



# ANNUAL REPORT 2021



**VALAMAR**  
All you can holiday

## ABOUT VALAMAR

Valamar 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 around 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 growthdriving 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 a responsible and desirable employer and one of the top Croatian and regional investors in tourism with over HRK 6.1 billion invested in the last 18 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'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 Group



## KEY MESSAGES

In 2021, Valamar Group achieved a significant recovery of its tourism business fundamentals compared to the crisis year 2020 despite significant impact of COVID-19 effects on travel. Valamar was successful in implementing a job protection program and motivating employees through various awards and benefits programs launched during business recovery in the second half of 2021. During the crisis period, Valamar focused heavily on developing new brands, products and services and continue to invest in repositioning the portfolio, over HRK 870 million since 2019. In 2021, Valamar embarked on a new phase of growth by expanding its partnerships with investment partners in Croatia and further internationalizing its portfolio in Austria.

The realised operating profit (EBITDA) of HRK 646 million in 2021 reached 84% compared to the pre-crisis year 2019 level, and, in some segments, even surpassed it. Adjusted EBITDA of HRK 674 million is only 11% lower than in record 2019. Operating revenues amount to HRK 1.6 billion, i.e. they are at 74% of the 2019 realisation. Overnights recorded the same realisation level, while the average price increased by 6% compared to 2019, following a very strong demand for our hotels and resorts in high season. The direct sales channel performance grew to HRK 859 million achieving 64% of the total board revenues compared to 45% in 2019. It further contributed to the profitability of the business.

The first half of 2021 was still under the significant impact of the COVID-19 pandemic and the respective travel restrictions. The third quarter records a normalisation of the business operations in almost all of Valamar's destinations. However, the fourth quarter saw a certain slowing down of this positive trend. Valamar achieved excellent results in its north-Adriatic destinations, its campsites and in the premium segment, especially in the third quarter. On the other hand, the destination of Dubrovnik and the tourist properties in the 2\* and 3\* category did not see a significant recovery of their business operations. If we exclude the results of Dubrovnik, the Group thus realised a 12% higher EBITDA vs. 2019. Furthermore, the Premium hotels and resorts segment achieved a 17% higher EBITDA, and campsites 26%.

SUCCESSFUL  
SEASON ACHIEVED.  
IN SOME  
SEGMENTS, THE  
RECORD YEAR  
2019 WAS EVEN  
SURPASSED

INITIATED  
ACTIVITIES WITH  
THE GOAL OF  
RETAINING  
EMPLOYEES  
IN TOURISM  
AND EFFICIENT  
PREPARATION FOR  
SEASON 2022

Through its proactive crisis management in the conditions of the pandemic, with the support of its social partners and backed by the government's subsidies, Valamar managed to protect all jobs, which enabled the realisation of a solid 2021 tourist season. In cooperation with the trade unions, the Group paid substantial cash awards for 2021 to its permanent and seasonal employees on several occasions. The total amount of rewards was HRK 56 million, and the maximum reward per employee reached HRK 11,300. Also, 400 key (until then seasonal) employees were permanently employed, which will enable them to have a stable income and a year-round job in the tourist industry. All of the above was done in order to boost the employee satisfaction of the Valamar Group even more, with the final goal of keeping the employees in the tourist industry and making high-quality preparations for the next tourist season. According to the surveys of the MojPosao portal, Valamar has remained the only company from the tourism industry among top 20 employers in Croatia for the fourth consecutive year.

Valamar continued developing its products, services and hospitality portfolio during the crisis period, with the two-year investment cycle for 2019/21 amounting to almost HRK 870 million. Istra Premium Camping Resort 5\* was finished, which is the biggest camping resort development project in Croatia, with the value of investment amounting to HRK 455 million over several years. The investments in the Valamar Parentino Hotel in Poreč and the Valamar Meteor Hotel in Makarska, hotels offering family vacations and services, were also successfully finalised.

The lifestyle hotel [PLACES] by Valamar targeting YZ generation was opened on the island of Hvar and the development of a new Valamar Amicor Green Resort began. This is a fully sustainable eco summer family resort, which respects the highest standards in green building, renewable energy use and energy efficiency level.

Additionally, in cooperation with E.ON Solar, photovoltaic power plants were installed at 26 Valamar's hotels and campsites along the Adriatic coast. This covers five per cent of the Valamar's total yearly need for electric power.

In order to further increase the quality of the portfolio of its hotels, resorts and campsites as well as to develop green tourist industry and digitalize its business operations, at the end of last year Valamar launched a new investment cycle in the properties under its management for 2021/22, totalling to HRK 525 million.

The year 2021 saw an expansion of the strategic cooperation with pension funds. Valamar Riviera and AZ pension funds agreed on the second phase of the capital injection to Imperial Riviera in the total value of HRK 690 million. The purpose of this capital increase is a further development of the tourist industry portfolio in Dubrovnik, Makarska and on the island of Rab. Valamar and PBZ Croatia osiguranje pension fund started an investment cycle in Stari Grad on the island of Hvar in the value of HRK 300 million.

In cooperation with a private co-investor, one of Austria's largest Valamar Riviera's shareholders and the Chairman of the Company's Supervisory Board, Mr. Gustav Wurmböck, Valamar acquired its second hotel in Obertauern, Austria. The Marietta 4\* hotel has 120 keys and is one of the biggest and best hotels in this destination. The hotel is under lease agreement until mid-2023. Accordingly, it is not currently managed neither branded by Valamar. This acquisition represents a significant move in the further internationalisation of the Valamar's business operations, with the aim to expand its portfolio and manage hotels and properties in the best winter holiday destinations in Austria and Italy.

POSITIVE  
FINANCIAL  
RESULTS  
ACHIEVED

VALAMAR AND  
STRATEGIC  
PARTNERS  
CONTINUE WITH  
SIGNIFICANT  
INVESTMENTS IN  
CROATIAN  
TOURISM

Following good financial results, the Group's net debt was decreased and as at 31 December 2021 amounted to HRK 2.0 billion. This is a 31% decrease compared to the debt as at 31 December 2020. For 2021, all financial and other covenants from loan agreements have been satisfied. The Group will continue working on decreasing its indebtedness and fulfilling its contracted covenants.

In the year 2022, Valamar plans to open all of its hotels and campsites. However, the corona crisis will still be significantly impacting the tourist industry and the economy in the near future. A normalisation of the tourist industry is expected during the years 2022 and 2023. On the other hand, an additional impulse for Croatia as a tourist destination may occur after the entry of Croatia to the Schengen Area, which should happen mid of 2022. A positive impact can also be expected from the introduction of the euro, planned for 1 January 2023.



# TABLE OF CONTENTS

Significant Business Events	6
Results of the Group	11
Results of the Company	21
Investments	23
The Risks of the Company and the Group	27
Corporate Governance	33
Related-party Transactions and Subsidiaries	36
Valamar Share	38
Additional Information	42
Disclaimer	44
Responsibility for the Annual Financial Statements	46
Financial Statements According to GFI-POD	47
Management Board's Decision on Establishing the Annual Financial Statements	95
Supervisory Board's Decision on Approving the Annual Financial Statements	97
Supervisory Board's Report to the General Assembly of the Company	98
Supervisory Board's Decision on Allocation of Profit	103
Annual Financial Statements Including the Independent Auditor's Report	104

Ježevac Premium Camping Resort 4\*, Krk Island



Lanterna Premium Camping Resort 5\*, Poreč



# Significant Business Events

## CRISIS MANAGEMENT DURING COVID-19

The global pandemic trends are still unpredictable, and a further significant disruption of the travel flows is possible, which may have an adverse impact to the business results of the Group. The increasing vaccination rates helped the tourist industry as well as the introduction of the EU COVID-19 pass throughout Europe. At this point in time it would still be premature to make a quantitative assessment about the negative impact of COVID-19 to the business operations of Valamar in the future. A normalization of the hospitality industry is expected to happen in 2022 and 2023.

Istria and the northern Adriatic, where the majority of the Group's facilities are located, have a great advantage in the fact that they are the traditional drive tourism destination for our major source markets (Italy, Slovenia, Austria, Germany, the Netherlands, the Czech Republic, Hungary, etc.). Our camping resorts play a major role in attracting our guests and they have become the resorts of the first choice for many. This is due to shifting guest preferences favouring nature and privacy, but also due to the fact that they offer an increased quality of service and facilities thanks to considerable investments over the last period.

The health of our guests and their feeling of being safe in our properties is our utmost priority. In 2020 we introduced some key innovations, such as our V Health & Safety programme of comprehensive health, safety and ecology standards, an enhanced cleaning system 'CleanSpace – 100% privacy', the Online reception desk, the 'Bed & Brunch' hotel concept and the Valfresco Direkt online shopping and food delivery service. By introducing these services, Valamar has also strengthened the market position of small manufacturers and local family farms. In 2021 Valamar introduced the V-Care Guarantee concept, which enables the organization of all necessary health services during the guest's stay (and in case of COVID-19 infection as well). For the guests who have made their reservations directly at valamar.com or via the Valamar reservation centre, this includes e.g. free medical consultation by phone (phone or video call) 24/7, Antigen testing at the hotel or camping resort, and organizing PCR testing at designated locations in all Valamar destinations. Guests infected with COVID-19 and anyone included in their reservation will have their costs covered if they need to extend their stay up to 14 days. Also, the return trip travel expenses for guests infected

NORMALIZATION  
OF TOURISM  
BUSINESS IS  
EXPECTED TO  
CONTINUE DURING  
2022 AND 2023

GROUP'S CASH  
BALANCE AS OF 31  
DECEMBER 2021 AT  
HRK 1.1 BILLION

with COVID-19 will be reimbursed, if the return dates are different than those originally scheduled.

Since the beginning of the COVID-19 crisis, the Valamar has had a proactive approach to decreasing and controlling potential risks. Therefore, Valamar has established a Risk Management Committee and adopted the Risk Management Regulations. The tasks and authorizations of the Risk Management Committee include assessing risk events and their impact to the company's business, guests and employees. Also, the Committee defines the measures for the protection of guests, staff and property and defines the organization of the business processes and operations. Depending on the circumstances and the intensity of the risk event, the Committee may decide on changing the financial, business and contingency plan, and activating escalation plans to preserve the company's liquidity, solvency and business continuity. The Committee may adopt other documents as may be needed according to their assessment of the status of bookings and revenues.

In 2020 and in the first half of 2021, Valamar ensured the necessary liquidity for the upcoming period through operational savings plans, savings in investments, payments deferral and arrangements with banks by which Valamar deferred most of its loan payments. Valamar also successfully ensured additional mid-term liquidity by concluding a loan facility agreement with a banking syndicate in the amount of EUR 66 million while, in order to improve the company's liquidity, the General Assembly in 2020 revoked the proposal of the Decision to pay out dividend. Upon the expiration of the moratorium in June 2021 the Group continued to regularly service its loan obligations. The Group's cash balance as at end of December 2021 amounts to a high HRK 1.1 billion.

Valamar's social partners, headed by the Croatian Trade Union of Tourism and Services and the Trade Union of Istria, Kvarner and Dalmatia, supported the continuation of the Valamar job preservation programme 'Pause, Restart'. This programme is in force until 31 March 2022. The programme ensures the payment amounting to 60% of the regular salary, i.e. a minimum of HRK 4,250 net for all Valamar's employees who were furloughed due to the COVID-19 pandemic restrictions.

The government's support measures in last two seasons were of key importance for keeping jobs in the tourist industry. They were a key

incentive for all tourist companies to successfully face these extraordinary circumstances until the economy and the tourist industry returns to normal. The most significant measure was the one aimed at preserving the jobs in the sectors most hardly hit by the coronavirus (HRK 3,250 per employee for the salary in March, i.e. HRK 4,000 for the salaries from April to December 2020). The Government of the Republic of Croatia approved these measures to protect jobs in the period from January – July 2021 as well.

### **VALAMAR AND AZ PENSION FUNDS CONTINUE THEIR JOINT INVESTMENTS IN TOURIST INDUSTRY THROUGH IMPERIAL RIVIERA**

The first phase of capital investments into Imperial Riviera, member of the Valamar Group, by Valamar Riviera and AZ pension funds, in the amount of HRK 426 million was done in 2019. Investments were aimed at the renovation of the Parentino Hotel in Poreč, Meteor Hotel in Makarska and Premium Camping Padova on the island of Rab.

The General Assembly of Imperial Riviera, held on 10 September 2021, adopted the decision on the second phase of capital investments by increasing the share capital of the company by a total amount of HRK 690 million. Valamar Riviera participates in this investment by a contribution in kind, i.e. by investing its real estate (land of 148,949 m<sup>2</sup>) worth HRK 353 million in total. The land is situated on the Babin Kuk peninsula in Dubrovnik. AZ pension funds invest the total amount of HRK 337 million in cash. This capital increase is aimed at a further development of the tourist portfolio in Dubrovnik, Makarska and on the island of Rab. After its completion, Valamar Riviera holds 46.27% of the Imperial Riviera shares, and AZ pension funds holds 48.85%.

At the beginning of 2022, three hotels (Valamar Lacroma Dubrovnik Hotel, Club Dubrovnik Sunny Hotel by Valamar and Tirena Sunny Hotel by Valamar) in Dubrovnik were transferred from Valamar Riviera to Imperial Riviera. The acquisition value of cited hotels amounts to EUR 95.3 million and the financing for a major part of this transaction is ensured by taking over Valamar Riviera's existing loan obligations by Imperial Riviera. These hotels

**CAPITAL INCREASE OF IMPERIAL RIVIERA IN THE AMOUNT OF HRK 690 MILLION, BY CONTRIBUTION IN KIND AND IN CASH**

**WITHIN VALAMAR GREEN HOLIDAY CONCEPT THE INVESTMENT INTO THE FIRST SUSTAINABLE ECO RESORT BEGINS**

in the area of Babin Kuk in Dubrovnik, together with the real estate being previously entered in Imperial in the process of its share capital increase will represent sustainable and strategically important technological unit. Imperial Riviera is thus becoming a multi-destination company present in Istria, Kvarner, Dalmatia and the city of Dubrovnik.

Besides the business expansion and growth of the Valamar Group, this transaction will also strengthen the balance sheet of the Group. Imperial Riviera will remain a joint venture for the investment and development of the tourist facilities in the region, while Valamar Riviera will still be in charge of managing its operational business. This was one of the goals of the cooperation established between Valamar and AZ pension funds.

### **VALAMAR AND PBZ/CO PENSION FUNDS CONTINUE THEIR JOINT INVESTMENTS ON THE ISLAND OF HVAR THROUGH HELIOS FAROS**

Valamar Riviera and PBZ Croatia osiguranje pension funds continue with significant portfolio investments in the amount of HRK 300 million aimed at repositioning properties in Stari Grad on the island of Hvar into 4 and 5-star properties. The largest part of the investments will be directed towards the construction of the first Valamar sustainable eco-resort named Valamar Amicor Green Resort, the completion of investments in Hvar [PLACESHOTEL] by Valamar, the construction of the Aquamar pool complex and the overall reconstruction of the resort area.

Green Holiday is a new concept by Valamar, which implies a sustainable eco resort positioned for family vacation. The resort will be built by maintaining the highest standards for green building, which includes ecologically acceptable materials with a minimum environmental impact, the use of renewable energy sources and a high energy efficiency level. Food will be prepared from fresh produce, mainly locally grown, and the use of one-time plastic and paper will be maximally reduced.

Valamar Amicor Green Resort on the island of Hvar is the first tourism project that will use ecologically prefabricated buildings and modular constructions designed according to Valamar accommodation quality standards. The concept is inspired by nature and sustainable design. The

resort's architecture and building design blend into the island's natural environment, while the interior will be designed by local designers and artists with autochthonous tradition and materials in mind.

The business development plan of Helios Faros estimates investments in the total amount of around HRK 800 million aimed at sustainable high value-added tourism that will have a positive impact on the island's economic growth and development. The reconstruction and construction of three hotels and resorts in the 4 and 5-star category with 700 accommodation units is planned by 2025.

Valamar Riviera has a 20% ownership in Helios Faros and manages its hotel-tourism properties.

## EXPANDING PORTFOLIO IN AUSTRIA

In cooperation with a private co-investor, Valamar acquired its second hotel in Obertauern, Austria. The Marietta Hotel 4\* has 120 keys and is one of the biggest and best hotels in this destination. The co-investor is one of Austria's largest Valamar Riviera's shareholders and the Chairman of the Company's Supervisory Board, Mr. Gustav Wurmböck.

The co-investor provided a capital injection amounting to EUR 11.1 million to the Austrian company Valamar A GmbH (until then in 100% owned by Valamar Riviera). Valamar A GmbH then used funds from capital injection and additional borrowing to acquire the Marietta Hotel. Following the transaction, Valamar Riviera has a 24.5% stake in Valamar A, while the co-investor 75.5%

This acquisition in cooperation with the new co-investor represents an important move for Valamar in terms of a further internationalisation of its business operations. The aim is to expand its portfolio and manage hotels and tourist facilities in the best winter holiday destinations in Austria and Italy. Two hotels in Austria under Valamar's management now will be able to employ 130 Valamar employees from Croatia during the winter.

This acquisition also represents another step towards an 'asset-light business model'.

IN COOPERATION  
WITH A PRIVATE  
CO-INVESTOR  
SECOND HOTEL IN  
AUSTRIA ACQUIRED

## VALAMAR RIVIERA'S GENERAL ASSEMBLY

The regular General Assembly of the Company was held on April 21, 2021, at which decisions were made according to the decisions proposed by the Management Board and the Supervisory Board of the Company contained in the invitation to the General Assembly and published in its prescribed content on the website of the Zagreb Stock Exchange, as well as on the Company's website. The following decisions were reached: decision on coverage of loss, decision on granting discharge to members of the Management Board, decision on granting discharge to members of the Supervisory Board, decision on appointment of auditors and decision on election of members of the Supervisory Board. The Report on Receipts of Members of the Management Board and the Supervisory Board for 2020 was also discussed. The General Assembly elected six members of the Supervisory Board for a new term of 4 years starting on 16 June 2021, namely Mr. Gustav Wurmböck, Mr. Franz Lanschützer, Mr. Mladen Markoč, Mr. Georg Eltz (former members), Mr. Boris Galić and Mr. Daniel Goldscheider (new members). One Supervisory Board member, Mr. Ivan Ergović, workers' representative, was appointed by the Workers' Council on 10 May 2021. The constituent meeting of the Supervisory Board, at which the President, Mr. Gustav Wurmböck, and the Deputies, Mr. Franz Lanschützer and Mr. Mladen Markoč, were elected, was held on June 17, 2021.

## LEADING MARKET POSITION AND RECOGNITIONS

In 2021, the Valamar Group succeeded in maintaining its leading market position as well as stabilising its business operations to a large extent. This is the result of a successful crisis management during the COVID-19 pandemic as well as of the recognised and successful Valamar's business philosophy. It represents Valamar's business success formula, comprised of corporate social responsibility and a continuous investment in further development.

Valamar received a recognition from the Ministry of Economy and Sustainable Development for 2021 relating to the achievements of the business sector in environmental protection, in the category Management. The award ceremony was held within the Conference on the Future of Europe, initiated by the European Commission, the Council and the Parliament. This recognition for Valamar relates to an exceptional organization with

a strategic vision and a management system enabling continuous improvements in environmental properties.

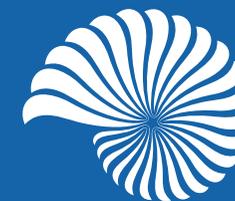
The German camping club DCC (Deutscher Camping-Club) gave the prestigious recognition DCC Europe Platinum for the year 2022 to Lanterna Premium Camping Resort. Eleven of Valamar's campsites received the Croatia's Best Campsites label for the year 2022, which is given by the Croatian Camping Union. Four Valamar's campsites are the winners of the ADAC Superplatz 2022 recognition award, given by ADAC's camping guides in cooperation with the PiNCAMP specialized camping portal. Additionally, four Valamar's campsites have received the ANWB Top Camping award, which is given by the renowned Dutch car club ANWB.

The world organisation World Luxury Hotel Awards gave awards to the most luxurious hotels. The Dubrovnik President Valamar Collection Hotel 5\* was recognized as the best Croatian Luxury Beach Resort, the Isabella Valamar Collection Island Resort 4\*/5\* received the best European Luxury Island Resort award, and the Marea Valamar Collection Suites 5\* won the best European Luxury Family Hotel award. As many as three Valamar's hotels received the most prestigious tourist industry award on the world – World Travel Award. The Valamar Riviera Hotel & Residence 4\* in Poreč received the award for the best Croatian boutique hotel, while the Valamar Collection Girandella Resort 4\*/5\* in Rabac was again recognized as the leading Croatian resort. The title of the leading hotel in Croatia was granted to the Dubrovnik President Valamar Collection Hotel 5\*.

IN 2021, VALAMAR  
WAS AWARDED  
NUMEROUS  
PRIZES AND  
RECOGNITIONS



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



# Results of the Group

## ANNUAL AUDITED FINANCIAL STATEMENTS

The Management Board of the Company presents the audited annual financial statements for the business operations in the year 2021.

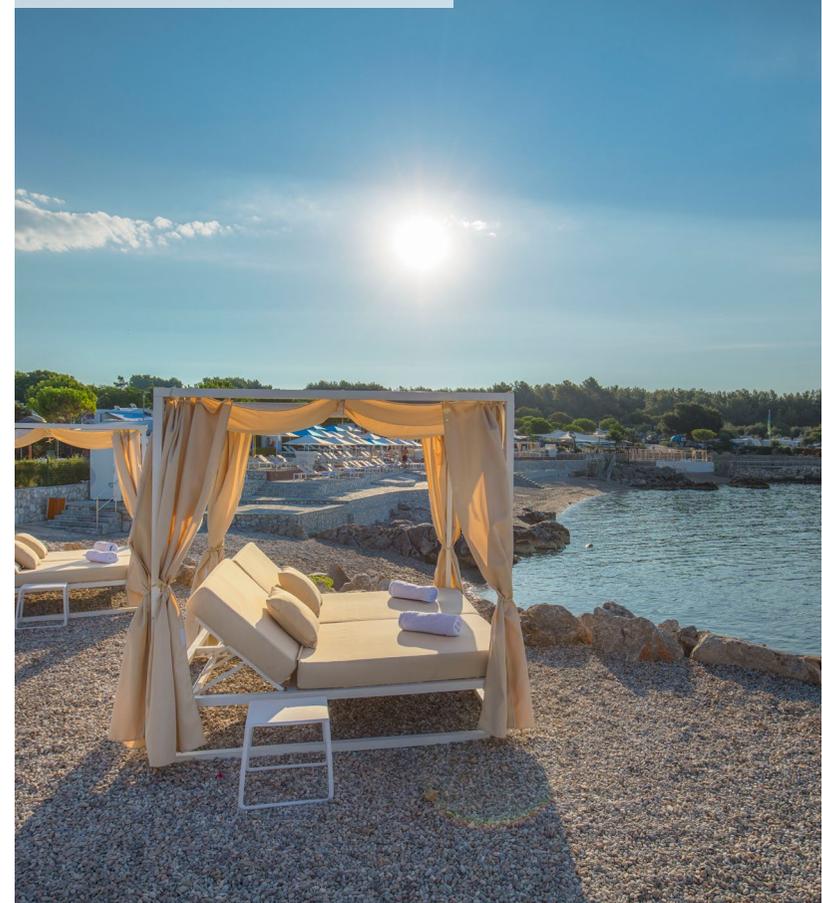
The Group's profit and loss account for the period considered consolidates the data from the following companies (only for the period when they were subsidiaries of Valamar Riviera d.d.): Imperial Riviera d.d. (a subsidiary 46.27% owned by Valamar Riviera d.d.), Valamar A GmbH (until 29 November 2021, 100% owned, and from 29 November 2021, 24.54% owned), Valamar Obertauern GmbH (10% directly owned and, until 29 November, 90% indirectly owned by Valamar Riviera d.d. (90% of the shareholding owned by Valamar A GmbH), and from 29 November 2021, 22.08% indirectly owned by Valamar Riviera d.d.), Palme Turizam d.o.o. (until 7 May 2021, when it was merged to Valamar Riviera d.d., 100% owned), Magične stijene d.o.o. (100% owned), and Bugenvilia d.o.o. (100% owned).

The Group's balance sheet as at 31 December 2021 consolidates the data for the following companies: Valamar Riviera d.d. (Parent Company), Imperial Riviera d.d., Magične stijene d.o.o. and Bugenvilia d.o.o.

The investment in the company Helios Faros d.d. is reported according to the equity method since Valamar Riviera d.d. does not exercise control but a significant influence over Helios Faros d.d.

 *The Management Board  
presents the annual audited financial  
statements for the 2021*

Krk Premium Camping Resort 4\*, Krk island



## KEY FINANCIAL INDICATORS<sup>1</sup>

	2020	2021	2021/2020
Total revenues	696,901,773	1,679,909,675	141.1%
Operating income	675,610,635	1,644,008,023	143.3%
Sales revenues	642,478,457	1,605,127,860	149.8%
Board revenues (accommodation and board revenues) <sup>2</sup>	531,636,818	1,344,778,046	153.0%
Operating costs <sup>3</sup>	530,527,177	938,294,335	76.9%
EBITDA <sup>4</sup>	103,189,578	645,980,279	526.0%
Extraordinary operations result and one-off items <sup>5</sup>	-23,242,050	-27,545,361	18.5%
Adjusted EBITDA <sup>6</sup>	126,431,628	673,525,640	432.7%
EBIT	-394,764,365	136,974,626	-
Adjusted EBIT <sup>6</sup>	-371,522,315	164,519,987	-
EBT	-501,048,580	101,475,233	-
Net profit	-358,805,791	108,707,246	-
EBT margin	-74.2%	6.2%	80.3pp
EBITDA margin	15.3%	39.3%	24.0pp
Adjusted EBITDA margin <sup>6</sup>	18.7%	41.0%	22.3pp
	<b>31/12/2020</b>	<b>31/12/2021</b>	<b>2021/2020</b>
Net debt <sup>7</sup>	2,851,116,054	1,973,103,640	-30.8%
Net debt / Adjusted EBITDA	22.6	2.9	-87.0%
Cash and cash equivalents	665,932,900	1,115,257,824	67.5%
Capital investments (details in chapter "2020 Investments")	595,870,921	115,355,120	-80.6%
ROE <sup>8</sup>	-11.5%	3.2%	14.7pp
Adjusted ROCE <sup>9</sup>	-6.5%	3.1%	9.6pp
Market capitalization <sup>10</sup>	3,750,579,650	4,158,908,886	10.9%
EV <sup>11</sup>	7,303,506,632	7,175,077,019	-1.8%
EPS <sup>12</sup>	-2.70	0.86	-
DPS <sup>13</sup>	0	0	-

## KEY BUSINESS INDICATORS<sup>14</sup>

	2020	2021	2021/2020
Number of accommodation units (capacity)	21,247	21,328	0.4%
Number of beds	58,492	58,747	0.4%
Full occupancy days	47	99	110.6%
Annual occupancy (%)	13	27	107.7%
Accommodation units sold	999,020	2,100,954	110.3%
Overnights	2,279,215	5,004,639	119.6%
ARR <sup>15</sup> (in HRK)	532	640	20.3%
RevPAR <sup>16</sup> (in HRK)	25,021	63,052	152.0%

1 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.

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

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

4 EBITDA (eng. earnings before interest, taxes, depreciation and amortization) is calculated as: operating income - total operating costs + depreciation and amortisation + value adjustments.

5 Adjustments were made for (i) extraordinary income (in the amount of HRK 30.2 million in 2021, and HRK 20.3 million in 2020), (ii) extraordinary expenses (in the amount of HRK 55.8 million in 2021, and HRK 42.3 million in 2020), and (iii) termination benefit costs (in the amount of HRK 1.8 million in 2021, and HRK 1.2 million in 2020).

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

7 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.

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

9 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.).

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

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

12 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 2021: 121,887,907. Weighted average number of shares in 2020: 121,887,907.

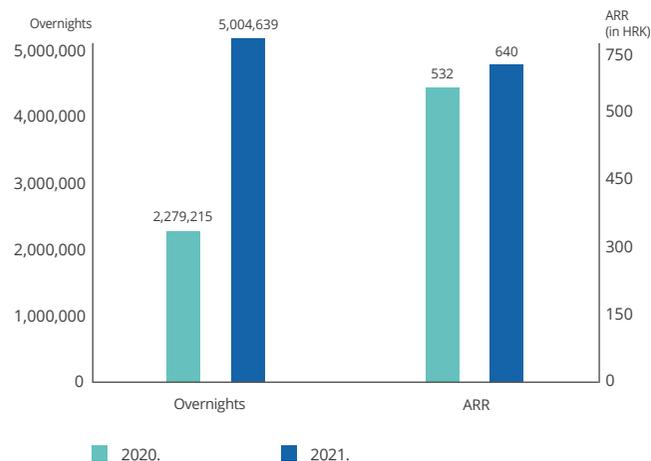
13 DPS refers to dividends per share.

14 Data for Helios Faros are not included.

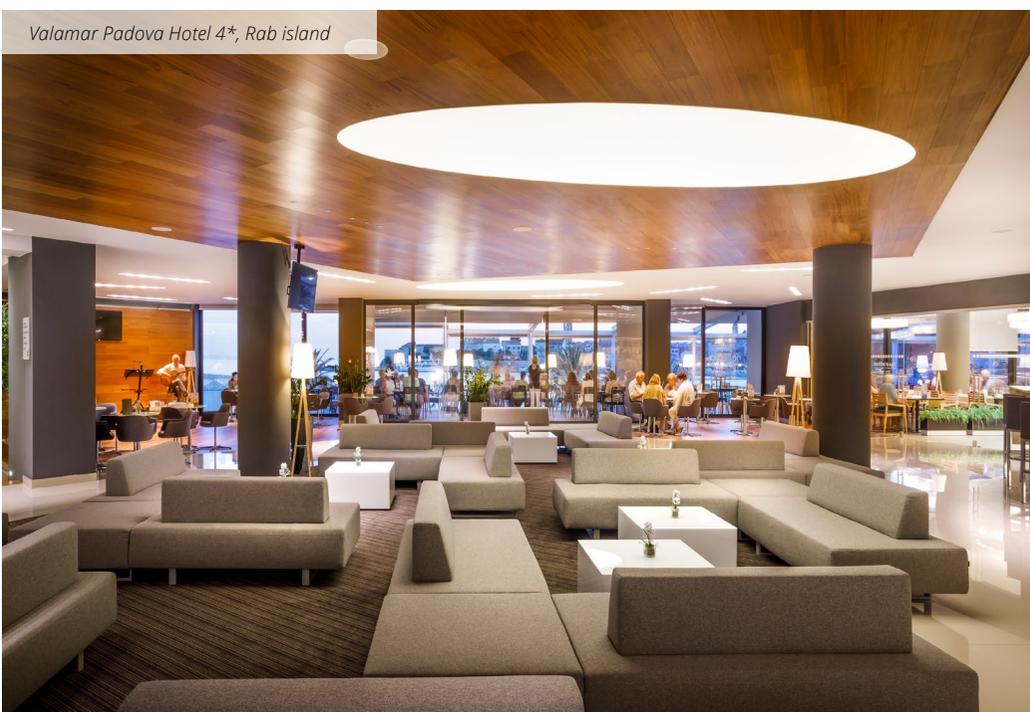
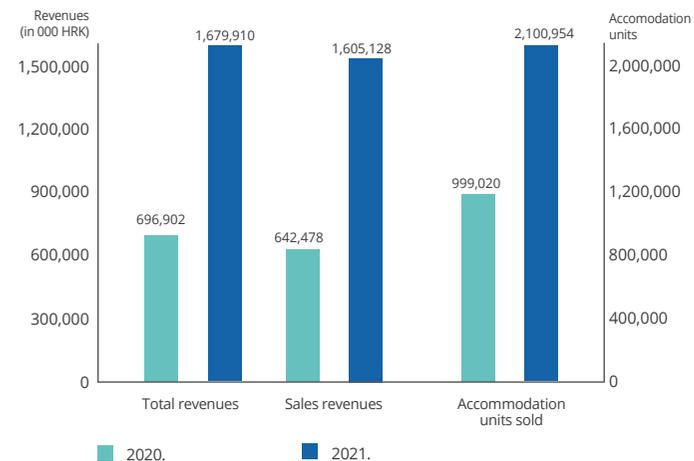
15 Average rate is recorded on the basis of cumulative board revenues (accommodation and board's food and beverage revenues).

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

### Overnights and ARR



### Revenues and accommodation units sold



In 2021, Valamar Group realized 5.0 million overnights, which is still a decrease of 26% compared to 2019 and an increase of 120% compared to 2020.

In the first quarter of 2021, the number of overnights was very low with only one open hotel -Valamar Diamant Hotel & Residence. Valamar Diamant Hotel & Residence shifted from the regional to the Croatian market, with special focus on weekend stays, professional national and foreign sports groups without indoor training bans and regional cyclists groups. Valamar Obertauern Hotel in Austria was closed for the entire 2020/21 ski season. In the same period, two camping resort were opened year-round with a special "extended stay" offer (14 and 30 days), focusing on families and individuals who were able to work/study remotely. In the second quarter, negative trend was reversed and a noticeable increase in the number of overnights was achieved, although measures related to the

COVID-19 pandemic in Europe were still in force. This is primarily due to the great desire to travel after a long period of restrictions and a somewhat less restrictive policy of crossing state borders. Our northern destinations were the most visited: Poreč, Rabac and the islands of Krk and Rab, while southern destinations Makarska, Hvar and Dubrovnik reported lower occupancy rates due to the lack of flights and a slightly greater distance from source markets. As explained earlier, the third quarter was marked by an almost complete recovery in tourist traffic at a large number of our properties, although the real main tourist season began only in mid-July. However, in the fourth quarter, this powerful trend slowed down somewhat, primarily due to lower realization in the group sales and MICE segment.

## REVENUES

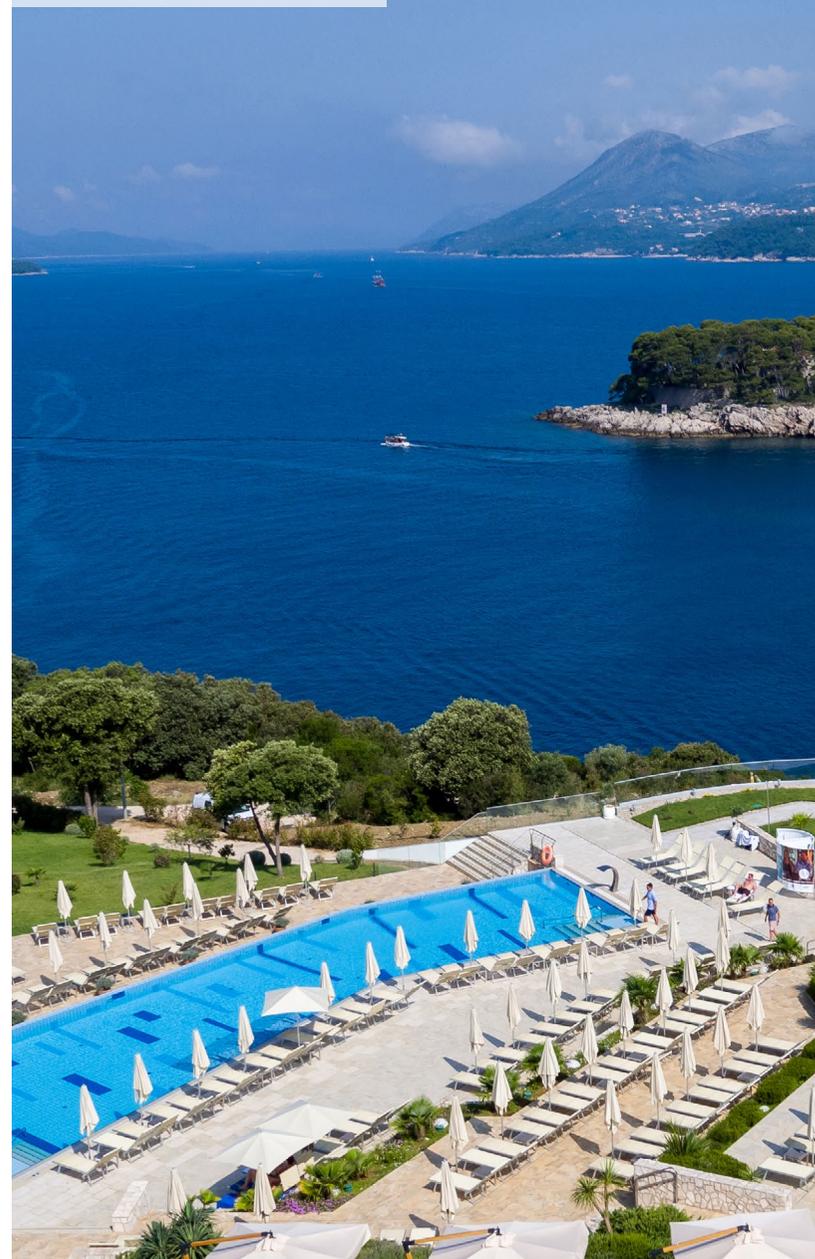
In 2021, total revenues amounted to HRK 1,679,9 million, which is an increase of 141.1% (HRK 983.0 million). The realized total revenues were influenced by:

a) increase in sales revenues by 149.8% (HRK 962.6 million) to the amount of HRK 1,605.1 million, which consists primarily of board revenues (HRK 1,344.8 million) after a significant improvement in tourist flows as previously explained. There has been a slight change in the revenue structure; domestic sales revenues amount to HRK 173.6 million with a share of 10.8% in total sales revenues (12.9% in 2020) and are HRK 90.9 million higher than in 2020. With a share of 89.2% in total sales revenues (87.1% in 2020), sales revenues on foreign markets amount to HRK 1,431.5 million and are higher by HRK 871.7 million

b) an increase in other operating revenues of 18.0% to HRK 38.6 million compared to 2020, mainly due to higher revenues from the cancelation of provisions for litigation

c) financial income amounts to HRK 35.4 million and is higher by 66.0% than those realized in 2020 as a result of the increase in net positive exchange rate differences on long-term loans as well due to income from the discontinuation of control over subsidiaries Valamar A and Valamar Obertauern.

Valamar Argosy Hotel 4\*, Dubrovnik



**TOTAL OPERATING EXPENSES OF VALAMAR GROUP<sup>17</sup>**

(in HRK)	2020	2021	2021/2020
Operating costs <sup>18</sup>	530,527,177	938,294,335	76.9%
Total operating expenses	1,070,375,000	1,507,033,397	40.8%
Material costs	254,642,998	458,262,170	80.0%
Staff cost	189,951,093	353,175,910	85.9%
Depreciation and amortisation	496,444,044	507,335,969	2.2%
Other costs	89,097,655	134,450,892	50.9%
Provisions and value adjustments	30,223,911	41,982,841	38.9%
Other operating expenses	10,015,299	11,825,615	18.1%

**TOTAL OPERATING EXPENSES**

Total operating expenses in 2021 amounted to HRK 1,507.0 million, which is 40.8% more than in the last year. Development of operating expenses:

a) material costs amount to HRK 458.3 million and are higher by 80.0% as a result of increased costs of raw materials, costs of promotional activities and other direct costs in accordance with the increased business volume

b) staff costs increased by 85.9% and amount to HRK 353.2 million, also after the increased business volume and the need for workforce. Total COVID grants related to employee cost subsidies are included in the amount of HRK 102.1 million for the Group (2020: HRK 164.4 million) and HRK 84.6 million for the Company (2020: HRK 141.3 million)

c) depreciation amounts to HRK 507.3 million, which represents an increase of 2.2%

d) other expenses increased by 50.9% to HRK 134.4 million. The increase is due to increased employee transportation

fees and employee rewards, as well as higher expenses for student workers

e) provisions and value adjustments amount to HRK 42 million and are higher by 38.9% as a result of provisions for the costs for tourist land lease

f) other operating expenses amount to HRK 11.8 million, which is an increase of 18.1%.

<sup>17</sup> Classified according to Annual Financial Statements standard (GFI POD-RDG).

<sup>18</sup> Operating costs include material costs, staff costs, other costs, and other operating costs reduced by extraordinary expenses and one-off items.

## EBITDA AND EBT

Adjusted EBITDA amounts to HRK 673.5 million, which is an improvement of HRK 547.1 million compared to adjusted EBITDA realized in 2020 in the amount of HRK 126.4 million. The main reasons for this are very strong demand for most of our properties in the high season, which has led to a significant increase in the number of overnight stays and a significant increase in average prices. In addition, the Group recorded a favourable development of all major cost categories in the pre-season after adjusting to pandemic working conditions, which includes the general rationalization of operations and internal savings measures as well as the implementation of "Pause, restart program". Furthermore, the use of support measures by the Government of the Republic of Croatia, enabled the Group to preserve jobs and to be able to prepare 2021 tourist season efficiently.

After the above-described increase in EBITDA and better net financial result in 2021 related to exchange rate movements (explained in more detail in the next section), a significant improvement in profit before tax (EBT) was achieved in the amount of HRK 600.0 million. Thus, EBT in 2021 amounted to HRK 99.0 million after a negative EBT of HRK -501.0 million in 2020.

