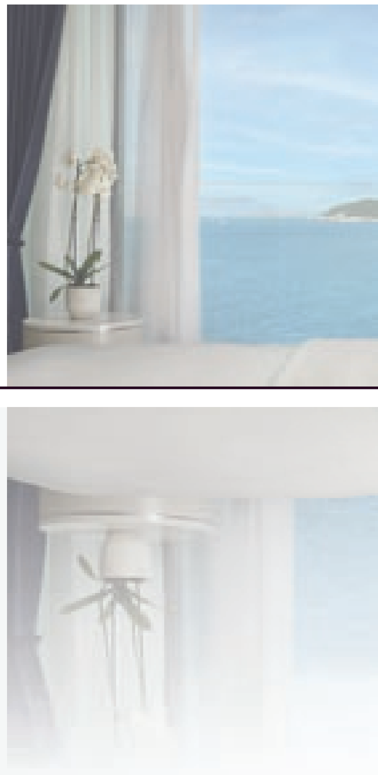
2023
Annual Report & Financial Accounts



ARENA

HOSPITALITY GROUP

2023
Annual Report & Financial Accounts

ARENA

HOSPITALITY GROUP

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Strategic report

About us

Who we are

We are an international, dynamic hospitality company which owns, co-owns, leases, operates and develops full-service upscale, upper upscale and lifestyle hotels, self-catering holiday apartment complexes and campsites in Croatia, Germany, Hungary, Serbia and Austria. Since 2016 the Group has transformed from a Croatian domestic and locally focused company to an international dynamic hospitality group.

What we do

Our primary objective is to further grow our profile in the upscale, upper upscale and lifestyle market segments in the CEE region and Germany, whilst striving to create and realise shareholder value. We operate and develop our own brands, Arena Hotels & Apartments and Arena Campsites. In addition, through our majority shareholder PPHE Hotel Group Limited ("PPHE Hotel Group" or "PPHE") we have the exclusive right to operate and develop the international Park Plaza brand in 18 countries in the Central and Eastern European region (the "CEE region" - see the definition in the Glossary section) and Germany, and the right to manage art'otel branded properties, allowing us to further grow our presence. In 2022, through PPHE, we secured a license to operate Grand Hotel Brioni Pula as a Radisson Collection Hotel and this strategic cooperation is being further extended in 2024, with two Radisson RED branded hotels, in Belgrade and Berlin. Brands currently used by the Group include Park Plaza, art'otel, Radisson Collection, Radisson RED, Arena Hotels & Apartments and Arena Campsites.

How we do it

Our portfolio comprises 29 owned, co-owned, leased and managed properties with around 10,000 units located in selected resort destinations in Istria (Croatia) and Nassfeld (Austria), and major cities in the CEE and Germany region such as Belgrade, Berlin, Budapest, Cologne, Nuremberg and Zagreb. Our revenue is generated from different market segments comprising predominantly holidaymakers in Croatia and Austria with a more diversified business mix in Germany, Hungary and Serbia, where our portfolio caters for both business and leisure travellers as well as conference and trade fair delegates.

Highlights

RECORD REVENUE AND EBITDA RECOVERY UNDERWAY

FINANCIAL KPI'S

Total Revenue (EUR)	EBITDA (EUR)
126.5 M	28.0 M
EBITDAR (EUR)	**Profit before tax (EUR)[1]**
30.4 M	5.8 M

OPERATING KPI'S

Occupancy[2]	REVPAR (EUR)
46.2%	50.7
Average Daily Rate (EUR)	
109.7	

1. Also see Chief Financial Officer's Statement on page 46.
2. Occupancy is calculated based on the number of days that each property is open.

Our business at a glance

We are an international, dynamic hospitality owner-operator with a strong asset base and access to multiple brands and a global distribution network through our majority shareholder, PPHE Hotel Group. Our approach means that we fully understand the hospitality industry from both an owner and operator perspective and have the power and distribution that international brands bring.

Croatia — 8,525 units

Located in one of Croatia's most prominent tourist regions, Istria, our diverse accommodation property portfolio includes hotels, self-catering holiday apartment complexes as well as campsites, and provides guests with a wide choice of locations in Pula and Medulin. In addition, we have opened our first hotel in the Croatian capital Zagreb in 2023. Croatia has become a popular leisure destination, and with over 40 years of experience in this market we have unrivalled expertise in providing a wide range of holiday accommodation types from mid-market to luxury, with inspirational service in areas of natural beauty.

Germany — 956 units

Our hotels are located in main cities with a strong demand from the leisure, business travel or events market segments such as Berlin, Cologne and Nuremberg. The hotels are positioned in prime city-centre locations near major landmarks and with easy access to international airports and public transport.

Hungary — 165 units

Located in Hungary's capital city Budapest, which is a popular tourist destination, our property in Budapest is situated in a prime location overlooking the River Danube and the magnificent premises of the Hungarian Parliament.

Serbia — 88 units

The recently launched upscale Radisson RED Belgrade, is located in Takovska Street, close to the business area, with easy access to the Belgrade Fair and the city's cultural area, near the iconic old town of Belgrade and the Danube riverbank.

Austria — 144 units

Arena Franz Ferdinand Hotel Nassfeld is a 4-star hotel in Nassfeld, which complements our existing summer leisure business. This all year-round modern mountain resort is superbly located next to the valley station of the Nassfeld Ski Resort in Carinthia, providing instant access to the area's 110km of slopes and various walking and cycling trails for summer.

Attractive brands

WELL-INVESTED, TRUSTED AND RECOGNISED BRANDS, UNDERPINNED BY LUXURY

We are confident in the power that trusted and recognised brands offer, delivered through a bespoke approach. Our four core brands, art'otel, Park Plaza, Arena Hotels & Apartments, and Arena Campsites are mutually complementary, vibrant, unique, and continually evolving. In addition, we secured an agreement to operate Grand Hotel Brioni Pula as a Radisson Collection property in 2022 and in 2024 we are further expanding our brand portfolio with two Radisson RED hotels.

PARK PLAZA

Park Plaza is an upper upscale contemporary hotel brand featuring individually designed hotels in vibrant city centre locations and select resort destinations. Renowned for creating memorable moments, Park Plaza caters to both leisure and business travellers through its inspiring service, stylish guest rooms and versatile meeting facilities which are perfectly complemented by award-winning restaurants and bars.

PPHE Hotel Group Limited is an international hospitality real estate company. It has an exclusive and perpetual licence from the Radisson Hotel Group, one of the world's largest hotel groups, to develop and operate Park Plaza branded hotels and resorts in Europe, the Middle East and Africa.

parkplaza.com

art'otel

art'otel is a contemporary collection of upper upscale lifestyle hotels that fuse exceptional architectural style with art-inspired interiors. Located in cosmopolitan centres across Europe, each hotel is inspired by a dedicated signature artist, and displays a collection of original works designed or acquired specifically for each art'otel, with each property offering a unique art gallery. art'otel has created a niche for itself in the hotel world, differentiating it from more traditional peers.

artotel.com

ARENA HOTELS & APARTMENTS

Arena Hotels & Apartments is a collection of hotels and self-catering apartment complexes offering relaxed and comfortable accommodation which features contemporary and warm interiors accompanied by a welcoming and friendly service. Each location offers a holiday full of opportunities for exploration and relaxation complemented by food and drink offering a touch of local flavour. The brand offers beachfront locations across the historic settings of Pula and Medulin in Istria (Croatia) and a mountain resort in Nassfeld (Austria). Arena Hotels & Apartments is a home away from home catering for families, couples and friends.

arenahotels.com

ARENA CAMPSITES

Arena Campsites are located in exclusive beachfront sites across the southern coast of Istria, Croatia. Situated within close proximity of the historic towns of Pula and Medulin, each campsite provides a distinctive offering and relaxed environment from which guests can experience Istria's areas of natural beauty and enjoy outdoor activities from April to October. Arena Campsite's portfolio includes Arena One 99 Glamping, Croatia's first all-glamping site.

arenacampsites.com
arenaglamping.com

PARTNER WITH

RADISSON COLLECTION

The Group benefits from a Radisson Collection license for Grand Hotel Brioni Pula, a Radisson Collection Hotel. Radisson Collection is a new generation of iconic properties and one-of-a-kind spaces. In the collection of exceptional hotels, no two are the same and each has a unique character authentic to its locality. The modern design blends elegance in form and function, making Radisson Collection hotels the ultimate destination for those who value a vibrant and luxury lifestyle.

radissonhotels.com

RED Radisson

Plunge into culture. Our hotels are different. We put a twist on the normal to make it unforgettable. Our relaxed service style gives you permission to be yourself. Everyone is welcome here. Our statement design kickstarts the day or night with attitude. Business or pleasure, RED guests can dive into the vibe as easily as they can relax out of it. Get to the heart of the action.

radissonhotels.com/red

Chairman of the Supervisory Board's Statement

WE UNDERSTAND THE IMPORTANCE OF SHAREHOLDER DISTRIBUTIONS AND OUR STRONG FINANCIAL PERFORMANCE ENABLED US TO CONTINUE OUR DIVIDEND PAYMENT POLICY

Boris Ivesha
CHAIRMAN OF THE SUPERVISORY BOARD

Dear Shareholders,

In 2023, Arena Hospitality Group d.d. ("the Company") and its consolidated subsidiaries ("the Group") delivered a record revenue performance. This is a testament to our continued portfolio growth, our rolling investment programme to upgrade existing assets, and our unrelenting focus on improving guest experiences.

Our revenue growth of 15.5% was delivered against a backdrop of macroeconomic uncertainty, high inflationary pressure, reduced air travel capacity and adverse weather conditions during the main summer season. As a result, EBITDA decreased with operating expenses and payroll costs being the main barriers to profit conversion. EBITDA growth, excluding the impact of government relief grants received in Germany, was 2%.

DIVIDEND AND SHAREHOLDER RETURNS

In line with the Company's dividend policy, the Board is recommending a final dividend of EUR 0.75 per share.

During the year 16,467 treasury shares with an average value of EUR 0.54 million were purchased as part of a two-year Treasury Share Buyback programme. The Buyback programme saw a total of EUR 1.3 million returned to shareholders during the period, marking the continuation of the Management team's effort to enhance shareholder value. As at 31 December 2023 the Company held 85,965 treasury shares, representing 1.68% of the issued share capital.

Subject to shareholder approval for payment of the final dividend, total shareholder returns for 2023 were EUR 4.3 million (2022: EUR 4.3 million).

OUR MARKETS

Demand for leisure and business travel in all our operating regions is rebuilding alongside air travel capacity. Our industry continues to be impacted by universal headwinds – some of which are more transitionary than others.

Although inflation is gradually easing and we have a hedging strategy in place in all regions, food, gas and electricity costs impacted performance. Key amongst this was a 59% increase in utility costs (EUR 3.3 million) compared to 2022. Electricity prices began to level out towards the end of the year as we signed a new contract in Croatia, but remain approximately double what they were pre-2021.

Competition for labour and the resultant high payroll costs remains a challenge, particularly in Croatia where we have a higher proportion of seasonal foreign workers compounded by a substantial national minimum wage increase in January 2023 and trade union negotiations.

The shoulder seasons are becoming increasingly important to the recovery of the travel industry for both leisure and business in Croatia, and we expect to see it further contribute to our results.

DEVELOPMENT AND PROPERTY OPENINGS

We continue to invest in our existing portfolio to reposition our properties into higher-return, high-end guest offerings. We were extremely pleased to launch art'otel Zagreb in October 2023, and in the first quarter of 2024 we completed the repositioning of our Belgrade property to Radisson RED. In 2023, we also finalised the refurbishment of our Arena Stoja Campsite, which was transformed into a high-end offering.

2023 saw the first full year of operations for Grand Hotel Brioni Pula, delivering excellent results. The hotel was declared the 'Best Hotel in Croatia' at the 2023 Croatian Tourism Awards.

Our development programme in recent years has resulted in the strategic diversification of our portfolio both geographically and in terms of product offering. In light of current market conditions, we will continue to invest in our core products to ensure they remain relevant to our guests' expectations. Following a period of intensive investment activity, we look forward to the contributions of the properties which have been invested in as their performance matures. As part of our longer-term growth strategy, we will continue to assess the existing property portfolio to identify value accretive Capex investments, as well as exploring external growth opportunities.

RESPONSIBLE BUSINESS

Following the introduction of our updated sustainability strategy in 2022, our sustainability team is on course with the implementation of a range of energy saving, environmental preservation and social and community activities.
Key amongst our environmental activities was the introduction of a desalination plant at our Park Plaza Verudela Pula resort in recognition of fresh water shortages in the area.
We are embedding sustainable business practices in everyday processes and are communicating our sustainability strategy internally to ensure it is understood and implemented at a grassroots level, with the support of voluntary tourism sustainability standards such as Green Key Certification for all our Croatian properties and Travelife Gold Certificate for Park Plaza Histria Pula.

OUR SUSTAINABILITY TEAM IS ON COURSE WITH THE IMPLEMENTATION OF A RANGE OF ENERGY SAVING, ENVIRONMENTAL PRESERVATION AND SOCIAL AND COMMUNITY ACTIVITIES

OUR COLLEAGUES

On behalf of the Supervisory Board, I would like to take this opportunity to extend my sincere thanks to all my colleagues across the Group for their hard work and commitment in a busy and, at times, challenging year. With strong labour competition, we remain focused on retention, developing talent, training and onboarding new team members.

OUTLOOK

We are encouraged by the demand and activity seen across our portfolio and remain optimistic about the future as our markets continue to recover. 2023 demonstrated the resilience of leisure demand and our ability to drive revenue growth through our well-invested portfolio.
We continue to monitor and respond to the challenges facing our business, particularly inflationary pressure but also climate adaptation, and geopolitical risks. With no additional financing carried out in 2023, and current borrowing fixed to the end of 2026, we are shielded from any immediate interest rate volatility.

Our focus for 2024 is to drive occupancy levels whilst maintaining strong average daily rates across our portfolio and translating top-line performance into greater profit. We are managing energy costs through hedging instruments and are pleased to see that inflation and the wider economic environment have begun to stabilise in recent months. This has had the positive effect of encouraging early summer bookings and shoulder-period travel, giving us good visibility into the new year.

Boris Ivesha

CHAIRMAN OF THE SUPERVISORY BOARD


ARENA STOJA CAMPSITE


GRAND HOTEL BRIONI PULA, A RADISSON COLLECTION HOTEL


RADISSON RED BELGRADE

President of the Management Board's Statement

PROPERTIES THAT HAVE BEEN REFURBISHED, OR UPGRADED TO TARGET THE UPPER UPSCALE AND LUXURY LIFESTYLE MARKET SEGMENT, HAVE SEEN A SIGNIFICANT UPLIFT IN PERFORMANCE

Reuel ('Reli') Slonim
PRESIDENT OF THE MANAGEMENT BOARD

Welcome,

2023 was the first full year of undisrupted operations in four years and our revenue performance exceeded our 2022 record performance. Currently, almost two-thirds of our portfolio is aimed at the leisure market and our strong topline performance reflects our ongoing diversification strategy and investment in our portfolio. We continue to enhance the appeal of our products, helping to drive revenue and grow overall occupancy levels and average daily rates, and expand our all-year-round operations.

Our Croatian operations during the summer 2023 season were as busy as in 2022, with the hotels, in particular, performing extremely well. Furthermore, leisure and business guests to our city locations continued to rebuild.

Unsurprisingly, inflationary pressures that were out of our control had an impact on profit margins. However, we were still able to deliver creditable performances across all product segments and regions, highlighting the efficacy of our strategy, as well as the first full year of contribution from Grand Hotel Brioni Pula.

2023 IN REVIEW

CROATIA

Demand across our three operating segments – hotels, campsites and self-catering holiday apartments - saw a year-on-year increase in revenue of 11% supported by increasing average daily rates, solid occupancy levels, and increasingly important shoulder seasons. Each of our three operating segments realised an increase in revenue, with the strongest increase reported by our hotels which saw 8% RevPAR growth. This was mostly driven by a revenue increase in Grand Hotel Brioni which delivered its first full year of contribution since relaunch as a high-end, Radisson Collection branded hotel.

The strong results reflected maturing of our Arena One 99 Glamping and Arena Grand Kažela campsite properties following repositioning investment programmes in 2018 and 2019/2020 respectively. In addition, Arena Stoja campsite delivered a strong performance following the completion of the second phase of a EUR 8.3 million investment, building its operational performance throughout the 2023 season. We were very pleased that all three of these campsites were recognised with the prestigious quality label 'Croatia's Best Campsites for 2024' by the Camping Association of Croatia Congress. Arena Grand Kažela was further recognised by Europe's largest automobile association, ADAC, as one of Europe's best campsites due to its high quality and variety of available content and service, and received a five-star rating.

2023 saw the launch of art'otel Zagreb, following the conversion of this prime-located listed office building into a hotel. The iconic building, which is known to be one of the best examples of Zagreb's Art Déco architecture, joins a contemporary collection of upper upscale lifestyle hotels that fuse architecture with signature artists for a unique guest experience. It is an all-year-round city centre hotel which further reduces our reliance on seasonal business. The hotel has been well received since its launch in October 2023, and contributed nine weeks of performance to the results.

Overall reported EBITDA in Croatia reduced year-on-year due to inflationary pressures from staffing and utilities. In addition, the post-pandemic pent up demand experienced during 2022 was not repeated as a result of more global destinations having reopened. Nonetheless despite all inflation related headwinds, EBITDA for the Company increased by 5.1% compared to 2019, benefitting from portfolio investments made in the period.

GERMANY

Market conditions in Germany saw a continued rebuilding in guests numbers. While this took longer than anticipated, revenue grew significantly year on year as a result of an increase in occupancy and average daily rate. This was supported by


ARENA FRANZ FERDINAND NASSFELD


PARK PLAZA BUDAPEST


PARK PLAZA WALLSTREET BERLIN MITTE

the presence of various fairs and events in Cologne, Nuremburg and Berlin throughout the period.
Despite the improved revenue performance, the bottom line was impacted by inflation related to rising costs in utilities, food, and service contracts, as well as the ending of government grants for payroll and operating costs.

CEE REGION (HUNGARY, SERBIA, AUSTRIA)
Our Central and Eastern Europe (CEE) operating region continued to report an increase in business activity, benefiting from our refurbishment programmes.
Following completion of the refurbishment of Arena Franz Ferdinand Nassfeld in 2022 to upgrade the spa, pool and wellness facilities, we began repositioning the hotel to capture both the summer and winter seasons. The hotel was open for almost nine months of the year, reaching average daily rate of EUR 181 (2022: EUR 133).
Similarly, our property in Budapest posted its first full year of operations following a redesign in 2022. In March 2023, the hotel was rebranded from an art'otel to Park Plaza and continued to see an improved performance throughout the year as it benefited from the upgraded facilities and improving market.
Our hotel in Belgrade was closed for ten months from March 2023 to undergo a EUR 3 million refurbishment and repositioning. The hotel was relaunched under the Radisson RED brand in February 2024.

FINANCIAL REVIEW
The Company's overall performance is a testament to our strategy to invest in our properties, diversify the portfolio and drive product performance. Our approach enabled us to deliver a strong set of results during a period of considerable inflationary pressure.
Reported revenue increased by 15.5% to EUR 126.5 million (2022: EUR 109.5 million) and by 20.6% when compared with 2019.
Our revenue growth is indicative of the success of our refurbishment programme, with recently repositioned properties building their operational performance – with room for further growth. This was reflected in our hotels which benefitted from significant investment in recent years, with revenues across all regions increasing by 23% year on year. Grand Hotel Brioni Pula in particular posted an outstanding performance with an 89% increase in revenue.
Accommodation revenue increased by 16.2% to EUR 105.7 million (2022: EUR 91.0 million) due to a 2.5% increase in occupancy to 46.2% and growth of 11.7% in average daily rate to EUR 109.7 (2022: occupancy 45.1% and average daily rate EUR 98.2, respectively). Together this translated into a RevPAR of EUR 50.7, which is 14.5% higher compared to the previous year (2022: EUR 44.3).
Reported EBITDA was EUR 28.0 million (2022: EUR 31.2 million) – a creditable result in light of significant increases in utility, staff and consumable costs as well as pandemic related government grants still available in 2022. With volatile electricity prices adversely influencing our costs we signed a new energy contract in Croatia, which is expected to deliver cost savings of almost EUR 1.0 million and offering a good hedge for the 2024 season as well. The Group has a well-balanced hedging strategy in place in all its regions and we continue to mitigate against market volatility.
Further details of the Group's financial performance in Croatia, Germany, Hungary, Serbia, and Austria are set out in the Operating Review.

INNOVATION AND RESPONSIBILITY
We continue to invest in solar panels, and energy and water savings systems, and increased the number of electric vehicle charging stations in Croatia as part of a "defensive CAPEX" strategy which will lead to cost savings as well as minimising our environmental impact. Return on these investments is expected within one to three years while supporting our operational certifications for sustainable business, including Green Key obtained in the fourth quarter and Travel Life.
Our mobile app has continued to evolve with new enhanced guest interactive features and we upgraded our guest-facing technology platform with improved in-room entertainment systems. Both digital online check-in and our digital key solution have

been extremely well received, further enhancing a seamless customer arrival experience.

The "Connect Team" employee engagement app now offers employee training and employee surveys. This will be integrated with our human resources system to further enhance employee communication and engagement.

In our commercial organisation, we have implemented a robust pricing and revenue management system, allowing us to monitor and react promptly to market and demand changes. A new ERP software has been implemented, bolstering back-of-house capacities, especially in procurement, and providing a cornerstone for the Group-wide rollout of a uniform financial strategy.

GROWTH STRATEGY

We continually optimise the value of our assets while consistently delivering and exceeding our guests' expectations in our properties and at our campsites. All properties that have been refurbished, or upgraded to target the upper upscale and luxury lifestyle market segment, have seen a significant uplift in performance and average daily rate.

Our hotel acquisitions and developments in recent years across our three key regions have supported the seasonal, geographic and product diversification of our portfolio.

In light of current interest rates and inflation, the Board has decided to take a more cautious approach towards property acquisitions. We will continue to invest in our existing portfolio to both optimise their value and performance. In total EUR 32.3 million of capital investment was made in our portfolio in 2023 (2022: EUR 32.2 million).


PARK PLAZA HISTRIA


PROFESSIONAL DEVELOPMENT PROGRAM - BHMS

OUR COLLEAGUES

The employment market for hospitality continues to see fierce competition, particularly in Croatia where many in the sector are looking for opportunities in central Europe during the summer season.

We adopted the same strategy in 2023 as in the previous year to make sure we were adequately staffed, recruiting our full headcount ready for the start of the season and hiring staff from outside of the EU, particularly from South East Asia (Philippines and Indonesia), in addition to attracting employees from neighbouring countries.

In total, we recruited more than 300 overseas colleagues in 2023 (2022: 270) which inevitably impacted labour costs since we need to provide accommodation and catering services to these seasonal team members. In addition, local trade unions in Croatia negotiated higher salaries to reflect the increase in the cost of living.

We continue to offer ongoing training and development of our permanent employees.

We were pleased to congratulate the first cohort in the Arena Hospitality Group Professional Development Program for completing our tailored 12-month programme and receiving the Professional Certificate in International Hospitality Management from BHMS Business & Hotel Management School, Switzerland. The second group has started the programme as part of our people development and succession programme.

On behalf of the Management Board, I would like to extend my thanks to all team members and colleagues, past and present, for their commitment and professionalism during the year.

CURRENT TRADING AND OUTLOOK

The Group is progressing well with repositioning and rebranding its existing and recently acquired properties in the upscale, upper upscale and luxury lifestyle segments, which will continue to provide business momentum in all our markets. The underlying dynamics during 2023, which saw improving occupancy in our city portfolio and a strong average daily rates across the Group's operations, reinforces our confidence for the year ahead. Furthermore, following our recent investment cycle, brand diversification and maturing investments, we expect an increasing share of our portfolio to be operational throughout the current year, which further bolsters our optimistic view of our financial performance for 2024.

Whist the business demand for the coming season remains strong we are mindful of the general macro economic challenges. We remain focussed on navigating these headwinds through continued financial disciple to maximise profit conversion and cash generation in the coming year.

Through continuous execution of our organic investment and diversifying portfolio strategy, alongside other business initiatives, we feel assured the Group is well positioned for the future.

Reuel ('Reli') Slonim

PRESIDENT OF THE MANAGEMENT BOARD

Securing Long-Term Growth Through Investment and Development

Since 2018, we have invested more than EUR 193 million in the business, expanding from a largely seasonal Croatian operation into a year-round diversified portfolio that includes hotel properties in Austria, Germany, Hungary, and Serbia. In parallel, the Group has focused on raising standards and has extended its higher-end and upper-upscale product offering, driving operational performance and meeting guest expectations.

Following a period of intensive activity, the Board has taken the strategic decision to pause larger repositioning projects in favour of smaller investments whilst focussing on optimising the operational performance of recently completed projects. We are taking a more cautious approach to new developments and postponing larger projects, such as the conversion of the Hotel Riviera, Pula into a premium destination, until such time that we can be sure that new investments meet our targeted return hurdle rate. The Group will continue with its regular capital investments across the portfolio.

PROPERTIES COMPLETING FIRST FULL YEAR OF OPERATIONS IN 2023

GRAND HOTEL BRIONI PULA, A RADISSON COLLECTION HOTEL, CROATIA

A landmark, luxury upper-upscale hotel in an iconic cliff-top location provides panoramic views of the Adriatic and Brijuni islands.
The hotel was relaunched in May 2022 following a EUR 35 million investment to reposition the property as a Radisson Collection Hotel. The hotel was declared the 'Best Hotel in Croatia' at the prestigious Croatian Tourism Days 2023, organised by the Ministry of Tourism and Sports, the Croatian Tourist Board and the Croatian Chamber of Economy.

Rooms and facilities:
227 rooms over seven floors, restaurants and bars, conference centre, indoor pool, as well as an extensive wellness centre with saunas, relaxation rooms and gym.

PROPERTIES COMPLETING FIRST FULL YEAR OF OPERATIONS IN 2023

ARENA FRANZ FERDINAND NASSFELD, AUSTRIA

Since it was acquired in December 2021, the resort has benefited from a EUR 4 million investment programme completed in winter 2022 to reposition it as an all-year-round destination. This modern upscale mountain resort is superbly located next to the valley station of the Nassfeld Ski Resort in Carinthia and provides instant access to the area's 110km of slopes, and now offers enhanced facilities which offer operating opportunities in summer season.

Rooms and facilities:
144 rooms, restaurant, leisure facilities, wellness area with a spa, indoor and outdoor pool.

PROPERTIES REPOSITIONED DURING 2023

PARK PLAZA BUDAPEST (FORMERLY ART'OTEL BUDAPEST)

After completing the first phase of a repositioning project in 2022, which saw an extensive redesign and renovation of public areas, the property was rebranded to Park Plaza in March 2023. The property is positioned as a contemporary, upper upscale hotel with a blend of unique design and architectural style. The second phase of the project is currently under review.

Rooms and facilities:
165 rooms, restaurant and bar, conference centre and wellness centre.

PROPERTIES REPOSITIONED DURING 2023

ART'OTEL ZAGREB

The premium lifestyle art'otel Zagreb, was launched in October 2023 following a EUR 18 million investment to convert this iconic Art Déco building located in the heart of Zagreb's city centre into a hotel. The property is dedicated to one of Croatia's most renowned artists, the late Boris Bućan, and features a number of his later works throughout for guests to enjoy.

Rooms and facilities:
110 rooms, a pan-Asian destination restaurant and bar, four meeting rooms, a spa, an indoor pool, and a rooftop bar (set to open in 2024).

PROPERTIES REPOSITIONED DURING 2023

ARENA STOJA CAMPSITE, PULA

Recognised as one of 'Croatia's Best Campsites' by the Croatian Camping Union, Arena Stoja campsite has undergone a two-year phased redevelopment of the communal areas, and infrastructure as well as the introduction of 75 new upscale mobile homes to upscale the property. Overall EUR 8.3 million was invested in total and the campsite opened in time for the 2023 summer season.

Facilities:
Campsite, upscale mobile homes of 45 – 58 sqm, restaurants, and coffee shop

PROPERTIES REPOSITIONED DURING 2023

RADISSON RED BELGRADE (FORMERLY ARENA 88 ROOMS)

In 2023, a ten-month refurbishment was undertaken and completed for a total of EUR 3 million to reposition the former Arena 88 Rooms hotel in Belgrade. The property was relaunched in February 2024 under the Radisson RED brand, and offers an exciting and vibrant design.

Rooms and facilities:
88 bedrooms and public areas, consisting of a communal lounge and workspace, flexible meeting and event spaces, a gym and food and beverage options, including a rooftop bar with views of the historic city centre.

DEVELOPMENT PIPELINE

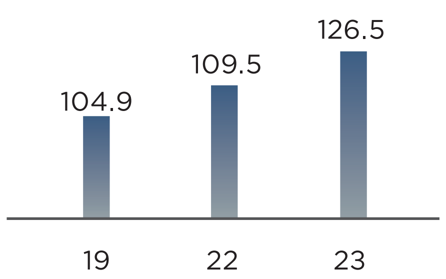
RADISSON RED BERLIN KUDAMM (FORMERLY PARK PLAZA, BERLIN KUDAMM)

The 133-room former Park Plaza Berlin Kudamm is within close proximity to the Kaiser Wilhelm Memorial Church and boulevard ‘‘Kudamm”. The property closed in November 2023 for a six-month repositioning and rebranding redevelopment programme. The hotel is expected to reopen as Radisson RED Berlin Kudamm in the second quarter of 2024.

Rooms and facilities:
133 rooms, breakfast restaurant, lounge and two meeting rooms.

Key performance indicators

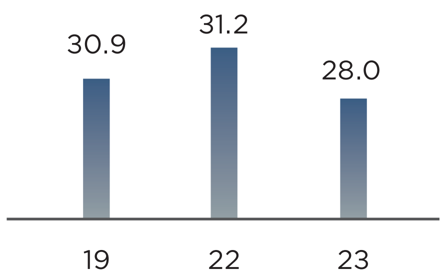
GROUP FINANCIAL KPIs



TOTAL REVENUE (EUR MILLION)

DEFINITION
Total revenue includes all operating revenue generated by the Group's owned and leased hotels, management fees.

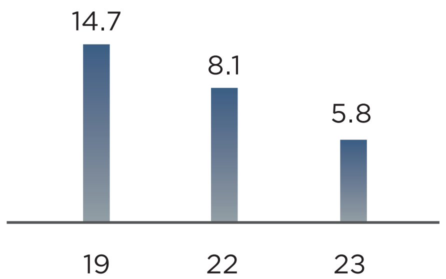
COMMENT
Also see Member of the Management Board and Chief Financial Officer's statement page 46.



EBITDA (EUR MILLION)

DEFINITION
Earnings before interest, tax, depreciation and amortisation

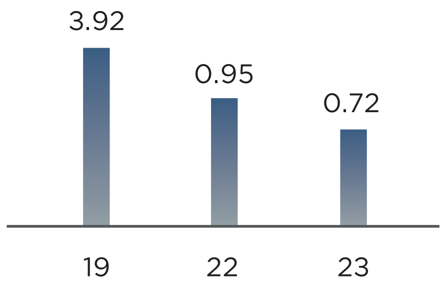
COMMENT
Also see Member of the Management Board and Chief Financial Officer's statement page 46.



PROFIT BEFORE TAX (EUR MILLION)

DEFINITION
Profit before tax

COMMENT
Also see Member of the Management Board and Chief Financial Officer's statement page 46.

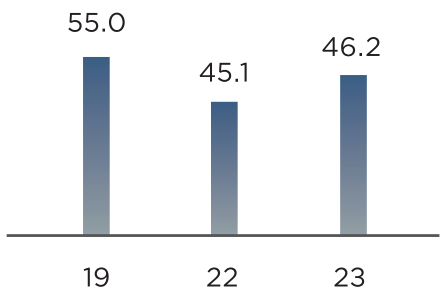


EARNINGS PER SHARE (EUR)

DEFINITION
Earnings for the year, divided by the weighted average number of ordinary shares outstanding during the year.

COMMENT
Also see Member of the Management Board and Chief Financial Officer's statement page 46.

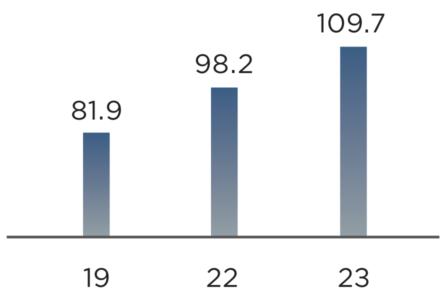
GROUP OPERATING KPIs



OCCUPANCY (%)

DEFINITION
Total rooms occupied divided by the available rooms. Occupancy is calculated based on the number of days that each property is open.

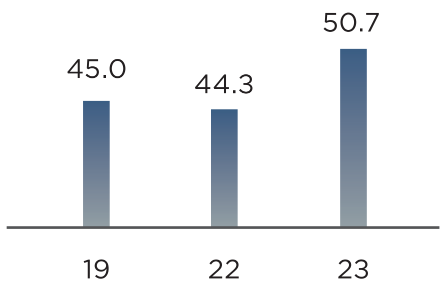
COMMENT
Also see Member of the Management Board and Chief Financial Officer's statement page 46.



AVERAGE DAILY RATE (EUR)

DEFINITION
The average daily rate per paid occupied room or accommodation unit.

COMMENT
Also see Member of the Management Board and Chief Financial Officer's statement page 46.



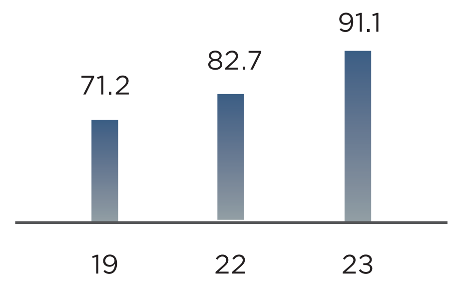
REVPAR (EUR)

DEFINITION
Revenue per available room or accommodation unit; total room or accommodation revenue divided by the number of available rooms or units.

COMMENT
Also see Member of the Management Board and Chief Financial Officer's statement page 46.

Strategic report

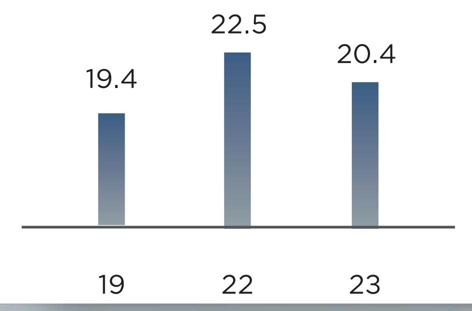
COMPANY FINANCIAL KPIs



TOTAL REVENUE (EUR MILLION)

DEFINITION
Total revenue includes all generated operating revenue.

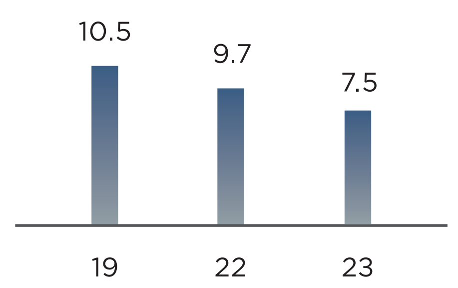
COMMENT
Also see Company income statement page 160.



EBITDA (EUR MILLION)

DEFINITION
Earnings before interest, tax, depre-ciation and amortisation.

COMMENT
Also see Company income statement page 160.

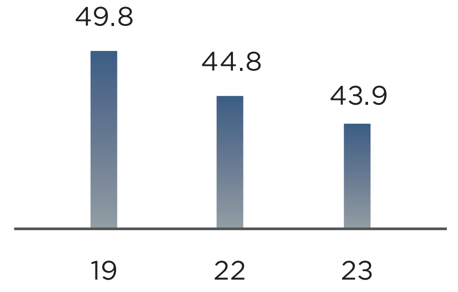


PROFIT BEFORE TAX (EUR MILLION)

DEFINITION
Profit before tax

COMMENT
See Consolidated and Company Income statement on page 160.

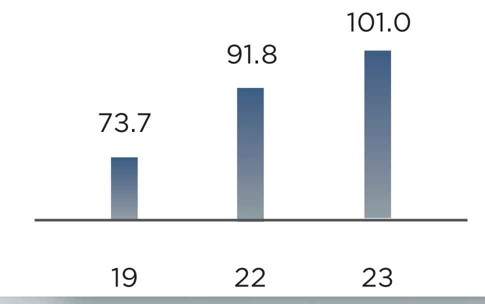
COMPANY OPERATING KPIs



OCCUPANCY (%)

DEFINITION
Total rooms occupied divided by the available rooms. Occupancy is calculated based on the number of days that each property is open.

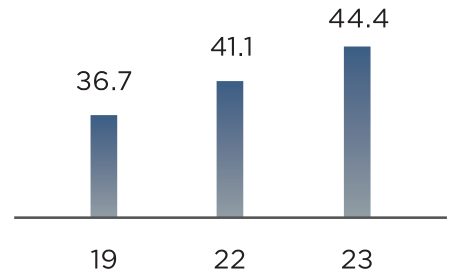
COMMENT
Also see Operating review page 52.



AVERAGE DAILY RATE (EUR)

DEFINITION
The average daily rate per paid occupied room or accommodation unit.

COMMENT
Also see Operating review page 52.



REVPAR (EUR)

DEFINITION
Revenue per available room or accommodation unit; total room or accommodation revenue divided by the number of available rooms or units.

COMMENT
Also see Operating review page 52.

Principal risks and uncertainties

OUR APPROACH TO RISK MANAGEMENT

Our proactive approach to risk management continues to help us navigate the significant challenges we face. Through our risk management process, we maintain a clear view of our most prominent threats and look ahead at the emerging risk trends which could have a notable impact on our business. The strength of our risk management programme means leadership decisions are aligned with our risk appetite and are made in full awareness of the threats we face.

We aim to identify, assess, and reduce risks through measured responses to ensure that the Group can deliver its operating and strategic objectives.

OUR CHANGING RISK MANAGEMENT ENVIRONMENT

We recognise the importance of understanding the impacts of new and emerging threats like climate change, uncertainties of the geopolitical environment and economic volatility, alongside the impact of artificial intelligence (AI) on society, to ensure we maintain our organisational and strategic resilience in the years ahead.

Our business model and operations could be influenced by many external developments including changes to regulatory environment, potential changes in tax legislation, long-term shifts in consumer behaviours following the pandemic, labour market pressures through restricted migration, growing pressure on the cost of living and an increased threat to social cohesion across our regions and markets.

The below section outlines the updated principal risks and uncertainties the Group is facing along with a description of the actions to undertake as a response to these risks and the way these were, are, or can be mitigated.

RISK AND IMPACT	RISK RESPONSE
MARKET AND MACRO ENVIRONMENT	
Market Dynamics - Significant and prolonged decline in global travel and market demand	
Outbreak of conflicts, like the war in Ukraine, or further waves of pandemics could continue to impact the hospitality sector and hinder our levels of revenue and profitability. There is likely to be continued uncertainty in demand with late bookings and late cancellations, increasing the challenge to forecast accurately and manage costs effectively. A failure to adapt to changing market trends and guest expectations may adversely impact the financial performance.	We have demonstrated our ability to adapt quickly to changing market conditions throughout the pandemic and in the course of less stable geopolitical circumstances, by optimising revenue generation and focussing on delivering the highest standards to our guests. We continue to monitor and anticipate changes in the market dynamics to respond quickly and maintain an agile approach to revenue management and market tactics. Extended focus is given to new leisure and domestic promotional initiatives, with timely distribution and marketing activities both in city and resort hotels, bolstered by development and investment in revenue management software and processes. Fostering close collaboration with both PPHE and Radisson Hotel Group and leveraging their reach for promotional campaigns. Our successful drive to promote contactless guest service experience through mobile app technology is enabling us to maintain and increase utilisation of our online check-in and digital key distribution for access to guest rooms. Our prime focus remains on maintaining Health & Safety standards, while we continue to hold SGS accreditation for cleanliness and disinfection pledge assessment in all of our Park Plaza and art'otel branded properties and are maintaining WTTC Safe Travel protocols in all properties.

RISK AND IMPACT	RISK RESPONSE
MARKET AND MACRO ENVIRONMENT	
Adverse macroeconomic environment	
Increased volatility is expected to remain a feature of the macroeconomic environment in 2024, with challenges to growth, the reemergence of global supply chain issues, labour shortages, energy price increases, other inflationary pressures, and interest rate hikes. A prolonged period of stress for the global economy could contribute to reduced demand and increased costs, impacting our ability to protect our revenue and profitability.	Our financial stability and strong cash position, coupled with a lean operating model and diverse leisure product offering are mitigating factors for risks arising from the clear macroeconomic uncertainties we are facing. The Group performs financial stress testing. It has profit protection plans in place (with operational impact assessed) and budgetary control and frequent forecasting across all regions and property types to ensure it holds the grip on the business at all times and fine tunes its decision making promptly and appropriately. As a balancing factor to current macroeconomic volatility, we see the accession of Croatia, as our main destination, to the Schengen Area (comprising 27 European countries sharing a common free travel zone), as a positive mitigation, as this attracts more guests from EU.
Evolution of the travel industry	
The prominence and ease of online bookings evolving with new technologies continue to influence customer booking behaviour and travel expectations. This trend is anticipated to persist and the travel industry is expected to continue to be impacted by the rise of online travel agents and other dominant forces such as search engines and social media networks. The Group is exposed to risks such as the dominance of one such third party over another, the loss of control over its inventory and/or pricing and challenges to keep up with developments in the market.	The Group invests in areas such as connectivity to third parties, distribution and marketing of its products, e-commerce and technology. The Group further increased its direct distribution activities through online channel optimisation and continues to increase its share of direct business versus third party online channels. The Group mitigates this risk by working closely with PPHE Hotel Group, ensuring that global trends are identified and acted upon in a concerted manner, whilst benefiting from the scale, negotiating power, knowledge and skills that such a partnership brings, including the global partnership with Radisson Hotel Group, but also through investment in the Group's own revenue management capabilities through contemporary software solutions.

