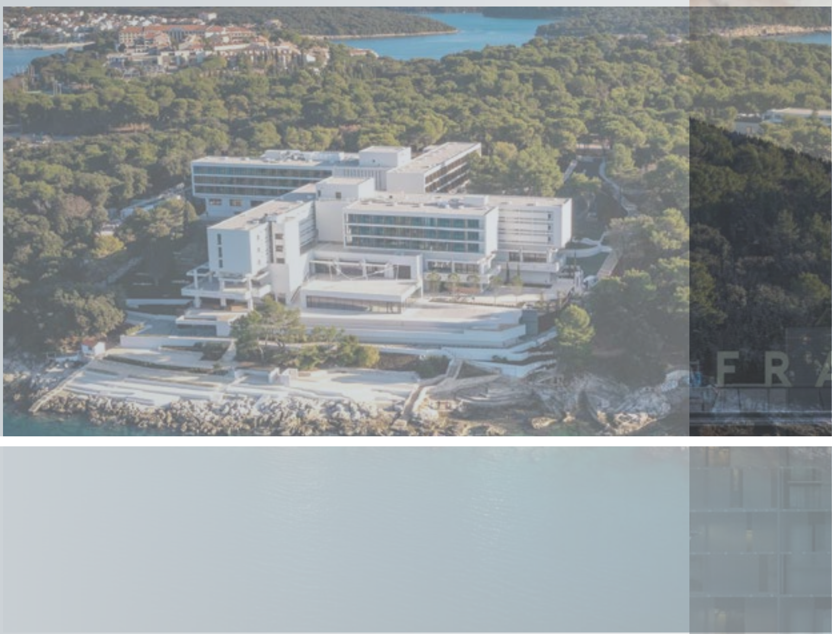
2021

ANNUAL REPORT
& FINANCIAL ACCOUNTS



ARENA

HOSPITALITY GROUP

art'otel

PARK PLAZA

ARENA HOTELS & APARTMENTS

ARENA CAMPSITES

2021

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. 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) 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 right to manage art'otel branded properties, allowing us to further grow our presence.

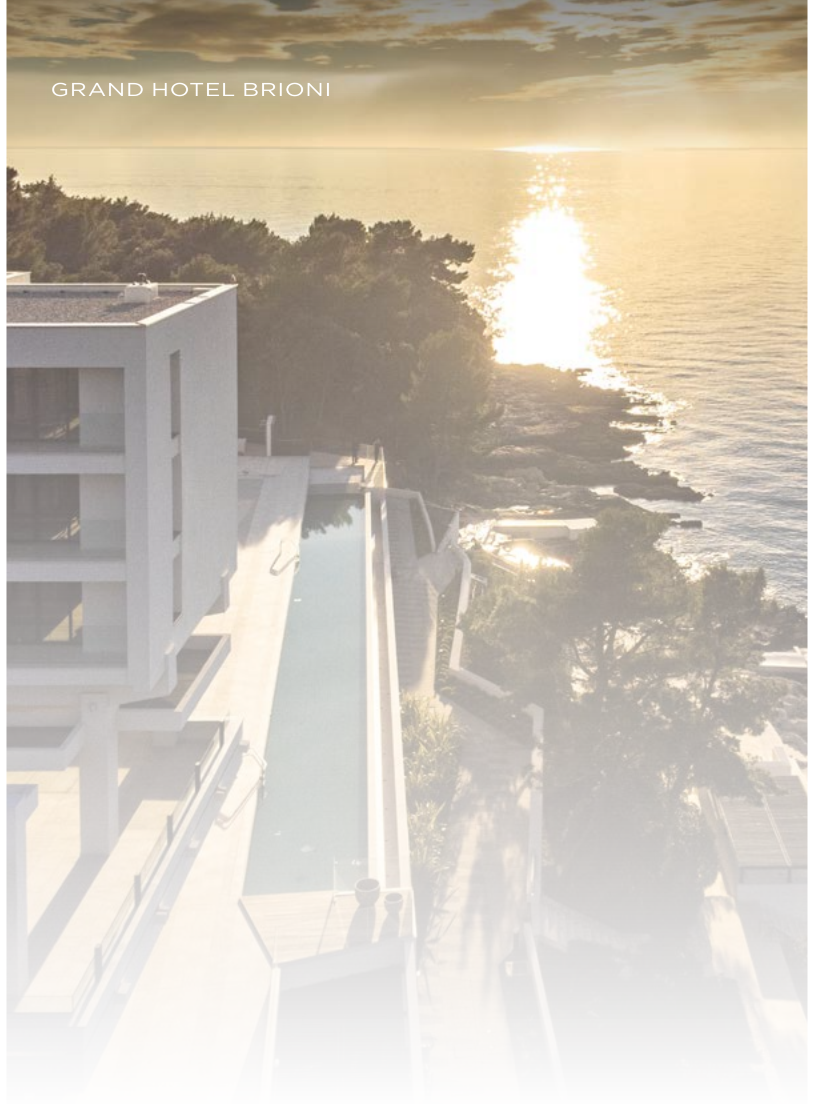
WHAT WE DO

Since 2016 the Group has transformed from a Croatian domestic and locally focused company to an international dynamic hospitality group. 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. Our brand portfolio, consisting of Park Plaza®, art'otel®, Arena Hotels & Apartments® and Arena Campsites® brands, situated across the CEE region, provides us with excellent growth opportunities.

HOW WE DO IT

Our portfolio includes 29 owned, co-owned, leased and managed properties in operation with over 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, Cologne, Nuremberg and Budapest. Our revenue is generated from different market segments comprising predominantly holidaymakers in Croatia and Austria; a 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.

GRAND HOTEL BRIONI



ART'OTEL IN ZAGREB

STRATEGIC REPORT

Highlights

STRONG EBITDA PERFORMANCE

EBITDA recovered to two-thirds of levels achieved in 2019 (pre-pandemic)

Total Revenue (HRK)
460.7 M

EBITDA (HRK)
163.4 M

EBITDAR (HRK)
179.6 M

Profit before tax (HRK)[1]
3.1 M

Occupancy[2]
33.1%

REVPAR (HRK)
195.4

Average Daily Rate (HRK)
590.7

1. Also see Chief Financial Officer's Statement on pages 32-35.
2. Occupancy is calculated based on the number of days that each property is open

STRATEGIC REPORT

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 that international brands bring.

CROATIA - 8.549 UNITS

Located in one of Croatia's most prominent tourist regions, Istria, our diverse accommodation offering includes hotels, self-catering holiday apartment complexes as well as campsites, and provides guests with a wide choice of locations in Pula, Medulin and Zagreb with 118 rooms under development. Croatia has become a popular leisure destination, and with over 40 years of experience in this market, we have an unrivalled expertise in providing great value accommodation with inspirational service in areas of natural beauty.

GERMANY - 956 UNITS

Our hotels are located in major gateway cities, such as Berlin and Cologne, which operate on a year-round basis and have a balanced mix of business and leisure guests. The hotels are positioned in prime city-centre locations with a high footfall of conference, leisure and business guests.

HUNGARY - 165 UNITS

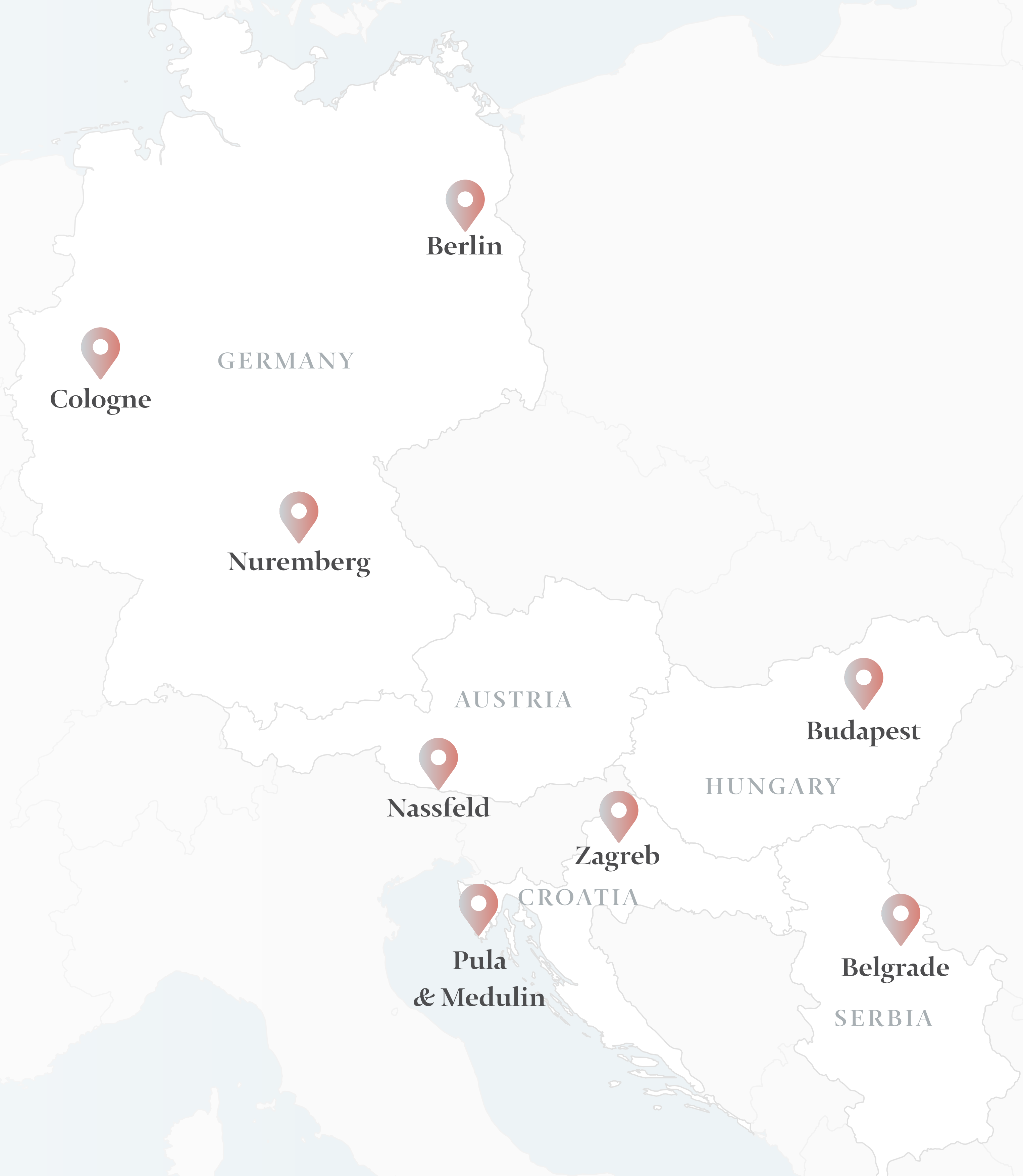
Located in Hungary's capital city Budapest, which is a popular tourist destination, art'otel budapest is situated in a prime location overlooking the River Danube and the magnificent premises of the Hungarian Parliament.

SERBIA - 88 UNITS

88 Rooms is located in Takovska Street, close to the business area, with easy access to the Belgrade Fair and cultural area, near the iconic Old town of Belgrade and the Danube riverbank.

AUSTRIA - 144 UNITS

The Group's first winter resort, FRANZ ferdinand Mountain Resort Nassfeld, is a 4-star hotel in Nassfeld, Austria which complements its existing summer leisure business. This 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.



STRATEGIC REPORT

Chairman of the Supervisory Board's Statement

Dear Shareholders,

In 2021, Arena Hospitality Group d.d. ("the Company") and its consolidated subsidiaries ("the Group") delivered a strong overall performance, at a time when the COVID-19 pandemic continued to have an impact across the Group. These results were achieved without the usual gradual build up to the summer season in Croatia, at a time when vaccination passports and testing continued to be necessary, and against the backdrop of some countries and territories retaining travel restrictions. Despite ongoing COVID-19 related challenges, our Croatian operation exceeded the Management Board's expectations in the third quarter, with the aggregate revenue at approximately 93% of the levels achieved in the same period in 2019. There were also signs of recovery in our other operating regions of Germany, Hungary, Serbia and Austria, although this proved tougher than our experience in the leisure-driven Croatian segment.

Our ongoing response to the pandemic in 2021 is a testament to the strong management team and the financial resilience of the Company. We continued to react swiftly to implement processes when needed. In response to localised restrictions, vaccine passport requirements, and operational difficulties around labour shortages. We continued to monitor and improve our hygiene and safety protocols, which helped our properties to operate in accordance with government guidelines while managing and exceeding our guests' expectations.

The Group significantly improved its operating performance in 2021 and continues to cautiously manage its liquidity and investments, investing HRK 309.6 million during the year. We secured funding in 2020 to drive the repositioning programme of the luxury Hotel Grand Brioni Pula, and I am pleased to report that this project is nearing its final stage.

A ROBUST AND FLEXIBLE BUSINESS MODEL

BORIS IVESHA
CHAIRMAN OF THE SUPERVISORY BOARD

Our relationship banks have continued to be a great source of support, allowing us to invest, develop and grow in the long-term. In 2021 we secured a new long term financing agreement with Erste Group Bank AG for the acquisition of a hotel in Austria, a new market for the Group. The Group also commenced with the conversion of an office building to art'otel in Zagreb city centre.

DIVIDEND

The Company understands the importance of shareholder distributions and it takes into account the business, performance, future investment plans and overall business environment when considering the payment of dividends.

Following the strong financial performance in 2021, it is the Company's intention to resume payment of a dividend as soon as is practicable. Further information is set out in the Member of the Management Board and Chief Financial Officer's statement.

SHARE BUYBACK AND PERFORMANCE INCENTIVE SCHEME

In January 2020, the Company adopted a Share Award Plan for the purpose of creating a basis for rewarding employees, following the completion of a share buyback scheme, totalling HRK 16.9 million which offered share options to employees as part of the Company's performance incentive scheme and to attract and retain talent within the business.

As at 31 December 2021 the Company held 45,169 treasury shares, representing 0.9% of the Company's issued share capital.

> "
> **The Group significantly improved its operating performance in 2021 and continues to cautiously manage its liquidity and investments.**

OUR MARKETS

In the face of market conditions and challenges experienced due to COVID-19 in 2021, the Supervisory Board is pleased with the performance of our Croatian operations, where the leisure market in the Istrian region exceeded expectations. Germany, Hungary, Serbia also showed signs of improvement, although the pace and consistency of recovery in those markets was varied.

GOVERNANCE, SUPERVISORY AND MANAGEMENT BOARD CHANGES

The Group recognises the important role of corporate governance in the ongoing success of the business and remains committed to maintaining high standards.

During the year, the Supervisory Board separated the Nomination and Remuneration Committee into two separate committees, and it appointed a Company Secretary, further enhancing the separation of duties and the corporate governance within the Company.

In January 2021, we welcomed Mr Goran Nikolić, as the representative of employees in the Supervisory Board of the Company, following the decision by the Workers Council of the Company to change the employees' representative on the Supervisory Board of the Company. Mr Nikolić has been with the Group for 23 years within the Company's IT support unit.

OUR COLLEAGUES

The health and safety of our colleagues remains our top priority as we continue to adapt to the ongoing challenges presented by the pandemic and its variants. Nearly two years on, and our team continues to adapt and deliver on our guests' expectations, so I take this opportunity to extend sincere thanks to all of our colleagues across the Group for their hard work and commitment throughout the year.

RESPONSIBLE BUSINESS

During 2021 we continued to deliver on our sustainability strategy across our five countries of operation, underpinned by three pillars; people, places and planet, which focus on wellbeing and responsible business practice across our hotels, resorts and campsite operations.

The Company continued to support Pula General Hospital and the Istrian Health Centre and provided accommodation to doctors and specialists during the summer season. As part of our ongoing sustainability initiatives the Group continued to promote waste management, reduction of food waste and recycling and encouraged guests to become actively involved in separating waste in their accommodation. I was pleased to see our continued contributions to the communities in which we operate, highlighting especially our support for selected cultural and sporting events such as the Pula Film Festival, the international maxi cruiser regatta PULA MAXI ON, the Pula Marathon and various other events.

We joined the project "Thousand students - a million experiences" launched by the Ministry of Tourism and Sports, and the Croatian Tourism Association, which provides support and holiday experiences to the students of Sisak-Moslavina County which was hit by a devastating earthquake in December 2020. Our response effort included the immediate donation of ten mobile homes to those who needed them most.

Activities related to increasing awareness of children's rights as part of the "For a stronger family" project implemented with UNICEF continued in 2021, with entertainment-program activities dedicated to important issues around children's rights, happiness and children's rights around being able to play.

A POSITIVE OUTLOOK

It was another exceptional year, starting out with the optimism of vaccination programmes which drove the gradual opening up of the global travel industry, and closing with an unexpected new COVID-19 variant in Omicron. If anything, the past 24 months have shown our ability to adapt further, reflecting the strength and flexibility of Arena's business model. This has been made possible by the drive and tenacity of our wonderful team. Notably, there was pent-up demand among consumers, who demonstrated their longing for the normality of travel in droves. We like to think that Arena, and the wider hospitality industry, has lived up to their expectations by delivering safe and secure experiences. COVID-19 vaccines were rolled in the markets where we operate and beyond; and the Group continued to pursue its growth strategy, investing in high quality assets to deliver value to all stakeholders. I look forward to the year ahead with confidence.

BORIS IVESHA
CHAIRMAN OF THE SUPERVISORY BOARD

STRATEGIC REPORT

Our 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.

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

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

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 design/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 with a touch of local flavor. The brand offers beachfront locations across the historic settings of Pula and Medulin in Istria (Croatia), city centre accommodation in Belgrade (Serbia), and a mountain resort in Nassfeld (Austria). Arena Hotels & Apartments is your destination host and guide, 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 and Arena Grand Kažela Campsite fully repositioned in 2020.

arenacampsites.com

arenaglamping.com

STRATEGIC REPORT

President of the Management Board's Statement

STRATEGIC IMPERATIVES IN ACTION

REUEL ('RELI') SLONIM
PRESIDENT OF THE MANAGEMENT BOARD

Welcome,

We are pleased to report that 2021 was a year of further strategic progress, coupled with a good recovery in activity, driven by a summer trading in Croatia.

The 2021 financial performance reflected our clear strategic direction and the Group's ability to navigate the disruption caused by the pandemic. We began the year with an appetite for normality, a clear strategic direction, investment plan, and many projects in the pipeline. As market conditions continued to evolve more positively than in 2020, we benefited from a surge in demand in Croatia, supported by our high quality estate and our recent investment in technology, sales and marketing.

We continued to invest for future growth by investing in our portfolio and we further diversified our operations and extended our presence in the CEE region, acquiring our first hotel in Austria.

2021 IN REVIEW

CROATIA

Most our Croatian operations are highly seasonal, typically, only a small number of our properties remain open off-season or in the weeks leading up to Easter, with bookings taken weeks in advance. However, this was not the case as COVID-19 was still prevalent at the beginning of 2021. Activity levels were low in the first quarter and most of our properties remained closed due to restrictive measures undertaken by the Croatian and other governments.

Nevertheless, during the peak summer months leisure demand returned, as international travel restrictions were eased, and was nearly back to pre-pandemic levels. All properties operated at full capacity, serving guests in line with government restrictions and safety protocols. Investment undertaken in our campsites in the previous years continued to benefit in 2021, as guests' perceptions of safety and accessibility by car from surrounding countries continued to drive demand.

GERMANY

Our properties in Germany experienced very low activity levels at the beginning of 2021. Bookings did not reach pre-pandemic levels, but a lifting of restrictions in the third quarter provided a welcome surge in leisure bookings and weekend travel from European travellers. The popularity of our destination hotels in Nuremberg and Cologne were more obvious than in Berlin for example, which was purely a result of domestic leisure demand for those areas.

Across our operations in the region, demand for business travel remained slow in 2021 and activity was primarily from domestic markets, largely due to the limitations placed on international travel.

CEE REGION (HUNGARY, SERBIA, AUSTRIA)

This region did show signs of recovery but progress was more subdued than in the leisure-driven market of Croatia. Our hotel in Hungary was closed throughout the year. This was initially due to a government-imposed lockdown, however, the hotel remained closed when restrictions were eased due to extremely low demand.

FINANCIAL PERFORMANCE

Reported Group revenue increased by 93.3% to HRK 460.7 million (2020: HRK 238.3 million). Reported EBITDA increased significantly to HRK 163.4 million, driven by our Croatian operations which experienced strong booking activity throughout the third quarter and delivered a strong summer season performance. This performance was in contrast to 2020 when new bookings and guest arrivals came to a halt in mid-August due to several source markets reintroducing travel restrictions. Overall, reported EBITDA recovered to 71% of the EBITDA reported in 2019 (2020: EBITDA loss of HRK 18.3 million).

Accommodation revenue increased by 99.6% to HRK 384.0 million compared to last year (2020: HRK 192.4 million) as a result of a 768.3 bps increased in occupancy to 33.1% and a growth in average daily rate by 10.2% which amounted to HRK 590.7 (2020: occupancy 25.4% and average daily rate HRK 536.1, respectively). Together this translated into a RevPAR of HRK 195.4, which is 43.2% higher compared to the previous year (2020: HRK 136.4).

It is worth noting that the business mix remained consistent with 2020. Once again campsites (the highest margin of our accommodation offering) contributed proportionately more to the revenue and profit performance than was the case before the pandemic, as the Group continued to benefit from its recent investment programmes at Arena Grand Kažela and Arena One 99 Glamping. In addition, the demand for campsite bookings was borne out of the widespread perception amongst guests that they offer lower COVID-19 transmission risk. Campsites contributed more than 42% of our total revenues in Croatia in 2021; compared to roughly 33% in 2019.

Further details of the Group's financial performance in Croatia and Germany, Hungary, Serbia and Austria are set out in the Operating review.

GROWTH STRATEGY

We are pleased to report that despite ongoing market challenges the Group made good strategic progress as it continued to pursue its growth strategy to:

- optimise the value of its assets while consistently delivering and exceeding our guests' experiences in our properties and on our campsites
- expand the Group's presence in the CEE region
- promote the Company profile in the luxury lifestyle market segments.

During the year the Group secured a total of HRK 78.9 million financing to support its investment and acquisition programme. These funds are a testament to the strategy, strength and ongoing resilience of our business, the management team, and the ongoing support of our lending partners.

> "
> **Strong summer recovery in Croatia significantly contributing to Groups overall performance.**

INVESTMENTS, ACQUISITIONS AND DEVELOPMENTS

We continued to invest in our assets, alongside identifying acquisition opportunities which took the Group into a new market in 2021.

Our flagship investment project is the HRK 260 million repositioning of Grand Hotel Brioni in Pula, Croatia, to a luxury hotel. This project proceeded on schedule and has entered its final stage. We continue to closely monitor the market conditions before committing to an opening date, nonetheless the hotel is expected to open for the 2022 summer season. It will offer 227 premium rooms over seven floors, with an indoor and an outdoor infinity pool,

ARENA ONE 99 GLAMPING

an extensive wellness centre with saunas and relaxation rooms, a gym, kids' playground, several restaurants and bars and meeting and event facilities.

In September, construction work commenced on development of a luxury hotel in an iconic building in Zagreb city centre. This 118-room hotel will have a superb location in the heart of Croatia's capital city and will offer the city's only rooftop pool and bar as well as a fine dining restaurant and luxury spa. This will be the Group's first city centre hotel in Croatia and will be an important addition to the Group's Croatian portfolio. The hotel is due to open prior to December 2022.

In Hungary, we are planning to invest HRK 24 million on refurbishment work at art'otel budapest. While the hotel is closed to guests, we have taken the opportunity to start the investment programme, which involves the redesign and renovation of the public areas on the ground floor and basement. The hotel is expected to reopen in spring 2022.

In December, we acquired the prestigious FRANZ Ferdinand Mountain Resort Nassfeld, in Austria. This four-star 144-room property is superbly located next to the valley station of Nassfeld Ski Resort in Carinthia and offers instant access to an impressive 110km of the region's ski slopes. This latest acquisition will strengthen our strategic expansion in the CEE region in line with growth objectives. Austria is one of the Group's largest customer markets for its Croatian operations and this hotel will help further raise the Group's profile in this important market.

DIGITALISATION AND EXCEPTIONAL GUEST EXPERIENCES

Our purpose as a business is to create memories for our guests in premium destinations. We aim to exceed our guests' expectations with excellent service in locations they will remember, and to which they will return.

The use of technology across the hospitality industry has accelerated during the pandemic, with a trend towards contactless interaction. The Group's recent and ongoing investments in front and back of house technology has positioned us well for this evolution.

In Croatia, we have developed mobile applications for Arena Hotel and Arena Campsite guests, which facilitates sharing of information and offers direct communications channels with the hotel, resort or campsite. In 2021, combined downloads of both these mobile applications exceeded 15,000. In addition, 1,000 mobile keys, our contactless digital room key via mobile phone, were enabled via the Arena Hotel mobile application.

We continued to offer online and self-service check-ins across our hotels, resorts, campsites and glamping, and nearly 32,000 check-ins have been completed using these platforms. This accelerates the process, provides seamless guest experience, and positively impacted staff resource.

> "
> **…acquisition of our first winter resort FRANZ ferdinand Mountain Resort Nassfeld, a 4-star hotel in Nassfeld, Austria.**

We sharpened our focus on health, safety and hygiene measures across the business at the onset of the pandemic, and throughout 2021 these protocols were continually reviewed and updated and team members underwent training. All guests were given clear guidance on arrival, with the hand sanitising products you would expect, as well as notices and reminders throughout our properties and locations.

In Croatia, we supported our guests by offering a web-based service enabling them to directly apply for COVID-19 testing, with test results emailed to the guest within 24 hours. This online service, through which more than 18,000 were organised in 2021, streamlined the process and reduced reception workload. In cooperation with the Institute of Public Heath of Istrian County, testing was made available to all our guests at three locations across our Croatian portfolio.


GRAND HOTEL BRIONI

SALES AND MARKETING CAPABILITIES

In recent years, the Group has invested in and focused on generating direct sales and growing the profile of our brands. Our successful approach has led to a significant increase in the proportion of direct bookings through our own channel, up from 13% in 2019 to 30% in 2021, Furthermore, our brand web and direct sales bookings have grown ahead of other channels, such as online travel agencies, with total bookings increasing from 34% in 2019 to 48% in 2021, thereby reducing commission expenses and reliance on online travel agencies with the drop of 16% comparing to 2019.

We continue to invest in web-optimisation programmes to improve online search rankings, digital marketing and loyalty schemes to enhance brand recognition. Additionally, the Group has access to a global distribution platform and a range of sales tools and initiatives via PPHE Hotel Group's strategic partnership with Radisson Hotel Group.

FRANZ *Ferdinand* NASSFELD MOUNTAIN RESORT

OUR COLLEAGUES DRIVE US FORWARD

Our people are at the heart of our business, and it is imperative that we continue to provide training and career development opportunity in order to attract and retain the best talents. In the fourth quarter, we began piloting of an App to enhance employee communication and engagement, offer features such as internal communications, education and onboarding, time management and task management.

As a Company, we are proud of our inclusive, diverse and collaborative working environment, and we support all colleagues in their day-to-day interactions. We promote equal working practices and enable all colleagues to participate equally in an open work community that is free of bias towards race or gender. We offer ongoing training and development opportunities and in 2021 our Management Board worked hard to impart all guidelines and safety notices with clarity and speed with regular contact via a network of regional teams.

The industry-wide labour shortages have been widely reported, and we are not immune to the challenge that this presents across our operations.

In Croatia we recruited team members from neighbouring countries, supported by recruitment agency partnerships, as well as further afield including the Philippines, Ukraine and Macedonia. Nonetheless, labour market pressures meant we were only able to recruit team members to support 80% occupancy. However, we were proud of high level of engagement from our teams and the way they worked together in response to this challenge, taking on versatile roles across our portfolio including office-based staff supporting operation where needed. Our colleagues were remunerated by way of a bonus, including a post-season bonus, a holiday bonus and a Christmas bonus. We also introduced special productivity incentives for extra hours worked.

The wellbeing of our team remained a key priority for the Group. In collaboration with the public Health Institute, COVID-19 vaccination centres were set up onsite and we financially incentivised our people to be vaccinated, to keep them and our guests safe. We also organised PCR and antigen testing for our employees where necessary. In addition, through the ARENA Fit programme, we organised workouts for colleagues (when restrictions allowed) to support their health and fitness.

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. They went above and beyond yet again, even when circumstances were challenging for them.

CURRENT TRADING AND OUTLOOK

The current wave of the COVID-19 variant Omicron in Europe has coincided with our low season in Croatia, a time when we reflect, and focus on investing in and upgrading assets to prepare them for the upcoming summer season.

As expected, trading in Hungary and Germany remains subdued due to the latest lockdowns and restrictions in these markets.

The final quarter of 2021 was in line with expectations across our operating regions. Operations in Croatia have wound down as stated above, for a period of maintenance in preparation for the year ahead. The sports season has been impacted by the latest wave of Omicron infections, but the outlook for the year ahead is promising.

While we continue to navigate the pandemic, we are encouraged by the recovery in activity in Croatia in 2021, our largest operating region. Increasingly our focus is turning to living with the virus, with sensible measures in place that protect us and our livelihoods into the future.

Whilst we remain cautious, we are optimistic about the future growth prospects of travel and tourism and our ability to capture and respond positively to market demand.

