

INDEPENDENT AUDITOR'S ASSURANCE REPORT

To the Management board and Supervisory board of Valamar Riviera d.d.

This report is intended solely for the Management board and Supervisory board of Valamar Riviera d.d. (hereinafter "the Company") for the purpose of reporting on Management Board and Supervisory Board Remuneration Report ("the Remuneration Report") prepared by the Company for the year ended 31 December 2020 in accordance with Article 272r of the Companies Act.

Underlying Subject Matter and Applicable Criteria

The assurance engagement relates to the following subject matter on which the following applicable criteria are applied:

- Remuneration Report prepared by the Company for the year ended 31 December 2020 contains data in accordance with Paragraphs 1 and 2 of the Article 272r.

Specific Purpose

This report is intended solely for the purposes specified in the first paragraph above and for your information and must not be used for other needs. The report refers exclusively to the Remuneration Report and must not be associated with any Company's financial statements as a whole.

Management board and Supervisory board Responsibilities

The Company's Management board and Supervisory board is responsible for the preparation of the Remuneration Report in accordance with the Article 272r of the Companies Act. In particular, the Company's Management board and Supervisory board is responsible for internal controls being designed and implemented to prevent the Remuneration Report from being materially misstated.

In addition, the Company's Management board and Supervisory board is responsible for ensuring that the documentation provided to the auditor is complete and accurate. The Company's Management board and Supervisory board is also responsible for maintaining the internal control system that reasonably ensures that the documentation described above is free from material misstatements, whether due to fraud or error.

Auditor's Responsibilities

We conducted our assurance engagement in accordance with the requirements of Article 272r paragraph 3 of the Companies Act, and in accordance with International Assurance Standards, particularly ISAE 3000 (revised). These regulations require that we comply with ethical standards and plan and perform our assurance engagement to obtain limited assurance about the Remuneration Report.

We apply International Standard on Quality Control 1 (ISQC 1), and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

We comply with the independence and other ethical requirements of the IESBA Code of Ethics for Professional Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

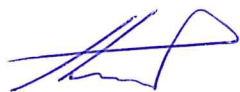
The procedures selected depend on the auditor's judgment. The procedures include, in particular, inquiry of the personnel responsible for financial reporting and risk management and additional procedures aimed at obtaining evidence about the Remuneration Report. The assurance engagement performed represents a limited assurance engagement. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower.

In respect of the subject matter mentioned above we have performed mainly the following procedures:

- Understanding of the Company's internal controls, processes and systems set up for the preparation of the Remuneration Report
- Reconciliation, on the sample basis, of input data disclosed in the Remuneration Report with the supporting documentation provided by the Company
- Inquiry of the Management board and Supervisory board on the accuracy of the information presented in the Remuneration Report
- Reading the Remuneration Report and confirm presentation is in accordance with the Article 272r of the Companies Act

Auditor's conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that Remuneration report prepared by Valamar Riviera d.d. does not contain data, in all material respects, in accordance with Paragraphs 1 and 2 of the Article 272r of the Companies Act.



Berislav Horvat,
President of the Board and Certified auditor

25 February 2021

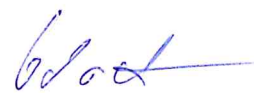
Ernst & Young d.o.o.
Radnička cesta 50
Zagreb
Republic of Croatia



Dragan Rudan,
Director

25 February 2021

UHY RUDAN d.o.o.
Ilica 213/IV
Zagreb
Republic of Croatia



Vedrana Miletić,
Certified Auditor

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

Attachment

1. Management board and Supervisory board Remuneration Report for 2020



**REMUNERATION REPORT
OF MANAGEMENT AND SUPERVISORY BOARD MEMBERS
FOR 2020**

Pursuant to the provisions of Article 272.r of the Companies Act and the relevant provisions of the Corporate Governance Code of the Zagreb Stock Exchange d.d. and the Croatian Financial Services Supervisory Agency, the Management Board of Valamar Riviera Joint Stock Company for Tourism, based in Poreč, Stancija Kaligari 1, OIB: 36201212847 (hereinafter: the Company) at the meeting held on 18/02/2021 and the Supervisory Board of the Company at its meeting held on 25/02/2021 determined the following