RISK AND IMPACT	RISK RESPONSE
MARKET AND MACRO ENVIRONMENT	
Hotel industry risks	
The Group's operations and their results are subject to a number of factors that could adversely affect the Group's business, many of which are common to the hotel industry and beyond the Group's control, such as global economic uncertainties, political instabilities and the increase in acts of terrorism. The impact of any of these factors (or a combination of them) may adversely affect sustained levels of occupancy, room rates and/or hotel values.	Although management continually seeks to identify risks at the earliest opportunity, many of these risks are beyond the control of the Group. The Group has in place contingency and recovery plans to enable it to respond to major incidents or crises and takes steps to minimise these exposures to the greatest extent possible.
Seasonality and adverse weather conditions during the high season	
The Group's business in Croatia is highly seasonal; the majority of guest visits occur from June to September. A high degree of seasonality in revenues in the Croatian market increases the impact of certain weather events on the Group's operating results. The ability to attract visitors to the Group's Croatian properties, particularly the campsites and self-catering holiday apartment complexes, is influenced by weather conditions and the number of warm and dry weather days during the summer season	The German, Hungarian and Serbian hotels do not experience such seasonality. Our recently developed city centre locations within the CEE region will operate all year round and are also expected not to experience such seasonality. Moreover, the Group is consistently focussed on extending its activities in the shoulder season. The Group's acquisition of its first winter leisure resort further compliments its existing summer leisure business.
Climate Change – An Emerging Risk	
Rising sea levels may impact summer sea resort beaches, which could shrink thereby impacting social and tourist attraction. This may also lead to flooding and associated damages. Low precipitation or rainfall will impact freshwater reserves and will adversely impact agriculture, which is important to the region due to good soil and impacts our local produce. This will inevitably increase the price of importing food for the industry. Furthermore, this may dry up waterfalls which are great tourist attractions in this part of Croatia. Rising temperatures could lead to rising water/sea temperatures causing marine life to move further away therefore impacting sources of food. Forest fires are a real threat to wider Croatia and we also have our camps situated within forests and nature reserves. Indirect impacts are the rising cost of energy due to the switch to renewable sources, increasing cost of compliance with sustainability related regulation and associated reputational damage for not complying.	The Group has conducted a site-specific climate-related risk assessment identifying its level of impact on business in the short, medium to long term, its likelihood and planned mitigating controls where practically possible. The Group is investing in energy-efficient building technology. The Group has invested in water desalinisation plants which provide sufficient fresh water for irrigation of its landscape and nature in Croatia. art'otel Cologne is in the vicinity of a river thus at risk of flooding, however a special metal flood barrier is in place protecting the hotel building's most vulnerable section. Overall, the Group is working proactively to reduce its energy and water consumption through its Responsible Business Program.

RISK AND IMPACT | RISK RESPONSE

MARKET AND MACRO ENVIRONMENT

Use of land in campsites and tourist resorts

In accordance with the provisions of the Tourist and Other Construction Land Not Appraised During the Transition and Privatisation Process Act from 2010 (the 'TLA'), the Company submitted requests to the Republic of Croatia and the relevant municipality for the award of tourist land concessions in relation to land areas in eight campsites and three tourist resorts in Croatia. The TLA failed to produce the desired impact and to resolve the issues of the ownership / use of the tourist land. This in turn caused far reaching consequences in the form of lack of investments into tourist land, reduced international competitiveness of Croatian tourism due to lack of development and reduced income of the state and local municipalities. The Croatian government therefore adopted a new legislation to deal with, inter alia, the so-called tourist land and proprietary relationships between the owner of such land and the owner of the facilities built thereon. In May 2020, the new Non-Appraised Construction Land Act (the "NCLA") replaced the TLA and all initiated requests based on the TLA were suspended. Pursuant to the NCLA, the ownership of the land underneath the facilities in the campsites that were assessed into the share capital of the Company is now also legally recognized as ownership of the Company, while the Republic of Croatia will be the sole owner of the other land in the camps. In respect to the tourist resorts, the ownership of the land underneath the facilities that have been assessed into the share capital of the Company is now also recognized as ownership of the Company, together with the land surrounding such facilities that makes (together with the relevant facilities) the technological and functional unity. Tourist land in the tourist resorts which was not assessed into the share capital of the Company, and which serves the standard usage of the resorts shall be owned by a local municipality. In relation to the land in campsites owned by the Republic of Croatia and the land in tourist resorts owned by the local municipalities, the Company will by operation of law be deemed long-term (50 years) lessee and will conclude the lease agreement with the state / local municipalities once the procedure envisaged by the NCLA will be complete. However, new NCLA had not set the rules for the rent payable based on the lease agreements and administrative proceedings before the competent authority that are required for the implementation of the Act and actual registration of the ownership over the respective part of land in campsites and tourist resorts, have not been completed. This created uncertainties in relation to the current and future assets and obligations of the Company. While the TLA was still applicable, the Company paid 50% of the concession fees in respect of the eight campsites and accrued the remaining 50% until entering into the envisaged concession agreements. In 2023, the Government had carried out public consultations on the draft proposals of the secondary level regulations that would govern the rent payable by the lessees, that is , the draft proposal of the Regulation on determination of the leases on tourist land on which the hotel and tourist resort is built and the draft proposal of the Regulation on determination of the leases on parts of the camps owned by the Republic of Croatia (the "Regulations"), that should govern the method of calculating the rent and other fees, and the mandatory content of the lease agreements. Both Regulations were adopted by the Government in February 2024. Given that the Regulations that now govern the rent payable by the lessees were adopted after 31 December 2023, the Company made assessment of concession/rental fees in the most prudent manner based on the most up to date available information, including the above-mentioned Government's proposals referred to public consultation. Concession/rental fee liability for 2023 was recognized in the Balance sheet under short term liabilities. New method of fees calculation almost doubled Company's yearly expense compared to expenses in pre-covid period. There was no payment of concession/rental fee during 2023.

While the TLA was still applicable, the Company paid 50% of the concession fees in respect of the eight campsites and accrued the remaining 50% until entering into the envisaged concession agreements. As the new NCLA has still not been finally adopted by the end of 2023, the Company continues its accrual and provisioning in the most prudent manner based on the most up to date available information. The provisions and accrued fee for the tourist land concession are visible in the Group's balance sheet.

The Company duly filed the required requests under the NCLA.

Although the new primary level legislation was adopted and second level legislation is available, the actual implementation of ownership registration in respect of the Company's properties was to a large extent put on hold by the competent authorities due to unresolved maritime domain issues.

The Company is proactively engaged and is well resourced for implementing any necessary actions that may be required.

RISK AND IMPACT | RISK RESPONSE

FUNDING, INVESTMENTS AND DEVELOPMENT

Funding and liquidity risk

This risk includes breach of debt covenants, inability to service existing debt and cash restrictions.

The ongoing disruption caused by global macroeconomic uncertainty fuelled by the war in Ukraine means that funding and liquidity risk will remain a significant risk in the year ahead.

The impact of failing to proactively manage this threat would be severe, including an increased risk of cash traps being applied to hotel specific loans.

The cost of debt is likely to be under increasing pressure in the year ahead with economic conditions leading to interest rate rises.

The Group's cash position remains strong due to the complete recovery in Croatian summer leisure business, and German operations also experiencing a strong recovery compared to 2022. The Group benefits from its existing debt portfolio, which has predominantly fixed interest rates for a long term duration with the major loans maturing in three years or more.

The Group does regular forward covenant testing with sensitivity and stress modelling and does routine treasury monitoring and reporting to the Board.

We have renegotiated covenant terms with our main lenders, which to a large extent alleviated pressure on debt covenants. The Group is in line with all necessary debt covenants.

Acquisitions and New Developments

Inaccurate assessment of a development opportunity could lead to poor investment decisions and affect the Group's ability to drive growth and long-term value.

The Group could also experience disruption and delays to development projects and unforeseen cost increase due to global supply chain concerns, inflation in commodities and raw materials prices. Moreover, challenges in the labour market are also impacting the construction industry. Ongoing volatility in oil prices and its impact on energy costs continues to adversely impact project costs. Climate risk considerations are having an increasing impact in any acquisition consideration, contributing to an increased level of uncertainty in project returns and elevating the complexity of any development project.

This risk persists within the Group's levels of tolerance and is aligned with its risk-reward strategy.

The Group maintains a diligent approach in pursuit of new acquisitions and developments. It follows a disciplined, yield focused capital deployment strategy to achieve growth and long-term value. It is selective in its approach taking into account projects strategic fit, location, brand, return on investment and funding.

Where possible fixed price agreements are endorsed.

Our senior leadership team oversee the progress of all development projects, supported by our in-house Technical Services & Project Management team.

We continue to closely monitor the timelines and costs of our construction projects, holding regular meetings with our key contractors to identify and tackle any approaching issues which could impact the overall cost, targeted delivery schedule or the expected quality standards.

RISK AND IMPACT	RISK RESPONSE
FUNDING, INVESTMENTS AND DEVELOPMENT	
Foreign exchange rate fluctuations	
The exchange rates between the functional currency of the Group's subsidiaries may fluctuate, affecting the Group's financial results. In addition, the Group may incur a currency transaction risk in the event that one of the Group companies enters into a transaction using a different currency from its functional currency.	With the adoption of Euro currency in Croatia in 2023, this risk is significantly decreased compared to prior periods. The Group eliminates remaining currency transaction risk by matching commitments, cash flows and debt in the same currency. The Group decided not to hedge this currency risk.
TECHNOLOGY AND INFORMATION SECURITY	
Cyber security	
The Group could be subject to a serious cyber-attack resulting in significant disruption to operations and financial loss from falling revenues, cost of recovery and significant fines in the event of a related data breach. The remit of this risk is increasing as the Group expands its operations geographically, while remote working of employees and more reliance on digital processes becomes a norm.	The Group continues to proactively invest in upgrading its technology infrastructure across the full organisation and enhanced its disaster recovery capability. The Group utilises a best-in-class cyber threat management solution aimed at reducing cyber threat and fast incident response time. The Group has also established a managed security service provider (MSSP). The Group centralised the majority of its servers and IT services and created a strong ring-fenced network security system with enhanced access control solution The Group has successfully implemented multi factor authentications (MFA) during the year, further enhancing the system access security. The user access control has expanded with implementation of Microsoft Dynamics ERP system in Croatia, which would become a groupwide standard and offers top tier access and security. The Group continues to focus on team member awareness training.
Data privacy breach	
The Group could experience a serious data privacy breach which could result in investigation, significant fines in accordance with GDPR and subsequent reputational damage.	The Group's mitigating controls reduce the likelihood of a large scale data privacy breach and its processes ensure any incidents are dealt with in compliance with GDPR. Our controls include Information Security and Data Privacy policies, internal awareness communications and training, breach protocols, reporting hotlines for team members and incident response plans in place. The Group engages third-party experts for technical support when necessary, and a contemporary credit card processing solution has been introduced reducing manual processing and exposure of the Group's employees to guests' personal data.
Technology disruption	
A prolonged failure in our core technology infrastructure could present a significant threat to the continuation of our business operations, particularly where failures impact hotel management and reservation systems.	The fast-changing digital landscape and rapid roll out of new technologies within our business during the year as part of information technology transformation, means that the risk of disruption from technology failures remains an area of focus. The Group successfully centralised its core technologies and upgraded its network infrastructure. It also created a comprehensive data back-up and disaster recovery for its core infrastructure.

RISK AND IMPACT	RISK RESPONSE
SAFETY, CONTINUITY AND LABOUR RISKS	
Operational disruption	
The Group could experience disruption to its operations from localised incidents at our hotels or in the immediate vicinity, for example earthquakes, floods, extreme weather, social unrest, terrorism. It could also be exposed to significant operational disruption from global events such as conflict, environmental disasters or future pandemics.	The Group has adapted its business operations in response to the challenges presented by the pandemic, as a relatively recent example of a manifestation of operational disruption risk, and effectively managed to operate the majority of its properties whilst complying with regional civil protection and control measures.
The Group experienced operational disruption, hotel closures and regional lockdowns during the pandemic in previous years. This risk persists due to the dynamic nature of the pandemic, albeit with less probability of occurrence, with emergence of new variants.	The Group continues to manage this threat through its business crisis plans and crisis communications, as well as Business Continuity Plans. It also continues its focus on the following measures: (i) cost optimisation to mitigate impact of closures and reduced capacity (ii) adapt services to continue operations where possible (iii) remote working capabilities for corporate, regional teams and all central support teams (iv) and close monitoring of key supplier stability and regular communications regarding anticipated demand levels.
Serious Health, Safety and Security Incidents	
The Group could experience significant health and safety, food safety or physical security incidents. A failure to take reasonable steps to prevent such incidents, or a failure to respond appropriately, could impact our reputation, disrupt our operations and result in significant loss of guest, team member and stakeholder confidence.	The Group has a comprehensive approach to this risk and does not accept any actions that would increase the health, safety and security risk. It actively mitigates this risk through a rigorous safety regime including (i) risk assessments, (ii) security and fire safety procedures, (iii) health & safety audit programmes, (iv) in-house and supplier food safety audit programmes, (v) team member training programmes, (vi) incident reporting and (vii) property crisis plans. The Group continues to focus on delivering a safe working environment for our team members and safety programmes to provide safe stays to our guests and visitors. This includes (i) continued WTTC Safe Travel protocols in all properties, (ii) regular health & safety audits and SGS accreditation for cleanliness and disinfection for our Park Plaza and art'otel branded properties, (iii) technology implementation for a contactless customer experience where practically possible, and (iv) incident protocols and centralised tracking of identified cases.

RISK AND IMPACT	RISK RESPONSE
SAFETY, CONTINUITY AND LABOUR RISKS	
Labour related risks	
The Group is subject to the risk of industrial or labour disputes and adverse employee relations, and these disputes and adverse relations could disrupt the Group's business operations and materially adversely affect its service delivery, business operations and financial condition. Historically tough labour market conditions within the hospitality sector have been further adversely impacted by the pandemic in previous years, which triggered long lasting changes within labour market dynamics. Difficulty in attracting, engaging and retaining team members is a significant challenge for our service industry. Reduced availability of labour brought about by COVID-19 related business closures and perceived uncertainty resulted in labour migration to other industries. Shortage of suitably skilled workforce will inevitably increase labour costs. The opening of new hotels may put further pressure on labour demand and our ability to attract and retain sufficient numbers of qualified employees.	The Group focuses on its employees as it acknowledges the importance of employees to the success of the business and makes significant efforts to provide a number of extensive training programmes which are aimed at nurturing and retaining talent, enabling intra-group transfers, and inspiring the workforce, which ultimately serve to improve employee and guest satisfaction scores, which have been growing across the Group's properties year-on-year. This also includes access to a wide range of training programmes administered by the PPHE Hotel Group to which the Group's employees have access. The success of the Group's employee initiatives and their overall satisfaction is evident through the Group's high rate of employee retention. The Group continues to explore and has been successful in attracting a skilled workforce from its neighbouring countries and international labour market. To this end the Group caters to a transient workforce during the peak season through employee accommodation and subsistence programme.
Environmental, Social and Governance Stakeholder Perception	
A perception that the Group does not apply best practice corporate governance principles, does not suitably mitigate both the physical and transition risks of climate change, or does not act responsibly to protect the environment and the communities we operate in, could impact our performance by damaging our appeal to customers, investors and other business partners. It could also affect our ability to retain and attract talent. Corporate governance and matters of environmental and social responsibility are of significant importance to our stakeholders including investors and customers. We are expected to prepare detailed information requests and disclose on activities which support our sustainability, various ESG metrics, targets and performance.	The Group recognises the importance of sustainability and other ESG matters, as it continues to strengthen its approach in this regard. The ESG working group and Group's leadership in both Supervisory Board and Management board actively develop, monitor and re-evaluate ESG policies and initiatives. The Group has reinvigorated its responsible business programme, which is aligned with EU sustainability reporting and continually evolving with the EU CSRD requirements. The Sustainability Report segment of this report highlights our progress and sustainability policies.

RISK AND IMPACT	RISK RESPONSE
SAFETY, CONTINUITY AND LABOUR RISKS	
The Group is reliant on its relationships with the PPHE Hotel Group and Radisson	
The Group relies on its relationships with the PPHE Hotel Group and Radisson. The Group does not own the Park Plaza trademark it uses. Instead, the PPHE Hotel Group has granted the Group the exclusive right to operate and develop any new Park Plaza branded property in the CEE Region (including Croatia, Austria and Hungary) and Germany. PPHE Hotel Group has the exclusive and perpetual right to use, and to grant others to use, the Park Plaza trademark in 56 countries in Europe and the MENA region pursuant to the Territorial Licence Agreement with Radisson. The Group and the PPHE Hotel Group are parties to the Framework Agreement related to the Park Plaza branded hotels, pursuant to which the PPHE Hotel Group provides the Group with term-limited exclusive rights to operate and develop properties in the CEE Region and Germany using the Park Plaza brand. The Group and the PPHE Hotel Group are also party to the LSM Agreements. Pursuant to the Framework Agreement, the Group has agreed not to use or operate any hotels under any brand other than the Park Plaza brand, the art'otel brand or any other brand licensed to the Group by the PPHE Hotel Group or developed and owned by the Group (provided, however, that this shall not prevent the Group from operating any unbranded outlets subject to entering into a new Operating Agreement and LSM Agreement in relation to such outlets) unless otherwise agreed with the PPHE Hotel Group. In addition to access to use of the brands, the LSM Agreements also give the Group's Park Plaza and art'otel branded properties access to Radisson reservations, marketing and distribution system as well as the PPHE Hotel Group's central services including employee training support systems. The Group's operational success and ability to execute its growth strategy will depend significantly upon the satisfactory performance of the services provided by the PPHE Hotel Group under the LSM Agreements and the ongoing strength and continuity of the relationship with the PPHE Hotel Group and the indirect relationship with Radisson. The Framework Agreement terminates in 2046 unless terminated earlier. The PPHE Hotel Group is entitled to terminate early in certain limited circumstances including it ceasing to control the Company. The LSM Agreements can only be terminated by the PPHE Hotel Group in very limited circumstances prior to their expiration which coincides with the expiration of the term of the applicable Operating Agreement. In the unlikely event that either the Company's relationship with the PPHE Hotel Group or the relationship between Radisson and the PPHE Hotel Group were to end or be damaged, it could have a highly material adverse effect on the Group's business, financial condition and results of operations.	Although the Group operates independently, is self-sufficient and is fully capable of delivering its strategic objectives, it is complemented through a strategic partnership with PPHE Hotel Group giving it access to various value add benefits. Whilst its relationship with the PPHE Hotel Group is an important one, the Group is independent from its majority shareholder and is proficient to operate wholly outside this relationship. The Group continues to invest and position its own brands strategically and has successfully developed its own value chain, established business processes, maintains its key talent pool and operates a professional management company. The Group is successful in developing its sales channels and is building up its share of direct sales including online sales when compared to third party online sales channels.

Member of the management board and Chief Financial Officer's statement

2023 FINANCIAL YEAR HAS DEMONSTRATED THE CONTINUING RESILIENCE OF LEISURE DEMAND, DESPITE ALL OF THE GEOPOLITICAL AND MACROECONOMIC CHALLENGES

Devansh Bakshi
MEMBER OF THE MANAGEMENT BOARD AND CHIEF FINANCIAL OFFICER

Welcome,

The Group delivered strong year-on-year revenue growth, with recent investments in our portfolio enhancing the attractiveness of guest offerings and experience. We remained focused on long-term growth drivers as the Group continued to reposition assets and capitalise on recent investment projects. We opened our first city centre hotel in Zagreb, Croatia and were completing preparations to launch our first Radisson RED hotel in Belgrade. Our strong topline performance was achieved despite reduced air travel capacity compared with pre-pandemic and stormier weather in Croatian impacting last minute bookings.

Throughout the year we continuously adapted to the evolving macroeconomic uncertainties and industry-wide headwinds, including cost inflation across energy, labour and consumable goods, which resulted in significantly higher operating costs. Additionally, government grants available in 2022 were not repeated in 2023.

Together, these factors impacted profit conversion and resulted in a year-on-year reduction in reported EBITDA.

The Company began reporting its financial results in Euros for the first time in 2023, following Croatia's admission in January to the Eurozone and Schengen free travel zone.

FOCUS ON COSTS AND LIQUIDITY

Higher operating expenses were a theme throughout 2023 which impacted businesses in the hospitality sector and beyond. This was also a key focus for the Management Board. However, despite mitigating action, the Group was not immune to the impact of these external pressures, many of which increase costs for the Group and also put pressure on guests' disposable income.

The cost of energy had a considerable impact on profitability, particularly in the first half of the year during which electricity and gas prices increased significantly. The Group held its position on not fixing long-term pricing in the first quarter as energy price volatility had reduced, nevertheless, prices were still vastly above the level experienced in the prior year before the war in Ukraine. For the year as a whole, year-on-year energy costs rose by 71% in Croatia, resulting in a total utility bill EUR 3.3 million (59%) higher than in 2022. A new fixed-price contract was signed in Croatia in the third quarter, which saved the Group almost EUR 1 million in the year. While electricity prices have stabilised at levels lower than the 2023 peak across all operating markets, prices remain double pre-Ukraine war. In Germany the Group has fully hedged its electricity demand on very favourable terms, thus ensuring lower energy costs in the coming year. Similarly, the Group has adopted a flexible strategy in Austria and Hungary to ensure better price prospects than 2023, whilst managing volatility.

The ongoing shortage of labour within the hospitality sector resulted in payroll costs 17% higher than the prior year. Whilst we bridged the workforce gap through the employment of foreign workers, mainly from South East Asia, the cost of employing overseas team members is higher due to the provision of accommodation and subsistence. In addition, National Minimum Wage levels increased by 20%, however we expect a much lower impact due to already prevailing higher employee emoluments. Whilst the year recorded unusual growth in payroll expenses due to inflation the Group anticipates this to be the peak and moderate levels of payroll growth can be expected and we continue to ensure strong financial discipline with maintain a flexible workforce. Additionally, our FTE employee increased by 7% due to portfolio expansion.

Furthermore, increased inflation was evident elsewhere across the business, including in consumable goods, such as food and drink, which were up approximately 18%.

As we enter 2024, the Group has a well-balanced hedging strategy in place in all its regions and we continue to mitigate against market volatility.

As part of the Company's wider cost-saving initiatives, we are dedicated to identifying areas to improve technical aspects of guest services, like energy and water savings systems, as part of its "defensive CAPEX" strategy and expect return on these investments in one to three years. These initiatives include solar plants, solutions for decreased water consumption, energy efficient new investments and equipment replacements as well as other activities instigated by operational certifications for sustainable business.

The Group remains committed to leveraging technology through innovation and new groupwide implementation of more efficient and productive systems and technologies improving work efficiencies through time savings and enhancing customer experience. The Group has centralised its IT infra-structure with adequate redundancies to ensure smooth and timely management, implemented a new ERP system to automate transactions and rolled out new customer credit card payment solution enhancing customer journey experience.

CONTINUED PORTFOLIO INVESTMENT

We invested a total of EUR 32.3 million in our existing portfolio in 2023 to upgrade selected assets to a high-end guest offering. This proven investment strategy ensures our hotels, apartments and campsites remain attractive and relevant, whilst also driving better returns and long-term growth, which in turn creates value for our shareholders. Investments in the year included the completion of art'otel Zagreb (total cost EUR 18 million); the repositioning and rebranding of our hotel in Belgrade to Radisson RED (total cost EUR 3 million); completion of works to reposition Arena Franz Ferdinand Nassfeld to extend the resort's summer and winter seasons (total cost EUR 4 million); and completion of the second phase of investment to upgrade Arena Stoja Campsite (total cost EUR 8.3 million).

Planned investments in 2024, include repositioning and rebranding project at Park Plaza Berlin Kudamm to Radisson RED Berlin Kudamm, further diversifying our brand offering in Berlin city. We are also currently reviewing plans for the second phase of refurbishment at Park Plaza Budapest. Our planned investment in Hotel Riviera in Pula is temporarily paused due to construction cost inflation associated with the project.

We will continue to consider existing portfolio investment opportunities to further improve guest experience and drive average daily rate growth, as well as opportunities to further expand and diversify our portfolio in Croatia, Germany and CEE.

DEBT STRUCTURE AND FINANCING

The Group did not require any external financing in 2023 and does not expect any major refinancing before the end of 2026.

Through its proactive loan portfolio management, the Group has continually analysed and managed its risk profile through rigorous testing of current and future performance and has considered the recent economic challenges along with the likelihood of any future economic uncertainties.

The Group remains consistent with its long-standing debt structure strategy, which has taken advantage of very low interest rates with long tenures thus protecting its cash position, secure repayment commitments and better cash flow management. Following the recent successful financing of investment projects and the refinancing of existing loans, the Group has 94% of its debt bearing a fixed interest rate, with 100% either fixed or hedged. The weighted cost of debt (excluding the HBOR liquidity loan) is 2.2% and the average term of debt is 5.8 years.

It is worth noting that outside Croatia the Group maintains real estate-based financing and as such this largely mitigates risk on Croatian standalone debt. The Group also manages its loan covenants effectively in the context of both managing risk and the competitive lending landscape in all the regions it operates. During 2023 we renegotiated our main covenants in Croatia with a goal to reduce interdependencies between financial performance of individual entities and the Group's financial position, whereby debt covenants are no longer based on consolidated financial statements (details on loan covenants are available in Note 13 to the Financial Statements).

The regulation concerning lease liabilities associated with tourist land in Croatia, published in draft form in August 2023 and finalised only recently in February 2024, has shed some light on our calculation assumptions and bolstered our current estimates (see Note 15 of the financial statements). However, with statutory documentation and calculations envisaged by the regulation still to be finalised by state institutions and received by the Company, we are cautiously monitoring this development. We are in continuous communication with our lenders, who are supportive of our efforts to adequately reflect new circumstances in borrowing contracts, as this does not materially impact the Company's debt service ability.

The Group in Croatia is better hedged due to the country's transition to Euro currency.

CONSOLIDATED KEY PERFORMANCE INDICATORS

	Year ended 31 December 2023 Reported	Year ended 31 December 2022 Reported	Variance[1] %
Total revenue (EUR million)	**126.5**	109.5	15.5
Accommodation revenue (EUR million)	**105.7**	91.0	16.2
EBITDAR (EUR million)	**30.4**	33.5	(9.3)
EBITDA (EUR million)	**28.0**	31.2	(10.3)
Profit/(loss) before tax (EUR million)	**5.8**	8.1	(28.4)
Rooms available[2]	**2,084,342**	2,053,883	1.5
Occupancy[2] %	**46.2**	45.1	111.0[4]
Average daily rate[3] (EUR)	**109.7**	98.2	11.7
RevPAR (EUR)	**50.7**	44.3	14.5

1 Percentage change figures are calculated from actual figures as opposed to the rounded figures included in the above table. Unless otherwise indicated, all figures in this report compare twelve months ended 31 December 2023 with twelve months ended 31 December 2022. All financial information in this report for accommodation revenue, total revenue, EBITDAR and EBITDA reflects the Group's interest.
2 Rooms available and the occupancy calculation are based on operating days.
3 Average daily rate represents total room revenues divided by the total number of paid units occupied by guests.
4 In Basis Points (BPS).

Member of the management board and Chief Financial Officer's statement

BUSINESS PERFORMANCE

We saw a gradual and encouraging improvement in demand from the start of the financial year, which was reflected in revenue growth across all three of the regions in which we operate. This included a gradual recovery in the Group's city centre portfolio in Germany, which still had government restrictions in place in the first quarter of 2022. This positive trading momentum continued throughout the year across all market segments of leisure, corporate travel and meetings and events. Group RevPAR growth was underpinned by strong growth in average room rate and returning occupancy. Overall, the revenue performance was strong in Croatia, whilst business in Germany saw a recovery throughout the year. Grand Hotel Brioni Pula completed its first year in operation as a Radisson Collection hotel, our hotel in Austria traded all year round and art'otel Zagreb, was successfully opened in October 2023.

As a result of the above, in the 2023 financial year the Group delivered strong revenue of EUR 126.5 million (2022: EUR 109.5 million), an increase of 15.5%. Accommodation revenue rose by 16.2% to EUR 105.7 million. Average daily rate was strong at EUR 109.7, an increase of 11.7% and occupancy increased by 111 basis points to 46.2%. This led to RevPAR of EUR 50.7, an 14.5% increase on the prior year.

However as set out above, despite the very strong revenue performance, the high inflation environment led to a significant increase in operating expenses, particularly electricity costs in Croatia, which impacted the Group's EBITDA performance. In addition, the EUR 3 million benefit of pandemic-related government grants recorded in Germany and Austria during 2022 was not repeated in 2023, and in the process of the final 2020-2022 grant calculation the Group is expected to return EUR 0.9 million of recorded grants. Consequently, reported EBITDA was down year-on-year at EUR 28.0 million (2022: EUR 31.2 million), while an EBITDA figure which would be normalised for the impact of government grants in 2023 (normalised amount of EUR 28.9 million) had increased compared to 2022 (normalised amount of EUR 28.4 million) by 2%.

PROFIT AFTER TAX

Consolidated profit after tax was EUR 3.7 million, representing a decrease of 23% (2022: EUR 4.8 million).

FINANCIAL POSITION

Non-current assets increased by EUR 16.7 million to EUR 414.9 million (2022: EUR 398.2 million) mostly as a result of investments. Current assets decreased by EUR 21.0 million to EUR 55.4 million, primarily due to decrease in Group's cash position.

At 31 December 2023, the Group's cash position stood at EUR 50.3 million (2022: EUR 70.4 million).

Non-current liabilities decreased by EUR 10.6 million to EUR 205.4 million (2022: EUR 216.0 million), mostly due to payment of bank loans. Short-term liabilities amounted to EUR 51.5 million, an increase of EUR 7.7 million (2022: EUR 43.8 million), primarily due to increased liabilities toward bank loans current but also due to increased other current liabilities.

The Group is in compliance with its banking covenants.

EARNINGS AND SHAREHOLDERS VALUE

The Board remains focused on shareholder value creation following the launch of the Company's second two-year buyback programme in September 2022 to purchase up to 100,000 shares of a value of up to EUR 4 million. This programme will continue to enhance shareholder returns and is also expected to improve share liquidity.

At 31 December 2023, the programme was 41% completed following the purchase of 40,796 shares, including 16,467 shares acquired between January and December 2023, for a total amount of EUR 1.3 million at an average price of EUR 32.5 per share. The number of treasury shares held was 85,965, representing 1.68% of the Company's issued share capital. Consequently, Ordinary Shares in circulation at the year-end had reduced by 0.8%.

Earnings per share was EUR 0.72 per share, a decrease of 24% per share compared with EUR 0.95 per share in 2022.

DIVIDEND

The Company takes into account the business performance, future capital investment plans and overall business environment when considering the payment of dividends. As set out in its dividend policy, the Company may consider paying out to its shareholders up to 25% of its consolidated normalised net profits for the preceding business year.

The Management Board is committed to continuing with its optimal dividend policy and is pleased to confirm that in light of the business performance and the progress made in the year, it has proposed a final dividend of EUR 0.75 per share in respect of the 2023 financial year to be paid to shareholders, subject to approval at the Company's Annual General Assembly in April 2024.

LOOKING AHEAD

The 2023 financial year has demonstrated the continuing resilience of leisure demand, despite all of the geopolitical and macroeconomic challenges facing the industry.

As we enter 2024, we are encouraged by the demand and activity seen across our portfolio and we remain very optimistic about our Company and our industry. The coming year will bring new challenges in the form of climate adaptation and ongoing geopolitical risks, and the Group is continuously monitoring its exposure to threats but also opportunities that these bring, such as the extension of the summer season in Croatia and partnerships with local and regional suppliers and business partners to mitigate geopolitical risks. We have started on our journey to embed everyday processes at a grassroots level for sustainable business practices via relevant industry standards, including attaining Green Key Certification in Croatia, as we ready the business for a sustainable development future.

Our well-established and well-invested portfolio gives us confidence that the Group is well-positioned to benefit from the continued recovery in our markets and that it is ready to capture the existing and new leisure markets. Our current cash reserves, debt structure and risk management provide us with a desirable future cash position to help us navigate through the current economic uncertainty whilst giving us opportunities to continue to invest in existing portfolio and impetus to growth.

Devansh Bakshi
MEMBER OF THE MANAGEMENT BOARD
& CHIEF FINANCIAL OFFICER

Operating Review

Croatia

The following table sets out the results for the Group's operations in Croatia for the financial year ended 31 December 2023.

HOTELS, SELF-CATERING HOLIDAY APARTMENT COMPLEXES AND CAMPSITE OPERATIONS

Key performance indicators

	Year ended 31 December 2023 Reported	Year ended 31 December 2022 Reported	Variance[1] %
Total revenue (EUR million)	**90.2**	81.3	10.9
Accommodation revenue (EUR million)	**76.2**	68.8	10.8
EBITDAR (EUR million)	**25.7**	27.2	(5.7)
EBITDA (EUR million)	**23.5**	25.1	(6.4)
Rooms available[2]	**1,718,183**	1,673,770	2.7
Occupancy %[2]	**43.9**	44.8	(84.6)[3]
Occupancy % 365 days	**24.3**	24.6	(37.5)[3]
Average daily rate (EUR)[4]	**101.0**	91.8	10.0
RevPAR (EUR)	**44.4**	41.1	8.0
RevPAR 365 days (EUR)	**24.5**	22.6	8.4
FTE[5]	**802.3**	765.9	4.8

1. Percentage change figures are calculated from actual figures as opposed to the rounded figures included in the above table. Unless otherwise indicated, all figures in this report compare twelve months ended 31 December 2023 with twelve months ended 31 December 2022. All financial information in this report for total revenue, accommodation revenue, EBITDAR and EBITDA reflects the Group's interest.
2. Rooms available and occupancy are based on operating days.
3. In Basis Points (bps)
4. Average daily rate represents total accommodation revenues divided by the total number of paid units occupied by guests.
5. The FTE number is an estimate based on the total hours paid for all employees divided by the hours paid for an average full-time employee to arrive at a total for Full Time Equivalent Employees.


ART'OTEL ZAGREB


GRAND HOTEL BRIONI PULA, A RADISSON COLLECTION HOTEL

All three operating segments realised an increase in revenue, reflecting our rate-led strategy which once again delivered higher average daily rates, alongside higher year-on-year RevPAR. This was supported by an increasingly important shoulder season with more hotels trading during this period. The strongest results were reported by hotels and apartments which increased by 15%, supported by Grand Hotel Brioni Pula which continues to mature, and recent investments to reposition assets to luxury, high-end products. Campsite revenue also benefited from recent investments to expand high-end campsite accommodation and the addition of exclusive premium zones, driving average daily rates. The most recent was phase two of renovations at Arena Stoja Campsite which were completed ahead of the summer season and delivered strong revenue and EBITDA.

Total revenue increased by 10.9% to EUR 90.2 million (2022: EUR 81.3 million). Accommodation revenue increased by 10.8% as a result of an increase in average daily rate of 10% to EUR 101.0 (2022: EUR 91.8) with a slight decrease in occupancy to 43.9% (2022: 44.8%). As a result, RevPAR was EUR 44.4, an increase of 8% on the previous year (2022: EUR 41.1).

Reported EBITDA was EUR 23.5 million (2022: EUR 25.1 million). This primarily reflected the significant year-on-year increase in utility costs, which were 71% higher (EUR 2.5 million). Unlike 2022, the Group was not able to lessen the impact of energy cost increases through hedging instruments due to the phasing renewal timeframes. In addition, labour and consumable costs increased year on year, adding to a relatively high fixed cost base at art'otel Zagreb in the last quarter, in preparation for and following its relaunch in October 2023.

We continue to focus on staffing to ensure we have well-trained team members in place who provide excellent guest experiences in both seasonal and year-round operations. We experienced higher payroll costs reflecting trade union negotiations and a large proportion of international seasonal staff for whom we provide accommodation and travel expenses. As a result, employment costs increased by 18% year on year, following an increase of 49% in 2022 on the previous year.

In the last quarter we were able to switch our energy provider and benefitted from approximately EUR 1 million in energy cost savings, and we continue to use these hedging instruments to mitigate price volatility into 2024.

HOTEL OPERATIONS

Key performance indicators

	Year ended 31 December 2023 Reported	Year ended 31 December 2022 Reported	Variance[1] %
Total revenue (EUR million)	**43.6**	36.9	18.3
Accommodation revenue (EUR million)	**34.0**	28.5	19.4
EBITDAR (EUR million)	**7.3**	7.4	(1.0)
EBITDA (EUR million)	**7.2**	7.3	(2.0)
Rooms available[2]	**394,342**	355,687	10.9
Occupancy %[2]	**54.0**	56.6	(255.1) [3]
Occupancy % 365 days	**33.8**	34.1	(33.4) [3]
Average daily rate (EUR)[4]	**159.8**	141.7	12.8
RevPAR (EUR)	**86.3**	80.2	7.6
RevPAR 365 days (EUR)	**53.9**	48.3	11.6

1. Percentage change figures are calculated from actual figures as opposed to the rounded figures included in the above table. Unless otherwise indicated, all figures in this report compare twelve months ended 31 December 2023 with twelve months ended 31 December 2022. All financial information in this report for total revenue, accommodation revenue, EBITDAR and EBITDA reflects the Group's interest.
2. Rooms available and occupancy are based on operating days.
3. In Basis Points (bps)
4. Average daily rate represents total accommodation revenues divided by the total number of paid units occupied by guests.

Revenue from hotel operations increased by EUR 6.7 million to EUR 43.6 million. Accommodation revenue increased to EUR 34.0 million (2022: EUR 28.5 million). This increase in accommodation revenue resulted from the continuing maturing of Grand Hotel Brioni Pula, an increase in occupancy from 20% to 32% as well as an increase in average daily rate in the hotel segment of 12.8% to EUR 159.8 (2022 EUR 141.7). RevPAR increased by 7.6% year-on-year to EUR 86.3. The hotel operations generated an EBITDA profit of EUR 7.2 million (2022: EUR 7.3 million).

GRAND HOTEL BRIONI PULA,
A RADISSON COLLECTION HOTEL

SELF-CATERING HOLIDAY APARTMENT COMPLEXES OPERATIONS

Key performance indicators

	Year ended 31 December 2023 Reported	Year ended 31 December 2022 Reported	Variance[1] %
Total revenue (EUR million)	**15.6**	14.3	9.1
Accommodation revenue (EUR million)	**12.8**	12.0	6.9
EBITDAR (EUR million)	**4.0**	4.7	(15.9)
EBITDA (EUR million)	**3.7**	4.5	(16.6)
Rooms available[2]	**165,617**	160,024	3.5
Occupancy %[2]	**49.5**	51.4	(189.5)[3]
Occupancy % 365 days	**24.5**	24.5	4.3[3]
Average daily rate (EUR)[4]	**156.2**	145.5	7.3
RevPAR (EUR)	**77.4**	74.8	3.4
RevPAR 365 days (EUR)	**38.3**	35.6	7.6

1. Percentage change figures are calculated from actual figures as opposed to the rounded figures included in the above table. Unless otherwise indicated, all figures in this report compare twelve months ended 31 December 2023 with twelve months ended 31 December 2022. All financial information in this report for total revenue, accommodation revenue, EBITDAR and EBITDA reflects the Group's interest.
2. Rooms available and occupancy are based on operating days.
3. In Basis Points (bps)
4. Average daily rate represents total accommodation revenues divided by the total number of paid units occupied by guests.

Total revenue from self-catering holiday apartment complexes, which typically attract visitors who drive to Croatia from surrounding countries, increased by 9.1% year-on-year to EUR 15.6 million (2022: EUR 14.3 million). Accommodation revenue increased to EUR 12.8 million (2022: EUR 12.0 million). This was driven by our strategy to push RevPAR and the average daily rate despite lower occupancy levels. However, we welcomed a lower number of guests from Germany and Austria, our two strongest markets with a share of over 30%, during the peak season which negatively impacted our results, especially in this segment. Consequently, EBITDA decreased by 16.6% to EUR 3.7 million, reflecting significantly higher utility expenses and lower occupancy compared with a particularly strong performance in 2022 (2022: EUR 4.5 million).

CAMPSITE OPERATIONS

Key performance indicators

	Year ended 31 December 2023	Year ended 31 December 2022	Variance[1] %
Total revenue (EUR million)	**31.0**	30.0	3.5
Accommodation revenue (EUR million)	**29.4**	28.3	3.8
EBITDAR (EUR million)	**14.4**	15.1	(4.6)
EBITDA (EUR million)	**12.6**	13.3	(5.4)
Rooms available[2]	**1,158,224**	1,158,059	0.0
Occupancy %[2]	**39.7**	40.2	(53.8) [3]
Occupancy % 365 days	**21.4**	22.0	(58.6) [3]
Average daily rate (EUR)[4]	**63.9**	60.7	5.2
RevPAR (EUR)	**25.4**	24.4	4.0
REVPAR 365 DAYS (EUR)	**13.7**	13.4	2.3

1. Percentage change figures are calculated from actual figures as opposed to the rounded figures included in the above table. Unless otherwise indicated, all figures in this report compare twelve months ended 31 December 2023 with twelve months ended 31 December 2022. All financial information in this report for total revenue, accommodation revenue, EBITDAR and EBITDA reflects the Group's interest.
2. Rooms available and occupancy are based on operating days.
3. In Basis Points (bps)
4. Average daily rate represents total accommodation revenues divided by the total number of paid units occupied by guests.

Our campsite operations benefited from the largely completed investment programme to enhance the product offer and remain relevant in a competitive market. The largest campsites Arena Grand Kažela and Arena Stoja remained open in the fourth quarter. Campsite total revenue increased by 3.5% compared to a particularly strong record performance in 2022 of EUR 30.0 million.

Accommodation revenue increased to EUR 29.4 million (2022: EUR 28.3 million) due to an increase in average daily rate from EUR 60.7 in 2022 to EUR 63.9 in 2023, and despite a decrease in occupancy from 40.2% to 39.7% due to exceptionally high levels in 2022 and rainy and stormy weather at the start of the 2023 season. EBITDA performance of EUR 12.6 million (2022: EUR 13.3 million) was impacted by increased utility expenses and payroll costs but was ahead of 2019 by 35%.

TOURISM IN THE ISTRIAN REGION*

In Croatia more than 20.6 million arrivals and 108 million overnight stays were realised in 2023, which represents a growth of 9% in arrivals and 3% in overnight stays compared to 2022.

