

Management Board of SUNCE HOTELI d.d. with registered seat in Zagreb, Radnička cesta 43 (hereinafter: the "Company") on 22 December 2022 adopted the following:

MANAGEMENT BOARD REPORT ON REASONS FOR COMPLETE EXCLUSION OF PRIORITY RIGHT OF EXISTING SHAREHOLDERS TO SUBSCRIPTION OF NEW SHARES IN THE COMPANY

Under provisions of Article 308 paragraph 5 of the Companies Act (NN 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19, 34/22) (hereinafter: the "Companies Act"), Management Board of the Company submits to the Company's Shareholders' Meeting Report on reasons for complete exclusion of shareholders' priority right to subscription of new shares in share capital increase by way of issuance of new share with cash contribution.

Taking into consideration planned and necessary capital expenditures that need to be financed in the upcoming shorter term for the purpose of increasing the quality of Company's facilities for tourist season 2023, adopting of the Decision on Company's share capital increase and issuance of shares with complete exclusion of priority right of the existing shareholders' to subscription of new shares is hereby proposed. In particular, Company's Management Board deems it necessary to perform a comprehensive share capital increase procedure in the Company with the purpose of raising additional capital required for financing Company's business plans and ensuring Company's market competitiveness as soon as possible and as cost-effective as possible, which would allow for Company's further development and adequate preparation of the upcoming tourist season.

In addition, with the change of the official currency in the Republic of Croatia on 1 January 2023, an obligation to harmonize the share capital and parts of that capital will arise, which will apply to all capital companies, including joint-stock companies. The share capital of the Company amounts to HRK 714,480,200.00 (seven hundred fourteen million four hundred eighty thousand two hundred) and converted into euro at the fixed conversion rate (7.53450) amounts to EUR 94,827,818.70 (ninety four million eight hundred and twenty seven thousand eight hundred and eighteen whole seventy) euros. The nominal amount of the Company's share amounts to HRK 100.00 (one hundred) kuna, converted into euros at the fixed conversion rate (7.53450) amounts to EUR 13.27 (thirteen whole twenty-seven) euros. With the aim of aligning the share capital with the Companies Act, the share capital would be reduced from the amount of EUR 94,827,818.70 (ninety-four million eight hundred and twenty-seven thousand eight hundred and eighteen whole seventy) euros, by the amount of EUR 1,945,392.70 (one million nine hundred and forty-five thousand three hundred and ninety-two whole seventy) euros to the amount of EUR 92,882,426.00 (ninety-two million eight hundred and eighty-two thousand four hundred and twenty-six) euros. The reduction of the share capital would be carried out by reducing the nominal amount of shares from the amount of EUR 13.27 (thirteen whole twenty-seven) euros, by the amount of EUR 0.27 (zero whole twenty-seven) euros to the amount of EUR 13 (thirteen) euros. The amount of 1,945,392.70 (one million nine hundred forty-five thousand three hundred ninety-two whole seventy) euros, by which the share capital would be reduced, would be transferred to the Company's capital reserves. After recalculation and adjustment, the share capital would amount to EUR 92,882,426.00 (ninety-two million eight hundred eighty-two thousand four hundred twenty-six) euros and would be

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Erste&Steiermärkische Bank d.d. IBAN HR7924020061100956851

Share capital: HRK 595.458.500,00
Total number of shares issued: 5.954.585
Supervisory Board:
Mohamed Ali Rashed Alabbar, Chairman
Management Board:
Mubarak Al-Khalifa, President

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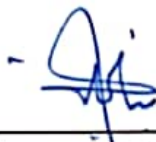
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same regulated market, provided that they represent, over a period of 12 (twelve) months, less than 20% (twenty per cent) of the number of securities already admitted to trading on the same regulated market.

Due to the above, the Management Board proposes that the right of subscription and payment of new shares in the respective share capital increase procedure is granted to Eagle Hills Zagreb Real Estate d.o.o. with registered seat at Ulica Ive Mallina 11, Zagreb, registered with the court register of the Commercial Court of Zagreb under MBS: 081260303, PIN (OIB): 63572346734 (hereinafter: "Eagle Hills Zagreb Real Estate d.o.o."), as the shareholder holding the majority share in the Company. The respective shareholder of the Company is expected to be able to participate in the proposed share capital increase of the Company with the required funds and in shorter time periods, in order to achieve the intended purpose of the proposed share capital increase. The respective subscriber would have the right to subscribe for the new shares in accordance with the following ratio: Eagle Hills Zagreb Real Estate d.o.o. right to subscribe to up to 681,818 (six hundred eighty-one eight hundred and eighteen) New shares, i.e. 100% (one hundred percent) of new shares.

