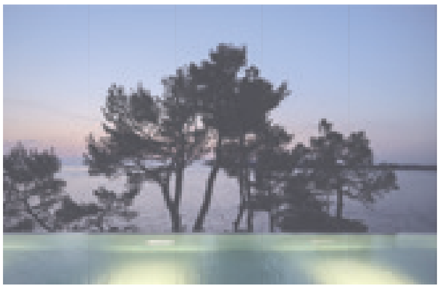
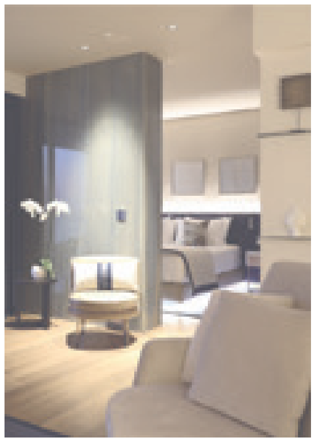
2022
Annual Report & Financial Accounts





ARENA

HOSPITALITY GROUP

2022
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" or "PPHE") we have the exclusive right to operate and develop the international Park Plaza® brand in 18 countries in the Central and Eastern European region (the "CEE region" - see the definition in the Glossary section) and Germany and right to manage art'otel branded properties, allowing us to further grow our presence. In 2022, through PPHE, we secured a license to operate Grand Hotel Brioni Pula as a Radisson Collection Hotel.

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. Brands currently used by the Group include Park Plaza, art'otel, Radisson Collection, Arena Hotels & Apartments and Arena Campsites.

How we do it

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

Highlights

RECORD EBITDA PERFORMANCE
Business recovery and EBITDA growth on 2019

FINANCIAL KPI'S

Total Revenue (HRK)	EBITDA (HRK)
825.3 M	235.0 M

EBITDAR (HRK)	Profit before tax (HRK)[1]
252.2 M	60.8 M

OPERATING KPI'S

Occupancy[2]	REVPAR (HRK)
45.1%	333.8

Average Daily Rate (HRK)
739.7

1. Also see Chief Financial Officer's Statement on page 44.
2. Occupancy is calculated based on the number of days that each property is open

Our business at a glance

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

Croatia — 8.468 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 where we have a 115-room under development. Croatia has become a popular leisure destination, and with over 40 years of experience in this market we have 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, our property in Budapest is situated in a prime location overlooking the River Danube and the magnificent premises of the Hungarian Parliament.

Serbia — 88 units

Arena 88 Rooms Hotel is located in Takovska Street, close to the business area, with easy access to the Belgrade Fair and the city's cultural area, near the iconic old town of Belgrade and the Danube riverbank.

Austria — 144 units

The Group's first resort in Austria, Arena Franz Ferdinand Hotel Nassfeld, is a 4-star hotel in Nassfeld, which complements our 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 and various walking and cycling trails for summer.

Attractive brands

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

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

PARK PLAZA

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

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

parkplaza.com

art'otel

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

artotel.com

ARENA HOTELS & APARTMENTS

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

arenahotels.com

ARENA CAMPSITES

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

arenacampsites.com
arenaglamping.com

PARTNER WITH

RADISSON COLLECTION

The Group benefits from a Radisson Collection license for Grand Hotel Brioni Pula, a Radisson Collection Hotel, which opened in May 2022. Radisson Collection is a new generation of iconic properties and one-of-a-kind spaces. In collection of exceptional hotels, no two are ever the same and each has a unique character authentic to its locality. The modern design blends elegance in form and function, making Radisson Collection hotels the ultimate destination for those who value a vibrant and luxury lifestyle.

radissonhotels.com

Chairman of the Supervisory Board's Statement

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

Boris Ivesha
CHAIRMAN OF THE SUPERVISORY BOARD

Dear Shareholders,

In 2022, Arena Hospitality Group d.d. ("the Company") and its consolidated subsidiaries ("the Group") delivered a historic financial performance. These results were achieved because of a strong return in travel demand and hospitality recovery across our key markets. Our performance surpassed 2019 levels (as pre-pandemic comparison) and exceeded the Management Board's expectations. This growth is a testament to our continued portfolio growth, our rolling investment programme to upgrade existing assets, and our unrelenting focus on improving guest experiences.

DIVIDEND AND SHAREHOLDER RETURNS

In response to the Group's strong financial performance, and following the revision of the Company's dividend policy, the Board is delighted to announce the reinstatement of a dividend. The Company understands the importance of shareholder distributions and the revised dividend policy considers the business, performance, future investment plans and overall business environment.
The Board is recommending a final dividend of EUR 0.7 (HRK 5.27) per share.
In September 2022, the Company launched a two-year Share Buy-back Programme ("Buy-back") to buy up to 100,000 shares to a value of up to HRK 30 million. The Buy-back marks the continuation of the Management's effort to enhance shareholder value and aims, among other things, to boost share liquidity. The purpose of the Buy-back is to provide the Company with a pool of shares that can be used to continue to attract, retain and incentivise key directors, officers, and staff.
As at 31 December 2022, the Company held 69,498 treasury shares, representing 1.36% of the Company's issued share capital.
Subject to shareholder approval for payment of a final dividend, total shareholder returns for 2022 were HRK 32.6 million.

IN RECOGNITION OF THE LONG-TERM IMPACT ENVIRONMENTAL AND SOCIAL CONSIDERATIONS HAS ON SUSTAINABILITY OF THE COMPANY, WE ESTABLISHED A DEDICATED SUSTAINABILITY COMMITTEE

OUR MARKETS

The European travel industry saw continued and significant recovery during 2022 reflecting pent-up demand for leisure travel. The Croatian summer holiday season in particular saw a surge in demand with families travelling in their masses once again, exceeding pre-pandemic levels. Germany and Hungary had a more gradual recovery in part due to extended COVID-19 restrictions but gained momentum in the second half of the year. Although overall occupancy levels were lower than in 2019, the markets benefited from high average daily rates, supported by a return of the fairs and events market and a revival of leisure and domestic demand in the second half.
The Company remains exposed to Europe-wide inflationary pressure on key input costs such as food, utilities, and labour. With European inflation hitting 10.4% towards the end of the year, quarter four showed signs of these pressures easing. The Company is taking measures to conserve energy and has accelerated its solar energy rollout programme which will see us producing around 5% of our own energy, reducing our exposure to the energy markets.
Inflation in Croatia is currently running at 12.7% but is showing signs of stabilising. The Croatian Government has capped energy costs at three times until March 2023 and the nation benefits from its own offshore gas supply and shared nuclear power station with Slovenia. We have held discussions with the labour unions and taken action to ensure our team members receive support with the rising cost of living during the winter months. These discussions have continued into the

new year as we look to readjust salaries to remain competitive and retain the best talent. In Germany, energy prices increased by two times in 2022 and until December 2022 we were benefiting from a fixed contract. Since then, we have renewed our contracts, hedging 75% of our forecast volumes at a fixed rate in order to mitigate our exposure to market rates.

GOVERNANCE

The Company continued to maintain high corporate governance standards and make improvements to secure the ongoing success of the business. At the AGM held in May 2022, Ivana Matovina was appointed to the Supervisory Board, replacing Dr. Marino Derossi who stepped down by rotation. Ms Matovina is a strong addition to the Board as an expert in audit and accounting. As well as being a founder and director of several local companies, she is a certified auditor in both Croatia and Great Britain and was previously a member of the Board of the Croatian Financial Services Supervisory Agency and of the Croatian Financial Reporting Standards Board.

On behalf of the Supervisory Board, I would like to thank Dr. Derossi for his contribution to the Company over the last few years.

RESPONSIBLE BUSINESS

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 sustainably is changing the definition of responsible business and we understand the priorities of our stakeholders, which is core to helping us to deliver our products, services and investment in a more sustainable and social manner.

In recognition of the long-term impact environmental and social considerations has on sustainability of the Company, we established a dedicated Sustainability Committee to facilitate the Company's strategy and provide the Supervisory Board with full oversight on environmental, social and governance matters. It comprises three members appointed and regulated by the Supervisory Board and acts as a steering group for the Company's sustainability strategy.

In 2022, we began the process of setting a sustainability strategy that would support us in generating long-term competitive advantage, ensuring that sustainability is embraced throughout our organisation and that we go well beyond compliance.

Our approach includes undertaking full materiality and risk assessments and working closely and aligning ourselves with PPHE Hotel Group. We also engaged with external third-party specialists to assist us in the delivery of our ESG strategy and we will seek independent, third-party assurance on the quality of our data collection and reporting to GRI standards. It is our intention to have our data and reporting evaluated independently to gain an independent ESG rating which will provide enhanced transparency and assurance to our stakeholders.

A KEY FOCUS OF THE SUSTAINABILITY COMMITTEE WAS TO CREATE A PATHWAY FOR ARENA TO BECOME CARBON NEUTRAL BY 2040.

Full details of the Company's sustainability strategy can be found in the sustainability report on page 62.

OUR COLLEAGUES

On behalf of the Supervisory Board, I would like to take this opportunity to extend sincere thanks to all our colleagues across the Group for their hard work and commitment in a particularly busy year. With strong labour competition, we have been focused on developing talent, training and onboarding new staff members. We were pleased to offer employment and housing to more than 300 Ukrainian refugees from Ukraine and surrounding countries.

OUTLOOK

We believe that the results of 2022 set a new base line for our future performance and growth. This is supported by our investment plan and unrelenting focus on improving our customers' experience which is building strong brand loyalty.

We have a proven strategy and the financial headroom to manage our way through the current economic uncertainty as evident through our resilience over the past few years. Whilst ongoing inflation may result in short-term fluctuations in our profitability, we believe we can continue to drive our financial performance by passing on input cost rises and becoming increasingly self-sufficient in our energy requirements.

From 1 January 2023, Croatia joined the Eurozone. Consequently, from the start of our 2023 financial year, the Company will report in Euros. We view this change as positive for the Company. We will be less exposed to currency fluctuations, contracts will be easier and cheaper to transact, the nation will be tied to a globally resilient monetary system, and international travellers will be able to operate in Croatia with more ease.

I am looking forward with growing confidence to deliver value to all our stakeholders as we continue to invest in high-quality assets.

Boris Ivesha

CHAIRMAN OF THE SUPERVISORY BOARD

President of the Management Board's Statement

OUR CLEAR STRATEGY, WELL-INVESTED PORTFOLIO AND STRONG DEVELOPMENT PIPELINE HAS ENABLED US TO EMERGE A STRONGER BUSINESS POST-PANDEMIC.

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

Welcome,

2022 was a record year for the Company as we emerged from the pandemic. The exceptionally strong results delivered exceeded our expectations which we had at the outset of the year and our results are significantly ahead of our 2021 performance and exceeded 2019 levels (as pre-pandemic comparison).

As European markets eased COVID-19 restrictions, we saw pent-up demand for travel, particularly from holidaymakers. This resulted in an exceptional strong performance from our Croatian operations during the summer months. Notably, our glamping campsites had an exceptionally strong season, as we reaped the benefits from our investment and repositioning programmes completed in recent years. Furthermore, there was a steady return of leisure guests to city locations, as well as increasing demand for corporate travel and for conferences and fairs.

During the year, we continued to invest in our portfolio, reposition properties and enhance the overall guest experience, including the relaunch of the highly anticipated Grand Hotel Brioni Pula Croatia, as a Radisson Collection Hotel. We have also progressed our development pipeline, as we continue to diversify our operations and establish our presence in the CEE region.

2022 IN REVIEW

CROATIA

Demand throughout 2022 was ahead of management expectations, with revenue significantly higher than 2021 and surpassing pre-pandemic levels in 2019. As a seasonal business all our properties except Park Plaza Belvedere Medulin and Arena Grand Kažela Campsite, are closed for the winter season.

Our Croatian business benefited from our vision to develop Croatia's first all-glamping campsite, Arena One 99 Glamping which opened in 2018. Following the success of this site, we invested in the repositioning of Arena Grand Kažela Campsite also aimed at the higher end of the market, which opened in 2020, and we completed the first phase of repositioning at Arena Stoja Campsite in 2022. Together these investment programmes have led to a dramatic uplift in daily rates achieved and the combined revenue growth of these three sites was 43% compared with 2019. Notably, Arena Grand Kažela Campsite had a record revenue for a single property within the Group's portfolio, with revenue and EBITDA more than 60% higher than in 2019, driven by double-digit growth in the average daily rate. Arena One 99 Glamping revenue grew by 30% compared with 2019. These three campsites are among the most profitable properties in the Group's portfolio. Hence, we continue to look at opportunities to further extend our luxury camping operations.

After an extensive two-year redevelopment into a 5-star premium luxury property of 227 rooms, the Grand Hotel Brioni Pula was relaunched in May 2022 as the first Radisson Collection hotel in Croatia. The property features art by renowned Croatian artists and interiors that connect the heritage of this iconic hotel with the modernity of today. Reigniting its association with glamour and celebrity, the hotel was reopened with the full weight of marketing and PR support, including events held in celebration of leading figures from the business, arts and sports worlds.

OUR RECENTLY INVESTED IN INNOVATIVE LUXURY CAMPSITES WERE OUR MOST PROFITABLE PROPERTIES IN 2022.

Our 2022 performance reflected an exceptional summer season, delivering outstanding EBITDA despite inflationary pressures and a higher proportion of international seasonal employees who require accommodation, meals, and transportation.

GERMANY

Market conditions in Germany saw a more gradual improvement in bookings throughout the year with a slow start to the first half due to extended COVID-19 restrictions. Occupancy rates in our hotels built from 21.8% in quarter one to 53% by the end of the year. Whilst occupancy levels were lower than 2019, a shrinkage of hospitality pipeline, coupled with our rate-led strategy, resulted in a substantial increase in average daily rates.

Profitability was affected throughout the year by increasing payroll and higher inflation-related costs of acquiring goods and services albeit this was in part mitigated by government grants for payroll costs as well as tightly controlled operating expenses.

A strong quarter four reflected the ongoing recovery in travellers' confidence in international travel and domestic tourism as well as the return of the events and trade fair sectors in Cologne, Berlin, and Nuremburg. Average daily rates as a result now appear to have stabilised at a higher level. Guest reviews have been very positive throughout the year with solid scores achieved at all our properties, putting us in a strong position to capitalise on the goodwill and brand recognition we are building.

CEE REGION (HUNGARY, SERBIA, AUSTRIA)

Our CEE operating region reported an increase in business activities during the year although performance was impeded by pre-planned refurbishment programmes; only Arena 88 Rooms Hotel in Belgrade remained open throughout the entirety of the year.

A very welcome addition and contributor to the region's business, The Arena Franz Ferdinand Hotel in Austria, was open for a total of eight months of the year. In the four months it was closed the hotel underwent a two-phased soft refurbishment programme. During its opening periods in the summer and Christmas periods, the hotel had a solid average occupancy performance of 46% which includes the shoulder seasons, providing a good indication of future performance and affirmation of a worthwhile investment.

Our property in Budapest reopened in June after an extensive redesign of the public areas but only reached full operating capacity in the fourth quarter of 2022.

FINANCIAL PERFORMANCE

As the revival of the travel industry across European markets gained momentum throughout 2022, the Company's overall performance surpassed our expectations and our 2019 results. Reported revenue increased by 79.1% to HRK 825.3 million (2021: HRK 460.7 million) and by 6.1% when compared with 2019. Reported EBITDA increased 43.8% to HRK 235.0 million (2021: HRK 163.4 million) and by 2.4% when compared to 2019.

This growth over 2019 and an exceptional increase over last year marks the recovery of the business overall, especially in Croatia where revenue increased by 17.9% and EBITDA by 22.5% over 2019.

Accommodation revenue increased by 78.5% to HRK 685.6 million compared to 2021 (2021: HRK 384.0 million) because of a 1,204.8 bps increased in occupancy to 45.1% and a growth of 25.2% in average daily rate to HRK 739.7 (2021: occupancy 33.1% and average daily rate HRK 590.7, respectively). Together this translated into a RevPAR of HRK 333.8, which is 70.8% higher compared to the previous year (2021: HRK 195.4).

Further details of the Group's financial performance in Croatia and Germany, Hungary, Serbia, and Austria are set out in the Chief Financial Officer's statement.

GROWTH STRATEGY

We are pleased to report that our clear strategy has allowed us to emerge stronger and more resilient since the pandemic.

We continually optimise the value of our assets while consistently delivering and exceeding our guests' expectations in our properties and at our campsites. All properties that have been refurbished, or upgraded to target the luxury lifestyle market segment, saw a substantial uplift in performance and average daily rate since 2019.

The acquisition of Arena Franz Ferdinand, Nassfeld in December 2021 strengthened our strategic expansion in the CEE region in line with our growth strategy. As one of the Group's largest customer markets for our Croatian operation, the hotel helps us raise our profile in this important market.

During the year, the Group secured a total of HRK 131.0 million in financing loans and refinanced a loan of HRK 139.4 million which is a testament to the strength of the business, the management team, and the ongoing support of our lending partners. With most of our loans secured at competitive fixed interest rates the Group's planned investment and refurbishment programme is well funded for the foreseeable future.

INVESTMENTS AND DEVELOPMENTS

In the absence of acquisitions during the year, the Company was able to focus on accelerating its development and refurbishment programme. In total, HRK 242.5 million of capital investment was made in our portfolio in 2022 (2021: HRK 309.6 million).

In addition to the relaunch of Grand Hotel Brioni Pula in Croatia, we are in the process of developing two more premium properties in the country. The development of the upper upscale lifestyle art'otel in the heart of Zagreb's historic city centre is progressing well and, following supply chain issues, remains on course to complete in mid-2023. Planning permission for the listed Hotel Riviera Pula was granted in February 2023 and development for our third premium property is in its planning phase.

Building on the success of our glamping campsites, we continue to upgrade our camping offer to target the higher end of the market. We have created a luxury zone at Arena Grand Kažela Campsite which now boasts eighteen 60msq villas and mobile homes with private pools, patios, and gardens. Phase one works to add 75 luxury mobile homes and green areas to the Arena Stoja Campsite were completed during the year. Phase two, which started in November 2022, will see improvements to the communal areas including a coffee shop, restaurant, and infrastructure, including a sanitary block upgrade.

The refurbishment of the public areas at our property in Budapest is now completed and preparations are being made to upgrade the bedrooms.

We are investing HRK 26.4 million in the prestigious Arena Franz Ferdinand, Nassfeld to reposition the hotel as an upscale leisure resort with extended operating opportunities during the winter and summer seasons. In 2022, we refurbished the communal areas including the wellness/spa area and indoor and outdoor pool and installed in-bedroom climate control systems which enhance to improve the customer experience.

Plans are underway to rebrand Arena 88 Rooms Hotel, Belgrade in 2023. We are also planning enhancements to our German portfolio.

In total, our capital investment plans will see us invest more than HRK 300 million into our portfolio over the next three years.

INNOVATION AND RESPONSIBILITY

We continue to drive innovation through the Group to improve efficiency, guest experiences and support our sustainability goals.

In the digital space we have developed mobile apps to enhance guest interaction with our properties and team members. For guests, our mobile app services include self-check-in, room door locks, room service, and use of our 'smart room' which harnesses the IoT to connect to smart electronic devices, enabling guests to control lights, air conditions and TV remote controls in their room. Our e-directory provides guests with all relevant information during their stay, accessible via a QR code in their accommodation.

In the fourth quarter, we launched Arena Connect Team, a mobile app to enhance internal communications and keep our colleagues informed, engaged and connected. The app, which is currently in the pilot phase, aims to connect team members across our regions, encourage more open communications and foster a dialogue between team members and management. Arena Connect Team is also a powerful operational tool for Employee Scheduling, Time Clock, Task Management, Digital Forms and Checklists which will be rolled out gradually across our operations and is expected to improve operational efficiency.

Direct bookings are becoming ever more prevalent as our brand recognition grows and as guests continue to look for savings. Therefore, we continue to invest in our online bookings systems and chatbots to improve the digital journey and online sales conversions.

We are repositioning the retail offering at Arena Grand Kažela Campsite, introducing digital kiosks for food and beverage ordering as well as improving the sustainability credentials of popular items. We launched our own sustainably farmed brand of hamburgers and have opened our own speciality coffee shop – Secondi – with coffee beans sourced directly from growers in Guatemala which we roast on site.

With summer droughts becoming a regular feature in Croatia, we are building two new desalination plants at our properties in Pula and Medulin so that we are self-sufficient in our water needs, including the maintenance of our gardens and landscapes.

Our current investment plan in solar panels will result in us producing around 5% of our own energy. We will continue to assess opportunities to expand this further to reduce our exposure to world energy markets and meet our goal to be carbon neutral by 2040.

As part of humanitarian relief, we were pleased to offer employment, accommodation, childcare, and sustenance to more than 300 Ukrainian refugees from Ukraine and surrounding countries. Some of them became part of the Arena family and fabric of our local community, and we remain committed to supporting them and their livelihoods, which is at the core of our business and belief of serving the people.

OUR COLLEAGUES

Our people are at the heart of our business, and it is imperative that we have the right number of team members with the right skills to ensure our guests are well looked after and have exceptional experiences. We provide training and career development opportunities to attract and retain the best talent.

The employment market for hospitality in 2022 was highly competitive as long-standing hospitality workers retired from the industry or sought employment elsewhere during the pandemic. This lack of skilled workforce was particularly noticeable in Croatia, putting pressure on skills, onboarding, and wage inflation. To make sure we were adequately staffed, we began recruiting our full headcount for the start of the season rather than ramping up recruitment as the season progressed. We needed to recruit a larger proportion of team members from markets outside of the EU, particularly from Philippines and Indonesia, in addition to attracting employees from neighbouring countries. Members of our HR team visited Southeast Asia and partnered with international recruitment agencies to recruit skilled and professional workers to meet our business needs. In total, we recruited more than 270 overseas colleagues in 2022. This approach required us to provide accommodation and catering services to seasonal team members.

As part of our strategy to enhance engagement with our teams, alongside the launch of the Arena Connect Team app mentioned earlier in this statement, we hosted our first team-building event at Franz Ferdinand Hotel, Nassfeld in Austria, attended by 140 managers.

Our colleagues hard work and commitment was recognised and they were remunerated by way of extraordinary bonuses, including a post-season bonus, a holiday bonus, and a Christmas bonus given the full business recovery.

Furthermore, we are the first tourist business in Croatia to have adopted the third pillar pension scheme which enables us to offer our employees the opportunity to save for their retirement and take advantage of a government tax incentive. In partnership with Erste, the Company has established 'Arena Pension Wise', a closed voluntary pension fund which is accessible to all employees. The main purpose of the fund is to support employee welfare and strengthen their financial position in retirement over and above the state pension. We believe this scheme will help us to attract and retain talent within the business.

To help nurture hospitality talent of the future, we partnered with the world-renowned École Hôtelière de Lausanne, Switzerland to develop the next generation of managers. We are financially supporting 15 talented members of staff through a two-year Foundation in Management course with the hotel school as part of our learning and development programme.

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

CURRENT TRADING AND OUTLOOK

In the year ahead we will further consolidate the Group's expanded presence in the CEE region and continue to reap the rewards of upgrade investment made across our portfolio with pricing expected to be maintained at similar levels to those delivered during the 2022 financial year.

We remain committed to securing long-term growth through investments and development pipeline. Our strategically important capital investment plans during 2023 will further enhance our luxury campsite offer and the opening of a new art'otel in Zagreb.

With a series of measures bolstering employee benefits, we plan to continue investing in our talent base.

Whilst the geopolitical outlook remains uncertain with market volatility and ongoing inflationary pressures, the Company is supported by its strong cash balance, well-invested portfolio catered by our committed employees which supports a growing guest demand for the high-quality proposition we are offering. This, alongside the encouraging demand for Europe-wide leisure travel, gives the Management Board confidence in the Group's ability to deliver continued growth and excitement for the financial year ahead.

Reuel ('Reli') Slonim

PRESIDENT OF THE
MANAGEMENT BOARD

Securing Long-Term Growth Through Investment and Development

In recent years, the Group has diversified its business from solely operating in Croatia and has strategically expanded into Germany, Hungary, and Serbia and in Austria with its acquisition of Arena Franz Ferdinand Hotel Nassfeld. The Group continues its journey to develop and upgrade its existing assets and diversify its portfolio through exciting projects as well as strengthen its foundations for future growth. Our investments into our properties are over and above regular capital investments across the portfolio of HRK 34.3 million.

GRAND HOTEL BRIONI PULA, A RADISSON COLLECTION HOTEL

Property repositioning

GRAND HOTEL BRIONI PULA, A RADISSON COLLECTION HOTEL, CROATIA

A landmark, luxury upper-scale hotel in an iconic cliff-top location providing a wide view of the Adriatic and Brijuni islands.

Rooms and facilities: 227 rooms over seven floors, restaurants and bars, conference centre, and indoor, outdoor infinity and activity pools, as well as an extensive wellness centre with saunas, relaxation rooms and gym.
Total investment: HRK 260 million
Completion: May 2022
Progress: 100% complete

The hotel relaunched as a Radisson Collection Hotel in May 2022 as an upper upscale premium hotel, with average daily rates surpassing HRK 2.500 in its first partial year of operation.

ARENA FRANZ FERDINAND NASSFELD

art'otel Budapest

ARENA FRANZ FERDINAND NASSFELD, AUSTRIA

Acquired in December 2021 for HRK 112.1 million, the Group added its first resort in Austria in 2022, complementing the existing Croatian summer leisure business. This modern mountain resort is superbly located next to the valley station of the Nassfeld Ski Resort in Carinthia and provides instant access to the area's 110km of slopes and trails.

Rooms and facilities: 144 rooms, spa and leisure facilities, indoor and outdoor pool, main restaurant
Repositioning: Upscale leisure resort with extended operating opportunities during the winter and summer seasons.
Total investment: HRK 26.4 million
Completion: Winter 2022
Progress: 100% complete

The refurbishment has seen the spa and wellness facilities extended, an outdoor swimming pool created and in-bedroom climate control systems implemented, which is very well received by our guests.

ART'OTEL BUDAPEST, HUNGARY

A contemporary, upper upscale lifestyle hotel with a blend of unique art-inspired design, architectural style, and original modern art by Donald Sultan, a leading American contemporary artist.

Rooms and facilities: 165 rooms, restaurant and bar, conference centre and wellness centre
Total investment: Est. HRK 49.1 million
Completion: Phase one: Summer 2022
Progress: 50% complete

Phase one of the hotel's repositioning has focused on an extensive redesign and renovation of ground floor and basement public areas covering reception, the lobby, restaurant & bar, conference centre and wellness facility.
Phase two will involve the refurbishment of the hotel's bedrooms to a more contemporary design. The project is expected to start in 2023, with an expected budget of HRK 25 million.


HOTEL RIVIERA


ARENA STOJA CAMPSITE

art'otel Zagreb


art'otel Zagreb

HOTEL RIVIERA, PULA CROATIA

Acquired in April 2020 for a total consideration of HRK 36 million, works to position this property into a luxury-branded 66-room hotel are expected to start in 2023.