REUEL ('RELI') SLONIM
PRESIDENT OF THE MANAGEMENT BOARD

STRATEGIC REPORT

Strengthening long term growth through investments & acquisitions

Underpinned by its owner operator position and enabled by its significant construction and engineering expertise, the Group continued its journey to develop its existing assets and diversify its portfolio through exciting projects as well as strengthen its foundations for future growth, whilst maintaining strong liquidity in the difficult times and aims to deliver future value to its shareholders.

In recent years, the Group has diversified its business from solely operating in Croatia to strategically expand into Germany, Hungary and Serbia and now in Austria with its acquisition of FRANZ ferdinand Mountain Resort Nassfeld.

PROPERTY REPOSITIONING

HOTEL GRAND BRIONI, PULA CROATIA

The major development and repositioning of Hotel Brioni in Pula to a luxury upper upscale hotel continued throughout 2021. The investment programme progressed well and is nearing its final stage, with the relaunch of the hotel, as Hotel Grand Brioni, planned for summer 2022. The overall investment in the repositioning programme is expected to be approximately HRK 260 million. The project is partly financed by a HRK 180 million long term loan agreement.

The hotel, which was built in early 1970s, was one of the most prominent hotels in former Yugoslavia and many well-known personalities (including politicians, artists and actors) resided at the hotel. This iconic and landmark hotel has a spectacular cliff-top location providing wide views of the Adriatic and Brijuni islands.

The hotel will have seven floors and 227 rooms, and will offer an indoor pool, an outdoor infinity pool and an activity pool, an extensive wellness centre with saunas and relaxation rooms, a gym, several restaurants and bars and meeting and event facilities. The investment programme builds upon the hotel's status and reputation, with the ambition for it to become the best-in-class hotel in Pula and the surrounding area.

art'otel budapest

This 165-room contemporary, upper upscale lifestyle hotel offers a blend of unique design and architectural style, with art-inspired interiors and original artwork by Donald Sultan, one of the leading American contemporary artists. The Group started refurbishment works in the fourth quarter of 2021 and is planning to invest HRK 24 million in phase one of hotel's repositioning on an extensive redesign and renovation of ground floor and basement public areas covering reception, the lobby, restaurant & bar, conference centre and wellness facility. The works are expected to complete in the second quarter of 2022. The phase two works involve refurbishment of hotel's 165 bedrooms to more contemporary design.

HOTEL 88 ROOMS, BELGRADE SERBIA

The Group acquired this 4-star contemporary hotel minutes away from the historic old town in Belgrade city in December 2020. It offers 88 rooms and suites, a restaurant, bar and conference room and fitness facilities. The Group plans to invest HRK 11 million to brand and reposition the hotel in 2022.

HOTEL RIVIERA, PULA CROATIA

The Group completed the acquisition of Hotel Riviera, Pula in April 2020 for a total consideration of HRK 36 million. The acquisition was partly funded through a long-term loan agreement with a view to reposition this property into a luxury branded 80-room hotel. The Group is planning to commence its repositioning and refurbishment in first half of 2023, at an estimated investment of HRK 75 million.

ART'OTEL IN ZAGREB

FRANZ *Ferdinand* NASSFELD MOUNTAIN RESORT

ARENA STOJA CAMPSITE PHASE ONE

We are investing HRK 38 million as part of phase one development of the campsite which creates a upscale mobile homes zone with installation of new spacious 45 – 58 sqm mobile homes, new infrastructure and green zones.

ARENA GRAND KAŽELA CAMPSITE – LUXURY ZONE

Creation of luxury zone in a secluded part of the camp with specious 60 sqm mobile homes with the private patio and pool.

PROPERTY CONVERSION

The Group entered into a 45-year lease for the development and operation of a contemporary upper upscale and lifestyle branded hotel in Zagreb, Croatia in January 2020.

Development of this iconic luxury hotel in Zagreb city centre commenced autumn 2021. This project involves the conversion of an iconic building in a prime location in the historic heart of the city. Once opened, this 118-room hotel will include a destination restaurant and bar, wellness and spa facilities, fitness centre, event space and parking. The hotel will also feature the first and only roof top swimming pool and bar in Zagreb city with amazing views of the city. The project is progressing on schedule, with the hotel expected to open prior to December 2022.

The Group plans to invest HRK 135 million and the project would be partly financed through a long-term loan and part by cash reserves.

The new city centre hotel will enhance the geographic spread of the Group's portfolio in Croatia, which is currently centred on the Istrian coast.

NEW ACQUISITION

The Group has acquired the FRANZ ferdinand Mountain Resort Nassfeld, a 4-star hotel in Nassfeld, Austria for HRK 112.1 million. Through this acquisition the Group added its first winter resort, which compliments its existing summer leisure business. This 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. The hotel offers 144 family rooms, a restaurant, bar, conference rooms, private car park, wellness and sauna and children facilities. In addition, the deal included the acquisition of two floors of an adjacent building comprising of a terrace which is earmarked for future development of a swimming pool, as well as a separate 21 rooms employee accommodation situated in Vellach in Carinthia.

In December 2021, the purchase transaction was completed through its subsidiaries Sugarhill Investments B.V. and ARENA FRANZ Ferdinand GmbH.

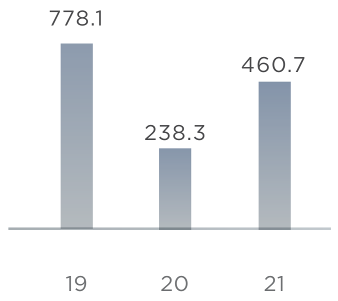
In addition, the group plans to invest a further HRK 22 million to extend the wellness facilities, create an outdoor swimming pool and upgrade the bedrooms and public areas.

“ The Group continued with its strategically important investments and acquisitions throughout 2021, by deploying a further HRK 309.6 million, in addition to the HRK 274.3 million invested in 2020. This is over and above regular capital investments across the portfolio worth HRK 12.6 million.

STRATEGIC REPORT

Key performance indicators

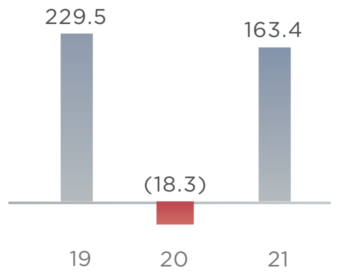
GROUP FINANCIAL KPIS



TOTAL REVENUE (HRK MILLION)

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

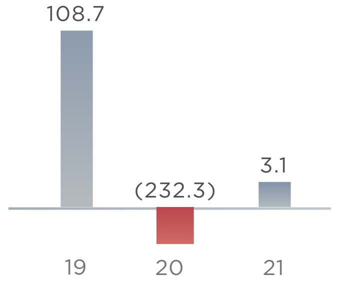
COMMENT
Also see Member of the Management Board and Chief Financial Officer's statement page 32.



EBITDA (HRK MILLION)

DEFINITION
Earnings before interest, tax, depreciation and amortisation.

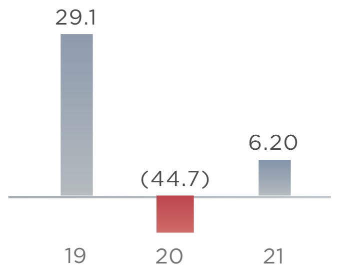
COMMENT
Also see Member of the Management Board and Chief Financial Officer's statement page 32.



PROFIT BEFORE TAX (HRK MILLION)

DEFINITION
Profit before tax

COMMENT
Also see Member of the Management Board and Chief Financial Officer's statement page 32.

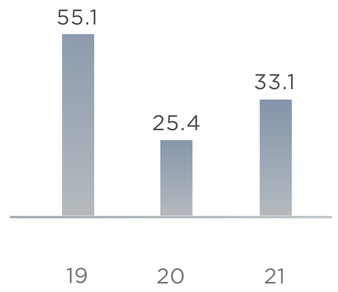


EARNINGS PER SHARE (HRK)

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 32.

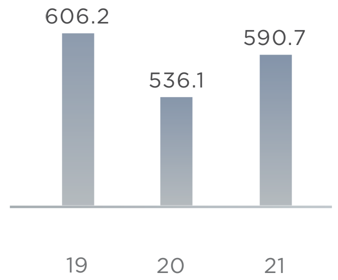
GROUP OPERATING KPIS



OCCUPANCY (%)

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

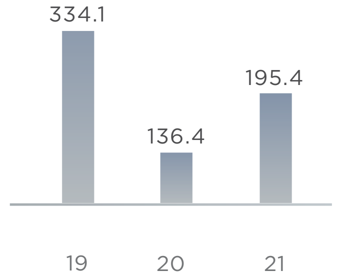
COMMENT
Also see Member of the Management Board and Chief Financial Officer's statement page 32.



AVERAGE DAILY RATE (HRK)

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 32.



RevPar (HRK)

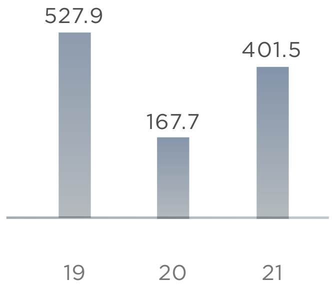
DEFINITION
Revenue per available room or accommodation unit; total room or accommodation revenue divided by the number of available rooms or units.

COMMENT
Also see Member of the Management Board and Chief Financial Officer's statement page 32.

STRATEGIC REPORT

Key performance indicators

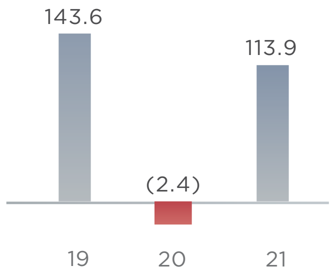
COMPANY FINANCIAL KPIS



TOTAL REVENUE (HRK MILLION)

DEFINITION
Total revenue includes all generated operating revenue.

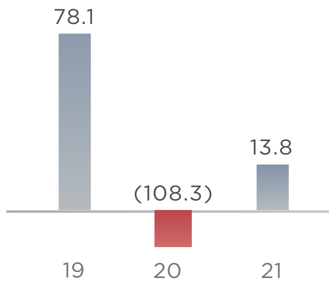
COMMENT
Also see Company income statement page 92.



EBITDA (HRK MILLION)

DEFINITION
Earnings before interest, tax, depreciation and amortisation.

COMMENT
Also see Company income statement page 92.

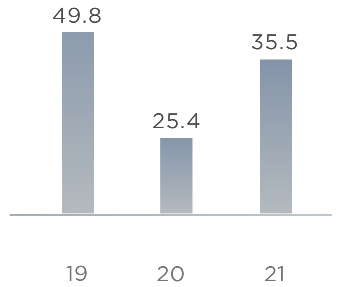


PROFIT BEFORE TAX (HRK MILLION)

DEFINITION
Profit before tax

COMMENT
Also see Member of the Management Board and Chief Financial Officer's statement page 32 and Company income statement page 92.

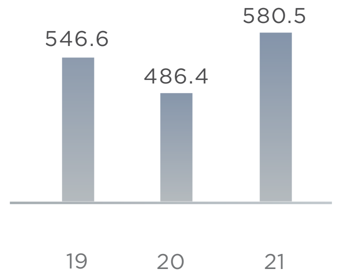
COMPANY FINANCIAL KPIS



OCCUPANCY (%)

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

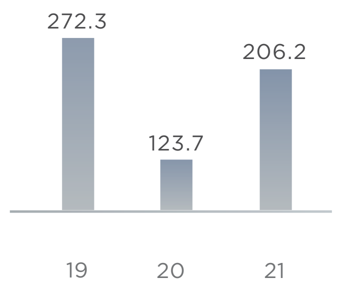
COMMENT
Also see Operating review page 36.



AVERAGE DAILY RATE (HRK)

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

COMMENT
Also see Operating review page 36.



RevPar (HRK)

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 36.

STRATEGIC REPORT

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.

Our strong fundamentals of risk management and awareness has underpinned our resilience during the COVID-19 pandemic and supported the pro-active response of our teams to the various related risk impacts.

OUR CHANGING RISK MANAGEMENT ENVIRONMENT

We recognise the importance of understanding the lasting impacts of major events such as the COVID-19 pandemic as well as emerging threats like climate change, economic volatility and political instability, including recent events in Eastern Europe, 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 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 Further waves of COVID-19 with new variants could continue to impact the hospitality sector and hinder our recovery to pre-pandemic levels of revenue and profitability. There is likely to be continued uncertainty in demand with continued trends of 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 recovery.	We have demonstrated our ability to adapt quickly to changing market conditions throughout the COVID-19 pandemic 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 on new leisure and domestic promotional initiatives with timely distribution and marketing activities both in city and resort hotels. Ongoing close collaboration with both PPHE and Radisson Hotel Group and leveraging their reach for promotional campaigns. Monitor and analyse customer feedback to quickly identify issues and improve operations constantly. Successful drive in contactless guest service experience through mobile app technology resulted in significant growth in online check-in and digital key distribution for access to guest rooms. We aim to evolve and implement new technologies in coming years. Prime focus on maintaining COVID-19 Health & Safety standards. Continue to secure SGS accreditation for cleanliness and disinfection pledge assessment in all of our Park Plaza and art'otel branded properties. Also maintain WTTC Safe Travel protocols in all properties.

RISK AND IMPACT	RISK RESPONSE
MARKET AND MACRO ENVIRONMENT	
ADVERSE MACROECONOMIC ENVIRONMENT COVID-19 has increased macroeconomic volatility and the macroeconomic environment is expected to remain volatile in 2022, with slowing growth, global supply chain issues, labour shortages, energy price increases, other inflationary pressures and potential interest rate rises. 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.	Whilst this external threat remains significant, we have reduced the overall assessment of the risk compared to previous year due to several factors including our financial stability and strong cash position, our leaner operating model and our diverse leisure product offering. The Group performs financial stress testing, undertook profit protection plans (with operational impact assessed) and budgetary control and frequent forecasting across all regions and property type to ensure it holds the grip on the business at all times and fine tunes its decision making promptly and appropriately. As a response to COVID-19, the Group (i) took proactive measures to control costs during the period of forced hotel closures and reduce the cost profile of the business for the future, (ii) undertook significant restructuring of the hotel and support teams to reduce the existing payroll cost base, (iii) optimized fixed costs wherever possible and (iv) performed regular open/closed scenario analysis to support informed decisions.
EVOLUTION OF THE TRAVEL INDUSTRY The prominence and ease of online bookings evolving with new technologies continues 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. 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.
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. New development opportunities in city centre locations within the CEE region are also expected not to experience such seasonality and will operate all year round. 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.

RISK AND IMPACT	RISK RESPONSE
MARKET AND MACRO ENVIRONMENT	
CLIMATE CHANGE – AN EMERGING RISK Rising Sea level may impact summer sea resort beaches, which would shrink therefore impacting social and tourist attraction. This on other hand may lead to flooding and associated damages. Low precipitation or rainfall will impact fresh water 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. This will also dry up water falls which are great tourist attractions in this parts of Croatia. Rising temperature could lead to rising temperature in the water/sea causing marine life to move further away therefore impacting sources of food. Forest fires is a real threat to wider Croatia and we also have our camps situated within forests and nature reserves. Indirect impacts being rising cost of energy due to switch to renewable sources, increasing cost of ESG compliance 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 short, medium to long term, its likelihood and planned mitigating controls where practically possibly. The group is investing in energy efficient building technology. The group has invested in water desalinisation plant which provides sufficient fresh water for irrigation of its landscape and nature in Medulin Croatia. Furthermore, we are looking at investing in another plant. Art'otel cologne is in the vicinity of a river thus at a risk of flooding, however special metal flood barrier is in place protecting the hotel building most vulnerable section. Overall the Group is working proactively to reducing its energy and water consumption through its Responsible Business Programme.
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 ex lege 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, even almost 24 months after entry of the NCLA into force, the Government has still not adopted the secondary level regulation that would govern the rent payable by the lessees for such lease nor have the procedures required for the implementation of the Act and actual registration of the ownership over the respective part of land in campsites / tourist resorts been completed. This creates 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. As the new NCLA has not yet set the rules for the rent payable based on the lease agreement, 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, 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. Determination of the new terms under which the Company will be charged to use of the land in campsites and tourist resorts is as well still not complete. The company is proactively engaged and is well resourced for implementing any necessary actions that maybe 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 COVID-19 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 potentially leading to interest rate rises.	The groups cash position remains strong due to resurgence in Croatian summer leisure business, however the risk of breaching debt covenants remains very high due to ongoing disruption caused by COVID-19 impacting travel demand and consequently suppressing revenue. The group secured a working capital loan, utilising HBOR's COVID-19 Measures Programme for the portfolio insurance, providing favourable terms and would only be drawn or utilised only if the market deteriorates leading to liquidity demand. The Group does regular forward covenant testing with sensitivity and stress modelling and does routine treasury monitoring and reporting to the Board. We secured all necessary debt covenant waivers from our lenders and maintains a proactive liaison with them. Our ongoing actions and controls to preserve cash and optimise costs, including use of government support schemes across our regions will remain a priority while the COVID-19 pandemic continues to impact our business performance. The group continues its selective approach to capital investments and aims to pursue strategic and value yielding investments.
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 labour market are impacting construction industry. Ongoing volatility in oil prices and its impact on energy costs continues to adversely impact project costs.	This risk persists within the Group's levels of tolerance and is aligned with its risk-reward strategy. 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 our construction projects timelines and costs, 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.
FOREIGN EXCHANGE RATE FLUCTUATIONS The exchange rates between the functional currency of the Group's subsidiaries operating inside the Eurozone, and the Croatian Kuna (the reporting currency for the purposes of the financial statements) may fluctuate significantly, 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.	Group's reporting currency Croatian Kuna has been resilient and not fluctuated significantly the Group eliminates currency transaction risk by matching commitments, cash flows and debt in the same currency. After due and careful consideration, the Group decided not to hedge this currency risk. With the planned adoption of Euro currency in Croatia in 2023, this risk would be further mitigated.

RISK AND IMPACT	RISK RESPONSE
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. As the group expands its operations geographically and remote working of employees becomes a norm there is a need of an effective technical control, team member awareness programme and enhanced cyber security protocol.	The Group continues to proactively invest in upgrading its technology infrastructure encompassing the full organisation and enhanced its disaster recovery capability. During the year the Group upgraded its cyber security by implementing 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 majority of its servers and IT services and created a strong ring fenced network security system with enhanced access control solution and furthermore, looking to introduce multi factor authentication (MFA) in 2022. Furthermore, also enhanced its Email protection and end-point protection and detection controls. 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 the GDPR and subsequent reputational damage.	The Groups mitigating controls reduce the likelihood of a large scale data privacy breach and its processes ensure any incidents are dealt with in compliance with the 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. It uses third-party experts for technical support when necessary. New payment solutions shall be introduced that will provide safer guest experience.
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.
SAFETY, CONTINUITY AND LABOUR RISKS	
OPERATIONAL DISRUPTION The Group experienced operational disruption, hotel closures and regional lockdowns during the COVID-19 pandemic. This risk persists due to the dynamic nature of the pandemic with emergence of new variants. Group could also 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 and effectively managed to operate majority of its properties whilst complying with regional civil protection and control measures. 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 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) close monitoring of key supplier stability and regular communications regarding anticipated demand levels.

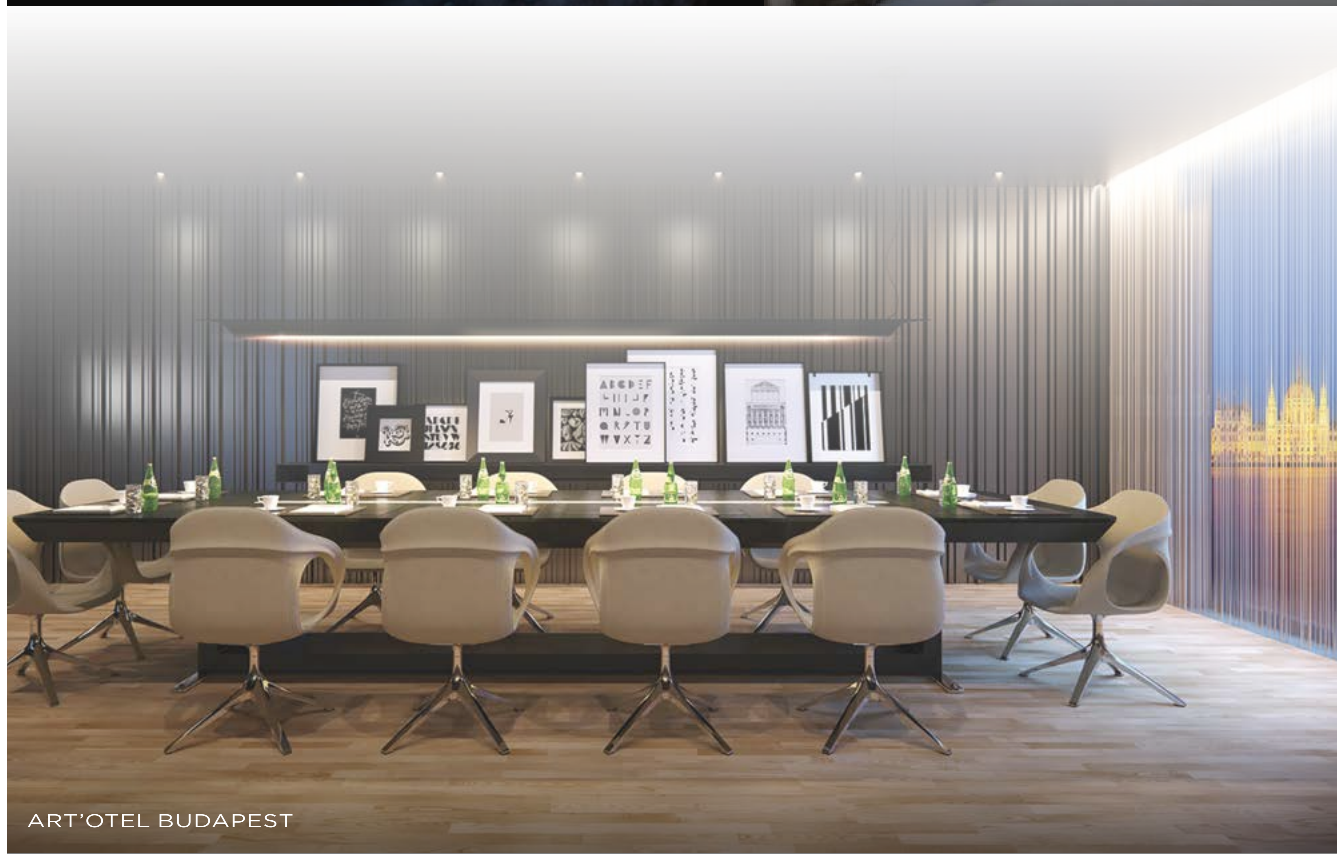
RISK AND IMPACT	RISK RESPONSE
SAFETY, CONTINUITY AND LABOUR RISKS	
SERIOUS HEALTH, SAFETY AND SECURITY INCIDENTS The Group could experience significant health and safety, food safety or physical security incidents. A failure to take reasonable steps to prevent such incidents, or a failure to respond 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 and 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. With COVID-19 pandemic ongoing the Group continues to focus on delivering safe working environment for our team members and safety programmes to provide safe stay to our guests and visitors. (i) Continue WTTC Safe Travel protocols in all properties, (ii) regular COVID-19 related 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, (iv) COVID-19 incident protocols and centralised tracking of identified cases, (vi) adapted security measures introduced for closed properties.
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 COVID-19. 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 resulting 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 for its employees 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 the opportunities to attract skilled workforce from its neighbouring countries and international labour market. To this end the group caters to 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 talents. 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 ESG activities, metrics, targets and performance.	The Group recognises the importance of ESG matters and 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. Its ongoing activates include responsible business programme, which is also aligned with PPHE Hotel Group. Review of climate related risk scenario analysis and its action plan. Initiatives to reduce energy consumption in our properties and new developments. Documentation of Governance practices and procedures to ensure compliance with Corporate Governance Code requirements. Active monitoring of gender pay gap across the organisation. Active engagement of the employee representative in the supervisory board monitoring employee social and wellbeing related matters. Participation in numerous local community initiatives.

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. The PPHE Hotel Group has the exclusive 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 anew 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 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 key talent pool and operates a professional management company. The Group is successful in developing its sales channels and has increased its share of direct sales including online sales when compared to third party online sales channels.

ARENA GRAND KAŽELA CAMPSITE

PARK PLAZA NUREMBERG

FRANZ *Ferdinand* NASSFELD MOUNTAIN RESORT



ART'OTEL BUDAPEST

STRATEGIC REPORT

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

Welcome

For the second consecutive year, the Group demonstrated resilience and its ability to navigate the challenges of the pandemic with a disciplined focus on cost management to preserve liquidity. Despite a period of uncertainty and disruption due to the pandemic, we delivered a strong financial performance, continued to invest in our existing portfolio and expand our presence in the CEE region, through an acquisition in Austria. The major investment programmes completed prior to the pandemic laid the foundation for growth and position the Group strongly to benefit as and when demand returns.

CONTINUED FOCUS ON LIQUIDITY PRESERVATION

DEVANSH BAKSHI
MEMBER OF THE MANAGEMENT BOARD & CHIEF FINANCIAL OFFICER

CONTINUED FOCUS ON LIQUIDITY

Throughout the pandemic, preserving liquidity by optimising costs and adapting our operating and investments to changing levels of demand have been key priorities.

We have continued to use government support available in the countries in which we operate to mitigate the impact of these challenging times and periods of subdued demand. The duration and scope of these government schemes varied across our operating markets.

In Croatia, the Group received subsidies which amounted to approximately HRK 23.6 million. Government grants ceased in July 2021.

In Germany, the Group continued to access ongoing payroll support via the Government's "Kurzarbeit" scheme for the full year. The German state extended other expense reimbursement subsidies until 31 December 2021. During 2021 German state introduced fixed expense reimbursement schemes based on a specific criteria, which were over and above the 'Kurzarbeit' payroll support subsidy. In total, payroll support amounted to HRK 9.7 million and grants for operating expenses amounted to HRK 64.2 million.

In Hungary the Governments' grants received for payroll support amounted HRK 0.4 million.

In total during the year, government payroll support and grants amounted to HRK 21.3 million within the operational business, and a further HRK 12.3 million at Management and Central Services level. Grants for operating expenses amounted in total HRK 64.2 million.

Additionally, the Group secured a rent wavier for art'otel budapest which amounted to HRK 4.5 million in 2021 and a rent deferral of HRK 3.8 million.

In 2021, the Group did not seek any deferral for debt service. Throughout the year, it serviced all loans with regular principle payments which fell due.

Looking to 2022, the Group will continue to access all schemes available to it to ease the burden on its operations as appropriate.

INVESTMENTS AND FINANCING

Regardless of the challenges faced by the ongoing pandemic, we continued to invest for the long term through strategic acquisitions and investment in our property portfolio.

Our most significant project in the year was the major repositioning programme to transform Hotel Brioni in Croatia. The total cost of the project is approximately HRK 260 million, of which HRK 182.4 million was invested in 2021. In addition, construction works started at the Group's property in Zagreb, which amounted to HRK 7.2 million in the year, with the total investment in the project expected to be HRK 135 million.

The Group's strong financial position, its disciplined and selective approach to investment, and its returns criteria underpins the strength of our long-standing relationship with our lending partners and their confidence in the Group's growth. We have a proven track record which has enabled us to successfully secure funding during the pandemic and capitalise on strategic growth opportunities identified.

On 20 September 2021, the Group entered into a new long-term working capital financing loan agreement with Zagrebačka banka d.d. for a total amount of HRK 150 million, within HBOR's COVID-19 Measures Programme for the portfolio insurance of liquidity loans for exporters. Cooperation of HBOR and Zagrebačka banka within the programme provides loans at favourable conditions and the Group's Management Board found it prudent to take advantage of these conditions as the Group recovers from the impact of the COVID-19 pandemic. The loan is due on 30 June 2025 and carries a fixed interest rate of 0.9% p.a. The facility is not drawn and whilst it improves potential liquidity the Group will seek to draw down only if the necessity arises.

On 24 November, the Group entered into a long term financing agreement with Erste Group Bank AG to help fund the acquisition of The FRANZ ferdinand Mountain Resort Nassfeld at a consideration of HRK 112.1 million. This loan agreement was for a total amount of EUR 10.5 million, due 2033, and carries a fixed interest rate.

The Group invested HRK 2.7 million in upgrading its technology infrastructure encompassing the full organisation to support its guest facing technology development and creating a strong ring fenced network security system. As the group expands its operations geographically this investment further strengthens its ability to effectively deal with cyber threats, prevent data breach and mitigate any technology related business disruption thus safeguarding its business continuity and property.

CONSOLIDATED KEY PERFORMANCE INDICATORS

	Year ended 31 December 2021 Reported	Year ended 31 December 2020 Reported	Variance %[2]
Total revenue (HRK million)	**460.7**	**238.3**	93.3
Accommodation revenue (HRK million)	**384.0**	**192.4**	99.6
EBITDAR (HRK million)	**179.6**	**(11.9)**	n/a
EBITDA (HRK million)	**163.4**	**(18.3)**	n/a
Profit/(loss) before tax (HRK million)	**3.1**	**(232.3)**	n/a
Rooms available[2]	**1,964,670**	**1,410,387**	39.3
Occupancy %[2]	**33.1**	**25.4**	768.3[4]
Average daily rate (HRK)[3]	**590.7**	**536.1**	10.2
RevPAR (HRK)	**195.4**	**136.4**	43.2

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 2021 with twelve months ended 31 December 2020. 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).