The total result for all accommodation capacities compared with 2019 represents a levelling out of the results, while in the commercial facilities (i.e. hotels, campsites and household facilities) compared with 2019, a growth in overnight stays of 1.2% was achieved. When we segment Croatia's tourism results by counties, the largest number of overnight stays were realised in Istria (30 million overnight stays, or 2% more compared to 2022), Split-Dalmatia County (20.2 million overnight stays, or 3% more compared to 2022) and in Kvarner (18.5 million overnight stays, or 1% more compared to 2022).

**Source: htz.hr, January 2024*

PULA

ARENA ONE 99 GLAMPING

Germany

The following table sets out the results for the Group's operations for Germany for the year ended 31 December 2023.

CITY HOTELS

Key performance indicators

	Year ended 31 December 2023	Year ended 31 December 2022	Variance %
Total revenue (EUR million)	**26.2**	20.8	26.0
Accommodation revenue (EUR million)	**22.5**	17.8	26.4
EBITDAR (EUR million)	**6.3**	7.5	(16.0)
EBITDA (EUR million)	**6.3**	7.5	(16.0)
Rooms available[1]	**260,610**	260,610	0.0
Occupancy %[1]	**62.3**	53.0	931.3[2]
Average daily rate (EUR)[3]	**138.4**	129.3	7.1
RevPAR (EUR)	**86.2**	68.5	25.9
FTE[4]	**125.3**	98.3	27.5

1. Rooms available and occupancy are based on operating days.
2. In Basis Points (bps)
3. Average daily rate represents total accommodation revenues divided by the total number of paid units occupied by guests.
4. The FTE number is an estimate based on the total hours paid for all employees divided by the hours paid for an average full-time employee to arrive at a total for Full Time Equivalent Employees.

The recovery of our German city portfolio continued in 2023, driven by domestic leisure demand and returning meeting and events activity, with occupancy levels rebuilding to 62.3% (2022: 53%) and a 7.1% year on year increase in average daily rates.

As a result, total revenue increased by 26% to EUR 26.2 million (2022: EUR 20.8 million). Accommodation revenue increased by 26.4% to EUR 22.5 million (2022: EUR 17.8 million).

RevPAR increased by 25.9% to EUR 86.2 (2022: EUR 68.5).

Rising labour costs and inflationary increases in the cost of goods and services impacted profitability. Reported EBITDA amounted to EUR 6.3 million (2022: EUR 7.5 million). However, excluding government grants in 2022 to support operating costs of EUR 2.9 million, EBITDA increased by 42% year on year.

CEE region

The following table sets out the results for the Group's operations for Hungary, Austria and Serbia for the year ended 31 December 2023.

Key performance indicators

	Year ended 31 December 2023	Year ended 31 December 2022	Variance %
Total revenue (EUR million)	**9.0**	6.3	42.9
Accommodation revenue (EUR million)	**7.0**	4.4	59.1
EBITDAR (EUR million)	**0.5**	0.0	n/a
EBITDA (EUR million)	**0.4**	0.0	n/a
Rooms available[1]	**105,549**	119,503	(11.7)
Occupancy %[1]	**44.4**	33.1	1,128.3[2]
Average daily rate (EUR)[3]	**149.4**	110.0	35.8
RevPAR (EUR)	**66.4**	36.5	82.0
FTE[4]	**92.5**	89.6	3.2

1. Rooms available and occupancy are based on operating days.
2. In Basis Points (bps)
3. Average daily rate represents total accommodation revenues divided by the total number of paid units occupied by guests.
4. The FTE number is an estimate based on the total hours paid for all employees divided by the hours paid for an average full-time employee to arrive at a total for Full Time Equivalent Employees.

Our CEE operating region, which consists of Hungary, Serbia, and Austria, saw another year of substantial development and investment activity, and encouraging performances from operational properties.

Total reported revenue increased by 42.9% to EUR 9.0 million (2022: EUR: 6.3 million), which reflected an average daily rate of EUR 149.4 and occupancy of 44.4%. EBITDA was EUR 0.4 million, as a result of improved contributions from our hotels in Budapest and Austria which are building operational performance following refurbishments to reposition and upgrade them to upper upscale hotels operating all year round.

Park Plaza Budapest was rebranded in March 2023 (formerly art'otel budapest) and the subsequent improving revenue was driven by increased demand and strong rates, although energy costs were significantly higher than in 2022. Arena Franz Ferdinand Nassfeld is now an all year round hotel, and 2024 will be the first full year of year-round operations. In Belgrade, the former Arena 88 Rooms Hotel was closed in March 2023 for a EUR 3 million refurbishment and rebranding programme. The hotel has reopened as Radisson RED in February 2024.

Managed and centralized services

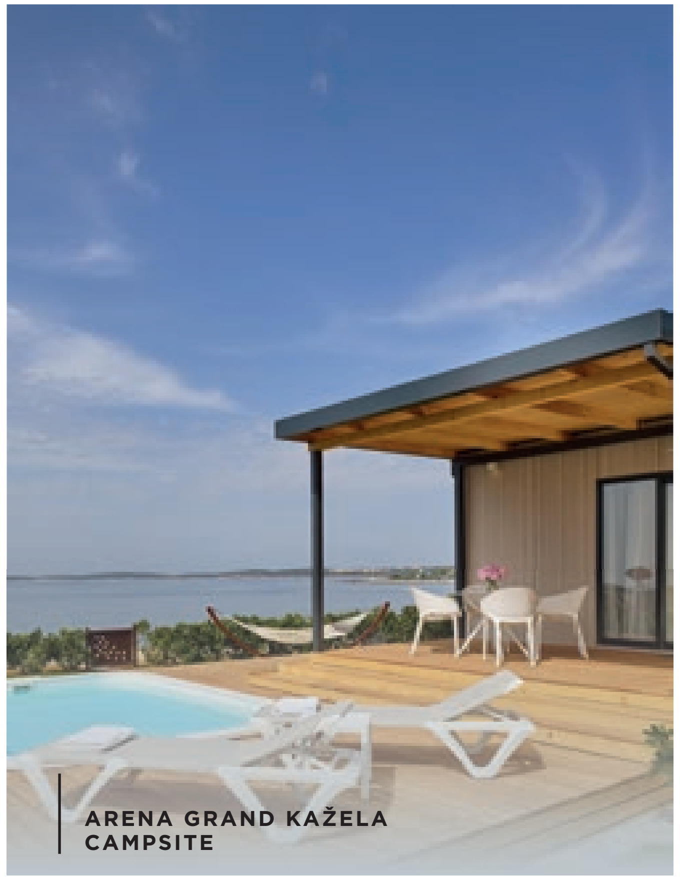
The following table sets out the Group's results of management and central services operations for the year ended 31 December 2023.

Key performance indicators[1]

	Year ended 31 December 2023	Year ended 31 December 2022	Variance %
Total revenue before elimination (EUR million)	**16.2**	14.7	9.9
Elimination of intra group revenue (EUR million)	**(14.8)**	(13.4)	10.1
Total reported revenue (EUR million)	**1.4**	1.3	7.7
EBITDA (EUR million)	**(2.2)**	(1.4)	61.0
FTE[2]	**303.5**	286.4	5.9

1 Ulika d.o.o. (art'otel zagreb) has been moved from Managed and centralized services segment to Croatia operating segment when hotel became operative (October 2023).
2 The FTE number is an estimate based on the total hours paid for all employees divided by the hours paid for an average full-time employee to arrive at a total for Full Time Equivalent Employees.

Arena Hospitality Management d.o.o., a subsidiary of the Company, has management agreements for all the properties owned, partially owned, leased, or managed by the Group in Croatia, Germany, Hungary, Serbia, and Austria. The Company provides management services to all these properties and generates revenue from management fees. Hotel management revenue related to properties within the Group is eliminated upon consolidation as intra-group revenue.
All revenue generated within the Group from centralised services in Croatia and Germany is eliminated upon consolidation as intra-group revenue. In line with the operations in Croatia and abroad, total reported revenue increased by 9.9% to EUR 16.2 million (2022: EUR 14.7 million). External revenue increased by 7.7% from EUR 1.3 million to EUR 1.4 million. EBITDA loss increased to EUR 2.2 million due to an expected return of government grants in Germany of EUR 0.9 million, which has been recorded as an expense in 2023.


ARENA GRAND KAŽELA CAMPSITE


PARK PLAZA BERLIN


RADISSON RED BELGRADE

02

Sustainability report 2023

Making hospitality sustainable for a better tomorrow

Executive Statement

Arena Hospitality Group d.d. (collectively "Arena "or "we" or "Company") and our consolidated subsidiaries ("the Group") remain committed to our purpose in hospitality and whilst we continue to grow and rebrand our customer offering, we are equally encouraged by the progress we have made in sustainability and remain positive about the future of our business and its impact on the environment.

Since the relaunch of our Responsible Business Programme (including operational plans, policies, business processes & standards) in 2022, we have made considerable leaps in holistically driving forward our sustainability strategy and have made positive changes within Arena in further enhancing our commitment to environmental responsibility, community development, ethical business, employee wellbeing and ongoing learning and adaptability from emerging risks and material issues in this dynamic field.

We have a clear sustainability strategy centred around people, our guests, our employees, and our local communities, along with our response to the present and future challenges around climate action.

Our Supervisory Board, Sustainability Committee, Management Board and sustainability Steering Group are proud to share our progress, initiatives and achievements during the year. Additionally, we are proud to set out the significant performance targets and our refreshed sustainability strategy.

In addition to the information presented in this report, associated information can also be found in our Annual Report for the financial year 2023 and on our corporate website (https://www.arenahospitalitygroup.com/)

Arena At a Glance

Arena is an international, dynamic hospitality company which owns, co-owns, leases, operates and develops full-service upscale, upper upscale and lifestyle hotels, self-catering holiday apartment complexes and campsites in Croatia, Germany, Hungary, Serbia and Austria. Since 2016 the Group has transformed from a Croatian domestic and locally focused company to an international dynamic hospitality group.

Our well-invested portfolio comprises 29 owned, co-owned, leased and managed properties with around 10,000 units located in selected resort destinations in Istria (Croatia) and Nassfeld (Austria), and major cities in the CEE and Germany region such as Belgrade, Berlin, Budapest, Cologne, Nuremberg and Zagreb.

Our primary objective is to further grow our profile in the upscale, upper upscale and lifestyle market segments in the CEE region and Germany, whilst striving to create and realise shareholder value [in a responsible manner].

We are confident in the power that the trusted and recognised brands we own and operate offer, delivered through a bespoke approach. Our four core brands, art'otel, Park Plaza, Arena Hotels & Apartments, and Arena Campsites are mutually complementary, vibrant, unique, and continually evolving. In addition, we secured an agreement to operate Grand Hotel Brioni Pula as a Radisson Collection property in 2022 and in 2024 we are further expanding our brand portfolio with two Radisson RED hotels.

Further information about Arena can be found on page 8 to 11 of the 2023 Annual Report & Financial Accounts.

Our Approach to Sustainability Reporting

The Group has further strengthened its ESG reporting to provide greater and more transparent information to all our stakeholders as it prepares for Compliance with the EU Corporate Sustainability Reporting Directive (CSRD), which came into force on 5 January 2023.

The 2023 Sustainability Report has been prepared with reference to the Global Reporting Initiative (GRI) Standard, however, as required by the CSRD, Arena's 2024 Sustainability Report will transition and align reporting to European Sustainability Reporting Standards (ESRS). Therefore, references to ESRS have been made in this year's GRI report to highlight forthcoming transformation and developments to the sustainability report for the year 2024. This report is consistent with our 2021 and 2022 Sustainability Reports, which were part of our Annual Report for the respective financial years, and they can be found on our corporate website (https://www.arenahospitalitygroup.com/en/investors/reports).

GRI Framework

The GRI framework is a globally accepted standard that can be used by any organization to report publicly on economic, environmental, and social impacts. This report has been prepared using "The Reporting Principles for defining report content" which embraces the following principles:

- Stakeholder Inclusiveness
- Sustainability Context
- Materiality
- Completeness

"The Reporting Principles for defining report quality" ensure the quality of information, including the best possible presentation that will enable stakeholders to make reasonable assessments of the disclosed information and to take appropriate actions. The principles are based on:

- Accuracy
- Balance
- Clarity
- Comparability
- Reliability
- Timeliness

Sustainability reporting to the GRI framework is important as it brings real transparency and credibility to our reports, allowing our stakeholders – both internal and external – to understand our progress against our target and form opinions and decisions on the disclosure we provide. This level of reporting is a cornerstone of our approach to sustainability and drives Arena Group to maintain its focus on our stated sustainability-related goals.

Sustainability Strategy

OUR VISION

As we strengthen and expand our hospitality portfolio, we know that the success of our business is intrinsically linked to our ability to change, evolve, and grow sustainably. We recognise the importance of looking after our people, local communities, and our planet.

We aim to establish Arena Hospitality Group d.d. as a leader in sustainable and responsible tourism across the CEE region, centred around quality, excellence, stakeholder engagement, local community inclusion and environmental, economic and social impact.

OUR PURPOSE

Our purpose as a Group is to create memories for our guests in premium destinations. We aim to exceed their expectations through excellent service in locations they will remember, and to which they will return. Within this, our sustainability purpose encompasses:

1. the **well-being of all our partners**, , essentially our employees, our guests, and our local communities.
2. the **Development of sustainable tourism** through aligned products, services, business operations and our supply chain.
3. a **healthy planet** which will be support by managing our resources sustainably and limiting our impact on the environment as we grow as a business.

Our sustainability strategy is an inextricable part of how we do business and is guided by our embedded principal values:

1. **Outstanding services and guest experience** where we continually strive to deliver service excellence and memorable experiences to all our guests.
2. **Zero impact** as we seek to operate with zero impact on the environment.
3. **Trust** established through the way we conduct business, focused on social, economic, and environmental sustainability goals, to build mutual trust between all parties and stakeholders.
4. **Sustainability and viability for the long term** with a high level of attention to reducing our consumption of natural resources through operating sustainably and environmental protection efforts.
5. **Confidence** with a focus on integration with our local community, as well as respect and promoting heritage and culture.
6. **Transparency and integrity** instilled across the business and corporate governance.
7. **Employee development and growth** to create a desirable and safe workplace, encourage a learning culture and positive employee engagement to support overall employee wellbeing.

Sustainability Framework

The growing focus on sustainability is changing the definition of responsible business. Through engagement, we understand the priorities of our stakeholders, and this is helping us to develop our products, services, and investments in a more sustainable and social manner. Details of our materiality assessment to identify material risks is fully disclosed under the GRI Report GRI 3: Material Topics on page 82 of this report.

Our sustainability framework represents the Group's holistic approach to balance people, planet, and our long-term business strategy. As a responsible business, we prioritise environmental and social concerns and through policy we clearly define the methods and measures that we use to assess the Group's environmental and social impact, as well as its governance practices on the communities in which it operates.

Our Environmental, Social and Governance initiatives and goals are closely linked with the Arena's vision, values, and growth strategy. Whilst we can relate our activities to most of the 17 UN Sustainable Development Goals (SDGs), there are 13 SDGs which align with our sustainability goals These goals have been reviewed and approved by our Board.

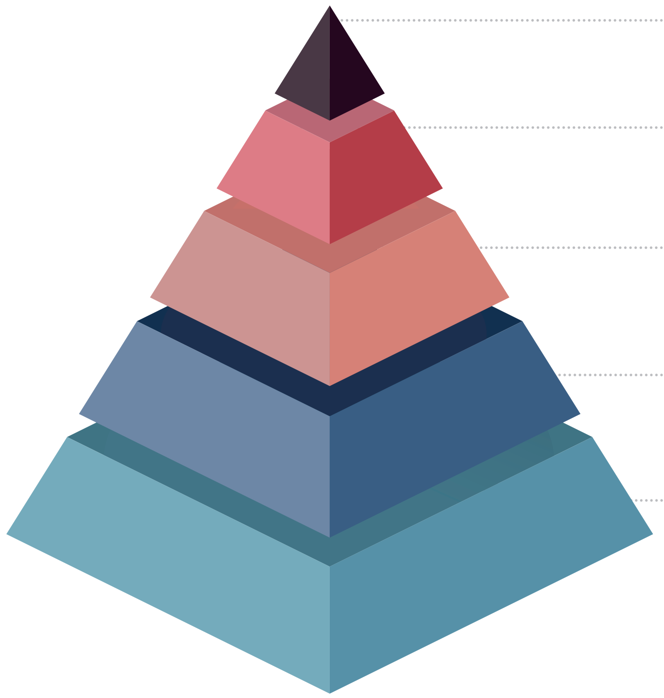
In 2017 we established our Responsible Business Programme and since then we have continually evolved and adapted our Sustainability strategy to support the ever-changing landscape and ensure engagement at all levels of the Group's operations. We consider, measure and report against Environmental, Social and Governance (ESG) factors, the methodology of which is set out below. The Responsible Business Programme is an assimilation of our operational plans, policies, business processes and standards all of which support and reinforce our sustainability initiatives.

The Group remains committed to its strategic objective to strengthen and expand its hospitality portfolio within the CEE region. We recognise the importance of developing our products, services, and investments in an increasingly sustainable and social manner and we strive to go well beyond our compliance obligations. Our aim is to generate long-term competitive advantage through our sustainable approach.

Our Sustainability Governance

The Supervisory Board has set the strategic direction through the Group's governance structure to ensure that the business has a robust ESG strategy. We established a dedicated Sustainability Committee to design and implement the Group's sustainability strategy and provide the Supervisory Board with full oversight on all matters related to sustainability ESG.

Below is the Group's organisational structure for sustainability governance.



Aligning Business to our ESG Strategy

Our implementation plan is to divide the ESG strategy into manageable workstreams across the Group to engage with all the responsible functions within the Group and allocate ownership and responsibilities. This will involve setting up formal procedures to ensure there is adequate knowledge sharing, progress monitoring and a control framework which manages every phase of our ESG roadmap.

Our Steering Group comprises Group-wide cross-functional members of varying specialisations who are responsible for driving our ESG strategy goals and targets and it includes representatives from various departments throughout the organisation, such as our hotels and resorts. Together they deliver the Group's Sustainability Strategy.

Sustainability Focus Areas

Our Sustainability targets are based on three pillars:

1. **Environmental** considers our consumption of natural resources, our impact on the environment and how we manage associated environmental risks. Environmental risk can have a significant impact on the tourism sector and the Group is committed to its climate action goals.

2. **Social** looks at how we maintain connections with our workforce, suppliers, customers, and the communities in which we operate, and what impact the Group has on people at each stage of the value or supply chain.

3. **Governance** is concerned with leadership, executive remuneration, corruption, audits, internal controls, and shareholder rights.

We have identified 16 focus areas to achieve within the above three pillars based on our approach and the goals timeline would be established during 2024 and published in our next sustainability report:

Environmental – 'Advancing to Net Zero'

Having considered our energy and water consumption, carbon footprint, waste generation, and overall pollution below are our overreaching environmental initiatives we are committed to establishing goals in the below focus areas:

Achieving net zero GHG emission status by 2040

Continuous reduction of our annual GHG emissions

Decreasing our energy consumption by generating our own electricity supply through photovoltaic production and energy efficient initiatives. Reorientating to renewable sources of electricity wherever possible, with a view to having 100% renewable sourcing of electricity.

Reducing our waste intensity

Aiming to have zero waste to landfill.

Reducing single-use plastic to zero and reducing disposable plastic progressively

Reducing water consumption

Maintain biodiversity in our managed properties.

Social – 'Passion in People'

Our focus is on stakeholder relationships, including relationships with employees, guests, the local community, and society. Our employees are at the centre of our Sustainability strategy and social initiatives, and we continually invest in their well-being and development for growth.

Maintain a high employee engagement rate, which is measured by our Group-wide employee engagement survey for employee satisfaction.

Representation of women at all levels across the Group

Employee learning and development focus on increasing training hours per employee

Double our investment in community initiatives to promote local culture and architectural heritage, to promote our contribution to local community infrastructure and offer training and skills to develop employability of local people of all ages, including youth.

Supplier engagement and due diligence with 100% ESG screening.

Governance – 'Continuous improvement'

Governance factors focus on all aspects of governance within an organisation, including how decisions are made, who makes business decisions and how processes are completed. Arena's main governance focus areas are:

Adopt European sustainability standard ESRS

Ensure anti-corruption and anti-bribery training is delivered to all team members.

Refresh and launch our updated Ethical Business Practices programme.

Timeline & Horizon

2016
Launch of Green Arena CSR Initiative

2017
Responsible Business Strategy with KPI Reporting

2018
Materiality Survey. Established as Baseline year for goals tracking

2019
Responsible Business Program with UN SDG adoption

2020
First GRI based reporting

2022
Formation of Supervisory Board Sustainability Committee and ESG,New Materiality Assessment, Comprehensive ESG Reporting, DEKRA limited Assurance

2023
Established sustainability Steering Group, New GRI Reporting, New ESG Strategy, Climate Risk Analysis in Croatia, Green Key Certification, Renewable Energy Sourcing

2024
Planned ESRS reporting, Double Materiality Assessment, Groupwide Climate Risk Assessment, Responsable Development certification

Journey to Net Zero

ARENA'S JOURNEY TO NET ZERO BY 2040

Arena is continually evolving its ESG strategy in support of our purpose, including to reduce greenhouse gas emissions in our endeavour towards achieving our Net Zero target by 2040.

CLEAN AND RENEWABLE ENERGY INITIATIVES

Our ESG Steering Group in Croatia and Germany has successfully achieved Green Key certification for our hotels, campsites and resorts. The Green Key certification is a leading standard for excellence in the field of environmental responsibility and sustainability operations throughout our business operations. This initiative is an essential program across our business involving our employee engagement, guest experience and impact on our local communities.

Our standard operating practices include the management of onsite energy, including control and monitoring systems. As part of improving energy efficiency, we are increasingly replacing light bulbs with more energy efficient LEDs alternatives throughout our operations, alongside installing a new standard of energy-efficient lighting solutions.

Through responsible sourcing we continue to move our procurement towards renewable sources wherever practically possible. Consequently, we have now contracted sourcing of 'Green Energy" from renewable sources. In Austria, we sourced directly from the renewable energy producer. In Germany, Croatia (effective August 2023) and Hungary, we sourced renewable energy indirectly via procuring guarantees of origin issued by certified registries.

The generation of renewable electricity on site is part of our net zero roadmap and we have signed an agreement to install and implement solar plants in four locations in Croatia, which we anticipate will be operational during 2024.

We also increased on-property offering of electric vehicle charging stations in our hotels and resorts in Croatia in 2023 and aim to expand this in the coming years to boost and adapt to lower emission practices.

In Croatia, we participated in CO_2 compensation and offsetting initiative whereby our team members helped plant 3000 trees to increase afforestation and thus improve the environment. This initiative also endorses our target of reforestation and preservation of biodiversity.

CLIMATE CHANGE RISKS AND OPPORTUNITIES

As part of our proactive approach to risk management we maintain a clear view of our most prominent threats and continually reassess emerging risk trends, and we have concluded a thorough climate risk assessment for each of our sites with our partner. This will now enable us to monitor and implement medium to long-term strategy to help mitigate the risk of climate change to our business.

As part of our Sustainability Framework we have planned to revisit our existing materiality assessment of key topics carried out in 2022 and are undertaking a robust double materiality assessment planned in 2024. It is our ambition to validate our emissions targets and review, giving full consideration by using Science Based Target initiative. We plan to carry this out in conjunction with PPHE Hotel Group thus leveraging and sharing best practice in the wider group.

In 2023, due to increasing requirements in ESG reporting, the Group decided to use a new tool for climate risk assessment – CLIMATIG. It uses data from different climate models for multiple scenarios (RCP4.5, RCP8.5), satellite data and historical data to create its own climate risk predictions models for all hazards. All climate risks calculated by CLIMATIG are assessed at a high resolution of 10m and the temporal resolution is on an annual basis. The CLIMATIG Score (CS) is a composite risk index calculated for each individual hazard. It includes the data on specific climate variables and the asset location information.

More details have been provided in the Appendix of this report.

WATER MANAGEMENT

As part of our water management initiative to reduce water withdrawal and use, we have implemented a life cycle assessment of our water taps and shower heads throughout our hotels, resorts and campsites. This program aims to replace all these fixtures with new water-saving fixtures and, in many instances, reduce the flow of water whilst maintaining the customer experience.

In Germany, all showers have been fitted with new fixtures which reduce the water flow to 6 to 9 litres per minute on average. These fixtures have also been fitted as standard during the Group's recent investment projects, such as Hotel Grand Brioni, art'otel Zagreb, Radisson RED Belgrade, where guest room showers have reduced water consumption of less than 9 litres per minute on an average.

We are now looking to replace older water fixtures with new water-saving fixtures in other parts of the business as part of our capital replacement cycle.

WASTE MANAGEMENT

Our waste management strategy focuses on reducing overall waste produced, through recycling of waste and the diversion of waste from landfill.

In Germany, our waste is diverted from landfill and sent to energy incineration.

In Croatia, we have an extensive waste management process covering our 20 hotels, campsites, and apartment resorts through a centralised waste management department. We segregate our total waste from all our sites in a central location where the waste is registered and the majority is recycled through regulated service providers.

We have piloted and implemented two food recycling machines, which facilitate converting food waste to compost. This is over and above our kitchen standards, which aim to reduce overall food waste on a day-to-day basis.

For many years, our Group has implemented a waste reduction policy, including sorting by type, to minimize direct disposal to landfill. The Group has signed contracts with local city companies that are responsible for taking over sorted waste (in the area of Pula "Herculanea" d.o.o. and in the area of Medulin "Med Eko servis" d.o.o.). These companies also take municipal mixed waste to ŽCGO Kaštijun d.o.o. (County Centre for Waste Management Kaštijun). ŽCGO Kaštijun uses the material and energy potential of waste throughout mechanical-biological processing. At the end of the process, 9% of the waste remains permanently at the landfill. (more details on www.kastijun.hr). ŽCGO Kaštijun was founded in 2007 in accordance with the national program of the Republic of Croatia, and the founders were Istarska Županije and the City of Pula. ŽCGO Kaštijun has ISO 9001 and ISO 14001 certificates.

REDUCTION OF SINGLE USE PLASTIC

To mitigate the overall use of plastic as part of our pledge to safeguard to environment, we are reducing the use of single-use plastic amenities in our hospitality portfolio and, wherever possible, expanding the use of recyclable plastic.

Recognitions

ŠUMOBORCI
Compensating by plating campaign.

CHARTER OF DIVERSITYI
Signing of the Charter of diversity.

HEALTH & SAFETY CERTIFICATIONS

SAFE TRAVELS

SGS SAFETY PROTOCOL

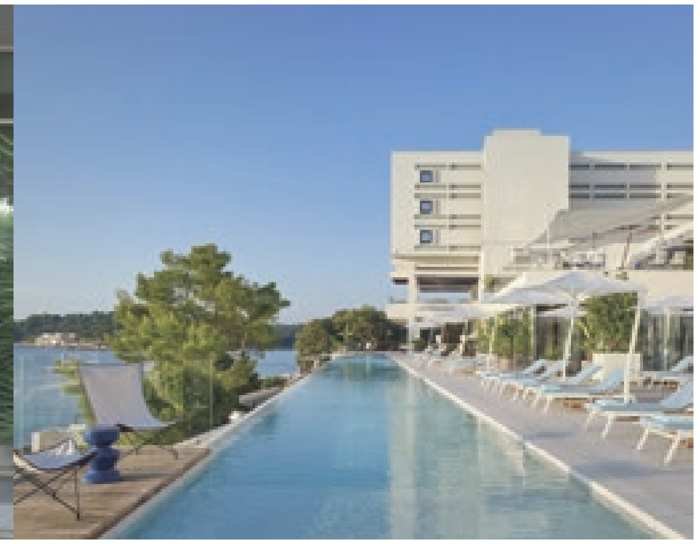
SAFE STAY IN CROATIA

SUSTAINABILITY CERTIFICATIONS

GREEN KEY
Croatia + Germany

TRAVELIFE GOLD
TUI Blue Medulin, Park Plaza Histria

BLUE FLAG
Ambrela Beach, Yacht Beach



AWARDS

HRIO
HRIO award in children rights

CROATIA'S BEST CAMPSITES
Arena Stoja Campsite, Arena Grand Kažela Campsite, Arena One 99 Glamping (awarded by Croatian Camping Association)

ADAC
Superplatz – Arena Grand Kažela Campsite (awarded by ADAC)

HOTEL OF THE YEAR
Grand Hotel Brioni Pula, A Radisson Collection Hotel (awarded by Croatian Ministry of Tourism & Sport & Croatian Chamber of Commerce and Croatian Tourist Board)

General Disclosures

GRI 2: General Disclosures 2021

(According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of Directive 2013/34/EU, ESRS 1 5.1, ESRS 2 BP-1 §5 (a) and (b) i, ESRS 1 §73, ESRS 2 SBM-1 §40 (a) i to (a) ii, (b) to (c), §42 (c), ESRS 2 SBM-1 §40 (a) iii; ESRS S1 S1-6 §50 (a) to (b) and (d) to (e), §51 to §52, ESRS S1 S1-7 §55 to §56)

The organization and its reporting practices
11.Accommodation and food services

Disclosure 2-1 Organizational details

GRI REQUIREMENT	DISCLOSURE
Legal name	Arena Hospitality Group d.d
Nature of ownership and legal form	Arena Hospitality Group d.d. is a joint stock company
Location of headquarters	Pula, Croatia
Countries of operation	Croatia, Germany, Austria, Hungary and Serbia

Disclosure 2-2 Entities included in the organization's sustainability reporting

Subsidiaries included in the Group including Jointly controlled entities. See Annual report page 222-223.

Disclosure 2-3 Reporting period, frequency, and contact point

GRI REQUIREMENT	DISCLOSURE
Reporting period for sustainability reporting	The reporting period is 01 January 2023 until 31 December 2023 inclusive
Frequency of sustainability reporting	Sustainability reports are published annually
Reporting period for financial reporting	Financial reporting period and the sustainability reporting period are the same
Publication date of report	29 February 2024
Contact point for questions	Sandra Kalagac Sustainability Manager Arena Hospitality Group d.d. HR-52100 Pula, Croatia Smareglina ulica 3 Tel: + 385 52 223 811
Persons with key sustainability responsibilities	Devansh Bakshi Member of the Management Board and Chief Financial Officer Responsible for: Appointment of Group Sustainability processes and services

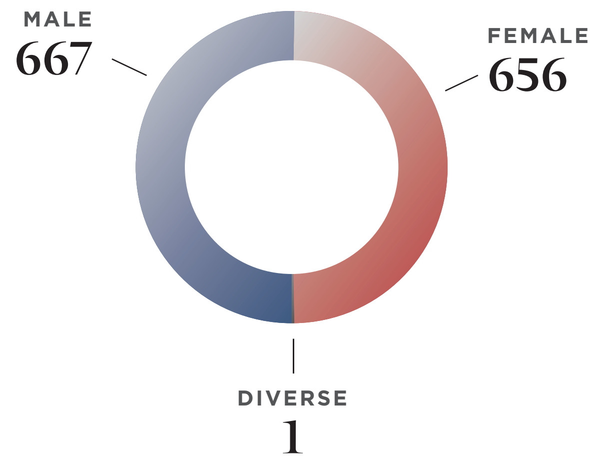
Disclosure 2-6 Activities, value chain and other business relationships

PRIMARY ACTIVITIES - Accommodation and food services

Company and business activities disclosed on Annual Report page 166.

Disclosure 2-7 Employees

HEADQUARTER LOCATION:	Pula, Croatia		
TOTAL REVENUE IN EUROS:	126.498 EUR'000		
	TOTAL	Permanent Employees	Temporary Employees
ALL GENDERS	1324	1100	224
MALE	667	-	-
FEMALE	656	-	-
DIVERSE	1	-	-



Throughout this report, the Full Time Equivalent (FTE) number is an estimate based on the total hours paid for all employees divided by the hours paid for an average full-time employee to arrive at a total for FTE Employees.

Disclosure 2-8 Workers who are not employees.

Approximately 210 FTE "workers" are identified in this document are students.

Material topics

GRI 3: Material Topics 2021

(According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of ESRS 2 BP-1 §AR 1 (a); IRO-1 §53 (b) ii to (b) iv, ESRS 2 SBM-3 §48 (a) and (g)

Disclosure 3-1 Process to determine material topics

We periodically assess our material topics to ensure that our Responsible Business Programme evolves and aligns with the following considerations, namely,

1. The direct relevance to Arena business activities

2. Alignment with the reporting and transparency requirements of our key stakeholders including majority shareholder PPHE

3. Overlap with reporting requirements and obligations within our operating markets.

Our Responsible Business Programme is designed to create and support a long-term approach to sustainable business. It ensures that our sustainability initiatives and plan are aligned with our business operational processes and our service standards.

We continually assess our material issues to ensure that our sustainability strategy is aligned to the issues that matter the most to our stakeholders. Working closely with PPHE Hotel Group we have aligned material issues that were identified through an extensive materiality assessment carried out by PPHE Hotel Group.

The material themes have been adopted by the Group in our ESG data collection and reporting, subject to local adjustment for the Group's specific regional operating markets. This approach is considered appropriate given that:

1. PPHE Hotel Group is a major financial stakeholder of Arena

2. PPHE Hotel Group has a similar business model, as a hotel owner operator and therefore has a similar material concern to Arena

3. Both PPHE Hotel Group and Arena report certain ESG and financial information together as Arena is part of PPHE Hotel Group's reporting.

Disclosure 3-2 List of material topics

There are no changes to the list of topics reported from the previous year. We have thus identified the following topics as material for the Group, sorted according to the broad sustainability themes: Governance, Social and Environmental:

Governance
- Corporate Governance
- Corruption

Social
- Health and Safety
- Diversity & Equal Opportunity
- Collective Bargaining
- Human Rights
- Training and Skills
- Community and Social Impact

Environmental
- GHG Emissions
- Water
- Waste
- Energy
- Biodiversity

Governance Indicators

Disclosure 2-9 Governance structure and composition

(According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of ESRS 2 GOV-1 §21, §22 (a), §23; ESRS G1 §5 (b))

Information on the Company's governance structure and composition, including the Supervisory Board as the highest governance body, can be found in the Governance section of the 2023 Annual Report & Financial Accounts on pages 125-129.

The Supervisory Board has established four committees each consisting of up to four member. This includes the Sustainability Committee which was established in 2022 and is responsible for overseeing the management of impacts on the economy, environment, and people.

The Supervisory Board has seven non-executive members and no executive members. The Company confirms the independence of the Supervisory Board at the time of issuing of this Report.

There is one member of the Supervisory Board who served less than two years, and there are six members of the Supervisory Board who served for at least two years. There are no other significant positions or commitments held by the Supervisory Board members that could compromise their ability to perform their duties in the Company.

In terms of gender composition, the Supervisory Board has four male members, three female members and no non-binary members. The Supervisory Board as the highest governance body has one member, Mrs Lorena Škuflić, with specific competencies relevant to the sustainability impacts of the Company. Mrs Škuflić chairs the Company's Sustainability Committee and is a member of the International Association for Sustainable Economy and an advisor for International Sustainable Business affairs. There are no Supervisory Board members representing under-represented social groups or stakeholders.

Disclosure 2-10 Nomination and selection of the highest governance body

(According to the GRI-ESRS Interoperability Index, this topic is not covered by the list of sustainability matters in ESRS 1 AR §16)

Six members of the Supervisory Board of the Company are elected by the General Assembly of the Company and one member may be appointed by the Company's employees' council. The Supervisory Board members of the Committee are appointed by the Supervisory Board. The appointment of each member is based on each members competencies and expertise relevant to the Group's sustainability impact, as well as independence, diversity, and views of relevant stakeholders. In addition, the Nomination Committee is authorised to oversee the nomination process for the highest governance body members and to develop role and candidate requirements consistent with outlined criteria.

Disclosure 2-13 Delegation of responsibility for managing impacts

According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of ESRS 2 GOV-1 §22 (c) i; GOV-2 §26 (a); ESRS G1 G1-3 §18 (c)

The Group's ESG initiatives and efforts are supported by a robust governance structure. The Supervisory Board formed a dedicated Sustainability Committee in 2022 in recognition of the long-term impact of environmental and social considerations to both the Group, as well as the economy and environment. In addition, the Group appointed an ESG Manager, responsible for the management and regular reporting on of Arena's impacts on the economy, environment, and people.

The Group places great emphasis on close engagement with its relevant stakeholders – investors, employees, unions, suppliers, public authorities, and local communities. In practice, the engagement happens usually upon relevant stakeholders raising their concerns with the designated Group structures, and it responds promptly and thoroughly. Depending on the severity of the concern raised, Management may be involved directly or indirectly.

The Management also regularly communicates with the relevant stakeholders regarding the Group's strategy, future plans and positions. It continues to engage with its suppliers to help achieve its ESG initiatives and has invested in online solutions to make supplier assessment and screening seamless to ensure compliance with its sourcing policy. Based on monthly communication and delivery of data, the analysis of the process is carried out, possible problems are determined, and the implementation of tasks and goals is evaluated. The report is submitted quarterly to the Sustainability Committee for further analysis to implement the assigned tasks and goals in the best possible way.

Disclosure 2-14 Role of the highest governance body in sustainability reporting

According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of ESRS 2 GOV-5 §36; IRO-1 §53 (d)

The Supervisory Board established a Sustainability Committee that considers the reported information and supports the Supervisory Board's review process in relation to reported information and the Group's material topics.

Disclosure 2-19 Remuneration policies

According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of ESRS 2 GOV-3 §29 (a) to (c); ESRS E1 §13

In 2020, the Supervisory Board of the Company adopted, and the General Assembly of the Company approved, the Management Board Remuneration Policy ("Policy") that introduced the framework for the remuneration of Company's members of the Management Board and that applies as of January 2021. The Policy ensures that the Company applies performance-based remuneration that will reward its Management Board members for their commitment to Company's strategy in an understandable, transparent, and clear manner. The remuneration of the Supervisory Board members has been determined by the decision of the General Assembly adopted on 30 August 2017. Both Management Board Remuneration Policy and the Decision of the General Assembly on the remuneration of the Supervisory Board members are published on the Company's corporate web page (https://www.arenahospitalitygroup.com/).

Pursuant to the Management Board Remuneration Policy, the remuneration of members of the Management Board consists of fixed remuneration, variable remuneration and other benefits. Variable remuneration depends on the assessment of the performance of the members of the Management Board in combination with the overall financial and operational result of the Company on an annual basis. Various factors shall be considered as key performance indicators of success to determine the exact amount of the variable remuneration. Remuneration is not linked to environmental or social performance criteria.

Disclosure 2-23 Policy commitments

(According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of ESRS 2 GOV-4; MDR-P §65 (b) to (c) and (f); ESRS S1 S1-1 §19 to §21, and §AR 14; ESRS S2 S2-1 §16 to §17, §19, and §AR 16; ESRS S3 S3-1 §14, §16 to §17 and §AR 11; ESRS S4 S4-1 §15 to §17, and §AR 13; ESRS G1 G1-1 §7 and §AR 1 (b))

As a prime listed company on the Zagreb Stock Exchange, Arena, its subsidiaries, affiliates, and managed hotels operating in all countries, including all Arena Hospitality Group companies, acknowledge its obligations to ensure comprehensive social, ethical, and environmental practices within its operations and within its supply chain in every market in which it operates. As part of this acknowledgement Arena has implemented various policies of social responsibility publicly available on its webpage (www.arenahospitalitygroup.com), including, amongst others, a Code of Conduct, a Supply Policy, a Human Rights Policy etc. The Group also implements a (due diligence) compliance questionnaire in relation to the supply chain, available at the listed website.

The Human Rights Policy was approved at a meeting of the Supervisory Board on 25 February 2022. The Human Rights Policy defines the basic standards of human rights which the Group will always respects and which the Group expects business partners to comply. These standards of human rights also form the basis of our Responsible and Ethical Sourcing Policy. In addition to its basis in relevant local and national legislation, this policy is drawn from:

1. The United Nations (UN) Universal Declaration of Human Rights, which defines the rights every human being is entitled to, covering areas such as employment, education and dignity, and

2. The International Labour Organization (ILO), a UN agency whose mission is to promote rights at work; encourage decent employment opportunities; enhance social protection, and strengthen dialogue in handling work-related issues. Its conventions create the framework for ethical labour standards.

The Human Rights Policy sets out the following operational requirements: (i) all employment is freely chosen (no forced, bonded or prison labour) (ii) Freedom of association and the right to collective bargaining are respected (iii) Working conditions are safe and hygienic (iv) Child labour shall not be used (v) Living wages are paid (vi)Working hours are not excessive (vii) No unlawful discrimination is practised (viii) No harsh or inhumane treatment is allowed.

The policy commitments apply to all the Group's activities and business relationships equally. the Group communicates the policy commitments through internal channels, meetings, dedicated websites, and contractual agreements.

Disclosure 2-28 Membership associations

(According to the GRI-ESRS Interoperability Index, 'Political engagement' is a sustainability matter for G1 covered by ESRS 1 §AR 16. Hence this GRI disclosure is covered by MDR-P, MDR-A, MDR-T, and/or as an entity specific metric to be disclosed according to ESRS 1 §11 and pursuant to MDR-M)

Arena is the member of the following industry associations, membership organizations, and national or international advocacy groups:

- Croatia Tourist Board
- Istria Tourist Board
- Medulin Tourist Board
- Pula Tourist Board
- Croatian Tourism Association (HUT)
- Association of Croatian travel agencies (UHPA)
- Croatian Chamber of Economy (HGK)
- Croatian Camping Union (KUH)
- Association of Employers in Croatian Hospitality (UPUHH)
- American Chamber of Commerce in Croatia (AmCham)
- Croatian Meeting Professionals Association
- DEHOGA - Deutscher Hotel-und Gaststättenverband
- VDR - Germany's business travel association
- Deutsch-Niederländischen Businessclub Berlin
- SKAL International, professional organization promoting global Tourism and friendship
- Privredna komora Srbije - Serbian Chamber of Commerce
- Poslovno udruženje hotelsko ugostiteljske privrede Beograd - Business Association of Hotel and Restaurant Industry Serbia
- Magyar Szállodák és Éttermek Szövetsége- Hungarian Hotel Association

Disclosure 2-29 Approach to stakeholder engagement

(According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of ESRS 2 SMB-2 §45 (a) i to (a) iv; ESRS S1 S1-1 §20 (b); S1-2 §25, §27 (e) and §28; ESRS S2 S2-1 §17 (b); S2-2 §20, §22 (e) and §23; ESRS S3 S3-1 §16 (b); S3-2 §19, §21 (d) and §22; ESRS S4 S4-1 §16 (b); S4-2 §18, §20 (d) and §21)

Arena places significant emphasis on actively engaging with its key stakeholders, including employees, guests, investors, unions, suppliers, public authorities, and local communities. While there is no formalised structure dictating the frequency and format of these interactions, engagement typically occurs when relevant stakeholders' express concerns to the designated company structures. The Group promptly and comprehensively responds to such requests, with management involvement varying based on the gravity of the issues raised.