**REMUNERATION REPORT
OF MANAGEMENT AND SUPERVISORY BOARD MEMBERS
FOR 2020**

1. Introduction

Valamar Riviera d.d. is the largest tourism company in the Republic of Croatia and one of the key strategic economic branches with a significant share in the GDP. The Company's operations reflect the responsibility of such an important position, indicated by the core values which are an integral part of its business relations, corporate rules and standards, business development and strategy. The Company innovatively manages leisure tourism in a stimulating corporate culture through corporate social responsibility, whilst creating new value for all stakeholders in the Company's business and taking into account the sustainable development and needs of local communities. The adopted Remuneration policy of the Management Board enables the Management Board to conduct business with due diligence and responsibility in accordance with the Company's established core values and business strategy. The remuneration policy encourages the Company's development and responsible decision-making, rewards good performance and results, but also provides security and stability to board members in decision-making, which discourages them from taking unnecessary risks. Remuneration of Supervisory Board members determined by the decision of the General Assembly does not depend on the results of the Company's business and does not contain a variable part of the remuneration. The difficulty, uncertainty and disruption of all business processes and activities due to the crisis caused by the corona virus pandemic (COVID 19) marked the Company's business operations in 2020. This situation conditioned the exceptional efforts of Management Board members and the special attention of the Supervisory Board members in finding and undertaking activities and measures to maintain business continuity in extraordinary conditions with the primary focus on preserving employees' jobs and maintaining the Company's liquidity and solvency on the principles of stakeholder solidarity in business relations (suppliers, customers, contractors, shareholders, management, supervisory board members and employees).

2. The Management Board

By the decision of the Supervisory Board of 7 May 2018, adopted in accordance with the provisions of the Company's Articles of Association, the Company's Management Board was appointed in two members and the following were appointed for the term from 1 January 2019 to 31 December 2022:

1. Željko Kukurin for the President of the Management Board and
2. Marko Čižmek as a Member of the Management Board.

The President and a member of the Management Board are employed by the Company and their remuneration is determined by an individual contract and acts of the Company.

Receipts of the President and a member of the Management Board are divided into three categories:

1. The fixed remuneration - consists of the basic monthly salary expressed in its gross amount. Fixed remuneration is determined, both in absolute and relative terms, in a sufficient amount to provide financial security and stability, i.e. to enable a Management Board member to be independent of the variable part of remuneration. Such a fixed remuneration encourages responsible decision-making, eliminating the need to take unnecessary risks. Careful and conscientious management of the Company's business presumes an appropriate income, a salary for a complex and highly responsible job.
2. variable remuneration - is (1) a bonus that can be paid to the President and the member of the Management Board in accordance with the results achieved in the business year or depending on the realization of certain key business indicators (KPI) and amounts to 8% to 100% of annual gross salary; and (2) participating in the long-term incentive plan for rewarding key executives (hereinafter: LTIP). Variable remuneration are conditioned by the criteria for payment in a way that rewards the business that achieves the sustainable development of the Company. Together with fixed remunerations, they are an quality incentive for the Management Board to lead the Company's operations responsibly, without taking unnecessary risks, and with the aim of developing and creating new value in a sustainable and innovative way. The criteria on which the realization of payment and the amount of the yearly Bonus depend on are determined by the Supervisory Board of the Company. The criteria for the payment of bonuses are objective financial criteria such as growth in operating income, EBITDA, improvement in EBITDA, share price on the Zagreb Stock Exchange, etc. and the assessment of the Supervisory Board on the qualitative improvement of the Company. The criteria for participation in the LTIP are determined by the Regulation on the LTIP, rendered by the

Supervisory Board. Participation in the LTIP is calculated as the share of an individual Management Board member in the payment of an amount equal to a certain part of the increase in the annual market capitalization of the Company's shares on the Official Market of the Zagreb Stock Exchange d.d.