*Valamar Carolina Hotel & Villas 4\*, Krk Island*

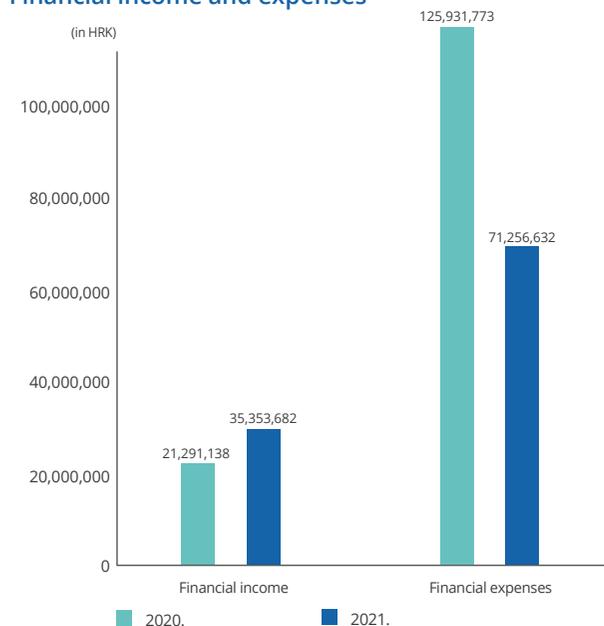


## RESULT FROM FINANCIAL ACTIVITIES

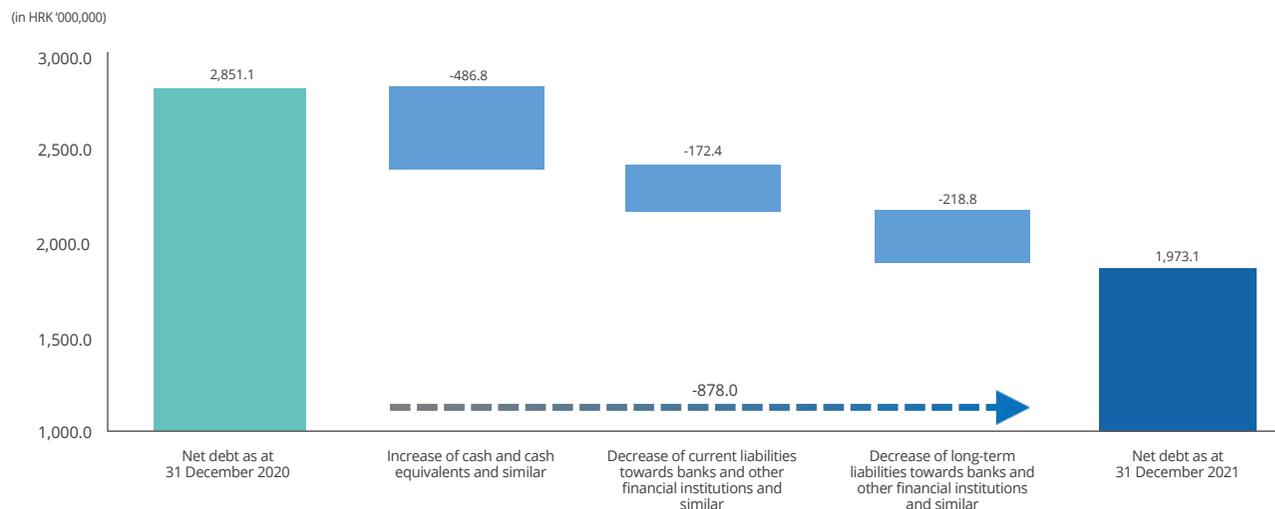
In 2021, net financial result amounts to HRK -35.9 million (HRK -104.6 million in 2020). The main reason for HRK 68.7 million better financial result compared to 2020 is primarily the increase in net foreign exchange gains (mostly unrealized on long-term loans) by HRK 52.7 million, given that in 2021 kuna recorded a small increase against the euro, while in 2020 a stronger depreciation of kuna against the euro was recorded.

Also, unrealized income from financial assets in the amount of HRK 4.5 million was recorded, while in 2020, unrealized expenses from financial assets in the amount of HRK 17.8 million was recognized. In addition, interest on long-term and short-term loans increased by HRK 3.2 million due to the provision of new sources of liquidity.

## Financial income and expenses



## Net debt <sup>19</sup>



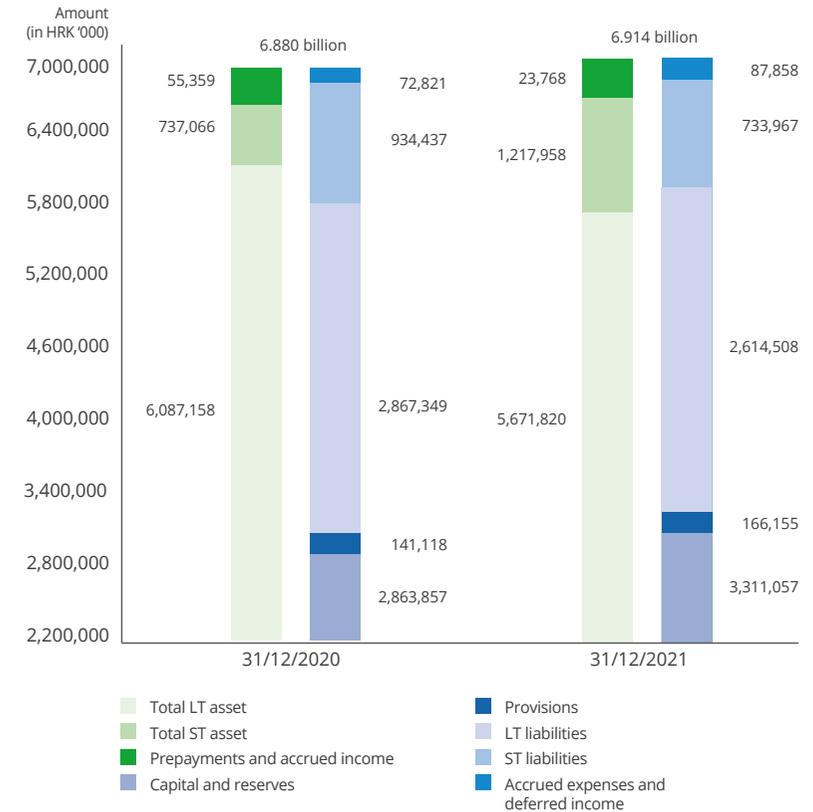
<sup>19</sup> Net debt: non-current and current liabilities to banks and other financial institutions + liabilities for loans, deposits and other + other liabilities according to IFRS 16 (leases) – cash and cash equivalents – long-term and short-term investments in securities – current loans given, deposits, etc.

## ASSETS AND LIABILITIES

On 31 December 2021, total value of Group's assets amount to HRK 6,911.1 million, which is 0.5% increase compared to 31 December 2020. Total share capital and reserves amount to HRK 3,308.6 million and are higher by 15.5% as a result of the realized profit in 2021 as well as increase in minority interests following the capital increase in Imperial Riviera.

Total long-term and short-term liabilities to banks and other financial institutions as at 31 December 2021 amount to HRK 3,112.6 million and are lower by 11.2% compared to 31 December 2020 as a result of repayment of short-term and long-term loans. A large part of the loan portfolio (89%) consists of long-term loans with contracted fixed interest rate and loans protected by derivative instruments (IRS) for the purpose of hedging against interest rate risk. In 2020, the Group deferred the payment of a total of HRK 349 million of principal to commercial banks and the Croatian Bank for Reconstruction and Development, of which HRK 272 million represents deferred principal payment for 2020, HRK 49 million for the first quarter of 2021 and HRK 27 million kuna for the second quarter of 2021. In addition, the payment of interest in the total amount of around HRK 47 million was postponed. On 30 June 2021., after the expiration of the moratorium period with commercial banks, the Group began regular repayment of credit liabilities.

## Assets and liabilities



On 31 December 2021 the Group's cash balance amounted to HRK 1,115.3 million (an increase of 67.5% compared to 31 December 2020), which together with i) the agreed credit lines, ii) valuable tourist assets and iii) a strong operating business model make Group's stable balance sheet.



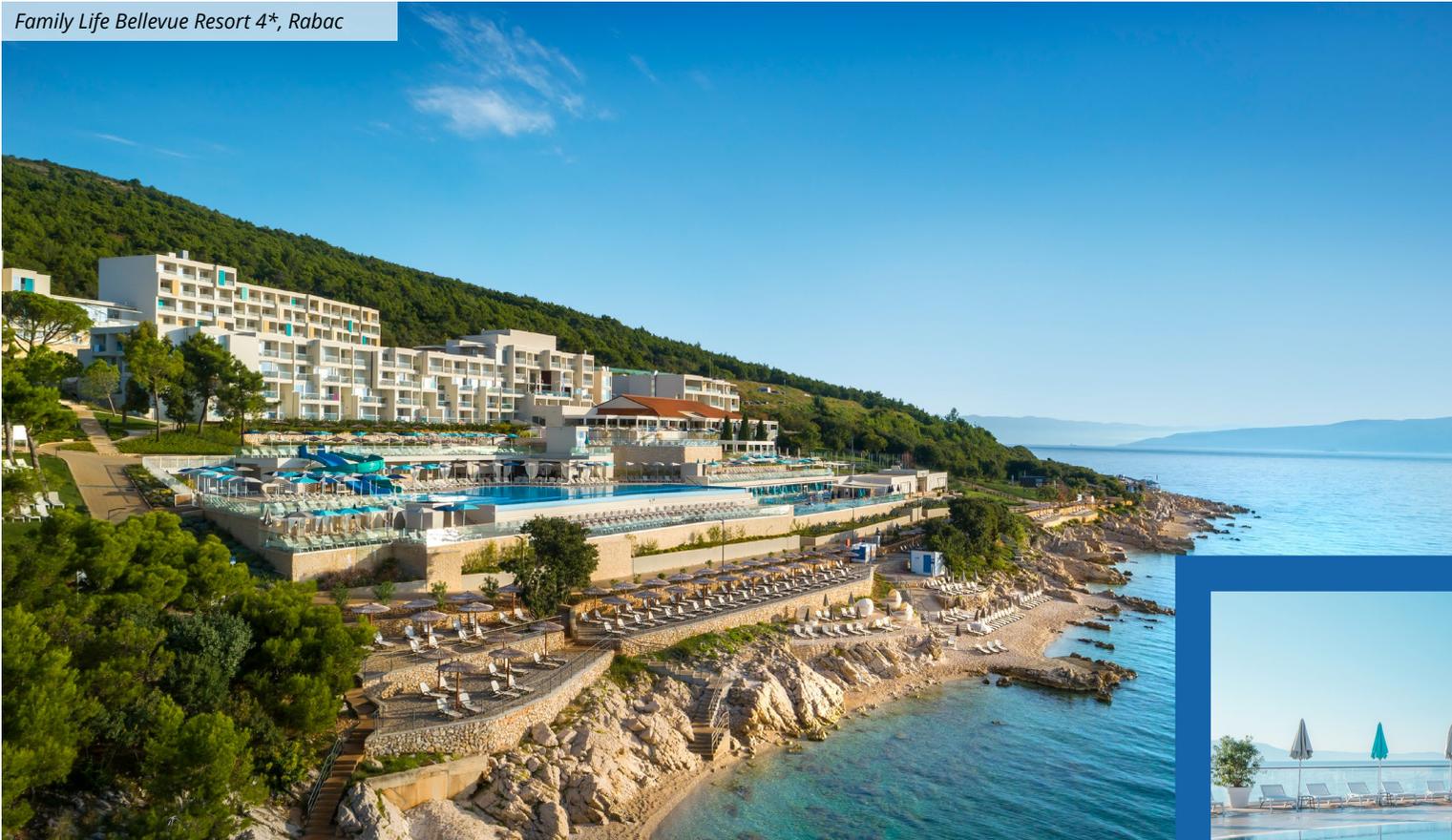
## HOTEL AND CAMPING RESORTS OVERVIEW<sup>20</sup>

HOTELS AND RESORTS OVERVIEW		LOCATION	KEYS
Hotels and Resorts			9.292
<b>VALAMAR COLLECTION</b>			1.261
Marea Valamar Collection Suites	5*	Poreč	108
Imperial Valamar Collection Hotel	4*	Rab Island	136
Dubrovnik President Valamar Collection Hotel	5*	Dubrovnik	292
Isabella Valamar Collection Island Resort	4* / 5*	Poreč	334
Girandella Valamar Collection Resort	4* / 5*	Rabac	391
Pinea Valamar Collection Resort	5*	Poreč	0
<b>VALAMAR HOTELS &amp; RESORTS</b>			3.964
Valamar Riviera Hotel & Residence	4*	Poreč	132
Valamar Tamaris Resort	4*	Poreč	507
Valamar Parentino Hotel	4*	Poreč	329
Valamar Bellevue Resort	4*	Rabac	372
Valamar Diamant Hotel & Residence	3*/4*	Poreč	372
Valamar Pinia Hotel	3*	Poreč	170
Valamar Sanfior Hotel & Casa	4*	Rabac	242
Valamar Atrium & Villa Adria	4* / 5*	Krk Island	92
Valamar Carolina Hotel & Villas	4*	Rab Island	176
Valamar Padova Hotel	4*	Rab Island	175
Valamar Meteor Hotel	4*	Makarska	268
Valamar Argosy Hotel	4*	Dubrovnik	308
Valamar Lacroma Dubrovnik Hotel	4*	Dubrovnik	401
Valamar Club Dubrovnik Hotel	3*	Dubrovnik	338
Valamar Obertauern Hotel	4*	Austria	82
[PLACES] by Valamar			179
Hvar [PLACESHOTEL] by Valamar	3*	Hvar Islan.	179
<b>SUNNY BY VALAMAR</b>			3.888
Lanterna Sunny Resort by Valamar	2*	Poreč	606
Allegro Sunny Hotel & Residence by Valamar	3*	Rabac	180
Corinthia Baška Sunny Hotel by Valamar	3*	Krk Island	431
San Marino Sunny Resort by Valamar	3*	Rab Island	457
Eva Sunny Hotel & Residence	2*	Rab Island	284
Dalmacija Sunny Hotel by Valamar	3*	Makarska	190
Rivijera Sunny Resort by Valamar	2*	Makarska	258
Tirena Sunny Hotel by Valamar	3*	Dubrovnik	208
Trim & Helios Sunny Apartments by Valamar	2*	Hvar Islan.	85
Crystal Sunny Hotel by Valamar	4*	Poreč	223
Rubin Sunny Hotel by Valamar	3*	Poreč	253
Miramar Sunny Hotel & Residence by Valamar	3*	Rabac	178
Zvonimir Sunny Hotel by Valamar	4*	Krk Island	85
Koralj Sunny Hotel by Valamar	3*	Krk Island	194
Arkada Sunny Hotel by Valamar	2*	Hvar Islan.	256

CAMPING RESORTS OVERVIEW		LOCATION	KEYS
Camping Resorts			11.557
<b>CAMPING ADRIATIC BY VALAMAR - PREMIUM RESORTS</b>			5.352
Istra Premium Camping Resort by Valamar	5*	Poreč	874
Lanterna Premium Camping Resort by Valamar	4*	Poreč	2.930
Krk Premium Camping Resort by Valamar	5*	Krk Island	500
Ježevac Premium Camping Resort by Valamar	4*	Krk Island	632
Padova Premium Camping Resort by Valamar	4*	Rab Island	416
<b>CAMPING ADRIATIC BY VALAMAR - RESORTS</b>			4.555
Orsera Camping Resort by Valamar	3*	Poreč	592
Solaris Camping Resort by Valamar	3*	Poreč	1.824
Marina Camping Resort by Valamar	4*	Rabac	329
Baška Beach Camping Resort by Valamar	4*	Krk Island	593
Bunculuka Camping Resort by Valamar	4*	Krk Island	408
San Marino Camping Resort by Valamar	4*	Rab Island	809
<b>CAMPING ADRIATIC BY VALAMAR - SUNNY</b>			1.650
Brioni Sunny Camping by Valamar	2*	Pula	734
Tunarica Sunny Camping by Valamar	2*	Rabac	160
Škrila Sunny Camping by Valamar	3*	Krk Island	342
Solitude Sunny Camping by Valamar	3*	Dubrovnik	414

<sup>20</sup> Hotel Marietta in Obertauern, Austria, acquired by Valamar A GmbH in December 2021. It is not managed by Valamar Riviera and is not branded by Valamar Riviera. Leased to a third party until mid-2023.

Family Life Bellevue Resort 4\*, Rabac



# Results of the Company

In 2021, total revenues increased by 185.8% to the amount of HRK 1,691.4 million.

Sales revenues amount to HRK 1,360.9 million with a 80.7% share in total revenues. Compared to the last year, they are higher by 148.8% as a result of increased business volume.

Domestic sales revenues amount to HRK 181.2 million with a share of 13.3% in total sales revenues (12.4% in 2020) and are higher by HRK 113.4 million compared to the previous year. Revenues from sales on foreign markets amount to HRK 1,179.8 million with a share of 86.7% in total revenues (87.6% in 2020). Compared to the previous comparable period, they are higher by HRK 700.6 million.

Material costs amount to HRK 396.1 million with a growth of 76.9% after increased business volume. Staff costs amount to HRK 301.3 million and are 85.1% higher than in the same period last year, also due to the increased volume of business and the need for workforce.

Depreciation amounts to HRK 397.6 million and is higher by 1.4% compared to the same period last year. Value adjustments and provisions amount to HRK 38.3 million, which is an increase of 41.9% compared to 2020. This is mainly the results of provisions for the costs for tourist land lease.

In 2021, net financial result amounts to HRK -43.9 million (HRK -95.1 million in 2020). The main reason for HRK 51.2 million better financial result compared to the previous year is primarily the increase in net foreign exchange gains (primarily unrealized on long-term loans) by HRK 48.6 million, given that in 2021 kuna recorded a small increase against the euro, while in 2020 a stronger depreciation of kuna against the euro was recorded.

EBITDA amounted to HRK 814.3 million, which is an improvement of HRK 739.3 million compared to EBITDA realized in 2020 at the level of HRK 74.9 million. The main reasons for this are very strong demand for most of our properties in the high season, which has led to a significant increase in the number of overnight stays and a significant increase in average prices. In

IMPROVEMENT OF  
EBITDA COMPARED  
TO 2020

STRONG CASH  
POSITION OF THE  
COMPANY AS AT  
31 DECEMBER  
2021 OF HRK 582  
MILLION

addition, the Company recorded a favourable development of all major cost categories in the pre-season after adjusting to pandemic working conditions, which includes general business rationalization and internal savings measures taken as well as the implementation of "Pause, restart program". Furthermore, the use of support measures by the Government of the Republic of Croatia, enabled the Company to preserve jobs and to be able to prepare 2021 tourist season efficiently. An additional reason can be found in the realized net profits of HRK 281.0 million, which are recorded under Other operating income with undertakings within the group. The profits were generated from the entry of the Company's real estate (land) in the area of Babin Kuk in Dubrovnik into the share capital of Imperial Riviera within capital increase procedure. That had no impact on the Valamar Group's financial statements.

Total assets of the Company on 31 December 2021 amounted to HRK 5,830.0 million and were lower by 2.1% compared to 31 December 2020. Total share capital and reserves amount to HRK 2,619.3 million and are higher by 9.8% as a result of the realized profit in 2021.

On 31 December 2021 the Company's cash balance amounts to HRK 582.1 million, which is an increase of 11.3% compared to 31 December 2020.

Hvar PLACESHOTEL by Valamar 3\*, Hvar Island



# Investments

Valamar's strategy for the development of tourism products and high added-value amenities is one of the main drivers of growth and sustainable business continuity. The strategy is steered by sustainability and social responsibility while investing in products, employees and tourist destinations. Furthermore, Valamar's service concepts are continuously being developed to align the offer with current market requirements, primarily guests' trends and expectations. With a timely and thorough approach to mitigating and controlling the adverse effects caused by the COVID-19 pandemic, a customized business plan was introduced in all business segments, including investments.

The planned portfolio repositioning and development of high added-value products and services, with emphasis on the premium segment of resorts and camping resorts, has been adjusted by reducing investment intensity all while preparing new growth and development projects when the conditions are met. In order to align the hospitality portfolio plan and development with the current tourism flows and the proactive approach to cash flow management and financing, the investments in 2021 will mostly be focused on the completion of projects and raising service quality and guest satisfaction.

Considering the reduced investment intensity, the total approved investments of the Valamar Group in the 2020/2021 investment cycle amounted to HRK 164 million in 2021. As last year, the Valamar Group will continue to adapt its products and develop digitization digitalization projects to further enhance service quality and guest safety in the upcoming tourist season. At the Group level, a total of HRK 16 million has been provided for health and safety, as well as digitalization and innovation projects. Investments in this segment include the continuation of projects from 2020, and relate to the automation of processes and systems such as improving the Online Reception and "self check-in" system, automating gate barriers, improving Valfresco Direkt online

Valamar Parentino Hotel 4\*, Poreč



store services and other similar projects aimed at enhancing our guest's health and safety services for our guests. HRK 17 million has been provided for smaller investments and the purchase of new equipment and furniture, while the remaining amount has been directed towards the completion of initiated investments in construction works and the preparation of future investments. All investments were completed within the planned deadlines. In 2021, investments worth HRK 115 million were capitalized in the portfolio of fixed tangible and intangible assets.

## VALAMAR RIVIERA

Valamar Riviera provided HRK 123 million for the 2020/2021 investment cycle, and in addition to investments aimed at enhancing and implementing the program for guests' health and safety, the company focused on investments in Istra Premium Camping Resort 5\*. Considering the current consumer trends and preferences, this is a particularly attractive accommodation category, which represents a specific product of high guest loyalty, especially due to the perception of reduced health risks. Given the high occupancy rate of Istra Premium Camping Resort 5\* in 2020 despite the unfavorable circumstances, the amount of HRK 10 million has been invested in enhancing service quality in 2021, mostly in the Glamping zone and food and beverages facilities. Service quality

IN YEAR 2021  
INVESTMENTS  
WERE FOCUSED ON  
COMPLETION OF  
STARTED PROJECTS

ALL INVESTMENTS  
WERE COMPLETED  
WITHIN THE  
PLANNED  
DEADLINES

has also been enhanced through targeted investments in three Valamar hotels. These include improvements of the exterior and interior of the Champagne Breakfast & Brunch restaurant and Spinnaker restaurant at the Valamar Riviera Hotel, situated at the old town waterfront in of Poreč, which will enhance the new Old Town Holiday label within the Valamar Hotels & Resorts brand. Investments in this category include the promotion of the Sunny by Valamar economy brand. As part of its rebranding, the Miramar Sunny Hotel has improved Breakfast & Lunch services, introduced the Valfresco 24/7 service with a rich menu available to guests, a digital library and the Chill & Play Zone, which makes digital books and fun games available to our guests. In addition to the above, the investment includes a self-service laundry and 30 rearranged accommodation units. Investments in the Rubin Sunny Hotel are focused on renovating its interior public spaces.

Valamar launched a new lifestyle brand called [PLACES] by Valamar, intended for guests seeking freedom of choice, modern design and authentic destination experience with full respect for nature and the environment. Lifestyle hotels have become a trend in the global hotel industry recently because they go beyond the limits of the traditional hospitality industry. They are focused on creating unique experiences and offering authentic services, i.e. on presenting the most valuable things in a destination. Thus they are able to attract modern and young travellers, especially Millennials

Istra Premium Camping Resort 5\*, Poreč



who particularly enjoy such type of travelling, including encounters with like-minded people, tasting natural foods and dishes and who care about environmental sustainability. The first Valamar's hotel under this new brand is HVAR [PLACESHOTEL] by Valamar in Stari Grad on the island of Hvar (the ex Lavanda hotel). Valamar invested close to HRK 53 million in its refurbishment, and it was opened mid of May 2021. The hotel has 179 rooms, which are a blend of the Mediterranean tradition and of the modern design.

Considering the aforementioned optimized investment plan in accordance with the current circumstances, sufficient funds have been provided in this investment cycle for the completion of the first phase of investment in Valamar Pinea Collection Resort, while the accommodation for employees in Dubrovnik has been completed.

Valamar Riviera's Supervisory Board approved 2022 investments in the amount of HRK 180 million. The approved investments mostly relate to investments in the renovation and rebranding of the Corinthia Hotel in Baška to the level of the Sunny Plus brand, certain upgrades of the Valamar Bellevue Hotel 4\* in Rabac, and continued investment in Istra Premium Camping Resort and Lanterna Premium Camping Resort. These investments also relate to some other investment projects as well as the maintenance of properties and facilities for guests in all destinations, continued investments in seasonal employee accommodation as well as continued investments in energy efficiency projects and digitalization projects.

## IMPERIAL RIVIERA

Planned investments in the 2020/2021 cycle at the level of Imperial Riviera amounted to HRK 41 million and mostly were related to the final phases of investment projects in the Valamar Meteor Hotel and the Valamar Parentino Hotel, which were postponed due to the previously mentioned extraordinary circumstances caused by the COVID-19 pandemic.

By investing in the Valamar Parentino Hotel, finalized projects include the renovation of 40 accommodation units, a children's playground, a pool bar, parking lot and landscape design. The investment in the Valamar Meteor

Hotel was worth HRK 85 million in total, enabling the hotel to have a series of new amenities and offer higher quality accommodation. The offer of the Valamar Meteor Hotel is oriented primarily towards families with children, towards guests seeking an active vacation and athletes of all profiles. The investment into the Valamar Meteor Hotel included the construction of a new outdoor pool and an expansion of the current one with new amenities and attractions for family vacation. Its indoor pool with wellness was also renovated according to the Valamar Sun & Spa concept. 111 hotel rooms were refurbished in the first investment phase, while the remaining 160 rooms were refurbished in the second phase.

Imperial Riviera d.d. plans investments in the amount of HRK 125 million for its 2022 investment cycle. The most important investments relate to the renovation of the Dalmacija Sunny Hotel by Valamar and the reconstruction of the restaurant on the beach below this hotel. They also include the construction of the Padova I beach with the restaurant and sanitary facilities in the destination of Rab. The biggest investment amounting to HRK 67 million is planned for the existing Dalmacija Sunny Hotel by Valamar in Makarska, which will be repositioned as Dalmacija [PLACESHOTEL] by Valamar. This investment includes the reconstruction of the existing and the construction of a new swimming pool, the arrangement of sundecks and a new pool bar, the renovation of 190 accommodation units and other spaces at the level of lifestyle design with an emphasis on digitalization and quality.



Bunculuka Camping Resort 4\*, Krk island



# 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

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 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'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;
- 7) Risk of inflation and increase in prices of purchased goods.

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 contracted 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 cash flows are protected from the risk impact. Due to the emergence of exceptional circumstances caused by the COVID-19 pandemic in the first quarter 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 precommitted hedged part of the loan principal. Therefore, a major part of the loan portfolio (over 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 (89%) 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 uncollectability 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 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 and 2021 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.

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.

#### 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, 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.

#### 7) Risk of inflation and increase in prices of purchased goods

As the Omicron COVID-19 variant spreads, countries have reimposed mobility restrictions. Rising energy prices and supply disruptions have resulted in higher and more broad-based global inflation than generally anticipated. Inflationary pressures may remain high, as some supply-demand mismatches and labour shortages could last throughout 2022. Rising geopolitical uncertainties in Europe (particularly surrounding the Russia-Ukraine conflict) and elsewhere are a main downside risk, adding pressure on energy prices. Inflation and rising prices of purchased goods may have an effect on the purchasing power of foreign and domestic guests, as well as on the level of our selling prices.

The Company and the Group have also been exposed to the impact of the changes in the purchase prices for energy products (especially electrical energy) as well as prices for food and beverages and consumables. The Company and the Group have been continually making considerable investments in energy efficiency and renewables in order to mitigate the impact of a possible increase in energy prices as well as to decrease their dependence on suppliers. For a certain part of our assortment of food, beverages and consumables we have multi-annual fixed price contracts in place.

The Company and the Group have a very high share of direct channels and other online channels in total sales, and sales prices are largely formed

dynamically, during the year. Accordingly, the Company and the Group have the flexibility to manage price levels in 2022.

## BUSINESS RISK

The Company and Group are constantly exposed to risks threatening its competitiveness and future stability. Since the Company and Group own significant number of real estates, 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'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. 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 neighbouring 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 as excessive urbanization and the introduction of plant and animal 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 were blocked by travel restrictions. 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.

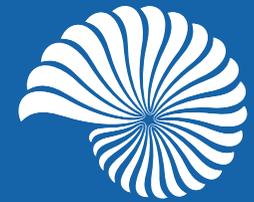
## REGULATORY RISKS

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 and their competitiveness :

- 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 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.

Valamar Collection Imperial Hotel 4\*, Rab island



# 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 its general corporate governance acts with the Corporate Governance Code to 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 Čížmek, 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 Riviera's shareholders according to the Central Depository and Clearing Company data and the shareholders whom are Valamar Riviera's Management Board and Supervisory Board members are as follows: the Chairman of the Supervisory Board, Mr. Gustav Wurmböck, holds a 100% stake in Wurmböck Beteiligungs GmbH, which holds 25,017,698 RVP-R-A shares; the Deputy Chairman of the Supervisory Board, Mr. Franz

THE GROUP HAS  
ESTABLISHED  
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OF CORPORATE  
GOVERNANCE  
IN ORDER  
TO OPERATE  
TRANSPARENTLY  
AND EFFICIENTLY

Lanschuetzer, holds 4,437,788 RVP-R-A shares; the Deputy Chairman of the Supervisory Board, Mr. Mladen Markoč, holds 30,618 RVP-R-A shares; the Member of the Supervisory Board Mr. Georg Eltz holds a total of 6,545,367 RVP-R-A shares, of which directly 20,463 RVP-R-A shares, and indirectly through a 100% stake in company Satis d.o.o. 6,524,904 RVP-R-A shares; the President of the Management Board, Mr. Željko Kukurin, holds 126,360 RVP-R-A shares; and the Member of the Management Board Mr. Marko Čížmek holds 53,128 RVP-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).

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 2021 the Company wasn't involved in treasury shares acquisition neither disposal of its own shares.

## 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 key 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, Mauro Teković, Mile Pavlica, Tomislav Poljuha, Mirella Premeru, Bruno Radoš, Sandi Sinožić, Martina Šolić, Andrea Štifanić, Mauro Teković, Dragan Vlahović, Ivica Vrkić, Mario Skopljaković, Marko Vusić and Vesna Tomić.

On 3 December 2021, the Supervisory Board appointed Mr. Željko Kukurin as the CEO, and Mr. Marko Čižmek and Ms. Ivana Budin Arhanić as Management Board members for a new four-year term of office, with effect from 1 January 2022. Also, with effect from 1 January 2022, the Company appointed senior executives as in accordance with provisions of the Capital Markets Act and of the Regulation No. 596/2014 of the EU. The following senior executives were appointed: 3 Senior Vice Presidents: Alen Benković, Davor Brenko and David Poropat, 2 Vice Presidents: Sebastian Palma and Ines Damjanić Šturman, and 21 Sector Directors and Heads: Tomislav Dumančić, Ljubica Grbac, Flavio Gregorović, Marin Gulan, Vlastimir Ivančić, Željko Jurcan, Ivan Karlić, Dario Kinkela, Mauro Teković, Mile Pavlica, Tomislav Poljuha, Mirella Premeru, Bruno Radoš, Sandi Sinožić, Martina Šolić, Andrea Štifanić, Dragan Vlahović, Ivica Vrkić, Mario Skopljaković, Marko Vusić and Vlatka Kocijan.  
Supervisory Board: Mr. Gustav Wurmböck - Chairman, Mr. Franz Lanschützer - Deputy Chairman, Mr. Mladen Markoč - Deputy Chairman, and members: Mr. Georg Eltz, Mr. Daniel Goldscheider, Mr. Boris Galić and Mr. Ivan Ergović (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: Mr. Gustav Wurmböck - Chairman, and members: Mr. Franz Lanschützer and Mr. Mladen Markoč.

Audit Committee: Mr. Georg Eltz - Chairman, and members: Mr. Mladen Markoč, and Mr. Boris Galić

Investment Committee: Mr. Franz Lanschützer - Chairman and members: Mr. Georg Eltz and Mr. Gustav Wurmböck.

Committee on Digitization and Sustainability: Mr Daniel Goldscheider, Chairman and members: Mr Franz Lanschützer and Mr Gustav Wurmböck

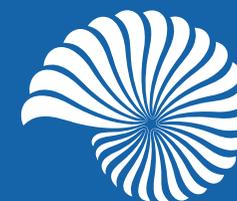
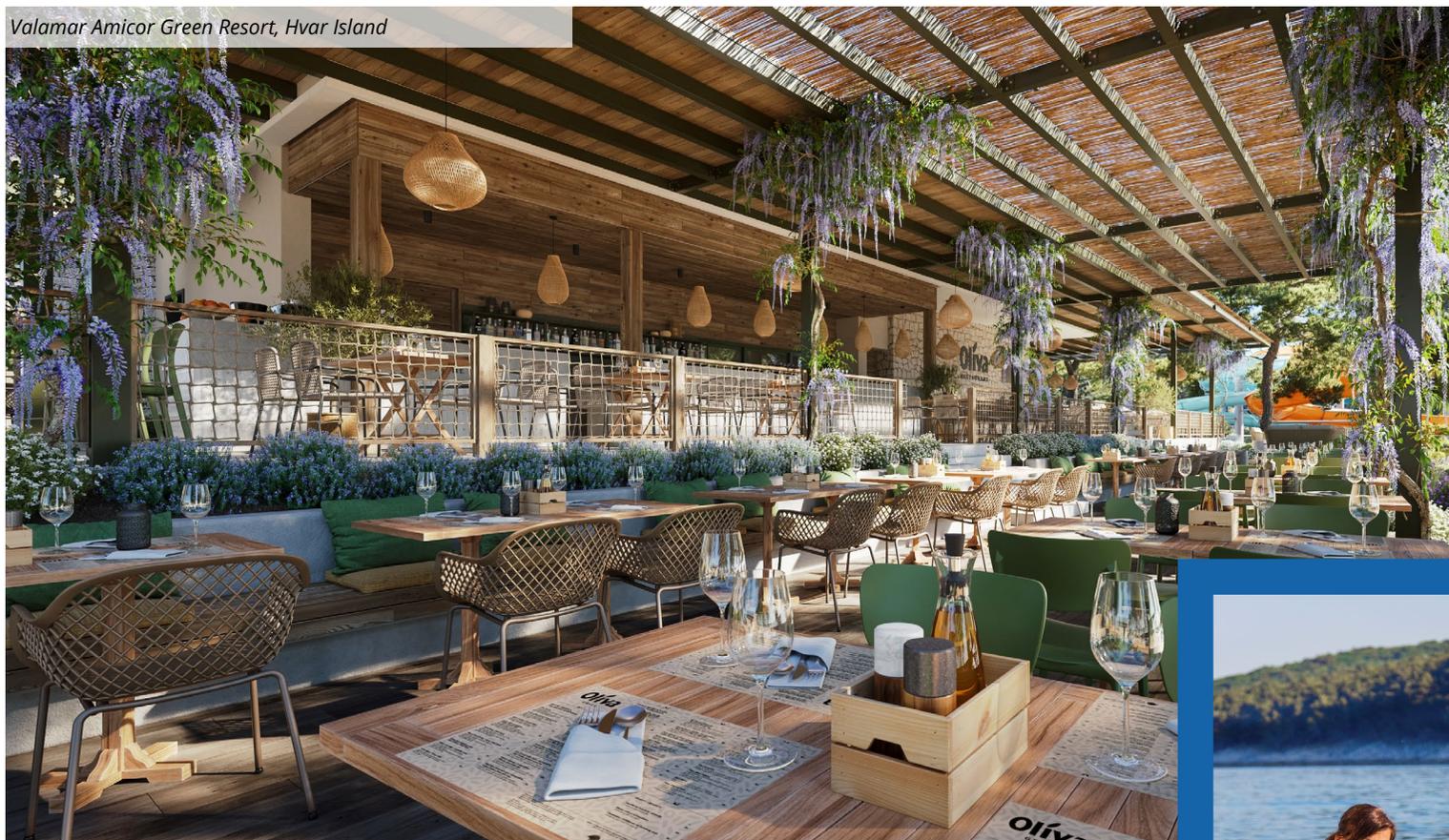
Compliant to effective regulations and Company by laws, the Management and Supervisory Board primarily act through meetings and by correspondence in their decision-making.

The Company has concluded Employment contracts with the President and a member of the Management Board for the duration of the term for which they were appointed, and a member of the Supervisory Board, employee representative, has an employment contract for an indefinite period.

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



Valamar Amicor Green Resort, Hvar Island



# Related-party Transactions & Branch Offices

## RELATED-PARTY TRANSACTIONS

Related party transactions among the Group companies are carried out according to usual commercial terms and conditions and deadlines and under market prices.

In the period considered, the Company realised HRK 321.5 million revenues from related party transactions, which includes HRK 280 million difference between the book and market value for the real estate, which was part of the share capital increase of Imperial Riviera d.d. as in accordance with the decision of the Imperial Riviera's General Assembly from 10 September 2021. This is compared to the amount of HRK 8.7 million, which the Company realised from related party transactions in the same period of 2020. Revenues from related party transactions for the Group amounted to HRK 8.6 million (vs. HRK 1.9 million in the same period of 2020). Expenses for the Company amounted to HRK 4.5 million (vs. HRK 1.4 million in the same period of 2020), and to HRK 720 thousand for the Group (vs. HRK 235 thousand in the same period in 2020).

Receivables and liabilities in connection with related parties as at 31 December 2021 amount as follows: the Company's receivables amount to HRK 27.1 million (vs. HRK 546 thousand at the end of 2020), and the Group's receivables amount to HRK 7.3 million (vs. HRK 331 thousand at the end of 2020). The Company's liabilities amount to HRK 131 thousand (vs. HRK 220 thousand at the end of 2020), and the Group's liabilities amount to HRK 63 thousand (vs. HRK 84 thousand at the end of 2020).

On 14 February 2022, the Management Board compiled the Related Party Transactions Report as in accordance with the provision referred to in Article 497 of the Companies Act. In accordance with paragraph 3 of Article 497, the Management Board declares that, according to the circumstances known at the time when a particular legal transaction or an activity with a related party was undertaken, the Company received an appropriate counter-performance, without any damages for the Company.

TRANSACTIONS  
WITH RELATED  
PARTIES  
UNDER USUAL  
COMMERCIAL  
TERMS AND  
CONDITIONS

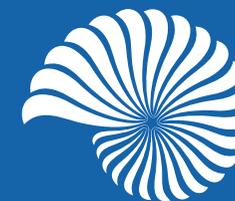
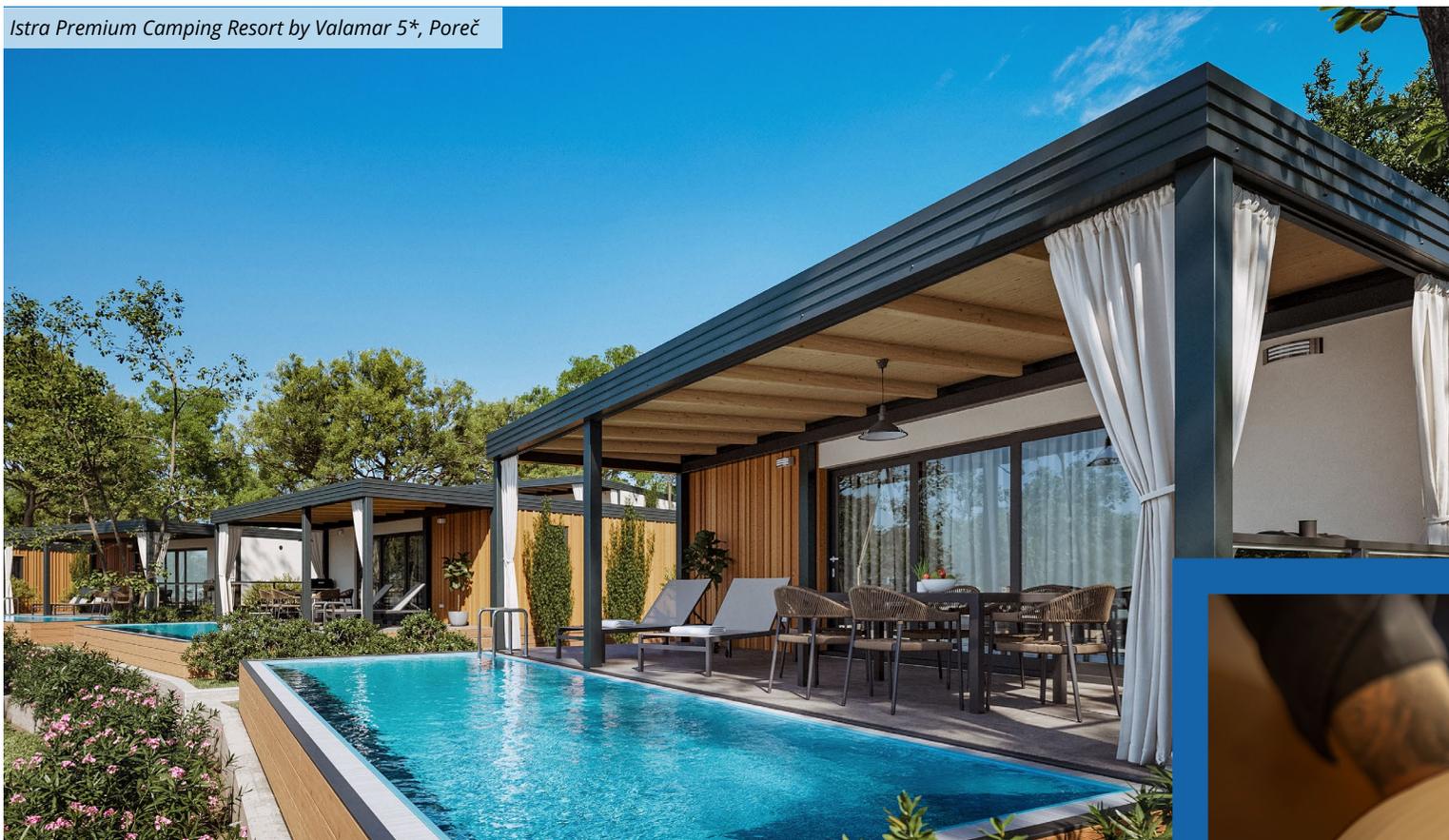
## BRANCH OFFICES OF THE COMPANY

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, Puntičela 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.

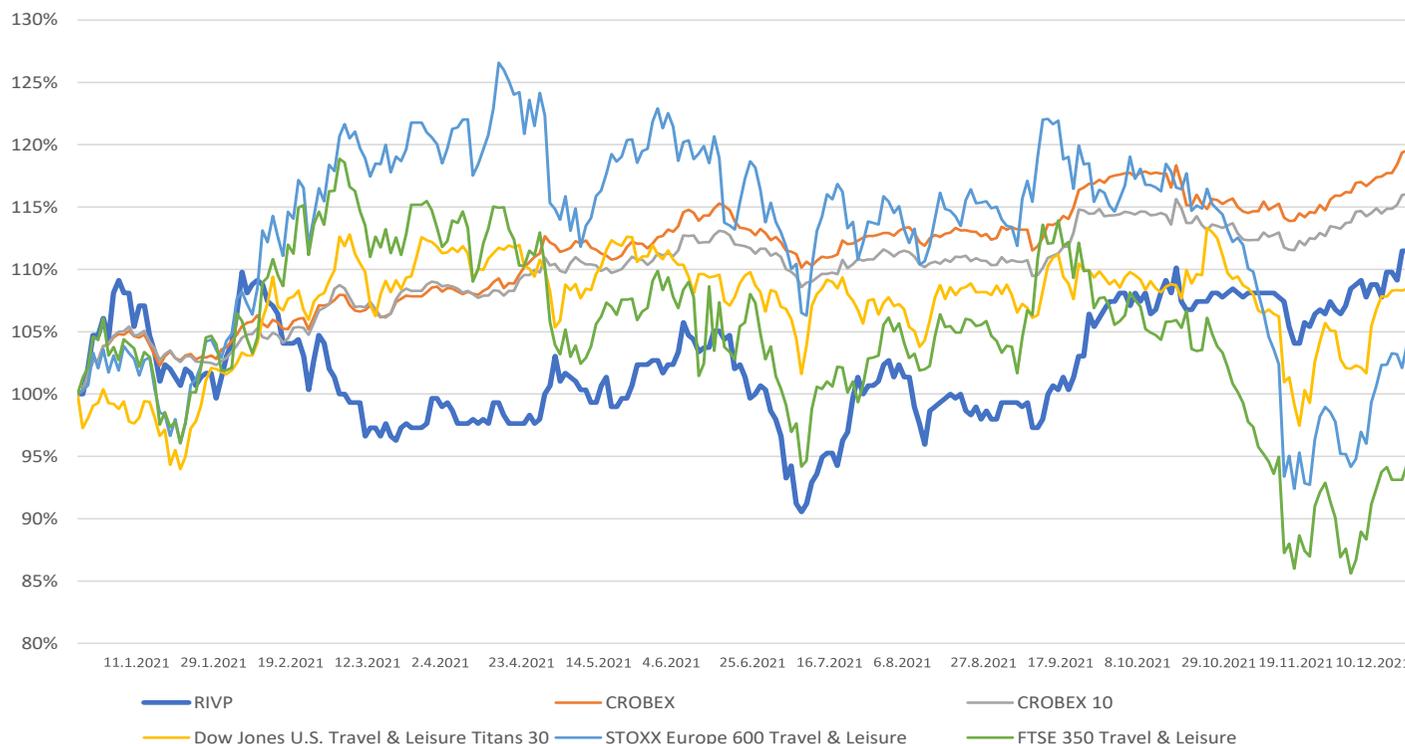
The Company also established offices on Rab island, in Makarska and in Stari Grad on the Hvar island to increase the efficiency and streamline the management of operations as determined by the provisions of the concluded Hotel management contracts with Imperial Riviera d.d. and Helios Faros d.d.