Additionally, the management consistently communicates the Group's strategy, future plans, and positions to relevant stakeholders. Arena is committed to ongoing collaboration with suppliers to support its Environmental, Social, and Governance (ESG) initiatives. It has implemented online solutions for seamless supplier assessment and screening to ensure compliance with its sourcing policy, starting with a pilot program in Croatia with plans for expansion across the entire Group.

In terms of guest engagement, Arena actively communicates directly with guests, manages its online reputation, and integrates guests into matters important to the company. In 2023, the Group launched the 'Stay for Good' campaign in partnership with UNICEF Office for Croatia, aimed at promoting children's rights and solidarity with vulnerable children in Croatia. Guests at selected hotels, resorts, and campsites in Croatia had the opportunity to make voluntary donations upon check-out. All funds collected were utilised to support children with developmental difficulties, those without appropriate parental care, families facing challenging conditions, and children and young people with mental health issues in Croatia.

This initiative, along with other activities focused on children's welfare, earned Arena Hospitality Group d.d. the prestigious Croatian Sustainability Index (HRIO) award in the 'Children's Rights' category at the 15th Sustainable Development Conference. The conference, organised by the Croatian Business Council for Sustainable Development (HR PSOR HR BCSD) under the patronage of various governmental bodies and the European Union Funds, recognised the company's efforts in supporting children's rights.

Employee engagement is facilitated through an annual employee engagement survey called "Let's Talk," while the internal mobile communication platform called "Arena Connect Team" informs employees about the news, encourages participation in chat discussions or allows employees to submit queries directly to the CEO.

Furthermore, Arena engages with local communities through participation in national and local tourist boards, as well as major health, culture, and sports institutions. In dealing with unions, the group fosters an open dialogue and maintains a positive partnership relationship.

Disclosure 2-30 Collective bargaining agreements

(According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of ESRS S1 S1-8 §60 (a) and §61)

98%
of full-time employees are covered by collective bargaining agreements

The Group determines working conditions for 98% of employees based on collective bargaining agreements and in some instances where it is not applicable the working conditions are determined based on laws in force.

Anti-corruption

GRI 205: Anti-corruption 2016

According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of ESRS G1 G1-1 §7; G1-3 §16 and §18 (a) and §24 (b), ESRS G1 G1-3 §AR 5, ESRS G1 G1-3 §20, §21 (b) and (c) and §AR 7 and 8, ESRS G1 G1-4 §25

TOPIC MANAGEMENT DISCLOSURES
Disclosure 205/3-3 Topic Management Approach

The Group is committed to maintaining principles of good corporate governance and regulatory compliance. The Group does not have a history of association with corrupt activity or corruption risks. The Group does not operate casinos and is therefore not considered to be a high-risk vehicle for non-transparent financial flows.

The Group has a zero-tolerance policy on bribery and corruption which extends to all business dealings and transactions in which we are involved. The policies are consistent with the United Nations Convention Against Corruption. This includes a prohibition on making political donations, offering, or receiving inappropriate gifts or making undue payments to influence the outcome of business dealings. Our robust policy and guidance in this area are routinely reviewed to ensure up to date compliance. Every new team member is required to review our Code of Conduct and Gift policy which are seen by the HR department. The Group applies its Code of Conduct which specifies, among other things:

- Responsible and Ethical Sourcing Policy for suppliers
- Zero tolerance with respect to Bribery and Corruption
- Zero tolerance with respect to Fraud and theft
- Receiving gifts and Bribery.

TOPIC DISCLOSURES
Disclosure 205-1 Operations assessed for risks related to corruption

100%
of operations have been reviewed for risks related to corruption.
Zero Corruption risks identified in 2023.

Disclosure 205-2 Communication and training about anti-corruption policies and procedures

Communication of the organization's anti-corruption policies and procedures to governance bodies members

TOTAL NUMBER
7

PERCENTAGE (%)
100%

Communication of the organization's anti-corruption policies and procedures to employees

ALL
557
NEWLY EMPLOYED (42%)

Disclosure 205-3 Confirmed incidents of corruption and actions taken

	CASES 2023	CASES 2022	CASES 2021	COMMENT
Total number and nature of confirmed incidents of corruption	0	0	0	None
Total number of confirmed incidents in which employees were dismissed or disciplined for corruption	0	0	0	None
Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption	0	0	0	None

Zero legal cases relating to corruption have been brought against Arena in 2023.

Raising Awareness on Corruption Related Risks

The legal and HR department are in constant dialogue with colleagues from other departments, and with Management Board and Supervisory Board members in order to avoid future risk of corruption and bribery actions. It is through such constant communication that the team members are being reminded of legal and reputational obligations, consequences, and repercussions of actions in relation to bribery and corruption.

Social Indicators

GRI 403: Occupational Health and Safety 2018

(According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of ESRS S1 S1-1 §17; §20 (c); S1-2 §27; S1-4 §38; §39; §AR 40 (a); S1-5 §44; §47 (b) and (c); ESRS S2 §11 (c); S2-1 §14; §17 (c); S2- 2 §22; S2-4 §32; §33 (a) and (b); §36; §AR 33; §AR 36 (a); S2-5 §39, §42 (b) and (c), ESRS S1 S1-1 §23, ESRS S1 S1-14 §88 (a); §90, ESRS S1 S1-4, §38 (a); S1-14 §88 (b) and (c); §AR 82)

Material topic: Health& Safety

TOPIC MANAGEMENT DISCLOSURES
Disclosure 403/3-3 Topic Management Approach

At Arena we along with good working practice, strive to professionally and responsibly establish, monitor and manage all aspects of occupational health and safety, timely identify risks and hazards at workplaces.

Furthermore, by carrying out timely and continuous education of all our employees, which we carry out internally and in cooperation with authorized companies, we act preventively at all levels of business, while medical examinations for almost all groups and categories of employees ensure tracking employees health and preventive action on the health of employees.

Group Management has the responsibility of establishing and promoting the Health and Safety Policy to lower-level management, so there are health and safety responsible individuals across the group are addition to the professional team in the central office in compliance with legal requirements.

Disclosure 403-1 Occupational health and safety management system

CROATIA	✓ An OHSMS is implemented	✓ An OHSMS is legally required
HUNGARY	✓ An OHSMS is implemented	✓ An OHSMS is legally required
SERBIA	✓ An OHSMS is implemented	✓ An OHSMS is legally required
GERMANY	✓ An OHSMS is implemented	✓ An OHSMS is legally required
AUSTRIA	✓ An OHSMS is implemented	✓ An OHSMS is legally required

TOPIC DISCLOSURES
Disclosure 403-8 Workers covered by an occupational health and safety management system

GRI REQUIREMENT

Employees and workers covered by such a system

NUMBER	1324
PERCENTAGE (%)	100

Disclosure 403-9 Work-related injuries

GRI REQUIREMENT

Number of recordable work-related injuries

	2023	2022
Employees	29	26
Workers	none	none

GRI REQUIREMENT

Rate of recordable work-related injuries

	2023	2022
Employees	14.26%	13.98%
Workers	none	none

Worker injury rate (number of reported injuries per million hours worked)

Training and Education

GRI 404: Training and Education 2016

(According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of ESRS S1 S1-1 §17; §20 (c); S1-2 §27; S1-4 §38; §39; §AR 40 (a); S1-5 §44; §47 (b) and (c); ESRS S2 §11 (c); S2-1 §14; §17 (c); S2- 2 §22; S2-4 §32; §33 (a) and (b); §36; §AR 33; §AR 36 (a); S2-5 §39, §42 (b) and (c), ESRS S1 S1-13 §83 (b) and §84, ESRS S1 S1-1 §AR 17 (h))

TOPIC MANAGEMENT DISCLOSURES
Disclosure 404/3-3 Topic Management Approach

The Group recognises the significance of investing in talents and cultivating a dynamic workplace that fosters the skill and knowledge development of our team members. Our commitment extends to acknowledging, retaining, and supporting the growth of our talents through diverse training programs and university tuition payments. Emphasising our core values — trust, respect, teamwork, enthusiasm, commitment, and care — creates a culture of engagement and value for our team members.

In 2023, actively participating in the "Development of occupational standards, qualification standards, and professional curricula for programs in the field of tourism and hospitality" initiative implemented by "KLIK Pula - Centre for Competent Lifelong Development of Innovative Knowledge and Skills in the tourism and catering sector" and in partnership with Pula School of Tourism, Hospitality and Trade, the Group directly contributed to shaping the future of education in the industry in the region.

Additionally, the first group of our team members successfully graduated from the personalised "Arena Management Development," delivered by the esteemed BHMS Business & Hotel Management School from Switzerland. This program, tailor-made to our needs and divided into four modules covering essential topics, ensures our team is equipped with the latest insights in hotel operations, hospitality human resources, finance in hospitality, and hospitality marketing and sales.

Furthermore, in 2023, we commend our valued team members who have successfully completed various learning and upskilling programs, including the lifelong learning program in Camping Resort Management and the "Specialist in Food and Beverage Department" program. These achievements underscore our commitment to providing growth opportunities, professional development, and a supportive environment for building fulfilling careers within our business.

Also, in collaboration with PPHE, the Group organised internal trainings including "Brand Immersion" and "Guest Experience" to ensure service quality and consistency with the brands.

TOPIC DISCLOSURES
Disclosure 404-1 Average hours of training per year per employee

EMPLOYEE CATEGORY	
all	
FEMALE	25,58
MALE	26,67
DIVERSE	0,00

Disclosure 404-2 Programs for upgrading employee skills and transition assistance programs.

Our programs are conceived with an aim to empower employees for performing their tasks in a more efficient way, which in turn makes them more engaged and productive. All learning and development programs provide for our employees' skills and knowledge improvements, their personal growth and development which can largely contribute to the quality of the service provided, hence to our business overall. It is another way to show that our company cares for its employees and creates a future employee's development path which increases motivation and loyalty. For this purpose, we have agreements with different educational institutions, private business educators and on the job training which are provided by our more skilled experienced employees. Such agreements and partnerships with external educational systems also aid us in transition assistance programs. Furthermore, we have a continuous partnership with the Association of Employers in Croatian Hospitality which provides us with constant online training sessions such as the Hotel Academy and similar.

Diversity and Equal Opportunity

GRI 405: Diversity and Equal Opportunity 2016

(According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of Directive 2013/34/EU ESRS S1 S1-1 §17; §20 (c); S1-2 §27; S1-4 §38; §39; §AR 40 (a); S1-5 §44; §47 (b) and (c); ESRS S2 §11 (c); S2-1 §14; §17 (c); S2- 2 §22; S2-4 §32; §33 (a) and (b); §36; §AR 33; §AR 36 (a); S2-5 §39, §42 (b) and (c), ESRS S1 §24 (a); ESRS 2 GOV-1 §21 (d); ESRS S1 S1-6 §50 (a); S1-9 §66 (a) to (b); S1-12 §79; and ESRS S1 S1-16 §97 and §98.)

TOPIC MANAGEMENT DISCLOSURES
Disclosure 405/3-3 Topic Management Approach

The Group is determined in its commitment to fostering respect, fairness, and equal opportunities, with zero-tolerance to any form of discrimination including workplace insults, humiliation, abuse, or harassment. Embracing diversity, we champion equal opportunities for team members, students, and guests, regardless of various factors such as age, disability, gender, race, religion, and more.

The Group operates in accordance with the Law on Suppression of Discrimination of the Republic of Croatia. At the highest governance levels, our commitment to diversity is reflected in the election and appointment of members to the Supervisory and Management Boards, which adhere to the Companies Act without limitations on diversity.

In a significant move, in 2023, Arena officially endorsed the Croatian Charter of Diversity, aligned with the European Commission's international initiative. This commitment promotes diversity, anti-discrimination, inclusiveness, and equal opportunities. By signing the Charter, we pledge to implement equal treatment policies, embrace diversity management, and actively prevent discrimination and harassment.

Moreover, as an associated partner in the "ACCESS" project - tourism for all, AHG is actively involved in educating team members on accessing and communicating with individuals with various forms of disability. This initiative, conducted in collaboration with the Society of Persons with Physical Disabilities of Southern Istria, the Family Accommodation Association of Istria, and the Tourist Board of the City of Pula, emphasises the importance of understanding and catering to the needs of people with disabilities in the tourism sector. This aligns with AHG's commitment to inclusivity, ensuring our services are accessible and welcoming to all.

TOPIC DISCLOSURES
Disclosure 405-1 Diversity of employees

DIVERSITY CATEGORIES	EMPLOYEES
Female	49,55%
Male	50,38%
Diverse	0,08%
< 30 years old female	132
30 - 50 years old female	315
> 50 years old female	209
< 30 years old male	168
30 - 50 years old male	307
> 50 years old male	192
< 30 years old other gendered	1
Contract type PART TIME	47
Contract type FULL TIME	1277

Disclosure 401-1 New employee hires and employee turnover

CATEGORY	TOTAL NUMBER OF NEW EMPLOYEES HIRES	TOTAL NUMBER OF EMPLOYEES TURNOVER
Total	231	236
Female	119	114
Male	112	122
Diverse	0	0

Disclosure 405-2 Ratio of basic salary and remuneration of women to men

LOCATION OF OPERATION
all

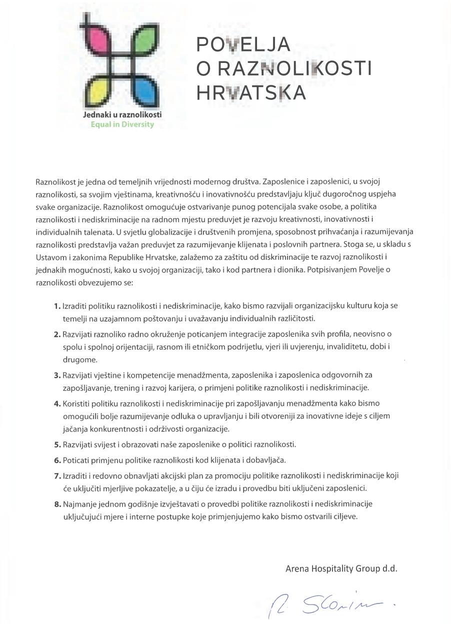
FEMALE
2,082.82 EUR

MALE
2,137.32 EUR

The ratio was only calculated for all operations without further breakdowns of specific locations.

0.97 WAGE DISTRIBUTION

Female to Male wage ratio (This is the ratio of the basic salary and remuneration of women to men


POVELJA O RAZNOLIKOSTI HRVATSKA

Jednaki u raznolikosti
Equal in Diversity

Raznolikost je jedna od temeljnih vrijednosti modernog društva. Zaposlenice i zaposlenici, u svojoj raznolikosti, sa svojim vještinama, kreativnošću i inovativnošću predstavljaju ključ dugoročnog uspjeha svake organizacije. Raznolikost omogućuje ostvarivanje punog potencijala svake osobe, a politika raznolikosti i nediskriminacije na radnom mjestu preduvjet je razvoju kreativnosti, inovativnosti i individualnih talenata. U svjetlu globalizacije i društvenih promjena, sposobnost prihvaćanja i razumijevanja raznolikosti predstavlja važan preduvjet za razumijevanje klijenata i poslovnih partnera. Stoga se, u skladu s Ustavom i zakonima Republike Hrvatske, zalažemo za zaštitu od diskriminacije te razvoj raznolikosti i jednakih mogućnosti, kako u svojoj organizaciji, tako i kod partnera i dionika. Potpisivanjem Povelje o raznolikosti obvezujemo se:

1. Izraditi politiku raznolikosti i nediskriminacije, kako bismo razvijali organizacijsku kulturu koja se temelji na uzajamnom poštovanju i uvažavanju individualnih različitosti.
2. Razvijati raznoliko radno okruženje poticanjem integracije zaposlenika svih profila, neovisno o spolu i spolnoj orijentaciji, rasnom ili etničkom podrijetlu, vjeri ili uvjerenju, invaliditetu, dobi i drugome.
3. Razvijati vještine i kompetencije menadžmenta, zaposlenika i zaposlenica odgovornih za zapošljavanje, trening i razvoj karijera, o primjeni politike raznolikosti i nediskriminacije.
4. Koristiti politiku raznolikosti i nediskriminacije pri zapošljavanju menadžmenta kako bismo omogućili bolje razumijevanje odluka o upravljanju i bili otvoreniji za inovativne ideje s ciljem jačanja konkurentnosti i održivosti organizacije.
5. Razvijati svijest i obrazovati naše zaposlenike o politici raznolikosti.
6. Poticati primjenu politike raznolikosti kod klijenata i dobavljača.
7. Izraditi i redovno obnavljati akcijski plan za promociju politike raznolikosti i nediskriminacije koji će uključiti mjerljive pokazatelje, a u čiju će izradu i provedbu biti uključeni zaposlenici.
8. Najmanje jednom godišnje izvještavati o provedbi politike raznolikosti i nediskriminacije uključujući mjere i interne postupke koje primjenjujemo kako bismo ostvarili ciljeve.

Arena Hospitality Group d.d.

Disclosure 401-3 Parental leave

GRI REQUIREMENT	TOTAL	FEMALE	MALE	DIVERSE
Total number of employees - entitled to parental leave	22	19	3	0

Freedom of Association and Collective Bargaining

GRI 407: Freedom of Association and Collective Bargaining 2016

(According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of Directive 2013/34/EU ESRS S1 S1-1 §17; §20 (c); S1-2 §27; S1-4 §38; §39; §AR 40 (a); S1-5 §44; §47 (b) and (c); ESRS S2 §11 (c); S2-1 §14; §17 (c); S2- 2 §22; S2-4 §32; §33 (a) and (b); §36; §AR 33; §AR 36 (a); S2-5 §39, §42 (b) and (c))

TOPIC MANAGEMENT DISCLOSURES
Disclosure 407/3-3 Topic Management Approach

Arena fully respects the rights of workers to join workers' associations (labour unions) as well as their right to leave workers' associations. We guarantee that no worker will be disadvantaged by being a member of an association or for participating or not participating in association activities. We continuously maintain and strive to regularly improve social dialogue and to fully protect the rights of workers and regulate their obligations and rights through collective agreements and their timely amendments and additions. We provide all necessary conditions for the activity of the works council. We act together with the works council in all cases prescribed by law and situations that benefit from the perspective of the works council, even though not mandatory. In Croatia Arena has implemented a company-specific collective agreement (CA) with the representative union. The collective agreement is regularly applied to the full extent. Any modifications to the CA are negotiated and discussed by the company's management and the union representatives and agreed upon in unison. Freedom of association of employees is exercised on the company level without any restrictions and is fully supported by the company's management. Our approach in all markets in which we operate is to pay out wages and other employee benefits and remunerations above the minimum amount prescribed by law, taking into consideration local and hospitality industry labour market trends. The collective agreement in Croatia is our instrument of regulation of wages and other benefits in aim to provide equal pay terms in same or similar jobs. The collective agreement regulates length of working hours, holidays and other absences which all have to be in compliance with the mandatory provisions of national labour laws.

TOPIC DISCLOSURES
Disclosure 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.

Arena has not conducted assessment(s) to determine if there are any risks to freedom of association and/ or collective bargaining within the workforce.

Local Communities

GRI 413: Local Communities 2016

(According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of Directive 2013/34/EU ESRS S3 §9 (b); S3-1 §12, and §16 (c); S3-2 §21; S3-4 §32 (a) to (d), §33 (a) and (b), §35, 36; §AR 31, §AR 34 (a); S3-5 §39, §43)

TOPIC MANAGEMENT DISCLOSURES
Disclosure 413/3-3 Topic Management Approach

As owners and operators of hotels, resorts, and campsites, Arena places a high priority on caring for our neighbourhoods and making meaningful contributions to local communities and their residents. We fulfil this commitment by supporting various stakeholders vital to community development and heritage preservation. This dedication is evident through a diverse range of events and partnerships with institutions and associations.

Our support extends to major cultural and sports events in South Istria, including the international Book Fair in Istria, Pula Cultural Summer events at the Small Roman Theatre and Pula Amphitheatre, Pula Marathon, and the Sailing Club Uljanik, among others.

Additionally, we provide ongoing assistance to healthcare institutions and organizations serving vulnerable members of society. In 2023, this included aiding Pula General Hospital in procuring equipment for the paediatric ward and supporting the Croatian Red Cross - City Society of the Red Cross Pula and Safe House Istria. Furthermore, Arena proudly serves as a gold donor to the Gea-Pula Women's Club, an association supporting women undergoing breast cancer treatment.

Through these initiatives and collaborations, Arena consistent in its commitment to making positive contributions to local communities and improving the well-being of their residents.

Environmental Indicators

GRI 302: Energy 2016

(According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of Directive 2013/34/EU ESRS E1 E1-2 §25 (c) to (d); E1-3 §26; E1-4 §33; ESRS E1 E1-5 §37; §38; §AR 32 (a), (c), (e) and (f); and ESRS E1 E1-5 §40 to §42)

Energy

TOPIC MANAGEMENT DISCLOSURES
Disclosure 302/3-3 Topic Management Approach

Arena's primary energy needs come from the fuels which are consumed onsite for heating and cooking as well as the electrical and heat energy supplied by energy utility companies. All our achievements in energy saving have been made possible by the commitment of our local hotel management teams, our technical team, room division manager and Management Board.

Whilst we are proud of our successes to date, we need to ensure that the Group continues to perform well. In 2018 Arena introduced an online energy monitoring tool for all our properties in Germany. The online tool allows us to receive accurate updates on all our energy consumption. Consumption of water is also being monitored across our Group's portfolio through dedicated devices and software. This information provides us with the ability to monitor peaks and troughs in usage. The benefits of this are not only commercial but will also allow us to explore ways to reduce our carbon footprint.

Renewable energy tariffs are being introduced to our hotels over time, as these are increasingly provided by electricity utility companies. In 2023 we approved plans and contracted to install solar installations and in 2024 we obtained the necessary permits for installation of solar installations on six locations in Croatia, whereby we would produce five percent of our electricity demand. However small, this is a step in the right direction, and we are preparing ourselves with much wider implementation of solar energy. Energy use is an essential point for the impact on the climate on the part of a company. Over the last few years, we have found ways within our means to save energy, because we want to make a conscious contribution.

Again, the first step to saving begins with an up-to-date overview of energy use and its environmental impact. Through these continuous observations, we can strive for improvements and also track them. Even small changes, such as switching to LEDs or turning off screens that are not in use, can have a noticeable impact on energy efficiency and improve it.

TOPIC DISCLOSURES
Disclosure 302-1 Energy consumption within the organization

	AMOUNT	UNITS	FUEL TYPES
Fuel consumption, non-renewable (MJ)	30369035.8	Megajoules	Natural Gas, Liquid Gas (LPG/ LNG), Heating Oil, Diesel, Super 95 & 98 Octane (Petrol)
Electricity consumption (MJ)	104290067.0	Megajoules	None
Heat consumption (MJ)	20006816.2	Megajoules	None
Total energy consumption (MJ)	154665919.0	Megajoules	None

Disclosure 302-3 Energy intensity

The energy intensity ratio is provided for two organization-specific metrics: revenue-based and occupancy-based. This allows comparability in general as well as specific to the hospitality sector. The intensity ratio refers to the total energy consumption specified in 302-1.

REVENUE-BASED ENERGY CONSUMPTION INTENSITY:
1222.67 MJ
per million EUR

OCCUPANCY-BASED ENERGY CONSUMPTION INTENSITY:
152.11 MJ
per room sold

Water and Effluents

GRI 303: Water and Effluents 2018

(According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of Directive 2013/34/EU ESRS E2 §AR 9 (b); E2-1 §12; E2-2 §16 and §19; E2-3 §20; ESRS E3 E3-1 §9; E3-2 §15, §17 to §18; E3-3 §20, ESRS 2 SBM-3 §48 (a); MDR-T §80 (f); ESRS E3 §8 (a); §AR 15 (a); E3-2 §15, §AR 20, ESRS E2 E2-3 §24; and ESRS E3 MDR-P, MDR-A, and MDR-T)

TOPIC MANAGEMENT DISCLOSURES
Disclosure 303-1 Interactions with water as a shared resource

As a Group, we encourage all our hotels to reduce their water usage and the amount of waste they produce. This is achieved in many ways including reducing the use of consumables such as cleaning materials and packaging and paper, with a view to further minimise environmental impact. As part of our Responsible Business Programme dedicated teams help us to reduce our carbon footprint and waste, as well as contribute to better water preservation. All our properties are connected to local municipality water system which provides and maintains adequate flow and pressure of water. We have established centralised water surveillance system where for each property we receive hourly information about water consumption and water pressures on designated water meters. We perform daily consumption checks in the system and also the system sends alarm if consumptions is not in the prescribed parameters. This system helps us to locate potential water leakages or pipe breaks so that we can fix them without excess waste of water or customer complaints. During refurbishments we install sanitary equipment (faucets, shower etc.) with low water usage to reduce overall consumption of water. For landscape irrigation purpose we implemented reverse osmosis systems of sea water for production of irrigation water. The earth's water resources are notoriously unevenly distributed around the globe, at risk from climate change, and often polluted and overused. Our company is therefore very aware of the importance of using this resource, which is why water and water use play an important role. A considerate use of this resource is therefore very important to us and a key to also protecting the biodiversity of aquatic habitats. Therefore, both in our own company and along our value chain, we make sure that the impact on water as a resource is considered. In our company, we therefore encourage water conservation and considerate use.

Disclosure 303-2 Management of water discharge-related impacts

Arena does not undertake any discharge of used water directly to the environment. All wastewater which is collected on site is directed to local wastewater infrastructure and taken by municipal utilities. This includes all sewage waste and any stormwater/rainwater which is piped from building roofs. Arena does not discharge significant quantities of any air pollutants. Arena does not manufacture or transform chemical substances as part of our business operations.

TOPIC DISCLOSURES
Disclosure 303-3 Water withdrawal

WATER WITHDRAWAL	ALL AREAS (ML)	AREAS WITH WATER STRESS (ML)
Total Water Withdrawal	511.34	not disclosed

Disclosure 303-4 Water discharge

WATER DISCHARGE	ALL AREAS (ML)	AREAS WITH WATER STRESS (ML)
Total water discharge	511.34	not disclosed

Biodiversity

GRI 304: Biodiversity 2016

(According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of Directive 2013/34/EU ESRS E4 E4-1 §AR 1 (b) and (d); E4-2 §20 and §22; E4-3 §25 and §28 (a); E4-4 §29; and ESRS E4 §16 (a) i; §19 (a); E4-5 §35)

TOPIC MANAGEMENT DISCLOSURES
Disclosure 304/3-3 Topic Management Approach

Arena operates leisure and accommodation facilities which benefit from their proximity to natural environments. As a result, Arena is in many respects dependent on the health of those environments. At the same time running commercial operations adjacent, or within the sensitive ecologies and habitats can result in adviser impacts to those habitats. Arena is therefore both morally and financially incentivised to contribute towards the long-term sustainability of the natural environments in which we operate.

Three Arena campsites (Tašalera, Medulin and Stupice) representing a total surface area of ca. 570,000 m2 area located within the boundaries of the nature park Protected Nature of Southern Istria in the most southern part of the Istrian peninsula. The areas under the preservation of Nature Park Kamenjak form an ecological network of mutually connected ecologically significant areas that substantially contribute to the conservation of natural balance and biodiversity. The operation of these campsites is fully aligned with the applicable EU and national legal provisions governing nature preservation in such protected areas.

No works are performed in the camps without prior approval of the competent authorities and are performed in line with the highest applicable standards. Arena maintains a large horticulture team with more than 30 team members who are providing care to the plantation and greenery. Arena also engages specialists to maintain and increase care and compliance of campsite areas under its operations. The above mentioned protected zones are located only in Croatian region.

BIODIVERSITY RECOGNITIONS

Arena was awarded a special Blue Flag Gold plaque for 16 years of ongoing activities in earning Blue Flag acknowledgement for 2 beaches in Verudela peninsula (Yacht beach and Ambrela beach). The Blue Flag is an internationally recognized ecolabel awarded to beaches, marinas, and sustainable boating operators with a mission to promote sustainability in the tourism sector, through environmental education, environmental protection and other sustainable development practices.

Furthermore, the Group has successfully obtained Green Key Certification for all properties in Croatia and Germany. The Green Key program, a benchmark for excellence, acknowledges our commitment to raising awareness among owners, staff, and guests about environmental protection and sustainable development. This certification is a significant milestone in our journey towards an eco-friendly and responsible establishment.

TOPIC DISCLOSURES
Disclosure 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

OPERATIONAL SITE NAME	Campsites (Tašalera, Medulin and Stupice)
GEOGRAPHIC LOCATION	most southern part of the Istrian peninsula
SUBSURFACE AND UNDERGROUND LAND	NO
POSITION IN RELATION TO THE PROTECTED AREA	within the area
TYPE OF OPERATION	campsite
SIZE OF OPERATIONAL SITE	570,000 m2
BIODIVERSITY VALUE (ATTRIBUTE OF THE PROTECTED AREA)	terrestrial
BIODIVERSITY VALUE (LISTING OF PROTECTED STATUS)	Nature Park

The above data is pertaining to our properties in Croatia.

Greenhouse Gas (GHG) Emissions

GRI 305: Emissions 2016

(According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of Directive 2013/34/EU ESRS E1 E1-2 §22; E1-3 §26; E1- 4 §33 and §34 (b); E1-7 §56 (b) and §61 (c); ESRS E2 §AR 9 (b); E2-1 §12; E2-2 §16 and §19; E2-3 §20; s ESRS E1 E1-4 §34 (c); E1-6 §44 (a); §46; §50; §AR 25 (b) and (c); §AR 39 (a) to (d); §AR 40; AR §43 (c) to (d); ESRS E1 E1-4 §34 (c); E1-6 §44 (b); §46; §49; §50; §AR 25 (b) and (c); §AR 39 (a) to (d); §AR 40; §AR 45 (a), (c), (d), and (f); ESRS E1 E1-4 §34 (c); E1-6 §44 (c); §51; §AR 25 (b) and (c); §AR 39 (a) to (d); §AR 46 (a) (i) to (k); ESRS E1 E1-6 §53; §54; §AR 39 (c); §AR 53 (a); and ESRS E1 E1-3 §29 (b); E1-4 §34 (c); §AR 25 (b) and (c); E1-7 §56)

TOPIC MANAGEMENT DISCLOSURES
Disclosure 305/3-3 Topic Management Approach

The measurement and management of our GHG emissions follows the methodological recommendations of the GHG protocol. The standard emissions scopes as set out in the GHG protocol are applied. Eliminating/ reducing our GHG emissions is always a priority before we engage in any offsetting or other mitigating measures. 2021 represents the first year that Arena has calculated GHG emissions across all three emissions scopes. In previous years (such as 2020 and earlier), emissions for scope 1 and 2 only were calculated. 2021 therefore represents the base year as defined in GRI 305-2 for ongoing GHG emissions comparisons. Emissions totals are aggregated for the entirety of ARENA's own sites for 2023, this includes owned, leasehold and operated assets in Croatia, Austria, Serbia, Germany and Hungary. Emissions are, however, not calculated for every location separately, but on a group level.

Total Emissions in 2023 decreased by approximately 16% compared to 2022. Occupancy (based on rooms sold) increased by 5% from 2022 to 2023. Overall, emissions intensity on an emission per sold room basis has, in fact, decreased by approximately 19%.

ADAPTATION AND MITIGATION APPROACH

In 2023, the Group successfully obtained Green Key Certification for all properties in Croatia and Germany. This prestigious certification, a benchmark in sustainable tourism, underscores Group's dedication to conducting business sustainably and responsibly while fostering awareness among our stakeholders on these crucial issues.

In addition, in 2023, Arena initiated the project 'CO_2MPENSATING BY PLANTING,' with the goal of planting 3,000 seedlings over the course of one year in various locations throughout Croatia. The 'CO_2MPENSATING BY PLANTING' project is organized in collaboration with the Scout Association of Croatia, Croatian Forests, and the HEARTH agency, with the support and sponsorship of the Ministry of Economy and Sustainable Development, the European Parliament Office in Croatia, the European Commission Representation in Croatia, the U.S. Embassy, and the Canadian Embassy.

In 2023, in total thirteen new chargers for electric vehicles have been placed in Croatian properties. We thus encourage our guests to choose environmentally friendly mobility options. The majority of service vehicles within the campsites are electric to protect the environment. Arena One 99 Glamping campsite is fully vehicle free camp therefore protecting the nature from noise and pollution.

Across all emissions scopes, the process of calculating emissions has followed methods that are set out within the GHG Protocol's Corporate Standard. Emissions totals are aggregated for the entirety of Arena's own sites for 2023, this includes owned and operated assets in Croatia, Serbia, Germany, Austria, and Hungary. Total GHG emissions are calculated using Scope 1 emissions, the market-based Scope 2 emissions, and Scope 3 emissions.

DATA COLLECTION, PRINCIPLES, APPROACH AND ASSURANCE

Arena recognizes that the accuracy and credibility of our sustainability data and applied methodology is important in transparently reporting performance. Arena has worked with an external partner (Code Gaia GmbH) to collect and review data relating to a number of the sustainability indicators and disclosures in this report. Data is sourced from internal company records and includes information obtained from financial records and transactions. To calculate Emissions, the GHG protocol methods and standards were applied with the support of software provided by Code Gaia. The indicators used in this report are presented "with reference" to the Global Reporting Initiative. This allows for the presentation of selected indicators in a manner that is familiar to the market both in terms of structure and with respect to the terminology used.

GHG EMISSIONS CALCULATIONS ACROSS ALL EMISSIONS SCOPES

The process of calculating emissions has followed methods that are set out within the GHG Protocol's Corporate Standard. Where practicable, original invoices from suppliers have been used to determine consumptions at the operating hotels, apartments, campsites, and non-operating units such as headquarters and laundries. However, due to time constraints, for the most part, data relating to consumptions (for water, waste, heat and energy) has been derived from AHG's internal "Board" documentation. Board is a consumption tracking tool that is based on financial controlling records. In many cases, consumption is estimated on a financial basis according to proportionate spending recorded by each hotel. Scope 3 supply-chain related emissions are largely calculated based on identified expenditures and translated to equivalent emissions using sector-based and economic activity based emissions factors at the EU level.

CONSIDERATION OF GREENHOUSE GAS EMISSIONS

In accordance with the GHG Protocol Corporate Accounting and Reporting Standard, this report covers the accounting and reporting of seven greenhouse gases covered by the Kyoto Protocol: Carbon dioxide (CO_2), Methane (CH_4), Nitrous oxide (N_2O), Hydrofluorocarbons (HFC), Perfluorinated hydrocarbons (PCF), Sulphur hexafluoride (SF_6) and Nitrogen trifluoride (NF3). In this report, all total greenhouse gas emissions are reported in CO_2 - Equivalents ("CO_2e").

Electricity, heating, and fuel consumption data is documented monthly per hotel.

Conversions and Emissions factors were derived primarily from publicly available and peer-reviewed sources. Such sources include but were not limited to the UK Department for Environment, Food & Rural Affairs, the German Environment Agency, the Association of Issuing Bodies, Ecoinvent, and GEMIS.

Disclosure 305-1/2/3 GHG emissions

Key metrics: GHG EMMISSIONS FOR 2023 AND 2022

EMISSIONS SCOPE	2023	2022
Emissions reported in metric tonnes CO_2e		
SCOPE 1	1727.8	1951.7
SCOPE 2 (market based)	3300.3	5896.6
Location based Scope 2	7696.9	7448.3
SCOPE 3	9650.9	9535.6
Total GHG emissions	14679.0	17383.9

Key metrics: Net Emissions after compensation

Total Net Emissions after compensation, in CO_2e

14604.01

Key metrics: CO_2e occupancy-based Net Emissions intensity

EMISSIONS SCOPE	KG CO_2e PER ROOM SOLD
Net GHG emissions (Scope 1,2 and 3 minus compensation)	14.36

"Occupancy" is based on the total number of rooms sold in 2023, which was 1016824.

Disclosure 305-4 GHG emissions intensity

ORGANIZATION-SPECIFIC METRIC	GHG EMISSIONS INTENSITY RATIO FOR SCOPE 1 + 2 (T CO_2e)	GHG EMISSIONS INTENSITY RATIO FOR SCOPE 3 (T CO_2e)
CO_2e revenue-based intensity	0.0000397	not disclosed
CO_2 occupancy-based net emissions intensity (based on the Net emissions (total emissions minus offsets/ compensation) reported above, namely 14604.01 metric tonnes CO_2e)	0.0144	not disclosed

"Occupancy" is based on the total number of rooms sold in 2023, which was 1016824.

Disclosure 305-5 Reduction of GHG emissions

GRI REQUIREMENT	TOTAL	SCOPE 1	SCOPE 2	SCOPE 3
GHG emissions reduced through offsets (t CO_2e)	75	0	75	0

In 2023, Arena has compensated a total of 75 tonnes CO_2e Emissions by financing the activity "Compensating by planting certified by HEART thinking & doing d.o.o organisation".

Waste

GRI 306: Waste 2020

(According to the GRI-ESRS Interoperability Index, the appropriate ESRS references for future reporting of this information are requirements of Directive 2013/34/EU, ESRS E5 §AR 7 (a); E5-1 §12; E5-2 §17; E5-3 §21, ESRS E5 E5-2 §17 and §20 (e) and (f); E5-5 §40 and §AR 33 (c), ESRS E5 E5-5 §37 (a), §38 to §40)

TOPIC MANAGEMENT DISCLOSURES
Disclosure 306/3-3 Topic Management Approach

Our Group continues to implement the global waste management policy in such a way that the overall processes meet the "reduce, reuse and recycle" policy. In addition to the correct separation of waste by type, processes are analysed in order to reduce the amount of waste, efforts are made to extend the life of certain categories of waste with maintenance and processing techniques so that they can be reused. Through our waste policy, we aim to achieve low material consumption and small disposal volumes. During the supply chain, great attention is paid to the selection of products to reduce the amount of waste, i.e. to use recycled or degradable packaging.

Disclosure 306-2 Management of significant waste-related impacts

All of Arena's waste is disposed of by professional, dedicated waste handling companies.

In 2023, the Group continued cooperation with the Fund for Environmental Protection and Energy Efficiency of the Republic of Croatia by signing a contract related to the "Reduce Food Waste" project, which was carried out in 2023 in the kitchen of Park Plaza Histria. According to the contract, in the period from 2023-2027, using the Ecovim 300, food waste device and monitoring measurements, data on the reduction of the amount of food waste will be collected. For the year 2023, it was determined that the reduction of food waste by 76.26% was achieved. It is planned that the implementation of the project will continue in 2024, with the introduction of improvements in the procedure itself, based on previous experience, in 2023. The obtained substrate can be used as fertilizer, that is, as an organic addition to the soil. The produced substrate was subjected to physico-chemical analysis at the Institute of Public Health of the Istrian County, which confirmed that the substrate is of a sterile nature.

TOPIC DISCLOSURES
Disclosure 306-3 Waste generated

WASTE COMPOSITION	WASTE GENERATED (T)
Non-hazardous	2305.32
Potentially-hazardous	1.59
Total	2306.91

The actual mass of hazardous waste is not known, due to the mixing of various wastes. The identification of "potentially hazardous" is a precautionary approach only, accounting for any wastes which might substances which require handling in accordance with the requirements of the EU Waste Management Directive.

EU Taxonomy

In 2023 the Group is disclosing indicators consistent with Delegated Regulation (EU) 2021/2139 (the "EU Taxonomy"). In last year's report, for the first time the Group's report was extended to show the portion of taxonomy aligned activities within eligible activities. In 2023 further amendments to the EU Taxonomy regulations were introduced and these include twelve new activities for climate and environmental objectives reported previously (Climate change mitigation and Climate change adaptation), as well as the requirement to report on eligibility of the Group's activities for remaining climate and environmental objectives (Sustainable use and protection of water and marine resources, Transition to a circular economy, Pollution prevention and control, Protection and restoration of biodiversity and ecosystems). The alignment of newly identified EU Taxonomy activities is not reported for financial year 2023 and will be reported from financial year 2024 onwards.

The Group assessed compliance with the criteria set out in Article 3 of Regulation (EU) 2020/852 and the associated technical screening criteria included in the delegated acts and allocated a certain part of its capital expenditure ("CapEx") and operating expenses ("OpEx") to Taxonomy-aligned activities, where those activities were deemed to comply with the listed technical screening requirements after an analysis of underlying documentation. A significant portion of the Group's revenue relates to accommodation activities, which is a newly recognised activity within the EU Taxonomy framework, and consequently in 2023 the Group is reporting on the eligibility of these activities (reporting on alignment will follow in future periods).

The tables completed in line with reporting requirements as specified in Regulation (EU) 2021/2178 (the "Disclosure Regulation") can be found in Appendices. Allocation of figures to the numerator and denominator of each KPI was performed by direct allocation of CapEx and OpEx related supplier invoices, whereas revenues were allocated based on accounts on which accommodation and related revenues are reported. Given that each item was attributed to only one activity, double counting did not occur.

As required by the Disclosure Regulation, the content of KPIs to be disclosed by the Group as a non-financial undertaking is as follows:

TURNOVER

The Group's main activity is hospitality, so a significant portion of Turnover relates to activity 2.1 Accommodation activities. An assessment of the alignment of these activities with EU Taxonomy will be performed in 2025, as required by the regulation.

Turnover represents the Groups' consolidated revenue, which can be referenced to page 160, within the Consolidated Income Statement, and to Note 17 Revenues.

CAPITAL EXPENDITURE (CAPEX)

The majority of the Group's CapEx is related to various investments into tangible assets in form of renovations, reconstructions, building conversion and acquisitions of hotels, apartment resorts and campsites. CapEx is the total capital expenditure for tangible and intangible assets in the Group which is directly attributable to a particular asset at the time of the expenditure, has been attributed to a particular asset and transferred from assets under construction in the accounting period, and includes additions arising from business combinations, while excludes additions classified as assets under construction in the financial period (these are classified as CapEx for Taxonomy purposes in the year of activation of the particular asset and its attribution to a particular relevant asset type).