Rooms and facilities: 66 rooms
Total investment: Est. HRK 113 million
Completion: Summer 2024
Progress: 5% complete

Planning permission for this listed property was granted in February 2023 and development of the property to become for our third premium hotel in Croatia is in its planning phase.

ARENA STOJA CAMPSITE, PULA

Facilities: Campsite, upscale mobile homes of 45 – 58 sqm, restaurants, coffee shop
Positioning: Upscale campsite
Total investment: Est. HRK 50 million for its Phase one and two.
Completion: June 2023
Progress: 50% complete

Phase one, which saw the creation of a dedicated upscale mobile homes zone, including 75 new upscale mobile homes, new infrastructure, and green zone, was completed in Spring 2022.
Phase two is a continuation of the infrastructure development and includes a new arrival and entrance area for the campsite, an extensive renovation of its main restaurant and coffee shop, further strengthening the campsite's offering and customer appeal.

Property conversion

ART'OTEL, ZAGREB

An upper upscale lifestyle hotel in the prime location of Zagreb's historic city centre.

Rooms and facilities: 115 rooms, destination restaurant and bar, wellness and spa centre, fitness centre, indoor swimming pool and bar, event space and parking
Positioning: upper upscale lifestyle hotel in prime location
Total investment: Est. HRK 135.6 million
Completion: Summer 2023
Progress: 60% complete

The development is progressing well and, following supply chain issues, remains on course to complete in mid-2023.

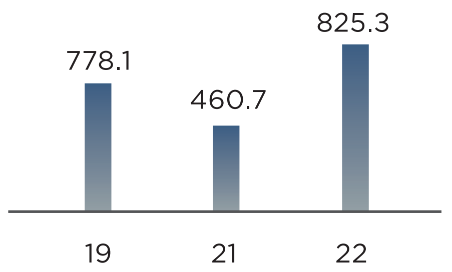
THE GROUP CONTINUED WITH ITS STRATEGICALLY IMPORTANT INVESTMENTS IN 2022

HRK 242.5 MILLION INVESTED IN 2022

MORE THAN HRK 200 MILLION PLANNED INVESTMENTS IN 2023

Key performance indicators

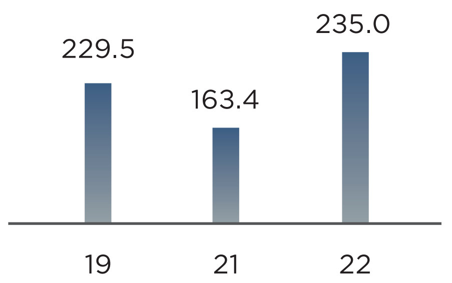
GROUP FINANCIAL KPIs



TOTAL REVENUE (HRK MILLION)

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

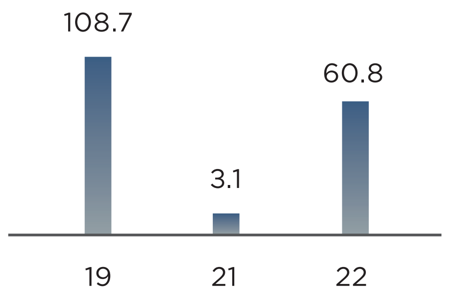
COMMENT
Also see Member of the Management Board and Chief Financial Officer's statement page 44.



EBITDA (HRK MILLION)

DEFINITION
Earnings before interest, tax, depreciation and amortisation

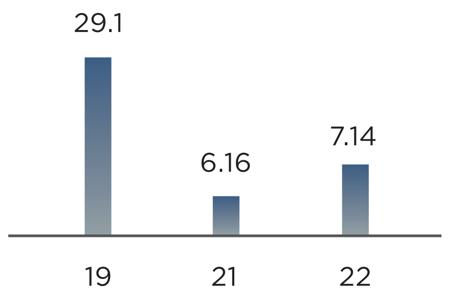
COMMENT
Also see Member of the Management Board and Chief Financial Officer's statement page 44.



PROFIT BEFORE TAX (HRK MILLION)

DEFINITION
Profit before tax

COMMENT
Also see Member of the Management Board and Chief Financial Officer's statement page 44.

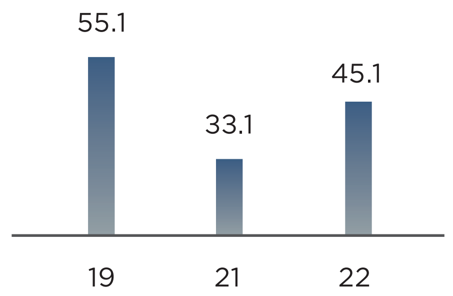


EARNINGS PER SHARE (HRK)

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 44.

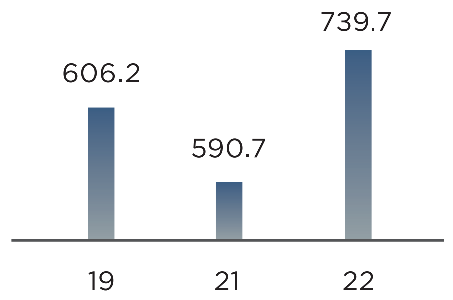
GROUP OPERATING KPIs



OCCUPANCY (%)

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

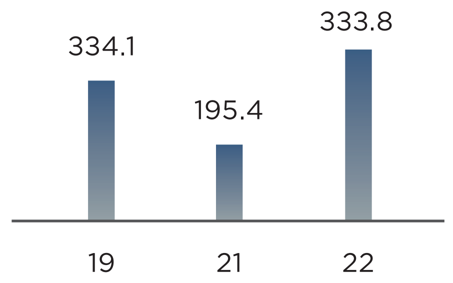
COMMENT
Also see Member of the Management Board and Chief Financial Officer's statement page 44.



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 44.



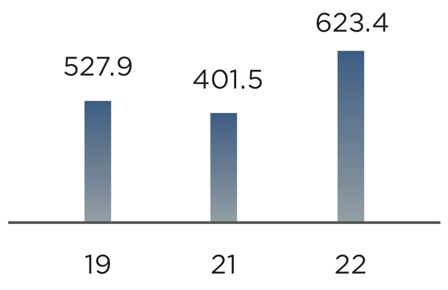
REVPAR (HRK)

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 44.

Strategic report

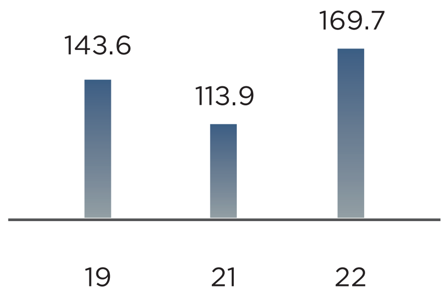
COMPANY FINANCIAL KPIs



TOTAL REVENUE (HRK MILLION)

DEFINITION
Total revenue includes all generated operating revenue.

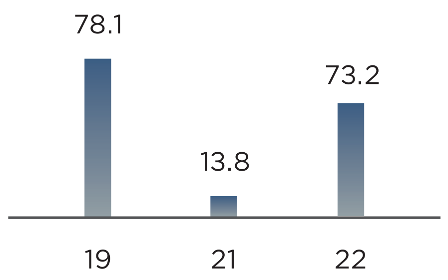
COMMENT
Also see Company income statement page 136.



EBITDA (HRK MILLION)

DEFINITION
Earnings before interest, tax, depreciation and amortisation

COMMENT
Also see Company income statement page 136.

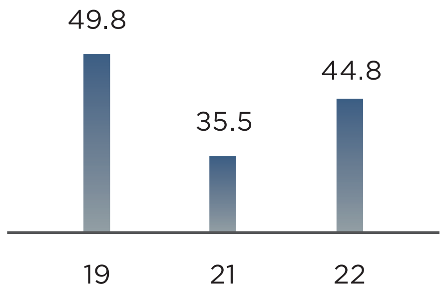


PROFIT BEFORE TAX (HRK MILLION)

DEFINITION
Profit before tax

COMMENT
Also see Company income statement page 136.

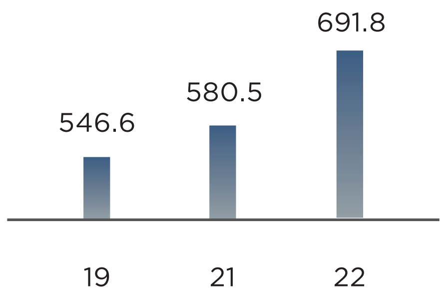
COMPANY OPERATING KPIs



OCCUPANCY (%)

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

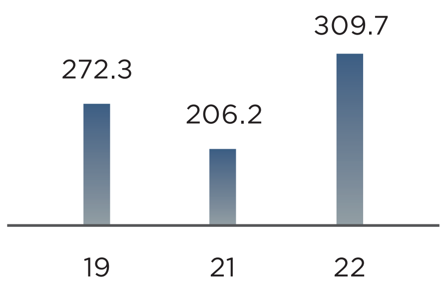
COMMENT
Also see Operating review page 50.



AVERAGE DAILY RATE (HRK)

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

COMMENT
Also see Operating review page 50.



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 50.

Principal risks and uncertainties

OUR APPROACH TO RISK MANAGEMENT

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

We aim to identify, assess, and reduce risks through measured response to ensure that the Group is able to perform and deliver its operating and strategic objectives.

OUR CHANGING RISK MANAGEMENT ENVIRONMENT

We recognise the importance of understanding the impacts of new and emerging threats like climate change, deteriorating geopolitical environment and economic volatility, to ensure we maintain our organisational and strategic resilience in the years ahead.

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

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

RISK AND IMPACT	RISK RESPONSE
MARKET AND MACRO ENVIRONMENT	
Market Dynamics - Significant and prolonged decline in global travel and market demand	
Outbreak of conflicts, like the war in Ukraine, or further waves of COVID-19 or similar pandemics could continue to impact the hospitality sector and hinder our levels of revenue and profitability. There is likely to be continued uncertainty in demand with 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 the financial performance.	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	
Increased volatility is expected to remain a feature of the macroeconomic environment in 2023, with challenges to growth, global supply chain issues, labour shortages, energy price increases, other inflationary pressures, and interest rate hikes. A prolonged period of stress for the global economy could contribute to reduced demand and increased costs, impacting our ability to protect our revenue and profitability.	Our financial stability and strong cash position, coupled with a lean operating model and diverse leisure product offering are mitigating factors for risks arising from the clear macroeconomic uncertainties we are facing. The Group performs financial stress testing, 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. Covid-19 times provided an opportunity for the Group to enhance its processes for alleviating significant short term stress situations (e.g. performing regular open/closed scenario analysis to support informed decisions). As a balancing factor to current macroeconomic volatility, we see the accession of Croatia, as our main destination, to the Schengen Area (comprising 27 European countries sharing a common free travel zone), which should attract more guests from EU.
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.

RISK AND IMPACT	RISK RESPONSE
MARKET AND MACRO ENVIRONMENT	
Hotel industry risks	
The Group's operations and their results are subject to a number of factors that could adversely affect the Group's business, many of which are common to the hotel industry and beyond the Group's control, such as global economic uncertainties, political instabilities and the increase in acts of terrorism. The impact of any of these factors (or a combination of them) may adversely affect sustained levels of occupancy, room rates and/or hotel values.	Although management continually seeks to identify risks at the earliest opportunity, many of these risks are beyond the control of the Group. The Group has in place contingency and recovery plans to enable it to respond to major incidents or crises and takes steps to minimise these exposures to the greatest extent possible.
Seasonality and adverse weather conditions during the high season	
The Group's business in Croatia is highly seasonal; the majority of guest visits occur from June to September. A high degree of seasonality in revenues in the Croatian market increases the impact of certain weather events on the Group's operating results. The ability to attract visitors to the Group's Croatian properties, particularly the campsites and self-catering holiday apartment complexes, is influenced by weather conditions and the number of warm and dry weather days during the summer season	The German, Hungarian and Serbian hotels do not experience such seasonality. 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.
Climate Change – An Emerging Risk	
Rising sea levels 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 part 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 Program.

RISK AND IMPACT	RISK RESPONSE
MARKET AND MACRO ENVIRONMENT	
Use of land in campsites and tourist resorts	
In accordance with the provisions of the Tourist and Other Construction Land Not Appraised During the Transition and Privatisation Process Act from 2010 (the 'TLA), the Company submitted requests to the Republic of Croatia and the relevant municipality for the award of tourist land concessions in relation to land areas in eight campsites and three tourist resorts in Croatia. The TLA failed to produce the desired impact and to resolve the issues of the ownership / use of the tourist land. This in turn caused far reaching consequences in the form of lack of investments into tourist land, reduced international competitiveness of Croatian tourism due to lack of development and reduced income of the state and local municipalities. The Croatian government therefore adopted a new legislation to deal with, inter alia, the so-called tourist land and proprietary relationships between the owner of such land and the owner of the facilities built thereon. In May 2020, the new Non-Appraised Construction Land Act (the "NCLA") replaced the TLA and all initiated requests based on the TLA were suspended. Pursuant to the NCLA, the ownership of the land underneath the facilities in the campsites that were assessed into the share capital of the Company is now also legally recognized as ownership of the Company, while the Republic of Croatia will be the sole owner of the other land in the camps. In respect to the tourist resorts, the ownership of the land underneath the facilities that have been assessed into the share capital of the Company is now also recognized as ownership of the Company, together with the land surrounding such facilities that makes (together with the relevant facilities) the technological and functional unity. Tourist land in the tourist resorts which was not assessed into the share capital of the Company and which serves the standard usage of the resorts shall be owned by a local municipality. In relation to the land in campsites owned by the Republic of Croatia and the land in tourist resorts owned by the local municipalities, the Company will 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 global macroeconomic uncertainty fuelled by the war in Ukraine means that funding and liquidity risk will remain a significant risk in the year ahead. The impact of failing to proactively manage this threat would be severe, including an increased risk of cash traps being applied to hotel specific loans. The cost of debt is likely to be under increasing pressure in the year ahead with economic conditions leading to interest rate rises.	The Group's cash position remains strong due to the complete recovery in Croatian summer leisure business, and German operations also picking up from the second quarter of 2022. The Group benefits from its existing debt portfolio, which has predominantly fixed interest rates for a long term duration with the major loans maturing in 4 years or more. The Group does regular forward covenant testing with sensitivity and stress modelling and does routine treasury monitoring and reporting to the Board. We have renegotiated covenant terms with our main lender, Zagrebačka banka, which to a large extent alleviated pressure on debt covenants. The Group is in line with all necessary debt covenants.
Acquisitions and New Developments	
Inaccurate assessment of a development opportunity could lead to poor investment decisions and affect the Group's ability to drive growth and long-term value. The Group could also experience disruption and delays to development projects and unforeseen cost increase due to global supply chain concerns, inflation in commodities and raw materials prices. Moreover, challenges in labour market 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 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.

RISK AND IMPACT	RISK RESPONSE
FUNDING, INVESTMENTS AND DEVELOPMENT	
Foreign exchange rate fluctuations	
The exchange rates between the functional currency of the Group's subsidiaries may fluctuate, affecting the Group's financial results. In addition, the Group may incur a currency transaction risk in the event that one of the Group companies enters into a transaction using a different currency from its functional currency.	With the adoption of Euro currency in Croatia in 2023, this risk is significantly decreased compared to prior periods. The Group eliminates remaining currency transaction risk by matching commitments, cash flows and debt in the same currency. The Group decided not to hedge this currency risk.
TECHNOLOGY AND INFORMATION SECURITY	
Cyber security	
The Group could be subject to a serious cyber-attack resulting in significant disruption to operations and financial loss from falling revenues, cost of recovery and significant fines in the event of a related data breach. 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). Furthermore, also enhanced its Email protection and end- point protection and detection controls. The Group continues to focus on team member awareness training.
Data privacy breach	
The Group could experience a serious data privacy breach which could result in investigation, significant fines in accordance with the GDPR and subsequent reputational damage.	The Group's mitigating controls reduce the likelihood of a large scale data privacy breach and its processes ensure any incidents are dealt with in compliance with 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.

RISK AND IMPACT	RISK RESPONSE
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, albeit with less probability of occurrence, with emergence of new variants. The 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. The Group continues to manage this threat through its business crisis plans and crisis communications, as well as Business Continuity Plans. It also continues its focus on 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.
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. 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.

RISK AND IMPACT	RISK RESPONSE
SAFETY, CONTINUITY AND LABOUR RISKS	
Labour related risks	
The Group is subject to the risk of industrial or labour disputes and adverse employee relations, and these disputes and adverse relations could disrupt the Group's business operations and materially adversely affect its service delivery, business operations and financial condition. Historically tough labour market conditions within the hospitality sector have been further adversely impacted by 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 and has been successful in attracting 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 talent. Corporate governance and matters of environmental and social responsibility are of significant importance to our stakeholders including investors and customers. We are expected to prepare detailed information requests and disclose on 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. The Group has reinvigorated its responsible business programme, which is aligned with EU sustainability reporting and continually evolving with the EU CSRD requirements. The Group has 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. PPHE Hotel Group has the exclusive and perpetual right to use, and to grant others to use, the Park Plaza trademark in 56 countries in Europe and the MENA region pursuant to the Territorial Licence Agreement with Radisson. The Group and the PPHE Hotel Group are parties to the Framework Agreement related to the Park Plaza branded hotels, pursuant to which the PPHE Hotel Group provides the Group with term-limited exclusive rights to operate and develop properties in the CEE Region and Germany using the Park Plaza brand. The Group and the PPHE Hotel Group are also party to the LSM Agreements. Pursuant to the Framework Agreement, the Group has agreed not to use or operate any hotels under any brand other than the Park Plaza brand, the art'otel brand or any other brand licensed to the Group by the PPHE Hotel Group or developed and owned by the Group (provided, however, that this shall not prevent the Group from operating any unbranded outlets subject to entering into 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 an important one, the Group is independent from its majority shareholder and is proficient to operate wholly outside this relationship. The Group continues to invest and position its own brands strategically and has successfully developed its own value chain, established business processes, maintains 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.

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

RECORD PERFORMANCE AND POISED FOR GROWTH, SUPPORTED BY STRATEGIC INVESTMENTS

Devansh Bakshi
MEMBER OF THE MANAGEMENT BOARD AND CHIEF FINANCIAL OFFICER

Welcome,

The Group delivered a record financial performance for 2022. After two years of unprecedented challenges for the hospitality sector, we saw a normalisation in customer behaviour as COVID-19 restrictions were lifted, which drove a very encouraging recovery in demand across the markets in which we operate. Our operations in Croatia performed exceptionally well, driven by strong trading during the summer season, whilst Germany, Hungary and Serbia demonstrated a slower but nonetheless clear recovery. Our disciplined rate-led strategy saw the Group deliver a record-high average daily rate during the year and this, coupled with increased occupancy, drove good RevPAR growth of 70.8% to HRK 333.8.

Consequently, the Group's 2022 financial performance pleasingly surpassed 2019 levels, whereby the Groups revenue grew 6.1% compared with 2019 to HRK 825.3 million. On the other hand, EBITDA growth of 2.4% to HRK 235.0 million versus 2019 was comparatively subdued in the city portfolio owing to lockdowns related slow start to the year in Germany and closure of art'otel budapest for its refurbishment in the first half of 2022.

The close of the year provides an opportunity to look back at what the Group has achieved against the strategic objectives outlined at the time of our SPO in 2017. Despite the significant disruption caused by the pandemic over recent years, we are pleased to have made excellent progress against these priorities and in doing so, have laid strong foundations for future growth. Notably, these include significant investment and repositioning of properties in the Croatian and German markets as well as the strategic expansion of the Group's operations into the CEE region to create a dynamic international hospitality company that operates all year-round. Since SPO, we have invested more than HRK 1.2 billion in upgrading our property portfolio and on initiatives to enhance customer experience. We have also successfully expanded our operations into the CEE region following the acquisition of Arena 88 Rooms Hotel in Belgrade, Serbia in 2020 and the acquisition of Arena Franz Ferdinand Hotel Nassfeld, Austria, in 2021.

HRK 530.7 MILLION OUR ROBUST CASH POSITION AT YEAR END

STRONG LIQUIDITY AND FINANCIAL POSITION

During the year the Group navigated a number of sector-wide trading headwinds, most notably rising input costs as a result of the global inflationary environment. The impact of this was partially offset by a careful approach to cost management as the Group took a prudent approach to procurement and managed all capital outlay carefully. In Germany, during quarter one we also continued to take advantage of financial support provided by the Government. To further bolster liquidity, we utilised favourable fixed rate HBOR sponsored funds which resulted in a significantly improved Group cash position of HRK 530.7 million (2021: HRK 340.9 million) at the end of the financial year.

CAPITALISING ON PRIOR INVESTMENT

The Group benefitted from its strategy to elevate its properties to upscale market positions and secure more favourable returns and deliver greater returns to shareholders. This included a HRK 219.0 million repositioning investment in Arena Grand Kažela Campsite throughout 2019 and 2020, a HRK 70.0 million investment in Arena One 99 Glamping in 2018, and a HRK 61.8 million investment in Arena Verudela Beach Pula in 2019 and 2020.

Over the coming years, we will invest a further HRK 300 million into our portfolio to further improve our guests' experience and organic average daily rate growth.

INVESTMENTS & FINANCING

During the year, we continued to invest in our portfolio to drive long-term growth which amounted to HRK 242.5 million. Investments included the final stage investment in the repositioning of Grand Hotel Brioni Pula, renovations at Arena Franz Ferdinand Hotel and art'otel budapest, upgrades to Arena Stoja Campsite and construction of art'otel Zagreb.

We successfully financed new projects and refinanced existing loans with a view to extending the loan maturities over the long term at very competitive fixed interest rates in the current inflationary financial climate. The Company's majority debt carries fixed interest rates and average loan maturities greater than five years, thus offering an optimum debt structure in a period of uncertainty and rising interest rates.

In March, through the Group's local subsidiary Ulika d.o.o., we entered into a new long-term financing agreement with Erste & Steiermärkische bank d.d to finance the development of our premium lifestyle art'otel in Zagreb, Croatia. This loan agreement is for a total amount of up to EUR 12.6 million, due in 2034 and carries a fixed interest rate of 2.2%.

In May, the Group entered into a long-term loan agreement with the Croatian Bank for Reconstruction and Development (HBOR) for a total amount of EUR 2.86 million, within HBOR's Private Sector Programme, for the Group's third campsite repositioning programme at Arena Stoja Campsite. The loan is due in 2028 and carries a fixed interest rate of 1.5%. These favourable loan terms are part of a special HBOR Programme which was established in response to the Group being part of the earthquake relief measures for the Republic of Croatia. The investment to update Arena Stoja Campsite follows the successful repositioning programmes at Arena One 99 and Arena Grand Kažela.

In October, the Group secured a EUR 2.0 million long-term loan agreement with OTP Bank Nyrt in Hungary for the recently completed phase one repositioning project of the art'otel budapest. The loan has a fixed interest rate of 3.5% due 2031.

In November, we entered into a long-term loan agreement with Privredna Banka Zagreb in Croatia for refinancing its existing loans and investments in the Arena Grand Kažela Campsite. The total investment in Arena Grand Kažela Campsite, spread between 2018 and 2021, amounted to EUR 30 million, with initial loan financing amounting to EUR 10.2 million. The investment enabled the campsite's repositioning into an upper upscale campsite, delivering strong average rate growth in the 2022 season through this superior product offering. The loan agreement is in a total amount of EUR 18.5 million, due 2036 at a fixed interest rate of 2.95%

We also invested in upgrading our information and technology infrastructure and capabilities to enable us to deliver better customer support and we enhanced our system-wide securities as part of wider risk management initiatives.

CONSOLIDATED KEY PERFORMANCE INDICATORS

	Reported			Like-for-like[1]		
	Year ended 31 December 2022	Year ended 31 December 2021	Variance[2] %	Year ended 31 December 2022	Year ended 31 December 2021	Variance[2] %
Total revenue (HRK million)	**825.3**	460.7	79.1	**756.0**	456.9	65.5
Accommodation revenue (HRK million)	**685.6**	384.0	78.5	**637.0**	382.2	66.7
EBITDAR (HRK million)	**252.2**	179.6	40.4	**259.8**	184.4	40.9
EBITDA (HRK million)	**235.0**	163.4	43.8	**242.9**	168.3	44.3
Profit/(loss) before tax (HRK million)	**60.8**	3.1	1,861.3	**119.2**	23.0	418.3
Rooms available[3]	**2,053,883**	1,964,670	4.5	**1,924,613**	1,900,269	1.3
Occupancy %[3]	**45.1**	33.1	1,204.8[5]	**46.5**	34.2	1,230.0[5]
Average daily rate (HRK)[4]	**739.7**	590.7	25.2	**712.2**	587.9	21.1
RevPAR (HRK)	**333.8**	195.4	70.8	**331.0**	201.1	64.6

1 Like-for-like comparison figures for 2022 and 2021 exclude performance of Arena Franz Ferdinand, Nassfeld, Austria, Grand Hotel Brioni Pula and art'otel budapest.
2 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 2022 with twelve months ended 31 December 2021. All financial information in this report for accommodation revenue, total revenue, EBITDAR and EBITDA reflects the Group's interest.
3 Rooms available and the occupancy calculation are based on operating days.
4 Average daily rate represents total room revenues divided by the total number of paid units occupied by guests.
5 In Basis Points (BPS).

BUSINESS PERFORMANCE

In quarter one of the financial year we saw a gradual and encouraging recovery in guest demand as COVID-19 travel restrictions eased across Europe. As a result, properties across our operations performed well particularly, across the leisure segment. Operations in Croatia performed exceptionally well during the summer season, with revenue in quarter three up 33% year on year and 24% higher than in 2019.

Following a slightly slower start, our operations in Germany improved from quarter two onwards, supported by the return of fairs and events in some cities.

Arena Franz Ferdinand Hotel in Austria performed well during its first season following its acquisition in 2021, albeit the hotel was closed for four months for repositioning works.

Arena 88 Rooms Hotel, the Group's four-star hotel located minutes from Belgrade's historic old town, performed reasonable well post COVID with an annual occupancy of 39%, peaking to its highest levels in quarter four at 48%. Also, average daily rate improved 12% year on year. Rebranding and refurbishment works are planned during 2023.

art'otel budapest reopened in June following a period of pandemic-related closure during which a planned redesign of its public spaces was undertaken. The property has performed in line with expectations since reopening.

Due to the above performance, the Group delivered total revenues of HRK 825.3 million (2021: HRK 460.7 million), an increase of 79.1% year on year and 6.1% on 2019 figures. Occupancy increased 1,204.8 bps to 45.1% (2021: 33.1%) and accommodation revenue rose 78.5% to HRK 685.6 million (2021: HRK 384.0 million). This drove RevPAR of HRK 333.8, a 70.8% increase on the prior year (2021: HRK 195.4). EBITDA increased 43.8% to HRK 235.0 million (2021: HRK 163.4 million), a 2.4% increase on 2019 figures, and was delivered in spite of inflationary pressures.