Using of the above described exception from the obligation to publish the prospectus for the public offering of shares would not be possible without the exclusion of priority right of existing shareholders of the Company to subscription of new shares. In the event that the existing shareholders' priority right to subscription of new shares was enabled, such circumstance would inevitably be associated with high process implementation costs and the lengthiness of raising the required capital. Company's Management Board therefore, for the purpose of cost-effectiveness and maximum acceleration of share capital increase procedure, decided to use the exception from the obligation to publish the prospectus for the public offering of shares and consequently exclude the shareholders' priority right to subscription of new shares entirely. Lengthiness of capital raising process could have negative effect to financial position of the Company and its market competitiveness due to the fact that it could potentially jeopardise performance of required preparatory work for tourist season 2023, which is precisely now in its most sensitive and critical stage. Prolongation of capital raising would definitely lead to insufficiency of funds for settlement of obligations towards the investment work contractors for season 2023, which would result in delays in completion of construction works. Any delays in openings of Company's hotels which are under renovation for season 2023 would have significant financial consequence for the Company, by way of loss of business revenue. The above described capital raising process with complete exclusion of priority right of existing shareholders to subscription and payment of new shares is therefore in the best interest of the Company, and hence its shareholders as well.

Taking into consideration best interests of the Company, Company's Management Board wishes to continue positive growth trends and increase of competitiveness and therefore proposes the adoption of the Decision on share capital increase in the above proposed manner as soon as possible and believes that the proposed decision is entirely appropriate, necessary and in the interest of the Company and the shareholders.



Shaikh Mubarak Ali Abdulla Hamad Alkhalifa,
Management Board chairman

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divided into 7,144,802 (seven million one hundred forty-four thousand eight hundred two) ordinary shares with an individual nominal amount of 13.00 (thirteen) euros.

Proposed share capital increase and alignment in the Company would result in share capital increase from the amount of EUR 92,882,426.00 (ninety-two million eight hundred and eighty-two thousand four hundred and twenty-six euros) for the amount of up to EUR 8,863,634.00 (eight million eight hundred sixty-three thousand six hundred and thirty-six euros) to the amount of up to EUR 101,746,060.00 (one hundred one million thousand seven hundred forty-six thousand and sixty euros), by issuance of up to 681,818 (six hundred eighty-one thousand eight hundred and eighteen)) new ordinary registered shares, in dematerialised form, in nominal and aligned amount of EUR 13.00 (thirteen euros) per share.

Amount for which the described new shares would be issued is set at EUR 22.00 (twenty-two euros) for one new share. Portion of the paid amount for which the new shares are issued that exceeds the nominal amount of shares shall be contributed into capital reserves of the Company. Shares would be issued for precisely the respective amount due to the fact that according to the Zagreb Stock Exchange, in the last 52 weeks, the Company's shares were traded at the lowest price of HRK 135.00 (one hundred and thirty-five) and the highest at HRK 198.00 (one hundred and ninety-eight). Exactly the amount of 22.00 (twenty-two) euros, or 165.76 (one hundred and sixty-five whole seventy-six) kuna at the fixed conversion rate represents the average price of the Company's shares in the last 52 weeks. Therefore the Management Board considers such price adequate indicator of market value of shares in the Company, as oppose to the current price achieved on the Zagreb Stock Exchange which is subject to material oscillations due to the modest trade and these extremely low or high values should not be taken as reference.

Company's Management Board considers the Company's financial statements to date, the relevant references and Company's reputation in domestic and international markets, to undoubtedly show Company's development potential. However, within the Sars-Cov-2 virus pandemic which has significantly effected the business operations especially in the tourist sector in which the Company operates and the consequences inevitable effecting Company's business operations, additional capital for enhancing Company's market competitiveness and increasing the quality standards of services the Company provides needs to be accumulated. Furthermore, the Company entered into a long term facility loan agreement dated 2 November 2021 with ERSTE&STEIERMÄRKISCHE BANK d.d. and OTP banka d.d. with the purpose of refinancing the entire existing financial debt of the Company and financing Company's investment into increasing the quality of its facilities for season 2022, as well as for the season 2023. Under the respective loan agreement, one of the conditions for utilising a portion of the approved funds is precisely successful performance of share capital increase of the Company by contribution in cash.

With the intention to raise the required funds as soon as possible, model of share capital increase by contributions in cash with complete exclusion of shareholders' priority right to subscription, accelerating significantly share capital increase procedure, has been selected. In accordance with Article 1 paragraph 4 (d) and paragraph 5 (a) of the Regulation (EU) 2017/1129 of the European Parliament and the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, there is no obligation for publishing the prospectus for the public offering in the event the offer is addressed to fewer than 150 (one hundred fifty) natural or legal persons per member state, that are not qualified investors. In addition, there is no obligation to publish the prospectus for admission to trading on a regulated market related to issuing and admission to trading securities fungible with securities already admitted to trading on the

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