflation conditions and significant increase of the energy products costs and consequently other goods costs, especially food, all with the basic goal of generating as much revenue as possible.

At the sessions of the Audit Committee, the members discussed, proposed and took positions in accordance with the function determined by the relevant regulations and general acts of the Company. Thus, the Audit Committee considered the processes related to the creation

of the corporate risks matrix, as well as the matrix itself, the plan and implementation of internal audit work, submitted internal audit and control reports, both implemented in accordance with the annual plan, and those carried out extraordinarily. In addition to the above, the Audit Committee acted in accordance with the adopted Code of Business Conduct, i.e. the adopted policies that are an integral part of it. Particular attention was paid to the implementation of the Risk Management Policy and Conflict of the Interest Management Policy, as well as the Policies and procedures for approving and publishing transactions with related parties. Furthermore, during 2022, the Board considered transactions related to the purchase and/or sale of the Company's real estate in the previous period and made a recommendation to change the value of transactions that require the Supervisory Board's approval, as well as a recommendation to adopt procedures for the disposal of real estate. The Board also considered the audited financial statements of the Company, made a recommendation to the Supervisory Board on the selection of auditors and performed all other activities in accordance with relevant regulations and internal acts, which relate to the work of auditors of financial statements. In addition, the Audit Committee considered, on several occasions, the risks related to information security, as well as the report related to the Company's cyber security, as well as the compliance of operations with the Policies and procedure for managing the risk of cash asset placement, adopted in middle of 2022. In addition to the aforementioned, the Audit Committee provided support and encouragement in the part of strengthening cooperation and consulting of companies within the Valamar group, especially with the company Imperial Riviera, with the aim of establishing the function and standardizing the business practice of internal audit.

At the sessions of the Investment Commission, members with the management, responsible persons and experts of the Company, previously discussed the state of realization of previously approved investments, discussed and proposed to the Supervisory Board preliminary investment approvals for 2023 for their timely preparation and proposed final investment proposals for 2023 for the Company as well as for the properties and facilities of the companies under the management of the Company.

At the session of the Digitalization and Sustainability Committee, the members, together with the management, responsible persons and experts of the Company, previously discussed the digitalization and

sustainability strategies 2022-2025.

#### IV

In accordance with its obligations, the Supervisory Board performed its supervisory role through meetings, boards and committees and through the acts and detailed information received from the Management Board throughout 2022, and thus

determined

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

#### V

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

1. THE ANNUAL REPORT 2022 of the company Valamar Riviera d.d., which also contains:
  - Annual financial reports for 2022, unconsolidated and consolidated, consisting of: statement of financial position (balance sheet), income statement, statement of other comprehensive income, statement of cash flows, statement of changes in equity and notes to the financial statements;
  - Audit report of the auditing companies Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. from Zagreb,
  - Management report on the state of the Company,
2. Proposal of decision on profit distribution,
3. Report on relations with related-parties for 2022 with the Auditor's Report.

At its meeting in the presence of auditors from the auditing company Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. from Zagreb, and then the Supervisory Board at its session, the Audit Committee examined the Annual Financial Statements for 2022 submitted to it. The annual financial statements have been prepared in accordance with the balance in the Company's business books and show the correct property

and business condition of the Company, and there are no objections to them.

The Supervisory Board, in accordance with the previously submitted opinion of the Audit Committee, has no objections to the Auditor's Report on the performed audit. Also, the Supervisory Board has no objections to the Annual Report of the Management Board on the state of the Company. The Supervisory Board also examined the previously submitted Report of the Management Board on relations with related-parties with the Auditor's Report, to which there are no objections.

## VI

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

Apart from the above mentioned, the Supervisory Board regularly considered the booking status and preparations for the tourist season, the monthly business results of each business facility individually and the Company as a whole, in relation to previously adopted business plans. In this area, he paid special attention to the business plan for 2023.

In 2022, the Supervisory Board continued to pay special attention to the management in managing hotel-tourism properties with its facilities of Imperial Riviera d.d., Helios Faros d.d., Valamar Obertauern GmbH and Kesselspitze GmbH & Co KG in accordance with the provisions of previously concluded Agreements regarding the management of hotel and tourist facilities and amenities of those Companies. The Supervisory

Board also approved the establishment of a branch office of the Company in Austria – Subsidiary Austria, with its headquarter in Obertauern, with the aim of operating hotel facilities and amenities in accordance with the relevant Austrian regulations.

With special attention, the Supervisory Board has, by invitation and in accordance with the provisions of Articles 263 and 270 of the Companies Act, considered and then approved transactions in the subsidiary Valamar A GmbH in relation to purchase and transfer 100 % of business shares in the company Kesselspitze GmbH & Co KG and 100 % of business shares in the company Kesselspitze GmbH, all with the aim of further expansion of business in Austria and acquiring the third hotel Kesselspitze in Austria under Company's management. It also considered and approved Business Plan of the company Valamar A GmbH. In accordance with the relevant provisions of law, the Chairman of the Supervisory Board Gustav Wurmböck was exempted from discussion and decision-making. Furthermore, the Supervisory Board, together with the Company's Management Board, in accordance with the relevant regulations, determined the Report on Remuneration of Members of the Management Board and the Supervisory Board for 2022, which Report was submitted to the General Assembly for approval.

Finally, The Supervisory Board evaluated its effectiveness and composition, as well as the effectiveness and composition of its committees/boards and the individual results of its members. The evaluation was led by the Chairman of the Supervisory Board through a transparent discussion with all members of the Supervisory Board at the meeting held on February 28, 2023, within the agenda item at which this Report was determined. In doing so, the Supervisory Board concluded that it effectively supervises the conduct of the Company's business. It has also been concluded that the boards and the committee of the Supervisory Board effectively prepare proposals and recommendations to the Supervisory Board and these preparations, i.e. previous discussions and deliberations with the Management Board, responsible persons and experts in the Company regarding all materials and proposals which the Management referred to the Supervisory Board contribute to its efficient supervision of the Company's business. The Supervisory Board also concluded that the members of the Supervisory Board and the members of its boards and committees use their education, knowledge and experience to the



greatest extent possible in order to ensure the best possible and better results of the Supervisory Board's work. In this way, the members of the Supervisory Board contribute to the results of the Company's operations, as well as to the protection of the Company's interests. In this sense, there is no need for improvements in the profile of the Supervisory Board or for changes in its overall size and composition, except those executed during 2022 (increasing the number of members from seven to nine and electing two new members of the Supervisory Board, as well as increasing the number of board members and committees of the Supervisory Board), and there is no need for improvements in the functioning and preparation of meetings.

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

## VII

Based on all the above, and in accordance with the overall knowledge from the supervision of the Company and the information obtained during the work of the Supervisory Board and the work of boards and committees of the Supervisory Board in the period from January 1 to December 31, 2022, and conducted surveys given in point V of this Report, the Supervisory Board at its meeting held on February 28, 2023:

### A)

gave its consent to

1. THE ANNUAL REPORT 2022 of the company Valamar Riviera d.d., which also contains:

- Annual financial reports for 2022, unconsolidated and consolidated, consisting of: statement of financial position (balance sheet), income statement, statement of other comprehensive income, statement of cash flows, statement of changes in equity and notes to the financial statements;
- Audit report of the auditing companies Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. from Zagreb,
- Management report on the condition of the Company/ Management,

2. Proposal of decision on distribution of profit realized in 2022, and thus, in accordance with Article 300 d of the Companies Act, the Annual Financial Statements of Valamar Riviera d.d. from Poreč for 2022 are considered determined by the Management Board and the Supervisory Board.

### B)

has no objection

to the statement of the Management Board issued pursuant to the provision of Article 497, paragraph 3 of the Companies Act in the Report on relations with related-parties for 2022

and

issued its agreement with

The report of the auditors Ernst & Young d.o.o and UHY RUDAN d.o.o given on the Report of the Management Board on relations with related-parties for 2022.

**Gustav Wurmböck**  
Supervisory Board Chairman



# SUPERVISORY BOARD'S DECISION ON ALLOCATION OF PROFIT

Valamar Riviera d.d.  
SUPERVISORY BOARD

Number: 9-3/23  
Zagreb, 28/02/2023

Pursuant to Article 300b, and Article 300c of the Companies Act and the Management Board Decision no. 8-1/23 dated 16/02/2023, at its meeting held on 28 February 2023, the Supervisory Board of Valamar Riviera d.d. from Poreč rendered the following

## DECISION

I  
The proposal to distribute HRK 560,684,341.49 of the Company's achieved profit in 2022 in the Company's retained profit is hereby determined.

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



**Gustav Wurmböck**  
Supervisory Board Chairman



# **Annual Financial Statements including the independent Auditors' Report for the year ended on 31 December 2022**

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

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## RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

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

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

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

Signed by the Management Board on 16 February 2023:



**Željko Kukurin**  
President of the  
Management Board



**Marko Čižmek**  
Member of the  
Management Board



**Ivana Budin Arhanić**  
Member of the  
Management Board



# INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF VALAMAR RIVIERA D.D.



### REPORT ON THE AUDIT OF THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

#### Opinion

We have audited the separate financial statements of Valamar Riviera d.d. (the Company), and consolidated financial statements of Valamar Riviera d.d. and its subsidiaries (together- the Group), which comprise the separate and consolidated statement of financial position as at 31 December 2022, the separate and consolidated statement of comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group as at 31 December 2022 and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

#### Basis for opinion

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

We are independent of the Company and the Group in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of

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

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

#### Key audit matters

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

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

# INDEPENDENT AUDITORS' REPORT

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



### KEY AUDIT MATTER

#### Impairment of the tourism property

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

The carrying amount of property, plant and equipment of the Company as at 31 December 2022 was HRK 3,496,015 thousand (Group: HRK 5,019,770 thousand) and it represented approximately 67% and 78% of the total assets of the Company and the Group, respectively.

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

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

### HOW WE ADDRESSED THE KEY AUDIT MATTER

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

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

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

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

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

# INDEPENDENT AUDITORS' REPORT

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



### Other information

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

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

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

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

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

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

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

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

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

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

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

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

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



# INDEPENDENT AUDITORS' REPORT

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



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

separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### Report on Other Legal and Regulatory Requirements

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

# INDEPENDENT AUDITORS' REPORT

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



### *Appointment of Auditor and Period of Engagement*

Ernst and Young d.o.o. was initially appointed as auditors of the Company on 4 May 2017. This appointment has been renewed annually by General Assembly of Shareholders, with the most recent reappointment on 19 May 2022, representing a total period of uninterrupted engagement appointment of six years.

UHY RUDAN d.o.o. was initially appointed as auditors of the Company on 9 May 2019. This appointment has been renewed annually by General Assembly of Shareholders, with the most recent reappointment on 19 May 2022, representing a total period of uninterrupted engagement appointment of four years.

### *Consistence with Additional Report to Audit Committee*

We confirm that our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 22 February 2023 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

### *Provision of Non-audit Services*

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

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

*Independent report on the compliance of separate and consolidated financial statements prepared pursuant to Article 462 (5) of the Capital Market Act (Official Gazette 65/18, 17/20, 83/21 and 151/22) applying the requirements of the Delegated*

*Regulation (EU) 2018 / 815 on establishing of single electronic reporting format for issuers (the ESEF Regulation).*

We have conducted a reasonable assurance engagement on whether the separate and consolidated financial statements, as contained in the attached electronic file [Valamar\_Riviera\_dionicko\_drustvo\_za\_turizam\_eng\_2022], are prepared, for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, in all material respects in accordance with the requirements of the ESEF Regulation.

### *Responsibilities of the management and Audit Committee*

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

Management is also responsible for:

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

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

### *Auditor's responsibilities*

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

# INDEPENDENT AUDITORS' REPORT

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

### Work performed

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

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

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

The aim of our procedures was to assess whether:

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

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

### Conclusion

Based on the procedures performed and evidence gathered, the separate and consolidated financial statements presented in ESEF format for the year ended on 31 December 2022, contained in the aforementioned attached electronic file and prepared pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, are prepared in all material respects in line with the requirements of Articles 3, 4 and 6 of the ESEF Regulation.

Further to this conclusion, as well as the opinion contained in this independent auditor's report related to accompanying separate and consolidated financial statements and annual report for the year ended 31 December 2022, we do not express any opinion on the information contained in these presentations or on any other information contained in the aforementioned file.

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



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

**Berislav Horvat,**  
President of the Board  
and Certified auditor  
  
28 February 2023  
Ernst & Young d.o.o  
Radnička cesta 50  
Zagreb  
Republic of Croatia



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

**Vedrana Miletić,**  
Director and  
Certified auditor  
  
28 February 2023  
UHY RUDAN d.o.o.  
Ilica 213/IV  
Zagreb  
Republic of Croatia

# CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts in thousands of HRK)

	Note	GROUP		COMPANY	
		2021	2022	2021	2022
Sales revenue	5	1,605,128	2,407,150	1,360,932	1,917,286
Other income	6	37,060	28,289	27,740	26,723
Cost of materials and services	7	(458,262)	(778,110)	(396,120)	(627,289)
Staff costs	8	(439,531)	(826,762)	(376,046)	(672,395)
Depreciation and amortisation	14,15,16,30	(507,336)	(497,695)	(397,597)	(369,413)
Other operating expenses	9	(101,905)	(118,700)	(85,566)	(96,903)
Other gains/(losses) – net	10	1,820	15,796	281,702	480,399
<b>Operating profit/(loss)</b>		<b>136,974</b>	<b>229,968</b>	<b>415,045</b>	<b>658,408</b>
<b>Finance result – net</b>	11	<b>(35,902)</b>	<b>(24,428)</b>	<b>(43,921)</b>	<b>13,872</b>
<b>Share of net profit/(loss) of associate</b>	18	<b>404</b>	<b>(3,669)</b>	-	-
<b>Profit/(loss) before tax</b>		<b>101,476</b>	<b>201,871</b>	<b>371,124</b>	<b>672,280</b>
Income tax	12	7,232	(41,480)	(66,518)	(111,595)
<b>Profit/(loss) for the year</b>		<b>108,708</b>	<b>160,391</b>	<b>304,606</b>	<b>560,685</b>
<b>Other comprehensive income</b>					
<b>Items that cannot be reclassified to P&amp;L account</b>					
Change in financial assets value	20	98	(27)	98	(27)
Tax on other comprehensive income	25	(18)	5	(18)	5
<b>Total comprehensive income for the year</b>		<b>108,788</b>	<b>160,369</b>	<b>304,686</b>	<b>560,663</b>
<b>Profit/(loss) attributable to:</b>					
Owners of the Parent Company		104,375	147,683	-	-
Non-controlling interests	33	4,333	12,708	-	-
		<b>108,708</b>	<b>160,391</b>	-	-
<b>Total comprehensive income attributable to:</b>					
Owners of the Parent Company		104,455	147,661	-	-
Non-controlling interests	33	4,333	12,708	-	-
		<b>108,788</b>	<b>160,369</b>	-	-
<b>Earnings per share (in HRK) attributable to equity holders of the Group during the year:</b>					
- basic and diluted	13	<b>0.86</b>	<b>1.21</b>	-	-

These financial statements were approved by the Management Board of the Company on 16 February 2023.

President of the Management

Board:

Željko Kukurin



Member of the Management

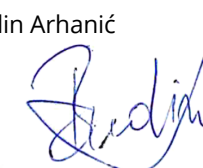
Board:

Marko Čižmek

Member of the Management

Board:

Ivana Budin Arhanić






# CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(all amounts in thousands of HRK)</i>	Note	GROUP		COMPANY	
		31 December		31 December	
		2021	2022	2021	2022
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	5,201,748	5,019,770	3,916,939	3,496,015
Investment property	15	3,180	2,902	3,180	2,902
Right-of-use assets	30	16,640	26,674	16,866	26,602
Intangible assets	16	39,087	40,611	34,640	36,661
Investment in subsidiaries	17	-	-	941,804	941,804
Investment in associate	18	76,503	109,906	70,112	107,185
Deferred tax assets	25	329,093	283,251	163,224	50,759
Financial assets	20	391	364	359	332
Derivative financial instruments	24	-	26,742	-	11,504
Loans and deposits	21	5,178	7,315	5,178	7,315
		<b>5,671,820</b>	<b>5,517,535</b>	<b>5,152,302</b>	<b>4,681,079</b>
<b>Current assets</b>					
Inventories	22	26,310	41,427	23,618	32,339
Trade and other receivables	23	62,155	53,287	71,490	55,896
Income tax receivable		2	-	2	-
Loans and deposits	21	38,002	126,836	444	256
Derivative financial instruments	24	-	7,891	-	7,081
Cash and cash equivalents	26	1,115,258	672,828	582,141	446,558
		<b>1,241,727</b>	<b>902,269</b>	<b>677,695</b>	<b>542,130</b>
<b>Total assets</b>		<b>6,913,547</b>	<b>6,419,804</b>	<b>5,829,997</b>	<b>5,223,209</b>

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

# CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION / CONTINUED

	Note	GROUP		COMPANY	
		31 December		31 December	
<i>(all amounts in thousands of HRK)</i>		2021	2022	2021	2022
<b>EQUITY AND LIABILITIES</b>					
Share capital	27	1,672,021	1,672,021	1,672,021	1,672,021
Treasury shares	27	(124,418)	(124,418)	(124,418)	(124,418)
Capital reserves	28	5,224	5,224	5,711	5,711
Fair value reserves	28	81	59	81	59
Legal reserves	28	83,601	83,601	83,601	83,601
Other reserves	28	163,749	202,283	105,846	213,869
Retained earnings	28	467,737	471,895	876,438	1,224,109
		<b>2,267,995</b>	<b>2,310,665</b>	<b>2,619,280</b>	<b>3,074,952</b>
Non-controlling interest	33	1,043,064	1,013,004	-	-
<b>Total equity</b>		<b>3,311,059</b>	<b>3,323,669</b>	<b>2,619,280</b>	<b>3,074,952</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	29	2,547,107	2,083,505	2,303,873	1,389,452
Lease liabilities	30	11,273	18,476	11,212	17,745
Trade and other payables	31	58,046	59,966	55,918	57,837
Derivative financial instruments	24	4,362	-	4,362	-
Deferred tax liabilities	25	51,765	47,392	12,455	11,581
Provisions	32	108,111	119,261	78,636	90,040
		<b>2,780,664</b>	<b>2,328,600</b>	<b>2,466,456</b>	<b>1,566,655</b>

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

## CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION / CONTINUED

	Note	GROUP		COMPANY	
		31 December		31 December	
<i>(all amounts in thousands of HRK)</i>		2021	2022	2021	2022
<b>Current liabilities</b>					
Borrowings	29	565,524	520,907	523,631	385,187
Lease liabilities	30	2,680	4,305	2,969	5,058
Trade and other payables	31	229,319	241,503	195,893	191,357
Derivative financial instruments	24	3,387	-	3,387	-
Provisions	32	20,914	820	18,381	-
		<b>821,824</b>	<b>767,535</b>	<b>744,261</b>	<b>581,602</b>
<b>Total liabilities</b>		<b>3,602,488</b>	<b>3,096,135</b>	<b>3,210,717</b>	<b>2,148,257</b>
<b>Total equity and liabilities</b>		<b>6,913,547</b>	<b>6,419,804</b>	<b>5,829,997</b>	<b>5,223,209</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