HRK 208.2 MILLION IN SELECT HIGH YIELD INVESTMENTS DURING THE YEAR PAVING THE WAY FOR FUTURE GROWTH

PROFIT AFTER TAX

Consolidated profit after tax increased to HRK 36.2 million (2021: HRK 31.5 million), representing 15% above 2021 levels.

FINANCIAL POSITION

Non-current assets increased by HRK 104.3 million to HRK 3,000.6 million (2021: HRK 2,896.3 million) mostly as a result of investments. Current assets increased by HRK 134.9 million to HRK 574.9 million predominantly driven by the increase in the Group's cash position.

At 31 December 2022, the Group's cash position increased to HRK 530.7 million (2021: HRK 340.9 million). This strong cash position was mainly a result of record business performance coupled with new bank loans.

Non-current liabilities increased by HRK 143.6 million to HRK 1,627.8 million (2021: HRK 1,484.2 million). The increase is mostly due to a new loans.

Short-term liabilities amounted to HRK 329.5 million, an increase of HRK 46.4 million (2021: HRK 283.1 million), primarily due to increased liability for current liabilities toward banks but also due to other liabilities increased due to increased business activities.

The Group overall is in compliance with all its banking covenants, whereas in Germany waivers remained in place due to slower recovery after quarter one lock downs were lifted.

EARNINGS AND SHAREHOLDERS VALUE

In September 2022, in a continuation of the Management's effort to enhance value for shareholders, the Company launched its second two-year Buy-back programme. The programme comprises the purchase of up to 100,000 shares of a value of up to HRK 30 million, which includes shares acquired between September and December 2022. In addition to returning value to shareholders, the Buy-back scheme supports and is expected to boost the share's liquidity.

At 31 December 2022 the programme was 25% complete, with HRK 5.9 million spent on the purchase of 24,329 shares. Consequently, Ordinary Shares in circulation at the year-end had reduced by 0.5%.

Earnings per share was HRK 7.14, an increase of 15% compared with HRK 6.20 per share in 2021.

DIVIDEND

The Company's strong bottom line recovery has allowed management to consider reinstatement of a dividend payment to shareholders. During the pandemic, and prior to 31 July 2022, the Company was restricted from distributing dividends to shareholders while it utilised COVID-19 financial support from the Croatian government.

Given the outstanding financial performance in 2022, the Management Board is very pleased to confirm it has proposed a final dividend of HRK 5.27 per share for the 2022 financial year subject to approval at the Company's AGM in April 2023.

LOOKING AHEAD

We look forward to the year ahead with optimism as we continue to build on the 2022 market recovery seen across our operations. We will also continue to navigate the macroeconomic challenges post-COVID and related to the war in Ukraine, including energy price volatility and the resulting inflationary pressures.

Inflation is currently running at low double-digit levels across our main operating markets, although it is showing signs of easing. Our Croatian operations are less impacted by inflation in gas prices than some other European countries, due to its existing offshore gas platform supply, however electricity pricing remain volatile. In Germany, the cost of energy increased considerably already in 2022, however we expect the government energy cap to be a mitigating factor in the year ahead.

Alongside our ongoing investments to enhance and grow our portfolio, the Group has an increased focus on energy efficiency and sustainability projects. We will continue to give due consideration to other sustainable sources such as solar energy which will reduce our impact on the environment as well as lower our energy costs.

The start of 2023 marked Croatia's admission to the Eurozone and Schengen free travel zone, which allows unrestricted and seamless movement of people within our main operating markets, making travel easier and potentially attracting new travellers to our operating markets. This also contributes to a significant decrease of foreign exchange related risks.

The factors above and our well-invested portfolio support the Management Board's expectations and optimism for further progress in the year ahead.

Devansh Bakshi

MEMBER OF THE MANAGEMENT BOARD & CHIEF FINANCIAL OFFICER

Operating Review

Croatia

OVERVIEW

The following table sets out the results for the Group's operations in Croatia for the financial year ended 31 December 2022.

HOTELS, SELF-CATERING HOLIDAY APARTMENT COMPLEXES AND CAMPSITE OPERATIONS

Key performance indicators

	Reported			Like-for-like[1]		
	Year ended 31 December 2022	Year ended 31 December 2021	Variance[2] %	Year ended 31 December 2022	Year ended 31 December 2021	Variance[2] %
Total revenue (HRK million)	**612.8**	392.2	56.2	**583.8**	391.7	49.0
Accommodation revenue (HRK million)	**518.4**	333.8	55.3	**497.3**	333.8	49.0
EBITDAR (HRK million)	**205.3**	143.4	43.2	**212.9**	143.1	48.8
EBITDA (HRK million)	**189.2**	127.6	48.3	**197.1**	127.4	54.7
Rooms available[3]	**1,673,770**	1,618,692	3.4	**1,632,248**	1,618,692	0.8
Occupancy %[3]	**44.8**	35.5	925.2[5]	**45.4**	35.5	990.0[5]
OCCUPANCY % 365 days	**24.6**	19.2	541.1[5]	**25.0**	19.2	584.0[5]
Average daily rate (HRK)[4]	**691.8**	580.5	19.2	**671.1**	580.5	15.6
RevPAR (HRK)	**309.7**	206.2	50.2	**304.7**	206.2	47.7
REVPAR 365 days (HRK)	**170.4**	111.6	52.7	**168.0**	111.6	50.6
FTE[6]	**765.9**	521.8	46.8	**650.6**	519.7	25.2

1 Like-for-like comparison figures for 2022 and 2021 exclude performance of Grand Hotel Brioni Pula.
2 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 2022 with twelve months ended 31 December 2021. All financial information in this report for accommodation revenue, total revenue, EBITDAR and EBITDA reflects the Group's interest.
3 Rooms available and the occupancy calculation are based on operating days.
4 Average daily rate represents total room revenues divided by the total number of paid units occupied by guests.
5 In Basis Points (BPS).
6 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 ONE 99 GLAMPING


ARENA GRAND KAŽELA CAMPSITE

In 2022, the Croatian market welcomed a record number of guests from across Europe. With all COVID-19 restrictions removed, demand for international and domestic travel reached an all-time high with holidaymakers driving in from neighbouring countries and supported further by a resumption of flights from key markets to and from Pula airport.
The Company's performance in quarter three, a key period for the Group, was outstanding and exceeded the Management Board's expectations. The aggregate revenue increased by 24% of the revenue achieved in 2019. The average daily rate grew by 26%, with occupancy reaching 66.4% or 320 basis points ahead of 2019.
The Company's campsites were as popular as ever and benefitted from the significant investments made during the pandemic and recent repositioning programmes. The expansion of high-end campsite accommodation and exclusive premium zones resulted in strong increases in average daily rates, which led to the upgraded campsites being among the most profitable properties within the Group's operations. The hotel operations also added to an increase in average daily rates, also benefitting from investments to reposition our assets as luxury and high-end properties, coupled with strong demand which helped elevate prices.
For the year, total revenue in Croatia increased by 56.2 % to HRK 612.8 million (2021: HRK 392.2 million). Accommodation revenues increased by 55.3 % because of an increase in the average daily rate of 19.2% to HRK 518.4 million (2021: HRK 333.8) and occupancy increased to 44.8% (2021: 35.5%). This translated into a RevPAR of HRK 309.7, which represents an increase of 50.2% over last year (2021: HRK 206.2).
EBITDA increased significantly to HRK 189.2 million (2021: 127.6 million).
On like-for-like basis, EBITDA performance increased even more to HRK 197.1 million, with Grand Hotel Brioni launching later in the year than initially expected. The Group has gradually developed occupancy while successfully focusing on its rate-led strategy. As a result of this opening period, the hotel's fixed cost base including committed payroll is having an adverse impact on the bottom line. Having experienced staffing challenges in 2021, we began our recruitment initiatives well ahead of the summer season so that the full complement of well-trained staff was in place and ready to welcome guests as soon as the summer season kicked off.

Amongst other countries, our HR team visited and sourced team members from Indonesia and the Philippines. This was helped by the Croatian Government's support in making the work permit and visa process easier for the recruitment of international seasonal staff. As a result, we were able to train and onboard staff early, improving guest experiences and satisfaction scores.

Unsurprisingly, employment costs were 49% higher in 2022 than in the previous year due to the need to accommodate and cater for international staff. However, we believe this investment is worthwhile as we can train and onboard staff early, improving guest experiences and satisfaction scores; we plan to take the same approach in 2023.

HOTEL OPERATIONS

Key performance indicators

	Reported			Like-for-like[1]		
	Year ended 31 December 2022	Year ended 31 December 2021	Variance[2] %	Year ended 31 December 2022	Year ended 31 December 2021	Variance[2] %
Total revenue (HRK million)	**277.8**	148.9	86.6	**248.8**	148.4	67.7
Accommodation revenue (HRK million)	**214.9**	114.5	87.7	**193.9**	114.5	69.3
EBITDAR (HRK million)	**55.7**	34.2	62.9	**63.3**	34.0	86.2
EBITDA (HRK million)	**55.0**	33.9	62.2	**62.9**	33.6	87.2
Rooms available[3]	**355,687**	274,508	29.6	**314,165**	274.508	14.4
Occupancy %[3]	**56.6**	45.9	1,068.9[5]	**61.4**	45.9	1,550.0[5]
OCCUPANCY % 365 days	**34.1**	24.8	934.0[5]	**38.0**	24.8	1,320.0[5]
Average daily rate (HRK) [4]	**1,067.8**	908.7	17.5	**1,004.6**	908.6	10.6
RevPAR (HRK)	**604.3**	417.1	44.9	**617.2**	417.1	48.0
REVPAR 365 days (HRK)	**363.9**	225.0	61.7	**381.8**	225.0	69.7

1 Like-for-like comparison figures for 2022 and 2021 exclude performance of Grand Hotel Brioni Pula.
2 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 2022 with twelve months ended 31 December 2021. All financial information in this report for accommodation revenue, total revenue, EBITDAR and EBITDA reflects the Group's interest.
3 Rooms available and the occupancy calculation are based on operating days.
4 Average daily rate represents total room revenues divided by the total number of paid units occupied by guests.
5 In Basis Points (BPS).

Total revenue increased by HRK 128.9 million to HRK 277.8 million and accommodation revenue increased to HRK 214.9 million or 87.7%, (2021: 114.5 million). This increase in accommodation revenue resulted from an increase in occupancy from 45.9% to 56.6% as well as an increase in average daily rate of 17.5% to HRK 1,067.8 (2021: HRK 908.7). RevPAR increased therefore by 44.9% year-on-year to HRK 604.3.

The hotel operations generated an EBITDA profit of HRK 55.0 million (2021: HRK 33.9 million).


GRAND HOTEL BRIONI PULA, A RADISSON COLLECTION HOTEL

SELF-CATERING HOLIDAY APARTMENT COMPLEXES OPERATIONS

Key performance indicators

	Year ended 31 December 2022 reported	Year ended 31 December 2021 reported	Variance[1] %
Total revenue (HRK million)	**107.4**	78.1	37.5
Accommodation revenue (HRK million)	**90.3**	64.9	39.1
EBITDAR (HRK million)	**35.7**	25.3	41.1
EBITDA (HRK million)	**33.8**	23.6	43.2
Rooms available[2]	**160,024**	165,975	(3.6)
Occupancy %[2]	**51.4**	48.3	313.1[4]
Occupancy % 365 days	**24.5**	22.5	196.0[4]
Average daily rate (HRK) [3]	**1,096.4**	809.4	35.5
RevPAR (HRK)	**564.0**	391.0	44.2
REVPAR 365 (HRK)	**268.2**	182.4	47.0

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 2022 with twelve months ended 31 December 2021. 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 37.5% year-on-year to HRK 107.4 million (2021: HRK 78.1 million) and accommodation revenue followed the same trend and increased to HRK 90.3 million (2021: 64.9 million). This result was driven by an increase in average daily rate of 35.5% and an increase in occupancy from 48.3% in 2021 to 51.4% in 2022. As a result, RevPAR experienced an increase of 44.2% to HRK 564.0 (2021: HRK 391.0).

EBITDA was positive and amounted to HRK 33.8 million (2021: HRK 23.6 million)

ARENA VERUDELA BEACH APARTMENTS

CAMPSITE OPERATIONS

Key performance indicators

	Year ended 31 December 2022 reported	Year ended 31 December 2021 reported	Variance[1] %
Total revenue (HRK million)	**226.0**	165.2	36.8
Accommodation revenue (HRK million)	**213.2**	154.4	38.1
EBITDAR (HRK million)	**113.9**	83.8	35.9
EBITDA (HRK million)	**100.3**	70.2	42.9
Rooms available[2]	**1,158,059**	1,178,209	(1.7)
Occupancy %[2]	**40.2**	31.3	892.1[4]
Occupancy % 365 days	**22.0**	17.3	469.5[4]
Average daily rate (HRK) [3]	**457.7**	418.6	9.3
RevPAR (HRK)	**184.1**	131.0	40.5
REVPAR 365 (HRK)	**100.8**	72.6	38.8

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 2022 with twelve months ended 31 December 2021. 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 campsites operations are an important contributor to the Croatian business, and the recent and ongoing investment programmes continue to enhance performance. Campsite total revenue increased to HRK 226.0 million (2021: HRK 165.2 million). Similarly, accommodation revenue increased to HRK 213.2 million (2021: HRK 154.4 million) because of an increase in occupancy from 31.3% to 40.2% and an increase in average daily rate of 9.3% to HRK 457.7 (2021: HRK 418.6).

Despite an increase in staffing and F&B costs, EBITDA grew 42.9% to HRK 100.3 million (2021: 70.2 million).

EBITDA was 46% ahead of 2019 performance, respectively.

ARENA GRAND KAŽELA CAMPSITE

ARENA ONE 99 GLAMPING

PULA AMPHITHEATER

TOURISM IN THE ISTRIAN REGION*

In 2022, 18.9 million tourists were welcomed to Croatia, an increase of 37% compared with 2021. In total there were 104.8 million overnight stays during the year, 28% of which were in the county of Istria (29.5 million).

The largest number of overnight stays was from German tourists, accounting for 24.9 million. followed by Slovenia (10.1 million), Austria (8.2 million), Poland (6.7 million), the Czech Republic (6 million), Italy (4.2 million), the United Kingdom (3.7 million), Slovakia (3.3 million) and the Netherlands (3.3 million).

Croatia is once again expected to have generated record revenue from tourism. According to data published by the Croatian National Bank, in the first nine months of 2022 income from foreign tourists amounted to EUR 11.6 billion, 43% higher than in the same period in 2021, and 23% higher than in the same period in 2019.

**Source: croatiaweek.com, January 2023*

Germany

OVERVIEW

The following table sets out the results for the Group's operations for Germany for the year ended 31 December 2022:

CITY HOTELS

The German market in 2022 was a tale of two halves, with a supressed first half performance contrasting with a strong improvement in the second half of the year. This slow start to the year was the result of extended COVID-19 restrictions which were finally relaxed in March 2022. Once lifted, bookings began to build from the domestic leisure market, although the business market continued to remain subdued.

By quarter four the recovery was well underway with some fairs and conferences in Cologne, Berlin and Nuremburg taking place, boosting mid-week business, and the domestic leisure market returning to its full strength with the return of the Christmas markets.

Key performance indicators

	Reported / in HRK			Reported Euros (€)		
	Year ended 31 December 2022	Year ended 31 December 2021	Variance %	Year ended 31 December 2022	Year ended 31 December 2021	Variance %
Total revenue (million)	**156.6**	58.0	170.0	**20.8**	7.7	170.1
Accommodation revenue (million)	**134.4**	46.7	187.8	**17.8**	6.2	187.1
EBITDAR (million)	**56.3**	58.5	(3.8)	**7.5**	7.8	(3.8)
EBITDA (million)	**56.2**	58.4	(3.8)	**7.5**	7.8	(3.8)
Rooms available[1]	**260,610**	260,610	0.0	**260,610**	260,610	0.0
Occupancy %[1]	**53.0**	26.5	2,643.12	**53.0**	26.5	2,643.12
Average daily rate[3]	**974.3**	675.7	44.2	**129.3**	89.8	44.0
REVPAR (HRK)	**515.9**	179.2	187.9	**68.5**	23.8	187.8
FTE[4]	**98.3**	86.3	13.9	**98.3**	86.3	13.9

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.

As a result, overall occupancy rates were 53.0% compared to 26.5% in 2021 but were 33% lower than 2019 levels. However, lower occupancy rates were offset by a sharp increase in average daily rates compared to 2021, with average daily rate 44.2% higher in 2022 at HRK 974.3 (2021: HRK 675.7). This higher average daily rate has now stabilised as the new standard for the region, fuelled by a reduction in accommodation supply.

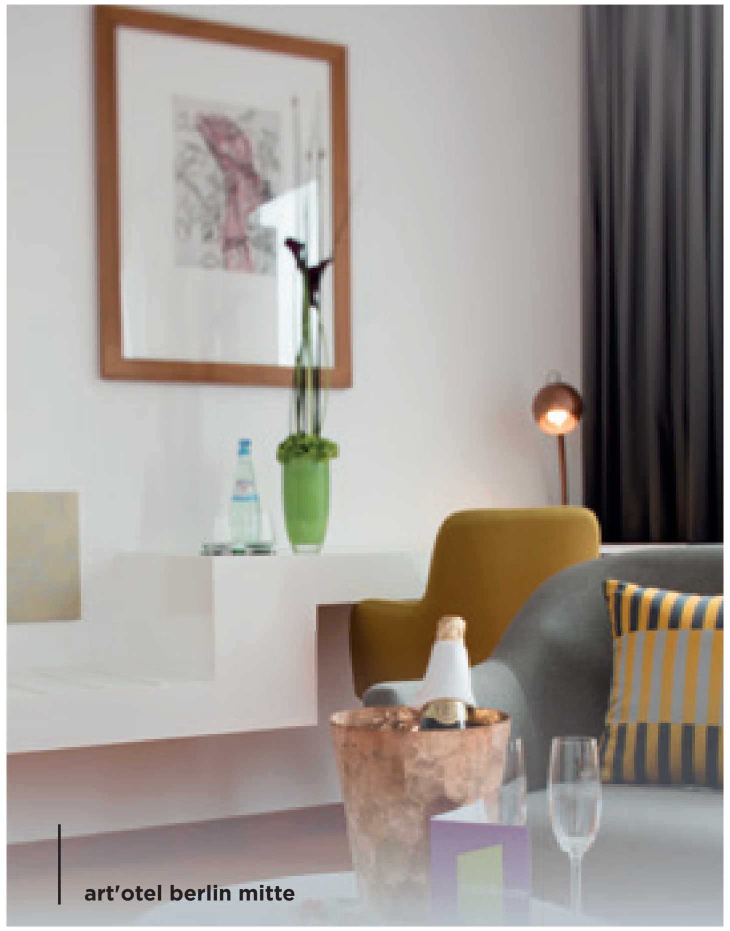
Meanwhile, guest reviews have been positive throughout the year with solid scores achieved at all our properties and putting us in a strong position to capitalise on the goodwill and brand recognition we are building.

Total reported revenue in the region increased significantly by 170.0% to HRK 156.6 million (2021: HRK 58.0 million), however it remained 24% below 2019. Accommodation revenue increased by 187.8% to HRK 134.4 million (2021: HRK 46.7 million). RevPAR increased by 187.9% to HRK 515.9 (2021: HRK 179.2).

Profitability continued to be adversely affected by increasing payroll costs and higher inflation-related costs for acquiring goods and services.

Regardless, reported EBITDA was positive and amounted to HRK 56.2 million (2021: HRK 58.4 million) due to the strong improvement in the second part of the year. Furthermore, there were less government grants to support payroll costs and operating expenses than in the prior year. Total government grants amounted to HRK 21.7 million (2021: HRK 70.9 million), which reduced payroll expenses by HRK 0.5 million and operating expenses by HRK 21.2 million in the year.

PARK PLAZA NUREMBERG



art'otel berlin mitte

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 2022:

Key performance indicators

	Reported			Like-for-like[1]		
	Year ended 31 December 2022	Year ended 31 December 2021	Variance[1] %	Year ended 31 December 2022	Year ended 31 December 2021	Variance %
Total revenue (millions)	**47.7**	6.1	682.0	**7.5**	2.7	177.8
Accommodation revenue (millions)	**32.8**	3.5	837.1	**5.2**	1.8	188.9
EBITDAR (millions)	**0.2**	(7.0)	n/a	**0.2**	(1.9)	n/a
EBITDA (millions)	**(0.2)**	(7.3)	(97.3)	**(0.2)**	(2.1)	(90.5)
Rooms available[2]	**119,503**	85,368	40.0	**31,755**	20,967	51.5
Occupancy %[2]	**33.1**	6.9	2,619.6[3]	**38.9**	22.0	1,690.0[3]
Average daily rate [4]	**829.2**	588.9	40.8	**424.5**	379.8	11.8
REVPAR	**274.8**	40.9	571.9	**163.8**	85.8	90.7
FTE[5]	**89.6**	82.2	9.0	**34.1**	21.0	62.4

1 Like-for-like comparison figures for 2022 and 2021 exclude performance of Arena Franz Ferdinand, Nassfeld, Austria and art'otel budapest, Hungary.
2 Rooms available and occupancy are based on operating days.
3 In Basis Points (bps)
4 Average daily rate represents total accommodation revenues divided by the total number of paid units occupied by guests.
5 The FTE number is an estimate based on the total hours paid for all employees divided by the hours paid for an average full time employee to arrive at a total for Full Time Equivalent Employees.

Our CEE operating region, which consists of Hungary, Serbia, and Austria, reported a substantial increase in business activities during the year.

The integration of the Arena Franz Ferdinand Hotel in Nassfeld, Austria saw the property open for eight months during the summer and winter months, with the property undergoing a soft refurbishment in the remainder.

art'otel budapest partially reopened in June after an extensive redesign and with all public areas renovated to an upper upscale standard. Arena 88 Rooms Hotel, Belgrade remained open throughout the year, reaching a solid occupancy of 39% and we expect to start a refurbishment and rebranding project in 2023.

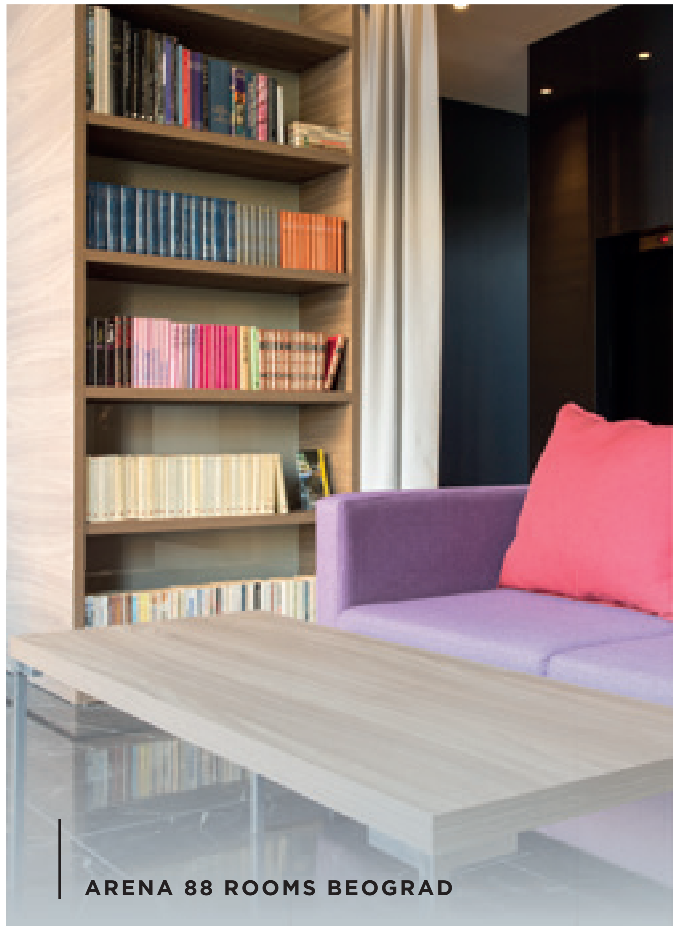
Total revenues for the region increased significantly to HRK 47.7 million (2021: HRK 6.1 million). Accommodation revenue increased by 837.1% to HRK 32.8 million (2021: HRK 3.5 million) delivering an average daily rate increase of 40.8% to HRK 829.2 (2021: HRK 588.9). Occupancy increased by 2,619.9 bps to 33.1% (2021: 6.9%). This resulted in RevPAR increasing by 571.9% to HRK 274.8 (2021: HRK 40.9).

Reported EBITDA was negative but significantly improved to HRK 0.2 million (2021: negative HRK 7.3 million). Government grants in Austria amounted to HRK 0.6 million.

On a like-for-like basis (excluding Arena Franz Ferdinand Nassfeld hotel and art'otel budapest), revenues increased from HRK 2.7 million to HRK 7.5 million, mostly because of the improved performance of our hotel in Belgrade compared to the prior year, with the occupancy of 38.9% compared to 22.0% in 2021. Like-for-like EBITDA remained negative although improved to HRK 0.2 million (2021: negative HRK 2.1 million).


art'otel budapest


ARENA FRANZ FERDINAND NASSFELD


ARENA 88 ROOMS BEOGRAD

Managed and centralized services

OVERVIEW

The following table sets out the Group's results of management and central services operations for the year ended 31 December 2022:

Key performance indicators

	Year ended 31 December 2022 reported	Year ended 31 December 2021 reported	Variance %
Total revenue before elimination (HRK million)	**111.1**	70.3	58.0
Elimination of intra group revenue (HRK million)	**(101.3)**	(64.9)	56.1
Total reported revenue (HRK million)	**9.8**	5.4	81.5
EBITDA (HRK million)	**(10.3)**	(15.3)	(32.7)
FTE[1]	**286.4**	272.7	5.1

1 The FTE number is an estimate based on the total hours paid for all employees divided by the hours paid for an average full time employee to arrive at a total for Full Time Equivalent Employees.

Arena Hospitality Management d.o.o., a subsidiary of the Company, has management agreements for all the properties owned, partially owned, leased, or managed by the Group in Croatia, Germany, Hungary, Serbia, and Austria. 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.

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 58.0% to HRK 111.1 million (2021: HRK 70.3 million). External revenue increased by 81.5% from HRK 5.4 million to HRK 9.8 million. EBITDA loss improved to HRK 10.3 million (2021: EBTIDA loss of HRK 15.3 million). Grants received from government to support payroll costs in this segment amounted to HRK 0.4 million, all in Germany region.

02

Sustainability report 2022

General Disclosures

GRI 2 (2021) / GRI 102 (2016)

HEADQUARTER LOCATION	TOTAL REVENUE IN HRK:	TOTAL EMPLOYEES IN 2022:	TOTAL WORKERS AND EMPLOYEES IN 2022
Pula, Croatia	825,278,241	1040	1240 (FULL-TIME EQUIVALENT)

PRIMARY ACTIVITIES Accommodation and food services

KEY BRANDS AND SERVICES

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 — 8.468 UNITS[1]

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 115 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.