ART'OTEL IN ZAGREB

340.9 M

HRK 340.9 million our robust cash position at year end

309.6 M

HRK 309.6 million in selected investments during the year

"Since the onset of the pandemic the Group has focussed on preserving its liquidity by further optimising its costs and adapting the business to lower demand.

BUSINESS PERFORMANCE

As expected, trading in the first half was severely subdued as countries across Europe experienced a resurgence in COVID-19 infections, coupled with various degrees of domestic lockdown measures and restrictions on international travel across our operating markets.

From June onwards, the increased pace of vaccination programmes, the progressive reopening of borders and the easing of domestic and international travel restrictions allowed for increased demand for travel and tourism across Europe in time for the peak summer season. This resulted in a strong recovery in leisure demand and booking pace across all our operating regions in the third quarter, especially Croatia.

Our Croatian operations performed particularly well, as we welcomed back guests from many European markets during the summer months after borders reopened. This resulted in a strong third quarter revenue recovery to 93% of the revenue achieved in the same (pre-pandemic) period in 2019, despite the closure of Hotel Brioni during the period due to refurbishment, compared to a fully operational 2019. Furthermore, the country achieved growth in average rate and strong occupancy, which was only marginally below the same period in 2019.

In Germany and CEE region (Hungary, Serbia and Austria) there were also signs of recovery, albeit the pace of such recovery varied by market and was slower than experienced in the leisure-driven Croatian segment. However, the COVID-19 Omicron variant in the fourth quarter led to further travel restrictions in the region, the cancellation of Christmas markets, and cancellation or postponement of fairs and conferences. Consequently, in 2021 revenue in German region represented 13% of total Group revenues compared with 32% in 2019.

As a result of the above, total Group revenues significantly improved to HRK 460.7 million, up 93.3% (2020: HRK 238.3 million) and was at 59% of pre-pandemic levels in 2019. Accommodation revenue increased by 99.6% to HRK 384.0 million (2020: HRK 192.4 million), driven by 10.2% growth in average daily rate to HRK 590.7 (2020: HRK 536.1), and 768.3 bps increase in occupancy 33.1% (2020: 25.4%). Together this translated into a RevPAR of HRK 195.4, which is 43.2% higher compared to the previous year (2020: HRK 136.4).

EBITDA improved significantly to HRK 163.4 million (2020: negative HRK 18.3 million) and represents 71% of EBITDA in pre-pandemic time (2019: HRK 229.5 million).

PROFIT AFTER TAX

Consolidated profit after tax increased to HRK 31.5 million (2020: negative HRK 227.3 million) and recovered slightly to 21% of 2019 pre-pandemic levels. Income tax benefit to HRK 28.5 million (2020: HRK 5.0 million), which comes mainly from recognition of deferred tax asset based on unused tax losses carried forward. During the year the Group has invested further in hotel Brioni. These investments are eligible for incentive allowances according to the Investment Promotion and Development of Investment Climate Act. Total tax investments credit granted based on investments in hotel Brioni amounted to HRK 43.9 million. Contrary to previous years, deferred tax asset on tax credits has not been recognized due to uncertainty of full utilisation until 2028 when the scheme of tax credit ends.

FINANCIAL POSITION

Long-term assets increased by HRK 304.7 million to HRK 2,896.3 million (2020: HRK 2,591.6 million), mostly as a result of investments.

Short-term assets decreased by HRK 11.1 million to HRK 440.1 million (2020: HRK 451.2 million) predominantly driven by the decrease in the Group's cash position. At 31 December 2021, the cash position stood at HRK 340.9 million (2020: HRK 425.6 million).

Non-current liabilities increased by HRK 153.6 million to HRK 1,484.2 million (2020: HRK 1,330.6 million). The increase is mostly due to a new loan under the Brioni facility.

Short-term liabilities amounted to HRK 283.1 million, an increase of HRK 102.4 million (2020: HRK 180.7 million), primarily due to increased trade payables for new capital investments, and other liabilities increased due to increased business activities.

Our cash and cash equivalents as at 31 December 2021 amounted to HRK 340.9 million, representing a decrease of HRK 84.7 million (as at December 2020: HRK 425.6 million).

EARNINGS AND SHAREHOLDER VALUE

Earnings per share was HRK 6.20 per share in 2021 as trading returned to more normal levels, compared with (44.7) in 2020.

DIVIDEND

During 2021 the Group continued to access (where appropriate) financial support from the Croatian government related to job preservation schemes to support payroll costs. These subsidies restrict the Company from distributing dividends to shareholders until 31st July 2022.

Thereafter, it is the Company's intention to resume payment of a dividend as soon as is practicable, taking into account the business performance, future investment plans and market environment when considering the payment.

LOOKING AHEAD

In the year ahead, we will remain focused on delivery on our strategy to invest and expand our portfolio and presence in the CEE region, while managing the ongoing macro-economic and pandemic uncertainty. The Group has a robust cash position and as the trading environment normalises and as the pandemic subsides, we are confident that the Group is well-placed to benefit from continued market recovery supported by newly renovated properties and our ongoing repositioning projects, growing leisure demand and increasing momentum across the Croatian market and a gradual normalisation of demand across our other operating markets.

DEVANSH BAKSHI
MEMBER OF THE MANAGEMENT BOARD & CHIEF FINANCIAL OFFICER

TUI BLUE MEDULIN

FRANZ *Ferdinand* NASSFELD MOUNTAIN RESORT

OPERATING REVIEW

Croatia

The following table sets out the results for the Group's operations in Croatia for the year ended 31 December 2021:

HOTELS, SELF-CATERING HOLIDAY APARTMENT COMPLEXES AND CAMPSITE OPERATIONS

KEY PERFORMANCE INDICATORS	Year ended 31 December 2021 reported	Year ended 31 December 2020 reported	Variance %[1]
Total Revenues (HRK million)	**392.2**	**158.7**	147.1
Total accommodation revenue (HRK million)	**333.8**	**134.6**	148.0
EBITDAR (HRK million)	**143.4**	**9.4**	1,425.5
EBITDA (HRK million)	**127.6**	**3.1**	4,016.1
Rooms available[2]	**1,618,692**	**1,088,673**	48.7
OCCUPANCY %[2]	**35.5**	**25.4**	1,008.8[4]
OCCUPANCY % 365 days	**19.2**	**9.2**	1,002.0[4]
ADR (HRK) [3]	**580.5**	**486.4**	19.3
REVPAR (HRK)	**206.2**	**123.7**	66.7
REVPAR 365 days (HRK)	**111.6**	**42.9**	160.1
FTE[5]	**521.8**	**387.7**	34.6

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 2021 with twelve months ended 31 December 2020. 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).

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.

The Croatian market welcomed guests from many European markets in 2021. Despite a slow start to the year, demand for international and domestic travel regained momentum leading to a strong recovery in the summer season in Croatia. The performance in the third quarter, the key demand period, exceeded the Management Board's expectations. The aggregate revenue increased to approximately 93% of the revenue achieved in the same period in 2019 (pre-pandemic). Average daily rate grew by 3%, and occupancy was strong, and only marginally below the same period in 2019 (pre-pandemic).

This result was achieved despite continued travel restrictions from the UK (an important source market), and a reduced number of flights to and from Pula airport.

Notably the financial contribution from the Group's campsites was greater than in previous years. This was mainly due to their accessibility by car from surrounding countries and guests' perceptions that this accommodation has a lower risk of COVID-19 transmission.

For the year as a whole, total revenue in Croatia increased by 147.1% to HRK 392.2 million (2020: HRK 158.7 million). Accommodation revenues increased by 148% as a result of an increase in average daily rate of 19.3% to HRK 580.5 (2020: HRK 486.4) and occupancy increased to 35.5% (2020: 25.4%). This translated into a RevPAR of HRK 206.2, which represents an increase of 66.7% over last year (2020: HRK 123.7).

EBITDA increased significantly to HRK 127.6 million (2020: HRK 3.1 million). Government supported payroll expenses and help navigate through operational disruption amounted to approximately HRK 14.2 million. The Government grant ceased in July 2021.

The planning and recruitment of seasonal staff was particularly challenging due to uncertainty around the pandemic and travel restrictions across Europe. As required in line with customer demand, team members were recruited from neighbouring countries during the summer season. While labour costs did not materially increase in 2021, it is anticipated that recruiting team members will remain challenging in 2022.

Looking ahead to 2022, the Group has agreed a partnership with TUI to market the Arena Hotel Medulin, located on Istrian Peninsula, on an exclusive basis under its TUI Blue Hotel brand. The launch of the partnership signals confidence both in the Group's proposition and wider market recovery.

HOTEL OPERATIONS

KEY PERFORMANCE INDICATORS	Year ended 31 December 2021 reported	Year ended 31 December 2020 reported	Variance %[1]
Total revenue (HRK million)	**148.9**	**55.0**	170.7
Accommodation revenue (HRK million)	**114.5**	**40.0**	186.3
EBITDAR (HRK million)	**34.2**	**(7.5)**	n/a
EBITDA (HRK million)	**33.9**	**(7.9)**	n/a
Rooms available[2]	**274,508**	**155,792**	76.2
Occupancy %[2]	**45.9**	**30.8**	1,506,0[4]
Occupancy % 365 days	**24.8**	**9.5**	1,526,0[4]
Average daily rate (HRK) [3]	**908.7**	**832.8**	9.1
RevPAR (HRK)	**417.1**	**256.8**	62.4
RevPar 365 (HRK)	**225.0**	**67.8**	231.8

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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).

Total revenue increased by HRK 93.9 million to HRK 148.9 million (2020: HRK 55 million) and accommodation revenue increased to HRK 114.5 million, or 186.3%, (2020: HRK 40 million). Accommodation revenue increase is the result of an increase in occupancy from 30.8% to 45.9% as well as of an increase in average daily rate for 9.1% to HRK 908.7 (2020: HRK 832.8). RevPAR increased therefore by 62.4% year-on-year to HRK 417.1.

The hotel operations generated an EBITDA profit of HRK 33.9 million as opposed to negative EBITDA of HRK 7.9 million the year before.

PARK PLAZA HISTRIA PULA

SELF-CATERING HOLIDAY APARTMENT COMPLEXES OPERATIONS

KEY PERFORMANCE INDICATORS	Year ended 31 December 2021 reported	Year ended 31 December 2020 reported	Variance %[1]
Total revenue (HRK million)	**78.1**	**28.0**	178.9
Accommodation revenue (HRK million)	**64.9**	**23.6**	175.0
EBITDAR (HRK million)	**25.3**	**(3.4)**	n/a
EBITDA (HRK million)	**23.6**	**(3.8)**	n/a
Rooms available[2]	**165,975**	**122,120**	35.9
Occupancy %[2]	**48.3**	**29.0**	1,934,0[4]
Occupancy % 365 day	**22.5**	**10.3**	1,224,0[4]
Average daily rate (HRK)[3]	**809.4**	**666.1**	21.5
RevPAR (HRK)	**391.0**	**193.0**	102.6
RevPAR 365 (HRK)	**182.4**	**63.4**	187.8

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 2021 with twelve months ended 31 December 2020. 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).

Total revenue from self-catering holiday apartment complexes increased by 178.9% year on-year to HRK 78.1 million (2020: HRK 28 million) and accommodation revenue followed the same trend and increased to HRK 64.9 million (2020: HRK 23.6 million). This result was driven by an increase in average daily rate of 21.5% and an increase in occupancy from 29% in 2020 to 48.3% in 2021. As a result, RevPAR experienced a sharp increase of 102.6% to HRK 391.0 (2020: HRK 193.0). EBITDA was positive and amounted to HRK 23.6 million (2020: negative HRK 3.8 million).

CAMPSITE OPERATIONS

KEY PERFORMANCE INDICATORS	Year ended 31 December 2021 reported	Year ended 31 December 2020 reported	Variance %[1]
Total revenue (HRK million)	**165.2**	**75.7**	118.2
Accommodation revenue (HRK million)	**154.4**	**71.1**	117.2
EBITDAR (HRK million)	**83.8**	**20.2**	314.9
EBITDA (HRK million)	**70.2**	**14.8**	374.3
Rooms available[2]	**1,178,209**	**810,761**	45.3
Occupancy %[2]	**31.3**	**23.9**	744,7[4]
Occupancy % 365 days	**17.3**	**9.0**	832,9[4]
Average daily rate (HRK)[3]	**418.6**	**367.5**	13.9
RevPAR (HRK)	**131.0**	**87.6**	49.5
RevPAR 365 (HRK)	**72.6**	**32.7**	122.0

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 2021 with twelve months ended 31 December 2020. 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.

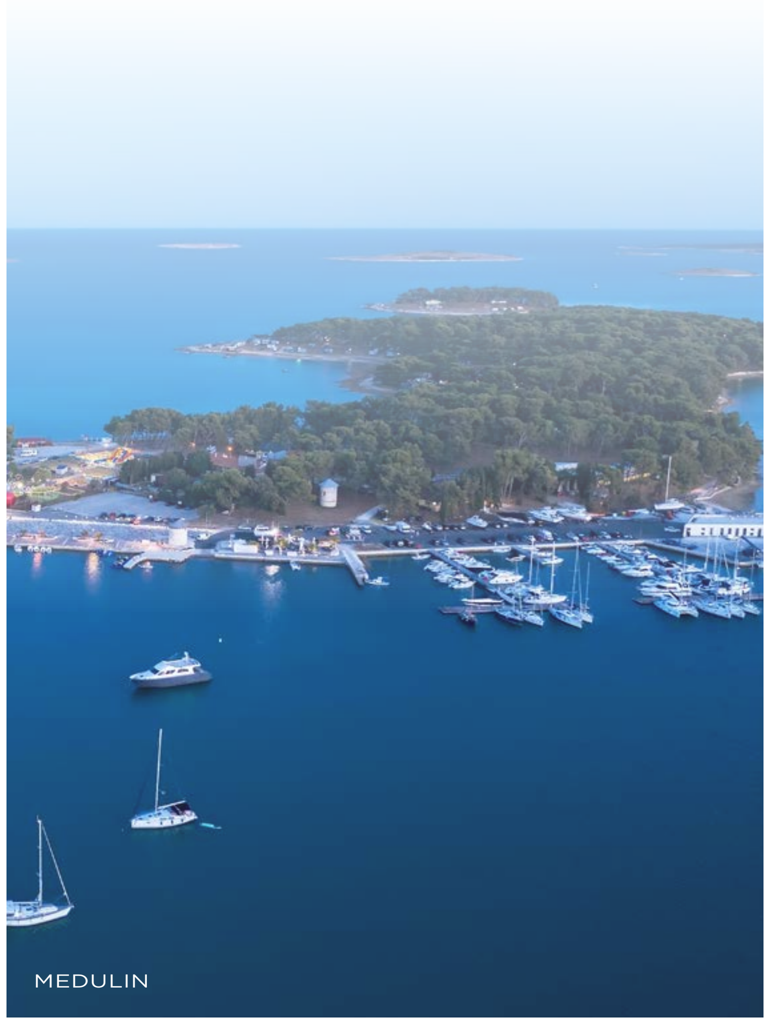
4 In Basis Points (BPS).

The Company's campsite operations were an important contributor to the overall performance this year, and the investments that were undertaken in previous periods enhanced further their performance. Campsite total revenue increased to HRK 165.2 million (2020: HRK 75.7 million). Similarly, accommodation revenue increased by almost the same percentage as total revenue to HRK 154.4 million (2020: HRK 71.1 million).

Revenues increased due to an uplift in occupancy from 23.9% to 31.3% as well as due to increase in average daily rate of 13.9% to HRK 418.6 (2020: HRK 367.5).

EBITDA showed resilience posting a positive HRK 70.2 million (2020: HRK 14.8 million). Campsite revenue was 97% of 2019 performance and EBITDA exceeded 2019 marginally.

ARENA GRAND KAŽELA CAMPSITE



MEDULIN

TOURISM IN THE ISTRIAN REGION*

Croatia generated more revenue from foreign tourists during the summer months of 2021 than previously ever recorded, with the number of foreign tourists and revenue amounting to €6 billion and €775 million respectively, doubling figures for the same period in 2020. A total of 13.8 million tourists visited Croatia in 2021, creating 84.1 million overnight stays, with arrivals and overnight stays increased considerably on 2020. The Minister for Tourism and Sports congratulated the tourism sector for creating an operating environment where tourists felt safe and secure, with Croatia's sustainability credentials improving year-on-year.

Istria recorded 3.5 million arrivals and 23.5 million overnights in 2021 representing an increase of 86% and 74%, respectively, compared with 2020.

In 2021 most arrivals came from Germany (2.9 million), followed by Slovenia (1.2 million), Austria (1.1 million), Poland (1 million) and the Czech Republic (775,000).

**Source: croatiaweek.com*

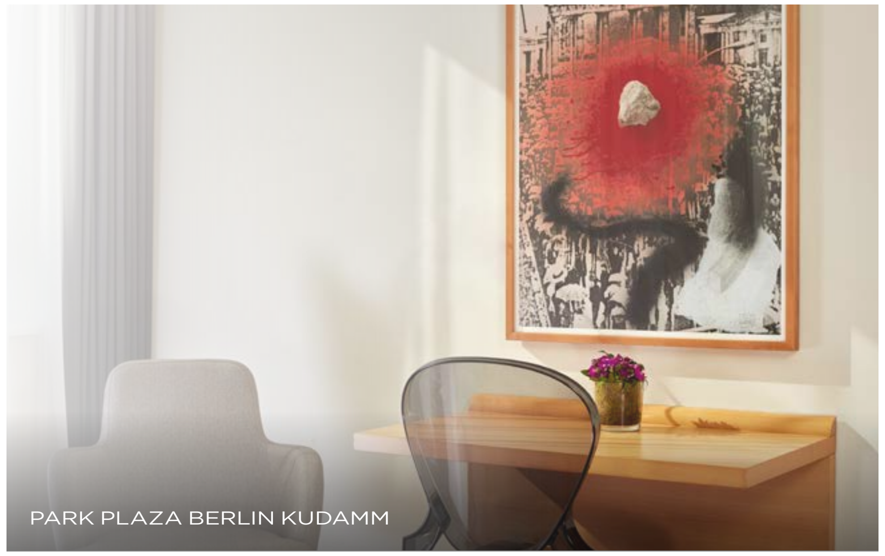
OPERATING REVIEW

Germany

The following table sets out the results for the Group's operations for Germany for the year ended 31 December 2021:

	REPORTED / IN HRK			REPORTED EUROS (€)		
KEY PERFORMANCE INDICATORS	**Year ended 31 December 2021**	Year ended 31 December 2020	Variance %	**Year ended 31 December 2021**	Year ended 31 December 2020	Variance %
Total revenue (millions)	**58.0**	65.7	(11.7)	**7.7**	8.7	(11.7)
Accommodation revenue (millions)	**46.7**	51.1	(8.6)	**6.2**	6.8	(8.6)
EBITDAR (millions)	**58.5**	(1.9)	n/a	**7.8**	(0.3)	n/a
EBITDA (millions)	**58.4**	(2.0)	n/a	**7.8**	(0.3)	n/a
Rooms available[1]	**260,610**	261,324	(0.3)	**260,610**	261,324	(0.3)
Occupancy %[1]	**26.5**	27.1	(56,0) [2]	**26.5**	27.1	(56.0) [2]
Average daily rate[3]	**675.7**	722.3	(6.5)	**89.8**	95.9	(6.5)
RevPAR	**179.2**	195.6	(8.4)	**23.8**	26.0	(8.4)
FTE[4]	**86.3**	100.5	(14.2)	**86.3**	100.5	(14.2)

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.


PARK PLAZA BERLIN KUDAMM

The Group's operating region consisting of Germany showed signs of recovery in 2021, albeit the pace of recovery varies by market, and was slower than the surge in demand experienced in the leisure-driven Croatian segment.
As the year progressed, restrictions were eased, driving an increase in demand in domestic leisure travel in Germany, our key market in the region. This led to good demand for weekend stays, a trend which continued through the second and third quarters. The Group's hotels in Nuremberg and Cologne performed better than hotels in Berlin due to a stronger domestic leisure demand for these destinations. However, in the fourth quarter the pace of recovery slowed, with activity levels once again impacted by the COVID-19 Omicron variant and further lockdowns which led to the cancellation or postponement of Christmas markets, fairs and conferences.
Business travel remained subdued throughout the year, which impacted the performance of our German operations and the year-on-year comparison. While bookings for midweek stays started to increase in the corporate segment in the third quarter, activity remained notably behind pre-pandemic levels.

Overall, total revenue in Germany was 23% of total revenue in the same period in 2019.
Total reported revenue in the region decreased by 11.7% to HRK 58.0 million (2020: HRK 65.7 million). Accommodation revenue dropped by 8.6% to HRK 46.7 million (2020: 51.1 million) whereby average daily rate reduced by 6.5% to HRK 675.7 (2020: 722.3) and occupancy slightly decreased by 56 bps to 26.5% (2020: 27.1%). This resulted in RevPAR declining by 8.4% to HRK 179.2 (2020: HRK 195.6).
Reported EBITDA was positive and amounted to HRK 58.4 million (2020: EBITDA loss of HRK 2.0 million), including government support schemes for both payroll costs as well as operating expenses. These government measures totalled HRK 70.9 million, and reduced payroll expenses by HRK 6.7 million and operating expenses by HRK 64.2 million in the year.
In Germany, the Group continued to utilise the "Kurzarbeit" scheme to support payroll expenses for the full year.


ART'OTEL BERLIN MITTE


PARK PLAZA WALLSTREET BERLIN MITTE


PARK PLAZA NUREMBERG

OPERATING REVIEW

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 2021:

KEY PERFORMANCE INDICATORS	Year ended 31 December 2021	Year ended 31 December 2020	Variance %[1]
Total revenue (millions)	**6.1**	8.9	(31.5)
Accommodation revenue (millions)	**3.5**	6.6	(47.0)
EBITDAR (millions)	**(7.0)**	(2.5)	180.0
EBITDA (millions)	**(7.3)**	(2.5)	192.0
Rooms available[1]	**85,368**	60,390	41.4
Occupancy %[1]	**6.9**	18.8	(1,183,0) [2]
Average daily rate[3]	**588.9**	585.7	0.5
RevPAR	**40.9**	109.9	62.8
FTE[4]	**82.2**	30.1	173.1

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.

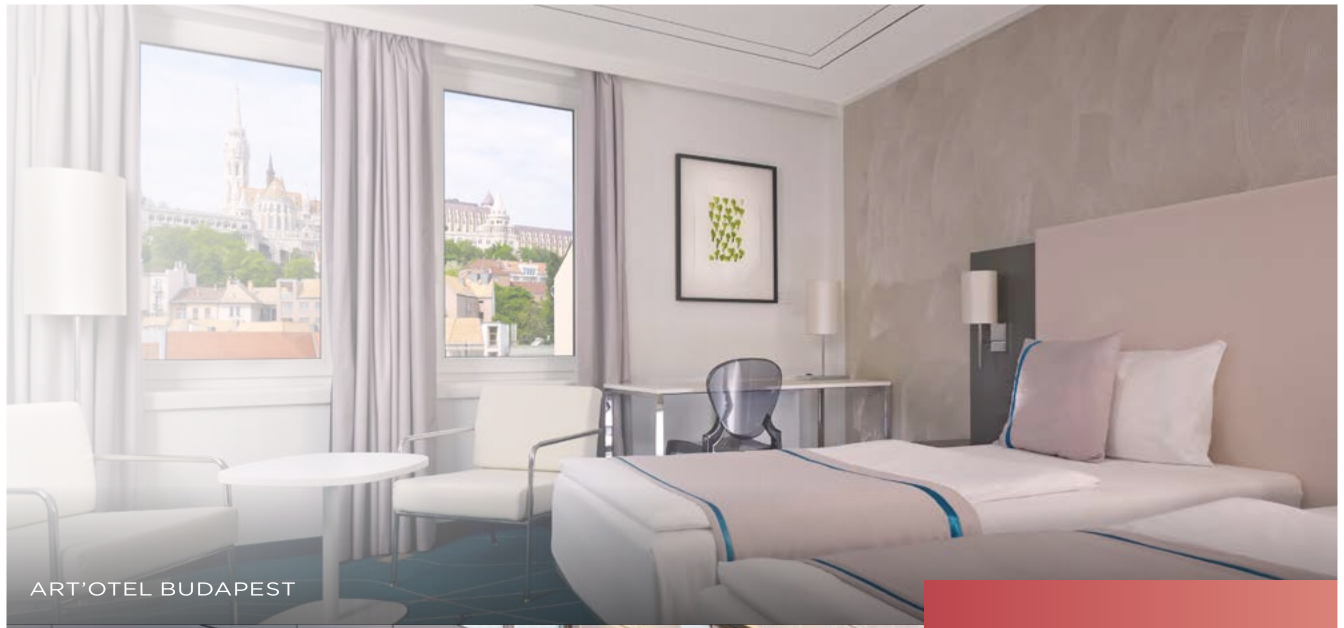
For the first time, the Group has consolidated its operations in Serbia after acquiring Hotel 88 Rooms in Belgrade in December 2020. 88 Rooms opened in May 2021 and performed well during the summer months. However, the hotel was closed when further COVID-19 restrictions were introduced, and remained close for the rest of the year.

In Hungary, art'otel budapest was closed throughout 2021 due to travel restrictions and exceptionally low demand.

The hotel has also started its public area refurbishment as phase one of its extensive repositioning.

The Group completed the purchase transaction in December 2021 and acquired FRANZ ferdinand Mountain Resort Nassfeld, a 4-star hotel in Nassfeld, Austria. Through this acquisition, the Group adds its first winter resort, which complements its existing summer leisure business in Croatia. With the completion of this transaction in Austria Group further strengthens its position in the CEE region.

Total reported revenue in CEE region decreased by 31.5% to HRK 6.1 million (2020: HRK 8.9 million). Accommodation revenue dropped by 47% to HRK 3.5 million (2020: 6.6 million) whereby average daily rate slightly increased by 0.5% to HRK 588.9 (2020: 585.7) and occupancy decreased by 1,183,0 bps to 6.9% (2020: 18.8%). This resulted in RevPAR declining by 62.8% to HRK 40.9 (2020: HRK 109.9). The region's decline when compared to 2020 is predominantly due to lack of hotel operations in Budapest, which operated in 2020 and had income prior to pandemic in Q1 2020, which did not repeat in 2021. Reported EBITDA was negative and amounted to HRK 7.3 million (2020: EBITDA loss of HRK 2.5 million). Government grants in Hungary amounted to HRK 0.4 million.


ART'OTEL BUDAPEST

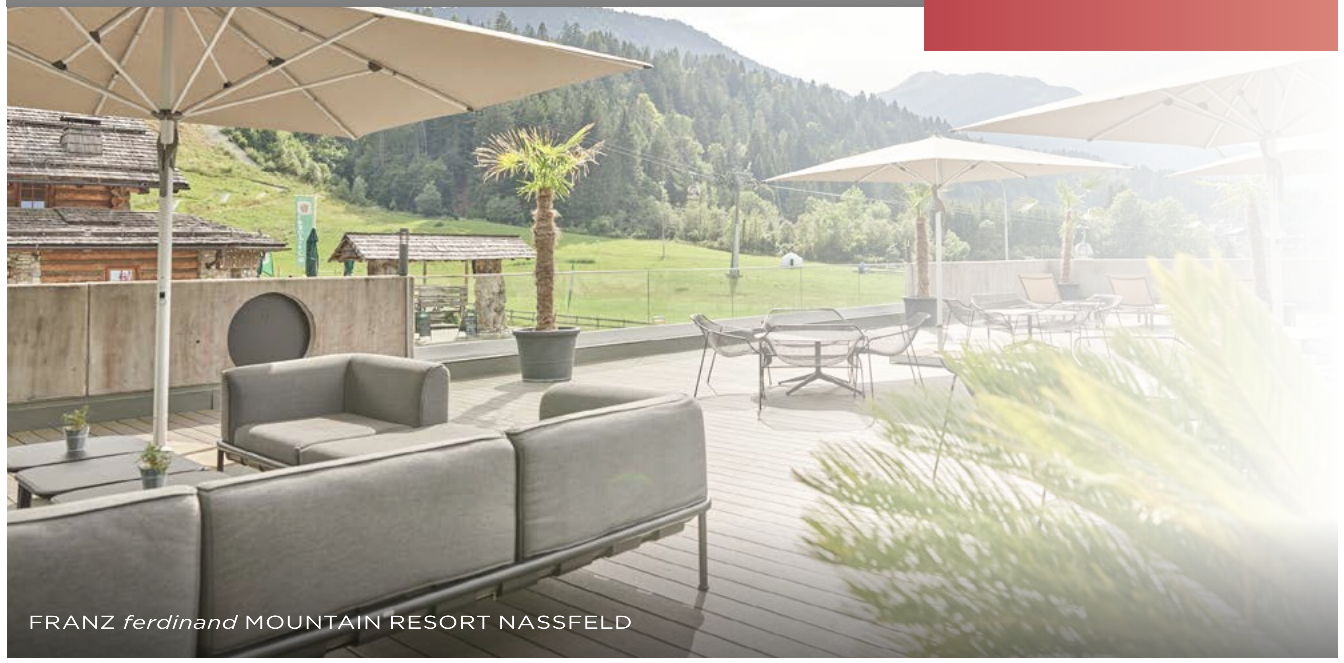
HOTEL 88 ROOMS BELGRADE

OWNED HOTELS
art'otel cologne
art'otel berlin kudamm
Park Plaza Nuremberg
Hotel 88 Rooms
FRANZ ferdinand Mountain Resort Nassfeld

LEASED HOTELS
Park Plaza Wallstreet
Berlin Mitte
art'otel budapest

PARTLY OWNED HOTELS*
art'otel berlin mitte
Park Plaza Berlin Kudamm

* Partly owned does not count towards any of the figures presented in the table on page 40.