## GROUP

FOR THE YEAR ENDED 31 DECEMBER 2022

<i>(in thousands of HRK)</i>	Note	Share capital	Treasury shares	Capital reserves	Legal reserves	Fair value reserves	Other reserves	Retained earnings	Total	Non-controlling interests	Total
<b>Balance as at 1 January 2021</b>		<b>1,672,021</b>	<b>(124,418)</b>	<b>5,224</b>	<b>83,601</b>	<b>1</b>	<b>161,993</b>	<b>363,625</b>	<b>2,162,047</b>	<b>701,810</b>	<b>2,863,857</b>
Profit/loss for the year		-	-	-	-	-	-	104,375	104,375	4,333	<b>108,708</b>
Other comprehensive income/loss	28	-	-	-	-	80	-	-	80	-	<b>80</b>
<b>Total comprehensive income/loss</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>-</b>	<b>104,375</b>	<b>104,455</b>	<b>4,333</b>	<b>108,788</b>
Return of uncollected dividend	28	-	-	-	-	-	1,756	-	1,756	-	<b>1,756</b>
Loss of the control over subsidiaries		-	-	-	-	-	-	(263)	(263)	-	<b>(263)</b>
Change in non-controlling interest		-	-	-	-	-	-	-	-	336,921	<b>336,921</b>
<b>Total contributions by and distributions to company owners, recognised directly in equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,756</b>	<b>(263)</b>	<b>1,493</b>	<b>336,921</b>	<b>338,414</b>
<b>Balance at 31 December 2021</b>		<b>1,672,021</b>	<b>(124,418)</b>	<b>5,224</b>	<b>83,601</b>	<b>81</b>	<b>163,749</b>	<b>467,737</b>	<b>2,267,995</b>	<b>1,043,064</b>	<b>3,311,059</b>
Profit/loss for the year		-	-	-	-	-	-	147,683	147,683	12,708	<b>160,391</b>
Other comprehensive income/loss	28	-	-	-	-	(22)	-	-	(22)	-	<b>(22)</b>
<b>Total comprehensive income/loss for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(22)</b>	<b>-</b>	<b>147,683</b>	<b>147,661</b>	<b>12,708</b>	<b>160,369</b>
Return of uncollected dividend	28	-	-	-	-	-	-	2,739	2,739	-	<b>2,739</b>
Dividend		-	-	-	-	-	-	(146,264)	(146,264)	(42,768)	<b>(189,032)</b>
Reserves for payments with equity instruments		-	-	-	-	-	38,534	-	38,534	-	<b>38,534</b>
<b>Total contributions by and distributions to company owners, recognised directly in equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,534</b>	<b>(143,525)</b>	<b>(104,991)</b>	<b>(42,768)</b>	<b>(147,759)</b>
<b>Balance at 31 December 2022</b>		<b>1,672,021</b>	<b>(124,418)</b>	<b>5,224</b>	<b>83,601</b>	<b>59</b>	<b>202,283</b>	<b>471,895</b>	<b>2,310,665</b>	<b>1,013,004</b>	<b>3,323,669</b>

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



# UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

## COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2022

<i>(in thousands of HRK)</i>	Note	Share capital	Treasury shares	Capital reserves	Legal reserves	Fair value reserves	Other reserves	Retained earnings	Total
<b>Balance as at 1 January 2021</b>		<b>1,672,021</b>	<b>(124,418)</b>	<b>5,711</b>	<b>83,601</b>	<b>1</b>	<b>176,476</b>	<b>571,832</b>	<b>2,385,224</b>
Profit/loss for the year		-	-	-	-	-	-	304,606	304,606
Other comprehensive income/loss	28	-	-	-	-	80	-	-	80
<b>Total comprehensive income/loss</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>-</b>	<b>304,606</b>	<b>304,686</b>
Return of uncollected dividend	28	-	-	-	-	-	1,756	-	1,756
The effect of the merger of a subsidiary	28	-	-	-	-	-	(72,386)	-	(72,386)
<b>Total contributions by and distributions to company owners, recognised directly in equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(70,630)</b>	<b>-</b>	<b>(70,630)</b>
<b>Balance at 31 December 2021</b>		<b>1,672,021</b>	<b>(124,418)</b>	<b>5,711</b>	<b>83,601</b>	<b>81</b>	<b>105,846</b>	<b>876,438</b>	<b>2,619,280</b>
Profit/loss for the year		-	-	-	-	-	-	560,685	560,685
Other comprehensive income/loss	28	-	-	-	-	(22)	-	-	(22)
<b>Total comprehensive income/loss for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(22)</b>	<b>-</b>	<b>560,685</b>	<b>560,663</b>
Transfer to other reserves	28	-	-	-	-	-	69,489	(69,489)	-
Return of uncollected dividend	28	-	-	-	-	-	-	2,739	2,739
Dividend	28	-	-	-	-	-	-	(146,264)	(146,264)
Reserves for payments with equity instruments	28	-	-	-	-	-	38,534	-	38,534
<b>Total contributions by and distributions to company owners, recognised directly in equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>108,023</b>	<b>(213,014)</b>	<b>(104,991)</b>
<b>Balance at 31 December 2022</b>		<b>1,672,021</b>	<b>(124,418)</b>	<b>5,711</b>	<b>83,601</b>	<b>59</b>	<b>213,869</b>	<b>1,224,109</b>	<b>3,074,952</b>

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

# CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

(all amounts in thousands of HRK)

	Note	GROUP		COMPANY	
		2021	2022	2021	2022
<b>Cash flow generated from operating activities</b>					
Cash from operations	35	679,977	780,789	537,981	612,814
Income tax (paid)/received		705	(6)	-	-
<b>Net cash inflow/(outflow) from operating activities</b>		<b>680,682</b>	<b>780,783</b>	<b>537,981</b>	<b>612,814</b>
<b>Cash flow from investment activities</b>					
Investment in associate	18	-	(37,073)	-	(37,073)
Cash from merger of subsidiary	37	-	-	1,110	-
Purchase of property, plant and equipment	14	(101,925)	(294,330)	(66,435)	(173,785)
Purchase of intangible assets	16	(13,431)	(22,954)	(11,122)	(21,873)
Proceeds from disposal of property, plant and equipment		3,783	17,862	3,648	51,089
Proceeds of derivative financial instruments (IRS)		-	300	-	300
Costs of derivative financial instruments (IRS)		-	(1,446)	-	(1,446)
Loans and deposits granted		(42,723)	(93,028)	(5,137)	(4,034)
Loan repayments received		224	178	182	206
Dividend received		4	9	4	36,840
Interest received		98	82	83	66
Loss of the control over subsidiaries	38	(3,203)	-	-	-
<b>Net cash outflow from investment activities</b>		<b>(157,173)</b>	<b>(430,400)</b>	<b>(77,667)</b>	<b>(149,710)</b>
<b>Cash flow from financing activities</b>					
Change of non-controlling interest		336,921	-	-	-
Dividend paid		-	(189,032)	-	(146,264)
Interest paid		(70,643)	(86,500)	(64,433)	(70,462)
Proceeds from borrowings		379,851	60,173	344,850	60,173
Repayments of borrowings		(718,212)	(575,574)	(679,124)	(439,472)
Lease costs (principal portion of IFRS 16)	30	(3,857)	(4,619)	(4,196)	(5,401)
Return of uncollected dividend	28	1,756	2,739	1,756	2,739
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(74,184)</b>	<b>(792,813)</b>	<b>(401,147)</b>	<b>(598,687)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>449,325</b>	<b>(442,430)</b>	<b>59,167</b>	<b>(135,583)</b>
Cash and cash equivalents at beginning of year		665,933	1,115,258	522,974	582,141
<b>Cash and cash equivalents at year end</b>	26	<b>1,115,258</b>	<b>672,828</b>	<b>582,141</b>	<b>446,558</b>

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

## NOTE 1 – GENERAL INFORMATION

Valamar Riviera d.d., Poreč (“the Company”) has been registered in accordance with Croatian laws and regulations. The Company is registered with the Commercial Court in Pazin. The principle activity of the Company is the provision of accommodation in hotels, resorts and campsites, food preparation and catering services as well as the preparation and serving of beverages. The registered office of Valamar Riviera d.d. is in Poreč, Stancija Kaligari 1. On June 28, 2022, a branch of the Company was established in Austria under the name Valamar Riviera d.d., Zweigniederlassung Austria.

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 until 7 May 2021 when it was merged with Parent Company Valamar Riviera d.d.
- Magične stijene d.o.o., Dubrovnik, 100% ownership
- Bugenvilia d.o.o., Dubrovnik, 100% ownership
- Imperial Riviera d.d., Rab, 46.27% ownership with the subsidiary Praona d.o.o., Makarska
- Valamar A GmbH, Vienna, Austria, 100% ownership until 29 November 2021 and 24.54% ownership from 29 November 2021, with subsidiaries WBVR Beteiligungs GmbH, Vienna, Austria, Valamar Marietta GmbH, Klagenfurt am Wörthersee, Austria, ContiEstates AG, Zug, Switzerland until 28 September 2022 when it was merged with Valamar Marietta GmbH, Klagenfurt am Wörthersee, Austria, Kesselspitze GmbH, Obertauern, Austria and Kesselspitze GmbH & Co KG, Obertauern, Austria and
- Valamar Obertauern GmbH, Obertauern, Austria, 10% direct ownership and until 29 November 2021 90% indirect ownership (90% share owned by Valamar A GmbH). From 29 November 2021 22.08% indirect ownership.

The Company's shares were listed on the Prime market of the Zagreb Stock Exchange d.d., and were traded in 2022 in accordance with the relevant regulations on the organized market.

Pursuant to the Decision of Imperial Riviera's d.d. General Assembly from 10 September 2021, the share capital of Imperial Riviera d.d. was increased by HRK 689,765,631.10 from HRK 826,668,557.32 to HRK 1,516,434,188.42. Share capital increase was court

registered on 26 November 2021. The participants of the share capital increase are: Valamar Riviera d.d. with investment in real estate in their ownership - land located at Babin Kuk in Dubrovnik, area of 148,949 m<sup>2</sup> and total estimated value of HRK 352,844,705.64, and in the amount of HRK 336,920,925.46 Allianz ZB d.o.o. društvo za upravljanje obveznim i dobrovoljnim mirovinskim fondovima acting in its own name and on behalf of AZ Obvezni mirovinski fond kategorije A, personal identification number (OIB): 15220336427, AZ Obvezni mirovinski fond kategorije B, personal identification number (OIB): 59318506371, AZ Profit otvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 22134623145, AZ Benefit otvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 56427866267, AZ A1 zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 64811569641, AZ Dalekovod zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 49118401443, AZ HKZP zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 25137661054, AZ Zagreb zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 01774504225, Auto Hrvatska zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 24189818978, AZ ZABA zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 11641097984, AZ Treći Horizont zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 42239479988 (hereinafter: AZ). Upon the completion of the share capital increase, Valamar Riviera d.d. is the holder of 1,054,728 (46.27%) shares, while AZ holds 1,104,665 (48.46%) shares of Imperial Riviera d.d.

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

## NOTE 1 – GENERAL INFORMATION / CONTINUED

The method of presenting the Statement of Financial Position and the Statement of Comprehensive Income for the Valamar Riviera Group in the consolidated and separate statements is presented below. The following table shows the effects of business combinations and intra-group mergers on the Company's and the Group's comparative information.

Company	Note	GROUP				COMPANY			
		Statement of financial position		Statement of comprehensive income		Statement of financial position		Statement of comprehensive income	
		31.12.2021	31.12.2022	2021	2022	31.12.2021	31.12.2022	2021	2022
Palme turizam d.o.o.	a	✓	✓	1.1.-31.12.	1.1.-31.12.	✓	✓	8.5.-31.12.	1.1.-31.12.
Valamar A GmbH	b	-	-	1.1.-29.11.	-	-	-	-	-
Valamar Obertauern GmbH	b	-	-	1.1.-29.11.	-	-	-	-	-

- a) The merger of Palme turizam d.o.o. into the Company was entered in the court register on 7 May 2021, pursuant to the Decision of the Commercial Court in Pazin No. Tt-21/2510-3. The legal effect of the merger started as of 8 May 2021. After the registration of the merger, Palme turizam d.o.o. ceased to exist and the Company became the universal legal successor of the merged company: all the assets, rights and liabilities of Palme turizam d.o.o. were transferred to the Company.
- b) On 29 November, 2021, the General Assembly of Valamar A GmbH made a decision to increase the share capital from the amount of EUR 35,000.00 by EUR 107,624.00 to EUR 142,624.00, with the participation of a new member of the Wurmböck Beteiligungs GmbH based in Vienna, Austria, in the amount of EUR 107,624.00 after which Valamar Riviera d.d. holds 24.54% and Wurmböck Beteiligungs GmbH 75.46%. A new member of the company undertook to pay EUR 11,070,000.00 into capital reserves. At the same time, Valamar A GmbH changed its headquarters from Tamsweg to Vienna and a new two-member board was appointed. The members of the company concluded the Articles of Association and the agreement by which they regulated their mutual relations, especially in relation to important decisions that require the approval of Valamar Riviera d.d. for their adoption.
- c) In order to acquire the Kesselspitze Hotel in Obertauern, on 3 June 2022, an Agreement on the purchase and transfer of all business shares in the company Kesselspitze GmbH, Obertauern, Austria and the company Kesselspitze GmbH & Co KG, Obertauern, Austria, was concluded between the buyer Valamar A GmbH and Seller: Lürzer Obertauern GmbH & Co KG, Mr. Heribert Lürzer, Mr. Gerhard Lürzer and Mr. Harald Lürzer. The members of Valamar A GmbH paid the amount of EUR 6,000,000.00 into the capital reserves of Valamar A GmbH, in proportion to their business shares as follows, Valamar Riviera d.d. as the owner of a business share of EUR 35,000.00, which corresponds to 24.54% of the share capital of Valamar A GmbH, paid the amount of EUR 1,472,400.00, and Wurmböck Beteiligungs GmbH, as the owner of a business share of EUR 107,624.00, which corresponds to 75.46% of the share capital Valamar A GmbH paid the amount of EUR 4,527,600.00.
- d) On 1 February 2022, the companies Valamar A GmbH and WBVR Beteiligungs GmbH founded the company Valamar Marietta GmbH with headquarters in Klagenfurt am Wörthersee, Austria, to which company ContiEstates AG, Zug, Switzerland, was merged on 28 September 2022.



## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

The financial statements of the Company and Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The financial statements have been prepared under the historical cost method, except for the financial assets at fair value through profit or loss and financial assets.

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

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

### 2.2 Consolidation

#### *(a) Subsidiaries*

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

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

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

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

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

#### *(c) Loss of the control over subsidiaries*

When the Group loses control of a subsidiary, the Group will derecognise its assets and liabilities in the statement of financial position, recognize its interest in the subsidiary at fair value and recognize the gain/loss resulting from the loss of control.

#### *(d) Joint ventures*

The Group's interests in jointly controlled ventures are accounted for under the equity method. Under this method, an interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the venture's share of net assets of the jointly controlled entity. The profit or loss of the venture includes the venture's share of the profit or loss of the jointly controlled entity. In the separate financial statements, the Company's interest in joint venture is measured at purchase cost less impairment.

#### *(e) Associates*

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

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.2 Consolidation / CONTINUED

#### (e) Associates / CONTINUED

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

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

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

#### 2.2.1 Subsidiaries in separate financial statements

The Company discloses its subsidiaries in the separate financial statements at cost value less impairment (Note 17: *Investment in subsidiaries*).

#### 2.3 Merger of entities and transactions with companies under common control

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

#### 2.4 Segment reporting

The operating segments are reported in a manner consistent with the internal

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

#### 2.5 Foreign currencies

##### (a) Functional and presentation currency

The items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The financial statements are presented in Croatian kuna (HRK), which is the Company's functional and Group's presentation currency.

##### (b) Transactions and balances in foreign currency

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

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

Middle exchange rate - Croatian National Bank:

31.12.2021: EUR 1 = HRK 7,517174

31.12.2022: EUR 1 = HRK 7,53450

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.6 Property, plant and equipment

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

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

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

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

/i/ Except as stated in Note 4 - *Critical accounting estimates*

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

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

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

### 2.7 Intangible assets

#### (a) Goodwill

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

#### (b) Software

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

### 2.8 Impairment of non-financial assets

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

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.8 Impairment of non-financial assets / CONTINUED

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

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

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

### 2.9 Non-current assets classified as held for sale

The non-current assets are classified in the statement of the financial position as 'Non-current assets held for sale' if their carrying amount shall be recovered principally through a sale transaction rather than through continuing use. The non-current assets classified as held for sale are measured at the lower of their carrying and fair value, less the costs to sell. The assets should be available for immediate sale in their present condition and their sale should be very likely. Gains and losses on the sale of non-current assets held for sale are included in the statement of comprehensive income within 'other gains/(losses) – net'.

### 2.10 Investment property

Investment property, principally comprising business premises, is held for long-term rental yields or appreciation and is not occupied by the Company or the Group. Investment property is treated as a long-term investment unless it is intended to be sold in the next year and a buyer has been identified, in which case it is classified within the current assets.

Investment property is carried at historical cost less the accumulated depreciation and provision for impairment, where required. Investments in progress are not depreciated. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (using a depreciation rate of 4%).

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with it shall flow to the Company and the Group, and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

### 2.11 Financial assets

#### 2.11.1 Classification

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

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

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

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

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



## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.11 Financial assets / CONTINUED

#### 2.11.1 Classification / CONTINUED

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

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

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

#### *(c) Financial assets at amortised cost*

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

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

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

#### 2.11.2 Measurement and recognition

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

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

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

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

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.11 Financial assets / CONTINUED

#### 2.11.3 Impairment of financial assets

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

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

#### 2.12 Derivative financial instruments

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

#### 2.13 Leases

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

#### The Company and the Group as lessees

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

##### *(i) Right-of-use assets*

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

##### *(ii) Lease liabilities*

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

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.13 Leases / CONTINUED

#### The Company and the Group as lessees/ CONTINUED

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

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

#### The Company and the Group as lessors

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

### 2.14 Inventories

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

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

### 2.15 Trade receivables

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

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

### 2.16 Loans and deposits

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

### 2.17 Cash and cash equivalents

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

### 2.18 Share capital

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

### 2.19 Borrowings

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

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.19 Borrowings / CONTINUED

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

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

### 2.20 Trade payables

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

### 2.21 Current and deferred income tax

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

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

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not

accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting nor the taxable profit or loss.

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

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

#### *Investment tax credits*

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



**2.22 Employee benefits***(a) Pension obligations and post-employment benefits*

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

*b) Termination benefits*

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

*(c) Short-term employee benefits*

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

*(d) Long-term employee benefits*

The Company and the Group recognise the obligation for long-term employee

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

*(e) Employee benefits in the form of shares*

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

Employee benefits in the form of shares are presented within salaries and other employee costs (Note 8 – *Staff costs*), together with a corresponding increase within equity for the shares value (as part of Other reserves - Note 28 – *Reserves and retained earnings*) and Liabilities for calculated tax - rewarding in shares (Note 31 – *Trade and other payables*).

