



VALAMAR
All you can holiday



2019

**INTEGRATED ANNUAL REPORT
AND CORPORATE SOCIAL
RESPONSIBILITY**

VALAMAR RIVIERA d.d.

MESSAGE FROM THE CHAIRMAN



GUSTAV WURMBÖCK,
Supervisory Board
Chairman

I am glad to present the Valamar Integrated Annual Report for 2019 our fifth integrated report, which attests to our company's long-term commitment to sustainability and business excellence. This report presents an integrated review of our business and sustainability efforts in 2019 in accordance to GRI standards, a globally recognized practice of business and sustainability reporting on a range of economic, environmental and social impacts.

Valamar takes pride in our transparent and trustworthy relationships with our key stakeholders. The report before you supports us in continuously improving those relationships and creating value for our guests, employees, destinations, suppliers and shareholders. Furthermore, the report is one of the ways in which Valamar Riviera actively promotes responsible business practices.

The year 2019 was a very successful year for Valamar as a company as measured in financial, social, human, environmental and corporate culture indicators. Simultaneously we also successfully grew our nine CSR umbrella programs in terms of their value and their impact. In 2019 Valamar launched the largest environmental initiative in Croatian tourism, "1000 Valamar trees" to put more public focus on sustainable tourism development as a key prerequisite for long-term value creation in Croatia's tourism. We are committed to planting at least 1,000 trees each year and continue to care for the preservation and restoration of native plant species in our destinations. More than a thousand trees and over 50,000 different seedlings have been planted in Valamar hotels, resorts and camps in 2019.

In 2019 Valamar Riviera has once again recorded a growth in revenue, investment and profits. Business growth is a testament to the success of Valamar's business strategy which is driven by continuous investment in employees, products, services and innovation and recognized by our guests who report high levels of satisfaction. In 2019 Valamar was voted the 7th most desirable employer in Croatia and the most desirable employer in tourism, confirming that we are recognized for providing employees with the best salaries, knowledge, training and working conditions in the industry. In turn, I am always impressed and thankful for the dedication and hard work of all of our employees who are without exaggeration the key to Valamar's success.

Since the beginning of 2020 we have all witnessed the rise of a global pandemic which has had a profound effect on many lives and industries having especially disrupted the travel industry in a way that we could not have previously imagined. Valamar's corporate governance and risk management capabilities allowed the company to react to

the crisis swiftly and responsibly. After closing all properties and ceasing business mid-March, Valamar took less than two weeks to announce a job saving program under the name "Pause, Restart" ensuring that all Valamar employees keep their employment and receive payouts when they are not working. The program was supported by the unions and defined the framework for Valamar to protect employment levels until spring 2021 when we expect the beginning of business normalization. Valamar has reached similar agreements with other key stakeholders to preserve liquidity and ensure that capabilities and resources are in place to restart once travel begins to reopen. This has proven to be the right strategy that has allowed Valamar to successfully reopen properties in May and June and to ensure that the summer season is safely underway.

Valamar Supervisory Board has given its full support to the Management Board crisis management programs and action plans as well as the cancellation of dividend payment for 2019 to Valamar shareholders.

Valamar's sustainable business practices which are detailed in this report are critical in ensuring that value is created for all stakeholders. Likewise, during the times of crisis sustainability practices are critical in ensuring that value is preserved. Given our full commitment to building a sustainable and responsible business I am confident that Valamar will weather the current situation and return to the path of growth over the next year.

MESSAGE FROM THE CEO



ŽELJKO KUKURIN,
Management Board
President and CEO

After many years of successful growth, investment and development, the fifth integrated report of Valamar Riviera for the year 2019 will be published in challenging times for the global economy, especially for the travel industry. The global crisis caused by the COVID-19 pandemic has had a negative impact on our business and our stakeholder groups, highlighting even more the necessity for corporate and social responsibility and a sustainable long-term approach. The integrated annual report before you details our achievements and activities in 2019. Last year was a successful year of growth and development for the company confirming the validity of Valamar's approach to continuously invest in employees, products and destinations, with a high focus on sustainable development and corporate social responsibility. We have significantly increased salaries and improved working conditions, and an independent survey has once again rated us as the best employer in Croatian tourism. All our permanent employees, as well as employees who worked at least 10 months a year, received a 13th salary of HRK 5,000 net and a Christmas bonus of HRK 2,000 net.

In 2019 Valamar has grown to be able to accommodate over 58,000 guests per day in 36 hotels and resorts and 15 camping resorts served by more than 7,000 of our employees. Valamar hosted almost 1.2 million guests in 2019 and once again achieved a very high level of guest satisfaction due to the continued investment in the knowledge and skills of employees. Valamar's carefully designed education and training programs were expanded in 2019 in collaboration with the academic community, to launch the Valamar Excellence educational program.

Despite the increasing competitiveness of certain Mediterranean destinations and a season marked by declining growth in arrivals, Valamar has grown revenues almost 10% in 2019. This is particularly evident in newly invested properties. Valamar has invested close to HRK 6 billion in Croatian tourism so far, out of which HRK 826 million was invested in 2019 alone.

Valamar consistently implements high environmental protection standards, as the environment and our destinations are a key resource in tourism. Our commitment in 2019 was rewarded when six Valamar Riviera campsites received EU Ecolabel, which promotes environmental excellence and helps identify products and services that have a reduced environmental impact.

In 2019 Valamar began with the construction of the Pinea Valamar Collection Resort in Poreč, worth HRK 790 million. However, due to the current situation, construction works are temporarily halted and the completion of this investments is postponed. This is the largest single investment in Croatian tourism which will hold the largest hotel event center in Istria. The center will be able to host up to 1,200 people, bringing new quality to Poreč's tourism, strengthening its position as one of the most prestigious destinations on the Adriatic, and prolonging the tourist season.

In 2019 Valamar Riviera participated in the recapitalization of Imperial Riviera worth a total of HRK 426 million together with

AZ pension funds. Imperial Riviera's capital increase marked the beginning of a five-year business plan of estimated investments in tourism in the amount of HRK 1.5 billion, with focus on reconstructing and renovating owned properties and the further expansion of Imperial Riviera's portfolio under Valamar's management. Increasing the share capital of a joint undertaking for the management and investment in hospitality assets is a logical continuation of Valamar's successful collaboration with institutional investors. Stakeholders who have participated in the recapitalization believe in the growth potential of Croatian tourism and the long-term sustainability of the hotel industry which invests in employees, destinations and quality tourism.

In 2020, the focus of Valamar's efforts has shifted from achieving sustainable growth to crisis management. In order to ensure the stability of the company and preserve the resources and skills needed to restart operations, Valamar established the Risk Management Committee in February, which actively and responsibly managed business. Valamar was the first tourism company in Croatia to create a job savings program at the onset of the crisis. Valamar implemented the "Pause, Restart Program" with the support of social partners. The program ensures continued payouts to all "paused" employees waiting for work in the amount of at least 60% of their regular salary, but not less than HRK 4,250 net. Management salaries are reduced up to 30% until all employees return to work. After suspending their fees from March to August, the Supervisory Board has reduced member fees by 30%. In the period from March to June, over 90% of Valamar's employees were on "pause", the cost of which was jointly borne by shareholders and the state, which subsidizes salaries of employees waiting for work. The program will continue during the fall and winter in order to preserve jobs until the spring of 2021 when business is expected to normalize. Despite the crisis, Valamar Riviera confirmed its status as the best employer in tourism this year, ranking sixth on the list of best employers in Croatia.

A crisis is a test of a business model, values, resilience, and the ability of a company to respond to crisis. Although the 2020 COVID-19 crisis is unprecedented, Valamar has created and executed strategic action plans that are driven by Valamar's relationships and commitment to all key stakeholders – employees, guests, partners, suppliers, creditors, shareholders and destinations. The achieved financial stability and ownership-operational management model will enable full business restart and resume development during 2021.

Croatia has a unique opportunity to promote itself as the most desirable destination in the Mediterranean and achieve strong growth in 2021 given its high safety level, geographical and political position in Europe. As a leader in Croatian tourism, Valamar is competent and ready to encourage the responsible and sustainable re-start and growth of Croatian tourism. I am confident that, with the support of our stakeholders, we will do our utmost to resume development in the following year.

CONTENT

MESSAGE FROM THE CHAIRMAN	2
MESSAGE FROM THE CEO	3
1 ABOUT THIS INTEGRATED REPORT	6
2 ABOUT VALAMAR RIVIERA	8
3 THE HOSPITALITY INDUSTRY IN CROATIA 2019	20
4 ENGAGEMENT OF KEY STAKEHOLDERS AND MATERIAL ASPECTS	28
Communication with Key Stakeholders	30
Communication with Associated Stakeholders	30
Valamar Riviera Key Stakeholders and Associated Stakeholders	31
Valamar Riviera Contribution to Economic Development in 2019	32
Identification of Material Aspect and Boundaries	33
5 REPORTS	34
Business results 2019	34
Investor relations and Valamar Riviera share	43
Sales Performance	46
Service Excellence	48
Employees and Organization	50
Responsibility to the Local Community and the Environment	58
Corporate Governance	62
6 ACHIEVEMENTS IN CORPORATE SOCIAL RESPONSIBILITY 2019	76
INNOVATION AND DIGITALIZATION	82
AWARDS AND RECOGNITIONS	84
OPINION OF THE MANAGEMENT BOARD COMMITTEE OF THE CROATIAN BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT ON THE 2019 INTEGRATED REPORT OF VALAMAR RIVIERA	88
GRI INDEX	90

1

ABOUT THIS INTEGRATED REPORT

This integrated report refers to the reporting period from the 1st of January to the 31st of December 2019. It is based on the Annual Report of Valamar Riviera Group* published on the 28th of February 2020.

For the fifth consecutive year, Valamar integrated business reporting with sustainability reporting i.e. non-financial information on the company's environmental and social impacts, using the new GRI Standards (core option) as general guidelines. The report presents information on how the company affects its natural, social and economic environment and how this impact is managed in the long term. Corporate social responsibility is approached comprehensively with key stakeholders in mind. The company develops continual communication with them as part of Valamar strategy where sustainable destination development,

support to the local community and care for the environment are included in everyday business operations.

As the largest employer in Croatian tourism, Valamar focuses on investing in the constant development of human resources to maintain its leadership and status as a company providing the best conditions and overall care for its employees.

According to an independent 2019 survey by MojPosao, a Croatian job search web portal, Valamar is the only tourism company among the Top 10 employers in

Croatia offering such working conditions to its employees and was voted best employer in tourism. The report is available at www.valamar-riviera.com. We invite all stakeholders to submit their comments and suggestions at integratedreport@valamar.com. To make the presented data more relevant, the end of the report contains the opinion and recommendations for future reporting given by the Croatian Business Council for Sustainable Development (HR PSOR).

* Valamar Riviera Group (hereinafter: company, group, Valamar Group, Valamar, Valamar Riviera) in 2019 included the following entities: Valamar Riviera d.d., Valamar hotels & resorts GmbH, Magične stijene d.o.o., Palme turizam d.o.o., Bugenvilla d.o.o., Imperial Riviera d.d., Valamar A GmbH, Valamar Obertauern GmbH.

Valamar Collection
Marea Suites, 5, Poreč*



2

ABOUT VALAMAR RIVIERA

Valamar Riviera is Croatia's leading tourism company operating hotels, resorts and camping resorts in prime destinations – Istria, the islands of Krk, Rab and Hvar, Makarska, Dubrovnik, and Obertauern in Austria.

Valamar's 36 hotels and resorts and 15 camping resorts can welcome around 58.000 guests daily and provide perfect holidays and authentic experiences for each guest.

The company believes in a growth-driving strategy focused on investments in high added-value products, talents, innovative services and destination development. Valamar Riviera is a responsible and desirable employer and one of the top Croatian and regional investors in tourism with over HRK 6 billion invested so far.

Steered by sustainability and social responsibility, Valamar leads the innovative management of leisure tourism and creates new value for guests, employees, shareholders and local communities in partnership with its destinations.





*Istra Premium Camping
Resort by Valamar 5*, Poreč*

VALAMAR RIVIERA D.D.

Stancija Kaligari 1, 52440 Poreč, Croatia

Business activity:

Hospitality and tourism (core activities) and other associated activities related to the performance of core activities.

Primary brands:

Valamar All you can holiday
Valamar Collection Hotels
Valamar Collection Resorts
Valamar Hotels & Resorts
Sunny by Valamar
Camping Adriatic by Valamar

Portfolio:

36 hotels and resorts
and 15 camping resorts.

Land surface:

589 hectares,
47% owned and
53% under concession

Maritime domain: 37 km.

SOURCE MARKETS

Germany		30%
Austria		15%
Slovenia		7%
United Kingdom		7%
Italy		6%
Netherlands		5%
Czech Republic		4%
Other		26%

* Only includes commercial overnights.

KEY INDICATORS

	2017	2018	2018/ 2017	2018	2019	2019/ 2018
Total revenues (HRK bn)	1.84	2.05	11%	2.02	2.2	10%
EBITDA (HRK mn)	606	694.5	15%	693.2	769.0	11%
Net debt / EBITDA	2.92	3.1	6%	3.1	2.9	-6%
Employees (peak season)*	5,924	6,739	13.10%	6,739	7,068	5%
Capital investments (HRK mn)	877.7	703.6	-20%	703.6	954.6	36%
Guests**	1,013,873	1,077,697	6.2	1,077,697	1,179,832	9%
Beds**	56,662	58,023	2%	58,023	58,216	0.3%
Overnights**	6,173,142	6,459,734	5%	6,459,734	6,775,709	5%
Keys**	20,852	21,371	2%	21,371	21,266	-0.5%
Book value of long-term assets (HRK mn)	4.63	5.31	14	5.3	5.9	11%
Market capitalization as at 31/12 (HRK bn)	5.42	4.47	-18%	4.5	4.7	6%
Shareholders as at 31/12	21,835	21,759	-0.30%	21,759	21,164	-3%

* Peak season employment data include Hoteli Makarska d.d.

** Valamar House – Staff Residence - Valamar House accommodation is included.

NET OPERATING REVENUE (HRK mn)

	2016	2017 ²	2018 ³	2019 ⁴	2019/2018	2019/2017	2019/2016
Hotels and resorts	1,119	1,319	1,453	1,565	8%	19%	40%
Camping resorts	303	400	467	539	15%	35%	78%
Other ¹	45	49	47	47	1%	-3%	6%
Ukupno	1,467	1,767	1,967	2,151	9%	22%	47%

¹ Leasing, laundry, and other operating revenues included.² Imperial Riviera d.d. included.³ Hoteli Makarska and Valamar Obertauern Hotel included.⁴ Valamar Riviera d.d., Imperial Riviera d.d. and Valamar Obertauern Hotel included.**OPERATING REVENUES** (HRK mn)

* Imperial d.d. and Hoteli Makarska d.d. are included as of 2017 and August 2018, respectively.

2020 PORTFOLIO OVERVIEW (by keys/pitches)

Destination	Keys
Poreč	10,404
Rabac	2,133
Krk Island	3,357
Rab Island	2,455
Makarska	716
Dubrovnik	2,100
Hvar Island	601
Austria	82
TOTAL	21,848



VALAMAR BRANDS 2020

			Keys	Capacity share	No. of properties
VALAMAR RIVIERA – TOTAL			21,848	100%	51
VALAMAR RIVIERA – NON COMMERCIAL			1,021	4.6%	
VALAMAR RIVIERA – COMMERCIAL			20,827	95.4%	51
HOTELS AND RESORTS			9,259	42.4%	36
VALAMAR COLLECTION			536	2.5%	3
Valamar Collection Marea Suites	★★★★★	Poreč	108	20%	1
Valamar Collection Imperial Hotel	★★★★	Rab Island	136	25%	1
Valamar Collection Dubrovnik President Hotel	★★★★★	Dubrovnik	292	54%	1
VALAMAR COLLECTION RESORTS			725	3.3%	2
Isabella Valamar Collection Island Resort	★★★★★ (4/5)	Poreč	334	46%	1
Girandella Valamar Collection Resort	★★★★★ (4/5)	Rabac	391	54%	1
VALAMAR HOTELS & RESORTS			4,055	18.6%	17
Valamar Riviera Hotel & Residence	★★★★	Poreč	133	3%	1
Valamar Tamaris Resort	★★★★	Poreč	507	13%	1
Valamar Parentino Hotel	★★★★	Poreč	289	7%	1
Valamar Crystal Hotel	★★★★	Poreč	223	5%	1
Valamar Diamant Hotel & Residence	★★★★ (3/4)	Poreč	372	9%	1
Valamar Pinia Hotel	★★★	Poreč	170	4%	1
Valamar Sanfior Hotel & Casa	★★★★	Rabac	242	6%	1
Valamar Atrium Baška Residence	★★★★★ (4/5)	Krk Island	64	2%	1
Valamar Zvonimir Hotel & Villa Adria	★★★★	Krk Island	113	3%	1
Valamar Koralj Hotel	★★★	Krk Island	194	5%	1
Valamar Carolina Hotel & Villas	★★★★	Rab Island	176	4%	1
Valamar Padova Hotel	★★★★	Rab Island	175	4%	1
Valamar Meteor Hotel	★★★★	Makarska	268	7%	1
Valamar Argosy Hotel	★★★★	Dubrovnik	308	8%	1
Valamar Lacroma Dubrovnik Hotel	★★★★	Dubrovnik	401	10%	1
Valamar Club Dubrovnik Hotel	★★★	Dubrovnik	338	8%	1
Valamar Obertauern Hotel	★★★★	Austria	82	2%	1

			Keys	Capacity share	No. of properties
SUNNY BY VALAMAR			3,571	16.3%	13
Rubin Sunny Hotel by Valamar	★★★	Poreč	253	6%	1
Pical Sunny Hotel by Valamar	★★	Poreč	0	0%	*
Lanterna Sunny Resort by Valamar	★★	Poreč	606	15%	1
Miramar Sunny Hotel & Residence by Valamar	★★★	Rabac	178	4%	1
Allegro Sunny Hotel & Residence by Valamar	★★★	Rabac	180	4%	1
Corinthia Baška Sunny Hotel by Valamar	★★★	Krk Island	431	11%	1
San Marino Sunny Resort by Valamar	★★★	Rab Island	457	11%	1
Eva Sunny Hotel & Residence by Valamar	★★	Rab Island	284	7%	1
Dalmacija Sunny Hotel by Valamar	★★★	Makarska	190	5%	1
Rivijera Sunny Resort by Valamar	★★	Makarska	258	6%	1
Tirena Sunny Hotel by Valamar	★★★	Dubrovnik	208	5%	1
Lavanda Sunny Hotel by Valamar	★★★	Hvar Island	179	4%	1
Arkada Sunny Hotel by Valamar	★★	Hvar Island	262	6%	1
Trim & Helios Sunny Apartments by Valamar	★★	Hvar Island	85	2%	1
CO-BRANDING / OUTSOURCED BRANDS			372	1.7%	1
TUI Blue Bellevue Resort	★★★★	Rabac	372	9%	1
CAMPING RESORTS			11,568	53%	15
CAMPING ADRIATIC BY VALAMAR – PREMIUM RESORTS			5,350	24%	5
Istra Premium Camping Resort by Valamar	★★★★★	Poreč	869	21%	1
Lanterna Premium Camping Resort by Valamar	★★★★	Poreč	2,931	72%	1
Krk Premium Camping Resort by Valamar	★★★★★	Krk Island	500	12%	1
Ježevac Premium Camping Resort by Valamar	★★★★	Krk Island	632	16%	1
Padova Premium Camping Resort by Valamar	★★★★	Rab Island	418	10%	1
CAMPING ADRIATIC BY VALAMAR – RESORTS			4,558	21%	6
Orsera Camping Resort by Valamar	★★★	Poreč	596	15%	1
Solaris Camping Resort by Valamar	★★★	Poreč	1,824	45%	1
Marina Camping Resort by Valamar	★★★★	Rabac	328	8%	1
Baška Beach Camping Resort by Valamar	★★★★	Krk Island	593	15%	1
Bunculuka Camping Resort by Valamar	★★★★	Krk Island	408	10%	1
San Marino Camping Resort by Valamar	★★★★	Rab Island	809	20%	1
CAMPING ADRIATIC BY VALAMAR – SUNNY			1,660	8%	4
Brioni Sunny Camping by Valamar	★★	Poreč	740	18%	1
Tunarica Sunny Camping by Valamar	★★	Rabac	160	4%	1
Škrila Sunny Camping by Valamar	★★★	Krk Island	342	8%	1
Solitude Sunny Camping by Valamar	★★★	Dubrovnik	418	10%	1

* Investment in construction.

VALAMAR'S CORPORATE STRATEGY

Vision

To be the leader in leisure tourism and create authentic guest experiences in partnership with our destinations.

Mission

To create unforgettable guest experiences by using innovative services in leisure tourism.
To develop a stimulating corporate culture where guests and employees come first.
To deliver new value for shareholders through corporate responsibility by promoting sustainable development and supporting local communities.

Values

**GUEST-LOVING**

We make our guests feel very welcome and highly appreciated.

**AMBITIOUS**

We set challenging goals and strive for excellence in everything we do.

**RESPONSIBLE**

We are a responsible business partner, a caring employer, supportive towards the community and committed to preserving the environment.

**INNOVATIVE**

We engage in collaborative innovation to improve our performance, stay alert and open to change.

**PROUD**

We take pride in our destinations and being part of the Valamar family.



VALAMAR
All you can holiday



The beginning of tourism in Poreč

1910
opening of the Riviera hotel
(the company was named after it)



1953
Riviera established, the
company-predecessor of
Valamar Riviera d.d.

20 people employed in the
first season of operation



1970
Kristal hotel built

Dynamic growth in tourism
and intensive construction
of hotels, apartments and
campsites



1999
establishment of Dom fond,
the largest privatization
investment fund

1895

1950

Tourism developing along
the Croatian Adriatic coast

Public bathing areas
became favorite spots for
the first tourists

1950

1965

Management of hotels,
bungalows and
restaurants in Poreč and
on Sveti Nikola Island

1965

1990

1979 – Pical hotel
(the first high-category
hotel in Poreč)

1986 – Fortuna hotel built
on Sveti Nikola Island

1990

2000

Privatization and ownership
transformation: economic
processes in the war's
aftermath





Introduction of the first brands for hotels and campsites: Valamar Hotels & Resorts and Camping on the Adriatic

Management and portfolio consolidation

the company started operating as Valamar Riviera d.d. and was listed on the official market of the Zagreb Stock Exchange in December 2014

New stage in growth and acquisitions:

2015
Opening of Isabella Valamar Collection Island Resort 4*/5*

2017
Opening of the largest investment in Croatian tourism: Girandella Valamar Collection Resort 4*/5* and TUI Blue Bellevue Resort 4*

2018
Valamar presented the new brand strategy and brand identity named "All you can holiday" featuring five new product brands

2019
Opening of Istra Premium Camping Resort 5* – first large five star camping resort in Istria

2019
Opening of Valamar Collection Marea Suites 5* – expanded offer of premium family holiday in Poreč

2000
—
2010

2010
—
2015

2015
—
2018

2019
—
2020

Valamar timeline

Valamar hoteli i ljetovališta starts managing hospitality operations

Business growth and portfolio investments: improving the quality of properties and services

Mergers and acquisitions:

2011 – Zlatni otok d.d. (est. 1956), Rabac d.d. (est.1961)

2013 – Dubrovnik-Babin Kuk d.d. (est. 1971)

2014 – Valamar Adria holding d.d. (est. 2003), Valamar grupa d.d. (est. 2005)

Mergers and acquisitions:

2015 – Hoteli Baška d.d. (est. 1949)

2016 – Imperial d.d. (est. 1965) in partnership with AZ pension fund

2018 – Hoteli Makarska d.d. (est.1952) in partnership with AZ mandatory pension funds

Valamar acquires a hotel in Obertauern, Austria as its first step in internationalization

Repositioning Valamar Argosy Hotel in Dubrovnik and renovating Valamar Collection Imperial Hotel on Rab; the first Kinderhotel in Valamar’s portfolio – Valamar Girandella Maro Suites opened in Rabac

Further investments in the camping segment focusing on camping resorts in Istria and Krk Island; Valamar recognized as the best employer in tourism and the only tourism company among the top 20 employers in Croatia

Valamar Riviera’s 65th anniversary ceremony

Mergers and acquisitions:

The merger of Hoteli Makarska and Imperial, Rab - generating Imperial Riviera d.d. s with the aim of further expansion of business in Croatia and region

Acquisition of Helios Faros on the island of Hvar partnership between Valamara and PBZ CO pension funds

Investments in Pical Riviera – HRK 1.5 billion investment by 2021, includes hotel Pinea (HRK 790 million)

Valamar Riviera found Best Employer in Croatian tourism

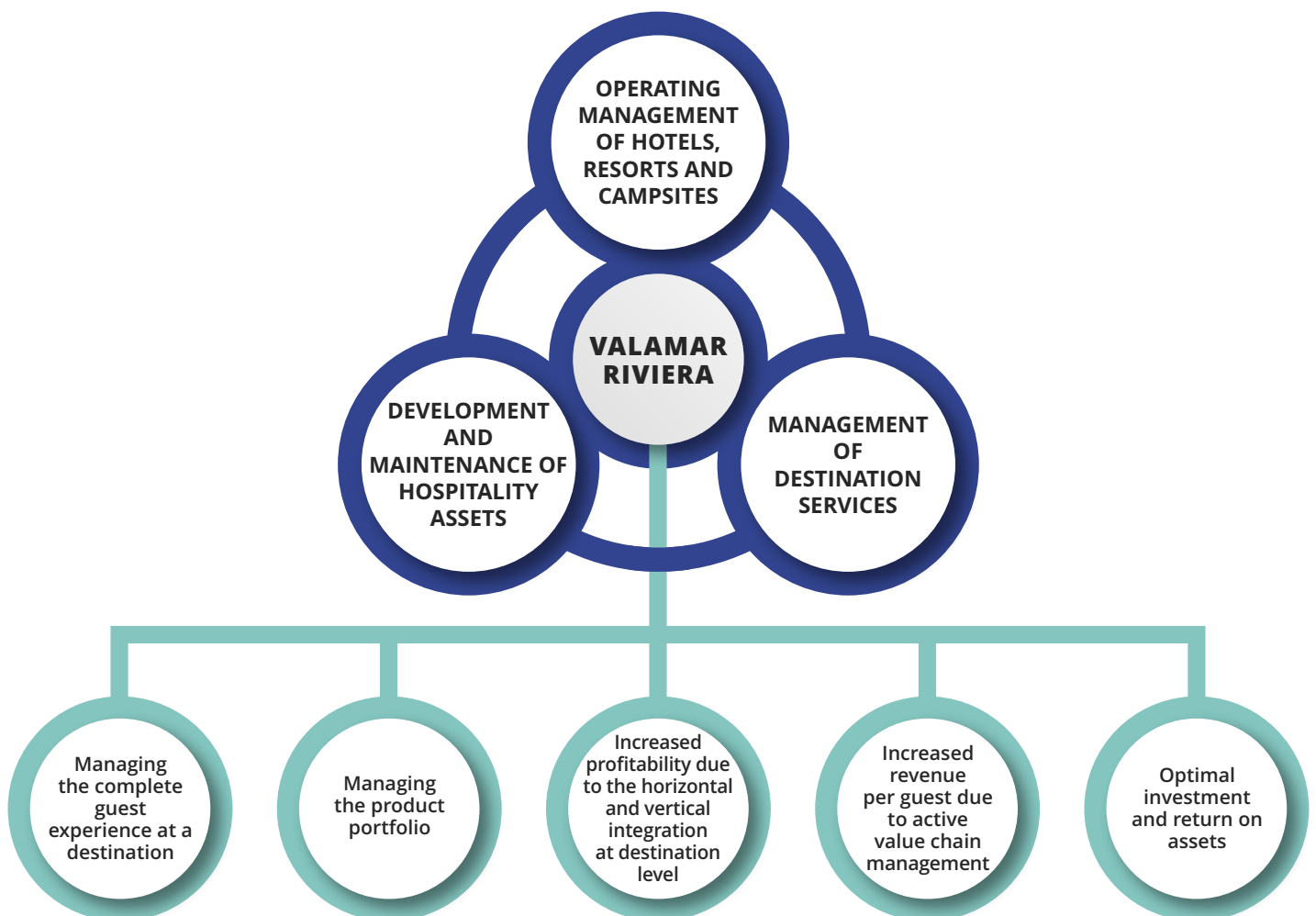
Achieved three-year strategic growth, development and investment plan worth HRK 2.402 billion.



VALAMAR RIVIERA BUSINESS MODEL

Valamar manages the complete guest experience. It includes the development and maintenance of our hospitality assets, operating management of hotels, campsites and resorts and the improvement of the tourism offering at a destination.

We manage the entire destination value chain; our business excellence and destination partnerships produce high quality service, optimize operations and secure a high return on investment.



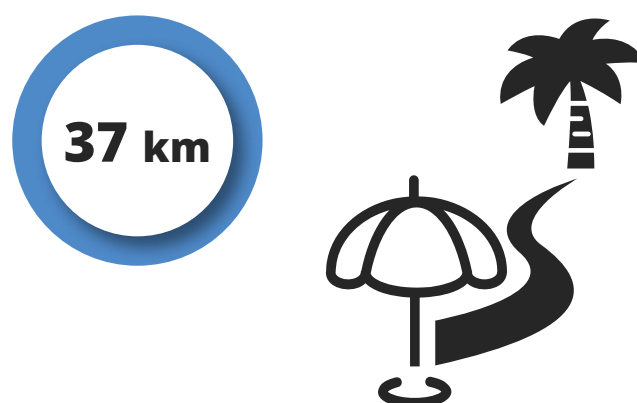
ASSET MANAGEMENT AND LONG-TERM ASSETS OWNED

Valamar Riviera manages assets on 589 hectares of land, which includes 37 km of maritime domain.

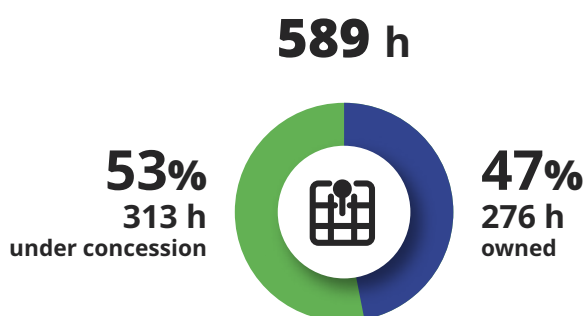
LONG-TERM ASSETS OF VALAMAR RIVIERA GROUP

LONG-TERM ASSETS	HRK 5,86 bn
Hotels and resorts	59%
Campsites	25%
Other ¹	16%
Shoreline	37 km
Land surface	589 h
Investment maintenance	5%

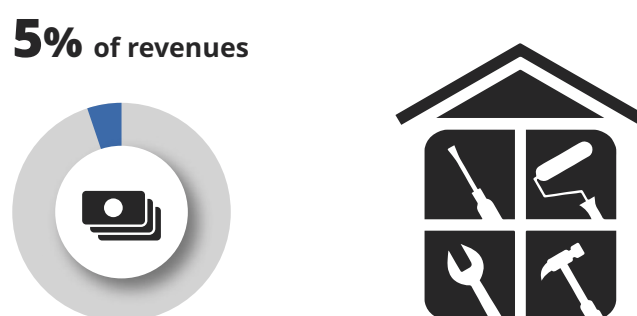
SHORELINE²



LAND SURFACE



INVESTMENT MAINTENANCE AND FF&E³



¹ HQ building and non-core assets included.

² Maritime domain refers to the coastal area directly adjacent to Valamar's properties which are under concession, managed or used by Valamar and makes an integral part of Valamar beach and sea offering and services.

³ Our policy is to annually invest up to 5% of revenues in investment maintenance and FF&E (Furniture, Fixtures & Equipment).

3

THE HOSPITALITY INDUSTRY IN CROATIA 2019

Competition on the Mediterranean tourism market grows stronger, while key source markets record a slowdown or a decrease in economic growth. In leading tourism companies profitability grows at slow rates. In 2020, a moderate increase in tourist arrivals is expected in Europe and the Mediterranean, with a moderate increase in hotel prices.

STABLE ECONOMIC IMPACT OF TOURISM IN THE WORLD AND CROATIA

The global tourism and travel industry deliver a strong economic performance in 2019. The sector of tourism grows faster than the economy average, employing over 10% of total employees and creating one in five jobs in the world.