Srbija — 88 JEDINICA

Arena 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 resort, Arena Franz Ferdinand 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 and various walking and cycling trails for summer.

[1] Unit means a hotel room / camping pitch / resort apartment

Leadership sustainability statement

"The Group normalised its operations and recovered from pandemic, despite the geopolitical challenges posed by the war in Ukraine, while continuing our sustainability commitments.

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 recognised the refugee crises and housed numerous families in our dedicated resort and also offered employment to the effected individuals and helped them get back their livelihoods.

By continually investing in operational training, innovative technology and systems, we are adopting best practices and collaborate with industry specialists to achieve our ESG goals. We approved plans and initiated contracts for four solar installations across our resorts with an aim to produce five percent of our electricity demands, however small this is a step in the right direction, and we are preparing ourselves with much wider implementation of solar energy.

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. In 2022 we have continued to strengthen our focus by forming a dedicated Sustainability committee within the structure of Arena's Supervisory Board."

Reuel ("Reli") Slonim, CEO and President of the Management Board

PERSONS WITH KEY SUSTAINABILITY RESPONSIBILITIES

NAME: Devansh Bakshi

ROLE: Member of the Management Board and Chief Financial Officer

RESPONSIBLE FOR: Appointment of Group Sustainability processes and services

Material topics

GRI 3 (2021)/ GRI 102 (2016)

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

- The direct relevance to Arena business activities
- Alignment with the reporting and transparency requirements of our key stakeholders including Majority Shareholder PPHE
- Overlap with reporting requirements and obligations within our operating markets.

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

This programme translates our sustainability goals and initiatives into manageable work streams across the organisation with a view to engage with all the responsible functions in the organisation and clearly allocate ownership and responsibilities. This entails training of all employees of our hotels, campsites, resorts across all the business departments to facilitate implementation of the operating processes that support our sustainability strategy.

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

An outline of the materiality assessment, which was carried out by PPHE Group, is provided in the image below. Whilst Arena is not using the same topic names as PPHE, the material themes have also been adopted by Arena in our ESG data collection and reporting, subject to local adjustment for Arena's specific regional operating markets. This approach is considered appropriate.

The set of material topics remains consistent with those reported in 2021. We have thus identified the following topics as material for the Group, sorted according to the broad sustainability themes: Governance, Social and Environmental:

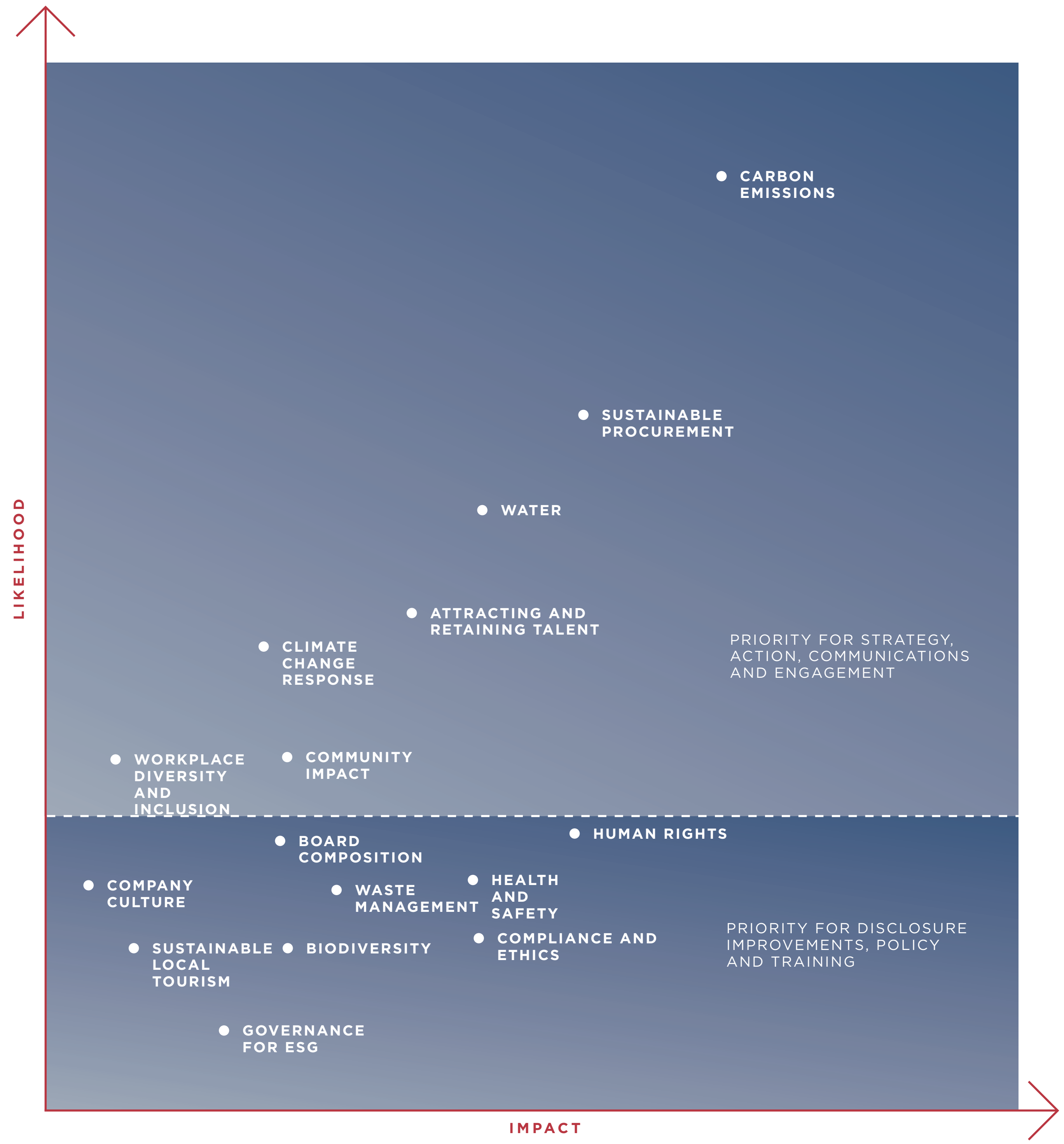
Governance
- Corporate Governance
- Corruption

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

Environmental
- GHG Emissions
- Water
- Waste
- Energy

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.

Recommended ranked list of issues



Source: PPHE materiality assessment Final report, September 2022

The company also applies various policies linked to its social responsibility which show our commitment to the issues identified as material above. Link to the social responsibility policy is: https://www.arenahospitalitygroup.com/en/csr/policies-of-social-responsibility.

Governance indicators
Corporate Governance

GRI 2 (2021)/ GRI 102 (2016)

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 2022, 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.

Highest Governance Body Structure

NAME OF HIGHEST GOVERNANCE BODY	TOTAL MEMBERS OF HIGHEST GOVERNANCE BODY
SUPERVISORY BOARD	7

KEY TOPIC METRICS: TENURE OF HIGHEST GOVERNANCE BODY MEMBERS

Number of members of the Highest Governance Body who served less than two years	Number of members of the Highest Governance Body who served for at least two years and less than five years
1	6

KEY TOPIC METRICS: GOVERNING BODY COMPOSITION

Governing Body Membership by Executive Status

EXECUTIVE MEMBERS
0,00

NON-EXECUTIVE MEMBERS
7,00

Gender composition

MALE
4,00

FEMALE
3,00

NON-BINARY
0,00

Governing body members - other representation

VULNERABLE SOCIAL GROUPS
0,00

SPECIFIC ENVIRONMENTAL OR SOCIAL COMPETENCIES
1,00

STAKEHOLDERS
0,00

Mrs Lorena Škuflić chairs the Company's Sustainability Committee and is a member of the International Association for Sustainable Economy and advisor for International Sustainable Business affairs.

TOP LEVEL REMUNERATION POLICY

The board member or executive remuneration is not linked to environmental or social performance criteria.

In 2020, the Supervisory Board of the Company adopted, and the General Assembly of the Company approved, the Management Board Remuneration Policy ("Policy") that introduced the framework for the remuneration of Company's members of the Management Board and that applies as of January 2021. The Policy ensures that the Company applies performance-based remuneration that will reward its Management Board members for their commitment to Company's strategy in an understandable, transparent and clear manner.

The remuneration of the Supervisory Board members has been determined by the decision of the General Assembly adopted on 30 August 2017.

Both Management Board Remuneration Policy and the Decision of the General Assembly on the remuneration of the Supervisory Board members are published on Arena's corporate web page (https://www.arenahospitalitygroup.com/). .

Board of Management

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.

The board consists of three male and one female member.

Corruption

GRI 205

Topic Management Approach

Arena is committed to maintaining principles of good corporate governance and regulatory 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 non-transparent financial flows.

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

Key Metrics: Corruption Risk review

100%

of operations have been reviewed for risks related to corruption

0

incidents of corruption were identified in 2022

0

Corruption risks identified in 2021

0

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

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

Anti Corruption Training

EMPLOYEES	650,00
NON-EXECUTIVE MEMBERS	7,00

100%

of governing body members are familiar with the relevant anti-corruption practices

52%

(650) staff/ employees have participated in activities related to anti-corruption awareness raising

Raising Awareness on Corruption Related Risks

The legal and HR department are in constant dialogue with colleagues from other departments that might in their everyday work be exposed to risk of corruption and bribery actions as well as with the Management Board and Supervisory Board members. It is through such constant communication that the team members are being reminded of legal and reputational obligations, consequences and repercussions of actions in relation to bribery and corruption.

Social indicators
Health and Safety

GRI 403

Topic Management Approach

At Arena, we endeavor 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.

HEALTH & SAFETY INCIDENTS: METRICS

Health & Safety Incidents

TOTAL REPORTED INCIDENT
26,00

REPORTED FATALITIES
0,00

REPORTED INJURIES
26,00

13,98%
Worker injury rate
(Injury rate is the number of reported injuries per million hours worked.)

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM (OHSMS)

Arena Hospitality Group does maintain an occupational health and safety management system (OHSMS).

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.

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

Diversity and Equal Opportunity

GRI 405

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, ethnicity or national background), religion or belief (including non-belief), sex/ gender, sexual orientation, caring responsibilities for a "protected characteristic" including dependents, socioeconomic 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.

KEY TOPIC METRICS: DIVERSITY AND EQUAL OPPORTUNITY EALTH & SAFETY INCIDENTS: METRICS

Gender distribution by Number and Percentage

Female Employee Age Distribution

UNDER 30
117.00

30 TO 50
302.0

OVER 50
121.00

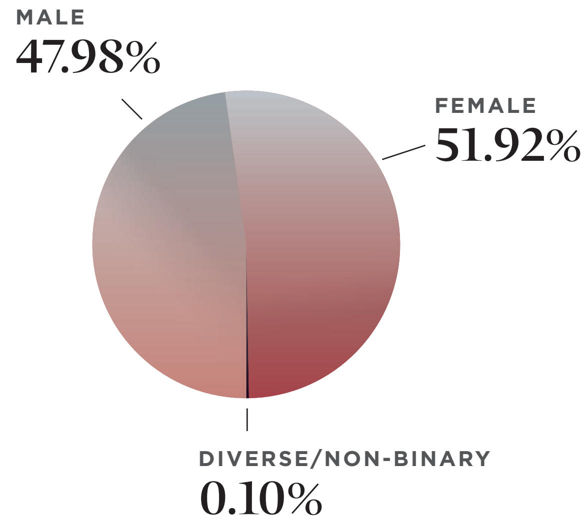
Male Employee Age Distribution

UNDER 30
105.00

30 TO 50
272.0

OVER 50
122.00

Employee Gender Distribution



AVERAGE EMPLOYEE WAGE[2] DISTRIBUTION BY GENDER

Employee Wage Distribution

MALE

21257.00

FEMALE

19634.00

0.92%

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

Parental Leave Takers

LEAVE TAKERS

30.00

TOTAL NEW HIRES AND DEPARTURES BY GENDER

Employee New Hires

MUŠKARCI

104.00

ŽENE

114.00

DRUGO

0.0

Employee Leavers

MUŠKARCI

142.00

ŽENE

122.00

Employee Contract Type

PART TIME

48

FULLTIME

992

95%

full time contracted employees as a percentage of total employee numbers

64%

permanently contracted employees as a percentage of total employee numbers

TEMPORARY

371

PERMANENT

669

[2] Wage presented in EUR currency on an annual basis

Collective Bargaining

GRI 407

Topic Management Approach

Arena fully respects the rights of workers to join workers' associations (labour unions) as well as their right to leave workers' associations. We guarantee that no worker will be disadvantaged by being a member of an association or for participating or not participating in association activities. We continuously maintain and strive to regularly improve social dialogue and to fully protect the rights of workers and regulate their obligations and rights through collective agreements and their timely amendments and additions. We provide all necessary conditions for the activity of the works council.

We act together with the works council in all cases prescribed by law and situations that benefit from the perspective of the works council, even though not mandatory. In Croatia Arena has implemented a company specific collective agreement (CA) with the representative union. The collective agreement is regularly applied to the full extent. Any modifications to the CA are negotiated and discussed by the company's management and the union representatives and agreed upon in unison. Freedom of association of employees is exercised on the company level without any restrictions and is fully supported by the company's management.

Our approach in all markets in which we operate is to pay out wages and other employee benefits and remunerations above the minimum amount prescribed by law, taking into consideration local and hospitality industry labour market trends. The collective agreement in Croatia is our instrument of regulation of wages and other benefits in aim to provide equal pay terms in same or similar jobs. The collective agreement regulates length of working hours, holidays and other absences which all have to be in compliance with the mandatory provisions of national labour laws.

RISKS TO COLLECTIVE BARGAINING

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

Human Rights

GRI 412

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

KEY TOPIC METRICS: HUMAN RIGHTS

Human Rights Policies and Procedures	Policies / procedures relating to Human Rights are implemented internally.
Employee Training on Human Rights Policies or Procedures	No employees received training on Human Rights Policies and Procedures.
Human Rights Review of Own Operations	Human rights assessments at own operations have not been conducted.
Human Rights Reviews in Supply Chain	Human rights risk assessments at the supply chain have not been conducted.

In the next period Arena plans to intensify its efforts in relation to human rights internal processes and assessments, particularly to have at least 30% of its employees on an annual basis trained on various aspects of human rights issues. Also, we will aim to increase the number of operational and supply chain assessments.

Community and Social Impact

GRI 413

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 several 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 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 METRICS: COMMUNITY AND SOCIAL IMPACT OF OWN OPERATIONS

0

of the entity's own operations where formal community engagement

0

actual or potential adverse community impacts were identified at own operations

0

operations have significant actual or potential negative impacts on local communities

100%

of new suppliers3 in the reporting period have been screened using social criteria

0

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

0

supplier relationships were terminated as a result of the assessment of social impacts

[3] New suppliers contracted through Purchasing department of AHG headquarters in Croatia. These do not include new suppliers contracted via other company departments such as Technical, Sales & Marketing, Legal, Finance etc.

Training and Skills

GRI 404

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 METRICS: TRAINING AND SKILLS

Total Training hours by gender

MALE

18.00

FEMALE

18.00

NON-BINARY

0.0

12%

of staff receive regular performance reviews

PROGRAMMES AND MEASURES TO IMPROVE EMPLOYEE SKILLS AND TO ENHANCE CONTINUED EMPLOYABILITY

Our programs are conceived with an aim to empower employees for performing their tasks in a more efficient way, which in turn makes them more engaged and productive.
All learning and development programs provide for our employees' skills and knowledge improvements, their personal growth and development which can to a great extent contribute to the quality of the service provided, hence to our business overall. It is another way to show that our company cares for its employees and also creates a future employee's development path which increases motivation and loyalty.
For this purpose we have agreements with different educational institutions, private business educators and on the job training which are provided by our more skilled experienced employees.

Our sustainability efforts and supportive community activities

By collaboration with industry leading Green Key Programme, we strive to pursue greater transparency and strengthen our Responsible Business Programme commitment throughout the organisation. We do so by validating and enhancing our sustainability standards and business processes with Green Key standards. This initiative aligns with our aim to promote environmentally friendly method of operations, reduce overall use of resources and raising awareness amongst our guests, employees, and suppliers.
Green Key certification is one of the industry's leading standard of excellence in the area of sustainable business operations and is awarded to tourist facilities that meet ecological and social sustainability criteria in 13 different areas. We aspire to obtain the Green Key certification for all of our properties by the end of 2023. In Germany our six hotels have been awarded with this certificate in 2022.We plan to achieve this eco certification in Austrian, Croatian and Serbian operations during 2023.
In Croatia we continued the assessment of its responsible business practices through the Croatian Sustainability Index (HRIO), which is a methodology that provides a comprehensive insight into our sustainability practices, a review of compliance with the latest provisions of the European Union, and Croatian industry benchmarking. It is conducted by the Croatian Business Council for Sustainable Development - HR BCSD & Croatian Chamber of Commerce. According to the HRIO, the average score for large companies is 359.58, and the maximum number of points achieved is 463. AHG achieved 429 points in total.

Supporting health and community related initiatives

The Group has traditionally supported local community activities, such as Daffodil Day with a donation. The funds raised are intended for psycho-social support programs, including oncologists, psychologists, psychotherapists, pharmacists and physiotherapists. Arena Hospitality Group has been a long term patron of the Club of Women Treated for Breast Cancer GEA in Pula and through our continued financial support we sponsored a variety of commendable projects operated by this Club. On Saturday, March 26th 2022, the Club marked its 26th Daffodil Day in Pula with aim to raise awareness and the importance of preventive breast examinations. An average of 130 women gets diagnosed in Istrian County every year.
We also provided financial support to the most vulnerable members of our community, like the Safe House of Istria that provides help and support to women and their children who are victims of domestic violence,
We also supported Veruda-Pula Rehabilitation Day Center, public institution for the rehabilitation of children, youth and adults with developmental disabilities. Arena Hospitality Group supported them in organizing a field trip to nature. The users of this institution are children of preschool and school age who deviate in neuromotor and psychomotor development and the

above-mentioned field trip to nature primarily improves their health and physical and functional abilities.
In Germany the Hotel teams supported the initiative “Christmas in a box” where families donated boxes with small presents for children of different ages.and our team members checked and repacked almost 3.000 boxes which are sent from Berlin to deprived areas in need of such support. The organizer, Samaritan’s Purse, delivered 340.275 boxes last year in Germany only. It is a great initiative, and our German colleagues look forward to supporting it next year again.
In Croatia to support the firefighters fighting many fires during the summer, the Group donated the nutrients they needed to perform their daily duties more efficiently.
After a 2-year break due to pandemic, Arena Hospitality Group organized the traditional annual Staff party including a raffle with rich prizes. As in previous years, all proceeds from the raffle go to charity. This year we decided to help our team member who is sadly suffering from amyotrophic lateral sclerosis. During the staff party, we have collected over 30.000 HRK.

Helping sports and athletes
The Group has continued its initiatives to support sports clubs.
In cooperation with the Tourist Board of Istria, the Group's Grand Hotel Brioni Pula, A Radisson Collection Hotel, was the proud host of the captains, players and management of the Legends Team Cup. This unique tournament, held for the first time originated in Pula, following the finals in Dubai.

Arts, Music and Culture
Traditionally, in July, the Group supported the 10th edition of ISFMF -International Sound & Film Music Festival, which took place in Pula Amphitheatre. The festival's culmination was the screening of one of the most significant historical films, Ridley Scott's Gladiator, and awarding Mr Scott Millan ISFMF Lifetime Achievement Award. As part of the support to ISFMF, the Group had the pleasure to host the four-time Oscar® winning rerecording mixer, Scott Millan, at the newly opened Grand Hotel Brioni Pula, A Radisson Collection Hotel.
The Group supported "Trka na prstenac" in Barban, a knights game that is part of Istria's cultural heritage and tradition but also represents an exciting tourist attraction.
“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 23rd, 2022, at Istrian National Theater in Pula. All funds raised were donated to the Pula Rehabilitation Centre for Persons with Down Syndrome.
Arena traditionally supported the 28th Book Fair in Istria, dedicated to the writer Daša Drndić through accommodation in the Park Plaza Histria hotel for distinguished guests of the Fair, but also through a financial donation, which this year will be used for the realization of the Reader's Award of Dr. Ivo Borovečki and the organization of the Gallery Night program.

Investments in local infrastructure
In June 2022 we contributed to a local infrastructure development project in the Municipality of Medulin, that created a safe pedestrian pathway for the community. This project was welcomed by locals, visitors, and guests. The project was financed by the Group and the Municipality of Medulin in the amount of HRK 1.0 million. This joint investment reaffirms our commitment of investment in local community.

Environmental indicators

Greenhouse Gas (GHG) Emissions

The measurement and management of our GHG emissions follows the methodological recommendations of the GHG protocol. The standard emissions scopes as set out in the GHG protocol are applied. Eliminating/ reducing our GHG emissions is always a priority before we engage in any offsetting or other mitigating measures.
2021 represents the first year that Arena has calculated GHG emissions across all three emissions scopes. In previous years (such as 2020 and earlier), emissions for scope 1 and 2 only were calculated. 2021 therefore represents the base year as defined in GRI 305-2 for ongoing GHG emissions comparisons. Emissions totals are aggregated for the entirety of ARENA's own sites for 2022, this includes owned, leasehold and operated assets in Croatia, Austria, Serbia, Germany and Hungary. Emissions are, however, not calculated for every location separately, but on a group level.

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

Scope 2 emissions include the CO_2 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. The methodology the Group applies uses transaction values and expenditure-based emission factors to calculate the emissions associated with supply chain activities. Each expenditure item is either assigned to the supplying company, in which case individual expenditure-based emission factors are applied to the company, or it is assigned to the corresponding sector for that transaction.

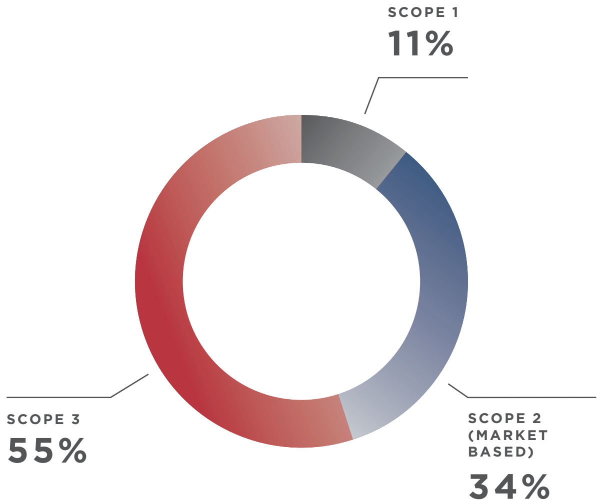
More detailed information regarding how emissions are calculated is provided in the "methodologies and data collection" section of this report.

Total Emissions in 2022 increased by approximately 27% compared to 2021. However, the return to post-covid business levels is now underway and this therefore represents an increase in overall business activity. Occupancy (based on rooms sold) increased by 42% from 2021 to 2022. Overall, emissions intensity on an emission per sold room basis has, in fact, decreased by approximately 12%.

KEY METRICS: GHG EMISSIONS FOR 2022 AND 2021

Emissions Scope	2022	2021
Emissions reported in metric tonnes CO_2e		
SCOPE 1	1951.7	928.1
SCOPE 2 (market based)	5896.6	3100.9
Location based Scope 2	7448.3	6196.1
SCOPE 3	9535.6	9633.5
Total GHG emissions	**17383.9**	**13662.5**

KEY METRICS: 2022 GHG EMISSIONS BY SCOPE



KEY METRICS: CO_2 COMPENSATION

Total amount of compensated CO_2 emissions:

253

Metric Tonnes

To offset the emissions from the electricity consumption, AHG has purchased an EECS GO certificate for renewable electricity in the amount of 1000 MWh. Based on the Hungarian grid emissions of 253g/kWh (2021) the certificate is estimated to offset a total of 253 tonnes CO_2e

KEY METRICS: NET EMISSIONS AFTER COMPENSATION

Net Emissions, post compensation, in CO_2e

17130.9

Metric Tonnes

GHG EMISSIONS INTENSITY

GHG Emissions intensity values are helpful for comparing relative impacts when the business environment is undergoing significant change. This applies specifically to 2022 given that the tourism, accommodation and travel sectors are experiencing significant changes in activity levels post covid. Intensity calculations are made based on the Net emissions (total emissions minus offsets/ compensation) reported above, namely 17106.96 metric tonnes CO_2e.

KEY METRICS: CO_2e OCCUPANCY-BASED NET EMISSIONS INTENSITY

Emissions Scope	Kilogram CO_2e per Room Sold
Net GHG emissions (Scopes 1, 2 and 3 minus compensation)	17.81

[4] „Occupancy" is based on the total number of rooms sold in 2022, which was 961725.

Greenhouse Gas (GHG) Emissions

KEY METRICS: CO_2E REVENUE-BASED INTENSITY

Emissions Scope	Tonnes CO_2e/kg CO_2e/ HRK HRK Revenue	Revenue	kg CO_2e/ HRK Revenue (2021)
SCOPE 1 + 2 only	0.0000095	0.009510	0.006285
SCOPE 1 + 2 + 3	0.0000211	0.021064	0.021314
Net emissions	0.0000208	0.020758	0.021314

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. Emissions totals are aggregated for the entirety of ARENA's own sites for 2022, this includes owned and operated assets in Croatia, Serbia, Germany, Austria and Hungary.

Total GHG emissions are calculated using scope 1 emissions, the market based scope 2 emissions and scope 3 emissions.

ADAPTATION AND MITIGATION APPROACH

Arena Hospitality Group also in 2022 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 installed 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). In 2022, chargers for electric vehicles have been placed also within our newest and most luxurious Grand Hotel Brioni Pula, a Radisson Collection hotel. We thus encourage our guests to choose environmentally friendly mobility options.

The majority of service vehicles within the campsites are electric to protect the environment. Arena One 99 Glamping campsite is fully vehicle free camp therefore protecting the nature from noise and pollution.

Energy Consumed

GRI 302

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.

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

Renewable energy tariffs are being introduced to our hotels over time, as these are increasingly provided by electricity utility companies. We approved plans and contracted to install four solar installations in 2023 across our property in Croatia, whereby we would produce five percent of our electricity demands. However small, this is a step in the right direction and we are preparing ourselves with much wider implementation of solar energy.

Energy use is an essential point for the impact on the climate on the part of a company. Over the last few years, we have found ways within our means to save energy, because we want to make a conscious contribution. Again, the first step to saving begins with an up-to-date overview of energy use and its environmental impact. Through these continuous observations, we can strive for improvements and also track them. Even small changes, such as switching to LEDs or turning off screens that are not in use, can have a noticeable impact on energy efficiency and improve it.