**2.23 Provisions**

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

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

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

**2.24 Revenue recognition**

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

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

*(a) Sales of services*

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

*(b) Rental of services*

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

*(c) Interest income*

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

*(d) Dividend income*

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

**2.25 Earnings/(loss) per share**

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

**2.26 Value added tax**

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

**2.27 Government grants**

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. According to IAS 20, the manner in which a grant is received does not affect the accounting method to be adopted in regard to the grant. Thus a grant is accounted for in the same manner whether it is received in cash or as a reduction of a liability to the government.

*Government grants related to income*

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

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

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.27 Government grants / CONTINUED

#### *Government grants related to assets (monetary and non-monetary)*

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

#### *Government grants related to costs from previous years and other grants*

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

### 2.28 New and amended standards and interpretations

#### 2.28.1 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2022:

- **Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements IFRS 2018-2020**, all issued on 14 May 2020, (effective date for annual periods beginning on or after 1 January 2022).

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

#### 2.28.2 Standards issued but not yet effective and not early adopted

- **Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information**, issued on 9 December 2021 (effective date for annual periods beginning on or after 1 January 2023).

- **Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**, issued on 7 May 2021 (effective date for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies**, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates**, issued on 12 February 2021 (effective date for annual periods beginning on or after 1 January 2023). **IFRS 17 Insurance contracts**, issued on 18 May 2017; including **Amendments to IFRS 17** issued on 25 June 2020, (effective date for annual periods beginning on or after 1 January 2023).

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

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

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

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

## NOTE 3 – FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

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

#### *(a) Market risk*

##### (i) Foreign exchange risk

The Company and the Group conduct their business operations across national borders and are exposed to foreign exchange risks. They mainly result from changes in the EUR/HRK exchange rate. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Most of the sales revenue generated from foreign customers and long-term debt is denominated in euros. Hence, the Company and the Group are, for the most part, naturally hedged from exchange rate risks. Since some liabilities are denominated in HRK, the Company and the Group actively manage the risks by using derivative instruments available on the financial market. The instruments are used according to operating assessments and expected market trends. In this manner, the assets, liabilities and cash flow are protected from the risk impact.

At the Company's and the Group's level, except for kunas and euros, business with other currencies accounts for less than 1% of the total turnover/ not materially significant and after the introduction of the euro as the domestic currency from 01.01.2023 the Company and the Group expects very limited exposure to currency risk.

In 2022, the Company and the Group didn't use derivative financial instruments to hedge against currency risk.

At 31 December 2022, if the EUR had weakened/strengthened by 1% against the HRK, with all other variables held constant, the net profit of the Group for the year would have been HRK 18,726 thousand (2021: HRK 19,692 thousand) higher/(lower) mainly as a result of foreign exchange gains/(losses) on translation of EUR denominated trade receivables, borrowings and foreign cash funds.

##### (ii) Interest rate risk

Variable rate loans expose the Company and the Group to cash flow interest rate risk. Periodically, the Company and the Group use derivative instruments in order to hedge cash flow and interest rate by applying interest rate swaps. The economic effect of such swaps is the conversion of variable interest rate loans into fixed interest rate loans for a pre-committed hedged part of the loan principal. The Company and the Group have interest-bearing assets (cash and deposits) so their revenue and cash flow depend on changes in market interest rates. This becomes evident especially during the season when the Company and the Group have significant cash surpluses at their disposal.

The Company and the Group expect a limited impact of the increased volatility of interest rates, i.e. the recent rise in interest rates on loans, considering that a large part of the Group's loan portfolio (81.5%) consists of long-term fixed rate loans and derivative loans (IRS).

At 31 December 2022, if interest rates on currency-denominated borrowings had been higher/lower by 1 percentage point, with all other variables held constant, the profit of the Group for the year would have been HRK 3,943 thousand (2021: HRK 2,745 thousand) higher/(lower), mainly as a result of higher/(lower) interest expense on variable-rate borrowings.

##### (iii) Price risk

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



## NOTE 3 – FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors / CONTINUED

#### (a) Market risk / CONTINUED

With the HRK 897 million invested in acquiring shares of Imperial Riviera d.d., Rab and HRK 73 million in acquiring shares of Helios Faros d.d., the Company is exposed to the said risk to a certain extent.

As at 31 December 2022, if the indices of the ZSE had been higher/(lower) by 4.42% for 2022 (which was the average index movement), with all other variables held constant, reserves of the Group within equity and other comprehensive income would have been HRK 8 thousand higher/(lower) as a result of gains/(losses) on equity securities available for sale.

#### (b) Credit risk

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

#### (c) Liquidity risk

The Company and the Group have a sound liquidity risk management. Sufficient

funds for meeting the liabilities are available at any given moment through adequate amounts from contracted credit lines and by ensuring credit line availability in the future. Liquidity risk is managed by generating strong positive net operating cash flows, while capital investments are financed by credit lines. As at 31 December 2022, the Company has contracted unused credit lines with financial institutions for 2023 in the total amount of HRK 318,501 thousand, and the Group in the total amount of HRK 506,863 thousand. The repayment of the major credit lines coincides with periods of strong cash inflows from operations. The Company and the Group monitor the level of available funds through daily cash and debt reports. Long-term cash flow forecasts as well as annual (monthly) forecasts are based on the set budget.

After meeting the requirements of working capital management, the surplus is deposited in the Company's and Group's treasury. From there the funds are invested in interest-bearing current accounts, time deposits, money market deposits accounts and marketable securities. Only instruments with suitable maturities and sufficient liquidity are selected, according to the forecasted requirements for liquid funds. In the first quarter of 2022, the Company had a time deposit of part of the surplus funds, and in the fourth quarter, the surplus funds were termed at the level of the Company and the Group.

## NOTE 3 – FINANCIAL RISK MANAGEMENT / CONTINUED

### 3.1 Financial risk factors / CONTINUED

#### (c) Liquidity risk / CONTINUED

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

<b>GROUP</b>					
<i>(in thousands of HRK)</i>	<b>Less than 3 months</b>	<b>3 months-1 year</b>	<b>1-3 years</b>	<b>3-6 years</b>	<b>Over 6 years</b>
<b>As at 31 December 2021</b>					
Trade and other payables	66,919	31,679	58,046	-	-
Borrowings /i/	177,235	469,732	946,774	910,085	902,814
Lease liabilities	596	2,084	5,918	3,841	1,513
Derivative financial instruments	982	2,405	3,267	1,086	10
<b>Total liabilities (contractual maturities)</b>	<b>245,732</b>	<b>505,900</b>	<b>1,014,005</b>	<b>915,012</b>	<b>904,337</b>
<b>As at 31 December 2022</b>					
Trade and other payables	78,688	3,268	59,966	-	-
Borrowings	118,148	462,651	820,509	809,812	646,239
Lease liabilities	555	3,750	5,638	7,229	5,609
<b>Total liabilities (contractual maturities)</b>	<b>197,391</b>	<b>469,669</b>	<b>886,113</b>	<b>817,041</b>	<b>651,848</b>
<b>COMPANY</b>					
<i>(in thousands of HRK)</i>	<b>Less than 3 months</b>	<b>3 months-1 year</b>	<b>1-3 years</b>	<b>3-6 years</b>	<b>Over 6 years</b>
<b>As at 31 December 2021</b>					
Trade and other payables	50,470	31,679	55,917	-	-
Borrowings /i/	175,429	424,367	854,294	826,668	817,387
Lease liabilities	647	2,323	6,090	3,633	1,489
Derivative financial instruments	982	2,405	3,267	1,086	10
<b>Total liabilities (contractual maturities)</b>	<b>227,528</b>	<b>460,774</b>	<b>919,568</b>	<b>831,387</b>	<b>818,886</b>
<b>As at 31 December 2022</b>					
Trade and other payables	57,722	3,268	57,838	-	-
Borrowings	94,786	325,637	564,627	466,185	484,538
Lease liabilities	571	4,486	6,003	6,934	4,808
<b>Total liabilities (contractual maturities)</b>	<b>153,079</b>	<b>333,391</b>	<b>628,468</b>	<b>473,119</b>	<b>489,346</b>

## NOTE 3 – FINANCIAL RISK MANAGEMENT / CONTINUED

### 3.2 Capital management

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

### 3.3 Fair value estimation

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

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

Quoted market prices for similar instruments are used for long-term debt. The fair

value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company and the Group for similar financial instruments.

#### *Fair value hierarchy*

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

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

## NOTE 3 – FINANCIAL RISK MANAGEMENT / CONTINUED

### 3.3. Fair value estimation / CONTINUED

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

<b>GROUP</b>				
<i>(in thousands of HRK)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>As at 31 December 2021</b>				
<b>Assets measured at fair value</b>				
Financial assets - equity securities	391	-	-	391
<b>Total assets measured at fair value</b>	<b>391</b>	<b>-</b>	<b>-</b>	<b>391</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	-	7,749	-	7,749
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>7,749</b>	<b>-</b>	<b>7,749</b>
<b>As at 31 December 2022</b>				
<b>Assets measured at fair value</b>				
Financial assets - equity securities	364	-	-	364
Derivative financial instruments	-	34,633	-	34,633
<b>Total assets measured at fair value</b>	<b>364</b>	<b>34,633</b>	<b>-</b>	<b>34,997</b>



## NOTE 3 – FINANCIAL RISK MANAGEMENT / CONTINUED

### 3.3. Fair value estimation / CONTINUED

#### COMPANY

(in thousands of HRK)

	Level 1	Level 2	Level 3	Total
<b>As at 31 December 2021</b>				
<b>Assets measured at fair value</b>				
Financial assets - equity securities	359	-	-	359
<b>Total assets measured at fair value</b>	<b>359</b>	<b>-</b>	<b>-</b>	<b>359</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	-	7,749	-	7,749
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>7,749</b>	<b>-</b>	<b>7,749</b>
<b>As at 31 December 2022</b>				
<b>Assets measured at fair value</b>				
Financial assets - equity securities	332	-	-	332
Derivative financial instruments	-	18,585	-	18,585
<b>Total assets measured at fair value</b>	<b>332</b>	<b>18,585</b>	<b>-</b>	<b>18,917</b>

## NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

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

### *(a) Impairment of non-financial assets*

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

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

Determination of impairment indicators, determination of the fair value of assets (or group of assets), and estimation of future cash flows require significant judgement by the management while recognizing and assessing the impairment indicators, expected cash flows, future investments, applicable discount rates, useful lives and remaining values. When determining the recoverable amount, the management considers various indicators such as occupancy of properties, revenue per unit, expected market growth in the hotel industry, etc.

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

After two business years in conditions related to the pandemic (2020 and 2021), in 2022 the business of the Company and the Group took place in almost completely normal conditions. Achieved financial results confirm the full recovery of business. This recovery occurred a year earlier than last year's estimations. The destination of Dubrovnik, as a distinct air destination, felt a certain impact of the reduced number of flights. However, in terms of business results, the other destinations of the Group more than made up for that deficit.

The Group assessed that there are potential indicators of impairment and in accordance with IAS-36, they approached the impairment test of units that generate money, i.e. profit centres (PCGM). PCGM is a group of assets of the lowest organizational unit that generates mostly independent cash inflows and on the basis of which performance is monitored and decisions are made on the acquisition and disposal of related assets, as well as operations.

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

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

## NOTE 4 – CRITICAL ACCOUNTING ESTIMATES / CONTINUED

SIGNIFICANT ASSUMPTION	HOW IT IS DETERMINED
Calculation of recoverable amount	<p>The recoverable amounts of PCGMs were determined based on their value in use. Value in use is determined by discounting future cash flows.</p> <p>For PCGMs depleted by many years of exploitation, which value in use determined by DCF is not greater than recoverable amount, in the absence of significant investment interventions in their reconstruction and modernization, the fair value method less the cost of disposal estimated by a certified expert was used.</p>
Cash flow projection period	<p>For the purposes of performing the impairment test, the cash flow projection period is 5 years, with the last (5th) year used to calculate the residual value.</p>
Cash flow	<p>Projected cash flows are based on the best knowledge and beliefs of the Company and Group in accordance with historical and expected future growth rates.</p> <p>For PCGMs that have not undergone serious reconstruction investments in the past five years with the aim of achieving higher standards of quality of accommodation and services, a growth rate of 3.2% was used for PCGMs located in the Republic of Croatia, in accordance with weighted values of tourism revenues (weight: 15%), overnights from tourism (weight: 15%) and inflation (weight: 70%) in the Republic of Croatia in the last five years before the COVID-19 crisis (2019).</p> <p>For PCGMs which have recently been invested in, thus featuring market-upgraded accommodation and service quality standards, the growth rate used for cash flow extrapolation is 6.0%, based on historically comparable long-term compound average growth rates of revenues and EBITDA of companies within the Group, or growth rates based on current feasibility studies. The growth rate of 6.0% used does not exceed the comparable three-year, five-year, seven-year and ten-year complex average growth rates of revenue and EBITDA.</p> <p>Cash outflows also include capital expenditures and maintenance costs of hotels and resorts and camping resorts. These cash outflows do not include capital expenditures that further contribute to the current performance of PCGMs. To calculate the residual value of each individual PCGM the Company and Group used a constant growth rate corresponding to the previously mentioned growth rates. Management considers this assumption reasonable, as it does not exceed the long-term average growth rates of companies in the Group, as explained earlier.</p>
Impact of COVID-19 on significant operations	<p>After two business years in conditions related to the pandemic (2020 and 2021), in 2022 the business of the Company and the Group took place in almost completely normal conditions. Achieved financial results confirm the full recovery of business. This recovery occurred a year earlier than last year's estimations.</p>

## NOTE 4 – CRITICAL ACCOUNTING ESTIMATES / CONTINUED

SIGNIFICANT ASSUMPTION	HOW IT IS DETERMINED
Discount rate	The annual pre-tax discount rates used to discount the projected cash flows of PCGMs are 10.18% (2021: 6.99%) for Valamar Riviera, 10.29% (2021: 6.77%) for Imperial Riviera and 10.71% (2021: 6.99%) for Helios Faros, and reflect the market estimate of the weighted average cost of capital of each listed company.
Sensitivity to significant changes in assumptions	The residual year in the impairment test is reported based on the business performance of PCGMs applying the aforementioned growth rates. The residual year has a significant impact on the determination of the recoverable amount and the resulting positive difference between the recoverable amount and the carrying amount of PCGMs. Possible reasonable changes, are unlikely to result with significant effect on determined results and subsequently with the need to decrease in the value of PCGMs.

By performing impairment tests in 2021 and 2022, the Company and Group have proven that non-current tangible and intangible assets (including goodwill) do not have to be impaired, in accordance with the determined values in use and for a part of facilities according to the fair value confirmed by a certified expert.

### *(b) Estimated useful lives*

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

Based on historical information, and in line with the technical department, the useful life of buildings components was assessed by the Management to be 10 to 25 years,

except with the company in Austria, that ended being subsidiary from 29 November 2021, where the useful life of buildings is estimated at 40 years. The useful lives of equipment and other assets have also been assessed.

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

### *(c) Recognition of deferred tax assets*

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



## NOTE 4 – CRITICAL ACCOUNTING ESTIMATES / CONTINUED

### (c) Recognition of deferred tax assets / CONTINUED

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

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

### (d) Consolidation

The Valamar Riviera Group consists of Valamar Riviera d.d. (parent company) and its subsidiaries (the Group) as it is presented in Note 1 – *General information*. The assets and liabilities of subsidiaries are fully included in the consolidated statement of financial position of the Group as at 31 December 2022, eliminating the parent company's share in subsidiaries and the position of capital and reserves of subsidiaries and mutual receivables and liabilities. Mutual transactions are excluded from the consolidated statement of financial position and the consolidated statement of comprehensive income.

On 7 May, 2021, the subsidiary Palme turizam d.o.o. was merged with the parent company Valamar Riviera d.d. Explained detailed in Note 37 – *Merger of subsidiary*.

Pursuant to the General Assembly decision of Imperial Riviera d.d. from 10 September 2021 the share capital was increased from HRK 826,668,557.32 for the amount of HRK 689,765,631.10 to the amount of 1,516,434,188.42, in which the Company contributed with the amount of HRK 352,844,705.64.

After the increase of share capital Valamar Riviera d.d. is a holder of 1,054,728 (46.27% of voting rights) shares and the Company retained control of Imperial Riviera d.d. Valamar Riviera d.d. has significant share of 46.27% voting rights, has the power to manage financial and business policies of Imperial Riviera d.d., and in order to benefit from its activities, primarily through Board, but also key management of Imperial Riviera d.d. Valamar Riviera d.d. has the right to appoint, relocate and recall key management, that is, persons who are authorised and responsible for strategic and ongoing business planning and direction, and current or former employees of Valamar Riviera d.d. were appointed to the Board of Imperial Riviera d.d. and have the ability to manage business in accordance with the provisions of ZTD. Imperial Riviera d.d. in a significant part of business depends on Valamar Riviera d.d., which is in charge of managing core business, and depends on intellectual property rights, including trademarks and brands of Valamar Riviera d.d. Valamar Riviera d.d. significantly influences the business of Imperial Riviera d.d. through the operational management of hotel and tourist facilities, and in addition to dividend rights, it is also entitled to management fees and therefore the exposure of Valamar Riviera d.d. to returns is significantly higher than the return related to voting rights. A combination of all of the above factors indicates control of Valamar Riviera d.d. over a subsidiary in accordance with IFRS 10.

During 2022, there were no changes in the structure of the Group.

### (e) Loss of the control over subsidiaries

On 29 November, 2021, the General Assembly of Valamar A GmbH made a decision to increase the share capital from the amount of EUR 35,000.00 by EUR 107,624.00 to EUR 142,624.00, with the participation of a new member of the Wurmböck Beteiligungs GmbH based in Vienna, Austria, in the amount of EUR 107,624.00 after which Valamar Riviera d.d. holds 24.54% and Wurmböck Beteiligungs GmbH 75.46%. As a result of these changes, the Company lost control of Valamar A and Valamar Obertauern, but retained significant influence. The share of 24.54% in Valamar A and the share in Valamar Obertauern GmbH in which it has a direct 10% share and 22.08%

## NOTE 4 – CRITICAL ACCOUNTING ESTIMATES / CONTINUED

### (e) *Loss of the control over subsidiaries* / CONTINUED

through Valamar A GmbH will be stated according to the share method in the consolidated reports of the Group. Described in more detail in Notes 18b - *Interest in associates Valamar A GmbH and Valamar Obertauern GmbH* and 38 - *Loss of the control over subsidiaries*.

### (f) *Leases*

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

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

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

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

Refer to Note 30 – *Rights-of-use assets and lease liabilities* for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

#### **Property lease classification – the Company and the Group as lessor**

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

#### **Leases – Estimating the incremental borrowing rate**

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

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

## NOTE 4 – CRITICAL ACCOUNTING ESTIMATES / CONTINUED

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

Due to the transition from public to private ownership, e.g. in the transformation and privatisation process and the fact that the properties of the Company and the Group that were used in the transformation process were appraised in the share capital of the Company, and a part was not appraised, there are certain ambiguities and proceedings regarding the ownership of a part of the land within the majority of tourist companies, as well as Company and the Group. The Company has approximately 1.77 million m<sup>2</sup> of land in clear and undisputed ownership, the Group has 2.07 million m<sup>2</sup>, and land which is subject to determining the status of co-ownership or ownership in accordance with the regulations of the Act on unappraised land („the ZNGZ“), that came into force on 2 May 2020 amounts to approximately 3.24 million m<sup>2</sup> for Company and 3.54 million m<sup>2</sup> for Group. A more detailed description of proceedings and unsolved situations for properties of the Company are disclosed in the Note 34 – *Contingencies and commitments*.