The exceedingly high importance of tourism for Croatia's overall national economy has been confirmed by the Croatian Tourism Satellite Account. Croatia's tourism industry generates 320,000 jobs, of which 137,000 directly in the sector, while the remaining 182,000 are tourism-related activities.

ECONOMIC IMPORTANCE OF TOURISM IN CROATIA

Tourism
generates

11.4%
of Croatia's
total GDP

Tourism directly employs

1/10
workers in Croatia

Tourism directly and
indirectly contributes

16.9%
to Croatia's gross
added value

Tourism directly and indirectly employs

23%
of all workers in Croatia

Tourism
generates

11%
of total investments
in Croatia

Sources: Croatian Tourism Satellite Account for 2016, Institute for Tourism Zagreb, Central Bureau of Statistics, Ministry of Tourism of the Republic of Croatia, 01/15/2019; Travel & Tourism Economic Impact 2018 Croatia, World Travel & Tourism Council, March 2019.



Valamar Argosy
Hotel 4*, Dubrovnik

SLOWDOWN OR STABILIZATION OF ECONOMIC GROWTH IN CROATIA'S LEADING SOURCE MARKETS

The decelerating economic growth continues in Croatia's key source tourist markets. The European economy has entered a prolonged period of slow economic growth and low inflation. Mid-2019, this slowdown was caused by uncertainties associated with increased trade tensions and geopolitical conflicts.

According to the European Commission's February forecast, in 2020 the European economy will continue to grow steadily at moderate growth rates.

In 2020, most of Croatia's key source markets are expected to experience slow economic activity or stagnation. However, Germany, Croatia's most significant source market, expects a recovery of its economic growth rate (from 0.6 percent in 2019 to 1.1 percent in 2020).

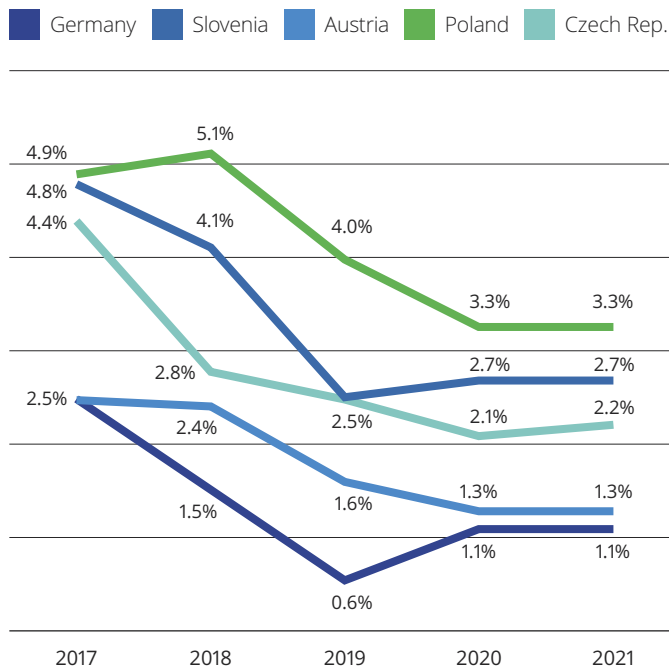
GROWTH RATE OF GROSS DOMESTIC PRODUCT

European Commission forecast

	2019	2020	2021
Euro areas	1.2%	1.2%	1.2%
EU	1.5%	1.4%	1.4%
World (w/o EU)	3.1%	3.3%	3.4%

Source: European Economic Forecast, Winter 2020, February 2020.

GDP GROWTH RATE IN TOP 5 LEADING SOURCE MARKETS IN CROATIAN TOURISM



Source: European Economic Forecast, Winter 2020, February 2020.

DECREASING GROWTH RATE ON THE GLOBAL TOURISM MARKET IN 2019

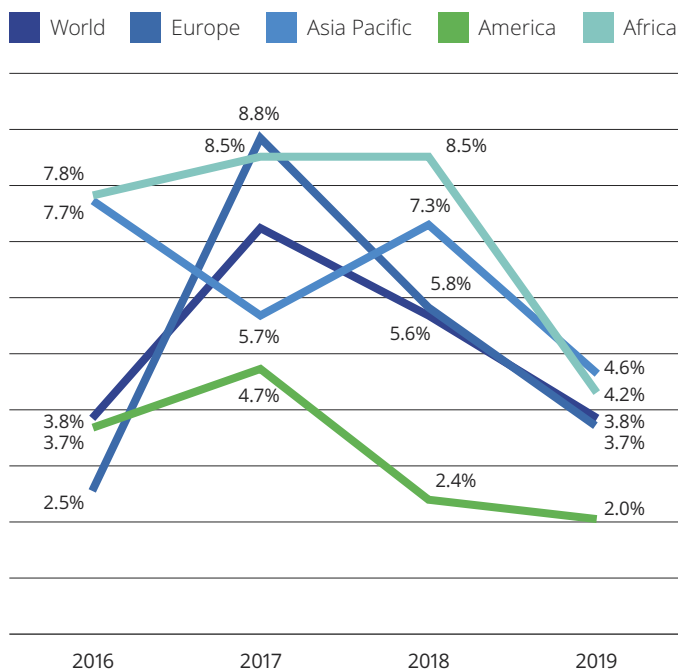
In 2019, 1.5 billion international tourist arrivals were generated worldwide. This is an increase of 3.8 percent compared to the previous year, and the same is forecasted for 2020, which confirms that tourism is the leading economic sector, especially given current uncertainties.

According to UNWTO World Tourism Barometer, 2019 is the tenth consecutive year that records tourist volume growth. All the world's macro-regions recorded an increase in international arrivals in 2019.

However, the uncertainty surrounding Brexit, the collapse of the Thomas Cook company, geopolitical and social tensions, and the slowdown in the global economy contributed to slower growth in 2019 compared to exceptional growth rates in 2017 and 2018.

The aforementioned slowdown mainly affected the more advanced economies: Europe, Asia and the Pacific in particular. International tourist arrivals are projected to grow by 3 to 4 percent in Europe in 2020 and on average worldwide.

GROWTH IN INTERNATIONAL TOURIST ARRIVALS



Source: UNWTO, January 2020.

CROATIA'S POSITION ON THE MEDITERRANEAN TOURISM MARKET

The 2019 season has shown that tourist demand is shifting towards Eastern Mediterranean destinations that offer greater value for money, taking into account the total holiday cost (travel, accommodation, out-of-board services). Thus, for example, Turkey, Greece and long-distance travel recorded a significant increase in the share of German travel in 2019. Furthermore, the hotel industry of Turkey, Tunisia and Egypt continue to achieve above-average revenue growth of hotel accommodation per room (up 10% to 20% compared to the previous year) in 2019. In contrast, the western Mediterranean hotel industry recorded significantly lower growth rates (up to 5 percent compared to the previous year) and some destinations even recorded a drop in

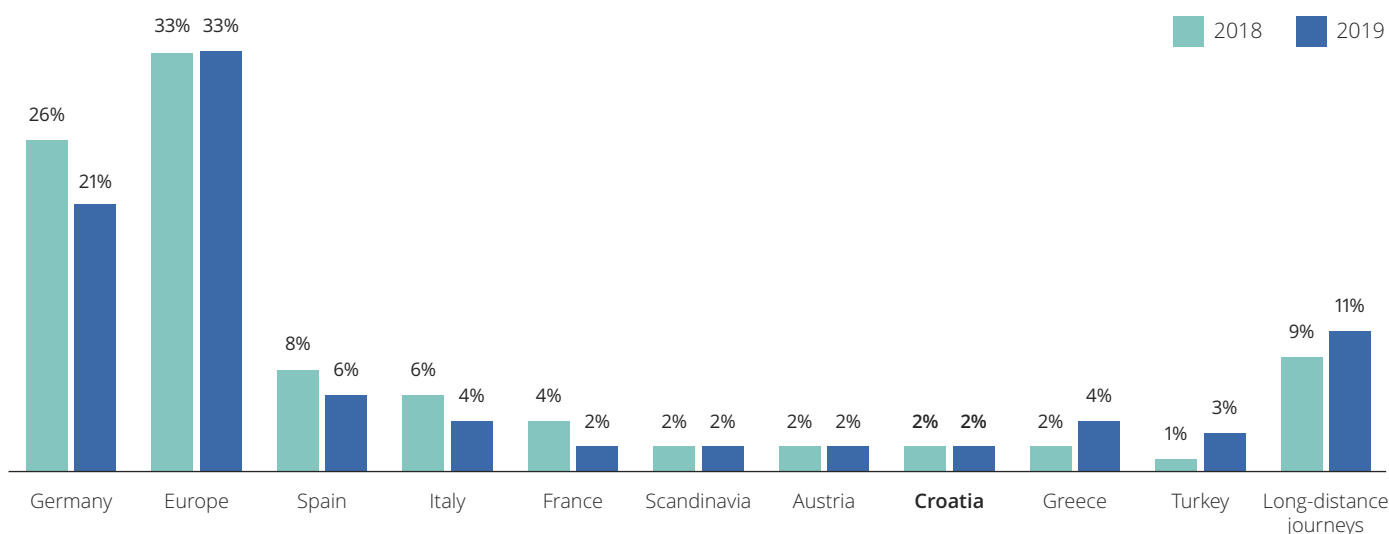
accommodation revenue per hotel room. The current economic situation as well as forecasts for the future period influence the population's travel preferences. The psychological impact of the expected recession affects the choice of holiday destinations that offers better value for money. Additionally, the climatic conditions that caused warmer and nicer weather in northern and central Europe in recent years discourage a part of the population from spending holidays abroad.

The expected continuation of the complex competitive situation in the Mediterranean in 2020 will be based on the value for money concept. Investing in quality and raising the value of the overall guest experience is a

strategy that has already shown success in Croatian tourism companies in 2019, as they have managed to reach price levels with adequate capacity utilization.

Despite a stagnation on the most important market, Germany (-0.2 percent in 2019 compared to the previous year), as well as on the Austrian (-0.4 percent) and Slovakian source markets (-0.8 percent) Croatia maintained a stable position on main source markets in 2019. A significant drop in overnights in Croatia (from 2 to 3.5 percent) was recorded by the UK, Slovenia, Italy and Hungary, while the number of overnights from the Polish, Czech and Dutch markets increased.

PLANNED DESTINATIONS OF GERMANS FOR MAIN HOLIDAY 2019 AND 2018



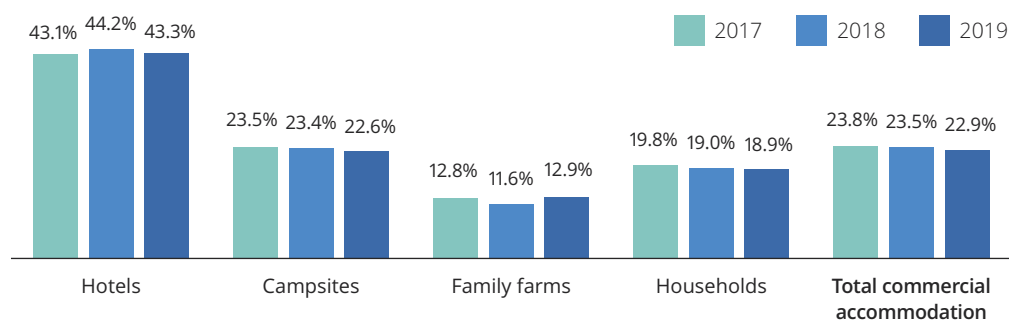
Source: www.stiftungfuerzukunftsfragen.de, 2019; Tourist impulse Q4 2019, Croatian Tourism Association.

CONTINUATION OF THE DECREASING OCCUPANCY RATE TREND IN CROATIA

The number of overnights in Croatia increased by 2.4% compared to the previous year, however, in the same period the number of beds in total commercial accommodation increased by 4.6%.

In the last few years, accommodation capacities in Croatia have increased faster than the volume of overnights, resulting in a decreasing occupancy rate in most types of accommodation annually.

OCCUPANCY RATES BY COMMERCIAL ACCOMMODATION SEGMENTS IN CROATIA IN THE PERIOD OF 1 JAN.-31 DEC. 2019 COMPARED TO THE TWO PREVIOUS YEARS



Source: eVisitor, Croatian Tourism Board, 31/12/2019, 31/12/2018, 31/12/2017.

LEADING TOURISM COMPANIES IN CROATIA: MODERATE PROFITABILITY GROWTH IN 2019

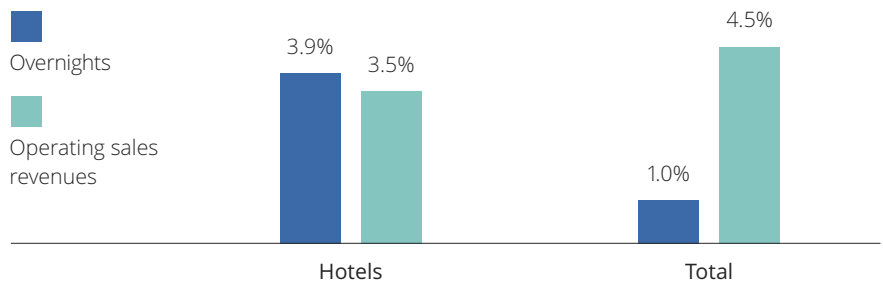
The Croatian Tourism Association (HUT) surveyed its members - the leading hospitality companies in Croatia - on key business indicators achieved in the first nine months of 2019 compared to the same period last year. The survey indicates that for the first nine months of 2019, total operating expenses increased significantly more than operating revenues, resulting in a 3.9 percent increase in earnings before interest, taxes, depreciation and amortization (EBITDA), well below the growth rate of operating income (5.3 percent). In the same period, a lower gross income from operating activities (decrease of -0.3 percent) was recorded.

According to the analysis of the Croatian Tourism Association, operating revenue from sales in hotels grew at a slower rate than the growth of actual demand. This is due to strong competition in the Mediterranean, as well as to investments in product development made by the leading hospitality companies in Croatia in 2019. The analysis of total capacities suggests that the growth rate of sales revenue exceeds the overnight growth, due to large investment projects in the repositioning of certain campsites and other capacities. As a consequence of job market conditions, in the first nine months of 2019, compared to the same period last year, the average cost of labor increased by 10.5% and in some companies more than 17.8%. This increased the share of labor costs in operating income from 22.4% to 23.5%.

In the aforementioned period, material costs (+ 7.3 percent) increased more than operating income (+ 5.3 percent), depreciation and amortization increased by 16.5 percent due to investments made.

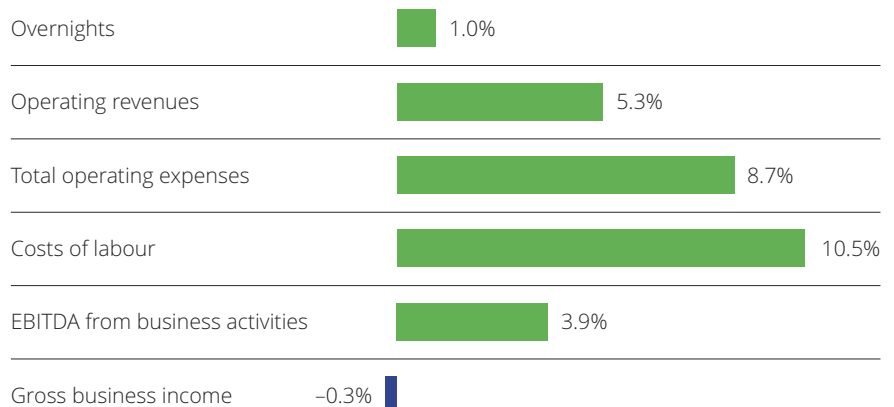
The rate of return (profit for the period relative to total assets) decreased from 8.8 percent in 2018 to 7.9 percent in 2019, or 10 percent in just one year, in the first nine months of 2019. Given that the rate of return is one of the deciding factors in making investment

GROWTH IN OVERNIGHTS AND SALES REVENUES IN LEADING HOSPITALITY COMPANIES IN CROATIA (Jan.-Sept. 2019 vs Jan.-Sept. 2018)



Source: Survey of leading hospitality companies in Croatia, HUT - November 2019.; Tourist impulse Q4 2019, Croatian Tourism Association.

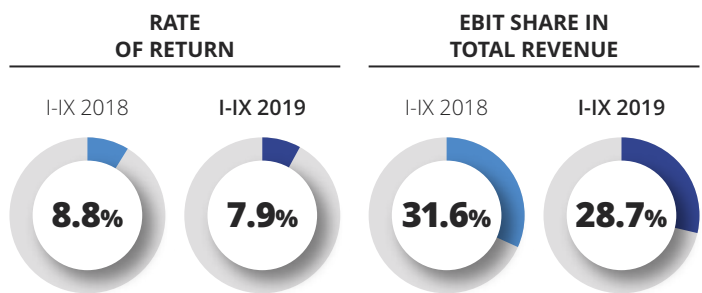
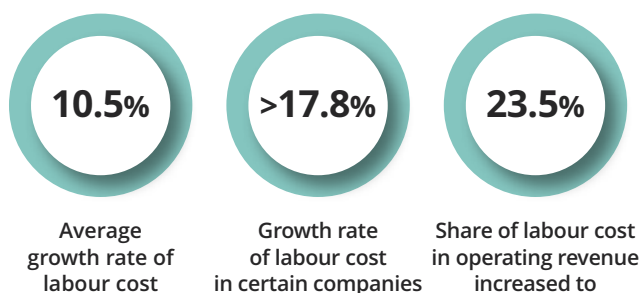
CHANGE RATES OF KEY BUSINESS INDICATORS OF LEADING HOSPITALITY COMPANIES IN CROATIA (Jan.-Sept. 2019 / Jan.-Sept. 2018)



Source: Survey of leading hospitality companies in Croatia, HUT - November 2019; Tourist impulse Q4 2019, Croatian Tourism Association.

decisions, this information is a matter of concern. Specifically, the 7.9 percent rate of return for Croatia's leading tourism companies marks a return on investment of 12.65 years. The rate of return in Croatia's tourism is lower than in competing Mediterranean countries, where the leading investors in tourism achieve a 10 to 12 percent rate of return, or a return of investment period of 8 to 10 years.

According to the HUT analysis, as a consequence of these cost developments, the EBIT margin was reduced from 31.6 percent in the first nine months of 2018, to 28.7 percent in the first nine months of 2019, or 10 percent in a year. All data refer to the first nine months of 2019 compared to the same period of the previous year.



Source: Survey of Leading Hospitality Companies in Croatia, HUT - November 2019.; Tourism impulse Q4 2019.

THE ANTICIPATION OF MODERATE GROWTH IN EUROPEAN HOTEL PRICES WITH INCREASING COMPETITION ON THE MEDITERRANEAN

According to market forecasts, hotel prices in the world and Europe are expected to grow moderately in 2020 (from 1 to 3 percent compared to 2019), with increasing competition on the hotel market.

Analysts predict that the European hotel market will meet with more challenging business conditions next year: a general workforce shortage, health security crises, continued global trade

conflicts, rising fuel prices, climate change protests and the possibility of regional terrorism.

In 2020, competition in the Mediterranean hotel market is expected to further intensify, namely competition based on the value for money ratio, which tourists will focus on when choosing a holiday destination due to slow economic growth.

KEY INDICATORS OF HOTEL AND CAMPING OPERATIONS IN CROATIA IN 2019

According to the research of "Croatian Hotel Benchmarking", key performance indicators of hotels in Croatia increased in 2019 compared to the previous year. The highest growth rate of total room revenue was achieved in 5-star hotels and regionally in hotels in Dalmatia.

KEY PERFORMANCE INDICATORS OF THE CROATIAN HOTEL INDUSTRY BY REGION 2019

	Annual occupancy	Average room rate	TRevPAR
Croatia	52.9%	93.44 €	78.47 €
Istria	51.7%	92.42 €	75.62 €
Kvarner	43.0%	84.71 €	56.16 €
Dalmatia	54.3%	113.98 €	89.98 €
Continent	70.6%	68.92 €	91.44 €

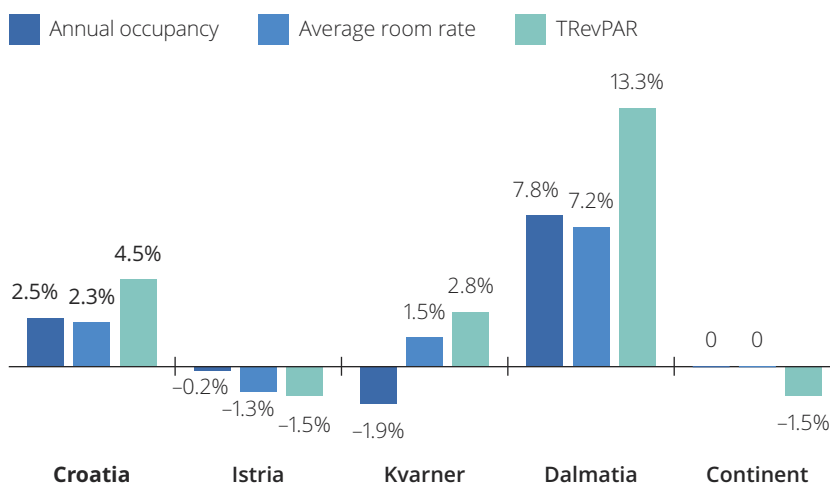
Source: Croatian Hotel Benchmarking in 2017, 2018 and 2019, Tourism and Management Faculty in Opatija.

KEY PERFORMANCE INDICATORS OF THE CROATIAN HOTEL INDUSTRY BY CATEGORY 2019

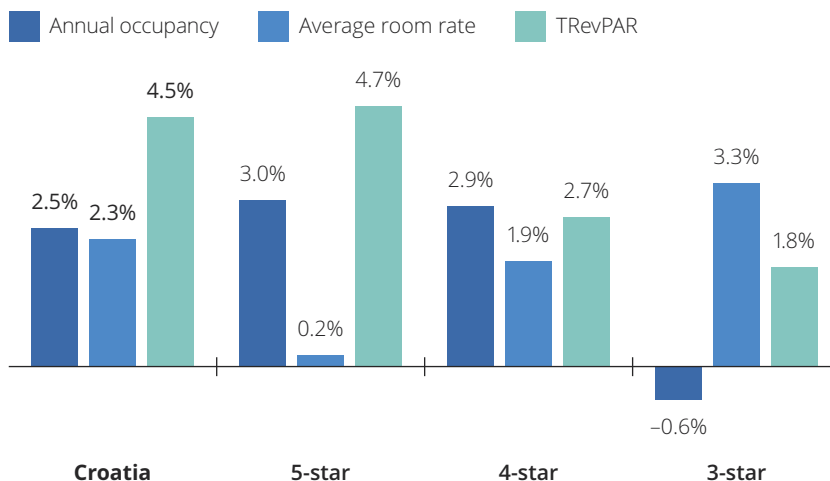
	Annual occupancy	Average room rate	TRevPAR
Croatia	52.9%	93.44 €	78.47 €
5-star	60.5%	154.62 €	131.08 €
4-star	54.0%	86.21 €	76.93 €
3-star	45.9%	57.46 €	45.13 €

Source: Croatian Hotel Benchmarking in 2017, 2018 and 2019, Tourism and Management Faculty in Opatija.

CHANGE RATE OF KEY PERFORMANCE INDICATORS OF THE CROATIAN HOTEL INDUSTRY BY REGION (2019/2018)



CHANGE RATE OF KEY PERFORMANCE INDICATORS OF THE CROATIAN HOTEL INDUSTRY BY CATEGORY (2019/2018)

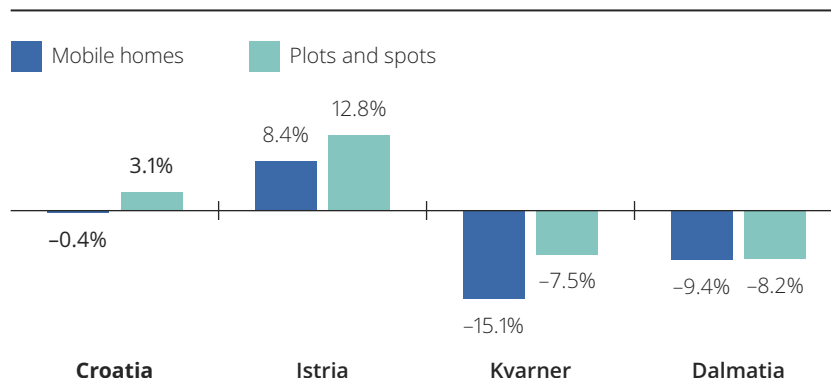


According to research "Camping Benchmarking", revenue per accommodation unit in campsites in Croatia stagnated in mobile homes in 2019 if compared to the previous year, and has increased in camping plots and camping spots. The largest decrease in revenue per mobile home was recorded in Kvarner, while the revenue per camping plot and spot increased the most in Istria.

REVENUE PER AVAILABLE ROOM AT CROATIAN CAMPSITES PER REGION 2019

	Mobile homes	Plots and spots
Croatia	325.72 €	87.62 €
Istria	393.89 €	89.65 €
Kvarner	233.91 €	83.44 €
Dalmatia	288.15 €	95.77 €
Continent	309.41 €	49.68 €

REVENUE CHANGE RATE PER AVAILABLE ROOM AT CROATIAN CAMPSITES (2019/2018)



Source: Croatian Camping Benchmarking reports for 10/2017, 10/2019, Tourism and Management Faculty in Opatija.

COMPETITIVENESS AND BUSINESS FRAMEWORK FOR CROATIA'S TOURISM SECTOR

Although Croatia has improved its overall ranking of tourism competitiveness over the last two years, according to a study by the World Economic Forum, it still falls significantly behind the countries that represent the main tourism competitors in the Mediterranean. Croatia is particularly low on the business environment competitiveness ranking, as well as human resources and the labor market, where it has significantly lowered its competitiveness ranking since previous research.

According to the Ministry of Tourism's survey on investments in the tourism sector, a total of EUR 1.76 billion will be invested in Croatia in 2020, while investments according to the same survey in 2019, amounted to EUR 1.05 billion. The survey covers investments in tourism in the private and public sectors.

The challenges of the business environment that significantly affect investment decisions in Croatian tourism include the so-called tourist land used by tourism companies that is not registered in the share capital, although a legal solution to this issue is expected in 2020.

As of January 1st 2020, the value-added tax rate on the preparation and serving of meals in hospitality properties has been reduced to 13 percent, which strengthens the competitiveness of the hospitality and restaurant industry. However, with a 13 percent value added tax rate Croatia still has an above-average VAT rate in the Mediterranean, where the average VAT rate on accommodation and hospitality services is 10 percent. In addition, the increasingly challenging situation on the Croatian labor market, characterized by the decreasing number of available workforce, presents a challenge in the business of tourism companies. The increased work permit quotas for foreign nationals to 30,000 in 2019, and the expected adoption of a new Law on Foreign Nationals in 2020 that will abolish work permit quotas for foreign nationals, are measures that create the preconditions for greater availability of workforce. Given the state of the global economy and the slowdown in Croatia's key source markets, as well as the increasing competition from eastern Mediterranean countries, tourism turnover rates in Croatia in 2020 are expected to be slightly lower than in previous years, with a less to moderate price growth rate, as well as continued dispersion of tourism turnover and revenues in the pre- and postseason.

COMPETITIVENESS OF CROATIAN TOURISM

INDICATORS	RANKING 2019 (2017)	TOTAL COMPETITIVENESS RANKING OF MEDITERRANEAN COMPETITORS 2019 (2017)
Competitiveness of business environment	123 (114)	
Tax impact on promoting employment	134 (132)	
Cost of obtaining construction permits	126 (120)	
Tax impact on promoting investments	122 (130)	
Human Resources and labour market	103 (85)	
Recruitment and redundancy practice	135 (124)	
Employees' scope of education	131 (120)	
Ease of employing foreign work force	139 (126)	
		Spain 1 (1)
		France 2 (2)
		Italy 8 (8)
		Greece 25 (24)

27 / 140

(32 / 136)

Total competitiveness ranking of Croatia 2019 (2017)

Source: The Travel & Tourism Competitiveness Index 2019 World Economic Forum.



*Valamar Collection
Imperial Hotel 4*, Rab Island*

4 ENGAGEMENT OF KEY STAKEHOLDERS AND MATERIAL ASPECTS

Valamar Riviera business success is based on long-standing partnerships and open communication with its key stakeholders. Valamar continuously improves its communication with stakeholders as an important part of its corporate social responsibility integrated into long-term sustainable growth.

During the preparation of this report, we have consulted the Croatian Business Council for Sustainable Development (HR PSOR). A continuous dialogue with stakeholders is an important part of Valamar's corporate social responsibility efforts integrated into our business strategy. We have established policies at the company level that represent our commitment to being the hospitality market leader in Croatia in terms of service quality, guest and user satisfaction, caring for the

interests of our employees, company and the local community, environmental protection and resource management.

Hence, Valamar Riviera has adopted the Quality and Sustainable Business Policy that focuses especially on the following aspects:

- ▶ compliance with legal and other requirements for the protection and rational use of resources
- ▶ pollution prevention as the foundation of our management of environmental aspects
- ▶ reduction of waste and adequate waste management
- ▶ improvement of energy efficiency
- ▶ purchase of energy-efficient products and services.



*Destination
Makarska*

COMMUNICATION WITH KEY STAKEHOLDERS

GUESTS

- ▶ surveys/ guest opinion research
- ▶ raising awareness about environmental issues
- ▶ involvement in charity events
- ▶ newsletters

EMPLOYEES

- ▶ surveys/ corporate culture and climate research
- ▶ communication through the monthly VIV corporate magazine and VIV blog
- ▶ daily, weekly and monthly department meetings
- ▶ workers' meetings
- ▶ annual party
- ▶ ongoing performance feedback
- ▶ ValamArtist application for employees

SHAREHOLDERS

- ▶ annual Shareholders' General Assembly
- ▶ financial reports
- ▶ corporate web site
- ▶ VIV magazine

LOCAL COMMUNITY AND DESTINATIONS

- ▶ Valamar's participation in the work of tourist boards
- ▶ collaboration in the organization of destination events and investment projects
- ▶ active participation in charity activities

COMMUNICATION WITH ASSOCIATED STAKEHOLDERS

TRADE UNIONS

- ▶ collective agreement signed
- ▶ collaboration with the Workers' Council regarding all key issues related to employees' rights and privileges

PROFESSIONAL ASSOCIATIONS

- ▶ promoting professional interests as a member of various professional organizations (Croatian Tourism Association, Croatian Employers' Association, Croatian Chamber of Economy, Croatian Business Council for Sustainable Development, American Chamber of Commerce in Croatia and others)

SUPPLIERS

- ▶ 95% of Croatian suppliers
- ▶ long-term collaboration and partnership
- ▶ quality assurance requirements for each product category

INVESTMENT COMMUNITY

- ▶ transparent communication with all investors in the capital market (non-deal roadshows, meetings and conferences, Investors Day, corporate web site)
- ▶ collaboration with development banks and commercial banks and creditors, proactive communication with analysts
- ▶ financial reports and immediate notification of all material facts for investors

PUBLIC ADMINISTRATION BODIES

- ▶ collaboration in the development and preparation of investment projects, student scholarships and dialogue related to legislative initiatives

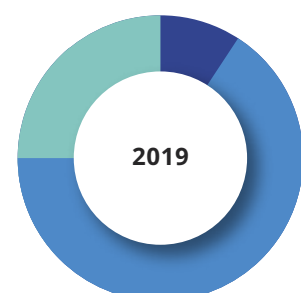
GENERAL PUBLIC

- ▶ press releases
- ▶ corporate website
- ▶ VIV magazine

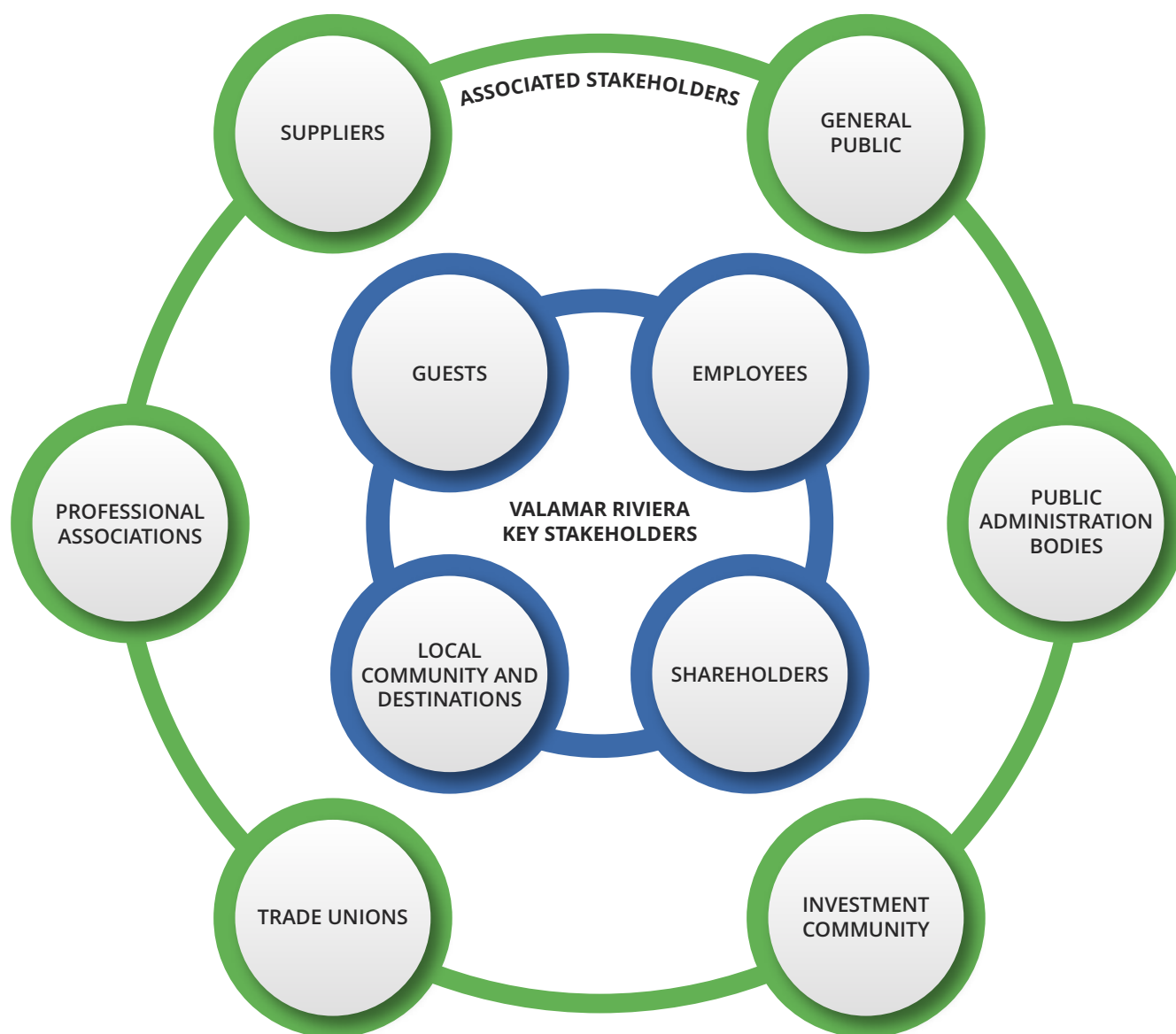
2019 SHARE OF DOMESTIC FOOD AND BEVERAGE PRODUCTION AND LOCAL PRODUCTS

Domestic production and local products that make Valamar's services and products more authentic represent a large share in the food and beverage segment at Valamar Riviera. By promoting local products, Valamar enriches its offering and develops a long-term collaboration with local producers.