3. other benefits - include the right to use official vehicles and mobile phones for business and private purposes, the right to cover travel expenses, membership in domestic and foreign professional organizations, additional professional education, etc., the right to life and health insurance, and for the President of the Board the right on paid vacation with family.

2.1. Remuneration of members of the Management Board in 2020

The members of the Management Board in 2020 (regardless of the period to which the payment refers) were paid the following receipts in gross and amounts in kuna:

	FIXED REMUNERATION (annual gross salary)	%	VARIABLE REMUNERATION	%	REMUNERATION IN KIND (car, insurance etc.)	%	NON-TAXABLE INCOME	%	TOTAL INCOME	%
ŽELJKO KUKURIN	1.440.000,00	86,97%	-	0,00%	213.866,74 *	12,92%	1.900,00	0,11%	1.655.766,74	100,00%
MARKO ČIŽMEK	1.104.000,00	95,86%	-	0,00%	46.655,04 **	4,05%	1.020,00	0,09%	1.151.675,04	100,00%

* for the use of an official car, life and health insurance policy, use of annual leave with the family

** for the use of an official car

Members of the Management Board were paid a fixed salary (basic salary) for the first three months of 2020 according to the agreed basic salary, and starting from 1 April 2020 onwards, the fixed salary was paid reduced by 30% compared to the individually agreed basic salary. Namely, on March 25, 2020, the members of the Management Board made a decision renouncing 30% of their individually agreed basic salaries, thus acting in solidarity and in the best interest of the Company due to extraordinary circumstances caused by the COVID-19 virus.

In 2020, the members of the Management Board were not paid any variable remuneration, neither in cash nor in shares. Namely, on March 25, 2020, the Management Board, acting in the best interest of the Company due to extraordinary circumstances caused by the COVID-19 virus, postponed until further notice the payment of bonuses for 2019 to all managers, including the Management Board. On this basis and when conditions are met, the Company should pay to the Management Board members bonuses for the accomplished results in 2019, but the decision on the amount of the individual bonuses is not rendered. If and when the amount is rendered, the Company shall duly announce the Management Board remuneration in accordance with the relevant regulations.

In addition to the above, members of the Management Board are entitled to additional benefits/remuneration in kind and the use of an official car 24 hours, and the President of the Management Board Mr. Željko Kukurin is also entitled to life and health insurance and the right to paid vacation expenses with family.

2.2. Remuneration of Management Board members in other companies of the Valamar Group in 2020 (companies that are subject to consolidation)

President of the Management Board Mr. Željko Kukurin is the Vice President of the Supervisory Board of Imperial Riviera d.d. with its registered office in Rab, Juraj Barakovića 2, and on that basis he achieved HRK 268,030.65 gross I remuneration in 2020 in accordance with the acts and decisions of the competent bodies of Imperial Riviera d.d.

Board member Mr. Marko Čižmek is a member of the Management Board of Valamar A GmbH with its registered office in Tamsweg, Forstamtsgasse 6, Republic of Austria, and on that basis he did not receive any remuneration in 2020.

2.3. Comparative presentation of revenue/profit trends of the Company and income of Management Board members and employees in the last 5 years

GODINA	UK.PRIHOD DRUŠTVA u tis. kn	NETO DOBIT DRUŠTVA u tis. kn	PROSJEČNI BRUTO I GODIŠNJI PRIMITAK PO ZAPOSLENIKU	PROSJEČNI BRUTO I GODIŠNJI PRIMITAK ČLANOVA UPRAVE
2016	1.472.058	336.657	110.880,32	1.805.181,64
2017	1.638.845	231.979	112.503,62	2.307.822,99
2018	1.793.315	239.279	118.030,92	2.543.675,74
2019	1.893.927	377.007	123.173,40	3.005.329,42
2020	566.639	-308.550	108.803,20	1.403.720,89

In the comparative presentation of revenue/profit trends in the last 5 years, and the total revenues and net profit of the Company are stated according to the achieved in a particular business year and employee and Management Board member income according to the paid in a certain calendar year.