With the ZNGZ entered into force, Act on Tourist and Other Construction Land not appraised in the transformation and privatisation process (“the ZOTZ”) became out of force, which was in force from 1 August 2010 and the proceedings on requests for obtaining concession under the ZOTZ are suspended. The ZNGZ prescribes the obligation to determine and form buildings on appraised parts of camps, hotels, tourist resorts and other construction land as ownership of the Company and the Group and buildings on unappraised parts of camps, hotels, tourist resorts and other construction land as ownership of Republic of Croatia or local governments. For parts of a land owned by the Republic of Croatia or local governments, the Company and the Group will enter into lease agreements for a period of 50 years. Until the final settlement of property relations on tourist land and the conclusion of lease agreements with property owners, the Company and the Group will continue to be charged the compensation for unappraised parts of camps, hotels, tourist resorts and other construction land according to the areas in relation to which the so-called advance payment of the concession fee until the day of

entry into force of the ZNGZ for approximately 2.28 million m<sup>2</sup> for the Company and 2.38 million m<sup>2</sup> for the Group of land in camps in favour of the Republic of Croatia and for approximately 0.96 million m<sup>2</sup> of land in tourist resorts and hotels in favour of local governments for the Company and 1.04 million m<sup>2</sup> for the Group. The unit amount of the rent and the manner of and deadlines for the payment will be laid down by a regulation adopted by the Government.

The regulation has not been adopted till 31 December 2022; therefore it has not been possible to determine right-of-use assets and liabilities since the entry into force of the Act, i.e. since 2 May 2020. After the adoption of the regulation on prices, the Company and the Group will revise total surface areas that will be the subject matter of the lease agreement and they will assess the value of the right-of-use assets and liabilities in accordance with the provisions of IFRS 16. In 2021 and 2022, the Company and the Group were not able to determine the object of the lease and the value of the lease.

Considering that no regulation on prices has been passed by the end of 2022, as a precautionary principle, the Company and the Group reserved the cost of lease for tourist land for the period from the entry into force of the ZNGZ, i.e. from 1 May, 2020 to the end of 2022 on the basis of the calculation of compensation under the old regulations in the amount of HRK 389,726 thousand for the Company and HRK 40,598 thousand for the Group.

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

## NOTE 5 – SEGMENT INFORMATION

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

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

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

The segment information related to reportable segments for the year ended 31 December 2021 is as follows:

<b>GROUP</b>	<b>Hotels and apartments</b>	<b>Camps</b>	<b>Other business segments</b>	<b>Total</b>
<i>(in thousands of HRK)</i>				
Total sales	1,001,646	550,115	147,603	1,699,364
Inter-segment revenue	(1,382)	(28)	(92,826)	(94,236)
Revenue from external customers	<b>1,000,264</b>	<b>550,087</b>	<b>54,777</b>	<b>1,605,128</b>
Depreciation and amortisation	318,544	131,942	56,850	507,336
Net finance expense net	(23,424)	(14,373)	1,895	(35,902)
Write-off of fixed assets	3,389	99	404	3,892
Profit/(loss) of segment	534,766	390,233	(211,953)	713,046
<b>Total assets</b>	<b>3,207,710</b>	<b>1,383,094</b>	<b>722,119</b>	<b>5,312,923</b>
<b>Total liabilities</b>	<b>1,977,090</b>	<b>934,627</b>	<b>473,878</b>	<b>3,385,595</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 that ended being subsidiary from 29 November 2021.

## NOTE 5 – SEGMENT INFORMATION / CONTINUED

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

<b>GROUP</b>	<b>Hotels and apartments</b>	<b>Camps</b>	<b>Other business segments</b>	<b>Total</b>
<i>(in thousands of HRK)</i>				
Total sales	1,604,266	723,523	261,353	2,589,141
Inter-segment revenue	(5,429)	(620)	(175,943)	(181,992)
Revenue from external customers	<b>1,598,837</b>	<b>722,903</b>	<b>85,410</b>	<b>2,407,150</b>
Depreciation and amortisation	310,469	131,940	55,286	497,695
Net finance expense net	(45,103)	(13,875)	34,550	(24,428)
Write-off of fixed assets	2,443	551	775	3,769
Profit/(loss) of segment	723,550	462,826	(397,091)	789,285
<b>Total assets</b>	<b>3,460,679</b>	<b>1,345,378</b>	<b>352,048</b>	<b>5,158,105</b>
<b>Total liabilities</b>	<b>1,880,596</b>	<b>715,092</b>	<b>260,322</b>	<b>2,856,010</b>

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



## NOTE 5 – SEGMENT INFORMATION / CONTINUED

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

<b>GROUP</b>	<b>2021</b>	<b>2022</b>
<i>(in thousands of HRK)</i>		
<b>Revenue</b>		
Revenue from segments	1,699,364	2,589,142
Inter-segment revenue elimination	(94,236)	(181,992)
<b>Total revenue</b>	<b>1,605,128</b>	<b>2,407,150</b>
<b>Profit</b>		
Profit from segments	713,046	789,285
Other unallocated expenses	(550,126)	(563,477)
Profit/(loss) from financial and extraordinary activities	(61,444)	(23,937)
<b>Total profit/(loss) before tax</b>	<b>101,476</b>	<b>201,871</b>

## NOTE 5 – SEGMENT INFORMATION / CONTINUED

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

<b>GROUP</b>	<b>2021</b>		<b>2022</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<i>(in thousands of HRK)</i>				
<b>Segment assets/liabilities</b>	<b>5,312,923</b>	<b>3,385,595</b>	<b>5,158,105</b>	<b>2,856,010</b>
Hotels and apartments segment	3,207,710	1,977,090	3,460,679	1,880,596
Camps segment	1,383,094	934,627	1,345,378	715,092
Other business segment	722,119	473,878	352,048	260,322
<b>Unallocated</b>	<b>1,600,624</b>	<b>216,893</b>	<b>1,261,699</b>	<b>240,126</b>
Investments in associate	76,503	-	109,906	-
Other financial assets	391	-	364	-
Loans and deposits	43,179	-	134,151	-
Cash and cash equivalents	1,115,258	-	672,828	-
Income tax receivable	2	-	-	-
Other receivables	36,198	-	26,566	-
Deferred tax assets/liabilities	329,093	51,765	283,251	47,392
Other liabilities	-	80,551	-	99,732
Derivative financial assets/liabilities	-	7,749	34,633	-
Provisions	-	76,828	-	93,002
<b>Total</b>	<b>6,913,547</b>	<b>3,602,488</b>	<b>6,419,804</b>	<b>3,096,136</b>

The Group's hospitality services are provided in Croatia and Austria (till 29 November 2021) to domestic and foreign customers. The Group's sales revenues are classified according to the customers' origin.

<b>GROUP</b>	<b>2021</b>	<b>2022</b>
<i>(in thousands of HRK)</i>		
Revenue from sales to domestic customers	173,626	250,095
Revenue from sales to foreign customers	1,431,502	2,157,054
	<b>1,605,128</b>	<b>2,407,150</b>

## NOTE 5 – SEGMENT INFORMATION / CONTINUED

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

Sales to foreign customers	GROUP			
	2021	%	2022	%
EU members	1,274,469	89.03	1,828,261	84.76
Other	157,033	10.97	328,793	15.24
	<b>1,431,502</b>	<b>100.00</b>	<b>2,157,054</b>	<b>100.00</b>

## NOTE 6 – OTHER INCOME

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
Income from donations and other /i/	7,713	3,819	2,104	2,816
Income from provision release	14,027	7,502	14,004	6,341
Reimbursed costs	1,492	3,251	2,470	5,710
Income from insurance and legal claims	8,118	3,692	4,531	2,874
Income from own consumption	326	419	234	405
Collection of receivables previously written-off	53	2,177	34	2,146
Other income	5,331	7,429	4,363	6,431
	<b>37,060</b>	<b>28,289</b>	<b>27,740</b>	<b>26,723</b>

/i/ In relation to Covid-19 pandemic, in 2021 subsidiary Valamar Obertauern in Austria (subsidiary till 29 November 2021) received grants in the amount of HRK 5,3 million.

## NOTE 7 – COST OF MATERIALS AND SERVICES

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
<b>Raw materials and supplies</b>				
Raw materials and supplies used /i/	148,037	257,797	125,976	203,265
Energy and water used /ii/	83,664	211,830	70,021	163,416
Small inventory	13,202	18,711	10,978	14,793
	<b>244,903</b>	<b>488,338</b>	<b>206,975</b>	<b>381,475</b>
<b>External services</b>				
Maintenance	61,055	72,312	52,616	59,718
Commission fees (tourist agencies and credit cards)	40,935	49,375	30,481	31,877
Marketing, promotion and fairs	28,498	40,380	28,180	37,440
Communal fees /iii/	26,545	42,337	23,943	36,689
Telecommunication and transport /ii/	13,088	18,913	11,528	16,570
Rent /iv/	12,207	16,406	11,423	14,494
Recreation services	6,897	10,803	5,327	7,033
Laundry services	5,490	7,810	7,733	14,575
Services of arrangement and other contents	3,044	5,479	2,776	3,766
Informatics services	3,432	7,905	3,431	7,675
Protection services	3,639	5,455	3,267	4,526
Other services /v/	8,529	12,597	8,439	11,451
	<b>213,359</b>	<b>289,772</b>	<b>189,145</b>	<b>245,814</b>
	<b>458,262</b>	<b>778,110</b>	<b>396,120</b>	<b>627,289</b>

/i/ Cost of materials and services of the Company is comprised of raw materials and supplies used of HRK 29,873 thousand (2021: HRK 21,134 thousand), food and beverage costs of HRK 146,782 thousand (2021: HRK 89,614 thousand) and other materials and supplies used of HRK 26,610 thousand (2021: HRK 15,228 thousand).

/ii/ Subsidiary Valamar Obertauern in Austria (subsidiary till 29 November 2021) received Covid-19 grants for compensation for fixed costs in the amount of HRK 345 thousand. In 2022, according to the Government Decree of the Republic of Croatia regulating the price of electricity, the Company reduced total cost of electricity for HRK 2,018 thousand and the Group for HRK 3,027 thousand.

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

/iv/ Expenses related to Company's and Group's short-term leases and low-value asset leases (exemptions according to IFRS 16) are included in Rent in the amount of HRK 130 thousand (2021: HRK 173 thousand), variable leases as well as leases that do not meet the classification criteria according to IFRS 16. Subsidiary Valamar Obertauern in Austria (subsidiary till 29 November 2021) received Covid-19 grants for compensation for leases costs in the amount of HRK 113 thousand.

/v/ Other services mainly comprise of useful waste collection costs of HRK 2,238 thousand (2021: HRK 1,023 thousand), provision costs of HRK 1,831 thousand (2021: HRK 1,822 thousand), health and safety testing costs of HRK 854 thousand (2021: HRK 734 thousand), costs of water rescue services HRK 826 thousand (2021: HRK 468 thousand) and market research services HRK 537 thousand (2021: HRK 413 thousand).

## NOTE 8 – STAFF COSTS

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
Net salaries /i/	218,087	444,413	185,544	361,681
Pension and taxes contributions /i/	88,659	161,730	76,288	129,991
Health insurance contributions /i/	46,430	84,335	39,419	65,955
Termination benefits	471	969	277	451
Provisions for staff /ii/	9,405	2,944	9,293	2,929
Other staff costs /iii/	76,479	132,371	65,225	111,388
	<b>439,531</b>	<b>826,762</b>	<b>376,046</b>	<b>672,395</b>
<b>Number of employees at 31 December</b>	<b>2,989</b>	<b>3,227</b>	<b>2,442</b>	<b>2,460</b>

/i/ Total Covid-19 grants related to net salaries compensation with related tax and contribution write-offs due to revenue decline are in 2021 included in the staff cost of the Group in the amount of HRK 102.1 million and for the Company HRK 84.6 million. The Company adopted the Regulation on remuneration in Company shares – "Recovery & development program" in 2021, according to which key employees of the Company and the Group would be rewarded in Company shares. In 2022, the conditions for the recognition of the cost have been met, which amounts to HRK 44,550 thousand for the Company and HRK 49,000 thousand for the Group.

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

/iii/ Other staff costs comprise non-taxable receipts (accommodation and meals for employees, Christmas bonuses, regress, awards and similar) in the amount of HRK 69.1 million (2021: HRK 40.6 million) for the Group and HRK 55.8 million for the Company (2021: HRK 33.2 million), remunerations for student temporary services in the amount of HRK 23.5 million (2021: HRK 15.6 million) for the Group and HRK 19.2 million for the Company (2021: HRK 13.6 million), transportation costs in the amount of HRK 24 million (2021: HRK 17.3 million) for the Group and HRK 21 million for the Company (2021: HRK 16 million) and other.

The Company capitalised net salaries cost in the amount of HRK 5.37 million (2021: HRK 4.82 million), cost of contributions and tax from salaries in the amount of HRK 2.16 million (2021: HRK 1.91 million) and cost of contributions on salaries in the amount of HRK 0.97 million (2021: HRK 0.87 million). During the year the Company's average number of employees is 3,793 (2021: 3,211).

The Group capitalised net salaries cost in the amount of HRK 6.67 million (2021: HRK 5.2 million), cost of contributions and tax from salaries in the amount of HRK 2.7 million (2021: HRK 2 million) and cost of contributions on salaries in the amount of HRK 1.3 million (2021: HRK 0.9 million). During the year the Group's average number of employees is 4,932 (2021: 3,900).



## NOTE 9 – OTHER OPERATING EXPENSES

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
Municipal charges, concessions and other	25,624	42,436	21,697	32,433
Professional services /i/	19,261	30,062	15,324	25,113
Insurance premiums	6,805	8,170	5,492	6,533
Write-off of property, plant and equipment /ii/	3,892	3,769	2,511	1,749
Entertainment	3,706	6,781	3,490	6,422
Bank charges	1,093	1,666	778	1,252
Provisions for legal proceedings	2,744	1,235	2,488	989
Provisions for tourist land lease and other /iii/	28,164	15,769	24,828	14,897
Value adjustment of assets	1,670	269	1,646	248
Membership fee to associations and other administrative expenses	1,012	2,164	877	1,603
Other	7,934	6,379	6,435	5,664
	<b>101,905</b>	<b>118,700</b>	<b>85,566</b>	<b>96,903</b>

/i/ Professional and other services of the Group and the Company are mostly related to consulting services in the amount of HRK 5.8 million (2021: HRK 3.5 million) for the Group and HRK 5.7 million for the Company (2021: HRK 3 million), Supervisory Board fees in the amount of HRK 5.6 million (2021: HRK 4.7 million) for the Group and HRK 3.4 million for the Company (2021: HRK 2.7 million), students and scholarships fees in the amount of HRK 4.6 million (2021: HRK 2.9 million) for the Group and HRK 3.7 million for the Company (2021: HRK 2.3 million), lawyer fees in the amount of HRK 2.9 million (2021: HRK 2 million) for the Group and HRK 2.5 million for the Company (2021: HRK 1.8 million) and audit fees in the amount of HRK 1.1 million (2021: HRK 1 million) for the Group and HRK 0.7 million for the Company (2021: HRK 0.6 million).

/ii/ Write-off of property, plant and equipment relates to demolition of parts of buildings as a part of new investments. Demolition of buildings amounts to HRK 1.8 million (2021: HRK 2 million) for the Group and HRK 0,8 million (2021: HRK 2 million) for the Company, and other write-offs amounts to HRK 1.9 million (2021: HRK 1,8 million) for the Group and HRK 0.9 million (2021: HRK 449 thousand) for the Company.

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

## NOTE 10 – OTHER GAINS/(LOSSES) – NET

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
Net gains on sale of property, plant and equipment <i>/i/</i>	1,820	15,796	281,702	480,399
	<b>1,820</b>	<b>15,796</b>	<b>281,702</b>	<b>480,399</b>

*/i/* In 2021 and 2022, the Company sold several properties. The most significant Company's transaction in 2021 relates to the entry into the share capital of Imperial Riviera d.d. real estate (land) located at Babin Kuk in Dubrovnik with an area of 148,949 m<sup>2</sup>, estimated value of HRK 352.84 million. The most significant Company's transaction in 2022 relates to the sales of three hotels to the related-party Imperial Riviera d.d. More precisely, it is the sales of hotels Valamar Lacroma Dubrovnik Hotel, Club Dubrovnik Sunny Hotel by Valamar and Tirena Sunny Hotel by Valamar with sales value of HRK 717,766 thousand.

## NOTE 11 – FINANCE INCOME/(EXPENSE) – NET

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
Interest income	83	82	67	66
Net foreign exchange gains from financing activities	8,096	-	7,475	-
Net foreign exchange gains - other	3,580	5,484	3,312	4,429
Realised net gains from changes in value of forwards and interest rate swaps	4,729	3,367	4,729	3,367
Realised net gains/(losses) from changes in value of forwards and interest rate swaps	4,504	39,015	4,504	22,967
Loss of the control over subsidiaries /i/	13,316	-	-	-
Income from cassa sconto	818	1,815	743	1,688
Dividend income	4	9	4	36,840
Other financial gains	225	166	225	1,590
<b>Total financial income</b>	<b>35,355</b>	<b>49,938</b>	<b>21,059</b>	<b>70,947</b>
Interest expense	(71,257)	(64,105)	(64,980)	(47,827)
Net foreign exchange gains from financing activities	-	(7,235)	-	(6,222)
Expences of financial instruments	-	(1,146)	-	(1,146)
Other financial expences	-	(1,880)	-	(1,880)
<b>Total financial expences</b>	<b>(71,257)</b>	<b>(74,366)</b>	<b>(64,980)</b>	<b>(57,075)</b>
<b>Financial expense - net</b>	<b>(35,902)</b>	<b>(24,428)</b>	<b>(43,921)</b>	<b>13,872</b>

/i/ Explained detailed in Note 38 – *Loss of the control over subsidiaries.*

## NOTE 12 – INCOME TAX

Income tax comprise:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
Current tax	22	7	-	-
Deferred tax	(7,254)	41,473	66,518	111,595
<b>Tax (income)/expense</b>	<b>(7,232)</b>	<b>41,480</b>	<b>66,518</b>	<b>111,595</b>

Reconciliation of the effective tax rate:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
Profit/(loss) before tax <i>/i/</i>	101,476	203,451	371,124	673,858
Income tax	19,103	35,694	66,802	121,295
Tax exempt income	(21,484)	(428)	(15,372)	(6,890)
Non-deductible expenses	1,081	2,571	953	1,320
Investment tax credits	(5,932)	(1,462)	-	(4,132)
Recognition of other deferred tax assets	-	1,414	14,135	2
Tax incentives usage for additional income tax	-	3,691	-	-
<b>Tax (income)/expense</b>	<b>(7,232)</b>	<b>41,480</b>	<b>66,518</b>	<b>111,595</b>
<b>Effective tax rate</b>	<b>-</b>	<b>20.39%</b>	<b>17.92%</b>	<b>16.56%</b>

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

## NOTE 12 – INCOME TAX / CONTINUED

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

Income tax is calculated using the legal income tax rate of 18% in the Republic of Croatia. The Law on Additional Income Tax, which prescribes additional income tax for 2022, has no effect on the increase in the Company's income tax liability, and the Group's tax liability has therefore increased by HRK 3,691 thousand.

