ANNUAL REPORT 2020

VALAMAR
All you can holiday

EXECUTIVE SUMMARY

In 2020, Valamar Riviera Group total revenues amounted to HRK 697 million, or 31% of total revenues achieved in the same period last year. This is a result of closing properties from March to the end of May and significant disruptions in tourism flows caused by the global COVID-19 pandemic, which continued to affect business volumes in peak-season. During June, July and August a total of 24 hotels and resorts and 15 camping resorts opened in eight destinations on the Adriatic coast without a single reported case of virus transmission on-property. Even though the tourist season got off to a good start, many countries from our source markets (Italy, Slovenia, Austria, the Netherlands and partially Germany) issued travel warnings during August consequently hindering tourism flows towards Croatia and causing a significant drop in volume during the second half of August and in the shoulder season.

Despite unfavorable circumstances in 2020, overnights amounted to 2.3 million and a positive EBITDA of HRK 126 million was realized on Group level. Given the initially unpredictable final negative effect of the COVID-19 pandemic on tourism, economic and business flows, and consequently on the business of Valamar Riviera, we are satisfied with the achieved results and the opportunity to partially carry out the tourist season.

Valamar actively managed the crisis during 2020, and timely launched action plans to stabilize its operations. Business activities were successfully “paused” on March 15, all jobs were protected and Valamar readily welcomed the opening of the summer season in June with modified products and services that additionally increased guest safety and service quality. Operating cost-savings plans, investment decrease, payment deferrals and agreements with banks and other investors have secured liquidity for the following period. Operating expenses were reduced by 62% compared to the same period last year, and Government measures supported employment levels while properties were closed.

Despite the crisis, Valamar Riviera confirmed its status as the best employer in tourism this year, ranking 6th on the list of the best employer in Croatia (up by one position since last year). Valamar Riviera also won the main CSR Index award in the category of large companies awarded by the Croatian Business Council for Sustainable Development and the Croatian Chamber of Commerce, by evaluating seven key areas - economic sustainability, inclusion of corporate social responsibility in business strategy, work environment, environmental protection, market relations, community relations and responsible diversity and human rights policies.

Valamar Riviera opened the doors of its properties in Istra Premium Camping Resort 5 *, Ježevac Premium Camping Resort 4 * and Hotel Valamar Sanfior 4 * free of charge to families from Sisak, Glina, Petrinja and surrounding places whose homes were destroyed in the devastating earthquake (29 December 2020), and donated mobile homes to residents earthquake-stricken area.

EXECUTIVE SUMMARY
/ continued

EMPLOYMENT PROTECTION

Valamar implemented the "Pause, Restart Program" on April 1 with the support of social partners and government measures. 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. In the period from March to June, over 90% of Valamar's employees were waiting for work the cost of which was jointly borne by shareholders and the government support of payouts for employees. After opening most of its properties and the launch of the summer season, more than 4,400 of Valamar's employees worked during the season. Valamar continues its "Pause, Restart program" during autumn and winter with the aim of protecting jobs until the spring of 2021, when the situation is expected to partially normalize.

FINANCIAL STABILITY TO CONTINUE DEVELOPMENT

In addition to protecting jobs, Valamar needed to ensure sufficient liquidity during the crisis and enable the company to continue its growth path in 2021. In March, dividend payment proposal for 2019 was revoked while Supervisory Board members reduced their fees and management reduced their salaries up to 30%.

Valamar has deferred the vast majority of credit liabilities for 2020 and for the first half of 2021, and secured additional medium-term liquidity through a loan contract with a club of banks in the amount of EUR 66 million.

By adjusting business operations and with the support of shareholders, banks and other stakeholders, Valamar has secured liquidity to weather the crisis over the following period. In the coming period, Valamar will be focused on digitalization projects, business transformation and preparing projects for future growth and development.

INVESTMENTS MANAGEMENT

The initially planned investment cycle for 2020 amounted to over HRK 800 million, but was reduced by HRK 120 million to HRK 705 million by the end of June. Valamar also temporarily halted the construction of Valamar Pinea Collection Resort in Poreč (the largest single investment in Croatian tourism worth HRK 790 million for 12 to 24 months) hence postponing its completion. The investment in new accommodation units and services of the Valamar Parentino 4* hotel in Poreč was successfully realized and the new family recorded good demand since its opening in the second half of July.

EXECUTIVE SUMMARY
/ continued

Additionally, Valamar approached the completion of the initiated 2019 investment cycle, and its Supervisory Board approved investments for 2021 in the amount of HRK 132 million. The investments are aimed at the completion of earlier initiated investments (Istra Premium Camping Resort 5* and the accommodation for employees in Dubrovnik) and the completion of the first investment phase in Valamar Pinea Collection Resort as well as digitalization projects. Lower investments planned for 2021 are focused on completing initiated projects and preparing projects for new growth and development when conditions are met. The priority will be maximizing free cash flow and reducing credit exposure in order to achieve a pre-COVID net debt / EBITDA ratio.

In accordance with Group investment policies, Imperial Riviera's Supervisory Board has given prior approval for investments in the amount of HRK 41 million aimed at completing investments in the Valamar Meteor 4* hotel in Makarska and the Valamar Parentino hotel in Poreč for the coming 2021 season.

PRODUCTS MODIFICATION IN THE 2020 SUMMER SEASON

In the second quarter of 2020, Valamar modified its products and accelerated the development of digitization projects in order to improve service quality and safety for the 2020 tourist season. Even more space has been provided for guests in restaurants, at the reception, swimming pools, on the beach and in other communal facilities, and promotional campaigns #stayinnature and "beachholidays" were launched.

Key innovations of this season include the V Health & Safety program comprised of health, safety and environmental standards, "CleanSpace - 100% privacy", an enhanced cleaning system, online reception, hotel service "Bed & Brunch", and Valfresco Direkt online food shopping and delivery service by which Valamar has reinforced the market position of small producers and local family farms.

OUTLOOK

With the support of all its stakeholders, Valamar has actively managed the crisis and the 2020 tourist season, and positioned itself well to successfully resume growth and development during 2021 and 2022.

EXECUTIVE SUMMARY
/ continued

In the past period, Valamar has invested HRK 6 billion in tourism, and in the coming period the focus will be on maintaining an adequate level of liquidity, preserving jobs, adjusting the business model to the crisis and preparing projects for new growth and development when the conditions are met. Valamar expects the tourism sector to be affected by the crisis in 2021, while business normalization is expected in 2022 and 2023.

In 2021, Croatia has the opportunity to strengthen its position as a safe and desirable Mediterranean destination. In result, Croatia may achieve a stronger recovery and faster return of guests in 2021, providing the drop in Covid-19 cases, opening of borders and lifting of restrictions on movement especially within EU member states. Croatian tourism also has the opportunity to launch significant investments through European funds and resources that should be directed towards encouraging public and private strategic investments aimed at accelerating the recovery and increasing the competitiveness of Croatian tourism in the future.

TABLE OF CONTENTS

Significant Business Events	7
Business Management during COVID-19	10
Results of the Group	16
Results of the Company	25
Investments	27
The Risks of the Company and the Group	31
Corporate Governance	37
Related-party Transactions and Subsidiaries	40
Valamar Share	42
Additional Information	46
Responsibility for the Annual Financial Statements	48
Financial Statements According to GFI-POD	49
Management Board's Decision on Establishing the Annual Financial Statements	97
Supervisory Board's Decision on Approving the Annual Financial Statements	99
Supervisory Board's Report to the General Assembly of the Company	100
Supervisory Board's Decision on Allocation of Loss	105
Annual Financial Statements Including the Independent Auditor's Report	106

Valamar Collection Girandella Resort 4/5*, Rabac*

Istra Premium Camping Resort 5*, Poreč

Significant Business Events

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. With over 21,000 keys, 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 destinations to maintain business continuity. The active promotion and advancement of these interests make Valamar Riviera a responsible and desirable employer and one of the top Croatian and regional investors in tourism with over HRK 6 billion invested in the last 17 years. Steered by sustainability and social responsibility, Valamar leads the innovative management of leisure tourism and continuously creates new value for all our stakeholders.

Valamar Riviera's business success is based on longstanding partnerships and an open communication with its key stakeholders. Therefore, we have established policies at company level that represent our continuing commitment to be the hospitality market leader in Croatia in terms of service quality, guest and user satisfaction, caring for the interests of our employees, company and local community, environmental protection and resource management.

Tourism portfolio of Valamar Riviera Group

*Valamar Riviera provides the management of Helios Faros's properties and services.

VALAMAR RIVIERA'S GENERAL ASSEMBLY

The extraordinary circumstances caused by the COVID-19 pandemic, made it impossible to hold the General Assembly scheduled for April 21, 2020. Hence, on March 25, 2020 the Company's Management Board passed the decision for the cancellation of the General Assembly and the revocation of the Decision on dividend payment proposal with the Supervisory Board's consent, all in accordance with the decisions of the Civil Protection Headquarters of the Republic of Croatia. After meeting certain preconditions, the General Assembly convened on September 24, 2020 and adopted all decisions proposed by the Management Board and Supervisory Board, contained in the invitation to the General Assembly and published on the website of the Court Register, Zagreb Stock Exchange and the Company's website.

COVID-19 IMPACT ON VALAMAR RIVIERA'S BUSINESS

Due to the global scope of problems caused by the unpredictable spread of the COVID-19 virus, all relevant factors related to the COVID-19 impact on Valamar Riviera's business are explained in detail in the chapter "Business Management during COVID-19" on page 10 of this report.

ANNUAL AUDITED FINANCIAL STATEMENTS

The Management Board hereby presents the annual audited financial statements for the year 2020. The Group income statement for the reviewed period includes the data of companies Imperial Riviera d.d.[1], Valamar A GmbH, Valamar Obertauern GmbH, Palme Turizam d.o.o., Magične stijene d.o.o., Pogača Babin Kuk d.o.o. and Bugenvilia d.o.o. The Group balance sheet for the reviewed period, as at 31 December 2020, as well as at 31 December 2019, includes data of the previously mentioned companies. Investment in company Helios Faros d.d. is conducted according to the equity method, since Valamar Riviera has no control over it, but significant influence.

The Management Board presents the annual audited financial statements for the 2020


Valamar Diamant Hotel 4, Poreč*

1 On 28 June 2019 the company Hoteli Makarska was merged to the company Imperial Riviera.

Valamar Collection Marea Suites 5*, Poreč

Business Management during COVID-19

As the largest tourism company in Croatia, Valamar Riviera has carefully followed the development of the COVID-19 situation since its appearance. Valamar Riviera has engaged and focused all its resources towards implementing preventative measures to protect the health of guests and employees, activating full-scale standard operating procedures for dealing with crises and maintaining business continuity and job preservation. The extraordinary movement and gathering restrictions, partial restrictions concerning establishments in hospitality and shops, and restrictions regarding border crossings and border controls affect numerous economic sectors. Tourism and hospitality were especially hit as the new circumstances curtailed demand in national and international travel. This proves that the COVID-19 pandemic is a genuine operational and financial disruption to the global economy, especially tourism flows.

Lanterna Premium Camping Resort 4, Poreč*

Despite the challenges posed by the extraordinary and unpredictable final impact of the COVID-19 pandemic on business activities, Valamar Riviera has successfully secured sufficient liquidity, protected jobs and restarted operations during 2020. The company has ensured partial normalization in 2021 with comprehensive measures and activities, which are explained in detail below.

RISK MANAGEMENT COMMITTEE

Since the beginning of the COVID-19 pandemic, Valamar Riviera has actively approached the mitigation and control of potential risks, established the Risk Management Committee, and adopted the Risk Management Regulation. The Board's tasks and powers include risk assessment and its impact on business, guests and employees, as well as determining measures to protect guests and employees, property and organizing business processes and operations. Depending on the circumstances and intensity of the risk event, the Board decides on changing the financial, business and contingency plan, activating escalation plans to preserve the company's liquidity, solvency, and maintaining business continuity, as well as other necessary acts in accordance with the assessment of bookings and revenues. Furthermore, comprehensive operational crisis management procedures have been developed and activated to protect the health of guests and employees. These include providing general information on the spread of COVID-19 and measures to prevent and control the spread of respiratory viruses.

Valamar Riviera has intensified it's transparent and consistent crisis communication with all it's stakeholders, especially with the competent state and local authorities whilst the coronavirus pandemic.

PRODUCTS MODIFICATION

In the second quarter of 2020, Valamar modified its products and accelerated the development of digitization projects in order to improve service quality and safety for the 2020 tourist season. Even more space has been provided for guests in restaurants, at the reception, swimming pools, on the beach and in other communal facilities, and promotional campaigns #stayinnature and "beachholidays" have been launched. Key innovations of this season include the V Health & Safety program comprised of health, safety and environmental standards, "CleanSpace - 100% privacy", an enhanced cleaning system, online reception, hotel service "Bed & Brunch", and Valfresco Direkt online food shopping and delivery service. In addition, Valamar now also offers a "Workation Deal" for guests who wish to relocate their office to the coast. It is available in Istra Premium Camping Resort 5* and Ježevac Premium Camping Resort 4* as a long-stay service.

V Health&Safety is a comprehensive program of health, safety and environmental standards, as well as a set of advanced cleaning protocols aimed at the further enhancement of hygiene standards that Valamar applies in its properties. V Health&Safety protocols are aligned with the safety recommendations of the World Health Organization, the European Center for Disease Prevention and Control, the Croatian Institute of Public Health, as well as relevant standards and certificates such as HACCP and ISO standards. As of 2020, every property in Valamar will have a V-Health&Safety Manager, available to guests 24/7 throughout their stay. In case of need, he manages health insurance for guests in cooperation with the Croatian health care system.

"CleanSpace - 100% privacy" is a service, which guarantees that key points of contact in rooms and mobile homes are thoroughly cleaned and disinfected, and that no one enters the accommodation unit before the scheduled guest arrives. In addition, it offers complete room privacy throughout the stay with the guarantee that staff will enter the accommodation unit only at the invitation of the guest themselves.

By accelerating digital development, Online reception is available to all hotel and camping guests in 2020. Valamar's Online reception enables check-in and check-out via the Internet (web check-in and My Valamar application) and "self-check-in" points, thus simplifying arrival and departure.

Bed & Brunch is a new restaurant concept in the Old Town Holiday and Sunny B&B hotels, which, instead of the classic half board scenario, offers an extended breakfast and brunch that guests can enjoy from 07:00 to 13:00, which gives them even more space and simplifies meals and hotel stays.

As part of the restart preparations, Valamar has developed a new service called Valfresco Direkt, which was officially launched on June 8, 2020. It is a new online store that combines a wide range of local, home-made and fresh products from the best family farms in Istria. In addition to locally produced and fresh products, ValFresco Direkt also delivers ready-made and semi-ready dishes from the ValFresco cuisine, as well as wine, beer, olive oils and other necessities. In cooperation with local family farms, Valamar's new project aims to diversify business, strengthen local production and the market position of small producers and offer them a wider presence and availability.

STATE MEASURES

The available measures to help the economy, along with the new credit lines adjusted to preserve economic activities and liquidity, represent an strong stimulus for all the tourism companies to tackle the current extraordinary situation until economic and tourism trends normalize. The Croatian government, Croatian National Bank, Croatian Bank for Reconstruction and Development, competent ministries as well as state and local authorities have adopted a set of measures to help the economy and mitigate the extraordinary circumstances caused by the COVID-19 pandemic. The measures aim to overcome short-term challenges in liquidity and support job preservation. Valamar Riviera has undertaken comprehensive activities to minimize the negative effects and protect its business, which among others include: 1) the use of grants for job preservation in COVID-19 affected sectors (HRK 3,250 per employee for March's salary; HRK 4,000 for salaries from April to December 2020), and relief and deferral of tax liabilities and levies by which the total employee cost of 2020 was relieved by HRK 141.3 million, (Group: HRK 163.6 million) 2) reduction and deferred payment of concession fees on tourism land (relief in the amount of HRK 6 million; Group: HRK 6.4 million), 3) quarterly deferred payment of tourist board fees and, 4) the introduction of a loan moratoriums (details in section "Preserving Liquidity" of this chapter).

The Croatian Government will continue to implement job preservation measures during 2021 (the final measuers duration is subject to the decisions of the Croatian Government). The measures include financial support to employers for working hours reduction, as well as support per employee (according to a drop in turnover rating-system) in the maximum amount of HRK 4,000 for a 60% or more drop in turnover.

IMPACT ON REVENUES AND BOOKINGS

The disruptions in European and global tourism flows negatively impacted arrivals from April until the end of 2020, and the lower business volume and revenues is expected in the following period, as well as a stronger volatility of new booking entries for 2021. The current precarious situation concerning the development of the COVID-19 pandemic and the free movement of persons, prevents predicting the final negative effect of slower new booking trends on business, especially because of the pronounced "last minute" booking trend and the simpler booking cancellation policy. It is important to note that our records show that the slower dynamics of booking entries are mostly related to hotels and resorts, while camping resorts show lesser impact on occupancy and new booking entries. Camping resorts are a specific product characterized by high guest loyalty. Guests from Germany, Austria, Slovenia, Italy, Denmark and the Netherlands find them attractive as they are easily reachable by car and are considered much safer than other options due to the far smaller number of shared spaces.

Valamar Riviera's diversified portfolio, the convenient geographic position of the northern region for guests travelling by car (destinations Poreč, Rabac, Krk Island, Rab Island), a highly developed inside direct sales channel which accounted for 67% of Valamar's revenues in 2020, along with the presented advantage of camping operations represents Valamar's natural hedge against the current disruption in tourism flows and better resilience to the volatility of economic cycles.

PAUSE, RESTART PROGRAM & EMPLOYMENT PROTECTION

In the past two decades, Valamar has become the leading domestic tourism company building on the foundations of sustainable development. Considering the national economic development, the overall performance growth followed the necessary targeted and expected growth in the number of employees and their salaries - something Valamar is very proud of. In order to maintain business continuity and primarily focusing on escalation plans of measures to safeguard the Group's liquidity and solvency, the "Pause, Restart Program" started in April 2020, and includes all employees and ensures job preservation without lay-offs. All employees who cannot do their jobs due to extraordinary circumstances are furloughed while being secured at least 60% of their regular salary, but no less than HRK 4,250 (net). In the period of March to June, over 90% of Valamar's employees were on "pause", the cost of which was jointly covered by shareholders and the state's grants for job preservation. This measure includes both workers and managers, including seasonal workers and permanent seasonal workers already employed. Standby operations, which lasted until mid-May, involved those employees and management in charge of crisis management and administration, employees in charge of maintenance, preservation and security at properties and employees in charge of communication with guests and partners.

While successfully "pausing" and preserving jobs, we have also prepared for our business "restart", with the priorities being ensuring liquidity, adjusting products and services in order to increase guest safety and facilitating digitalization projects. After re-opening most of the properties and the summer season, the Group employs more than 4,400 people. With the aim of preserving jobs, the "Pause, Restart Program" shall continue during winter until spring 2021 when economic and tourism trends are expected to partially normalize.

PRESERVING LIQUIDITY

Due to before mentioned disruptions in the Republic of Croatia and our important source markets, Valamar Riviera has proactively undertaken overall financial cost-saving measures to reduce costs, preserve solvency and liquidity while also securing undisrupted business continuity.

The cash outflow plans have been adjusted to crisis management measures and include high-level cost-saving in direct and operating costs due to smaller business volumes and the minimization of else fixed costs due to the temporary closure of properties and other services in tourism ("Pause, Restart Program"). The additional cost-saving measures are focused on suspending employee rewards, bonuses, and the overall reduction of staff-related costs, the suspension and reduction of fees for Supervisory Board members and all non-essential costs, which are not strictly necessary for this business program. In order to boost Valamar's financial flexibility, the decision on dividend payout has been cancelled while several adjusted business policies have been adopted, such as: the option to exchange individual bookings for vouchers that can be used in 2021, the transfer of contracted M.I.C.E. and group events in 2021, negotiations with tour operators regarding the timeframe for advance payments usage, more flexible payment policies, negotiations with suppliers, etc.

As at 31 December 2020, the Group's cash and cash equivalents were HRK 665.9 million, and HRK 522.9 million for the Company. Together with valuable hospitality assets and a business model combining ownership and asset management, they form a stable balance position for the Group and Company. In the past two decades, Valamar has become the leading domestic tourism company building on the foundations of sustainable development and care for financial stability, successfully cooperating with a number of loan institutions. Valamar Riviera is carefully responding to challenges caused by this new situation, and pursuant to the adopted measures imposing a moratorium on the payment of credit liabilities. Valamar Riviera has deferred the payment of due liabilities related to long-term loans. Namely, the Group deferred the payment of principal in the total amount of HRK 349 million and the Company in the amount of HRK 325 million to commercial banks and the Croatian Bank for Reconstruction and Development, of which HRK 272 million (Company: HRK 248 million) represents deferred payment of principal for 2020, HRK 49 million for the first quarter of 2021 and HRK 27 million for the second quarter of 2021.

We point out that the Croatian Bank for Reconstruction and Development has approved a moratorium on principal and interest to its clients, including Valamar Riviera, from and including 31 March 2020 to and including 30 June 2021 with the aim of preserving jobs, liquidity of economic entities and economic activities in Croatia. In addition, three other commercial banks approved a moratorium on interest of Valamar Riviera Company, while one commercial bank has approved a moratorium on Imperial Riviera's interest, bringing the total amount of interest in the moratorium to about HRK 47 million for the Group (Company: HRK 46 million). The financial ratios in arrangements with banks are mainly based on the usual indicators for servicing loan liabilities with defined maturities, according to which the Company and the Group have adjusted its actions in accordance with the terms of each arrangement and have received a waiver of financial covenant for 2020.

On 5 October 2020, Valamar concluded negotiations with domestic commercial banks (Privredna banka Zagreb d.d., Zagrebačka banka d.d. and Sberbank d.d.) and the Croatian Bank for Reconstruction and Development and contracted additional medium-term liquidity in the amount of EUR 66 million in accordance with the programs "Working capital (COVID-19 measure)" and "Insurance of exporters' liquidity loan portfolio COVID-19 measure" from the Croatian Bank for Reconstruction and Development. The successful conclusion of this legal deal is an affirmation of the support from investors and financiers for the growth, development and sustainable business continuity of Valamar's entire portfolio.

As a tourism company with strong positive net asset value that owns and manages valuable tourism properties and amenities coupled with the agreed credit lines and moratoriums on loan obligations, Valamar does not anticipate challenges in preparing for business normalization next year, as well as overcoming possible and further reduction in business activities. In addition, the Company and the Group have undergone impairment tests in accordance with the International accounting standard 36 and have proven that there are is no obligation of reducing the value of tangible and intangible assets.

Given the global reach of problems caused by the unpredictable spread of the COVID-19 virus, a number of obstacles to the free transfer of passengers, goods and services in many important source markets, and the consequent slowdown in entire industries, it is still premature to make definitive quantitative assessments concerning the negative impact of COVID-19 on Valamar's operations in the coming period.

Valamar Riviera emphasizes that these are conclusions based on the facts, knowledge and circumstances currently available, and the related estimates. However, due to the expected further objective development of events beyond the Company's influence, further changes in relevant circumstances can be expected. Valamar will publish all relevant information regarding the impact of COVID-19 on underlying factors, prospects or financial stability in accordance with the relevant regulations.

Valamar Collection Dubrovnik President Hotel 5, Dubrovnik*

Results of the Group

KEY FINANCIAL INDICATORS[2]

	2019	2020	2020/2019
Total revenues	2,218,828,166	696,901,773	-68.6%
Operating income	2,207,678,790	675,610,635	-69.4%
Sales revenues	2,139,319,744	642,478,457	-70.0%
Board revenues (accommodation and board revenues)[3]	1,781,619,705	531,636,818	-70.2%
Operating costs[4]	1,385,486,291	530,527,177	-61.7%
EBITDA[5]	768,955,392	103,189,578	-86.6%
Extraordinary operations result and one-off items[6]	10,853,838	-23,242,050	/
Adjusted EBITDA[7]	758,101,554	126,431,628	-83.3%
EBIT	293,853,214	-394,764,365	/
Adjusted EBIT[7]	282,999,376	-371,522,315	/
EBT	232,471,771	-501,048,580	/
Net profit	305,851,680	-358,805,791	/
EBT margin	10.5%	-74.2%	-8,470 bp
EBITDA margin	34.8%	15.3%	-1,950 bp
Adjusted EBITDA margin[7]	34.3%	18.7%	-1,560 bp

	31/12/2019	31/12/2020	2020/2019
Net debt[8]	2,195,286,284	2,851,116,054	29.9%
Net debt / Adjusted EBITDA	2.90	22.55	678.7%
Cash and cash equivalents	550,142,638	665,932,900	21.0%
Capital investments (details in chapter “2020 Investments”)	954,590,000	595,871,000	-37.6%
ROE[9]	8.8%	-11.5%	-2,030 bp
Adjusted ROCE[10]	5.2%	-6.5%	-1,170 bp
Market capitalization[11]	4,888,608,354	3,750,579,650	-23.3%
EV[12]	7,814,917,851	7,303,506,632	-6.5%
EPS[13]	2.32	-2.70	/
DPS[14]	1.00	0	/

KEY BUSINESS INDICATORS[15]

	2019	2020	2020/2019
Number of accommodation units (capacity)	21,266	21,247	-0.1%
Number of beds	58,216	58,492	0.5%
Full occupancy days	139	47	-66.1%
Annual occupancy (%)	38%	13%	-2,500 bp
Accommodation units sold	2,946,626	999,020	-66.1%
Overnights	6,775,709	2,279,215	-66.4%
ADR[16] (in HRK)	605	532	-12.0%
RevPAR[17] (in HRK)	83,778	25,021	-70.1%

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

3 In compliance with the classification under the USALI international standard for reporting in 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 (eng. earnings before interest, taxes, depreciation and amortization) is calculated as: operating income - total operating costs + depreciation and amortisation + value adjustments.

6 Adjustments were made for (i) extraordinary income (in the amount of HRK 20.3 million in 2020, and HRK 63.9 million in 2019), (ii) extraordinary expenses (in the amount of HRK 42.3 million in 2020, and HRK 50.7 million in 2019), and (iii) termination benefit costs (in the amount of HRK 1.2 million in 2020, and HRK 2.4 million in 2019).

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 according to IFRS 16 (leases) – 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 + other liabilities according to IFRS 16 (leases) - cash and cash equivalents - long-term and short-term investments in securities - loans given, deposits, etc.).

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

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

13 EPS refers to earnings per share calculated on the basis of net profit attributable to the owners of the parent company. Weighted average number of shares in 2020: 121,887,907. Weighted average number of shares in 2019: 122,507,835.

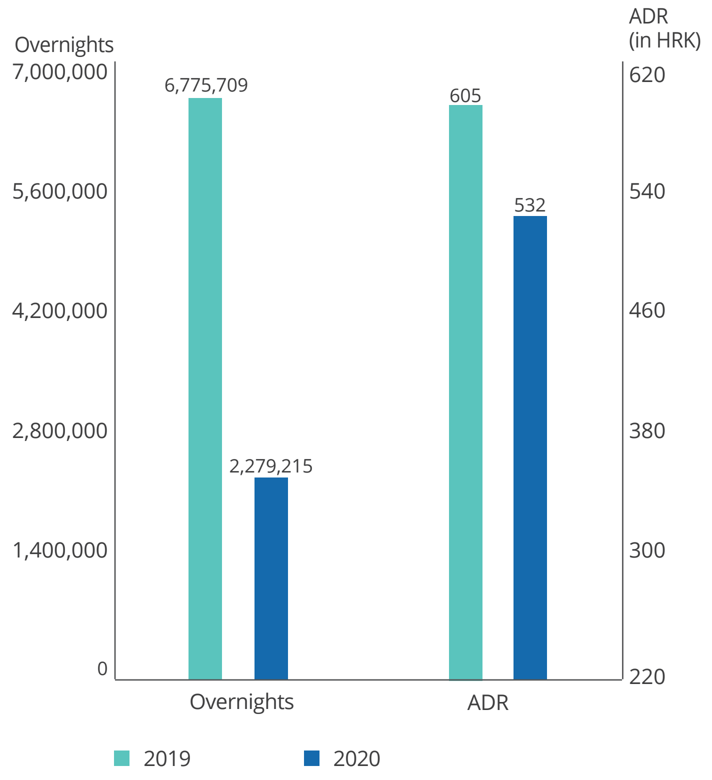
14 DPS refers to dividends per share.

15 Data for Helios Faros are not included.

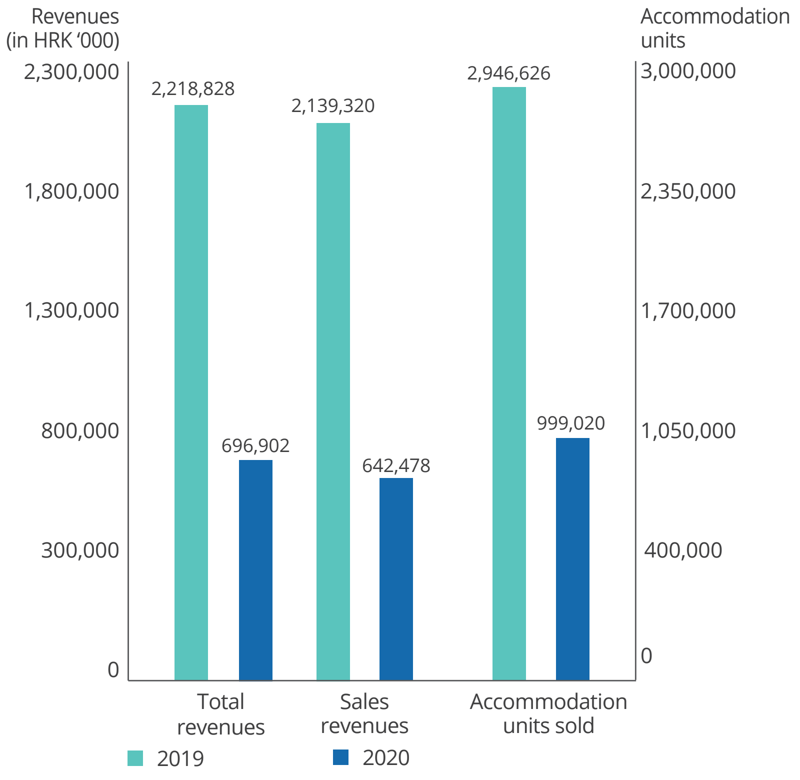
16 Average daily rate is recorded on the basis of cumulative board revenues (accommodation and board’s food and beverage revenues).

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

Overnights and ADR



Revenues and accommodation units sold



Padova Premium Camping Resort 4, island of Rab*

REVENUES

In 2020, total revenues amounted to HRK 696.9 million down by 68.6% (HRK -1,521.9 million). Total realized revenues were affected by:

a) decrease in sales revenues, in the amount of 70.0% (HRK -1,496.8 million) to HRK 642.5 million. The decrease was largely driven by board revenues (-70.2%; HRK -1,250.0 million). With careful preparation of various additions to the guest products and experiences, Valamar Riviera has, until the closure of tourist properties on March 15 due to the strengthening of general COVID-19 prevention measures by the competent authorities, recorded better business results compared to the comparative period last year. January was marked by strong entrances to the direct channel, especially at the Valamar Obertauern Hotel 4*, while the increase in board revenues in February was contributed by the excellent response of the group channel. The closure of tourist properties resulted in the cancellation of group and M.I.C.E. placements, and reported a HRK 11 million decline in board revenues in March. In April, all tourism properties were closed. Lanterna Premium Camping Resort 4* was the first to open on 22 May 2020 when the restart of business and the opening of the tourist season in Croatia began as arranged by the Ministry of Tourism through the easement of the border crossing regime from June onwards. Thus, by the end of May, a total of 13 out of 15 camping resorts were opened, while Istra Premium Camping Resort 5* opened in mid-June. During June, July and August a total of 24 hotels and resorts (out of 36) and all 15 camping resorts opened in eight destinations on the Adriatic coast in accordance with increased demand and a stronger entry of new booking reservations due to the partial normalization of tourism flows. Even though the tourist season got off to a good start, many countries issued travel warnings during August consequently hindering tourism flows towards Croatia and causing a significant drop in volume during the second half of August and in the shoulder season. All tourism properties were closed in shoulder season, excluding Valamar Diamant Hotel 4*, Istra Premium Camping Resort 5* and Ježevac Premium Camping Resort 4* where Valamar implemented the „Workation Deal" concept for guests who whish to relocate their office to the Adriatic coast.

However, despite unfavorable circumstances in 2020, overnights amounted to 2,279.215 (-66.4%), which is a considerable success given

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

the adversities that the tourism industry faces globally. ADR is down by 12.0% to HRK 532 due to the closure of hotel properties that carry a higher average price compared to camping resorts. However, at a comparable level of open tourist properties the average daily price has shown a positive trend. Average daily prices of hotels and resorts and camping resort alike recorded an 11.1%, i.e. a 6.3% increase. Moreover, camping resorts recoded strong demand with an almost 50% share in total board revenues compared to last year's 24% share.

Domestic sales revenues were HRK 199.6 million and represented 11.9% of total revenues (9.0% in 2019). They decreased by HRK 116.9 million with respect to the previous comparable period. International sales revenues were HRK 559.8 million, down by HRK 1,380.0 million and represented by 80.3% (87.4% in 2019) of total revenues.

b) other operating revenues[18] which decreased by HRK 35.2 million to HRK 33.1 million primarily as a result of the absence of last year's one-off income from out-of-group sales of long-term tangible non-operating assets.

c) an increase in financial income in the amount of HRK 10.6 million to the level of HRK 21.3 million is primarily due to the increase in other financial income due to the derecognition of negative fair value (liabilities) under forward contracts.

Other operating and financial income account for 7.8% of total revenues (3.6% in 2019).

18 Other operating revenues include revenues from the usage of own products, goods and services.

TOTAL OPERATING EXPENSES OF VALAMAR RIVIERA GROUP[19]

(in HRK)	2019	2020	2020/2019
Operating costs[20]	1,385,486,291	530,527,177	-61.7%
Total operating expenses	1,913,825,576	1,070,375,000	-44.1%
Material costs	609,249,061	254,642,998	-58.2%
Staff cost	583,409,043	189,951,093	-67.4%
Depreciation and amortisation	474,514,405	496,444,044	4.6%
Other costs	197,392,249	89,097,655	-54.9%
Provisions and value adjustments	9,415,580	30,223,911	221.0%
Other operating expenses	39,845,238	10,015,299	-74.9%

TOTAL OPERATING EXPENSES

Total operating expenses amounted to HRK 1,070.4 million with a decrease of 44.1% (HRK -843.5 million). Breakdown of total operating expenses:

a) material costs represented 23.8% (31.8% in 2019). The 58.2% drop (HRK -354.6 million) to HRK 254.6 million is a consequence of reduced business volume caused by the COVID-19 pandemic which disrupted tourism flows.

b) staff costs with a high decline in the share of total operating expenses (17.7%) compared to the previous comparable period (30.5% in 2019). The reasons for the 67.4% decrease (HRK-393.5 million) to the amount of HRK 190.0 million can be found in i) the tourism properties closure from March 15, 2020 until May 22, 2020 and their partial opening during peak-season and shoulder season, ii) the consequent lower need for workforce, especially seasonal, iii) state grants for job preservation (the total positive impact on staff costs amounts to HRK 163.6 million) and iv) the abolition of the monthly bonus calculation for 2020.

c) depreciation and amortisation costs represented 46.4% (24.8% in 2019). The amortization growth of 4.6% (HRK +21.9 million) to HRK 496.4 million is a result of the Group's earlier intensive investment cycle.

d) other costs had a share of 8.3% in total operating expenses (10.3% in 2019). The 54.9% drop (HRK -108.3 million) to the amount of HRK 89.1 million is primarily the result of the reduced business volume, as well as lower costs of accommodation, meals, transportation and daily allowances for employees due to their small number.

e) provisions and value adjustments resulted in HRK 20.8 million growth to HRK 30.2 million due to provisions for legal disputes and long-term provisions for gratuities for regular retirement and jubilee awards.

f) other operating expenses with a share of 0.9% (2.1% in 2019). The HRK 29.8 million decrease to

19 Classified according to Annual Financial Statements standard (GFI POD-RDG).

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

HRK 10.0 million is mainly a consequence of lower undepreciated value of the disposed assets.

OPERATING COSTS[20]

Operating costs amounted to HRK 530.5 million with a decline of 61.7% vs the comparable period of 2019. The reasons behind the HRK 855.0 million decrease are found in decreased business volume and activation of comprehensive savings measures and activities (more detailed in chapter “Business Management during COVID-19”) considering the problems caused by the global impact of the COVID-19 pandemic.

EBITDA AND EBT

The adjusted EBITDA in the amount of HRK 126.4 million (HRK -631.7 million with respect to the last comparable period) is a result of disruptions and restricted global and European tourism flows and closure of tourism properties caused by the COVID-19 pandemic.

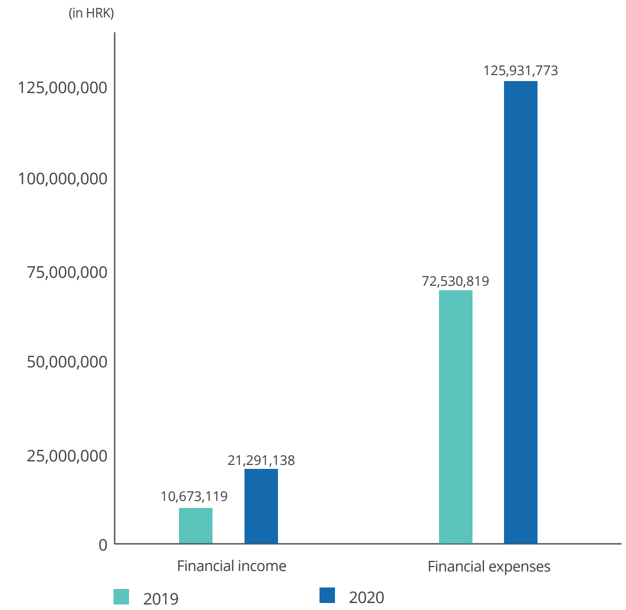
With regards to last year’s comparable period, the profit before taxes decreased by HRK 733.5 million to a loss of HRK -501.0 million due to the earlier mentioned EBITDA decrease, lower financial business results (HRK -42.8 million; details on the next page) and increased amortization cost (HRK +21.9 million). The Group’s 2020 net loss amounts to HRK 358.8 million (net profit of HRK 305.9 million in 2019).

Valamar Parentino Hotel 4, Poreč*

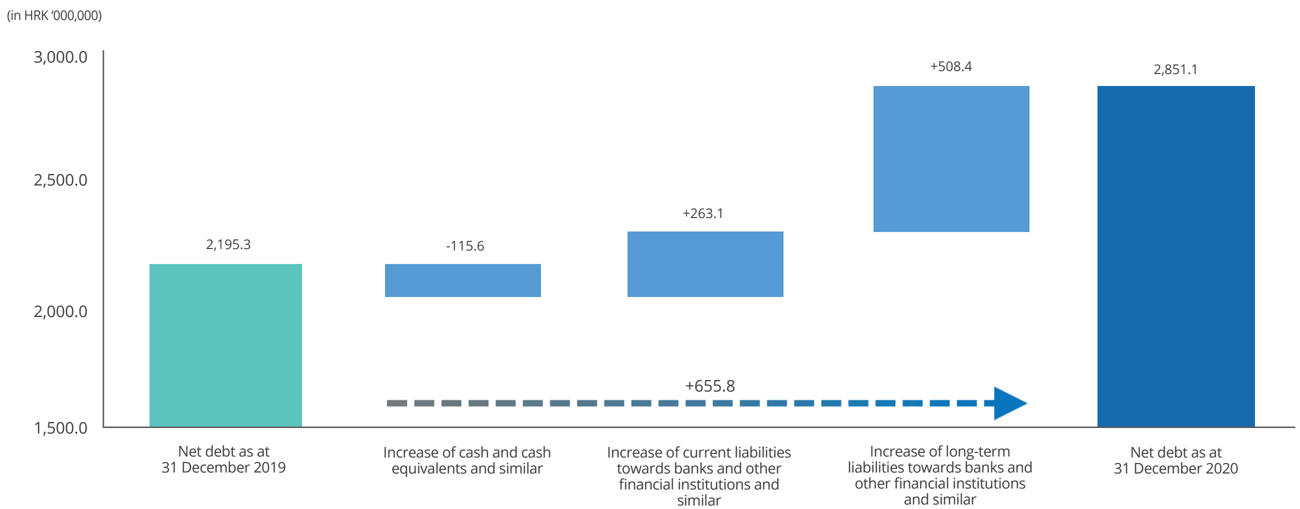
FINANCIAL RESULT

In 2020, the financial result is HRK -104.6 million (HRK -61.9 million in 2019). The main reasons for the HRK 42.7 million lower financial result compared to the previous comparative period are primarily due to an increase in net foreign exchange losses (primarily unrealized ones on long-term loans) by HRK 40.4 million due to the strong depreciation of the kuna against the euro in the first quarter of 2020.

Financial income and expenses



Net debt[21]



21 Net debt: non-current and current liabilities to banks and other financial institutions + liabilities for loans, deposits and other + other liabilities according to IFRS 16 (leases) – cash and cash equivalents – long-term and short-term investments in securities – current loans given, deposits, etc. Includes the effects of unrealized exchange rate differences on long-term loans.

ASSETS AND LIABILITIES

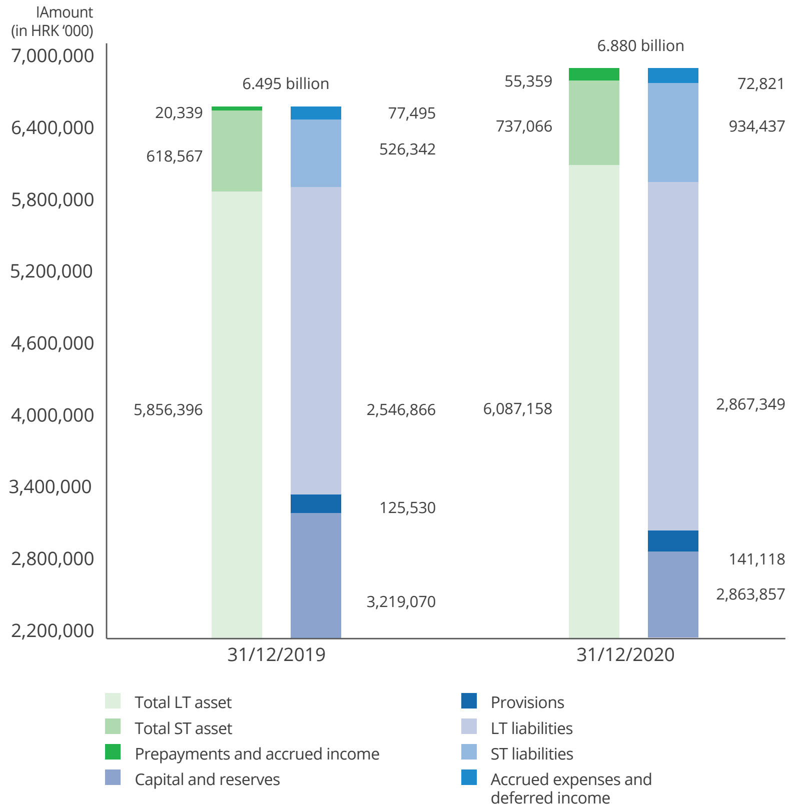
As at 31 December 2020, the total value of the Group's assets amounted to HRK 6,879.6 million, up by 5.9% compared to 31 December 2019.

Total share capital and reserves decreased by 11.0% to the amount of HRK 2,863.9 million as a result of loss in the business year. Total long-term liabilities grew from HRK 2,546.9 million to HRK 2,867.3 million due to loans contracted to finance this year's investment cycle and the transfer of a part of the deferred current portion of long-term debt from short-term liabilities to long-term with regards to the contracted moratoriums with commercial banks and the Croatian Bank for Reconstruction and Development (details in the chapter "Business Management during COVID-19"). Almost the entire loan portfolio (80%) is comprised of long-term fixed interest loans or, respectively, loans hedged by a derivative instruments (IRS) for protection against interest rate risk.

Total short-term liabilities amounted to HRK 934.4 million, up by 77.5% (HRK +408.1 million) compared to 31 December 2019. The aforementioned is mainly a result of withdrawing short-term loans (HRK 298 million).

Marina Camping Resort 4*, Rabac

Assets and liabilities



Cash and cash equivalents as at 31 December 2020 amount to HRK 665.9 million (HRK +115.8 million compared to 31 December 2019), which together with i) the agreed credit lines and moratoriums on loan obligations, ii) valuable tourism assets and iii) ownership-asset management business model, create a stable balance position for the Group for an eventual further decrease in business activities.

HOTELS AND RESORTS OVERVIEW

	Categorization		Segment		Destination
	2019	2020	2019	2020	
Valamar Collection Dubrovnik President Hotel	*****	*****	Premium	Premium	Dubrovnik
Valamar Collection Isabella Island Resort	**** / *****	**** / *****	Premium	Premium	Poreč
Valamar Collection Girandella Resort	****/*****	****/*****	Premium	Premium	Rabac
Valamar Collection Imperial Hotel	****	****	Premium	Premium	Rab Island
Valamar Collection Marea Suites	*****	*****	Premium	Premium	Poreč
Valamar Lacroma Dubrovnik Hotel	****+	****+	Premium	Premium	Dubrovnik
Valamar Tamaris Resort	****	****	Upscale	Upscale	Poreč
Valamar Riviera Hotel & Residence	****	****	Upscale	Upscale	Poreč
Valamar Zagreb Hotel	****	****	Upscale	Upscale	Poreč
Valamar Sanflor Hotel & Casa	****	****	Upscale	Upscale	Rabac
Valamar Argosy Hotel	****	****	Upscale	Upscale	Dubrovnik
Valamar Padova Hotel	****	****	Upscale	Upscale	Rab Island
TUI Family Life Bellevue Resort	****	****	Upscale	Upscale	Rabac
TUI Sensimar Carolina Resort by Valamar	****	****	Upscale	Upscale	Rab Island
Valamar Obertauern Hotel	****	****	Upscale	Upscale	Obertauern, Austria
Valamar Diamant Hotel & Residence	*** / ****	*** / ****	Midscale	Midscale	Poreč
Valamar Crystal Hotel	****	****	Midscale	Midscale	Poreč
Valamar Pinia Hotel	***	***	Midscale	Midscale	Poreč
Rubin Sunny Hotel	***	***	Midscale	Midscale	Poreč
Allegro Sunny Hotel & Residence	***	***	Midscale	Midscale	Rabac
Miramar Sunny Hotel & Residence	***	***	Midscale	Midscale	Rabac
Corinthia Baška Sunny Hotel	***	***	Midscale	Midscale	Krk Island
Valamar Atrium Baška Residence	**** / *****	**** / *****	Midscale	Midscale	Krk Island
Valamar Zvonimir Hotel & Villa Adria	****	****	Midscale	Midscale	Krk Island
Valamar Koralj Hotel	***	***	Midscale	Midscale	Krk Island
Valamar Club Dubrovnik Hotel	***	***	Midscale	Midscale	Dubrovnik
San Marino Sunny Resort	***	***	Midscale	Midscale	Rab Island
Valamar Meteor Hotel	****	****	Midscale	Midscale	Makarska
Dalmacija Sunny Hotel	***	***	Midscale	Midscale	Makarska
Pical Sunny Hotel	**	-	Economy	-	Poreč
Tirena Sunny Hotel	***	***	Economy	Economy	Dubrovnik
Lanterna Sunny Resort	**	**	Economy	Economy	Poreč
Eva Sunny Hotel & Residence	**	**	Economy	Economy	Rab Island
Riviera Sunny Resort	**	**	Economy	Economy	Makarska

CAMPING RESORTS OVERVIEW

	Categorization		Segment		Destination
	2019	2020	2019	2020	
Istra Premium Camping Resort	*****	*****	Premium	Premium	Poreč
Krk Premium Camping Resort	*****	*****	Premium	Premium	Krk Island
Ježevac Premium Camping Resort	****	****	Premium	Premium	Krk Island
Lanterna Premium Camping Resort	****	****	Premium	Premium	Poreč
Padova Premium Camping Resort	****	****	Premium	Premium	Rab Island
Marina Camping Resort	****	****	Upscale	Upscale	Rabac
Bunculuka Camping Resort	****	****	Upscale	Upscale	Krk Island
Baška Beach Camping Resort	****	****	Upscale	Upscale	Krk Island
San Marino Camping Resort	****	****	Upscale	Upscale	Rab Island
Orsera Camping Resort	***	***	Midscale	Midscale	Poreč
Solaris Camping Resort	***	***	Midscale	Midscale	Poreč
Škrila Sunny Camping	***	***	Midscale	Midscale	Krk Island
Solitudo Sunny Camping	***	***	Midscale	Midscale	Dubrovnik
Brioni Sunny Camping	**	**	Economy	Economy	Pula - Puntižela
Tunarica Sunny Camping	**	**	Economy	Economy	Rabac

54%

OF ACCOMMODATION UNITS ARE IN THE PREMIUM AND UPSCALE SEGMENT

Ježevac Premium Camping Resort 4*, island of Krk

Results of the Company

Total revenues decreased by HRK 591.8 million (-71%) in 2020, to HRK 573.6 million. Total sales revenues amounted to HRK 547.0 million with a 92% share in total revenues (90% in 2019). They decreased by 71%, i.e. by HRK 1,327.5 million compared to the same period last year as a consequence of a highly reduced business volume caused by the COVID-19 pandemic and the disruption of tourism.

