

**Valamar Riviera d.d.**

**SUPERVISORY BOARD**

**Number: 47-1/20**

**Poreč, 6/03/2020**

Pursuant to Article 263, paragraph 3 and Article 300c, paragraph 3 of the Companies Act, at its meeting held by correspondence on 6 March 2020, the Supervisory Board of Valamar Riviera d.d. from Poreč rendered the following

## **R E P O R T**

**to the General Assembly of VALAMAR RIVIERA d.d. from Poreč**

**on the performed supervision of the Company's business management in 2019**

### **I**

In the course of the year 2019 (i.e. reporting period), the Supervisory Board consisted of: Gustav Wurmböck, Chairman, Franz Lanschützer and Mladen Markoč, Deputy Chairmen, and Members: Georg Eltz, Hans Dominik Turnovszky, Vicko Ferić and Valter Knapić.

Apart from the Supervisory Board, the Supervisory Board members formed the following three bodies:

- Presidium of the Supervisory Board, consisting of: Gustav Wurmböck, Chairman and SB Deputy Chairmen Franz Lanschützer and Mladen Markoč;
- Audit Committee, consisting of: Georg Eltz, Chairman and Members Franz Lanschützer, Mladen Markoč, Vicko Ferić, Gustav Wurmböck and Hans Dominik Turnovszky.
- Investment Committee, consisting of: Franz Lanschützer, Chairman and Members Georg Eltz, Vicko Ferić, Hans Dominik Turnovszky and Gustav Wurmböck.

### **II**

In the course of 2019, the Supervisory Board regularly received written reports on business operations, as well as other reports, proposals and decisions by the Management Board. The Supervisory Board examined and rendered its decisions pertaining to the said reports, proposals and decisions pursuant to regulations and provisions of the Company's Statute. During the year 2019, the Supervisory Board held sixteen (16) meetings out of which twelve (12) were held via correspondence, all pursuant to the Company's Statute. At the said meetings, it discussed numerous issues related to the Company's business and also supervised the management of the Company's business. All Supervisory Board members participated in the work of the Supervisory Board at fifteen meetings, out of which twelve in a correspondence manner, while member Mr. Mladen Markoč did not attend only one meeting, so the meeting was duly held with six members.

The Supervisory Board committees held seventeen (17) meetings in 2019, out of which the Presidium held ten (10), the Audit Committee held five (5) and the Investment Committee held two (2) meetings. During the said meetings, the members of the committees together with the Management Board and other responsible persons and experts examined documents and proposals pertaining to which the Supervisory Board rendered its decisions. This improved the Supervisory Board's efficiency and understanding of the Company's business while performing the supervision. Besides that, the Audit committee was considering, proposing and adopting positions in accordance with the function determined with the relevant regulations and Company's acts.

### III

Pursuant to its duties, the Supervisory Board performed the supervision through meetings, committees and through documents and detailed information submitted by the Management Board in the course of 2019 and therefore

### e s t a b l i s h e d

that Valamar Riviera d.d. from Poreč conducts its business pursuant to the law, Company's Statute and other regulations and decisions of the Company.

### IV

The Supervisory Board devoted particular attention to the examination of the reports and proposals submitted by the Management Board and consisting of the following:

- 1) 2019 ANNUAL REPORT of Valamar Riviera d.d. that also includes the following:
  - Annual Financial Statements for the Year 2019, 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;
  - Report on the performed audit by Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. from Zagreb;
  - Annual Management Report on the Company's status / Management Report;
- 2) Proposal regarding the distribution of profit and dividend payout;
- 3) Report on Related Party Transactions in 2019 and Auditor's Examination Report.

At its meeting in the presence of the Auditor, Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. from Zagreb, the Audit Committee, followed by the Supervisory Board, examined the submitted annual financial statements for 2019 and established that they reflected the business records of the Company and rendered a veritable presentation of the position of the company in terms of business and assets, and therefore had no objections to them.

Pursuant to the previously submitted opinion by the Audit Committee, the Supervisory Board has no objection to the Auditor's report on the performed audit. Furthermore, the Supervisory Board has no objections to the Annual Management Report on the Company's Status.

The Supervisory Board also has no objection after examining the submitted Management Board Report on Related Party Transactions with the Auditor's examination report.