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

### **Incentives in Valamar Riviera d.d.**

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

During the period of the holder of incentive measures, the Company realized a total of HRK 145,953 thousand of tax incentives for investments made according to the above mentioned application, which was fully used.

Pursuant to the Investment Promotion Act of 2015 (NN 102/15), amendments to the 2018 Act (NN 102/15, 25/18, 114/18) and the 2020 (NN 102/15, 25/18, 114/18, 32/20), and the Investment Promotion Regulation of 2016 (NN 31/16), the amendment of the 2019 Regulation (NN 31/16, 2/19), the Company has submitted a new project for the reconstruction and repositioning of accommodation properties (Camp Istra 5\*,

Valamar Collection Marea Suites 5\* and Valamar Collection Pinea Resort 5\*) for the period from 22 September 2017 and acquired the status of investment incentive holder. The Company concluded its second three-year investment cycle on 21 September 2020.

During the period of the holder of incentive measures, the Company realized a total of HRK 139,441 thousand of tax incentives for investments made according to above mentioned. For the made investments the Company disclosed deferred tax assets.

For realized tax incentives, the Company reported deferred tax assets. In accordance with the subsequent instructions of the Tax Administration, in the tax return for 2021, the Company used tax losses instead of tax benefits for investments, which is shown in Note 25 - *Deferred tax assets*.

During 2022 the Company used HRK 58,996 thousand (2021: 0) tax incentives and the balance of tax assets on behalf of incentives as at 31 December 2022 amounts to HRK 30,641 thousand (2021: 85,505 thousand).

### **Incentives in subsidiary Imperial Riviera d.d., Rab**

Based on the application to the Ministry of Economy of the Republic of Croatia for a three-year investment cycle 2019-2021, for the reconstructions and repositioning of accommodation properties Valamar Carolina Hotel & Villas 4\*, Valamar Meteor Hotel 4\*, Padova Camping Resort by Valamar and Dalmatia Sunny Hotel with the aim of achieving 4\* categorization and on the basis of the Investment Incentives Act (NN 102/15, 25/18, 114/18, 32/20), in January 2020 the company Imperial Riviera d.d. received a confirm on the basis of which it is able to use tax incentives in the next ten years in the amount of up to HRK 80,000 thousand.

For investments through a three-year investment cycle, the company Imperial Riviera d.d. disclosed in its books deferred tax assets in the name of tax incentives in the amount of HRK 61,012 thousand and used HRK 2,010 thousand. The balance of tax assets on behalf of incentives as at 31 December 2022 amounts to HRK 59,002 thousand (2021: HRK 61,672 thousand).



## NOTE 13 – EARNINGS/(LOSS) PER SHARE

### Basic

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

### Diluted

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

<b>GROUP</b>	<b>2021</b>	<b>2022</b>
Profit/(loss) attributable to equity holders (in thousands of HRK)	104,375	147,684
Weighted average number of shares	121,887,907	121,887,907
<b>Basic/diluted earnings per share (in HRK)</b>	<b>0.86</b>	<b>1.21</b>

## NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

<b>GROUP</b>						
<i>(in thousands of HRK)</i>	<b>Land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Furniture, tools and horticulture</b>	<b>Assets under construction</b>	<b>Total</b>
<b>As at 1 January 2021</b>						
Cost	976,429	7,003,881	1,114,422	455,479	444,005	9,994,216
Accumulated depreciation and impairment	-	(3,443,417)	(625,679)	(277,809)	-	(4,346,905)
<b>Carrying amount</b>	<b>976,429</b>	<b>3,560,464</b>	<b>488,743</b>	<b>177,670</b>	<b>444,005</b>	<b>5,647,311</b>
<b>Year ended 31 December 2021</b>						
Opening carrying amount	976,429	3,560,464	488,743	177,670	444,005	5,647,311
Transfer within the assets	-	187,584	49,706	19,565	(256,855)	-
Additions	-	403	68	27	101,427	101,925
Disposals and write-offs	(745)	(4,054)	(475)	(553)	-	(5,827)
Depreciation	-	(335,054)	(102,935)	(44,767)	-	(482,756)
Loss of the control over subsidiaries	(3,751)	(52,190)	(2,865)	(99)	-	(58,905)
<b>Carrying amount at year end</b>	<b>971,933</b>	<b>3,357,153</b>	<b>432,242</b>	<b>151,843</b>	<b>288,577</b>	<b>5,201,748</b>
<b>As at 31 December 2021</b>						
Cost	971,933	7,108,584	1,144,902	454,290	288,577	9,968,286
Accumulated depreciation and impairment	-	(3,751,431)	(712,660)	(302,447)	-	(4,766,538)
<b>Carrying amount</b>	<b>971,933</b>	<b>3,357,153</b>	<b>432,242</b>	<b>151,843</b>	<b>288,577</b>	<b>5,201,748</b>
<b>Year ended 31 December 2022</b>						
Opening carrying amount	971,933	3,357,153	432,242	151,843	288,577	5,201,748
Transfer within the assets	206	175,284	76,371	34,675	(286,536)	-
Additions	-	-	26	-	294,304	294,330
Disposals and write-offs	(2,566)	(1,635)	(918)	(427)	-	(5,546)
Depreciation	-	(333,328)	(95,874)	(41,560)	-	(470,762)
<b>Carrying amount at year end</b>	<b>969,573</b>	<b>3,197,474</b>	<b>411,847</b>	<b>144,531</b>	<b>296,345</b>	<b>5,019,770</b>
<b>As at 31 December 2022</b>						
Cost	969,573	7,306,732	1,212,132	474,316	296,345	10,259,098
Accumulated depreciation and impairment	-	(4,109,258)	(800,285)	(329,785)	-	(5,239,328)
<b>Carrying amount</b>	<b>969,573</b>	<b>3,197,474</b>	<b>411,847</b>	<b>144,531</b>	<b>296,345</b>	<b>5,019,770</b>

As at 31 December 2022, the carrying amount of land and buildings of the Group pledged as collateral for borrowings amounted to HRK 2,159,928 thousand (2021: HRK 2,319,645 thousand).

**NOTE 14 – PROPERTY, PLANT AND EQUIPMENT / CONTINUED**

<b>COMPANY</b> <i>(in thousands of HRK)</i>	<b>Land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Furniture, tools and horticulture</b>	<b>Assets under construction</b>	<b>Total</b>
<b>As at 1 January 2021</b>						
Cost	629,012	5,843,630	987,979	422,664	366,737	8,250,022
Accumulated depreciation and impairment	-	(3,121,563)	(578,733)	(273,594)	-	(3,973,890)
<b>Carrying amount</b>	<b>629,012</b>	<b>2,722,067</b>	<b>409,246</b>	<b>149,070</b>	<b>366,737</b>	<b>4,276,132</b>
<b>Year ended 31 December 2021</b>						
Opening carrying amount	629,012	2,722,067	409,246	149,070	366,737	4,276,132
Transfer within the assets	-	123,731	31,855	9,606	(165,192)	-
Additions	-	-	-	-	66,435	66,435
Merger of subsidiary	25,753	-	-	-	-	25,753
Disposals and write-offs	(69,950)	(6,347)	(415)	(446)	-	(77,158)
Depreciation	-	(252,756)	(84,709)	(36,758)	-	(374,223)
<b>Carrying amount at year end</b>	<b>584,815</b>	<b>2,586,695</b>	<b>355,977</b>	<b>121,472</b>	<b>267,980</b>	<b>3,916,939</b>
<b>As at 31 December 2021</b>						
Cost	584,815	5,921,565	1,007,700	418,382	267,980	8,200,442
Accumulated depreciation and impairment	-	(3,334,870)	(651,723)	(296,910)	-	(4,283,503)
<b>Carrying amount</b>	<b>584,815</b>	<b>2,586,695</b>	<b>355,977</b>	<b>121,472</b>	<b>267,980</b>	<b>3,916,939</b>
<b>Year ended 31 December 2022</b>						
Opening carrying amount	584,815	2,586,695	355,977	121,472	267,980	3,916,939
Transfer within the assets	-	114,952	42,942	22,494	(180,388)	-
Additions	-	-	26	-	173,744	173,770
Disposals and write-offs	(59,861)	(179,471)	(6,264)	(3,355)	(2,424)	(251,375)
Depreciation	-	(234,478)	(76,167)	(32,674)	-	(343,319)
<b>Carrying amount at year end</b>	<b>524,954</b>	<b>2,287,698</b>	<b>316,514</b>	<b>107,937</b>	<b>258,912</b>	<b>3,496,015</b>
<b>As at 31 December 2022</b>						
Cost	524,954	5,506,765	965,897	403,344	258,912	7,659,872
Accumulated depreciation and impairment	-	(3,219,067)	(649,383)	(295,407)	-	(4,163,857)
<b>Carrying amount</b>	<b>524,954</b>	<b>2,287,698</b>	<b>316,514</b>	<b>107,937</b>	<b>258,912</b>	<b>3,496,015</b>

As at 31 December 2022, the carrying amount of land and buildings of the Company pledged as collateral for borrowings amounted to HRK 1,400,780 thousand (2021: HRK 1,861,945 thousand).

## NOTE 14 – PROPERTY, PLANT AND EQUIPMENT / CONTINUED

Assets under construction of the Group in the amount of HRK 296,345 thousand mainly refer to the investment in hotels and apartments of HRK 269,393 thousand, investment in camping of HRK 21,688 thousand and the reconstruction, extension and adaptation of other buildings of HRK 5,264 thousand.

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

<i>(in thousands of HRK)</i>	<b>2021</b>	<b>2022</b>
Cost	124,741	153,880
Accumulated depreciation as at 1 January	(90,331)	(111,807)
Depreciation charge for the year	(3,597)	(4,513)
<b>Carrying amount</b>	<b>30,813</b>	<b>37,560</b>

The operating lease mostly relates to the lease of hospitality and shops to third parties, and other relates to service activities, sport and recreation and similar. During 2022, the Group realised rental income of HRK 48,668 thousand (2021: HRK 36,349 thousand), where fixed amount is HRK 45,368 thousand (2021: HRK 30,816 thousand), while variable is HRK 3,299 thousand (2021: 5,532 thousand). All lease agreements are renewable, usually for period of 1 to 3 years and there is no purchase option. In the contracts, the Group obliges the lessees to submit the subject of the operating lease in the condition in which it was received.

Undiscounted future payments on 31 December 2022:

<i>(in thousands of HRK)</i>	<b>Up to 1 year</b>	<b>More than 1, but less than 5 years</b>	<b>More than 5 years</b>
Company	11,175	10,554	1,437
Group	18,122	13,655	1,704

## NOTE 15 – INVESTMENT PROPERTY

*(in thousands of HRK)*

	<b>GROUP</b>	<b>COMPANY</b>
<b>As at 31 December 2021</b>		
Cost	7,990	7,990
Accumulated depreciation	(4,810)	(4,810)
<b>Carrying amount</b>	<b>3,180</b>	<b>3,180</b>
<b>Year ended 31 December 2022</b>		
Opening carrying amount	3,180	3,180
Depreciation	(278)	(278)
<b>Carrying amount at year end</b>	<b>2,902</b>	<b>2,902</b>
<b>As at 31 December 2022</b>		
Cost	7,990	7,990
Accumulated depreciation	(5,088)	(5,088)
<b>Carrying amount</b>	<b>2,902</b>	<b>2,902</b>

As at 31 December 2022, Company and Group do not have properties pledged as collateral for loans (2021: HRK 0).



## NOTE 16 – INTANGIBLE ASSETS

### GROUP

<i>(in thousands of HRK)</i>	<b>Goodwill /i/</b>	<b>Software</b>	<b>Total</b>
<b>As at 1 January 2021</b>			
Cost	6,568	117,361	123,929
Accumulated amortisation	-	(77,528)	(77,528)
<b>Carrying amount</b>	<b>6,568</b>	<b>39,833</b>	<b>46,400</b>
<b>Year ended 31 December 2021</b>			
Opening carrying amount	6,568	39,833	46,400
Additions	-	13,431	13,431
Amortisation	-	(20,280)	(20,280)
Disposals and write-offs	-	(464)	(464)
<b>Carrying amount at year end</b>	<b>6,568</b>	<b>32,520</b>	<b>39,087</b>
<b>As at 31 December 2021</b>			
Cost	6,568	129,567	136,134
Accumulated amortization	-	(97,047)	(97,047)
<b>Carrying amount</b>	<b>6,568</b>	<b>32,520</b>	<b>39,087</b>
<b>Year ended 31 December 2022</b>			
Opening carrying amount	6,568	32,520	39,087
Additions	-	22,954	22,954
Amortisation	-	(21,431)	(21,431)
<b>Carrying amount at year end</b>	<b>6,568</b>	<b>34,043</b>	<b>40,611</b>
<b>As at 31 December 2022</b>			
Cost	6,568	151,670	158,238
Accumulated amortisation	-	(117,627)	(117,627)
<b>Carrying amount</b>	<b>6,568</b>	<b>34,043</b>	<b>40,611</b>

**NOTE 16 – INTANGIBLE ASSETS / CONTINUED**

<b>COMPANY</b>			
<i>(in thousands of HRK)</i>	<b>Goodwill /i/</b>	<b>Software</b>	<b>Total</b>
<b>As at 1 January 2021</b>			
Cost	6,568	116,534	123,102
Accumulated amortisation	-	(80,828)	(80,828)
<b>Carrying amount</b>	<b>6,568</b>	<b>35,707</b>	<b>42,275</b>
<b>Year ended 31 December 2021</b>			
Opening carrying amount	6,568	35,707	42,275
Additions	-	11,122	11,122
Amortisation	-	(18,757)	(18,757)
<b>Carrying amount at year end</b>	<b>6,568</b>	<b>28,072</b>	<b>34,640</b>
<b>As at 31 December 2021</b>			
Cost	6,568	127,443	134,011
Accumulated amortisation	-	(99,371)	(99,371)
<b>Carrying amount</b>	<b>6,568</b>	<b>28,072</b>	<b>34,640</b>
<b>Year ended 31 December 2022</b>			
Opening carrying amount	6,568	28,072	34,640
Additions	-	21,873	21,873
Disposals and write-offs	-	(100)	(100)
Amortisation	-	(19,752)	(19,752)
<b>Carrying amount at year end</b>	<b>6,568</b>	<b>30,093</b>	<b>36,661</b>
<b>As at 31 December 2022</b>			
Cost	6,568	146,549	153,117
Accumulated amortisation	-	(116,456)	(116,456)
<b>Carrying amount</b>	<b>6,568</b>	<b>30,093</b>	<b>36,661</b>

/i/ Impairment tests for goodwill

Goodwill is allocated to the cash-generating unit (CGUs) Camping Brioni, Pula. The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations. More details on significant assumptions used in determining recoverable amount are presented in Note 4 – *Critical accounting estimates - (a) Impairment of non-financial assets.*

## NOTE 17 – INVESTMENT IN SUBSIDIARIES

### COMPANY

<i>(in thousands of HRK)</i>	2021	2022
<b>At beginning of the year</b>	<b>727,328</b>	<b>941,804</b>
Acquisition of subsidiaries /i/	352,845	-
Merger of subsidiary /i/	(115,448)	-
Loss of the control over subsidiary Valamar A GmbH /i/	(20,414)	-
Loss of the control over subsidiary Valamar Obertauern GmbH /i/	(2,507)	-
<b>At year end</b>	<b>941,804</b>	<b>941,804</b>

<i>(in thousands of HRK)</i>	2021	2022
Magične stijene d.o.o., Dubrovnik	5,577	5,577
Bugenvilia d.o.o., Dubrovnik	38,542	38,542
Imperial Riviera d.d., Rab /i/	897,685	897,685
	<b>941,804</b>	<b>941,804</b>

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

The subsidiaries Bugenvilia d.o.o. and Palme turizam d.o.o. (subsidiary till the merger to Company on 7 May 2021) generate revenue from rent of property to the Company, while Magične stijene d.o.o. and Valamar A GmbH (subsidiary till 29 November 2021) do not have business activity. Subsidiary Imperial Riviera d.d. generate revenues from performing their registered activities, primarily from hospitality activities (services of accommodation, food and drinks in hotels, tourist resorts and campings). Valamar Obertauern GmbH (subsidiary till 29 November 2021) performs seasonal hospitality activity in its only hotel (during winter period).

## NOTE 18A – INTEREST IN ASSOCIATE HELIOS FAROS D.D.

The Company holds 7,319,153 shares (20%) of shares, i.e. voting rights of the company Helios Faros d.d., acquired in the period from 2019 to 2022 by participating in the investment and recapitalization of the company Helios Faros d.d., in bankruptcy, from 6 May 2019 in partnership with PBZ Croatia osiguranje, a limited company for the management of mandatory pension funds from Zagreb, and by participating in the share capital increase according to the decisions of the General Assembly of Helios Faros d.d. from 26 November 2019 and from 14 April 2022. In 2021, the Company paid the remaining HRK 5,243,647.50 from the total takeover

amount of HRK 24,391,530.00 according to the decision on the share capital increase of November 26, 2019, and in 2022, according to the decision of April 14, 2022, the Company paid HRK 26,000,000.00. In accordance with IAS 28, the Company has a significant impact since it holds 20% of the voting rights and participates in policy-making, including participation in dividend decisions or other distributions. The data shown below is taken from the unaudited financial statements of the company Helios Faros d.d. on 31 December 2022.