FRANZ *ferdinand* MOUNTAIN RESORT NASSFELD

OPERATING REVIEW

Managed and centralised services

The following table sets out the Group's results of management and central services operations for the year ended 31 December 2021:

KEY PERFORMANCE INDICATORS	**Year ended 31 December 2021**	Year ended 31 December 2020	Variance %[1]
Total revenue before elimination (HRK million)	**70.3**	53.9	30.4
Elimination of intra group revenue (HRK million)	**(64.9)**	(48.6)	33.5
Total reported revenue (HRK million)	**5.4**	5.3	1.9
EBITDA (HRK million)	**(15.3)**	(16.9)	(9.5)
FTE[2]	**272.7**	258.2	5.6

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 2021 with twelve months ended 31 December 2020. All financial information in this report for accommodation revenue, total revenue, EBITDAR and EBITDA reflects the Group's interest.

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.

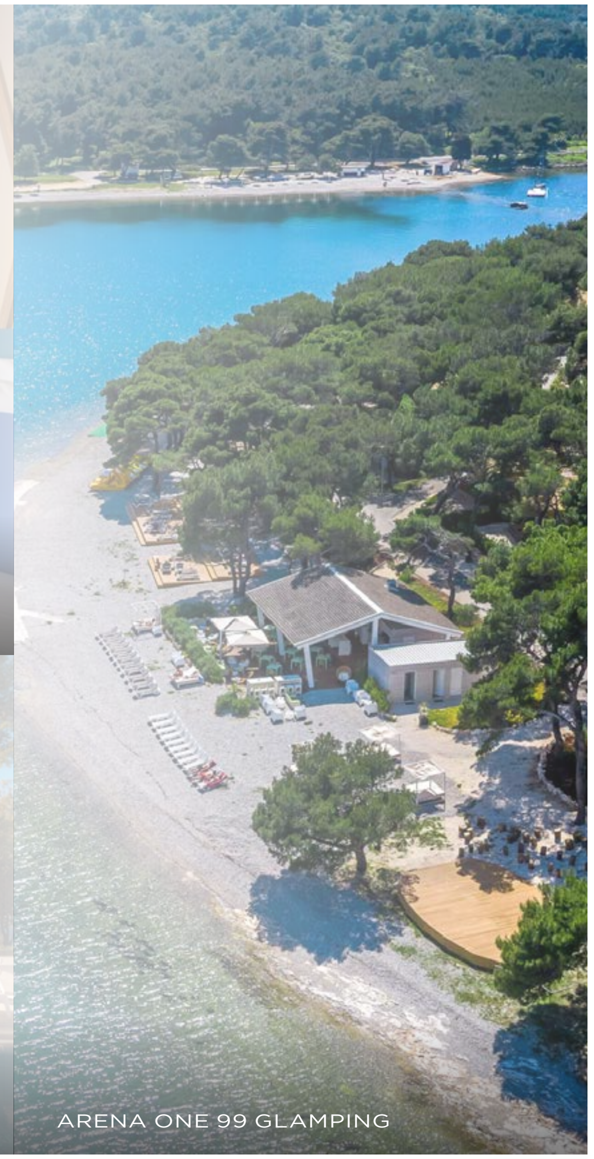
Arena Hospitality Management d.o.o., a subsidiary of the Company, entered into management agreements for all the properties owned, partially owned, leased or managed by the Group in Croatia, Germany, Hungary, Serbia and Austria. Arena Hospitality Management d.o.o. provides management services to all these properties and generates management fee revenues. Hotel management revenue related to properties within the Group is eliminated upon consolidation as intra-group revenue. Furthermore, 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 30.4% to HRK 70.3 million (2020: HRK 53.9 million). External revenues increased by 1.9% from HRK 5.3 million to HRK 5.4 million. EBITDA loss improved to HRK 15.3 million (2020: EBTIDA loss of HRK 16.9 million).

Received governments grants for payroll costs in this segment amounted to HRK 12.3 million at Management and Central Services level, in Croatia HRK 9.4 million, in Germany HRK 2.9 million.

ARENA VERUDELA BEACH APARTMENTS

PARK PLAZA ARENA PULA



ARENA ONE 99 GLAMPING

ARENA GRAND KAŽELA CAMPSITE

Sustainability report 2021

1. Sustainability Strategy, Objectives and General Disclosures

2. Materiality/ Sustainability Scope

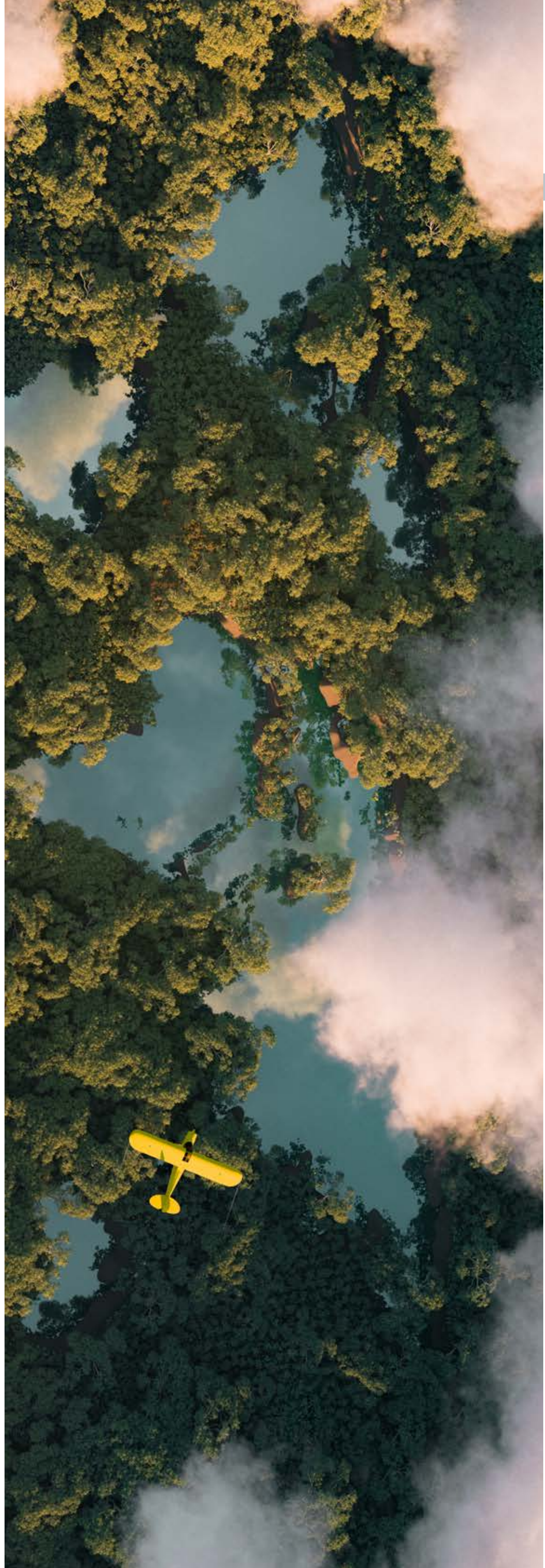
3. Governance Indicators

4. Social Indicators

5. Environmental Indicators

6. EU taxonomy for sustainable activities disclosure

7. Methodologies, data quality and assurance



GRI 102
GRI 103

General Disclosures and Management Approach

Arena Hospitality Group's (Arena, Group) values are embedded in 40 years of success in the hospitality industry, during which we have always strived to provide our guests with a memorable experience. This mantra has remained our key value and continues to lead and direct us in everything we do.

At Arena we recognise the importance of strong leadership and transparency when it comes to sustainability matters. In 2020 and 2021, we have increased our focus on these topics and an ever-growing commitment to sustainable business practices.

Our team members are of utmost importance to us and are the key to providing our guests with the ultimate experience. This is why we are continuously striving to improve their working environment and foster engaging working relationships. We want to create a workplace that is founded on trust, respect, teamwork, enthusiasm, commitment, and care.

Our approach to sustainability management is informed by the expectations of our customers and key stakeholders as well as the obligations we have within the national and international market(s) in which we operate.

Arena continues to evolve its Responsible Business Programme to support the changing sustainability landscape and ensures engagement at all levels of its operations. This programme is now fully aligned to Environmental, Social and Governance (ESG) initiatives.

Arena Hospitality Group strives to minimise its impact on the environment and maximise the effective use of resources and its influence on the societies in which we operate. We strive to achieve this by increasing education, communication and awareness aspects of our activities and promoting responsible behaviour amongst employees, guests, suppliers and stakeholders at all levels.

SUSTAINABILITY TARGETS

2021 represents the first full year of comprehensive sustainability reporting for Arena. For many topic areas this year also represents the base year. Topic and indicator specific performance targets have not been determined at this point. Arena intends to develop and begin reporting on such targets from the 2022 operational year onwards. These topic specific targets will incorporate the previous sustainability targets. The development and implementation of topic specific performance targets represents a primary sustainability goal for the short term.

COMPLIANCE

Arena Hospitality Group is committed to comply with applicable laws in all of its operations and across the countries in aim to minimise risks and impacts and develop systems to implement, measure, monitor, and improve excellent environmental protection practice, both, within its operations and within communities and countries of its activity.

Arena Hospitality Group is a public company listed on the Prime Market of the Zagreb Stock Exchange. It is owned by more than 4.000 shareholders including PPHE Hotel Group, which has a majority shareholding.

NAME OF THE ORGANISATION
Arena Hospitality Group d.d („Arena") (ZSE: ARNT)

GRI 102-1

HEADQUARTER LOCATION
3 Smareglina Ulica, 52100 Pula, Croatia

GRI 102-3

TOTAL EMPLOYEES
808 permanent employees

GRI 102-8

TOTAL REVENUES IN 2021
461 000 000 HRK

PRIMARY ACTIVITY

GRI 102-2

The primary economic activity of Arena is Hotel / Recreational Accommodation

DESCRIPTION OF MAIN ACTIVITIES, PRODUCTS AND SERVICES

Arena is a 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. Its portfolio includes 29 owned, co-owned, leased and managed properties in operation with over 10,000 units located in select resort destinations in Istria (Croatia) and Nassfeld (Austria), and major cities in the CEE and German region such as Belgrade, Berlin, Cologne, Nuremberg, Budapest.

Note that its hotel in Austria was acquired on 3th December 2021. No operational sustainability data for the Austrian asset is included in this report.

KEY BRANDS

- art'otel
- Park Plaza
- Arena Campsites
- Arena Hotels

UN SUSTAINABLE DEVELOPMENT GOALS ALIGNMENT

In 2015, the Sustainable Development Goals (SDG's) were adopted by all United Nations Member States, calling for action for countries to address 17 goals to achieve a better future for all. The goals address global challenges and aim to end poverty, fight inequality and protect our planet.

Whilst we were able to relate our activities to most of the 17 SDGs, there were five in particular which were most closely aligned with our purpose and values. These five goals have been reviewed and approved by our Board.

- Goal No.3: Good Health & Well-being
- Goal No.4: Quality Education
- Goal No.8: Decent Work & Economic Growth
- Goal No.12: Responsible Consumption & Production
- Goal No. 13: Climate Action

GRI 419
GRI 102-12

UN GLOBAL COMPACT AND OECD GUIDELINES

Arena has not drafted policies which explicitly align with the UN Global Compact or the OECD Guidelines. Despite this, the breadth of policies and topic areas where Arena does act and report includes significant overlap with those Guidelines. Topics relating to all 10 of the Guiding principles of the UN Global Compact are covered within this report, with reference to relevant management policies where these are available.

It is further noted that Under the terms of a Memorandum of Understanding signed in 2010, the UN Global Compact adopted the GRI Standards as the recommended reporting framework for companies to communicate on progress made. This report is prepared and structured with reference to the GRI Standards throughout.

GRI 102-14

LEADERSHIP SUSTAINABILITY STATEMENT

As we strengthen and expand our hospitality portfolio, we know that the success of our business is linked to our ability to change, evolve and grow sustainably. We believe and recognise the importance of looking after our people, local communities and planet. The growing focus on sustainability is changing the definition of responsible business and we understand the priorities of our stakeholders, which at core is helping us to develop our products, services and investments in a more sustainable and social manner.

In recent years, we have made important progress through our Responsible Business Programme and are proud of our committed workforce who are positively targeting environmental and social issues throughout our value chain. We continually invest in operational training, innovative technology and systems, adopt best practices and collaborate with industry specialists to achieve our ESG goals.

Our approach to responsible business is underpinned by good governance which begins with our Supervisory Board and which is implemented by the Management board and dedicated ESG working groups. Our ESG initiatives and efforts are supported by a robust governance structure. We continue to strengthen our focus by forming a dedicated ESG committee within the structure of Arena's Supervisory Board with effect from 2022.

CEO, President of the Management Board

GRI 103-1

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

We have thus identified the following topics as material for the Group, sorted according to the broad sustainability themes: Governance, Social and Environmental:

Governance

ANTI-CORRUPTION AND ANTI-BRIBERY

Social

HUMAN RIGHTS
DIVERSITY
WAGE EQUALITY
COLLECTIVE BARGAINING AND WORKER ORGANISATION
HEALTH AND SAFETY
TRAINING AND SKILLS DEVELOPMENT
COMMUNITY AND SOCIAL IMPACT

Environmental

GREENHOUSE GAS EMISSIONS
WATER, WASTE AND ENERGY
BIODIVERSITY

Individual topic management approaches are described further within each topic section in this report. Where relevant, the topic boundaries and any material limitations are also described in those sections.

NON-MATERIAL TOPICS

The following issues, whilst identified as reporting requirements by the Croatian Financial Services Supervisory Agency, are not considered material to Arena's sustainability efforts. They are briefly commented on here for completeness only.

Banned and controversial weapons: Arena does not deploy, trade, maintain, store or repair any banned or controversial weapons as defined by the Ottawa Treaty, the Convention on Cluster Munitions or the Chemical Weapons Convention. Arena's business model does not expose the company to any such weapons.

Green bonds and securities: No green bonds or securities have been issued by Arena.

Governance indicators.

GRI 205

Anti-Corruption and Anti-Bribery

GRI 103

TOPIC MANAGEMENT APPROACH

Arena is committed to maintaining principles of good corporate governance and regulatory compliance.

The specific governance authorities and responsibilities are regulated by the applicable Croatian legislation, Company's Articles of Association and the Corporate Governance code. In 2021, Arena has applied the Corporate Governance Code of the Zagreb Stock Exchange 2020 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.

Arena does not have a history of association with corrupt activity or corruption risks. Arena does not operate casinos and is therefore not considered to be a high risk vehicle for intransparent financial flows.

Arena has a clear corporate structure which includes the following governing bodies: General Assembly, Supervisory Board led by Chairman with its corresponding delegate committees and the Management Board led by President of the Management Board.

Arena has a zero-tolerance gift 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 and acknowledge our Code of Ethics and Gift policy which are seen by the HR department.

Arena 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

GRI 205-1

KEY METRICS: CORRUPTION RISK ASSESSMENTS

96%
of operations have been assessed for risks related to corruption

0
incidents of corruption were identified in 2021

0
Corruption risks identified in 2021

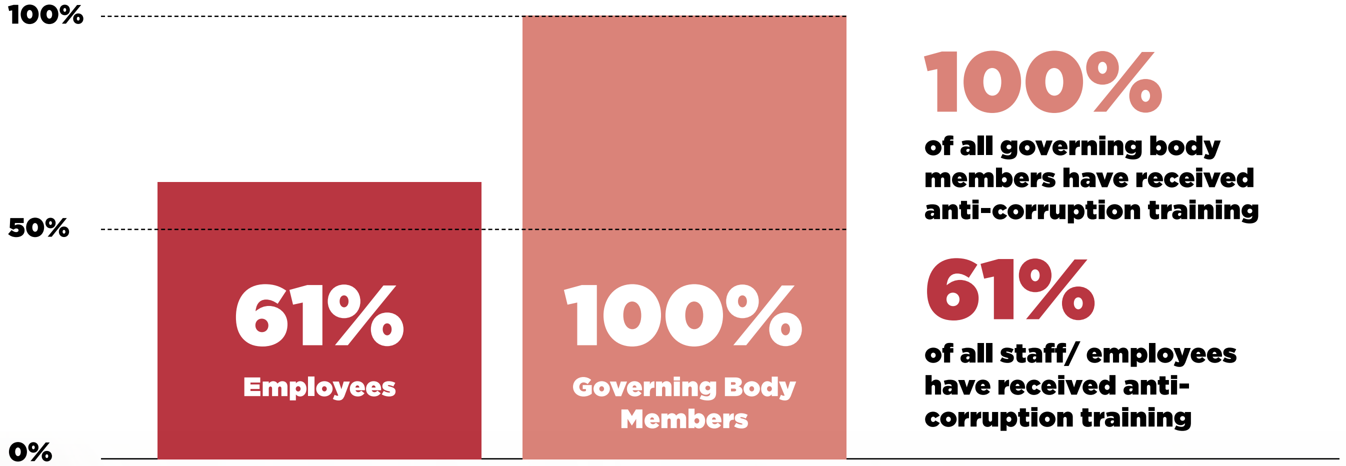
0
legal cases relating to corruption have been brought against Arena in 2021

0
Convictions and amounts of fines for violations of anti-corruption and anti-bribery laws

0
Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery

GRI 205-2

KEY METRICS: STAFF AND TOP LEVEL GOVERNANCE MEMBERS WHICH ARE SUBJECT TO ANTI-CORRUPTION TRAINING



100%
of all governing body members have received anti-corruption training

61%
of all staff/ employees have received anti-corruption training

Social indicators.

GRI 412

Human Rights Assessment

GRI 103

TOPIC MANAGEMENT APPROACH

As a prime listed company, Arena Hospitality Group , 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 Human Rights Policies to manage this topic within company operations.

The Group's Human Rights Policy defines the basic standards of human rights which the Group will respect at all times and which the Group expects business partners to respect at all times. 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:

- All employment is freely chosen (no forced, bonded or prison labour)
- Freedom of association and the right to collective bargaining are respected (see also Collective Bargaining and Worker Organisation section of this report)
- Working conditions are safe and hygienic (see also Health and Safety section of this report)
- Child labour shall not be used
- Living wages are paid
- Working hours are not excessive
- No unlawful discrimination is practised (see also Diversity and Wage Equality sections of this report)
- No harsh or inhumane treatment is allowed

GRI 405

Diversity and Equal Opportunity

GRI 103

TOPIC MANAGEMENT APPROACH

Arena is fully committed to respect and fair treatment for everyone, eliminating discrimination and actively promoting equality of opportunity and delivering fairness to all. We do not support any form of behaviour which violates human dignity within work and business relationships as well as in other relationships. We do not tolerate insults, humiliation, abuse or any other form of harassment in the workplace.

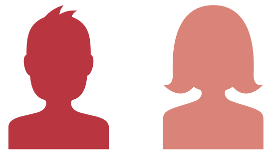
Arena supports diversity and promotes equality of opportunity for all team members, students and customers regardless of their: age, disability, gender (re)assignment, marriage and civil partnership, pregnancy and maternity (including paternity), race (colour, ethnic or national background), religion or belief (including non-belief), sex/ gender, sexual orientation, caring responsibilities for a "protected characteristic" including dependents, socio-economic background/ grouping, union activity, or any unrelated spent criminal convictions.

At the top Governance levels of the organisation, 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.

GRI 405-1

KEY TOPIC METRICS: GOVERNING BODY GENDER DISTRIBUTIONS

BOARD OF MANAGEMENT



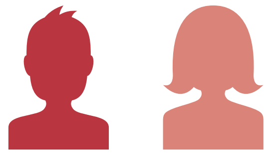
3 MALE

1 FEMALE

The Management Board of the Company consists of min. two and max. five members appointed by the Supervisory Board for the mandate of up to five years.

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

SUPERVISORY BOARD



5 MALE

2 FEMALE

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 works council. 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.

Supervisory Board members also act as members of committees established by the Supervisory Board. They are not entitled to a special remuneration for their work in these committees.

GRI 405-1

KEY TOPIC METRICS: EMPLOYEE AGE AND GENDER DISTRIBUTIONS

FEMALE EMPLOYEE AGE DISTRIBUTION

< 30 YEARS OLD **15.5%**

30 TO 50 **56.3%**

> 50 YEARS OLD **28.2%**

MALE EMPLOYEE AGE DISTRIBUTION

< 30 YEARS OLD **16.5%**

30 TO 50 **56.9%**

> 50 YEARS OLD **26.6%**

EMPLOYEE GENDER DISTRIBUTION

50.3% MALE

49.7% FEMALE

OF A TOTAL OF 808 STAFF. NOTE OTHER AND NON GENDERED CATEGORIES RETURNED 0 COUNT

GRI 406

KEY TOPIC METRICS: INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTION TAKEN

0

incidents of discrimination were reported in 2021

GRI 401-1

KEY TOPIC METRICS: NEW EMPLOYEE AGE AND EMPLOYEE TURNOVER BY GENDER DISTRIBUTIONS

FEMALE NEW HIRE AGE DISTRIBUTION

< 30 YEARS OLD **16.5%**

30 TO 50 **56.9%**

> 50 YEARS OLD **26.6%**

MALE NEW HIRE AGE DISTRIBUTION

< 30 YEARS OLD **23%**

30 TO 50 **77%**

> 50 YEARS OLD **0%**

NEW EMPLOYEE GENDER DISTRIBUTION

39 MALE

40 FEMALE

NEW EMPLOYEE TURNOVER GENDER DISTRIBUTIONS

86 MALE

85 FEMALE

NOTE OTHER AND NON-GENERATED CATEGORIES RETURNED 0 COUNT

Wage equality

GRI 103

TOPIC MANAGEMENT APPROACH

At Arena we firmly believe that wages should not reflect or be influenced by gender or ethnicity or any other factor which is not directly related to the ability of our personnel to fulfil their duties.

GRI 405-2

KEY TOPIC METRICS: AVERAGE EMPLOYEE WAGE BY GENDER

16.237 € FEMALE EMPLOYEES

20.087 € MALE EMPLOYEES

1.237

Male : female wage ratio.
This ratio indicates the average wage differential between male and female employees across the Group. Data from local currencies converted to Euros.

GRI 401-3

KEY TOPIC METRICS: PARENTAL LEAVE RETURN RATES

34 TOOK PARETAL LEAVE

0 NOT RETURNING TO WORK

100%

proportion of parental leave takers which are returning to work for Arena
The proportion of leave takers which decided to and are able to return to works can be indicative of how well measures to encourage workplace diversity and flexibility are implemented.

GRI 102-8

KEY TOPIC METRICS: EMPLOYMENT CONTRACT TYPES

776 FULL TIME

32 OTHER

96%

full time contracted employees as a percentage of total employee numbers

647 PERMANENT

161 TEMPORARY

80%

permanently contracted employees as a percentage of total employee numbers

GRI 407

Freedom of Association and Collective Bargaining

GRI 103

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 policy in all markets in which we operate is to set 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.

GRI 407-1

KEY TOPIC METRICS: COLLECTIVE BARGAINING AND WORKER ORGANISATION RISKS

0

violations of, or significant risks to freedom of association or collective bargaining been identified among suppliers

Arena regularly assesses risks related to internal collective bargaining and / or freedom of association. As no restrictive measures are in place to any of these topics, the company considers related risks to be insignificant.

GRI 403

Occupational Health and Safety

GRI 103

TOPIC MANAGEMENT APPROACH

At Arena, we endeavour to follow good practices in the field of occupational safety and we continually improve in order to provide a safe and healthy work environment for our employees. Furthermore, we make efforts to educate our employees continuously and on time about the risks they are inherently exposed to and about appropriate occupational safety measures and means. We are acting in compliance with actual legal requirements regarding the health and safety at work. Our implemented system covers all workers who are our employees as well as those who are not employees but whose work and/or workplace is controlled by the organisation.

Arena's Management Board undertakes to professionally and responsibly establish, monitor and manage all aspects of health and safety risks. There are health and safety responsible individuals across the group in addition to the professional team in the central office in compliance with legal requirements. Group Management has the responsibility of establishing and promoting the Health and Safety Policy to lower level management.

GRI 403-1

KEY TOPIC METRICS: OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM (OHSMS) IMPLEMENTATION

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

GRI 403-2

KEY TOPIC METRICS: HEALTH AND SAFETY INCIDENTS

24
Workplace related injuries reported in 2021

0
Fatalities in 2021

16.8
Injuries per million hours worked

0
Fatalities per million hours worked

225 working days are assumed per full time employee and 112.5 days for part time staff are assumed.

Employees and Guest Safety

The safety, security, and wellbeing of our guests and team members remain our priority. Building on the initiatives undertaken during 2020 in terms of implementation of new Health & Safety and Hygiene measures and globally acknowledged Safe travel labels, in 2021 Arena Hospitality Group has implemented "Safe Stay in Croatia", a national safety label, in all properties. The "Safe Stay in Croatia" national safety label was issued by the Croatian Ministry of Tourism and Sport, following the safety protocols that meet the guidelines of the Croatian Institute of Public Health and the World Travel and Tourism Council, ensuring that the prescribed epidemiological measures and health & safety recommendations are in place.

To help rebuild confidence among travellers, the Group has implemented WTTC Safe Travel protocols in all properties on a group level. Additionally, Park Plaza and art'otel branded properties underwent an SGS cleanliness, hygiene and safety audit. The accreditation gained followed the development of a comprehensive new security protocol developed in partnership with the Radisson Hotel Group.

Safety and security is embedded into our culture and business practices. The Group's Management Board ensures that sufficient resources, time, and training are allocated to maintain and improve safety standards and to be compliant with laws and regulations.

GRI 404

Training, Skills Development and Education

GRI 103

TOPIC MANAGEMENT APPROACH

Arena understands that it is critical that we invest in our talents and encourage their growth by delivering an exciting and forward thinking workplace for them to develop their skills and knowledge, providing them with the opportunities to grow with our business.

We place a great amount of effort in recognising and retaining our talents as well as supporting them to grow within the company. We offer various training programmes and tuition payments for university programs to those employees that are recognised as talents within the organisation.

KEY TOPIC METRICS: AVERAGE EMPLOYEE TRAINING HOURS PER YEAR

GRI 404-1

2021 TRAINING HOURS PER EMPLOYEE AND BY GENDER

ALL EMPLOYEES
6.2

PER FEMALE EMPLOYEE
7.2

PER MALE EMPLOYEE
5.1

GRI 413-1
GRI 413-2

Community and Social Impact and Supplier Social Assessment

GRI 103

TOPIC MANAGEMENT APPROACH

As an owner and operator of hotels, resorts and campsites it is important we care about our neighbourhoods and make a positive contribution to our local communities and the people who live there. We do this in a number of different ways. We are actively involved with a number of fundraising activities throughout the year that make a big difference to people's lives and the environment. We also engage our local communities through volunteering and local resourcing partnerships and charities. Although 'Being part of our communities' ranked the pillar with the lowest importance and impact, we still have a strong commitment to it and are constantly reviewing our community and charitable activity to ensure that it has maximum impact at a local level, but also resonates globally and supports the Group in meeting its objectives and responsibilities.

Arena places a great emphasis on close engagement with its relevant stakeholders – investors, employees, unions, suppliers, public authorities and local communities. No formal structure defines the frequency and form of interactions and engagement but in practice the engagement happens usually upon relevant stakeholders raising issues of their concern to the designated company's structures. The company responds to the requests promptly and thoroughly. Depending on the severity of the issues raised, company's management is also involved directly or indirectly. The management also regularly communicates to the relevant stakeholders on the company's strategy, future plans and positions.

Arena continues to engage with its suppliers to help achieve its ESG initiatives and has recently invested in online solutions to make supplier assessment and screening seamless to ensure compliance with its sourcing policy. This pilot is operational in Croatia with a view to expand across the group.

KEY TOPIC METRICS: SUPPLIER SOCIAL IMPACT SCREENING

GRI 414-1

20%

of all new suppliers were screened using social impact criteria during 2021

GRI 414-2

0

suppliers were identified as having significant actual and potential negative social impacts

Arena is aware that, in the hospitality sector, the inability to retain quality and educated workers can sometimes lead to the employment of workers from poorer countries and disregard for their rights and exploitation. No such risks are understood to have materialised within our immediate supplier network.

Supporting and developing our communities

SUPPORT FOR THE WORK OF PULA GENERAL HOSPITAL, CROATIA

Successful cooperation with the Pula General Hospital and the Institute of Public Health of the Istrian County continued throughout 2021. Together with other stakeholders, they give their best in preserving the best possible epidemiological situation in Istria region. Arena Hospitality Group has recognized their efforts and hard work in these difficult and challenging times.

