

INTEGRATED ANNUAL REPORT AND SUSTAINABILITY 2021

VALAMAR RIVIERA d.d.



VALAMAR
All you can holiday

MESSAGE FROM THE CHAIRMAN



GUSTAV WURMBÖCK,
Supervisory Board
Chairman

I am proud to present the seventh Valamar Riviera Integrated Annual Report and Sustainability 2021, which is a testimony to Valamar's integrated view of governing our business, sustainability and corporate social responsibility as interrelated and aligned agendas. In this report you will find an overview of Valamar's key accomplishments and initiatives across our business for 2021. The report before you also demonstrates our continuous efforts to improve stakeholder relationships and create value for our guests, employees, destinations, suppliers and shareholders while promoting responsible business practices. The Integrated Annual Report and Sustainability 2021 is written in accordance with GRI standards, globally recognized practice of business and sustainability reporting, and for the first time includes certain sustainability indicators prescribed by the EU Taxonomy Regulation which will come fully into force in the coming years.

Moreover, as a recognition of the importance of the sustainability agenda for Valamar and for business and society overall, in 2021 we established a Digital & Sustainability Committee within the Supervisory board and expanded the Valamar Management board with a new member who also serves as the Chief Sustainability Officer. In this report we present Valamar's ESG strategy for 2022-2025, which encompasses our environmental, social, and governance goals and initiatives until 2025, including our commitments to reach carbon neutrality by 2025 in Scope 1&2 and to invest more than 50 million euro in our destinations and social impact. I am proud to say that Valamar Riviera is the first Croatian tourism company to formulate clear and measurable sustainability targets and commitments going forward making another step in becoming a sustainability leader in responsible tourism in Europe.

The year 2021 was successful despite the ongoing coronavirus pandemic and its effects on the tourism sector and people's lives in general. Valamar has achieved a number of key goals, but I am most proud of the fact that we managed to protect all jobs with our "Pause, Restart" program, as well as to give additional awards such as the 13th salary and Christmas bonuses to our employees who worked in extraordinary conditions to make the summer season a success. In 2021, Valamar has also kept its long-standing position as the best employer in tourism, and among 20 most desirable employers in Croatia.

We continued investing in new products and services; we launched a new lifestyle brand PLACES by Valamar and developed new green initiatives and digitalization projects. As a result of many years of investments in solar energy, Valamar now produces enough electricity to supply the island of Sv. Nikola,

hence Valamar Isabella Island Resort became the first resort in Croatia exclusively powered by solar energy. In the fall of 2021, across the managed and owned portfolio we opened a new investment cycle worth HRK 525 million focused on portfolio upscaling, quality and service excellence, green and sustainable tourism, and increased digital investments.

Valamar continues to expand its presence in Obertauern in Austria where we plan to manage three hotels as of 2023 and employ our employees from Croatia during the winter season. We have also successfully expanded strategic partnerships with pension funds and announced the 2022 opening of the first sustainable green resort in Croatia on the island of Hvar, as well as continued investments in Dubrovnik and Makarska.

Even in the time of crisis, Valamar has been recognized for our innovation and service excellence, receiving numerous domestic and international awards. Valamar has been recently named European Climate Leader by the Financial Times and received the National Environmental Award – Green Prix in the category "Decarbonize the society".

Valamar's sustainable business practices detailed in this report are important in ensuring that value is created for all our stakeholders. During the crisis in 2020 and 2021 Valamar benefited from our leadership in corporate governance, employee and supplier relations, and overall transparency in stakeholder relations. We will continue to provide our guests with service excellence and our employees with opportunities for career development. Going forward, Valamar will increase our focus on investment in growth and development within the framework of the Valamar ESG strategy presented in this report.

MESSAGE FROM THE CEO



ŽELJKO KUKURIN,
PH.D., CEO of the
Management Board of
Valamar Riviera d.d.

2021 was another year in which tourism and hospitality companies felt the impact of the pandemic. Valamar Group achieved significant business recovery reaching 89% of pre-crisis 2019 level, optimized the debt-to-EBITDA ratio to pre-crisis levels (below three times), realized strategic advances in product development, increased direct sales and expanded strategic partnerships with investors. Although the first part of 2021 was still affected by the pandemic and high uncertainty, we managed to restart our operations in a very short time and achieve a record 60 to 90 working days during the summer season.

With the support of social partners and government measures, Valamar has protected employment during the crisis, which enabled a strong summer season. Our employees and management displayed high professionalism and solidarity in extremely difficult working conditions that ultimately resulted in exceptional business results. We believe that employees are Valamar's greatest asset and will continue to create the best working conditions in tourism, provide year-round income, ensure work-life balance, develop careers and secure above-average salaries in all our destinations. We were again named top employer in tourism in 2021, and Valamar ranked 9th on the list of the most desirable employers in Croatia, which confirms that we are on the right track.

The investments in Valamar Parentino hotel in Poreč and Valamar Meteor in Makarska were completed successfully last year. Istra Premium Camping Resort 5* represents the largest investment in camping in Croatia and is an example of successful investment in a new segment of luxury camping. The first lifestyle hotel, [PLACES] by Valamar, opened on Hvar island, and the construction of the new Valamar Amicor Green Resort, a completely sustainable eco resort built with respect for the highest standards of green building, has begun. In addition, a number of properties have been redesigned into Sunny plus - Valamar's budget summer holiday at sea concept. We continued to develop our products and service concepts, which are the basis for business growth in the coming period. Last year, 8 camps and hotels from our premium segment which were invested in the period, achieved over 50% of operational revenues, proving that investments in upper scale products and services is a successful strategy.

We have achieved record results in direct sales last year. Valamar online booking and call center realized HRK 860 million in direct sales or a share of 64.3% in total sales. Valamar has created the largest direct sales center in Croatian tourism through continuous investments in direct sales, marketing and digitalization over the years. This is one of the key competitive advantages of the Group.

We have significantly expanded our strategic partnerships with investors in 2021. Together with AZ mirovinski fondovi, Valamar initiated the third capital increase in Imperial Riviera worth HRK 690 million, aimed at developing the tourism portfolio in Dubrovnik, Makarska and Rab island. In addition, three hotels and building land in Dubrovnik were transferred from Valamar to Imperial with investment plans in the coming period. Valamar and PBZ Croatia osiguranje mirovinski fondovi initiated the investment cycle in Stari Grad on Hvar island in the amount of HRK 300 million aimed at renovating two resorts. At the end of the year, Valamar concluded the acquisition of its second hotel in Obertauern, Austria, Marietta 4*, and reorganized the asset company Valamar A to accelerate business internationalization in winter destinations.

Sustainability is one of the most important strategic priorities of the Valamar Group. The company's sustainable development implies creating value through positive impact for employees, guests, destinations and shareholders. Valamar already invests at least 2.5% of its annual revenues in sustainability; over the last six years we have invested more than HRK 500 million in CSR programs. Our efforts received global recognition when the Financial Times listed Valamar as one of the sustainable business leaders in Europe. Valamar is one of two companies from Croatia and one of only six companies from the tourism sector on the list.

We set out ambitious plans to meet our 2025 sustainability goals that are necessary to strengthen the company's position as a leader in climate change management and creating value for stakeholders. We are on our way to carbon neutrality. We will upgrade past practices and sustainable management certificates in all our properties. We are also increasing the share of renewable energy sources – solar panels in our properties will produce 15% of our energy needs by 2025, and we will ensure the highest sea quality in all our destinations. We continue to attend to our green areas, and we are introducing an 80,000 trees program to support and manage reforestation. Valamar achieves above average EU rates in waste separation. We control water consumption – water withdrawal per person is fully reduced, and we are also eliminating single-use plastic. Valamar will invest around EUR 50 million in our destinations and social impact by 2025. We will make every effort to maintain at least 70% share of domestic employees, and to serve 80% of locally grown food from responsible suppliers.

We are aware of the risks and difficult working conditions, but we believe that business normalization will continue this and next year with an additional incentive that Croatia will receive by entering the Schengen area and the Eurozone. Valamar will continue to be Croatia's leading tourism company, a leader in innovative hospitality management and a partner to its destinations striving to continuously create new value for all stakeholders through responsible and sustainable business management.

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1 ABOUT THIS INTEGRATED ANNUAL REPORT AND SUSTAINABILITY 2021

This Integrated Annual Report and Sustainability 2021 refers to the reporting period from January 1st until December 31st 2021 and is based on the Annual Report published on February 25th, 2022 for the Valamar Riviera Group.*

For the seventh consecutive year, Valamar Riviera has integrated business reporting with sustainability reporting, i.e. non-financial information on the company's environmental and social impact, guided by the GRI Standard (core option) guidelines.

The European Union has drawn up a Green Plan that defines the goal of reducing CO₂ emissions by 55% by 2030 and achieving a climate-neutral Union by 2050. In order to achieve climate objectives, the European Union has established a legislative framework for sustainable finance, in which the EU Taxonomy Regulation, i.e. the Regulation establishing a framework to facilitate sustainable investment, also plays a key role.

This Valamar Riviera Integrated Annual Report and Sustainability 2021 is the first, which includes indicators in accordance with the Delegated Regulation of the European Commission 2021/2139 of the European Parliament (Taxonomy). In order to align the

report with the current EU regulation and HANFA recommendations, Valamar Riviera has collaborated with an external consultant (Institute for Corporate Social Responsibility) to collect and review data related to a number of sustainability indicators and publications in this report. In the framework of the report, Valamar has published the shares of taxonomically eligible and taxonomically ineligible economic activities in its total revenues, capital expenditures (Capex) and operating expenditures (Opex) for the first two environmental objectives – Climate Change Mitigation and Adaptation to Climate Change.

Valamar Riviera has also carried out an extensive process of involving stakeholders and defining a new materiality matrix and has developed a new ESG strategy with set strategic goals for the period up to 2025, which is also presented in this report.

The report presents the company's impacts through the economic, social and

environmental scope and the ways in which the company manages them in the long term. A comprehensive approach to corporate social responsibility in relation to key stakeholders is part of Valamar's strategy where sustainable destination development and support to the local community, as well as environmental care are an integrated part of business. As the largest employer in Croatian tourism, Valamar Riviera focuses on investing in the constant development of human resources to maintain its leadership and status as a company providing the best conditions and overall care for its employees.

The report is available on the Valamar Riviera website www.valamar-riviera.com. We invite all stakeholders to send us their comments and impressions to the email address: integratedreport@valamar.com. To make the presented data more relevant, the end of the report contains the opinion and recommendations for future reporting given by the Croatian Business Council for Sustainable Development (HR PSOR).

* 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), 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 Bugenvilla 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 Bugenvilla d.o.o.



*Dubrovnik President
Valamar Collection Hotel 5*,
Dubrovnik*

2 ABOUT VALAMAR RIVIERA

Valamar Riviera is Croatia's leading tourism company managing hotels, and resorts and camping resorts in renowned tourist destinations - in Istria, on the islands of Krk, Rab and Hvar, Makarska and Dubrovnik, and in Obertauern, Austria.

Valamar's 37 hotels and resorts and 15 camping resorts with a capacity of about 21 thousand accommodation units, can accommodate around 58,000 guests daily and provide perfect holidays and authentic experiences for each guest. The company believes in a growth-driving strategy focused on investments in high added-value products, talents, innovative services and destination development. Valamar Riviera is a responsible and desirable employer and one of the top Croatian and regional investors in tourism with over 6.1 billion kuna invested over the past 18 years.

Steered by sustainability and social responsibility, Valamar leads the innovative management of leisure tourism and creates new value for guests, employees, shareholders and local communities in partnership with its destinations. One of the cornerstones of Valamar's success is its long-standing open communication with key stakeholders. Hence, Valamar has adopted policies that ensure the company's leadership position in the Croatian hospitality industry in terms of service quality, guest satisfaction, the needs and interests of employees, the company and local community, as well as environmental protection and resource management.



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

VALAMAR RIVIERA D.D.

Stancija Kaligari 1, 52440 Poreč, Croatia

Business activity:

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

Primary brands:

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

Portfolio:

37 hotels and resorts
and 15 camping resorts.

Land surface:

607 hectares,
48% or 294 ha owned and
52% or 313 ha under concession

Maritime domain: 38 km

SHARE OF GUESTS PER SOURCE MARKET

* Includes only commercial accommodation.

KEY INDICATORS

	2019	2020	2020/ 2019	2020	2021	2021/ 2020
Total revenues (HRK bn)	2.2	0.7	-69%	0.7	1.7	141%
EBITDA (HRK mn)	769	103	-87%	103	646	526%
Net debt / adjusted EBITDA	2.9	22.6	679%	22.6	2,9	-87%
Employees (peak season)*	7,068	4,447	-37%	4,447	5,885	32%
Capital investments (HRK mn)	954.6	595.9	-38%	595.9	115.4	-80.6%
Guests**	1,179,832	345,347	-71%	345,347	759,201	120%
Beds**	58,216	58,492	0%	58,492	58,747	0%
Overnights**	6,775,709	2,279,215	-66%	2,279,215	5,004,639	120%
Keys**	21,266	21,247	0%	21,247	21,328	0%
Book value of long-term assets (HRK mn)	5.9	6.1	4%	6.1	5.7	-6.8%
Market capitalization as at 31/12 (HRK bn)	4.7	3.7	-23%	3.7	4.2	10.9%
Shareholders as at 31/12	21,164	21,100	0%	21,100	20,854	-1.2%

* Employment data in peak season includes Imperial Riviera d.d.

** Data for House Valamar (accommodation for seasonal employees) included.

NET OPERATING REVENUES (HRK)

	2018**	2019**	2020**	2021**	2021/2018	2021/2019	2021/2020
Hotels and resorts	1,452,822,027	1,564,813,471	341,073,347	999,928,066	-31%	-36%	193%
Camping resorts	467,358,126	538,604,809	305,845,294	567,626,456	21%	5%	86%
Other*	47,011,072	47,507,267	13,407,039	53,700,286	14%	13%	301%
Total	1,967,191,225	2,150,925,546	660,325,679	1,621,254,808	-18%	-25%	146%

* Leasing, laundry and other operating revenues included.

** Valamar Riviera d.d., Imperial Riviera d.d. and Valamar Obertauern Hotel included.

OPERATING REVENUES (HRK mn)

* Imperial d.d. and Hoteli Makarska d.d. included as of 2017, i.e. as of August 2018.

2022 PORTFOLIO OVERVIEW (by keys/pitches)

Poreč	10,077
Rabac	1,852
Krk island	3,277
Rab island	2,454
Dubrovnik	1,965
Makarska	716
Hvar island	486
Austria	211
Total VR commercial	21,038
VR Non commercial	1,039
TOTAL	22,077



VALAMAR BRANDS 2022

			KEYS	No. OF PROPERTIES	CAPACITY SHARE
VALAMAR RIVIERA – COMMERCIAL			21,038	52	95.3%
VALAMAR RIVIERA – NON COMMERCIAL			1,039		4.7%
VALAMAR RIVIERA – TOTAL			22,077	52	100%
HOTELS AND RESORTS			9,387	37	42.5%
VALAMAR COLLECTION			1,261	5	5.7%
Marea Valamar Collection Suites	★★★★★	Poreč	108	1	0.5%
Imperial Valamar Collection Hotel	★★★★	Rab island	136	1	0.6%
Dubrovnik President Valamar Collection Hotel	★★★★★	Dubrovnik	292	1	1.3%
Isabella Valamar Collection Island Resort	★★★★★ (4/5)	Poreč	334	1	1.5%
Girandella Valamar Collection Resort	★★★★★ (4/5)	Rabac	391	1	1.8%
VALAMAR HOTELS & RESORTS			3,682	15	16.7%
Valamar Riviera Hotel & Residence	★★★★	Poreč	132	1	0.6%
Valamar Tamaris Resort	★★★★	Poreč	507	1	2.3%
Valamar Parentino Hotel	★★★★	Poreč	329	1	1.5%
Valamar Bellevue Resort	★★★★	Rabac	372	1	1.7%
Valamar Diamant Hotel & Residence	★★★★ (3/4)	Poreč	372	1	1.7%
Valamar Pinia Hotel	★★★	Poreč	170	1	0.8%
Valamar Sanfior Hotel & Casa	★★★★	Rabac	242	1	1.1%
Valamar Atrium Baška Residence & Villa Adria	★★★★★ (4/5)	Krk island	92	1	0.4%
Valamar Carolina Hotel & Villas	★★★★	Rab island	176	1	0.8%
Valamar Padova Hotel	★★★★	Rab island	175	1	0.8%
Valamar Meteor Hotel	★★★★	Makarska	268	1	1.2%
Valamar Argosy Hotel	★★★★	Dubrovnik	308	1	1.4%
Valamar Lacroma Dubrovnik Hotel	★★★★	Dubrovnik	401	1	1.8%
Valamar Obertauern Hotel	★★★★	Austria	82	1	0.4%
Valamar Amicor Green Resort	★★★★	Hvar island	56	1	0.3%
[PLACES] BY VALAMAR			369	2	1.7%
Hvar [PLACESHOTEL] by Valamar	★★★	Hvar island	179	1	0.8%
Dalmacija [PLACESHOTEL] by Valamar	★★★	Makarska	190	1	0.9%

			KEYS	No. OF PROPERTIES	CAPACITY SHARE
SUNNY BY VALAMAR			3,946	14	17.9%
Lanterna Sunny Resort by Valamar	★★	Poreč	606	1	2.7%
San Marino Sunny Resort by Valamar	★★★	Rab island	457	1	2.1%
Rivijera Sunny Resort by Valamar	★★	Makarska	258	1	1.2%
Arkada Sunny Hotel by Valamar	★★	Hvar island	251	1	1.1%
Tirena Sunny Hotel by Valamar	★★★	Dubrovnik	208	1	0.9%
Club Dubrovnik Sunny Hotel	★★★	Dubrovnik	338	1	1.5%
Eva Sunny Hotel & Residence	★★★ (2/3)	Rab island	284	1	1.3%
Crystal Sunny Hotel by Valamar	★★★★	Poreč	223	1	1.0%
Rubin Sunny Hotel by Valamar	★★★	Poreč	253	1	1.1%
Allegro Sunny Hotel & Residence by Valamar	★★★	Rabac	180	1	0.8%
Miramar Sunny Hotel & Residence by Valamar	★★★	Rabac	178	1	0.8%
Corinthia Baška Sunny Hotel by Valamar	★★★	Krk island	431	1	2.0%
Zvonimir Sunny Hotel by Valamar	★★★★	Krk island	85	1	0.4%
Koralj Sunny Hotel by Valamar	★★★	Krk island	194	1	0.9%
NEW ACQUISITION			129	1	0.6%
Hotel Marietta*	★★★★	Austria	129	1	0.6%
CAMPING RESORTS			11,651	15	52.8%
CAMPING ADRIATIC BY VALAMAR – PREMIUM RESORTS			5,435	5	24.6%
Istra Premium Camping Resort	★★★★★	Poreč	928	1	4.2%
Lanterna Premium Camping Resort	★★★★	Poreč	2,959	1	13.4%
Krk Premium Camping Resort	★★★★★	Krk island	500	1	2.3%
Ježevac Premium Camping Resort	★★★★	Krk island	632	1	2.9%
Padova Premium Camping Resort	★★★★	Rab island	416	1	1.9%
CAMPING ADRIATIC BY VALAMAR – RESORTS			4,556	6	20.6%
Orsera Camping Resort	★★★	Poreč	592	1	2.7%
Solaris Camping Resort	★★★	Poreč	1,824	1	8.3%
Marina Camping Resort	★★★★	Rabac	329	1	1.5%
Baška Beach Camping Resort	★★★★	Krk island	593	1	2.7%
Bunculuka Camping Resort	★★★★	Krk island	408	1	1.8%
San Marino Camping Resort	★★★★	Rab island	810	1	3.7%
CAMPING ADRIATIC BY VALAMAR – SUNNY			1,660	4	7.5%
Brioni Sunny Camping	★★	Pula	740	1	3.4%
Tunarica Sunny Camping	★★	Rabac	160	1	0.7%
Škrila Sunny Camping	★★★	Krk island	342	1	1.5%
Solitude Sunny Camping	★★★	Dubrovnik	418	1	1.9%

* Hotel Marietta in Obertauern, Austria, was acquired by Valamar A GmbH in December 2021. It is leased to a third party until mid-2023 and is currently not managed by Valamar Riviera.

VALAMAR'S CORPORATE STRATEGY

Vision

The vision of the Company is a perfect vacation, every day for every guest.

Mission

LEADERS IN HOLIDAY TOURISM

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

EMPLOYEES AND GUESTS ALWAYS COME FIRST

To develop a stimulating corporate culture where guests and employees come first.

AN ADDED VALUE FOR ALL STAKEHOLDERS

To deliver added value for shareholders through corporate responsibility by promoting sustainable development and supporting local communities.

Values



WELCOMING

We make our guests feel welcome and highly appreciated.



AMBITIOUS

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



RESPONSIBLE

We are a trustworthy business partner and a caring employer dedicated to the local community and the environment.



INNOVATIVE

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



PROUD

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



VALAMAR
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The beginning of tourism in Poreč

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

1953
Riviera established, the company-
predecessor of Valamar Riviera d.d.
20 people employed in the first season
of operation

1970
Kristal hotel built
Dynamic growth in tourism and intensive
construction of hotels, apartments and
campsites

1999
establishment of Dom fond, the largest
privatization investment fund

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

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

1895
1950

Tourism developing along the
Croatian Adriatic coast
Public bathing areas became favorite
spots for the first tourists

1950
1965

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

1965
1990

1979
Pical hotel
(the first high-category hotel in Poreč)
1986
Fortuna hotel built on Sveti Nikola Island

1990
2000

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

2000
2010

Valamar hoteli i ljetovališta starts
managing hospitality operations
Business growth and portfolio
investments: improving the quality of
properties and services

2010
2015

Mergers and acquisitions:
2011
Zlatni otok d.d. (est. 1956), Rabac d.d.
(est.1961)
2013
Dubrovnik-Babin Kuk d.d. (est. 1971)
2014
Valamar Adria holding d.d. (est. 2003),
Valamar grupa d.d. (est. 2005)

Valamar timeline





New stage in growth and acquisitions:

2015

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

2017

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

2018

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

2019

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

2019

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

In 2020 Valamar maintained: Employment and business stability

Valamar managed to achieve long-term business sustainability with the support of key stakeholders and managed the crisis as well as the tourist season during 2020

All jobs were protected with the aid of Government measures and the support of social partners through the "Pause, Restart" program

Under the extraordinary circumstances caused by the pandemic, Valamar maintained employment with the support of social partners and government measures which resulted in a strong tourist season 2021

Valamar has marked a significant recovery of its core business compared to 2020 despite the notable impact of COVID-19 on travel

Throughout the crisis, Valamar continued to develop its products, services and tourism portfolio through a two-year investment cycle 2019/2021

2015

2018

Mergers and acquisitions:

2015 – Hoteli Baška d.d. (est. 1949)

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

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

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

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

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

Valamar Riviera's 65th anniversary ceremony

2019

Mergers and acquisitions:

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

The acquisition of Helios Faros on the island of Hvar through a partnership between Valamar and PBZ CO pension funds

Start of investments in Pical Riviera, including hotel Pinea in Poreč

Valamar Riviera named the best employer in Croatian tourism

Valamar achieved its three-year strategic investment plan of HRK 2,402 billion

2020

2020

Investment projects and construction works were temporarily halted for 12 to 24 months including Valamar Pinea Collection Resort in Poreč

In 2020, Valamar won the main Corporate Social Responsibility Index Award

2021

April 2021

Reconstruction of Valamar Meteor Hotel 4* in Makarska

This Imperial Riviera investment is worth HRK 85 million, and the renowned Makarska hotel received a number of new facilities and premium quality accommodation

May 2021

First hotel from the new Valamar lifestyle brand opened in Stari Grad on Hvar island - HVAR [PLACESHOTEL] by Valamar

October 2021

Start of construction works on the new Valamar Amicor Green Resort

November 2021

The Supervisory Board of Valamar Riviera approved the recapitalisation of the Austrian branch Valamar A GmbH with the aim of acquiring hotel Marietta 4* in Obertauern

December 2021

The second recapitalization phase of Imperial Riviera worth HRK 690 million was agreed with AZ mirovinski fondovi, aimed at portfolio development in Dubrovnik, Makarska and on the island of Rab

Transfer of three hotels in Dubrovnik from Valamar Riviera to Imperial Riviera. The capital increase and transfer of hotels in Imperial are aimed at accelerating significant investments in the amount of HRK 2.1 billion during a five-year period

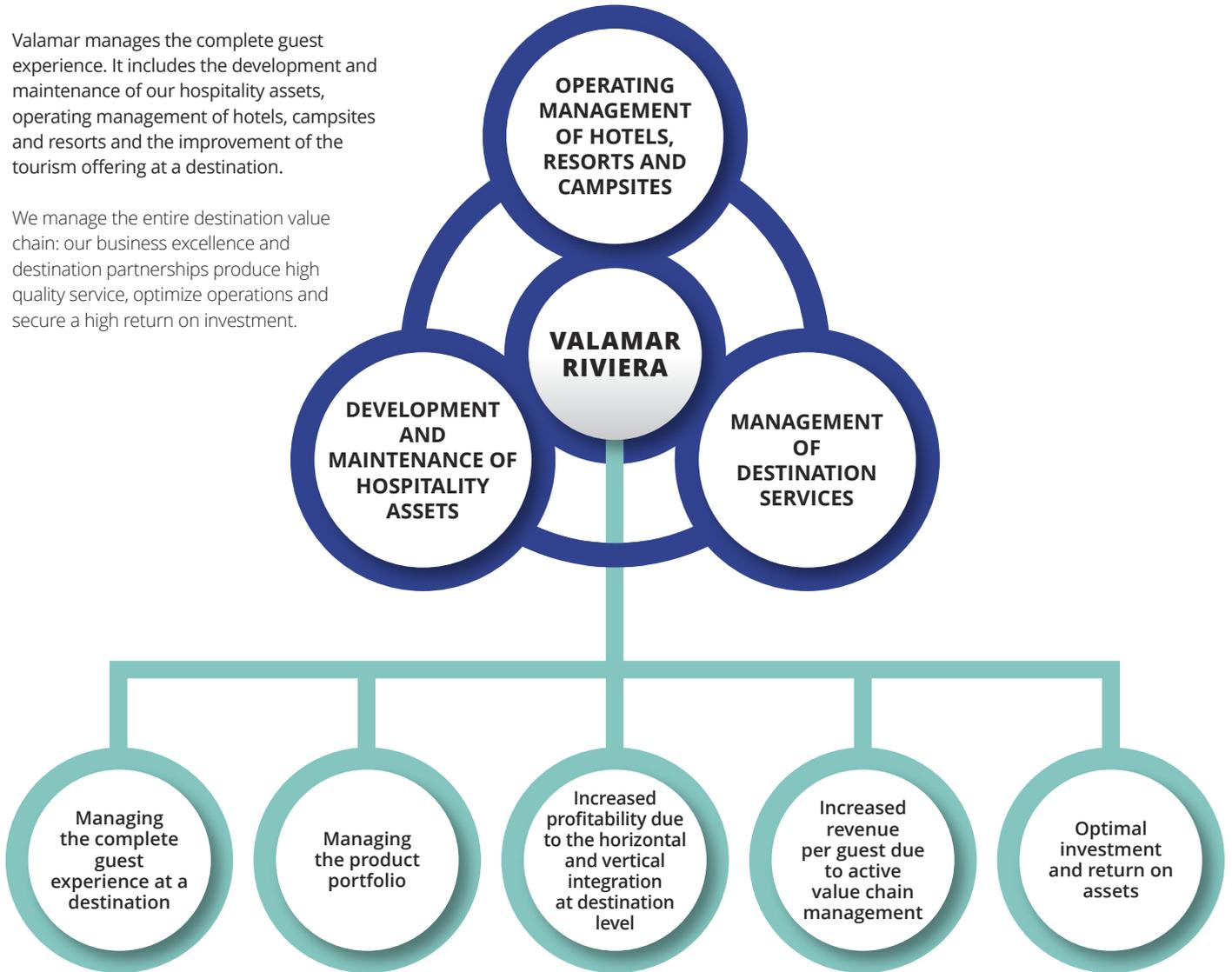
Start of new investment cycle worth HRK 300 million in Stari Grad on Hvar island with PBZ CO mirovinski fondovi



VALAMAR RIVIERA BUSINESS MODEL

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

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



ASSET MANAGEMENT AND LONG-TERM ASSETS OWNED

Valamar Riviera manages assets on 607 hectares of land, which includes 38 km of maritime domain.

LONG-TERM ASSETS VALAMAR RIVIERA GROUP

Hotels and resorts	56%
Campsites	25%
Other	19%
TOTAL	HRK 5.7 billion

LAND SURFACE

607 ha

52%
313 ha
under concession



48%
294 ha
owned





*Koralj Sunny Hotel
by Valamar 3*,
Krk island*

3 THE HOSPITALITY INDUSTRY IN CROATIA 2021

VALAMAR RIVIERA D.D. CONVEYS THE EXPERT REVIEW OF THE CROATIAN TOURISM ASSOCIATION



VELJKO OSTOJIĆ,
director of the
Croatian Tourism
Association

The year 2021 was marked by the second consecutive tourist season managed under COVID-19 restrictions. However, Croatia recorded top results among Mediterranean destinations in the realized share of foreign guests. The successful tourist year was achieved through outstanding cooperation between the private and public sectors.

There were 13.8 million tourist arrivals and 84.1 million guest overnights in Croatia in 2021 according to eVisitor data - which is 77 percent more arrivals and 55 percent more overnights compared to 2020. In total overnights, foreign guest made 71.9 million overnights, while domestic guests made 12.3 million overnights.

As for source markets, most foreign guests came from Germany, a total of 2.9 million, or 84 percent more than in 2020, followed by Slovenia with 1.2 million, which is an 18 percent increase compared to 2020. There were around a million arrivals from both Austria and Poland, marking an increase of 180 and 50 percent, respectively, compared to the previous year. In terms of achieved overnights, source markets did fail. Thus, guests from Poland made 8 percent more overnights than in 2019, guests from Germany about the same as in 2019, the Czech Republic marked a slight decline or 97 percent of overnights, while guests from Slovenia and Austria reached 82 percent of overnights from 2019.



84.1 million
overnights total in 2021

71.9 million
foreign guests overnights

12.3 million
domestic guests overnights

¹ HTZ: Nearly 14 million tourists visit Croatia in 2021, January 2022;
www.htz.hr/hr-HR/press/objave-za-medije/u-2021-godini-hrvatsku-posjetilo-gotovo-14-milijuna-turista



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

FINANCIAL INDICATORS

The tangible and financial indicators give a complete image of the 2021 tourist season. According to the 2021 Tax Administration data, hospitality activities (including accommodation, food and beverages, travel agencies and tour operators) accounted for the total amount of HRK 25 billion and HRK 302 million in fiscalized receipts, which is 61% more than in the same period of 2020 and 89% of the record value in 2019.

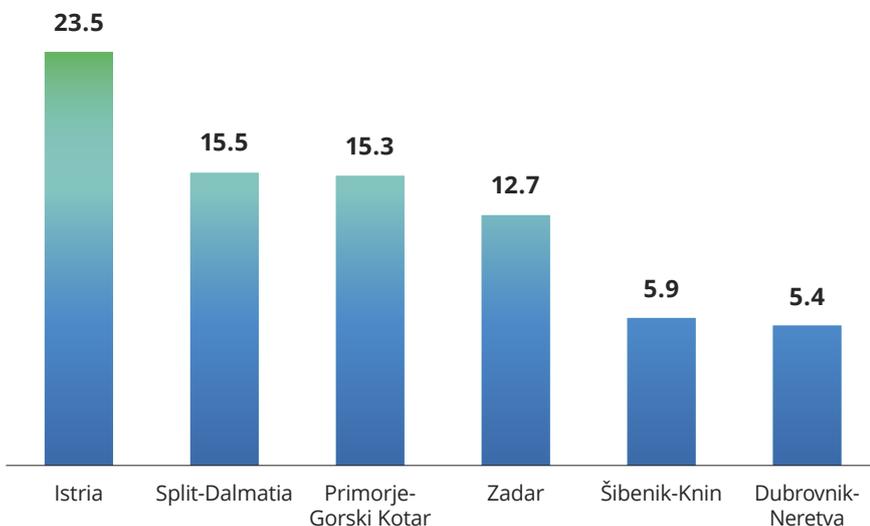
According to the Croatian National Bank (CNB), revenues from foreign tourists in 2021 amounted to EUR 9 billion and 121 million. Compared to the same period last year, 89% more revenues were generated, or 87% of revenues from the pre-pandemic 2019 (in 2020, EUR 4 billion and 813 million). In the fourth quarter, i.e. in October, November and December of 2021, revenues from foreign tourists amounted to EUR 1 billion and 8 million, which compared to the same period in 2020 (EUR 467 million) represents an increase of 116 percent, or EUR 541 million. The fourth quarter of 2021 achieved 91 percent of revenues from the same period of 2019.

On of the most successful segments of 2021 was the Croatian camping segment that achieved as much as 91 percent of overnights from 2019 and twice as many

overnights compared to 2020. These results were possible due to the exceptional coordination between the tourism sector, Croatian Government, Ministry of Tourism, the civil protection headquarters, the public health system and a number of state and local institutions. This successful coordination made Croatia a desirable and safe destination for our source markets where guests can enjoy their holidays in a safe environment. In the season of 2021, guests stayed and spent more compared to 2020.

The Government has played an important role in the 2021 tourist season by providing support to preserve jobs in the hospitality industry throughout the crisis. Employee retention was a key in the difficult circumstances caused by the COVID-19 pandemic, but is also the main objective for future tourist seasons when we can expect more competition from other Mediterranean countries.

COUNTIES WITH MOST OVERNIGHTS (millions)



INVESTMENTS

The Croatian tourism sector encountered a number of challenges, the biggest of which were the slowdown in investments and labor shortages. In 2021, the Croatian Tourism Association conducted a survey with ten hotel companies, including the three largest, four medium and three smaller companies. The survey showed that 9 out of 10 companies surveyed experienced a significant slowdown in investment activities in both 2020 and 2021.