The calculation of the average gross I and annual income per employee of the Company includes all fixed and variable parts of employees' salaries (basic salary, allowances for past work, shift work, double work and other allowances according to the Company's Collective Agreement; various performance awards, contributions and excellence, bonuses and other awards according to reward programs and acts of the

Company), occasional remuneration and remuneration in kind and all other payments to employees based on acts of the Company (material rights such as compensation of transportation costs, jubilee awards, etc.). The average number of employees for a given year was calculated on the basis of the total number of working hours in relation to the maximum possible number of working hours per year per employee.

The average gross annual income of Management Board members includes all fixed, variable and non-taxable income paid to members of the Management Board, with the Management Board having two members (president and one member) in all comparable years.

In addition to the comparative movement of revenue/profit of the Company and the remuneration of Management Board members for 2016 as shown in the table, a variable remuneration for 2015 was paid in 2016 in the amount of HRK 494,990.16 gross to the former member of the Management Board member Mr. Franz Lanschützer, who ceased to be a member of the Management Board in 2015.

Since the Company was not obliged to provide Remuneration reports in terms of relevant regulations in previous years, the comparative view of the Company's income / profit movement, average employee income and remuneration of the Management Board in the last 5 years is not stated individually for each member of the Management Board.

2.4. Other information

In 2020, there were no changes in the Management Board, therefore the Company had no payments and/or payment obligations based on early termination of membership in the Management Board.

Members of the Management Board have not been paid nor is there an obligation to pay remuneration by third parties in connection with the activities they perform as members of the Management Board.

The company and other companies of the Valamar Group that are subject to consolidation have not given any loans or advances or guarantees in favor of the members of the Management Board or gifts or benefits of significant value.

In accordance with the provisions of the contract Mr. Željko Kukurin, President of the Management Board and Marko Čižmek, Member of the Management Board, is entitled to a severance pay of twelve salaries in case they are not appointed to a new term, and do not enter into employment contracts with the Company to perform other relevant tasks and six salaries in case of revocation before the expiration of the term, except in case of wrong behaviors.

As stated under point 2.1. of this Report in 2020 there were no payments of variable remunerations and no requests for reimbursement of variable remunerations.

3. Supervisory Board

The Supervisory Board of the Company consists of seven members, six of whom were elected by the General Assembly on May 4, 2017 for a term of four years starting on July 7, 2017. One member of the Supervisory Board was appointed by the Workers' Council of the Company for the same term from July 7, 2017 to July 6, 2021.

In 2020, the Supervisory Board consisted of: Gustav Wurmböck, President, Mladen Markoč and Franz Lanschützer, Vice-Presidents and members: Georg Eltz, Hans Dominik Turnovszky, Vicko Ferić and Valter Knapić, workers' representative.

On May 8, 2018, the General Assembly of the Company passed the Decision on the remuneration for the work of the members of the Supervisory Board, according to which the members of the Supervisory Board have the right to:

- a) monthly remuneration in the amount of gross I EUR 2,000.00 (in words: two thousand) for a member of the Supervisory Board, or in the amount of gross I EUR 3,000.00 (in words: three thousand) for the President and Vice-Presidents of the Supervisory Board;
- b) an additional award for each meeting of the Supervisory Board or the committee of the Supervisory Board in the amount of gross I EUR 2,000.00 (in words: two thousand);
- c) additional remuneration for the work of a member of the Supervisory Board who performs tasks that belong to permanent supervision, with the consent of the President of the Supervisory Board, in the amount of gross I EUR 1,000.00 (in words: one thousand), if the work lasted all day, in the amount of gross I EUR 500.00 (in words: five hundred), if the work lasted half a day (more than 3, but less than 6 hours), or in the amount of gross I EUR 130.00 (in words: one hundred and thirty) per hour, if the work lasted up to three hours. Such consent may be given to the Chairman of the Supervisory Board by any of the Deputy Chairmen.
- d) The right to reimbursement of travel expenses.

