

VALAMAR RIVIERA



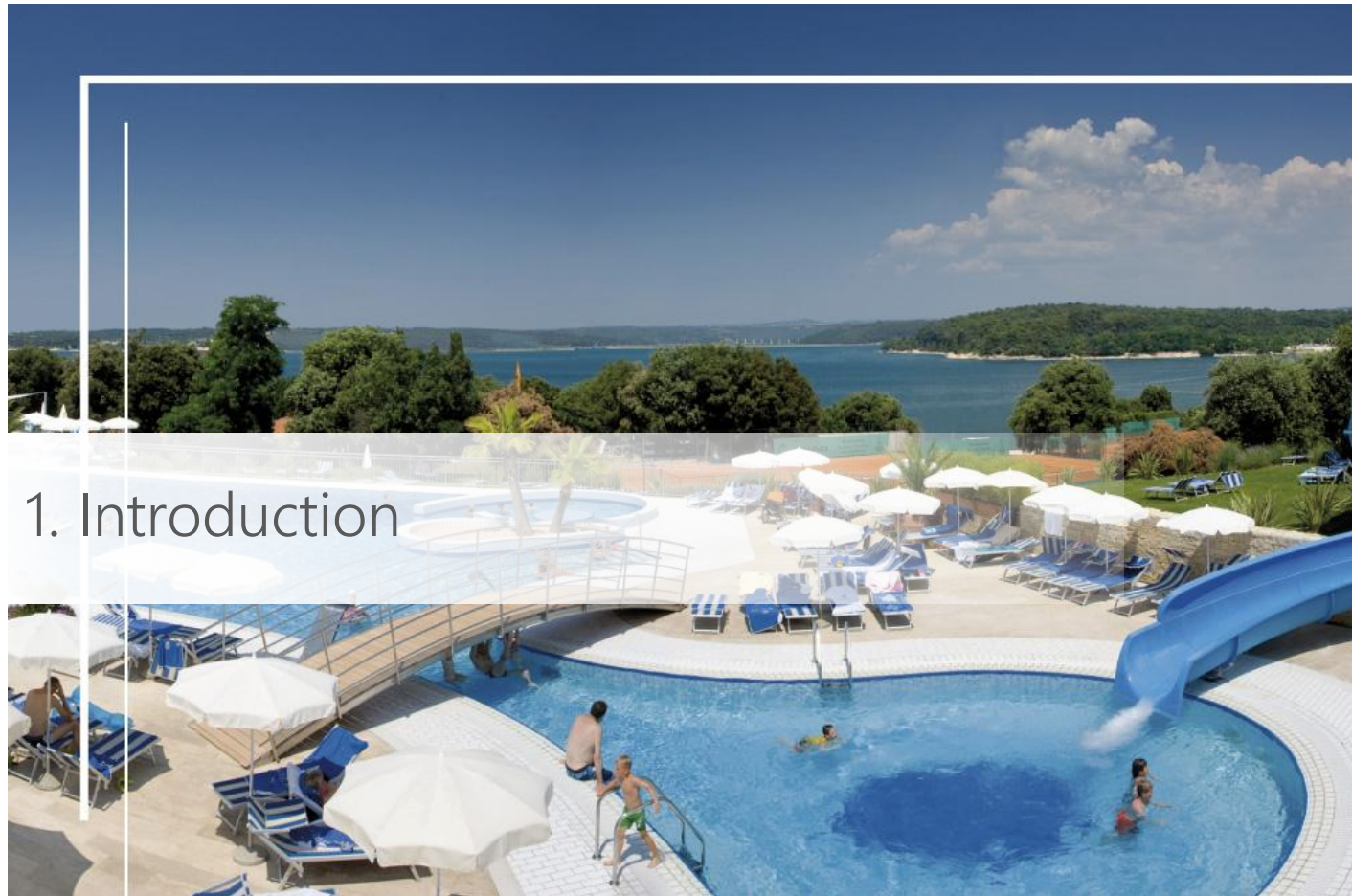
Presentation to Investors Following the Listing of Shares
on the Official Market of the Zagreb Stock Exchange

Listing agent: InterCapital Securities

Zagreb,

December 17, 2014

1. Introduction
2. Overview of Valamar Riviera
3. Market Overview
4. Financial Overview
5. Business Strategy
6. Valamar Riviera and the Zagreb Stock Exchange



Presenters



Franz Lanschützer
President of the
Management Board



Ivana Budin Arhanić
Member of the
Management Board



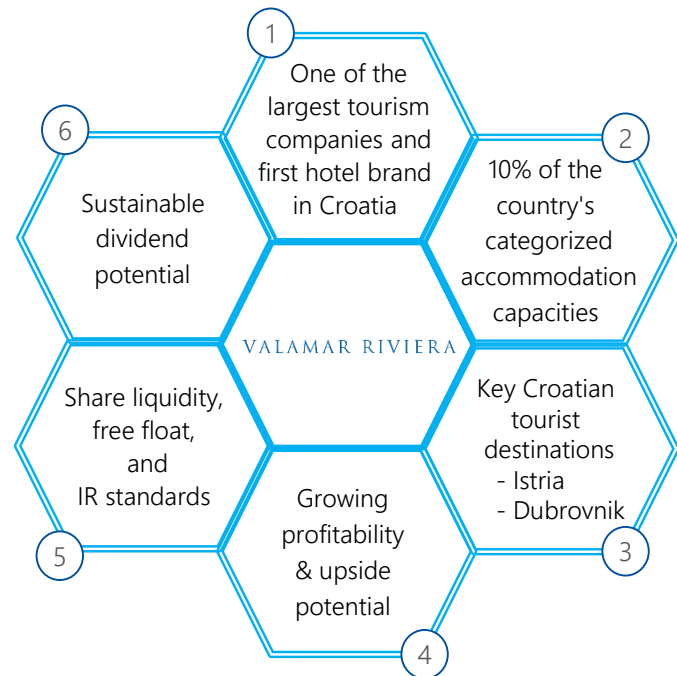
Marko Čižmek
Member of the
Management Board, CFO

Investment Proposition

CROATIAN TOURISM



VALAMAR RIVIERA



Valamar Riviera is the only publicly listed company in Croatia offering to investors significant exposure to an attractive and growing accommodation segment of the Croatian tourism market

Why ZSE's Official Market?