Sales revenues between the Group undertakings were HRK 6.6 million (HRK 31.2 million in 2019) and they mainly represented the property management fee for Imperial Riviera, Valamar Obertauern and Helios Faros. Sales revenues outside the Group amounted to HRK 540.4 million (HRK 1,843.3 million in 2019). Domestic sales revenues amounted to HRK 67.8 million, i.e. 11% of total revenues (9% in 2019), down by 63% in relation to the previous comparable period. International sales revenues amounted to HRK 479.2 million and represented 81% of total revenues (81% in 2019). They fell by 72% compared to the previous comparable period. Other operating revenues represent 4% of total revenues (9% in 2019) and they decreased by HRK 155.9 million to HRK 24.9 million as a result of the absence of one-time income from the sale of long-term tangible non-operating assets. Other operating and financial income represented 8% of total revenues (10% in 2019).

Material costs totaled HRK 224.0 million with a drop in share in total operating expenses to 25% (33% in 2019). The HRK 316.9 million decrease is primarily a result of a reduced volume of business caused by the COVID-19 pandemic disruption of tourism flows.

Staff costs amount to HRK 162.8 million with a share of 18% of total operating expenses (31% in 2019). They decreased by HRK 343.3 million compared to the same period last year. The reasons for the reduction of staff costs are found in i) the closure of tourism properties from March 15 to May 22, 2020 and their gradual opening during peak-season and shoulder season, ii) the decreased need for workforce, especially seasonal, iii) state grants for job preservation (total positive effect on staff costs is HRK 141,3 million), iv) the abolition of the monthly bonus calculation for 2020, and v) the sale of Valamar Parentino Hotel (ex Valamar Hotel Zagreb) to Imperial Riviera whereby a number of employees were transferred to Imperial.

The depreciation and amortisation represented 44% of operating expenses (23% in 2019) and totaled HRK 392.0 million (HRK 380.1 million in 2019). The 3% growth is the result of the earlier large investment cycle that had been carried out.

Other costs totaled HRK 75.4 million with a 57% decrease as a result of more frugal operations and the related reduction in accommodation, food, travel, subsistence, and other employee services considering the decreased number of employees. Value adjustments and provisions amounted to HRK 27.0 million. The HRK 18.2 million increase in due to provisions for legal disputes and long-term provisions for gratuities for regular retirements and jubilee awards. Other operating expenses amounted to HRK 9.2 million and they are lower by HRK 21.4 million, mainly as a result the lower carrying amount of depreciated assets.

In 2020, the financial result was HRK -95.1 million (HRK -48.0 million in 2019). The main reasons for the HRK 47.1 million lower financial result compared to the previous comparative period were primarily due to i) an increase in net foreign exchange losses (primarily unrealized ones on long-term loans) by HRK 36.9 million due to the strong depreciation of the kuna against the euro in the first quarter of 2020, and ii) reduction of income from investments in shares of businesspersons within the group by HRK 8.7 million due to the absence of dividends of the associated company Imperial Riviera in 2020.

Recorded EBITDA in the amount of HRK 74.9 million (HRK -720.2 million compared to last year's comparable period) is the result of disruptions and restrictions in global and European tourism flows and the closure of properties caused by the COVID-19 pandemic. With regards to the last year's comparable period, the loss before taxes was decreased by HRK 780.0 million to a loss of HRK -413.5 million due to the earlier mentioned drop in operating results (EBITDA), lower results from financial operations (HRK -47.1 million), and increased amortization costs (HRK +11.9 million). In 2020, the Company's net loss was HRK 308.6 million (net loss of HRK 377.0 million in 2019).

As at 31 December 2020, the total Company assets amounted to HRK 5,954.1 million, an increase of 8% compared to 31 December 2019.

Valamar Parentino Hotel 4*, Poreč

Investments

Valamar strives to develop high added-value products and services in tourism to drive growth and sustainable business continuity. The key part of Valamar's development strategy defines ambitious plans for innovative upgrades of services and products, focusing on upscale and premium hotels, resorts and camping resorts. Simultaneously, the development of Valamar's service concepts is an ongoing, continual process reflecting the latest market trends and guests' expectations.

In 2020, the Group's planned investments were worth over HRK 800 million, focusing on further portfolio repositioning towards high value-added products and services, especially in premium resorts and camping in Istria. Valamar Riviera reassessed the timeframe and financial CAPEX planning due to the extraordinary circumstances caused by the COVID-19 pandemic. The focus was on protecting the health of workers and partners, prudent cash flow management and defining only necessary works for finalizing season preparations since many construction sites are near completion, thus the Group's 2019/20 investment cycle was successfully reduced by HRK 120 million to HRK 705 million[22]. The reduction was achieved by completing the necessary works needed for opening fully ready properties with a minimal impact on the service and accommodation quality.

22 During 2020, HRK 596 million of investments were capitalized in the portfolio of tangible and intangible assets, which represents the total recorded increase in tangible and intangible assets during 2020, including, in addition to the investment cycle in 2019/20, other cycles as well. The difference in relation to the HRK 705 million investment cycle 2019/20 is primarily due to assets in preparation booked during 2019.

Krk Premium Camping Resort 5, island of Krk*

VALAMAR RIVIERA

Valamar temporarily halted the construction of Valamar Pinea Collection Resort in Poreč, the largest single investment in Croatian tourism worth HRK 790 million, and postponed its completion.

In 2020, the realization of the third phase of investment in Istra Premium Camping Resort 5* in Funtana was completed, and it became the largest five-star campsite in Croatia in 2019, has been completed. Investments included new premium camping homes (200), glamping tents (43) and new and upgraded camping pitches (170), as well as a further increase in the quality of beaches, promenades and sanitary facilities.

Lanterna Premium Camping Resort 4* was successfully developed its premium accommodation segment by raising the quality, adding camping homes (3) and improving the existing camping homes (64), as well as by improving new camping pitches (16).

In May 2020, Vinež Central Kitchen became the cornerstone of Valamar's new project Valfresco Direkt, an online store that brings together local wine, olive oil, fresh fruits, vegetables, meat and fish producers, with a long tradition in producing healthy and quality products. The central kitchen and distribution center Vinež is the main location for purchasing and processing fresh local food, as well as preparing finished and semi-finished food products. This modern facility equipped with the latest technology covering an area of 3,400 m^2, ensures faster and easier food preparation while relieving hotel kitchens at Valamar properties, especially in terms of processing fresh food, in addition to achieving uniform quality, energy savings and lower procurement costs. The Vinež Central Kitchen can prepare up to 25,000 meals a day following the highest food health and safety standards. More than a hundred employees work at Vinež Central Kitchen in two shifts, seven days a week, which ensures high productivity.

Other investment projects concerning products and facilities for guests in all destinations with the aim of raising the competitiveness and quality of products, as well as energy efficiency projects and digitalization projects, have been completed. By actively attending to the needs of employees, investments in raising accommodation quality for seasonal employees continued in 2020.

Valamar Riviera's Supervisory Board approved 2021 investments in the amount of HRK 132 million for the completion of earlier initiated investments (Istra Premium Camping resort 5* and the accommodation for employees in Dubrovnik) and the completion of the first investment phase in Valamar Pinea Collection Resort as well as digitalization projects, and future projects. Minimum planned investments for 2021 are focused on completing initiated projects and preparing projects for new growth and development when conditions are met. The priority will be maximizing free cash flow and reducing credit exposure in order to achieve a pre-COVID net debt / EBITDA ratio.

Istra Premium Camping Resort 5, Poreč*

IMPERIAL RIVIERA

Over HRK 225 million was intended for Imperial Riviera's investments for the 2020 tourist season with the focus on the further upgrades of services and amenities. Because of the extraordinary circumstances caused by the COVID-19 pandemic, the 2019/20 investment cycle amount has been reduced to HRK 188 million. With Valamar's sale of Valamar Zagreb Hotel 4* to Imperial Riviera, it has repositioned the hotel for this year's season through investments in new capacities and amenities. Valamar Zagreb Hotel 4* became Valamar Parentino Hotel 4*, with Maro Holiday features and accommodation for families. The investment includes additional accommodation units (99), Maro club product upgrade, pool and sundeck area expansion, water slides, and F&B upgrades.Valamar Meteor Hotel 4* finished the second investment phase focusing on the refurbishment of the remaining accommodation units (166), reception and lobby, as well as a pool and spa area upgrade, Maro club construction and congress area refurbishment. Padova Premium Camping Resort 4* finished its third investment phase by improving two camping zones with 55 new camping homes and repositioning camping plots towards the premium segment. Additionally, a multi-purpose sports playground, sanitary block and reception area as well as the landscape design of the whole campsite have been finished.

The 2021 investment cycle includes HRK 41 million of planned investments mainly aimed at the final phase of investment projects in Valamar Meteor Hotel and Valamar Parentino Hotel which were postponed because of earlier mentioned extraordinary circumstances caused by the COVID-19 pandemic.

Padova Premium Camping Resort 4, island of Rab*

Arkada Sunny Hotel, island of Hvar

The Risks of the Company and the Group

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

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

5

KEY STEPS IN RISK MANAGEMENT PROCESS


Valamar Meteor Hotel 4*, Makarska

There are five key steps in a risk management process:

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

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

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

FINANCIAL RISKS

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

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

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

1) Foreign exchange risk

The Company and Group conduct their business operations across national borders and are exposed to foreign exchange risks. They mainly result from changes in the euro/ kuna exchange rate. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. Historically, most of our foreign revenue has been in euros, the currency in which the majority of our long-term debt is denominated. Hence, for the most part the Company and Group are naturally hedged from exchange rate risks. Since some liabilities are 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 assets, liabilities and cash flow are protected from the risk impact. Due to the emergence of exceptional circumstances caused by the COVID-19 pandemic in the first nine months of 2020, potentially strong depreciation pressures against the kuna/euro currency pair affect the value of euro-denominated long-term debt and contractual forward transactions whose potential negative effects are sought to be controlled by the proactive management of agreed derivative financial instruments. In the event of a drastic decrease of euro inflows, the Company and the Group will use existing euro liquidity reserves to service the long-term debt repayments and make adequate use of financial protection instruments, in accordance with the current state and future assessment of the Company's and the Group's foreign exchange position, expectations of movements in the value of the kuna/euro currency pair as well as other intercurrent relationships among world currencies.

2) Interest rate risk

Variable rate loans expose the Company and Group to cash flow interest rate risk. Actively, the Company and Group resort to derivative instruments in order to hedge cash flow and interest rate by applying interest rate swaps. The economic effect of such swaps is the conversion of variable interest rate loans into fixed interest rate loans for a pre-committed hedged part of the loan principal. Therefore, a major part of the loan portfolio (80%) is comprised of long-term fixed interest loans or, respectively, loans hedged by a derivative instruments (IRS). The Company and Group have interest-bearing assets (cash assets and deposits) so their revenue and cash flow depend on changes in market interest rates. This becomes evident especially during the season when the Company and Group have significant cash surpluses at their disposal. The Company and the Group expect a limited impact from the increased interest rate volatility consequent to the recent coronavirus pandemic, since a large portion of the Group's loan portfolio (80%) is made up of long-term fixed-rate loans, i.e. loans protected by derivative instruments (IRS).

3) Credit risk

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

4) Price risk

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

5) Liquidity risk

The Company and Group have a sound liquidity risk management. Sufficient funds for meeting liabilities are available at any given moment through adequate amounts from contracted credit lines and by ensuring credit line availability in the future. Liquidity risk is managed by generating strong positive net operating cash flows, while capital investments are financed by credit lines. Credit lines for 2020 have been contracted with reputable financial institutions, while credit repayments in general are in line with the period of significant cash inflows from operating activities. The repayment of the major credit lines coincides with periods of strong cash inflows from operations. The Company and Group monitor the level of available funds through daily cash and debt reports. Long-term cash flow forecasts as well as annual (monthly) forecasts are based on the set budget. After meeting the needs of working capital management the surplus is deposited in the treasury. From there the funds are invested in 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 operations of the Company and the Group, will create uncertain pressures on operating cash flow. In accordance with prudent management of the now increased liquidity risk, escalation plans for minimizing costs, maintaining liquidity, solvency of the company and maintaining business continuity were developed and activated, together with applications for support measures and assistance to the economy and the tourism sector, including temporary deferral of payment of overdue principal on long-term loans in accordance with the given opportunity of a moratorium on the repayment of credit obligations (more details in the chapter "Business Management during COVID-19" on page 10 of this report).

6) Share-related risks

The market value of shares is the riskiest asset class due to its volatility resulting from the volatile nature of the whole capital market, trading volume, 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 RISK

The Company and Group are 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 a prudent long-term strategic management.

Over 95% of Valamar Riviera's guests come from other countries and they are very careful when choosing their vacation destination in the competitive Mediterranean environment. Stable domicile countries macroeconomic indicators are important decision-making factors especially those relating to exchange rates and the price of goods and services because they directly affect the guests' purchasing power. However small, the share of domestic guests is also important; it is a segment directly influenced by various other macroeconomic indicators: employment/ unemployment rate, GNP rise/ fall, industrial production and others. They all have a direct impact not only on the purchasing power of Croatian residents but they also determine whether they will choose to spend their vacation 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 the 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 one of the largest and most desirable employers in tourism. The active approach towards HR management develops key talents and supports investments in training opportunities. We determine the needs for new skills and expertise by following emerging global trends in tourism. In this way, we are able to respond to challenges effectively. Through a continual dialogue with our social partners, we have ensured a high level of workers' rights in terms of competitive salaries, reward systems, career development, employees' wellbeing and cooperation with training institutions from all parts of Croatia.

OPERATIONAL RISKS

Operational risks are risks connected with direct or indirect losses that arise from inadequate or wrong internal or external processes within the Company and the Group. They include the creation and analysis of financial reporting data (also known as "financial reporting risk") and also the potential insufficient and inadequate internal and external information sharing. When implementing the system of operational risk management, the Company and Group focused on its continuity and complexity due to the size of the organization. The benefits of the system include i) defining and identifying the Company and Group risk profile in relation to the operating risk ii) identifying and managing the known risk occurrences in order to decrease the Company and Group costs and iii) data analysis which indicates the business trends for the Company and Group and trends in the domestic economy. The Company and Group are aware of the reliability of IT business solutions and safety in the cyber world. Hence, they continually upgrade, develop and implement new technologies in everyday business operations. A special focus is given to providing sufficient resources for the development and implementation of new technologies related to ICT, data protection, and upgrade of the current business systems and implementation of new ones.

GLOBAL RISKS

Despite improved security and political conditions, which have encouraged to a certain extent investments into tourism and hospitality, there are challenges that the Croatian tourism has to face, such as:

- Periods of global financial crisis which reduce the purchasing power of the travelling-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 waste water treatment as well as extensive use of agricultural fertilizers. Other environmental conditions typical for climate changes such as long drought periods or long rainy periods can directly influence the guests' length of stay in the hotels and campsites as well as increasing the operating costs. A number of other natural disasters and calamities (earthquakes, fires, floods and rainstorms), air pollution caused by toxic gas emissions from industrial plants and vehicles, as well excessive urbanization and the introduction of invasive species should also be taken into consideration. Likewise, disease outbreaks and pandemics can adversely affect Valamar's business results. In order to minimize their impact, Valamar is actively tracking pandemic and health risk levels worldwide, especially on its source markets, and taking proactive steps in their management. The COVID-19 pandemic is a recent example of the operational and financial disruption to the global economy, especially tourism flows, since almost all global destinations are blocked by restrictions or complete travel bans. The emergence of exceptional circumstances in the Republic of Croatia and the introduction of extraordinary measures to prohibit gatherings, movements and the operation of restaurants and shops, all with the primary objective of protecting the population from the risk of contagion, resulted in the expected consequential and immediate disruption of the Company's and the Group's operations, cancellation of accommodation and other contracted services by partner agencies and guests. Details of measures to mitigate and control this risk can be found in the chapter "COVID-19 / Expectations" on page 10 of this report.

REGUALTORY 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:

- In March 2012 the standard VAT rate grew from 23% to 25%, in January 2013 a new 10% VAT rate was introduced only to be replaced within a year by a 13% VAT rate applicable to the tourism and hospitality industry (January 2014), while in January 2017 a new 25% VAT rate was introduced for F&B (a la carte) services;
- In May 2012 the health insurance employer contribution rate fell from 15% to 13% and then in April 2014 it grew back to 15%;
- 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;
- In January 2020 the VAT rate for a la carte food services was reduced from 25% to 13%.

Such frequent changes in laws regulating taxes and parafiscal charges often take place only after the business policy and budget for the next financial year have been approved and commercial terms and conditions with partners agreed. All this jeopardizes the Company and Group financial position and future investment plans as well as credibility towards shareholders. The Company and Group are also threatened by changes in regulations governing concession fees, i.e. lease contributions 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.

Škrila Sunny Camping 3*, island of Krk

Corporate Governance

The Company and the Group continuously strive to develop and operate according to good practices of corporate governance. The business strategy, corporate policy, key corporate regulations and business practice have set a high standard of corporate governance and are all geared towards creating a transparent and efficient business operation while forging solid bonds with the local community. The Management Board fully complies with the provisions of the adopted Corporate Governance Act. After the company was listed on the regulated market of the Zagreb Stock Exchange, the Company has also complied with the Zagreb Stock Exchange Governance Code. The Company respects and implements the prescribed corporate governance measures (as reported in detail in the prescribed annual questionnaire and published as prescribed on the Zagreb Stock Exchange and Valamar Riviera websites). The Company has harmonized in a significant part its corporate governance acts with the new Corporate Governance Code in the applicable extent.

Since the beginning of the COVID-19 pandemic, Valamar Riviera has actively engaged in mitigating and controlling potential risks. On 2 March 2020 it formed the Risk Management Committee and adopted the Risk Management Rules. The Committee, tasked with assessing risk events and impacts on operations, guests and employees, determines the measures necessary to protect guests, employees and assets and organize business processes and operations. Depending on circumstances and risk intensity, the Committee decides on: adjusting the financial, business and contingency plan, the activation of escalation plans to safeguard company liquidity and solvency and maintain business continuity, and on other measures according to booking and revenue estimates. The Supervisory Board Presidium receives the Committee's reports on the current state, activities and estimated risk impact on the Company's operations at least once a month or more often as circumstances dictate. The Risk Management Committee consists of the Management Board (Željko Kukurin, President and Marko Čižmek, Member), Division Vice Presidents (Alen Benković, Davor Brenko, Ivana Budin Arhanić and David Poropat), Human Resources Director (Ines Damjanić Šturman) and Legal Affairs Head (Vesna Tomić).

The major direct Valamar's shareholders according to the Central Depository and Clearing Company data and the shareholders whom are Valamar's Management Board and Supervisory Board members are as follows: the Chairman of the Supervisory Board, Mr. Gustav Wurmboeck, holds a 100% stake in Wurmböck Beteiligungs GmbH, which holds 25,017,698 RIVP-R-A shares; the Deputy Chairman of the Supervisory Board, Mr. Franz Lanschuetzer, holds 4,437,788 RIVP-R-A shares; the Deputy Chairman of the Supervisory Board, Mr. Mladen Markoč, holds 17,000 RIVP-R-A shares; the Member of the Supervisory Board Mr. Georg Eltz holds a total of 6,545,367 RIVP-R-A shares, of which directly 20,463 RIVP-R-A shares, and indirectly through a 100% stake in company Satis d.o.o. 6,524,904 RIVP-R-A shares; the President of the Management Board, Mr. Željko Kukurin, holds 126,360 RIVP-R-A shares; and the Member of the Management Board Mr. Marko Čižmek holds 53,128 RIVP-R-A shares. The Company defined the process of preparing and disclosing financial reports in a detailed internal document. With this, the financial reporting procedure is set within a system of internal review and risk management. Moreover, in order to monitor and mitigate the financial reporting risk, the Company uses the measures described in "The Risks of the Company and the Group".

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

Due to special circumstances caused by the COVID-19 pandemic and restrictions imposed by the National Civil Protection Authority banning travel outside permanent places of residence and prescribing strict social distancing, the General Assembly (scheduled on 21 April 2020) was cancelled. The Management Board has, in cooperation with the Supervisory Board, reconvened the General Assembly on 24 September 2020 and announced the adopted decisions according to relevant regulations.

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

The Company acquires treasury shares based on and in accordance with the conditions determined by the General Assembly's decision on acquisition of treasury shares dated on 9 May 2019 which is in force as of 17 November 2019. The Company does not have a share-buyback program or an employee share ownership plan. The Company holds and acquires treasury shares as a form of rewarding the Management and key managers pursuant to the Company acts on the long-term reward plan and for the purpose of dividend payout in rights - Company share to the equity holders. During 2020 the Company wasn't involved in treasury shares acquisition.

THE COMPANY'S CORPORATE BODIES ARE:

Management Board: Mr. Željko Kukurin, President of the Management Board, and Mr. Marko Čižmek, Member of the Management Board.

Pursuant to the provisions of the Capital Market Act and Regulation (EU) no. 596/2014, the Company has determined its 2020 senior management, consisting of the key company management: four vice presidents: Alen Benković, Davor Brenko, Ivana Budin Arhanić and David Poropat; and 23 sector directors and managers: Ines Damjanić Šturman, Tomislav Dumančić, Ljubica Grbac, Flavio Gregorović, Marin Gulan, Vlastimir Ivančić, Željko Jurcan, Ivan Karlić, Dario Kinkela, David Manojlović, Mile Pavlica, Tomislav Poljuha, Mirella Premeru, Bruno Radoš, Sandi Sinožić, Martina Šolić, Andrea Štifanić, Mauro Teković, Dragan Vlahović, Ivica Vrkić, Mario Skopljaković, Marko Vusić i Vesna Tomić.

Supervisory Board: Mr. Gustav Wurmböck - Chairman, Mr. Franz Lanschützer - Deputy Chairman, Mr. Mladen Markoč - Deputy Chairman, and members: Mr. Georg Eltz, Mr. Hans Dominik Turnovszky, Mr. Vicko Ferić, and Mr. Valter Knapić (employee representative).

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

Presidium of the Supervisory Board: Mr. Gustav Wurmböck - Chairman, and members: Mr. Franz Lanschützer and Mr. Mladen Markoč.
Audit Committee: Mr. Georg Eltz - Chairman, and members: Mr. Franz Lanschützer, Mr. Mladen Markoč, Mr. Vicko Ferić, Mr. Gustav Wurmböck and Mr. Hans Dominik Turnovszky.

Investment Committee: Mr. Franz Lanschützer - Chairman and members: Mr. Georg Eltz, Mr. Vicko Ferić, Mr. Hans Dominik Turnovszky, and Mr. Gustav Wurmböck.

Compliant to effective regulations and Company by laws, the Management and Supervisory Board primarily act through meetings and by correspondence in their decision-making. A more detailed overview of the meetings of the Supervisory Board and the Committees of the Supervisory Board and reports on their work are presented in the Report to the General Assembly of Valamar Riviera on the performed supervision of business operations for 2020. In addition to the employment contract of the President and member of the Management Board with the Company concluded in 2018 for the term of office and the employment contract of the Supervisory Board member, employee representative, with the Company concluded for an indefinite period, between members of the Management Board and between members of the Supervisory Board and the Company no other contracts or agreements have been concluded.


Valamar Collection Dubrovnik President Hotel 5*, Dubrovnik

Related-party Transactions & Subsidiaries

RELATED-PARTY TRANSACTIONS

Transactions between related parties within the Group are conducted under standard commercial terms and conditions and at current market prices.

In the reviewed period, revenues from related party transactions totaled HRK 8.7 million[23] (2019: HRK 158.9 million[24]) for the Company, and HRK 1.9 million (2019: HRK 4.9 million) for the Group. Costs were HRK 1.4 million (2019: HRK 8.2 million) for the Company, and HRK 235 thousand for the Group (2019: HRK 549 thousand).

As at 31 December 2020, related-party receivables and payables were as follows: receivables totaled HRK 546 thousand for the Company (year-end 2019: HRK 2.6 million), and HRK 331 thousand for the Group (year-end 2019: HRK 24 thousand). Payables totaled HRK 220 thousands (year-end 2019: HRK 241 thousand) for the Company, and HRK 84 thousands for the Group (year-end 2019: HRK 18 thousand).

In accordance with the provision of Article 497 of the Companies Act, on 18 February 2021 the Management Board adopted a separate report on the Company's related-party transactions and in accordance with Paragraph 3 of Article 497, the Management Board declares that in line with circumstances known at the time when certain legal transactions or actions were undertaken, the Company received suitable consideration and was not harmed.

23 The most part represents the fee regarding the management of Imperial Riviera's, Helios Faros' and Valamar Obertauern's properties and services.

24 HRK 122 million relates to the sale of Valamar Hotel Zagreb to the company Imperial Riviera, while the rest primarily relates to the fee based on the Agreement on the management of hotel and tourist facilities and facilities of the companies Imperial Riviera d.d. and Valamar Obertauern GmbH.

SUBSIDIARIES OF THE COMPANY

The following subsidiaries were registered on 2 September 2011: Podružnica za turizam RABAC, with registered office in Rabac, Slobode 80, Podružnica za turizam ZLATNI OTOK, with registered office in Krk, Vršanska 8. The following branch office was registered on 4 October 2013: Podružnica za turizam DUBROVNIK BABIN KUK, with registered office in Dubrovnik, Vatroslava Lisinskog 15a. The following branch office was registered on 1 October 2014: Podružnica za savjetovanje u vezi s poslovanjem i upravljanjem ZAGREB, with registered office in Zagreb, Miramarska 24. The following branch office was registered on 1 April 2017: Podružnica za turizam BRIONI, with registered office in Pula, Puntižela 155.

The subsidiaries of Rabac, Zlatni otok, Dubrovnik-Babin kuk and Brioni are the drivers of economic growth in their local communities. They operate at their destinations and support their development by promoting further investments and the development of tourism while participating in social and business activities.

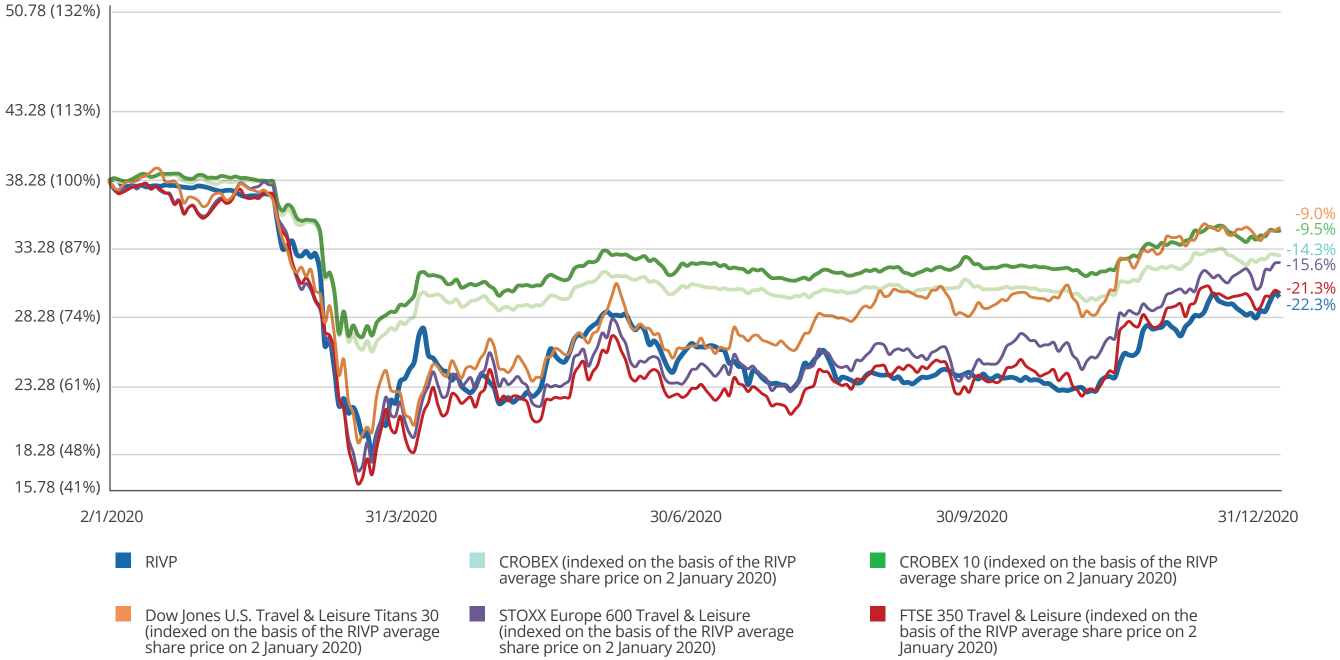
The Company also established offices on Rab island, in Makarska and in Stari Grad on the Hvar island to increase the efficiency and streamline the management of operations as determined by the provisions of the concluded Hotel management contracts with Imperial Riviera d.d. and Helios Faros d.d.


Family Life Bellevue Resort 4*, Rabac

Valamar Share

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

Average RIVP share price
(in HRK)



Valamar Riviera has not acquired or released its treasury shares in the period from 1 January 2020, to 31 December 2020. On 31 December 2020, the Company held in total 4,139,635 treasury shares, or 3.28% of the share capital.

During the year 2020, the highest achieved share price in regular trading on the regulated market was HRK 39.00, while the lowest was HRK 18.00. Simultaneously with strong negative trends arisen in the global capital markets in the wake of the COVID-19 pandemic, Valamar Riviera share price fell by 22%. With the average regular turnover of HRK 1.3 million per day[25], Valamar Riviera was the second most traded share on the Zagreb Stock Exchange in the year 2020.

Apart from the Zagreb Stock Exchange indices and ADRIAprime joint Zagreb and Ljubljana Stock Exchanges equity index, the share is also part of the Vienna Stock Exchange indices (CROX[26] and SETX[27]) and Warsaw Stock Exchange index (CEEplus[28]), the regional SEE Link indices (SEELinX and SEELinX EWI)[29] and the world's MSCI Frontier Markets Index. Zagrebačka banka d.d. and Interkapital vrijednosni papiri d.o.o. are responsible for the market making in ordinary Valamar Riviera shares listed on the Prime Market of the Zagreb Stock Exchange. They provide support to the Valamar Riviera share turnover, which in the period under review averaged 27.6%[30].

25 Block transactions are excluded from the calculation.

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

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-eastern Europe (shares listed in Bucharest, Ljubljana, Sofia, Belgrade and Zagreb).

28 CEEplus is a stock index that comprise the most liquid stocks listed on stock exchanges in the Visegrad Group countries (Poland, Czech Republic, Slovakia, Hungary) and Croatia, Romania and Slovenia.

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

30 Block transactions are excluded from the calculation. Data refers to the period 1/1 - 31/12/2020.

Valamar Riviera is active in holding meetings, presentations and conference calls with domestic and foreign investors. This approach supports high-level transparency, creates additional liquidity, increases share value and the involvement of potential investors. Valamar Riviera will continue with this active approach to grow further value for all its stakeholders so the Company's share can be recognized as one of the market leaders on the Croatian capital market and in the CEE region.

2nd

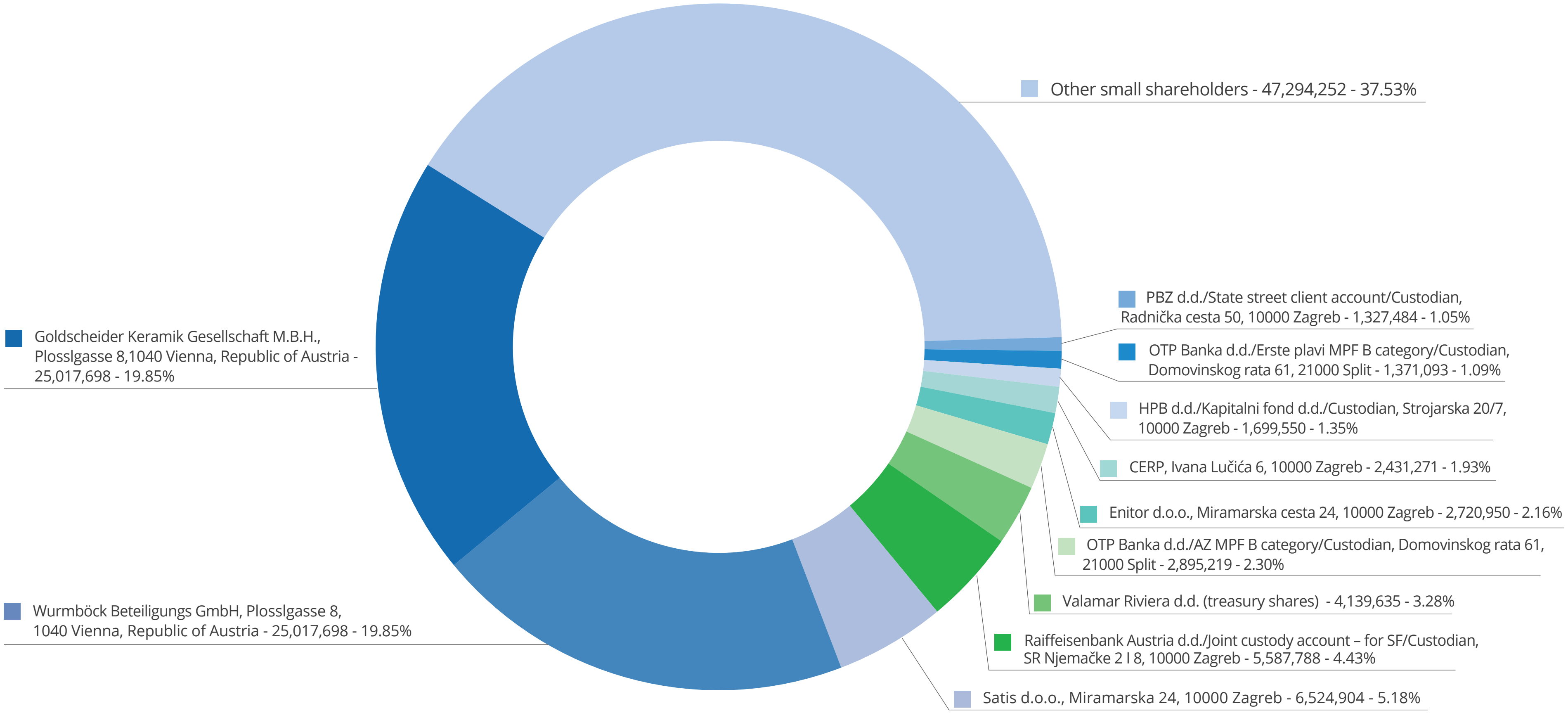
MOST ACTIVE TRADED SHARE ON ZAGREB STOCK EXCHANGE

The analytical coverage of Valamar Riviera is provided by:

1) ERSTE bank d.d., Zagreb;
2) FIMA vrijednosnice d.o.o., Varaždin;
3) Interkapital vrijednosni papiri d.o.o., Zagreb;
4) Raiffeisenbank Austria d.d., Zagreb;
5) Zagrebačka banka d.d., Zagreb.

Valamar Collection Imperial Hotel 5, island of Rab*

OVERVIEW OF MAJOR SHAREHOLDERS AS AT 31 DECEMBER 2020:



Valamar Obertauern Hotel 4, Obertuaern*

Valmar Riviera was ranked third in the 2020 Investor Relations Award

Additional Information

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

The 2019 Integrated Report and Corporate Social Responsibility (including non-financial report) was published on 28 August 2020[31]. The main aim of the report made according to G4 GRI guidelines was to present a strategic and long-term insight into the Company's business to all key stakeholders, including shareholders, employees, partners, guests and the community, focusing especially on CSR as the foundation of the Company's sustainable business and future development. The report includes ecological, social and management factors in accordance with the ESG components of responsible investing. The report is available on the Zagreb Stock Exchange website and **www.valamar-riviera.com**.

As one of the largest employers in Croatia (as at 31 December 2020, the Group employed 2,620 people of which 2,005 were permanent employees; the Company employed 2,121 people of which 1,650 were permanent employees), Valamar systematically and continuously invest in the development of human resources. An integral strategic approach to human resources management and top practices applied include transparent hiring processes, clear objectives and employees' performance measurement, rewarding systems, opportunities for career advancement, investment in employees' development and encouraging two-way communication.

In the course of 2020, the Company's Management Board performed the actions provided by law and the Articles of Association and regarding the management and representation of the Company and planned a business policy that was implemented with prudent care. The Company's Management Board will continue to undertake all the necessary measures in order to ensure sustainability and business growth. The Management Board adopted the audited annual financial report for 2020 on 18 February 2021.

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

Management Board of the Company

VALAMAR
VALAMAR RIVIERA d.d.
POREČ
(4)

Željko Kukurin
Management Board President

Marko Čižmek
Management Board Member

31 The 2020 non-financial report will be published within the deadlines prescribed by law (in the next 6 months) on the Zagreb Stock Exchange website and www.valamar-riviera.com.

RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMETNS

In Poreč, 18 February 2021

In accordance with provisions of Law on Capital Market, Marko Čižmek, Management board member responsible for finance, treasury and IT business as well as relations with institutional investors and Ljubica Grbac director of Department of Finance and Accounting, procurator and person responsible for finance and accounting, together as persons responsible for the preparation of annual reports of the company VALAMAR RIVIERA d.d. seated in Poreč, Stancija Kaligari 1, OIB 36201212847 (hereinafter: Company), hereby make the following

STATEMENT

According to our best knowledge:

- the annual consolidated and unconsolidated financial statements for 2020, are prepared in accordance with applicable standards of financial reporting and give true and fair view of the assets and liabilities, profit and loss, financial position and operations of the Company and the companies included in consolidation (Group);

- Report of the Company's Management board for the period from 1 January to 31 December 2020 contains the true presentation of development, results and position of the Company and companies included in the consolidation, with description of significant risks and uncertainties which the Company and companies included in consolidation are exposed.

Marko Čižmek
Management Board Member

Ljubica Grbac
Director of Department of Finance and Accounting / Procurator

VALAMAR
VALAMAR RIVIERA D.D.
POREČ (4)

Reporting period: from 01.01.2020 to 31.12.2020

Annual financial statement

Registration number (MB):	3474771	Issuer's Home Member state code:	HR
Entity's registration number (MBS):	40020883		
Personal identification number (OIB):	36201212847	LEI:	529900DUWS1DGNEK4C68
Institution code:	30577		
Name of the issuer:	Valamar Riviera d.d.		
Postcode and town:	52440	Poreč	
Street and house number:	Stancija Kaligari 1		
E-mail address:	uprava@riviera.hr		
Web address:	www.valamar-riviera.com		
Number of employees (end of the reporting period):	2620		
Consolidated report:	KD	(KN-non consolidated/KD-consolidated)	
Audited:	RD	(RN-non audited/RD-audited)	

Names of subsidiaries (according to IFRS):	Registered office:	MB:
Valamar Obertauern GmbH	Obertauern	195893 D
Valamar A GmbH	Tamsweg	486431 S
Hoteli Makarska d.d.	Makarska	3324877
Palme Turizam d.o.o.	Dubrovnik	2006103
Magične stijene d.o.o.	Dubrovnik	2315211
Bugenvilia d.o.o.	Dubrovnik	2006120
Imperial Riviera d.d.	Rab	3044572

Bookkeeping firm:	No
Contact person:	Sopta Anka (only name and surname of the contact person)
Telephone:	052 408 188
E-mail address:	anka.sopta@riviera.hr
Audit firm:	Ernst & Young d.o.o. (name of the audit firm)
Certified auditor:	Berislav Horvat (name and surname)

VALAMAR
VALAMAR RIVIERA D.D.
POREČ (4)

L.S.