## V

Besides the examination of the documents specified in the previous point, pursuant to the Company's Statute, the Supervisory Board supervised the management of the Company's business by previously considering the Management Board proposals that required the Supervisory Board's approval. In that part, the Supervisory Board paid particular attention to approving the conditions for concluding legal transactions, concessions and the management of real estate, and conditions for agreements with respect to management of hotel-tourist facilities and amenities (Hotel Management Agreements). Furthermore, the Supervisory Board particularly focused on the approval of each loan and regularly monitored the Company's financial status and cash flow.

Besides the above mentioned, the Supervisory Board regularly reviewed the monthly business results by focusing on each individual property and the Company as a whole in relation to the previously adopted business plans. In this area, special attention was devoted to the year 2020 business plan.

Furthermore, in the course of 2019, the Supervisory Board particularly focused on reviewing, directing and approving the planned investments at all stages of their preparation and execution. This was done by considering the actual need to improve the overall level of quality and standards of the facilities and providing a realistic estimate of the opportunities to sell such facilities and services on source markets as well as them being financially justifiable and profitable, including all the terms of their financing.

The Supervisory Board particularly monitored the Management Board in the process of establishing business cooperation with pension funds and investments of strategic interest to society. One of the more significant transactions to which Supervisory Board paid special attention in 2019 was the continuation of business cooperation with PBZ Croatia osiguranje dioničko društvo za upravljanje obveznim mirovinskim fondovima, from Zagreb (hereinafter: PBZ CO) and Allianz ZB d.o.o. društvo za upravljanje obveznim mirovinskim fondom, from Zagreb (hereinafter: AZ mirovinski fond). In order to act jointly in relation to HELIOS FAROS d.d. from Stari Grad (Hvar Island), whose bankruptcy ended 27 July 2019, the company continued its business cooperation with PBZ CO and both the Company and PBZ CO participated in increase of capital of that company in accordance with the decisions of the Administrator in Bankruptcy Proceedings and the General Assembly. The Company and AZ mirovinski fond continued its business cooperation regarding the company HOTELI MAKARSKA d.d. from Makarska (which merged with Imperial d.d. on 28 June 2019) and regarding to the company Imperial Riviera d.d., Rab. Both the Company and AZ mirovinski fond thus participated in increase of capital of the company Imperial Riviera d.d. in accordance with the General Assembly's decision dated 29 October 2019.

In the course of 2019, the Supervisory Board particularly monitored the Management Board in the management of the hotel-tourist facilities and amenities of the company Imperial Riviera d.d., Hoteli Makarska d.d. (until merger to Imperial d.d. / Imperial Riviera d.d.), Valamar Obertauern GmbH and

Helios Faros d.d. in accordance with the previously concluded agreements in respect with the management of the hotel-tourist facilities and amenities of these companies.

Finally, the Supervisory Board considered and approved transition of shares from the Official to the Prime Market of the Zagreb Stock Exchange d.d., implemented with the effect from 29 April 2019.

**VI**

Pursuant to what has been previously stated, and according to the comprehensive insight gained through the supervision of the Company's business management and information received during the course of work of the Supervisory Board and its committees in the period from 1 January to 31 December 2019, and the conducted examinations from point V of this Report, at its meeting held on 25 February 2020, the Supervisory Board

**A)**

approved the following

- 1) **2019 ANNUAL REPORT** of Valamar Riviera d.d. that also includes the following:
  - Annual Financial Statements for the Year 2019, 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;
  - Report on the performed audit by Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. from Zagreb;
  - Annual Management Report on the Company's status / Management Report,

- 2) Proposal regarding the distribution of profit achieved in 2019,

and hereby, according to Article 300d of the Companies Act, the Annual Financial Statements of Valamar Riviera d. d. from Poreč for 2019 are considered to be approved both by the Management Board and by the Supervisory Board.

**B)**

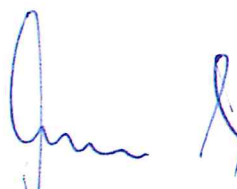
has no objection to

the Management Board statement given in the Report on Related Party Transactions in 2019 pursuant to the provisions of Article 497, paragraph 3 of the Companies Act

and

agrees with

the Auditor's examination by Ernst & Young d.o.o. of the Management Board Report on Related Party Transactions in 2019.



Gustav Wurmböck

Supervisory Board Chairman