This can be referenced to Financial Statements: Note 3 Property, Plant & Equipment, additions during the year classified as Land and buildings and Furniture, fittings and equipment, in the total amount of EUR 41.4 million, and Note 4 Intangible Assets, additions during the year in the amount of EUR 0.9 million.

The Group conducted the following Taxonomy-eligible economic activities, with financial impact on CapEx:

5.13. Desalinisation

The Group installed desalinisation facilities in 2023. As this is a newly identified activity within the EU Taxonomy regulation, the Group is not performing an alignment assessment in this report.

7.2. Renovation of existing buildings

Renovation of hotels and other buildings is considered an eligible activity in parts related to improvements of the building and its infrastructure. Although renovations resulted in enhancements of energy efficiency and utility consumption, the full extent of required technical screening criteria for demonstrating that substantial contributions criteria for Objectives 1 (Climate Change Mitigation) or 2 (Climate Change Adaptation) of the EU Taxonomy could not have been fully documented at this point.

7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)

The Group continued in 2023 with installation several charging stations for electric vehicles on its hotel parking lots. Relevant expenditure was included as aligned expenses, given that the stations were not part of buildings dedicated to extraction, storage, transport, or manufacture of fossil fuels.

OPERATING EXPENDITURE (OPEX)

Certain operating expenses of the Group are considered to arise from EU Taxonomy eligible activities. Eligible OpEx is defined as direct non-capitalised costs and other direct expenditures (research and development, building renovation measures, short-term lease, maintenance and repair) relating to the day-to-day servicing of assets of property, plant and equipment by the Group or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets. Consequently, the Group assesses that eligible OpEx is reported as part of Maintenance and Supplies expenses within Note 18 Operating expenses, in the total amount of EUR 6.5 million. The Group conducted the following Taxonomy-eligible economic activities and within those certain Taxonomy-aligned activities, with financial impact on OpEx:

4.16. Installation and operation of electric heat pumps

The Group operates heat pumps in segments of its operations. The full extent of required technical screening criteria for demonstrating that substantial contributions criteria for Objectives 1 (Climate Change Mitigation) or 2 (Climate Change Adaptation) of the EU Taxonomy could not have been fully documented at this point.

7.2. Renovation of existing buildings
Renovation of hotels and other buildings is considered an eligible activity in parts related to improvements of the building and its infrastructure. Although renovations resulted in enhancements of energy efficiency and utility consumption, the full extent of required technical screening criteria for demonstrating that substantial contributions criteria for Objectives 1 (Climate Change Mitigation) or 2 (Climate Change Adaptation) of the EU Taxonomy could not have been fully documented at this point.

7.3. Installation, maintenance and repair of energy efficiency equipment

The Group uses energy efficient light sources (LED lighting) in segments of its operations. The full extent of required technical screening criteria for demonstrating that substantial contributions criteria for Objectives 1 (Climate Change Mitigation) or 2 (Climate Change Adaptation) of the EU Taxonomy could not have been fully documented at this point.

7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings

The Group operates instruments and devices for measuring, regulation and controlling energy performance of certain buildings within its portfolio. Relevant expenses for maintenance of these facilities were included as aligned expenses, given that the buildings were not dedicated to extraction, storage, transport or manufacture of fossil fuels.

7.7. Acquisition and ownership of buildings

The Group owns properties, and cleaning material expenses have been identified as taxonomy eligible. The full extent of required technical screening criteria for demonstrating that substantial contributions criteria of the EU Taxonomy could not have been fully documented at this point.

Appendix

Performance tracking

Our Environmental Goals tracking is presented below.

NOTES:

- Year 2018 is our baseline year
- Year 2020 was severely impacted due to COVID as a result the data is incomparable and excluded.
- Year 2021 experienced a gradual post Covid recovery thus rendering a lower impact in the key metrics. This is largely associated with property closures and very low occupancy levels.
- From year 2022 onwards Arena operations started to include newly acquired hotels such as Arena Franz Ferdinand, Belgrade Radisson RED (formerly Arena 88 Rooms)
- From year 2022 the KPI's were also impacted by new developments and increase public offerings namely due to newly repositioned Grand Hotel Brioni Pula, A Radisson Collection Hotel.

KEY ENVIRONMENTAL TARGET PERFORMANCE

		2023	2022	2021	2019	2018
ENERGY						
Energy Consumption	MWh	28.160	26.552	21.089	25.662	27.415
Energy intensity	MWh/Room Sold	0,0277	0,0272	0,0313	0,0228	0,0241
GHG EMMISSIONS						
Scope 1	CO_2e Tonnes	1.728	1.928	928	1.364	1.226
Direct Emissions	CO_2e Tonnes/Room Sold	0,0017	0,0020	0,0014	0,0012	0,0011
Scope 2	CO_2e Tonnes	3.300	5.897	3.100	10.778	10.428
Indirect Emissions	CO_2e Tonnes/Room Sold	0,0032	0,0060	0,0046	0,0096	0,0092
Scope 3	CO_2e Tonnes	9.651	9.536	9.633	8.368	8.256
	CO_2e Tonnes/Room Sold	0,0095	0,0098	0,0143	0,0074	0,0073
WATER						
Water Withdrawal	Megalitres	511	501*	379	0	0
Water Withdrawal Intensity	Megaliters / Guest	0,0002	0,0002	0,0002	0,0000	0,0000
WASTE						
Total Waste Generated	Tonnes	2.307	2.170	2.678	2.153	2.097
Waste Intensity	Tonnes/Guest	0,001	0,001	0,001	0,001	0,001
Waste Diverted rom Landfill	Tonnes	135	127	101	121	113

* Restatement: Water withdrawal figures for 2022 have been restarted from the value previously reported in that reporting year. Due to a calculation error, the figure now to be reported for 2022 is 501 Megalitres, down from a previously reported 2022 value of 937 Megalitres.

Climate Risk Assessment

The climate risk assessment is made by calculating CLIMATIG Score (CS) individually for every climate hazard. The CLIMATIG Score is a composite risk index for a specific hazard, with values between 0 and 100, where values between 0-20 indicate low risk, 21-40 moderate, 41-60 high, 61-80 very high, and 81-100 extreme risk. CLIMATIG Score accounts for the hazard as well as the vulnerability and exposure of the asset to that hazard.

These results are obtained from the selected period 1991-2100 and scenario RCP4.5 for all included hazards. Drought in meteorological terms is defined as a lack of precipitations. This lack of precipitation in certain places can limit water supply and lead to agricultural damage. It has special significance in combination with strong wind or heavy precipitation.

If a large amount of precipitation (Heavy precipitation) falls within a short period of time, there may be an overload of the water system, soil erosion or flash floods that are devastating for buildings, people, plants, and they are particularly dangerous after long dry periods. This risk is pronounced in Cologne city where our hotel is located next to the river, however we have installed special reinforced flood gates to protect the property.

Sever wind in combination with drought tends to cause storms, which often leads to cracking of trees and their branches, causing additional damage to buildings and personal property. High temperature in dry conditions bring a greater danger of wildfires that burns uncontrollably in a natural environment. These risks are prevalent in parts of Istra region in Croatia in cities of Pula and Medulin where we have hotels, resorts, and campsites.

The Group uses the CLIMATIG Scores stated above for internal analyses when planning investments, reconstructions, as well as reviewing existing internal processes related to protection against negative consequences that some of the listed hazards may have on the business itself, as well as the safety and protection of guests.

CLIMATE RISK ALIGNMENT TO TCFD

As part of wider Risk assessment Arena is evaluating the alignment of risk assessment with TCFD to ensure consistency with its parent company PPHE Hotel Group Ltd.

The TCFD considers both physical risks from the changing climate and transition risks from the mitigation measures introduced to lower carbon emissions globally. Physical risks include increasing extreme weather events (i.e., flash flooding, heatwaves, and forest fires). As governments and businesses try to mitigate physical impacts by transitioning to a low-carbon economy, there are transition risks, such as carbon pricing or increased environmental reporting. However, there are also opportunities, as businesses can adapt to offer more environmentally conscious goods and services.

The TCFD divides the physical and transition risks into six significant areas, as shown in Table 1. It outlines opportunities across five main areas: resource efficiency, energy source, products and services, markets, and resilience.

Table 1: Climate-related risks as categorised by the TCFD.

CATEGORY	KEY AREA	EXAMPLES OF RISKS
Transition risks	Policy and Legal risks	Carbon pricing Increased reporting obligations
	Technology risks	Transition to lower-carbon technologies
	Market risks	Changing customer preferences Increased material and energy costs
	Reputation risks	Stakeholder concerns
Physical risks	Acute risks	Extreme weather events
	Chronic risks	Rising mean temperatures Rising sea levels

The nature and impacts of climate change are difficult to predict, as there are many complex systems interacting. It will be influenced by the scale of mitigation action taken by governments and businesses around the world. The TCFD, therefore, recommends using climate scenario analysis, to improve the understanding of possible futures and the risks. A description of our scenarios and results can be found in the Strategy section of this report.

Methodology And Data Collection

SYSTEM BOUNDARY

The period considered in this report is: 01 January 2023 to 31 December 2023, inclusive. The organizational boundary includes all Arena operations and includes accommodation/ hotels which are operated under lease arrangements (namely Park Plaza Wall Street and art'otel Zagreb). It should be noted for the purposes of GHG emissions calculation that leased hotels are included in the "own" Scope 1, 2 and 3 emissions where relevant are not separated as an individual Scope 3 category 8 or 13 emissions.

DATA COLLECTION, PRINCIPLES, APPROACH, AND ASSURANCE

AHG recognises that the accuracy and credibility of our sustainability data and applied methodology is important in transparently reporting performance. Arena has worked with an external partner (Code Gaia GmbH) to collect and review data relating to several of the sustainability indicators and disclosures in this report. Data is sourced from internal company records and includes information obtained from financial records and transactions. The indicators used in this report are presented "with reference" to the Global Reporting Initiative. This allows for the presentation of selected indicators in a manner that is familiar to the market both in terms of structure and with respect to the terminology used. DEKRA Assurance Services GmbH conducted an audit to verify the contents of this sustainability report; their Assurance Statement can be found here:

GHG EMISSIONS CALCULATIONS ACROSS ALL EMISSIONS SCOPES

The process of calculating emissions has followed methods which are set out within the GHG Protocol's Corporate Standard.

Where practicable, original invoices from suppliers have been used to determine consumptions at the operating hotels, apartments, campsites and non-operating units such as headquarters and laundries. However, due to time constraints, for the most part, data relating to consumptions (for water, waster, emissions and energy) has been derived from AHG's internal "Board" documentation. Board is a consumption tracking tool which is based on financial controlling records. In many cases, consumption is estimated on a financial basis according to proportionate spending recorded by each hotel.

For scope 3 supply chain related emissions, emissions are largely calculated on the basis of identified expenditures and translated to equivalent emissions on the basis of sector-based and economic-activity based emissions factors at the EU level.

CONSIDERATION OF GREENHOUSE GAS EMISSIONS

In accordance with the GHG Protocol Corporate Accounting and Reporting Standard, this report covers the accounting and reporting of seven greenhouse gases covered by the Kyoto Protocol:

- Carbon dioxide (CO_2),
- Methane (CH_4),
- Nitrous oxide (N_2O),
- Hydrofluorocarbons (HFC),
- Perfluorinated hydrocarbons (PCF),
- Sulphur hexafluoride (SF^6) and
- Nitrogen trifluoride (NF_3).

In this report, all total gas emissions are reported in CO_2- Equivalents ("CO_2e").

DEKRA Assurance Statement

In compliance with GRI Disclosure 2-5 External assurance, Arena engaged DEKRA Assurance Services GmbH to provide an independent review and third -party assurance of information presented in our ESG Report. DEKRA conducted an audit to verify the contents of this sustainability report; their Assurance Statement can be found on the QR code below.

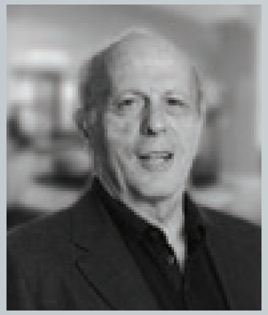
GRI index

04

Governance

Governance

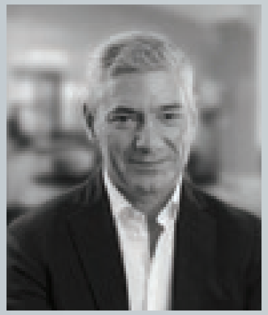
Supervisory Board



Boris Ivesha

CHAIRMAN OF THE BOARD

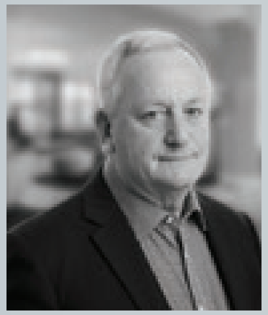
Boris Ivesha has been President and Chief Executive Officer of PPHE Hotel Group since 1991. Mr. Ivesha was responsible for bringing the Park Plaza Hotels & Resorts® brand to the PPHE Hotel Group in 1994 in collaboration with the Red Sea Group, and has been a major influencer in the expansion of the PPHE Hotel Group's portfolio. Mr Ivesha has over 50 years of experience in the hotel industry. Mr. Ivesha attended all of the Supervisory Board meetings in 2023.



Yoav Papouchado

VICE CHAIRMAN OF THE BOARD

Yoav Papouchado, Chairman of Red Sea Hotels Limited ("Red Sea"), PPHE Hotel Group's controlling shareholder, has over 30 years of experience of real estate developments and data centres worldwide, developed through his long tenure at Red Sea. Mr Papouchado attended all of the Supervisory Board meetings in 2023.



Kevin Michael McAuliffe

BOARD MEMBER

Kevin Michael McAuliffe acted as the Non-Executive Deputy Chairman of the PPHE Hotel Group Limited until his retirement in May 2023. He was a member of the Society of Trust and Estate Practitioners for 20 years and has held directorships in various regulated investment companies, remaining a director of two regulating entities until his retirement in 2023. Retired Chairman of Carey Group (after joining as Chief Executive in 1999), he was also Head of Advisory Services for Paribas International Private Banking and Managing Director of Paribas Suisse in Guernsey (1992-1999). He served as Finance Director of Ansbacher offshore banking group and was appointed as Chief Executive of Ansbacher's Guernsey bank and trust company business in 1994. He attended all of the Supervisory Board and Committee meetings in 2023.

Amra Pende

BOARD MEMBER

Mrs. Pende was a long-standing legal counsel at Uljanik, d.d., one of the biggest Croatian shipyards, where she worked for over 30 years. Mrs. Pende acted as the Chairwoman of the Supervisory Board of Alpha Adriatic d.d.. Mrs. Pende holds a law degree from the University of Zagreb. Mrs. Pende attended all of the Supervisory Board and Committee meetings in 2023.

Lorena Škuflić

BOARD MEMBER

Lorena Škuflić is a full-time professor with a permanent title at the Faculty of Economics of the University of Zagreb at the Department of Economic Theory, where she has been employed since 2002. Prior to this post, she worked at the Croatian Chamber of Economy – County Chamber Pula and also with the Faculty of Economics, Zagreb, and held the position of Head of the Polytechnic in Rijeka. During her work at the faculty, she was the head of the department for several terms, and in the period from 2018 to 2020, vice dean for finance and business at the faculty. In her work, she participated or currently participates in numerous committees at the Faculty, University, and the Ministry of Science and Education, as well as the Agency for Higher Education. She is a member of the International Association for Sustainable Economy and an advisor for international sustainable Business Affairs. Ms. Škuflić chairs the Sustainability Committee. She attended all of the Supervisory Board and Committee meetings in 2023.

Ivana Matovina

BOARD MEMBER

Mrs. Matovina is an expert in the field of audit and accounting and has extensive knowledge in audit and application of International Financial Reporting Standards (IFRS). She is a Croatian certified auditor and Certified auditor of Great Britain. Ms. Matovina was a perennial member of the Board of the Croatian Financial Services Supervisory Agency and of the Croatian Financial Reporting Standards Board. She is a founder and a director of the several smaller local companies, among others Antares savjetovanje d.o.o. and Antares revizija d.o.o. She serves as a member and the deputy chairman of the Supervisory Board of Professio energija d.d. Mrs Matovina is the Chairman of the Company's Audit Committee. She attended all but one of the Supervisory Board meetings and all of the Committee meetings in 2023.

Goran Nikolić

BOARD MEMBER — APPOINTED BY WORKERS' COUNCIL

Goran Nikolić was born in 1977 in Pula, Croatia. He completed his primary and secondary education in Pula in 1995. In 2010, he completed the course for "System and Network Administrator" at the University College Algebra. After employment at Pula Airport and Uljanik, since 1998 he has been employed by Arenaturist (today Arena Hospitality Group) where he has already worked for 23 years. Mr. Nikolić also holds the position of President of the Workers' Council of the Company. He currently works in the Company as head of customer support in the Company's IT department. Mr Nikolić has been appointed as the Supervisory Board member as of 1 January 2021. Mr Nikolić attended all of the Supervisory Board and Committee meetings in 2023.

Reuel (Reli) Slonim

PRESIDENT OF THE MANAGEMENT BOARD

Reuel Slonim joined Arena Hospitality Group as Executive Director in 2008. His previous role was as Vice President of Operations & Development and board member of Isrotel Hotels and Resorts, one of Israel's leading hospitality companies. Prior to that, Mr Slonim was Vice President Marketing & Sales after having served for ten years as General Manager of 5-Star resort hotel. Since joining Arena Hospitality Group in 2008, he has led a programme of major transformations which include the renovation, upgrading and rebranding of nine properties, acquired and successfully integrated the German and Hungarian operations, thus creating the first Croatian international hospitality Group, and led the Group's 2017 IPO which raised EUR 100 million in equity proceeds. The proceeds are designated for further development and growth. Moreover, the Group continues to expand in the CEE region through the addition of new properties in Zagreb, Nassfeld and Belgrade. Under his tenure, Arena grew from a local company to a truly international player with an EBITDA growth. During these years the Group introduced highly professional management procedures, updated IT systems and refined a training and development culture, which has solidified recognition of Arena Hospitality Group as a leading hospitality company in Croatia. In addition, Mr Slonim is a member of the Croatian Tourism Association (HUT) and is active in the communities of Pula and Medulin, member of the local Tourist Boards, and a committed supporter of local culture and sports.

Manuela Kraljević

MEMBER OF THE MANAGEMENT BOARD AND MARKETING AND SALES DIRECTOR

Manuela Kraljević joined the Arena Hospitality Group as Sales and Marketing Director in 2009, after six years as Sales and Marketing Director for Croatia for the renowned Sol Meliá hotel chain. Many years of business experience in the hotel industry with international companies (previously Sol Meliá, now PPHE) leads her to develop creative solutions for challenges in tourism. Since joining the Arena Hospitality Group, Mrs Kraljević has positioned the company at the very top of the Croatian tourism market through the repositioning of renovated facilities, the modernization and development of the Sales and Marketing Department, and the introduction of revenue management business functions. Her contribution in the segment of internet business modernization was of vital importance for the development of the company. She adopts and supports innovative technological solutions, which facilitates the transition of the Group into a modern and agile company.She leads the team that develops special business segments, from the leasure to the business segment. Under her leadership, development and implementation of marketing and sales strategies, the company gains market share in Croatia, Germany, Austria, Hungary and Serbia. Mrs Kraljević also manages the Group's responsible business segment (ESG). She is a member of Pula and Medulin Tourist and the Economic Council of the Croatian Chamber of Commerce for the County of Istria. The company's marketing achievements have been awarded the Golden Goat award several times. Mrs Kraljević received a prestigious award for successful work in 2022 and the title of Manager of the Year from the Croatian Association of Business Women Krug.

Devansh Bakshi, FCMA, MBA

MEMBER OF THE MANAGEMENT BOARD AND CHIEF FINANCIAL OFFICER

Devansh Bakshi joined Arena Hospitality Group in 2019 as Board member and Chief Financial Officer. Prior to that he worked as Group Finance Director for Arora Group, which is a diverse real estate business managing hotels, construction and commercial property portfolio in the UK. In 2011 he joined PPHE Hotel Group and worked for over five years as a Regional Financial Controller for the UK region. He has over 25 years of hospitality experience covering various disciplines of finance, real estate & construction. He is instrumental in ongoing group's financial activities for redevelopment and new acquisitions. Consolidating of support functions and technology upgrade for group wide optimisation of resources and organisational efficiency. Leads group compliance (including ESG), governance and enterprise risk management. He has a particular focus on investor relations and capital market activities. Mr Bakshi holds a Hotel Management degree, an MBA in International Business and is a qualified Fellow Chartered Management Accountant from United Kingdom.

Edmond (Edi) Pinto

MEMBER OF THE MANAGEMENT BOARD AND CHIEF OPERATING OFFICER

Edmond Pinto started his hospitality career as F&B Manager by primarily launching the all-inclusive concept in Israel, after which he served as General Manager in hotel operations working for ''Isrotel'' hotel chain for more than 20 years. During that time he was successfully operating various 5* resorts, luxury and city hotels. Mr Pinto holds a Bachelor's degree in Hospitality Management and has rich experience in the hotel industry with extensive knowledge in establishing cooperation with large businesses and corporate bodies and fostering community ties at the municipal level. His previous role as Resort Consultant & Owner Representative included managing all required opening procedures for a new 5 star holiday resort in Vietnam, providing support to the owner regarding financial issues, establishing budgets, developing, regulations, standards, terms, documentation, processes, handling requirements and inventories. Mr Pinto joined Arena Hospitality Group in March 2020 as Member of the Management Board and Chief Operating Officer.

Corporate governance report

CORPORATE GOVERNANCE CODE

In 2023, the Company has applied the Corporate Governance Code of the Zagreb Stock Exchange 2020 (the New Code) as adopted by the Croatian Financial Services Supervisory Agency and The Zagreb Stock Exchange (the ZSE) in October 2019 based on the "comply or explain" principle. The Company abides by this principle and, where relevant, provides reasons for non-compliance. The Company will publish its annual Corporate Governance Questionnaires (Compliance Questionnaire) for 2023 in which it will provide the details on its application of the New Code within the deadlines specified in the relevant regulations. The Company also applies the Rules of the ZSE (the ZSE Rules) in its day-to-day business.

CORPORATE BODIES

Corporate bodies of the Company are the Management Board, the Supervisory Board, and the General Assembly. The members of the Company's corporate bodies are required to perform their rights and obligations in the manner as shall be in the best interest of the Company.

The members of the Supervisory Board and the Management Board are elected and appointed in accordance with the Companies Act and the Company's Articles of Association, which contain no limitations on diversity in respect age, gender, education, or profession.

GENERAL ASSEMBLY

The meetings of the Company's General Assembly are convened and held in accordance with the Companies Act and the Company's Articles of Association, and the General Assembly is competent for matters as set out in the Companies Act and the Company's Articles of Association.

The notices and the decisions proposed for discussion and adopted at General Assembly meetings are publicly announced in accordance with the Companies Act, the Company's Articles of Association, the Capital Market Act and the ZSE Rules, including announcements on the website of the Company, the website of the ZSE and the Court register websites. Under the current Articles of Association of the Company, there is no requirement for the shareholders to register their attendance at the General Assembly meetings in advance and any shareholder registered in the Company's share register kept by the Central Depository & Clearing Company Inc. on the 21st calendar day before the day of the General Assembly meeting (excluding the day of its meeting) is entitled to participate and to vote at the General Assembly.

There are no Company shares with special control rights and there are no limitations to voting rights arising from the Company shares. Each Company share gives the right to one vote in the General Assembly of the Company.

The General Assembly is, inter alia, competent for amending the Company's Articles of Association by decision adopted with the majority of 3/4 of share capital represented at the General Assembly (except in relation to the authorised share capital increase, which decision is adopted with a qualified majority of 9/10 of the share capital represented at the General Assembly). Pursuant to the decision of the General Assembly dated 31 May 2022, the Company may acquire treasury shares.

In order to align the Company's share capital with the introduction of Euro as the official currency in the Republic of Croatia, the General Assembly adopted on 27 April 2023 decisions on adjustment of the share capital and amendments of the Articles of Association regarding the share capital.

During 2023, one regular meeting of the General Assembly of the Company was held on 27 April 2023. On that General Assembly:

- the Company's Annual Report for 2022 (consolidated and non-consolidated), the Report of the Supervisory Board for its work in 2022, as well as the Report of the Management Board on acquisition of treasury shares were considered;
- the decision on adoption of the Report on remuneration of the Management Board and Supervisory Board members in 2022 was adopted;
- the decision on distribution of profits realised in 2022 was adopted;
- the decisions on granting discharge to the members of the Supervisory Board and the Management Board for their work in 2022 were adopted;
- the decision on the adjustment of share capital of the Company and the decision on Amendments to the Company's Articles of Association were adopted;
- the decision of the dividend payout in the amount of 0.70 EUR per share was adopted;
- Ernst & Young d.o.o. Zagreb was appointed as the Company's auditor for 2023 (with respect to the consolidated and non-consolidated annual financial statements of the Company for 2023).

SUPERVISORY BOARD

The Supervisory Board of the Company consists of seven members, whereof six members are elected by the General Assembly of the Company and one member may be appointed by the Company's employees' council. Under the Company's Articles of Association, the mandate of Supervisory Board members is up to four years. The current members of the Supervisory Board have been elected and appointed for the mandate from 31 May 2022 until closing of the General Assembly meeting to decide upon granting discharge to members of the Supervisory Board for their work in 2023. A Supervisory Board member may be recalled before expiry of his mandate by decision of the General Assembly adopted with the majority of 3/4 of votes cast or by decision of the Company's employees' council respectively.

The authorities and the operation of the Supervisory Board are regulated by the Company's Articles of Association and the Rules of Procedure of the Supervisory Board, in line with the provisions of the Companies Act.

The members of the Supervisory Board as of 31 December 2023 were: Boris Ernest Ivesha (Chairman), Yoav Arie Papouchado (Vice-Chairman), Kevin Michael McAuliffe, Ivana Matovina, Amra Pende, Lorena Škuflić and Goran Nikolić.

In accordance with Art. 138 of the ZSE Rules, the Company confirms the independent status of its Supervisory Board at the time of issuing of this Report.
The Supervisory Board of the Company held the following meetings in 2023:

on 27 February 2023 whereat, inter alia, the Annual Report and the annual financial statements of the Company for the year 2022 (audited, consolidated and non-consolidated) were approved and the Company's ESG Strategy was adopted;

on 22 March 2023, whereat, inter alia, the Supervisory Board adopted decisions related to the Annual General Assembly of the Company and the Report on the remuneration of the Management Board and the Supervisory Board members in 2022;

on 26 April 2023, whereat, inter alia, unaudited consolidated and non-consolidated quarterly report of the Company for the first quarter of 2023 was discussed;

on 26 July 2023, whereat, inter alia, unaudited consolidated and non-consolidated quarterly report of the Company for the second quarter of 2023 and the unaudited consolidated and non-consolidated half-year report of the Company for the first six months of 2023 were discussed and the Supervisory Board decided to reappoint the current members of the Management Board of the Company for another two-year mandate, starting on 6 September 2023;

on 24 October 2023, whereat, inter alia, unaudited consolidated and non-consolidated quarterly report of the Company for the third quarter of 2023 and the unaudited consolidated and non-consolidated report of the Company for the first nine months of 2023 were discussed;

on 21 December 2023, whereat, inter alia, the projections of Company's Budget for 2024 were presented and discussed.

Pursuant to the Company's Articles of Association and the decision of the General Assembly, members of the Supervisory Board are entitled to a fixed monthly remuneration for their work in the Supervisory Board. In 2023, the total amount of EUR 146 thousand gross was paid as remuneration of Supervisory Board members.

REPORT ON THE SUPERVISORY BOARD'S APPRAISAL

The New Code requires the Supervisory Board to conduct an annual evaluation of its effectiveness and composition as well as that of its Committees and the performance of its individual members. At the request of the President of the Supervisory Board one of the Supervisory Board members conducted this review internally by means of one-on-one interviews for 2023. No external assessors have been engaged in this process. All members of the Supervisory Board were given the opportunity to take part in this review subject to availability. Soundings were also taken on some issues from most of the members of the Management Board.
The evaluation tracked the progress against recommendations made in the review for the year 2022 and identified issues that the members of the Supervisory Board, its Committees and the Management Board of the Company should focus on in the next period as well as recommended actions to be undertaken for tackling those issues. These are e.g. ensuring that suitable ESG measurement criteria are further developed and robust reporting procedures are maintained, further work on succession plans for the Supervisory and Management Board members etc. The Supervisory Board will ensure the recommendations get implemented in 2024 as much as possible, by working closely with the Management Board and other relevant stakeholders within the Company.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee, and a Sustainability Committee.
Audit Committee
The Company's Audit Committee consists of four members appointed by the Supervisory Board amongst its members: Ivana Matovina (President), Amra Pende, Lorena Škuflić and Kevin Michael McAuliffe (members). In accordance with Art. 139 of the ZSE Rules, the Company confirms the independent status of its Audit Committee on the day of issuance of this Report.
The operation of the Audit Committee is regulated by decisions of the Supervisory Board, in line with the provisions of the Companies Act, the Audit Act, the Company's Articles of Association and the Rules of Procedure of the Audit Committee. During 2023, the Company's Audit Committee held four meetings. All Audit Committee members attended all meetings of the Audit Committee.
Nomination Committee
The Nomination Committee consists of three members appointed by the Supervisory Board amongst its members: Kevin Michael McAuliffe (President), Amra Pende and Lorena Škuflić. The work of the Nomination Committee is regulated by decisions of the Supervisory Board, in line with the provisions of the Companies Act, the Company's Articles of Association, Rules of Procedure of the Supervisory Board and the Terms of Reference of the Nomination Committee. The Nomination Committee held one meeting in 2023. All Nomination Committee members attended the meeting of the Committee.
Remuneration Committee
The Remuneration Committee consists of three members appointed by the Supervisory Board amongst its members: Amra Pende (President), Lorena Škuflić and Kevin Michael McAuliffe. The work of the Remuneration Committee is regulated by decisions of the Supervisory Board, in line with the provisions of the Companies Act, the Company's Articles of Association, the Rules of Procedure of the Supervisory Board and the Terms of Reference of the Remuneration Committee. The Remuneration Committee held one meeting in 2023. All Remuneration Committee members attended the meeting of the Committee.
Sustainability Committee
The Sustainability Committee consists of three members appointed by the Supervisory Board amongst its members: Lorena Škuflić (President), Kevin Michael McAuliffe and Goran Nikolić. The work of the Sustainability Committee is regulated by decisions of the Supervisory Board, in line with the provisions of the Companies Act, the Company's Articles of Association, Rules of Procedure of the Supervisory Board and the Terms of Reference of the Sustainability Committee. The Sustainability Committee held three meetings in 2023. All Sustainability Committee members attended all meetings of the Committee.

FEMALE BOARD MEMBERS TARGET

The Supervisory Board set the target of the proportion of women in the Supervisory Board and the Management Board of the Company to be kept at the minimum 25% out of the total number of members of the respective Board. The target is set to be maintained by the end of 2026. It is to be noted that this goal was already fully achieved in Supervisory Board as women are represented with 42% in the total composition of the Supervisory Board. In the Management Board one female Management Board member out of four makes for 25% of female representation in the Management Board.

The Company highly supports the diversity within the Company and women make almost 50% of its workforce. The Company continuously strives to improve the position and increase the involvement of women on all level of employment, including management, while taking into consideration the business needs of the Company and its stakeholders.

MANAGEMENT BOARD

The Management Board of the Company consists of minimum of two and maximum of five members appointed by the Supervisory Board for the mandate of up to five years. As of 31 December 2023, and at the day of issuance of this Report, the members of the Management Board are: Reuel Israel Gavriel Slonim (President), Devansh Bakshi, Manuela Kraljević and Edmond Pinto (members). The previous mandate of appointed members of the Management Board expired on 6 September 2023. On 26 July 2023 the Supervisory Board of the Company decided to reappoint the members of the Management Board of the Company for another two-year mandate, starting with 6 September 2023. The current mandate of appointed members of the Management Board expires on 6 September 2025. The members of the Management Board may be recalled before mandate expiry by decision of the Supervisory Board adopted in accordance with provisions of the Companies Act and the Company's Articles of Association.

The authorities and the operation of the Management Board are regulated by the Company's Articles of Association and the Rules of Procedure of the Management Board, in line with the provisions of the Companies Act. In particular, the Management Board has overall responsibility for the internal control and risk management processes, including that adequate accounting records are maintained, and transactions are recorded accurately and fairly. The Management Board provides information on the nature of the risks and the actions to mitigate risk exposure. Some of the potential risks relevant for the Company and/or the Group are listed on pages 36-45.

The Management Board has regular monthly (or, if required, more frequent) meetings to review operational activities in the Company. There is also seamless interaction between the Management and Supervisory board on a regular, formal, and informal basis. The most important Management Board meetings held during 2023 were:

on 27 February 2023, whereat, inter alia, the interim report of the Company for the fourth quarter of 2022 and the Annual Report of the Company for 2022 (consolidated and non-consolidated) were adopted;

on 26 April 2023, whereat, inter alia, the unaudited consolidated and non-consolidated quarterly report of the Company for the first quarter of 2023 was adopted;

on 26 July 2023, whereat, inter alia, unaudited consolidated and non-consolidated quarterly report of the Company for the second quarter of 2023 and the unaudited consolidated and nonconsolidated half year report of the Company for the first six months of 2023 were adopted;

on 25 October 2023 whereat, inter alia, the unaudited consolidated and non-consolidated quarterly report of the Company for the third quarter of 2023 and the unaudited consolidated and non-consolidated report of the Company for the first nine months of 2023 were adopted.

Investor Information

MAJOR SHAREHOLDERS AND AFFILIATED COMPANIES

The share capital of the Company amounts to EUR 13,613,965.00 and is divided into 5,128,721 ordinary shares under the ticker ARNT-R-A, each without nominal value. As at 31 December 2023, 85,965 shares were held as treasury shares. Shareholders with holdings of 3% or more of the Company's registered capital as at 31 December 2023 are listed below:

	Percentage holding of Share Capital including treasury shares	Percentage holding of Share Capital excluding treasury shares
DVADESET OSAM D.O.O. (a member of the PPHE Hotel Group)	52.87%	53.77%
OTP BANKA d.d. / AZ OMF kategorije B	11.93%	12.14%
ERSTE & STEIERMARKISCHE BANK D.D. / PBZ CO OMF-kategorije B	8.60%	8.75%
OTP BANKA d.d. / ERSTE PLAVI OMF kategorije B	7.35%	7.48%

PPHE Hotel Group is the Company's indirect controlling shareholder, through its 100% owned subsidiaries: PPHE Holding Ltd, Park Plaza Hotels (UK) Ltd, PPHE Coop B.V., Euro Sea Hotels N.V., Bora B.V. and Dvadeset Osam d.o.o. Subsidiaries included in the Group are listed in Appendix. The Companies relations and transactions with affiliated companies, including its subsidiaries and other affiliates, are described in Note 25.

Valuation

IN EUR	2023 HIGH	LOW	LAST
Share price	38.80	29.00	30.40
Market capitalisation[1]	195,658,933	146,239,924	153,299,782
Net debt[2]	178,898,730	178,898,730	178,898,730
EV[3]	374,557,663	325,138,654	332,198,512
EV/EBITDA	13,35x	11,59x	11,84x

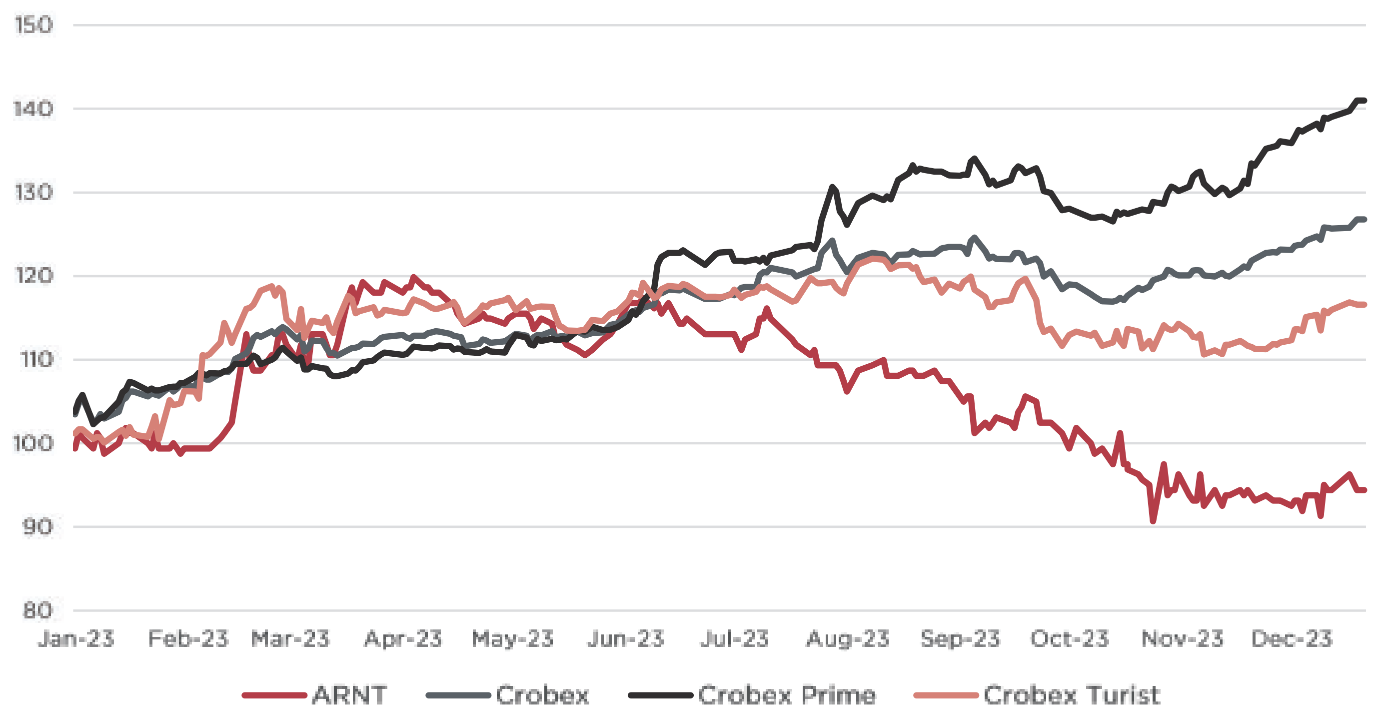
Note: High and Low related to the price in the period for the twelve months ending 31 December 2023. Last refers to the share price as at 31 December 2023.

1. Market capitalisation calculated as share price multiplied by the number of outstanding shares (5,042,756).
2. Net debt calculated as current and non-current bank borrowings, other current and non-current loans and finance lease obligations, minus cash and cash equivalents.
3. EV represents the enterprise value, calculated as the sum of market capitalisation and net debt.

SHARE PRICE PERFORMANCE

The Group's share price performance during the year was relatively volatile. The volatility was driven by various factors, given the general economic climate. At the start of the financial year the price was EUR 32.20 per share, and it closed the year at EUR 30.4 per share, representing a decrease of 5.6%.
The price experienced a gradual drop from mid April 2023, which was also the peak of EUR 38.8 per share. During the year, the total volume of shares traded amounted to EUR 6.68 million of which EUR 6.06 million was regular trade and EUR 0.62 million was through a block trade. The total share number volume traded was 2.3% higher than the 2022 levels.
The Group has two active market makers, Interkapital vrijednosni papiri d.o.o. and Zagrebačka banka d.d. and three research institutions that regularly publish notes and analysis: Erste bank d.d., Interkapital vrijednosni papiri d.o.o. and Zagrebačka banka d.d. Regular meetings are held with existing and prospective investors. During the year Management participated in some of the most relevant investor events, amongst other, Zagreb and Ljubljana Stock Exchange Investor conferences and Erste Investor conference.
The Group, listed on the Prime listing of The Zagreb Stock Exchange, is committed to the highest standards of corporate governance and transparency, and promotes an open and proactive dialogue with the investor community.

SHARE PRICE PERFORMANCE RELATIVE TO THE CROBEX AND CROBEX PRIME INDICES



04

Financial statements

Management Board's Report

The Management Board presents its report and the audited financial statements of the Company (consolidated and non-consolidated) for the year ended 31 December 2023 to the Supervisory Board of the Company.

PRINCIPAL ACTIVITIES

The Company is registered in the Commercial Court in Pazin, Croatia and, through its owned and leased assets in Croatia and controlled subsidiaries in Germany, Austria, Hungary and Serbia (which include owned, leased, operated and jointly-controlled assets), operates and develops full- service upscale, upper upscale and lifestyle hotels, self-catering holiday apartment complexes and campsites.

The majority of the Group's hotels and one of its self-catering holiday apartment complexes operate under the following brands: Park Plaza®, art'otel®, Arena Hotels and Arena Campsites. Grand Hotel Brioni Pula operates as a Radisson Collection Hotel.

The Company has the exclusive right from PPHE Hotel Group to operate and develop hotels and self-catering holiday apartment complexes under the Park Plaza® brand in 18 countries in the CEE region.

BUSINESS REVIEW

A review of the business during the year is contained in the Chairman of the Supervisory Board's Statement, the President of the Management Board's Statement, the Chief Financial Officer's Statement and the remainder of our Strategic Report.

2023 RESULTS

The results for the year ended 31 December 2023 are set out in the attached audited financial statements of the Company (consolidated and non-consolidated).

PRINCIPAL RISKS AND UNCERTAINTIES

Internal controls and an effective risk management regime are integral to the Group's continued operation. Overall responsibility for the risk management processes lies with the Management Board.

The Management Board provides information on the nature of the risks and the actions to mitigate risk exposure. Not all potential risks are listed on pages 36 - 45. Some risks are excluded because the Management Board considers them not to be material to the Group as a whole. Additionally, there may be risks and uncertainties not presently known to the Management Board, or which the Management Board currently considers immaterial, that may also have an adverse effect on the Group.

AUDITORS

Ernst & Young d.o.o., Radnička cesta 50, 10000 Zagreb, Croatia is the Company's independent auditor appointed by decision of the General Assembly dated 27 April 2023 for the audit of the consolidated and non-consolidated annual financial statements of the Company for 2023. In relation to 2023, the Company's total fees to be paid to its independent auditor amount to EUR 123.000.