(authorized representative's signature)

BALANCE SHEET (as at 31.12.2020)
Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	**001**		
B) FIXED ASSETS (ADP 003+010+020+031+036)	**002**	**5.856.396.314**	**6.087.157.859**
I. INTANGIBLE ASSETS (ADP 004 to 009)	**003**	**56.189.081**	**46.400.186**
1 Research and Development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	48.975.762	37.551.928
3 Goodwill	006	6.567.609	6.567.609
4 Advance payments for purchase of intangible assets	007		
5 Intangible assets in preparation	008	645.710	2.280.649
6 Other intangible assets	009		
II. TANGIBLE ASSETS (ADP 011 to 019)	**010**	**5.558.203.413**	**5.662.917.241**
1 Land	011	977.452.631	976.429.207
2 Buildings	012	3.587.267.668	3.560.463.801
3 Plants and equipment	013	516.603.969	488.743.200
4 Tools, working inventory and transportation assets	014	145.663.553	116.542.756
5 Biological asset	015		
6 Advance payments for purchase of tangible assets	016	2.947.521	988.061
7 Tangible assets in preparation	017	247.269.828	443.016.063
8 Other tangible assets	018	74.548.777	72.791.725
9 Investments property	019	6.449.466	3.942.428
III. FIXED FINANCIAL ASSETS (ADP 021 to 030)	**020**	**48.171.781**	**46.430.294**
1 Investments in holdings (shares) of undertakings within the group	021		
2 Investments in other securities of undertakings within the group	022		
3 Loans, deposits etc given to undertakings in a group	023		
4 Investments in holdings (shares) of companies linked by virtue of participating interest	024	47.667.787	46.054.207
5 Investment in other securities of companies linked by virtue of participating interest	025		
6 Loans, deposits etc. given to companies linked by virtue of participating interest	026		
7 Investments in securities	027	220.656	147.054
8 Loans, deposits, etc. given	028	113.338	89.033
9 Other investments accounted for using the equity method	029		
10 Other fixed financial assets	030	170.000	140.000
IV. RECEIVABLES (ADP 032 to 035)	**031**		
1 Receivables from undertakings within the group	032		
2 Receivables from companies linked by virtue of participating interests	033		
3 Customer receivables	034		
4 Other receivables	035		
V. DEFERRED TAX ASSETS	**036**	**193.832.039**	**331.410.138**
C) CURENT ASSETS (ADP 038+046+053+063)	**037**	**618.567.076**	**737.066.269**
I. INVENTORIES (ADP 039 to 045)	**038**	**25.825.011**	**30.335.208**
1 Raw materials	039	25.557.290	29.329.354
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	221.443	973.867
5 Advance payments for inventories	043	46.278	31.987
6 Fixed assets held for sale	044		
7 Biological asset	045		
II. RECEIVABLES (ADP 047 to 052)	**046**	**41.771.516**	**40.184.920**
1 Receivables from undertakings within the group	047	383	
2 Receivables from companies linked by virtue of participating interest	048	2.382.857	1.598.603
3 Customer receivables	049	18.474.596	23.776.150
4 Receivables from employees and members of the undertaking	050	936.299	297.549
5 Receivables from government and other institutions	051	18.377.083	10.162.443
6 Other receivables	052	1.600.298	4.350.175
III. SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	**053**	**827.911**	**613.241**
1 Investments in holdings (shares) of undertakings within the group	054		
2 Investments in other securities of undertakings within the group	055		
3 Loans, deposits, etc. to undertakings within the group	056		
4 Investments in holdings (shares) of companies linked by virtue of participating interest	057		
5 Investment in other securities of companies linked by virtue of participating interest	058		
6 Loans, deposits etc. given to companies linked by virtue of participating interest	059		
7 Investments in securities	060		
8 Loans, deposits, etc. given	061	687.761	613.241
9 Other financial assets	062	140.150	
IV. CASH AT BANK AND IN HAND	**063**	**550.142.638**	**665.932.900**
D) PREPAID EXPENSES AND ACCRUED INCOME	**064**	**20.339.193**	**55.358.952**
E) TOTAL ASSETS (ADP 001+002+037+064)	**065**	**6.495.302.583**	**6.879.583.080**
F) OFF-BALANCE SHEET ITEMS	**066**	**54.355.927**	**54.261.380**

BALANCE SHEET (as at 31.12.2020) (continued)
Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	**067**	**3.219.069.759**	**2.863.857.326**
I. INITIAL (SUBSCRIBED) CAPITAL	**068**	**1.672.021.210**	**1.672.021.210**
II. CAPITAL RESERVES	**069**	**5.223.432**	**5.223.432**
III. RESERVES FROM PROFIT (ADP 071+072-073+074+075)	**070**	**95.998.078**	**98.511.512**
1 Legal reserves	071	83.601.061	83.601.061
2 Reserves for treasury share	072	136.815.284	136.815.284
3 Treasury shares and holdings (deductible item)	073	-124.418.267	-124.418.267
4 Statutory reserves	074		
5 Other reserves	075		2.513.434
IV. REVALUATION RESERVES	**076**		
V. FAIR VALUE RESERVES (ADP 078 to 080)	**077**	**61.474**	**872**
1 Fair value of financial assets available for sale	078	61.474	872
2 Cash flow hedge - effective portion	079		
3 Hedge of a net investment in a foreign operation - effective portion	080		
VI. RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	**081**	**430.206.412**	**715.882.878**
1 Retained profit	082	430.206.412	715.882.878
2 Loss brought forward	083		
VII. PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	**084**	**284.535.940**	**-329.593.506**
1 Profit for the business year	085	284.535.940	
2 Loss for the business year	086		329.593.506
VIII. MINORITY (NON-CONTROLLING) INTEREST	**087**	**731.023.213**	**701.810.928**
B) PROVISIONS (ADP 089 to 094)	**088**	**125.529.523**	**141.118.430**
1 Provisions for pensions, termination benefits and similar obligations	089	13.875.517	26.089.854
2 Provisions for tax liabilities	090		
3 Provisions for ongoing legal cases	091	51.607.209	57.420.166
4 Provisions for renewal of natural resources	092		
5 Provision for warranty obligations	093		
6 Other provisions	094	60.046.797	57.608.410
C) LONG-TERM LIABILITIES (ADP 096 to 106)	**095**	**2.546.866.358**	**2.867.349.347**
1 Liabilities towards undertakings within the group	096		
2 Liabilities for loans, deposits, etc. to companies within the group	097		
3 Liabilities towards companies linked by virtue of participating interest	098		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	099		
5 Liabilities for loans, deposits etc.	100	2.652.000	
6 Liabilities towards banks and other financial institutions	101	2.443.662.677	2.770.275.555
7 Liabilities for advance payments	102		
8 Liabilities towards suppliers	103		
9 Liabilities for securities	104		
10 Other long-term liabilities	105	37.505.640	38.781.433
11 Deferred tax liability	106	63.046.041	58.292.359
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	**107**	**526.341.998**	**934.437.190**
1 Liabilities towards undertakings within the group	108	23.725	
2 Liabilities for loans, deposits, etc. to companies within the group	109		
3 Liabilities towards companies linked by virtue of participating interest	110		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	111		
5 Liabilities for loans, deposits etc.	112	2.755.000	5.304.000
6 Liabilities towards banks and other financial institutions	113	285.262.246	733.061.607
7 Liabilities for advance payments	114	38.363.694	69.608.737
8 Liabilities towards suppliers	115	145.722.270	61.808.783
9 Liabilities for securities	116		6.625.196
10 Liabilities towards employees	117	29.133.042	19.186.775
11 Taxes, contributions and similar liabilities	118	12.309.349	6.130.006
12 Liabilities arising from the share in the result	119	389.276	389.276
13 Liabilities arising from fixed assets held for sale	120		
14 Other short-term liabilities	121	12.383.396	32.322.810
E) ACCRUALS AND DEFERRED INCOME	**122**	**77.494.945**	**72.820.787**
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	**123**	**6.495.302.583**	**6.879.583.080**
G) OFF-BALANCE SHEET ITEMS	**124**	**54.355.927**	**54.261.380**

STATEMENT OF PROFIT OR LOSS (for 01.01.2020 to 31.12.2020)
Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
I. OPERATING INCOME (ADP 126+127+128+129+130)	**125**	**2.207.678.790**	**675.610.635**
1 Income from sales with undertakings within the group	126		
2 Income from sales (outside group)	127	2.139.319.744	642.478.457
3 Income from the use of own products, goods and services	128	510.082	460.699
4 Other operating income with undertakings within the group	129		
5 Other operating income (outside the group)	130	67.848.964	32.671.479
II. OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	**131**	**1.913.825.576**	**1.070.375.000**
1 Changes in inventories of work in progress and finished goods	132		
2 Material costs (ADP 134 to 136)	133	609.249.061	254.642.998
a) Costs of raw material	134	364.623.025	136.855.464
b) Costs of goods sold	135	4.812.122	4.306.456
c) Other external costs	136	239.813.914	113.481.078
3 Staff costs (ADP 138 to 140)	137	583.409.043	189.951.093
a) Net salaries and wages	138	363.407.404	122.043.480
b) Tax and contributions from salaries expenses	139	144.444.646	46.270.696
c) Contributions on salaries	140	75.556.993	21.636.917
4 Depreciation	141	474.514.405	496.444.044
5. Other expenses	142	197.392.249	89.097.655
6. Value adjustments (ADP 144+145)	143	587.773	1.509.899
a) fixed assets other than financial assets	144		
b) current assets other than financial assets	145	587.773	1.509.899
7 Provisions (ADP 147 to 152)	146	8.827.807	28.714.012
a) Provisions for pensions, termination benefits and similar obligations	147	4.890.058	19.091.188
b) Provisions for tax liabilities	148		
c) Provisions for ongoing legal cases	149	3.937.749	9.622.824
d) Provisions for renewal of natural resources	150		
e) Provisions for warranty obligations	151		
f) Other provisions	152		
8 Other operating expenses	153	39.845.238	10.015.299
III. FINANCIAL INCOME (ADP 155 to 164)	**154**	**10.673.119**	**21.291.138**
1 Income from investments in holdings (shares) of undertakings within the group	155		
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	156		
3 Income from other long-term financial investment and loans granted to undertakings within the group	157		
4 Other interest income from operations with undertakings within the group	158		
5 Exchange rate differences and other financial income from operations with undertakings within the group	159		
6 Income from other long-term financial investments and loans	160		
7 Other interest income	161	654.052	674.539
8 Exchange rate differences and other financial income	162	4.215.065	889.846
9 Unrealised gains (income) from financial assets	163		
10 Other financial income	164	5.804.002	19.726.753
IV. FINANCIAL EXPENDITURE (ADP 166 to 172)	**165**	**72.530.819**	**125.931.773**
1 Interest expenses and similar expenses with undertakings within the group	166		
2 Exchange rate differences and other expenses from operations with undertakings within the group	167		
3 Interest expenses and similar expenses	168	55.020.340	63.062.608
4 Exchange rate differences and other expenses	169	4.868.851	41.917.880
5 Unrealised losses (expenses) from financial assets	170	10.651.214	17.843.787
6 Value adjustments of financial assets (net)	171	1.690	
7 Other financial expenses	172	1.988.724	3.107.498
V. SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	**173**	476.257	
VI. SHARE IN PROFIT FROM JOINT VENTURES	**174**		
VII. SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	**175**		1.643.580
VIII. SHARE IN LOSS OF JOINT VENTURES	**176**		
IX. TOTAL INCOME (ADP 125+154+173+174)	**177**	**2.218.828.166**	**696.901.773**
X. TOTAL EXPENDITURE (ADP 131+165+175+176)	**178**	**1.986.356.395**	**1.197.950.353**
XI. PRE-TAX PROFIT OR LOSS (ADP 177-178)	**179**	**232.471.771**	**-501.048.580**
1 Pre-tax profit (ADP 177-178)	180	232.471.771	
2 Pre-tax loss (ADP 178-177)	181		-501.048.580
XII. INCOME TAX	**182**	**-73.379.909**	**-142.242.789**
XIII. PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	**183**	**305.851.680**	**-358.805.791**
1 Profit for the period (ADP 179-182)	184	305.851.680	
2 Loss for the period (ADP 182-179)	185		-358.805.791

STATEMENT OF PROFIT OR LOSS (for 01.01.2020 to 31.12.2020) (continued)
Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)			
XIV. PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	**186**		
1 Pre-tax profit from discontinued operations	187		
2 Pre-tax loss on discontinued operations	188		
XV. INCOME TAX OF DISCONTINUED OPERATIONS	**189**		
1 Discontinued operations profit for the period (ADP 186-189)	190		
2 Discontinued operations loss for the period (ADP 189-186)	191		
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)			
XVI. PRE-TAX PROFIT OR LOSS (ADP 179+186)	**192**		
1 Pre-tax profit (ADP 192)	193		
2 Pre-tax loss (ADP 192)	194		
XVII. INCOME TAX (ADP 182+189)	**195**		
XVIII. PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	**196**		
1 Profit for the period (ADP 192-195)	197		
2 Loss for the period (ADP 195-192)	198		
APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)			
XIX. PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	**199**	**305.851.680**	**-358.805.791**
1 Attributable to owners of the parent	200	284.535.940	-329.593.506
2 Attributable to minority (non-controlling) interest	201	21.315.740	-29.212.285
STATEMENT OF OTHER COMPRHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I. PROFIT OR LOSS FOR THE PERIOD	**202**	**305.851.680**	**-358.805.791**
II. OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (ADP 204 to 211)	**203**	**-1.060.800**	**-73.904**
1 Exchange rate differences from translation of foreign operations	204		
2 Changes in revaluation reserves of fixed tangible and intangible assets	205		
3 Profit or loss arising from re-evaluation of financial assets available for sale	206	-1.060.800	-73.904
4 Profit or loss arising from effective cash flow hedging	207		
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208		
6 Share in other comprehensive income/loss of companies linked by virtue of participating interest	209		
7 Actuarial gains/losses on defined remuneration plans	210		
8 Other changes in equity unrelated to owners	211		
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**212**	**-216.991**	**-13.302**
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	**213**	**-843.809**	**-60.602**
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	**214**	**305.007.871**	**-358.866.393**
APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)			
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)	**215**	**305.007.871**	**-358.866.393**
1 Attributable to owners of the parent	216	283.692.131	-329.654.108
2 Attributable to minority (non-controlling) interest	217	21.315.740	-29.212.285

STATEMENT OF CASH FLOWS - indirect method (for the period 01.01.2020 to 31.12.2020)
Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1 Pre-tax profit	001	232.471.771	-501.048.580
2 Adjustments (ADP 003 to 010)	002	522.775.137	627.709.571
a) Depreciation	003	474.514.405	496.444.044
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-10.784.061	-3.245.751
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	143.240	
d) Interest and dividend income	006	-341.761	-513.802
e) Interest expenses	007	56.867.514	68.613.120
f) Provisions	008	-11.828.932	22.152.112
g) Exchange rate differences (unrealised)	009	4.868.877	41.917.849
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	9.335.855	2.341.999
I. Cash flow increase or decrease before changes in the working capital (ADP 001+002)	**011**	**755.246.908**	**126.660.991**
3 Changes in the working capital (ADP 013 to 016)	012	92.191.314	-133.339.351
a) Increase or decrease in short-term liabilities	013	74.485.565	-82.313.496
b) Increase or decrease in short-term receivables	014	18.083.409	-46.515.658
c) Increase or decrease in inventories	015	-377.660	-4.510.197
d) Other increase or decrease in the working capital	016		
II. Cash from operations (ADP 011+012)	**017**	**847.438.222**	**-6.678.360**
4 Interest paid	018	-57.152.922	-34.290.832
5 Income tax paid	019	-5.372.100	3.491.984
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	**020**	**784.913.200**	**-37.477.208**
CASH FLOW FROM INVESTMENT ACTIVITIES			
1 Cash receipts from sales of fixed tangible and intangible assets	021	56.786.329	9.326.474
2 Cash receipts from sales of financial instruments	022	1.437.948	
3 Interest received	023	382.503	495.675
4 Dividends received	024	115.822	
5 Cash receipts from repayment of loans and deposit	025	10.879.251	324.339
6 Other cash receipts from investment activities	026		
III. Total cash receipts from investment activities (ADP 021 to 026)	**027**	**69.601.853**	**10.146.488**
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-954.589.856	-595.870.921
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030	-10.770.778	-225.514
4 Acquisition of a subsidiary, net of cash acquired	031		
5 Other cash payments from investment activities	032	-47.667.787	
IV. Total cash payments from investment activities (ADP 028 to 032)	**033**	**-1.013.028.421**	**-596.096.435**
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)	**034**	**-943.426.568**	**-585.949.947**
CASH FLOW FROM FINANCING ACTIVITIES			
1 Cash receipts from the increase of initial (subscribed) capital	035		
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036		
3 Cash receipts from credit principals, loans and other borrowings	037	742.204.883	785.615.083
4 Other cash receipts from financing activities	038	329.030.148	3.389.998
V. Total cash receipts from financing activities (ADP 035 to 038)	**039**	**1.071.235.031**	**789.005.081**
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-450.552.945	-46.038.888
2 Dividends paid	041	-130.151.483	
3 Cash payments for finance lease	042		-72.300
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043	-39.436.690	
5 Other cash payments from financing activities	044	-4.280.260	-3.676.476
VI. Total cash payments from financing activities (ADP 040 to 044)	**045**	**-624.421.378**	**-49.787.664**
C) NET CASH FLOW FROM FINANCIAL ACTIVITIES (ADP 039+045)	**046**	**446.813.653**	**739.217.417**
1 Unrealised exchange rate differences in cash and cash equivalents	047		
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)	**048**	**288.300.285**	**115.790.262**
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**049**	**261.842.353**	**550.142.638**
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 048+049)	**050**	**550.142.638**	**665.932.900**

STATEMENT OF CHANGES IN EQUITY (for the period 01.01.2020 to 31.12.2020)
Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent	Minority (non-controlling) interest	Total capital and reserves
		Distributable to majority owners															
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)
Previous period																	
1. Balance on the first day of the previous business year	**01**	**1.672.021.210**	**5.304.283**	**83.601.061**	**96.815.284**	**86.119.149**				**905.282**			**348.674.430**	**235.337.282**	**2.356.539.683**	**231.125.940**	**2.587.665.623**
2 Changes in accounting policies	02																
3 Correction of errors	03																
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	**04**	**1.672.021.210**	**5.304.283**	**83.601.061**	**96.815.284**	**86.119.149**				**905.282**			**348.674.430**	**235.337.282**	**2.356.539.683**	**231.125.940**	**2.587.665.623**
5 Profit/loss of the period	05													284.535.940	284.535.940	21.315.740	305.851.680
6 Exchange rate differences from translation of foreign operations	06																
7 Changes in revaluation reserves of fixed tangible and intangible assets	07																
8 Profit or loss arising from re-evaluation of financial assets available for sale	08									-1.060.800					-1.060.800		-1.060.800
9 Gains or losses on efficient cash flow hedging	09																
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	10																
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	11																
12 Actuarial gains/losses on defined benefit plans	12																
13 Other changes in equity unrelated to owners	13		-487.131										487.131				
14 Tax on transactions recognised directly in equity	14									216.992					216.992		216.992
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15																
16 Increase of initial (subscribed) capital by reinvesting profit	16																
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	17																
18 Redemption of treasury shares/holdings	18					39.396.090									-39.396.090		-39.396.090
19 Payment of share in profit/dividend	19		406.280			-1.096.972							-122.586.614		-121.083.362		-121.083.362
20 Other distribution to owners	20																
21 Transfer to reserves by annual schedule	21				40.000.000								203.631.465	-235.337.282	8.294.183	478.581.533	486.875.716
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22																
23 Balance on the last day of the previous business year reporting period (ADP 04 to 22)	**23**	**1.672.021.210**	**5.223.432**	**83.601.061**	**136.815.284**	**124.418.267**				**61.474**			**430.206.412**	**284.535.940**	**2.488.046.546**	**731.023.213**	**3.219.069.759**
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																	
I. OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)	**24**		**-487.131**							**-843.808**			**487.131**		**-843.808**		**-843.808**
II. COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	**25**		**-487.131**							**-843.808**			**487.131**	**284.535.940**	**283.692.132**	**21.315.740**	**305.007.872**
III. TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)	**26**		**406.280**		**40.000.000**	**38.299.118**							**81.044.851**	**-235.337.282**	**-152.185.269**	**478.581.533**	**326.396.264**
Current period																	
1 Balance on the first day of the current business year	**27**	**1.672.021.210**	**5.223.432**	**83.601.061**	**136.815.284**	**124.418.267**				**61.474**			**430.206.412**	**284.535.940**	**2.488.046.546**	**731.023.213**	**3.219.069.759**
2 Changes in accounting policies	28																
3 Corrrection of errors	29																
4 Balance at 1 January of current period (ADP 27 to 29)	**30**	**1.672.021.210**	**5.223.432**	**83.601.061**	**136.815.284**	**124.418.267**				**61.474**			**430.206.412**	**284.535.940**	**2.488.046.546**	**731.023.213**	**3.219.069.759**
5 Profit/loss of the period	31													-329.593.506	-329.593.506	-29.212.285	-358.805.791
6 Exchange rate differences from translation of foreign operations	32							263.962							263.962		263.962
7 Changes in revaluation reserves of fixed tangible and intangible assets	33																
8 Profit or loss arising from re-evaluation of financial assets available for sale	34									-73.904					-73.904		-73.904
9 Gains or losses on efficient cash flow hedging	35																
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	36																
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	37																
12 Actuarial gains/losses on defined remuneration plans	38																
13 Other changes in equity unrelated to owners	39																
14 Tax on transactions recognised directly in equity	40									13.302					13.302		13.302
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	41																
16 Increase of initial (subscribed) capital by reinvesting profit	42																
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43																
18 Redemption of treasury shares/holdings	44																
19 Payment of share in profit/dividend	45																
20 Other distribution to owners	46							2.249.472					1.140.526		3.389.998		3.389.998
21 Transfer to reserves by annual schedule	47												284.535.940	-284.535.940			
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48																
23 Balance on the last day of the current business year reporting period (ADP 30 to 48)	**49**	**1.672.021.210**	**5.223.432**	**83.601.061**	**136.815.284**	**124.418.267**		**2.513.434**		**872**			**715.882.878**	**-329.593.506**	**2.162.046.398**	**701.810.928**	**2.863.857.326**
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																	
I. OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	**50**							**263.962**		**-60.602**					**203.360**		**203.360**
II. COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31 + 50)	**51**							**263.962**		**-60.602**				**-329.593.506**	**-329.390.146**	**-29.212.285**	**-358.602.431**
III. TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)	**52**							**2.249.472**					**285.676.466**	**-284.535.940**	**3.389.998**		**3.389.998**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - GFI

Name of the issuer:
Valamar Riviera d.d.

Personal identification number OIB: **36201212847**

Reporting period:
01.01.2020. to 31.12.2020

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

a) present information about the basis for the preparation of the financial statements and the specific accounting policies used in accordance with the International Accounting Standard 1 (IAS 1),

b) disclose any information required by IFRSs that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity,

c) provide additional information that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity, but is relevant for understanding any of them.

d) In the notes to the financial statements, in addition to the information stated above, information in respect of the following matters shall be disclosed:

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - GFI (continued)

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

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

Detailed information on financial statements are available in PDF document „Annual report 2020" which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

Detailed information on the preparation of financial statements and certain accounting policies are available in PDF document „Annual report 2020" which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

Group Valamar Riviera below presents comparison tables of items in GFI POD financial statements and audited Notes for 2019 and 2020.

Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2020 GROUP

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2020	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
NON-CURRENT ASSETS (ADP 003+010+020+036)	**002**	**14+15+16+ 17+ part of 18+ 20+ part of 21+ 25+ part of 30**	**6.087.157**	**6.087.157**	**0**	
I. Intangible assets	003	16	46.400	46.400	0	
II. Tangible assets	010	14+15+30	5.662.917	5.662.917	0	GFI-POD item "Tangible assets" (ADP 010; HRK 5,662,917 thous.) is in Audited report presented under items "Property, plant and equipment" (Note 14 in comparable amount of HRK 5,647,311 thous.), "Investment property" (Note 15 in comparable amount of HRK 3,942 thous.), and "Right-of-use assets" (Note 30 in comparable amount of HRK 11,664 thous.).
III. Non-current financial assets	020	Part of 18+ 20+ part of 21	46.430	46.430	0	GFI-POD item "Financial assets" (ADP 020; HRK 46,430 thous.) is in Audited report presented under items "Investment in associated entity" (Note 18 in comparable amount of HRK 46,024 thous.), Financial assets" (Note 20 in comparable amount of HRK 317 thous.) and in the non-current part of item "Loans and deposits" (Note 21 in comparable amount of HRK 89 thous.).
IV. Trade receivables	031	Part of 23	0	0	0	
V. Deferred tax assets	036	25	331.410	331.410	0	
CURRENT ASSETS (ADP 038+046+053+063)	**037**	**Part of 21+ 22+ part of 23+ part of 24+26**	**737.067**	**737.067**	**0**	**Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current assets" (ADP 037; HRK 737,067 thous.) and "Prepayments and accrued income" (ADP 064; HRK 55,359 thous.) in relation to item "Current assets" of Audited report (HRK 792,425 thous.).**
I. Inventories	038	22	30.336	30.336	0	
II. Receivables	046	Part of 23	40.185	40.185	0	GFI-POD item "Receivables" (ADP 046; HRK 40,185 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Trade receivables – net" HRK 25,375 thous., "VAT receivable" HRK 4,900 thous., "Advances to suppliers" HRK 2,304 thous., "Receivables from employees" HRK 298 thous., "Receivables from state institutions" HRK 4,529 thous., "Other receivables" HRK 2,047 thous.) and "Income tax receivable" HRK 733 thous. presented in balance sheet as a separate line). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 94,811 thous. and is presented in items "Receivables" (ADP 046; HRK 39,452 thous.) and "Prepayments and accrued income" (ADP 064; HRK 55,359 thous.).
III. Current financial assets	053	Part of 21	613	613	0	GFI-POD item "Financial assets" (ADP 053; HRK 613 thous.) is in Audited report presented under item "Loans and deposits" - current part (Note 21 in comparable amount of HRK 613 thous.).
IV. Cash and cash equivalents	063	26	665.933	665.933	0	GFI-POD item "Cash and cash equivalents" (ADP 063; HRK 665,933 thous.) is in Audited report presented under item "Cash and cash equivalents" (Note 26 in comparable amount of HRK 665,933 thous.).
PREPAYMENTS AND ACCRUED INCOME	**064**	**Part of 23**	**55.359**	**55.359**	**0**	**GFI-POD item "Prepayments and accrued income" (ADP 064; HRK 55,359 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Accrued income" HRK 715 thous., "Interest receivables" HRK 43 thous., "Prepaid expenses" HRK 54,600 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 94,811 thous. and is presented in items "Receivables" (ADP 046; HRK 39,452 thous.) and "Prepayments and accrued income" (ADP 064; HRK 55,359 thous.).**
TOTAL ASSETS			**6.879.583**	**6.879.583**	**0**	

Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2020

GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2020	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
CAPITAL AND RESERVES	**067**	**27+28**	**2.863.857**	**2.863.857**	**0**	**GFI-POD item "Capital and reserves" (ADP 067; HRK 2,863,857 thous.) is in Audited report presented under item "Share capital" (Notes 27 and 28 in comparable amount of HRK 2,863,857 thous.).**
PROVISIONS	**088**	**Part of 31+ part of 32**	**141.118**	**141.118**	**0**	**GFI-POD item "Provisions" (ADP 088; HRK 141,118 thous.) is in Audited report presented under non-current liabilities in item "Provisions" (Note 32; part of "Termination benefits and jubilee awards" in the amount of HRK 26,090 thous. and item "Legal proceedings" in the amount of HRK 57,420 thous. in the comparable amount) and non-current liabilities under item "Concession fee" (Note 31 in comparable amount of HRK 57,608 thous.).**
NON-CURRENT LIABILITIES (ADP 101+105+106)	**095**	**Part of 24+ 25+ part of 29+part of 30+ part of 31+ part of 39**	**2.867.349**	**2.867.349**	**0**	**Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Non-current liabilities" (ADP 095; HRK 2,867,349 thous.) and "Provisions" (ADP 088; HRK 141,118 thous.) in relation to item "Non-current liabilities" of Audited report (HRK 3,008,468 thous.).**
I. Liabilities to banks and other financial institutions	101 and 100	Part of 29	2.770.276	2.770.276	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 101; HRK 2,770,276 thous.) is in Audited report presented under non-current part of item "Borrowings" (Note 29 in comparable amount of HRK 2,770,276 thous.).
II. Other non-current liabilities	105	Part of 24+ part of 30 + part of 32	38.781	38.781	0	GFI-POD item "Other non-current liabilities" (ADP 105; HRK 38,781 thous.) is in Audited report presented under non-current part of item "Derivative financial instruments" (Note 24 in comparable amount of 11,602 thous.), "Lease liabilities" (Note 30 in comparable amount of HRK 6,926 thous.) and part of long-term liabilities in the item "Provisions" (Note 32 "Termination benefits and jubilee awards" HRK 502 thous. and "Bonuses" HRK 19,751 thous.). Comment: The total amount of item "Derivative financial instruments" in Audited report (Note 24) is 16,982 thous. and is presented in items "Other non-current liabilities" (ADP 105; HRK 11,602 thous.) and "Other current liabilities" (ADP 121; HRK 5,380 thous.).
III. Deferred tax liabilities	106	25	58.292	58.292	0	
IV. Trade payables	103	Part of 31	0	0	0	
CURRENT LIABILITIES (ADP 108+113+114+115+117+118+119+121)	**107**	**Part of 24+ 29+ part of 30+ part of 31**	**934.438**	**934.438**	**0**	**Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current liabilities" (ADP 107; HRK 934,438 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 72,821 thous.) in relation to item "Current liabilities" of Audited report (HRK 1,007,258 thous.).**
I. Liabilities to banks and other financial institutions	113 and 112	Part of 29	738.366	738.366	0	GFI-POD items "Liabilities to banks and other financial institutions" (ADP 113; HRK 733,062 thous.) and "Liabilities for loans, deposits and other" (ADP 112; HRK 5,304 thous.) are in Audited report presented under current part of item "Borrowings" (Note 29; "Bank borrowings" in comparable amount of HRK 738,366 thous.).
II. Amounts payable for prepayment	114	Part of 31	69.609	69.609	0	GFI-POD item "Amounts payable for prepayment" (ADP 114; HRK 69,609 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Advances received" in comparable amount of HRK 69,609 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 241,390 thous. and is presented in items "Amounts payable for prepayment" (ADP 114; HRK 69,609 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 61,809 thous.), "Liabilities for securities" (ADP 116; HRK 6,625 thous.), "Liabilities to employees" (ADP 117; HRK 19,187 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 6,130 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 389 thous.), "Other current liabilities" (ADP 121; HRK 10,706 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 66,936 thous.).

Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2020 GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2020	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
III. Trade payables and liabilities to undertakings in a Group	108 and 115	Part of 31	61.809	61.809	0	GFI-POD items "Trade payables" (ADP 115; HRK 61,809 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Trade payables" HRK 61,725 thous., "Trade payables – related parties" HRK 84 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 241,390 thous. and is presented in items "Amounts payable for prepayment" (ADP 114; HRK 69,609 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 61,809 thous.), "Liabilities for securities" (ADP 116; HRK 6,625 thous.), "Liabilities to employees" (ADP 117; HRK 19,187 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 6,130 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 389 thous.), "Other current liabilities" (ADP 121; HRK 10,706 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 66,936 thous.).
IV. Liabilities upon loan stocks	116	Part of 31	6.625	6.625	0	GFI-POD items "Liabilities upon loan stocks" (ADP 116; HRK 6,625 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities under bills of exchange" in comparable amount HRK 6.625 thous.).
V. Liabilities to employees	117	Part of 31	19.187	19.187	0	GFI-POD items "Liabilities to employees" (ADP 117; HRK 19,187 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities to employees" in comparable amount HRK 19,187 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 241,390 thous. and is presented in items "Amounts payable for prepayment" (ADP 114; HRK 69,609 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 61,809 thous.), "Liabilities for securities" (ADP 116; HRK 6,625 thous.), "Liabilities to employees" (ADP 117; HRK 19,187 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 6,130 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 389 thous.), "Other current liabilities" (ADP 121; HRK 10,706 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 66,936 thous.).
VI. Taxes, contributions and similar liabilities	118	Part of 31	6.130	6.130	0	GFI-POD item "Taxes, contributions and similar liabilities" (ADP 118; HRK 6,130 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities for taxes and contributions and similar charges" in comparable amount of HRK 6,129 thous.) and "Income tax liability" (in the comparable amount of HRK 1 thous.) Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 241,390 thous. and is presented in items "Amounts payable for prepayment" (ADP 114; HRK 69,609 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 61,809 thous.), "Liabilities for securities" (ADP 116; HRK 6,625 thous.), "Liabilities to employees" (ADP 117; HRK 19,187 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 6,130 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 389 thous.), "Other current liabilities" (ADP 121; HRK 10,706 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 66,936 thous.).

Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2020
GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2020	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
VII. Liabilities arising from share in the result and other current liabilities	119 and 121	Part of 24+ part of 30+ part of 31+ part of 39	32.712	32.712	0	GFI-POD item "Liabilities arising from share in the result" (ADP 119; HRK 389 thous.) and "Other current liabilities" (ADP 121; HRK 32,323 thous.) is in Audited report presented under current part of items "Trade and other payables" (Note 31; "Liabilities for dividend" HRK 389 thous., "Other liabilities" HRK 10,706 thous.), current amount of "Lease liabilities" (Note 30 in comparable amount of HRK 2,243 thous.), "Derivative financial instruments" (Note 24 in comparable amount of HRK 5,380 thous.) and note 39 in the comparable amount of HRK 13,994 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 241,390 thous. and is presented in items "Amounts payable for prepayment" (ADP 114; HRK 69,609 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 61,809 thous.), "Liabilities for securities" (ADP 116; HRK 6,625 thous.), "Liabilities to employees" (ADP 117; HRK 19,187 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 6,130 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 389 thous.), "Other current liabilities" (ADP 121; HRK 10,706 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 66,936 thous.). "Other current liabilities" (ADP 121; HRK 10,706 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 66,936 thous.). The total current amount of item "Derivative financial instruments" in Audited report (Note 24) is 5,380 thous. and is presented in items "Other current liabilities" (ADP 121; HRK 5,380 thous.).
ACCRUED EXPENSES AND DEFERRED INCOME	**122**	**Part of 31+ part of 32**	**72.821**	**72.821**	**0**	**GFI-POD item "Accrued expenses and deferred income" (ADP 122; HRK 72,821 thous.) is in Audited report presented under items "Trade and other payables" (Note 31; "Interest payable" HRK 33,727 thous., current part of item "Concession fees payable" HRK 1,920 thous., "Liabilities for calculated vacation and redistribution hours" HRK 2,496 thous., "Accrued VAT liabilities in unrealized income" HRK 121 thous., "Liabilities for calculated costs" HRK 28,673 thous.) and current part of items "Provisions" (Note 32; current part of item "Termination benefits and jubilee awards" HRK 5,884 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 241,390 thous. and is presented in items "Amounts payable for prepayment" (ADP 114; HRK 69,609 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 61,809 thous.), "Liabilities for securities" (ADP 116; HRK 6,625 thous.), "Liabilities to employees" (ADP 117; HRK 19,187 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 6,130 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 389 thous.), "Other current liabilities" (ADP 121; HRK 10,706 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 66,936 thous.). The total current amount of item "Provisions" in Audited report (Note 32) is HRK 5,884 thous. and is presented in item "Accrued expenses and deferred income" (ADP 122: HRK 5,884 thous.).**
TOTAL LIABILITIES			**6.879.583**	**6.879.583**	**0**	

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2020 / GROUP

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2020 to 31 December 2020	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
OPERATING INCOME (ADP 125+126+127+128+129+130)	**125**		**675.611**	**675.611**	**0**	
I. Revenues from sales with undertakings in a Group and sales revenues (outside the Group)	126+127	5	642.479	642.479	0	
II. Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)	128+129 +130	Part of 6+ part of 10	33.132	33.132	0	GFI-POD items “Revenues from use of own products, goods and services” (ADP 128; HRK 461 thous.) and “Other operating revenues (outside the Group)” (ADP 130; HRK 32,671 thous.) are in Audited report presented under items “Other income” (Note 6; “Income from donations and other” HRK 12,255 thous., “Income from provision release” HRK 1,650 thous., “Reimbursed costs” HRK 2,055 thous., “Income from insurance and legal claims” HRK 2,798 thous., “Income from own consumption” HRK 461 thous., “Collection of receivables previously written-off” HRK 1,111 thous., “Other income” HRK 8,025 thous.), and “Other gains/(losses) - net” (Note 10; “Net gains on sale of property, plant and equipment” HRK 4,777 thous.). Comment: The total amount of item “Other income” in Audited report (Note 6) is HRK 28,355 thous. and is presented in items “Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)” (ADP 128, 129 and 130; HRK 28,355 thous.). The total amount of item “Other gains/(losses) - net” in Audited report (Note 10) is HRK 4,777 thous. and is presented in item “Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)” (ADP 128, 129 and 130, HRK 4,777 thous.).
OPERATING EXPENSES (ADP 133+137+141+142+143+146+153)	**131**		**1.070.376**	**1.070.376**	**0**	**Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items “Staff costs” (ADP 137; HRK 189,951 thous.), “Other expenditures” (ADP 142; HRK 89,098 thous.), “Value adjustment” (ADP 143; HRK 1,510 thous.), “Provisions” (ADP 146; 28,714 thous.) and “Other operating expenses” (ADP 153; HRK 10,015 thous.) in relation to items “Staff costs” (Note 8; HRK 227,051 thous.) and “Other operating expenses” (Note 9; HRK 92,236 thous.) of Audited report.**
I. Material costs	133	7	254.644	254.644	0	GFI-POD item “Material costs” (ADP 133; HRK 254,644 thous.) is in Audited report presented under item “Cost of materials and services” (Note 7 in comparable amount of HRK 254,644 thous.).
II. Staff costs	137	Part of 8	189.951	189.951	0	GFI-POD item “Staff costs” (ADP 137; HRK 189,951 thous.) is in Audited report presented under item “Staff costs” (Note 8; “Net salaries” HRK 122,043 thous., “Pension contributions” HRK 36,138 thous., “Health insurance contributions” HRK 24,606 thous., “Other (contributions and taxes)” HRK 7,163 thous.). Comment: The total amount of item “Staff costs” in Audited report (Note 8) is HRK 227,051 thous. and is presented in “Staff costs” (ADP 137; HRK 189,951 thous.), “Other expenditures” (ADP 142; HRK 23,509 thous.) and “Provisions” (ADP 146; HRK 13,592 thous.).
III. Depreciation and amortisation	141	14+15+16+30	496.444	496.444	0	
IV. Other expenditures	142	Part of 8+ part of 9	89.098	89.098	0	GFI-POD item “Other expenditures” (ADP 142; HRK 89,098 thous.) is in Audited report presented under items “Staff costs” (Note 8; “Termination benefits” HRK 466 thous., “Other staff costs” HRK 23,044 thous.) and “Other operating expenses” (Note 9; “Municipal charges, concessions and other” HRK 38,689 thous., “Professional services” HRK 14,452 thous., “Entertainment” HRK 2,199 thous. HRK, “Insurance premiums” HRK 7,043 thous., “Bank charges” HRK 880 thous., “Professional journals and other administrative costs” 2,325 thous.). Comment: The total amount of item “Staff costs” in Audited report (Note 8) is HRK 227,051 thous. and is presented in “Staff costs” (ADP 137; HRK 189,951 thous.), “Other expenditures” (ADP 142; HRK 23,509 thous.) and “Provisions” (ADP 146; HRK 13,592 thous.). The total amount of item “Other operating expenses” in Audited report (Note 9) is HRK 92,236 thous. and is presented in items “Other expenditures” (ADP 142; HRK 65,588 thous.), “Value adjustment” (ADP 143; HRK1,510 thous.), “Provisions” (ADP 146; HRK 15,123 thous.) and “Other operating expenses” (ADP 153; HRK 10,015 thous.).

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2020 / GROUP (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2020 to 31 December 2020	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
V. Value adjustment	143	Part of 9	1.510	1.510	0	GFI-POD item "Value adjustment" (ADP 143; HRK 1,510 thous.) is in Audited report presented under item "Other operating expenses" (Note 9; "Impairment of assets " in comparable amount of HRK 1,510 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 92,236 thous. and is presented in items "Other expenditures" (ADP 142; HRK 65,588 thous.), "Value adjustment" (ADP 143; HRK 1,510 thous.), "Provisions" (ADP 146; HRK 15,123 thous.) and "Other operating expenses" (ADP 153; HRK 10,015 thous.).
VI. Provisions	146	Part of 8+ part of 9	28.714	28.714	0	GFI-POD item "Provisions" (ADP 146; HRK 28,714 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Provisions for termination benefits and jubilee awards" HRK 13,591 thous.) and "Other operating expenses" (Note 9; "Provisions" HRK 9,623 thous. and "Provisions for severance pay" HRK 5,500 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 227,051 thous. and is presented in "Staff costs" (ADP 137; HRK 189,951 thous.), "Other expenditures" (ADP 142; HRK 23,509 thous.) and "Provisions" (ADP 146; HRK 13,592 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 92,236 thous. and is presented in items "Other expenditures" (ADP 142; HRK 65,588 thous.), "Value adjustment" (ADP 143; HRK1,510 thous.), "Provisions" (ADP 146; HRK 15,123 thous.) and "Other operating expenses" (ADP 153; HRK 10,015 thous.).
VII. Other operating expenses	153	Part of 9	10.015	10.015	0	GFI-POD item "Other operating expenses" (ADP 153; HRK 10,015 thous.) is in Audited report presented under items "Other operating expenses" (Note 9; "Write-off of property, plant and equipment" HRK 1,531 thous., "Other operating expenses" HRK 8,848 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 92,236 thous. and is presented in items "Other expenditures" (ADP 142; HRK 65,588 thous.), "Value adjustment" (ADP 143; HRK 1,510 thous.), "Provisions" (ADP 146; HRK 15,123 thous.) and "Other operating expenses" (ADP 153; HRK 10,015 thous.).
FINANCIAL INCOME	**154**	**Part of 11**	**21.291**	**21.291**	**0**	**GFI-POD item "Financial income" (ADP 154; HRK 21,291 thous.) is in Audited report presented under items "Financial income/(loss) - net" in part of financial income (Note 11; "Interest income" HRK 514 thous., "Net foreign exchange gains/(losses) - other" HRK 890 thous., "Realised net gains/(losses) from changes in value of forwards and interest rate swaps" HRK 17,770 thous., "Income from cassa sconto" HRK 1,957 thous., and other financial income HRK 160 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 104,641 thous. and is presented in items "Financial income" (ADP 154; HRK 21,291 thous.) and "Financial costs" (ADP 165; HRK 125,932 thous.).**
FINANCIAL COSTS	**165**	**Part of 11**	**125.932**	**125.932**	**0**	**GFI-POD item "Financial costs" (ADP 165; HRK 125,932 thous.) is in Audited report presented under item "Finance income/(expense) - net" in part of financial expenses (Note 11; "Interest expense" HRK 66,170 thous., "Net foreign exchange gains from financing activities" HRK 41,918 thous., and "Changes in fair value of forwards and interest rate swaps" HRK 17,844 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 104,641 thous. and is presented in items "Financial income" (ADP 154; HRK 21,291 thous.) and "Financial costs" (ADP 165; HRK 125,932 thous.).**
SHARE OF LOSS FROM JOINT VENTURES (ADP 175)	**175**	**18**	**1.644**	**1.644**	**0**	**GFI-POD item "Share of loss from joint ventures" (ADP 175; HRK 1,644 thous.) is in Audited report presented in comparable amount of HRK 1,644 thous.**
TOTAL INCOME (ADP 125+154)	**177**		**696.902**	**696.902**	**0**	
TOTAL COSTS (ADP 131+165)	**178**		**1.197.952**	**1.197.952**	**0**	
PROFIT OR LOSS BEFORE TAX (ADP 177-178)	**179**		**-501.050**	**-501.050**	**0**	
INCOME TAX EXPENSE	**182**		**-142.243**	**-142.243**	**0**	
PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	**184**		**-358.806**	**-358.806**	**0**	

Summary of adjustments of GFI-POD reclassified balance sheet and balance sheet from Audited Report for 2019 GROUP

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
NON-CURRENT ASSETS (ADP 003+010+020+036)	**002**	**14+15+16+17+ part of 18b+ 20+ part of 21+ 25+ part of 30**	**5.856.396**	**5.856.396**	**0**	
I. Intangible assets	003	16	56.189	56.189	0	
II. Tangible assets	010	14+15+30	5.558.203	5.558.203	0	GFI-POD item "Tangible assets" (ADP 010; HRK 5,558,203 thous.) is in Audited report presented under items "Property, plant and equipment" (Note 14 in comparable amount of HRK 5,536,230 thous.), "Investment property" (Note 15 in comparable amount of HRK 6,449 thous.), and "Right-of-use assets" (Note 30 in comparable amount of HRK 15,524 thous.).
III. Non-current financial assets	020	Part of 18b+ 20+ part of 21	48.172	48.172	0	GFI-POD item "Financial assets" (ADP 020; HRK 48,172 thous.) is in Audited report presented under items "Investment in associated entity" (Note 18b in comparable amount of HRK 47,668 thous.), Financial assets" (Note 20 in comparable amount of HRK 391 thous.) and in the non-current part of item "Loans and deposits" (Note 21 in comparable amount of HRK 113 thous.).
IV. Trade receivables	031	Part of 23	0	0	0	
V. Deferred tax assets	036	25	193.832	193.832	0	
CURRENT ASSETS (ADP 038+046+053+063)	**037**	**Part of 21+ 22+ part of 23+ part of 24+ 26**	**618.568**	**618.568**	**0**	**Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current assets" (ADP 037; HRK 618,568 thous.) and "Prepayments and accrued income" (ADP 064; HRK 20,339 thous.) in relation to item "Current assets" of Audited report (HRK 638,907 thous.).**
I. Inventories	038	22	25.825	25.825	0	
II. Receivables	046	Part of 23	41.772	41.772	0	GFI-POD item "Receivables" (ADP 046; HRK 41,772 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Trade receivables – net" HRK 20,858 thous., "VAT receivable" HRK 13,000 thous., "Advances to suppliers" HRK 1,136 thous., "Receivables from employees" HRK 936 thous., "Receivables from state institutions" HRK 1,119 thous., "Other receivables" HRK 465 thous.) and "Income tax receivable" HRK 4,258 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 57,852 thous. and is presented in items "Receivables" (ADP 046; HRK 37,514 thous.) and "Prepayments and accrued income" (ADP 064; HRK 20,339 thous.).
III. Current financial assets	053	Part of 21+ part of 24	828	828	0	GFI-POD item "Financial assets" (ADP 053; HRK 828 thous.) is in Audited report presented under item "Loans and deposits" - current part (Note 21 in comparable amount of HRK 688 thous.), and "Financial assets" (Note 24 "Derivative financial instruments" in comparable amount of HRK 140 thous.)
IV. Cash and cash equivalents	063	26	550.143	550.143	0	GFI-POD item "Cash and cash equivalents" (ADP 063; HRK 550,143 thous.) is in Audited report presented under item "Cash and cash equivalents" (Note 26 in comparable amount of HRK 550,143 thous.).
PREPAYMENTS AND ACCRUED INCOME	**064**	**Part of 23**	**20.339**	**20.339**	**0**	**GFI-POD item "Prepayments and accrued income" (ADP 065; HRK 20,339 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Accrued income" HRK 3,222 thous., "Interest receivables" HRK 24 thous., "Prepaid expenses" HRK 17,093 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 57,852 thous. and is presented in items "Receivables" (ADP 046; HRK 37,514 thous.) and "Prepayments and accrued income" (ADP 064; HRK 20,339 thous.).**
TOTAL ASSETS			**6.495.303**	**6.495.303**	**0**	

Summary of adjustments of GFI-POD reclassified balance sheet and balance sheet from Audited Report for 2019

GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
CAPITAL AND RESERVES	**067**	**27+28**	**3.219.070**	**3.219.070**	**0**	**GFI-POD item "Capital and reserves" (ADP 067; HRK 3,219,070 thous.) is in Audited report presented under item "Share capital" (Notes 27 and 28 in comparable amount of HRK 3,219,070 thous.).**
PROVISIONS	**088**	**Part of 32 + part of 31**	**125.530**	**125.530**	**0**	**GFI-POD item "Provisions" (ADP 088; HRK 125,530 thous.) is in Audited report presented under non-current liabilities in item "Provisions" (Note 32 in comparable amount of HRK 66,858 thous.) and non-current liabilities under item "Concession fee" (Note 31 in comparable amount of HRK 58,672 thous).**
NON-CURRENT LIABILITIES (ADP 101+105+106)	**095**	**Part of 24+25+ part of 29+ part of 30+ part of 31+ part of 39**	**2.546.867**	**2.546.867**	**0**	**Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Non-current liabilities" (ADP 095; HRK 2,546,867 thous.) and "Provisions" (ADP 088; HRK 125,530 thous.) in relation to item "Non-current liabilities" of Audited report (HRK 2,672,396 thous.).**
I. Liabilities to banks and other financial institutions	101+100	Part of 29	2.446.315	2.446.315	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 101; HRK 2,443,663 thous.) and "Liabilities for loans, deposits etc. of undertakings in a Group" (ADP 100; HRK 2,652 thous.) is in Audited report presented under non-current part of item "Borrowings" (Note 29 in comparable amount of HRK 2,446,315 thous.).
II. Other non-current liabilities	105	Part of 24+ part of 30 + part of 39	37.506	37.506	0	GFI-POD item "Other non-current liabilities" (ADP 105; HRK 37,506 thous.) is in Audited report presented under non-current part of item "Derivative financial instruments" (Note 24 in comparable amount of 11,023 thous.), "Lease liabilities" (Note 30 in comparable amount of HRK 8,189 thous.) and Note 39 in comparable amount of HRK 18,294 thous. Comment: The total amount of item "Derivative financial instruments" in Audited report (Note 24) is 17,048 thous. and is presented in items "Other non-current liabilities" (ADP 105; HRK 11,023 thous.) and "Other current liabilities" (ADP 121; HRK 6,025 thous.).
III. Deferred tax liabilities	106	25	63.046	63.046	0	
IV. Trade payables	103	Part of 31	0	0	0	
CURRENT LIABILITIES (ADP 108+113+114+115+117+118+119+121)	**107**	**Part of 24+29+ part of 30+ part of 31**	**526.342**	**526.342**	**0**	**Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current liabilities" (ADP 107; HRK 526,342 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 77,495 thous.) in relation to item "Current liabilities" of Audited report (HRK 603,836 thous.).**
I. Liabilities to banks and other financial institu-tions	113+112	Part of 29	288.017	288.017	0	GFI-POD items "Liabilities to banks and other financial institutions" (ADP 113; HRK 285,262 thous.) and "Liabilities for loans, deposits and other" (ADP 112; HRK 2,755 thous.) are in Audited report presented under current part of item "Borrowings" (Note 29; "Bank borrowings" in comparable amount of HRK 288,017 thous.).
II. Amounts payable for prepayment	114	Part of 31	38.364	38.364	0	GFI-POD item "Amounts payable for prepayment" (ADP 114; HRK 38,364 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Advances received" in comparable amount of HRK 38,364 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 284,708 thous. and is presented in items "Amounts payable for prepayment" (ADP 114; HRK 38,364 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 145,746 thous.), "Liabilities to employees" (ADP 117; HRK 29,133 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 12,306 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 389 thous.), "Other current liabilities" (ADP 121; HRK 2,542 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK ,56,228 thous.).