	Croatian products that may contain imported raw material	9%
	Croatian products that contain only domestic raw material	66%
	Imported product	25%



VALAMAR RIVIERA KEY STAKEHOLDERS AND ASSOCIATED STAKEHOLDERS



VALAMAR RIVIERA CONTRIBUTION TO THE DEVELOPMENT AND PROMOTION OF TOURISM THROUGH ITS MEMBERSHIP IN SECTOR ORGANIZATIONS AND INSTITUTIONS

Valamar is involved in the activities of organizations and institutions which contribute to destination development, and the increase of service standards in general.

Valamar has its representatives in all assemblies, tourist councils and/or supervisory boards in the following tourist boards:

- ▶ Croatian Tourist Board
- ▶ Tourist Board of Istria
- ▶ Tourist Board Kvarner
- ▶ Tourist Board Poreč
- ▶ Tourist Board Vrsar
- ▶ Tourist Board Funtana
- ▶ Tourist Board Tar-Vabriga
- ▶ Tourist Board Labin
- ▶ Tourist Board Raša
- ▶ Tourist Board Krk
- ▶ Tourist Board Dubrovnik
- ▶ Tourist Board Baška
- ▶ Tourist Board Punat
- ▶ Tourist Board Lopar
- ▶ Tourist Board Rab.

In addition to tourist boards, Valamar is a member of the following organizations:

- ▶ Croatian Tourism Association
- ▶ Croatian Business Council for Sustainable Development
- ▶ Croatian Chamber of Economy and Regional Chambers in Pula and Dubrovnik
- ▶ American Chamber of Commerce in Croatia
- ▶ Croatian Association of Corporate Treasurers
- ▶ Croatian Employers' Association
- ▶ Croatian Meeting Professionals Association
- ▶ Croatian Public Relations Association
- ▶ Croatian Camping Association
- ▶ Association of Employers in Croatian Hospitality.

VALAMAR RIVIERA CONTRIBUTION TO ECONOMIC DEVELOPMENT IN 2019

DIRECT ECONOMIC VALUE GENERATED HRK 2,247 MN

■
Guests
HRK 2,139 mn

■
Other revenues
HRK 107 mn

ECONOMIC VALUE DISTRIBUTED HRK 1,990 MN

■
Employees
HRK 448 mn

■
Suppliers
HRK 630 mn

■
Shareholders
HRK 130 mn

■
Banks and creditors
HRK 98 mn

■
Public
administration*
HRK 685 mn

■
Community
HRK 1 mn

INVESTMENTS HRK 826 MN

■
9 CSR umbrella programs
HRK 129 mn

■
Portfolio investments
HRK 697 mn

* 30.49% of Valamar Riviera revenues go into fiscal and parafiscal payments to the public administration annually.

Direct economic value generated	HRK 2,247 mn
Economic value distributed	HRK 1,990 mn
Economic value retained	HRK 257 mn
Total investments	HRK 826 mn

IDENTIFICATION OF MATERIAL ASPECT AND BOUNDARIES

By identifying and quantifying the impact that our business operations have on the environment, the local community, our employees and society, we can thoroughly consider our operations in order to achieve long-term efficiency and socially responsible business. In 2019 the determined material aspects were confirmed according to the sustainability principle and taking into account Valamar's impact on the environment, the local community, its employees and the general public. Through joint workshops and selective in-depth interviews with the company's key internal stakeholders and the top management, we carried out a joint determination of the material aspects within the organization that are not only key for the company but are also part of our corporate strategy. Valamar's Business Experience

Committee led the process of reaffirming the previously approved materiality matrix. Key indicators at Valamar Riviera level were confirmed for each division and sector. In 2019, we particularly consulted our employees as key stakeholders of the company. Through consultations carried out in all sectors, and through the annual corporate culture and climate survey, discussions during workers' meetings and meetings with the Workers' Council, we determined the areas that we will improve further and continually monitor their results through annual surveys for all employees. In addition, we continued developing two-way communication with other key stakeholders to additionally improve the quality of integrated reporting, which will be among our concerns in the forthcoming period.

MATERIALITY MATRIX

In accordance with the process of identifying and prioritizing material aspects within the organization regarding business operations, a materiality matrix was defined at the level of all Valamar Riviera organizational units. With the materiality matrix, the environmental, social and economic material aspects were identified and prioritized with regard to their effect on the company's operations and the importance for the identified key stakeholders.

ENVIRONMENTAL ASPECTS

- 1 Inspiring guests, employees and destination to be involved in environmental preservation
- 2 Biodiversity
- 3 Recycled water use
- 4 Transport
- 5 Emissions
- 6 Improving energy efficiency and using renewable energy sources
- 7 Energy
- 8 Continual GHG reduction
- 9 Using environmentally friendly materials
- 10 Waste reduction and adequate waste management
- 11 Wastewater and waste
- 12 Water

ECONOMIC ASPECTS

- 13 Indirect economic impact
- 14 Economic performance
- 15 Market presence

RESPONSIBILITY TO PRODUCT AND SERVICE

- 16 Raising awareness and including buyers with ethical obligations (environment)
- 17 Buyers' health and safety
- 18 Service excellence
- 19 Innovative products and services
- 20 Guest-oriented services

RELATIONS WITH EMPLOYEES

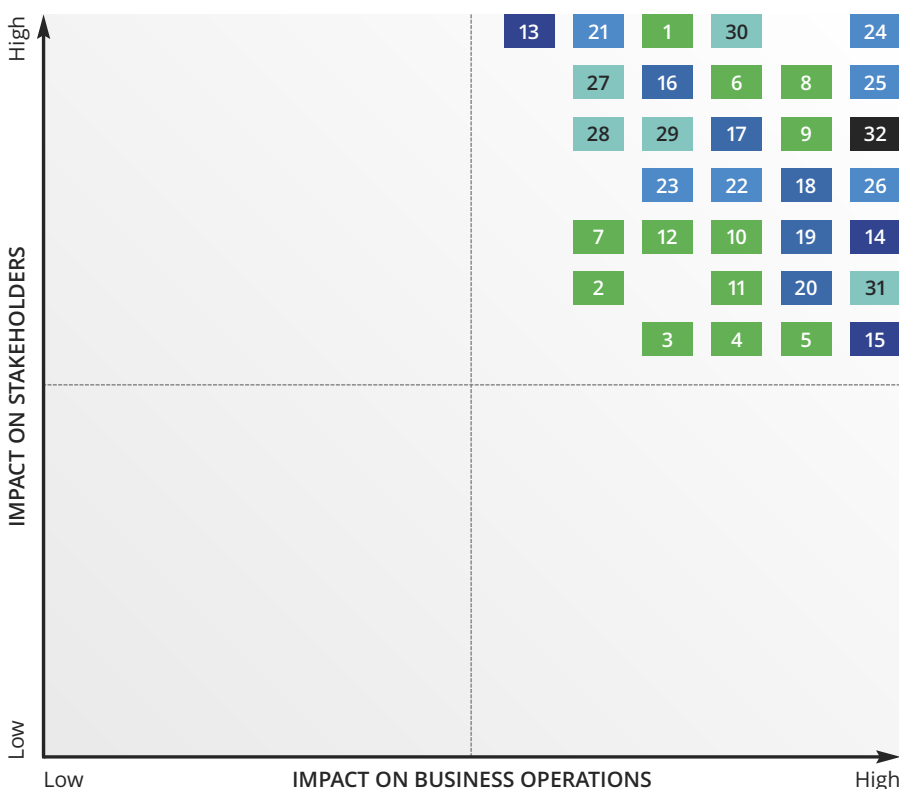
- 21 Contribution to the community (economic and social contribution and employment opportunities)
- 22 Dialogue with employee representatives
- 23 Workplace health and safety
- 24 Increase in the local employment rate – focus on permanent seasonal workforce
- 25 Employee training and education
- 26 Creating competitive working conditions

HUMAN RIGHTS

- 27 Ethical commitment and transparency
- 28 Responsible tourism development
- 29 Innovation and transparency with suppliers
- 30 Dialogue with stakeholders
- 31 Development of tourism destinations

SOCIAL ASPECTS

- 32 Local communities



5 REPORTS

BUSINESS RESULTS 2019

Valamar Riviera Group continues to assert its leading position through outstanding business results. The Group recorded excellent results in 2019 with over two billion and two-hundred million kuna in operating income.

Valamar Riviera owes its continued success to the concept of sustainable growth and development led by the principles of corporate social responsibility. It is reflected in: a) continuous

portfolio investments (close to HRK 800 million were invested in the preparation for the 2019 tourist season, while planned investments for the year 2020 amount to HRK 823 million), b) acquisitions and partnerships (the processes of acquiring Hoteli Makarska¹ d.d. in Croatia, investments in the shares of Helios Faros d.d. and the first Valamar hotel in Austria were completed in 2018 and 2019) and c) the development of our employees and destinations.

¹ June 28th 2019 Hoteli Makarska d.d. merged with Imperial Riviera d.d.



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

KEY FINANCIAL INDICATORS²

	2018	2019	2019/2018
Total revenues	2,016,117,541	2,218,828,166	10.1%
Operating income	1,982,740,515	2,207,678,790	11.3%
Sales revenues	1,961,413,631	2,139,319,744	9.1%
Board revenues (accommodation and board revenues) ³	1,628,991,417	1,781,619,705	9.4%
Operating costs ⁴	1,267,087,843	1,385,486,291	9.3%
EBITDA ⁵	693,159,210	768,955,392	10.9%
Extraordinary operations results and one-off items ⁶	-8,451,565	10,853,838	/
Adjusted EBITDA ⁷	701,610,775	758,101,554	8.1%
EBIT	282,252,398	293,853,214	4.1%
Adjusted EBIT ⁷	290,703,962	282,999,376	-2.7%
EBT	258,081,503	232,471,771	-9.9%
Net profit	239,187,507	305,851,680	27.9%
EBT margin	13.0%	10.5%	-250 bp
EBITDA margin	35.0%	34.8%	-20 bp
Adjusted EBITDA margin ⁷	35.4%	34.3%	-110 bp
	31/12/2018	31/12/2019	2019/2018
Net debt ⁸	2,168,602,934	2,195,286,284	1.2%
Net debt / Adjusted EBITDA	3.09	2.90	-6.2%
Cash and cash equivalents	261,842,353	550,142,638	110.1%
Capital investments (details in chapter "2019 Investments")	703,559,000	954,590,000	35.7%
ROE ⁹	8.5%	8.8%	30 bb
Adjusted ROCE ¹⁰	5.9%	5.2%	-70 bb
Market capitalization ¹¹	4,468,823,546	4,728,031,913	5.8%
EV ¹²	7,039,419,545	7,654,341,409	8.7%
EPS ¹³	1.90	2.32	22.1%
DPS ¹⁴	0.90	1.00	11.1%

² Classified according to the Annual Financial Statement (GFI POD-RDG). EBIT, EBITDA and their adjusted values and respective margins are recorded based on operating income.

³ In compliance with the classification under the USALI international standard for reporting in the hotel industry (Uniform System of Accounts for the Lodging Industry).

⁴ Operating costs include material costs, staff costs, other costs, and other operating costs reduced by extraordinary expenses and one-off items.

⁵ EBITDA refers to earnings before interest, taxes, depreciation and amortization; calculated as: operating income - total operating costs + depreciation and amortization + value adjustments

⁶ Adjustments were made for (i) extraordinary income (in the amount of HRK 63.9 million in 2019 and HRK 23.8 million in 2018), ii) extraordinary expenses (in the amount of HRK 50.7 million in 2019 and HRK 28.7 million in 2018) and iii) termination benefit costs (in the amount of HRK 2.4 million in 2019 and 3.5 million in 2018).

⁷ Adjusted by the result of extraordinary operations and one-off items.

⁸ Net debt: non-current and current liabilities to banks and other financial institutions + liabilities for loans, deposits and other + other liabilities in compliance with MSFI 16 (loans) - cash and cash equivalents - long-term and short-term investments in securities - current loans given, deposits, etc

⁹ ROE refers to return on equity; calculated as: profit for the period / (capital and reserves).

¹⁰ 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+ liabilities for loans, deposits and other + other liabilities in compliance with MSFI 16 (loans) - cash and cash equivalents - long-term and short-term investments in securities - loans given, deposits, etc.).

¹¹ The number of shares as at 31 December 2019 net of treasury shares amounts to 121,887,907, while per 31 December 2018 amounts to 122,904,938.

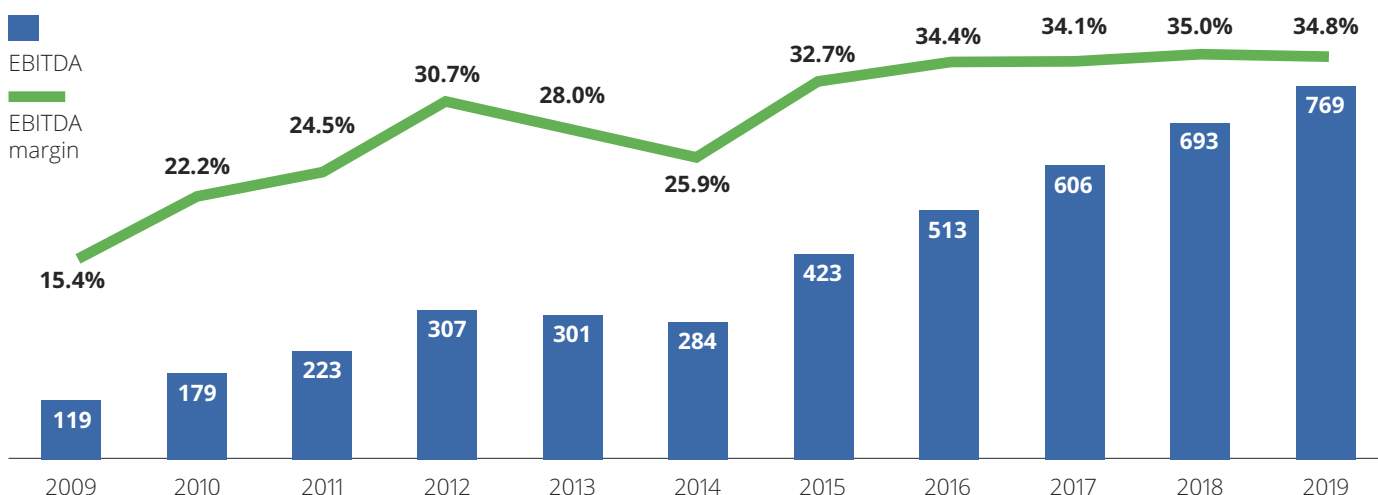
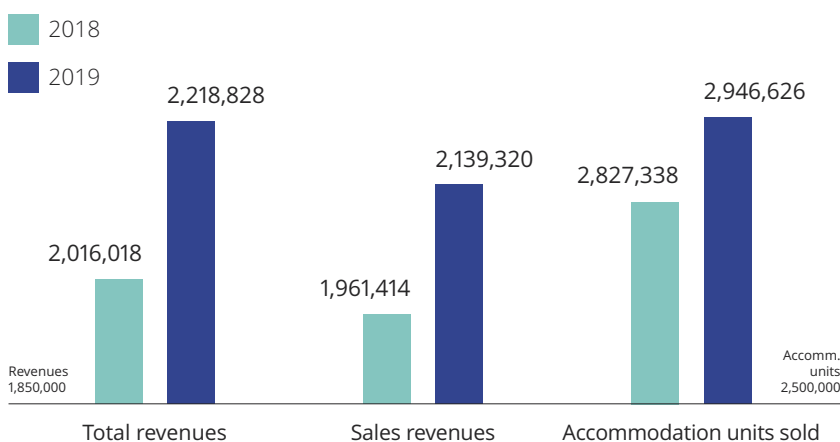
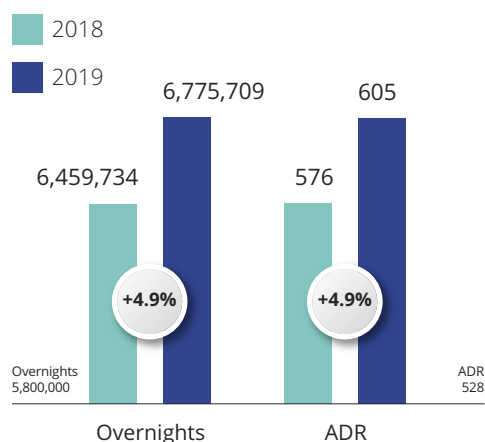
¹² EV refers to enterprise value; calculated as market capitalization + net debt.

¹³ EPS refers to earnings per share calculated on the basis of net profit. Weighted average number of shares as at 31 December 2019: 122,507,835. Weighted average number of shares as at 31 December 2018: 12,968,146.

¹⁴ DPS refers to dividends per share.

KEY BUSINESS INDICATORS¹⁵

	2018	2019	2019/2018
Number of accommodation units (capacity)	21,371	21,266	-0.5%
Number of beds	58,023	58,216	0.3%
Full occupancy days	132	139	4.7%
Annual occupancy (%)	36%	38%	200 bb
Accommodation units sold	2,827,338	2,946,626	4.2%
Overnights	6,459,734	6,775,709	4.9%
ADR ¹⁶ (in HRK)	576	605	4.9%
RevPAR ¹⁷ (in HRK)	76,224	83,778	9.9%

OPERATIONAL EFFICIENCY¹⁸ (HRK mn)**REVENUES** (in HRK thousand) **AND ACCOMMODATION UNITS SOLD IN 2019****OVERNIGHTS AND ADR** (in HRK)

¹⁵ In 2018 key business indicators include data of Hoteli Makarska and Valamar Obertauern as of 1 August 2018, that is 1 November 2018. Data of Helios Faros are not included.

¹⁶ Average daily rate is recorded on the basis of board revenues (accommodation and board's food and beverage revenues)

¹⁷ Revenue per accommodation unit is recorded on the basis of cumulative board revenues (accommodation and board's food and beverage revenues).

¹⁸ Financial data until the year 2014 refer to the consolidated financial statements of Valamar grupa d.d., and as of 2014, to the consolidated financial statements of Valamar Riviera d.d.

REVENUES

In 2019, total revenues were HRK 2,218,8 million, up by 10.1% (HRK +202,7 million). The total revenues were affected by:

a) growth in sales revenues, up by 9.1% (HRK +177,9 million) amounting to HRK 2,139,3 million driven by higher board revenues (+9.4%; HRK +152,6 million). Despite the negative impact of moving Easter to the second quarter, the preparation of many interesting events and guest experiences, as well as this year's business consolidation of Valamar Obertauern Hotel 4*, a 30.5% growth in board revenue was recorded in the first quarter. A strong growth of 12.4% in board revenue was recorded in the second quarter despite the opening of newly invested resorts Valamar Collection Marea Suites 5* and Istra Premium Camping Resort 5* in June. The Easter holidays in April resulted in a growth of all marketing segments, while May achieved the planned revenue level despite the rainy weather. June recorded revenue growth due to the excellent response of the individual and M.I.C.E. segment. Even though the stagnation in peak season months (July-September) in Croatian tourism reflected on a slight decrease in Valamar's allotment and group channel, the same was successfully compensated by individual O.T.A. and M.I.C.E. segment and an 8% growth in board revenue was achieved. Shoulder season (October-December) recorded a successful group segment in Dubrovnik, higher individual numbers in Poreč and growth in winter operations in Valamar Obertauern. Market feedback during the Christmas/New year period resulted in an 8% growth in board revenue in the fourth quarter. A

total of 6,775,709 overnights were recorded in 2019, which is a 4.9% growth, while the average daily rate grew by 4.9% to HRK 605.

Domestic sales revenues were HRK 199,6 million and represented 9.0% of total revenues (9.0% in 2018). They grew by 10.5% compared to the previous comparable period. International sales revenues were HRK 1,939,7 million, up by HRK 158,9 million and represented by 87.3% of total revenues (88.3% in 2018).

b) other operating revenues¹⁹ with the increase from HRK 47,0 million to the amount of HRK 68,4 million primarily as a result of: a) this year's consolidation of Hoteli Makarska¹ and b) one-off revenues from outside-groups sale of long-term material and non-operational assets.

c) financial income fell in the amount of HRK 22,7 million to HRK 10,7 million mainly due to a decrease of positive foreign exchange differences of long-term loans due to the lower appreciation of HRK vs. EUR in the first quarter of 2019 because of an unusually low EUR/HRK exchange rate at the end of 2018.

d) year-round consolidation of Hoteli Makarska¹ and Valamar Obertauern with a 3 percentage point contribution to the Group's total revenues, respectively. Other operating and financial income represented 3.6% of total revenues (2.7% in 2018).

TOTAL OPERATING EXPENSES

Total operating expenses were HRK 1,913,8 million and grew by 12.5% (HRK +213,3 million). The operations of Hoteli Makarska and Valamar Obertauern were included for reasons of comparability, total operating expenses grew by 9%. Breakdown of total operating expenses:

i) material cost represented 31.8% (32.4% in 2018). Up by 10.4% (HRK+57,5 million) to HRK 609,2 million due to a) consolidation of Hoteli Makarska¹ and Valamar Obertauern, b) increase in direct costs of raw materials and consumables driven by a larger business volume c) increase of the unit price of energy products (electricity and waste disposal).

ii) staff costs decreased in the share in the total operating expenses (30.5%) compared to the previous comparable period (31.9% in 2018). They grew by 7.7% (HRK +41,8 million) to HRK 583,4 million due to a) year-round consolidation of Hoteli Makarska¹ and Valamar Obertauern which accounts for 4% of growth, and b) securing competitive salaries and other material and non-material working conditions (total increase of 4% from June 2018 under the Collective agreement) as well as new staff hired to ensure service quality for the new Premium and Upscale products.

iii) amortization costs represented 24.8% (24.1% in 2018). Its 15.6% growth (HRK +64,0 million) to HRK 474,5 million is mainly due to the

earlier large investment cycle and consolidation of Hoteli Makarska¹ and Valamar Obertauern.

iv) other costs represented 10.3% (10.2% in 2018). The 13.4% growth (HRK+23,3 million) to HRK 197,4 million is mainly due to a) the consolidation of Hoteli Makarska¹ and Valamar Obertauern operations, b) securing competitive material working conditions (a 13th salary of HRK 5,000 and the awards for good business results and a good start of the season), c) increase in public utility charges, d) increase in the costs of lodging and meals for employees, e) increase in the costs of scholarships for students and pupils and the education of professional staff (Valamar Riviera is the largest scholarship provider in tourism) and f) increase of labour cost expenditure through the student service

v) provisions and value adjustments with a share of 0.5% (0.4% in 2018). An increase of HRK 1,9 million to HRK 9,4 million is due to higher-scale provisions of Valamar Riviera litigations.

vi) other operating expenses represented 2.1% (0.9% in 2018). An increase of HRK 24,9 million to HRK 39,8 million is due to a) the consolidation of Hoteli Makarska¹ and b) net book value of disposed assets (demolition and write-off of assets due to investments).

¹⁹ Other operating revenues include revenues based on the use of own products, goods and services, and other operating revenues.

TOTAL OPERATING EXPENSES OF VALAMAR RIVIERA²⁰ (in HRK)

	2018	2019	2019/2018
Operating costs ²¹	1,267,087,843	1,385,486,291	9.3%
Total operating expenses	1,700,488,117	1,913,825,576	12.5%
► Material costs	551,752,686	609,249,061	10.4%
► Staff cost	541,614,164	583,409,043	7.7%
► Depreciation and amortisation	410,21,539	474,514,405	15.6%
► Other costs	174,094,246	197,392,249	13.4%
► Provisions and value adjustment	7,511,545	9,415,580	25.3%
► Other operating expenses	14,993,937	39,845,238	165.7%

OPERATING COSTS²¹

Operating costs amounted to HRK 1,385,5 million. The 9.3% planned and achieved growth is due to a) an increase in material costs (previously explained), b) increase in total staff costs of 9.5% (from HRK 623 million to HRK 682 million; previously explained), c) increase in other costs (previously explained) and iv) consolidation

of Hoteli Makarska¹ and Valamar Obertauern. Adjusting the operations of the aforementioned companies for reasons of comparability, operating costs grew by 6%.

EBITDA AND PERIOD PROFIT

Unadjusted EBITDA marked by strong double-digit growth reached HRK 769,0 million (HRK 693,2 million in 2018). The increase of HRK 75,8 million (+10.9%) in operating profit is due to the continuation of the large investment cycle focused on improving competitiveness and the quality of properties and services, the acquisition of Hoteli Makarska¹ in Makarska and Valamar Obertauern in Austria, the management of operating costs, the optimization of distribution and price management in line with increased demand, particularly for properties in which new investments were made.

Stronger operating results reflected on an 8.1% increase in adjusted EBITDA²² to HRK 758.1 million. The consolidation of Hoteli Makarska¹ and Valamar Obertauern was initiated in August 2018 and November 2018, respectively, resulting in a 2 percentage point growth in EBITDA, while the one-off impact of MSFI 16 amounts to HRK 4,9 million. The growth of adjusted and unadjusted EBITDA are under the negative impact of this year's lower seasonal EUR/HRK exchange rate.

Compared to the previous comparable period, profit before tax fell by HRK 25,6 million to HRK 232,5 million due to lower financial results (HRK-37,8 million; details on the next page) and increased amortization (HRK+64,0 million). As a result, EBT margin fell by 250 basis point to 10.5% (13.0% 2018).

In 2019 the Group's net profit amounted to HRK 305,9 million. The HRK 66,7 million growth was mainly a result of higher tax revenues (HRK +88,3 million) reflecting a higher one-time recognition of deferred tax assets²³.

²⁰ According to the classification of forms GFI POD-RDG.

²¹ Operating costs include material costs, staff costs, other costs and other operating expenses decreased by extraordinary expenses and one-off items.

²² Adjustments were made for i) extraordinary income (in the amount of HRK 63,9 million in 2019, or HRK 23,8 million in 2018), ii) extraordinary expenses (in the amount of HRK 50,7 million in 2019, or HRK 28,7 million in 2018) and iii) termination benefit costs (in the amount of HRK 2,4 million in 2019, or HRK 3,5 million in 2018).

²³ In 2019 deferred tax assets were recognized mainly due to tax incentives prescribed by the Act on Investment Promotion and Investment Improvement which amounted to HRK 114,1 million, compared to HRK 25,8 million in 2018.

FINANCIAL RESULT

During 2019 the financial result amounts to HRK -61,9 million (HRK -24,0 million in 2018). This financial result, down by HRK 37,8 million compared to the previous comparable period, is due to:

a) lower net foreign exchange differences amounting to HRK 29,4 million mainly on long-term loans due to the absence of the appreciation of HRK vs. EUR in the first quarter of 2019 because of an unusually low EUR/HRK exchange rate at the end of 2018,

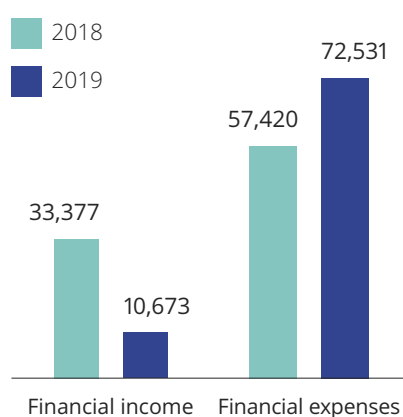
b) an increase in financial expenses related to interest on long-term

loans of HRK 6,6 million for financing large investments,

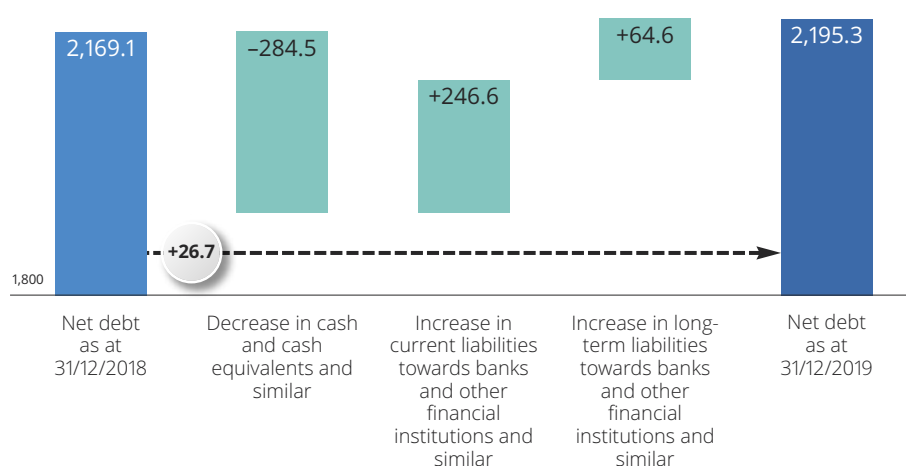
c) higher unrealized losses from financial assets amounting to HRK 7,0 million driven by spreading the scope of protection and increased liabilities related to the fair value of interest rate swaps,

d) an increase of other financial income of HRK 1.8 million driven by the sale of financial assets and e) decrease of other financial expenses in the amount of HRK 3,1 million.