Istra Premium Camping Resort by Valamar 5\*, Poreč



# Valamar Share

Performance of Valamar Riviera's share and Zagreb Stock Exchange and travel and leisure indices in 2021



During 2021, the highest achieved share price in regular trading on the regulated market was HRK 33.20, and the lowest HRK 26.50. On 31 December 2021 the price was HRK 33.00 which represents a increase of 11.5% compared to the last price in 2020. With a total turnover of HRK 182,0 million<sup>21</sup>, Valamar Riviera share was the third share on the Zagreb Stock Exchange in terms of turnover during 2021.

In addition to the Zagreb Stock Exchange index, the joint stock index of the Zagreb and Ljubljana stock exchanges ADRIAprime, the stock is also a component of the Vienna Stock Exchange index (CROX<sup>22</sup> and SETX<sup>23</sup>) and the Warsaw Stock Exchange (CEEplus<sup>24</sup>)

as well as the SEE Link regional platform index (SEELinX and SEELinX EWI)<sup>25</sup>. Zagrebačka banka d.d. and Interkapital vrijednosni papiri d.o.o. perform the activities of market makers with ordinary shares of Valamar Riviera listed on the Leading Market of the Zagreb Stock Exchange d.d.

The Company did not acquire or dispose of its own shares in the period from 1 January 2021 to 31 December 2021. As of 31 December 2021 the Company holds 4,139,635 treasury shares, which is 3.28% of the share capital.

Valamar Riviera actively holds meetings and conference calls with domestic and foreign investors, as well as presentations for investors, providing support for the highest possible level of transparency, creating

21 Block transactions are excluded from the calculation.  
 22 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.  
 23 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).  
 24 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.  
 25 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.

additional liquidity, increasing share value and involving potential investors. By continuing to actively represent Valamar Riviera, we will strive to contribute to further growth in value for all stakeholders with the intention of recognizing the Company's share as one of the leaders on the Croatian capital market and one of the leaders in the CEE region. Analytical coverage of Valamar Riviera is provided by: 1) ERSTE bank d.d., Zagreb; 2) Interkapital vrijednosni papiri d.o.o., Zagreb; 3) Raiffeisenbank Austria d.d., Zagreb; 4) Zagrebačka banka d.d., Zagreb.

3<sup>rd</sup>

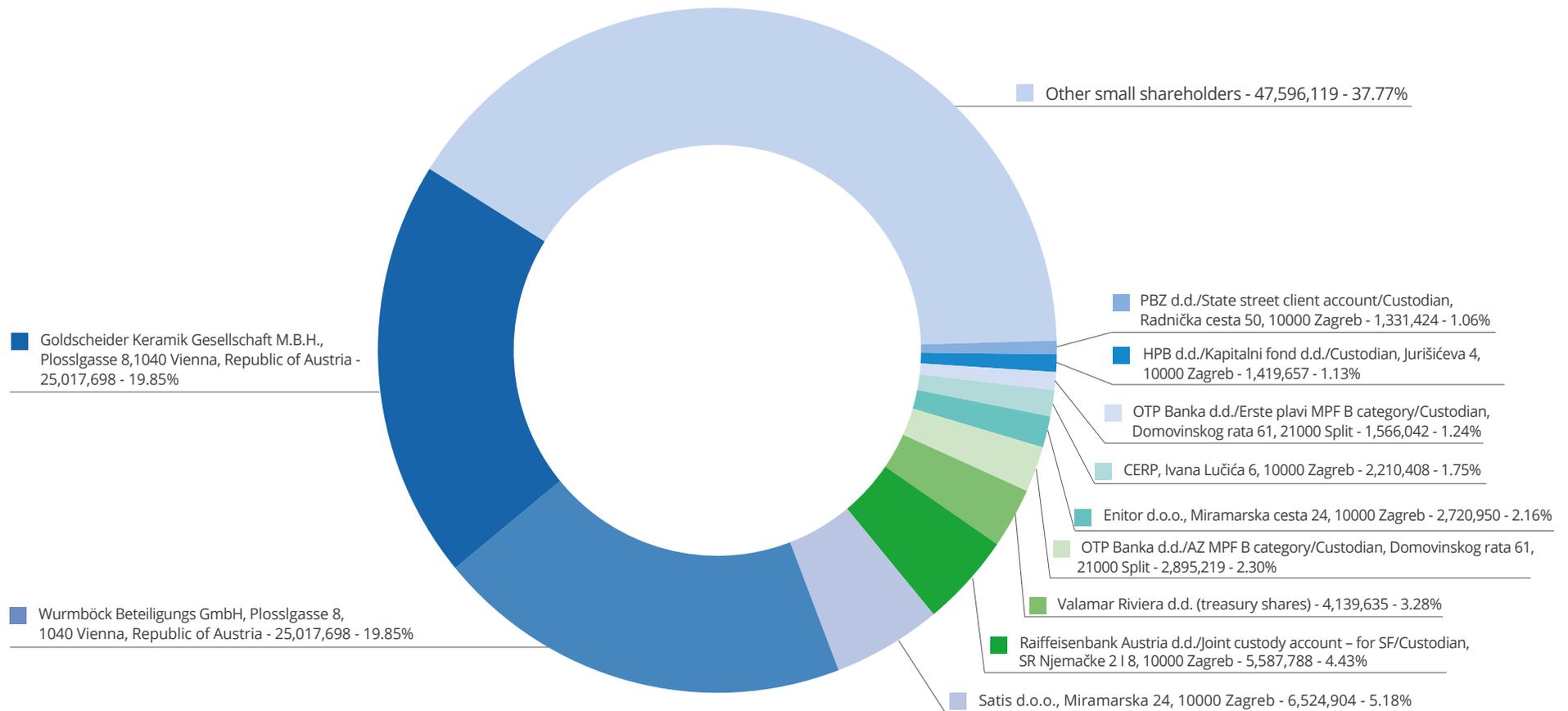
MOST ACTIVELY  
TRADED SHARE ON  
THE ZAGREB STOCK  
EXCHANGE IN 2021

In October, at a conference of the Zagreb Stock Exchange and Croatian pension investment fund industry, Valamar Riviera was ranked third in the Investor Relations Award in Croatia in 2021.

Valamar Obertauern Hotel 4\*, Obertauern



## OVERVIEW OF MAJOR SHAREHOLDERS AS AT 31 DECEMBER 2021:



Padova Premium Camping Resort 4\*, Rab island



# Additional Information

Marea Valamar Collection Suites 5\*, Poreč



 *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.*

## ADDITIONAL INFORMATION

On 20 April 2021 Integrated Annual Report and Corporate Social Responsibility for 2020 was published, which also includes a non-financial report. The main goal of the report, prepared in accordance with the Standards of the Global Reporting Initiative (GRI), is to further present the strategic and long-term insight into the company's operations to all key stakeholders, including shareholders, employees, partners, guests and the wider community with special focus on sustainable business as a basis for further development of the company. The report also includes environmental, social and management factors in line with the ESG components of responsible investment. The report is available on the websites of the Zagreb Stock Exchange and Valamar Riviera: [www.valamar-riviera.com](http://www.valamar-riviera.com).

As one of the largest employers in Croatia (as of 31 December 2021, the Group employed a total of 3,031 employees, of which 2,236 permanent, and the Company 2,436 employees, of which 1,842 permanent), the Company and the Group systematically and continuously invest in the development of their human resources through a comprehensive strategic approach to their management that includes a transparent recruitment process, clear goals, measuring employee performance and investing in employee development, as well as their careers, and encouraging two-way communication.

In the course of 2021, 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 2021 on 16 February 2022.

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

**Željko Kukurin**

Management Board  
President

**Marko Čižmek**

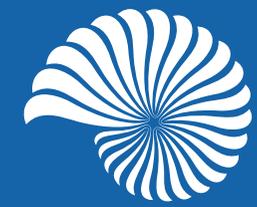
Management Board  
Member

**Ivana Budin Arhanić**

Management Board  
Member



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



# Disclaimer

This report contains certain outlook based on currently available facts, findings and circumstances and estimates in this regard. Our outlook is based including, but no limited on a) results achieved in 2021; b) operating results achieved by 21 February 2022; c) current booking status; d) 2022 year end business results forecast; e) temporary business suspension (Pause, restart); f) currently adopted set of support measures by the Croatian government, Croatian National Bank, Croatian Bank for Reconstruction and Development, competent ministries as well as state and local authorities; g) the absence of further significant negative effects of the risks to which the Company and the Group are exposed.

Outlook statements are based on currently available information, current assumptions, forward-looking expectations and projections. This outlook is not a guarantee of future results and is subject to future events, risks, and uncertainties, many of which are beyond the control of, or currently unknown to Valamar Riviera, as well as potentially incorrect assumptions that could cause the actual results to materially differ from the said expectations and forecasts. Risks and uncertainties include, but are not limited to those described in the chapter "Risks of the Company and the Group". Materially significant deviations from the outlook may arise from changes in circumstances, assumptions not being realized, as well as other risks, uncertainties, and factors, including, but no limited to:

- Recall of aid measures adopted by the Croatian government, Croatian National Bank, Croatian Bank for Reconstruction and Development, competent ministries as well as state and local authorities to help the economy and mitigate the extraordinary circumstances caused by the COVID-19 pandemic;
- Macro-economic trends in the Republic of Croatia and in the source markets, including currency exchange rates fluctuations and prices of goods and services, deflation and inflation, unemployment, trends in the gross domestic product and industrial production, as well as other trends having a direct or indirect impact on the purchasing power of Valamar Riviera's guests;
- Economic conditions, security and political conditions, trends and events in the capital markets of the Republic of Croatia and Valamar Riviera's source markets;

- Spending and disposable income of guests, as well as guests' preferences, trust in and satisfaction with Valamar Riviera's products and services;
- Trends in the number of overnights, bookings, and average daily rates of accommodation at Valamar Riviera's properties;
- Trends in the Croatian Kuna exchange rate in relation to world currencies (primarily the Euro), change in market interest rates and the price of equity securities, and other financial risks to which Valamar Riviera is exposed;
- Labor force availability and costs, transport, energy, and utilities costs, selling prices of fuel and other goods and services, as well as supply chain disruptions;
- Changes in accounting policies and findings of financial report audits, as well as findings of tax and other business audits;
- Outcomes and costs of judicial proceedings to which Valamar Riviera is a party;
- Loss of competitive strength and reduced demand for products and services of Croatian tourism and Valamar Riviera under the impact of weather conditions and seasonal movements;
- Reliability of IT business solutions and cyber security of Valamar Riviera's business operations, as well as related costs;
- Changes of tax and other regulations and laws, trade restrictions, and rates of customs duty;
- Adverse climatic events, environmental risks, disease outbreaks and pandemics.

Should materially significant changes to the stated outlook occur, Valamar Riviera shall immediately inform the public thereof, in compliance with Article 459 of the Capital Market Act. The given outlook statements are not an outright recommendation to buy, hold or sell Valamar Riviera's shares.

# RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

In Poreč, 25 February 2022

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 2021, 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 2021 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





**BALANCE SHEET (as at 31.12.2021)**  
**Submitter: Valamar Riviera d.d.**

Item 1	ADP code 2	in HRK	
		Last day of the preceding business year 3	At the reporting date of the current period 4
<b>A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>		
<b>B) FIXED ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>6.087.157.859</b>	<b>5.671.819.566</b>
<b>I. INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>46.400.186</b>	<b>39.086.495</b>
1 Research and Development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	37.551.928	30.356.827
3 Goodwill	006	6.567.609	6.567.609
4 Advance payments for purchase of intangible assets	007		
5 Intangible assets in preparation	008	2.280.649	2.162.059
6 Other intangible assets	009		
<b>II. TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>5.662.917.241</b>	<b>5.221.568.500</b>
1 Land	011	976.429.207	980.924.514
2 Buildings	012	3.560.463.801	3.363.126.345
3 Plants and equipment	013	488.743.200	432.241.488
4 Tools, working inventory and transportation assets	014	116.542.756	100.025.874
5 Biological asset	015		
6 Advance payments for purchase of tangible assets	016	988.061	42.528
7 Tangible assets in preparation	017	443.016.063	288.533.889
8 Other tangible assets	018	72.791.725	53.493.881
9 Investments property	019	3.942.428	3.179.981
<b>III. FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>46.430.294</b>	<b>82.071.741</b>
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	46.054.207	76.533.067
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	147.054	220.812
8 Loans, deposits, etc. given	028	89.033	5.177.862
9 Other investments accounted for using the equity method	029		
10 Other fixed financial assets	030	140.000	140.000
<b>IV. RECEIVABLES (ADP 032 to 035)</b>	<b>031</b>		
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		
<b>V. DEFERRED TAX ASSETS</b>	<b>036</b>	<b>331.410.138</b>	<b>329.092.830</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>737.066.269</b>	<b>1.217.957.755</b>
<b>I. INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>30.335.208</b>	<b>26.310.071</b>
1 Raw materials	039	29.329.354	25.050.909
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	973.867	1.230.618
5 Advance payments for inventories	043	31.987	28.544
6 Fixed assets held for sale	044		
7 Biological asset	045		
<b>II. RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>40.184.920</b>	<b>38.388.235</b>
1 Receivables from undertakings within the group	047		
2 Receivables from companies linked by virtue of participating interest	048	1.598.603	7.293.712
3 Customer receivables	049	23.776.150	17.995.662
4 Receivables from employees and members of the undertaking	050	297.549	738.835
5 Receivables from government and other institutions	051	10.162.443	9.116.616
6 Other receivables	052	4.350.175	3.243.410
<b>III. SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>613.241</b>	<b>38.001.625</b>
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	613.241	38.001.625
9 Other financial assets	062		
<b>IV. CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>665.932.900</b>	<b>1.115.257.824</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>55.358.952</b>	<b>23.768.145</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>6.879.583.080</b>	<b>6.913.545.466</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>54.261.380</b>	<b>54.173.148</b>

**BALANCE SHEET (as at 31.12.2021) (continued)**  
**Submitter: Valamar Riviera d.d.**

Item 1	ADP code 2	in HRK	
		Last day of the preceding business year 3	At the reporting date of the current period 4
<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+083+086+089)</b>	<b>067</b>	<b>2.863.857.326</b>	<b>3.311.057.807</b>
<b>I. INITIAL (SUBSCRIBED) CAPITAL</b>	<b>068</b>	<b>1.672.021.210</b>	<b>1.672.021.210</b>
<b>II. CAPITAL RESERVES</b>	<b>069</b>	<b>5.223.432</b>	<b>5.223.432</b>
<b>III. RESERVES FROM PROFIT (ADP 071+072-073+074+075)</b>	<b>070</b>	<b>98.511.512</b>	<b>98.247.550</b>
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	2.249.472
<b>IV. REVALUATION RESERVES</b>	<b>076</b>		
<b>V. FAIR VALUE RESERVES AND OTHER (ADP 078 to 082)</b>	<b>077</b>	<b>872</b>	<b>81.109</b>
1 Financial assets at fair value through other comprehensive income (i.e. available for sale)	078	872	81.109
2 Cash flow hedge - effective portion	079		
3 Hedge of a net investment in a foreign operation - effective portion	080		
4 Other fair value reserves	081		
5 Exchange differences arising from the translation of foreign operations (consolidation)	082		
<b>VI. RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 084-085)</b>	<b>083</b>	<b>715.882.878</b>	<b>388.045.406</b>
1 Retained profit	084	715.882.878	388.045.406
2 Loss brought forward	085		
<b>VII. PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 087-088)</b>	<b>086</b>	<b>-329.593.506</b>	<b>104.374.607</b>
1 Profit for the business year	087		104.374.607
2 Loss for the business year	088	329.593.506	
<b>VIII. MINORITY (NON-CONTROLLING) INTEREST</b>	<b>089</b>	<b>701.810.928</b>	<b>1.043.064.493</b>
<b>B) PROVISIONS (ADP 091 to 096)</b>	<b>090</b>	<b>141.118.430</b>	<b>166.154.627</b>
1 Provisions for pensions, termination benefits and similar obligations	091	26.089.854	29.827.505
2 Provisions for tax liabilities	092		
3 Provisions for ongoing legal cases	093	57.420.166	50.117.237
4 Provisions for renewal of natural resources	094		
5 Provision for warranty obligations	095		
6 Other provisions	096	57.608.410	86.209.885
<b>C) LONG-TERM LIABILITIES (ADP 098 to 108)</b>	<b>097</b>	<b>2.867.349.347</b>	<b>2.614.508.279</b>
1 Liabilities towards undertakings within the group	098		
2 Liabilities for loans, deposits, etc. to companies within the group	099		
3 Liabilities towards companies linked by virtue of participating interest	100		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	101		
5 Liabilities for loans, deposits etc.	102		
6 Liabilities towards banks and other financial institutions	103	2.770.275.555	2.547.107.295
7 Liabilities for advance payments	104		
8 Liabilities towards suppliers	105		
9 Liabilities for securities	106		
10 Other long-term liabilities	107	38.781.433	15.636.060
11 Deferred tax liability	108	58.292.359	51.764.924
<b>D) SHORT-TERM LIABILITIES (ADP 110 to 123)</b>	<b>109</b>	<b>934.437.190</b>	<b>733.966.582</b>
1 Liabilities towards undertakings within the group	110		
2 Liabilities for loans, deposits, etc. to companies within the group	111		
3 Liabilities towards companies linked by virtue of participating interest	112		39.205
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	113		
5 Liabilities for loans, deposits etc.	114	5.304.000	
6 Liabilities towards banks and other financial institutions	115	733.061.607	565.523.996
7 Liabilities for advance payments	116	69.608.737	40.344.672
8 Liabilities towards suppliers	117	61.808.783	67.470.609
9 Liabilities for securities	118	6.625.196	
10 Liabilities towards employees	119	19.186.775	28.794.007
11 Taxes, contributions and similar liabilities	120	6.130.006	16.508.477
12 Liabilities arising from the share in the result	121	389.276	379.676
13 Liabilities arising from fixed assets held for sale	122		
14 Other short-term liabilities	123	32.322.810	14.905.940
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>124</b>	<b>72.820.787</b>	<b>87.858.171</b>
<b>F) TOTAL - LIABILITIES (ADP 067+090+097+109+124)</b>	<b>125</b>	<b>6.879.583.080</b>	<b>6.913.545.466</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>126</b>	<b>54.261.380</b>	<b>54.173.148</b>

**STATEMENT OF PROFIT OR LOSS (for 01.01.2021 to 31.12.2021)**  
**Submitter: Valamar Riviera d.d.**

Item 1	ADP code 2	Same period of the previous year 3	in HRK
			Current period 4
<b>I. OPERATING INCOME (ADP 002 to 006)</b>	<b>001</b>	<b>675.610.635</b>	<b>1.644.008.023</b>
1 Income from sales with undertakings within the group	002		
2 Income from sales (outside group)	003	642.478.457	1.605.127.860
3 Income from the use of own products, goods and services	004	460.699	325.986
4 Other operating income with undertakings within the group	005		
5 Other operating income (outside the group)	006	32.671.479	38.554.177
<b>II. OPERATING EXPENSES (ADP 008+009+013+017+018+019+022+029)</b>	<b>007</b>	<b>1.070.375.000</b>	<b>1.507.033.397</b>
1 Changes in inventories of work in progress and finished goods	008		
2 Material costs (ADP 010 to 011)	009	254.642.998	458.262.170
a) Costs of raw material	010	136.855.464	252.132.447
b) Costs of goods sold	011	4.306.456	10.440.758
c) Other external costs	012	113.481.078	195.688.965
3 Staff costs (ADP 014 to 016)	013	189.951.093	353.175.910
a) Net salaries and wages	014	122.043.480	218.086.856
b) Tax and contributions from salaries expenses	015	46.270.696	88.789.363
c) Contributions on salaries	016	21.636.917	46.299.691
4 Depreciation	017	496.444.044	507.335.969
5. Other expenses	018	89.097.655	134.450.892
6. Value adjustments (ADP 020+021)	019	1.509.899	1.669.684
a) fixed assets other than financial assets	020		
b) current assets other than financial assets	021	1.509.899	1.669.684
7 Provisions (ADP 023 to 028)	022	28.714.012	40.313.157
a) Provisions for pensions, termination benefits and similar obligations	023	19.091.188	9.404.520
b) Provisions for tax liabilities	024		
c) Provisions for ongoing legal cases	025	9.622.824	2.744.361
d) Provisions for renewal of natural resources	026		
e) Provisions for warranty obligations	027		
f) Other provisions	028		28.164.276
8 Other operating expenses	029	10.015.299	11.825.615
<b>III. FINANCIAL INCOME (ADP 031 to 040)</b>	<b>030</b>	<b>21.291.138</b>	<b>35.353.682</b>
1 Income from investments in holdings (shares) of undertakings within the group	031		
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	032		
3 Income from other long-term financial investment and loans granted to undertakings within the group	033		
4 Other interest income from operations with undertakings within the group	034		
5 Exchange rate differences and other financial income from operations with undertakings within the group	035		
6 Income from other long-term financial investments and loans	036		
7 Other interest income	037	674.539	307.295
8 Exchange rate differences and other financial income	038	889.846	11.680.384
9 Unrealised gains (income) from financial assets	039		4.503.563
10 Other financial income	040	19.726.753	18.862.440
<b>IV. FINANCIAL EXPENDITURE (ADP 042 to 048)</b>	<b>041</b>	<b>125.931.773</b>	<b>71.256.632</b>
1 Interest expenses and similar expenses with undertakings within the group	042		
2 Exchange rate differences and other expenses from operations with undertakings within the group	043		
3 Interest expenses and similar expenses	044	63.062.608	66.258.463
4 Exchange rate differences and other expenses	045	41.917.880	
5 Unrealised losses (expenses) from financial assets	046	17.843.787	
6 Value adjustments of financial assets (net)	047		
7 Other financial expenses	048	3.107.498	4.998.169
<b>V. SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>049</b>		<b>547.970</b>
<b>VI. SHARE IN PROFIT FROM JOINT VENTURES</b>	<b>050</b>		
<b>VII. SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>051</b>	<b>1.643.580</b>	<b>144.413</b>
<b>VIII. SHARE IN LOSS OF JOINT VENTURES</b>	<b>052</b>		
<b>IX. TOTAL INCOME (ADP 001+030+049 +050)</b>	<b>053</b>	<b>696.901.773</b>	<b>1.679.909.675</b>
<b>X. TOTAL EXPENDITURE (ADP 007+041+051+052)</b>	<b>054</b>	<b>1.197.950.353</b>	<b>1.578.434.442</b>
<b>XI. PRE-TAX PROFIT OR LOSS (ADP 053-054)</b>	<b>055</b>	<b>-501.048.580</b>	<b>101.475.233</b>
1 Pre-tax profit (ADP 053-054)	056		101.475.233
2 Pre-tax loss (ADP 054-053)	057	-501.048.580	
<b>XII. INCOME TAX</b>	<b>058</b>	<b>-142.242.789</b>	<b>-7.232.013</b>
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (ADP 055-059)</b>	<b>059</b>	<b>-358.805.791</b>	<b>108.707.246</b>
1 Profit for the period (ADP 055-059)	060		108.707.246
2 Loss for the period (ADP 059-055)	061	-358.805.791	

**STATEMENT OF PROFIT OR LOSS** (for 01.01.2021 to 31.12.2021) (continued)

Submitter: Valamar Riviera d.d.

Item 1	ADP code 2	Same period of the previous year 3	in HRK
			Current period 4
<b>DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)</b>			
<b>XIV. PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 063-064)</b>	<b>062</b>		
1 Pre-tax profit from discontinued operations	063		
2 Pre-tax loss on discontinued operations	064		
<b>XV. INCOME TAX OF DISCONTINUED OPERATIONS</b>	<b>065</b>		
1 Discontinued operations profit for the period (ADP 062-065)	066		
2 Discontinued operations loss for the period (ADP 065-062)	067		
<b>TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)</b>			
<b>XVI. PRE-TAX PROFIT OR LOSS (ADP 055+062)</b>	<b>068</b>		
1 Pre-tax profit (ADP 068)	069		
2 Pre-tax loss (ADP 068)	070		
<b>XVII. INCOME TAX (ADP 058+065)</b>	<b>071</b>		
<b>XVIII. PROFIT OR LOSS FOR THE PERIOD (ADP 068-071)</b>	<b>072</b>		
1 Profit for the period (ADP 068-071)	073		
2 Loss for the period (ADP 071-068)	074		
<b>APPENDIX to the P&amp;L (to be filled in by undertakings that draw up consolidated annual financial statements)</b>			
<b>XIX. PROFIT OR LOSS FOR THE PERIOD (ADP 076+077)</b>	<b>075</b>	<b>-358.805.791</b>	<b>108.707.246</b>
1 Attributable to owners of the parent	076	-329.593.506	104.374.607
2 Attributable to minority (non-controlling) interest	077	-29.212.285	4.332.639
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)</b>			
<b>I. PROFIT OR LOSS FOR THE PERIOD</b>	<b>078</b>	<b>-358.805.791</b>	<b>108.707.246</b>
<b>II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX (ADP 080 to 087)</b>	<b>079</b>	<b>-73.904</b>	<b>97.850</b>
<b>III. ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS (ADP 081 to 085)</b>	<b>080</b>	<b>-73.904</b>	<b>97.850</b>
1 Changes in revaluation reserves of fixed tangible and intangible assets	081		
2 Gains or losses from subsequent measurement of equity instruments at fair value through other comprehensive income	082		
3 Fair value changes of financial liabilities at fair value through statement of profit or loss, attributable to changes in their credit risk	083	-73.904	97.850
4 Actuarial gains/losses on the defined benefit obligation	084		
5 Other items that will not be reclassified	085		
6 Income tax relating to items that will not be reclassified	086	-13.302	17.613
<b>IV. ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS (ADP 088 to 095)</b>	<b>087</b>		
1 Exchange rate differences from translation of foreign operations	088		
2 Gains or losses from subsequent measurement of debt securities at fair value through other comprehensive income	089		
3 Profit or loss arising from effective cash flow hedging	090		
4 Profit or loss arising from effective hedge of a net investment in a foreign operation	091		
5 Share in other comprehensive income/loss of companies linked by virtue of participating interests	092		
6 Changes in fair value of the time value of option	093		
7 Changes in fair value of forward elements of forward contracts	094		
8 Other items that may be reclassified to profit or loss	095		
9 Income tax relating to items that may be reclassified to profit or loss	096		
<b>V. NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 080+087-086-096)</b>	<b>097</b>	<b>-60.602</b>	<b>80.237</b>
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 078+097)</b>	<b>098</b>	<b>-358.866.393</b>	<b>108.787.483</b>
<b>APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)</b>			
<b>VII. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 100+101)</b>	<b>099</b>	<b>-358.866.393</b>	<b>108.787.483</b>
1 Attributable to owners of the parent	100	-329.654.108	104.454.844
2 Attributable to minority (non-controlling) interest	101	-29.212.285	4.332.639

**STATEMENT OF CASH FLOWS - indirect method** (for the period 01.01.2021 to 31.12.2021)  
**Submitter: Valamar Riviera d.d.**

Item	in HRK		
	ADP code	Same period of the previous year	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1 Pre-tax profit	001	-501.048.580	101.475.233
2 Adjustments (ADP 003 to 010)	002	627.709.571	577.223.786
a) Depreciation	003	496.444.044	507.335.969
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-3.245.751	2.071.836
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005		-13.315.806
d) Interest and dividend income	006	-513.802	-86.145
e) Interest expenses	007	68.613.120	71.256.632
f) Provisions	008	22.152.112	25.063.623
g) Exchange rate differences (unrealised)	009	41.917.849	-8.096.392
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	2.341.999	-7.005.931
<b>I. Cash flow increase or decrease before changes in the working capital (ADP 001+002)</b>	<b>011</b>	<b>126.660.991</b>	<b>678.699.019</b>
3 Changes in the working capital (ADP 013 to 016)	012	-133.339.351	1.277.569
a) Increase or decrease in short-term liabilities	013	-82.313.496	-22.602.337
b) Increase or decrease in short-term receivables	014	-46.515.658	20.098.142
c) Increase or decrease in inventories	015	-4.510.197	3.781.764
d) Other increase or decrease in the working capital	016		
<b>II. Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>-6.678.360</b>	<b>679.976.588</b>
4 Interest paid	018	-34.290.832	-70.643.388
5 Income tax paid	019	3.491.984	705.192
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>-37.477.208</b>	<b>610.038.392</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	9.326.474	3.783.014
2 Cash receipts from sales of financial instruments	022		
3 Interest received	023	495.675	98.094
4 Dividends received	024		3.709
5 Cash receipts from repayment of loans and deposit	025	324.339	224.099
6 Other cash receipts from investment activities	026		
<b>III. Total cash receipts from investment activities (ADP 021 to 026)</b>	<b>027</b>	<b>10.146.488</b>	<b>4.108.916</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-595.870.921	-115.355.120
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030	-225.514	-42.722.870
4 Acquisition of a subsidiary, net of cash acquired	031		
5 Other cash payments from investment activities	032		-3.203.421
<b>IV. Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-596.096.435</b>	<b>-161.281.411</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-585.949.947</b>	<b>-157.172.495</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
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	785.615.083	379.850.628
4 Other cash receipts from financing activities	038	3.389.998	338.676.960
<b>V. Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>789.005.081</b>	<b>718.527.588</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-46.038.888	-718.135.038
2 Dividends paid	041		
3 Cash payments for finance lease	042	-72.300	-76.794
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043		
5 Other cash payments from financing activities	044	-3.676.476	-3.856.729
<b>VI. Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-49.787.664</b>	<b>-722.068.561</b>
<b>C) NET CASH FLOW FROM FINANCIAL ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>739.217.417</b>	<b>-3.540.973</b>
1 Unrealised exchange rate differences in cash and cash equivalents	047		
<b>D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)</b>	<b>048</b>	<b>115.790.262</b>	<b>449.324.924</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>	<b>049</b>	<b>550.142.638</b>	<b>665.932.900</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 048+049)</b>	<b>050</b>	<b>665.932.900</b>	<b>1.115.257.824</b>

**STATEMENT OF CHANGES IN EQUITY** (for the period 01.01.2021 to 31.12.2021)  
**Submitter: Valamar Riviera d.d.**

in HRK

Item	ADP code	Attributable to owners of the parent																	Total capital and reserves
		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 through other comprehensive income (available for sale)	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Other fair value reserves	Exchange rate differences from translation of foreign operations	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent	Minority (non-controlling) interest	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18 (3 do 6 - 7 + 8 do 17)	19	20 (18+19)
<b>Previous period</b>																			
<b>1. Balance on the first day of the previous business year</b>	<b>01</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>											<b>61.474</b>		
2 Changes in accounting policies	02																		
3 Correction of errors	03																		
<b>4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)</b>	<b>04</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>											<b>61.474</b>		
5 Profit/loss of the period	05																		
6 Exchange rate differences from translation of foreign operations	06							263.962											
7 Changes in revaluation reserves of fixed tangible and intangible assets	07																		
8 Gains or losses from subsequent measurement of financial assets at fair value through other comprehensive income (available for sale)	08																		
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																		
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15																		
16 Decrease in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	16																		
17 Decrease in initial (subscribed) capital arising from the reinvestment of profit	17																		
18 Redemption of treasury shares/holdings	18																		
19 Payment of share in profit/dividend	19																		
20 Other distribution to owners	20																		
21 Other distributions and payments to members/shareholders	21																		
22 Transfer to reserves according to the annual schedule	22																		
23 Increase in reserves arising from the pre-bankruptcy settlement procedure	23																		
<b>24 Balance on the last day of the previous business year reporting period (ADP 04 to 23)</b>	<b>24</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>		<b>2.513.434</b>		<b>872</b>					<b>715.882.878</b>	<b>-329.593.506</b>	<b>2.162.046.398</b>	<b>701.810.928</b>	<b>2.863.857.326</b>
<b>APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)</b>																			
<b>I. OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)</b>	<b>25</b>							<b>263.962</b>		<b>-60.602</b>							<b>203.360</b>		<b>203.360</b>
<b>II. COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+25)</b>	<b>26</b>							<b>263.962</b>		<b>-60.602</b>						<b>-329.593.506</b>	<b>-329.390.146</b>	<b>-29.212.285</b>	<b>-358.602.431</b>
<b>III. TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 23)</b>	<b>27</b>							<b>2.249.472</b>							<b>285.676.466</b>	<b>-284.535.940</b>	<b>3.389.998</b>		<b>3.389.998</b>
<b>Current period</b>																			
<b>1. Balance on the first day of the previous business year</b>	<b>28</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>		<b>2.513.434</b>		<b>872</b>					<b>715.882.878</b>	<b>-329.593.506</b>	<b>2.162.046.398</b>	<b>701.810.928</b>	<b>2.863.857.326</b>
2 Changes in accounting policies	29																		
3 Correction of errors	30																		
<b>4 Balance on the first day of the current business year (restated) (ADP 28 to 30)</b>	<b>31</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>		<b>2.513.434</b>		<b>872</b>					<b>715.882.878</b>	<b>-329.593.506</b>	<b>2.162.046.398</b>	<b>701.810.928</b>	<b>2.863.857.326</b>
5 Profit/loss of the period	32																		
6 Exchange rate differences from translation of foreign operations	33																		
7 Changes in revaluation reserves of fixed tangible and intangible assets	34																		
8 Gains or losses from subsequent measurement of financial assets at fair value through other comprehensive income (available for sale)	35																		
9 Gains or losses on efficient cash flow hedging	36																		
10 Gains or losses arising from effective hedge of a net investment in a foreign operation	37																		
11 Share in other comprehensive income/loss of companies linked by virtue of participating interest	38																		
12 Actuarial gains/losses on defined benefit plans	39																		
13 Other changes in equity unrelated to owners	40																		
14 Tax on transactions recognised directly in equity	41																		
15 Decrease in initial (subscribed) capital (other than arising from the pre-bankruptcy settlement procedure or from the reinvestment of profit)	42																		
16 Decrease in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43																		
17 Increase of initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	44																		
18 Redemption of treasury shares/holdings	45																		
19 Payments from members/shareholders	46																		
20 Payment of share in profit/dividend	47																		
21 Other distributions and payments to members/shareholders	48																		
22 Carryforward per annual plan	49																		
23 Increase in reserves arising from the pre-bankruptcy settlement procedure	50																		
<b>24 Balance on the last day of the current business year reporting period (ADP 31 to 40)</b>	<b>51</b>	<b>1.672.021.210</b>	<b>5.223.432</b>	<b>83.601.061</b>	<b>136.815.284</b>	<b>124.418.267</b>		<b>2.249.472</b>		<b>81.109</b>					<b>388.045.406</b>	<b>104.374.607</b>	<b>2.267.993.314</b>	<b>1.043.064.493</b>	<b>3.311.057.807</b>
<b>APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)</b>																			
<b>I. OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 33 to 41)</b>	<b>52</b>							<b>-263.962</b>		<b>80.237</b>							<b>-183.725</b>		<b>-183.725</b>
<b>II. COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 32 + 52)</b>	<b>53</b>							<b>-263.962</b>		<b>80.237</b>						<b>104.374.607</b>	<b>104.190.882</b>	<b>4.332.639</b>	<b>108.523.521</b>
<b>III. TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 42 to 50)</b>	<b>54</b>														<b>-327.837.472</b>	<b>329.593.506</b>	<b>1.756.034</b>	<b>336.920.926</b>	<b>338.676.960</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - GFI

Name of the issuer:

**Valamar Riviera d.d.**

Personal identification

number OIB: **36201212847**

Reporting period:

**01.01.2021 to 31.12.2021**

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, registered office and legal form of each of the companies of which the issuer is a member having unlimited liability
  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 2021“ 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 2021“ 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 2020 and 2021.

## Summary of adjustments of GFI-POD balance sheet and consolidated balance sheet from Audited report for 2021 / GROUP

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>NON-CURRENT ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>14+15+16+17+ part of 18+ 20+ part of 21+ part of 23+ 25+ part of 30</b>	<b>5.671.820</b>	<b>5.671.820</b>	<b>0</b>	
I. Intangible assets	003	16	39.087	39.087	0	
II. Tangible assets	010	14+ 15+ part of 30	5.221.568	5.221.568	0	GFI-POD item "Tangible assets" (ADP 010; HRK 5,221,568 thous.) is in Audited report presented under items "Property, plant and equipment" (Note 14 in comparable amount of HRK 5,201,748 thous.), "Investment property" (Note 15 in comparable amount of HRK 3,180 thous.), and "Right-of-use assets" (Note 30 in comparable amount of HRK 16,640 thous.).
III. Non-current financial assets	020	17+ part of 18+ 20+ part of 21	82.072	82.072	0	GFI-POD item "Financial assets" (ADP 020; HRK 82,072 thous.) is in "Investment in associated entity" (Note 18 in comparable amount of HRK 76,503 thous. (presented in Audit report as a separate line)), "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 5,178 thous.).
IV. Trade receivables	031	Part of 23	0	0	0	
V. Deferred tax assets	036	25	329.093	329.093	0	
<b>CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>Part of 21+ 22+ part of 23+ 26</b>	<b>1.217.958</b>	<b>1.217.958</b>	<b>0</b>	<b>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 1,217,958 thous.) and "Prepayments and accrued income" (ADP 064; HRK 23,769 thous.) in relation to item "Current assets" of Audited report (HRK 1,241,727 thous.).</b>
I. Inventories	038	22	26.310	26.310	0	
II. Receivables	046	Part of 23	38.388	38.388	0	GFI-POD item "Receivables" (ADP 046; HRK 38,388 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Trade receivables - net" HRK 25,289 thous., "VAT receivable" HRK 8,002 thous., "Advances to suppliers" HRK 668 thous., "Receivables from employees" HRK 739 thous., "Receivables from state institutions" HRK 1,113 thous., part of "Other current liabilities" HRK 2,575 thous. and "Income tax receivable" HRK 2 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 62,155 thous. and is presented in items "Receivables" (ADP 046; HRK 38,386 thous.) and "Prepayments and accrued income" (ADP 064; HRK 23,769 thous.).
III. Current financial assets	053	Part of 21	38.002	38.002	0	GFI-POD item "Financial assets" (ADP 053; HRK 38,002 thous.) is in Audited report presented under item "Loans and deposits" - current part (Note 21 in comparable amount of HRK 38,002 thous.).
IV. Cash and cash equivalents	063	26	1.115.258	1.115.258	0	GFI-POD item "Cash and cash equivalents" (ADP 063; HRK 1,115,258 thous.) is in Audited report presented under item "Cash and cash equivalents" (Note 26 in comparable amount of HRK 1,115,258 thous.).
<b>PREPAYMENTS AND ACCRUED INCOME</b>	<b>064</b>	<b>Part of 23</b>	<b>23.769</b>	<b>23.769</b>	<b>0</b>	<b>GFI-POD item "Prepayments and accrued income" (ADP 064; HRK 23,769 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Accrued income" HRK 3,889 thous., "Interest receivables" HRK 27 thous., "Prepaid expenses" HRK 19,837 thous. and part of "Other current liabilities" HRK 16 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 62,155 thous. and is presented in items "Receivables" (ADP 046; HRK 38,386 thous.) and "Prepayments and accrued income" (ADP 064; HRK 23,769 thous.).</b>
<b>TOTAL ASSETS</b>	<b>065</b>		<b>6.913.547</b>	<b>6.913.547</b>	<b>0</b>	

## Summary of adjustments of GFI-POD balance sheet and consolidated balance sheet from Audited report for 2021 / GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>CAPITAL AND RESERVES</b>	<b>067</b>	<b>27+28</b>	<b>3.311.059</b>	<b>3.311.059</b>	<b>0</b>	<b>GFI-POD item "Capital and reserves" (ADP 067; HRK 3,311,059 thous.) is in Audited report presented under item "Share capital" (Notes 27 and 28 in comparable amount of HRK 3,311,059 thous.).</b>
<b>PROVISIONS</b>	<b>090</b>	<b>Part of 32+ part of 31</b>	<b>166.156</b>	<b>166.156</b>	<b>0</b>	<b>GFI-POD item "Provisions" (ADP 090; HRK 166,156 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 29,829 thous. with the item "Legal Disputes" in a comparable amount HRK 50,117 thous. and "Other" HRK 28,164 thous.) and non-current liabilities under item "Concession fee" (Note 31 in comparable amount of HRK 58,046 thous.).</b>
<b>NON-CURRENT LIABILITIES (ADP 103+107+108)</b>	<b>097</b>	<b>Part of 24+ 25+ part of 29+ part of 30+ part of 31+ part of 32</b>	<b>2.614.508</b>	<b>2.614.508</b>	<b>0</b>	<b>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 097; HRK 2,614,508 thous.) and "Provisions" (ADP 090; HRK 166,156 thous.) in relation to item "Non-current liabilities" of Audited report (HRK 2,780,664 thous.).</b>
I. Liabilities to banks and other financial institutions	103	Part of 29	2.547.107	2.547.107	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 103; HRK 2,547,107 thous.) is in Audited report presented under non-current part of item "Borrowings" (Note 29 in comparable amount of HRK 2,547,107 thous.).
II. Other non-current liabilities	107	Part of 24+ part of 30 + part of 32	15.636	15.636	0	GFI-POD item "Other non-current liabilities" (ADP 107; HRK 15,636 thous.) is in Audited report presented under non-current part of item "Derivative financial instruments" (Note 24 in comparable amount of 4,362 thous.), "Lease liabilities" (Note 30 in comparable amount of HRK 11,273 thous.) and part of long-term liabilities in the item "Provisions" (Note 32 "Severance pay and jubilee awards" HRK 1 thous.). Comment: The total amount of item "Derivative financial instruments" in Audited report (Note 24) is 7,749 thous. and is presented in items "Other non-current liabilities" (ADP 107; HRK 4,362 thous.) and "Other current liabilities" (ADP 123; HRK 3,387 thous.).
III. Deferred tax liabilities	108	25	51.765	51.765	0	
<b>CURRENT LIABILITIES (ADP 110+112+115+116+117+118+119+120+121+123)</b>	<b>109</b>	<b>Part of 24+ part of 29+ part of 30+ part of 31+ part of 32</b>	<b>733.966</b>	<b>733.966</b>	<b>0</b>	<b>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 109; HRK 733,966 thous.) and "Accrued expenses and deferred income" (ADP 124; HRK 87,858 thous.) in relation to item "Current liabilities" of Audited report (HRK 821,824 thous.).</b>
I. Liabilities to banks and other financial institutions	115	Part of 29	565.524	565.524	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 115; HRK 565,524 thous.) is in Audited report presented under current part of item "Borrowings" (Note 29; "Bank borrowings" in comparable amount of HRK 565,524 thous.).
II. Amounts payable for prepayment	116	Part of 31	40.344	40.344	0	GFI-POD item "Amounts payable for prepayment" (ADP 116; HRK 40,344 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Advances received" in comparable amount of HRK 40,344 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 229,319 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 40,344 thous.), "Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 112 and 117; HRK 67,510 thous.), "Liabilities to employees" (ADP 119; HRK 28,794 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 16,509 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.), "Other current liabilities" (ADP 123; HRK 8,839 thous.) and item "Accrued expenses and deferred income" (ADP 124; HRK 66,943 thous.).