Summary of adjustments of GFI-POD reclassified balance sheet and balance sheet from Audited Report for 2019 GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
III. Trade payables and liabilities to undertakings in a Group	108 and 115	Part of 31	145.746	145.746	0	GFI-POD items “Liabilities to undertakings in a Group” (ADP 108; HRK 24 thous.) and “Trade payables” (ADP 115; HRK 145,722 thous.) is in Audited report presented under current part of item “Trade and other payables” (Note 31; “Trade payables” HRK 145,728 thous., “Trade payables – related parties” HRK 18 thous.). Comment: The total current amount of item “Trade and other payables” in Audited report (Note 31) is HRK 284,708 thous. and is presented in items “Amounts payable for prepayment” (ADP 114; HRK 38,364 thous.), “Trade payables and liabilities to undertakings in a Group” (ADP 108 and 115; HRK 145,746 thous.), “Liabilities to employees” (ADP 117; HRK 29,133 thous.), “Taxes, contributions and similar liabilities” (ADP 118; HRK 12,306 thous.), “Liabilities arising from share in the result” (ADP 119; HRK 389 thous.), “Other current liabilities” (ADP 121; HRK 2,542 thous.) and “Accrued expenses and deferred income” (ADP 122; HRK 56,228 thous.).
IV. Liabilities to employees	117	Part of 31	29.133	29.133	0	GFI-POD items “Liabilities to employees” (ADP 117; HRK 29,133 thous.) is in Audited report presented under current part of item “Trade and other payables” (Note 31; “Liabilities to employees” in comparable amount HRK 29,133 thous.). Comment: The total current amount of item “Trade and other payables” in Audited report (Note 31) is HRK 284,708 thous. and is presented in items “Amounts payable for prepayment” (ADP 114; HRK 38,364 thous.), “Trade payables and liabilities to undertakings in a Group” (ADP 108 and 115; HRK 145,746 thous.), “Liabilities to employees” (ADP 117; HRK 29,133 thous.), “Taxes, contributions and similar liabilities” (ADP 118; HRK 12,306 thous.), “Liabilities arising from share in the result” (ADP 119; HRK 389 thous.), “Other current liabilities” (ADP 121; HRK 2,542 thous.) and “Accrued expenses and deferred income” (ADP 122; HRK 56,228 thous.).
V. Taxes, contributions and similar liabilities	118	Part of 31	12.309	12.309	0	GFI-POD item “Taxes, contributions and similar liabilities” (ADP 118; HRK 12,309 thous.) is in Audited report presented under current part of item “Trade and other payables” (Note 31; “Liabilities for taxes and contributions and similar charges” in comparable amount of HRK 12,306 thous.) and “Income tax liability” (in the comparable amount of HRK 3 thous.) Comment: The total current amount of item “Trade and other payables” in Audited report (Note 31) is HRK 284,708 thous. and is presented in items “Amounts payable for prepayment” (ADP 114; HRK 38,364 thous.), “Trade payables and liabilities to undertakings in a Group” (ADP 108 and 115; HRK 145,746 thous.), “Liabilities to employees” (ADP 117; HRK 29,133 thous.), “Taxes, contributions and similar liabilities” (ADP 118; HRK 12,306 thous.), “Liabilities arising from share in the result” (ADP 119; HRK 389 thous.), “Other current liabilities” (ADP 121; HRK 2,542 thous.) and “Accrued expenses and deferred income” (ADP 122; HRK 56,228 thous.).
VI. Liabilities arising from share in the result and other current liabilities	119 and 121	Part of 24+ part of 30+ part of 31	12.773	12.773	0	GFI-POD item “Liabilities arising from share in the result” (ADP 119; HRK 389 thous.) and “Other current liabilities” (ADP 121; HRK 12,383 thous.) is in Audited report presented under current part of items “Trade and other payables” (Note 31; “Liabilities for dividend” HRK 389 thous., “Other liabilities” HRK 2,542 thous.), current amount of “Lease liabilities” (Note 30 in comparable amount of HRK 3,817 thous.) and “Derivative financial instruments” (Note 24 in comparable amount of HRK 6,025 thous.). Comment: The total current amount of item “Trade and other payables” in Audited report (Note 31) is HRK 284,708 thous. and is presented in items “Amounts payable for prepayment” (ADP 114; HRK 38,364 thous.), “Trade payables and liabilities to undertakings in a Group” (ADP 108 and 115; HRK 145,746 thous.), “Liabilities to employees” (ADP 117; HRK 29,133 thous.), “Taxes, contributions and similar liabilities” (ADP 118; HRK 12,306 thous.), “Liabilities arising from share in the result” (ADP 119; HRK 389 thous.), “Other current liabilities” (ADP 121; HRK 2,542 thous.) and “Accrued expenses and deferred income” (ADP 122; HRK 56,228 thous.). The total current amount of item “Derivative financial instruments” in Audited report (Note 24) is 6,025 thous. and is presented in items “Other current liabilities” (ADP 121; HRK 6,025 thous.).

Summary of adjustments of GFI-POD reclassified balance sheet and balance sheet from Audited Report for 2019 GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
ACCRUED EXPENSES AND DEFERRED INCOME	**122**	**Part of 31+ part of 32**	**77.495**	**77.495**	**0**	**GFI-POD item "Accrued expenses and deferred income" (ADP 122; HRK 77,495 thous.) is in Audited report presented under items "Trade and other payables" (Note 31; "Interest payable" HRK 2,513 thous., current part of item "Concession fees payable" HRK 2,982 thous., "Liabilities for calculated vacation and redistribution hours" HRK 23,284 thous., "Accrued VAT liabilities in unrealized income" HRK 383 thous., "Liabilities for calculated costs" HRK 27,066 thous.) and current part of items "Provisions" (Note 32; current part of item "Termination benefits and jubilee awards" HRK 1,425 thous. and "Bonuses" HRK 19,842 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 284,708 thous. and is presented in items "Amounts payable for prepayment" (ADP 114; HRK 38,364 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 145,746 thous.), "Liabilities to employees" (ADP 117; HRK 29,133 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 12,306 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 389 thous.), "Other current liabilities" (ADP 121; HRK 2,542 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 56,228 thous.). The total current amount of item "Provisions" in Audited report (Note 32) is HRK 21,267 thous. and is presented in item "Accrued expenses and deferred income" (ADP 122: HRK 21,267 thous.).**
TOTAL LIABILITIES			**6.495.303**	**6.495.303**	**0**	

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2019 / GROUP

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2019 to 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT	Difference	Explanation
OPERATING INCOME (ADP 125+126+127+128+129+130)	**125**		**2.207.679**	**2.207.679**	**0**	
I. Revenues from sales with undertakings in a Group and sales revenues (outside the Group)	126+127	5	2.139.320	2.139.320	0	
II. Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)	128+129 +130	Part of 6+ part of 10	68.359	68.359	0	GFI-POD items “Revenues from use of own products, goods and services” (ADP 128; HRK 510 thous.) and “Other operating revenues (outside the Group)” (ADP 130; HRK 67,849 thous.) are in Audited report presented under items “Other income” (Note 6; “Income from donations and other” HRK 3,519 thous., “Income from provision release” HRK 4,527 thous., “Reimbursed costs” HRK 2,197 thous., “Income from insurance and legal claims” HRK 3,494 thous., “Income from own consumption” HRK 510 thous., “Collection of receivables previously written-off” HRK 656 thous., “Other income” HRK 10,701 thous.), and “Other gains/(losses) - net” (Note 10; “Net gains on sale of property, plant and equipment” HRK 42,755 thous.). Comment: The total amount of item “Other income” in Audited report (Note 6) is HRK 25,603 thous. and is presented in items “Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)” (ADP 128, 129 and 130; HRK 25,603 thous.). The total amount of item “Other gains/(losses) - net” in Audited report (Note 10) is 42,755 thous. and is presented in item “Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)” (ADP 128, 129 and 130, HRK 42,755 thous.).
OPERATING EXPENSES (ADP 133+137+141+142+143+146+153)	**131**		**1.913.824**	**1.913.824**	**0**	**Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items “Staff costs” (ADP 137; HRK 583,409 thous.), “Other expenditures” (ADP 142; HRK 197,392 thous.), “Value adjustment” (ADP 143; HRK 588 thous.), “Provisions” (ADP 146; 8,828 thous.) and “Other operating expenses” (ADP 153; HRK 39,845 thous.) in relation to items “Staff costs” (Note 8; HRK 681,902 thous.) and “Other operating expenses” (Note 9; HRK 148,161 thous.)) of Audited report.**
I. Material costs	133	7	609.248	609.248	0	GFI-POD item “Material costs” (ADP 133; HRK 609,248 thous.) is in Audited report presented under item “Cost of materials and services” (Note 7 in comparable amount of HRK 609,248 thous.).
II. Staff costs	137	Part of 8	583.409	583.409	0	GFI-POD item “Staff costs” (ADP 137; HRK 583,409 thous.) is in Audited report presented under item “Staff costs” (Note 8; “Net salaries” HRK 363,402 thous., “Pension contributions” HRK 106,620 thous., “Health insurance contributions” HRK 77,657 thous., “Other (contributions and taxes)” HRK 35,731 thous.). Comment: The total amount of item “Staff costs” in Audited report (Note 8) is HRK 681,902 thous. and is presented in “Staff costs” (ADP 137; HRK 583,409 thous.), “Other expenditures” (ADP 142; HRK 93,601 thous.) and “Provisions” (ADP 146; HRK 4,890 thous.).
III. Depreciation and amortisation	141	14+15+16+30	474.514	474.514	0	

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2019 / GROUP (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2019 to 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
IV. Other expenditures	142	Part of 8+ part of 9	197.392	197.392	0	GFI-POD item "Other expenditures" (ADP 142; HRK 197,392 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Termination benefits" HRK 1,063 thous., "Other staff costs" HRK 92,538 thous.) and "Other operating expenses" (Note 9; "Municipal charges, concessions and other" HRK 60,374 thous., "Professional services" HRK 22,636 thous., "Entertainment" HRK 8,246 thous. HRK, "Insurance premiums" HRK 7,169 thous., "Bank charges" HRK 3,102 thous., "Subscription to magazines and other administrative expenses" HRK 2,263 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 681,902 thous. and is presented in "Staff costs" (ADP 137; HRK 583,409 thous.), "Other expenditures" (ADP 142; HRK 93,601 thous.) and "Provisions" (ADP 146; HRK 4,890 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 148,161 thous. and is presented in items "Other expenditures" (ADP 142; HRK 103,790 thous.), "Value adjustment" (ADP 143; HRK 588 thous.), "Provisions" (ADP 146; HRK 3,938 thous.) and "Other operating expenses" (ADP 153; HRK 39,845 thous.).
V. Value adjustment	143	Part of 9	588	588	0	GFI-POD item "Value adjustment" (ADP 143; HRK 588 thous.) is in Audited report presented under item "Other operating expenses" (Note 9; "Impairment of assets " in comparable amount of HRK 588 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 148,161 thous. and is presented in items "Other expenditures" (ADP 142; HRK 103,790 thous.), "Value adjustment" (ADP 143; HRK 588 thous.), "Provisions" (ADP 146; HRK 3,938 thous.) and "Other operating expenses" (ADP 153; HRK 39,845 thous.).
VI. Provisions	146	Part of 8+ part of 9	8.828	8.828	0	GFI-POD item "Provisions" (ADP 146; HRK 8,828 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Provisions for termination benefits and jubilee awards" HRK 4,890 thous.) and "Other operating expenses" (Note 9; "Provisions" HRK 3,938 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 681,902 thous. and is presented in "Staff costs" (ADP 137; HRK 583,409 thous.), "Other expenditures" (ADP 142; HRK 93,601 thous.) and "Provisions" (ADP 146; HRK 4,890 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 148,161 thous. and is presented in items "Other expenditures" (ADP 142; HRK 103,790 thous.), "Value adjustment" (ADP 143; HRK 588 thous.), "Provisions" (ADP 146; HRK 3,938 thous.) and "Other operating expenses" (ADP 153; HRK 39,845 thous.).
VII. Other operating expenses	153	Part of 9	39.845	39.845	0	GFI-POD item "Other operating expenses" (ADP 153; HRK 39,845 thous.) is in Audited report presented under items "Other operating expenses" (Note 9; "Write-off of property, plant and equipment" HRK 31,971 thous., "Other operating expenses" HRK 7,874 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 148,161 thous. and is presented in items "Other expenditures" (ADP 142; HRK 103,790 thous.), "Value adjustment" (ADP 143; HRK 588 thous.), "Provisions" (ADP 146; HRK 3,938 thous.) and "Other operating expenses" (ADP 153; HRK 39,845 thous.).

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2019 / GROUP (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2019 to 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
FINANCIAL INCOME	**154**	**Part of 11**	**10.673**	**10.673**	**0**	**GFI-POD item "Financial income" (ADP 154; HRK 10,673 thous.) is in Audited report presented under items "Financial income/(loss) - net" in part of financial income (Note 11; "Interest income" HRK 342 thous., "Net foreign exchange gains/(losses) - other" HRK 4,099 thous., "Realised net gains/(losses) from changes in value of forwards and interest rate swaps" HRK 1,359 thous., "Net gains from financial assets sold" HRK 1,438 thous., "Income from cassa sconto" HRK 3,007 thous., "Dividend income" HRK 116 thous., and other financial income HRK 312 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 61,858 thous. and is presented in items "Financial income" (ADP 154; HRK 10,673 thous.) and "Financial costs" (ADP 165; HRK 72,531 thous.).**
FINANCIAL COSTS	**165**	**Part of 11**	**72.531**	**72.531**	**0**	**GFI-POD item "Financial costs" (ADP 165; HRK 72,531 thous.) is in Audited report presented under item "Finance income/(expense) - net" in part of financial expenses (Note 11; "Interest expense" HRK 56,868 thous., "Net foreign exchange gains from financing activities" HRK 4,869 thous., "Changes in fair value of forwards and interest rate swaps" HRK 10,651 thous. and "Change of value of financial assets" HRK 143 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 61,858 thous. and is presented in items "Financial income" (ADP 154; HRK 10,673 thous.) and "Financial costs" (ADP 165; HRK 72,531 thous.).**
SHARE OF LOSS FROM JOINT VENTURES (ADP 173)	**173**	**18b**	**476**	**476**	**0**	**GFI-POD item "Share of loss from joint ventures" (ADP 173; HRK 476 thous.) is in Audited report presented in comparable amount of HRK 476 thous.**
TOTAL INCOME (ADP 125+154)	**177**		**2.218.828**	**2.218.828**	**0**	
TOTAL COSTS (ADP 131+165)	**178**		**1.986.356**	**1.986.356**	**0**	
PROFIT OR LOSS BEFORE TAX (ADP 177-178)	**179**		**232.472**	**232.472**	**0**	
INCOME TAX EXPENSE	**182**		**-73.380**	**-73.380**	**0**	
PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	**184**		**305.852**	**305.852**	**0**	

Summary of adjustments of GFI-POD cash flow statement and unconsolidated cash flow statement from Audited report for 2020 / GROUP

in thousands of HRK

GFI-POD CASH FLOW STATEMENT for the period from 1 January 2020 to 31 December 2020	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
A) NET CASH FLOW FROM OPERATING ACTIVITIES	**020**		**-37.477**	**-37.477**	**0**	**GFI-POD item “Net cash flow from operating activities” (ADP 020; HRK -37,477 thous.) is in Audited report presented in items “Net cash inflow from operating activities” in comparable amount of HRK -3,186 thous. and item “Interest paid” (Net cash inflow from financing activities) in the amount of HRK -34,291 thous.**
B) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	**034**		**-585.950**	**-585.950**	**0**	**GFI-POD item “Net cash outflow from investment activities” (ADP 034; HRK -585,950 thous.) is in Audited report presented in item “Net cash outflow from investment activities” in comparable amount of HRK -585,950 thous.**
C) NET CASH FLOW FROM FINANCIAL ACTIVITIES	**046**		**739.217**	**739.217**	**0**	**GFI-POD item “Net cash flow from financing activities” (ADP 046; HRK 739,217 thous.) is in Audited report presented in item “Net cash inflow from financing activities” in comparable amount of HRK 704,926 thous. increased for the item “Interest paid” in the amount of HRK 34,291 thous.**
D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046)	**048**		**115.790**	**115.790**	**0**	
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**049**		**550.143**	**550.143**	**0**	
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)	**050**		**665.933**	**665.933**	**0**	

Summary of adjustments of GFI-POD cash flow statement and unconsolidated cash flow statement from Audited report for 2019 / GROUP

in thousands of HRK

GFI-POD CASH FLOW STATEMENT for the period from 1 January 2019 to 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
A) NET CASH FLOW FROM OPERATING ACTIVITIES	**020**		**784.914**	**784.914**	**0**	**GFI-POD item “Net cash flow from operating activities” (ADP 020; HRK 784,914 thous.) is in Audited report presented in items “Net cash inflow from operating activities” in comparable amount of HRK 842,067 thous. and item “Interest paid” (Net cash inflow from financing activities) in the amount of HRK -57,153 thous.**
B) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	**034**		**-943.427**	**-943.427**	**0**	**GFI-POD item “Net cash outflow from investment activities” (ADP 034; HRK -943,427 thous.) is in Audited report presented in item “Net cash outflow from investment activities” in comparable amount of HRK -943,427 thous.**
C) NET CASH FLOW FROM FINANCIAL ACTIVITIES	**046**		**446.814**	**446.814**	**0**	**GFI-POD item “Net cash flow from financing activities” (ADP 046; HRK 446,814 thous.) is in Audited report presented in item “Net cash inflow from financing activities” in comparable amount of HRK 389,661 thous. increased for the item “Interest paid” in the amount of HRK 57,153 thous.**
D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046)	**048**		**288.301**	**288.301**	**0**	
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**049**		**261.842**	**261.842**	**0**	
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)	**050**		**550.143**	**550.143**	**0**	

Summary of adjustments of GFI-POD statement of changes in equity and unconsolidated statement of changes in shareholder's equity from Audited report for 2020 / GROUP

in thousands of HRK

GFI-POD STATEMENT OF CHANGES IN EQUITY for the period from 1 January 2020 to 31 December 2020	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	**067**	**27+28**	**2.863.857**	**2.863.857**	**0**	**GFI-POD item "Capital and reserves" (ADP 067; HRK 2,863,857 thous.) is in Audited report presented in items "Share capital" (Note 27 in comparable amount of HRK 1,672,021 thous.), "Treasury shares" (Note 27 comparable amount of HRK -124,418 thous.), "Capital reserves" (Note 28 in comparable amount of HRK 5,224 thous.), "Fair value reserves" (Note 28 in comparable amount of HRK 1 thous.), "Legal reserves" (Note 28 in comparable amount of HRK 83,601 thous.), "Other reserves" (Note 28 in comparable amount of HRK 161,993 thous.) "Retained earnings" (Note 28 in comparable amount of HRK 363,625 thous.) and "Non-controlling interest" (Note 33 in comparable amount of HRK 701,810 thous.). Comment: To be fully compliant, the following items should be viewed as follows: the "Other reserves" item of Audited report (Note 28; HRK 161,993 thous.) matches the GFI POD item "Reserves for own shares" (ADP 072; HRK 136,815 thous.) and part of GFI POD item "Retained earnings" (ADP 081; HRK 22,846 thous.) and GFI POD items "Other reserves" (ADP 075 HRK 2,332 thous.). The "Retained earnings" item of Audited report (Note 28; HRK 363,626 thous.) matches the sum of GFI POD items "Profit for the financial year" (ADP 084; HRK -329,594 thous.) and part of "Retained earnings" (ADP 081; HRK 693,220 thous.).**

Summary of adjustments of GFI-POD statement of changes in equity and unconsolidated statement of changes in shareholder's equity from Audited report for 2019 / GROUP

in thousands of HRK

GFI-POD STATEMENT OF CHANGES IN EQUITY for the period from 1 January 2019 to 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	**067**	**27+28**	**3.219.070**	**3.219.070**	**0**	**GFI-POD item "Capital and reserves" (ADP 067; HRK 3,219,070 thous.) is in Audited report presented in items "Share capital" (Note 27 in comparable amount of HRK 1,672,021 thous.), "Treasury shares" (Note 27 comparable amount of HRK -124,418 thous.), "Capital reserves" (Note 28 in comparable amount of HRK 5,224 thous.), "Fair value reserves" (Note 28 in comparable amount of HRK 61thous.), "Legal reserves" (Note 28 in comparable amount of HRK 83,601 thous.), "Other reserves" (Note 28 in comparable amount of HRK 160,851 thous.) "Retained earnings" (Note 28 in comparable amount of HRK 690,708 thous.) and "Non-controlling interest" (Note 33 in comparable amount of HRK 731,022 thous.). Comment: To be fully compliant, the following items should be viewed as follows: the "Other reserves" item of Audited report (Note 28; HRK 160,851 thous.) matches the GFI POD item "Reserves for own shares" (ADP 072; HRK 136,815 thous.) and part of GFI POD item "Retained earnings" (ADP 081; HRK 24,036 thous.). The "Retained earnings" item of Audited report (Note 28; HRK 690,708 thous.) matches the sum of GFI POD items "Profit for the financial year" (ADP 084; HRK 284,536 thous.) and part of "Retained earnings" (ADP 081; HRK 406,172 thous.).**

Reporting period: from 01.01.2020 to 31.12.2020

Annual financial statement

Registration number (MB):	3474771	Issuer's home Member State code	HR
Entity's registration number (MBS):	040020883		
Personal identification number (OIB):	36201212847	LEI	529900DUWS1DGNEK4C68
Institution code:	30577		
Name of the issuer:	Valamar Riviera d.d.		
Postcode and town:	52440	Poreč	
Street and house number:	Stancija Kaligari 1		
E-mail address:	uprava@riviera.hr		
Web address:	www.valamar-riviera.com		
Number of employees (end of the reporting period):	2121		
Consolidated report:	KN	(KN-non consolidated/KD-consolidated)	
Audited:	RD	(RN-non audited/RD-audited)	

Names of subsidiaries (according to IFRS):		MB:

Bookkeeping firm:	No
Contact person:	Sopta Anka (only name and surname of the contact person)
Telephone:	052 408 188
E-mail address:	anka.sopta@riviera.hr
Audit firm:	Ernst & Young d.o.o. (name of the audit firm)
Certified auditor:	Berislav Horvat (name and surname)

VALAMAR
VALAMAR RIVIERA D.D.
POREČ (4)

L.S.

(authorized representative's signature)

BALANCE SHEET (as at 31.12.2020)
Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	**001**		
B) FIXED ASSETS (ADP 003+010+020+031+036)	**002**	**5.186.667.284**	**5.324.136.157**
I. INTANGIBLE ASSETS (ADP 004 to 009)	**003**	**54.104.271**	**42.275.329**
1 Research and Development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	46.920.962	35.550.820
3 Goodwill	006	6.567.609	6.567.609
4 Advance payments for purchase of intangible assets	007		
5 Intangible assets in preparation	008	615.700	156.900
6 Other intangible assets	009		
II. TANGIBLE ASSETS (ADP 011 to 019)	**010**	**4.247.236.790**	**4.292.520.443**
1 Land	011	630.175.338	629.012.020
2 Buildings	012	2.765.966.791	2.722.066.344
3 Plants and equipment	013	441.226.355	409.245.659
4 Tools, working inventory and transportation assets	014	112.390.110	91.158.729
5 Biological asset	015		
6 Advance payments for purchase of tangible assets	016	1.957.700	159.973
7 Tangible assets in preparation	017	217.024.655	366.577.576
8 Other tangible assets	018	72.046.375	70.357.714
9 Investments property	019	6.449.466	3.942.428
III. FIXED FINANCIAL ASSETS (ADP 021 to 030)	**020**	**774.968.081**	**774.869.872**
1 Investments in holdings (shares) of undertakings within the group	021	727.328.038	727.328.038
2 Investments in other securities of undertakings within the group	022		
3 Loans, deposits etc given to undertakings in a Group	023		
4 Investments in holdings (shares) of companies linked by virtue of participating interest	024	47.191.530	47.191.530
5 Investment in other securities of companies linked by virtue of participating interest	025		
6 Loans, deposits etc. given to companies linked by virtue of participating interest	026		
7 Investments in securities	027	195.175	121.271
8 Loans, deposits, etc. given	028	113.338	89.033
9 Other investments accounted for using the equity method	029		
10 Other fixed financial assets	030	140.000	140.000
IV. RECEIVABLES (ADP 032 to 035)	**031**		
1 Receivables from undertakings within the group	032		
2 Receivables from companies linked by virtue of participating interests	033		
3 Customer receivables	034		
4 Other receivables	035		
V. DEFERRED TAX ASSETS	**036**	**110.358.142**	**214.470.513**
C) CURENT ASSETS (ADP 038+046+053+063)	**037**	**299.370.071**	**583.232.857**
I. INVENTORIES (ADP 039 to 045)	**038**	**22.384.906**	**27.296.274**
1 Raw materials	039	22.202.305	26.356.791
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	182.601	939.483
5 Advance payments for inventories	043		
6 Fixed assets held for sale	044		
7 Biological asset	045		
II. RECEIVABLES (ADP 047 to 052)	**046**	**28.464.473**	**32.385.214**
1 Receivables from undertakings within the group	047	2.556.854	186.829
2 Receivables from companies linked by virtue of participating interest	048	23.688	330.822
3 Customer receivables	049	13.342.394	23.158.299
4 Receivables from employees and members of the undertaking	050	911.253	277.464
5 Receivables from government and other institutions	051	10.124.258	4.795.299
6 Other receivables	052	1.506.026	3.636.501
III. SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)	**053**	**671.420**	**578.131**
1 Investments in holdings (shares) of undertakings within the group	054		
2 Investments in other securities of undertakings within the group	055		
3 Loans, deposits, etc. to undertakings within the group	056	28.300	28.300
4 Investments in holdings (shares) of companies linked by virtue of participating interest	057		
5 Investment in other securities of companies linked by virtue of participating interest	058		
6 Loans, deposits etc. given to companies linked by virtue of participating interest	059		
7 Investments in securities	060		
8 Loans, deposits, etc. given	061	502.970	549.831
9 Other financial assets	062	140.150	
IV. CASH AT BANK AND IN HAND	**063**	**247.849.272**	**522.973.238**
D) PREPAID EXPENSES AND ACCRUED INCOME	**064**	**17.874.753**	**46.702.706**
E) TOTAL ASSETS (ADP 001+002+037+064)	**065**	**5.503.912.108**	**5.954.071.720**
F) OFF-BALANCE SHEET ITEMS	**066**	**54.355.927**	**54.261.380**

BALANCE SHEET (as at 31.12.2020) (continued)
Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	**067**	**2.690.444.302**	**2.385.224.020**
I. INITIAL (SUBSCRIBED) CAPITAL	**068**	**1.672.021.210**	**1.672.021.210**
II. CAPITAL RESERVES	**069**	**5.710.563**	**5.710.563**
III. RESERVES FROM PROFIT (ADP 071+072-073+074+075)	**070**	**95.998.079**	**98.247.551**
1 Legal reserves	071	83.601.061	83.601.061
2 Reserves for treasury share	072	136.815.284	136.815.284
3 Treasury shares and holdings (deductible item)	073	-124.418.266	-124.418.266
4 Statutory reserves	074		
5 Other reserves	075		2.249.472
IV. REVALUATION RESERVES	**076**		
V. FAIR VALUE RESERVES (ADP 078 to 080)	**077**	**61.473**	**872**
1 Fair value of financial assets available for sale	078	61.473	872
2 Cash flow hedge - effective portion	079		
3 Hedge of a net investment in a foreign operation - effective portion	080		
VI. RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	**081**	**539.646.072**	**917.793.503**
1 Retained profit	082	539.646.072	917.793.503
2 Loss brought forward	083		
VII. PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	**084**	**377.006.905**	**-308.549.679**
1 Profit for the business year	085	377.006.905	
2 Loss for the business year	086		308.549.679
VIII. MINORITY (NON-CONTROLLING) INTEREST	**087**		
B) PROVISIONS (ADP 089 to 094)	**088**	**99.091.523**	**113.213.704**
1 Provisions for pensions, termination benefits and similar obligations	089	11.847.096	21.180.405
2 Provisions for tax liabilities	090		
3 Provisions for ongoing legal cases	091	30.791.013	36.378.988
4 Provisions for renewal of natural resources	092		
5 Provision for warranty obligations	093		
6 Other provisions	094	56.453.414	55.654.311
C) LONG-TERM LIABILITIES (ADP 096 to 106)	**095**	**2.199.023.800**	**2.524.889.178**
1 Liabilities towards undertakings within the group	096		
2 Liabilities for loans, deposits, etc. to companies within the group	097		
3 Liabilities towards companies linked by virtue of participating interest	098		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	099		
5 Liabilities for loans, deposits etc.	100		
6 Liabilities towards banks and other financial institutions	101	2.146.746.486	2.474.586.439
7 Liabilities for advance payments	102		
8 Liabilities towards suppliers	103		
9 Liabilities for securities	104		
10 Other long-term liabilities	105	38.086.903	36.995.567
11 Deferred tax liability	106	14.190.411	13.307.172
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	**107**	**463.253.429**	**865.350.845**
1 Liabilities towards undertakings within the group	108	218.328	135.664
2 Liabilities for loans, deposits, etc. to companies within the group	109		
3 Liabilities towards companies linked by virtue of participating interest	110		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	111		
5 Liabilities for loans, deposits etc.	112		
6 Liabilities towards banks and other financial institutions	113	257.433.437	693.967.037
7 Liabilities for advance payments	114	31.610.147	61.767.845
8 Liabilities towards suppliers	115	127.477.774	49.993.663
9 Liabilities for securities	116		6.625.196
10 Liabilities towards employees	117	24.837.226	15.921.399
11 Taxes, contributions and similar liabilities	118	10.114.318	4.664.984
12 Liabilities arising from the share in the result	119	9.600	9.600
13 Liabilities arising from fixed assets held for sale	120		
14 Other short-term liabilities	121	11.552.599	32.265.457
E) ACCRUALS AND DEFERRED INCOME	**122**	**52.099.054**	**65.393.973**
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	**123**	**5.503.912.108**	**5.954.071.720**
G) OFF-BALANCE SHEET ITEMS	**124**	**54.355.927**	**54.261.380**

STATEMENT OF PROFIT OR LOSS (for 01.01.2020 to 31.12.2020)
Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
I. OPERATING INCOME (ADP 126+127+128+129+130)	**125**	**2.055.240.465**	**571.818.875**
1 Income from sales with undertakings within the group	126	31.164.184	6.559.169
2 Income from sales (outside group)	127	1.843.331.491	540.402.390
3 Income from the use of own products, goods and services	128	218.490	208.649
4 Other operating income with undertakings within the group	129	122.524.005	269.761
5 Other operating income (outside the group)	130	58.002.295	24.378.906
II. OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	**131**	**1.640.753.043**	**890.254.827**
1 Changes in inventories of work in progress and finished goods	132		
2 Material costs (ADP 134 to 136)	133	540.847.277	223.980.434
a) Costs of raw material	134	313.355.800	118.752.994
b) Costs of goods sold	135	4.561.489	4.218.790
c) Other external costs	136	222.929.988	101.008.650
3 Staff costs (ADP 138 to 140)	137	506.079.536	162.756.912
a) Net salaries and wages	138	313.346.838	103.705.374
b) Tax and contributions from salaries expenses	139	126.884.338	40.219.038
c) Contributions on salaries	140	65.848.360	18.832.500
4 Depreciation	141	380.123.705	391.987.115
5. Other expenses	142	174.347.691	75.372.719
6. Value adjustments (ADP 144+145)	143	543.947	1.394.462
a) fixed assets other than financial assets	144		
b) current assets other than financial assets	145	543.947	1.394.462
7 Provisions (ADP 147 to 152)	146	8.235.940	25.566.223
a) Provisions for pensions, termination benefits and similar obligations	147	4.683.291	16.210.160
b) Provisions for tax liabilities	148		
c) Provisions for ongoing legal cases	149	3.552.649	9.356.063
d) Provisions for renewal of natural resources	150		
e) Provisions for warranty obligations	151		
f) Other provisions	152		
8 Other operating expenses	153	30.574.947	9.196.962
III. FINANCIAL INCOME (ADP 155 to 164)	**154**	**18.969.797**	**19.931.425**
1 Income from investments in holdings (shares) of undertakings within the group	155	8.703.256	
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	156		
3 Income from other long-term financial investment and loans granted to undertakings within the group	157		
4 Other interest income from operations with undertakings within the group	158	186.986	
5 Exchange rate differences and other financial income from operations with undertakings within the group	159		
6 Income from other long-term financial investments and loans	160		
7 Other interest income	161	642.261	639.146
8 Exchange rate differences and other financial income	162	3.713.047	824.514
9 Unrealised gains (income) from financial assets	163		
10 Other financial income	164	5.724.247	18.467.765
IV. FINANCIAL EXPENDITURE (ADP 166 to 172)	**165**	**66.983.683**	**115.027.459**
1 Interest expenses and similar expenses with undertakings within the group	166		
2 Exchange rate differences and other expenses from operations with undertakings within the group	167		
3 Interest expenses and similar expenses	168	49.875.564	56.628.643
4 Exchange rate differences and other expenses	169	4.622.702	38.603.478
5 Unrealised losses (expenses) from financial assets	170	10.651.214	16.832.811
6 Value adjustments of financial assets (net)	171		
7 Other financial expenses	172	1.834.203	2.962.527
V. SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	**173**		
VI. SHARE IN PROFIT FROM JOINT VENTURES	**174**		
VII. SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	**175**		
VIII. SHARE IN LOSS OF JOINT VENTURES	**176**		
IX. TOTAL INCOME (ADP 125+154+173+174)	**177**	**2.074.210.262**	**591.750.300**
X. TOTAL EXPENDITURE (ADP 131+165+175+176)	**178**	**1.707.736.726**	**1.005.282.286**
XI. PRE-TAX PROFIT OR LOSS (ADP 177-178)	**179**	**366.473.536**	**-413.531.986**
1 Pre-tax profit (ADP 177-178)	180	366.473.536	
2 Pre-tax loss (ADP 178-177)	181		-413.531.986
XII. INCOME TAX	**182**	**-10.533.369**	**-104.982.307**
XIII. PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	**183**	**377.006.905**	**-308.549.679**
1 Profit for the period (ADP 179-182)	184	377.006.905	
2 Loss for the period (ADP 182-179)	185		-308.549.679

STATEMENT OF PROFIT OR LOSS (for 01.01.2020 to 31.12.2020) (continued)
Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)			
XIV. PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	**186**		
1 Pre-tax profit from discontinued operations	187		
2 Pre-tax loss on discontinued operations	188		
XV. INCOME TAX OF DISCONTINUED OPERATIONS	**189**		
1 Discontinued operations profit for the period (ADP 186-189)	190		
2 Discontinued operations loss for the period (ADP 189-186)	191		
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)			
XVI. PRE-TAX PROFIT OR LOSS (ADP 179+186)	**192**		
1 Pre-tax profit (ADP 192)	193		
2 Pre-tax loss (ADP 192)	194		
XVII. INCOME TAX (ADP 182+189)	**195**		
XVIII. PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	**196**		
1 Profit for the period (ADP 192-195)	197		
2 Loss for the period (ADP 195-192)	198		
APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)			
XIX. PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	**199**	**377.006.905**	**-308.549.679**
1 Attributable to owners of the parent	200	377.006.905	-308.549.679
2 Attributable to minority (non-controlling) interest	201		
STATEMENT OF OTHER COMPRHENSIVE INCOME (to be filled in by undertakings subject to IFRS)			
I. PROFIT OR LOSS FOR THE PERIOD	**202**	**377.006.905**	**-308.549.679**
II. OTHER COMPREHENSIVE PROFIT/LOSS BEFORE TAX (ADP 204 to 211)	**203**	**-1.060.800**	**-73.904**
1 Exchange rate differences from translation of foreign operations	204		
2 Changes in revaluation reserves of fixed tangible and intangible assets	205		
3 Profit or loss arising from re-evaluation of financial assets available for sale	206	-1.060.800	-73.904
4 Profit or loss arising from effective cash flow hedging	207		
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208		
6 Share in other comprehensive income/loss of companies linked by virtue of participating interest	209		
7 Actuarial gains/losses on defined remuneration plans	210		
8 Other changes in equity unrelated to owners	211		
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**212**	**-216.991**	**-13.303**
IV. NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	**213**	**-843.809**	**-60.601**
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	**214**	**376.163.096**	**-308.610.280**
APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)			
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)	**215**		
1 Attributable to owners of the parent	216		
2 Attributable to minority (non-controlling) interest	217		

STATEMENT OF CASH FLOWS - indirect method (for the period 01.01.2020 to 31.12.2020)
Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1 Pre-tax profit	001	366.473.536	-413.531.986
2 Adjustments (ADP 003 to 010)	002	314.542.033	509.075.504
a) Depreciation	003	380.123.705	391.987.115
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-137.506.122	-3.978.000
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	141.550	
d) Interest and dividend income	006	-516.939	-507.817
e) Interest expenses	007	51.568.217	62.034.183
f) Provisions	008	6.938.793	20.421.285
g) Exchange rate differences (unrealised)	009	4.622.702	38.603.447
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	9.170.127	515.291
I. Cash flow increase or decrease before changes in the working capital (ADP 001+002)	**011**	**681.015.569**	**95.543.518**
3 Changes in the working capital (ADP 013 to 016)	012	59.705.723	-105.109.538
a) Increase or decrease in short-term liabilities	013	45.682.363	-58.984.649
b) Increase or decrease in short-term receivables	014	13.508.480	-41.213.521
c) Increase or decrease in inventories	015	514.880	-4.911.368
d) Other increase or decrease in the working capital	016		
II. Cash from operations (ADP 011+012)	**017**	**740.721.292**	**-9.566.020**
4 Interest paid	018	-49.590.156	-27.934.882
5 Income tax paid	019	9.342	
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	**020**	**691.140.478**	**-37.500.902**
CASH FLOW FROM INVESTMENT ACTIVITIES			
1 Cash receipts from sales of fixed tangible and intangible assets	021	241.471.194	8.932.090
2 Cash receipts from sales of financial instruments	022	1.430.785	
3 Interest received	023	557.681	489.691
4 Dividends received	024	8.790.336	
5 Cash receipts from repayment of loans and deposit	025	60.931.237	189.339
6 Other cash receipts from investment activities	026		
III. Total cash receipts from investment activities (ADP 021 to 026)	**027**	**313.181.233**	**9.611.120**
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-753.941.548	-428.835.136
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030	-60.957.764	-211.896
4 Acquisition of a subsidiary, net of cash acquired	031	-111.127.097	
5 Other cash payments from investment activities	032	-47.191.530	
IV. Total cash payments from investment activities (ADP 028 to 032)	**033**	**-973.217.939**	**-429.047.032**
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)	**034**	**-660.036.706**	**-419.435.912**
CASH FLOW FROM FINANCING ACTIVITIES			
1 Cash receipts from the increase of initial (subscribed) capital	035		
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036		
3 Cash receipts from credit principals, loans and other borrowings	037	519.662.929	776.471.599
4 Other cash receipts from financing activities	038		3.389.999
V. Total cash receipts from financing activities (ADP 035 to 038)	**039**	**519.662.929**	**779.861.598**
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-304.739.929	-43.659.164
2 Dividends paid	041	-122.586.614	
3 Cash payments for finance lease	042		
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043	-39.396.089	
5 Other cash payments from financing activities	044	-4.727.943	-4.141.654
VI. Total cash payments from financing activities (ADP 040 to 044)	**045**	**-471.450.575**	**-47.800.818**
C) NET CASH FLOW FROM FINANCIAL ACTIVITIES (ADP 039+045)	**046**	**48.212.354**	**732.060.780**
1 Unrealised exchange rate differences in cash and cash equivalents	047		
D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)	**048**	**79.316.126**	**275.123.966**
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**049**	**168.533.146**	**247.849.272**
F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 048+049)	**050**	**247.849.272**	**522.973.238**

STATEMENT OF CHANGES IN EQUITY (for the period 01.01.2020 to 31.12.2020)
Submitter: Valamar Riviera d.d.

in HRK

Item	ADP code	Distributable to majority owners														Minority (non-controlling) interest	Total capital and reserves
		Subscribed Share capital	Capital reserves	Legal reserves	Reserves for own shares	Treasury shares and shares (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Efficient portion of cash flow hedge	Efficient portion of foreign net investment hedge	Retained earnings/ loss carried forward	Net profit/ loss for the period	Total distributable to majority owners		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)
Previous period																	
1 Balance on the first day of the previous business year	**01**	**1.672.021.210**	**5.304.283**	**83.601.061**	**96.815.284**	**86.119.149**				**905.282**			**462.953.210**	**239.279.476**	**2.474.760.657**		**2.474.760.657**
2 Changes in accounting policies	02																
3 Correction of errors	03																
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	**04**	**1.672.021.210**	**5.304.283**	**83.601.061**	**96.815.284**	**86.119.149**				**905.282**			**462.953.210**	**239.279.476**	**2.474.760.657**		**2.474.760.657**
5 Profit/loss of the period	05													377.006.905	377.006.905		377.006.905
6 Exchange rate differences from translation of foreign operations	06																
7 Changes in revaluation reserves of fixed tangible and intangible assets	07																
8 Profit or loss arising from re-evaluation of financial assets available for sale	08									-1.060.800					-1.060.800		-1.060.800
9 Gains or losses on efficient cash flow hedging	09																
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	10																
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	11																
12 Actuarial gains/losses on defined benefit plans	12																
13 Other changes in equity unrelated to owners	13																
14 Tax on transactions recognised directly in equity	14									216.991					216.991		216.991
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15																
16 Increase of initial (subscribed) capital by reinvesting profit	16																
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	17																
18 Redemption of treasury shares/holdings	18					39.396.089									-39.396.089		-39.396.089
19 Payment of share in profit/dividend	19		406.280			-1.096.972							-122.586.614		-121.083.362		-121.083.362
20 Other distribution to owners	20																
21 Transfer to reserves by annual schedule	21				40.000.000								199.279.476	-239.279.476			
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22																
23 Balance on the last day of the previous business year reporting period (ADP 04 to 22)	**23**	**1.672.021.210**	**5.710.563**	**83.601.061**	**136.815.284**	**124.418.266**				**61.473**			**539.646.072**	**377.006.905**	**2.690.444.302**		**2.690.444.302**
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																	
I. OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)	**24**									**-843.809**					**-843.809**		**-843.809**
II. COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	**25**									**-843.809**				**377.006.905**	**376.163.096**		**376.163.096**
III. TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)	**26**		**406.280**		**40.000.000**	**38.299.117**							**76.692.862**	**-239.279.476**	**-160.479.451**		**-160.479.451**
Current period																	
1 Balance on the first day of the current business year	**27**	**1.672.021.210**	**5.710.563**	**83.601.061**	**136.815.284**	**124.418.266**				**61.473**			**539.646.072**	**377.006.905**	**2.690.444.302**		**2.690.444.302**
2 Changes in accounting policies	28																
3 Corrrection of errors	29																
4 Balance at 1 January of current period (ADP 27 to 29)	**30**	**1.672.021.210**	**5.710.563**	**83.601.061**	**136.815.284**	**124.418.266**				**61.473**			**539.646.072**	**377.006.905**	**2.690.444.302**		**2.690.444.302**
5 Profit/loss of the period	31													-308.549.679	-308.549.679		-308.549.679
6 Exchange rate differences from translation of foreign operations	32																
7 Changes in revaluation reserves of fixed tangible and intangible assets	33																
8 Profit or loss arising from re-evaluation of financial assets available for sale	34									-73.904					-73.904		-73.904
9 Gains or losses on efficient cash flow hedging	35																
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	36																
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	37																
12 Actuarial gains/losses on defined remuneration plans	38																
13 Other changes in equity unrelated to owners	39																
14 Tax on transactions recognised directly in equity	40									13.303					13.303		13.303
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	41																
16 Increase of initial (subscribed) capital by reinvesting profit	42																
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43																
18 Redemption of treasury shares/holdings	44																
19 Payment of share in profit/dividend	45																
20 Other distribution to owners	46							2.249.472					1.140.526		3.389.998		3.389.998
21 Transfer to reserves by annual schedule	47												377.006.905	-377.006.905			
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48																
23 Balance on the last day of the current business year reporting period (ADP 30 to 48)	**49**	**1.672.021.210**	**5.710.563**	**83.601.061**	**136.815.284**	**124.418.266**		**2.249.472**		**872**			**917.793.503**	**-308.549.679**	**2.385.224.020**		**2.385.224.020**
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																	
I. OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	**50**									**-60.601**					**-60.601**		**-60.601**
II. COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31 + 50)	**51**									**-60.601**				**-308.549.679**	**-308.610.280**		**-308.610.280**
III. TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)	**52**							**2.249.472**					**378.147.431**	**-377.006.905**	**3.389.998**		**3.389.998**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - GFI

Name of the issuer:
Valamar Riviera d.d.

Personal identification number OIB: **36201212847**

Reporting period:
01.01.2020. to 31.12.2020.

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

a) present information about the basis for the preparation of the financial statements and the specific accounting policies used in accordance with the International Accounting Standard 1 (IAS 1),

b) disclose any information required by IFRSs that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity,

c) provide additional information that is not presented elsewhere in the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity, but is relevant for understanding any of them.

d) In the notes to the financial statements, in addition to the information stated above, information in respect of the following matters shall be disclosed:

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - GFI (continued)

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

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

Detailed information on financial statements are available in PDF document „Annual report 2020" which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

Detailed information on the preparation of financial statements and certain accounting policies are available in PDF document „Annual report 2020" which has been simultaneously published with this document on HANFA (Croatian Financial Services Supervisory Agency), Zagreb Stock Exchange and Issuers web pages.

Company Valamar Riviera d.d. below presents comparison tables of items in GFI POD financial statements and audited Notes for 2019 and 2020.

Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2020 COMPANY

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2020	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
NON-CURRENT ASSETS (ADP 003+010+020+036)	**002**	**14+15+16+ 17+ part of 18+ 20+ part of 21+ part of 23+ 25+ part of 30**	**5.324.136**	**5.324.136**	**0**	
I. Intangible assets	003	16	42.275	42.275	0	
II. Tangible assets	010	14+15+ part of 30	4.292.520	4.292.520	0	GFI-POD item "Tangible assets" (ADP 010; HRK 4,292,520 thous.) is in Audited report presented under items "Property, plant and equipment" (Note 14 in comparable amount of HRK 4,276,132 thous.), "Investment property" (Note 15 in comparable amount of HRK 3,942 thous.), and "Right-of-use assets" (Note 30 in comparable amount of HRK 12,446 thous).
III. Non-current financial assets	020	17+ part of 18+ 20+ part of 21	774.870	774.870	0	GFI-POD item "Financial assets" (ADP 020; HRK 774,870 thous.) is in Audited report presented under items "Investment in subsidiaries" (Note 17 in comparable amount of 727,328 thous.), "Investment in associated entity" (Note 18 in comparable amount of HRK 47,192 thous. (presented in balance sheet as a separate line)), Financial assets" (Note 20 in comparable amount of HRK 261 thous.) and in the non-current part of item "Loans and deposits" (Note 21 in comparable amount of HRK 89 thous.).
IV. Trade receivables	031	Part of 23	0	0	0	
V. Deferred tax assets	036	25	214.471	214.471	0	
CURRENT ASSETS (ADP 038+046+053+063)	**037**	**Part of 21+ 22+ part of 23+ 26**	**583.233**	**583.233**	**0**	**Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current assets" (ADP 037; HRK 583,233 thous.) and "Prepayments and accrued income" (ADP 064; HRK 46,703 thous.) in relation to item "Current assets" of Audited report (HRK 629,936 thous.).**
I. Inventories	038	22	27.296	27.296	0	
II. Receivables	046	Part of 23	32.385	32.385	0	GFI-POD item "Receivables" (ADP 046; HRK 32,385 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Trade receivables – net" HRK 23,650 thous., "VAT receivable" HRK 3,482 thous., "Advances to suppliers" HRK 1,698 thous., "Receivables from employees" HRK 277 thous., "Receivables from state institutions" HRK 1,313 thous., and "Income tax receivable" HRK 1,967 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 79,088 thous. and is presented in items "Receivables" (ADP 046; HRK 32,385 thous.) and "Prepayments and accrued income" (ADP 064; HRK 46,703 thous.).
III. Current financial assets	053	Part of 21	578	578	0	GFI-POD item "Financial assets" (ADP 053; HRK 578 thous.) is in Audited report presented under item "Loans and deposits" - current part (Note 21 in comparable amount of HRK 578 thous.).
IV. Cash and cash equivalents	063	26	522.974	522.974	0	GFI-POD item "Cash and cash equivalents" (ADP 063; HRK 522,974 thous.) is in Audited report presented under item "Cash and cash equivalents" (Note 26 in comparable amount of HRK 522,974 thous.).
PREPAYMENTS AND ACCRUED INCOME	**064**	**Part of 23**	**46.703**	**46.703**	**0**	**GFI-POD item "Prepayments and accrued income" (ADP 064; HRK 46,703 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Accrued income" HRK 769 thous., "Interest receivables" HRK 43 thous., "Prepaid expenses" HRK 45,889 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 79,088 thous. and is presented in items "Receivables" (ADP 046; HRK 32,385 thous.) and "Prepayments and accrued income" (ADP 064; HRK 46,703 thous.).**
TOTAL ASSETS			**5.954.072**	**5.954.072**	**0**	

Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2020 COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2020	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
CAPITAL AND RESERVES	**067**	**27+28**	**2.385.224**	**2.385.224**	**0**	**GFI-POD item "Capital and reserves" (ADP 067; HRK 2,385,224 thous.) is in Audited report presented under item "Share capital" (Notes 27 and 28 in comparable amount of HRK 2,385,224 thous.).**
PROVISIONS	**088**	**Part of 32+ part of 31**	**113.214**	**113.214**	**0**	**GFI-POD item "Provisions" (ADP 088; HRK 113,214 thous.) is in Audited report presented under non-current liabilities in item "Provisions" (Note 32 part of the item "Severance pay and jubilee awards" in the amount HRK 21,180 thous. with the item "Legal Disputes" in a comparable amount HRK 36,379 thous.) and non-current liabilities under item "Concession fee" (Note 31 in comparable amount of HRK 55,656 thous).**
NON-CURRENT LIABILITIES (ADP 101+105+106)	**095**	**Part of 24+25+ part of 29+ part of 30+ part of 31+ part of 32**	**2.524.889**	**2.524.889**	**0**	**Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Non-current liabilities" (ADP 095; HRK 2,709,898 thous.) and "Provisions" (ADP 088; HRK 113,214 thous.) in relation to item "Non-current liabilities" of Audited report (HRK 2,823,112 thous.).**
I. Liabilities to banks and other financial institutions	101	Part of 29	2.474.586	2.474.586	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 101; HRK 2,474,586 thous.) is in Audited report presented under non-current part of item "Borrowings" (Note 29 in comparable amount of HRK 2,474,586 thous.).
II. Other non-current liabilities	105	Part of 24+ part of 30+ part of 32	36.996	36.996	0	GFI-POD item "Other non-current liabilities" (ADP 105; HRK 36,996 thous.) is in Audited report presented under non-current part of item "Derivative financial instruments" (Note 24 in comparable amount of 11,602 thous.), "Lease liabilities" (Note 30 in comparable amount of HRK 7,391 thous.) and part of long-term liabilities in the item "Provisions" (Note 32 "Severance pay and jubilee awards" HRK 439 thous. and "Bonuses" HRK 17,563 thous.). Comment: The total amount of item "Derivative financial instruments" in Audited report (Note 24) is 16,982 thous. and is presented in items "Other non-current liabilities" (ADP 105; HRK 11,602 thous.) and "Other current liabilities" (ADP 121; HRK 5,380 thous.).
III. Deferred tax liabilities	106	25	13.307	13.307	0	
CURRENT LIABILITIES (ADP 108+113+114+115+117+118+119+121)	**107**	**Part of 24+ part of 29+ part of 30+ part of 31+ part of 39**	**865.350**	**865.350**	**0**	**Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current liabilities" (ADP 107; HRK 680,341 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 65,394 thous.) in relation to item "Current liabilities" of Audited report (HRK 745,736 thous.).**
I. Liabilities to banks and other financial institutions	113	Part of 29	693.967	693.967	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 113; HRK 693,967 thous.) is in Audited report presented under current part of item "Borrowings" (Note 29; "Bank borrowings" in comparable amount of HRK 693,967 thous.).
II. Amounts payable for prepayment	114	Part of 31	61.768	61.768	0	GFI-POD item "Amounts payable for prepayment" (ADP 114; HRK 61,768 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Advances received" in comparable amount of HRK 61,768 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 209,237 thous. and is presented in items "Amounts payable for prepayment" (ADP 114; HRK 61,768 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 50,129 thous.), "Liabilities for securities" (ADP 116; HRK 6,625 thous.), "Liabilities to employees" (ADP 117; HRK 15,921 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 4,665 thous.), "Liabilities arising from share in the result" (ADP 119 and ADP 121; HRK 10,320 thous.) and part of the item "Accrued expenses and deferred income" (ADP 122; HRK 59,809 thous.).

Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2020

COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2020	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
III. Trade payables and liabilities to undertakings in a Group	108 and 115	Part of 31	50.129	50.129	0	GFI-POD items “Liabilities to undertakings in a Group” (ADP 108; HRK 136 thous.) and “Trade payables” (ADP 115; HRK 49,993 thous.) is in Audited report presented under current part of item “Trade and other payables” (Note 31; “Trade payables” HRK 49,910 thous., “Trade payables – related parties” HRK 220 thous.). Comment: The total current amount of item “Trade and other payables” in Audited report (Note 31) is HRK 209,237 thous. and is presented in items “Amounts payable for prepayment” (ADP 114; HRK 61,768 thous.), “Trade payables and liabilities to undertakings in a Group” (ADP 108 and 115; HRK 50,129 thous.), “Liabilities for securities” (ADP 116; HRK 6,625 thous.), “Liabilities to employees” (ADP 117; HRK 15,921 thous.), “Taxes, contributions and similar liabilities” (ADP 118; HRK 4,665 thous.), “Liabilities arising from share in the result” (ADP 119 and ADP 121; HRK 10,320 thous.) and part of the item “Accrued expenses and deferred income” (ADP 122; HRK 59,809 thous.).
IV. Liabilities upon loan stocks	116	Part of 31	6.625	6.625	0	GFI-POD items “Liabilities upon loan stocks” (ADP 116; HRK 6,625 thous.) is in Audited report presented under current part of item “Trade and other payables” (Note 31; “Liabilities under bills of exchange” in comparable amoun HRK 6,625 thous.).
V. Liabilities to employees	117	Part of 31	15.921	15.921	0	GFI-POD items “Liabilities to employees” (ADP 117; HRK 15,921 thous.) is in Audited report presented under current part of item “Trade and other payables” (Note 31; “Liabilities to employees” in comparable amount HRK 15,921 thous.). Comment: The total current amount of item “Trade and other payables” in Audited report (Note 31) is HRK 209,237 thous. and is presented in items “Amounts payable for prepayment” (ADP 114; HRK 61,768 thous.), “Trade payables and liabilities to undertakings in a Group” (ADP 108 and 115; HRK 50,129 thous.), “Liabilities for securities” (ADP 116; HRK 6,625 thous.), “Liabilities to employees” (ADP 117; HRK 15,921 thous.), “Taxes, contributions and similar liabilities” (ADP 118; HRK 4,665 thous.), “Liabilities arising from share in the result” (ADP 119 and ADP 121; HRK 10,320 thous.) and part of the item “Accrued expenses and deferred income” (ADP 122; HRK 59,809 thous.).
VI. Taxes, contributions and similar liabilities	118	Part of 31	4.665	4.665	0	GFI-POD item “Taxes, contributions and similar liabilities” (ADP 118; HRK 4,665 thous.) is in Audited report presented under current part of item “Trade and other payables” (Note 31; “Liabilities for taxes and contributions and similar charges” in comparable amount of HRK 4,665 thous.). Comment: The total current amount of item “Trade and other payables” in Audited report (Note 31) is HRK 209,237 thous. and is presented in items “Amounts payable for prepayment” (ADP 114; HRK 61,768 thous.), “Trade payables and liabilities to undertakings in a Group” (ADP 108 and 115; HRK 50,129 thous.), “Liabilities for securities” (ADP 116; HRK 6,625 thous.), “Liabilities to employees” (ADP 117; HRK 15,921 thous.), “Taxes, contributions and similar liabilities” (ADP 118; HRK 4,665 thous.), “Liabilities arising from share in the result” (ADP 119 and ADP 121; HRK 10,320 thous.) and part of the item “Accrued expenses and deferred income” (ADP 122; HRK 59,809 thous.).

Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2020 COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2020	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
VII. Liabilities arising from share in the result and other current liabilities	119 and 121	Part of 24+ part of 30+ part of 31+ part of 39	32.275	32.275	0	GFI-POD item "Liabilities arising from share in the result" (ADP 119; HRK 10 thous.) and "Other current liabilities" (ADP 121; HRK 32,265 thous.) is in Audited report presented under current part of items "Trade and other payables" (Note 31; "Liabilities for dividend" HRK 10 thous., "Other liabilities" HRK 10,310 thous.), "Derivative financial instruments" (Note 24 in comparable amount of HRK 5,380 thous.) and "Lease liabilities" (Note 30 in comparable amount of HRK 2,582 thous.) and Note 39 in the comparable amount of HRK 13,994 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 209,237 thous. and is presented in items "Amounts payable for prepayment" (ADP 114; HRK 61,768 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 50,129 thous.), "Liabilities for securities" (ADP 116; HRK 6,625 thous.), "Liabilities to employees" (ADP 117; HRK 15,921 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 4,665 thous.), "Liabilities arising from share in the result" (ADP 119 and ADP 121; HRK 10,320 thous.) and part of the item "Accrued expenses and deferred income" (ADP 122; HRK 59,809 thous.). The total amount of item "Derivative financial instruments" in Audited report (Note 24) is 16,982 thous. and is presented in items "Other non-current liabilities" (ADP 105; HRK 11,603 thous.) and "Other current liabilities" (ADP 121; HRK 5,379 thous.).
ACCRUED EXPENSES AND DEFERRED INCOME	**122**	**Part of 31+ part of 32**	**65.394**	**65.394**	**0**	**GFI-POD item "Accrued expenses and deferred income" (ADP 122; HRK 65,394 thous.) is in Audited report presented under items "Trade and other payables" (Note 31; "Interest payable" HRK 32,895 thous., current part of item "Concession fees payable" HRK 1,919 thous., "Liabilities for calculated vacation and redistribution hours" HRK 1,533 thous., "Accrued VAT liabilities in unrealized income" HRK 121 thous., "Liabilities for calculated costs" HRK 23,340 thous.) and current part of items "Provisions" (Note 32; current item "Termination benefits and jubilee awards" HRK 5,585 thous.).** **Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 209,237 thous. and is presented in items "Amounts payable for prepayment" (ADP 114; HRK 61,768 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 50,129 thous.), "Liabilities for securities" (ADP 116; HRK 6,625 thous.), "Liabilities to employees" (ADP 117; HRK 15,921 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 4,665 thous.), "Liabilities arising from share in the result" (ADP 119 and ADP 121; HRK 10,320 thous.) and part of the item "Accrued expenses and deferred income" (ADP 122; HRK 59,809 thous.).** **The total short-term part of the item "Provisions" of the Audited Report (Note 32) in the amount of 5,585 thous. in the item "Deferred payment of expenses and income for the future period" (ADP 122: HRK 5,585 thous.).**
TOTAL LIABILITIES			**5.954.072**	**5.954.072**	**0**	

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2020 / COMPANY

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2020 to 31 December 2020	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
OPERATING INCOME (ADP 125+126+127+128+129+130)	**125**		**571.819**	**571.819**	**0**	
I. Revenues from sales with undertakings in a Group and sales revenues (outside the Group)	126+127	5	546.962	546.962	0	
II. Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)	128+129 +130	Part of 6+ part of 10	24.857	24.857	0	GFI-POD items “Revenues from use of own products, goods and services” (ADP 128; HRK 208 thous.), “Other operating revenues with undertakings in a Group” (ADP 129; HRK 270 thous.) and “Other operating revenues (outside the Group)” (ADP 130; HRK 24,379 thous.) are in Audited report presented under items “Other income” (Note 6; “Income from donations and other” HRK 7,506 thous., “Income from provision release” HRK 233 thous., “Reimbursed costs” HRK 2,140 thous., “Income from insurance and legal claims” HRK 1,829 thous., “Income from own consumption” HRK 209 thous., “Other income” HRK 7,760 thous.), and “Other gains/(losses) - net” (Note 10; “Net gains on sale of property, plant and equipment” HRK 5,180 thous.). Comment: The total amount of item “Other income” in Audited report (Note 6) is HRK 19,677 thous. and is presented in items “Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)” (ADP 128, 129 and 130; HRK 19,677 thous.). The total amount of item “Other gains/(losses) - net” in Audited report (Note 10) is 5,180 thous. and is presented in item “Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)” (ADP 128, 129 and 130, HRK 5,180 thous.).
OPERATING EXPENSES (ADP 133+137+141+142+143+146+153)	**131**		**890.255**	**890.255**	**0**	**Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items “Staff costs” (ADP 137; HRK 162,757 thous.), “Other expenditures” (ADP 142; HRK 75,373 thous.), “Value adjustment” (ADP 143; HRK 1,394 thous.), “Provisions” (ADP 146; 25,566 thous.) and “Other operating expenses” (ADP 153; HRK 9,198 thous.) in relation to items “Staff costs” (Note 8; HRK 194,267 thous.) and “Other operating expenses” (Note 9; HRK 80,020 thous.) of Audited report.**
I. Material costs	133	7	223.981	223.981	0	GFI-POD item “Material costs” (ADP 133; HRK 223,981 thous.) is in Audited report presented under item “Cost of materials and services” (Note 7 in comparable amount of HRK 223,981 thous.).
II. Staff costs	137	Part of 8	162.757	162.757	0	GFI-POD item “Staff costs” (ADP 137; HRK 162,757 thous.) is in Audited report presented under item “Staff costs” (Note 8; “Net salaries” HRK 103,705 thous., “Pension contributions” HRK 30,087 thous., “Health insurance contributions” HRK 21,802 thous., “Other (contributions and taxes)” HRK 7,163 thous.). Comment: The total amount of item “Staff costs” in Audited report (Note 8) is HRK 194,267 thous. and is presented in “Staff costs” (ADP 137; HRK 162,757 thous.), “Other expenditures” (ADP 142; HRK 20,800 thous.) and “Provisions” (ADP 146; HRK 10,710 thous.).
III. Depreciation and amortisation	141	14+15+16+30	391.987	391.987	0	
IV. Other expenditures	142	Part of 8+ part of 9	75.372	75.372	0	GFI-POD item “Other expenditures” (ADP 142; HRK 75,372 thous.) is in Audited report presented under items “Staff costs” (Note 8; “Termination benefits” HRK 329 thous., “Other staff costs” HRK 20,471 thous.) and “Other operating expenses” (Note 9; “Municipal charges, concessions and other” HRK 32,959 thous., “Professional services” HRK 11,872 thous., “Entertainment” HRK 2,023 thous. HRK, “Insurance premiums” HRK 6,075 thous., “Bank charges” HRK 574 thous., “Subscription to magazines and other administrative expenses” HRK 1,069 thous.). Comment: The total amount of item “Staff costs” in Audited report (Note 8) is HRK 194,267 thous. and is presented in “Staff costs” (ADP 137; HRK 162,757 thous.), “Other expenditures” (ADP 142; HRK 20,800 thous.) and “Provisions” (ADP 146; HRK 10,710 thous.). The total amount of item “Other operating expenses” in Audited report (Note 9) is HRK 80,020 thous. and is presented in items “Other expenditures” (ADP 142; HRK 54,572 thous.), “Value adjustment” (ADP 143; HRK 1,394 thous.), “Provisions” (ADP 146; HRK 14,856 thous.) and “Other operating expenses” (ADP 153; HRK 9,198 thous.).

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2020 / COMPANY (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2020 to 31 December 2020	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
V. Value adjustment	143	Part of 9	1.394	1.394	0	GFI-POD item "Value adjustment" (ADP 143; HRK 1,394 thous.) is in Audited report presented under item "Other operating expenses" (Note 9; "Impairment of assets" in comparable amount of HRK 1,394 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 80,020 thous. and is presented in items "Other expenditures" (ADP 142; HRK 54,572 thous.), "Value adjustment" (ADP 143; HRK 1,394 thous.), "Provisions" (ADP 146; HRK 14,856 thous.) and "Other operating expenses" (ADP 153; HRK 9,198 thous.).
VI. Provisions	146	Part of 8+ part of 9	25.566	25.566	0	GFI-POD item "Provisions" (ADP 146; HRK 25,566 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Provisions for termination benefits and jubilee awards" HRK 10,710 thous.), "Other operating expenses" (Note 9; "Provisions" HRK 9,356 thous.) and "Other operating expenses" (Note 9; "Provisions for severance pay" HRK 5,500 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 194,267 thous. and is presented in "Staff costs" (ADP 137; HRK 162,757 thous.), "Other expenditures" (ADP 142; HRK 20,800 thous.) and "Provisions" (ADP 146; HRK 10,710 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 80,020 thous. and is presented in items "Other expenditures" (ADP 142; HRK 54,572 thous.), "Value adjustment" (ADP 143; HRK 1,394 thous.), "Provisions" (ADP 146; HRK 14,856 thous.) and "Other operating expenses" (ADP 153; HRK 9,198 thous.).
VII. Other operating expenses	153	Part of 9	9.198	9.198	0	GFI-POD item "Other operating expenses" (ADP 153; HRK 9,198 thous.) is in Audited report presented under items "Other operating expenses" (Note 9; "Write-off of property, plant and equipment" HRK 1,202 thous., "Other operating expenses" HRK 7,996 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 80,020 thous. and is presented in items "Other expenditures" (ADP 142; HRK 54,572 thous.), "Value adjustment" (ADP 143; HRK 1,394 thous.), "Provisions" (ADP 146; HRK 14,856 thous.) and "Other operating expenses" (ADP 153; HRK 9,198 thous.).
FINANCIAL INCOME	**154**	**11**	**19.931**	**19.931**	**0**	**GFI-POD item "Financial income" (ADP 154; HRK 19,931 thous.) is in Audited report presented under items "Financial income/(loss) - net" in part of financial income (Note 11; "Interest income" HRK 508 thous., "Net foreign exchange gains/(losses) - other" HRK 825 thous., "Realised net gains/(losses) from changes in value of forwards and interest rate swaps" HRK 16,759 thous., "Income from cassa sconto" HRK 1,709 thous. and other financial income HRK 130 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 95,096 thous. and is presented in items "Financial income" (ADP 154; HRK 19,931 thous.) and "Financial costs" (ADP 165; HRK 115,027 thous.).**
FINANCIAL COSTS	**165**	**11**	**115.027**	**115.027**	**0**	**GFI-POD item "Financial costs" (ADP 165; HRK 115,027 thous.) is in Audited report presented under item "Finance income/(expense) - net" in part of financial expenses (Note 11; "Interest expense" HRK 59,591 thous., "Net foreign exchange gains from financing activities" HRK 38,603 thous. and "Changes in fair value of forwards and interest rate swaps" HRK 16,833 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 95,096 thous. and is presented in items "Financial income" (ADP 154; HRK 19,931 thous.) and "Financial costs" (ADP 165; HRK 115,027 thous.).**
TOTAL INCOME (ADP 125+154)	**177**		**591.750**	**591.750**	**0**	
TOTAL COSTS (ADP 131+165)	**178**		**1.005.282**	**1.005.282**	**0**	
PROFIT OR LOSS BEFORE TAX (ADP 177-178)	**179**		**-413.532**	**-413.532**	**0**	
INCOME TAX EXPENSE	**182**		**-104.982**	**-104.982**	**0**	
PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	**184**		**-308.550**	**-308.550**	**0**	

Summary of adjustments of GFI-POD reclassified balance sheet and balance sheet from Audited Report for 2019 COMPANY

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
NON-CURRENT ASSETS (ADP 003+010+020+036)	**002**	**14+15+16+ 17+ part of 18b+ 20+ part of 21+ 25+ part of 30**	**5.186.667**	**5.186.667**	**0**	
I. Intangible assets	003	16	54.104	54.104	0	
II. Tangible assets	010	14+15+30	4.247.237	4.247.237	0	GFI-POD item "Tangible assets" (ADP 010; HRK 4,247,237 thous.) is in Audited report presented under items "Property, plant and equipment" (Note 14 in comparable amount of HRK 4,224,948 thous.), "Investment property" (Note 15 in comparable amount of HRK 6,449 thous.), and "Right-of-use assets" (Note 30 in comparable amount of HRK 15,839 thous).
III. Non-current financial assets	020	17+ part of 18b+ 20+ part of 21	774.968	774.968	0	GFI-POD item "Financial assets" (ADP 020; HRK 774,968 thous.) is in Audited report presented under items "Investment in subsidiaries" (Note 17 in comparable amount of 727,328 thous.), "Investment in associated entity" (Note 118b in comparable amount of HRK 47,192 thous.), Financial assets" (Note 20 in comparable amount of HRK 335 thous.) and in the non-current part of item "Loans and deposits" (Note 21 in comparable amount of HRK 113 thous.).
IV. Trade receivables	031	Part of 23	0	0	0	
V. Deferred tax assets	036	25	110.358	110.358	0	
CURRENT ASSETS (ADP 038+046+053+063)	**037**	**Part of 21+ 22+ part of 24+26**	**299.370**	**299.370**	**0**	**Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current assets" (ADP 037; HRK 299,370 thous.) and "Prepayments and accrued income" (ADP 064; HRK 17,875 thous.) in relation to item "Current assets" of Audited report (HRK 317,245 thous.).**
I. Inventories	038	22	22.385	22.385	0	
II. Receivables	046	Part of 23	28.465	28.465	0	GFI-POD item "Receivables" (ADP 046; HRK 28,465 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Trade receivables – net" HRK 15,897 thous., "VAT receivable" HRK 9,616 thous., "Advances to suppliers" HRK 1,115 thous., "Receivables from employees" HRK 911 thous., "Receivables from state institutions" HRK 508 thous., and "Income tax receivable" HRK 417 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 46,339 thous. and is presented in items "Receivables" (ADP 046; HRK 28,465 thous.) and "Prepayments and accrued income" (ADP 064; HRK 17,875 thous.).
III. Current financial assets	053	Part of 21+ part of 24	671	671	0	GFI-POD item "Financial assets" (ADP 053; HRK 671 thous.) is in Audited report presented under item "Loans and deposits" - current part (Note 21 in comparable amount of HRK 531 thous.), and "Financial assets" (Note 24 "Derivative financial instruments" in comparable amount of HRK 140 thous.)
IV. Cash and cash equivalents	063	26	247.849	247.849	0	GFI-POD item "Cash and cash equivalents" (ADP 063; HRK 247,849 thous.) is in Audited report presented under item "Cash and cash equivalents" (Note 26 in comparable amount of HRK 247,849 thous.).
PREPAYMENTS AND ACCRUED INCOME	**064**	**Part of 23**	**17.875**	**17.875**	**0**	**GFI-POD item "Prepayments and accrued income" (ADP 064; HRK 17,875 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Accrued income" HRK 3,034 thous., "Interest receivables" HRK 24 thous., "Prepaid expenses" HRK 14,816 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 46,339 thous. and is presented in items "Receivables" (ADP 046; HRK 28,465 thous.) and "Prepayments and accrued income" (ADP 064; HRK 17,875 thous.).**
TOTAL ASSETS			**5.503.912**	**5.503.912**	**0**	

Summary of adjustments of GFI-POD reclassified balance sheet and balance sheet from Audited Report for 2019 COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
CAPITAL AND RESERVES	**067**	**27+28**	**2.690.444**	**2.690.444**	**0**	**GFI-POD item "Capital and reserves" (ADP 067; HRK 2,690,444 thous.) is in Audited report presented under item "Share capital" (Notes 27 and 28 in comparable amount of HRK 2,690,444 thous.).**
PROVISIONS	**088**	**Part of 32 + part of 31**	**99.092**	**99.092**	**0**	**GFI-POD item "Provisions" (ADP 088; HRK 99,092 thous.) is in Audited report presented under non-current liabilities in item "Provisions" (Note 32 in comparable amount of HRK 42,638 thous.) and non-current liabilities under item "Concession fee" (Note 31 in comparable amount of HRK 56,453 thous).**
NON-CURRENT LIABILITIES (ADP 101+105+106)	**095**	**Part of 24+25+ part of 29+ part of 30+ part of 31+ part of 39**	**2.199.023**	**2.199.023**	**0**	**Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Non-current liabilities" (ADP 095; HRK 2,199,023 thous.) and "Provisions" (ADP 088; HRK 99,092 thous.) in relation to item "Non-current liabilities" of Audited report (HRK 2,298,116 thous.).**
I. Liabilities to banks and other financial institutions	101+100	Part of 29	2.146.746	2.146.746	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 101; HRK 2,146,746 thous.) is in Audited report presented under non-current part of item "Borrowings" (Note 29 in comparable amount of HRK 2,146,746 thous.).
II. Other non-current liabilities	105	Part of 24+ part of 30+ part of 39	38.087	38.087	0	GFI-POD item "Other non-current liabilities" (ADP 105; HRK 38.087 thous.) is in Audited report presented under non-current part of item "Derivative financial instruments" (Note 24 in comparable amount of 11,023 thous.), "Lease liabilities" (Note 30 in comparable amount of HRK 8,770 thous.) and Note 39 in comparable amount of HRK 18,294 thous. Comment: The total amount of item "Derivative financial instruments" in Audited report (Note 24) is 17,048 thous. and is presented in items "Other non-current liabilities" (ADP 105; HRK 11,023 thous.) and "Other current liabilities" (ADP 121; HRK 6,025 thous.).
III. Deferred tax liabilities	106	25	14.190	14.190	0	
CURRENT LIABILITIES (ADP 108+113+114+115+117+118+119+121)	**107**	**Part of 24+29+ part of 30+ part of 31**	**463.253**	**463.253**	**0**	**Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Current liabilities" (ADP 107; HRK 463,253 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 52,099 thous.) in relation to item "Current liabilities" of Audited report (HRK 515,352 thous.).**
I. Liabilities to banks and other financial institutions	113	Part of 29	257.434	257.434	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 113; HRK 257,434 thous.) is in Audited report presented under current part of item "Borrowings" (Note 29; "Bank borrowings" in comparable amount of HRK 257,434 thous.).
II. Amounts payable for prepayment	114	Part of 31	31.610	31.610	0	GFI-POD item "Amounts payable for prepayment" (ADP 114; HRK 31,610 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Advances received" in comparable amount of HRK 31,610 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 230,578 thous. and is presented in items "Amounts payable for prepayment" (ADP 114; HRK 31,610 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 127,696 thous.), "Liabilities to employees" (ADP 117; HRK 24,837 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 10,114 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 9 thous.), "Other current liabilities" (ADP 121; HRK 1,939 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 34,371 thous.).

Summary of adjustments of GFI-POD reclassified balance sheet and balance sheet from Audited Report for 2019 COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
III. Trade payables and liabilities to undertakings in a Group	108 and 115	Part of 31	127.696	127.696	0	GFI-POD items “Liabilities to undertakings in a Group” (ADP 108; HRK 218 thous.) and “Trade payables” (ADP 115; HRK 127,478 thous.) is in Audited report presented under current part of item “Trade and other payables” (Note 31; “Trade payables” HRK 127,455 thous., “Trade payables – related parties” HRK 241 thous.). Comment: The total current amount of item “Trade and other payables” in Audited report (Note 31) is HRK 230,578 thous. and is presented in items “Amounts payable for prepayment” (ADP 114; HRK 31,610 thous.), “Trade payables and liabilities to undertakings in a Group” (ADP 108 and 115; HRK 127,696 thous.), “Liabilities to employees” (ADP 117; HRK 24,837 thous.), “Taxes, contributions and similar liabilities” (ADP 118; HRK 10,114 thous.), “Liabilities arising from share in the result” (ADP 119; HRK 9 thous.), “Other current liabilities” (ADP 121; HRK 1,939 thous.) and “Accrued expenses and deferred income” (ADP 122; HRK 34,371 thous.).
IV. Liabilities to employees	117	Part of 31	24.837	24.837	0	GFI-POD items “Liabilities to employees” (ADP 117; HRK 24,837 thous.) is in Audited report presented under current part of item “Trade and other payables” (Note 31; “Liabilities to employees” in comparable amount HRK 24,837 thous.). Comment: The total current amount of item “Trade and other payables” in Audited report (Note 31) is HRK 230,578 thous. and is presented in items “Amounts payable for prepayment” (ADP 114; HRK 31,610 thous.), “Trade payables and liabilities to undertakings in a Group” (ADP 108 and 115; HRK 127,696 thous.), “Liabilities to employees” (ADP 117; HRK 24,837 thous.), “Taxes, contributions and similar liabilities” (ADP 118; HRK 10,114 thous.), “Liabilities arising from share in the result” (ADP 119; HRK 9 thous.), “Other current liabilities” (ADP 121; HRK 1,939 thous.) and “Accrued expenses and deferred income” (ADP 122; HRK 34,371 thous.).
V. Taxes, contributions and similar liabilities	118	Part of 31	10.114	10.114	0	GFI-POD item “Taxes, contributions and similar liabilities” (ADP 118; HRK 10,114 thous.) is in Audited report presented under current part of item “Trade and other payables” (Note 30; “Liabilities for taxes and contributions and similar charges” in comparable amount of HRK 10,114 thous.). Comment: The total current amount of item “Trade and other payables” in Audited report (Note 31) is HRK 230,578 thous. and is presented in items “Amounts payable for prepayment” (ADP 114; HRK 31,610 thous.), “Trade payables and liabilities to undertakings in a Group” (ADP 108 and 115; HRK 127,696 thous.), “Liabilities to employees” (ADP 117; HRK 24,837 thous.), “Taxes, contributions and similar liabilities” (ADP 118; HRK 10,114 thous.), “Liabilities arising from share in the result” (ADP 119; HRK 9 thous.), “Other current liabilities” (ADP 121; HRK 1,939 thous.) and “Accrued expenses and deferred income” (ADP 122; HRK 34,371 thous.).
VI. Liabilities arising from share in the result and other current liabilities	119 and 121	Part of 24+ part of 30+ part of 31	11.562	11.562	0	GFI-POD item “Liabilities arising from share in the result” (ADP 119; HRK 9 thous.) and “Other current liabilities” (ADP 121; HRK 11,553 thous.) is in Audited report presented under current part of items “Trade and other payables” (Note 31; “Liabilities for dividend” HRK 9 thous., “Other liabilities” HRK 1,939 thous.), “Derivative financial instruments” (Note 24 in comparable amount of HRK 6,025 thous.) and “Lease liabilities” (Note 30 in comparable amount of HRK 3,589 thous.). Comment: The total current amount of item “Trade and other payables” in Audited report (Note 31) is HRK 230,578 thous. and is presented in items “Amounts payable for prepayment” (ADP 114; HRK 31,610 thous.), “Trade payables and liabilities to undertakings in a Group” (ADP 108 and 115; HRK 127,696 thous.), “Liabilities to employees” (ADP 117; HRK 24,837 thous.), “Taxes, contributions and similar liabilities” (ADP 118; HRK 10,114 thous.), “Liabilities arising from share in the result” (ADP 119; HRK 9 thous.), “Other current liabilities” (ADP 121; HRK 1,939 thous.) and “Accrued expenses and deferred income” (ADP 122; HRK 34,371 thous.). The total amount of item “Derivative financial instruments” in Audited report (Note 24) is 17,048 thous. and is presented in items “Other non-current liabilities” (ADP 105; HRK 11,023 thous.) and “Other current liabilities” (ADP 121; HRK 6,025 thous.).

Summary of adjustments of GFI-POD reclassified balance sheet and balance sheet from Audited Report for 2019 COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
ACCRUED EXPENSES AND DEFERRED INCOME	**122**	**Part of 31+ part of 32**	**52.099**	**52.099**	**0**	**GFI-POD item "Accrued expenses and deferred income" (ADP 122; HRK 52,099 thous.) is in Audited report presented under items "Trade and other payables" (Note 31; "Interest payable" HRK 1,758 thous., current part of item "Concession fees payable" HRK 2,982 thous., "Liabilities for calculated vacation and redistribution hours" HRK 20,320 thous., "Accrued VAT liabilities in unrealized income" HRK 378 thous., "Liabilities for calculated costs" HRK 8,933 thous.)and current part of items "Provisions" (Note 32; current part of item "Termination benefits and jubilee awards" HRK 164 thous. and "Bonuses" HRK 17,563 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 230,578 thous. and is presented in items "Amounts payable for prepayment" (ADP 114; HRK 31,610 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 108 and 115; HRK 127,696 thous.), "Liabilities to employees" (ADP 117; HRK 24,837 thous.), "Taxes, contributions and similar liabilities" (ADP 118; HRK 10,114 thous.), "Liabilities arising from share in the result" (ADP 119; HRK 9 thous.), "Other current liabilities" (ADP 121; HRK 1,939 thous.) and "Accrued expenses and deferred income" (ADP 122; HRK 34,371 thous.). The total current amount of item "Provisions" in Audited report (Note 32) is HRK 17,727 thous. and is presented in item "Accrued expenses and deferred income" (ADP 122: HRK 17,727 thous.).**
TOTAL LIABILITIES			**5.503.912**	**5.503.912**	**0**	

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2019 / COMPANY

in thousands of HRK

GFI-POD INCOME STATEMENTfor the period from 1 January 2019 to 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
OPERATING INCOME (ADP 125+126+127+128+129+130)	**125**		**2.055.240**	**2.055.240**	**0**	
I. Revenues from sales with undertakings in a Group and sales revenues (outside the Group)	126+127	5	1.874.495	1.874.495	0	
II. Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)	128+129 +130	Part of 6+ part of 10	180.745	180.745	0	GFI-POD items "Revenues from use of own products, goods and services" (ADP 128; HRK 218 thous.), "Other operating revenues with undertakings in a Group" (ADP 129; HRK 122,524 thous.) and "Other operating revenues (outside the Group)" (ADP 130; HRK 58,002 thous.) are in Audited report presented under items "Other income" (Note 6; "Income from donations and other" HRK 2,917 thous., "Income from provision release" HRK 566 thous., "Reimbursed costs" HRK 2,234 thous., "Income from insurance and legal claims" HRK 3,310 thous., "Income from own consumption" HRK 218 thous., "Other income" HRK 10,186 thous.), and "Other gains/(losses) - net" (Note 10; "Net gains on sale of property, plant and equipment" HRK 161,314 thous.). Comment: The total amount of item "Other income" in Audited report (Note 6) is HRK 19,431 thous. and is presented in items "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130; HRK 19,431 thous.). The total amount of item "Other gains/(losses) - net" in Audited report (Note 10) is -161,314 thous. and is presented in item "Revenues from use of own products, goods and services, other operating revenues with undertakings in a Group and other operating revenues (outside the Group)" (ADP 128, 129 and 130, HRK 161,314 thous.).
OPERATING EXPENSES (ADP 133+137+141+142+143+146+153)	**131**		**1.640.754**	**1.640.754**	**0**	**Due to a different presentation, but for the purpose of comparability of GFI-POD and Audited report it is necessary to jointly view GFI-POD items "Staff costs" (ADP 137; HRK 506,080 thous.), "Other expenditures" (ADP 142; HRK 174,348 thous.), "Value adjustment" (ADP 143; HRK 544 thous.), "Provisions" (ADP 146; 8,236 thous.) and "Other operating expenses" (ADP 153; HRK 30,575 thous.) in relation to items "Staff costs" (Note 8; HRK 594,133 thous.) and "Other operating expenses" (Note 9; HRK 125,649 thous.) of Audited report.**
I. Material costs	133	7	540.847	540.847	0	GFI-POD item "Material costs" (ADP 133; HRK 540,847 thous.) is in Audited report presented under item "Cost of materials and services" (Note 7 in comparable amount of HRK 540,847 thous.).
II. Staff costs	137	Part of 8	506.080	506.080	0	GFI-POD item "Staff costs" (ADP 137; HRK 506,080 thous.) is in Audited report presented under item "Staff costs" (Note 8; "Net salaries" HRK 313,347 thous., "Pension contributions" HRK 89,062 thous., "Health insurance contributions" HRK 67,940 thous., "Other (contributions and taxes)" HRK 35,731 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 594,133 thous. and is presented in "Staff costs" (ADP 137; HRK 506,080 thous.), "Other expenditures" (ADP 142; HRK 83,371 thous.) and "Provisions" (ADP 146; HRK 4,683 thous.).
III. Depreciation and amortisation	141	14+15+16+30	380.124	380.124	0	

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2019 / COMPANY (continued)

in thousands of HRK

GFI-POD INCOME STATEMENTfor the period from 1 January 2019 to 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
IV. Other expenditures	142	Part of 8+ part of 9	174.348	174.348	0	GFI-POD item "Other expenditures" (ADP 142; HRK 174,348 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Termination benefits" HRK 515 thous., "Other staff costs" HRK 82.856 thous.) and "Other operating expenses" (Note 9; "Municipal charges, concessions and other" HRK 53,613 thous., "Professional services" HRK 18,915 thous., "Entertainment" HRK 7,813 thous. HRK, "Insurance premiums" HRK 6,343 thous., "Bank charges" HRK 2,325 thous., "Subscription to magazines and other administrative expenses" HRK 1,968 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 594,133 thous. and is presented in "Staff costs" (ADP 137; HRK 506,080 thous.), "Other expenditures" (ADP 142; HRK 83,371 thous.) and "Provisions" (ADP 146; HRK 4,683 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 125,649 thous. and is presented in items "Other expenditures" (ADP 142; HRK 90,978 thous.), "Value adjustment" (ADP 143; HRK 544 thous.), "Provisions" (ADP 146; HRK 3,553 thous.) and "Other operating expenses" (ADP 153; HRK 30,575 thous.).
V. Value adjustment	143	Part of 9	544	544	0	GFI-POD item "Value adjustment" (ADP 143; HRK 544 thous.) is in Audited report presented under item "Other operating expenses" (Note 9; "Impairment of assets " in comparable amount of HRK 544 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 125,649 thous. and is presented in items "Other expenditures" (ADP 142; HRK 90,978 thous.), "Value adjustment" (ADP 143; HRK 544 thous.), "Provisions" (ADP 146; HRK 3,553 thous.) and "Other operating expenses" (ADP 153; HRK 30,575 thous.).
VI. Provisions	146	Part of 8+ part of 9	8.236	8.236	0	GFI-POD item "Provisions" (ADP 146; HRK 8,236 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Provisions for termination benefits and jubilee awards" HRK 4,683 thous.) and "Other operating expenses" (Note 9; "Provisions" HRK 3,553 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 594,133 thous. and is presented in "Staff costs" (ADP 137; HRK 506,080 thous.), "Other expenditures" (ADP 142; HRK 83,371 thous.) and "Provisions" (ADP 146; HRK 4,683 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 125,649 thous. and is presented in items "Other expenditures" (ADP 142; HRK 90,978 thous.), "Value adjustment" (ADP 143; HRK 544 thous.), "Provisions" (ADP 146; HRK 3,553 thous.) and "Other operating expenses" (ADP 153; HRK 30,575 thous.).
VII. Other operating expenses	153	Part of 9	30.575	30.575	0	GFI-POD item "Other operating expenses" (ADP 153; HRK 30,575 thous.) is in Audited report presented under items "Other operating expenses" (Note 9; "Write-off of property, plant and equipment" HRK 23,237 thous., "Other operating expenses" HRK 7,338 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 125,649 thous. and is presented in items "Other expenditures" (ADP 142; HRK 90,978 thous.), "Value adjustment" (ADP 143; HRK 544 thous.), "Provisions" (ADP 146; HRK 3,553 thous.) and "Other operating expenses" (ADP 153; HRK 30,575 thous.).
FINANCIAL INCOME	**154**	**11**	**18.970**	**18.970**	**0**	**GFI-POD item "Financial income" (ADP 154; HRK 18,970 thous.) is in Audited report presented under items "Financial income/(loss) - net" in part of financial income (Note 11; "Interest income" HRK 517 thous., "Net foreign exchange gains/(losses) - other" HRK 3,626 thous., "Realised net gains/(losses) from changes in value of forwards and interest rate swaps" HRK 1,359 thous., "Net gains from financial assets sold" HRK 1,431 thous., "Income from cassa sconto" HRK 2,934 thous., "Dividend income" HRK 8,790 thous., and other financial income HRK 312 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 48,014 thous. and is presented in items "Financial income" (ADP 154; HRK 18,970 thous.) and "Financial costs" (ADP 165; HRK 66,984 thous.).**

Summary of adjustments of GFI-POD reclassified income statement and unconsolidated income of comprehensive income from Audited report for 2019 / COMPANY (continued)

in thousands of HRK

GFI-POD INCOME STATEMENTfor the period from 1 January 2019 to 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
FINANCIAL COSTS	**165**	**11**	**66.984**	**66.984**	**0**	**GFI-POD item "Financial costs" (ADP 165; HRK 66,984 thous.) is in Audited report presented under item "Finance income/(expense) - net" in part of financial expenses (Note 11; "Interest expense" HRK 51,568 thous., "Net foreign exchange gains from financing activities" HRK 4,623 thous., "Changes in fair value of forwards and interest rate swaps" HRK 10,651 thous. and "Change of value of financial assets" HRK 142 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 48,014 thous. and is presented in items "Financial income" (ADP 154; HRK 18,970 thous.) and "Financial costs" (ADP 165; HRK 66,984 thous.).**
TOTAL INCOME (ADP 125+154)	**177**		**2.074.210**	**2.074.210**	**0**	
TOTAL COSTS (ADP 131+165)	**178**		**1.707.737**	**1.707.737**	**0**	
PROFIT OR LOSS BEFORE TAX (ADP 177-178)	**179**		**366.473**	**366.473**	**0**	
INCOME TAX EXPENSE	**182**		**-10.533**	**-10.533**	**0**	
PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	**184**		**377.006**	**377.006**	**0**	

Summary of adjustments of GFI-POD cash flow statement and unconsolidated cash flow statement from Audited report for 2020 / COMPANY

in thousands of HRK

GFI-POD CASH FLOW STATEMENT for the period from 1 January 2020 to 31 December 2020	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
A) NET CASH FLOW FROM OPERATING ACTIVITIES	**020**		**-37.501**	**-37.501**	**0**	**GFI-POD item "Net cash flow from operating activities" (ADP 020; HRK -37,501 thous.) is in Audited report presented in items "Net cash inflow from operating activities" in comparable amount of HRK -9,566 thous. and item "Interest paid" (Net cash inflow from financing activities) in the amount of HRK -27,935 thous.**
B) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	**034**		**-419.436**	**-419.436**	**0**	**GFI-POD item "Net cash outflow from investment activities" (ADP 034; HRK -419,436 thous.) is in Audited report presented in item "Net cash outflow from investment activities" in comparable amount of HRK -419,436 thous.**
C) NET CASH FLOW FROM FINANCIAL ACTIVITIES	**046**		**732.061**	**732.061**	**0**	**GFI-POD item "Net cash flow from financing activities" (ADP 046; HRK 732,061 thous.) is in Audited report presented in item "Net cash inflow from financing activities" in comparable amount of HRK 704,126 thous. increased for the item "Interest paid" in the amount of HRK 27,935 thous.**
D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046)	**048**		**275.124**	**275.124**	**0**	
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**049**		**247.849**	**247.849**	**0**	
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)	**050**		**522.973**	**522.973**	**0**	

Summary of adjustments of GFI-POD cash flow statement and unconsolidated cash flow statement from Audited report for 2019 / COMPANY

in thousands of HRK

GFI-POD CASH FLOW STATEMENT for the period from 1 January 2019 to 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
A) NET CASH FLOW FROM OPERATING ACTIVITIES	**020**		**691.141**	**691.141**	**0**	**GFI-POD item "Net cash flow from operating activities" (ADP 020; HRK 691,141 thous.) is in Audited report presented in items "Net cash inflow from operating activities" in comparable amount of HRK 740,731 thous. and item "Interest paid" (Net cash inflow from financing activities) in the amount of HRK -49,590 thous.**
B) NET INCREASE OF CASH FLOW FROM INVESTMENT ACTIVITIES	**034**		**-660.037**	**-660.037**	**0**	**GFI-POD item "Net cash outflow from investment activities" (ADP 034; HRK -660,037 thous.) is in Audited report presented in item "Net cash outflow from investment activities" in comparable amount of HRK -660,037 thous.**
C) NET CASH FLOW FROM FINANCIAL ACTIVITIES	**046**		**48.212**	**48.212**	**0**	**GFI-POD item "Net cash flow from financing activities" (ADP 046; HRK 48,212 thous.) is in Audited report presented in item "Net cash inflow from financing activities" in comparable amount of HRK -1,378 thous. increased for the item "Interest paid" in the amount of HRK 49,590 thous.**
D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046)	**048**		**79.316**	**79.316**	**0**	
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**049**		**168.533**	**168.533**	**0**	
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)	**050**		**247.849**	**247.849**	**0**	

Summary of adjustments of GFI-POD statement of changes in equity and unconsolidated statement of changes in shareholder's equity from Audited report for 2020 / COMPANY

in thousands of HRK

GFI-POD STATEMENT OF CHANGES IN EQUITY for the period from 1 January 2020 to 31 December 2020	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	**067**	**27+28**	**2.385.224**	**2.385.224**	**0**	**GFI-POD item "Capital and reserves" (ADP 067; HRK 2,385,224 thous.) is in Audited report presented in items "Share capital" (Note 27 in comparable amount of HRK 1,672,021 thous.), "Treasury shares" (Note 27 comparable amount of HRK -124,418 thous.), "Capital reserves" (Note 28 in comparable amount of HRK 5,711 thous.), "Fair value reserves" (Note 28 in comparable amount of HRK 1 thous.), "Legal reserves" (Note 28 in comparable amount of HRK 83,601 thous.), "Other reserves" (Note 28 in comparable amount of HRK 176,476 thous.) and "Retained earnings" (Note 28 in comparable amount of HRK 571,832 thous.). Comment: To be fully compliant, the following items should be viewed as follows: the "Other reserves" item of Audited report (Note 28; HRK 176,475 thous.) matches the GFI POD item "Reserves for own shares" (ADP 072; HRK 136,815 thous.) and part of GFI POD item "Retained earnings" (ADP 081; HRK 37,410 thous.) and GFI POD items "Other reserves" (ADP 075 HRK 2,250 thous.). The "Retained earnings" item of Audited report (Note 28; HRK 571,834 thous.) matches the sum of GFI POD items "Profit for the financial year" (ADP 084; HRK -308,550 thous.) and part of "Retained earnings" (ADP 081; HRK 880,384 thous.).**

Summary of adjustments of GFI-POD statement of changes in equity and unconsolidated statement of changes in shareholder's equity from Audited report for 2019 / COMPANY

in thousands of HRK

GFI-POD STATEMENT OF CHANGES IN EQUITY for the period from 1 January 2019 to 31 December 2019	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
CAPITAL AND RESERVES (ADP 068 to 070+076+077+081+084+087)	**067**	**27+28**	**2.690.444**	**2.690.444**	**0**	**GFI-POD item "Capital and reserves" (ADP 067; HRK 2,690,444 thous.) is in Audited report presented in items "Share capital" (Note 27 in comparable amount of HRK 1,672,021 thous.), "Treasury shares" (Note 27 comparable amount of HRK -124,418 thous.), "Capital reserves" (Note 28 in comparable amount of HRK 5,711 thous.), "Fair value reserves" (Note 28 in comparable amount of HRK 61thous.), "Legal reserves" (Note 28 in comparable amount of HRK 83,601 thous.), "Other reserves" (Note 28 in comparable amount of HRK 175,334 thous.) and "Retained earnings" (Note 28 in comparable amount of HRK 878,134 thous.). Comment: To be fully compliant, the following items should be viewed as follows: the "Other reserves" item of Audited report (Note 28; HRK 175,334 thous.) matches the GFI POD item "Reserves for own shares" (ADP 072; HRK 136,815 thous.) and part of GFI POD item "Retained earnings" (ADP 081; HRK 38,519 thous.). The "Retained earnings" item of Audited report (Note 28; HRK 878,134 thous.) matches the sum of GFI POD items "Profit for the financial year" (ADP 084; HRK 377,007 thous.) and part of "Retained earnings" (ADP 081; HRK 501,127 thous.).**

MANAGEMENT BOARD'S DECISION ON ESTABLISHING THE ANNUAL FINANCIAL STATEMENTS

Valamar Riviera d.d.
MANAGEMENT BOARD

Number: 15-2/21
Poreč, 18 February 2021

Pursuant to Articles 250a, 250b, 300a and 300b of the Companies Act, Articles 462 and 463 of the Capital Market Act, Articles 3 and 4 of the Content and structure of the Issuer's annual report and form and manner of delivering it to the Croatian Financial Services Supervisory Agency Regulation and Articles 19, 20, 21 and 24 of the Accounting Act, at its meeting held on 18 February 2021, the Management Board of Valamar Riviera d.d. from Poreč, 1 Stancija Kaligari (hereinafter: Valamar Riviera d.d. or the Company) rendered the following

DECISION

I

The Annual Report of Valamar Riviera d.d. is hereby determined as stated in the text of the enclosed "2020 ANNUAL REPORT".