FINANCIAL INCOME AND EXPENSES (in HRK '000)



NET DEBT²⁴ (in HRK million)

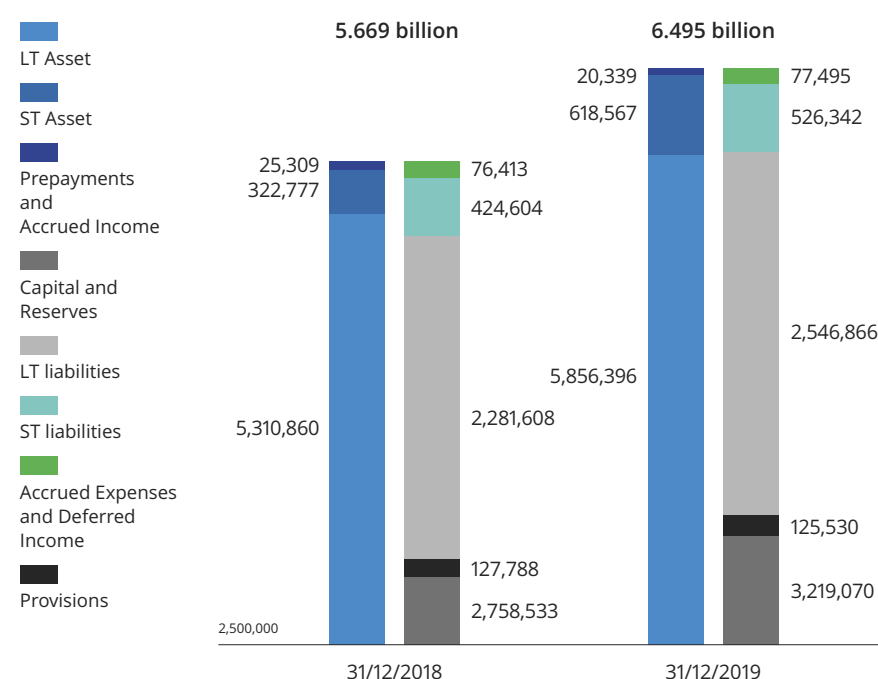


ASSETS AND LIABILITIES

As of 31 December 2019, the total value of the Group's assets was HRK 6,495,3 million, up by 14.6% compared to 31 December 2018.

Total share capital and reserves totaled HRK 3,219,1 million and grew by 16.7% as a result of achieved profit (HRK +284,5 million) and the increase of non-controlling interests due to the recapitalization of Imperial Riviera (HRK +329,0 million). Total long-term liabilities grew from HRK 2,281,6 million to HRK 2,546,9 million due to loans contracted to finance this year's investment cycle. A large portion of the loan portfolio (87%) is comprised of long-term fixed-interest loans, loans hedged by derivative instruments (IRS) for protection against interest rate risk.

ASSETS AND LIABILITIES (in HRK '000)



²⁴ Net debt: non-current and current liabilities to banks and other financial institutions + liabilities for loans, deposits and other + other liabilities under MSFI 16 (leases) – cash and cash equivalents – long-term and short-term investments in securities – current loans given, deposits, etc.

PROFITABILITY INDICATORS OF VALAMAR RIVIERA GROUP

	2018	2019	2019/2018
EBITDA margin	35.0%	34.8%	-20 bb
Adjusted EBITDA margin	35.4%	34.3%	-110 bb
EBIT margin	14.2%	13.3%	-90 bb
Adjusted EBIT margin	14.7%	12.8%	-190 bb
EBT margin	13.0%	10.5%	-250 bb
Net profit margin	12.1%	13.9%	180 bb
ROA	4.2%	4.7%	50 bb
ROE	8.5%	8.8%	30 bb
Adjusted ROCE	5.9%	5.2%	-70 bb

VALUATION OF VALAMAR RIVIERA GROUP

	31/12/2018	31/12/2019	2019/2018
Average share price per (in HRK)	36.36	38.79	6.7%
Market capitalization (in HRK)	4,468,823,546	4,728,031,913	5.8%
EV (in HRK)	7,039,419,545	7,654,341,409	8.7%
EPS (in HRK)	1.90	2.32	22.1%
DPS (in HRK)	0.90	1.00	11.1%
EV / Sales revenues	3.6x	3.6x	-0.3%
EV / EBITDA	10.2x	10.0x	-2.0%
EV / Adjusted EBITDA	10.0x	10.1x	0.6%
EV / EBIT	24.9x	26.0x	4.4%
EV / Adjusted EBIT	24.2x	27.0x	11.7%

Total short-term liabilities were HRK 526,3 million, up by 24.0% compared to 31 December 2018. The aforementioned is mainly a result of larger repayment of long-term debt (HRK +58,1 million) higher trade payables (HRK +32,8 million) due to the large investment cycle in 2020.

Cash and cash equivalents as at 31 December 2019 amount to HRK 550,1 million and grew by 110.1% mainly as a result of the recapitalization of Imperial Riviera. The contracted credit lines for investments and the strong cash potential from business activities ensure a smooth continuation of future investments and potential acquisitions.

GROWTH THROUGH ACQUISITIONS, MERGERS AND BUSINESS COOPERATION

HELIOS FAROS D.D. – SUCCESSFUL BANKRUPTCY CLOSURE

In partnership with PBZ Croatia osiguranje d.d. for managing mandatory pension funds, PBZ Croatia osiguranje and Valamar Riviera completed the process of acquiring the majority of the share capital in Helios Faros d.d. from Stari Grad on the island of Hvar, which went bankrupt in 2017.

Upon completion of the recapitalization process and the payment of insolvency creditors, PBZ Croatia osiguranje acquired 70.83% and Valamar Riviera 23.61% of Helios Faros' shares.

The contract relating to the management services including business functions and sales that Valamar will provide for Helios Faros' hotel and tourist properties is effective from September 2019.

Based on the decision of Helios Faros' General Assembly, partners have recapitalized the group in the additional amount of HRK 139,4 million for the realization of the group's investments.

Valamar Riviera participated with HRK 24,4 million and after the entry of changes in share capital, now holds 20.0% of shares, while PBZ Croatia osiguranje holds 77.73% of Helios Faros' shares.

PBZ Croatia osiguranje and Valamar will jointly continue to design a strategy for the development of Helios Faros' hospitality assets and business.



Island of Hvar

RESTRUCTURING, RECAPITALIZATION AND IMPERIAL RIVIERA D.D. NEW STRATEGY

The implementation of Imperial Riviera's five-year business plan began after the merger of Hoteli Makarska d.d. with Imperial Riviera d.d. in June 2019, following the decision of the General Assemblies of both companies.

Strengthened by a recapitalization of HRK 426 million, with the participation of AZ mirovinski fondovi in the amount of HRK 296 million, Valamar Riviera in the amount of HRK 106 million, Allianz Croatia in the amount of HRK 18 million, and Allianz Invest in the amount of HRK 6 million, Imperial Riviera has begun its planned HRK 1,5 billion investment in the reconstruction and renovation of properties owned by Imperial Riviera, as well as the expansion of its tourism portfolio to new destinations. Increasing the share capital of Imperial Riviera as a joint

undertaking for the management and investment in hospitality assets is a logical continuation of Valamar's successful collaboration with institutional investors.

In addition to strengthening the capital base for investing in Imperial Riviera's current destinations, the backdrop of such action by Valamar Riviera and institutional investors such as retirement funds, is the long-term consideration on these partners. They view Imperial Riviera as a functional platform for their development activities where they cumulate their individual strengths, shape and follow joint strategic development interests beyond the existing destinations in which Imperial Riviera operates today.

The first project of the described regional expansion of Imperial Riviera was the

investment project Valamar Parentino Hotel 4 * in Poreč, which was acquired by Imperial Riviera from Valamar Riviera in October 2019 at the price of HRK 182,15 million.

Imperial Riviera has announced that it will invest more than HRK 100 million during the 2019/2020 investment season in raising the quality of the aforementioned hotel with additional Maro services for families.

INVESTOR RELATIONS AND VALAMAR RIVIERA SHARE

Our investor relations are based on quality and high transparency in business and financial communication when promoting Valamar Riviera as the leading Croatian share and one of the leading shares in the CEE region. This is how we actively support liquidity, growth in share value and the involvement of investors who can contribute to Valamar Riviera further value growth for all stakeholders.

We strive to increase the transparency of Valamar Riviera business as well as the quality of communication with analysts and investors through regular corporate presentations on conferences in Croatia and abroad, group and individual meetings, conference calls and comprehensive, publicly available financial and business reports.

The objectives of Investor Relations:

- ▶ increasing investor demand
- ▶ facilitating investment decisions
- ▶ expanding opportunities for growth and profitability
- ▶ increasing share value
- ▶ reducing the cost of capital
- ▶ boosting the potential for growth and/or acquisition financing

After integrating Valamar Riviera management, portfolio and shareholder structure in October 2014, we created the leading share on the Croatian capital market, offering considerable exposure to the growing tourism sector. On 17 November 2014, the

General Assembly of Valamar Riviera decided to list Valamar Riviera shares on the Official Market of the Zagreb Stock Exchange. The first day of trading was 17 December 2014.

On 26 April 2019 the Zagreb Stock Exchange approved Valamar Riviera's request of transitioning 126.027.542 of the Group's ordinary shares from the Official to the Prime Market of Zagreb Stock Exchange. Valamar Riviera values a high level of transparency and quality of business and financial communication. Admission to the most demanding listing of the Zagreb Stock Exchange, Valamar Riviera will aim to increase the share's recognition and positively influence the price and liquidity as the best example of market practice. The first day of the Group's trading on the Prime Market was 29 April 2019.

THE PERFORMANCE OF VALAMAR RIVIERA SHARE AND NATIONAL AND INTERNATIONAL INDICES



²⁵ Block transactions are excluded from the calculation.

As Croatia's leading share and company with around 22,000 shareholders, Valamar Riviera organized its fourth Investors Day on 27 June 2019. Institutional investors attended a presentation where Management Board President Željko Kukurin and Management Board Member Marko Čižmek presented Valamar's formula of sustainable and socially responsible investments in employees, products and destinations. The event was marked by the presentation and revealing of the model of future luxurious five-star resort, Valamar Collection Pinea Resort 5* in Poreč.

In the period from 1 January to 31 December 2019, the highest achieved share price in regular trading on the regulated market was HRK 40.80, while the lowest was HRK 32.60. Following the strong growth and solid fundamentals, Valamar Riviera share price grew by 10%, in line with the growth of indices CROBEX and CROBEX 10 in the period under review. Valamar Riviera share was the second most traded share on the

Zagreb Stock Exchange during 2019, with the average daily turnover of HRK 0.9 million.

As of 31 December 2019, the HRK 4.7 billion market capitalization accounts for nearly 3% of the total market capitalization of shares traded on the Zagreb Stock Exchange. In addition to the Zagreb Stock Exchange, the joint stock index of the Zagreb and Ljubljana Stock Exchange ADRIAprime, the share is also listed in the Vienna Stock Exchange indices (CROX²⁶ and SETX²⁷) and Warsaw Stock Exchange (CEEplus²⁸), SEE Link²⁹ regional platform indices (SEELinX and SEELinX EWI) and the world's MSCI Frontier Markets Indexes. Zagrebačka banka d.d. and Interkapital vrijednosni papiri d.o.o. are responsible for the market making in ordinary Valamar Riviera shares and provide support Valamar's share turnover, which in the period under review averaged 26.5%³⁰.

Valamar Riviera share is the most monitored Croatian share by financial analysts. Analysts specify a target value for

shares based on their assessments of future company performance by applying various financial models such as discounted cash flow, peer group approach, precedents, etc. The key prerequisite for a good assessment of future performance is high transparency and the quality of business communication by the management.

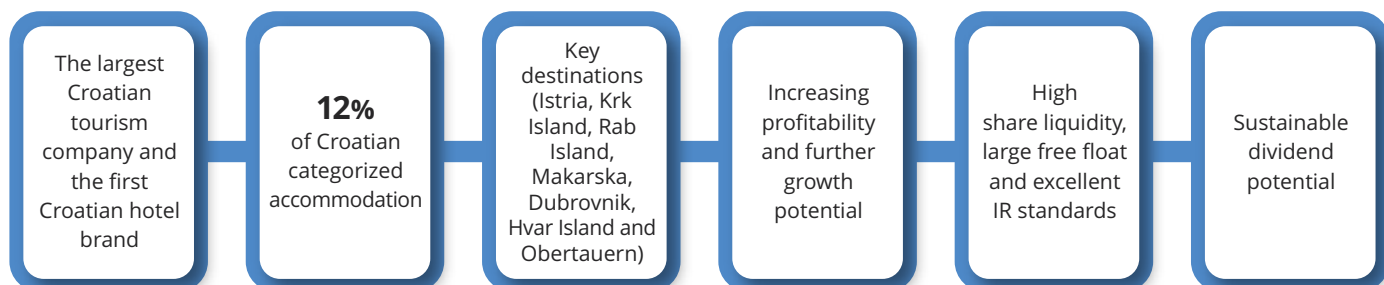
Valamar Riviera analyst coverage is provided by:

- 1) ERSTE Bank d.d., Zagreb
- 2) Fima vrijednosnice bank d.o.o., Varaždin
- 3) Interkapital vrijednosni papiri d.o.o., Zagreb
- 4) Raiffeisenbank Austria d.d., Zagreb.

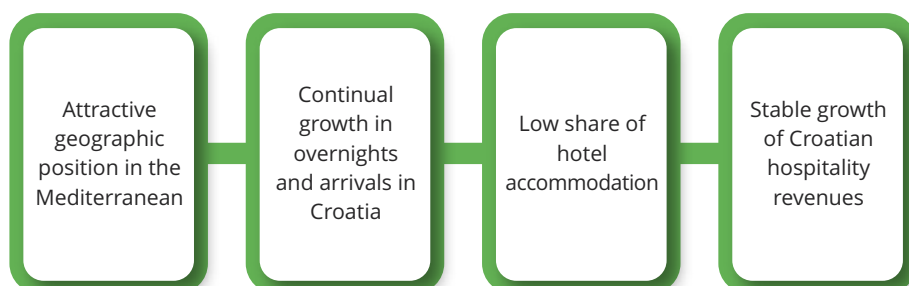


INVESTMENT PROPOSITION

VALAMAR RIVIERA



CROATIAN TOURISM



²⁶ Croatian Traded Index (CROX) is a capitalization-weighted price index and is made up of the 12 most liquid and highest capitalized shares of the Zagreb Stock Exchange.

²⁷ 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 East Europe (shares listed in Bucharest, Ljubljana, Sofia, Belgrade and Zagreb).

²⁸ CEEplus is a stock index that will be composed of the highest liquid shares listed on stock exchanges in countries of the Visegrad Group (Poland, Czech Republic, Slovakia, and Hungary) and Croatia, Romania and Slovenia.

²⁹ SEE Link is a regional platform for securities trading. It was founded by the Bulgarian, Macedonian, and Zagreb Stock Exchange. SEE LinX and SEE LinX EWI are two "blue-chip" regional indices composed of the ten highest liquid regional companies listed on three stock exchanges: five from Croatia, three from Bulgaria, and two from Macedonia.

³⁰ Period: 1 January – 31 December 2019; block transactions are excluded from the calculation.

AWARDS IN 2019

Business paper Poslovni dnevnik and the Zagreb Stock Exchange awarded Valamar Riviera The Best Investor Relations award in Croatia.

MEETINGS WITH INVESTORS IN 2019

In 2019, meetings were held at the following venues: NASDAQ in New York, London Stock Exchange, conferences in Raiffeisen Centrobank in Zürs, City bank in Londonu, Zagreb and Ljubljana Stock Exchange conferences in Zagreb, Wood&Co in Bucharest, Belgrade and Prague, Erste Consumer Conference 2019 in Warsaw, Erste Group in Vienna, and Auerbach Grayson in New York.

Meeting locations:

- ▶ Belgrade, Serbia
- ▶ Ljubljana, Slovenia
- ▶ Bucharest, Romania
- ▶ New York, USA
- ▶ London, UK
- ▶ Zürs, Austria
- ▶ Poreč, Croatia
- ▶ Prague, Czech Republic
- ▶ Vienna, Austria
- ▶ Warsaw, Poland
- ▶ Zagreb, Croatia

COMMUNICATION WITH SHAREHOLDERS AND THE INVESTMENT COMMUNITY IN 2019

Shareholders' General Assembly

Road shows and meetings with investors and shareholders

Investor Relations

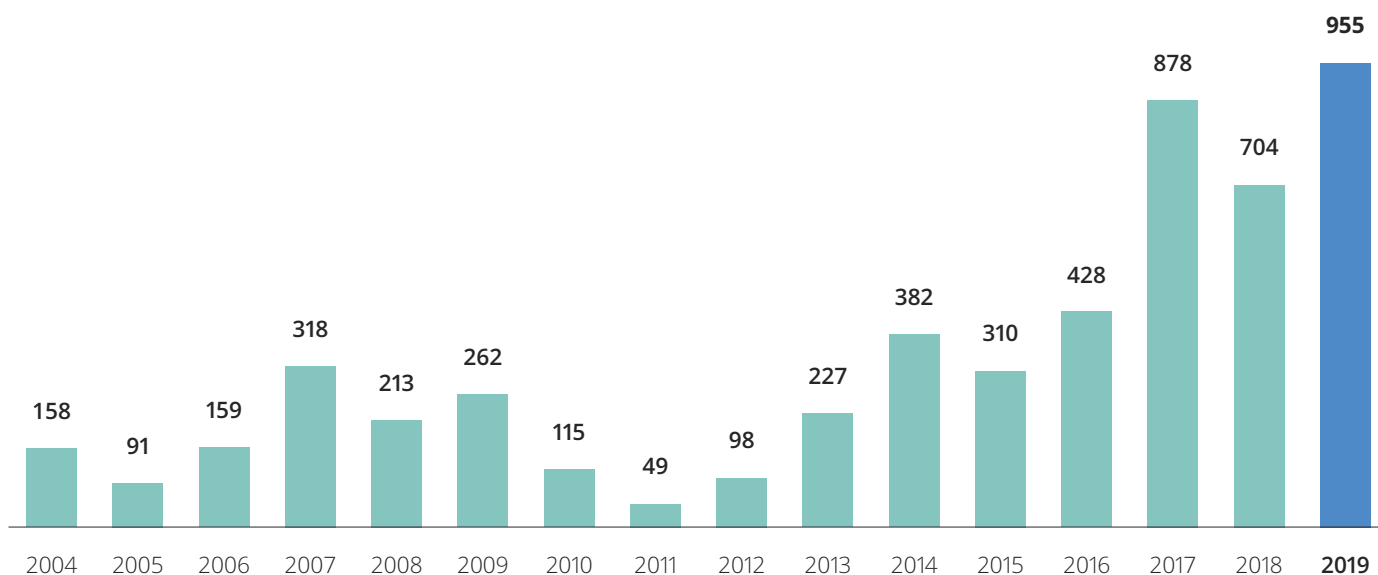
Investors Day

Corporate website for shareholders and investors

Timely disclosure of information and materially significant facts

Participation in congresses, forums and investor events

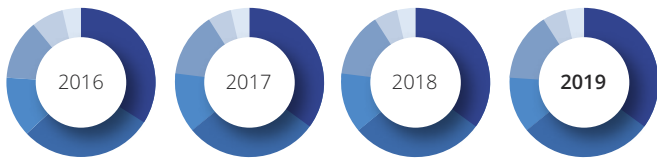
INVESTMENT CYCLE (capitalized investments, HRK mn)



SALES PERFORMANCE

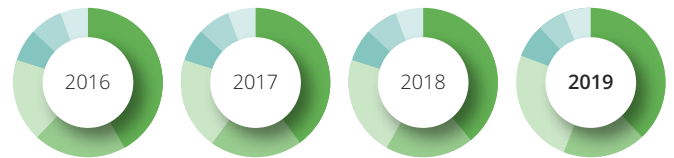
VALAMAR MARKET SEGMENTS: HOTELS AND RESORTS

	2016	2017	2018	2019
Families	34%	35%	35%	35%
Adults and couples	29%	29%	30%	30%
Seniors	13%	13%	12%	11%
Active guests	13%	14%	14%	15%
MICE	7%	5%	5%	5%
Leisure groups and tours	4%	4%	4%	4%



VALAMAR MARKET SEGMENTS: CAMPSITES

	2016	2017	2018	2019
Families	42%	40%	39%	38%
Adults and couples	20%	20%	19%	18%
Luxury camping	18%	20%	22%	25%
Active guests	7%	7%	7%	7%
Seniors	7%	7%	7%	6%
Short stay	6%	6%	6%	6%



INCREASE IN DIRECT BOOKING AND GUEST LOYALTY

Valamar Riviera loyalty program is a process of creating added value for returning guests to increase revenues and the share of direct booking. The share of returning guests in Valamar Riviera in 2019 is 26 percent.

During 2019 Valamar Riviera achieved 44.7 percent of revenues via direct distribution channels: call center, direct online booking, mobile platform, and loyalty program.

The loyalty program will continue to develop to create added value for clients, along with the development of websites, e-marketing, and technology.

ANNUAL OCCUPANCY HOTELS AND RESORTS 2019

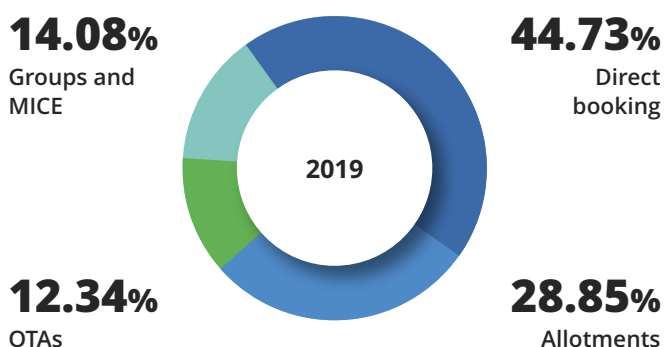
Premium	50.1%
Upscale	47.1%
Midscale	46.0%
Economy	36.9%

The share of loyalty member revenue in total direct booking in 2019 reached:

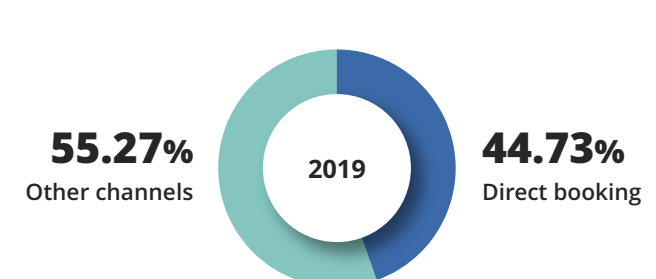
hotels **86%**
campsites **60%**

* Non-commercial accommodation excluded, Makarska, Obertauern, Girandella Maro.

DISTRIBUTION CHANNELS IN 2019 (by revenue)



SHARE OF DIRECT BOOKING IN 2019 (by revenue)



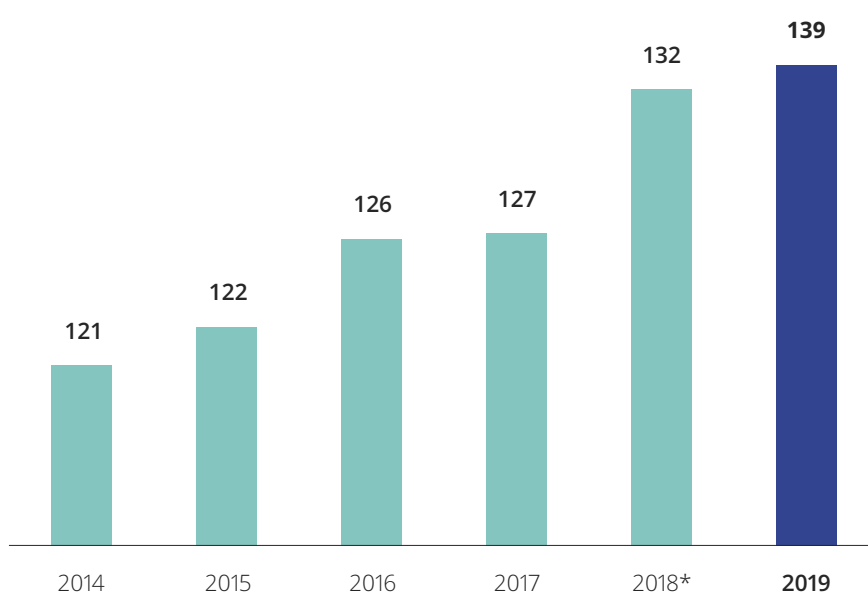
* Board revenues net of agency commissions.

SEGMENTATION AND SELECTION OF TARGET MARKETS

Valamar Riviera was focused on further portfolio positioning to efficiently address the target groups in 2019. Along with optimal portfolio differentiation, it is also necessary to have a clear strategy for brands and service concepts, designed to meet the specific needs and desires of market segments. This will increase market reach, boost guest loyalty and drive sustainable, strong growth in all key performance indicators. This strategy was best reflected in the product development covered by the brands of Valamar Collection and Valamar Collection Resorts, where we created a range of features targeting families, adults-only as well as V Level services.

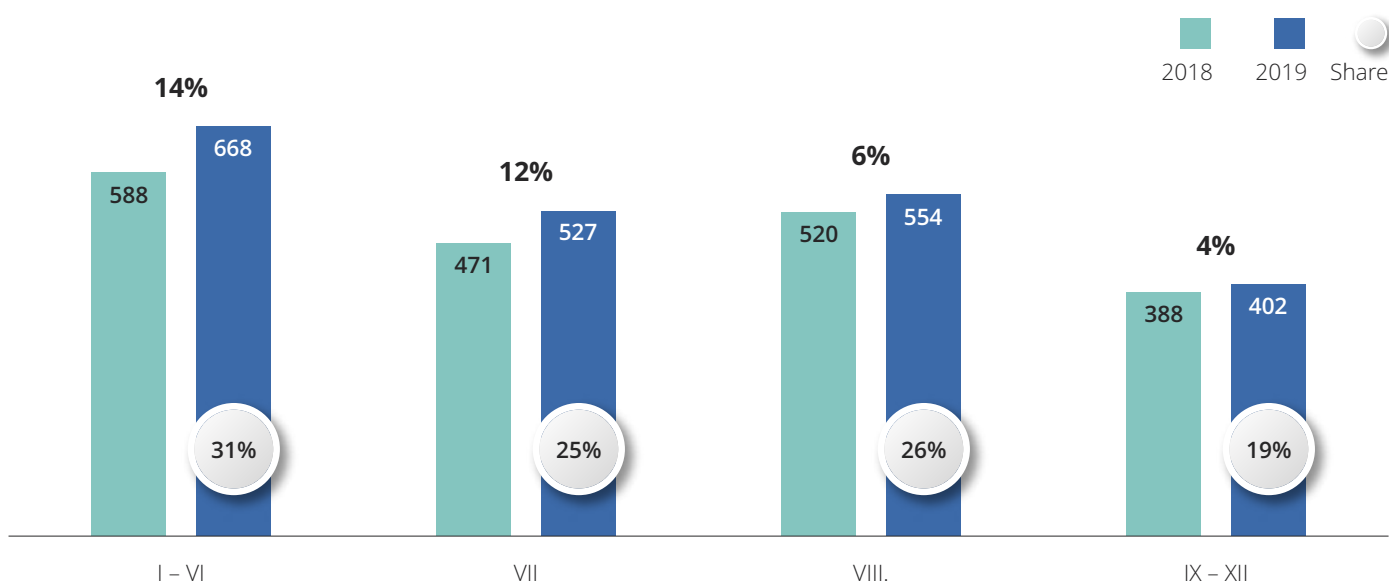
We have fully integrated some of Valamar signature programs into the camping segment and we have developed specific products for luxury camping such as premium camping home villages and glamping. These advancements can best be seen in the products covered by the brand of Premium Camping Resorts.

FULL OCCUPANCY DAYS



* 2018 includes Hoteli Makarska (as of August 1) and Valamar Obertauern hotel (as of November 1).

OPERATING REVENUES 2019/2018 (HRK mn)



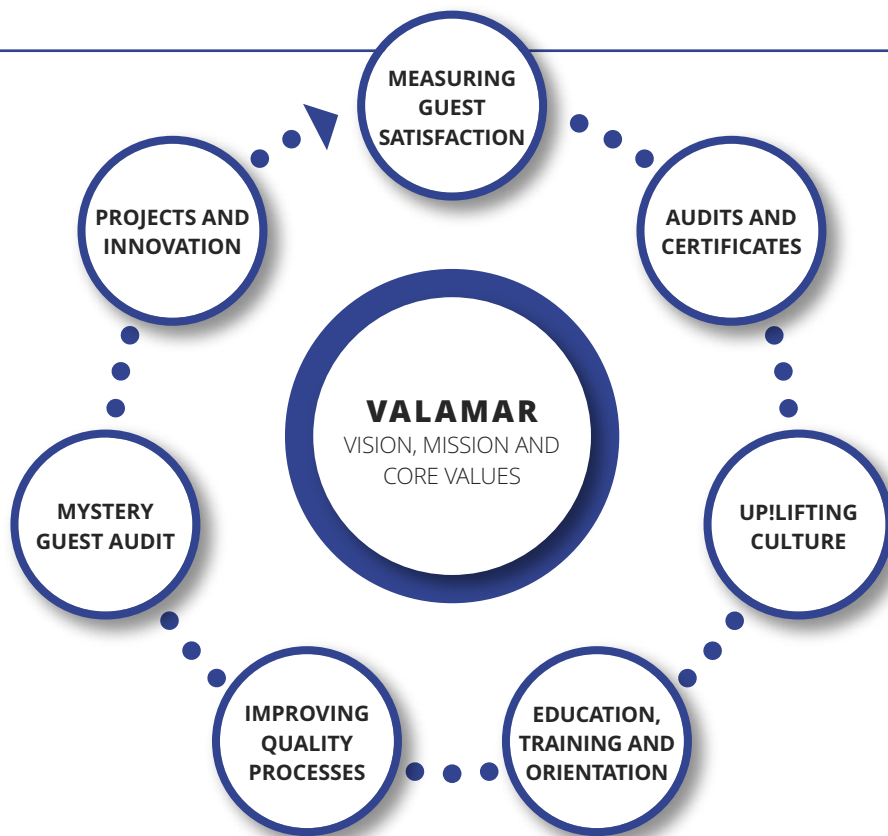
Data for 2018 include VR + IMP + HM 8-12 + OT November-December, data for 2019 include VR + IMP + OT.

SERVICE EXCELLENCE

STRATEGIC QUALITY MODEL 2019

The strategic model of quality management at Valamar is designed to enable the success of the whole organization through our focus on the guest and our consistent provision of unbelievable service.

The quality management model enables a 360-degree approach that is primarily focused on measuring guest satisfaction, the successful implementation of top internal and external industry standards, and building Up!Lifting service excellence culture towards guests and employees alike.



STANDARDS AND CERTIFICATES

Valamar Riviera services comply with the highest standards of quality, safety and health, and have the following standards and certificates:

- ▶ HACCP (Food safety management system)
- ▶ ISO 9001 (Quality management system)
- ▶ ISO 14001 (Environment management system)
- ▶ ISO 50001 (Energy management system)
- ▶ "Q" Quality label, Ministry of Tourism Republic of Croatia
- ▶ Blue flag – Foundation for Environmental Education
- ▶ Sustainable Hotels
- ▶ Travelife Gold Award
- ▶ EU Ecolabel.

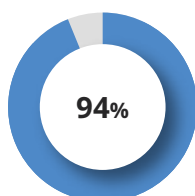
Complying with regulations and voluntary codes is the company's priority when communicating with guests, including marketing communication such as advertising, promotion and sponsorships. Valamar has not registered a single instance of violation regarding regulations or voluntary codes.

UP!LIFTING SERVICE CULTURE

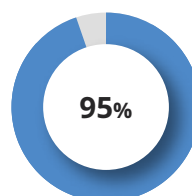
The Up!Lifting index in Valamar is 94 percent, in hotels 95 percent and 93 percent in campings.

In 2019, there were over 7,000 training sessions organized at our properties – 1,000 more compared to 2018, with 18 different training topics. Over 1,500 employees attended orientation presentations for new employees and there were 400 Up!Lifting-awarded ValamArtists and 5 Up!Lifting ambassadors. Last year, over 300 managers participated in the Up!Lifting training program and the internal training program named "Train the Trainer".

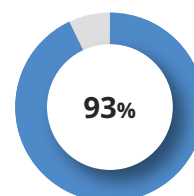
TOTAL UP!LIFTING INDEX



UP!LIFTING INDEX IN HOTELS



UP!LIFTING INDEX IN CAMPINGS



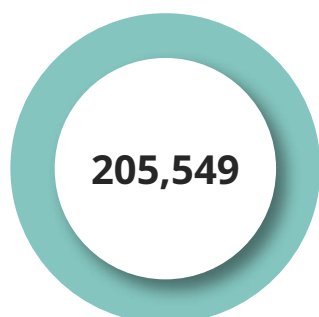
RESULTS OF VALAMAR'S GUEST SATISFACTION SURVEY IN 2019 – KEY NUMBERS

NUMBER OF COMPLETED SURVEYS



25%

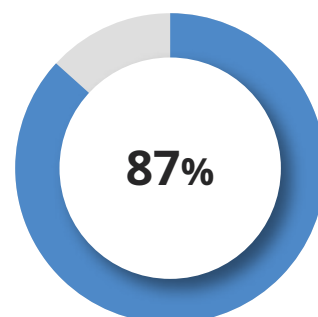
of our guests completed the survey or left an online review.