In order to further raise their level of quality of work, the Group has co-financed the purchase of the vehicle of the Emergency Medical Service of the Pula branch office within the Institute of Emergency Medicine of the County of Istria. Furthermore, the Group co-financed the procurement of furniture for relocation of the new pathology ward of the Pula General Hospital. Accordingly, the Group provided accommodation to the specialists of the Pula General Hospital and the doctors who worked in the Tourist clinic in Pula during the summer season.

Awareness of children's rights through project "For a stronger family"

Activities related to increasing awareness of children's rights as part of the "For a stronger family" project implemented with UNICEF continued in 2021. As part of the entertainment program; A2 (Arena Activities) team organised activities dedicated to crucial topics including "What are children's rights", "What every child should have?", "What makes a child happy?", "The right to play". Additionally, the A2 team organised auctions of children's works with funds raised to families in need in Istria County as part of the "For a stronger family" project.

Helping earthquake devastating places through project "Thousand students - a million experiences"

Arena Hospitality Group joined the project "Thousand students - a million experiences" launched by the Ministry of Tourism and Sports, and the Croatian Tourism Association, with the support of the Ministry of Science and Education, Ministry of Culture and Media, Ministry of Economy and Sustainable Development and Central State Office of demographics and youth. The project aimed to provide students of Sisak-Moslavina County, which was hit by a devastating earthquake in December last year, holidays on the Adriatic coast. Thus, from 18 to 21 September 2021, the Group welcomed 97 students (including professors and drivers) of the Vocational School Sisak in the Splendid Resort in Pula.

The project "A Thousand Students, a Million Experiences" is a continuation of the socially responsible activities of Arena Hospitality Group dedicated to providing support and making a positive contribution to people directly affected by the earthquake. Namely, after the strongest earthquake in December 2020, the Group responded promptly and donated ten mobile homes that arrived at the destination just one day after the quake, providing housing to those who needed it most.

SUPPORTING HEALTH RELATED INITIATIVES

Arena provides long-standing support to the Croatian League against Cancer and regional associations dedicated to fight against cancer. In anticipation of the 25th Daffodil Day, a humanitarian action focused on breast cancer awareness celebrated in March 2021, Arena made a donation to the Club of Women Treated for Breast Cancer GEA – Pula.

Park Plaza Germany Holdings GmbH also donated funds for purchase of new towels for Association of Blind.

HELPING SPORTS AND ATHLETES

In Croatia, we have continued with some long-standing initiatives to help sports clubs, athletes, and athletes with disabilities reach their full athletic potential.

The Group is the long-term sponsor of Mikela Ristoski, the owner of a dozen European, world and Paralympic medals in the long jump. The most notable are winning bronze at the London 2012 Games and gold at the 2016 Paralympic Games in Rio de Janeiro. In 2021 the Group supported her in her preparations and trip to Tokyo. Mikela was the first athlete from Pula and Istria to proudly carry the Croatian flag at the opening of the 16th Paralympic Games.

EVERY INITIATIVE IS IMPORTANT

Funds raised via traditional Christmas Charity in Group's hotels in Germany were doubled by Park Plaza Germany Holdings GmbH and all funds were donated to "Aktion Deutschland Hilft", an organisation to support the people who were affected by the flood, which destroyed parts of west Germany in summer 2021.

ART, MUSIC AND CULTURE

Arena Hospitality Group is a traditional sponsor of "Libar za vajk" award within Istria Book Fair. Pablo Neruda's memoirs "I Confess I Lived" and publisher Iris Illyrika were the winners of the 2021 "Libar za vajk" awards awarded on the closing ceremony of 27th Istria Book Fair in Pula.

"Christmas in the INK (Istrian National Theater)", a traditional humanitarian gala concert sponsored by Arena Hospitality Group and the City of Pula was held on December 22nd, 2021 a Istrian National Theater in Pula. The performers were "Four Tenors" - Vladimir Garić, Đani Stipaničev, Marko Pecotić and Filip Hozjak, while the guest of the concert was young Istrian musician Nina Fakin. All funds raised were intended for the Ruža Petrović Children's Home in Pula.

The Group continued its support for the events such as the Pula Film Festival, the international maxi cruiser regatta PULA MAXI ON, the Pula marathon, and numerous concerts of classical and jazz music.

Awards & Recognition

2021 Travelers' Choice Tripadvisor

Arena One 99 Glamping
Park Plaza Histria Pula
Park Plaza Arena Pula
Park Plaza Nuremberg
Park Plaza Wallstreet Berlin Mitte
art'otel berlin mitte
art'otel budapest

Booking.com
Traveller Review Awards 2022

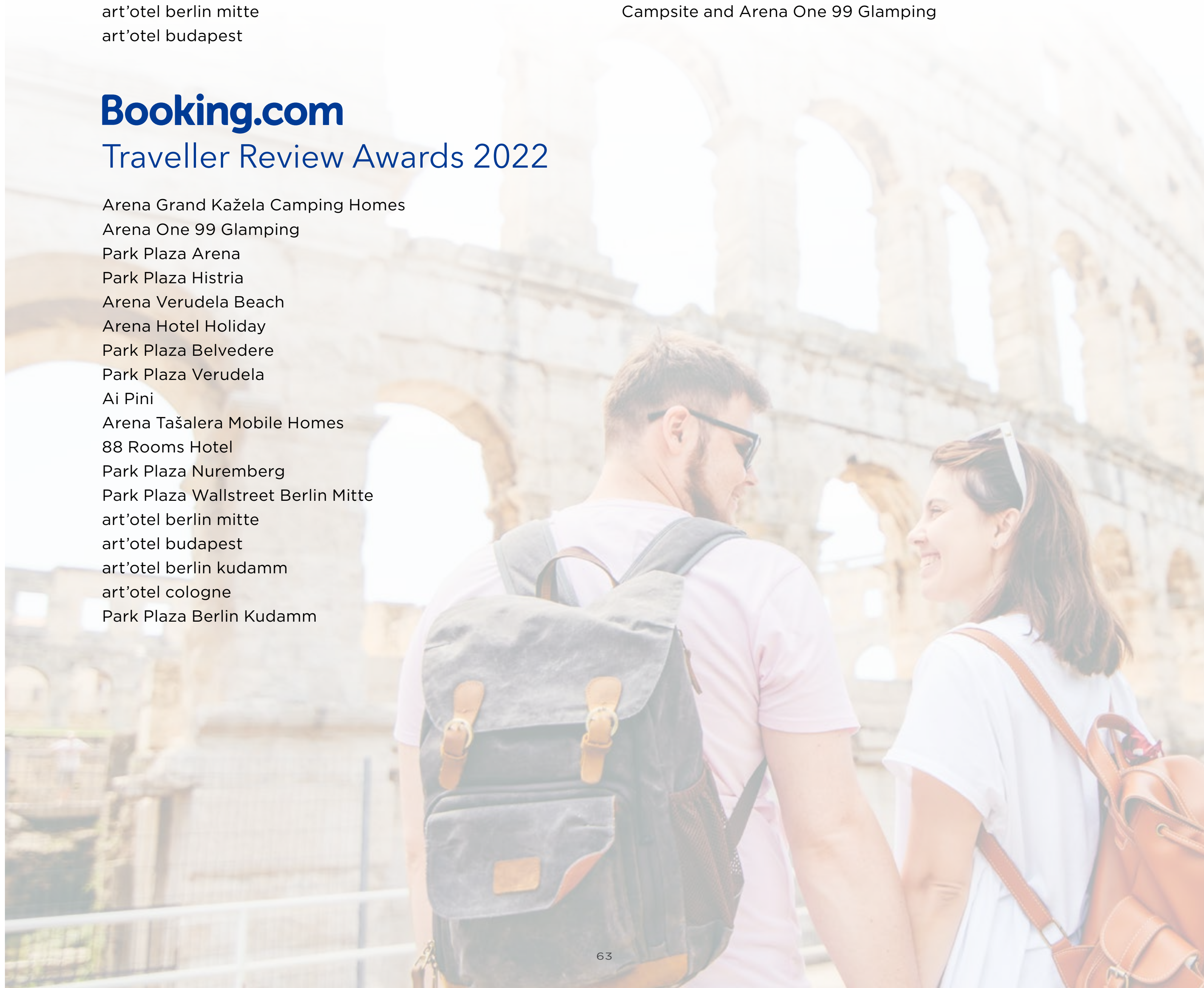
Arena Grand Kažela Camping Homes
Arena One 99 Glamping
Park Plaza Arena
Park Plaza Histria
Arena Verudela Beach
Arena Hotel Holiday
Park Plaza Belvedere
Park Plaza Verudela
Ai Pini
Arena Tašalera Mobile Homes
88 Rooms Hotel
Park Plaza Nuremberg
Park Plaza Wallstreet Berlin Mitte
art'otel berlin mitte
art'otel budapest
art'otel berlin kudamm
art'otel cologne
Park Plaza Berlin Kudamm

Arena Campsites received in 2021 several awards "**Erkende Camping 2021**" awarded by the Dutch car club ANWB for the best campsites.

Arena Grand Kažela Campsite received 4.5/5 stars, Arena Medulin Campsite 4/5 stars while campsites Arena Stoja, Arena Stupice and Arena Indije received 3.5/5. Among the criteria evaluated by **ANWB** representatives were: toilets, plots, food and beverages, sports and entertainment facilities and beaches, with the toilets carrying the most points.

Pin Camp by ADAC - Arena Grand Kažela Campsite - awarded TOP 50 campsites in Croatia

Croatia's Best Campsites 2021 - Arena Grand Kažela Campsite and Arena One 99 Glamping



Environmental indicators.

GRI 305

Greenhouse Gas (GHG) Emissions

GRI 103

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), 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. Scope 1 and 2 emissions from 2020 are, nonetheless, also provided in this report for reference.

Emissions totals are aggregated for the entirety of ARENA's own sites for 2021, this includes owned, leasehold and operated assets in Croatia, Serbia, Germany and Hungary.

KEY METRICS: GHG EMISSIONS FOR 2021, ALL VALUES IN TONNES CO2e

		2021	2020
GRI 305-1	**SCOPE 1**	**928.1**	**737.2**
GRI 305-2	**SCOPE 2** (market based)	**3,100.9**	**3,792.9**
	Location based Scope 2	*6,196.1*	*5,856.6*
GRI 305-3	**SCOPE 3**	**9,633.5**	**Not available**

GRI 305-4

KEY METRICS: CO2e INTENSITY

Emissions Scope	Tonnes CO2e per HRK Revenue	Kilogrammes CO2e per HRK Revenue
SCOPE 1 + 2 only	**0.000006**	**0.006285**
SCOPE 1 + 2 + 3	**0.000021**	**0.021314**

Scope 1 emissions are direct emissions from owned or controlled sources. These are the direct emissions that Arenas operations cause.

Scope 2 emissions include the CO2 emissions from the generation of purchased or acquired electricity, heating and cooling. These emissions occur within our supplier's organisations.

Scope 3 emissions include the indirect GHG emissions from all non-energy activities. These emissions are a consequence of Arena's activities, but occur from sources not owned or controlled by Arena, such as emissions from our other non-energy suppliers. More detailed information regarding how emissions are calculated is provided in the "methodologies data quality and assurance" section of this report.

ADAPTATION AND MITIGATION APPROACH

Arena Hospitality Group participated in the Croatian national campaign "Plant a tree, don't be a stump" and donated seedlings for educational institutions in the Pula area. In this way, we help reduce the impact of climate change, social and environmental awareness has been confirmed in order to responsibly fulfil strategies for climate change mitigation and adaptation, thus ensuring greater resilience of individuals and future generations. As part of the project, in addition to donating seedlings, pine trees were planted in Arena One 99 Glamping with the help of children from the local kindergarten in Pomer. Arena has begun installing charging points for electric vehicles, which can be used by guests. Initially, 2 types of charging stations for electric vehicles (Tesla and alternative for all other electing vehicles) were successfully installed in Park Plaza Belvedere, Park Plaza Verudela and Arena One 99 Glamping In 2019 Arena Grand Kažela Campsite was reopened after first phase of investment with 2 charging stations for electric vehicles (Tesla and alternative for all other electing vehicles). We thus encourage our guests to choose environmentally-friendly mobility options. 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.

GRI 302
GRI 303
GRI 306

Energy, Water and Waste

GRI 103

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. 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. As a result, the German hotel's portfolio achieved ISO 50001 Energy Management certification.

Renewable energy tariffs are being introduced to our hotels over time, particularly in Germany where these are increasingly provided by electricity utility companies.

GRI 302-1

KEY METRICS: ENERGY CONSUMPTION WITHIN THE ORGANISATION

ENERGY CONSUMPTION

ALL

81155357 Megajoules

FUELS

19.2%

HEATING AND ELECTRICITY

80.8%

GRI 302-3

KEY METRICS: ENERGY INTENSITY

Energy consumption in MegaJoules per million HRK	**126607.4**
Energy consumption in GWh per million HRK	**0.035168**

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

The Group received the results of the pilot project "Reduce food waste" held in Park Plaza Histria organized by the Fund for Environmental Protection and Energy Efficiency. Employees of the hotel conducted sampling and measurement of food waste produced over seven days. The obtained data provided valuable experience and insight into the origin and amount of food waste in hotels. Based on this limited information, the Group received guidelines to define the future direction in reducing food waste, which is highly important.

GRI 306-5

KEY METRICS: WASTE GENERATION AND DISPOSAL

Waste types disposed of	Tonnes	Contains potentially hazardous waste
Biological Vegetation	40.3	NO
Glass	12.7	NO
Liquids (including greases, oils and kitchen waste)	53.4	YES
Mixed waste	188	NO
Paper	127	NO
Plastics	2.6	NO
Textiles and Clothing	1.2	NO
Wood	3.5	NO
Total	428.7	

The actual mass of hazardous waste within the liquids is not known, due to the mixing of various liquid wastes. The identification of "potentially hazardous" is a precautionary approach only.

KEY METRICS: WATER CONSUMPTION

Water Withdrawn	**156 Megalitres**	GRI 303-3
Water Discharged	**156 Megalitres**	GRI 303-4

All of Arena's consumed water is supplied by third parties such as local water infrastructure. Similarly, local water utilities also accept the waste water discharge from Arena sites. In the absence of specific metering, the utilities assume infrastructure provision that accounts for the same amount of discharge as intake/ consumption.

GRI 303-2

DISCHARGE(S) TO THE ENVIRONMENT

Arena does not undertake any discharge of used water directly to the environment. All waste water which is collected on site is directed to local wastewater infrastructure and taken by municipal utilities. This includes all sewage waste and any storm water/ 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.

GRI 304

Biodiversity

GRI 103

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 are 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.

BIODIVERSITY RECOGNITION

Arena Hospitality Group was awarded a special Blue Flag Gold plaque for 15 years of ongoing activities in earning Blue Flag acknowledgement for 3 beaches in Verudela peninsula (Yacht beach, Brioni 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.

EU Taxonomy for sustainable activities disclosure.

In 2021 Arena is for the first time disclosing indicators consistent with Delegated Regulation (EU) 2021/2139 (the "EU Taxonomy"). As required by the Regulation (EU) 2021/2178 (the "Disclosure Regulation"), the following constitutes the content of KPIs to be disclosed by Arena as a non-financial undertaking:

1. No Group's OpEx is considered to arise from the EU Taxonomy eligible activity.
   Note: The OpEx is the sum of all operating expenses in accordance with IFRS as referenced in financial statements Note 19: operating expenses plus Rental expenses. This is calculated by taking the total operating expense less Salaries and payroll expenses, less Government payroll grants from Note 19 to the financial statement plus Rental expenses and concessions fees:land as stated in the Consolidated Income statement
2. No Group's Turnover is considered to arise from the EU Taxonomy eligible activity.
   Note: Turnover represents Groups' consolidated income, which can be referenced on page 92 Consolidated and Income Statement
3. The majority of the Group's capital expenditure "CapEx" is invested in renovations, reconstructions, building conversion and new acquisition of hotels, apartment resorts and campsites.
   Note: Capex is the total capital expenditure both tangible and intangible for the Group. This can be referenced to Financial Statements Note 4: Property, Plant & Equipment - Additions during the year HRK 207,853,000 or HRK 207.8 million plus Financial Statement Note 5: Intangible Assets, additions during the year HRK 1,467,000 or HRK 1.47 million.

Approximately 99% of CapEx is considered to be related to an eligible activity, namely the building renovation work associated with the renovation of our hotels, campsites and resorts across the group. Two specific projects are considered eligible:

- Reconstruction of the Grand Brioni Hotel HRK 189 million;
- Other refurbishments and renovations HRK 17.2 million.

The above CapEx activities are considered to fall within the EU Taxonomy definition of the eligible activity "7.2 Renovation of existing buildings" which is defined as "Construction and civil engineering works or preparation thereof". The economic activities in this category could be associated with several NACE codes, in particular F41 and F43 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.

A prima facie understanding of these activities as construction and renovation of existing accommodation (hotel) buildings is consistent with the above definition.

The above activities are not considered to meet the substantial contributions criteria to any of the Objectives 1 (Climate Change Mitigation) or 2 (Climate Change Adaptation) of the EU Taxonomy. These projects were designed and their implementation was initiated prior to the publication of the technical screening criteria under the Taxonomy and corroborative evidence to demonstrate alignment with those criteria are not available.

The tables completed in line with reporting requirements as specified in the Disclosure Regulation can be found in ***Appendices****.*

Methodologies, data quality and assurance.

Arena recognises that the accuracy and credibility of our ESG data and applied methodology is important in transparently reporting performance. With a view to achieving limited external assurance and independent data handling, Arena has worked with an external partner (Spenoki Solutions 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. The indicators used in this report are aligned "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. This report incorporates the recommendations and reporting requirements of Croatian regulatory body HANFA.

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.

Scope 1 emissions have been calculated based on documented consumption of fuels by mass or volume, across the entire organisation. This includes transport fuels, machinery/ plant fuels, heating fuels and fuels purchased by Arena which are consumed on site by guests.

Scope 2 emissions have been calculated based on documented supply of energy of third parties. Where available, the supplier's stated emissions per unit of energy have been used for the market-based emissions. Location based emissions are based on national grid-level emissions factors.

Scope 3 emissions are calculated according to two approaches:

- Materially Relevant Activities: For certain activities such as travel and waste processing, emissions are calculated on documented service deliveries. Factors such as transport modes used, distances travelled and the masses and types of waste materials are taken into account from operating site records.
- Wider Supply Chain: For all other supply chain related emissions, a spend-based method is used. This method deploys an economic input-output model, which is used to determine the likely flow of services in the wider supply chain. OECD-sector based emissions are then determined up to two steps into the supply chain. This, then models all remaining suppliers and their subsequent suppliers which have not already been accounted for in the activities calculation above. Further details regarding how such models assist in the calculation of scope 3 emissions is provided by the GHG Protocol in the "Technical Guidance for Calculating Scope 3 Emissions" Emissions related to Non-operational Capital expenditures for asset-improvement are also calculated in the same fashion.

An index of GRIs reported in this Sustainability report with references to relevant parts of the report can be found in ***Appendices****.*

CORPORATE 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 Eli Papouchado and the Red Sea Group, and has been a major influencer in the expansion of the PPHE Hotel Group's international portfolio. In previous roles, Mr. Ivesha established the Yamit Hotel in Israel in 1984 and served as its President and was Director of the Carlton Hotel in Israel from 1979 until 1984 and General Manager of the Royal Horseguards Hotel in London from 1972 until 1979. Mr. Ivesha attended all of the Supervisory Board meetings in 2021.

YOAV PAPOUCHADO

VICE CHAIRMAN OF THE BOARD

Yoav Papouchado is Chairman of the Board of Red Sea Hotels Limited and has been since 1998. Red Sea Hotels Limited is a group of real-estate companies operating worldwide. Mr. Papouchado holds an MBA as well as a BA in Economics from the Tel-Aviv University. Mr Papouchado attended all of the Supervisory Board meetings in 2021.

KEVIN MICHAEL MCAULIFFE

BOARD MEMBER

Kevin Michael McAuliffe, is the Non-Executive Deputy Chairman of the PPHE Hotel Group Limited. He was a member of the Society of Trust and Estate Practitioners. 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. Mr McAuliffe attended all of the Supervisory Board and Committee meetings in 2021.

MARINO DEROSSI

BOARD MEMBER

Marino Derossi, MD, is a doctor of medicine with many years of experience in internal medicine, the owner of a private practice for internal medicine focused on gastroenterology. He is a member of the Court of Honor in the Croatian Medical Chamber and other Croatian and international societies and organisations. He was the President of the Istrian County Commission of the Croatian Medical Chamber for three terms. He is the winner of the Charter for Care for the Reputation of the Medical Staff and the Diploma for Outstanding Achievements in the Work awarded by the Croatian Medical Chamber. Mr Derossi attended all of the Supervisory Board meetings in 2021.

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. Ms. Pende acts as the Chairwoman of the Supervisory Board of Alpha Adriatic d.d.. Ms. Pende holds a law degree from the University of Zagreb. Mrs Pende attended all of the Supervisory Board and Committee meetings in 2021.

LORENA ŠKUFLIĆ

BOARD MEMBER

Lorena Škuflić is a professor at the Faculty of Economics and Business, University of Zagreb and since 2010 has been the Head of the Department of Economic Theory. Prior to this, Mrs. Škuflić was employed at the Croatian Chamber of Economy – County Chamber Pula and also with the Institute of Economics, Zagreb. Ms. Škuflić obtained her PhD in economics at the University of Rijeka in 1999. Mrs Škuflić attended all of the Supervisory Board and Committee meetings in 2021.

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 meetings in 2021.

CORPORATE GOVERNANCE

Management Board

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. Before that, Mr Slonim was Vice President of 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 introduced significant transformations, including the renovation, upgrade and rebranding properties, and acquisition and successful integration of the German, Hungarian, Serbian and Austrian operations, creating the first Croatian international hospitality Group. Also, Mr Slonim led the Group's 2017 IPO, which raised EUR 100 million in equity proceeds. The proceeds are designated for Group's 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 a significant EBITDA growth. During these years the Group introduced highly professional management procedures, continuously grew in terms of digitalization and IT innovations, and refined the 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 Arena Hospitality Group as Sales and Marketing Director in January 2009. During her previous appointment, Mrs Kraljević was covering for six years, the Sales and Marketing Director position in Croatia for the renowned hotel chain Sol Melia. Since joining Arena Hospitality Group in 2009, she has repositioned upgraded properties, directed the development of a modern sales and marketing department, introduced revenue and yield management, and was vital for online business growth. Mrs Kraljević has been an early adopter of technologically innovative solutions and has facilitated the Group's transition to a modern and agile company. Under her leadership, development and implementation of marketing and sales strategies, Arena Hospitality Group has gained market share in Croatia, Germany, Hungary and Serbia. Additionally, she is in charge of Group's Responsible Business activities. Mrs Kraljević is a member of Pula and Medulin Tourist Boards and the Economic Council of the Croatian Chamber of Commerce for the Istrian Region. Her marketing achievements were awarded several times with the Golden Goat Award.

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 United Kingdom. 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 financing 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, governance and enterprise risk management. 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 holiday resort, 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

Corporate governance report

CORPORATE GOVERNANCE CODE

In 2021, 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 for 2021 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 web sites. 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 days before the day of the General Assembly 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 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 qualified majority of 9/10 of the share capital represented at the General Assembly). Under the current Articles of Association of the Company, the Management Board may decide, with the approval of the Supervisory Board, upon authorised share capital by issuing new shares up to an amount of HRK 51,287,210, with exclusion of shareholders' pre-emptive rights in case of share capital increase up to an amount of HRK 20,000,000 in connection with acquisition of shareholdings in companies, or acquisition of assets or rights related to hospitality activities from persons, not affiliated with the Company. Pursuant to the decision of the General Assembly dated 30 August 2017, the Company may acquire treasury shares.

During 2021, one regular meeting of the General Assembly of the Company was held on 31 May 2021. On that General Assembly:

- The Report on remuneration of the Management Board and Supervisory Board members in 2020 together with the auditor's report was adopted;
- The decision on offset of the loss that the Company realised in 2020 in the total amount of HRK 103.172.335,26 against retained earnings from previous years was adopted;
- Discharge was granted to members of the Supervisory Board of the Company for their work in 2020;
- Discharge was granted to members of the Management Board of the Company for their work in 2020.;
- Ernst & Young d.o.o. Zagreb was appointed as the Company's auditor for 2021 (with respect to the consolidated and non-consolidated annual financial statements of the Company for 2021).

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 August 2020 until closing of the General Assembly meeting to decide upon granting discharge to members of the Supervisory Board for their work in 2021. 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 are: Boris Ernest Ivesha (Chairman), Yoav Arie Papouchado (Vice-Chairman), Kevin Michael McAuliffe, Marino Derossi, 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 2021:

- on 24 February 2021 whereat, inter alia, the Annual Report and the annual financial statements of the Company for the year 2020 (audited, consolidated and non-consolidated) were adopted;
- on 28 April 2021 whereat, inter alia, the unaudited consolidated and non-consolidated quarterly report of the Company for the first quarter of 2021 was discussed, the Supervisory Board reached decisions related to the Annual General Assembly of the Company and the Report on remuneration of the Management Board and Supervisory Board members in 2020 was adopted;
- on 28 July 2021 where, inter alia, unaudited consolidated and non-consolidated quarterly report of the Company for the second quarter of 2021 and the unaudited consolidated and non-consolidated half-year report of the Company for the first six months of 2021 were discussed. The Supervisory Board of the Company also decided to reappoint the current members of the Management Board of the Company for another two-year mandate, starting with 6 September 2021.
- on 27 October 2021 whereat, inter alia, unaudited consolidated and non-consolidated quarterly report of the Company for the third quarter of 2021 and the unaudited consolidated and non-consolidated report of the Company for the months January - September of 2021 were 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 2021, the total amount of HRK 987.275,36 gross was paid as remuneration of Supervisory Board members. The total amount paid to the Supervisory Board declined in comparison to the amount paid in 2019 and the Supervisory Board Members' regular entitlement to compensation. This was a result of voluntary requests for reduction of remuneration by the Supervisory Board members submitted in the period from January to May 2021 as their contribution to the Company's response to fighting the effects of COVID-19 pandemic.

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 2021. 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. One member was unfortunately unavailable. 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 2020 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. appointment of an IFRS experienced person in the Supervisory Board of the Company, enhancing induction of new Supervisory Board members, further work on succession plans for the Supervisory and Management Board members etc. The Supervisory Board will ensure the recommendations get implemented in 2022 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 and a Remuneration Committee.

AUDIT COMMITTEE

The Company's Audit Committee consists of three members appointed by the Supervisory Board amongst its members: Lorena Škuflić (President), Amra Pende 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 Supervisory Board. During 2021, the Company's Audit Committee held three meetings. All Audit Committee members attended all meetings of the Audit Committee.

NOMINATION COMMITTEE

The Company's Nomination Committee was established on the Supervisory Board meeting held on 28 July 2021 by splitting the up-to-then existing joint Nomination and Remuneration 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 and the Rules of Procedure of the Supervisory Board. The newly formed Nomination Committee did not hold any meeting in 2021 (as it was only established in the second half of the year). However, the previously existing Nomination and Remuneration Committee held three meetings in 2021. All Nomination and Remuneration Committee members attended all meetings of the Committee.

REMUNERATION COMMITTEE

The Company's Remuneration Committee was established on the Supervisory Board meeting held on 28 July 2021 by splitting the up-to-then existing joint Nomination and 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 and the Rules of Procedure of the Supervisory Board. The newly formed Remuneration Committee did not hold any meeting in 2021 (as it was only established in the second half of the year). However, the previously existing Nomination and Remuneration Committee held three meetings in 2021. All Nomination and Remuneration 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 28% in the total composition of the Supervisory Board and in the Management Board, where one female Management Board member out of four makes for 25% of female representation in the Board. The Company highly supports the diversity within the Company and women make almost 50% of its workforce. The Company 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 min. two and max. five members appointed by the Supervisory Board for the mandate of up to five years. As at 31 December 2021 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 mandate of appointed members of the Management Board expired on 6 September 2021. On 28 July 2021 the Supervisory Board of the Company held the meeting at which it was decided to reappoint the current members of the Management Board of the Company for another two-year mandate, starting with 6 September 2021. 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 24-30. 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. This has proven to be extremely important and beneficial for the Company. The most important Management Board meetings held during 2021 were:

- on 24 February 2021 whereat, inter alia, the quarterly report for the fourth quarter of 2020 (unaudited, consolidated and non-consolidated), the Annual Report and the annual financial statements of the Company for the year 2020 (audited, consolidated and non-consolidated) were adopted;
- on 28 April 2021 whereat, inter alia, the unaudited quarterly report of the Company (consolidated and non-consolidated) for the first quarter of 2021 was adopted;
- on 28 July 2021 whereat, inter alia, the unaudited consolidated and non-consolidated quarterly report of the Company for the second quarter of 2021 and the unaudited consolidated and non-consolidated half-year report of the Company for the first six months of 2021 were adopted;
- On 27 October 2021 whereat, inter alia, the unaudited consolidated and non-consolidated quarterly report of the Company for the third quarter of 2021 and the unaudited consolidated and nonconsolidated report of the Company for the nine months of 2021 were adopted.