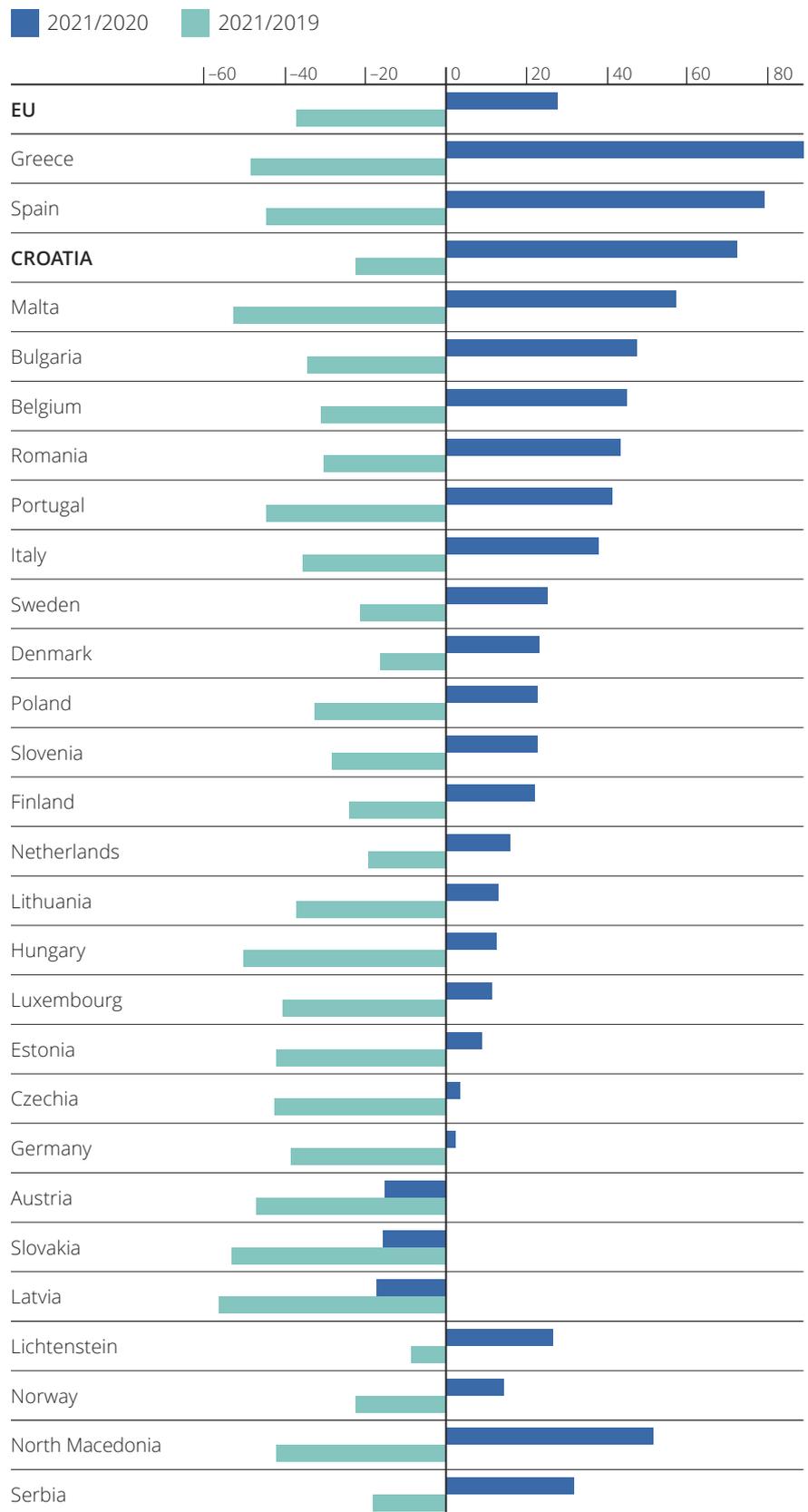
The results of the survey were interpreted by the economic analyst Velimir Šonje who found two main reasons for the slowdown in investments - large-scale business losses from 2020 and general uncertainty. The accommodation sector recorded HRK 3.6 billion in losses in 2020, which, Šonje notes, more than reversed the entire two-year sector profit in the period from 2018 to 2019. Investments are crucial for development, which is especially important in Croatia where the steady increase of service quality guarantees the continuity of good results. Even before this crisis, properties, which underwent certain investments achieved far better results than those that did not, a trend that became even more evident in the past two years. In its analysis, 'The effects of tourism on the economy during the pandemic', The Croatian Tourism Association has noted that even the record results Croatian tourism achieved in the most difficult circumstances (such as the results from 2020 and 2021), do not guarantee the resolve of the sector's main challenges. The sector needs additional incentive that can create the circumstances for further investments, but also alleviate the problem of labor shortages. In this context, investors' expectations are directed towards the new law on investment incentives, the law on tourism land and the application of the new regional incentive map. Labor shortages were a limiting factor in the 2021 crisis. According to a poll conducted by The Croatian Tourism Association among its members, Croatian tourism could have earned between HRK 750 million and 800 million more in 2021 if there had been no significant labor shortage during the season. The Croatian Tourism Association proposed a number of possible solutions - from accelerating and simplifying the employment of foreign citizens, to additional incentives and tax changes for the local and seasonal employment of students and pensioners.

PUBLIC PERCEPTION

Even though 2022 has brought new challenges, the affects of which will be measured in the coming year, we wish to conclude this chapter with a set of positive indicators. Namely, according to the survey by the Ministry of Tourism and Sports, the results of which were published at the beginning of the year, (with 1166 respondents from all counties and the City of Zagreb) 53.4 percent believe that the development of tourism contributes to young people staying in Croatia, while 52.2 percent believe that tourism attracts additional investments in their counties, and 53 percent that it also creates new job opportunities. The respondents also cited certain benefits of tourism development for their local community. In addition to economic benefits of local residents and business entities, they have also noted the improvement of municipal and transport infrastructure.

In addition, 59 percent of the total number of respondents agreed that tourism contributes to increasing environmental awareness, and 56 percent believe that tourism encourages environmental protection. The vast majority of respondents, or 75.5 percent, think that tourism encourages the production of autochthonous food and beverages, which indicates that the public believes that the development of tourism can follow global sustainability goals. With green and smart technologies in mind, that is the vision for Croatian tourism we will continue to work on.

ANNUAL ESTIMATES - NIGHTS SPENT IN TOURIST ACCOMMODATION, 2021 COMPARED WITH 2020 AND 2019 (%)



Note: No data available for Ireland, France and Cyprus
Source: Eurostat (online data kod: tour_occ_nim)

4 ENGAGEMENT OF KEY STAKEHOLDERS AND MATERIAL ASPECTS



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

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

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

- ▶ ensuring the satisfaction, health and safety of guests and employees,
- ▶ compliance with legal and other requirements,
- ▶ pollution prevention as a fundamental approach in environmental management,
- ▶ reduction of waste and adequate waste management,
- ▶ the continuous improvement of quality, environmental and energy performances and management systems,
- ▶ conservation and rational use of natural resources,
- ▶ procurement of energy efficient products and services and supporting design activities which focus on improving energy efficiency,
- ▶ ensuring the availability of information and resources to achieve our general and individual quality, environmental, energy, health and safety goals,
- ▶ application of labor rights and care for its employees and ensuring a healthy working environment,
- ▶ respecting the interests and providing support to the local community,
- ▶ child protection.



kuhinja

COMMUNICATION WITH KEY STAKEHOLDERS

GUESTS

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

EMPLOYEES

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

SHAREHOLDERS

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

LOCAL COMMUNITY AND DESTINATIONS

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

COMMUNICATION WITH ASSOCIATED STAKEHOLDERS

TRADE UNIONS

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

PROFESSIONAL ASSOCIATIONS

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

SUPPLIERS

- ▶ long-term collaboration and partnership
- ▶ quality assurance requirements for each product category

INVESTMENT COMMUNITY

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

PUBLIC ADMINISTRATION BODIES

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

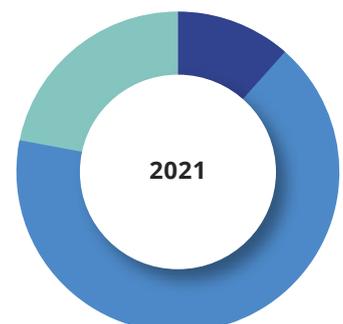
GENERAL PUBLIC

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

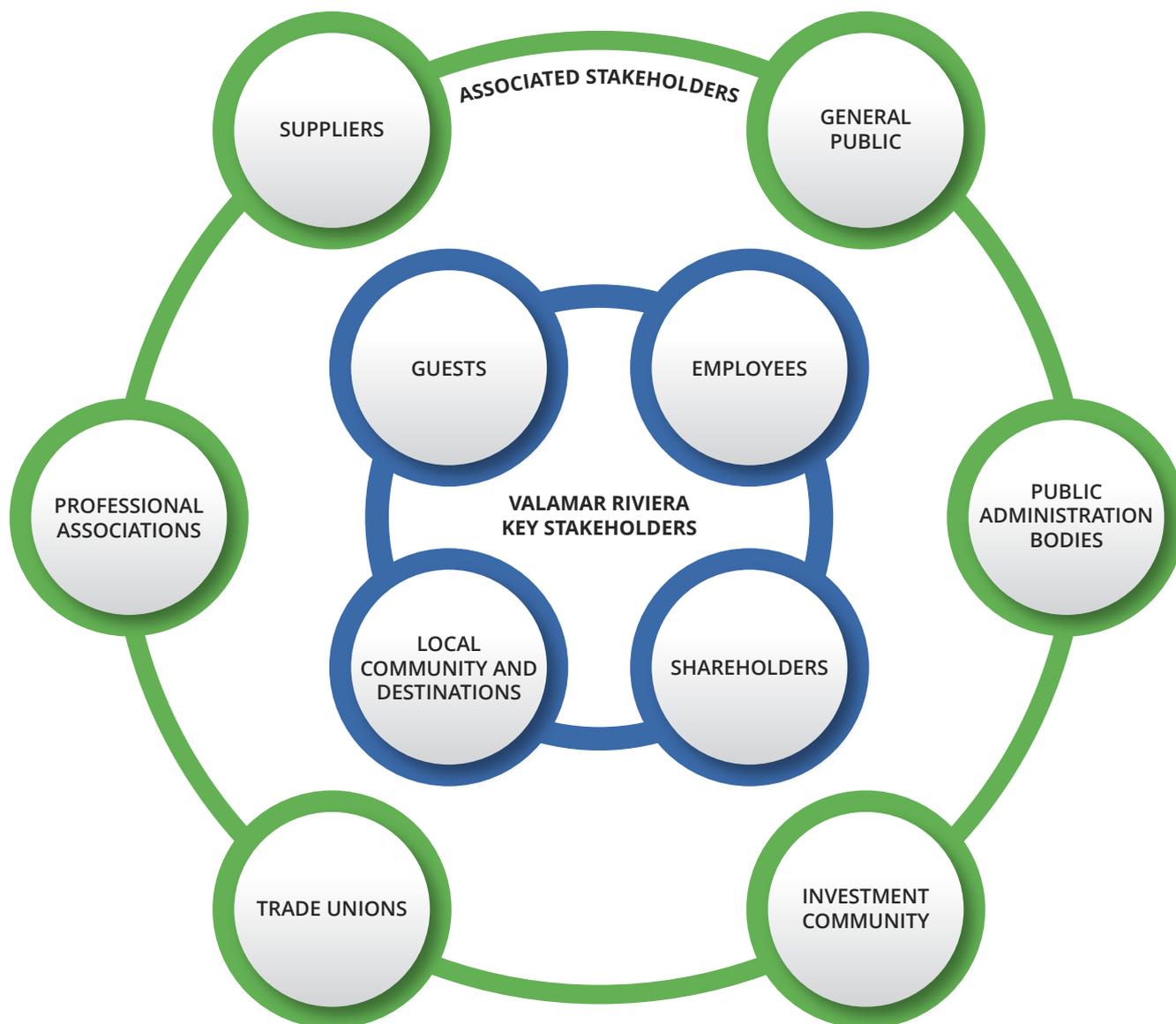
2021 SHARE OF DOMESTIC FOOD AND BEVERAGE PRODUCTION AND LOCAL PRODUCTS

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

	Croatian products that may contain imported raw material	9%
	Croatian products that contain only domestic raw material	69%
	Imported product	22%



VALAMAR RIVIERA KEY STAKEHOLDERS AND ASSOCIATED STAKEHOLDERS



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

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

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

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

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

- ▶ Croatian Tourism Association
- ▶ Association of Employers in Croatian Hospitality
- ▶ Croatian Camping Association
- ▶ Croatian Business Council for Sustainable Development
- ▶ Croatia Green Building Council

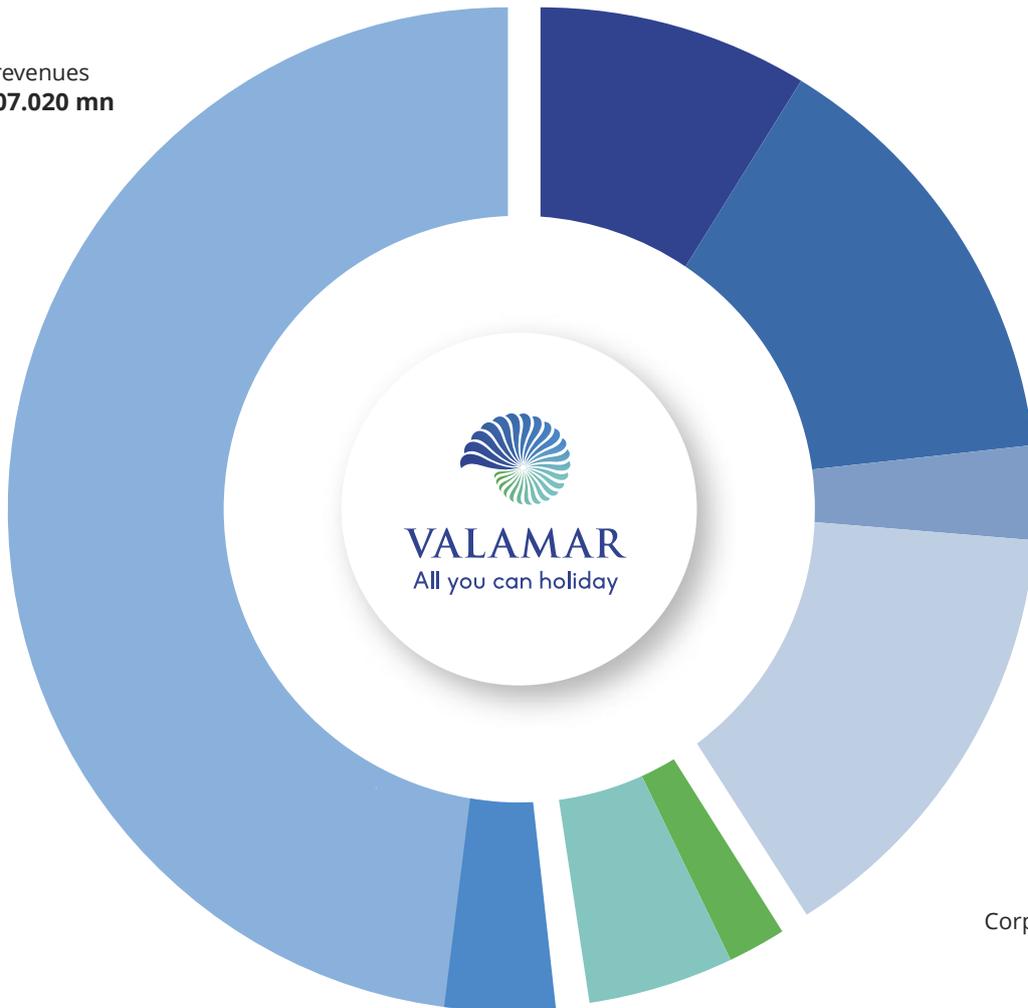
VALAMAR RIVIERA CONTRIBUTION TO ECONOMIC DEVELOPMENT IN 2021

**DIRECT ECONOMIC VALUE GENERATED
HRK 1.712 bn**

- Guests
HRK 1.605 bn
- Other revenues
HRK 107.020 mn

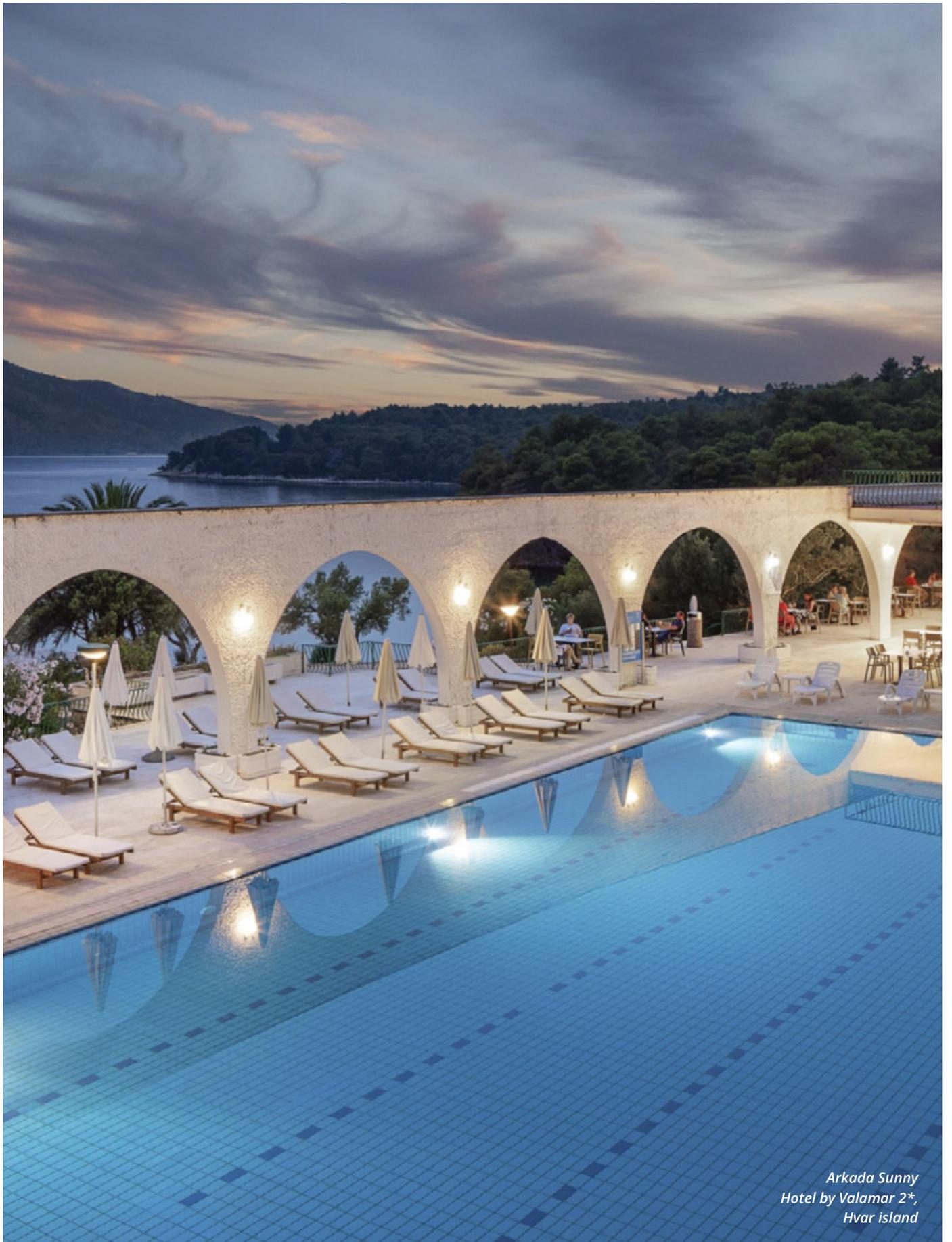
**ECONOMIC VALUE DISTRIBUTED
HRK 1.339 bn**

- Employees*
HRK 288.000 mn
- Suppliers
HRK 471.689 mn
- Banks and creditors
HRK 100.910 mn
- Public administration
HRK 479.215 mn



* Employees were paid a total of HRK 390 mn net, the amount of HRK 102 mn being subsidies, which decreased expenses to HRK 288 mn

Direct economic value generated	HRK 1.712 bn
Economic value distributed	HRK 1.339 bn
Economic value retained	HRK 372.330 mn
Total investments	HRK 193.461 mn



*Arkada Sunny
Hotel by Valamar 2*,
Hvar island*

IDENTIFICATION OF MATERIAL ASPECTS AND BOUNDARIES

Identifying and quantifying the impact of business on the environment, local community, employees and society is an important framework for socially responsible and sustainable business.

As part of the stakeholder engagement process at the end of 2021 and the beginning of 2022, Valamar conducted surveys of guests, suppliers, employees and senior management, as well as selective in-depth interviews with key internal stakeholders of the company and top management. After analysing the collected results and holding ESG workshops, Valamar adopted a new materiality matrix. The ESG workshops held at the company's senior management level also analyzed the strategic sustainability goals until 2025 and defined an ESG strategy with concrete key performance indicators (KPIs) presented within this Integrated Annual Report and Sustainability 2021.

In 2021, the company conducted regular annual consultations with all sectors, by conducting the annual corporate culture and climate survey that encompasses all employees, as well as the discussions held at workers gatherings and meetings with the Labour Council. Valmar determined areas for further improvement and monitoring. Valamar continues to develop two-way communication with key stakeholders to further improve the quality of integrated reporting.

In the process of involving and consulting key stakeholders, an extensive survey was conducted of Valamar suppliers (74 surveys in total), guests (1202 surveys in total), employees in corporate services (90 surveys in total) and representatives of senior management and Management who participated in ESG workshops (10 surveys in total). Sustainable Business Surveys were aimed at exploring in depth important material topics in order to determine key sustainability goals. For all stakeholders groups involved, the topic of sustainability was assessed as extremely important, both in terms of daily decisions on the choice of products and services, as well as vacation planning and the selection of sustainable companies. As many as 78% respondents assessed sustainability as important in these decisions, and for 27% as extremely important. When planning a holiday, 66% of respondents rated the topics in the field of sustainability as important,

and 21% as extremely important. More than 50% of respondents said that when choosing tourist accommodation, the topic of sustainability is important, while 16% stated that it is extremely important to them.

Among the top 6 topics, respondents mentioned waste recycling, reduction of plastic use, water saving, environmental protection, reduction of CO₂ gas emissions and use of renewable energy sources, and socially responsible business, especially in the field of employee care. Responses from guests, suppliers, and employees are strongly matched in terms of isolated areas and material topics that they deemed to be extremely important. Respondents identified the following areas as where Valamar was recognized in terms of quality management and care for sustainability: the supply of local food and beverages, protection and care of Adriatic Sea and coast, care for horticulture, the supply of sustainable seafood and the employment of local workers. Working conditions, use of renewable energy sources, reduction of plastic packaging, waste sorting and recycling, supporting the local community, sustainable construction and water saving were also singled out as important.

Respondents highlighted climate protection, energy reduction and renewables, waste reduction and circular economy, water management, biodiversity, responsible procurement, community well-being, economic impact on the community, employee development and well-being, inclusion and diversity, health and safety in the workplace, human rights protection, competitive working conditions, corporate governance and business ethics and compliance among particularly important topics for assessing the company's sustainability. As many as 79% of respondents rated Valamar with the highest scores in the area of employment of local employees, 78% in the area of care for the Adriatic Sea and coast, 76% in the area of local food and beverages, 71% in the area of care for horticulture and green areas and 66% in the area of sustainable seafood. Valamar also received excellent ratings for employee working conditions, which distinguishes 66% of respondents, waste sorting and recycling was allocated by 65% of employees, while in other areas, including reduction of plastic packaging, sustainable construction, reduction of CO₂ gas emissions, use of renewable energy sources and water saving, Valamar received excellent ratings from more than 50% of respondents.



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

MATERIALITY MATRIX

The Valamar Riviera materiality matrix is developed in accordance with GRI requirements and is the result of stakeholder involvement, and has helped to identify material reporting topics and to define the boundaries of the sustainability report. Material topics are closely related to the goals of sustainable development and business goals of Valamar Riviera.



ENVIRONMENTAL

- 1 Biodiversity in destinations
- 2 Climate protection
- 3 Energy reduction & renewables
- 4 Waste reduction & Circular economy
- 5 Water management
- 6 Responsible sourcing



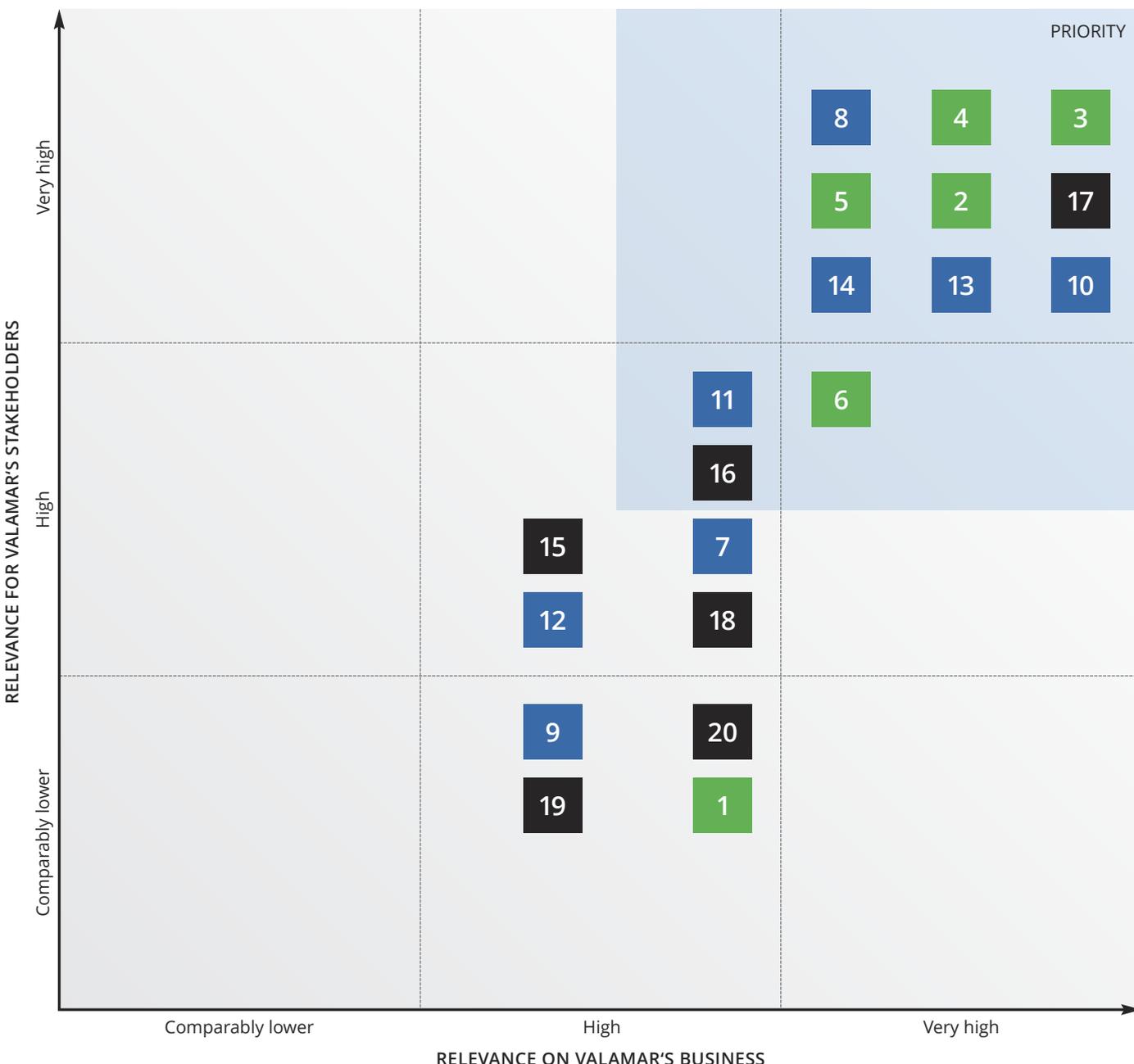
SOCIAL

- 7 Community welfare (economic, social, employment)
- 8 Employee development & wellbeing
- 9 Inclusion & diversity
- 10 Workplace health & safety
- 11 Human rights protection
- 12 Suppliers' innovation & transparency
- 13 Competitive working conditions
- 14 Local & permanent seasonal employment



GOVERNANCE

- 15 Stakeholders dialogue
- 16 Business ethics & compliance
- 17 Corporate governance & risk management
- 18 Sustainable suppliers
- 19 External validation
- 20 Economic impact on communities



5

VALAMAR

ESG STRATEGY

2025

ESG MISSION STATEMENT

The Valamar sustainability mission is to reach carbon neutrality in Scope 1 & 2 by 2025* and invest EUR 50 million in our destinations and social impact.

Valamar has developed a comprehensive Sustainability Strategy, which focuses on six strategic initiatives to reach 2025 ESG goals and position Valamar as a sustainability leader among European hospitality companies. The ESG strategy involves the entire Valamar value chain from suppliers, employees and operations, to guests and our destinations. Valamar is committed to the sustainable use of natural resources and to making a positive impact on destinations and society.

VALAMAR IS ON ITS WAY TO CARBON NEUTRALITY*, RENEWABLE ENERGY, CIRCULAR ECONOMY, AND CARE FOR BIODIVERSITY

There is a special focus on the protection of the Adriatic Sea and the procurement of local food.

VALAMAR STANDS FOR ETHICAL, TRANSPARENT AND PROFESSIONAL LEADERSHIP AND OPERATIONS AT ALL LEVELS

The company values and adheres to international and national ESG standards.

VALAMAR CREATES GOOD PLACES TO WORK AND LIVE FOR OUR EMPLOYEES and emphasizes the positive societal development in its destinations.

GUESTS ARE AT THE CORE OF OUR SERVICES

Valamar involves its guests in making positive changes to ESG and strives to make a positive impact.

VALAMAR GIVES INVESTORS PEACE OF MIND

when investing in the company that is committed to sustainability.

* All carbon and greenhouse emissions as well as 2025 targets refer to Scope 1 & 2. Valamar is in the process of defining and quantifying Scope 3 emissions, aiming to develop a comprehensive approach to reduce Scope 3 emissions in line with global emission-reduction targets.



ESG STRATEGY

Valamar is recognized as a leader in protecting the environment and ensuring sustainable development of tourism in its destinations.

As the leading hospitality company in Croatia, Valamar has invested nearly 65 mn euro in various sustainability, social and development programs since 2015. These programs include investments in renewable energy and energy efficiency, tourism

infrastructure, as well numerous of employee, social and philanthropic programs. Since 2015, Valamar has reduced its carbon footprint by 70%.

Beginning 2022, Valamar developed its new Sustainability strategy, which involves extensive market and best-practices analyses in a multi-stakeholder process. Valamar has structured its active sustainability initiatives into the defined

ESG structure. The overall aim was to align ongoing activities as well as new activities with ambitious targets, which will make a major impact on Environment and Society based on sound Governance. Valamar also aligned these activities to investors' markets and rating agencies. The company defined six strategic ESG initiatives, three for (E)nvironment two for (S)ocial and one for (G)overnance.

Over the past years, Valamar has kept an active dialogue with key shareholders to understand the impact and importance of various materiality factors influencing the company's business. This dialogue enabled the company to prioritize its ESG activities and was an important factor in shaping the strategic initiatives within the ESG strategy.

We engaged the following stakeholders via personal discussions, online surveys and focus groups on various occasions:

- ▶ Guests
- ▶ Employees
- ▶ Partners in our destinations
- ▶ Suppliers
- ▶ Leadership team
- ▶ Supervisory Board

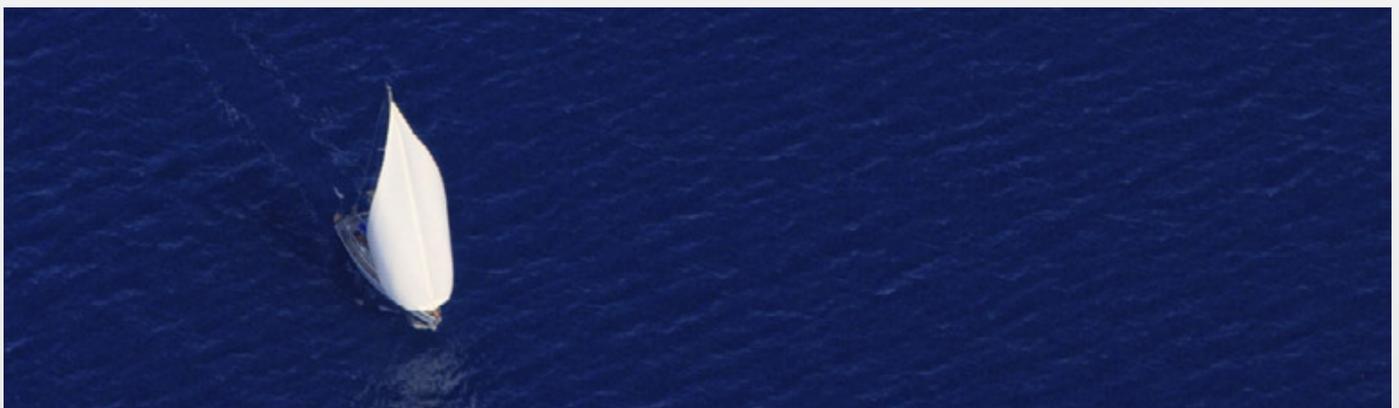
Valamar has evaluated 20 materiality factors and structured them according to their importance for our stakeholders and the company's business. From the 20 materiality factors, Valamar has prioritized ten materiality factors – five for Environment, four for Social and one for Governance. These prioritized factors constitute a major input and guiding principles for the development of the ESG strategy with its strategic initiatives and activities.

The Materiality Matrix is shown in Chapter 4.

VALAMAR ADDRESSED 12 OF THE 17 SOCIAL DEVELOPMENT GOALS (SDGS) AS DEFINED BY THE UNITED NATIONS WITH THESE SIX STRATEGIC ESG INITIATIVES

Furthermore, Valamar tracks ESG KPIs along a well-defined structure, with targets for 2025 allocated to the twelve key KPIs.

By 2025, Valamar wants to achieve twelve key sustainability targets.



2025 ESG GOALS



Valamar ESG goals follow the Valamar Sustainability Strategy and are specified for the period until 2025 in order to ensure that Valamar is accountable for clear short-to-medium term results and that the impact of business activities and initiatives is measurable, transparent and accountable. Furthermore, Valamar identified a balanced mix of measurable goals representing each of the ESG segments in a representative and impactful way. Valamar has therefore defined twelve key ESG Goals, seven for Environment, three for Social and two for Governance.

ENVIRONMENT



PROTECT THE CLIMATE

1

CARBON NEUTRALITY BY 2025*

Valamar will continue to reduce its greenhouse gas emissions and **reach carbon neutrality*** by 2025 on company level and on the entire owned and managed portfolio level.

2

15% OF SOLAR ELECTRICITY

Valamar will significantly increase the share of solar-based renewable electricity that is produced at Valamar properties and will **continue to invest in renewable energy sources** through long-term partnerships.

3

HIGHEST SEA QUALITY IN ALL DESTINATIONS

Valamar will continue to protect and manage the sea quality in all its destinations as measured by **Blue Flag**, a world-renowned label which ensures the ecological management of beaches and marinas.

4

REFORESTATION AND 80.000 TREES PROGRAM

Valamar is **committed to reforestation** and the sustainable management of 80,000 trees and hundreds of hectares of greenery in and around Valamar properties, especially on the Adriatic coast.

CIRCULAR ECONOMY

5

WASTE RECYCLING RATE > EU AVERAGE

Valamar will continue to achieve **higher** than EU average waste recycling rates.

6

LOW WATER WITHDRAWAL

Valamar will keep the intensity of water withdrawal under 0.55 m³ per occupied room and **focus on utilizing treated wastewater** and optimising water consumption.