## Summary of adjustments of GFI-POD balance sheet and consolidated balance sheet from Audited report for 2021 / GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
III. Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers	110, 112 and 117	Part of 31	67.510	67.510	0	GFI-POD items "Liabilities towards companies linked by virtue of participating interest" (ADP 112; HRK 39 thous.) and "Trade payables" (ADP 117; HRK 67,471 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Trade payables" HRK 67,447 thous., "Trade payables – related parties" HRK 63 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 229,319 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 40,344 thous.), "Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 112 and 117; HRK 67,510 thous.), "Liabilities to employees" (ADP 119; HRK 28,794 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 16,509 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.), "Other current liabilities" (ADP 123; HRK 8,839 thous.) and item "Accrued expenses and deferred income" (ADP 124; HRK 66,943 thous.).
IV. Liabilities to employees	119	Part of 31	28.794	28.794	0	GFI-POD items "Liabilities to employees" (ADP 119; HRK 28,794 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities to employees" in comparable amount HRK 28,794 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 229,319 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 40,344 thous.), "Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 112 and 117; HRK 67,510 thous.), "Liabilities to employees" (ADP 119; HRK 28,794 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 16,509 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.), "Other current liabilities" (ADP 123; HRK 8,839 thous.) and item "Accrued expenses and deferred income" (ADP 124; HRK 66,943 thous.).
V. Taxes, contributions and similar liabilities	120	Part of 31	16.509	16.509	0	GFI-POD item "Taxes, contributions and similar liabilities" (ADP 120; HRK 16,509 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 16,509 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 229,319 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 40,344 thous.), "Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 112 and 117; HRK 67,510 thous.), "Liabilities to employees" (ADP 119; HRK 28,794 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 16,509 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.), "Other current liabilities" (ADP 123; HRK 8,839 thous.) and item "Accrued expenses and deferred income" (ADP 124; HRK 66,943 thous.).

## Summary of adjustments of GFI-POD balance sheet and consolidated balance sheet from Audited report for 2021 / GROUP (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
VI. Liabilities arising from share in the result and other current liabilities	121 and 123	Part of 24+ part of 30+ part of 31	15.286	15.286	0	GFI-POD item "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.) "Other current liabilities" (ADP 123; HRK 14,906 thous.) is in Audited report presented under current part of items "Trade and other payables" (Note 31; "Dividend liability" HRK 380 thous., part of "Other liabilities" HRK 8,839 thous.), "Derivative financial instruments" (Note 24 in comparable amount of HRK 3,387 thous.) and "Lease liabilities" (Note 30 in comparable amount of HRK 2,680 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 229,319 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 40,344 thous.), "Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 112 and 117; HRK 67,510 thous.), "Liabilities to employees" (ADP 119; HRK 28,794 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 16,509 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.), "Other current liabilities" (ADP 123; HRK 8,839 thous.) and item "Accrued expenses and deferred income" (ADP 124; HRK 66,943 thous.). The total amount of item "Derivative financial instruments" in Audited report (Note 24) is 3,387 thous. is presented in items "Other current liabilities" (ADP 123; HRK 3,387 thous.).
<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>124</b>	<b>Part of 31+ part of 32</b>	<b>87.858</b>	<b>87.858</b>	<b>0</b>	<b>GFI-POD item "Accrued expenses and deferred income" (ADP 124; HRK 87,858 thous.) is in Audited report presented under items "Trade and other payables" (Note 31; "Interest payable" HRK 29,168 thous., current part of item "Concession fees payable" HRK 1,920 thous., "Liabilities for calculated vacation and redistribution hours" HRK 10,908 ths., "Accrued VAT liabilities in unrealized income" HRK 483 thous., "Liabilities for calculated costs" HRK 22,605 thous. and part of "Other current liabilities" HRK 1,859 thous.) and current part of items "Provisions" (Note 32; current item "Termination benefits and jubilee awards" HRK 1,164 thous. and "Bonuses" HRK 19,751 thous.).</b> Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 229,319 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 40,344 thous.), "Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 112 and 117; HRK 67,510 thous.), "Liabilities to employees" (ADP 119; HRK 28,794 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 16,509 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 380 thous.), "Other current liabilities" (ADP 123; HRK 8,839 thous.) and item "Accrued expenses and deferred income" (ADP 124; HRK 66,943 thous.). The total short-term part of the item "Provisions" of the Audited Report (Note 32) in the amount of 20,914 thous. in the item "Deferred payment of expenses and income for the future period" (ADP 124; HRK 20,914 thous.).
<b>TOTAL LIABILITIES</b>	<b>125</b>		<b>6.913.547</b>	<b>6.913.547</b>	<b>0</b>	

## Summary of adjustments of GFI-POD reclassified income statement and consolidated statement of comprehensive income from Audited report for 2021 / GROUP

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2021 to 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>OPERATING INCOME (ADP 002+003+004+005+006)</b>	<b>001</b>		<b>1.644.008</b>	<b>1.644.008</b>	<b>0</b>	
I. Revenues from sales with undertakings in a Group and sales revenues (outside the Group)	002+ 003	5	1.605.128	1.605.128	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)	004+ 005+ 006	Part of 6+ part of 10	38.880	38.880	0	GFI-POD items "Revenues from use of own products, goods and services" (ADP 004; HRK 326 thous.), "Other operating revenues (outside the Group)" (ADP 006; HRK 38,554 thous.) are in Audited report presented under items "Other income" (Note 6; "Income from donations and other" HRK 7,713 thous., "Income from provision release" HRK 14,027 thous., "Reimbursed costs" HRK 1,492 thous., "Income from insurance and legal claims" HRK 8,118 thous., "Income from own consumption" HRK 326 thous., "Collection of written-off receivables" HRK 53 thous., "Other income" HRK 5,330 thous.), and "Other gains/(losses) - net" (Note 10; "Net gains on sale of property, plant and equipment" HRK 1,820 thous.). Comment: The total amount of item "Other income" in Audited report (Note 6) is HRK 37,060 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 004 and 006; HRK 37,060 thous.). The total amount of item "Other gains/(losses) - net" in Audited report (Note 10) is 1,820 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 004 and 006, HRK 1,820 thous.).
<b>OPERATING EXPENSES (ADP 009+013+017+018+019+022+029)</b>	<b>007</b>		<b>1.507.033</b>	<b>1.507.033</b>	<b>0</b>	<b>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 013; HRK 353,176 thous.), "Other expenditures" (ADP 018; HRK 134,451 thous.), "Value adjustment" (ADP 019; HRK 1,670 thous.), "Provisions" (ADP 022; HRK 40,313 thous.) and "Other operating expenses" (ADP 029; HRK 11,826 thous.) in relation to items "Staff costs" (Note 8; HRK 439,531 thous.) and "Other operating expenses" (Note 9; HRK 101,905 thous.) of Audited report.</b>
I. Material costs	009	7	458.262	458.262	0	GFI-POD item "Material costs" (ADP 009; HRK 458,262 thous.) is in Audited report presented under item "Cost of materials and services" (Note 7 in comparable amount of HRK 458,262 thous.).
II. Staff costs	013	Part of 8	353.176	353.176	0	GFI-POD item "Staff costs" (ADP 013; HRK 353,176 thous.) is in Audited report presented under item "Staff costs" (Note 8; "Net salaries" HRK 218,087 thous., "Pension contributions" HRK 66,349 thous., "Health insurance contributions" HRK 46,430 thous., "Other (contributions and taxes)" HRK 22,310 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 439,531 thous. and is presented in "Staff costs" (ADP 013; HRK 353,176 thous.), "Other expenditures" (ADP 018; HRK 76,950 thous.) and "Provisions" (ADP 022; HRK 9,405 thous.).
III. Depreciation and amortisation	017	14+15+16+30	507.336	507.336	0	
IV. Other expenditures	018	Part of 8+ part of 9	134.451	134.451	0	GFI-POD item "Other expenditures" (ADP 018; HRK 134.451 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Termination benefits" HRK 471 thous., "Other staff costs" HRK 76,479 thous.) and "Other operating expenses" (Note 9; "Municipal charges, concessions and other" HRK 25,624 thous., "Professional services" HRK 19,260 thous., "Entertainment" HRK 3,706 thous., "Insurance premiums" HRK 6,805 thous., "Bank charges" HRK 1,093 thous., "Membership fee to associations and other administrative expenses" HRK 1,012 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 439,531 thous. and is presented in "Staff costs" (ADP 013; HRK 353,176 thous.), "Other expenditures" (ADP 018; HRK 76,950 thous.) and "Provisions" (ADP 022; HRK 9,405 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 101,905 thous. and is presented in items "Other expenditures" (ADP 018; HRK 57,501 thous.), "Value adjustment" (ADP 019; HRK 1,670 thous.), "Provisions" (ADP 022; HRK 30,908 thous.) and "Other operating expenses" (ADP 029; HRK 11,826 thous.).

## Summary of adjustments of GFI-POD reclassified income statement and consolidated statement of comprehensive income from Audited report for 2021 / GROUP (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2021 to 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
V. Value adjustment	019	Part of 9	1.670	1.670	0	GFI-POD item "Value adjustment" (ADP 019; HRK 1,670 thous.) is in Audited report presented under item "Other operating expenses" (Note 9; "Value adjustment of assets" in comparable amount of HRK 1,670 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 101,905 thous. and is presented in items "Other expenditures" (ADP 018; HRK 57,501 thous.), "Value adjustment" (ADP 019; HRK 1,670 thous.), "Provisions" (ADP 022; HRK 30,908 thous.) and "Other operating expenses" (ADP 029; HRK 11,826 thous.).
VI. Provisions	022	Part of 8+ part of 9	40.313	40.313	0	GFI-POD item "Provisions" (ADP 022; HRK 40,313 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Provisions for termination benefits and jubilee awards" HRK 9,405 thous.), "Other operating expenses" (Note 9; "Provisions for legal proceedings" HRK 2,744 thous.), "Provisions for tourist land lease and other" HRK 28,164 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 439,531 thous. and is presented in "Staff costs" (ADP 013; HRK 353,176 thous.), "Other expenditures" (ADP 018; HRK 76,950 thous.) and "Provisions" (ADP 022; HRK 9,405 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 101,905 thous. and is presented in items "Other expenditures" (ADP 018; HRK 57,501 thous.), "Value adjustment" (ADP 019; HRK 1,670 thous.), "Provisions" (ADP 022; HRK 30,908 thous.) and "Other operating expenses" (ADP 029; HRK 11,826 thous.).
VII. Other operating expenses	029	Part of 9	11.826	11.826	0	GFI-POD item "Other operating expenses" (ADP 029; HRK 11,826 thous.) is in Audited report presented under items "Other operating expenses" (Note 9; "Write-off of property, plant and equipment" HRK 3,892 thous., "Other operating expenses" HRK 7,934 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 101,905 thous. and is presented in items "Other expenditures" (ADP 018; HRK 57,501 thous.), "Value adjustment" (ADP 019; HRK 1,670 thous.), "Provisions" (ADP 022; HRK 30,908 thous.) and "Other operating expenses" (ADP 029; HRK 11,826 thous.).
<b>FINANCIAL INCOME</b>	<b>030</b>	<b>11</b>	<b>35.354</b>	<b>35.354</b>	<b>0</b>	GFI-POD item "Financial income" (ADP 030; HRK 35,354 thous.) is in Audited report presented under items "Financial income/(loss) - net" in part of financial income (Note 11; "Interest income" HRK 83 thous., "Net foreign exchange gains/(losses) - other" HRK 11,676 thous., "Realised and change of net gains/(losses) from changes in value of forwards and interest rate swaps" HRK 9,233 thous., "Termination of control over the subsidiary" HRK 13,316 thous., "Income from cassa sconto" HRK 817 thous., "Dividend income and other financial income" HRK 229 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 35,903 thous. and is presented in items "Financial income" (ADP 030; HRK 35,354 thous.) and "Financial costs" (ADP 041; HRK 71,257 thous.).
<b>FINANCIAL COSTS</b>	<b>041</b>	<b>11</b>	<b>71.257</b>	<b>71.257</b>	<b>0</b>	GFI-POD item "Financial costs" (ADP 041; HRK 71,257 thous.) is in Audited report presented under item "Finance income/(expense) - net" in part of financial expenses (Note 11; "Interest expense" HRK 71,257 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 35,903 thous. and is presented in items "Financial income" (ADP 030; HRK 35,354 thous.) and "Financial costs" (ADP 041; HRK 71,257 thous.).
SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	049	18	548	548	0	The GFI-POD item "Share in profit from companies related to participating interests" (ADP 049; HRK 548 thous.) is stated in the Audited Report in the comparable amount of HRK 548 thous.).
SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	051	18	144	144	0	The GFI-POD item "Share in loss from companies related to participating interests" (ADP 051; HRK 144 thous.) is stated in the Audited Report in the comparable amount of HRK 144 thous.).
<b>TOTAL INCOME (ADP 001+030)</b>	<b>053</b>		<b>1.679.910</b>	<b>1.679.910</b>	<b>0</b>	
<b>TOTAL COSTS (ADP 007+041)</b>	<b>054</b>		<b>1.578.434</b>	<b>1.578.434</b>	<b>0</b>	
<b>PROFIT OR LOSS BEFORE TAX (ADP 053-054)</b>	<b>055</b>		<b>101.475</b>	<b>101.475</b>	<b>0</b>	
<b>INCOME TAX EXPENSE</b>	<b>058</b>		<b>-7.232</b>	<b>-7.232</b>	<b>0</b>	
<b>PROFIT OR LOSS FOR THE PERIOD (ADP 055-058)</b>	<b>059</b>		<b>108.707</b>	<b>108.707</b>	<b>0</b>	

## Summary of adjustments of GFI-POD reclassified balance sheet and consolidated 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
<b>NON-CURRENT ASSETS (ADP 003+010+020+036)</b>	<b>002</b>	<b>14+15+16+17+ part of 18b+ 20+ part of 21+ 25+ part of 30</b>	<b>6.087.157</b>	<b>6.087.157</b>	<b>0</b>	
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	17+ part of 18b+ 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	
<b>CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>Part of 21+ 22+ part of 23+ part of 24+ 26</b>	<b>737.067</b>	<b>737.067</b>	<b>0</b>	<b>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.).</b>
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+ part of 24	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.).
<b>PREPAYMENTS AND ACCRUED INCOME</b>	<b>064</b>	<b>Part of 23</b>	<b>55.359</b>	<b>55.359</b>	<b>0</b>	<b>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.).</b>
<b>TOTAL ASSETS</b>	<b>065</b>		<b>6.879.583</b>	<b>6.879.583</b>	<b>0</b>	

## Summary of adjustments of GFI-POD reclassified balance sheet and consolidated 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
<b>CAPITAL AND RESERVES</b>	<b>067</b>	<b>27+ 28</b>	<b>2.863.857</b>	<b>2.863.857</b>	<b>0</b>	<b>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.).</b>
<b>PROVISIONS</b>	<b>090</b>	<b>Part of 32 + part of 31</b>	<b>141.118</b>	<b>141.118</b>	<b>0</b>	<b>GFI-POD item "Provisions" (ADP 090; 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.).</b>
<b>NON-CURRENT LIABILITIES (ADP 101+105+106)</b>	<b>097</b>	<b>Part of 24+ 25+ part of 29+ part of 30+ part of 31</b>	<b>2.867.349</b>	<b>2.867.349</b>	<b>0</b>	<b>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 097; HRK 2,867,349 thous.) and "Provisions" (ADP 090; HRK 141,118 thous.) in relation to item "Non-current liabilities" of Audited report (HRK 3,008,468 thous.).</b>
I. Liabilities to banks and other financial institutions	103	Part of 29	2.770.276	2.770.276	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 103; 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	107	Part of 24+ part of 30 + part of 32	38.781	38.781	0	GFI-POD item "Other non-current liabilities" (ADP 107; 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 107; HRK 11,602 thous.) and "Other current liabilities" (ADP 123; HRK 5,380 thous.).
III. Deferred tax liabilities	108	25	58.292	58.292	0	
<b>CURRENT LIABILITIES (ADP 108+113+114+115+117+118+119+121)</b>	<b>109</b>	<b>Part of 24+ 29+ part of 30+ part of 31+ part of 37</b>	<b>934.438</b>	<b>934.438</b>	<b>0</b>	<b>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 109; HRK 934,438 thous.) and "Accrued expenses and deferred income" (ADP 124; HRK 72,821 thous.) in relation to item "Current liabilities" of Audited report (HRK 1,007,258 thous.).</b>
I. Liabilities to banks and other financial institutions	115	Part of 29	738.366	738.366	0	GFI-POD items "Liabilities to banks and other financial institutions" (ADP 115; HRK 733,062 thous.) and "Liabilities for loans, deposits and other" (ADP 114; 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	116	Part of 31	69.609	69.609	0	GFI-POD item "Amounts payable for prepayment" (ADP 116; 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 116; HRK 69,609 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 117; HRK 61,809 thous.), "Liabilities for securities" (ADP 118; HRK 6,625 thous.), "Liabilities to employees" (ADP 119; HRK 19,187 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 6,130 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 389 thous.), "Other current liabilities" (ADP 123; HRK 10,706 thous.) and "Accrued expenses and deferred income" (ADP 124; HRK 66,936 thous.).

## Summary of adjustments of GFI-POD reclassified balance sheet and consolidated 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. Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers	110, 112 and 117	Part of 31	61.809	61.809	0	GFI-POD items "Trade payables" (ADP 117; 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 116; HRK 69,609 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 117; HRK 61,809 thous.), "Liabilities for securities" (ADP 118; HRK 6,625 thous.), "Liabilities to employees" (ADP 119; HRK 19,187 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 6,130 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 389 thous.), "Other current liabilities" (ADP 123; HRK 10,706 thous.) and "Accrued expenses and deferred income" (ADP 124; HRK 66,936 thous.).
IV. Liabilities for securities	118	Part of 31	6.625	6.625	0	GFI-POD items "Liabilities for securities" (ADP 118; 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	119	Part of 31	19.187	19.187	0	GFI-POD items "Liabilities to employees" (ADP 119; 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 116; HRK 69,609 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 117; HRK 61,809 thous.), "Liabilities for securities" (ADP 118; HRK 6,625 thous.), "Liabilities to employees" (ADP 119; HRK 19,187 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 6,130 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 389 thous.), "Other current liabilities" (ADP 123; HRK 10,706 thous.) and "Accrued expenses and deferred income" (ADP 124; HRK 66,936 thous.).
VI. Taxes, contributions and similar liabilities	120	Part of 31	6.130	6.130	0	GFI-POD item "Taxes, contributions and similar liabilities" (ADP 120; 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 116; HRK 69,609 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 117; HRK 61,809 thous.), "Liabilities for securities" (ADP 118; HRK 6,625 thous.), "Liabilities to employees" (ADP 119; HRK 19,187 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 6,130 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 389 thous.), "Other current liabilities" (ADP 123; HRK 10,706 thous.) and "Accrued expenses and deferred income" (ADP 124; HRK 66,936 thous.).

## Summary of adjustments of GFI-POD reclassified balance sheet and consolidated 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	121 and 123	Part of 24+ part of 30+ part of 31+ part of 37	32.712	32.712	0	GFI-POD item "Liabilities arising from share in the result" (ADP 121; HRK 389 thous.) and "Other current liabilities" (ADP 123; 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 37 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 116; HRK 69,609 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 117; HRK 61,809 thous.), "Liabilities for securities" (ADP 118; HRK 6,625 thous.), "Liabilities to employees" (ADP 119; HRK 19,187 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 6,130 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 389 thous.), "Other current liabilities" (ADP 123; HRK 10,706 thous.) and "Accrued expenses and deferred income" (ADP 124; 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 123; HRK 5,380 thous.).
<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>124</b>	<b>Part of 31+ part of 32</b>	<b>72.821</b>	<b>72.821</b>	<b>0</b>	<b>GFI-POD item "Accrued expenses and deferred income" (ADP 124; 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 116; HRK 69,609 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 117; HRK 61,809 thous.), "Liabilities for securities" (ADP 118; HRK 6,625 thous.), "Liabilities to employees" (ADP 119; HRK 19,187 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 6,130 thous.), "Liabilities arising from share in the result" (ADP 121; HRK 389 thous.), "Other current liabilities" (ADP 123; HRK 10,706 thous.) and "Accrued expenses and deferred income" (ADP 124; 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 124; HRK 5,884 thous.).</b>
<b>TOTAL LIABILITIES</b>	<b>125</b>		<b>6.879.583</b>	<b>6.879.583</b>	<b>0</b>	

## Summary of adjustments of GFI-POD reclassified income statement and consolidated statement 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
<b>OPERATING INCOME (ADP 002+003+004+005+006)</b>	<b>001</b>		<b>675.611</b>	<b>675.611</b>	<b>0</b>	
I. Revenues from sales with undertakings in a Group and sales revenues (outside the Group)	002+ 003	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)	004+ 005+ 006	Part of 6+ part of 10	33.132	33.132	0	GFI-POD items "Revenues from use of own products, goods and services" (ADP 004; HRK 461 thous.) and "Other operating revenues (outside the Group)" (ADP 006; 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 004, 005 and 006; 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 004, 005 and 006; HRK 4,777 thous.).
<b>OPERATING EXPENSES (ADP 009+013+017+018+019+022+029)</b>	<b>007</b>		<b>1.070.376</b>	<b>1.070.376</b>	<b>0</b>	<b>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 013; HRK 189,951 thous.), "Other expenditures" (ADP 018; HRK 89,098 thous.), "Value adjustment" (ADP 019; HRK 1,510 thous.), "Provisions" (ADP 022; 28,714 thous.) and "Other operating expenses" (ADP 029; 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.</b>
I. Material costs	009	7	254.644	254.644	0	GFI-POD item "Material costs" (ADP 009; 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	013	Part of 8	189.951	189.951	0	GFI-POD item "Staff costs" (ADP 013; 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 013; HRK 189,951 thous.), "Other expenditures" (ADP 018; HRK 23,509 thous.) and "Provisions" (ADP 022; HRK 13,592 thous.).
III. Depreciation and amortisation	017	14+15+16+30	496.444	496.444	0	

## Summary of adjustments of GFI-POD reclassified income statement and consolidated statement 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
IV. Other expenditures	018	Part of 8+ part of 9	89.098	89.098	0	GFI-POD item "Other expenditures" (ADP 018; 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 013; HRK 189,951 thous.), "Other expenditures" (ADP 018; HRK 23,509 thous.) and "Provisions" (ADP 022; 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 018; HRK 65,588 thous.), "Value adjustment" (ADP 019; HRK1,510 thous.), "Provisions" (ADP 022; HRK 15,123 thous.) and "Other operating expenses" (ADP 029; HRK 10,015 thous.).
V. Value adjustment	019	Part of 9	1.510	1.510	0	GFI-POD item "Value adjustment" (ADP 019; 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 018; HRK 65,588 thous.), "Value adjustment" (ADP 019; HRK 1,510 thous.), "Provisions" (ADP 022; HRK 15,123 thous.) and "Other operating expenses" (ADP 029; HRK 10,015 thous.).
VI. Provisions	022	Part of 8+ part of 9	28.714	28.714	0	GFI-POD item "Provisions" (ADP 022; 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 013; HRK 189,951 thous.), "Other expenditures" (ADP 018; HRK 23,509 thous.) and "Provisions" (ADP 022; 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 018; HRK 65,588 thous.), "Value adjustment" (ADP 019; HRK 1,510 thous.), "Provisions" (ADP 022; HRK 15,123 thous.) and "Other operating expenses" (ADP 029; HRK 10,015 thous.).
VII. Other operating expenses	029	Part of 9	10.015	10.015	0	GFI-POD item "Other operating expenses" (ADP 029; 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 018; HRK 65,588 thous.), "Value adjustment" (ADP 019; HRK1,510 thous.), "Provisions" (ADP 022; HRK 15,123 thous.) and "Other operating expenses" (ADP 029; HRK 10,015 thous.).

## Summary of adjustments of GFI-POD reclassified income statement and consolidated statement 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
<b>FINANCIAL INCOME</b>	<b>030</b>	<b>11</b>	<b>21.291</b>	<b>21.291</b>	<b>0</b>	GFI-POD item "Financial income" (ADP 030; 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 030; HRK 21,291 thous.) and "Financial costs" (ADP 041; HRK 125,932 thous.).
<b>FINANCIAL COSTS</b>	<b>041</b>	<b>11</b>	<b>125.932</b>	<b>125.932</b>	<b>0</b>	GFI-POD item "Financial costs" (ADP 041; 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 030; HRK 21,291 thous.) and "Financial costs" (ADP 041; HRK 125,932 thous.).
<b>SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>051</b>	<b>18</b>	<b>1.644</b>	<b>1.644</b>	<b>0</b>	GFI-POD item "Share of loss from joint ventures" (ADP 051; HRK 1,644 thous.) is in Audited report presented in comparable amount of HRK 1,644 thous.
<b>TOTAL INCOME (ADP 001+030)</b>	<b>053</b>		<b>696.902</b>	<b>696.902</b>	<b>0</b>	
<b>TOTAL COSTS (ADP 007+041)</b>	<b>054</b>		<b>1.197.952</b>	<b>1.197.952</b>	<b>0</b>	
<b>PROFIT OR LOSS BEFORE TAX (ADP 053-054)</b>	<b>055</b>		<b>-501.050</b>	<b>-501.050</b>	<b>0</b>	
<b>INCOME TAX EXPENSE</b>	<b>058</b>		<b>-142.243</b>	<b>-142.243</b>	<b>0</b>	
<b>PROFIT OR LOSS FOR THE PERIOD (ADP 055-058)</b>	<b>059</b>		<b>-358.806</b>	<b>-358.806</b>	<b>0</b>	

## Summary of adjustments of GFI-POD cash flow statement and consolidated cash flow statement from Audited report for 2021 / GROUP

in thousands of HRK

GFI-POD CASH FLOW STATEMENT for the period from 1 January 2021 to 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>020</b>		<b>610.039</b>	<b>610.039</b>	<b>0</b>	GFI-POD item "Net cash flow from operating activities" (ADP 020; HRK 610,039 thous.) is in Audited report presented in items "Net cash inflow from operating activities" in comparable amount of HRK 680,682 thous. and item "Interest paid" (Net cash inflow from financing activities) in the amount of HRK -70,643 thous.
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>034</b>		<b>-157.173</b>	<b>-157.173</b>	<b>0</b>	GFI-POD item "Net cash flow from investment activities" (ADP 034; HRK -157,173 thous.) is in Audited report presented in item "Net cash outflow from investment activities" in comparable amount of HRK -157,173 thous.
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>046</b>		<b>-3.541</b>	<b>-3.541</b>	<b>0</b>	GFI-POD item "Net cash flow from financing activities" (ADP 046; HRK -3,541 thous.) is in Audited report presented in item "Net cash inflow from financing activities" in comparable amount of HRK -74,184 thous. increased for the item "Interest paid" in the amount of HRK 70,643 thous.
<b>D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046)</b>	<b>048</b>		<b>449.325</b>	<b>449.325</b>	<b>0</b>	
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>		<b>665.933</b>	<b>665.933</b>	<b>0</b>	
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>		<b>1.115.258</b>	<b>1.115.258</b>	<b>0</b>	

## Summary of adjustments of GFI-POD cash flow statement and consolidated 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
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>020</b>		<b>-37.477</b>	<b>-37.477</b>	<b>0</b>	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>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>034</b>		<b>-585.950</b>	<b>-585.950</b>	<b>0</b>	GFI-POD item "Net cash flow 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.
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>046</b>		<b>739.217</b>	<b>739.217</b>	<b>0</b>	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.
<b>D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046)</b>	<b>048</b>		<b>115.790</b>	<b>115.790</b>	<b>0</b>	
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>		<b>550.143</b>	<b>550.143</b>	<b>0</b>	
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>		<b>665.933</b>	<b>665.933</b>	<b>0</b>	

## Summary of adjustments of GFI-POD statement of changes in equity and consolidated statement of changes in shareholder's equity from Audited report for 2021 / GROUP

in thousands of HRK

GFI-POD STATEMENT OF CHANGES IN EQUITY for the period from 1 January 2021 to 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
<b>CAPITAL AND RESERVES (ADP 31 to 50)</b>	<b>51</b>	<b>27+28+33</b>	<b>3.311.059</b>	<b>3.311.059</b>	<b>0</b>	GFI-POD item "Capital and reserves" (ADP 067; HRK 3,311,059 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 81 thous.), "Legal reserves" (Note 28 in comparable amount of HRK 83,601 thous.), "Other reserves" (Note 28 in comparable amount of HRK 163,749 thous.) and "Retained earnings" (Note 28 in comparable amount of HRK 467,737 thous.) and "Non-controlling interest" (Note 33 in the comparable amount of HRK 1,043,064 thous.). Comment: To be fully compliant, the following items should be viewed as follows: the "Other reserves" item of Audited report (Note 28; HRK 163,749 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 083; HRK 24,684 thous.) and GFI POD items "Other reserves" (ADP 075 HRK 2,250 thous.). The "Retained earnings" item of Audited report (Note 28; HRK 467,737 thous.) matches the sum of GFI POD items "Profit for the financial year" (ADP 086; HRK 104,375 thous.) and part of "Retained earnings" (ADP 083; HRK 363,362 thous.).

## Summary of adjustments of GFI-POD statement of changes in equity and consolidated 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
<b>CAPITAL AND RESERVES (ADP 31 to 50)</b>	<b>51</b>	<b>27+28+33</b>	<b>2.863.857</b>	<b>2.863.857</b>	<b>0</b>	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 083; 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 086; HRK -329,594 thous.) and part of "Retained earnings" (ADP 083; HRK 693,220 thous.).



**BALANCE SHEET (as at 31.12.2021)**  
**Submitter: Valamar Riviera d.d.**

in HRK

Item 1	ADP code 2	Last day of the preceding business year 3	At the reporting date of the current period 4
<b>A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>		
<b>B) FIXED ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>5.324.136.157</b>	<b>5.152.301.804</b>
<b>I. INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	<b>42.275.329</b>	<b>34.640.301</b>
1 Research and Development	004		
2 Concessions, patents, licences, trademarks, software and other rights	005	35.550.820	26.854.197
3 Goodwill	006	6.567.609	6.567.609
4 Advance payments for purchase of intangible assets	007		
5 Intangible assets in preparation	008	156.900	1.218.495
6 Other intangible assets	009		
<b>II. TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	<b>4.292.520.443</b>	<b>3.936.984.239</b>
1 Land	011	629.012.020	593.370.669
2 Buildings	012	2.722.066.344	2.593.423.408
3 Plants and equipment	013	409.245.659	355.975.206
4 Tools, working inventory and transportation assets	014	91.158.729	72.736.320
5 Biological asset	015		
6 Advance payments for purchase of tangible assets	016	159.973	42.528
7 Tangible assets in preparation	017	366.577.576	267.938.392
8 Other tangible assets	018	70.357.714	50.317.735
9 Investments property	019	3.942.428	3.179.981
<b>III. FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	<b>774.869.872</b>	<b>1.017.453.237</b>
1 Investments in holdings (shares) of undertakings within the group	021	727.328.038	941.803.942
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	70.112.312
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	121.271	219.121
8 Loans, deposits, etc. given	028	89.033	5.177.862
9 Other investments accounted for using the equity method	029		
10 Other fixed financial assets	030	140.000	140.000
<b>IV. RECEIVABLES (ADP 032 to 035)</b>	<b>031</b>		
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		
<b>V. DEFERRED TAX ASSETS</b>	<b>036</b>	<b>214.470.513</b>	<b>163.224.027</b>
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>583.232.857</b>	<b>656.422.372</b>
<b>I. INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	<b>27.296.274</b>	<b>23.619.254</b>
1 Raw materials	039	26.356.791	22.520.626
2 Work in progress	040		
3 Finished goods	041		
4 Merchandise	042	939.483	1.098.628
5 Advance payments for inventories	043		
6 Fixed assets held for sale	044		
7 Biological asset	045		
<b>II. RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>32.385.214</b>	<b>50.219.276</b>
1 Receivables from undertakings within the group	047	186.829	19.738.193
2 Receivables from companies linked by virtue of participating interest	048	330.822	7.293.713
3 Customer receivables	049	23.158.299	16.667.610
4 Receivables from employees and members of the undertaking	050	277.464	625.968
5 Receivables from government and other institutions	051	4.795.299	3.070.818
6 Other receivables	052	3.636.501	2.822.974
<b>III. SHORT-TERM FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>578.131</b>	<b>444.055</b>
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	549.831	415.755
9 Other financial assets	062		
<b>IV. CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>522.973.238</b>	<b>582.139.787</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>46.702.706</b>	<b>21.272.442</b>
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>5.954.071.720</b>	<b>5.829.996.618</b>
<b>F) OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>54.261.380</b>	<b>54.173.148</b>

**BALANCE SHEET (as at 31.12.2021) (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
<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (ADP 068 to 070+076+077+083+086+089)</b>	<b>067</b>	<b>2.385.224.020</b>	<b>2.619.280.406</b>
<b>I. INITIAL (SUBSCRIBED) CAPITAL</b>	<b>068</b>	<b>1.672.021.210</b>	<b>1.672.021.210</b>
<b>II. CAPITAL RESERVES</b>	<b>069</b>	<b>5.710.563</b>	<b>5.710.563</b>
<b>III. RESERVES FROM PROFIT (ADP 071+072-073+074+075)</b>	<b>070</b>	<b>98.247.551</b>	<b>98.247.551</b>
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	2.249.472
<b>IV. REVALUATION RESERVES</b>	<b>076</b>		
<b>V. FAIR VALUE RESERVES AND OTHER (ADP 078 to 082)</b>	<b>077</b>	<b>872</b>	<b>81.109</b>
1 Financial assets at fair value through other comprehensive income (i.e. available for sale)	078	872	81.109
2 Cash flow hedge - effective portion	079		
3 Hedge of a net investment in a foreign operation - effective portion	080		
4 Other fair value reserves	081		
5 Exchange differences arising from the translation of foreign operations (consolidation)	082		
<b>VI. RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 084-085)</b>	<b>083</b>	<b>917.793.503</b>	<b>538.614.167</b>
1 Retained profit	084	917.793.503	538.614.167
2 Loss brought forward	085		
<b>VII. PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 087-088)</b>	<b>086</b>	<b>-308.549.679</b>	<b>304.605.806</b>
1 Profit for the business year	087		304.605.806
2 Loss for the business year	088	308.549.679	
<b>VIII. MINORITY (NON-CONTROLLING) INTEREST</b>	<b>089</b>		
<b>B) PROVISIONS (ADP 091 to 096)</b>	<b>090</b>	<b>113.213.704</b>	<b>134.552.238</b>
1 Provisions for pensions, termination benefits and similar obligations	091	21.180.405	24.962.956
2 Provisions for tax liabilities	092		
3 Provisions for ongoing legal cases	093	36.378.988	28.843.417
4 Provisions for renewal of natural resources	094		
5 Provision for warranty obligations	095		
6 Other provisions	096	55.654.311	80.745.865
<b>C) LONG-TERM LIABILITIES (ADP 098 to 108)</b>	<b>097</b>	<b>2.524.889.178</b>	<b>2.331.903.180</b>
1 Liabilities towards undertakings within the group	098		
2 Liabilities for loans, deposits, etc. to companies within the group	099		
3 Liabilities towards companies linked by virtue of participating interest	100		
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	101		
5 Liabilities for loans, deposits etc.	102		
6 Liabilities towards banks and other financial institutions	103	2.474.586.439	2.303.872.723
7 Liabilities for advance payments	104		
8 Liabilities towards suppliers	105		
9 Liabilities for securities	106		
10 Other long-term liabilities	107	36.995.567	15.575.274
11 Deferred tax liability	108	13.307.172	12.455.183
<b>D) SHORT-TERM LIABILITIES (ADP 110 to 123)</b>	<b>109</b>	<b>865.350.845</b>	<b>665.431.238</b>
1 Liabilities towards undertakings within the group	110	135.664	101.669
2 Liabilities for loans, deposits, etc. to companies within the group	111		
3 Liabilities towards companies linked by virtue of participating interest	112		7.389
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interest	113		
5 Liabilities for loans, deposits etc.	114		
6 Liabilities towards banks and other financial institutions	115	693.967.037	523.630.896
7 Liabilities for advance payments	116	61.767.845	36.066.605
8 Liabilities towards suppliers	117	49.993.663	51.117.222
9 Liabilities for securities	118	6.625.196	
10 Liabilities towards employees	119	15.921.399	24.804.908
11 Taxes, contributions and similar liabilities	120	4.664.984	14.661.562
12 Liabilities arising from the share in the result	121	9.600	
13 Liabilities arising from fixed assets held for sale	122		
14 Other short-term liabilities	123	32.265.457	15.040.987
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>124</b>	<b>65.393.973</b>	<b>78.829.556</b>
<b>F) TOTAL - LIABILITIES (ADP 067+090+097+109+124)</b>	<b>125</b>	<b>5.954.071.720</b>	<b>5.829.996.618</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>126</b>	<b>54.261.380</b>	<b>54.173.148</b>

**STATEMENT OF PROFIT OR LOSS** (for 01.01.2021 to 31.12.2021)**Submitter: Valamar Riviera d.d.**

Item 1	ADP code 2	Same period of the previous year 3	in HRK
			Current period 4
<b>I. OPERATING INCOME</b> (ADP 002 to 006)	<b>001</b>	<b>571.818.875</b>	<b>1.670.374.528</b>
1 Income from sales with undertakings within the group	002	6.559.169	31.631.791
2 Income from sales (outside group)	003	540.402.390	1.329.300.465
3 Income from the use of own products, goods and services	004	208.649	233.998
4 Other operating income with undertakings within the group	005	269.761	281.037.544
5 Other operating income (outside the group)	006	24.378.906	28.170.730
<b>II. OPERATING EXPENSES</b> (ADP 008+009+013+017+018+019+022+029)	<b>007</b>	<b>890.254.827</b>	<b>1.255.329.580</b>
1 Changes in inventories of work in progress and finished goods	008		
2 Material costs (ADP 010 to 011)	009	223.980.434	396.119.584
a) Costs of raw material	010	118.752.994	211.804.737
b) Costs of goods sold	011	4.218.790	10.230.447
c) Other external costs	012	101.008.650	174.084.400
3 Staff costs (ADP 014 to 016)	013	162.756.912	301.251.199
a) Net salaries and wages	014	103.705.374	185.544.244
b) Tax and contributions from salaries expenses	015	40.219.038	76.418.573
c) Contributions on salaries	016	18.832.500	39.288.382
4 Depreciation	017	391.987.115	397.597.196
5. Other expenses	018	75.372.719	113.160.696
6. Value adjustments (ADP 020+021)	019	1.394.462	1.646.054
a) fixed assets other than financial assets	020		
b) current assets other than financial assets	021	1.394.462	1.646.054
7 Provisions (ADP 023 to 028)	022	25.566.223	36.609.347
a) Provisions for pensions, termination benefits and similar obligations	023	16.210.160	9.293.175
b) Provisions for tax liabilities	024		
c) Provisions for ongoing legal cases	025	9.356.063	2.487.712
d) Provisions for renewal of natural resources	026		
e) Provisions for warranty obligations	027		
f) Other provisions	028		24.828.460
8 Other operating expenses	029	9.196.962	8.945.504
<b>III. FINANCIAL INCOME</b> (ADP 031 to 040)	<b>030</b>	<b>19.931.425</b>	<b>21.059.327</b>
1 Income from investments in holdings (shares) of undertakings within the group	031		
2 Income from investments in holdings (shares) of companies linked by virtue of participating interest	032		
3 Income from other long-term financial investment and loans granted to undertakings within the group	033		
4 Other interest income from operations with undertakings within the group	034		
5 Exchange rate differences and other financial income from operations with undertakings within the group	035		
6 Income from other long-term financial investments and loans	036		
7 Other interest income	037	639.146	291.847
8 Exchange rate differences and other financial income	038	824.514	10.791.830
9 Unrealised gains (income) from financial assets	039		4.503.562
10 Other financial income	040	18.467.765	5.472.088
<b>IV. FINANCIAL EXPENDITURE</b> (ADP 042 to 048)	<b>041</b>	<b>115.027.459</b>	<b>64.980.124</b>
1 Interest expenses and similar expenses with undertakings within the group	042		
2 Exchange rate differences and other expenses from operations with undertakings within the group	043		
3 Interest expenses and similar expenses	044	56.628.643	60.092.169
4 Exchange rate differences and other expenses	045	38.603.478	
5 Unrealised losses (expenses) from financial assets	046	16.832.811	
6 Value adjustments of financial assets (net)	047		
7 Other financial expenses	048	2.962.527	4.887.955
<b>V. SHARE IN PROFIT FROM COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>049</b>		
<b>VI. SHARE IN PROFIT FROM JOINT VENTURES</b>	<b>050</b>		
<b>VII. SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>051</b>		
<b>VIII. SHARE IN LOSS OF JOINT VENTURES</b>	<b>052</b>		
<b>IX. TOTAL INCOME</b> (ADP 001+030+049 +050)	<b>053</b>	<b>591.750.300</b>	<b>1.691.433.855</b>
<b>X. TOTAL EXPENDITURE</b> (ADP 007+041+051+052)	<b>054</b>	<b>1.005.282.286</b>	<b>1.320.309.704</b>
<b>XI. PRE-TAX PROFIT OR LOSS</b> (ADP 053-054)	<b>055</b>	<b>-413.531.986</b>	<b>371.124.151</b>
1 Pre-tax profit (ADP 053-054)	056		371.124.151
2 Pre-tax loss (ADP 054-053)	057	-413.531.986	
<b>XII. INCOME TAX</b>	<b>058</b>	<b>-104.982.307</b>	<b>66.518.345</b>
<b>XIII. PROFIT OR LOSS FOR THE PERIOD</b> (ADP 055-059)	<b>059</b>	<b>-308.549.679</b>	<b>304.605.806</b>
1 Profit for the period (ADP 055-059)	060		304.605.806
2 Loss for the period (ADP 059-055)	061	-308.549.679	

**STATEMENT OF PROFIT OR LOSS** (for 01.01.2021 to 31.12.2021) (continued)

Submitter: Valamar Riviera d.d.