II

The audited non-consolidated and consolidated Annual financial statements for the year 2020 are hereby determined, and consist of the following: Statement of Financial Position (Balance Sheet), Income Statement, Statement of Other Comprehensive Income, Statement of Cash Flow, Statement of Changes in Equity and Notes to Financial Statements, as stated in the text that is an integral part of the Report from point I of this decision.

III

It is hereby determined that the Auditor, Ernst & Young d.o.o. from Zagreb, 50 Radnička cesta and UHY RUDAN d.o.o. za porezno savjetovanje i reviziiu from Zagreb, 213 Ilica, OIB 71799539000 produced the Auditor's report for 2020, as stated in the text that is an integral part of the Report from point I of this decision.

IV

The Management Report on the Company's status for the period from 01/01/2020 to 31/12/2020 is hereby determined, as stated in the text that is an integral part of the Report from point I of this decision.

V

The proposed decision to coverage the Company's realized loss in 2020 totaling HRK 308,549,679.36 from the Company's retained profits achieved in previous years is hereby determined.

VI

Pursuant to Article 300b of the Companies Act:

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

VII

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

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

VIII

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

For the attention of:

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

Željko Kukurin
Management Board President

VALAMAR
VALAMAR RIVIERA D.D.
POREČ (4)

SUPERVISORY BOARD'S DECISION ON APPROVING THE ANNUAL FINANCIAL STATEMENTS

Valamar Riviera d.d.
SUPERVISORY BOARD
Number: 16-2/21
Poreč, 25/2/2021

Pursuant to Article 300d, and Article 300c of the Companies Act and Management Board Decision no. 15-2/21 dated 18/02/2021, at its meeting held on 25 February 2021, the Supervisory Board of Valamar Riviera d.d. from Poreč rendered the following

DECISION

I
The Supervisory Board hereby approves the 2020 ANNUAL REPORT of Valamar Riviera d.d. that also includes the following:

1. Annual Financial Statements for the Year 2020, non-consolidated and consolidated, consisting of the Statement of Financial Position (Balance Sheet), Income Statement, Statement of Other Comprehensive Income, Statement of Cash Flow, Statement of Changes in Equity and Notes to Financial Statements
2. Report on the performed audit by Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. za porezno savjetovanje i reviziju from Zagreb
3. Annual Management Report on the Company's status / Management Report

II
Pursuant to Article 300d of the Companies Act, by granting approval as stated in point I of this Decision, the 2020 Annual Financial Statements of Valamar Riviera d. d. from Poreč are considered to be approved both by the Management Board and by the Supervisory Board.

Gustav Wurmböck
Supervisory Board Chairman

VALAMAR
VALAMAR RIVIERA D.D.
POREČ (4)

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

Valamar Riviera d.d.
SUPERVISORY BOARD
Number: 16-4/21
Poreč, 25/2/2021
Pursuant to the provision of Article 263, paragraph 3 and Article 300c, paragraph 3 of the Companies Act, at its meeting held on 25 February 2021, the Supervisory Board of Valamar Riviera d.d. from Poreč, determines and submits following

REPORT TO THE GENERAL ASSEMBLY OF VALAMAR RIVIERA D.D. FROM POREČ ON THE PERFORMED SUPERVISION OF THE COMPANY'S BUSINESS MANAGEMENT IN 2020

I

In the course of the year 2020 (i.e. reporting period), the Supervisory Board consisted of: Gustav Wurmböck, Chairman, Franz Lanschützer and Mladen Markoč, Deputy Chairmen, and Members: Georg Eltz, Hans Dominik Turnovszky, Vicko Ferić and Valter Knapić. Apart from the Supervisory Board, the Supervisory Board members formed the following three committees:

- The Presidium of the Supervisory Board, consisting of: Gustav Wurmböck, Chairman and SB Deputy Chairmen Franz Lanschützer and Mladen Markoč. Within its scope, the Presidium of the Supervisory Board is the Nomination Committee and Remuneration Committee in accordance with the relevant corporate governance regulations and recommendations/standards;

- Audit Committee, consisting of: Georg Eltz, Chairman and Members Franz Lanschützer, Mladen Markoč, Vicko Ferić, Gustav Wurmböck and Hans Dominik Turnovszky.

- Investment Committee, consisting of: Franz Lanschützer, Chairman and Members Georg Eltz, Vicko Ferić, Hans Dominik Turnovszky and Gustav Wurmböck.

II

During 2020, the Supervisory Board held thirteen (13) meetings out of which eight (8) were held via correspondence, all pursuant to the Company's Statute and Supervisory Board's Rules of procedures. At said meetings, the Supervisory Board discussed numerous issues related to the Company's business and supervised the management of the Company's business. All Supervisory Board members participated in the work of the Supervisory Board at twelve meetings, out of which eight were held via electronic communication, while members Mr. Mladen Markoč, Mr. Georg Eltz and Mr. Vicko Ferić did not attend only one meeting, so the meeting was duly held with four members.

The Supervisory Board committees: Presidium, Audit Committee and Investment Committee held nineteen (19) meetings in 2020: thirteen (13) Presidium meetings, five (5) Audit Committee meetings and one (1) Investment Committee meeting. All members participated in the work of the Presidium at ten meetings, while member Mr. Mladen Markoč did not attend three meetings. Pursuant to the rules of the Company, Mr. Mladen Markoč authorized Mr. Franz Lanschützer to participate at the discussion on his behalf on all topics of the meetings and to propose conclusions and eventual decisions to the Supervisory Board for adoption. All members participated in the work of the Audit Committee at four meetings, while Mr. Vicko Ferić did not attend one meeting. All members participated in the work of the Investment Committee.

III

In the course of 2020, the Supervisory Board regularly received written reports on business operations, as well as other reports, proposals and decisions by the Management Board. The Supervisory Board examined and rendered its decisions pertaining to the said reports, proposals and decisions pursuant to regulations, provisions of the Company's Statute and other Company rules. Due to the crisis caused by the corona virus pandemic (COVID 19), business operations in 2020 were marked by difficulty, uncertainty and disorder. This situation conditioned the particular attention of Supervisory Board members in supervising and striving to find activities and measures to maintain business continuity in extraordinary conditions with the primary focus on preserving employment. Furthermore, the Supervisory Board particularly focused on maintaining the Company's liquidity and solvency through solidarity exercised by all participants (suppliers, customers, contractors, shareholders, Management Board, Supervisory Board members and employees).

Together with the Management Board, responsible persons and experts of the Company, the Supervisory Board Presidium regularly discussed all materials and proposed decisions which were then subject to decision-making by the Supervisory Board, all for timely preparation and more efficient functioning of the Supervisory Board. Members of the Presidium have previously considered conditions for concluding legal transactions from the scope of Company's business activity and on the disposal of real estate, as well as approving conditions for concluding legal transactions' addendums because of fair changes due to changed circumstances, including legal transactions related to loans and other relations with banks. In addition, business plans and business reports as well as information on business suspension flow, business of each property and Company in total were considered. In 2020, members of the Presidium particularly focused on tracking, previous considerations and analysis of activities and measures, which were brought and carried out by the Management Board and Risk Management Committee due to the Company's changed business circumstances caused by the corona virus pandemic (COVID 19). For this reason, members of the Presidium continuously monitored and supervised implementation of the business relation policies in sales and purchase, including investments, payment policies, lease policies and bank relations during the pandemic. Furthermore, they monitored and supervised the implementation of the "Pause Restart program" for employees as well as the implementation of other policies and plans (product's changes, safety – H&S protocols) which were directed toward the Company's preparations and business operation in new circumstances.

Members of the Audit Committee considered, proposed and took positions according function determined by relevant regulations and Company acts at meetings. Thus, the Audit Committee considered the plan and implementation of internal audit work, submitted internal audit reports, both implemented in accordance with the annual plan, and those carried out extraordinarily. In addition, the Committee reviewed the submitted comments and audit initiatives, as well as information on open communication channels for comments and objections. Furthermore, the Board considered the audited financial statements of the Company, made a recommendation to the Supervisory Board on the selection of auditors, considered the provision of non-audit services by appointed auditors of financial statements and performed all other activities in accordance with relevant regulations and internal acts with the work of an auditor of financial statements.

At the session of the Investment Committee, its members as well as Management Board members, responsible persons and experts of the Company, discussed the state of realization of previously approved investments, the need to revise the Capex plan for 2020 due to the corona virus pandemic (COVID 19), especially in relation to the need to temporarily suspend certain major investments such as Pinea (ex Pical hotel) as well as the proposal of the Capex plan for 2021.

IV

Pursuant to its obligations, the Supervisory Board performed the supervision through meetings, committees and through documents and detailed information submitted by the Management Board in the course of 2020 and therefore

e s t a b l i s h e d

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

V

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

1) 2020 ANNUAL REPORT of Valamar Riviera d.d. that also includes the following:

- Annual Financial Statements for 2020, non-consolidated and consolidated, consisting of the Statement of Financial Position (Balance Sheet), Income Statement, Statement of Other Comprehensive Income, Statement of Cash Flow, Statement of Changes in Equity and Notes to Financial Statements;
- Report on the performed audit by Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. from Zagreb;
- Annual Management Report on the Company's status / Management Report;

2) Proposal regarding the loss coverage

3) Report on Related Party Transactions in 2020 and Auditor's Examination Report.

At its meeting in the presence of the Auditor, Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. from Zagreb, the Audit Committee, followed by the Supervisory Board, examined the submitted annual financial statements for 2020 and established that they reflected the business records of the Company and rendered a veritable presentation of the position of the Company in terms of business and assets, and therefore had no objections to them.

Pursuant to the previously submitted opinion by the Audit Committee, the Supervisory Board has no objection to the Auditor's report on the performed audit. Furthermore, the Supervisory Board has no objections to the Annual Management Report on the Company's Status.
The Supervisory Board also has no objection after examining the submitted Management Board Report on Related Party Transactions with the Auditor's examination report.

VI

Besides the examination of the documents specified in the previous point, pursuant to the Company's Statute, the Supervisory Board supervised the management of the Company's business by previously considering the Management Board proposals that required the Supervisory Board's approval. In that part, the Supervisory Board paid particular attention to approving the conditions for concluding legal transactions from the scope of Company's business activity and on disposal of real estate, as well as approving conditions for concluding legal transactions' addendums because of fair changes due to changed circumstances, including fair changes of the legal transactions related to investments. Furthermore, the Supervisory Board particularly focused on the approval of each loan and regularly monitored the Company's financial status and cash flow.

Due to crisis caused by corona virus pandemic (COVID 19), business operations in 2020 were marked by difficulty, uncertainty and disorder. This situation conditioned the particular attention of the Supervisory Board members in supervising and striving to find activities and measures to maintain business continuity in extraordinary conditions. The Supervisory Board regularly received information and approved measures, which were brought and carried out by the Management Board and Risk Management Committee due to the Company's changed business circumstances. The Supervisory Board continuously tracked and supervised the implementation of the "Pause Restart program" for employees as well as the implementation of others policies and plans directed towards the Company's preparations and business operation in new circumstances.

In addition to the above mentioned, the Supervisory Board considered and approved the Revised Business Plan for 2020 and the Business Plan for 2021.

In the course of 2020, the Supervisory Board particularly monitored the Management Board in the management of hotel-tourism properties and amenities of the company Imperial Riviera d.d., Valamar Obertauern GmbH and Helios Faros d.d. in accordance with the previously concluded agreements in respect to the management of hotel-tourism properties and amenities of these companies, and that in changed circumstances due to the corona crisis.

The Supervisory Board also considered and approved and/or rendered Company's acts with the aim of harmonizing the Company's corporate governance with changes of relevant regulations and Corporate Governance Code, which were rendered by the Zagreb Stock Exchange d.d. and Croatian Financial Services Supervisory Agency.

Furthermore, in the course of 2020, the Supervisory Board determined the Remuneration Policy for the period of four years, approved by the General Assembly. The Presidium of the Supervisory Board as committee of Supervisory Board in which scope of business are fees and remuneration supervises the implementation of Remuneration Policy. According to relevant regulations, together with the Management Board, the Supervisory Board determined Remuneration report of Management and Supervisory Board members for 2020 submitted to the General Assembly for approval.

Finally, the Supervisory Board independently evaluates its effectiveness and composition, as well as the effectiveness and composition of its committees/boards and the individual results of its members. The evaluation was led by the Chairman of the Supervisory Board through a transparent discussion with all members of the Supervisory Board at the meeting held on February 25, 2021, within the agenda item at which this Report was determined. In doing so, the Supervisory Board concluded that it effectively supervises the conduct of the Company's business. He also concluded that the committees of the Supervisory Board effectively prepare proposals and recommendations to the Supervisory Board and these preparations, i.e. previous discussions and deliberations with the Management Board, responsible persons and experts in the Company contribute to the Supervisory Board's effectiveness in supervising the Company's business. The Supervisory Board also concluded that the members of the Supervisory Board and the members of the committees use their education, knowledge and experience to the greatest extent possible in order to ensure the best possible and better results of the Supervisory Board's work. In this sense, there is no need for improvements in the profile of the Supervisory Board or for changes in its overall size and composition, and no need for improvements in the functioning and preparation of meetings have been detected.

The Supervisory board also assessed efficiency of collaboration between the Supervisory board and Management board and concluded that mutual collaboration is good, that the Management board and persons in charge of the Company provide the members of the Supervisory board with appropriate support in performing their functions, that the Management board regularly and appropriately provides the Supervisory board and its committees with information, proposals, reports and other materials related to business operations of the Company according to relevant regulations and internal acts of the Company, ensuring the supervision of the Supervisory board regarding the management of the Company´s businesses.

The Supervisory board shall perform such assessments from now on, at least once a year, generally while considering the audited annual financial report for the previous year.

VII

Pursuant to the above mentioned, and according to the comprehensive insight gained through the supervision of the Company's business management and information received during the course of work of the Supervisory Board and its committees in the period from 1 January to 31 December 2020, and the conducted examinations from point V of this Report, at its meeting held on 25 February 2021, the Supervisory Board

A)

approved the following

1) 2020 ANNUAL REPORT of Valamar Riviera d.d. that also includes the following:

- Annual Financial Statements for the Year 2020, non-consolidated and consolidated, consisting of the Statement of Financial Position (Balance Sheet), Income Statement, Statement of Other Comprehensive Income, Statement of Cash Flow, Statement of Changes in Equity and Notes to Financial Statements;
- Report on the performed audit by Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. from Zagreb;
- Annual Management Report on the Company's status / Management Report,

2) Proposal regarding the loss coverage,

and hereby, according to Article 300d of the Companies Act, the Annual Financial Statements of Valamar Riviera d. d. from Poreč for 2020 are considered to be approved both by the Management Board and by the Supervisory Board.

B)

has no objection to

the Management Board statement given in the Report on Related Party Transactions in 2020 pursuant to the provisions of Article 497, paragraph 3 of the Companies Act

and

a g r e e s w i t h

the Auditor's examination by Ernst & Young d.o.o. of the Management Board Report on Related Party Transactions in 2020.

Gustav Wurmböck
Supervisory Board Chairman

VALAMAR RIVIERA D.D.
POREČ (4)

SUPERVISORY BOARD'S DECISION ON ALLOCATION OF LOSS

Valamar Riviera d.d.
SUPERVISORY BOARD
Number: 16-5/21
Poreč, 25/2/2021

Pursuant to Article 300d, and Article 300c of the Companies Act and the Management Board Decision no. 15-2/21 dated 18/02/2021, at its meeting held on 25 February 2021, the Supervisory Board of Valamar Riviera d.d. from Poreč rendered the following

DECISION

I
The proposed decision to coverage the Company's realized loss in 2020 totaling HRK 308,549,679.36 from the Company's retained profit achieved in previous years is hereby determined.

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

Gustav Wurmböck
Supervisory Board Chairman

VALAMAR
VALAMAR RIVIERA D.D.
POREČ (4)

Annual Financial Statements including the independent Auditors' Report for the year ended on 31 December 2020

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

CONTENT

Responsibility for the financial statements	108
Independent Auditors’ Report to the shareholders of Valamar Riviera d.d., Poreč	109 - 113
Statement of comprehensive income	114
Statement of financial position	115 – 117
Statement of changes in shareholder’s equity	118 – 119
Statement of cash flows	120
Notes (form an integral part of the financial statements)	121 – 203

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

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

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

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

Signed by the Management Board on 18 February 2021:

Željko Kukurin
President of the Management Board

Marko Čižmek
Member of the Management Board

VALAMAR
VALAMAR RIVIERA D.D.
POREČ (4)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF VALAMAR RIVIERA D.D.

REPORT ON THE AUDIT OF THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of Valamar Riviera d.d. (the Company), and consolidated financial statements of Valamar Riviera d.d. and it's subsidiaries (together- the Group), which comprise the separate and consolidated statement of financial position as at 31 December 2020, the separate and consolidated statement of comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and Group as at 31 December 2020 and of its separate and consolidated financial performance and its separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (IFRS as adopted by the EU).

Basis for opinion

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

We are independent of the Company and the Group in accordance with the International Ethics Standards Board of Accountants'(IESBA) International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

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

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

INDEPENDENT AUDITORS' REPORT

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

KEY AUDIT MATTER

Impairment of the tourism property

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

The carrying amount of property, plant and equipment of the Company as at 31 December 2020 was HRK 4,276,132 thousand (Group: HRK 5,647,311 thousand) and it represented approximately 72% and 82% of the total assets of the Company and the Group, respectively. Property, plant and equipment mostly consists of tourism properties and related assets and is included in the separate and consolidated statements of financial position at historical cost less accumulated depreciation and impairment, where required. Assets that are depreciated are examined for a potential impairment when events or changed circumstances indicate that the book value may not be recoverable.

The estimation process is complex and highly subjective and is based on the assumptions. Due to the above factors and significant impact of COVID 19 on sales revenue generated by the tourism properties, impairment of tourism properties was determined as a key audit matter.

HOW WE ADDRESSED THE KEY AUDIT MATTER

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

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

For the cash generating units, where impairment indicators were identified by the Company and the Group, we were provided with the future cash flow forecasts. We evaluated these forecasts and process by which they were prepared.

We compared the prior years actual results with the figures included in the forecasts to evaluate assumptions used. We assessed managements key assumptions on recovery from COVID 19 pandemic. We also compared management's key assumptions for long-term growth rate by comparing it to historical growth results and market data.

We performed audit procedures on the mathematical integrity of the impairment models, sensitivity analysis and tested the appropriateness of discount rates used in the calculation with the assistance of the specialists.

Additionally, for the assets whose value in use was lower than their carrying value the Company and the Group provided us with internal assessments of the market value or reports from the external valuers. We have reviewed the valuation reports and we have tested, on the sample basis, the correctness of the input data.

In addition, we involved valuation specialists and used external data in assessing and corroborating the assumptions used in the valuation reports.

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

INDEPENDENT AUDITORS' REPORT

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

Other information included in the Company's and the Group's Annual Report for year 2020

Management is responsible for the other information. Other information consists of the information included in the Annual Report which includes the Management report and Corporate Governance Statement, other than the separate and consolidated financial statements and our auditor's report thereon. Our opinion on the separate and consolidated financial statements does not cover the Other information including the Management report and Corporate Governance Statement.

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

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

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

1. the information given in the enclosed Management report for the 2020 financial year are consistent, in all material respects, with the enclosed separate and consolidated financial statements;
2. the enclosed Management report for 2020 financial year is prepared in accordance with requirements of Article 21 of the Accounting Act;
3. Corporate Governance Statement, included in the Company's and the Group's annual report, includes the information referred to in Article 22., paragraph 1., items 2, 5, 6 and 7 of the Accounting Act; and
4. elements of Corporate Governance Statement containing the information referred to in Article 22, paragraph 1, items 3 and 4 of the Accounting Act, included in the Group's and the Company's annual report for the year 2020 are prepared in accordance with requirements of the Accounting Act and are consistent, in all material respects, with the enclosed separate and consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

Ernst and Young d.o.o. was initially appointed as auditors of the Company on 4 May 2017. This appointment has been renewed annually by shareholder resolution, with the most recent reappointment on 24 September 2020, representing a total period of uninterrupted engagement appointment of four years.

UHY RUDAN d.o.o. was initially appointed as auditors of the Company on 9 May 2019. This appointment has been renewed annually by shareholder resolution, with the most recent reappointment on 24 September 2020, representing a total period of uninterrupted engagement appointment of two years.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 19 February 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

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

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

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

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

Berislav Horvat,	**Dragan Rudan,**	**Vedrana Miletić,**
President of the Board and Certified auditor	Director	Certified auditor

25 February 2021

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

25 February 2021

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

CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020		GROUP		COMPANY	
(all amounts in thousands of HRK)	**Note**	**2019**	**2020**	**2019**	**2020**
Sales revenue	5	2,139,320	642,479	1,874,496	546,962
Other income	6	25,604	28,355	19,431	19,677
Cost of materials and services	7	(609,248)	(254,644)	(540,847)	(223,981)
Staff costs	8	(681,902)	(227,051)	(594,133)	(194,267)
Depreciation and amortisation	14,15,16,30	(474,514)	(496,444)	(380,124)	(391,987)
Other operating expenses	9	(148,161)	(92,236)	(125,649)	(80,020)
Other gains/(losses) – net	10	42,755	4,777	161,314	5,180
Operating profit/(loss)		**293,854**	**(394,764)**	**414,488**	**(318,436)**
Finance result – net	11	**(61,858)**	**(104,641)**	**(48,014)**	**(95,096)**
Share of net profit/(loss) of associate	18	**476**	**(1,644)**	**-**	**-**
Profit/(loss) before tax		**232,472**	**(501,049)**	**366,474**	**(413,532)**
Income tax	12	73,380	142,243	10,533	104,982
Profit/(loss) for the year		**305,852**	**(358,806)**	**377,007**	**(308,550)**
Other comprehensive income					
Items that cannot be reclassified to P&L account					
Change in financial assets value	20	(1,061)	(74)	(1,061)	(74)
Tax on other comprehensive income		217	14	217	14
Total comprehensive income for the year		**305,008**	**(358,866)**	**376,163**	**(308,610)**
Profit/(loss) attributable to:					
Owners of the Parent Company		284,536	(329,594)	-	-
Non-controlling interests	33	21,316	(29,212)	-	-
		305,852	**(358,806)**	-	-
Total comprehensive income attributable to:					
Owners of the Parent Company		283,692	(329,654)	-	-
Non-controlling interests	33	21,316	(29,212)	-	-
		305,008	**(358,866)**	-	-
Earnings per share (in HRK) attributable to equity holders of the Group during the year:					
- basic and diluted	13	**2.32**	**-2.70**	-	-

These financial statements were approved by the Management Board of the Company on 18 February 2021.

Management Board President:
Željko Kukurin

Management Board Member:
Marko Čižmek

VALAMAR
VALAMAR RIVIERA D.D.
POREČ (4)

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

CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

		GROUP		COMPANY	
		31 December		31 December	
(all amounts in thousands of HRK)	**Note**	**2019**	**2020**	**2019**	**2020**
ASSETS					
Non-current assets					
Property, plant and equipment	14	5,536,230	5,647,311	4,224,948	4,276,132
Investment property	15	6,449	3,942	6,449	3,942
Right-of-use assets	30	15,524	11,664	15,839	12,446
Intangible assets	16	56,189	46,400	54,104	42,275
Investment in subsidiaries	17	-	-	727,328	727,328
Investment in associate	18	47,668	46,024	47,192	47,192
Deferred tax assets	25	193,832	331,410	110,359	214,471
Financial assets	20	391	317	335	261
Loans and deposits	21	113	89	113	89
		5,856,396	6,087,157	5,186,667	5,324,136
Current assets					
Inventories	22	25,825	30,336	22,385	27,296
Trade and other receivables	23	57,852	94,811	46,340	79,088
Income tax receivable		4,258	733	-	-
Loans and deposits	21	688	613	531	578
Derivative financial instruments	24	140	-	140	-
Cash and cash equivalents	26	550,143	665,933	247,849	522,974
		638,906	792,426	317,245	629,936
Total assets		**6,495,302**	**6,879,583**	**5,503,912**	**5,954,072**

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

CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION / CONTINUED

		GROUP		COMPANY	
		31 December		31 December	
(all amounts in thousands of HRK)	**Note**	**2019**	**2020**	**2019**	**2020**
EQUITY AND LIABILITIES					
Share capital	27	1,672,021	1,672,021	1,672,021	1,672,021
Treasury shares	27	(124,418)	(124,418)	(124,418)	(124,418)
Capital reserves	28	5,224	5,224	5,711	5,711
Fair value reserves	28	61	1	61	1
Legal reserves	28	83,601	83,601	83,601	83,601
Other reserves	28	160,851	161,993	175,334	176,476
Retained earnings	28	690,708	363,625	878,134	571,832
		2,488,048	2,162,047	2,690,444	2,385,224
Non-controlling interest	33	731,022	701,810	-	-
Total equity		**3,219,070**	**2,863,857**	**2,690,444**	**2,385,224**
LIABILITIES					
Non-current liabilities					
Borrowings	29	2,446,315	2,770,276	2,146,747	2,474,586
Lease liabilities	30	8,189	6,926	8,770	7,391
Trade and other payables	31	58,671	57,609	56,453	55,656
Liabilities for investments in associate		18,294	-	18,294	-
Derivative financial instruments	24	11,023	11,602	11,023	11,602
Deferred tax liabilities	25	63,046	58,292	14,191	13,307
Provisions	32	66,858	103,764	42,638	75,561
		2,672,396	3,008,468	2,298,116	2,638,103

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

CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION / CONTINUED

		GROUP		COMPANY	
		31 December		31 December	
(all amounts in thousands of HRK)	**Note**	**2019**	**2020**	**2019**	**2020**
Current liabilities					
Borrowings	29	288,017	553,357	257,433	508,958
Non-current part of borrowings - waivers after balance sheet date	29	-	185,009	-	185,009
Lease liabilities	30	3,817	2,243	3,589	2,582
Trade and other payables	31	284,707	241,390	230,578	209,237
Liabilities for investments in associate	37	-	13,994	-	13,994
Derivative financial instruments	24	6,025	5,380	6,025	5,380
Income tax liability		3	1	-	-
Provisions	32	21,267	5,884	17,727	5,585
		603,836	1,007,258	515,352	930,745
Total liabilities		**3,276,232**	**4,015,726**	**2,813,468**	**3,568,848**
Total equity and liabilities		**6,495,302**	**6,879,583**	**5,503,912**	**5,954,072**

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

GROUP FOR THE YEAR ENDED 31 DECEMBER 2020

(in thousands of HRK)	Note	Share capital	Treasury shares	Capital reserves	Legal reserves	Fair value reserves	Other reserves	Retained earnings	Total	Non-controlling interests	Total
Balance as at 1 January 2019		**1,672,021**	**(86,118)**	**4,817**	**83,601**	**905**	**120,851**	**560,463**	**2,356,539**	**401,993**	**2,758,532**
Profit for the year		-	-	-	-	-	-	284,536	284,536	21,316	**305,852**
Other comprehensive loss	28	-	-	-	-	(844)	-	-	(844)	-	**(844)**
Total comprehensive income		**-**	**-**	**-**	**-**	**(844)**	**-**	**284,536**	**283,692**	**21,316**	**305,008**
Transfer to treasury shares reserve	28	-	-	-	-	-	40,000	(40,000)	-	-	**-**
Treasury shares released	27	-	1,097	407	-	-	-	-	1,504	-	**1,504**
Treasury shares purchased	27	-	(39,396)	-	-	-	-	-	(39,396)	-	**(39,396)**
Dividends	28	-	-	-	-	-	-	(122,587)	(122,587)	(7,704)	**(130,291)**
Change in non-controlling interest		-	-	-	-	-	-	8,296	8,296	315,417	**323,713**
Total contributions by and distributions to company owners, recognised directly in equity		**-**	**(38,299)**	**407**	**-**	**-**	**40,000**	**(154,291)**	**(152,183)**	**307,713**	**155,530**
Balance at 31 December 2019		**1,672,021**	**(124,418)**	**5,224**	**83,601**	**61**	**160,851**	**690,708**	**2,488,048**	**731,022**	**3,219,070**
Loss for the year		-	-	-	-	-	-	(329,594)	(329,594)	(29,212)	**(358,806)**
Other comprehensive loss	28	-	-	-	-	(60)	-	-	(60)	-	**(60)**
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**(60)**	**-**	**(329,594)**	**(329,654)**	**(29,212)**	**(358,866)**
Return of uncollected dividend	28	-	-	-	-	-	1,142	2,248	3,390	-	**3,390**
Exchange rate differences from foreign business		-	-	-	-	-	-	263	263	-	**263**
Total contributions by and distributions to company owners, recognised directly in equity		**-**	**-**	**-**	**-**	**-**	**1,142**	**2,511**	**3,653**	**-**	**3,653**
Balance at 31 December 2020		**1,672,021**	**(124,418)**	**5,224**	**83,601**	**1**	**161,993**	**363,625**	**2,162,047**	**701,810**	**2,863,857**

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

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2020

(in thousands of HRK)	Note	Share capital	Treasury shares	Capital reserves	Legal reserves	Fair value reserves	Other reserves	Retained earnings	Total
Balance as at 1 January 2019		**1,672,021**	**(86,119)**	**5,304**	**83,601**	**905**	**135,334**	**663,714**	**2,474,760**
Profit for the year		-	-	-	-	-	-	377,007	377,007
Other comprehensive loss	28	-	-	-	-	(844)	-	-	(844)
Total comprehensive income		**-**	**-**	**-**	**-**	**(844)**	**-**	**377,007**	**376,163**
Transfer to treasury shares reserve	28	-	-	-	-	-	40,000	(40,000)	-
Treasury shares released	27	-	1,097	407	-	-	-	-	1,504
Treasury shares acquired	27	-	(39,396)	-	-	-	-	-	(39,396)
Dividends	28	-	-	-	-	-	-	(122,587)	(122,587)
Total contributions by and distributions to company owners, recognised directly in equity		**-**	**(38,299)**	**407**	**-**	**-**	**40,000**	**(162,587)**	**(160,479)**
Balance at 31 December 2019		**1,672,021**	**(124,418)**	**5,711**	**83,601**	**61**	**175,334**	**878,134**	**2,690,444**
Loss for the year		**-**	**-**	**-**	**-**	**-**	-	(308,550)	(308,550)
Other comprehensive loss	28	**-**	**-**	**-**	**-**	(60)	-	-	(60)
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**(60)**	**-**	**(308,550)**	**(308,610)**
Return of uncollected dividend	28	**-**	-	-	-	-	1,142	2,248	3,390
Total contributions by and distributions to company owners, recognised directly in equity		**-**	**-**	**-**	**-**	**-**	**1,142**	**2,248**	**3,390**
Balance at 31 December 2020		**1,672,021**	**(124,418)**	**5,711**	**83,601**	**1**	**176,476**	**571,832**	**2,385,224**

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

CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020		GROUP		COMPANY	
(all amounts in thousands of HRK)	**Note**	**2019**	**2020**	**2019**	**2020**
Cash flow generated from operating activities					
Cash from operations	35	847,439	(6,678)	740,722	(9,566)
Income tax (paid)/received	12	(5,372)	3,492	9	-
Net cash outflow from operating activities		**842,067**	**(3,186)**	**740,731**	**(9,566)**
Cash flow from investment activities					
Purchase of property, plant and equipment	14	(934,354)	(585,331)	(734,794)	(421,191)
Purchase of intangible assets	16	(20,236)	(10,540)	(19,148)	(7,644)
Proceeds from disposal of property, plant and equipment		56,786	9,326	241,471	8,932
Acquisition of shares in subsidiaries	17	-	-	(111,127)	-
Investment in associate		(47,668)	-	(47,191)	-
Proceeds from disposal of financial assets		1,438	-	1,431	-
Loans granted		(10,771)	(225)	(60,958)	(212)
Loan repayments received		10,879	324	60,931	189
Dividend received		116	-	8,790	-
Interest received		383	496	558	490
Net cash outflow from investment activities		**(943,427)**	**(585,950)**	**(660,037)**	**(419,436)**
Cash flow from financing activities					
Dividend payment	28	(130,151)	-	(122,587)	-
Change of non-controlling interest		329,030	-	-	-
Purchase of treasury shares	28	(39,437)	-	(39,396)	-
Interest paid		(57,153)	(34,291)	(49,590)	(27,935)
Proceeds from borrowings		742,205	785,615	519,663	776,472
Repayments of borrowings		(450,553)	(46,111)	(304,740)	(43,659)
Payments for principal portion of lease liabilities	30	(4,280)	(3,676)	(4,728)	(4,142)
Return of uncollected dividend		-	3,390	-	3,390
Net cash inflow from financing activities		**389,661**	**704,927**	**(1,378)**	**704,126**
Net increase/(decrease) in cash and cash equivalents		**288,301**	**115,790**	**79,316**	**275,124**
Cash and cash equivalents at beginning of year		261,842	550,143	168,533	247,849
Cash and cash equivalents at year end	26	**550,143**	**665,933**	**247,849**	**522,973**

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

NOTE 1 – GENERAL INFORMATION

Valamar Riviera d.d., Poreč ("the Company") has been registered in accordance with Croatian laws and regulations. The Company is registered with the Commercial Court in Pazin. The principle activity of the Company is the provision of accommodation in hotels, resorts and campsites, food preparation and catering services as well as the preparation and serving of beverages. The registered office of Valamar Riviera d.d. is in Poreč, Stancija Kaligari 1.

Valamar Riviera Group consists of Valamar Riviera d.d., Poreč, joint-stock company for tourism services (the Parent Company) and its subsidiaries (the Group) as follows:

- Palme turizam d.o.o., Dubrovnik, 100% ownership
- Magične stijene d.o.o., Dubrovnik, 100% ownership
- Bugenvilia d.o.o., Dubrovnik, 100% ownership
- Imperial Riviera d.d., Rab, 43.68% ownership with the subsidiary Praona d.o.o. since 29 June 2019 (merger with Hoteli Makarska d.d.)
- Hoteli Makarska d.d., Makarska, 46.93% ownership with the subsidiary Praona d.o.o. until 28 June 2019 when it was merged with Imperial Riviera d.d.
- Valamar A GmbH, Tamsweg, 100% ownership
- Valamar Obertauern GmbH, Obertauern, 10% direct ownership and 90% indirect ownership (90% share owned by Valamar A GmbH).

The Company's shares were listed on 29 April 2019 on the Prime market of the Zagreb Stock Exchange d.d., until then they were listed on the Official market of the Zagreb Stock Exchange d.d. and were traded in 2020 in accordance with the relevant regulations on the organized market.

The merger of Hoteli Makarska d.d. and Imperial d.d. Rab was court registered on 28 June 2019. Imperial d.d. Rab changed its name to Imperial Riviera d.d. on the same date. After the merger Valamar Riviera d.d. was the holder of 529,121 (52.84%) shares of Imperial Riviera d.d. Pursuant to the Decision of Imperial Riviera's d.d. General Assembly from 29 October 2019, the share capital of Imperial Riviera d.d. was increased by HRK 426,088,157.32 from HRK 400,580,400 to HRK 826,668,557.32. The participants of the share capital increase are: Valamar Riviera d.d. with the total amount of HRK 106,068,022.13, and in the amount of HRK 296,020,087.51 Allianz ZB d.o.o. društvo za upravljanje obveznim i dobrovoljnim mirovinskim fondovima acting in its own name and on behalf of AZ Obvezni mirovinski fond kategorije A, personal identification number (OIB): 15220336427, AZ Obvezni mirovinski fond kategorije B, personal identification number (OIB): 59318506371, AZ Profit otvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 22134623145, AZ Benefit otvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 56427866267, AZ Treći Horizont zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 42239479988, AZ VIP zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 64811569641, AZ Dalekovod zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 49118401443, AZ HKZP zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 25137661054, AZ Zagreb zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 01774504225, Auto Hrvatska zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 24189818978 and AZ ZABA zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 11641097984 (hereinafter: AZ). Upon the completion of the share capital increase, Valamar Riviera d.d. is the holder of 650,604 (43.68%) shares, while AZ holds 718,779 (48.25%) shares of Imperial Riviera d.d.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

2.2 Consolidation

(a) Subsidiaries

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

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

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

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

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

(c) Joint ventures

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

(d) Associates

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

The Group's shares at the associate are presented using the equity method. Under this method, share in an associate is initially recognized by cost and subsequently adjusted by changes related to acquisition of share in net assets of the associate.

On acquisition, any difference between acquisition cost and the investor's share in net fair value of assets and liabilities is calculates as follows:

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

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

2.2.1 Subsidiaries in separate financial statements

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

2.3 Merger of entities and transactions with companies under common control

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

2.4 Segment reporting

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

2.5 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances in foreign currency

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

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

2.6 Property, plant and equipment

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

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

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

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

/i/ except as stated in Note 4

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

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

2.7 Intangible assets

(a) Goodwill

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

(b) Software

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

2.8 Impairment of non-financial assets

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

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

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

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

2.9 Non-current assets classified as held for sale

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

2.10 Investment property

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

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

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

2.11 Financial assets

2.11.1 Classification

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

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

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

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

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

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for the financial assets measured at amortised cost.

The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

2.11 Financial assets / CONTINUED

2.11.1 Classification / CONTINUED

(c) Financial assets at amortised cost

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

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

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

2.11.2 Measurement and recognition

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company committed to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

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

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

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

2.11.3 Impairment of financial assets

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

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

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Financial assets are written off when there is no reasonable expectation of recovery.

2.12 Derivative financial instruments

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

2.13 Leases

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

The Company and the Group as lessees

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

(i) Right-of-use assets

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

(ii) Lease liabilities

At the beginning of the lease period, the Company and the Group recognize lease liability, measured at the present value of future lease payments over the period. The lease payments include fixed payments, variable lease payments that depend on the index or rate, and the amount expected to be paid under the residual value guarantee, if any. If included in the contract, lease payments also include the purchase price for which it is reasonably certain that the Company and the Group will use, and the payment of penalties for termination of the lease, if it is reasonably certain that the Company and the Group will exercise the option of terminating the lease. Variable lease payments that do not depend on an index or rate are recognised as expenses in the period in which they are incurred.

In calculating the present value of lease payments, the Company and the Group use their incremental borrowing rate at the lease's commencement if the lease interest rate is not easily determined. The carrying amount of lease liabilities is remeasured if a change in the lease term occurs.

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

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

The Company and the Group as lessors

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

2.14 Inventories

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

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

2.15 Trade receivables

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

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

2.16 Loans and deposits

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

2.17 Cash and cash equivalents

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

2.18 Share capital

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

2.19 Borrowings

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

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

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

2.20 Trade payables

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

2.21 Current and deferred income tax

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

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

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined using tax rates (and tax acts) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Investment tax credits

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

2.22 Employee benefits

(a) Pension obligations and post-employment benefits

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

2.22 Employee benefits / CONTINUED

(b) Termination benefits

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

(c) Short-term employee benefits

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

(d) Long-term employee benefits

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

2.23 Provisions

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

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

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

2.24 Revenue recognition

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

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

(a) Sales of services

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

(b) Rental of services

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

(c) Interest income

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

(d) Dividend income

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

2.25 Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to equity holders of the Group by the weighted average number of participating shares outstanding during the reporting year.

2.26 Value added tax

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

2.27 Government grants

According to the International Accounting Standard 20 – Government grants („IAS 20“), government grants are recognised when there is reasonable assurance that the grant will be received and any conditions attached to them have been fulfilled. According to IAS 20, the manner in which a grant is received does not affect the accounting method to be adopted in regard to the grant. Thus a grant is accounted for in the same manner whether it is received in cash or as a reduction of a liability to the government.

Government grants related to income

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

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

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

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

Government grants related to costs from previous years and other grants

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

2.28 New and amended standards and interpretations

2.28.1 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2020:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

2.28 New and amended standards and interpretations / CONTINUED

2.28.1 Changes in accounting policies and disclosures / CONTINUED

- **Conceptual Framework in IFRS standards**

  The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- **IFRS 3: Business Combinations (Amendments)**

  The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. Management has assessed that this amendments won't have significant influence on financial reports of the Company and the Group.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**

  The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. Management has assessed that this amendments won't have significant influence on financial reports of the Company and the Group.

- **Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)**

  In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). Management has assessed that this amendments won't have significant influence on financial reports of the Company and the Group.

2.28.2 Standards issued but not yet effective and not early adopted

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed that this amendments won't have significant influence on financial reports of the Company and the Group.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. Management has assessed that this amendments won't have significant influence on financial reports of the Company and the Group.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**

  The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

  - IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
  - Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

2.28 New and amended standards and interpretations / CONTINUED

2.28.2 Standards issued but not yet effective and not early adopted / CONTINUED

The amendments have not yet been endorsed by the EU. Management has assessed that this amendments won't have significant influence on financial reports of the Company and the Group.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)**

  The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

  - The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
  - Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
  - There is no substantive change to other terms and conditions of the lease.

  Management has assessed that this amendments won't have significant influence on financial reports of the Company and the Group.

- **Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**

  In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. Management has assessed that this amendments won't have significant influence on financial reports of the Company and the Group.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

Due to the extraordinary circumstances caused by the COVID-19 pandemic in 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 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, in accordance with 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.

At 31 December 2020, if the EUR had weakened/strengthened by 1% against the HRK, with all other variables held constant, the net profit of the Group for the year would have been HRK 22,811 thousand (2019: HRK 20,027 thousand) higher/(lower) mainly as a result of foreign exchange gains/(losses) on translation of EUR denominated trade receivables, borrowings and foreign cash funds.

(ii) Interest rate risk

Variable rate loans expose the Company and the Group to cash flow interest rate risk. Periodically, the Company and the Group use derivative instruments in order to hedge cash flow and interest rate by applying interest rate swaps. The economic effect of such swaps is the conversion of variable interest rate loans into fixed interest rate loans for a pre-committed hedged part of the loan principal. The Company and the Group have interest-bearing assets (cash and deposits) so their revenue and cash flow depend on changes in market interest rates. This becomes evident especially during the season when the Company and the Group have significant cash surpluses at their disposal. The Company and the Group expect a limited impact of increased interest rate volatility due to the recent Coronavirus pandemic, given that a large part of the Group's loan portfolio (80%) consists of long-term fixed rate loans and derivative loans (IRS).

At 31 December 2020, if interest rates on currency-denominated borrowings had been higher/lower by 1 percentage point, with all other variables held constant, the profit of the Group for the year would have been HRK 4,393 thousand (2019: HRK 3,446 thousand) higher/(lower), mainly as a result of higher/(lower) interest expense on variable-rate borrowings.

3.1 Financial risk factors / CONTINUED

(a) Market risk / CONTINUED

At 31 December 2020, if interest rates on currency-denominated deposits had been 1 percentage point higher/(lower), with all other variables held constant, the profit of the Group for the year would have been HRK 2,101 thousand (2019: HRK 915 thousand) higher/(lower), mainly as a result of higher/(lower) interest income on variable rate deposits.

(iii) Price risk

The Company and the Group hold equity and debt securities and are exposed to equity price risk due to price volatility. The Company and the Group are not active participants in the market trade in terms of trading with equity and debt securities. With the HRK 545 million invested in acquiring shares of Imperial Riviera d.d., Rab and HRK 47 million in acquiring shares of Helios Faros d.d., the Company is exposed to the said risk to a certain extent.

As at 31 December 2020, if the indices of the ZSE had been higher/(lower) by 10.41% for 2020 (which was the average index movement), with all other variables held constant, reserves of the Group within equity and other comprehensive income would have been HRK 13 thousand higher/(lower) as a result of gains/(losses) on equity securities available for sale.

(b) Credit risk

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

(c) Liquidity risk

The Company and the Group have a sound liquidity risk management. Sufficient funds for meeting the liabilities are available at any given moment through adequate amounts from contracted credit lines and by ensuring credit line availability in the future. Liquidity risk is managed by generating strong positive net operating cash flows, while capital investments are financed by credit lines. As at 31 December 2020, the Company has contracted unused credit lines with financial institutions for 2021 in the total amount of HRK 972,640 thousand, and the Group in the total amount of HRK 974,147 thousand. The repayment of the major credit lines coincides with periods of strong cash inflows from operations. The Company and the Group monitor the level of available funds through daily cash and debt reports. Long-term cash flow forecasts as well as annual (monthly) forecasts are based on the set budget.

This year's COVID-19 pandemic will create uncertain pressures on operating cash flow as an external stressor to the Company and the Group's business activities. In accordance with the sound management of the now increased liquidity risk, escalation plans have been developed and activated to minimize costs, preserve liquidity, solvency and maintain business continuity as well as applying for measures of support and assistance in the economy and tourism sector, including immediate deferral of principal payment of long-term loans in accordance with the given possibility of a moratorium on repayment of credit obligations.

After meeting the requirements 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 deposits accounts and marketable securities. Only instruments with suitable maturities and sufficient liquidity are selected, according to the forecasted requirements for liquid funds.

NOTE 3 – FINANCIAL RISK MANAGEMENT / CONTINUED

3.1 Financial risk factors / CONTINUED

(c) Liquidity risk / CONTINUED

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

/i/ Expected contractual cash flows include also the principal in the amount of HRK 185,009 thousand presented in note 29 with related interest by maturities because the Company received bank waiver after balance sheet date and changes in expected contractual cash flows are not expected.