7

ZERO SINGLE-USE PLASTICS

Valamar strives to **replace and avoid** single-use plastics in all its properties.

* All carbon and greenhouse emissions as well as 2025 targets refer to Scope 1 & 2. Valamar is in the process of defining and quantifying Scope 3 emissions, aiming to develop a comprehensive approach to reduce Scope 3 emissions in line with global emission-reduction targets.

SOCIAL



8

70% OF DOMESTIC EMPLOYEES

Valamar is hiring and retaining local employees. The company provides **numerous opportunities for employees'** personal and professional growth and development through education and training programs.

9

80% OF LOCAL FOOD

Valamar has a high share of domestic production and local products in the food and beverage segment. By **promoting autochthonous products**, Valamar provides authentic experiences and develops long-term partnerships with local producers.

10

EUR 50 MIL. INVESTED IN ESG

Valamar will continue to invest in carbon neutrality, biodiversity, employees, destination development, tourism infrastructure and local communities to the benefit of all stakeholders.

GOVERNANCE



11

80% OF RESPONSIBLE SUPPLIERS

In order to have a greater positive impact on the environment and its destinations, Valamar **engages and motivates its strategic suppliers** to transition towards sustainable business practices.

12

100% OF PROPERTIES WITH SUSTAINABILITY CERTIFICATES

The Company's dedication to sustainability is acknowledged by respected professional organizations and a **large number** of Valamar properties hold these certificate. The complete list is in chapter Awards and Recognitions.

ESG INITIATIVES 2025



E Valamar is dedicated to protect the natural and cultural heritage in its destinations. Valamar is committed to carbon neutrality, renewable energy, circular economy, and care for biodiversity with a special focus on the protection of the Adriatic Sea and the local food supply.

1 

PROTECT THE CLIMATE

ENERGY

- 1.1 Reduce energy use
- 1.2. Reduce greenhouse gas emissions
- 1.3. CO₂ absorption by trees/forests
- 1.4. Produce own renewable energy

2 

TAKE CARE OF THE ADRIATIC, BIODIVERSITY & FOOD

ADRIATIC

- 2.1 Measures to protect the Adriatic and its biodiversity

BIODIVERSITY

- 2.2 Reforestation and 80.000 trees program

LOCAL SUSTAINABLE FOOD

- 2.6 Source from local food suppliers
- 2.4. Source sustainable seafood

3 

ENSURE RESPONSIBLE WATER & WASTE MANAGEMENT

WATER

- 3.1 Reduce water consumption
- 3.2 Reuse water

WASTE

- 3.3 Reduce landfill waste
- 3.4. Reduce plastic use
- 3.5. Separate & recycle waste



S Valamar is Croatia's responsible leader in leisure tourism and creates value for all its stakeholders. Valamar is committed to empowering its employees and creating a stimulating place to work where guests and employees equally come first. We also aim to deliver authentic guest experiences in partnership with our tourist destinations, which means that we take an active role in destination development and supporting the local community.

G Governance forms a framework for our organizational and decision-making processes, as well as professional and ethical boundaries for the way we operate, both in stable and uncertain times. Valamar adheres to the most current international and national standards within sustainability Governance frameworks.

4 

EMPOWER EMPLOYEES

- 4.1 Returning seasonal employees
- 4.2. Better pay than national industry average
- 4.3. Education & training
- 4.4. Local employees & diversity
- 4.5. Health & safety

5 

DEVELOP OUR DESTINATIONS

- 5.1 Investing in tourism infrastructure open to all
- 5.2. Promoting local culture & sports
- 5.3. Involvement in local communities
- 5.4. Supporting educational institutions

6 

IMPLEMENT RESPONSIBLE GOVERNANCE

- 6.1 Implementing relevant certifications
- 6.2. Responsible suppliers
- 6.3. Corporate governance



ESG HIGHLIGHTS 2021



**100%
ELECTRICITY**
FROM RENEWABLE
SOURCES

**70%
DECREASE IN**
CO₂e INTENSITY

**FINANCIAL TIMES
CLIMATE LEADER
COMPANY**
(TOP 50
IN EUROPE)

**6% OF SOLAR
ELECTRICITY**
PRODUCED IN OUR
PROPERTIES

**14 BLUE FLAG
CERTIFIED
BEACHES**
IN OUR
DESTINATIONS

EUR 65 MILLION
INVESTED
IN OUR
DESTINATIONS
AND SOCIAL
IMPACT SINCE
2015

TOP EMPLOYER
IN CROATIAN
TOURISM

**78% OF FOOD
& BEVERAGE**
IS LOCALLY
PRODUCED

**91%
DOMESTIC
EMPLOYEES**

**EARTHQUAKE
EMERGENCY
SUPPORT:**
59 CARAVANS,
ACCOMMODATION
FOR 2,000 PEOPLE

**100% OF
PROPERTIES**
ISO 14001 & 50001
CERTIFIED

**VALAMAR
AMICOR GREEN
RESORT**
THE FIRST
ECO-RESORT
IN CROATIA

**6 VALAMAR
CAMPS**
WITH
EU ECOLABEL
CERTIFICATE

**DEVELOPED
SUSTAINABILITY
STRATEGY 2025**
WITH
FORMULATED ESG
TARGETS

BEST IN CLASS
SUSTAINABILITY
GOVERNANCE

SELECTED ESG RECOGNITIONS AND CERTIFICATES



Valamar has got nationally and international recognition for its commitment to sustainability. It has been awarded as Top employer in tourism and it's 9th on the list of most desirable Croatian companies, won the Green Prix in the category "Decarbonizing society" for solar energy production in collaboration with E.ON, and was included in the Financial Times list of European Climate Leaders, among 50 companies in Europe and one of the only two Croatian companies. The recognition also came for the investors relations and numerous awards for service and quality excellence in its properties. For a whole list of awards please read more in chapter Awards and recognitions.

- ▶ **ISO 14001** - Manage environmental responsibilities in a systematic manner
- ▶ **ISO 50001** - Manage Energy in a systematic manner contributing to Sustainability
- ▶ **ISO 45001** - Manage Health & Safety systematically, including promoting/ protecting physical & mental health
- ▶ **Sustainable Hotel** - Prestigious certificate by the Association of Employers in Croatian Hospitality (UPUHH)
- ▶ **Travelife** - Online checklist & 1-day onsite audit, GSCT recognized Standard
- ▶ **Blue Flag** - EU certificate for beaches, marinas or sust. boating tourism operators
- ▶ **Ecolabel** - EU Ecolabel for environmental excellence
- ▶ **HACCP** - Systematic preventive approach to Food Safety in production
- ▶ **Safe Stay in Croatia / Safe Travels** - All Valamar properties
- ▶ **Q label** - Valamar Lacroma Dubrovnik, Valamar Riviera Hotel UPUHH
- ▶ **Safety Protocol "In Partnership with SGS"** - All Valamar properties
- ▶ **Moj posao** – Top employer in tourism and 9th on the list of most desirable Croatian companies
- ▶ **World Travel Award** - Valamar Riviera Hotel, Dubrovnik President Valamar Collection Hotel, Valamar Collection Girandella Resort
- ▶ **World Luxury Hotel Award** - Dubrovnik President Valamar Collection Hotel, Isabella Valamar Collection Island Resort, Valamar Collection Marea Suites
- ▶ **Best Investor Relations** - 3rd place, Poslovni dnevnik and Zagreb Stock Exchange
- ▶ **Green PRIX** – national environmental award
- ▶ **Climate Leader by Financial Times** – among top 50 companies in EU

THESE ARE THE IMPORTANT ESG CERTIFICATES OF VALAMAR



ISO 14001
Manage environmental responsibilities in a systematic manner



ISO 50001
Manage Energy in a systematic manner contributing to Sustainability



ISO 45001
Manage Health & Safety systematically, including promoting/ protecting physical & mental health



Sustainable Hotel
Prestigious certificate by the Association of Employers in Croatian Hospitality (UPUHH)



Travelife
Online checklist & 1-day onsite audit, GSCT recognized Standard



Blue Flag
EU certificate for beaches, marinas or sust. boating tourism operators



Ecolabel
label for environmental excellence



HACCP
Systematic preventive approach to Food Safety in production

ESG GOVERNANCE STRUCTURE



The Company's growth strategy encompasses the ESG strategy 2025 across key initiatives, business processes and operations. To empower the transformation of Valamar into a sustainable tourism leader, Valamar implemented a transparent ESG governance structure in alignment with functional structures, risk management strategy and stakeholder interests. A well-defined continuity of governance is given from the Supervisory Board to corporate management and the operational level. Information and communication processes are transparent and addressing all stakeholders.

Several committees are in place, such as the Sustainability & Digital Committee in the Supervisory Board, a dedicated Chief Sustainability Officer in the Management Board and an executive leadership Sustainability Committee consisting of the CEO, the Chief Sustainability Officer, Senior Vice Presidents, and Product Development. Implementation initiatives are led by various cross-functional implementation teams for the integration of the defined strategic initiatives into Valamar's business. The Company has implemented its Code of business conduct which includes numerous policies which cover all areas of business. Valamar is promoting the sustainability agenda for the tourism industry in close cooperation with several key tourism industry associations in Croatia and Europe.



*Balance Spa by Valamar,
Marea Valamar Collection
Suites 5*, Poreč*

6 REPORTS



In 2021, Valamar Riviera generated operating revenues of HRK 1.6 billion, i.e. 74% of 2019. Operating profit (EBITDA) in 2021 reached 84% of pre-crisis 2019. In the third quarter of 2021, Valamar recorded business normalization in almost all destinations, achieving excellent results in northern Adriatic destinations, camps and the premium segment. However, destination Dubrovnik and 2 * and 3 * properties did not achieve a significant business recovery.

Throughout the crisis, Valamar continued to develop its products, services and tourism portfolio through a two-year 2019/2021 investment cycle in the amount of nearly HRK 870 million. At the end of 2021, a new investment cycle in the amount of HRK 525 million was launched in properties managed by Valamar with the aim of portfolio development, developing green tourism and business digitalization. Investments in hotel Dalmacija [PLACES] by Valamar in Makarska, opened in May 2022, as well as at the first fully sustainable eco resort for families, Valamar Amicor Green Resort on the island of Hvar, are being finalized.

With the aim of improving working conditions in tourism, Valamar will raise salaries for professional occupations in hotels, camps and resorts in 2022, determined to provide an income

closer to the level of income in leading European destinations. Valamar's decision has the full support of its social partners. Salaries for professional positions including chefs, waiters, specialist technicians and receptionists at Valamar have increased by an average of 14%, and their income this season will be between EUR 1,000 and 1,600 net per month. The Valamar minimum net income guarantee for housekeepers, assistant chefs, assistant waiters, kitchen workers, waiters and many others will increase to a monthly amount of EUR 750 to 1,100 net. In addition to raising basic wages, Valamar will continue its awarding excellence programs. Last year, employees received a "13th and 14th salary" in the amount of up to HRK 11,300 net, depending on how long and successfully they worked. In 2022, Valamar will invest EUR 15 million in pay increases and remuneration programs for 7,000 employees.

However, the positive business results achieved in 2021 do not cover the substantial realized loss from the crisis period during the pandemic. Uncertainty will continue to affect tourism business and the economy in the near future, although business normalization is expected in 2022 and 2023. Croatia has the opportunity to strengthen its position as a desirable Mediterranean destination, especially if it enters into the Schengen area in the coming period.



Valamar Padova
Hotel 4*, Rab Island

BUSINESS RESULTS

The global pandemic continued to affect tourism flows and the business of the Valamar Group in 2021. Nevertheless, the Group has confirmed its leadership position on the market, achieved very good business results and strengthened its financial position.

The Group's long-standing successful business development model has three basic objectives: constant significant portfolio investments, acquisitions and partnerships, and employee and destination development. The Group's business activities are guided by the principles of corporate social responsibility and based on sustainable growth and development.



*Valamar Bellevue
Resort 4*, Rabac*

KEY FINANCIAL INDICATORS¹

	2020	2021	2021/2020
Total revenues	696,901,773	1,679,909,675	141.1%
Operating revenues	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) ²	531,636,818	1,344,778,046	153.0%
Operating costs ³	530,527,177	938,294,335	76.9%
EBITDA ⁴	103,189,578	645,980,279	526.0%
Extraordinary operations results and one-off items ⁵	-23,242,050	-27,545,361	18.5%
Adjusted EBITDA ⁶	126,431,628	673,525,640	432.7%
EBIT	-394,764,365	136,974,626	-
Adjusted EBIT ⁶	-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%	80.3 pp
EBITDA margin	15.3%	39.3%	24.0 pp
Adjusted EBITDA margin ⁶	18.7%	41.0%	22.3 pp

	31/12/2020	31/12/2021	2021/2020
Net debt ⁷	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	595,870,921	115,355,120	-80.6%
ROE ⁸	-11.5%	3.2%	14.7 pp
Adjusted ROCE ⁹	-6.5%	3.1%	9.6 pp
Market capitalization ¹⁰	3,750,579,650	4,158,908,886	10.9%
EV ¹¹	7,303,506,632	7,175,077,019	-1.8%
EPS ¹²	-2.70	0.86	-
DPS ¹³	0	0	-

¹ According to the classification according to TFI POD-RDG forms. EBIT and EBITDA and their margins and EBT margin are stated based on operating income.

² According to the classification in accordance with to the international standard of reporting in the hotel industry USALI (Uniform System of Accounts for the Lodging Industry).

³ Operating costs include material costs, staff costs, other costs and other operating expenses minus exceptional expenditure and one-off items.

⁴ EBITDA (earnings before interest, taxes, depreciation and amortization) is calculated according to the formula: operating income - operating expenses + depreciation + value adjustments.

⁵ The adjustment includes i) extraordinary revenues (in the amount of HRK 30.2 million in 2021, or HRK 20.3 million in the previous year), ii) extraordinary expenses in the amount of HRK 55.8 million in 2021, or HRK 42.3 million in the previous year) and iii) for paid severance pay (in the amount of HRK 1.8 million in 2021, or HRK 1.2 million in the previous year).

⁶ Adjustment made for the result of extraordinary business and one-off items.

⁷ Net debt: long-term and short-term liabilities to banks and other financial institutions + liabilities for loans, deposits, etc. + other liabilities in accordance with IFRS 16 (leases) - cash in bank and treasury - long-term and short-term investments in securities - short-term loans granted, deposits, etc.

⁸ ROE (return on equity) represents a return on total capital and is counted as: Profit for the period / (Capital and reserves).

⁹ Adjusted ROCE (return on capital employed) represents a return on the total capital employed and is counted as: Adjusted EBIT / (Balance of capital and reserves at the end of the period + long-term and short-term liabilities to banks and other financial institutions + liabilities for loans, deposits and the like + other liabilities in accordance with IFRS 16 (leases) - money in the bank and treasury - long-term and short-term investments in securities - given short-term loans, deposits, etc.)

¹⁰ Market capitalisation is calculated as the total number of shares multiplied by the last share price as at December 31 of each year.

¹¹ EV (enterprise value) represents the value of the enterprise; calculated as market capitalization + net debt + minority interest.

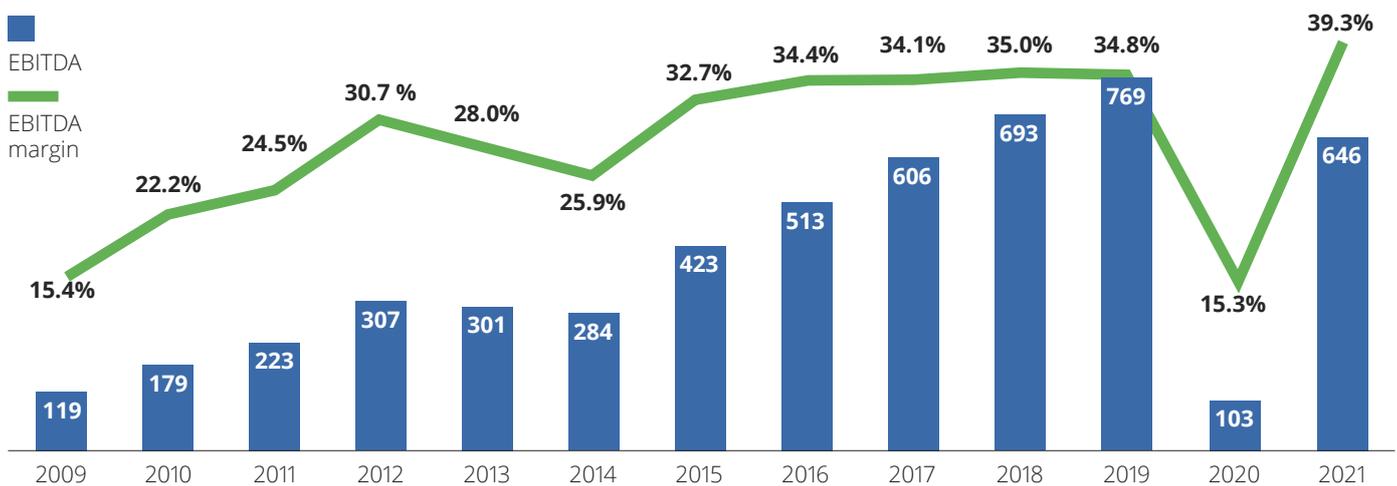
¹² EPS (earnings per share) represents earnings per share calculated based on net profit attributable to holders of parent capital. Weighted average number of shares in 2021: 121.887.907. Weighted average number of shares in 2020: 121.887.907.

¹³ DPS (dividends per share) represent a dividend per share.

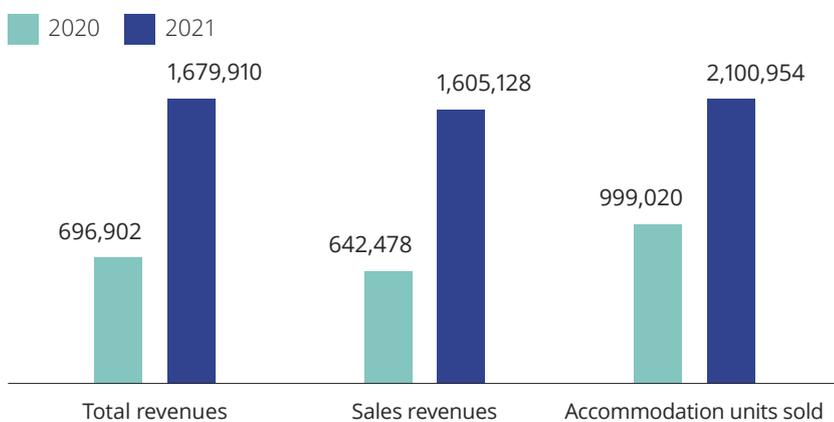
KEY BUSINESS INDICATORS

	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 ¹⁴ (in HRK)	532	640	20.3%
RevPAR ¹⁵ (in HRK)	25,021	63,052	152.0%

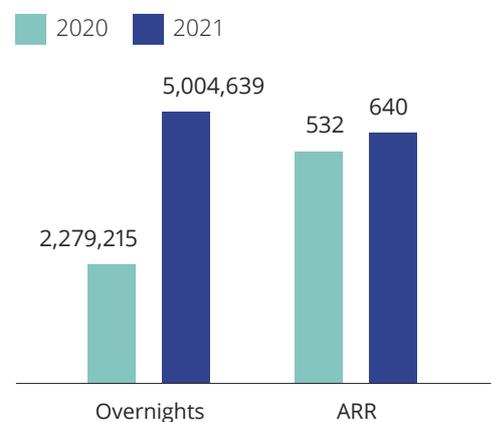
OPERATING EFFICIENCY¹⁶ (in HRK million)



REVENUES (in HRK '000) AND ACCOMMODATION UNITS SOLD IN 2021



OVERNIGHTS AND ARR (in HRK)



¹⁴ The average selling price of an accommodation unit is stated based on the cumulative board income (accommodation and board income).

¹⁵ Income per accommodation unit is presented based on the cumulative board revenues (accommodation and board revenues).

¹⁶ Financial data until the year 2014 refer to the consolidated financial statements of Valamar grupa d.d., and as of 2014, to the consolidated financial statements of Valamar Riviera d.d.

REVENUES

In 2021, total revenues amounted to HRK 1,679.9 million, representing a growth of 141.1% (HRK 983.0 million). The total realized revenues were affected by:

a) sales revenue growth by 149.8% (HRK 962.6 million) to the amount of HRK 1,605.1 million consisting primarily of board revenues (HRK 1,344.8 million) after a significant improvement in tourism flows as explained earlier. There has been a slight change in revenue structure; sales revenues in the country amount to HRK 173.6 million with a share of 10.8% in sales revenues (12.9% in 2020) and are up by HRK 90.9 million compared to 2020. With a share of 89.2% in sales revenues (87.1% in the same period in 2020), foreign sales revenues amounted to HRK 1,431.5 million, an increase of HRK 871.7 million.

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

c) financial revenues amount to HRK 35.4 million and are 66.0% higher than those achieved in 2020 as a result of an increase in net positive exchange rate differences on long-term loans and profit from the cessation of control over Valamar A and Valamar Obertauern subsidiaries.

TOTAL OPERATING EXPENSES

Total operating expenses in 2021 amounted to HRK 1,507.0 million and are up by 40.8% from last year's. Breakdown of operating expenses:

a) material costs amount to HRK 458.3 million and are up by 80.0% as a result of increased raw material and material costs, promotional costs and other direct costs in line with the increased volume of operations.

b) staff costs increased by 85.9% and amounted to HRK 353.2 million, also after an increased volume of operations and the need for manpower. 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) amortization costs amounted to HRK 507.3 million, which represents a growth of 2.2%.

d) other costs increased by 50.9% to the amount of HRK 134.4 million. The increase is due to increased employee transportation fees and employee rewards, as well as higher expenditures for work through student services.

e) provisions and value adjustments amount to HRK 42.0 million and are higher by 38.9% as a result of the provision for the rental cost for tourist land.

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

TOTAL OPERATING EXPENSES OF THE VALAMAR RIVIERA GROUP¹⁷ (in HRK)

	2020	2021	2021/2020
Operating costs ¹⁸	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 costs	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%

¹⁷ Classified according to Annual Financial Statements standard (GFI POD-RDG).

¹⁸ Operating expenses include material costs, staff costs, other costs and operating expenses decreased by extraordinary costs and one-off items.

EBITDA AND EBT

Adjusted EBITDA in the amount of HRK 673.5 million was achieved, which represents an improvement of HRK 547.1 million compared to the adjusted EBITDA in 2020 in the amount of HRK 126.4 million. The main reason for this is the very strong demand for most of our properties in the high season, which has resulted in a significant increase in the number of overnights and a marked increase in average prices. In addition, the Group recorded a favourable development of all major cost categories in the pre-season after adapting to working conditions during the pandemic, which includes general rationalization of operations and internal savings measures as well as the implementation of the "Pause, restart program". Furthermore, the use of support measures from

the Government of the Republic of Croatia enabled the Group to save jobs and to be in a position to prepare properly for the 2021 tourist season.

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



Valamar Argosy Hotel 4,
Dubrovnik*

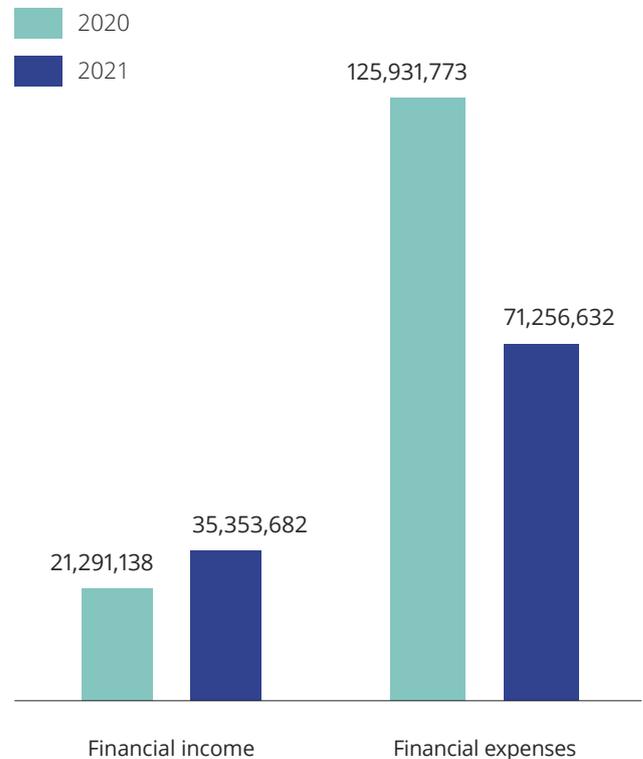
FINANCIAL RESULTS

In 2021, the net financial result amounts to HRK -35.9 million (HRK -104.6 million in 2020). The main reasons for the HRK 68.7 million improved financial result compared to last year are primarily due to an increase in net foreign exchange losses (mainly unrealized on long-term loans) by HRK 52.7 million, since in 2021 the kuna recorded a small increase compared to the euro, while in 2020 a stronger depreciation of the kuna compared to the euro was recorded.

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

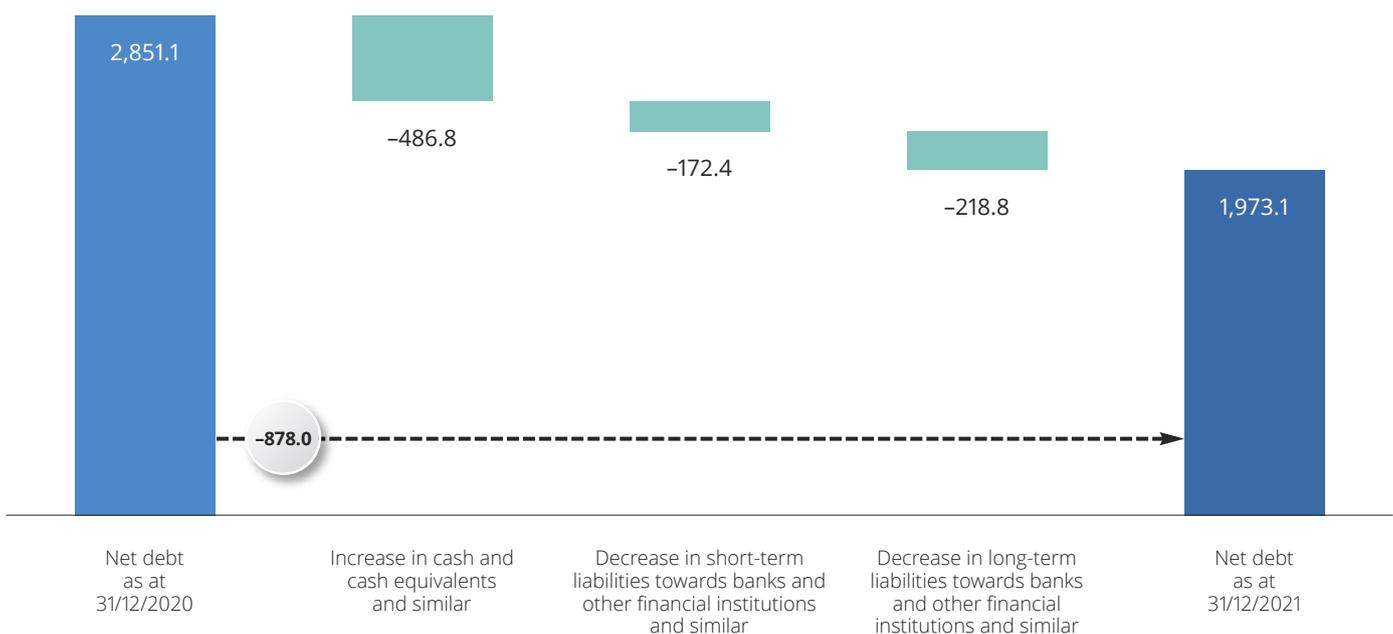
FINANCIAL INCOME AND EXPENSES

(in HRK '000)



NET DEBT¹⁹

(in HRK million)



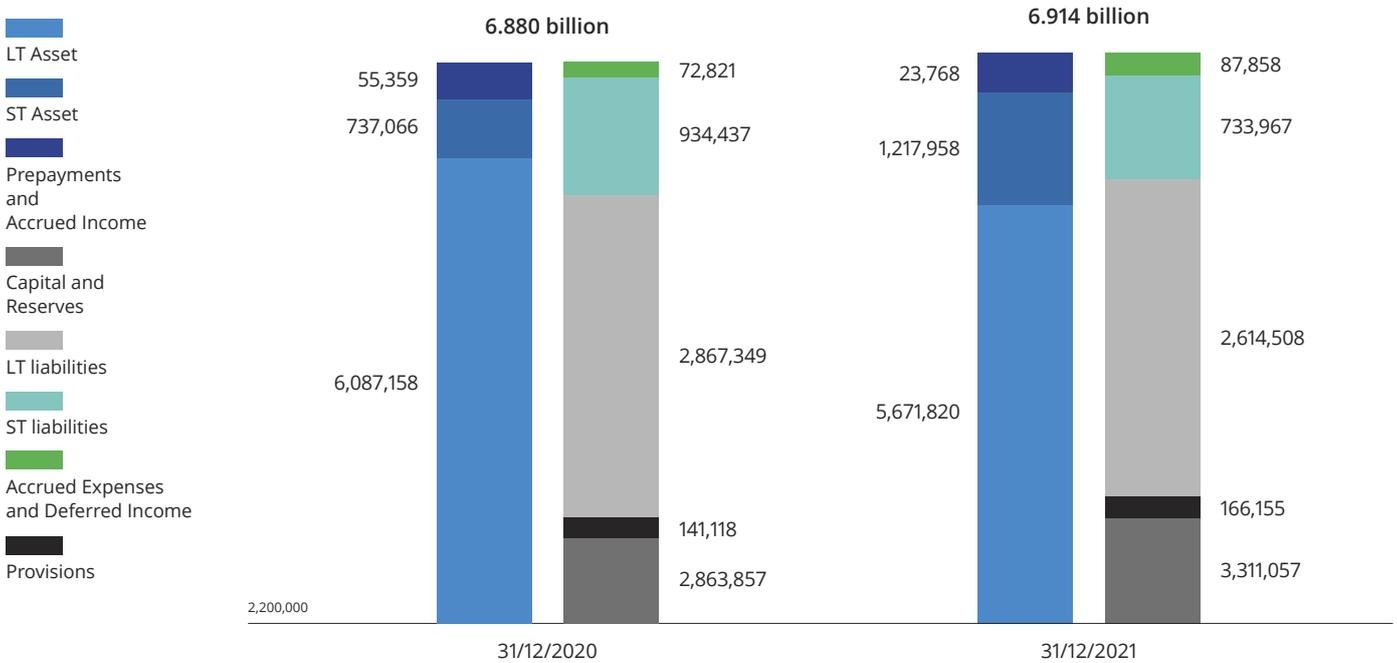
¹⁹ Net debt: long-term and short-term liabilities to banks and other financial institutions + liabilities for loans, deposits and other + other liabilities according to IFRS 16 (leases) - cash and cash equivalents - long-term and short-term investments in securities - current loans given, deposits, etc. Includes the effects of unrealized exchange rate differences on long-term loans.

ASSETS AND LIABILITIES

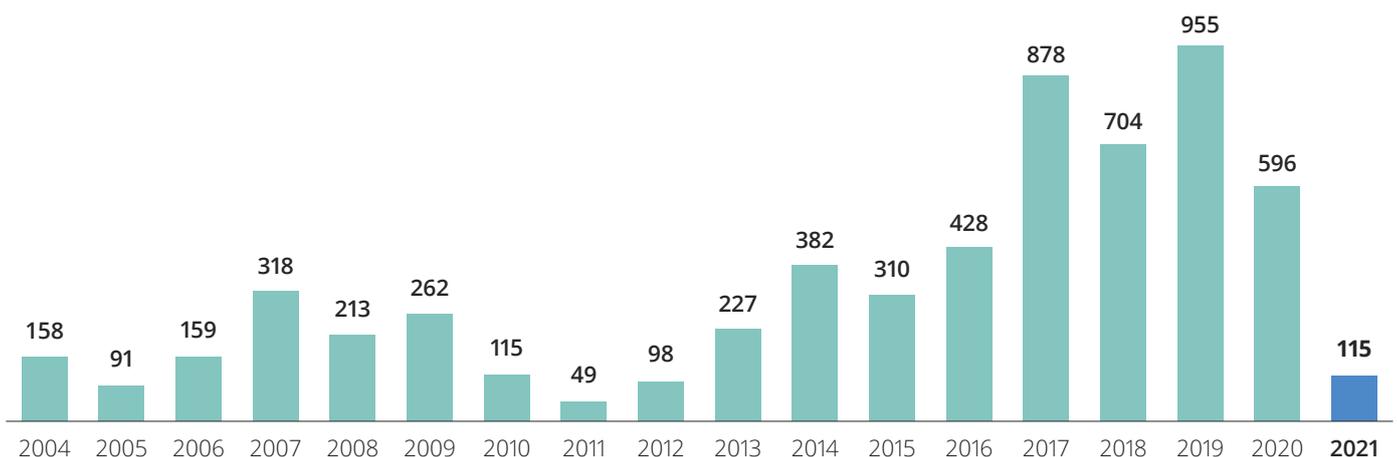
On 30 December 2021, the total value of the Group's assets amounted to HRK 6,911.1 million, up by 0.5% compared to 31 December 2020. The total share capital and reserves amount to HRK 3,308.6 million an increase of 15.5% as a result of the realized profit in 2021 and the increase of minority interests after the recapitalization of Imperial Riviera. Total long-term and short-term liabilities to banks and other financial institutions as at 31 December, 2021 amount to HRK 3,122.6 million and are down by 11.2% compared to 31 December, 2020 as a result of the repayment of short-term and long-term loans. A large part of the loan portfolio (89%) consists of long-term loans with an agreed fixed interest rate, i.e. loans protected by derivative instruments (IRS) for the purpose of hedging interest rate risk. In 2020, the Company deferred the payment of principal in the amount of

HRK 349 million to commercial banks and the Croatian Bank for Reconstruction and Development, of which HRK 272 million represents deferred payment of principal for 2020, HRK 49 million for the first quarter of 2021 and HRK 27 million for the second quarter of 2021. In addition, the payment of interest in the total amount of about HRK 47 million was deferred. As at June 30, 2021 the Group began with regular repayment of credit obligations after the expiry of the moratorium period with commercial banks. On 31 December 2021, the cash balance of the Group amounted to HRK 1,115.3 million (an increase of 67.5% compared to 31 December 2020), which together with i) the contracted credit lines, ii) valuable tourism assets and iii) a strong operational business model made the Group's balance sheet position stable.

ASSETS AND LIABILITIES (in HRK '000)



INVESTMENT CYCLE (capitalized investment, million HRK)



VALAMAR AND AZ MIROVINSKI FONDOVI CONTINUE JOINT INVESTMENTS IN TOURISM THROUGH THE COMPANY IMPERIAL RIVIERA

The first recapitalization phase of Imperial Riviera, a member of the Valamar Group, by Valamar Riviera and AZ mirovinski fondovi in the amount of HRK 426 million was realized in 2019. Investments were directed towards the reconstruction of the Parentino Hotel in Poreč, the Meteor Hotel in Makarska and Premium Camping Padova on the island of Rab.