Item 1	ADP code 2	Same period of the previous year 3	in HRK
			Current period 4
<b>DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)</b>			
<b>XIV. PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 063-064)</b>	<b>062</b>		
1 Pre-tax profit from discontinued operations	063		
2 Pre-tax loss on discontinued operations	064		
<b>XV. INCOME TAX OF DISCONTINUED OPERATIONS</b>	<b>065</b>		
1 Discontinued operations profit for the period (ADP 062-065)	066		
2 Discontinued operations loss for the period (ADP 065-062)	067		
<b>TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)</b>			
<b>XVI. PRE-TAX PROFIT OR LOSS (ADP 055+062)</b>	<b>068</b>		
1 Pre-tax profit (ADP 068)	069		
2 Pre-tax loss (ADP 068)	070		
<b>XVII. INCOME TAX (ADP 058+065)</b>	<b>071</b>		
<b>XVIII. PROFIT OR LOSS FOR THE PERIOD (ADP 068-071)</b>	<b>072</b>		
1 Profit for the period (ADP 068-071)	073		
2 Loss for the period (ADP 071-068)	074		
<b>APPENDIX to the P&amp;L (to be filled in by undertakings that draw up consolidated annual financial statements)</b>			
<b>XIX. PROFIT OR LOSS FOR THE PERIOD (ADP 076+077)</b>	<b>075</b>		
1 Attributable to owners of the parent	076		
2 Attributable to minority (non-controlling) interest	077		
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)</b>			
<b>I. PROFIT OR LOSS FOR THE PERIOD</b>	<b>078</b>	<b>-308.549.679</b>	<b>304.605.806</b>
<b>II. OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX (ADP 080 to 087)</b>	<b>079</b>	<b>-73.904</b>	<b>97.850</b>
<b>III. ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS (ADP 081 to 085)</b>	<b>080</b>	<b>-73.904</b>	<b>97.850</b>
1 Changes in revaluation reserves of fixed tangible and intangible assets	081		
2 Gains or losses from subsequent measurement of equity instruments at fair value through other comprehensive income	082	-73.904	97.850
3 Fair value changes of financial liabilities at fair value through statement of profit or loss, attributable to changes in their credit risk	083		
4 Actuarial gains/losses on the defined benefit obligation	084		
5 Other items that will not be reclassified	085		
6 Income tax relating to items that will not be reclassified	086	-13.303	17.613
<b>IV. ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS (ADP 088 to 095)</b>	<b>087</b>		
1 Exchange rate differences from translation of foreign operations	088		
2 Gains or losses from subsequent measurement of debt securities at fair value through other comprehensive income	089		
3 Profit or loss arising from effective cash flow hedging	090		
4 Profit or loss arising from effective hedge of a net investment in a foreign operation	091		
5 Share in other comprehensive income/loss of companies linked by virtue of participating interests	092		
6 Changes in fair value of the time value of option	093		
7 Changes in fair value of forward elements of forward contracts	094		
8 Other items that may be reclassified to profit or loss	095		
9 Income tax relating to items that may be reclassified to profit or loss	096		
<b>V. NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 080+087-086-096)</b>	<b>097</b>	<b>-60.601</b>	<b>80.237</b>
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 078+097)</b>	<b>098</b>	<b>-308.610.280</b>	<b>304.686.043</b>
<b>APPENDIX to the Statement on comprehensive income (to be filled in by entrepreneurs who draw up consolidated statements)</b>			
<b>VII. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 100+101)</b>	<b>099</b>		
1 Attributable to owners of the parent	100		
2 Attributable to minority (non-controlling) interest	101		

**STATEMENT OF CASH FLOWS - indirect method** (for the period 01.01.2021 to 31.12.2021)  
**Submitter: Valamar Riviera d.d.**

Item	in HRK		
	ADP code	Same period of the previous year	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1 Pre-tax profit	001	-413.531.986	371.124.151
2 Adjustments (ADP 003 to 010)	002	509.075.504	190.749.080
a) Depreciation	003	391.987.115	397.597.196
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	-3.978.000	-279.190.767
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005		
d) Interest and dividend income	006	-507.817	-70.802
e) Interest expenses	007	62.034.183	64.980.125
f) Provisions	008	20.421.285	21.540.065
g) Exchange rate differences (unrealised)	009	38.603.447	-7.490.750
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	515.291	-6.615.987
<b>I. Cash flow increase or decrease before changes in the working capital (ADP 001+002)</b>	<b>011</b>	<b>95.543.518</b>	<b>561.873.231</b>
3 Changes in the working capital (ADP 013 to 016)	012	-105.109.538	-23.892.406
a) Increase or decrease in short-term liabilities	013	-58.984.649	-28.430.139
b) Increase or decrease in short-term receivables	014	-41.213.521	860.713
c) Increase or decrease in inventories	015	-4.911.368	3.677.020
d) Other increase or decrease in the working capital	016		
<b>II. Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>-9.566.020</b>	<b>537.980.825</b>
4 Interest paid	018	-27.934.882	-64.432.651
5 Income tax paid	019		
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>-37.500.902</b>	<b>473.548.174</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	8.932.090	3.647.864
2 Cash receipts from sales of financial instruments	022		
3 Interest received	023	489.691	82.752
4 Dividends received	024		3.709
5 Cash receipts from repayment of loans and deposit	025	189.339	182.247
6 Other cash receipts from investment activities	026		1.110.110
<b>III. Total cash receipts from investment activities (ADP 021 to 026)</b>	<b>027</b>	<b>9.611.120</b>	<b>5.026.682</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-428.835.136	-77.557.476
2 Cash payments for the acquisition of financial instruments	029		
3 Cash payments for loans and deposits for the period	030	-211.896	-5.137.000
4 Acquisition of a subsidiary, net of cash acquired	031		
5 Other cash payments from investment activities	032		
<b>IV. Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-429.047.032</b>	<b>-82.694.476</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027+033)</b>	<b>034</b>	<b>-419.435.912</b>	<b>-77.667.794</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
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	776.471.599	344.850.628
4 Other cash receipts from financing activities	038	3.389.999	1.756.034
<b>V. Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>779.861.598</b>	<b>346.606.662</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-43.659.164	-679.122.703
2 Dividends paid	041		
3 Cash payments for finance lease	042		
4 Cash payments for the redemption of treasury shares and decrease of initial (subscribed) capital	043		
5 Other cash payments from financing activities	044	-4.141.654	-4.197.790
<b>VI. Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-47.800.818</b>	<b>-683.320.493</b>
<b>C) NET CASH FLOW FROM FINANCIAL ACTIVITIES (ADP 039+045)</b>	<b>046</b>	<b>732.060.780</b>	<b>-336.713.831</b>
1 Unrealised exchange rate differences in cash and cash equivalents	047		
<b>D) NET INCREASE OR DECREASE OF CASH FLOWS (ADP 020+034+046+047)</b>	<b>048</b>	<b>275.123.966</b>	<b>59.166.549</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>	<b>049</b>	<b>247.849.272</b>	<b>522.973.238</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (ADP 048+049)</b>	<b>050</b>	<b>522.973.238</b>	<b>582.139.787</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - GFI

Name of the issuer:

**Valamar Riviera d.d.**

Personal identification

number OIB: **36201212847**

Reporting period:

**01.01.2021. to 31.12.2021.**

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, registered office and legal form of each of the companies of which the issuer is a member having unlimited liability
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 2021“ 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 2021“ 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 2020 and 2021.

## Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2021 / COMPANY

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>NON-CURRENT ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	<b>14+15+16+17+ part of 18+20+ part of 21+ part of 23+ 25+ part of 30</b>	<b>5.152.302</b>	<b>5.152.302</b>	<b>0</b>	
I. Intangible assets	003	16	34.640	34.640	0	
II. Tangible assets	010	14+ 15+ part of 30	3.936.985	3.936.985	0	GFI-POD item "Tangible assets" (ADP 010; HRK 3,936,985 thous.) is in Audited report presented under items "Property, plant and equipment" (Note 14 in comparable amount of HRK 3,916,939 thous.), "Investment property" (Note 15 in comparable amount of HRK 3,180 thous.), and "Right-of-use assets" (Note 30 in comparable amount of HRK 16,866 thous.).
III. Non-current financial assets	020	17+ part of 18+ 20+ part of 21	1.017.453	1.017.453	0	GFI-POD item "Financial assets" (ADP 020; HRK 1,017,453 thous.) is in Audited report presented under items "Investment in subsidiaries" (Note 17 in comparable amount of 941,804 thous.), "Investment in associated entity" (Note 18 in comparable amount of HRK 70,112 thous. (presented in Audit report as a separate line)), "Financial assets" (Note 20 in comparable amount of HRK 359 thous.) and in the non-current part of item "Loans and deposits" (Note 21 in comparable amount of HRK 5,178 thous.).
IV. Trade receivables	031	Part of 23	0	0	0	
V. Deferred tax assets	036	25	163.224	163.224	0	
<b>CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>Part of 21+ 22+ part of 23+ 26</b>	<b>656.422</b>	<b>656.422</b>	<b>0</b>	<b>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 656,422 thous.) and "Prepayments and accrued income" (ADP 064; HRK 21,273 thous.) in relation to item "Current assets" of Audited report (HRK 677,695 thous.).</b>
I. Inventories	038	22	23.619	23.619	0	
II. Receivables	046	Part of 23	50.219	50.219	0	GFI-POD item "Receivables" (ADP 046; HRK 50,219 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Trade receivables - net" HRK 43,673 thous., "VAT receivable" HRK 2,235 thous., "Advances to suppliers" HRK 457 thous., "Receivables from employees" HRK 626 thous., "Receivables from state institutions" HRK 834 thous., part of "Other current liabilities" HRK 2,392 thous. and "Income tax receivable" HRK 2 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 71,490 thous. and is presented in items "Receivables" (ADP 046; HRK 50,217 thous.) and "Prepayments and accrued income" (ADP 064; HRK 21,273 thous.).
III. Current financial assets	053	Part of 21	444	444	0	GFI-POD item "Financial assets" (ADP 053; HRK 444 thous.) is in Audited report presented under item "Loans and deposits" - current part (Note 21 in comparable amount of HRK 444 thous.).
IV. Cash and cash equivalents	063	26	582.141	582.141	0	GFI-POD item "Cash and cash equivalents" (ADP 063; HRK 582,141 thous.) is in Audited report presented under item "Cash and cash equivalents" (Note 26 in comparable amount of HRK 582,141 thous.).
<b>PREPAYMENTS AND ACCRUED INCOME</b>	<b>064</b>	<b>Part of 23</b>	<b>21.273</b>	<b>21.273</b>	<b>0</b>	<b>GFI-POD item "Prepayments and accrued income" (ADP 064; HRK 21,273 thous.) is in Audited report presented under items "Trade and other receivables" (Note 23; "Accrued income" HRK 2,398 thous., "Interest receivables" HRK 27 thous., "Prepaid expenses" HRK 18,818 thous. and part of "Other current liabilities" HRK 30 thous.). Comment: The total amount of item "Trade and other receivables" in Audited report (Note 23) is HRK 71,490 thous. and is presented in items "Receivables" (ADP 046; HRK 50,217 thous.) and "Prepayments and accrued income" (ADP 064; HRK 21,273 thous.).</b>
<b>TOTAL ASSETS</b>	<b>065</b>		<b>5.829.997</b>	<b>5.829.997</b>	<b>0</b>	

## Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2021 / COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>CAPITAL AND RESERVES</b>	<b>067</b>	<b>27+28</b>	<b>2.619.280</b>	<b>2.619.280</b>	<b>0</b>	<b>GFI-POD item "Capital and reserves" (ADP 067; HRK 2,619,280 thous.) is in Audited report presented under item "Share capital" (Notes 27 and 28 in comparable amount of HRK 2,619,280 thous.).</b>
<b>PROVISIONS</b>	<b>090</b>	<b>Part of 32+ part of 31</b>	<b>134.552</b>	<b>134.552</b>	<b>0</b>	<b>GFI-POD item "Provisions" (ADP 090; HRK 134,552 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 24,964 thous. with the item "Legal Disputes" in a comparable amount HRK 28,843 thous. and "Other" HRK 24,828 thous.) and non-current liabilities under item "Concession fee" (Note 31 in comparable amount of HRK 55,917 thous.).</b>
<b>NON-CURRENT LIABILITIES (ADP 103+107+108)</b>	<b>097</b>	<b>Part of 24+25+ part of 29+ part of 30+ part of 31+ part of 32</b>	<b>2.331.904</b>	<b>2.331.904</b>	<b>0</b>	<b>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 097; HRK 2,331,904 thous.) and "Provisions" (ADP 090; HRK 134,552 thous.) in relation to item "Non-current liabilities" of Audited report (HRK 2,466,456 thous.).</b>
I. Liabilities to banks and other financial institutions	103	Part of 29	2.303.873	2.303.873	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 103; HRK 2,303,873 thous.) is in Audited report presented under non-current part of item "Borrowings" (Note 29 in comparable amount of HRK 2,303,873 thous.).
II. Other non-current liabilities	107	Part of 24+ part of 30+ part of 32	15.575	15.575	0	GFI-POD item "Other non-current liabilities" (ADP 107; HRK 15,575 thous.) is in Audited report presented under non-current part of item "Derivative financial instruments" (Note 24 in comparable amount of 4,362 thous.), "Lease liabilities" (Note 30 in comparable amount of HRK 11,212 thous.) and part of long-term liabilities in the item "Provisions" (Note 32 "Severance pay and jubilee awards" HRK 1 thous.). Comment: The total amount of item "Derivative financial instruments" in Audited report (Note 24) is 7,749 thous. and is presented in items "Other non-current liabilities" (ADP 107; HRK 4,362 thous.) and "Other current liabilities" (ADP 123; HRK 3,387 thous.).
III. Deferred tax liabilities	108	25	12.455	12.455	0	
<b>CURRENT LIABILITIES (ADP 110+112+115+116+117+118+119+121+123)</b>	<b>109</b>	<b>Part of 24+ part of 29+ part of 30+ part of 31</b>	<b>665.431</b>	<b>665.431</b>	<b>0</b>	<b>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 109; HRK 665,431 thous.) and "Accrued expenses and deferred income" (ADP 124; HRK 78,830 thous.) in relation to item "Current liabilities" of Audited report (HRK 744,261 thous.).</b>
I. Liabilities to banks and other financial institutions	115	Part of 29	523.631	523.631	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 115; HRK 523,631 thous.) is in Audited report presented under current part of item "Borrowings" (Note 29; "Bank borrowings" in comparable amount of HRK 523,631 thous.).
II. Amounts payable for prepayment	116	Part of 31	36.065	36.065	0	GFI-POD item "Amounts payable for prepayment" (ADP 116; HRK 36,065 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Advances received" in comparable amount of HRK 36,065 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 195,893 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 36,065 thous.), "Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 110, 112 and 117; HRK 51,226 thous.), "Liabilities to employees" (ADP 119; HRK 24,805 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 14,662 thous.), "Liabilities arising from share in the result" (ADP 123; HRK 8,685 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 60,449 thous.).

## Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2021 / COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
III. Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers	110, 112 and 117	Part of 31	51.226	51.226	0	GFI-POD items "Liabilities to undertakings in a Group" (ADP 110; HRK 102 thous.), "Liabilities towards companies linked by virtue of participating interest" (ADP 112; HRK 7 thous.) and "Trade payables" (ADP 117; HRK 51,117 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Trade payables" HRK 51,095 thous., "Trade payables – related parties" HRK 131 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 195,893 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 36,065 thous.), "Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 110, 112 and 117; HRK 51,226 thous.), "Liabilities to employees" (ADP 119; HRK 24,805 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 14,662 thous.), "Liabilities arising from share in the result" (ADP 123; HRK 8,685 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 60,449 thous.).
IV. Liabilities to employees	119	Part of 31	24.805	24.805	0	GFI-POD items "Liabilities to employees" (ADP 119; HRK 24,805 thous.) is in Audited report presented under current part of item "Trade and other payables" (Note 31; "Liabilities to employees" in comparable amount HRK 24,805 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 195,893 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 36,065 thous.), "Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 110, 112 and 117; HRK 51,226 thous.), "Liabilities to employees" (ADP 119; HRK 24,805 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 14,662 thous.), "Liabilities arising from share in the result" (ADP 123; HRK 8,685 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 60,449 thous.).
V. Taxes, contributions and similar liabilities	120	Part of 31	14.662	14.662	0	GFI-POD item "Taxes, contributions and similar liabilities" (ADP 120; HRK 14,662 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 14,662 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 195,893 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 36,065 thous.), "Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 110, 112 and 117; HRK 51,226 thous.), "Liabilities to employees" (ADP 119; HRK 24,805 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 14,662 thous.), "Liabilities arising from share in the result" (ADP 123; HRK 8,685 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 60,449 thous.).
VI. Other current liabilities	123	Part of 24+ part of 30+ part of 31	15.041	15.041	0	GFI-POD item "Other current liabilities" (ADP 123; HRK 15,041 thous.) is in Audited report presented under current part of items "Trade and other payables" (Note 31; "Other liabilities" HRK 8,685 thous.), "Derivative financial instruments" (Note 24 in comparable amount of HRK 3,387 thous.) and "Lease liabilities" (Note 30 in comparable amount of HRK 2,969 thous.). Comment: The total current amount of item "Trade and other payables" in Audited report (Note 31) is HRK 195,893 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 36,065 thous.), "Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 110, 112 and 117; HRK 51,226 thous.), "Liabilities to employees" (ADP 119; HRK 24,805 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 14,662 thous.), "Liabilities arising from share in the result" (ADP 123; HRK 8,685 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 60,449 thous.). The total amount of item "Derivative financial instruments" in Audited report (Note 24) is 7,749 thous. and is presented in items "Other non-current liabilities" (ADP 107; HRK 4,362 thous.) and "Other current liabilities" (ADP 123; HRK 3,387 thous.).

## Summary of adjustments of GFI-POD balance sheet and unconsolidated balance sheet from Audited report for 2021 / COMPANY (continued)

in thousands of HRK

GFI-POD BALANCE SHEET as at 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>124</b>	<b>Part of 31+ part of 32</b>	<b>78.830</b>	<b>78.830</b>	<b>0</b>	GFI-POD item "Accrued expenses and deferred income" (ADP 124; HRK 78,830 thous.) is in Audited report presented under items "Trade and other payables" (Note 31; "Interest payable" HRK 29,002 thous., current part of item "Concession fees payable" HRK 1,920 thous., "Liabilities for calculated vacation and redistribution hours" HRK 9,379 thous., "Accrued VAT liabilities in unrealized income" HRK 295 thous., "Liabilities for calculated costs" HRK 19,853 thous.) and current part of items "Provisions" (Note 32; current item "Termination benefits and jubilee awards" HRK 818 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 195,893 thous. and is presented in items "Amounts payable for prepayment" (ADP 116; HRK 36,065 thous.), "Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers" (ADP 110, 112 and 117; HRK 51,226 thous.), "Liabilities to employees" (ADP 119; HRK 24,805 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 14,662 thous.), "Liabilities arising from share in the result" (ADP 123; HRK 8,685 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 60,449 thous.). The total short-term part of the item "Provisions" of the Audited Report (Note 32) in the amount of 18,381 thous. in the item "Deferred payment of expenses and income for the future period" (ADP 124; HRK 18,381 thous.).
<b>TOTAL LIABILITIES</b>	<b>125</b>		<b>5.829.997</b>	<b>5.829.997</b>	<b>0</b>	

## Summary of adjustments of GFI-POD reclassified income statement and unconsolidated statement of comprehensive income from Audited report for 2021 / COMPANY

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2021 to 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
<b>OPERATING INCOME (ADP 002+003+004+005+006)</b>	<b>001</b>		<b>1.670.375</b>	<b>1.670.375</b>	<b>0</b>	
I. Revenues from sales with undertakings in a Group and sales revenues (outside the Group)	002+ 003	5	1.360.932	1.360.932	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)	004+ 005+ 006	Part of 6+ part of 10	309.442	309.442	0	GFI-POD items "Revenues from use of own products, goods and services" (ADP 004; HRK 234 thous.), "Other operating revenues with undertakings in a Group" (ADP 005; HRK 281,038 thous.) and "Other operating revenues (outside the Group)" (ADP 006; HRK 28,171 thous.) are in Audited report presented under items "Other income" (Note 6; "Income from donations and other" HRK 2,104 thous., "Income from provision release" HRK 14,004 thous., "Reimbursed costs" HRK 2,470 thous., "Income from insurance and legal claims" HRK 4,531 thous., "Income from own consumption" HRK 234 thous., "Collection of receivables previously written-off" HRK 34 thous., "Other income" HRK 4,363 thous.), and "Other gains/(losses) - net" (Note 10; "Net gains on sale of property, plant and equipment" HRK 281,702 thous.). Comment: The total amount of item "Other income" in Audited report (Note 6) is HRK 27,740 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 004, 005 and 006; HRK 27,740 thous.). The total amount of item "Other gains/(losses) - net" in Audited report (Note 10) is 281,702 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 004, 005 and 006, HRK 281,702 thous.).
<b>OPERATING EXPENSES (ADP 009+013+017+018+019+022+029)</b>	<b>007</b>		<b>1.255.330</b>	<b>1.255.330</b>	<b>0</b>	<b>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 013; HRK 301,251 thous.), "Other expenditures" (ADP 018; HRK 113,161 thous.), "Value adjustment" (ADP 019; HRK 1,646 thous.), "Provisions" (ADP 022; 36,609 thous.) and "Other operating expenses" (ADP 029; HRK 8,946 thous.) in relation to items "Staff costs" (Note 8; HRK 376,046 thous.) and "Other operating expenses" (Note 9; HRK 85,566 thous.) of Audited report.</b>
I. Material costs	009	7	396.120	396.120	0	GFI-POD item "Material costs" (ADP 009; HRK 396,120 thous.) is in Audited report presented under item "Cost of materials and services" (Note 7 in comparable amount of HRK 396,120 thous.).
II. Staff costs	013	Part of 8	301.251	301.251	0	GFI-POD item "Staff costs" (ADP 013; HRK 301,251 thous.) is in Audited report presented under item "Staff costs" (Note 8; "Net salaries" HRK 185,544 thous., "Pension contributions" HRK 53,978 thous., "Health insurance contributions" HRK 39,419 thous., "Other (contributions and taxes)" HRK 22,310 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 376,046 thous. and is presented in "Staff costs" (ADP 013; HRK 301,251 thous.), "Other expenditures" (ADP 018; HRK 65,502 thous.) and "Provisions" (ADP 022; HRK 9,293 thous.).
III. Depreciation and amortisation	017	14+15+16+30	397.597	397.597	0	
IV. Other expenditures	018	Part of 8+ part of 9	113.161	113.161	0	GFI-POD item "Other expenditures" (ADP 018; HRK 113,161 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Termination benefits" HRK 277 thous., "Other staff costs" HRK 65,225 thous.) and "Other operating expenses" (Note 9; "Municipal charges, concessions and other" HRK 21,697 thous., "Professional services" HRK 15,324 thous., "Entertainment" HRK 3,490 thous., "Insurance premiums" HRK 5,492 thous., "Bank charges" HRK 778 thous., "Membership fee to associations and other administrative expenses" HRK 877 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 376,046 thous. and is presented in "Staff costs" (ADP 013; HRK 301,251 thous.), "Other expenditures" (ADP 018; HRK 65,502 thous.) and "Provisions" (ADP 022; HRK 9,293 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 85,566 thous. and is presented in items "Other expenditures" (ADP 018; HRK 47,658 thous.), "Value adjustment" (ADP 019; HRK 1,646 thous.), "Provisions" (ADP 022; HRK 27,316 thous.) and "Other operating expenses" (ADP 029; HRK 8,946 thous.).

## Summary of adjustments of GFI-POD reclassified income statement and unconsolidated statement of comprehensive income from Audited report for 2021 / COMPANY (continued)

in thousands of HRK

GFI-POD INCOME STATEMENT for the period from 1 January 2021 to 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	AUDITED REPORT Note	Difference	Explanation
V. Value adjustment	019	Part of 9	1.646	1.646	0	GFI-POD item "Value adjustment" (ADP 019; HRK 1,646 thous.) is in Audited report presented under item "Other operating expenses" (Note 9; "Value adjustment of assets" in comparable amount of HRK 1,646 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 85,566 thous. and is presented in items "Other expenditures" (ADP 018; HRK 47,658 thous.), "Value adjustment" (ADP 019; HRK 1,646 thous.), "Provisions" (ADP 022; HRK 27,316 thous.) and "Other operating expenses" (ADP 029; HRK 8,946 thous.).
VI. Provisions	022	Part of 8+ part of 9	36.609	36.609	0	GFI-POD item "Provisions" (ADP 022; HRK 36,609 thous.) is in Audited report presented under items "Staff costs" (Note 8; "Provisions for termination benefits and jubilee awards" HRK 9,293 thous.), "Other operating expenses" (Note 9; "Provisions for legal proceedings" HRK 2,488 thous. and "Reservations for tourist land lease and other" HRK 24,828 thous.). Comment: The total amount of item "Staff costs" in Audited report (Note 8) is HRK 376,046 thous. and is presented in "Staff costs" (ADP 013; HRK 301,251 thous.), "Other expenditures" (ADP 018; HRK 65,502 thous.) and "Provisions" (ADP 022; HRK 9,293 thous.). The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 85,566 thous. and is presented in items "Other expenditures" (ADP 018; HRK 47,658 thous.), "Value adjustment" (ADP 019; HRK 1,646 thous.), "Provisions" (ADP 022; HRK 27,316 thous.) and "Other operating expenses" (ADP 029; HRK 8,946 thous.).
VII. Other operating expenses	029	Part of 9	8.946	8.946	0	GFI-POD item "Other operating expenses" (ADP 029; HRK 8,946 thous.) is in Audited report presented under items "Other operating expenses" (Note 9; "Write-off of property, plant and equipment" HRK 2,511 thous., "Other operating expenses" HRK 6,435 thous.). Comment: The total amount of item "Other operating expenses" in Audited report (Note 9) is HRK 85,566 thous. and is presented in items "Other expenditures" (ADP 018; HRK 47,658 thous.), "Value adjustment" (ADP 019; HRK 1,646 thous.), "Provisions" (ADP 022; HRK 27,316 thous.) and "Other operating expenses" (ADP 029; HRK 8,946 thous.).
<b>FINANCIAL INCOME</b>	<b>030</b>	<b>11</b>	<b>21.059</b>	<b>21.059</b>	<b>0</b>	<b>GFI-POD item "Financial income" (ADP 030; HRK 21,059 thous.) is in Audited report presented under items "Financial income/(loss) - net" in part of financial income (Note 11; "Interest income" HRK 67 thous., "Net foreign exchange gains/(losses) - other" HRK 3,312 thous., "Realised net gains/(losses) from changes in value of forwards and interest rate swaps" HRK 4,729 thous., "Income from cassa sconto" HRK 743 thous., "Dividend income and other financial income" HRK 229 thous., "Net foreign exchange gains from financial activities" HRK 7,475 thous. and "Change in the value of currency forward contracts and interest rate swaps" HRK 4,504 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 43,921 thous. and is presented in items "Financial income" (ADP 030; HRK 21,059 thous.) and "Financial costs" (ADP 041; HRK 64,980 thous.).</b>
<b>FINANCIAL COSTS</b>	<b>041</b>	<b>11</b>	<b>64.980</b>	<b>64.980</b>	<b>0</b>	<b>GFI-POD item "Financial costs" (ADP 041; HRK 64,980 thous.) is in Audited report presented under item "Finance income/(expense) - net" in part of financial expenses (Note 11; "Interest expense" HRK 64,980 thous.). Comment: The total amount of item "Finance income/(expense) - net" in Audited report (Note 11) is HRK 43,921 thous. and is presented in items "Financial income" (ADP 030; HRK 21,059 thous.) and "Financial costs" (ADP 041; HRK 64,980 thous.).</b>
<b>TOTAL INCOME (ADP 001+030)</b>	<b>053</b>		<b>1.691.434</b>	<b>1.691.434</b>	<b>0</b>	
<b>TOTAL COSTS (ADP 007+041)</b>	<b>054</b>		<b>1.320.310</b>	<b>1.320.310</b>	<b>0</b>	
<b>PROFIT OR LOSS BEFORE TAX (ADP 053-054)</b>	<b>055</b>		<b>371.124</b>	<b>371.124</b>	<b>0</b>	
<b>INCOME TAX EXPENSE</b>	<b>058</b>		<b>66.518</b>	<b>66.518</b>	<b>0</b>	
<b>PROFIT OR LOSS FOR THE PERIOD (ADP 055-058)</b>	<b>059</b>		<b>304.606</b>	<b>304.606</b>	<b>0</b>	

## Summary of adjustments of GFI-POD reclassified 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
<b>NON-CURRENT ASSETS (ADP 003+010+020+036)</b>	<b>002</b>	<b>14+15+16+ 17+ part of 18b+ 20+ part of 21+ 25+ part of 30</b>	<b>5.324.136</b>	<b>5.324.136</b>	<b>0</b>	
I. Intangible assets	003	16	42.275	42.275	0	
II. Tangible assets	010	14+ 15+ 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 18b+ 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	
<b>CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	<b>Part of 21+ 22+ part of 23+ part of 24+ 26</b>	<b>583.233</b>	<b>583.233</b>	<b>0</b>	<b>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.).</b>
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+ part of 24	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.).
<b>PREPAYMENTS AND ACCRUED INCOME</b>	<b>064</b>	<b>Part of 23</b>	<b>46.703</b>	<b>46.703</b>	<b>0</b>	<b>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.).</b>
<b>TOTAL ASSETS</b>	<b>065</b>		<b>5.954.072</b>	<b>5.954.072</b>	<b>0</b>	

## Summary of adjustments of GFI-POD reclassified 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
<b>CAPITAL AND RESERVES</b>	<b>067</b>	<b>27+28</b>	<b>2.385.224</b>	<b>2.385.224</b>	<b>0</b>	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.).
<b>PROVISIONS</b>	<b>090</b>	<b>Part of 32 + part of 31</b>	<b>113.214</b>	<b>113.214</b>	<b>0</b>	GFI-POD item "Provisions" (ADP 090; 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.).
<b>NON-CURRENT LIABILITIES (ADP 101+105+106)</b>	<b>097</b>	<b>Part of 24+25+ part of 29+ part of 30+ part of 31+ part of 32</b>	<b>2.524.889</b>	<b>2.524.889</b>	<b>0</b>	<b>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 097; HRK 2,524,889 thous.) and "Provisions" (ADP 090; HRK 113,214 thous.) in relation to item "Non-current liabilities" of Audited report (HRK 2,638,103 thous.).</b>
I. Liabilities to banks and other financial institutions	103	Part of 29	2.474.586	2.474.586	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 103; 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	107	Part of 24+ part of 30+ part of 32	36.996	36.996	0	GFI-POD item "Other non-current liabilities" (ADP 107; 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 107; HRK 11,602 thous.) and "Other current liabilities" (ADP 123; HRK 5,380 thous.).
III. Deferred tax liabilities	108	25	13.307	13.307	0	
<b>CURRENT LIABILITIES (ADP 108+113+114+115+117+118+119+121)</b>	<b>109</b>	<b>Part of 24+ 29+ part of 30+ part of 31+ part of 37</b>	<b>865.351</b>	<b>865.351</b>	<b>0</b>	<b>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 109; HRK 865,351 thous.) and "Accrued expenses and deferred income" (ADP 124; HRK 65,394 thous.) in relation to item "Current liabilities" of Audited report (HRK 930,745 thous.).</b>
I. Liabilities to banks and other financial institutions	115	Part of 29	693.967	693.967	0	GFI-POD item "Liabilities to banks and other financial institutions" (ADP 115; 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	116	Part of 31	61.768	61.768	0	GFI-POD item "Amounts payable for prepayment" (ADP 116; 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 116; HRK 61,768 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 110 and 117; HRK 50,129 thous.), "Liabilities for securities" (ADP 118; HRK 6,625 thous.), "Liabilities to employees" (ADP 119; HRK 15,921 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 4,665 thous.), "Liabilities arising from share in the result" (ADP 121 and ADP 123; HRK 10,320 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 59,809 thous.).

## Summary of adjustments of GFI-POD reclassified 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. Liabilities towards undertakings within the group, Liabilities towards companies linked by virtue of participating interest, Liabilities towards suppliers	110, 112 and 117	Part of 31	50.129	50.129	0	GFI-POD items "Liabilities to undertakings in a Group" (ADP 110; HRK 136 thous.) and "Trade payables" (ADP 117; 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 116; HRK 61,768 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 110 and 117; HRK 50,129 thous.), "Liabilities for securities" (ADP 118; HRK 6,625 thous.), "Liabilities to employees" (ADP 119; HRK 15,921 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 4,665 thous.), "Liabilities arising from share in the result" (ADP 121 and ADP 123; HRK 10,320 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 59,809 thous.).
IV. Liabilities for securities	118	Part of 31	6.625	6.625	0	GFI-POD items "Liabilities for securities" (ADP 118; 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	119	Part of 31	15.921	15.921	0	GFI-POD items "Liabilities to employees" (ADP 119; 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 116; HRK 61,768 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 110 and 117; HRK 50,129 thous.), "Liabilities for securities" (ADP 118; HRK 6,625 thous.), "Liabilities to employees" (ADP 119; HRK 15,921 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 4,665 thous.), "Liabilities arising from share in the result" (ADP 121 and ADP 123; HRK 10,320 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 59,809 thous.).
VI. Taxes, contributions and similar liabilities	120	Part of 31	4.665	4.665	0	GFI-POD item "Taxes, contributions and similar liabilities" (ADP 120; 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 116; HRK 61,768 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 110 and 117; HRK 50,129 thous.), "Liabilities for securities" (ADP 118; HRK 6,625 thous.), "Liabilities to employees" (ADP 119; HRK 15,921 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 4,665 thous.), "Liabilities arising from share in the result" (ADP 121 and ADP 123; HRK 10,320 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; HRK 59,809 thous.).

## Summary of adjustments of GFI-POD reclassified 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	121 and 123	Part of 24+ part of 30+ part of 31+ part of 37	32.276	32.276	0	GFI-POD item "Liabilities arising from share in the result" (ADP 121; HRK 10 thous.) and "Other current liabilities" (ADP 123; 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 37 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 116; HRK 61,768 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 110 and 117; HRK 50,129 thous.), "Liabilities for securities" (ADP 118; HRK 6,625 thous.), "Liabilities to employees" (ADP 119; HRK 15,921 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 4,665 thous.), "Liabilities arising from share in the result" (ADP 121 and ADP 123; HRK 10,320 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; 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 107; HRK 11,603 thous.) and "Other current liabilities" (ADP 123; HRK 5,379 thous.).
<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>124</b>	<b>Part of 31+ part of 32</b>	<b>65.394</b>	<b>65.394</b>	<b>0</b>	GFI-POD item "Accrued expenses and deferred income" (ADP 124; 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 116; HRK 61,768 thous.), "Trade payables and liabilities to undertakings in a Group" (ADP 110 and 117; HRK 50,129 thous.), "Liabilities for securities" (ADP 118; HRK 6,625 thous.), "Liabilities to employees" (ADP 119; HRK 15,921 thous.), "Taxes, contributions and similar liabilities" (ADP 120; HRK 4,665 thous.), "Liabilities arising from share in the result" (ADP 121 and ADP 123; HRK 10,320 thous.) and part of the item "Accrued expenses and deferred income" (ADP 124; 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 124; HRK 5,585 thous.).
<b>TOTAL LIABILITIES</b>	<b>125</b>		<b>5.954.072</b>	<b>5.954.072</b>	<b>0</b>	

## Summary of adjustments of GFI-POD reclassified income statement and unconsolidated statement 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
<b>OPERATING INCOME (ADP 002+003+004+005+006)</b>	<b>001</b>		<b>571.819</b>	<b>571.819</b>	<b>0</b>	
I. Revenues from sales with undertakings in a Group and sales revenues (outside the Group)	002+ 003	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)	004+ 005+ 006	Part of 6+ part of 10	24.857	24.857	0	GFI-POD items "Revenues from use of own products, goods and services" (ADP 004; HRK 208 thous.), "Other operating revenues with undertakings in a Group" (ADP 005; HRK 270 thous.) and "Other operating revenues (outside the Group)" (ADP 006; 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 004, 005 and 006; 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 004, 005 and 006, HRK 5,180 thous.).
<b>OPERATING EXPENSES (ADP 009+013+017+018+019+022+029)</b>	<b>007</b>		<b>890.255</b>	<b>890.255</b>	<b>0</b>	<b>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 013; HRK 162,757 thous.), "Other expenditures" (ADP 018; HRK 75,373 thous.), "Value adjustment" (ADP 019; HRK 1,394 thous.), "Provisions" (ADP 022; 25,566 thous.) and "Other operating expenses" (ADP 029; 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.</b>
I. Material costs	009	7	223.981	223.981	0	GFI-POD item "Material costs" (ADP 009; 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	013	Part of 8	162.757	162.757	0	GFI-POD item "Staff costs" (ADP 013; 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 013; HRK 162,757 thous.), "Other expenditures" (ADP 018; HRK 20,800 thous.) and "Provisions" (ADP 022; HRK 10,710 thous.).
III. Depreciation and amortisation	017	14+15+16+30	391.987	391.987	0	

## Summary of adjustments of GFI-POD reclassified income statement and unconsolidated statement 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
IV. Other expenditures	018	Part of 8+ part of 9	75.372	75.372	0	GFI-POD item "Other expenditures" (ADP 018; 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 013; HRK 162,757 thous.), "Other expenditures" (ADP 018; HRK 20,800 thous.) and "Provisions" (ADP 022; 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 018; HRK 54,572 thous.), "Value adjustment" (ADP 019; HRK 1,394 thous.), "Provisions" (ADP 022; HRK 14,856 thous.) and "Other operating expenses" (ADP 029; HRK 9,198 thous.).
V. Value adjustment	019	Part of 9	1.394	1.394	0	GFI-POD item "Value adjustment" (ADP 019; 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 018; HRK 54,572 thous.), "Value adjustment" (ADP 019; HRK 1,394 thous.), "Provisions" (ADP 022; HRK 14,856 thous.) and "Other operating expenses" (ADP 029; HRK 9,198 thous.).
VI. Provisions	022	Part of 8+ part of 9	25.566	25.566	0	GFI-POD item "Provisions" (ADP 022; 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 013; HRK 162,757 thous.), "Other expenditures" (ADP 018; HRK 20,800 thous.) and "Provisions" (ADP 022; 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 018; HRK 54,572 thous.), "Value adjustment" (ADP 019; HRK 1,394 thous.), "Provisions" (ADP 022; HRK 14,856 thous.) and "Other operating expenses" (ADP 029; HRK 9,198 thous.).
VII. Other operating expenses	029	Part of 9	9.198	9.198	0	GFI-POD item "Other operating expenses" (ADP 029; 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 018; HRK 54,572 thous.), "Value adjustment" (ADP 019; HRK 1,394 thous.), "Provisions" (ADP 022; HRK 14,856 thous.) and "Other operating expenses" (ADP 029; HRK 9,198 thous.).
<b>FINANCIAL INCOME</b>	<b>030</b>	<b>11</b>	<b>19.931</b>	<b>19.931</b>	<b>0</b>	<b>GFI-POD item "Financial income" (ADP 030; 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 030; HRK 19,931 thous.) and "Financial costs" (ADP 041; HRK 115,027 thous.).</b>

## Summary of adjustments of GFI-POD reclassified income statement and unconsolidated statement 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
<b>FINANCIAL COSTS</b>	<b>041</b>	<b>11</b>	<b>115.027</b>	<b>115.027</b>	<b>0</b>	GFI-POD item "Financial costs" (ADP 041; 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 030; HRK 19,931 thous.) and "Financial costs" (ADP 041; HRK 115,027 thous.).
<b>TOTAL INCOME (ADP 001+030)</b>	<b>053</b>		<b>591.750</b>	<b>591.750</b>	<b>0</b>	
<b>TOTAL COSTS (ADP 007+041)</b>	<b>054</b>		<b>1.005.282</b>	<b>1.005.282</b>	<b>0</b>	
<b>PROFIT OR LOSS BEFORE TAX (ADP 053-054)</b>	<b>055</b>		<b>-413.532</b>	<b>-413.532</b>	<b>0</b>	
<b>INCOME TAX EXPENSE</b>	<b>058</b>		<b>-104.982</b>	<b>-104.982</b>	<b>0</b>	
<b>PROFIT OR LOSS FOR THE PERIOD (ADP 055-058)</b>	<b>059</b>		<b>-308.550</b>	<b>-308.550</b>	<b>0</b>	

## Summary of adjustments of GFI-POD cash flow statement and unconsolidated cash flow statement from Audited report for 2021 / COMPANY

in thousands of HRK

GFI-POD CASH FLOW STATEMENT for the period from 1 January 2021 to 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>020</b>		<b>473.548</b>	<b>473.548</b>	<b>0</b>	GFI-POD item "Net cash flow from operating activities" (ADP 020; HRK 473,548 thous.) is in Audited report presented in items "Net cash inflow from operating activities" in comparable amount of HRK 537,980 thous. and item "Interest paid" (Net cash inflow from financing activities) in the amount of HRK -64,432 thous.
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>034</b>		<b>-77.667</b>	<b>-77.667</b>	<b>0</b>	GFI-POD item "Net cash flow from investment activities" (ADP 034; HRK -77,667 thous.) is in Audited report presented in item "Net cash outflow from investment activities" in comparable amount of HRK -77,667 thous.
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>046</b>		<b>-336.714</b>	<b>-336.714</b>	<b>0</b>	GFI-POD item "Net cash flow from financing activities" (ADP 046; HRK -336,714 thous.) is in Audited report presented in item "Net cash inflow from financing activities" in comparable amount of HRK -272,282 thous. increased for the item "Interest paid" in the amount of HRK -64,432 thous.
<b>D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046)</b>	<b>048</b>		<b>59.167</b>	<b>59.167</b>	<b>0</b>	
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>		<b>522.973</b>	<b>522.973</b>	<b>0</b>	
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>		<b>582.141</b>	<b>582.141</b>	<b>0</b>	

## 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
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>020</b>		<b>-37.501</b>	<b>-37.501</b>	<b>0</b>	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>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>034</b>		<b>-419.436</b>	<b>-419.436</b>	<b>0</b>	GFI-POD item "Net cash flow 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.
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>046</b>		<b>732.061</b>	<b>732.061</b>	<b>0</b>	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.
<b>D) NET INCREASE OR DECREASE OF CASH FLOW (ADP 020+034+046)</b>	<b>048</b>		<b>275.124</b>	<b>275.124</b>	<b>0</b>	
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>		<b>247.849</b>	<b>247.849</b>	<b>0</b>	
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (ADP 048+049)</b>	<b>050</b>		<b>522.973</b>	<b>522.973</b>	<b>0</b>	

## Summary of adjustments of GFI-POD statement of changes in equity and unconsolidated statement of changes in shareholder's equity from Audited report for 2021 / COMPANY

in thousands of HRK

GFI-POD STATEMENT OF CHANGES IN EQUITY for the period from 1 January 2021 to 31 December 2021	GFI-POD ADP code	AUDITED REPORT Note	Reclassified GFI-POD	Audited report	Difference	Explanation
<b>CAPITAL AND RESERVES (ADP 31 to 50)</b>	<b>51</b>	<b>27+28</b>	<b>2.619.280</b>	<b>2.619.280</b>	<b>0</b>	GFI-POD item "Capital and reserves" (ADP 067; HRK 2,619,280 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 81 thous.), "Legal reserves" (Note 28 in comparable amount of HRK 83,601 thous.), "Other reserves" (Note 28 in comparable amount of HRK 105,846 thous.) and "Retained earnings" (Note 28 in comparable amount of HRK 876,438 thous.). Comment: To be fully compliant, the following items should be viewed as follows: the "Other reserves" item of Audited report (Note 28; HRK 105,846 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 083; HRK -33,219 thous.) and GFI POD items "Other reserves" (ADP 075 HRK 2,250 thous.). The "Retained earnings" item of Audited report (Note 28; HRK 876,438 thous.) matches the sum of GFI POD items "Profit for the financial year" (ADP 086; HRK 304,605 thous.) and part of "Retained earnings" (ADP 083; HRK 571,833 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 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
<b>CAPITAL AND RESERVES (ADP 31 to 51)</b>	<b>51</b>	<b>27+28</b>	<b>2.385.224</b>	<b>2.385.224</b>	<b>0</b>	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 176,476 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 083; HRK 37,411 thous.) and GFI POD items "Other reserves" (ADP 075 HRK 2,250 thous.). The "Retained earnings" item of Audited report (Note 28; HRK 571,832 thous.) matches the sum of GFI POD items "Profit for the financial year" (ADP 086; HRK -308,550 thous.) and part of "Retained earnings" (ADP 083; HRK 880,382 thous.).