OVERALL GUEST SATISFACTION 2019

Overall guest satisfaction is based on 205,549 submitted surveys and online posts made by our guests.

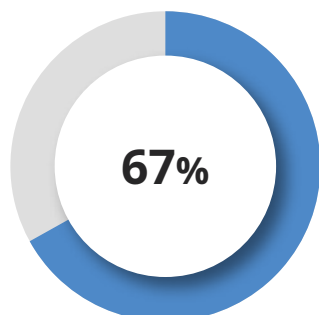
The total result for hotels was 87% and 85% for campsites. Collection properties reported the best results (93%).



UNBELIEVABLE INDEX

Unbelievable Index – the percentage of guests who gave our staff the best rating possible – “unbelievable”.

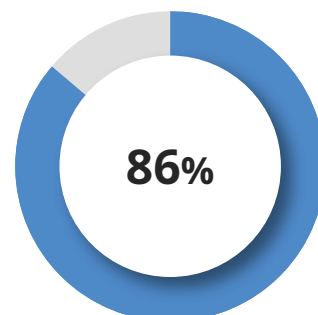
In 2019 Unbelievable Index was 67%.



ONLINE GUEST SATISFACTION AVERAGE

The online guest satisfaction average refers to the overall online score in the last 24 months on all web portals.

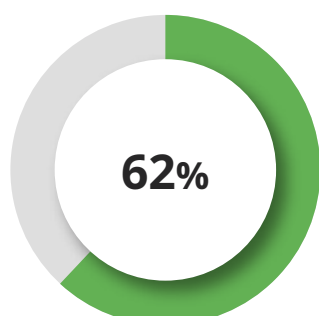
It was 86% in 2019, an increase of 1pp compared to 2018.



NPS – NET PROMOTER SCORE

NPS – Net Promoter Score – we ask our guest one question to obtain our NPS: “Would you recommend us to a friend or colleague?”

In 2019 it was a high 62%.



How is NPS calculated



Net Promoter Score

=

% Promoters

–

% Detractors

EMPLOYEES AND ORGANIZATION

In 2019, Valamar Riviera ranked 7th on the list of top employers in Croatia, which is five places higher compared to last year.

According to research conducted by MojPosao web portal on almost 20.000 subjects in 2018 and 2019, Valamar Riviera was the only tourism company among the top 20 employers in Croatia. The significant

factors in the selection were harmonious workplace relationships, job security, the employer's social responsibility, as well as sector leadership, salary levels and other benefits. Also, Valamar's status as the top employer in tourism is well-founded by its salary competitiveness, motivation and reward system, career development opportunities, as well as employee wellbeing.

RESPONSIBLE MANAGEMENT OF HUMAN RESOURCES

Valamar regards investing in its employees as one of its primary business goals. In terms of seasonality as one of the important characteristics of holiday tourism and the tourism sector in general, Valamar addresses various initiatives and programs to extend the tourist season in its destinations, as well as securing year-round income through permanent contracts and the permanent seasonal worker measure. In addition to excellent working conditions, the possibility of career development and permanent employment, another significant benefit is the staff residence Valamar House, where all employees from different parts of Croatia are provided with accommodation and three meals a day.

The company has also launched its training programs when a shortage of certain needed occupations occurred on the labor market. Valamar believes that such practices can have the effect of reducing workforce outflow and thus creating a positive work environment for young and promising people who want to work and live in Croatia.

Employee health and safety is one of the company's key priorities and Valamar Riviera fully complies with all legal requirements and internal health and safety standards of its employees, contract partners and guests. The company has an Occupational Safety and Health Service and helps monitor, collect feedback and provide advice regarding occupational safety programs.

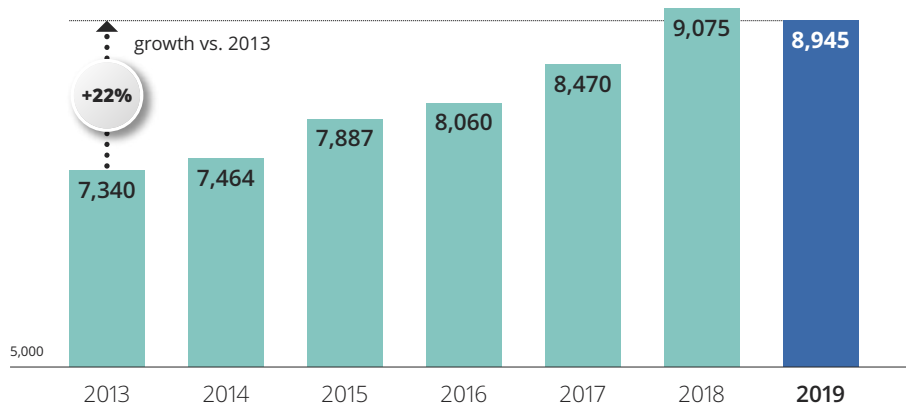
Freedom of association is a human right set in international declarations and conventions, and collective bargaining alone is an important form of involvement of all stakeholders who help create institutional frameworks. The Valamar Riviera Collective Agreement covers all its employees, excluding two members of the Management Board. For all significant business changes related to employees, there is a legal regulation that sets a time-limit for informing and obtaining the approval of the Workers' Council, trade unions and other social partners. The employer is required to inform the Workers' Council about the business results and the state of business, the organization of work, the expected development of business activities, changes in salaries, number and type of workers and labor costs, as well as other issues of particular importance for the workers' economic and social position.

SALARY POLICY

Valamar guarantees a minimum net income of between HRK 5,000 and 7,500 for all employees working full-time during the month. In 2019, Valamar paid all its employees with permanent contracts and all workers with a permanent contract who had worked at least 10 months in 2019 a 13th salary of HRK 5,000.

Seasonal workers who worked all their contracted hours under the employment contract and worked between 4 and 7 months were paid a season bonus of HRK 700, while those who worked between 7 and 10 months gained a bonus of HRK 1,500. Also, all

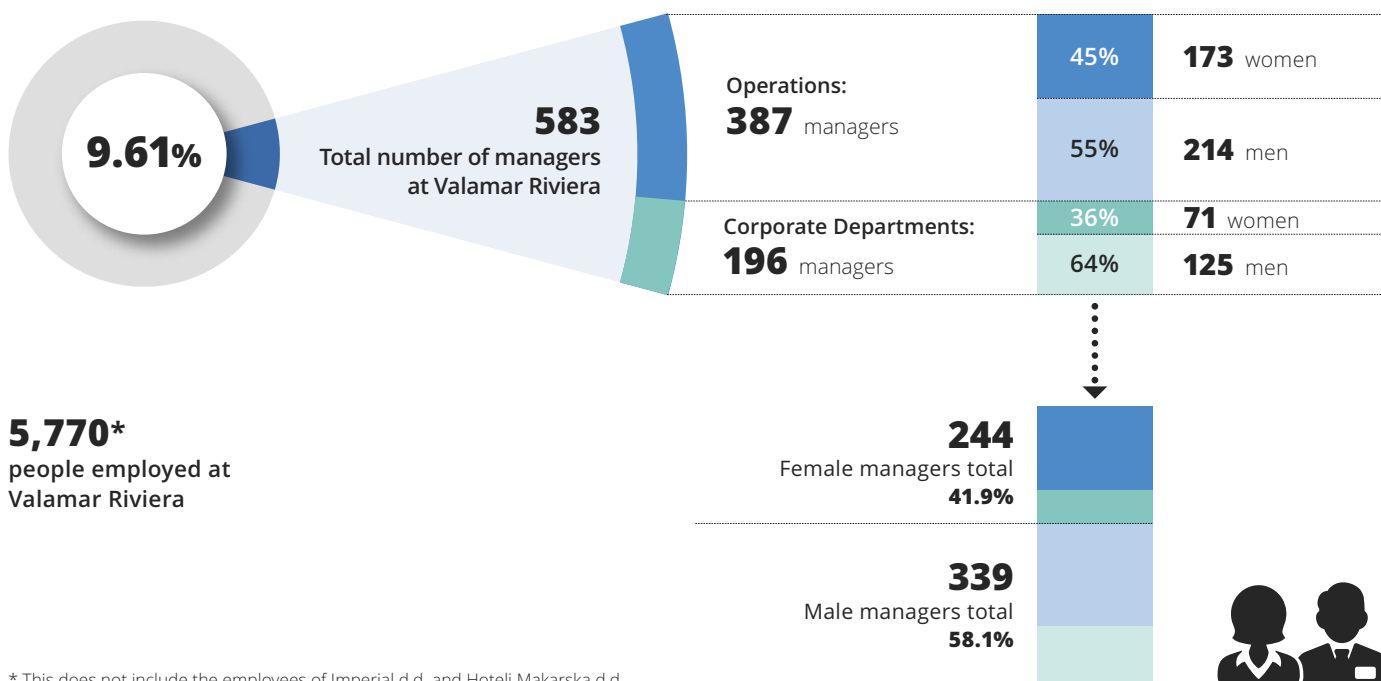
AVERAGE GROSS WAGE GROWTH IN 2019 COMPARED TO 2013 (HRK)



SHARE OF MANAGERS IN THE TOTAL NUMBER OF EMPLOYEES IN 2019 AT VALAMAR RIVIERA

One of the key goals and priorities at Valamar Riviera is building an entire management team that is equipped with the necessary knowledge, skills and capacities to attain the strategic goals of the company.

In 2019, there were 583 managers*, or 9,61% of the total number of employees, of which 244 female managers.



employees who worked for at least half a month in July were paid a season bonus of HRK 500.

Based on the collective agreement, Valamar Riviera employees received a reward in kind in the maximum non-taxable amount of HRK 600, as well as a child bonus (for parents of children under 15 years of age) in the same amount. Thus, a total of 3,722 employees received the HRK 600 reward in kind, and 1,172 employees with children

under the age of 15 received a child bonus of HRK 600.

Women and men are equally paid in Valamar for the same positions and task complexity. In 2019, Valamar continued to increase the salaries of its employees.

At a yearly level, salaries in Valamar were 2% higher than the Croatian average and 25% higher than the industry or sector average.

The average gross 1 salary in Valamar Riviera for 2019 was HRK 8,945, while the average salary in the Republic of Croatia was HRK 8,766 and HRK 7,149 in the tourism industry. Since 2013, the growth of the average gross 1 salary has been a high 22%.

In comparison to 2018 the gross 1 salary has not increased because there were more hours worked on Company level which affected the average. In addition, because of amendments made in the income tax regulation and the possibility of paying employees non-taxable rewards, Valamar paid all its employees with permanent contracts and all workers with a permanent contract who had worked at least 10 months in 2019 a 13th salary of HRK 5,000 which affected the net salary increase. The aforementioned increased by 10% vs 2017.

AVERAGE NUMBER OF EMPLOYEES BASED ON FULL-TIME EQUIVALENT IN 2019

EMPLOYEES BY CONTRACT TYPE

Permanent employees	1,892
Employees with year-long income	1,342
Seasonal	3,056
Students	778
Total	7,068


4.094*
Average number of Valamar Riviera employees based on full-time equivalent

* Average number of employees based on full-time equivalent in Valamar Riviera and Imperial Riviera is 4,716.

EMPLOYEE TURNOVER RATE

The employee turnover rate for permanent employees is 5% for Valamar Riviera, and 6% for Valamar Group.

EMPLOYEE TURNOVER RATE IN 2019: AVERAGE NUMBER OF PERMANENT EMPLOYEES

	M	F	Total	Permanent employees	Turnover rate
Baška	3	0	3	92	3%
Dubrovnik	17	14	31	331	9%
Krk	0	1	1	78	1%
Poreč	20	19	39	802	5%
Rabac	6	3	9	255	4%
Rab	7	5	12	214	6%
Makarska	9	7	16	106	15%
Grand Total	62	49	111	1878	6%

EMPLOYEES BY CONTRACT TYPE VALAMAR RIVIERA AND IMPERIAL RIVIERA

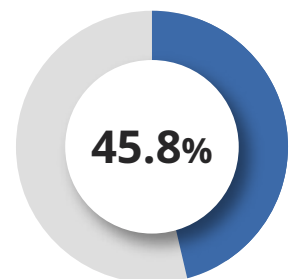
	31/07/ 2019	31/08/ 2012	Variation 2019-2012	% increase
Permanent employees	1,892	1,087	805	74%
Employees with year-long income	1,142	131	1,011	772%
Seasonal	3,056	1,709	1,347	79%
Fixed-term work/other	200	62	138	223%
Students	778	474	304	64%
Total	7,068	3,463	3,605	104%

INCREASE IN NUMBER OF EMPLOYEES

Valamar is the largest employer in Croatian tourism and one of the TOP employers, which employed 7.068 people during peak season in 2019 in destinations from Istria and Kvarner to Dubrovnik, which is a 400 employees increase compared to 2018.

YEAR-LONG EMPLOYMENT INDEX*

Year-long employment index in 2019 was 45.8%.



* Imperial Riviera included.

EMPLOYEE BENEFITS

Last year, Valamar launched a major project called "My Benefits", which provided employees with the largest system of material and non-material benefits to date, covering all aspects of business and personal life. The Valamar benefits program rewards the best results and innovations, balances business and private life, and provides employees with numerous discounts on products and services they use in their daily lives. In cooperation with more than 40 partners in its destinations, Valamar has provided employees with discounts on various services ophthalmologists, dentists, cosmetic and hairdressing services and the like.

All Valamar employees or ValamArtists receive their ValamArtist cards, with the option of using catering services at a discount of 30 percent at certain restaurants in Valamar's destinations. The list of benefits includes more favorable terms of credit and banking services with Valamar's partner banks, as well as discounts in travel agencies and numerous experiences in Valamar's destinations.

REWARD PROGRAMS

Valamar Riviera has an elaborate reward program, and as many as 5873 employees were awarded in 2019. Valamar rewards its employees via various rewards and incentives:

1. Monthly salary increment-incentive
2. Monthly and annual UP! rewards and recognition for employees - OPS
3. Monthly rewards for employees - PC PEC
4. Bi-monthly Upselling reward for reception workers at hotels and campsites
5. Bi-monthly reward for reception workers - Loyalty program, hotels and apartments, camping and PEC
6. Monthly rewarding of Reservation Center employees
7. Periodical rewarding – Sales and Marketing Division and Sector, RM - Dubrovnik Region
8. Rewarding for results at competitions
9. Annual F&B rewarding for above-budget results in outlets
10. Annual rewarding of Valamar Academy mentors and trainers
11. Annual rewarding of corporate employees (best employee)
12. My Idea for Valamar - periodical and annual rewarding
13. Annual corporate rewarding - Best Performance Hotels and Campsite, Best Employees
14. Annual corporate rewarding - Best Team (Recorder-breakers, Best Innovation)
15. Annual corporate rewarding - Best Up!lifting Practice
16. Reward for participating in events
17. Rewarding reception staff for DCC
18. Cross-selling employee reward
19. 5% for 5 *
20. Valamar Guarantee
21. Rewarding finance and accounting sector employees
22. Bonuses and loyalty rewards

VALAMARTIST EMPLOYEE APPLICATION

The ViV Monthly (Valamar News) is one of the favorite tools for sharing Valamar information among employees and business partners.

Every year, ViV readership is analyzed, and the results regularly confirm the satisfaction of all ViV readers. In addition to the popular internal magazine, Valamar Riviera communicates with its employees via the new internal communication platform - ValamArtist app. Valamar has created this application for employee internal communication, regardless of the employee's type of work or destination. Valamar is not only the largest tourism company in Croatia, but also a company which highly values innovation and digital development. The

ValamArtist application is the fastest way to communicate with colleagues and a platform where all the important information about Valamar, developments in destinations and within the company can be found. The ValamArtist App enables all ValamArtists to create content that is important to them and share it with colleagues. Among other things, the ValamArtist App is also an upgrade of the entire Good job at Valamar platform, thus further strengthening the image of the top employer in Croatia. We keep in touch with our seasonal employees who have returned to their homes after the season via the ValamArtist app.

FAMILY DAY

Valamar organizes its already traditional Family Day when employees' children can spend a day at work with their parents. This year, about 300 Valamar employee's children spent a day with their parents in Poreč, learning about their jobs.

This year the children were joined by other family members and Valamar Family Day was enjoyed by more than 500 people.

Also, Valamar provided parents of children who started the first grade of primary school in early September 2019 with a paid day off for the first day of school, thus enabling its employees to spend such a special day in full with their children.

TALENT MANAGEMENT AND CAREER DEVELOPMENT

Valamar Riviera aims at increasing overall customer service as well as creating a motivating work environment.

From fundamental occupations in tourism to professionals in IT, controlling, marketing, sales and a number of other fields, one of the Company's strategic goals is to develop educated and satisfied employees who can have a successful career in tourism. All employees are involved in annual performance and potential assessments,

regardless of whether they work in operation or in corporate functions. Such an approach enables timely planning of promotions, rotations and succession of key positions within the company.

Individual development plans allow employees to plan the long-term development of their careers. Valamar Riviera consistently monitors the work of its employees to fully utilize their potential. Based on the results, the company invests

in their education and guides them in further work depending on their capabilities, knowledge and affinities. Valamar Riviera recruits candidates of different profiles and experience, giving everyone the opportunity to thrive and grow within their company. Particular attention is given to career development, education and training.

LIFELONG EMPLOYEE LEARNING AND TRAINING

Providing numerous opportunities for personal and professional growth and development, and a commitment to developing employee competencies are just several of many standards that have earned us the trust of our employees and partners. All Valamar Riviera employees have equal education and training opportunities and more than HRK 6.9 million and 160 hours of education have been invested in education programs and training in 2019. Career opportunities in Valamar are very high, regardless of work place.

VALAMAR EXCELLENCE

In 2019, Valamar launched a life-long learning program, Valamar Excellence and Valamar provided a number of 160.751 hours of education for its employees.

It is an in-house life-long education program for gaining professional knowledge and skills in the tourism and hospitality industry. It is divided into two main parts:

- **Valamar Education** – specialist programs for jobs in tourism, consisting of two sub-programs (V-Executive and V-Professional)
- **Valamar Trainings** – training programs that include individual work with mentors and professional development based on best practices in the company (V-ACADEMY, V-LEAD, V-INTERN, V-START)

VALAMAR EDUCATION

1. **V-Executive** is a two-year modular tourism education program designed to learn about trends, gain new professional knowledge, understand the application of innovation, and promote an organizational culture that is driven by knowledge and progress. The program is implemented in cooperation with five faculties in Croatia - Faculty of Economics Zagreb, Faculty of Economics Split, Faculty of Tourism and Hospitality Management Opatija, Faculty of Economics and Tourism Pula and the University of Dubrovnik. The V-Executive program contains 27 modules divided into 8 tracks ("Current and Future Trends in Tourism and Hospitality", "Strategy, Organization and Context", "Innovative Product Development and Sales Management", "Branding and Communication", "Service Excellence and

Quality Management, Managing Operations, Finance and Legal Issues, and Sustainability and Responsibility). Classes and lectures will generally be held once a month - Thursdays and Fridays, and will include Valamar's experts in addition to lecturers from the aforementioned faculties.

2. **V-Professional** is a professional training program designed to acquire and refine the skills needed in everyday work. It includes professional work-related training such as foreign language education, sommelier training, Coffee academies and the like. Within the framework of V-Professional we cooperate with many institutions in Croatia (such as HUP, AZZRI, HUH, employment services), but also with numerous suppliers who strive to make all employees familiar with the products we offer within Valamar Riviera. In addition to the opportunity to attend one-day and multi-day seminars and various courses, employees can attend professional conferences, fairs, exhibitions and conferences.

VALAMAR TRAINING

1. **V-LEAD** - This in-house professional development program for future profit center/sector managers/directors and potential successors to senior management positions in operations and corporate departments, was launched in 2019. This one year program has enrolled 23 colleagues. Employees attend a program tailored to their individual needs and in addition to professional and strategic education they engage in a

mentorship project which they eventually present to the Board. The applicants were nominated by their superiors and passed the assessment before enrolling. In addition to training and mentoring, our colleagues will also have the opportunity to visit certain successful Croatian companies, thus sharing their experiences with colleagues in the industry and beyond.

2. **V-ACADEMY** - In 2019, V-Academy welcomed a new generation of students. The program counted 102 attendees, 84 from hotel operations and 18 from corporate departments in its first year. V-Academy has welcomed its new generation with many innovations in compliance with the management strategy of human resources and the needs that follow the company's growth, development, and acquisitions. The program has been improved and in the number of applicants has been redefined as it includes employees from all sectors in corporate departments. Also, all employees who want to acquire valuable corporate knowledge, other skills and competencies can now apply independently. The Academy is further divided into six sections and after general education and training, the attendees focus on education and training in their field of work. The in-house workshops were preceded by presentation skills mentoring workshops, where we included a number of corporate department colleagues to create a pool of mentors who will monitor, support and impart their knowledge. Also, all employees who wish to expand their corporate knowledge and other competencies can now apply independently.



More than HRK 6.9 million
invested in educational programs in 2019



160,751 hours
of education in the Valamar Excellence program, 2019

3. V-START - a one-year program that enables our apprentices to gain insight into the many and specific processes within the company through cross-sector rotations and mentoring. Apprentices go through all the departments in hotel operations throughout the year, where they work on specific tasks with other colleagues. In the winter, apprentices work with mentors from corporate departments to gain insight into Valamar Riviera business processes.

4. V-INTERN - an internship program for students conducted in cooperation with various higher education institutions in Croatia and abroad. We are proud to say that some former students are now our colleagues. In cooperation with numerous partner universities and schools, over 35,000 hours of student and internships were realized in 2019.



VALAMAR - THE LARGEST SCHOLARSHIP PROVIDER IN CROATIA

Valamar is the largest single scholarship provider in Croatia, offering unique opportunities each year for scholarships, internships and first-time employment, resulting in high student interest.

Valamar's human resources offers an attractive scholarship program for jobs in hospitality (chefs, waiting staff, pastry chefs) for the 2019/2020 academic year. The scholarship provides students with HRK 1.200 monthly, for 10 months during the academic year until graduation. In 2019, Valamar provided scholarships for 288 students.

Most scholarship recipients came from the continental part and 73% came from outside Valamar's destinations. Of the total number of scholarship recipients, 46% are Valamar's future chefs.

INVESTING IN FUTURE STAFF AND PROMOTING JOBS IN TOURISM

Valamar has a long-standing tradition of providing scholarships to young people training for high-demand jobs in hospitality and has been the largest partner to the Ministry of Tourism so far.

Students have the opportunity to gain work experience in Valamar hotels, camps and resorts, and are offered a job with the leading employer in tourism in Croatia upon graduation. All scholarship holders are required to attend classes regularly, enroll in the school year and duly graduate, while scholarship holders from other destinations are provided with housing and meals at the expense of the employer. This approach contributes to encouraging and supporting young people to enroll and complete education for hospitality professions, better connecting Valamar as an employer with secondary vocational and hospitality schools across Croatia, raising the overall quality of Croatian tourism, as well as the quality of staff in the hospitality and tourism industry.

IN 2019, VALAMAR PROVIDED SCHOLARSHIPS FOR 288 STUDENTS*

	Local	From other regions	Total
Graduates	26	99	125
Other grades	86	77	163
Total	112	176	288

* Valamar Riviera and Imperial Riviera.

COOPERATION WITH REGIONAL COMPETENCE CENTERS

The European Social Fund (ESF) is fundamental for the European Union's cohesion policy and supports investing in human capital and the strengthening of competitiveness of the European economy. Activities funded by the European Social Fund help people improve their skills and integrate into the labor market with ease.

The Ministry of Tourism has recognized centers of vocational competence in the tourism and hospitality sector as a medium to improve the quality of vocational education for tourism and hospitality jobs and adapt it to the needs of the labor market in order to strengthen the competitiveness of human resources in tourism and hospitality. At the end of 2019, Valamar Riviera signed the Strategic

Partnership Agreements with the Regional Competence Centers in Pula, Opatija and Dubrovnik for a 4-year project "Establishing Regional Competence Centers in the Tourism and Hospitality Sector". The partnership commits us to collaboration and engagement on three priority project tasks:

strengthening vocational education and training systems and their quality, including mechanisms for anticipating skills, adapting curricula and introducing and developing work-based learning systems, including dual learning systems and apprenticeship programs, modernizing and improving the quality of vocational training with the purpose of increasing student employability as well as opportunities for further education and lifelong learning.

According to the Vocational Education Act from 2018, Competence Centers are work-based vocational education and training locations, which also propose and select their partners like businessmen and tourism companies that are the leaders in creating service excellence as well as programs and practices for the development of human resources. In partnership with Valamar and other partners in the tourism sector, the Centers of Competence, carry out specialized and differentiated activities

for the development of new curricula, the adaptation of the curriculum to the needs of the labor market, and the professional development of teachers, teaching assistants and mentors as well as training mentors in the workplace. The 2020-2023 Strategic Partnership will also enable Valamar to exchange knowledge and practice with similar centers in other countries, as well as increase its corporate competence through the mobility of students, grantees, mentors and specialists.

SEASONAL EMPLOYMENT

Valamar Riviera guarantees the best conditions for seasonal employment in Croatian tourism. Three departments at the company – Operations, Human Resources and Quality – are responsible for organizing orientation presentations to welcome the new employees into the Valamar team and to make their integration process simpler. The presentations are divided by destinations and clusters and provide extensive information on numerous topics, exemplify the meaning of “good job at Valamar” and present Valamar’s core values, mission and vision, service excellence and rewarding system.

VALAMAR+3 PROGRAM

Valamar Riviera secures the stability and continuity of year-long income through the Permanent Seasonal Worker measure and Valamar + 3 program, as part of an active employment policy implemented since 2016.

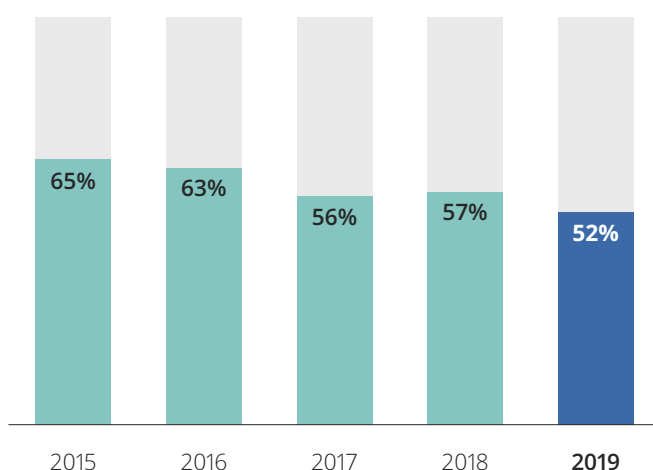
The terms of permanent seasonal workers and permanent employees are closely matched through the Valamar +3 program. The number three in the title indicates job security for three

seasons, offering workers a minimum of nine months of work a year and many other benefits. Throughout the three-year contract period, permanent seasonal workers enjoy employment status and priority for employment at Valamar. Valamar Riviera aims to increase the permanent index in the near future, that is, the number of permanent contracts and contracts that provide year-long income through the permanent seasonal worker measure to 50 percent.

PERCENTAGE OF RETURNING SEASONAL WORKERS

Seasonal work is the first step towards a permanent year-round job at Valamar. Due to the increase in the number of employees, the share of returning seasonal workers has decreased from 63% in 2016 to 52% in 2019. However, the total number of returning seasonal workers is increasing and 2019 was marked by a 9% increase in returning seasonal workers compared to 2018.

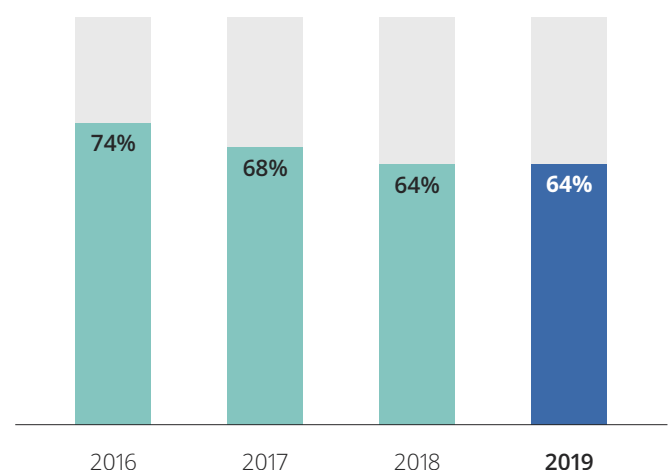
PERCENTAGE OF RETURNING SEASONAL EMPLOYEES



SHARE OF LOCAL EMPLOYEES

At Valamar employees come first, which is evident from the company's effort to hire local employees as part of its stimulating corporate culture.

SHARE OF LOCAL EMPLOYEES



VALAMAR HOUSE INVESTMENTS IN 2019

Valamar Riviera provides all its employees who work in Valamar destinations but are from other parts of Croatia and the region with quality accommodation and warm meals. Valamar has invested between HRK 80 and 100 million in staff accommodation so far. The construction of the fifth Valamar House in Dubrovnik is well underway.



HRK 80 – 100 million
total investments in Valamar House

Staff accommodation in destination Rabac is a hotel with swimming pool, which has three facilities with accommodation units and numerous amenities.

The main property has a check-in desk and a restaurant serving breakfast, while the other two facilities are equipped with a shared kitchen with all the equipment needed for self-catering.

For socializing and relaxing after work, employees are provided with video and board games space equipped with a game console, table football, table hockey, darts and board games, a lounge with a shared TV, and outdoor barbecue areas. The hotel also features a bicycle storage area and laundry facilities.

In addition to Rabac, seasonal workers already have secured accommodation in hotels for employees (Valamar House) at two locations in Poreč and Krk.

CORPORATE CULTURE AND CLIMATE – RESULTS 2019

The annual Valamar survey on employee satisfaction contained a new category, "Work Environment and Team Relations," in 2019. This year 88 percent of employees completed the survey or three percent more than last year.

This year, the survey also had a humanitarian side, as we donated HRK 5 for each completed survey to kindergartens in our destinations.



**TOTAL EMPLOYEE
SATISFACTION RATING**



Rated higher than 4.0

are categories: work environment and relationship, superiors and life - work balance

GOOD JOB AT VALAMAR: CAMPAIGN AND PROFESSIONAL AWARD

A significant number of investments along with raising service quality implies a continuous increase in the number of employees, which is an ongoing trend in Valamar. At times when Croatia lacked manpower, such employment dynamics could only be realized with the strategic planning of new recruitment that Valamar Riviera has been implementing for the last ten years.

In 2019, the number of employees in Valamar Riviera increased by more than 400, bringing the total number of employees to 7,068. The Good Job at Valamar campaign was launched to promote the image of top employer and attract as many job applicants as possible.

The goal of the campaign is to strengthen Valamar's position as an employer that offers career opportunities and guarantees the best working conditions, the highest quality accommodation for employees in Croatia, as well as securing the number of candidates for each seasonal position. Valamar is one of the first companies in Croatia to launch such

an integrated communication campaign. Valamar received the Grand Prix award from the Croatian Public Relations Association (HUOJ) for the campaign's quality, launched to promote Valamar's top employer image and attract quality employment candidates. Valamar received this professional award in the Grand Prix public relations category for large companies.

In addition to the Good Job at Valamar Facebook page, Valamar upgraded the

platform in 2019 by launching the dobarposaovalamaru.com website, providing all the information on: job applications, working conditions, employee benefits, detailed job descriptions by sectors, internships, scholarships and work opportunities for students and a whole host of other news updates related to all segments of human resources. The site offers a number of novelties such as newsletter signup for all visitors interested in a job at Valamar.