KEY METRICS: ENERGY CONSUMPTION

Energy consumed in 2022
147,265,679
Megajoule

KEY METRICS: REVENUE-BASED ENERGY INTENSITY

Energy consumption intensity
178443.7
Megajoules per million HRK

Energy consumption intensity
0.0496
GWh per million HRK

KEY METRICS: OCCUPANCY-BASED ENERGY INTENSITY

Energy consumption intensity in Megajoules per room sold
153.13

Water

GRI 303

Topic Management Approach

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 our properties are connected to local municipality water system which provides and maintains adequate flow and pressure of water. We have established centralised water surveillance system where for each property we receive hourly information about water consumption and water pressures on designated water meters. We preform daily consumption checks in the system and also system sends alarm if consumptions is not in the prescribed parameters. This system helps us to locate potential water leakages or pipe breaks so that we can fix them without excess waste of water or customer complaints. During refurbishments we install sanitary equipment (faucets, shower etc.) with low water usage to reduce overall consumption of water. For landscape irrigation purpose we implemented reverse osmosis systems of sea and brine water for production of irrigation water.

The earth's water resources are notoriously unevenly distributed around the globe, at risk from climate change, and often polluted and overused. Our company is therefore very aware of the importance of using this resource, which is why water and water use play an important role. A considerate use of this resource is therefore very important to us and a key to also protecting the biodiversity of aquatic habitats. Therefore, both in our own company and along our value chain, we make sure that the impact on water as a resource is considered. In our company, we therefore encourage water conservation and considerate use.

KEY METRICS:
WATER CONSUMPTION*

Water Withdrawn	Water Discharged
936,95	**936,95**
Megalitres	Megalitres

***METHODOLOGY**

All of AHG's consumed water is supplied by third parties such as local water infrastructure. Similarly, local water utilities also accept the wastewater discharge from AHG sites. In the absence of specific metering, the utilities assume infrastructure provision that accounts for the same amount of discharge as intake/ consumption. Therefore, the discharge and withdrawal figures are reported as the same values.

DISCHARGE(S) TO THE ENVIRONMENT

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

WATER DISTRESS

During Summer 2022 (mid-July to end August) properties in Pula and Medulin were affected by regional water reduction of first degree (restrictions on landscape irrigation, public showers on the beaches, etc.) due to the small quantities of the rain which caused low water levels in main water accumulation for Istria region.

Waste

GRI 306

Topic Management Approach

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

The Group continued to participate in the pilot project "Reduce food waste" 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. After the project ended, we have purchased a food waste machine which turns food waste into substrate, reducing the volume by 83-93%. The resulting substrate can be used as fertilizer, i.e. as an organic supplement to the soil. By purchasing this machine, we aim to continue with the good practice of eliminating the food waste from Park Plaza Histria. Arena is exploring various other ways of lowering the amount of waste produced.

Our company represents the global policy of "reduce, reuse and recycle" regarding our waste management, which clearly supports the move towards a circular economy. In our company, we try to avoid waste, reuse residual materials and dispose of waste properly. Correct waste separation for subsequent safe disposal, depending on the recycling process, is an important step in this regard in all our areas. Through our waste policy, we aim to achieve low material consumption and small disposal volumes.

KEY METRICS:
WASTE COMPOSITION IN METRIC TONNES

Non-hazardous waste	Potentially hazardous waste	Total waste
2.306,0	**211,6**	**2.517,6**
Metric tonnes	Metric tonnes	Metric tonnes

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

Biodiversity

GRI 304

Topic Management Approach

Arena operates leisure and accommodation facilities which benefit from their proximity to natural environments. As a result, Arena is in many respects dependent on the health of those environments. At the same time running commercial operations adjacent, or within the sensitive ecologies and habitats can result in adviser impacts to those habitats. Arena is therefore both morally and financially incentivised to contribute towards the long term sustainability of the natural environments in which we operate. Three Arena campsites (Tašalera, Medulin and Stupice) representing a total surface area of ca. 570,000 m2 area located within the boundaries of the nature park Protected Nature of Southern Istria in the most southern part of the Istrian peninsula. The areas under the preservation of Nature Park Kamenjak form an ecological network of mutually connected ecologically significant areas that substantially contribute to the conservation of natural balance and biodiversity. The operation of these campsites is fully aligned with the applicable EU and national legal provisions governing nature preservation in such protected areas. No works are performed in the camps without prior approval of the competent authorities and are performed in line with the highest applicable standards. Arena maintains a large horticulture team with more than 30 team members who are providing care to the plantation and greenery. Arena also engages specialists to maintain and increase care and compliance of campsite areas under its operations.

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

EU Taxonomy for sustainable activities

In 2022 the Group is disclosing indicators consistent with Delegated Regulation (EU) 2021/2139 (the "EU Taxonomy"), for the first time extended to show the portion of taxonomy aligned activities within eligible activities.
The Group assessed compliance with the criteria set out in Article 3 of Regulation (EU) 2020/852 and the associated technical screening criteria included in the delegated acts and allocated a certain part of its CapEx and OpEx to Taxonomy-aligned activities, where those activities were deemed to comply with the listed technical screening requirements after an analysis of underlying documentation.
The tables completed in line with reporting requirements as specified in Regulation (EU) 2021/2178 (the "Disclosure Regulation") can be found in Appendices.
Allocation of figures to the numerator and denominator of each KPI was performed by direct allocation of supplier invoices and other items to relevant financial statement captions. Given that each item was attributed to only one activity, double counting did not occur.
As required by the Disclosure Regulation, the content of KPIs to be disclosed by the Group as a non-financial undertaking is as follows:

TURNOVER
None of the Group's Turnover is considered to arise from EU Taxonomy eligible activities.
Note: Turnover represents the Groups' consolidated revenue, which can be referenced on page 136, within the Consolidated Income Statement and in Note 16 Revenues.

CAPITAL EXPENDITURE (CAPEX)
The majority of the Group's capital expenditure ("CapEx") is related to various investments into tangible assets in form of renovations, reconstructions, building conversion and acquisitions of hotels, apartment resorts and campsites.
CapEx is the total capital expenditure for tangible and intangible assets in the Group which:

- is directly attributable to a particular asset at the time of the expenditure,
- has been attributed to a particular asset and transferred from assets under construction in the accounting period,
- includes additions arising from business combinations,
- and exclude additions classified as assets under construction in the financial period (these will be classified as CapEx in the year of activation of the particular asset and its attribution to a particular relevant asset type).

This can be referenced to Financial Statements:

- Note 3 Property, Plant & Equipment, additions during the year classified as Land and buildings and Furniture, fittings and equipment, in the total amount of HRK 400.4 million, and
- Note 4 Intangible Assets, additions during the year in the amount of HRK 3.4 million.

The Group conducted the following Taxonomy-eligible economic activities and within those certain Taxonomy- aligned activities, with financial impact on CapEx:

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

7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
The Group installed several charging stations for electric vehicles on its hotel parking lots. Relevant expenditure was included as aligned expenses, given that the stations were not part of buildings dedicated to extraction, storage, transport, or manufacture of fossil fuels.

OPERATING EXPENDITURE (OPEX)
Certain operating expenses of the Group are considered to arise from EU Taxonomy eligible activities.
Eligible operating expenses (OpEx) are defined as direct non-capitalised costs and other direct expenditures (research and development, building renovation measures, short-term lease, maintenance and repair) relating to the day-to-day servicing of assets of property, plant and equipment by the Group or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.
Consequently, the Group assesses that eligible OpEx comprises Maintenance expenses within Note 19 Operating expenses in the total amount of HRK 25.1 million.
The Group conducted the following Taxonomy-eligible economic activities and within those certain Taxonomy-aligned activities, with financial impact on OpEx:

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

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

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

Data methodology and data collection

SYSTEM BOUNDARY
The period considered in this report is: 01 January 2022 to 31 December 2022, inclusive.
The organizational boundary includes all AHG operations and also includes accommodation/ hotels which are operated under lease arrangements (namely Park Plaza Wall Street and future art'otel Zagreb). It should be noted for the purposes of GHG emissions calculation that leased hotels are included in the "own" Scope 1, 2 and 3 emissions where relevant are not separated as an individual Scope 3 category 8 or 13 emissions.

DATA COLLECTION, PRINCIPLES, APPROACH AND ASSURANCE
AHG recognises that the accuracy and credibility of our sustainability data and applied methodology is important in transparently reporting performance. Arena has worked with an external partner (Code Gaia GmbH) to collect and review data relating to 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 presented "with reference" to the Global Reporting Initiative. This allows for the presentation of selected indicators in a manner that is familiar to the market both in terms of structure and with respect to the terminology used. DEKRA Assurance Services GmbH conducted an audit to verify the contents of this sustainability report; their Assurance Statement can be found on the QR code below:

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

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

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

DEKRA
Assurance statement

CONSIDERATION OF GREEN-HOUSE GAS EMISSIONS

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

- Carbon dioxide (CO_2),
- Methane (CH_4),
- Nitrous oxide (N_2O),
- Hydrofluorocarbons (HFC),
- Perfluorinated hydrocarbons (PCF),
- Sulphur hexafluoride (SF_6) and
- Nitrogen trifluoride (NF_3).

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

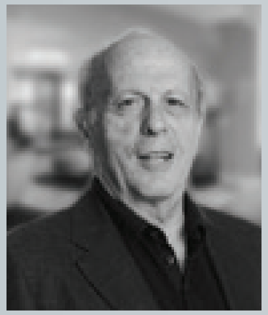
GRI 1

NOTE ON THE USE OF GRI REFERENCES

Arena Hospitality Group (AHG) has reported the information cited in this GRI content index for the period 01 January 2022 to 31 December 2022 with reference to the GRI Standards.
GRI standard indexes which have been sued to categorise and structure the information are identified on some sections of this report. Further detailed references are provided on page 204.

04

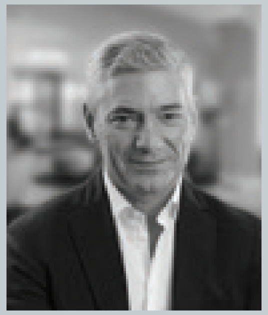
Governance



Boris Ivesha

CHAIRMAN OF THE BOARD

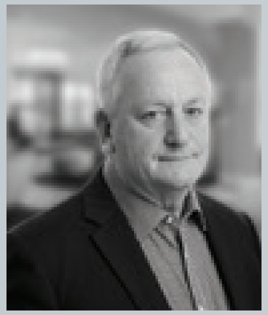
Boris Ivesha has been President and Chief Executive Officer of PPHE Hotel Group since 1991. Mr. Ivesha was responsible for bringing the Park Plaza Hotels & Resorts® brand to the PPHE Hotel Group in 1994 in collaboration with Eli Papouchado and the Red Sea Group, and has been a major influencer in the 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 2022.



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 but two of the Supervisory Board meetings in 2022.



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 for 20 years and has held directorships in various regulated investment companies and remains a director of two regulated entities. 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 2022.

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 2022.

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. Mrs Škuflić obtained her PhD in economics at the University of Rijeka in 1999. She is a member of the International Association for Sustainable Economy and advisor for International Sustainable Business affairs. Mrs Škuflić chairs the Company's Sustainability Committee. She attended all of the Supervisory Board and Committee meetings in 2022.

Ivana Matovina

BOARD MEMBER

Mrs. Matovina is an expert in the field of audit and accounting and has extensive knowledge in audit and application of International Financial Reporting Standards (IFRS). She is a Croatian certified auditor and Certified auditor of Great Britain. Ms. Matovina was a perennial member of the Board of the Croatian Financial Services Supervisory Agency and of the Croatian Financial Reporting Standards Board. She is a founder and a director of the several smaller local companies, among others Antares savjetovanje d.o.o. and Antares revizija d.o.o. She serves as a member and the deputy chairman of the Supervisory Board of Professio energija d.d. Mrs Matovina is the Chairman of the Company's Audit Committee. She attended all of the Supervisory Board and Committee meetings after her appointment as the Board member in May 2022.

Goran Nikolić

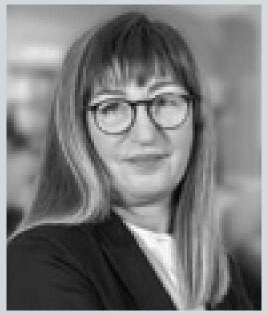
BOARD MEMBER — APPOINTED BY WORKERS' COUNCIL

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 2022.

Reuel (Reli) Slonim

PRESIDENT OF THE MANAGEMENT BOARD

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



Manuela Kraljević

MEMBER OF THE MANAGEMENT BOARD AND MARKETING AND SALES DIRECTOR

Mrs 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 position of Sales and Marketing Director in Croatia for the renowned hotel chain Sol Melia. Since joining Arena Hospitality Group in 2009, she has repositioned seven 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 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 Board 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 UK. In 2011 he joined PPHE Hotel Group and worked for over five years as a Regional Financial Controller for the UK region. He has over 25 years of hospitality experience covering various disciplines of finance, real estate & construction. He is instrumental in ongoing group's financial activities for redevelopment and new acquisitions. Consolidating of support functions and technology upgrade for group wide optimisation of resources and organisational efficiency. Leads group compliance, 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 report

CORPORATE GOVERNANCE CODE

In 2022, 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, provide reasons for non-compliance. The Company will publish its annual corporate governance questionnaires for 2022 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 the right to one vote in the General Assembly of the Company.

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

During 2022, one regular meeting of the General Assembly of the Company was held on 31 May 2022. On that General Assembly:

- the Company's Annual Report for 2021 (consolidated and non-consolidated) as well as the report of the Supervisory Board for its work in 2021 were considered;
- the decision on distribution of profits realised in 2021 was adopted;
- the decisions on granting discharge to the members of the Supervisory Board and the Management Board for their work in 2021 were adopted;
- the decision on adoption of the Report on remuneration of the Management Board and Supervisory Board members in 2021 was adopted;
- Ernst & Young d.o.o. Zagreb was appointed as the Company's auditor for 2022 (with respect to the consolidated and non-consolidated annual financial statements of the Company for 2022)
- the decision on election of Supervisory Board members was adopted;
- the decision on granting the approval to Management Board for acquisition of treasury shares was adopted.

SUPERVISORY BOARD

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

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

The members of the Supervisory Board as of 31 December 2022 were: Boris Ernest Ivesha (Chairman), Yoav Arie Papouchado (Vice-Chairman), Kevin Michael McAuliffe, Ivana

Matovina, Amra Pende, Lorena Škuflić and Goran Nikolić.
In accordance with Art. 138 of the ZSE Rules, the Company confirms the independent status of its Supervisory Board at the time of issuing of this Report.
The Supervisory Board of the Company held the following meetings in 2022:

on 25 February 2022 whereat, inter alia, the Annual Report and the annual financial statements of the Company for the year 2021 (consolidated and non-consolidated) were approved and the Sustainability Committee was established, with the purpose of further strengthening the Company in creation and implementation of the strategy on sustainable business practice in the future;

on 27 April 2022 whereat, inter alia, unaudited consolidated and non-consolidated quarterly report of the Company for the first quarter of 2022 were 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 2021 was adopted;

On 31 May 2022 whereat, following the decision on the appointment of the of Supervisory Board members by the General Assembly, the new Supervisory Board of the Company was constituted, and the members of the Audit Committee, Nomination Committee, Remuneration Committee and Sustainability Committee were appointed;

On 27th July 2022, whereat, inter alia, unaudited consolidated and non-consolidated quarterly report of the Company for the second quarter of 2022 and the unaudited consolidated and non-consolidated half year report of the Company for the first six months of 2022 were discussed.

On 14th September 2022, whereat the Company's Treasury Shares Buy-Back Programme was approved;

On 26 October 2022, whereat, inter alia, unaudited consolidated and non-consolidated quarterly report of the Company for the third quarter of 2022 and the unaudited consolidated and non-consolidated report of the Company for the months January - September of 2022 were discussed;

On 22 December 2022, whereat, inter alia, the projections of Company's Budget for 2023 were presented and discussed.

Pursuant to the Company's Articles of Association and the decision of the General Assembly, members of the Supervisory Board are entitled to a fixed monthly remuneration for their work in the Supervisory Board. In 2022, the total amount of HRK 1,189,496.65 gross was paid as remuneration of Supervisory Board members.

REPORT ON THE SUPERVISORY BOARD'S APPRAISAL

The New Code requires the Supervisory Board to conduct an annual evaluation of its effectiveness and composition as well as that of its Committees and the performance of its individual members. At the request of the President of the Supervisory Board one of the Supervisory Board members conducted this review internally by means of one-on-one interviews for 2022. 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 2021 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. developing a comprehensive ESG strategy of the Company, further work on succession plans for the Supervisory and Management Board members etc. The Supervisory Board will ensure the recommendations get implemented in 2023 as much as possible, by working closely with the Management Board and other relevant stakeholders within the Company.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee and a Sustainability Committee.

Audit Committee

The Company's Audit Committee consists of four members appointed by the Supervisory Board amongst its members: Ivana Matovina (President), Amra Pende, Lorena Škuflić and Kevin Michael McAuliffe (members). In accordance with Art. 139 of the ZSE Rules, the Company confirms the independent status of its Audit Committee on the day of issuance of this Report.
The operation of the Audit Committee is regulated by decisions of the Supervisory Board, in line with the provisions of the Companies Act, the Audit Act, the Company's Articles of Association and the Rules of Procedure of the Audit Committee. During 2022, the Company's Audit Committee held five meetings. All Audit Committee members attended all meetings of the Audit Committee.

Nomination Committee

The Nomination Committee consists of three members appointed by the Supervisory Board amongst its members: Kevin Michael McAuliffe (President), Amra Pende and Lorena Škuflić. The work of the Nomination Committee is regulated by decisions of the Supervisory Board, in line with the provisions of the Companies Act, the Company's Articles of Association and the Rules of Procedure of the Supervisory Board. The Nomination Committee held one meeting in 2022. All Nomination Committee members attended the meeting of the Committee.

Remuneration Committee

The Remuneration Committee consists of three members appointed by the Supervisory Board amongst its members: Amra Pende (President), Lorena Škuflić and Kevin Michael McAuliffe. The work of the Remuneration Committee is regulated by decisions of the Supervisory Board, in line with the provisions of the Companies Act, the Company's Articles of Association and the Rules of Procedure of the Supervisory Board. The Remuneration Committee held two meetings in 2022. All Remuneration Committee members attended all meetings of the Committee.

Sustainability Committee

The Sustainability Committee of the Company was established in 2022. It consists of three members appointed by the Supervisory Board amongst its members: Lorena Škuflić (President), Kevin Michael McAuliffe and Goran Nikolić. The work of the Sustainability Committee is regulated by decisions of the Supervisory Board, in line with the provisions of the Companies Act, the Company's Articles of Association and the Rules of Procedure of the Supervisory Board. The Sustainability Committee held two meetings in 2022. All Sustainability Committee members attended all meetings of the Committee.

FEMALE BOARD MEMBERS TARGET

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

The Company highly supports the diversity within the Company and women make almost 50% of its workforce. The Company 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 2022 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 current mandate of appointed members of the Management Board expires on 6 September 2023. 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 34 - 43.

The Management Board has regular monthly (or, if required, more frequent) meetings to review operational activities in the Company. There is also seamless interaction between the Management and Supervisory board on a regular, formal and informal basis. The most important Management Board meetings held during 2022 were:

on 25 February 2022 whereat, inter alia, the interim report for the fourth quarter of 2021 and the Annual Report of the Company for 2021 (consolidated and non-consolidated) were adopted;

on 27 April 2022 whereat, inter alia, the unaudited consolidated and non-consolidated quarterly report of the Company for the first quarter of 2022 was adopted;

on 27 July 2022, whereat, inter alia, unaudited consolidated and non-consolidated quarterly report of the Company for the second quarter of 2022 and the unaudited consolidated and non-consolidated half year report of the Company for the first six months of 2022 were adopted;

on 14 September 2022, whereat, inter alia, the Treasury Shares Buy-Back Programme was adopted.

On 26 October 2022 whereat, inter alia, the unaudited consolidated and non-consolidated quarterly report of the Company for the third quarter of 2022 and the unaudited consolidated and nonconsolidated report of the Company for the nine months of 2022 were adopted.

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 2022, 69,498 shares were held as treasury shares. Shareholders with holdings of 3% or more of the Company's registered capital as at 31 December 2022 are listed below:

	Percentage holding of Share Capital including treasury shares	Percentage holding of Share Capital excluding treasury shares
DVADESET OSAM D.O.O. (a member of the PPHE Hotel Group)	52.48%	53.20%
OTP BANKA d.d. / AZ OMF kategorije B	11.93%	12.10%
ERSTE & STEIERMARKISCHE BANK D.D. / PBZ CO OMF-kategorije B	8.61%	8.73%
OTP BANKA d.d. / ERSTE PLAVI OMF kategorije B	7.35%	7.45%

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

Valuation

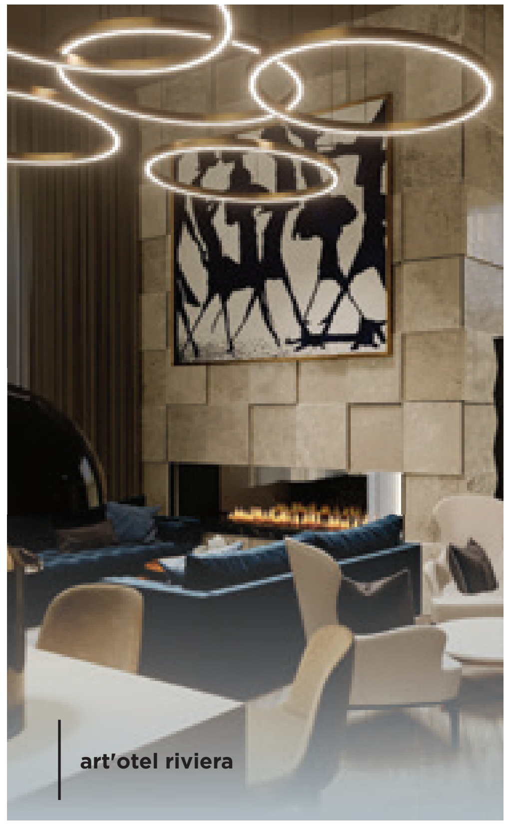
IN '000 HRK	2022		
	HIGH	LOW	LAST
Share price	314	216	238
Market capitalisation[1]	1,588,596	1,092,792	1,204,095
Net debt[2]	1,242,219	1,242,219	1,242,219
EV[3]	2,830,815	2,335,012	2,446,314
EV/EBITDA	12.05x	9.94x	10.41x

1 Market capitalisation calculated as share price multiplied by the number of outstanding shares (5,059,223)
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


art'otel Zagreb


ARENA GRAND KAŽELA CAMPSITE


GRAND HOTEL BRIONI PULA, A RADISSON COLLECTION HOTEL


art'otel riviera

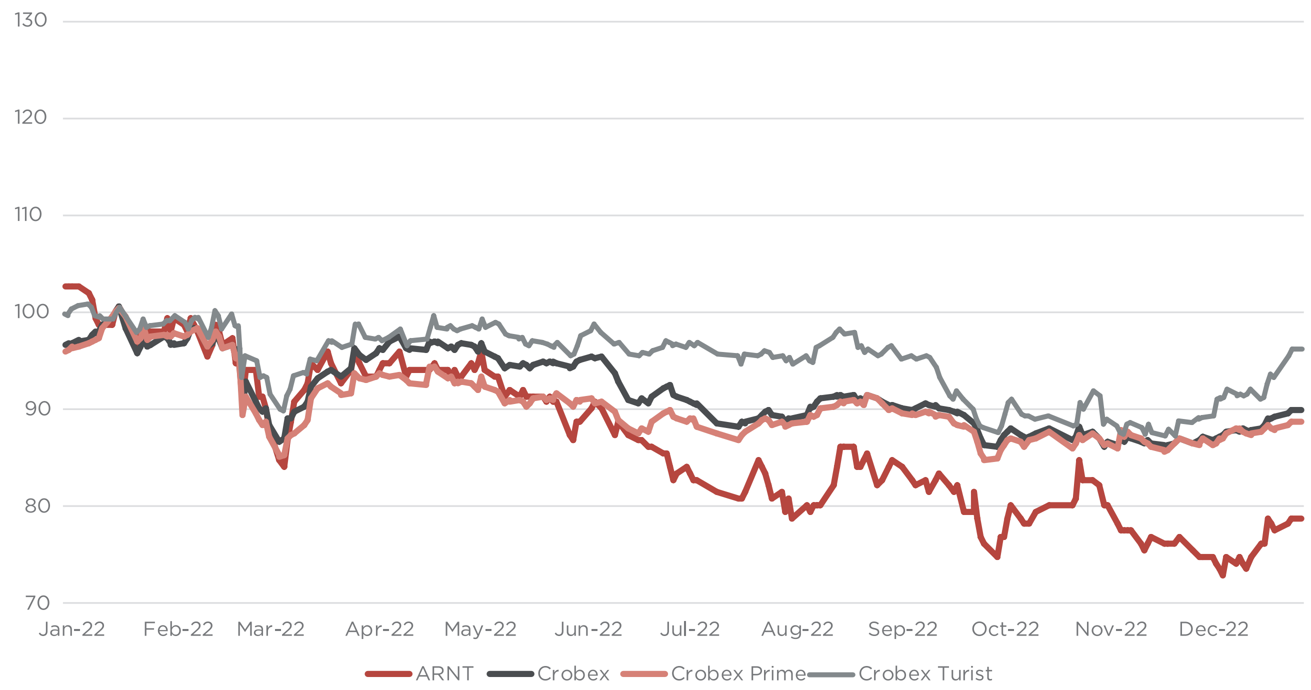
SHARE PRICE PERFORMANCE

The Group's share price performance during the year was relatively volatile. The volatility was driven by various factors. At the start of the financial year the price was HRK 310 per share and it closed the year at HRK 238 per share, representing a decrease of 23%. The price experienced a noticeably sharp drop in March 2022, to HRK 254 per share (representing a 18% drop compared to the yearly opening price), owing to the geopolitical situation created by the war in Ukraine. The share price saw a gradual decline from May 2022 onwards following the market sentiment despite a very strong summer season in Croatia for the tourist sector. During the year the total volume of shares traded amounted to HRK 49.2 million of which HRK 41.2 million was regular trade and HRK 8.0 million was through two block trades. The total share number volume traded was 17% higher than the 2021 levels.

The Group has two active market makers, Interkapital vrijednosni papiri d.o.o. and Zagrebačka banka d.d. and three research institutions that regularly publish notes and analysis: Erste bank d.d., Interkapital vrijednosni papiri d.o.o. and Zagrebačka banka d.d. Regular meetings are held with existing and prospective investors. During the year Management participated in some of the most relevant investor events, amongst other, Zagreb and Ljubljana Stock Exchange Investor conferences and Erste Investor conference.

The Group, listed on the Prime listing of the Zagreb stock exchange, is committed to the highest standards of corporate governance and transparency, and promotes an open and proactive dialogue with the investor community.

