

Valamar presents new development strategy at first Investor Day

THE STRATEGY IS BASED ON HRK 1.5-2 BILLION IN INVESTMENTS BY 2020

- *Double-digit growth in operating profit is one of the strategic goals in the forthcoming period*
- *Strategic cooperation between Valamar and TUI presented: the first TUI Family Resort in Rabac, Croatia in 2017*

Poreč, June 9, 2016 - On Investor Day, held in the Villa Polesini in Poreč, Valamar Riviera presented its first Integrated Annual Report and Corporate Social Responsibility for 2015, which was released on June 8th. The report sets forth Valamar's new corporate development strategy up to 2020 and contains an integrated view of future objectives with the previous results of financial, socially responsible and sustainable operations.

The first Investor Day conference is motivated by Valamar's desire to raise the level and quality of communication with its large shareholder base, numbering over 21,000 shareholders, and the investing public at large. Valamar Riviera is the leading tourism share in Croatia which has been voted as the share of the year in 2015 for the fourth consecutive year by the Zagreb Stock Exchange.

Growth of revenues, profits and guest satisfaction

Today Valamar is the leading Croatian tourism company and the largest employer in tourism, with 4,100 employees in Poreč, Rabac, and Dubrovnik and on the island of Krk. It hosts over 800,000 guests annually, and manages approximately 10 per cent of categorized accommodations in 25 hotels and resorts and 13 camping resorts with a total capacity of 48,000 guests.

For Valamar Riviera, 2015 was a year of rapid and successful growth. Valamar earned total revenues of HRK 1.29 billion, which is growth of 19 per cent, while HRK 423 million in operating profit (EBITDA) was recorded, which constitutes growth of 49 per cent in comparison to 2014. In 2015, Valamar group completed the process of ownership and operational restructuring, and the new organization and key functions were invigorated with new managers and new responsibilities. Acquisition of the company Hoteli Baška on the island of Krk was accomplished in that same year.

The company's commitment to continuous improvement of quality and excellent operations management led to an increase in guest satisfaction to 84 per cent, as well as an exceptionally high guest recommendation rate, and a similarly high 83 per cent likelihood of return to Valamar's properties.

Investment as a driver of growth

Over the past 13 years, Valamar Riviera has invested a total of HRK 2.6 billion, which makes the company one of the largest investors in Croatian tourism. In recent years, a strategic step forward was made to reposition the portfolio, so that today 41% of the accommodation units in the portfolio are in the premium and upscale category. In 2014, Valamar's first 5-star hotel, the Dubrovnik President, was opened, and at the beginning of last season Valamar opened its biggest investment project Valamar Isabella Island Resort, worth almost HRK 300 million. This year, total investments amounted to HRK 262 million, and the highest individual investments were made in Krk Camping Resort and Lanterna Campsite.

"Investments to raise the quality of the portfolio and potential acquisitions in the coming period are crucial strategic initiatives for further growth and development. We believe in Croatian tourism's growth potential, particularly in the segment pertaining to development of higher-category hotel resorts and camping resorts that are geared toward guests with higher purchasing power," CEO Željko Kukurin told investors.

Double-digit growth of operating profit and investments of up to HRK 2 billion

Presenting Valamar's corporate strategy up to 2020, Kukurin emphasized that it builds on previous work and success, but also brings a new company vision and mission. Valamar's vision is to drive a paradigm shift in regional tourism, and to harness a symbiotic relationship between hospitality and destination development, integrating local discovery and authentic hospitality into a complete tourism experience. In this manner, Valamar Riviera wants to create exceptional added value for shareholders and contribute to the development of local economies and a sustainable future over the long term.

Valamar Riviera's development strategy foresees investments of HRK 1.5 to 2 billion in the forthcoming period, while retaining a stable balance sheet and sustainable net debt. The focus will simultaneously be placed on robust revenue growth with double-digit growth in operating profit (EBITDA) to 35-38% of revenues. One of the strategic goals is earn 50 per cent of revenues from direct bookings and a 30 per cent share of returning guests, while in the interest of extending the season and diversifying source markets, Valamar will continue its strategic collaboration with globally strong partners. The ultimate objective of this corporate strategy is to create new value for shareholders, significantly increase Valamar's market capitalization and offer attractive and sustainable long-term dividends.

The new corporate strategy also encompasses five strategic initiatives: focus on the guest, development of employees and the organization, and robust growth of revenues and profit based on investments, innovation and digitalization and taking the leading role in the development of Croatian tourism. *"Indicators of sales growth and guest satisfaction show that we set the right course when we put the focus on the guest and raising the quality of services in our development strategy. This objective is attainable only if we have educated and motivated employees, so we will continue to work on improving salaries and workplace conditions, because Valamar Riviera also wants to be recognized as the most desirable employer in tourism. Even now we pay wages higher than the Croatian average in tourism, and our goal is to have over 70 per cent return of seasonal workers and to internally cultivate 80 per cent of our own management,"* Kukurin said.

Valamar to bring the TUI Group's Family Life brand to Croatia

Željko Kukurin, CEO of Valamar Riviera and Phillip Iveson, Director of Purchasing at TUI Group, the world's leading tour operator, presented the Family Life Bellevue Resort Project to the participants of Valamar's first Investor Day. The project investment, worth HRK 197 million, will reposition Rabac destination into one of the leading holiday destinations in Croatia. On the occasion, Valamar signed a three-year contract with leading global tour operator TUI Group bringing guests from mainly two markets, UK and Nordic, to make Bellevue Resort in Rabac the first TUI Family Life resort in Croatia in 2017.

"We are proud that Valamar Riviera is first to bring TUI's Family Life brand to Croatia which is without doubt going to establish new standards of quality for family holidays. This partnership is in line with our development strategy for destinations, where we are investing more than HRK 465 million by 2018 to reposition the destination towards more upscale and premium guests," Željko Kukurin, President of the Management Board of Valamar Riviera, elaborated.

"Family Life is one of TUI's flagship hotel concepts and we are delighted to have partnered with Valamar Riviera to bring this concept to Croatia and to the stunning destination Rabac. It supports not only our growth in developing differentiated hotel concepts but also our growth to Croatia and specifically the Istria region. TUI Group is the largest tour operator to Croatia and the addition of the Family Life Bellevue Resort to our portfolio will bring flights from TUI Nordic for the first time in 2017 as well as additional flights from TUI UK," said Philip Iveson.

TUI Group is the largest integrated tourism company in the world serving over 30 million clients annually. Over the next three years TUI plans to bring around 50,000 guests to the Family Life Bellevue Resort, thus realizing over 400,000 overnights. TUI resorts under the Family Life brand guarantee high-quality holidays in modern resorts that have been created for families with children of all ages, providing a rich offer of restaurants, professional child care and various sports and entertainment facilities and services.

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