The General Assembly of Imperial Riviere held on September 10, 2021 passed a decision on the second phase of recapitalization for the increase of the Company's share capital in total amount of HRK 690 million. Valamar Riviera participated in the recapitalization by investing in real estate (land of 148,949 m²) in its ownership with a total estimated value of HRK 353 million. The property is located on the Babin Kuk peninsula in Dubrovnik. AZ mirovinski fondovi invested a total amount of HRK 337 million. This capital increase is directed towards the further portfolio development in Dubrovnik, Makarska and on the island of Rab. Following the share capital increase, Valamar holds 46.27% and AZ mirovinski fondovi holds 48.85% of Imperial Riviera shares.

At the beginning of 2022, the three hotels in Dubrovnik (Valamar Lacroma Dubrovnik Hotel, Club Dubrovnik Sunny Hotel by Valamar and Tirena Sunny Hotel by Valamar) were transferred from company Valamar Riviera to company Imperial Riviera. The acquisition value of these hotels amounts to EUR 95.3 million, and the financing is largely secured by the acquisition of the existing credit obligations of Valamar Riviera by Imperial Riviera. These hotels in the area of Babin kuk in Dubrovnik, together with the properties previously included into Imperial during the share capital increase, make a strategically important technological unit. This also makes Imperial Riviera a multi-destination company present in Istria, Kvarner, Dalmatia and Dubrovnik. In addition to portfolio expansion and growth of the Valamar Group, this transaction will also strengthen the balance sheet and improve the Group's financial indicators. Imperial Riviera will remain a joint venture for the investment and development of tourism assets in the region, while Valamar Riviera will remain its management company which has been one of the goals of the established cooperation between Valamar and AZ mirovinski fondovi.

VALAMAR AND PBZ/CO MIROVINSKI FONDOVI INVEST FURTHER IN JOINT VENTURE ON THE ISLAND OF HVAR THROUGH THE COMPANY HELIOS FAROS

Valamar Riviera and mirovinski fondovi PBZ Croatia osiguranje 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 are directed towards the construction of the first Valamar sustainable eco-resort 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 Valamar concept that implies a sustainable eco resort positioned for family vacations. The construction of the

resort will follow the highest green building standards, which include environmentally friendly materials with minimal impact on the environment, the use of renewable energy sources and a high level of energy efficiency. Meals will be prepared from fresh, mostly locally grown food, and the use of disposable plastic and paper will be drastically reduced.

Valamar Amicor Green Resort on the island of Hvar is the first tourism project that will use 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 blends into the island's natural environment, while local

designers and artists will design the interior with autochthonous tradition and materials in mind.

The business development plan of Helios Faros assumes several years of 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 owns 20% of the company Helios Faros and manages its hotel-tourist properties on the basis of a concluded contract.

PORTFOLIO EXPANSION IN AUSTRIA

In cooperation with a private co-investor, Valamar has also bought another hotel in Obertauern, Austria. Hotel Marietta 4* has 120 keys and is one of the largest and most successful hotels in the destination. The co-investor is one of the largest Austrian shareholders of Valamar Riviera and the Chairman of the Supervisory Board of the Company, Mr. Gustav Wurmböck.

The transaction was carried out in such a way that the co-investor made a capital

investment of EUR 11.1 million in the Austrian company Valamar A GmbH (previously 100% owned by Valamar Riviera) and then Valamar A bought the Marietta Hotel with the funds from the recapitalization and additional debt. After the transaction, Valamar Riviera holds 24.5% of shares in Valamar A, and the co-investor 75.5%.

This acquisition with a new investor is an important advance for Valamar in expanding its portfolio internationally, and

managing hotel and tourist properties in the best winter holiday destinations in Austria and Italy. Two hotels that Valamar now manages in Austria will be able to employ 130 Valamar employees from Croatia in the winter.

In addition, this acquisition is a step toward the asset light business model, a management model which implies the lesser engagement of a company's own capital.

INVESTOR RELATIONS AND THE VALAMAR RIVIERA SHARE

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

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

General Assembly of Valamar Riviera decided to list Valamar Riviera's shares on the Official Market of the Zagreb Stock Exchange. The first day of trading was 17 December 2014. On 26 April 2019, the Zagreb Stock Exchange approved Valamar Riviera's request of transitioning 126,027,542 of the Group's ordinary shares from the Official to the Prime Market of Zagreb Stock Exchange. Valamar Riviera values a high level of transparency and quality in its business and financial communication. Transitioning to the most demanding listing of the Zagreb Stock Exchange, Valamar Riviera will aim to increase the share's recognition and positively influence the price and liquidity as the best example of market practice. The first trading

day of the Group's trading on the Prime Market was 29 April 2019. 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 amounted to HRK 33.00, which represents an increase of 11.5% compared to the last price from 2020. With a total turnover of HRK 128.0 million²⁰, the Valamar Riviera share was the third most traded share on the Zagreb Stock Exchange in 2021. In addition to the Zagreb Stock Exchange index, the joint stock index of the Zagreb and Ljubljana stock exchanges ADRIAprime, the share is also listed on the Vienna Stock Exchange index (CROX²¹ and SETX²²) and the Warsaw Stock Exchange (CEEplus²³), the SEE Link regional

PERFORMANCE OF THE VALAMAR RIVIERA SHARE AND ZAGREB STOCK EXCHANGE AND TRAVEL AND LEISURE INDICES IN 2021



²⁰ Block transactions are excluded from the calculations

²¹ Croatian Traded Index (CROX) is a capitalization-weighted price index and is made up of the 12 most liquid and capitalized shares of the Zagreb Stock Exchange.

²² South-East Europe Traded Index (SETX) is a capitalization-weighted price index consisting of blue-chip stocks traded on stock exchanges in the region of South East Europe (shares listed in Bucharest, Ljubljana, Sofia, Belgrade and Zagreb).

²³ CEEplus is a stock index that will be composed of the highest liquid shares listed on stock exchanges in countries of the Visegrad Group (Poland, Czech Republic, Slovakia, and Hungary) and Croatia, Romania and Slovenia.

platform index (SEELinX and SEELinX EWI)²⁴ and the MSCI Frontier Markets Index. Zagrebačka banka d.d. and Interkapital vrijednosni papiri d.o.o. perform the activities of specialists 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 January 1, 2021 to December 31, 2021. As of December 31 2021, the Company holds 4,139,635 treasury shares, which is 3.28% of the share capital.

Analytical monitoring 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.



*Dalmacija [PLACESHOTEL]
by Valamar 3*,
Makarska*

AWARDS IN 2021

Business paper Poslovni dnevnik and the Zagreb Stock Exchange awarded Valamar Riviera with the third place in the category of The Best Investor Relations award in Croatia

MEETINGS WITH INVESTORS IN 2021

Unfortunately, due to the pandemic, numerous live conferences and meetings with investors were postponed and replaced by virtual investor conferences.

Valamar has participated in several such conferences, organized by the Ljubljana and Zagreb Stock Exchanges, Erste Group, Raiffeisen Bank International, Auerbach Grayson and WOOD & Company.

COMMUNICATION WITH SHAREHOLDERS AND THE INVESTMENT COMMUNITY IN 2021

Shareholders' General Assembly

Participation in virtual investor conferences

Investor Relations

Timely disclosure of information and materially significant facts

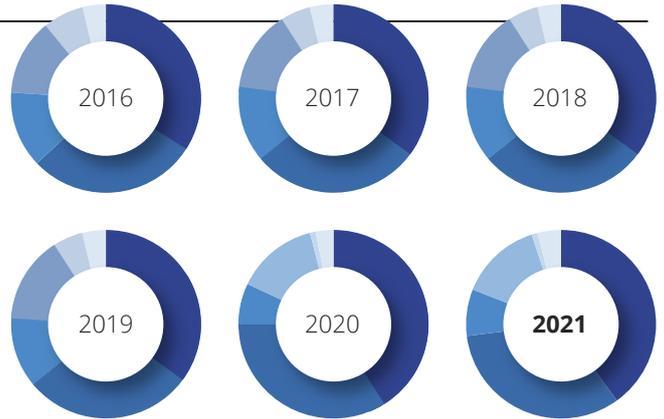
Corporate website for shareholders and investors

²⁴ SEE Link is a regional securities trading platform founded by the Bulgarian, the Macedonian and Zagreb Stock Exchanges. SEE Link is a regional platform for securities trading. The Bulgarian, Macedonian, and Zagreb Stock Exchange founded it. SEE LinX and SEE LinX EWI are two "blue-chip" regional indices composed of the ten highest liquid regional companies listed on three stock exchanges: five from Croatia, three from Bulgaria, and two from Macedonia. High transparency and quality business and financial communication with investors is the basis of investor relations in promoting Valamar Riviera as the leading Croatian share and one of the leaders in the CEE region. This is how we actively support liquidity, growth in share value and the involvement of investors who can contribute to Valamar Riviera's further value growth for all stakeholders

SALES PERFORMANCE

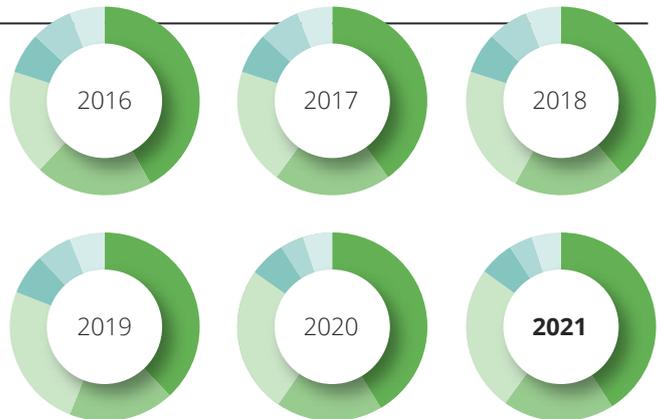
VALAMAR MARKET SEGMENTS: HOTELS AND RESORTS

	2016	2017	2018	2019	2020	2021
Families	34%	35%	35%	35%	41%	40%
Adults and couples	29%	29%	30%	30%	34%	33%
Seniors	13%	13%	12%	11%	7%	8%
Active guests	13%	14%	14%	15%	14%	14%
MICE	7%	5%	5%	5%	1%	1%
Leisure groups and tours	4%	4%	4%	4%	3%	4%



VALAMAR MARKET SEGMENTS: CAMPS

	2016	2017	2018	2019	2020	2021
Families	42%	40%	39%	38%	41%	41%
Adults and couples	20%	20%	19%	18%	18%	19%
Luxury camping	18%	20%	22%	25%	25%	25%
Active guests	7%	7%	7%	7%	6%	6%
Seniors	7%	7%	7%	6%	4%	4%
Short stay	6%	6%	6%	6%	5%	5%



INCREASE IN DIRECT BOOKING ANF GUEST LOYALTY

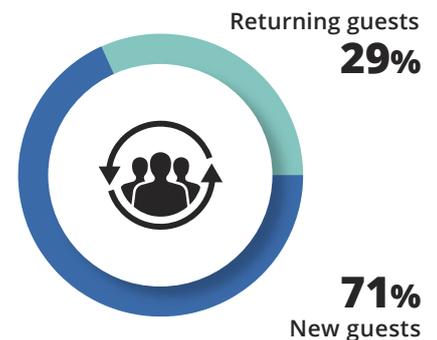
The Valamar Riviera loyalty program is a process of creating added value for returning guests to increase revenues and the share of direct booking. The share of returning guests in Valamar Riviera in 2021 was 29%.

During 2021, Valamar Riviera achieved 64.27% of revenues via direct distribution channels: call center, direct online booking, mobile platform, and loyalty program. The loyalty program will continue to develop to create added value for clients, along with the development of websites, e-marketing, and technology.

Share of loyalty members revenue in total direct booking in 2021:



SHARE OF RETURNING GUESTS (compared to the total guest number)



ANNUAL OCCUPANCY (OPERATING DAYS) 2021

Valamar Collection Hotels	66%	178
Valamar Hotels & Resorts	65%	174
Places	75%	110
Sunny by Valamar	74%	98
Sunny Plus by Valamar	74%	124
Hotels and apartments	68%	146
Camping Adriatic by Valamar - Premium Resorts	47%	228
Camping Adriatic by Valamar - Resorts	60%	148
Camping Adriatic by Valamar - Sunny	49%	125
Camping	51%	182
VALAMAR GROUP TOTAL	58%	167

* Based on open properties (2 camps on basis of 365 days).

DISTRIBUTION CHANNELS IN 2021

(by revenues*)

5.99%

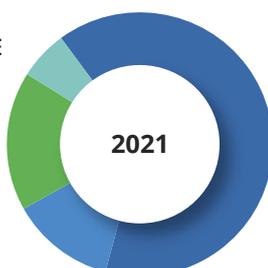
Groups and MICE

17.03%

Allotments

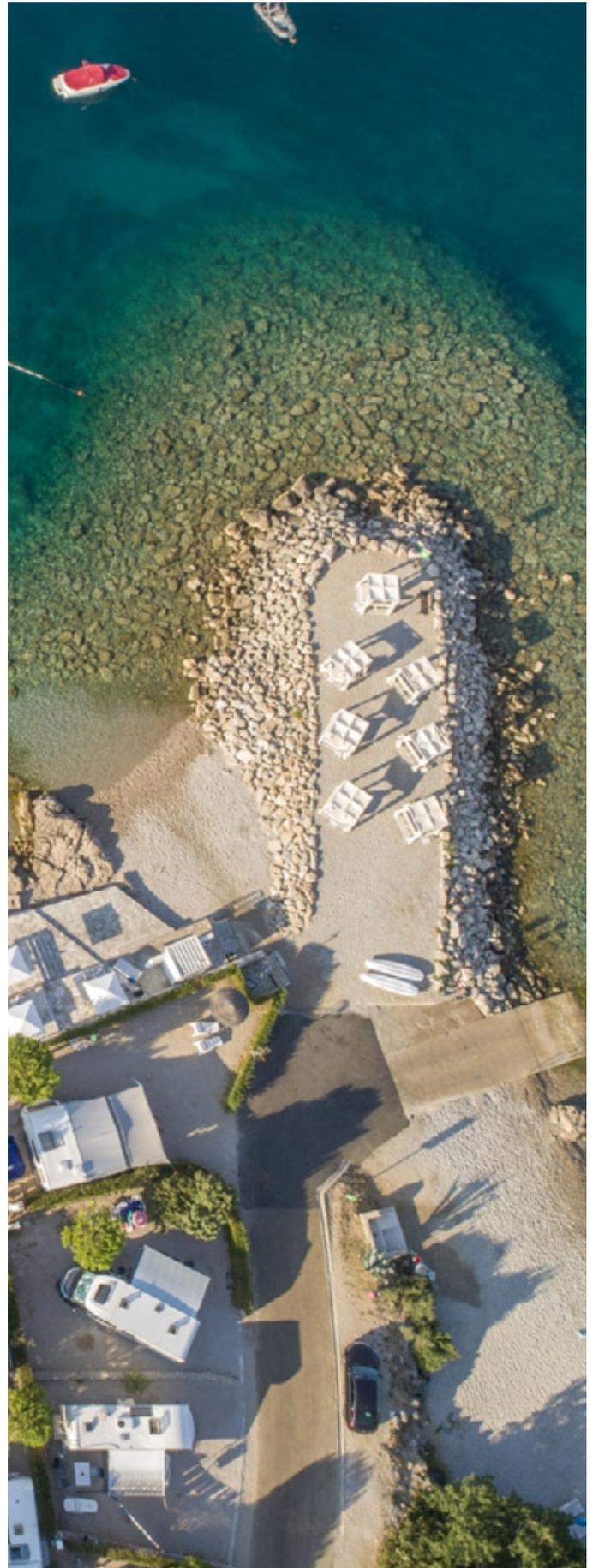
12.71%

OTAs



64.27%
Direct booking

* Valamar Riviera, Imperial Riviera, Valamar Obertauern Hotel and Helios Faros.



SERVICE EXCELLENCE

THE STRATEGIC MODEL OF QUALITY MANAGEMENT

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

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

Valamar's approach strives to achieve high guest satisfaction ratings in all brands much like other global competitors.



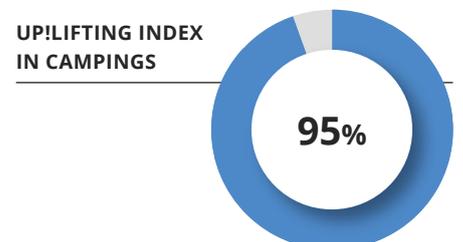
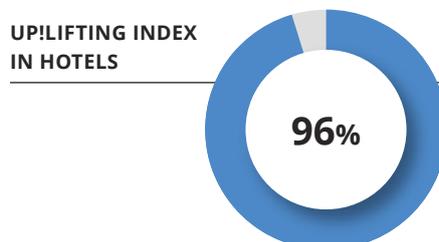
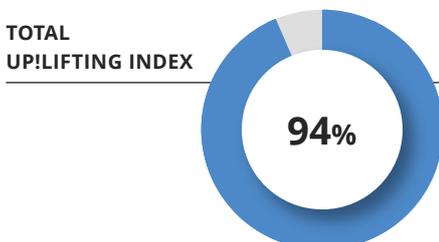
UP!LIFTING SERVICE CULTURE

Service excellence is the foundation of Valamar Riviera's long-term and sustainable business success.

Given that providing services is Valamar's key product, continuous quality development is an imperative. All ValamArtists are committed to achieving service quality excellence. Valamar employees receive regular trainings with a

special focus on uplifting topics that raise awareness of Valamar's service culture. The goal is to surprise guests with unexpected service by knowing and anticipating their wishes and needs. This is achieved by creating a service-focused culture within the organization. As every year, results were measured through guest satisfaction surveys. The Uplifting index was a high 94% at the level

of the Valamar Group. Valamar's goal is to always exceed guests' expectations, and the results indicate the company has succeeded. A high 73% of guests rated our employees as Unbelievable, i.e. the highest possible rating. This is an indicator based on ratings of more than 70,000 guests who completed the satisfaction survey in 2021 during their stay and through questionnaires sent after their stay.



STANDARDS AND CERTIFICATES

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

- ▶ HACCP (Food safety management system)
- ▶ ISO 9001 (Quality management system)
- ▶ ISO 14001 (Environment management system)
- ▶ ISO 50001 (Energy management system)
- ▶ ISO 45001 (Occupational health and safety management system)
- ▶ EN 14065 (Microbiological contamination laundry control system)
- ▶ „Q“ Quality label, Ministry of Tourism Republic of Croatia
- ▶ Blue flag – FEE (Foundation for Environmental Education)
- ▶ Sustainable Hotels

- ▶ Travelife Gold Award
- ▶ EU Ecolabel.

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

VALAMAR GUEST SATISFACTION SURVEY 2021 RESULTS

NUMBER OF COMPLETED SURVEYS

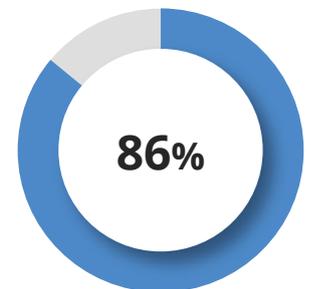
24% of our guests completed the survey or left an online review.



OVERALL GUEST SATISFACTION 2021

Overall guest satisfaction is based on 113,421 submitted surveys and online posts made by our guests. The total result for hotels was 86% and 87% for campsites.

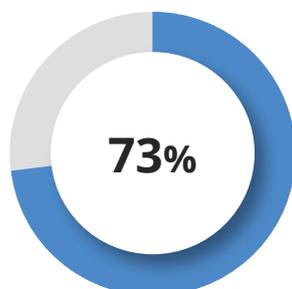
Collection properties reported the best results (93%).



UNBELIEVABLE INDEX

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

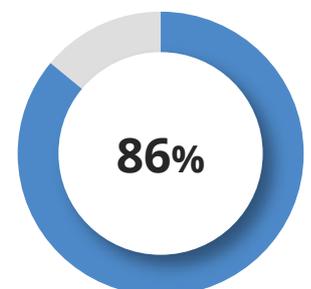
In 2021 it was 73%.



ONLINE GUEST SATISFACTION AVERAGE

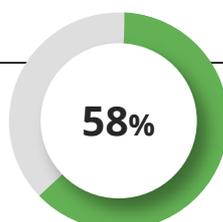
The online guest satisfaction average refers to the overall online score in the last 24 months on all web portals.

In 2021 it was 86%.



NPS – NET PROMOTER SCORE

NPS – Net Promoter Score – we ask our guest one question to obtain our NPS: “Would you recommend us to a friend or colleague?” In 2021 it was a 58%.



HOW IS NPS CALCULATED



Net Promoter Score = % Promoters - % Detractors

V HEALTH & SAFETY

The Valamar V Health&Safety is a comprehensive program of health, safety and environmental standards, as well as advanced cleaning protocols aimed at the further enhancement of hygiene standards that Valamar applies in its properties. It was introduced in 2020 and covers three key areas:

V HEALTH & SAFETY CLEANSPACE



V Health & Safety CleanSpace includes enhanced protocols for cleaning accommodation and communal areas in accordance with WHO and ECDC recommendations. The cleaning protocols are verified by the certified ISO 9001 quality system and are implemented by using products of the leading cleaning brands, Ecolab and Johnson-Diversey.

In 2020, Valamar implemented a new 100% CleanSpace Seal cleaning system that ensures complete disinfection of rooms, apartments and mobile homes before the guests' arrival, and introduced enhanced standards for cleaning communal areas.

V HEALTH & SAFETY FOOD



V Health & Safety Food ensures maximum food and beverage safety in all restaurants and bars.

The V Health & Safety Food standard controls all food & beverage processes (production, delivery, preparation, and serving). Our food & beverage management protocols have the HACCP certificate approved by SGS, the world's leading inspection, verification, testing and certification company. All Valamar Riviera employees have the required health certificates and undergo various trainings to ensure the highest standards of safety and quality.

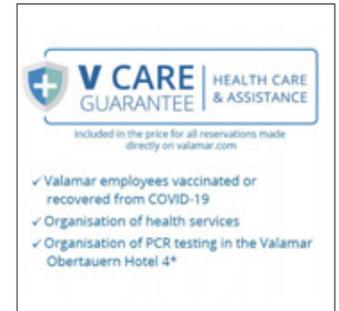
V HEALTH & SAFETY MANAGEMENT



V Health & Safety Management incorporates managing the safety of guests during their stay in Valamar properties, which includes the implementation of world standards and control of children's playgrounds, swimming pools, beaches and other facilities in hotels, resorts and camps.

Every Valamar property has a V Health & Safety Manager, available to guests 24/7 throughout their stay. The V Health & Safety Manager also manages the guest's health insurance in case of need in cooperation with the Croatian health care system.

V CARE GUARANTEE



V care guarantee is part of the V Health & Safety program and provides all necessary health services during a guest's stay (even in case of COVID-19).

V care guarantee includes the V Health & Safety Manager who is available to guests 24 hours a day throughout the guest's stay, and provides them with health care, free medical advice by phone (call or video call) 24 hours a day, and health care 24 hours a day in Valamar hotels or camping resorts where the guest resides or health facilities.

In addition, the V care guarantee also includes BAT (rapid ANTIGEN) testing services, PCR testing services and covers the cost of extended stays in case of COVID-19 for up to 14 days, as well as a refund of the return trip costs, as well as the guarantee that Valamar employees are vaccinated or regularly tested.



V HEALTH & SAFETY

A comprehensive program of health, safety, and environmental standards, as well as advanced cleaning protocols



*La Pentola Trattoria
Italiana, Makarska*

EMPLOYEES AND ORGANIZATION

In 2021, despite the continuous difficult circumstances caused by the Covid-19 pandemic, Valamar Riviera retained its position as the top employer in tourism and is still the only tourism company among the top 20 employers in Croatia for the fourth consecutive year.

This is the result of the survey including almost 20,000 respondents conducted by MojPosao portal in 2020 and at the beginning of 2021. In contrast to the previous year, when harmonious workplace relationships were the most important factor when evaluating the level of employer desirability, in 2021 workplace security was the most important factor. In the second year of crisis management through the "Pause, Restart" program, Valamar provided its employees with stable income and job security in the most challenging circumstances. Major factors in choosing the top employer were harmonious workplace relationships, job security and employer social responsibility.

Valamar has achieved high satisfaction results during a crisis which has affected the entire sector. These results indicate high employee satisfaction with the management policies adopted by Valamar, as well as with transparent and timely communication towards employees.

RESPONSIBLE MANAGEMENT OF HUMAN RESOURCES

As the largest tourism company and investor in Croatia, Valamar is aware of its impact and regards investing in its employees as one of its primary business goals. In terms of seasonality as one of the important characteristics of holiday tourism and the tourism sector in general, Valamar addresses various initiatives and programs to extend the tourist season in its destinations and to secure year-round income through permanent employment and the permanent seasonal employee program.

The COVID-19 pandemic caused disruptions in tourism flows mid-March 2020. The closing of catering services and other tourist facilities, as well as travel restrictions between countries, border closings and the significant drop in overnights seriously reflected on the business activities of Valamar Riviera.

The tourism sector faced another season under difficult circumstances in 2021 due to the unfavorable epidemiological situation, the number of people infected in Croatia, as well as in source markets, the continuation of measures and travel restrictions. The season started late and not all hotels were open.

Valamar is a responsible employer that puts its employees first even in the most difficult circumstances and job protection has been a priority since the onset of the crisis caused by the pandemic in order to ensure full employment. Enabling the employment of more than 7,000 workers and students is a feature that has so far made Valamar Riviera the largest employer in tourism, the flagship of growth and the promotion of Croatian tourism. Valamar Riviera has been the leader in leisure tourism in Croatia for over two decades, guided by sustainable development, striving to respect all financial and wider social obligations. The growth of all business performances was accompanied by the desired and expected growth in the number

of workers and their incomes, which Valamar is extremely proud of and is ready to continue with the same successful practice of human resources management and employee satisfaction.

In 2021, Valamar continued to implement the permanent seasonal measure and the Valamar +3 program, which provides year-round income to the most loyal permanent seasonal workers. The program included nearly 1,000 seasonal employees. In the autumn of 2021, Valamar employed almost 400 key employees for an indefinite period, thus providing them with stable incomes and a year-round job in tourism. In addition, due to business expansion to winter destinations, employees will be offered jobs during the winter season in ski resorts in Austria.

Valamar has also invested in accommodation for employees called Kuća Valamar, where employees from different parts of Croatia have secured accommodation. In addition, employees also receive hot meals.

During 2020 and 2021, the extraordinary situation demanded more focus on the health and safety of both employees and guests. Hence, Valamar developed and implemented V-Health & Safety, a program of health, hygiene, safety and environmental standards to secure a high level of safety for both guests and employees.

More detailed comparisons of indicators related to employment policy and measures can be found in the ESG Indicators Report presented in the table at the end of this annual report.

"PAUSE, RESTART" PROGRAM

Due to the Covid-19 pandemic, Valamar launched the "Pause, Restart" program on April 1st, 2020 with the aim of protecting all jobs, and the program continued during the first half of 2021. The successful implementation of the program along with the government job protection measures, resulted in the preservation of all jobs in Valamar.

The program was implemented with the support of social partners who co-signed agreements for the period from April 1st, 2020 to March 31st, 2021, and from April 1st, 2021 to March 31st, 2022. Together with institutions and professional associations, Valamar proposed a number of job protection measures to the Government, as well as other aid measures for tourism. The job protection measures were used until July 2021, i.e.

until the high season of 2021. With the improvement of the epidemiological situation and the restart of tourism flows at the beginning of the summer, all workers were able to work in opened properties and were not sent to wait for work or on pause.

In 2021, Valamar firstly employed permanent and returning seasonal workers, making it a priority to have its most loyal workers to overcome and successfully complete a challenging season. Considering that a certain number of properties remained closed throughout the season (mostly in destination Dubrovnik), more than a hundred employees from Dubrovnik were invited to work in other Valamar destinations during the pre-season and season of 2021.

SALARY POLICY

In addition, in 2021, new reward programs were launched with the aim of rewarding employee personal efficiency and work achievements (Start UP, Pick UP and Valdi).

Given the late opening of most hotels, camps and resorts and business normalization in July, tourism workers could not work most of the year and did not achieve the level of income from regular years. In order to compensate its employees for reduced salaries, Valamar paid numerous awards under the "13th and 14th salaries" program in the amount of up to HRK 11,300 net, depending on how long they worked. At a yearly level, salaries in Valamar were 27%

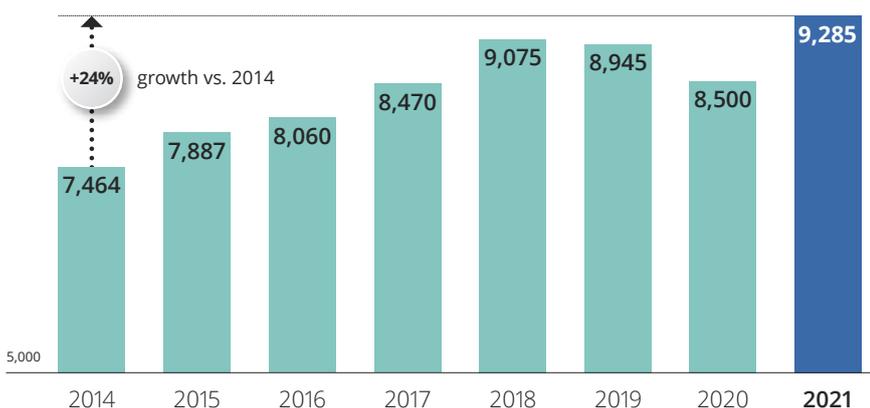
higher than the Croatian average and the industry or sector average. Namely, the average gross 1 salary for 2021 in Valamar Riviera was HRK 9,285, while the average salary in industry was HRK 7,296 gross 1. Under the extraordinary circumstances of 2021, Valamar had a slightly lower average salary compared to the average salary of the Republic of Croatia, which in 2021 amounted to HRK 9,599 (-3%). Since 2014, the growth of the average gross 1 salary has been 24%.

Equal pay in Valamar is regulated by the Collective agreement. The minimum income for Valamar Riviera employees is agreed with social partners through a collective

agreement (Valamar Guarantee). In 2021, Valamar employees were provided a minimum pay of HRK 5,000 net for a full month hours worked, which amounts to approximately HRK 6,700 gross 1, which is significantly above the legally regulated minimum wage, which amounted to HRK 4,250 gross 1 in Croatia in 2021.

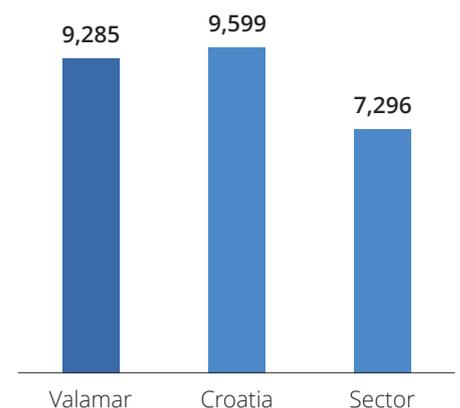
The entire senior management of Valamar Riviera is employed locally, which is in the common interest of the local community and employees and the synergy of business with different stakeholders, while respecting the cultural specificities of a particular area.

INCREASE OF GROSS 1 SALARY IN 2021 COMPARED TO 2014 (HRK)



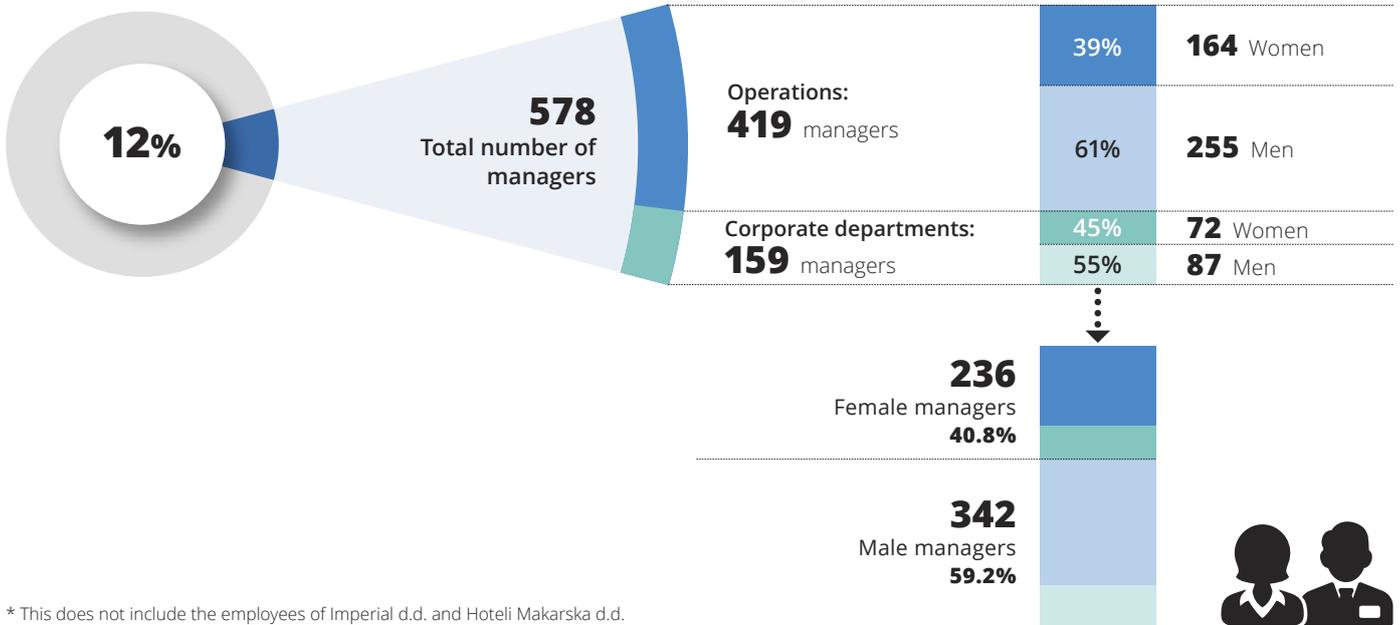
AVERAGE SALARY IN 2021

Croatia, Valamar and hospitality industry/sector



SHARE OF MANAGERS IN THE TOTAL NUMBER OF EMPLOYEES IN 2021 AT VALAMAR RIVIERA

The number of managers compared to 2020 increased by 9, but due to a significant increase in the total number of employees, the percentage of managers in the total number of employees decreased by three percentage points, from 15% (as it was in 2020) to 12% in 2021.



* This does not include the employees of Imperial d.d. and Hoteli Makarska d.d.