CORPORATE GOVERNANCE

Investor Information

MAJOR SHAREHOLDERS AND AFFILIATED COMPANIES

The share capital of the Company amounts to HRK 102,574,420.00 and is divided into 5,128,721 ordinary shares under the ticker ARNT-R-A, each without nominal value. As at 31 December 2021, 45,169 shares were held as treasury shares. Shareholders with holdings of 3% or more of the Company's registered capital as at 31 December 2021 are listed below:

	Percentage holding of Share Capital including treasury share	Percentage holding of Share Capital excluding treasury shares
DVADESET OSAM D.O.O. (a member of the PPHE Hotel Group)	52.48%	52.95%
OTP BANKA d.d. / AZ OMF kategorije B	11.93%	12.04%
ADDIKO BANK d.d. / PBZ CO OMF-kategorije B	8.84%	8.92%
OTP BANKA d.d. / ERSTE PLAVI OMF kategorije B	7.35%	7.42%

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 6.1]. The Companies relations and transactions with affiliated companies, including its subsidiaries and other affiliates, are described in Note 26.

VALUATION	2021		
In '000 HRK	2021		
	High	Low	Last
Share price	366	296	300
Market capitalization[1]	1,860,580	1,504,731	1,525,065
Net debt[2]	1,198,974	1,198,974	1,198,974
EV[3]	3,059,554	2,703,706	2,724,040
EV/EBITDA	18.72x	16.54x	16.67x

1 Market capitalisation calculated as share price multiplied by the number of outstanding shares (5,083,552)

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

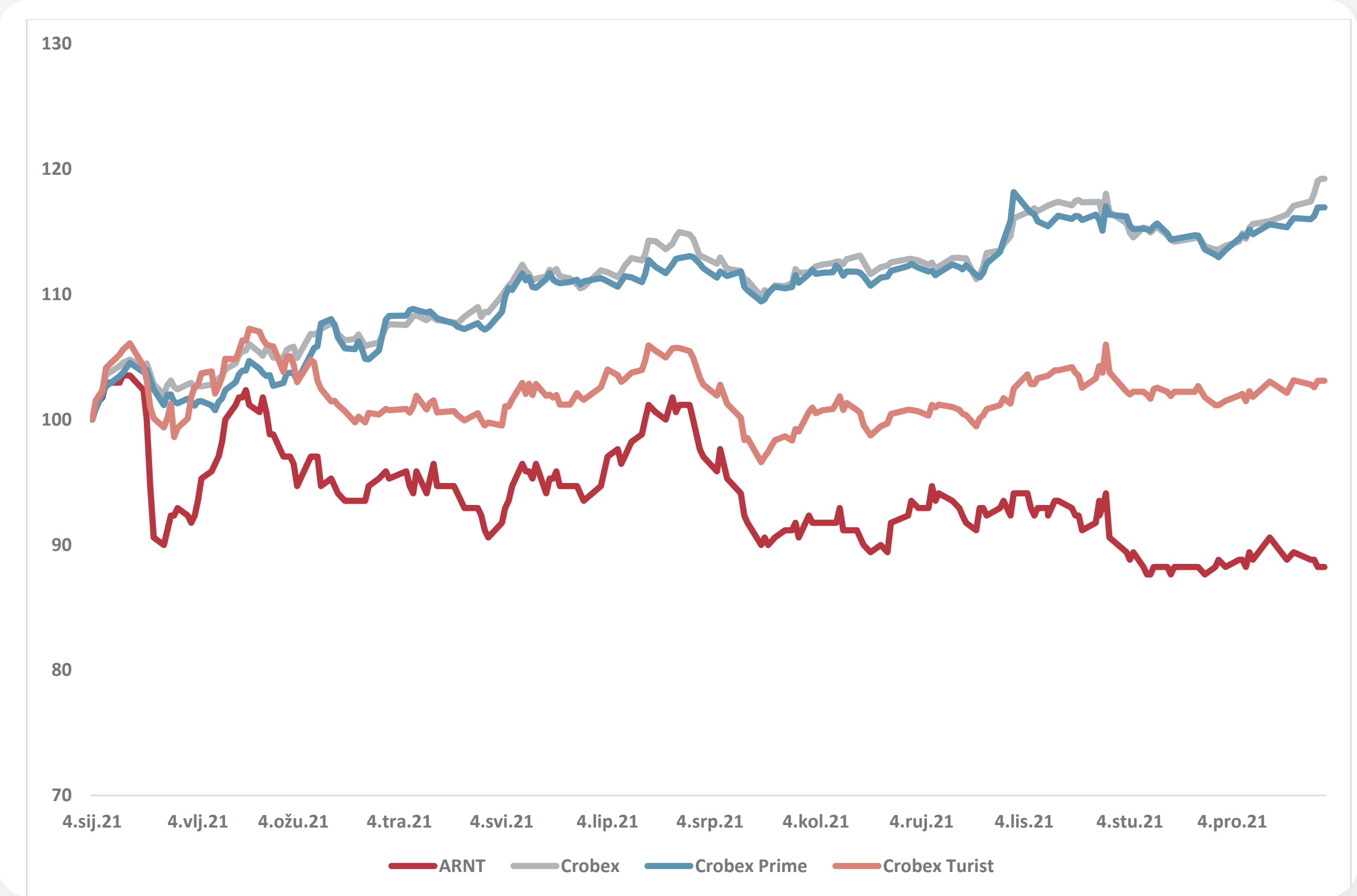
SHARE PRICE PERFORMANCE

The Group's share price performance during the year was considerably volatile. The volatility was driven by the COVID-19 pandemic. The year started at HRK 340 per share and closed at HRK 300 per share, representing a decrease of 11.7%. The share experienced fair amount of volatility in first quarter as Pandemic continued and in March fell to HRK 318 per share (representing a 6.4% drop compared to the yearly opening price), and a peak in February when the share traded at HRK 348 (representing a 2.3% increase compared to the yearly opening price). The share price saw a gradual decline in the second half of the year despite a strong return of summer season in Croatia and this was especially noticeable in quarter four which also saw the resurgence in COVID-19 cases and new variant. The average daily liquidity of the share during the year was HRK 0.24 million. During the year the total volume of shares traded amounted to HRK 48.4 million of which HRK 44.2 million was regular trade and HRK 4.2 million was through two block trades. The total volume traded was 53.8% lower than 2020 levels.

The Group has two active market makers, Interkapital vrijednosni papiri d.o.o. and Zagrebačka banka d.d. and four research institutions that regularly publish notes and analysis: Erste bank d.d., Interkapital vrijednosni papiri d.o.o., WOOD & Company Financial Services, a.s., and Zagrebačka banka d.d.. Regular meetings are held with existing and prospective investors. During the year Management attended some of the most relevant investor events, amongst other, Zagreb and Ljubljana Stock Exchange Investor conferences, Erste Investor conference in Vienna, Wood Investor conferences. These meetings took place through online channels due to the extraordinary circumstances.

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 INDICIES



GRAND HOTEL BRIONI

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 2021 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.

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, Our Business Model and the Strategy, Key Performance Indicators, the Chief Financial Officer's Statement, and the Operating Reviews.

2021 RESULTS

The results for the year ended 31 December 2021 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 24 - 30. 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 31 May 2021 for the audit of the consolidated and non-consolidated annual financial statements of the Company for 2021. In relation to 2021, the Company's total fees to be paid to its independent auditor amount to HRK 618,000.

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 2022 which show that the Group's operations will be cash generative during the period. This has led the Management Board to conclude that it is appropriate to prepare the 2021 financial statements of the Company (consolidated and non-consolidated) on a going concern basis.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Pages 132 - 137 and Note 27 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), 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:

R. Slonim

REUEL ISRAEL GAVRIEL SLONIM

Members:

MANUELA KRALJEVIĆ

DEVANSH BAKSHI

E. Pinto

EDMOND PINTO

FINANCIAL STATEMENTS

Management Board's Decision

Pula, 25.02.2022.
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 25 February 2022.

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 2021 (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 2021 refer to Arena Hospitality Group d.d.
The Company's consolidated Annual Financial Statements for 2021 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 2021 (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 2021 (consolidated and non-consolidated), which comprises of:

- Annual financial statements of the Company for 2021 (consolidated and non-consolidated), together with the Auditor's Report,
- Statement on application of the corporate governance code,
- Management Report for 2021 (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 2021 in the total amount of 45,617,331 HRK to retained earnings.
V. This Decision, together with the Company's Annual Report for 2021 (consolidated and non-consolidated), is delivered to the Supervisory Board of the Company for consideration and approval respectively.
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 2021 (consolidated and non-consolidated) and adopts thereto related decisions.
VI. This Decision and the Company's Annual Report for 2021 (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

FINANCIAL STATEMENTS

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 25 February 2022, determined the following

REPORT

TO THE ARENA HOSPITALITY GROUP D.D. GENERAL ASSEMBLY

I. During 2021, the Supervisory Board of the Company had seven members. As at 31 December 2021, the members of the Supervisory Board were: Boris Ernest Ivesha (Chairman), Yoav Arie Papouchado(Vice-Chairman), Kevin Michael McAuliffe, Marino Derossi, Amra Pende, Lorena Škuflić and Goran Nikolić.
The Supervisory Board of the Company held four meetings in the year 2021.
- on 24 February 2021 whereat, inter alia, the Annual Report and the annual financial statements of the Company for the year 2020 (audited, consolidated and non-consolidated) were adopted;
- on 28 April 2021 whereat, inter alia, the unaudited consolidated and non-consolidated quarterly report of the Company for the first quarter of 2021 was discussed, the Supervisory Board reached decisions related to the Annual General Assembly of the Company and the Report on remuneration of the Management Board and Supervisory Board members in 2020 was adopted;
- on 28 July 2021 where, inter alia, unaudited consolidated and non-consolidated quarterly report of the Company for the second quarter of 2021 and the unaudited consolidated and non-consolidated half-year report of the Company for the first six months of 2021 were discussed. The Supervisory Board of the Company also decided to reappoint the current members of the Management Board of the Company for another two-year mandate, starting with 6 September 2021;
- on 27 October 2021 whereat, inter alia, unaudited consolidated and non-consolidated quarterly report of the Company for the third quarter of 2021 and the unaudited consolidated and non-consolidated report of the Company for the months January - September of 2021 were discussed
II. The Supervisory Board of the Company established the Audit Committee, the Nomination Committee and the Remuneration Committee.
The Company's Nomination Committee and the Remuneration Committee were established on the Supervisory Board meeting held on 28 July 2021 by splitting the up-to-then existing joint Nomination and Remuneration Committee. The newly formed Nomination Committee and Remuneration Committee did not hold any meetings in 2021 (as they were only established in the second half of the year). The previously existing Nomination and Remuneration Committee held three meetings in 2021.
The Nomination Committee consists of three members: Kevin Michael McAuliffe (President), Amra Pende and Lorena Škuflić.
The Remuneration Committee consists of three members: Amra Pende (President), Lorena Škuflić and Kevin Michael McAuliffe.
During 2021, the Audit Committee had three members: Lorena Škuflić (President), Amra Pende and Kevin Michael McAuliffe and held three meetings.
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 Management Board examined the Company's annual report for 2021 (consolidated and non-consolidated), which comprises of:

- Annual financial statements of the Company for 2021 (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 2021,
- Statement on application of the corporate governance code,
- Management Report for 2021 (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 25 February 2022 with respect to preparation and issuing of the Annual financial statements of the Company for 2021.

The Supervisory Board has no objections to the Company's annual report for 2021 (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 2021 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 2021 (consolidated and non-consolidated), whereby the Annual financial statements of the Company for 2021 (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 2021 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 2021 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 2021 in the total amount of 45,617,331 HRK is allocated to retained earnings.

CHAIRMAN OF THE SUPERVISORY BOARD

BORIS ERNEST IVESHA

FINANCIAL STATEMENTS

Supervisory Board's Decision

Pula, 25.02.2022.

I. The Supervisory Board hereby approves the Company's annual report for 2021 (consolidated and non-consolidated), which comprises of:

- Annual financial statements of the Company for 2021 (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 2021,
- Statement on application of the corporate governance code,
- Management Report for 2021 (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 2021 (consolidated and non-consolidated), the Annual financial statements of the Company for 2021 (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 2021 (consolidated and non-consolidated).

IV. The Supervisory Board adjoins to the proposal of the Management Board that the General Assembly decides that profit the Company realised in 2021 in the total amount of 45,617,331 HRK is allocated to retained earnings.

CHAIRMAN OF THE SUPERVISORY BOARD

BORIS ERNEST IVESHA

Draft version of 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 it's subsidiaries (together- the Group), which comprise the separate and consolidated statement of financial position as at 31 December 2021, 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 a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Company and the Group as at 31 December 2021 and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (IFRS as adopted by the EU).

Basis for opinion

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

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

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

Key audit matters

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

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

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 4 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 2021 was HRK 2,418,456 thousand (Company: HRK 1,631,283 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 and significant impact of COVID 19 on the sales revenue that are generated by the tourism properties, impairment of tourism properties was determined as a key audit matter.	Our audit procedures related to impairment of property, plant and equipment included, among others, assessing the appropriateness of the methodology used for the impairment testing. Our audit procedures included testing, on a sample basis, of key Management's estimates used to determine if there are impairment indicators and review of the relevant Company and Group internal reports and comparison of the projections in the model for individual tourism properties with the historical data including, 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 most significant 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. In addition, we involved valuation specialists and used external data in assessing and corroborating the assumptions used in the valuation reports. We also performed assessment of Covid-19 impact on the valuation of tourism properties as well as assessment of the adequacy of related disclosures in the Notes 2 (j) Property, plant and equipment and 2 (k) Impairment of non-financial assets and Note 4 Property, plant and equipment to the separate and consolidated financial statements and their compliance with IFRS as adopted by EU.

Other information included in the Company's and the Group's Annual Report for year 2021

Management is responsible for the other information. Other information consists of the information included in the Annual Report which includes the Management report and Corporate Governance Statement, other than the separate and consolidated financial statements and our auditor's report thereon. Our opinion on the separate and consolidated financial statements does not cover the Other information including the Management report and Corporate Governance Statement.

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

With respect to the Management Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act. Those procedures include considering whether the Management Report includes the disclosures required by Article 21 of the Accounting Act, and whether the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

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

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

2.the enclosed Management report for 2021 financial year is prepared in accordance with requirements of Article 21 of the Accounting Act;

3. Corporate Governance Statement, included in the Company's and the Group's annual report, includes the information referred to in Article 22., paragraph 1., items 2, 5, 6 and 7 of the Accounting Act; and

4. elements of Corporate Governance Statement containing the information referred to in Article 22, paragraph 1, items 3 and 4 of the Accounting Act, included in the Group's and the Company's annual report are prepared in accordance with requirements of the Accounting Act and are consistent, in all material respects, with the enclosed separate and consolidated financial statements;

In addition, in the light of the knowledge and understanding of the entity and Group and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report, Corporate Governance Statement and Annual report. We have nothing to report in this respect.

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

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

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

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

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

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

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 Meeting of Shareholders resolution, with the most recent reappointment on 31 May 2021, representing a total period of uninterrupted engagement appointment of five 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 25 February 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

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

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

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

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

Responsibilities of the Management and those charged with governance

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

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

The Management is also responsible for:

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

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

Auditor's responsibilities

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

Work performed

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

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

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

The aim of our procedures was to assess whether:

- the financial statements, which are included in the annual report, are prepared in the relevant XHTML format,
- the information contained in the financial statements required by the ESEF Regulation is marked and all markings meet the following requirements:
  - 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 financial statements presented in ESEF format for the year ended on 31 December 2021, contained in the aforementioned attached electronic file and prepared pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, are prepared in all material respects in line with the requirements of Articles 3, 4 and 6 of the ESEF Regulation.

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

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

Filip Hitrec
Associate Partner and certified auditor

Ernst & Young d.o.o.
Radnička cesta 50
10000 Zagreb, Republic of Croatia
28 February 2022

FINANCIAL STATEMENTS

Consolidated And Company Statement Of Financial Position

		As at 31 December			
		Group		Company	
	Note	2021 HRK' 000	2020 HRK' 000	2021 HRK' 000	2020 HRK' 000
Assets					
Non-current assets:					
Intangible fixed assets	5	**2,167**	1,407	**1,704**	1,276
Property, plant and equipment	4	**2,418,456**	2,188,286	**1,631,283**	1,513,355
Right-of-use assets	15	**262,132**	267,840	**-**	-
Inventories		**8,326**	13,024	**8,300**	12,953
Interest in joint ventures	6	**38,701**	39,829	**-**	-
Other non-current financial assets	7	**3,100**	3,109	**792,577**	691,445
Deferred tax asset	23	**97,579**	65,714	**95,008**	63,143
Restricted deposits and cash		**65,813**	12,410	**65,813**	12,410
		2,896,274	2,591,619	**2,594,685**	2,294,582
Current assets:					
Inventories		**2,764**	2,267	**1,715**	1,531
Other current financial assets		**201**	224	**201**	224
Trade receivables	8	**10,957**	8,301	**6,335**	2,719
Other receivables and prepayments	9	**82,257**	13,020	**18,922**	12,682
Income tax receivable		**2,971**	1,733	**-**	9
Cash and cash equivalents	10	**340,903**	425,613	**285,491**	370,878
		440,053	451,158	**312,664**	388,043
Total assets		**3,336,327**	3,042,777	**2,907,349**	2,682,625

		As at 31 December			
		Group		Company	
	Note	2021 HRK' 000	2020 HRK' 000	2021 HRK' 000	2020 HRK' 000
Equity and liabilities					
Equity:	11				
Issued capital		**102,574**	102,574	**102,574**	102,574
Share premium		**1,142,742**	1,142,742	**1,142,742**	1,142,742
Hedging reserve		**(5,378)**	(9,826)	**-**	-
Other reserves		**318,608**	317,018	**559,029**	557,429
Accumulated earnings/(losses)		**10,456**	(21,058)	**173,690**	128,073
Total equity		**1,569,002**	1,531,450	**1,978,035**	1,930,818
Non-current liabilities:					
Bank borrowings	14	**1,151,730**	990,293	**716,569**	617,365
Lease liability	15	**278,821**	285,692	**144**	-
Provisions	16	**45,358**	45,358	**45,358**	45,358
Other liabilities		**8,279**	9,240	**3,950**	1,327
		1,484,188	1,330,583	**766,021**	664,050
Current liabilities:					
Trade payables		**65,330**	25,073	**24,940**	13,587
Current lease liability	15	**31,613**	37,738	**-**	-
Other payables and accruals	17	**89,934**	28,089	**70,999**	18,631
Liabilities towards related parties		**18,547**	13,884	**7,086**	702
Bank borrowings	14	**77,713**	75,960	**60,268**	54,837
		283,137	180,744	**163,293**	87,757
Total liabilities		**1,767,325**	1,511,327	**929,314**	751,807
Total equity and liabilities		**3,336,327**	3,042,777	**2,907,349**	2,682,625

The accompanying accounting policies and notes are an integral part of these financial statements.
These financial statements are approved and signed by the Management board of the Company and the Group on 25 February 2022.

REUEL ISRAEL GAVRIEL SLONIM
President of the Management Board

MANUELA KRALJEVIĆ
Member of the Management Board

DEVANSH BAKSHI
Member of the Management Board

EDMOND PINTO
Member of the Management Board

FINANCIAL STATEMENTS

Consolidated And Company Income Statement

		Year ended 31 December			
		Group		Company	
	Note	**2021 HRK' 000**	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Revenues	18	**460,699**	238,314	**401,517**	167,685
Operating expenses	19	**(281,127)**	(250,222)	**(271,785)**	(163,772)
EBITDAR		**179,572**	(11,908)	**129,732**	3,913
Rental expenses and concession fees: land		**(16,124)**	(6,349)	**(15,788)**	(6,295)
EBITDA		**163,448**	(18,257)	**113,944**	(2,382)
Depreciation, amortisation and impairment	4/5/15	**(103,644)**	(131,955)	**(70,765)**	(69,847)
EBIT		**59,804**	(150,212)	**43,179**	(72,229)
Financial expenses	20	**(27,456)**	(45,047)	**(15,705)**	(15,947)
Financial income	21	**911**	836	**5,602**	7,080
Other expenses	22	**(33,361)**	(32,262)	**(28,782)**	(28,612)
Other income	22	**9,457**	1,430	**9,457**	1,430
Share result of joint ventures		**(6,295)**	(7,002)	**-**	-
Profit/(loss) before tax		**3,060**	(232,257)	**13,751**	(108,278)
Income tax benefit/(expense)	23	**28,454**	4,974	**31,866**	5,106
Profit/(loss) for the year		**31,514**	(227,283)	**45,617**	(103,172)
Profit/(loss) attributable to:					
Equity holder of the parent		**31,514**	(227,283)	**45,617**	(103,172)
Basic and diluted (loss)/earnings per share	24	**6.20**	(44.70)	**8.97**	(20.29)

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

FINANCIAL STATEMENTS

Consolidated And Company Statement Of Other Comprehensive Income

		Year ended 31 December			
		Group		Company	
	Note	**2021 HRK' 000**	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Profit/(loss) for the year		**31,514**	(227,283)	**45,617**	(103,172)
Other comprehensive income to be recycled through profit and loss in subsequent periods:					
Unrealised gains/(losses) on available-for-sale securities		**(23)**	3	**(23)**	3
Foreign currency translation adjustment of foreign operations		**(10)**	2,216	**-**	-
Gain/(loss) from cash flow hedges		**4,448**	(765)	**-**	-
Other comprehensive income		**4,415**	1,454	**(23)**	3
Total comprehensive income/(loss)		**35,929**	(225,829)	**45,594**	(103,169)

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

FINANCIAL STATEMENTS

Consolidated Statement Of Changes In Equity

In HRK'000	Issued capital	Share premium	Hedging reserve	Other reserve	Accumulated earnings / (loss)	Total
Balance as at 1 January 2020	102,574	1,142,742	(9,061)	313,983	206,225	1,756,463
Profit/(loss) for the year	-	-	-	-	(227,283)	(227,283)
Other comprehensive income/ (loss)	-	-	(765)	2,219	-	1,454
Total comprehensive income/(loss)	-	-	(765)	2,219	(227,283)	(225,829)
Share based payment	-	-	-	1,353	-	1,353
Treasury shares	-	-	-	(537)	-	(537)
Balance as at 31 December 2020	**102,574**	**1,142,742**	**(9,826)**	**317,018**	**(21,058)**	**1,531,450**
Profit/(loss) for the year	-	-	-	-	31,514	31,514
Other comprehensive income/ (loss)	-	-	4,448	(33)	-	4,415
Total comprehensive income/(loss)	**-**	**-**	**4,448**	**(33)**	**31,514**	**35,929**
Share based payment	-	-	-	1,623	-	1,623
Balance as at 31 December 2021	**102,574**	**1,142,742**	**(5,378)**	**318,608**	**10,456**	**1,569,002**

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

FINANCIAL STATEMENTS

Company Statement Of Changes In Equity

In HRK'000	Issued capital	Share premium	Other reserve	Accumulated earnings / (loss)	Total
Balance as at 1 January 2020	102,574	1,142,742	556,610	231,245	2,033,171
Profit/(loss) for the year	-	-	-	(103,172)	(103,172)
Other comprehensive income	-	-	3	-	3
Total comprehensive income	-	-	3	(103,172)	(103,169)
Share based payments	-	-	1,353	-	1,353
Treasury shares	-	-	(537)	-	(537)
Balance as at 31 December 2020	102,574	1,142,742	557,429	128,073	1,930,818
Profit/(loss) for the year	-	-	-	45,617	45,617
Other comprehensive income	-	-	(23)	-	(23)
Total comprehensive income	**-**	**-**	**(23)**	**45,617**	**45,594**
Share based payments	-	-	1,623	-	1,623
Balance as at 31 December 2021	**102,574**	**1,142,742**	**559,029**	**173,690**	**1,978,035**

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

FINANCIAL STATEMENTS

Consolidated And Company Statement Of Cash Flows

	Year ended 31 December			
	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Cash flows from operating activities:				
Profit for the year	**31,514**	(227,283)	**45,617**	(103,172)
Adjustment to reconcile profit to cash provided by operating activities:				
Interest expenses	**26,467**	29,321	**15,705**	15,946
Interest revenue	**(911)**	(836)	**(5,537)**	(5,151)
Unrealised foreign exchange gains/(losses)	**(1,082)**	23,843	**(842)**	3,304
Income tax (benefit)/charge	**(28,454)**	(4,974)	**(31,866)**	(5,106)
Share in results of joint ventures	**6,295**	7,002	**-**	-
Movements in provisions	**-**	4,038	**-**	4,038
Legal settlement expenses	**26,000**	-	**26,000**	-
Gain on disposal of property, plant and equipment	**(9,456)**	(1,430)	**(9,456)**	(1,430)
Depreciation, amortisation and impairment	**103,644**	131,955	**70,765**	69,847
Disposal of property, plant and equipment	**724**	14,713	**641**	13,292
Share-based payments	**1,623**	1,353	**1,623**	1,353
	124,850	204,985	**67,033**	96,093
Changes in operating assets and liabilities:				
Decrease/(increase) in inventories	**4,470**	(2,969)	**4,469**	(3,384)
Decrease/(increase) in trade and other receivables	**(71,019)**	2,997	**(4,311)**	591
Increase/(decrease) in trade and other payables	**67,141**	(20,544)	**35,174**	(13,343)
	592	(20,516)	**35,332**	(16,136)
Cash paid and received during the period for:				
Interest paid	**(31,957)**	(27,417)	**(17,345)**	(17,122)
Interest received	**28**	29	**-**	26
Taxes received	**-**	3,134	**-**	3,134
Taxes paid	**(4,649)**	(7,424)	**-**	-
	(36,578)	(31,678)	**(17,345)**	(13,962)
Net cash provided by operating activities	**120,378**	(74,492)	**130,637**	(37,177)

	Year ended 31 December			
	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Cash flows from investing activities:				
Investments in property, plant and equipment	**(197,499)**	(229,403)	**(181,080)**	(223,256)
Loans to related party	**-**	-	**(99,784)**	(5,206)
Cash received from disposal	**12,330**	2,687	**12,330**	2,687
Loans to joint ventures	**(3,506)**	(6,193)	**-**	-
Decrease/ (increase) in restricted and rent deposits	**(53,374)**	(942)	**(53,311)**	(942)
Investment in subsidiary	**-**	-	**(1,760)**	(17,330)
Business combination	**(112,085)**	(44,942)	**-**	-
Net cash used in investing activities	**(354,134)**	(278,793)	**(323,605)**	(244,047)
Cash flows from financing activities:				
Proceeds from bank borrowings	**235,033**	125,001	**156,175**	93,506
Payment of principal portion of lease liabilities	**(18,968)**	(16,325)	**-**	-
Repayment of bank borrowings	**(67,855)**	(45,845)	**(48,594)**	(37,938)
Purchase of treasury shares	**-**	(537)	**-**	(537)
Net cash provided by financing activities	**148,210**	62,294	**107,581**	55,031
(Decrease)/increase in cash and cash equivalents	**(85,546)**	(290,991)	**(85,387)**	(226,193)
Net foreign exchange differences	**836**	(2,287)	**-**	-
Cash and cash equivalents at beginning of year	**425,613**	718,891	**370,878**	597,071
Cash and cash equivalents at end of year	**340,903**	425,613	**285,491**	370,878

Non-cash items:				
Outstanding payable on investments in property, plant and equipment	**21,409**	9,590	**21,146**	9,590

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

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 2021 were established by a decision of the Management Board dated 25 February 2022. 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 52.95% of the registered share capital in the Company. Direct owner of the Company is Dvadeset Osam d.o.o.

The financial statements of the Group are included in the financial statements of PPHE Hotel Group.

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 Smareglina 3, 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 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:

In 2021, the ongoing challenges presented by the pandemic continued to cause severe disruption to the global hospitality sector, with government imposed domestic and international travel restrictions and social distancing measures in place for much of the period. Consequently, as expected, the Group's trading in the first half was severely subdued due to the majority of its properties either temporarily closed or operating at reduced capacity. However, in Q2 2021 travel restrictions were progressively eased across the Group's operating markets.

From June onwards, the increased pace of vaccination programmes, the progressive reopening of borders and the easing of domestic and international travel restrictions allowed for increased demand for travel and tourism across Europe in time for the peak summer season. This resulted in a strong recovery in leisure demand and booking pace across all our operating regions in the third quarter, especially Croatia. In third quarter revenue in Croatia recovered to 93% of the revenue achieved in the same (pre-pandemic) period in 2019, despite the closure of Hotel Brioni during the period due to refurbishment, compared to a fully operational 2019.

By the end of the second quarter, all the Group properties (except for art'otel budapest) were open and some of them trading for the first time since the onset of the pandemic.

The Group continued to take effective action to conserve cash in 2021. Actions mainly included utilisation of government support schemes available to the business across its market, such as "Kurzarbeit" scheme in Germany (amounting to HRK 6.7 million) and support for operating expenses (amounting to HRK 64.2 million). In Croatia, the Group received subsidies which amounted to approximately HRK 23.6 million. Government grants ceased in July 2021.

Furthermore, capital expenditure requirements for the Group's development pipeline have been prioritised, and discretionary spend has been reduced to business-critical investments only. The Board has not recommended a dividend payment to shareholders and future payments will be aligned to the recovery trajectory and performance of the business.

In 2021, the Group further strengthened its liquidity potential through securing HRK 150 million of liquidity loan with Zagrebačka banka d.d. within HBOR's COVID-19 Measures Programme for the portfolio insurance of liquidity loans for exporters. The loan has not been withdrawn during the year, it just represent liquidity reserve in case of need. Furthermore, the Group entered into a long term financing agreement with Erste Group Bank AG to help fund the acquisition of The FRANZ ferdinand Mountain Resort Nassfeld (amounting to EUR 10.5 million).