GROUP

(in thousands of HRK)	Less than 3 months	3 months-1 year	1-3 years	3-6 years	Over 6 years
As at 31 December 2019					
Trade and other payables	142,721	8,520	58,672	-	-
Borrowings	64,080	279,052	698,136	886,860	1,122,768
Lease liabilities	627	2,657	5,264	1,897	1,561
Derivative financial instruments	1,249	4,636	8,609	2,282	133
Total liabilities (contractual maturities)	**208,677**	**294,865**	**770,681**	**891,039**	**1,124,462**
As at 31 December 2020					
Trade and other payables	56,281	30,223	75,186	-	-
Borrowings /i/	141,520	473,785	953,198	1,050,748	1,242,988
Lease liabilities	400	1,843	2,966	3,489	470
Derivative financial instruments	1,455	3,925	7,196	4,103	303
Total liabilities (contractual maturities)	**199,656**	**509,776**	**1,038,546**	**1,058,340**	**1,243,761**

COMPANY

(in thousands of HRK)	Less than 3 months	3 months-1 year	1-3 years	3-6 years	Over 6 years
As at 31 December 2019					
Trade and other payables	123,917	8,520	56,453	-	-
Borrowings	57,244	249,282	612,366	781,216	987,467
Lease liabilities	642	2,948	5,732	1,600	1,438
Derivative financial instruments	1,249	4,636	8,609	2,282	133
Total liabilities (contractual maturities)	**183,052**	**265,386**	**683,160**	**785,098**	**989,038**
As at 31 December 2020					
Trade and other payables	44,864	29,128	73,232	-	-
Borrowings /i/	134,333	430,420	865,230	943,048	1,117,864
Lease liabilities	427	2,155	3,764	3,258	370
Derivative financial instruments	1,455	3,925	7,196	4,103	303
Total liabilities (contractual maturities)	**181,079**	**465,628**	**949,422**	**950,409**	**1,118,537**

3.2 Capital management

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

3.3 Fair value estimation

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

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

Quoted market prices for similar instruments are used for long-term debt. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company and the Group for similar financial instruments.

Fair value hierarchy

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

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

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

GROUP

(in thousands of HRK)	Level 1	Level 2	Level 3	Total
As at 31 December 2019				
Assets measured at fair value				
Financial assets - equity securities	391	-	-	391
Derivative financial instruments	-	140	-	140
Total assets measured at fair value	**391**	**140**	**-**	**531**
Liabilities measured at fair value				
Derivative financial instruments	-	17,048	-	17,048
Total liabilities measured at fair value	**-**	**17,048**	**-**	**17,048**
As at 31 December 2020				
Assets measured at fair value				
Financial assets - equity securities	317	-	-	317
Total assets measured at fair value	**317**	**-**	**-**	**317**
Liabilities measured at fair value				
Derivative financial instruments	-	16,982	-	16,982
Total liabilities measured at fair value	**-**	**16,982**	**-**	**16,982**

COMPANY

(in thousands of HRK)	**Level 1**	**Level 2**	**Level 3**	**Total**
As at 31 December 2019				
Assets measured at fair value				
Financial assets - equity securities	335	-	-	335
Derivative financial instruments	-	140	-	140
Total assets measured at fair value	**335**	**140**	**-**	**475**
Liabilities measured at fair value				
Derivative financial instruments	-	17,048	-	17,048
Total liabilities measured at fair value	**-**	**17,048**	**-**	**17,048**
As at 31 December 2020				
Assets measured at fair value				
Financial assets - equity securities	261	-	-	261
Total assets measured at fair value	**261**	**-**	**-**	**261**
Liabilities measured at fair value				
Derivative financial instruments	-	16,982	-	16,982
Total liabilities measured at fair value	**-**	**16,982**	**-**	**16,982**

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

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

(a) Impairment of non-financial assets

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

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

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

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

Given the significant impact of COVID-19 pandemic on the business of the Company and Group in 2020 and the absence of operating profit or overall business in certain cash generating units, the Company and Group assessed that there are potential indicators of impairment and in accordance with IAS-36, they approached the impairment test of units that generate money, i.e. profit centres (PCGM). PCGM is a group of assets of the lowest organizational unit that generates mostly independent cash inflows and on the basis of which performance is monitored and decisions are made on the acquisition and disposal of related assets, as well as operations.

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

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

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES / CONTINUED

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

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES / CONTINUED

SIGNIFICANT ASSUMPTION	HOW IT IS DETERMINED
Impact of COVID-19 on significant operations	The Company and Group assume that 2021 will be affected by COVID-19, while a return to 2019 business results is expected in 2022. Given the unpredictable impact of COVID-19 on economic and tourism flows, it is extremely challenging to predict its final volume and duration on business of the Company and Group. Changes in the duration and severity of COVID-19 exposure may alter these assumptions.
Discount rate	The annual pre-tax discount rates used to discount the projected cash flows of PCGMs are 6.97% for Valamar Riviera, 6.71% for Imperial Riviera, 4.00% for Obertauern and 6.52% for Helios Faros, and reflect the market estimate of the weighted average cost of capital of each listed company.
Sensitivity to significant changes in assumptions	The residual year in the impairment test is reported based on the business performance of PCGMs which in the second year of cash flow projections stabilize business results to COVID-19 pre-impact levels (2019) and which in subsequent years include the aforementioned growth rates. The residual year has a significant impact on the determination of the recoverable amount and the resulting positive difference between the recoverable amount and the carrying amount of PCGMs. Possible reasonable changes, including short-term changes in the expected recovery period and reasonable changes residual value cash flow, are unlikely to result with significant effect on determined results and subsequently with the need to decrease in the value of PCGMs, assuming that overall recovery expectations remain at pre-COVID-19 levels.

By performing impairment tests for the year ending 31 December 2020, the Company and Group have proven that non-current tangible and intangible assets (including goodwill) do not have to be impaired, in accordance with the determined values in use and for a part of facilities according to the fair value confirmed by a certified expert.

(b) Estimated useful lives

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

Based on historical information, and in line with the technical department, the useful life of buildings components was assessed by the Management to be 10 to 25 years, except with the newly acquired company in Austria where the useful life of buildings is estimated at 40 years. The useful lives of equipment and other assets have also been assessed.

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

(c) Land ownership

Due to the transition from public to private ownership, e.g. in the transformation and privatisation process and the fact that the properties of the Company and the Group that were used in the transformation process were appraised in the share capital of the Company, and a part was not appraised, there are certain ambiguities and proceedings regarding the ownership of a part of the land within the majority of tourist companies, as well as Company and the Group. The Company has approximately 1.77 million m^2 of land in clear and undisputed ownership, the Group has 2.07 million m^2, and land which is subject to determining the status of co-ownership or ownership in accordance with the regulations of the Act on unappraised land („the ZNGZ“), that came into force on 2 May 2020 amounts to approximately 3.24 million m^2 for Company and 3.54 million m^2 for Group. With the ZNGZ entered into force, Act on Tourist and Other Construction Land not appraised in the transformation and privatisation process ("the ZOTZ") became out of force, which was in force from 1 August 2010 and the proceedings on requests for obtaining concession under the ZOTZ are suspended. The ZNGZ prescribes the obligation to determine and form buildings on appraised parts of camps, hotels, tourist resorts and other construction land as ownership of the Company and the Group and buildings on unappraised parts of camps, hotels, tourist resorts and other construction land as ownership of Republic of Croatia or local governments. For parts of a land owned by the Republic of Croatia or local governments, the Company and the Group will enter into lease agreements for a period of 50 years. Until the final settlement of property relations on tourist land and the conclusion of lease agreements with property owners, the Company and the Group will continue to be charged the compensation for unappraised parts of camps, hotels, tourist resorts and other construction land according to the areas in relation to which the so-called advance payment of the concession fee until the day of entry into force of the ZNGZ for approximately 2.28 million m^2 for the Company and 2.38 million m^2 for the Group of land in camps in favour of the Republic of Croatia and for approximately 0.96 million m^2 of land in tourist resorts and hotels in favour of local governments for the Company and 1.04 million m^2 for the Group. The fee of lease and the payment date will be prescribed by a Government decree. A more detailed description of proceedings and unsolved situations for properties of the Company are disclosed in the Note 34.

(d) Recognition of deferred tax assets

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

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

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

Incentives in Valamar Riviera d.d.

Pursuant to the Investment Promotion and Investment Environment Improvement Act of 2012 (NN 111/12), the amendment of the 2013 Act (NN 111/12, 28/13) and the Investment Promotion and Investment Environment Improvement Regulation of 2013 (NN 40/13), in 2014, the Company acquired the status of incentive measure for investments holder according to the submitted project at Valamar Isabella Resort and investments in Family Life Bellevue Resort and Valamar Girandella Village in Rabac for the period from 18 March 2014 until 17 March 2017.

Pursuant to the Investment Promotion Act of 2015 (NN 102/15), amendments to the 2018 Act (NN 102/15, 25/18, 114/18) and the 2020 (NN 102/15, 25/18, 114/18, 32/20), and the Investment Promotion Regulation of 2016 (NN 31/16), the amendment of the 2019 Regulation (NN 31/16, 2/19), the Company has submitted a new project for the reconstruction and repositioning of accommodation properties (Camp Istra 5*, Valamar Collection Marea Suites 5* and Valamar Collection Pinea Resort 4*/5*) for the period from 22 September 2017 to 21 September 2020 and acquired the status of investment incentive holder.

For investments made, the Company disclosed in its books deferred tax assets in the name of tax incentives for 2020 in the amount of HRK 4,720 thousand (2019: HRK 76,074 thousand). No tax incentives were used through the income tax return for 2020 (2019: HRK 68,837 thousand). The balance of tax assets on behalf of incentives as at 31 December 2020 amounts to HRK 85,505 thousand (2019: HRK 80,785 thousand).

The Company concluded its second three-year investment cycle on 21 September 2020. According to the reported investments from 2014 (Valamar Isabella Resort and investments in Family Life Bellevue Resort and Valamar Girandella Village in Rabac) and 2017 (Camp Istra 5*, Valamar Collection Marea Suites 5* and Valamar Collection Pinea Resort 5*) for investments made in the period from 18 March 2014 to 21 September 2020 Valamar received incentives in the total amount of HRK 285,395 thousand and used HRK 199,890 thousand by 31 December 2020.

Incentives in subsidiary Imperial Riviera d.d., Rab

Based on the application to the Ministry of Economy of the Republic of Croatia for a three-year investment cycle 2019-2021, for the reconstructions and repositioning of accommodation properties Valamar Carolina Hotel & Villas 4*, Valamar Meteor Hotel 4*, Padova Camping Resort by Valamar and Dalmatia Sunny Hotel with the aim of achieving 4* categorization and on the basis of the Investment Incentives Act (NN 102/15, 25/18, 114/18, 32/20), in January 2020 the company Imperial Riviera d.d. received a confirm on the basis of which it is able to use tax incentives in the next ten years in the amount of up to HRK 80,000 thousand.

For investments made, the company Imperial Riviera d.d. disclosed in its books deferred tax assets in the name of tax incentives for 2020 in the amount of HRK 17,744 thousand (2019: HRK 40,006 thousand). No tax incentives were used through the income tax return for 2020 (2019: HRK 2,010 thousand). The balance of tax assets on behalf of incentives as at 31 December 2020 amounts to HRK 55,740 thousand (2019: HRK 37,996 thousand).

From the beginning of the investment according to the registered project (Valamar Carolina Hotel & Villas 4*, Valamar Meteor Hotel 4*, Padova Camping Resort by Valamar and Dalmatia Sunny Hotel) in 2019 until 31 December 2020, the company Imperial Riviera d.d. received incentives in the total amount of HRK 57,750 thousand (until the end of the investment cycle in 2021, it can receive additional incentives for future investments up to HRK 80,000 thousand, i.e. the approved maximum aid), and used HRK 2,010 thousand by 31 December 2020.

(e) Consolidation

The Valamar Riviera Group consists of Valamar Riviera d.d. (parent company) and its subsidiaries (the Group) as it is presented in Note 1. The assets and liabilities of subsidiaries are fully included in the consolidated statement of financial position of the Group as at 31 December 2020, eliminating the parent company's share in subsidiaries and the position of capital and reserves of subsidiaries and mutual receivables and liabilities. Mutual transactions are excluded from the consolidated statement of financial position and the consolidated statement of comprehensive income.

During 2020, there was no changes in the structure of the Group. During 2019 subsidiary Hoteli Makarska d.d. merged with subsidiary Imperial Riviera d.d. Valamar Riviera d.d. was a holder of 56.21% share, and after the merger with Hoteli Makarska d.d. it was a holder of 52.84% of shares of subsidiary Imperial Riviera d.d. Pursuant to the General Assembly decision of Imperial Riviera d.d. from 29 October 2019 the share capital was increased from HRK 400,580,400 for the amount of HRK 426,088,157.32 to the amount of 826,668,557.32, in which the Company contributed with the amount of HRK 106,068,022.13.

After the increase of share capital Valamar Riviera d.d. is a holder of 650,604 (43.68% of voting rights) shares and the Company retained control of Imperial Riviera d.d. Valamar Riviera d.d. has significant share of 43.68% voting rights, has the power to manage financial and business policies of Imperial Riviera d.d., and in order to benefit from its activities, primarily though Board, but also key management of Imperial Riviera d.d. Valamar Riviera d.d. has to right to appoint, relocate and recall key management, that is, persons who are authorised and responsible for strategic and ongoing business planning and direction, and current or former employees of Valamar Riviera d.d. were appointed to the Board of Imperial Riviera d.d. and have the ability to manage business in accordance with the provisions of ZTD. Imperial Riviera d.d. in a significant part of business depends on Valamar Riviera d.d., which is in charge of managing core business, and depends on intellectual property rights, including trademarks and brands of Valamar Riviera d.d. Valamar Riviera d.d. significantly influences the business of Imperial Riviera d.d. through the operational management of hotel and tourist facilities, and in addition to dividend rights, it is also entitled to management fees and therefore the exposure of Valamar Riviera d.d. to returns is significantly higher than the return related to voting rights. A combination of all of the above factors indicates control of Valamar Riviera d.d. over a subsidiary in accordance to IFRS 10.

f) Leases

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

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

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

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

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

Property lease classification – Group as lessor

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

Leases – Estimating the incremental borrowing rate

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

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

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

The Company and the Group need to determine the ownership status for cca 3.24 million m^2 and cca 3.54 million m^2 respectively, pursuant to the provisions of the Act on unappraised land (hereinafter: the ZNGZ), that entered into force on 2 May 2020. The Act lays down the obligation to determine and establish, within the prescribed deadlines, real estate on the assessed parts of the camp, hotel, tourist complexes and other building land as the subject matter of the right of ownership of the Company and the Group; and real estate on the parts of the camp, hotel, tourist complexes and other building land that have not been assessed as the subject matter of the right of ownership of the Republic of Croatia or local governments. As regards the parts of land owned by the Republic of Croatia or local governments, the Company and the Group will conclude a lease agreement for a period of 50 years. The unit amount of the rent and the manner of and deadlines for the payment will be laid down by a regulation adopted by the Government. The regulation has not been adopted yet; therefore it has not been possible to determine right-of-use assets and liabilities since the entry into force of the Act, i.e. since 2 May 2020. After the adoption of the regulation on prices, the Company and the Group will revise total surface areas that will be the subject matter of the lease agreement and they will assess the value of the right-of-use assets and liabilities in accordance with the provisions of IFRS 16. In 2020, the Company and the Group were not able to determine the object of the lease and the value of the lease.

Due to circumstances arising from the Covid 19 pandemic, the Republic of Croatia adopted a regulation on exemption from the payment of the variable part of the fee for the year 2019, and the Company and the Group expect the exemption to apply to the year 2020, as well.

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

NOTE 5 – SEGMENT INFORMATION

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

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

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

The segment information related to reportable segments for the year ended 31 December 2019 is as follows:

GROUP

(in thousands of HRK)	**Hotels and apartments**	**Camps**	**Other business segments**	**Total**
Total sales	1,577,913	513,759	171,666	2,263,338
Inter-segment revenue	(1,969)	(144)	(121,907)	(124,018)
Revenue from external customers	**1,575,946**	**513,615**	**49,759**	**2,139,320**
Depreciation and amortisation	312,459	108,694	53,361	474,514
Net finance expense net	(38,815)	(17,666)	(5,377)	(61,858)
Write-off of fixed assets	25,149	5,786	1,036	31,971
Profit/(loss) of segment	807,708	345,499	(315,977)	837,230
Total assets	3,499,357	1,480,754	682,100	**5,662,211**
Total liabilities	1,860,939	801,511	390,590	**3,053,040**

All hotels, apartments and camping resorts (operating assets) are located in the Republic of Croatia, except the hotel owned by the company Valamar Obertauern GmbH located in Austria.

The segment information related to reportable segments for the year ended 31 December 2020 is as follows:

GROUP

(in thousands of HRK)	**Hotels and apartments**	**Camps**	**Other business segments**	**Total**
Total sales	338,572	292,000	53,849	684,422
Inter-segment revenue	(681)	(29)	(41,233)	(41,943)
Revenue from external customers	**337,891**	**291,971**	**12,616**	**642,479**
Depreciation and amortisation	314,882	127,271	54,291	496,444
Net finance expense net	(55,805)	(26,786)	(22,050)	(104,641)
Write-off of fixed assets	1,119	208	205	1,532
Profit/(loss) of segment	128,074	209,664	(158,407)	179,331
Total assets	3,537,741	1,515,516	714,073	**5,767,330**
Total liabilities	2,275,139	1,020,575	508,117	**3,803,831**

All hotels, apartments and camps (operating assets) are located in the Republic of Croatia, except the hotel owned by the company Valamar Obertauern GmbH located in Austria.

NOTE 5 – SEGMENT INFORMATION / CONTINUED

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

GROUP

(in thousands of HRK)	**2019**	**2020**
Revenue		
Revenue from segments	2,263,338	684,422
Inter-segment revenue elimination	(124,018)	(41,943)
Total revenue	**2,139,320**	**642,479**
Profit		
Profit from segments	837,230	179,331
Other unallocated expenses	(555,421)	(553,841)
Profit/(loss) from financial and extraordinary activities	(49,337)	(126,539)
Total profit/(loss) before tax	**232,472**	**(501,049)**

NOTE 5 – SEGMENT INFORMATION / CONTINUED

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

GROUP

	2019		2020	
(in thousands of HRK)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Segment assets/liabilities	**5,662,211**	**3,053,040**	**5,767,330**	**3,803,832**
Hotels and apartments segment	3,499,357	1,860,939	3,537,741	2,275,139
Camps segment	1,480,754	801,511	1,515,516	1,020,575
Other business segment	682,100	390,590	714,073	508,118
Unallocated	**833,091**	**223,192**	**1,112,253**	**211,894**
Investments in associate	47,668	-	46,024	-
Other financial assets	391	-	317	-
Loans and deposits	801	-	702	-
Cash and cash equivalents	550,143	-	665,933	-
Income tax receivable	4,258	-	733	-
Other receivables	35,858	-	67,134	-
Deferred tax assets/liabilities	193,832	63,046	331,410	58,292
Other liabilities	-	71,822	-	65,206
Liabilities for investments in associate	-	18,294	-	13,994
Derivative financial assets/liabilities	140	17,048	-	16,982
Provisions	-	52,982	-	57,420
Total	**6,495,302**	**3,276,232**	**6,879,583**	**4,015,726**

The Group's hospitality services are provided in Croatia and Austria to domestic and foreign customers. The Group's sales revenues are classified according to the customers' origin.

GROUP

(in thousands of HRK)	**2019**	**2020**
Revenue from sales to domestic customers	199,586	82,721
Revenue from sales to foreign customers	1,939,734	559,758
	2,139,320	**642,479**

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

	GROUP			
Sales to foreign customers	**2019**	**%**	**2020**	**%**
EU members	1,709,607	88.14	503,445	89.94
Other	230,127	11.86	56,313	10.06
	1,939,734	**100.00**	**559,758**	**100.00**

NOTE 6 – OTHER INCOME

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Income from donations and other /i/	3,519	5,840	2,917	1,541
Income from concession fee liability write-off /ii/	-	6,415	-	5,965
Income from provision release	4,527	1,650	566	233
Reimbursed costs	2,197	2,055	2,234	2,140
Income from insurance and legal claims	3,494	2,798	3,310	1,829
Income from own consumption	510	461	218	209
Collection of receivables previously written-off	656	1,111	649	925
Other income	10,701	8,025	9,537	6,835
	25,604	**28,355**	**19,431**	**19,677**

/i/ In relation to Covid-19 pandemic, subsidiary Valamar Obertauern in Austria received grants for lost income compensation in the amount of HRK 3 million in 2020.

/ii/ In relation to Covid-19 pandemic, the liability for the variable part of the fee for the concession on tourist land for 2019 has been changed.

NOTE 7 – COST OF MATERIALS AND SERVICES

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Raw materials and supplies				
Raw materials and supplies used /i/	216,166	60,890	186,149	52,920
Energy and water used	111,534	51,574	95,112	44,855
Small inventory	23,339	14,929	20,151	12,775
	351,039	**127,393**	**301,412**	**110,550**
External services				
Maintenance	55,102	43,807	48,635	39,433
Marketing, promotion and fairs	42,785	21,079	41,830	20,859
Commission fees (agencies and credit cards)	45,780	13,832	37,713	11,064
Communal fees /ii/	33,874	11,885	31,060	10,115
Telecommunication and transport	17,014	8,478	15,383	7,395
Rent /iii/	11,295	7,897	10,789	7,257
Recreation services	14,902	3,778	11,947	3,105
Laundry services	9,570	3,143	15,810	3,005
Services of arrangement and other contents	5,535	1,300	5,108	1,106
Other services	22,353	12,052	21,160	10,092
	258,210	**127,251**	**239,435**	**113,431**
	609,248	**254,644**	**540,847**	**223,981**

/i/ Cost of materials and services of the Company is comprised of raw materials and supplies used of HRK 11,462 thousand, food and beverage costs of HRK 35,081 thousand and other materials and supplies used of HRK 6,377 thousand (2019: cost of raw materials and supplies used of HRK 25,172 thousand, food and beverage costs of HRK 149,260 thousand and other materials and services costs of HRK 11,717 thousand).

/ii/ Subsidiary Valamar Obertauern in Austria received Covid-19 grants for compensation for fixed costs in the amount of HRK 475 thousand.

/iii/ Communal fees are related to sewage water disposal services, disposal and collection of bio-waste, communal waste and similar.

/iv/ Expenses related to Company's and Group's short-term leases and low-value asset leases (exemptions according to IFRS 16) are included in Rent in the amount of HRK 52 thousand (2019: HRK 109 thousand), as well as leases that do not meet the classification criteria according to IFRS 16.

NOTE 8 – STAFF COSTS

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Net salaries /i/	363,402	122,043	313,347	103,705
Pension contributions /i/	106,620	36,138	89,062	30,087
Health insurance contributions /i/	77,657	24,606	67,939	21,802
Other (contributions and taxes) /i/	35,731	7,163	35,731	7,163
Termination benefits	1,063	466	515	329
Provisions for staff /ii/	4,890	13,591	4,683	10,710
Other staff costs /iii/	92,539	23,044	82,856	20,471
	681,902	**227,051**	**594,133**	**194,267**
Number of employees at 31 December	**3,431**	**2,620**	**2,886**	**2,121**

/i/ Total Covid-19 grants related to net salaries compensation with related tax and contribution write-offs due to revenue decline are included in the staff cost of the Group in the amount of HRK 164.4 million, for the Company HRK 141.3 million.

/ii/ Provisions for staff are related to long-term employee benefits (termination benefits and jubilee awards).

/ii/ Other staff costs comprise non-taxable receipts (accommodation and meals for employees, Christmas bonuses, regress, awards and similar) in the amount of HRK 7.4 million (2019: HRK 44.3 million) for the Group and HRK 6.1 million for the Company (2019: HRK 38.5 million), remunerations for student temporary services in the amount of HRK 2.4 million (2019: HRK 17.6 million) for the Group and HRK 2 million for the Company (2019: 16.4 million), transportation costs in the amount of HRK 11 million (2019: HRK 21.2 million) for the Group and HRK 10.4 million for the Company (2019: HRK 19.7 million) and other.

The Company capitalised net salaries cost in the amount of HRK 3 million (2019: HRK 4.9 million), cost of contributions and tax from salaries in the amount of HRK 1.4 million (2019: HRK 2.1 million) and cost of contributions on salaries in the amount of HRK 0.6 million (2019: HRK 1.2 million). During the year the Company's average number of employees is 2,836 (2019: 4,054).

The Group capitalised net salaries cost in the amount of HRK 4.6 million (2019: HRK 6.1 million), cost of contributions and tax from salaries in the amount of HRK 2 million (2019: HRK 2.5 million) and cost of contributions on salaries in the amount of HRK 0.9 million (2019: HRK 1.4 million). During the year the Group's average number of employees is 3,364 (2019: 4,812).

NOTE 9 – OTHER OPERATING EXPENSES

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Municipal charges, concessions and other	60,374	38,689	53,613	32,959
Professional services /i/	22,636	15,543	18,915	11,872
Write-off of property, plant and equipment /ii/	31,971	1,532	23,808	1,202
Entertainment	8,246	2,199	7,813	2,023
Insurance premiums	7,169	7,043	6,343	6,075
Bank charges	3,102	880	2,325	574
Provisions for legal proceedings	3,938	9,623	3,553	9,356
Provisions for termination benefits	-	5,500	-	5,500
Value adjustment of assets	588	1,510	544	1,394
Membership fee to associations and other administrative expenses	2,263	1,233	1,968	1,069
Other	7,874	8,484	6,767	7,996
	148,161	**92,236**	**125,649**	**80,020**

/i/ Professional and other services of the Group and the Company are mostly related to consulting services in the amount of HRK 1.6 million (2019: HRK 4.5 million) for the Group and HRK 1.4 million for the Company (2019: HRK 4.1 million), Supervisory Board fees in the amount of HRK 3 million (2019: HRK 4.4 million) for the Group and HRK 1.3 million for the Company (2019: HRK 3.4 million), students and scholarships fees in the amount of HRK 3 million (2019: HRK 4.1 million) for the Group and HRK 2.5 million for the Company (2019: HRK 3.7 million), lawyer fees in the amount of HRK 2.2 million (2019: HRK 3.3 million) for the Group and HRK 1.9 million for the Company (2019: HRK 2.6 million) and audit fees in the amount of HRK 1 million (2019: HRK 0.9 million) for the Group and HRK 0.6 million for the Company (2019: HRK 0.5 million).

/ii/ Write-off of property, plant and equipment relates to demolition of parts of buildings as a part of new investments. Demolition of buildings amounts to HRK 856 thousand (2019: HRK 30,080 thousand) for the Group and HRK 856 thousand (2019: HRK 22,494 thousand) for the Company, and other write-offs amounts to HRK 676 thousand (2019: HRK 1,891 thousand) for the Group and HRK 346 thousand (2019: HRK 1,314 thousand) for the Company.

NOTE 10 – OTHER GAINS/(LOSSES) – NET

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Net gains on sale of property, plant and equipment /i/	42,755	4,777	161,314	5,180
	42,755	**4,777**	**161,314**	**5,180**

/i/ In 2019 and 2020, the Company sold several properties in Poreč, Krk, Dubrovnik and Zagreb. The most significant transaction in 2019 is related to the sale of hotel Zagreb to related party Imperial Riviera d.d. by gross sales price of HRK 182.15 million.

NOTE 11 – FINANCE INCOME/(EXPENSE) – NET

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Interest income	342	514	517	508
Net foreign exchange gains - other	4,099	890	3,626	825
Realised net gains from changes in value of forwards and interest rate swaps	1,359	17,770	1,359	16,759
Net gains from financial assets sold	1,438	-	1,431	-
Income from cassa sconto	3,007	1,957	2,934	1,709
Dividend income	116	-	8,790	-
Other financial gains	312	160	313	130
	10,673	**21,291**	**18,970**	**19,931**
Interest expense	(56,868)	(66,170)	(51,568)	(59,591)
Net foreign exchange gains from financing activities	(4,869)	(41,918)	(4,623)	(38,603)
Realised net gains/(losses) from changes in value of forwards and interest rate swaps	(10,651)	(17,844)	(10,651)	(16,833)
Change of value of financial assets	(143)	-	(142)	-
	(72,531)	**(125,932)**	**(66,984)**	**(115,027)**
Financial expense - net	**(61,858)**	**(104,641)**	**(48,014)**	**(95,096)**

During 2020 the Company capitalised borrowing costs of HRK 3,256 thousand (2019: HRK 872 thousand) with a capitalisation rate from 0.35% to 1.797% (2019: from 0.30% to 1.29%), while the Group capitalised the borrowing costs of HRK 3,256 thousand (2019: HRK 1,122 thousand) with a capitalisation rate from 0.35% to 1.797% (2019: from 0.30% to 2.10%).

NOTE 12 – INCOME TAX

Income tax comprise:

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Current tax	87	48	-	-
Deferred tax	(73,467)	(142,291)	(10,533)	(104,982)
Tax (income)/expense	**(73,380)**	**(142,243)**	**(10,533)**	**(104,982)**

Reconciliation of the effective tax rate:

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Profit/(loss) before tax	232,472	(501,049)	366,474	(413,532)
Income tax	41,616	(90,065)	65,965	(74,436)
Tax exempt income	(2,106)	(30,579)	(1,942)	(26,585)
Non-deductible expenses	3,220	865	1,518	759
Investment tax credits /i/	(116,080)	(22,464)	(76,074)	(4,720)
Recognition of other deferred tax assets	(30)	-	-	-
Tax income	**(73,380)**	**(142,243)**	**(10,533)**	**(104,982)**

/i/ Tax incentives based on investment incentive regulations are described in Note 4 Key accounting estimates – *(d) Recognition of deferred tax assets*.

Croatian tax legislation does not allow tax losses to be transferred among group companies. In accordance with the regulations of the Republic of Croatia, the Tax Authority may at any time inspect the Group Company's books and records within three years following the year in which the tax liability was reported, and may impose additional tax assessments and penalties.

NOTE 13 – EARNINGS PER SHARE

Basic

Basic earnings per share are calculated by dividing the profit/(loss) for the year of the Group by the weighted average number of shares ordinary in issue during the year, excluding the ordinary shares purchased by the Company and held as treasury shares.

Diluted

Diluted earnings per share are equal to basic, since the Group/Company did not have any convertible instruments and share options outstanding during both years.

GROUP

	2019	2020
Profit/(loss) attributable to equity holders (in thousands of HRK)	284,536	(329,594)
Weighted average number of shares	122,507,835	121,887,907
Basic/diluted earnings per share (in HRK)	**2.32**	**-2.70**

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

GROUP

(in thousands of HRK)	Land	Buildings	Plant and equipment	Furniture, tools and horticulture	Assets under construction	Total
As at 1 January 2019						
Cost	973,017	6,339,931	918,040	397,370	172,709	8,801,067
Accumulated depreciation and impairment	-	(3,007,955)	(474,067)	(217,448)	-	(3,699,470)
Carrying amount	**973,017**	**3,331,976**	**443,973**	**179,922**	**172,709**	**5,101,597**
Year ended 31 December 2019						
Opening carrying amount	973,017	3,331,976	443,973	179,922	172,709	5,101,597
Transfer within the assets	(1,464)	(3,801)	(325)	(45)	-	(5,635)
Additions	12,823	608,339	166,723	68,389	78,080	934,354
Disposals and write-offs	(6,924)	(33,204)	(800)	(1,157)	(571)	(42,656)
Depreciation	-	(316,043)	(92,967)	(42,420)	-	(451,430)
Carrying amount at year end	**977,452**	**3,587,267**	**516,604**	**204,689**	**250,218**	**5,536,230**
As at 31 December 2019						
Cost	977,452	6,708,506	1,054,139	445,889	250,218	9,436,204
Accumulated depreciation and impairment	-	(3,121,239)	(537,535)	(241,200)	-	(3,899,974)
Carrying amount	**977,452**	**3,587,267**	**516,604**	**204,689**	**250,218**	**5,536,230**
Year ended 31 December 2020						
Opening carrying amount	977,452	3,587,267	516,604	204,689	250,218	5,536,230
Exchange rate differences from foreign business	46	694	-	68	-	808
Transfer within the assets	-	299,371	73,260	16,847	(389,478)	-
Additions	94	1,518	445	2	583,265	585,324
Disposals and write-offs	(1,163)	(1,540)	(730)	(393)	-	(3,826)
Depreciation	-	(326,846)	(100,836)	(43,543)	-	(471,225)
Carrying amount at year end	**976,429**	**3,560,464**	**488,743**	**177,670**	**444,005**	**5,647,311**
As at 31 December 2020						
Cost	976,429	7,003,881	1,114,422	455,479	444,005	9,994,216
Accumulated depreciation and impairment	-	(3,443,417)	(625,679)	(277,809)	-	(4,346,905)
Carrying amount	**976,429**	**3,560,464**	**488,743**	**177,670**	**444,005**	**5,647,311**

As at 31 December 2020, the carrying amount of land and buildings of the Group pledged as collateral for borrowings amounted to HRK 2,010,351 thousand (2019: HRK 1,995,903 thousand).

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT / CONTINUED

COMPANY

(in thousands of HRK)	Land	Buildings	Plant and equipment	Furniture, tools and horticulture	Assets under construction	Total
As at 1 January 2019						
Cost	644,866	5,500,575	862,578	383,079	153,897	7,544,995
Accumulated depreciation and impairment	-	(2,910,704)	(464,224)	(223,282)	-	(3,598,210)
Carrying amount	**644,866**	**2,589,871**	**398,354**	**159,797**	**153,897**	**3,946,785**
Year ended 31 December 2019						
Opening carrying amount	644,866	2,589,871	398,354	159,797	153,897	3,946,785
Transfer within the assets	(1,464)	(4,097)	(66)	-	-	(5,627)
Additions	122	488,378	132,327	46,561	65,656	733,044
Disposals and write-offs	(13,349)	(67,674)	(7,733)	(2,616)	(571)	(91,943)
Depreciation	-	(240,511)	(81,655)	(35,145)	-	(357,311)
Carrying amount at year end	**630,175**	**2,765,967**	**441,227**	**168,597**	**218,982**	**4,224,948**
As at 31 December 2019						
Cost	630,175	5,645,570	944,140	410,328	218,982	7,849,195
Accumulated depreciation and impairment	-	(2,879,603)	(502,913)	(241,731)	-	(3,624,247)
Carrying amount	**630,175**	**2,765,967**	**441,227**	**168,597**	**218,982**	**4,224,948**
Year ended 31 December 2020						
Opening carrying amount	630,175	2,765,967	441,227	168,597	218,982	4,224,948
Transfer within the assets	-	202,337	53,301	17,080	(272,718)	-
Additions	-	704	13	1	420,473	421,191
Disposals and write-offs	(1,163)	(732)	(597)	(230)	-	(2,722)
Depreciation	-	(246,209)	(84,698)	(36,378)	-	(367,285)
Carrying amount at year end	**629,012**	**2,722,067**	**409,246**	**149,070**	**366,737**	**4,276,132**
As at 31 December 2020						
Cost	629,012	5,843,630	987,979	422,664	366,737	8,250,022
Accumulated depreciation and impairment	-	(3,121,563)	(578,733)	(273,594)	-	(3,973,890)
Carrying amount	**629,012**	**2,722,067**	**409,246**	**149,070**	**366,737**	**4,276,132**

As at 31 December 2020, the carrying amount of land and buildings of the Company pledged as collateral for borrowings amounted to HRK 1,616,678 thousand (2019: HRK 1,574,076 thousand).

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT / CONTINUED

Assets under construction of the Group in the amount of HRK 444,004 thousand mainly refer to the investment in hotels and apartments of HRK 314,773 thousand, investment in camping of HRK 15,664 thousand, the reconstruction, extension and adaptation of other buildings of HRK 112,579 thousand, advances paid to suppliers for investments of HRK 988 thousand.

Out of the Group's total value of equipment, leased equipment under operating leases is as follows:

(in thousands of HRK)	**2019**	**2020**
Cost	117,986	115,464
Accumulated depreciation as at 1 January	(79,198)	(80,982)
Depreciation charge for the year	(3,749)	(3,761)
Carrying amount	**35,039**	**30,722**

The operating lease mostly relates to the lease of hospitality facilities and shops to third parties, and other relates to service activities, sport and recreation and similar. During 2020, the Group realised rental income of HRK 24,113 thousand (2019: HRK 49,739 thousand), where fixed amount is HRK 23,747 thousand (2019: HRK 48,856 thousand), while variable is HRK 366 thousand (2019: 883 thousand). All lease agreements are renewable, usually for period of 1 to 3 years and there is no purchase option. In the contracts, the Group obliges the lessees to submit the subject of the operating lease in the condition in which it was received.

Undiscounted future payments to the Company and the Group on 31 December 2020:

(in thousands of HRK)	**Up to 1 year**	**More than 1, but less than 5 years**	**More than 5 years**
Company	12,788	19,357	2,471
Group	18,637	25,522	3,416

NOTE 15 – INVESTMENT PROPERTY

(in thousands of HRK)	GROUP	COMPANY
As at 31 December 2019		
Cost	11,599	11,599
Accumulated depreciation	(5,150)	(5,150)
Carrying amount	**6,449**	**6,449**
Year ended 31 December 2020		
Opening carrying amount	6,449	6,449
Transfer within the assets	-	-
Disposals and write-offs	(2,095)	(2,095)
Depreciation	(412)	(412)
Carrying amount at year end	**3,942**	**3,942**
As at 31 December 2020		
Cost	8,671	8,671
Accumulated depreciation	(4,729)	(4,729)
Carrying amount	**3,942**	**3,942**

As at 31 December 2020, Company and Group do not have properties pledged as collateral for loans (2019: HRK 0 thousand).

NOTE 16 – INTANGIBLE ASSETS

GROUP

(in thousands of HRK)	Goodwill /i/	Software	Total
As at 1 January 2019			
Cost	6,568	93,690	100,258
Accumulated amortisation	-	(46,531)	(46,531)
Carrying amount	**6,568**	**47,159**	**53,727**
Year ended 31 December 2019			
Opening carrying amount	6,568	47,159	53,727
Transfer within the assets	-	(2)	(2)
Additions	-	20,236	20,236
Amortisation	-	(17,142)	(17,142)
Disposals and write-offs	-	(630)	(630)
Carrying amount at year end	**6,568**	**49,621**	**56,189**
As at 31 December 2019			
Cost	6,568	107,285	113,853
Accumulated amortization	-	(57,664)	(57,664)
Carrying amount	**6,568**	**49,621**	**56,189**
Year ended 31 December 2020			
Opening carrying amount	6,568	49,621	56,189
Exchange rate differences from foreign business	-	8	8
Transfer within the assets	-	9	9
Additions	-	10,540	10,540
Amortisation	-	(20,345)	(20,345)
Disposals and write-offs	-	(1)	(1)
Carrying amount at year end	**6,568**	**39,833**	**46,400**
As at 31 December 2020			
Cost	6,568	117,361	123,929
Accumulated amortisation	-	(77,528)	(77,528)
Carrying amount	**6,568**	**39,833**	**46,400**

NOTE 16 – INTANGIBLE ASSETS / CONTINUED

COMPANY

(in thousands of HRK)	**Goodwill /i/**	**Software**	**Total**
As at 1 January 2019			
Cost	6,568	91,427	97,995
Accumulated amortisation	-	(45,878)	(45,878)
Carrying amount	**6,568**	**45,549**	**52,117**
Year ended 31 December 2019			
Opening carrying amount	6,568	45,549	52,117
Transfer within the assets	-	19,148	19,148
Additions	-	(672)	(672)
Amortisation	-	(16,489)	(16,489)
Carrying amount at year end	**6,568**	**47,536**	**54,104**
As at 31 December 2019			
Cost	6,568	109,368	115,936
Accumulated amortisation	-	(61,832)	(61,832)
Carrying amount	**6,568**	**47,536**	**54,104**
Year ended 31 December 2020			
Opening carrying amount	6,568	47,536	54,104
Additions	-	7,644	7,644
Disposals and write-offs	-	-	-
Amortisation	-	(19,473)	(19,473)
Carrying amount at year end	**6,568**	**35,707**	**42,275**
As at 31 December 2020			
Cost	6,568	116,534	123,102
Accumulated amortisation	-	(80,828)	(80,828)
Carrying amount	**6,568**	**35,707**	**42,275**

/i/ Impairment tests for goodwill

Goodwill is allocated to the cash-generating unit (CGUs) for the transferred subsidiary Puntižela d.o.o., Pula that was merged to the parent company on 31 March 2017. The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations. More details on significant assumptions used in determining recoverable amount are presented in Note 4 – Impairment of non-financial assets.

NOTE 17 – INVESTMENT IN SUBSIDIARIES

COMPANY

(in thousands of HRK)	**2019**	**2020**
At beginning of the year	616,201	727,328
Acquisition of subsidiaries /i/	111,127	-
At year end	**727,328**	**727,328**

(in thousands of HRK)	**OWNERSHIP**	**2019**	**2020**
Palme turizam d.o.o., Dubrovnik	100.00%	115,448	115,448
Magične stijene d.o.o., Dubrovnik	100.00%	5,577	5,577
Bugenvilia d.o.o., Dubrovnik	100.00%	38,542	38,542
Imperial d.d./Imperial Riviera d.d., Rab /i/	43.68%	544,840	544,840
Valamar A GmbH, Tamsweg /i/	100.00%	20,414	20,414
Valamar Obertauern GmbH, Obertauern /i/	10.00%	2,507	2,507
		727,328	**727,328**

/i/ In 2019, the Company holds 43.68% shares of Imperial Riviera, after the merger of Hoteli Makarska d.d. to Imperial Riviera d.d. and after the increase of Imperial Riviera's share capital in accordance with the General Assembly's Decision from 29 October 2019.

The subsidiaries Bugenvilia d.o.o. and Palme turizam d.o.o. generate revenue from rent of property to the Company, while Magične stijene d.o.o. and Valamar A GmbH do not have business activity. Imperial d.d. and Hoteli Makarska d.d. and after the merger of Hoteli Makarska d.d. with Imperial d.d., Imperial Riviera d.d. generate revenues from performing their registered activities, primarily from hospitality activities (services of accommodation, food and drinks in hotels, tourist resorts and campings). Valamar Obertauern GmbH performs seasonal hospitality activity in its only hotel (during winter period).

NOTE 18 – INTEREST IN ASSOCIATE

According to the Bankruptcy plan, determined following the investment and recapitalisation offer for Helios Faros d.d., in bankruptcy, which has been submitted 15 May 2017 jointly by the Company and PBZ Croatia osiguranje dioničko društvo za upravljanje obveznim mirovinskim fondovima, Zagreb, and according to the Decision on increasing share capital of Helios Faros d.d., in bankruptcy from 6 May 2019, in 2019 the Company paid HRK 22,800,000.00 and has obtained 2,280,000 shares with the nominal amount of HRK 10, which makes the stake of 23.61%. On 22 July 2019 the Commercial Court in Split rendered a Decision on Closing the Bankruptcy Proceedings related to the Helios Faros d.d., with registered office in Stari Grad. By closing the bankruptcy, the Company acquired full membership rights as a 23.61% shareholder.

In accordance with the decision of the General Assembly of the company Helios Faros on increasing the share capital from 26 November 2019, the Company is obliged to participate in the further increase of Helios Faros's share capital in the total amount of HRK 24,391,530.00 to acquire 2,439,153 shares, out of which in 2019 it has paid the 25% of the total amount, in 2020 the 17.6% of the total amount and the remaining amount is set to be paid until 31 December 2021. Upon the implementation of the share capital increase the Company will hold a stake of 20% shares of Helios Faros d.d.

GROUP

(in thousands of HRK)	**2019**	**2020**
Share at acquisition cost on 22 July by equity method	22,800	-
Share increase - recapitalisation	24,392	-
Share in net profit/(loss) from 22 July to 31 December	476	-
At beginning of period at acquisition cost	-	47,668
Share in net profit/(loss) at 31 December	-	(1,644)
At end of year on equity basis	**47,668**	**46,024**
Adjustment of share and share in net asset on 22 July		
Net asset	89,116	-
Share in net asset on 22 July (23.61%)	21,040	-
	-	-
Share adjustment - goodwill (23.61%)	(1,760)	-
Adjustment of share and share in net asset on 31 December		
Net asset at the beginning of the period	89,116	230,889
Recapitalisation	139,392	-
Net result from 22 July to 31 December	2,381	-
Profit /(loss) before tax	-	(8,218)
Net asset at the end of the period	**230,889**	**222,671**
Share in net asset at the end of the period (20%)	46,178	44,534
Adjustment for goodwill (20%)	1,490	1,490
At the end of the period	**47,668**	**46,024**

NOTE 18 – INTEREST IN ASSOCIATE / CONTINUED

HELIOS FAROS d.d. 100%

(in thousands of HRK)	**22 July 2019**	**31 December 2019**	**31 December 2020**
Assets:			
Non-current assets	103,071	207,484	157,685
Current assets	6,876	40,189	6,426
	109,947	**247,674**	**164,111**
Liabilities:			
Provisions	12,646	12,208	12,301
Long-term liabilities	-	930	930
Short-term liabilities	8,185	3,646	4,953
	20,831	**16,785**	**18,184**
Net assets	**89,116**	**230,889**	**145,927**
Income /i/	115,823	129,836	9,755
Expenses	20,363	31,471	17,973
Profit /(loss) before tax	**95,460**	**98,365**	**(8,218)**
Income tax	(2,128)	(2,652)	-
Profit /(loss) after tax	**93,332**	**95,713**	**(8,218)**
Net profit/(loss)	-	2,381	-
Share in profit /(loss) by equity method (20%)	**-**	**476**	**(1,644)**

/i/ The most significant part of income in 2019 in the amount of HRK 110,071 thousand was the result of extraordinary income generated from trade payables and liabilities to Republic of Croatia write-offs according to the accepted Bankruptcy plan.

NOTE 19A – FINANCIAL INSTRUMENTS BY CATEGORY

GROUP

(in thousands of HRK)	**Cash, loans and receivables**	**Financial assets**	**Financial assets through compre-hensive income**	**Total**
31 December 2019				
Assets at the reporting date				
Financial assets not measured at fair value				
Trade receivables	24,104	-	-	24,104
Loans and deposits	801	-	-	801
Cash and cash equivalents	550,143	-	-	550,143
Financial assets measured at fair value				
Financial assets	-	391	-	391
Derivative financial instruments	-	-	140	140
Total	**575,048**	**391**	**140**	**575,579**

(in thousands of HRK)	**Cash, loans and receivables**	**Financial assets**	**Financial assets through compre-hensive income**	**Total**
31 December 2020				
Assets at the reporting date				
Financial assets not measured at fair value				
Trade receivables	26,133	-	-	26,133
Loans and deposits	702	-	-	702
Cash and cash equivalents	665,933	-	-	665,933
Financial assets measured at fair value				
Financial assets	**-**	317	-	317
Total	**692,768**	**317**	**-**	**693,085**

The above-mentioned amounts of financial assets represent the Group's maximum exposure to credit risk at the reporting date. The carrying values approximate their fair value due to their short-term maturity.