AVERAGE EMPLOYMENT BASED ON HOURS WORKED IN 2021



3,211

AVERAGE EMPLOYMENT
based on hours worked in 2021 in
Valamar Riviera



3,900

AVERAGE EMPLOYMENT
based on hours worked in 2021 in
Valamar Group

EMPLOYEE TURNOVER RATE PER PERMANENT EMPLOYEES IN 2021

	M	F	Total	Permanent employees	Turnover rate
Baška	6	7	13	73	18%
Dubrovnik	11	17	28	295	9%
Krk	3	5	8	72	11%
Poreč	43	45	88	877	10%
Rabac	7	17	24	250	10%
Rab	5	2	7	222	3%
Makarska	6	2	8	135	6%
Total	81	95	176	1,924	9%

EMPLOYEES BY CONTRACT TYPE IN VALAMAR RIVIERA AND IMPERIAL RIVIERA

	31 July 2021	31 July 2019	
Permanent employees	1,924	1,892	102%
Employees with year-long income	1,000	1,142	88%
Seasonal	2,037	3,056	67%
Fixed term work/other	198	200	99%
Students	726	778	93%
Total	5,885	7,068	83%

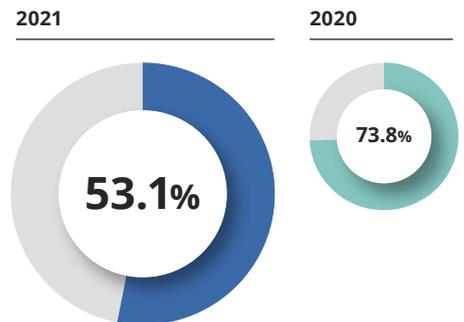
In high season 2021 there were 5,885 workers employed, or 1,438 more than 2020, and 53% were employed with a year-long income contract.

Compared to 2019, high season of 2021 employed 17% less workers because a number of properties remained closed.

YEAR-LONG EMPLOYMENT INDEX

The year-long employment index in 2021 was 53.1% at the group level.

The decrease in the index is the result of an increase in the number of employed seasonal workers in 2021 high season compared to 2020.



EMPLOYEE BENEFITS

Valamar Riviera continues with the project called "My Benefits" which provides all employees with the largest system of material and non-material benefits.

To receive the benefits, employees need a ValamArtist card they receive upon employment or a certificate of employment issued by the Valamar Human Resources Department. Employees can enjoy various benefits and discounts with various partners in all destinations and throughout Croatia.

Discounts and benefits cover various services, i.e. various health, cosmetic, hairdressing, ophthalmological, car mechanic services, as well as discounts on education, tools and tickets. In addition, employees can receive more favorable accommodation services in Valamar's properties.*

Valamar employees are also provided with a discount on catering services in certain Valamar catering facilities and the list of benefits that ValamArtists can utilize include more favorable credit and banking services with partner banks.

* The stated benefits also apply to Imperial Riviera employees.

EMPLOYEE REWARDS UNDER THE PROGRAM "13TH AND 14TH SALARY

REWARD PAYOUTS DURING THE SEASON

In line with the expected recovery, the reward programs are adapted to the new situation and aligned with the "restart" of business activities.

In June, Valamar decided to open the season with a cash prize in the amount of HRK 1,300 net for permanent employees, permanent seasonal and seasonal employees until 31 May 2021, in order to help employees who were waiting for work and who were involved in season preparations in difficult circumstances. All other seasonal employees who were hired during June and July and successfully completed the summer season were paid a reward for seasonal work in the amount of HRK 1,000 net in September. Employees received an additional reward with the salary for July in August in the amount of 600 or 1,200 kuna, depending on the hours worked. They also received a third reward payout in September, ranging from 400 kuna to 1,600 kuna, depending on the period and hours of work.

OTHER AWARDS

The following awards were paid to permanent and fixed-term employees in full-year employment, who were employed on 1 December 2021:

- ▶ 13th salary in the net amount of HRK 5,000
- ▶ Christmas bonus in the net amount of HRK 1,800
- ▶ gift to child in the amount of 600 kuna (for children up to 15 years)
- ▶ length of service awards for 2021 in accordance with the Collective Agreement
- ▶ a gift in kind of HRK 400 net that employees could use in Valfresco Direct.

The Christmas bonus was also paid to permanent seasonal workers and seasonal workers during December:

- ▶ permanent seasonal workers and seasonal workers who had an employment contract for 6 months or more in 2021 and who had completed that period in the 2021 season were paid a Christmas bonus in the net amount of HRK 1,000
- ▶ permanent seasonal workers and seasonal workers who had an employment contract for 2 to 6 months and who had completed that period in the 2021 season were paid a Christmas bonus in the net amount of HRK 500.

FOUR REWARD PROGRAMS IN 2021

In addition to the Valamar Guarantee, three additional reward programs were introduced in 2021. A total amount of 9,760 awards were paid through Valamar's four reward programs and 3,566 employees in Valamar Riviera were rewarded, while 12,900 awards were paid at the Group level and a total of 4,374 employees were rewarded.



Dalmacija [PLACESHOTEL] by Valamar 3, Makarska*

TALENT MANAGEMENT AND CAREER DEVELOPMENT

Valamar Riviera aims at increasing overall customer service as well as creating a motivating work environment. From typical occupations in tourism to professionals in IT, controlling, marketing, sales and a number of other fields, one of the Company's strategic goals is to develop educated and satisfied employees who can have a successful career in tourism.

All employees are involved in annual performance and potential assessments, regardless of whether they work in operation or in corporate functions. Such an approach enables timely planning of promotions, rotations and succession of key positions within the company. Individual development plans allow employees to plan the long-term development of their careers. Valamar Riviera consistently monitors the work of its employees to fully utilize their potential. Based on the results, the company invests in their education and guides them in further work depending on their capabilities, knowledge and affinities. Valamar Riviera recruits candidates of different profiles and experience, giving everyone the opportunity to thrive and grow within their company. Particular attention is given to career development, education and training which is coordinated via the PERO platform since 2021.



Lanterna Premium
Camping Resort 4*, Poreč

EMPLOYEE LIFE-LONG LEARNING AND EDUCATION

Valamar has cautiously planned employee development and education for key business functions and jobs in 2021. The goal was to further strengthen the skills and competences needed for top quality work performance by making the most of and sharing the valuable knowledge of our colleagues.

Valamar has completed the digitalization of trainings of the V-Academy's internal development program, adapted the system to new needs, online seminars, webinars and virtual classrooms. In 2021 Valamar continued to provide its employees with education and training through the educational platform for the development, education and onboarding of employees called PERO.

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

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

The good results of the season enabled the continuation of the education program. Hence, the year ended with optimistic plans for new projects, educational programs and professional

training of all category employees. In 2021, a total of 41,162 hours of education and HRK 2,854,372 were spent on educational programs and trainings within the Valamar Excellence program.

Every education and training is very important in the career development of every employee. Valamar Riviera is aware that it has accumulated human capital through the rich and valuable knowledge and experience of colleagues, which is not only useful and valuable, but also necessary for mastering business processes and understanding the broader picture of the company's business.



41,162 hours

of training as part of the Valamar Excellence Program in 2021

PERO – PLATFORM FOR EDUCATION, DEVELOPMENT AND ONBOARDING

Since 2021, our employees have been offered the PERO - Platform for Education, Development and Onboarding, intended for learning, development, team management, employment, structured introduction to work, work efficiency assessment and many other activities that contribute to efficient human resources management. In doing so, we integrated Cornerstone, a world-renowned platform for employee development and management, into Valamar's environment.

PERO enables greater engagement and involvement of team leaders in all these processes and increases the engagement of employees in developing their own careers, acquiring new knowledge and skills. Through the platform, every employee can now access a large number of online education and training in tourism and other fields. Employees can choose topics of interest to them, follow online trainings or request specialist training from their team leaders. Leaders can assign trainings to their employees, monitor which trainings they have completed, and evaluate their effectiveness and adoption of what has been learned.

With the introduction of the PERO platform, we ensure:

- ▶ availability of online education
- ▶ optimization of the education process – less administration, faster organization
- ▶ automation of the recruitment process and onboarding of new employees
- ▶ greater internal mobility and internal labour market
- ▶ stronger employer branding processes for human resources development
- ▶ continuous employee development process.



HRK 2,854,372

was invested in educational programs and education in 2021

INVESTING IN FUTURE STAFF AND PROMOTING JOBS IN TOURISM

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

The Valamar human resources sector continues the long-standing practice of scholarships for students and continued to provide scholarships to pupils and students in 2020/2021 in cooperation with the Ministry of Tourism and Sports.

Due to the Covid-19 crisis, Valamar temporarily halted its scholarship program. In 2021, Valamar responded to the public invitation of the Ministry of Tourism and Sports and continued with the program. Students have the opportunity to gain work experience in Valamar hotels, camps and resorts, and are offered a job with the leading employer in tourism in Croatia upon graduation. Valamar provides scholarship holders from other destinations with accommodation and meals at the expense of the employer. Valamar provides a scholarship of HRK 1,200 per month during the school year for 10 months until the end of school. In 2021, despite the continuation of the Covid-19 crisis, Valamar provided scholarships for 28 students.

IN 2021 VALAMAR PROVIDED SCHOLARSHIPS FOR 28 STUDENTS*

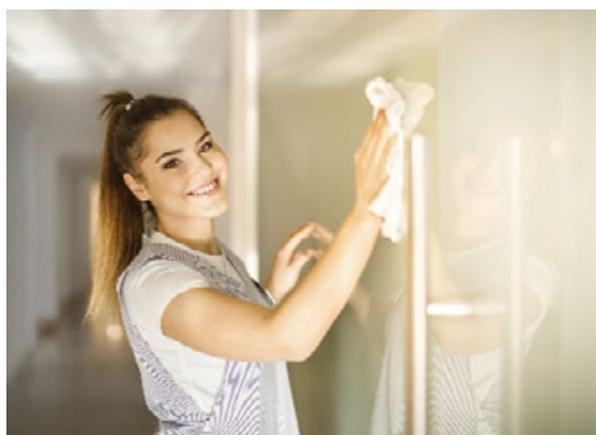
	Local	From other regions	Total
Graduates	9	14	23
Other grades	5	0	5
TOTAL	14	14	28

* Valamar Riviera and Imperial Riviera.

COOPERATION WITH REGIONAL COMPETENCE CENTERS

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

Valamar Riviera is a partner to three Regional Competence Centres: Pula, Opatija and Dubrovnik. The partnership commits us to collaboration and engagement on three priority project tasks: strengthening vocational education and training systems and their quality, including mechanisms for anticipating skills, adapting curricula and introducing and developing work-based learning systems, including dual learning systems and apprenticeship programs, modernizing and improving the quality of vocational training with the purpose of increasing student employability as well as opportunities for further education and lifelong learning. The biggest benefits of Valamar's cooperation and partnership with these projects are: networking, the cooperation and synergy of the public and private sectors, working on the greater appeal of occupations in tourism and hospitality, the awareness and greater sensibility for the needs of the profession and students for work in tourism and hospitality, and ultimately the use of recovery funds.



SEASONAL EMPLOYMENT

Due to the continuation of extraordinary circumstances in 2021, the course of seasonal employment was disrupted. During the winter and early spring, most properties were still closed, and only a number of them opened from the end of April and in May. Hence, seasonal employment followed accordingly.

Permanent seasonal workers and returning seasonal employees had an advantage in employment throughout the season. Permanent seasonal workers were employed during April, then returnees, and later new seasonal workers. Some of the hotels, resorts and catering facilities were not open in 2021, which is why the number of engaged seasonal workers was lower than in previous years.

The 2021 season was marked by an improved epidemiological situation during May. Hence, there was a sudden surge of tourist flows, which reflected in seasonal employment through intensive employment from the end of May, during June and July, and during August and September in Dubrovnik. The significantly increased need for employees in Dubrovnik began during the high season and continued in the post-season. This has led to a decrease in the available workforce from Croatia, and some seasonal workers

were employed from countries in the region: Bosnia and Herzegovina, Serbia and North Macedonia. The short season reflected on the employment of seasonal returnees. Due to the uncertainty of their situation, many were forced to seek employment in other industries that allowed them to have a longer duration of employment (primarily retail), while some also sought employment abroad.

Despite the aforementioned, the season of 2021 was successful as a result of intensive worker retention policies, reward programs, quality accommodation and other benefits for employees. Permanent seasonal employees worked for six, nine or more months, while 1,000 permanent seasonal workers were proposed to the measure. During the season, in order to retain workers, managers and directors proposed nearly 400 of the most loyal, qualified, experienced and motivated workers for permanent employment, thus providing security and stability for the best workers throughout the year, as well as for the future.

PERMANENT SEASONAL EMPLOYEES AND THE PROGRAM VALAMAR +3

Valamar Riviera secures the stability and continuity of yearlong income through the Permanent Seasonal Worker measure and Valamar +3 program in 2021, as part of an active employment policy implemented since 2016.

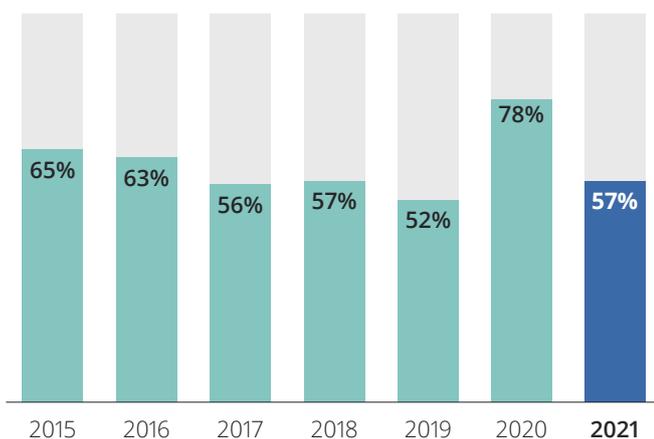
The employees were thus provided with 6 months of work, and the employees in the Valamar +3 program were provided with 9 months of work. The number three in the name of the Valamar +3 program means employee job security through three

seasons and numerous other benefits. Throughout the three-year contract period, permanent seasonal workers enjoy employment status and priority for employment at Valamar.

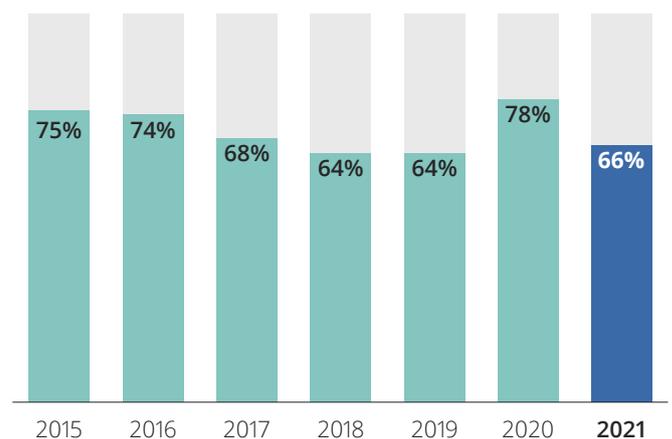
PERCENTAGE OF RETURNING SEASONAL WORKERS

The increase in the number of open hotels, holiday resorts and camps, as well as the automatic increase in the number of seasonal employees in 2021 compared to 2020, was reflected in the percentage of returning seasonal workers and the share of local employees, and both shares recorded a decline.

SHARE OF RETURNING SEASONAL WORKERS



SHARE OF LOCAL EMPLOYEES





KUĆA VALAMAR

Valamar Riviera provides all its employees who work in Valamar destinations but are from other parts of Croatia and the region with quality accommodation and warm meals.

Kuća Valamar, seasonal employee accommodations, are currently available in Poreč, Krk, Rabac and Dubrovnik. In the modern Kuća Valamar, seasonal employees have single and double rooms with private bathroom and toilet at their disposal, free internet, relaxation areas and quality food. The kitchen and dining room are fully

equipped with a stove, refrigerator with freezer, microwave and a range of other equipment. There is also a special room equipped with washing, drying and ironing machines, the use of which is free for workers who live there.

Kuća Valamar represents the concept of quality accommodation and food for seasonal workers during their stay in the destination where they work. Valamar invests to ensure excellent accommodation and food provided by the concept of the Kuća Valamar in all its destinations.

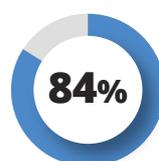
After four Kuća Valamar in destination Poreč, Krk and Rabac, the fifth was opened in Dubrovnik, an investment of HRK 85 million. The new Kuća Valamar is complete and ready to welcome its first seasonal workers in the 2022 season with the capacity of 350 persons.

CORPORATE CULTURE AND CLIMATE - RESULTS 2021

In 2021, 84% of employees completed the survey, while the overall rating at Valamar Riviera was 3.99.

Due to the specific business circumstances caused by the pandemic, the survey examining corporate climate and culture monitored the category "Pause Restart" in 2021 to obtain feedback on employee satisfaction with the aforementioned program, initiated with the aim of stabilizing the business, protecting jobs and employee health. A high score of 4.01 for this category indicates a high understanding of the situation that the company was going through and the adaptability of each worker to the new way of working.

As an employer, it is important to Valamar Riviera to hear employees' opinions about the program itself, whether they received timely information related to the situation within the company and whether they felt protected at their workplace. The categories Work Organization, Leadership, Work Environment and Team Relations, Balance Life Work and Pause, Restart were rated higher than 4.00. For the third year in a row, Valamar Riviera also measures eNPS, i.e. employee Net Promoter Score, which is an average score of 11 this year.



84%
OF EMPLOYEES COMPLETED
THE SURVEY IN 2021



3.99
TOTAL EMPLOYEE
SATISFACTION
RATING



The highest score of **4.24**
received the leadership category

Score higher than **4.0**
received categories Work
Organization, Leadership, Work
Environment and Team Relations,
Balance Life Work and Pause, Restart

11
Employee Net Promoter Score for 2021

SOCIAL RESPONSIBILITY



ENRICHING THE DESTINATION



LITTLE TOURISM



BUILDING TOURISM INFRASTRUCTURE



VALAMAR'S BIG HEART



GOOD JOB AT VALAMAR



OUR RETIRED COLLEAGUES



VALAMART



GREEN VALAMAR



PROMOTING SPORTS

Valamar Riviera in 2021:

HRK 62 million

total invested in Corporate Social Responsibility (CSR)

3.7%

CSR share in total revenues

RESPONSIBILITY TO THE ENVIRONMENT AND CLIMATE

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

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

- ▶ **100% OF ELECTRICITY**
in Valamar Riviera, Imperial Riviera and Valamar Obertauern Hotel comes from renewable sources.
- ▶ **HRK 400,000 - ALLOCATED IN 2021**
for the procurement of 2 new electric cargo vehicles, 1 electric scooter, and 2 electric trolleys for housekeepers.

SUSTAINABLE HOTEL CERTIFICATE

Valamar Sanfior Hotel & Casa	★★★★	Rabac
Valamar Koralj Hotel	★★★	Krk island
Dubrovnik President Valamar Collection Hotel	★★★★★	Dubrovnik
Valamar Parentino Hotel	★★★★	Poreč
Valamar Bellevue Resort	★★★★	Rabac
Valamar Padova Hotel	★★★★	Rab island
Valamar Carolina Hotel & Villas	★★★★	Rab island

- ▶ **THE TOTAL CO₂ OUTFLOW OF FORESTS**
managed by Valamar Riviera is 538 tons of annual outflow, while the total area of forests and forest land owned by Valamar (entered in a cadastre) is 272.7 ha.
- ▶ **MORE THAN 70 PERCENT - VALAMAR RIVIERA REDUCED DIRECT AND INDIRECT**
greenhouse gas emissions from the 1st and 2nd scope, in the period from 2015 to 2021. The reduction was mainly achieved by switching to electricity from renewable sources. An additional, significant effect was also achieved by replacing fuel oil boilers with gas boilers, and even more so with heat pumps, and other measures already listed elsewhere in the Report.

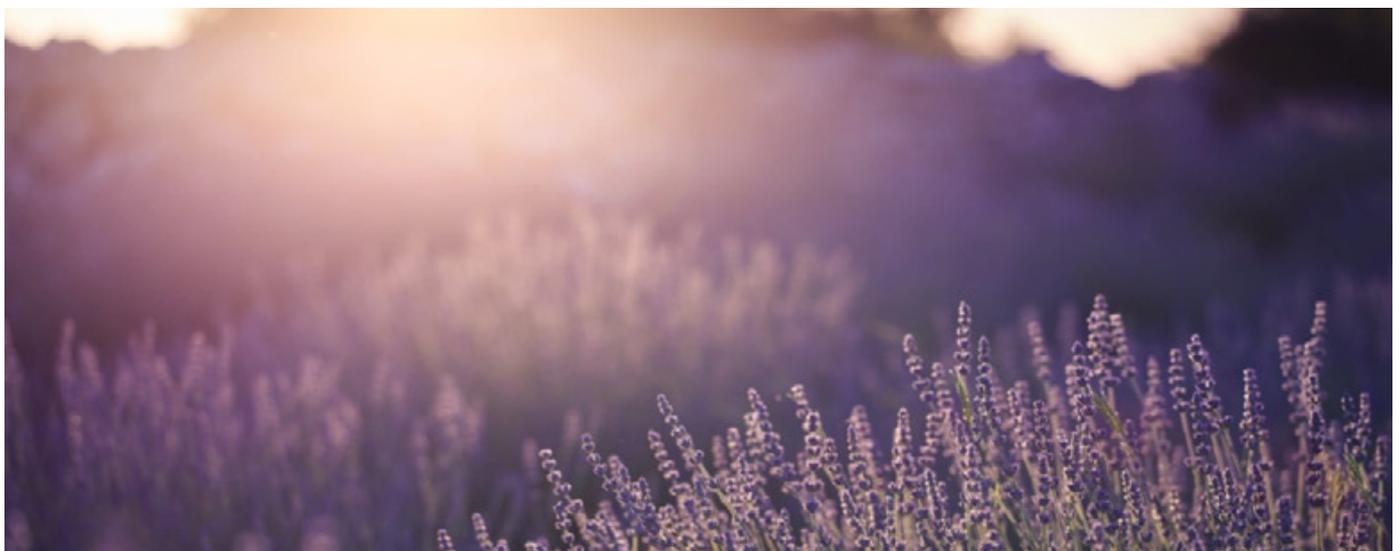
IN BUSINESS VALAMAR IS FOCUSED ON:



- ▶ Reducing fossil fuel consumption, especially heating oil
- ▶ Reducing drinking water consumption
- ▶ Reducing electric energy consumption



Total number of charging stations



GREENHOUSE GAS EMISSION REPORT

The methodology used for calculating greenhouse gas emissions is the HCMI (The Hotel Carbon Measurement Initiative), published by the WTTC.

We have been monitoring greenhouse gas emissions since 2015, direct and indirect emissions from the 1st and 2nd scope. The calculation of the Valamar Group refers to properties belonging to Valamar Riviera, Imperial Riviera and the Valamar Obertauern Hotel. The report for 2021 includes the greenhouse gas emissions of the entire Valamar Group, including non-catering facilities. In order to make the data comparable in the same way, the calculations for earlier years were harmonized. Due to the consequences of the pandemic 2020 deviated in all indicators and is not suitable for

comparison in the tables below. A comparison of greenhouse gas emissions in 2021 was made in relation to 2019 and 2015.

Reduced greenhouse gas emissions were recorded in 2021 compared to 2019. Despite significantly better tourism indicators compared to 2020, the pandemic's impact on guest numbers is still notable and is significantly lower than the number of guests in 2019. A significant reduction in greenhouse gas emissions is correlated with fewer guests and a shorter tourist season due to the pandemic. An additional factor in reducing greenhouse gas emissions are changes the type of energy products used. Valamar Riviera has been switching to more environmentally friendly energy sources for years, thus reducing its carbon footprint in the process.

VALAMAR RIVIERA: GREENHOUSE GAS EMISSION COMPARISON (IN CO₂e)

	kg/per occupied accommodation unit		kg/overnight		CHANGE VS. PREVIOUS YEAR:	
					(t)	kg/overnight
2015	9.95		4.41			
2016	3.05		1.30		↓ 68.02%	↓ 70.52%
2017	2.92		1.20		↓ 5.67%	↓ 7.91%
2018	3.17		1.30		↑ 10.95%	↑ 8.67%
2019	2.56		1.04		↓ 18.01%	↓ 20.39%
2020	2.69		1.28		↓ 58.15%	↑ 23.49%
2021	2.03		0.81		↑ 36.38%	↓ 36.56%
2021/2015					↓ 84.3%	↓ 81.6%
2021/2019					↓ 42.93%	↓ 21.66%

VALAMAR RIVIERA GROUP: GREENHOUSE GAS EMISSION COMPARISON (IN CO₂e)

	kg/per occupied accommodation unit		kg/overnight		CHANGE VS. PREVIOUS YEAR:	
					(t)	kg/overnight
2015	10.06		4.47			
2016	4.04		1.74		↓ 58.31%	↓ 61.13%
2017	4.04		1.67		↓ 1.08%	↓ 3.70%
2018	4.35		1.82		↑ 10.91%	↑ 8.79%
2019	2.94		1.22		↓ 31.40%	↓ 33.07%
2020	3.14		1.44		↓ 59.70%	↑ 17.97%
2021	2.38		0.95		↑ 43.67%	↓ 33.82%
2021/2015					↓ 81.8%	↓ 78.7%
2021/2019					↓ 42.10%	↓ 21.93%

Transparency and accuracy of our ESG KPI indicators and applied methodology are important for transparent performance reporting. The report on ESG indicators is presented in the table at the end of this annual report. In order to achieve an independent assessment of the GHG emissions report, Valamar requested the external partner (Ecoenerg) to analyse the GHG emissions report including the emissions of Scope 1 and Scope 2, taking into account the main reporting principles: report data relevance, completeness, consistency, transparency and accuracy. Valamar has successfully established an independent emission reporting system for annual sustainability reporting. The emission calculations followed the HCMI methods that guarantee the correctness of the methodology in all areas of emission application.

THE IMPORTANCE AND POSITIVE IMPACT OF VALAMAR RIVIERA FORESTS ON THE ENVIRONMENT AND CLIMATE

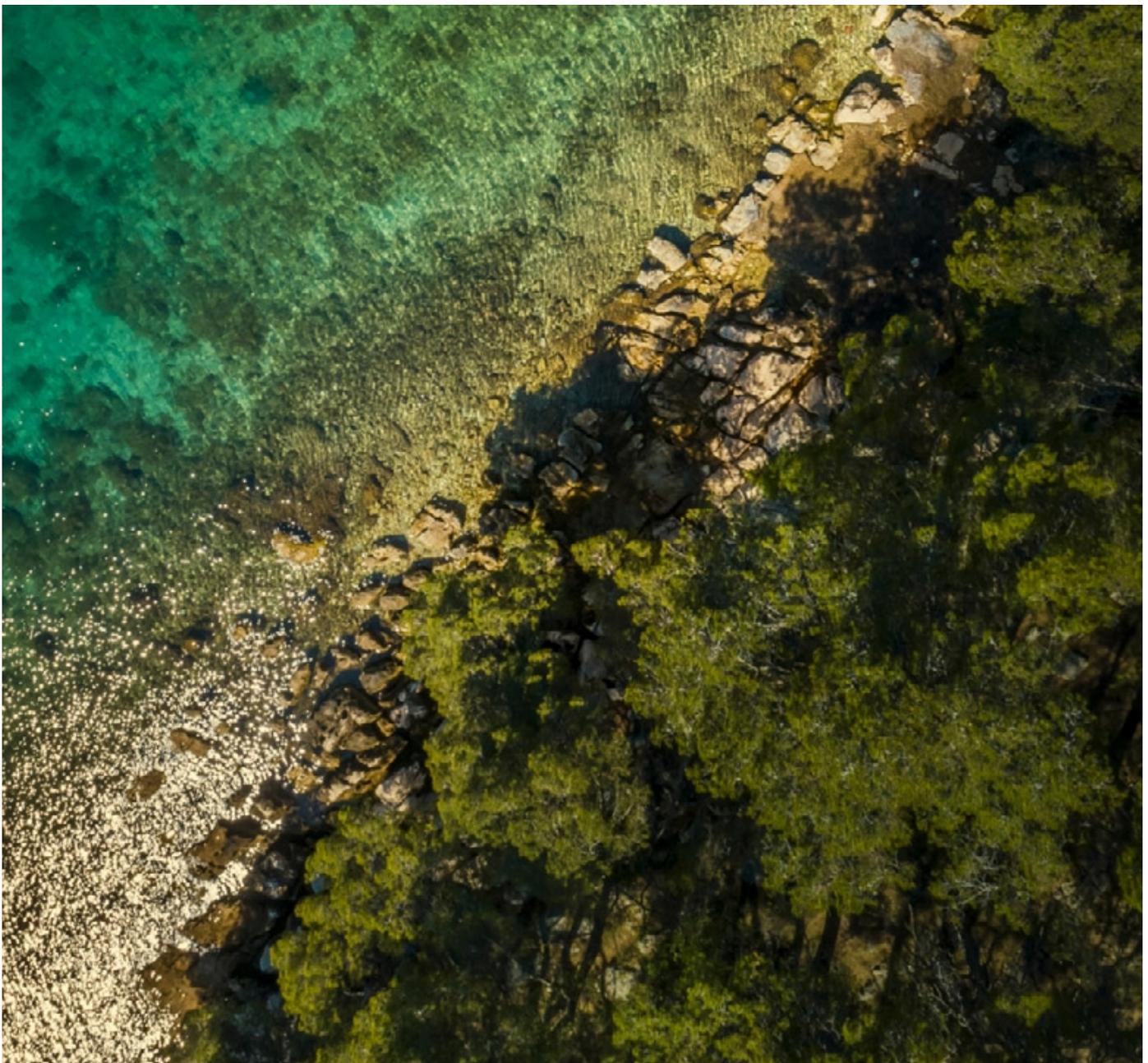
With its sustainable management of existing forest areas with over 80,000 trees, it is estimated that Valamar Riviera generates about 950 tons of CO₂ net outflow (carbon dioxide absorption) per hectare of forest, which amounts to just under 2 tons of CO₂.

In addition to attending to its existing forests, Valamar Riviera also carries out reforestation by planting 1,000 seedlings a year. The experts from EKONERG – Institute for Energy and Environmental Protection

carried out the analysis and assessment of the potential for removing carbon dioxide from the atmosphere in the forests managed by Valamar Riviera.

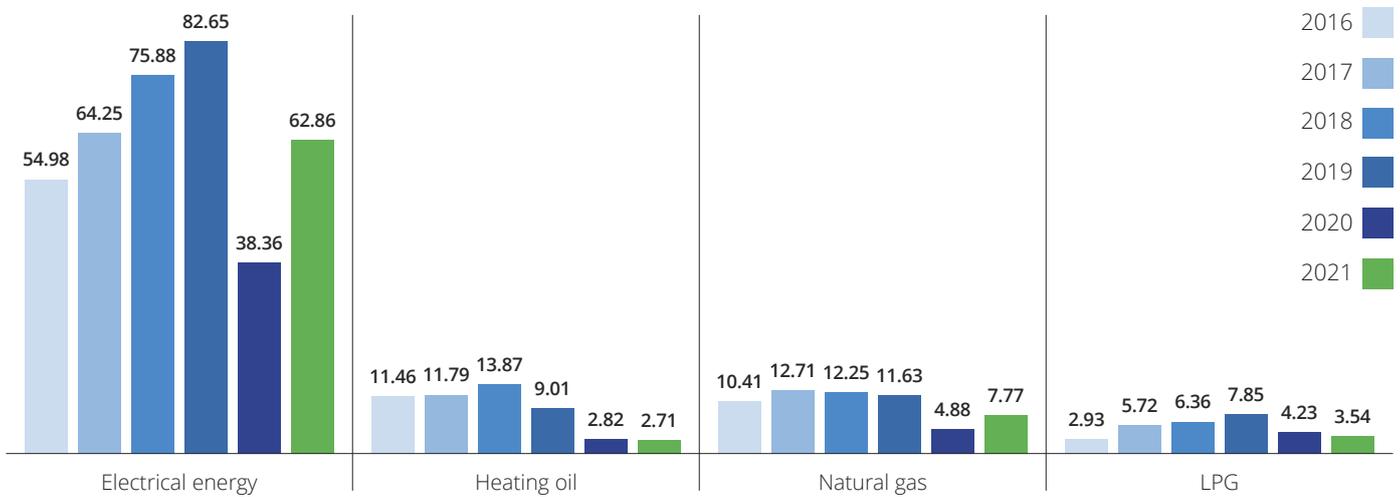
With a climate-regulatory role in carbon dioxide absorption, sustainably managed forests provide numerous other human and ecosystem benefits, including:

- ▶ Increasing the aesthetic value of the landscape
 - ▶ Improving air quality
 - ▶ Maintaining favorable microclimate conditions
 - ▶ Mitigating the negative impacts of wind and noise
 - ▶ Preventing soil erosion
 - ▶ Regulating the hydrological cycle.
- ▶ Protecting plant and animal biodiversity
 - ▶ A place for rest and recreation

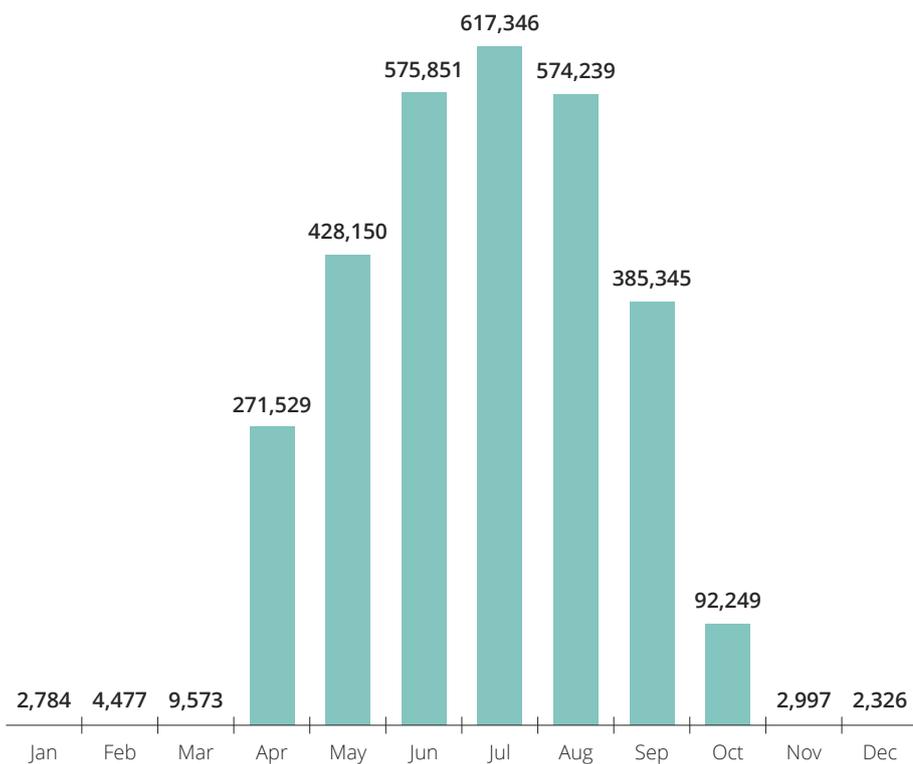


ENERGY EFFICIENCY

CONSUMPTION OF ENERGY PRODUCTS - COMPARISON 2016 - 2021 (GWh)



ENERGY SENT INTO THE SYSTEM FROM QSOL SOLAR COLLECTORS IN 2021 (kWh)



ENERGY CONSUMPTION, AS SHOWN BY THE FOLLOWING ITEMS

- a) Total consumption of energy from non-renewable sources: 17,236,605 kWh
- b) Total consumption of energy from renewable sources: 62,858,843 kWh
- c) Total consumption of electrical energy: 62,858,843 kWh
- d) Total consumption of energy in joules or their derived units: 288,343,611 MJ

ENERGY INTENSITY, AS SHOWN BY THE FOLLOWING ITEMS

- a) energy intensity ratio (sum of all energy in kWh/overnight): 16.00 kWh/overnight
- b) types of energy included in the ratio: electrical energy, heating oil, motor fuel, natural gas and LPG

The report on ESG indicators is presented in the table at the end of this annual report.