SHARE PRICE PERFORMANCE RELATIVE TO THE CROBEX AND CROBEX PRIME INDICES



04

Financial statements

Management Board's Report

The Management Board presents its report and the audited financial statements of the Company (consolidated and non-consolidated) for the year ended 31 December 2022 to the Supervisory Board of the Company.

PRINCIPAL ACTIVITIES

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

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

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

BUSINESS REVIEW

A review of the business during the year is contained in the Chairman of the Supervisory Board's Statement, the President of the Management Board's Statement, Our Business Model and the Strategy, Key Performance Indicators, the Chief Financial Officer's Statement, and the Operating Reviews.

2022 RESULTS

The results for the year ended 31 December 2022 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 34 - 43. 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 2022 for the audit of the consolidated and non-consolidated annual financial statements of the Company for 2022. In relation to 2022, the Company's total fees to be paid to its independent auditor amount to HRK 838,000.

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 2023 which show that the Group's operations will be cash generative during the period. This, taken together with its conclusions on the matters referred to below has led the Management Board to conclude that it is appropriate to prepare the 2022 financial statements of the Company (consolidated and non-consolidated) on a going concern basis.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Pages 191 - 198 and Note 26 of the consolidated financial statements of the Company set out the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

MANAGEMENT BOARD'S RESPONSIBILITIES

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

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

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

financial position of the Company and its income and expenses.

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

MANAGEMENT BOARD'S DECLARATION

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

MANAGEMENT BOARD'S RESPONSIBILITY STATEMENT

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

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

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

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

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

MANAGEMENT BOARD

PRESIDENT:

Reuel Israel Gavriel Slonim

MEMBERS:

Manuela Kraljević

Devansh Bakshi

Edmond Pinto

Management Board's Decision

Pula, 27.02.2023.
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 27 February 2023.

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 2022 (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 2022 refer to Arena Hospitality Group d.d.
The Company's consolidated Annual Financial Statements for 2022 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 2022 (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 2022 (consolidated and non-consolidated), which comprises of:

- Annual financial statements of the Company for 2022 (consolidated and non-consolidated), together with the Auditor's Report,
- Statement on application of the corporate governance code,
- Management Report for 2022 (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 2022 in the total amount of 53,041,327.43 HRK (according to fixed conversion rate HRK to EUR amounting to 7,039,793.93 EUR) to retained earnings.

V. This Decision, together with the Company's Annual Report for 2022 (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 2022 (consolidated and non-consolidated) and adopts thereto related decisions.

VI. This Decision and the Company's Annual Report for 2022 (consolidated and non-consolidated) shall be published in the way and within the deadlines prescribed by the Capital Market Act and the Accounting Act.

MANAGEMENT BOARD

PRESIDENT:
Reuel Israel Gavriel Slonim

MEMBERS:
Manuela Kraljević

Devansh Bakshi

Edmond Pinto

Supervisory Board's Report

In accordance with Article 263 Par. 3, Article 300.c and Article 499 of the Companies Act and Article 19 and 30 Par. 4 of the Articles of Association of the company Arena Hospitality Group d.d. (hereinafter: the Company), the Supervisory Board of the Company, at its meeting held on 27 February 2023, determined the following

R E P O R T

TO THE ARENA HOSPITALITY GROUP D.D. GENERAL ASSEMBLY

I/ During 2022, the Supervisory Board of the Company had seven members. As at 31 December 2022, the members of the Supervisory Board were: Boris Ernest Ivesha (Chairman), Yoav Arie Papouchado(Vice-Chairman), Kevin Michael McAuliffe, Ivana Matovina, Amra Pende, Lorena Škuflić and Goran Nikolić.

The Supervisory Board of the Company held seven meetings in the year 2022:

on 25 February 2022 whereat, inter alia, the Annual Report and the annual financial statements of the Company for the year 2021 (consolidated and non-consolidated) were approved and the Sustainability Committee was established, with the purpose of further strengthening the Company in creation and implementation of the strategy on sustainable business practice in the future;

on 27 April 2022 whereat, inter alia, unaudited consolidated and non-consolidated quarterly report of the Company for the first quarter of 2022 were 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 2021 was adopted;

on 31 May 2022 whereat, following the decision on the appointment of the of Supervisory Board members by the General Assembly, the new Supervisory Board of the Company was constituted, and the members of the Audit Committee, Nomination Committee, Remuneration Committee and Sustainability Committee were appointed;

on 27th July 2022, whereat, inter alia, unaudited consolidated and non-consolidated quarterly report of the Company for the second quarter of 2022 and the unaudited consolidated and non-consolidated half year report of the Company for the first six months of 2022 were discussed.

on 14th September 2022, whereat the Company's Treasury Shares Buy-Back Programme was approved;

on 26 October 2022, whereat, inter alia, unaudited consolidated and non-consolidated quarterly report of the Company for the third quarter of 2022 and the unaudited consolidated and non-consolidated report of the Company for the months January - September of 2022 were discussed;

on 22 December 2022, whereat, inter alia, the projections of Company's Budget for 2023 were presented and discussed.

II/ The Supervisory Board of the Company established the Audit Committee, the Nomination Committee, the Remuneration Committee and the Sustainability Committee. The Audit Committee has four members: Ivana Matovina (President), Lorena Škuflić, Amra Pende and Kevin Michael McAuliffe. It held five meetings in 2022.

The Nomination Committee consists of three members: Kevin Michael McAuliffe (President), Amra Pende and Lorena Škuflić. It held one meeting in 2022.

The Remuneration Committee consists of three members: Amra Pende (President), Lorena Škuflić and Kevin Michael McAuliffe. It held two meetings in 2022.

The Sustainability Committee consists of three members: Lorena Škuflić (President), Kevin Michael McAuliffe and Goran Nikolić. It held two meetings in 2022

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

IV/ The Supervisory Board examined the Company's annual report for 2022 (consolidated and non-consolidated), which comprises of:

Annual financial statements of the Company for 2022 (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 2022,

Statement on application of the corporate governance code,

Management Report for 2022 (consolidated and non-consolidated), which includes Strategic Report, Sustainability Report and Corporate Governance Report, and

Statement of the Company's responsible persons.

The Supervisory Board acknowledges the receipt of the Audit Committee Report dated 27 February 2023 with respect to preparation and issuing of the Annual financial statements of the Company for 2022.

The Supervisory Board has no objections to the Company's annual report for 2022 (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 2022 were prepared in compliance with the state of the Company's business books and that they

Financial statements

correctly show the financial and business state of the Company.

Therefore, the Supervisory Board approves the Company's annual report for 2022 (consolidated and non-consolidated), whereby the Annual financial statements of the Company for 2022 (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 2022 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 2022 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 2022 in the total amount of 53,041,327.43 HRK (according to fixed conversion rate HRK to EUR amounting to 7,039,793.93 EUR) is allocated to retained earnings.

Boris Ernest Ivesha

CHAIRMAN OF THE SUPERVISORY BOARD

Supervisory Board's Decision

Pula, 27.02.2023.

I. The Supervisory Board hereby approves the Company's annual report for 2022 (consolidated and non-consolidated), which comprises of:

Annual financial statements of the Company for 2022 (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 2022,

Statement on application of the corporate governance code,

Management Report for 2022 (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 2022 (consolidated and non-consolidated), the Annual financial statements of the Company for 2022 (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 2022 (consolidated and non-consolidated).

IV. The Supervisory Board adjoins to the proposal of the Management Board that the General Assembly decides that profit of the Company realised in 2022 in the total amount of 53,041,327.43 HRK (according to fixed conversion rate HRK to EUR amounting to 7,039,793.93 EUR) is allocated to retained earnings.

Boris Ernest Ivesha

CHAIRMAN OF THE SUPERVISORY BOARD

Independent auditor's report

To the Shareholders of Arena Hospitality Group d.d.

Report on the audit of the separate and consolidated financial statements

OPINION

We have audited the separate financial statements of Arena Hospitality Group d.d. (the Company), and consolidated financial statements of Arena Hospitality Group d.d. and its subsidiaries (together- the Group), which comprise the separate and consolidated statement of financial position as at 31 December 2022, 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 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 2022 and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

BASIS FOR OPINION

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

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

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTER	HOW WE ADDRESSED KEY AUDIT MATTER
Impairment of the tourism property (the separate and consolidated financial statements) Refer to Notes 2 (j) Property, plant and equipment and 2 (k) Impairment of non-financial assets and Note 3 Property, plant and equipment of the separate and consolidated financial statements. The carrying amount of property, plant and equipment of the Group as at 31 December 2022 was HRK 2,542,150 thousand (Company: HRK 1,671,623 thousand). Property, plant and equipment mostly consists of tourism properties and related assets and is included in the separate and consolidated statement of financial position at historical cost less accumulated depreciation and impairment, where required. Management annually conducts a test to identify assets with impairment indicators. In order to determine if there are impairment indicators, management considers occupancy rates, number of sold accommodation units, revenue per available room, gross operating profit and other measures. The estimation process is complex and highly subjective and is based on assumptions. Due to the above factors, impairment of tourism properties was determined as a key audit matter.	Our audit procedures related to impairment of 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 some assets, the Company and the Group provided us with internal assessments of the market value or reports from the external valuers. We reviewed the valuation reports and tested, on a sample basis, the correctness of the input data. Additionally, we also evaluated the appropriateness of the related disclosures in Note 2 (j) Property, plant and equipment and 2 (k) Impairment of non-financial assets and Note 3 Property, plant and equipment in the separate and consolidated financial statements and their compliance with IFRS, as adopted by the EU.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND AUDIT COMMITTEE FOR THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.
From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Appointment of Auditor and Period of Engagement
We were initially appointed as auditors of the Company on 30 August 2017. Our appointment has been renewed annually by General Assembly of Shareholders, with the most recent reappointment on 31 May 2022, representing a total period of uninterrupted engagement appointment of six years.

Consistence with Additional Report to Audit Committee
We confirm that our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 27 February 2023 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 separate and consolidated financial statements prepared pursuant to Article 462 (5) of the Capital Market Act (Official Gazette 65/18, 17/20, 83/21 and 151/22) applying the requirements of the Delegated Regulation (EU) 2018 / 815 on establishing of single electronic reporting format for issuers (the ESEF Regulation).
We have conducted a reasonable assurance engagement on whether the separate and consolidated financial statements, as contained in the attached electronic file arenahospitality-2022-12-31-en, are prepared, for the purposes of public disclosure pursuant to Article 462, paragraph 5 of the Capital Market Act, in all material respects in accordance with the requirements of the ESEF Regulation.

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

Management is also responsible for:

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

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

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

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

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

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

The aim of our procedures was to assess whether:

- The separate and consolidated financial statements, which are included in the annual report, are prepared in the relevant XHTML format,
- the information contained in the separate and consolidated financial statements required by the ESEF Regulation is marked and all markings meet the following requirements:
- the XBRL markup language was used,
- 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,
- the labeled elements comply with the common labeling rules under the ESEF Regulation.

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

CONCLUSION
Based on the procedures performed and evidence gathered, the separate and consolidated financial statements presented in ESEF format for the year ended on 31 December 2022, contained in the afore-mentioned attached electronic file and prepared pursuant to Article 462 paragraph 5 of the Capital Market Act prepared for public disclosure, are prepared in all material respects in line with the requirements of Articles 3, 4 and 6 of the ESEF Regulation.
Further to this conclusion, as well as the opinion contained in this independent auditor's report related to accompanying separate and consolidated financial statements and annual report for the year ended 31 December 2022, 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.

Hitrec

Filip Hitrec, Partner and certified auditor
28 February 2023
Ernst & Young d.o.o.
Radnička Cesta 50
10000 Zagreb
Republic of Croatia

Consolidated And Company Statement Of Financial Position

		As at 31 December			
			Group		Company
	Note	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Assets					
Non-current assets:					
Intangible fixed assets	4	**4,130**	2,167	**3,453**	1,704
Property, plant and equipment	3	**2,542,150**	2,418,456	**1,671,623**	1,631,283
Right-of-use assets	14	**242,909**	262,132	**-**	-
Inventories		**16,053**	8,326	**15,456**	8,300
Interest in joint ventures	5	**42,209**	38,701	**-**	-
Other non-current financial assets	6	**11,531**	3,100	**876,708**	792,577
Deferred tax asset	22	**75,692**	97,579	**74,826**	95,008
Restricted deposits and cash		**65,902**	65,813	**65,902**	65,813
		3,000,576	2,896,274	**2,707,968**	2,594,685
Current assets:					
Inventories		**4,446**	2,764	**3,263**	1,715
Other current financial assets		**-**	201	**-**	201
Trade receivables	7	**15,667**	10,957	**6,972**	6,335
Other receivables and prepayments	8	**21,716**	82,257	**16,481**	18,922
Income tax receivable		**2,414**	2,971	**-**	-
Cash and cash equivalents	9	**530,707**	340,903	**418,789**	285,491
		574,950	440,053	**445,505**	312,664
Total assets		**3,575,526**	3,336,327	**3,153,473**	2,907,349

		As at 31 December			
			Group		Company
	Note	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Equity and liabilities					
Equity:	10				
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		**8,605**	(5,378)	**-**	-
Other reserves		**317,536**	318,608	**554,612**	559,029
Accumulated earnings/(losses)		**46,693**	10,456	**226,730**	173,690
Total equity		**1,618,150**	1,569,002	**2,026,658**	1,978,035
Non-current liabilities:					
Bank borrowings	13	**1,314,898**	1,151,730	**851,921**	716,569
Lease liability	14	**262,804**	278,821	**266**	144
Provisions	15	**45,358**	45,358	**45,358**	45,358
Other liabilities		**4,756**	8,279	**4,700**	3,950
		1,627,816	1,484,188	**902,245**	766,021
Current liabilities:					
Trade payables		**34,523**	65,330	**7,737**	24,940
Current lease liability	14	**33,912**	31,613	**81**	-
Other payables and accruals	16	**90,288**	89,934	**69,391**	70,999
Liabilities towards related parties		**9,525**	18,547	**8,526**	7,086
Bank borrowings	13	**161,312**	77,713	**138,835**	60,268
		329,560	283,137	**224,570**	163,293
Total liabilities		**1,957,376**	1,767,325	**1,126,815**	929,314
Total equity and liabilities		**3,575,526**	3,336,327	**3,153,473**	2,907,349

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

Consolidated And Company Income Statement

		As at 31 December			
			Group		Company
	Note	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Revenues	17	**825,278**	460,699	**623,408**	401,517
Operating expenses	18	**(573,037)**	(281,127)	**(437,586)**	(271,785)
EBITDAR		**252,241**	179,572	**185,822**	129,732
Rental expenses and concession fees: land		**(17,260)**	(16,124)	**(16,155)**	(15,788)
EBITDA		**234,981**	163,448	**169,667**	113,944
Depreciation, amortisation and impairment	3/4/14	**(117,767)**	(103,644)	**(80,825)**	(70,765)
EBIT		**117,214**	59,804	**88,842**	43,179
Financial expenses	19	**(46,858)**	(27,456)	**(16,240)**	(15,705)
Financial income	20	**1,320**	911	**8,239**	5,602
Other expenses	21	**(12,709)**	(33,361)	**(7,619)**	(28,782)
Other income	21	**83**	9,457	**-**	9,457
Share in result of joint ventures		**1,781**	(6,295)	**-**	-
Profit/(loss) before tax		**60,831**	3,060	**73,222**	13,751
Income tax benefit/(expense)	22	**(24,594)**	28,454	**(20,182)**	31,866
Profit/(loss) for the year		**36,237**	31,514	**53,040**	45,617
Profit/(loss) attributable to:					
Equity holder of the parent		**36,237**	31,514	**53,040**	45,617
Basic and diluted (loss)/ earnings per share	23	**7.14**	6.20	**10.45**	8.97

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

Consolidated And Company Statement Of Other Comprehensive Income

		As at 31 December			
			Group		Company
	Note	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Profit/(loss) for the year		**36,237**	31,514	**53,040**	45,617
Other comprehensive income to be recycled through profit and loss in subsequent periods:					
Disposal of financial assets		**(107)**	-	**(107)**	-
Unrealised gains/(losses) on available-for-sale securities		**-**	(23)	**-**	(23)
Foreign currency translation adjustment of foreign operations		**3,345**	(10)	**-**	-
Profit/(Loss) from cash flow hedges		**13,983**	4,448	**-**	-
Other comprehensive income/(loss)		**17,221**	4,415	**(107)**	(23)
Total comprehensive income/(loss)		**53,458**	35,929	**52,933**	45,594

The accompanying accounting policies and notes are an integral part of these 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 2021	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
Profit/(loss) for the year	-	-	-	-	36,237	36,237
Other comprehensive income/ (loss)	-	-	13,983	3,238	-	17,221
Total comprehensive income/(loss)	-	-	13,983	3,238	36,237	53,458
Treasury shares	-	-	-	(5,933)	-	(5,933)
Share based payment	-	-	-	1,623	-	1,623
Balance as at 31 December 2022	102,574	1,142,742	8,605	317,536	46,693	1,618,150

The accompanying accounting policies and notes are an integral part of these 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 2021	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
Profit/(loss) for the year	-	-	-	53,040	53,040
Other comprehensive income	-	-	(107)	-	(107)
Total comprehensive income	-	-	(107)	53,040	52,933
Treasury shares	-	-	(5,933)	-	(5,933)
Share based payment	-	-	1,623	-	1,623
Balance as at 31 December 2022	102,574	1,142,742	554,612	226,730	2,026,658

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

Consolidated And Company Statement Of Cash Flows

		Year ended 31 December			
			Group		Company
	Note	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Cash flows from operating activities:					
Profit for the year		**36,237**	31,514	**53,040**	45,617
Adjustment to reconcile profit to cash provided by operating activities:					
Interest expenses	19	**31,192**	26,467	**15,560**	15,705
Interest revenue	20	**(1,320)**	(911)	**(8,239)**	(5,537)
Unrealised foreign exchange gains/(losses)		**14,399**	(1,082)	**787**	(842)
Income tax (benefit)/charge		**24,594**	(28,454)	**20,182**	(31,866)
Share in results of joint ventures		**(1,781)**	6,295	**-**	-
Legal settlement expenses		**-**	26,000	**-**	26,000
Gain on disposal of property, plant and equipment		**-**	(9,456)	**-**	(9,456)
Depreciation, amortisation and impairment	3/4/14	**117,767**	103,644	**80,825**	70,765
Disposal of property, plant and equipment		**444**	724	**418**	641
Share-based payments		**1,623**	1,623	**1,623**	1,623
		186,918	124,850	**111,156**	67,033
Changes in operating assets and liabilities:					
Decrease/(increase) in inventories		**(9,426)**	4,470	**(8,704)**	4,469
Decrease/(increase) in trade and other receivables		**54,778**	(71,019)	**552**	(4,311)
Increase/(decrease) in trade and other payables		**(21,755)**	67,141	**1,792**	35,174
		23,597	592	**(6,360)**	35,332
Cash paid and received during the period for:					
Interest paid		**(34,925)**	(31,957)	**(19,219)**	(17,345)
Interest received		**4,264**	28	**9,403**	-
Taxes paid		**(2,150)**	(4,649)	**-**	-
		(32,811)	(36,578)	**(9,816)**	(17,345)
Net cash provided by operating activities		**213,941**	120,378	**148,020**	130,637

		Year ended 31 December			
			Group		Company
	Note	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Cash flows from investing activities:					
Investments in property, plant and equipment		**(242,521)**	(197,499)	**(141,745)**	(181,080)
Loans to related party		**-**	-	**(80,231)**	(99,784)
Cash received from disposal		**-**	12,330	**-**	12,330
Loans to joint ventures		**(7,546)**	(3,506)	**-**	-
Proceeds from repayment of loans given to joint ventures		**3,988**	-	**-**	-
Proceeds from sale of financial instruments		**182**	-	**182**	-
Decrease/ (increase) in restricted and rent deposits		**115**	(53,374)	**-**	(53,311)
Investment in subsidiary		**-**	-	**(3,377)**	(1,760)
Business combination		**-**	(112,085)	**-**	-
Net cash used in investing activities		**(245,782)**	(354,134)	**(225,171)**	(323,605)
Cash flows from financing activities:					
Proceeds from bank borrowings		**384,476**	235,033	**335,427**	156,175
Proceeds from finance lease		**265**	-	**265**	-
Payment of principal portion of lease liabilities		**(21,783)**	(18,968)	**(63)**	-
Repayment of bank borrowings		**(136,186)**	(67,855)	**(119,247)**	(48,594)
Purchase of treasury shares		**(5,933)**	-	**(5,933)**	-
Net cash provided by financing activities		**220,839**	148,210	**210,449**	107,581
(Decrease)/increase in cash and cash equivalents		**188,998**	(85,546)	**133,298**	(85,387)
Net foreign exchange differences		**806**	836	**-**	-
Cash and cash equivalents at beginning of year		**340,903**	425,613	**285,491**	370,878
Cash and cash equivalents at end of year		**530,707**	340,903	**418,789**	285,491
Non-cash items:					
Outstanding payable on investments in property, plant and equipment		**5,801**	21,409	**2,776**	21,146

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

Notes To The Financial Statements

NOTE 1 GENERAL

a. The financial statements of Arena Hospitality Group d.d. (the Company) and its subsidiaries (together the Group) for the year ended 31 December 2022 were established by a decision of the Management Board dated 27 February 2023. Following approval by the Supervisory Board, the financial statements are considered approved according to Article 300d of the Croatian Companies Act.

The Company is a subsidiary of PPHE Hotel Group Limited, a Guernsey incorporated company listed on the FTSE Market of the London Stock Exchange (PPHE Hotel Group) which (indirectly) owns 53.2% of the registered share capital in the Company. The financial statements of the Group are included in the financial statements of PPHE Hotel Group.

As at 31 December 2022 and at the day of issuance of this Report, the members of the Management Board are: Reuel Israel Gavriel Slonim (President), Devansh Bakshi, Manuela Kraljević and Edmond Pinto (members). The members of the Supervisory Board as of 31 December 2022 were: Boris Ernest Ivesha (Chairman), Yoav Arie Papouchado (Vice-Chairman), Kevin Michael McAuliffe, Ivana Matovina, Amra Pende, Lorena Škuflić and Goran Nikolić.

b. Description of business and formation of the Company:

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

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

c. Assessment of going concern and liquidity:

As part of their ongoing responsibilities, the Management Board have recently undertaken a thorough review of the Group's and the Company's cash flow forecast and potential liquidity risks. Detailed budgets and cash flow projections have been prepared for 2023, which show that the Group's hotel operations will be cash generative during the period. The Management Board have determined that the Company is likely to continue it's business for at least 12 months from the date of the financial statements.

NOTE 2 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 2022 and 31 December 2021 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 2022. 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.

Impairment of non-financial assets

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

Deferred tax assets

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

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

d. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. 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.

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

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

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

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.

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 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

	2022 In HRK	2021 In HRK
Euro	**7.53**	7.52
Hungarian Forint (100)	**1.88**	2.06
Serbian dinar	**15.29**	15.64

Percentage increase (decrease) in exchange rates during the year:

As at 31 December

	2022 %	2021 %
Euro	**0.1**	(0.3)
Hungarian Forint (100)	**(8.7)**	(1.7)
Serbian dinar	**(2.2)**	0.3

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.

s. Leases

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

The Group and the Company as lessee

The Group and the Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Interest rates on lease liabilities are in range between 1.95% and 2%.

Right-of-use assets

The Group and the Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Hotel buildings	7 to 45
Offices	5 to 6

If ownership of the leased asset transfers to the Group or the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (k) Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group and the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group or the Company and payments of penalties for terminating the lease, if the lease term reflects the Group or the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as rent expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Variable lease payments that depend on an index:

On the commencement date, the Group and Company uses the index rate prevailing on the commencement date to calculate the future lease payments.

For leases in which the Group or the Company are the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

Variable lease payments:

Variable lease payments that do not depend on an index or interest rate but are based on performance or usage are recognized as an expense as incurred when the Group or the Company is the lessee, and are recognized as income as earned when the Company is the lessor.

Lease extension and termination options:

A non-cancelable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

Lease modifications:

If a lease modification does not reduce the scope of the lease and does not result in a separate lease, the Company remeasures the lease liability based on the modified lease terms using a revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.

If a lease modification reduces the scope of the lease, the Company recognizes a gain or loss arising from the partial or full reduction of the carrying amount of the right-of-use asset and the lease liability. The Company subsequently remeasures the carrying amount of the lease liability according to the revised lease terms, at the revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group and the Company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

t. Government grants

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

u. Employee benefits

Share-based payments

Employees (including Management Board) of the Company and the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense (Note 18), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

v. Provisions

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

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

w. Borrowing costs for qualifying assets

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

z. Taxation

Current income tax

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

Deferred income tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

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

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

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

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

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

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

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

Investment tax credit

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

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

aa. Treasury shares

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

ab. Earnings (loss) per share

Basic earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year attributable to shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

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

ac. Changes in accounting policies and disclosures

The 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 2022. 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.

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

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). 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.

This amendment had no impact on the financial statements of the Group or the Company.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations 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 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). These amendments had no impact on the financial statements of the Group or Company as there were no business combinations during the period.

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

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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.

In accordance with the transitional provisions, the Group and the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

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

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. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Group and the Company 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 date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

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 intends 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 is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

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 and the Company are currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group and the Company are currently assessing the impact of the amendments.

NOTE 3 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 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**
Cost:				
Balance as at 1 January 2022	3,009,292	377,921	333,885	3,721,098
Additions during the year	98,975	35,787	88,748	223,510
Transfers	211,473	54,215	(265,688)	-
Disposals during the year	(827)	(3,288)	-	(4,115)
Exchange rate differences	1,843	(1,122)	(624)	97
Balance as at 31 December 2022	**3,320,756**	**463,513**	**156,321**	**3,940,590**
Accumulated depreciation and impairment:				
Balance as at 1 January 2022	1,067,797	234,845	-	1,302,642
Provision for depreciation	66,488	33,828	-	100,316
Disposals during the year	(827)	(2,870)	-	(3,697)
Exchange rate differences	91	(912)	-	(821)
Balance as at 31 December 2022	**1,133,549**	**264,891**	**-**	**1,398,440**
Net book value as at 31 December 2022	**2,187,207**	**198,622**	**156,321**	**2,542,150**

a. There was no capitalisation of borrowing costs in 2022 or 2021.
b. For information regarding liens, see Note 12.

Impairment

There were no indication of impairment during the year.