### GROUP

*(in thousands of HRK)*

	2021	2022
At beginning of period at acquisition cost	46,024	46,572
Share increase through capital increase	-	26,000
Share in net profit/(loss) at 31 December	548	(1,914)
<b>At end of year on equity basis</b>	<b>46,572</b>	<b>70,658</b>
<b>Adjustment of share and share in net asset on 31 December</b>		
Net asset at the beginning of the period	222,671	225,411
Capital increase	-	130,000
Profit/(loss) before tax	2,740	(9,571)
<b>Net asset at the end of the period</b>	<b>225,411</b>	<b>345,840</b>
Share in net asset at the end of the period (20%)	45,082	69,168
Adjustment for goodwill (20%)	1,490	1,490
<b>At the end of the period</b>	<b>46,572</b>	<b>70,658</b>

## NOTE 18A – INTEREST IN ASSOCIATE HELIOS FAROS D.D. / CONTINUED

### HELIOS FAROS d.d. 100%

(in thousands of HRK)

	31 December 2021	31 December 2022
<b>Assets:</b>		
Non-current assets	201,925	342,056
Current assets	36,902	20,014
	<b>238,827</b>	<b>362,070</b>
<b>Liabilities:</b>		
Long-term liabilities	1,020	1,354
Short-term liabilities	12,396	14,876
	<b>13,416</b>	<b>16,230</b>
<b>Net assets</b>	<b>225,411</b>	<b>345,840</b>
Income	44,004	52,588
Expenses	41,264	61,782
<b>Profit/(loss) before tax</b>	<b>2,740</b>	<b>(9,194)</b>
Income tax	-	(376)
<b>Profit/(loss) after tax</b>	<b>2,740</b>	<b>(9,570)</b>
<b>Share in profit/(loss) by equity method (20%)</b>	<b>548</b>	<b>(1,914)</b>



## NOTE 18B – INTEREST IN ASSOCIATE VALAMAR A GMBH AND VALAMAR OBERTAUERN GMBH

### Valamar Obertauern GmbH /i/

<i>(in thousands of HRK)</i>	<b>31 December 2021</b>	<b>31 December 2022</b>
Share at beginning of period	3,007	2,980
Share in net profit/(loss) /ii/	(27)	(37)
<b>Total share at the end of the period</b>	<b>2,980</b>	<b>2,943</b>
Net asset at the end of the period	29,805	29,439
Share in net asset (direct ownership 10%)	2,980	2,943
Share in net asset (indirect ownership 24.54% from 90%)	6,582	6,502
<b>Total share in net asset</b>	<b>9,562</b>	<b>9,445</b>

### Valamar A GmbH /i/

<i>(in thousands of HRK)</i>	<b>31 December 2021</b>	<b>31 December 2022</b>
Share at beginning of period	27,068	26,950
Capital increase in VA	-	11,073
Share in net profit/(loss) /ii/	(118)	(1,810)
<b>Total share at the end of the period</b>	<b>26,950</b>	<b>36,213</b>
Net asset at the end of the period	82,998	121,071
<b>Share in net asset (24.54%)</b>	<b>20,368</b>	<b>29,711</b>

### Valamar Obertauern i Valamar A /i/

<i>(in thousands of HRK)</i>	<b>31 December 2021</b>	<b>31 December 2022</b>
Share in Valamar A at the end of the period	26,950	36,213
Share in Valamar Obertauern at the end of the period	2,980	2,943
<b>Total share at the end of the period</b>	<b>29,930</b>	<b>39,156</b>
Share in net asset Valamar A 24.54%	20,368	29,711
Share in net asset Valamar Obertauern (indirect and direct) /i/	9,562	9,445
<b>Total share in net asset</b>	<b>29,930</b>	<b>39,156</b>

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

/ii/ The share in the result consists of the share in the result of Valamar Obertauern GmbH (reduced by 10% for minority interest) and in the result of Valamar A GmbH. The data for 2021 refer to the period from 1 - 31 December 2021. Associated Austrian companies are not subject to audit. The business year of mentioned companies lasts from 1.11. – 31.10., but for the purposes of financial reporting, it was adjusted to the duration of the Group's business year.

**NOTE 18B – INTEREST IN ASSOCIATE VALAMAR A GMBH AND VALAMAR OBERTAUERN GMBH / CONTINUED**

	Valamar Obertauern GmbH	Valamar A GmbH	Valamar Obertauern GmbH	Valamar A GmbH
<i>(in thousands of HRK)</i>	31 December 2021	31 December 2021	31 December 2022	31 December 2022
<b>Assets:</b>				
Non-current assets	77,374	146,014	87,695	300,452
Current assets	9,171	5,318	11,400	19,343
	<b>86,546</b>	<b>151,332</b>	<b>99,095</b>	<b>319,795</b>
<b>Liabilities:</b>				
Long-term liabilities	48,516	63,889	58,755	181,792
Short-term liabilities	8,225	4,445	10,900	16,932
	<b>56,741</b>	<b>68,334</b>	<b>69,655</b>	<b>198,724</b>
<b>Net assets</b>	<b>29,805</b>	<b>82,998</b>	<b>29,439</b>	<b>121,071</b>
Income from	2,212	-	23,107	15,248
Expenses from	(2,565)	(235)	(23,707)	(22,086)
<b>Profit/(loss) before tax</b>	<b>(353)</b>	<b>(235)</b>	<b>(600)</b>	<b>(6,838)</b>
Income tax	83	-	235	(208)
<b>Profit/(loss) after tax</b>	<b>(270)</b>	<b>(235)</b>	<b>(365)</b>	<b>(7,046)</b>
Minority interest 10%	(27)	-	(37)	-
<b>Profit/(loss) after tax which belongs to Valamar A</b>	<b>(243)</b>	<b>(235)</b>	<b>(329)</b>	<b>(7,046)</b>
<b>Share in profit/(loss) in Valamar A by equity method (24.54%) /i/</b>	<b>(60)</b>	<b>(58)</b>	<b>(81)</b>	<b>(1,729)</b>

/i/ The share in the result consists of the share in the result of Valamar Obertauern GmbH (reduced by 10% for minority interest) and the result of Valamar A GmbH. The data for 2021 refer to the period from 1 - 31 December 2021. Associated Austrian companies are not subject to audit. The business year of mentioned companies lasts from 1.11. – 31.10., but for the purposes of financial reporting, it was adjusted to the duration of the Group's business year.

## NOTE 19A – FINANCIAL INSTRUMENTS BY CATEGORY

<b>GROUP</b>				
<i>(in thousands of HRK)</i>	<b>Cash, loans and receivables</b>	<b>Financial assets</b>	<b>Financial assets through comprehensive income</b>	<b>Total</b>
<b>31 December 2021</b>				
<i>Assets at the reporting date</i>				
<b>Financial assets not measured at fair value</b>				
Trade receivables	29,205	-	-	29,205
Loans and deposits	43,180	-	-	43,180
Cash and cash equivalents	1,115,258	-	-	1,115,258
<b>Financial assets measured at fair value</b>				
Financial assets	-	391	-	391
<b>Total</b>	<b>1,187,643</b>	<b>391</b>	<b>-</b>	<b>1,188,034</b>
<i>(in thousands of HRK)</i>	<b>Cash, loans and receivables</b>	<b>Financial assets</b>	<b>Financial assets through comprehensive income</b>	<b>Total</b>
<b>31 December 2022</b>				
<i>Assets at the reporting date</i>				
<b>Financial assets not measured at fair value</b>				
Trade receivables	29,666	-	-	29,666
Loans and deposits	134,152	-	-	134,152
Cash and cash equivalents	672,828	-	-	672,828
<b>Financial assets measured at fair value</b>				
Financial assets	-	364	-	364
Derivative financial instruments	-	-	34,633	34,633
<b>Total</b>	<b>836,646</b>	<b>364</b>	<b>34,633</b>	<b>871,643</b>

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

**NOTE 19A – FINANCIAL INSTRUMENTS BY CATEGORY / CONTINUED**

**COMPANY**

<i>(in thousands of HRK)</i>	<b>Cash, loans and receivables</b>	<b>Financial assets</b>	<b>Financial assets through comprehensive income</b>	<b>Total</b>
<b>31 December 2021</b>				
<i>Assets at the reporting date</i>				
<b>Financial assets not measured at fair value</b>				
Trade receivables	46,098	-	-	46,098
Loans and deposits	5,622	-	-	5,622
Cash and cash equivalents	582,141	-	-	582,141
<b>Financial assets measured at fair value</b>				
Financial assets	-	359	-	359
<b>Total</b>	<b>633,861</b>	<b>359</b>	<b>-</b>	<b>634,220</b>

<i>(in thousands of HRK)</i>	<b>Cash, loans and receivables</b>	<b>Financial assets</b>	<b>Financial assets through comprehensive income</b>	<b>Total</b>
<b>31 December 2022</b>				
<i>Assets at the reporting date</i>				
<b>Financial assets not measured at fair value</b>				
Trade receivables	38,501	-	-	38,501
Loans and deposits	7,571	-	-	7,571
Cash and cash equivalents	446,559	-	-	446,559
<b>Financial assets measured at fair value</b>				
Financial assets	-	332	-	332
Derivative financial instruments	-	-	18,585	18,585
<b>Total</b>	<b>492,631</b>	<b>332</b>	<b>18,585</b>	<b>511,548</b>

## NOTE 19A – FINANCIAL INSTRUMENTS BY CATEGORY / CONTINUED

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
<b>Liabilities at reporting date</b>				
<i>Financial liabilities – at amortised cost:</i>				
Trade and other payables	156,644	141,921	138,066	118,827
Borrowings	3,112,631	2,604,412	2,827,504	1,774,640
	<b>3,269,275</b>	<b>2,746,333</b>	<b>2,965,570</b>	<b>1,893,467</b>
<i>Financial liabilities at fair value through profit or loss:</i>				
Derivative financial instruments	7,749	-	7,749	-
	<b>3,277,024</b>	<b>2,746,333</b>	<b>2,973,319</b>	<b>1,893,467</b>

## NOTE 20 – FINANCIAL ASSETS

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
Listed equity securities /i/	221	194	219	192
Other	170	170	140	140
	<b>391</b>	<b>364</b>	<b>359</b>	<b>332</b>

/i/ Investments in securities represent less than 3% ownership interests and are presented at fair value.

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
<b>At beginning of year</b>	<b>317</b>	<b>391</b>	<b>261</b>	<b>359</b>
Change in fair value recognised in other comprehensive income	98	(27)	98	(27)
Loss of the control over subsidiaries	(24)	-	-	-
<b>At end of year</b>	<b>391</b>	<b>364</b>	<b>359</b>	<b>332</b>



## NOTE 21 – LOANS AND DEPOSITS

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
<b>Loans and Deposits /i/</b>	<b>43,180</b>	<b>134,151</b>	<b>5,622</b>	<b>7,571</b>
Less: non-current part	(5,178)	(7,315)	(5,178)	(7,315)
Current portion	38,002	126,836	444	256

/i/ The most significant item of loans and deposits of the Group in the amount of HRK 126,580 thousand relates to time deposits.

The fair value of the Company's long-term deposits is calculated based on the discounted cash flow by applying the interest rate on the bonds of the Republic of Croatia in the range of 3.58% - 3.79% depending on the maturity of the deposit. The carrying amounts of loans and deposits approximate their fair value.

## NOTE 22 – INVENTORIES

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
Raw materials and supplies	18,890	30,932	16,911	24,740
Trade goods, small inventory and packaging material	7,420	10,495	6,707	7,599
	<b>26,310</b>	<b>41,427</b>	<b>23,618</b>	<b>32,339</b>

## NOTE 23 – TRADE AND OTHER RECEIVABLES

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
Domestic receivables	23,178	18,722	21,558	15,086
Foreign receivables	1,338	3,001	979	888
Related parties receivables	7,294	8,024	27,006	23,770
Provision for impairment of trade receivables	(6,520)	(4,329)	(5,870)	(3,664)
Trade receivables – net	25,289	25,418	43,673	36,080
Accrued income	3,889	4,221	2,398	2,394
Interest receivables	27	27	27	27
<b>Total trade receivables</b>	<b>29,205</b>	<b>29,666</b>	<b>46,098</b>	<b>38,501</b>
Prepaid expenses and accrued income <i>/i/</i>	19,837	13,094	18,818	13,913
VAT receivable	8,002	6,625	2,235	1,444
Advances to suppliers	668	1,302	457	91
Receivables from employees	739	355	626	294
Receivables from state institutions	1,113	937	834	592
Other receivables	2,591	1,308	2,422	1,061
<b>Total other receivables</b>	<b>32,950</b>	<b>23,621</b>	<b>25,392</b>	<b>17,395</b>
<b>Total trade and other receivables</b>	<b>62,155</b>	<b>53,287</b>	<b>71,490</b>	<b>55,896</b>

*/i/* In 2022, the Company calculated loan fees in the amount of HRK 6.4 million (2021: HRK 10.5 million) and the Group in the amount of HRK 8.1 million (2021: HRK 11.2 million).

## NOTE 23 – TRADE AND OTHER RECEIVABLES / CONTINUED

Movement of provisions for impairment of trade and other receivables:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
<b>At 1 January</b>	<b>6,415</b>	<b>6,520</b>	<b>4,946</b>	<b>5,870</b>
Increase of impairment	3,022	331	2,997	285
Collected receivables	(392)	(2,358)	(380)	(2,327)
Receivables written-off	(2,525)	(164)	(1,693)	(164)
<b>At 31 December</b>	<b>6,520</b>	<b>4,329</b>	<b>5,870</b>	<b>3,664</b>

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
<b>Trade receivables:</b>				
Neither past due nor impaired	18,091	20,624	36,972	32,307
Past due, but not impaired	7,198	4,794	6,701	3,773
	<b>25,289</b>	<b>25,418</b>	<b>43,673</b>	<b>36,080</b>

As at 31 December 2022, the maturities of the trade receivables, which are past due, but not impaired are as follows:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
Up to one month	965	1,430	802	2,531
One to two months	281	1,611	155	768
Two to three months	303	811	132	263
Over three months up to 1 year	5,649	942	5,613	211
	<b>7,198</b>	<b>4,794</b>	<b>6,701</b>	<b>3,773</b>

## NOTE 23 – TRADE AND OTHER RECEIVABLES / CONTINUED

The carrying amounts of trade and other receivables are denominated in the following currencies:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
EUR	817	4,182	536	2,043
HRK	24,472	21,236	43,137	34,037
	<b>25,289</b>	<b>25,418</b>	<b>43,673</b>	<b>36,080</b>

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

## NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS

GROUP	2021		2022	
	Receivables	Liabilities	Receivables	Liabilities
<i>(in thousands of HRK)</i>				
Fair value of interest rate swap	-	7,749	34,633	-
<b>Total</b>	-	<b>7,749</b>	<b>34,633</b>	-
Less the non-current portion:	-	(4,362)	(26,742)	-
Fair value of interest rate swap	-	3,387	7,891	-
<b>Current portion</b>	-	<b>3,387</b>	<b>7,891</b>	-

COMPANY	2021		2022	
	Receivables	Liabilities	Receivables	Liabilities
<i>(in thousands of HRK)</i>				
Fair value of interest rate swap	-	7,749	18,585	-
<b>Total</b>	-	<b>7,749</b>	<b>18,585</b>	-
Less the non-current portion:	-	(4,362)	(11,504)	-
Fair value of interest rate swap	-	3,387	7,081	-
<b>Current portion</b>	-	<b>3,387</b>	<b>7,081</b>	-

### *Interest rate swaps and foreign currency forwards*

As at 31 December 2022, the contracted value of outstanding interest rate swaps for the Company amounts to HRK 333,517 thousand (2021: HRK 444,485 thousand), and for the Group amounts to HRK 726,985 thousand (2021: HRK 444,485 thousand).

As at 31 December 2022, there is no contracted value of forwards (2021: HRK 0 thousand).

As at 31 December 2022, the weighted average base interest rate fixed by the interest rate swap contract for a loan in EUR 0.5% for the Company and 1.10% for the Group, while the base variable interest rate (EURIBOR) is 2.13% for the Company and the Group. Fair value gains and losses on interest rate swaps are recognised directly in the Statement of comprehensive income within the finance costs until the repayment of borrowings with a final maturity as at 29 March 2030.



## NOTE 25 – DEFERRED TAX ASSET / LIABILITY

### DEFERRED TAX ASSET

<b>GROUP</b>								
<i>(in thousands of HRK)</i>	<b>Property, plant and equipment</b>	<b>Financial assets</b>	<b>Trade receivables and inventories</b>	<b>Provisions</b>	<b>Tax losses</b>	<b>Tax incentive for investment</b>	<b>Exceeding borrowing costs</b>	<b>Total</b>
<b>As at 1 January 2021</b>	<b>33,732</b>	<b>3,544</b>	<b>3,265</b>	<b>14,355</b>	<b>101,303</b>	<b>163,090</b>	<b>12,121</b>	<b>331,410</b>
Other changes	(1)	-	-	-	(11)	-	-	(12)
Adjustment of deferred tax assets in profit and loss related to inter-group transaction	15,839	-	-	-	(392)	48,860	-	64,307
Loss of the control over subsidiaries	(407)	-	-	-	(4,688)	-	-	(5,095)
Credited to the income	18	-	-	6,959	149	5,932	-	13,058
Debited to the income	(15,921)	(1,662)	-	(2,826)	(840)	(41,205)	(12,121)	(74,575)
<b>As at 31 December 2021</b>	<b>33,260</b>	<b>1,882</b>	<b>3,265</b>	<b>18,488</b>	<b>95,521</b>	<b>176,677</b>	<b>-</b>	<b>329,093</b>
Reclassification /i/	-	-	-	-	7,655	(7,655)	-	-
Adjustment of deferred tax assets in profit and loss related to inter-group transaction	15,151	-	-	-	6,199	58,996	-	80,345
Credited to the income	37	-	2	3,515	-	4,131	-	7,685
Debited to the income	(17,073)	(1,056)	(14)	(5,014)	(45,358)	(65,357)	-	(133,872)
<b>As at 31 December 2022</b>	<b>31,375</b>	<b>826</b>	<b>3,253</b>	<b>16,989</b>	<b>64,017</b>	<b>166,791</b>	<b>-</b>	<b>283,251</b>
<b>COMPANY</b>								
<i>(in thousands of HRK)</i>	<b>Property, plant and equipment</b>	<b>Financial assets</b>	<b>Trade receivables and inventories</b>	<b>Provisions</b>	<b>Tax losses</b>	<b>Tax incentive for investment</b>	<b>Exceeding borrowing costs</b>	<b>Total</b>
<b>As at 1 January 2021</b>	<b>15,275</b>	<b>4,554</b>	<b>3,264</b>	<b>12,282</b>	<b>81,468</b>	<b>85,506</b>	<b>12,121</b>	<b>214,471</b>
Merger of subsidiary	16,141	-	-	-	-	-	-	16,141
Credited to the income	18	-	-	6,301	-	-	-	6,319
Debited to the income	(15,921)	(1,662)	-	(2,798)	-	(41,205)	(12,121)	(73,707)
<b>As at 31 December 2021</b>	<b>15,513</b>	<b>2,892</b>	<b>3,264</b>	<b>15,785</b>	<b>81,468</b>	<b>44,301</b>	<b>-</b>	<b>163,224</b>
Reclassification /i/	-	-	-	-	(41,205)	41,205	-	-
Credited to the income	37	-	2	3,320	-	4,131	-	7,490
Debited to the income	(15,163)	(1,056)	(14)	(4,463)	(40,263)	(58,996)	-	(119,955)
<b>As at 31 December 2022</b>	<b>387</b>	<b>1,836</b>	<b>3,252</b>	<b>14,642</b>	<b>-</b>	<b>30,641</b>	<b>-</b>	<b>50,759</b>

/i/ Explained detailed in Note 12 - *Income tax*.

## NOTE 25 – DEFERRED TAX ASSET / LIABILITY / CONTINUED

### DEFERRED TAX LIABILITY

#### GROUP

<i>(in thousands of HRK)</i>	<b>Financial assets held for sale</b>	<b>Fair value of land and buildings</b>	<b>Total</b>
<b>As at 1 January 2022</b>	<b>28</b>	<b>51,737</b>	<b>51,765</b>
Debited to the income	-	(4,368)	(4,368)
Debited to the other comprehensive income	(5)	-	(5)
<b>As at 31 December 2022</b>	<b>23</b>	<b>47,369</b>	<b>47,392</b>

#### COMPANY

<i>(in thousands of HRK)</i>	<b>Financial assets held for sale</b>	<b>Fair value of land and buildings</b>	<b>Total</b>
<b>As at 1 January 2022</b>	<b>11</b>	<b>12,444</b>	<b>12,455</b>
Debited to the income	-	(869)	(869)
Debited to the other comprehensive income	(5)	-	(5)
<b>As at 31 December 2022</b>	<b>6</b>	<b>11,575</b>	<b>11,581</b>

## NOTE 26 – CASH AND CASH EQUIVALENTS

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
Giro-accounts and current accounts	490,033	448,742	30,769	285,537
Cash in hand	82	145	-	-
Foreign currency accounts	174,113	73,251	100,340	10,331
Time deposits up to one month	451,030	150,690	451,032	150,690
	<b>1,115,258</b>	<b>672,828</b>	<b>582,141</b>	<b>446,558</b>

The interest rate on cash and cash equivalents is up to 1.5% (2021: up to 0.02%).