Satisfying the needs of our shareholders

- Leading Croatian hospitality company with over 3.000 of employees in peak season
 - > 22.000 of shareholders and free-float of 57%
 - Intra-group integration successfully completed
- 
- Fulfillment of key prerequisites:
 - ✓ Compelling investment thesis
 - ✓ Transparency
 - ✓ High standards of corporate governance
 - ✓ Interest of a broader base of local and global institutional investors

Improved access to funding for future growth and development

Capital intensive sector



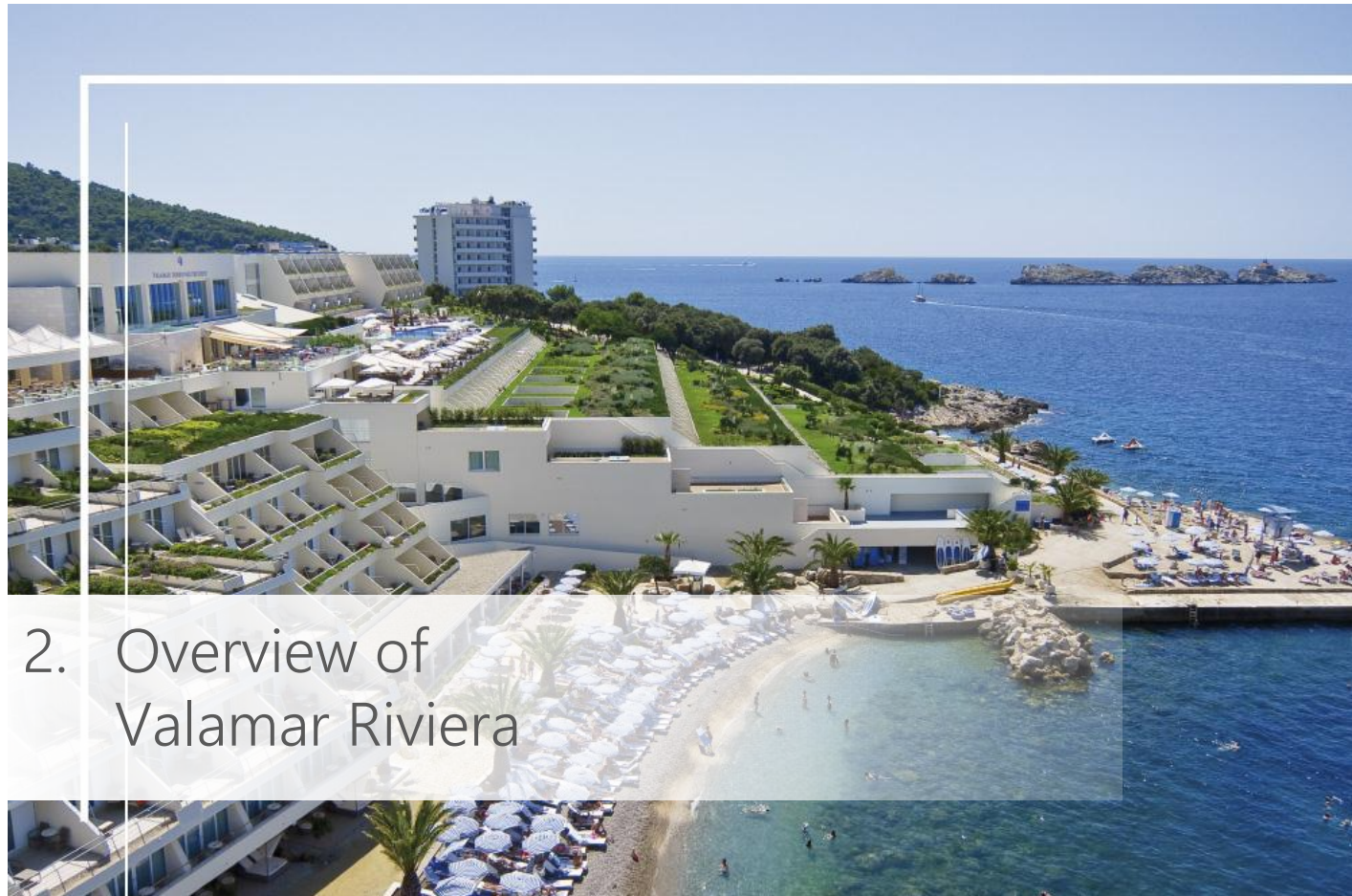
Optimization of financing costs



Diversification of funding



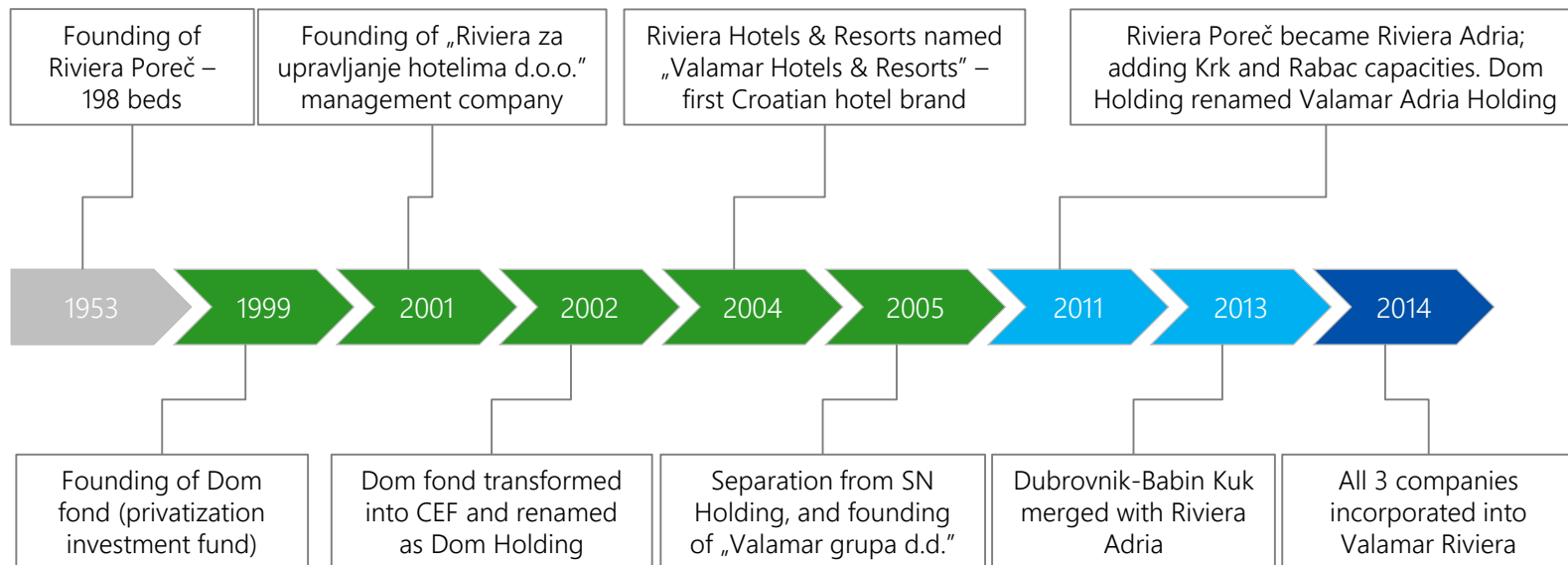
- ✓ All prerequisites for financing via capital market in place



2. Overview of Valamar Riviera



History of Valamar Riviera



Valamar Riviera Today

Strongest Croatian hotel brand / 10% of categorized capacities / Largest camping portfolio in Croatia

22 hotels / 2 hostels / 7 apartment villages / 10 campsites

Capacity of ≈ 43.000 guests / $\approx 4.3\text{m}$ overnights p.a. / ≈ 730.000 arrivals p.a.