CONSUMPTION OF ENERGY PRODUCTS IN 2021

Consumption in unit of measurement	kWh	GWh	kWh/overnight	kg/per occupied accommodation unit
Electrical energy	62,858,843	62,858,843	62.86	32.61
Heating oil	271,250	2,712,498	2.71	1.41
Motor fuel	321,696	3,216,956	3.22	1.67
Natural gas	7,765,367	7,765,367	7.77	4.03
LPG	276,702	3,541,784	3.54	1.84
TOTAL	80,095,447	80.10	16.00	41.56

ENERGY INTENSITY AS SHOWN BY THE FOLLOWING ITEMS

kWh	2016	2017	2018	2019	2020	2021
Electrical energy	63,888,056	68,658,141	75,876,183	82,647,463	38,362,717	62,858,843
Heating oil	14,744,254	12,878,905	13,867,850	9,013,841	2,820,994	2,712,498
Motor fuel	2,365,896	3,010,647	3,116,872	3,252,244	2,082,526	3,216,956
Natural gas	10,408,564	12,713,001	12,247,836	11,632,414	4,876,617	7,765,367
LPG	4,570,454	6,004,339	6,364,228	7,851,267	4,232,756	3,541,784
TOTAL	95,977,224	103,265,033	111,472,969	114,397,230	52,375,612	80,095,447

kWh/overnight	2016	2017	2018	2019	2020	2021
Electrical energy	10.52	11.01	11.52	12.20	16.83	12.56
Heating oil	2.43	2.06	2.11	1.33	1.24	0.54
Motor fuel	0.39	0.48	0.47	0.48	0.91	0.64
Natural gas	1.71	2.04	1.86	1.72	2.14	1.55
LPG	0.75	0.96	0.97	1.16	1.86	0.71
TOTAL	15.80	16.55	16.93	16.88	22.98	16.00

kWh/accommodation unit occupied	2016	2017	2018	2019	2020	2021
Electrical energy	24.49	26.58	28.56	30.66	37.70	32.61
Heating oil	5.65	4.99	5.22	3.34	2.77	1.41
Motor fuel	0.91	1.17	1.17	1.21	2.05	1.67
Natural gas	3.99	4.92	4.61	4.32	4.79	4.03
LPG	1.75	2.32	2.40	2.91	4.16	1.84
TOTAL	36.79	39.98	41.95	42.44	51.48	41.56

* Data includes Valamar Riviera, Imperial Riviera and Valamar Obertauern Hotel.

SOLAR SYSTEMS AT 26 VALAMAR PROPERTIES

Valamar Riviera and E.ON Solar, the leading Croatian company for the design and construction of solar power plants, agreed on a unique project in Croatia, which included solar systems for 26 tourism properties along the coast according to the ESCO model.

It is a model according to which customers recompense the solar power plant exclusively through electricity consumption over a ten-

year period and take ownership without any additional costs. In the previous phases of the project, 2,216 panels were installed in Valamar Riviera. The estimated annual energy production is about 3.8 GWh, which is approximately the annual consumption of Isabella Island Resort. The next phase of the project implies the installation of panels in Imperial Riviera's properties, and the annual production is estimated at about 1 GWh.



WATER

WATER RECYCLING 2021

	2019	2020	2021
Total water consumption (m ³)	1,796,735	787,419	1,176,638
Water consumption/occ. room (l)	67	77	61
Amount of recycled water for irrigation (m ³)	7,696	7,847	0
Poreč laundry facility (m ³)	28,582	13,958	40,482
% of used recycled water (out of total consumption)	2.02%	2.77%	3.44%

GROUNDWATER AND WATER FROM LOCAL OR OTHER WATER SUPPLY

Groundwater supply system (m ³)	25,764	16,758	28,891
Local or other water supply systems (m ³)	1,770,971	770,662	1,147,747

WATER DISCHARGE PER DESTINATION

Public sewage system (m ³)	1,542,654	676,068	1,011,909
Sea (m ³)	85,492	62,672	66,604
Discharge of water to surrounding terrain (m ³)	8,441	8,342,00	8,782

The report on ESG indicators is presented in the table at the end of this annual report.

WASTE

TOTAL WEIGHT OF HAZARDOUS, NON-HAZARDOUS AND MIXED MUNICIPAL WASTE 2021* (t)

	2016	2017	2018	2019	2020	2021
NON-HAZARDOUS						
Paper and cardboard	459	598	671	661	290	535
Glass	211	285	312	319	117	277
Plastic	160	255	285	283	108	156
Wood	478	469	42	45	8	17
Biodegradable waste	625	1,533	1,759	2,527	819	1,960
Used cooking oil	20	32	28	21	5	18
FOG separator waste	712	758	691	480	237	217
Metals	35	14	12	7	29	43
Bulky waste	139	306	102	246	242	732
Other non-hazardous waste	45	6	13	6	2	6
TOTAL	2,884	4,256	3,915	4,595	1,857	3,961
HAZARDOUS WASTE						
Asbestos	-	22	-	-	-	8
Electric and electronic waste	7	6	18	7	4	3
Contaminated packaging	5	9	8	4	1	3
Other hazardous waste	8	2	14	11	1	1
TOTAL	19	39	40	22	6	15
Waste separated for recycling			3,955	4,617	1,863	3,976
Share of separated waste			44.1%	47.6%	48.1%	46.5%
Mixed municipal waste	4,292	5,117	5,013	5,080	2,014	4,582
Total waste generated	7,195	9,412	8,968	9,697	3,871	8,557

Valamar Riviera delivers all types of collected waste to authorized collectors.

The report on ESG indicators is presented in the table at the end of this annual report.

* The total amount of generated waste in 2021 is 8,557 tons which is an increase compared to 2020 and due to an increase in overnights.

* The produced quantities of waste from oil and fat separators have been reduced due to the change in the calculation methodology.

RESPONSIBILITY TO THE COMMUNITY

Valamar Riviera, the leading socially responsible company in the tourism sector, was actively involved in helping the community in its destinations in 2021. After the earthquake that hit Sisak-Moslavina County at the end of 2020, Valamar responded and offered help. Valamar helped by donating 10 camping caravans, and an additional 49 camping caravans were made available within the initiative of the Ministry of Tourism and Sports, the Croatian Tourism Association and the Croatian Camping Association. Valamar also provided accommodation for almost 2,000 people from earthquake-stricken areas and donated more than 3,000 pieces of preserved equipment and furniture. The support continued throughout the year. The project "One thousand students, one million experiences" provided free accommodation for students from three schools in Valamar hotels in Poreč. In addition, under the umbrella program "Valamar's Big Heart", the company has been carrying out its "1000 days on the Adriatic Sea" program, where so far more than 3,000 children without adequate parental care, certain health problems, or special needs spent their summer in Valamar hotels. Valamar continuously supports associations and projects in the local community that help those in need, as well as other activities in the society and the community whose value and need is unquestionable.

VALAMAR AND E.ON COMPLETED THE LARGEST PROJECT OF SOLAR POWER PLANTS IN CROATIA

In 2021, Valamar and E.ON Solar, the leading company in Croatia for the design and construction of solar power plants, as part of the E.ON Croatia group, commissioned the most ambitious solar power plant project on the Croatian market. The cooperation between E.ON and Valamar included the installation of solar power plants at 26 Valamar hotels and camps along the Adriatic coast. It is the first and largest project in Croatia according to the ESCO financing model in which E.ON's company Solnet owns the power plants, and all the energy produced is intended for Valamar's own consumption. E.ON has engaged more than



60 experts of various profiles in the project, who have implemented services of design, installation, commissioning and financing the project, which represents a significant step towards green and sustainable tourism. The use of renewable energy sources also contributes to the EU Green Plan on environmental protection and the reduction of greenhouse emissions, in which E.ON and Valamar exemplify good practice.

VALAMAR SUPPORTS THE WORK OF THE SUMMER SCHOOL ORGANIZED BY THE VIŠNجان SCIENTIFIC EDUCATION CENTER

In 2021, Valamar provided meals for workshop participants of the Višnجان Scientific Education Center, thus supporting their work and the organization of the summer school. Summer programs include Youth Science Camp, Višnجان School of Astronomy and Summer School of Science. Namely, Youth Science Camp is a national program aimed at students from 9 to 14 years of age, providing insight into the scientific method and stimulating scientific literacy and communication of results through project work in the fields of natural sciences and technologies, as well as socio-humanities. The Višnجان School of Astronomy, an international program for high school students, revolves around astronomy projects such as the detection of potentially dangerous small bodies of the solar system

in which the Višnجان Observatory is currently the third in the world. Summer School of Science (S3) is also an international program for high school students that contains interdisciplinary projects and includes a more scientific and technological approach to problem solving. The aim of the Višnجان Scientific Education Center is to popularize science through lectures, workshops, guided visits to the Višnجان Observatory and cooperation with other organizations. The Višnجان Scientific Education Center is a member of the prestigious Network of Youth Excellence umbrella organization and often cooperates with institutions from Germany, Italy, Spain, Israel and other countries.

VALAMAR RIVIERA HOSTS STUDENTS FROM EARTHQUAKE-STRICKEN AREAS AS PART OF THE "ONE THOUSAND STUDENTS, ONE MILLION EXPERIENCES" PROJECT

Valamar Riviera, as a longtime member of the Croatian Association of Tourism (HUT), joined the project "One Thousand Students, One Million Experiences", which provided free accommodation for 13 schools from earthquake-stricken areas in hotels along the Adriatic coast. Valamar Riviera hosted a total of 230 students and teachers from three elementary schools, namely Mate Lovrak Elementary School, Jabukovac Elementary School from Petrinja and Katarina Zrinska Mecenčani Elementary School.



VALAMAR HOSTS STUDENTS AND KINDERGARTEN CHILDREN AT VALAMAR COLLECTION ISABELLA ISLAND RESORT

In June 2021, the Valamar Collection Isabella Island Resort hosted students and teachers from Poreč and Finida elementary schools, as well as kindergarteners from kindergartens Radost and Paperino. Accompanied and guided by the animation team, the little guests visited all the sights of Valamar's resort, lighthouse, castle Polesini, Fantasy Forest and other locations. The children also learned more about the history and legends of the island of Sveti Nikola, as well as Poreč, like fairy tales and myths about Malik and fairy Isabella in Fantasy Forest while playing on playgrounds on the island. After dining at Oliva Restaurant, they spent their free time at Maro Sandy Beach and playing on the playground at Fantasy Forest.

VALAMAR GAVE ALL PARENTS OF FIRST GRADERS THE DAY OFF

In order to make the first day of school happier and more carefree for the little ones, Valamar gave all employees, parents of first graders a day off on the first day of

the new school year. Starting school is a great event in the life of every child, as well as parents who, thanks to this initiative of Valamar, have the opportunity to be there for them.

VALAMAR DONATED MORE THAN 3,000 PIECES OF PRESERVED EQUIPMENT AND FURNITURE TO HELP FAMILIES IN EARTHQUAKE-STRICKEN AREAS AND ASSOCIATIONS THAT CARE FOR THOSE IN NEED

Valamar's Corinthia Hotel in Baška on the island of Krk donated all the hotel furniture, equipment and inventory in a well-preserved condition to help families from earthquake-stricken areas and associations that care for those in need. Valamar Riviera opened the doors of its properties in Istra Premium Camping Resort 5 *, Ježevac Premium Camping Resort 4 * and Hotel Valamar Sanfior 4 * free of charge to families from Sisak, Glina, Petrinja and the surrounding areas whose homes were destroyed in the devastating earthquake on December 29, 2020. With this initiative, Valamar donated accommodation for almost 2,000 people affected by the earthquake in the areas of the Sisak-Moslavina County.

VALFRESCO DIREKT DONATES LOCAL PRODUCTS TO THE HOST OF THE ERASMUS KA2 "A BETTER LIFE" PROJECT

This year, Valfresco Direkt supported the ERASMUS KA2 mobility project "A Better Life" hosted by Mate Blažine Labin High School through the donation of goods from the Valfresco Direct store. The theme of this year's project was "Culture and Tradition", which among other things presented the cultural richness of food, and Valfresco donated olive oil, truffles and local dishes and sweets such as Labin krafe, cukerančići and kroštule for this purpose. The aim of the project was linguistic, social and cultural integration and the students explore the different life values, culture and traditions of European countries.

VALAMAR SUPPORTED THE WORK OF THE NAŠA DJECA SOCIETY IN POREČ IN 2021

This year's summer camp for children organized by Valamar and the Naša djeca society took place in two locations, the City beach and the Valamar Pinia Hotel, in accordance with epidemiological measures. Valamar once again made it possible to use Pical Beach, a children's playroom within the Pinia Hotel, and organised lunch for children at both locations.

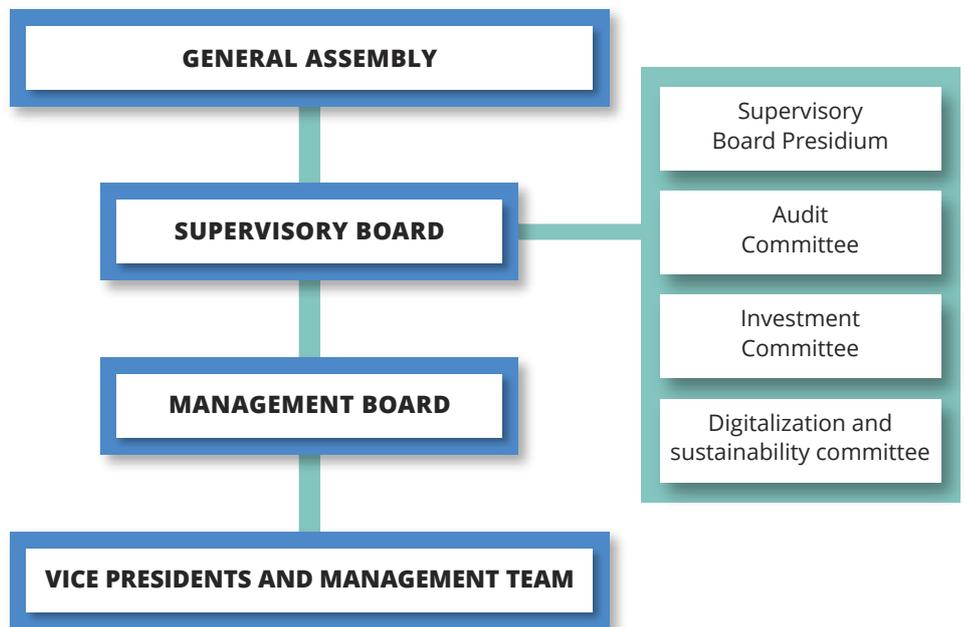


CORPORATE GOVERNANCE

CORPORATE STRUCTURE

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

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



SUPERVISORY BOARD

The Supervisory Board consists of 7 members, of whom one are independent and one is an employee representative. The Supervisory Board meets at least 4 times per year.

The Supervisory Board is actively engaged in key management decisions through corresponding delegate committees that meet more often to manage key strategic initiatives and support the Supervisory Board in the decision-making process and supervising the Company's business in correspondence with relevant regulations and acts.

Term of office from 7/7/2017 to 15/6/2021			Supervisory Board	Supervisory Board Presidium	Audit Committee	Investment Committee
Gustav Wurmböck	Chairman	Proprietary	■	■	■	■
Franz Lanschützer	Deputy Chairman	Proprietary	■	■	■	■
Mladen Markoč	Deputy Chairman	Proprietary	■	■	■	
Georg Eltz Vukovarski	Member	Proprietary	■		■	■
Vicko Ferić	Member	Proprietary	■		■	■
Hans Dominik Turnovszky	Member	Independent	■		■	■
Valter Knapić	Member	Employee Representative	■			

Term of office from 16/6/2021 to 15/6/2025			Supervisory Board	Supervisory Board Presidium	Audit Committee	Investment Committee	Digitalization and Sustainability Committee
Gustav Wurmböck	Chairman	Proprietary	■	■		■	■
Franz Lanschützer	Deputy Chairman	Proprietary	■	■		■	■
Mladen Markoč	Deputy Chairman	Proprietary	■	■	■		
Georg Eltz Vukovarski	Member	Proprietary	■		■	■	
Daniel Goldscheider	Member	Proprietary	■				■
Boris Galić	Member	Independent	■		■		
Ivan Ergović	Member	Employee Representative	■				
Meetings held in 2021			13*	13	5	2	1

* The Supervisory Board held thirteen (13) meetings in 2021, of which nine (9) via correspondence in accordance with the Company's Statute.

MANAGEMENT BOARD IN 2021

The Management Board consists of two members:

- ▶ Management Board President
Željko Kukurin
- ▶ Management Board Member
Marko Čižmek.

The Management Board President is primarily responsible for formulating and managing the company's strategic,

operating and financial activities. In addition, the President individually leads the following areas: hotel operations, marketing & sales, human resources, destination management, purchasing, investment and asset development, external affairs and public relations, quality management, internal audit and project management, controlling, legal and general affairs. Marko Čižmek, Management Board Member, is primarily

and individually responsible for finance, accounting, treasury, IT and institutional investor relations.

On December 3 2021, the Supervisory Board appointed Željko Kukurin, the President of the Management Board and members Marko Čižmek and Ivana Budin Arhanić to the Management Board from 1 January 2022 to 31 December 2026.

SENIOR MANAGEMENT IN 2021

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

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

The senior management team or division vice presidents are responsible for managing specific functional business areas and activities. In addition, the senior management team is tasked with cross-functional steering and leadership, implementing the corporate strategy and providing management support to the CEO. Hence, the senior management team works closely with the Management Board and performs relevant corporate functions through business committees that are

focused on those strategic activities at the Company that require a high degree of cross-functional involvement:

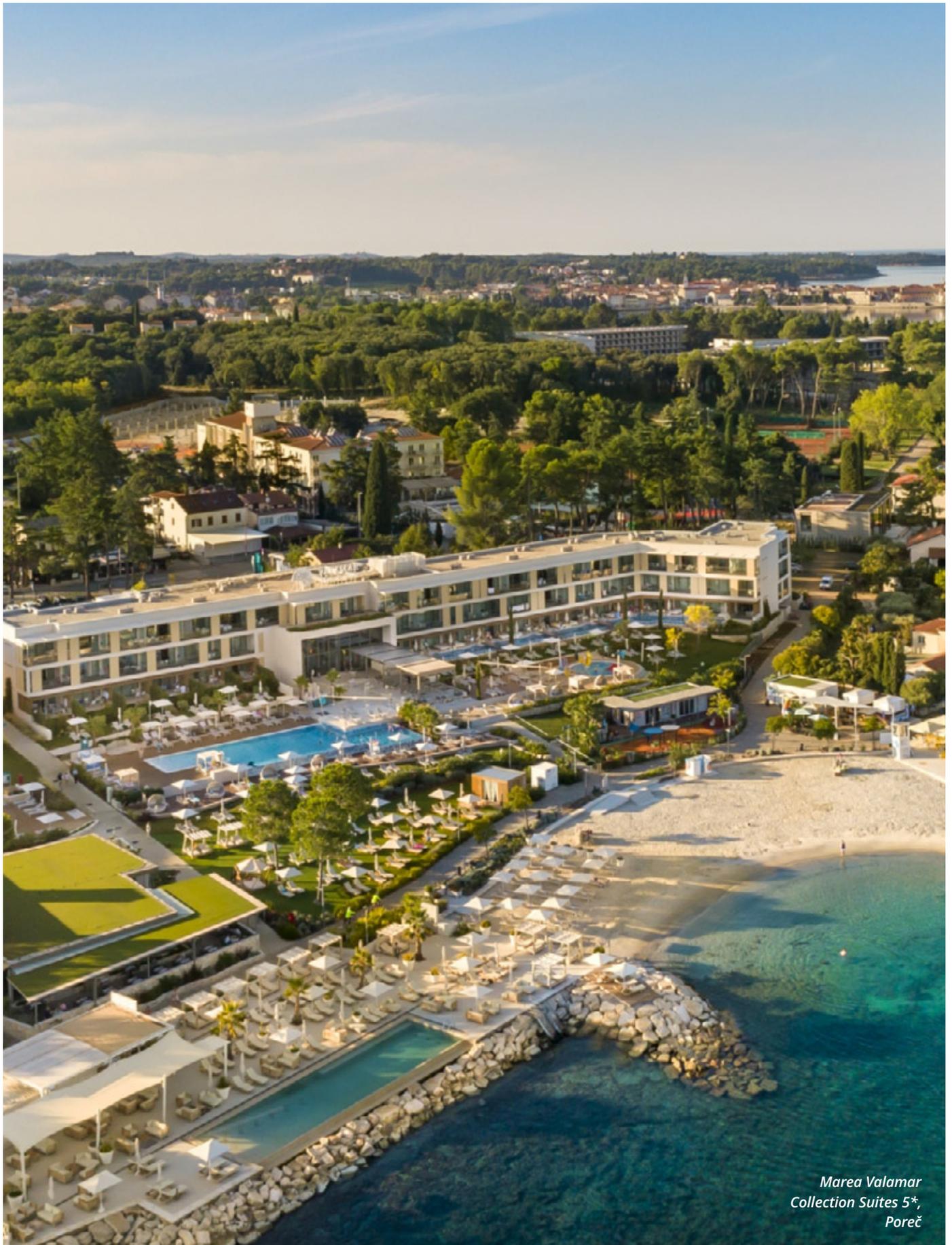
- ▶ **CAPEX Committee**
(capital investment projects)
- ▶ **Project Committee**
(steering the project management organization)
- ▶ **Business strategy, human resources and service excellence Committee**
(business expansion, loyalty and CRM, quality management & service excellence, corporate social responsibility, human resource strategies and policies)
- ▶ **Purchasing & Partnerships Committee** (strategic partnerships and purchasing agreements)
- ▶ **HR Development and Business Excellence Committee**
(investment strategy for human resource development and education)
- ▶ **Digital strategy and digital projects Committee.**

As of January 1 2022, strategic corporate business functions are organized into three divisions led by three senior vice-presidents and two sectors led by two vice-presidents:

- ▶ **Sales and Marketing** -
Senior Vice President Davor Brenko
- ▶ **Operations** -
Senior Vice President David Poropat
- ▶ **Property development, maintenance and technical services** -
Senior Vice President Alen Benković
- ▶ **Strategic planning and controlling** -
Vice-President Sebastian Palma
- ▶ **Human resources development** -
Vice-President Ines Damjanić.



Valamar Lacroma
Dubrovnik Hotel 4*,
Dubrovnik



*Marea Valamar
Collection Suites 5*,
Poreč*

BUSINESS COMMITTEES

BUSINESS STRATEGY, HUMAN RESOURCES AND SERVICE EXCELLENCE COMMITTEE

Željko Kukurin, Committee President

Ivana Budin Arhanić, Committee Vice President

David Poropat, Member

Davor Brenko, Member

Alen Benković, Member

Ines Damjanić, Member

TASKS OF THE COMMITTEE:

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

PROJECT COMMITTEE

Željko Kukurin, Committee President

Marko Vusić, Committee Vice President

Marko Čižmek, Member

Ivana Budin Arhanić, Member

David Poropat, Member

Davor Brenko, Member

Alen Benković, Member

TASKS OF THE COMMITTEE:

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

	Position	Capex Committee	Project Committee	Business Strategy, Human Resources and Service Excellence Committee	Purchasing and Partnership Committee	HR Development and Business Excellence Committee	Digital Strategy and Digital Projects Committee
Željko Kukurin	Management Board President	■	■	■	■	■	■
Marko Čižmek	Management Board Member		■		■		■
Alen Benković	Vice president	■	■	■	■	■	■
David Poropat	Vice president	■	■	■	■	■	■
Davor Brenko	Vice president	■	■	■		■	■
Ivana Budin Arhanić	Vice president		■	■		■	■
Sebastian Palma	Consultant to the Management Board	■					
Andrea Štifanić	Director of Asset Management and General Affairs	■			■		
Marko Vusić	Director of Internal Audit and Project Management		■				
Dragan Vlahović	Director of Purchasing				■		
Ines Damjanić	Director of Human Resources			■			
Tea Cergna	Director of Human Resource Development					■	
Dario Kinkela	Director of Food&Beverages				■		
Roberto Gobo	Director of Digitalization						■

CAPEX COMMITTEE

Željko Kukurin, Committee President

Alen Benković, Committee Vice President

David Poropat, Member

Davor Brenko, Member

Andrea Štifanić, Member

Sebastian Palma, Member

TASKS OF THE COMMITTEE:

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

HR DEVELOPMENT AND BUSINESS EXCELLENCE COMMITTEE

Željko Kukurin, Committee President

Tea Cergna, Committee Vice President

Ivana Budin Arhanić, Member

David Poropat, Member

Davor Brenko, Member

Alen Benković, Member

TASKS OF THE COMMITTEE:

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

NEW COMMITTEES

With its application of 1 January 2022, the management appointed new committees at its meeting on 14 December 2021: Capex Committee, Product and Service Development Committee, Procurement and Partnerships Committee, Digitalization Committee, Sustainability Committee and Human Resources Management Committee.

PURCHASING AND PARTNERSHIP COMMITTEE

Željko Kukurin, Committee President

David Poropat, Committee Vice President

Marko Čižmek, Member

Dragan Vlahović, Member

Alen Benković, Member

Andrea Štifanić, Member

Dario Kinkela, Member

TASKS OF THE COMMITTEE:

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

DIGITAL STRATEGY AND DIGITAL PROJECTS COMMITTEE

Željko Kukurin, Committee President

Ivana Budin Arhanić, Committee Vice President

Marko Čižmek, Member

David Poropat, Member

Davor Brenko, Member

Alen Benković, Member

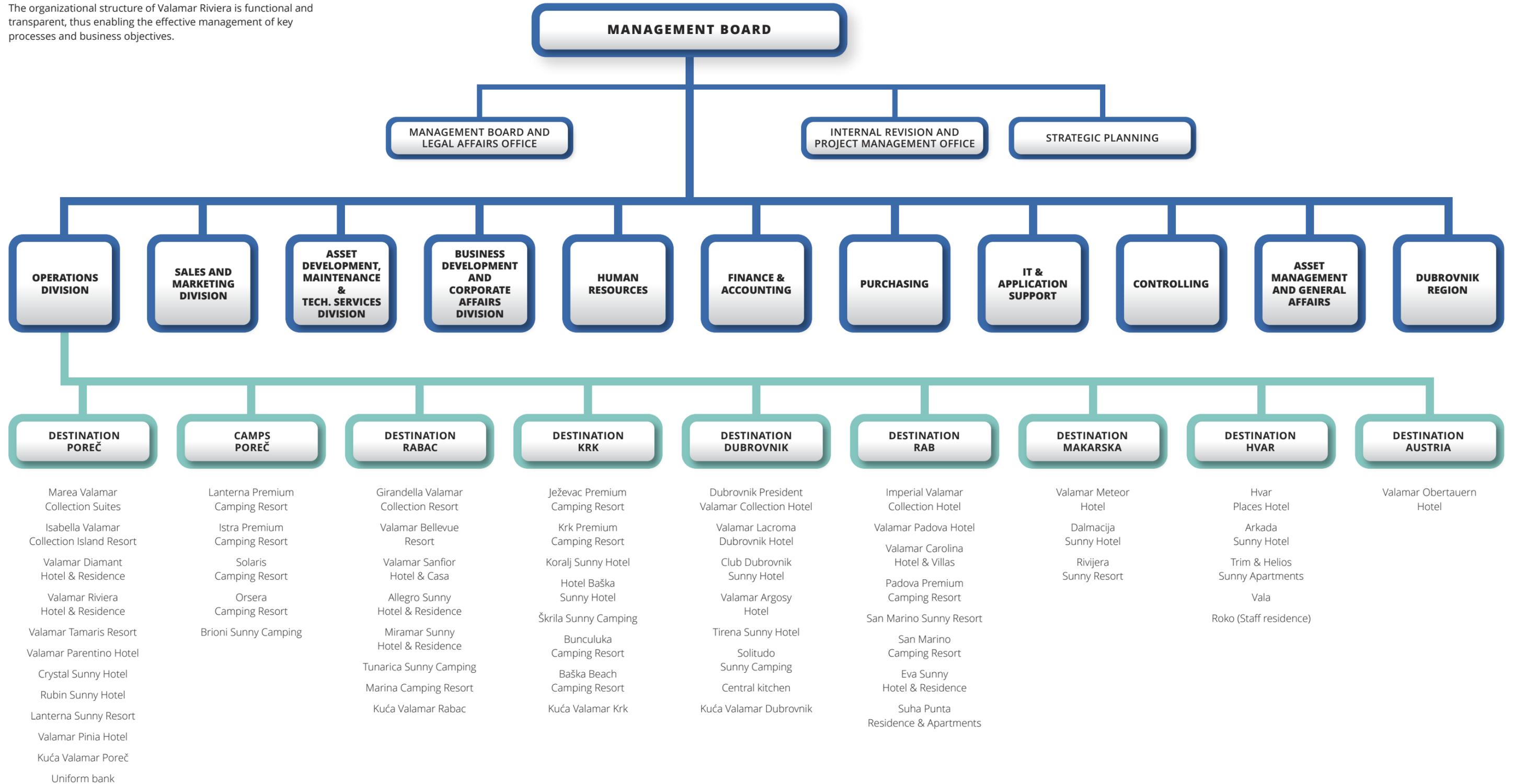
Roberto Gobo, Member

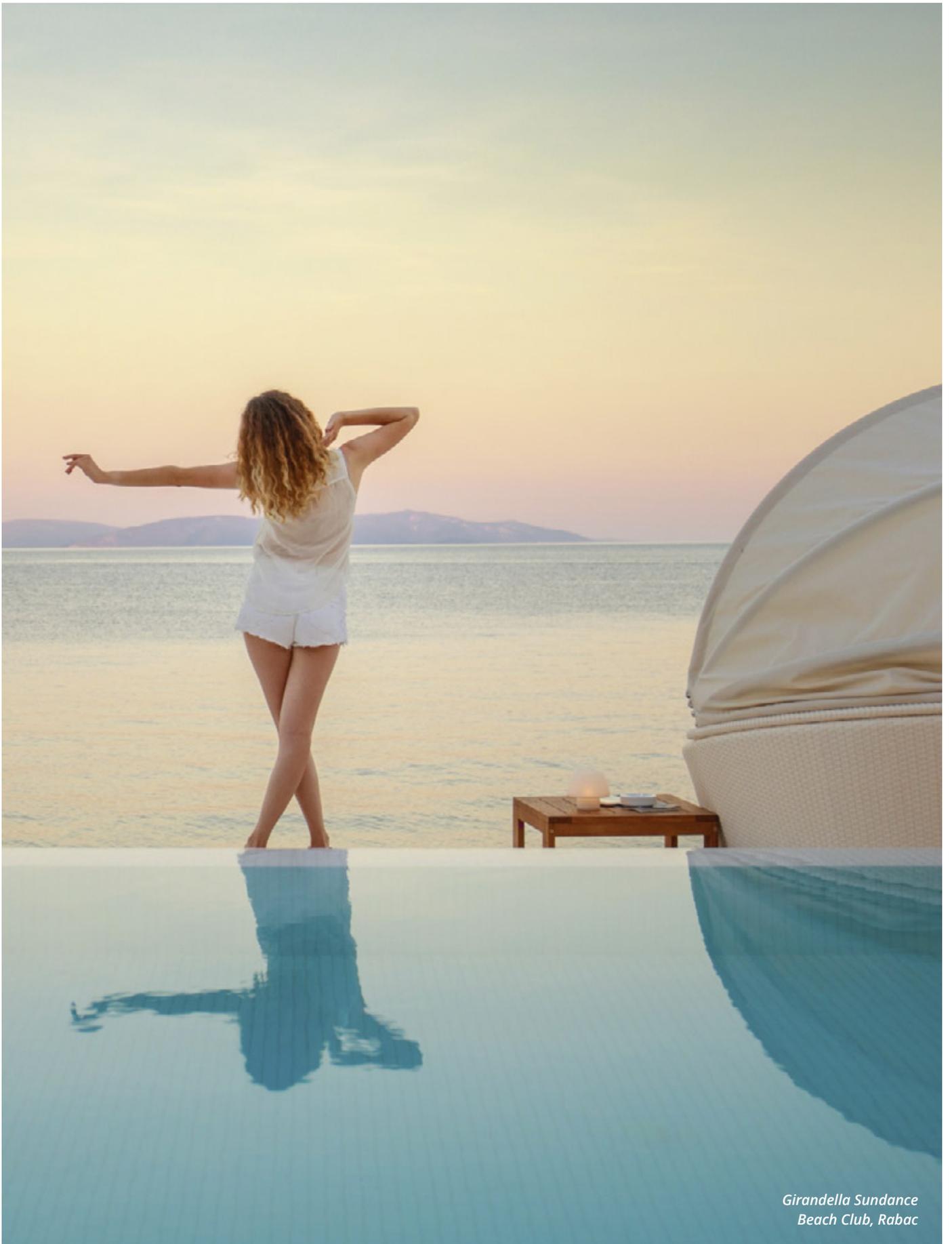
TASKS OF THE COMMITTEE:

- ▶ adopting and implementing Valamar digitalization strategies
- ▶ defining annual CAPEX Digitalization budget
- ▶ monitoring digital projects with focus on revolutionary projects
- ▶ monitoring key digital technologies for the digitalization of Valamar Riviera business processes
- ▶ analyzing other activities of strategic importance for the Group's digitalization process

ORGANIZATIONAL STRUCTURE OF VALAMAR RIVIERA 2021

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





*Girandella Sundance
Beach Club, Rabac*

MEMBERS OF THE SUPERVISORY BOARD



GUSTAV WURMBÖCK, Supervisory Board Chairman

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

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

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



FRANZ LANSCHÜTZER, Supervisory Board Deputy Chairman

Franz Lanschützer received his MBA from the Vienna University of Economics and his Ph.D. from the University of Budapest. He has gained extensive experience in the areas of corporate finance and asset management in Central and Eastern Europe. Dr. Lanschützer is a managing partner at EPIC Goldscheider und Wurmböck Unternehmensberatungsgesellschaft m.b.H. from Vienna. For the last thirty years, Dr. Lanschützer has been working in the field of mergers, acquisitions and corporate finance, as well as providing consulting services in Austria, the Czech Republic, Poland, Croatia, and some other countries of the former Yugoslavia. He has also set up and run investment privatization funds in the Czech Republic and Croatia.