7th place 7th place in the list of top employers in Croatia

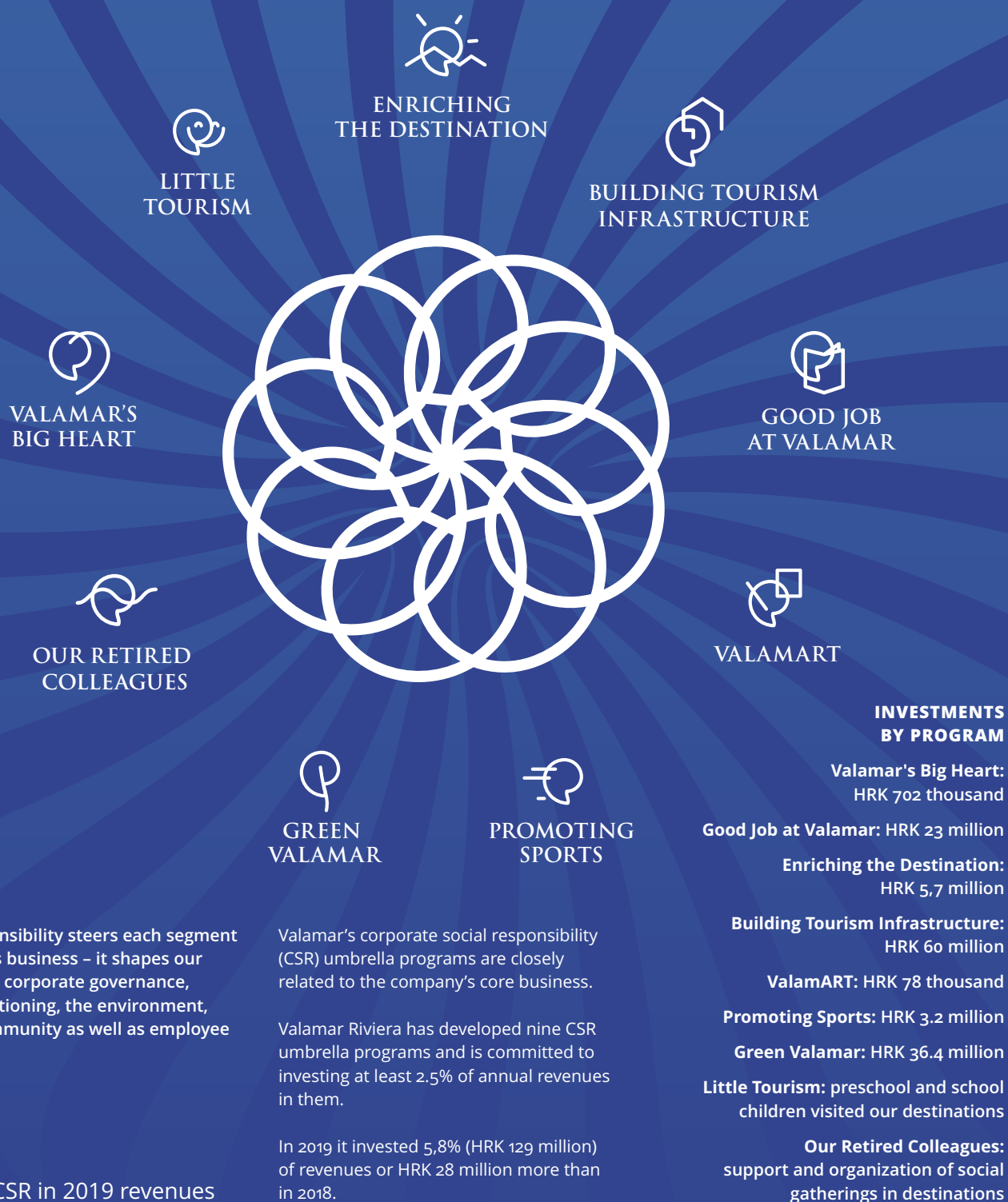
400 new jobs in the 2019 season from Istria and Kvarner to Dubrovnik

More than 7,000 employees in 36 hotels and resorts and 15 camping resorts

HRK 5,000 up to HRK 7,500 minimum net income for the full monthly hours worked

HRK 80 - 100 million invested in Valamar House, quality accommodation for employees

RESPONSIBILITY TO THE LOCAL COMMUNITY AND THE ENVIRONMENT



RESPONSIBILITY TO THE ENVIRONMENT

Natural resources are limited and the activity of each individual and organization should be directed towards their safeguarding. The environment represents the key resource in tourism, so environmental awareness is crucial in this sector due to its volume and intensity.

As the leading tourism company in Croatia, Valamar Riviera is aware of its responsibility to systematically apply high standards to safeguard the environment – the key resource in tourism. Responsibility towards the environment is one of the pillars of sustainability, which Valamar Riviera has incorporated into its Quality and Sustainable Business Policy as well as Strategic goals.

- ▶ HRK 17.2 million – invested in energy efficiency projects in 2019

- ▶ 100 percent electrical energy – comes from renewables
- ▶ More than 70 percent – reduction of direct and indirect Greenhouse gas emissions from the first and second volume
- ▶ HRK 4.2 million – total amount allocated for the purchase of 20 new electric vehicles, 26 electric scooters and 7 electric carts in 2019
- ▶ HRK 3 million – the total invested in the replacement of classic street lamps with highly efficient LED lights
- ▶ 14 Valamar beaches hold the Blue Flag certification, an international quality symbol awarded for a preserved environment, clean water and beaches, well-managed beaches and high-quality services.

SUSTAINABLE HOTEL CERTIFICATE

Valamar Sanfior Hotel & Casa
★★★★★

Valamar Koralj Hotel
★★★

Valamar Collection Dubrovnik President Hotel
★★★★★

Valamar Parentino Hotel
★★★★

TUI Blue Bellevue Resort by Valamar
★★★★

Valamar Padova Hotel
★★★★

Valamar Carolina Hotel & Villas
★★★★

2019 GREENHOUSE GAS EMISSION REPORT

VALAMAR RIVIERA: GREENHOUSE GAS EMISSION COMPARISON

	kg/overnight	CHANGE VS. PREVIOUS YEAR (t)	kg/overnight
2015	4.29		
2016	1.27	↓ 67.96%	↓ 70.46%
2017	1.24	↓ 0.02%	↓ 2.40%
2018	1.32	↑ 8.90%	↑ 6.66%
2019	1.21	↓ 5.54%	↓ 8.27%

VALAMAR RIVIERA GROUP (CONSOLIDATED DATA): GREENHOUSE GAS EMISSION COMPARISON

	kg/overnight	CHANGE VS. PREVIOUS YEAR (t)	kg/overnight
2016	1.68		
2017	1.72	↑ 2.47%	↓ 0.25%
2018	1.84	↑ 9.22%	↑ 7.16%
2019	1.35	↓ 24.84%	↓ 26.63%

* Since 2017 the calculations include Valamar Obertauern Hotel.



IN BUSINESS VALAMAR IS FOCUSED ON:

- ▶ Reducing fossil fuel consumption
- ▶ Reducing drinking water consumption
- ▶ Reducing electric energy consumption



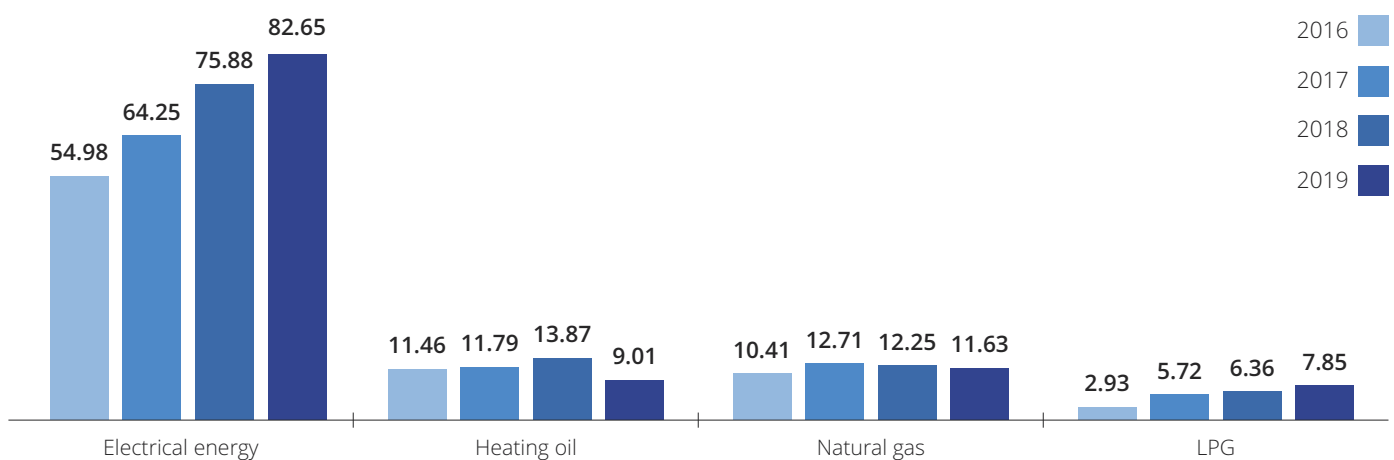
In 2019:

3 new charging stations
in Marea Collection Suites
and Istra Premium Camping Resort

- an investment worth HRK 124 thousand
- the total number of electric car
charging stations is 19

ENERGY EFFICIENCY

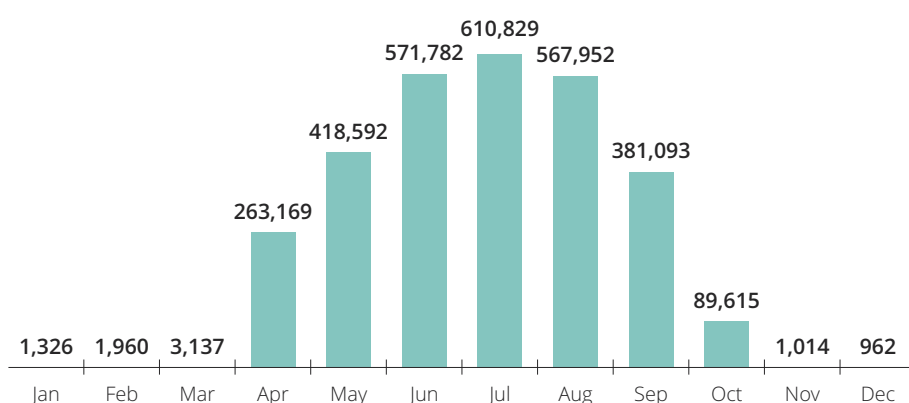
CONSUMPTION OF ENERGY PRODUCTS – COMPARISON 2017-2019 (GWh)



CONSUMPTION OF ENERGY PRODUCTS IN 2019

	Consumption in unit of measurement	kWh	GWh	kWh/overnight
Electrical energy	82,647,463	82,647,463	82.65	12.2
Heating oil	901,384	9,013,841	9.01	1.33
Motor fuel	325,224	3,252,244	3.25	0.48
Natural gas	11,632,414	11,632,414	11.63	1.72
Propane-butane	613,380	7,851,267	7.85	1.16
TOTAL		114,397,230	114.4	16.88

ENERGY SENT INTO THE SYSTEM FROM QSOL SOLAR COLLECTORS IN 2019 (kWh)



ENERGY CONSUMPTION, AS SHOWN BY THE FOLLOWING ITEMS

- Total consumption of energy from non-renewable sources: 31,749,767 kWh
- Total consumption of energy from renewable sources: 82,647,463 kWh
- Total consumption of electrical energy: 82,647,463 kWh
- Total consumption of energy in joules or their derived units: 411,830,029 MJ

ENERGY INTENSITY, AS SHOWN BY THE FOLLOWING ITEMS

- energy intensity ratio (sum of all energy in kWh/overnight): 16.88 kWh/overnight
- types of energy included in the ratio: electrical energy, heating oil, motor fuel, natural gas and propane-butane

WATER RECYCLING 2019

Total water consumption (m³)	1,796,735
Amount of recycled water for irrigation (m³)	7,696
Poreč laundry facility (m³)	28,582
% of used recycled water (out of total consumption)	2.02%

GROUNDWATER AND WATER FROM LOCAL OR OTHER WATER SUPPLY SYSTEMS

Groundwater supply system (m³)	25,764
Local or other water supply systems (m³)	1,770,971

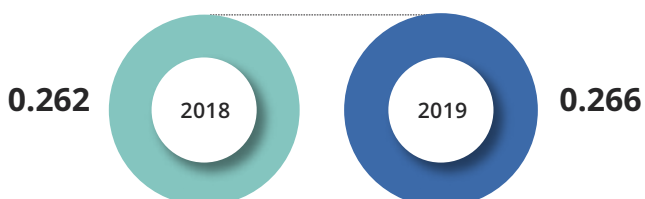
WATER DISCHARGE PER DESTINATION

Public sewage system (m³)	1,542,654
Sea (m³)	85,492
Discharge of water to surrounding terrain (m³)	8,441

The total volume of wastewater is based on an estimate of delivered water minus the percentage used for irrigation and watering sports fields. There are no wastewater flow meters. Wastewater is tested 2-4 times a year for every profit center; tests are carried out by authorized laboratories (public health institutes).

Wastewater is treated before being discharged: mechanically (FOG separators – all the hotels and campsites), biologically and mechanically (Poreč laundry facility) and biologically (Krki and Škrila campsite, Carolina and Eva resorts on the peninsula of Suha Punta on Rab Island).

WATER CONSUMPTION COMPARISON* (m³/overnight)



* The specific water consumption increase is the result of investments in new pools and irrigated green areas.

WASTE DISPOSAL

TOTAL WEIGHT OF HAZARDOUS, NON-HAZARDOUS AND MIXED MUNICIPAL WASTE* (t)

	2016	2017	2018	2019
NON-HAZARDOUS				
Paper and cardboard	459	598	671	661
Glass	211	285	312	319
Plastic	160	255	285	283
Wood	478	469	42	45
Biodegradable waste	625	1,533	1,759	2,527
Used cooking oil	20	32	28	21
FOG separator waste	712	758	691	480
Metals	35	14	12	7
Bulky waste	139	306	102	246
Other non-hazardous waste	45	6	13	6
TOTAL	2,884	4,256	3,915	4,595

HAZARDOUS WASTE

Asbestos	-	22	-	-
Electric and electronic waste	7	6	18	7
Contaminated packaging	5	9	8	4
Other hazardous waste	7	2	14	11
TOTAL	19	39	40	22

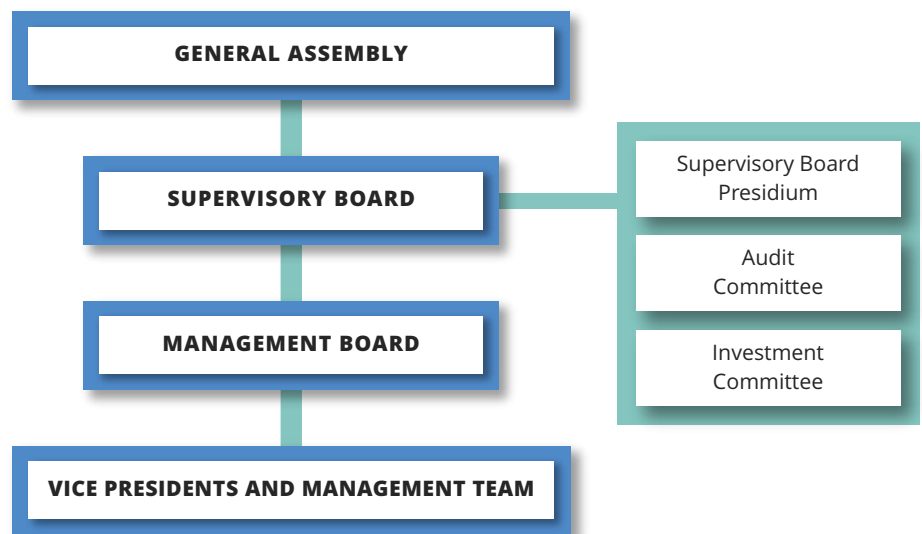
MIXED MUNICIPAL WASTE	4,292	5,117	5,013	5,080
TOTAL WASTE GENERATED	7,195	9,412	8,967	9,697

CORPORATE GOVERNANCE

CORPORATE STRUCTURE

As a joint-stock company with more than 21 thousand shareholders, Valamar Riviera is committed to the highest principles of good corporate governance and regulatory compliance.

A well-defined and clear corporate structure is the foundation for the effective strategic and operational management of the company. The key governing bodies of Valamar Riviera d.d. are the General Assembly, the Supervisory Board with its corresponding delegate committees and the Management Board led by the President of the Management Board or CEO of Valamar Riviera. The specific governance authorities and responsibilities of these governing bodies are regulated by the relevant Croatian legislation, Company Statute and other corporate governance codes, regulations or prescribed procedures.



SUPERVISORY BOARD

The Supervisory Board consists of 7 members, of whom 2 are independent and one is an employee representative.

The Supervisory Board meets at least 4 times per year. The Supervisory Board is actively engaged in key management decisions through corresponding delegate committees

that meet more often to manage key strategic initiatives and support the Supervisory Board in the decision-making process.

- ▶ Supervisory Board Presidium
- ▶ Audit Committee
- ▶ Investment Committee

Term of office from 7/7/2019 to 6/7/2021			Supervisory Board	Supervisory Board Presidium	Audit Committee	Investment Committee
Gustav Wurmböck	Chairman	Proprietary	■	■	■	■
Franz Lanschützer	Deputy Chairman	Proprietary	■	■	■	■
Mladen Markoć	Deputy Chairman	Independent	■	■	■	
Georg Eltz Vukovarski	Member	Proprietary	■		■	■
Vicko Ferić	Member	Proprietary	■		■	■
Hans Turnovszky	Member	Independent	■		■	■
Valter Knapić	Member	Employee Representative	■			
Meetings held in 2019			16*	10	5	2

* The Supervisory Board held sixteen (16) meetings in the course of 2019, out of which twelve (12) were held via correspondence, according to the Company's Statute.

MANAGEMENT BOARD

The Management Board consists of two members:

- Management Board President: Željko Kukurin
- Management Board Member: Marko Čižmek

The Management Board President is primarily responsible for formulating and managing the company's strategic, operating and financial activities. In addition, the President individually leads the following areas: hotel operations, marketing & sales, human resources, destination management, purchasing, investment and asset

development, external affairs and public relations, quality management, internal audit and project management, controlling, legal and general affairs. Marko Čižmek, Management Board Member, is primarily and individually responsible for finance, accounting, treasury, IT and institutional investor relations.

SENIOR MANAGEMENT

The strategic corporate business functions are organized in 4 divisions that are led by four vice presidents:

- Sales & Marketing – VP Davor Brenko
- Operations – VP David Poropat
- Asset Development, Maintenance & Technical Services – VP Alen Benković
- Business Development and Corporate Affairs – VP Ivana Budin Arhanić

The senior management team or division vice presidents are responsible for managing specific functional business areas and activities. In addition, the senior management team is tasked with cross-functional steering and leadership,

implementing the corporate strategy and providing management support to the CEO. Hence, the senior management team works closely with the Management Board and performs relevant corporate functions through business committees that are focused on those strategic activities at the Company that require a high degree of cross-functional involvement:

- **CAPEX Committee** (capital investment projects)
- **Project Committee** (steering the project management organization)
- **Business Experience Committee** (business expansion, loyalty and CRM, quality management & service excellence,

corporate social responsibility, human resource strategies and policies)

- **Purchasing & Partnerships Committee** (strategic partnerships and purchasing agreements)
- **HR Development and Business Excellence Committee** (investment strategy for human resource development and education)

	Position	CAPEX Committee	Project Committee	Business Experience Committee	Purchasing & Partnerships Committee	HR Development and Business Excellence Committee
Željko Kukurin	Management Board President	■	■	■	■	■
Marko Čižmek	Management Board Member		■		■	
Alen Benković	Vice president	■	■	■	■	■
David Poropat	Vice president	■	■	■	■	■
Davor Brenko	Vice president	■	■	■		■
Ivana Budin Arhanić	Vice president		■	■		■
Sebastian Palma*	Director of Strategic Planning and Controlling	■				
Andrea Štifić	Director of Asset Management and General Affairs	■			■	
Marko Vusić	Director of Internal Audit and Project Management		■			
Dragan Vlahović	Director of Purchasing				■	
Ines Damjanić Šturman	Director of Human Resources			■		
Tea Cergna	Director of Human Resource Development					■
Dario Kinkela	Director of Food&Beverages				■	

* Sebastian Palma held the position of Director of Strategic Planning and Controlling in Valamar Riviera d.d. until February 1, 2020 and is since then a Management Board member in Imperial Riviera d.d.

BUSINESS COMMITTEES

BUSINESS EXPERIENCE COMMITTEE

Željko Kukurin, Committee President

Ivana Budin Arhanić, Committee Vice President

David Poropat, Member

Davor Brenko, Member

Alen Benković, Member

Ines Damjanić Šturman, Member

TASKS OF THE COMMITTEE:

- ▶ analyzing the reports on quality and formulating proposals for improving the Valamar experience
- ▶ monitoring the CRM, managing the client database, loyalty and direct communication with guests
- ▶ analyzing possible acquisitions, strategic partnerships and mergers, analyzing the cost-effectiveness and assessing the risks of acquisitions and/or partnerships or investments
- ▶ analyzing activities and monitoring the development of destination marketing and destination products
- ▶ deciding on human resource strategies and policies
- ▶ managing the portfolio, service concepts and brands
- ▶ analyzing other activities and projects of strategic importance for the company

CAPEX COMMITTEE

Željko Kukurin, Committee President

Alen Benković, Committee Vice President

David Poropat, Member

Davor Brenko, Member

Andrea Štifanić, Member

Sebastian Palma, Member

TASKS OF THE COMMITTEE:

- ▶ preparing the concept, analyzing the cost effectiveness, and assessing the risks of investing in certain projects
- ▶ outlining proposals for choosing projects and preparing the annual investment plan
- ▶ monitoring the investment process: planning, choosing contractors and materials, execution of pre-opening and post-opening
- ▶ analyzing the success of the investment

PROJECT COMMITTEE

Željko Kukurin, Committee President

Marko Vusić, Committee Vice President

Marko Čižmek, Member

Ivana Budin Arhanić, Member

David Poropat, Member

Davor Brenko, Member

Alen Benković, Member

TASKS OF THE COMMITTEE:

- ▶ analyzing and formulating proposals for selecting development projects that are of importance for the company
- ▶ outlining proposals for projects and necessary resources
- ▶ monitoring project implementation
- ▶ outlining proposals for project ending and monitoring of the results

PURCHASING AND PARTNERSHIP COMMITTEE

Željko Kukurin, Committee President

David Poropat, Committee Vice President

Marko Čižmek, Member

Dragan Vlahović, Member

Alen Benković, Member

Andrea Štifanić, Member

Dario Kinkela, Member

TASKS OF THE COMMITTEE:

- ▶ preparing purchasing guidelines and policies
- ▶ analyzing tender results and selection of key suppliers
- ▶ analyzing the purchasing process and preparing improvement recommendations
- ▶ preparing and developing guidelines for the outlet management strategy
- ▶ analyzing and developing guidelines for the leasing policy

HR DEVELOPMENT AND BUSINESS EXCELLENCE COMMITTEE

Željko Kukurin, Committee President

Tea Cergna, Committee Vice President

Ivana Budin Arhanić, Member

David Poropat, Member

Davor Brenko, Member

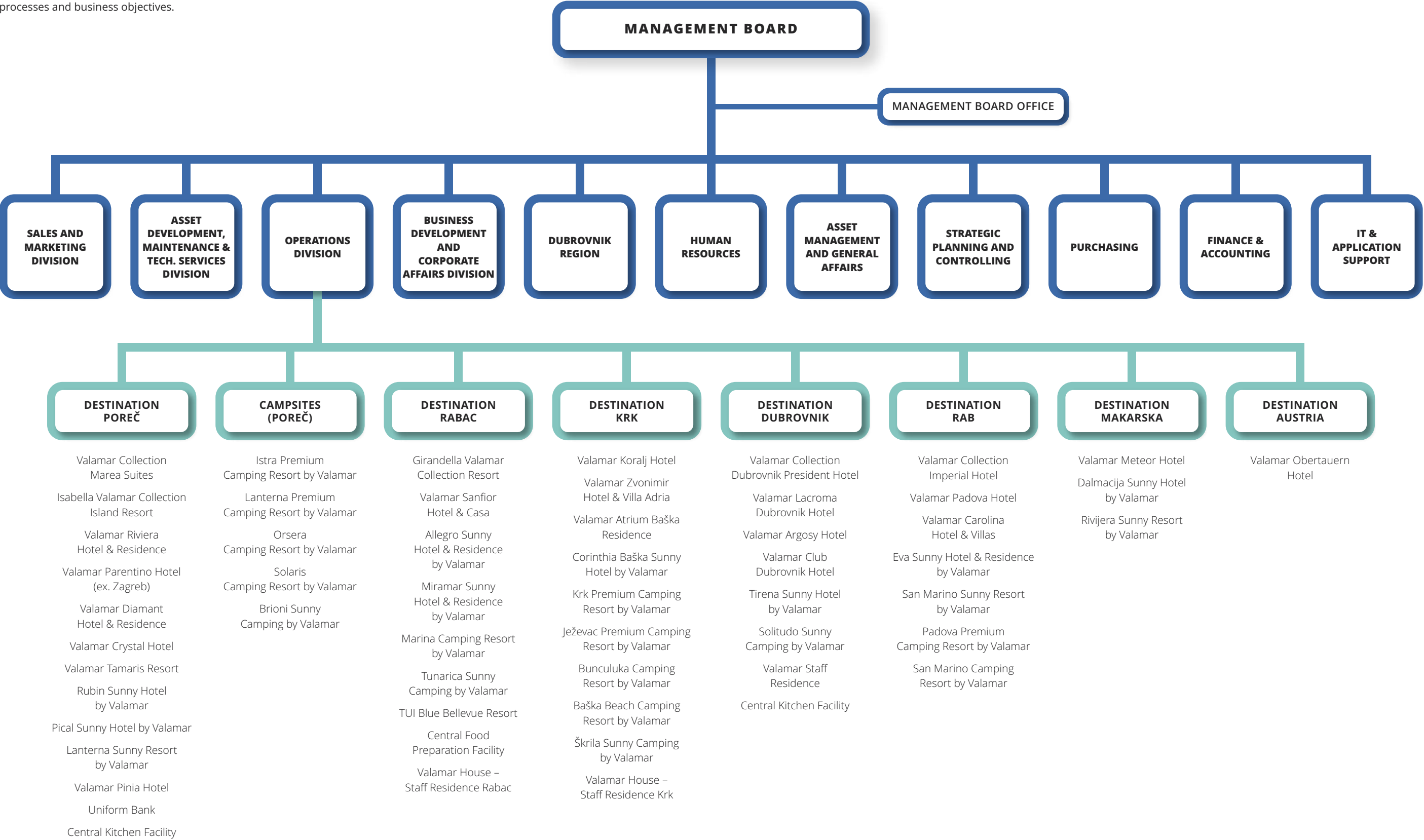
Alen Benković, Member

TASKS OF THE COMMITTEE:

- ▶ creating 3- and 5-year strategies and plans for investing in human resource development and education
- ▶ defining the annual education and training budget
- ▶ adopting education and training programs as well as business course programs
- ▶ selection and confirmation of candidates to be enrolled in a program
- ▶ strategic collaboration

ORGANIZATIONAL STRUCTURE OF VALAMAR RIVIERA

The organizational structure of Valamar Riviera is functional and transparent, thus enabling the effective management of key processes and business objectives.



MEMBERS OF THE SUPERVISORY BOARD

GUSTAV WURMBÖCK, Supervisory Board Chairman



Gustav Wurmböck graduated from the Universities of Vienna and Innsbruck in Business and Finance. Before founding EPIC in 1991, Mr. Wurmböck has held various positions in prestigious companies such as IFC in Washington D.C. (International Finance Corporation - World Bank Group), DEG (Deutsche Investitions und Entwicklungsgesellschaft) in Cologne, Germany, and was head of the International Department of

Länderbank in Vienna (today's Bank Austria).

Mr. Wurmböck is one of the co-founders and managing partners of EPIC in Vienna, which is one of the leading investment and advisory firms in CEE. At EPIC, he has led many large privatization and corporate finance transactions in the areas of energy, telecommunications, brewing and the hotel industry.

Mr. Wurmböck was management board president at Valamar grupa d.d. from 2005 to 2010, and is Chairman of the Supervisory Board of Valamar Riviera d.d. since 2014.

GEORG ELTZ VUKOVARSKI, Supervisory Board Member



Georg Eltz Vukovski was educated in Switzerland and Germany where he majored in economics, history and philosophy. He graduated from the University of St. Gallen with a degree in Business Administration. Before moving to Croatia in 1994, he was a management board member and marketing chief of a major Swiss corporation, as well as CEO of its Canadian subsidiary. He co-founded Valamar Adria holding (as PIF Dom fond d.d.) in 1998 and served as

president of its management board before it was merged to Valamar Riviera d.d. in 2014. In the years between, he served as president and member of management boards and supervisory boards of several affiliated companies. Currently, he is managing director of SATIS d.o.o. and of its parent company ELADCO Invest GmbH. Apart from being a member of Valamar Riviera supervisory board, he served on the boards of both the German-Croatian Chamber of Industry & Commerce, and the Croatian-Austrian Chamber of Commerce. As co-founder of "Zaklada znanje na djelu - Stiftung Wissen am Werk", he also is a member of its supervisory board.

FRANZ LANSCHÜTZER, Supervisory Board Deputy Chairman



Franz Lanschützer received his MBA from the Vienna University of Economics and his Ph.D. from the University of Budapest. He has gained extensive experience in the areas of corporate finance and asset management in Central and Eastern Europe.

Dr. Lanschützer is a managing partner at EPIC Goldscheider und Wurmböck Unternehmensberatungsgesellschaft m.b.H. from Vienna. For the last thirty years, Dr. Lanschützer has been

working in the field of mergers, acquisitions and corporate finance, as well as providing consulting services in Austria, the Czech Republic, Poland, Croatia, and some other countries of the former Yugoslavia. He has also set up and run investment privatization funds in the Czech Republic and Croatia.

Dr. Lanschützer held executive positions at major financial advisory and auditing companies such as Ernst&Young and Price Waterhouse before joining EPIC. He has also held executive positions at Valamar Group since 1999, including CEO and management board president at Valamar Group d.d. (2011-2014) and holds the position of Supervisory Board deputy chairman at Valamar Riviera d.d. since June 2015.

HANS DOMINIK TURNOVSZKY, Supervisory Board Member



Hans Dominik Turnovszky was educated in Austria and Germany and has a degree from the renowned Cornell School of Hotel Administration. He has built a long and successful career as a manager in the hotel industry with more than forty years of experience in the operational, development, and administrative sectors. He has gained basic professional knowledge and experience in his home country as well as Great Britain, Ireland, Africa, Asia,

and the United States. He has held executive positions in various companies, such as Kempinski, Regent, Rafael Hotels, Mandarin Oriental, Austria Hotels International, ANA Grand Hotel in Vienna, the Lodge at Vail in Colorado and the Phoenician Resort in Scottsdale, Arizona. Mr. Turnovszky was a member of the management board and several committees at the Austrian Hotel Association. He currently serves as member of the Five-star Commission of the Austrian Federal Chamber of Commerce. He was a member of the supervisory boards at Valamar Grupa d.d. and Valamar Adria holding d.d. and is currently a Member of the Supervisory Board of Valamar Riviera d.d.

MLADEN MARKOČ,
Supervisory Board Deputy Chairman



Mladen Markoč graduated from the Faculty of Law of the University of Zagreb. He specialises in company law, securities law, and commercial law. Mr. Markoč has been a consultant in numerous important transactions in the Croatian and foreign capital markets and has been a regular speaker at the Zagreb Stock Exchange Academy and, occasionally, at the Judicial Academy. He started his career in law in 1988 as a legal apprentice. He was a corporate secretary at the pharmaceutical

company PLIVA d.d. from 1990 to 1997, partner at the law firm Bogdanović, Dolički & Partners from 1997 to 2007, and management board member at ICF Grupa d.o.o. in 2008. He served as an attorney at the Mladen Markoč law office from 2010 to 2013, then at the joint law office of Mladen Markoč and Ivan-Krešimir Tomić, which is today known as the joint law office of Mladen Markoč, and Relja Pečina. He is vice president of the Association of Business Lawyers of Zagreb. He was also a supervisory board member at Valamar Adria holding d.d. (2011 – 2014), and is currently a member of the supervisory boards of Valamar Riviera d.d., Imperial Riviera d.d., Helio Faros d.d., Ingra d.d., ICF d.d., Hotel Laguna d.d. and Proficio d.d. He is member of the management board of the Magdalena Clinic for Cardiovascular Diseases at the Faculty of Medicine of J.J. Strossmayer University in Osijek.