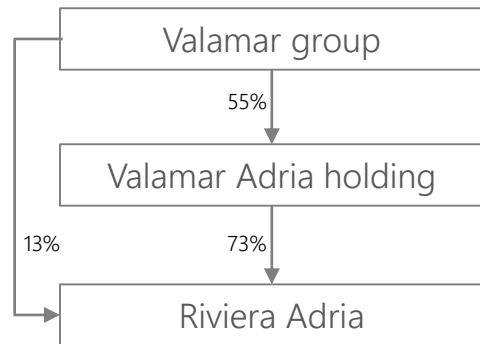
10-year revenue CAGR 7% > HRK 1.1 bn of revenues > HRK 301m EBITDA*

> 1.000 of permanent employees and > 3.000 of employees in peak season

History of Valamar Riviera (cont'd)

Reverse merger process and incorporation of Valamar Riviera

1 Opening balance (June 2014)

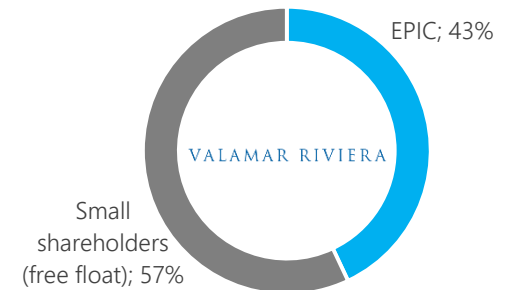


2 Merger



- Reverse vertical merger
- Share swap ratios:
1:12,8 Riviera Adria: KORF
1:12,0 Riviera Adria: VLHO
- Merger audit by KPMG

3 Shareholder structure (10/2014)



Merger rationale

1. Direct shareholder access to value creation in the tourism portfolio
2. Cost savings from elimination of holding management structures
3. Attracting a broader base of domestic and international institutional investors in the single investable security
4. Implementing a transparent system of corporate governance
5. Improved balance sheet creates a sound platform for banking industry and capital markets financing

Mission, vision, brands and awards

Mission and Vision

- Vision: Lasting memories, every day, for every guest!
- Mission: Be the first choice hospitality company on the Croatian Adriatic for travelers, partners, employees and investors

Key Values

Guest at the center of attention

Professional ethic

Delivering results

Brand

- Recognized Croatian hotel & camping brands



Awards and Recognitions

- On an annual basis, Valamar receives more than 30 awards for quality, including most prestigious awards such as „World Travel Awards“ as well as those given by Tripadvisor, ADAC, TUI and others



Locations and Capacities

VALAMAR RIVIERA



- The most prominent tourist region in Croatia (3.2m of tourists p.a.)
- Valamar's destinations: Poreč, Tar, Funtana, Vrsar, Pula-Brioni, Rabac
- 16 hotels, 2 hostels, 7 apartment villages, 6 campsites

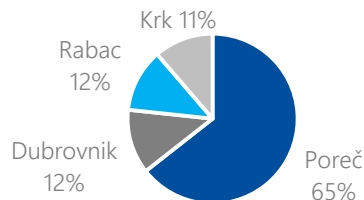


- The biggest and most populated island in Croatia (0.6m of tourists p.a.)
- Destination's key advantage is all year link with the mainland and international airport
- 1 hotel and 3 campsites

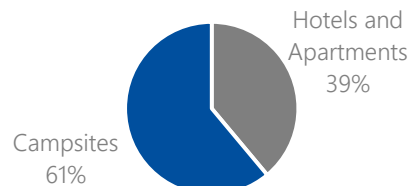


- Globally recognized tourist destination (3.3m of tourists p.a. with 5%-10% annual growth)
- 5 hotels and 1 campsite

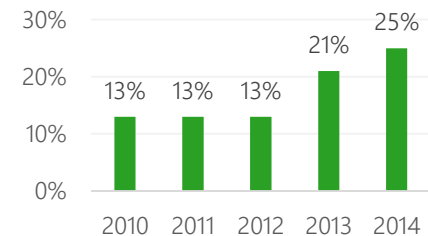
Unit Location Breakdown



Units per Accommodation Type



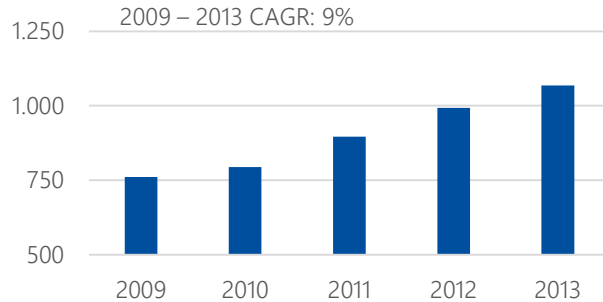
Share of Upscale* Units



* Upscale = 4/5 star hotel and apartment units

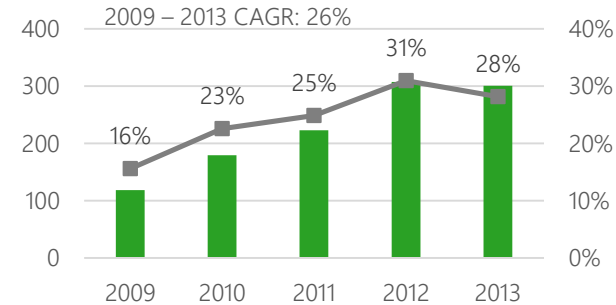
Revenues and EBITDA

Historical Revenue Trend



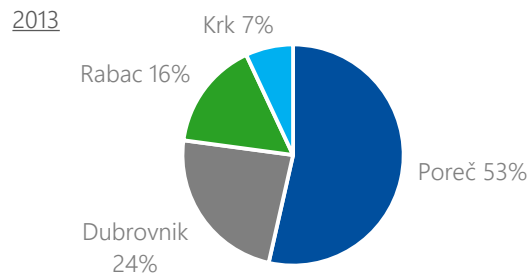
- Continuous top line growth due to premium locations, intense targeted investment in portfolio and overall growth of tourist arrivals in Croatia