GOING CONCERN

The Management Board believes it is taking all appropriate steps to support the sustainability and growth of the Group's activities. Detailed budget and cash flow projections have been prepared for 2024 which show that the Group's operations will be cash generative during the period. This, taken together with its conclusions on the matters referred to below has led the Management Board to conclude that it is appropriate to prepare the 2023 financial statements of the Company (consolidated and non-consolidated) on a going concern basis.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Pages 211 - 218 and Note 26 of the consolidated financial statements of the Company set out the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

MANAGEMENT BOARD'S RESPONSIBILITIES

Pursuant to the Croatian Accounting Act (Official Gazette 78/15, 134/15, 120/16,116/2018, 42/2020 and 47/2020, 114/2022, 82/2023), the Management Board is required to ensure that the financial statements are prepared in accordance with International Financing Reporting Standards (IFRS) as adopted by the European Union in order to give a true and fair view of the Company's financial performance and its results for the reporting period.

In preparing the Consolidated Financial Statements, the Management Board is responsible for:

- selecting and consistently applying appropriate accounting policies;
- making reasonable and prudent judgments and estimates;
- complying with applicable accounting standards, while reporting and explaining all material departures in the financial statements;
- preparing the financial statements under the going concern principle, unless it is inappropriate due to the Company's actual position; and
- establishing appropriate and statutory accounting records so that the records disclose, with reasonable accuracy, the

financial position of the Company and its income and expenses.

The Management Board confirms that it has complied with the above requirements in preparing the financial statements of the Company (consolidated and non-consolidated).
The Management Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the financial statements of the Company (consolidated and non-consolidated) have been properly prepared in accordance with the Croatian Accounting Act. The Management Board is responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MANAGEMENT BOARD'S DECLARATION

So far as each member of the Management Board, who is a member at the time the Management Board's Report is approved, is aware, there is no relevant audit information of which the Company's auditor is unaware and each member has taken all steps he or she ought to have taken as a member of the Management Board to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

MANAGEMENT BOARD'S RESPONSIBILITY STATEMENT

Persons responsible for preparing the annual report: Reuel Israel Gavriel Slonim, President of the Management Board, Devansh Bakshi, member of the Management Board and Chief Financial Officer, Manuela Kraljević, member of the Management Board and Marketing and Sales Director and Edmond Pinto, member of the Management Board & Chief Operating Officer, confirm to the best of their knowledge that:

the financial statements of the Company (consolidated and non-consolidated), which have been prepared in accordance with IFRS as adopted by the European Union, give an objective view of the assets and liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and

the Management Report contains an objective presentation of the development and the operating results of the Company and its undertakings in the consolidation taken as a whole, with a description of the principal risks and uncertainties to which they are exposed.

The Strategic Report includes a fair review of the development and performance of the business and the position of the Company, and provides information necessary for shareholders to assess the Company's performance, business model and strategies.

The Management Board has a reasonable expectation that the Company has adequate resources to continue in business and the going concern principle was applied in preparing the financial statements of the Company (consolidated and non-consolidated).

MANAGEMENT BOARD

PRESIDENT:

Reuel Israel Gavriel Slonim

MEMBERS:

Manuela Kraljević

Devansh Bakshi

Edmond Pinto

Management Board's Decision

Pula, 28.02.2024.

According to Article 250.a, 250.b, 300.a, 300.b of the Croatian Companies Act, Articles 462 and 463 of the Croatian Capital Market Act and Articles 19, 20, 21 and 24 of the Croatian Accounting Act, the Management Board of Arena Hospitality Group d.d. Pula (the "Company") passed the following decision on 28 February 2024.

DECISION ON ESTABILISHING THE ANNUAL FINANCIAL STATEMENTS AND THE PROPOSED PROFIT DISTRIBUTION

I. The Management Board hereby determines the Annual Financial Statements of the Company for 2023 (consolidated and non-consolidated), which comprise of:

- the statement of financial position (balance sheet),
- the income statement,
- the statement of comprehensive income,
- the statement of changes in equity
- the statement of cash flows, and
- the notes to the financial statements

The Company's non-consolidated Annual Financial Statements for 2023 refer to Arena Hospitality Group d.d.

The Company's consolidated Annual Financial Statements for 2023 refer to: Arena Hospitality Group d.d., Ulika d.o.o., Mažurana d.o.o., Sugarhill Investment B.V. and Germany Real Estate B.V. (the "Group").

II. The Annual Financial Statements of the Company for 2023 (consolidated and non-consolidated) have been audited by Ernst & Young d.o.o., OIB: 58960122779, Radnička cesta 50, HR-10 000 Zagreb (the "Auditor"), and the Auditor's Report forms an integral part thereof.

III. The Management Board hereby adopts the Company's Annual Report for 2023 (consolidated and non-consolidated), which comprises of:

- Annual financial statements of the Company for 2023 (consolidated and non-consolidated), together with the Auditor's Report,
- Statement on application of the corporate governance code,
- Management Report for 2023 (consolidated and non-consolidated), which includes the Strategic Report, Sustainability Report and the Corporate Governance Report, and
- Statement of the Company's responsible persons.

IV. The Management Board hereby determines the proposal to allocate the profit of the Company realised in 2023 in the total amount of EUR 6,131,695.90 to retained earnings.

V. This Decision, together with the Company's Annual Report for 2023 (consolidated and non-consolidated), is delivered to the Supervisory Board of the Company for consideration and approval respectively.

VI. The Management Board shall convene the Annual General Assembly of the Company after the Supervisory Board approves the Annual financial statements of the Company for 2023 (consolidated and non-consolidated) and adopts thereto related decisions.

VII. This Decision and the Company's Annual Report for 2023 (consolidated and non-consolidated) shall be published in the way and within the deadlines prescribed by the Capital Market Act and the Accounting Act.

MANAGEMENT BOARD

PRESIDENT:
Reuel Israel Gavriel Slonim

MEMBERS:
Manuela Kraljević

Devansh Bakshi

Edmond Pinto

Supervisory Board's Report

In accordance with Article 263 Par. 3, Article 300.c and Article 499 of the Companies Act and Article 19 and 30 Par. 4 of the Articles of Association of the company Arena Hospitality Group d.d. (hereinafter: the Company), the Supervisory Board of the Company, at its meeting held on 28 February 2024, determined the following

R E P O R T

TO THE ARENA HOSPITALITY GROUP D.D. GENERAL ASSEMBLY

I/ During 2023, the Supervisory Board of the Company had seven members. As at 31 December 2023, the members of the Supervisory Board were: Boris Ernest Ivesha (Chairman), Yoav Arie Papouchado(Vice-Chairman), Kevin Michael McAuliffe, Ivana Matovina, Amra Pende, Lorena Škuflić and Goran Nikolić.
The Supervisory Board of the Company held six meetings in the year 2023:

on 27 February 2023 whereat, inter alia, the Annual Report and the annual financial statements of the Company for the year 2022 (audited, consolidated and non-consolidated) were approved and the Company's ESG Strategy was adopted;

on 22 March 2023, whereat, inter alia, the Supervisory Board adopted decisions related to the Annual General Assembly of the Company and the Report on the remuneration of the Management Board and the Supervisory Board members in 2022;

on 26 April 2023 whereat, inter alia, unaudited consolidated and non-consolidated quarterly report of the Company for the first quarter of 2023 were discussed;

on 26 July 2023, whereat, inter alia, unaudited consolidated and non-consolidated quarterly report of the Company for the second quarter of 2023 and the unaudited consolidated and non-consolidated half year report of the Company for the first six months of 2023 were discussed and the Supervisory Board decided to reappoint the current members of the Management Board of the Company for another two-year mandate, starting on 6 September 2023.;

on 24 October 2023, whereat, inter alia, unaudited consolidated and non-consolidated quarterly report of the Company for the third quarter of 2023 and the unaudited consolidated and non-consolidated report of the Company for the –first nine months of 2023 were discussed;

on 21 December 2023, whereat, inter alia, the projections of Company's Budget for 2024 were presented and discussed.

II/ The Supervisory Board of the Company established the Audit Committee, the Nomination Committee, the Remuneration Committee and the Sustainability Committee.

The Audit Committee has four members: Ivana Matovina (President), Lorena Škuflić, Amra Pende and Kevin Michael McAuliffe. It held four meetings in 2023.
The Nomination Committee consists of three members: Kevin Michael McAuliffe (President), Amra Pende and Lorena Škuflić. It held one meeting in 2023.
The Remuneration Committee consists of three members: Amra Pende (President), Lorena Škuflić and Kevin Michael McAuliffe. It held one meeting in 2023.
The Sustainability Committee consists of three members: Lorena Škuflić (President), Kevin Michael McAuliffe and Goran Nikolić. It held three meetings in 2023.

III/ In accordance with its responsibilities, the Supervisory Board has performed supervision and examined the Company business books and the Company documentation. The Supervisory Board examined the conduct of the Company's operations based on the detailed information received from the Management Board by way of regular communication, particularly by way of reports of the Management Board on the operations and the status of the Company. Accordingly, the Supervisory Board determined that the Company acts in compliance with the law, the Articles of Association and other acts of the Company and the decisions of the General Assembly.

IV/ The Supervisory Board examined the Company's annual report for 2023 (consolidated and non-consolidated), which comprises of:

Annual financial statements of the Company for 2023 (consolidated and non-consolidated) - statement of financial position (balance sheet), income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements,

Report of the Company's auditor for 2023,

Statement on application of the corporate governance code,

Management Report for 2023 (consolidated and non-consolidated), which includes Strategic Report, Sustainability Report and Corporate Governance Report, and

Statement of the Company's responsible persons.

The Supervisory Board acknowledges the receipt of the Audit Committee Report dated 27 February 2024 with respect to preparation and issuing of the Annual financial statements of the Company for 2023.

The Supervisory Board has no objections to the Company's annual report for 2023 (consolidated and non-consolidated), including the Report of the Company's auditor (Ernst & Young d.o.o. Zagreb).
The Supervisory Board establishes that the Annual financial statements of the Company (consolidated and non-consolidated) for the year ended on 31 December 2023 were prepared in compliance with the state of the Company's business books and that they

correctly show the financial and business state of the Company.
Therefore, the Supervisory Board approves the Company's annual report for 2023 (consolidated and non-consolidated), whereby the Annual financial statements of the Company for 2023 (consolidated and non-consolidated) are considered as approved by the Management Board and the Supervisory Board, pursuant to the provisions of Articles 300.c and 300.d of the Companies Act and Article 30 of the Company's Articles of Association.

V/ The Supervisory Board examined the Management Board's Report on related party transactions in 2023 and has no objections to this Report. The Supervisory Board also has no objections to the results of audit of this Report from Article 498 of the Companies Act and to the Management Board's statement pursuant to Article 497 Par. 3 of the Companies Act contained in this Report.

VI/ The Supervisory Board has ensured that the Management Board has had sufficient strength and a good balance of skill sets to ensure it carried out all its tasks during what has been one of the most challenging periods in the Company's history. The data flow between the Management Board and the Supervisory Board during 2023 was stable and on a satisfactory level. Based on the above, the Supervisory Board evaluates the overall business of the Company as well as the work of the Management Board and the Supervisory Board as successful and emphasises good cooperation with the members of the Management Board.

VII/ The Supervisory Board adjoins to the proposal of the Management Board regarding the profit of the Company realised in 2023 in the total amount of EUR 6,131,695.90 is allocated to retained earnings.

Boris Ernest Ivesha

CHAIRMAN OF THE SUPERVISORY BOARD

Supervisory Board's Decision

Pula, 28.02.2024.

I. The Supervisory Board hereby approves the Company's annual report for 2023 (consolidated and non-consolidated), which comprises of:

- Annual financial statements of the Company for 2023 (consolidated and non-consolidated) - statement of financial position (balance sheet), income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements,
- Report of the Company's auditor for 2023,
- Statement on application of the corporate governance code,
- Management Report for 2023 (consolidated and non-consolidated), which includes Strategic Report, Sustainability Report and Corporate Governance Report, and
- Statement of the Company's responsible persons.

II. Pursuant to the provisions of Articles 300.c and 300.d of the Companies Act and Article 30 of the Company's Articles of Association, by the Supervisory Board's approval of the Company's annual report for 2023 (consolidated and non-consolidated), the Annual financial statements of the Company for 2023 (consolidated and non-consolidated) are considered as approved by the Management Board and the Supervisory Board.

III. The Supervisory Board hereby approves the publication of the Company's annual report for 2023 (consolidated and non-consolidated).

IV. The Supervisory Board adjoins to the proposal of the Management Board that the General Assembly decides that profit of the Company realised in 2023 in the total amount of EUR 6,131,695.90 is allocated to retained earnings.

Boris Ernest Ivesha

CHAIRMAN OF THE SUPERVISORY BOARD

Independent auditor's report

To the Shareholders of Arena Hospitality Group d.d.

EY Building a better working world

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Arena Hospitality Group d.d.

Report on the audit of the separate and consolidated financial statements

Opinion

We have audited the separate financial statements of Arena Hospitality Group d.d. (the Company), and consolidated financial statements of Arena Hospitality Group d.d. and its subsidiaries (together- the Group), which comprise the separate and consolidated statement of financial position as at 31 December 2023, the separate and consolidated income statement and the separate and consolidated statement of other comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group as at 31 December 2023 and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for opinion

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

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

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

Key audit matters

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

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

KEY AUDIT MATTER	HOW WE ADDRESSED KEY AUDIT MATTER
Impairment of the tourism property (the separate and consolidated financial statements) Refer to Notes 2 (j) Property, plant and equipment and 2 (k) Impairment of non-financial assets and Note 3 Property, plant and equipment of the separate and consolidated financial statements. The carrying amount of property, plant and equipment of the Group as at 31 December 2023 was EUR 353,292 thousand (Company: EUR 221,223 thousand). Property, plant and equipment mostly consists of tourism properties and related assets and is included in the separate and consolidated statement of financial position at historical cost less accumulated depreciation and impairment, where required. Management annually conducts a test to identify assets with impairment indicators. In order to determine if there are impairment indicators, management considers occupancy rates, number of sold accommodation units, revenue per available room, gross operating profit and other measures. The estimation process is complex and highly subjective and is based on assumptions. Due to the above factors, impairment of tourism properties was determined as a key audit matter.	Our audit procedures related to impairment of proper-ty, plant and equipment included, among others, as-sessing the appropriateness of the methodology used for the impairment testing. Our audit procedures included testing, on a sample basis, of key Management's estimates used to deter-mine if there are impairment indicators and review of the relevant Company and Group internal reports and comparison of the projections in the model for indi-vidual tourism properties with the historical data in-cluding, among other, a comparison of gross operating profit, occupancy rate, average daily rate, revenue per available room. We performed audit procedures on the mathematical correctness of calculation used in this model. Additionally, for some assets, the Company and the Group provided us with internal assessments of the market value or reports from the external valuers. We reviewed the valuation reports and tested, on a sample basis, the correctness of the input data. Additionally, we also evaluated the appropriateness of the related disclosures in Note 2 (j) Property, plant and equipment and 2 (k) Impairment of non-financial assets and Note 3 Property, plant and equipment in the sepa-rate and consolidated financial statements and their compliance with IFRS, as adopted by the EU.

Other information

Management is responsible for the other information. Other information comprises the Management Report, Non-financial Report and Corporate Governance Statement included in the Company's and Group's Annual Report, but does not include separate and consolidated financial statements and our auditor's report thereon. Our opinion on the separate and consolidated financial statements does not cover the other information.

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

With respect to the Management Report, Non-financial Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of Article 21 and 24 of the Accounting Act, whether the Non-financial Report is prepared in accordance with the requirements of Article 21a of the Accounting Act and whether the Corporate Governance Statement includes the information specified in Article 22 and 24 of the Accounting Act.

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

1. the information given in the enclosed Management Report and Corporate Governance Statement is consistent, in all material respects, with the enclosed separate and consolidated financial statements;

2.the enclosed Management Report is prepared in accordance with requirements of Article 21 and 24 of the Accounting Act;

3. the enclosed Non-financial Report is prepared in accordance with requirements of Article 21a of the Accounting Act; and

4. the enclosed Corporate Governance Statement includes the information specified in Article 22 and 24 of the Accounting Act.

In the light of the knowledge and understanding of the Company and Group and its environment obtained in the course of the audit of separate and consolidated financial statements, we are also required to report if we have identified material misstatements in the Management Report, Non-financial Report and Corporate Governance Statement. We have nothing to report in this respect.

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

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

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

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

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

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

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

• Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were initially appointed as auditors of the Company on 30 August 2017. Our appointment has been renewed annually by General Assembly of Shareholders, with the most recent reappointment on 27 April 2023, representing a total period of uninterrupted engagement appointment of 7 years.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 27 February 2024 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

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

Report on Regulatory requirements

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

Independent report on the compliance of separate and consolidated financial statements prepared pursuant to Article 462 (5) of the Capital Market Act (Official Gazette 65/18, 17/20, 83/21 and 151/22) applying the requirements of the Delegated Regulation (EU) 2018 / 815 on establishing of single electronic reporting format for issuers (the ESEF Regulation).

We have conducted a reasonable assurance engagement on whether the separate and consolidated financial statements, as contained in the attached electronic file arenahospitality-2023-12-31-en.zip, are prepared, for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, in all material respects in accordance with the requirements of the ESEF Regulation.

Responsibilities of the management and Audit Committee

Management is responsible for the preparation of the separate and consolidated financial statements in accordance with ESEF Regulation.

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

Management is also responsible for:

• the public disclosure of separate and consolidated financial statements included in the annual report, in XHTML format and selecting and using XBLR codes in accordance with ESEF regulation

Audit Committee is responsible for overseeing the preparation of the separate and consolidated financial statements in ESEF format as part of the financial reporting process.

Auditor's responsibilities

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

Work performed

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

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

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

The aim of our procedures was to assess whether:

- the separate and consolidated financial statements, which are included in the annual report, are prepared in the relevant XHTML format,
- the information contained in the separate and consolidated financial statements required by the ESEF Regulation is marked and all markings meet the following requirements:
    - o the XBRL markup language was used,

- o the basic taxonomy elements listed in the ESEF Regulation with the closest accounting significance have been used, unless an additional taxonomy element has been created in accordance with Annex IV. ESEF Regulation,
- o the labeled elements comply with the common labeling rules under the ESEF Regulation.

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

Conclusion

Based on the procedures performed and evidence gathered, the separate and consolidated financial statements presented in ESEF format for the year ended on 31 December 2023, contained in the aforementioned attached electronic file and prepared pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, are prepared in all material respects in line with the requirements of Articles 3, 4 and 6 of the ESEF Regulation.

Further to this conclusion, as well as the opinion contained in this independent auditor's report related to accompanying separate and consolidated financial statements and annual report for the year ended 31 December 2023, we do not express any opinion on the information contained in these presentations or on any other information contained in the aforementioned file.

The partner in charge of the audit resulting in this independent auditor's report is Filip Hitrec.

Filip Hitrec
Certified auditor

Zvonimir Madunić
Member of the Management Board

28 Feburary 2024
Ernst & Young d.o.o.
Radnička cesta 50
10000 Zagreb
Republic of Croatia

Consolidated And Company Statement Of Financial Position

		As at 31 December			
			Group		Company
	Note	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Assets					
Non-current assets:					
Intangible fixed assets	4	**1,201**	548	**1,080**	458
Property, plant and equipment	3	**353,292**	337,401	**221,223**	221,862
Right-of-use assets	14	**33,059**	32,240	**-**	-
Inventories		**2,066**	2,131	**1,580**	2,051
Interest in joint ventures	5	**6,256**	5,602	**-**	-
Other non-current financial assets	6	**1,029**	1,530	**124,708**	116,359
Deferred tax asset	22	**8,674**	10,046	**8,588**	9,931
Restricted deposits and cash		**9,335**	8,747	**8,975**	8,747
		414,912	398,245	**366,154**	359,408
Current assets:					
Inventories		**843**	590	**548**	433
Trade receivables	7	**2,610**	2,079	**1,024**	925
Other receivables and prepayments	8	**1,481**	2,882	**2,958**	2,187
Income tax receivable		**99**	320	**-**	-
Cash and cash equivalents	9	**50,348**	70,437	**43,371**	55,583
		55,381	76,308	**47,901**	59,128
Total assets		**470,293**	474,553	**414,055**	418,536

		As at 31 December			
			Group		Company
	Note	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Equity and liabilities					
Equity:	10				
Issued capital		**13,614**	13,614	**13,614**	13,614
Share premium		**151,668**	151,668	**151,668**	151,668
Hedging reserve		**210**	1,142	**-**	-
Other reserves		**41,631**	42,145	**73,288**	73,610
Accumulated earnings/(losses)		**6,314**	6,197	**32,687**	30,092
Total equity		**213,437**	214,766	**271,257**	268,984
Non-current liabilities:					
Bank borrowings	13	**162,251**	174,517	**97,416**	113,069
Lease liability	14	**35,799**	34,880	**169**	35
Provisions	15	**6,020**	6,020	**6,020**	6,020
Other liabilities		**1,329**	631	**1,314**	624
		205,399	216,048	**104,919**	119,748
Current liabilities:					
Trade payables		**4,567**	4,582	**1,264**	1,027
Current lease liability	14	**3,546**	4,501	**45**	11
Other payables and accruals	16	**14,483**	11,982	**11,810**	9,207
Liabilities towards related parties		**1,209**	1,264	**1,599**	1,132
Bank borrowings	13	**27,652**	21,410	**23,161**	18,427
		51,457	43,739	**37,879**	29,804
Total liabilities		**256,856**	259,787	**142,798**	149,552
Total equity and liabilities		**470,293**	474,553	**414,055**	418,536

The accompanying accounting policies and notes are an integral part of these financial statements.

Consolidated And Company Income Statement

		As at 31 December			
			Group		Company
	Note	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Revenues	17	**126,498**	109,512	**91,081**	82,724
Operating expenses	18	**(96,066)**	(76,041)	**(68,483)**	(58,066)
EBITDAR		**30,432**	33,471	**22,598**	24,658
Rental expenses and concession fees: land		**(2,382)**	(2,290)	**(2,241)**	(2,144)
EBITDA		**28,050**	31,181	**20,357**	22,514
Depreciation, amortisation and impairment	3/4/14	**(18,392)**	(15,627)	**(12,297)**	(10,725)
EBIT		**9,658**	15,554	**8,060**	11,789
Financial expenses	19	**(5,177)**	(6,218)	**(2,862)**	(2,155)
Financial income	20	**2,561**	175	**2,441**	1,093
Other expenses	21	**(1,411)**	(1,685)	**(220)**	(1,011)
Other income		**298**	11	**56**	-
Share in result of joint ventures		**(131)**	236	**-**	-
Profit/(loss) before tax		**5,798**	8,073	**7,475**	9,716
Income tax benefit/(expense)	22	**(2,144)**	(3,264)	**(1,343)**	(2,678)
Profit/(loss) for the year		**3,654**	4,809	**6,132**	7,038
Profit/(loss) attributable to:					
Equity holder of the parent		**3,654**	4,809	**6,132**	7,038
Basic and diluted (loss)/ earnings per share	23	**0.72**	0.95	**1.21**	1.39

The accompanying accounting policies and notes are an integral part of these financial statements.

Consolidated And Company Statement Of Other Comprehensive Income

		As at 31 December			
			Group		Company
	Note	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Profit/(loss) for the year		**3,654**	4,809	**6,132**	7,038
Other comprehensive income to be recycled through profit and loss in subsequent periods:					
Disposal of financial assets		**-**	(14)	**-**	(14)
Profit/(Loss) from cash flow hedges		**(932)**	1,855	**-**	-
Foreign currency translation adjustment of foreign operations		**(192)**	444	**-**	-
Other comprehensive income /(loss)		**(1,124)**	2,285	**-**	(14)
Total comprehensive income/(loss)		**2,530**	7,094	**6,132**	7,024

The accompanying accounting policies and notes are an integral part of these financial statements.

Consolidated Statement Of Changes In Equity

In EUR'000	Issued capital	Share premium	Hedging reserve	Other reserve	Accumulated earnings / (loss)	Total
Balance as at 1 January 2022	13,645	152,018	(715)	42,384	1,391	208,723
Profit/(loss) for the year	-	-	-	-	4,809	4,809
Other comprehensive income/ (loss)	-	-	1,855	430	-	2,285
Total comprehensive income/(loss)	-	-	1,855	430	4,809	7,094
Treasury shares	-	-	-	(787)	-	(787)
Share based payment	-	-	-	215	-	215
Exchange rate differences	(31)	(350)	2	(97)	(3)	(479)
Balance as at 31 December 2022	13,614	151,668	1,142	42,145	6,197	214,766
Profit/(loss) for the year	-	-	-	-	3,654	3,654
Other comprehensive income/ (loss)	-	-	(932)	(192)	-	(1,124)
Total comprehensive income/(loss)	-	-	(932)	(192)	3,654	2,530
Dividend payment	-	-	-	-	(3,537)	(3,537)
Treasury shares	-	-	-	(537)	-	(537)
Share based payment	-	-	-	215	-	215
Balance as at 31 December 2023	13,614	151,668	210	41,631	6,314	213,437

The accompanying accounting policies and notes are an integral part of these financial statements.

Company Statement Of Changes In Equity

In EUR'000	Issued capital	Share premium	Other reserve	Accumulated earnings / (loss)	Total
Balance as at 1 January 2022	13,645	152,018	74,367	23,106	263,136
Profit/(loss) for the year	-	-	-	7,038	7,038
Other comprehensive income/(loss)	-	-	(14)	-	(14)
Total comprehensive income/(loss)	-	-	(14)	7,038	7,024
Treasury shares	-	-	(787)	-	(787)
Share based payments	-	-	215	-	215
Exchange rate differences	(31)	(350)	(171)	(52)	(604)
Balance as at 31 December 2022	13,614	151,668	73,610	30,092	268,984
Profit/(loss) for the year	-	-	-	6,132	6,132
Other comprehensive income/(loss)	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	6,132	6,132
Dividend payment	-	-	-	(3,537)	(3,537)
Treasury shares	-	-	(537)	-	(537)
Share based payment	-	-	215	-	215
Balance as at 31 December 2023	13,614	151,668	73,288	32,687	271,257

The accompanying accounting policies and notes are an integral part of these financial statements.

Consolidated And Company Statement Of Cash Flows

	Note	Group 2023 EUR'000	Group 2022 EUR'000	Company 2023 EUR'000	Company 2022 EUR'000
Cash flows from operating activities:					
Profit for the year		**3,654**	4,809	**6,132**	7,038
Adjustment to reconcile profit to cash provided by operating activities:					
Interest expenses	19	**5,177**	4,139	**2,845**	2,065
Interest revenue	20	**(1,555)**	(175)	**(2,438)**	(1,093)
Unrealised foreign exchange (gains)/losses		**(904)**	1,911	**-**	104
Income tax (benefit)/charge		**2,144**	3,264	**1,343**	2,678
Share in results of joint ventures		**131**	(236)	**-**	-
Depreciation, amortisation and impairment	3/4/14	**18,392**	15,627	**12,297**	10,725
Disposal of property, plant and equipment		**56**	59	**9**	55
Share-based payments		**215**	215	**215**	215
		23,656	24,804	**14,271**	14,749
Changes in operating assets and liabilities:					
Decrease/(increase) in inventories		**(187)**	(1,251)	**356**	(1,155)
Decrease/(increase) in trade and other receivables		**855**	7,269	**(477)**	73
Increase/(decrease) in trade and other payables		**3,553**	(2,887)	**4,066**	238
		4,221	3,131	**3,945**	(844)
Cash paid and received during the period for:					
Interest paid		**(5,032)**	(4,634)	**(2,718)**	(2,550)
Interest received		**1,375**	566	**2,095**	1,248
Taxes paid		**(551)**	(285)	**-**	-
		(4,208)	(4,353)	**(623)**	(1,302)
Net cash provided by operating activities		**27,323**	28,391	**23,725**	19,641

	Note	Group 2023 EUR'000	Group 2022 EUR'000	Company 2023 EUR'000	Company 2022 EUR'000
Cash flows from investing activities:					
Investments in property, plant and equipment		**(32,328)**	(32,182)	**(12,132)**	(18,809)
Loans to related party		**-**	-	**(11,165)**	(10,646)
Proceeds from given group loans		**-**	-	**2,816**	-
Loans to joint ventures		**(1,100)**	(1,001)	**-**	-
Proceeds from repayment of loans given to joint ventures		**78**	529	**-**	-
Proceeds from sale of financial instruments		**-**	24	**-**	24
Decrease/ (increase) in restricted and rent deposits		**(602)**	15	**(228)**	-
Investment in subsidiary		**-**	-	**-**	(448)
Net cash used in investing activities		**(33,952)**	(32,615)	**(20,709)**	(29,879)
Cash flows from financing activities:					
Proceeds from bank borrowings		**10,524**	51,019	**2,500**	44,510
Proceeds from finance lease		**190**	35	**190**	35
Payment of principal portion of lease liabilities		**(3,107)**	(2,891)	**(22)**	(8)
Dividend payment		**(3,537)**	-	**(3,537)**	-
Repayment of bank borrowings		**(16,980)**	(18,071)	**(13,822)**	(15,824)
Purchase of treasury shares		**(537)**	(787)	**(537)**	(787)
Net cash provided by (used in) financing activities		**(13,447)**	29,305	**(15,228)**	27,926
(Decrease)/increase in cash and cash equivalents		**(20,076)**	25,081	**(12,212)**	17,688
Net foreign exchange differences		**(13)**	6	**-**	(84)
Cash and cash equivalents at beginning of year		**70,437**	45,350	**55,583**	37,979
Cash and cash equivalents at end of year		**50,348**	70,437	**43,371**	55,583
Non-cash items:					
Outstanding payable on investments in property, plant and equipment		**433**	770	**248**	368

The accompanying accounting policies and notes are an integral part of these financial statements.

Notes To The Financial Statements

NOTE 1 GENERAL

a. The financial statements of Arena Hospitality Group d.d. (the Company) and its subsidiaries (together the Group) for the year ended 31 December 2023 were established by a decision of the Management Board dated 28 February 2024. Following approval by the Supervisory Board, the financial statements are considered approved according to Article 300d of the Croatian Companies Act.

The Company is a subsidiary of PPHE Hotel Group Limited, a Guernsey incorporated company listed on the FTSE Market of the London Stock Exchange (PPHE Hotel Group) which (indirectly) owns 53.77% of the registered share capital in the Company. The financial statements of the Group are included in the financial statements of PPHE Hotel Group.

As at 31 December 2023 and at the day of issuance of this Report, the members of the Management Board are: Reuel Israel Gavriel Slonim (President), Devansh Bakshi, Manuela Kraljević and Edmond Pinto (members). The members of the Supervisory Board as of 31 December 2023 were: Boris Ernest Ivesha (Chairman), Yoav Arie Papouchado (Vice-Chairman), Kevin Michael McAuliffe, Ivana Matovina, Amra Pende, Lorena Škuflić and Goran Nikolić.

b. Description of business and formation of the Company:

The Company is a joint stock company listed on the Prime Market of the Zagreb Stock Exchange with its registered office in Pula, Republic of Croatia. In accordance with the laws of the Republic of Croatia and with the approval of the Croatian Privatisation Fund, the Company was transformed from a state-owned company into a joint stock company in 1994 and registered with the Commercial Court in Rijeka.

The business of the Group is owning, co-owning, leasing and operating full-service upscale, upper upscale and lifestyle hotels in major gateway cities and regional centres, such as Berlin, Cologne and Nuremberg in Germany, Budapest in Hungary, Belgrade in Serbia, Zagreb in Croatia as well as hotels self-catering apartment complexes and campsites in destinations such as in the city of Pula, the largest city in Croatia's Istria region or Medulin, and ski resort in Nassfeld in Austria.

c. Assessment of going concern and liquidity:

As part of their ongoing responsibilities, the Management Board have recently undertaken a thorough review of the Group's and the Company's cash flow forecast and potential liquidity risks. Detailed budgets and cash flow projections have been prepared for 2024, which show that the Group's hotel operations will be cash generative during the period. The Management Board have determined that the Company is likely to continue it's business for at least 12 months from the date of the financial statements.

NOTE 2 MATERIAL ACCOUNTING POLICIES

a. Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union.

The financial statements of the Group and the Company have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets that have been measured at fair value.

The financial statements are presented in Euro and all values are rounded to the nearest thousand except where indicated otherwise.

Statement of compliance:

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Standards Interpretations Committee (IFRIC) and adopted by the European Union.

The accounting policies used in preparing the financial statements for the years ended 31 December 2023 and 31 December 2022 are set out below. These accounting policies have been consistently applied to the periods presented, except where otherwise indicated.

b. Basis of consolidation

The Consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group and the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

c. Significant accounting judgments, estimates and assumptions

The preparation of the Group's and Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Group's and the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Acquisition of companies that are not business combinations

At the acquisition date of companies and groups of assets, the Group and the Company determines whether the transaction constitutes an acquisition of a business in a business combination transaction pursuant to IFRS 3. If the acquisition does not constitute a business as defined in IFRS 3, the cost of purchase is allocated only to the identifiable assets and liabilities of the acquired company on the basis of their relative fair values at the date of purchase and including any minority interest according to its share of the fair value of net identifiable assets at the acquisition date.

In determining whether a business was acquired, the Group and the Company evaluates whether the acquired integrated set of activities and assets include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The following criteria which indicate acquisition of a business are considered: the variety of assets acquired, the extent to which ancillary services to operate the property are provided and the complexity of the management of the property.

Estimates and assumptions

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Group and the Company for which there is a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group and the Company bases its assumptions and estimates on parameters available when the financial statements are prepared. However, these parameters may change due to market changes or other circumstances beyond the control of the Group and Company. Such changes are reflected in the assumptions and estimates when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Deferred tax assets

Deferred tax assets are recognised for unused carry forward tax losses, unused tax incentives and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. The amount of deferred tax assets that can be recognised is based upon the likely timing and level of future taxable profits together with future tax planning strategies. Additional information is provided in Note 22.

Other critical estimates and assumptions which relates to impairment of property, plant and equipment, and estimate of the useful life of the assets are described in Notes "j" and "k".

d. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. For each business combination, the Group and the Company elects whether to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

The Group and the Company determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort or delay in the ability to continue producing outputs.

When the Group and the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the income statement in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

e. Business combinations involving entities under common control

The Group and the Company accounts for business combinations that include entities under common control using the acquisition method provided that the transaction has substance.

f. Investment in associates and joint ventures

An associate is an entity over which the Group and the Company have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's and the Company's investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group's and the Company's share of net assets of the associate or joint venture.

The aggregate of the Group's and the Company's share of profit or loss of a joint venture is shown on the face of the income statement outside EBIT and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint ventures are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group and the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group and the Company determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group and the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share in result of associate and joint ventures' in the income statement.
Upon loss of significant influence over the associate or joint control over the joint venture, the Group and the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

g. Investments in subsidiaries
Subsidiaries are those entities in which the Company, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The Company has subsidiaries, disclosed in the Appendix to this report, which are accounted at cost less impairment.

h. Foreign currency translation
From 1 January 2023 functional currency in Croatia was changed in accordance with the Law on the Introduction of the Euro (EUR) as the official currency in the Republic of Croatia. The fixed rate of conversion prescribed in the Law is HRK 7.5345 for 1 EUR.
With the change in currency in Croatia, the reporting currency was also changed. The Financial statements of the Group and the Company are presented in EUR for the first time. All comparative balance sheet items from previous year were translated into EUR using fixed rate of conversion (year-end rate), while items from the Income statements and the Cash flow statement were translated using average rate from 2022.
Although the change in the presentation currency in the financial statements represents a change in accounting policy that requires retroactive application, the Company did not present the third balance sheet in the financial statements for the year ended December 31, 2023 in accordance with International Accounting Standard 8 (IAS) Accounting Policies, Changes in Accounting Estimates and Errors, given that it has determined that the change in the presentation currency has no significant impact on the Company's and Group's financial statements, due to the stable HRK/EUR exchange rate over the past few years.
The following exchange rates were used to translate reported amounts in Croatian Kuna in 2022 to Euro (the new reporting currency):

	Closing rate as at 31 December 2022 In EUR	Average rate in 2022 In EUR
Croatian Kuna	0.13272	0.13269

Transactions in foreign currencies are initially recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rates prevailing on the reporting date. Profits and losses arising from exchange differences are included in the income statement.
On consolidation, the assets and liabilities of the entities whose functional currency is other than the Euro are translated at the exchange rate prevailing on the reporting date. Income and expense items are translated at the average exchange rate for the period. Equity items are translated at the historical exchange rate. Exchange differences arising on the translation are recognised in other comprehensive income and classified as a separate component of equity (foreign currency translation reserve). Such translation differences are recognised in the income statement for the period in which the entity is disposed of.
Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. The following exchange rates in relation to the Euro were prevailing at the indicated reporting dates:

	As at 31 December	
	2023 In EUR	2022 In EUR
Hungarian Forint (100)	**2.62**	2.50
Serbian dinar	**8.83**	8.52

i. Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.
Intangible assets are amortised using the straight-line method over their estimated useful life and assessed for impairment whenever there is an indication that the intangibles may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense for intangible assets is recognised in the income statement. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and recognised in the income statement when the asset is derecognised.

j. Property, plant and equipment
Property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method over the shorter of the estimated useful life of the assets or the lease term as follows:

	Years
Hotel buildings	20 to 60
Furniture and equipment	4 to 10

The costs of maintaining property, plant and equipment are recognised in the income statement as they are incurred. Costs incurred that significantly increase the recoverable amount of the asset concerned are added to the asset's cost as an improvement and depreciated over the expected useful life of the improvement.
An item of property, plant and equipment, and any significant part initially recognised, is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal

proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.
The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted if appropriate.

k. Impairment of non-financial assets

At each reporting date, the Group and the Company review the carrying amounts of its non-financial assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.
Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

l. Financial instruments

i) Financial assets:

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Group's and Company's financial assets at amortised cost include trade receivables and loans to Joint Ventures.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.
Financial assets that are debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.
This category includes derivative instruments and listed equity. Dividends on listed equity investments are recognised as other income in the income statement when the right of payment has been established.

Impairment of financial assets

The Group and the Company recognises an allowance for expected credit loss (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.
ECLs are recognised in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).
For trade receivables, the Group and the Company applies a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.
The Group and the Company may also considers a financial asset to be in default when internal or external information indicates that the Group or the Company is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group and the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as financial expenses in the income statement.
This category generally applies to interest-bearing loans and borrowings.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

m. Inventories

Inventories, including food, beverages and crockery are valued at the lower of cost and net realisable value. Cost includes purchase cost on a weighted average basis. Purchase of small equipment during renovation, which has an economic life longer than one year is presented as non-current assets and is depreciated over its economic life and recorded in operating expenses. Such small equipment includes sheets, towels, cutlery, trays, pillows and similar items.
Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

n. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

o. Derivative financial instruments and hedge accounting

As permitted by IFRS 9, the Group and the Company have elected to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

The Group and the Company uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group and the Company will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument in a cash flow hedge is recognised directly in Other Comprehensive Income, while the ineffective portion is recognised in profit or loss. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised.

q. Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expects to be entitled in exchange for those goods or services. The Group and the Company have generally concluded that this is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Owned and leased hotels

Revenues are primarily derived from hotel operations, including the rental of rooms, food and beverage sales and other services from owned and leased hotels operated under the Group's brand names. Revenue is recognised when rooms are occupied, food and beverages are sold and services are performed.

Customer loyalty programme

The Group and the Company participate in the Radisson RewardsTM customer loyalty programme to provide customers with incentives to buy room nights. This customer loyalty programme is owned and operated by Radisson Hotel Group ("RHG") and therefore the entity retains no obligations in respect of the award credits other than to pay the programme operator for the award credits granted. Customers are entitled to utilise the awards as soon as they have been granted. The Group and Company purchase these award credits from RHG and issue them to its customers in order to enhance customer relationships rather than to earn a margin from the sale of these award credits. The Group and the Company concluded that they are acting as principal in such transactions and, in substance, is earning revenue from supplying these awards to its customers. The Group and Company measure these revenues at fair value and recognise these gross from the costs of participating in the programme.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group and the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's and the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group and the Company have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group and the Company transfers goods or services to the customer, a contract liability (advance payments received) is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group and the Company performs under the contract.

r. Alternative Performance Measures

EBITDAR

Earnings before interest (Financial income and expenses), tax, depreciation and amortisation, impairment loss, rental expenses, share in results of joint ventures and exceptional items presented as other income and expense.

EBITDA

Earnings before interest (Financial income and expenses), tax, depreciation and amortisation, impairment loss, share in results of joint ventures and exceptional items presented as other income and expense.

EBIT

Earnings before interest (Financial income and expenses), tax, share in results of joint ventures and exceptional items presented as other income and expense.

s. Leases

The Group and the Company accounts for a contract as a lease when the contract terms convey the right to convey the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group and the Company as lessee

The Group and the Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.Interest rates on lease liabilities are in range between 1.95% and 2%.

Right-of-use assets
The Group and the Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.
Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Hotel buildings	7 to 45
Offices	5 to 6

If ownership of the leased asset transfers to the Group or the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (k) Impairment of non-financial assets.
Lease liabilities
At the commencement date of the lease, the Group and the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group or the Company and payments of penalties for terminating the lease, if the lease term reflects the Group or the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as rent expenses in the period in which the event or condition that triggers the payment occurs.
In calculating the present value of lease payments, the Group and the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.
Variable lease payments that depend on an index:
On the commencement date, the Group and Company uses the index rate prevailing on the commencement date to calculate the future lease payments.
For leases in which the Group or the Company are the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).
Variable lease payments:
Variable lease payments that do not depend on an index or interest rate but are based on performance or usage are recognized as an expense as incurred when the Group or the Company is the lessee, and are recognized as income as earned when the Company is the lessor.
Lease extension and termination options:
A non-cancelable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.
In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.
Lease modifications:
If a lease modification does not reduce the scope of the lease and does not result in a separate lease, the Company remeasures the lease liability based on the modified lease terms using a revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.
If a lease modification reduces the scope of the lease, the Company recognizes a gain or loss arising from the partial or full reduction of the carrying amount of the right-of-use asset and the lease liability. The Company subsequently remeasures the carrying amount of the lease liability according to the revised lease terms, at the revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.
Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.
The Group and the Company as lessor:
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

t. Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as deduction in reporting from the related expense, for which it is intended to compensate. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

u. Employee benefits
Share-based payments
Employees (including Management Board) of the Company and the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).
Equity-settled transactions
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.
That cost is recognised in employee benefits expense (Note 18), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the

performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan either to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value. Termination benefits are reported as other liabilities.

v. Provisions

Provisions are recognised when the Group or the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group or the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

w. Borrowing costs for qualifying assets

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

z. Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

(i) where the deferred tax liability arises from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities and changes in them relating to items recognised directly in equity or other comprehensive income are recognised in equity or other comprehensive income and not in the income statement.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilised, except:

(i) when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Investment tax credit

Investment tax credit are incentives arising from government incentives scheme which enable the Group and the Company to reduce their income tax liability in current and future periods, and are linked to construction and acquisition of certain assets and/or performance of certain activities and/or fulfilment of certain specific condition prescribed in relevant regulation for investment incentives by the relevant authorities.