VALTER KNAPIĆ,
Supervisory Board Member



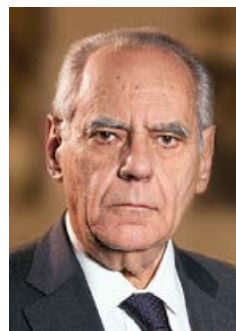
Valter Knapić graduated from an electrical engineering vocational school. He has been with Valamar Riviera since 1986 and has held various positions in the company.

He currently serves as the front office assistant manager. He has been a member of the Workers' Council for the last 22 years. He has served as the head delegate of the Tourism and Services Trade Union of Croatia (STUH) at Valamar

Riviera d.d. since 2008, with a new term of office from 2016 to 2021. He has also been a member of the STUH Presidium since 2011 and has been re-elected for the new 2016-2021 term of office.

Valter Knapić is a member of the Business Premises, Public Areas and Real Estate Sales Committee and of the Spatial Planning, Municipal Economy, Ecology and Environmental Protection Board and also councilman of the Municipality of Tar-Vabriga – Torre-Abrega.

VICKO FERIĆ,
Supervisory Board Member



Vicko Ferić graduated from the Faculty of Economics and Business at the University of Zagreb in 1974. He started his professional career working for the Organic Petrochemical Company (currently Dioki d.d.), and then he joined INA d.d. where he held management positions in the finance department and later became assistant chief financial officer until 1998. By the end of 1998, he joined EPIC.

From 2003 until 2005 he was appointed management board president of SN holding d.d. From 2005 until 2011 he was a management board president at Valamar Adria holding d.d. (former Dom holding d.d.), as well as an executive manager at EPIC Zagreb d.o.o. From 2011 until 2014 he was a management board member at Valamar Grupa d.d. He has also been involved in numerous important investment projects in the oil and tourism industries, the gasification process in Croatia, privatizations of Hrvatske telekomunikacije d.d., Croatia osiguranje d.d., Dresdner Bank Croatia d.d., and the restructuring and sale of several companies from the Dom Fond d.d. portfolio. He has been involved in the operation of numerous companies, such as Petrokemija d.d., Poljoopskrba d.d., Svetice građenje d.d., Instrumentaria d.d., Rabac d.d., Vrboska d.d., Koestlin d.d., Belvedere d.d., Brodospas d.d., etc., either as a supervisory board member or president. He is currently a member of the supervisory boards at Končar - Elektroindustrija d.d. and Valamar Riviera d.d.

MANAGEMENT BOARD

ŽELJKO KUKURIN, President and CEO



Željko Kukurin was born in 1974 in Zagreb. He graduated from the Faculty of Economics and Business in Zagreb where he received his Master of Science degree in Marketing. In 2010 he received his EMBA degree in International Management from the Bocconi University in Milan in 2010. In 2020, he received his Doctor of Economics degree at the Faculty of Economics and Business in Pula on the topic Profitability of Investments in the Hospitality Industry.

In 2000 he began his career as an intern at Riviera Poreč, a member of Valamar Group. From 2003 to 2009, he held various managing positions in Sales and Marketing, and he was responsible for developing several strategic projects within the group. From 2010 to 2014 he was the management board president at Istraturist d.d., owned by Zaba Unicredit Group and cooperated with Meliá Hotels International in managing the hospitality portfolio in Umag. After restructuring business operations and increasing enterprise value, in 2014 he participated in the EUR 120 million sale of the company.

In June 2015, Mr. Kukurin was appointed President of the Management Board of Valamar Riviera where he has led a strong development and investment cycle over the past 5 years, worth a total of HRK 4 billion. During this period Valamar Riviera portfolio has been repositioned towards higher quality products, expanded through acquisitions in Croatia and the first international acquisition in Austria, various strategic partnerships with pension funds have been established for joint investments in tourism, while enterprise value grew. Valamar Riviera is the best employer in tourism for the third consecutive year, and Mr. Kukurin was business of the year in 2017.

He also serves as Supervisory Board Chairman at Imperial d.d. Rab, and holds numerous important positions in Croatian tourism; he is chairman of the Hospitality and Tourism branch of the Croatian Employers' Association, deputy chairman of the Croatian Tourism Association and member of the Croatian National Tourist Board Council and the Istrian Tourist Board Council. In addition, he is involved in various national professional associations.

MARKO ČIŽMEK, Management Board Member



Marko Čížmek graduated from the Faculty of Economics and Business in Zagreb. He has qualified as a broker and investment advisor.

He started his career in 1996 at the Croatian National Bank. He spent several years working in corporate finance at Investmentbank Austria and ICF. In the period from 2001 to 2004, he was a management board member at EURO Invest, an investment fund management company.

Mr. Čížmek has held numerous managing positions at companies that have been merged to the present Valamar Riviera: he was management board member at Rabac d.d. (2004-2011), management board member at Dubrovnik-Babin kuk d.d. (2009-2013) and a management board member at Valamar Adria holding d.d. (2008-2013), general manager at Epima d.o.o. (2008-2014), supervisory board member at Zlatni otok d.d. (2002-2011) and Rabac d.d. (2000-2004). Mr. Čížmek started serving as Management Board Member at Valamar Riviera in 2011 where he is responsible for finances, accounting, the treasury, capital markets and investor relations, as well as information technology.

He is also a management board member at the Croatian Association of Financial Analysts and the Croatian Association of Corporate Treasurers, and the deputy chairman of the supervisory board at Helios Faros d.d. since 2019.

DIVISION VICE PRESIDENTS AT VALAMAR RIVIERA

ALEN BENKOVIĆ, Vice President of Asset Development, Maintenance & Technical Services



After graduating from the Faculty of Economics in Pula, Alen Benković began his career in 1999 as an intern at the former Riviera, where he held several important positions including assistant general manager at Funtana campsite, assistant general manager at Lanterna campsite and general manager at the Neptun Hotel – today's Valamar Riviera 4* in Poreč. He continued his career at the municipal company Parentium, which manages investments for the Town of Poreč, where he worked on the construction project of the Žatika Sport Hall (the largest investment in the city of Poreč in the last decade). From 2011 till 2015 he was the director of asset development, maintenance and technical services in Istraturist and managed the investments in tourism assets worth over HRK 350 million. In 2015, he joined Valamar Riviera d.d. as Vice President of Asset Development, Maintenance and Technical Services, where he is responsible for managing portfolio investments and planning further asset development. One of the largest investment projects in the history of Valamar was finished in merely 7 months – the reconstruction of hotels Bellevue and Girandella with a total of 763 keys, worth nearly EUR 60 million repositioned destination Rabac towards high added value tourism. In 2019, Valamar began the construction of hotel Pinea in Poreč's Pical zone. It is the largest investment in Croatian tourism worth over EUR 100 million, planned for completion in 2023.

DAVOR BRENKO, Vice President of Sales and Marketing



Davor Brenko graduated from the Faculty of Economics in Rijeka and began his professional career in 2000 at the former Riviera hoteli i ljetovališta, in Sales and Marketing. In 2002 he became project manager for research into guest satisfaction and guest relations management, while in 2004 he oversaw Direct Sales, which quickly became the strongest sales channel in Valamar. In 2009, Mr Brenko was promoted to the position Head of Direct Sales and Marketing at Valamar and as such has participated in creating developmental projects, which resulted in upgrading sales, marketing and business development. At the beginning of 2010, he joined Istraturist Umag d.d., where he headed Business Development and implemented strategic marketing and destination management initiatives, aimed at raising the quality and competitiveness of the company and its destination. As of 2015, Davor Brenko has been appointed Vice President of Sales and Marketing at Valamar Riviera d.d. where he achieved a double-digit growth in sales income by leading the development strategy of Valamar direct sales channel (an increase of 44% in total sales) and by concluding partnerships with certain global tour operators and specialized tourist agencies thus creating new tourism markets and niches. He has re-branded the portfolio under the umbrella brand Valamar All you can holiday and is responsible for numerous projects aimed at strengthening tourism services and products, destination management and enriching Valamar destinations with events such as Poreč Open Air, Rabac Open Air, as well as with the Valamar Experience Concierge platform.

IVANA BUDIN ARHANIĆ, Vice President of Business development and Corporate affairs



Ms. Budin Arhanić received her economics degree from Middlebury College (USA) in 1999 and an MBA from Harvard Business School in 2007. After completing her studies, she spent three years as a strategy management consultant in Boston and New York. Following this, she successfully led Lura d.d. group expansion on the Serbian market. In 2007, she joined Valamar Group where she served as a management board member at Valamar grupa d.d., Valamar Adria holding d.d. and Valamar Riviera d.d. Ms. Budin Arhanić became Vice President of Business Development and Corporate Affairs at Valamar Riviera in 2015. At Valamar she is responsible for acquisitions and expansion, strategic development through digitalization and innovation, service quality management, corporate social responsibility, corporate communications and relations with industry associations and the public sector. In 2013, she developed a framework for achieving high quality service at Valamar that enabled a continual growth in guest satisfaction and the creation of a unique service excellence culture. She also led a number of initiatives to grow the tourism portfolio through acquisitions, including Valamar's first international acquisition in Austria. Since 2015, Valamar has received numerous awards for corporate social responsibility practices such as Ponos Hrvatske and CSR Index and two Grand PRix awards for excellence in corporate communication.

DAVID POROPAT , Vice President of Operations



David Poropat, D.Sc. graduated in 1993 from the University of Rijeka's Hotel Management Faculty in Opatija. In 2007, he completed his postgraduate study at the Faculty of Tourism and Hotel Management in Opatija, where he completed a doctoral course in 2013. He started his career in 1993 as Sales and Marketing intern at the former Jadran turist d.d. in Rovinj, where he continued his career in charge of the western market in Sales, and then as planner and analyst in the Controlling Department. From 1996 to 2002, he was the general manager of Sol Park, one of Jadran turist's hotels, managed at the time by the Spanish company Sol Meliá. In March 2002, he joined the company Riviera Holding d.d. in Poreč as Head of Operations and until 2006 he was in charge of all Valamar tourism properties. From 2007 to 2011, he served as a management board member at Valamar hoteli i ljetovališta d.o.o., and from 2012 to 2014 he headed Valamar poslovni razvoj d.o.o. At the end of 2014 he became Vice President of Operations at the leading Croatian tourism company Valamar Riviera d.d. where he manages 36 hotels and 15 campsites which can accommodate up to 58,000 guests daily. He is responsible for service management and operations including accommodation, food and beverage, sport, pools, beaches, wellness, entertainment and animation in which Valamar implemented numerous innovations through new service concepts for which Valamar has received a number of guest and trade awards. He is also responsible for service management and operations in destinations Rab, Hvar, Makarska and Obertauern. Mr. Poropat has also held various important positions in trade associations, and actively participated in dozens of business projects that particularly broadened his business experience. He has published a number of expert and scientific papers.

INTERNAL AUDITS, CONTROLS AND PROJECT MANAGEMENT OFFICE WITHIN VALAMAR RIVIERA

The company conducts its business in an open, and ethical manner, recognizing the importance of protecting its entire human, financial, physical, informational, social, environmental and reputational assets.

Valamar Riviera Internal Audit and Control and the Audit Committee are focused on maintaining the highest standards of integrity and corporate governance practices in order to maintain excellence in its operations and promote trust in its governance systems. The Project Management Office (PMO) supports the Project Committee and continually works on the standardization of the reporting process and the management of the project portfolio. PMO supported the project organization at the company in 2019 through the permanent standardization of ongoing project reporting, with a special focus on change management and process digitalization. There were about 40 projects at the company in 2019 and they included various business segments. They were mostly related to hotel operations, sales and marketing, human resources, finance, and IT.

The Audit Committee assists the Supervisory Board in overseeing the adequacy and integrity of the company's financial reporting processes and procedures, the integrity of the company's financial statements, the company's compliance with legal and regulatory requirements. Valamar's Audit Committee is an independent, internal body that ensures the enforcement of internal audits and controls, as well as the increase of business efficiency. The Audit Committee meets four times per year or more frequently if circumstances dictate.

Internal Audit collaborates with Internal Control and performs ad hoc financial-material examinations, as well as examinations of processes and procedures in properties. The Audit plan is based on the systematic assessment of key risks, which are then separately quantified and ranked through a corporate risk matrix. During 2019,

each risk suggested by a business stakeholder, especially Management or Audit Committee has been evaluated by assessing the probability of an event occurring affecting business, thus creating the base of the revision plan. Although every audit project is unique, the audit process is similar for most engagements and usually consists of four stages:

- ▶ planning
- ▶ audit work (initial interview, fieldwork, exit interview)
- ▶ audit report
- ▶ follow-up review

We continued analyzing, reviewing, and testing the IT system safety in 2019, as well as testing the awareness level among employees about the safety of the IT system in order to raise further awareness about related risks in both corporate departments and at properties. During 2020, Internal Audit and PMO will continue with the processes of digitalization.

POLICY AND RULES

Internal audit activities are performed within organizations that vary in purpose, size, complexity, and structure and involvement by persons within or outside the organization.

Key documents regulating the area of Internal Audit at Valamar are:

- ▶ Internal Audit Department Charter
- ▶ Standards for Internal Auditing,
- ▶ Code of Ethics
- ▶ Audit Committee Charter

KEY RISK TYPES AND CLASSIFICATION



INTERNAL AUDIT KEY ACTIVITIES DURING 2019

The key audited business segments during 2019 were related to operations and processes of corporate acquisition, hotel operations, finance, marketing and sales, and especially the risks related to the IT segment of operations.

During 2019, more attention through audit engagements was given to the processes related to individual key investment projects (especially in the camping segment). This was due to their financial and operating importance and overall impact on the company's operations in the current year as well as in the future. Also, during 2019, the suggestions of Internal Audit, through ad hoc engagements, and especially for investment projects, as well as the possibility of continuous audit on individual, and key investment projects were taken into account. As in previous years, the benchmarking cost analysis for acquiring key items in operations was conducted, as well as a comparison of market movements and trends, and their impact on direct operating costs. The Audit also maintained continuity in questioning compliance with the General Terms of Payment, securing applicable payment security instruments, with emphasis on early payment models, as well as exceptions to the general

terms of payment, required approvals and the inevitable analysis of the dynamics and content of write-offs. During 2019, new business risks, such as the impact of the monopsony influence of society on the local market, were taken into account. The risks arising from such a position were considered for both the company and business partners alike, while ensuring business continuity for all market stakeholders.

Furthermore, the process and risks related to the change of senior staff in business properties, the so-called change management process has been reviewed for the first time. The aim was to ensure the application of procedures and detecting opportunities arising from such changes, both for the Company and for employees.

Moreover, Internal Audit provided active support during the implementation of activities aimed at opening new communication channels, related to collecting complaints and suggestions of all stakeholders in the company's operations, as well as assistance in implementing the legal framework and instructions of the Audit Committee in this sense.

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.

THERE ARE FIVE KEY STEPS IN A RISK MANAGEMENT PROCESS :



THE DIFFERENT TYPES OF RISK FACING VALAMAR RIVIERA CAN BE CLASSIFIED INTO THE FOLLOWING GROUPS:



FINANCIAL RISKS

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

- 1) Foreign exchange risk;
- 2) Interest rate risk;
- 3) Credit risk;
- 4) Price risk;
- 5) Liquidity risk;
- 6) Share-related risks.

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

1) FOREIGN EXCHANGE RISK

The Company and Group conduct their business operations across national borders and are exposed to foreign exchange risks. They mainly result from changes in the euro/ kuna exchange rate. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. Most of the sales revenue generated abroad is denominated in euros, and so is the major part of long-term debt. Hence, for the most part the Company and Group are naturally hedged from exchange rate risks. Since some liabilities are denominated in kunas, the Company and Group actively manage risks by using derivative instruments available on the financial market. The instruments are used according to operating assessments and expected market trends.

In this way the Company and Group's assets, liabilities and cash flow are protected from the risk impact. Due to the extraordinary circumstances caused by the COVID-19 pandemic in the first

quarter of 2020, potentially stronger depreciation pressures on the kuna against the euro affect the value of long-term credit debt denominated in euros and contracted forward transactions whose potential negative effects are sought to be controlled through proactive management of concluded derivative financial instruments.

In case of an exceptional reduction of euro inflows, the Company and the Group will use existing euro liquidity reserves to service long-term debt repayments and access adequate use of financial hedging instruments, following the current situation and future assessment of the Company's and Group's foreign exchange position, the expected movements in value of the kuna/euro currency pair, as well as other intercurrency relations among world currencies.

2) INTEREST RATE RISK

Variable rate bank loans expose the Company and Group to cash flow interest rate risk. The Company and the Group actively resort to derivative instruments in order to hedge cash flow and interest rate by applying interest rate swaps. The economic effect of such swaps is the conversion of variable interest rate loans into fixed interest rate loans for a pre-committed hedged part of the loan principal.

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 of increased interest rate volatility due to the recent Coronavirus pandemic, given that a large part of the Group's loan portfolio (87% as at 31 December 2019) is comprised of long-term fixed interest loans or, respectively, loans hedged by a derivative instrument (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.

The Company and Group continuously strive to monitor their exposure towards other parties and their credit rating as well as obtain security instruments (bills of exchange, promissory notes and guarantees) in order to reduce bad debt risks related to services provided. Given the negative consequences of COVID-19 on the Company and Group's customers, especially tour operators and travel agencies, special attention is paid to the impact of currently unfavorable circumstances on related parties with active verification of creditworthiness 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 on the stock market. The Company and Group are not an active participant in the market trade in terms of trading in equity and debt securities. However, with investments in buying Imperial 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 in 2020 were arranged with reputable financial institutions, while the repayment of the major credit lines coincides with periods of strong cash inflows from operations.

The Company and Group monitor the level of available funds through daily cash and debt reports. Long-term cash flow forecasts as well as annual (monthly) forecasts are based on the set budget. After meeting the needs of working capital

management the surplus is deposited in the treasury. From there the funds are invested in interest-bearing current accounts, time deposits, money market deposit accounts and marketable securities. Only instruments with suitable maturities and sufficient liquidity are selected, according to the forecast needs for liquid funds. This year's COVID-19 pandemic, as an external stressor to the Company and the Group's business activities, will create uncertain pressures on operating cash flow. Following the sound management of the now increased liquidity risk, escalation plans have been developed and activated to minimize costs, preserve liquidity and solvency, and maintain business continuity as well as applying for measures of support and assistance in the economy and tourism sector, including immediate payment deferral of due principal on long-term loans by the given possibility of a moratorium on loan repayment.

The Treasury invests surplus cash in accounts that bear interest, fixed-term deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity in accordance with demand projections for liquidity resources.

6) SHARE-RELATED RISK

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.

BUSINESS RISKS

The Company and Group are constantly exposed to risks threatening its competitiveness and future stability. Since the Company and Group own real estate, this business model requires a large amount of capital in order to maintain high product and service standards.

Various large capital investments in the upgrade of products and services can surpass budget expectations, delay the end of construction works, as well as the town-planning regulations and fiscal policy may be changed. These risks can increase costs for the Company and Group, and have a negative impact on the cash flow and revenues. In the previous period, the company and Group's

business decisions improved their results and operating efficiency in the demanding Mediterranean market. These positive trends are expected to continue in the future through prudent long-term strategic management. Over 95% of Valamar Riviera guests come from other countries and they are very careful when choosing their vacation destination in the competitive Mediterranean environment. Stable domicile countries' macroeconomic indicators are important decision-making factors especially those relating to exchange rates and the price of goods and services because they directly affect the guests' purchasing power. However small, the share of domestic guests is also important; it is a segment directly influenced by various other macroeconomic indicators:

employment/ unemployment rate, GNP rise/fall, industrial production and others. They all have a direct impact not only on the purchasing power of Croatian residents but they also determine whether they will choose to spend their vacation on the Adriatic.

When considering risks related to the tourism and hospitality industry, in previous years, the Croatian economy has been afflicted by the consequences of a global financial crisis and economic standstill. In this period, the tourism and hospitality industry has been among the rare growing industries in Croatia. Moreover, the marked seasonality of this industry leads to insufficient use of the Company and Group's resources. After joining the European Union, the Croatian market became part of a large European market, while safety risks decreased after joining NATO. The Croatian Tourism Development strategy until 2020 (a government document published in the Official Gazette no. 55/13) defines the kind of tourism Croatia wants and needs to develop using the country's comparative advantages and expertise in order to improve the competitiveness of Croatian tourism. Maintaining

the current tourism growth rates in the following years is of vital importance. It can be achieved by strategically developing tourism products and investing in the creation of additional values, which will help distinguish Croatian tourism from its competitors by emphasizing its uniqueness, appeal and quality.

Good management of human resources is vital for the future growth of the Company and Group. Risks related to shortages of specific skills, expertise and jobs are connected with the opening and expansion of the labor market. Valamar Riviera is also the most desirable employer in Croatian tourism. It continually invests in employee education and training as well as the development of its employees. We determine the need 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 certain extent investments into tourism and hospitality, there are challenges that the Croatian tourism has to face, such as:

- ▶ Periods of global financial crisis which reduce the purchasing power of the traveling-prone population;
- ▶ Security and political issues related to globally escalating terrorism threats;
- ▶ Security and political instability in the immediate environment of the neighboring countries.

Environmental risks can also have an adverse effect on the Company and Group's business results, primarily in terms of customer satisfaction with the whole experience while staying at one of Valamar's properties and this can affect the number of arrivals. The possible risks can include: sea pollution (caused by oil or chemical spillage), but also long-term water quality reduction and coast pollution due to inadequate waste disposal and wastewater

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 invasive species should also be taken into consideration.

Likewise, disease epidemics and pandemics can affect Valamar's business results. In order to minimize their impact, Valamar actively monitors the risk levels of epidemics and pandemics around the world, especially in leading source markets, and takes proactive steps in managing them.

COMPLIANCE RISKS

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

- ▶ The standard VAT rate grew from 23% to 25% (March 2012), the proposed VAT rate fell from 25% to 10% (January 2013), the VAT rate applicable to the tourism and hospitality industry grew from 10% to 13% (January 2014), and the VAT rate applicable for F&B (a la carte) services grew from 13% to 25% (January 2017);
- ▶ The health insurance employer contribution rate fell from 15% to 13% (May 2012) and increased from 13 to 15 percent after two years (April 2014);
- ▶ Frequent increases in various fees and charges regarding water distribution, waste disposal and the like;
- ▶ Tourist tax increase in 2018 ranging between HRK 2.5 and HRK 8.0 per person per overnight, depending on the class of the destination and utilization period.
- ▶ VAT rate for catering services at hospitality properties fell from 25% to 13% (January 2020).

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

PRECAUTIONARY PRINCIPLE

To minimize the risks to the environment, the local community and society, Valamar Riviera actively manages risks in all aspects of its business, which is a prerequisite for responsible tourism and destination development. According to the precautionary principle, Valamar Riviera meets very high standards of environmental protection, the protection of the local community and society and continuously monitors and manages the risks that affect the company's strategy of socially responsible business conduct.

ETHICS AND INTEGRITY

The fundamental characteristics of corporate culture and everyday work and business management at Valamar Riviera are integrity and ethics. Transparent conduction of business is the company's highest priority. Valamar Riviera complies with the Zagreb Stock Exchange Corporate Governance Code to promote corporate governance culture and business transparency, as evidenced by the annual corporate governance survey. The fundamental approach of Valamar Riviera corporate culture includes protecting human rights, promoting fair employment conditions, safe working conditions, responsible environmental management and high ethical standards. Valamar Riviera also complies with its own Code of Ethics in everyday work. It determines conduct guidelines for all employees (including corruption prevention) to promote the common good and public interest.

The fundamental principles of Valamar Riviera business and everyday operations are ethical business, equal opportunities and conditions for all employees, equality and protection of human rights and fostering the culture of diversity. Basic human rights and their protection, including the protection of life, health, dignity and privacy, as well as the prevention of discrimination, have all been built into the existing legal employment regulations of the Republic of Croatia. Valamar Riviera complies with and implements them and they have been integrated into the collective agreement that Valamar concluded with the trade unions within the company. We are committed to implementing the UN principles for business and human rights as well as the fundamental conventions of the International Labor Organization. We are also determined to act in a way that will never have misuse of human rights as its consequence. Valamar Riviera basic values include responsibility and credibility towards business

partners, caring for employees, and support for the community and commitment to environmental preservation.

Valamar Riviera was among the first companies in Croatia to sign the Diversity Charter in October 2017 during an event organized by the Croatian Business Council for Sustainable Development. The Diversity Charter is a document signed by enterprises and other organizations that commit to enforcing workplace diversity and non-discrimination policies. Valamar Riviera has integrated these principles into its policies of diversity and non-discrimination. With diversity being among the most important values in modern society, Valamar Riviera adopted its Diversity policy in 2018 in line with the signed Charter, and in 2019, it was included in standard employee education held throughout the year. Diversity enables the achievement of one's full potential, and policies supporting workplace diversity and nondiscrimination are the precondition for developing individual talents, creativity and innovation. Valamar Riviera firmly believes that with their diversity, skills, creativity and innovation, female and male employees are the key to each organization's success in the long term.

DECISIONS REGARDING VALAMAR RIVIERA ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACT

The members of the Management Board of Valamar Riviera and division vice presidents are responsible for making decisions regarding Valamar Riviera economic, environmental and social impact. The Business Development and Corporate Affairs Division is tasked with the coordination of the CSR umbrella programs and reporting on them.

6 ACHIEVEMENTS IN CORPORATE SOCIAL RESPONSIBILITY 2019

DEVELOPMENT OF TOURIST DESTINATIONS AND RESPONSIBILITY TOWARDS THE COMMUNITY

Within its nine corporate social responsibility umbrella programs, Valamar supports various projects and initiatives in the destinations in which it operates, including employee development and training, destination development, investing in the local community and care for those in need.

Furthermore, they guide our consistent approach to environmental preservation and Adriatic Sea quality protection, as well as corporate transparency and accountability to our stakeholders, investors and shareholders.



*Ježevac Premium Camping Resort
by Valamar 4*, Krk Island*

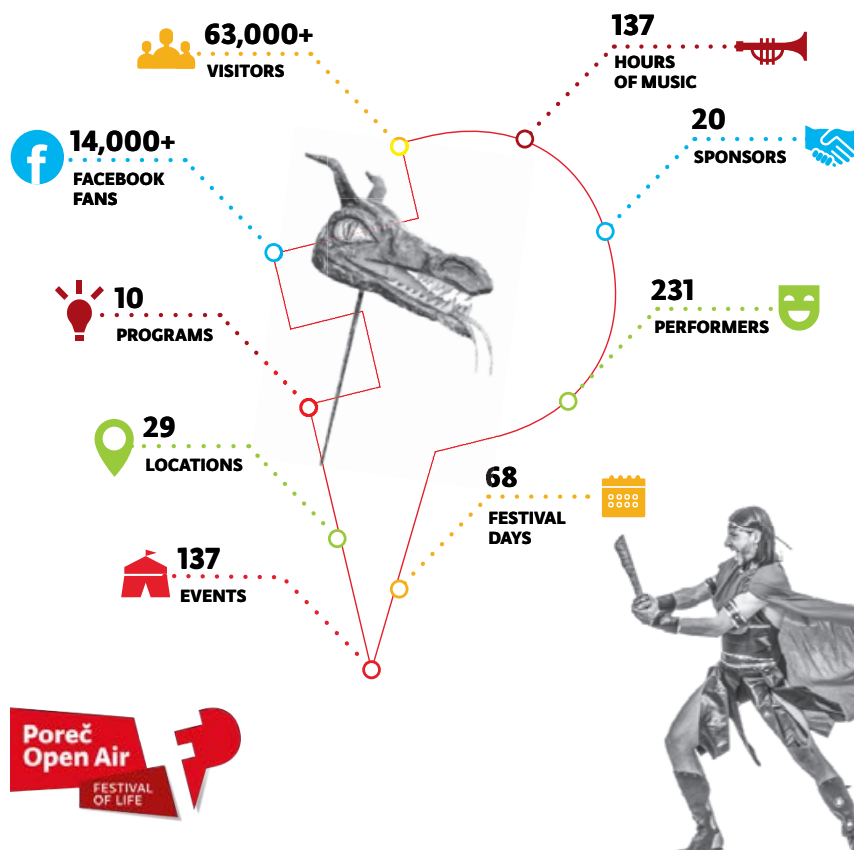
ENRICHING THE DESTINATION

The third edition of the “Rabac Open Air Festival” has brought a handful of concerts to the streets of Rabac and Labin as well as various shows, interactive plays, top jazz performances, films under the starry sky and other interesting contents. During the 78 days of the festival, more than 200 performers appeared on as many as 18 different locations and through 19 different programs, with 158 hours of music played. As many as 32.000 festivalgoers have had the opportunity to enjoy 95 different entertainment events, almost double the amount of content since the first festival in 2017.

The fourth “Poreč Open Air Festival”, attracted more than 63.000 visitors in 2019, entertained by more than 230 performers. In addition to Valamar Riviera and MPG, the organizers of this festival also include its host, the City of Poreč, the Tourist Board of the City of Poreč, the Tourist Board of the County of Istria and the Tourist Board of Croatia, and numerous sponsors.

“Summer at Valamar” is a program that turns Babin Kuk in Dubrovnik into one of the most attractive locations on the Adriatic every year. This event-packed Dubrovnik Summer Festival, held for the third time in 2019, brought 90 days of interesting events to Dubrovnik and their guests: more than 30 concerts, themed evenings, outdoor film screenings and performances by leading Croatian stand-up comedians on three locations. Last year, more than 25.000 people visited Summer at Valamar.

POREČ OPEN AIR FESTIVAL 2019 IN NUMBERS



RABAC OPEN AIR FESTIVAL 2019 IN NUMBERS



SUMMER AT VALAMAR 2019 IN NUMBERS



BUILDING TOURISM INFRASTRUCTURE

Valamar's first 5-star large campsite and one of the best campsites in the Mediterranean, Istra Premium Camping Resort 5* in Funtana opened in the 2019 season. A total of HRK 280 million has been invested in this campsite in the last two years and this investment represents a continuation of Valamar's investment in the camping segment for developing a high value added offer.

In 2019, Valamar presented and launched the largest project in Croatian tourism, an investment in the Poreč Pical Zone - Hotel Pinea worth HRK 790. The project will create 500 full-time jobs, extend the tourist season and improve the quality of beaches and promenades in the Pical zone. Valamar Riviera, the City of Poreč Sports Community and the City of Poreč have signed an agreement allowing the citizens of Poreč and sports clubs to use the future pool facilities in the new Pical Riviera.

In 2019, a three-year development program for the Rabac Bike Park, a first-rate cycling

destination for professional and recreational athletes and active families, has been completed. The Bike Park Rabac currently has a total of 14 trails of different difficulty levels, two family trails and two circular polygons.

HRK 280 mn

total investment in one of the best campsites in the Mediterranean, **Istra Premium Camping Resort 5***



HRK 790 mn

the largest project in Croatian tourism, **Hotel Pinea** in the Poreč Pical Zone



HRK 1.5 billion

total investment in the **Pical zone**

GOOD JOB AT VALAMAR

Valamar, the largest scholarship provider in Croatian tourism, continued offering attractive scholarship programs for jobs in hospitality professions in 2019.

The scholarship holders can carry out their traineeship in one of Valamar's attractive destinations. When they finish school, they have their first employment secured with the leading employer in Croatian tourism. Those who have decided to start their professional career at Valamar, can find all the information about in-house development and education programs as well as career development opportunities in the Valamar Career Center.



VALAMART

Valamar continuously supports the work of local and international artists and numerous cultural initiatives and projects through the ValamART umbrella CSR program. The Poreč ArtColony was started in 1983 and is a long-standing project during which artists come from abroad and stay at Valamar's properties where they create their artwork, whilst promoting Poreč and Croatia as an imminent tourist destination.



During the period of **37 years**
painting colonies
have hosted over **220 artists**

PROMOTING SPORTS

In 2019 Valamar supported the 4 Islands MTB Stage Race, featuring 600 racers from 30 countries, and the Valamar Trail, which in 2019 featured 500 racers from 14 countries. Valamar also donated HRK 100.000 to the Poreč Sports Community for the project "Fund for Excellence in Sports",

founded in 2017 with the aim of raising funds for athletes and clubs that achieve excellent results and promote Poreč as a significant sports and tourist destination with their national and international success.



HRK 100,000

Valamar's donation to the Sports Community of the City of Poreč for the project **"Fund for Excellence in Sports"**



GREEN VALAMAR

In 2019, Valamar launched the initiative "1,000 Valamar trees" and is committed to planting a minimum of one thousand new trees each year in its destinations along the Adriatic coast. With this largest green initiative in Croatian tourism Valamar stresses the importance of sustainable tourism development. In 2019, more than a thousand trees and over 50,000 different seedlings such as tall shrubs and perennials have been planted in Valamar hotels, resorts and camps.