EBITDA and EBITDA Margin Trend



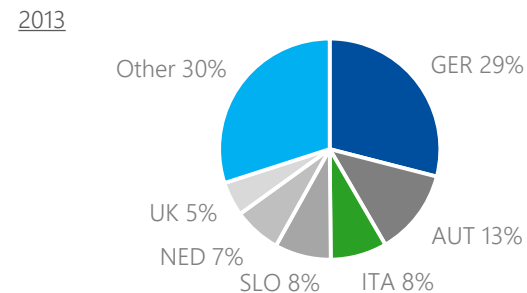
- Additional EBITDA growth came as a result of positive returns from investment cycle and realized cost savings

Revenue Structure per Location



- Istria still dominates in revenue structure but Dubrovnik's share is growing

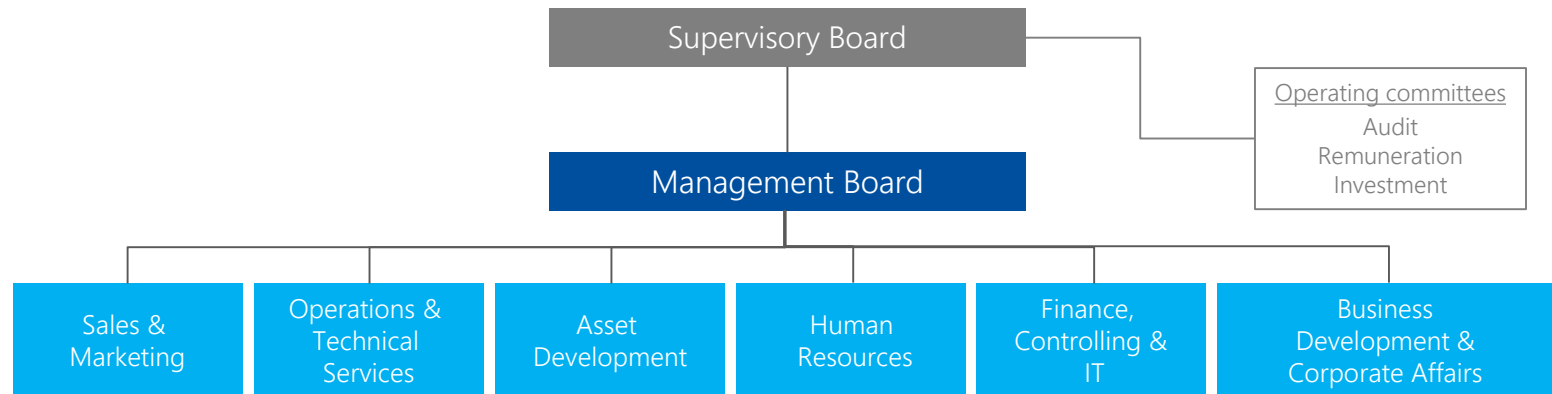
Guest Structure per Source Market



- Guest structure indicates the Company's largest exposure is towards higher income countries with more stable macro profiles

Management and Organizational Structure

Organizational Structure



Management Board

	<u>Franz Lanschützer</u> President of the MB		<u>Edi Černjul*</u> Vice president of MB
	<u>Nikola Koncul*</u> Vice president of MB		<u>Ivana Budin Arhanić</u> MB Member
	<u>Marko Čižmek</u> MB Member / CFO		<u>Tihomir Nikolaš</u> MB Member

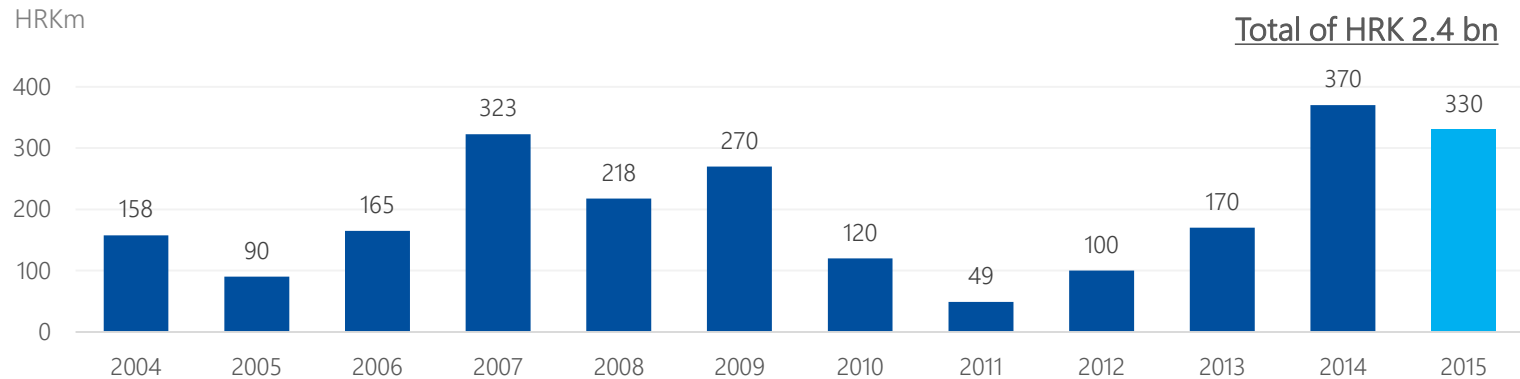
* Mr. Černjul and Mr. Koncul will be on duty until December 2014 and April 2015 respectively

Corporate Governance

- 1.070 full time employees, 62 managers
- Most of Management located in Poreč (27) and Dubrovnik (10)
- KPMG auditor since 2012 (previously PWC)
- Supervisory Board has 7 members, including 2 independent members and 1 employee representative
- Supervisory Board has 3 operating committees – Audit / Remuneration / Investment

Investment Overview

Investment Cycle



Key Portfolio Investments in 2014 (Total of HRK 370m)

Valamar Dubrovnik President Hotel



Dubrovnik
First 5* Valamar hotel
292 keys
HRK 150m

Valamar Argosy Hotel



Dubrovnik
Upgrade to 4*
308 keys
HRK 38m

Investment Plan for 2015

In 2015 Valamar plans to invest HRK 330m in hospitality portfolio. The largest single investment is on Sveti Nikola island in Poreč (since 2013 total of HRK 250m)

Valamar Isabella Island Resort 4* Sveti Nikola island, Poreč



Expertise In Hotel Management

Differentiation through quality of service, branding, sales & distribution

Valamar Academy

- Motto: Talents today, managers tomorrow!
- Standardized program of education that combines best practices in hospitality industry, internal expertise and professional experiences
- Internal promotion (89 employees) as a backbone of organizational development

Sales & Marketing

- Brand recognition
- Proactive distribution strategy favoring own channels and international partnerships for key markets
- High and growing proportion of online and direct sales - Valamar Reservation Center
 - 88,000 and 111,000 answered calls and e-mails p.a.