# MANAGEMENT BOARD'S DECISION ON ESTABLISHING THE ANNUAL FINANCIAL STATEMENTS

Valamar Riviera d.d.  
MANAGEMENT BOARD

Number: 8-1/22  
Poreč, 16 February 2022

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 16 February 2022, 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 "2021 ANNUAL REPORT".

II

The audited non-consolidated and consolidated Annual financial statements for the year 2021 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 reviziju from Zagreb, 213 Ilica, OIB 71799539000 produced the Auditor's report for 2021, 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 01/01/2021 to 31/12/2021 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 distribute the Company's realized profits in 2021 totaling HRK 304,605,805.77 to the Company's retained profits 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

distribution of profits 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 distribution of profits 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

# SUPERVISORY BOARD'S DECISION ON APPROVING THE ANNUAL FINANCIAL STATEMENTS

Valamar Riviera d.d.  
SUPERVISORY BOARD  
Number: 9-1/22  
Poreč, 24/02/ 2022

Pursuant to Article 300d, and Article 300c of the Companies Act and Management Board Decision no. 8-1/22 dated 16/02/2022, at its meeting held on 24 February 2022, the Supervisory Board of Valamar Riviera d.d. from Poreč rendered the following

## DECISION

I  
The Supervisory Board hereby approves the 2021 ANNUAL REPORT of Valamar Riviera d.d. that also includes the following:

1. Annual Financial Statements for the Year 2021, 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 2021 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



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

Valamar Riviera d.d.  
SUPERVISORY BOARD  
Number: 9-2/22  
Poreč, February 24th, 2022

Pursuant to the provisions of Article 263 paragraph 3 and Article 300c paragraph 3 Of the Companies Act, the Supervisory Board of Valamar Riviera d.d. from Poreč, at its session held on February 24, 2022, determined and submitted the following

## REPORT TO THE GENERAL ASSEMBLY OF VALAMAR RIVIERA D.D. FROM POREČ ON THE PERFORMED SUPERVISION OF BUSINESS MANAGEMENT FOR 2021

I

In the course of the reporting period of 2021, until June 15, 2021, the Supervisory Board consisted of: Gustav Wurmböck, Chairman, Mladen Markoč and Franz Lanschützer, Deputy Chairmen and members: Georg Eltz, Hans Dominik Turnovszky, Vicko Ferić and Valter Knapić. Pursuant to the decision of the General Assembly of April 21, 2021 on the election of members of the Supervisory Board and the Workers' Council of May 10, 2021 on the appointment of a member of the Supervisory Board for a new four-year term starting from June 16, 2021, the Supervisory Board consisted of: Gustav Wurmböck, Chairman, Mladen Markoč and Franz Lanschützer, Deputy Chairmen and members: Georg Eltz, Boris Galić, Daniel Goldscheider and Ivan Ergović, workers' representative.

In addition to the Supervisory Board, the members of the Supervisory Board also worked in their four committees:

- Chairmanship of the Supervisory Board composed of: Chairman Gustav Wurmböck and Deputy Chairmen of the Supervisory Board Franz Lanschützer and Mladen Markoč. The Supervisory Board Presidium is, by its scope of work, the nomination committee and the remuneration committee in terms of the provisions of the relevant regulations and

recommendations/standards of corporate governance;

- Audit Committee until 15 June 2021, composed of: Georg Eltz, chairman of the board and members Franz Lanschützer, Mladen Markoč, Vicko Ferić, Gustav Wurmböck and Hans Dominik Turnovszky, and as from June 16, 2021 composed of: Georg Eltz, chairman of the board and members Mladen Markoč and Boris Galić.

- Investment Committee until June 15, 2021, composed of: Franz Lanschützer, chairman of the board and members, Georg Eltz, Vicko Ferić, Hans Dominik Turnovszky and Gustav Wurmböck, and as from June 16, 2021 composed of: Franz Lanschützer, chairman of the committee and members Georg Eltz and Gustav Wurmböck.

- Digitization and Sustainability Committee, established on June 17, 2021, composed of: Daniel Goldscheider, chairman of the board and members Franz Lanschützer and Gustav Wurmböck.

II

During 2021, the Supervisory Board held thirteen (13) meetings, of which nine (9) by correspondence, at which it discussed many issues related to the Company's business and supervised the business management of the Company, all in accordance with the Company's Articles of Association and Rules of Procedure on the work of the Supervisory Board. All members of the Supervisory Board participated in the work of the Supervisory Board at twelve sessions, nine of which by correspondence using appropriate

electronic communication, while in one session in terms of paragraph 2 of Article 263b of the Companies Act Gustav Wurmböck, was excluded from participating in one session and Mladen Markoč was exempted in part from one other session in the sense of the provision of Article 270 from the Companies Act.

Boards and committees of the Supervisory Board: The Presidium the Audit Committee, the Investment Committee and the Digitization and Sustainability Committee held twenty-one (21) sessions in 2021, of which the Presidium had thirteen (13) sessions, the Audit Committee five (5) sessions, and the Investment Committee two (2) and the Digitization and Sustainability Committee held one (1) session. All members participated in the Presidium sessions, while M. Markoč did not participate in three sessions, but in accordance with the acts of the Company, he authorized the member, F. Lanschützer, to participate in the debate on all topics and to propose conclusions and any decisions proposed to the Supervisory Board for adoption. In the work of the Audit Committee, the Investment Committee and the Digitization and Sustainability Committee, all members of these boards and the committee participated in all sessions.

### III

During 2021, the Supervisory Board regularly received written business reports and other reports and proposals of the Management Board, as well as management decisions which, in accordance with regulations, the Articles of Association and acts of the Company, it considered and decided on. The difficulty, uncertainty and disruption of all business processes and activities due to the crisis caused by the corona virus pandemic (COVID 19) marked the Company's business operations in 2020 and the first half of 2021. In the second half of 2021, the crisis manifested itself primarily in the difficulty of securing the necessary human resources to provide adequate services according to the Company's standards, as well as disruptions in the supply of goods and investments. Such circumstances have conditioned the special attention of the members of the Supervisory Board in supervising and directing the finding of activities and measures in order to maintain business with a primary focus on generating as much revenue in the short period of the peak-season and shoulder-season.

At the sessions of the Presidium of the Supervisory Board, the members, together with the Management Board, responsible persons and experts of the Company, regularly discussed all materials and proposed decisions which were then subject to decision-making or approval of the Supervisory

Board, all for the timely preparation and the efficient supervision of the Company's management. Thus, the members of the Presidium previously discussed the conditions for concluding legal transactions in the area of the Company's business and real estate, as well as approving the conditions for legal transactions related to loan and other relations with banks; considered business plans and business reports and information on the course of business and operations of each property individually and the Company as a whole. In 2021, the members of the Presidium paid special attention to monitoring, preliminary consideration and analysis of activities and measures taken by the Management Board in relation to business relations policies in sales, procurement, relations with contractors, the continuation of the "Pause - Restart program" and agreements with social partners in the field of human resources and employees' rights and especially the activities undertaken by the administration towards the institutions and the Government of the Republic of Croatia to adopt a series of measures such as financial assistance and/or moratorium on commitments in 2021 catering facilities. In the second half of 2021, this was especially related to monitoring the measures taken by the management to find and maintain the necessary structure and number of workers in the peak season, especially in destinations available to most guests from emitting markets, as well as providing necessary goods and services in conditions of disrupted economic flows, all with the basic goal of generating as much revenue as possible in the short period of the peak-season and shoulder-season.

At the sessions of the Audit Committee, the members discussed, proposed and took positions in accordance with the function determined by the relevant regulations and general acts of the Company. Thus, the Audit Committee considered the plan and implementation of internal audit, submitted internal audit reports, both implemented in accordance with the annual plan, and those carried out extraordinarily. In addition to the above, the Audit Committee acted in accordance with the adopted Code of Business Conduct, ie the adopted policies that are an integral part of it. Particular attention was paid to the implementation of the Risk Management Policy. Furthermore, the Board considered the audited financial statements of the Company, made a recommendation to the Supervisory Board on the selection of auditors and performed all other activities in accordance with relevant regulations and internal acts, which relate to the work of auditors of financial statements. In addition, the Audit Committee adopted the Regulation on permitted audit services and

the Company's strategic and operational risk plan.

At the sessions of the Investment Commission, members with the management, responsible persons and experts of the Company, previously discussed the state of realization of previously approved investments, discussed and proposed to the Supervisory Board preliminary investment approvals for 2022 for their timely preparation and proposed final investment proposals for 2022 for the Company as well as for the properties and facilities of the companies under the management of the Company.

At the session of the Digitalization and Sustainability Committee, the members, together with the management, responsible persons and experts of the Society, previously discussed the digitalization and sustainability projects for 2022.

#### IV

In accordance with its obligations, the Supervisory Board performed its supervisory role through meetings, boards and committees and through the acts and detailed information received from the Management Board throughout 2021, and

determined

that Valamar Riviera d.d. from Poreč operates in accordance with the relevant regulations, the Articles of Association and other general acts and decisions of the Company.

#### V

The Supervisory Board examined in particular the reports and proposals for decisions submitted to it by the Management Board, as follows:

1. THE ANNUAL REPORT 2021 of the company Valamar Riviera d.d., which also contains:

- Annual financial reports for 2021, unconsolidated and consolidated, consisting of: statement of financial position (balance sheet), income statement, statement of other comprehensive income, statement of cash flows, statement of changes in equity and notes to the financial statements;
  - Audit report of the auditing companies Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. from Zagreb,
  - Management report on the state of the Company,
2. Proposal of decision on profit distribution,

3. Report on relations with related-parties for 2021 with the Auditor's Report.

At its meeting in the presence of auditors from the auditing company Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. from Zagreb, and then the Supervisory Board at its session, the Audit Committee examined the Annual Financial Statements for 2021 submitted to it. The annual financial statements have been prepared in accordance with the balance in the Company's business books and show the correct property and business condition of the Company, and there are no objections to them.

The Supervisory Board, in accordance with the previously submitted opinion of the Audit Committee, has no objections to the Auditor's Report on the performed audit. Also, the Supervisory Board has no objections to the Annual Report of the Management Board on the state of the Company.

The Supervisory Board examined and submitted to it the Report of the Management Board on relations with related-parties with the Auditor's Report, to which there are no objections.

#### VI

In addition to the examinations presented in the previous item, the Supervisory Board supervised the management of the Company's operations in accordance with the provisions of the Company's Articles of Association in terms of prior consideration of proposed decisions of the Company's Management Board. In this part, the Supervisory Board paid special attention to approving the conditions for concluding legal transactions in the area of the Company's business activities, especially in relation to risks in relations with significant agencies; legal affairs in relation to the disposal of real estate as well as the approval of conditions for legal affairs related to loans and other relations with banks. The Supervisory Board also regularly monitored the financial and cash flows of the Company.

Difficulty, uncertainty and disruption of business processes and activities due to the crisis caused by the corona virus pandemic (COVID 19) which marked the Company's operations in 2020 and which continued in 2021, conditioned the special attention of members of the Supervisory Board in overseeing measures undertaken in relation to policies of business relations in sales, procurement, in relations with contractors, continuation of "Pause - Restart program" and agreements with social

partners in the field of human resources and employee rights and especially activities undertaken by management towards institutions and government The Republic of Croatia in order to adopt a series of measures, both financial assistance and / or a moratorium on liabilities in 2021, as well as prescribing health, safety and environmental standards in hospitality properties. In the second half of 2021, this was especially related to monitoring the measures taken by the management to find and maintain the necessary structure and number of workers in the peak season, especially in destinations available to most guests from emitting markets, as well as providing necessary goods and services in conditions of disrupted economic flows, all with the basic goal of generating as much revenue as possible in the short period of the peak-season and shoulder-season.

In addition to the above, the Supervisory Board regularly reviewed the monthly business results of each business facility individually and the Company as a whole, in relation to previously adopted business plans. In this area, he paid special attention to the business plan for 2022.

In 2021, the Supervisory Board continued to pay special attention to the management in managing hotel-tourism properties with its facilities of Imperial Riviera d.d., Valamar Obertauern GmbH and Helios Faros d.d. in accordance with the provisions of previously concluded Agreements regarding the management of hotel and tourist facilities, and in the changed circumstances due to the corona crisis.

The Supervisory Board further supervised the Management Board with special attention in establishing business cooperation with pension funds and investments of strategic interest to the Company. One of the most important tasks to which the Supervisory Board paid special attention in 2021 was the continuation of business cooperation with Allianz ZB d.o.o društvom za upravljanje obveznim mirovinskim fondom from Zagreb, which acts on its own behalf and on behalf of AZ Obvezni mirovinski fond Category A, AZ Mandatory category B pension fund, AZ Profit otvoreni dobrovoljni mirovinski fond, AZ Benefit otvoreni dobrovoljni mirovinski fond, AZ A1 closed voluntary pension fund, AZ Dalekovod zatvoreni dobrovoljni mirovinski fond, AZ HKZP zatvoreni dobrovoljni mirovinski fond, OIB 25137661054, AZ Zagreb zatvoreni dobrovoljni mirovinski fond Auto Hrvatska zatvoreni dobrovoljni mirovinski fond, AZ ZABA zatvoreni dobrovoljni mirovinski fond and AZ Treći horizont zatvoreni dobrovoljni mirovinski fond with which it continued strategic investments in Croatian tourism through the second phase of recapitalization of Imperial Riviera

d.d. and through the sale of three hotels in Babin Kuk in Dubrovnik.

With special attention, the Supervisory Board has, by invitation and in accordance with the provisions of Articles 263 and 270 of the Companies Act, considered and then approved transactions in the subsidiary Valamar A GmbH in relation to the increase of share capital and capital reserves by payments of investors - a new member of that company Wurmböck Beteiligungs GmbH, all with the aim of acquiring ContiEstates AG, owner of Marietta Hotel Obertauern, which will become the second hotel in Austria under the management of Valamar. In accordance with the law, the Chairman of the Supervisory board Gustav Wurmböck was exempted from discussion and decision-making.

In addition to the above, due to the strategic goals of the Company in internationalization, sustainability and digitalization, the Supervisory Board increased the number of members of the Management Board and appointed Mr. Željko Kukurin as the President of the Management Board and Mr. Marko Čižmek and Mrs. Ivana Budin Arhanić as members.

Furthermore, the Supervisory Board, together with the Company's Management Board, in accordance with the relevant regulations, determined the Report on Remuneration of Members of the Management Board and the Supervisory Board for 2021, which Report was submitted to the General Assembly for approval.

The Supervisory Board 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 24, 2022, 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. It has also been concluded that the boards and the committee 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 regarding all materials and proposals which the Management referred to the Supervisory Board contribute to its efficient supervision of the Company's business. The Supervisory Board also concluded that the members of the Supervisory Board and the members of the Supervisory Board and Committee 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 way, the members of the Supervisory Board contribute to the results of the Company's operations, as well as to the protection of the Company's interests. 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 there is no need for improvements in the functioning and preparation of meetings.

The Supervisory Board also assessed the effectiveness of cooperation between the Supervisory Board and the Management Board and concluded that mutual cooperation is good, that the Management Board and persons in charge of the Company provide adequate support to members of the Supervisory Board in performing their functions, that it provides information, proposals, reports and other materials regarding the Company's operations in accordance with the relevant regulations and acts of the Company, and thus provides the Supervisory Board with overall supervision over the conduct of the Company's affairs.

The Supervisory Board will continue to conduct such an assessment, at least once a year, as a rule when considering the audited annual financial statements for the previous year.

#### VII

Based on all the above, and in accordance with the overall knowledge from the supervision of the Company and the information obtained during the work of the Supervisory Board and the work of boards and committees of the Supervisory Board in the period from January 1 to December 31, 2021, and conducted surveys given in point V of this Report, the Supervisory Board at its meeting held on February 24, 2022:

#### A)

gave its consent to

1. THE ANNUAL REPORT 2021 of the company Valamar Riviera d.d., which also contains:

Annual financial reports for 2021, unconsolidated and consolidated, consisting of: statement of financial position (balance sheet), income statement, statement of other comprehensive income, statement of cash flows, statement of changes in equity and notes to the financial statements;

Audit report of the auditing companies Ernst & Young d.o.o. from Zagreb and UHY RUDAN d.o.o. from Zagreb,

- Management report on the condition of the Company/Management, 2. Proposal of decision on distribution of profit realized in 2021, and thus, in accordance with Article 300 d of the Companies Act, the Annual Financial Statements of Valamar Riviera d.d. from Poreč for 2021 are considered determined by the Management Board and the Supervisory Board.

#### B)

has no objection

to the statement of the Management Board issued pursuant to the provision of Article 497, paragraph 3 Of the Companies Act in the Report on relations with related-parties for 2021

and

issued its agreement with

The report of the auditors Ernst & Young d.o.o and UHY RUDAN d.o.o given on the Report of the Management Board on relations with related-parties for 2021.



A handwritten signature in blue ink, appearing to read 'Gustav Wurmböck', written over a light blue horizontal line.

**Gustav Wurmböck**

Supervisory Board Chairman

# SUPERVISORY BOARD'S DECISION ON ALLOCATION OF PROFIT

Valamar Riviera d.d.  
SUPERVISORY BOARD  
Number: 9-3/22  
Poreč, 24/02/2022

Pursuant to Article 300d, and Article 300c of the Companies Act and the Management Board Decision no. 8-1/22 dated 16/02/2022, at its meeting held on 24 February 2022, the Supervisory Board of Valamar Riviera d.d. from Poreč rendered the following

## DECISION

I  
The proposal to distribute HRK 304,605,805.77 of the Company's achieved profit in 2021 in the Company's retained profit 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



# **Annual Financial Statements including the independent Auditors' Report for the year ended on 31 December 2021**

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	106
Independent Auditors' Report to the shareholders of Valamar Riviera d.d., Poreč	107 - 112
Statement of comprehensive income	113
Statement of financial position	114 - 116
Statement of changes in shareholder's equity	117 - 118
Statement of cash flows	119
Notes (form an integral part of the financial statements)	129 - 207

## 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 16 February 2022:



**Željko Kukurin**  
President of the  
Management Board



**Marko Čížmek**  
Member of the  
Management Board



**Ivana Budin Arhanić**  
Member of the  
Management Board



# 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 its subsidiaries (together- the Group), which comprise the separate and consolidated statement of financial position as at 31 December 2021, 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 the Group as at 31 December 2021 and of their separate and consolidated financial performance and their 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 2021 was HRK 3,916,939 thousand (Group: HRK 5,201,748 thousand) and it represented approximately 67% and 75% 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 2021

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 2021 financial year are consistent, in all material respects, with the enclosed separate and consolidated financial statements;
2. the enclosed Management report for 2021 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 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.

# INDEPENDENT AUDITORS' REPORT

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



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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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.

# INDEPENDENT AUDITORS' REPORT

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

### 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 11 April 2021, representing a total period of uninterrupted engagement appointment of five 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 11 April 2021, representing a total period of uninterrupted engagement appointment of three 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 17 February 2022 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.

### Report based on Delegated Regulation (EU) 2018/815 on supplementing Directive 2004/109/EZ of European parliament and Council related to regulatory technical standard for specification of single electronic reporting format of reporting

*Independent report on the compliance of annual separate and consolidated financial statements (further: financial statements) prepared pursuant to Article 462 (5) of the Capital Market Act (Official Gazette 65/18, 17/20 and 83/21) applying the requirements of the Delegated Regulation (EU) 2018 / 815 on establishing of single electronic reporting format for issuers (hereinafter: the ESEF Regulation).*

We have conducted a reasonable assurance engagement on whether the financial statements, as contained in the attached electronic file [Valamar\_Riviera\_dionicko\_drustvo\_za\_turizam\_eng\_2021], are prepared, for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, in all material respects in accordance with the requirements of the ESEF Regulation.

#### ***Responsibilities of the Management and those charged with governance***

Management is responsible for the preparation of the financial statements in accordance with ESEF Regulation. Furthermore, Management is responsible for maintaining an internal control system that reasonably ensures the preparation of financial statements without material non-compliances with ESEF Regulation requirements, whether due to fraud or error.

The Management is also responsible for:

- the public disclosure of financial statements in ESEF format
- selecting and using XBRL codes in accordance with ESEF regulation

Those charged with governance are responsible for overseeing the preparation of the financial statements in ESEF format as part of the financial reporting process.

#### ***Auditor's responsibilities***

Our responsibility is to express a conclusion, based on the audit evidence gathered, as to whether the financial statements are free from material non-compliances with the requirements of the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with International Standard for Assurance Engagements ISAE 3000 (revised)- Assurance engagements other than audits or reviews of historical financial information.

# INDEPENDENT AUDITORS' REPORT

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

### Work performed

The nature, timing and extent of the procedures selected depend on the auditor's judgment. Reasonable assurance is a high degree of assurance, however it does not guarantee that the scope of procedures will identify all significant (material) non-compliance with ESEF regulation.

In respect of the subject matter, we have performed the following procedures:

- we read the requirements of the ESEF Regulation,
- we have gained an understanding of the Company's internal controls relevant to the application of the requirements of the ESEF Regulation,
- we have identified and assessed the risks of material non-compliance with the ESEF Regulation due to fraud or error; and
- Based on this, devise and implement procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

- the financial statements, which are included in the annual report, are prepared in the relevant XHTML format,
- the information contained in the financial statements required by the ESEF Regulation is marked and all markings meet the following requirements:
  - the XBRL markup language was used,
  - the basic taxonomy elements listed in the ESEF Regulation with the closest accounting significance have been used, unless an additional taxonomy element has been created in accordance with Annex IV. ESEF Regulation,
  - the labeled elements comply with the common labeling rules under the ESEF Regulation.

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

### Conclusion

Based on the procedures performed and evidence gathered, the financial statements presented in ESEF format for the year ended on 31 December 2021, contained in the aforementioned attached electronic file and prepared pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, are prepared in all material respects in line with the requirements of Articles 3, 4 and 6 of the ESEF Regulation.

Further to this conclusion as well as opinion contained in part of this report related to accompanying financial statements and annual report for the year ended 31 December 2021, we do not express any opinion on the information contained in these presentations or on any other information contained in the aforementioned file.

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

**Berislav Horvat,**  
President of the Board  
and Certified auditor

24 February 2022

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



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

**Dragan Rudan,**  
Director

24 February 2022

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

**Vedrana Miletić,**  
Certified auditor

# CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

<i>(all amounts in thousands of HRK)</i>	Note	GROUP		COMPANY	
		2020	2021	2020	2021
Sales revenue	5	642,479	1,605,128	546,962	1,360,932
Other income	6	28,355	37,060	19,677	27,740
Cost of materials and services	7	(254,644)	(458,262)	(223,981)	(396,120)
Staff costs	8	(227,051)	(439,531)	(194,267)	(376,046)
Depreciation and amortisation	14,15,16,30	(496,444)	(507,336)	(391,987)	(397,597)
Other operating expenses	9	(92,236)	(101,905)	(80,020)	(85,566)
Other gains/(losses) – net	10	4,777	1,820	5,180	281,702
<b>Operating profit/(loss)</b>		<b>(394,764)</b>	<b>136,974</b>	<b>(318,436)</b>	<b>415,045</b>
<b>Finance result – net</b>	11	<b>(104,641)</b>	<b>(35,902)</b>	<b>(95,096)</b>	<b>(43,921)</b>
<b>Share of net profit/(loss) of associate</b>	18	<b>(1,644)</b>	<b>404</b>	-	-
<b>Profit/(loss) before tax</b>		<b>(501,049)</b>	<b>101,476</b>	<b>(413,532)</b>	<b>371,124</b>
Income tax	12	142,243	7,232	104,982	(66,518)
<b>Profit/(loss) for the year</b>		<b>(358,806)</b>	<b>108,708</b>	<b>(308,550)</b>	<b>304,606</b>
<b>Other comprehensive income/(loss)</b>					
<i>Items that cannot be reclassified to P&amp;L account</i>					
Change in financial assets value	20	(74)	98	(74)	98
Tax on other comprehensive income/(loss)		14	(18)	14	(18)
<b>Total comprehensive income/(loss) for the year</b>		<b>(358,866)</b>	<b>108,788</b>	<b>(308,610)</b>	<b>304,686</b>
<b>Profit/(loss) attributable to:</b>					
Owners of the Parent Company		(329,594)	104,375	-	-
Non-controlling interests	33	(29,212)	4,333	-	-
		<b>(358,806)</b>	<b>108,708</b>	-	-
<b>Total comprehensive income attributable to:</b>					
Owners of the Parent Company		(329,654)	104,455	-	-
Non-controlling interests	33	(29,212)	4,333	-	-
		<b>(358,866)</b>	<b>108,788</b>	-	-
<b>Earnings/(loss) per share (in HRK) attributable to equity holders of the Group during the year:</b>					
- basic and diluted	13	<b>(2.70)</b>	<b>0.86</b>	-	-

These financial statements were approved by the Management Board of the Company on 16 February 2022.

President of the Management Board:

Željko Kukurin



Member of the Management Board:

Marko Čížmek

Member of the Management Board:

Ivana Budin Arhanić



**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

<i>(all amounts in thousands of HRK)</i>	Note	GROUP		COMPANY	
		31 December		31 December	
		2020	2021	2020	2021
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	5,647,311	5,201,748	4,276,132	3,916,939
Investment property	15	3,942	3,180	3,942	3,180
Right-of-use assets	30	11,664	16,640	12,446	16,866
Intangible assets	16	46,400	39,087	42,275	34,640
Investment in subsidiaries	17	-	-	727,328	941,804
Investment in associate	18	46,024	76,503	47,192	70,112
Deferred tax assets	25	331,410	329,093	214,471	163,224
Financial assets	20	317	391	261	359
Loans and deposits	21	89	5,178	89	5,178
		<b>6,087,157</b>	<b>5,671,820</b>	<b>5,324,136</b>	<b>5,152,302</b>
<b>Current assets</b>					
Inventories	22	30,336	26,310	27,296	23,618
Trade and other receivables	23	94,811	62,155	79,088	71,490
Income tax receivable		733	2	-	2
Loans and deposits	21	613	38,002	578	444
Cash and cash equivalents	26	665,933	1,115,258	522,974	582,141
		<b>792,426</b>	<b>1,241,727</b>	<b>629,936</b>	<b>677,695</b>
<b>Total assets</b>		<b>6,879,583</b>	<b>6,913,547</b>	<b>5,954,072</b>	<b>5,829,997</b>

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

# CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION / CONTINUED

	Note	GROUP		COMPANY	
		31 December		31 December	
<i>(all amounts in thousands of HRK)</i>		2020	2021	2020	2021
<b>EQUITY</b>					
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	1	81	1	81
Legal reserves	28	83,601	83,601	83,601	83,601
Other reserves	28	161,993	163,749	176,476	105,846
Retained earnings	28	363,625	467,737	571,832	876,438
		<b>2,162,047</b>	<b>2,267,995</b>	<b>2,385,224</b>	<b>2,619,280</b>
Non-controlling interest	33	701,810	1,043,064	-	-
<b>Total equity</b>		<b>2,863,857</b>	<b>3,311,059</b>	<b>2,385,224</b>	<b>2,619,280</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	29	2,770,276	2,547,107	2,474,586	2,303,873
Lease liabilities	30	6,925	11,273	7,391	11,212
Trade and other payables	31	57,609	58,046	55,656	55,918
Derivative financial instruments	24	11,602	4,362	11,602	4,362
Deferred tax liabilities	25	58,292	51,765	13,307	12,455
Provisions	32	103,764	108,111	75,561	78,636
		<b>3,008,468</b>	<b>2,780,664</b>	<b>2,638,103</b>	<b>2,466,456</b>

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

# CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION / CONTINUED

	Note	GROUP		COMPANY	
		31 December		31 December	
		2020	2021	2020	2021
<i>(all amounts in thousands of HRK)</i>					
<b>Current liabilities</b>					
Borrowings	29	553,357	565,524	508,958	523,631
Non-current part of borrowings - waivers after balance sheet date	29	185,009	-	185,009	-
Lease liabilities	30	2,243	2,680	2,582	2,969
Trade and other payables	31	241,390	229,319	209,237	195,893
Liabilities for investments in associate	18	13,994	-	13,994	-
Derivative financial instruments	24	5,380	3,387	5,380	3,387
Income tax liability		1	-	-	-
Provisions	32	5,884	20,914	5,585	18,381
		<b>1,007,258</b>	<b>821,824</b>	<b>930,745</b>	<b>744,261</b>
<b>Total liabilities</b>		<b>4,015,726</b>	<b>3,602,488</b>	<b>3,568,848</b>	<b>3,210,717</b>
<b>Total equity and liabilities</b>		<b>6,879,583</b>	<b>6,913,547</b>	<b>5,954,072</b>	<b>5,829,997</b>

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 2021

<i>(in thousands of HRK)</i>	Note	Share capital	Treasury shares	Capital reserves	Legal reserves	Fair value reserves	Other reserves	Retained earnings	Total	Non-controlling interests	Total
<b>Balance as at 1 January 2020</b>		<b>1,672,021</b>	<b>(124,418)</b>	<b>5,224</b>	<b>83,601</b>	<b>61</b>	<b>160,851</b>	<b>690,708</b>	<b>2,488,048</b>	<b>731,022</b>	<b>3,219,070</b>
Profit/loss for the year		-	-	-	-	-	-	(329,594)	(329,594)	(29,212)	<b>(358,806)</b>
Other comprehensive income/loss	28	-	-	-	-	(60)	-	-	(60)	-	<b>(60)</b>
<b>Total comprehensive income/loss for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(60)</b>	<b>-</b>	<b>(329,594)</b>	<b>(329,654)</b>	<b>(29,212)</b>	<b>(358,866)</b>
Return of uncollected dividend	28	-	-	-	-	-	1,142	2,248	3,390	-	<b>3,390</b>
Exchange rate differences from foreign business		-	-	-	-	-	-	263	263	-	<b>263</b>
<b>Total contributions by and distributions to company owners, recognised directly in equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,142</b>	<b>2,511</b>	<b>3,653</b>	<b>-</b>	<b>3,653</b>
<b>Balance at 31 December 2020</b>		<b>1,672,021</b>	<b>(124,418)</b>	<b>5,224</b>	<b>83,601</b>	<b>1</b>	<b>161,993</b>	<b>363,625</b>	<b>2,162,047</b>	<b>701,810</b>	<b>2,863,857</b>
Profit/loss for the year		-	-	-	-	-	-	104,375	104,375	4,333	<b>108,708</b>
Other comprehensive income/loss	28	-	-	-	-	80	-	-	80	-	<b>80</b>
<b>Total comprehensive income/loss for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>-</b>	<b>104,375</b>	<b>104,455</b>	<b>4,333</b>	<b>108,788</b>
Return of uncollected dividend	28	-	-	-	-	-	1,756	-	1,756	-	<b>1,756</b>
Loss of the control over subsidiaries		-	-	-	-	-	-	(263)	(263)	-	<b>(263)</b>
Change in non-controlling interest		-	-	-	-	-	-	-	-	336,921	<b>336,921</b>
<b>Total contributions by and distributions to company owners, recognised directly in equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,756</b>	<b>(263)</b>	<b>1,493</b>	<b>336,921</b>	<b>338,414</b>
<b>Balance at 31 December 2021</b>		<b>1,672,021</b>	<b>(124,418)</b>	<b>5,224</b>	<b>83,601</b>	<b>81</b>	<b>163,749</b>	<b>467,737</b>	<b>2,267,995</b>	<b>1,043,064</b>	<b>3,311,059</b>

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 2021

<i>(in thousands of HRK)</i>	Note	Share capital	Treasury shares	Capital reserves	Legal reserves	Fair value reserves	Other reserves	Retained earnings	Total
<b>Balance as at 1 January 2020</b>		<b>1,672,021</b>	<b>(124,418)</b>	<b>5,711</b>	<b>83,601</b>	<b>61</b>	<b>175,334</b>	<b>878,134</b>	<b>2,690,444</b>
Profit/loss for the year		-	-	-	-	-	-	(308,550)	(308,550)
Other comprehensive income/loss	28	-	-	-	-	(60)	-	-	(60)
<b>Total comprehensive income/loss for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(60)</b>	<b>-</b>	<b>(308,550)</b>	<b>(308,610)</b>
Return of uncollected dividend	28	-	-	-	-	-	1,142	2,248	3,390
<b>Total contributions by and distributions to company owners, recognised directly in equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,142</b>	<b>2,248</b>	<b>3,390</b>
<b>Balance at 31 December 2020</b>		<b>1,672,021</b>	<b>(124,418)</b>	<b>5,711</b>	<b>83,601</b>	<b>1</b>	<b>176,476</b>	<b>571,832</b>	<b>2,385,224</b>
Profit/loss for the year		-	-	-	-	-	-	304,606	304,606
Other comprehensive income/loss	28	-	-	-	-	80	-	-	80
<b>Total comprehensive income/loss for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>-</b>	<b>304,606</b>	<b>304,686</b>
Return of uncollected dividend	28	-	-	-	-	-	1,756	-	1,756
The effect of the merger of a subsidiary	37	-	-	-	-	-	(72,386)	-	(72,386)
<b>Total contributions by and distributions to company owners, recognised directly in equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(70,630)</b>	<b>-</b>	<b>(70,630)</b>
<b>Balance at 31 December 2021</b>		<b>1,672,021</b>	<b>(124,418)</b>	<b>5,711</b>	<b>83,601</b>	<b>81</b>	<b>105,846</b>	<b>876,438</b>	<b>2,619,280</b>

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

# CONSOLIDATED AND UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts in thousands of HRK)

	Note	GROUP		COMPANY	
		2020	2021	2020	2021
<b>Cash flow generated from operating activities</b>					
Cash from operations	35	(6,678)	679,977	(9,566)	537,981
Income tax (paid)/received		3,492	705	-	-
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(3,186)</b>	<b>680,682</b>	<b>(9,566)</b>	<b>537,981</b>
<b>Cash flow from investment activities</b>					
Cash from merger of subsidiary	37	-	-	-	1,110
Purchase of property, plant and equipment	14	(585,331)	(101,925)	(421,191)	(66,435)
Purchase of intangible assets	16	(10,540)	(13,431)	(7,644)	(11,122)
Proceeds from disposal of property, plant and equipment		9,326	3,783	8,932	3,648
Loans granted		(225)	(42,723)	(212)	(5,137)
Loan repayments received		324	224	189	182
Dividend received		-	4	-	4
Interest received		496	98	490	83
Loss of the control over subsidiaries	38	-	(3,203)	-	-
<b>Net cash outflow from investment activities</b>		<b>(585,950)</b>	<b>(157,173)</b>	<b>(419,436)</b>	<b>(77,667)</b>
<b>Cash flow from financing activities</b>					
Change of non-controlling interest		-	336,921	-	-
Interest paid		(34,291)	(70,643)	(27,935)	(64,433)
Proceeds from borrowings		785,614	379,851	776,472	344,850
Repayments of borrowings		(46,111)	(718,212)	(43,659)	(679,124)
Lease costs (principal portion of IFRS 16)	30	(3,676)	(3,857)	(4,142)	(4,196)
Return of uncollected dividend	28	3,390	1,756	3,390	1,756
<b>Net cash inflow/(outflow) from financing activities</b>		<b>704,926</b>	<b>(74,184)</b>	<b>704,126</b>	<b>(401,147)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>115,790</b>	<b>449,325</b>	<b>275,124</b>	<b>59,167</b>
Cash and cash equivalents at beginning of year		550,143	665,933	247,850	522,974
<b>Cash and cash equivalents at year end</b>	26	<b>665,933</b>	<b>1,115,258</b>	<b>522,974</b>	<b>582,141</b>

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 until 7 May 2021 when it was merged with Parent Company Valamar Riviera d.d.
- Magične stijene d.o.o., Dubrovnik, 100% ownership
- Bugenvilia d.o.o., Dubrovnik, 100% ownership
- Imperial Riviera d.d., Rab, 46.27% ownership with the subsidiary Praona d.o.o., Makarska
- Valamar A GmbH, Vienna, Austria, 100% ownership until 29 November 2021 and 24.54% ownership from 30 November 2021, with subsidiaries WBVR Beteiligungs GmbH, Vienna and ContiEstates AG, Zug and
- Valamar Obertauern GmbH, Obertauern, Austria, 10% direct ownership and until 29 November 2021 90% indirect ownership (90% share owned by Valamar A GmbH). From 29 November 2021 22.08% indirect ownership.

The Company's shares were listed on the Prime market of the Zagreb Stock Exchange d.d., and were traded in 2021 in accordance with the relevant regulations on the organized market. Pursuant to the Decision of Imperial Riviera's d.d.

General Assembly from 10 September 2021, the share capital of Imperial Riviera d.d. was increased by HRK 689,765,631.10 from HRK 826,668,557.32 to HRK 1,516,434,188.42. Share capital increase was court registered on 26 November 2021. The participants of the share capital increase are: Valamar Riviera d.d. with investment in real estate in their ownership - land located at Babin Kuk in Dubrovnik, area of 148,949 m<sup>2</sup> and total estimated value of HRK 352,844,705.64, and in the amount of HRK 336,920,925.46 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 A1 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, AZ ZABA zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 11641097984, AZ Treći Horizont zatvoreni dobrovoljni mirovinski fond, personal identification number (OIB): 42239479988 (hereinafter: AZ). Upon the completion of the share capital increase, Valamar Riviera d.d. is the holder of 1,054,728 (46.27%) shares, while AZ holds 1,104,665 (48.46%) shares of Imperial Riviera d.d.

## NOTE 1 – GENERAL INFORMATION / CONTINUED

The method of presenting the Statement of Financial Position and the Statement of Comprehensive Income for the Valamar Riviera Group in the consolidated and separate statements is presented below. The following table shows the effects of business combinations and intra-group mergers on the Company's and the Group's comparative information.

Company	Note	GROUP				COMPANY			
		Statement of financial position		Statement of comprehensive income		Statement of financial position		Statement of comprehensive income	
		31.12.2020	31.12.2021	2020	2021	31.12.2020	31.12.2021	2020	2021
Palme turizam d.o.o.	a	✓	✓	1.1.-31.12.	1.1.-31.12.	-	✓	-	8.5.-31.12.
Valamar A GmbH	b	✓	-	1.1.-31.12.	1.1.-29.11.	-	-	-	-
Valamar Obertauern GmbH	b	✓	-	1.1.-31.12.	1.1.-29.11.	-	-	-	-

- a) The merger of Palme turizam d.o.o. into the Company was entered in the court register on 7 May 2021, pursuant to the Decision of the Commercial Court in Pazin No. Tt-21/2510-3. The legal effect of the merger started as of 8 May 2021. After the registration of the merger, Palme turizam d.o.o. ceased to exist and the Company became the universal legal successor of the merged company: all the assets, rights and liabilities of Palme turizam d.o.o. were transferred to the Company.
- b) On 29 November, 2021, the General Assembly of Valamar A GmbH made a decision to increase the share capital from the amount of EUR 35,000.00 by EUR 107,624.00 to EUR 142,624.00, with the participation of a new member of the

Wurmböck Beteiligungs GmbH based in Vienna, Austria, in the amount of EUR 107,624.00 after which Valamar Riviera d.d. holds 24.54% and Wurmböck Beteiligungs GmbH 75.46%. A new member of the company undertook to pay EUR 11,070,000.00 into capital reserves. At the same time, Valamar A GmbH changed its headquarters from Tamsweg to Vienna and a new two-member board was appointed. The members of the company concluded the Articles of Association and the agreement by which they regulated their mutual relations, especially in relation to important decisions that require the approval of Valamar Riviere d.d. for their adoption.

## 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) Loss of the control over subsidiaries*

When the Group loses control of a subsidiary, the Group will derecognise its assets and liabilities in the statement of financial position, recognize its interest in the subsidiary at fair value and recognize the gain/loss resulting from the loss of control.

#### *(d) 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.

#### *(e) 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

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.2 Consolidation / CONTINUED

#### *(e) Associates / CONTINUED*

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 calculated 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 and assets and liabilities denominated in foreign currencies are translated into the functional currency at the middle exchange rate of the Croatian National Bank valid on the reporting date. 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'.

Middle exchange rate - Croatian National Bank:

31.12.2020: EUR 1 = HRK 7,536898

31.12.2021: EUR 1 = HRK 7,517174

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 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 - Critical accounting estimates*

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 multiplier 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.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.8 Impairment of non-financial assets / CONTINUED

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.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.11 Financial assets / CONTINUED

#### 2.11.1 Classification / CONTINUED

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 reclassified to profit or loss.