As at 31 December 2021 the Group continues to hold a strong liquidity position with an overall consolidated cash balance of HRK 340.9 million. Financial covenant testing of existing facilities have been postponed, where appropriate, to 2023.

NOTE 2 SUMMARY OF SIGNIFICANT 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 Croatian Kuna 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 2021 and 31 December 2020 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 2021. 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. All intra-Group balances and transactions, income and expenses, and profits and losses resulting from intra-Group transactions are eliminated in full. Subsidies are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date on which such control ceases.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and presented separately in the income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

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.

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 23.

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. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. 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.

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.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group and the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. 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. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the share of the results of operations of the joint ventures. The Group's and the Company's share of changes in other comprehensive income of the joint venture is recognised in the statement of comprehensive income. Where there has been a change recognised directly in the equity of the joint venture, the Group and the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the Company and the joint venture are eliminated to the extent of the interest in the 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 for at cost less impairment.

h. Foreign currency translation

The functional currency of the Company is the Croatian Kuna. The financial statements are also presented in Croatian Kuna (HRK).

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 Kuna 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 Kuna were prevailing at the indicated reporting dates:

	As at 31 December	
	2021 In HRK	2020 In HRK
Euro	7.52	7.54
Hungarian Forint (100)	2.06	2.06
Serbian dinar	15.64	15.60

The following exchange rates in relation to the Kuna were prevailing at the indicated reporting dates:

	As at 31 December	
	2021 %	2020 %
Euro	(0.3)	1.3
Hungarian Forint (100)	(1.7)	(8.4)
Serbian dinar	0.3	N/A

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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the asset is considered impaired and the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been determined had no impairment loss been previously recognised for the asset (cash-generating unit). A reversal of an impairment loss is recognised as income immediately.

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.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and Company's business model for managing them. The Group and the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 and the Company measures financial assets at amortised cost if both of the following conditions are met:

• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and Company's statement of financial position) when:

• The rights to receive cash flows from the asset have expired

Or

• The Group or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group or the Company has transferred substantially all the risks and rewards of the asset, or (b) the Group or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group or the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group or the Company could be required to repay.

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 two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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 are classified, at initial recognition, as financial liabilities at fair value through profit or loss measured at amortised cost (loans and borrowings and payables), or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's and Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

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.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

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. Key performance indicators

EBITDAR

Earnings before interest, tax, depreciation, amortisation, impairment loss and rental expenses, concession fees of land, share of associate and exceptional items presented as other income and expense (EBITDAR) correspond to revenue less cost of revenues (operating expenses). EBITDAR, together with EBITDA, is used as a key performance indicator.

EBITDA

Earnings before interest, tax, depreciation and amortisation, impairment loss, exceptional items presented as other income and expense (EBITDA) correspond to gross profit after the operating costs of holding leased hotels and campsites under concession.

EBIT

Earnings before interest, tax and exceptional items presented as other income and expense (EBIT) correspond to gross operating profit after the operating costs of holding both leased and owned assets.

Other income and expenses

Other income and expenses relate to income and expenses which do not directly relate to the operating cost of the owned or leased assets, for example negative goodwill or expenses for legal restructuring of the Group and the Company, legal or financial advices, pre-opening expenses etc.

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 Group or a Company are 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 Group and 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 and the Company apply 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.

Significant judgment in determining the lease term of contracts with renewal options

The Group and the Company determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group and the Company apply judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group and the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group and the Company as a 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 19), 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.

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 sametaxation 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.

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 Group and the Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the financial statements of the Group or the Company. The Group and the Company have not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendment to IFRS 16

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no significant impact on the consolidated financial statements of the Group or the Company.

ad. Standards issued but not yet applied

Standards issued but not yet effective, or subject to adoption by the European Union, up to the date of issuance of the financial statements are listed below. This listing of standards issued are those that the Group and the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group and the Company intend to adopt these standards when they become mandatory.

The following standards have been issued by the IASB and are not yet effective or are subject to adoption by the European Union:

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group and the Company are currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment/Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after beginning of the earliest period presented when the Group or the Company first apply the amendment. The amendment is not expected to have a material impact on the Group or the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "Directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Group or the Company.

IFRS 9 Financial Instruments – Fees in the '10%' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Group or the Company.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group or the Company.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Note 3 Significant events during the reported period

Acquisition of the FRANZ Ferdinand Mountain Resort Hotel in Nassfeld, Austria

On 3 December 2021, Arena Hospitality Group d.d. completed the purchase transaction through its subsidiaries Sugarhill Investments B.V. and ARENA FRANZ Ferdinand GmbH and has acquired the FRANZ ferdinand Mountain Resort Nassfeld, a 4-star hotel in Nassfeld, Austria (the "Hotel"). The transaction value amounted to HRK 112.1 million.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of the hotel at the date of acquisition were as follows:

	Fair value recognised on acquisition
	HRK'000
Asset	
Property, plant and equipment	115,346
Inventories	271
	115,617
Liabilities	
Trade and other payables	(3,532)
	(3,532)
Total identifiable net assets at fair value	112,085
Purchase consideration transferred	112,085

From the date of acquisition, FRANZ ferdinand Mountain Resort Nassfeld contributed HRK 3.0 million of revenue and HRK 0.3 million negative to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, the effect on revenues and profit before tax of the Group would have been immaterial.

Note 4 Property, plant and equipment

Group	Land and buildings HRK'000	Furniture, fittings and equipment HRK'000	Property and assets under construction HRK'000	Total HRK'000
Cost:				
Balance as at 1 January 2020	2,778,398	332,890	74,346	3,185,634
Additions during the year	69,550	41,724	115,356	226,630
Business combinations	42,831	1,876	-	44,707
Transfers	40,525	4,350	(44,875)	-
Disposals during the year	(25,965)	(17,490)	(402)	(43,857)
Exchange rate differences	7,682	(505)	15	7,192
Balance as at 31 December 2020	**2,913,021**	**362,845**	**144,440**	**3,420,306**
Accumulated depreciation and impairment:				
Balance as at 1 January 2020	977,922	195,370	-	1,173,292
Provision for depreciation	58,539	28,949	-	87,488
Disposals during the year	(13,115)	(15,354)	-	(28,469)
Exchange rate differences	297	(588)	-	(291)
Balance as at 31 December 2020	**1,023,643**	**208,377**	**-**	**1,232,020**
Net book value as at 31 December 2020	**1,889,378**	**154,468**	**144,440**	**2,188,286**
Cost:				
Balance as at 1 January 2021	2,913,021	362,845	144,440	3,420,306
Additions during the year	8,032	4,690	195,131	207,853
Business combinations	101,393	13,953	-	115,346
Transfers	5,428	-	(5,428)	-
Disposals during the year	(16,770)	(3,292)	(197)	(20,259)
Exchange rate differences	(1,812)	(275)	(61)	(2,148)
Balance as at 31 December 2021	**3,009,292**	**377,921**	**333,885**	**3,721,098**
Accumulated depreciation and impairment:				
Balance as at 1 January 2021	1,023,643	208,377	-	1,232,020
Provision for depreciation	58,020	29,513	-	87,533
Disposals during the year	(13,777)	(2,884)	-	(16,661)
Exchange rate differences	(89)	(161)	-	(250)
Balance as at 31 December 2021	**1,067,797**	**234,845**	**-**	**1,302,642**
Net book value as at 31 December 2021	**1,941,495**	**143,076**	**333,885**	**2,418,456**

a. There was no capitalisation of borrowing costs in 2021 or 2020.
b. For information regarding liens, see Note 13.

Impairment

The recoverable amount of property, plant and equipment was determined based on the third party valuations received for 31 December 2021. The projections in the valuations are based on financial budgets for 2021 approved by the management, and expectation of the valuator for the period after 2022. The discount rates applied to cash flow projections was determined by the third party valuator and ranges between 8.5%-11%. Determined values of the properties were higher than net book value of all individual properties resulting with no impairment during the year.

Company	Land and buildings HRK'000	Furniture, fittings and equipment HRK'000	Property and assets under construction HRK'000	Total HRK'000
Cost:				
Balance as at 1 January 2020	2,172,071	243,067	72,996	2,488,134
Additions during the year	69,550	39,514	112,094	221,158
Transfer	40,525	4,350	(44,875)	-
Disposals during the year	(25,639)	(17,217)	-	(42,856)
Balance as at 31 December 2020	**2,256,507**	**269,714**	**140,215**	**2,666,436**
Accumulated depreciation and impairment:				
Balance as at 1 January 2020	954,717	157,303	-	1,112,020
Provision for depreciation	50,823	18,545	-	69,368
Disposals during the year	(13,115)	(15,192)	-	(28,307)
Balance as at 31 December 2020	**992,425**	**160,656**	**-**	**1,153,081**
Net book value as at 31 December 2020	**1,264,082**	**109,058**	**140,215**	**1,513,355**
Cost:				
Balance as at 1 January 2021	2,256,507	269,714	140,215	2,666,436
Additions during the year	4,230	2,657	184,696	191,583
Transfer	5,428	-	(5,428)	-
Disposals during the year	(16,770)	(3,060)	(196)	(20,026)
Balance as at 31 December 2021	**2,249,395**	**269,311**	**319,287**	**2,837,993**
Accumulated depreciation and impairment:				
Balance as at 1 January 2021	992,425	160,656	-	1,153,081
Provision for depreciation	49,639	20,502	-	70,141
Disposals during the year	(13,777)	(2,735)	-	(16,512)
Balance as at 31 December 2021	**1,028,287**	**178,423**	**-**	**1,206,710**
Net book value as at 31 December 2021	**1,221,108**	**90,888**	**319,287**	**1,631,283**

a. There was no capitalisation of borrowing costs in 2021 or 2020.
b. For information regarding liens, see Note 13.

Impairment

The recoverable amount of property, plant and equipment was determined based on the third party valuations received for 31 December 2021. The projections in the valuations are based on financial budgets for 2021 approved by the management, and expectation of the valuator for the period after 2022. The discount rates applied to cash flow projections was determined by the third party valuator and ranges between 9%-11%. Determined values of the properties were higher than net book value of all individual properties resulting with no impairment during the year.

Note 5 Intangible assets

Group	Software and licences HRK'000	Total HRK'000
Cost:		
Balance as at 1 January 2020	8,613	8,613
Additions during the year	690	690
Business combinations	131	131
Disposals during the year	(48)	(48)
Balance as at 31 December 2020	**9,386**	**9,386**
Accumulated amortisation:		
Balance as at 1 January 2020	7,548	7,548
Provision for amortisation	479	479
Disposals during the year	(48)	(48)
Balance as at 31 December 2020	**7,979**	**7,979**
Net book value as at 31 December 2020	**1,407**	**1,407**
Cost:		
Balance as at 1 January 2021	9,386	9,386
Additions during the year	1,467	1,467
Disposals during the year	(6)	(6)
Exchange rate differences	(1)	(1)
Balance as at 31 December 2021	**10,846**	**10,846**
Accumulated amortisation:		
Balance as at 1 January 2021	7,979	7,979
Provision for amortisation	706	706
Disposals during the year	(6)	(6)
Balance as at 31 December 2021	**8,679**	**8,679**
Net book value as at 31 December 2021	**2,167**	**2,167**

Company	Software and licences HRK'000	Total HRK'000
Cost:		
Balance as at 1 January 2020	8,613	8,613
Additions during the year	690	690
Disposals during the year	(48)	(48)
Balance as at 31 December 2020	**9,255**	**9,255**
Accumulated amortisation:		
Balance as at 1 January 2020	7,548	7,548
Provision for amortisation	479	479
Disposals during the year	(48)	(48)
Balance as at 31 December 2020	**7,979**	**7,979**
Net book value as at 31 December 2020	**1,276**	**1,276**
Cost:		
Balance as at 1 January 2021	9,255	9,255
Additions during the year	1,055	1,055
Disposals during the year	(6)	(6)
Balance as at 31 December 2021	**10,304**	**10,304**
Accumulated amortisation:		
Balance as at 1 January 2021	7,979	7,979
Provision for amortisation	627	627
Disposals during the year	(6)	(6)
Balance as at 31 December 2021	**8,600**	**8,600**
Net book value as at 31 December 2021	**1,704**	**1,704**

Note 6 Interest in joint ventures

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

	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Loan to joint ventures*	**46,832**	42,558	**-**	-
Share of net assets under equity method	**(8,131)**	(2,729)	**-**	-
Interest in joint ventures	**38,701**	39,829	**-**	-

* €5.2 million of the loan is denominated in Euro and bears an interest rate of LIBOR +2.5% per annum. This loan is due for repayment on 7 June 2023 in full (bullet). The increase during 2021 is the result of new loan given to fund operations.

Note 7 Other non-current financial assets

	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Rent deposit	**3,100**	3,109	**-**	-
Investment in Sugarhill Investments B.V.	**-**	-	**524,141**	524,141
Loan to Germany Real Estate B.V.	**-**	-	**144,227**	144,605
Loan to Sugarhill Investments B.V.	**-**	-	**99,226**	5,276
Investment in Ulika d.o.o.	**-**	-	**19,143**	17,393
Loan to Ulika d.o.o.	**-**	-	**5,800**	-
Investment in Mazurana d.o.o.	**-**	-	**40**	30
	3,100	3,109	**792,577**	691,445

Note 8 Trade receivables

a. Composition

	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Trade receivables	**14,268**	11,580	**9,596**	5,993
Less – allowance for doubtful debts	**(3,311)**	(3,279)	**(3,261)**	(3,274)
	10,957	8,301	**6,335**	2,719

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

	Group	Company
	HRK' 000	**HRK' 000**
As at 31 December 2020	3,279	3,274
Additions/ (deductions)	32	(13)
As at 31 December 2021	**3,311**	**3,261**

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

			Past due			
Group	**Total HRK'000**	**Undue HRK'000**	**< 30 days HRK'000**	**30 to 60 days HRK'000**	**60 to 90 days HRK'000**	**> 90 days HRK'000**
2021	10,957	6,681	1,411	1,944	424	497
2020	8,301	3,519	1,122	440	372	2,848

			Past due			
Company	**Total HRK'000**	**Undue HRK'000**	**< 30 days HRK'000**	**30 to 60 days HRK'000**	**60 to 90 days HRK'000**	**> 90 days HRK'000**
2021	6,335	3,683	767	1,394	93	398
2020	2,719	1,817	56	132	242	472

Note 9 Other receivables and prepayments

	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Prepaid expenses	**9,773**	5,115	**1,874**	1,807
Receivable for grants, VAT and other taxes	**29,080**	4,408	**3,243**	2,869
Receivable from related parties	**-**	794	**13,805**	8,006
Other receivables	**43,404**	2,703	**-**	-
	82,257	13,020	**18,922**	12,682

Group's other receivables mostly refer to receivables for government grants in Germany, amounting to HRK 42,686 thousand. Approximately 75% of the grants receivable was received at the beginning of 2022.

Note 10 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 11 Equity

a. Share capital:

As at 31 December 2021, the Company's share capital amounted to HRK 102,574,420 (2020: HRK: 102,574,420) and was divided into 5,128,721 (2020: 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 and the change in fair value of the available-for-sale financial assets. 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 2021, legal reserves amounted to HRK 5,1 million (2020: HRK 5.1 million).

As at 31 December 2021, the consolidated other reserves amounting to HRK 318.6 million (2020: HRK 317.0 million) consisted of:

(i) Capital reserves of HRK 617.8 million (2020: 617.8 million).

(ii) Revaluation reserves formed from unrealised fair value gains on available-for-sale financial assets of HRK 107,310 (2020: HRK 130,305).

(iii) Legal reserves amounting to HRK 5.1 million (2020.: 5.1 million).

(iv) Other capital reserves which amount to HRK 329.4 million (2020: 329.4 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.

(v) 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 HRK 23.0 million was directly recognised in other reserves.

(vi) Negative exchange rate differences in the amount of HRK 1.9 million (2020: 1.9 million).

(vii) Treasury shares amounting to HRK 16.9 million negative (2020: 16.9 million negative).

(viii) Reserves for treasury shares amounting to HRK 16.9 million (2020: 16.9 million). These reserves are formed from Capital reserves.

(ix) Reserves for share option amounting to HRK 3.0 million (2020: 1.4 million).

As at 31 December 2021, the Company's other reserves amounting to HRK 559.0 million (2020: HRK 557.4 million) consisted of:

(i) Other capital reserves amounting to HRK 527.8 million (2020: HRK 527.8 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 HRK 23.0

million has been directly recognised in other reserves.

(iii) Revaluation reserves formed from unrealised fair value gains on available-for-sale financial assets of HRK 107,310 (2020: HRK 130,305).

(iv) Treasury shares amounting to HRK 16.9 million negative (2020: 16.9 million negative).

(v) Reserves for treasury shares amounting to HRK 16.9 million (2020: 16.9 million). These reserves are formed from Other capital reserves.

(vi) Reserves for share option amounting to HRK 3.0 million (2020: 1.4 million).

Note 12 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 2021 was 1.6 million (2020: HRK 1.4 million). Fair value of the option was determined based on the market price of the shares at grant date.

Note 13 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 HRK 1,685,880 thousand (2020: 1,327,751 thousand).

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 38 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 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 11.5 million. This facility includes a guarantee issued by PPHE Hotel Group for the full outstanding debt under the loan. The Company has provided a back-to-back guarantee to PPHE Hotel Group as of 1 January 2018.

c. Lease agreements

The Group operates city hotels (in Germany and Hungary) 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 25 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 primarily reflect the variable lease payments.

Note 14 Bank borrowings

The bank borrowings of the Group are comprised as follows:

	As at 31 December 2021		
Currency	Outstanding amount in HRK'000	Interest rate	Maturity
EUR	956,016	1.95-4.3%	2023-2033
HRK	271,092	1.90-2.6%	2033
	1,227,108		
Accrued interest	6,205		
Capitalised transaction costs	(3,870)		
Total	**1,229,443**		

	Maturity analysis					
Outstanding amount HRK	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
1,227,108	71,508	94,445	81,470	96,960	277,580	605,145

For securities and pledges, see Note 13.

During 2021 the Group entered into a HRK 78.9 million (EUR 10.5 million) facility, maturing in 2033, with Erste Group Bank AG for the purpose of acquiring hotel FRANZ Ferdinand Mountain Resort in Nassfeld (Austria). Furthermore, the Group signed a HRK 150 million (EUR 20 million) facility agreement with fixed interest rate of 0.9%, maturing in 2025, with Zagrebačka banka as part of HBOR's programme for insurance of liquidity portfolio for exporters related with COVID-19 measurements. As at year-end 2021 the loan remained undrawn. One of fees included in contract is insurance fee in amount HRK 3.8 million for which Group has received government grant. According to IAS 20 these revenues and expenses are treated per nett principle.

	As at 31 December 2020		
Currency	Outstanding amount in HRK'000	Interest rate	Maturity
EUR	836,912	1.95-4.3%	2023-2030
HRK	225,268	1.90-1.95%	2027
	1,062,180		
Accrued interest	6,202		
Capitalised transaction costs	(2,129)		
Total	**1,066,253**		

	Maturity analysis					
Outstanding amount HRK	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
1,062,180	69,758	64,150	80,264	67,286	82,811	697,911

For securities and pledges, see Note 13.

The bank borrowings of the Company are comprised as follows:

	As at 31 December 2021		
Currency	Outstanding amount in HRK'000	Interest rate	Maturity
EUR	501,726	1.95-2.6%	2023-2033
HRK	271,092	1.90-2.6%	2033
	772,818		
Accrued interest	5,926		
Capitalised transaction costs	(1,907)		
Total	**776,837**		

	Maturity analysis					
Outstanding amount HRK	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
772,818	54,342	74,699	55,906	55,906	55,906	476,059

For securities and pledges, see Note 13.

	As at 31 December 2020		
Currency	Outstanding amount in HRK'000	Interest rate	Maturity
EUR	441,276	1.95-2.4%	2023-2030
HRK	225,268	1.90-1.95%	2027
	666,544		
Accrued interest	6,193		
Capitalised transaction costs	(535)		
Total	**672,202**		

	Maturity analysis					
Outstanding amount HRK	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
666,544	48,645	48,645	63,300	44,457	44,457	417,040

For securities and pledges, see Note 13.

The COVID-19 pandemic has materially disrupted the Group's and the Company's business in 2021, the Group and the Company obtained the necessary waivers from its lenders and in this way ensured there was no breach of its regular covenants, which are 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 5.5 at year end 2019, is equal to or lower than 5.0 at year end 2020, 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.

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 consolidated 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 5.5 at year end 2019, is equal to or lower than 5.0 at year end 2020, 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. 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.

c. Under the Erste Banka d.d. EUR 5.0 million and EUR 10.2 million facilities, the borrower must ensure throughout the entire term of the loan that the interest coverage ratio ('ICR') is at least 3.0 times EBITDA and net leverage which is equal to or lower than 7.0 at year end 2022 and equal or lower than 4.5 thereafter. The testing of the covenants has to be performed for the first time until end of June 2023 using the audited consolidated financial statements for the immediately preceding financial year.

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 consolidated covenants, tested once a year using audited financial statements for the preceding year: DSCR 1 is equal to or greater than 3.0 until 2022 and 3.5 from 2023 onwards. 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, the testing of which starts for the 2023 financial year end and onwards. The amount of the loan cannot exceed 70% of the property used as collateral. The withdrawal of the loan is also subject to a deposit of up to EUR 7.0 million, which has a release mechanism embedded subject to certain defined conditions. The equity ratio has to be at least 30%. As at year-end 2021 EUR 3.2 of the loan remained undrawn and the rest (EUR 20.8 million) was drawn during 2021.

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 6.0 at year end 2021 and equal to or lower than 4.5 at year end 2022 and onwards. 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. The Company cannot pay dividend until year-end 2021 (and in line with the contractual limitations for entities that used Government support during the pandemic) and a dividend basket or purchase of treasury shares of HRK 25.0 million until year end 2022. No limitations on profit distribution thereafter. As at year-end 2021 EUR 5.0 million was drawn.

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 1.80. The covenants have been waived and the next testing of the covenants is set for year-end 2022.

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. The covenants have been waived and the next testing of the covenants is set for year-end 2022.

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 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.

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 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 amount of the loan cannot exceed 75% of the property used as collateral starting year end 2021 to year end 2023. It has also comply with following soft covenants: from year end 2024 onwards DSCR (projected and historical) should be equal 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% at the year end 2026.

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 borrower must ensure that DSCRC is equal or greater than 3.5 at year end 2023 and onwards and that ratio of financial debt and EBITDA should be maximum 4.5 at year end 2023 and onwards. Covenants are calculated based on audited annual consolidated 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. This is not applicable if loan is undrawn which is case at year end 2021.

The above mentioned loans in Croatia have an interest rate ranging between 1.9% and 2.6%, 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 13.

As at 31 December 2021, the Group and the Company are in compliance with all its banking covenants, except those waived.

Note 15 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 20 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 HRK'000
Cost:	
Balance as at 1 January 2020	234,727
Additions during the year	106,856
Disposals during the year	-
Exchange rate differences	(10,778)
Balance as at 31 December 2020	**330,805**
Accumulated amortisation:	
Balance as at 1 January 2020	19,706
Provision for amortisation	20,645
Impairment loss	23,343
Disposals during the year	-
Exchange rate differences	(729)
Balance as at 31 December 2020	**62,965**
Net book value as at 31 December 2020	**267,840**
Cost:	
Balance as at 1 January 2021	330,805
Additions during the year	10,274
Disposals during the year	-
Exchange rate differences	(898)
Balance as at 31 December 2021	**340,181**
Accumulated amortisation:	
Balance as at 1 January 2021	62,965
Provision for amortisation	15,405
Disposals during the year	-
Exchange rate differences	(321)
Balance as at 31 December 2021	**78,049**
Net book value as at 31 December 2021	**262,132**

The amount of borrowing costs capitalised during the year ended 31 December 2021 was HRK 1,905 thousand (2020: 1,718 thousand).

b. Lease liability

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Group	Lease liability HRK'000
Balance as at January 1 2020	221,981
Additions during the year	105,138
Accretion of interest	6,104
Payments	(17,533)
Exchange rate differences	7,740
Balance as at 31 December 2020	**323,430**
Balance as at January 1 2021	323,430
Additions during the year	8,369
Accretion of interest	5,987
Rent waiver	(4,500)
Payments	(22,296)
Exchange rate differences	(556)
Balance as at 31 December 2021	**310,434**

The maturity analysis of lease liabilities are disclosed below:

As at 31 December 2021	Maturity analysis					
Outstanding amount HRK	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
310,434	31,613	25,407	25,772	25,984	10,203	191,455

As at 31 December 2020	Maturity analysis					
Outstanding amount HRK	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
323,430	37,738	21,847	24,521	24,887	25,168	189,269

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 2021 based on variable element of the agreement (2020: Nil).

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 2021, the Group realised rental income in the amount of HRK 10.6 million (2020: HRK 5.2 million), while the Company realised rental income in the amount of HRK 10.4 million (2020: HRK 4.6 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 2021 are as follows:

	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Up to 1 year	**10,361**	7,266	**10,361**	7,266
From 2 to 5 years	**15,350**	17,781	**15,350**	17,781
Over 5 years	**613**	664	**613**	664
	26,324	25,711	**26,324**	25,711

Note 16 Provisions

	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Provision for concessions land	**45,358**	45,358	**45,358**	45,358
Provision for litigation	**-**	-	**-**	-
	45,358	45,358	**45,358**	45,358

Movements in the Provisions were as follows

	Group	Company
	HRK' 000	**HRK' 000**
As at 31 December 2020	45,358	45,358
Additions	-	-
Used	-	-
Reversed	-	-
As at 31 December 2021	**45,358**	**45,358**

Tourist land provisions and obligations
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 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 ex lege 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, the Government has still not adopted the secondary level regulation that would govern the rent payable by the lessees for such lease nor have the procedures required for the implementation of the Act and actual registration of the ownership over the respective part of land in campsites / tourist resorts been completed. This creates 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. As the new NCLA has not yet set the rules for the rent payable based on the lease agreement, the Company made assessment of concession fees in the most prudent manner based on the most up to date available information. Concession fee liability for 2021 was recognized in the Balance sheet under short term liabilities. New way of calculation concession fee almost doubled Company's yearly expense compared to expenses in pre-covid period. There was no payment of concession fee during 2021.

Note 17 Other payables and accruals

	As at 31 December			
	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Received advances	**11,758**	9,492	**4,249**	4,523
Employees	**17,581**	7,798	**15,324**	7,141
Accrued fee for the tourist land concession	**21,022**	5,227	**21,022**	5,227
Accrued expenses	**33,283**	4,022	**27,030**	765
VAT and taxes	**4,928**	978	**2,987**	650
Other	**1,362**	572	**387**	325
	89,934	28,089	**70,999**	18,631

Tehnoekologija settlement
Tehnoekologija d.o.o. in bankruptcy (hereinafter: TE or the plaintiff) initiated in 2013 a litigation procedure before the Commercial Court in Rijeka as 1st instance court against Arenaturist d.d. (today Arena Hospitality Group d.d; hereinafter: the Company) and the Republic of Croatia for the compensation of the investments the plaintiff supposedly had made in the campsite Kažela, Medulin. Campsite Kažela was in the period between 1998 and 2005 operated by the plaintiff based on the lease agreement entered into between AHG and TE and in the period between 2007 and 2010 based on the agreement concluded with the Republic of Croatia (via Croatian Privatisation Fund). The amount of compensation the plaintiff asks from the court to be ordered to be compensated is currently set at HRK 45 million.
The case is again pending before the 1st instance court after sending the previously reached 1st instance decision back by the appeal court in 2019. This litigation case is associated with a complex background and historically long period of interconnected relationships between the plaintiff, the Republic of Croatia and the Company. In course of 2021 the plaintiff and the court appointed expert presented new information and evidence based on which the Management of the Company decided to engage in negotiations with the plaintiff on reaching the settlement in this case. The Company, the Republic of Croatia and the plaintiff are currently in advanced stage of negotiations on the settlement that would end this litigation case as well as another litigation initiated by the same plaintiff against the Company for the damage compensation before the Commercial court in Pazin. The agreement on high level has been reached that the Company would make a payment of HRK 26 million in 2022 to the plaintiff which would in turn end both litigation cases. The signing of the settlement agreement and closure of the litigations are expected at the end of Q1 2022.
During 2021 the Company accrued total amount of HRK 26 million of the settlement expenses.

Note 18 Revenues

	As at 31 December			
	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Accommodation	**383,952**	192,399	**333,765**	134,645
Food and beverages	**48,176**	25,494	**39,301**	15,191
Minor operating revenues*	**17,940**	15,226	**18,005**	13,218
Rent revenue	**10,631**	5,195	**10,446**	4,631
	460,699	238,314	**401,517**	167,685

* €5.2 million of the loan is denominated in Euro and bears an interest rate of LIBOR +2.5% per annum. This loan is due for repayment on 7 June 2023 in full (bullet). The increase during 2021 is the result of new loan given to fund operations.