Human Resources Management

- TOP 5 „Employer Partner“ in Croatia
- Best HR manager in Croatia & Croatian Tourism Award winner for Lifetime Achievement
- Best HR Practice: Uplifting Service
- 80% return rate of seasonal workers
- High corporate culture ratings

Food & Beverage

- Guest satisfaction over 95%
- Numerous awards of excellence
- Highest quality standards and certificates

Centralized Purchasing

- Achieves cost benefits from scale
- Provides purchasing services for 3rd parties

Business Management Systems

- State-of-art IT and Controlling tools
- Micros Fidelio PMS
- TrustYou Quality & Guest satisfaction / IdeaS

SWOT Analysis

Strengths

- Top beach front locations in prominent Croatian tourist destinations,
- Proximity to key European markets and international airports
- Balanced portfolio of destinations and product types lowers external risk factors
- First and strongest Croatian hotel brand able to command price premiums based on high service quality
- Diversified source markets; high-income markets dominate
- Experienced management team

Opportunities

- Further upgrade of portfolio towards upscale segment (price premium)
- Further growth from value-add services and guest experiences
- Shoulder season growth (sports, adventure, gastronomy, events, MICE tourism, etc..)
- Expansion on local and regional level (acquisition of products that fit the existing portfolio)

Weaknesses

- High seasonality
 - Low annual occupancy rates due to seasonal operation in most properties
 - High exposure to adverse weather conditions in peak season, especially in camping
- Underdeveloped destination products and services outside main season
- Low demand in shoulder seasons
- High labor costs
- Single country asset exposure

Threats

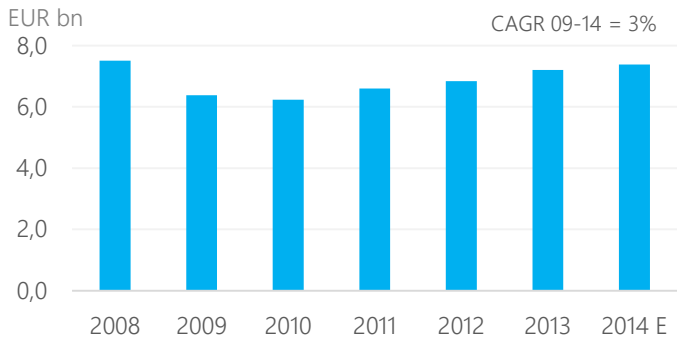
- Destination management capabilities in Croatia
- Geopolitical and economic challenges in some source markets
- Unstable local economy (public finance – further tax pressures) & unfavorable regulatory, tax and legislative frame (Touristic land law, Maritime domain, etc.)
- Growing local, regional and global competition and resulting price pressure



3. Market Overview

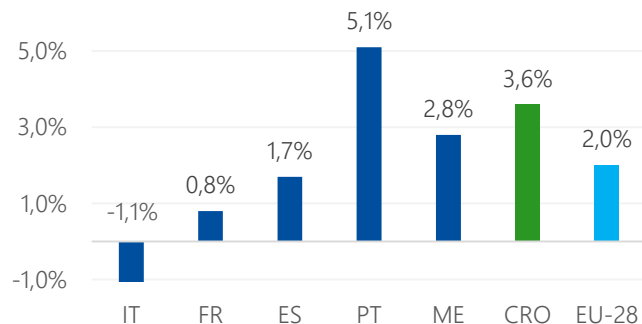
Main Indicators Of Croatian Tourism Market

Tourism Revenue



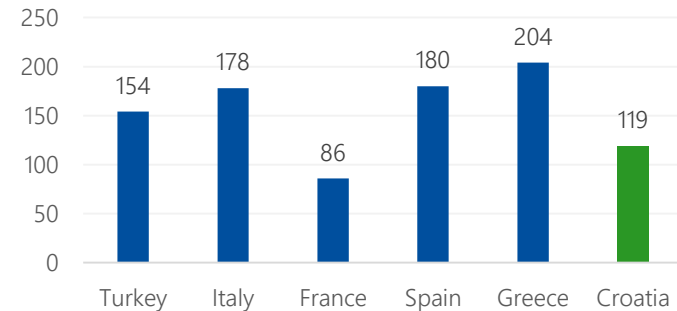
- Unlike other sectors of the local economy, tourism has shown growth over the last 5 years and is slowly returning to pre-crisis levels

Trend in Overnight Stays (2013 yoy change)



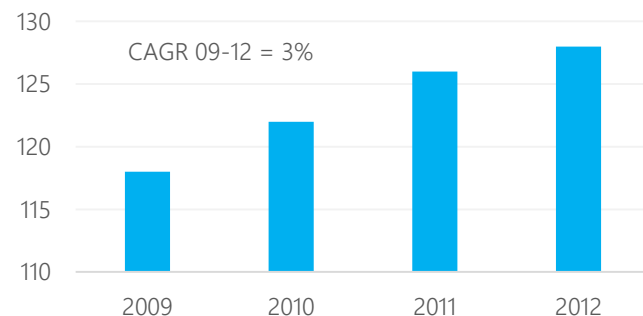
- Growth in number of overnight stays in Croatia has outpaced that of the European markets

Overnights Revenue (2013, EUR)



- There is still large potential for growth of quality accommodation and increase in out-of-pocket spending

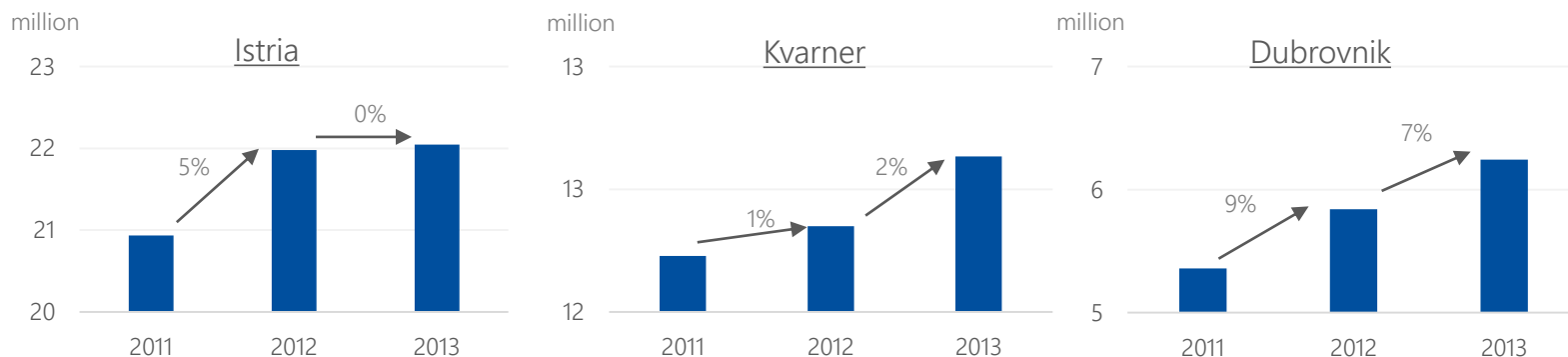
Capacity Utilization in Hotels and Aparthotels (days)