Changes in the fair value of equity instruments are recognized in other comprehensive income. After derecognition, the cumulative change in fair value in other comprehensive income is not recycled through profit or loss.

#### *(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. For trade receivables and contractual assets, the Company applies a simplified approach in the calculation of expected credit losses. The Company does not monitor changes in credit risk but recognizes impairment based on lifetime expected credit loss at the end of each reporting period. Financial assets are written off when there is no reasonable expectation of payment collection.

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.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.11 Financial assets / CONTINUED

#### 2.11.3 Impairment of financial assets / CONTINUED

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).

#### 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, in accordance to IFRS 16 Leases.

##### 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, leases of low-value assets and 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.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.13 Leases / CONTINUED

#### 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 income or loss, 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 – *Income Tax*) 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.

*(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.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.22 Employee benefits / CONTINUED

#### *(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 retirement 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/(loss) per share

Earnings/(loss) 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 less ordinary shares purchased by the Company, which are held as treasury shares.

### 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 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 2021:

- **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 these amendments won't have significant influence on financial reports of the Company and the Group.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.28 New and amended standards and interpretations / CONTINUED

#### 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 is unable to assess the impact of these amendments on the financial statements of the Company and the Group due to the uncertainty of the adoption and application of this standard.

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

The amendments were initially 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.

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU. Management has assessed that these 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:

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.28 New and amended standards and interpretations / CONTINUED

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

- 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

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

- **IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**

The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical

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

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU. Management has assessed that these amendments won't have significant influence on financial reports of the Company and the Group.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU. Management has assessed that these amendments won't have significant influence on financial reports of the Company and the Group.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

### 2.28 New and amended standards and interpretations / CONTINUED

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

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial

recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Amendments have not yet been endorsed by the EU. Management has assessed that these 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.

At 31 December 2021, 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 19,692 thousand (2020: HRK 22,811 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 (89%) consists of long-term fixed rate loans and derivative loans (IRS).

At 31 December 2021, 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 2,745 thousand (2020: HRK 4,393 thousand) higher/(lower), mainly as a result of higher/(lower) interest expense on variable-rate borrowings.

At 31 December 2021, 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 3,698 thousand (2020: HRK 2,101 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 897 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.

## NOTE 3 – FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors / CONTINUED

#### (a) Market risk / CONTINUED

As at 31 December 2021, if the indices of the ZSE had been higher/(lower) by -15.3% for 2021 (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 28 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 2021, the Company has contracted unused credit lines with financial

institutions for 2022 in the total amount of HRK 278,135 thousand, and the Group in the total amount of HRK 278,135 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.

COVID-19 pandemic created 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 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. However, as a significant business recovery was achieved in 2021, there was no impact of the COVID-19 pandemic on liquidity risk.

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 in 2020 includes also the principal in the amount of HRK 185,009 thousand presented in Note 29 - Borrowings 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.

<b>GROUP</b>					
<i>(in thousands of HRK)</i>	<b>Less than 3 months</b>	<b>3 months-1 year</b>	<b>1-3 years</b>	<b>3-6 years</b>	<b>Over 6 years</b>
<b>As at 31 December 2020</b>					
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
<b>Total liabilities (contractual maturities)</b>	<b>199,656</b>	<b>509,776</b>	<b>1,038,546</b>	<b>1,058,340</b>	<b>1,243,761</b>
<b>As at 31 December 2021</b>					
Trade and other payables	66,919	31,679	58,046	-	-
Borrowings	177,235	469,732	946,774	910,085	902,814
Lease liabilities	596	2,084	5,918	3,841	1,513
Derivative financial instruments	982	2,405	3,267	1,086	10
<b>Total liabilities (contractual maturities)</b>	<b>245,732</b>	<b>505,900</b>	<b>1,014,005</b>	<b>915,012</b>	<b>904,337</b>
<b>COMPANY</b>					
<i>(in thousands of HRK)</i>	<b>Less than 3 months</b>	<b>3 months-1 year</b>	<b>1-3 years</b>	<b>3-6 years</b>	<b>Over 6 years</b>
<b>As at 31 December 2020</b>					
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
<b>Total liabilities (contractual maturities)</b>	<b>181,079</b>	<b>465,628</b>	<b>949,422</b>	<b>950,409</b>	<b>1,118,537</b>
<b>As at 31 December 2021</b>					
Trade and other payables	50,470	31,679	55,917	-	-
Borrowings	175,429	424,367	854,294	826,668	817,387
Lease liabilities	647	2,323	6,090	3,633	1,489
Derivative financial instruments	982	2,405	3,267	1,086	10
<b>Total liabilities (contractual maturities)</b>	<b>227,528</b>	<b>460,774</b>	<b>919,568</b>	<b>831,387</b>	<b>818,886</b>

## NOTE 3 – FINANCIAL RISK MANAGEMENT / CONTINUED

### 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).

## NOTE 3 – FINANCIAL RISK MANAGEMENT / CONTINUED

### 3.3. Fair value estimation / CONTINUED

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

<b>GROUP</b>				
<i>(in thousands of HRK)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>As at 31 December 2020</b>				
<b>Assets measured at fair value</b>				
Financial assets - equity securities	317	-	-	317
<b>Total assets measured at fair value</b>	<b>317</b>	<b>-</b>	<b>-</b>	<b>317</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	-	16,982	-	16,982
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>16,982</b>	<b>-</b>	<b>16,982</b>
<b>As at 31 December 2021</b>				
<b>Assets measured at fair value</b>				
Financial assets - equity securities	391	-	-	391
<b>Total assets measured at fair value</b>	<b>391</b>	<b>-</b>	<b>-</b>	<b>391</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	-	7,749	-	7,749
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>7,749</b>	<b>-</b>	<b>7,749</b>

## NOTE 3 – FINANCIAL RISK MANAGEMENT / CONTINUED

### 3.3. Fair value estimation / CONTINUED

<b>COMPANY</b>				
<i>(in thousands of HRK)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>As at 31 December 2020</b>				
<b>Assets measured at fair value</b>				
Financial assets - equity securities	261	-	-	261
<b>Total assets measured at fair value</b>	<b>261</b>	<b>-</b>	<b>-</b>	<b>261</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	-	16,982	-	16,982
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>16,982</b>	<b>-</b>	<b>16,982</b>
<b>As at 31 December 2021</b>				
<b>Assets measured at fair value</b>				
Financial assets - equity securities	359	-	-	359
<b>Total assets measured at fair value</b>	<b>359</b>	<b>-</b>	<b>-</b>	<b>359</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	-	7,749	-	7,749
<b>Total liabilities measured at fair value</b>	<b>-</b>	<b>7,749</b>	<b>-</b>	<b>7,749</b>

## 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 multipliers 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 significantly milder impact in 2021, connected with 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**

<b>SIGNIFICANT ASSUMPTION</b>	<b>HOW IT IS DETERMINED</b>
Calculation of recoverable amount	<p>The recoverable amounts of PCGMs were determined based on their value in use. Value in use is determined by discounting future cash flows.</p> <p>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.</p>
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	<p>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.</p> <p>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).</p> <p>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.</p> <p>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.</p> <p>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.</p>

## NOTE 4 – CRITICAL ACCOUNTING ESTIMATES / CONTINUED

SIGNIFICANT ASSUMPTION	HOW IT IS DETERMINED
Impact of COVID-19 on significant operations	<p>As in 2021 a significant business recovery was achieved, the Company and Group assume that in 2022 there will be a further recovery, while a return to 2019 business results is expected in 2023.</p> <p>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.</p>
Discount rate	<p>The annual pre-tax discount rates used to discount the projected cash flows of PCGMs are 6.99% (2020: 6.97%) for Valamar Riviera, 6.77% (2020: 6.71%) for Imperial Riviera and 6.99% (2020: 6.52%) for Helios Faros, and reflect the market estimate of the weighted average cost of capital of each listed company.</p>
Sensitivity to significant changes in assumptions	<p>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.</p> <p>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.</p>

By performing impairment tests in 2020 and 2021, 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 company in Austria, that ended being subsidiary from 29 November 2021, where the useful life of buildings is estimated at 40 years. The useful lives of equipment and other assets have also been assessed.

## NOTE 4 – CRITICAL ACCOUNTING ESTIMATES / CONTINUED

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) 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. Explained detailed in Note 12 – *Income tax*.

### *(d) 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 – *General information*. The assets and liabilities of subsidiaries are fully included in the consolidated statement of

financial position of the Group as at 31 December 2021, 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. On 7 May, 2021, the subsidiary Palme turizam d.o.o. was merged with the parent company Valamar Riviera d.d. Explained detailed in Note 37 – *Merger of subsidiary*.

Pursuant to the General Assembly decision of Imperial Riviera d.d. from 10 September 2021 the share capital was increased from HRK 826,668,557.32 for the amount of HRK 689,765,631.10 to the amount of 1,516,434,188.42, in which the Company contributed with the amount of HRK 352,844,705,64.

After the increase of share capital Valamar Riviera d.d. is a holder of 1,054,728 (46.27% of voting rights) shares and the Company retained control of Imperial Riviera d.d. Valamar Riviera d.d. has significant share of 46.27% 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 through Board, but also key management of Imperial Riviera d.d. Valamar Riviera d.d. has the 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.

## NOTE 4 – CRITICAL ACCOUNTING ESTIMATES / CONTINUED

### *(e) Loss of the control over subsidiaries*

On 29 November, 2021, the General Assembly of Valamar A GmbH made a decision to increase the share capital from the amount of EUR 35,000.00 by EUR 107,624.00 to EUR 142,624.00, with the participation of a new member of the Wurmböck Beteiligungs GmbH based in Vienna, Austria, in the amount of EUR 107,624.00 after which Valamar Riviera d.d. holds 24.54% and Wurmböck Beteiligungs GmbH 75.46%. As a result of these changes, the Company lost control of Valamar A and Valamar Obertauern, but retained significant influence. The share of 24.54% in Valamar A and the share in Valamar Obertauern GmbH in which it has a direct 10% share and 22.08% through Valamar A GmbH will be stated according to the share method in the consolidated reports of the Group. Described in more detail in Notes 18b - *Interest in associates Valamar A GmbH and Valamar Obertauern GmbH* and 38 - *Loss of the control over subsidiaries*.

### *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 - *Rights-of-use assets and lease liabilities* 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 – the Company and the 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 their 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.

## NOTE 4 – CRITICAL ACCOUNTING ESTIMATES / CONTINUED

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**

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<sup>2</sup> of land in clear and undisputed ownership, the Group has 2.07 million m<sup>2</sup>, 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<sup>2</sup> for Company and 3.54 million m<sup>2</sup> for Group. A more detailed description of proceedings and unsolved situations for properties of the Company are disclosed in the Note 34 - Contingencies and commitments.

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<sup>2</sup> for the Company and 2.38 million m<sup>2</sup> for the Group of land in camps in favour of the Republic of Croatia and for approximately 0.96 million m<sup>2</sup> of land in tourist resorts and hotels in favour of local governments for the Company and 1.04 million m<sup>2</sup> for the Group. 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 and 2021, 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. For the period from January to April 2020, when ZOTZ was in force, the Company and the Group did not receive any fees for compensation for concessions for tourist land. Considering that no regulation on prices has been passed by the end of 2021, nor has a waiver of obligations been enacted by law, as a precautionary principle, the Company and the Group reserved the cost of lease for tourist land for the period from the entry into force of the ZNGZ, i.e. from 1 May, 2020 to the end of 2021 on the basis of the calculation of compensation under the old regulations in the amount of HRK 24,828 thousand for the Company and HRK 26,282 thousand for the Group.

Under the assumption of the lowest/highest price spread reaching HRK 6/12/m<sup>2</sup>, 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 2020 is as follows:

<b>GROUP</b>	<b>Hotels and apartments</b>	<b>Camps</b>	<b>Other business segments</b>	<b>Total</b>
<i>(in thousands of HRK)</i>				
Total sales	338,572	292,000	53,849	684,422
Inter-segment revenue	(681)	(29)	(41,233)	(41,943)
Revenue from external customers	<b>337,891</b>	<b>291,971</b>	<b>12,616</b>	<b>642,479</b>
Depreciation and amortisation	314,882	127,271	54,291	496,444
Net finance income/(expense)	(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
<b>Total assets</b>	<b>3,537,741</b>	<b>1,515,516</b>	<b>714,073</b>	<b>5,767,330</b>
<b>Total liabilities</b>	<b>2,275,139</b>	<b>1,020,575</b>	<b>508,117</b>	<b>3,803,831</b>

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.

## NOTE 5 – SEGMENT INFORMATION / CONTINUED

The segment information related to reportable segments for the year ended 31 December 2021 is as follows:

<b>GROUP</b>	<b>Hotels and apartments</b>	<b>Camps</b>	<b>Other business segments</b>	<b>Total</b>
<i>(in thousands of HRK)</i>				
Total sales	1,001,646	550,115	147,603	1,699,364
Inter-segment revenue	(1,382)	(28)	(92,826)	(94,236)
Revenue from external customers	<b>1,000,264</b>	<b>550,087</b>	<b>54,777</b>	<b>1,605,128</b>
Depreciation and amortisation	318,544	131,942	56,850	507,336
Net finance income/(expense)	(23,424)	(14,373)	1,895	(35,902)
Write-off of fixed assets	3,389	99	404	3,892
Profit/(loss) of segment	534,766	390,233	(211,953)	713,046
<b>Total assets</b>	<b>3,207,710</b>	<b>1,383,094</b>	<b>722,119</b>	<b>5,312,923</b>
<b>Total liabilities</b>	<b>1,977,090</b>	<b>934,627</b>	<b>473,878</b>	<b>3,385,595</b>

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 that ended being subsidiary from 29 November 2021.

**NOTE 5 – SEGMENT INFORMATION / CONTINUED**

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

<b>GROUP</b>	<b>2020</b>	<b>2021</b>
<i>(in thousands of HRK)</i>		
<b>Revenue</b>		
Revenue from segments	684,422	1,699,364
Inter-segment revenue elimination	(41,943)	(94,236)
<b>Total revenue</b>	<b>642,479</b>	<b>1,605,128</b>
<b>Profit</b>		
Profit from segments	179,331	713,046
Other unallocated expenses	(553,841)	(550,126)
Profit/(loss) from financial and extraordinary activities	(126,539)	(61,444)
<b>Total profit/(loss) before tax</b>	<b>(501,049)</b>	<b>101,476</b>

**NOTE 5 – SEGMENT INFORMATION / CONTINUED**

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

<b>GROUP</b>	<b>2020</b>		<b>2021</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<i>(in thousands of HRK)</i>				
<b>Segment assets/liabilities</b>	<b>5,767,330</b>	<b>3,803,832</b>	<b>5,312,923</b>	<b>3,385,595</b>
Hotels and apartments segment	3,537,741	2,275,139	3,207,710	1,977,090
Camps segment	1,515,516	1,020,575	1,383,094	934,627
Other business segment	714,073	508,118	722,119	473,878
<b>Unallocated</b>	<b>1,112,253</b>	<b>211,894</b>	<b>1,600,624</b>	<b>216,893</b>
Investments in associate	46,024	-	76,503	-
Other financial assets	317	-	391	-
Loans and deposits	702	-	43,179	-
Cash and cash equivalents	665,933	-	1,115,258	-
Income tax receivable	733	-	2	-
Other receivables	67,134	-	36,198	-
Deferred tax assets/liabilities	331,410	58,292	329,093	51,765
Other liabilities	-	65,206	-	80,551
Liabilities for investments in associate	-	13,994	-	-
Derivative financial assets/liabilities	-	16,982	-	7,749
Provisions	-	57,420	-	76,828
<b>Total</b>	<b>6,879,583</b>	<b>4,015,726</b>	<b>6,913,547</b>	<b>3,602,488</b>

The Group's hospitality services are provided in Croatia and Austria (till 29 November 2021) to domestic and foreign customers. The Group's sales revenues are classified according to the customers' origin.

<b>GROUP</b>	<b>2020</b>	<b>2021</b>
<i>(in thousands of HRK)</i>		
Revenue from sales to domestic customers	82,721	173,626
Revenue from sales to foreign customers	559,758	1,431,502
	<b>642,479</b>	<b>1,605,128</b>

## NOTE 5 – SEGMENT INFORMATION / CONTINUED

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

Sales to foreign customers	GROUP			
	2020	%	2021	%
EU members	503,445	89.94	1,274,469	89.03
Other	56,313	10.06	157,033	10.97
	<b>559,758</b>	<b>100.00</b>	<b>1,431,502</b>	<b>100.00</b>

## NOTE 6 – OTHER INCOME

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
Income from donations and other /i/	5,840	7,713	1,541	2,104
Income from concession fee liability write-off /ii/	6,415	-	5,965	-
Income from provision release	1,650	14,027	233	14,004
Reimbursed costs	2,055	1,492	2,140	2,470
Income from insurance and legal claims	2,798	8,118	1,829	4,531
Income from own consumption	461	326	209	234
Collection of receivables previously written-off	1,111	53	925	34
Other income	8,025	5,330	6,835	4,363
	<b>28,355</b>	<b>37,060</b>	<b>19,677</b>	<b>27,740</b>

/i/ In relation to Covid-19 pandemic, in 2021 subsidiary Valamar Obertauern in Austria (subsidiary till 29 November 2021) received grants in the amount of HRK 5,3 million (2020: HRK 3 million).

/ii/ In relation to Covid-19 pandemic, in 2020 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

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
<b>Raw materials and supplies</b>				
Raw materials and supplies used /i/	60,890	148,037	52,920	125,976
Energy and water used /ii/	51,574	83,664	44,855	70,021
Small inventory	14,929	13,202	12,775	10,978
	<b>127,393</b>	<b>244,903</b>	<b>110,550</b>	<b>206,975</b>
<b>External services</b>				
Maintenance	43,807	61,055	39,433	52,616
Commission fees (tourist agencies and credit cards)	13,832	40,935	11,064	30,481
Marketing, promotion and fairs	21,079	28,498	20,859	28,180
Communal fees /iii/	11,885	26,545	10,115	23,943
Telecommunication and transport /ii/	8,478	13,088	7,395	11,528
Rent /iv/	7,897	12,207	7,257	11,423
Recreation services	3,778	6,897	3,105	5,327
Laundry services	3,143	5,490	3,005	7,733
Services of arrangement and other contents	1,300	3,044	1,106	2,776
Other services /v/	12,052	15,600	10,092	15,138
	<b>127,251</b>	<b>213,359</b>	<b>113,431</b>	<b>189,145</b>
	<b>254,644</b>	<b>458,262</b>	<b>223,981</b>	<b>396,120</b>

/i/ Cost of materials and services of the Company is comprised of raw materials and supplies used of HRK 21,134 thousand (2020: HRK 11,462 thousand), food and beverage costs of HRK 89,614 thousand (2020: HRK 35,081 thousand) and other materials and supplies used of HRK 15,228 thousand (2020: HRK 6,377 thousand).

/ii/ Subsidiary Valamar Obertauern in Austria (subsidiary 29 November 2021) received Covid-19 grants for compensation for fixed costs in the amount of HRK 345 thousand (2020: 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 173 thousand (2020: HRK 52 thousand), variable leases as well as leases that do not meet the classification criteria according to IFRS 16. Subsidiary Valamar Obertauern in Austria (subsidiary till 29 November 2021) received Covid-19 grants for compensation for leases costs in the amount of HRK 113 thousand.

/v/ Other services comprise informatics services costs of HRK 3,432 thousand (2020: HRK 2,092 thousand), protection services costs of HRK 3,639 thousand (2020: HRK 2,548 thousand) and provision costs of HRK 1,822 thousand (2020: HRK 1,395 thousand).

## NOTE 8 – STAFF COSTS

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
Net salaries /i/	122,043	218,087	103,705	185,544
Pension contributions /i/	36,138	66,349	30,087	53,978
Health insurance contributions /i/	24,606	46,430	21,802	39,419
Other (contributions and taxes) /i/	7,163	22,310	7,163	22,310
Termination benefits	466	471	329	277
Provisions for staff /ii/	13,591	9,405	10,710	9,293
Other staff costs /iii/	23,044	76,479	20,471	65,225
	<b>227,051</b>	<b>439,531</b>	<b>194,267</b>	<b>376,046</b>
<b>Number of employees at 31 December</b>	<b>2,620</b>	<b>2,989</b>	<b>2,121</b>	<b>2,442</b>

/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 102.1 million (2020: HRK 164.4 million), for the Company HRK 84.6 million (2020: HRK 141.3 million).

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

/iii/ Other staff costs comprise non-taxable receipts (accommodation and meals for employees, Christmas bonuses, regress, awards and similar) in the amount of HRK 40.6 million (2020: HRK 7.4 million) for the Group and HRK 33.2 million for the Company (2020: HRK 6.1 million), remunerations for student temporary services in the amount of HRK 15.6 million (2020: HRK 2.4 million) for the Group and HRK 13.6 million for the Company (2020: HRK 2 million), transportation costs in the amount of HRK 17.3 million (2020: HRK 11 million) for the Group and HRK 16 million for the Company (2020: HRK 10.4 million) and other.

The Company capitalised net salaries cost in the amount of HRK 4.82 million (2020: HRK 3 million), cost of contributions and tax from salaries in the amount of HRK 1.91 million (2020: HRK 1.4 million) and cost of contributions on salaries in the amount of HRK 0.87 million (2020: HRK 0.6 million). During the year the Company's average number of employees is 3,211 (2020: 2,836).

The Group capitalised net salaries cost in the amount of HRK 5.2 million (2020: HRK 4.6 million), cost of contributions and tax from salaries in the amount of HRK 2 million (2020: HRK 2 million) and cost of contributions on salaries in the amount of HRK 0.9 million (2020: HRK 0.9 million). During the year the Group's average number of employees is 3,900 (2020: 3,364).

## NOTE 9 – OTHER OPERATING EXPENSES

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
Municipal charges, concessions and other	38,689	25,624	32,959	21,697
Professional services /i/	15,543	19,261	11,872	15,324
Insurance premiums	7,043	6,805	6,075	5,492
Write-off of property, plant and equipment /ii/	1,532	3,892	1,202	2,511
Entertainment	2,199	3,706	2,023	3,490
Bank charges	880	1,093	574	778
Provisions for legal proceedings	9,623	2,744	9,356	2,488
Provisions for termination benefits	5,500	-	5,500	-
Provisions for tourist land lease and other /iii/	-	28,164	-	24,828
Value adjustment of assets	1,510	1,670	1,394	1,646
Membership fee to associations and other administrative expenses	1,233	1,012	1,069	877
Other	8,484	7,934	7,996	6,435
	<b>92,236</b>	<b>101,905</b>	<b>80,020</b>	<b>85,566</b>

/i/ Professional and other services of the Group and the Company are mostly related to consulting services in the amount of HRK 3.5 million (2020: HRK 1.6 million) for the Group and HRK 3 million for the Company (2020: HRK 1.4 million), Supervisory Board fees in the amount of HRK 4.7 million (2020: HRK 3 million) for the Group and HRK 2.7 million for the Company (2020: HRK 1.3 million), students and scholarships fees in the amount of HRK 2.9 million (2020: HRK 3 million) for the Group and HRK 2.3 million for the Company (2020: HRK 2.5 million), lawyer fees in the amount of HRK 2 million (2020: HRK 2.2 million) for the Group and HRK 1.8 million for the Company (2020: HRK 1.9 million) and audit fees in the amount of HRK 1 million (2020: HRK 1 million) for the Group and HRK 0.6 million for the Company (2020: HRK 0.6 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 3,3 million (2020: HRK 856 thousand) for the Group and HRK 2 million (2020: HRK 856 thousand) for the Company, and other write-offs amounts to HRK 0.6 million (2020: HRK 676 thousand) for the Group and HRK 449 thousand (2020: HRK 346 thousand) for the Company.

/iii/ Provisions for tourist land lease and other on the Group and the Company mainly consists of costs for tourist land lease explained in the Note 4 - *Critical accounting estimates - (f) Leases*.

## NOTE 10 – OTHER GAINS/(LOSSES) – NET

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
Net gains on sale of property, plant and equipment <i>/i/</i>	4,777	1,820	5,180	281,702
	<b>4,777</b>	<b>1,820</b>	<b>5,180</b>	<b>281,702</b>

*/i/* In 2020 and 2021, the Company sold several properties. The most significant Company's transaction in 2021 relates to the entry into the share capital of Imperial Riviera d.d. real estate (land) located at Babin Kuk in Dubrovnik with an area of 148,949 m<sup>2</sup>, estimated value of HRK 352.84 million.

## NOTE 11 – FINANCE INCOME/(EXPENSE) – NET

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
Interest income	514	83	508	67
Net foreign exchange gains from financing activities	-	8,096	-	7,475
Net foreign exchange gains - other	890	3,580	825	3,312
Realised net gains/(losses) from changes in value of forwards and interest rate swaps	17,770	4,729	16,759	4,729
Changes in fair value of forwards and interest rate swap	-	4,504	-	4,504
Loss of the control over subsidiaries /i/	-	13,316	-	-
Income from cassa sconto	1,957	818	1,709	743
Dividend income	-	4	-	4
Other financial gains	160	225	130	225
<b>Total financial income</b>	<b>21,291</b>	<b>35,355</b>	<b>19,931</b>	<b>21,059</b>
Interest expense	(66,170)	(71,257)	(59,591)	(64,980)
Net foreign exchange gains from financing activities	(41,918)	-	(38,603)	-
Changes in fair value of forwards and interest rate swaps	(17,844)	-	(16,833)	-
<b>Total financial expense</b>	<b>(125,932)</b>	<b>(71,257)</b>	<b>(115,027)</b>	<b>(64,980)</b>
<b>Financial expense - net</b>	<b>(104,641)</b>	<b>(35,902)</b>	<b>(95,096)</b>	<b>(43,921)</b>

/i/ Explained detailed in Note 38 – *Loss of the control over subsidiaries.*

## NOTE 12 – INCOME TAX

Income tax comprise:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
Current tax	48	22	-	-
Deferred tax	(142,291)	(7,254)	(104,982)	66,518
<b>Tax (income)/expense</b>	<b>(142,243)</b>	<b>(7,232)</b>	<b>(104,982)</b>	<b>66,518</b>

Reconciliation of the effective tax rate:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
Profit/(loss) before tax	(501,049)	101,476	(413,532)	371,124
Income tax	(90,065)	19,103	(74,436)	66,802
Tax exempt income	(30,579)	(21,484)	(26,585)	(15,372)
Non-deductible expenses	865	1,081	759	953
Investment tax credits	(22,464)	(5,932)	(4,720)	-
Effect of temporary differences not utilised	-	-	-	14,135
<b>Tax (income)/expense</b>	<b>(142,243)</b>	<b>(7,232)</b>	<b>(104,982)</b>	<b>66,518</b>
<b>Effective tax rate</b>	-	-	-	<b>17.92%</b>

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. The Company has no cash outflows based on tax payments.

### 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.

During the period of the holder of incentive measures, the Company realized a total of HRK 145,953 thousand of tax incentives for investments made according to the above mentioned application, which was fully used as of 31 December, 2021.

## NOTE 12 – INCOME TAX / CONTINUED

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 and acquired the status of investment incentive holder. The Company concluded its second three-year investment cycle on 21 September 2020.

During the period of the holder of incentive measures, the Company realized a total of HRK 139,441 thousand of tax incentives for investments made according to above mentioned application and used HRK 95,140 thousand till 31 December, 2021. For the made investments the Company disclosed deferred tax assets.

During 2021 the Company used HRK 41,205 thousand (2020: 0) tax incentives and the balance of tax assets on behalf of incentives as at 31 December 2021 amounts to HRK 44,301 thousand (2020: 85,505 thousand).

### **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 by 31 December 2021, the company Imperial Riviera d.d. disclosed in its books deferred tax assets in the name of tax incentives in the amount of HRK 63,682 thousand and used HRK 2,010 thousand. The balance of tax assets on behalf of incentives as at 31 December 2021 amounts to HRK 61,672 thousand (2020: HRK 55,740 thousand).

## NOTE 13 – EARNINGS/(LOSS) PER SHARE

### Basic

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

### GROUP

	2020	2021
Profit/(loss) attributable to equity holders (in thousands of HRK)	(329,594)	104,375
Weighted average number of shares	121,887,907	121,887,907
<b>Basic/diluted earnings/(loss) per share (in HRK)</b>	<b>(2.70)</b>	<b>0.86</b>

## NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

<b>GROUP</b>						
<i>(in thousands of HRK)</i>	<b>Land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Furniture, tools and horticulture</b>	<b>Assets under construction</b>	<b>Total</b>
<b>As at 1 January 2020</b>						
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)
<b>Carrying amount</b>	<b>977,452</b>	<b>3,587,267</b>	<b>516,604</b>	<b>204,689</b>	<b>250,218</b>	<b>5,536,230</b>
<b>Year ended 31 December 2020</b>						
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)
<b>Carrying amount at year end</b>	<b>976,429</b>	<b>3,560,464</b>	<b>488,743</b>	<b>177,670</b>	<b>444,005</b>	<b>5,647,311</b>
<b>As at 31 December 2020</b>						
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)
<b>Carrying amount</b>	<b>976,429</b>	<b>3,560,464</b>	<b>488,743</b>	<b>177,670</b>	<b>444,005</b>	<b>5,647,311</b>
<b>Year ended 31 December 2021</b>						
Opening carrying amount	976,429	3,560,464	488,743	177,670	444,005	5,647,311
Transfer within the assets	-	187,584	49,706	19,565	(256,855)	-
Additions	-	403	68	27	101,427	101,925
Disposals and write-offs	(745)	(4,054)	(475)	(553)	-	(5,827)
Depreciation	-	(335,054)	(102,935)	(44,767)	-	(482,756)
Loss of the control over subsidiaries	(3,751)	(52,190)	(2,865)	(99)	-	(58,905)
<b>Carrying amount at year end</b>	<b>971,933</b>	<b>3,357,153</b>	<b>432,242</b>	<b>151,843</b>	<b>288,577</b>	<b>5,201,748</b>
<b>As at 31 December 2021</b>						
Cost	971,933	7,108,584	1,144,902	454,290	288,577	9,968,286
Accumulated depreciation and impairment	-	(3,751,431)	(712,660)	(302,447)	-	(4,766,538)
<b>Carrying amount</b>	<b>971,933</b>	<b>3,357,153</b>	<b>432,242</b>	<b>151,843</b>	<b>288,577</b>	<b>5,201,748</b>

As at 31 December 2021, the carrying amount of land and buildings of the Group pledged as collateral for borrowings amounted to HRK 2,319,645 thousand (2020: HRK 2,010,351 thousand).

**NOTE 14 – PROPERTY, PLANT AND EQUIPMENT / CONTINUED**

<b>COMPANY</b> <i>(in thousands of HRK)</i>	<b>Land</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Furniture, tools and horticulture</b>	<b>Assets under construction</b>	<b>Total</b>
<b>As at 1 January 2020</b>						
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)
<b>Carrying amount</b>	<b>630,175</b>	<b>2,765,967</b>	<b>441,227</b>	<b>168,597</b>	<b>218,982</b>	<b>4,224,948</b>
<b>Year ended 31 December 2020</b>						
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)
<b>Carrying amount at year end</b>	<b>629,012</b>	<b>2,722,067</b>	<b>409,246</b>	<b>149,070</b>	<b>366,737</b>	<b>4,276,132</b>
<b>As at 31 December 2020</b>						
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)
<b>Carrying amount</b>	<b>629,012</b>	<b>2,722,067</b>	<b>409,246</b>	<b>149,070</b>	<b>366,737</b>	<b>4,276,132</b>
<b>Year ended 31 December 2021</b>						
Opening carrying amount	629,012	2,722,067	409,246	149,070	366,737	4,276,132
Transfer within the assets	-	123,731	31,855	9,606	(165,192)	-
Additions	-	-	-	-	66,435	66,435
Merger of subsidiary	25,753	-	-	-	-	25,753
Disposals and write-offs	(69,950)	(6,347)	(415)	(446)	-	(77,158)
Depreciation	-	(252,756)	(84,709)	(36,758)	-	(374,223)
<b>Carrying amount at year end</b>	<b>584,815</b>	<b>2,586,695</b>	<b>355,977</b>	<b>121,472</b>	<b>267,980</b>	<b>3,916,939</b>
<b>As at 31 December 2021</b>						
Cost	584,815	5,921,565	1,007,700	418,382	267,980	8,200,442
Accumulated depreciation and impairment	-	(3,334,870)	(651,723)	(296,910)	-	(4,283,503)
<b>Carrying amount</b>	<b>584,815</b>	<b>2,586,695</b>	<b>355,977</b>	<b>121,472</b>	<b>267,980</b>	<b>3,916,939</b>

As at 31 December 2021, the carrying amount of land and buildings of the Company pledged as collateral for borrowings amounted to HRK 1,861,945 thousand (2020: HRK 1,616,678 thousand).

## NOTE 14 – PROPERTY, PLANT AND EQUIPMENT / CONTINUED

Assets under construction of the Group in the amount of HRK 288,576 thousand mainly refer to the investment in hotels and apartments of HRK 262,668 thousand, investment in camping of HRK 17,359 thousand and the reconstruction, extension and adaptation of other buildings of HRK 8,506 thousand.

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

<i>(in thousands of HRK)</i>	<b>2020</b>	<b>2021</b>
Cost	115,464	124,741
Accumulated depreciation as at 1 January	(80,982)	(90,331)
Depreciation charge for the year	(3,761)	(3,597)
<b>Carrying amount</b>	<b>30,722</b>	<b>30,813</b>

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 2021, the Group realised rental income of HRK 36,349 thousand (2020: HRK 24,113 thousand), where fixed amount is HRK 30,816 thousand (2020: HRK 23,747 thousand), while variable is HRK 5,532 thousand (2020: 366 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 on 31 December 2021:

<i>(in thousands of HRK)</i>	<b>Up to 1 year</b>	<b>More than 1, but less than 5 years</b>	<b>More than 5 years</b>
Company	13,214	12,488	1,370
Group	19,170	17,497	2,163

## NOTE 15 – INVESTMENT PROPERTY

(in thousands of HRK)

	GROUP	COMPANY
<b>As at 31 December 2020</b>		
Cost	8,671	8,671
Accumulated depreciation	(4,729)	(4,729)
<b>Carrying amount</b>	<b>3,942</b>	<b>3,942</b>
<b>Year ended 31 December 2021</b>		
Opening carrying amount	3,942	3,942
Disposals and write-offs	(475)	(475)
Depreciation	(287)	(287)
<b>Carrying amount at year end</b>	<b>3,180</b>	<b>3,180</b>
<b>As at 31 December 2021</b>		
Cost	7,990	7,990
Accumulated depreciation	(4,810)	(4,810)
<b>Carrying amount</b>	<b>3,180</b>	<b>3,180</b>

As at 31 December 2021, Company and Group do not have properties pledged as collateral for loans (2020: HRK 0).

## NOTE 16 – INTANGIBLE ASSETS

### GROUP

<i>(in thousands of HRK)</i>	<b>Goodwill /i/</b>	<b>Software</b>	<b>Total</b>
<b>As at 1 January 2020</b>			
Cost	6,568	107,285	113,853
Accumulated amortisation	-	(57,664)	(57,664)
<b>Carrying amount</b>	<b>6,568</b>	<b>49,621</b>	<b>56,189</b>
<b>Year ended 31 December 2020</b>			
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)
<b>Carrying amount at year end</b>	<b>6,568</b>	<b>39,833</b>	<b>46,400</b>
<b>As at 31 December 2020</b>			
Cost	6,568	117,361	123,929
Accumulated amortization	-	(77,528)	(77,528)
<b>Carrying amount</b>	<b>6,568</b>	<b>39,833</b>	<b>46,400</b>
<b>Year ended 31 December 2021</b>			
Opening carrying amount	6,568	39,833	46,400
Additions	-	13,431	13,431
Disposals and write-offs	-	(20,280)	(20,280)
Loss of the control over subsidiaries	-	(464)	(464)
<b>Carrying amount at year end</b>	<b>6,568</b>	<b>32,520</b>	<b>39,087</b>
<b>As at 31 December 2021</b>			
Cost	6,568	129,567	136,134
Accumulated amortisation	-	(97,047)	(97,047)
<b>Carrying amount</b>	<b>6,568</b>	<b>32,520</b>	<b>39,087</b>

**NOTE 16 – INTANGIBLE ASSETS / CONTINUED**

<b>COMPANY</b>	<b>Goodwill /i/</b>	<b>Software</b>	<b>Total</b>
<i>(in thousands of HRK)</i>			
<b>As at 1 January 2020</b>			
Cost	6,568	109,368	115,936
Accumulated amortisation	-	(61,832)	(61,832)
<b>Carrying amount</b>	<b>6,568</b>	<b>47,536</b>	<b>54,104</b>
<b>Year ended 31 December 2020</b>			
Opening carrying amount	6,568	47,536	54,104
Additions	-	7,644	7,644
Amortisation	-	(19,473)	(19,473)
<b>Carrying amount at year end</b>	<b>6,568</b>	<b>35,707</b>	<b>42,275</b>
<b>As at 31 December 2020</b>			
Cost	6,568	116,534	123,102
Accumulated amortisation	-	(80,828)	(80,828)
<b>Carrying amount</b>	<b>6,568</b>	<b>35,707</b>	<b>42,275</b>
<b>Year ended 31 December 2021</b>			
Opening carrying amount	6,568	35,707	42,275
Additions	-	11,122	11,122
Amortisation	-	(18,757)	(18,757)
<b>Carrying amount at year end</b>	<b>6,568</b>	<b>28,072</b>	<b>34,640</b>
<b>As at 31 December 2021</b>			
Cost	6,568	127,443	134,011
Accumulated amortisation	-	(99,371)	(99,371)
<b>Carrying amount</b>	<b>6,568</b>	<b>28,072</b>	<b>34,640</b>

/i/ Impairment tests for goodwill

Goodwill is allocated to the cash-generating unit (CGUs) Camping Brioni, Pula. 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 – *Critical accounting estimates - (a) Impairment of non-financial assets*.

## NOTE 17 – INVESTMENT IN SUBSIDIARIES

### COMPANY

<i>(in thousands of HRK)</i>	2020	2021
<b>At beginning of the year</b>	<b>727,328</b>	<b>727,328</b>
Acquisition of subsidiaries /i/	-	352,845
Merger of subsidiary /i/	-	(115,448)
Loss of the control over subsidiary Valamar A GmbH /i/	-	(20,414)
Loss of the control over subsidiary Valamar Obertauern GmbH /i/	-	(2,507)
<b>At year end</b>	<b>727,328</b>	<b>941,804</b>

<i>(in thousands of HRK)</i>	2020	2021
Palme turizam d.o.o., Dubrovnik /i/	115,448	-
Magične stijene d.o.o., Dubrovnik	5,577	5,577
Bugenvilia d.o.o., Dubrovnik	38,542	38,542
Imperial Riviera d.d., Rab /i/	544,840	897,685
Valamar A GmbH, Tamsweg/Vienna /i/	20,414	-
Valamar Obertauern GmbH, Obertauern /i/	2,507	-
	<b>727,328</b>	<b>941,804</b>

/i/ Explained detailed in Note 1 – *General information*.

The subsidiaries Bugenvilia d.o.o. and Palme turizam d.o.o. (subsidiary till the merger to Company on 7 May 2021) generate revenue from rent of property to the Company, while Magične stijene d.o.o. and Valamar A GmbH (subsidiary till 29 November 2021) do not have business activity. Subsidiary 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 (subsidiary till 29 November 2021) performs seasonal hospitality activity in its only hotel (during winter period).

## NOTE 18A – INTEREST IN ASSOCIATE HELIOS FAROS D.D.

According to the Bankruptcy plan, determined following the investment and capital increase 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.

### GROUP

*(in thousands of HRK)*

	2020	2021
At beginning of period at acquisition cost	47,668	46,024
Share in net profit/(loss) at 31 December	(1,644)	548
<b>At end of year</b>	<b>46,024</b>	<b>46,572</b>
<b>Adjustment of share and share in net asset on 31 December</b>		
Net asset at the beginning of the period	230,889	222,671
Profit/(loss) before tax	(8,218)	2,740
<b>Net asset at the end of the period</b>	<b>222,671</b>	<b>225,411</b>
Share in net asset at the end of the period (20%)	44,534	45,082
Adjustment for goodwill (20%)	1,490	1,490
<b>At the end of the period</b>	<b>46,024</b>	<b>46,572</b>

**NOTE 18A – INTEREST IN ASSOCIATE HELIOS FAROS D.D. / CONTINUED**

<b>HELIOS FAROS d.d. 100%</b>		
<i>(in thousands of HRK)</i>	<b>31 December 2020</b>	<b>31 December 2021</b>
<b>Assets:</b>		
Non-current assets	157,685	201,925
Current assets	6,426	36,902
	<b>164,111</b>	<b>238,827</b>
<b>Liabilities:</b>		
Provisions	12,301	-
Long-term liabilities	930	1,020
Short-term liabilities	4,953	12,396
	<b>18,184</b>	<b>13,416</b>
<b>Net assets</b>	<b>145,927</b>	<b>225,411</b>
Income	9,755	44,004
Expenses	17,973	41,264
<b>Profit/(loss) before tax</b>	<b>(8,218)</b>	<b>2,740</b>
Income tax	-	-
<b>Profit/(loss) after tax</b>	<b>(8,218)</b>	<b>2,740</b>
<b>Share in profit/(loss) by equity method (20%)</b>	<b>(1,644)</b>	<b>548</b>

## NOTE 18B – INTEREST IN ASSOCIATE VALAMAR A GMBH AND VALAMAR OBERTAUERN GMBH

### Valamar Obertauern GmbH /i/

<i>(in thousands of HRK)</i>	<b>31 December 2021</b>
Share at beginning of period	3,007
Share in net profit/(loss) 1 to 31 December 2021	(27)
<b>Total share at the end of the period</b>	<b>2,980</b>
Net asset at the end of the period	29,805
Share in net asset (direct ownership 10%)	2,980
Share in net asset (indirect ownership 24.54% from 90%)	6,582
<b>Total share in net asset at the end of the period</b>	<b>9,562</b>

### Valamar A GmbH /i/

<i>(in thousands of HRK)</i>	<b>31 December 2021</b>
Share at beginning of period	27,068
Share in net profit/(loss) 1 to 31 December 2021 /ii/	(118)
<b>Total share at the end of the period</b>	<b>26,950</b>
Net asset at the end of the period	82,998
<b>Share in net asset (24.54%)</b>	<b>20,368</b>

### Valamar Obertauern and Valamar A /i/

<i>(in thousands of HRK)</i>	<b>31 December 2021</b>
Share in Valamar A at the end of the period	26,950
Share in Valamar Obertauern at the end of the period	2,980
<b>Total share at the end of the period</b>	<b>29,930</b>
Share in net asset Valamar A 24.54%	20,368
Share in net asset Valamar Obertauern (indirect and direct) /i/	9,562
<b>Total share in net asset at the end of the period</b>	<b>29,930</b>

/i/ Explained detailed in Note 1 – *General information*.