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
HRK	511,339	470,896	51,994	307,621
EUR	602,489	199,888	529,374	137,540
CHF	2	367	2	367
Other	1,428	1,676	771	1,030
	<b>1,115,258</b>	<b>672,828</b>	<b>582,141</b>	<b>446,558</b>

## NOTE 27 – SHARE CAPITAL

The authorised and registered share capital of the Company in 2022 amounts to HRK 1,672,021 thousand (2021: HRK 1,672,021 thousand) and comprises 126,027,542 ordinary shares (2021: 126,027,542) with no prescribed nominal value. All the shares are fully paid.

The ownership structure as at 31 December is as follows:

<b>2021</b>	<b>Number of shares</b>	<b>%</b>
Goldscheider Keramik Gesellschaft M.B.H., Vienna	25,017,698	19.85
Wurmbock Beteiligungs GMBH, Vienna	25,017,698	19.85
Satis d.o.o., Zagreb	6,524,904	5.18
Raiffeisenbank Austria d.d./Cumulative custodian account - for SF/Custodian, Zagreb	5,587,788	4.43
OTP Banka d.d./AZ OMF category B/Custodian, Split	2,895,219	2.30
Enitor d.o.o., Zagreb	2,720,950	2.16
CERP, Zagreb	2,210,408	1.75
HPB d.d./Kapitalni fond d.d./Custodian, Zagreb	1,566,042	1.24
OTP Banka d.d./Erste plavi OMF category B/Custodian, Split	1,419,657	1.13
Privredna banka Zagreb d.d./Cumulative custodian client account/Custodian, Zagreb	1,331,424	1.06
Treasury shares	4,139,635	3.28
Other shareholders - free float	47,596,119	37.77
<b>Total</b>	<b>126,027,542</b>	<b>100.00</b>
<b>2022</b>	<b>Number of shares</b>	<b>%</b>
Goldscheider Keramik Gesellschaft M.B.H., Vienna	25,017,698	19.85
Wurmbock Beteiligungs GMBH, Vienna	25,017,698	19.85
Satis d.o.o., Zagreb	6,610,048	5.24
Raiffeisenbank Austria d.d./Cumulative custodian account - for SF/Custodian, Zagreb	5,593,000	4.44
OTP Banka d.d./AZ OMF category B/Custodian, Split	2,895,219	2.30
Enitor d.o.o., Zagreb	2,720,950	2.16
CERP, Zagreb	2,108,421	1.67
Privredna banka Zagreb d.d./Cumulative custodian account/Custodian, Zagreb	1,643,519	1.30
OTP Banka d.d./Erste plavi OMF category B/Custodian, Split	1,519,010	1.21
HPB d.d./Kapitalni fond d.d./Custodian, Zagreb	1,419,657	1.13
Treasury shares	4,139,635	3.28
Other shareholders - free float	47,342,687	37.57
<b>Total</b>	<b>126,027,542</b>	<b>100.00</b>

## NOTE 27 – SHARE CAPITAL / CONTINUED

In 2022, there were no changes in share/equity capital of the Company.

As previously reported, based on the decision adopted by the Company's General Assembly held on 24 July 2013, the registered capital was increased by a conversion of the reinvested profit of the year 2012 by HRK 52,200 thousand. The distribution of the reinvested profit of HRK 52,200 thousand in future periods may result in tax obligations given it is based on a tax incentive.

The Company did not acquire and release treasury shares during 2022.

As at 31 December 2022, the Company owned 4,139,635 of their treasury shares (2021: 4,139,635), which represents 3.28% (2021: 3.28%) of the Company's registered capital.

## NOTE 28 – RESERVES AND RETAINED EARNINGS

### a) Capital reserves

As at 31 December 2022, the capital reserves of the Group amounted to HRK 5,224 thousand (2021: HRK 5,224 thousand). As at 31 December 2022, the capital reserves of the Company amounted to HRK 5,711 thousand (2021: HRK 5,711 thousand).



## NOTE 28 – RESERVES AND RETAINED EARNINGS / CONTINUED

### b) Reserves and retained earnings

#### GROUP

(in thousands of HRK)

	2021	2022
Legal reserves	83,601	83,601
Fair value reserves	81	59
Other reserves	163,749	202,283
Retained earnings	467,737	471,895
	<b>715,167</b>	<b>757,838</b>
<b>Changes in reserves:</b>		
<b>Legal reserves</b>		
At beginning of the year	83,601	83,601
<b>At year end</b>	<b>83,601</b>	<b>83,601</b>
<b>Fair value reserves</b>		
At beginning of the year	1	81
Change in fair value financial assets	80	(22)
<b>At year end</b>	<b>81</b>	<b>59</b>
<b>Other reserves</b>		
At beginning of the year	161,993	163,749
Return of uncollected dividend from other reserves	1,756	-
Reserves for payments with equity instruments /i/	-	38,534
<b>At year end</b>	<b>163,749</b>	<b>202,283</b>
<b>Retained earnings</b>		
At beginning of the year	363,625	467,737
Result for the year	104,375	147,683
Return of uncollected dividend from retained earnings	-	2,739
Dividends	-	(146,264)
Exchange rate differences from foreign business	(263)	-
<b>At year end</b>	<b>467,737</b>	<b>471,895</b>

/i/ Explained detailed in Note 2.22 - *Employee benefits - (e) Employee benefits in the form of shares.*

## NOTE 28 – RESERVES AND RETAINED EARNINGS / CONTINUED

### b) Reserves and retained earnings / CONTINUED

COMPANY	2021	2022
<i>(in thousands of HRK)</i>		
Legal reserves	83,601	83,601
Fair value reserve	81	59
Other reserves	105,846	213,869
Retained earnings	876,438	1,224,109
	<b>1,065,966</b>	<b>1,521,638</b>
<b>Changes in reserves:</b>		
<b>Legal reserves</b>		
At beginning of the year	83,601	83,601
<b>At year end</b>	<b>83,601</b>	<b>83,601</b>
<b>Fair value reserves</b>		
At beginning of the year	1	81
Change in fair value financial assets	80	(22)
<b>At year end</b>	<b>81</b>	<b>59</b>
<b>Other reserves</b>		
At beginning of the year	176,476	105,846
Transfer to other reserves /i/	-	69,489
Return of uncollected dividend from other reserves	1,756	-
Merger of subsidiary	(72,386)	-
Reserves for payments with equity instruments /ii/	-	38,534
<b>At year end</b>	<b>105,846</b>	<b>213,869</b>
<b>Retained earnings</b>		
At beginning of the year	571,832	876,438
Result for the year	304,606	560,685
Transfer to other reserves /i/	-	(69,489)
Return of uncollected dividend from retained earnings	-	2,739
Dividends	-	(146,264)
<b>At year end</b>	<b>876,438</b>	<b>1,224,109</b>

/i/ Loss coverage from merger of subsidiary.

/ii/ Explained detailed in Note 2.22 - *Employee benefits - (e) Employee benefits in the form of shares.*

## NOTE 28 – RESERVES AND RETAINED EARNINGS / CONTINUED

### *Legal reserves*

The legal reserve is required under Croatian law and shall be built up at a minimum of 5% of the profit for the year until the total legal reserve together with capital reserves reach 5% of the Company's share capital. As at 31 December 2022, the legal reserves of the Group and the Company amounted to HRK 83,601 thousand or 5% of the share capital (2021: HRK 83,601 thousand or 5% of the share capital). This reserve is not distributable.

### *Other reserves*

As at December 31, 2022, the Group's other reserves amounted to HRK 202,283 thousand, which comprise reserves for treasury shares in the amount of HRK 136,815 thousand, other reserves in the amount of HRK 38,534 thousand as a result of the recognition of the salary costs for payments based on shares in principal instruments, and the remaining amount consists of the effects of consolidation.

As at 31 December 2022, the Company's other reserves amounted to HRK 213,869 thousand, which comprise the reserves for treasury shares in the amount of HRK 136,815 thousand, other reserves in the amount of HRK 35,534 thousand as a result of the recognition of the salary costs for payments based on shares in principal instruments, and other reserves in the amount of HRK 38,519 thousand from mergers of subsidiaries.

The Company, according to the decision of the General Assembly, acquires its own shares for which it creates reserves in accordance with the regulations. Reserves for shares owned as at December 31, 2022 amount to HRK 136,815 thousand.

According to the decision of the General Assembly of September 21, 2022, the Company paid a dividend in the amount of HRK 1.20 per share, in the total amount of HRK 146,264 thousand.

### *Fair value reserves*

As at 31 December 2022, the fair value reserves of the Company and the Group amounted to HRK 59 thousand. These reserves are not distributable and relate to the fair value of financial assets.

## NOTE 29 – BORROWINGS

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
<b>Current</b>				
Bank borrowings	565,524	520,907	523,631	385,187
	<b>565,524</b>	<b>520,907</b>	<b>523,631</b>	<b>385,187</b>
<b>Non-current</b>				
Bank borrowings	2,547,107	2,083,505	2,303,873	1,389,452
	<b>2,547,107</b>	<b>2,083,505</b>	<b>2,303,873</b>	<b>1,389,452</b>
<b>Total borrowings</b>	<b>3,112,631</b>	<b>2,604,412</b>	<b>2,827,504</b>	<b>1,774,639</b>

Non-current bank borrowings are secured with a pledge over Group's property facilities and movable property with a net book value of HRK 2,159,928 thousand (2021: HRK 2,319,645 thousand) (Note 14 - *Property, plant and equipment*). Current bank borrowings are secured with promissory notes in the amount of HRK 325,621 thousand (2021: HRK 217,998).

Non-current bank borrowings are secured with a pledge over Company's property facilities and movable property with a net book value of HRK 1,400,780 thousand (2021: HRK 1,861,945 thousand) (Note 14 - *Property, plant and equipment*). Current bank borrowings are secured with promissory notes in the amount of HRK 325,621 thousand (2021: HRK 217,998).

As at 31 December 2022, the Company had unused lines of credit contracted with financial institutions for 2022 in the total amount of HRK 318,501 thousand, and the Group in the total amount of HRK 506,863 thousand.

## NOTE 29 – BORROWINGS / CONTINUED

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

GROUP	2021		2022	
	<i>(in thousands of HRK)</i>	%	<i>(in thousands of HRK)</i>	%
<b>Borrowings:</b>				
EUR	2,994,019	0.93% - 3%	2,503,940	0.71% - 7.13%
HRK	118,612	0% - 2.95%	100,472	0% - 2.95%
	<b>3,112,631</b>		<b>2,604,412</b>	

COMPANY	2021		2022	
	<i>(in thousands of HRK)</i>	%	<i>(in thousands of HRK)</i>	%
<b>Borrowings:</b>				
EUR	2,817,273	0.93% - 3%	1,765,485	1% - 7.13%
HRK	10,231	2.0%	9,154	2.0%
	<b>2,827,504</b>		<b>1,774,639</b>	

The highest interest rate for loans of the Company/Group is 3.93%, while the interest rate of 7.13% is based on only one loan with the remaining principal less than 0.1% of the total indebtedness of the Company/Group.



## NOTE 29 – BORROWINGS / CONTINUED

Maturities of non-current borrowings are as follows:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
1-3 years	862,999	734,190	778,346	512,346
3-6 years	830,510	736,042	754,378	419,898
Over 6 years	853,598	613,273	771,149	457,208
	<b>2,547,107</b>	<b>2,083,505</b>	<b>2,303,873</b>	<b>1,389,452</b>

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

<i>(in thousands of HRK)</i>	Carrying amounts		Fair value	
	2021	2022	2021	2022
Group	2,547,107	2,083,505	2,501,401	1,845,932
Company	2,303,873	1,389,452	2,264,500	1,225,644

The fair value is based on discounted cash flows discounted using a rate based on the weighted average interest rate on Group's borrowings of 2.39% (2021: 1.97%). The carrying amounts of current portion of non-current borrowings approximate their fair value due to short term maturity.

## NOTE 30 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

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

<b>GROUP</b>				
<i>(in thousands of HRK)</i>	<b>Property</b>	<b>Land</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>As at January 2021</b>	<b>749</b>	<b>8,241</b>	<b>2,674</b>	<b>11,664</b>
Additions	6,168	3,174	-	9,342
Depreciation	(679)	(2,393)	(943)	(4,015)
Modifications and other (premature termination)	(254)	(41)	(56)	(351)
<b>As at 31 December 2021</b>	<b>5,984</b>	<b>8,981</b>	<b>1,675</b>	<b>16,640</b>
Additions	11,496	3,074	688	15,258
Depreciation	(1,736)	(2,560)	(928)	(5,224)
<b>As at 31 December 2022</b>	<b>15,744</b>	<b>9,495</b>	<b>1,435</b>	<b>26,674</b>

<b>COMPANY</b>				
<i>(in thousands of HRK)</i>	<b>Property</b>	<b>Land</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>As at January 2021</b>	<b>1,703</b>	<b>8,198</b>	<b>2,545</b>	<b>12,446</b>
Additions	6,321	3,274	-	9,595
Depreciation	(1,040)	(2,381)	(908)	(4,329)
Modifications and other (premature termination)	(255)	(535)	(56)	(846)
<b>As at 31 December 2021</b>	<b>6,729</b>	<b>8,556</b>	<b>1,581</b>	<b>16,866</b>
Additions	11,988	3,125	688	15,800
Depreciation	(2,199)	(2,972)	(893)	(6,064)
<b>As at 31 December 2022</b>	<b>16,518</b>	<b>8,709</b>	<b>1,376</b>	<b>26,602</b>

## NOTE 30 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES / CONTINUED

Lease liabilities and the movements during the period:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
<b>As at January</b>	<b>9,169</b>	<b>13,953</b>	<b>9,973</b>	<b>14,181</b>
Additions	8,643	12,895	8,875	13,439
Accretion of interest	346	552	364	584
Payments	(3,857)	(4,619)	(4,196)	(5,401)
Modifications and other (premature termination)	(348)	-	(835)	-
<b>As at 31 December</b>	<b>13,953</b>	<b>22,781</b>	<b>14,181</b>	<b>22,803</b>
Current assets	2,680	4,305	2,969	5,058
Non-current assets	11,273	18,476	11,212	17,745

Leases in profit and loss:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
Depreciation expense of right-of use assets	4,015	5,224	4,328	6,064
Interest expense on lease liabilities	346	555	364	584
Expense relating to short-term leases	173	130	173	130
Variable lease payments	1,814	2,078	1,814	2,078
<b>Total</b>	<b>6,348</b>	<b>7,987</b>	<b>6,679</b>	<b>8,856</b>

Depreciation expense of right-of-use assets are included in Depreciation and amortization within the *Statement of comprehensive income*, while the Interest expense on lease liabilities is included in Note 11 - *Interest expense*. Expense relating to short-term leases are included in Note 7 - *Cost of materials and services* - item *Rent*. Variable lease payments are included in Note 7 - *Cost of materials and services* - item *Rent* and Note 9 - *Other operating expenses* - item *Municipal charges, concessions and other*.

### NOTE 30 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES / CONTINUED

In 2022 total cash outflows for amounted to HRK 7,609 thousand (2021: HRK 6,059 thousand) for the Company and HRK 6,827 thousand (2021: HRK 5,709 thousand) for the Group (including cash outflows for short-term leases and variable lease payments).

Undiscounted future cash outflows for the leases on 31 December 2022 to which the Company and the Group are potentially exposed that are not reflected in the measurement of lease liabilities (not included in calculation of the assets and liabilities present value):

<i>(in thousands of HRK)</i>	<b>GROUP</b>	<b>COMPANY</b>
Extension – not certain	4,981	4,515
Leases not yet commenced to which the lessee is committed	2,118	2,118

## NOTE 31 – TRADE AND OTHER PAYABLES

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
Trade payables	67,447	79,532	51,095	58,466
Trade payables – related parties	63	97	131	318
Interest payable	29,168	2,326	29,002	2,205
Concession fees payable	59,966	59,966	57,837	57,837
	156,644	141,921	138,066	118,826
Minus: non-current part /i/	(58,046)	(59,966)	(55,917)	(57,837)
<b>Current part</b>	<b>98,598</b>	<b>81,955</b>	<b>82,149</b>	<b>60,989</b>
Liabilities for dividend	380	380	-	-
Liabilities to employees	28,794	31,940	24,805	25,948
Liabilities for calculated vacation and redistribution hours	10,908	19,179	9,379	15,058
Liabilities for taxes and contributions and similar charges	16,509	13,334	14,662	10,515
Accrued VAT liabilities in unrealized income	483	562	295	289
Advances received	40,344	34,146	36,065	28,989
Liabilities for calculated costs	22,605	37,709	19,853	32,575
Liabilities for calculated tax - rewarding in shares	-	10,630	-	9,276
Other liabilities	10,698	11,668	8,685	7,718
<b>Other current liabilities</b>	<b>229,319</b>	<b>241,503</b>	<b>195,893</b>	<b>191,357</b>
<b>Total trade payables and other liabilities</b>	<b>287,365</b>	<b>301,469</b>	<b>251,810</b>	<b>249,194</b>

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



## NOTE 31 – TRADE AND OTHER PAYABLES / CONTINUED

The carrying amount of financial liabilities for trade payables, interest and concessions are denominated in the following currencies:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
EUR	32,311	4,107	32,276	3,874
GBP	87	93	87	93
USD	107	75	107	75
HRK	124,139	137,646	105,596	114,784
	<b>156,644</b>	<b>141,921</b>	<b>138,066</b>	<b>118,826</b>

## NOTE 32 – PROVISIONS AND OTHER ACCRUED EXPENSES

<b>GROUP</b>					
<i>(in thousands of HRK)</i>	<b>Termination benefits and jubilee awards</b>	<b>Legal proceedings</b>	<b>Bonuses</b>	<b>Other provisions /i/</b>	<b>Total</b>
<b>As at 1 January 2022</b>	<b>30,993</b>	<b>50,117</b>	<b>19,751</b>	<b>28,164</b>	<b>129,025</b>
Additional provisions	3,678	1,235	-	15,769	20,682
Used during year	(284)	(85)	(19,751)	(1,164)	(21,284)
Reversed during year	(7,310)	(1,032)	-	-	(8,342)
<b>As at 31 December 2022</b>	<b>27,077</b>	<b>50,235</b>	<b>-</b>	<b>42,769</b>	<b>120,081</b>
<b>2022</b>					
Current part	820	-	-	-	<b>820</b>
Non-current part	26,257	50,235	-	42,769	<b>119,261</b>
<b>COMPANY</b>					
<i>(in thousands of HRK)</i>	<b>Termination benefits and jubilee awards</b>	<b>Legal proceedings</b>	<b>Bonuses</b>	<b>Other provisions /i/</b>	<b>Total</b>
<b>As at 1 January 2022</b>	<b>25,783</b>	<b>28,843</b>	<b>17,563</b>	<b>24,828</b>	<b>97,017</b>
Additional provisions	2,929	989	-	14,897	18,815
Used during year	(25)	(85)	(17,563)	-	(17,673)
Reversed during year	(7,087)	(1,032)	-	-	(8,119)
<b>As at 31 December 2022</b>	<b>21,600</b>	<b>28,715</b>	<b>-</b>	<b>39,725</b>	<b>90,040</b>
<b>2022</b>					
Current part	-	-	-	-	-
Non-current part	21,600	28,715	-	39,725	<b>90,040</b>

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

## NOTE 32 – PROVISIONS AND OTHER ACCRUED EXPENSES / CONTINUED

### *Legal cases of the Company*

Provisions for litigation mostly relate to:

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

- recourse claims the amount paid to the Republic of Croatia for the unvalued part;
- b) in relation to the request of the owners of real estate that are to a lesser extent within the Krk camp, for the payment of compensation for the benefits for the use of someone else's real estate;
- c) to the property-legal claims of the book and/or non-book owners of a part of the real estate in the Bunculuka camp in Baška, and
- d) dispute over the real estate in the Bunculuka camp and the land of the administrative building of the Krk Branch.