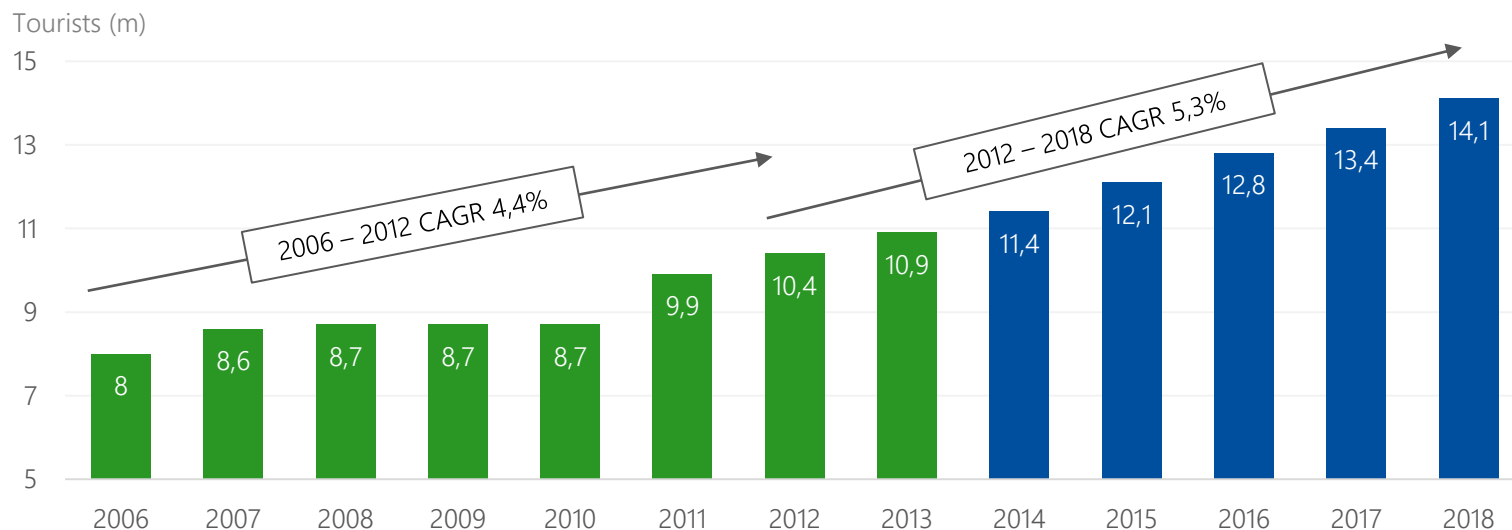
- Past 5 years were marked by a steady increase in annual occupancy rates in hotel accommodation, primarily in larger cities, Istria and Dubrovnik

Indicators Of Valamar's Destinations

Overview of Level and Growth of Overnight Stays in Valamar's Regions



Historical and Forecasted Number of Tourist Arrivals in Croatia



Sources: Economist Intelligence Unit, Ministry of Tourism



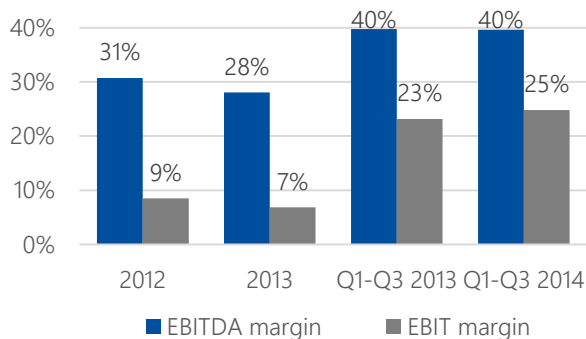
4. Financial Overview

Key Financials

Key P&L items

HRK	2011	2012	2013	Q1-Q3 2013	Q1-Q3 2014	CAGR (11'-13')
Sales	910	1.001	1.073	1.019	1.030	6%
EBITDA	223	307	301	405	410	11%
EBIT	34	85	74	236	257	30%
Net income	-17	84	192	302	245	n/a
Margins						
EBITDA	24%	31%	28%	40%	40%	5%
EBIT	4%	9%	7%	23%	25%	23%
Net income	-	8%	18%	30%	24%	n/a

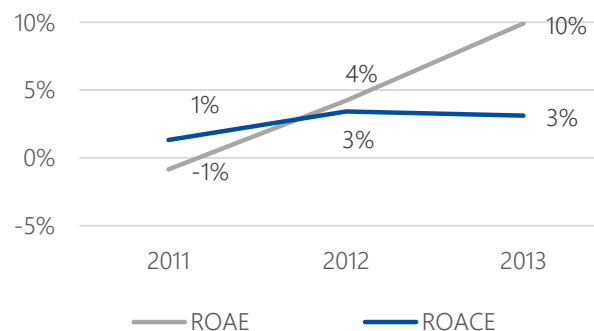
EBITDA and EBIT margin



Comparison With Peers (2013)

	Valamar Riviera	Domestic peers*	Sol Melia
EBITDA margin	28%	36%	18%
EBIT margin	7%	18%	12%
ROACE	3%	6%	7%
ROAE	10%	7%	-4%
Net debt/EBITDA	1.8	3.3	4.8
REVPAR CAGR (11'-13')	6.7%	n/a	6.6%

Investment Returns**



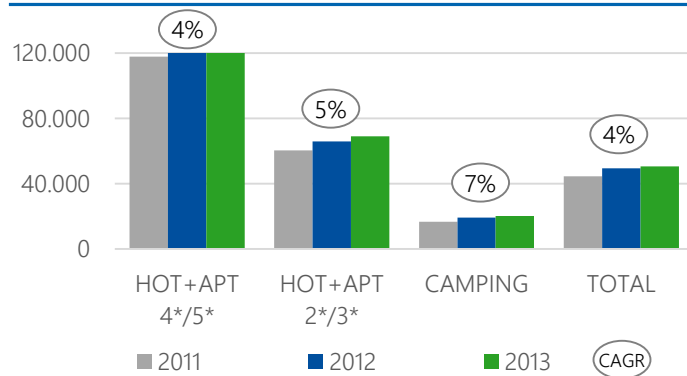
* Median for Maistra, Arenaturist and Plava Laguna