Dr. Lanschützer held executive positions at major financial advisory and auditing companies such as Ernst&Young and Price Waterhouse before joining EPIC.

He has also held executive positions at Valamar Group since 1999, including CEO and Management Board president at Valamar Group d.d. (2011-2014) and holds the position of Supervisory Board deputy chairman at Valamar Riviera d.d. since June 2015.



MLADEN MARKOČ, Supervisory Board Deputy Chairman

Mladen Markoč graduated from the Faculty of Law of the University of Zagreb. He specialises in company law, securities law, and commercial law. Mr. Markoč has been a consultant in numerous important transactions in the Croatian and foreign capital markets and has been a regular speaker at the Zagreb Stock Exchange Academy and, occasionally, at the Judicial Academy. He started his career in law in 1988 as a legal apprentice. He was a corporate secretary at the pharmaceutical company PLIVA d.d. from 1990 to 1997, partner at the law firm Bogdanović, Dolički & Partners from 1997 to 2007, and Management Board member at ICF Grupa d.o.o. in 2008. He served as an attorney at the Mladen Markoč law office from 2010 to 2013, then at the joint law office of Mladen Markoč and Ivan-Krešimir Tomić, which is today known as the joint law office of Mladen Markoč, Relja Pečina and Fran Kušeta. He is vice president of the Association of Business Lawyers of Zagreb.

He was also a supervisory board member at Valamar Adria holding d.d. (2011 – 2014), and is currently a member of the supervisory boards of Valamar Riviera d.d., Imperial Riviera d.d., Helio Faros d.d., Ingra d.d., ICF d.d., Hotel Laguna d.d. and Proficio d.d, while he was a member of the supervisory board of Hoteli Laguna d.d. until November 9, 2021. He is a member of the Management Board of the Magdalena Clinic for Cardiovascular Diseases at the Faculty of Medicine of J.J. Strossmayer in Osijek and the president of the supervisory board of CGS Capital d.o.o. He has been the Supervisory Board Deputy Chairman of Valamar Riviera d.d. since 2014.

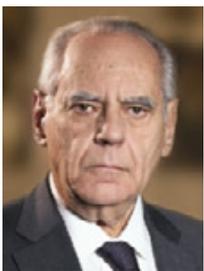


GEORG ELTZ VUKOVARSKI, Supervisory board member

Georg Eltz Vukovarski was educated in Switzerland and Germany where he majored in economics, history and philosophy. He graduated from the University of St. Gallen with a degree in Business Administration. Before moving to Croatia in 1994, he was a Management Board member and marketing chief of a major Swiss corporation, and CEO of its Canadian subsidiary. He co-founded Valamar Adria holding (as PIF Dom fond d.d.) in 1998 and served as president of its Management Board before it was merged to Valamar Riviera d.d. in 2014. In the years between, he served as president and member of management boards and supervisory boards of several affiliated companies.

Currently, he is managing director of SATIS d.o.o. and of its parent company ELADCO Invest GmbH. Apart from being a member of Valamar Riviera's supervisory board, he served on the boards of both the German-Croatian Chamber of Industry & Commerce, and the Croatian-Austrian Chamber of Commerce. As co-founder of "Zaklada znanje na djelu - Stiftung Wissen am Werk", he also is a member of its supervisory board.

He has been a member of the Supervisory Board of Valamar Riviera d.d. and its legal predecessors since September 1999, and held the position of Chairman of the Supervisory Board in the period from 1999 to July 2008 and from June 2012 to the end of September 2014.

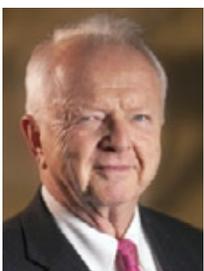


VICKO FERİĆ, Supervisory Board Member

Vicko Ferić graduated from the Faculty of Economics and Business at the University of Zagreb in 1974. He started his professional career working for the Organic Petrochemical Company (currently Dioki d.d.), and then he joined INA d.d. where he held management positions in the finance department and later became assistant chief financial officer until 1998. By the end of 1998, he joined EPIC. From 2003 until 2005 he was appointed Management Board president of SN holding d.d. From 2005 until 2011 he was a Management Board president at Valamar Adria holding d.d. (former Dom holding d.d.), as well as an executive manager at EPIC Zagreb d.o.o.

From 2011 until 2014 he was a Management Board member at Valamar Grupa d.d. He has also been involved in numerous important investment projects in the oil and tourism industries, the gasification process in Croatia, privatizations of Hrvatske telekomunikacije d.d., Croatia osiguranje d.d., Dresdner Bank Croatia d.d., and the restructuring and sale of several companies from the Dom Fond d.d portfolio.

He has been either a member or chairman of numerous companies, such as Petrokemija, Poljoopskrba, Svetice građenje, Instrumentaria, Rabac, Vrboska, Koestlin, Belvedere, Brodospas, Končar-Elektroindustrija and others. He was a member of the Valamar Riviera Supervisory boards until June 15, 2022.



HANS DOMINIK TURNOVSZKY, Supervisory Board Member

Hans Dominik Turnovszky was educated in Austria and Germany and has a degree from the renowned Cornell School of Hotel Administration. He has built a long and successful career as a manager in the hotel industry with more than forty years of experience in the operational, development, and administrative sectors.

He has gained basic professional knowledge and experience in his home country as well as Great Britain, Ireland, Africa, Asia, and the United States. He has held executive positions in various companies, such as Kempinski, Regent, Rafael Hotels, Mandarin Oriental, Austria Hotels International, ANA Grand Hotel in Vienna, the Lodge at Vail in Colorado and the Phoenician Resort in Scottsdale, Arizona. Mr. Turnovszky was a member of the Management Board and several committees at the Austrian Hotel Association.

He currently serves as member of the Five-star Commission of the Austrian Federal Chamber of Commerce. He was a member of the supervisory boards at Valamar Grupa d.d. and Valamar Adria holding d.d. and was a Member of the Supervisory Board of Valamar Riviera d.d. until June 15, 2022.

MEMBERS OF THE SUPERVISORY BOARD



IVAN ERGOVIĆ, Supervisory Board Member

Ivan Ergović graduated from the Faculty of Management in Tourism and Hospitality in Opatija, University of Rijeka in 2008 and in 2014 he completed the lifelong learning program at the same faculty where he acquires the skills and knowledge of Food and Beverage Specialist. In 2021, he also enrolled in a training program for nutritionists at the Magistra Lifelong Learning Institution. He started his career in 2008 as a chef at the Valamar Club Tamaris Hotel, after which he was promoted to specialist chef (2010-2012), head chef (2012-2014), assistant chef (2014-2016), Chef (2016-2018).) and in 2018 he became the Executive Chef at Valamar Riviera and the Spinnaker restaurant, which received many top reviews and recognitions, as well as the "Tourist Flower" award for the best restaurant of 2019. Since 2021, he has been working as an Executive Chef at the Marea Valamar Collection Suites.

His work has been noted and awarded at the event 'Days of Croatian Culinary Arts', where he won a silver (2012), two bronze (2013) and a gold medal (2014). He regularly participates in conferences such as the Istria gourmet festival and Chefs' stage, as well as in various culinary courses. He was appointed a member of the Supervisory Board as the workers' representative by the Labour Council of the Company for a term of 4 years starting from June 16, 2021.



DANIEL GOLDSCHIEDER, Supervisory Board Member

Daniel Goldscheider graduated from Theresianum School in Vienna. Mr. Goldscheider is the co-founder and CEO of yes.com, a digital banking platform, while he has also co-founded Mediaguide with the American Society of Composers, Authors and Publishers and Aureus Private Equity.

He is currently on the board of directors of Identity Trust Management AG and the Global Footprint Network. He is a consultant and investor in numerous high-tech startups. As of June 16, 2021, he is a member of the Supervisory Board of Valamar Riviera d.d.



VALTER KNAPIĆ, Supervisory Board Member

Valter Knapić graduated from an electrical engineering vocational school. He has been with Valamar Riviera since 1986 and has held various positions in the company. He was a member of the Valamar Riviera Supervisory board until June 15, 2021. He currently serves as the front office assistant manager. He has been a member of the Workers' Council for the last 23 years. He has served as the head delegate of the Tourism and Services Trade Union of Croatia (STUH) at Valamar Riviera d.d. since 2008, with a new term of office from 2016 to 2021. He has also been a member of the STUH Presidium since 2011 and has been re-elected for the new 2016-2021 term of office. Valter Knapić is a member of the Business Premises, Public Areas and Real Estate Sales Committee and of the Spatial Planning, Municipal Economy, Ecology and Environmental Protection Board and councilman of the Municipality of Tar-Vabriga – Torre- Abrega.



BORIS GALIĆ, Supervisory Board Member

Boris Galić graduated from the Faculty of Economics, University of Zagreb, majoring in Finance. He began his many years of experience in the field of finance and accounting in 1991 in Germany with Tchibo GmbH. He gained experience in auditing financial institutions and industrial companies during 1995 at ECONSTA Ernst & Young S.a.s. in Italy.

In the period from 1997 to 2001, he gained both experience and insight into the banking world by working at the National Bank of Croatia, CAIB d.d. and Zagrebačka banka d.d. He held the position of President of the Management Board in Allianz ZB d.o.o., the mandatory pension fund management company, from October 2001 to April 2003, and the position of member of the Management Board for sales and marketing and President of the Management Board in Allianz Zagreb d.d. from 2003 to 2019. In the period from 2012 to 2016, he held the position of Treasurer and Vice President of the Management Board in the German-Croatian Chamber of Industry and Commerce. In previous years, he was the President of the Supervisory Board of Allianz ZB d.o.o., a mandatory pension fund management company (from 2003 to 2014), and since 2019 he has been the President of the Supervisory Board of Imperial Riviera d.d.

MANAGEMENT BOARD



ŽELJKO KUKURIN, President and CEO

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

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

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

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



MARKO ČIŽMEK, Management Board Member

Marko Čižmek graduated from the Faculty of Economics and Business in Zagreb. He has qualified as a broker and investment advisor. He started his career in 1996 at the Croatian National Bank. He spent several years working in corporate finance at Investmentbank Austria and ICF. In the period from 2001 to 2004, he was a Management Board member at EURO Invest, an investment fund management company.

Mr. Čižmek has held numerous managing positions at companies that have been merged to the present Valamar Riviera: he was management board member at Rabac d.d. (2004-2011), management board member at Dubrovnik-Babin kuk d.d. (2009-2013) and a management board member at Valamar Adria holding d.d. (2008-2013), general manager at Epima d.o.o. (2008-2014), supervisory board member at Zlatni otok d.d. (2002-2011) and Rabac d.d. (2000-2004).

Mr. Čižmek started serving as Management Board Member at Valamar Riviera in 2011 where he is responsible for finances, accounting, the treasury, capital markets and investor relations, as well as information technology. He is also a management board member at the Croatian Association of Financial Analysts and the Croatian Association of Corporate Treasurers, and the deputy chairman of the supervisory board at Helios Faros d.d. since 2019.

DIVISION VICE PRESIDENTS AT VALAMAR RIVIERA



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

After graduating from the Faculty of Economics in Pula, Alen Benković began his career in 1999 as an intern at the former Riviera, where he held several important positions including assistant general manager at Funtana campsite, assistant general manager at Lanterna campsite and general manager at the Neptun Hotel – today's Valamar Riviera 4* in Poreč. He continued his career at the municipal company Parentium, which manages investments for the Town of Poreč, where he worked on the construction project of the Žatika Sport Hall (the largest investment in the city of Poreč in the last decade). From 2011 until 2015 he was the director of asset development, maintenance and technical services in Istraturist and managed the investments in tourism assets worth over HRK 350 million.

Since 2015, he has been Vice President of Asset Development, Maintenance and Technical Services at Valamar Riviera d.d., where he is responsible for managing investments in the tourism portfolio and planning the further asset development. In just seven months, one of the largest investment projects in Valamar's history was successfully completed, repositioning destination Rabac to high-value-added tourism through the reconstruction of the Bellevue and Girandella hotels with a total of 763 accommodation units worth almost EUR 60 million. Since 2016, Valamar Group has realized over three billion kuna in investments.

At that time, the repositioning projects of Valamar Girandella Maro Suites, Valamar Marea Suites, Imperial Valamar Collection Hotel, Valamar Parentino Hotel, Valamar Meteor Hotel and Valamar Padova Hotel and campsites Ježevac Premium Camping Resort, Istra Premium Camping Resort, Lanterna Premium Camping Resort, Padova Premium Camping Resort and Baska Beach Camping Resort were successfully implemented. Notably, during this period there have been continuous investments in energy efficiency projects, seasonal workers' accommodation quality and investments in beach infrastructure.

In 2021, he was named President of the Management Board of Imperial Riviera (term of office starting on January 1, 2022), as well as Senior Vice President at Valamar Riviera in 2021.



DAVOR BRENKO, Vice President Of Sales And Marketing

Davor Brenko graduated from the Faculty of Economics in Rijeka and began his professional career in 2000 at the former Riviera hoteli i ljetovališta, in Sales and Marketing. In 2002 he became project manager for research into guest satisfaction and guest relations management, while in 2004 he oversaw Direct Sales, which quickly became the strongest sales channel in Valamar.

In 2009, Mr. Brenko was promoted to the position of Valamar's head of Direct Sales and Marketing and as such has participated in creating developmental projects which resulted in upgrading sales, marketing and business development. At the beginning of 2010, he joined Istraturist Umag d.d., where he headed Business Development and implemented strategic marketing and destination management initiatives, aimed at raising the quality and competitiveness of the company and its destination.

As of 2015, Davor Brenko has been appointed Vice President of Sales and Marketing at Valamar Riviera d.d., where he achieved a double-digit growth in sales income, and has advanced the development of the direct channel. He has also launched a new loyalty program and re-branded the portfolio under the umbrella brand Valamar All you can holiday. Mr. Brenko has concluded partnerships with certain global tour operators and Valamar launched new markets for guests arriving by plane in north Adriatic destinations. He is responsible for numerous projects aimed at strengthening the tourism offer, destination management and raising the attractiveness of Valamar's destinations for visitors.

In 2021, he was named Senior Vice president of sales and marketing at Valamar Riviera.



DAVID POROPAT, Vice President of Operations

David Poropat, Ph.D., graduated in 1993 from the University of Rijeka's Hotel Management Faculty in Opatija. In 2007, he completed his postgraduate study at the Faculty of Tourism and Hotel Management in Opatija, where he completed a doctoral course in 2013. He started his career in 1993 as Sales and Marketing intern at the former Jadran turist d.d. in Rovinj, where he continued his career in charge of the western market in Sales, and then as planner and analyst in the Controlling Department.

From 1996 to 2002, he was the general manager of Sol Park, one of Jadran turist's hotels, managed at the time by the Spanish company Sol Meliá. In March 2002, he joined the company Riviera Holding d.d. in Poreč as Head of Operations and until 2006 he was in charge of all Valamar tourism properties. From 2007 to 2011, he served as a Management Board member at Valamar hoteli i ljetovališta d.o.o., and from 2012 to 2014 he headed Valamar poslovni razvoj d.o.o. At the end of 2014 he became Vice President of Operations at the leading Croatian tourism company Valamar Riviera d.d. where he manages 36 hotels and 15 campsites which can accommodate up to 58,000 guests daily.

He is responsible for service management and operations in all areas of hotel and camping operations like property management, including accommodation, food and beverage, sport, pools, beaches, wellness, entertainment and animation in which Valamar implemented numerous innovations through new service concepts for which Valamar has received a number of guest and trade awards. He is also responsible for service management and operations in destinations Rab, Hvar, Makarska and Obertauern.

Mr. Poropat has also held various important positions in trade associations, and actively participated in dozens of business projects that particularly broadened his business experience. He has published a number of expert and scientific papers.

In 2021, he was named Senior vice president of operations at Valamar Riviera.



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

Ms. Budin Arhanić received her economics degree from Middlebury College (USA) in 1999 and an MBA from Harvard Business School in 2007. After completing her studies, she spent three years as a strategy management consultant in Boston and New York. Following this, she successfully led Lura d.d. group expansion on the Serbian market. In 2007, she joined Valamar Group where she served as a Management Board member at Valamar grupa d.d., Valamar Adria holding d.d. and Valamar Riviera d.d. Ms. Budin Arhanić became Vice President of Business Development and Corporate Affairs at Valamar Riviera in 2015. In 2021, she was named member of the Management Board of Valamar Riviera with term of office starting as of 2022. At Valamar she is responsible for service quality management, public relations, acquisitions and expansion, business internationalization, digitalization and sustainability.

At Valamar she developed a framework for achieving high quality service that enables a continual growth in guest satisfaction and the creation of a unique service excellence culture. She also led a number of strategic development projects aimed at the growth of the tourism portfolio through acquisitions, including Valamar's first international acquisition in Austria. During the same period, Valamar has received numerous awards for corporate social responsibility practices such as Ponos Hrvatske and CSR Index and two Grand PRix awards for excellence in corporate communication.

She is also a member of the National Competitiveness Council of the Republic of Croatia and participates in numerous tourism boards and associations.

7 CONTRIBUTION AND INITIATIVES 2021



Digital transformation of the company, as well as the use of digital technologies to improve guest experience and satisfaction, optimize and improve business processes and develop human resources, are key elements of Valamar's digital and overall business strategy.

Valamar's digital vision implies providing quality personalized services and improving operational efficiency through continuous innovation and use of digital technologies.

Major strategic guidelines through digital projects and pilot initiatives validating technology or technological solutions have been developing throughout 2021. Valamar's Digital Department (VALDI – Valamar Digital & Innovation) focuses on encouraging and implementing Valamar's digital strategy, setting guidelines for the future architecture of digital solutions, managing strategic digital projects and practical support on all digital projects.

THERE ARE FOUR MAIN STRATEGIC ISSUES (GUIDELINES):



ATTRACTING GUESTS AND GUEST LOYALTY



GUEST INVOLVEMENT



BUSINESS PROCESSES AND IT



EMPLOYEES: ORGANIZATION AND CULTURE



INNOVATIVE AND DIGITAL PROJECTS IN 2021

VALFRESCO DIREKT

Valfresco Direkt is the central system for the purchase, production and distribution of domestic food and beverages for Valamar guests and local residents in the destinations where Valamar operates. For now, the Valfresco Direkt online delivery store is available in Istria, the wider area of Rijeka and the island of Krk, with innovative services for Valamar guests and citizens alike.

Valfresco Direkt's central system ensures operational efficiency, product quality and provides Valamar with a competitive advantage. The offer includes fruits and vegetables of small, local family farms, cheese, meat, olive oil, wine, kraft beer, freshly prepared ready meals and a wide selection of other household foods and supplies. Valfresco Direkt meals are prepared in the central kitchen in Labin in a 3,000 m² modern and fully equipped kitchen facility with the highest hygiene standards, ISO certificates and Valamar quality guarantee. Valfresco cooperates with more than 100 Croatian family farms, supports the local community and offers the widest range of products that are not easily available in the regular distribution system. Valfresco Direkt encourages a stronger connection between tourism and agriculture and makes it easier for top local producers to market their products to domestic and foreign guests. Valfresco Direkt enables a more efficient and simple kitchen organisation within Valamar's board and restaurants, and ensures the purchase of local products and supplies directly from the producer. This service has improved the quality of the food and

beverages service in Valamar camps and other "self catering" resorts, while standardizing the quality throughout the system. Valfresco Direkt is a socially responsible initiative that empowers local and small producers, workers and the local community. This platform has a positive impact on reducing employment seasonality, enables better working conditions for kitchen staff and their retention.

During 2021, a new web navigation system was implemented, as well as a German interface, the Valfresco fish market was launched, and additional delivery options were introduced (dishes can now be delivered on the same day or distributed over several days). It is also possible to order online delivery from restaurants as a unique service on the market. The customer satisfaction survey results in 2021 show a very high satisfaction rate with the entire order experience, delivery and product quality, delicious and quality food, friendly employees, web interface transparency and fast delivery. Valfresco Direkt also introduced biodegradable containers made from renewable raw materials that can be reused or composted. Along with the previously available paper bags, biodegradable bags have also been introduced, hence steering Valfresco Direkt onto a more sustainable path. Valamar will continue with the "plastic free" initiative through Valfresco Direkt by replacing disposable plastic packaging with environmentally friendly alternatives, as well as other initiatives aimed at significantly reducing our carbon footprint, contributing to responsible destination development and supporting sustainable tourism development in Croatia.



CORNERSTONE AND PERO PLATFORM

PERO is a Platform for Education, Development and Onboarding of employees, intended for learning, development, team management, employment, a structured introduction to work, work efficiency assessment and many other activities that contribute to efficient human resources management.

Cornerstone, a world-renowned platform for human resources management, is integrated into Valamar's environment. PERO enables greater engagement and involvement of team leaders in all these processes and increases the engagement of employees in developing their own careers, acquiring new knowledge and skills.

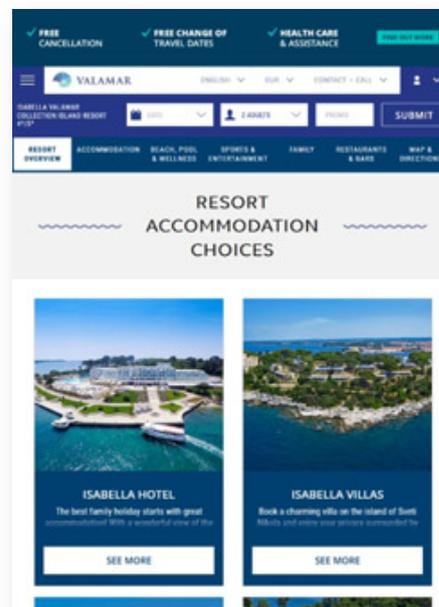
The main objectives of introducing this platform are as follows:

- ▶ Ensure the availability of online education
- ▶ Optimize the education process – less administration, faster organization
- ▶ The automation of the recruitment process and onboarding of new employees
- ▶ Increase internal mobility and improve the internal labour market
- ▶ Empower employer branding
- ▶ Create a continuous employee development process



Valamar's employees now have an online education platform with over a hundred education programs and a part of the trainings has also been transferred to an online model. Applications and participation are automated.

In addition to setting up the PERO platform, a data platform of employees has been set up, i.e. the Employee Data Hub has been created. The Data Hub enables the storage of all data and events about employees in one place and the transfer of data in real time from data sources to other data users' platforms. In addition to the multiple cost reductions for the integration and maintenance, the automated process of adding employees to the PERO platform is also enabled in real time.



VALAMAR WEBSITES

Given that Valamar generates over 60% of its revenues from direct sales channels, the majority of revenues are generated through digital channels, i.e. Valamar websites and the Valamar Reservation Center.

Therefore, Valamar's websites are important digital channels for sales and guest communication. In 2021, the company worked on increasing booking conversion, visual improvements and user experience optimization, as well as content management technology (CMS). Up to 60,000 users visit Valamar's website daily.

VALAMAR GUEST RELATIONSHIP MANAGEMENT (CRM)

It would be very difficult to achieve successful business results without strategic guest relationship management (CRM).

In 2021, Valamar dedicated itself to further developing and improving the CRM strategy, guest data security and interactions, optimizing the guest base, improving the loyalty program and promoting guests to ambassadors. Multi-factor authentication of CRM system users was enabled, the first phase of improving the security of business services and infrastructure was completed and messages were introduced (e.g. SMS) as a new channel of marketing communications.



ONLINE RECEPTION

In 2021, the user experience of the online reception was improved and guests were enabled online check-in from any device at any time. In addition, automatic notifications were added in four languages, certain properties enabled automatic opening of ramps based on the registration plates of the guest's vehicle, and camps added the possibility of discounts through affiliation with various camping associations.

Also, additional services were added for scooter rental without notice, and certain properties enabled electronic registration at the reception and the possibility of self check-ins at designated kiosks.

INNOVATIONS



MARO SMART PLAY - A NEW SERVICE FOR LITTLE GUESTS

Valamar's new fun and educational concept provides families and children with a unique experience of discovering and learning about art and science through active play and research.

The first Maro Smart Play concept was successfully implemented in the Valamar Diamant Hotel. It is an area for children to play with innovative equipment that stimulates intellectual, emotional, social and physical development. Maro Smart Play is based on unstructured play, without predefined rules and allows children to develop creativity and basic stem (science, technology, engineering, mathematics) skills. Maro Smart Play encourages different elements of experience through six different rooms or experiences. Fun and suggestive experience titles include Maro's whole group, from friends of Ria and Lucija to Neno and Roko. Parents will find a visual presentation of experiential elements at the entrance of each room, showing what they can expect from a particular game. The range of experiences in the rooms extends from nurturing creativity and self-expression to various communication and motor skills.

This concept was well received in the first year by both our little and adult guests. After its implementation in the Diamant hotel, guest will be able to enjoy Maro Smart Play in the Girandella Valamar Collection Resort, Valamar Bellevue Hotel, Istra Premium Camping Resort and Ježevac Premium Camping Resort in 2022.



VALAMAR INTRODUCES NEW BRAND AND OPENS NEW HOTEL HVAR [PLACESHOTEL] – A PLACE TO BE

The long-awaited first hotel under Valamar's new lifestyle brand HVAR [PLACESHOTEL] opened its doors in Stari Grad on Hvar in May 2021. The launch of the new brand [PLACES] by Valamar was celebrated with an exclusive Magico Disco summer party when this hotel featured the world's electronic scene names, such as Berlin producer Ben Böhmer and DJ duo Phil & Derek, who stand behind the planetarily popular Cercle streams.

Famous musicians performed on an attractive stage by the pool, and guests, including celebrities, could enjoy the superb sound of house music and a relaxed summer party. Just this summer, all guest could enjoy a unique experience at the [PLACES] hotel on the island of Hvar, where various DJs and musicians ensured daily good fun at the pool. Staying at hotel [PLACES] by Valamar is a completely casual experience characterized by relaxing by the swimming pool, sunbathing, good music and various adventure trips.

[PLACES] by Valamar is a new concept for the modern traveler and focuses on

younger generations who value unique experiences, encounters with people with similar affinities, natural foods and dishes, as well as nature conservation and sustainability. The concept is a combination of boho aesthetics, flexibility and freedom of choice, while displaying the beauty of a relaxed Mediterranean lifestyle with a focus on unique destination experiences. The [PLACESFLEXI] offer adds to this innovative concept because it gives guests complete freedom in accessing food and beverages during the day.

With a complimentary breakfast, guests have a 25 euros daily credit, which they can use in the restaurant and bars as they please, and the amount not spent on that day is transferred to the next day. All payments are made via the bracelet, which allows guests to have a carefree stay on the beach and pool, in the bar, restaurant and elsewhere – without taking cash with them. The [PLACES] by Valamar brand introduced another hotel in 2022, namely DALMACIJA [PLACESHOTEL] in Makarska.



WOW WOW – PET-FRIENDLY HOLIDAY

Valamar knows how much guests love their four-legged companions. Hence, a new signature concept was created – Wow Wow pet friendly holiday.

In the 2022 season, all guests travelling with a pet in Valamar hotels, resorts and camping resorts with the label Wow Wow can expect delicious treats, toys and water bowls, and even a pet menu with room service in selected properties.

Valamar guests can also use additional pet services in all Valamar destinations - from daily excursions, walks, care and haircuts to photography. All Valamar guests travelling with pets will receive useful information on pet-friendly holidays in the digital Pet Destination Guide. Wow Wow will certainly become synonymous with a happy holiday for pets in Valamar that guarantees a WOW experience for everyone.



PORTFOLIO EXPANSION ON THE ISLAND OF HVAR WITH VALAMAR AMICOR GREEN RESORT – A NEW SUSTAINABLE ECO RESORT

Valamar Riviera and mirovinski fondovi PBZ Croatia osiguranje continued with significant portfolio investments in 2021, 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 are directed towards the construction of the first Valamar sustainable eco-resort 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. At the end of 2021, the construction of the new Valamar Amicor Green Resort, a fully sustainable eco resort for families, began, while respecting the highest standards of green construction, the use of renewable energy sources and a high level of energy efficiency. Amicor Green Resort is

a new Valamar concept, which includes sustainable eco-resort designed for family holidays. The construction of the resort will follow the highest green building standards, which include environmentally friendly materials with minimal impact on the environment, the use of renewable energy sources and a high level of energy efficiency. Valamar nature resort on the island of Hvar is the first tourism project that will use 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 blends into the island's natural environment, while local designers and artists will design the interior with autochthonous tradition and materials in mind. There will be an emphasis on the island's local food and products, while digitalization projects will eliminate the use of paper throughout the hotel.

AWARDS AND RECOGNITIONS

As the leading tourism company, Valamar Riviera constantly invests in service and product quality, which is supported by numerous awards and recognitions in 2021.

In 2021, the Ministry of Economy and Sustainable Development awarded Valamar the recognition for business achievements in environmental protection, category Management. This recognition refers to Valamar's exceptional organization with a strategic vision and management system that enables continuous improvement of environmental properties.

A number of awards and recognitions in 2021 include Traveler's Choice 2021, which Trip Advisor awarded to Valamar campsites and hotels. A number of tourism associations acknowledged Valamar's service excellence and services. The German camping club DCC (Deutscher Camping-Club) awarded the DCC Europe Platinum award, while the prestigious German autoclub ADAC awarded four Valamar camps with the ADAC Superplatz label. In total, 2021 has been one of the most successful years ever since ADAC and

PiNCAMP have been evaluating Valamar. In addition, ANWB, which rewards the best campsites in Europe, has awarded the ANWB Top 2021 award to several Valamar camps. Among other numerous awards, there is the World Luxury Hotel Award, World Travel Awards and many others.

In addition to the fact that Valamar's camps and hotels were once again ranked with the best in Europe, it is also important to point out that in 2021 Valamar Riviera received the Poslovni dnevnik and Zagreb Stock Exchange award, that is, the third place for best investor relations, the "Q Label" from the Ministry of Tourism and Sports and the EU Ecolabel from the Ministry of Environmental Protection and Energy.

NATIONAL AWARDS AND RECOGNITIONS IN 2021

Poslovni dnevnik and Zagreb Stock Exchange	The Best Investor Relations 3 rd place	Valamar Riviera d.d.
Ministry of Tourism and Sport	Q Label	Valamar Riviera Hotel & Residence, Valamar Lacroma Dubrovnik Hotel
Ministry of Economy and Sustainable Development, Environmental Protection and Energy Efficiency Fund, Croatian Chamber of Economy, Greencajt festival	GREEN PRIX Category: Decarbonizing the community	Valamar Riviera and E.ON Hrvatska
Ministry of Environmental Protection and Energy	EU Ecolabel	Istra Premium Camping Resort, Lanterna Premium Camping Resort, Krk Premium Camping Resort, Ježevac Premium Camping Resort, Solaris Camping Resort, Orsera Camping Resort
Ministry of Economy and Sustainable Development	Recognition for business achievements in environmental protection 2021 Category - Management	All properties
Camping Association of Croatia (KUH)	Croatia's Best Campsites 2022	Istra Premium Camping Resort, Lanterna Premium Camping Resort, Krk Premium Camping Resort, Ježevac Premium Camping Resort, Padova Premium Camping Resort, Marina Camping Resort, Orsera Camping Resort, Solaris Camping Resort, Baška Beach Camping Resort, Bunculuka Camping Resort, San Marino Camping Resort

TRAVELIFE GOLD AWARD

A number of 17 Valamar hotels and resorts hold this prestigious and binding certificate in 2021. In 2022, Valamar plans to increase the total number of certified properties to 28 hotels and resorts.

Travelife is an international certification system that promotes sustainability in the hospitality industry and helps tour operators, hotels and other accommodations manage and monitor their social and environmental impact, as well as inform their guests and partners about their achievements. The Travelife Gold Award recognizes hotels that meet the strictest sustainability criteria to the fullest.

The strategic goal of the certification project is to introduce green business practices, i.e. to achieve a balance between economic progress, environmental care in the broadest sense, and social inclusion in the wider community. In Valamar, 99.6% of accommodation units hold the ISO 14001 environmental management certification and 67.3% of hotel and resort accommodation units have one of the sustainable business certifications.



HOTELS AND RESORTS WITH THE TRAVELIFE CERTIFICATE IN 2021

Allegrò Sunny Hotel & Residence by Valamar	★★★	Rabac
Lanterna Sunny Resort by Valamar	★★	Poreč
Valamar Bellevue Resort	★★★★	Rabac
Valamar Argosy Hotel	★★★★	Dubrovnik
Valamar Tamaris Resort	★★★★	Poreč
Marea Valamar Collection Suites	★★★★★	Poreč
Crystal Sunny Hotel by Valamar	★★★★	Poreč
Dubrovnik President Valamar Collection Hotel	★★★★★	Dubrovnik
Girandella Valamar Collection Resort	★★★★★ (4/5)	Rabac
Koralj Sunny Hotel by Valamar	★★★	Krk island
Valamar Lacroma Dubrovnik Hotel	★★★★	Dubrovnik
Miramar Sunny Hotel & Residence by Valamar	★★★	Rabac
Valamar Parentino Hotel	★★★★	Poreč
Valamar Pinia Hotel	★★★	Poreč
Valamar Riviera Hotel & Residence	★★★★	Poreč
Rubin Sunny Hotel by Valamar	★★★	Poreč
Zvonimir Sunny Hotel by Valamar	★★★★	Krk island



Rubin Sunny Hotel
by Valamar 3*, Poreč

INTERNATIONAL AWARDS AND RECOGNITIONS IN 2021

Financial Times	List of Europe's climate leaders 2022	Valamar Riviera
British Airways Holidays	British Airways Customer Excellence Award 2021	Valamar Lacroma Dubrovnik Hotel
German camping club DCC (Deutscher Camping-Club)	DCC Europe Platinum award	Lanterna Premium Camping Resort Solaris Camping Resort
TripAdvisor	Traveler's Choice 2021	Valamar Diamant Hotel & Residence Valamar Isabella Island Resort Valamar Parentino Hotel Valamar Riviera Hotel & Residence Istra Premium Camping Resort Girandella Valamar Collection Resort Valamar Sanfior Hotel & Casa Valamar Argosy Hotel Valamar Dubrovnik President Hotel Valamar Lacroma Dubrovnik Hotel La Pentola Trattoria Rabac
World Travel Awards	Croatia's Leading Boutique Hotel	Valamar Riviera Hotel & Residence
	Croatia's Leading Hotel	Dubrovnik President Valamar Collection Hotel
	Croatia's Leading Resort 2021	Girandella Valamar Collection Resort
World Luxury Hotel Awards	Luxury Beach Resort	Dubrovnik President Valamar Collection Hotel
	Luxury Island Resort	Isabella Valamar Collection Island Resort
	Luxury Family Hotel	Marea Valamar Collection Suites
European Spa Association	Innovation Spa Concept award	Balance Mediterranean Spa by Valamar
ANWB	ANWB Top 2021	Krk Premium Camping Resort by Valamar Solaris Camping Resort Lanterna Premium Camping Resort
ADAC	ADAC Superplatz 2021	Lanterna Premium Camping Resort Istra Premium Camping Resort Krk Premium Camping Resort Baška Beach Camping Resort
Croatian bartenders section at the Association of Employers in Croatian Hospitality (UPUHH)	The Best Hotel Barmen 2021	1 st place Helena Kostelić- PC Girandella Resort 3 rd place Erika Faraguna- PC Alegro-Mirammar Sponsor award Emili Dedić- PC Valamar Bellevue Resort

CERTIFICATES AND SAFETY AND SUSTAINABILITY STANDARDS IN 2021

SGS	HACCP	Valamar Diamant Hotel & Residence Crystal Sunny Hotel by Valamar Rubin Sunny Hotel by Valamar Isabella Valamar Collection Island Resort Marea Valamar Collection Suites Valamar Riviera Hotel & Residence Valamar Tamaris Resort Solaris Camping Resort by Valamar Valamar Sanfior Hotel & Casa Girandella Valamar Collection Resort Valamar Bellevue Resort Koralj Sunny Hotel by Valamar Valamar Parentino Hotel Valamar Lacroma Dubrovnik Hotel Dubrovnik President Valamar Collection Hotel Valamar Argosy Hotel Bunculuka Camping Resort by Valamar Marina Camping Resort by Valamar Padova Premium Camping Resort by Valamar Imperial Valamar Collection Hotel Valamar Carolina Hotel & Villas Eva Sunny Hotel & Residence Zvonimir Sunny Hotel by Valamar Valamar Atrium Baška Residence Corinthia Baška Sunny Hotel by Valamar Lanterna Premium Camping Resort by Valamar San Marino Sunny Camping Resort Valamar Meteor Hotel Dalmacija Sunny Hotel Rivijera Sunny Resort
SGS	V Health & Safety in Partnership with SGS	94.2% keys in Valamar Riviera and Imperial Riviera
	ISO 14001	99.6% keys in Valamar Riviera and Imperial Riviera
	ISO 9001	99.6% keys in Valamar Riviera and Imperial Riviera
Quality Austria	ISO 50001	99.6% keys in Valamar Riviera and Imperial Riviera
	ISO 45001	Istra Premium Camping Resort by Valamar
	EN 14065	Valamar laundry facility Poreč, Valamar laundry facility Makarska
Ministry of Tourism and Sport	Q Label	Valamar Lacroma Dubrovnik Hotel Valamar Riviera Hotel & Residence
	Safe Stay in Croatia Label	All Valamar properties that were open in 2021
Ministry of Environmental Protection and Energy	EU Ecolabel	Istra Premium Camping Resort by Valamar, Orsera Camping Resort by Valamar, Ježevac Premium Camping Resort by Valamar, Solaris Camping Resort by Valamar, Krk Premium Camping Resort by Valamar, Lanterna Premium Camping Resort by Valamar

Comparisons of certification by year can be found in the ESG Indicators Report presented in the table at the end of this annual report.