NOTE 3 PROPERTY, PLANT AND EQUIPMENT CONTINUED

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 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
Cost:				
Balance as at 1 January 2022	2,249,395	269,311	319,287	2,837,993
Additions during the year	78,970	11,954	29,519	120,443
Transfer	211,474	54,215	(265,689)	-
Disposals during the year	(827)	(3,224)	-	(4,051)
Balance as at 31 December 2022	2,539,012	332,256	83,117	2,954,385
Accumulated depreciation and impairment:				
Balance as at 1 January 2022	1,028,287	178,423	-	1,206,710
Provision for depreciation	55,895	23,789	-	79,684
Disposals during the year	(827)	(2,805)	-	(3,632)
Balance as at 31 December 2022	1,083,355	199,407	-	1,282,762
Net book value as at 31 December 2022	1,455,657	132,849	83,117	1,671,623

a. There was no capitalisation of borrowing costs in 2022 or 2021.
b. For information regarding liens, see Note 13.

Impairment

There were no indication of impairment during the year.

NOTE 4 INTANGIBLE ASSETS

Group	Software and licences HRK'000	Total HRK'000
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
Cost:		
Balance as at 1 January 2022	10,846	10,846
Additions during the year	3,360	3,360
Disposals during the year	(85)	(85)
Exchange rate differences	2	2
Balance as at 31 December 2022	14,123	14,123
Accumulated amortisation:		
Balance as at 1 January 2022	8,679	8,679
Provision for amortisation	1,373	1,373
Disposals during the year	(59)	(59)
Balance as at 31 December 2022	9,993	9,993
Net book value as at 31 December 2022	4,130	4,130

NOTE 4 INTANGIBLE ASSETS CONTINUED

COMPANY	Software and licences HRK'000	Total HRK'000
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
Cost:		
Balance as at 1 January 2022	10,304	10,304
Additions during the year	2,890	2,890
Disposals during the year	(25)	(25)
Balance as at 31 December 2022	13,169	13,169
Accumulated amortisation:		
Balance as at 1 January 2022	8,600	8,600
Provision for amortisation	1,141	1,141
Disposals during the year	(25)	(25)
Balance as at 31 December 2022	9,716	9,716
Net book value as at 31 December 2022	3,453	3,453

NOTE 5 INTEREST IN JOINT VENTURES

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

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Loan to joint ventures*	**47,422**	46,832	**-**	-
Share of net assets under equity method	**(5,213)**	(8,131)	**-**	-
Interest in joint ventures	**42,209**	38,701	**-**	-

* €4.8 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 13 January 2024 in full (bullet).

NOTE 6 OTHER NON-CURRENT FINANCIAL ASSETS

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Rent deposit	**3,044**	3,100	**-**	-
Investment in Sugarhill Investments B.V.	**-**	-	**524,141**	524,141
Loan to Germany Real Estate B.V.	**-**	-	**135,218**	144,227
Loan to Sugarhill Investments B.V.	**-**	-	**156,369**	99,226
Investment in Ulika d.o.o.	**-**	-	**22,520**	19,143
Loan to Ulika d.o.o.	**-**	-	**38,300**	5,800
Loan to Mazurana d.o.o.	**-**	-	**120**	-
Investment in Mazurana d.o.o.	**-**	-	**40**	40
Derivative financial instruments	**8,487**	-	**-**	-
	11,531	3,100	**876,708**	792,577

NOTE 7 TRADE RECEIVABLES

a. Composition

	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Trade receivables	**19,036**	14,268	**10,223**	9,596
Less – allowance for doubtful debts	**(3,369)**	(3,311)	**(3,251)**	(3,261)
	15,667	10,957	**6,972**	6,335

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

	Group HRK'000	Company HRK'000
As at 31 December 2021	3,311	3,261
Additions/ (deductions)	58	(10)
As at 31 December 2022	3,369	3,251

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
2022	15,667	9,091	3,859	661	618	1,438
2021	10,957	6,681	1,411	1,944	424	497

COMPANY	Total HRK'000	Undue HRK'000	Past due < 30 days HRK'000	30 to 60 days HRK'000	60 to 90 days HRK'000	> 90 days HRK'000
2022	6,972	4,423	878	196	352	1,123
2021	6,335	3,683	767	1,394	93	398

NOTE 8 OTHER RECEIVABLES AND PREPAYMENTS

	Group 2022 HRK'000	Group 2021 HRK'000	Company 2022 HRK'000	Company 2021 HRK'000
Prepaid expenses	**7,213**	9,773	**2,525**	1,874
Receivable for VAT and other taxes	**6,842**	29,080	**1,724**	3,243
Receivable from related parties	**69**	-	**12,192**	13,805
Other receivables	**7,592**	43,404	**40**	-
	21,716	82,257	**16,481**	18,922

Group's other receivables mostly refer to receivables for government grants in Germany, amounting to HRK 7,390 thousands (2021: HRK 42,686 thousand).

NOTE 9 CASH AND CASH EQUIVALENTS

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

NOTE 10 EQUITY

a. Share capital:

As at 31 December 2022, the Company's share capital amounted to HRK 102,574,000 (2021: HRK: 102,574,000) and was divided into 5,128,721 (2021: 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 2022, legal reserves amounted to HRK 5,1 million (2021: HRK 5,1 million).

As at 31 December 2022, the consolidated other reserves amounting to HRK 317.5 million (2021: HRK 318.6 million) consisted of:

(i) Capital reserves of HRK 612.8 million (2021: 617.8 million).

(ii) Revaluation reserves formed from unrealised fair value gains on available-for-sale financial assets of HRK Nil (2021: HRK 0.1 million).

(iii) Legal reserves amounting to HRK 5.1 million (2021.: 5.1 million).

(iv) Other capital reserves which amount to HRK 329.4 million (2021: 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) Exchange rate differences in the amount of HRK 1.4 million (2021: 1.9 million negative).

(vii) Treasury shares amounting to HRK 22.8 million negative (2021: 16.9 million negative).

(viii) Reserves for treasury shares amounting to HRK 22.8 million (2021: 16.9 million). These reserves are formed from Capital reserves.

(ix) Reserves for share option amounting to HRK 4.6 million (2021: 3.0 million).

As at 31 December 2022, the Company's other reserves amounting to HRK 554.6 million (2021: HRK 559.0 million) consisted of:

(i) Other capital reserves amounting to HRK 521.9 million (2021: 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 Nil (2021: HRK 0.1 million).

(iv) Treasury shares amounting to HRK 22.8 million negative (2021: 16.9 million negative).

(v) Reserves for treasury shares amounting to HRK 22.8 million (2021: 16.9 million). These reserves are formed from Other capital reserves.

(vi) Reserves for share option amounting to HRK 4.6 million (2021: 3.0 million).

(vii) Legal reserves amounting to HRK 5.1 million (2021.: 5.1 million).

NOTE 11 SHARE-BASED PAYMENTS

During 2020, the Company established a share award plan within the framework of employees' reward program. The Company's Supervisory Board met in January 2020 to consider option packages of Management Board members to ensure that they are properly incentivised in the future. In March 2020, the Supervisory Board based on Award decision agreed to grant a total of 18,240 shares to the Management Board members at Nil Option price at the exercise of the option. The Vesting date is 4 years from the decision date in one tranche. The Company shall bear the Award tax liability.

The expense arising from equity-settled share-based payment transactions during 2022 was 1.6 million (2021: HRK 1.6 million). Fair value of the option was determined based on the market price of the shares at grant date.

NOTE 12 PLEDGES, CONTINGENT LIABILITIES AND COMMITMENTS

a. Pledges, collateral and securities:

All bank borrowings are secured by a mortgage over Group properties with a net carrying amount of HRK 1,713,901 thousand (2021: 1,685,880 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 30.9 million. This facility includes a guarantee issued by PPHE Hotel Group up to the lower of EUR 19 million or 50% of the outstanding debt under the loan. The Company has provided a back-to-back guarantee to PPHE Hotel Group effective as of 1 January 2018.

The Group through its 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 8.4 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.

The Group, through its subsidiaries Arena FRANZ ferdinand GmbH, has an outstanding loan facility with Erste Bank Group AG for an aggregate principal amount of EUR 10.5 million. This facility includes a guarantee issued by the Company.

The Group, through its subsidiaries SW Szállodaüzemeltető Korlátolt, has an outstanding loan facility with OTP Bank Nyrt. Budapest for an aggregate principal amount of EUR 2 million. This facility includes a guarantee issued by the Company.

The Group, through its subsidiaries Ulika d.o.o., has an outstanding loan facility with ERSTE&STEIERMÄRKISHE BANK d.d. for an aggregate principal amount of EUR 12.6 million. This facility includes a guarantee issued by the Company.

c. Lease agreements

The Group operates city hotels (in Germany and Hungary), while in Zagreb is developing new hotel, and occupies certain properties under various lease agreements in which the building, fixtures, furniture and equipment are leased. These tend to be long term arrangements under which the Group leases a hotel from a third party property owner for periods of 20 to 45 years and often include options to extend for varying periods. Monthly rental payments are based on a percentage of the operating revenues or gross operating profit of that hotel, subject, in most cases, to a minimum amount which is independent of the operating revenue or gross operating profit. The rental expenses presented in the income statement primarly reflect the variable lease payments.

NOTE 13 BANK BORROWINGS

The bank borrowings of the Group are comprised as follows:

	As at 31 December 2022		
CURRENCY	Outstanding amount in HRK'000	Interest rate	Maturity
EUR	1,079,064	1.5-4.3%	2023-2036
HRK	398,541	0.90-2.6%	2025-2033
	1,477,605		
Accrued interest	5,553		
Capitalised transaction costs	(6,948)		
Total	1,476,210		

As at 31 December 2022	Maturity analysis					
OUTSTANDING AMOUNT HRK	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
1,477,605	155,760	161,265	143,792	281,031	386,010	349,747

For securities and pledges, see Note 12.

During 2022 the Group entered into several new facilities;

- a HRK 139.4 million (EUR 18.5 million) facility, maturing in 2036, with Privredna Banka Zagreb d.d. The purpose of the loan is refinancing of investments executed in previous periods.
- a HRK 21.5 million (EUR 2.9 million) facility, maturing in 2028, with HRVATSKA BANKA ZA OBNOVU I RAZVITAK. The purpose of the loan is financing of investment in mobile homes in Arena Campsite Stoja.
- through its subsidiary Ulika d.o.o. into a HRK 94.9 million (EUR 12.6 million) facility, maturing in 2034, with ERSTE&STEIERMÄRKISHE BANK d.d. The purpose of the loans is financing of investment in art'otel hotel in Zagreb. The facility was withdrawn partly in the amount of HRK 34.5 million.
- through its subsidiary SW Szállodaüzemeltető Korlátolt, into a HRK 15 million (EUR 2 million) facility, maturing in 2031, with OTP Bank Nyrt. Budapest. The purpose of the loan is financing of investment in art'otel in Budapest.

Additionally, during 2022 the Group withdrew HRK 150 million from the facility signed in 2021 with Zagrebačka banka as part of HBOR's programme for insurance of liquidity portfolio for exporters related with Covid-19 measurements, and the amount of HRK 24.4 million from Brioni facility.

	As at 31 December 2021		
CURRENCY	Outstanding amount in HRK'000	Interest rate	Maturity
EUR	956,016	1.95-4.3%	2023-2036
HRK	271,092	1.90-2.6%	2027-2033
	1,227,108		
Accrued interest	6,205		
Capitalised transaction costs	(3,870)		
Total	1,229,443		

As at 31 December 2021	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 12.

The bank borrowings of the Company are comprised as follows:

	As at 31 December 2022		
CURRENCY	Outstanding amount in HRK'000	Interest rate	Maturity
EUR	591,855	1.5-2.95%	2023-2033
HRK	398,541	0.90-2.6%	2025-2033
	990,396		
Accrued interest	5,010		
Capitalised transaction costs	(4,650)		
Total	990,756		

As at 31 December 2022	Maturity analysis					
OUTSTANDING AMOUNT HRK	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
990,396	133,825	131,655	98,322	64,988	306,092	255,514

	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		

As at 31 December 2021	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 12.

The Group and the Company are required to comply with certain financial covenants as described below:
a. Under the Zagrebačka Banka d.d joint EUR 32.0 million and HRK 205.0 million facility the borrower must ensure that at year end, based on audited standalone financial statements of the borrower, the DSCR is equal to or greater than 1.2 during the life of the loan and that the ratio of Net Debt/ EBITDA ('net leverage ratio') is equal to or lower than 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 standalone financial statements of the borrower, the DSCR is equal to or greater than 1.2 during the life of the loan and that the net leverage ratio is equal to or lower than 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. Additionally, the borrower undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees for bank borrowings and EBITDA to the maximum of 6.0 at the end of 2022 and until the end of the loan repayment. Moreover, under the HRK 60.0 million facility the amount of the loan cannot exceed 70% of the value of the properties used as collateral.
c. Under the Erste Banka d.d. EUR 5.0 million facility, 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 Grand 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 equity ratio has to be at least 30%.
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 2022 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 September 2023.
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 September 2023.
h. Under the AIK Banka a.d. loan signed in December 2020 for the purpose of financing the purchase of hotel Arena 88 Rooms in Belgrade, Serbia in the total amount of EUR 4.2 million the borrower (Arena 88 Rooms Holding d.o.o.) has to ensure that the value of the purchased asset is not lower by more than 35% when compared to the value of the asset as defined during 2020 by an external reputable valuator.
i. Under the Erste Group Bank AG loan signed in November 2021 for the purpose of financing the purchase of Arena Franz Ferdinand Nassfeld hotel, 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. Additionally, the borrower undertakes to maintain the ratio between the net financial debt increased by the exposure under guarantees and EBITDA to the maximum of 6.0 at the end of 2023 and until the end of the loan repayment. Covenants are calculated based on audited annual standalone financial statements. Also, during the loan period borrower is not able without bank confirmation to proceed with payments of dividends or loans to third parties.

k. Under the Privredna banka d.d. loan signed in November 2022 for the purpose of refinancing investments done in Arena Kazela Campsite in previous years, in the total amount of EUR 18.5 million, the borrower has to comply with following covenants: the DSCR is equal to or greater than 1.2 during the life of the loan based on audited standalone financial statements, the net leverage ratio based on audited standalone financial statements is equal to or lower than 4.5 from 2022 and for each succeeding calendar year during the remaining life of the loan, and net leverage ratio based on audited consolidated financial statements is equal to or lower than 6.5 at year end 2023, is equal to or lower than 5.5 at year end 2024 and for each succeeding calendar year during the remaining life of the loan. Moreover, the amount of the loan cannot exceed 70% of the value of the properties used as collateral.

l. Under the HRVATSKA BANKA ZA OBNOVU I RAZVITAK loan signed in May 2022 for the purpose of financing purchase of mobile homes in Arena Stoja Campsites, in the total amount of EUR 2.9 million, the borrower has to comply with the equity ratio has to be at least 30% calculated based on standalone financial statements.

m. Under the ERSTE&STEIERMÄRKISHE BANK d.d. loan signed in March 2022 for the purpose of financing investment in hotel in Zagreb, in the amount of EUR 12.6 million, the borrower has to comply with 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 7 at year end 2022 and 4.5 at year end 2023 and for each succeeding calendar year during the remaining life of the loan. The amount of the loan cannot exceed 100% of the property used as collateral. The equity ratio has to be at least 30%.

n. Under the OTP Bank Nyrt loan signed in October 2022 for the purpose of refurbishment of hotel in Budapest, in the amount of EUR 2 million, the borrower has to comply with following covenants: Annual debt service cover ratio (ADSCR) is equal to or greater than 1.2 during the life of the loan.

The above mentioned loans in Croatia have an interest rate ranging between 0.90% and 2.95%, whilst those outside of Croatia have an interest rate in the range between 2.1% and 4.3%.

For guarantees under the above facility agreements see Note 12.

As at 31 December 2022, the Group and the Company are in compliance with all its banking covenants, except those waived.

NOTE 14 LEASES

a. Right-of-use-assets

The Group leases buildings for its office space and hotels operations. The leases for office space typically lasts for a period of 5 years and lease of hotel building for period 20-45 years.

The Group and the Company elect to use the exemptions permitted by IFRS 16 for leases for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

GROUP	Right-of-use-assets Buildings HRK'000
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
Cost:	
Balance as at 1 January 2022	340,181
Additions during the year	9,668
Rent waiver	(2,841)
Disposals during the year	-
Exchange rate differences	(11,640)
Balance as at 31 December 2022	335,368
Accumulated amortisation:	
Balance as at 1 January 2022	78,049
Provision for amortisation	16,078
Disposals during the year	-
Exchange rate differences	(1,668)
Balance as at 31 December 2022	92,459
Net book value as at 31 December 2022	242,909

The amount of borrowing costs capitalised during the year ended 31 December 2022 was HRK 1,870 thousand (2021: 1,905 thousand).

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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 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
Balance as at January 1 2022	310,434
Additions during the year	8,064
Accretion of interest	5,750
Rent waiver	(2,841)
Payments	(26,222)
Exchange rate differences	1,531
Balance as at 31 December 2022	296,716

The maturity analysis of lease liabilities is disclosed below:

						As at 31 December 2022
	Maturity analysis					
OUTSTANDING AMOUNT HRK	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
296,716	33,912	26,127	26,551	10,505	10,528	189,093

						As at 31 December 2021
	Maturity analysis					
OUTSTANDING AMOUNT HRK	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
310,434	31,614	25,407	25,772	25,984	10,203	191,454

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 2022 or 2021 based on variable element of the agreement.

d. The Company and the Group as a lessor
Part of the Group's and the Company's property, plant and equipment is leased out under operating leases.
The operating leases relate to the lease of shops and restaurants or premises and equipment. During 2022, the Group realised rental income in the amount of HRK 11.0 million (2021: HRK 10.6 million), while the Company realised rental income in the amount of HRK 11.0 million (2021: HRK 10.4 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 2022 are as follows:

		Group		Company
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Up to 1 year	**12,165**	10,361	**12,165**	10,361
From 2 to 5 years	**22,139**	15,350	**22,139**	15,350
Over 5 years	**1,219**	613	**1,219**	613
	35,523	26,324	**35,523**	26,324

NOTE 15 PROVISIONS

		Group		Company
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Provision for concessions land	**45,358**	45,358	**45,358**	45,358
	45,358	45,358	**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 reports 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 2022 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 2022.

NOTE 16 OTHER PAYABLES AND ACCRUALS

	As at 31 December			
	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Received advances	**13,409**	11,758	**6,863**	4,249
Employees	**22,352**	17,581	**19,835**	15,324
Accrued fee for the tourist land concession	**36,816**	21,022	**36,816**	21,022
Accrued expenses	**10,031**	33,283	**1,401**	27,030
VAT and taxes	**7,139**	4,928	**4,049**	2,987
Other	**541**	1,362	**427**	387
	90,288	89,934	**69,391**	70,999

NOTE 17 REVENUES

	As at 31 December			
	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Accommodation	**685,640**	383,952	**518,361**	333,765
Food and beverages	**97,390**	48,176	**69,284**	39,301
Minor operating revenues*	**31,173**	17,940	**24,719**	18,005
Rent revenue	**11,075**	10,631	**11,044**	10,446
	825,278	460,699	**623,408**	401,517

* Minor operating revenue consists of various hospitality services provided, such as rent of sun loungers and umbrellas, foreign exchange fees, certain wellness services and sport activities.

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NOTE 18 OPERATING EXPENSES

	Year ended 31 December			
	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Salaries and related expenses	**278,984**	160,850	**195,469**	120,755
Franchise fees, reservation and commissions	**49,752**	29,747	**34,232**	23,682
Utilities	**42,679**	28,628	**28,623**	20,701
Food and beverage	**54,088**	22,325	**42,171**	18,719
Marketing expenses	**36,303**	21,619	**28,729**	19,035
Administration costs	**26,800**	19,223	**18,050**	13,148
Maintenance	**25,084**	16,836	**19,008**	13,959
Insurance and property taxes	**14,658**	10,071	**10,483**	7,222
Supplies	**12,726**	6,252	**10,189**	5,149
IT expenses	**6,326**	5,262	**4,831**	4,167
Laundry, linen and cleaning	**11,926**	4,189	**6,585**	2,586
Travel and transport	**5,565**	3,570	**4,091**	2,554
Management fee	**-**	-	**20,212**	13,451
Government grants	**(21,193)**	(64,202)	**-**	-
Other expenses	**29,339**	16,757	**14,913**	6,657
	573,037	281,127	**437,586**	271,785

Salaries and related expenses in 2022 are reduced by amount of 1.5 million of government grants on the Group level, (2021: 33,6 million on the Group level and 23,6 million on Company level).

The Group's other expenses include auditor's fees in amount of HRK 992 thousand (2021: 1,081 thousand), auditors fees for the half year review of HRK 68 thousand (2021: 68 thousand), audit fees for audit of ESEF report of HRK 75 thousand and HRK 57 thousand for audit of remuneration report.

In addition, the Group engaged other tax consultants and the tax consultancy expenses for 2022 sum up to a total amount of HRK 907 thousand (2021: 495 thousand).

The Company's other expenses include auditors fees in amount of HRK 637 thousand (2021: 497 thousand), auditors fees for the half year review of HRK 68 thousand (2021: 68 thousand), audit fees for audit of ESEF report of HRK 75 thousand and 58 thousand for audit of remuneration report.

In addition, the Company engaged the other tax consultants and tax consultancy expenses for 2022 sum up to a total amount of HRK 72 thousand (2021: 72 thousand).

NOTE 19 FINANCIAL EXPENSES

	Year ended 31 December			
	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Interest and other finance expenses on bank loans	**27,312**	26,658	**15,560**	15,705
Exchange rate differences	**15,305**	696	**680**	-
Interest on lease liability	**3,880**	(418)	**-**	-
Penalty interest	**-**	228	**-**	-
Other	**361**	292	**-**	-
	46,858	27,456	**16,240**	15,705

NOTE 20 FINANCIAL INCOME

	Year ended 31 December			
	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Interest revenue on loans given to joint ventures	**1,039**	883	**-**	-
Other financial revenue	**281**	28	**202**	23
Exchange rate differences	**-**	-	**-**	42
Interest revenue on related party loan	**-**	-	**8,037**	5,537
	1,320	911	**8,239**	5,602

NOTE 21 OTHER EXPENSES/INCOME

a. Other expense

	Year ended 31 December			
	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Disposal of fixed assets	**392**	1,063	**392**	620
Tehnoekologija settlement expenses	**-**	26,000	**-**	26,000
Pre-opening expenses	**7,994**	1,610	**5,421**	1,610
Business combination acquisition costs	**-**	2,695	**-**	-
Other expenses	**4,323**	1,993	**1,806**	552
	12,709	33,361	**7,619**	28,782

b. Other income

	Year ended 31 December			
	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Profit of disposed fixed assets	**-**	9,457	**-**	9,457
Other	**83**	-	**-**	-
	83	9,457	**-**	9,457

NOTE 22 INCOME TAX

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

	Year ended 31 December			
	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Current taxes	**2,707**	3,412	**-**	-
Deferred taxes	**21,887**	(31,866)	**20,182**	(31,866)
	24,594	(28,454)	**20,182**	(31,866)

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 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
Amounts credited to income statement	-	4,418	-	-	4,418
Amounts charged to income statement	(16,862)	-	(2,868)	(6,575)	(26,305)
Balance as at 31 December 2022	16,561	11,456	3,490	44,185	75,692

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 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
Amounts credited to income statement	-	4,418	-	-	4,418
Amounts charged to income statement	(15,157)	-	(2,868)	(6,575)	(24,600)
Balance as at 31 December 2022	15,695	11,456	3,490	44,185	74,826

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

	Year ended 31 December			
	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Profit/(loss) before income taxes	**60,831**	3,060	**73,222**	13,751
Expected tax at the tax rate of Croatia 18% (2021: 18%)	**10,950**	551	**13,180**	2,475
Adjustments in respect of:				
Effect of other Countries tax rate	**678**	(1,841)	**-**	-
Non-deductible expenses	**2,278**	2,147	**513**	228
Utilisation of carry forward losses for which deferred tax assets were not previously recorded	**(2,676)**	(391)	**-**	-
Income tax from previous years	**(729)**	503	**-**	-
Non-taxable income	**(86)**	(7,610)	**(86)**	(4,840)
Carry forward losses on which deferred tax asset has not been recognized	**7,604**	7,917	**-**	-
Utilization of tax incentives on investments for extra tax in Croatia	**6,575**	-	**6,575**	-
Deferred tax asset created on tax losses from previous periods	**-**	(29,730)	**-**	(29,729)
Income tax (benefit)/expense reported in the income statement	**24,594**	(28,454)	**20,182**	(31,866)

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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, Grand Hotel Brioni Pula, Verudela Beach self-catering apartment complexes, among others.

The Company has the right to use the investment tax credits until 2027. The execution of the investment project is subject to supervision by the relevant institutions throughout the period of use of the tax credits and the Company will need to present regular annual reports to the tax authority in which it will evidence that the conditions for the use of the tax credits are met.

e. Tax laws applicable to the Companies of the Group:

(i) The Company is subject to taxation under the law of Croatia. The Company was taxed at the standard rate of 18%.

(ii) Foreign subsidiaries are subject to income taxes in their country of domicile in respect of their income, as follows:

- a) Taxation in Germany: corporate income tax rate and business rates is 29.72%.
- b) Taxation in Hungary: corporate income tax rate is 9%.
- c) Taxation in the Netherlands: corporate income tax rate is 25.8%.
- d) Taxation in Austria: corporate income tax rate is 25%.
- e) Taxation in Serbia: corporate income tax rate is 15%.

f. Losses carried forward for tax purposes:

The Company in Croatia has carry forward losses for tax purposes at the balance sheet date in the total amount of HRK 87.2 million. Deferred tax asset was recognised in the amount of HRK 15.7 million. These losses can be utilised within five years following the year in which the losses were incurred, what means until the year 2026.

Other subsidies in Croatia have carry forward losses for tax purposes at the balance sheet date in the total amount of HRK 21.0 million. Deferred tax asset was partly recognised in the amount of HRK 0.2 million. These losses can be utilised within five years following the year in which the losses were incurred, what means until the year 2027.

The Group has carry forward losses for tax purposes at the balance sheet date in Germany in the amount of HRK 124.9 million for corporation tax and amount of HRK 79.5 for trade tax purposes. Deferred tax assets were partially recognised in the amount of HRK 0.6 million. These losses could be carried forward indefinitely and utilized in future years to offset taxable income.

The Group has carry forward losses for tax purposes at the balance sheet date in Austria in the amount of HRK 13.2 million. Deferred tax assets was not recognised. These losses could be carried forward indefinitely and utilized in future years to offset up to 75% of taxable income of the year.

The Group has carry forward losses for tax purposes at the balance sheet date in Hungary in the amount of HRK 29.5 million. Deferred tax asset was not recognised. These losses can be utilised within five years following the year in which the losses were incurred, what means until the year 2027.

The Group has carry forward losses for tax purposes at the balance sheet date in Serbia in the amount of HRK 5.6 million. Deferred tax asset was not recognised. These losses can be utilised within five years following the year in which the losses were incurred, what means until the year 2027 by reducing it up to 50% of taxable profit.