** ROAE - Return on average equity / ROCE - Return on average capital employed

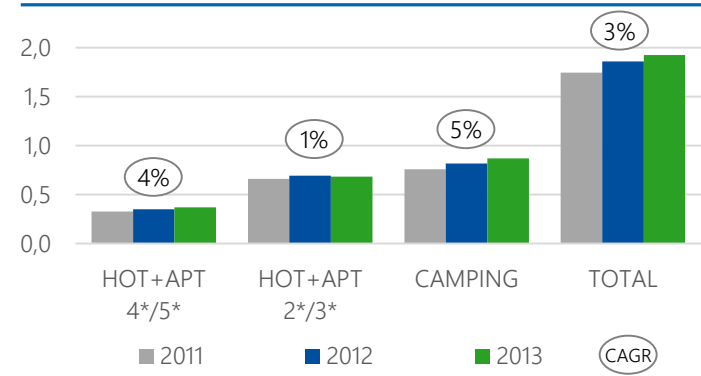
Note: All financial information presented here refers to Valamar Grupa's consolidated statements. All future financial information will pertain to Valamar Riviera

Key Operational / Financial Performance Indicators

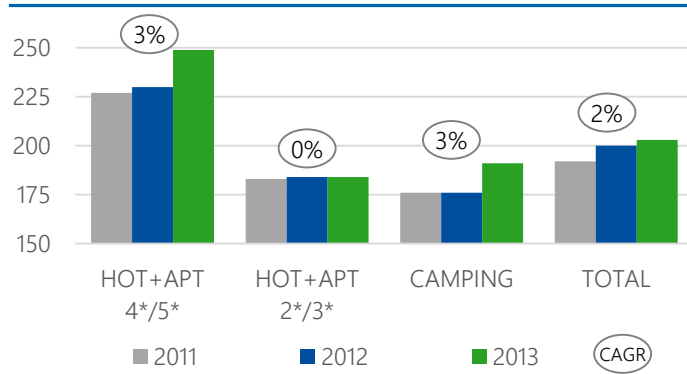
Revenue per Available Room
- REVPAR (HRK)



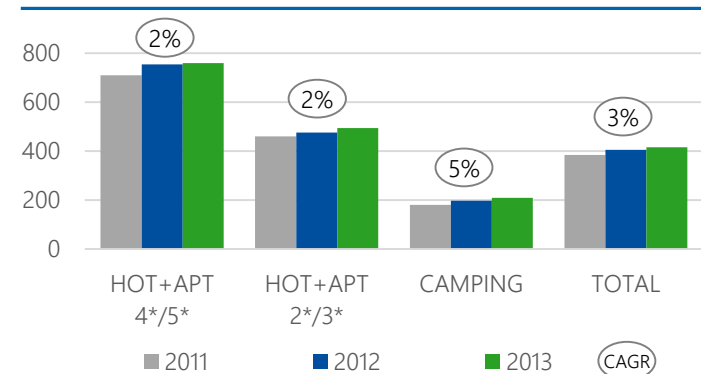
Units Sold (millions)



Occupancy days

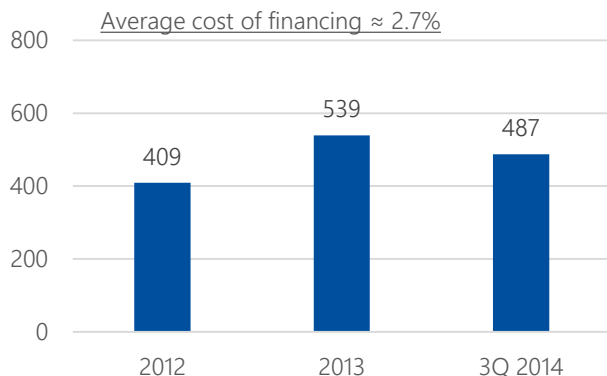


Average Daily Rate
per Unit (HRK)



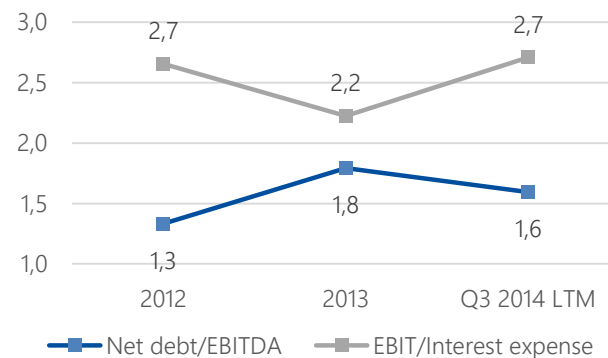
Debt Profile

Net Debt (HRK mil.)



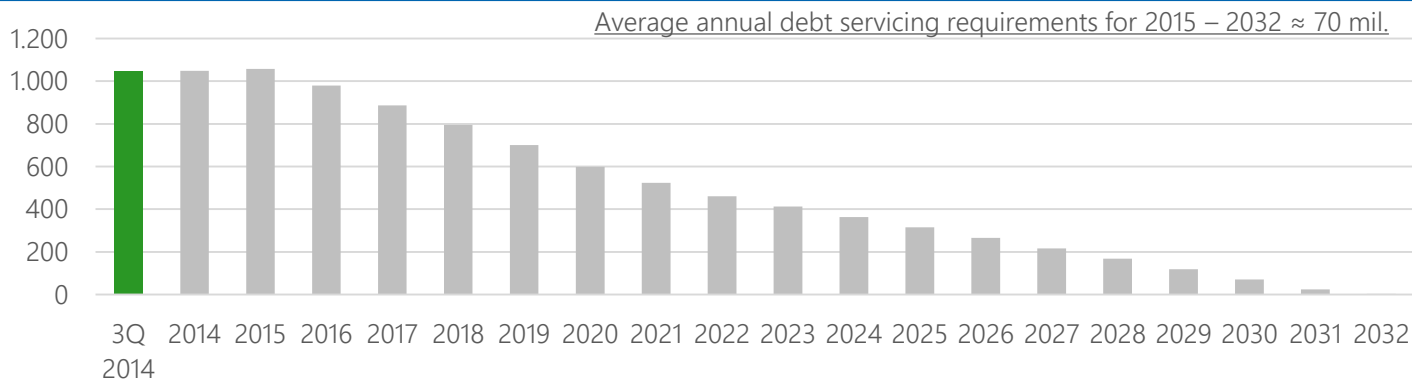
- Most of debt pertains to long-term CBRD loans
- Average maturity of the loan portfolio is around 6 years and over $\frac{3}{4}$ of loans have fixed interest rates

Leverage Ratios



- In 2014, Company's ability to service the interest expenses has improved as well as the leverage ratio which is significantly below industry averages