Tax credit is not recognised until the conditions required to receive the credit are met. Tax credit are recognised in current tax in the year in which they are claimed on the Company's tax return. Tax credits that are unused are recognised as deferred tax assets to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

aa. Treasury shares
Own equity shares held by the Company are recognised at cost and presented as a deduction from equity. Any purchase, sale, issue or cancellation of treasury shares is recognised directly in equity.

ab. Earnings (loss) per share
Basic earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year attributable to shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.
Diluted earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

ac. Changes in accounting policies and disclosures
The standards/amendments that are effective and have been endorsed by the European Union.
The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS and amendments to IFRS which have been adopted by the Group and the Company as of 1 January 2023:

- IFRS 17 insurance contracts,
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments),
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments),
- IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments),
- IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (Amendments)

The newly adopted IFRS and amendments to IFRS did not have a material impact on the Group's or Company's accounting policies.

ad. Standards issued but not yet applied
The standards/amendments that are not yet effective, but they have been endorsed by the European Union.

- IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments). The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The amendments are not expected to have a material impact on the Group or the Company.
- IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments). The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted.
The amendments are not expected to have a material impact on the Group or the Company.

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings EUR'000	Furniture, fittings and equipment EUR'000	Property and assets under construction EUR'000	Total EUR'000
Cost:				
Balance as at 1 January 2022	400,323	50,274	44,416	495,013
Additions during the year	13,134	4,749	11,777	29,660
Transfers	28,062	7,194	(35,256)	-
Disposals during the year	(110)	(436)	-	(546)
Exchange rate differences	(668)	(262)	(190)	(1,120)
Balance as at 31 December 2022	**440,741**	**61,519**	**20,747**	**523,007**
Accumulated depreciation and impairment:				
Balance as at 1 January 2022	142,048	31,241	-	173,289
Provision for depreciation	8,823	4,489	-	13,312
Disposals during the year	(110)	(381)	-	(491)
Exchange rate differences	(312)	(192)	-	(504)
Balance as at 31 December 2022	**150,449**	**35,157**	**-**	**185,606**
Net book value as at 31 December 2022	**290,292**	**26,362**	**20,747**	**337,401**
Cost:				
Balance as at 1 January 2023	440,741	61,519	20,747	523,007
Additions during the year	23,786	3,778	3,719	31,283
Transfers	11,032	2,834	(13,800)	66
Disposals during the year	(486)	(460)	-	(946)
Exchange rate differences	6	79	144	229
Balance as at 31 December 2023	**475,079**	**67,750**	**10,810**	**553,639**
Accumulated depreciation and impairment:				
Balance as at 1 January 2023	150,449	35,157	-	185,606
Provision for depreciation	10,219	5,277	-	15,496
Transfer	1,034	(968)	-	66
Disposals during the year	(484)	(406)	-	(890)
Exchange rate differences	-	69	-	69
Balance as at 31 December 2023	**161,218**	**39,129**	**-**	**200,347**
Net book value as at 31 December 2023	**313,861**	**28,621**	**10,810**	**353,292**

a. There was no capitalisation of borrowing costs in 2023 or 2022.
b. For information regarding liens, see Note 12.
c. Transfers in the total amount of EUR 66 thousand refers to reclassification between tangible and intangible assets.

Impairment
There were no indication of impairment during the year.

NOTE 3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Land and buildings EUR'000	Furniture, fittings and equipment EUR'000	Property and assets under construction EUR'000	Total EUR'000
Cost:				
Balance as at 1 January 2022	299,235	35,826	42,474	377,535
Additions during the year	10,479	1,586	3,917	15,982
Transfer	28,062	7,194	(35,256)	-
Disposals during the year	(110)	(428)	-	(538)
Exchange rate differences	(681)	(80)	(103)	(864)
Balance as at 31 December 2022	**336,985**	**44,098**	**11,032**	**392,115**
Accumulated depreciation and impairment:				
Balance as at 1 January 2022	136,792	23,735	-	160,527
Provision for depreciation	7,419	3,157	-	10,576
Disposals during the year	(110)	(372)	-	(482)
Exchange rate differences	(314)	(54)	-	(368)
Balance as at 31 December 2022	**143,787**	**26,466**	**-**	**170,253**
Net book value as at 31 December 2022	**193,198**	**17,632**	**11,032**	**221,862**
Cost:				
Balance as at 1 January 2023	336,985	44,098	11,032	392,115
Additions during the year	10,110	735	617	11,462
Transfer	1,771	2,333	(4,038)	66
Disposals during the year	(482)	(221)	-	(703)
Balance as at 31 December 2023	**348,384**	**46,945**	**7,611**	**402,940**
Accumulated depreciation and impairment:				
Balance as at 1 January 2023	143,787	26,466	-	170,253
Provision for depreciation	8,700	3,393	-	12,093
Transfer	945	(879)	-	66
Disposals during the year	(482)	(213)	-	(695)
Balance as at 31 December 2023	**152,950**	**28,767**	**-**	**181,717**
Net book value as at 31 December 2023	**195,434**	**18,178**	**7,611**	**221,223**

a. There was no capitalisation of borrowing costs in 2023 or 2022.
b. For information regarding liens, see Note 12.
c. Transfers in the total amount of EUR 66 thousand refers to reclassification between tangible and intangible assets.

Impairment

There were no indication of impairment during the year.

NOTE 4 INTANGIBLE ASSETS

Group	Software and licences EUR'000	Total EUR'000
Cost:		
Balance as at 1 January 2022	1,443	1,443
Additions during the year	446	446
Disposals during the year	(11)	(11)
Exchange rate differences	(4)	(4)
Balance as at 31 December 2022	**1,874**	**1,874**
Accumulated amortisation:		
Balance as at 1 January 2022	1,155	1,155
Provision for amortisation	182	182
Disposals during the year	(8)	(8)
Exchange rate differences	(3)	(3)
Balance as at 31 December 2022	**1,326**	**1,326**
Net book value as at 31 December 2022	**548**	**548**
Cost:		
Balance as at 1 January 2023	1,874	1,874
Additions during the year	887	887
Transfer	(66)	(66)
Balance as at 31 December 2023	**2,695**	**2,695**
Accumulated amortisation:		
Balance as at 1 January 2023	1,326	1,326
Provision for amortisation	234	234
Transfer	(66)	(66)
Balance as at 31 December 2023	**1,494**	**1,494**
Net book value as at 31 December 2023	**1,201**	**1,201**

NOTE 4 INTANGIBLE ASSETS (CONTINUED)

Company	Software and licences EUR'000	Total EUR'000
Cost:		
Balance as at 1 January 2022	1,371	1,371
Additions during the year	384	384
Disposals during the year	(3)	(3)
Exchange rate differences	(4)	(4)
Balance as at 31 December 2022	**1,748**	**1,748**
Accumulated amortisation:		
Balance as at 1 January 2022	1,144	1,144
Provision for amortisation	151	151
Disposals during the year	(3)	(3)
Exchange rate differences	(2)	(2)
Balance as at 31 December 2022	**1,290**	**1,290**
Net book value as at 31 December 2022	**458**	**458**
Cost:		
Balance as at 1 January 2023	1,748	1,748
Additions during the year	825	825
Disposals during the year	(66)	(66)
Balance as at 31 December 2023	**2,507**	**2,507**
Accumulated amortisation:		
Balance as at 1 January 2023	1,290	1,290
Provision for amortisation	203	203
Transfer	(66)	(66)
Balance as at 31 December 2023	**1,427**	**1,427**
Net book value as at 31 December 2023	**1,080**	**1,080**

NOTE 5 INTEREST IN JOINT VENTURES

For a list of jointly controlled entities, please see the appendices.

	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Loans to joint ventures*	**7,495**	6,294	**-**	-
Share of net assets under equity method	**(1,239)**	(692)	**-**	-
Interest in joint ventures	**6,256**	5,602	**-**	-

*€6.8 million of the loan is denominated in Euro and bears an interest rate of LIBOR +2.5% per annum.

NOTE 6 OTHER NON-CURRENT FINANCIAL ASSETS

	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Derivative financial instruments	**612**	1,126	**-**	-
Rent deposit	**417**	404	**-**	-
Investment in Sugarhill Investments B.V.	**-**	-	**69,565**	69,565
Loan to Sugarhill Investments B.V.	**-**	-	**26,979**	20,754
Loan to Germany Real Estate B.V.	**-**	-	**16,803**	17,947
Loan to Ulika d.o.o.	**-**	-	**8,300**	5,083
Investment in Ulika d.o.o.	**-**	-	**2,989**	2,989
Loan to Mazurana d.o.o.	**-**	-	**67**	16
Investment in Mazurana d.o.o.	**-**	-	**5**	5
	1,029	1,530	**124,708**	116,359

NOTE 7 TRADE RECEIVABLES

a. Composition

	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Trade receivables	**3,086**	2,527	**1,454**	1,357
Less – allowance for doubtful debts	**(476)**	(448)	**(430)**	(432)
	2,610	2,079	**1,024**	925

Trade receivables are non-interest bearing.

b. Movements in the allowance for doubtful accounts were as follows

	Group	Company
	EUR'000	EUR'000
As at 31 December 2022	448	432
Additions/ (deductions)	28	(2)
As at 31 December 2023	476	430

c. As at 31 December, the ageing analysis of unimpaired trade receivables is as follows

			Past due			
Group	Total EUR'000	Undue EUR'000	< 30 days EUR'000	30 to 60 days EUR'000	60 to 90 days EUR'000	> 90 days EUR'000
2023	2,610	1,291	719	118	125	357
2022	2,079	1,206	512	88	82	191

NOTE 7 TRADE RECEIVABLES (CONTINUED)

			Past due			
Company	Total EUR'000	Undue EUR'000	< 30 days EUR'000	30 to 60 days EUR'000	60 to 90 days EUR'000	> 90 days EUR'000
2023	1,024	394	212	27	100	291
2022	925	586	117	26	47	149

NOTE 8 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Prepaid expenses	**352**	957	**230**	335
Receivable for VAT and other taxes	**976**	908	**539**	229
Receivable from related parties	**131**	9	**2,183**	1,618
Other receivables	**22**	1,008	**6**	5
	1,481	2,882	**2,958**	2,187

NOTE 9 CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short term deposit rates.

NOTE 10 EQUITY

a. Share capital:

As at 31 December 2023, the Company's share capital amounted to EUR 13,613,965 (2022: EUR: 13,613,965) and was divided into 5,128,721 (2022: 5,128,721) ordinary shares without a nominal value.

b. Hedging reserve

This reserve is comprised of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

c. Nature and purpose of reserves:

Other reserves

The other reserves mainly consist of results of transactions that affected the equity of the Company with regard to acquisition of subsidiaries from related companies.

Under Croatian regulations, the legal reserve must be built up to a minimum of 5% of the profit for the year until the total reserves together with the share premium reach 5% of the Company's share capital. This reserve is not distributable. As at 31 December 2023, legal reserves amounted to EUR 0.7 million (2022: EUR 0.7 million).

As at 31 December 2023, the consolidated other reserves amounting to EUR 41.6 million (2022: EUR 42.1 million) consisted of:

(i) Capital reserves of EUR 80.8 million (2022: EUR 81.3 million).

(ii) Legal reserves amounting to EUR 0.7 million (2022.: EUR 0.7 million).

(iii) Other capital reserves which amount to EUR 43.7 million negative (2022: EUR 43.7 million negative) with regard to the difference between the acquisition price and the net asset value of Sugarhill Investments B.V. at time of acquisition.

(iv) Other reserves constitutes the difference between the purchase price of the Bora Companies and the net asset value of the Bora Companies. The negative goodwill realised on the purchase of EUR 3.1 million was directly recognised in other reserves.

(v) Exchange rate differences in the amount of EUR 0.4 million (2022: EUR 0.2 million negative).

(vi) Treasury shares amounting to EUR 3.6 million negative (2022: EUR 3.0 million negative).

(vii) Reserves for treasury shares amounting to EUR 3.6 million (2022: EUR 3.0 million). These reserves are formed from Capital reserves.

(viii) Reserves for share option amounting to EUR 0.8 million (2022: EUR 0.6 million).

As at 31 December 2023, the Company's other reserves amounting to EUR 73.3 million (2022: EUR 73.6 million) consisted of:

(i) Other capital reserves amounting to EUR 68.8 million (2022: EUR 69.3 million). These reserve are distributable.

(ii) Other reserves for the difference between the purchase price of the Bora Companies and the net asset value of the Bora Companies. The difference realised on the purchase of EUR 3.1 million has been directly recognised in other reserves.

(iii) Treasury shares amounting to EUR 3.6 million negative (2022: EUR 3.0 million negative).

(iv) Reserves for treasury shares amounting to EUR 3.6 million (2022: EUR 3.0 million). These reserves are formed from Other capital reserves.

(v) Reserves for share option amounting to EUR 0.8 million (2022: EUR 0.6 million).

(vi) Legal reserves amounting to EUR 0.7 million (2022.: 0.7 million).

NOTE 11 SHARE-BASED PAYMENTS

During 2020, the Company established a share award plan within the framework of employees' reward program. The Company's Supervisory Board met in January 2020 to consider option packages of Management Board members to ensure that they are properly incentivised in the future. In March 2020, the Supervisory Board based on Award decision agreed to grant a total of 18,240 shares to the Management Board members at Nil Option price at the exercise of the option. The Vesting date is 4 years from the decision date in one tranche. The Company shall bear the Award tax liability.

The expense arising from equity-settled share-based payment transactions during 2023 was EUR 215 thousand (2022: EUR 215 thousand). Fair value of the option was determined based on the market price of the shares at grant date.

NOTE 12 PLEDGES, CONTINGENT LIABILITIES AND COMMITMENTS

a. Pledges, collateral and securities:

All bank borrowings are secured by a mortgage over Group properties with a net carrying amount of EUR 233.8 million (2022: EUR 227.5 million).

b. Commitments:

(i) Management and franchise agreements

1. In December 2016, the Company's operating agreements for its Croatian properties and those properties in Germany and Hungary that comprised the Sugarhill contribution were amended, restated and novated in order to create two separate agreements:

a. an operating agreement with Arena Hospitality Management d.o.o., which is part of the Group, under which each property pays an annual base fee calculated as a percentage of total revenue of the property and an annual incentive fee calculated as a percentage of adjusted gross operating profit. The fee revenues generated from properties within the Group are, as the corresponding expenses, eliminated upon consolidation. These agreements are for terms of between 15 and 30 years; and

b. a licence, sales and marketing agreement with a member of the PPHE Hotel Group (as licensor) under which each property pays an annual fee calculated as a percentage of total revenue for, among others, certain Group services. The term of such agreement follows that of the amended operating agreements.

2. Additionally, as of December 2016, through the acquisition of Sugarhill Investmenst B.V. and the restructuring of the Group, the Group benefits from an exclusive right to operate hotels under the Plark Plaza® brand in 18 Countries throughout the CEE region for a period of 30 years.

Guarantees:

The Group, through its subsidiaries ACO Hotel Holding B.V. and ABK Hotel Holding B.V., has an outstanding loan facility with Deutsche Hypothekenbank AG ("Deutsche Hypo") for an aggregate principal amount of EUR 29.6 million (2022: EUR 30.9 million). This facility includes a guarantee issued by PPHE Hotel Group up to the lower of EUR 19 million or 50% of the outstanding debt under the loan. The Company has provided a back-to-back guarantee to PPHE Hotel Group effective as of 1 January 2018.

The Group, through its subsidiaries Arena FRANZ ferdinand GmbH, has an outstanding loan facility with Erste Bank Group AG for an aggregate principal amount of EUR 10.1 million (2022: EUR 10.5 million). This facility includes a guarantee issued by the Company.

The Group, through its subsidiaries SW Szállodaüzemeltető Korlátolt, has an outstanding loan facility with OTP Bank Nyrt. Budapest for an aggregate principal amount of EUR 1.8 million (2022: EUR 1.9 million). This facility includes a guarantee issued by the Company.

The Group, through its subsidiaries Ulika d.o.o., has an outstanding loan facility with ERSTE&STEIERMÄRKISHE BANK d.d. for an aggregate principal amount of EUR 12.2 million (2022: EUR 4.6 million). This facility includes a guarantee issued by the Company.

The Group through its joint ventures ABM Hotel Holding B.V. and PPBK Hotel Holding B.V. has an outstanding loan facility with Deutsche Hypo AG for an aggregate principal amount of EUR 7.8 million (2022: EUR 8.2 million). This facility was refinanced upon maturing as of 28 April 2023, and a previously existing guarantee issued by PPHE Hotel Group for the full outstanding debt under the loan had been released upon refinancing. The Company has provided a back-to-back guarantee to PPHE Hotel Group as of 1 January 2018, and this back-to-back guarantee was also released accordingly. Consequently, the Company has no further issued guarantees arising from these facilities.

c. Lease agreements

The Group operates city hotels (in Germany and Hungary), while in Zagreb the Group developed new hotel, and occupies certain properties under various lease agreements in which the building, fixtures, furniture and equipment are leased. These tend to be long term arrangements under which the Group leases a hotel from a third party property owner for periods of 20 to 45 years and often include options to extend for varying periods. Monthly rental payments are based on a percentage of the operating revenues or gross operating profit of that hotel, subject, in most cases, to a minimum amount which is independent of the operating revenue or gross operating profit. The rental expenses presented in the income statement primarly reflect the variable lease payments.

NOTE 13 BANK BORROWINGS

The bank borrowings of the Group are comprised as follows:

	As at 31 December 2023		
Currency	Outstanding amount in EUR'000	Interest rate	Maturity
EUR	189,667	0.90-4.3%	2025-2033
	189,667		
Accrued interest	815		
Capitalised transaction costs	(579)		
Total	189,903		

As at 31 December 2023	Maturity analysis					
Outstanding amount EUR	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
189,667	26,837	20,078	38,295	52,227	9,640	42,590

For securities and pledges, see Note 12.

During 2023 the Group entered into several new facilities;
- a EUR 2.5 million facility, maturing in 2027, with ERSTE&STEIERMÄRKISHE BANK d.d. The purpose of the loan is refinancing of existing loan.

Additionally, during 2023 the Group through its subsidiary Ulika d.o.o. withdrew EUR 8 million from the facility signed in 2022 with ERSTE&STEIERMÄRKISHE BANK d.d. for investment in hotel in Zagreb.

	As at 31 December 2022		
Currency	Outstanding amount in EUR'000	Interest rate	Maturity
EUR	143,216	1.95-4.3%	2023-2033
HRK	52,895	0.90-2.6%	2025-2033
	196,111		
Accrued interest	737		
Capitalised transaction costs	(921)		
Total	195,927		

As at 31 December 2022	Maturity analysis					
Outstanding amount EUR	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
196,111	20,673	21,404	19,084	37,299	51,232	46,419

For securities and pledges, see Note 12.

The bank borrowings of the Company are comprised as follows:

	As at 31 December 2023		
Currency	Outstanding amount in EUR'000	Interest rate	Maturity
EUR	120,126	1.5-2.95%	2025-2033
	120,126		
Accrued interest	748		
Capitalised transaction costs	(297)		
Total	120,577		

As at 31 December 2023	Maturity analysis					
Outstanding amount EUR	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
120,126	22,413	13,550	9,125	41,125	8,094	25,819

NOTE 13 BANK BORROWINGS (CONTINUED)

			As at 31 December 2022
Currency	Outstanding amount in EUR'000	Interest rate	Maturity
EUR	78,553	1.5-2.95%	2023-2033
HRK	52,895	0.90-2.6%	2025-2033
	131,448		
Accrued interest	665		
Capitalised transaction costs	(617)		
Total	131,496		

As at 31 December 2022	Maturity analysis					
Outstanding amount EUR	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
131,448	17,762	17,474	13,050	8,625	40,625	33,912

For securities and pledges, see Note 12.

The Group and the Company are required to comply with certain financial covenants as described below:

a. Under the Zagrebačka Banka d.d joint EUR 32.0 million and HRK 205.0 million facility the borrower must ensure that at year end, based on audited standalone financial statements of the borrower, the DSCR is equal to or greater than 1.2 during the life of the loan and that the ratio of Net Debt/ EBITDA (‘net leverage ratio’) is equal to or lower than 4.5 at year end 2021 and for each succeeding calendar year during the remaining life of the loan. As at 31 December 2023, the Company is in compliance with these covenants.

b. Under the Zagrebačka Banka d.d EUR 10.0 million and HRK 60.0 million facilities the borrower must ensure that at year end, based on audited standalone financial statements of the borrower, the DSCR is equal to or greater than 1.2 during the life of the loan and that the net leverage ratio is equal to or lower than 4.5 at year end 2021 and for each succeeding calendar year during the remaining life of the loan. Additionally, the borrower undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees for bank borrowings and EBITDA to the maximum of 6.0 until the end of the loan repayment. Moreover, under the HRK 60.0 million facility the amount of the loan cannot exceed 70% of the value of the properties used as collateral. As at 31 December 2023, the Company is in compliance with these covenants.

c. Under the Erste Banka d.d. EUR 2.5 million facility, the borrower has to comply with the following covenants calculated based on standalone financial statements, tested once a year using audited financial statements for the preceding year: DSCR 1 is equal to or greater than 3.5. DSCR 2 is equal or greater than 1.2. The net leverage ratio is equal to or lower than 4.5. Additionally, the borrower undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees for bank borrowings and EBITDA to the maximum of 6.0 until the end of the loan repayment. The equity ratio has to be at least 30%. As at 31 December 2023, the Company is in compliance with these covenants.

d. Under the club deal with Erste Banka d.d. and Zagrebačka Banka d.d signed in December 2020 for the purpose of financing the refurbishment of Hotel Brioni Pula in the total amount of EUR 24.0 million the borrower has to comply with the following covenants calculated based on standalone financial statements, tested once a year using audited financial statements for the preceding year: DSCR 1 is equal to or greater than 3.5. DSCR 2 is equal or greater than 1.2. Net leverage ratio is equal to or lower than 4.5. Additionally, the borrower undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees for bank borrowings and EBITDA to the maximum of 6.0 until the end of the loan repayment. The amount of the loan cannot exceed 70% of the property used as collateral. The equity ratio has to be at least 30%. As at 31 December 2023, the Company is in compliance with these covenants.

e. Under the OTP Banka d.d. loan signed in July 2020 for the purpose of financing the purchase and subsequent refurbishment of Hotel Riviera Pula in the total amount of EUR 10.0 million the borrower has to comply with the following standalone covenants, tested once a year using audited financial statements for the preceding year: net leverage ratio is equal to or lower than 4.5. The equity ratio has to be at least 55%. The loan consists of two equal tranches in the amount of EUR 5.0 million each. The loan has a deposit build up mechanism, subject to certain conditions. As at year-end 2023 EUR 5.0 million was drawn. As at 31 December 2023, the Company is in compliance with these covenants.

f. Under the Deutsche Hypothekenbank AG facility, for Park Plaza Nuremberg the borrower must ensure throughout the entire term of the loan that the outstanding amount of the loan does not exceed 65% of the value of the property used as collateral and that the DSCR is not less than 1.35. As at 31 December 2023, the Group is in compliance with these covenants.

g. Under the Deutsche Hypothekenbank AG facility for ACO Hotel Holding B.V. and ABK Hotel Holding B.V., the borrower must ensure throughout the entire term of the loan that the outstanding amount of the loan does not exceed 70% of the value of the properties used as collateral and that the DSCR is not less than 1.10. As at 31 December 2023, the Group is in compliance with these covenants.

h. Under the AIK Banka a.d. loan signed in December 2020 for the purpose of financing the purchase of hotel 88 Rooms in Belgrade, Serbia in the total amount of EUR 4.2 million the borrower (Arena 88 Rooms Holding d.o.o.) has to ensure that the value of the purchased asset is not lower by more than 35% when compared to the value of the asset as defined during 2020 by an external reputable valuator. As at 31 December 2023, the Group is in compliance with these covenants.

i. Under the Erste Group Bank AG loan signed in November 2021, for the purpose of financing the purchase of hotel Franz Ferdinand Mountain Resort in Nassfeld, Austria in the total amount EUR 10.5 million, Arena Franz Ferdinand GmbH as the borrower has to comply with following standalone hard covenants: projected DSCR is equal or greater than 1.15 at year end 2021 and historical DSCR equal or greater than 1.15 from year end 2023 onwards. The borrower is entitled to make a total of three equity cures during the period of the loan. The amount of the loan cannot exceed 75% of the property used as collateral starting year end 2021 to year end 2023. The borrower also has to comply with the following soft covenants: from year end 2024 onwards DSCR (projected and historical) should be equal to or greater than 1.35. The amount of the loan cannot exceed 65% of the property used as collateral at the year end 2024 until year end 2026, and 60% from the year end 2026 and onwards. As at 31 December 2023, the Group is in compliance these covenants after utilising one of the available equity cures as defined in the loan agreement.

j. Under the Zagrebačka banka d.d. loan signed in September 2021 as part of HBOR’s programme for insurance of liquidity portfolio for exporters related with Covid-19 measurements in amount HRK 150 million the

NOTE 13 BANK BORROWINGS (CONTINUED)

borrower must ensure that DSCRC is equal or greater than 3.5 and that ratio of financial debt and EBITDA should not exceed 4.5 at year end 2023 and onwards. Additionally, the borrower undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees and EBITDA to the maximum of 6.0 at the end of 2023 and until the end of the loan repayment. Covenants are calculated based on audited annual standalone financial statements. Also, during the loan period borrower is not able without bank confirmation to proceed with payments of dividends or loans to third parties. As at 31 December 2023, the Company is in compliance these covenants.

k. Under the Privredna banka d.d. loan signed in November 2022 for the purpose of refinancing investments done in Arena Kazela Campsite in previous years, in the total amount of EUR 18.5 million, the borrower has to comply with following covenants: the DSCR is equal to or greater than 1.2 during the life of the loan based on audited standalone financial statements, the net leverage ratio based on audited standalone financial statements is equal to or lower than 4.5 from 2022 and for each succeeding calendar year during the remaining life of the loan. Additionally, the borrower undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees and EBITDA to the maximum of 6.0 until the end of the loan repayment. Moreover, the amount of the loan cannot exceed 70% of the value of the properties used as collateral. As at 31 December 2023, the Group is in compliance these covenants.

l. Under the HRVATSKA BANKA ZA OBNOVU I RAZVITAK loan signed in May 2022 for the purpose of financing purchase of mobile homes in Arena Stoja Campsites, in the total amount of EUR 2.9 million, the borrower has to comply with the equity ratio has to be at least 30% calculated based on standalone financial statements. As at 31 December 2023, the Company is in compliance these covenants.

m. Under the ERSTE&STEIERMÄRKISHE BANK d.d. loan signed in March 2022 by Ulika d.o.o. as borrower for the purpose of financing investment in the hotel in Zagreb, in the amount of EUR 12.6 million, the Company as guarantor has to comply with following covenants tested once a year using audited standalone financial statements for the preceding year: DSCR 1 is equal to or greater than 3.5. DSCR 2 is equal or greater than 1.2 throughout the life of the loan. Net leverage ratio is equal to or lower than 4.5 at each year end during the remaining life of the loan. Additionally, the guarantor undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees for bank borrowings and EBITDA to the maximum of 6.0 until the end of the loan repayment. The amount of the loan cannot exceed 100% of the property used as collateral. The equity ratio has to be at least 30%. Ulika d.o.o., as borrower, needs to maintain a DSCR equal to or greater than 1.3 from 2026 onwards. As at 31 December 2023, the Group is in compliance these covenants.

n. Under the OTP Bank Nyrt loan signed in October 2022 for the purpose of refurbishment of hotel in Budapest, in the amount of EUR 2 million, the borrower has to comply with following covenants: Annual debt service cover ratio (ADSCR) is equal to or greater than 1.2 during the life of the loan. As at 31 December 2023, the Group is in compliance these covenants.

The above mentioned loans in Croatia have an interest rate ranging between 0.90% and 2.95%, whilst those outside of Croatia have an interest rate in the range between 2.1% and 4.3%.

For guarantees under the above facility agreements see Note 12.

NOTE 14 LEASES

a. Right-of-use-assets

The Group leases buildings for its office space and hotels operations. The leases for office space typically lasts for a period of 5 years and lease of hotel building for period 20-45 years.

The Group and the Company elect to use the exemptions permitted by IFRS 16 for leases for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

Group	Right-of-use-assets Buildings EUR'000
Cost:	
Balance as at 1 January 2022	45,254
Additions during the year	1,283
Rent waiver	(377)
Exchange rate differences	(1,649)
Balance as at 31 December 2022	**44,511**
Accumulated amortisation:	
Balance as at 1 January 2022	10,383
Provision for amortisation	2,134
Exchange rate differences	(246)
Balance as at 31 December 2022	**12,271**
Net book value as at 31 December 2022	**32,240**
Cost:	
Balance as at 1 January 2023	44,511
Additions during the year	2,817
Exchange rate differences	814
Balance as at 31 December 2023	**48,142**
Accumulated amortisation:	
Balance as at 1 January 2023	12,271
Provision for amortisation	2,661
Exchange rate differences	151
Balance as at 31 December 2023	**15,083**
Net book value as at 31 December 2023	**33,059**

The amount of borrowing costs capitalised during the year ended 31 December 2023 was EUR 213 thousand (2022: EUR 248 thousand).

NOTE 14 LEASES (CONTINUED)

b. Lease liability

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Group	Lease liability EUR'000
Balance as at January 1 2022	41,297
Additions during the year	1,070
Accretion of interest	763
Rent waiver	(377)
Payments	(3,480)
Exchange rate differences	108
Balance as at 31 December 2022	**39,381**
Balance as at January 1 2023	39,381
Additions during the year	3,051
Accretion of interest	583
Payments	(3,691)
Exchange rate differences	21
Balance as at 31 December 2023	**39,345**

The maturity analysis of lease liabilities is disclosed below:

	As at 31 December 2023					
	Maturity analysis					
Outstanding amount EUR	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
39,345	3,528	6,168	1,520	1,527	1,525	25,077

	As at 31 December 2022					
	Maturity analysis					
Outstanding amount EUR	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
39,381	4,501	3,468	3,524	1,394	1,397	25,097

c. Variable lease payments

One lease of a hotel building contains variable lease payments that are based on the sales generated.

There were no payments in 2023 or 2022 based on variable element of the agreement.

d. The Company and the Group as a lessor

Part of the Group's and the Company's property, plant and equipment is leased out under operating leases.

The operating leases relate to the lease of shops and restaurants or premises and equipment. During 2023, the Group realised rental income in the amount of EUR 1.6 million (2022: EUR 1.5 million), while the Company realised rental income in the amount of EUR 1.6 million (2022: EUR 1.5 million).

The future aggregate minimum lease payments receivable of the Group and the Company from operating leases based on lease agreements concluded up to 31 December 2023 are as follows:

	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Up to 1 year	**2,607**	1,615	**2,607**	1,615
From 2 to 5 years	**7,610**	2,938	**7,610**	2,938
Over 5 years	**1,188**	162	**1,188**	162
	11,405	4,715	**11,405**	4,715

NOTE 15 PROVISIONS

As at 31 December	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Provision for concessions land	**6,020**	6,020	**6,020**	6,020
	6,020	6,020	**6,020**	6,020

Tourist land provisions and obligations

In accordance with the provisions of the Tourist and Other Construction Land Not Appraised During the Transition and Privatisation Process Act from 2010 (the „TLA"), the Company submitted requests to the Republic of Croatia and the relevant municipality for the award of tourist land concessions in relation to land areas in eight campsites and three tourist resorts in Croatia. The TLA failed to produce the desired impact and to resolve the issues of the ownership / use of the tourist land. This in turn caused far reaching consequences in the form of lack of investments into tourist land, reduced international competitiveness of Croatian tourism due to lack of development and reduced income of the state and local municipalities. The Croatian government therefore adopted a new legislation to deal with, inter alia, the so-called tourist land and proprietary relationships between the owner of such land and the owner of the facilities built thereon. In May 2020, the new Non-Appraised Construction Land Act (the "NCLA") replaced the TLA and all initiated requests based on the TLA were suspended. Pursuant to the NCLA, the ownership of the land underneath the facilities in the campsites that were assessed into the share capital of the Company is now also legally recognized as ownership of the Company, while the Republic of Croatia will be the sole owner of the other land in the camps. In respect to the tourist resorts, the ownership of the land underneath the facilities that

NOTE 15 PROVISIONS (CONTINUED)

have been assessed into the share capital of the Company is now also recognized as ownership of the Company, together with the land surrounding such facilities that makes (together with the relevant facilities) the technological and functional unity. Tourist land in the tourist resorts which was not assessed into the share capital of the Company, and which serves the standard usage of the resorts shall be owned by a local municipality. In relation to the land in campsites owned by the Republic of Croatia and the land in tourist resorts owned by the local municipalities, the Company will by operation of law be deemed long-term (50 years) lessee and will conclude the lease agreement with the state / local municipalities once the procedure envisaged by the NCLA will be complete. Thus, instead of concession fees, NCLA prescribes the obligation to pay rental fees for the tourist land which was not assessed into the share capital of the Company. However, administrative proceedings before the competent authority that are required for the implementation of the Act and actual registration of the ownership over the respective part of land in campsites and tourist resorts, have not been completed. In 2023, the Government had carried out public consultations on the draft proposals of the secondary level regulations that would govern the rent payable by the lessees, that is , the draft proposal of the Regulation on determination of the leases on tourist land on which the hotel and tourist resort is built and the draft proposal of the Regulation on determination of the leases on parts of the camps owned by the Republic of Croatia (the "Regulations"), that should govern the method of calculating the rent and other fees, and the mandatory content of the lease agreements. Both Regulations were adopted by the Government in February 2024. Given that the Regulations that now govern the rent payable by the lessees were adopted after 31 December 2023, the Company made assessment of concession/rental fees in the most prudent manner based on the most up to date available information, including the above-mentioned Government's proposals referred to public consultation. The concession/rental fee liability was calculated, and it is recognized and reported within short term liabilities. There was no payment of concession/rental fee during 2023 or 2022. Furthermore, after implementation of the new Act, accounting treatment of the lease liability could be changed and IFRS 16 could be applied. The Management Board is still assessing the impact of this new regulation on the Company's financial statements given the fact that the price of the rent is caped to 4% of individual properties' total revenue, and in properties where this cap is applied payments could be treated as variable payments according to IFRS16, in which case a lease liability and right-of-use assets would not be recognized.

NOTE 16 OTHER PAYABLES AND ACCRUALS

	As at 31 December			
	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Received advances	**1,863**	1,780	**1,137**	911
Employees	**3,206**	2,967	**2,780**	2,633
Accrued fee for the tourist land concession	**6,983**	4,886	**6,983**	4,886
Accrued expenses	**1,424**	1,331	**239**	186
VAT and taxes	**905**	948	**589**	537
Other	**102**	70	**82**	54
	14,483	11,982	**11,810**	9,207

NOTE 17 REVENUES

	Year ended 31 December			
	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Accommodation	**105,693**	90,982	**75,971**	68,785
Food and beverages	**14,868**	12,923	**10,137**	9,194
Minor operating revenues*	**4,372**	4,137	**3,356**	3,279
Rent revenue	**1,565**	1,470	**1,617**	1,466
	126,498	109,512	**91,081**	82,724

* Minor operating revenue consists of various hospitality services provided, such as rent of sun loungers and umbrellas, foreign exchange fees, certain wellness services and sport activities.

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NOTE 18 OPERATING EXPENSES

	Year ended 31 December			
	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Salaries and related expenses	**43,386**	37,020	**29,358**	25,938
Utilities	**8,982**	5,663	**6,445**	3,798
Food and beverage	**8,650**	7,177	**6,731**	5,596
Franchise fees, reservation and commissions	**7,930**	6,602	**5,007**	4,542
Marketing expenses	**5,622**	4,817	**4,241**	3,812
Maintenance	**4,393**	3,329	**3,546**	2,522
Administration costs	**3,920**	3,556	**2,563**	2,395
Insurance and property taxes	**2,642**	1,945	**1,942**	1,391
Supplies	**2,117**	1,689	**1,590**	1,352
Laundry, linen and cleaning	**1,302**	1,583	**263**	874
IT expenses	**1,046**	839	**867**	641
Travel and transport	**1,016**	738	**762**	543
Management fee	**-**	-	**2,785**	2,682
Government grants	**957**	(2,812)	**-**	-
Other expenses	**4,103**	3,895	**2,383**	1,980
	96,066	76,041	**68,483**	58,066

Salaries and related expenses include EUR 6.0 million (2022: EUR 5.0 million) and EUR 4.0 million (2022: EUR 3.4 million) of defined pension contributions payable to obligatory pension plans for the Group and the Company, respectively. Contributions are calculated as a percentage of employees' gross salaries.

The Group's other expenses include auditor's fees in amount of EUR 150.7 thousand (2022: 131.8 thousand), auditors fees for the half year review of EUR 10.5 thousand (2022: EUR 9.0 thousand), audit fees for audit of ESEF report of EUR 10.0 thousand (2022: EUR 10 thousand) and EUR 8 thousand (2022: EUR 7.7 thousand) for audit of remuneration report.

In addition, the Group engaged other tax consultants and the tax consultancy expenses for 2023 sum up to a total amount of EUR 72.4 thousand (2022: EUR 120.4 thousand).

The Company's other expenses include auditor's fees in amount of 94 thousand (2022: EUR 84.5 thousand), auditors fees for the half year review of EUR 10.5 thousand (2022: EUR 9.0 thousand), audit fees for audit of ESEF report of EUR 10.0 thousand (2022: EUR 10 thousand) and EUR 8 thousand (2022: EUR 7.7 thousand) for audit of remuneration report.

In addition, the Company other engaged the tax consultants and tax consultancy expenses for 2023 sum up to a total amount of EUR 9.7 thousand (2022: EUR 9.7 thousand).

NOTE 19 FINANCIAL EXPENSES

	Year ended 31 December			
	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Interest and other finance expenses on bank loans	**4,481**	3,624	**2,799**	2,065
Exchange rate differences	**-**	2,031	**-**	90
Interest on lease liability	**583**	515	**-**	-
Other	**113**	48	**63**	-
	5,177	6,218	**2,862**	2,155

NOTE 20 FINANCIAL INCOME

	Year ended 31 December			
	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Interest revenue	**1,147**	37	**1,050**	27
Exchange rate differences	**1,006**	-	**4**	-
Interest revenue on loans given to joint ventures	**408**	138	**-**	-
Interest revenue on related party loan	**-**	-	**1,387**	1,066
	2,561	175	**2,441**	1,093

NOTE 21 OTHER EXPENSES

	Year ended 31 December			
	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Pre-opening expenses	**1,087**	1,061	**52**	719
Disposal of fixed assets	**56**	52	**9**	52
Other expenses	**268**	572	**159**	240
	1,411	1,685	**220**	1,011

NOTE 22 INCOME TAX

a. Tax expense included in the income statement

	Year ended 31 December			
	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Current taxes	**772**	359	**-**	-
Deferred taxes	**1,372**	2,905	**1,343**	2,678
	2,144	3,264	**1,343**	2,678

b. The following are the major deferred tax (liabilities) and assets recognised by the Group and changes therein during the period

	Tax loss carry forward EUR'000	Timing difference on provisions and accruals EUR'000	Property, plant and equipment EUR'000	Tax Incentives for Investments EUR'000	Total EUR'000
Balance as at 31 December 2021	**4,446**	**936**	**846**	**6,753**	**12,981**
Amounts credited to income statement	-	586	-	-	586
Amounts charged to income statement	(2,238)	-	(381)	(872)	(3,491)
Adjustment for exchange rate differences	(9)	(2)	(2)	(17)	(30)
Balance as at 31 December 2022	**2,199**	**1,520**	**463**	**5,864**	**10,046**
Amounts credited to income statement	-	460	-	-	460
Amounts charged to income statement	(1,466)	-	(366)	-	(1,832)
Balance as at 31 December 2023	**733**	**1,980**	**97**	**5,864**	**8,674**

The following are the major deferred tax (liabilities) and assets recognised by the Company and changes therein during the period:

	Tax loss carry forward EUR'000	Timing difference on provisions and accruals EUR'000	Property, plant and equipment EUR'000	Tax Incentives for Investments EUR'000	Total EUR'000
Balance as at 31 December 2021	**4,104**	**936**	**846**	**6,753**	**12,639**
Amounts credited to income statement	-	586	-	-	586
Amounts charged to income statement	(2,011)	-	(381)	(872)	(3,264)
Adjustment for exchange rate differences	(9)	(2)	(2)	(17)	(30)
Balance as at 31 December 2022	**2,084**	**1,520**	**463**	**5,864**	**9,931**
Amounts credited to income statement	-	460	-	-	460
Amounts charged to income statement	(1,437)	-	(366)	-	(1,803)
Balance as at 31 December 2023	**647**	**1,980**	**97**	**5,864**	**8,588**

c. Reconciliation between tax (benefit)/expense and the product of accounting profit multiplied by the Company's tax rate is as follows:

	Year ended 31 December			
	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Profit/(loss) before income taxes	**5,798**	8,072	**7,475**	9,716
Expected tax at the tax rate of Croatia 18% (2022: 18%)	**1,044**	1,453	**1,346**	1,749
Adjustments in respect of:				
Effect of other Countries tax rate	**(152)**	90	**-**	-
Non-deductible expenses	**231**	302	**72**	68
Utilisation of carry forward losses for which deferred tax assets were not previously recorded	**(51)**	(355)	**-**	-
Income tax from previous years	**9**	(97)	**-**	-
Non-taxable income	**(303)**	(11)	**(75)**	(11)
Losses on which on which deferred tax asset has not been recognized	**1,366**	1,009	**-**	-
Utilization of tax incentives on investments for extra tax in Croatia	**-**	873	**-**	872
Income tax (benefit)/expense reported in the income statement	**2,144**	3,264	**1,343**	2,678

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NOTE 22 INCOME TAX (CONTINUED)

d. Tax incentives
In May 2019, based on confirmation from the Ministry of Economy and pursuant to the Investment Promotion and Development of Investment Climate Act, the Company became eligible to claim incentive allowances. Investments eligible for incentives are investments including Arena One 99 Glamping Campsite, Arena Grand Kažela Campsite, Hotel Brioni, Verudela Beach self-catering apartment complexes, among others.
The Company has the right to use the investment tax credits until 2027. The execution of the investment project is subject to supervision by the relevant institutions throughout the period of use of the tax credits and the Company will need to present regular annual reports to the tax authority in which it will evidence that the conditions for the use of the tax credits are met.
e. Tax laws applicable to the Companies of the Group:
(i) The Company is subject to taxation under the law of Croatia. The Company was taxed at the standard rate of 18%.
(ii) Foreign subsidiaries are subject to income taxes in their country of domicile in respect of their income, as follows:
- a) Taxation in Germany: corporate income tax rate and business rates is 29.72%.
- b) Taxation in Hungary: corporate income tax rate is 9%.
- c) Taxation in the Netherlands: corporate income tax rate is 25.8%.
- d) Taxation in Austria: corporate income tax rate is 25%.
- e) Taxation in Serbia: corporate income tax rate is 15%.

f. Losses carried forward for tax purposes:
The Company in Croatia has carry forward losses for tax purposes at the balance sheet date in the total amount of EUR 3.6 million. Deferred tax asset was recognised in the amount of EUR 0.6 million. These losses can be utilised within five years following the year in which the losses were incurred, what means until the year 2026.
Other subsidies in Croatia have carry forward losses for tax purposes at the balance sheet date in the total amount of EUR 3.7 million. Deferred tax asset was not recognised. These losses can be utilised within five years following the year in which the losses were incurred, what means until the year 2028.
The Group has carry forward losses for tax purposes at the balance sheet date in Germany in the amount of EUR 19.3 million for corporation tax and amount of EUR 12.4 million for trade tax purposes. Deferred tax assets were partially recognised in the amount of EUR 0.08 million. These losses could be carried forward indefinitely and utilized in future years to offset taxable income.
The Group has carry forward losses for tax purposes at the balance sheet date in Austria in the amount of EUR 3.3 million. Deferred tax assets was not recognised. These losses could be carried forward indefinitely and utilized in future years to offset up to 75% of taxable income of the year.
The Group has carry forward losses for tax purposes at the balance sheet date in Hungary in the amount of EUR 5.8 million . Deferred tax asset was not recognised. These losses can be utilised within five years following the year in which the losses were incurred, what means until the year 2028.
The Group has carry forward losses for tax purposes at the balance sheet date in Serbia in the amount of EUR 1.6 million. Deferred tax asset was not recognised. These losses can be utilised within five years following the year in which the losses were incurred, what means until the year 2028.