NOTE 23 EARNINGS PER SHARE

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

	Year ended 31 December			
	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Profit/(loss) for the year	**36,237**	31,514	**53,040**	45,617
Weighted average number of ordinary shares outstanding	**5,077,877**	5,083,552	**5,077,877**	5,083,552
Basic and diluted earnings per share	**7.14**	6.20	**10.45**	8.97

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

NOTE 24 SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments. The Group's and the Company's chief operating decision maker is the Management Board. Following the management approach of IFRS 8, Operating Segments are reported in accordance with the internal reporting provided to the Management Board who are responsible for allocating resources to the reportable segments and assessing their performance.

For management purposes, the Group's and the Company's activities are divided into hotel operations, self-catering holiday apartment complex operations, campsite operations and central services operations. The operating results of each of the aforementioned segments are monitored separately for the purpose of resource allocation and performance assessment. Segment performance is evaluated based on EBITDA, which is measured on the same basis as for financial reporting purposes in the income statement.

						Year ended 31 December 2022
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	482,011	107,447	226,040	9,780	-	825,278
Inter segment				101,328	(101,328)	
Total revenue	482,011	107,447	226,040	111,108	(101,328)	825,278
Segment EBITDA	111,078	33,849	100,308	(10,254)	-	234,981
Depreciation and amortisation	(71,412)	(14,578)	(26,267)	(5,510)	-	(117,767)
Financial expenses						(46,858)
Financial income						1,320
Other expenses						(12,709)
Other income						83
Share in result of joint venture						1,781
Profit/(loss) before tax						60,831

	Croatia HRK'000	Germany HRK'000	CEE HRK'000	Total HRK'000
Geographical information				
Non-current assets[1]	1,737,894	594,656	209,600	2,542,150

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

						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 2022
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	277,834	107,447	226,040	12,087	-	623,408
Inter segment				64,457	(64,457)	
Total revenue	277,834	107,447	226,040	76,544	(64,457)	623,408
Segment EBITDA	55,018	33,849	100,309	(19,509)	-	169,667
Depreciation and amortisation	(35,570)	(14,578)	(26,267)	(4,410)	-	(80,825)
Financial expenses						(16,240)
Financial income						8,239
Other expenses						(7,619)
Other income						-
Profit/(loss) before tax						73,222
Non-current fixed assets	807,285	352,596	403,150	108,592	-	1,671,623

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

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COMPANY	Hotels HRK'000	Self-catering holiday apartment complexes HRK'000	Campsites HRK'000	Central Services HRK'000	Elimination HRK'000	Total HRK'000
						Year ended 31 December 2021
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.

NOTE 25 RELATED PARTIES

Parties are considered to be related if one of the parties has the power to exercise control over the other party or if it has significant influence over the other party in making financial or operational decisions. The Company is controlled by Dvadeset Osam d.o.o., which owned 53.2% of the Company's shares as at 31 December 2022. The ultimate parent is PPHE Hotel Group Limited which owns 100% of shares of Dvadeset Osam d.o.o. Additionally, all other subsidiaries of PPHE Hotel Group are treated as related parties.

a. Balances with related parties

	Group 2022 HRK'000	Group 2021 HRK'000	Company 2022 HRK'000	Company 2021 HRK'000
	Year ended 31 December			
Assets:				
Short-term receivables – Park Plaza Hotels Europe B.V.	**45**	-	**33**	-
Short-term receivables – PPHE (Germany) B.V.	**24**	-	**-**	-
Short-term receivables – from joint ventures	**235**	68		-
Short-term receivables - Park Plaza (Germany) Services GmbH	**-**	-	**2**	2
Short-term receivables - Park Plaza Germany Holdings GmbH	**-**	-	**1**	-
Short-term receivables – PPHE Nurernberg Operator Hotelbetriebsgesellschaft Gmbh	**-**	-	**33**	63
Short-term receivables - Arena 88 rooms d.o.o.	**-**	-	**228**	208
Short-term receivables - Arena Franz Ferdinand GmbH	**-**	-	**142**	1,379
Short-term receivables – Arena Hospitality Management d.o.o.	**-**	-	**738**	736
Short-term receivables – Ulika d.o.o.	**-**	-	**791**	47
Short-term receivables – Mažurana d.o.o.	**-**	-	**357**	-
Short-term receivables – Germany Real Estate B.V.	**-**	-	**4,329**	9,993
Short-term receivables – Sugarhill Investments B.V.	**-**	-	**5,009**	1,376
Long-term loans to joint ventures	**47,422**	46,832	**-**	-
Long-term loans to Sugarhill Investments B.V.	**-**	-	**156,369**	99,227
Long-term loans to Ulika d.o.o.	**-**	-	**38,300**	5,800
Long-term loans to Mažurana d.o.o	**-**	-	**120**	-
Long-term loans to Germany Real Estate B.V.	**-**	-	**135,217**	144,227
Liabilities:				
Trade payables – Arena Hospitality Management d.o.o.	**-**	-	**5,019**	4,655
Trade payables – Arena Franz Ferdinand GmbH	**-**	-	**2**	-
Trade payables – PPHE Nurernberg Operator Hotelbetriebsgesellschaft Gmbh	**-**	-	**185**	-
Trade payables – PPHE (Germany) B.V.	**6,205**	16,115	**-**	-
Trade payables – Park Plaza Hotels Europe B.V.	**3,320**	2,432	**3,320**	2,432

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b. Transactions with related parties

	Year ended 31 December			
	Group		Company	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Management fee revenue from joint ventures	**2,699**	471	**-**	-
Service charge revenue – joint ventures	**2,494**	1,246	**-**	-
Reimbursement of employee expenses – Arena Hospitality Management d.o.o.	**-**	-	**7,034**	6,745
Reimbursement of other expenses – Arena Hospitality Management d.o.o.	**-**	-	**80**	-
Revenue from lease of equipment - Mažurana d.o.o.	**-**	-	**285**	-
Reimbursement of employee expenses - Arena Franz Ferdinand GmbH	**-**	-	**247**	-
Reimbursement of employee expenses - Park Plaza Germany Holdings GmbH	**-**	-	**57**	-
Reimbursement of employee expenses -SW Szállodaüzemeltető Kft	**-**	-	**529**	-
Reimbursement of employee expenses -Park Plaza Nuremberg Operator Hotelbetriebsgesellschaft Gmbh	**-**	-	**70**	-
Interest income – Ulika d.o.o.	**-**	-	**756**	12
Interest income – Mažurana d.o.o.	**-**	-	**1**	-
Interest income – joint ventures	**1,039**	883	**-**	-
Interest income – Sugarhill Investments B.V.	**-**	-	**3,634**	1,206
Interest income – Germany Real Estate B.V.	**-**	-	**3,646**	4,319
Reimbursement of employee expenses - Park Plaza Nuremberg Operator	**-**	-	**158**	-
Accommodation expenses - Arena Franz Ferdinand Gmbh	**-**	-	**190**	-
Management fees expense – Arena Hospitality Management d.o.o.	**-**	-	**20,212**	13,451
Sales and marketing fees – Park Plaza Hotels Europe B.V.	**24,454**	15,660	**24,454**	15,660
Sales and marketing fees – PPHE (Germany) B.V.	**6,841**	2,340	**-**	**-**

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 2022:

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	6,143	2,058	1,169	993	10,363
Supervisory Board	1,071	-	119	-	1,190
	7,214	2,058	1,288	993	11,553

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

NOTE 26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and Company's principal financial instruments, other than derivatives, and marketable securities comprise bank borrowings, cash and cash equivalents and restricted deposits. The main purpose of these financial instruments is to finance the Group's and Company's operations. The Group and the Company have various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

	Changes in financial liabilities arising from financing activities						
GROUP	1 January 2022 HRK'000	Cash flows HRK'000	Reclassification HRK'000	Foreign exchange movement HRK'000	New loans HRK'000	Other HRK'000	31 December 2022 HRK'000
Non-current interest-bearing loans	1,151,730	(59,866)	(160,571)	2,204	384,476	(3,075)	1,314,898
Derivative financial instruments	4,327	-	-	-	-	(12,814)	(8,487)
Current interest-bearing loans	77,713	(76,320)	160,571	-	-	(652)	161,312
	1,233,770	(136,186)	-	2,204	384,476	(16,541)	1,467,723

	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

COMPANY	1 January 2022 HRK'000	Cash flows HRK'000	Reclassification HRK'000	Foreign exchange movement HRK'000	New loans HRK'000	Other HRK'000	31 December 2022 HRK'000
	Changes in financial liabilities arising from financing activities						
Non-current interest-bearing loans	716,569	(59,866)	(138,891)	1,397	335,427	(2,715)	851,921
Current interest-bearing loans	60,268	(59,408)	138,891	-	-	(916)	138,835
	776,837	(119,274)	-	1,397	335,427	(3,631)	990,756

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
	Changes in financial liabilities arising from financing activities						
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

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.

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

With the first day of 2023, Croatia became a part of Eurozone and has adopted Euro as transactional currency. With the adoption of Euro currency in Croatia in 2023, this risk is significantly decreased compared to prior periods.

b. Interest rate risk

The Group's and Company's policy is to manage its interest costs using fixed rate debt. To manage its interest costs, the Group and Company enter into interest rate swaps, in which the Group and the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. Furthermore, the Group and Company uses fixed interest rate debts. For this reason the Group's and the Company's cash flow are not sensitive to possible changes in market interest rates. Possible changes in interest rates do, however, affect the Group's and Company's equity as the fair value of the swap agreements changes with interest rate changes. These swaps are designated to hedge underlying debt servicing obligation. The fair value of the swaps of the Group as at 31 December 2022 amounts to an assets of HRK 8,487 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 2022 and 2021 based on contractual undiscounted payments:

						As at 31 December 2022
	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	22,374	168,698	190,858	880,929	388,355	1,651,214
Accrued fee for the tourist land concession	-	36,816	-	-	-	36,816
Trade payables	34,523	-	-	-	-	34,523
Liabilities toward related parties	9,525	-	-	-	-	9,525
Other payables and accruals	22,352	23,981	-	-	-	46,333
	88,774	229,495	190,858	880,929	388,355	1,778,411

						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	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

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2022 and 2021 based on contractual undiscounted payments:

						As at 31 December 2022
	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	13,890	144,936	149,447	513,139	281,716	1,103,128
Accrued fee for the tourist land concession	-	36,816	-	-	-	36,816
Trade payables	7,737	-	-	-	-	7,737
Liabilities toward related parties	8,526	-	-	-	-	8,526
Other payables and accruals	19,835	8,691	-	-	-	28,526
	49,988	190,443	149,447	513,139	281,716	1,184,733

						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

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	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Interest-bearing bank loans and borrowings	**1,476,210**	1,229,443	**990,756**	776,837
Less – cash and cash equivalents	**(530,707)**	(340,903)	**(418,789)**	(285,491)
Less – other current financial assets	**-**	(201)	**-**	(201)
Net debt	**945,503**	888,339	**571,967**	491,145
Equity	**1,618,150**	1,569,002	**2,026,658**	1,978,035
Hedging reserve	**8,605**	(4,356)	**-**	-
Total capital	**1,626,755**	1,564,646	**2,026,658**	1,978,035
Capital and net debt	**2,572,258**	2,452,985	**2,598,625**	2,469,180
Gearing ratio	**36.76%**	36.21%	**22.01%**	19,89%

The Group and the Company manage its capital structure and make adjustments to it in light of changes in economic conditions. The Group and the Company monitor capital using a gearing ratio, which is net bank debt divided by total capital plus net bank debt. The Group's policy is to keep the gearing ratio between 30% and 40%. The Group and the Company include within net bank debt, interest bearing bank loans and borrowings, less cash and cash equivalents and other liquid assets. Capital includes equity less the hedging reserve.

g. Fair value of financial instruments

The fair values of the financial assets and liabilities are included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, trade receivables, trade payables, and other current assets and liabilities approximate their carrying amounts largely due to the short–term maturities of these instruments.

Long term fixed rate and variable rate receivables are evaluated by the Group and the Company based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables.

The fair value of loans from banks and other financial liabilities, obligations under finance leases as well as other non–current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The fair value of loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value of available for sale financial assets is derived from quoted market prices in active markets. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group and the Company is the current bid price. These instruments are included in Level 1. The Group and the Company entered into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques for swap models, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties, and interest rate curves.

Fair value is the amount that would be received on sale at an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques based on a discounted cash flow. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity–specific estimates.

If all significant inputs required to fairly value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Fair value hierarchy

The Group and the Company use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique based on the lowest level input that is significant to the fair value so determined:

LEVEL 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

LEVEL 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly.

LEVEL 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2022, the Group held the following financial instruments measured at fair value:

ASSET	31 December 2022 HRK'000	Level 1 HRK'000	Level 2 HRK'000	Level 3 HRK'000
Interest rate swaps used for hedging	8,487	-	8,487	-
Available for sale – financial assets	-	-	-	-

During 2022, 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.

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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	-

As at 31 December 2021, the Group and the Company held the following financial instruments measured at fair value:

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.

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	
	2022 HRK'000	2021 HRK'000	2022 HRK'000	2021 HRK'000
Financial assets Available for sale – financial assets	**-**	201	**-**	201
Financial liabilities Bank borrowings*	**1,476,210**	1,229,443	**1,433,730**	1,206,072

i. Derivative financial instruments

The part of the Group's borrowings are at variable interest rates based on EURIBOR. To limit its exposure to changes in the rates of EURIBOR on its cash flows and interest expense, the Group has entered into various interest rate swaps, as described above. The Company meets the relevant criteria in IFRS 9 to apply hedge accounting and the fair value changes of swaps in the hedge relationship that are determined to be effective are recorded in other comprehensive income. All fair value movements that are determined to be ineffective are recorded in profit and loss.

NOTE 27 SUBSEQUENT EVENTS

The Government of the Republic of Croatia, adopted the Decision on the announcement of the introduction of the euro as the official currency in the Republic of Croatia. With the aforementioned decision, the euro becomes the official monetary unit and legal tender in the Republic of Croatia on January 1, 2023. The fixed conversion rate is set at HRK 7.53450 for one euro.

The introduction of the euro as the official currency in the Republic of Croatia represents a change in the functional currency that will be calculated prospectively and does not represent an event after the balance sheet date that requires reconciliation.

There were no other events after the balance sheet date that would have had a significant impact on the financial statements as of or for the period then ended.

NOTE 28 APPROVAL OF FINANCIAL STATEMENTS

These financial statements are approved and signed by the Management board of the Company and the Group on 27 February 2023.

R. Slonim

Reuel Israel Gavriel Slonim
PRESIDENT OF THE MANAGEMENT BOARD

Manuela Kraljević
MEMBER OF THE MANAGEMENT BOARD & MARKETING AND SALES DIRECTOR

Devansh Bakshi
MEMBER OF THE MANAGEMENT BOARD & CHIEF FINANCIAL OFFICER

E. Pinto

Edmond Pinto
MANAGEMENT BOARD & CHIEF OPERATING OFFICER

05

Appendices

Subsidiaries included in the Group

Name of Group	Principal activity	Country of incorporation	Functional currency	Direct and indirect holdings %
Ulika d.o.o.[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 GmbH[23]	Management Company	Germany	EUR	100
PPHE Germany Holdings GmbH[23]	Holding Company	Germany	EUR	100
PPHE Nürnberg Operator Hotelbetriebsgesellschaft mbH23	Hotel Operation	Germany	EUR	100
Park Plaza Germany Holdings GmbH[23]	Holding Company	Germany	EUR	100
Park Plaza Nürnberg GmbH[23]	Hotel Operation	Germany	EUR	100
Park Plaza Hotels Berlin Wallstrasse GmbH [23]	Hotel Operation	Germany	EUR	100
art'otel berlin city center west GmbH[23]	Hotel Operation	Germany	EUR	100
art'otel Köln Betriebsgesellschaft mbH[23]	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

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

GRI Framework Index with References

GRI FRAMEWORK INDEX WITH REFERENCES

INDICATOR	DESCRIPTION	REFERENCES / LINK
GENERAL DISCLOSURE		
GRI 2-1 (2021)/ GRI 102-1 (2016)	Organizational details	page 64
GRI 2-6 (2021)/ GRI 102-2 (2016)	Activities, value chain and other business relationships	page 64
GRI 2-5 (2021) / GRI 102-56 (2016)	External assurance	page 64
GRI 2-7 (2021)/ GRI 102-8 (2016)	Employees	page 64
GRI 2-22 (2021)/ GRI 102-14 (2016)	Statement on sustainable development strategy	page 65
GRI 3-1 (2021) / GRI 103-1 (2016)	Process to determine material topics	
GRI 3-2 (2021)/ GRI 103-1 (2016)	List of material topics	page 66
GOVERNANCE INDICATORS		
GRI 2-9 (2021)/ GRI 102 (2016)	Governance structure and composition	page 68
GRI 205	Anti-corruption 2016	page 70
GRI 205-1	Operations assessed for risks related to corruption	page 70
GRI 205-2	Communication and training about anti-corruption policies and procedures	page 71
SOCIAL INDICATORS		
GRI 401	Employment 2016	
GRI 401-1	New employee hires and employee turnover	page 74
GRI 401-3	Parental leave	page 74
GRI 403	Occupational Health and Safety 2018	
GRI 403-1	Occupational health and safety management system	page 72
GRI 403-9	Work-related injuries	page 72
GRI 404	Training and Education 2016	
GRI 404-1	Average hours of training per year per employee	page 80
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	page 80
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	page 80
GRI 405	Diversity and Equal Opportunity 2016	
GRI 405-1	Diversity of governance bodies and employees	page 73
GRI 405-2	Ratio of basic salary and remuneration of women to men	page 74

GRI FRAMEWORK INDEX WITH REFERENCES

INDICATOR	DESCRIPTION	REFERENCES / LINK
SOCIAL INDICATORS		
GRI 407	Freedom of Association and Collective Bargaining 2016	
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	page 75
GRI 413	Local Communities 2016	
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	page 79
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	page 79
GRI 414	Supplier Social Assessment 2016	
GRI 414-1	New suppliers that were screened using social criteria	page 79
RI 414-2	Negative social impacts in the supply chain and actions taken	page 79
ENVIRONMENTAL INDICATORS		
GRI 302	Energy 2016	
GRI 302-1	Energy consumption within the organization	page 87
GRI 302-3	Energy intensity	page 87
GRI 303	Water and Effluents 2018	
GRI 303-3	Water withdrawal	page 88
GRI 303-4	Water discharge	page 88
GRI 304	Biodiversity 2016	page 91
GRI 305	Emissions 2016	
GRI 305-1	Direct (Scope 1) GHG emissions	page 85
GRI 305-2	Energy indirect (Scope 2) GHG emissions	page 85
GRI 305-3	Other indirect (Scope 3) GHG emissions	page 85
GRI 305-4	GHG emissions intensity	page 85
GRI 306	Waste 2020	
GRI 306-3	Waste generated	page 90

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)	Minimum Safeguards (17)	Taxonomy-aligned proportion of CAPEX Year N (18)	Taxonomy-aligned proportion of CAPEX Year N- 1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		HRK thousand	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY - ELIGIBLE ACTIVITY (A.1 + A.2.)		319,281	79.07%																	
A.1 Environmentally sustainable activities (Taxonomy - aligned)																				
A 7.2. Renovation of existing buildings	F41, F43	-	0.0%	0.0%	0.0%	-	-	-	-	-	-	-	-	-	-	-	0.00%			
B 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	C27.9	109	0.03%	0.0%	0.03%	-	-	-	-	Y	-	-	-	-	-	-	0.03%		E	
CAPEX of environmentally sustainable activities (Taxonomy-aligned)		109	0.03%	0.0%	0.03%	-	-	-	-	Y	-	-	-	-	-	Y	0.03%	n/a		
A.2. Eligible but not environmentally sustainable activities (not Taxonomy - aligned)																				
A 7.2. Renovation of existing buildings	F41, F43	319,171	79.04%	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	
Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		319,171	79.04%	-	-	-	-	-	-	-	-	-	-	-	-	-	79.0%	n/a		
B. Taxonomy - non - eligible activities																				
CAPEX of Taxonomy-non-eligible activities		84,529	20.93%																	
Total (A+B)		403,810	100.00%																	

OPEX

				SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA (Does not Significantly Harm)										
Economic Activity (1)	Code (2)	Absolute OpEx (3)	Proportion of OpExa (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water & Marine Resources (7)	Circular Economy (8)	Pollution (9)	Biodiversity and Ecosystem (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water & Marine Resources (13)	Circular Economy (14)	Pollution (15)	Biodiversity and Ecosystem (16)	Minimum Safeguards (17)	Taxonomy-aligned proportion of CAPEX Year N (18)	Taxonomy-aligned proportion of CAPEX Year N- 1 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		HRK thousand	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY - ELIGIBLE ACTIVITY (A.1 + A.2.)		249	0.99%																	
A.1 Environmentally sustainable activities (Taxonomy - aligned)																				
A 4.16. Installation and operation of electric heat pumps	F43	-	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	0.00%			
B 7.3. Installation, maintenance and repair of energy efficiency equipment	F43	-	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	0.00%		E	
C 7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	F43	93	0.37%	0.00%	0.37%	-	-	-	-	Y	-	-	-	-	-	Y	0.37%			
OpEx of environmentally sustainable activities (Taxonomy-aligned)		93	0.37%	0.00%	0.37%	-	-	-	-	Y	-	-	-	-	-	Y	0.37%	n/a		
A.2. Eligible but not environmentally sustainable activities (not Taxonomy - aligned)																				
A 4.16. Installation and operation of electric heat pumps	F43	43	0.17%	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
B 7.3. Installation, maintenance and repair of energy efficiency equipment	F43	114	0.45%	-	-	-	-	-	-	-	-	-	-	-	-	-			E	
C 7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	F43	-	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-				
Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		156	0.62%	-	-	-	-	-	-	-	-	-	-	-	-	-	0.62%	n/a		
B. Taxonomy - non - eligible activities																				
OpEx of Taxonomy-non-eligible activities		24,835	99.01%																	
Total (A+B)		25,084	100.00%																	

Glossary

A

Arena Hospitality Group: Arena Hospitality Group d.d. is one of the most dynamic hospitality groups in Central and Eastern Europe, currently offering a portfolio of 29 owned, coowned, leased and managed properties with more than 10,000 rooms and accommodation units in Croatia, Germany, Hungary, Serbia and Austria. PPHE Hotel Group has a controlling ownership interest in Arena Hospitality Group.www.arenahospitalitygroup.com.
ADR: Average daily rate. Total room revenue divided by number of rooms sold.
art'otel®: A lifestyle collection of hotels that fuse exceptional architectural style with art-inspired interiors, located in cosmopolitan centres across Europe. PPHE Hotel Group is owner of the art'otel® brand worldwide www.artotels.com

C

CEE region: the Central and Eastern Europe region, which for the Company's reporting purposes only includes, inter alia, Austria, Hungary and Serbia.
Company: Arena Hospitality Group d.d., with registered seat in Pula, Smareglina ulica 3, Croatia, registered in the court register of the Commercial Court in Pazin under number (MBS) 040022901, personal identification number (OIB) 47625429199

D

Distribution: Encompasses all the electronic channels of distribution, which include GDS, brand websites and third party intermediaries. These distribution channels can be accessed through the Internet, an intranet or through an interfaced connection.
DSCR: debt service coverage ratio. Calculated as annual available cash flow (free cash flow before debt repayment toward banks and other financial institutions divided by annual/12-month period debt service toward banks and other financial institutions (principal payments and financing cost like interest expenses and other fees).
The difference between DSCR 1 and 2 is the beginning of the year cash balance which is included in the calculation of DSCR 1.
DSCRC: DSCRC including cash (it is amount of debt coverage in relation with certain period of time during a year, EBITDA decreased for CAPEX which is decreased for long-term loans used for financing of long-term fixed asset, which are taken during the current financial year taking into consideration changes of working capital, paid taxes, paid dividends, increased for cash and cash equivalents including deposits according to loan agreement (ZABA no 3275727104, party no 5100569172) at the beginning of period divided with sum of paid loan liabilities related to principal and interest).

E

Earnings (loss) per share: Basic earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year. Diluted earnings (loss) per share amounts are calculated by dividing the net profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.
EBITDA: Earnings before interest, tax, depreciation and amortization.
EBITDA margin: EBITDA divided by total revenue.
EBITDAR: Earnings before interest, tax, depreciation, amortization, impairment loss and rental expenses, share of associate and exceptional items presented as other income and tax (EBITDAR) correspond to revenue less cost of revenues (operating expenses).
EBITDAR, together with EBITDA, is used as a key management indicator.
Equity ratio: defined as the ratio between equity and reserves, decreased for any goodwill, loans to shareholder and advance dividend payment, and the total liabilities.

F – O

GDPR: General Data Protection Regulation
Group: Company and its consolidated subsidiaries (companies subject of a requirement to consolidate their financial statements).
Interest cover ratio: defined as the ratio between EBITDA and the total amount of interest accrued during the corresponding period.
Like-for-like: Results achieved through operations that are comparable with the operations of the previous year. Current years' reported results are adjusted to have an equivalent comparison with previous years' results in the same period, with similar seasonality and the same set of hotels.
Management Board: Reuel ('Reli') Slonim (President of Management Board), Devansh Bakshi (Member of the Management Board and CFO), Manuela Kraljević (Member of the Management Board and Marketing and Sales Director) and Edmond Pinto (Member of the Management Board and Chief Operating Officer).
Net leverage ratio: defined as (Total Debt – Cash and cash equivalents)/EBITDA.
Occupancy: total occupied rooms divided by net available rooms or RevPAR divided by average room rate.

P – Z

Park Plaza® Hotels & Resorts: upper upscale hotel brand. PPHE Hotel Group is master franchisee of the Park Plaza® Hotels & Resorts brand owned by Radisson Hotel Group. PPHE Hotel Group has the exclusive right to develop the brand across 56 countries in Europe, the Middle East and Africa. www.parkplaza.com.

PPHE Hotel Group: PPHE Hotel Group Limited is an international hospitality real estate company, with 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), Amra Pende (Member), Lorena Škuflić (Member), Ivana Matovina (Member),and Goran Nikolić (Member appointed by employees' council)

Contacts

SUPERVISORY BOARD
Boris Ivesha, Chairman
Yoav Papouchado, Vice Chairman
Kevin McAuliffe, Member
Amra Pende, Member
Lorena Škuflić, Member
Ivana Matovina, Member
Goran Nikolić, Member appointed by employees' council

MANAGEMENT BOARD
Reuel ('Reli') Slonim, President of the Management Board
Manuela Kraljević, Member of the Management Board & Marketing and Sales Director
Devansh Bakshi, Member of the Management Board & Chief Financial Officer
Edmond Pinto, Member of the Management Board & Chief Operating Officer

KEY CONTACTS
Devansh Bakshi, Member of the Management Board & Chief Financial Officer
Ante Gavran, Group Director Corporate Finance
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

PARK PLAZA

art'otel

ARENA HOTELS & APARTMENTS

ARENA CAMPSITES

PARTNER BRAND

RADISSON COLLECTION