Valamar's program "We love the Adriatic Sea", was carried out for the seventh

consecutive year in to clean the seabed at Tunarica Sunny Camping.

More than 60 volunteers took part in the action, who pulled two garbage containers, mostly glass and plastic waste and tires, from the seabed of Tunarica Bay.



5,200 sqm

of **solar panels** Valamar installed in the past six years



Over 1,000 trees

and more than **50,000 seedlings** have been planted during 2019 at Valamar hotels, resorts and camps



VALAMAR'S BIG HEART

One of the most prominent projects is "A Thousand Days on the Adriatic Sea", providing summer holidays in Valamar hotels for children from many different associations from all over Croatia.

A number of 2500 children without adequate parental care, children with certain health problems, children with special needs and children from low-income families, years of this donation project, have spent their summer holidays in Valamar destinations in the last six years.

This year's fundraiser Valamar's Big Heart was also the most successful - carried out for the third consecutive year, guests have donated HRK 165,000 in Valamar's hotels and camps. As part of the destination development investment, Valamar donated the HRK 165,000 to kindergartens in 2019 to improve working conditions with kindergarten children in Poreč and Dubrovnik.



Valamar and its partners have participated in the procurement of equipment for the Poreč Health Center, specifically a diagnostic ultrasound device for the gynecological clinic

worth HRK 300,000. Valamar participated in the amount of HRK 100 thousand, the City of Poreč in the amount of HRK 150 thousand, and Plava Laguna with HRK 50 thousand.



HRK 165,000

donated for improving working conditions with children in kindergartens located in Poreč and Dubrovnik



More than 2,500

children from all over Croatia spent their summer holidays in our destinations through the "A Thousand Days on the Adriatic Sea" program

OUR RETIRED COLLEAGUES

Valamar's CSR program Our Retirees fosters long-term relations with retired employees, primarily as a gesture of gratitude for their years of services, but also to include former colleagues and exchange knowledge and experiences that could contribute to Valamar's growth and development. Numerous activities such as communal gatherings and excursions to Valamar's destinations have been organized in 2019.



LITTLE TOURISM

This program has been carried out for the fourth consecutive year in 2019, through organized visits from kindergarten groups from Valamar's destinations.

In addition to being greeted by Valamar's employees who introduce them to the property, the children were also welcomed by an interesting entertainment program.



INNOVATION AND DIGITALIZATION

Agility, innovation and advanced technologies make Valamar Riviera and the Croatian tourism industry more competitive.

Valamar's digital vision implies providing quality personalized services and improving operational efficiency through continuous innovation and use of digital technologies. Valamar's digital strategy enables the transformation of the entire organization while maintaining focus on the guest. Major strategic guidelines through digital projects and pilot initiatives validating technology or technological solutions have been developing throughout 2019.

THERE ARE FOUR MAIN STRATEGIC GUIDELINES:



VALAMAR DIGITAL DEPARTMENT

The new Valamar Digital Department (VALDI - Valamar Digital & Innovation) has continued to promote its digital strategy with the goals of providing practical support for digital projects, encouraging the implementation of Valamar's digital strategy, transforming the company and promoting a more agile work mode.

The first Valamar Digital Day, an in-house event, was organized to familiarize all Valamar employees with Valamar's digital strategy, new technologies and technological guidelines. This event was an opportunity for 12 Valamar's technology partners (Microsoft, SAP, IBM, etc.) to demonstrate advanced digital solutions or the application of some new technology (such as artificial intelligence, AI) to tourism and tourism organizations.

DIGITAL PROJECTS

A

UNBELIEVABLE CHECK-IN

The communication with guests before they arrive at our destinations and in our properties is of strategic importance for Valamar, so in 2019 we introduced a pilot project in 26 Valamar properties.

The project included: online web-based guest check-in and payment before arrival, paperless check-in and direct integration with the PMS system, camera ramps that automatically allow license plate entry, self-check-in booth allowing guests to check-in without coming to the front desk.

B

ROBOTIC PROCESS AUTOMATION

The primary focus of setting up a RPA platform is to identify labor-intensive and repetitive processes and replace them with a digital robot, thus optimizing operating efficiency.

C

ONLINE COLLABORATION TOOL

(MS OFFICE 365 – MS TEAMS, PLANNER, FORMS)
A pilot project has been launched to use the cloud platform for online collaboration on digital projects and among organizational teams. The project is currently in the phase of implementation. The introduction of such an online collaboration tool enables modern online communication, interaction and collaboration between teams and the sharing of documents, pictures, videos, the consolidation of all project documentation in one place, reducing the number of emails, physical meetings, travel and facilitates faster decision making and informing of all project members.

D

VALAMAR WEB

The redesigned website has been significantly upgraded in the areas of loyalty programs, booking optimization and the integration of camping resort to the main web site valamar.com.

DIGITAL & INNOVATION PROJECTS

A total of 46 digital and innovation projects were launched in Valamar in 2019, which can be divided into two groups:

Revolutionary: 6

Evolutionary and Innovation Projects: 40

Revolutionary projects create new value in the context of Valamar and introduce some novelty into the standard work mode.

Evolutionary projects improve an existing solution or process, that is, upgrade an existing system or the use of a standardized tool.



46 digital projects
were launched in Valamar in 2019



CRM

Completion of the cloud CRM platform and performance optimization of their many new functionalities to better understand Valamar guests, their needs and better reach new users.



VALAMARTIST APP 2019

ValamArtist application is a cloud platform for internal communication with all Valamar employees. The application itself is a combination of Intranet and internal Facebook where employees can communicate with each other via messages, individually or in groups, publish content important to other employees, as well as find important documents, policies or decisions. It is a cloud platform accessible to all employees.



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

AWARDS AND RECOGNITIONS

Valamar Riviera strategy is to continuously invest and improve its properties and service concepts, which is evident from the numerous awards and recognitions received in 2019.

At the Zagreb Stock Exchange and the Association of Pension Fund Management Companies and Pension Insurance Companies conference held in Rovinj, Valamar Riviera received the Best Relations with

Investors award for the third time, by Poslovni dnevnik and the Zagreb Stock Exchange.

Valamar's properties are the proud laureates of the prestigious World Luxury Hotel Awards and World Travel Awards in 2019. Valamar also holds six awards from the annual TUI conference held in Turkey, and two national recognitions from the Istrian Tourist Board, Zlatna koza - Golden Goat.

Valamar's properties and employees accepted nine awards from the Croatian Chamber of Commerce and the Croatian Tourist Board at the Days of Croatian Tourism 2019. It is important to mention that Valamar has also received numerous certificates and quality labels like Travelife, ISO certificates, EU Ecolab, and many others.

TRAVELIFE GOLD AWARD

A number of 23 Valamar hotels and resorts hold this prestigious and binding certificate in 2019. Travelife is an international certification system that promotes sustainability in the hospitality industry and helps tour operators, hotels and other accommodations manage and monitor their social and environmental impact, as well as inform their guests and partners about their achievements.

The Travelife Gold Award recognizes hotels that meet the strictest sustainability criteria to the fullest. The strategic goal of the certification project is to introduce green business practices, i.e. to achieve a balance between economic progress, environmental care in the broadest sense, and social inclusion in the wider community. In Valamar, 96% of accommodation units hold the ISO 14001 environmental management certification and 75% of hotel and resort accommodation units have one of the sustainable business certifications.

LIST OF HOTELS AND RESORTS WHICH HOLD THE TRAVELIFE CERTIFICATE

Allegro Sunny Hotel & Residence by Valamar	★★★	Rabac
Valamar Sanfior Hotel & Casa	★★★★	Rabac
Miramar Sunny Hotel & Residence by Valamar	★★★	Rabac
Valamar Argosy Hotel	★★★★	Dubrovnik
TUI Blue Bellevue Resort	★★★★	Rabac
Valamar Tamaris Resort	★★★★	Poreč
Valamar Crystal Hotel	★★★★	Poreč
Valamar Diamant Hotel & Residence	★★★★ (3/4)	Poreč
Valamar Collection Dubrovnik President Hotel	★★★★★	Dubrovnik
Isabella Valamar Collection Island Resort	★★★★★ (4/5)	Poreč
Valamar Koralj Hotel	★★★	Krk Island
Valamar Lacroma Dubrovnik Hotel	★★★★	Dubrovnik
Valamar Pinia Hotel	★★★	Poreč
Valamar Riviera Hotel & Residence	★★★★	Poreč
Rubin Sunny Hotel by Valamar	★★★	Poreč
Valamar Parentino Hotel	★★★★	Poreč
Valamar Club Dubrovnik Hotel	★★★	Dubrovnik
Tirena Sunny Hotel by Valamar	★★★	Dubrovnik
Girandella Valamar Collection Resort	★★★★★ (4/5)	Rabac
Valamar Zvonimir Hotel & Villa Adria	★★★★	Krk Island
Valamar Collection Marea Suites	★★★★★	Poreč
Lanterna Sunny Resort by Valamar	★★	Poreč



INTERNATIONAL AWARDS AND RECOGNITIONS IN 2019

HOTREC	Gaspart Bonet Foundation	Ivan Sabljčić
ANWB	ANWB Top Camping 2019	Lanterna Premium Camping Resort Solaris Camping Resort Krak Premium Camping Resort
ADAC	ADAC Superplatz 2019	Lanterna Premium Camping Resort Krak Premium Camping Resort Baška Beach Camping Resort
World Travel Awards	Croatia's Leading Resort	Girandella Valamar Collection Resort
	Croatia's Leading Boutique Hotel	Valamar Riviera Hotel & Residence
	Croatia's Leading Business Hotel	Valamar Lacroma Dubrovnik Hotel
	Croatia's Leading Hotel	Valamar Collection Dubrovnik President Hotel
World Luxury Hotel Awards	Luxury Beach Resort	Valamar Collection Dubrovnik President Hotel
	Luxury Island Resort	Isabella Valamar Collection Island Resort
	Luxury Historical Hotel	Valamar Collection Imperial Hotel
TripAdvisor	2019 certificate of excellence	Valamar Argosy Hotel
TUI	Best wi-fi (1 st place), Sustainability (1 st place), Best Interior Conditions (2 nd place), Best Room quality (2 nd place), Accommodation Overall (3 rd place)	TUI Blue Bellevue Resort
	Culinarium Concept (1 st place)	TUI Sensimar Carolina Resort by Valamar
	TUI Favourites - Overall winner	Valamar Argosy Hotel
avtokamp.si	Najkamp Adria	Lanterna Premium Camping Resort Solaris Camping Resort
Jetzholidays	Excellent service in accommodation	Valamar Argosy Hotel
Hotels.com	Loved by Guests	Valamar Argosy Hotel
Leading Campings of Europe	Leading Campings of Europe	Lanterna Premium Camping Resort Krak Premium Camping Resort

NATIONAL AWARDS AND RECOGNITIONS IN 2019

Croatian Tourist Board	Anton Štifanić	Ivan Sabljčić
HUM CROMA	Life's Work award and professional recognition from HUM CROMA for personal contribution to the development of Croatian economy in tourism	Ivan Sabljčić
Croatian Culinary Days	1 st place in the category "Restaurant dish"	Dean Gluhak (Solaris Camping Resort)
	Croatian Pastry Champion – 2 nd place	Sanja Grahek Buršić (Rubin Sunny Hotel)
Zlatna koza - Golden Goat Istrian Tourist Board	Tourism product	Valamar Collection Marea Suites
	Visual Communication	Balance Mediterranean Spa by Valamar
Croatian Camping Association	Inovacamp 2019	Lanterna premium Camping Resort
	Croatia's Best Campsite 2020	Istra Premium Camping Resort Lanterna Premium Camping Resort Krk Premium Camping Resort Ježevac Premium Camping Resort Padova Premium Camping Resort Marina Camping Resort Orsera Camping Resort Solaris Camping Resort Baška Beach Camping Resort Bunculuka Camping Resort San Marino Camping Resort
Moj Posao	Best Employer in Tourism and 7 th most desirable company in Croatia	Valamar Riviera d.d.
Poslovni dnevnik & Zagreb Stock Exchange	Best Relations with Investors	Valamar Riviera d.d.
Infosit	Infosit digitalization Award	Leonida Štemberga
Lider	Lider Invest	Istra Premium Camping Resort
Croatian Chamber of Commerce	Hotel of the Year	Girandella Valamar Collection Resort
	Best Family Hotel hotel	Girandella Valamar Collection Resort
	Best Restaurant	Spinnaker
	Best Congress Hotel	Valamar Lacroma Dubrovnik Hotel
	Best Naturist Camping	Solaris Camping Resort
	Best Family Hotel (3 rd place)	TUI Blue Bellevue Resort
Croatian Tourist Board zajednica	Employee of the Year in Hotel or Camping	Loredana Načinović
	Best Employee in Maritime Transport	Fredi Stojnić
	Best Employee in Road Transport	Dragan Tomašević

CERTIFICATES AND SAFETY AND SUSTAINABILITY STANDARDS IN 2019

SGS	HACCP	Valamar Diamant Hotel & Residence, Valamar Crystal Hotel, Rubin Sunny Hotel, Isabella Valamar Collection Island Resort, Valamar Collection Marea Suites, Valamar Riviera Hotel & Residence, Valamar Tamaris Resort, Solaris Camping Resort, Valamar Sanfior Hotel & Casa, Girandella Valamar Collection Resort, TUI Blue Bellevue Resort, Valamar Koralj Hotel, Valamar Parentino Hotel, Valamar Lacroma Dubrovnik Hotel, Valamar Argosy Hotel, Valamar Collection Dubrovnik President Hotel, Bunculuka Camping Resort, Marina Camping Resort, Valamar Padova Hotel, Valamar Collection Imperial Hotel, Valamar Carolina Hotel & Villas, Eva Sunny Hotel & Residence, San Marino Sunny Resort, San Marino Camping Resort, Valamar Zvonimir Hotel & Villa Adria, Valamar Atrium Baška Residence, Corinthia Baška Sunny Hotel, Restoran La Pentola, Lanterna Premium Camping Resort
SGS TUV, QUALITY AUSTRIA	ISO 14001	96.4% properties
	ISO 9001	All Valamar properties
	ISO 50001	All Valamar properties
FEE (Foundation for Environmental Educational)	Blue Flag	Val Marea Family Sandy beach, Brulo beach, Val Maro Family Sandy beach, Val Sunrise Family beach, Val Riviera Relax beach, Galeb beach, Val Adria Sandy Family beach, Val Maro Family beach, Orsera Camping Resort beach, Crnika beach, Val Levant Family beach, Val Veja Family beach, Val President Relax beach, Valamar Sanfior Hotel & Casa beach / VAL Sunrise Relax beach , Val Carnerolo V-level Family beach, Val Maro Family beach, Val Sundance Sandy Family beach, Bellevue Natural beach, Bellevue Family beach, Krk Premium Camping Resort, Coral Beach Club beach, Ježevac Premium Camping Resort, Valamar Collection Dubrovnik President Hotel, Cava beach
Ministry of Tourism	"Q" Quality Label	Valamar Lacroma Dubrovnik Hotel Valamar Riviera Hotel & Residence
Ministry of Environment and Energy	EU Ecolabel	Istra Premium Camping Resort
		Ježevac Premium Camping Resort
		Krk Premium Camping Resort
		Lanterna Premium Camping Resort
		Solaris Camping Resort Orsera Camping Resort

OPINION OF THE EXPERT COMMITTEE FOR NON-FINANCIAL REPORTING OF THE CROATIAN BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT ON THE 2019 INTEGRATED REPORT OF VALAMAR RIVIERA

The expert committee for non-financial reporting of The Croatian Business Council for Sustainable Development has reviewed the new fifth Integrated report of Valamar Riviera d.d. for 2019, which contains business reports sustainability reports including the company's impact on the environment and society. We confirm that the Report contains all the elements required by the core options of GRI Standards. In addition to meeting the requirements of the Global Reporting Initiative Standard on Sustainability, the Integrated Annual Report of Valamar Riviera d.d. for 2019 also satisfies the legislation of the Republic of Croatia prescribing the scope, content and deadlines of the annual report (Companies Act, Capital Market Act and Accounting Act). The Integrated Report for 2019 is structured differently from the previous Report. The structure is simpler, which eases reading and understanding, and contributes to unit clarity. Each unit is separated and marked by key achievements and challenges concerning each topic.

The report is aimed at presenting the adopted business model, the state of global tourism and the tourism and hospitality industry in Croatia, achieved business results, responsible human resources management and achievements in corporate social responsibility for the period from 1 January to 31 December 2019.

The Report states that 96% of Valamar's accommodation units hold the ISO 14001 environmental management certification and 75% of hotel and resort accommodation units have one of the sustainable business certifications. Six camping resorts hold the EU Ecolabel. Valamar has launched a commendable initiative "1,000 Valamar trees" by which Valamar is committed to planting at least 1,000 new trees in its destinations per year. In the first year, more than 1,000 new trees and more than 50,000 different seedlings such as tall shrubs and perennials were planted. In the reporting year, Valamar's program "We love the Adriatic Sea" organized the cleaning of the seabed in Tunarica bay.

The chapter Responsibility to the Local Community and the Environment provides an overview of investments made through nine corporate social responsibility programs, an overview of greenhouse gas emissions, data on energy consumption, water recycling and waste generated. Environmental responsibility is one of the pillars of sustainability that Valamar Riviera has incorporated into its Quality and Sustainable Business Policy and strategic goals. In its business, Valamar is focused on reducing the consumption of fossil fuels, especially fuel oil, reducing drinking water consumption and reducing electricity consumption. In 2019, there was a significant decrease in greenhouse gas emissions per night, which at the level of Valamar Riviera d.d. amounts to 26.63% compared to the previous year. The reduction in greenhouse gas emissions is the result of investments in increasing energy efficiency projects (HRK 17,2 million), the purchase of new electric vehicles, scooters and carts (HRK 4,2 million) and the project of replacing classic street lamps with LED lighting (HRK 3 million). They have installed 3 new charging stations for electric vehicles and the consumption of fuel oil has been reduced. The total energy consumption from all energy sources was also reduced and the amount of separately collected non-hazardous waste was increased by individual components of non-hazardous waste, which reduced the amount of mixed municipal waste that is disposed of in landfills. The rate of selective separation of biodegradable waste, which is one of the most common components of municipal waste in the hotel sector, has increased significantly. Water consumption per night has increased, as a result of investing in new pools and an increase in irrigated areas.



Continuous care for guest satisfaction concerning tourism services is manifested in the high level of guest satisfaction. Thus, during 2019, 205,549 guests completed the guest satisfaction survey. The number of submitted surveys in 2019 was 25%, which means that every fourth guest of Valamar Riviera participated. Among the results of measuring guest satisfaction, the "Unbelievable" index should be emphasized, as it represents the highest satisfaction category concerning Valamar staff, which the survey participants marked in 67% of cases. According to an independent survey conducted by the MojPosao portal in 2019, Valamar is the only tourism company among the top 10 employers in Croatia and was again rated the most desirable employer in the tourism sector. At the annual level, salaries in Valamar were 2% higher than the average of the Republic of Croatia and 25% higher than the average of the industry, i.e. the tourism sector. Valamar has an elaborate reward program for employees whose efforts and dedication contribute to better business results and therefore receive numerous rewards and incentives. Investing in employees is one of the Valamar's primary goals.

Valamar applies various initiatives and programs to extend the season in its destinations and to provide year-round income for as many workers as possible. Seasonal employees who do not reside in the destination will find accommodation in a Valamar House. Due to an occupational deficit on the labor market, Valamar has launched a number of training programs for its employees. In 2019, a complete platform for the development and education of employees called "Valamar Excellence" was launched, which provided over 160,000 hours of training. It is an in-house program of lifelong learning in tourism and hospitality through education and training.

In 2019, Valamar also launched a project called "My Benefits", which provided employees with the largest structure of material and non-material benefits to date. The goal of the Valamar benefits program is to reward the best results and innovations and to enable the balance between work and private life. Employee health and safety is one of the company's key priorities and Valamar Riviera fully complies with all legal requirements and internal health and safety standards of its employees, contract partners and guests. The company has an Occupational Safety and Health Service and helps monitor, collect feedback and provide advice regarding occupational safety programs. In addition to investing in current employees, Valamar also invests in future staff and the promotion of tourism professions and is the largest individual scholarship provider in Croatia. Valamar offers

numerous opportunities for scholarships, internships and first employment every year.

The company has adopted a diversity policy and the share of women in the company's management is 42%, although this share does not include the highest governing bodies. We hope that in the coming years Valamar will successfully introduce diversity at the highest management levels, in accordance with the Non-Financial Reporting Directive.

Many awards and recognitions also marked the 2019 excellent business results. For the third time, Valamar Riviera received the award for best investor relations awarded by Poslovni dnevnik and the Zagreb Stock Exchange. In 2019, Valamar's properties won the prestigious World Luxury Hotel Awards and World Travel Awards. The company won as many as six awards at the annual TUI conference in Turkey, and holds two Golden Goat - Capra d'oro awards.

Valamar is making progress in the application of the GRI Standards, especially in presenting the strategy for managing the organization's non-financial impacts on the environment and society. There is room for improvement, and we propose to align the material aspects of the organization with the thematic-specific standards proposed by the Global Reporting Initiative to make the organization's impact monitoring more readable.

We thank Valamar Riviera for the enormous effort invested in creating this report as well as for the continuous progress that is visible over the years. We hope that next year Valamar will continue the trend of improving non-financial impact monitoring and management despite the challenges brought by 2020.

Management Board Committee of the Croatian Business Council for Sustainable Development

GRI INDEX

GRI STANDARD

REPORT CHAPTER

GRI 102: GENERAL DISCLOSURES

ORGANIZATIONAL PROFILE

Disclosure 102-1 Name of the organization	About Valamar Riviera
Disclosure 102-2 Activities, brands, products, and services	About Valamar Riviera
Disclosure 102-3 Location of headquarters	About Valamar Riviera
Disclosure 102-4 Location of operations	About Valamar Riviera
Disclosure 102-5 Ownership and legal form	About Valamar Riviera
Disclosure 102-6 Markets served	About Valamar Riviera
Disclosure 102-7 Scale of the organization	About Valamar Riviera
Disclosure 102-8 Information on employees and other workers	Employees and Organization
Disclosure 102-9 Supply chain	Engagement of Key Stakeholders and Material Aspects
Disclosure 102-10 Significant changes to the organization and its supply chain	About Valamar Riviera
Disclosure 102-11 Precautionary Principle or approach	Corporate Governance
Disclosure 102-12 External initiatives	Corporate Governance
Disclosure 102-13 Membership of associations	Engagement of Key Stakeholders and Material Aspects

STRATEGY

Disclosure 102-14 Statement from senior decision-maker	Message from the CEO and Message from the Chairman
--	--

ETHICS AND INTEGRITY

Disclosure 102-16 Values, principles, standards, and norms of behavior	Corporate Governance
--	----------------------

GOVERNANCE

Disclosure 102-18 Governance structure	Corporate Governance
Disclosure 102-19 Delegating authority	Corporate Governance
Disclosure 102-20 Executive-level responsibility for economic, environmental, and social topics	Corporate Governance
Disclosure 102-21 Consulting stakeholders on economic, environmental, and social topics	Corporate Governance
Disclosure 102-22 Composition of the highest governance body and its committees	Corporate Governance
Disclosure 102-23 Chair of the highest governance body	Corporate Governance
Disclosure 102-24 Nominating and selecting the highest governance body	Corporate Governance
Disclosure 102-25 Conflicts of interest	Corporate Governance
Disclosure 102-26 Role of highest governance body in setting purpose, values, and strategy	Corporate Governance
Disclosure 102-27 Collective knowledge of highest governance body	Corporate Governance
Disclosure 102-28 Evaluating the highest governance body's performance	Corporate Governance
Disclosure 102-29 Identifying and managing economic, environmental, and social impacts	Engagement of Key Stakeholders and Material Aspects
Disclosure 102-30 Effectiveness of risk management processes	Corporate Governance

GRI STANDARD

REPORT CHAPTER

Disclosure 102-31 Review of economic, environmental, and social topics	Corporate Governance
Disclosure 102-32 Highest governance body's role in sustainability reporting	Corporate Governance
Disclosure 102-33 Communicating critical concerns	Corporate Governance
Disclosure 102-34 Nature and total number of critical concerns	Engagement of Key Stakeholders and Material Aspects
Disclosure 102-35 Remuneration policies	Corporate Governance
Disclosure 102-36 Process for determining remuneration	Corporate Governance
Disclosure 102-37 Stakeholders' involvement in remuneration	Corporate Governance
Disclosure 102-38 Annual total compensation ratio	Corporate Governance
Disclosure 102-39 Percentage increase in annual total compensation ratio	Corporate Governance

STAKEHOLDER ENGAGEMENT

Disclosure 102-40 List of stakeholder groups	Engagement of Key Stakeholders and Material Aspects
Disclosure 102-41 Collective bargaining agreements	Employees and Organization
Disclosure 102-42 Identifying and selecting stakeholders	Engagement of Key Stakeholders and Material Aspects
Disclosure 102-43 Approach to stakeholder engagement	Engagement of Key Stakeholders and Material Aspects
Disclosure 102-44 Key topics and concerns raised	Engagement of Key Stakeholders and Material Aspects

REPORTING PRACTICE

Disclosure 102-45 Entities included in the consolidated financial statements	2019 Business Results
Disclosure 102-46 Defining report content and topic Boundaries	Engagement of Key Stakeholders and Material Aspects
Disclosure 102-47 List of material topics	Engagement of Key Stakeholders and Material Aspects
Disclosure 102-48 Restatements of information	About this Integrated Report
Disclosure 102-49 Changes in reporting	About this Integrated Report
Disclosure 102-50 Reporting period	About this Integrated Report
Disclosure 102-51 Date of most recent report	About this Integrated Report
Disclosure 102-52 Reporting cycle	About this Integrated Report
Disclosure 102-53 Contact point for questions regarding the report	About this Integrated Report
Disclosure 102-54 Claims of reporting in accordance with the GRI Standards	About this Integrated Report
Disclosure 102-55 GRI content index	GRI index
Disclosure 102-56 External assurance	Opinion of The Management Board Committee of The Croatian Business Council For Sustainable Development on the 2019 CSR Report of Valamar Riviera

GRI 103: MANAGEMENT APPROACH

Disclosure 103-1 Explanation of the material topic and its Boundary	Engagement of Key Stakeholders and Material Aspects
Disclosure 103-2 The management approach and its components	Engagement of Key Stakeholders and Material Aspects
Disclosure 103-3 Evaluation of the management approach	Engagement of Key Stakeholders and Material Aspects

GRI STANDARD

REPORT CHAPTER

GRI 201: ECONOMIC PERFORMANCE

Disclosure 201-1 Direct economic value generated and distributed	Engagement of Key Stakeholders and Material Aspects
Disclosure 201-2 Financial implications and other risks and opportunities due to climate change	Corporate Governance

GRI 202: MARKET PRESENCE

Disclosure 202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Employees and Organization
Disclosure 202-2 Proportion of senior management hired from the local community	Employees and Organization

GRI 203: INDIRECT ECONOMIC IMPACTS

Disclosure 203-1 Infrastructure investments and services supported	Engagement of Key Stakeholders and Material Aspects
Disclosure 203-2 Significant indirect economic impacts	Corporate Governance

GRI 204: PROCUREMENT PRACTICE

Disclosure 204-1 Proportion of spending on local suppliers	Engagement of Key Stakeholders and Material Aspects
--	---

GRI 302: ENERGY

Disclosure 302-1 Energy consumption within the organization	Responsibility to the Local Community and the Environment
Disclosure 302-3 Energy intensity	Responsibility to the Local Community and the Environment
Disclosure 302-4 Reduction of energy consumption	Responsibility to the Local Community and the Environment

GRI 303: WATER

Disclosure 303-1 Interactions with water as a shared resource	Responsibility to the Local Community and the Environment
Disclosure 303-3 Water withdrawal	Responsibility to the Local Community and the Environment

GRI 305: EMISSION

Disclosure 305-1 Direct (Scope 1) GHG emissions	Responsibility to the Local Community and the Environment
Disclosure 305-2 Energy indirect (Scope 2) GHG emissions	Responsibility to the Local Community and the Environment
Disclosure 305-5 Reduction of GHG emissions	Responsibility to the Local Community and the Environment

GRI 306: EFFLUENTS AND WASTE

Disclosure 306-1 Water discharge by quality and destination	Responsibility to the Local Community and the Environment
Disclosure 306-2 Waste by type and disposal method	Responsibility to the Local Community and the Environment

GRI STANDARD

REPORT CHAPTER

GRI 307: ENVIRONMENTAL COMPLIANCE

Responsibility to the Local Community and the Environment

Disclosure 307-1 Non-compliance with environmental laws and regulations

Responsibility to the Local Community and the Environment

GRI 401: EMPLOYMENT

Disclosure 401-1 New employee hires and employee turnover

Employees and Organization

Disclosure 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

Employees and Organization

GRI 402: LABOR/MANAGEMENT RELATIONS

Disclosure 402-1 Minimum notice periods regarding operational changes

Employees and Organization

GRI 403: OCCUPATIONAL HEALTH AND SAFETY

Disclosure 403-4 Worker participation, consultation, and communication on occupational health and safety

Employees and Organization

GRI 404: TRAINING AND EDUCATION

Disclosure 404-1 Average hours of training per year per employee

Employees and Organization

Disclosure 404-2 Programs for upgrading employee skills and programs which promote the constant opportunity to employ workers

Employees and Organization

Disclosure 404-3 Percentage of employees receiving regular performance and career development reviews

Employees and Organization

GRI 405: DIVERSITY AND EQUAL OPPORTUNITY

Disclosure 405-1 Diversity of governance bodies and employees

Employees and Organization

Disclosure 405-2 Ratio of basic salary and remuneration of women to men

Employees and Organization

GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Employees and Organization

GRI 416: CUSTOMER HEALTH AND SAFETY

Disclosure 416-1 Assessment of the health and safety impacts of product and service categories

Service Excellence

Disclosure 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services

Service Excellence

GRI 417: MARKETING AND LABELING

Disclosure 417-3 Incidents of non-compliance concerning marketing communications

Service Excellence

DISCLAIMER

The strategic goals presented in this report represent the intention of the Management Board and are based on currently available information, current assumptions, and forward-looking expectations and projections. The strategic goals are not a guarantee of future results and are subject to future events, risks and uncertainties, many of which are beyond the control of, or currently unknown to Valamar Riviera, as well as to potentially incorrect assumptions that could cause the actual results to materially differ from the strategic goals.

In addition, the level of capital investments in any given year is subject to specific proposals of the Management Board to the Supervisory Board, each board may elect to deviate from this policy if appropriate under the prevailing circumstances.

Risks and uncertainties include, but are not limited to the ones described in the part "Company and Group Risks". Materially significant deviations from the strategic goals may arise from changes in circumstances, assumptions not being realized, as well as other risks, uncertainties, and factors, including:

- ▶ Macro-economic developments 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, developments of the gross domestic product and industrial production, as well as other developments having a direct or indirect impact on the purchasing power of Valamar Riviera guests;
- ▶ Economic conditions, security and political conditions, developments and events in the capital markets of the Republic of Croatia and in the source markets of Valamar Riviera;
- ▶ Spending and disposable income of guests, as well as guests' preferences, trust in and satisfaction with Valamar Riviera products and services;
- ▶ Trends in the number of overnights, bookings, and average daily rates of accommodation in Valamar Riviera properties;
- ▶ Trends of the Croatian kuna exchange rate in relation to world currencies (primarily euro),+ changes in market interest rates and the price of equity securities, and other financial risks to which Valamar Riviera is exposed;
- ▶ Labor force availability, mobility 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 controls;
- ▶ 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;
- ▶ Development of new technologies, reliability of IT business solutions and cyber security of Valamar Riviera business operations, as well as related costs;
- ▶ Issues with construction companies, subcontractors, permits and permissions, weather, prices of goods and services in the course of realizing investments in Valamar's portfolio;
- ▶ Changes of tax and other regulations and laws, trade restrictions, and rates of customs duty;
- ▶ Adverse climatic events and environmental risks. The strategic goals presented herein are not an outright recommendation to buy, hold or sell Valamar Riviera shares.

The strategic goals presented herein are not an outright recommendation to buy, hold or sell Valamar Riviera shares.



*Valamar Carolina
Hotel & Villas 4*, Rab Island*