INTERNAL AUDITS, CONTROLS AND PROJECT MANAGEMENT OFFICE WITHIN VALAMAR RIVIERA

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

Valamar Riviera's Internal Audit and Control and the Audit Committee are focused on maintaining the highest standards of integrity and corporate governance practices in order to maintain excellence in its operations and promote trust in its governance systems. The Project Management Office (PMO) supports the Project Committee and continually works on the standardization of the reporting process and the management of the project portfolio.

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

Committee meets four times per year or more frequently if circumstances dictate. The Audit plan is based on the systematic assessment of key risks, which are then separately quantified and ranked through a corporate risk matrix. Each risk suggested by a business stakeholder, especially Management or Audit Committee is evaluated by assessing the probability of an event occurring and affecting business, thus creating the base of the revision plan.

Although every audit project is unique, the audit process is similar for most engagements and usually consists of four stages:

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

During 2021, Internal Audit and PMO continued with the processes of digitalization especially in the segment of internal audit and the follow-up process of policies and rules.

Internal audit activities are performed within organization units that vary in purpose, size, complexity, and structure and involvement of persons.

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

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

In addition to these documents, during 2021, the Company adopted the Code of Business Conduct, as well as the related Policies, which relate to the Internal Audit and the work of the Audit Committee.



KEY RISK TYPES AND CLASSIFICATION



INTERNAL AUDIT KEY ACTIVITIES DURING 2021

The key audited business segments during 2021 were related to operations and processes related to marketing activities, hotel operations and sales.

The key audited business areas during 2021 relate to business and processes related to marketing, hotel operations and sales activities. Also, during 2020, the internal audit adjusted its operations and work plan to the new circumstances and directed the existing resources to the overall transformation of the Company's activities, with special focus on digitalization and automation projects.

The Annual Audit Plan for 2021 was adjusted to the business conditions in such a way that a number of audit engagements were suspended, while certain activities continued, especially those related to constructing a new corporate risk matrix. During the consideration and identification of risks, particular emphasis was placed on the assessment of exposure to climate and

environmental risks, vulnerabilities of economic activities and processes, as well as risk management.

Furthermore, Internal Audit gave its contribution to ensuring business continuity, further understanding of key risks and adjustment of work, and especially by performing the work of the so-called of a non-audit nature. The audit started in 2020, continued and ended during 2021. During the transformation and adaptation to the new circumstances, the existing resources were used for additional digitalization and automation of business, which will have its full effect by returning to the previous dynamics and volume of work. Internal audit provided support in the work of the Audit Committee, especially during the implementation of the so-called joint audits, as a new concept based on a legal obligation. A special contribution was made in 2021, through audit engagements, together with internal audit clients in the segments of hotel operations.

THE RISK OF THE COMPANY AND THE GROUP

Tourism is a global industry, closely connected with the real and financial economy, geopolitical position and environmental sustainability. The integrity of this industry will determine its future growth.

Given the importance of tourism and its overall impact on society, the Company and the Group monitor and assess risks at micro and macro levels. Moreover, when defining the strategy, particular attention is given to the short and medium-term risk impact in

order to maintain business sustainability over time. When monitoring and assessing risks the Company and Group use a proactive approach thus assessing the potential impact of each individual risk.

The Company and Group consider risk management to be a key factor of differentiation among competitors. Risk management aims at creating sustainable value, thus offering reliability and security to numerous stakeholders.

THERE ARE FIVE KEY STEPS IN A RISK MANAGEMENT PROCESS:



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



FINANCIAL RISK

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 increasing prices of purchase 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. Most of the sales revenue generated abroad is denominated in euros, and so is the major part of long-term debt. Hence, for the most part the Company and Group are naturally hedged from exchange rate risks. Since some liabilities are denominated in kunas, the Company and Group actively manage risks by using derivative instruments available on the financial market. The instruments are used according to operating assessments and expected market trends. In this way the Company and Group's assets, liabilities and cash flow are protected from the risk impact. Due to the extraordinary circumstances caused by the COVID-19 pandemic in 2020, potentially stronger depreciation pressures on the kuna against the euro affect the

value of long-term credit debt denominated in euros and contracted forward transactions whose potential negative effects are sought to be controlled through proactive management of concluded derivative financial instruments.

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

2) INTEREST RATE RISK

Variable rate bank loans expose the Company and Group to cash flow interest rate risk. The Company and the Group actively resort to derivative instruments in order to hedge cash flow and interest rate by applying interest rate swaps. The economic effect of such swaps is the conversion of variable interest rate loans into fixed interest rate loans for a pre-committed hedged part of the loan principal. The Company and Group have interest-bearing assets (cash assets and deposits) so their revenue and cash flow depend on changes in market interest rates. This becomes evident especially during the season when the Company and Group have significant cash surpluses at their disposal. The Company and the Group expect a limited impact of increased interest rate volatility due to the recent Coronavirus pandemic, given that a large part of the Group's loan portfolio (89%) is comprised of long-term fixed interest loans or, respectively, loans hedged by a derivative instrument (IRS).

3) CREDIT RISK

Credit risk arises from cash assets, time deposits and receivables. According to the Company and Group sales policy, business transactions are conducted only with customers with suitable credit history, i.e. by agreeing advances, bank securities and (for individual

customers) payments made through major credit card companies. The Company and Group continuously strive to monitor their exposure towards other parties and their credit rating as well as obtain security instruments (bills of exchange, promissory notes and guarantees) in order to reduce bad debt risks related to services provided. Given the negative consequences of COVID-19 on the Company and Group's customers, especially tour operators and travel agencies, special attention is paid to the impact of currently unfavorable circumstances on related parties with active verification of creditworthiness and their potential to overcome current challenges.

4) PRICE RISK

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

5) LIQUIDITY RISK

The Company and Group have a sound liquidity risk management. Sufficient funds for meeting liabilities are available at any given moment through adequate amounts from contracted credit lines and by ensuring credit line availability in the future. Liquidity risk is managed by generating strong positive net operating cash flows, while capital investments are financed by credit lines. Credit lines for 2020 and 2021 were arranged with reputable financial institutions, while the repayment of the major credit lines coincides with periods of strong cash inflows from operations. The Company and Group monitor the level of available funds through daily cash and debt reports. Long-term cash flow forecasts as well as annual (monthly) forecasts are based on the set budget. After meeting the needs of working capital management, the surplus is deposited in the treasury.

The COVID-19 pandemic, as an external stressor to the Company and the Group's business activities, will create uncertain pressures on operating cash flow. Following the sound management of the now increased liquidity risk, escalation plans have been developed and activated to minimize costs, preserve liquidity and solvency, and maintain business continuity as well as applying for measures of support and assistance in the economy and tourism sector, including immediate payment deferral of due principal on long-term loans by the given possibility of a moratorium on loan repayment. The Treasury invests surplus cash in accounts that bear interest,

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

fixed-term deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity in accordance with demand projections for liquidity resources.

6) SHARE-RELATED RISK

The market value of shares is the riskiest asset class due to its volatility resulting from the volatile nature of the whole capital market, macroeconomic trends on markets where the Company and Group operate and discrepancies between the expectations of financial analysts and the actual results. Furthermore, other contributing factors are also changes in the dividend policy, various activities in the segment of consolidations, mergers, acquisitions and forming of strategic partnership, the instability of the business model of the Company and Group as well as the fluctuations in the financial results for the Company and Group. In case any negative implications happen to be associated with these factors there is a considerable risk of market value drop that will in turn prevent investors from selling their shares at a fair market price.

7) RISK OF INFLATION AND INCREASING PRICES OF PURCHASE GOODS

As the Omicron COVID-19 variant expanded, many countries reintroduced restrictions on movement. Rising energy prices and supply disruptions have resulted in higher and broader global inflation than expected. Inflationary pressures remain high, as some supply-demand non-compliance and labour shortages could persist through 2022. The growing geopolitical uncertainty in Europe (especially in relation to the conflict between Russia and Ukraine) and elsewhere is a major additional risk, increasing pressure on energy prices. Inflation and the price increase of purchasing goods can have an effect on the purchasing power of foreign and domestic guests, as well as on the level of our sales prices.

The Company and the Group are exposed to the impact of the changing purchase prices of energy sources (especially electricity) and the prices of food, beverages and consumables. The Company and the Group continuously make significant investments in energy efficiency and renewable energy sources, in order to mitigate the impact of possible rising energy prices and reduce dependence on suppliers. For a certain part of food, beverages and consumables, multi-year fixed-price contracts are in force. 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, throughout the year. Accordingly, the Company and the Group have the flexibility to manage the price level in 2022.

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.

BUSINESS RISKS

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

Various large capital investments in the upgrade of products and services can surpass budget expectations, delay the end of construction works, as well as the town-planning regulations and fiscal policy may be changed. These risks can increase costs for the Company and Group, and have a negative impact on the cash flow and revenues. In the previous period, the company and Group's business decisions improved their results and operating efficiency in the demanding Mediterranean market. These positive trends are expected to continue in the future through prudent long-term strategic management. Over 95% of Valamar Riviera'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 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 also the most desirable employer in Croatian tourism. It continually invests in employee education and training as well as the development of its employees. We determine the need for new skills and expertise by following emerging global trends in tourism. In this way, we are able to respond to challenges effectively. Through a continual dialogue with our social partners, we have ensured a high level of workers' rights in terms of competitive salaries, reward systems, career development, employees' wellbeing and cooperation with training institutions from all parts of Croatia.

GLOBAL RISKS

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

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

Environmental risks can also have an adverse effect on the Company and Group's business results, primarily in terms of customer satisfaction with the whole experience while staying at one of Valamar's properties and this can affect the number of arrivals. The possible risks can include: sea pollution (caused by oil or chemical spillage), but also long-term water quality reduction and coast pollution due to inadequate waste disposal and wastewater treatment as well as extensive use of agricultural fertilizers. Other environmental conditions typical for climate changes such as long drought periods or long rainy periods can directly

influence the guests' length of stay in the hotels and campsites as well as increasing the operating costs. A number of other natural disasters and calamities (earthquakes, fires, floods and rainstorms), air pollution caused by toxic gas emissions from industrial plants and vehicles, as well as excessive urbanization and the introduction of invasive species should also be taken into consideration. Likewise, disease epidemics and pandemics can affect Valamar's business results. In order to minimize their impact, Valamar actively monitors the risk levels of epidemics and pandemics around the world, especially in leading source markets, and takes proactive steps in managing them.

The COVID-19 pandemic is a recent example of the operational and financial disruption of the global economy, especially tourist flows given that almost all global destinations have restrictions or complete travel bans. The extraordinary circumstances in the Republic of Croatia and the introduction of preventive measures prohibiting social gatherings, closing restaurants and shops, with goal of protecting the population from the risk of infection caused expected consequential and immediate disruption of business operations within the Company and Group due to cancellations of contracted services by partner agencies and guests.

PRECAUTIONARY PRINCIPLE

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

COMPLIANCE RISKS

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

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

Such frequent changes in laws regulating taxes and para fiscal charges often take place only after the business policy and budget for the next financial year have been approved and commercial terms and conditions with partners agreed. All this jeopardizes the Company and Group financial position and future investment plans as well as credibility towards shareholders.

The Company and Group are also threatened by changes in regulations governing concession fees for maritime domain and tourism land use, the latter still presenting unresolved legal issues. Given the nature of the Company and Group's business, the right to use parts of the maritime domain as well as land for tourism purposes is of vital importance for future growth, especially for campsite-related operations.

Valamar Riviera is continually examining its societal and environmental impact, and taking a strategic approach to sustainability. A proactive approach to reducing the climate change risks has been outlined in their ESG strategy and goals set to be achieved until 2025, together with the monitoring of the company's KPIs.

ETHICS AND INTEGRITY

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

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

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

In 2021, the Management Board and Supervisory Board of Valamar Riviera established the Code of Business Conduct, which includes the Conflict of Interest Management Policy, the Policy and Procedures for Approval and Disclosure of Related Party Transactions and the Risk Management Policy. The Annex to the Code of Business Conduct also includes the existing CSR Policies: Quality and Sustainable Business Policy, Health and Safety Policy, Protocol on Ensuring Food Health, Diversity and Non-Discrimination Policy, Responsible Business Policy (Treatment of Employees, Local Community and Child Protection) and Procurement Policy. All Valamar Riviera employees are familiar with the new Code of Business Conduct through online education.

DECISIONS REGARDING VALAMAR RIVIERA'S ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACT

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

8

EU TAXONOMY

2021

KEY PERFORMANCE INDICATORS ACCORDING TO THE TAXONOMY REGULATION

In order to meet the European climate objectives on energy neutrality (net-zero goal) by 2050, the European Commission has developed a comprehensive program of sustainable financing. Sustainable financing, as shaped by the European Union is a set of regulations aimed primarily at encouraging private investment in sustainable, i.e. green, projects.

One of the regulations that will contribute to sustainable financing is the EU Taxonomy Regulation (EU) 2020/852 establishing a framework to facilitate sustainable investment. The EU Taxonomy Regulation aims to create a single classification system of business activities that can be considered environmentally sustainable and to define which activities are 'green' in a credible and verifiable way.

The European Commission has published (in the form of delegated acts) the current list of sustainable activities with the associated technical and DNSH criteria of significant contribution to the environmental objectives of climate change mitigation and adaptation. Companies are required to report annually on key performance indicators (capital investments, operating costs and revenues) on the eligibility and compliance of their economic activities according to the prescribed criteria so

that their activities can be considered as contributing significantly to environmental objectives. For this reason, taxonomy eligible, non-eligible and taxonomy aligned economic activities should be distinguished:

- ▶ Taxonomy-eligible economic activity is an economic activity described in the delegated acts on technical criteria according to the NACE code, regardless of whether it meets all the criteria specified in the delegated acts;
- ▶ Taxonomy aligned is an acceptable economic activity that contributes significantly to one or more environmental objectives, meets DNSH and TSC criteria and is carried out in accordance with the minimum safeguards set out in Article 18;
- ▶ Taxonomy non-eligible economic activity is an economic activity that is not described in the delegated acts (it is not in the technical criteria).



*Hvar [PLACESHOTEL]
by Valamar 3*, Hvar island*



The releases of the key performance indicators of Valamar Riviera for 2021 show the share of economic activities according to taxonomy eligible and non-eligible activities. Valamar Riviera's core activity - hotels, camps and leisure tourism is not on the current list of activities from the published delegated acts according to which the TSC and DNSH analysis of significant contribution to environmental goals is carried out.

This is the first year that Valamar Riviera d.d., as a company subject to non-financial reporting, has published key performance indicators (Capital expenses – CapEx, Operating expenses – OpEx and Revenue) of its taxonomy eligible and non-eligible economic activities that contribute to the mitigation and adaptation to climate change as prescribed in the EU Taxonomy Regulation and Delegated Publication Regulation (EU) 2021/2178. The analysis of technical verification criteria (TSC) and the DNSH analysis attributed to the annexes to the delegated regulations were not performed for taxonomy eligible economic activities in 2021.

In order to determine whether an economic activity is considered eligible, the non-financial reporting work group carried out an analysis at two levels:

- ▶ the economic activity is carried out at the Valamar Group level and
- ▶ this economic activity can be found in the annexes to the delegated regulations and the EU taxonomy regulation.

The taxonomy eligible economic activities of Valamar Riviera are:

- ▶ 7.2. Renovation of existing buildings
- ▶ 7.3. Installation, maintenance and repair of energy efficiency equipment.

The taxonomy non-eligible economic activity of Valamar Riviera d.d. is:

- ▶ Hotels, camps and leisure tourism.

The entire Valamar Group portfolio is included in the analysis of economic activities. In 2021, 35% of total CapEx, 25% of OpEx and 0% of total revenue was taxonomy-eligible, i.e. for these economic activities, verification criteria are prescribed.

The table shows revenue shares, capital expenses and operating expenses categorized according to taxonomy eligibility. Other compliance information shall be released for the reporting period of January 1st 2022, in accordance with paragraph 4 of article 10 of the delegated regulation on reporting (EU) 2021/2178.

SHARES OF REVENUES, CAPITAL EXPENSES AND OPERATING EXPENSES ACCORDING TO THE TAXONOMIC ELIGIBILITY

INDICATOR	AMOUNT	SHARE IN TOTAL INDICATOR
REVENUE		
Total revenue	1,605,127,860 HRK	100%
Revenue from taxonomy eligible economic activities	0 HRK	0%
Revenue from taxonomy non-eligible economic activities	1,605,127,860 HRK	100%
CAPITAL EXPENSES		
Total capital investments	115,355,120 HRK	100%
Capital investments in taxonomy eligible economic activities	40,278,378 HRK	35%
Capital investments in taxonomy non-eligible economic activities	75,076,742 HRK	65%
OPERATING EXPENSES		
Non-capitalized expenses described in the EU taxonomy (OpEx nominator)	61,055,473 HRK	100%
Operating expenses from taxonomy eligible economic activities	15,378,308 HRK	25%
Operating expenses from taxonomy non-eligible economic activities	45,677,165 HRK	75%

REVENUE**Revenue =**

Part of net income from products and services related to taxonomy eligible activities
/
Total net turnover

The key turnover indicator is calculated as the share of net turnover from taxonomy eligible activities (numerator) by total turnover (denominator).

The denominator of net turnover represents the amount of sales of products and provision of services in accordance with the International Accounting Standard (IAS) 1, item 82, subparagraph (a), as adopted by Commission Regulation (EC) No 1126/2008 (1), in the amount of HRK 1,605,127,860.00, and is shown in financial note 5. Segment Information

The revenue numerator shall comprise revenue recognised in accordance with International Accounting Standard (IAS) 1, paragraph 82(a), adopted by Commission Regulation (EC) No. 1126/2008.

The share of revenues for taxonomy eligible economic activities amounts to 0% compared to the total revenues of the company, because Valamar Riviera d.d. does not generate revenue from taxonomy eligible activities.

The revenue numerator of taxonomy eligible economic activities amounts to HRK 1,605,127,860.00.

The share of revenues for a taxonomy eligible economic activity is 100% compared to the total revenues of the company.

CAPITAL EXPENSES (CAPEX)**CapEx =**

Capital expenses related to taxonomy non-eligible activities
/
Total capital expenses as described in Annex I to Delegated Regulation (EU) 2021/2178

Total capital expenses (CapEx) include all investments in tangible and intangible assets in all sectors of the company in the amount of HRK 115,355,120.00.

The CapEx denominator comprises investments in tangible and intangible assets during the reporting period (including assets acquired through business combinations), prior to the revaluation process (including revaluation and impairment), depreciation costs and excluding changes in fair value, applying IAS 16, point 73e (i) and (iii), IAS 38, point 118e (i), IAS 40, points 76a (a) and (b) (for fair value), IAS 40, point 79d (i) and (ii) (cost model), IAS 41, point 50 (b) and (e) and IFRS 16, point 53h) as set out in Annex I to Delegated Regulation (EU) 2021/2178 in the amount of HRK 115,355,120.00, which are shown in financial note 14. "Property, plants and equipment" and 16. Intangible assets

The CapEx numerator for taxonomy eligible activities contains capital expenses from the denominator, but which relate to taxonomy eligible activities in the amount of HRK 40,278,378.00.

The share of CapEx for taxonomy eligible activities is 35% compared to the total capital expenses of the company defined under the taxonomy regulation.

The CapEx numerator for taxonomy non-eligible activities contains capital expenses from the denominator, but which relate to taxonomy non-eligible activities (hotels, camps, leisure tourism) in the amount of HRK 75,076,742.00, and relate to investments in equipment, digitalization and other company infrastructures related to taxonomy non-eligible activity.

The share of CapEx for taxonomy non-eligible activities is 65% compared to the total capital expenses of the company defined under the taxonomy regulation.

OPERATING COSTS (OpEx)**OpEx =**

Capital expenses related to taxonomy non-eligible activities
/
Total capital expenses as described in Annex I to Delegated Regulation (EU) 2021/2178

According to the Taxonomy Regulation, total operating expenses are considered to be maintenance costs for fixed assets as well as direct costs for research and development and short-term rental contracts. For Valamar Riviera, these costs include current maintenance costs, in the amount of HRK 61,055,473.40, which is stated as an item in note 7. Maintenance services

The OpEx numerator for taxonomy non-eligible activities contains operating costs from the denominator, but which relate to taxonomy eligible activities (Renovation of existing buildings and installation, maintenance and repair of energy efficiency equipment) in the amount of HRK 15,378,308.00.

The share of CapEx for taxonomy eligible activities is 25% compared to the total operating expenses of the company defined under the taxonomy regulation.

The OpEx numerator for taxonomy non-eligible activities contains operating expenses from the denominator, but which relate to taxonomy non-eligible activities (hotels, camps, leisure tourism) in the amount of HRK 45,677,165.40 and relate to maintenance of equipment and other company infrastructures related to taxonomy non-eligible activity.

The share of OpEx for taxonomy non-eligible activities is 75% compared to the total operating expenses of the company defined under the taxonomy regulation.

OPINION OF THE MANAGEMENT BOARD COMMITTEE OF THE CROATIAN BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT ON THE INTEGRATED ANNUAL REPORT AND SUSTAINABILITY 2021

Here before us is another integrated report by Valamar Riviera, which combines the company's financial report with its impact on the broadest spectrum of sustainability-related issues. The report also gives us an overview of Valamar's material impacts in 2021 in terms of economic, environmental, and social issues, selected in line with the Global Reporting Initiative (GRI) Standards. We hereby confirm that the report complies with the legislations of the Republic of Croatia and the European Union, which define an annual report's scope, content, and deadlines, and with the requirements of the GRI Standards core option for reporting on one's sustainability performance.

As Croatia's largest tourism company, Valamar faces considerable challenges regarding sustainability-related impact management. Managing an entire value chain, business operations, and relations with one's suppliers and communities where one operates, is possible only by employing a high level of management quality, which in turn results in guest satisfaction and return on investments.

The report states that Valamar Riviera's activities are based on its Quality and Sustainable Business Policy, which defines the company's special care areas, listing commitment to environmental protection and care for one's employees and communities in the destinations where the company operates. Such documents represent the basis of the entire operating strategy and ways of planning and executing projects, which is why it is extremely important that they demonstrate respect for the interests of the employees and local communities, as well as environmental protection and responsible resource management. What is new is the fact that, earlier this year, Valamar defined another one of its strategic documents, its ESG strategy, which deals with impacts in the field of sustainability by 2025, and contains seven ESG objectives and six ESG strategic initiatives.

Just like previous years, Valamar Riviera consulted the key stakeholders on the material issues in sustainability that should be in the focus of assessment and management as well as included in the sustainability report. We believe that, this year, dramatic progress was achieved regarding this process, because the report shows in great detail the methods of communication, which consisted of surveying

and other ways of collecting opinions. The process filtered out twenty issues, twelve of which were included among the material issues, thus getting incorporated in the report. We would like to stress here that the definitions of material issues, as well as ESG objectives and strategic initiatives, are not related clearly enough, so it is difficult to recognize the foundation of the development strategy. We suggest making next year's strategic guidelines more clearly presented, so that the readers could find their way around the report more easily.

As always, Valamar has won a number of awards and holds a range of sustainability certificates, attesting to the company's continued and dedicated work on improving its impact on the society and the environment. For instance, all the Valamar-owned facilities hold the ISO certificate for environmental protection. We should also mention the EU Ecolabel and Sustainable Hotels, among other certificates.

A complex management of the issues of sustainability has been set in place. Thus, the company established its Supervisory Board's Sustainability Committee, appointed Chief Sustainability Officer who sits on the Management Board, and formed the Sustainability Committee made up of the President of the Management Board, head of sustainability, vice-presidents, and functional executive vice-presidents. As for the implementation, there are several inter-project teams dedicated to the integration of defined strategic goals.

In addition to conducting surveys on the material issues of sustainability, every year, Valamar conducts an in-depth guest satisfaction measurement. The total guest satisfaction rating for last year was at a high 86 percent, attesting to the company's lasting focus on the quality of its operations and services.

On the topic of employee satisfaction, in 2021, Valamar Riviera joined the tier of top employers in tourism. According to a survey by the MojPosao web portal, the company was the only tourism company to be listed among the top 20 employers in Croatia for the fourth year in a row. Last year, the average salary at Valamar was very near the average salary in Croatia, which was significantly higher than the industry average. Aside from the high salaries, Valamar's employees enjoy a range of benefits such as the 13th and 14th salary, and many other benefits that make jobs at Valamar incredibly attractive, as confirmed by the MojPosao survey.

As regards its environmental impact, Valamar approaches this issue strategically and studiously. Consequently, the report presents a host of painstakingly prepared, detailed information on its impact on various aspects of the environment, but the majority of the information is expectedly concerned with energy consumption and climate impact. In 2021, the company's energy consumption remained

below the 2019 numbers, but the number of guests was lower as well, owing to the COVID-19 pandemic. An additional factor in emissions reduction is the change in energy sources, a result of efforts to switch to more environmentally friendly operations as well as renewables, which has significantly reduced the company's carbon footprint. Thus, the 2021 energy intensity per overnight stay was slightly lower than in 2019, an excellent result considering the reduced number of overnight stays.

Another large investment was the project executed by Valamar and E.ON Solar. In 2021, the two companies launched a solar power plant project, which included installing photovoltaic power plants at 26 of Valamar's hotels and campsites along the Adriatic coast, thus meeting five percent of Valamar's total demand for electric energy. This was the first and largest ESCO-financed project in Croatia. Furthermore, a host of ambitious plans regarding renewable energy production and energy efficiency allowed Valamar to announce that it was planning to reach carbon neutrality in Scope 1 and 2 greenhouse gas emissions by 2025.

The share of recycled water in the total water consumption has been growing annually; however, the production has been decreasing and is still proportional to the number of overnight stays. The good thing is that the amount of hazardous waste is on the decline.

This year, Valamar's support for its community was once again considerable, especially the support that the company provided for children from low-income families and areas hit by the recent earthquake. Valamar enabled these children to spend some time by the sea.

It should also be mentioned that, with this year's report, Valamar complied with the EU taxonomy regulation and reported on the share of its activities that are eligible according to the taxonomy. Moreover, in line with the requirements of the taxonomy regulation, the report shows the company's total revenue as well as both capital expenditure and operating expenses generated from eligible activities as compared to ineligible ones.

Finally, the report ends with a table of GRI indicators, confirming the report's compliance with the GRI reports' core option.

Here before us is another extremely well made, informative, and comprehensive report by Valamar Riviera, which has successfully shown a considerable volume of activities conducted at Valamar with the aim of adapting to the climate change challenges, other environmental protection challenges, and sustainability challenges. The report also shows a tangible progress concerning the company's strategic commitment to sustainability and alignment with the new legislation, including the EU taxonomy regulation. The report before us confirms the company's determination and vision, as well as its management's serious intention to have the company develop further on the basis of sustainability.



ESG KPI REPORT (VALAMAR GROUP)*

ENERGY	Unit		2018	2019	2020	2021
Total Energy consumption	MWh		111,473	114,397	52,376	80,095
Total energy use intensity	kWh/occ. room		42.0	42.4	51.5	41.6
OWN RENEWABLE ENERGY	Unit		2018	2019	2020	2021
Total energy consumption from renewable energy sources	MWh		65,422	82,647	38,362	62,858
Total energy consumption from renewable energy sources	% of total		59%	72%	73%	78%
Own electricity produced from renewable energy sources	MWh		2,337	2,911	2,941	6,762
Own electricity produced from renewable energy sources	% of total		2.1%	2.6%	5.6%	8.4%
Electricity from renewable energy sources	% of total	100.0%	86.2%	100.0%	100.0%	100.0%
CO₂ EMISSIONS	Unit	Base year 2015	2018	2019	2020	2021
Scope 1 Direct Emissions						
Emissions	t CO ₂ e	7,337	8,785	7,783	3,094	4,505
Emissions intensity	kg CO ₂ e/occ. room	2.9	3.3	2.9	3.0	2.3
Scope 2 Indirect Emissions						
Emissions	t CO ₂ e	17,955	2,783	152	104	90
Emissions intensity	kg CO ₂ e/occ. room	7.1	1.0	0.1	0.1	0.0
Scope 1 & 2						
Emissions	t CO ₂ e	25,291	11,569	7,936	3,198	4,594
Emissions intensity	kg CO ₂ e/occ. room	10.1	4.3	2.9	3.1	2.4
ADRIATIC / BIODIVERSITY	Unit		2018	2019	2020	2021
Beaches with Blueflag certificate	total #	14	14	14	-	-
Beaches with Blueflag certificate	% of beaches	28%	28%	28%	-	-
Quality of the Adriatic sea in our destinations (EEA)	%	95.60%	95.60%	95.60%	95.60%	95.60%
LOCAL FOOD	Unit		2018	2019	2020	2021
F&B from domestic and local products	%		73%	75%	77%	78%
WATER & WASTE	Unit		2018	2019	2020	2021
Water withdrawal	m ³		1,724,673	1,796,735	787,419	1,176,638
Water withdrawal intensity	m ³ /occ. room		0.65	0.67	0.77	0.61
Total Waste generated	t		8,967	9,697	3,871	8,557
Total Waste intensity	kg/occupied room		3.37	3.60	3.80	4.44
Total Landfilled Waste generated	t		5,013	5,080	2,014	4,582
Single-use plastics usage	t		285	283	108	156
Single-use plastics usage	kg/occupied room		0.11	0.10	0.11	0.08
Landfilled Waste intensity	kg/occupied room		1.89	1.88	1.98	2.38
Waste diverted from landfill	t		3,915	4,595	1,857	3,961
Waste diversion rate	%		43.7%	47.4%	48.0%	46.3%

EMPLOYEES	Unit	Base year 2015	2018	2019	2020	2021
Returning seasonal employees	%	65%	57%	52%	78%	57%
Local employees	%	75%	64%	64%	78%	66%
Higher salaries than national industry average	%	13%	32%	25%	23%	27%
Hours of education	h	45,410	102,142	160,751	37,771	41,162
Women in management	%	-	42%	42%	42%	41%
Number of scholarship holders	years	-	330	288	243	116
DESTINATION & SOCIAL INVESTMENT	Unit	Base year 2015	2018	2019	2020	2021
Total investment in Social & Destination Impact	HRK m	37	101	129	23	62
Total investment in Social Impact	% of revenue	2.8%	4.9%	5.8%	3.3%	3.7%
CERTIFICATIONS	Unit	Base year 2015	2018	2019	2020	2021
ISO 50001 in properties	% of properties	-	100%	98%	98%	98%
ISO 14001 in properties	% of properties	86%	100%	92%	92%	98%
ISO 45001 in properties	#	-	-	-	1	1
EU Ecolabel in properties	% of properties	-	12%	12%	12%	12%
"Sustainable hotel" UPUHH in properties	% of properties	11%	14%	14%	14%	14%
HACCP in properties	% of properties	83%	83%	82%	85%	88%
Properties with Travelife certificate	#	16	20	23	22	17
Properties with Travelife certificate	% of properties	58%	41%	45%	45%	35%
CORPORATE GOVERNANCE	Unit	Base year 2015	2018	2019	2020	2021
Health & Safety policy	Yes / No	no	no	no	yes	yes
Conflict of Interest Management Policy	Yes / No	yes	yes	yes	yes	yes
Policies and Procedures for Approving and Disclosing Transactions	Yes / No	yes	yes	yes	yes	yes
Risk Management Policy	Yes / No	no	no	no	no	yes
Quality and Sustainable Business Policy	Yes / No	yes	yes	yes	yes	yes
Food Safety Policy	Yes / No	yes	yes	yes	yes	yes
Diversity and Non-discrimination Policy	Yes / No	no	no	no	no	yes
Responsible Business Policy	Yes / No	yes	yes	yes	yes	yes
Procurement Policy	Yes / No	yes	yes	yes	yes	yes

* Valamar Group includes Valamar Riviera, Imperial Riviera and Obertauern (Helios Faros is not included).

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DISCLAIMER

The strategic goals presented in this report represent the intention of the Management Board and are based on currently available information, current assumptions, and forward-looking expectations and projections. The strategic goals are not a guarantee of future results and are subject to future events, risks and uncertainties, many of which are beyond the control of, or currently unknown to Valamar Riviera, as well as to potentially incorrect assumptions that could cause the actual results to materially differ from the strategic goals. In addition, the level of capital investments in any given year is subject to specific proposals of the Management Board to the Supervisory Board, each board may elect to deviate from this policy if appropriate under the prevailing circumstances.

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

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

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*Brioni Sunny
Camping 2*, Pula*