3.1. Remuneration of members of the Supervisory Board in 2020

The members of the Supervisory Board in 2020 (regardless of the period to which the payment refers) were paid the following remunerations in gross I amounts in kuna:

No.	Name and Surname	Function	Total paid Gross I award for 2020
1	Gustav Wurmböck	Chairman	211.678,19
2	Franz Lanschützer	Deputy Chairman	310.584,81
3	Mladen Markoč	Deputy Chairman	208.642,20
4	Hans Dominik Turnovszky	Member	136.094,49
5	Georg Eltz	Member	141.391,23
6	Vicko Ferić	Member	123.617,33
7	Valter Knapić	Member, worker's representative	108.096,57

The members of the Supervisory Board were paid a remuneration in accordance with the Decision of the General Assembly of 8 May 2018 exclusively for the period from 1 January to 25 March 2020. Due to the crisis caused by the Covid-19 virus, and acting in the best interest of the Company, the Supervisory Board decided that from March 25 to July 31, 2020 there will be no payment of any remuneration to members of the Supervisory Board, and by the decision of August 1, 2020 remuneration is paid reduced by 30% compared to the decision of the General Assembly of May 8, 2018.

3.2. Remuneration of Management Board members in other companies of the Valamar Group in 2020 (companies that are subject to consolidation)

Chairman of the Supervisory Board Mr. Gustav Wurmböck is a Supervisory Board Member of Imperial Riviera d.d. with its registered office in Rab, Juraj Barakovića 2, and on that basis has achieved HRK 180,342.91 gross I remuneration in 2020, regardless of the period to which the payment refers, in accordance with the acts and decisions of the competent bodies of Imperial Riviera d.d.

Deputy Chairman of the Supervisory Board Mr. Mladen Markoč is a Supervisory Board Member of Imperial Riviera d.d. with its registered office in Rab, Juraj Barakovića 2, and on that basis has achieved HRK 193,684.57 gross I remuneration in 2020, regardless of the period to which the payment refers, in accordance with the acts and decisions of the competent bodies of Imperial Riviera d.d.

3.3. Other information

During 2020, there were no changes in the composition of the Supervisory Board.

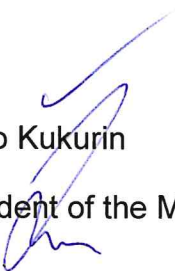
Members of the Supervisory Board have not been paid nor is there an obligation to pay remuneration by third parties in connection with the function/activities they perform as members of the Supervisory Board.

The company and other companies of the Valamar Group that are subject to consolidation have not given any loans or advances or guarantees in favor of the members of the Supervisory Board or gifts or benefits of significant value.

4. In conclusion

The remuneration of the Management Board and the Supervisory Board members in 2020 are a reflection of the difficult operations and conditions of the Company due to the crisis caused by the corona virus pandemic (COVID 19). All Management Board and all Supervisory Board members have voluntarily decided to waive part of their contracted or respectively the income determined by the Company's acts and decisions, thus expressing solidarity with other stakeholders in the Company's business relations. Remuneration of Management Board and the Supervisory Board members in 2020 is not in an appropriate relationship with the work they performed in 2020, but it is in relation to the state of the Company.

Therefore, the Management Board and the Supervisory Board submit this report to the General Assembly and propose its approval.



Željko Kukurin

President of the Management Board



Gustav Wurmböck

Chairman of the Supervisory Board