NOTE 23 EARNINGS PER SHARE

The following reflects the income and number of shares data used in the basic earnings per share computations:

	Year ended 31 December			
	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Profit/(loss) for the year	**3,654**	4,809	**6,132**	7,038
Weighted average number of ordinary shares outstanding	**5,070,262**	5,077,877	**5,070,262**	5,077,877
Basic and diluted earnings per share	**0.72**	0.95	**1.21**	1.39

Basic earnings per share is equal to diluted earnings per share.

NOTE 24 SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments. The Group's and the Company's chief operating decision maker is the Management Board. Following the management approach of IFRS 8, Operating Segments are reported in accordance with the internal reporting provided to the Management Board who are responsible for allocating resources to the reportable segments and assessing their performance.

For management purposes, the Group's and the Company's activities are divided into hotel operations, self-catering holiday apartment complex operations, campsite operations and central services operations. The operating results of each of the aforementioned segments are monitored separately for the purpose of resource allocation and performance assessment. Segment performance is evaluated based on EBITDA, which is measured on the same basis as for financial reporting purposes in the income statement.

						Year ended 31 December 2023
Group	Hotels EUR'000	Self-catering holiday apartment complexes EUR'000	Campsites EUR'000	Central Services EUR'000	Elimination EUR'000	Total EUR'000
Revenue						
Third party	78,812	15,291	31,046	1,349	-	126,498
Inter segment	22	34	-	14,836	(14,892)	-
Total revenue	78,834	15,325	31,046	16,185	(14,892)	126,498
Segment EBITDA	13,881	3,741	12,592	(2,164)	-	28,050
Depreciation and amortisation	(11,601)	(1,977)	(3,965)	(849)	-	(18,392)
Financial expenses	-	-	-	-	-	(5,177)
Financial income	-	-	-	-	-	2,561
Other expenses	-	-	-	-	-	(1,411)
Other income	-	-	-	-	-	298
Share in result of joint venture	-	-	-	-	-	(131)
Profit/(loss) before tax	-	-	-	-	-	5,798

	Croatia EUR'000	Germany EUR'000	CEE EUR'000	Total EUR'000
Geographical information				
Non-current assets[1]	244,274	77,314	31,704	353,292

1 Non-current assets for this purpose consist of property, plant and equipment.

						Year ended 31 December 2022
Group	Hotels EUR'000	Self-catering holiday apartment complexes EUR'000	Campsites EUR'000	Central Services EUR'000	Elimination EUR'000	Total EUR'000
Revenue						
Third party	63,961	14,258	29,995	1,298	-	109,512
Inter segment	-	-	-	13,446	(13,446)	-
Total revenue	63,961	14,258	29,995	14,744	(13,446)	109,512
Segment EBITDA	14,740	4,492	13,311	(1,362)	-	31,181
Depreciation and amortisation	(9,476)	(1,934)	(3,486)	(731)	-	(15,627)
Financial expenses	-	-	-	-	-	(6,218)
Financial income	-	-	-	-	-	175
Other expenses	-	-	-	-	-	(1,685)
Other income	-	-	-	-	-	11
Share in result of joint venture	-	-	-	-	-	236
Profit/(loss) before tax	-	-	-	-	-	8,073

	Croatia EUR'000	Germany EUR'000	CEE EUR'000	Total EUR'000
Geographical information				
Non-current assets[1]	230,658	78,924	27,819	337,401

1 Non-current assets for this purpose consist of property, plant and equipment.

						Year ended 31 December 2023
Company	Hotels EUR'000	Self-catering holiday apartment complexes EUR'000	Campsites EUR'000	Central Services EUR'000	Elimination EUR'000	Total EUR'000
Revenue						
Third party	43,058	15,325	31,046	1,652	-	91,081
Inter segment	-	-	-	9,226	(9,226)	-
Total revenue	43,058	15,325	31,046	10,878	(9,226)	91,081
Segment EBITDA	7,309	3,741	12,592	(3,285)	-	20,357
Depreciation and amortisation	(5,651)	(1,977)	(3,965)	(704)	-	(12,297)
Financial expenses	-	-	-	-	-	(2,862)
Financial income	-	-	-	-	-	2,441
Other expenses	-	-	-	-	-	(220)
Other income	-	-	-	-	-	56
Profit/(loss) before tax	-	-	-	-	-	7,475
Non-current fixed assets	102,755	47,327	55,747	15,394		221,223

All the Company's non-current assets are located in Croatia.

NOTE 24 SEGMENTS (CONTINUED)

Company	Hotels EUR'000	Self-catering holiday apartment complexes EUR'000	Campsites EUR'000	Central Services EUR'000	Elimination EUR'000	Total EUR'000
						Year ended 31 December 2022
Revenue						
Third party	36,868	14,258	29,995	1,603	-	82,724
Inter-segment	-	-	-	8,553	(8,553)	-
Total revenue	36,868	14,258	29,995	10,156	(8,553)	82,724
Segment EBITDA	7,301	4,492	13,311	(2,590)	-	22,514
Depreciation and amortisation	(4,720)	(1,934)	(3,486)	(585)	-	(10,725)
Financial expenses	-	-	-	-	-	(2,155)
Financial income	-	-	-	-	-	1,093
Other expenses	-	-	-	-	-	(1,011)
Other income	-	-	-	-	-	-
Profit/(loss) before tax	-	-	-	-	-	9,716
Non-current fixed assets	107,145	46,798	53,507	14,412	-	221,862

All the Company's non-current assets are located in Croatia.

NOTE 25 RELATED PARTIES

Parties are considered to be related if one of the parties has the power to exercise control over the other party or if it has significant influence over the other party in making financial or operational decisions. The Company is controlled by Dvadeset Osam d.o.o., which owned 53.77% of the Company's shares as at 31 December 2023. The ultimate parent is PPHE Hotel Group Limited which owns 100% of shares of Dvadeset Osam d.o.o. Additionally, all other subsidiaries of PPHE Hotel Group are treated as related parties.

a. Balances with related parties

	Group 2023 EUR'000	Group 2022 EUR'000	Company 2023 EUR'000	Company 2022 EUR'000
	Year ended 31 December			
Assets:				
Short-term receivables – Park Plaza Hotels Europe B.V.	**100**	6	**85**	4
Short-term receivables – PPHE (Germany) B.V.	**22**	3	**-**	-
Short-term receivables – from joint ventures	**74**	31	**-**	-
Short-term receivables – Park Plaza Hotels (UK) Services Ltd.	**9**	-	**9**	-
Shoer-term receivables - Park Plaza Germany Holdings GmbH	**-**	-	**1**	-
Short-term receivables – PPHE Nuernberg Operator Hotelbetriebsgesellschaft mbh	**-**	-	**-**	4
Short-term receivables - Arena 88 rooms Holding d.o.o.	**-**	-	**25**	30
Short-term receivables - Arena Franz Ferdinand GmbH	**-**	-	**9**	19
Short-term receivables – Arena Hospitality Management d.o.o.	**-**	-	**109**	98
Short-term receivables – Ulika d.o.o.	**-**	-	**96**	105
Short-term receivables – Mažurana d.o.o.	**-**	-	**115**	47
Short-term receivables – Germany Real Estate B.V.	**-**	-	**199**	575
Short-term receivables – Sugarhill Investments B.V.	**-**	-	**1,464**	665
Short-term receivables – SW Szállodaüzemeltető Kft	**-**	-	**73**	-
Long-term loans to joint ventures	**7,495**	6,294	**-**	-
Long-term loans to Sugarhill Investments B.V.	**-**	-	**26,979**	20,754
Long-term loans to Ulika d.o.o.	**-**	-	**8,300**	5,083
Long-term loans to Mažurana d.o.o.	**-**	-	**66**	16
Long-term loan to Germany Real Estate B.V.	**-**	-	**16,803**	17,946
Liabilities:				
Trade payables – Arena Hospitality Management d.o.o.	**-**	-	**865**	666
Trade payables – Ulika d.o.o.	**-**	-	**3**	-
Trade payables – Mažurana d.o.o.	**-**	-	**386**	-
Trade payables – Arena Franz Ferdinand GmbH	**-**	-	**18**	-
Trade payables – PPHE Nuernberg Operator Hotelbetriebsgesellschaft mbh	**-**	-	**25**	25
Trade payables – PPHE (Germany) B.V.	**886**	824	**-**	-
Trade payables – Park Plaza Hotels Europe B.V.	**323**	441	**302**	441

NOTE 25 RELATED PARTIES (CONTINUED)

b. Transactions with related parties

	Year ended 31 December			
	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Management fee revenue from joint ventures	**353**	358	**-**	-
Service charge revenue – joint ventures	**350**	331	**-**	-
Reimbursement of expenses – Park Plaza Hotels Europe B.V.	**27**	-	**12**	-
Reimbursement of expenses – Park Plaza Hotels (UK) Services Ltd.	**9**	-	**9**	-
Reimbursement of employee expenses – Arena Hospitality Management d.o.o.	**-**	-	**981**	933
Reimbursement of other expenses – Arena Hospitality Management d.o.o.	**-**	-	**-**	11
Mažurana d.o.o. - revenue from lease of equipment	**-**	-	**55**	38
Laundry revenue - Arena Franz Ferdinand GmbH	**-**	-	**28**	-
Laundry revenue - Ulika d.o.o.	**-**	-	**20**	-
Reimbursement of employee expenses - Arena Franz Ferdinand GmbH	**-**	-	**55**	33
Reimbursement of employee expenses - Park Plaza Germany Holdings GmbH	**-**	-	**-**	8
Reimbursement of employee expenses -SW Szállodaüzemeltető Kft	**-**	-	**1**	70
Reimbursement of employee expenses – PPHE Nuernberg Operator Hotelbetriebsgesellschaft mbh	**-**	-	**-**	9
Reimbursement of employee expenses - Ulika d.o.o.	**-**	-	**1**	-
Interest income – Ulika d.o.o.	**-**	-	**172**	100
Interest income – Mažurana d.o.o.	**-**	-	**1**	-
Interest income – joint ventures	**408**	138	**-**	-
Interest income – Sugarhill Investments B.V.	**-**	-	**799**	482
Interest income – Germany Real Estate B.V.	**-**	-	**415**	484
Reimbursement of employee expenses -Park Plaza Nuremberg Operator	**-**	-	**4**	21
Reimbursement of employee expenses - Ulika d.o.o.	**-**	-	**3**	-
Service charge expenses - Mažurana d.o.o.	**-**	-	**309**	-
Accommodation expenses - Arena Franz Ferdinand Gmbh	**-**	-	**-**	25
Management fees expenses – Arena Hospitality Management d.o.o.	**-**	-	**2,785**	2,682
Sales and marketing fees – Park Plaza Hotels Europe B.V.	**3,601**	3,245	**3,580**	3,245
Sales and marketing fees – PPHE (Germany) B.V.	**1,250**	908	**-**	-

c. Significant other transactions with related parties

(i) Transactions in the ordinary course of business, in connection with the use of hotel facilities (such as overnight room stays and food and beverages) occur occasionally

(ii) Compensation to key management personnel (Management and Supervisory Board members) for the year ended 31 December 2023:

Group and Company	Base salary and fees EUR'000	Bonus EUR'000	Pension contributions EUR'000	Other benefits EUR'000	Total EUR'000
Management Board	830	305	160	172	1,467
Supervisory Board	133	-	15	-	148
	963	305	175	172	1,615

Compensation to key management personnel (Management and Supervisory Board members) for the year ended 31 December 2022:

Group and Company	Base salary and fees EUR'000	Bonus EUR'000	Pension contributions EUR'000	Other benefits EUR'000	Total EUR'000
Management Board	815	273	155	132	1,375
Supervisory Board	142	-	16	-	158
	957	273	171	132	1,533

NOTE 26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and Company's principal financial instruments, other than derivatives, and marketable securities comprise bank borrowings, cash and cash equivalents and restricted deposits. The main purpose of these financial instruments is to finance the Group's and Company's operations. The Group and the Company have various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

	Changes in financial liabilities arising from financing activities						
Group	1 January 2023 EUR'000	Cash flows EUR'000	Reclassification EUR'000	Foreign exchange movement EUR'000	New loans EUR'000	Other EUR'000	31 December 2023 EUR'000
Non-current interest-bearing loans	174,517	-	(23,222)	47	10,524	385	162,251
Non-current lease liability	34,880	-	(2,152)	21	190	2,860	35,799
Derivative financial instruments	(1,126)	-	-	-	-	514	(612)
Current interest-bearing loans	21,410	(16,980)	23,222	-	-	-	27,652
Current lease liability	4,501	(3,107)	2,152	-	-	-	3,546
	234,182	(20,087)	-	68	10,714	3,759	228,636

NOTE 26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	Changes in financial liabilities arising from financing activities						
Group	1 January 2022 EUR'000	Cash flows EUR'000	Reclassification EUR'000	Foreign exchange movement EUR'000	New loans EUR'000	Other EUR'000	31 December 2022 EUR'000
Non-current interest-bearing loans	153,213	(7,944)	(21,307)	292	51,019	(756)	174,517
Non-current lease liability	37,006	-	(3,196)	-	35	1,035	34,880
Derivative financial instruments	576	-	-	-	-	(1,702)	(1,126)
Current interest-bearing loans	10,338	(10,127)	21,307	-	-	(108)	21,410
Current lease liability	4,196	(2,891)	3,196	-	-	-	4,501
	205,329	(20,962)	-	292	51,054	(1,531)	234,182

	Changes in financial liabilities arising from financing activities						
Company	1 January 2023 EUR'000	Cash flows EUR'000	Reclassification EUR'000	Foreign exchange movement EUR'000	New loans EUR'000	Other EUR'000	31 December 2023 EUR'000
Non-current interest-bearing loans	113,069	-	(18,556)	-	2,500	403	97,416
Non-current lease liability	35	-	(56)	-	190	-	169
Current interest-bearing loans	18,427	(13,822)	18,556	-	-	-	23,161
Current lease liability	11	(22)	56	-	-	-	45
	131,542	(13,844)	-	-	2,690	403	120,791

	Changes in financial liabilities arising from financing activities						
Company	1 January 2022 EUR'000	Cash flows EUR'000	Reclassification EUR'000	Foreign exchange movement EUR'000	New loans EUR'000	Other EUR'000	31 December 2022 EUR'000
Non-current interest-bearing loans	95,324	(7,944)	(18,430)	185	44,510	(576)	113,069
Non-current lease liability	19	-	(19)	-	35	-	35
Current interest-bearing loans	8,017	(7,883)	18,430	-	-	(137)	18,427
Current lease liability	-	(8)	19	-	-	-	11
	103,360	(15,835)	-	185	44,545	(713)	131,542

The Group and the Company also enters into derivative transactions, including principally interest rate swap contracts. The purpose is to manage the interest rate risk arising from the Group's and Company's operations and its sources of finance. It is, and has been throughout the years under review, the Group's and Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's and Company's financial instruments are cash flow interest rate risk, credit risk and liquidity risk. The Management Board reviews and agrees on policies for managing each of these risks which are summarised below. The Group's and Company's accounting policies in relation to derivatives are set out in Note 2.

a. Foreign currency risk

The Group and the Company operate internationally and are exposed to foreign exchange risk.

With the first day of 2023, Croatia became a part of Eurozone and has adopted Euro as transactional currency. With the adoption of Euro currency in Croatia in 2023, this risk is significantly decreased compared to prior periods.

b. Interest rate risk

The Group's and Company's policy is to manage its interest costs using fixed rate debt. To manage its interest costs, the Group and Company enter into interest rate swaps, in which the Group and the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. Furthermore, the Group and Company uses fixed interest rate debts. For this reason the Group's and the Company's cash flow are not sensitive to possible changes in market interest rates. Possible changes in interest rates do, however, affect the Group's and Company's equity as the fair value of the swap agreements changes with interest rate changes. These swaps are designated to hedge underlying debt servicing obligation. The fair value of the swaps of the Group as at 31 December 2023 amounts to an assets of EUR 612 thousand.

c. Credit risk

The Group and the Company trade only with recognised, creditworthy third parties. They have policies in place to ensure that sales of products/services are made to customers with an appropriate credit history. The Group's and the Company's policies ensure that sales to customers are settled through advance payments, in cash or by major credit cards (individual customers). Since the Group and the Company trade only with recognised third parties, there is no requirement for collateral for debts with third parties. Furthermore, the Group and the Company have no dependency on any of its customers. The receivable balances are monitored on an ongoing basis. Management monitors the collection of receivables through credit meetings and weekly reports on individual balances of receivables. Impairment of trade receivables is recorded when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of receivables.

The maximum credit exposure equals the carrying amount of the trade receivables and other receivables since the amount of all trade and other receivables has been written down to the irrecoverable amount. The result of these actions is that the Group's and the Company's exposure to bad debts is not significant.

With respect to credit risk arising from other financial assets of the Group and the Company, which comprise cash and cash equivalents and investment in securities, the Group's and the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these

NOTE 26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

instruments. The Group and the Company have limited concentration risk in respect of its cash at banks.

d. Litigation and administrative procedures as a risk factor in business

In addition to financial risk factors, the Group and the Company are exposed to the risk of adverse outcomes of legal proceedings. The most significant is:

(i) Based on the Medulin Municipality's ownership interest which is registered in the land registry with respect to certain land plots of the campsites Medulin, Stupice and Runke, the Medulin Municipality filed a law suit against the Company for compensation for the use of such land from December 1997 currently amounting to EUR 8.9 million plus interest. It also demanded transfer of possession of the respective parts of those campsites. The Company claimed that pursuant to the Act, the Company acquired co-ownership of the campsites Medulin, Stupice and Runke, together with the Republic of Croatia, and therefore, that the Medulin Municipality is not entitled to claim for payment of land use remuneration and transfer of possession of land plots in the campsites. In addition to objecting to the claim of the Medulin Municipality, the Company filed a counterclaim against the Medulin Municipality in the amount of EUR 16.5 million as the Company have made various investments in the campsites. The court in first instance has suspended the proceedings. It awaits the outcome of the proceedings on the determination of the actual size of the maritime domain areas within the campsites and until a final agreement has been reached between the Municipality of Medulin and the Republic of Croatia on the ownership of the land of the campsites.

The Management Board alongside the Group's and Company's professional advisers are monitoring all litigation and court proceedings carefully and responsibly in order to prevent possible negative outcomes.

e. Liquidity risk

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2023 and 2022 based on contractual undiscounted payments:

						As at 31 December 2023
	Less than 3 months EUR'000	3 to 12 months EUR'000	1 to 2 years EUR'000	3 to 5 years EUR'000	> 5 years EUR'000	Total EUR'000
Interest-bearing loans and borrowings	9,782	21,338	23,935	107,931	47,145	210,131
Accrued fee for the tourist land concession	-	6,983	-	-	-	6,983
Trade payables	4,567	-	-	-	-	4,567
Liabilities toward related parties	1,209	-	-	-	-	1,209
Other payables and accruals	3,206	3,389				6,595
	18,764	31,710	23,935	107,931	47,145	229,485

						As at 31 December 2022
	Less than 3 months EUR'000	3 to 12 months EUR'000	1 to 2 years EUR'000	3 to 5 years EUR'000	> 5 years EUR'000	Total EUR'000
Interest-bearing loans and borrowings	2,970	22,390	25,331	116,919	51,544	219,154
Accrued fee for the tourist land concession	-	4,886	-	-	-	4,886
Trade payables	4,582	-	-	-	-	4,582
Liabilities toward related parties	1,264	-	-	-	-	1,264
Other payables and accruals	2,967	3,183	-	-	-	6,150
	11,783	30,459	25,331	116,919	51,544	236,036

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2023 and 2022 based on contractual undiscounted payments:

						As at 31 December 2023
	Less than 3 months EUR'000	3 to 12 months EUR'000	1 to 2 years EUR'000	3 to 5 years EUR'000	> 5 years EUR'000	Total EUR'000
Interest-bearing loans and borrowings	8,575	16,386	15,817	63,476	28,505	132,759
Accrued fee for the tourist land concession	-	6,983	-	-	-	6,983
Trade payables	1,264	-	-	-	-	1,264
Liabilities toward related parties	1,599	-	-	-	-	1,599
Other payables and accruals	2,780	1,458	-	-	-	4,238
	14,218	24,827	15,817	63,476	28,505	146,843

						As at 31 December 2022
	Less than 3 months EUR'000	3 to 12 months EUR'000	1 to 2 years EUR'000	3 to 5 years EUR'000	> 5 years EUR'000	Total EUR'000
Interest-bearing loans and borrowings	1,844	19,236	19,835	68,105	37,390	146,410
Accrued fee for the tourist land concession	-	4,886	-	-	-	4,886
Trade payables	1,027	-	-	-	-	1,027
Liabilities toward related parties	1,132	-	-	-	-	1,132
Other payables and accruals	2,633	1,153	-	-	-	3,786
	6,636	25,275	19,835	68,105	37,390	157,241

NOTE 26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

f. Capital management

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

	Group		Company	
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Interest-bearing bank loans and borrowings	**189,903**	195,927	**120,577**	131,496
Less – cash and cash equivalents	**(50,348)**	(70,437)	**(43,371)**	(55,583)
Net debt	**139,555**	125,490	**77,206**	75,913
Equity	**213,437**	214,765	**271,257**	268,984
Hedging reserve	**210**	1,142	**-**	-
Total capital	**213,647**	215,907	**271,257**	268,984
Capital and net debt	**353,202**	341,397	**348,463**	344,897
Gearing ratio	**39.51%**	36.76%	**22.16%**	22.01%

The Group and the Company manage its capital structure and make adjustments to it in light of changes in economic conditions. The Group and the Company monitor capital using a gearing ratio, which is net bank debt divided by total capital plus net bank debt. The Group's policy is to keep the gearing ratio between 30% and 40%. The Group and the Company include within net bank debt, interest bearing bank loans and borrowings, less cash and cash equivalents and other liquid assets. Capital includes equity less the hedging reserve.

g. Fair value of financial instruments

The fair values of the financial assets and liabilities are included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, trade receivables, trade payables, and other current assets and liabilities approximate their carrying amounts largely due to the short–term maturities of these instruments.

Long term fixed rate and variable rate receivables are evaluated by the Group and the Company based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables.

The fair value of loans from banks and other financial liabilities, obligations under finance leases as well as other non–current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The fair value of loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value of available for sale financial assets is derived from quoted market prices in active markets. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group and the Company is the current bid price. These instruments are included in Level 1. The Group and the Company entered into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques for swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, and interest rate curves.

Fair value is the amount that would be received on sale at an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques based on a discounted cash flow. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity–specific estimates. If all significant inputs required to fairly value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Fair value hierarchy

The Group and the Company use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique based on the lowest level input that is significant to the fair value so determined:

LEVEL 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

LEVEL 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly.

LEVEL 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2023, the Group held the following financial instruments measured at fair value:

Asset	31 December 2023 EUR'000	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000
Interest rate swaps used for hedging	612	-	612	-

During 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

NOTE 26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

As at 31 December 2022, the Group held the following financial instruments measured at fair value:

Liability	31 December 2022 EUR'000	Level 1 EUR'000	Level 2 EUR'000	Level 3 EUR'000
Interest rate swaps used for hedging	1,126	-	1,126	-

During 2022, there were no transfers between Level 1 and Level 2 fair value measurements, anbd no transfers into and out of Level 3 fair value measurements.

The carrying amounts and fair values of the Group's financial instruments other than those whose carrying amount approximates their fair value:

		Carrying amount 31 December		Fair value 31 December
	2023 EUR'000	2022 EUR'000	2023 EUR'000	2022 EUR'000
Financial liabilities Bank borrowings*	**189,903**	195,927	**188,287**	190,289

**Based on Level 2 inputs.*

i. Derivative financial instruments

The part of the Group's borrowings are at variable interest rates based on EURIBOR. To limit its exposure to changes in the rates of EURIBOR on its cash flows and interest expense, the Group has entered into various interest rate swaps, as described above. The Company meets the relevant criteria in IFRS 9 to apply hedge accounting and the fair value changes of swaps in the hedge relationship that are determined to be effective are recorded in other comprehensive income. All fair value movements that are determined to be ineffective are recorded in profit and loss.

NOTE 27 SUBSEQUENT EVENTS

Tourist land regulations

On 9 February 2024 the final regulation concerning tourist land was passed by the Croatian Government (see Note 15).

An estimate of the resulting concession/rental fee liability relating to periods before 31 December 2023 was calculated, and it is recognized and reported within short term liabilities.

As of the date of this report the Group has not yet signed any contracts as envisaged by the Non-Appraised Construction Land Act and the Group is still assessing which individual properties and anticipated rent agreements will satisfy the criteria to be measured and recorded in accordance with IFRS 16. Therefore, no additional right-to-use-assets or lease liabilities have been recognised as at 31 December 2023.

There were no other events after the balance sheet date that would have had a significant impact on the financial statements as of or for the period then ended.

NOTE 28 APPROVAL OF FINANCIAL STATEMENTS

These financial statements are approved and signed by the Management board of the Company and the Group on 28 February 2024.

Reuel Israel Gavriel Slonim
PRESIDENT OF THE MANAGEMENT BOARD

Manuela Kraljević
MEMBER OF THE MANAGEMENT BOARD & MARKETING AND SALES DIRECTOR

Devansh Bakshi
MEMBER OF THE MANAGEMENT BOARD & CHIEF FINANCIAL OFFICER

Edmond Pinto
MANAGEMENT BOARD & CHIEF OPERATING OFFICER

05

Appendices

Subsidiaries included in the Group

Name of Group	Principal activity	Country of incorporation	Functional currency	Direct and indirect holdings %
Ulika d.o.o.	Hotel Operation	Croatia	EUR	100
Mažurana d.o.o.	Holding Company	Croatia	EUR	100
Germany Real Estate B.V.	Holding Company	The Netherlands	EUR	100
ACO Hotel Holding B.V.	Holding Company	The Netherlands	EUR	100
ABK Hotel Holding B.V.	Holding Company	The Netherlands	EUR	100
Sugarhill Investments B.V.	Holding Company	The Netherlands	EUR	100
Arena Hospitality Management d.o.o.	Management Company	Croatia	EUR	100
Park Plaza Hotels (Germany) Services GmbH	Management Company	Germany	EUR	100
PPHE Germany Holdings GmbH	Holding Company	Germany	EUR	100
PPHE Nürnberg Operator Hotelbetriebsgesellschaft mbH	Hotel Operation	Germany	EUR	100
Park Plaza Germany Holdings GmbH	Holding Company	Germany	EUR	100
Park Plaza Nürnberg GmbH	Hotel Operation	Germany	EUR	100
Park Plaza Hotels Berlin Wallstrasse GmbH	Hotel Operation	Germany	EUR	100
art'otel berlin city center west GmbH	Hotel Operation	Germany	EUR	100
art'otel Köln Betriebsgesellschaft mbH	Hotel Operation	Germany	EUR	100
SW Szállodaüzemeltető Kft.	Hotel Operation	Hungary	HUF	100
ARENA FRANZ ferdinand GmbH	Hotel Operation	Austria	EUR	100
Arena 88 rooms d.o.o.	Hotel Operation	Serbia	RSD	100

Jointly controlled entities

Name of Group	Principal activity	Country of incorporation	Functional currency	Direct and indirect holdings %
art otel Berlin Mitte /Park Plaza betriebsgesellschaft mbH	Hotel Operation	Germany	EUR	50
Park Plaza betriebsgesellschaft mbH	Hotel Operation	Germany	EUR	50
PPBK Hotel Holding B.V.	Holding Company	The Netherlands	EUR	50
ABM Hotel Holding B.V.	Holding Company	The Netherlands	EUR	50

Turnover

Economic Activity (1)	Code (2)	Absolute Turnover (3)	Proportion of Turnover (4)	SUBSTANTIAL CONTRIBUTION CRITERIA: Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water & Marine Resources (7)	Circular Economy (8)	Pollution (9)	Biodiversity and Ecosystem (10)	DNSH CRITERIA (Does not Significantly Harm): Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water & Marine Resources (13)	Circular Economy (14)	Pollution (15)	Biodiversity and Ecosystem (16)	Minimum Safeguards (17)	Taxonomy-aligned proportion of turnover Year N (18)	Taxonomy-aligned proportion of turnover Year N- 1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		EUR thousand	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY - ELIGIBLE ACTIVITY (A.1 + A.2.)		117.894	93,2%	0,0%	0,0%	0,0%	0,0%	0,0%	93,2%								93,2%	n/a	n/a	n/a
A.1 Environmentally sustainable activities (Taxonomy - aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned)		n/a	-	-	-	-	-	-	-	-	-	-	-	-	-	-	n/a	n/a	-	-
A.2. Elligible but not environmentally sustainable activities (not Taxonomy - aligned)																				
Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		n/a	-	-	-	-	-	-	-	-	-	-	-	-	-	-	n/a	n/a	-	-

B. TAXONOMY - NON - ELIGIBLE ACTIVITIES			
Turnover of Taxonomy-non-eligible activities		8.604	6,8%
Total (A+B)		126.498	100,00%

CAPEX

Economic Activity (1)	Code (2)	Absolute CAPEX (3)	Proportion of CAPEX (4)	SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (Does not Significantly Harm)						Minimum Safeguards (17)	Taxonomy-aligned proportion of CAPEX Year N (18)	Taxonomy-aligned proportion of CAPEX Year N- 1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water & Marine Resources (7)	Circular Economy (8)	Pollution (9)	Biodiversity and Ecosystem (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water & Marine Resources (13)	Circular Economy (14)	Pollution (15)	Biodiversity and Ecosystem (16)					
		EUR thousand	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY - ELIGIBLE ACTIVITY (A.1 + A.2.)		34.818	82,28%																	
A.1 Environmentally sustainable activities (Taxonomy - aligned)																				
B 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	C27.9	39	0,09%	0,00%	0,09%	-	-	-	-	Y	-	-	-	-	-	-	0,09%		E	
CAPEX of environmentally sustainable activities (Taxonomy-aligned)		39	0,09%	0,00%	0,09%	-	-	-	-	Y	-	-	-	-	-	Y	0,09%	0,03%		
A.2. Elligible but not environmentally sustainable activities (not Taxonomy - aligned)																				
A 7.2. Renovation of existing buildings	F41, F43	34.011	80,37%	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	
C 5.13 Desalination	E36, F42.9	767	1,81%																	
Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		34.779	82,19%	-	-	-	-	-	-	-	-	-	-	-	-	-	82,2%	79,00%		

B. Taxonomy - non - eligible activities			
CAPEX of Taxonomy-non-eligible activities		7.499	17,72%
Total (A+B)		42.317	100,00%

OPEX

				SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (Does not Significantly Harm)										
Economic Activity (1)	Code (2)	Absolute OpEx (3)	Proportion of OpExa (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water & Marine Resources (7)	Circular Economy (8)	Pollution (9)	Biodiversity and Ecosystem (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water & Marine Resources (13)	Circular Economy (14)	Pollution (15)	Biodiversity and Ecosystem (16)	Minimum Safeguards (17)	Taxonomy-aligned proportion of CAPEX Year N (18)	Taxonomy-aligned proportion of CAPEX Year N- 1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		EUR thousand	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY - ELIGIBLE ACTIVITY (A.1 + A.2.)		884	13,58%																	
A.1 Environmentally sustainable activities (Taxonomy - aligned)																				
C 7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	F43	8	0,13%	0,00%	0,13%	-	-	-	-	Y	-	-	-	-	-	Y	0,13%	0,37%		
OpEx of environmentally sustainable activities (Taxonomy-aligned)		8	0,13%	0,00%	0,13%	-	-	-	-	Y	-	-	-	-	-	Y	0,13%	0,37%		
A.2. Elligible but not environmentally sustainable activities (not Taxonomy - aligned)																				
A 4.16. Installation and operation of electric heat pumps	F43	153	2,36%	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
B 7.3. Installation, maintenance and repair of energy efficiency equipment	F43	31	0,48%	-	-	-	-	-	-	-	-	-	-	-	-	-			E	
C 7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	F43		0,00%	-	-	-	-	-	-	-	-	-	-	-	-	-				
D 7.2 Renovation of existing buildings	F41, F43	115	1,77%	-	-	-	-	-	-	-	-	-	-	-	-	-				
E 7.7. Acquisition and ownership of buildings	L68	576	8,84%	-	-	-	-	-	-	-	-	-	-	-	-	-				
Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		876	13,45%	-	-	-	-	-	-	-	-	-	-	-	-	-	13,45%	0,62%		
B. Taxonomy - non - eligible activities																				
OpEx of Taxonomy-non-eligible activities		5.626	86,42%																	
Total (A+B)		6.510	100,00%																	

Glossary

A

Arena Hospitality Group: Arena Hospitality Group d.d. is one of the most dynamic hospitality groups in Central and Eastern Europe, currently offering a portfolio of 29 owned, coowned, leased and managed properties with more than 10,000 rooms and accommodation units in Croatia, Germany, Hungary, Serbia and Austria. PPHE Hotel Group has a controlling ownership interest in Arena Hospitality Group.www.arenahospitalitygroup.com.
ADR: Average daily rate. Total room revenue divided by number of rooms sold.
art'otel®: A lifestyle collection of hotels that fuse exceptional architectural style with art-inspired interiors, located in cosmopolitan centres across Europe. PPHE Hotel Group is owner of the art'otel® brand worldwide www.artotels.com

C

CEE region: the Central and Eastern Europe region, which for the Company's reporting purposes only includes, inter alia, Austria, Hungary and Serbia.
Company: Arena Hospitality Group d.d., with registered seat in Pula, Smareglina ulica 3, Croatia, registered in the court register of the Commercial Court in Pazin under number (MBS) 040022901, personal identification number (OIB) 47625429199

D

Distribution: Encompasses all the electronic channels of distribution, which include GDS, brand websites and third party intermediaries. These distribution channels can be accessed through the Internet, an intranet or through an interfaced connection.
DSCR: debt service coverage ratio. Calculated as annual available cash flow (free cash flow before debt repayment toward banks and other financial institutions divided by annual/12-month period debt service toward banks and other financial institutions (principal payments and financing cost like interest expenses and other fees).
The difference between DSCR 1 and 2 is the beginning of the year cash balance which is included in the calculation of DSCR 1.
DSCRC: DSCRC including cash (it is amount of debt coverage in relation with certain period of time during a year, EBITDA decreased for CAPEX which is decreased for long-term loans used for financing of long-term fixed asset, which are taken during the current financial year taking into consideration changes of working capital, paid taxes, paid dividends, increased for cash and cash equivalents including deposits according to loan agreement (ZABA no 3275727104, party no 5100569172) at the beginning of period divided with sum of paid loan liabilities related to principal and interest).

E

Earnings (loss) per share: Basic earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.
EBITDA: Earnings before interest, tax, depreciation and amortization.
EBITDA margin: EBITDA divided by total revenue.
EBITDAR: Earnings before interest, tax, depreciation, amortization, impairment loss and rental expenses, share of associate and exceptional items presented as other income and tax (EBITDAR) correspond to revenue less cost of revenues (operating expenses).
EBITDAR, together with EBITDA, is used as a key management indicator.
Equity ratio: defined as the ratio between equity and reserves, decreased for any goodwill, loans to shareholder and advance dividend payment, and the total liabilities.

F – O

GDPR: General Data Protection Regulation
Group: Company and its consolidated subsidiaries (companies subject of a requirement to consolidate their financial statements).
Interest cover ratio: defined as the ratio between EBITDA and the total amount of interest accrued during the corresponding period.
Like-for-like: Results achieved through operations that are comparable with the operations of the previous year. Current years' reported results are adjusted to have an equivalent comparison with previous years' results in the same period, with similar seasonality and the same set of hotels.
Management Board: Reuel ('Reli') Slonim (President of Management Board), Devansh Bakshi (Member of the Management Board and CFO), Manuela Kraljević (Member of the Management Board and Marketing and Sales Director) and Edmond Pinto (Member of the Management Board and Chief Operating Officer).
Net leverage ratio: defined as (Total Debt – Cash and cash equivalents)/EBITDA.
Occupancy: total occupied rooms divided by net available rooms or RevPAR divided by average room rate.

P – Z

Park Plaza® Hotels & Resorts: upper upscale hotel brand. PPHE Hotel Group is master franchisee of the Park Plaza® Hotels & Resorts brand owned by Radisson Hotel Group. PPHE Hotel Group has the exclusive right to develop the brand across 56 countries in Europe, the Middle East and Africa. www.parkplaza.com.

PPHE Hotel Group: PPHE Hotel Group Limited is an international hospitality real estate company, with prime freehold and long leasehold assets in Europe.
The group benefits from having an exclusive and perpetual license from the Radisson Hotel Group, one of the world's largest hotel groups, to develop and operate Park Plaza® branded hotels and resorts in Europe, the Middle East and Africa. In addition, the group wholly owns, and operates under, the art'otel® brand. www.pphe.com

Radisson Rewards: The global hotel rewards programme from the Radisson Hotel Group which includes Park Plaza® Hotels & Resorts and art'otel®. The program is owned by Radisson Hotel Group. Gold Points® is the name of the currency earned through the Radisson Rewards program. www.radissonrewards.com

Responsible Business: Arena Hospitality Group has adopted PPHE Hotel Group's Responsible Business programme; which includes a dedicated mission statement and four pillars reflecting key areas of impact. We pride ourselves on our mission to be responsible in everything we do as a business through our pillars; inspiring our guests, creating centres of excellence, developing our people and being part of our communities. This new developed responsible business strategy builds on the corporate social responsibility (CSR) activity of previous years to create a long-term sustainable responsible business model.

RevPAR: Revenue per available room. Total rooms revenue divided by net available rooms or ADR x occupancy %.

Sugarhill: Sugarhill Investments B.V.

Sugarhill Group: Sugarhill and its subsidiaries.

Supervisory Board: Boris Ivesha (Chairman), Yoav Papouchado (Vice Chairman), Kevin Michael McAuliffe (Member), Amra Pende (Member), Lorena Škuflić (Member), Ivana Matovina (Member),and Goran Nikolić (Member appointed by employees' council)

Contacts

SUPERVISORY BOARD
Boris Ivesha, Chairman
Yoav Papouchado, Vice Chairman
Kevin McAuliffe, Member
Amra Pende, Member
Lorena Škuflić, Member
Ivana Matovina, Member
Goran Nikolić, Member appointed by employees' council

MANAGEMENT BOARD
Reuel ('Reli') Slonim, President of the Management Board
Manuela Kraljević, Member of the Management Board & Marketing and Sales Director
Devansh Bakshi, Member of the Management Board & Chief Financial Officer
Edmond Pinto, Member of the Management Board & Chief Operating Officer

KEY CONTACTS
Devansh Bakshi, Member of the Management Board & Chief Financial Officer
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Neven Čale, Reporting Manager
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USEFUL LINKS
Corporate and reservation websites:
arenahospitalitygroup.com
arenacollection.com
arenahotels.com
arenacampsites.com
artotels.com
parkplaza.com
radissonhotels.com
franz-ferdinand.at

STRATEGIC PARTNERS:
PPHE Hotel Group
pphe.com
Radisson Hotel Group
radissonhotels.com/corporate

PARK PLAZA

art'otel

ARENA HOTELS & APARTMENTS

ARENA CAMPSITES

PARTNER BRANDS

RADISSON COLLECTION

RED Radisson