Note 19 Operating expenses

	As at 31 December			
	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Salaries and related expenses	**194,475**	161,812	**144,333**	106,342
Government grants payroll	**(33,625)**	(48,575)	**(23,578)**	(37,119)
Franchise fees, reservation and commissions	**29,747**	17,503	**23,682**	9,912
Utilities	**28,628**	22,154	**20,701**	14,467
Food and beverage	**22,325**	10,455	**18,719**	7,244
Marketing expenses	**21,619**	11,828	**19,035**	8,698
Administration costs	**19,223**	16,517	**13,148**	10,737
Maintenance	**16,836**	14,805	**13,959**	12,023
Insurance and property taxes	**10,071**	14,505	**7,222**	11,980
Supplies	**6,252**	3,649	**5,149**	2,582
IT expenses	**5,262**	4,167	**4,167**	3,238
Laundry, linen and cleaning	**4,189**	4,640	**2,586**	2,768
Travel and transport	**3,570**	2,779	**2,554**	1,798
Management fee	**-**	-	**13,451**	3,680
Government grants fixed costs	**(64,202)**	-	**-**	-
Other expenses	**16,757**	13,983	**6,657**	5,422
	281,127	250,222	**271,785**	163,772

The Group's other expenses include auditors fees in amount of HRK 1,081 thousand (2020: 1,062 thousand), auditors fees for the half year review of HRK 68 thousand (2020: 68 thousand) and HRK 53 thousand for audit of remuneration report. In addition, the Group engaged tax consultants and the tax consultancy expenses for 2021 sum up to a total amount of HRK 495 thousand (2020: 141 thousand).

The Company's other expenses include auditors fees in amount of HRK 497 thousand (2020: 497 thousand), auditors fees for the half year review of HRK 68 thousand (2020: 68 thousand) and 53 thousand for audit of remuneration report. In addition, the Company engaged the tax consultants and tax consultancy expenses for 2021 sum up to a total amount of HRK 72 thousand (2020: 72 thousand).

Note 20 Financial expenses

	As at 31 December			
	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Interest and other finance expenses on bank loans	**26,658**	22,141	**15,705**	13,250
Exchange rate differences	**696**	15,626	**-**	-
Interest on lease liability	**(418)**	4,386	**-**	-
Penalty interest	**228**	2,695	**-**	2,695
Other	**292**	199	**-**	2
	27,456	45,047	**15,705**	15,947

Interest on lease liability are presented on net basis together with rent waiver received in Hungary in the amount of HRK 4,500 thousands.

Note 21 Financial income

	As at 31 December			
	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Interest revenue on loans given to joint ventures	**883**	807	**-**	-
Other financial revenue	**28**	29	**23**	26
Exchange rate differences	**-**	-	**42**	1,929
Interest revenue on related party loan	**-**	-	**5,537**	5,125
	911	836	**5,602**	7,080

Note 22 Other expenses/income

	Year ended 31 December			
	Group		Company	
a. Other expense	**2021 HRK' 000**	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Disposal of fixed assets	**1,063**	14,195	**620**	13,279
Tehnoekologija settlement expenses (Note 17)	**26,000**	-	**26,000**	-
Riviera settlement expenses	**-**	13,090	**-**	13,090
Pre-opening expenses	**1,610**	1,043	**1,610**	1,043
Business combination acquisition costs	**2,695**	-	**-**	-
Other expenses	**1,993**	3,934	**552**	1,200
	33,361	32,262	**28,782**	28,612

	Year ended 31 December			
	Group		Company	
b. Other income	**2021 HRK' 000**	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Profit of disposed fixed assets	**9,457**	1,430	**9,457**	1,430
	9,457	1,430	**9,457**	1,430

Note 23 Income tax

a. Tax (benefit)/expense included in the income statement

	As at 31 December			
	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Current taxes	**3,412**	2,094	**-**	-
Deferred taxes	**(31,866)**	(7,068)	**(31,866)**	(5,106)
	(28,454)	(4,974)	**(31,866)**	(5,106)

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 HRK'000	Timing difference on provisions and accruals HRK'000	Property, plant and equipment HRK'000	Tax Incentives for Investments HRK'000	Total HRK'000
Balance as at 31 December 2019	613	3,295	13,457	41,285	58,650
Amounts credited to income statement	1,960	839	-	9,475	12,274
Amounts charged to income statement	-	(978)	(4,230)	-	(5,208)
Adjustment for exchange rate differences	(2)	-	-	-	(2)
Balance as at 31 December 2020	**2,571**	**3,156**	**9,227**	**50,760**	**65,714**
Amounts credited to income statement	30,852	4,327	-	-	35,179
Amounts charged to income statement	-	(445)	(2,869)	-	(3,314)
Balance as at 31 December 2021	**33,423**	**7,038**	**6,358**	**50,760**	**97,579**

The following are the major deferred tax (liabilities) and assets recognised by the Company and changes therein during the period:

	Tax loss carry forward HRK'000	Timing difference on provisions and accruals HRK'000	Property, plant and equipment HRK'000	Tax Incentives for Investments HRK'000	Total HRK'000
Balance as at 31 December 2019		3,295	13,457	41,285	58,037
Amounts credited to income statement	-	839	-	9,475	10,314
Amounts charged to income statement	-	(978)	(4,230)	-	(5,208)
Balance as at 31 December 2020	**-**	**3,156**	**9,227**	**50,760**	**63,143**
Amounts credited to income statement	30,852	4,327	-	-	35,179
Amounts charged to income statement	-	(445)	(2,869)	-	(3,314)
Balance as at 31 December 2021	**30,852**	**7,038**	**6,358**	**50,760**	**95,008**

c. Reconciliation between tax (benefit)/expense and the product of accounting profit multiplied by the Company's tax rate is as follows:

	As at 31 December			
	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Profit/(loss) before income taxes	**3,060**	(232,257)	**13,751**	(108,278)
Expected tax at the tax rate of Croatia 18% (2020: 18%)	**551**	(41,806)	**2,475**	(19,490)
Adjustments in respect of:				
Effect of other Countries tax rate	**(1,841)**	(179)	**-**	-
Non-deductible expenses	**2,147**	7,814	**228**	224
Utilisation of carry forward losses for which deferred tax assets were not previously recorded	**(391)**	(4,932)	**-**	-
Income tax from previous years	**503**	-	**-**	-
Non-taxable income	**(7,610)**	(6,094)	**(4,840)**	(6,094)
Increase in Tax Incentives in the period	**-**	(9,475)	**-**	(9,475)
Carry forward losses on which deferred tax asset has not been recognized	**7,917**	49,698	**-**	29,729
Deferred tax asset created on tax losses from previous periods	**(29,730)**	-	**(29,729)**	-
Income tax (benefit)/expense reported in the income statement	**(28,454)**	(4,974)	**(31,866)**	(5,106)

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 2028. 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.

During 2021 the Company has invested in Hotel Brioni. Since tax credit granted with the investment significantly exceeding expected future tax liability in periods in which tax credit can be utilized, deferred tax asset have not been recognized. Total unused tax credit granted from the moment when the Company became eligible to claim incentives, amounted to HRK 94.6 million. Deferred tax asset was recognized partly in the amount of HRK 50.8 million

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%.

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 HRK 171.4 million. Deferred tax assets was recognised in the amount of HRK 30.9 million.

Other subsidies in Croatia have carry forward losses for tax purposes at the balance sheet date in the total amount of HRK 23.0 million. Deferred tax assets was partly recognised in the amount of HRK 2.0 million.

The Group has carry forward losses for tax purposes at the balance sheet date in Germany in the amount of HRK 133.2 million for corporation tax and amount of HRK 106.7 for trade tax purposes. Deferred tax assets were partially recognised in the amount of HRK 0.6 million.

Note 24 Earnings per share

The following reflects the income and number of shares data used in the basic earnings per share computations:

	As at 31 December			
	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Profit/(loss) for the year	**31,514**	(227,283)	**45,617**	(103,172)
Weighted average number of ordinary shares outstanding	**5,083,552**	5,084,206	**5,083,552**	5,084,206
Basic and diluted earnings per share	**6.20**	(44.70)	**8.97**	(20.29)

Basic earnings per share is equal to diluted earnings per share.

Note 25 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 2021					
Group	Hotels HRK'000	Self-catering holiday apartment complexes HRK'000	Campsites HRK'000	Central Services HRK'000	Elimination HRK'000	Total HRK'000
Revenue						
Third party	213,010	77,116	165,203	5,370	-	460,699
Inter segment	-	-	-	64,886	(64,886)	
Total revenue	213,010	77,116	165,203	70,256	(64,886)	460,699
Segment EBITDA	85,011	23,552	70,211	(15,326)	-	163,448
Depreciation and amortisation	(59,360)	(15,068)	(24,493)	(4,723)	-	(103,644)
Financial expenses						(27,456)
Financial income						911
Other expenses						(33,361)
Other income						9,457
Share in result of joint venture						(6,295)
Profit/(loss) before tax						**3,060**

	Croatia HRK'000	Germany HRK'000	CEE HRK'000	Total HRK'000
Geographical information Non-current assets[1]	1,642,758	606,052	169,646	2,418,456

1 Non-current assets for this purpose consist of property, plant and equipment.

	Year ended 31 December 2020					
Group	Hotels HRK'000	Self-catering holiday apartment complexes HRK'000	Campsites HRK'000	Central Services HRK'000	Elimination HRK'000	Total HRK'000
Revenue						
Third party	129,576	28,042	75,660	5,036	-	238,314
Inter segment	-	-	-	48,825	(48,825)	
Total revenue	129,576	28,042	75,660	53,861	(48,825)	238,314
Segment EBITDA	(12,381)	(3,838)	14,828	(16,866)	-	(18,257)
Depreciation and amortisation	(64,606)	(13,308)	(26,196)	(4,502)	-	(108,612)
Impairment loss	(23,343)	-	-	-	-	(23,343)
Financial expenses						(45,047)
Financial income						836
Other expenses						(32,262)
Other income						1,430
Share in result of joint venture						(7,002)
Profit/(loss) before tax						**(232,257)**

	Croatia HRK'000	Germany HRK'000	CEE HRK'000	Total HRK'000
Geographical information Non-current assets[1]	1,517,764	621,163	49,359	2,188,286

1 Non-current assets for this purpose consist of property, plant and equipment.

	Year ended 31 December 2021					
Company	Hotels HRK'000	Self-catering holiday apartment complexes HRK'000	Campsites HRK'000	Central Services HRK'000	Elimination HRK'000	Total HRK'000
Revenue						
Third party	148,898	77,116	165,203	10,300	-	401,517
Inter segment	-	-	-	45,686	(45,686)	
Total revenue	148,898	77,116	165,203	55,986	(45,686)	401,517
Segment EBITDA	33,868	23,552	70,212	(13,688)	-	113,944
Depreciation and amortisation	(27,604)	(15,068)	(24,493)	(3,600)	-	(70,765)
Financial expenses						(15,705)
Financial income						5,602
Other expenses						(28,782)
Other income						9,457
Profit/(loss) before tax						**13,751**
Non-current fixed assets	839,225	359,802	354,221	78,035	-	1,631,283

All the Company's non-current assets are located in Croatia.

	Year ended 31 December 2020					
Company	Hotels HRK'000	Self-catering holiday apartment complexes HRK'000	Campsites HRK'000	Central Services HRK'000	Elimination HRK'000	Total HRK'000
Revenue						
Third party	54,973	28,042	75,660	9,010	-	167,685
Inter-segment	-	-	-	37,568	(37,568)	-
Total revenue	54,973	28,042	75,660	46,578	(37,568)	167,685
Segment EBITDA	(7,926)	(3,838)	14,828	(5,446)	-	(2,382)
Depreciation and amortisation	(27,590)	(13,308)	(26,196)	(2,753)	-	(69,847)
Financial expenses						(15,947)
Financial income						7,080
Other expenses						(28,612)
Other income						1,430
Profit/(loss) before tax						**(108,278)**
Non-current fixed assets	682,515	374,694	379,294	76,852	-	1,513,355

All the Company's non-current assets are located in Croatia.

Note 26 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 52.95% of the Company's shares as at 31 December 2021. 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

	As at 31 December			
	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Assets:				
Short-term receivables – Park Plaza Hotels Europe B.V.	**-**	794	**-**	681
Short-term receivables – from joint ventures	**68**	572	**-**	-
Short-term receivables - Park Plaza (Germany) Services GmbH	**-**	-	**2**	-
Short-term receivables – PPHE Nuernberg Operator Hotelbetriebsgesellschaft mbh	**-**	-	**63**	49
Short-term receivables - Arena 88 rooms d.o.o.	**-**	-	**208**	-
Short-term receivables - Arena Franz Ferdinand GmbH	**-**	-	**1,379**	-
Short-term receivables – Arena Hospitality Management d.o.o.	**-**	-	**736**	1,426
Short-term receivables – Ulika d.o.o.	**-**	-	**47**	-
Short-term receivables – Germany Real Estate B.V.	**-**	-	**9,993**	5,679
Short-term receivables – Sugarhill Investments B.V.	**-**	-	**1,376**	171
Long-term loans to joint ventures	**46,832**	42,558	**-**	-
Long-term loans to Sugarhill Investments B.V.	**-**	-	**99,226**	5,276
Long-term loans to Ulika d.o.o.	**-**	-	**5,800**	-
Long-term loans to Germany Real Estate B.V.	**-**	-	**144,227**	144,605
Liabilities:				
Trade payables – Arena Hospitality Management d.o.o.	**-**	-	**4,655**	-
Trade payables – PPHE (Germany) B.V.	**16,115**	13,181	**-**	-
Trade payables – Park Plaza Hotels Europe B.V.	**2,432**	702	**2,432**	702

b. Transactions with related parties

	Year ended 31 December			
	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Management fee revenue from joint ventures	**471**	507	**-**	-
Service charge revenue – joint ventures	**1,246**	1,534	**-**	-
Reimbursement of employee expenses – Arena Hospitality Management d.o.o.	**-**	-	**6,745**	6,606
Reimbursement of marketing and other expenses – Park Plaza Hotels Europe B.V.	**-**	797	**-**	797
Interest income – Ulika d.o.o.	**-**	-	**12**	-
Interest income – joint ventures	**883**	807	**-**	-
Interest income – Sugarhill Investments B.V.	**-**	-	**1,206**	171
Interest income – Germany Real Estate B.V.	**-**	-	**4,319**	4,954
Management fees expense – Arena Hospitality Management d.o.o.	**-**	-	**13,451**	3,680
Sales and marketing fees – Park Plaza Hotels Europe B.V.	**15,660**	6,331	**15,660**	6,331
Sales and marketing fees – PPHE (Germany) B.V.	**2,340**	2,986	**-**	-

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 2021:

Group and Company	Base salary and fees HRK'000	Bonus HRK'000	Pension contributions HRK'000	Other benefits HRK'000	Total HRK'000
Management Board	5,707	-	708	771	7,186
Supervisory Board	903	-	99	-	1,002
	6,610	**-**	**807**	**771**	**8,188**

Compensation to key management personnel (Management and Supervisory Board members) for the year ended 31 December 2020:

Group and Company	Base salary and fees HRK'000	Bonus HRK'000	Pension contributions HRK'000	Other benefits HRK'000	Total HRK'000
Management Board	5,122	-	623	688	6,433
Supervisory Board	897	-	99	-	996
	6,019	**-**	**722**	**688**	**7,429**

Note 27 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 2021 HRK'000	Cash flows HRK'000	Reclassification HRK'000	Foreign exchange movement HRK'000	New loans HRK'000	Other HRK'000	31 December 2021 HRK'000
Non-current interest- bearing loans	990,293	-	(69,608)	(2,143)	235,033	(1,845)	1,151,730
Derivative financial instruments	7,911	-	-	-	-	(3,584)	4,327
Current interest-bearing loans	75,960	(67,855)	69,608	-	-	-	77,713
	1,074,164	**(67,855)**	**-**	**(2,143)**	**235,033**	**(5,429)**	**1,233,770**

	Changes in financial liabilities arising from financing activities						
Group	1 January 2020 HRK'000	Cash flows HRK'000	Reclassification HRK'000	Foreign exchange movement HRK'000	New loans HRK'000	Other HRK'000	31 December 2020 HRK'000
Non-current interest- bearing loans	920,126	-	(63,365)	9,819	125,132	(1,419)	990,293
Derivative financial instruments	6,442	-	-	-	-	1,469	7,911
Current interest-bearing loans	58,262	(45,845)	63,365	-	-	178	75,960
	984,830	**(45,845)**	**-**	**9,819**	**125,132**	**228**	**1,074,164**

	Changes in financial liabilities arising from financing activities						
Company	1 January 2021 HRK'000	Cash flows HRK'000	Reclassification HRK'000	Foreign exchange movement HRK'000	New loans HRK'000	Other HRK'000	31 December 2021 HRK'000
Non-current interest- bearing loans	617,365	-	(54,027)	(1,160)	156,175	(1,784)	716,569
Current interest-bearing loans	54,837	(48,596)	54,027	-	-	-	60,268
	672,202	**(48,596)**	**-**	**(1,160)**	**156,175**	**(1,784)**	**776,837**

	Changes in financial liabilities arising from financing activities						
Company	1 January 2020 HRK'000	Cash flows HRK'000	Reclassification HRK'000	Foreign exchange movement HRK'000	New loans HRK'000	Other HRK'000	31 December 2020 HRK'000
Non-current interest- bearing loans	568,385	-	(49,577)	5,326	93,506	(275)	617,365
Current interest-bearing loans	44,099	(37,938)	49,577	-	-	(901)	54,837
	612,484	**(37,938)**	**-**	**5,326**	**93,506**	**(1,176)**	**672,202**

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. Revenues are mainly linked to the Euro, while operating costs in Croatia are mainly realised in Kuna.

The Kuna has experienced a slight tendency to decrease in value. The Group's and the Company's policy is to hold cash reserves in foreign currency in its foreign exchange bank account.

Majority of the Company's long term borrowings are linked to the currency clause (EUR).

The Group and the Company maintain an active policy of foreign exchange risk hedging by keeping cash in foreign currency accounts, concluding contracts with banks using a more favourable exchange rate than the one officially published, and contracting operating liabilities in Kuna without linking to the currency clause.

As at 31 December 2021, if the Euro had weakened/strengthened by 1.0% (2020: 1.0%) against the Kuna, with all other variables held constant, the loss for the year would have been HRK 10.0 million higher/lower (2020: HRK 10.7 million), mainly as a result of foreign exchange gains/(losses) on conversion of EUR denominated borrowings, trade payables, trade and other receivables and foreign cash funds. This risk is reduced by the fact that the majority of revenues are contracted in Euro.

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 2021 amounts to a liability of HRK 4,327 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 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 (around HRK 66.6 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 HRK 124.5 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 2021 and 2020 based on contractual undiscounted payments:

	As at 31 December 2021					
	Less than 3 months HRK'000	3 to 12 months HRK'000	1 to 2 years HRK'000	3 to 5 years HRK'000	> 5 years HRK'000	Total HRK'000
Interest-bearing loans and borrowings	16,418	81,918	122,359	516,682	656,579	1,393,956
Accrued fee for the tourist land concession	-	21,022	-	-	-	21,022
Trade payables	65,330	-	-	-	-	65,330
Liabilities toward related parties related parties	18,547	-	-	-	-	18,547
Other payables and accruals	17,581	46,401	-	-	-	63,982
	117,876	**149,341**	**122,359**	**516,682**	**656,579**	**1,562,837**

	As at 31 December 2020					
	Less than 3 months HRK'000	3 to 12 months HRK'000	1 to 2 years HRK'000	3 to 5 years HRK'000	> 5 years HRK'000	Total HRK'000
Interest-bearing loans and borrowings	15,372	78,540	86,332	287,224	726,253	1,193,721
Accrued fee for the tourist land concession	-	5,227	-	-	-	5,227
Trade payables	25,073	-	-	-	-	25,073
Liabilities toward related parties	13,884	-	-	-	-	13,884
Other payables and accruals	7,798	13,514				21,312
	62,127	**97,281**	**86,332**	**287,224**	**726,253**	**1,259,217**

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2021 and 2020 based on contractual undiscounted payments:

	As at 31 December 2021					
	Less than 3 months HRK'000	3 to 12 months HRK'000	1 to 2 years HRK'000	3 to 5 years HRK'000	> 5 years HRK'000	Total HRK'000
Interest-bearing loans and borrowings	8,675	63,491	91,167	209,489	503,993	876,815
Accrued fee for the tourist land concession	-	21,022	-	-	-	21,022
Trade payables	24,940	-	-	-	-	24,940
Liabilities toward related parties	7,086	-	-	-	-	7,086
Other payables and accruals	15,343	31,646	-	-	-	46,989
	56,044	**116,159**	**91,167**	**209,489**	**503,993**	**976,852**

	As at 31 December 2020					
	Less than 3 months HRK'000	3 to 12 months HRK'000	1 to 2 years HRK'000	3 to 5 years HRK'000	> 5 years HRK'000	Total HRK'000
Interest-bearing loans and borrowings	9,342	53,943	61,804	185,277	437,198	747,564
Accrued fee for the tourist land concession	-	5,227	-	-	-	5,227
Trade payables	13,587	-	-	-	-	13,587
Liabilities toward related parties	702	-	-	-	-	702
Other payables and accruals	7,141	5,288	-	-	-	12,429
	30,772	**64,458**	**61,804**	**185,277**	**437,198**	**779,509**

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	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Interest-bearing bank loans and borrowings	**1,229,443**	1,066,253	**776,837**	672,202
Less – cash and cash equivalents	**(340,903)**	(425,613)	**(285,491)**	(370,878)
Less – other current financial assets	**(201)**	(224)	**(201)**	(224)
Net debt	**888,339**	640,416	**491,145**	301,100
Equity	**1,569,002**	1,531,450	**1,978,035**	1,930,818
Hedging reserve	**(5,378)**	(9,826)	**-**	-
Total capital	**1,563,624**	1,521,624	**1,978,035**	1,930,818
Capital and net debt	**2,451,963**	2,162,040	**2,469,180**	2,231,918
Gearing ratio	**36.23%**	29.62%	**19,89%**	13.49%

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 50%. 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 2021, the Group held the following financial instruments measured at fair value:

Liability	31 December 2021 HRK'000	Level 1 HRK'000	Level 2 HRK'000	Level 3 HRK'000
Interest rate swaps used for hedging	4,327	-	4,327	-

Asset	31 December 2021 HRK'000	Level 1 HRK'000	Level 2 HRK'000	Level 3 HRK'000
Available for sale – financial assets	201	201	-	-

During 2021, 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.

As at 31 December 2020, the Group held the following financial instruments measured at fair value:

Liability	31 December 2020 HRK'000	Level 1 HRK'000	Level 2 HRK'000	Level 3 HRK'000
Interest rate swaps used for hedging	7,911	-	7,911	-

As at 31 December 2020, the Group and the Company held the following financial instruments measured at fair value:

Asset	31 December 2020 HRK'000	Level 1 HRK'000	Level 2 HRK'000	Level 3 HRK'000
Available for sale – financial assets	224	224	-	-

During 2020, 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.

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	
	Group		Company	
	2021 HRK' 000	2020 HRK' 000	**2021 HRK' 000**	2020 HRK' 000
Financial assets				
Available for sale – financial assets	**201**	224	**201**	224
Financial liabilities				
Bank borrowings*	**1,229,443**	1,066,253	**1,206,072**	1,070,843

* 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 28 Subsequent events

There were no significant events occurring after the date of the Financial Statements.

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Subsidiaries included in the Group

SUBSIDIARIES INCLUDED IN THE GROUP				
Name of Group	Principal activity	Country of incorporation	Functional currency	Direct and indirect holdings %
Ulika d.o.o.1	Holding Company	Croatia	HRK	100
Mažurana d.o.o.1	Holding Company	Croatia	HRK	100
Germany Real Estate B.V.1	Holding Company	The Netherlands	EUR	100
ACO Hotel Holding B.V.2	Holding Company	The Netherlands	EUR	100
ABK Hotel Holding B.V.2	Holding Company	The Netherlands	EUR	100
Sugarhill Investments B.V.1	Holding Company	The Netherlands	EUR	100
Arena Hospitality Management d.o.o.23	Management Company	Croatia	HRK	100
Park Plaza Hotels (Germany) Services GmbH23	Management Company	Germany	EUR	100
PPHE Germany Holdings GmbH23	Holding Company	Germany	EUR	100
PPHE Nürnberg Operator Hotelbetriebsgesellschaft mbH23	Hotel Operation	Germany	EUR	100
Park Plaza Germany Holdings GmbH23	Holding Company	Germany	EUR	100
Park Plaza Nürnberg GmbH23	Hotel Operation	Germany	EUR	100
Park Plaza Hotels Berlin Wallstrasse GmbH 23	Hotel Operation	Germany	EUR	100
art'otel berlin city center west GmbH23	Hotel Operation	Germany	EUR	100
art'otel Köln Betriebsgesellschaft mbH23	Hotel Operation	Germany	EUR	100
SW Szállodaüzemeltető Kft.23	Hotel Operation	Hungary	HUF	100
ARENA FRANZ ferdinand GmbH	Hotel Operation	Austria	EUR	100
Arena 88 rooms d.o.o. 23	Hotel Operation	Serbia	RSD	100

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Jointly controlled entities

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

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APPENDICES

Turnover

				SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (Does not Significantly Harm)										
Economic Activity (1)	Code (2)	Absolute Turnover (3)	Proportion of Turnover (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)	Miinimum Safeguards (17)	Taxonomy-aligned proportion of CAPEX Year N (18)	Taxonomy-aligned proportion of turnover Year N- 1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		HRK million	%	%	%	%	%	%	%	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.)		0%	0%	0%	0%															
A.1 Environmentally sustainable activities (Taxonomy - aligned)																				
A										-	-	-	-	-	-	-				
B										-	-	-	-	-	-	-				
C										-	-	-	-	-	-	-				
D										-	-	-	-	-	-	-				
Turnover of environmentally sustainable activities (Taxonomy-aligned)			0%																	
A.2. Elligible but not environmentally sustainable activities (not Taxonomy - aligned)																				
A										-	-	-	-	-	-	-				
B										-	-	-	-	-	-	-				
C										-	-	-	-	-	-	-				
D										-	-	-	-	-	-	-				
Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)			0																	
B. TAXONOMY - NON - ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities		461	100%																	
Total (A+B)		461	100%																	

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CAPEX

				SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (Does not Significantly Harm)										
Economic Activity (1)	Code (2)	Absolute CAPEX (3)	Proportion of CAPEX (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)	Miinimum Safeguards (17)	Taxonomy-aligned proportion of CAPEX Year N (18)	Taxonomy-aligned proportion of turnover Year N- 1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		HRK million	%	%	%	%	%	%	%	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.)		206,5	99%	0%	0%															
A.1 Environmentally sustainable activities (Taxonomy - aligned)																				
A										Y	N	-	-	-	-	-				
B										-	-	-	-	-	-	-				
C										-	-	-	-	-	-	-				
D										-	-	-	-	-	-	-				
CAPEX of environmentally sustainable activities (Taxonomy-aligned)			0%																	
A.2. Elligible but not environmentally sustainable activities (not Taxonomy - aligned)																				
A Renovation of existing buildings	7,2	206,5	99%	0%	0%					-	-	-	-	-	-	-				
B										-	-	-	-	-	-	-				
C										-	-	-	-	-	-	-				
D										-	-	-	-	-	-	-				
Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)			99%																	
B. TAXONOMY - NON - ELIGIBLE ACTIVITIES																				
CAPEX of Taxonomy-non-eligible activities		2,8	1%																	
Total (A+B)		209	100%																	

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OPEX

				SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (Does not Significantly Harm)										
Economic Activity (1)	Code (2)	Absolute OpEx (3)	Proportion of OpEx (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)	Miinimum Safeguards (17)	Taxonomy-aligned proportion of CAPEX Year N (18)	Taxonomy-aligned proportion of turnover Year N- 1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		HRK million	%	%	%	%	%	%	%	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.)		0	0%	0%	0%															
A.1 Environmentally sustainable activities (Taxonomy - aligned)																				
A										-	-	-	-	-	-	-				
B										-	-	-	-	-	-	-				
C										-	-	-	-	-	-	-				
D										-	-	-	-	-	-	-				
OpEx of environmentally sustainable activities (Taxonomy-aligned)			0%																	
A.2. Elligible but not environmentally sustainable activities (not Taxonomy - aligned)																				
A					0%					-	-	-	-	-	-	-				
B										-	-	-	-	-	-	-				
C										-	-	-	-	-	-	-				
D										-	-	-	-	-	-	-				
Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)			0%																	
B. TAXONOMY - NON - ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities		136	100%																	
Total (A+B)		136	100%																	

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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, co-owned, 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 a £1.7 billion portfolio of primarily 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 ARR 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), Marino Derossi (Member), Amra Pende (Member), Lorena Škuflić (Member) and Goran Nikolić (Member appointed by employees' council)

APPENDICES

Contacts

SUPERVISORY BOARD
Boris Ivesha, Chairman
Yoav Papouchado, Vice Chairman
Kevin McAuliffe, Member
Amra Pende, Member
Lorena Škuflić, Member
Marino Derossi, 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
Neven Čale, Reporting Manager
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USEFUL LINKS
Corporate and reservation websites:
arenahospitalitygroup.com
arenahotels.com
arenacampsites.com
artotels.com
parkplaza.com
88rooms.com
radissonhotels.com/en-us/brand/park-plaza
franz-ferdinand.at/en/

STRATEGIC PARTNERS:
PPHE Hotel Group
pphe.com
Radisson Hotel Group
radissonhotelgroup.com

ARENA

HOSPITALITY GROUP