NOTE 19A – FINANCIAL INSTRUMENTS BY CATEGORY / CONTINUED

COMPANY

(in thousands of HRK)	**Cash, loans and receivables**	**Financial assets**	**Financial assets through comprehensive income**	**Total**
31 December 2019				
Assets at the reporting date				
Financial assets not measured at fair value				
Trade receivables	18,955	-	-	18,955
Loans and deposits	644	-	-	644
Cash and cash equivalents	247,849	-	-	247,849
Financial assets measured at fair value				
Financial assets	-	335	-	335
Derivative financial instruments	-	-	140	140
Total	**267,448**	**335**	**140**	**267,923**

(in thousands of HRK)	**Cash, loans and receivables**	**Financial assets**	**Financial assets through comprehensive income**	**Total**
31 December 2020				
Assets at the reporting date				
Financial assets not measured at fair value				
Trade receivables	24,462	-	-	24,462
Loans and deposits	666	-	-	666
Cash and cash equivalents	522,973	-	-	522,973
Financial assets measured at fair value				
Financial assets	-	261	-	261
Total	**548,101**	**261**	**-**	**548,363**

NOTE 19A – FINANCIAL INSTRUMENTS BY CATEGORY / CONTINUED

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Liabilities at reporting date				
Financial liabilities – at amortised cost:				
Trade and other payables	209,913	161,691	188,890	147,224
Borrowings	2,734,332	3,508,641	2,404,180	3,168,553
	2,944,245	**3,670,332**	**2,593,070**	**3,315,778**
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments	17,048	16,982	17,048	16,982
	2,961,293	**3,687,314**	**2,610,118**	**3,332,760**

NOTE 19B – CREDIT QUALITY OF FINANCIAL ASSETS

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Loans and deposits				
Loans and deposits	666	702	616	639
	666	**702**	**616**	**639**

The credit quality of other financial assets is stated in the following notes.

NOTE 20 – FINANCIAL ASSETS

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Listed equity securities /i/	221	147	195	121
Other	170	170	140	140
	391	**317**	**335**	**261**

/i/ Investments in securities represent less than 3% ownership interests and are presented at fair value.

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
At beginning of year	4,484	391	4,100	335
Change in fair value recognised in other comprehensive income	86	(74)	86	(74)
Disposal	(4,179)	-	(3,851)	-
At end of year	**391**	**317**	**335**	**261**

NOTE 21 – LOANS AND DEPOSITS

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Loans	248	89	141	117
Deposits	553	613	503	550
Total	**801**	**702**	**644**	**667**
Less: non-current part	(113)	(89)	(113)	(89)
Current portion	**688**	**613**	**531**	**578**

Loans include the amount of HRK 89 thousand (2019: HRK 113 thousand) due from employees for housing loans at an interest rate of 1% payable by 2025. The loans are not secured with any collateral.

All given loans and deposits are denominated in HRK.

The carrying amounts of short-term loans and deposits approximate their fair value. The fair value of non-current loans and deposits of Group is HRK 90 thousand (2019: HRK 115 thousand) and the fair value of non-current loans and deposits of the Company is HRK 90 thousand (2019: HRK 115 thousand). The fair value is calculated based on the cash flows discounted at a rate of 0.30% (2019: 0.32%), which presents the yield to maturity on the bond of the Republic of Croatia with maturity in 2025.

NOTE 22 – INVENTORIES

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Raw materials and supplies	17,566	14,260	14,886	11,937
Trade goods, small inventory and packaging material	8,259	16,076	7,499	15,359
	25,825	**30,336**	**22,385**	**27,296**

NOTE 23 – TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Domestic receivables /i/	15,565	29,006	10,699	27,059
Foreign receivables	11,523	1,185	7,580	1,045
Related parties receivables	24	1,599	2,587	492
Provision for impairment of trade receivables	(6,254)	(6,415)	(4,969)	(4,946)
Trade receivables – net	20,858	25,375	15,897	23,650
Accrued income	3,222	715	3,034	769
Interest receivables	24	43	24	43
Total trade receivables	**24,104**	**26,133**	**18,955**	**24,462**
Prepaid expenses and accrued income /ii/	17,093	54,600	14,817	45,889
VAT receivable	13,000	4,900	9,616	3,482
Advances to suppliers	1,136	2,304	1,115	1,698
Receivables from employees	936	298	912	277
Receivables from state institutions	1,119	4,529	508	1,313
Other receivables	464	2,047	417	1,967
Total other receivables	**33,748**	**68,678**	**27,385**	**54,626**
Total trade and other receivables	**57,852**	**94,811**	**46,340**	**79,088**

/i/ In 2020, Company's trade receivables in the amount of HRK 21.5 million relate to the re-invoicing of a joint investment in the Business Centre in Dubrovnik.

/ii/ In 2020, the Company calculated grants for net salaries and related contributions for which the Company meets the criteria for receiving the grants but was not received in 2020, in the amount of HRK 18.8 million and loan fees in the amount of HRK 17.2 million (2019: HRK 10.2 million). In 2020, the Group calculated grants for net salaries and related contributions for which the Group meets the criteria for receiving the grants but was not received in 2020, in the amount of HRK 24.1 million and loan fees in the amount of HRK 18 million (2019: HRK 11 million).

NOTE 23 – TRADE AND OTHER RECEIVABLES / CONTINUED

Movement of provisions for impairment of trade and other receivables:

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
At 1 January	9,262	6,254	7,010	4,969
Increase of impairment	719	1,635	548	1,409
Collected receivables	(675)	(1,010)	(670)	(968)
Receivables written-off	(3,052)	(464)	(1,919)	(464)
At 31 December	**6,254**	**6,415**	**4,969**	**4,946**

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Trade receivables:				
Neither past due nor impaired	5,135	11,750	7,072	11,606
Past due, but not impaired	15,723	13,625	8,825	12,044
	20,858	**25,375**	**15,897**	**23,650**

As at 31 December 2020, the maturities of the trade receivables, which are past due, but not impaired are as follows:

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Up to one month	6,610	11,121	5,711	10,956
One to two months	1,188	78	531	34
Two to three months	3,031	357	1,442	40
Over three months up to 1 year	4,894	2,069	1,141	1,014
	15,723	**13,625**	**8,825**	**12,044**

NOTE 23 – TRADE AND OTHER RECEIVABLES / CONTINUED

The carrying amounts of trade and other receivables are denominated in the following currencies:

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
EUR	11,975	226	8,079	188
HRK	8,883	25,149	7,818	23,462
	20,858	**25,375**	**15,897**	**23,650**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group holds advances, bank guarantees and promissory notes, and periodically mortgage as collection security. The carrying amounts of trade and other receivables approximate their fair value since they are short-term.

NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS

GROUP AND COMPANY

	2019		2020	
	Receivables	**Liabilities**	**Receivables**	**Liabilities**
Fair value of the interest rate swap	-	15,994	-	16,982
Market value of foreign currency forward contracts	140	1,054	-	-
Total	**140**	**17,048**	**-**	**16,982**
Less the non-current portion:	-	(11,023)	-	(11,602)
Fair value of interest rate swap	-	4,971	-	5,380
Market value of foreign currency forward contracts	140	1,054	-	-
Current portion	**140**	**6,025**	**-**	**5,380**

Interest rate swaps and foreign currency forwards

As at 31 December 2020, the contracted value of outstanding interest rate swaps amounts to HRK 563,830 thousand (2019: HRK 671,408 thousand).

As at 31 December 2020, there is no contracted value of foreign currency forwards amounts (2019: HRK 535,866 thousand).

As at 31 December 2020, the weighted average base interest rate fixed by the interest rate swap contract for a loan in EUR is 0.48%, while the base variable interest rate (EURIBOR) is -0.55%. Fair value gains and losses on interest rate swaps are recognised directly in the Statement of comprehensive income within the finance costs until the repayment of borrowings with a final maturity as at 30 September 2028.

NOTE 25 – DEFERRED TAX ASSET / LIABILITY

DEFERRED TAX ASSET

GROUP

(in thousands of HRK)	Property, plant and equipment	Financial assets	Trade receivables and inventories	Provisions	Tax losses	Tax incentive for investment	Exceeding borrowing costs	Total
As at 1 January 2019	33,743	1,857	3,686	7,004	5,867	73,549	-	125,706
Other changes	1	-	-	-	10	-	-	11
Correction of deferred tax assets in profit and loss related to inter-group transaction	-	-	-	-	-	22,005	-	22,005
Credited to the income	52	1,747	-	1,052	1,733	114,070	-	118,654
Debited to the income	(79)	(49)	(3)	(607)	(2,969)	(68,837)	-	(72,544)
As at 31 December 2019	**33,717**	**3,555**	**3,683**	**7,449**	**4,641**	**140,787**	**-**	**193,832**
Other changes	4	-	-	-	59	-	-	63
Correction of deferred tax assets in profit and loss related to inter-group transaction	-	-	-	-	-	(160)	-	(160)
Credited to the income	93	1,073	-	7,568	96,603	22,463	12,121	139,921
Debited to the income	(82)	(1,084)	(418)	(662)	-	-	-	(2,246)
As at 31 December 2020	**33,732**	**3,544**	**3,265**	**14,355**	**101,303**	**163,090**	**12,121**	**331,410**

COMPANY

(in thousands of HRK)	Property, plant and equipment	Financial assets	Trade receivables and inventories	Provisions	Tax losses	Tax incentive for investment	Exceeding borrowing costs	Total
As at 1 January 2019	15,395	2,868	3,685	5,212	-	73,549	-	100,710
Credited to the income	22	1,747	-	1,007	-	76,074	-	78,850
Debited to the income	(79)	(49)	(3)	(233)	-	(68,837)	-	(69,201)
As at 31 December 2019	**15,338**	**4,566**	**3,682**	**5,986**	**-**	**80,786**	**-**	**110,359**
Credited to the income	19	1,072	-	6,708	81,468	4,720	12,121	106,108
Debited to the income	(82)	(1,084)	(418)	(412)	-	-	-	(1,996)
As at 31 December 2020	**15,275**	**4,554**	**3,264**	**12,282**	**81,468**	**85,506**	**12,121**	**214,471**

NOTE 25 – DEFERRED TAX ASSET / LIABILITY / CONTINUED

DEFERRED TAX LIABILITY

GROUP

(in thousands of HRK)	**Financial assets held for sale**	**Fair value of land and buildings**	**Total**
As at 1 January 2020	(7)	63,053	63,046
Other changes	35	-	35
Debited to the income	-	(4,776)	(4,776)
Debited to the other comprehensive income	(13)	-	(13)
As at 31 December 2020	**15**	**58,277**	**58,292**

COMPANY

(in thousands of HRK)	**Financial assets held for sale**	**Fair value of land and buildings**	**Total**
As at 1 January 2020	6	14,185	14,191
Debited to the income	-	(871)	(871)
Debited to the other comprehensive income	(13)	-	(13)
As at 31 December 2020	**(7)**	**13,314**	**13,307**

NOTE 26 – CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Giro-accounts and current accounts	407,829	381,428	118,238	260,239
Cash in hand	426	15	-	-
Foreign currency accounts	30,249	28,235	17,972	6,479
Time deposits up to one month	111,639	256,255	111,639	256,255
	550,143	**665,933**	**247,849**	**522,973**

The interest rate on cash and cash equivalents is up to 0.10% (2019: up to 0.20%).

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
HRK	426,614	401,606	136,821	280,416
EUR	122,054	261,984	109,947	240,768
CHF	249	429	-	429
Other	1,226	1,913	1,081	1,360
	550,143	**665,933**	**247,849**	**522,973**

NOTE 27 – SHARE CAPITAL

The authorised and registered share capital of the Company in 2020 amounts to HRK 1,672,021 thousand (2019: HRK 1,672,021 thousand) and comprises 126,027,542 ordinary shares (2019: 126,027,542) with no prescribed nominal value. All the shares are fully paid.

The ownership structure as at 31 December is as follows:

2019	**Number of shares**	**%**
Goldscheider Keramik Gesellschaft M.B.H., Vienna	25,017,698	19.85
Wurmbock Beteiligungs GMBH, Vienna	25,017,698	19.85
Satis d.o.o., Zagreb	6,524,904	5.18
Raiffeisenbank Austria d.d./Custodian account/Zagreb	5,587,788	4.43
Enitor d.o.o., Zagreb	2,720,950	2.16
Hrvatska poštanska banka/Kapitalni fond d.d./Custodian, Zagreb	1,867,783	1.48
CERP, Zagreb	1,711,024	1.36
PBZ d.d./The Bank of New York as custodian/Custodian, Zagreb	1,544,871	1.23
PBZ d.d./State street client account/Custodian, Zagreb	1,223,308	0.97
OTP banka d.d./Erste plavi OMF kategorije B/Custodian, Split	1,067,013	0.85
Treasury shares	4,139,635	3.28
Other shareholders - free float	49,604,870	39.36
Total	**126,027,542**	**100.00**

2020	**Number of shares**	**%**
Goldscheider Keramik Gesellschaft M.B.H., Vienna	25,017,698	19.85
Wurmbock Beteiligungs GMBH, Vienna	25,017,698	19.85
Satis d.o.o., Zagreb	6,524,904	5.18
Raiffeisenbank Austria d.d./Cumulative custodian account - for SF/Custodian, Zagreb	5,587,788	4.43
OTP Banka d.d./AZ OMF kategorije B/Custodian, Split	2,895,219	2.30
Enitor d.o.o., Zagreb	2,720,950	2.16
CERP, Zagreb	2,431,271	1.93
HPB d.d./Kapitalni fond d.d./Custodian, Zagreb	1,699,550	1.35
OTP Banka d.d./Erste plavi OMF kategorije B /Custodian, Split	1,371,093	1.09
Privredna banka Zagreb d.d./Cumulative custodian client account/Custodian, Zagreb	1,327,484	1.05
Treasury shares	4,139,635	3.28
Other shareholders - free float	47,294,252	37.53
Total	**126,027,542**	**100.00**

NOTE 27 – SHARE CAPITAL / CONTINUED

In 2020, there were no changes in share/equity capital of the Company.

As previously reported, based on the decision adopted by the Company's General Assembly held on 24 July 2013, the registered capital was increased by a conversion of the reinvested profit of the year 2012 by HRK 52,200 thousand. The distribution of the reinvested profit of HRK 52,200 thousand in future periods may result in tax obligations given it is based on a tax incentive.

The Company did not acquire and release treasury shares during 2020. During 2019, the Company has acquired 1,055,088 treasury shares, accounting for 0.83% of the share capital in the total amount of HRK 39,396 thousand and effectively disposed 38,057 treasury shares, accounting for 0.03% of the share capital in the total amount of HRK 1,097 thousand, all on paid-out dividends in accordance with the resolution adopted by the General Assembly on 9 May 2019, as explained in Note 28b.

As at 31 December 2020, the Company owned 4,139,635 of their treasury shares (2019: 4,139,635), which represents 3.28% (2019: 3.28%) of the Company's registered capital.

NOTE 28 – RESERVES AND RETAINED EARNINGS

a) Capital reserves

As at 31 December 2020, the capital reserves of the Group amounted to HRK 5,224 thousand (2019: HRK 5,224 thousand).

As at 31 December 2020, the capital reserves of the Company amounted to HRK 5,711 thousand (2019: HRK 5,711 thousand).

NOTE 28 – RESERVES AND RETAINED EARNINGS / CONTINUED

b) Reserves and retained earnings

GROUP

(in thousands of HRK)	**2019**	**2020**
Legal reserves	83,601	83,601
Fair value reserves	61	1
Other reserves	160,851	161,993
Retained earnings	690,708	363,625
	935,221	**609,220**
Changes in reserves:		
Legal reserves		
At beginning of the year	83,601	83,601
At year end	**83,601**	**83,601**
Fair value reserves		
At beginning of the year	905	61
Change in fair value financial assets	189	(60)
Effect of selling financial assets	(1,033)	-
At year end	**61**	**1**
Other reserves		
At beginning of the year	120,851	160,851
Transfer to treasury shares reserve	40,000	-
Return of uncollected dividend	-	1,142
At year end	**160,851**	**161,993**
Retained earnings		
At beginning of the year	560,463	690,708
Result for the year	284,536	(329,594)
Transfer to other reserves	(40,000)	-
Dividends	(122,587)	-
Change in non-controlling interest	8,296	-
Return of uncollected dividend	-	2,248
Exchange rate differences from foreign business	-	263
At year end	**690,708**	**363,625**

NOTE 28 – RESERVES AND RETAINED EARNINGS / CONTINUED

b) Reserves and retained earnings / CONTINUED

COMPANY

(in thousands of HRK)	**2019**	**2020**
Legal reserves	83,601	83,601
Fair value reserve	61	1
Other reserves	175,334	176,476
Retained earnings	878,134	571,832
	1,137,130	**831,910**
Changes in reserves:		
Legal reserves		
At beginning of the year	83,601	83,601
At year end	**83,601**	**83,601**
Fair value reserves		
At beginning of the year	905	61
Change in fair value financial assets	189	(60)
Effect of selling financial assets	(1,033)	-
At year end	**61**	**1**
Other reserves		
At beginning of the year	135,334	175,334
Transfer to treasury shares reserve	40,000	-
Return of uncollected dividend	-	1,142
At year end	**175,334**	**176,476**
Retained earnings		
At beginning of the year	663,714	878,134
Result for the year	377,007	(308,550)
Transfer to other reserves	(40,000)	-
Dividends	(122,587)	-
Return of uncollected dividend	-	2,248
At year end	**878,134**	**571,832**

NOTE 28 – RESERVES AND RETAINED EARNINGS / CONTINUED

Legal reserves

The legal reserve is required under Croatian law and shall be built up at a minimum of 5% of the profit for the year until the total legal reserve together with capital reserves reach 5% of the Company's share capital. As at 31 December 2020, the legal reserves of the Group and the Company amounted to HRK 83,601 thousand or 5.00% of the share capital (2019: HRK 83,601 thousand or 5.00% of the share capital). This reserve is not distributable.

Other reserves

On the basis of a decision of the General Assembly and in accordance with the regulations, the Company creates treasury share reserves. As at 31 December 2020, treasury share reserves amounted to HRK 136,815 thousand.

As at 31 December 2020, other reserves of the Group amounted to HRK 161,993 thousand, which comprise of treasury shares in the amount of HRK 136,815 thousand and the rest are effects of consolidation. As at 31 December 2020, other reserves of the Company amounted to HRK 176,476 thousand, which consist of treasury shares in the amount of HRK 136,815 thousand and other reserves from the merger of subsidiaries in the amount of HRK 39,661 thousand.

The Company did not pay out a dividend in 2020. On the basis of a decision adopted by the General Assembly held on 9 May 2019, the Company paid out a dividend of HRK 1.00 per share, which amounted to HRK 122,587 thousand, from which HRK 121,083 thousand was paid in cash, and the remaining part by assigning 38,057 shares of the Company.

Fair value reserves

As at 31 December 2020, the fair value reserves of the Company and the Group amounted to HRK 1 thousand. This reserves are not distributable and relate to the fair value of financial assets.

NOTE 29 – BORROWINGS

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Current				
Bank borrowings	287,959	553,319	257,433	508,958
Non-current part of borrowings - waivers after balance sheet date /i/	-	185,009	-	185,009
Finance lease	58	38	-	-
	288,017	**738,366**	**257,433**	**693,967**
Non-current				
Bank borrowings	2,446,302	2,770,276	2,146,747	2,474,586
Finance lease	13	-	-	-
	2,446,315	**2,770,276**	**2,146,747**	**2,474,586**
Total borrowings	**2,734,332**	**3,508,641**	**2,404,180**	**3,168,553**

/i/ Current borrowings comprise of the part of non-current borrowings in the amount of HRK 185,009 thousand for which the Company and the Group received waivers for 2020 after the balance sheet date, in accordance with IAS 1.

Non-current bank borrowings are secured with a pledge over Group's property facilities and movable property with a net book value of HRK 2,010,351 thousand (2019: HRK 1,995,903 thousand) (Note 14). Current bank borrowings are secured with promissory notes in the amount of HRK 297,614 thousand (2019: HRK 0).

Non-current bank borrowings are secured with a pledge over Company's property facilities and movable property with a net book value of HRK 1,616,678 thousand (2019: HRK 1,574,076 thousand) (Note 14). Current bank borrowings are secured with promissory notes in the amount of HRK 297,614 thousand (2019: HRK 0).

As at 31 December 2020, the Company had unused lines of credit contracted with financial institutions for 2021 in the total amount of HRK 972,640 thousand, and the Group in the total amount of HRK 974,147 thousand.

Namely, the Group deferred the payment of principal in the amount of HRK 349 million and the Company in the amount of HRK 325 million to commercial banks and the Croatian Bank for Reconstruction and Development, of which HRK 272 million (Company: HRK 248 million) represents deferred payment of principal for 2020, HRK 49 million for the first quarter of 2021 and HRK 27 million for the second quarter of 2021. We point out that the Croatian Bank for Reconstruction and Development has approved a moratorium on principal and interest to its clients, including Valamar Riviera, from and including 31 March 2020 to and including 30 June 2021 with the aim of preserving jobs, liquidity of economic entities and economic activities in Croatia. In addition, three other commercial banks approved a moratorium on interest to Valamar Riviera, while one commercial bank approved a moratorium on interest to Imperial Riviera, bringing the total amount of interest in the moratorium to around HRK 47 million at the Group level (Company: HRK 46 million).

The financial ratios in arrangements with banks are mainly based on the usual indicators for servicing loan liabilities with defined maturities, according to which the Valamar has adjusted its actions in accordance with the terms of each arrangement, and both the Company and the Group received confirmation of waiver of financial terms for 2020.

NOTE 29 – BORROWINGS / CONTINUED

The carrying amount of borrowings is denominated in EUR. Effective interest rates at the reporting date were as follows:

GROUP

	2019		2020	
Borrowings:	*(in thousands of HRK)*	**%**	*(in thousands of HRK)*	**%**
EUR	2,635,914	1,12% - 3,0%	3,409,331	0% - 3%
HRK	98,418	0,0% - 2,95%	99,310	0% - 2,95%
	2,734,332		**3,508,641**	

COMPANY

	2019		2020	
Borrowings:	*(in thousands of HRK)*	**%**	*(in thousands of HRK)*	**%**
EUR	2,392,872	1,12% - 3,0%	3,156,241	0,76% - 3%
HRK	11,308	2.0%	12,312	2% - 2,05%
	2,404,180		**3,168,553**	

NOTE 29 – BORROWINGS / CONTINUED

Maturities of non-current borrowings are as follows:

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
1-3 years	604,825	784,381	529,397	706,497
3-6 years	791,040	884,057	695,930	786,304
Over 6 years	1,050,450	1,101,838	921,420	981,785
	2,446,315	**2,770,276**	**2,146,747**	**2,474,586**

The carrying amounts and fair value of non-current borrowings are as follows:

BORROWINGS

	Carrying amounts		Fair value	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Group	2,446,315	2,770,276	2,411,026	2,716,086
Company	2,146,747	2,474,586	2,119,047	2,427,136

The fair value is based on discounted cash flows discounted using a rate based on the weighted average interest rate on Group's borrowings of 1.98% (2019: 2.05%). The carrying amounts of current portion of non-current borrowings approximate their fair value due to short term maturity.

NOTE 30 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company and the Group have leases for properties, motor vehicles and land used for their business. The lease term for most contracts is between 3 and 5 years, with the exception of several leases with a tenancy of more than 10 years. The Company and the Group have a restriction regarding the lease of certain lease subjects to sublease them.

Recognised right-of-use assets and the movements during the period:

GROUP

(in thousands of HRK)	Property	Land	Motor vehicles	Total
As at January 2019	**2,210**	**11,792**	**2,806**	**16,808**
Additions	1,141	860	1,653	3,654
Depreciation	(1,591)	(2,582)	(765)	(4,938)
As at 31 December 2019	**1,760**	**10,070**	**3,694**	**15,524**
Additions	134	933	173	1,240
Depreciation	(809)	(2,571)	(1,021)	(4,401)
Modifications and other (premature termination)	(336)	(191)	(172)	(699)
As at 31 December 2020	**749**	**8,241**	**2,674**	**11,664**

COMPANY

(in thousands of HRK)	Property	Land	Motor vehicles	Total
As at January 2019	**2,931**	**12,813**	**2,806**	**18,550**
Additions	1,140	187	1,282	2,609
Depreciation	(1,831)	(2,759)	(730)	(5,320)
As at 31 December 2019	**2,240**	**10,241**	**3,358**	**15,839**
Additions	950	827	173	1,950
Depreciation	(1,151)	(2,679)	(986)	(4,816)
Modifications and other (premature termination)	(336)	(191)	-	(527)
As at 31 December 2020	**1,703**	**8,198**	**2,545**	**12,446**

NOTE 30 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES / CONTINUED

Lease liabilities and the movements during the period:

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
As at January	**13,150**	**12,006**	**14,893**	**12,359**
Additions	2,792	1,238	1,813	1,958
Accretion of interest	344	305	382	340
Payments	(4,280)	(3,676)	(4,728)	(4,142)
Modifications and other (premature termination)	-	(704)	-	(542)
As at 31 December	**12,006**	**9,169**	**12,359**	**9,973**
Current assets	3,817	2,243	3,589	2,582
Non-current assets	8,189	6,926	8,770	7,391

Leases in profit and loss:

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Depreciation expense of right-of use assets	4,938	4,406	5,320	4,816
Interest expense on lease liabilities	344	305	382	340
Expense relating to short-term leases	109	52	109	52
Variable lease payments	40	118	40	118
Total	**5,431**	**4,881**	**5,851**	**5,326**

Depreciation expense of right-of-use assets are included in Depreciation and amortization within the Statement of comprehensive income, while the Interest expense on lease liabilities is included in Interest expense (Note 11). Expense relating to short-term leases are included in Rent with HRK 52 thousand (2019: 109 thousand; Note 7). Variable lease payments are included in the Municipal charges, concessions and other (Note 9).

NOTE 30 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES / CONTINUED

In 2020 total cash outflows for amounted to HRK 4,312 thousand (2019: HRK 4,877 thousand) for the Company and HRK 3,846 thousand (2019: HRK 4,429 thousand) for the Group (including cash outflows for short-term leases and variable lease payments).

Undiscounted future cash outflows on 31 December 2020 to which the Company and the Group are potentially exposed that are not reflected in the measurement of lease liabilities:

(in thousands of HRK)	GROUP	COMPANY
Extension – not certain	8,822	8,078
Termination – certain	-	-
Variable lease payments	22	22
Residual value guarantees	-	-
Leases not yet commenced to which the lessee is committed	1,199	1,199

NOTE 31 – TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Trade payables	145,728	61,725	127,455	49,910
Trade payables – related parties	18	84	241	220
Interest payable	2,513	33,727	1,758	32,895
Bills of exchange liabilities	-	6,625	-	6,625
Concession fees payable	61,654	59,529	59,436	57,575
	209,913	161,690	188,890	147,225
Minus: non-current part /i/	(58,671)	(57,609)	(56,453)	(55,656)
Current part	**151,242**	**104,081**	**132,437**	**91,569**
Liabilities for dividend	389	389	10	10
Liabilities to employees	29,133	19,187	24,837	15,921
Liabilities for calculated vacation and redistribution hours	23,284	2,496	20,320	1,533
Liabilities for taxes and contributions and similar charges	12,306	6,129	10,114	4,665
Accrued VAT liabilities in unrealized income	383	121	378	121
Advances received	38,363	69,609	31,610	61,768
Liabilities for calculated costs	27,065	28,673	8,933	23,340
Other liabilities	2,542	10,707	1,939	10,310
Other current liabilities	**284,707**	**241,390**	**230,578**	**209,237**
Total trade payables and other liabilities	**343,378**	**298,999**	**287,030**	**264,893**

/i/ Separated long-term obligation part for a concession fee for tourist land.

NOTE 31 – TRADE AND OTHER PAYABLES / CONTINUED

The carrying amount of financial liabilities for trade payables, interest and concessions are denominated in the following currencies:

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
EUR	8,635	35,632	5,281	34,759
GBP	211	23	211	23
USD	21	17	21	17
HRK	201,046	126,018	183,378	112,426
	209,913	**161,690**	**188,890**	**147,224**

NOTE 32 – PROVISIONS AND OTHER ACCRUED EXPENSES

GROUP

(in thousands of HRK)	Termination benefits and jubilee awards	Legal proceedings	Bonuses	Total
As at 1 January 2020	**15,301**	**52,982**	**19,842**	**88,125**
Transfer	91	-	(91)	-
Additional provisions	19,762	9,623	-	29,384
Used during year	(1,272)	-	-	(1,272)
Reversed during year	(1,404)	(5,185)	-	(6,589)
As at 31 December 2020	**32,477**	**57,420**	**19,751**	**109,648**
2020				
Current part	5,884	-	-	**5,884**
Non-current part	26,593	57,420	19,751	**103,764**

COMPANY

(in thousands of HRK)	Termination benefits and jubilee awards	Legal proceedings	Bonuses	Total
As at 1 January 2020	**12,011**	**30,791**	**17,563**	**60,365**
Additional provisions	16,734	9,356	-	26,090
Used during year	(164)	-	-	(164)
Reversed during year	(1,377)	(3,768)	-	(5,145)
As at 31 December 2020	**27,204**	**36,379**	**17,563**	**81,146**
2020				
Current part	5,585	-	-	**5,585**
Non-current part	21,619	36,379	17,563	**75,561**

Legal cases of the Company

The provisions for legal proceedings from previous years primarily refer to the land sold for construction purposes in Dubrovnik in 1996 with a total surface area of 10,441 m^2, which was not included in the share capital of subsidiary Dubrovnik – Babin kuk d.d. during the transformation and privatisation. A number of buyers were not able to register their ownership title over the stated land, and consequently initiated legal proceedings with the Municipal Court in Dubrovnik with the aim of terminating their sales contracts and on the basis of expectation of future payments recorded based on the value of the aforementioned land according to the sales contracts.

In the year 2018, the Company made new provisions for legal proceedings in the amount of HRK 2,039 thousand, mainly with regard to two disputes concerning land ownership on the island of Krk: first related to the sold land not partially estimated in the conversion process and the privatisation of Zlatni otok d.d., so the buyer regressively claims the amount that paid to the Republic of Croatia for the not estimated part; and second related to the property owners' request, whose small part of property is included in the Krk camping, for benefit payments from usufruct.

In the year 2019, the Company made new provisions for legal proceedings in the amount of HRK 3,553 thousand, which to a small extent relate to two labour disputes over claims for payment of unpaid contributions for extended pension insurance, and to a large extent to the property claims of the book and/or book owners of a part of real estate in the Bunculuka camps in Baška (island of Krk) and Marina in Sv. Marina (Istrian coast).

In the year 2020, the Company made new provisions for legal proceedings in the amount of HRK 9,356 thousand, which in the most significant part are related to real estate, namely the dispute over compensation for damage for sold business premises in Dubrovnik about 20 years ago for which the buyer/plaintiff is still not registered in the land register, the dispute over real estate in the Bunculuka camp and the land of the administrative building on the island of Krk and to a dispute for payment based on business cooperation of the legal predecessor of the company Zlatni otok d.d.

Legal cases of the Group

Legal cases of the Group include Company's land ownership disputes and legal proceedings of Imperial Riviera d.d.

The increase in the Group's legal cases provision during 2020 is the result of additional provisions made on the basis of legal advisors, Management Board and legal affairs department estimations regarding the land ownership disputes and outcomes of ongoing legal cases.

NOTE 33 – CONSOLIDATED SUBSIDIARIES

		OWNERSHIP AT 31 DECEMBER	
	Country	2019	2020
Palme turizam d.o.o.	Croatia	100.00%	100.00%
Magične stijene d.o.o.	Croatia	100.00%	100.00%
Bugenvilia d.o.o.	Croatia	100.00%	100.00%
Imperial d.d./Imperial Riviera d.d. /i/	Croatia	43.68%	43.68%
Valamar A GmbH	Austria	100.00%	100.00%
Valamar Obertauern GmbH	Austria	100.00%	100.00%

/i/ Non-controlling interest in Group's assets of HRK 701,810 thousand in 2020 (2019: HRK 731,022 thousand) refers to a non-controlling interest in Imperial Riviera d.d. of 56.32% (2019: 56.32%).

On 28 June 2019 Hoteli Makarska d.d. was merged with Imperial Riviera d.d. Pursuant to the General Assembly decision of Imperial Riviera d.d. on 29 October 2019 the share capital was increased, in which the Company contributed in the amount of HRK 106,068 thousand.

NOTE 34 – CONTINGENCIES AND COMMITMENTS

Legal proceedings

In the ordinary course of business, the Company is plaintiff and defendant in various legal actions. In the financial statements for the year ended on 31 December 2020, provisions for certain legal proceedings have been made for which the Company anticipates outflows of HRK 36,379 thousand.

Transformation and privatisation audit and land ownership

A transformation and privatisation audit was carried out for the Company during 2002 and 2003, with a separate audit for Riviera Poreč d.d. (formerly Riviera Holding d.d., Riviera Adria d.d., now Valamar Riviera d.d.) and for companies merged into Valamar Riviera d.d.: Rabac d.d., Zlatni Otok d.d. and Dubrovnik Babin kuk d.d. The reports claim that the transformation and privatisation process had not been performed entirely in accordance with legal regulations, primarily in relation to properties that are not appraised in the Company's equity, but are owned by the Company and are partly recorded in the land records, as well as properties that are reported in the Company's equity, but have not yet been recorded in the land registry. The Company, as well as its legal predecessors, submitted timely objections to the transformation and privatisation audit reports to the State Audit Office, but at the date of issue of these financial statements, they had not received any response from the State Audit Office with respect to the objection of the Company and/or the legal predecessors of the Company.

The outcome of these proceedings is not expected to have a significant impact on the financial position or results of the Company or the Group.

To protect their interests, the Company is conducting a number of legal and/or administrative procedures, which primarily refer to land excluded from the valuation in the process of transformation and privatisation, but partially registered by the Company and to a portion on which catering and other facilities have been built or are in function (in the Lanterna and Solaris resorts and the Lanterna, Solaris, Istra, Ježevac, Krk and Škrila camping grounds) as well as procedures in relation to land in Dubrovnik, which was appraised, but not registered, and land which has been sold, but was not appraised.

The outcome and the result of the legal and other proceedings cannot be predicted with any degree of certainty, but a resolution was expected in accordance with the Act on Tourist and Other Construction Land not Appraised in Transformation and Privatisation Processes ("the ZOTZ"), and in relation to land in the area of Dubrovnik, through settlement. On 1 August 2010, the ZOTZ entered into force, on the basis of the provisions of which the ownership and co-ownership over land not appraised in the transformation and privatisation processes should have been finally be determined, and in the spirit of the provisions of which all disputes that were ongoing in relation to unappraised tourist land, primarily the land in the area of Poreč, Rabac and Krk, should have been resolved. The Company initiated procedures in accordance with the provisions of the ZOTZ within the prescribed period, through submission of a request on 31 January 2011 for concessions on tourist land in camping grounds and tourist land in tourist resorts, as well as requests for verification of plots/land ground-plan surface area of appraised buildings (hotels, apartments and other appraised buildings) and other prescribed requests. The ownership and/or co-ownership by the Company of the portion of land not appraised in the transformation and privatisation procedures should have been determined by the outcome of these procedures. With the Act on unappraised land („the ZNGZ") entered into force on 2 May 2020, the procedures for obtaining a concession initiated under the provisions of the ZOTZ have been suspended and further assessment of the court and administrative proceedings related to unappraised land can be predicted only after resolving property relations ad determining the actual owners of tourist land, according to provisions of the ZNGZ.

The outcome of these procedures is not expected to have a significant impact on the financial statements or results of the Company or the Group.

Capital commitments

The contracted capital commitments of the Company in respect to investments in tourism facilities at 31 December 2020 amount to HRK thousand 515,432 thousand (2019: HRK 814,850 thousand). The contracted capital commitments of the Group in respect to investments in tourism facilities at 31 December 2020 amount to HRK 535,627 thousand (2019: HRK 961,209 thousand).

NOTE 35 – CASH GENERATED FROM OPERATIONS

Adjustment of profit with cash generated from operations:

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Profit/(loss) before taxation	232,472	(501,049)	366,474	(413,532)
Adjustment for:				
Depreciation and amortisation	474,514	496,444	380,124	391,987
Net gains on sale of property, plant and equipment and intangible assets	(42,755)	(4,777)	(161,314)	(5,180)
Write-off of property, plant and equipment	31,971	1,532	23,808	1,202
Provision for impairment of trade and other receivables - net	45	625	(122)	441
Finance costs - net	61,395	110,017	55,674	100,130
Fair value gains from financial assets available for sale - net	143	-	142	-
Fair value gains from financial instruments - net and financial assets	9,292	74	9,292	74
Share in net profit/(loss) of associates	-	1,644	-	-
Increase in provisions - net	(11,829)	22,152	6,939	20,421
Changes in:				
- Trade and other receivables	18,083	(46,516)	13,508	(41,213)
- Inventories	(378)	(4,511)	515	(4,911)
- Trade and other payables	74,486	(82,313)	45,682	(58,985)
Cash generated from operations	**847,439**	**(6,678)**	**740,722**	**(9,566)**

NOTE 36 – RELATED PARTY TRANSACTIONS

Related parties are those companies, which have the power to exercise control over the other party or are under common control or which have a significant influence on the other party in doing business or making financial decisions or is directly or indirectly involved in the management or supervision.

The related parties in the Valamar Group in 2019 and 2020 are: Epic Goldscheider & Wurmböck Unternehmensberatungsgesellschaft m.b.H, Vienna, Wurmböck Beteiligungs GmbH, Vienna, Bugenvilia d.o.o., Dubrovnik, Satis d.o.o., Zagreb, Casatis d.o.o., Zagreb, Eladco Invest GmbH, Kraubath an der Mur (Austria), I.Q.M. d.o.o., Poreč, Enitor d.o.o., Zagreb, Magične stijene d.o.o., Dubrovnik, Palme turizam d.o.o., Dubrovnik, Imperial Riviera d.d., Rab, with subsidiary Praona d.o.o., Makarska (since 29 June 2019 until the merger with Hoteli Makarska d.d.), Valamar A GmbH, Tamsweg, Valamar Obertauern GmbH, Obertauern, Hoteli Makarska d.d. with subsidiary Praona d.o.o., Makarska, (since 17 July 2018 until the merger with Imperial d.d. on 28 June 2019) and Helios Faros d.d., Stari Grad. Related party are also lawyers Mladen Markoč i Relja Pećina.

Valamar Riviera d.d., Poreč is the parent company of the subsidiaries:

- Palme turizam d.o.o., Dubrovnik, Magične stijene d.o.o., Dubrovnik and Bugenvilia d.o.o., Dubrovnik,
- Imperial Riviera d.d., Rab, with the subsidiary Praona d.o.o., Makarska from 29 June 2019 (upon merger with Hoteli Makarska d.d.),
- Hoteli Makarska d.d., Makarska, with the subsidiary Praona d.o.o., Makarska until 28 June 2019 when it is merged with Imperial Riviera d.d.,
- Valamar A GmbH, Tamsweg and
- Valamar Obertauern GmbH, Obertauern.

Management Agreement

As of 4 January 2017, the Agreement between Imperial d.d. and Valamar Riviera d.d. in relation to the management of the hotel and tourist facilities and amenities is valid, on the basis of the decision adopted by the General Assembly of Imperial d.d. of 12 December 2016. As of 30 July 2018, the Agreement between Hoteli Makarska d.d. and Valamar Riviera d.d. in relation to the management of the hotel and tourist facilities and amenities is valid, on the basis of the decision adopted by the General Assembly of Hoteli Makarska d.d. of 17 July 2018. Following the registration of the merger of Hoteli Makarska d.d. with Imperial d.d., on 28 June 2019, a single Agreement on the management of hotel and tourist facilities was concluded with Imperial Riviera d.d., and on 28 November 2019, a new Agreement was concluded between Imperial Riviera d.d. and Valamar Riviera d.d. in relation to the management of hotel and tourist facilities, based on the Decision of the General Assembly of Imperial Riviera d.d. of 29 October 2019 (hereinafter the Contract). The subject of the Contract is the provision of management and business activities related to hotels, apartments, resorts and/or camping grounds, and other immovable or movable property. A common name for this type of contract is a hotel management agreement or hotel management contract. For the management services provided, Valamar Riviera d.d. is entitled to compensation for management services consisting of basic and incentive fees, and fees for advisory in respect of the management and implementation of investments (CAPEX fee), reservation centre fees, which are determined as a specified amount (percentage) of the total value of realised reservations. Additionally, for the initial and "pre-opening" services executed before the opening of fully renovated and rebranded facilities, Valamar Riviera d.d. is entitled to a compensation the amount of which depends on the accommodation type and size.

The contract was concluded for a period of 25 years with the possibility of termination or extension.

NOTE 36 – RELATED PARTY TRANSACTIONS / CONTINUED

As of 1 February 2019 the Agreement between Valamar Riviera d.d. and Valamar Obertauern GmbH in relation to the management of the hotel and tourist facilities and amenities is valid. The contract was concluded for a period of 25 years. As of 2 September 2019 the Agreement between Valamar Riviera d.d. and Helios Faros d.d. in relation to the management of the hotel and tourist facilities and amenities is valid. The contract was concluded for a period of 10 years. The subject of these Contracts is the provision of management and business activities concerning hotels, apartments and/or resorts and other immovable or movable property. A common name for this type of contract is a hotel management agreement or hotel management contract. For the management services provided, Valamar Riviera d.d. is entitled to compensation for management services consisting of basic and incentive fees, and fees for advisory services in respect of the conceptualisation and structurisation of investments to implement VALAMAR brand(s) (CAPEX fee). The contract also stipulates reservation centre fees, which are determined as a specified amount (percentage) of the total value of realised reservations. Additionally, for the initial and "pre-opening" services executed before the opening of fully renovated and rebranded facilities, Valamar Riviera d.d. is entitled to a compensation the amount of which depends on the accommodation type and size.

Related party transactions were as follows:

GROUP

(in thousands of HRK)	2019	2020
Sale of services		
Other parties related to the owners and corporate governance bodies /i/	4,883	1
Associate with participating interest	-	1,918
	4,883	**1,919**
Purchase of services		
Other parties related to the owners and corporate governance bodies	549	217
Associate with participating interest	-	18
	549	**235**
Trade and other receivable		
Associate with participating interest	24	331
	24	**331**
Liabilities		
Other parties related to the owners and corporate governance bodies	18	84
	18	**84**

/i/ In 2019 the Company sold the property to related party Satis d.o.o. in line with the arm’s length principle.

NOTE 36 – RELATED PARTY TRANSACTIONS / CONTINUED

COMPANY

(in thousands of HRK)	**2019**	**2020**
Sale of services		
Subsidiaries /i/	153,902	6,829
Associate with participating interest	76	1,918
Other parties related to the owners and corporate governance bodies /ii/	4,883	1
	158,861	**8,748**
Purchase of services		
Subsidiaries	7,621	1,136
Associate with participating interest	-	18
Other parties related to the owners and corporate governance bodies	549	217
	8,170	**1,371**
Dividend income		
Subsidiaries	8,703	-
	8,703	**-**
Trade and other receivable		
Subsidiaries	2,563	161
Associate with participating interest	24	331
	2,587	**492**
Other receivables		
Subsidiaries	26	26
	26	**26**
Trade and other payables		
Subsidiaries	223	136
Other parties related to the owners and corporate governance bodies	18	84
	241	**220**
Loans given		
Subsidiaries	28	28
	28	**28**

/i/ In 2019 the Company sold property to subsidiary Imperial Riviera d.d. in line with the arm's length principle.
/ii/ In 2019 the Company sold the property to related party Satis d.o.o. in line with the arm's length principle.

Board personnel compensation

	GROUP		COMPANY	
(in thousands of HRK)	**2019**	**2020**	**2019**	**2020**
Salaries	5,868	2,799	3,593	1,717
Pension contributions	1,080	593	372	263
Health insurance contribution	1,419	732	862	444
Other costs (contribution and taxes)	2,747	1,105	1,943	715
	11,114	**5,230**	**6,770**	**3,139**

In 2020, Board personnel compensation are related to 9 Group Board members (2019: 8 Board members), and for the Company 2 members (2019: 2 members).

Company's Supervisory Board fees during 2020 amounted to HRK 1,294 thousand (2019: HRK 3,407 thousand).

NOTE 37 – INVESTMENT IN ASSOCIATE COMPANY HELIOS FAROS D.D.

According to the Bankruptcy plan, determined following the investment and recapitalisation offer for Helios Faros d.d., in bankruptcy, which has been submitted jointly by the Company and PBZ Croatia osiguranje dioničko društvo za upravljanje obveznim mirovinskim fondovima, Zagreb on 15 May 2017, and according to the Decision on increasing share capital of Helios Faros d.d. in bankruptcy from 6 May 2019, in 2019 the Company has paid HRK 22,800,000.00 and has obtained 2,280,000 shares with the nominal amount of HRK 10, which makes the stake of 23.61%. On 22 July 2019 the Commercial Court in Split rendered a Decision on Closing the Bankruptcy Proceedings related to the Helios Faros d.d., with registered office in Stari Grad. By closing the bankruptcy, the Company acquired full membership rights as a 23.61% shareholder.

In accordance with the decision of the General Assembly of the company Helios Faros d.d. on increasing the share capital from 26 November 2019, the Company is obliged to participate in the further increase of Helios Faros d.d.'s share capital in the total amount of HRK 24,391,530.00 to acquire 2,439,153 shares, out of which it has paid the 25% of the total amount in 2019, in 2020 the 17.6% of the total amount and the remaining amount is set to be paid until 31 December 2021. Upon the implementation of the share capital increase the Company holds 20% shares (voting rights) of Helios Faros d.d., while the PBZ Croatia osiguranje dioničko društvo za upravljanje obveznim mirovinskim fondovima from Zagreb holds 77.73% shares (voting rights). In accordance with IAS 28, the Company has a significant influence as it holds 20% of voting rights and participates in policy making, which includes participation in dividend decisions or other distributions.

On 31 January 2020 at the Commercial Court in Split the increase of Helios Faros' share capital was registered, from the amount of HRK 96,566,140, for the amount HRK 139,391,520, on the amount HRK 235,957,660, with the issue of 13,939,152 of new stocks with the nominal amount of HRK 10 each, according to the General Assembly Decision from 26 November 2019.

Recapitalisation	
Recapitalisation - paid amount	10,398
Recapitalisation - payment liability	13,994
Total	**24,392**

NOTE 38 – AUDIT FEES

The fees for audit of the financial statements of the Group amounted to HRK 866 thousand (2019: HRK 852 thousand), while the fees for other services amounted to HRK 121 thousand (2019: HRK 28 thousand).

Other services in 2020 are related to audit of Report on Board and Supervisory Board personnel compensation.

NOTE 39 – SUBSEQUENT EVENTS

The bank sent in the waiver after balance sheet date and the Company has presented the part of non-current borrowings in the amount of HRK 185,009 thousand as current liabilities. The Company does not expect changes in contractual cash flows because of received bank waivers.

Valamar Riviera d.d.
Stancija Kaligari 1
52440 Poreč, Hrvatska
T +385 (52) 408 002
F +385 (52) 451 608
E info@valamar.hr
W www.valamar.com

Investor Relations
Stancija Kaligari 1
52440 Poreč, Hrvatska
T +385 (52) 408 159
F +385 (52) 451 608
E ir@valamar.com
W www.valamar-riviera.com