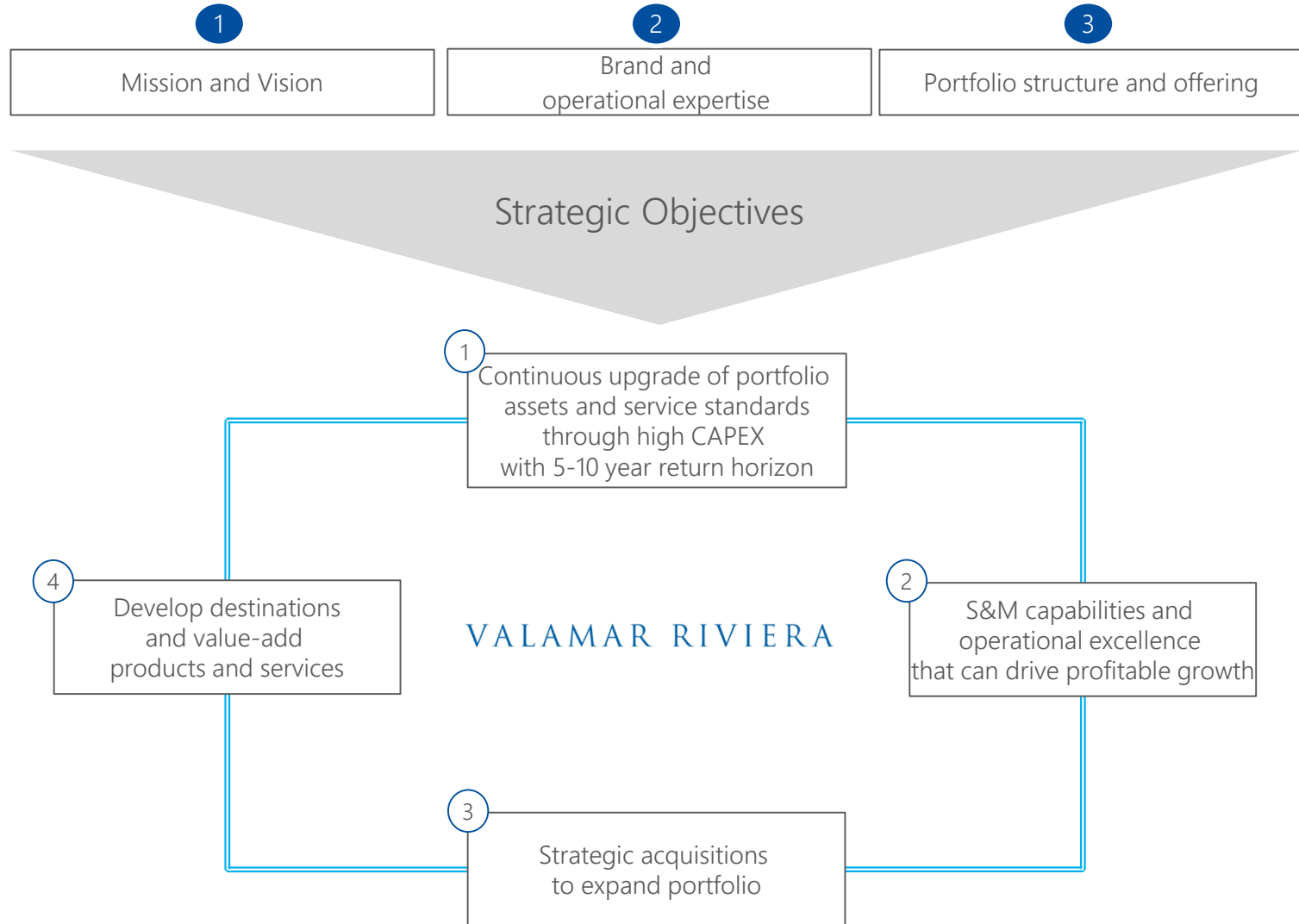
Forecasted Gross Debt Levels Based on Contracts Currently in Place (HRK mil.)





5. Business Strategy

Key Drivers Of Business Strategy And Long-term Goals

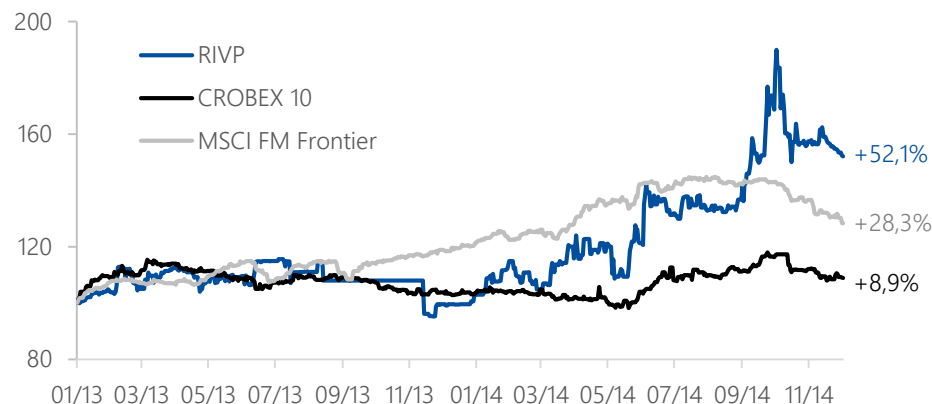


6. Valamar Riviera and the Zagreb Stock Exchange



Valamar Riviera and the Zagreb Stock Exchange

Share Price Performance and Liquidity



Average daily turnover (HRKm)*

Hrvatski telekom (HTRA)	1,17
Valamar Riviera (RIVPRA)	1,07
Adris (ADRSPA/RA)	0,88
Luka Ploče (LKPCRA)	0,45
Ledo (LEDORA)	0,45

* Period October - November

- As at December 15, with the market price of HRK 19.5, market capitalization amounted to $\approx$ HRK 2.4bn, with free float market capitalization of $\approx$ HRK 1.4bn
- RIVP-R-A is one of the top 10 shares with the largest market capitalization on ZSE and one of the top 3 most actively traded shares on the ZSE
- Upon listing, we expect the shares to be included in the following ZSE indices: *CROBEX*, *CROBEX10* and *CROBEXturist*
- Valamar Riviera will, in line with ZSE rules, publish financial results on quarterly basis but presentations for investors, road shows and conference calls will be held at the end of the third quarter of each year due to Company's dependency on peak season (summer months)
- Management committed to a minimum of HRK 0,5 per share annual dividend
- Analyst coverage:
 - InterCapital Securities; 1y target price of HRK 23,4 (Sept 2014)
 - FIMA; 1y target price of HRK 24,3 (Nov 2014)

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