### *Legal cases of the Group*

Legal cases of the Group include Company's land ownership disputes and legal proceedings of Imperial Riviera d.d.

The increase in the Group's legal cases provision during 2022 is the result of additional provisions made on the basis of legal advisors, Management Board and legal affairs department estimations regarding the land ownership disputes and outcomes of ongoing legal cases.

## NOTE 33 – CONSOLIDATED SUBSIDIARIES

	Country	OWNERSHIP AT 31 DECEMBER	
		2021	2022
Magične stijene d.o.o.	Croatia	100.00%	100.00%
Bugenvilia d.o.o.	Croatia	100.00%	100.00%
Imperial Riviera d.d.	Croatia	46.27%	46.27%

## NOTE 34 – CONTINGENCIES AND COMMITMENTS

### Legal proceedings

In the ordinary course of business, the Company is plaintiff and defendant in various legal actions. In the financial statements for the year ended on 31 December 2022, provisions for certain legal proceedings have been made for which the Company anticipates outflows of HRK 28,715 thousand. The Company and the Group do not anticipate other contingent liabilities based on legal disputes.

### Transformation and privatisation audit and land ownership

A transformation and privatisation audit were carried out for the Company during 2002 and 2003, with a separate audit for Riviera Poreč d.d. (formerly Riviera Holding d.d., Riviera Adria d.d., now Valamar Riviera d.d.) and for companies merged into Valamar Riviera d.d.: Rabac d.d., Zlatni Otok d.d. and Dubrovnik Babin kuk d.d. The reports claim that the transformation and privatisation process had not been performed entirely in accordance with legal regulations, primarily in relation to properties that are not appraised in the Company's equity, but are owned by the Company and are partly recorded in the land records, as well as properties that are reported in the Company's equity, but have not yet been recorded in the land registry. The Company, as well as its legal predecessors, submitted timely objections to the transformation and privatisation audit reports to the State Audit Office, but at the date of issue of these financial statements, they had not received any response from the State Audit Office with respect to the objection of the Company and/or the legal predecessors of the Company.

The outcome of these proceedings is not expected to have a significant impact on the financial position or results of the Company or the Group.

To protect their interests, the Company is conducting a number of legal and/or administrative procedures, which primarily refer to land excluded from the valuation in the process of transformation and privatisation, but partially registered by the Company and to a portion on which catering and other facilities have been built or are in function (in the Lanterna and Solaris resorts and the Lanterna, Solaris, Istra, Ježevac, Krk and Škrila camping grounds) as well as procedures in relation to land in Dubrovnik, which was appraised, but not registered, and land which has been sold, but was not appraised. The outcome and the result of the legal and other proceedings cannot be predicted with any degree of certainty, but a resolution was expected in accordance with the Act on Tourist and Other Construction Land not Appraised in Transformation and Privatisation Processes ("the ZOTZ"), and in relation to land in the area of Dubrovnik, through settlement. On 1 August 2010, the ZOTZ entered into force, on the basis of the provisions

of which the ownership and co-ownership over land not appraised in the transformation and privatisation processes should have been finally determined, and in the spirit of the provisions of which all disputes that were ongoing in relation to unappraised tourist land, primarily the land in the area of Poreč, Rabac and Krk, should have been resolved. The Company initiated procedures in accordance with the provisions of the ZOTZ within the prescribed period, through submission of a request on 31 January 2011 for concessions on tourist land in camping grounds and tourist land in tourist resorts, as well as requests for verification of plots/land ground-plan surface area of appraised buildings (hotels, apartments and other appraised buildings) and other prescribed requests. The ownership and/or co-ownership by the Company of the portion of land not appraised in the transformation and privatisation procedures should have been determined by the outcome of these procedures. With the Act on unappraised land („the ZNGZ“) entered into force on 2 May 2020, the procedures for obtaining a concession initiated under the provisions of the ZOTZ have been suspended and further assessment of the court and administrative proceedings related to unappraised land can be predicted only after resolving property relations and determining the actual owners of tourist land, according to provisions of the ZNGZ.

The outcome of these procedures is not expected to have a significant impact on the financial statements or results of the Company or the Group.

### Capital commitments

The contracted capital commitments of the Company in respect to investments in tourism facilities at 31 December 2022 amount to HRK thousand 556,820 thousand (2021: HRK 544,910 thousand). The contracted capital commitments of the Group in respect to investments in tourism facilities at 31 December 2022 amount to HRK 669,589 thousand (2021: HRK 597,391 thousand).

The company is the guarantor of the loan related-party Valamar Obertauern GmbH. The estimated maximum amount of the guarantee that can be realized is HRK 46,193 thousand. The loan of the related-party is secured by mortgages on the real estate of Valamar Obertauern GmbH. The Company estimates the very low probability of incurring an actual obligation under the guarantee.

The Company is the guarantor of the loan of related-party Imperial Riviera d.d. in the amount HRK 452,070 thousand, and to secure the claim a pledge over Imperial Riviera's property facilities was established in the amount of the claim. The Company estimates the very low probability of incurring an actual obligation under the guarantee.

## NOTE 35 – CASH GENERATED FROM OPERATIONS

Adjustment of profit with cash generated from operations:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
Profit/(loss) before taxation	101,476	201,871	371,124	672,280
<b>Adjustment for:</b>				
Depreciation and amortisation	507,336	497,695	397,597	369,413
Net gains on sale of property, plant and equipment and intangible assets	(1,820)	(15,796)	(281,702)	(480,399)
Write-off of property, plant and equipment	3,892	3,769	2,511	1,749
Provision for impairment of trade and other receivables - net	2,631	(2,027)	2,617	(2,042)
Finance costs - net	63,074	71,248	57,419	17,144
Loss of the control over subsidiaries	(13,316)	-	-	-
Fair value gains/(loss) from financial instruments - net and financial assets	(9,233)	(39,356)	(9,233)	(23,308)
Share in net profit/(loss) of associates	(404)	3,669	-	-
Reserves for payments with equity instruments	-	38,534	-	38,534
Increase in provisions - net	25,063	11,152	21,539	11,406
<b>Changes in:</b>				
- Trade and other receivables	20,098	6,292	861	13,317
- Inventories	3,782	(15,117)	3,678	(8,720)
- Trade and other payables	(22,602)	18,855	(28,430)	3,440
<b>Cash generated from operations</b>	<b>679,977</b>	<b>780,789</b>	<b>537,981</b>	<b>612,814</b>



## NOTE 36 – RELATED PARTY TRANSACTIONS

Related parties are those companies, which have the power to exercise control over the other party or are under common control or which have a significant influence on the other party in doing business or making financial decisions or is directly or indirectly involved in the management or supervision.

The related parties in the Valamar Group in 2021 and 2022 are: Epic Goldscheider & Wurmböck Unternehmensberatungsgesellschaft m.b.H, Vienna, Wurmböck Beteiligungs GmbH, Vienna, Bugenvilia d.o.o., Dubrovnik, Satis d.o.o., Zagreb, Casatis d.o.o., Zagreb, Eladco Invest GmbH, Kraubath an der Mur (Austria), I.Q.M. d.o.o., Poreč, Enitor d.o.o., Zagreb (until 15 June, 2021, when the member mandate of the Company's Supervisory Board, Mr. Vicko Ferić, ended), Magične stijene d.o.o., Dubrovnik, Palme turizam d.o.o., Dubrovnik (until 7 May 2021 when it was merged with Parent Company Valamar Riviera d.d.), Imperial Riviera d.d., Rab, with subsidiary Praona d.o.o., Makarska, Valamar A GmbH, Tamsweg/Vienna with subsidiaries Kesselspitze GmbH, Obertauern, Kesselspitze GmbH & Co KG, Obertauern, WBVR Beteiligungs GmbH, Vienna, Valamar Marietta GmbH, Klagenfurt am Wörthersee and ContiEstates AG, Zug Switzerland (until 28 September 2022 when it was merged with Valamar Marietta GmbH), Valamar Obertauern GmbH, Obertauern, Helios Faros d.d., Stari Grad, Kamenolom Pridraga d.o.o., Pridraga, Flexi Oscar d.o.o., Zagreb (since March 2, 2021, when the Deputy Chairman of the Supervisory Board, Mr. Mladen Markoč, became a member of the company), DPN JEDAN d.o.o. Zagreb (since October 20, 2021, when the Deputy Chairman of the Supervisory Board, Mr. Mladen Markoč, founded the company), Agro-kapital d.o.o., Grožnjan (from 16 June 2021 when the mandate of the member of the Supervisory Board Mr. Boris Galić began to 30 November 2021 when he sold all shares in this company), B10 Istrian fusion d.o.o., Grožnjan (from 16 June 2021 when the mandate of the member of the Supervisory Board Mr. Boris Galić began), YES International AG, Lachen, Switzerland and yes.com AG, Lachen, Switzerland (from 16 June 2021 when the mandate of the member of the Supervisory Board Mr. Daniel Goldscheider began). Related party are also lawyers Mladen Markoč i Relja Pećina, Zagreb and Obrt za poduku Bucolaj, Novigrad (from 16 June 2021 when the mandate of the member of the Supervisory Board Mr. Ivan Ergović began).

### Management Agreement

As of 28 November 2019, a new Agreement was concluded between Imperial Riviera d.d. and Valamar Riviera d.d. in relation to the management of hotel and tourist facilities, based on the Decision of the General Assembly of Imperial Riviera d.d. of 29 October 2019 (hereinafter the Contract). The subject of the Contract is the provision of management and business activities related to hotels, apartments, resorts and/or camping grounds, and other immovable or movable property. A common name for this type of contract is a hotel management agreement or hotel management contract. For the management services provided, Valamar Riviera d.d. is entitled to compensation for management services consisting of basic and incentive fees, and fees for advisory in respect of the management and implementation of investments (CAPEX fee), reservation centre fees, which are determined as a specified amount (percentage) of the total value of realised reservations. Additionally, for the initial and "pre-opening" services executed before the opening of fully renovated and rebranded facilities, Valamar Riviera d.d. is entitled to a compensation the amount of which depends on the accommodation type and size. The contract was concluded for a period of 25 years with the possibility of termination or extension. As of 1 June 2022 a new Agreement between Valamar Riviera d.d. and Valamar Obertauern GmbH in relation to the management of the hotel and tourist facilities and amenities is valid. The contract was concluded for a period of 25 years. As of 2 September 2019 the Agreement between Valamar Riviera d.d. and Helios Faros d.d. in relation to the management of the hotel and tourist facilities and amenities is valid. The contract was concluded for a period of 10 years. As of July 12 2022, the Agreement between Valamar Riviere d.d. and Kesselspitze GmbH & Co KG in relation to the management of hotel and tourist facilities and facilities is implemented. The contract was concluded for a period of 25 years. The subject of these contracts, as with the contract concluded with Imperial Riviera d.d., is the provision of management services and the performance of business activities in connection with hotels, apartments, settlements and/or camps and other immovable or movable assets of an individual company. A common name for this type of contract is a hotel management agreement or hotel management contract. For the management services provided, Valamar Riviera d.d. is entitled to compensation for management services consisting of basic and incentive fees, and fees for advisory services in respect of the conceptualisation and structuration of investments to implement VALAMAR brand(s) CAPEX fee). The contract also stipulates reservation centre fees, which are determined as a specified amount (percentage) of the total value of realised reservations. Additionally, for the initial and "pre-opening" services executed before the opening of fully renovated and rebranded facilities, Valamar Riviera d.d. is entitled to a compensation the amount of which depends on the accommodation type and size.

**NOTE 36 – RELATED PARTY TRANSACTIONS / CONTINUED**

Related party transactions were as follows:

<b>GROUP</b>	<b>2021</b>	<b>2022</b>
<i>(in thousands of HRK)</i>		
<b>Sale of services</b>		
Other parties related to the owners and corporate governance bodies	1	1
Associate with participating interest	8,601	14,194
	<b>8,602</b>	<b>14,195</b>
<b>Purchase of services</b>		
Other parties related to the owners and corporate governance bodies	480	843
Associate with participating interest	239	703
	<b>719</b>	<b>1,546</b>
<b>Trade and other receivable</b>		
Associate with participating interest	7,294	8,024
	<b>7,294</b>	<b>8,024</b>
<b>Liabilities</b>		
Other parties related to the owners and corporate governance bodies	23	79
Associate with participating interest	39	18
	<b>63</b>	<b>97</b>

**NOTE 36 – RELATED PARTY TRANSACTIONS / CONTINUED**

<b>COMPANY</b>	<b>2021</b>	<b>2022</b>
<i>(in thousands of HRK)</i>		
<b>Sale of services</b>		
Subsidiaries /i/	312,947	558,583
Associate with participating interest	8,601	14,194
Other parties related to the owners and corporate governance bodies	1	1
	<b>321,549</b>	<b>572,778</b>
<b>Purchase of services</b>		
Subsidiaries	3,830	10,426
Associate with participating interest	239	703
Other parties related to the owners and corporate governance bodies	430	707
	<b>4,499</b>	<b>11,836</b>
<b>Dividend income</b>		
Subsidiaries	-	36,831
	<b>-</b>	<b>36,831</b>
<b>Trade and other receivable</b>		
Subsidiaries	19,712	15,746
Associate with participating interest	7,294	8,024
	<b>27,006</b>	<b>23,770</b>
<b>Other receivables</b>		
Subsidiaries	26	-
	<b>26</b>	<b>-</b>
<b>Trade and other payables</b>		
Subsidiaries	70	221
Associate with participating interest	39	18
Other parties related to the owners and corporate governance bodies	22	79
	<b>131</b>	<b>318</b>
<b>Loans given</b>		
Subsidiaries	28	-
	<b>28</b>	<b>-</b>

/i/ Explained detailed in Note 10 – *Other gains/(losses) – net.*

## NOTE 36 – RELATED PARTY TRANSACTIONS/ CONTINUED

### Board personnel compensation

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2021	2022	2021	2022
Salaries	3,472	6,724	2,293	5,049
Pension contributions	699	713	338	412
Health insurance contribution	938	997	553	747
Other costs (contribution and taxes)	1,054	2,301	759	1,819
	<b>6,164</b>	<b>10,735</b>	<b>3,944</b>	<b>8,027</b>

In 2022, Board personnel compensation are related to 6 Group Board members (2021: 6 Board members), and for the Company 3 members (2021: 2 members).

Company's Supervisory Board fees during 2022 amounted to HRK 3,358 thousand (2021: HRK 2,734 thousand).

## NOTE 37 – MERGER OF A SUBSIDIARY

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

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

Assets and liabilities in 2021 at merger date are:

	<b>PALME TURIZAM d.o.o.</b>
<i>(in thousands of HRK)</i>	<b>7 May 2021</b>
<b>ASSETS</b>	
Property, plant and equipment (Note 14)	25,753
Deferred tax assets (Note 25)	16,141
Trade and other receivables	72
Cash and cash equivalents	1,110
<b>LIABILITIES</b>	
Payables and other liabilities	(14)
<b>Net assets acquired</b>	<b>43,062</b>
<b>Less: elimination of the Company's share in subsidiary</b>	<b>(115,448)</b>
<b>Net effect on equity at merger</b>	<b>(72,386)</b>



## NOTE 38 – LOSS OF THE CONTROL OVER SUBSIDIARIES

The Group lost control of its subsidiaries Valamar A GmbH and Valamar Obertauern GmbH and ceased to disclose the assets and liabilities of these companies in the consolidated financial statements. According to IFRS 10, the income and expenses of Valamar A GmbH and Valamar Obertauern GmbH are recognized in the consolidated statement of the Group's comprehensive income until 29 November, 2021. As of 1 December, 2021, the Group has significant influence in Valamar A GmbH and Valamar Obertauern GmbH and is disclosed in the consolidated financial statements using the equity method.

The Group did not receive any compensation for the loss of control over its subsidiaries Valamar A GmbH and Valamar Obertauern GmbH, due to the diluted ownership through capital increase of the companies concerned as described in Note 1 – *General information*.

Gains from the loss of control over subsidiaries are included in financial revenues of 2021.

An overview of assets and liabilities in 2021 over which the Group lost control and the effect of the loss of control over subsidiaries is presented in the table:

<b>LOSS OF THE CONTROL OVER SUBSIDIARIES</b>	<b>Valamar A GmbH and Valamar Obertauern GmbH</b>
<i>(in thousands of HRK)</i>	<b>29 November 2021</b>
<b>ASSETS</b>	
<b>Non-current assets</b>	
Intangible assets	464
Property, plant and equipment	58,905
Financial assets	24
Deferred tax assets	5,095
<b>Current assets</b>	
Inventories	243
Trade and other receivables	3,512
Loans and deposits	22
Cash and cash equivalents	3,203
	<b>71,468</b>
<b>LIABILITIES</b>	
<b>Non-current liabilities</b>	
Borrowings	(46,249)
Deferred tax liabilities	(2,075)
<b>Current liabilities</b>	
Borrowings	(4,511)
Trade and other payables	(1,676)
	<b>(54,511)</b>
<b>Net assets of subsidiaries over which control is lost</b>	<b>16,957</b>
<b>Exchange rate differences from foreign business</b>	<b>(198)</b>
Share fair value	30,075
Less: Net assets of subsidiaries over which control is lost and exchange rate differences from foreign business	(16,759)
<b>Gains from the loss of the control over subsidiaries</b>	<b>13,316</b>

### **NOTE 39 – AUDIT FEES**

The fees for audit of the financial statements of the Group amounted to HRK 1,032 thousand (2021: HRK 898 thousand), while the fees for other services amounted to HRK 133 thousand (2021: HRK 143 thousand).

Other services in 2021 and 2022 are related to audit of Report on Board and Supervisory Board personnel compensation.

### **NOTE 40 – SUBSEQUENT EVENTS**

After the data of the financial statements, there have been no events that require adjustments or disclosure in the financial statements.

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