/ii/ The share in the result consists of the share in the result of Valamar Obertauern GmbH (reduced by 10% for minority interest) and in the result of Valamar A GmbH.

**NOTE 18B – INTEREST IN ASSOCIATE VALAMAR A GMBH AND VALAMAR OBERTAUERN GMBH / CONTINUED**

<i>(in thousands of HRK)</i>	<b>Valamar Obertauern GmbH</b>	<b>Valamar A GmbH</b>
	<b>31 December 2021</b>	<b>31 December 2021</b>
<b>Assets:</b>		
Non-current assets	77,374	146,014
Current assets	9,171	5,318
	<b>86,546</b>	<b>151,332</b>
<b>Liabilities:</b>		
Long-term liabilities	48,516	63,889
Short-term liabilities	8,225	4,445
	<b>56,741</b>	<b>68,334</b>
<b>Net assets</b>	<b>29,805</b>	<b>82,998</b>
Income from 1 to 31 December 2021	2,212	-
Expenses from 1 to 31 December 2021	(2,565)	(235)
<b>Profit/(loss) before tax from 1 to 31 December 2021</b>	<b>(353)</b>	<b>(235)</b>
Income tax from 1 to 31 December 2021	83	-
<b>Profit/(loss) after tax from 1 to 31 December 2021</b>	<b>(270)</b>	<b>(235)</b>
Minority interest 10%	(27)	-
<b>Profit/(loss) after tax from 1 to 31 December 2021 which belongs to Valamar A</b>	<b>(243)</b>	<b>(235)</b>
<b>Share in profit/(loss) in Valamar A by equity method (24.54%) /i/</b>	<b>(60)</b>	<b>(58)</b>

/i/ The share in the result consists of the share in the result of Valamar Obertauern GmbH (reduced by 10% for minority interest) and the result of Valamar A GmbH.

## NOTE 19A – FINANCIAL INSTRUMENTS BY CATEGORY

### GROUP

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

<i>(in thousands of HRK)</i>	<b>Cash, loans and receivables</b>	<b>Financial assets</b>	<b>Total</b>
<b>31 December 2021</b>			
<i>Assets at the reporting date</i>			
<b>Financial assets not measured at fair value</b>			
Trade receivables	29,205	-	29,205
Loans and deposits	43,180	-	43,180
Cash and cash equivalents	1,115,258	-	1,115,258
<b>Financial assets measured at fair value</b>			
Financial assets	-	391	391
<b>Total</b>	<b>1,187,643</b>	<b>391</b>	<b>1,188,034</b>

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**

<b>COMPANY</b>			
<i>(in thousands of HRK)</i>	<b>Cash, loans and receivables</b>	<b>Financial assets</b>	<b>Total</b>
<b>31 December 2020</b>			
<i>Assets at the reporting date</i>			
<b>Financial assets not measured at fair value</b>			
Trade receivables	24,462	-	24,462
Loans and deposits	666	-	666
Cash and cash equivalents	522,973	-	522,973
<b>Financial assets measured at fair value</b>			
Financial assets	-	261	261
<b>Total</b>	<b>548,101</b>	<b>261</b>	<b>548,363</b>
<i>(in thousands of HRK)</i>	<b>Cash, loans and receivables</b>	<b>Financial assets</b>	<b>Total</b>
<b>31 December 2021</b>			
<i>Assets at the reporting date</i>			
<b>Financial assets not measured at fair value</b>			
Trade receivables	46,098	-	46,098
Loans and deposits	5,622	-	5,622
Cash and cash equivalents	582,141	-	582,141
<b>Financial assets measured at fair value</b>			
Financial assets	-	359	359
<b>Total</b>	<b>633,861</b>	<b>359</b>	<b>634,220</b>

## NOTE 19A – FINANCIAL INSTRUMENTS BY CATEGORY / CONTINUED

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
<b>Liabilities at reporting date</b>				
<i>Financial liabilities – at amortised cost:</i>				
Trade and other payables	161,691	156,644	147,224	138,066
Borrowings	3,508,641	3,112,631	3,168,553	2,827,504
	<b>3,670,332</b>	<b>3,269,275</b>	<b>3,315,778</b>	<b>2,965,570</b>
<i>Financial liabilities at fair value through profit or loss:</i>				
Derivative financial instruments	16,982	7,749	16,982	7,749
	<b>3,687,314</b>	<b>3,277,024</b>	<b>3,332,760</b>	<b>2,973,319</b>

## NOTE 19B – CREDIT QUALITY OF FINANCIAL ASSETS

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
<b>Loans and deposits</b>				
Loans and deposits	702	582	639	494
	<b>702</b>	<b>582</b>	<b>639</b>	<b>494</b>

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

## NOTE 20 – FINANCIAL ASSETS

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
Listed equity securities /i/	147	221	121	219
Other	170	170	140	140
	<b>317</b>	<b>391</b>	<b>261</b>	<b>359</b>

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

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
<b>At beginning of year</b>	<b>391</b>	<b>317</b>	<b>335</b>	<b>261</b>
Change in fair value recognised in other comprehensive income	(74)	98	(74)	98
Loss of the control over subsidiaries	-	(24)	-	-
<b>At end of year</b>	<b>317</b>	<b>391</b>	<b>261</b>	<b>359</b>

## NOTE 21 – LOANS AND DEPOSITS

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
<b>Loans and Deposits /i/</b>	<b>702</b>	<b>43,180</b>	<b>667</b>	<b>5,622</b>
Less: non-current part	(89)	(5,178)	(89)	(5,178)
Current portion	613	38,002	578	444

/i/ The most significant item of loans and deposits of the Group in the amount of HRK 43,102 thousand relates to time deposits.

The carrying amounts of short-term loans and deposits approximate their fair value.

## NOTE 22 – INVENTORIES

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
Raw materials and supplies	14,260	18,890	11,937	16,911
Trade goods, small inventory and packaging material	16,076	7,420	15,359	6,707
	<b>30,336</b>	<b>26,310</b>	<b>27,296</b>	<b>23,618</b>

## NOTE 23 – TRADE AND OTHER RECEIVABLES

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
Domestic receivables /i/	29,006	23,178	27,059	21,558
Foreign receivables	1,185	1,338	1,045	979
Related parties receivables	1,599	7,294	492	27,006
Provision for impairment of trade receivables	(6,415)	(6,520)	(4,946)	(5,870)
Trade receivables – net	25,375	25,289	23,650	43,673
Accrued income	715	3,889	769	2,398
Interest receivables	43	27	43	27
<b>Total trade receivables</b>	<b>26,133</b>	<b>29,205</b>	<b>24,462</b>	<b>46,098</b>
Prepaid expenses and accrued income /ii/	54,600	19,837	45,889	18,818
VAT receivable	4,900	8,002	3,482	2,235
Advances to suppliers	2,304	668	1,698	457
Receivables from employees	298	739	277	626
Receivables from state institutions	4,529	1,113	1,313	834
Other receivables	2,047	2,591	1,967	2,422
<b>Total other receivables</b>	<b>68,678</b>	<b>32,950</b>	<b>54,627</b>	<b>25,392</b>
<b>Total trade and other receivables</b>	<b>94,811</b>	<b>62,155</b>	<b>79,088</b>	<b>71,490</b>

/i/ In 2021, Company's trade receivables in the amount of HRK 5.4 million (2020: HRK 21.5 million) relate to the re-invoicing of a joint investment in the Business Centre in Dubrovnik.

/ii/ In 2021, the Company calculated loan fees in the amount of HRK 10.5 million (2020: HRK 17.2 million) and the Group in the amount of HRK 11.2 million (2020: HRK 18 million). In 2020, the Company and the Group booked grants for net salaries and related contributions for which the Company and the Group meet the criteria for receiving the grants but was not received in 2020, in the amount of HRK 18.8 million for the Company and HRK 24.1 million for the Group.

## NOTE 23 – TRADE AND OTHER RECEIVABLES / CONTINUED

Movement of provisions for impairment of trade and other receivables:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
<b>At 1 January</b>	<b>6,254</b>	<b>6,415</b>	<b>4,969</b>	<b>4,946</b>
Increase of impairment	1,635	3,022	1,409	2,997
Collected receivables	(1,010)	(392)	(968)	(380)
Receivables written-off	(464)	(2,525)	(464)	(1,693)
<b>At 31 December</b>	<b>6,415</b>	<b>6,520</b>	<b>4,946</b>	<b>5,870</b>

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
<b>Trade receivables:</b>				
Neither past due nor impaired	11,750	18,091	11,606	36,972
Past due, but not impaired	13,625	7,198	12,044	6,701
	<b>25,375</b>	<b>25,289</b>	<b>23,650</b>	<b>43,673</b>

As at 31 December 2021, the maturities of the trade receivables, which are past due, but not impaired are as follows:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
Up to one month	11,121	965	10,956	802
One to two months	78	281	34	155
Two to three months	357	303	40	132
Over three months up to 1 year	2,069	5,649	1,014	5,613
	<b>13,625</b>	<b>7,198</b>	<b>12,044</b>	<b>6,701</b>

## NOTE 23 – TRADE AND OTHER RECEIVABLES / CONTINUED

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

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
EUR	226	817	188	536
HRK	25,149	24,472	23,462	43,137
	<b>25,375</b>	<b>25,289</b>	<b>23,650</b>	<b>43,673</b>

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

	2020		2021	
	Receivables	Liabilities	Receivables	Liabilities
Fair value of interest rate swap	-	16,982	-	7,749
<b>Total</b>	<b>-</b>	<b>16,982</b>	<b>-</b>	<b>7,749</b>
Less the non-current portion:				
Fair value of interest rate swap	-	(11,602)	-	(4,362)
<b>Current portion</b>	<b>-</b>	<b>5,380</b>	<b>-</b>	<b>3,387</b>

#### *Interest rate swaps and foreign currency forwards*

As at 31 December 2021, the contracted value of outstanding interest rate swaps amounts to HRK 444,485 thousand (2020: HRK 563,830 thousand).

As at 31 December 2021, there is no contracted value of foreign currency forwards amounts (2020: HRK 0 thousand).

As at 31 December 2021, the weighted average base interest rate fixed by the interest rate swap contract for a loan in EUR is 0.49%, while the base variable interest rate (EURIBOR) is -0.57%. 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

<b>GROUP</b>								
<i>(in thousands of HRK)</i>	<b>Property, plant and equipment</b>	<b>Financial assets</b>	<b>Trade receivables and inventories</b>	<b>Provisions</b>	<b>Tax losses</b>	<b>Tax incentive for investment</b>	<b>Exceeding borrowing costs</b>	<b>Total</b>
<b>As at 1 January 2020</b>	<b>33,717</b>	<b>3,555</b>	<b>3,683</b>	<b>7,449</b>	<b>4,641</b>	<b>140,787</b>	-	<b>193,832</b>
Other changes	4	-	-	-	59	-	-	63
Adjustment 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)
<b>As at 31 December 2020</b>	<b>33,732</b>	<b>3,544</b>	<b>3,265</b>	<b>14,355</b>	<b>101,303</b>	<b>163,090</b>	<b>12,121</b>	<b>331,410</b>
Other changes	(1)	-	-	-	(11)	-	-	(12)
Adjustment of deferred tax assets in profit and loss related to inter-group transaction	15,839	-	-	-	(392)	48,860	-	64,307
Loss of the control over subsidiaries	(407)	-	-	-	(4,688)	-	-	(5,095)
Credited to the income	18	-	-	6,959	149	5,932	-	13,058
Debited to the income	(15,921)	(1,662)	-	(2,826)	(840)	(41,205)	(12,121)	(74,575)
<b>As at 31 December 2021</b>	<b>33,260</b>	<b>1,882</b>	<b>3,265</b>	<b>18,488</b>	<b>95,521</b>	<b>176,677</b>	-	<b>329,093</b>
<b>COMPANY</b>								
<i>(in thousands of HRK)</i>	<b>Property, plant and equipment</b>	<b>Financial assets</b>	<b>Trade receivables and inventories</b>	<b>Provisions</b>	<b>Tax losses</b>	<b>Tax incentive for investment</b>	<b>Exceeding borrowing costs</b>	<b>Total</b>
<b>As at 1 January 2020</b>	<b>15,338</b>	<b>4,566</b>	<b>3,682</b>	<b>5,986</b>	-	<b>80,786</b>	-	<b>110,359</b>
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)
<b>As at 31 December 2020</b>	<b>15,275</b>	<b>4,554</b>	<b>3,264</b>	<b>12,282</b>	<b>81,468</b>	<b>85,506</b>	<b>12,121</b>	<b>214,471</b>
Merger of subsidiary	<b>16,141</b>	-	-	-	-	-	-	<b>16,141</b>
Credited to the income	18	-	-	6,301	-	-	-	6,319
Debited to the income	(15,921)	(1,662)	-	(2,798)	-	(41,205)	(12,121)	(73,707)
<b>As at 31 December 2021</b>	<b>15,513</b>	<b>2,892</b>	<b>3,264</b>	<b>15,785</b>	<b>81,468</b>	<b>44,301</b>	-	<b>163,224</b>

## NOTE 25 – DEFERRED TAX ASSET / LIABILITY / CONTINUED

### DEFERRED TAX LIABILITY

#### GROUP

<i>(in thousands of HRK)</i>	Financial assets	Fair value of land and buildings	Total
<b>As at 1 January 2021</b>	<b>15</b>	<b>58,277</b>	<b>58,292</b>
Other changes	(5)	-	(5)
Loss of the control over subsidiaries	-	(2,075)	(2,075)
Credited/(debited) to the income	-	(4,465)	(4,465)
Credited/(debited) to the other comprehensive income	18	-	18
<b>As at 31 December 2021</b>	<b>28</b>	<b>51,737</b>	<b>51,765</b>

#### COMPANY

<i>(in thousands of HRK)</i>	Financial assets	Fair value of land and buildings	Total
<b>As at 1 January 2021</b>	<b>(7)</b>	<b>13,314</b>	<b>13,307</b>
Credited/(debited) to the income	-	(870)	(870)
Credited/(debited) to the other comprehensive income	18	-	18
<b>As at 31 December 2021</b>	<b>11</b>	<b>12,444</b>	<b>12,455</b>

## NOTE 26 – CASH AND CASH EQUIVALENTS

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
Giro-accounts and current accounts	381,428	490,033	260,239	30,769
Cash in hand	15	82	-	-
Foreign currency accounts	28,235	174,113	6,480	100,340
Time deposits up to one month	256,255	451,030	256,255	451,032
	<b>665,933</b>	<b>1,115,258</b>	<b>522,974</b>	<b>582,141</b>

The interest rate on cash and cash equivalents is up to 0.02% (2020: up to 0.10%).

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

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
HRK	401,606	511,339	280,417	51,994
EUR	261,984	602,489	240,768	529,374
CHF	429	2	429	2
Other	1,913	1,428	1,360	771
	<b>665,933</b>	<b>1,115,258</b>	<b>522,974</b>	<b>582,141</b>

## NOTE 27 – SHARE CAPITAL

The authorised and registered share capital of the Company in 2021 amounts to HRK 1,672,021 thousand (2020: HRK 1,672,021 thousand) and comprises 126,027,542 ordinary shares (2020: 126,027,542) with no prescribed nominal value. All the shares are fully paid.

The ownership structure as at 31 December is as follows:

<b>2020</b>	<b>Number of shares</b>	<b>%</b>
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
<b>Total</b>	<b>126,027,542</b>	<b>100.00</b>
<b>2021</b>	<b>Number of shares</b>	<b>%</b>
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	2,210,408	1.75
OTP Banka d.d./Erste plavi OMF kategorije B/Custodian, Split	1,566,042	1.24
HPB d.d./Kapitalni fond d.d./Custodian, Zagreb	1,419,657	1.13
Privredna banka Zagreb d.d./Skrbnički zbirni račun klijenta/Custodian, Zagreb	1,331,424	1.06
Treasury shares	4,139,635	3.28
Other shareholders - free float	47,596,119	37.77
<b>Total</b>	<b>126,027,542</b>	<b>100.00</b>

## NOTE 27 – SHARE CAPITAL / CONTINUED

In 2021, 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 2021.

As at 31 December 2021, the Company owned 4,139,635 of their treasury shares (2020: 4,139,635), which represents 3.28% (2020: 3.28%) of the Company's registered capital.

## NOTE 28 – RESERVES AND RETAINED EARNINGS

### a) Capital reserves

As at 31 December 2021, the capital reserves of the Group amounted to HRK 5,224 thousand (2020: HRK 5,224 thousand). As at 31 December 2021, the capital reserves of the Company amounted to HRK 5,711 thousand (2020: HRK 5,711 thousand).

## NOTE 28 – RESERVES AND RETAINED EARNINGS / CONTINUED

### b) Reserves and retained earnings

<b>GROUP</b>		
<i>(in thousands of HRK)</i>	<b>2020</b>	<b>2021</b>
Legal reserves	83,601	83,601
Fair value reserves	1	81
Other reserves	161,993	163,749
Retained earnings	363,625	467,737
	<b>609,220</b>	<b>715,167</b>
<b>Changes in reserves:</b>		
<b>Legal reserves</b>		
At beginning of the year	83,601	83,601
<b>At year end</b>	<b>83,601</b>	<b>83,601</b>
<b>Fair value reserves</b>		
At beginning of the year	61	1
Change in fair value financial assets	(60)	80
<b>At year end</b>	<b>1</b>	<b>81</b>
<b>Other reserves</b>		
At beginning of the year	160,851	161,993
Return of uncollected dividend from other reserves	1,142	1,756
<b>At year end</b>	<b>161,993</b>	<b>163,749</b>
<b>Retained earnings</b>		
At beginning of the year	690,708	363,625
Result for the year	(329,594)	104,375
Return of uncollected dividend from retained earnings	2,248	-
Exchange rate differences from foreign business	263	(263)
<b>At year end</b>	<b>363,625</b>	<b>467,737</b>

## NOTE 28 – RESERVES AND RETAINED EARNINGS / CONTINUED

### b) Reserves and retained earnings / CONTINUED

<b>COMPANY</b>		
<i>(in thousands of HRK)</i>	<b>2020</b>	<b>2021</b>
Legal reserves	83,601	83,601
Fair value reserve	1	81
Other reserves	176,476	105,846
Retained earnings	571,832	876,438
	<b>831,910</b>	<b>1,065,966</b>
<b>Changes in reserves:</b>		
<b>Legal reserves</b>		
At beginning of the year	83,601	83,601
<b>At year end</b>	<b>83,601</b>	<b>83,601</b>
<b>Fair value reserves</b>		
At beginning of the year	61	1
Change in fair value financial assets	(60)	80
<b>At year end</b>	<b>1</b>	<b>81</b>
<b>Other reserves</b>		
At beginning of the year	175,334	176,476
Return of uncollected dividend from other reserves	1,142	1,756
Merger of subsidiary	-	(72,386)
<b>At year end</b>	<b>176,476</b>	<b>105,846</b>
<b>Retained earnings</b>		
At beginning of the year	878,134	571,832
Result for the year	(308,550)	304,606
Return of uncollected dividend from retained earnings	2,248	-
<b>At year end</b>	<b>571,832</b>	<b>876,438</b>

## 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 2021, the legal reserves of the Group and the Company amounted to HRK 83,601 thousand or 5.00% of the share capital (2020: 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 2021, treasury share reserves amounted to HRK 136,815 thousand.

As at 31 December 2021, other reserves of the Group amounted to HRK 163,749 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 2021, other reserves of the Company amounted to HRK 105,845 thousand, which consist of treasury shares in the amount of HRK 136,815 thousand and losses from the merger of subsidiaries.

The Company did not pay out a dividend in 2020 and 2021.

### *Fair value reserves*

As at 31 December 2021, the fair value reserves of the Company and the Group amounted to HRK 81 thousand. These reserves are not distributable and relate to the fair value of financial assets.

## NOTE 29 – BORROWINGS

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
<b>Current</b>				
Bank borrowings	553,319	565,524	508,958	523,631
Non-current part of borrowings - waivers after balance sheet date /i/	185,009	-	185,009	-
Finance lease	38	-	-	-
	<b>738,366</b>	<b>565,524</b>	<b>693,967</b>	<b>523,631</b>
<b>Non-current</b>				
Bank borrowings	2,770,276	2,547,107	2,474,586	2,303,873
	<b>2,770,276</b>	<b>2,547,107</b>	<b>2,474,586</b>	<b>2,303,873</b>
<b>Total borrowings</b>	<b>3,508,641</b>	<b>3,112,631</b>	<b>3,168,553</b>	<b>2,827,504</b>

/i/ Current borrowings in 2020 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 2,319,645 thousand (2020: HRK 2,010,351 thousand) (Note 14 - *Property, plant and equipment*). Current bank borrowings are secured with promissory notes in the amount of HRK 217,998 thousand (2020: HRK 297,614).

Non-current bank borrowings are secured with a pledge over Company's property facilities and movable property with a net book value of HRK 1,861,945 thousand (2020: HRK 1,616,678 thousand) (Note 14 - *Property, plant and equipment*). Current bank borrowings are secured with promissory notes in the amount of HRK 217,998 thousand (2020: HRK 297,614).

As at 31 December 2021, the Company had unused lines of credit contracted with financial institutions for 2021 in the total amount of HRK 278,135 thousand, and the Group in the total amount of HRK 278,135 thousand.

## NOTE 29 – BORROWINGS / CONTINUED

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

<b>GROUP</b>	<b>2020</b>		<b>2021</b>	
	<i>(in thousands of HRK)</i>	<b>%</b>	<i>(in thousands of HRK)</i>	<b>%</b>
<b>Borrowings:</b>				
EUR	3,409,331	0% - 3%	2,994,019	0.93% - 3%
HRK	99,310	0% - 2.95%	118,612	0% - 2.95%
	<b>3,508,641</b>		<b>3,112,631</b>	

<b>COMPANY</b>	<b>2020</b>		<b>2021</b>	
	<i>(in thousands of HRK)</i>	<b>%</b>	<i>(in thousands of HRK)</i>	<b>%</b>
<b>Borrowings:</b>				
EUR	3,156,241	0.76% - 3%	2,817,273	0.93% - 3%
HRK	12,312	2% - 2.05%	10,231	2.0%
	<b>3,168,553</b>		<b>2,827,504</b>	

## NOTE 29 – BORROWINGS / CONTINUED

Maturities of non-current borrowings are as follows:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
1-3 years	784,381	862,999	706,497	778,346
3-6 years	884,057	830,510	786,304	754,378
Over 6 years	1,101,838	853,598	981,785	771,149
	<b>2,770,276</b>	<b>2,547,107</b>	<b>2,474,586</b>	<b>2,303,873</b>

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

<i>(in thousands of HRK)</i>	Carrying amounts		Fair value	
	2020	2021	2020	2021
Group	2,770,276	2,547,107	2,716,086	2,501,401
Company	2,474,586	2,303,873	2,427,136	2,264,500

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 1.97% (2020: 1.98%). 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 within the scope of IFRS 16 Leases. 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:

<b>GROUP</b>				
<i>(in thousands of HRK)</i>	<b>Property</b>	<b>Land</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>As at 1 January 2020</b>	<b>1,760</b>	<b>10,070</b>	<b>3,694</b>	<b>15,524</b>
Additions	134	933	173	1,240
Depreciation	(809)	(2,571)	(1,021)	(4,401)
Modifications and other (premature termination)	(336)	(191)	(172)	(699)
<b>As at 31 December 2020</b>	<b>749</b>	<b>8,241</b>	<b>2,674</b>	<b>11,664</b>
Additions	6,168	3,174	-	9,342
Depreciation	(679)	(2,393)	(943)	(4,015)
Modifications and other (premature termination)	(254)	(41)	(56)	(351)
<b>As at 31 December 2021</b>	<b>5,984</b>	<b>8,981</b>	<b>1,675</b>	<b>16,640</b>
<b>COMPANY</b>				
<i>(in thousands of HRK)</i>	<b>Property</b>	<b>Land</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>As at 1 January 2020</b>	<b>2,240</b>	<b>10,241</b>	<b>3,358</b>	<b>15,839</b>
Additions	950	827	173	1,950
Depreciation	(1,151)	(2,679)	(986)	(4,816)
Modifications and other (premature termination)	(336)	(191)	-	(527)
<b>As at 31 December 2020</b>	<b>1,703</b>	<b>8,198</b>	<b>2,545</b>	<b>12,446</b>
Additions	6,321	3,274	-	9,595
Depreciation	(1,040)	(2,381)	(908)	(4,329)
Modifications and other (premature termination)	(255)	(535)	(56)	(846)
<b>As at 31 December 2021</b>	<b>6,729</b>	<b>8,554</b>	<b>1,582</b>	<b>16,866</b>

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

Lease liabilities and the movements during the period:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
<b>As at 1 January</b>	<b>12,006</b>	<b>9,169</b>	<b>12,359</b>	<b>9,973</b>
Additions	1,238	8,643	1,958	8,875
Accretion of interest	305	346	340	364
Payments	(3,676)	(3,857)	(4,142)	(4,196)
Modifications and other (premature termination)	(705)	(348)	(542)	(835)
<b>As at 31 December</b>	<b>9,168</b>	<b>13,953</b>	<b>9,973</b>	<b>14,181</b>
Current liabilities	2,243	2,680	2,582	2,969
Non-current liabilities	6,925	11,273	7,391	11,212

Leases in profit and loss:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
Depreciation expense of right-of use assets	4,406	4,015	4,816	4,328
Interest expense on lease liabilities	305	346	340	364
Expense relating to short-term leases	52	173	52	173
Variable lease payments	118	1,814	118	1,814
<b>Total</b>	<b>4,881</b>	<b>6,348</b>	<b>5,326</b>	<b>6,679</b>

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 Note 11 - Interest expense. Expense relating to short-term leases are included in Note 7 – Rent. Variable lease payments are included in Note 7 – Rent and Note 9 - Municipal charges, concessions and other.

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

In 2021 total cash outflows for amounted to HRK 6,059 thousand (2020: HRK 4,312 thousand) for the Company and HRK 5,709 thousand (2020: HRK 3,846 thousand) for the Group (including cash outflows for short-term leases and variable lease payments).

Undiscounted future cash outflows for the leases on 31 December 2021 to which the Company and the Group are potentially exposed that are not reflected in the measurement of lease liabilities (not included in calculation of the assets and liabilities present value):

<i>(in thousands of HRK)</i>	<b>GROUP</b>	<b>COMPANY</b>
Extension – not certain	3,748	3,194
Variable lease payments	1,417	1,417

## NOTE 31 – TRADE AND OTHER PAYABLES

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
Trade payables	61,725	67,447	49,910	51,095
Trade payables – related parties	84	63	220	131
Interest payable	33,727	29,168	32,895	29,002
Bills of exchange liabilities	6,625	-	6,625	-
Concession fees payable	59,529	59,966	57,575	57,838
	161,690	156,644	147,225	138,066
Minus: non-current part <i>/i/</i>	(57,609)	(58,046)	(55,656)	(55,917)
<b>Current part</b>	<b>104,081</b>	<b>98,598</b>	<b>91,569</b>	<b>82,149</b>
Liabilities for dividend	389	380	10	-
Liabilities to employees	19,187	28,794	15,921	24,805
Liabilities for calculated vacation and redistribution hours	2,496	10,908	1,533	9,379
Liabilities for taxes and contributions and similar charges	6,129	16,509	4,665	14,662
Accrued VAT liabilities in unrealized income	121	483	121	295
Advances received	69,609	40,344	61,768	36,065
Liabilities for calculated costs	28,673	22,605	23,340	19,853
Other liabilities	10,707	10,698	10,310	8,685
<b>Total current liabilities</b>	<b>241,390</b>	<b>229,319</b>	<b>209,237</b>	<b>195,893</b>
<b>Total trade payables and other liabilities</b>	<b>298,999</b>	<b>287,365</b>	<b>264,893</b>	<b>251,810</b>

*/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:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
EUR	35,632	32,311	34,759	32,276
GBP	23	87	23	87
USD	17	107	17	107
HRK	126,018	124,139	112,426	105,596
	<b>161,690</b>	<b>156,644</b>	<b>147,224</b>	<b>138,066</b>

## NOTE 32 – PROVISIONS AND OTHER ACCRUED EXPENSES

### GROUP

(in thousands of HRK)

	Termination benefits and jubilee awards	Legal proceedings	Bonuses	Other provisions /i/	Total
<b>As at 1 January 2021</b>	<b>32,477</b>	<b>57,420</b>	<b>19,751</b>	-	<b>109,648</b>
Additional provisions	9,739	2,193	-	28,164	40,096
Used during year	(350)	-	-	-	(350)
Reversed during year	(10,809)	(9,496)	-	-	(20,305)
Loss of the control over subsidiaries	(64)	-	-	-	(64)
<b>As at 31 December 2021</b>	<b>30,993</b>	<b>50,117</b>	<b>19,751</b>	<b>28,164</b>	<b>129,025</b>
<b>2021</b>					
Current part	1,164	-	19,751	-	<b>20,914</b>
Non-current part	29,829	50,117	-	28,164	<b>108,111</b>

### COMPANY

(in thousands of HRK)

	Termination benefits and jubilee awards	Legal proceedings	Bonuses	Other provisions /i/	Total
<b>As at 1 January 2021</b>	<b>27,204</b>	<b>36,379</b>	<b>17,563</b>	-	<b>81,146</b>
Additional provisions	9,317	1,936	-	24,828	36,081
Used during year	(85)	-	-	-	(85)
Reversed during year	(10,653)	(9,472)	-	-	(20,125)
<b>As at 31 December 2021</b>	<b>25,783</b>	<b>28,843</b>	<b>17,563</b>	<b>24,828</b>	<b>97,017</b>
<b>2021</b>					
Current part	818	-	17,563	-	<b>18,381</b>
Non-current part	24,965	28,843	-	24,828	<b>78,636</b>

/i/ Other provisions for the Group and the Company mostly relate to the lease of tourist land explained in the Note 4 – *Critical accounting estimates*.

## NOTE 32 – PROVISIONS AND OTHER ACCRUED EXPENSES / CONTINUED

### *Legal cases of the Company*

Provisions for litigation mostly relate to:

1. Real estate in Dubrovnik, as follows:

- a) on the sold construction land from 1996 with a total area of 10,441 m<sup>2</sup> which was not included in the estimated value during the transformation and privatization of the company Dubrovnik - Babin kuk d.d. Due to the impossibility of registering ownership, some buyers filed a lawsuit with the Municipal Court in Dubrovnik with a request to terminate the sales contract, so a reservation was made for future payments according to the sale prices of land from sales contracts and interest;
- b) a dispute over damages in the name of sold business premises in Dubrovnik from 1999 for which the buyer/plaintiff is still not registered in the land register.

2. Real estate on the island of Krk, as follows:

- a) in relation to the sold land, which in part was not assessed in the process of transformation and privatization of the company Zlatni otok d.d., so the buyer

recourse claims the amount paid to the Republic of Croatia for the unvalued part;

- b) in relation to the request of the owners of real estate that are to a lesser extent within the Krk camp, for the payment of compensation for the benefits for the use of someone else's real estate;
- c) to the property-legal claims of the book and/or non-book owners of a part of the real estate in the Bunculuka camp in Baška, and
- d) dispute over the real estate in the Bunculuka camp and the land of the administrative building of the Krk Branch.

### *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 2021 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

	Country	OWNERSHIP AT 31 DECEMBER	
		2020	2021
Palme turizam d.o.o. /i/	Croatia	100.00%	-
Magične stijene d.o.o.	Croatia	100.00%	100.00%
Bugenvilia d.o.o.	Croatia	100.00%	100.00%
Imperial Riviera d.d. /i/	Croatia	43.68%	46.27%
Valamar A GmbH /i/	Austria	100.00%	-
Valamar Obertauern GmbH /i/	Austria	100.00%	-

/i/ Explained detailed in Note 1 – *General information*.

## 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 2021, provisions for certain legal proceedings have been made for which the Company anticipates outflows of HRK 28,843 thousand. The Company and the Group do not anticipate other contingent liabilities based on legal disputes.

### Transformation and privatisation audit and land ownership

A transformation and privatisation audit were 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 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 and 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 2021 amount to HRK thousand 544,910 thousand (2020: HRK 515,432 thousand). The contracted capital commitments of the Group in respect to investments in tourism facilities at 31 December 2021 amount to HRK 597,391 thousand (2020: HRK 535,627 thousand).

The company is the guarantor of the loan related-party Valamar Obertauern GmbH. The estimated maximum amount of the guarantee that can be realized is HRK 48,647 thousand. The loan of the related-party is secured by mortgages on the real estate of Valamar Obertauern GmbH. The Company estimates the very low probability of incurring an actual obligation under the guarantee.

## NOTE 35 – CASH GENERATED FROM OPERATIONS

Adjustment of profit with cash generated from operations:

<i>(in thousands of HRK)</i>	GROUP		COMPANY	
	2020	2021	2020	2021
Profit/(loss) before taxation	(501,049)	101,476	(413,532)	371,124
<b>Adjustment for:</b>				
Depreciation and amortisation	496,444	507,336	391,987	397,597
Net gains on sale of property, plant and equipment and intangible assets	(4,777)	(1,820)	(5,180)	(281,702)
Write-off of property, plant and equipment	1,532	3,892	1,202	2,511
Provision for impairment of trade and other receivables - net	625	2,631	441	2,617
Finance costs - net	110,017	63,074	100,130	57,419
Loss of the control over subsidiaries	-	(13,316)	-	-
Fair value gains/(loss) from financial instruments - net and financial assets	74	(9,233)	74	(9,233)
Share in net profit/(loss) of associates	1,644	(404)	-	-
Increase in provisions - net	22,152	25,063	20,421	21,539
<b>Changes in:</b>				
- Trade and other receivables	(46,516)	20,098	(41,213)	861
- Inventories	(4,511)	3,782	(4,911)	3,678
- Trade and other payables	(82,313)	(22,602)	(58,985)	(28,430)
<b>Cash generated from operations</b>	<b>(6,678)</b>	<b>679,977</b>	<b>(9,566)</b>	<b>537,981</b>

## 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 2020 and 2021 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 (until 15 June, 2021, when the member mandate of the Company's Supervisory Board, Mr. Vicko Ferić, ended), Magične stijene d.o.o., Dubrovnik, Palme turizam d.o.o., Dubrovnik (until 7 May 2021 when it was merged with Parent Company Valamar Riviera d.d.), Imperial Riviera d.d., Rab, with subsidiary Praona d.o.o., Makarska, Valamar A GmbH, Tamsweg/Vienna with subsidiaries WBVR Beteiligungs GmbH, Vienna and ContiEstates AG, Zug (Switzerland), Valamar Obertauern GmbH, Obertauern, Helios Faros d.d., Stari Grad, Kamenolom Pridraga d.o.o., Pridraga, Flexi Oscar d.o.o., Zagreb (since March 2, 2021, when the Deputy Chairman of the Supervisory Board, Mr. Mladen Markoč, became a member of the company), DPN JEDAN d.o.o. Zagreb (since October 20, 2021, when the Deputy Chairman of the Supervisory Board, Mr. Mladen Markoč, founded the company), Agro-kapital d.o.o., Grožnjan (from 16 June 2021 when the mandate of the member of the Supervisory Board Mr. Boris Galić began to 30 November 2021 when he sold all shares in this company), B10 Istrian fusion d.o.o., Grožnjan (from 16 June 2021 when the mandate of the member of the Supervisory Board Mr. Boris Galić began), YES International AG, Lachen, Switzerland and yes.com AG, Lachen, Switzerland (from 16 June 2021 when the mandate of the member of the Supervisory Board Mr. Daniel Goldscheider began). Related party are also lawyers Mladen Markoč i Relja Pečina, Zagreb and Obrt za poduku Bucolaj, Novigrad (from 16 June 2021 when the mandate of the member of the Supervisory Board Mr. Ivan Ergović began).

### Management Agreement

As of 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.

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 structuration 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. A fee has also been agreed.

**NOTE 36 – RELATED PARTY TRANSACTIONS / CONTINUED**

Related party transactions were as follows:

<b>GROUP</b>		
<i>(in thousands of HRK)</i>	<b>2020</b>	<b>2021</b>
<b>Sale of goods and services</b>		
Other parties related to the owners and corporate governance bodies	1	1
Associate with participating interest	1,918	8,601
	<b>1,919</b>	<b>8,602</b>
<b>Purchase of services</b>		
Other parties related to the owners and corporate governance bodies	217	480
Associate with participating interest	18	239
	<b>235</b>	<b>719</b>
<b>Trade and other receivable</b>		
Associate with participating interest	331	7,294
	<b>331</b>	<b>7,294</b>
<b>Liabilities</b>		
Other parties related to the owners and corporate governance bodies	84	23
Associate with participating interest	-	39
	<b>84</b>	<b>63</b>

**NOTE 36 – RELATED PARTY TRANSACTIONS / CONTINUED**

<b>COMPANY</b>	<b>2020</b>	<b>2021</b>
<i>(in thousands of HRK)</i>		
<b>Sale of goods and services</b>		
Subsidiaries /i/	6,829	312,947
Associate with participating interest	1,918	8,601
Other parties related to the owners and corporate governance bodies	1	1
	<b>8,748</b>	<b>321,549</b>
<b>Purchase of services</b>		
Subsidiaries	1,136	3,830
Associate with participating interest	18	239
Other parties related to the owners and corporate governance bodies	217	430
	<b>1,371</b>	<b>4,499</b>
<b>Trade and other receivable</b>		
Subsidiaries	161	19,712
Associate with participating interest	331	7,294
	<b>492</b>	<b>27,006</b>
<b>Other receivables</b>		
Subsidiaries	26	26
	<b>26</b>	<b>26</b>
<b>Trade and other payables</b>		
Subsidiaries	136	70
Associate with participating interest	-	39
Other parties related to the owners and corporate governance bodies	84	22
	<b>220</b>	<b>131</b>
<b>Loans given</b>		
Subsidiaries	28	28
	<b>28</b>	<b>28</b>

/i/ Explained detailed in Note 10 – *Other gains/(losses) – net.*

**NOTE 36 – RELATED PARTY TRANSACTIONS/ CONTINUED**

**Board personnel compensation**

<i>(in thousands of HRK)</i>	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>
Salaries	2,799	3,472	1,717	2,293
Pension contributions	593	699	263	338
Health insurance contribution	732	938	444	553
Other costs (contribution and taxes)	1,105	1,054	715	759
	<b>5,230</b>	<b>6,164</b>	<b>3,139</b>	<b>3,944</b>

In 2021, Board personnel compensation are related to 6 Group Board members (2020: 9 Board members), and for the Company 2 members (2020: 2 members). Company's Supervisory Board fees during 2021 amounted to HRK 2,734 thousand (2020: HRK 1,294 thousand).

## NOTE 37 – MERGER OF A SUBSIDIARY

The merger of Palme turizam d.o.o. into the Company was entered in the court register on 7 May 2021. The legal effect of the merger started as of 8 May 2021. After the registration of the merger, Palme turizam d.o.o. ceased to exist and the Company became the universal legal successor of the merged company: all the assets, rights and liabilities of Palme turizam d.o.o. were transferred to the Company.

Statement of comprehensive income of the Group includes the results of the merged companies for the whole current year. Statement of comprehensive income of the Company includes the results of the merged companies from the merger date.

Assets and liabilities in 2021 at merger date are:

	<b>PALME TURIZAM d.o.o.</b>
<i>(in thousands of HRK)</i>	<b>7 May 2021</b>
<b>ASSETS</b>	
Property, plant and equipment (Note 14)	25,753
Deferred tax assets (Note 25)	16,141
Trade and other receivables	72
Cash and cash equivalents	1,110
<b>LIABILITIES</b>	
Payables and other liabilities	(14)
<b>Net assets acquired</b>	<b>43,062</b>
<b>Less: elimination of the Company's share in subsidiary</b>	<b>(115,448)</b>
<b>Net effect on equity at merger</b>	<b>(72,386)</b>

## NOTE 38 – LOSS OF THE CONTROL OVER SUBSIDIARIES

The Group lost control of its subsidiaries Valamar A GmbH and Valamar Obertauern GmbH and ceased to disclose the assets and liabilities of these companies in the consolidated financial statements. According to IFRS 10, the income and expenses of Valamar A GmbH and Valamar Obertauern GmbH are recognized in the consolidated statement of the Group's comprehensive income until 29 November, 2021. As of 1 December, 2021, the Group has significant influence in Valamar A GmbH and Valamar Obertauern GmbH and is disclosed in the consolidated financial statements using the equity method.

The Group did not receive any compensation for the loss of control over its subsidiaries Valamar A GmbH and Valamar Obertauern GmbH, due to the diluted ownership through capital increase of the companies concerned as described in Note 1 – *General information*.

Gains from the loss of control over subsidiaries are included in financial revenues of 2021.

An overview of assets and liabilities in 2021 over which the Group lost control and the effect of the loss of control over subsidiaries is presented in the table:

<b>LOSS OF THE CONTROL OVER SUBSIDIARIES</b>	<b>Valamar A GmbH and Valamar Obertauern GmbH</b>
<i>(in thousands of HRK)</i>	<b>29 November 2021</b>
<b>ASSETS</b>	
<b>Non-current assets</b>	
Intangible assets	464
Property, plant and equipment	58,905
Financial assets	24
Deferred tax assets	5,095
<b>Current assets</b>	
Inventories	243
Trade and other receivables	3,512
Loans and deposits	22
Cash and cash equivalents	3,203
	<b>71,468</b>
<b>LIABILITIES</b>	
<b>Non-current liabilities</b>	
Borrowings	(46,249)
Deferred tax liabilities	(2,075)
<b>Current liabilities</b>	
Borrowings	(4,511)
Trade and other payables	(1,676)
	<b>(54,511)</b>
<b>Net assets of subsidiaries over which control is lost</b>	<b>16,957</b>
<b>Exchange rate differences from foreign business</b>	<b>(198)</b>
Share fair value	30,075
Less: Net assets of subsidiaries over which control is lost and exchange rate differences from foreign business	(16,759)
<b>Gains from the loss of the control over subsidiaries</b>	<b>13,316</b>

### **NOTE 39 – AUDIT FEES**

The fees for audit of the financial statements of the Group amounted to HRK 898 thousand (2020: HRK 866 thousand), while the fees for other services amounted to HRK 143 thousand (2020: HRK 121 thousand).

Other services in 2020 and 2021 are related to audit of Report on Board and Supervisory Board personnel compensation.

### **NOTE 40 – SUBSEQUENT EVENTS**

On 31 January 2022 the Company concluded legal transaction with subsidiary Imperial Riviera d.d. on transfer of three hotel with total of 947 accommodation units, being precisely Valamar Lacroma Dubrovnik Hotel, Club Dubrovnik Sunny Hotel by Valamar and Tirena Sunny Hotel by Valamar of acquisition value of HRK 717,766 thousand. Considering the interests of the acquirer of the mentioned hotels, the financing of this transaction is ensured by taking over the Company's loan obligations, while rest of the amount shall be paid in cash.

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